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No more article 6/8/9 financial products? Understanding the EU's new disclosure model

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1. INTRODUCTION

On 20 November 2025, the European Commission released its long-awaited legislative proposal to overhaul Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability?related disclosures in the financial services sector ("**SFDR**"). The proposal to revise SFDR ("**SFDR 2.0**") follows the comprehensive review mandated under Article 19 of SFDR, which required the European Commission to assess the effectiveness of the framework after its entry into force.

The assessment highlighted significant shortcomings in the application of the current regime. In particular:

- > several core concepts are viewed as unclear or inconsistently defined;
- > interactions with other EU sustainable finance legislation (notably the Taxonomy Regulation, CSRD, and Benchmarks Regulation) have proven misaligned, creating overlaps and interpretative ambiguities;
- > the practical implementation has been hampered by insufficient availability of consistent, reliable, and comprehensive ESG data.

These issues have contributed to a framework that is complex, onerous, and in some respects ineffective at achieving its investor-protection objectives. One of the clearest manifestations of this is the market-driven misuse of Articles 8 and 9 as *de facto* labels, despite the SFDR never having been designed as a product labelling regime. This has led to confusion, particularly for retail investors, and increasing risk of greenwashing and mis-selling.

2. OBJECTIVES OF SFDR 2.0

SFDR 2.0 pursues the following two main objectives:

a. **Simplification and reducing administrative burdens** – SFDR 2.0 seeks to streamline and rationalise sustainability-related disclosure obligations, thereby reducing compliance costs and increasing legal certainty for financial market participants.

b. **Enhanced investor understanding and protection** – SFDR 2.0 aims to improve the clarity, reliability, and comparability of sustainability disclosures for end-investors. To protect end-investors against greenwashing and misleading claims, SFDR 2.0 introduces a comprehensive categorisation regime for financial products making sustainability-related claims. Those categories should rely on a clear set of criteria.

3. MAIN DELETIONS SIMPLIFYING THE CURRENT REGIME

To reduce complexity and reduce administrative burdens, SFDR 2.0 proposes the removal of several elements that have proven difficult to interpret or disproportionate in practice. These deletions include:

a. **Deletion of *inter alia* portfolio managers from the definition of "financial market participants" ("FMPs") as well as of the definition of "financial advisers"** – SFDR 2.0 intends to narrow the scope of SFDR 2.0 to to FMPs which manufacture, manage or make available sustainability-related financial products.

b. **Deletion of the definition of "sustainable investment" which form the back-bone of the current article 9 financial products** – The current definition of "sustainable investment" is central to Article 9 financial products. However, it has been a source of persistent interpretive uncertainty.

c. **Deletion of the entity-level disclosure requirements for FMPs regarding principal adverse indicators (article 4 of SFDR)** – These disclosures have been resource-intensive, data-dependent, and challenging to implement. Their deletion marks a significant easing of administrative burdens.

d. **Deletion of the entity-level disclosure requirements for FMPs regarding integration of sustainability risks into their remuneration policies** as well as deletion of the corresponding website disclosures (article 5 of SFDR) – This proposal is consistent with the list published by the European Commission of implementing measures considered non-essential ('de-prioritisation list')[1].

e. **Deletion of taxonomy-aligned disclosures –** The proposal removes (i) the requirement to include a mandatory disclaimer in pre-contractual and periodic disclosures for financial products that do not take taxonomy-aligned activities into account, and (ii) the obligation for financial products with taxonomy-aligned investments to provide a mandatory statement describing the relevant environmental objective as well as the scope and methodology of such investments.

4. THE END OF ARTICLE 6, 8 AND 9 FINANCIAL PRODUCTS AND THE BEGINNING OF A THREE-CATEGORY SYSTEM FOR SUSTAINABILITY-RELATED FINANCIAL PRODUCTS

1. A three-Category system

One of the most consequential changes under SFDR 2.0 is the complete dismantling of the current Article 6/8/9 product classification.

The key innovation of the SFDR 2.0 proposal is a three-category system for sustainability-related financial products. The categories are voluntary and build on existing market practice. This system introduces objective criteria for the use of sustainability-related terminology and creates a more predictable environment for both managers and investors. Environmental, social and/or governance ("**ESG**") claims made in names and marketing documents are supposed to be strictly reserved for categorized products, ensuring that any financial product sold as ESG comply with common EU minimum criteria.

Each category is designed to reflect a different level of sustainability ambition. The three categories introduced by SFDR 2.0 are the following:

1. **Transition category (Article 7)**: The core objective of this category is that financial products aim to support the transition of undertakings, economic activities and other assets towards sustainability, **or** contribute to such transition.

This category should capture financial products with a high level of transition ambition, selecting notably investments based on proven standards and tools.

2. **ESG basics category (Article 8)**: The core objective of this category is that financial products integrate sustainability factors in their investment strategy beyond the consideration of sustainability risks.

Financial products should pursue the strategy or design of which is based on selected sustainability factors.

3. **Sustainable category (Article 9)**: The core objective of this category is that financial products invest in sustainable undertakings, sustainable economic activities, or other sustainable assets, or contribute to sustainability

This category should capture financial products with a high level of sustainability ambition, selecting notably investments based on proven standards and tools.

2. Naming and marketing rules

FMPs may only include sustainability-related claims in the names and in the marketing communications of financial products entering into one of the three above listed categories. The claims in the names and in the marketing communications shall be clear, fair, not misleading, and consistent with the sustainability features of those financial products.

3. Mandatory disclosure requirements

SFDR 2.0 maintains the existing structure of mandatory pre-contractual, website, and periodic disclosures for financial products falling under the new Article 7, 8, or 9 categories. The regime will be further detailed through new regulatory technical standards, which will define the category-specific requirements and the format of the mandatory disclosures.

A key reform lies in the substantial simplification and shortening of the disclosure documents. Both the pre-contractual and periodic disclosures will be subject to a maximum length of two pages, resulting in a meaningful reduction of the information that must be provided.

Under the revised regime, website content will be streamlined: FMPs will only be required to publish the standardized pre-contractual and periodic disclosure templates. This replaces the current model, which obliges FMPs to produce standalone website-specific information.

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[1] De-prioritisation of Level 2 acts in financial services legislation - Finance

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