

# ESG Fact Sheet Communications Infrastructure

## Introduction

Environmental, social and governance (ESG) factors have quickly grown to be a critical part of credit analysis in the European leveraged finance market. Despite the increasing focus on ESG, efforts have been fragmented as the market lacks consensus on the type of ESG disclosure that is necessary.

To foster a discussion about what ESG information investors would like companies to disclose and to build consensus, the European Leveraged Finance Association (ELFA) has arranged a series of workshops with sub-investment grade borrowers, investors, credit rating agencies, private equity sponsors, bankers, and lawyers. The willingness to improve ESG disclosure has been apparent on all sides, but borrowers have requested more specific and consistent guidance on what investors would like to see. For further findings from the workshops, please find the related briefing papers [here](#) including a report highlighting valuable insights from fund managers on why certain ESG data matter to them in light of the recent [EU Sustainable Finance Disclosure Regulation \(SFDR\)](#) and the subsequent rise of Article 8 and 9 funds in the market.

ELFA aims to address the above challenges by publishing sector-specific ESG Fact Sheets. The ESG Fact Sheets reflect the input of credit analysts, corporate borrowers and ESG specialists who discussed the key ESG factors for each specific industry.

ELFA believes the ESG Fact Sheets can help align market expectations, serve as an important engagement tool for investors and ultimately help streamline the disclosure process for borrowers. They are intended to serve as a starting point for ESG discussion between issuers, the buy-side, the sell-side and third-party service providers, and are not intended to be the definitive industry ESG disclosure standard nor replace customised investor ESG due diligence.

The ESG Fact Sheets have been updated to include the Principal Adverse Impact (PAI) indicators which are increasingly being used by investors to satisfy regulatory reporting requirements in line with the [EU SFDR](#). The PAI indicators may also be used by investors as sustainability indicators used to measure the attainment of the environmental or social characteristics or to demonstrate that an investment qualifies as a sustainable investment. ELFA expects the ESG Fact Sheets to evolve over time with the benefit of your feedback. Please send any comments [here](#).

For issuers looking for further guidance around how to disclose ESG factors some resources that can be used are:

- The [EU Corporate Sustainability Reporting Directive \(CSRD\)](#) and the [draft European Sustainability Reporting Standards \(ESRS\)](#)
- The [SASB Standards](#), now part of the IFRS Foundation
- The Global Reporting Initiative ([GRI](#))
- The ESG Integrated Disclosure Project ([ESG IDP](#)) template

Specifically for climate related disclosures, there are multiple different frameworks but irrespective of the framework it is important to disclose the baseline that is used. Some of the organisations/frameworks are:

- The [TCFD](#) for disclosure on climate-related risks
- The [CDP](#) for disclosure on climate, forests and water
- The Climate Disclosure Standards board ([CDSB](#))
- The [SBTi](#) for GHG emission targets
- The [TPI](#) to assess preparedness for a low carbon economy

The ESG Fact Sheets have been published in conjunction with the “[Guide for Company Advisors to ESG Disclosure in Leveraged Finance Transactions](#)” which is designed to assist company advisers in their incorporation of ESG factors in the diligence and drafting process for corporate borrowers.

Publication / Version no.	Date	Change / Update to Content
Original Publication	September 2021	
Version 2.0	February 2022	Annual update to add ESG KPI table and further minor non-substantive changes.
Version 3.0	March 2023	Update to introductory section, further clarification added to carbon data requests and additional questions on executive pay structures, anti-bribery, anti-corruption and whistle blower policies and procedures. Sector-specific ESG considerations are highlighted in bold. Additional ESG KPIs are also added in the Excel table.

# ESG Fact Sheet – Communications Infrastructure

Sector-specific ESG considerations are highlighted in bold

## General

- **What are the most material ESG risks for Communications Infrastructure providers in your view and how have you determined these?**
- How are you integrating the European Green Deal into your operations?
- How are ESG matters/considerations integrated within the business strategy?
- Is there a C-suite/board member with responsibility for ESG matters?
- Details on how you may have contributed to helping achieve any of the UN Sustainable Development Goals
- Disclosure of any legal processes with third parties, including (environmental) regulators, unions and/or individual employees<sup>1</sup>
- Describe measures in place to monitor supply chain risks, performance on supply chain metrics and how this compares to peers<sup>2</sup>
- **Describe any ESG targets within customer contracts**
- **Disclosure on disaster recovery plan and/or catastrophe resilience plan to safeguard the integrity of the networks**
- Details about affiliations with professional or industry standards business platforms
- Details about certifications which are linked to the E, S or G or all three

