



Speech given at the CNMV Conferences on Sustainable Finance

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Good morning and welcome to the first Conferences on Sustainable Finance organised by the CNMV.

Almost two years ago, when we were preparing the CNMV's strategic lines of action for 2019 and 2020, we included the need to pay special attention to sustainability and sustainable finance as part of our strategy to foster the competitiveness of the Spanish market. Sustainable finance essentially entails channelling savings into projects and investments that take into consideration environmental, social and governance (ESG) factors.

At that time it was already evident that investors were trying to combine their profitability objectives with the desire to direct their money towards projects that took into account ESG aspects and, therefore, increasingly demanded reliable information about them.

The EU, in turn, had passed legislation in this regard, for example the Non-Financial Reporting Directive (NFRD) in 2014, which requires large companies to publish, in addition to financial information, the Non-Financial Statement (NFS) in which they must explain the impact of their activity on the environment and include information on social and personnel issues or on respect for human rights, among other matters.

The Shareholder Rights Directive that promotes long-term shareholder involvement in listed companies had also been adopted in 2017, the general objective of which is to make shareholders more active in the companies in which they invest, so that companies design long-term strategies with not only financial but also non-financial objectives, such as the welfare of employees or the protection of the environment, ensuring the long-term sustainability of companies and thus the sustainability of society as a whole.

At the same time, relevant regulations were being drafted (Taxonomy, Disclosure of Information on Sustainability in the Financial Services Sector and Benchmarks), which have now been approved and will apply shortly. Perhaps the most important of these, the Taxonomy Regulation, was the last one to be published, as it establishes the criteria for determining whether an activity is considered environmentally sustainable, for the purpose of determining the degree of environmental sustainability of an investment.

All this led us to include in our Activity Plan for 2020 the organisation of a conference on sustainable finance whose objective is to inform about the activities

that we carry out in this area and the impact of the new regulations that are being approved. You can also consult this information on our website, in the section on Sustainable Finance, which we keep permanently updated.

Before presenting the programme of the conferences, I am going to begin by informing you how we participate in two organisations that dictate much of the activity of the CNMV and whose governance we are part of: ESMA and IOSCO.

ESMA is the European Securities Markets Authority which is governed by the Board of Supervisors, of which the Chairs of the 27 National Securities Commissions are members. ESMA also has 13 committees made up of members of the National Supervisors, which draw up the documents and rules that are subsequently submitted to the Board of Supervisors.

One of these committees, the Corporate Reporting Standing Committee (CRSC) is chaired by the CNMV (in this case me) and its general objective is to coordinate the activity of supervising the financial and now non-financial information of the National Supervisors.

The entry into force of the Non-Financial Information Directive has meant that in recent years the Committee has focused on this information. Common supervisory priorities are approved and published every year, involving further analysis by the 27 supervisors in certain areas to improve the quality of non-financial information. For example, last year we focused on materiality, that is, how issuers had considered the information they include in the NFS to be material. The CRSC also analyses regulations in the process of being drafted. For example, it drafted the response to the European Commission's public consultation on the amendment of the NFRD.

Also noteworthy in ESMA is the creation in 2019 of the Coordination Network on Sustainability, which, like the 13 Committees, reports directly to the ESMA's Board of Supervisors. I chair this network on behalf of the CNMV and its objective is to coordinate all ESMA's and its committees' actions in the area of sustainability. As you know, sustainability affects different market participants, and this conference will show how the regulations that have been approved affect listed companies, asset management companies, IFs and financial benchmarks, among others. In the CNS, for example, we have worked on the development of ESMA's Strategy on Sustainability or the recent response to the European Commission's public consultation on its Renewed Sustainable Finance Strategy. On this matter, I would like to point out that in 2018 the CNMV created an Internal Sustainability Committee similar to that of ESMA, made up of staff from different departments of the Commission, most of whom are speakers at these conferences.

At IOSCO, the International Organization of Securities Commissions, of which almost all the world's Securities Commissions are members, a Sustainable Finance Network was first created in 2019, in which we actively participated by chairing one of the two working groups that aimed to carry out an analysis of how the public and private sectors (issuers, asset managers, consultants, auditors, credit rating agencies, etc.) were integrating ESG factors into their activity. The analysis conducted by the Network led to the publication of a report in 2020, from which I would perhaps highlight three conclusions. The first is the demand for clear definitions of what is considered to be a sustainable activity and investment, avoiding what is known as ESG/green or social washing; the second is the need for single standards so that

information on ESG factors is comparable and homogeneous among institutions and countries (similar to what happened in the world of financial information with the adoption of the International Financial Reporting Standards); and the third is that securities supervisors have an important role to play in ensuring the transparency of information, i.e. that the information reaches the market and is reliable.

IOSCO has continued its work, and a more structured Task Force has been created, reporting to the IOSCO Board itself, with three groups, one focusing on information about ESG factors to be provided by issuers, the second focusing on information to be furnished by asset managers, and the third focusing on credit rating agencies and data providers. The CNMV is co-chair with the Financial Conduct Authority of the United Kingdom, of the group that is analysing the information provided by listed companies and one of the most relevant issues we are working on is to promote the existence of single standards that allow information to be comparable and homogeneous. To this end we are maintaining regular contact with the main bodies that are currently issuing standards: SASB and GRI, among others, as well as the IFRS Foundation.

Finally, I would like to briefly mention the modification of the Good Governance Code for listed companies approved by the CNMV before the summer. This is a limited reform in which several recommendations have been reviewed, and which clearly strengthens the integration of ESG factors in the strategy, organisation and policies of listed companies. This includes reinforcing the control of non-financial information by the Audit Committee, monitoring reputational and non-financial risks, and promoting the presence of women on boards of directors and in senior management positions to ensure diversity and better governance and management of companies.

Before I finish, I would like to present the programme of the conferences:

We have as a special guest Marcel Haag, Director at the EU Commission in charge of sustainable finance issues.

Next, colleagues of mine from the CNMV are going to speak about the following issues:

1. The latest news regarding non-financial information of listed companies,
2. The proposals to amend several regulations affecting investment firms and management companies, and
3. Issues of supervision, registration and authorisation of funds.

Tomorrow's session is going to be devoted to:

1. Climate benchmarks,
2. Credit rating agencies (ESMA),
3. Financial education, and
4. Other ongoing regulatory developments, primarily the level two regulation implementing the Disclosure Regulation.

Today's conference is going to be closed by the Deputy Governor of the Bank of Spain, Margarita Delgado.

We hope that these conferences will be of interest to everyone, and without further ado, I give the floor to Marcel Haag, Director of Horizontal Policies of the European Commission in the Directorate-General for Financial Stability, Financial Services and the Capital Markets Union (DGFSMA). Marcel has worked in different services of the Commission and before his current position he was Director of Coordination Policy in the Secretariat-General of the European Commission. Marcel Haag is a lawyer and judge in Germany.