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9 September 2025

Principal Adverse Impact disclosures under the Sustainable Finance Disclosure Regulation

Annual Report to the Commission under Article 18 of 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

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Executive Summary

Context

1. The European Supervisory Authorities (ESAs)' fourth iteration of the Annual Report¹ on Principal Adverse Impact ("PAI") disclosures under the Sustainable Finance Disclosure Regulation (SFDR)² builds on the work of previous years.
2. Since the application of the SFDR, the ESAs have published three annual reports under Article 18 of such Regulation, looking at the extent of voluntary disclosures at entity and product level. In July 2022 the ESAs published their first³ report. At the time, the recommendations to the European Commission took into account the novelty of the Regulation and served to accompany National Competent Authorities (NCAs) on the monitoring of financial market participants' (FMP) compliance with the SFDR. The second report⁴, published in September 2023, also covered disclosures of PAI consideration for financial products for the first time since FMPs had to apply them by 30 December 2022. It also provided a list of good and below average practices on voluntary disclosures, as well as preliminary recommendations to both the European Commission and NCAs on the PAI disclosures.
3. The third report was published on 30 October 2024⁵ and extended the scope to also cover the disclosures made under the more detailed rules of the SFDR Delegated Regulation, including the more specific PAI indicators. In addition to the analysis of the responses provided by NCAs through the survey, the ESAs included a qualitative assessment of 65 entity-level PAI statements⁶, and a quantitative assessment by the ESAs of some of the PAI indicators, based on European ESG Template (EET) disclosures data obtained via Morningstar about investment funds' product-level PAI statement on the use of some PAI indicators.
4. The 2025 report includes the following sections: section 1 covers the background and rationale of this exercise, the methodological approach used and the coverage of the market. Section 2 covers the ESAs' own desk-based research and assessment of the statements currently

¹ This Report is published under Article 18 of 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). It tasks the European Supervisory Authorities (ESAs) to deliver, by 10 September 2022 and every year thereafter, a report to the European Commission to take stock of the extent of voluntary disclosures in accordance with point (a) of Article 4(1) and point (a) of Article 7 (1) SFDR. Article 18 also states that the annual report should consider the implications of due diligence practices on disclosures under SFDR and provide guidance on the matter.

² 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.

³ [JC 2022 35 - joint esas report on the extent of voluntary disclosures of pai under sfdr.pdf](#)

⁴ [JC 2023 42 Joint ESAs 2023 annual report Article 18 SFDR.pdf](#)

⁵ [JC 2024 68 Report on the Principal Adverse Impact disclosures under the Sustainable Finance Disclosure Regulation](#)

⁶ The sample used for last year's report consisted of 65 FMP entity-level statements from the asset management sector covering the reference period from 1 January 2022 to 31 December 2022 covering FMPs both above and below 500 employees,

available in the market, both entity-level and product level statements. Section 3 includes the lessons learned and an overview of the good and below average practices, as well as a few examples of non-compliance that the NCAs found through their supervisory engagement. Section 4 provides some conclusions, with recommendations to the European Commission and NCAs. Finally, the Annex includes a table with the full list of the good and below average disclosures practices identified by the ESAs based both on NCAs' observations and the ESAs' own desk-based analysis.

Main findings

5. Building on the progress identified in previous reports, the 2025 Report notes an effort from FMPs to publish more complete information and in full compliance with the SFDR's disclosure requirements, with a general improvement in the quality of information provided.
6. The findings confirm the trends of previous years, such as that the FMPs that are part of larger multinational groups disclose the information on sustainability in a more detailed and appropriate manner, and that smaller entities mix information on ESG / general marketing information with SFDR disclosures (i.e. a lot of text, but no clear information whether principal adverse impacts are considered or not).
7. The ESAs welcome the feedback received from NCAs that following the previous reports published under Article 18, several FMPs have taken onboard the highlighted good practices and improved their own disclosures.

Next steps

8. The European Commission may want to consider the ESAs' findings and take them into account in the context of their comprehensive assessment of the functioning of the SFDR.
9. NCAs should continue to supervise the quality of the disclosures, while FMPs should continue efforts to disclose in a clear, fair and non-misleading manner, while ensuring comprehensive investment coverage.

1. Background and Rationale

1.1 Introduction

10. This report refers to PAI disclosures published by 30 June 2024 for the reference period from 1 January to 31 December 2023.
11. As a background, the PAI entity-level disclosures are only mandatory for FMPs with more than 500 employees. Smaller FMPs can explain why they do not consider PAIs but if they choose to disclose on their PAIs, they must do so according to the detailed rules in the Level 2 framework (Annex I of the SFDR Delegated Regulation⁷) since 1 January 2023.
12. This report also includes an assessment of PAI product-level disclosures⁸.
13. In February 2025, the ESAs launched a survey to the NCAs of the three ESAs via the Joint Committee (JC) and the relevant Standing Committees of the ESAs. The purpose of the survey was to gather input from the NCAs on the current state of entity-level and product level voluntary PAI disclosures under SFDR as a basis to develop the present Report, with questions on the NCAs assessment of FMPs' PAIs disclosures, of FMPs choosing to explain why they do not consider adverse impacts of investment decisions on sustainability factors, as well as disclosures of PAI considerations for financial products.
14. For the drafting of this report, the ESAs used information coming from three different sets of input:
 - a. The analysis of NCAs' responses to the ESAs Survey;
 - b. The ESAs' qualitative assessment of 91 entity-level PAI publicly available statements, focusing on fund managers, insurance undertakings and pension product manufacturers; and
 - c. A quantitative assessment by the ESAs of some investment funds' product-level PAI statements, based on European ESG Template (EET) disclosures data obtained via Morningstar in January 2025.

⁷ Commission Delegated Regulation (EU) 2022/1288.

⁸ Article 7 (1) SFDR: 1. By 30 December 2022, for each financial product where a financial market participant applies point (a) of Article 4(1) or Article 4(3) or (4), the disclosures referred to in Article 6(3) shall include the following: (a) a clear and reasoned explanation of whether, and, if so, how a financial product considers principal adverse impacts on sustainability factors; (b) a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2). Where information in Article 11(2) includes quantifications of principal adverse impacts on sustainability factors, that information may rely on the provisions of the regulatory technical standards adopted pursuant to Article 4(6) and (7).

1.2 Methodology

15. The survey to the NCAs had five questions, in a reduced format compared to last year to address burden concerns. The survey aimed to achieve an overview of the total number of FMPs in NCAs jurisdiction disclosing PAIs voluntarily⁹ and those choosing not to consider PAIs¹⁰). For the disclosures from both the largest and smallest FMPs, the NCAs were also asked to rate on a scale from 1 to 5 and provide an assessment of the compliance with the following elements: location of the disclosures, their clarity, the completeness of the reporting, quality of the statement of the PAI disclosures, the assessment regarding the quantification of the actions taken and the share of the FMPs making the 30 June 2024 deadline, with the optional request to share best practices for the purpose of this report.
16. The NCAs were also asked about the share and breakdown of financial products that disclose PAIs into those (1) promoting environmental or social characteristics or (2) those having sustainable investment as their objective and indicate, any changes in numbers compared to last year, whether the FMPs offering these products also disclose at entity level, and an assessment for the financial product disclosures in their own jurisdictions, including illustrative examples of good and bad compliance.
17. Finally, the last two questions asked NCAs to reflect on the progress in FMPs' practices compared to last year's survey (e.g. quality of the rationale provided by FMPs that did not consider PAIs or the degree of alignment of the objective with the Paris Agreement, any uptake by FMPs of the good practices highlighted in the latest report), and any challenges encountered in the supervision of PAI disclosures.
18. A total of 29 NCAs¹¹ provided a response to the survey, consistent with last year's report. The ESAs conducted a qualitative analysis of the responses and provide an overview below. It is worth noting, however, that as the ESAs did not specify the minimum portion of FMPs to be surveyed by NCAs, the comparability of the sampled data across NCAs was not possible for the purpose of this report.

⁹ Meaning under Article 4(1)(a) of the SFDR.

¹⁰ Meaning under Article 4(1)(b) of the SFDR.

¹¹ The survey was shared with all the relevant NCAs of the ESAs, hence NCAs from the banking, insurance, pension, investment firms and asset management sector.

