

# ESAs Publish 2025 Report on Disclosure of PAIs under the SFDR

19 September 2025

On 9 September 2025, the European Supervisory Authorities (the “ESAs”) published the 2025 edition of their annual report (see [here](#) on the website of the European Securities and Markets Authority (“ESMA”)) on disclosure of principal adverse impacts (“PAIs”) under the Sustainable Finance Disclosure Regulation (the “SFDR”) (the “Report”). The SFDR requires financial market participants, such as asset managers, to state whether they consider PAIs of investment decisions on sustainability factors. Large firms with over 500 employees must report information on PAIs at the firmwide level in respect of all their financial products, and smaller firms can generally opt out of this obligation. Firms such as asset managers may also choose to report on PAIs for individual financial products.

The Report reflects the results of surveys by the ESAs of the views of national competent authorities in EU member states and contains a market overview, examples of good and bad disclosure practices and recommendations by the ESAs to the European Commission.

Please see our Debevoise In Depth on the ESAs’ 2024 report [here](#).

**Market Overview for Firm-Level and Product-Level PAI Disclosure.** The ESAs note that the market overview has not changed significantly since their 2024 report. Most asset managers continue to opt out of disclosing PAIs at the firm level, although the Report states that approximately 40% of the financial market participants voluntarily considering PAIs are asset managers. This reflects the reality that more and more investors are requesting PAI data from asset managers with whom they are investing. As the Report does not differentiate between different types of asset managers (such as between private equity managers and managers investing in listed equities), PAI consideration amongst private equity managers is likely not as common as the percentage for asset managers reflected in the Report amongst all financial market participants suggests.

The ESAs note that there has been an increase in products which consider PAIs, compared to their 2024 report. However, only about 4% of funds disclosing under

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Article 8 SFDR (i.e., that promote certain environmental and/or social characteristics) disclose PAIs, compared to 20% of funds disclosing under Article 9 SFDR (i.e., that pursue a sustainable investment objective). As had already been highlighted in the ESAs' 2024 report, this is likely in some part due to the lack of comparable and usable data, which is the biggest obstacle for considering PAIs at the entity level and consequently at the product level.

Many asset managers choose to report PAI data for individual financial products, without disclosing how they have considered these PAIs in their investment decision-making processes at the entity level. Although the Report is silent on this specific practice, it notes that the weakest area overall for PAI reporting is the limited amount of information given in response to the question, "Actions taken and planned to avoid or reduce main adverse impacts", with many firms providing disclosure about general policies or actions without accompanying metrics and clear timelines. In this regard, the ESAs are keen to ensure that firms actively "consider" PAIs, by putting procedures in place to mitigate those impacts where they arise, as described in these consolidated FAQs (see [here](#) on ESMA's website).

**Good and Bad Practices.** The Report contains general observations on good and bad practices on disclosure of PAI data at the firm and product level, but do not contain any new or surprising aspects. The Report, however, provides financial market participants with helpful and concrete information points about good and bad practices. It therefore makes sense for asset managers to compare the practices highlighted in the Report with their own practices to see if there is room for improvement.<sup>1</sup> According to the ESAs, PAI disclosures should be clear, should avoid language that is too technical or that has confusing layouts, and should be prominently displayed in the sustainability-related part of the firm's website or in a section dedicated to mandatory disclosures. Information should not be generic but specific to the product or the firm, and there should be clear targets for the next reporting period to make it easier for investors to compare and track such targets. In addition, the ESAs highlighted that many firms are still publishing poor quality statements on why they do not consider PAIs, including explanations like limited resources and data availability as their main reasons for not doing so, which are repeated year after year without any indication as to whether the firm will consider PAIs.

**Recommendations to the European Commission.** Similar to the previous reports in 2024 and 2023, the ESAs state that the threshold for firms to consider PAIs at firm level for firms with "more than 500 employees" may not be a meaningful way to measure the extent to which investments may have principal adverse impacts on sustainability

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<sup>1</sup> Please see the full list of good and below average practices copied from the Report as an annex to this Debevoise Update.

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factors, given the majority of firms fall below this threshold and can therefore opt out of this requirement. The ESAs suggest adopting a new threshold that is based on the size of a firm's investments, including total assets under management for asset managers. It is unknown whether the European Commission will make this change under its forthcoming review of SFDR. However, such a shift would mean that a significant number of asset managers with investment activities in Europe could become obligated to consider PAIs at firm level which does not appear to be in line with the European Commission's recent push to cut down on sustainability-related burdens for companies by means of an Omnibus Directive (please see our Debevoise In Depth on the EU's Simplification Omnibus Package [here](#)).

