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European Commission
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Düsseldorf, 2 April 2026
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Proposal for a Regulation amending the Sustainable Finance Disclosure Regulation

Dear Sir or Madam,

On 20 November 2025, the European Commission published a proposal for a Regulation amending Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial services sector (SFDR) and launched a public consultation on 15 December 2025[1]. The Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) already participated in the targeted consultation on the implementation of the SFDR in 2023[2].

The IDW is a privately run organisation established to serve the interests of its members who comprise both individual Wirtschaftsprüfer [German Public Auditors] and Wirtschaftsprüfungsgesellschaften [German Public Audit firms]. The IDW represents approximately 80% of all German Public Auditors. The auditing profession plays an important role in the green transformation by providing high-quality assurance services on sustainability reporting and SFDR-disclosures. It is therefore essential for us to remain closely engaged with developments in this area.

[1] Revision of EU rules on sustainable finance disclosure
[2] https://www.idw.de/idw/idw-aktuell/idw-zur-konsultation-der-verordnung-ueber-nachhaltigkeitsbezogene-offenlegungs-pflichten.html

GESCHÄFTSFÜHRENDER VORSTAND:
Melanie Sack, WP StB, Sprecherin des Vorstands;
Dr. Torsten Moser, WP;
Dr. Daniel P. Siegel, WP StB

Amtsgericht Düsseldorf
Vereinsregister VR 3850

We appreciate the opportunity to comment on the proposal to amend the SFDR (hereinafter also referred to as "SFDR 2.0") and provide the following comments from the perspective of the German auditing profession.

The IDW generally welcomes the proposed revision of the SFDR. The simplifications resulting from the removal of certain entity-level disclosure requirements (in particular, the elimination of the entity-level principal adverse impact statement for large entities), intended to avoid duplication with sustainability reporting obligations that companies are generally required to prepare, are understandable. The same applies to the reduction of the scope of application of SFDR 2.0 regarding certain financial market participants and financial advisers. However, the IDW also considers that further improvements are necessary.

- The shift from a purely disclosure-driven regime towards newly defined framework of product categories is welcomed. However, there is still a need for improvement to enhance informational value and comparability (see also below, "Introduction of three new product categories").
- According to the proposal, the decisive factor for classification under the new product categories is the individual investment strategy defined by the undertaking for each financial product. The (positive) sustainability contribution will need to be measurable in future using appropriate indicators. However, the proposal largely leaves open what constitutes a "sustainability-related financial product" and will thereby make comparability more difficult.
- In addition, the introduction of the three new product categories is not accompanied by necessary consequential amendments to Articles 5 to 7 of the Taxonomy Regulation (EU) 2020/852 (see our detailed comments under "Interaction between SFDR 2.0 and Articles 5 to 7 of the EU Taxonomy Regulation" in the Annex).
- Furthermore, the interaction between the SFDR and the European Sustainability Reporting Standards (ESRS) should be taken into account: the ESRS currently include disclosure requirements derived from the SFDR as currently in force. To ensure close alignment, a dynamic reference from the ESRS to the SFDR could be introduced. Alternatively, amendments to SFDR indicators would subsequently need to be reflected in the simplified ESRS through a new delegated act.

Our comments on each of the key amendments to the SFDR are as follows:

Introduction of three new product categories

The shift from a disclosure-driven regime towards a framework of product categories is welcomed, as the current disclosure regime has already been misinterpreted in practice as a classification system and is being used accordingly.

With regard to the categories, we see a need for suitable and transparent criteria to ensure that categories are clearly and comprehensively delineated in a way that is consistently understood. In particular, difficulties in delineation are expected between the "sustainable" category (Article 9 SFDR 2.0) and the "transition" category (Article 7 SFDR 2.0). SFDR 2.0 does not provide generally applicable criteria at Level 1. Clear criteria should be laid down at Level 1 for each of the three product categories and, where necessary, further specified through Level 2 provisions. Suitable criteria are required both to enable investors to properly understand and compare products and to allow supervisory authorities to effectively monitor compliance. This would enhance legal certainty for all stakeholders.

For each category, the proposal requires performance against the corresponding objective to be measured and disclosed, based on <u>appropriate indicators selected by the undertaking</u>. While the overall objective appears reasonable, allowing undertakings to independently select indicators entails the risk that highly heterogeneous indicators may be used for comparable situations, raising doubts as to their appropriateness. On the basis of such an approach, it cannot be ruled out that indicators used by different undertakings are identically labelled to the detriment of investors, even though they are determined differently. All in all, this may significantly limit the comparability of products within a given category across undertakings and weaken the informational value of the categorisation. Although further specification of indicators is envisaged through regulatory technical standards, our current understanding is that the application of such RTS indicators would be voluntary.

