



# The EU Sustainable Finance Regulatory Framework: Latest Updates and Interlinkages

**2025 LSFI Summit**

Luxembourg, 17 September 2025

PROMOTING SUSTAINABILITY THROUGH  
EUROPEAN FINANCIAL MARKETS

# Agenda

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- 1. Introduction**
- 2. EU Taxonomy**
- 3. Sustainable Finance Disclosure Regulation (SFDR)**
- 4. Corporate Sustainability Reporting Directive (CSRD) & European Sustainability Reporting Standards (ESRS)**
- 5. Corporate Sustainability Due Diligence Directive**
- 6. Omnibus I simplification package**
- 7. Q&A**



# About Eurosif



## In a nutshell:

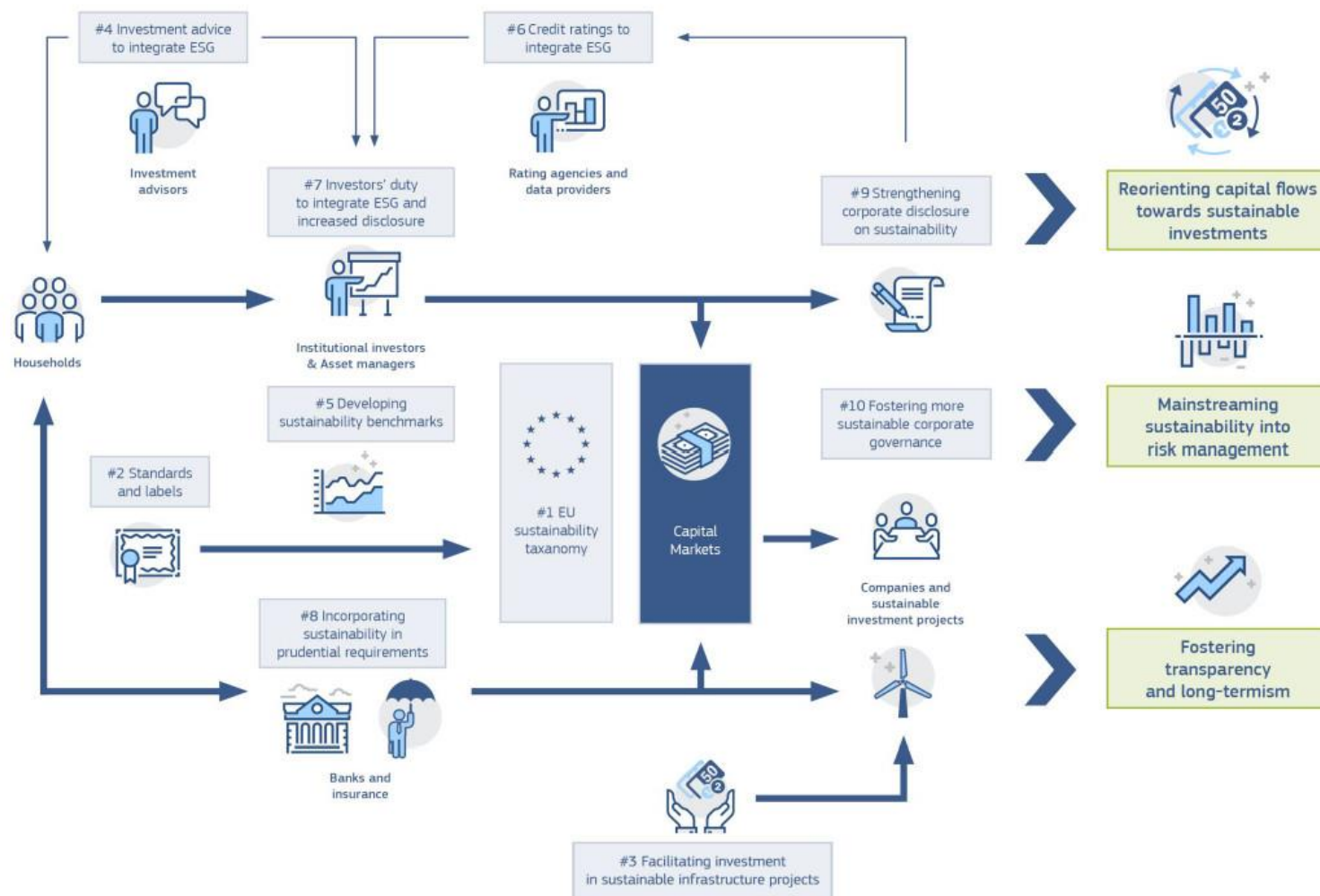
- The leading pan-European association **promoting sustainable finance** at EU level.
- Membership is comprised of **Europe-based national Sustainable Investment Fora (SIFs)**.
- Eurosif and its members are committed to the **growth and integrity of meaningful sustainable investment flows**.
- Eurosif actively contributes to the **development of EU sustainable finance rules which are fit-for-purpose** and facilitate the financial industry's contribution to a **just transition**.

# 2018 EU Sustainable Finance Action Plan

## Double materiality principle



ESRS: "A sustainability impact may be financially material from inception or become financially material, when it could reasonably be expected to affect the undertaking's financial position, financial performance, cash flows, its access to finance or cost of capital over the short-, medium- or long-term."





# 2021 Strategy for Financing the Transition to a Sustainable Economy



## FINANCING THE TRANSITION TO SUSTAINABILITY

This strategy provides the tools and policies to enable economic actors across the economy to finance their transition plans and to reach climate and broader environmental goals, whatever their starting point.



## INCLUSIVENESS

This strategy caters for the needs of, and provides opportunities to individuals and small and medium companies to have greater access to sustainable finance.



## FINANCIAL SECTOR RESILIENCE AND CONTRIBUTION

This strategy sets out how the financial sector itself can contribute to meet Green Deal targets, while also becoming more resilient and combatting greenwashing.