## Environmental Pillar

- Description of environmental/climate change policy
- Any targets set in relation to greenhouse gas emissions (split between scope 1/2/3 if available) and using best efforts estimates, what % of emissions the targets cover
- If you have emissions targets, describe your emissions reduction targets in as much detail as you can<sup>3</sup>
- Disclosure of policies around energy management and any projects to reduce energy usage
- **Disclosure of sites/operations located in or near to biodiversity-sensitive areas<sup>4</sup>**
- Describe any policies for the sustainable sourcing of materials
- **Disclosure of adherence with safety regulation of electromagnetic field exposure**
- Details of any circular economy/recycling initiatives
- Describe the impact you believe you may have in reducing customers' climate impact

## Social Pillar

### 1. Employees

- **Disclosure on occupational health and safety policies and track record**
- Information about employee turnover, well-being and satisfaction (e.g. how this is gathered and measured), including for any contracted workforce
- Information on the relationship with unions, including LTIR relating to strike action or threats
- Disclosure on diversity and inclusion statistics and targets, how these are measured, and their achievement historically, including gender pay gap information
- Disclosure about employee training programmes
- Describe policies on human rights, employee legislation and modern slavery
- Describe policies and processes in place to monitor labour standards across the supply chain

### 2. Customers and Community

- Details on how customer satisfaction is monitored and current performance (e.g. complaints, Net Promoter Score (NPS)) and how this compares to peers
- **Disclosure on customers' equipment safety and maintenance of sites**
- **Disclosure on any community safety concerns (unsecured or damaged telecom infrastructure, electromagnetic fields safety and wildfire/wildlife safety)**
- Details on how relationships with local communities are managed

### 3. IT Security

- **Disclosure on cybersecurity breaches and processes in place to manage network security**

<sup>1</sup>Include disclosure on environmental incidents, litigations and legal proceedings linked to ESG in the last 12 months

<sup>2</sup>Examples of topics to include are: i) % of supply chain (by total cost) that is subject to ESG DD; ii) % of suppliers subject to ESG DD that have seen shortcomings; iii) % of suppliers where you have identified shortcomings that you have engaged with; iv) % of ESG engagements where the level of business you do with the supplier has changed post engagement

<sup>3</sup>Carbon targets: the details to include for best-in-class disclosure would include information such as the base year, target year, reduction amounts (including how to reach these and if targets include a plan to use carbon offsets), the scopes covered and the % of emissions these cover, and if you will seek external verification of targets

<sup>4</sup>Biodiversity sensitive areas could include (i) UNESCO world heritage sites, (ii) Key biodiversity areas as mapped in <http://www.keybiodiversityareas.org/kba-data> and (iii) Natura 2000 protected areas which are mapped here: [Natura 2000 Network Viewer \(europa.eu\)](http://Natura2000NetworkViewer.europa.eu)



## Governance Pillar

- Describe how you manage compliance with applicable regulations, including competition legislation, and any other required industry practices
- Main criteria when constructing the board and if there is a specific representative for ESG issues
- Describe any targets and timeline for increasing diversity of the board
- Disclosure on all control committees (e.g. Audit, Remuneration, Investment), including involvement of independent directors
- Disclosure of the metrics to which management remuneration is linked, if any is linked to ESG targets and if yes, what % is linked to ESG
- Describe any written anti-corruption and anti-bribery policies and procedures, including whistle-blower policies and which, if any, policies are missing. Provide information on any significant past incidents.
- Describe risk management policies, strategic planning process and business code of conduct
- Disclosure of the size of the financial control function and how this is adapted as the company grows
- Describe your financial policy in relation to acquisitions, asset sales and leverage
- Disclose information on your auditor, including how long they have been in place, process for selecting the auditors, and any audit related issues in the past
- Disclosure of your Revolving Credit Facility (RCF) and/or other material covenants including their current levels
- Disclosure of details of any ESG-linked financing

