frank bold

Analysis of the EU Commission's Proposal to Review the SFDR

February 2026

The Sustainable Finance Disclosure Regulation (SFDR) is an EU regulation that has been in force since 2021. It requires asset managers, insurance companies, pension funds and other financial market participants to disclose how they integrate sustainability risks, report on adverse impacts of their investments, and classify financial products offered to the EU market according to their sustainability ambition.

SFDR aims to help consumer-investors make informed investment choices, curb greenwashing through standardised sustainability disclosures, and mobilise private capital “to help Europe make the shift to a net-zero economy” (European Commission, 2026). It acts as a core pillar of the EU’s sustainable finance framework, alongside the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). In November 2025, the Commission proposed a set of amendments to SFDR to address identified shortcomings in the framework. The proposed changes aim to provide simpler and more usable information for investors, while reducing disclosure requirements and compliance costs for financial market participants (European Commission, 2025). The proposal comes a year after Frank Bold’s 2024 research and recommendations, based on an assessment of SFDR disclosures across 43 financial products, which identified that:

- the distinction between different product categories is unclear;
- most products are not substantiated by performance indicators, targets or clear methods for monitoring investment performance;
- exclusions are used by many products as the sole criterion and are often presented without sufficient detail;
- exclusions in products marketed as climate transition strategies are largely limited to coal and unconventional oil and gas projects.

In the coming months, the European Parliament and EU Member States in the Council will form their respective positions, ahead of negotiations with the Commission.

Once the core Level 1 legislation is finalised, the Commission, together with the European Securities and Markets Authority (ESMA), will be tasked with developing the Regulatory Technical Standards (RTS, Level 2 legislation). These will further specify certain Level 1 requirements and set out practical means of compliance, including indicators and disclosure templates. The policymaking process is expected to continue at least until the end of 2028.

2026 © Frank Bold

List of Abbreviations

- **CSDDD** – Corporate Sustainability Due Diligence Directive
- **CSRD** – Corporate Sustainability Reporting Directive
- **ESMA** – European Securities and Markets Authority
- **ESRS** – European Sustainability Reporting Standards
- **FMP** – Financial Market Participant
- **GHG** – Greenhouse Gas
- **OECD** – Organisation for Economic Cooperation and Development
- **PAI** – Principle Adverse Impact
- **SFDR** – Sustainable Finance Disclosure Regulation
- **RTS** – Regulatory Technical Standards
- **UNGC** – United Nations Global Compact
- **UNGPs** – United Nations Guiding Principles on Business and Human Rights

Summary of the EU Commission's proposal

Personal scope

"Financial market participants (FMPs) who manufacture, make available or manage financial products" (Article 1). This revised definition narrows the scope of SFDR by excluding financial advisers and entities providing discretionary portfolio management. As a result, credit institutions and insurance undertakings fall within scope only when they act as manufacturers or managers of financial products, and not when they merely distribute third-party products or provide client-tailored portfolio management services.

Product scope

New product categorisation

The Commission proposal replaces Article 8 (products promoting sustainability characteristics) and Article 9 (products with sustainability objectives) with new, more clearly defined categories of financial products based on their sustainability-related objectives:

- a "Transition" category for products investing in the transition to environmental or social sustainability (Article 7);
- an "ESG Basics" category for products integrating ESG factors measured using appropriate sustainability-related indicators (Article 8);
- a "Sustainable" category for products with environmental or social sustainability-related objectives (Article 9).

While the "Transition" and "Sustainable" categories are subject to specific sustainability performance criteria, the "ESG Basics" category is designed as a catch-all category with weaker safeguards and a lower level of standardisation and transparency.

Non-categorised products

Products not classified under an SFDR category may not use sustainability-related terms in their names, which are reserved for categorised products. The wording "may not" indicates the voluntary nature of this rule (Article 13).