The ESAs also suggest that firms disclosing PAIs should distinguish between investments covered by data and by estimates, allowing stakeholders to understand how reliable and accurate their PAI reporting is.

**Conclusion.** The ESAs draw an overall positive conclusion on PAI disclosure practices in the Report, noting in particular that disclosures "have improved significantly this year in terms of clarity, quality and completeness". It remains clear that firm-level PAI disclosures are less common and considered less useful by stakeholders, compared to product-level disclosures. Many asset managers, particularly private equity sponsors, continue to find the PAI regime challenging, because of the lack of available information on PAIs. By contrast, external data providers commonly provide data on listed companies. With the application of the Corporate Sustainability Reporting Directive ("CSRD") to unlisted companies now delayed in light of the European Commission's Omnibus Directive proposal, the lack of clear and standardised data will likely persist until at least 2028.

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Please do not hesitate to contact us with any questions.

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## Annex



# Annex – Full list of good and below average practices by sector

83. These tables provide the full list of the examples of good, below average and non-compliant practices identified by the ESAs based both on NCAs' observations and the ESAs' own desk-based analysis. The tables also include many examples that were not separately highlighted in the relevant sections of the Report itself<sup>25</sup>.

**Table 1: Good and below average practices of entity level PAI disclosures**

Criterion	Examples	Examples
	Good Practices	Below average practices
<b>Location of the disclosures</b>	<p>✓ <b>Fund managers</b> - a company publishes the statement on the integration of sustainability risks in investment processes, in addition to the dedicated section, also on the specific pages of each fund marketed.</p> <p>✓ <b>Fund managers</b> - addition of an introductory paragraph before the PAI table in order to explain the information disclosed. Also, the PAI table contains explanation and information concerning the "Impact year" (as at 31/12/2023), an Explanation about the % of Coverage [which is the average coverage disclosed in the PAI statement] and a summary of the "Actions taken, and actions planned and targets set for the next reference period".</p> <p>✓ <b>Insurance undertakings and fund managers</b> - on the homepage, within a designated link such as one titled 'Our ESG</p>	<p>✗ Individual companies belonging to the group when the group has one page for all group companies in the country. Especially, when different types of sustainability disclosures are applicable for the group (CSRD, etc.), as there are different sustainability related sections on the websites.</p> <p>✗ Though there is a separate section on a website named Sustainability, the SFDR Article 3-5 disclosures are provided in single document named Sustainability information, the title of each section of this document partly matches SFDR wording in some cases disclosures were placed in less intuitive sections of the entity's website (for example in the section named Documents).</p> <p>✗ <b>Fund managers</b> - In some cases, sustainability-related disclosures are difficult to locate from the home page.</p>

<sup>25</sup> Please note that the examples reported in the table refer to the sector where they have been observed, but they may be relevant also for other sectors.

*Approach* there is a subsection containing a link to the Statement on principal adverse impacts of investment decisions on sustainability factors. Typically, all other relevant documents required under SFDR are also available alongside the statement.

✓ **Pension funds** - on the company's homepage, under the section 'Sustainability-related disclosures' in the dropdown menu, the 'Statement on principal adverse impacts of investment decisions on sustainability factors' is clearly visible.

✓ **Banks** - FMPs specify the date of the publication of the disclosure and the date and the version number of the document, either within the document or in the document's name. Some large banks acting as FMPs clarify in the title of their Article 4 Statement on PAIs consideration that the disclosure is provided in their capacity as FMPs. This specification is useful for those large entities that act both as FMPs and financial advisers, because it facilitates identifying the Statements provided in their respective different capacities.

✓ **All sectors** - the disclosures are typically accessible via a direct link from the home page or located in clearly labelled sections such as "Mandatory Disclosed Information", "About the Company", or "ESG Disclosures", or similar. In addition, the PAI statement is easy to find when a relevant keyword is entered into a search engine and the relevant page appears.

Access often requires navigating through multiple, non-intuitive links to find the section titled "Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors"

✗ **Insurance undertakings** - in some cases, the disclosure is made under the tab 'about us' without any context or explanation of what the disclosure is about.

✗ **Banks** - a bank with a website contains a large volume of general information, making navigation challenging. On the homepage, two relevant links— titled 'ESG' and 'Sustainable Finance'—are placed at the very bottom, which may be confusing for users. Only after clicking through one of these links does the user reach a separate page where the required disclosure is eventually found.

✗ **Banks** - Individual pieces of information located in different places and scattered across various website, some in a sustainability page, others in regulatory information or requirements, others in marketing publications, making it difficult to find comprehensive information.

