



Brussels, 20.11.2025
SWD(2025) 839 final

COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

accompanying the

Proposal for a Regulation of the European Parliament and of the Council
amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the
financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information
documents for packaged retail and insurance-based investment products (PRIIPs) and
repealing Commission Delegated Regulation (EU) 2022/1288

{COM(2025) 841 final} - {SEC(2025) 841 final} - {SWD(2025) 838 final}

Executive Summary Sheet

Impact assessment on the review of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)

A. Need for action

Why? What is the problem being addressed?

The Sustainable Finance Disclosures Regulation (SFDR) has been in application since March 2021. It is part of a broader package of sustainability disclosure rules for financial markets designed to help deliver on the objectives of the Green Deal, including the Taxonomy Regulation and the Corporate Sustainability Reporting Directive. The SFDR sets out how financial market participants should disclose sustainability information to investors, in order to help the latter make informed choices about their investments.

Stakeholder feedback suggests that, while the SFDR has helped increase transparency regarding environmental, social and governance (ESG) aspects related to investments, it is also complex to implement, and it is challenging for investors to use of the disclosures. These shortcomings have led to challenges and undue costs for financial market participants in applying the rules, and to difficulties for investors to understand and compare ESG products amid confusion over the unintended and misleading use of the SFDR disclosures as de facto product labels, but without common criteria fit for this purpose. The problems lead to risks for investor protection, the efficient functioning of the single market, and the competitiveness of the EU financial sector.

What is this initiative expected to achieve?

In order to boost investments for Europe's sustainable prosperity and competitiveness, the initiative aims to ensure proportionate requirements for Europe's financial sector, protect the integrity of the EU single market, and help investors to seize opportunities in sustainability-linked financial products. The impact assessment explores how best to simplify and reduce sustainability-related administrative requirements for financial market participants under the SFDR while enhancing coherence with the rest of the framework, as well as to improve end-investors' ability to understand and compare ESG financial products.

What is the value added of action at the EU level?

EU level action to revise the framework would be conducive to more harmonised, effective, efficient and coherent outcomes across the single market. In contrast to the status quo or relying on national level actions to address the shortcomings, an initiative at EU level could simplify requirements and disclosures across the board for the benefit of financial market participants and investors and address data challenges across the EU. This would better help scale up private sustainable finance across the EU, in support of common strategic objectives of the green transition.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

The main options explore how to (i) alleviate SFDR-related reporting burdens via changes to entity-level and product level disclosures and concepts for financial market participants, and (ii) set up a clear categorisation system to improve investors' understanding of ESG products. The options are weighed against the need to ensure consistency with the rest of the sustainable finance framework, and in

particular with the changes entailed by the Omnibus proposals in terms of sustainability disclosures applicable to corporates¹, as well as to recognise and build upon current market practices². The preferred options are to remove the majority of entity-level disclosures under the SFDR and to significantly reduce product disclosures, including by way of introducing a three-way ESG product categorisation system to streamline and simplify requirements for financial market participants and help provide investors with essential and comparable information regarding categorised products. This combination of the preferred options, to be subsequently specified in limited implementing legislation, is assessed to deliver significant simplification and clarity for markets, provide sufficient stability compared to current market practices and flexibility to continue encouraging diversity in product innovation, as well as ensure a high level of investor protection.

Who supports which option?

Financial market participants welcome the deletion of entity-level disclosures in the SFDR, while the views of others (NGOs, national competent authorities) are more mixed. Most stakeholder groups largely agree that changes to product-level disclosures are also warranted and should focus on more meaningful and comparable indicators. Finally, all stakeholders broadly welcome a categorisation system for ESG products at EU level notably to help comparability for investors.

C. Impacts of the preferred option

What are the benefits of the preferred option?

The preferred options are assessed to considerably simplify requirements and reduce administrative costs linked to the SFDR. The removal of entity-level disclosures would alone eliminate burdens estimated to account for 25% of the costs under the current rules. The three-way categorisation would help simplify product disclosures, contribute to coherent rules for the distribution of ESG products, lower risks of divergent national practices, and boost comparability for investors by providing them with more meaningful product information. This is expected to help scale up investment toward greater sustainability across the board. Given the dominant size of the EU market in this area, the categorisation regime can also be expected to contribute to attracting further inward investment flows into the EU. However, a quantification of the full benefits from the introduction of categories, and from reduced product disclosures, has not been possible yet at this stage, given that several details would need to be developed in level 2 implementing legislation, including after more extensive consumer-testing. Scaling up sustainable finance also hinges on other economic factors, involving the efficient functioning of markets and determining capital allocation, which are beyond the scope of the SFDR review.

What are the costs of the preferred option?

For a majority of market players, notably for funds, the costs would largely be minimised by the fact that the preferred option of a three-way categorisation scheme would build on current practices and on the already applicable ESMA guidelines (see footnote 2). The initial costs should also be offset against the simplification measures and lower costs linked to reduced disclosures over the medium to long term.

For others, notably insurance and pensions products which have not already incurred costs linked to the changes imposed by the ESMA guidelines, the new categories can involve an initial cost in the short term.. However, little reliable quantitative data is available at this stage. The rules could nonetheless be

¹ [Omnibus I - European Commission](#)

² Namely reflecting the [guidelines for funds' names](#) by the European Securities and Markets Authority, which have introduced minimum criteria for the use of sustainability-linked names by funds.

suitably phased for them, to mitigate costs.

How will businesses, SMEs and micro-enterprises be affected?

Financial market participants, many of whom are SMEs, are expected to see lower compliance costs, lower barriers to market entry, and economic benefits of continued investment flows according to a simpler, clearer and more intuitive categorisation of products. In turn, increased funding toward private sustainability-oriented innovations in the real economy can be expected, supporting the flow of additional private capital toward the twin green and digital transitions and EU competitiveness goals.

Will there be significant impacts on national budgets and administrations?

N/A

Will there be other significant impacts?

No

D. Follow up

When will the policy be reviewed?

The initiative would be monitored in the context of existing processes underway with the help of the European Supervisory Authorities and the Platform on Sustainable Finance, a Commission expert group. The Commission will evaluate the initiative in accordance with its better regulation principles.