

Embracing Sustainability across the Education Sector: Insights from ELFA's ESG Workshop

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Embracing Sustainability across the Education Sector: Insights from ELFA's ESG Workshop

Executive Summary

- The European Leveraged Finance Association (ELFA) conducted its seventh ESG Workshop focusing on the Education Sector, uniting sub-investment grade corporate borrowers, investors, and a credit rating agency to delve into pertinent environmental, social, and governance (ESG) issues. The initiative aims to enhance ESG disclosure and foster engagement between borrowers and lenders in the European leveraged finance market.
- Insights from the workshop culminated in an ESG Fact Sheet for the Education Sector, aiming to facilitate ESG disclosure and discussions between investors and borrowers.
- Key findings from the workshop highlighted the French government's environmental and biodiversity plan, with the French Ministry of Higher Education and Research spearheading sustainability integration across educational institutions by 2024. Prioritising mental health support for students, gender-based violence prevention policies and practices, and diversity and inclusion initiatives emerged as pivotal focus areas within the education sector.
- Borrowers showcased significant progress in their ESG journeys, aligning strategies with governmental climate plans and transitioning to more data-driven approaches. Environmental efforts concentrated on GHG emissions reduction and renewable energy usage, acknowledging the necessity for further work on emissions and data accuracy.
- The French Sustainable Campus Label ("Label DD&RS") evaluates higher education institutions' sustainability practices, aligning with national frameworks and integrating the UN Sustainable Development Goals (SDGs).
- The borrowers' commitments to mental health, gender equality, employee satisfaction, diversity & inclusion and student outreach initiatives underscored their holistic approach to social responsibility.
- The discussion also spotlighted data security concerns, particularly managing student information and privacy, and compliance challenges with the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS). Despite the challenges, both borrowers underscored the significant reputational risks of failing to comply with the CSRD, highlighting its compliance as of paramount importance.
- In conclusion, the ELFA ESG Workshop for the Education Sector highlighted the concerted efforts of borrowers towards robust ESG strategies. They recognised impending compliance deadlines and the importance of accuracy, security, and communication in achieving ESG objectives. By prioritising social initiatives, addressing data security, and navigating regulatory compliance hurdles, both entities demonstrated a commitment to transparency and adaptability, marking progress towards a more sustainable and responsible educational landscape.

Introduction

The European Leveraged Finance Association (ELFA) recently brought together sub-investment grade corporate borrowers, investors and a credit rating agency to discuss environmental, social and governance (ESG) topics relevant to the Education Sector (see Table 1 for attendees).

Table 1: Participating sub-investment grade borrowers

Sector	Corporate borrowers
Education	Galileo Global Education, OMNES

This was the seventh ESG Workshop presented as part of our ESG Disclosure Initiative, designed to increase ESG disclosure and deepen engagement between corporate borrowers and lenders in the European leveraged finance market. ELFA developed an ESG Fact Sheet for the Education Sector, incorporating feedback provided during the workshop. The ESG Fact Sheet has been published together with this Insights Series report which can be accessed [here](#). ELFA's ESG Fact Sheets are designed to support borrowers in preparing ESG disclosure and to facilitate engagement on important ESG topics between European leverage finance investors and the companies to which they lend.



The ELFA ESG Workshop on Education was attended by 12 investors from 10 different investment firms, two corporates and one rating agency representative.

Environmental focus driven by policymakers

The ESG journey of both borrowers is in full swing. One borrower mentioned that it developed its ESG strategy in 2022 and is currently in its implementation phase. Its ESG roadmap aligns with the French government’s climate plans (more on this below).

The other borrower started its ESG journey in 2019 and mentioned that it evolved from basic reporting on ESG topics to a more data-driven approach. It has established an ESG data transformation plan, employing country-level champions to bridge group operations.

The education sector is relatively **low-emitting**. An investor participant explained what type of data it would want to see from borrowers. For example, scope 1, 2 and 3 GHG emissions, an intent and business strategy to reduce emissions and a dedication to meet the Paris Agreement. One borrower mentioned it concentrates on measuring and reporting **scope 1, 2 and 3 GHG emissions**. Emissions are tracked annually and are externally verified. It has achieved 82% **renewable energy usage**, significantly aiding their emission reduction efforts. The borrower acknowledged the need for more work on scope 3 emissions and data accuracy.

French Ministry of Higher Education and Research

Both borrowers are French companies and they must follow the environmental and biodiversity plan of the French government. Specifically, the French Ministry of Higher Education and Research has initiated a comprehensive ecological and biodiversity plan to integrate sustainability practices across higher education institutions, emphasising research, education and campus operations. It includes strategies to reduce environmental impact, promote sustainable development, enhance biodiversity conservation and foster eco-friendly practices within academic communities. Higher education establishments in France are expected to develop an overall sustainable development and social responsibility plan by the end of 2024.

Label DD&RS

In France, there is the Sustainable Campus Label for higher education institutions, which is called “Label DD&RS”.¹ Developed in 2015, this labelling framework evaluates the sustainability practices of higher education institutions. The Label demonstrates a school’s commitment and performance in sustainability practices. It offers French higher education and research institutions national and international recognition for their sustainable development and social responsibility initiatives. It also enables institutions to share skills and best practices with other committed institutions through participation in the Labelling Committee.²

The Label DD&RS is managed and operated by a non-profit organisation called CIRSES³ and uses a common national reference framework that has existed since 2009 and respects the French Grenelle environmental

The recent event follows workshops held since 2020. Each workshop has led to the publication of sector-specific ESG Fact Sheets and also a sector-agnostic General ESG Fact Sheet. These ESG resources, and a Guide for Company Advisers to ESG Disclosure in Leveraged Finance Transactions, are available for download [here](#).