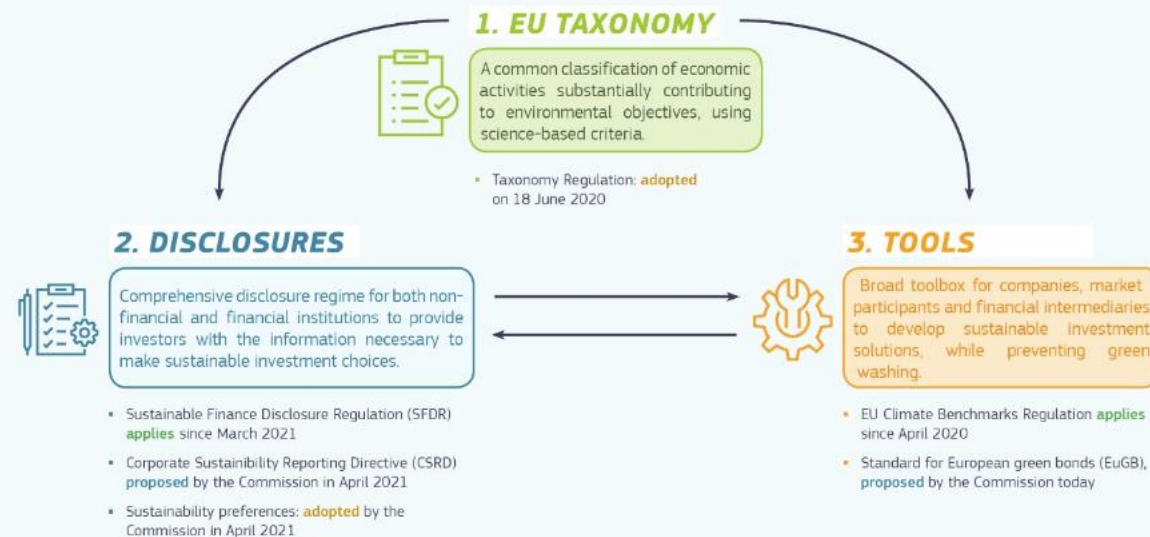


## GLOBAL AMBITION

This strategy sets out how to promote an international consensus for an ambitious global sustainable finance agenda.



## 2018: THE FOUNDATIONS OF THE EU SUSTAINABLE FINANCE FRAMEWORK



# June 2023 EU Sustainable Finance Package



The **EU sustainable finance agenda** aims to support companies and the financial sector in the transition to a climate-neutral and sustainable economy, by encouraging private funding of sustainable projects and technologies.



This package is a major step towards **completing the EU sustainable finance framework**, while ensuring that its elements are easier to use with minimum costs and help **finance the transition**.



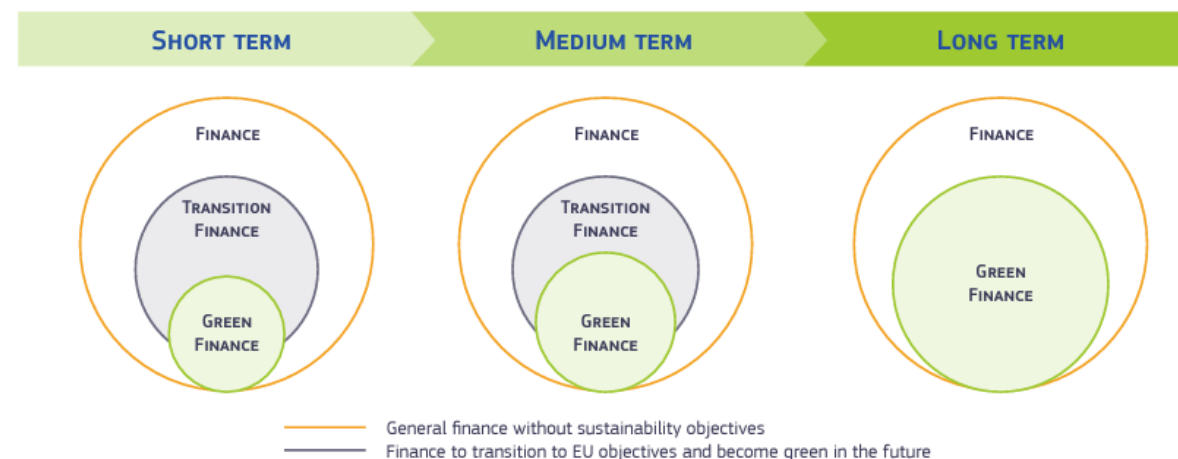
The priority is **helping market participants** implement the EU Taxonomy and the overall framework, and to enhance its usability.

