

Comply with ESG legislation: What does the AFM expect from market participants?

In short This first ESG update provides an overview of the priorities of the AFM for 2025 and 2026 in four ESG key themes: sustainability claims, SFDR, Product Oversight and Governance (POG) and suitability.

An increasing number of consumers are interested in making financial choices that support the transition to a more sustainable economy. Financial undertakings facilitate this by offering suitable, sustainable products and fair and transparent sustainability information. Undertakings have made good strides over the past year. However, we also see that extra efforts are needed, including when it comes to compliance with regulation that have been in place for some time and about which the AFM has previously provided clear expectations. For this reason, we are issuing our first ESG update. This ESG update covers our priorities for 2025 and 2026 in four key themes: sustainability claims, SFDR, Product Oversight and Governance (POG) and Suitability.

What does the AFM specifically expect from you in practice? This first ESG update provides an overview of our priorities for 2025 and 2026 in four key themes: sustainability claims, SFDR, Product Oversight and Governance (POG) and Suitability. Our next ESG updates will focus on one or more specific themes related to sustainability legislation for consumers. Where possible, we do so in line with recent research data. We expect to publish a new ESG update in the fall. You will receive it if you are registered for the [monthly sector news email](#).

1. Sustainability claims: correct, clear, non-misleading, balanced

Marketing by financial undertakings often includes ambitions and claims on sustainability. Sustainability claims must meet the following legal standards: correct, clear and non-misleading, and for pension funds: balanced.

What does the AFM expect from you?

- You only make sustainability-related claims that are **correct, clear and non-misleading, or, in the case of pensions, balanced**.

The [Guidelines on Sustainability Claims](#) contain the three principles for making fair and correct claims that meet information disclosure standards. Refrain from making a sustainability claim if you cannot substantiate it.

What does the AFM do?

The Guidelines on Sustainability Claims that we published in 2023 give financial undertakings and pension providers tools to comply with existing standards for disclosing information. The guidelines do this by referring to three overarching principles:

1. accurate, representative and up to date;
2. specific and substantiated; and
3. understandable, appropriate and easy to find.

The AFM is currently conducting an exploratory study of sustainability claims. This allows us to assess the market's progress and shows us the appropriate follow up actions.

2. SFDR: clearly understandable templates provide the basis for clear investor information

The SFDR requires financial market participants and financial advisers to be transparent about the sustainability-related aspects of their investment policies and products, and to provide investors with clear and comparable information.

The better the quality of the information entered in the templates, the better equipped investors, pension participants and advisers are to understand products, make comparisons or offer suitable advice. Moreover, such templates offer them greater insight into the substantiation of sustainability claims.

What does the AFM expect from you?

- You have **published all required information** on your website.
- You only publish information that is **clear and easy to find** for investors.
- You publish **reliable SFDR information**, including information on sustainable characteristics of products, sustainability risks and any negative impact of investments.

What does the AFM do?

As early as in 2024, the AFM sent supervisory letters to market participants that had not yet published all required information. They had failed to meet the basic requirements. In addition, we expect the templates to be understandable and easy to find, so that investors, pension participants and advisers will be able to understand a product,

compare alternatives or offer appropriate advice. In 2024, the AFM indicated that on these aspects there is still much work to be done.

In 2025, the AFM will re-examine compliance with the SFDR by amongst others portfolio managers and life insurers, with the aim of ensuring they give consumers the correct information about how investments contribute to sustainable objectives. We expect from market participants that everything is up to par now.

3. POG: sustainability requirements embedded

Undertakings must incorporate the sustainability criteria in their Product Oversight & Governance (POG) policies. They must evaluate the product range accordingly and avoid selling products without sustainability characteristics to investors who want to invest sustainably.

What does the AFM expect from you?

- You **know** and **check** the quality and reliability of products' **sustainability-related information**, also for the purpose of the suitability assessment.
- You have set up the **customer journey** (website, app, customer contact) according to the distribution strategy.
- You **monitor** the distribution of grey market products to negative target markets and assess the effectiveness of your strategy to prevent this.

What does the AFM do?

In the 2024 publication, the AFM already indicated that more undertakings must incorporate the sustainability criteria into their product oversight & governance (POG) policies and evaluate their product range accordingly. The AFM also emphasized the need for close attention to the negative market, as products without sustainability characteristics must not be sold to investors who are interested in sustainable investments. Investment firms must have policies in place that prevent such a mismatch.

The AFM is currently conducting an in-depth survey of a sample of investment firms to assess compliance with the sustainability requirements in POG and/or Suitability. This survey is part of a Common Supervisory Action (CSA) coordinated by ESMA, which is carried out by different supervisory authorities in Europe. The AFM expects to see an improvement compared to 2024.

4. Suitability assessment: match of sustainable demand and supply

Undertakings must collect information about their customers' or participants' sustainability preferences and ensure suitable investments that match these sustainability preferences.

What does the AFM expect from you?

- You **provide an understandable explanation** of the element of sustainability in the suitability assessment.
- You are **thorough** in the collection of information about the **actual sustainability preferences and do not steer investors** towards a particular product or investment strategy.
- You provide investors with **suitable products, matching their actual/initial sustainability preferences** to the extent possible. You will not steer towards adjusting these preferences.

What does the AFM do?

In the [2024 publication](#), the AFM already indicated that investment firms need to provide investors with a better explanation of sustainability and that careful and thorough queries about sustainability preferences are important, as they serve as the basis for determining the suitability of an investment and preventing any mismatch.

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