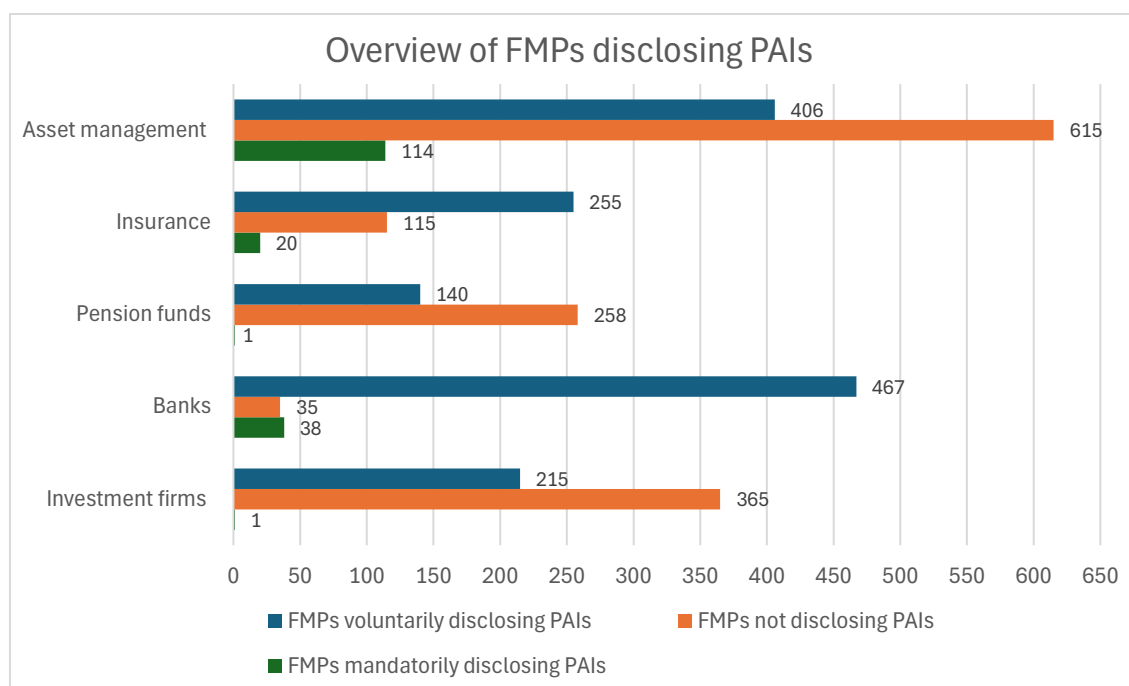
1.3 Coverage of the market

a. Entity level disclosures

19. In the first question the NCAs were asked to provide the total number of FMPs in their jurisdiction covered by the obligation to consider PAIs, and the total number of those explaining non consideration of PAIs. The NCAs were also asked to provide a breakdown of the total number of FMPs by sector, and where relevant, the total assets under management.
20. It is still difficult to make a complete and accurate comparison because the data provided by NCAs is not consistent. Not all NCAs covered the same portion of the market or provided the exact number of FMPs in their jurisdictions.
21. A few NCAs were not able to provide the relevant data. For example, one NCA responded that they found it challenging to verify that financial market participants had more than 500 employees in order to qualify under the mandatory PAI disclosures¹² as it did not reflect an operational reality for insurance undertakings that the NCA supervises. A few others explained that they did not have updated data, providing the same data as last year. Moreover, in some cases, NCAs reported data without breaking it down by sector or Article (i.e. they provided only aggregate data, without indicating which data corresponds to PAI disclosure under which specific Article or paragraph).
22. The graphs below provide an overview of the portion of the market covered, broken down by sector based on the data the NCAs were able to contribute¹³. The data is based on the survey of the NCAs and their own sample selection, which may not necessarily represent all FMPs in the EU.
23. Graph 1 provides the total number of FMPs, broken down by sector, covered by the principal adverse impact disclosures in the SFDR.

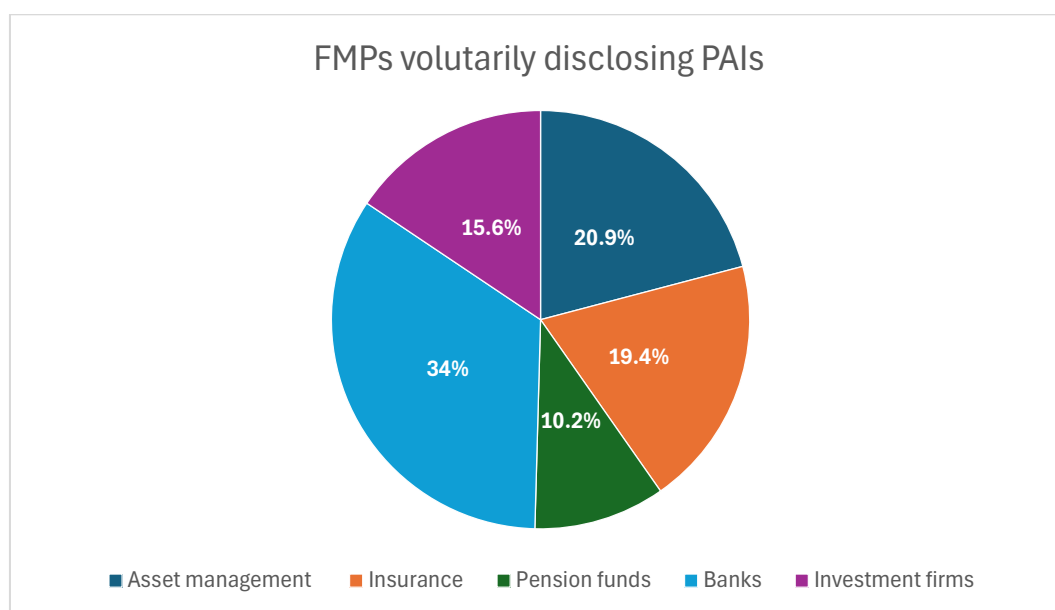
¹² Article 4(3)-(4) of the SFDR states that 'By way of derogation from paragraph 1, from 30 June 2021, financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. That statement shall at least include the information referred to in paragraph 2. By way of derogation from paragraph 1 of this Article, from 30 June 2021, financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU exceeding on the balance sheet date of the group, on a consolidated basis, the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. That statement shall at least include the information referred to in paragraph 2'.

¹³ This includes data from 2024, where NCAs stated that there were no changes or updated data.



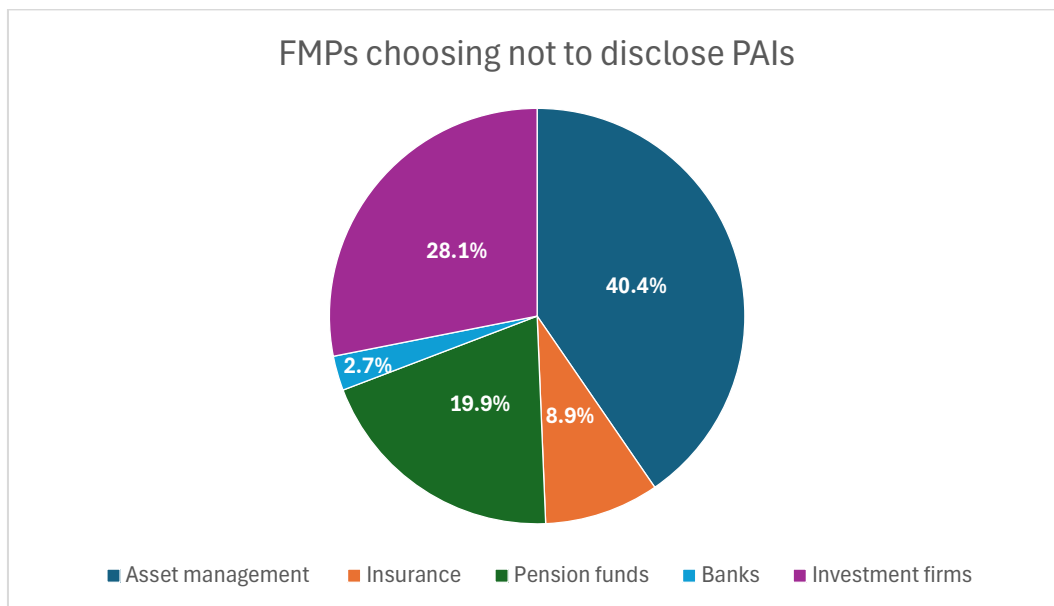
Graph 1 - Source: ESAs survey to NCAs in 2025

24. Graph 2 provides a percentage break-down per sector of the surveyed FMPs that have voluntarily disclosed PAIs of investment decisions on sustainability factors.



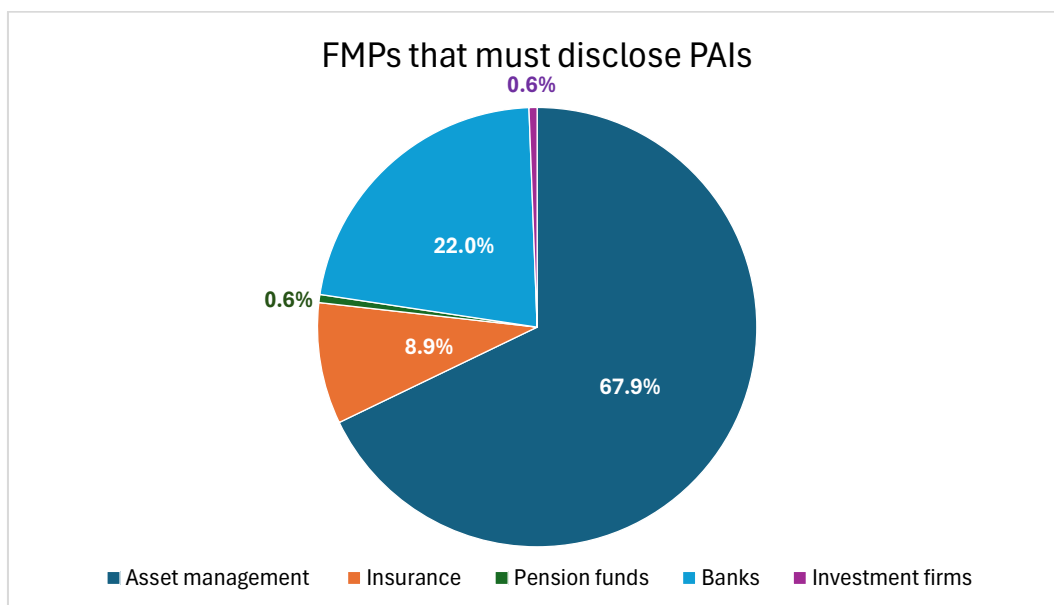
Graph 2 - Source: ESAs survey to NCAs in 2025

