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European Commission
DG Fisma – Unit C4 Asset Management
Rue de Spa 2
1000 Brussels

30 May 2025

Dear Sir or Madam,

Call for evidence: Revision of EU rules on Sustainable Finance Disclosure

On behalf of Deloitte[1], we are pleased to respond to the Call for evidence from 2 May 2025 on the revision of the Sustainable Finance Disclosure Regulation (SFDR). Based on our assurance and advisory experience over recent years, we highlight what we view as the most important topics for the upcoming revision of the SFDR. Our recommendations aim to help ensure the usefulness, understandability and relevance of the disclosures to end investors but also to enhance alignment with other regulatory requirements, especially the disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD) and under MiFID II and IDD (for example, those relating to clients' sustainability preferences). We include areas where we think that the reporting burden for financial market participants (FMPs) and investee companies could be reduced, without significantly impairing the usefulness of the information provided.

The SFDR intends to provide a comprehensive framework under the EU Action Plan in support of mobilisation of the required capital for the transition, integration of sustainability risks into investment decisions and advice as well as improving the transparency towards end investors. However, we identify several important matters that could affect the usefulness of the information provided, the effectiveness of implementation, and the enforceability of the regulation. Moreover, the complexity of the SFDR overall may jeopardise its ultimate objective – to enhance the transparency of sustainability information for the end investor.

We suggest that the European Commission address a number of matters to allow for the provision of useful and relevant information at a reasonable cost for FMPs as well as for investee companies:

1. **Reduce the complexity and administrative burden of the PAI statement at entity level**
   Due to the large and complex Principal Adverse Impact (PAI) disclosures, the objective to inform retail and institutional investors might not be met. Investors should not be confronted with an overwhelming amount of information. We recommend the ESAs to consider reviewing the whole list of KPIs and take steps towards determining a clear, understandable, and useful set of PAIs that are easy to compare between entities. This list should remove the optional tables and focus on a smaller number of mandatory (quantitative) KPIs.

[1] For more information, please refer to the Deloitte website.

2. **Align KPIs and calculation methodology with other regulations/standards**
   We encourage greater interoperability between EU regulations to help ensure that entities are not required to prepare multiple sets of reports, or a plethora of different metrics under different standards. Preparing multiple sustainability reports and calculating similar KPIs for the same topic but using different methodologies is time consuming, costly and affects comparability. For this reason, we recommend that the SFDR is revised to be aligned with the relevant revisions to the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), EBA Pillar 3 and the EU Taxonomy regulation.

   We also recommend that the EC should consider formally embedding FAQ 90 of the 'FAQs on the interpretation of certain legal provisions… as regards sustainability reporting' into the SFDR to confirm that 'Financial market participants may assume that any indicator reported as non-material by an investee company applying ESRS does not contribute to the corresponding indicator of principal adverse impacts in the context of the SFDR disclosures'. As a result, we think that the SFDR should enshrine a principle that if an entity in scope of CSRD does not assess an indicator as material information, the FMP would not need to include that information in the calculation of the relevant indicator.[2]

   The methodologies for calculating, processing, and consolidating KPIs should be coherent to ensure usability of information and consistency and comparability between SFDR, CSRD and the EU Taxonomy regulation. FMPs that are in scope of both SFDR and other legal requirements such as the CSRD should not be required to perform multiple calculations with different methodologies (e.g. for financed emissions).

3. **Reflect the Omnibus proposals and the impact on data availability in the revisions to SFDR**
   The investment universe of FMPs can include a wide range of different asset classes, sectors and geographies. This can include exposures to small and medium-sized companies, alternative investments, and investments outside the EU.

   Based on the current Omnibus simplification proposals, it is likely that the number of investee companies reporting under CSRD/ESRS will be reduced. This would affect primary data availability for financial market participants.

   Therefore, we recommend that the SFDR should clearly indicate how FMPs should address the resulting data gaps (e.g. data coverage ratio, estimates). The revisions should also provide clear guidance on how FMPs should address data challenges within illiquid asset classes.

[2] Cf. https://finance.ec.europa.eu/document/download/c4e40e92-8633-4bda-97cf-0af13e70bc3f_en?filename=240807-faqs-corporate-sustainability-reporting_en.pdf.

4. **Align the disclosures on the voluntary reporting standard and the value chain cap proposed for the CSRD**
   The SFDR should address the 'trickle-down' effect arising from its disclosure requirements on companies not falling under the CSRD. For example, the disclosure request limitations could be considered consistently with similar measures proposed in the Omnibus for the simplification of the CSRD and the Corporate Sustainability Due Diligence Directive (CSDDD).

5. **Redesign the product design of SFDR**
   Clarity is required on the primary objective of the SFDR: is it intended to be an additional disclosure obligation or a labelling scheme? If it is intended to be the latter, we suggest introducing an alternative concept of product features (e.g. exclusion criteria, transition financing, best-in-class) that financial market participants can combine in the design of products, and which could further help investors understand how those products might align with their investment objectives.

6. **Reduce the complexity of product disclosures**
   The current product disclosures are perceived as too complex. We recommend reducing their complexity for pre-contractual disclosures, website publications and period reporting.

7. **Differentiate between product types and investor types**
   The current rules of the SFDR do not sufficiently differentiate between the individual characteristics of the underlying financial products. As an example, portfolio management services under MiFID II have significant differences to UCITS funds and it would be appropriate to reflect these differences in the requirements on pre-contractual disclosures, website disclosures and periodic reporting. As an alternative, FMPs could be granted more flexibility in the way that they provide the information to their clients.

8. **Differentiate between retail clients and institutional clients**
   We appreciate the strong focus of the SFDR on investor protection and transparency for retail clients. However, the granularity of disclosures is too complex for retail clients. The difference between the information needs of institutional clients, who often have products tailored to their specific needs, and retail clients, who tend to invest through more standardised products, should be considered and better reflected in the SFDR requirements.

9. **Include the ESMA Guidelines on Fund Names**
   We recommend including the ESMA Guidelines on Fund Names into the SFDR. The exclusion criteria of the Paris-Aligned Benchmarks (PAB) and the Climate Transition Benchmarks (CTB) could be introduced as potential product features.

10. Adjust the definition of sustainable investment

The current definition of sustainable investments according to Article 2(17) SFDR is too vague and leaves too much room for interpretation and, hence, may as a result increase the risk of greenwashing. We therefore recommend clarifying the definition of sustainable investment in the SFDR (and potentially aligning it with the definition in the EU Taxonomy regulation).

We would appreciate your consideration of the comments above in the revision of the SFDR. If you have any questions concerning our comments, please contact Pablo Zalba, Managing Director EU Policy Centre (pzalba@deloitte.es) or Jens Berger, Leader IFRS and Corporate Reporting (jenberger@deloitte.de).

Yours sincerely

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