

SFA ESG Industry Engagement Survey

2022

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SFA is conducting its second annual market-wide survey to track the implemented or planned integration of ESG considerations in structured finance issuance and investing activities. The survey will also gather information on the various ESG strategies, philosophies, and extent to which firms operating in the structured finance market have already implemented ESG frameworks. Finally, the survey will also gather market feedback regarding the SEC's recently released proposed rule on climate-related disclosure.

All responses will be anonymized and aggregated for publication, and in no case will survey responses be made attributable to a specific respondent or firm.

Please reach out to Alyssa.Acevedo@structuredfinance.org, Jessica.Steele@structuredfinance.org, or Jeff.Gudiel@structuredfinance.org with any questions about the survey. **The survey will be open through Friday, May 6th.**

Respondent Profile Questions

1. What is your name?
2. What is your name?
3. What is your email address?
4. Please indicate your market participant type (*Please select your firm's market role*):

General ESG Questions

5. Which segments of the **securitization market** is your firm engaged in?
(*Please select all that apply*)

| | |
|---------------------------------|---------------|
| ABS Issuer | Investor |
| Bank | Rating Agency |
| Broker-Dealer | Law Firm |
| Data Analytic Firm | |
| Other (<i>please specify</i>) | |

6. At the **corporate level**, does your firm have a defined ESG program or strategy?

Yes
No, but our firm is **developing one**
No, but our firm is **seriously considering**
No
Unknown

7. At the **structured finance level**, does your firm have a defined ESG program or strategy?

Yes

No, but our firm is **developing one**

No, but our firm is **seriously considering**

No

Unknown

8. At the **structured finance level**, does your firm have full-time employees (FTE) dedicated to ESG?

*(Please select **one** of the options below)*

No

No, but some employees are responsible for covering/implementing ESG in their job function

No, but we have contracted consultants to cover/implement ESG

Yes, we have ESG team(s) in place

Unknown

9. How important are the following factors in your securitizations business?

| | Important | Somewhat Important | Not Important |
|---------------|-----------|--------------------|---------------|
| Environmental | | | |
| Social | | | |
| Governance | | | |

Issuer Respondent Questions (Questions 10 - 19)

Note: Please respond to the below questions only if you indicated that you are an ABS Issuer. If you are an Investor/Asset Manager, please skip ahead to the *Investor Respondent Questions* section.

10. What are your firm's top motivations for ESG integration?

(Please select all that apply)

Align with corporate values

Board directive

Demand from underlying investors

Improved long-term returns

Anticipating future regulatory

requirements for ESG disclosure

Other *(please describe)*

Reputation and brand

Reduced funding costs

Part of response to COVID pandemic

Decreased corporate risk

11. Has your firm issued a **sustainable securitization issuance program**? (i.e., green bond, social bond, sustainability bonds, etc.)

Yes

No, but we are **in the process of developing one**

No, but we are **seriously considering it**

No

Unknown

12. In which asset class(es) have you issued, or are considering issuing, a **sustainable securitization** bond?
(Select all that apply)

- | | |
|-------------------------------|-------------------------|
| Aircraft lease | Multifamily real estate |
| Auto lease/loan | RMBS |
| Commercial real estate | Single family rental |
| CLOs | Solar/PACR |
| Credit Card | Unsecured Consumer |
| Equipment | |
| Other <i>(please specify)</i> | |

13. Do you currently disclose ESG-specific information for your **securitization transactions**?
*(Please select **one**)*

- Yes
- Not currently, but plan to provide within the next 2 years
- We are evaluating
- No plans

14. If you answered that your firm has “no plans” to provide ESG disclosure, what is the reason?

- Do not need to convey our sustainability strategy via an ESG instrument
- Significant cost to provide disclosure
- There is no/limited pricing benefit
- It increases reporting effort/time
- Other *(please specify)*

15. If you currently disclose ESG-specific information for your securitization transactions, in which document type do you currently provide ESG data specific to your **securitization program**?

