



Ministry of Environment
of Denmark


**MINISTRY OF INDUSTRY, BUSINESS
AND FINANCIAL AFFAIRS**



Danish Ministry of Climate,
Energy and Utilities

Mairead McGuinness
Commissioner of Financial Stability, Financial Services and
Capital Markets Union
European Commission

**MINISTER FOR INDUSTRY,
BUSINESS AND FINANCIAL
AFFAIRS**

Response from the Danish Government to the Commission's targeted consultation on the EU's Sustainable Finance Disclosure Regulation

Dear Commissioner McGuinness,

Thank you for the opportunity to respond to the Commission's public consultation on the EU's Sustainable Finance Disclosure Regulation (SFDR).

Denmark supports an ambitious approach to sustainable finance – a cornerstone in the green transition and in supporting the EU's commitment to the climate goals of the Paris Agreement, the Montreal/Kunming Agreement, the United Nation's Sustainable Development Goals as well as other relevant environmental Conventions. A part of this ambition is to continue to ensure the EU's position as a global front-runner and standard setter in sustainable finance.

Since its adoption, SFDR has played a crucial role in sustainable finance and has increased the comparability and disclosures of financial products. SFDR has provided a framework and structure for enabling consumers and investors to make informed investment decisions. However, regulatory and market developments call for a revision of the regulation to make it fully fit for purpose and to support capital flows to the green transition and sustainable development.

In the revision of SFDR, it is important to ensure that the sustainability-related disclosures strengthen investor protection. The SFDR should support the prevention of greenwashing, and it should allow investors to better compare the sustainability profile of investment products. This will support investors' confidence in the financial sector and provide investors with financial products that match the investor's needs and preferences.

Consistency across regulation and balance between benefits and burdens

It is important to ensure consistency across regulation. This should be a particular focus in the SFDR review, as the sustainable finance legislation is quickly growing and a consistent framework is needed to support growth of green and sustainable capital flows. In this regard, ensuring consistency between the Corporate Sustainability Reporting Directive (CSRD), the Taxonomy and SFDR is of particular importance. It is important to find the right balance between investor protection and the need for credible data, on the one hand, and to avoid disclosure

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requirements, which do not create sufficiently added value for investors and consumers, on the other hand. Further, clarity in the regulatory framework should be set in basic acts (level 1), establishing central concepts and requirements at the political level, and not in delegated acts (level 2) without proper framing and guidance.

In this new and complex legal area, we urge the Commission to be mindful of burdens associated with new regulation. It is in our view very important that benefits and burdens of new regulation are balanced. Hence, we call on the Commission to conduct thorough impact assessments, including of the burdens. The current principles and transparency requirements should remain.

Creating new financial product categories

Denmark agrees on the need for creating financial product categories for sustainability with clearly defined minimum criteria. This will make it easier for investors to compare and trust the financial products, and it will ensure that financial products making sustainability-related claims do in fact contribute to a sustainable economy. When drafting the product categories it is of utmost importance that small private investors are protected and not misled by the information provided.

In our view, it is essential to build proper financial product categories based on the existing concepts of SFDR such as “sustainable investments” and “principle adverse impact indicators”. Moreover, we would suggest that the revision of SFDR should include more specific requirement for Do No Significant Harm test, transition finance and create a “social framework” to support a uniform application of the regulation and to push ambitions and heighten the contributions from the financial sector.

Transition finance as central aspect of sustainable finance

Finally, we wish to raise the importance of transition finance as a central aspect of sustainable finance and a facilitating force towards investments in a sustainable economy. In the revision of SFDR, we see a strong need to define both transition investments and transition financial product categories. A clear distinction should be made between those investments and financial products, which can be categorised as already sustainable and those, which could support the green transition. The transition should be credible and include milestones linked to global targets – not only on climate, but also other environmental targets, including biodiversity and potentially social goals.

We are at your disposal for any questions or comments that you might have, and we look forward to a fruitful dialogue on these important issues.

Yours sincerely,



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