Enhanced transparency on the sustainability of investments and sustainability risks is key, say S&Ds

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Today, S&Ds led a vote in the economic and monetary affairs committee to increase disclosures on sustainable investments and sustainability risks across the EU. Under the new rules, investors and asset managers will be required to include environmental, social and governance (ESG) considerations in their decision-making processes and carry out due diligence on their investment decisions. In addition to increasing the transparency of financial products, the report will also facilitate investments in sustainable projects across the Union.

S&D MEP Paul Tang, Parliament’s negotiator on the disclosures on investments and risks file, said:

“The financial sector should look beyond profits and consider the consequences for people and planet. We want the investments of banks, insurance companies and pension funds to be put in the service of a more just and sustainable society.

“The report voted today strengthens the disclosure requirements of financial products, and more importantly, asks from investors to carry out a due diligence on their investment decisions. This means that institutions can no longer hide behind their clients to justify investment at odds with sustainability goals. Investors will now be required to avoid, mitigate, and report on the sustainability risks produced by their investment products.

“Investments in coal, weapons or companies that infringe human rights can be attractive in terms of short-term revenues, but inflict long-term damage to the broader society. These consequences can no longer be ignored. We S&Ds call on the European Council to come forward with a swift and ambitious common approach, so that we can put this urgent issue into legislation before the end of the mandate. Time is of essence.”

S&D Group spokesperson on economic and monetary affairs, Pervenche Berès MEP, said:

“For years institutional investors and asset managers have prioritised short-term profit over the general interest, both social and environmental. In the same vein, investment firms and insurance intermediaries have long been disregarding ESG risks in their advice and considerations.

“Despite some progress concerning ESG factors in the financial services sector, the way institutional investors, asset managers and financial advisors consider sustainability risks in their investment decision-making or advisory processes remains opaque.

“This cannot continue. We want full transparency and proper consideration of the socioeconomic and environmental risks. The ambitious proposals from the S&D group allowed us to extend disclosure requirements for banks as well, to include all actors of the investment chain. With this report, we are asking all investors to systematically and consistently integrate sustainability risks in their investment decisions and disclosures processes."