

REVISION OF SFDR

AMAFI, AFPDB and FBF's position

AMAFI, AFPDB and FBF (“The Associations”) welcome the European Commission’s proposal¹ to review the Sustainable Finance Disclosure Regulation (SFDR²), as it makes notable progress toward a more coherent, usable, and investor-friendly sustainable finance framework ([I.](#)).

However, even under this proposal, some key issues remain unresolved ([II.](#)):

- **The treatment of financial products and instruments which may have sustainable characteristics or pursue sustainable objectives, but remain out of the scope of SFDR ([II. A](#)).**
- **The possibility to include structured investment products³ in the scope of SFDR ([II. B](#)), and**
- **The treatment of derivatives, which is still not specified for the purpose of the proposed categorisation ([II. C](#)).**

In this paper, which follows up on discussions held with the French Treasury and DG FISMA, the Associations make proposals to tackle these issues and suggest amendments to the text proposed by the Commission.

¹ European Commission, [Legislative proposal to review the Sustainable Finance Disclosure Regulation \(SFDR\)](#), 20 November 2025.

² [Regulation \(EU\) 2019/2088](#) on sustainability-related disclosures in the financial services sector.

³ As defined in ESMA [Report on Trends, Risk and Vulnerabilities 2018. Investor Protection, Structured Retail Products, the EU market](#).

I. THE ASSOCIATIONS WELCOME THE COMMISSION'S PROPOSALS

The Associations support the Commission's objectives to simplify the regime, strengthen investor protection, and reduce greenwashing risks. Several of the proposals respond to long-standing concerns of market participants.

- **Introduction of product categories:** the proposed "Transition" (Article 7), "ESG" (Article 8), and "Sustainable" (Article 9) categories provide a clearer structure for sustainability claims and provide a more intuitive classification for retail clients. This evolution responds to long-standing concerns expressed by market participants about the unintended use of Articles 8 and 9 as labels and the difficulty customers face in understanding the current framework.
- **Simplification of disclosures:** the limitation of pre-contractual sustainability disclosures to a maximum of two pages constitutes a major step forward. This simplification will enhance readability and meaningfulness for retail investors and reduce the burden on firms.
- **Removal of the Principal Adverse Impact (PAI) statement at entity-level** (Article 4)
- **Reduction of the scope: suppression of financial adviser** (Article 2(11)) and **managed portfolio** (Article 2(12)a))
- **Integration of naming rules:** the Associations also welcome the coherence between SFDR product categories and ESMA's Guidelines on Fund Naming⁴ (Article 13), which improves the consistency of sustainable claims, enhances clarity to investors and facilitates the work of distributors.
- **Prohibition of gold plating** to prevent divergent national interpretations and implementation practices, and foster an integrated ESG market in the EU, in line with the Draghi's report⁵ (Article 14b).

⁴ ESMA, [Guidelines on funds' names using ESG or sustainability-related terms](#), 21 august 2024.

⁵, "9. Accelerate the creation of a sustainable CRM market in the EU, including the simplification and harmonisation of sustainability rules to establish a common standard for ESG where products are sourced in a resilient and sustainable way.", Mario Draghi, [The future of European competitiveness, Part B, In-depth analysis and recommendations](#), September 2024, page 64.

II. KEY ISSUES AND PROPOSED AMENDMENTS

A. ADDRESSING THE CASE OF ESG PRODUCTS AND INSTRUMENTS NOT COVERED IN THE PROPOSED REVISED SFDR

SFDR is likely to become the reference framework for defining sustainable financial products. This would lead to a situation where only products covered by SFDR are perceived as eligible to be presented as “sustainable” to retail clients, even though the rules governing the distribution of ESG products (e.g. MiFID and IDD) and their transparency (e.g. PRIIPs and the Prospectus regulation)⁶ cover a larger scope (including all financial instruments for MiFID).

SFDR covers only part of the financial products indeed, as this regulation focuses on “manufactured” financial products (i.e. notably funds and IBIPs), which can be designed to have ESG characteristics or objectives.

In this context, two key considerations should be noted.