We plan to 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. If you are a corporate borrower or a credit analyst and would like to propose a sector for inclusion in the ESG Disclosure Initiative or to participate in an event, please contact Sabrina Fox, CEO of ELFA, at sfox@elfainvestors.com.

Below are the key findings from the ESG Workshop on Education:

- The environmental and biodiversity plan of the French government and specifically from the French Ministry of Higher Education and Research is encouraging French higher education institutions to develop an overall sustainable development and social responsibility plan by the end of 2024.
- Monitoring the mental health of students and offering support to students is a key priority for higher education establishments.
- Having in place sound gender-based violence prevention policies and practices is another important focus area.

More Education sector specific ESG topics are summarised in the Exhibit 1 below.

Exhibit 1. Sector-specific considerations

Sector	Key ESG Considerations include
Education	<ul style="list-style-type: none"> ▪ Student well-being (especially mental health) and satisfaction levels ▪ Employee satisfaction ▪ Gender-based violence prevention policies and practices ▪ Diversity & Inclusion initiatives ▪ Quality of education offered and controls in place to maintain quality ▪ Funding support for students and outreach initiatives ▪ Managing student information, data security and privacy ▪ External certifications of a company’s IT systems ▪ Data breach incidents ▪ Low emitting sector, however there is still a focus on reducing carbon footprint and energy usage

¹Développement Durable & Responsabilité Sociétale

²Source: <https://franceuniversites.fr/wp-content/uploads/2022/02/Presentation-Label-DDRS-Etudiants-Anglais.pdf>

³Collectif pour l’Intégration de la Responsabilité Sociétale dans l’Enseignement Supérieur



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laws and other key environmental and social policies. It also integrates other relevant national and international frameworks like ISO 26000. The Label uses a systemic approach and integrates the 17 UN Sustainable Development Goals (SDGs). An institution that applies for the Label is audited by three different people. Organised into five strategic categories, it covers all key areas of action for sustainable development:

- Governance & Strategy
- Education & Training
- Research & Innovation
- Campus Operations
- Social Policy & Outreach

Social Initiatives

Both borrowers prioritise **mental health and student satisfaction**, employing tools and running surveys to monitor and improve satisfaction levels. One borrower mentions that it actively addresses mental health concerns by offering on-site counselling and other support platforms for its students. Overall mental health amongst students has significantly deteriorated since the COVID-19 crisis, according to the borrower.

One borrower also emphasised their **focus on gender-based violence prevention policies and practices**, which fall under the umbrella of its equality, diversity and inclusion (EDI) initiatives programme. Incidents of gender-based violence are highly damaging to schools. An investor participant asked whether disclosure on the general well-being of students could be provided to investors, and one of the borrowers mentioned it could look into this.

Both borrowers also monitor **employee satisfaction levels** using similar tools and surveys. An investor asked about how the companies maintained the **quality of education offered** and what controls were in place. The sector has intense competition for skilled teachers which may expose companies to recruitment and retention challenges. A robust talent pipeline development strategy may help maintain a steady talent pool. A borrower discussed its recruitment, due diligence, ongoing monitoring and retention processes.

One borrower mentions it tracks **diversity in management and fosters a policy of inclusion**, albeit currently without specific targets set.

One investor inquired about the companies' student outreach initiatives and how existing data disclosure could be complemented with information on this topic, including how many pupils in need (e.g. refugees or pupils in financial need) have been offered scholarships, bursaries and apprenticeships.

Data Security

Education service providers handle large volumes of student data, so investors may want to assess a company's related risk management practices versus industry peers, for example, specifically **policies and practices to address data privacy and security**. Investors may be interested in discovering **external certifications of a company's IT systems** and inquiring about **data breach incidents**. One borrower noted that it has a robust data protection and cybersecurity system managed by a third-party supplier. They comply with GDPR and follow stringent governance and monitoring protocols, ensuring supplier compliance and contract safeguards.

Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS)

Both borrowers extensively discussed the **challenges with the new** CSRD framework and resulting ESRS requirements, including costs and a strain on resources to meet these new requirements. One borrower mentioned how it has conducted a materiality assessment already, having hired a consultant to advise them on the process. Both borrowers view CSRD non-compliance as a significant reputational risk, even if the actual regulatory fine for a breach is relatively low.⁴

Conclusion

The conversations held at the ELFA ESG Workshop on Education highlighted the diligent efforts of borrowers in developing and executing robust ESG strategies. Both firms face imminent compliance deadlines and acknowledge the criticality of data accuracy, security and effective communication in achieving their ESG goals.

Prioritising social initiatives, including mental health support and gender equality initiatives, showcases a holistic approach towards social responsibility. In addition, borrowers' attention to data security, environmental impact reduction, and compliance with the CSRD underline their commitment to transparency and adaptability in the evolving landscape of sustainability reporting and governance. Despite facing challenges in CSRD compliance, both companies view non-compliance with regulatory standards as a substantial risk to their reputations. Overall, the commitment displayed by both borrowers to uphold ESG principles signifies a progressive journey towards a more sustainable and responsible educational landscape.

⁴In 2023, the European Commission published the final text of its first set of twelve European Sustainability Reporting Standards (ESRSs). Companies will need to assess which topics to report using the double materiality concept, which requires information that is material from either a financial or an impact perspective. The ESRSs set out detailed reporting requirements for companies in the scope of the CSRD.

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About ELFA:

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

European Leveraged Finance Association

35 Ballards Lane, London N3 1XW

T +44 (0)7921 384457

E support@elfainvestors.com**European
Leveraged
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