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## Member states would ease fossil fuel limits in the SFDR overhaul

EU member states reached agreement on June 24 on the Council's negotiating position for the revised Sustainable Finance Disclosure Regulation, often referred to as SFDR 2.0. The biggest [change](#) concerns the proposed new Transition fund category. The Commission had wanted both the Sustainable and Transition categories to exclude companies that are expanding their fossil fuel activities. The Council has dropped that exclusion for the Transition category.

Instead, the Council would let companies active in the fossil fuel sector qualify provided they allocate at least 20 percent of capital expenditure to activities aligned with the EU Taxonomy and set out a clear, time-bound strategy to cut their Scope 1 and Scope 2 emissions.

Attention now turns to the European Parliament, where the economic and monetary affairs committee has tabled hundreds of amendments to the Commission's original proposal covering disclosure standards, investment thresholds and safeguards against greenwashing. The committee is expected to vote in mid-July, with a full parliamentary vote to follow in the autumn. Once both institutions have finalized their positions, trilogue negotiations between the Parliament, the Council and the Commission will begin.

## SEC proposes to rescind its 2024 climate disclosure rules

On May 29, the U.S. Securities and Exchange Commission [voted](#) to propose for public comment the full rescission of the climate related disclosure rules it adopted in March 2024. Those rules would have required registrants to report climate risks and certain greenhouse gas emissions in their registration statements and annual filings. The proposal frames the move as a return to the agency's core mandate and to a materiality-based approach to disclosure. Chairman Paul Atkins said disclosure obligations should track the Commission's statutory authority, be guided by materiality, avoid effectively dictating corporate behavior, and be imposed only where the benefits justify the costs.

Material climate risks will still need to be disclosed under existing requirements such as Regulation S-K, and companies with international exposure remain subject to regimes such as the EU's CSRD, alongside state level rules including California's SB 253 and SB 261.

## New Zealand issues updated guidance on sustainability-related disclosures

The Financial Markets Authority (FMA) of New Zealand just released [updated Sustainability-Related Disclosure Guidance](#) for issuers of financial products that incorporate sustainability-related characteristics. The guidance does not introduce new obligations. Rather, it clarifies how the existing fair dealing and disclosure provisions of the Financial Markets Conduct Act apply when issuers describe products as green, ethical, responsible or sustainable, and it applies across managed funds, bonds and equity.

The guidance sets out four expectations of good practice, namely that claims should be clear and easily understood, substantiated by reasonable grounds and evidence, consistent across every channel from the product disclosure statement through to advertising and social media, and supported by effective oversight wherever data or management is delegated to a third party. Throughout, the FMA tests disclosure against the overall impression left with an ordinary and reasonable investor, and it asks issuers to be transparent about screening scope and thresholds, any exceptions to a stated policy and material changes to a strategy once investors are already on board.

The guidance also addresses greenhushing, the reluctance to disclose sustainability practices for fear of scrutiny and warns that omitting material features can itself mislead.