Firstly, SFDR should cover all financial products that are designed to embed sustainability characteristics or pursue sustainable objectives and are marketed to retail investors as such: these should indeed be governed by consistent naming, transparency and communication requirements. An expansion of the scope of SFDR to cover structured investment products should therefore be considered (see Section II.B.).

Secondly, it must be recognised that the application of SFDR naming and transparency rules would not be appropriate to other financial instruments proposed to retail clients, which present ESG characteristics⁷ but are not designed or marketed as sustainable products. These should therefore remain outside the scope of SFDR. However, issuers or manufacturers of such products outside the scope of SFDR should still be able to provide investors with sustainability-related information when it is relevant.

In this regard, the proposal to align SFDR and PRIIPs through the introduction of a new ESG section in the KID⁸, which would be restricted to products within the scope of SFDR⁹, is an issue. While the

⁶ PRIIPs ([Regulation \(EU\) No 1286/2014](#)), which provides transparency to retail clients, MiFID II ([Directive 2014/65/EU as amended by Commission Delegated Regulation \(EU\) 2021/1253](#)) and IDD ([Directive \(EU\) 2016/97 as amended by Commission Delegated Regulation \(EU\) 2021/1257](#)) which govern distribution; SFDR, which is to determine naming, disclosure and sustainability criteria; and ESG disclosures of the Prospectus Regulation ([Regulation \(EU\) 2017/1129 as amended by Regulation \(EU\) 2024/2809](#)).

⁷ Many financial instruments (such as single stocks) may display ESG characteristics valued by investors but are not manufactured “investment products” with predefined sustainability objectives.

⁸ Also considering that another proposed amendment of PRIIPs is to delete the reference to environmental and social objectives in Article 8.3 c) (ii).

⁹ ““(a) for a PRIIP that is a sustainability-related financial product as defined in Article 2, point (25), of Regulation (EU) 2019/2088, under a section titled ‘How sustainable is this product?’, its categorisation in accordance with either Article 7, 8 or 9 of that Regulation, and a description of its objective including relevant indicators.””, [Revised SFDR proposal](#), Amendments to Regulation (EU) No 1286/2014, 20 November 2025.

proposal may appear coherent from a regulatory rationalisation perspective, it would imply that other PRIIPs than those included in SFDR scope could not claim to embed ESG characteristics.

A similar consideration concerns MiFID II and IDD. As it is planned to rely on SFDR categories to assess the sustainability characteristics of MiFID II and IDD financial products and instruments, classifying them accordingly, including those that are outside SFDR scope, it is essential that the criteria underpinning these categories can also be applied to these financial products. SFDR categories therefore need to be defined in such a way that they can be applied not only to those products in scope but also to other financial instruments covered by MiFID II and IDD, which can also have ESG characteristics.

Otherwise, certain financial instruments may become “non-categorisable”, resulting in their exclusion from distribution when sustainability preferences must be taken into account. This would create significant operational challenges for distributors and could ultimately limit retail investors’ access to a sufficiently broad and diversified range of sustainable investment solutions, despite the ESG contribution that certain products outside SFDR can provide.

To address these inconsistencies and ensure a coherent approach across disclosure and distribution rules, the Associations propose both (i) the adoption of a clarifying recital in the revised SFDR and (ii) a targeted amendment to the PRIIPs Regulation¹⁰.

Proposed modifications to the legislative text

(i) Recital to be added to SFDR

“Financial instruments that do not qualify as “financial products” within the meaning of Article 2(12) of this Regulation may nonetheless comply with the criteria listed in Articles 7(1)(2), 8(1)(2), and 9(1)(2) of this Regulation. In order to ensure uniform treatment by distributors and support clients’ understanding, the MiFID and IDD Delegated Acts revised to integrate the amendments brought by this Regulation shall allow firms to rely on this Regulation’s sustainability categories for the purpose of their suitability obligations and the definition of the target market of these financial instruments. In addition, where the financial instrument is a PRIIP taking into account ESG factors or pursuing ESG objectives, its sustainability characteristics may be disclosed in the Key Information Document (KID) under the section ‘How sustainable is this product?’.”

(ii) Amendment to PRIIPs article 8(3) proposal

“Article 8 of Regulation (EU) No 1286/2014 is amended as follows:

[...]

