



**FINANSTILSYNET**

THE FINANCIAL SUPERVISORY  
AUTHORITY OF NORWAY

European Commission

## **Call for evidence**

Revision of EU rules on sustainable  
finance disclosure

**26. May 2025**



## Feedback from Finanstilsynet





The Financial Supervisory Authority of Norway (Finanstilsynet) supports the work being done under the SFDR, which has contributed to greater transparency and increased focus on sustainability in financial products. Nevertheless, based on findings from two recent supervisory activities, which together covered 55 financial market participants and 40 financial advisers, Finanstilsynet has identified important areas for improvement.

The proposal will significantly reduce operational and compliance costs for firms, without diminishing transparency for end-investors on what we believe should be the main purpose of the SFDR: transparency regarding products' ESG-impact (inside-out). We believe these amendments will reduce potential greenwashing, particularly in marketing practices.

### Conceptual Diagram of the Proposal

The diagram below illustrates two concepts that are currently central to the SFDR. The first is the distinction between entity-level and product-level, the second is the distinction between inside-out (sustainable investment/characteristics) and outside-in (sustainability risk) perspectives. Finanstilsynet proposes eliminating the distinction between entity-level and product-level disclosures by consolidating all requirements at the product level. Furthermore, we propose removing the concept of sustainability risk from the SFDR.

#### Streamlining and reducing key concepts of SFDR - proposed changes

	Entity level	Product level
Inside-out (sustainable investment / characteristics)		
Outside-in (sustainability risk)		

✓ = Continue and develop the provisions

X = Terminate the provisions

Source: The Financial Supervisory Authority of Norway

**PROPOSAL 1:** Remove the concept of sustainability risk in SFDR: Repeal Article 3 and Article 6(1) and (2).

Justification: Requirements to assess sustainability risk are included in sectoral regulations

concerning risk management, such as the UCITS Directive 2009/65/EC, Directive 2011/61/EU (AIFMD) and Directive 2014/65/EU (MiFID II). Sustainability risk is explicitly included in the Level 2 regulations to these directives, making the disclosure obligations under the SFDR an unnecessary administrative burden, while at the same time increasing the risk of greenwashing.

Finanstilsynet's supervisory activities reveal that many financial market participants confuse "inside-out" (sustainable investment/characteristics) and "outside-in" (sustainability risk) perspectives in both mandatory disclosures and marketing materials, for example, by assessing sustainability risks when determining what constitutes a sustainable investment. Thus, there is an imminent risk that companies that are merely effective at managing sustainability risks are classified as sustainable investments.

This confusion is even more pronounced in marketing. Many market participants promote funds as sustainable by highlighting ratings from external data providers, even when those ratings reflect sustainability risk. This misleads investors into believing that a product has strong sustainability characteristics, when in fact the rating may say little or nothing about the fund's actual contribution to sustainability goals.

This failure to distinguish between inside-out and outside-in perspectives creates significant potential for greenwashing, undermining the credibility of sustainability claims and investor trust.

**PROPOSAL 2:** Remove requirements at entity-level: Repeal Articles 3, 4 and 5.

Justification: The distinction between entity-level and product-level is unnecessary and has proven to be a source of significant confusion, as observed from supervisory work. Market participants find it challenging to operationalise this distinction. In practice, firms influence sustainability outcomes through the investments made within their products. As such, any entity-level commitments inherently apply to the products themselves.

This proposal also mitigates the risk that firms conduct different PAI-analyses at the entity and product levels. Entity-level PAI disclosures offer limited value for investors and may actually be a distraction.

**PROPOSAL 3:** Remove the requirements to provide justification not to consider PAI. In practice, this has become a largely formalistic exercise, where market participants focus on crafting language solely to fulfill the regulatory obligation to explain, rather than to provide substantive reasoning. A mandatory template for PAI at product-level should be considered to enhance comparability for investors. A mandatory template at entity-level, but not at product-level appears inconsistent, as entity-level disclosures are ultimately based on product-level data. Moreover, the flexibility under Article 7 contrasts with the stricter requirements of Article 4, creating confusion.

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