



2 May 2025

Monsieur Patrick de Cambourg, Chair
European Financial Reporting Advisory Group (EFRAG)
Sustainability Standards Board
35 Square de Meeûs (fifth floor)
1000 Brussels
BELGIUM
via email at: revision@efrag.org

RE: Public call for input on European Sustainability Reporting Standards (ESRS) Set 1 Revision

Dear M. de Cambourg:

The Los Angeles County Employees Retirement Association (LACERA) appreciates the opportunity to submit comments in response to EFRAG's call for public feedback regarding the European Sustainability Reporting Standards (ESRS) Set 1 Revision.¹ We welcome the solicitation of market input, including from investors as providers of capital, to address the European Commission's request of EFRAG to provide prospective revisions that may "simplify rules, boost competitiveness, and unlock additional investment capacity."²

We believe the consultation is occurring at a time when ongoing developments in corporate reporting and regulatory environments around the globe continue to facilitate a cohesive global framework for corporate reporting that is relevant to investment decisions and therefore conducive to capital formation and durable financial growth for companies and investors alike. We therefore address our comments in response to Part 4 of the published consultation regarding, "How to address the simplification of the standards (structure and presentation) and the need for interoperability."

About LACERA

LACERA is the largest county pension system in the United States, with approximately \$87 billion in plan assets, as of May 1, 2025. We hold investments in over 6,000 publicly listed companies in more than 60 global financial markets. Our holdings include approximately 750 publicly listed companies domiciled in Europe, as well as both public and private entities with global supply chains that are affected by the ESRS. LACERA's mission is "to produce, protect, and provide the promised benefits" to about 200,000 beneficiaries who serve the most populous county in the United States. We encourage sound corporate governance practices at portfolio companies, clear corporate reporting, and prudent financial market policies and regulations that are conducive to durable financial value to enhance our ability to fulfill our mission.

¹ EFRAG. Questionnaire for Public Feedback: ESRS Set 1 Revision. April 8, 2025. Available at:

<https://www.efrag.org/sites/default/files/media/document/2025-04/ESRS%20Set%201%20revision%20Questionnaire%20for%20public%20feedback.pdf>.

² European Commission. Maria Luis Albuquerque. Letter to EFRAG. March 27, 2025. Available at:

<https://www.efrag.org/sites/default/files/media/document/2025-03/Commissioner%20Albuquerque%20Letter%20to%20EFRAG%20March%202025.pdf>.

Investor Interest in Financially Relevant Disclosures of Sustainability Factors

Our comments are guided by the investment beliefs and principles outlined in LACERA's [Investment Policy Statement](#)³ and [Corporate Governance and Stewardship Principles](#).⁴ First, LACERA recognizes that the strength of corporate governance practices at portfolio companies and how companies manage operating factors related to environmental and social factors may shape the risk-return profile and financial performance of our investments. Financially-relevant environmental, social, and governance (ESG) factors may vary by the nature of a company's business strategy, industry, and geography, as well as investment time horizons.⁵ Second, certain factors—such as climate change and the global energy transition—present financial risks and opportunities for both individual portfolio companies as well as to the broader economy in which we invest, as globally diversified investors with a long-term investment horizon.⁶ Third, we consider that financial markets work most efficiently when investors have **timely, reliable, and comparable information about material aspects of a firm's performance**, including how they manage business-relevant sustainability factors that may affect durable cash flow. Transparency of a firm's key financial and operating performance is critical for investors to assess a firm's financial viability and prospects for creating and sustaining financial value. And lastly, it is an integral component of our fiduciary duty to identify, diversify, and mitigate known investment risks in our portfolio. To the extent that a risk is not expected to be rewarded over the long-term or mitigated through diversification, LACERA endeavors to minimize it. Adequate information to identify and assess risks is therefore of paramount importance to fulfill our fiduciary duty.

We believe the International Financial Reporting Standards Foundation's International Sustainability Standards Board (ISSB) has made an important contribution in developing a global framework to facilitate **timely, reliable, and comparable information about material aspects of a firm's performance**. We encourage all global policy-setters to facilitate reporting consistent with the ISSB reporting standards in order to enable comparable, cost-effective, and timely reporting for investors and companies that are operating across global borders.

We would respectfully emphasize three points for the EFRAG Sustainability Reporting Standards Board to consider as you formulate prospective recommendations to the European Commission to simplify the reporting requirements of the European Sustainability Reporting Standards (ESRS) that we believe are consistent with both issuer and investor interests and conducive to durable financial growth.

(1). **Materiality:** In order for information to be useful for investors, it is critical that corporate reporting be founded on the principle of financial materiality and therefore, industry-specific. We recognize that, which sustainability factors may be economically relevant to different industries can vary, depending on the specific industry in which the company operates. Sustainability factors related to a mining company are not the same as sustainability factors related to a software developer. In order to be useful to providers of capital, we believe any simplification of the ESRS

³ LACERA. Investment Policy Statement. Revised June 2024. Available at: https://www.lacera.com/sites/default/files/assets/documents/board/Governing%20Documents/BOI%20Policies/invest_policy_stmt.pdf.

⁴ LACERA. *Corporate Governance and Stewardship Principles*. Revised May 2023. Available at: <http://www.lacera.com/sites/default/files/assets/documents/board/Governing%20Documents/BOI%20Policies/CorpGovPrinciples.pdf>.

⁵ LACERA. Investment Policy Statement.

⁶ LACERA's *Corporate Governance and Stewardship Principles*, page 24.

should emphasize financial materiality and industry-specificity. We support the ISSB approach as a consistent standard for mapping materiality between risk factors and the industry in which a company operates. We respectfully encourage EFRAG to incorporate into its recommendations to the European Commission the fundamental criticality of industry-specificity. We would caution against over-simplification that fails to recognize industry-specificity of materiality, as it would reduce the comparability and reliability of information to investors.

(2.) **Comparability:** By emphasizing alignment and interoperability with the ISSB standards, EFRAG has the opportunity to ensure that any revisions to the ESRS maintain global comparability. Inconsistency among global reporting standards risks rendering comparability of disclosures evasive, which in turn makes reported information less comparable and useful for providers of capital to assess investment-relevant financial risks and opportunities. We urge EFRAG, in its endeavor to simplify reporting standards, to prioritize alignment with ISSB reporting standards in order to facilitate global comparability.

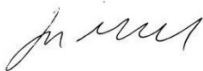
(3) **Timeliness:** We also believe that interoperability with the ISSB standards enables all reporters – both mandatory and voluntary – to anticipate and resource reporting across markets in a manner that facilitates reporting information in a timely manner. Timeliness is critical for markets to assess and price risks and performance trendlines to inform efficient movement of capital and – as appropriate – constructive engagement with companies to which we provide capital.

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We commend EFRAG for soliciting market input. We reiterate our belief that any recommendations for the simplification of the ESRS emphasize materiality, industry-specificity, and interoperability with the ISSB standards in order to support timely and comparable global reporting that is relevant to capital providers and conducive to sustainable growth in Europe and all global markets.

Please contact the undersigned at jgrabel@lacera.com if you would like to further discuss any of the above remarks.

Sincerely,



Jonathan Grabel
Chief Investment Officer