(2) in paragraph 3, the following point (ca) is inserted: “(ca) ~~that is a sustainability related financial product as defined in Article 2, point (25), of Regulation (EU) 2019/2088~~, under a section titled ‘How sustainable is this product?’:

¹⁰ Amendments to adjust the criteria of the SFDR categories are being worked on and will be included in our response to the [EC's consultation](#) on the revision of SFDR.

(i) For a ‘sustainability-related financial product’ as defined in Article 2, point (25), of Regulation (EU) 2019/2088 [or the corresponding provision as amended], its categorisation in accordance with either Article 7, 8 or 9 of that Regulation, and a description of its objectives including relevant indicators.

(ii) For a PRIIP taking into account ESG factors or pursuing ESG objectives, that is not a ‘sustainability-related financial product’ as defined in Article 2, point (25), of Regulation (EU) 2019/2088, its sustainability characteristics assessed in accordance with Commission Delegated Regulation (EU) 2017/565 of 25 April 2016”¹¹

B. INCLUDE STRUCTURED INVESTMENT PRODUCTS IN THE SCOPE OF SFDR

Structured investment products are financial instruments that can match investors’ risk appetite, notably through capital protection mechanisms, and that can also embed measurable ESG characteristics. By providing exposure to underlying assets and through the corresponding market transactions typically entered into by issuing banks, involving investments in those same underlyings, structured investment products help channel retail savings to sustainable activities. As retail investment solutions, which can have ESG characteristics, structured investment products should therefore fall within the scope of SFDR.

This would be consistent with the European Commission’s Impact Assessment, which explicitly invites reflection on whether certain MiFID-distributed instruments, “especially structured notes”¹², should be brought within the SFDR perimeter to avoid greenwashing and ease distributors’ work. In addition, the criteria underpinning the SFDR product categories could be clarified and, if needed, adjusted to ensure that the contribution of structured investment products is properly and consistently captured¹³.

Two approaches could be considered to do so. While our preferred approach remains the full inclusion of structured investment products in the scope of SFDR, we have also developed a voluntary opt-in mechanism as a second-best option, since the benefits of such an inclusion are not recognised by all actors in the EU.

¹¹ The proposal considers a scenario where structured investment products may remain outside the scope of SFDR.

¹² Commission Staff Working Document, [Impact Assessment Report](#), 20 November 2025, page 117.

¹³ “[...] To guide financial market participants and provide them with certainty, specific investment approaches for financial products should be identified per category, but without excluding other possible approaches in each case under the condition that these provide for the same level of sustainability-related ambition. Findings from recent evaluations show that there is no ‘one size fits all’ on how to granularly specify what a positive contribution to a sustainability objective or transition should be.[...]]”, recital (14), European Commission, [Legislative proposal to review the Sustainable Finance Disclosure Regulation \(SFDR\)](#), 20 November 2025.

1. Option A – Including structured investment products in the scope of SFDR

This is the preferred option of the Associations, for the following reasons:

- **Enhanced investor protection and reduced greenwashing risks**, by ensuring that sustainability claims made for structured products are governed by the same logic as those applicable to SFDR ESG products.
- **Convergence toward an integrated European market**: integrating structured products into SFDR would avoid divergent national regimes, guarantee a similar level of investor transparency across the EU, and by facilitating cross-border distribution, foster a single market for sustainable products. This is fully aligned with the new Article 14 of the revised SFDR, which aims to eliminate gold-plating and reduce national divergences.
- **Consistency between SFDR and the Prospectus Regulation**: in its consultation on the Prospectus Regulation, ESMA explicitly recommended *“that the Commission consider aligning the requirements for such products [investment structured products] under the PR and the SFDR in the future¹⁴”*. This is particularly relevant given that the Final Report on the Prospectus Regulation requires specific disclosures on how the underlying assets of non-equity securities (such as those of structured investment products that are bonds instruments) contribute to the product’s sustainable objectives¹⁵. Because these disclosures mirror, in substance, the information required in SFDR pre-contractual documents, it would be inconsistent for structured investment products to be subject to sustainability disclosures under the PR while remaining out of scope of SFDR.
- **Suitability for retail investors**: structured investment products can combine capital protection mechanisms¹⁶ with sustainability features and are increasingly distributed to retail investors with sustainability preferences¹⁷. The objectives of SFDR to ensure consistency and comparability of sustainability-related disclosures made to retail investors calls for the inclusion of structured investment products in SFDR.
- **Level playing field with similar retail financial products**: investment structured products have pay-offs comparable to other retail-focused instruments already covered by SFDR, such as formula funds and other packaged instruments¹⁸. ESMA’s analysis in the Prospectus