## The **package** includes:

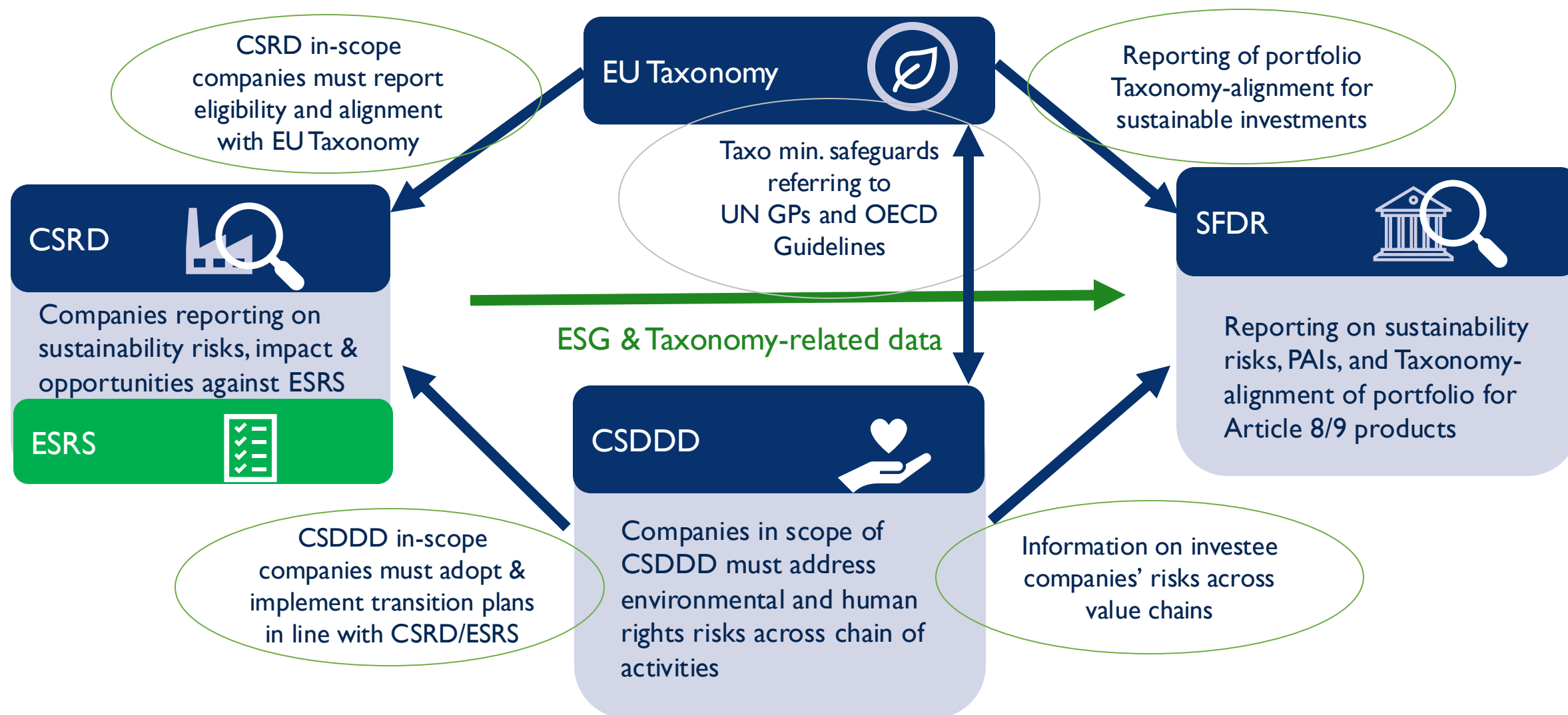
- EU Taxonomy Delegated Acts
- Proposal for a regulation of ESG ratings providers
- Measures and tools to enhance usability
- **Recommendations on transition finance**

## INVESTING IN THE TRANSITION

Sustainable finance is about financing both what is already environment-friendly today (green finance) and the transition to environment-friendly performance levels over time (transition finance).



