

The French Asset Management Association (AFG) totally supports the efforts of European co-legislators towards financing a more sustainable economy and the review of the Sustainable Finance Disclosure Regulation Level 1.

Our preliminary view is that this proposed revision is a first step in the right direction. It addresses a widely shared need in the industry: **to simplify and clarify ESG product categories so that investors can finally make sense of them.** Expectations around categorisation were so strong that the sector ended up using the first version of SFDR to label products even though it was not designed for that purpose — this new version appears to meet that demand. We also welcome the much more relevant and transparent approach based on clear, measurable objectives and indicators. We also welcome the replacement of the DNSH by a set of exclusion.

Beyond product categorisation, what **we particularly appreciate is the simplification of product-level disclosure obligations** (a single template for all and removal of website disclosures) **to improve clarity for the end investor.** This is also crucial for retail investor protection: **categorisation would be mandatory for anyone wishing to openly claim to be an ESG product.** In this context, we also welcome rules related to voluntary and limited transparency for non-categorized products.

When it comes to implementation, we welcome the provision that Member States cannot impose additional constraints regarding the criteria and transparency obligations of categorized products. This being said, **AFG believes that some clarifications or adjustments are needed to ensure the success and proper implementation of the revised SFDR, including** the calibration of the criteria for the different categories, **the implementation timeframe and data availability related challenges.**

A key political choice has to be made between two fundamentally different approaches:

- (1) Maintaining a very narrow and “pure” categorization system, which risks creating niche categories and ultimately failing to channel sufficient capital towards the real economy. Such an approach would also make it significantly more difficult for financial market participants to engage effectively with companies.**
- (2) Adopting a broader and more pragmatic framework that delivers a more meaningful impact on the economy.**

I. Main positions:

1. Ensuring a coherent implementation timeline and alignment within the Sustainable Finance Framework

To prevent the issues encountered under the current SFDR and the numerous subsequent operational adjustments, **we urge the European Commission to set the Regulation's implementation date only once the entire framework is finalised.** That is, when level 2 requirements have been formally adopted and the sustainability preferences rules under MiFID/IDD have been consistently revised. Implementation date should then be set 18 months after the finalisation of the entire framework, to ensure a proper implementation by Financial Market Participants. It should be reminded that FMPs will continue to operate in an environment of uncertainty until the framework is fully completed, which

is likely to weaken the momentum for launching new projects and products. It is therefore essential that the EC rapidly finalise the framework outlined above.

The European Commission should also clearly set out the rules and expectations governing the transition between the current SFDR and the revised framework. In particular, while we welcome the inclusion of ESMA's funds naming guidelines in the EC proposal, the interaction between the existing guidelines and the future framework remains unclear. For example, will SFDR supplement the ESMA guidelines, or will ESMA be required to issue a statement on the end of their application? This point should be clarified to avoid any legal uncertainty.

Finally, we would like to highlight, once more, **the need to have a consistent sustainable finance framework.** We welcome the reference to sustainability preferences rules under MiFID/IDD. However, we regret the absence of any mention to Benchmark Delegated Regulation on the integration of environmental, social and governance factors (Commission Delegated Regulation 2020/1816 and 2020/1817).

2. Categories

As a general comment on exclusions, AFG believes that exclusions under the revised SFDR should be consistent with the PAB / CTB exclusion rules to ensure clarity and avoid unnecessary complexity. This would allow to maintain sufficient consistency with pre-existing use as part of ESMA's funds naming guidelines, which was understood by the end clients.

a. Transition category:

Exclusions:

AFG is against additional exclusions on top of the CTB exclusions in the "transition" category.

The aim of this category is to **support the transition of the entire economy** (including the fossil fuel sector). It is important to be able to support companies that are on a path of improvements in terms of GHG emissions and/or that have officially committed to objectives.

The aim of the revised SFDR is to provide greater clarity to end-investors. Investors expect "Transition" products to faithfully **reflect the reality of an economy-wide corporate sustainable transformation.**

The systematic exclusion of certain sectors (oil and gas) from the category's investment universe would seem counter-intuitive, especially given that the said sectors are the most carbon-intensive – i.e. those whose transition will by definition be the most critical to achieve an economy-wide decarbonisation.

In case where the exclusions' proposed by the European Commission would be maintained, we request that when the asset manager is able (i) to analyse and assess the transition plan provided by the company, (ii) to take in place a credible sustainability-related engagement strategy, it should be permissible not to apply additional exclusions beyond CTB exclusions.

