

European Leveraged Finance Association

Updates from the Board

- Hundreds of investment professionals in the European leveraged finance market have become members of ELFA and currently contribute to dozens of projects across our five main working groups: Disclosure & Transparency, Diversity & Inclusion, Engagement, ESG, and Loan Investor issues.
- During the October 2020 Annual Meeting, our Board will set our priorities for the 2021 membership year, and assess our progress on priorities set at the last annual meeting.
- Our Committees have made significant progress in advancing our mission to create a more resilient European leveraged finance market by providing investors with a forum to execute key initiatives and communicate important messages to the wider market.
- Through our engagement with regulators, corporate borrowers, sell side banks, PE sponsors, law firms and other stakeholders, ELFA provides a platform for bond and loan investors to influence how the market evolves during this key period defined by pandemic volatility.
- Over the past six months, we have published four reports to the market under the Insights Series, distributed 20 weekly summaries of key legal and regulatory actions to ELFA members under the Briefings Series, and updated and launched new resources to the market under the Diligence Series.
- We are very grateful to our partners – Reorg, Houlihan Lokey, Akin Gump, and Cadwalader, Wickersham & Taft – for all for their hard work and support in helping us achieve our goals.
- Shortly we will launch our new website, with enhanced features for our members and intuitive tools to facilitate engagement with the market to further bolster our ability to execute initiatives that reflect the rich diversity of the European leveraged finance market.

During the past months of market volatility and uncertainty, ELFA has worked relentlessly to keep lines of communication with regulators and other market participants open, to further advance our 2020 initiatives, and to help our members meet the novel demands of the current market.

Shortly after government-mandated lockdowns were imposed across the world, we launched a series of webinars to keep our members at the cutting edge of lightning-fast market developments, ensuring that the critical knowledge on covenant, restructuring, regulatory, and other trends remained at their fingertips. We owe a debt of gratitude to our partners for bringing their best and brightest to these virtual events, which were all recorded and are now available to members on our website.

We will continue our efforts through the autumn webinar schedule, described in this update, with each of our partners delivering essential intelligence

to our members through our Seminar Series. We look forward to meeting in person again when it is safe to do so, and until then will welcome you to our upgraded virtual event platform, delivered via Zoom.

Our Insights Series remains an important vehicle for our members to communicate their views on critical market issues, and we have proven through the pandemic that we can act swiftly to respond to developments. Since our last Update, we have published reports on [liquidity issues](#), [EBITDAC](#), [ESG](#), and [covenant transparency](#), described in more detail below and [available on our website](#).

Our committees are hard at work, and in this Update we describe the progress achieved so far and announce important milestones for several of our initiatives. We welcome your input on our projects – please send any feedback to Sabrina Fox, our Executive Adviser, at sfox@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.

An Update on Key Initiatives for 2020

- ✓ To further support the growth of ESG investing in the leveraged finance market, the ESG Committee launched for public consultation our sector-agonistic ESG Fact Sheet and is currently planning our rescheduled ESG Disclosure Roundtable Event with the PRI for 29 September
- ✓ To support transparency in covenant calculations, the Disclosure & Transparency Committee launched for public consultation proposed provisions to include in a Best Practice Guide on Covenant Transparency, and continue to engage with stakeholders to advance the initiative
- ✓ The Disclosure & Transparency Committee continues working to facilitate engagement on new deal with the New Deal Disclosure Questionnaire by way of direct engagement with sell side advisers and trade bodies
- ✓ Together with our partners at Reorg, we have distributed essential information on covenants in our Covenant Tearsheets on new issue high yield deals, designed by our Disclosure & Transparency Committee to support engagement on new issue covenants in high yield deals
- ✓ The Engagement Committee is liaising with regulators on IFRS rules, UCITS issues, MiFID II, and more, and is working on the Improving Investor Outcomes initiative lead by Houlihan Lokey, with support from Akin Gump and our other partners
- ✓ The Diversity & Inclusion Committee is bolstering member firms' training efforts through our newly-launched ELFA Academy, a training programme designed to provide a solid foundation in credit and covenant analysis to grads, interns, and junior team members of our member firms
- ✓ Our Loan Investor Committee will shortly publish an Insights Series report on CLO significant events reporting and best practice guidance on term sheet completeness in collaboration with the LMA

ESG Committee

As part of our ongoing initiative to support corporate borrowers in making ESG disclosures, the ESG Committee will hold its inaugural ESG Disclosure Roundtable on 29 September. The event is invitation-only, and welcomes companies from four sectors to discuss ESG issues with credit analysts who are specialists in those sectors.

