

## The ELFA and PRI Host ESG Workshop for Advisers to Sub-Investment Grade Companies

*Following a discussion with key stakeholders, the ELFA and the PRI will publish a guide to ESG disclosure together with sector-specific guides for companies under development*

**London, UK, 16 November 2020** – The European Leveraged Finance Association (the ELFA) and the Principles for Responsible Investment (the PRI) on 12 November held a workshop on disclosure of environmental, social and governance (ESG) topics, bringing together, for the first time, representatives from each key stakeholder group involved in executing leveraged finance transactions. This event follows the September workshop, which facilitated dialogue amongst sub-investment grade corporate borrowers and credit analysts on issues relating to sector-specific ESG disclosure.

The event is part of a collaborative effort between the PRI and the ELFA designed to raise awareness and increase disclosure of financially material ESG factors for sub-investment grade corporate borrowers, with a view to deepening engagement on these issues.

The virtual event attracted over 80 participants, bringing together law firms, sell side banks, private equity sponsors, credit ratings agencies (CRAs), and senior fund managers to discuss practical issues relating to disclosure on material ESG topics and to explore the incorporation of ESG topics into the diligence and drafting process.

Participants took part in smaller group discussions about key points and proposals made in the ELFA's draft *Guide for Company Advisers to ESG Disclosure in Leveraged Finance Transactions* (the "Guide"), which was drafted by a working group of law firms coordinated by the ELFA. The group plans to incorporate insights gained from the event into a revised draft of the Guide.

The PRI and ELFA will publish a briefing on the workshop findings in the coming weeks. The sector-focused disclosure guides for companies will be published over the coming months together with the Guide.

The following firms have contributed to drafting the Guide, and also acted as moderators and note-takers at the event: Akin Gump LLP, CMS Cameron McKenna Nabarro Olswang, Dentons, Hogan Lovells, Linklaters, McDermott Will & Emery UK LLP, McGuireWoods LLP, Morrison & Forster (UK) LLP, and The Deal Team.

The following firms, among others, participated in the event:

Law firms	Banks	PE sponsors	CRAs	Fund Managers
Allen & Overy LLP	Barclays	Advent International	Fitch Ratings	Alcentra
Baker & McKenzie LLP	BBVA	Bridgepoint	KBRA	Allianz Global Investors
Latham & Watkins LLP	BNP Paribas	Coller Capital	Moody's Investors Service	Bain Capital Credit
Milbank	Credit Agricole	IK Invest Partners	Qivalio	Cairn Capital
Paul, Weiss, Rifkind, Wharton & Garrison LLP	Credit Suisse	Investindustrial	S&P Global Ratings	Columbia Threadneedle Investments
Simpson Thacher & Bartlett LLP	Goldman Sachs	Liberty Global	Scope Ratings	Federated Hermes
	ING	Partners Group		KKR Credit
	J.P. Morgan			M&G Investments
	Société Générale			Muzinich & Co.
				Ninety One
				Oaktree Capital Management, L.P.

The ELFA is joined in this initiative by the Loan Market Association, which has also contributed to drafting the Guide and participated in the event. Representatives from the Association for Financial Markets in Europe (AFME) were also present at the event.

The next event, which is currently under development and expected to take place in 1H21, will bring together sub-investment grade corporate borrowers and credit analysts from additional sectors.

Carmen Nuzzo, head of fixed income at the PRI, commented: “To further the understanding of financially material ESG factors and making ESG disclosure effective, we need to reach a consensus on a minimum list of meaningful information. Discussing with all the stakeholders who are key in the preparation of prospectus and offering memoranda is a crucial place to start for ‘singing from the same hymn sheet’ and enabling practical solutions that can move the industry forward.”

Sabrina Fox, Executive Adviser to the ELFA, commented: “There is a clear willingness on the part of key stakeholders to support the growth of ESG in the leveraged finance market. We believe that a coordinated approach to engagement on ESG topics, incorporated into the existing framework of diligence and disclosure, is the most efficient way to support investors in their efforts to effectively incorporate ESG topics into their investment analysis. Only by fostering a frank dialogue about the challenges and benefits of this approach will we move the needle on this issue.”

Investors interested in taking part in the next sector-focused workshop with sub-investment grade corporate borrowers should contact [carmen.nuzzo@unpri.org](mailto:carmen.nuzzo@unpri.org) and company advisers wishing to get more information on future ESG disclosure workshops should reach out [sfox@elfainvestors.com](mailto:sfox@elfainvestors.com).

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Notes to editors:

### **The ELFA's Disclosure Initiative**

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 initiative was launched last year with an ESG Investor Survey, which gathered information from 100 investors about how best to support the growth of ESG in the leveraged finance market.

The ELFA's ESG Committee has since published three 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 PRI's ESG in Credit Risk and Ratings Initiative**

The event was also 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. Numerous reports have been published as part of the initiative and over 20 forums organised around the world for credit practitioners.



**About the ELFA:** 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).

**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](http://www.unpri.org)

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