Moreover, products may include other sustainability-related information in marketing and pre-contractual materials, provided such information is ancillary, "clear, fair and not misleading," and reflects the allocation of investments. To operationalise the distinction between categorised and non-categorised products, the Commission introduces a quantitative safeguard limiting sustainability-related wording to no more than 10% of marketing and pre-contractual materials for non-categorised products. This approach aims to prevent greenwashing by ensuring that products making substantive sustainability claims fall within the SFDR categorisation framework and its associated requirements (Article 6a).

Subject matter scope

Entity-level disclosures

Nearly all entity-level disclosures - i.e. disclosures that concern the FMP rather than individual products - are to be deleted. This includes disclosures of entity-level Principle Adverse Impact (PAI) indicators, due diligence and remuneration policies.

FMPs, including those offering non-categorised products, must continue to publish “policies on the integration of sustainability risks in their investment decision-making process” on their website (Article 3).

FMPs that work with data and estimates from external resources must clearly document their process and methodology in working with this data and be ready to disclose such documentation when requested by “clients”. The documentation must include details about external data providers - “name, contact details and, where applicable and available, the methodology used by data providers”. The methodology must also describe “main assumptions and the precautionary principles regarding the treatment of missing provisions (where estimation is used)” (Article 12a).

Product-level disclosures

Articles dedicated to the new product categories – namely Articles 7, 8 and 9 – introduce a comprehensive set of criteria and disclosure obligations that investments must meet to qualify under these categories (see the “Criteria per product category” section below).

Article 2 introduces a definition of a “sustainability-related financial product with impact”, defined as a “product categorised in accordance with Article 7 or 9 that has as its objective the generation of a pre-defined, positive and measurable social or environmental impact”. Products seeking to qualify under this definition must meet specific disclosure requirements relating to their impact objectives and measurement methods under Article 7 (transition) and Article 9 (sustainable).

All products, including non-categorised products, are required to continue disclosing in their pre-contractual materials “the manner in which sustainability risks are integrated into investment decisions” and “the results of the assessment of likely impacts of sustainability risks on the returns” (Article 6).

Criteria per product category

Paragraphs 1 and 2 of each product category Article (Articles 7, 8 and 9) define the criteria that a financial product must meet to qualify for the respective category. The product categories are presented in Table 1 in order of increasing requirements.

Table 1*: Overview of proposed SFDR categories criteria*

	ESG Basics (Art. 8)	Transition (Art. 7)	Sustainable (Art. 9)
Positive screening criteria[1]: product must allocate **70% into investees**, meeting one or a combination of the following criteria (defined by Paragraph 2 in Articles 7, 8 and 9, and to be further specified by Level 2 RTS)	• **ESG rating**, as defined by Regulation 2024/3005 on transparency and integrity of ESG ratings, outperforming average investment universe or reference benchmark	• Replicating or managed in reference to **EU Climate Transition Benchmark** or **EU Paris-aligned Benchmark** • **Taxonomy-aligned** activities, including transitional activities and eligible activities becoming aligned	• Replicating or managed in reference to **EU Paris-aligned Benchmark** • **Taxonomy-aligned** activities • **Green bonds** as defined by the European Green Bond Regulation 2023/2631 • Projects benefiting from **EU guarantee or other financial instruments** under EU programmes with environmental or social objectives • Investments in **European social entrepreneurship funds**
	• **Appropriate performance indicator** outperforming average investment universe or reference benchmark • Undertakings or activities with a proven positive track record in terms of processes, performance or outcomes related to sustainability factors	• **Transition plan** regarding at least one sustainability factor (at level of undertaking or activity)* • **Science-based target** with proven integrity, transparency and accountability* • Credible **portfolio-level target***	• **Other investments comparable** to above (must be supported by justification of high-level performance in terms of sustainability standards)
		• **Engagement** with investees based on defined targets, milestones and escalation strategy*	
	• **Other investments** integrating sustainability factors (must be supported by proper justification)	• **Other investments** credibly contributing to transition (must be supported by proper justification)*	• **Other investments** contributing to environmental or social objective (must be supported by proper justification)

[1] Positive screening means actively selecting investments that meet specific sustainability-related criteria, as opposed to excluding investments that do not (based on exclusion criteria, see Exclusions below).

