

# PRESS RELEASE

7 December 2021

## ESG data flow still not sufficient for leveraged finance investor needs, with ESG data vendor coverage of leveraged loans found lacking – European Leveraged Finance Association research finds

- **ESG data vendors cover only 10% or less of leveraged loans universe**
- **ELFA calls for greater coverage of leveraged finance by ESG data providers as demand proliferates and regulatory requirements increase**
- **ELFA Insights report on ESG data collection addresses these issues and gives guidance on what market participants can do to improve ESG data availability**

**London, 7th December 2021:** ESG data vendor coverage of leveraged loans and high yield bonds is severely lacking compared to coverage of investment grade companies, according to research described in an Insights report published by the European Leveraged Finance Association (ELFA).

ELFA analysed coverage by three major ESG data vendors for three debt indices – the CS Western European Leveraged Loan Index, the ICE BofAML Developed Markets High Yield Constrained Index and the BBG Global Aggregate Corporate Index – finding major discrepancies in data coverage across asset classes.

The research found that coverage of high yield and leveraged loans is far behind that of investment grade borrowers. Leveraged loans coverage levels ranged from only 4-10% across the three vendors analysed, and high yield coverage stood between 40-79%, whilst investment grade borrowers stood between 62-95%. These figures also highlight the varying ranges of coverage between different vendors even within the same asset classes.

Coverage Levels	Vendor A		Vendor B	Vendor C
	Rating	Toxic Emissions / Waste	Rating	Rating
CS WELLI (Loans)	10%	7%	7%	4%
ICE/BAML HY (HY)	79%	57%	47%	40%
BBG Agg Corp (IG)	95%	77%	79%	62%

The research is outlined in ELFA’s Insights report, **ESG Data Collection: Current deficits and how these can be addressed**, published today, which reports that leveraged finance investors’ need for ESG data in leveraged finance is proliferating, and although supply is improving it is not keeping up with demands.

In Europe, ELFA predicts demand is only likely to be supercharged as the Sustainable Finance Disclosure Regulation (SFDR) and other elements of the EU’s sustainable finance action plan come into effect. While the momentum in ESG disclosure by corporates is increasing, ELFA found that ESG disclosure lacks consistency and is often not presented in user-friendly ways, which creates additional challenges for investors.

### Improving ESG data collection

In its Insights report, ELFA addresses key issues with data collection and provides guidance on what market participants can do to improve ESG data availability.

**Corporate borrowers:** To make coverage by data providers easier, corporate borrowers should provide ESG disclosure in as public a way as possible and aim for disclosures that are comprehensive. Most importantly, corporates should work proactively with both data vendors and investors to make sure the disclosure covers what the majority of market participants need to know.

**Investors:** Investors should continue to engage with borrowers on the disclosures they would like to see and how to present the disclosure in a user-friendly way. At the same time, as a buyer of these services, investors can encourage data vendors to increase coverage.

7 December 2021

**Data vendors:** Data vendors need to be open-minded about how they can adjust their methodologies to address the fact that borrowers in the leveraged finance markets tend to be smaller, while at the same time not compromising the integrity of their products.

ELFA's [ESG Fact Sheets](#) provide a useful starting point for borrowers, outlining generally and by sector in an easily accessible format what will be used by investors when considering the ESG credentials of an investment opportunity. Additionally, ELFA continues to engage with borrowers, banks and private equity sponsors to improve ESG disclosures.

ELFA is extending engagement under its ESG Disclosure Initiative to ESG data providers to encourage greater consistency and increased coverage of the leverage finance market. Market participants wishing to get involved in our ESG data workstream can send an email to [elfa@elfainvestors.com](mailto:elfa@elfainvestors.com) for more information about next steps.

**Sabrina Fox, Chief Executive Officer, European Leveraged Finance Association, commented:** "It is understandable that, to date, most vendors have focused their efforts on larger borrowers, but market needs are rapidly evolving and there is from investors demand for more comprehensive coverage of leveraged finance borrowers by ESG data providers. We are asking data providers to consider how they can fill this gap.

"At the same time, everyone has a role to play in improving data collection and disclosure, including by making the data as useful as possible. What is encouraging is that most market participants want this to improve, both in terms of data availability from borrowers and data usability for investors. We will continue to play an active role in supporting greater ESG disclosure in the leveraged finance industry to help the industry move forward and bridge this gap."

The full Insights report can be downloaded [here](#).

END

#### Media contact

Gilly Lock / Chloe Retief

Powerscourt

+44 (0) 7711 380 007

+44 (0) 7507 785 103

Email: [elfa@powerscourt-group.com](mailto:elfa@powerscourt-group.com)

#### About the European Leveraged Finance Association (ELFA)

ELFA is a trade association comprised of European leveraged finance investors from over 50 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).