Hosted by the PRI and joined by the LMA, the ESG Disclosure Roundtables will facilitate ESG disclosures by leveraged finance companies by way of sector-specific disclosure guidance developed following the event.

For more information about the event, or to recommend a corporate borrower participant, contact Malin Hedman, Chair of the ESG Committee, at mhedman@baincapital.com.

We expect to publish a revised version of our ESG Fact Sheet incorporating comments received during our public consultation, together with highlights from the PRI event, in the autumn.

“Standardised ESG reporting metrics across issuers/borrowers would go a long way in [supporting] ESG analysis across companies and industries.”

– Respondent to ELFA's ESG Investor Survey

Q: “How do you think ELFA can assist with improving ESG disclosure by issuers / borrowers?”

A: “By bringing a sector by sector perspective. There is no one-size-fits all.”

Disclosure & Transparency Committee

The Disclosure & Transparency Committee is working to increase engagement during roadshow meetings on covenant provisions and other deal disclosure issues through our New Deal Disclosure Questionnaire, which is available for download on our website [here](#). We have engaged directly with various sell side banks and through AFME to inform the market on the purpose of the resource, and to incorporate feedback to make it more effective.

This is an updated and enhanced version of our Key Covenant Questionnaire featuring enhanced coverage of off-balance sheet arrangements like reverse factoring. If you are interested to learn more about this resource, or would like to discuss the project, you can contact Senan Kiran, Disclosure & Transparency Committee Co-Chair, at skiran@muzinich.com.

The Seminar Series and Partner Resources Series have delivered critical knowledge and cutting-edge market developments to our members throughout the spring and summer, delivering the events below (which are available for replay by our members [here](#)) and valuable knowledge and know-how from our partners, available [here](#). If you have suggestions for future topics, or requests for specific resources, please contact Russell Taylor, Co-Chair of the Committee, at russell.m.taylor@jpmchase.com.

Our Covenant Tearsheets, developed by the Committee and populated by Reorg, have delivered key covenant intelligence to members, usually within 24 hours of launch of each high yield deal

marketed in Europe. The feedback we have received on this initiative has been overwhelmingly positive – investors report engaging more effectively with management on covenant issues as a result of this resource, which is made available exclusively to ELFA members.

The Committee is also liaising with the IASB/IFRS to improve disclosure related to factoring arrangements and improve consistency and transparency of EBITDA reporting – if you are interested in more information on this project, contact Saul Casadio, Co-Chair of the Disclosure & Transparency Committee, at saul.casadio@MandG.co.uk.

[ELFA Seminar Series Archive](#)

Calculation Mechanics under High Yield Bond Covenants - Presented by ELFA

Analysing Priming Debt Capacity Under High Yield Bond Covenants - Presented by ELFA

Implementing Priming Debt Capacity, Liability Management - Presented with Houlihan Lokey

COVID-19 Financial Restructuring Update and Key Issues for Investors - Presented with Akin Gump

COVID-19 and European CLOs - Presented with Cadwalader

Reverse Factoring - Presented with Moody's

Analysing the Liability Management Playbook - Presented with Reorg

How McLaren Bondholders Stopped the "J. Crew" - Presented with Paul Hastings

Diversity & Inclusion Committee

The Diversity & Inclusion Committee is supporting the recruitment and training efforts of our members by offering free training sessions on credit and covenant analysis to interns, grads, and junior team members. The Academy Series successfully delivered training on these topics to interns and grads in July and will recommence in September over three dates.

To register your interns, grads and juniors for this training, contact Jacqueline Chao-Healy at jchaohealy@elfainvestors.com.

The Committee is hosting a diversity panel in the wake of George Floyd's murder and resulting Black Lives Matter protests to foster an open and

frank discussion of how underrepresented ethnic minorities are within the financial services industry. The objective is to bring focus to the lack of diversity, its causes and repercussions, told through the experiences of senior executives from BAME backgrounds.

Alain Defise, Head of Emerging Markets Corporate Credit at Pictet, and Omotunde Lawal, Head of Emerging Markets Credit at Barings are confirmed to speak via our virtual Zoom webinar platform from 2pm on 8th October, and additional panellists are being confirmed. If you would like to recommend a panellist, please contact Aaiza Ali, Chair of the Diversity & Inclusion Committee, at aaiza.ali@barings.com.

Loan Investor Committee

ELFA's Loan Investor Committee is working with the Loan Market Association on a project designed to encourage more detail on covenant provisions in the term sheet stage of a deal, with an aim to develop best practice guidance to be published over the coming weeks.

