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# Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Financial Reporting Advisory Group (EFRAG) Public Consultation on European Sustainability Reporting Standards (ESRS) Exposure Drafts

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Financial Reporting Advisory Group (EFRAG) Public Consultation on European Sustainability Reporting Standards (ESRS) Exposure Drafts.

First, GLEIF would like to provide its comment on Appendix II, Article 19a with regards to the description of the undertaking. Industry experts [highlight](#) that in addition to the efforts for standardizing ESG data, identifiers that do not change over time and enable interoperability are key foundational tools for seamlessly connecting ESG data with existing data infrastructures so firms can glean valuable insights faster. To analyze a company's performance across ESG factors, investors need to unambiguously identify the entity in question to understand hidden climate-related risks or Scope 3 greenhouse gas emissions. When legal entities, such as investment funds, government entities, or corporate events, are defined and tracked using different identifiers, it can be exceedingly challenging for investors or regulators to analyze the ESG performance for a given entity over time since all those different trackers need to be reconciled and mapped back to the underlying entity.

Therefore in parallel to the efforts of creation of ESRS for standardizing sustainability disclosure, another key challenge, especially across borders, the lack of standardization for entity identification in sustainability reporting, needs to be resolved. Without a clear, standardized, and global entity identification system, the information and sustainability disclosures cannot achieve the trust and transparency required by regulators, investors, lenders, and creditors. Suppose the globally recognized Legal Entity Identifier (LEI) is used to identify all reporting entities and 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, 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.

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](#).

Moreover, the consistent use of the LEI could facilitate reporting climate and other environment-related indicators under Appendix III, including better assessment of carbon footprint and GHG intensity of investee companies.

Based on the comparison table between IFRS and ESRS, GLEIF suggests that the LEI can help to achieve better comparability, information quality (ESRS 1 § 25), verifiability of entity data, and connectivity with financial statements (ESRS 1 § 137 to 143).

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 risks and opportunities. When the LEI is extended to non-financial reporting, location of firms and supply chains can be collected through the publicly available Global Business Registry in a very granular and transparent manner, which is crucial for assessing physical and transition risks.

The LEI is already included in 75 financial markets rulemaking just within the EU. 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, the connectivity between financial and non-financial information can be ensured and help to achieve general cohesiveness (ESRS 1- § 131 to 136).

Under “ESRS 1 § 63 to 71- Boundaries and value chain”, it is stated that when collecting the information about the value chain, the undertakings should seek to approximate the missing information by using all reasonable and supportable information, including internal and external sources, such as peer groups or sector data. GLEIF suggests that the consistent use of the LEI as a key



identifier for disclosing who is involved within the value chain could enhance the faithfulness and transparency of this information, given any party can easily verify and validate the LEI of the entity/counterparties within the value chain through the [Global Business Registry](#) within milliseconds. 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 on an aggregated basis based on users' needs.