25. Graph 3 provides a percentage break-down per sector of FMPs that have chosen not to disclose PAIs under the SFDR.



Graph 3 - Source: ESAs survey to NCAs in 2025

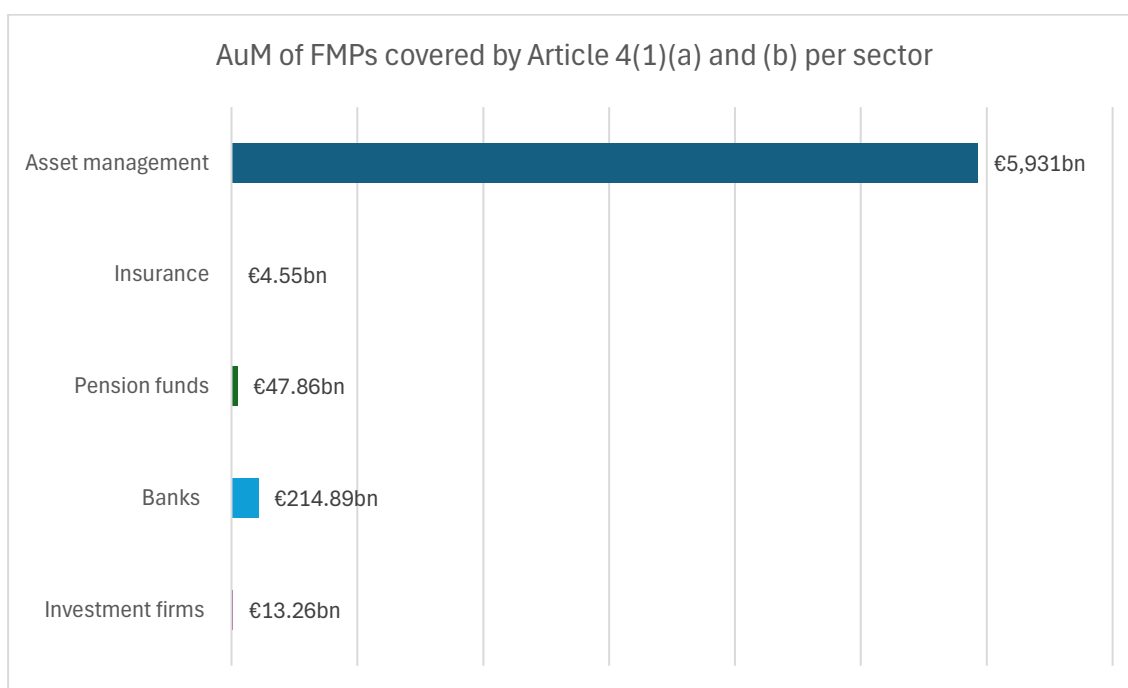
26. Graph 4 provides a percentage break-down per sector of FMPs that are subject to the mandatory PAI statement disclosures of the SFDR¹⁴.



Graph 4 - Source: ESAs survey to NCAs in 2025

¹⁴ Under Article 4(3) – (4) of the SFDR.

27. NCAs were also asked to disclose, on a voluntary basis, whether they had any observation on the proportion of FMPs disclosing PAIs and those explaining non-consideration of PAIs compared to the survey in 2024. Most NCAs did state that there were no significant changes in the overall proportion compared to 2024, with only a slight increase observed by a few NCAs across banks, fund managers and insurance companies.
28. For some NCAs, comparing figures was not possible because of a different sample selection in 2024 and 2025. One NCA noted that in its jurisdiction, smaller FMPs tend to opt to not disclose their PAIs. Only in case the smaller FMPs belong to international financial groups, they opt to voluntarily disclose their PAIs.
29. Some NCAs also provided the Assets under Management (AuM) of all FMPs voluntarily disclosing their PAIs and those choosing not to disclose their PAIs. The aggregated results are presented in Graph 5.



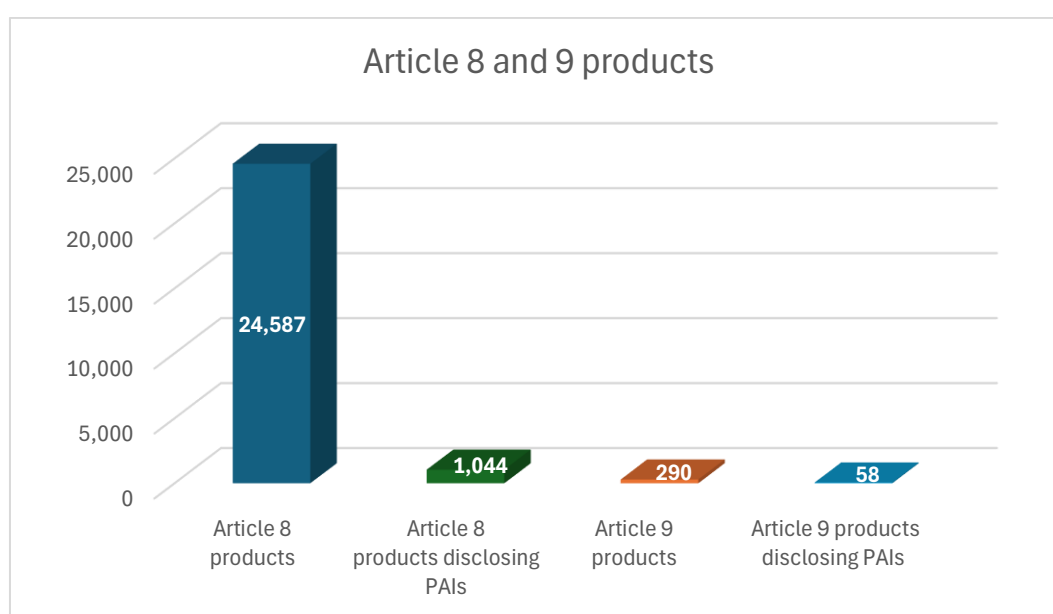
Graph 5 - Source: ESAs survey to NCAs in 2025

b. Product level disclosures

30. Many NCAs found the supervision of PAI product level disclosures particularly challenging, with a few NCAs clearly stating that there was no full tracking of PAI disclosures at financial product level. However, from the responses received, there was a significantly higher number of FMPs offering products that promote environmental or social characteristics or have sustainable

investment as their objective¹⁵ that also disclose PAI indicators, or at least comparable numbers compared to last year. The overall trend is that the majority of those funds also disclose PAI indicators, and the level of compliance is satisfactory, although the quality of disclosure varied based on the product.

31. Graph 6 below provides the total number of products with sustainability characteristics or objectives disclosing PAIs, according to data provided by some of the NCAs. The significant number of financial products promoting environmental and/or social characteristics is explained by the inclusion for the first time of an exceptionally high number of portfolios managed by a single investment firm that operates across the EU.



Graph 6 - Source: ESAs survey to NCAs in 2025

32. It is important to bear in mind the context that PAI disclosure at financial product level is entirely voluntary¹⁶. Several NCAs noted that the ESAs should seek clarification in certain circumstances if there are interlinkages between other SFDR disclosures and the PAI disclosures. On 13 June 2025, the ESAs forwarded a query to the European Commission seeking clarification about whether financial products disclosing PAIs automatically requires disclosure by such a financial product as promoting environmental or social characteristics.
33. Some NCAs included some good and below average practices regarding the financial product disclosures, summarised below. One NCA specifically stated that the analysis of product-level PAI disclosures would be part of their upcoming supervisory activities that will assess the

¹⁵ I.e. they disclose under Article 8 and 9 of the SFDR.

¹⁶ Under Article 7 of the SFDR.

clarity, relevance, and integration of PAI considerations at the product level. A few NCAs reiterated the observation made last year that there was no automated process for communicating product-level PAI information directly to NCAs, which makes the supervision of those disclosures very difficult.

| Example | Example |
|---|---|
| Good practices | Below average practices |
| <p>✓ Voluntary use of the PAI template in Table 1 of Annex I of the SFDR Delegated Regulation, with PAIs considered with both qualitative (exclusion policies) and quantitative approaches.</p> | <p>✗ Many banks do not make a clear distinction between financial product disclosures under Article 7(1) and entity level disclosures under Article 4(1).</p> |

2. ESAs' analysis – assessment of PAI statements and PAI indicators

34. As in previous reports, the ESAs performed their own analysis on both entity level and product level PAI statements. The findings below are drawn out of two different datasets, which are explained in subsequent paragraphs.

2.1 Entity Level Statements

35. The ESAs conducted an analysis of a selection of publicly available PAI statements published in 2024. The sample included 91 FMP entity-level statements for the reference period from 1 January 2023 to 31 December 2023, including FMPs both above and below 500 employees (mandatory and voluntary disclosures, respectively).

36. In most cases the PAI statements were easy to find, as FMPs typically have a sustainability section on their websites where regulatory disclosures are also located. However, in some cases, substantial navigation is required to locate the PAI statements on the FMP's website, while in others, they are not directly available on the website, requiring a targeted browser search for the given entity.

37. Among the FMPs that chose not to disclose their PAIs at entity level, only a few provided a “no consideration” statement that was readily available on their websites. In just a very small number of cases, and in line with NCAs observations, FMPs that published a PAI statement in 2023 have not released one in 2024. Additionally, some links from the previous year are no longer functional, and the PAI statements for the reference year 2022 can no longer be found online. In some instances, the old link now opens the most recent statement instead, indicating that the previous version was removed rather than archived alongside the new one.

38. In some cases, PAI indicators for the reference year 2022 reported in the PAI statement published in 2023 differed from those in the PAI statement published in 2024. However, only a few FMPs provided an explanation (e.g. aligning with the methodology implemented in 2023) or at least acknowledged these changes.

39. Not all PAI statements included a reference to data coverage. Among those that did include such reference, data coverage had typically changed, most frequently showing improvement. However, for indicators 8 (emissions to water), 9 (hazardous and radioactive waste) and 12

(unadjusted gender pay gap) data coverage remained low, as indicated in Table 1 below. Additionally, for some indicators, data coverage varied significantly across FMPs.

40. Some FMPs explained why the figures of some indicators have changed with respect to the previous year (e.g. portfolio changes, reduced negative impact, or increased data availability) while many did not provide explanations. In some cases, these changes resulted from updates in the calculation methodology determined by the service provider and/or imposed by regulations. Additionally, a few FMPs clearly stated that some indicators are not or may not be directly comparable with previous years for such reasons. Moreover, in some cases of very low coverages, FMPs noted that the reported figures could be distorted and difficult to interpret and compare.
41. FMPs generally provided explanations for why they did not consider the real estate indicators (17 and 18), saying that, e.g. they are not engaged in real estate investments or data was of insufficient quality and availability. In some cases, explanations were also given for the non-disclosure of other indicators. However, some FMPs simply indicated “N/A” or “No information”, without offering further clarification. Moreover, there were some discrepancies in the methodologies that made indicators 5 (share of non-renewable energy consumption and production) and 6 (energy consumption intensity per high impact climate sector) not comparable. This is the reason why those indicators are not displayed in Table 1 below.
42. A few FMPs did not adhere to the required units of measurement. In particular, CO₂ was used instead of CO₂ equivalent (CO₂e) for the GHG emissions indicators. Furthermore, one entity reported figures in US dollars rather than euro. Lastly, one entity used Tonnes per €M GDP 2017 PPP (tonnes per million Euros of Gross Domestic Product converted to 2017 purchasing power parity) for the indicator on sovereign GHG emissions (indicator 15)¹⁷.
43. In line with last year’s observations, the ESAs reported the following aspects of the PAI statements. Interestingly, despite feedback from previous years, the ESAs found that statements in the sample are detailed in their reference to international standards, specifically to the Paris Agreement, with some clarifying which international standards were relevant for each indicator. Several FMPs clearly stated their participation in the Net Zero Asset Managers Initiative and highlighted the importance of the Net Zero GHG emissions goal by 2050, explaining their approach and targets (e.g. halving net emissions for 50% of AUMs in scope by 2030; reducing the carbon footprint of investments by 30% by 2025 and by 50% by 2030, with respect to 2019).
44. Some FMPs provided again specific indications on the use of calculation and estimation models for indicators. Specifically, for indicators 1, 2 and 3 (GHG emissions), 4 (fossil fuel exposures),

¹⁷ While the ESAs recommended in JC 2023 55 that the sovereign GHG emission indicator should be normalized by PPP adjusted GDP, those RTS have not been adopted by the European Commission, so the calculation should, under the currently applicable SFDR Delegated Regulation, only use the unadjusted GDP of investee countries.

