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SFDR Review Proposal: BETTER FINANCE Warns That Brussels Risks Repeating Old Mistakes — and Creating New Ones

As the European Commission publishes its proposal to revise the Sustainable Finance Disclosure Regulation (SFDR), BETTER FINANCE welcomes steps towards improving the framework but urges policymakers to ensure that reforms truly strengthen clarity, credibility and investor protection. Simplification is welcome, but not if it results in weaker transparency or reduced safeguards for Europe's citizens.

BETTER FINANCE Welcomes the Transition Category

BETTER FINANCE welcomes the introduction of a dedicated Transition category – a long-standing request from our organisation and other stakeholders – as a positive step towards channelling capital into high-impact decarbonisation. To protect savers, transition-labelled products must still demonstrate a credible and measurable pathway to real-world improvements. While active investor engagement is an essential tool for driving such change, it is not the only one: approaches such as best-in-class selection within high-emitting sectors or targeting companies with robust transition plans can also play a meaningful role. What matters is that transition claims are backed by verifiable evidence, not symbolic or purely voluntary actions.

New Categories Need Meaning, Not Marketing

The proposed three product categories – sustainable, transition and ESG basics – could improve clarity only if backed by robust and verifiable criteria. As currently presented, they risk creating broad and overlapping labels that do little to help individual investors understand what their money finances. In particular, a wide “ESG basics” category would risk becoming a catch-all for products with limited sustainability merits, increasing confusion rather than reducing it.

Transparency Must Not Be Reduced

Proposals to delete entity-level disclosures and narrow product-level requirements raise concerns. In a market already struggling with greenwashing, reducing the availability of information for consumers is a step in the wrong direction. Aligning

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the SFDR with the CSRD and EU Taxonomy is positive, but it must result in clearer disclosures for investors, not fewer.

Individual Investors Still Overlooked

Europe's individual investors remain too often overlooked. With only around 15 percent of household savings currently invested in capital markets, restoring trust is essential. The SFDR review should prioritise the needs of citizens seeking to invest sustainably, rather than simply reducing administrative burdens for financial institutions.

A Call to Policymakers

BETTER FINANCE calls on the Commission and co-legislators to ensure that the SFDR reform:

- avoids broad ESG categories without meaningful criteria
- requires credible engagement or effective decarbonisation strategies for transition products
- provides clear, non-overlapping classifications
- reinforces, rather than weakens, transparency
- and places individual investors at the centre of the framework

"A strong and credible SFDR is essential to rebuilding trust and supporting a more sustainable European economy. Policymakers must not miss this opportunity to deliver a framework that genuinely works for investors" concludes Aleksandra Mączyńska, Managing Director of BETTER FINANCE.
