

PRESS RELEASE

15 February 2022

European Leveraged Finance Association launches updates of all ESG Fact Sheets and adds Autos, Building Materials and Services

- **All ELFA ESG Fact Sheets have been updated and now include specific KPI tables**
- **The updated set of ESG Fact Sheets provide sector-specific guides for Autos, Building Materials and Services companies**
- **ESG Fact Sheets aim to bring consistency to ESG metrics for borrowers and investors**

London, 15 February 2022: The European Leveraged Finance Association (ELFA) has today launched its updated set of sector-specific guidance on environmental, social and governance (ESG) disclosures for sub-investment grade corporate borrowers. The latest ESG Fact Sheets now include sector-specific guidance for the most important areas of ESG disclosure for Autos, Building Materials and Services sectors.

Following discussions with credit analysts, portfolio managers, credit rating agencies and ESG specialists and in response to investor demand, the latest Fact Sheets include ESG KPI tables and relevant definitions. It was evident from ELFA's engagement with the investor community that further KPI disclosure from borrowers is required, and that these should be consistent between companies within a sector for comparison purposes. The KPIs include metrics relating to areas such as energy consumption, greenhouse gas emissions and board diversity.

The ESG Fact Sheets are designed to support borrowers when preparing ESG disclosure, and to facilitate engagement between investors and the companies to which they lend on important ESG factors. These best practice guides outline key topics under the three ESG pillars, along with the related policies, processes, controls, and associated metrics that could be relevant to an investment decision.

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

- **Autos:** Environmental disclosures include the transition to a potential 2035 deadline for phasing out internal combustion engines (ICE), the use of new technologies, impact of sites on biodiversity, sustainable sourcing of materials and the ultimate influence on customers' climate impact. Health and safety and labour standards feature in social metrics, alongside customer safety and impact on local communities. Governance metrics include compliance with regulations, risk management, financial policies and board diversity.
- **Building Materials:** Environmental disclosures include greenhouse gas emissions, exposure to hazardous chemicals, sustainable sourcing and recycling of materials and sustainable product development. The impact on reducing customers' climate footprint is also highlighted, alongside disclosure of government subsidy programmes that benefit customers, such as energy efficiency. Disclosure on annual costs of CO2 credits as well as disclosure of provisions for land remediation are also listed. Health and safety and employee wellbeing feature heavily in the social pillar. Governance topics include anti-corruption, anti-bribery and risk management, alongside board diversity, remuneration and financial policies.
- **Services:** Social disclosures feature highly for Services companies and include employee health and safety and labour standards – such as recordable injury rates and lost time incidents, employee turnover, well-being, training and satisfaction. Monitoring product quality and performance on key customer metrics are also highlighted. Environmental topics include climate change policy, greenhouse gas emissions and recycling. Governance topics include compliance with regulations, board composition and management remuneration disclosures, alongside risk management and financial policies.

Additionally, they have updated all the existing ESG Fact Sheets to include feedback from the most recent events and included a table outlining ESG KPIs. ELFA will continue to update previous versions of the ESG Fact Sheets at least annually.

ELFA created the ESG Fact Sheets to help align market expectations and streamline the disclosure process. The Fact Sheets are intended to serve as a starting point for ESG discussions between issuers, the buy-side, the sell-side and third-party service providers, but are not intended to be the definitive industry ESG disclosure standard nor replace customised investor ESG due diligence.

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Sabrina Fox, Chief Executive Officer, European Leveraged Finance Association, commented: “We are continuing to promote consistency and best practice in ESG disclosure through our ESG Fact Sheets and are delighted to be publishing new guides for three additional sectors.

“Through our workshop discussions, we found that whilst there has been positive progress by companies in ESG data disclosure, investors sought concrete KPIs and standardisation within ESG reporting, which we have aimed to address by introducing ESG KPI tables within the ESG Fact Sheets. Governance and transparency remain essential focus areas for investors. To better align incentives with corporates and investors, the updated ESG Fact Sheets include further disclosures on areas such as executive and board remuneration and whether they are linked to ESG performance targets.

“ESG factors have grown to be a critical part of credit analysis in European leveraged finance and ELFA will continue to facilitate engagement between investors and companies on these important ESG topics to create a more transparent and efficient market.”

In January 2022, ELFA held its fifth ESG Disclosure Workshop to discuss ESG topics relevant to the gaming sector and will publish a briefing paper on the findings over the coming weeks together with an ESG Fact Sheet on the gaming sector.

ELFA will host additional events for sub-investment grade corporate borrowers and credit analysts

to incorporate additional sectors not currently covered by the existing ESG Fact Sheets. Corporate borrowers and credit analysts are invited to propose sectors for inclusion in the ESG

Disclosure Initiative by contacting ELFA directly: elfa@elfainvestors.com.

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About European Leveraged Finance Association (ELFA)

ELFA is a trade association comprised of European leveraged finance investors from over 55 institutional fixed income managers, including investment advisers, 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.