7 (biodiversity), 8 (water pollution), 9 (waste), 10 and 11 (UNGC and OECD MNE Guidelines), 14 (controversial weapons) and 16 (sovereign social violations), FMPs have generally assigned a 0 to issuers/instruments when data was not available. As a reminder, according to the Joint ESAs Q&A document¹⁸, FMPs should include all investments in the PAI disclosures. Furthermore, as stated in Article 7(2) of the SFDR Delegated Regulation, where FMPs do not have information from investees about PAIs, FMPs must disclose the best efforts used to obtain the information either directly from investees or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions. Instead, one entity used the weighted average GHG intensity of the investee companies with emission data for indicator 3; the same logic was typically applied to indicators 5 (non-renewable energy), 6 (energy consumption intensity), 12 (gender pay gap), 13 (board gender diversity) and 15 (sovereign GHG intensity). While another entity simply commented that the weights of the portfolio were adjusted to account for incomplete data coverage for many indicators.

45. The column on “Actions taken and actions planned to avoid or reduce main adverse impacts” was very often merged across several indicators (e.g. across environmental indicators 1-6) or repeated, and in a few cases was missing or unsatisfactory for some indicators. In many cases the “Explanation” column did not offer any additional information or was simply used to report data coverage. Several FMPs included links to their sustainability policies and engagement policies in the “Description of policies to detect and prioritise Principal Adverse Impacts” and the “Engagement policies” sections.
46. Most FMPs published PAI statements fully consistent with the previous ones, whereas others showed a clear improvement in their disclosures, providing more details and clarifications.
47. As mentioned earlier, the analysis was conducted on two datasets. The first included 65 FMPs, which were asset management companies or asset management divisions of banks or insurers. The second dataset included 26 FMPs, 20 were insurance undertakings, and 6 were pension fund management companies. Table 1 contains a summary of the analysis: the figures in black were obtained from the first dataset, those in blue from the second dataset, and the figures in red represent the absolute increase/decrease compared to the last year’s values.

¹⁸ Please see Q&As III.2, V.24 and V.25: [JC 2023 18 - Consolidated JC SFDR QAs](#)

Table 1: Analysis of the average adverse impact of PAI indicators in the SFDR Delegated Regulation

| | | AVERAGE | HIGHEST IMPACT | LOWEST IMPACT | NUMBER OF IMPACTS NOT PROVIDED |
|--------------------------|--|----------------------------------|-----------------------------|-----------------------|--------------------------------|
| Greenhouse gas emissions | 1. Total GHG emissions (tonnes) | 22,777,444.06 (+4,318,964.88) | 149,373,000 (+7,233,000) | 19,821 (+225) | 1 (0) |
| | | 12,102,848.9 (+10,957,672.74) | 85,739,669 (+2,421,199) | 11,416 (+11,303.3) | 0 (0) |
| | 2. Carbon footprint (tonnes/ million EUR invested) | 418.75 (+6.17) | 878.35 (-495.34) | 3 (-2) | 5 (-1) |
| | | 441.95 (+26.33) | 1,462 (-141) | 30.9 (-5.1) | 0 (0) |
| | 3. GHG intensity of investee companies (tonnes/ million EUR revenue) | 1,833 (+67.83) | 42,864.63 (+7,806.77) | 4.6 (+3.49) | 5 (-1) |
| | | 835.26 (-176.77) | 1,765 (-2,813.5) | 84.1 (-6.9) | 0 (0) |
| | 4. Exposure to companies active in the fossil fuel sector | 6.00% (-0.59%) | 22.69% (-13.22%) | 0.00% (-0.26%) | 5 (-2) |
| | | 6.96% (-0.98%) | 16.60% (-1.80%) | 0.69% (+0.69%) | 0 (0) |
| | 5. Share of non-renewable energy consumption and production | Not comparable | Not comparable | Not comparable | 5 (-2) |
| | | Not comparable | Not comparable | Not comparable | 0 (0) |
| | 6. Energy consumption intensity per | Not comparable | Not comparable | Not comparable | 5 (0) |

| | | | | | |
|------------------------------------|---|--------------------|--------------------------|------------------|-----------|
| | high impact climate sector (GWh/ million EUR of revenues) | Not comparable | Not comparable | Not comparable | 0 (0) |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | 5.08% 1.23% | 75.6% -13.4% | 0% (0%) | 5 (-2) |
| | | 3.23% (+5.98%) | 110% (-14%) | 0% (0%) | 0 (+1) |
| Water | 8. Emissions to water (tonnes/ million EUR invested) | 80.42 (-211.13) | 3,425.82 (-6,519.75) | 0 (0) | 8 (+1) |
| | | 43.13 (-6.64) | 447 (+459.38) | 0 (0) | 1 (-1) |
| Waste | 9. Hazardous waste and radioactive waste ratio (tonnes/ million EUR invested) | 75.61 (-294.65) | 3,268.23 (-12,177.52) | 0 (0) | 5 (-3) |
| | | 27.01 (-6.02) | 250.18 (+30.42) | 0 (+0.29) | 1 (-1) |
| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | 1.21% (-0.18%) | 16% (+3.36%) | 0% (0%) | 5 (-2) |
| | | 2.05% (+1.19%) | 10.60% (+43.29%) | 0% (0%) | 0 (0) |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises | 26.08% (-5.70%) | 73.62% (-6.11%) | 0% (-0.04%) | 5 (-2) |
| | | 18.76% (-0.84%) | 42.22% (+34.64%) | 0% (0%) | 2 (0) |
| | 12. Unadjusted gender pay gap | 10.59% (+0.68%) | 29% (+7.86%) | -0.3% (-0.5%) | 6 (-2) |
| | | 10.95% (-0.3%) | 22.42% (-0.82%) | 0% (+0.32%) | 0 (0) |

| | | | | | |
|-------------------|--|--------------------|--------------------|-------------------|------------|
| | 13. Board gender diversity | 30.5% (+3.36%) | 44% (+3%) | 6% (+1.08%) | 5 (-2) |
| | | 28.67% (2.92%) | 42.00% (44.85%) | 4.00% (-0.38%) | 0 (0) |
| | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | 0.01% (0%) | 0.2% (-0.1%) | 0% (0%) | 5 (-2) |
| | | 0.66% (-0.63%) | 15% (-14.50%) | 0% (0%) | 1 (-1) |
| Environmental | 15. GHG intensity (tonnes/ million EUR GDP) | 201.15 (-27.78) | 893.2 (-421.1) | 0.02 (+0.02) | 12 (+1) |
| | | 247.86 (+1.94) | 462.05 (-50.82) | 43.03 (+29.14) | 0 (0) |
| Social | 16. Investee countries subject to social violations (absolute) | 8.89 (+3) | 110.44 (+48.44) | 0 (0) | 20 (+3) |
| | | 9.17 (-0.57) | 67 (-4) | 0 (0) | 1 (-1) |
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets | 0.4% (+0.02%) | 4.74% (+1.22%) | 0.00% (0%) | 33 (-1) |
| | | 0.16% (-0.04%) | 2.3% (-1.20%) | 0% (0%) | 7 (0) |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | 49.44% (-0.99%) | 98.05% (-1.10%) | 0.00% (-0.01%) | 34 (-1) |
| | | 37.21% (-9.2%) | 99.15% (-1.1%) | 0% (0%) | 10 (-2) |

Source: data from the two datasets containing the PAI statements and ESMA calculations

2.2 Financial product level PAI statements

48. Similar to last year, the ESAs performed an analysis of the indicators from Table 1, Annex I of the SFDR Delegated Regulation for investment funds that disclosed their PAIs. The analysis relied on data from the industry-based EET Template, obtained from Morningstar, with data from UCITS funds¹⁹.
49. The ESAs also conducted an analysis comparing the results from this year with the results from last year. The analysis showed that although there were 120 fewer funds in the total sample²⁰, there was an increase in funds that promote environmental/social characteristics and with sustainable investment as their objective that started considering PAI indicators. Lastly, compared to the sample from 2024, there was also an increase in the total number of those funds disclosing under Article 8 and 9²¹.
50. Additionally, the analysis showed that 10,214 out of 11,454 (89.2%) Article 8 funds and 943 out of 970 (97.2%) Article 9 funds consider PAIs.
51. Data coverage generally remained unchanged or showed very small variations, with a few exceptions. Data coverage improved significantly for indicators 9 (hazardous waste and radioactive waste) and 12 (unadjusted gender pay gap). Additionally, the total number of Article 8 and 9 funds with zero coverage has decreased for all indicators, except for the indicators on the share of non-renewable energy production (indicator 5(a)), GHG intensity (indicator 15), exposure to fossil fuels through real estate assets (indicator 17) and exposure to energy-inefficient real estate assets (indicator 18).
52. A summary of the analysis is provided in Table 2 below, however indicator 6 on energy consumption intensity per high impact climate sector was omitted because of the difficulty to compare results and indicator 5 was separated into two: share of non-renewable energy consumption and share of non-renewable energy production. The figures in red represent the absolute increase/decrease compared to the values in last year's report.

