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Disclosure: LMA and ELFA Update Guidance on Leveraged Finance Transaction ESG Disclosure Requirements

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Disclosure

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On October 19, the Loan Market Association (LMA) and the European Leveraged Finance Association (ELFA) published the second edition of their **Guide for Company Advisors to ESG Disclosure in Leveraged Finance Transactions**. The Guide is intended to serve as a "practical tool for company advisers to use in support of their incorporation of the information contained in ESG Fact Sheets into company offering materials and ongoing financial reports," and follows a January 2022 workshop where borrowers, banks, law firms, and other industry participants met to discuss challenges and give feedback on the previous iteration of the Guide.

In the **announcement**, ELFA's CEO, Sabrina Fox, stated: "As ESG data availability in the leveraged finance market continues to increase, lenders are keen to ensure that the data is reflected in ESG reporting by borrowers. ESG disclosure is critical to their investment analysis, and market practices continue to develop and evolve. This second edition of the Guide provides an important bridge between lenders and borrowers to support increased ESG disclosure in the leveraged finance market. The Guide, together with the ESG Fact Sheet Series, which now covers 14 sectors and will grow to include more, provide essential insights to collecting and disclosing ESG data, making them powerful tools for borrowers and their advisors."

Taking the Temperature: The current regulatory landscape for ESG-related disclosures is complex and can be opaque for legal practitioners and in-house compliance teams. Until the requirements are clarified, we will likely see further industry-specific guidance published, such as this Guide for leveraged finance transactions. Companies face a difficult balancing act between managing significant pressure from investors and lenders for additional, consistent and relevant ESG-related disclosures and their potential reluctance to provide more disclosures on climate-related efforts and impacts than they are required to do by regulation. This reluctance may stem from typical

“greenhushing” concerns, including the potential to be subjected to civil and regulatory enforcement, anti-ESG backlash, and greenwashing accusations.