



Press release

The revision of the European Sustainable Finance Disclosure Regulation and the sustainability preference survey can lead to more private sustainable investments

February 10, 2025 - The Federal Government's Sustainable Finance Advisory Committee presents recommendations for the revision of the European Sustainable Finance Disclosure Regulation (SFDR).

The topic of investing sustainably is becoming increasingly important for retail investors in Germany. As a result, the SFDR, which came into force in 2022, was intended to protect investors from false or embellished statements about the degree of sustainability of an investment product. The regulation was intended to simplify and improve the flow of capital to sustainable companies and activities.

To make this possible, EU regulation prescribes certain reporting and questions for financial market participants. However, its current form leads to practical implementation problems and there are uncertainties about the classification of investments as *'sustainable'*. Complicated guidelines for addressing sustainability in sales discussions and misleading and user-unfriendly product categories have been identified by researchers to be central problems.

Silke Stremlau, Chair to the Sustainable Finance Advisory Committee, explains: *"Many people want to invest their money in such a way that it generates financial and sustainable added value. This must be done in a simple and reliable way. Our recommendations meet this need of investors."*

To solve existing practical challenges and achieve goals better, the multi-stakeholder committee has identified specific changes to the existing regulations. These aim at enabling investors to invest based on their sustainability preferences and to making sustainable investing clear and simple.

1. The SFDR should contain a **manageable definition of sustainable investments** that also takes greater account of investments in the transition to a climate-neutral economy and includes investments in social products and services.
2. The **sustainability preference question should be made easier to understand**. Only one initial general sustainability preference question is recommended: „To what extent should sustainability aspects be considered in your investment?“
3. The request of market players for a more useful **categorization of sustainable investment products** should be met. The Advisory Committee proposes the four product categories *sustainable, transition, basic* and *no sustainability consideration*.

Antje Schneeweiß, head of the relevant working group in the Sustainable Finance Advisory Committee, explains: *„Our proposals are aimed at introducing four comprehensible product categories for investment funds giving investors more guidance. We are also in favour of a simple query of sustainability preferences in the consultation process and a practicable definition of sustainable investments that also considers the transition to climate-neutral business model. This will make the advisory process simpler and more focused.“*

The complete recommendations can be found on the website of Sustainable Finance Advisory Committee: www.sustainable-finance-beirat.de/en

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The Sustainable Finance Advisory Committee

The Sustainable Finance Advisory Committee (SFB) advises the German government on sustainability aspects in the financial system. Consisting of 34 experts from the financial sector, the real economy, civil society and academia and supported by 19 observers, it acts independently. It supports the German government in the implementation and further development of the German Sustainable Finance Strategy and advises relevant stakeholders on their positioning and the implementation and further development of sustainable finance guidelines.