¹⁹ The analysis focused on data from January 2025, while for last year's report, the analysis was based on data from July 2024.

²⁰ In 2024, the ESAs looked at a total of 29,755 funds, and in 2025 at 29,635.

²¹ Specifically, 289 more funds disclosed under Article 8 and 11 more under Article 9.

Table 2: Analysis of the PAI disclosures by financial product

| | | SFDR product type and number of products | Average PAI value | Median PAI value | Average coverage (%) | Median coverage (%) | Number of products with zero coverage |
|--------------------------|--|--|--------------------|------------------|----------------------|---------------------|---------------------------------------|
| Greenhouse gas emissions | 1. Total GHG emissions (tonnes) | Article 8 SFDR products: 7,071 (465) | 165,404 (-30,876) | 31,360 (-2,075) | 77 (-1) | 87 (-1) | 537 (-115) |
| | | Article 9 SFDR products: 668 (18) | 124,111 (-100,343) | 22,812 (-951) | 85 (1) | 94 (0) | 21 (-16) |
| | 2. Carbon footprint (tonnes/ million EUR invested) | Article 8 SFDR products: 6,971 (539) | 353 (-211) | 269 (-6) | 77 (-1) | 88 (-1) | 573 (-97) |
| | | Article 9 SFDR products: 640 (26) | 372 (-34) | 247 (-13) | 84 (-1) | 94 (0) | 31 (-6) |
| | 3. GHG intensity of investee companies (tonnes/ million EUR revenue) | Article 8 SFDR products: 7,035 (490) | 752 (-15) | 673 (-13) | 80 (-1) | 90 (0) | 544 (-114) |
| | | Article 9 SFDR products: 634 (17) | 845 (-62) | 729 (-12) | 86 (0) | 95 (0) | 27 (-6) |
| | 4. Exposure to companies active in the fossil fuel sector (%) | Article 8 SFDR products: 7,537 (503) | 6 (-1) | 4 (-1) | 78 (0) | 91 (1) | 326 (-83) |
| | | Article 9 SFDR products: 679 (9) | 4 (0) | 2 (0) | 85 (1) | 96 (0) | 60 (0) |
| | 5.a Share of non-renewable energy consumption (%) | Article 8 SFDR products: 6,917 (625) | 54 (1) | 59 (0) | 65 (4) | 70 (6) | 382 (-89) |
| | | Article 9 SFDR products: 625 (43) | 54 (0) | 57 (0) | 67 (5) | 73 (7) | 29 (3) |
| | 5.b Share of non-renewable energy production (%) | Article 8 SFDR products: 7,071 (551) | 41 (1) | 48 (3) | 39 (2) | 27 (0) | 1,085 (31) |

| | | SFDR product type and number of products | Average PAI value | Median PAI value | Average coverage (%) | Median coverage (%) | Number of products with zero coverage |
|------------------------------------|--|--|-------------------|------------------|----------------------|---------------------|---------------------------------------|
| | | Article 9 SFDR products: 524 (36) | 31 (1) | 26 (2) | 48 (0) | 44 (-2) | 78 (10) |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas (%) | Article 8 SFDR products: 7,069 (497) | 5 (1) | 2 (1) | 75 (-1) | 88 (0) | 451 (-53) |
| | | Article 9 SFDR products: 640 (10) | 4 (1) | 0 (0) | 81 (-1) | 95 (0) | 36 (0) |
| Water | 8. Emissions to water (tonnes/ million EUR invested) | Article 8 SFDR products: 4,924 (439) | 10 (-6) | 0 (0) | 13 (1) | 3 (-1) | 1,615 (-33) |
| | | Article 9 SFDR products: 465 (29) | 28 (3) | 0 (0) | 16 (-1) | 7 (0) | 124 (-9) |
| Waste | 9. Hazardous waste and radioactive waste ratio (tonnes/ million EUR invested) | Article 8 SFDR products: 6,857 (644) | 451 (-313) | 1 (0) | 57 (9) | 56 (14) | 657 (-64) |
| | | Article 9 SFDR products: 649 (19) | 181 (-251) | 0 (0) | 62 (12) | 62 (17) | 40 (3) |
| Social and employee matters | 10. Violations of UNGC principles and OECD for Multinational Enterprises (%) | Article 8 SFDR products: 7,190 (52) | 1 (0) | 0 (0) | 81 (0) | 92 (0) | 807 (-99) |
| | | Article 9 SFDR products: 633 (9) | 0 (0) | 0 (0) | 87 (0) | 96 (0) | 85 (1) |
| | 11. Lack of processes and compliance mechanisms with UNGC principles and OECD MNE Guidelines (%) | Article 8 SFDR products: 6,953 (683) | 21 (-4) | 8 (-9) | 77 (0) | 88 (0) | 596 (-45) |
| | | Article 9 SFDR products: 657 (33) | 23 (-5) | 12 (-11) | 84 (0) | 94 (0) | 35 (4) |
| | 12. Unadjusted gender pay gap (%) | Article 8 SFDR products: 6187 (533) | 12 (0) | 12 (1) | 34 (8) | 29 (9) | 693 (-89) |
| | | Article 9 SFDR products: 562 (17) | 10 (0) | 11 (1) | 35 (9) | 22 (6) | 53 (3) |

| | | SFDR product type and number of products | Average PAI value | Median PAI value | Average coverage (%) | Median coverage (%) | Number of products with zero coverage |
|-------------------|--|--|-------------------|------------------|----------------------|---------------------|---------------------------------------|
| | 13. Board gender diversity (%) | Article 8 SFDR products: 7,401 (553) | 33 (1) | 36 (0) | 77 (1) | 88 (1) | 350 (-91) |
| | | Article 9 SFDR products: 670 (33) | 34 (0) | 35 (0) | 81 (1) | 93 (0) | 52 (-1) |
| | 14. Exposure to controversial weapons (%) | Article 8 SFDR products: 7,629 (526) | 0 (0) | 0 (0) | 82 (0) | 93 (0) | 530 (-94) |
| | | Article 9 SFDR products: 682 (17) | 0 (0) | 0 (0) | 88 (0) | 97 (1) | 68 (-7) |
| Environmental | 15. GHG intensity (tonnes/ million EUR GDP) | Article 8 SFDR products: 3,248 (121) | 236 (-6) | 222 (-5) | 37 (-1) | 21 (0) | 1,954 (230) |
| | | Article 9 SFDR products: 182 (-4) | 201 (-2) | 195 (5) | 38 (1) | 18 (0) | 223 (7) |
| Social | 16. Investee countries subject to social violations (absolute) | Article 8 SFDR products: 3,078 (622) | 1 (0) | 0 (0) | 45 (10) | 32 (12) | 2,085 (-91) |
| | | Article 9 SFDR products: 136 (9) | 0 (0) | 0 (0) | 33 (3) | 17 (3) | 274 (14) |
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets (%) | Article 8 SFDR products: 65 (-49) | 1 (-2) | 0 (-1) | 80 (-2) | 95 (2) | 2,681 (354) |
| | | Article 9 SFDR products: 22 (11) | 0 (-1) | 0 (0) | 71 (-10) | 100 (1) | 188 (18) |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets (%) | Article 8 SFDR products: 27 (-2) | 32 (1) | 33 (0) | 92 (2) | 94 (1) | 2,494 (361) |
| | | Article 9 SFDR products: 9 (-1) | 0 (0) | 0 (0) | 78 (7) | 99 (0) | 197 (24) |

Source: EET data from Morningstar and ESMA calculations

3. Key findings: good and below average practices and lessons learned

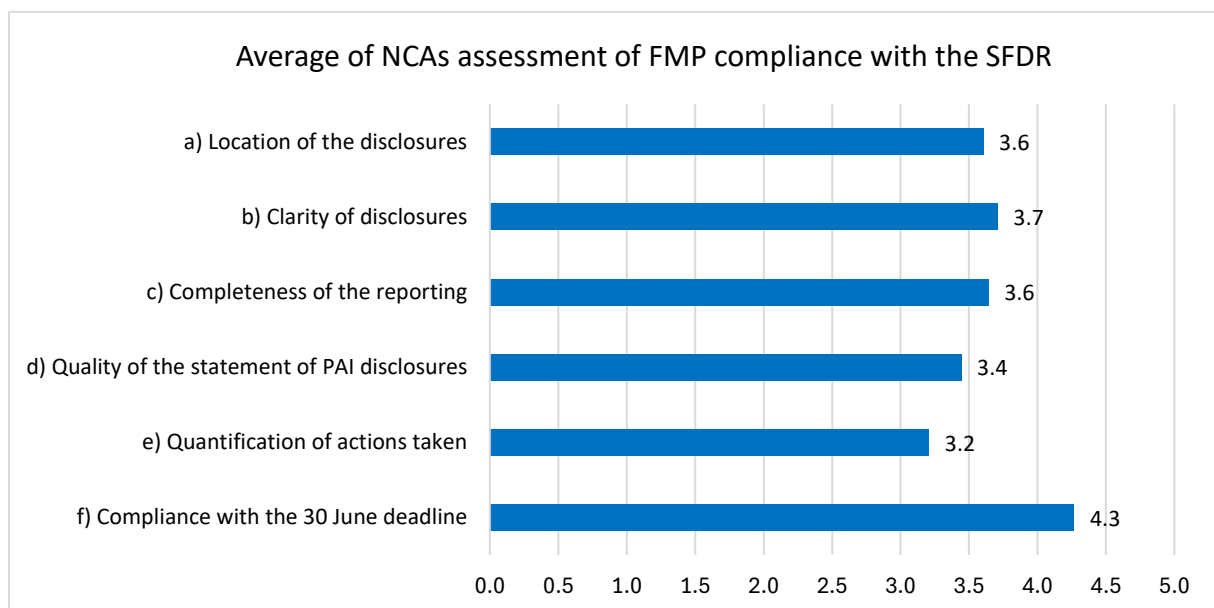
3.1 Good and bad examples of entity-level disclosures

53. In the 2025 survey, the ESAs included a question where NCAs were asked to rate the disclosures from both largest and smaller FMPs choosing to disclose their PAIs, in a scale from 1 to 5 and to provide an assessment of the compliance of FMPs with some key elements of the disclosures (listed below), and where possible, to provide examples of ‘good’ and ‘bad’ practices.