¹⁴ ESMA, [Consultation Paper on draft technical advice concerning the Prospectus Regulation and on updating the CDR on metadata](#), Section 5.5, 28 October 2024.

¹⁵ “135. Item 5.1 has been amended to clarify that the disclosure requirements in this section of Annex 21 apply to non-equity securities advertised as taking into account ESG factors or pursuing ESG objectives linked to an underlying where that underlying is material for the assessment of those ESG factors or ESG objectives.”, ESMA, [Final Report, Technical advice concerning the Prospectus Regulation and the RTS updating the CDR on metadata](#), 12 June 2025.

¹⁶ Such protection is on the rise since 2021 in France, as mentioned by the AMF and ACPR: « *La part de produits offrant une protection totale du capital à l'échéance est en constante augmentation depuis 2021 (plus d'un tiers des produits émis en 2023)* », AMF-ACPR, [Cartographie des produits structurés, Rapport final](#), Mars 2024.

¹⁷ SRP, [Global Market Overview 2024, Europe Market Overview 2024](#), 18 March 2025, slide 17, increase of 84% from 2020 to 2024 for ESG index-linked products.

¹⁸ Structured investment products are already considered as investment products having similar characteristics to funds “*Various ESG strategies serve as building blocks or standalone choices in the design of the overall ESG approach used by funds, benchmarks and other investment products that have similar characteristics to funds (e.g. discretionary mandates and certain sustainable Exchange-traded products included in some Euro Medium Term Notes (EMTNs))*”, [ESMA, Thematic note on clear, fair & not misleading sustainability-related claims](#), 14 January 2026.

Regulation consultation emphasised that formula funds and structured notes raise similar transparency issues and should be treated consistently¹⁹.

Proposed modifications to the legislative text

- Amend Article 2 of SFDR to define a manufacturer of structured investment products as a 'financial market participant'.
 - (1) 'financial market participant' means:
[...]
[to add] **i) a manufacturer of a packaged investment product**
- Amend Article 2 of SFDR to include structured investment products within the list of "Financial products", using a regulatory definition grounded in PRIIPs.
 - (12) 'financial product' means:
[...]
[to add] **g) a 'packaged investment product'**

(28) 'packaged investment product' means:
(a) a PRIIP as defined in point (1) of Article 4 of Regulation (EU) No 1286/2014 of the European Parliament and of the Council, other than a UCIT, an AIF, or a derivative as defined by article 2(1) (29) of Regulation 600/2014;

2. Option B - Voluntary Opt-in

If our preferred option of extending the SFDR perimeter to structured investment products is not retained, another approach could consist in allowing a **voluntary opt-in to SFDR for PRIIPs products**.

If they choose this option, manufacturers will have to apply SFDR categories and the corresponding pre-contractual and periodic disclosures to the financial products they choose. This would preserve flexibility, avoiding applying article 6 provisions, while supporting the coherence of the sustainable finance regulation, including in terms of transparency, as the products for which an opt-in has been made would then have a KID with an ESG section, as per our proposed amendment (see below).

