

## **Forvis Mazars contribution to the European Commission's proposal to revise EU rules on sustainable finance disclosure**

**2 April 2026**

Forvis Mazars Group provides audit & assurance, tax, advisory and consulting services in over 100 countries and territories, including 26 European member states. We are dedicated to delivering an unmatched client experience to help our clients prepare for what's next.

The implementation of the Sustainable Finance Disclosure Regulation (SFDR) over the past four years has highlighted several structural weaknesses that limit its ability to achieve its core objectives: enhancing transparency in financial products, combating greenwashing, and effectively channelling capital toward sustainable investments. While the regulation aimed to build investor trust and support the transition to a sustainable economy, inconsistencies and ambiguities in its framework have reduced its overall effectiveness.

Addressing these issues, the European Commission's proposal to revise the SFDR (often referred to as 'SFDR 2.0') is broadly welcomed. It represents an important opportunity to restore investor confidence, improve market integrity, and strengthen the credibility of sustainable finance.

Our feedback concentrates on those aspects of the proposal that require particular attention in further developing the design of the SFDR and accompanying Regulatory Technical Standards (RTS):

- 1) Product categorisation**
- 2) Consistency with the regulatory framework for sustainable finance**
- 3) Regulation of ESG data providers**
- 4) Application dates and transition periods**

## (I) Product categorisation

It is encouraging to notice that newly proposed product categories aim to build on existing market practices rather than disrupt them entirely. This point is particularly relevant for securing the support of financial market participants in the implementation of this amended text. Indeed, by incorporating elements such as mandatory exclusions, minimum investment thresholds linked to EU Climate Transition Benchmarks (CTB) or Paris-Aligned Benchmarks (PAB), and taxonomy-aligned investments, the proposal seeks to ensure continuity while reducing reputational risks for financial market participants during the transition phase.

However, to ensure the practicality of new product categories and avoid repeating the lack of technical clarity of SFDR 1.0, the following conditions should be met:

### 1. Clear definitions, criteria and indicators for each product categories

- All sustainability-related product categories (art. 7/8/9) must include clear definitions, criteria and indicators, including for the list of eligible investments for each product category. Eligibility criteria must strike a balance between establishing clarity and allowing flexibility. For example, overly restrictive criteria could limit the investment universe to a point where sustainability-related financial products are not able to classify as such, while vague or loosely defined criteria could perpetuate greenwashing risks.

### 2. A focus on product category objective to ensure transparency and avoid a tendency to rank product categories

- The objectives of each product category should be clearly defined, ensuring that market participants understand the inherent difference between the sustainable, transition and basic categories, as well as their distinct purpose. This should prevent the market from adopting the notion that these three categories establish a ranking of a product's sustainability ambition and should, ultimately, facilitate more effective capital allocation toward sustainable and transition-related investments.

### 3. Leave no room for doubt regarding the concept of impact

- We welcome the proposed explicit recognition of impact strategies under SFDR. However, the concept of 'impact', as well as the accompanying disclosure requirements for sustainable and transition categories employing impact strategies, require further clarification. They should leverage on the criteria provided by ESMA regarding the use of the term 'impact' for funds. Without a clear and harmonised definition, the term remains highly exposed to misuse, potentially undermining the credibility of the entire framework.

## **(II) Consistency with the regulatory framework for sustainable finance**

The explanatory statement to the EU proposal is encouraging since it underlines the fact that “the necessary simplification and adjustment of the existing SFDR framework can only be done in a coherent and effective way at EU level”. Indeed, regulatory misalignment among the EU sustainable finance framework (MiFID II, IDD, Taxonomy, CSRD, CSDDD, Pillar 3...) could create confusion, inefficiencies, and additional compliance burdens.

We are aligned with the European Commission proposal stating that the new SFDR categories will be reflected and used in the context of the distribution of financial products to redefine the notion of sustainability preferences laid down in the Markets in financial instruments directive (MiFID) and Insurance distribution directive (IDD). However, clearer information is expected on the operational implementation of the new SFDR categorisation within MiFID II and IDD, especially with regards to portfolio management which is removed from SFDR 2.0 scope.

## **(III) Regulation of ESG data providers**

The revision of SFDR, as envisioned, will require stricter requirements from ESG data providers and the data they provide to investors. As financial market participants will increasingly rely on external data - especially in a context where fewer companies are subject to direct disclosure requirements - there will be a growing demand for sustainability data and estimates with high quality – hence additional and stricter rules are necessary to ensure they meet expectations related to comparability and quality. The current proposal’s provisions seem insufficient on this topic/ are not taking into account this upcoming development, and stronger measures are recommended to ensure transparency, accountability, comparability and fair practices among data providers.

## **(IV) Application dates and transition periods**

A key lesson from the implementation of SFDR 1.0 is that the effectiveness of the framework depends critically on the timely adoption of Level 2 measures. Given that SFDR 2.0 delegates a substantial part of its operational design to Regulatory Technical Standards, it is essential that these RTS are adopted and published sufficiently in advance of the application date of the revised regime. This is necessary to avoid implementation based on assumptions that may later need to be revisited. In addition, adequate transition periods should be staggered to allow financial market participants to properly adapt investment strategies, data processes, disclosures and distribution arrangements to the revised rules.