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Stanford Renas Discusses ESG-Focused CLO Deals With *Asset Securitization Report*

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Structured Finance and Securitization partner Stanford Renas spoke with *Asset Securitization Report* on the complex issues asset management firms face in arranging environmental, social and governance (ESG)-friendly collateralized loan obligation (CLO) transactions. The article notes that determining what constitutes an "ESG-eligible deal" is a complicated matter. It is generally accepted that at least half of the revenue be generated from "clean" businesses and that the portfolio avoids assets in "oil and gas production, military weaponry, gaming, tobacco and payday lending."

Stan noted that investors and ratings agencies should hold ESG-eligible CLOs to an even higher standard which would include examining the debt issuer's levels of transparency, management organization and internal controls. He notes, "How much independence does the board have from the CEO and the other officers of the organization?" Stan added, "While you'd expect it to be defined by those eligibility criteria as opposed to some sort of numerical determination, the rating agencies could conceivably attempt to quantify governance based on a numerical scale." ("Beyond Green: Governance taking greater role in ESG evaluation," January 20, 2020)

CONTACTS

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