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May 31, 2022
VIA ELECTRONIC FILING

Secretary Vanessa A. Countryman
Securities and Exchange Commission
U.S. Department of Labor
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Secretary Countryman,

Legal & General Investment Management Limited ("LGIM") and Legal & General Investment Management America, Inc. ("LGIM America") would like to express our gratitude to the Securities and Exchange Commission ("Commission") for the opportunity to comment on the proposed rules seeking to standardize and make enhancements to climate-related disclosures. We believe that this proposed rule represents a significant step forward in harmonizing the existing set of disparate disclosure practices in the marketplace and supports greater comparability by improving global alignment. It represents a unique opportunity to propel the US to a stronger and more competitive global position by providing investors with actionable data and enabling a more efficient marketplace.

LGIM America is a US registered investment advisor with $258 billion in assets under management (AUM) as of March 31, 2022. We are the US-based affiliate of LGIM, itself a subsidiary of Legal & General Group, a multinational financial services company. LGIM[1] is the 6th largest institutional global asset manager[2] with over $1.9 trillion in AUM.[3] We manage assets for a wide range of global clients, including pension schemes, sovereign wealth funds and pooled vehicles. As a diversified long-term investor, we are intentional about assessing our exposure to systemic risks that may affect our clients' assets. Climate change is one such risk that, if ignored, has the potential to have an impact on our clients' financial returns. As a result, climate risk considerations permeate our business and investment decisions, including through: (1) Investment Integration, in which we carefully consider new climate risk related metrics to better understand business fundamentals; (2) Stewardship, in which we use our shareholder influence to raise company-specific and market-wide best practices; and (3) Solutions, in which we deliver portfolios that meet our clients' evolving objectives.

What we support

In our 2021 comment letter to the Commission, we provided a set of recommendations on how we envisioned climate risk data to be ideally disclosed. Effectively, those recommendations sought consistency, assurance and standardization. As such, among other aspects of the rule, we specifically support the proposed rule's:

- Integration of most of the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations;
- Alignment with the IFRS Foundation's International Sustainability Standards Board ("ISSB"); and
- Requirement to file the information in an annual report.

Consistency and standardization are pivotal to ensuring usefulness of the data being disclosed, which is why we recommended that any future disclosures be supported by the TCFD framework, specifically the 11 recommended disclosures. Adoption of the majority of these recommendations by the Commission will result in coverage of many of the essential elements of climate risk data that are widely supported and used by companies and investors.

Additionally, alignment with TCFD and the exposure draft of ISSB climate risk disclosure standards maintain global alignment – a critical feature given the global nature of climate risk and investor portfolios. Another recommendation we made was to require mandatory disclosures, and specifically filing the information in a company's annual report.

The climate risk data we currently use is often an amalgamation between what is reported by the company and adjustments made by third parties to account for estimations and partial disclosures. Furthermore, there is significant variation across data providers related to primary data collection and aggregation methods to make data more comparable or comprehensive. These issues can be alleviated with higher quality disclosures directly from the company through reporting in annual reports.

In totality, we are highly supportive of the direction of travel the Commission is taking to improve the current disclosure landscape. It is a major step forward and demonstrates clear leadership in addressing systemic risks.

The current disclosure landscape

LGIM isn't alone in endorsing TCFD and SASB-aligned (Sustainable Accounting Standards Board) disclosures. A March 2020 Marrow Sodali survey of institutional investors found that 81% of respondents recommended that companies use the SASB framework to enhance their ESG disclosures, and 77% of respondents recommended the TCFD framework for climate-specific financial information.[4] Despite this, there are nearly 400 mandatory and voluntary climate and sustainability disclosure frameworks in existence.[5] A recent FTSE Russell study found that there's very little consistency in how companies report their carbon footprints, and that same analysis showed that only 10% of the Russell 2000 companies disclose scope 1 and 2 emissions.[6] This presents issues for investors seeking to easily and consistently incorporate such data into their investment processes. Currently, LGIM relies on approximately 14 data sources to effectively triangulate a best estimate on emissions data to facilitate active decisions, index construction and stewardship priorities. The cost burden of this fact-finding is significant. While we have the resources to pursue this endeavor, we recognize some smaller investors do not. We are hopeful some of these issues in the current landscape can be addressed with this proposed rule.

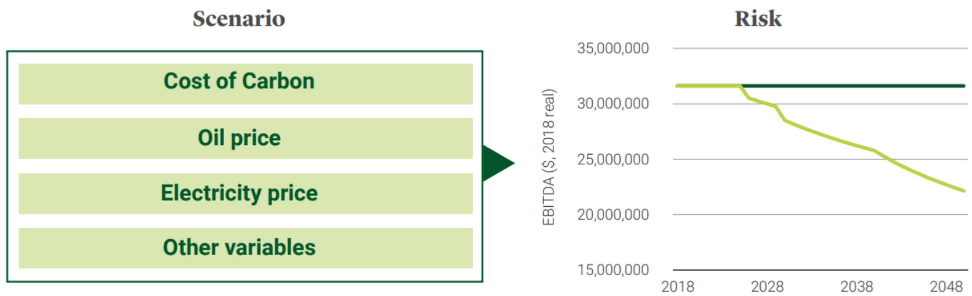
Climate data in action

The critical nature of climate risk has spurred us to act, both as a firm and on behalf of our clients. As the Commission has sought public comments specifically on the use case for the climate data, we are providing an overview of how we use this data as well as three specific use cases. Overarching the examples is this simple principle: today, our only option is to use imperfect climate risk data. If the climate risk data improves, we believe we will be able to improve upon our current risk management and investment analytical processes.