Our partners at Reorg are developing a scoring system in conjunction with the initiative that will rate term sheet completeness based on feedback obtained from investors through the process on which terms are most critical to their investment analysis. For more information about Reorg's term sheet scoring system, contact Shweta Rao, Senior Director at Reorg, at srao@reorg.com.

The Committee is putting the finishing touches on an Insights report on CLO significant events reporting under the EU Securitisation Regulation. The report reflects the collective efforts of our CLO manager members and aims to guide market consensus on the potential reporting implications of various events, and will be published over the coming weeks.

A sub-set of the committee is forming a working group to discuss lender obligations to KYC borrowers, and how a currently cumbersome process could be streamlined and made more consistent across the industry. If you would like to join these efforts, please contact Emma Norman, Co-Chair of the Loan Investor Committee, at emma.norman@invesco.com.

“Given how often we are being sent a draft SFA with less than 24 hours to review, term sheets should be getting more, rather than less detailed.”

– Respondent to ELFA's Term Sheet Completeness Survey

Engagement Committee

The Engagement Committee is working with our partners Houlihan Lokey and Akin Gump to explore potential solutions to the structural challenges faced by UCITS funds in participating in restructuring transactions as part of our Improving Investor Outcomes initiative.

The project brings together ELFA members and experienced professionals across various disciplines. Investors interested in taking part in the discussions can contact Adil Khan, Chair of the Engagement Committee, at akhan@muzinich.com.

The Committee is also actively liaising with regulators and market participants on various issues, including MiFID II Research Unbundling rules for fixed income and liquidity issues. The Committee published an Insights report on the latter topic, Enhanced Liquidity in European High Yield Funds, which can be downloaded [here](#).

Our Investor Surveys & Public Consultations

We work hard to find market consensus on issues impacting bond and loan investors through our Investor Surveys – this year we have canvassed the market on important issues like term sheet completeness and covenant transparency, and last year we conducted a survey of investors on ESG analysis and disclosure that has underpinned our ESG initiatives.

We also engage with the wider market, including sell side banks, law firms, private equity sponsors, credit ratings agencies, and covenant analysis experts in our Public Consultations and through our Initiative Committees, with an aim to find solutions that incorporate the unique considerations and concerns of these various market participants.

This year we have conducted Public Consultations on two important topics: our ESG Fact Sheet, which will be revised by the ESG Committee after a thorough review of the comments received, and covenant calculation transparency, which we intend to incorporate into best practice guidance after further engagement with stakeholders.

Our Partners

We are very grateful to our partners, a group of market-leading legal, restructuring, and covenant advisors. These partnerships will increase ELFA's ability to provide valuable resources to our members through the ELFA Partner Knowledge Series. Our partners are described below, and on the new Partners page of our website: [here](#).

Reorg

Reorg is committed to empowering its clients to discover and synthesize the information that matters in the global leveraged finance, stressed and distressed debt markets. Through their innovative technology and passionate industry experts, they are able to provide the financial and legal information their clients need to make better business and investment decisions.

Debt Explained by Reorg offers expert legal analysis and data on European high-yield bonds and leveraged loans covenants and structures.

Debt Explained by Reorg users have access to contextual covenant analyses in both primary and secondary markets, deals scored on hundreds of data points, and extensive fully searchable databases. For more information on Debt Explained by Reorg: <https://reorg.com/debtexplained>.

Houlihan Lokey

Houlihan Lokey is a global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and valuation. The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, the Middle East, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of the firm's commitment to client success across its advisory services.

Houlihan Lokey is the No. 1 M&A advisor for the past five consecutive years in the U.S., the No. 1 global restructuring advisor for the past six consecutive years, and the No. 1 global M&A fairness opinion advisor over the past 20 years, all based on number of transactions and according to data provided by Refinitiv (formerly Thomson Reuters).

The firm's Financial Restructuring Group, headed in Europe by Joseph Swanson and Peter Marshall, leads the partnership with ELFA. For more information, visit Houlihan Lokey's partner page on our website, or visit www.hl.com.

Akin Gump

Widely recognised as one of the leading law firms representing creditors in complex cross-border financial restructurings, and with lawyers operating across Europe, the US and Asia, Akin Gump's financial restructuring team advises on many of the largest and most significant cases in the market. For more information please visit: akingump.com/financial-restructuring.