	ESG Basics (Art. 8)	Transition (Art. 7)	Sustainable (Art. 9)
Alternative to allocating acc. to positive screening criteria above: 15% or more investments in Taxonomy-aligned activities	N/A	Yes	Yes
Exclusions²: based on exclusions in Benchmark Regulation 2020/1818; Level 2 RTS might introduce certain deviations to those criteria	• 1% or more revenues from **coal or lignite**, incl. exploration, mining, extraction, distribution or refining • Violation of **UN Global Compact principles or OECD Guidelines for Multinational Enterprises** • Cultivation and production of **tobacco** • Any activities related to **controversial weapons³**		
	N/A	• **New projects in coal, lignite, oil or gas**, incl. exploration, extraction, distribution or refining • **New projects and projects with no phase-out in coal or lignite for power generation**, incl. all above plus mining and exploitation	
	N/A	N/A	• **10 % or more revenues from oil**, incl. exploration, extraction, distribution or refining • **50 % or more revenues from gas**, incl. exploration, extraction, manufacturing or distribution • **50% or more revenues from electricity generation** with high GHG intensity, i.e., more than **100 g CO2e/kWh**
Principle adverse impacts (PAI)	N/A	• **Mandatory** to identify and disclose PAIs, including actions taken to address those impacts (to be further defined by Level 2 RTS)	• **Mandatory** to identify and disclose, including actions taken to address those impacts (to be further defined by Level 2 RTS)
PAI indicators: FMPs to report on identified PAIs using dedicated indicators	N/A	• **Voluntary** to choose Level 2 RTS indicators, or any other appropriate indicator or qualitative explanation**	• **Voluntary** to choose Level 2 RTS indicators, or any other appropriate indicator or qualitative explanation**
Alternative to complying with all the positive screening, exclusions and PAI criteria above	N/A	Product replicating or managed in reference to EU **Climate Transition Benchmark** or **EU Paris-aligned Benchmark**	Product replicating or managed in reference to **EU Paris-aligned Benchmark**

[2] Exclusions refer to rules that rule out investment in certain activities, sectors or companies based on predefined criteria, regardless of other sustainability characteristics.

[3] The definition of what constitutes such weapons is being reviewed as part of the Defence Readiness Omnibus.

* SFDR requires Transition products that pursue a transition towards a climate change mitigation objective and apply positive screening criteria to ensure that such criteria are aligned with the objectives of the Paris Agreement and the EU Climate Law.

** "Financial market participants should have the flexibility to disclose these principal adverse impacts using a different approach, such as different indicators or a qualitative explanation of such impacts and actions, if it better suits the nature of the impact identified or addressed" (Preamble).

Disclosure requirements

Paragraph 3 in all three Articles dedicated to the product categories (Articles 7, 8 and 9) sets out detailed disclosure requirements for financial products seeking to qualify under the respective categories, specifying what must be included in product-level disclosure materials.

1. A statement that the product contributes to sustainability factors (ESG Basics) and/or pursues a sustainable investment objective (Transition and Sustainable products), including information on exclusions and PAIs
2. A description of the sustainability factors and/or the sustainable investment objective
3. A description of the investment strategy used to achieve the promotion of sustainability factors and/or the sustainable investment objective
4. A description of the choice of allocation criteria, as prescribed by Paragraph 2 of the relevant product category Article, and the relative share of investments corresponding to each selected criterion
5. A description of any applicable phase-in period allowing the product to reach the 70% allocation threshold (with further guidance expected to be provided by Level 2 RTS)
6. A statement on whether, and to what extent, the sustainability factors and/or sustainable investment objective are met through Taxonomy-aligned investments and transition investments aiming to achieve Taxonomy-alignment (Transition and Sustainable products only)
7. The indicator(s) used to measure compliance with the investment strategy and progress towards the sustainability factors and/or sustainable investment objective, along with information on actions taken to address any underperforming assets
8. A statement confirming compliance with the prescribed exclusions, as well as any additional exclusions applied (possible deviations from the prescribed exclusions are expected to be specified in Level 2 RTS)
9. The sources of data used to support the disclosures listed in points 2 to 7 above

