

REVISION OF SFDR

EUROPEAN COMMISSION'S CALL FOR EVIDENCE

AMAFI's answer

AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.

AMAFI welcomes the opportunity to share its views on the revision of the Sustainable Finance Disclosure Regulation (SFDR) as part of the [European Commission call for evidence](#).

The SFDR review is expected to deliver a thorough reassessment of the framework and provides a key opportunity to address several longstanding challenges, notably:

- **The current exclusion of structured products from its scope**, even though some are designed and marketed accordingly. This regulatory gap needs to be addressed, as investors in ESG structured products would benefit from standardised and proportionate disclosures, while manufacturers would gain legal certainty through a clear and tailored regulatory framework. However, this must be done through a tailored and proportionate approach, reflecting the specific characteristics of structured products.
These concerns, along with detailed proposals on how to adapt the SFDR for structured products and derivatives, are set out in AMAFI's technical paper previously submitted to DG FISMA ([AMAFI / 25-11](#)).
- **Complexity and legal uncertainty**. The current framework is overly complex, particularly concerning the information communicated and the definitions of key notions, such as "sustainable investment" and the "consideration" of Principal Adverse Impact (PAI). This hinders legibility by retail investors and harms trust. It also creates legal uncertainty and imposes operational burdens on Financial Market Participants (FMPs) in complying with disclosure requirements, especially for structured products, as they are not adequately addressed.
Structural proposals are needed to tackle these challenges in areas such as product categorisation, disclosure simplification and data, as detailed in [AMAFI / 25-27](#).

- **Consistency within sustainable finance regulation.** Alignment is needed between the SFDR and other regulations, notably IDD, MiFID II, CSRD and EU Taxonomy, to ensure consistent sustainability-related disclosures and product governance. The proposed narrowing of reporting obligations under CSRD and the Taxonomy will significantly reduce available sustainability data, especially for transition-related metrics. If SFDR is not adapted accordingly this may increase data gaps and reliance on third-party providers, undermining the effectiveness and comparability of the SFDR disclosures.

The ambition to **streamline and rationalise sustainable finance regulation**, as outlined in the Commission's Call for Evidence and which we fully support, implies that the revised SFDR should be **anchored in the actual availability of sustainability data, and that expectations placed on financial products should be proportionate to what can reasonably be supported by the underlying issuer disclosures**.

Consistency should also be addressed as regards derivatives and their role in sustainability should be clarified. The consideration of derivatives for SFDR PAIs due to their role in investment decisions, and their exclusion from positive impacts (e.g., Taxonomy alignment) create confusion. This inconsistency undermines transparency for investors and complicates compliance for FMPs. A more coherent approach is necessary to align the treatment of derivatives across SFDR's KPIs, simplify disclosures, and ensure clarity in reporting, as outlined in [AMAFI / 25-11](#).

The challenges listed above should be the focus of the SFDR review, which should otherwise strive for stability in the interest of keeping costs as low as possible. Additionally, as FMPs have established market practices since the implementation of the SFDR in 2021, these should be considered in setting out a revised framework, as they provide practical answers to clients' needs. Finally, as the review is likely to be substantial, sufficient time will need to be granted between the finalisation of the regulation and its entry into force.

In this document, AMAFI sets out key areas for change with its proposals. We would be pleased to engage further with the Commission, as the review progresses.

I. CLARIFICATION OF KEY NOTIONS

AMAFI fully supports the Commission's objective, as set out in the Call for Evidence, to "*simplify key notions*" and ensure "*greater legal clarity*" in the SFDR framework. Several foundational definitions, most notably "*sustainable investment*" and the "*consideration*" of Principal Adverse Impacts (PAIs), have proven challenging to interpret and apply consistently.

AMAFI recommends:

- **Clarifying "sustainable investment"** by complementing the high-level definition with clear operational guidance, including examples of methodologies and references that can be applied by financial market participants to a variety of product types.
- **Specifying uses of PAI indicators**, distinguishing between PAI transparency, referring to disclosure for information purposes, and PAI assessment, referring to how PAIs are actively considered in investment strategies (e.g., exclusions, best-in-class, engagement).

