

Response of the Global Legal Entity Identifier Foundation (GLEIF) to HM Treasury's Public Consultation on the UK Green Taxonomy

February 2025

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the HM Treasury's public consultation on the UK Green Taxonomy. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in HM Treasury's proposed initiatives for developing a UK Green Taxonomy aligned with international best practices.

First, GLEIF would like to respond to Question 2: *"What are the specific use cases for a UK Taxonomy which would contribute to the stated goals? This could include through voluntary use cases or through links to government policy and regulation."*

a. *"What are respondents' views on the benefits of the proposed use case (paragraph 2.2)?"*

The proposed use case outlined in paragraph 2.2 highlights the importance of providing clarity and consistency to market participants on what constitutes sustainable economic activities. One of the key benefits of this approach is to mitigate greenwashing and promote trust in sustainable finance. To enhance these benefits, the inclusion of the Legal Entity Identifier (LEI), as defined by ISO 17442, would provide a robust mechanism to verify the identity of entities involved in sustainable activities. The LEI ensures a globally standardized identification system, facilitating transparency and traceability across jurisdictions.

The LEI could also improve the alignment of reporting across different regulatory frameworks by providing a common identifier that can be recognized across financial systems, thereby supporting better comparability of data. This would reduce administrative burdens on entities, improve data integrity, and enhance the ability of regulators to monitor compliance with the taxonomy.

b. *"Are there any other use cases respondents have identified?"*

Yes, additional use cases for the UK Taxonomy that would be enhanced by the inclusion of the LEI include:

- **Supply Chain Due Diligence:** By incorporating LEIs into the UK Taxonomy framework, businesses can better assess the sustainability credentials of their supply chains. The LEI allows for the identification of counterparties, enabling more effective tracking of environmental impact across complex supply networks.
- **Cross-Border Transactions:** The LEI's global recognition facilitates the integration of the UK Taxonomy with other international taxonomies, supporting cross-border sustainable finance activities. This interoperability is crucial for multinational enterprises and investors.

- **Public and Private Sector Collaboration:** LEIs can be used to strengthen collaboration between the public and private sectors by providing a standardized identifier for entities participating in government-led sustainability initiatives or green bond programs.

c. *“How does each use case identified link to the stated goals?”*

Each of the use cases identified directly supports the goals of the UK Green Taxonomy by:

- **Mitigating Greenwashing:** The use of the LEI enhances transparency and trust by providing verifiable identification of entities claiming sustainable practices.
- **Improving Data Integrity:** LEIs ensure consistency in reporting and reduce errors in data collection, which is essential for robust sustainability reporting. Since the beginning of 2025 the Legal Entity Identifier (LEI) is linked with the Companies House business register number. This integration facilitates accurate tracking of sustainable activities and financial transactions, reducing discrepancies and improving data quality. The Global Legal Entity Identifier Foundation (GLEIF) has published a 'Registration Authorities List' that assigns unique codes to business registers, including Companies House, to support such linkages. More information can be found here: <https://www.gleif.org/en/lei-data/lei-linking-to-registration-authorities>.

Please also see the following example:

<https://search.gleif.org/#/record/213800VIETF4D3VKAT52>

- **Facilitating International Alignment:** LEIs bridge jurisdictional gaps by providing a common identifier recognized worldwide, thereby promoting consistency in sustainable finance frameworks.
- **Enhancing Accountability:** Through the LEI, entities can be held accountable for their sustainability claims, as their identities are clearly verifiable in public registries.

d. *“Under these or other use cases, which types of organisations could benefit from a UK Taxonomy?”*

A wide range of organizations could benefit from a UK Taxonomy that incorporates the LEI:

- **Financial Institutions:** Banks, asset managers, and insurers can use (and many already do use) LEIs to streamline their reporting and due diligence processes.
- **Corporates:** Businesses across industries can leverage the LEI to verify the sustainability credentials of their partners and suppliers.
- **Regulators:** Government bodies can use LEIs to monitor compliance and track sustainable finance flows more effectively.
- **Investors:** Institutional investors and funds can reduce the risk of greenwashing by using LEIs to verify the sustainability claims of their investments.

- e. *“For each use case identified, do respondents have any concerns or views on the practical challenges?”*

Some practical challenges associated with the implementation of LEIs in the UK Taxonomy framework include:

- **Adoption and Awareness:** There may be initial resistance to adopting the LEI across all sectors, particularly among smaller entities. Awareness campaigns and incentives could help mitigate this challenge. Additionally, a phased adoption approach, such as implementation by sector or organization size, could facilitate a smoother transition.
- **Integration Costs:** Entities may face costs associated with integrating LEIs into their existing systems. However, these costs are likely to be offset by the long-term benefits of improved data integrity, comparability and reduced administrative burdens. For instance, the LEI is being incorporated into Bank of England reporting. In its ‘Policy Statement: Implementing ISO 20022 Enhanced Data in CHAPS’, the Bank of England confirmed the introduction of the LEI into the CHAPS payment message standard as part of the migration to ISO 20022. Leveraging an existing recommended standard rather than creating a new one helps avoid interoperability, technical and process challenges.

