



■ Why does it matter to intermediaries?

Since the **Sustainable Finance Disclosures Regulation (SFDR)** came into force in March 2021, it is mandatory for insurance intermediaries providing advice on IBIPs and investment firms providing investment advice to comply with some specific sustainability-related disclosure obligations and to integrate sustainability factors and risks into their decision-making process. In parallel, since August 2022, the **IDD and MiFID II delegated acts** require insurance intermediaries distributing IBIPs and investment firms providing investment advice and portfolio management to integrate sustainability preferences into their advisory process.

For the first time, in 2025, and based on the 2024 financial year, insurance intermediaries falling under the scope of the **Corporate Sustainability Reporting Directive (CSRD)** (also known as first wave reporting) have to provide their sustainability reporting on a public basis. For other intermediaries, not falling under the scope of the CSRD, the **Voluntary standard for non-listed micro-, small- and medium-sized undertakings (VSME)** will become, in the future, the voluntary standard that could be used when providing sustainability reporting information to insurers and other business partners asking for it.

Over the last year, the European Commission has been working on a standard, aimed at allowing SMEs to use the **Taxonomy** framework and is also looking to add new economic activities to the existing Taxonomy list.

The new **Omnibus I** proposal, published by the Commission in March 2025, aims at simplifying sustainability reporting under the CSRD, Taxonomy and **Corporate Sustainability Due Diligence Directive (CS3D)** for all financial market participants and especially target SMEs by limiting the trickle-down effect those regulations could have on SMEs and on intermediaries.

Lastly, the ongoing work of the European and national supervisors on **greenwashing** and **green claims** is having an impact on the supervision of intermediaries' daily business activities.

■ State of play

Sustainable Finance Disclosures Regulation (SFDR)

In December 2024, the **European Platform for Sustainable Finance (EU PSF)**, an advisory body to the European Commission, published a report for a categorisation of products under the SFDR. The aim of this report is to provide input to the Commission's work on the review of level 1 of the SFDR. It also proposes changes to the current SFDR framework, to make disclosures easier to understand for retail investors. Concretely, it proposes 3 new product categories according to a sustainability strategy and one for non-classified products.

1. *"Sustainable: Contributions (to sustainability) through Taxonomy-aligned Investments or Sustainable Investments with no significant harmful activities, or assets based on a more concise definition consistent with the EU Taxonomy."*
2. *Transition: Investments or portfolios supporting the transition to net zero and a sustainable economy, avoiding carbon lock-ins, in line with the European Commission's recommendations on facilitating finance for the transition to a sustainable economy."*

3. *ESG collection: Excluding significantly harmful investments/activities, investing in assets with better environmental and/or social criteria or applying various sustainability features."*
4. *All other products should be identified as unclassified products" (see page 5 of the EU PSF report).*

Furthermore, the categories aim to reflect the overarching sustainability objective of financial products, focusing on the needs of retail investors. To be effective, it is proposed to align sustainability preferences under IDD and MiFID II delegated acts with the proposed new categories.

In preparation of the upcoming review of the SFDR framework, expected for the end of 2025, the European Commission launched in May a call for evidence on the review of the SFDR level I framework. It is interesting to note that the review will not start until the work on the Omnibus I simplification proposal has been completed (see point on the Omnibus I below) and that any change to the current SFDR framework will de facto, mean changes to the IDD and MiFID II delegated acts on sustainability preferences.



Corporate Sustainability Reporting Directive (CSRD) & Voluntary standard for non-listed micro-, small- and medium-sized undertakings (VSME)

The CSRD took effect this year, and requires many companies, including all companies listed on a regulated market, to publish sustainability information. Companies must report in accordance with new reporting standards: the **European Standards for Sustainability Reporting (ESRS)**. These standards establish a new harmonised framework for the reporting of sustainability information by companies operating in the European Union. The objective of this regulation is to ensure the reliability of information communicated by companies on environmental, social, human rights and governance issues. The quality of published information will thus be subject to external verification (=assurance).

Some intermediaries (large and listed ones¹) may already be concerned by CSRD reporting requirements. Moreover, even if non-listed SMEs are not directly in the scope of the CSRD they will have to provide data in the future, especially if they work with investors or larger clients (customers, banks, investors, ...) who need ESG data for compliance purpose (e.g.: carbon emissions, Human Rights, diversity, ...).