Cadwalader, Wickersham & Taft LLP

Cadwalader, Wickersham & Taft LLP is a leading international law firm focused on financial products, transactions, and markets. Cadwalader's London office has significant practices in CLOs, special situations, direct lending and financial restructuring. Greg Petrick, Chair of the Firm's Financial Restructuring practice, and David Quirolo, a market leader in advising on CLO transactions, will lead the partnership with ELFA.

Our Team

We are delighted to welcome Kelsey Francis to the ELFA team as our first ESG volunteer. Kelsey is currently completing a PhD at Nottingham Business School (NTU) which will attempt to provide a standardised ESG framework for market participants to use in their risk analysis. He currently works for Debtwire and Inframation as a Relationship Manager and has experience working for the Royal Bank of Canada in Product Control and Regulatory Reporting. His academic perspective to ESG related matters and experience in the fixed income market makes him well placed to assist ELFA in achieving our goals of increasing transparency and efficiency in ESG disclosure.

Our Publications

We publish resources to our members and the wider market under three platforms:

- The ELFA Briefings Series, a new initiative by Omar Mostafa, our Legal & Regulatory Consultant, delivers key legal and regulatory updates directly to our members' inboxes weekly on Monday afternoons.
- The ELFA Insights Series is designed to provide a platform for investor members of ELFA to express their views about issues relating to disclosure, transparency, and market practices.
- The ELFA Diligence Series is designed to foster effective engagement between investors and management on important issues, both during primary marketing stage, and following the launch of our ELFA COVID-19 Best Practice Guide, through reports season.

Upcoming Events

The Seminar Series resumes from 16 September, with experts from Reorg together with Amy Kennedy, partner with Akin Gump, and Tatjana Greil Castro, Executive Committee member, kicking off the season with updates on COVID-19 trends in company financials and covenants, followed by events featuring experienced professionals from Houlihan Lokey, Akin Gump, and Cadwalader, providing our members with essential updates on restructuring transactions like Virgin Atlantic and others.

Our ESG Committee will host our ESG Disclosure Roundtable with the PRI and LMA on 29 September, and we are delighted to announce that over ten companies from four sectors will participate in discussions with credit analysts, moderated by ESG experts and documented by trained note-takers. We will publish sector-specific ESG guidance for leveraged finance corporate borrowers based on information gathered during this event. We anticipate incorporating additional sectors to follow-up events to our first disclosure roundtable, and welcome suggestions of companies that might be interested in taking part. Send recommendations and referrals to Sabrina Fox, our Executive Adviser, at sfox@elfainvestors.com.

If you have any requests for topics that we should cover during our Seminar Series, please do not hesitate to send those to Russell Taylor, Co-Chair of the Committee, at russell.m.taylor@jpmchase.com.



Upcoming Events

16th September, 2pm: Seminar Series with Reorg – The COVID Effect: Looking at results and covenants through the lens of a pandemic

29th September: *ESG Disclosure Roundtable with the PRI (by invitation only)*

1st October, 4pm: Seminar Series with Houlihan Lokey – Reviewing the Virgin Atlantic restructuring and new UK insolvency law

8th October, 2pm: *Diversity & Inclusion Committee panel discussion with senior BAME professionals*

20th October, 4pm: Seminar Series with Akin Gump – review of restructuring case studies

10 November, 4pm: *Seminar Series with Cadwalader*

11-12 November: Responsible Investment Forum, cross-asset class discussion on ESG, co-hosted with PRI

This year we have built on the strong foundations we laid last year all in support of our mission to act as the voice of investors in the European leveraged finance market. As we head into the next membership year, we plan to increase our impact in the market and enhance the benefits of membership to our organisation.

ELFA welcomes all investors in European leveraged finance – for more information about how you can get involved, contact Sabrina Fox, Executive Adviser to ELFA, at

Now is a great time to become an ELFA member!

- ✓ The new season of our Academy Series is planned for September and October, and there is still time to register your grads, interns, and juniors.
- ✓ Board seats will rotate during the October Annual Meeting, providing an opportunity for senior PMs who wish to make a material impact on the market to join the professionals leading our organisation in support of our mission statement.
- ✓ Our new website will launch in October, providing even more ways for members to engage with each other and the wider market.
- ✓ Replays of our Seminar Series schedule for the autumn will be made available to ELFA members, along with the rest of our members' only content.
- ✓ We will continue to distribute our Legal & Regulatory Briefings each week on Monday afternoon, reviewing key developments in the rapidly evolving regulatory landscape and highlighting top leveraged finance news.
- ✓ We will continue to distribute our Covenant Tearsheets for new high yield deals, providing actionable intelligence to members usually within 24 hours of deal launch.