In order to enable measurement based on indicators, the relevant information must be available. We therefore consider linkage to the data points defined in the ESRS to be desirable.

Focusing the scope of application on manufacturers of financial products

Under the proposal, portfolio management services and investment advice on financial instruments provided by credit institutions, investment firms and management companies, as well as insurance advisory services in relation to insurance-based investment products provided by insurance undertakings and insur-

ance intermediaries, would fall outside the scope of SFDR 2.0. As a result, SFDR 2.0 would in future focus exclusively on product manufacturers and disclosures at product level. For credit institutions, investment firms and management companies, information and conduct-of-business obligations relating to financial instruments and insurance-based investment products would thereafter be governed exclusively by MiFID II and the Insurance Distribution Directive (IDD).

Even if portfolio management services and investment and insurance advisory services are removed from the scope of the SFDR, it can be assumed that the obligation to collect sustainability preferences will remain in place. Accordingly, in our view it will be necessary to make consistent adjustments to the MiFID II requirements on the collection of sustainability preferences in parallel with the amendments to the SFDR (including pre-contractual information).

To ensure a seamless transition and regulatory consistency, changes to the existing delegated acts under MiFID II and the IDD should, as consequential amendments arising from the proposed changes to the SFDR, be incorporated into the planned amending Regulation by means of a new article.

Entry into force and audit requirement

Article 19a SFDR 2.0 provides for a specific transitional period regarding the application of the new product-related requirements under Articles 7, 8, 9, 10 and 11 SFDR 2.0 for certain financial products.

In practice, this means that certain provisions currently in force will cease to apply without replacement in approximately two to three years. For the purposes of supervision and obtaining assurance over compliance, this raises the question of whether non-compliance with certain provisions that remain legally applicable but are scheduled to be repealed should continue to give rise to findings or sanctions. Therefore, in parallel with the ongoing legislative process, consideration should be given to whether selected requirements could already be suspended through appropriate measures (e.g. a “quick fix” or “stop-the-clock” mechanism), provided that consensus on their removal is reached in the forthcoming discussions.

We have summarised further supplementary comments and suggestions on SFDR 2.0 in an annex to this letter.

We hope that our comments are helpful and will be taken into account. Should you have any questions, we would be pleased to assist.

Yours faithfully

Melanie Sack   Dr. Daniel P. Siegel

Annex

Annex: Further comments on SFDR 2.0

Terminology

The term “sustainability factors” is defined in Article 2 (24) SFDR. By contrast, the term “sustainability (related) indicators”, used in Articles 7 to 9 SFDR 2.0, is not defined in SFDR 2.0.

In the proposal, the term “sustainability (related) indicators” is used in connection with measuring compliance with the objectives. This suggests that each “sustainability factor” should be associated with a “sustainability indicator”. However, the proposal leaves the determination of relevant factors and associated indicators to the product manufacturer, and is no longer directly linked to the Taxonomy Regulation.

Furthermore, Article 9 (1) SFDR 2.0 refers to “sustainable undertakings” and “sustainable assets” without defining these terms. Likewise, the term “sustainable economic activities” is used without an explicit reference to the Taxonomy Regulation, which uses that terminology in Article 2.

Interaction between SFDR 2.0 and Articles 5 to 7 of the Taxonomy Regulation

Articles 5 and 6 of the Taxonomy Regulation set out disclosure obligations based on, and with reference to and explicit cross-reference to, Article 8 SFDR (Article 6 Taxonomy Regulation) and Article 9 SFDR (Article 5 Taxonomy Regulation), which are currently applicable under the current legal situation. For financial products that do not require the disclosure of sustainability-related information under these two provisions, Article 7 of the Taxonomy Regulation requires a statement, for which the wording is specified in the article.

Due to the introduction of the new product classes (Article 7, Article 8, Article 9 SFDR 2.0), the above-mentioned provisions of the Taxonomy Regulation are, in our opinion, no longer substantively aligned. The new SFDR categories do not impose mandatory requirements to invest in taxonomy-aligned assets. Accordingly, Article 11 (1) SFDR 2.0 on periodic reports has been redrafted and mandatory information by reference to Article 8 SFDR together with Article 6 of the Taxonomy Regulation and Article 9 SFDR together with Article 5 of the Taxonomy Regulation has been deleted.

