

**Spanish CNMV Advisory Committee comments on the European Commission proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288.**

The Spanish CNMV Advisory Committee would like to frame the intervention around **three overarching reflections** concerning the proposed revision of the sustainable finance framework. These reflections relate to regulatory stability and proportionality, the tangible market transformation already achieved under the current regime, and the need for coherence and legal certainty in the forthcoming reform.

First, a comprehensive regulatory framework is already in force, and financial institutions are required to operate for a prolonged period under rules that are currently subject to revision. This situation generates operational complexity, adaptation costs, and a certain degree of legal uncertainty. It is therefore essential that authorities apply proportionality in their expectations during any transitional phase, ensuring legal certainty and avoiding unnecessary disruption.

Second, since the entry into force of the Regulation (UE) 2019/2088 (SFDR), in Spain funds with sustainability characteristics have increased from 10% of total assets under management to 39.7% (EUR 178.78 billion). In the case of individual pension plans, sustainable assets amount to EUR 56.61 billion, representing 58.8% of the total. This demonstrates that the market has already undergone a substantial transformation under the current framework. The impact of the proposed changes will therefore be significant and cannot be considered a simple reclassification exercise between categories, as initially envisaged.

Third, the actual scope of simplification under “SFDR 2.0” remains uncertain, as it will largely depend on the forthcoming Level II measures and their interaction with other regulatory frameworks. In particular, coordination with Directive 2014/65/EU (MiFID II)

and the Directive (EU) 2016/97 the Insurance Distribution Directive (IDD) will be critical, especially regarding sustainability preferences in the suitability assessment. Any reform of the SFDR framework should therefore be implemented in close alignment with potential adjustments to MiFID sustainability preferences and IDD, ensuring consistency between disclosure obligations and investor preference rules, preserving legal clarity and avoiding unnecessary duplication.

The proposed amendment of SFDR is threefold: (1) to simplify and reduce the sustainability-related administrative and disclosure requirements for financial market participants and financial advisers; (2) to enhance the coherence of the framework for the operational needs of financial market participants; and (3) to improve end investors' ability to understand and compare sustainability-linked financial products, and to protect them against potential misleading ESG claims.

To achieve the objectives set for the review, the main measures proposed are the following:

- ✓ deleting disclosures at entity level regarding principal adverse impacts, largely cancelling out the costs associated with entity-level disclosures, and removing any duplication between the SFDR and CSRD;
- ✓ significantly reducing product-level disclosures, refocusing on templates for categorized products with fewer sustainability indicators, facilitating comparability and investors' decisions, and considerably cutting the recurring costs linked to product disclosures;
- ✓ setting up 3 categories for "sustainable", "transition", and "ESG basics" products, covering a significant share of today's ESG financial products, ensuring a coherent set of EU rules for all ESG-focused products toward which end-investors interested in sustainability could be directed by distributors.

The Spanish CNMV Advisory Committee (hereinafter “The Committee”) welcomes the Commission’s proposal to revise the SFDR, as it was something long demanded by all the involved stakeholders and which will contribute to create a better and levelled playing field for all the market participants involved.

In the Committee’s opinion, the shift from a purely disclosure-based framework towards a clearer product categorisation, simplified requirements and a more proportionate scope of application --also widely demanded and strongly supported by the market participants-- will contribute to better reach the main goals of this piece of legislation. This necessary evolution is also key to address implementation challenges, reduce legal uncertainty and improve usability for both market participants and end-investors.

In light of the above, the Committee welcomes and supports the proposal, notwithstanding the necessary adjustments and concerns outlined below.

### **1. Changes to subject matter (revised article 1 SFDR)**

The proposal to remove individual portfolio management and financial advice from the scope of SFDR (in order to reduce it to participants that manufacture, make available or manage financial products) is very much welcome since, in the Committee’s judge, they are just activities or services that should never have been considered financial products. This amendment restores conceptual coherence and reduces unnecessary regulatory complexity at the level of SFDR. However, overall consistency will ultimately depend on how related legislation—particularly MiFID II and BMR—is recalibrated.

