UK Sustainability Disclosure Technical Advisory Committee (TAC)
Financial Reporting Council
8th Floor, 125 London Wall
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10th October 2023

Dear Secretariat to the UK Sustainability Disclosure TAC,

Thank you for the opportunity to provide our views on the potential application of IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures' in the UK.

Legal & General was established in 1836 and is one of the UK's leading financial services groups and a major global investor. Sustainability is central to how we run our organisation. We invest billions of pounds of capital in projects that aim to improve society, including low-carbon technology, infrastructure, affordable homes and support for small businesses. We see sustainability as a core business principle – not an 'optional extra' or a 'nice to do'.

Our asset management business, Legal & General Investment Management ("LGIM"), is one of the largest international investors globally with assets under management of £1.2 trillion (as at 31 December 2022) and LGIM's Chief Executive, Michelle Scrimgeour, served as co-chair of the COP26 Business Leaders Group. LGIM manages assets for a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors. As a significant investor, it shares a responsibility to ensure that global markets operate efficiently and uphold the highest level of corporate governance and ESG standards to protect the integrity of the market – and our clients' assets – over the long-term.

LGIM's assessment of our investment portfolio is dependent on good quality comparable cross-industry disclosures of climate-related metrics and financial impacts. The availability of high quality and comparable data – gathered across jurisdictions and from both the private and public markets - is key for our business to be able to successfully manage its investments, identify and manage risks correctly and comply with its disclosure objectives. In this regard, we strongly support the development of high-quality global standards for sustainability reporting, and we welcome the UK's government's announcement that IFRS S1 and IFRS S2 will form the basis of the UK's sustainability disclosure requirements.

Overall position

1. We strongly support the UK government's intention that IFRS S1 and IFRS S2 will form the basis of the UK's sustainability disclosure requirements. The introduction of internationally consistent, comparable and useful sustainability disclosure requirements will enhance our ability, as a major investor, to manage sustainability-related risks, as well as to emphasise our commitment to a sustainable future through those requirements which apply to us as a Group.

2. Paragraph 20 of IFRS S1 notes that an entity's "sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements", further defining an "entity" as being one "that is required, or chooses, to prepare general purpose financial statements". In common with many others, our Group operates through a subsidiary structure. Whilst each subsidiary has a specific function, it requires an understanding of the relationship between those subsidiaries to obtain an overall picture of the "sustainability-related risks and opportunities" to which the Group is subject. An example of this is our use of a service subsidiary to pay our employees, separating these individuals from those business activities they undertake, and whose results are recorded in their sister subsidiaries. As an investor and preparer, we therefore believe that decision-useful information is provided at a consolidated group level, this being the level at which we can be certain that all aspects of an entity's activities are covered. **In the interests of the user, the UK endorsement decision should clarify that, where subsidiary entities are wholly owned by a parent entity, the requirement is for disclosures to be provided at a consolidated group level only.**

3. We have noted the Financial Conduct Authority's publication of Primary Market Bulletin 45 on 10th August, stating that "assuming the endorsement process is completed in the timeframe envisaged" their aim is to bring the new requirements into force for accounting periods beginning on or after 1 January 2025. IFRS S1 paragraph E5 provides transition relief such that, in the first accounting period in which an entity applies the standard, the entity is permitted to disclose information on only climate-related risks and opportunities in accordance with IFRS S2. We recognise that there is a tension between the need to set an ambitious effective date to meet investor information needs and for there to be sufficient lead time for preparers to prepare high quality sustainability disclosure, particularly given that further ISSB standards covering remaining sustainability topics are yet to be drafted. The development of robust metrics to support our current Group climate disclosures has been a demanding exercise, and we recognise that some areas of sustainability reporting are less well developed than others. Given our role as an investment manager, our ability to produce high quality, robust sustainability disclosures is highly dependent on the maturity of the data collection and analysis process in entities across the whole market. **To allow sufficient time for these to be further developed, we believe that the UK endorsement decision should retain the transition relief available under IFRS S1 (and thus apply for accounting periods beginning on or after 1 January 2026, assuming endorsement proceeds as planned), and that it should be supported by supplementary application guidance from a UK perspective.**

Yours sincerely,

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