(Select all that apply)

Company website/corporate sustainability report

10K/Q

ABS/offering document

Third-party reports (e.g., reports or other information published by credit rating agencies)

Investor presentations, direct engagement

Other *(please specify)*

16. Please indicate all types of qualitative and quantitative ESG data that is disclosed in your **securitization transactions**, select all that apply:

Company/sponsor level information

Repline collateral data

Broad program origination/underwriting information

Loan level data

Collateral pool level ESG collateral data

Other *(please specify)*

17. Whether or not you report ESG information for your securitizations, does your company currently report ESG information at the **corporate level**?

(Please select one)

Yes

No, but we are **in the process of developing one**

No, but we are **seriously considering it**

No

Unknown

18. In which disclosure documents does your company report **corporate level ESG information**?

(Please select all that apply)

Company website/corporate sustainability report

10K/Q

ABS/offering document

Third-party reports (e.g., reports or other information published by credit rating agencies)

Investor presentations, direct engagement

Other *(please specify)*

19. How, if at all, has the SEC's proposed mandatory corporate climate-related disclosure influenced your ESG reporting efforts?

Not aware of this and so it has had no influence on our reporting

Currently monitoring this but has not changed current reporting

Currently monitoring this and have already started improving reporting efforts

Investor Respondent Questions (Questions 20 – 32)

20. Does your firm apply an ESG framework to investment decisions?

*(Please select **one** option)*

Yes, across all managed funds and portfolios

Yes, on selected managed funds, portfolios, or client-directed funds
(i.e., ESG-targeted investments or funds focused in certain markets or sectors)

No, but we are in the process of incorporating

No

21. If you indicated that ESG criteria has no impact on your investment process today; which, if any, of the following reasons apply why it has no impact?

- There is no evidence of out-performance of ESG bonds
- Lack of resources/infrastructure
- Lack of data
- ESG does not align with our current investment strategies
- Too expensive to integrate into our investment process
- Fears of “green-washing”
- None of these
- Something else (*please specify*)

22. Please describe the nature of your ESG framework.
(Please select **one** option)

- In early stages
- Developing
- Advanced, but still developing
- Fully operational and enhancements are undertaken on regular basis
- Other (*please specify*)

23. What are your firm’s top motivations for ESG investing?
(Select all that apply)

- Improved long-term returns
- Diversification of product offering
- Risk management/Decreased investment
- Aligns with firm values risk
- Reputation and brand
- Anticipating future regulatory requirements for ESG disclosure
- Client demand

24. Which of the following best describes your organization's strategy when it comes to ESG?
(Select all that apply)

- Negative screening
- Positive screening
- Thematic investing
- ESG integration
- Impact investing
- Investment stewardship
- Other (please describe)

25. Do you plan, or have interest in, purchasing sustainable securitization bonds (green bonds, social bonds, etc.)?

- Yes
- No

26. Do you send an ESG due diligence questionnaire to issuers? If yes, would you be willing to provide?

- No
- Yes

27. Does your firm assess and assign internal ESG scores to investments?
(Please select **one** option)

- No
- Yes, to all investments
- Yes, but only for positions held within ESG-targeted funds/portfolio investments
- It depends (please describe)

28. Roughly what percent of your clients indicate the following:

| | None | 0.1% - 10% | 10 – 25% | 25 – 50% | 50 – 75% | Greater than 75% |
|--|------|------------|----------|----------|----------|------------------|
| They want ESG factors considered in your investment decisions as they believe it will generally result in better financial returns | | | | | | |
| They are willing to accept a lower rate of return in exchange for societal and environmental impact | | | | | | |
| They request specific ESG screening criteria | | | | | | |

