



Enabling global identity
Protecting digital trust

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Financial Reporting Advisory Group's (EFRAG) Public Consultation on the Draft XBRL Taxonomy for ESRS Set 1

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 Draft XBRL Taxonomy for ESRS Set 1. GLEIF will focus its comments on the role and value the ISO 17442 Legal Entity Identifier (LEI) could play in the XBRL Taxonomy for Set 1 ESRS.

GLEIF would like to provide comments to Question 9 of the EFRAG Consultation on Draft ESRS Set 1 XBRL Taxonomy (under CSRD): *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 Set 1 ESRS.

In particular, GLEIF calls to add EFRAG the LEI to the digital taxonomy for the ESRS 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.

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. If the globally recognized 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.

Indeed, 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 greenhouse gas emissions.

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 also could use vLEIs to digitally sign the XBRL format of financials, and only the financial information that they have audited.

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. The LEI and the vLEI can be key in addressing these challenges.