



Association Européenne des Institutions Paritaires

European Association of Paritarian Institutions

AEIP Position paper on the Review of the Sustainable Finance Disclosure Regulation (SFDR)

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Executive summary

AEIP welcomes the review of the Sustainable Finance Disclosure Regulation (SFDR) and supports the objective of making sustainability disclosures clearer and more understandable for investors, while reducing reporting burdens for financial market participants. We appreciate the proposal of moving from the current self-classification system under Articles 8 and 9 towards a more precise categorisation framework with clear minimum conditions. AEIP also welcomes the proposed simplification of the framework, notably the removal of mandatory Principle Adverse Impact (PAI) reporting, which has generated significant complexity for occupational pension funds while offering limited practical value to their members and beneficiaries.

At the same time, AEIP underlines that IORPs and occupational pension schemes differ fundamentally from purely retail investment products. They are not typically distributed through a retail, choice-based, pre-contractual process. Participation is often mandatory or quasi-mandatory, and linked to employment arrangements. Members usually do not actively choose between competing products, and communication takes place primarily through recurring member information, rather than pre-contractual disclosures. Pension funds also operate under prudential rules established by the IORP II Directive and national legislation, hold well-diversified portfolios across multiple asset classes, and frequently rely on external asset managers and portfolio mandates. Many pension funds in the EU also operate under the paritarian model of governance, whereby they are jointly managed by representatives from social partners. Paritarian institutions also typically integrate the sustainability preferences of their members and beneficiaries in their investment policy.

Ensuring that the revised SFDR framework reflects these specific characteristics of IORPs and remains suitable for these institutions must be a priority. In particular, the treatment of government bonds in the calculation of the 70% threshold for qualifying as a transition, ESG basics or sustainable product should be designed in a way that also takes into consideration the specific long-term and diversified investment needs of IORPs. Similarly, communication rules should still allow pension funds to inform their members and beneficiaries in a clear, fair, and responsible manner, about their investment strategy, including any sustainability-related aspects. AEIP would like to stress that if IORPs should continue to fall under the scope of the revised SFDR, communication rules should not prevent them from informing their members and beneficiaries about the sustainability profile of relevant portions of their investment portfolios.

Key recommendations

- AEIP supports a clearer and simpler SFDR framework, including the introduction of a proper categorisation of financial products that make sustainability-related claims.
- Given the specific nature of occupational pensions, which differ fundamentally from purely retail investment products, AEIP calls for a more tailored approach for IORPs under the review of the SFDR regulatory framework.
- The revised SFDR framework should not introduce obstacles for IORPs on the way they effectively communicate with members and beneficiaries about their investment strategy, including any ESG-related aspects.
- SFDR rules on the treatment of government bonds in the calculation of the 70% threshold should take into account the specific long-term and diversified investment needs of occupational pension funds.
- The review of the SFDR should be consistent with the ongoing revision of the IORP II Directive, and should avoid introducing sustainability-related requirements that are already addressed under the framework governing occupational pension institutions.

1. A tailored approach is needed for occupational pensions

AEIP supports the objective of making sustainability disclosures simpler and easier to understand for end-users. A precise and structured categorisation for sustainability-related product information can benefit end-users and reduce the ambiguity associated with the current self-categorisation approach, regulated under Articles 8 and 9.

However, occupational pensions cannot be approached in the same manner as purely retail financial products. In the case of IORPs, participation is often mandatory or quasi-mandatory, linked to employment or collective agreements, and members generally do not make an individual investment choice. The objective of SFDR in this context is therefore not to support product distribution in a competitive retail market, but to provide a proportionate framework for transparency and communication vis-a-vis members and beneficiaries.

In addition, pension institutions are long-term institutional investors operating under specific prudential requirements. Their portfolios are well-diversified across multiple asset classes and are structured in light of retirement objectives, risk management needs and long-term liabilities. These characteristics distinguish IORPs from other financial products covered by SFDR and require a more tailored application of the framework for occupational pension funds.

2. Communication with members must remain possible

AEIP would like to emphasise that the revised framework should be better calibrated to the role and characteristics of occupational pension funds, ensuring that these institutions can continue to communicate clearly with members and beneficiaries about their investment policy, including any sustainability-related aspects.

In occupational pensions, communication does not primarily take place through pre-contractual documentation. Pension fund members typically receive information through websites, annual statements, explanatory material and other recurring forms of communication. These channels are essential to ensure transparency, accountability and trust, especially when institutions explain how sustainability considerations are integrated into long-term investment strategies.

AEIP warns that a horizontal approach to communication rules for all financial market participants would not reflect the reality of pension funds and could create situations where IORPs fail to meet the requirements to qualify under the revised framework while facing restrictions on how they communicate their investment policy with members.

Such an outcome would reduce transparency for pension fund members, and may discourage IORPs from maintaining or further developing ambitious responsible investment strategies. AEIP therefore calls for a

regulatory framework on sustainability disclosures ensuring that occupational pension institutions can continue to provide clear, fair and non-misleading communication about their investment approach.

