



Opening of the “Working towards more sustainable finance” Conference

MONTSERRAT MARTÍNEZ PARERA, VICEPRESIDENTA DE LA CNMV
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Good morning, both to those present here today and to those following us on the Internet, and welcome to this event on sustainable finance organised by the CNMV. The drive for sustainable finance is unstoppable. There is an increasing demand by investors and by society as a whole, to meet the climate objectives set for 2050 and the sustainable development goals of the United Nations. And this requires more funding, more investment.

The urgency to act is beyond doubt. All analyses indicate that the current investment is insufficient to meet the climate objectives. Some estimate the world investment requirements are an additional \$3.5 trillion per year. Others, such as the EU plans, expect to triple investments in renewable energy. The same conclusion is reached: we are low on funds and there is no time to waste.

How we do this, how we build an environment that is healthy that allows for sustainable finance to bloom, is precisely what we will deal with today at this conference, since we are facing many challenges. Particularly when retail investors are also involved, these requiring information that is clear and easy to understand, without giving rise to misunderstandings as to what is sustainable and what is not.

And it's not only about climate change. Citizens demand business models that are more sustainable and respectful with the territory and the society they are in.

That is, not only is the environmental part important, but also the social part and the aspects related to good governance. In my opinion, they cannot be separated. It would be a lie to say that we can advance regarding climate objectives without considering how these affect aspects such as inequality or labour rights. The follow-up of ethical and governance principles also becomes more important in investment decisions.

This leads us to focus on the transition and on how to channel investments in an orderly fashion, aiding companies that are investing to transform and adapt their business model. In this sense, the work carried out at the European level is moving in the right direction.

The first panel today, moderated by the CNMV Commissioner, Helena Viñes, will precisely delve into the strategy of the European Commission regarding sustainable finance and on how this fits in with Europe's aim of being climate-neutral by 2050.

But the truth is that the path is full of potholes. And I'm not referring to the difficult economic and financial moment at present, which is also there. In fact, despite being

within a context of capital outflows, the percentage of assets managed in ESG funds remains relatively stable in Europe, at around 27% of the total.

The difficulties to which I refer are related to the implementation challenges faced by companies and market participants, due to the lack of a complete framework defining a clear set of rules.

And if companies find difficulties to inform on their risks and their environmental and social activities, the challenge becomes even greater for investors and for citizens in general, these having to become familiar with new concepts in order to contribute towards the global objectives.

Thus it is important to hold meetings like this one today, helping to bring together the challenges and to identify the best response to issues such as the growing complexity of the regulatory framework, and the challenge this poses most of all to companies, more so to the smaller ones; the existence of certain inconsistencies between the different regulatory pieces; the lack of data that can allow for an adequate analysis of the investment decisions; or the simple fact that, in spite of the work carried out, the framework is still incomplete and unclear on how to interpret some its areas.

I am sure that many of these matters will be commented on throughout this conference, one in which we accompanied by market experts and professionals and whom I particularly wish to thank for their participation and collaboration in this debate.

In fact, the second panel today will precisely delve into the future framework for reporting on sustainability, in particular on the European CSRD that will affect over 3,000 companies in Spain. We will see what degree of proportionality can be applied, the importance of maintaining the interoperability of European standards with the international regulations under development, or the need to ensure a certain minimum quality of the information, among other matters.

On its part, the third panel will analyse the challenges and opportunities in the collective investment and investment fund industry after the sustainability transparency requirements come into force, both from the point of view of entities and that of investors, and how to get investor expectations to adapt to the reality offered in the market.

Answering these and many other questions is essential since, without a strong framework, a clear and concrete framework, the risk of confusion for investors or of potential malpractice, which may lead to that known as greenwashing, is high.

And this is worrying for two main reasons: on the one hand, the risk of greenwashing which, apart from the individual or specific harm potential malpractice implies, can undermine the trust placed in the work carried out up to now and send us back to square one. This is particularly sensitive within a context in which we are still building the foundations for sustainable finance.

On the other hand, there is also the risk that the industry, facing a lack of definition or clarity and precisely to avoid being accused of greenwashing, may put a halt to it all and wait for any doubts to disappear before taking additional risks that could call its actions

into question. In the opposite sense, this is also a real risk that would benefit no-one inasmuch it would reduce the industry's development.

We can't afford one or the other within this context.

Having said this, I would like to highlight that, despite the difficulties, the Spanish market is developing favourably and our assessment of the situation up to now is generally positive. Based on the transparency and the information provided to investors, the market has made a notable effort to adapt to the new requirements, in compliance with the European regulations and with the criteria we have been publishing.

But this does not reduce the need to deeply understand the possible greenwashing phenomenon and to identify the areas in which it may occur. Acting, if it were necessary, while also avoiding any mention of this in a general and unspecific manner, as this could cause the aforementioned adverse effect. For this, we must fully understand the possible characteristics of this phenomenon, if it is intended or not, and how it can be transmitted along the value chain.

When speaking about possible greenwashing, the first thing that comes to mind is the sale of a product as if it were sustainable when this is not so (for example, an investment fund), but that is only the end part of the value chain. Errors can appear at any moment. The unreliability of the information may be at the origin of the data, in the information published by companies, in the ratings used by the rating agencies, etc.

On the other hand, the confusion for investors can also result from practices that were not necessarily intended. That is, simply resulting from a lack of clarity of the regulation, which may lead to a selective or partial dissemination of information, or to a different interpretation of the regulation itself. This is normal for a regulatory framework still under construction and which is developing very quickly.

In essence, there are multiple triggers for the risk of greenwashing, some being intentional and others not, but they can all generate confusion in the market and limit its development. Therefore, a proper analysis of the phenomenon is more important now than ever to be able to adapt the response of the authorities. Some will be supervisory, other will require regulatory action.

In the next days or weeks, ESMA, with the other two European authorities, will publish a call for evidence precisely to delve into the greenwashing concept and to identify the factors that may trigger the risk. This consultation is the response to the request by the European Commission to advance in this area. This work by ESMA, which has the active participation of the CNMV, will be specified in the first progress report at the start of 2023.

Apart from this work, an area in which I deem urgent to advance at the European level, is the standardisation of the use of ESG terms when naming investment funds. As long as we lack a European label, we must define common criteria that delimit the use of terms such as "sustainable", "ESG", "green", "impact", "ethical", in such a way that they may only be used if they match the characteristics of the fund. With this we will avoid possible confusions for investors while also making product comparison easier. Regarding this, I welcome the work being carried out by ESMA, together with the

recommendations it published some months back and which we follow in Spain when using these terms in the names of funds. We need to go deeper into this aspect to ensure it is applied in a uniform way between jurisdictions.

As I stated at the beginning, the regulatory tsunami of sustainable finance does present difficulties, but we need to complete the rules thus enabling investors to channel their sustainability preferences, while being aware of the risks and opportunities the industry offers and having the chance to take weighted decisions. And this must be done straight away. This economic and financial moment is, at the very least, complex but it is precisely at these times when it is essential to advance in the transformation of our economies to guarantee a more solid and persistent growth in the long term.

I am convinced that the different speeches will shine a light on these matters. At the closing ceremony we will also be honoured to have the participation of the Chairman of the CNMV and of the First Vice-President of the Government and Minister for Economic Affairs and Digital Transformation, who will close the event.

I hope you enjoy the conference.

Thank you very much.