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Mr Brent J Fields
Secretary
Securities and Exchange Commission
100F Street, NW
Washington, DC 20549-1090
USA

Via email to rule-comments@sec.gov

Dear Mr Secretary,

**File Number S7-06-16. Business and Financial Disclosure Required by Regulation S-K**

The purpose of this letter is to provide you with LGIM's comments on the Commission's concept release entitled "Business and Financial Disclosure Required by Regulation S-K" (the "Concept Release").

Legal & General Investment Management (LGIM) is the investment management subsidiary of Legal & General Group Plc, a FTSE 100 company. We are one of the UK's largest fund management companies with assets under management of $1.1trn (as at 31 December 2015) and have a long standing commitment to raising corporate governance standards. As a long term investor, we aim to engage with our investee companies and market regulators in order to raise concerns and to work together to strive for best practice in relation to environmental, social and governance (ESG) issues.

We are pleased to offer the following comments in response to the Concept Release and appreciate the SEC's recognition of the need for improvement and hope it will take this opportunity to enhance the information available to investors.

***Protecting Investors through information***

Most investors come to the market with a considerable informational disadvantage, left to rely on public information and what the company discloses directly. Corporate reporting is the most important source of information on which investors base their investing and proxy voting decisions.

First, to fulfill its mandate of investor protection through provision of information, the SEC must require that companies make information available to a full range of actors in the financial markets, including investors, academics, analysts, media, and any other actor that interacts with that data to enable and support price discovery. It is imperative that the SEC ensure all information used by any of these types of market participants is retained in Form S-K.

Although much has been made of information overload we do not believe any investors are worse off for access to too much information. The problems with unwieldy corporate reporting lie in the form and style of the disclosure. All investors would be better served if the requirement that disclosures be made in "plain English" was more strictly enforced and closely adhered to and if excessive boilerplate disclosures were addressed so that company specific risks and information were easier to identify.

This review process is also an opportunity to address the much discussed problem of short-termism in our markets. Excessive focus on short-term performance naturally subordinates longer-term performance and overall financial stability to the detriment of nearly all investors. Requiring reporting on a broader range of performance metrics can enable investors to better distinguish between business models and strategies that are aimed at long-term value creation and companies pursuing short-term strategies.

LGIM believes that a regulatory change to remove the requirement for companies to disclose financial reports on a quarterly basis would aid the move away from a short-term focus, and has been instrumental in this move in the UK. Reporting which focuses on short-term performance is not necessarily conducive to building a sustainable business as it may steer management to focus more on short-term goals and away from future business drivers. Reducing the time spent on reporting that adds little to the business can lead to more articulation of business strategies, market dynamics and innovation drivers, which are linked to key metrics that drive business performance and long-term shareholder value.

While US companies do not yet have the option of discontinuing quarterly reporting, they do have the discretion to decline giving quarterly earnings guidance which LGIM would encourage. While each company is unique, we understand that providing the market with quarterly updates adds little value for companies that are operating in long-term business cycles. On the other hand, industries with shorter market cycles and companies in a highly competitive global market environment may choose to report more than twice a year. We believe that company management and boards will make appropriate judgements on the relevance of quarterly reporting, taking into account the potential benefits against the additional resources required. We would encourage the SEC to keep these observations in mind in disclosure reform initiatives and when acting to promote rather than undermine the ability of companies to pursue long-term strategies.

***Disclosure frameworks***

The Concept Release seeks recommendations about the type of information that should be required in corporate disclosures. The entire disclosure regime depends on a careful balance of principles based reporting and specific line item disclosures. The former provides much needed flexibility and adaptability to reporting entities and the Commission while the latter provides investors with essential consistency and comparability. Both are necessary for an effective investing marketplace.

The Concept Release asks whether a principles-based approach is appropriate and whether materiality is the best principle by which to design the framework. The existing materiality standard used by the Commission is familiar to the investment community and ought to be maintained. If specific line item disclosures are in the public interest, the Commission has an obligation to require them as part of corporate reporting.

It is also becoming clear that ESG issues can have both a quantitative and qualitative impact on company performance. Yet in spite of these facts, the SEC has left disclosure of these significant matters to the discretion of the issuers. There is a great need for clear line-item disclosures in this area – investors need comparable and consistent information and issuers need the certainty and a level playing field.

