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The results of the CNMV's review of the implementation of sustainability regulations by investment funds are published

The CNMV has published a Communication announcing the results of its review "[Monitoring of the implementation of the ESG regulations: transparency and investment policies of CISs](#)", included in its 2022 Activity Plan. With this review, the CNMV has sought to (i) ascertain the degree of adaptation of Spanish investment funds to the new obligations arising from the implementation of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**"), which requires financial market participants and financial advisors to disclose certain information relating to environmental, social and governance ("**ESG**") risks and factors when making their investment and advisory decisions; and (ii) communicate the appropriate guidelines to the industry.

Specifically, the CNMV has reviewed the adequacy of the practices of investment fund managers in the case of funds registered with social or environmental characteristics or with a sustainable investment objective as of March 2022. In this regard, the content of the websites of all fund managers with ESG characteristics (Articles 8 and 9) was reviewed, as well as the content of their management report for 2021, in order to verify compliance with the provisions of the SFDR. The consistency of the funds' portfolios was also assessed in relation to the information published in their prospectus and on their fund manager's website.

The CNMV's main conclusions from this review are as follows:

1. Article 8 SFDR funds

The CNMV notes that Article 8 SFDR funds, which promote social and/or environmental and governance characteristics, for which they use certain non-financial selection criteria, are too generic and imprecise in the way that they describe both the ESG characteristics promoted and the valuation criteria for the selection of investments. Accordingly, the CNMV has called for a higher level of precision, clarity and specificity.

Regarding the sustainability methodologies and indicators to measure the achievement of the ESG characteristics promoted, the CNMV considers that these are in line with those provided by the European Commission in its Q&A, published on 14 July 2021¹.

2. Article 9 SFDR funds

As of the date of the analysis, 86% of Spanish funds registered under Article 9 SFDR used the UN Sustainable Development Goals ("**SDGs**") as an investment selection criterion and only 25% selected the specific SDGs in which they wish to have a positive impact. Currently, SDGs continue to be the predominant criterion for investment selection.

Consequently, the CNMV has called for a greater level of specificity in identifying the SDGs and the most relevant goals to be achieved, as well as through which indicators or metrics these goals will be achieved when selecting investments. This would also apply to Article 8 SFDR funds that set or may set SDGs as an investment selection criterion.

1. [Regulation \(EU\) 2019/2088 on sustainability-related disclosures in the financial services sector.](#)

3. Transparency on the web

Under Article 10 SFDR, fund managers must provide certain information for each of the Article 8 and Article 9 SFDR funds on their website, including (i) environmental and/or social characteristics (Article 8 funds) and sustainable investment objectives (Article 9 funds); (ii) methodologies for assessing and measuring ESG characteristics or the impact of sustainable investments; (iii) data providers; and (iv) asset selection criteria and sustainability indicators. However, at the time of the review, the CNMV observed that the information published on the website could be improved, given that only 30% of the managers included all the information required by the regulations in force.

In this regard, the CNMV reminds entities that they must publish separately all the sections of the website that are included in the SFDR Delegated Regulation², which specifies and elaborates on the information to be offered on the website.

4. Transparency of the annual report

The sustainability information reviewed relates to the 2021 financial year, when the only applicable standard at that time was the SFDR, so in this regard, the CNMV's review exercise is limited. Given that the sustainability information for the 2022 financial year must be more detailed following the entry into force of the SFDR Delegated Regulation in January, the CNMV has written to the fund managers to inform them of the special supervisory interest in relation to certain aspects of the sustainability annex to the annual report.

5. Alignment of portfolios with information in the prospectus and on the website

In the CNMV's review, no relevant inconsistencies were identified between the actual portfolio and the website and prospectus information of the funds that were analysed, so the CNMV considers that the portion of the portfolio that promotes ESG characteristics or makes sustainable investments complies with the criteria and "sustainability indicators" set out in the prospectus and on the website.

At the end of the Communication, the CNMV confirms that it will continue to carry out supervisory work in relation to the implementation of sustainability regulations, participating in various international supervisory exercises, which will be supplemented by specific domestic analyses as appropriate. The CNMV anticipates that all this work will take into account the guidelines set out in this communication.

2. Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council regarding the Union list of projects of common interest.

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