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Response of the Global Legal Entity Identifier Foundation (GLEIF) to the International Sustainability Standards Board (ISSB) Exposure Draft General Requirements for Disclosure of Sustainability-related Financial Information

July 2022

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the International Sustainability Standards Board (ISSB) Exposure Draft General Requirements for Disclosure of Sustainability-related Financial Information. GLEIF will focus its comments on using the Legal Entity Identifier (LEI), a machine-readable, global standard, in creating high-quality, granular, reliable and comparable company information. Building requirements for disclosure of sustainability-related financial information requires a global way of identifying and authenticating the involved legal entities. And that is where the LEI and its digital twin, the verifiable LEI (vLEI), can become a foundational element that enables transparency and interoperability across climate-related data collection efforts.

First, GLEIF would like to respond to Question 4 b) *“Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?”*.

GLEIF agrees with the proposed disclosure requirements for governance, strategy, risk management and metrics and targets with a particular focus on the entity’s duty to disclose information on its current and anticipated effects of significant sustainability-related risks and opportunities on its value chain. As highlighted in the Exposure Draft, dependencies and relationships create risks or opportunities for an entity. These can affect the entity’s performance or prospects, create or erode the value of the enterprise and the financial returns to providers of financial capital, and overall enterprise value assessment by the primary user. Therefore, entities must be able to identify dependencies, relationships, and main counterparties involved throughout the value chain correctly and unambiguously.

Today, a key challenge in disclosing sustainability-related financial information, especially across borders, is the lack of standardization for entity identification. According to the Exposure Draft, an entity shall disclose information that enables users of general-purpose financial reporting to understand its assessment of the current and anticipated effects of significant sustainability-related risks and opportunities on its business model.

Without a clear, standardized, and global entity identification system, the information and sustainability-related financial disclosures cannot achieve the trust and transparency

required by investors, lenders, and creditors, namely users. Suppose the globally recognized Legal Entity Identifier (LEI) is used to identify all parties in the value chains across borders. In that case, sustainability-related financial data can enable transparency and interoperability truly at the global level.

The LEI is the only global standard for legal entity identification. It is a 20-character, alphanumeric 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.

The drivers of the LEI initiative, i.e. the Group of 20, the Financial Stability Board and many regulators around the world, have emphasized the need to make the LEI a broad public good. As such, the LEI and its associated reference data are accessible to all as open, public data. LEIs are registered and regularly verified according to protocols and procedures established by the [Regulatory Oversight Committee](#).

GLEIF would like to respond to Question 5 a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why? and b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?.

GLEIF agrees that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements. The consistent use of the LEI in reporting sustainability-related financial information could help link reported information with pure financial information, thereby increasing the value of disclosed information to users. LEI reference data includes business card information on an entity, including name and registered address and ownership information. When the LEI is used as the matching key, users can easily navigate across reports of the same entity. This increases transparency as the user can paint a rich picture of the reported entity, including its sustainability-related risks and opportunities related to activities, interactions, and relationships.

In the Global Business Registry, the company group data collection is based on financial consolidation. For example, the entity's ownership structure and relationship networks can

be quickly and automatically established and searched via the LEI. The net result is better monitoring of the company's enterprise value based on its parent and subsidiaries.

Additionally, the consistent use of the LEI would enable data users to compare the entity's sustainability-related financial information of previous periods and the sustainability-related financial information from other entities.

GLEIF would like to respond to Question 6 a) *Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?*

Ensuring the connectivity between various sustainability-related risks and opportunities and information in the general-purpose financial statements is essential for the complete picture of the entity. Therefore, GLEIF agrees with the suggested approach that the legal entity shall describe the relationships between different pieces of information. GLEIF suggests that the unique identification shall be at the center of describing these relationships and that the reporting entity can link different data points using the LEI to enhance transparency and connectivity.

The Progress report on bridging data gaps published by the Network for Greening the Financial System (NGFS), a network of 83 central banks and financial supervisors, highlights that an obstacle to accessing and making use of existing climate-related data is the lack of unique identifiers, which are crucial for interlinking climate-related data and financial data. The LEI can help to link financial and non-financial information. GLEIF agrees that non-financial reporting and financial reporting are currently not formally connected, leaving potential gaps, overlaps and a lack of coherence. The LEI is in a perfect position to connect non-financial reporting and financial reporting and creating the missing connectivity between various sustainability-related risk and opportunities. When the LEI is extended to non-financial reporting, location of firms and supply chains can be collected through publicly available Global Business Registry at a very granular and transparent manner, which is crucial for assessing physical and transition risks.

