

PRESS RELEASE

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European Leveraged Finance Association and Principles for Responsible Investment launch guidance on ESG disclosure

- **ESG Fact Sheets aim to bring consistency to ESG metrics for borrowers and investors**
- **Accompanying resource for law firms, banks, and private equity sponsors provides guidance on how to deploy ESG disclosure in offering materials, company reporting**

London, 19 January 2021: The European Leveraged Finance Association (ELFA) and the Principles for Responsible Investment (PRI) have today launched sector-specific guidance on environmental, social and governance (ESG) disclosures for sub-investment grade corporate borrowers. The ESG Fact Sheets are designed to support borrowers in preparing ESG disclosure, and to facilitate engagement between investors and the companies to which they lend on important ESG topics. The ESG Fact Sheets can be downloaded from the [ELFA's website](#).

The first three sector-specific ESG Fact Sheets focus on: debt collectors, paper and packaging, and telecoms companies. The groups have also published a sector-agnostic General ESG Fact Sheet which is designed to be used by companies in any sector. The ESG Fact Sheets outline key topics under each pillar along with the related policies, processes, controls and associated metrics that could be relevant to an investment decision.

These best practice guides have been developed following industry-wide engagement focusing on creating sector-specific ESG disclosure guidance that help companies understand what investors expect of them. Compiled with input from credit analysts, portfolio managers, ESG specialists, the ESG Fact Sheets are intended to be used as a standard set of industry disclosures to bring greater consistency to ESG metrics.

Following the publication of the draft General ESG Fact Sheet in June 2020 and after engagement with both investors and the wider leveraged finance community during the ESG workshops, it was clear that a sector-level approach was needed to support the diverse European leveraged finance market.

The ESG Fact Sheets outline the most important areas of ESG disclosure for each sector, including:

- **Telecoms:** privacy and data security, (online) child protection, and governmental fines or reprimands with respect to customer data.
- **Paper and Packaging:** environmental disclosure, including with respect to forest management and energy and water consumption and waste metrics.
- **Debt collectors:** fair customer treatment and regulation, customer complaints and policies, adherence with regulatory requirements and controls in place for treatment of vulnerable customers.

A "Guide for Company Advisers to ESG Disclosure in Leveraged Finance Transactions" (the "Guide"), drafted by a working group of senior legal and banking professionals, is being published alongside the ESG Fact Sheets. The Guide outlines for company advisers, including law firms, banks, and private equity sponsors, how to best integrate ESG information into offering materials and ongoing company reporting. The key topics covered in the Guide were discussed in an ESG workshop held in November 2020, which attracted over 85 senior professionals across law firms, banks, private equity sponsors, credit rating agencies, senior fund managers and trade associations. The Loan Market Association (LMA) is jointly publishing the Guide with the ELFA. The Guide can be downloaded from the [ELFA's website](#).

The rise of investor interest in ESG and sustainable investments means that asset managers are under increased pressure to explain and demonstrate their ESG investment approach. Designed to support borrowers preparing ESG disclosures, these resources provide comprehensive guidance on conveying ESG information to asset managers, which at the same time will enable them to comply with upcoming regulatory requirements.

The ELFA and PRI are hosting their next virtual workshop on the 28th January, bringing together sub-investment grade corporate borrowers and credit analysts to discuss relevant ESG topics for the chemicals, industrials, retail, technology / software, and towers / infrastructure sectors. Information gained at the event will be used to create sector-specific ESG Fact Sheets for those sectors.

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Sabrina Fox, Chief Executive Officer, European Leveraged Finance Association, commented: “Throughout our engagement we have observed a willingness to disclose ESG information, but borrowers and their advisers requested specific guidance on where to focus their efforts. The ESG Fact Sheets contain the topics that are most important to investors, which have been discussed with companies operating in those sectors. We have also published guidance for company advisers how to deploy the ESG Fact Sheets in leveraged finance transactions, incorporating feedback received from market participants. We believe this suite of ESG disclosure resources will help move the needle on ESG disclosure, which stands to benefit all market participants.”

Carmen Nuzzo, head of fixed income at the PRI, commented: “The ESG Fact Sheets highlight how the materiality of ESG factors varies by sector. Beyond advancing guidance on disclosure, the workshops that the PRI and ELFA have organised were instrumental to create the space for investors and borrowers to meet on common ground, along with company advisers and credit rating agencies, and thereby extending the work that the PRI is leading on with the ESG in credit risk and ratings initiative.”

Gemma Lawrence-Pardew, Director – Legal at the LMA, commented: “With the ESG landscape moving at such a rapid pace, it became clear in early conversations that there was an educational piece needed to keep advisers abreast with developments in disclosure requirements. We believe this Guide will be of great use to all of our memberships, as well as the market generally, not only in providing background as to the key pieces of legislation to be aware of, but also how these disclosure requirements should be integrated practically.”

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About the ELFA

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.

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 LMA

The LMA is the trade body for the EMEA syndicated loan market and was founded in December 1996 by banks operating in that market. Its aim is to encourage liquidity in both the primary and secondary loan markets by promoting efficiency and transparency, as well as by developing standards of documentation and codes of market practice, which are widely used and adopted. Membership of the LMA currently stands at over 750 organisations across over 65 jurisdictions and consists of banks, non-bank investors, law firms, rating agencies and service providers. The LMA's overall mission is to act as the authoritative voice of the EMEA loan market vis à vis lenders, borrowers, regulators and other interested parties. www.lma.eu.com