



# Key messages on the Sustainable Finance Disclosure Regulation (SFDR) review

## Executive summary

Insurance Europe welcomes the European Commission's initiative to review the Sustainable Finance Disclosure Regulation (SFDR) and supports its overarching objectives. The insurance industry remains fully committed to the EU's sustainability objectives and to enabling the green transition. **Strengthening transparency** on how sustainability risks and impacts are integrated into investment products is essential, but it is even more important to **ensure that end investors can genuinely make informed sustainable investment choices**.

Experience with the current framework shows that unclear rules result in extensive Level 3 guidance and frequent updates, generating significant administrative costs. Between 2022 and 2025, the sector had to navigate numerous Q&As and supervisory communications, creating legal uncertainty and requiring significant resources. While the SFDR has increased transparency, its requirements remain complex and burdensome, and the volume and complexity of disclosures have not sufficiently helped end investors, who often find them difficult to understand, as acknowledged by the Commission<sup>1</sup>. We therefore support a shift towards value-adding reporting: **shorter, clearer, and more accessible disclosures**.

<sup>1</sup> Commission proposes improvements to SFDR - Finance - European Commission

**Insurance Europe fully supports** revoking the ESAs' delegated powers and retaining responsibility for drafting Level 2 measures within the Commission. We also welcome the removal of entity-level disclosures and a meaningful reduction in product-level requirements.

As substantial regulatory changes inevitably create transition costs, **it is crucial that any new categories and templates are properly tested**. Investment products differ significantly across member states, and in several markets pension products, often highly diverse, represent the main retail offering. These differences must be taken into account to ensure the future framework effectively informs and empowers end investors according to their preferences.

While the review is ongoing, we also call for supervisory expectations to be adjusted and for additional supervisory notes to be kept to a minimum.

**As long-term institutional investors, insurers hold €9.5 trillion invested in the economy**, with around 70% in EU equity, corporate, and sovereign bonds. This long-term capital helps governments and businesses deliver their climate and sustainability strategies. Their ability to channel capital into renewable energy projects and other transition sectors makes them an essential partner in delivering Europe's decarbonisation goals. It is therefore essential that insurers' investments are properly and consistently reflected under the revised SFDR, so that this substantial pool of sustainable long-term capital continues to be meaningfully captured and measured.



It is of great importance that the revised SFDR delivers **clear and understandable information** on the sustainability features of investment products, **regardless of whether they fall into specific categories**.

**While the proposal introduces some positive improvements, several insurance-specific issues require further refinement to ensure the framework is workable:**

#### ***Sovereign bonds:***

Insurers rely heavily on sovereign debt to manage long-term liabilities, support diversification and guarantees, and ensure the stability of their general account. These investments must be treated consistently under the revised SFDR. Financial market participants should be able to assess sovereigns' sustainability contributions in all proposed categories, supported by transparent and credible methodologies. However, where such a methodology is not available, they should equally be able to opt out, excluding sovereigns from both the numerator and denominator. In case this approach is chosen, the proportion of sovereigns within the product should be disclosed to ensure transparency and comparability.

#### ***Multi-Option Products (MOPs) and portfolio-level considerations:***

SFDR classification should apply at the investment-option (underlying fund) level, while still being allowed to communicate sustainability features at product level. To ensure legal certainty, where the categorisation requirements apply at the option level, a dedicated article (e.g. Article 9b) should define the rules for such product-level communication. Classification at product level should also be permitted where 100% of the available investment options are categorised.

### ***Treatment of insurers traditional and general account-based products:***

Insurers' traditional products (i.e. with guarantees) and general accounts can contain a significant share of sustainable assets, and many insurers have already made significant investments in such assets. These diversified, long-dated and liability-driven portfolios are essential for financing the real economy and are managed under strict prudential and sustainability rules (Solvency II). They must therefore be adequately considered within the SFDR framework to support continued sustainable investment and to preserve insurers' ability to finance the real economy. Limiting their eligibility for SFDR categorisation would disincentivise insurers to track and manage environmental and social objectives within those portfolios. Changes are needed so that SFDR 2.0 works for these products.