# Overview: links between EU regulations



# EU Taxonomy



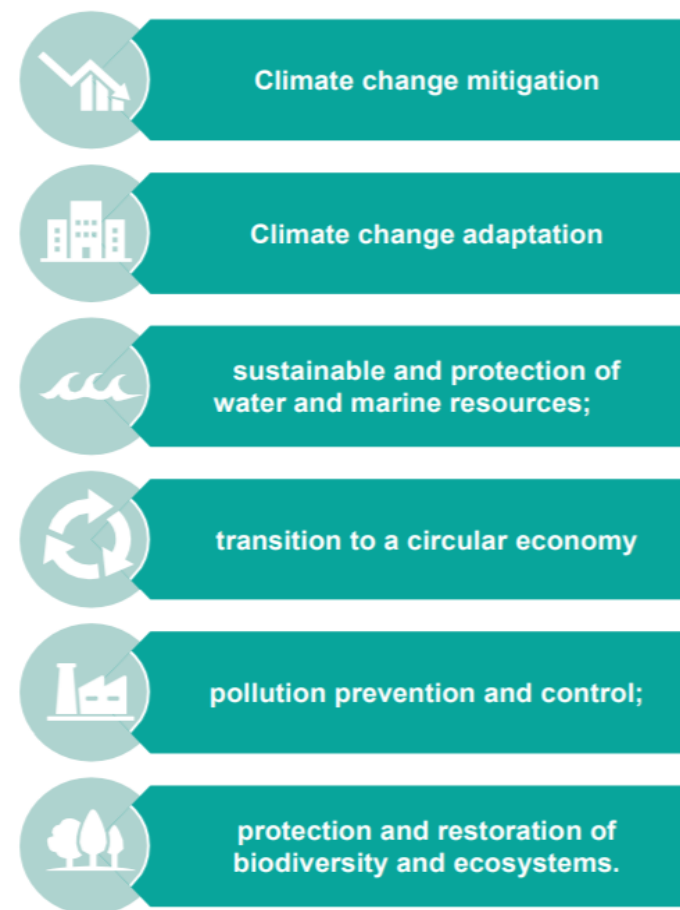


# EU Taxonomy Regulation

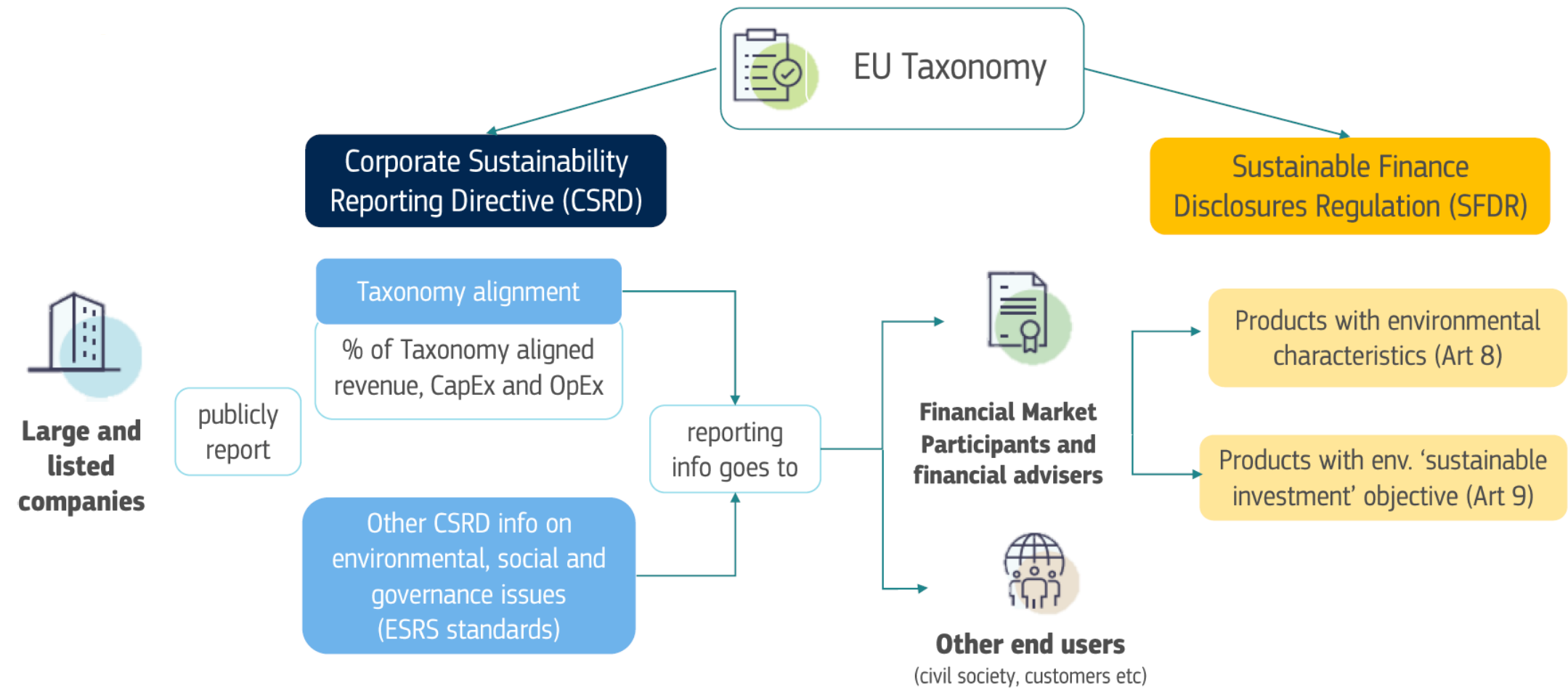
- The EU Taxonomy is a classification system that helps companies and investors identify “environmentally sustainable” economic activities to support their investment decisions.
- Environmentally sustainable economic activities are described as those which “make a substantial contribution to at least one of the EU’s climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum safeguards.”



Graphics source: TEG [report](#) dated March 2020



# EU Taxonomy disclosures



# Improving interactions with the Taxonomy

- EU Taxonomy is a useful tool for investors to identify environmentally sustainable investments.
- However, limited coverage and scope of the EU Taxonomy may lead to lower alignment and limited usefulness for investors.



# **Sustainable Finance Disclosure Regulation (SFDR)**



# Sustainable Finance Disclosure Regulation (SFDR)

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- Applying as of March 2021, the [Sustainable Finance Disclosure Regulation](#) (SFDR), was among the first actions under the 2018 sustainable finance action plan.
- Together with the EU Taxonomy, SFDR **creates a sustainability-related disclosure framework** for financial market participants and financial advisers with regards to the **integration of sustainability risks and the consideration of adverse sustainability impacts in investment processes**.
- The SFDR requires financial market participants and financial advisors to disclose:
  - how they **integrate sustainability risks** into their investments / advice;
  - whether, and if so, how they consider the **Principal Adverse Impacts (PAIs)** or negative externalities of their investment decisions/advice on the environment or society.
- Disclosures comprise entity-level and product-level disclosures. The former must be reported on the company website while the latter must be integrated in the product pre-contractual information, on the website and in the on-going disclosures.



# Sustainable Finance Disclosure Regulation (SFDR)

- Sustainable investment and products with ESG characteristics\*, **must disclose the EU Taxonomy-alignment of their underlying sustainable investments.**
- **Corporate disclosures stemming from EU Taxonomy / CSRD** are needed to make informed investment decisions, manage risks and prepare disclosures in line with SFDR requirements.



\* Products with ESG characteristics only need to disclose Taxonomy-alignment if they make environmentally sustainable investments.

# SFDR – Upcoming Review

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- **Set up clear product categories to simplify rules' application**
  - Underpinned by clear criteria while allowing for flexibility in the design of products.
  - Clearer for retail investors and improved usability for distributors (some further consumer testing considered).
- **Simplify and streamline disclosures, alleviating reporting burdens**, incl. reflecting choices on categories and other developments, e.g. Omnibus.
  - Categories can alleviate the need for long disclosures.
  - Re-focus data requirements on the meaningful, useful, comparable and understandable by end-investors.
  - **Entity level disclosures:** EC received criticism from FMPs over relevance and are considering removing these provisions.
  - **Product level disclosures: feedback favours significant reductions:** EC received criticism over quantity of mandatory PAIs

# SFDR – Upcoming Review

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- **Better alignment with the rest of the framework**
  - Reflections over alignment of ESRS data points with SFDR PAI indicators.
  - Reflections over the link between the categories and the ESG marketing rules (fund names and marketing documentations) and distribution rules (MiFID/IDD).
  - Taxonomy: possible indicator to measure contribution to the set objective under the sustainable category.