### **2. Reduction of entity-level disclosure requirements (deleted articles 4 and 5 SFDR)**

The Committee also positively assesses the reduction of entity-level disclosure requirements, including the removal of the principal adverse impact (PAI) statement and ESG-related remuneration disclosures. Such changes clearly reduce duplication with Directive (EU) 2022/2464 (CSRD) and administrative burden.

Nevertheless, certain concerns remain regarding the deletion of the remuneration policy requirements, as this may conflict with existing EBA Guidelines on the management of ESG risks and the EBA Guidelines on internal governance, both of which explicitly call for the integration of sustainability considerations into remuneration frameworks. Therefore, it would be helpful to clarify whether removing the publication obligation also removes the requirement for policy alignment.

### **3. New product categories, quantitative thresholds, portfolio composition and exclusions (new articles 7, 8 and 9 SFDR)**

#### New product categories:

The introduction of a three-tier product categorisation framework is very much welcome, as it is a reaction to the concerns raised in relation to the complexity and limited usability of the current SFDR architecture.

Clearer categories were needed to achieve comparability and investor understanding. It is also of utmost importance ensuring that categories and labels are understandable and intuitive, not resulting in unintended stigmatisation of non-categorised products.

✓ *Transition-oriented products.* The Committee considers that a transition category is necessary for financing decarbonisation and for broader sustainability objectives. However, there is still room for further clarification regarding the definition of credible transition plans, the role of engagement as a tool to drive change, and the calibration of exclusions. Exclusion criteria, including the treatment of fossil-fuel-related activities, should be consistent and coherent with the wider EU sustainable finance framework and avoid unintended effects. Moreover, too restrictive criteria could risk making this category too tight in practice or exclude issuers that are actively progressing in their transition.

The investments included in this category must comply with one of the established requirements. We consider it necessary to specify which ones, or at least to establish a minimum number.

Moreover, the term “credible” is used repeatedly. In this regard, we deem it necessary to clarify its definition by setting clear and comparable thresholds, thus avoiding possible ambiguous interpretations.

- ✓ ESG basics category. Sufficient flexibility is needed to avoid overly prescriptive criteria that could discourage market uptake or limit applicability across different product types. Moreover, another name could be proposed to this category to make it more attractive to the end investors.

#### Prevalence of the categories before ESMA guidelines:

The Committee considers that the new SFDR categorisation regime should clearly prevail over the current ESMA guidelines on fund-naming, in order to avoid duplications and mitigate legal risks stemming from potential divergencies between the two approaches.

Furthermore, ESMA’s Guidelines on ESG fund names should be withdrawn to prevent overlaps, inconsistencies, and undue regulatory burdens. Maintaining both frameworks in parallel would create significant interpretative divergence, legal uncertainty, and market confusion.

#### Quantitative thresholds and portfolio composition:

The Committee is concerned about the calibration and operability of quantitative thresholds underpinning product categorisation. In the Committee’s opinion, the proposed 70% threshold may be excessively stringent in practice, notably in relation to public debt, sovereign exposures and social objectives. Moreover, when it comes to social objectives, the taxonomy framework is still under development. This creates an imbalance between the number of funds able to address social factors versus those

aligned with environmental objectives, further challenging compliance with the proposed threshold.

It should be also noted that there seems to be an inconsistency between the proposed 70% threshold and the 80% threshold used in ESMA fund-naming guidelines, which could create confusion and undermine coherence across the EU sustainable finance framework.

The Committee is also concerned with the 15% reference to taxonomy alignment. As stated in the proposal, just half of the funds under article 9 reach this percentage. Therefore, the Committee deems that it will be more feasible to start with a lower percentage and review it later considering the real progress.

In addition, the Committee considers that a clarification is needed on the level at which thresholds should apply (e.g. product level versus model portfolio level) and in respect of the treatment of the remaining share of portfolios, emphasising the need to preserve flexibility for diversification, liquidity management and hedging purposes.

#### Treatment and categorisation of Sovereign Debt and “Use of Proceeds” Bonds:

The Committee believes that sovereign debt should be fully integrated into the SFDR framework due to its key role in fixed-income portfolios and in financing the environmental and social commitments of States, including the objectives of the Paris Agreement and the Sustainable Development Goals (SDGs). However, the new SFDR approach is excessively restrictive by relegating general-purpose sovereign bonds to the “Basic ESG” category and limiting access to higher categories to instruments with a very specific “use of proceeds.” This approach does not adequately reflect the structural contribution of sovereign issuers to Europe’s transition and resilience, nor is it consistent with other EU initiatives that equate national climate plans with corporate transition plans.