However, corresponding consequential amendments to Articles 5 to 7 of the Taxonomy Regulation are missing for the three new product categories. We consider a clarification regarding the future interaction of the SFDR 2.0 require-

ments with disclosures under Articles 5 to 7 of the Taxonomy Regulation to be necessary and therefore recommend that this be reviewed.

Binding elements of the investment strategy

Articles 7 (1) (a), 8 (1) (a) and 9 (1) (a) SFDR 2.0 refer to “binding elements of the investment strategy” as a prerequisite for qualification under the respective category.

In our view, the requirement “in accordance with the binding elements of the investment strategy of the financial product” requires further clarification. It should be taken into account that the (ESG) strategies of market participants are diverse.

In principle, a binding commitment vis-à-vis (potential) investors regarding the consideration of the exclusions mentioned in Article 7 (1) (c), Article 8 (1) (b) and 9 (1) (c) SFDR 2.0, as well as any other binding elements, can only be established if the objectives, the relevant factors and the indicators used to measure the achievement of those objectives are clearly specified in the fund rules or terms and conditions of the respective financial product.

Comparability of products is being abandoned, since for all financial products under Articles 7 and 9 SFDR 2.0 it is possible to invest in *“(h) other investments in undertakings, economic activities or other assets that credibly contribute to the transition provided proper justification is included in the disclosures required pursuant to paragraph 3”* or *“(g) other investments in undertakings, economic activities, or assets that contribute to an environmental objective or a social objective, provided that a proper justification is included in the disclosures required pursuant to paragraph 3”.*

Article 9a SFDR 2.0

We recommend clarification as to whether Article 9a SFDR 2.0 introduces an additional product category, given that combinations of Articles 7 and 9 products are already permitted under enabling provisions, and for Article-8-SFDR 2.0 products under Article 8 (2) (d) SFDR 2.0 product combinations of Article 7 SFDR 2.0 and Article 9 SFDR 2.0 are permitted.

Unlike Articles 7 to 9 SFDR 2.0, Article 9a SFDR 2.0 does not refer to the "binding elements of the investment strategy" for such a combination.

Article 9a (3) SFDR 2.0

Article 9a (3) SFDR 2.0 refers to “portfolio management services” provided to a financial market participant by credit institutions, investment firms, Solvency II insurance undertakings, institutions for occupational retirement provision, or

UCITS/AIF managers/management companies whose authorisation covers such services. Going forward, financial market participants may rely on the information provided by those entities.

This appears inconsistent to us insofar as, due to the amendments to the scope of application as regards the entities covered and the subject matter in Article 2 SFDR 2.0 and the removal of entity-level information, the above-mentioned financial undertakings are no longer required to provide SFDR-relevant information for “portfolio management services”.

Article 12a SFDR 2.0

The new Article 12a SFDR 2.0 allows, to a significant extent, the use of estimates for the purpose of meeting the requirements of Articles 7 to 11 SFDR 2.0. This also applies to sustainability-related financial products that, for the respective financial product, claim to want to make investments in taxonomy-eligible and taxonomy-aligned investments or that continue to present a “taxonomy alignment ratio” in periodic reports.

This is understandable considering the reduction in the scope of CSRD as part of the Omnibus initiative. However, care should be taken to ensure that all sustainability-related legislative initiatives are synchronised. This applies in particular with regard to the application of the Taxonomy Regulation to all market participants who claim taxonomy alignment for their activities or investments or financial products. The same requirements for estimates should apply here.

Article 13 (3) second sentence SFDR 2.0

We suggest that the reference to Article 9a (1) (a) to (c) SFDR 2.0 be reviewed, as the SFDR 2.0 proposal does not include Article 9a (1) (a) to (c) SFDR 2.0.

Article 17 (1) SFDR 2.0

The scope of application is unclear. The term “closed-ended type” is not defined in SFDR 2.0. It is typically used in connection with financial products within the scope of the AIFM Directive. The term is not usually used for financial products that are not investment funds including EuSEF, EuVECA or ELTIF.

For financial market participants who manufacture and market financial products that classify as insurance products as well as pension products and schemes, in our opinion it remains unclear whether they can also "opt out" if the respective product was launched before the start of application of the new rules and is no longer marketed at the start of application.

In our opinion, it would make sense to specify the scope of application in more detail, e.g. by specifically naming the respective financial products or by referring to the relevant definitions of Article 2 SFDR.