Criteria:

- **Investments in undertakings or economic activities with a credible transition plan (criteria 2(c)):** SFDR is not the place to define and regulate transition plans and their credibility. SFDR could refer to the **content and structure** of the ESRS and VSME that specify elements that should be included in transition plans aligned. **Credibility** assessment should remain the responsibility of financial market participants that should provide transparency.



- **Use of engagement within the Article 7 (criteria 2(e)):** The legislative proposal introduces the possibility of investing in companies accompanied by a credible sustainability related engagement strategy, under 2(e). We are supportive of the principle, but would support greater clarity either in the legislative proposal or through capacity building efforts with the industry to allow an effective implementation by the market, including in terms of how this would be articulated with 2(c) or 2(d) and the proportion of the portfolio which could qualify under this approach, Such clarification should also consider any articulation or implication of the ongoing revision of SRD III.

b. Sustainable category:

Exclusions:

We are also against additional exclusion on top of the PAB exclusions in the “sustainable” category. As it stands, this set of exclusion covers the entire oil and gas value chain (i.e. almost 20% of European benchmarks). We wish to recall that gas remains a necessary energy source for electricity generation, as it enables the development of renewables by supporting a balanced mix of intermittent and non-intermittent energy sources. European utilities are global leaders in the development of renewable energies, with most of them already aligning with the 1.5° trajectory. Moreover, energy distribution networks are still relying on a mix of renewable, gas and nuclear sources. Thus, the current proposal contradicts the plans to modernise and reinforce the European grid, which is also a key sovereignty issue.

c. ESG basics:

Exclusions:

Applying additional exclusions on top of CTB exclusions for the ESG basics category is a mistake, from our perspective. Indeed, this approach would mainly affect products with exposure to emerging markets and would reduce portfolio diversification. Finally, we struggle to understand the rationale for imposing an “environmental” exclusion on a generalist category.

Criteria:

- **Criteria 2(a) and 2(b): reference to the notion of outperforming the investment universe or the reference benchmark:** it should be specified that, for the purposes of points 2(a) and 2(b), the comparison is based on the average performance of the financial products relative to the average of the investment universe or the reference benchmark.

3. Estimates and data providers

The Omnibus increases challenges in terms of data availability and it is likely investors may need to rely on estimates even more going forward. In that perspective, we support the disclosure requirements with regards to those estimation methodologies but are concerned by the discrepancy in the proposed treatment of data vendors and investors.

Indeed, the new article 12a on data and estimates does not impose any obligations on data providers and the responsibility remains with the FMPs. In this context, there is therefore no incentive for providers to be more transparent.

In this context, there is therefore no incentive for data providers to improve transparency or the quality of their data. This situation creates an asymmetry of responsibility: FMPs, who are regulated, must

justify and document their own estimates, whereas external estimates from data providers, who are not regulated, are accepted without scrutiny. This encourages excessive reliance on external providers, who can impose their own standards without oversight or harmonization. **While we are supportive of transparency requirements, we call urgently for introducing minimum transparency and methodological requirements on ESG data providers** - as already done in the UK, Hong Kong, Singapore and Japan on the basis of IOSCO's set of Recommendations and ICMA's Code of Conduct, and to put EU-based asset managers at least on a level playing field with their non-EU competitors. As well as a principle of proportionality to be applied by NCAs in their supervision of the use of such in-house methodology developed by FMPs, acknowledging the challenges they face in terms of data availability.

Last, we also propose the following wording adjustment: Adjustment to Article 12a (b) (iii): *"the methodology, the main assumptions and the precautionary principles regarding the treatment of missing datapoints underlying estimations where those are not based on data provided by external data providers. **Acknowledging limitations in terms of data availability at investee or asset level, supervision of such methodology and disclosure should follow a principle of proportionality**".*

II. Technical positions

1. Scope of the regulation

We support **extending the scope of the SFDR to structured products to ensure a level playing field** with financial products already in scope that have similar characteristics.

We do not object to the exclusion of **"portfolio management"** from the scope of the SFDR, provided that there is "opt-in" mechanism. However, **it is essential that European Commission ensures consistent application of sustainability preferences and equal treatment across the different products and services offered to investors** (i.e. funds and mandates) under MiFID and IDD.