Analysis & Frank Bold recommendations

This analysis builds on Frank Bold's research and recommendations published in late 2024, which examined the practical implementation of the original SFDR requirements by 15 financial market participants across 43 financial products.

Frank Bold strongly believes that SFDR should be simple, practical, and decision-useful for both FMPs and disclosure users. It should provide a coherent and transparent framework enabling investors, including retail investors, and other stakeholders to understand and compare products' sustainability objectives, strategies and performance.

The Commission's proposal marks a step forward, notably through clearer product categories and key criteria, including the exclusion of fossil fuel expansion in the Transition and Sustainable categories. However, it still risks maintaining a fragmented framework that is prone to loopholes, particularly in four areas:

- **Underdefined positive screening criteria, as listed in the section below, and the voluntary selection and use of Principal Adverse Impact (PAI) indicators** weaken accountability and comparability by allowing products to rely on methods and indicators that do not align with good practice. Current SFDR disclosures already suffer from boilerplate language and limited transparency. To ensure a basic level of comparability for users,
    - **open-ended positive screening criteria should be operationalised through robust disclosure requirements.**
    - In addition**, a core set of PAI indicators - covering at least climate change, biodiversity and human rights - should be made mandatory across all product categories.**
- **The option for products to rely solely on EU climate benchmarks to qualify as Transition or Sustainable**, while disregarding other category requirements, creates a significant loophole and undermines the overall ambition of the revised framework. Moreover, the exclusion criteria incorporated by reference to the Benchmark Regulation (EU) 2020/1818 carry over the regulation's existing shortcomings, notably the reliance on the UN Global Compact as the benchmark for assessing violations of human rights. To ensure a level playing field and prevent the misallocation of investments,
    - **the option to rely on benchmarks should be complemented by additional mandatory criteria – at a minimum, this should include the exclusion of new fossil fuel project development and the PAI disclosure.**
    - **the human rights-related exclusion should be aligned with the broader EU legislative framework by replacing the reference to the UN Global Compact with a reference to the UN Guiding Principles on Business and Human Rights.**
- **Low investment allocation thresholds for SFDR categorisation**, including the general 70% threshold and the alternative 15% Taxonomy-alignment route, fall below current market practice. As a result, products may be marketed as Transition or Sustainable even when a substantial share of investments is not aligned with the stated objectives. To better reflect current market practice,
    - **investment thresholds should be increased to 80% for ESG Basics products, 90% for Transition and Sustainable products, and 25% for products relying on the Taxonomy-alignment threshold as an alternative to other positive screening criteria.**
- **The 10% cap on sustainability-related content for non-categorised products** is too high and risks blurring the distinction with SFDR products. **It should be reduced to 5%, combined with a clear disclaimer stating that the product does not comply with Articles 7, 8 or 9.**

Further details on our findings and recommendations addressing these issues are set out in the dedicated sections below.

1. Positive screening criteria and Principle Adverse Impact indicators

Commission's proposal

The Commission's proposal envisions a dual use of sustainability-related indicators: one to measure compliance with positive screening criteria and another to measure Principal Adverse Impacts (PAIs). While the use of indicators for the former is mandatory, PAIs may be disclosed partly or fully through qualitative information instead of quantitative indicators. The Commission is empowered to publish a list of indicators under Level 2 RTS, from which FMPs may voluntarily choose.

