

PRESS RELEASE

ELFA releases Insights Series report on SFDR Workshops highlighting leveraged credit investor perspectives and implementation challenges

23 November 2022: ELFA has published an Insights Series report summarising key points raised during following a series of workshops during which participants exchanged insights and experience on implementation of the regulation. The Insights report summarises key takeaways and can be found [here](#).

The EU's Sustainable Finance Disclosure Regulation (SFDR) lays down harmonised rules on transparency for financial market participants and financial advisers regarding the integration of sustainability risks, the consideration of adverse sustainability impacts and the provision of sustainability-related information on certain financial products.

In-scope financial products which promote, amongst other things, environmental or social characteristics or have sustainable investment as their objective will have to comply with more granular requirements than other types of financial products.

One of the sessions was a member-only workshop with three breakout groups: one for credit analysts, one on fund creation for fund managers and ESG specialists, and one for private debt lenders.

Participants highlighted the following during the events:

- Participants noted that asset managers are taking different approaches to certain aspects of implementation, for example, whether to consider principal adverse impacts in their investment decisions and whether to adopt single or double materiality concepts.
- There is currently a broad set of approaches for Article 8 funds in the market that promote environmental or social characteristics; however, most funds in the marketplace currently do not consider or report the principal adverse sustainability impact indicators (PASIs) for their Article 8 funds.
- There are challenges with obtaining the PASIs in credit managers' investment processes and a lack of borrower disclosure on these data points in the leveraged finance market. When there is disclosure, some data is retrospective rather than forward looking. Lastly, there is a lack of coverage from external data vendors, and the relevance and usefulness of such indicators as a tool to assess impact varies from company to company.
- The SFDR PASIs reporting template has the potential to standardise data which investors want, as good comparability of data across companies allows for historical and peer analysis which, in turn, facilitates a comprehensive ESG assessment.
- In addition to the mandatory PASIs already embedded in existing ELFA ESG Fact Sheets, ELFA will incorporate four additional voluntary PASIs in its next annual update of the ELFA's ESG Fact Sheets Series.
- To strengthen borrowers' contractual commitments to disclose ESG data to lenders in loan documentation, lenders can either (i) include additional text to request that lenders comply with applicable sustainability requirements and/or sustainability disclosures relating to specific regulations such as the EU SFDR, (ii) include a new undertaking that specifies (a) the particular ESG and sustainability information that the borrower is required to provide to lenders and/or (b) that lenders may request information that is necessary or desirable to enable them to comply with specified sustainability regulations and requirements, including appropriate PASI disclosures.

Sabrina Fox, CEO at ELFA commented: "ELFA's ESG workshops are an important forum to discuss the issues and challenges that our members are facing with ESG analysis and integration. Today's Insights Series report collates member views on how best to adopt the new regulation across the market. This type of engagement is essential to our continued support of ESG integration across the leveraged finance industry."

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22 November 2022

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.

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