

By email: <u>UKSustainabilityTAC@frc.org.uk</u>

16 October 2023

Dear UK Sustainability Technical Advisory Committee

## USS response - UK Endorsement of IFRS S1 and IFRS S2: call for evidence

The Universities Superannuation Scheme (USS) welcomes the opportunity to respond to the UK Sustainability Disclosure Technical Advisory Committee's <u>call for evidence</u> to inform the proposed endorsement of the IFRS Sustainability Disclosure Standards in the UK.

## **About USS**

Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and higher education institutions in the UK. We work with around 330 employers to help build a secure financial future for 528,000 members and their families. We are one of the largest pension schemes in the UK, with total assets of around £75.5bn (at 31 March 2023). Universities Superannuation Scheme Limited is the trustee that runs and manages USS in line with the trust deed and rules and legal duties. The trustee delegates implementation of its investment strategy to a wholly-owned subsidiary – USS Investment Management Limited ('USSIM') – which provides in-house investment management and advisory services to the trustee. USSIM manages 70% of the scheme's investments in-house and appoints and oversees external investment managers to manage the rest.

## USS support for ISSB S1 and S2

As an engaged proponent of responsible investment practices, USS has long supported the development of cross-jurisdiction corporate disclosure and benchmarking frameworks, including the CDP (formerly known as the Carbon Disclosure Project) and the TCFD.

We welcome the publication of the International Sustainability Standards Board (ISSB): IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures and contributed to their development with responses to the consultation drafts and industry roundtables.

We commend the consolidation of sustainability / ESG reporting initiatives (e.g., SASB and IIRC) under the IFRS Foundation. We consider consolidation will support enhanced consistency across jurisdictions for global companies. It will allow investors greater comparability between markets and issuers and facilitate the development of tools to support ESG integration and stewardship activities.

## **Universities Superannuation Scheme Ltd**

The new IFRS S1 and S2 build on the structure of the TCFD recommendations and incorporate the excellent materiality-based sector standards developed by SASB. We welcome the referencing of these industry-led frameworks within the new ISSB Sustainability Standards and consider they form an appropriate foundation for both corporates and investors to inform valuations, ESG integration and engagement strategies.

We would endorse the UK's adoption of the S1 and S2 Standards into UK regulation. The ISSB Standards offer an internationally recognised and appropriate threshold for materiality - defined as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects' - and a reporting framework based around TCFD which many parties are already familiar with.

In implementing the Standards, we would encourage the UK to consider mandating the use of Legal Entity Identifiers (LEIs) alongside sustainability disclosures. Increased adoption of LEIs provides greater transparency for investors and will facilitate the development of tools and analysis across large and interconnected sustainability and financial datasets. We would also recommend the UK continues to use its influence to promote intergovernmental coordination towards harmonising sustainability reporting across all jurisdictions.

We welcome the reference to the SASB industry standards, but also acknowledgement within the Standards that the SASB sector indicators will not always cover all material risks and opportunities for a particular business. We would encourage any regulation to ensure corporates undertake their own ESG risk and materiality assessments reflecting on their own operations, business entities and corporate strategy. We would also welcome disclosure of the impacts of a company on the environment, climate, or other sustainability issue - so called 'double materiality'.

Thank you for the opportunity to respond to this Call for Evidence, and I hope that this response provides a useful endorsement for S1 and S2 from an institutional investor. We would welcome the opportunity to discuss these matters in further detail.

Yours sincerely,



**Innes McKeand** 

Head of Strategic Equities; Chair of the Net Zero Steering Committee USS Investment Management Limited (USSIM)