# EC update: Main options considered

EC identified three main options:

## 3 categories

**sustainable, transition,  
“other ESG”**

- Currently preferred as delivering best clarity, investor protection, and flexibility for innovation within the third category

## 2 categories

**sustainable, transition**

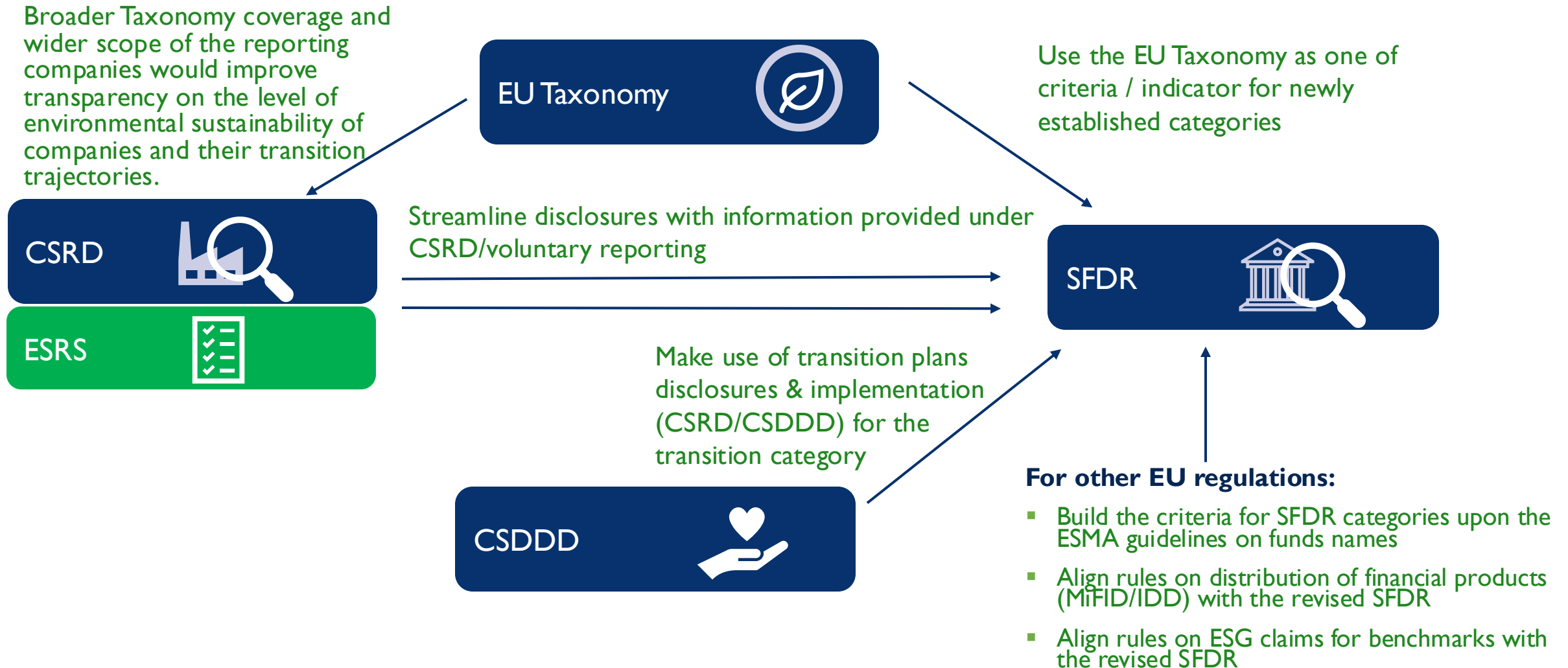
- Would only cover a small subset of the ESG market, drastic reduction of Art. 8 and 9 scope
- Visibility for best products, but would not be linked to ESG marketing and distribution

**Converting Article 8 and 9  
into formal categories**

**i.e. sustainable and other  
ESG**

- No separate transition category,
- Less scope for additional minimum safeguards

# Recap: Improving links between regulations - Taxonomy and SFDR





# Expected Timeline

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- Q4 2025: publication of Commission proposal
  - 2026: negotiations within EU institutions
  - Development & adoption of RTSs TBC
  - 2027 / 2028 / 2029 implementation TBC



# **Corporate Sustainability Disclosure Regulation (CSRD) & European Sustainability Reporting Standards (ESRS)**



# Corporate Sustainability Reporting Directive

- On 5/01/2023, the [Corporate Sustainability Reporting Directive \(CSRD\)](#) entered into force.
- Aims to ensure investors and other stakeholders have access to the information to assess the **impact of companies on people and the environment and to assess financial risks and opportunities** arising from climate change and other sustainability issues.
- CSRD requires all large companies and all companies with securities listed on EU Regulated Markets to disclose information on material risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.
- Transposition of CSRD is still in progress in some countries, Commission opened infringement procedures against 17 delayed member states in September 2024.



# Corporate Sustainability Reporting Directive

## Applies to approx. 42 500 companies:

- Large and listed EU companies with more than 250 employees
- Non-EU companies meeting the criteria for EU companies, and/or with more than EUR 150 million turnover in the EU for at least 2 consecutive years
- The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.



## Reporting standards:

- Companies subject to the CSRD will have to report according to **European Sustainability Reporting Standards (ESRS)**. The standards are developed in a draft form by the EFRAG, previously known as the European Financial Reporting Advisory Group, an independent body bringing together different stakeholders.
- The first set of ESRS was published in the Official Journal on 22 December 2023 under the form of a delegated regulation.



# Corporate Sustainability Reporting Directive

## Publication

- Sustainability statement to be published together with management report.
- Companies must prepare their sustainability statement in the European single electronic reporting format and to upload them to the European Single Access Point (ESAP).