54. As general remark, as noted in various sections of this report, there have been improvements in the statements compared to (the) previous year(s), with the caveat that there is still a need to further enhance certain elements of the entity-level statements, particularly clearer explanations on the actions taken, actions planned, and targets set for the next reference period, as well as data coverage and quality.

55. There are also several specific observations made by the NCAs, which are consistent with those made by the ESAs in their desk-based analysis regarding specific PAIs.

56. Graph 7 provides an overview of the average assessment NCAs provided to each of the sub-elements. Details are provided under the subsequent paragraphs.



Graph 7 - Source: ESAs survey to NCAs in 2025

Legend



Location of the disclosures



57. For some NCAs, there has been noticeable improvement in the accessibility of disclosures compared to the previous year. A growing number of FMPs now publish the information under clearly labelled sustainability or SFDR sections on their websites, which contributes to greater transparency, making the access to the PAI disclosures simple, intuitive, and straightforward. There are however still some cases where the easiest way to find the PAI disclosure is through an *ad hoc* query on a search engine including the name of the FMP and 'statement of principal adverse impacts' or going through four or five steps before being able to access the disclosures.
58. According to one NCA, the accessibility of credit institutions' websites is particularly problematic, since their websites are designed to make accessible and visible most of their core business (retail, loans, credit cards), at the disadvantage of portfolio management services, whose SFDR disclosures are difficult to find.
59. Some NCAs found that the explanation of non-consideration of PAIs could be difficult to find and was bundled in other documents.

| Examples | Examples |
|--|--|
| Good practices | Below average practices |
| <p>✓ The disclosures can be found in the same place as last year, making it easy for investors to find it.</p> <p>✓ The disclosures are typically accessible via a direct link from the home page or located in clearly labelled sections such as "Mandatory Disclosed Information", "About the Company", or "ESG Disclosures", or similar. In addition, the PAI statement is also easy to find when a relevant keyword is entered into a search engine and the relevant page appears.</p> | <p>✗ Individual pieces of information located in different places and scattered across various website, some in a sustainability page, others in regulatory information or requirements, others in marketing publications, making it difficult to find comprehensive information.</p> <p>✗ In some cases, involving fund managers, sustainability-related disclosures are difficult to locate from the home page. Access often requires navigating through multiple, non-intuitive links to find the section titled "Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors". In some cases, involving investment firms, the disclosures are not accessible via hyperlinks on the FMP's website at all; the PAI statement can only be located using external search engines.</p> |

Clarity of the disclosures



60. Some NCAs observed that disclosures are clearer for insurance undertakings. A trend confirmed from previous years is that FMPs that are part of larger groups tend to disclose information in a clearer way.
61. One NCA observed that FMPs with lower ESG ambitions tended to produce shorter and less detailed disclosures (and vice-versa). Additionally, the information in PAI statements was often lengthy and highly technical, making it challenging for the average consumer to fully understand.
62. Despite the progress from previous year, there is still room to enhance disclosures in terms of clarity of the descriptive sections of the statements, in particular regarding the clarity in the

language used, as often the information is highly technical and difficult to process for retail investors.

63. There is still a concerning misunderstanding of the regulatory disclosure obligations, as according to one NCA, small asset management and investment firms claim they do not consider PAIs because they do not manage portfolios of funds that promote environmental or social characteristics or aim to make sustainable investments. In addition, some FMPs keep confusing the regulatory requirements to disclose sustainability risks and PAIs, resulting in confusing disclosures from an investor perspective.

| Examples | Examples |
|---|--|
| Good practices | Below average practices |
| <p>✓ The PAI statements are completed in compliance with the template in Annex I of the SFDR Delegated Regulation, the FMPs maintain the order of the applicable indicators, their numbering and description, and provide an explanation of the actions taken or planned and targets set for the next reference period. The language used is appropriate for the targeted stakeholders, with most of the information being easily comprehensible.</p> | <p>✗ One FMP disclosed the PAI statement, without providing any explanation of the measures taken or planned, nor the objectives set for the next reference period.</p> |
| <p>✓ The description of escalation procedure in case of a lack of PAI reduction is an example of good practice regarding engagement.</p> | <p>✗ Information is presented as one large bulk of text which may discourage a typical reader from reading it all, especially if the reader is interested in finding a specific piece of information.</p> |
| <p>✓ Use of colours and visual to make the reports easier to read, footnotes with extra information.</p> | <p>✗ Use of English in documents that should be in the national language of the jurisdiction, vague references to actions taken. Overall, the reports contained a lot of technical information, which makes it difficult to read/understand.</p> |
| <p>✓ In addition to the summary required by the SFDR Delegated Regulation, a brief four page summary is also available in a separate document.</p> | <p>✗ Some disclosures were overly generic and lacked the necessary detail, rendering them confusing and difficult to understand.</p> |

Completeness of the reporting



64. As in previous years, many NCAs found that larger companies as insurance undertakings and some UCITS management companies that are part of a larger group tend to disclose information that is more comprehensive and completed.
65. Most NCAs reported that compared to last year, they noted some general improvements, in particular with respect to filling out of the column of table 1 and a better description of the “actions taken”.
66. A key finding reported by one NCA was that the column on “actions taken and actions planned to avoid or reduce main adverse impacts” was merged across several indicators.
67. Many NCAs found that, despite the obligation to provide a 2-page summary in English²², this was not always made available by the FMP.

| Examples | Example |
|---|---|
| Good practices | Non-compliance |
| ✓ Reasons for variations in PAI data compared to the previous year (ex: changes in coverage rates, services providers and methodologies) are clearly explained. | ✗✗ FMPs do not have a translated summary in English. |
| ✓ Indicators related to the CO2 emissions are well detailed at the level of comments, actions and targets. | Example Below average practice |
| ✓ Opt-in indicators from Table 2 and 3 are selected over and above the mandatory minimum of two. | ✗ There are references to international standards but no reference to PAI indicators used to measure compliance with international standards. |

²² Article 5 of the SFDR Delegated Regulation

Quality of the statements of PAI disclosures



68. Insurance undertakings, along with asset management companies that are part of larger financial groups or banking groups, generally provide higher-quality disclosures. Their statements tend to be more complete, structured, and easier to follow compared to those of standalone or smaller FMPs.
69. Several NCAs expressed the challenge of opining on the quality of the statements without having a full access to the information regarding the underlying investments, and without IT / SupTech tools any manual review would mean a significant use of resources.
70. While some NCAs reported that many of their FMPs disclose the data eligibility and data coverage, for other FMPs NCAs noted low data coverage for many indicators, lack of good practice in developing estimates in the absence of actual data, insufficient information disclosed to understand the methodology and potential use of PAI indicators to ensure compliance with international standards, and insufficient information disclosed to understand whether a future climate scenario is used.
71. Other NCAs observed some issues related to errors in calculation of PAIs (e.g. using a calendar year end-approach instead of quarter-average approach), description of strategies incomplete/vague, especially with regard to general forward-looking statements to reach climate neutrality in the future; missing interim targets to enable the reader to assess the plausibility of planned achievements (suspected “time washing strategies”), engagement policies non meaningfully explained or history/publication date missing.

| Examples Good practices | Examples Below average practices |
|--|---|
| <p>✓ FMPs publish comprehensive and detailed statements containing high-quality information that is coherent, well-structured, and provide clear justification and context for each indicator, including disclosure of used calculation methodology, sources</p> | <p>✗ Some FMPs published statements that use generic language, lack specificity, or have an unclear structure, which reduces their usefulness for stakeholders. The use of long, technical sentences without adequate contextual explanation is also a relatively frequent issue.</p> |

and assumptions. These disclosures are also accompanied by specific targets and metrics.

✓ Breaking down the change in PAI from one year to the next by factors: actual change in the indicator at the level of portfolio positions (for example, the reduction in greenhouse gas emissions), market effect, management actions (purchases/sales), and any scope/methodology effects.

✗ Some FMPs only disclose under minimum requirements and quality, i.e. missing unit of measurement or layout that is difficult to read.

Quantification of actions taken



72. The quantification of actions taken in the PAI statement was the weakest area overall, as already noted earlier in the report. In many cases, disclosures lacked measurable or clearly defined actions, making it difficult to evaluate the actual efforts made by FMPs.

73. A recurring issue is the disclosure of general policies or actions without accompanying metrics or clear timelines, and in general FMPs provide general statements such as 'will continue to monitor' or place details on one or two actions impacting all the metrics in the table, but it is difficult to find quantitative targets.

Examples

Good practices

✓ PAI statement includes all mandatory indicators, with actions and targets, even if with different levels of specificity.

✓ Detailed information on i) PAI monitoring on ongoing basis in the view of the prompt detection of deviation from the previously defined target and consequent prompt activation of remedial action; ii)

Examples

Below average practices

✗ In some cases, FMPs did not provide explanations of the actions taken or planned or failed to set targets for the next reference period.

✗ Generic and unclear reference to the actions envisaged to improve PAI in the invested companies (for example "development of PAI process"; "expansion of the scope of the Net Zero initiative", etc.), or lack of disclosure of target values; no clear

on the governance and escalation system within engagement initiatives and investment strategies.

✓ Inclusion of a clear escalation procedure in the case of lack of PAI reduction, a description of exclusion policy and an identification of the limitations, such as the possibility of reducing PAIs could increase the investment risk.

distinction between actions taken, actions planned, and objectives set for the following year.

✗ FMPs explain their actions more generally and it is difficult to quantify. They sometimes use the same phrase for different indicators.

Compliance with the 30 June 2024 deadline



74. There was a very high level of compliance with the deadline, with FMPs mostly publishing their statements before the 30 June 2024. However, there were few instances in which NCAs found outdated statements dating back to 2022 and 2023, and in general insufficient internal controls, processes and policies to ensure compliance with SFDR disclosure requirements.

Examples of non-compliance

✗ ✗ Some cases of outdated statements dating back to 2022 and 2023.

✗ ✗ A few cases of statements not including the date of publication.

