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SFDR Review

Key topics: Where do the three co-legislators stand?

Key issue	European Commission (EC)	EU Council	European Parliament (EP)
ESG Basics: allocation criteria (70% threshold)	Five routes: outperformance of an ESG rating; outperformance on a selected sustainability indicator; a proven positive track record; a combination of Transition and Sustainable investments with those routes; or other investments, subject to a justification.	The same routes with minor tightening: outperformance on at least two indicators, and the track record incorporated into the "other investments" route	The same routes as the Commission, plus one for general-purpose sovereign, sub-sovereign and supranational debt that can be deemed sustainable. "Other investments" must be justified "in light of" the other listed criteria.
PAI disclosure	Optional: the manager may choose Level 2 indicators, other indicators or a qualitative explanation (Transition, Sustainable). No requirement for ESG Basics.	Mandatory: at least three indicators most relevant to the product, specified at Level 2 (Transition, Sustainable), plus an indicator on fossil fuel exposure for Transition products holding fossil fuel companies. No requirement for ESG Basics.	Mandatory, with indicators fixed in the text: fossil fuel exposure in all categories (the sole indicator for ESG Basics); GHG emissions in Transition and Sustainable; one further Level 2 indicator in Transition; biodiversity-sensitive areas and UNGP/OECD compliance monitoring in Sustainable.
Climate benchmark bypass (Transition, Sustainable)	Products replicating or managed in reference to an EU climate benchmark are deemed to meet all conditions of the category, including PAI disclosure.	Deeming limited to points (a) to (c); PAI disclosure continues to apply.	Reverts to the Commission approach: all conditions are deemed met, including PAI disclosure.
AIF opt-out	No opt-out.	AIFs offered exclusively to professional clients may opt out of Articles 6a, 7, 8 and 9 and of the naming ban in Article 13(3).	AIFs offered exclusively to professional investors, with no retail access, may opt out of Articles 6a, 7, 8 and 9 and must state in pre-contractual documents that the fund is not categorised and why. Article 13(3) is not listed among the disapplied provisions.

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Fossil fuel exclusions, Transition (Sustainable unchanged in all three texts)	Exclusion of new fossil fuel projects and of coal power without a phase-out plan; 1% coal revenue threshold.	Replaced by two conditions: at least 20% Taxonomy-aligned capex and a Paris-compatible Scope 1 and 2 GHG reduction strategy. Coal power phase-out condition and 1% coal threshold removed.	Four cumulative conditions: at least 20% Taxonomy-aligned capex; Scope 1 and 2 GHG reduction strategy; coal power phase-out plan; and, over a rolling three-year period, a higher share of Taxonomy-aligned capex than of capex for new fossil fuel projects. 1% coal threshold retained.
Taxonomy bypass (Transition, Sustainable)	Alternative route to the 70% allocation condition: at least 15% Taxonomy-aligned investment, in both categories.	15% in both categories; review after 5 years.	15% for Transition and 20% for Sustainable; review after 3 years.
Entity-level disclosures	Removed.	Same as the Commission.	Removed, with one new annual indicator: the share of AUM and of the number of products in each category.
Human rights exclusion	Exclusion of companies in violation of the UN Global Compact principles or OECD Guidelines (all categories).	Same as the Commission.	Reference to the UN Global Compact replaced by exclusion of companies found in violation of the OECD Guidelines or the UN Guiding Principles, resulting in severe human rights abuses, including violations of international humanitarian law, that have not been effectively addressed and, where appropriate, remediated (all categories).
Engagement	One criterion in the Transition allocation list.	Same as the Commission.	Mandatory description of the engagement strategy in the disclosures of all three categories.