### ***Exclusions:***

Exclusion rules should remain aligned with existing EU frameworks such as the Paris-Aligned Benchmark and the Climate Transition Benchmarks. At the same time, it should be recognised that certain data needed to apply specific exclusions, particularly those relating to the existence of a transition plan and to electricity production, are not yet sufficiently available on the market. Introducing broader exclusions (e.g., blanket fossil-related bans for Article 7 products) contradicts the purpose of the transition category and would exclude companies that are central to credible transition pathways.

### ***New categories must promote transparency without misrepresenting diversified products:***

The framework must accommodate the specific investment structure of insurance-based products and broadly diversified portfolios, ensuring that customers receive sustainability information that is relevant and meaningful for their products features.

### ***Alignment with related legislation:***

Full consistency with simplification objectives, ESRS, MiFID and IDD is essential. For example, IDD restricts the use of "green" terminology; distribution rules must be aligned with the SFDR categories to avoid consumer confusion and inconsistent product classification.

### ***Robust data remains critical:***

Effective sustainability reporting depends on access to reliable, high-quality information. While we support the adjustments to the CSRD scope, a narrower scope will inevitably decrease the volume of publicly available ESG data. Significant data gaps persist, particularly for non-EU entities and non-listed assets, and continued reliance on estimates weakens the credibility of disclosures. We therefore support wider uptake of the voluntary sustainability reporting standard for non-listed micro, small and medium-sized enterprises (VSME) to help address these gaps. It is equally important that companies outside the CSRD scope can make their voluntary VSME reports digitally accessible (e.g., through iXBRL on ESAP) to strengthen the overall sustainability data infrastructure.

### ***Implementation timeline and transitional rules:***

To preserve consistency and legal certainty for investors, revised sustainability disclosure rules should not apply retroactively to existing products. Clear timelines and adequate transition periods are therefore essential. The 18-month implementation period should start only after the Level 2 measures are adopted,

with IBIPs, pension products and PEPPs applying no earlier than 12 months thereafter. It also is essential to avoid regulatory gaps between repealed RTS and new rules.

### Ensuring legal certainty during the SFDR transition phase:

We strongly support the issuance of an EU-level no-action letter, similar to the EBA's approach in mid-2025<sup>2</sup>. Such guidance would provide market participants with the certainty and flexibility needed to adapt to the new rules without facing disproportionate compliance risks.

## Detailed position



**Insurance Europe welcomes several positive elements in the Commission's proposal that contribute to a more effective, coherent, and user-friendly framework:**

- Removal of entity-level disclosure requirements, as CSRD is the EU framework for entity level sustainability reporting.
- A simpler, two-page disclosure framework.
- Deletion of the obligation to develop Regulatory Technical Standards (RTS) for the "do no significant harm" principle.
- No delegation of power to the ESAs for Level 2 measures.
- Clearer product categories and naming conventions to enhance usability and investor understanding.

To ensure the success of the SFDR review, the framework must deliver **clear and consistent information to investors and consumers** and support meaningful comparability across all financial products. Disclosures should prioritise informational value and be thoroughly consumer-tested across all member states to ensure they are understandable, accessible and aligned with how retail investors process information in their local markets. Sustainability labels must be intuitive. Complex legal terms such as "sustainable investment-related economic activities" significantly undermine comprehension and should be replaced with clear, consumer-oriented terminology such as "sustainable investments", "green transition investments" or "responsible investments".

The framework must also support credible transition pathways rather than penalise them. In this respect, the proposed 70% threshold raises concerns, as excessively high thresholds risk constraining investment strategies rather than support the transition the SFDR aims to encourage.

It is equally important that the framework sets **practical requirements for insurance products**, which often rely on highly diversified and multi-layered portfolios, including **products backed by our general account investments, multi-asset strategies and MOPs**. As key enablers of retail participation in capital markets, insurance products must be reflected accurately in the revised SFDR to avoid unintended consequences for products that play a critical role in financing the EU economy. This is particularly relevant

<sup>2</sup> [EBA no-action letter](#)

given insurers' heavy reliance on sovereign bonds to match long-term liabilities, making it essential that sovereign exposures are adequately accommodated.

**Alignment with related frameworks and full consistency with simplification objectives** are essential. This includes the European Sustainability Reporting Standards (ESRS), the Markets in Financial Instruments Directive (MiFID), and the Insurance Distribution Directive (IDD), as well as other guidance referring to current SFDR provisions (e.g., ESMA guidelines on fund names). For instance, IDD currently does not allow all Article 8 products to be marketed as "green"; once new SFDR categories are introduced, distribution rules must be aligned to ensure distributors can correctly match products to consumers' sustainability preferences and avoid consumer confusion.