3. Government bonds must be treated in a suitable manner for occupational pension institutions

AEIP considers the treatment of government bonds to be a key issue for the occupational pensions sector.

Government bonds represent an important part of many pension funds' portfolios for reasons related to prudential management, diversification and liability matching. IORPs normally allocate significant investments to sovereign bonds as these are typically long-term, low-risk assets that facilitate portfolio diversification and enable pension funds to effectively provide permanent adequate and secure retirement income for their members and beneficiaries.

For this reason, AEIP supports the proposal to include government bond investments in the calculation of the numerator for the ESG Basics category. A hypothetical exclusion of these assets from the calculation of the numerator for this category, as proposed for the transition and sustainability categories, would make it extremely difficult, if not impossible, for pension funds to meet this categorisation, irrespective of the overall sustainability profile of their broader portfolio.

AEIP also considers that the revised SFDR framework should provide sufficient clarity on the available methodologies that may be used to assess the sustainability dimension of government bonds, while remaining flexible enough to facilitate innovation and accommodate different responsible investment approaches.

4. Exclusions should be credible but also operationally realistic

AEIP recognises the role of mandatory exclusions in supporting the credibility of the categorisation framework. At the same time, rules must remain appropriate for long-term institutional investors with diversified portfolios, such as pension funds. In particular, we express concern about the lack of clarity regarding how financial market participants should manage assets that do not comply with the exclusion rules under the proposed articles 7(1), 8(1) or 9(1). Immediate divestment may not always be feasible or appropriate, especially in the case of illiquid assets, such as private equity and infrastructure investments, or where positions are held for the purpose of hedging.

AEIP calls EU policymakers to ensure that the revised SFDR allow for reasonable flexibility regarding permitted deviations from mandatory exclusions to ensure that the regulatory framework remains workable for long-term investors in practice.

5. Consideration of underlying products and portfolio mandates for the communication of sustainability-related disclosures is essential

Occupational pension institutions often invest through a combination of underlying investment funds and portfolio management mandates, relying on external asset managers for implementation, data and reporting.

Under the proposed article 9a(2), financial market participants are allowed to communicate about the sustainability features of their portfolios by disclosing the relative share of their underlying investments. AEIP strongly supports this proposal as it would enable IORPs to make use of the categorisation based on their underlying products and to rely on the information provided by outsourced asset managers. This is particularly relevant for institutions that may not be able to meet a product-level threshold directly because of diversification requirements, liquidity needs or data constraints.

However, the European Commission's proposal also excludes portfolio management mandates from the scope of the revised Regulation. We appreciate that recital 23 of the proposed SFDR review underlines that financial market participants can still make claims about a product category by also using information from discretionary portfolio management services, provided that the underlying investments fall under a categorised product. At the same time, this clarification is not explicitly stated under article 9(2). AEIP therefore calls for greater clarity in the final text of the Regulation to reduce ambiguity.

6. Communication on transition, sustainable and impact investments should remain possible

AEIP expresses concern about the proposed restrictions on naming and marketing communication under the new categorisation structure. Articles 7, 8, and 9 explicitly prevent financial market participants from making claims about the sustainability of their investment products. While we recognise the objective of the proposed rules to reduce greenwashing practices, we also believe that further clarification is needed for products falling under the ESG Basics category that allocate a significant share of investments in transition, sustainability or impact activities. In such cases, financial market participants should still be able to provide information about these investments in a fair, clear, and non-misleading manner.

Such a clarification would be particularly relevant for occupational pension funds that typically offer a single product, i.e. the pension scheme, to their members and beneficiaries, while allocating part of their investment portfolio in transition, sustainability and impact objectives.

7. The removal of PAI reporting is a positive development towards simplification and burden reduction

AEIP welcomes the proposal to remove mandatory PAI reporting. Although PAI indicators were initially intended to provide a harmonised sustainability data set, reporting in the occupational pension sector has resulted in substantial complexity and costs without playing a central role in member communication or in the design of responsible investment strategies. PAI statements provide limited added value in an occupational pension context as they are not comprehensible for many pension fund members and beneficiaries.

At the same time, AEIP urges supervisors to provide clear guidance on the applicable transition and reporting expectations for the year 2026 and 2027. This is essential to avoid unnecessary implementation costs.

8. The SFDR review must remain coherent with the IORP II review

AEIP underlines that the revision of the SFDR should be closely aligned with the review of the IORP II Directive.

Under the proposed review of the IORP II Directive, occupational pension institutions would be required to assess and integrate sustainability considerations and, where relevant, take account of members' sustainability preferences. By contrast, the proposed SFDR framework would require financial market participants to obtain categorisation before making sustainability claims. These two approaches appear inconsistent and may create legal uncertainty for IORPs.

AEIP therefore urges EU policymakers to approach the revision of the SFDR framework in a way that is fully compatible with the regulatory framework applicable for IORPs.

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