

Our position

Review of the Sustainable Finance Disclosure Regulation: clarity, consistency and capital for sustainable investments

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €4 trillion in 2023, directly supports more than 4.6 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Executive summary

The revision of the Sustainable Finance Disclosures Regulation (SFDR) presents an opportunity to create a framework that is clearer, more consistent and better aligned with Europe's sustainable finance architecture. To further strengthen the framework in the interest of the region's competitiveness, policymakers should refine ensure flexibility in product definitions, introduce an 'ESG Integration' category to encourage innovation and maintain Principle Adverse Impact (PAI) reporting. In addition, harmonising the use of estimates, streamlining disclosures, and aligning requirements with global standards – while avoiding reliance solely on the EU Taxonomy for product categorisation – will support market consistency, investor confidence and effective capital flows toward sustainability objectives.

Recommendations for the review of the Sustainable Finance Disclosures Regulation (SFDR)

1. Include flexible product categories that clearly define (eg 'Sustainable', 'Transition' and 'ESG Integration') and allow for adaptation of evolving market conditions

- There is strong market demand for better definitions of sustainable investment product categories across the EU. Over time, SFDR Articles 8 and 9 have become a de facto categorisation regime. A better calibrated and clearer framework would improve market consistency, provide greater clarity for with end investors, support better capital flows and strengthen investor confidence.
- The new categorisation regime should build on the existing framework and best practices, enabling a smooth and efficient transition to the new categorisation. As ESG products represent more than half of distributed products across the EU Single Market, it is critical for end-investors and product manufacturers that the new categories accommodate a wide range of existing investment strategies.
- Introducing too many categories could result in an overly granular framework, narrowing the investment universe available to fund managers. This could make the framework impractical to apply in practice, as managers may find the categories too restrictive for effective diversification. The greater concern, therefore, is not that these categories would harm portfolio performance, but rather that they would see limited use.

2. Establish an 'ESG Integration' category to capture diverse strategies and drive product innovation

- Alongside the 'Sustainable' and 'Transition' categories, an additional category should be introduced to capture a broader range of ESG investment strategies. This category could be referred to as 'ESG Integration' (which has otherwise been referred to as 'ESG Collection').
- 'ESG Integration' would serve as an entry-level category, helping investors distinguish between products that incorporate some sustainability considerations – but which do not qualify under the 'Sustainable' or 'Transition' categories – and those with no such objectives. It would also establish a clear pathway for funds to become more ambitious over time.

- Supported by clear and structured disclosures, the category would broaden the range of sustainable offerings available to investors.
- Without an 'ESG Integration' category, sustainable products would be confined to a niche market,¹ thereby limiting capital allocations towards sustainability objectives.
- An 'ESG Integration' category could be broadly defined without being too vague. To deliver on that objective, it should be limited to well-established ESG investment strategies, such as:
 - thematic approaches (using external or proprietary definitions/frameworks);
 - minimum allocations to sustainable investments (referencing existing frameworks);
 - best-in-class selection (eg based on ESG ratings); and/or
 - positive or negative screening (beyond baseline exclusions such as controversial weapons).

3. Maintain Principle Adverse Impact (PAI) reporting

- The disclosure quality of mandatory PAI indicators (Table 1 of SFDR Delegated Regulation) has improved substantially since SFDR adoption: 10 out of 14 PAIs now have over 95% data coverage.²
- PAIs are fund providers' most commonly used sustainability criteria under the Markets in Financial Instruments Directive (MiFID II). Approximately 94% of Article 8 and 9 funds consider PAIs, based on European ESG Template disclosures, while 80% of all European funds consider PAIs in their investment strategy, rising from 50% in 2023.³
- Widespread familiarity with PAIs among market participants supports their ongoing use. If entity-level reporting is discontinued, it is essential to introduce more explicit product-level disclosure templates. These templates should both reflect PAIs as sustainability factors and support Do No Significant Harm (DNSH) assessments, ensuring consistent transparency across future product categories.
- To maintain coherence and legal clarity, the Commission's proposal ensure that the selection of PAIs is guided by a materiality assessment based on underlying investment strategies. This approach ensures flexibility in reporting, as very few key performance indicators (KPIs) are applicable across all businesses or can be easily aggregated. However, PAIs 1-3, 4, 12 and 14 should remain mandatory.

4. Recognise and endorse the use of estimates for disclosure purposes

- To avoid inconsistencies in interpretation and application, the EU should adopt a harmonised approach that specifically permits the use of estimates across all sustainable finance and corporate sustainability regulations, including SFDR, the CSRD and the Taxonomy Regulation.

¹ Research indicates that providers tend to align with regulatory requirements by adjusting their product features (such as names) rather than their investment strategies: [Evolution of Fund Naming Calls for Deeper, Data-Driven Sustainability Insights | MSCI](#). Following this precedent, we do not think that having restrictive categories will drive more products into the 'sustainable' and 'transition' categories. Rather, products, even though they have sustainably features, will remain outside of the EU categorisation regime.

² Coverage calculated for the MSCI data set.

³ [Funds and the European Sustainable Finance Landscape 2024](#)

- Where estimates are used by financial market participants, this should be clearly disclosed to ensure transparency and comparability.

5. Pursue alignment with global standards

- The Commission's proposal must align with global standards to ensure effective interoperability with broader frameworks. This approach will help prevent regulatory divergence, increase legal clarity and avoid unintentionally disadvantaging customers or restricting the product market.
- Simplification of SFDR should mirror the simplification of the CSRD to ensure coherence, clarity and reduce unnecessary reporting burden for all financial market participants.
- To the extent that entity level requirements are retained within SFDR, alignment with CSRD and the ESRS regarding definitions, timings and materiality rules should be ensured to promote efficiency and comparability.

6. Avoid using EU Taxonomy as the main criterion for product categories

- The new investment product categories for sustainable investments should extend beyond the EU Taxonomy, which remains limited to certain economic activities. Due to the complexity of EU Taxonomy disclosures and their strict pass or fail basis, it excludes rather than recognises the many activities that positively contribute to environmental and social objectives.
- For example, Article 2(17d) (Do no significant harm and good governance test) and/or requirements for Sustainable funds should not rely solely on EU Taxonomy alignment, as there is a lack of necessary data to support its application.
- Furthermore, the absence of a social taxonomy, along with a strict pass/fail basis, leaves a significant gap in addressing social objectives. Thus, taking away any add-on value as the main criterion for product categories.