Improving the precision of these definitions is essential to ensure product comparability across jurisdictions, reduce compliance risk, and reinforce investor confidence in sustainability-related disclosures.

II. EXTENSION OF THE SCOPE

Structured Products

AMAFI **recommends extending the SFDR to structured products** to submit them to the same transparency and classification framework as other ESG-by-design products.

Structured products are instruments which increasingly include ESG features. When designed as such, they share many similarities with SFDR financial products such as UCITS or insurance-based investment products—particularly in terms of their presentation to retail investors, their product governance obligations under MiFID II, and their inclusion in ESG-labelled offerings.

Including structured products within the SFDR framework would ensure consistent sustainability information for investors across all ESG instruments. It would also resolve the current regulatory inconsistency whereby MiFID II's ESG requirements—particularly those related to target markets and client sustainability preferences—are being applied to structured products, despite their exclusion from SFDR. This misalignment creates legal uncertainty for firms and confusion for investors.

Consistent with the recommendations of the Draghi report, such inclusion would contribute to greater simplification and harmonisation. Rather than perpetuating 27 national frameworks resulting in

divergent EET¹ implementations, a single EU-wide set of rules should be developed. This is important to ensure level playing field, and effective investor protection across Member States.

Including structured products in the SFDR framework would, however, require proportionate and targeted adaptations to reflect their specific characteristics, as they differ significantly from investment funds. In particular, the following elements would need to be adjusted:

- **A sustainability assessment consistent with the structure of these products**, considering both the funding and the exposure components. The funding component can be measured based on the use of proceeds or the issuer's ESG profile. The exposure component refers to the use of ESG relevant assets as underlyings and is measured via delta-adjusted positions. The proposed approach has been detailed in [AMAFI / 25-11](#).
- **The non-application of unsuitable obligations**, notably the requirement of a fixed "*minimum proportion*" of sustainable investments throughout the product's life, which is incompatible with the static nature of structured products whose economic terms are fixed at issuance and remain unchanged until maturity.

Calls for the inclusion of structured products into SFDR come also from several regulatory sources:

- The ESA's opinion on the SFDR review² recommends that the EC reflects on the inclusion of other products in SFDR to ensure harmonised disclosures, quoting structured products;
- The ESMA's opinion on the EU Sustainable Finance Regulatory Framework³ states that "*an assessment needs to be conducted concerning which MiFID II financial instruments should be subject to standardised minimum sustainability disclosures. In such an assessment, consideration has to be given to the ability of instruments [For instance, structured notes, derivatives etc.] to effectively contribute to channelling capital flows to sustainability objectives*".
- The SMSG's advice on ESMA's draft RTS on the Prospectus regulation⁴ mentions that "*ESG structured products are now part of the ecosystem of ESG solutions, and it is therefore important that their issuers could provide full transparency on their two key components being their funding part, on the one side, and their (derivative) exposure to underlying instruments or indices, on the other side.*"

¹ The European ESG Template (EET) is a standardised data format developed by the European Working Group (FinDatEx) to facilitate the exchange of ESG-related information between product manufacturers and distributors. It enables compliance with ESG disclosure requirements under MiFID II, IDD, and SFDR by providing detailed, machine-readable data on the sustainability characteristics of financial products.

² [JC 2024 06 Joint ESAs Opinion on the assessment of the Sustainable Finance Disclosure Regulation \(SFDR\)](#), 18 June 2024.

³ [ESMA Opinion, Sustainable investments: Facilitating the investor journey - A holistic vision for the long term](#), 24 July 2024.

⁴ [SMSG advice on ESMA draft RTS on the Prospectus Regulation, 16 January 2025, question 16](#).

No blanket extension to all MiFID financial instruments

Although the Call for Evidence does not explicitly propose expanding the SFDR to new product types, the reference to a “*revised SFDR that would: (i) cater for different investor groups and financial products*” suggests a potential evolution of the regulation’s scope in future policy proposals.