The proposal sets out a list of positive screening criteria for investment selection and compliance assessment. However, several options across all three product categories remain open-ended and subject to further specification by FMPs themselves. These allow products to rely on criteria such as:

- "investments that favour undertakings [..] with a proven positive track record in terms of processes, performance or outcomes" (ESG Basics);
- "other investments [...] that integrate sustainability factors" (ESG Basics);
- "other investments [...] that credibly contribute to the transition" (Transition);
- investments "comparable" to those applying PAB benchmark, Taxonomy-alignment and EU Green Bond Standard criteria (Sustainable);
- "other investments [...] that contribute to an environmental objective or a social objective" (Sustainable).

When it comes to PAIs, the proposal removes all entity-level disclosures. At product level, FMPs must identify and disclose PAIs but are given full flexibility as to the form. They may disclose PAIs, in part or in full, using "appropriate sustainability-related indicators" from Level 2 RTS or other indicators, or rely solely on qualitative information. This approach undermines comparability and weakens the overall robustness of the framework.

Frank Bold's recommendation

Clear positive screening criteria and a core set of PAI indicators should play a broader role than envisaged in the EC proposal. They should establish a baseline level of comparability across products, regardless of the specific sustainability-related objectives or factors selected by the FMP. Accordingly:

- The use of open-ended positive screening criteria defined by FMPs themselves, as listed above, should be subject to robust disclosure requirements, including clear explanation of how compliance is measured.
- Product-level disclosure of a core set of PAI indicators should be mandatory to ensure a minimum level of standardised information across products and comparability for users.
- Level 2 RTS should specify this core set of mandatory PAI indicators, covering at least climate change, biodiversity and human rights. RTS should also establish a broader list of indicators that would be mandatory where relevant to a product's investment objectives, promoted factors and/or associated Principal Adverse Impacts, while remaining voluntary for other products.

Full transparency in the application of positive screening criteria and a common core set of mandatory indicators are essential to ensuring comparability and prevent greenwashing.

Evidence

ESMA's 2025 report on PAI disclosures found that, at product level, 95% of Article 8 and 9 products did not disclose PAI indicators.

Among the limited number of Article 8 and 9 products that did disclose PAIs, Frank Bold's 2024 research found that the indicators used to assess investment performance - such as widely used weighted carbon intensity metrics (Article 8) or proprietary SDG methodologies (Article 9) - lacked sufficient detail to assess the actual level of ambition. Products typically failed to disclose thresholds used to determine acceptable investment performance. Disclosure of many also relied on generic, boilerplate claims, such as "reduced ESG risk", instead of clear and verifiable screening criteria.

At entity level, ESMA's 2025 report found that while many FMPs disclosed PAI indicators on a voluntary basis, a significantly higher share of asset managers, pension funds and investment firms - covering 95.6% of assets under management in the sample - did not disclose any PAIs. ESMA also observed a deterioration in sustainability performance over time, with greenhouse gas emissions in the sample increasing by around 50%, including a 23% increase among asset managers alone.

2. Climate benchmarks & Exclusions

Commission's proposal

The Commission's proposal allows products in the Transition and Sustainable categories to bypass all other category requirements – including allocation criteria, exclusions and PAI disclosures – by complying with the EU Climate Transition Benchmark (CTB) and/or the Paris-aligned Benchmark (PAB). This will create a significant gap in the disclosures of products that will follow either of these benchmarks. Most significantly, unlike SFDR exclusion criteria, the benchmarks do not require the exclusion of new fossil fuel project development, nor do they mandate the identification and disclosure of PAIs.

Tables 2 and 3 below summarise the eligibility requirements for CTB and PAB and compare them with the criteria applicable to the Transition and Sustainable categories. Category requirements that are not reflected in the benchmarks are highlighted in red.

Furthermore, apart from the exclusion of the new fossil fuel projects development, the exclusion criteria in the SFDR draft are largely incorporated by reference to the Delegated Regulation (EU) 2020/1818 under the Benchmark Regulation. This approach effectively carries over existing shortcomings in the formulation of those exclusions into the SFDR framework. Most notably, this concerns the exclusion linked to violations of the UN Global Compact principles.

