FOCUS

SFDR

Updated in July 2026

SOCIETE GENERALE
Securities Services

SFDR

DISCLOSURES OF ESG CRITERIA AND SUSTAINABILITY

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REGULATORY EVOLUTION

In 2018 and 2019 EC launched several consultations to assess how asset managers should include ESG factors in their investment strategies in connection with MiFID II, UCITS and AIFMD. One of the 3 consultations aimed at guidelines to be followed by rating agencies. **EU Regulation 2019/2088** as of 27 Nov. 2019 was the first green regulation. It refers to sustainability–related disclosures in the financial services sector (SFDR). **Sustainable investment in short** is an investment approach by considering and incorporating **ESG** factors into investment decision.

SFDR applies directly to financial market participants and financial advisers!!!
31 May 2022 - ESMA published a supervisory briefing on sustainability risks and disclosures in investment management area. RTS (Regulatory Technical Standards) were amended/published several times to apply as from **1 January 2023** with Periodic Reporting.

Early 2025, the European Commission **suggested a categorization system .** Each category requires a minimum threshold of **70% of investments**. **SFDR 2.0 was published on 20 November 2025.**

The European Commission's proposed changes to SFDR signal a reset in how sustainable products are classified, disclosed, and communicated. While the direction of travel is coming into focus, many practical implications resolved unresolved.

FOCAL POINTS

Sustainable investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable long-term returns.
Under SFDR, financial products are classified under art. **6, 8 and 9** meaning not considering or not ESG criteria or having a sustainable investment objective.
SFDR needs to be read with six objectives of the framework regulation **(EU) 2020/852** as of 18 June 2020 (the Taxonomy).
ESG and SRI (Socially Responsible Investment) are two faces of the same coin. But the two should not be confused**. ESG** consists in bringing investment policies and products **in compliance. SRI** consists in bringing companies **in compliance with SRI criteria**. Since 2019 main issue concerns ESG definition both wide and complex. SFDR challenge was to find appropriate data/information, particularly in emerging countries where sustainability valuable index remains critical. Sometimes E and S are not compatible. There is no sustainability definition.
European Commission conducted consultations closing 15 December 2023 to review SFDR and to evolve into a product categorisation to replace art. 8 and art. 9 classification and/or to reinforce reuse of labels.

2018-2019
Q4 2018 – Q1 2019
EC consultation papers to assess ESG factors into investment decision

2019
June 2019
TEG Report on sustainable European economy

2019
25.09.19
Council approves creation of framework regulation (green finance taxonomy)

2019
27.11.19
SFDR enters into force

2021
10.03.21
SFDR level 1 text applies

2023
01.01.23
Product rules to be implemented with RTS

2023
14.04.23
EC published answers to SFDR interpretation.

2023
5.12.23
ESAs published Final report on new draft of SFDR RTS

2025
20.11.25
Publication of SFDR 2.0

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STATEMENT

- **9 Dec. 2019** Publication of SDFR in the Official Journal of the EU to apply on **10 March 2021.**
- **22 Oct. 2021** ESAs published new RTS to apply in ~~July 2022~~ **Jan 2023** instead of Jan 2022. First Reporting by June 2023.
- **6 April 2022** EC adopted SFDR RTS and submitted to the European Parliament and the Council. Final text published in the EU Official Journal on 25 July 2022.
- **Sept-Dec 2022** EC included nuclear and gas activities as new economic activities eligible to *green taxonomy*.
- After publication in the OJEU on 17 Feb 2023, amended SFDR RTS have entered into force on **20 Feb 2023**.
- 3 May 2024 - Publication of the summary report of the public and targeted consultations on the implementation of SFDR.
- **November 2024 – ESMA Guidelines apply on the naming of funds using ESG or sustainability-related terms.** Apply to UCITS/AIFs disclosing under SFDR art. 6, 8 or 9.
- **Jan 2025** – EC proposals suggest a categorization system : sustainable, transition and ESG collection. All categories would include minimum criteria. Unclassified products would be forbidden to include ESG characteristics in marketing material.
- **20 Nov 2025 -** European Commission published amendments proposals for SFDR 2.0. The regime is shifting from a disclosure regime to a product categorisation regime.
- SFDR 2.0 is not part of the Omnibus Package Directive which comprises CSRD, CS3D and the framework regulation the so-called green taxonomy.

FOR YOUR CONSIDERATION

Under the new proposal, funds are categorised into one of **three buckets**. Funds invested in companies that are 'contributing to sustainability goals' (including climate goals) would fall under a 'sustainable' category. A stand-alone transition category has been introduced, followed by an 'ESG basics' category – aimed at funds that do not meet the criteria of the first two categories but integrate ESG investment approaches.

In line with its simplification agenda, the EC **proposed eliminating several existing requirements**, such as the following:

- Portfolio managers and financial advisers **have been removed from the scope of SFDR.**
- Financial market participants will no longer be subject **to disclosure obligations regarding entity-level PAIs and the integration of sustainability risks in remuneration policies on their websites.**
- The definition of "sustainable investments" in Article 2, point (17) SFDR has been deleted, along with the existing "do no significant harm" principle and "good governance" requirements, now captured through the mandatory exclusions.
- Taxonomy-related disclosures will only be required for Article 7 and 9 products (see Section II) pursuing an environmental objective.
- Financial market participants may choose not to apply this Regulation to closed-ended financial products which were created and distributed before the date of application of this Regulation.

- Trilogue negotiations are expected to begin **in September 2026**. A political agreement on the SFDR 2.0 Level 1 text could be reached in **November or December 2026**, assuming a smooth trilogue phase. Work on the SFDR delegated act – covering the Regulatory Technical Standards that will constitute the Level 2 framework - would then commence in **early 2027**.
- Against this backdrop, SFDR 2.0 could realistically start to apply from **mid-2028**.However, an **early 2029 application date** remains a plausible alternative scenario.

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If you want to know more, refer to
Fiche To Know More

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