

# New SFDR Clarifications Published by the European Supervisory Authorities

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On 4 August 2025, the European Supervisory Authorities (“the ESAs”) published updated guidance on the application of the Sustainable Finance Disclosure Regulation (“SFDR”) by adding to their [Q&A](#). Below, we break down the areas clarified in the advice and note, with interest, their use of the current European corporate sustainability reporting standards, despite them being under significant overhaul. We also note that SFDR is still being actively clarified, despite a regime change on the horizon at the end of this year.

## **Minimum proportions of assets**

A question was raised about whether the pre-contractual disclosure is intended to specify separate allocations – X% for environmentally sustainable investments and Y% for socially sustainable investments – while also committing to a total minimum of Z% sustainable investments. The question was whether X% and Y% must add up to Z%, or whether they can be distinct and not necessarily sum to Z%. We would presume that this might cover, by way of an example, 20% minimum environmentally sustainable investments and 20% minimum social sustainable investments, but the total proportion in total of sustainable investments is 80%.

The ESAs confirms that as the percentages for X% and Y% are “minimum” and may not equal the total minimum commitment (Z%). Where that is the case, the financial market participant should include an explanation to clarify why this is the case in the asset allocation section in the pre-contractual template.

(Q&A V – 29)

## **Periodic reporting on top investments**

There is a requirement to report on the top investments of the financial product in the SFDR periodic report. The question asked was whether this should be calculated in a specific way over the reference period, such as quarterly snapshots, or a single snapshot at the end of the year. The ESAs confirm that there is no specific way of calculating investments in the periodic report and instead the sectoral legislation in SFDR, such as for AIFMs and the annual report referred to in AIFMD, should be used as the guide.

(Q&A V - 30)

### **“Water usage”**

An optional indicator in SFDR’s principal adverse impact indicators (“PAI”) is on “water usage and recycling”, applicable to investee companies. “Water usage” was queried in the question as it is not defined, and it is set out to not be a common term within the CDP nomenclature. The ESAs responded that financial market participants should review the definitions of “water consumption”, “water intensity” and “water recycled and reused” using the Table 2 of Annex II in the Commission Delegated Regulation - more commonly known as the Corporate Sustainability Reporting Directive’s European Sustainability Reporting Standards (“CSRD” and “ESRS”), to support with this PAI.

The ESAs also linked the metrics of the PAI with terms in the ESRS, as follows:

- Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies (PAI metric) - relevant ESRS disclosure is “water intensity”; and
- Weighted average percentage of water recycled and reused by investee companies - relevant ESRS disclosure is “water recycled and reused”.

(Q&A IV - 30)

### **“Per square meter” of buildings**

An optional PAI is on “energy consumption intensity” for real estate assets, with energy consumption in GWh of owned real estate assets per square meter as the metric. “Per square meter” was queried, with the question noting that in the case of buildings, there could be gross internal area, net internal area, useful floor area and others and it is important for there to be clarity on which area of the building is being measured.

The ESAs point to the EU Taxonomy Regulation’s “useful internal floor areas”, as relevant, alongside the definition of useful floor area in the Directive 2024/1275 on the energy performance of buildings.

(Q&A IV - 31)

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