In December 2024, for companies out of the scope of the Directive, the **EFRAG (European Financial Reporting Advisory Group)** developed a voluntary standard, which still needs to be approved by the European Commission via a recommendation, as the VSME is not referenced in the CSRD. This VSME is composed of a basic and a comprehensive module. There is no materiality analysis (as it is the case for companies in scope of the CSRD) under the VSME, but the VSME introduces the "if applicable" principle. Rather than requiring a formal materiality assessment, SMEs are guided by predefined circumstances that trigger specific disclosures. This simplified approach allows SMEs to focus on the most relevant sustainability issues for their business while maintaining consistency with broader sustainability reporting standards, such as the ESRS. Under the VSME, the number of data points² is significantly reduced.

In the basic module, reporting is based on fundamental information and is targeted for undertakings with under 10 employees. This entry-level module requires 11 disclosures, which cover the most fundamental aspects of an SME's

sustainability practices. These disclosures are intended to be usable for smaller SMEs, ensuring they provide essential information on ESG topics without overwhelming them.

The comprehensive module is the most advanced module, containing 9 additional disclosures, and builds on the basic module by requiring more detailed information on sustainability issues. This module targets SMEs that can provide more granular data for business partners and other stakeholders. It includes additional information that is likely to be requested by banks, investors, and corporate clients. In any case, applying the basic module is a prerequisite for applying the comprehensive module.

Corporate Sustainability Due Diligence Directive (CS3D)

The Corporate Sustainability Due Diligence Directive (CS3D) was officially adopted by the European Commission in July 2024. Member States have until 26 July 2026 to transpose the Directive into national law. The scope of the CS3D has been limited to large EU companies with at least 1000 employees and €450 million net turnover. Interesting to note that, in certain cases, high risk sectors (financial services as they provide services to other high-risk sectors, for example, real estate, forestry, extraction...) may fall under the scope of the Directive. SMEs are exempted from the scope of the obligations but might be affected when they are part of the value chain of a company within the scope of the obligations.

The CS3D aims to foster sustainable and responsible corporate behavior. To this end, it imposes a corporate due diligence duty regarding human rights and environmental impact along a company's operations and supply chain. CS3D requires companies to conduct due diligence not only on their own operations but also across their entire value chain and develop and implement accordingly remediation plans to mitigate and eliminate adverse impacts on the environment and human rights.

The concept of the value chain is important since companies do have due diligence obligations regarding the conduct of business partners within their value chain. The text describes it as activities related to the production of goods or provision of services by a company, including the development of the product/service and use or disposal of a product, as well as

¹ Intermediaries may fall under the scope of the CSRD if they are a listed company or if they meet 2 of the following criteria: for small groups: €10 million net turnover, €5 million total asset and more than 50 employees & large groups: €50 million net turnover, €25 million total assets, more than 250 employees.

² Specific metrics and indicators on ESG criteria, that companies are mandated to report under the CSRD, to ensure comprehensive and comparable disclosure of a company's ESG performance and impacts.



related activities of established business relationships. It further explains that the notion of “value chain” encompasses upstream and downstream business relationships ranging from the supply, transport or storage of raw materials, to dismantling, recycling or landfilling of the product.

Taxonomy

In March 2025, the EU PSF published an independent report on streamlining sustainable finance for SMEs. The aim of this report is to develop a voluntary “SME sustainable finance standard”, in order to help SMEs and their lenders or financiers to voluntarily demonstrate SMEs’ environmental sustainability performance.

As the Taxonomy was not written with SMEs in mind and does not apply to them, it could be difficult for SMEs to access sustainable funding and disclose their climate related impacts. To address these challenges, the Platform proposed the “SME sustainable finance standard”, a streamlined and voluntary framework for banks and other financial institutions to classify loans (or other types of financing) provided to SMEs as sustainable finance, while simplifying related voluntary disclosures.

The standard initially focuses on climate-related sustainability and is planned to be expanded to other environmental objectives, bridging the gap between SMEs and the Taxonomy framework. In this case, the voluntary “SME sustainable finance standard” could be helpful when intermediaries will have to provide specific information related to the Taxonomy (key performance indicators, demonstrate climate efforts...) to clients, investors, business partners, as the reporting will be less burdensome and more comprehensible. As a reminder, the Taxonomy requirements are not mandatory for SMEs intermediaries, this kind of reporting will only be done on a voluntary basis.