## Mandatory audit:

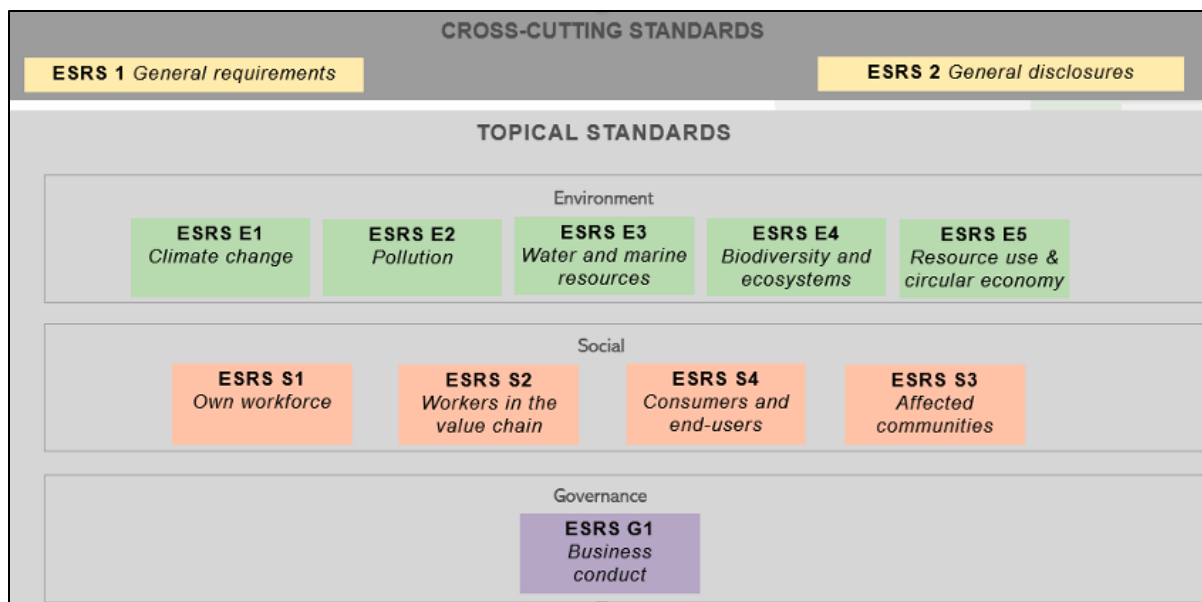
- Limited assurance by a third party according to EU-specific assurance standards to be adopted by the European Commission.
- Auditors must verify that the reports adhere to the ESRS and that the process has resulted in disclosing all material sustainability-related impacts, risks, and opportunities.





# Sector-agnostic ESRS

- After EFRAG shared its final recommendations in November 2022, the European Commission adopted the first set of sector-agnostic ESRS (ESRS Set I) in July 2023.
- 2 horizontal standards and 10 topical standards, each divided in sub-topics with specific data points - approx. 1000 data points in total. This includes datapoints necessary for financial market participants to comply with their respective EU disclosure requirements (e.g. SFDR).