Importantly, this opt-in mechanism is particularly relevant for PRIIPs products, and especially structured investment products, distributed through insurance-based investment products (IBIPs),

¹⁹ "Section 5.5 Interaction with the SFDR. Paragraphs 49 - 51 of the ESA's Opinion on the review of Sustainable Finance Disclosure Regulation explains that there are structured products that currently fall outside the scope of the SFDR, while having similar characteristics to products falling within the scope of the SFDR. For example, the Opinion explains that structured products taking the legal form of a formula fund falling under the SFDR can be equivalent to a structured non-equity security falling outside the scope of the SFDR. The Opinion states similar disclosure should be provided when two types of financial products have similar features.", ESMA, [Consultation Paper on draft technical advice concerning the Prospectus Regulation and on updating the CDR on metadata](#), 28 October 2024.

which are in scope of SFDR. In practice, structured investment products frequently serve as units of life insurance contracts and therefore need to be assessed against SFDR categorisation criteria in order to support insurers' own product classification and disclosure obligations. Allowing such products to opt in would therefore facilitate compliance for IBIPs and enhance consistency across the investment chain, while ensuring that sustainability-related information remain reliable and comparable for retail investors.

However, in order to remain consistent with the objective of providing retail investors with clear, accurate and not misleading information, it is also important to address the case of PRIIPs products that would not opt in. In this case, the provisions of Article 6a of the revised SFDR could apply to prevent such products from being marketed extensively on ESG characteristics where manufacturers do not wish to comply with SFDR requirements, thereby strengthening investor protection.

Proposed modifications to the legislative text

- Amend Article 1 of SFDR to include the possibility for manufacturers of financial products in scope of PRIIPs to opt in.

- *'Article 1 Subject matter*

This Regulation lays down harmonised rules for financial market participants on:

(a) transparency with regard to the provision of sustainability-related information, including the integration of sustainability risks with respect to the investment decision-making process of those financial market participants and the financial products they offer to investors;
(b) the categorisation of, and transparency with regard to, financial products as sustainability-related financial products.'

[To add]

Manufacturers of PRIIPs as defined in point (1) of Article 4 of Regulation (EU) No 1286/2014 of the European Parliament and of the Council, other than UCITS and AIFs, may voluntarily choose to apply the categorisation referred in b) provided that they comply with the requirements laid down in this Regulation.

C. CONSIDERATION OF ESG EXPOSURES THROUGH DERIVATIVES

A third issue to be addressed concerns the notion of “investment” under SFDR and more specifically, the **treatment of the exposures obtained through derivatives**. Derivatives providing exposure to corporate equity or debt play an active role in channelling capital towards economic activities, as they can influence companies’ cost of capital by creating supply and demand dynamics, in a manner comparable to secondary cash markets. Accordingly, all forms of exposure to companies’ capital (equity and corporate debt), including those obtained through derivatives, whether long or short, should be taken into account to assess whether a financial product meets the 70% investment threshold required by SFDR to fit into the categories described under Articles 7, 8 and 9.

This approach is fully consistent with the objective of SFDR, which seeks to « *strengthen protection for end investors and improve disclosures to them* »²⁰. Any meaningful sustainability assessment should reflect the economic substance of all investment positions taken by a financial product, irrespective of whether such exposure is achieved through physical holdings or derivatives.

This principle, which has been extensively described in several AMAFI’s papers²¹, is already embedded in other parts of the EU regulatory framework:

- The ESAs have clarified in their Q&A on SFDR that “*all investments*” for the purpose of PAI indicators include derivatives²².
- Similarly, the PRIIPs Regulation requires transparency on whether a product achieves its objectives through direct or indirect exposure²³.
- ESMA Fund Naming Guidelines²⁴ also treat synthetic and physical strategies consistently, acknowledging that derivatives are a legitimate means of delivering sustainability-related exposure.

The Commission’s proposal for a revised SFDR itself reflects this approach, as products replicating CTB or PAB benchmarks, which is often performed through synthetic replication, may qualify under the new SFDR categories²⁵.

²⁰ « [...] namely to strengthen protection for end investors and improve disclosures to them, [...] », recital (33), [Revised SFDR proposal](#), 20 November 2025.

²¹ [AMAFI / 21-47](#), [AMAFI / 23-03](#), [AMAFI / 23-13](#), [AMAFI / 23-54](#), [AMAFI / 25-11](#).

²² ESAs, [Questions and answers \(Q&A\) on the SFDR Delegated Regulation \(Commission Delegated Regulation \(EU\) 2022/1288\)](#), Section I. Question 2, 17 November 2022.

²³ ESMA, [Final Report Guidelines on funds' names using ESG or sustainability-related terms](#), Q9, 14 May 2024.