At a high level, we use a tailored approach to incorporate climate risk in various ways – whether that be the explicit incorporation of climate data in investment decisions or simply using such data as a starting point to understand non-financial risks and opportunities. As mentioned, the proficient use of this data requires a level of granularity, specificity and consistency which is currently resource intensive or simply lacking. For example, to gauge the climate transition resilience of a company, we may assess data on current carbon intensity, the historical rate of change of carbon intensity, the expected carbon intensity and a relevant sector comparison, among other data. Similarly, when doing risk analysis, our analysts might review a company's current climate reporting and disclosures, the strength of environmental policies, earnings at risk in a low-carbon scenario and emissions reduction targets and history, to fully capture risk.

That information helps us develop our own proprietary view of the potential impact of climate risk on a company's financials (see Figure 1 below).

Figure 1: Assessing the impact of climate risk on company earnings



For illustrative purposes only. Source: LGIM America.

By that same nature, that information can also help us construct a climate aligned portfolio by blending quantitative and qualitative climate tools and expertise. To take just one example, we rate certain companies' temperature alignment by projecting carbon emission intensity using a decade of historic data and comparing it to the projected sector level emission targets to meet a specific target. Then another layer of review takes place where an analyst can determine if a company has showcased demonstrable forward progress despite mixed historic data. This process is aided by in-house developed tools which help us convert the macroeconomic changes from any given climate scenario into a proprietary view of a company or country specific risk. Currently, this toolkit analyses around 5,000 companies globally, as well as sovereign and quasi-sovereign entities, using a combination of both historical data and a risk-adjusted view of forward-looking targets to understand how carbon intensive we would expect each of these companies to be in 2030. By mapping these forward estimates of carbon intensities to sector-derived targets from climate models, we can transform an expected carbon intensity into what we believe is an equivalent "temperature alignment" for the portfolio as a whole.

To assist the Commission in more deeply understanding how shareholders use climate data, we are providing three different use cases below[7]. In each of the examples below, the level of ongoing data gathering and analytics necessary is extremely time and resource intensive, and the significant variation in companies' climate data available adds unnecessary complexity and risk to what should otherwise be standard data analytics for shareholders. These issues can be alleviated with consistent and higher quality disclosures directly from the company through reporting in annual reports.

Index construction

LGIM constructs custom climate-aligned indexes on a bespoke basis, as well as indexes with defined decarbonization targets. One such example is the Climate Transition Developed Markets Index, which is an adaptive index that looks to systematically minimize carbon footprint, while enhancing ESG exposures in developed market equities. This index targets a decarbonization pathway towards net zero greenhouse gas (GHG) emissions by 2050, dynamically adjusting to remain relevant throughout the climate transition. The data input for the development of this index includes multiple climate-relevant factors, our proprietary climate transition risk framework, including the forward-looking temperature alignment that we described above, an assessment of companies' existing policies in relation to the emissions reductions pathways required to meet global climate and energy transition goals, analysis and evaluation of current and future carbon emissions, and our LGIM ESG Score. The LGIM ESG Score was developed in 2018 using 28 metrics targeting key engagement themes. It is an integral part of LGIM's custom indexation process, feeding into most flagship ESG strategies. While the ESG score is not limited to just environmental data, the environmental portion of the score methodology constitutes 4 of the 29 indicators.

Active investments

Within our fundamental research process, we use our ESG Active View tool, which stores our ESG intellectual property. It serves as a starting point to understand non-traditional factors, and can also flag immediate concerns, such as controversies and incidents, for further investigation. Similar to the LGIM ESG Score, this tool is not limited to just climate data. However, the environmental aspect of the tool does consider factors such as carbon emissions, policies, controls, etc. The carbon emissions data alone will have subsegments, which track carbon intensity, intensity trend, current disclosures, GHG risk management and more, with each subsegment pulled from multiple sources.

Figure 2: Carbon emissions data sample

Heading	Subheading	Roll-up Name	Description	Weight	
Carbon Emissions				30.0%	3.78
	Carbon Intensity		Subheading	80.0%	3.78
		Carbon intensity	Data	40.0%	0.00
		Carbon intensity trend	Data	20.0%	5.00
		GHG reduction program	Data	20.0%	10.00
		GHG risk management	Data	20.0%	
		Carbon disclosure	Data	20.0%	3.92
		Carbon disclosure flag	Flag		
		Climate change policy	Flag		
	Efficiency		Subheading	20.0%	

Ticker:	Sample
Heading Sum:	6.29
Sector Adj Score	6.03
Flags	0.00
Manual Adj:	1.00
Score	7.03

For illustrative purposes only. Source: LGIM America.

