

To: PRIIPs PG, Distribution PG, Corporate Reporting - Investments & Sustainable Finance WG
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Subject: ESAs' 2025 Annual Report on PAI Disclosures under SFDR

Summary

On 9 September, the Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published their [fourth annual Report](#) on the extent of disclosure of Principal Adverse Impacts (PAIs) under the Sustainable Finance Disclosure Regulation (SFDR): [here](#). The report covers disclosures for the 2023 reference period, published by June 2024.

Main findings include:

- Steady improvement in the quality, coverage and clarity of PAI disclosures.
- Insurance undertakings, along with asset management companies that are part of larger financial groups or banking groups, generally provide higher-quality disclosures
- Smaller entities often combine marketing/ESG content with SFDR disclosures, leading to weaker transparency.

Entity-level disclosures:

- Improvements include:
 - Easier access and clearer location of disclosures (e.g. ESG sections).
 - Greater detail on policies, methodologies, and alignment with international standards.
 - Inclusion of targets (e.g. GHG reduction) and escalation procedures.
- Weaknesses remain:
 - "Actions taken/planned" often vague, generic, or missing.
 - Reporting of "0" without explaining data gaps.
 - Missing English summaries or incomplete translations.

Financial product-level disclosures:

- The quality of disclosures remains uneven across financial market participants.
- NCAs reported difficulties in monitoring them due to the absence of automated reporting channels.
- Blurred distinction between entity- and product-level disclosures.
- Good practices include the use of the official PAI template with both qualitative and quantitative data.

Key Recommendations

For the European Commission

- Introduce shorter, machine-readable PAI statements (ESAP integration).
- Replace the 500-employee threshold with a more proportional approach, e.g. based on total investments.
- Reduce Article 18 reporting frequency from annual to every 2–3 years.

For NCAs

- Provide clear supervisory expectations to insurers and other financial market participants.
- Ensure disclosures are comprehensive, clear and cover all investments.