✗ **Investment firms** - In some cases, the disclosures are not accessible via hyperlinks on the FMP's website at all; the PAI statement can only be located using external search engines.



<p><b>Clarity of the disclosures</b></p>	<p>✓ <b>Insurance undertakings</b> - The statement is clear and well-structured, with relevant information presented in a way that is easy for investors to understand. It is evident from the disclosures what actions the companies have taken during the year. However, there is room for further improvement, particularly in providing more precise and detailed descriptions of future measures, which the companies should aim to address in upcoming updates.</p> <p>✓ <b>Insurance undertakings</b> - The description of escalation procedure in case lack of PAI reduction was a good practice as regards engagement policy.</p> <p>✓ <b>Investment firms and banks</b> - in addition to the summary required by the SFDR Delegated Regulation, publication of a summary of the statement in a separate document</p> <p>✓ <b>All sectors</b> - use of colours and visual to make the reports easier to read, footnotes with extra information.</p> <p>✓ <b>All sectors</b> - the PAI statements are completed in compliance with the template in Annex I of the SFDR Delegated Regulation, the FMPs maintain the order of the applicable indicators, their numbering and description, and provide an explanation of the actions taken or planned and targets set for the next reference period. The language used is appropriate for the targeted stakeholders, with most of the information being easily comprehensible.</p>	<p>✗ <b>Pension funds and fund managers</b> - some FMPs fail to present this information in a sufficiently clear and detailed manner, making it difficult to fully understand the activities undertaken for specific indicators or groups of indicators which is the main reason why clarity is lacking. Additionally, it was noted that relevant links to supporting documents or procedures—when referenced—are frequently missing, which further limits transparency and traceability.</p> <p>✗ <b>Insurance undertaking</b> - instances of only reporting of percentages in Table I, Annex I of the SFDR Delegated Regulation, without any narrative explanation.</p> <p>✗ <b>All sectors</b> - use of English documents that should be in the national language of the jurisdiction, vague references to actions taken. Overall, the reports contained a lot of technical information, which makes it difficult to read/understand.</p> <p>✗ <b>All sectors</b> - information is presented as one large bulk of text which may discourage a typical reader from reading it all, especially if the reader is interested in finding a specific piece of information.</p> <p>✗ <b>All sectors</b> - some disclosures were overly generic and lacked the necessary detail, rendering them confusing and difficult to understand.</p> <p>✗ In addition, one FMP disclosed the PAI statement , without providing any explanation of the measures taken or</p>
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	<p><b>Completeness of the reporting</b></p> <ul style="list-style-type: none"> <li>✓ <b>Fund managers</b> - indicators related to the CO2 emissions are well detailed at the level of comments, actions and targets.</li> <li>✓ <b>Insurance undertakings</b> - FMP reported all the required information, providing responses that ensure a clear understanding of their approach and actions.</li> <li>✓ <b>Insurance undertakings / Pension funds</b> - PAI-statement clearly and completely states methods of collecting and processing available data and informs about lacking data. In addition to that, the FMP explicitly mentions those assets which were not included into the indicator calculation and provides an adequate explanation for the non-inclusion.</li> <li>✓ <b>Banks</b> - FMP included all indicators set in the Annex, including the voluntary ones.</li> <li>✓ <b>All sectors</b> - reasons for variations in PAI data compared to the previous year (ex: changes in coverage rates, services providers and methodologies) are clearly explained.</li> <li>✓ <b>All sectors</b> - Opt-in indicators from Table 2 and 3 are selected over and above the mandatory minimum of two.</li> </ul>	<p>planned, nor the objectives set for the next reference period.</p> <ul style="list-style-type: none"> <li>✗ <b>Fund managers</b> - FMPs provided the metrics and impact values for each indicator; however, they often failed to include accompanying explanations, meaning there is unclear information in the explanation column. Additionally, the disclosures lack clear information on the actions taken, as the statements provided are overly generic and do not specifically relate to the PAI indicators in question. Sometimes the column on "actions taken and actions planned to avoid or reduce main adverse impacts" is merged across several indicators.</li> <li>✗ <b>Insurance undertakings</b> - several insurance undertakings did not include all mandatory indicators, did not sufficiently describe the actions taken or planned, or the targets set.</li> <li>✗ <b>Insurance undertakings/ Pension funds</b> - instances of lack of information on asset classes which are not considered for the PAI-statement. Similarly, information about a scaling approach to reach up to 100% coverage ratio are not disclosed.</li> <li>✗ <b>All sectors</b> - There are references to international standards but no reference to PAI indicators used to measure compliance with international standards.</li> </ul>
<p><b>Quality of the statements</b></p>	<ul style="list-style-type: none"> <li>✓ <b>Fund manager</b> - the PAIs indicators selected for the section "Other Indicators for Principal Adverse Impacts" were chosen due to their importance for the assessment process. Additionally, these PAIs indicators provide sufficient data</li> </ul>	<ul style="list-style-type: none"> <li>✗ <b>Fund manager</b> - there is a consistent lack of detailed information regarding the actions taken, actions planned, and targets set for the next reference period. In some cases, this information is either missing entirely or replaced with generic</li> </ul>