In practice, reliance on the UN Global Compact only is widely recognised as being insufficient when assessing corporate compliance with human rights due diligence requirements.[4] This contrasts with the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises, which are the prevailing international market standards for responsible business conduct and human rights due diligence. The UNGPs and the OECD Guidelines also provide the normative reference for identifying and assessing impacts on human rights under the Corporate Sustainability Reporting Directive (CSRD) and the EU Directive on Sustainability Due Diligence (CSDDD). The continued reference to the UN Global Compact is therefore misaligned with the broader EU regulatory framework and does not set the same standard as the OECD Guidelines referred to as an alternative. This ambiguity should be addressed to clarify the human rights standards in the exclusion criteria.

Frank Bold's recommendation

While climate benchmarks play an important role in standardisation, it is necessary to ensure that products relying on such benchmarks are subject to the same exclusion criteria and PAI requirements as other products in the Transition and Sustainable categories. Accordingly, the requirement to identify and disclose PAI, as set out in paragraph 1(d) of Articles 7 and 9, and exclude the development of new fossil fuel projects, as set out in paragraph 1(c) of Articles 7 and 9, should remain applicable to all products, including those managed in line with climate benchmarks.

Furthermore, gaps arising from the reliance on the Benchmark Regulation must be addressed to ensure consistency with broader EU regulatory developments and market practice. In particular, the exclusion linked to violations of the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises, incorporated by reference to the Benchmark Regulation, creates policy incoherence with the CSRD, the CSDDD, and sectoral product legislation such as the Batteries Regulation. This exclusion should therefore be replaced by a direct reference to the UN Guiding Principles on Business and Human Rights instead of the UN Global Compact.

[4] EU Platform on Sustainable Finance, Final Report on Minimum Safeguards, October 2022.

Table 2: *CTB & PAB requirements as defined by Regulation (EU) 2019/2089 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks (adapted by UNEP FI, 2022)*

		EU Climate Transition Benchmark (EU CTB)	**EU Paris-Aligned Benchmark (EU PAB)**
Risk oriented minimum standards	Carbon intensity reduction → at inception (vs. parent index)	30 %	50 %
	Scope 3 phase-in	2–4 years	2–4 years
	Baseline exclusion	Yes (controversial weapons / societal norms violators)	
	Activity exclusion	No	Coal (1 % + revenues) Oil (10 % + revenues) Natural gas (50 % + revenues) Electricity producers (50 % + revenues)*
Opportunity oriented minimum standards	Exposure to high impact sectors	Minimum exposure at least equal to parent benchmark value	
	Year-on-year self decarbonization	7 %	7 %
	Disqualification from label	2 consecutive years of misalignment	

Table 3: *Comparison of proposed SFDR criteria with climate benchmarks*

	Transition	**CTB alternative**	**Sustainable**	**PAB alternative**
Exclusions	• **New fossil projects (coal, lignite, oil & gas)** • Violation of UNGC / OECD • Tobacco cultivation and production • Any activity in controversial weapons	• Violation of UNGC / OECD • Tobacco cultivation and production • Any activity in controversial weapons • Companies violating Do No Significant Harm principles	• **New fossil projects (coal, lignite, oil & gas)** • Revenue from existing fossil fuel projects (coal, lignite, oil & gas) • Revenue from GHG-intensive electricity • Violation of UNGC / OECD • Tobacco cultivation and production • Any activity in controversial weapons	• Revenue from existing fossil fuel projects (coal, lignite, oil & gas) • Revenue from GHG-intensive electricity • Violation of UNGC / OECD • Tobacco cultivation and production • Any activity in controversial weapons • Companies violating Do No Significant Harm principles
PAIs	• **Mandatory to identify and disclose PAIs, including actions (to be further defined by Level 2)**	N/A	• **Mandatory to identify and disclose PAIs, including actions (to be further defined by Level 2)**	N/A