3.2 An assessment of voluntary disclosures and current challenges

75. Overall, through the ESAs' own desk-based analysis and feedback from NCAs, there has been a steady improvement in the quality of the PAI voluntary disclosures since the application of the SFDR. Disclosures have improved significantly this year in terms of clarity, quality and

completeness. Such progress has been identified particularly on the investment management side.

76. FMPs that are part of larger groups disclose the information on sustainability in a more detailed and appropriate manner, which is feedback that has been reported consistently since the start of the reporting of PAIs.
77. Consistent with previous years' feedback, while some NCAs noted some slight improvement, for the majority of NCAs the quality of the statements of non-consideration of PAIs is still not completely satisfactory, as FMPs keep including explanations like limited resources and data availability as main reasons, without any forward-looking approach, nor any indication about when the consideration of PAI indicators will be introduced. The explanations provided were still generic, with standard wording, used repeatedly year after year, that does not reflect the entity's investment approach.
78. Another element observed by NCAs was that the disclosure of the degree of alignment with the Paris Agreement objectives remained limited and vague. However, there is an improvement in the level of details, based on the ESAs desk-based analysis.
79. The use of the template in the SFDR Delegated Regulation introduced a degree of comparability across FMPs' approaches, supporting the understanding of PAI disclosures. However, actions and explanations provided are often general and difficult to quantify; in addition, many PAIs are disclosed as "0", with the FMPs specifying that the result is zero "to the best of our knowledge". This makes it difficult to assess the relevance of this disclosure. Some NCAs noted that the FMPs in their markets were not making a thorough connection between their engagement policies and the reduction in their PAIs yet.
80. The NCAs were asked to share their key challenges in the supervision of PAI disclosures. Most responded that the review process was resource intensive. As there is no obligation for FMPs to report directly their voluntary PAI disclosures to NCAs, conducting a detailed and qualitative review of the disclosures still requires substantial manual efforts by NCAs. Information has to be searched and extracted manually, and the qualitative assessment is made even more difficult by the length of the PAI statements.
81. Most NCAs do not have SupTech tools available that would support a more efficient and automated analysis. In addition, on several data points, due to methodology and data limits, metrics are not systematically reliable, making the supervision of those reporting challenging.
82. However, the NCAs noted that the exercise helped to identify key areas for improvement and future supervisory focus.

4. Conclusions and recommendations

4.1 Recommendations to the European Commission

- ❖ The Commission should consider the persisting value of PAI statements, possibly in shorter form with reduced indicators, in machine-readable format and made available in the European Single Access Point (ESAP)²³;
- ❖ Taking into account the findings related to lack of coverage, the Commission could implement the best practice recommended by the ESAs in joint SFDR Q&A IV.5, which is that FMPs could disclose the proportion of investments covered by data and distinguish that from the proportion that is estimated. This would enable investors to assess the robustness of the indicators disclosed in the PAI disclosure; and
- ❖ The ESAs would like to reiterate that the Commission could consider other ways of introducing proportionality for FMPs, as the “more than the 500-employees” threshold may not be a meaningful way to measure the extent to which investments may have principal adverse impacts on sustainability factors²⁴. An alternative, and more suitable approach to disclose on the adverse impact of FMPs could consist, for example, of establishing a threshold based on the total amount of the FMP’s investments;
- ❖ Finally, the ESAs would like to recommend the Commission to reduce the frequency of the Reports published under Article 18 SFDR to every two or three years, as opposed to the current annual publication, as this would allow the ESAs and NCAs to focus more resources on delivering a more meaningful analysis of the PAI disclosures.

4.2 Recommendations to the NCAs

- ❖ NCAs should continue engaging with relevant FMPs to support the necessary enhancements and ensure that disclosures improve in both quality and relevance over time;

²³ Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability.

²⁴ This was already flagged in the 2023 and 2024 Reports.

- ❖ NCAs should clearly communicate supervisory expectations with FMPs to support the effective integration of PAI into FMPs' decision-making processes; and
- ❖ NCAs should remain vigilant about the level of coverage (that should include all investments).

Annex – Full list of good and below average practices by sector

83. These tables provide the full list of the examples of good, below average and non-compliant practices identified by the ESAs based both on NCAs' observations and the ESAs' own desk-based analysis. The tables also include many examples that were not separately highlighted in the relevant sections of the Report itself²⁵.

Table 1: Good and below average practices of entity level PAI disclosures

| Criterion | Examples | Examples |
|------------------------------------|---|--|
| | Good Practices | Below average practices |
| Location of the disclosures | <p>✓ Fund managers - a company publishes the statement on the integration of sustainability risks in investment processes, in addition to the dedicated section, also on the specific pages of each fund marketed.</p> <p>✓ Fund managers - addition of an introductory paragraph before the PAI table in order to explain the information disclosed. Also, the PAI table contains explanation and information concerning the "Impact year" (as at 31/12/2023), an Explanation about the % of Coverage [which is the average coverage disclosed in the PAI statement] and a summary of the "Actions taken, and actions planned and targets set for the next reference period".</p> <p>✓ Insurance undertakings and fund managers - on the homepage, within a designated link such as one titled 'Our ESG</p> | <p>✗ Individual companies belonging to the group when the group has one page for all group companies in the country. Especially, when different types of sustainability disclosures are applicable for the group (CSRD, etc.), as there are different sustainability related sections on the websites.</p> <p>✗ Though there is a separate section on a website named Sustainability, the SFDR Article 3-5 disclosures are provided in single document named Sustainability information, the title of each section of this document partly matches SFDR wording in some cases disclosures were placed in less intuitive sections of the entity's website (for example in the section named Documents).</p> <p>✗ Fund managers - In some cases, sustainability-related disclosures are difficult to locate from the home page.</p> |

²⁵ Please note that the examples reported in the table refer to the sector where they have been observed, but they may be relevant also for other sectors.

Approach there is a subsection containing a link to the Statement on principal adverse impacts of investment decisions on sustainability factors. Typically, all other relevant documents required under SFDR are also available alongside the statement.

✓ **Pension funds** - on the company's homepage, under the section 'Sustainability-related disclosures' in the dropdown menu, the 'Statement on principal adverse impacts of investment decisions on sustainability factors' is clearly visible.

✓ **Banks** - FMPs specify the date of the publication of the disclosure and the date and the version number of the document, either within the document or in the document's name. Some large banks acting as FMPs clarify in the title of their Article 4 Statement on PAIs consideration that the disclosure is provided in their capacity as FMPs. This specification is useful for those large entities that act both as FMPs and financial advisers, because it facilitates identifying the Statements provided in their respective different capacities.

✓ **All sectors** - the disclosures are typically accessible via a direct link from the home page or located in clearly labelled sections such as "Mandatory Disclosed Information", "About the Company", or "ESG Disclosures", or similar. In addition, the PAI statement is easy to find when a relevant keyword is entered into a search engine and the relevant page appears.

Access often requires navigating through multiple, non-intuitive links to find the section titled "Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors"

✗ **Insurance undertakings** - in some cases, the disclosure is made under the tab 'about us' without any context or explanation of what the disclosure is about.

✗ **Banks** - a bank with a website contains a large volume of general information, making navigation challenging. On the homepage, two relevant links— titled 'ESG' and 'Sustainable Finance'—are placed at the very bottom, which may be confusing for users. Only after clicking through one of these links does the user reach a separate page where the required disclosure is eventually found.

✗ **Banks** - Individual pieces of information located in different places and scattered across various website, some in a sustainability page, others in regulatory information or requirements, others in marketing publications, making it difficult to find comprehensive information.

✗ **Investment firms** - In some cases, the disclosures are not accessible via hyperlinks on the FMP's website at all; the PAI statement can only be located using external search engines.

Clarity of the disclosures

✓ **Insurance undertakings** - The statement is clear and well-structured, with relevant information presented in a way that is easy for investors to understand. It is evident from the disclosures what actions the companies have taken during the year. However, there is room for further improvement, particularly in providing more precise and detailed descriptions of future measures, which the companies should aim to address in upcoming updates.

✓ **Insurance undertakings** - The description of escalation procedure in case lack of PAI reduction was a good practice as regards engagement policy.

✓ **Investment firms and banks** - in addition to the summary required by the SFDR Delegated Regulation, publication of a summary of the statement in a separate document

✓ **All sectors** - use of colours and visual to make the reports easier to read, footnotes with extra information.

✓ **All sectors** - the PAI statements are completed in compliance with the template in Annex I of the SFDR Delegated Regulation, the FMPs maintain the order of the applicable indicators, their numbering and description, and provide an explanation of the actions taken or planned and targets set for the next reference period. The language used is appropriate for the targeted stakeholders, with most of the information being easily comprehensible.

✗ **Pension funds and fund managers** - some FMPs fail to present this information in a sufficiently clear and detailed manner, making it difficult to fully understand the activities undertaken for specific indicators or groups of indicators which is the main reason why clarity is lacking. Additionally, it was noted that relevant links to supporting documents or procedures—when referenced—are frequently missing, which further limits transparency and traceability.

✗ **Insurance undertaking** - instances of only reporting of percentages in Table I, Annex I of the SFDR Delegated Regulation, without any narrative explanation.

✗ **All sectors** - use of English documents that should be in the national language of the jurisdiction, vague references to actions taken. Overall, the reports contained a lot of technical information, which makes it difficult to read/understand.

✗ **All sectors** - information is presented as one large bulk of text which may discourage a typical reader from reading it all, especially if the reader is interested in finding a specific piece of information.

✗ **All sectors** - some disclosures were overly generic and lacked the necessary detail, rendering them confusing and difficult to understand.