coverage, which is expected to be further enhanced in the future. The ManCo has a data Provider platform and holds a special data license to identify the principal adverse impacts on sustainability factors. According to the ManCo's PAI statement, continuous assessments are conducted for external data providers and other data sources to evaluate data quality and data coverage.

✓ **Fund manager** - integration of PAIs in stewardship policy which tends to show that the problems that the PAI tends to address is useful for deploying an ESG strategy and break down the change in PAI from one year to the next by factors: actual change in the indicator at the level of portfolio positions (for example, the reduction in greenhouse gas emissions), market effect, management actions (purchases/sales), and any scope/methodology effects.

✓ **Insurance undertaking** - integrate company data into ESG score which tends to show that the data needed to calculate PAIs are useful for deploying an ESG strategy or integrate thematic of PAI (ex: biodiversity) in stewardship policy which tends to show that the problems that the PAI tends to address is useful for deploying an ESG strategy.

✓ **Bank** - a detailed PAI statement was provided, containing clear, comprehensive, and well-structured information. The statement includes extensive explanations and clearly differentiates and specifies the actions taken for each individual indicator. In addition, the bank demonstrates a

references to broader sustainability documents. Where actions are provided, they are often vague, summarised collectively for all indicators, and lack specificity. Additionally, the explanation column frequently lacks meaningful commentary, making it difficult to understand the actual impact of the FMP's activities compared to the previous year. As a result, the overall disclosures do not provide a clear or measurable picture of the entity's performance or progress in addressing principal adverse impacts.

✗ **Fund managers** - some FMPs only disclose under minimum requirements and quality, i.e. short paragraphs, missing unit of measurement or layout that is difficult to read.

✗ **Fund managers** - the ManCo has not adequately explained how the responsibility for the implementation of those policies within organisational strategies and procedures is allocated. Also, the ManCo has not disclosed specific quantified targets for reducing the principal adverse impacts on sustainability factors.

✗ **All sectors** - some published statements that use generic language, lack specificity, or have an unclear structure, which reduces their usefulness for stakeholders. The use of long, technical sentences without adequate contextual explanation is also a relatively frequent issue.

	<p>consistent and transparent approach, making it easier for stakeholders to understand how sustainability risks and impacts are being addressed.</p> <p>✓ <b>All sectors</b> - breaking down the change in PAI from one year to the next by factors: actual change in the indicator at the level of portfolio positions (for example, the reduction in greenhouse gas emissions), market effect, management actions (purchases/sales), and any scope/methodology effects.</p> <p>✓ <b>All sectors</b> - some published comprehensive and detailed statements containing high-quality information that is coherent, well-structured, and provide clear justification and context for each indicator, including disclosure of used calculation methodology, sources and assumptions. These disclosures are also accompanied by specific targets and metrics.</p>	
<p><b>Quantification of actions taken</b></p>	<p>✓ <b>Fund managers</b> - provide numerous detailed actions taken and planned tailored for every indicator. In some cases, there are three or more actions per indicator.</p> <p>✓ <b>Fund managers</b> - detailed information on i) PAI monitoring on ongoing basis in the view of the prompt detection of deviation from the previously defined target and consequent prompt activation of remedial action; ii) on the governance and escalation system within engagement initiatives and investment strategies.</p> <p>✓ <b>Insurance undertakings</b> - inclusion of a clear escalation procedure in the case of</p>	<p>✗ <b>Fund manager</b> - general statements that do not specify any quantifiable targets for the next periods, with no possibility to verify achievements. This is applied for all indicators.</p> <p>✗ <b>Fund managers</b> - some FMPs explain their actions more generally and it is difficult to quantify. They sometimes use the same phrase for different indicators.</p> <p>✗ <b>Insurance undertaking</b> - the same measure is used for all indicators.</p> <p>✗ <b>All sectors</b> - generic and unclear reference to the actions envisaged to improve PAI in the invested companies</p>