- f. *“What is the role for government within each use case identified, if any (i.e. to provide oversight, responsible for ongoing maintenance, implement legislation, including disclosure requirements)?”*

The government has a crucial role to play in ensuring the success of the UK Taxonomy and the integration of LEIs:

- **Oversight and Governance:** The government should provide oversight to ensure that the taxonomy remains relevant, transparent, and aligned with global best practices.
- **Legislation and Disclosure Requirements:** Introducing mandatory LEI disclosure requirements for entities reporting under the UK Taxonomy would enhance transparency and accountability.
- **Support for Adoption:** The government can provide incentives for businesses to adopt LEIs, such as reduced reporting burdens for entities that utilize LEIs in their sustainability reporting.
- **International Collaboration:** GLEIF is suggesting that the UK Taxonomy is aligned with global sustainable finance initiatives and standards, promoting the use of LEIs across borders. Please note that currently the Bank of England and the Financial Conduct Authority (FCA), are part of GLEIF’s Regulatory Oversight Committee (ROC).

Secondly, GLEIF would like to respond to Question 6: *“In which areas of the design of a UK Taxonomy would interoperability with these existing taxonomies be most helpful? These could include format, structure and naming, or thresholds and metrics.”*

GLEIF fully supports the UK Government's considerations on ensuring that the design of the UK Taxonomy remains interoperable with existing taxonomies in other jurisdictions.

The deployment of common design features is indeed crucial for ensuring data comparability across different taxonomies. By extension, the use of common interoperable identifiers can also play an important role in ensuring the correct identification of legal entities.

In this context, GLEIF recommends the incorporation of the ISO 17442 Legal Entity Identifier into the design template of the UK Taxonomy. As a global, interoperable, readily available standard, the LEI can enhance data comparability by ensuring the correct identification of 'who is who' in the UK financial market.

Other jurisdictions have already included the LEI in the reporting templates of their respective taxonomy frameworks. Most notably, the European Union's Single Electronic Format (ESEF) for sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) requires undertakings to identify themselves in the XBRL templates using the LEI.

Furthermore, GLEIF would like to respond to Question 7: *"Are there any lessons learned, or best practice from other jurisdictional taxonomies that a potential UK Taxonomy could be informed by?"*

Integrating the LEI into the UK Green Taxonomy can be informed by best practices implemented in other jurisdictions and frameworks that have successfully adopted standardized entity identification. Notably:

- The LEI is required, where available, under the final EU Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation (SFDR) .
- InvestEuropeEU has updated its ESG Reporting Guidelines, which now include the LEI as one of the accepted Standards to ensure the precise Identification of companies. Please see more details here.
- In China, the LEI is required based on the Guidelines for Environmental Information Disclosure of Financial Institutions in Shenzhen.
- Financial Stability Board (FSB) - [Recommendations for supervisory and regulatory approaches to climate-related risks and calls for continued progress on disclosures. \(...\)](#) Adding the LEI of financial institutions' counterparties in data reporting templates could contribute to increasing the reliability of climate-related data used and reported by financial institutions.
- The U.S. Securities and Exchange Commission (SEC): [Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices \(proposal\)](#)
- XBRL US. has also suggested that the U.S. Environmental Protection Agency (EPA) should require the use of the LEI by facilities submitting the GHG emissions data so that parent companies can be appropriately associated with their subsidiary facilities. The Sustainability

Accounting Standards Board (SASB) recommended usage of the LEI to identify legal entities in its [XBRL Taxonomy](#).

- In the B-20 paper on Funding sustainability Efforts, the usage on LEI is mentioned in the paper as a recommended action under the use Case 3: “Interoperability of Regulatory Frameworks and Taxonomies.” Source: <https://www.businessatoecd.org/hubfs/Funding%20Sustainability%20Efforts%20Joint%20Business%20at%20OECD-B20-IOE%20Paper%202024.pdf>
- One of the most influential taxonomies in the industry, the Global Reporting Initiative (GRI) also includes the LEI on its Sustainability Taxonomy.

Finally, GLEIF would like to respond to Question 11: *“What are the key design features and characteristics which would maximise the potential of a UK Taxonomy to contribute to the stated goals? Please consider usability both for investors and those seeking investment. This may include but not be limited to the level of detail in the criteria and the type of threshold (e.g. quantitative, qualitative, legislative)”*

The use of the ISO 17442 LEI by reporting entities provides a ‘one stop shop’ for counterparty identification, detailing all relevant information without raising additional administrative burdens. The widely accessible nature of the LEI, combined with the fact that it is already required in other pieces of legislation for the financial services sector (e.g., Payments, AML, MiFID, MiCA) is a sign of its useability.

To fully leverage the LEI for the UK Taxonomy reporting templates, GLEIF would like to further propose the following clarifications:

- Removing any data elements in the reporting templates that are duplicative with the LEI reference data. This will reduce regulatory reporting burden and fully leverage the globally standardized reference data associated with the LEI.
- Introducing a statement clarifying that the LEI must conform with the Regulatory Oversight Committee policy (ROC). The ROC was established in November 2012 to coordinate and oversee the Global LEI System. The ROC is composed of more than 65 financial markets regulators and other public authorities including ESMA. The inclusion of this statement is a necessary step to ensure the LEI is leveraged in the most efficient manner, most notably by ensuring that the reference data included is regularly updated.