European Commission Consultation on the Proposal to Amend the Sustainable Finance Disclosure Regulation (SFDR) – Response from the Association des Banques et Banquiers, Luxembourg (ABBL)

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Context

The Association des Banques et Banquiers , Luxembourg (ABBL) welcomes the opportunity to comment on the European Commission's proposal (COM(2025)841) to amend Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) N° 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and to repeal of Commission Delegated Regulation (EU) 2022/1288.

The ABBL actively engaged its members to collect practical insights and concrete suggestions to enhance the effectiveness and coherence of the European Commission's proposal.
Through this submission to the "Have Your Say" consultation, the ABBL aims to highlight key priorities and recommendations essential for reinforcing the framework for sustainable finance and ensuring its meaningful implementation at product level.

The ABBL firmly believes that a clear, coherent, and workable regulatory framework is indispensable to enable the financial sector to efficiently channel capital towards sustainable activities and products.

To this end, the ABBL identifies five core areas requiring particular attention to strengthen the adoption and operationalisation of sustainable finance:

1- New product classifications to enhance the adoption of sustainable finance
2- Removal of entity-level transparency obligations regarding adverse sustainability impacts
3- Clear and understandable product communication for retail clients
4- ESG data collection and enhanced interoperability between different regulations
5- Redefinition and clarification of the concept of sustainable investment and its implications for the MiFID framework

ABBL Key Policy Proposals

1- New product classifications to enhance the adoption of sustainable finance

The ABBL welcomes the fact that the European Commission has taken into consideration its various position papers relating to the revision of product categories. The European Commission's proposal would contribute to improving the readability of products for retail clients. In its current state, the classification based on Article 6 (transparency of the integration of sustainability risks), Article 8 (transparency of the promotion of environmental or social characteristics) and Article 9 (transparency of sustainable investments) of the SFDR Regulation remains difficult for a non-professional investor to understand.

The excessive complexity of the current framework, combined with the constant evolution of definitions, undermines a clear understanding of products and makes it more difficult to explain them to retail clients. This regulatory instability also hinders a consistent and sustainable application of the SFDR framework over the long term.

The new proposal introduces three main new categories, namely:

- Article 7 (Transition category)
- Article 8 (ESG basics category)
- Article 9 (Sustainable category)

These classification proposals place the sustainability objective at the core of the framework, subject in particular to the achievement of quantitative thresholds, such as 70% of investments being eligible with respect to a defined list of activities or 15% of investments being aligned with the taxonomy.

In order to strengthen adoption and ensure a harmonised implementation, the ABBL nevertheless considers it necessary for the European Commission's proposal to specify a clear list of excluded activities, as the current reference to "commonly excluded" activities (recitals 15, 16 and 17) lacks legal clarity. Furthermore, the ABBL calls for a more precise definition of the scope of eligibility, as the proposal refers to "assets" (recital 18) without explicitly defining their scope of application. In this respect, it should be recalled that the SFDR Regulation governs the disclosure of sustainability-related information at the level of financial products, and not at the level of individual underlying assets, unlike the EU Taxonomy framework set out in Regulation (EU) 2020/852.

2- Removal of entity-level transparency obligations regarding adverse sustainability impacts

The removal of obligations relating to the transparency of adverse sustainability impacts at entity level would significantly contribute to reducing the administrative burden on financial market participants. The information required at entity level is already covered by the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 – CSRD) as well as by the European Sustainability Reporting Standards (ESRS).

Based on a proportionality-driven approach and regulatory prudence, the ABBL considers that market participants should be given the flexibility to disclose the information they consider relevant, in line with their business model and sustainability strategy.

In conclusion, the ABBL reiterates its support for the removal of Article 4 of the SFDR Regulation, with a view to reduce the administrative burden on financial market participants and promote a more effective and proportionate implementation of the sustainable finance regulatory framework.

3- Clear and comprehensible product communication for retail clients

The ABBL notes that the present proposal concerns both the SFDR Regulation (EU) 2019/2088 and the PRIIPs Regulation (EU) 1286/2014, which aim to strengthen the adoption of sustainable finance by retail clients. Following discussions with our members, it appears that sustainable finance is perceived as overly complex and burdensome, both for market participants and for their clients.

In this regard, the ABBL welcomes the proposals aimed at strengthening and streamlining transparency obligations at product level.

- Firstly, the information published on websites pursuant to Article 10 of Regulation (EU) 2019/2088, combined with the additional obligations laid down in Commission Delegated Regulation (EU) 2022/1288, has contributed to increased confusion among retail clients, in particular due to an overabundance of information. The ABBL supports the Commission's proposal to streamline the information to be published on websites and advocates for the removal of website-specific requirements. Making the pre-contractual document available online is sufficient for decision-making purposes.

- Secondly, limiting the pre-contractual document to two pages would allow market participants to focus on the essential characteristics of products and would promote better understanding as well as increased uptake of sustainable finance by retail clients. The ABBL nevertheless stresses the importance of maintaining a balanced and proportionate presentation of sustainability-related information, taking into account the existing framework of the PRIIPs Regulation, which limits pre-contractual information to three pages for the product description.

