

## ELFA ESG Fact Sheet for Disclosure by Leveraged Finance Borrowers

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*This document outlines environmental, social and governance (ESG) topics and associated metrics that could be relevant to an investment decision, and is designed to be used by leveraged finance borrowers as a guideline for disclosure.*

*This document has been drafted by ELFA for trial use during a four-week period of public consultation with an aim to develop the resource in light of the feedback provided to us as part of this process. This initial draft has been compiled from input from credit analysts, portfolio managers, and ESG specialists, and with reference to guidance from the Principles for Responsible Investment (PRI).<sup>1</sup>*

*We intend to reschedule the postponed ESG Disclosure Roundtable with the PRI for the autumn, and following that meeting, based on information gained, we expect to further refine and enhance this resource.*

*The public consultation period will begin on 8 June 2020. Comments should be sent to Sabrina Fox, Executive Adviser to ELFA ([sfox@elfainvestors.com](mailto:sfox@elfainvestors.com)), no later than 6pm on 3 July 2020.*

*For more information on the ESG Fact Sheet and public consultation, please refer to our related ELFA Insights Series report, [ELFA's ESG Fact Sheet Guides European Leveraged Finance Borrowers on Best Practice for ESG Disclosure](#).*

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### Key Focus Areas & Legal Framework

- Material ESG issues<sup>2</sup> according to the company and how these are determined, tracked, recorded and monitored
- Any legal processes with third parties, including environmental regulators, unions, regulators and/or individual employees
- Strategy & governance: how ESG is integrated within the business strategy; the degree to which ESG factors are incorporated into C-suite/board remuneration; whether there is a C-suite/board member with responsibility for ESG matters

### Environmental

- Management of climate-related risks and opportunities, including policy commitments and whether the company has a nominated board member or committee with oversight of the policy
- If available, greenhouse gases (GHG) emissions policy and GHG emissions data (including whether this includes scope 3 emissions and, if so, indicate approach taken, and if not, indicate any plans to do so in the future)
- Initiatives to reduce environmental impact (non-climate related) covering water use, pollution, physical waste etc.
- Any environmental certifications and industry association memberships
- Performance on key environmental metrics and how this compares to peers
- Details on off balance sheet environmental liabilities

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<sup>1</sup> The PRI's initial discussion guide, developed as part of its ESG in credit risk and ratings project, can be accessed [here](#).

<sup>2</sup> Material ESG factors are those that could have a significant enough impact on a company's revenue, cashflow, growth, margins, required capital and risk to influence the price of its bonds/loans.

## **Social**

- Employee welfare, training and/or development policies and practices
- Employee health and safety policies and data (Total Recordable Injury Frequency (TRIF) / Lost Time Injury Frequency (TTIF) / Fatalities), including how this is monitored for suppliers
- Identification of material supply chain ESG risks
- Performance on key employee (e.g., employee turnover, diversity metrics for board, senior management or entire workforce), customer (e.g., complaints, Net Promoter Score (NPS)) and supply chain metrics (e.g., plant disruptions for ESG-related reasons) and how this compares to peers
- How compliance with labour and human rights standards are monitored, both for the company and its suppliers
- Company protocol to ensure data protection and dealing with cybersecurity risks, and any issues in the past five years

## **Governance**

- Board details: composition (proportion fully independent, separation of CEO/Chair roles), bios (incl. name, age, tenure, gender and experience), frequency of board meetings, voting mechanism used to make board decisions
- Any compensation / remuneration committee processes in place
- Presence of related party transactions, threshold for third party verification
- Current auditors, number of times these have changed in the last 10 years and any issues arising from audits
- Formalised business code of conduct
- Anti-bribery and corruption framework, whistle-blower policy and any current or historical issues
- Any affiliation with professional or industry standards business platforms
- Risk management policies and strategic planning



## **About the European Leveraged Finance Association**

The European Leveraged Finance Association (ELFA) is a professional trade association comprised of European leveraged finance investors from over 30 institutional fixed income managers, including investment advisors, insurance companies, and pension funds. 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](http://www.elfainvestors.com).

### **Our Mission Statement:**

ELFA seeks to create a more transparent, efficient, and resilient leveraged finance market while acting as the voice of its investor community. To that end, our diverse forum of investors engages with other industry professionals in order to educate and to promote best practices and transparency.