Although we deem it necessary to extend the scope of the SFDR to structured products and we support the use of SFDR categories to MiFID financial instruments for the purpose of facilitating distribution and mapping client sustainability preferences, we believe that the SFDR **should only apply to products that are designed to meet sustainability objectives**.

MiFID’s financial instruments—such as plain vanilla shares and corporate bonds— are first and foremost financing instruments issued by companies to raise funds, not financial products intended for distribution with pre-defined sustainability objectives. Applying the SFDR framework to these instruments would go beyond the regulation’s intended scope, and would also reduce regulatory clarity, potentially diluting the meaning of sustainability disclosures.

In line with [AMAFI / 25-27](#), we therefore caution against a blanket extension to all MiFID financial instruments, which could result in unjustified compliance burdens and regulatory confusion at the point of sale.

III. PRODUCT CATEGORISATION

AMAFI welcomes the Commission’s intention, as stated in the Call for Evidence, to explore the creation of product categories. We are particularly supportive of the three-category approach proposed by the Platform on Sustainable Finance (PSF)⁵. However, it is important to strike the right balance between overly strict criteria which may risk creating a niche market, and an overly flexible approach which may fuel greenwashing concerns

To ensure that this categorisation framework is operational and robust across the diversity of financial instruments, AMAFI recommends a two-tiered set of criteria:

- **Common core criteria**, applicable to all financial products regardless of their structure, to ensure consistency and comparability.
- **Product-specific criteria**, tailored to the characteristics and investment strategies of different instrument types (e.g. funds, structured products, individual securities) to accurately reflect their sustainability intent without forcing alignment with a fund-based logic. This approach would avoid the application of unsuited criteria, as outlined in [AMAFI / 25-11](#), while ensuring comparability.

However, the criteria used to assess the sustainability of a product should not be limited to the EU Taxonomy. Its limitations, particularly for assets outside the EU jurisdiction, justify allowing the use of other credible and internationally applicable standards. These could include – among others – the UN

⁵ Sustainable, Transition and ESG Collection.

Sustainable Development Goals (SDGs), other internationally recognised taxonomies such as the one from the Climate Bonds Initiative, and hybrid versions of the EU Taxonomy (eg, checking only alignment with Substantial Contribution Criteria). This can facilitate greater flexibility and global acceptance of the SFDR framework, while at the same time maintaining its credibility.

This would:

- Support the international relevance of the SFDR framework,
- Facilitate disclosure of instruments with global exposure,
- And align with the Commission's aim to enhance the framework's international reach and promote sustainable capital flow through more globally compatible criteria.

IV. SIMPLIFICATION OF DISCLOSURE REQUIREMENTS

AMAFI strongly supports the Commission's objective to simplify sustainability disclosures for financial products, particularly to enhance their usability for end-investors. In our view, **pre-contractual documentation should focus on the essential elements that help clients understand a product's sustainable characteristics**, avoiding unnecessary complexity or excessive length.

To this end, AMAFI recommends:

- **Concise standardised disclosure templates**, based on the PRIIPS Key Information Document (KID) with a short-form disclosure of 1 to 3 pages, presenting only the most relevant sustainability information.
- **A modular “building block” structure**, with a common disclosure block for all products and additional blocks tailored to specific product types (e.g. structured products, funds, insurance) to balance comparability and necessary differentiation.
- **Clarity over quantity**, particularly for documents directed at retail clients, with clear and accessible language, prioritising simplicity over technical detail.

This approach would reduce administrative burden, improve investor comprehension and foster trust, ultimately supporting the broader objective of making sustainable finance more inclusive and effective.

V. CONSISTENCY IN SUSTAINABLE FINANCE REGULATION

Coherence with MiFID II

AMAFI fully supports the Commission's objective to ensure coherence between the revised SFDR and the EU framework for the distribution of financial products MiFID II and IDD. As highlighted in the Call for Evidence, it is essential that any evolution of the SFDR interacts smoothly with suitability and client preferences requirements already in place.