2. Sovereigns' treatment

The inclusion of sovereigns in the revised SFDR remains very limited as they are limited to the "ESG basics" category and to targeted use-of-proceeds for the "transition" and "sustainable" category.

Such approach appears to contradict over EU frameworks and could discourage investments in the transition efforts of European countries. Indeed, the Commission Notice on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation¹ specifies that *"Member States' National Climate Plans are functional equivalents to corporates' transition plans within the meaning of Articles 19a and 29a of the Accounting Directive"*. In this context, we believe that **investments in sustainability-linked bonds issued by Member States with National Climate Plans should be included in the 70% threshold.**

We understand there is no single, *"comprehensive metric for gauging the sustainability of general-purpose sovereign, sub-sovereign and supranational debt issuances"*, however this should not prevent such bonds from being categorized under the "transition" and "sustainable" category. Indeed, the revised framework allows for several methodologies to be used for categorization, and such flexibility should also be granted to sovereign bonds.

¹ European Commission, [Commission Notice](#) on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation, November 2025

Last, clarifications are also needed with regards the rules to be applied to sovereigns. Recital (22) clarifies that exclusions do not apply to “sovereigns, sub-sovereigns and supra-nationals”. This clarification should be included directly into relevant articles.

3. Investment in non-SFDR products

Clarification should be provided for products that also invest in non-SFDR products (such as shares, bonds, structured products, EMTN...). We note a gap in the current drafting: the proposed rules address only funds-of-funds composed exclusively of underlying funds, without clarifying the treatment of mixed funds that combine, with fund holdings, a significant share (often over 30%) of direct investments. Without explicit guidance in the Level 2, such products risk falling outside all categories, making the 70% threshold difficult to achieve. It is unclear how these combined products can be classified within the three categories and, in particular how they are expected to meet the 70% threshold.

If non-SFDR pockets meet the SFDR's requirements, it should be considered as compliant with the categories. We recommend that level 2 clearly defines the classification of mixed funds and confirms that they can be considered as sustainability-related financial products, so that they may be offered to clients expressing sustainability preferences under MiFID/IDD.

4. PAI Reporting at product level

In addition to the reporting on the sustainability-related indicator(s) used to measure compliance with the strategy of the product, we support the introduction of a reporting on a limited set of PAIs common to all categories and asset classes to ensure comparability.

5. Reporting at entity level

The EC justifies the deletion of the “entity level reporting” to avoid duplication between the CSRD and the new SFDR. While we recognize that the disclosure requirements on remuneration policies are aligned with the CSRD, the removal of the PAI reporting on assets under management (AuM) should not be justified in the same way. Indeed, the CSRD discloses sustainability issues at the company level (e.g., consideration of sustainability factors in staff remuneration policies), while the SFDR discloses sustainability at the product level (e.g., the sustainability strategy and relevant indicators for each product).

6. Ensuring our correct understanding

- Phase-in period to reach the threshold: articles 7(3)(c)(iii), 8(3)(c)(iii) and 9(3)(c)(iii) mentions the possibility to have a “phase-in period” to reach the 70% threshold. As described in recital (14), we understand that such phase-in period is limited to alternative and private assets. To avoid any misunderstanding, such clarification should be included directly in the above-mentioned articles.
- Categorisation for Alternative asset classes: whilst the reinforcement of the integration of sustainability considerations has been a key focus in the recent past for Alternative asset classes in a number of cases (e.g. real estate, private equity), under SFDR 1.0, criteria clarity and data availability challenges generated significant challenges with the categorisation of such products as Article 8 or Article 9. We welcome the efforts made to better cover those within SFDR 2.0, as we understand that alternative assets respecting categories' criteria could be categorised in the newly introduced categories, including under articles 7(2)(h), 8(2)(e), 9(2)(g).

- Exclusions: we understand that the exclusion criteria apply to all the investments and not only to the 70% portion meeting the contribution criteria.
- "Taxonomy equivalence": The proposal states that products with a proportion of investment in taxonomy-aligned economic activities equal or higher than 15% shall be deemed to comply with the 70% threshold of the "sustainable" and "transition" categories. We understand that exclusions will apply to the remaining 85% of the products.

7. Possible Incorrect Reference in the Text:

The second subparagraph of Article 13(3) on naming and marketing communications refers to Article 9a(1), points (a) to (c). However, there is no (a) to (c) in the current proposal, and it appears that the intended reference should simply be to Article 9a(2), points (a) to (c).