3. Investment allocation, Taxonomy-alignment & non-categorised products

Commission's proposal

The Commission's proposal sets a uniform 70% investment allocation threshold for all sustainable product categories. In addition, it introduces an alternative route for products in the Transition and Sustainable categories, allowing them to meet the categorisation requirements through at least 15% Taxonomy alignment instead of complying with the positive screening criteria. Finally, it introduces a 10% cap on sustainability-related claims in the marketing materials of non-categorised products, without providing additional safeguards to clearly differentiate them from SFDR-compliant products.

Frank Bold's recommendation

The thresholds proposed by the Commission are significantly below current market practice, as confirmed by the Commission's own research presented below. Under the EC's proposal, products could be marketed as sustainable even if nearly one third of their investments are not aligned with their declared sustainability objectives or factors. A similar gap exists between current market practice and the proposed thresholds for the alternative Taxonomy-alignment route.

In light of the evidence on market practice:

- the minimum allocation threshold aligned with the investment objective or promoted factors should be increased from the proposed 70% to 80% for the ESG Basics category and 90% for the Transition and Sustainable categories;
- the threshold for the alternative allocation strategy based on Taxonomy alignment should be increased from 15% to 25% for both the Transition and Sustainable categories.

The threshold for sustainability-related content in marketing materials of non-categorised products should be reduced to a maximum of 5%, as allowing up to 10% risks enabling prominent sustainability claims that may mislead investors. To ensure clarity and a level playing field, such products should also be required to include an explicit disclaimer stating that they do not comply with Articles 7 (Transition), 8 (ESG Basics) or 9 (Sustainable).

Evidence

Frank Bold's research shows that investors have, on average, allocated at least 90% of investments to environmental or social characteristics (Article 8) or to sustainable investment objectives (Article 9).

Table 4: *Proportion of product allocation into (current SFDR) Article 8 and 9 funds*

	Committed (precontract)	Invested (periodic)
Article 8 – E/S characteristics	77 % or more	90 % on average
Article 8 passively managed – E/S characteristics	88 % on average	98 % on average
Article 8 – sustainable investment	12 % on average	35 % on average
Article 8 passively managed – sustainable investment	13 % on average	54 % on average
Article 9 – sustainable investment	90 % or more	90 % on average

Regarding the Taxonomy-related criteria, the Commission's 2024 analysis of Taxonomy uptake shows that, among companies reporting non-zero Taxonomy-eligible capital expenditure (CapEx), an average of 22.7% of CapEx is Taxonomy-aligned. Alignment levels are significantly higher in certain sectors, with electricity providers reporting 74% Taxonomy alignment, followed by water services (46%), transport (38%) and real estate (34%). By contrast, financial institutions reported an average Taxonomy-aligned Green Asset Ratio of 2.8% and an average Taxonomy-aligned Green Investment Ratio of 3%.

It is also important to consider that the EU Taxonomy Regulation is undergoing a review aimed at easing requirements for both financial and non-financial undertakings, covering the scope of disclosures as well as the criteria used to calculate Taxonomy alignment. Changes introduced by Delegated Regulation 2026/73, published in the Official Journal on 8 January 2026 - including the introduction of financial materiality thresholds and simplified "Do No Significant Harm" criteria for certain topics - are likely to already lead to higher levels of Taxonomy alignment across sectors already during the 2025 financial year.

frank bold

Authors:
David Němeček Slonim, *Senior Sustainable Finance Expert*
Filip Gregor, *Head of Responsible Companies Team*
Julia Otten, *Senior Policy Officer*

Publication produced as part of our Company Climate Transition project.

This project is part of the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN).

Supported by:

Federal Ministry
for the Environment, Climate Action,
Nature Conservation and Nuclear Safety

European
Climate Initiative
EUKI

on the basis of a decision
by the German Bundestag

frank bold