**The implementation timeline is crucial.** It is essential to set appropriate timelines for Level 2 regulation and to ensure that Level 1 amendments do not apply before the corresponding Level 2 measures are finalised, as product disclosures cannot be completed without clarity on the underlying templates and technical requirements.

Finally, we would like to highlight concerns regarding the scope of the future Level 2 mandate, which appears too broad, especially in relation to product categories. Whenever possible, greater detail should be embedded directly in Level 1 to ensure legal certainty and avoid excessive reliance on delegated acts.

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**The following comments focus on product categorisation, transition and reclassification issues, the treatment of Principal Adverse Impacts, and other key aspects of the proposal, with particular attention to ensuring a proportionate and workable framework for insurance products.**

## 1. Insurance-specific considerations



### Treatment of sovereign bonds:

Sovereign bonds are central to insurers' balance sheets, supporting long-term liabilities, diversification and contributing to the stability of insurers' general accounts. Insurers should therefore not be inadvertently penalised for holding them. Based on an internal survey conducted within Insurance Europe's membership, sovereign bonds represent 8% and 9% of general accounts in Ireland and Denmark, 26–38% in Germany, France and Slovakia, and over 40% in Belgium, Greece and Italy, reaching up to 56% in Spain.

In addition, insurers are key holders of sovereign bonds issued by EU Member States. According to the internal survey, the share of sovereign bonds issued by Member States and held in insurers' general accounts represent between 5-10% in Germany, Belgium, France, Italy and Spain, and 46% in Denmark. Removing incentives for insurers to measure, monitor or report the sustainability profile of these holdings would weaken transparency around a major source of public financing.

- **Equal treatment and flexibility:** Sovereign exposures should be explicitly eligible for inclusion in all SFDR product categories under the Level 1 legislation, provided FMPs have a transparent and credible methodology. However, where such a methodology is not available, FMPs should equally be able to opt out by excluding sovereigns from both the numerator and the denominator. In case this approach is chosen, the proportion of sovereigns within the product should be disclosed to ensure transparency and comparability.

- **Avoid unintended competitive disadvantage:** Allowing the exclusion of sovereigns from both numerator and denominator is essential to avoid disadvantaging insurers, who rely far more heavily on sovereign bonds than other market participants. If sovereigns were included in the denominator but barred from the numerator, insurers would struggle to meet thresholds for any category, resulting in a structural and unjustified competitive disadvantage.

Preventing sovereign exposures from being counted toward sustainable or transition categories would also have direct consequences for consumers. It would imply that ‘sustainable’ or ‘transition’ portfolios must exclude or significantly reduce sovereign holdings, making these portfolios structurally riskier and less aligned with insurers’ long-term investment horizons, ultimately undermining consumer protection.



### Multi-Option Products (MOPs) and portfolio-level considerations:

The drafting of Article 9a appears tailored mainly to “fund-of-funds” structures and does not adequately reflect insurance-based MOPs or other combined insurance products. Additionally, Article 13(3) appears to incorrectly reference Article 9a (1) instead of 9a (2) with respect to points (a) to (c).

#### Classification challenges:

- **Classification should apply at investment-option level** (underlying fund). This is particularly important for MOPs, where option allocations can change over time.
  - If Article 9a remains unchanged, implementation will be very challenging, as insurers would not have the operational ability to meet the requirements without major system overhauls. Any attempt to comply would require extensive IT development and significant associated costs.
  - If classification applies only at the level of the underlying investment options, **insurers should still be allowed to communicate transparently at product level about the characteristics of the classified options they offer.** This ensures customers receive meaningful information and ensure a level playing field.
  - To support this, **a dedicated article** (e.g., Article 9b) should set out specific rules for product-level communication for MOPs and IBIPs.
- **Classification at product level** should equally be allowed under clearly defined conditions: **where 100% of available investment options are categorised**, the MOP should be eligible for product-level classification under Articles 7, 8 or 9.
- **Recital 23 and its application to insurance products:**
  - Recital 23 assigns products combining sustainable and transition investments to the ‘Transition’ category, while products combining all three categories default to ‘ESG Basics’. These rules should be incorporated explicitly into the legislative text to provide legal certainty and avoid unjustified downgrades of products with significant sustainable exposure.
  - Recital 23 must also be adapted to the specificities of insurance products. Life and general-account portfolios across Europe include a wide range of asset classes—listed and unlisted equities, traditional fixed income (mortgage, government and supranational bonds), credit, private assets, infrastructure, real estate and forestry—which are not always covered by standard indices or data providers. The framework should recognise this diversity to ensure consistent classification outcomes under Article 9a.