✗ In addition, one FMP disclosed the PAI statement , without providing any explanation of the measures taken or

| | | |
|---|---|---|
| <p>Completeness of the reporting</p> | <ul style="list-style-type: none"> ✓ Fund managers - indicators related to the CO2 emissions are well detailed at the level of comments, actions and targets. ✓ Insurance undertakings - FMP reported all the required information, providing responses that ensure a clear understanding of their approach and actions. ✓ Insurance undertakings / Pension funds - PAI-statement clearly and completely states methods of collecting and processing available data and informs about lacking data. In addition to that, the FMP explicitly mentions those assets which were not included into the indicator calculation and provides an adequate explanation for the non-inclusion. ✓ Banks - FMP included all indicators set in the Annex, including the voluntary ones. ✓ All sectors - reasons for variations in PAI data compared to the previous year (ex: changes in coverage rates, services providers and methodologies) are clearly explained. ✓ All sectors - Opt-in indicators from Table 2 and 3 are selected over and above the mandatory minimum of two. | <p>planned, nor the objectives set for the next reference period.</p> <ul style="list-style-type: none"> ✗ Fund managers - FMPs provided the metrics and impact values for each indicator; however, they often failed to include accompanying explanations, meaning there is unclear information in the explanation column. Additionally, the disclosures lack clear information on the actions taken, as the statements provided are overly generic and do not specifically relate to the PAI indicators in question. Sometimes the column on “actions taken and actions planned to avoid or reduce main adverse impacts” is merged across several indicators. ✗ Insurance undertakings - several insurance undertakings did not include all mandatory indicators, did not sufficiently describe the actions taken or planned, or the targets set. ✗ Insurance undertakings/ Pension funds - instances of lack of information on asset classes which are not considered for the PAI-statement. Similarly, information about a scaling approach to reach up to 100% coverage ratio are not disclosed. ✗ All sectors - There are references to international standards but no reference to PAI indicators used to measure compliance with international standards. |
| <p>Quality of the statements</p> | <ul style="list-style-type: none"> ✓ Fund manager - the PAIs indicators selected for the section "Other Indicators for Principal Adverse Impacts" were chosen due to their importance for the assessment process. Additionally, these PAIs indicators provide sufficient data | <ul style="list-style-type: none"> ✗ Fund manager - there is a consistent lack of detailed information regarding the actions taken, actions planned, and targets set for the next reference period. In some cases, this information is either missing entirely or replaced with generic |

coverage, which is expected to be further enhanced in the future. The ManCo has a data Provider platform and holds a special data license to identify the principal adverse impacts on sustainability factors. According to the ManCo's PAI statement, continuous assessments are conducted for external data providers and other data sources to evaluate data quality and data coverage.

✓ **Fund manager** - integration of PAIs in stewardship policy which tends to show that the problems that the PAI tends to address is useful for deploying an ESG strategy and break down the change in PAI from one year to the next by factors: actual change in the indicator at the level of portfolio positions (for example, the reduction in greenhouse gas emissions), market effect, management actions (purchases/sales), and any scope/methodology effects.

✓ **Insurance undertaking** - integrate company data into ESG score which tends to show that the data needed to calculate PAIs are useful for deploying an ESG strategy or integrate thematic of PAI (ex: biodiversity) in stewardship policy which tends to show that the problems that the PAI tends to address is useful for deploying an ESG strategy.

✓ **Bank** - a detailed PAI statement was provided, containing clear, comprehensive, and well-structured information. The statement includes extensive explanations and clearly differentiates and specifies the actions taken for each individual indicator. In addition, the bank demonstrates a

references to broader sustainability documents. Where actions are provided, they are often vague, summarised collectively for all indicators, and lack specificity. Additionally, the explanation column frequently lacks meaningful commentary, making it difficult to understand the actual impact of the FMP's activities compared to the previous year. As a result, the overall disclosures do not provide a clear or measurable picture of the entity's performance or progress in addressing principal adverse impacts.

✗ **Fund managers** - some FMPs only disclose under minimum requirements and quality, i.e. short paragraphs, missing unit of measurement or layout that is difficult to read.

✗ **Fund managers** - the ManCo has not adequately explained how the responsibility for the implementation of those policies within organisational strategies and procedures is allocated. Also, the ManCo has not disclosed specific quantified targets for reducing the principal adverse impacts on sustainability factors.

✗ **All sectors** - some published statements that use generic language, lack specificity, or have an unclear structure, which reduces their usefulness for stakeholders. The use of long, technical sentences without adequate contextual explanation is also a relatively frequent issue.

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| <p>Quantification of actions taken</p> | <p>consistent and transparent approach, making it easier for stakeholders to understand how sustainability risks and impacts are being addressed.</p> | |
| | <p>✓ All sectors - breaking down the change in PAI from one year to the next by factors: actual change in the indicator at the level of portfolio positions (for example, the reduction in greenhouse gas emissions), market effect, management actions (purchases/sales), and any scope/methodology effects.</p> | |
| | <p>✓ All sectors - some published comprehensive and detailed statements containing high-quality information that is coherent, well-structured, and provide clear justification and context for each indicator, including disclosure of used calculation methodology, sources and assumptions. These disclosures are also accompanied by specific targets and metrics.</p> | |
| | <p>✓ Fund managers - provide numerous detailed actions taken and planned tailored for every indicator. In some cases, there are three or more actions per indicator.</p> <p>✓ Fund managers - detailed information on i) PAI monitoring on ongoing basis in the view of the prompt detection of deviation from the previously defined target and consequent prompt activation of remedial action; ii) on the governance and escalation system within engagement initiatives and investment strategies.</p> <p>✓ Insurance undertakings - inclusion of a clear escalation procedure in the case of</p> | <p>✗ Fund manager - general statements that do not specify any quantifiable targets for the next periods, with no possibility to verify achievements. This is applied for all indicators.</p> <p>✗ Fund managers - some FMPs explain their actions more generally and it is difficult to quantify. They sometimes use the same phrase for different indicators.</p> <p>✗ Insurance undertaking - the same measure is used for all indicators.</p> <p>✗ All sectors - generic and unclear reference to the actions envisaged to improve PAI in the invested companies</p> |

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| <p>Compliance with the 30 June deadline</p> | <p>lack of PAI reduction, a description of exclusion policy and an identification of the limitations, such as the possibility of reducing PAIs could increase the investment risk.</p> <p>✓ Bank and Insurance undertakings - detailed, specific quantification of actions related to PAI disclosures is provided.</p> <p>✓ All sectors - the publication date is clearly stated and there is a link to statements from previous years.</p> | <p>(for example "development of PAI process"; "expansion of the scope of the Net Zero initiative", etc.), or lack of disclosure of target values; no clear distinction between actions taken, actions planned, and objectives set for the following year.</p> <p>✗ All sectors - In some cases, FMPs did not provide explanations of the actions taken or planned, or failed to set targets for the next reference period. In certain instances, planned actions or targets were missing or too briefly described. A recurring issue is the disclosure of general policies or actions without accompanying metrics or clear timelines.</p> |
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Table 2: Non-compliance of entity level PAI disclosures

| <p>Criterion</p> | <p>Examples Non-compliance</p> |
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| <p>Completeness of the reporting</p> <p>Compliance with the 30 June deadline</p> | <p>✗ ✗ All sectors - FMPs do not have a translated summary in English.</p> <p>✗ ✗ All sectors - Some cases of outdated statements dating back to 2022 and 2023.</p> <p>✗ ✗ All sectors - A few cases of statements not including the date of publication.</p> |

Table 3: Good and below average practices of product level PAI disclosures

| Sector | Examples Good Practices | Examples Below average practices |
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| Fund managers | <p>✓ For funds that choose to disclose their PAIs, the results are disclosed for each indicator and also described the suitability and the coverage in %.</p> <p>✓ Funds that have sustainable investment as their objective also disclose under article 7(1) SFDR. FMPs offering these products also disclose at entity level.</p> <p>✓ Some PAI statements provide detailed information, including which indicators of the PAIs are considered in the decision-making process. In addition, the statements refer to documents used in selecting companies in which to invest, with a view to promoting environmental and social characteristics. Asset Managers provide detailed PAI statements with comprehensive information.</p> <p>✓ One fund considers PAIs on sustainability factors through the application of screens and its exclusionary policy. The fund takes into account the following PAIs: (i) GHG emissions, (ii) GHG intensity of investee companies, (iii) exposure to companies active in the fossil fuel sector, (iv) violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, (v) exposure to controversial weapons. In addition, the fund considers the PAIs through FMP's DNSH standard for Sustainable</p> | <p>✗ For funds that choose to disclose their PAIs, the results are not reported on indicator specific basis.</p> |

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| | Investments and will provide information on the PAIs in its annual report. | |
| | <p>✓ Principal adverse impacts are considered with both qualitative and quantitative approaches. Exclusion policies cover the most material sustainability factors' risks and are applied on a continuous basis. Where relevant, stewardship policies are an additional risk mitigation, through direct dialogue with companies on sustainability and governance issues. Voting at general meetings supports risk mitigation and long-term value creation. These exclusion and stewardship measures help manage potential negative impact on specific PAI indicators.</p> | |
| Insurance undertakings | <p>✓ Insurance undertakings offering profit participation products disclose up-to-date PAI statements on their websites.</p> <p>✓ One profit participation product that has sustainable investment as its objective has a minimum sustainable investment objective of 90% in investments with an environmental objective. All PAI indicators from table 1 of annex 1 of the SFDR RTS are considered at product level, in coherence with the product manufacturer entity level PAI statement.</p> | |
| Banks | <p>✓ Most of the standardised DPM (Discretionary Portfolio Management) article 8 products offered by banks affirm considering PAIs. A few banks also offer standardised DPM article 9 products, which all of them consider PAIs.</p> | <p>✗ Many banks do not make a clear distinction between financial product disclosures under Article 7(1) and entity level disclosures under Article 4(1).</p> |

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| Investment firms | <p>✓ One investment firm managing portfolios covered by Article 8 SFDR made disclosures under Article 7 in a separate document, mirroring table 1 in Annex I of SFDR RTS.</p> | <p>✗ One investment firm published statement on PAI non-consideration at entity level, despite the fact that it voluntarily disclosed information on PAIs with respect to financial products, using the template in Table 1 of Annex I of the SFDR Delegated Regulation.</p> |
| All sectors | <p>✓ Disclosing the excluded sectors in which FMPs do not invest.</p> <p>✓ FMPs selling Article 8 or 9 products use the SFDR Delegated Regulation templates for precontractual disclosures, which include PAI disclosures, hence they effectively disclose such information. These FMPs disclose also PAIs at entity level.</p> | <p>✗ Several PAI disclosures are not satisfactory as they include too generic information. Therefore, it is difficult for investors to understand how PAI is considered.</p> |