DUFAS

Dutch Fund and Asset Management Association

info@dufas.nl
www.dufas.nl

DUFAS response to the Call for evidence on revision of the SFDR

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The Dutch Fund and Asset Management Association (DUFAS) welcomes the opportunity to respond to the European Commission's Call for evidence on revision of the rules on sustainable finance disclosures, published 2 May 2025.[1] The Call for evidence acknowledges the broad market support for improving the Sustainable Finance Disclosure Regulation (SFDR). It echoes our earlier feedback, in which we expressed our view that the current SFDR framework is not achieving its primary goals and that a number of elements should be adjusted in order to be better able to achieve the goals set by the SFDR.[2] In this response to the Call for evidence, we wish to highlight several of our key recommendations and ask you to consider these in the upcoming revision.

The revision of the SFDR should be guided by data relevance and availability

In our recent Omnibus I position statement, we emphasized that it is of crucial importance to safeguard a sufficient degree of data availability for the investment management industry.[3] This will enable adequate reporting on sustainability and support the industry's contribution to the objectives of the Sustainable Finance Framework. The starting point for revision of the SFDR should therefore be a comprehensive set of the most critically relevant datapoints, that are integrally aligned within the entire Sustainable Finance Framework. Consequently, a sufficient level of availability of relevant data should be supported by the on-going review of the Corporate Sustainability Reporting Directive (CSRD) and the related European Sustainability Reporting Standards (ESRS). Among other things, this would entail sufficient companies to be required to be part of a harmonized reporting ecosystem focused on key sustainability issues. As we pointed out in our Omnibus I position statement, an insufficient level of availability of standardized information will increase the dependence by asset managers on third-party ESG data providers, which are not yet brought within the regulatory perimeter for purposes of minimum transparency requirements.

Standardized sustainability disclosures should apply to all financial products

One of our key recommendations is that a limited set of SFDR standardized product disclosures, particularly related to adverse impact disclosures, should apply to all financial products offered in the EU, regardless of their sustainability-related claims, sustainability characteristics and/or sustainability categorization. We do feel that such adjustment is absolutely key in order to enhance comparability and to create a level playing field between all products.

We also underline the importance of consumer testing of revised disclosure requirements, to ensure that proposed changes will be effective in terms of relevance and understandability for retail

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[1] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14666-Revision-of-EU-rules-on-sustainable-finance-disclosure_en.

[2] See our response to the targeted consultation on the implementation of the SFDR of 15 December 2023 (https://www.dufas.nl/site/assets/files/2971/20231215_dufas_sfdr_review_consolidated_position_cover_letter_final.pdf).

[3] See https://dufas.nl/site/assets/files/3169/dufas_omnibus_i_-_position_statement_20250407.pdf.

customers and to allow them to make informed decisions regarding a product's sustainable characteristics. However, we equally stress the importance of industry testing of policy solutions, to avoid implementation issues and to ensure operability.

Product categorization should be fit to cater to *all* products under the SFDR and not imply communication restrictions for uncategorized products

DUFAS supports the introduction of a categorization system under the SFDR. We recognize that a strategic decision is needed regarding the structuring of product categories linked to sustainability preferences, as this will significantly impact the investors' experience. In this respect, we broadly agree with the Platform on Sustainable Finance's proposal to introduce three product categories: Sustainable, Transition, and ESG Collection.[4]

As regards the application of these categories, we emphasize that a product classification system needs to be able to cater for *all* products under the SFDR, including long-term, multi asset products like pension schemes. These products will most likely only be able to meet the thresholds of a category for parts of their portfolio. We suggest allowing such 'long-term, multi asset products' to categorize and report on percentages of their total portfolio that meet the quality requirements of a category (for example by allowing a pension fund to report the percentages of underlying sustainable or transition products). This would also make sense from the perspective that pension funds outsource large parts of the management of their assets to external asset managers: these portfolios qualify as separate products under the SFDR allowing the asset managers to apply a specific category to such portfolio. In this respect, it is important that products not (fully) applying the system should still be able to communicate on their strategy/investments to their clients. Communication restrictions, if any, for (non-)categorized products should not hinder financial market participants to communicate to their clients as long as this communication is fair, clear and not misleading. National financial authorities already supervise market participants regarding compliance with such communication requirements.

