

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Financial Reporting Advisory Group's (EFRAG) Public Consultation on the Draft Article 8 XBRL Taxonomy

April 2024

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Financial Reporting Advisory Group's (EFRAG) Public Consultation on the Sustainability Reporting XBRL Taxonomies. GLEIF will focus its comments on the role and value the ISO 17442 Legal Entity Identifier (LEI) could play in the XBRL Taxonomy for Article 8 disclosures under the EU Taxonomy Regulation.

GLEIF would like to provide comments to Question 3 of the EFRAG Consultation on the Draft Article 8 XBRL Taxonomy (under the EU Sustainable Taxonomy): *Do you have any other comments or suggestions?*

GLEIF would like to bring the attention on the role that the ISO 17442 Legal Entity Identifier (LEI) could play in the XBRL Taxonomy for Article 8 disclosures under the EU Taxonomy Regulation.

In particular, GLEIF calls EFRAG to add the LEI to the digital taxonomy of Article 8 disclosures in order to effectively identify the legal entity to which the reporting standards apply.

The LEI is the only global standard for legal entity identification. It is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

As such, the LEI would bring direct benefits in terms of the machine-readability, interoperability, and usability of the collected data.

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.

In this context, GLEIF argues 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.

Furthermore, GLEIF has created the digital equivalent of the LEI, the verifiable Legal Entity Identifier, or “[vLEI](#)”. vLEIs are digitally signed credentials that make an LEI instantly and strongly verifiable when presented in digital form, enabling digital interactions that utilize the vLEI to have a high level of assurance about the identity of the actors (both official and functional representatives) and the organizations they represent while fulfilling zero trust architecture requirements.

GLEIF is participating in the XBRL International Digital Signatures in XBRL Working Group (D6WG) and has contributed to the standardization of signing XBRL formats with vLEIs. vLEI credentials can be used to digitally sign and submit reports, filings and data. As an example, GLEIF is participating in a proof of concept with the European Banking Authority (EBA) for Pillar 3 reporting, in which 17 banks have agreed to participate using the vLEI for private sector reporting to the EBA. In addition to signing submissions using vLEIs, specific content, specific sections/parts of a report, can be signed by one or more officers and employees/managers of an organization using their vLEI role credentials. The entire content of the same report, such as an annual report for example, can be signed in its entirety or in part by one or more officers and employees/managers of an organization using their vLEI Credentials. Also, auditors could use vLEIs to digitally sign the XBRL format of financials, and only the financial information that they have audited.