Investment stewardship

Our Investment Stewardship practice engages with the companies in which we invest, to address risks and opportunities – both company-specific and market-wide – including climate change. The Stewardship group works with regulators, policy makers and our industry peers to tackle these issues. Our flagship climate campaign is the [Climate Impact Pledge], which has the goal of accelerating progress towards net-zero greenhouse gas (GHG) emissions globally. We identified approximately 1,000 companies in 15 climate-critical sectors that are responsible for more than half of GHG emissions from listed companies. Drawing on around 40 data points, leveraging LGIM's climate modelling as well as third-party data, our company assessments are focused on four key pillars in alignment with the TCFD framework – governance, strategy risks and opportunities, scenario analysis, and metrics and targets.

We know that other market participants currently do not undertake similar processes to those we describe above given the data limitations, and thus there are reasons to believe that climate risk is not properly priced into markets today. We hope that the details provided in the use cases above help the Commission assess how its proposed rules would directly promote greater transparency and ability for shareholders to participate in this type of data analysis and use in connection with their investments, ultimately facilitating the market's more accurate pricing in of climate risks.

Our view on voiced concerns regarding the proposed rule

We understand there may be hesitation among various stakeholders on the practicality of these rules. We sympathize with some of those concerns but are nonetheless optimistic of the rule in totality. For example, we understand the opposition around the feasibility of disclosing scope 3 emissions. We appreciate that the Commission has embedded a level of flexibility to exempt certain companies from disclosing this metric and allowing others to disclose it in due course. LGIM supports the disclosure of scope 1, 2 and 3 emissions as that gives us the full picture of a company's carbon footprint. For example, without scope 3 disclosures, companies may repackage scope 1 and 2 emissions as scope 3 and omit them altogether. Therefore, it's critical to have a broad overview of all sources of emissions.[8]

We also understand the concern that requiring a heavy burden to prove transition plans may inadvertently have a chilling effect on setting climate goals. We would argue that this may ultimately be a good outcome as it would reduce greenwashing by requiring companies to provide a proof of concept on the commitments that they set – effectively requiring more action and fewer words.

Finally, we understand the hesitations around the required adjustments to financial line items if climate risk may result in more than a 1% deviation. We realize this may be a challenging task for a company, and we encourage the Commission to consider various inputs on the topic.

We appreciate the opportunity to comment on this consultation and applaud the Commission for the progress that has been made thus far on this initiative. We believe proper disclosure is critical to promoting measured asset allocation decisions and we believe the proposed rule will result in a more efficient and dynamic market. We would be happy to discuss these topics in more detail with you or answer any follow-up questions you may have.

Yours sincerely,

John Hoeppner
Head of US Stewardship and Sustainable Investments
Legal & General Investment Management America

Alexander Burr
ESG Policy Lead
Legal & General Investment Management

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[1] Unless otherwise stated, references herein to "LGIM", "we" and "us" are meant to capture the global conglomerate that includes Legal & General Investment Management Ltd. (a U.K. FCA authorized adviser), LGIM International Limited (a U.S. SEC registered investment adviser and U.K. FCA authorized adviser), Legal & General Investment Management America, Inc. (a U.S. SEC registered investment adviser) and Legal & General Investment Management Asia Limited (a Hong Kong SFC registered adviser).

[2] Pensions & Investments (P&I) ranking by LGIM total worldwide institutional assets under management as of December 31, 2020. The Largest Money Managers" Special Edition. May 31, 2021. This designation does not imply that LGIMA or LGIM will or has been successful in its product offerings or services.

[3] The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US, and Legal & General Investment Management (LGIM - Asia) in Hong Kong. The AUM includes the value of securities and derivatives positions. Conversion rate: 1 GBP = 1.3532 USD, as of December 31, 2021.

[4] Morrow Sodali. “Institutional Investor Survey 2020.” Morrow Sodali, 2020, morrowsodali.com/uploads/insights/attachments/83713c2789adc52b596dda1ae1a79fc2.pdf.

[5] C2ES. “Climate-Related Financial Risk.” Center for Climate and Energy Solutions, 11 Mar. 2022, www.c2es.org/content/climate-related-financial-disclosures/#:%7E:text=In%20fact%2C%20nearly%20400%20mandatory,climate%20and%20sustainability%20disclosure%20exist.

[6] Brögger, Tasneem Hanfi. “FTSE Russell Study Reveals Big Gaps in Emissions Disclosures.” FTSE Russell Study Reveals Big Gaps in Emissions Disclosures, 9 May 2022, news.bloomberglaw.com/esg/ftse-russell-study-reveals-big-gaps-in-emissions-disclosures.

[7] Please note that these are not the only ways in which we use climate data, and we do not necessarily use climate data as described below for all investments and in all instances.