## ESG KPIs (for the table below in Excel format [click here](#))

Company Name	Metric	Units	2019	2020	2021	2022
SFDR requirements	PAI					
<b>Environmental</b>	Revenues	Millions (reporting currency)				
	5 Non-renewable energy consumption	GWh				
	5 Renewable energy consumption	GWh				
	5 Share of non-renewable energy consumption	% of total				
	5 Share of non-renewable energy production	% of total				
	6 Energy consumption	GWh				
	6 Energy consumption intensity	GWh/1m revenues				
	5 Non-renewable energy production	GWh				
	5 Renewable energy production	GWh				
	8 Emissions to water	Tonnes				
	9 Hazardous waste and radioactive waste	Tonnes				
	4 Fossil fuel exposure	% of revenues				
	7 <b>Activities negatively impacting biodiversity sensitive areas</b>					
	<b>Carbon disclosures</b>	1 Gross Scope 1 GHG emissions	Metric tonnes			
1 Gross Scope 2 GHG emissions: location based		Metric tonnes				
1 Gross Scope 2 GHG emissions: market based		Metric tonnes				
1 Gross Scope 3 GHG emissions		Metric tonnes				
1 Total GHG emissions		Metric tonnes				
2 Carbon footprint		Metric tonnes				
3 GHG intensity		Tonnes/1m revenues				
Carbon offsets		Metric tonnes				
<b>Social</b>	10 Violations of UN Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises	Total number				
	11 Does the company have active policies to monitor compliance with the UNGC and OECD Guidelines for Multinational Enterprises?	Yes/no				
	12 Unadjusted gender pay gap	Female-male difference in gross hourly salary, as % of male gross hourly salary				
	13 Female board members	Number				
	13 Male board members	Number				
	13 Board gender diversity	Ratio female to male, expressed as % of all board members				
	14 Exposure to controversial weapons	% of revenues				

Additional SFDR Indicators**				2019	2020	2021	2022
<b>Environmental</b>	4	Any carbon emission reduction initiatives aimed at aligning with the Paris Agreement?	Yes / No				
<b>Social</b>	6	Any policies on the protection of whistleblowers?	Yes / No				
<b>Governance</b>	15	Anti-corruption policy in place?	Yes / No				
	15	Anti-bribery policy in place?	Yes / No				
	17	Number of convictions and amount of fines for violation of anti-bribery laws	Number/millions				
	17	Number of convictions and amount of fines for violation of anti-corruption laws	Number/millions				
<b>Non-SFDR KPIs</b>							
<b>Environmental</b>		Water consumption	m3				
		Annual cost of CO2 credits	Millions				
		CO2 credits	Metric tonnes				
		Annual capex spent on sustainable production	Millions				
		Annual capex spent on energy efficiency initiatives	Millions				
		% of raw materials from recycled materials	%				
		% of products that can be recycled	%				
		% of products that are economical/practical to recycle	%				
		Total waste generated	Tonnes				
		Waste to landfill	m3				
<b>Social</b>		<b>Number of times community safety concerns have been raised in the last 5 years</b>	<b>Number</b>				
		<b>Number of litigations ongoing regarding community safety</b>	<b>Number</b>				
		Overall board diversity	%				
		Net new hires	Number				
		Annual employee attrition	%				
		Did you conduct an employee survey?	Yes/No				
		Employee survey participation rate	%				
		Proportion of employees covered by unions	%				
		<b>Number of work related incidents</b>	<b>Number</b>				
		Number of work related fatalities	Number				
		TRIR (Total Recordable Injury Rate)	Number				
		LTIR (Lost Time Incident rate)	Number				

\*Statement on principal adverse impacts of investment decisions on sustainability factors, Table 1, EU SFDR Annex I

\*\*Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters – Table 3 under EU SFDR Annex I

## Definitions

Metric	Definition
Non-renewable energy consumption	Any energy that is not from renewable sources
Renewable energy consumption	"Energy from renewable sources' or 'renewable energy' means energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas; "
Scope 1 emissions	Direct emissions from owned or controlled sources
Scope 2 emissions	Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company
Scope 3 emissions	All other indirect emissions that occur in a company's value chain
Total GHG emissions	Sum of scope 1,2 and 3, all reported in metric tonnes for the whole company
GHG intensity	Carbon usage in relation to total revenues, using the reporting currency
Energy consumption intensity	Energy in GWh/revenues
Unadjusted gender pay gap	'Unadjusted gender pay gap' means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees
Activities negatively impacting biodiversity sensitive areas	% of footprint that is in biodiversity sensitive areas, could include; (i) UNESCO world heritage sites, (ii) Key Biodiversity areas as mapped in <a href="http://www.keybiodiversityareas.org/kba-data">http://www.keybiodiversityareas.org/kba-data</a> and (iii) Natura 2000 protected areas which are mapped here: <a href="https://ec.europa.eu/environment/nature/natura2000/data/index.en.htm">https://ec.europa.eu/environment/nature/natura2000/data/index.en.htm</a>
Board diversity	% of diverse board members

## About the ESG Exclusion Checklist:

The ELFA ESG Exclusion Checklist is a resource designed to streamline the ESG screening process for credit managers, borrowers, and arranging banks. It is designed for arranging banks to complete at the time of a new corporate loan or bond syndication, enabling borrowers to publish this information in a concise format directly to their syndicate. Based on the information provided, credit investors will be able to quickly and easily determine if the business activities of a corporate borrower breaches any of their internal ESG guidelines.

Note that the ESG Exclusion Checklist is not meant to be a template for the exclusions that a fund or credit manager may decide to use, as it is designed to include most common exclusions used by managers in the European leverage finance market.