In this regard, AMAFI recommends a **coordinated and sequenced approach** to the revision of the SFDR and the MiFID/IDD sustainability frameworks. The lack of synchronisation during the initial implementation phase created significant uncertainty and compliance challenges for distributors. **A revised SFDR should not enter into force until the necessary adjustments to MiFID II are finalised and fully operational.**

Moreover, while SFDR product categories may serve as a useful reference for sustainability preferences under MiFID II, it is important that they remain **flexible and user-friendly in investor communication**. Distributors should not be required to replicate technical language in client-facing questionnaires. Instead, suitability assessments should be mapped to SFDR categories in the background, allowing for simpler, more accessible client interaction.

Interactions with CSRD, EU Taxonomy and the Omnibus Package

As rightly acknowledged in the Call for Evidence, the SFDR must evolve in coordination with the wider EU sustainable finance framework—including the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy Regulation—to ensure consistency and effective implementation of reporting and product disclosure obligations.

This need for alignment is becoming increasingly urgent in light of the Omnibus Package (Omnibus I & II), which significantly reduces the scope of mandatory sustainability reporting for corporates, thereby impacting the availability and reliability of data needed to support the SFDR disclosures.

While these changes may reduce compliance costs for corporates, they create significant data limitations for financial market participants subject to SFDR. In particular, the ability to assess Taxonomy alignment, transition plans, and PAI indicators is increasingly dependent on third-party estimates and methodologies, raising comparability and cost concerns.

In this context, AMAFI strongly recommends:

- That the SFDR be **adapted to the evolving availability of sustainability data**, especially where reporting obligations under CSRD or the EU Taxonomy no longer apply;
- That **regulatory guidance** be provided on the **use of estimates** and proxies, to avoid excessive divergence between estimated information and ensure minimum standards of consistency and auditability;

- That the creation of a “Transition” product category, which is heavily reliant on forward-looking issuer data (e.g. transition plans), be approached pragmatically, taking into account the reduced reporting scope and the current limits of available information.

We refer to AMAFI / 25-27 for a more detailed description of these concerns, pointing out the growing dependence of financial institutions on data providers, the resulting cost implications, and the operational difficulties linked to partial or non-standardised corporate disclosures.

The ambition to **streamline and rationalise sustainable finance regulation**, as outlined in the Commission’s Call for Evidence, can only be achieved if the revised SFDR remains **anchored in the actual availability of sustainability data and avoids placing expectations on financial products that exceed what can reasonably be supported by the underlying issuer disclosures**.

Consistent consideration of equity and credit derivatives

Current sustainable finance rules handle derivatives differently depending on the key performance indicators (KPIs) considered. For example, derivative positions are fully counted in SFDR PAI disclosures (negative sustainability effects), yet they are largely ignored in metrics measuring positive performance – they are excluded from a portfolio’s Taxonomy alignment (e.g. not counted at product level and at entity level toward the Green Investment Ratio and Green Asset Ratio) and omitted from the share of Sustainable Investments. This asymmetry means that while derivatives must be considered for negative impacts, they shall not be considered when contributing positively. This is so even for derivatives with equity or debt underlyings, even though they have a direct link with companies whose sustainability engagements can be assessed⁶. Hence, when a derivative provides economic exposure to an issuer, it should be logically considered on both sides, positively and negatively. The EU’s PSF has highlighted this inconsistency and urged for a uniform approach⁷. AMAFI recommends aligning the treatment of derivatives in all SFDR and Taxonomy-related KPIs by using a consistent look-through methodology. In practice, this means including derivative exposures in both the numerator and denominator of relevant ratios (Taxonomy alignment, Sustainable Investment, etc.) based on their delta-adjusted economic exposure. Such alignment would ensure that if derivatives are counted in assessing adverse impacts, they are equally counted in measuring positive alignment – creating a fair and technically coherent disclosure regime.



⁶ As outlined in AMAFI’s answers to ESAs’ joint consultation on the review of SFDR’s Delegated Regulation regarding PAI and financial product disclosures ([AMAFI / 23-54](#)) and to SFDR EC targeted consultation ([AMAFI / 23-89](#)).

⁷ [EU Platform on Sustainable Finance, Simplifying the EU Taxonomy to Foster Sustainable Finance. Report on Usability and Data](#), February 2025, pages 31-32.