Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Supervisory Authorities (ESAs) for the Joint Consultation Paper Taxonomy Related Sustainability Disclosures

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Supervisory Authorities (ESAs) for the Joint Consultation Paper Taxonomy-related sustainability disclosures: Draft regulatory technical standards with regard to the content and presentation of sustainability disclosures pursuant to Article 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the proposed Regulatory Technical Standards (RTS) with regard to the content, methodologies and presentation of sustainability-related disclosures.

GLEIF would like to respond to “Question 9: Do you have any views on the amended pre-contractual and periodic templates?”.

First, GLEIF welcomes the inclusion of the LEI in Article 2 of the RTS as one of the unique identifiers that the financial market participants shall provide, where available. However, GLEIF suggests that the “where available” condition might limit the benefits to end-investors and supervisory authorities.

GLEIF understands from the consultation document that for allowing easy comparison for end-investors, ESAs suggest a standardized metric to understand to which extent the investments underlying a financial product are in economic activities that qualify as environmentally sustainable in accordance with the Regulation (EU) 2020/852. This proposed standardized formula "market value of all taxonomy-aligned investments of the financial product/ market value of all investments of the financial product" requires understanding and identifying the activities of investee companies associated with environmentally sustainable economic activities.

Without a clear and standardized identification of investee companies, it is impossible to understand these companies’ overall activities. Even the very first fundamental step in any investment decision, the ability to identify and compare the entity and the entity’s subsidiaries, is challenging without a single, reliable and publicly available source of identity in a machine-readable and digital format.

Therefore, GLEIF suggests that current challenges in accessing reliable, comparable, and relevant information on sustainable risks, opportunities and impacts can be greatly reduced by ensuring that the very first step in data collection and submission starts with the mandatory unique and unambiguous identification of legal entities by the LEI. GLEIF suggests that the ESAs add the LEI as a mandatory data field in the reporting templates. Standardization of the reporting templates through leveraging global standards, including the LEI or ISIN, will increase the usability and comparability of the data provided by reporting entities.

Furthermore this suggestion is supported by the European Systemic Risk Board’s (ESRB) Recommendation of 24 September 2020 on identifying legal entities (ESRB/2020/12). The ESRB invites the Commission to take action to extend the LEI requirement for all legal entities in the EU:
(1) “The Commission is recommended to propose that Union legislation incorporates a common Union legal framework governing the identification of legal entities established in the Union that are involved in financial transactions by way of a legal entity identifier (LEI)...” and until then (2)“...the relevant authorities require or, where applicable, continue to require, all legal entities involved in financial transactions under their supervisory remit to have an LEI; 2. the authorities, when drafting, imposing, or amending financial reporting obligations include or, where applicable, continue to include, in such obligations an obligation to identify by way of an LEI: (a) the legal entity subject to the reporting obligation; and (b) any other legal entity about which information must be reported and which has an LEI”.

Currently, in the templates provided as the annexes of the Consultation document, there is a "Product name/legal identifier" field. GLEIF suggests ESAs make it clear that the "Legal identifier" corresponds to "Legal Entity Identifier (LEI)." Adding the LEI in templates in a standardized way would also help historical comparisons for periodic reports over time.

GLEIF agrees with the ESAs preferred policy options discussed in Chapter 5. Preliminary Impact Assessments. The use of mandatory templates, which include a standardized framework and a level playing field for financial market participants, will allow full comparability of products for investors.

Lastly, GLEIF suggests that in Article 5: Summary Section in the draft consolidated SFDR RTS, the LEI should be added along with the name of the financial market participant for easier and more efficient data collection and aggregation. GLEIF proposes the following change accordingly: (a) the name of the financial market participant and its Legal Entity Identifier to which the adverse sustainability impacts statement relates.