Parliament’s Position on SFDR 2.0

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On 10 September 2026, the European Parliament’s Committee on Economic and Monetary Affairs (“**ECON**”) has adopted its position on the reform of the Sustainable Finance Disclosure Regulation (“**SFDR**”), marking a significant milestone in the SFDR 2.0 legislative process. The position is expected to be endorsed by the European Parliament (the “**Parliament**”) in plenary in October 2026, with no material amendments anticipated.

Following the European Commission’s (the “**Commission**”) proposal in November 2025 and the Council of the European Union’s (the “**Council**”) negotiating mandate in June 2026, the three institutions’ positions are now substantially settled. Both the Council and ECON broadly support the proposed categorisation framework but depart from the Commission on several points important to private markets, including exemptions for certain professional-investor alternative investment funds (“**AIFs**”) and the treatment of fossil-fuel-linked investments in the proposed product-level transition category. Trilogue negotiations are expected to begin following the Parliament’s formal endorsement in October, with SFDR 2.0 currently anticipated to apply from early 2029.

This article sets out the key areas of divergence between the three institutional positions, with a focus on the aspects most relevant to private markets managers. For background on the earlier stages of the process, please see our notes on the European Commission’s proposal and on the Council’s negotiating mandate.

Recap: What is SFDR 2.0?

The Commission launched its legislative proposal for SFDR 2.0 on 20 November 2025. In a significant departure from the current SFDR disclosure regime, the proposal replaces the existing Article 8 and Article 9 framework with the following three core categories alongside mandatory criteria setting out exclusions:

- **Transition (Article 7):** funds allocating 70% of their assets to investments in companies and/or projects on a credible transition path, or investments that contribute towards improvements in climate, environmental or social areas.

- **ESG Basics (Article 8):** funds allocating 70% of their assets to investments integrating a variety of ESG investment approaches, where such integration does not meet the criteria of the sustainable or transition categories.
- **Sustainable (Article 9):** funds allocating 70% of their assets to investments contributing to sustainability goals, such as investments in companies or projects already meeting high sustainability standards.

This change reflects the widespread recognition that, despite being designed as a transparency and disclosure regime, the existing SFDR framework has operated in practice as a quasi-labelling regime, while generating disclosures that can be lengthy, complex and difficult for investors to compare.

Dividing Lines (Private Markets Focus)

The following table sets out the key areas of divergence between the three institutional positions, focusing on the issues most relevant to private markets managers.

	Commission proposal	Council mandate	Parliament position	Proskauer commentary

Professional investor opt-out	Considered in an early leaked draft but dropped from the final proposal. No exemption for funds offered exclusively to professional investors of any kind. Article 6a permits only limited disclosure for non-categorised products, while sustainability claims remain restricted.	Proposes an opt-out from SFDR 2.0 where the fund is an AIF offered exclusively to *per se* professional investors – broadly, regulated financial institutions, qualifying large undertakings and other institutional investors automatically classified as professional clients under MiFID II (“**Per Se Professionals**”), rather than investors that have elected to be treated as professional. This reflects the Council’s view that professional investors do not require the	Aligned with the Council, the Parliament’s position is also that there should be an opt-out from SFDR 2.0 for AIFs marketed exclusively to Per Se Professionals. The opt-out would not fully disapply SFDR 2.0. Opted-out AIFs would remain subject to restrictions on sustainability-related claims in fund names and marketing materials in Article 6a. Any sustainability information in pre-contractual disclosures would need to be secondary, limited to 10% of the investment strategy	The convergence between the Council’s and the Parliament’s proposals to include an opt-out for AIFs marketed only to Per Se Professionals has significantly heightened the likelihood of some form of opt-out surviving trilogue. In practice, the opt-out will not be available where any elective professional or retail investor participates in the structure, including potentially through a feeder. Its take-up may also be limited in private markets even where there are Per Se

Fossil fuel exclusions	Proposed use of category-specific exclusions: • ESG Basics applies a 1% revenue threshold for hard coal and lignite; • Transition adds exclusions for new coal, oil and gas projects and certain coal power businesses without a phase-out plan; and • Sustainable retains those restrictions and adds thresholds of 10% for oil, 50% for gas and 50% for high-carbon electricity generation.	Recognises that transition finance may include investment in companies active in the fossil fuel sector, provided certain conditions are met. A fossil fuel company could qualify where at least 20% of total capital expenditure ("**Capex**") is allocated to EU Taxonomy-aligned economic activities, and the company has a clear, measurable and time-bound strategy to reduce its Scope 1 and Scope 2 greenhouse gas emissions in a manner compatible with	Retains the Commission's 1% revenue exclusion for hard coal and lignite in the transition category. In common with the Council's position, the Parliament proposes an exception allowing fossil fuel companies into the transition category where they allocate at least 20% of total Capex to EU Taxonomy-aligned economic activities and meet the applicable emissions-reduction and coal phase-out conditions. Parliament would add a further condition	The Parliament's additional three-year Capex safeguard is expected to be a key point of discussion in trilogue negotiations. Managers investing in transition strategies involving fossil fuel-linked companies should monitor the outcome closely, as it will determine how widely the transition category can accommodate such investments.

Phase-in period for 70% threshold	The 70% minimum asset allocation may be reached at the end of the disclosed phase-in period, provided the timeline is disclosed in the pre-contractual documents. No maximum period is specified.	Phase-in period must be reflected in pre-contractual disclosures and, unless applicable sectoral legislation provides otherwise, should not exceed three years.	Maintains the phase-in period provisions allowing Article 7, Article 8 and Article 9 products time to meet the 70% threshold provided this is disclosed in pre-contractual documents. Unlike the Council, the Parliament has not stipulated a three-year time limit.	The 70% minimum investment threshold for eligible underlying investments in each product category seems highly likely to make it into the final text given the consensus on this threshold. The Parliament's decision not to impose a maximum ramp-up period is a positive signal for private markets. It will be important to see whether the Council's three-year cap or the Commission's and the Parliament's more flexible approach prevails in trilogue

Application period	18 months after the Level 1 legislation enters into force.	Supports a longer implementation period, extending to 24 months.	Proposes a 24-month implementation period, with the additional requirement that the Commission should review the application of SFDR 2.0 within three years of the revised rules coming into force.	The Council and the Parliament’s agreement on a 24-month implementation period makes it highly likely that this will be reflected in the final text. Depending on when the legislation is finalised, SFDR 2.0 could apply from Q4 2028, but early to mid-2029 remains more likely. This will be particularly relevant to evergreen structures and funds launched or fundraising over the next 18 months, which may straddle the two regimes. Even where there is no immediate legal requirement to

Next Steps

With the Parliament's negotiating position now adopted, the legislative process moves to trilogue negotiations among the Commission, the Council and the Parliament. Given the variable timing of trilogue discussions, the precise timeline remains unclear. However, the final SFDR 2.0 legislation is unlikely to be published before Q2 2027 at the earliest. Depending on whether an 18-month or 24-month implementation period is agreed, the SFDR 2.0 framework is unlikely to apply before early to mid-2029. Nevertheless, fund managers who are marketing their funds in the EU will need to make important strategic decisions about how to position their products under the new product categorisation system even before the new rules take effect.

The final shape of SFDR 2.0 will depend on the compromises reached across the dividing lines set out above. We expect the issues of most significance to private markets (in particular the professional-investor exemption and the treatment of fossil fuel-linked investments in the transition category) to be among the most closely negotiated.

We will continue to monitor developments and report as the trilogue process progresses.

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