In January 2025, the EU PSF also launched a call for feedback on its draft report on activities to be updated or included in the EU Taxonomy, proposing to add new activities to the existing Taxonomy, such as digital solutions and services for Taxonomy environmental objectives or mining and smelting of lithium, nickel and copper. Interesting to note that changes to the Taxonomy list of economic activities could also impact the sustainability preferences requirement under the IDD and MiFID II Delegated Acts.

Omnibus I

In February 2025, the European Commission published a legislative proposal related to sustainable finance: a simplification Omnibus³ package aimed at reducing the bureaucratic burdens and reporting requirements on EU financial market participants, by eliminating duplication and by streamlining the collecting and the reporting of data required under the Taxonomy, the CSRD and the CS3D. This Omnibus proposal is also called “Omnibus I”. In parallel to this simplification proposal, the Commission also proposed a “stop-the-clock” proposal, aimed at postponing the application dates for EU laws on due diligence and sustainability requirements (CSRD and CS3D). In April 2025, the co-legislators adopted the “stop-the-clock” proposal. In practice, it means that both proposals have been postponed.

Under the CSRD, the scope of the CSRD will be aligned with the CS3D, meaning that it will apply only to companies with more than 1,000 employees (increase from 250 employees), with either a turnover above €50 million or balance sheet above €25 million, significantly reducing its original coverage (above 80% of the companies currently under the scope (=wave 1) will be removed from it). Furthermore, there will be restrictions on information requests along the value chain under the CSRD with the introduction of a value chain cap, reducing the reporting burden on smaller companies within the value chain of the reporting companies. Furthermore, the VSME will be introduced for companies outside the scope of the CSRD (and used as a value chain cap regarding information to provide). For companies already in scope, there will be no more sector specific reporting standards (=no more ESRS 2), but ESRS 1 will remain and will be reviewed in order to simplify them.

Under the CS3D, companies would only need to engage with stakeholders directly impacted by their operations at key due diligence stages, meaning that due diligence will be restricted to direct business partners and only for companies with more than 500 employees. Plus, the clause to consider extending due diligence requirements for financial services will be removed and the obligation to terminate business relationships would be removed, but suspension could still be required.

Under the Taxonomy, the scope of the reporting obligations could be limited to the largest companies (according to the scope of the CS3D), which means that lots of companies that are now under the scope of the Taxonomy won’t be concerned anymore. Moreover, the number of datapoints will be reduced and the reporting templates will be simplified.

³ As a reminder, an Omnibus is a legislative proposal aimed at reviewing various existing Directives and/or Regulations, all at once.



All the proposed changes to the current sustainability legislations were made by the European Commission and still need to be assessed and approved by the co-legislators (both the European Parliament and the Council). At this stage, it is too early to confirm that all the proposed changes will remain as proposed by the Commission.

Quid for intermediaries?

It is interesting to note that special attention was given to SMEs and small mid-caps (SMCs) to reduce the complexity they are facing while still enabling them to access sustainable finance for their own transition. The aim of the European Commission is to limit the involuntary, but existing, trickle-down effects of these regulations on SMEs. Intermediaries are directly concerned by these potential changes, as it will impact their business relationships but also their own sustainability reporting when they are part of the value chain of a company within the scope of the obligations under each Directive.

Greenwashing & Green Claims

In June 2024, EIOPA published its final report on greenwashing risks and the supervision of sustainable finance policies, with, alongside, an opinion on sustainability claims and greenwashing. In its report on greenwashing risks, EIOPA proposed a common definition of what greenwashing is: *"a practice whereby sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or to other market participants"*.

EIOPA made 9 key proposals in order to improve the supervision of greenwashing and help to enhance sustainable finance regulatory framework. EIOPA also shared its willingness, as a supervisor, to work with "Suptech" to identify and combat greenwashing. It is also highlighted that the highest greenwashing occurrences took place at product level, especially at the level of marketing, sales and product management. EIOPA also pointed out the lack of explicit standards in the current regulatory framework for non-life products (home, motor, civil liability, travel insurance, etc.) with sustainable characteristics, which increase the risks of greenwashing. EIOPA does not exclude the inclusion of a new so-called "sustainable" section in the IPID, clarifying this in the POG, via modification of Article 20(8) of the IDD and the IPID Implementing Regulation (EU)2017/1469.