The LEI is already included in 124 financial markets rulemaking from around the world. For example in the EU, all publicly listed companies shall report their LEI according to European Single Electronic Format (ESEF) requirements. ESEF's mandatory inclusion of an LEI within financial reports automatically links the filing entity to its annually verified LEI reference data – such as name, registered address and corporate ownership structure - held within the Global Business Registry, which is free to access online. This empowers users of general-purpose financial reporting quickly and easily consolidate and verify information on a filing entity. If the LEI is extended to non-financial reporting, as suggested by the Sustainability Accounting Standards Body (SASB) in its XBRL Taxonomy, the connectivity between financial and non-financial information can be ensured.

GLEIF would like to provide response to Question 7 b) *Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.*

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. GLEIF suggests that the consistent use of the LEI as a key identifier for disclosure requirements could enhance faithfulness and transparency of the disclosing parties, given any party can easily verify and validate the LEI of the entity/counterparties through the [Global Business Registry](#) within milliseconds. As highlighted in the Appendix C of the Exposure Draft, verifiability of information is key for ensuring transparency and reliability. The Global Business Registry is publicly accessible on the web without barriers. Any user can use the Registry for verifying and validating the LEI reference data and aggregate entity/geographic location information, as needed. The LEI gives the granular data opportunity and collection of granular data in an aggregated basis based on users' needs.

In addition to the IFRS Sustainability Disclosure Standards for disclosing sustainability-related risk and opportunities, the Exposure Draft refers to other standards entities shall consider when disclosing sustainability-related risks and opportunities. GLEIF agrees that these standards and frameworks are useful and complimentary for the information the legal entity shall disclose. The SASB XBRL Taxonomy recognized the need for a holistic entity identification mechanism to facilitate the digital ESG information reporting in a structured, machine-readable fashion. There are innumerable national or regional standards entity identification across the world. Different identifiers might serve the national needs, however, create tremendous conflicts and inefficiencies when it comes to the reconciliation of data across borders. Therefore, the LEI responds to the critical need for a universal system of identifying entities across markets, products, and regions.

Lastly, GLEIF would like to respond to Question 15 – Digital Reporting: Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

GLEIF agrees with ISSB that digital reporting will improve the accessibility and comparability of information. As mentioned in our response to Question 6, SASB included the LEI in its XBRL taxonomy for companies that have reporting obligations under the ESEF reporting guidelines and thereby recognized the unique role of the LEI as a global and digital entity



identification solution for ESG reporting. European supervisors already recognize the LEI's value in non-financial reporting. For example, the Eurosystem highlighted the importance of the LEI for linking financial and non-financial information and other data sources in [its response](#) to the European Commission (EC) public consultations on the Renewed Sustainable Finance Strategy and the Non-Financial Reporting Directive review. Eurosystem also emphasized that the LEI would enable digital-age innovation and thus foster potential growth in new markets and reduce costs and operational risks of the reporting entities.

Furthermore LEI's digital twin, the Verifiable LEI (vLEI) can be used to sign a filing, thereby attesting digitally that a document is associated with a reporting entity. The vLEI gives government organizations, companies, and other legal entities worldwide the capacity to use non-repudiable identification data pertaining to their legal status, ownership structure and authorized representatives in any kind of digital interaction, transaction, or e-signature scenario. The vLEI allows multi-signature capabilities, which enables different officers to sign different parts of the same report. For example, the company's Chief Sustainability Officer signs the non-financial data and CFO signs the financial data of the company in the report with their vLEI credentials. Application of the vLEI confirms both the authenticity of the document and the key individuals responsible for the specific content. As an example, GLEIF published its Annual Report for 2021 in human and machine-readable Inline XBRL and HTML format, with the organization's LEI embedded within the financial information. GLEIF's annual report illustrates that vLEIs can be used to sign specific sections, or even facts, within a report or data set as well as for signing reports in their entirety. It is an excellent demonstration of how financial and non-financial information can be connected through a matching key – the LEI.

GLEIF would be pleased to provide further information to ISSB on any of the topics discussed above.