29. What metrics do you track to quantify ESG in structured products?
(Select all that apply at this time)

Environmental: Greenhouse gas emissions

Environmental: Waste & pollution

Environmental: Water use

Environmental: Land use

Social Factors: Workforce & diversity

Social Factors: Safety management

Social Factors: Customer engagement

Social Factors: Communities

Governance Factors: Structure & oversight

Governance Factors: Code and values

Governance Factors: Transparency & reporting

Governance Factors: Financial & operational risks

30. What is your main source(s) of information to assess a **securitization issuers** sustainability profile?

- Direct interaction with Issuers
- Information from 3rd party data providers
- Company reporting
- Other sources (*please specify*)

31. Do existing credit rating agency criteria adequately address ESG-related credit risks/opportunities **for structured products**?
(Please select **one** option)

- Yes
- No
- Unknown

If you selected No, please indicate why.

32. Have credit rating agencies provided sufficient information for you to understand how ESG factors are incorporated into their credit ratings **for structured products**?
(Please select **one** option)

- Yes
- No
- Unknown

Third-Party Servicer Providers Respondent Questions

33. If you indicated that your firm is “Data Analytic”, “Rating Agency”, “Law Firm”, or “Other”, To what extent has your client business related to ESG matters changed in the last two years?

Significantly Increased
Some Increase
No change
Declined

Disclosure Questions (Questions 34 – 42)

Note: A few questions relate to the Securities and Exchange Commission’s (SEC) recently proposed new rules that would require public companies to disclose mandated corporate-level climate risk-related information in their annual financial reports and registration statements. While the proposed rules do not currently apply to asset-backed issuers (consistent with SFA’s June 2021 request), the SEC stated that it is continuing to evaluate climate-related disclosures with respect to asset-backed securities.

34. In your view, how likely is it that the SEC’s proposes mandatory climate-related disclosure **for securitization**?

Very likely
Likely
Not sure
Unlikely
Very unlikely

35. Do you agree that the SEC proposed rule on climate-related disclosure should **not** currently apply to asset-backed issuers?

*(Please select **one** option)*

Yes

No

Please provide any additional thoughts.

36. Should the SEC require asset-backed issuers to provide climate-related disclosure **in the future**?

Yes

No

37. Unlike much of the SEC's disclosure requirements which use principle-based approach, the SEC's proposed rule for corporate climate-related disclosure is mostly prescriptive. If the SEC required climate disclosure for ABS transactions, should the disclosure mostly be principle-based or prescriptive?

Principle-based

Prescriptive requirements

38. Which inputs and analysis do you consider to be relevant to ESG **evaluations for structured products**?

(Select all that apply)

Sponsor-level ESG information

Collateral pool ESG information for securitizations

Third party ESG ratings (aside from credit ratings)

Other *(please describe below)*

39. Do you believe there is (or will be) a need for third-party ESG scoring on structured finance transactions?

*(Please select **one** option)*

Yes

No

40. Should any of the following SEC proposed disclosures apply to asset-backed issuers?

(Please select all that apply)

Climate-related risks that may have a material impact on the underlying assets within an ABS transaction

The securitization trust and transaction parties' identified governance of climate-related risks and relevant risk management processes as they relate to the securitization trust

At the collateral level, greenhouse gas ("GHG") emissions – including GHG intensity and portfolio carbon impact

None of the above

Other *(please specify)*

41. Please indicate to what extent you believe the following characteristics are needed in ESG reporting for structured finance transactions:

| | Strongly Agree | Agree | Disagree | Strongly Disagree | No View |
|---|----------------|-------|----------|-------------------|---------|
| It provides environmental and societal information that can materially impact financial performance of the assets. | | | | | |
| It provides updated data over the life of the structured finance bond. | | | | | |
| It provides information on the impacts of the assets to society, the economy and the environment , even if it doesn't have a financial impact on the structured finance bonds. | | | | | |
| It is comparable among issuers within a sector. | | | | | |
| It applies quantitative and qualitative parameters consistently across asset classes. | | | | | |

42. How would you describe the current quality of ESG reporting in the structured finance market?

Excellent

Good

Neutral

Poor

Very poor

Thank you for completing the survey.