

Our answer to European Commission's consultation on SFDR 2.0

The European Commission (EC) consultation, published in December 2025 and closed on April 6, 2026, sought to gather feedback from financial market participants on the SFDR 2.0 proposals published by the EC in November 2025.

WeeFin, an impact fintech whose objective is to raise the standards of sustainable finance, welcomes the European Commission's proposal to revise SFDR. WeeFin operates at the intersection of various players in the financial sector: asset owners, asset managers, insurers, as well as private data providers and public sources. This central position gives us a comprehensive and practical understanding of the challenges involved in implementing sustainable finance regulations. As a mission-driven company, WeeFin is committed to provide financial institutions with visibility into the regulators' ongoing work, enabling them to anticipate changes in the regulatory framework and enhance the impact and transparency of sustainable finance. Beyond supporting our clients, our research enables us to analyze market trends and identify gaps between regulatory ambitions and operational reality.

On the introduction of a common exclusion baseline, while the extension of exclusions beyond PAB and CTB is a positive step, the requirement to exclude new fossil fuel projects should also apply to Article 8 funds. Otherwise, this could lead to an over-classification of funds in this category. As highlighted in our 2026 sustainable finance barometer, the share of funds excluding companies involved in new oil and gas projects has doubled between 2024 and 2025. SFDR should reinforce this trend across all ESG categories. We would suggest, if there is a need to decrease the exclusion requirements for Article 8 category, to raise the 1% coal exclusion threshold to 5% instead of not requiring the exclusion of companies involved in new fossil fuel projects. Indeed, a threshold of 5% is less restrictive than the 1%, but can still be considered a good practice as it is one of the criteria needed to have its climate target validated by the SBTi initiative and is also followed by other frameworks such as the SRI label.

Regarding the introduction of new product categories and the focus on transition and impact, while these elements are welcome, the proposal lacks clear minimum expectations. In particular, the notions of credible engagement policy, credible transition plan, and impact (including the theory of change) should be more precisely defined. Beside being asked by financial institutions in order to not fall into the same pitfalls as SFDR v1, a lack of clarity on these themes could create risks of greenwashing and limit comparability between funds claiming similar transition objectives.

Regarding the 70% thresholds that are expected to be invested in investments aligned with the category objective, the SFDR 2.0 framework should specify that the remaining 30% of assets cannot be invested in activities that contradict the fund's sustainability objective. For example, a fund targeting biodiversity

preservation should not be allowed to allocate the residual portion of its portfolio to companies that negatively impact biodiversity.

With respect to the treatment of different asset classes, one of the financial industry's key expectations was that the revised framework would better accommodate these differences. However, our analysis of the proposals reveals that real estate or infrastructure assets still appear to be insufficiently addressed, particularly because PAB and CTB exclusion criteria are not well suited to real estate investments. We would thus suggest to include specificities for these asset classes.

Regarding the role of the EU Taxonomy and its integration into the framework, while its central position is a strong positive element, the current substitution mechanism raises concerns. Allowing both transition and sustainable funds to replace 70% of objective-aligned investments with only 15% of Taxonomy-aligned investments seems inadequate without stronger guardrails on the remaining 85%. Two concerns arise:

- A portfolio with only 15% Taxonomy alignment is not necessarily more sustainable or transition-oriented than one where 70% of investments meet an Article 9 or Article 7 objective, the substitution rule provides no such guarantee.
- For funds classified under Article 7, whose purpose is to reflect a transition pathway, limiting Taxonomy-aligned investments to 15% is particularly questionable: holding a small share of already-sustainable activities does not demonstrate any meaningful transition trajectory at the portfolio level.

Concerning the introduction of materiality in Principal Adverse Impacts reporting, the proposal could provide detail with regards to: (1) how materiality should be assessed and (2) if reporting on a few key thematics should be mandatory. This information would make it possible to understand whether non-environmental issues such as workers' rights, governance practices and gender equality will be considered in the new framework.

Finally, regarding the overall coherence of the regulatory framework, while the proposal moves in the right direction, stronger alignment across regulations is needed. Differences between SFDR 2.0 and the ESMA framework in terms of minimum investment thresholds could create confusion and reduce comparability. In addition, ensuring full consistency between future ESRS standards and revised PAI indicators will be essential to avoid reporting gaps and maintain the credibility of sustainability disclosures.

In conclusion, while SFDR 2.0 represents a meaningful step forward in improving the readability of sustainable finance disclosures, further clarification and strengthening of certain aspects will be necessary to ensure that the framework effectively supports the transition to a sustainable economy.

