



**FINANCE
DENMARK**

Finance Denmark supports the Commission's proposal, which contains several positive elements. We welcome a revision that strengthens the focus on investor understanding and improves the usability of sustainability information. We also support the proposed reduction in scope, which allows the SFDR to evolve into a streamlined, product focused disclosure regime while significantly reducing administrative and economic burdens for the financial sector. However, the proposal also presents a number of challenges in its current form.

The success of the Commission's simplification efforts depends on alignment with other elements of the EU sustainable finance framework. Recent legislative amendments aimed at simplifying sustainability reporting have significantly reduced financial market participants' (FMP) access to underlying sustainability data. As acknowledged by the Commission in the impact assessment, the reduced reporting obligations due to the Omnibus limit the expected growth in availability and quality of ESG data. This is a mismatch with proposed disclosure obligations in SFDR, which may require FMPs to seek data from investee companies that they are no longer obligated to report on, at odds with the simplification efforts of the Omnibus.

We support removing advisors and portfolio management from scope, limiting SFDR to financial products to improve investor understanding and comparability. The proposal also necessitates an adaptation of the sustainability preferences test under MiFID. If the advisory process becomes too tightly linked to SFDR categories, there is a risk that retail investors' access to investments that integrate sustainability considerations—without meeting categorization criteria—will be constrained. This may reduce the availability of products employing strategies such as extensive exclusions, despite strong and consistent demand for such products. If not adapted coherently, these changes have the potential to stall capital flows towards sustainability objectives.

Finance Denmark is particularly concerned about the proposed treatment of non-categorized products. While these products may have sustainable characteristics, the proposal restricts how such characteristics may be communicated. This approach is at odds with the information needs of retail clients of products outside SFDR. More generally, the proposed category criteria risk turning sustainable investment products into niche offerings, thereby discouraging the broader integration of sustainability considerations across the market.

It must remain possible to develop and offer financial products that integrate sustainability factors without qualifying as Article 7–9 products. In such cases, it should be clearly stated in precontractual disclosures and KIDs that the product does not meet the SFDR categorization criteria, with this information reflected in relevant data templates used for distribution.

The new proposal lacks sufficient clarity around core concepts such as “credible”. Without clear and legally robust definitions, there is a risk that the new product categories will become overly complex and difficult to apply in practice, thereby undermining the objective of a simplified and investor-oriented framework.

Finally, while Finance Denmark views the move towards three product categories positively, the mandate granted to the Commission to adopt Level 2 measures is overly broad. This mandate should be narrowed to reduce the risk that delegated acts introduce unnecessary complexity, restrict investment opportunities, or lead to regulatory gold-plating. One of the key weaknesses of the current SFDR framework has been the extensive use of vague and inconsistently interpreted terms across Level 1, RTS, and supervisory guidance. We therefore strongly encourage a thorough review to ensure that all concepts used in the revised framework are clear, unambiguous, and developed in close cooperation with the financial sector.

Memo

March 24, 2026

Doc: FIDA-1347323996-65-v1

Contact Lovisa Nordin-Pedersen