### Disclosure requirements:

- Hyperlinks should be permitted in pre-contractual and periodic disclosures to direct investors to information provided by the FMP responsible for each underlying investment option, in line with the simplification agenda and the objective of reducing compliance and administrative costs. This should be clarified at Level 1.
- Article 10 should explicitly allow hyperlinks for website disclosures, including links to insurers' own websites. Without this, it remains unclear whether references to Articles 6(3) and 11(2) apply solely to the product or also to each underlying investment option.

### Threshold and compliance:

- **Calculation methodology** should confirm that thresholds are based on underlying products without a look-through approach, as outlined in Recital 23. Further clarification is needed on documenting thresholds, especially when investor allocations vary over time.
- Recital 14 allows products to **meet sustainability thresholds gradually** during a phase-in period, providing flexibility in case of temporary market-driven deviations. This approach should be reflected in the legislative text to ensure consistent interpretation at Level 2.
- **Market fluctuations can affect asset prices** without any action by fund managers, potentially causing a product to temporarily fall below the threshold. For this reason, compliance should be assessed over a calendar year, allowing the benchmark to fall below the threshold for up to six months without losing their classification.



### National example:

In Sweden, MOPs often offer an extensive—and sometimes virtually unlimited—range of underlying options across diverse asset classes. While some options align with the proposed SFDR categories, others combine investments from different categories. As customers can freely adjust their allocations, the classification of the MOP can change over time, making product-level categorisation inherently complex. Another Nordic example is Finnish MOPs, "sijoitusvakuutus", which are similar to the products offered in Sweden and sometimes offer an unlimited range of underlying options.

Article 9a seeks to address combined products but is primarily drafted for "fund-of-funds" structures. As a result, Swedish unit-linked products and PPLI (portfolio bonds), which represent nearly €280 billion in assets as of Q3 2025, fall largely outside its intended scope. Given this complexity, and while classification at the underlying option level is preferred, **it is essential that insurers remain able to communicate and market sustainability of underlying options at product level.** This would ensure that products' sustainability profile is fairly represented and would ensure customers receive relevant information.

## 2. Product categorisation

The proposed SFDR product categories appear primarily designed for standard financial products and are less suited to distinctive features of insurance-based investment products (IBIPs). In particular, **the 70% investment threshold** poses challenges for insurers, who must maintain well-diversified portfolios to meet long-term liabilities and policyholder guarantees. This requires significant allocations to low-risk assets such as sovereign bonds and high-quality fixed income, limiting the ability to concentrate investments in qualifying assets.

To address this, the **EU Green Bond Standard (EUGBS)** should be allowed as an alternative to the 15% Taxonomy-alignment requirement for categorising products as transition and sustainable products.

**The new 'ESG Basics' category** (Article 8) also raises concerns, introducing substantially stricter requirements than the previous framework. If most products currently classified under Article 8 were to fall outside all categories in the new system, this could discourage market participation; ESG Basics should therefore remain sufficiently accessible to capture mainstream products and support continued classification. The concept of "average investments universe" is undefined and should be clarified in Level 2 legislation to ensure consistent interpretation.

**Persistent data gaps** will make it difficult to evidence the 70% of investments meet sustainability-aligned criteria. Applying a proportionality principle under Article 12a, allowing the use of reasonable, well-justified estimates where data is missing, would avoid penalising products and ensure realistic supervisory expectations.

## 3. Reclassification and transition periods

The introduction of new categories may force many existing sustainable products to lose their current designation and become "non-categorised," creating communication challenges and undermining investor confidence. To prevent abrupt reclassification, **clear guidance is needed on the transition from the current to the revised regime**, including a minimum three-year transition period, is essential.

Clarification should also confirm that the new requirements **do not apply retroactively**: past contracts and closed-book products should fall outside the scope of the revised SFDR. If any disclosures remain expected for these products during the transition period, guidance should specify the scope of information required in periodic reports. Firms already applying SFDR disclosures to closed-book products should be allowed to cease reporting on them immediately, with no obligation to restart once the revised SFDR enters into force.