Regarding the sustainability claims, EIOPA proposed to national supervisors to use 4 key principles when evaluating sustainability claims and provided guidance on how to apply these principles:

1. *Sustainability claims made by a provider should be accurate, precise, and should fairly represent the provider's profile, and/or the profile of its products.*
2. *Sustainability claims should be substantiated with clear reasoning, facts and processes.*
3. *Sustainability claims and their substantiation should be accessible to the targeted stakeholders.*
4. *Sustainability claims should be kept up to date, and any material change should be disclosed in a timely manner and with clear rationale.*

In its opinion, EIOPA also shared real examples of good and bad practices coming from the insurance and pension sector.

■ BIPAR's position / key messages

- BIPAR believes that sustainable legislation such as the IDD and MiFID II delegated acts, related to consumers sustainability preferences, should also be streamlined, following the new simplification goal of the European Commission. This should be considered in the upcoming review of the SFDR to maintain consistency across all legislations.
- BIPAR supports the alignment between the CSRD and the CS3D thresholds and asks the legislators to align the scope of the cap to the value chain in both directives to 1000 employees (in the Commission's proposal, the cap is 1000 employees under CSRD and 500 employees under CS3D). Plus, the VSME must be the only reporting reference for all SMEs.
- The VSME is a voluntary scheme and should remain voluntary for SMEs, without having to rely on external providers (for example, data assurance will represent a cost that few SMEs could support). The scale of the activities conducted by an SME needs to remain a key concern when changing regulations, as changes are burdensome, costly and difficult to implement for micro and SME operators.
- The trickle-down effect on all companies out of scope should be assessed very carefully, as the incidences of CSRD and CS3D on intermediaries could be huge, knowing they are part of the value chain of the biggest companies subject to mandatory reporting under both directives.
- When simplifying, the level playing field, and the proportionality principles need to remain at the center of the co-legislator's work.



- Modifications to the Taxonomy framework could impact the disclosures requirements under the SFDR, but the potential impact is not clear at this stage, knowing that the SFDR framework will also change in the future.
- BIPAR supports ESAs work on greenwashing and welcomes the use of a common definition of what greenwashing is.

■ Next steps

Regarding the **SFDR**, even if the EU PSF published its proposal for new categorisation of products by December 2024, the formal review is not expected to start before the end of 2025.

Regarding the **Omnibus I**, the legislative proposals (on Taxonomy, CSRD and CS3D) have been submitted to the European Parliament and the Council for their consideration and adoption. The changes will enter into force once the co-legislators have reached an agreement on the proposals and after publication in the EU Official Journal.

The draft Delegated Act amending the current delegated acts under the **Taxonomy Regulation** will be adopted after public feedback and will apply at the end of the scrutiny period by the European Parliament and the Council.

Under the “**stop-the-clock**” **proposal**, a two-year postponement has been voted, meaning that reporting requirement under CSRD for companies that have not yet reported will be effective in 2028 and 2029.

For the CS3D, the compliance deadline is pushed back by one year, to 26 July 2028

Concerning the **VSME**, the Commission must validate it through a recommendation, meaning that an inter-services consultation is supposed to take place this year. Under the Omnibus I, the VSME will be adopted by the Commission through a Delegated Act. No exact timeline has been provided yet.

Regarding **greenwashing and green claims**, national supervisors are expected to take measures and develop tools in order to help them properly supervise greenwashing risks.

■ Links

- [SFDR](#)
- [EU PSF paper on SFDR new category](#)
- [IDD & MiFID II Delegated regulation](#)
- [CSRD](#)
- [VSME](#)
- [ESRS](#)
- [CS3D](#)
- [Taxonomy](#)
- [Platform on Sustainable Finance report: Streamlining sustainable finance for SMEs](#)
- [EU PSF draft report on activities and technical screening criteria to be updated or included in the EU taxonomy](#)
- [Omnibus I](#)
- [EIOPA's website: Greenwashing: what it is and how can it affect you?](#)
- [EIOPA's final report on greenwashing](#)
- [EIOPA's opinion on sustainability claims and greenwashing](#)