Inspired by



Developed in parallel with



# Corporate Sustainability Due Diligence Directive (CSDDDD)

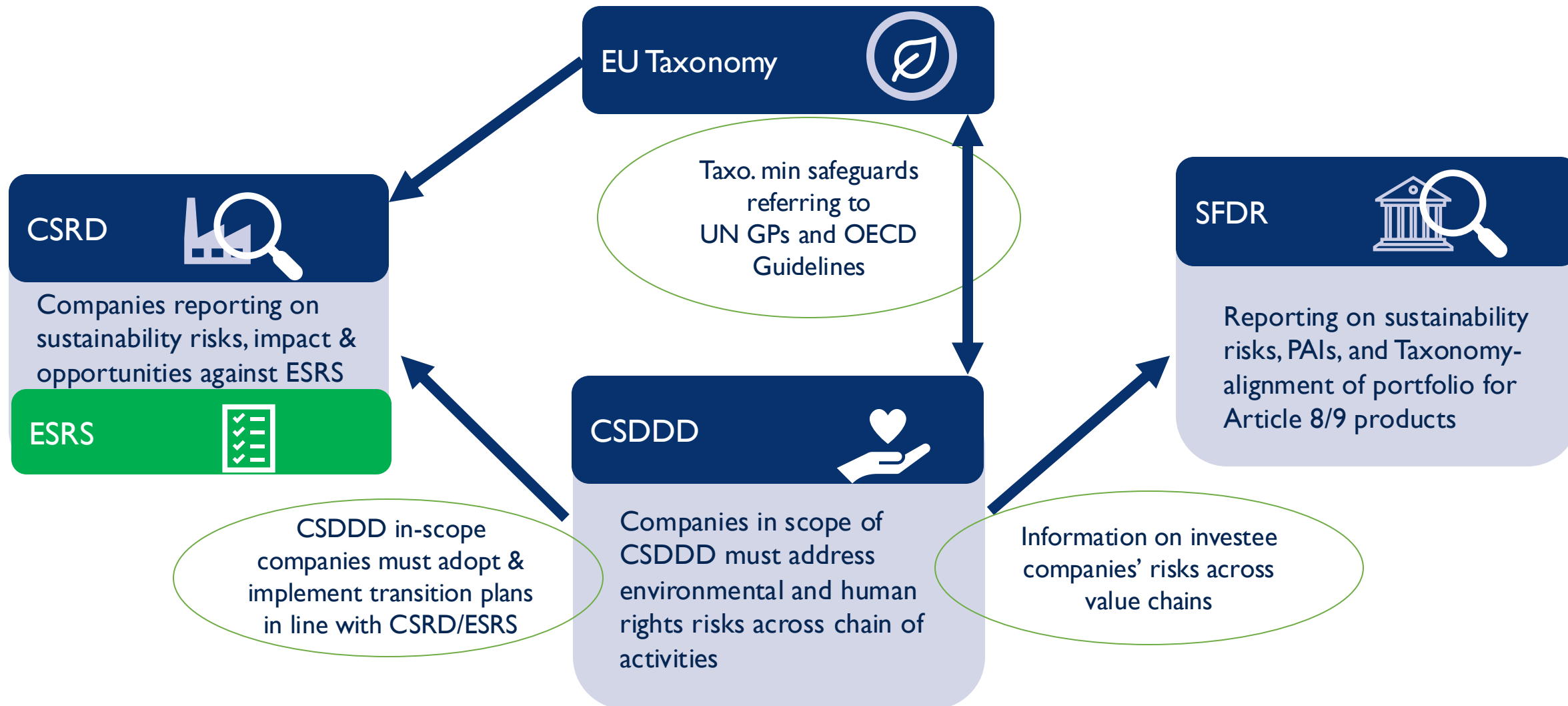


# Corporate Sustainability Due Diligence Directive

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- The directive, **adopted** on 13 June 2024, establishes a corporate **due diligence duty** for EU companies with 1000 employees and more than €450 million worldwide turnover, as well as for non-EU companies with €450 million net turnover in the EU.
- Rules require in-scope companies to perform **risk-based environmental and human rights due diligence** through the company's own operations and its value chain.
- In-scope companies need to **adopt and put into effect** (implement), through best efforts, a **climate transition plan** for climate change mitigation aligned with the 2050 climate neutrality objective of the Paris Agreement as well as intermediate targets under the European Climate Law.
- **Financial institutions** are in scope of transition plans requirements and are exempted of due diligence requirements for their downstream value chain (i.e. clients).
- **Initial application timeline:** Largest companies in scope starting in 2027, second wave in 2028, third wave in 2029.

# Links between CSDDDD and other regulations



# Recap: Improving links between EU regulations – Taxonomy, SFDR, CSRD and CSDDDD

Broader Taxonomy coverage and wider scope of the reporting companies would improve transparency on the level of environmental sustainability of companies and their transition trajectories.

EU Taxonomy



Use the EU Taxonomy as one of criteria / indicator for newly established categories

CSRD



Streamline product-level disclosures with information provided under CSRD/voluntary reporting

SFDR



ESRS



Make use of transition plans disclosures & implementation (CSRD/CSDDDD) for the transition category

CSDDDD



Incentivize the implementation of transition plans, in line with CSRD disclosure requirements

**For other EU rules:**

- Build the criteria for SFDR categories upon the ESMA guidelines on funds names
- Align rules on distribution of financial products (MiFID/IDD) with the revised SFDR
- Align rules on ESG claims for benchmarks with the revised SFDR

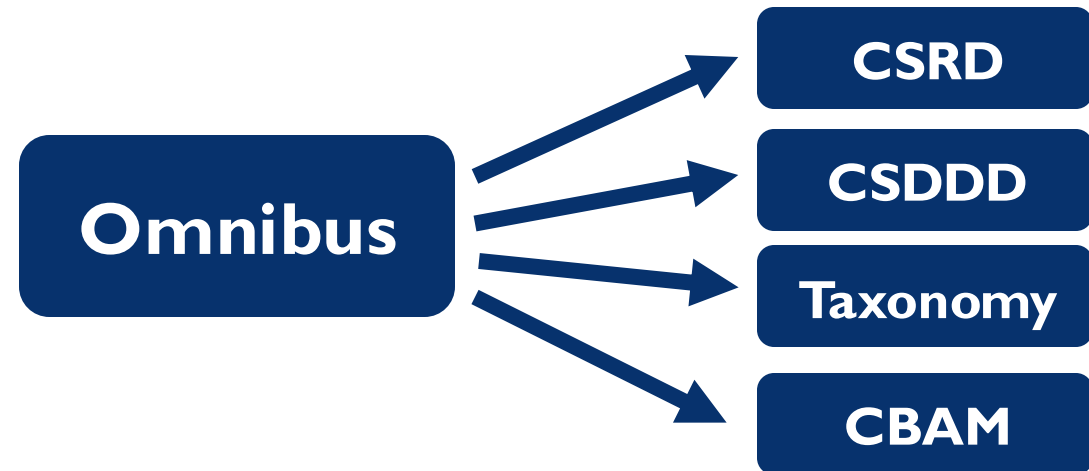


# Omnibus I simplification package




# Omnibus package

- **Proposal published by EC on 26 February:**
- Overall goal to simplify perceived reporting burdens
- Delays and reductions in scope and requirements for CSRD and CSDDD and to a lesser extent the EU Taxonomy (Carbon Border Adjustment Mechanism also included, but not a focus of Eurosif)
- Risk: as CSRD and CSDDD are opened at level I, the original legal texts, the European Parliament and the Council can, and are likely to, make significant changes, weakening the regulation.



# Omnibus timeline

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- The European Parliament is still establishing its position, negotiations taking place in autumn 2025.
  - Once the Parliament adopts its position, trialogue negotiations between the EC, EP and the Council will start. Trilogues are expected to end in Q1 2026.
  - Typically, the compromise developed in the trilogues is then formally adopted by the Council and European Parliament.

# ESRS simplification

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- In parallel to the review of the CSRD level I, EFRAG was mandated by the European Commission to simplify the European Sustainability Reporting Standards (ESRS).
- On 31 July, EFRAG published the exposure drafts for a public consultation ending on 30 September.
- Content:
  - 57% reduction of mandatory datapoints.
  - Simplification of the double materiality assessment (DMA).
  - Removal of overlaps in data points
  - Elimination of voluntary data points
  - Crosscutting reliefs, some of them taken from ISSB
  - Potential relief for anticipated financial effects
- EFRAG must deliver a proposal for the simplified standards by 30 November 2025.