LGIM would therefore like to see more consistent promotion of standards for the disclosure of ESG information such as the Sustainability Accounting Standards Board and the Global Reporting Initiative, and we endorse the Principle for Responsible Investment's (PRI) submission to this Concept Release on this particular issue. Credible, decision-relevant and comparable ESG information about investee companies is necessary for investors to operate within the requirements of their fiduciary duties yet current corporate reporting practice is failing to meet this need.

Until such disclosures can be mandated, however, the Commission must treat these issues with at least the same materiality standards as are applied to sources of financial risk and return.

***New line item disclosure***

There are certain types of information that have such consistent and serious implications for the performance of companies and markets that the Commission should require them to be regularly reported. Allowing such information to be disclosed at the discretion of each reporting company's own "materiality determination" would undermine transparency and accountability, exacerbate the informational asymmetries and invite tremendous risk into the investing process. The existence of the current line item disclosures in Regulation S-K acknowledges but does not fully address this issue. The Commission must look to the evolving needs and demands of the investing community to keep these disclosure requirements up to date. We ask the Commission to consider some of those needs and demands as laid out below.

First, there are a number of financial strategies that companies pursue, largely outside the view of investors that can impact share price in the short-term and create risks in the long-term. Strategies that involve stock buybacks, aggressive tax planning and executive compensation practices can promote financial engineering over investment in the growth of the company. Better disclosure of these issues would enable investors to identify risks that might otherwise be masked by short-term performance and the extent to which a business's success depends on financial engineering rather than long-term growth strategies.

One of these issues is corporate tax planning. LGIM was an instrumental investor in setting up the PRI investor taskforce on corporate tax responsibility. LGIM published with the PRI a paper to be used by investors titled "Engagement Guidance on Corporate Tax Responsibility" to help guide investors that wish to engage with corporations on this topic. LGIM believes that aggressive corporate tax planning is of concern to investors as it can create earnings risk and lead to governance problems; damage reputation and brand value; and cause macroeconomic and societal distortions. LGIM has individually and collectively spent significant time and effort engaging with companies on these issues, largely because we are unable to obtain sufficient information to assess the risks of corporate tax strategies from securities filings. Therefore, we would encourage the Commission to mandate further disclosure on corporate tax planning to allow investors to assess this important and impactful issue.

Second, the SEC should require additional human capital management metrics to be disclosed by companies. Although many executives refer to the company's workforce as its greatest asset, companies typically disclose nothing about how it manages that asset. Considering the growing body of evidence that human capital management strategies can have material impacts on financial performance, we believe new line items disclosure requirements related to these risks and opportunities are necessary. Information about voluntary and involuntary turn over, employee engagement, workplace health and safety, and investment in training, for instance, could help investors distinguish between potential investments where one company will be better positioned for long-term growth while the other will face knowledge and talent losses over the long-term.

Third, the investor and public demand for corporate political spending disclosure is unprecedented. There remain significant information gaps in disclosure making it difficult for investors to fully assess the adequacy of a board's oversight of political spending and the alignment with investor interests. There are studies that show a direct and negative correlation between political spending and shareholder value and we encourage the SEC to finalize a rule on disclosure.

Finally, LGIM has actively engaged with its portfolio companies to explore ways of increasing diversity on corporate boards as we believe that diverse boards contribute to improved company performance. By bringing broader perspectives and more varied skill sets, board diversity is shown to strengthen a companies' financial performance and improve the quality of board decision making. However, data on director nominees' diverse attributes are not reported by companies consistently in their proxy statements and third party data can be unreliable. Therefore it is important for investors to get uniform data directly from issuers and we support the adoption of a chart or matrix disclosure approach in proxy materials illustrating director qualifications, skills, attributes and experience, allowing shareholders to more easily identify diverse nominees.

We thank the Commission for the opportunity to comment on this important review. We encourage the Commission to protect investors' access to information and expand current disclosure requirements to meet the evolving needs of the investing community. The efficient and orderly operation of our markets depends on investors being able to make informed investment decisions. We hope the Commission will use this opportunity to improve our disclosure regime for the benefit of investors and our financial system as a whole. If you have any questions or need additional information, please do not hesitate to contact us.

Yours sincerely

C. Payn

**Clare Payn**
Head of Corporate Governance North America