

Consultation Response – Revision of the Sustainable Finance Disclosure Regulation (SFDR 2.0)

We welcome the European Commission’s initiative to revise the Sustainable Finance Disclosure Regulation (SFDR) and its efforts to improve the transparency, usability, and comparability of sustainability-related information in financial products. The proposed introduction of clearer product categories represents an important step toward addressing shortcomings in the current disclosure-focused framework and improving alignment between financial products and investors’ sustainability preferences.

Regulatory product categories provide an important baseline, complemented by voluntary sustainability-related labelling schemes that offer further differentiation and investor orientation. Article 17(2) explicitly states that the regulation is “without prejudice to voluntary sustainability-related labelling schemes for financial products with features that exceed those in Articles 7, 8 and 9”.

Recommendation: We recommend retaining the explicit recognition of voluntary sustainability-related labelling schemes in Article 17(2) as currently formulated in the SFDR 2.0 proposal.

This recommendation is also consistent with broader EU regulatory developments, in particular Directive (EU) 2024/825 (“Empowering Consumers for the Green Transition”), which establishes a requirement for the validation of sustainability-related claims. In this context, sustainability labels are explicitly recognised as a relevant instrument, provided they are based on certification schemes and independent third-party verification.

Against this background, voluntary sustainability labels can play a key role in strengthening the credibility and comparability of sustainability claims at the product level. While SFDR primarily establishes transparency and minimum requirements, such labels can contribute to ensuring that sustainability claims are robust, verifiable, and meaningful. In doing so, they enhance investor trust, support informed decision-making, and help mitigate risks of greenwashing.

The proposed SFDR framework primarily establishes transparency requirements and minimum thresholds. While this framework improves the basis for comparing financial products, it does not provide a comprehensive qualitative differentiation of sustainability strategies. In practice, sustainability assessments often involve normative choices and methodological differences, for example, in relation to exclusion criteria, positive screening approaches, stewardship activities, or the evaluation of transition strategies. These aspects inevitably leave room for interpretation within regulatory categories.

Several analyses of the current SFDR market suggest that Article 8 funds represent the large majority of ESG-labelled investment products in Europe (Morningstar, SFDR Article 8 and 9 Funds: Q3 2025 in Review¹). Similar observations are reflected in supervisory analyses highlighting heterogeneity within the Article 8 category and the need for clear, comparable

¹ See https://www.morningstar.com/en-gb/business/insights/research/sfdr-article8-article9?utm_campaign=sus_gl_n_en_2512_tf_n_susbrand_efimpactaward&utm_medium=referral&utm_content=pdf_n&utm_source=sust_site

sustainability information to reduce greenwashing risks and improve investor understanding (ESMA, Progress Report on Greenwashing, 2023²). Regulatory categories can therefore provide an important baseline for comparability through the analyses and assessments built upon them. Additional mechanisms for qualitative differentiation may remain necessary to help investors identify products that go beyond minimum regulatory requirements.

Voluntary sustainability labels can therefore play an important complementary role. They translate regulatory disclosures into more accessible quality signals, enable differentiation above the regulatory baseline, and support the development of best practices in sustainable investment. Moreover, those labels help accelerate progress toward continuously improving solutions to social and environmental challenges and, therefore, are an important element of the “sustainable finance infrastructure”. A practical example of such a voluntary quality standard is the FNG-Label, which evaluates sustainability-related financial products in German-speaking markets. The label enables investors to differentiate between products that merely meet regulatory requirements and those that go (far) beyond them by applying more ambitious sustainability standards.

A layered system in which regulation provides the baseline while voluntary labels enable additional quality differentiation would strengthen investor orientation, help to reward best practices, and thus motivates for more innovation and contribute to the credibility and integrity of the EU sustainable finance framework.

This response is submitted jointly by F.I.R.S.T. e.V., the Advanced Impact Research GmbH (AIR), Forum Nachhaltige Geldanlage e.V. (FNG), and Prof. Dr. Timo Busch from the University of Hamburg (UHH) with expertise in sustainable finance, sustainability labelling frameworks, and the evaluation of sustainable investment products.

² See https://www.esma.europa.eu/sites/default/files/2023-06/ESMA30-1668416927-2498_Progress_Report_ESMA_response_to_COM_Rfl_on_greenwashing_risks.pdf