# Consequences for investors

- With the Green Deal and the Clean Industrial Deal, the EU has made steps towards a green economic transition – but the sustainability Omnibus is pulling in the opposite direction and threatening the good progress already made:
- Reduction in CSRD scope means less data available for investment purposes (e.g. Taxonomy alignment, transition plans)
- ESRS simplification process is likely to reduce data points (how much will depend on EFRAG and the European Commission)
- Fragmented voluntary reporting due to the expected use of VSME
- Regulatory uncertainty, as the Omnibus initiative is still ongoing - with potential implications for the criteria of categorisation under SFDR review



**Eurosif's Omnibus recommendations**

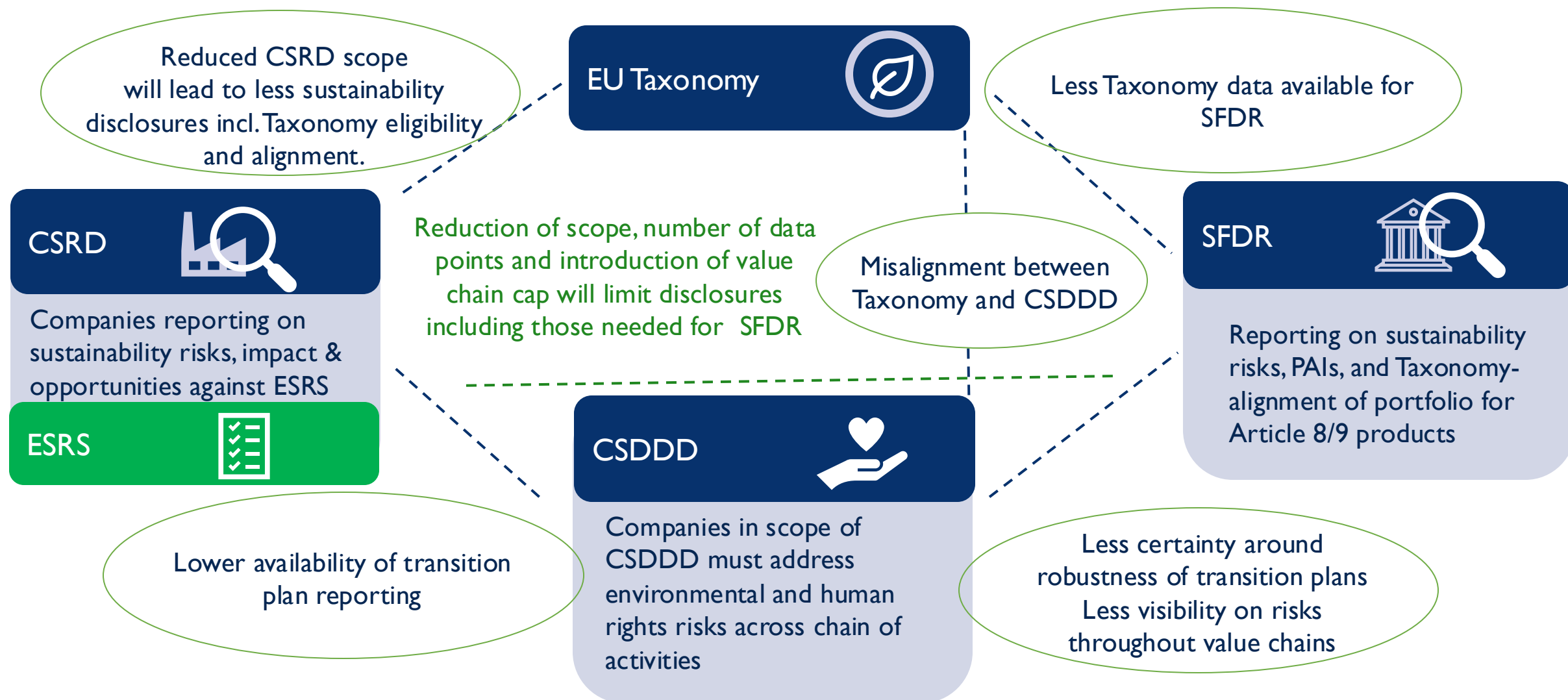
# Investor and business support for EU sustainable finance rules

- Recently re-launched joint investor and business statement demonstrates a strong industry support for maintaining core elements of the EU sustainable finance framework.
- Since its initial publication on 1 July, the statement has gained **significant momentum** and garnered the support of **475 signatories, including over 200 real-economy businesses and investors**, and over 90 supporting organisations, more than doubling the number of signatures.
- Signatories include Allianz SE, Federated Hermes, Union Investment, Robeco, Nordea AM, Mirova, LBPAM, Ingka Group (IKEA), EDF, Nokia, Vattenfall, ACCIONA, Nestlé, Décathlon SE, H&M Group and ALDI South Group.
- Main message: **Maintaining the key provisions in CSRD and CSDDD is essential for long-term competitiveness.**



[\*\*Access the statement here.\*\*](#)

# Potential Omnibus impacts on interlinkages





# Eurosif recommendations for the SFDR review



Eurosif report on  
SFDR review  
July 2025



Establish clear categories of  
ESG/sustainability-related products  
based on minimum criteria



**"Sustainable"**

Investments in companies and / or projects that are **sustainable and do not harm the environment or society**



**"Transition"**

Investments in companies and project which are not sustainable yet, however on a **credible and demonstrated transition path**



**"Binding  
environmental/  
social factors"**

Investments which do not meet the criteria of sustainable or transition investments categories however apply **credible environmental or social investment approaches**



**"Impact" layer**

A clear objective to **generate a measurable and demonstrable contribution** to environmental or social change, alongside a financial return

# Eurosif recommendations for the SFDR review

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## For meaningful disclosures

- Establish minimum sustainability transparency requirements **for all financial products**.
- Ensure products that **do not qualify for any SFDR category** clearly state so in their documentation to clients and prohibit these products from making ESG-related claims in their name and marketing communications to prevent greenwashing.
- For products categorised under the SFDR: Introduce a streamlined mandatory list of improved Principal Adverse Impact (PAI) and clearer consumer-facing disclosures summarising the product's positive and adverse impacts.
- Maintain and adjust **entity-level disclosures** covering policies on the identification, management and mitigation of the actual and potential adverse impacts of their investments, as well as covering positive sustainability outcomes.

## For international alignment

- Improve **interoperability with international standards** so that the criteria can also be used for investments in non-EU entities.

# Q&A



# Thank you

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