We also note that certain assets may need to be eliminated from both the numerator and denominator when calculating the fractions to assess categorization thresholds, due to irrelevance of the asset category for purposes of sustainability categorization or the absence of a framework or criteria to assess the sustainability performance of an asset. This could concern, for example, interest rate derivatives, or investments in activities for which taxonomy screening criteria are yet to be developed, if and when relevant for assessing categorization.

Transition finance needs to be supported by the SFDR

We support and recognize the importance of a product category that supports transition finance, as this can facilitate the flow of capital to the real economy and accommodate investor interest in such investments. While transition finance currently focuses heavily on climate and energy related transitions, a transition finance category should not preclude the future inclusion of other types of transitions, both in the environmental and social domain. We do recognize that for transition finance to become part of the sustainable finance framework, legal definitions for transition finance and related concepts (such as transition plans) are necessary. These need to be credible and science

[4] In our opinion, there should not be a separate 'impact' product category, because the rapid developments around impact investment would make it difficult to capture such a category in general rules, it would be difficult to distinguish between impact and sustainable investments, and, lastly, because impact investment products may not be designed to meet sustainable investment criteria.

based, and have the ability to be translated to clear and verifiable criteria. The definition, and subsequent product categorization criteria, would also need to recognize that there are current market practices that include in transition finance also those economic activities that enable and support the energy and climate transitions. [5] On the Dutch national level, there are important public-private initiatives to mobilize institutional investment for transition finance projects in the area of energy infrastructure, energy storage, power converting etc. These are economic activities that are not themselves on a transition pathway per se, and might or might not qualify for a sustainable investment category. It is important that we at all costs avoid that such investments are discouraged because of how the categories are designed.

Coherence between all parts of the Sustainable Finance Framework is crucial to support consistency of application and to avoid reporting and administrative overlap

The revision of the SFDR and related legislative initiatives provides an opportunity to realize a fully coherent approach on key sustainability issues and reporting requirements throughout the entire Sustainable Finance Framework. As noted above, the European Commission should revise and make the SFDR sufficiently fit for purpose in conjunction and strong coherence with the CSRD, but also with the Taxonomy and Corporate Sustainability Due Diligence Directive (CSDDD). Most notably, the revision of the CSRD and underlying reporting standards should enable financial institutions to meet their reporting obligations under the SFDR. Additionally, key concepts and definitions, such as *sustainable investment*, should be aligned within the framework and eliminate inconsistencies in the application of such foundational concepts by financial institutions.

In order to eliminate reporting and administrative overlap for the financial sector, it is most crucial to cover sustainability-related requirements for financial products and services by targeted financial sector legislation, that is fully aligned with requirements focused on corporate transparency and behavior in the real economy. Therefore, the review of the SFDR provides the opportunity for the European Commission to confirm that, in addition to UCITS and AIFs ("collective management"), also mandates/managed portfolios ("individual mandates") are out of scope for purposes of mandatory reporting under the CSRD and Art 8 EU Taxonomy. Similarly, from the sector perspective, it makes much more sense to include reporting on client assets as part of SFDR product disclosures, not as a part of entity disclosures.

DUFAS: Dutch Fund and Asset Management Association

Since 2003, DUFAS has been committed to a healthy asset management sector in the Netherlands. DUFAS has more than 50 members: from large asset managers who invest Dutch pension and insurance assets to smaller, specialist asset managers. DUFAS increases awareness of the social relevance of investing, helps to develop sector standards and represents the sector in the implementation of new laws and regulations. In addition, DUFAS is committed to a single European market with equal regulations.

More information

Would you like to respond, or should you have any questions? Please feel welcome to e-mail Ron Gruijters, DUFAS manager sustainable finance, at rg@dufas.nl.

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[5] In all relevant proposals (e.g. the EC paper on transition finance, the ESMA Opinion on the sustainable finance framework, and the PSF proposal on categorization), this type of investment is currently not covered, which is a clear omission.