- The proposed 18-month implementation period should start only after RTS adoption, giving firms sufficient time for technical adjustments and product re-categorisation. Transitional provisions for IBIPs, pension products, pension schemes, and Pan-European Personal Pension Products (PEPPs) should apply no earlier than 12 months after that.
- The final templates and guidance must be available at least 12 months before reporting requirements take effect.
- The development of necessary guidance must be simultaneously with Level 2 standards to provide timely clarity.
- Early voluntary adoption should be permitted for companies able to provide improved disclosures sooner.



Finally, it is critical to avoid gaps between repealing existing RTS and applying new rules, as the current proposal could leave insurers without guidance for up to 30 months, creating uncertainty and operational challenges.

## 4. Principal Adverse Impacts (PAI)

- **Disclosure requirements:** Products must “identify and disclose” PAIs and actions taken, but it is unclear whether disclosure must be quantitative or qualitative. Because category thresholds are based on PAI investment targets and monitoring indicators, any changes to disclosure requirements should recognise and build on the substantial work insurers have already done to implement PAIs. Ultimately, the SFDR PAI indicators and the corresponding section of the ESRS should be aligned.
- **Partial compliance ambiguity:** The possibility for products to “comply in full or in part” creates uncertainty, as partial compliance could involve reporting fewer indicators, providing only qualitative disclosures, or other variations. Clear guidance is essential to ensure comparability under such flexibility.

## 5. Other key points

- **Professional investors and Taxonomy:** To align with the core objective of providing clear and relevant information to retail investors, exemptions for professional investors—included in the leaked draft of the revised SFDR—should be reinstated. Likewise, Articles 5–7 of the Taxonomy Regulation should be removed from the regulation, as they do not serve consumer information purposes.
- **PRIIPs regulation amendments:** The proposed requirement for Key Information Documents (KIDs) to include the product category, sustainability objective, and indicators adds complexity and increases information overload. Consumers should not receive duplicative information: it is sufficient for them to receive the ESG information in the SFDR templates.
- **Exclusions and transition finance:** Exclusions should be consistent with existing EU regulations, specifically the Paris-Aligned Benchmark (PAB) and Climate Transition Benchmark (CTB), to avoid introducing impractical new requirements.
  - Excluding companies in coal, oil, or gas exploration, extraction, distribution, refining, or power generation removes all utilities from the investment universe, contradicting the concept of “Transition” outlined in Article 7. **SFDR should enable and support credible transition pathways** rather than prohibit them entirely.
  - Exclusion criteria should be designed so they can be **applied consistently across all financial instruments**. Significant data gaps, particularly regarding electricity-related emissions, CO<sub>2</sub> metrics and the assessment of credible transition plans, make certain exclusion requirements difficult to implement in practice.
- **Stewardship and active engagement:** Active engagement should be recognised as a key criterion for product categorisation. Many insurers adopt stewardship strategies, engaging with investee companies through climate and social dialogues, proxy voting, and initiatives such as Climate Action 100+. These efforts deliver real-world impact and should be reflected in the SFDR’s approach.

## 6. Entity-level disclosure requirements

Insurance Europe welcomes the proposed removal of entity-level disclosure requirements under the SFDR. This change is essential to avoid unnecessary administrative burden and the duplication of reporting obligations already required under the CSRD. Maintaining this removal in the final Level 1 text is therefore crucial to ensuring a streamlined and coherent EU sustainability reporting framework.

We also welcome the deletion of Article 2a SFDR, which previously empowered the ESAs to develop regulatory technical standards on the “do no significant harm” principle. Its removal, in line with the Commission’s de-prioritisation list of non-essential implementing measures, brings much-needed simplification and legal clarity to the framework.

To secure these benefits during the transition period, Insurance Europe support issuing an EU-level no-action letter, similar to the EBA’s approach in mid-2025<sup>3</sup>. It should **explicitly confirm that firms will not face enforcement action should they decide not to publish entity-level PAI statements between now and the application of the revised SFDR regime**. This measure is essential to maximise the cost-savings and regulatory certainty associated with deleting Article 4.

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<sup>3</sup> [EBA no-action letter](#)

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Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.



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