²⁴ “*its objectives and the means for achieving them, in particular whether the objectives are achieved by means of direct or indirect exposure to the underlying investment assets, including a description of the underlying instruments or reference values, including a specification of the markets the PRIIP invests in, including, where applicable, specific environmental or social objectives targeted by the product, as well as how the return is determined*” ([Regulation \(EU\) 1286/2014](#), Article 8.3.(c)(ii)).

²⁵ “[...]The conditions described in the first subparagraph shall be considered to be met for financial products that replicate or are managed in reference to an EU climate transition benchmark that complies with the requirements laid down in Section 2 of Delegated Regulation (EU) 2020/1818, or an EU Paris-aligned benchmark that complies with the requirements laid down in Section 3 of Chapter II of that Delegated Regulation. [...]” (Article 7.1) “investments in portfolios replicating or managed in reference to an EU climate transition benchmark or EU Paris-aligned benchmark (‘EU climate benchmarks’)” (Article 7.2(a)). “The conditions referred to in the first subparagraph shall be considered

As a reminder, currently the treatment of derivatives on equity and corporate debt underlying is fragmented across the EU sustainable finance legislation, as highlighted by the Platform on Sustainable Finance²⁶: fully included in PAI metrics, only partially in Taxonomy alignment, and not clearly addressed in the calculation of the sustainable investment share under current SFDR. This inconsistency creates legal uncertainty and heightens greenwashing risks. A product may appear “green” based on its cash or physical positions while holding long derivative exposures to high-emitting sectors that do not need to be disclosed. Conversely, two products with the same sustainability exposure may be classified differently purely because one uses synthetics and the other physical holdings. As noted in AMAFI’s response to the ESAs’ call of evidence on greenwashing²⁷, such inconsistencies undermine investor trust and obscure the real sustainability contribution (or detriment) of investment positions.

A coherent approach requires that exposures obtained through equity and corporate bond derivatives (adjusted to their economic exposure, through their delta) are taken into account, especially when assessing whether a product meets the 70% investment threshold under Articles 7, 8 and 9.

Proposed modifications to the legislative text

- Amend Article 7(2) of SFDR to consider derivatives exposure as one of the ways to invest in transition
 - ‘Article 7 Transition category: criteria and disclosures
(2) Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following:
[...]
[To add] (i) **exposures obtained through derivatives referencing underlying assets, activities or undertakings falling within points (a) to (h).**’
- Amend Article 8(2) SFDR to consider derivatives exposure as one or the way to invest in ESG
 - ‘Article 8 ESG basics: criteria and disclosures
(2) Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following:
[...]’

met for financial products that replicate or are managed in reference to an EU Paris-aligned benchmark that complies with the requirements laid down in Section 3 of Delegated Regulation (EU) 2020/1818.” (Article 9.1) “investments in portfolios replicating or managed in reference to an EU Paris aligned benchmark” (Article 9.2(a)).

²⁶ EU Platform on Sustainable Finance, [Simplifying the EU Taxonomy to Foster Sustainable Finance Report on Usability and Data](#), section “Treatment of derivatives”, page 31, February 2025.

²⁷ “Current EU legislation on sustainable finance does not have a consistent approach towards derivatives. Financial institutions and investors currently face inconsistencies and uncertainties [...]. Overall, this regulatory framework provides for an inconsistent treatment of derivatives and an unclear representation of derivative’s roles in sustainability, exposing them to claims of greenwashing. [...] The application of the concept of greenwashing to derivatives should be based on stable regulatory provisions, otherwise exposing firms selling these products to a high a risk of litigation and reputation, thus jeopardizing the use of these products by investors and corporates.”, [AMAFI / 23-03](#), page 7.

[To add] (f) exposures obtained through derivatives referencing underlying assets, activities or undertakings falling within points (a) to (e).'

- Amend Article 9(2) SFDR to consider derivatives exposure as one or the way to invest in sustainability
 - 'Article 9 Sustainable category: criteria and disclosures
(2) Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following:
[...]
[To add] (h) exposures obtained through derivatives referencing underlying assets, activities or undertakings falling within points (a) to (g).'