- Finally, the exclusion of discretionary portfolio managers from the scope of application of the SFDR Regulation is welcomed by the ABBL and its members. The ABBL had previously highlighted the difficulties faced by market participants in publishing information of a public nature in the context of discretionary mandates, which by their very nature are based on a confidential relationship between the client and the institution.

In conclusion, the ABBL supports the removal of website-specific requirements, the limitation of pre-contractual information, as well as the exclusion of discretionary management mandates from the scope of application of the SFDR Regulation.

4- ESG data collection and enhanced interoperability between different

The ABBL supports strengthening interoperability between the various regulations forming part of the European sustainable finance regulatory framework, with the aim of reducing the proliferation of reporting obligations and alleviating the administrative burden on market participants.

In this regard, the removal of Article 4 ("Transparency of adverse sustainability impacts at entity level") of the SFDR Regulation represents a positive development. The information required at entity level is already covered by the CSRD framework and by the European Sustainability Reporting Standards (Commission Delegated Regulation (EU) 2023/2772 on the ESRS). The ABBL advocates for further streamlining of reporting requirements in order to avoid regulatory duplication.

Furthermore, the proposal to introduce Article 12a on "data and estimates", aimed at facilitating the use of estimated data, is in line with a welcome simplification approach. In practice, certain required data are not systematically disclosed or, where they are disclosed, their reliability remains insufficient to allow for robust operational use. In addition, ABBL members have also observed that some data providers do not achieve a 100% level of data completeness and that, moreover, significant discrepancies persist for the same data across different providers.

In this context, the ABBL recommends that the implementation of this proposal be accompanied by the adoption of a clear and harmonised methodology for the validation of estimated data, as well as the introduction of a three-year validity period for such data.

Finally, the criteria for the acceptance of estimated data should be subject to periodic review, ideally at least every three years, in order to align with the review cycles of other European regulatory frameworks, in particular the EU Taxonomy.

5- Redefinition and clarification of the concept of sustainable investment and its implications for the MiFID framework

This proposal by the European Commission aims to strengthen the harmonisation of definitions within the sustainable finance regulatory framework, in particular by removing the definition of "sustainable investment" set out in Article 2(17) of Regulation (EU) 2019/2088 (SFDR) and by adopting the corresponding definition from the EU Taxonomy Regulation.

The ABBL welcomes this intention to align definitions, in line with the proposals it has put forward. However, this development raises questions regarding the client onboarding process. This onboarding process, as well as the calibration of clients' needs and preferences, is carried out within the framework of the Markets in Financial Instruments Directive (MiFID).

Indeed, the collection and calibration of clients' needs, objectives and preferences fall within the scope of Directive 2014/65/EU on markets in financial instruments (Markets in Financial Instruments Directive – MiFID), as well as its delegated acts and related guidelines. In this context, the majority of market participants have structured their processes for collecting sustainability preferences in line with the decision tree developed by ESMA, based on the distinction between principal adverse impacts, taxonomy alignment and sustainable investments within the meaning of the SFDR.

In the context of SFDR 2.0, replacing the definition of "sustainable investment" with the definition set out in the EU Taxonomy Regulation is likely to call into question existing MiFID frameworks relating to the collection of clients' sustainability preferences and to entail substantial adjustments to the operational and governance arrangements put in place by institutions.

The ABBL underlines the need for the legislator and the competent authorities to explicitly clarify the interaction between SFDR 2.0 and the MiFID II framework, in particular as regards the modalities for collecting, processing and integrating clients' sustainability preferences, in order to ensure coherence, legal certainty and the operational feasibility of the applicable requirements.

Conclusion

To conclude, the ABBL supports the objective pursued by the European Commission of strengthening the effectiveness, coherence and uptake of the European sustainable finance regulatory framework. The revision of the SFDR Regulation offers a crucial opportunity for simplification and clarification, both for market participants and for retail clients.

To ensure an effective and proportionate implementation of this revised framework, the ABBL underlines the importance of enhanced interoperability between the various European regulations relating to sustainable finance, in particular the SFDR, the EU Taxonomy Regulation, the PRIIPs Regulation, the MiFID II Directive, as well as the CSRD framework and the ESRS.

Strong regulatory coherence is essential to prevent overlaps, limit operational complexity and promote lasting adoption of sustainable finance principles across the financial sector.

Furthermore, in view of the scale of the legal, operational and organisational adjustments entailed by the proposal, the ABBL calls for the introduction of a realistic transitional period to allow for the necessary adaptations of systems, processes and governance arrangements, while ensuring continuity of service and investor protection.

Finally, the ABBL insists on the need to avoid any form of national over-implementation.
Achieving a harmonised and consistent application of the revised framework across the European Union is essential to preserve a level playing field; ensuring legal certainty for market participants and support the development of the European sustainable finance market.