

PRESS RELEASE

26 October 2022

European Leveraged Finance Association launches CLO ESG Questionnaire designed for completion by CLO managers to improve transparency, liquidity and efficiency in the CLO market

- **CLO ESG Questionnaire standardises the ESG data required by CLO investors from CLO managers and issuers into a single document to establish a gold standard in ESG reporting for the CLO market**
- **ELFA's CLO Investor Committee collated key questions CLO investors ask CLO managers to compile the questionnaire, which was tested in a pilot process with select CLO managers**
- **Standardising ESG disclosure will streamline due diligence and make relative comparisons easier for CLO investors on the critical issue of ESG**

26th October 2022: The European Leveraged Finance Association (“ELFA”) today launches a new [CLO ESG Questionnaire](#) designed to improve the quality of ESG reporting and data in the CLO market.

ESG disclosure has become a key issue for investors in the leveraged finance market, driven by end-investors and growing scrutiny from shareholders, stakeholders and regulators. However, the leveraged finance market continues to lag the equity markets when reporting ESG. The lack of standardisation in ESG disclosure by CLO managers makes relative comparisons very difficult for CLO investors.

ELFA's CLO Investor Committee has collated key questions that CLO investors ask CLO managers about ESG composition and investment framework to compile a comprehensive questionnaire in two parts: one targeted at the manager level and the other aimed to gather information on the CLO managers' investment framework.

The CLO ESG Questionnaire was developed over nine months in collaboration with a focus group of CLO managers so that its design can accommodate all types of managers, from small to mid-size to large institutional managers. It is intended for arranging banks to distribute the CLO ESG Questionnaire at the time of the CLO offering to create efficiencies for both CLO managers and those involved in the syndication process.

While this first version of the CLO ESG Questionnaire is considered to be in its final form, the ELFA CLO Investor Committee will continue its engagement with CLO managers and intends to make refinements over time based on CLO manager feedback and to incorporate future changes to investors' disclosure requirements.

To that end, ELFA intends to host a workshop between CLO investors and CLO managers in early 2023 to discuss it in more detail following the review.

The CLO Investor Committee's vision is to create the gold standard on ESG reporting to improve transparency, liquidity and efficiency for the good of the CLO market and all its participants. The CLO ESG Questionnaire enhances transparency by aiming to collate a significant proportion of the questions that CLO investors ask, recognising the importance of making ESG information publicly available to satisfy shareholder and stakeholder scrutiny. This is a critical step for the CLO market to advance to levels of transparency observed in other markets. It also provides direction on disclosure without setting rigid parameters of what is 'good' or 'bad' in matters of sustainability.

The CLO ESG Questionnaire creates liquidity by incentivising borrowers to take control of their ESG narrative in order to better position themselves to access debt and equity in the future. Greater transparency can and should boost liquidity by unlocking any additional funding available to investors to deploy in ESG. It also improves efficiency by replacing multiple RFIs with a single document, thereby eliminating overlap.

Once the CLO ESG Questionnaire is widely adopted and becomes the market standard, this will bring efficiency and due diligence to accelerate investment decisions.

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Sabrina Fox, CEO at ELFA, commented: “The CLO ESG Questionnaire reflects the collective efforts of our CLO Investor Committee and a group of CLO managers participating in the pilot stage of its development. Its launch can significantly advance ESG adoption for the CLO market and is a necessary step to improve the quality of ESG reporting and data disclosure. The CLO ESG Questionnaire is not intended to be mandatory for CLO managers, but rather reflects best practice and is designed to facilitate greater efficiency compared with individual RFIs. Together, we can establish a new gold standard on ESG reporting for the good of the entire CLO market and all its participants, including investors, borrowers, managers and banks.”

Emeric Chenebaux, Co-Chair ELFA CLO Investor Committee, commented: “When we set up the ELFA CLO Investor Committee last year, we identified several challenges in the CLO market that our working group is addressing. This CLO ESG Questionnaire is the cornerstone of a broader project aimed at improving the transparency and efficiency of our asset class.”

End

About ELFA

ELFA is a trade association comprised of European leveraged finance investors from over 60 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 ELFA’s website: www.elfainvestors.com.