

The PRI and ELFA Host Sector-Focused ESG Roundtable with Credit Analysts and Sub-Investment Grade Companies

From the dialogue with key stakeholders, the groups intend to publish sector-specific discussion and disclosure guides over the coming months.

London, UK, 1 October 2020 – The Principles for Responsible Investment (the PRI) and the European Leveraged Finance Association (the ELFA) on Tuesday held a disclosure and engagement workshop on environmental, social and governance (ESG) topics aimed at bringing together sub-investment grade corporate borrowers and credit analysts to discuss sector-specific ESG disclosure and engagement in a virtual round-table event. A further workshop, which will bring together company advisers, is being planned for November.

The event is part of a collaborative effort between the PRI and the ELFA designed to increase ESG disclosure and deepen engagement on financially material ESG factors between companies, credit ratings agencies, and credit analysts.

Representatives from the following companies, among others, were present at the event: Arrow Global, eir, Encore Capital, Fedrigoni, Grupo MásMóvil, Intrum, HRA Pharma, Liberty Global, Sappi, TalkTalk, TDC, and Tele Columbus.

The event was conducted as part of the PRI's flagship ESG in Credit Risk and Ratings Initiative, which aims to enhance the transparent and systematic integration of ESG factors in credit risk analysis. The PRI has facilitated a dialogue between credit ratings agencies (CRAs) and investors to cultivate a common language, discuss ESG risks to creditworthiness and bridge disconnects. The initiative is now broadening discussions to include corporate borrowers, ESG information providers and investment consultants.

The initiative kicked off with the launch of the Statement on ESG in Credit Risk and Ratings, which is still open to sign and has already been supported by over 160 investors with more than \$30 trillion of AUM, and. Four reports have been published as part of the initiative and over 20 forums organised around the world for credit practitioners.

The event was conducted as part of the ELFA's ESG Disclosure Initiative, which relies on multi-stakeholder engagement to achieve consensus on these issues in order to support companies in their ESG disclosure. The ELFA is joined by the Loan Market Association in their initiative, and a representative from the Alternative Investment Managers Association was present at the event as an observer.

The initiative was launched last year with an ESG Investor Survey, which gathered information from 100 investors about how to support the growth of ESG in the leveraged finance market. The ELFA's ESG Committee has since published two reports on ESG in leveraged finance under the organisation's Insights Series, a thought leadership platform used by members to convey their views to the market on important topics.

The next event, which is currently scheduled to take place on 12 November, will bring together law firms, sell side banks, private equity sponsors, and senior fund managers to continue the discussion on material ESG topics and to explore the diligence and drafting process.

The aim of that event, and accompanying guidance for company advisers that is currently being drafted by a dedicated working group of law firms, is to ensure that ESG data and related information can be reflected in company offering materials and in ongoing company reporting.

A second event for borrowers and credit analysts covering additional sectors is being planned for 2021.

The PRI and ELFA will publish a briefing on the workshop findings later this autumn, as well as discussion guides for investors, and disclosure guides for companies, on a sector-by-sector basis over the coming months.

Carmen Nuzzo, head of fixed income at the PRI, commented: “Credit rating agencies have significantly improved transparency around how ESG factors impact a company’s credit assessment, and investors have become better at mapping ESG risks. However, more work is needed to enhance the disclosure of key credit-relevant ESG metrics, their comparability and to enhance engagement with corporates to better assess business strategies and targets. The cooperation with associations like ELFA is important to create synergies and speed up progress.”

Sabrina Fox, Executive Adviser to the ELFA, commented: “The stratospheric growth of ESG investment in the leveraged finance market requires a multi-stakeholder, collaborative approach to supporting investors and the companies to which they lend in their disclosure of and engagement on environmental, social, and governance factors. We are thrilled to be working alongside the PRI in this effort and look forward to continuing our engagement under this initiative with company advisers, including law firms, sell side banks, private equity sponsors, and others.”

Investors interested in taking part in future events should contact carmen.nuzzo@unpri.org and company advisers should reach out sfox@elfainvestors.com.

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About the PRI: The PRI is the world's leading proponent of responsible investment. It works: to understand the investment implications of environmental, social and governance (ESG) factors; to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI now has over 3,300 signatories who collectively manage US\$100 trillion in AUM. www.unpri.org.

About the ELFA: The European Leveraged Finance Association (the ELFA) is a trade association comprised of European leveraged finance investors from over 35 institutional fixed income managers, including investment advisors, insurance companies, and pension funds. The ELFA seeks to support the growth and resilience of the leveraged finance market while acting as the voice of its investor community by promoting transparency and facilitating engagement among European leveraged finance market participants. For more information please visit the ELFA website: www.elfainvestors.com.

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