SFDR 2.0: Recap Briefing

14 September 2026

This document provides an overview of the current negotiations on the new Sustainable Finance Disclosure Regulation (SFDR 2.0) regime.

- **State of play with the negotiations:**
  - Each EU institutions' position on SFDR 2.0 is now fairly settled—the European Commission published its proposal in November 2025, the Council of the European Union adopted its position in June 2026, and the European Parliament's Economic and Monetary Affairs (ECON) Committee recently adopted its negotiating mandate, (with adoption by the Parliament expected in October).
  - Trilogue negotiations may conclude before the end of 2026, although it is possible they will continue into early 2027. Once adopted, and depending on length of transition period, SFDR 2.0 may apply in late 2028 or early 2029.
  - The Commission is expected to release a draft Delegated Regulation containing detailed technical standards under the new SFDR 2.0 regime, including new shorter disclosure templates and principal adverse impact (PAI) indicators, which will apply at the same time as SFDR 2.0.
- **Key points under new SFDR 2.0 regime:**

  All EU institutions agree on:

  - A category-based system, with minimum positive criteria, with the eligibility thresholds for each category becoming more concrete as negotiations proceed.

Article 7 (Transition)	At least 70% invested in companies with credible science-based targets, investments with a credible sustainability related engagement strategy (with defined milestones) or investments with a credible portfolio-level transition target. The

	definition of "credible" may be informed by the Commission's survey in July 2026 on possible criteria for credible transition plans.
Article 8 (ESG Basics)	At least 70% invested in companies that integrate sustainability factors beyond consideration of sustainability risks and/or select investments based on their ESG rating, sustainability performance against a benchmark or their track record. The consensus is that exclusions-only or sustainability risk-assessment-only strategies will not be sufficient. Private equity would like a sustainability engagement strategy as an additional criterion. Note that the border between selecting investments based on sustainability risks versus selecting investments for their sustainability performance may not be clear.
Article 9 (Sustainable)	At least 70% invested in companies meeting high sustainability standards, broadly aligned to existing Article 9. The consensus is to abolish the Article 2(17) sustainable investment definition and instead embed the concepts (including the "do no significant harm" test by reference to PAI factors) in the criteria for the Articles 7 and 9 categories.
Impact "wrapper"	Funds using "impact" in their name or their strategy to adopt either Article 7 or Article 9, as a fund with the objective to generate pre-defined, positive and measurable social or environmental impact, and disclose a "pre-set impact theory" with provisions to measure, manage and report on desired impact.

- Exempting closed-ended funds, if these are closed to new investors on SFDR 2.0's application date. These grandfathered funds may continue to report under the original SFDR regime.

- Abolishing or replacing current detailed product-level website disclosure regime and simplifying firm-level disclosure requirements, for example removing the requirement for large firms to consider PAIs at entity-level and removing disclosure requirements on remuneration.

- **Key remaining points of negotiation:**

  - **Professional investor-only funds exemption**: This was not included in the final Commission proposal, although it appeared in an earlier leaked draft. Both the Council and ECON Committee support this, but under the current ECON Committee's compromise text it may be limited to per se (not opted up) professional investors. If there is no exemption, and a fund cannot fit its sustainability disclosures within Articles 7, 8 and 9, the fund must observe the restrictions in Articles 6a and 13. Depending on interpretation, this may limit funds from including any sustainability information in any marketing materials other than their AIFMD pre-contractual disclosures. Firms must provide the reasons for opting out of the categorization.

  - **Mandatory exclusions**: Supported by the EU institutions for categorised products, but uncertainties remain over the extent to which they will apply. For Article 7 funds, whilst the Commission proposes to exclude companies engaged in new coal/oil/gas exploration, extraction, distribution or refining, or new/no phase-out plan from coal power, the Council has proposed allowing such investments if the investee company spends over 20% of CapEx on Taxonomy-aligned activities and has a strategy to reduce greenhouse gas emissions. Furthermore, the ECON Committee added a mandatory exclusion for all categories that captures investee companies "found in violation" of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights "regarding severe human rights and humanitarian law abuses which have not been effectively addressed and, where appropriate, remediated". Private equity has been lobbying for a "best efforts" standard to adhere to exclusions, rather than inflexible "binary" exclusions. Funds of funds are concerned that it is practically very difficult for them to adhere to exclusions.

  - **PAI reporting**: The Commission and Council proposals both envisage product-level PAI disclosures for Articles 7 and 9 funds, whilst the ECON Committee adds Article 8 to this as well. The Commission proposes flexibility for funds to select appropriate PAIs, and the Council supports limited mandatory PAI disclosures for Articles 7 and 9 funds—to be confirmed in the future Delegated Regulation.

  - **Firm-level disclosures**: Whilst all institutions propose to abolish firm-level disclosures for PAIs and remuneration, the ECON Committee proposes to add a disclosure requirement for firms to annually disclose the proportion of their assets under management in products disclosing under the new Articles 7, 8 and 9 categories, as well as total number of products invested in products disclosing under the new Articles 7, 8 and 9 categories.

- **Application timeline**: The Commission supports an 18-month transition period. The Council and ECON Committee support a 24-month transition period.

- **Suggested immediate steps:**
  - Include an SFDR risk factor in all current PPMs of funds expected to be still in fundraising next year, to allow changes to the fund's classification under Articles 6, 8 and/or 9 of the current SFDR regime, as well as the fund's sustainability claims and/or investment strategy, depending on the new regime. Changes to investment strategy may require LP approval.
  - Consider how/whether to transition to SFDR 2 for all open-ended funds being launched. Consider how your SFDR approach for closed-ended funds expected to be in scope of SFDR 2.0 will adapt to fit the new categories, and bear in mind the possibility of the professional investor-only fund exemption.

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Please do not hesitate to contact us with any questions.

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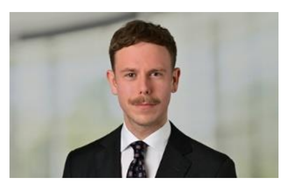

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