Likewise, the operative text should expressly clarify, in line with Recital 22, that exclusion criteria do not apply to sovereign, sub-sovereign, or supranational issuers, incorporating this clarification directly into the corresponding articles to ensure consistent application and supervision.

Furthermore, the SFDR regime should recognise “use of proceeds” bonds aligned with market standards such as the ICMA Principles, even if they do not meet the EuGB standard. Limiting favourable treatment to EuGB bonds (which are still insufficient and focused exclusively on environmental objectives) would unnecessarily restrict the investment universe and exclude social bonds or combined-objective bonds that comply with widely accepted standards.

#### Clarify the Consideration of PAIs at Product Level:

SFDR introduces the obligation to consider PAIs (Principal Adverse Impacts) at product level for Articles 7 and 9, but its wording is ambiguous. It allows this obligation to be fulfilled “in full or in part” through “appropriate sustainability-related indicators” without clearly defining the scope of such flexibility or the criteria for determining which indicators are appropriate. The Committee therefore considers that a clarification of these aspects is necessary to ensure coherent, comparable, and effective application of the framework.

Therefore, we consider it necessary to define a uniform and comparable methodology for impact measurement. Otherwise, it may be difficult to adequately understand the disclosed information and ensure its comparability.

In this regard, it could be convenient to establish a table of equivalents between the required indicators and the sustainability reporting standards defined in the CSRD for companies subject to compliance, or in the VSME standard (Voluntary Sustainability Standard for Micro Enterprises and SMEs) for SMEs not required to report sustainability information.

## Exclusions:

The Committee would like to highlight that it is essential to assess the impact of introducing exclusions (such as in the case of tobacco, thermal coal, etc.) on companies' corporate policies, as this would require them to review their product offering catalogue, internal sustainable investment policies, and related frameworks.

Moreover, to ensure regulatory coherence, SFDR exclusion criteria should be fully aligned with those applicable to Paris-aligned Benchmarks (PABs) and EU Climate Transition Benchmarks (CTBs), which are already established as market standards. Introducing additional or divergent exclusions increases inconsistencies between SFDR and the Benchmark Regulation. The current proposal creates an unjustified asymmetry between products linked to PABs/CTBs and others with equivalent sustainability objectives that seek classification under Articles 7 and 9, effectively favoring the former by exempting them from additional verifications. This difference in treatment lacks an objective justification, may distort competition, and is contrary to the principle of neutrality between strategies and product structures that should govern SFDR.

Consequently, the Committee supports engagement (investments accompanied with a credible sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones) as a credible alternative to strict exclusions, as it preserves a broader investment universe while encouraging measurable improvements in sustainability performance.

## **4. Disclosures (new articles 6a and revised article 10 SFDR)**

The proposed simplification of pre-contractual and periodic disclosures is also very much welcome, as it responds to long-standing concerns regarding complexity and excessive reporting burdens under the current framework.

On the other hand, the Committee calls for a greater clarity regarding the interaction with PRIIPs Key Information Documents (KIDs), as regards the respective content, presentation and articulation of disclosure requirements.

Moreover, the Committee considers that disclosure obligations should focus on essential, decision-useful information and apply primarily to categorised products, to preserve proportionality and avoid information overload for end-investors.

## **5. Competent Authorities (revised article 14)**

The new paragraph 3 clearly states that Member States shall ensure that competent or other national authorities do not apply requirements additional to those set out in Articles 3, 6, 10, 11 and 13 as regards information requirements, and in Articles 7, 8 and 9 as regards the criteria and transparency regarding financial products that are categorised as sustainability-related financial products.

The Committee fully supports this provision, aimed at preventing any gold-plating practice.

## **6. Transitional provisions (new article 19a SFDR)**

The Committee considers that burden-reducing measures, including the removal of selected entity-level obligations, should apply as soon as possible (and no later than the date of its publication in the OJEU) to avoid unnecessary transitional costs.

Moreover, the Committee deems that a sufficiently long application period will be essential, ideally at least 24 months, and in any case no shorter than 18 months, once all the technical elements have been finalised (level 2 and 3 measures).

