

Sustainable Finance Disclosure Regulation (SFDR) 2.0 Readiness Solution

Examples for External Consultation

05.10.2026

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This document presents three illustrative examples showing how the Morningstar Sustainalytics SFDR 2.0 Readiness Solution can help Financial Market Participants (FMPs) assess, classify, and manage investment products under the proposed SFDR 2.0 framework. Each example demonstrates how company-level data supports the solution's key components, including exclusions screening, Principal Adverse Impact (PAI) assessment, and product category classification, for a hypothetical investment product. By bringing these components together, the solution helps FMPs streamline classification decisions, enhance regulatory compliance and transparency, identify potential gaps, and prepare for a smooth transition to the SFDR 2.0 regime. Please see the methodology document for more details.

Example 1 – Transition Product – Company A

Investment Subcategory: Transition Plan Investments

Exhibit 1 illustrates how an investee company could be assessed for classification as a Transition investment. The company passes the exclusion screening based on Morningstar Sustainalytics data, indicating that it does not breach any mandatory exclusion criteria. Its PAI profile is also broadly supportive, with a low share of non-renewable energy production (1.3%), low energy consumption intensity (0.02), and no identified lack of human rights due diligence, although the significance of any adverse impacts remains dependent on the company's subindustry and FMP's own assessment.

From a classification perspective, the company's metrics indicate a credible transition pathway. It has an Implied Temperature Rise of 1.7°C, a Low-Carbon Transition Investment Planning Programme score of 75, and a Management Score of 73. These are further supported by Net Zero Investment Framework (NZIF) alignment scores across Scope 1, Scope 2, Scope 3D, and Scope 3U emissions, ranging from approximately 58 to 66. Taken together, these indicators suggest the company is progressing toward a low-carbon economy and could contribute to a product's 70% minimum allocation to Transition investments under the proposed SFDR 2.0 framework.

Note: PAI and product classification indicators shown are illustrative examples only; additional data points are available to support more comprehensive assessments.

Exhibit 1 – Transition Product – Company A

Component	Sustainalytics Data Field	Value	
Exclusion Criteria	Exclusion Screening Outcome for Transition	Pass	
PAIs	Share of Non-Renewable Energy Production Percentage	1.3	
	Energy Consumption Intensity	0.02	
	Lack of Human Rights Due Diligence	FALSE	
	No significant impact on sustainability factors (subindustry needs to be considered)		
	Classification Role		
Product Classification	Implied Temperature Rise Score - All Scopes	Core	1.7C
(c) Transition Plan Investments	Management Score - All Scopes	Supporting	73
	Low Carbon Transition Investment Planning Programme - Raw Score	Core	75
	Investment Alignment - Scope 1 - Raw Score-NZIF	Core (in Group)	66.2
	Investment Alignment - Scope 2 - Raw Score-NZIF	Core (in Group)	60.5
	Investment Alignment - Scope 3D - Raw Score-NZIF	Core (in Group)	60.5
	Investment Alignment - Scope 3U - Raw Score-NZIF	Core (in Group)	58.4
	Could be considered for 70% transition investment scope		

Source: Morningstar Sustainalytics

Example 2 – ESG Basics Product – Company B

Investment Subcategory: Positive ESG Track Record Investments

Exhibit 2 illustrates an investee company for the ESG Basics category, where eligibility is driven by the quality of ESG management practices. The company passes the exclusion screening, and its classification is based on three core management scores: an Environment Management Score of 80, a Social Management Score of 75, and a Governance Management Score of 90. Together, these scores demonstrate strong ESG management across all pillars and can be monitored over time to evidence sustained or improving performance, aligning with the objectives of the ESG Basics category.

Note: No PAI assessment is included in this example, as PAI indicators are not a mandatory component of the ESG Basics category. The product classification indicators shown are illustrative examples only; additional data points are available to support more comprehensive assessments.

Exhibit 2 – ESG Basics Product – Company B

Component	Sustainalytics Data Field		Value
Exclusion Criteria	Exclusion Screening Outcome for ESG Basics		Pass
Classification Role			
Product Classification	Environment-Management Score	Core	80
(b) Sustainability Indicator	Social-Management Score	Core	75
Outperformance Investments	Governance-Management Score	Core	90
Illustrates the quality of a company's ESG management practices and can be tracked over time to monitor improvements in ESG performance.			

Source: Morningstar Sustainalytics

Example 3 – Sustainable Product – Company C

Investment Subcategory: EU Taxonomy-Aligned Activities

Exhibit 3 illustrates the Sustainable category, where taxonomy alignment is a key classification criterion. The company passes the exclusion screening based on Morningstar Sustainalytics data, indicating that it does not breach any mandatory exclusion criteria. Its PAI profile supports the assessment, with a carbon intensity (Scope 1, 2, and 3) of 10.78, energy consumption intensity of 0.02, and no identified lack of human rights due diligence, although the significance of any adverse impacts remains dependent on the company's subindustry and FMP's own assessment.

For classification purposes, the company's taxonomy alignment metrics show that 80% of total revenue is taxonomy-aligned. This includes 30% from enabling activities, 50% from own performance activities, 60% related to climate change mitigation, and 20% related to circular economy objectives. Taken together, these indicators suggest a strong contribution to sustainable economic activities and could support a product's 15% minimum allocation to EU Taxonomy-aligned sustainable investments under the proposed SFDR 2.0 framework.

Note: PAI and product classification indicators shown are illustrative examples only; additional data points are available to support more comprehensive assessments.

Exhibit 3 – Sustainable Product – Company C

Component	Sustainalytics Data Field		Value
Exclusion Criteria	Exclusion Screening Outcome for Sustainable		Pass
PAIs	Carbon Intensity Scope 1,2&3_EUR		10.78
	Energy Consumption Intensity		0.02
	Lack of Human Rights Due Diligence		FALSE
	No significant impact on sustainability factors (subindustry needs to be considered)		
Classification Role			
Product Classification (b) EU Taxonomy-Aligned Activities	Aligned Revenue - Percentage of Overall Revenue		Core 80%
	Aligned Revenue in Enabling Activities - Percentage of Overall Revenue		Core (in Group) 30%
	Aligned Revenue in Own Performance Activities - Percentage of Overall Revenue		Core (in Group) 50%
	CCM - Aligned Revenue - Percentage of Overall Revenue		Core (in Group) 60%
	CE - Aligned Revenue - Percentage of Overall Revenue		Core (in Group) 20%
	Could be considered for 15% EU taxonomy aligned sustainable investment scope		

Source: Morningstar Sustainalytics

Change Log

Version	Date	Initiator	Main items that changed	Rationale
1.0	05.10.2026	ESG Methodology	Document created.	N/A