This version of the ESG Exclusion Checklist incorporates feedback received during a public consultation process conducted in the second half of 2021. We will aim to update the ESG Exclusion Checklist annually in line with updates to the ELFA ESG Fact Sheets.



## ESG Exclusion Checklist -

### Percent of revenue from the following:

100->50% >50->25% >25->15% >15->10% >10->5% >5->0% NA

Controversial weapons  
 Weapon support systems and services  
 Weapons and/or tailor-made components for civilian firearms (production)  
 Weapons and/or tailor-made components for civilian firearms (retail)  
 Weapons and/or tailor-made components for military/police

Tobacco (production)  
 Tobacco (sale)  
 Tobacco (services)  
 Alcohol (production)  
 Alcohol (sale)  
 Alcohol (services)  
 Trade of recreational cannabis  
 Production of recreational cannabis  
 Opioid manufacturing  
 Opioid distribution

Thermal coal mining or sale  
 Oil sands extraction or sale  
 Oil sands related pipeline industry  
 Fossil fuel extraction from unconventional sources, including arctic O&G  
 If oil and gas producer: revenue from natural gas  
 If oil and gas producer: revenue from renewables  
 If oil and gas producer: % of reserves deriving from natural gas  
 Nuclear energy  
 Revenues from fossil fuels  
 Oil exploration, including equipment for exploration and storage

Physical casinos  
 Online gaming platforms  
 Gaming revenues from unregulated markets  
 Services to the gaming industry  
 Predatory or payday lending  
 Pornography/adult entertainment  
 Private prisons

Hazardous chemicals  
 Hazardous pesticides and/or non biological pesticides  
 Hazardous waste  
 Asbestos production or extraction  
 Ozone-depleting substances

Activities contributing to deforestation or in protected areas  
 Speculation in food/soft commodity derivatives  
 Intensive animal farming (production)  
 Intensive animal farming (retail)  
 Animal testing  
 Drift net fishing  
 GMOs  
 Cloning  
 Non-sustainable palm oil production or processing

### For utilities, percent of electricity generated by the following:

100->50% >50->25% >25->15% >15->10% >10->5% >5->0% NA

Thermal coal  
 Liquid fuels (aka oil)  
 Natural gas  
 Nuclear generation  
 Renewables

## UN Global Compact Principles

Are you a signatory?	<b>Yes</b>	<b>No</b>
Are you in breach of any the UN Global Compact <a href="#">principles</a> ?	<b>Yes</b>	<b>No</b>

## ILO Conventions

Are you in breach of any the ILO conventions?	<b>Yes</b>	<b>No</b>	A breach means as determined by a court, tribunal, government agency or multilateral organisation
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## OECD Guidelines for Multinational Enterprises

Are you in breach of any the OECD Guidelines for Multinational Enterprises?	<b>Yes</b>	<b>No</b>	A breach means as determined by a court, tribunal, government agency or multilateral organisation
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## UN Guiding Principles on Business and Human Rights (UNGPs)

Are you in breach of any the UN Guiding Principles on Business and Human Rights (UNGPs)?	<b>Yes</b>	<b>No</b>	A breach means as determined by a court, tribunal, government agency or multilateral organisation
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## Definitions

Controversial weapons	The manufacture of anti-personnel mines, cluster weapons, depleted uranium, nuclear weapons, weapons of mass destruction, white phosphorus, biological, toxin and chemical weapons
Weapon support systems and services	Weapon control systems, target navigation systems, etc
Tobacco	Cigars, cigarettes, e-cigarettes, smokeless tobacco, dissolvable and chewing tobacco, or any obligor that is classified as "tobacco" by S&P & GICs
Fossil fuel extraction from unconventional sources, including arctic O&G	E.g. Arctic drilling, shale oil and shale gas or other fracking activities
Services to the gaming industry	E.g. sale or manufacturing of machines, payments support, data services
Predatory or payday lending	E.g. Payday lending means the extension of high-cost short-term credit as such term is defined in the <a href="#">FCA Handbook</a>
Hazardous chemicals	E.g. substances on the <a href="#">UNECE</a> list of hazardous substances and mixtures or on the <a href="#">OSHA</a> (Occupational Safety and Health Administration (US Department of Labor)) list
Hazardous pesticides and/or non biological pesticides	E.g. pesticides that are considered as such by the <a href="#">WHO</a> or <a href="#">GHS</a> (Global Harmonized System)
Hazardous waste	e.g. Waste associated with hazardous chemicals or pesticides
Ozone-depleting substances	As covered by the <a href="#">Montreal Protocol</a> on Substances that Deplete the Ozone Layer (1989)

**Please include below any additional comments in respect to your answers**