Compliance with the 30 June deadline	<p>lack of PAI reduction, a description of exclusion policy and an identification of the limitations, such as the possibility of reducing PAIs could increase the investment risk.</p> <p>✓ <b>Bank and Insurance undertakings</b> - detailed, specific quantification of actions related to PAI disclosures is provided.</p> <p>✓ <b>All sectors</b> - the publication date is clearly stated and there is a link to statements from previous years.</p>	<p>(for example "development of PAI process"; "expansion of the scope of the Net Zero initiative", etc.), or lack of disclosure of target values; no clear distinction between actions taken, actions planned, and objectives set for the following year.</p> <p>✗ <b>All sectors</b> - In some cases, FMPs did not provide explanations of the actions taken or planned, or failed to set targets for the next reference period. In certain instances, planned actions or targets were missing or too briefly described. A recurring issue is the disclosure of general policies or actions without accompanying metrics or clear timelines.</p>
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**Table 2: Non-compliance of entity level PAI disclosures**

Criterion	Examples Non-compliance
Completeness of the reporting	✗ ✗ <b>All sectors</b> - FMPs do not have a translated summary in English.
Compliance with the 30 June deadline	<p>✗ ✗ <b>All sectors</b> - Some cases of outdated statements dating back to 2022 and 2023.</p> <p>✗ ✗ <b>All sectors</b> - A few cases of statements not including the date of publication.</p>

**Table 3: Good and below average practices of product level PAI disclosures**

Sector	Examples Good Practices	Examples Below average practices
Fund managers	<p>✓ For funds that choose to disclose their PAIs, the results are disclosed for each indicator and also described the suitability and the coverage in %.</p> <p>✓ Funds that have sustainable investment as their objective also disclose under article 7(1) SFDR. FMPs offering these products also disclose at entity level.</p> <p>✓ Some PAI statements provide detailed information, including which indicators of the PAIs are considered in the decision-making process. In addition, the statements refer to documents used in selecting companies in which to invest, with a view to promoting environmental and social characteristics. Asset Managers provide detailed PAI statements with comprehensive information.</p> <p>✓ One fund considers PAIs on sustainability factors through the application of screens and its exclusionary policy. The fund takes into account the following PAIs: (i) GHG emissions, (ii) GHG intensity of investee companies, (iii) exposure to companies active in the fossil fuel sector, (iv) violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, (v) exposure to controversial weapons. In addition, the fund considers the PAIs through FMP's DNSH standard for Sustainable</p>	<p>✗ For funds that choose to disclose their PAIs, the results are not reported on indicator specific basis.</p>

	Investments and will provide information on the PAIs in its annual report.	
	<p>✓ Principal adverse impacts are considered with both qualitative and quantitative approaches. Exclusion policies cover the most material sustainability factors' risks and are applied on a continuous basis. Where relevant, stewardship policies are an additional risk mitigation, through direct dialogue with companies on sustainability and governance issues. Voting at general meetings supports risk mitigation and long-term value creation. These exclusion and stewardship measures help manage potential negative impact on specific PAI indicators.</p>	
<b>Insurance undertakings</b>	<p>✓ Insurance undertakings offering profit participation products disclose up-to-date PAI statements on their websites.</p> <p>✓ One profit participation product that has sustainable investment as its objective has a minimum sustainable investment objective of 90% in investments with an environmental objective. All PAI indicators from table 1 of annex 1 of the SFDR RTS are considered at product level, in coherence with the product manufacturer entity level PAI statement.</p>	
<b>Banks</b>	<p>✓ Most of the standardised DPM (Discretionary Portfolio Management) article 8 products offered by banks affirm considering PAIs. A few banks also offer standardised DPM article 9 products, which all of them consider PAIs.</p>	<p>✗ Many banks do not make a clear distinction between financial product disclosures under Article 7(1) and entity level disclosures under Article 4(1).</p>



<b>Investment firms</b>	<p>✓ One investment firm managing portfolios covered by Article 8 SFDR made disclosures under Article 7 in a separate document, mirroring table 1 in Annex I of SFDR RTS.</p>	<p>✗ One investment firm published statement on PAI non-consideration at entity level, despite the fact that it voluntarily disclosed information on PAIs with respect to financial products, using the template in Table 1 of Annex I of the SFDR Delegated Regulation.</p>
<b>All sectors</b>	<p>✓ Disclosing the excluded sectors in which FMPs do not invest.</p> <p>✓ FMPs selling Article 8 or 9 products use the SFDR Delegated Regulation templates for precontractual disclosures, which include PAI disclosures, hence they effectively disclose such information. These FMPs disclose also PAIs at entity level.</p>	<p>✗ Several PAI disclosures are not satisfactory as they include too generic information. Therefore, it is difficult for investors to understand how PAI is considered.</p>