

Revision of EU rules on sustainable finance disclosure

Finnish Property Owners Rakli ("Rakli"), transparency register ID 727236253172-92, is an association representing Finland's most prominent owners of residential and commercial properties and infrastructure, property investors, major cities, and construction clients. Our membership includes both private and public sector entities, as well as the leading Finnish managers of real estate funds.

Rakli considers the Commission's proposal for SFDR 2.0 a welcome and necessary reform. The current framework does not sufficiently account for the specific characteristics of real estate investments, which has made it challenging for real estate fund managers to apply the rules in a meaningful and consistent manner. Particularly positive is the proposed shift from the existing Article 6, 8 and 9 structure to clearer sustainability categories. The introduction of a transition category is especially relevant for the real estate sector, where many funds pursue strategies focused on acquiring obsolete assets and undertaking major renovations to reduce CO₂ emissions.

At the same time, certain elements of the proposal require further calibration. The restrictions on sustainability-related claims for products that do not fall within the defined categories are drafted too narrowly. While Rakli fully supports efforts to prevent greenwashing, the proposed limitations would unduly restrict funds' ability to communicate material sustainability information to their investors. We therefore recommend applying these restrictions only to products intended for retail investors. In addition, we propose lowering the 70% threshold in Article 8(1)(a) to 50%, which better reflects established market practice.

It is also essential that the conditions for classifying investment products into the new categories are designed with the realities of the real estate sector in mind. For example, the Level 2 RTS should acknowledge that EPCs are an imperfect proxy for emissions reductions and that the "energy efficiency first" principle, while well-intentioned, can lead to suboptimal outcomes. In the Nordic countries, significant emissions reductions have been achieved by switching to zero-emission energy sources, even when this has resulted in higher net zero-emission energy use. These investments have often delivered a more favourable cost-benefit profile than measures focused solely on improving energy efficiency, which may in some cases increase a building's life-cycle emissions through the increased use of building materials.

Rakli believes SFDR 2.0 can deliver a more coherent and proportionate framework if it reflects real estate-sector realities and is supported by clear, well-calibrated Level 2 measures. Close cooperation with the sector will be essential to ensure the rules are workable and support credible transition pathways. Rakli remains committed to engaging constructively with the Commission to help shape an effective and balanced SFDR 2.0.

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