



The LSTA Issues First ESG Disclosure Tool for Corporate Loan Market Participants

First-of-its-Kind Diligence Questionnaire on ESG Factors Will Position Borrowers to Disclose Important Information, Further Informing Lenders' Analysis and Investment Decisions

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NEW YORK--([BUSINESS WIRE](#))--The Loan Syndications and Trading Association (the "LSTA"), the advocacy and education association for the \$1.2 trillion institutional leveraged loan market in the United States, today released its inaugural Environmental, Social and Governance ("ESG") Questionnaire to facilitate enhanced information-sharing on the part of corporate borrowers seeking capital in the marketplace. This represents the first time that borrowers will have access to a standardized tool intended to help improve the dissemination of reliable ESG-related information about their businesses to their lenders.

The Questionnaire was developed by the LSTA with input from a working group of several buy-side members, including some presently represented on the organization's Board of Directors. It was developed to be applicable for borrowers across all industries, regardless of the current scope of their ESG efforts.

Tess Virmani, executive vice president of the LSTA charged with overseeing the organization's ESG initiatives, said: "ESG criteria are becoming increasingly relevant in the corporate loan market as more and more institutional investors routinely require answers from investment managers to whom they allocate capital. This is forcing managers to seek out reliable ESG-related information from borrowers to inform their diligence and decision-making. The LSTA Questionnaire is going to lay the groundwork for a more orderly, efficient and standardized process that helps borrowers better communicate the ESG information that is of most interest to the investing community. Managers can then evaluate that information within their own ESG framework."

Lee Shaiman, executive director of the LSTA, added: "Loan market participants are to be commended for proactively taking the initiative to drive more transparency and enhanced visibility around ESG factors. We look forward to continuing to actively participate in the important industry dialogue about ESG considerations."

Examples of questions within the LSTA-produced document include:

- Do you have a formal ESG policy? If not, what are the intentions or concepts with respect to ESG that you have identified?
- Which individuals have formal oversight of ESG issues at your company?

- Is ESG a factor in management performance evaluation or compensation?
- Do you adhere to any recognized ESG framework/standards?
- What ESG-related business issues have you identified for your company's business?
- How is ESG performance being tracked?
- What is your company's approach to board, management and workforce composition?

Members of the LSTA working group applauded the release of the Questionnaire.

Carly Wilson, Managing Director and Portfolio Manager for Credit Strategies at BlackRock said, "We believe that ESG risks and sustainable considerations can affect economic growth, asset values, and financial markets as a whole. For the past several years, BlackRock has been vocal about the need for a clearer picture of how companies are managing these issues through more widespread and standardized disclosures. Through its Questionnaire, the LSTA is taking a material step forward to improve the leveraged loan market."

Claudette Kraus, CIBC Asset Management's head of capital markets and chairperson of the firm's ESG Committee, said: "CIBC has been excited to work with the LSTA on this key ESG initiative. As the loan asset class and its investors are increasingly focused on ESG considerations, we hope that this questionnaire will help streamline the ESG diligence process for our borrowing companies, the underwriting banks, and the buy-side firms. This is a significant step forward for ESG integration into our investment decisions and we appreciate the LSTA's leadership on this issue and the opportunity to assist in bringing this important initiative to fruition."

Thomas Wong, portfolio manager and partner at Oak Hill Advisors, added: "ESG considerations are an important component of Oak Hill Advisors' fundamental approach to credit investing and we're extremely pleased that there is real industry momentum around institutionalizing ESG guidelines for the corporate loan market and that LSTA is at the forefront. The industry has taken it upon themselves to provide education and a much-needed enhanced disclosure tool for loan market participants."

Jeff Bakalar, Senior Managing Director and Chief Investment Officer of the Voya Investment Management Senior Loan Group, said: "At Voya Investment Management, we strongly believe that partnering with industry thought leaders in the area of responsible investing will affect positive change. Fundamental to our loan market investment processes, ESG considerations enable us to align investment objectives with client values and guide us in making better informed investment decisions. A lack of standard ESG-related disclosures from borrowers, however, has slowed broad ESG integration and adoption. We are excited to join with others to actively support the LSTA in this market leading initiative to help standardize and streamline ESG-related disclosure in the loan market, and look forward to the value this will bring to loan investors globally."

Virmani noted that the publication of the Questionnaire is an important first step in recognizing the relevance of ESG in the loan market, but it is anticipated that the components will evolve iteratively as market practice and thinking around ESG itself progresses.

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