

Response of the Global Legal Entity Identifier Foundation (GLEIF) to IAASB's public consultation on its proposed global sustainability assurance standard, International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements

December, 2023

Exposure Draft of proposed International Standard on Sustainability Assurance EngagementsTM (ISSA) 5000, General Requirements for Sustainability Assurance Engagements (ED-5000), Question 25: Are there any other matters you would like to raise in relation to ED-5000?

When assessing the reliability of the reported information, as part of seeking evidence to support the practitioner's conclusion and form of conclusion, the ED-5000 should require the assurance practitioner to assess whether the entity is effectively identified in the context of its reporting exercises.

More specifically, for this purpose, the practitioner should be required to take into account whether or not the entity uses its [ISO 17442 Legal Entity Identifier \(LEI\)](#) in its reporting exercise – in particular to indicate to which entity the reported information relates to and to sign/authenticate the reporting documents.

The LEI is a 20-digit, alpha-numeric code that enables clear and unique identification of legal entities. The code is linked to a set of key reference information relating to the legal entity in question e.g., name, legal form, headquarter address, parent company, child entities. These pieces of information need to be updated on a regular basis in order to be considered current.

The use of the LEI, and more broadly the effective identification of the entity, should be considered by the practitioner as confirming the reliability of the reported information for the purposes of the evidence assessment – especially when reported information resides in multiple locations within the entity (i.e., within the entity's organizational boundary) or outside of the entity (e.g., in the value chain).

Overall, this would address a key challenge in ESG reporting at the global level, namely the lack of standardization for entity identification.

There are many national and regional standards for entity identification across the world. Such fragmentation can create conflicts and inefficiencies when reconciling data across geographical

borders. The lack of globally mandated standards in entity identification and reporting can create opportunity for greenwashing and other misleading practices such as the misallocation of assets.

Without a clear and standardized entity identification system, it is very challenging to understand a company's overall activities and to find, compare and consume ESG data globally – which means that ESG reports lose value and reliability as a means of evaluating performance indicators and promoting sustainable investment. To analyze a company's performance across ESG factors, for example, investors need to unambiguously identify the entities engaged in activities that, for example, produce greenhouse gas emissions, to be able to analyze and understand the climate-related impact.

Building a global sustainability information architecture requires a universal way to identify and authenticate the legal entities involved – and the LEI is the right tool for this purpose.

The LEI avoids siloed identification approaches by responding to the critical need for a universal system of identifying entities across markets, products and regions.

As a machine-readable identification standard relevant across borders, the ISO 17442 LEI is a powerful tool for those conducting research on an entity's global strategies, assets, corporate structure and values. Entities are unable to conceal greenwashing activities via subsidiaries, thanks to the 360-degree view afforded by an LEI.

By connecting entities to key reference information including ownership structure – which is easily accessed via the online Global LEI Index – the LEI tackles data reconciliation problems across borders and promotes an interoperable identity standard. The LEI is also a data connector that allows analysis of corporate information across multiple data sources describing a legal entity and other mapped identifiers such as the Business Identification Number Code (BIC) and International Securities Identification Number (ISIN). The LEI as a connector permits stakeholders, such as investors and financial institutions, to access richer data regarding the entity.

All of these qualities position the LEI perfectly to deliver some critical yet missing components of a robust, efficient and effective global ESG discovery and reporting framework – transparency, consistency and compatibility. And the LEI can further instill trust in ESG reporting if it is embedded within the digital certificate signing a report and / or the digital signatures of its signing officers.

Organizations or publications that recognize the value of the LEI in sustainability reporting include: the OECD, B20 and IOE, Financial Stability Board, United Nations Development Programme, Monetary Authority of Singapore, Open Data Institute and Chief Data Officer Magazine. More details can be found [here](#).