Additionally, the Committee considers that investment funds (AIF and UCITS) should have the same transitional term applicable to other financial products under SFDR, as it

seems that the proposal currently leaves these products out of the transitional provisions.

Beyond transitional measures, it is crucial that the new SFDR is to be applied in full coordination with the adoption of other components of the sustainable finance framework, particularly MiFID and IDD rules on sustainability preferences.

Experience from the initial implementation of SFDR highlights the risks of staggered application of closely interconnected rules. This resulted in significant operational costs and undermined both legal certainty and the clarity of the framework for investors. This situation should not be repeated.

Accordingly, the SFDR reform should be accompanied by a clear and coordinated timetable ensuring the simultaneous application of the revised SFDR, MiFID and IDD frameworks, so that all elements enter into force in a coherent and aligned manner.

## **7. Pending level 2 measures**

In the Committee's opinion, the absence of Level 2 measures at this stage makes it difficult to fully assess the practical implications of the revised framework. Timely development and publication of Regulatory Technical Standards (RTS), along with coordinated and consistent supervisory guidance, will be critical to avoid divergent national interpretations and ensure supervisory convergence across Member States.

Same sequencing of application of Level 1 and Level 2 measures, adequate implementation time and well-designed transitional arrangements remain essential.

## **8. Consistency with other EU frameworks and data availability**

Strong alignment with other EU legislation is essential, with MiFID II sustainability preferences, the Insurance Distribution Directive (IDD), the EU Taxonomy, CSRD, ESMA fund-naming rules and PRIIPs.

The revised SFDR product strategy must be coherently embedded into the MiFID II suitability framework, including for financial instruments not covered by SFDR. It should remain possible to offer non-SFDR products with sustainability features to investors with sustainability preferences. Any misalignment could increase complexity, legal uncertainty and double reporting. Therefore, clear guidance on how the new product categories align with the MiFID II and IDD sustainability preference criteria would help ensure consistency and facilitate implementation.

The Committee also stresses the importance of maintaining a level playing field in ESG reporting requirements. They should be calibrated in a way that supports comparability across products and avoids creating unintended incentives for SFDR products to remain outside sustainability categories due to lighter disclosure obligations.

Persistent data challenges should be also underlined. The CSRD phase-in and recent simplifications may create data gaps, increasing reliance on estimates. SFDR requirements should therefore remain proportionate and aligned with data realistically available to market participants.

## **9. Sustainability indicators (revised SFDR) and interaction with the European Sustainability Reporting Standards (ESRS)**

At product level, the role of sustainability-related or impact indicators under revised SFDR is differently seen by the players. While there is a broad agreement that such indicators can support transparency and credibility when aligned with product strategy, concerns have arisen regarding the risk of excessively prescriptive or exhaustive indicator lists, which could undermine proportionality and operational feasibility.

Therefore, the Committee considers that there is a need for further clarity on the interaction between any product-level indicators under revised SFDR and the ESRS framework. In this respect, caution should be taken against mechanically mirroring ESRS requirements at product level, given differences in scope, timelines and data coverage.

Alignments should therefore be, at any case, pragmatic and avoid re-introducing complexity through Level 2 measures.

#### **10. Structural limitations in ESG data and use of estimates**

In the Committee's opinion, the narrowing of the CSRD's scope will reduce the availability of reliable and comparable ESG data, increasing reliance on estimates and external providers to comply with SFDR. The SFDR proposal generates a regulatory asymmetry by imposing transparency obligations on entities that use ESG data while failing to require equivalent responsibilities from ESG data providers, whose methodologies remain largely opaque. This issue, still unresolved in the upcoming review of the ESG Ratings Regulation, undermines the applicability of certain requirements (such as the 70% threshold based on "credible indicators") and the overall coherence of the framework.

In addition, the lack of harmonisation in ESG rating methodologies limits comparability, which is particularly problematic when product categorisation is linked to related references (such as universe averages or benchmarks) introducing regulatory uncertainty and arbitrariness. The narrowing of the CSRD's scope will further reduce the availability of reliable and comparable ESG data, increasing the reliance on estimates and external providers to comply with SFDR.

Madrid, 16<sup>th</sup> February 2026