

# Meeting of the Member States Expert Group on sustainable finance 34<sup>th</sup> Meeting report

**18 December 2024, 09.30-11.00**

## **SFDR: upcoming revision**

The Commission explained the policy context of the upcoming revision. The Commission also outlined two possible policy options (consisting of two or three categories) and parameters which should be applied. The latter include burden reduction/competitiveness, positive impact on retail investors and international convergence. The Commission invited MSEG Members and Observers to share their reactions on the policy options and further considerations presented.

All Member States expressing their views seemed to welcome the ambition of creating clear, consistent and understandable criteria and expressed their support for the envisaged parameters (burden reduction/competitiveness, positive impact on retail investors and international convergence).

A slight majority of Member States reacting on the policy options was in favour of creating three categories, e.g. “sustainable”, “transition” and “ESG basics” (working titles). These Member States stressed that three categories will allow for a larger market coverage. Some Member States expressed their view that the limitation to two categories (i.e. sustainable and transition) will avoid greenwashing. Similarly, a few Member States questioned whether the ESG basics category could be sufficiently defined to avoid confusion. Moreover, a few Member States suggested that a consumer testing should take place prior before deciding on the number of categories.

Turning to distribution, some Member States stressed the role of the distributor and the provision of advice through the latter, including on products out of the scope of SFDR.

Further comments concerned the role of taxonomy for defining the category “sustainable”. Many Member States expressed their support for an alignment with taxonomy, where possible (considering limitations in particular regarding activities which are not yet defined under taxonomy). In this context, two Member States expressed reservations and referred to usability issues in 3<sup>rd</sup> countries.

As to the question whether additional disclosure should be introduced for impact investing not covered by the potential SFDR categories, one Member State stressed that no common

definition of an impact strategy exists. Another Member State argued that impact investing could be integrated into the 3<sup>rd</sup> categories (ESG basics).

The Commission invited MSEG Members and Observers to submit further comments in written.