

Our Ref
Your Ref
Direct Tel 020 3124 3055

E-Mail andy.banks@lgim.com
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Catherine Woods
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN
riskreview@frc.org.uk

One Coleman Street
London
EC2R 5AA
Tel: +44 (0)20 3124 3000

Dear Ms Woods

Risk Management, Internal Control and the Going Concern Basis of Accounting

Legal & General Investment Management (LGIM) is one of the largest investors in the UK with £443 billion of assets under management (as at 30 September 2013). We manage assets for more than 3,100 institutional clients, 2,890 of whom are UK pension schemes: making us the largest asset manager for pension funds in the UK.

LGIM supports the objective of improving risk management and reporting so we welcome the FRC approach to including investors in its consultation process. Marek Grabowski hosted a meeting with institutional investors and investor associations and he asked for direct responses to the FRC to record their particular views. LGIM is actively involved with the ABI and IMA responses through its membership of those associations and the purpose of this letter is to confirm our particular view as an investor.

We are not supportive of the revised proposals on going concern that have been put forward in the consultation paper. The focus on the principal solvency and liquidity risks is too narrow in our view. We would ask the FRC to revert to the going concern approach envisaged by the Sharman Inquiry of creating a framework which encourages appropriate corporate behaviours. It should aim to support better risk decision taking; ensure that investors and other stakeholders are well protected and informed about those risks; and sustain an environment in which directors recognise, acknowledge and respond to economic and financial distress sooner rather than later. As part of this we believe that the FRC should retain the Corporate Governance Code Provision (C.1.3) and make the full scope clearer.

As the FRC cannot change the IASB "going concern" language we believe it would be better to have an explicit statement about the use of "going concern" by directors, in the common sense meaning. The accounts are used by debt investors, customers, suppliers, employees and other stakeholders and a familiar use of words is preferable to *achieve a fair, balanced and understandable assessment of the company's position and prospects (C.1 Main Principle)*.

When your review of responses is complete we would welcome further consultation on the implementation of changes to the UK Corporate Governance Code.

Yours sincerely

Andy Banks
Head of Corporate Governance