



ESG Spain 2021, Corporate Sustainability Forum (Ninth Edition). Forética

Rodrigo Buenaventura. The CNMV Chairman
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Thank you, Esther, for your kind words of introduction and let me also thank Forética for their invitation to participate in this event.

We are attending the ninth edition of this sustainability forum and a quick look back over the past nine years gives us a clear picture of how the landscape has changed with regard to the importance of sustainable development. In 2013, the year in which this forum was launched, there was talk of responsible leadership, social innovation and the role that public policies should play in promoting responsible management models.

We can state categorically that all those concepts have become part of our own DNA and what was then a trend, today is presented as an absolute necessity and an unquestionable reality. Regarding the incorporation of the sustainability dimension, there is no turning back. It is here to stay, and its influence covers all economic and non-economic activities. And in finance, the situation is similar. We are undoubtedly witnessing the biggest transformation in public and private finance in the last 30 years and more investors, issuers and savers are incorporating the sustainability factor as a central element in their investment decisions and portfolio design. This trend is moving the investment services industry, in a continuous process of transformation, towards a new standard.

Let me give you some facts that highlight the significance of this transformation process.

According to recent studies, assets under management (AuM) classified as sustainable totalled 35 trillion U.S. dollars in 2020, equivalent to more than a third of all managed assets, up 52% from four years earlier.

The integration of ESG criteria in finance consists of the systematic and explicit inclusion by managers in their investment strategy of assets that incorporate environmental, social and governance factors. And this factor has grown over the last four years at a cumulative annual rate of 25%.

By region, the United States and Europe are leading the transformation process, with these two areas accounting for 82% of sustainable asset portfolios. Add to the above figures those derived from debt issuance in green bonds for a cumulative global outstanding amount of 948 billion U.S. dollars (at the end of 2020) and we

get a clear picture of what this process of transformation towards sustainability entails.

In the case of issues by Spanish issuers, to date almost 70 billion euros have been issued in green, social and sustainable bonds. In 7 out of 10 issues in our country, the instrument chosen was the green bond and the issuer was a company or a financial institution.

It is clear that in this scenario - and as a differential factor from past times - financial markets are part of the solution and not part of the problem.

The financial regulatory effort in recent years has been intense and has contributed to designing the right channel for sustainable development to flow. This time it has been Europe that has taken the lion's share of the legislative lead. From 2014 onwards, the European legislator has been committed to defining a clear regulation that would allow a framework for action conducive to the transition towards a sustainable economy. It was in that year that the first non-financial disclosure obligations were established (Directive 2014/95 of 22 October 2014), followed in subsequent years by the establishment of a common methodology for the reporting of this information, the supplement on climate change information and the establishment of a framework to facilitate sustainable investments. It was during the month of July that the European Commission presented two decisive regulations. On the one hand, the Taxonomy Regulation, establishing the criteria for determining whether an economic activity is considered environmentally sustainable and thereby setting a standard associated with the degree of environmental sustainability of investments. And, on the other hand, and still under debate, the revision of the European Directive that will oblige a greater number of companies to provide non-financial information - known as Sustainability Reporting - under the same reporting standard.

The scale of the investment required to finance the decarbonisation of our economies is historic. The European Commission has estimated the resources needed by the European Union (up to 2030) to tackle green and sustainable change at 350 billion euros per year. This amounts to 30 billion euros per year for Spain, an amount that cannot, under any circumstances, be financed exclusively through public resources - with limited room for manoeuvre - or by resorting to debt-based financing alone.

The raising of own resources through private capital to help partially finance the process is unavoidable and it is at this point where the capital markets and venture capital itself will be key to the success of the strategy of reconstruction and economic reconfiguration. The year 2020 serves as an example of the importance of the capital markets, as it was a providential element for Spanish companies to overcome the effects of the crisis in some sectors (such as transport) or to accelerate and finance expansion plans (telecommunications and renewable energy). Listing has allowed many companies to raise new private capital in times of crisis and uncertainty.

In turn, and in line with the previous argument, the European Union has also identified the need to attract not only new companies but also new investors to the

capital markets through the Capital Markets Union (CMU) initiative. The CMU is a mechanism for channelling the savings of an increasingly ageing population through collective investment schemes, in a context of very limited long-term returns for the coming years, thereby reducing overexposure to more traditional assets such as deposits or real estate. Without a change in investment habits, there is a risk that the ability to finance the ecological transition and the disposable income of European citizens to meet future needs in retirement will be reduced.

In my opinion, therefore, the capital markets - including venture capital - are the solution providers in a context of the necessary transformation towards sustainability.

I will conclude shortly, but first, I would like to put on record the role that the CNMV is playing to support the transformation process we are facing. From the point of view of regulation and supervision of financial markets, as well as in the defence of investors, Spain is being very active in the European and international context. The CNMV chairs the Sustainability Group of the European supervisor, ESMA, and holds the vice-chairmanship of the equivalent committee in the International Organization of Securities Commissions, IOSCO.

Similarly, sustainability has become one of our fundamental pillars and is included as a strategic line in our 2021-2022 Activity Plan, which we presented in the first quarter of the year.

And as far as collective investment is concerned, we at the Commission have made an effort in recent months together with the fund industry with two clear objectives. On the one hand, to prevent greenwashing and, on the other hand, to assist the industry with regard to the entry into force of the Regulation on transparency and sustainability reporting in the financial services sector.

And yet, there is still a lot of ground to cover in our country. Currently 13% of the total assets of Spanish funds promote sustainable investments - and only 1.1% of the assets under management correspond to portfolios made up of sustainable investments.

Financial markets, as can be seen, have become a facilitating factor in channelling resources towards sustainable investments, forming an essential cog in the wheel that must lead us to address the climate and environmental emergency. The CNMV, of course, aspires to facilitate and channel this flow so that it develops in an orderly and stable manner and with the necessary investor protection.

Thank you very much.