



22 September 2025

Monsieur Patrick de Cambourg, Chair
European Financial Reporting Advisory Group (EFRAG)
35 Square de Meeûs
1000 Brussels (Fifth Floor)
Belgium

via email at: efragsecretariat@efrag.org

RE: Consultation on the revised European Sustainability Reporting Standard (ESRS) Exposure Drafts

Dear Mr. de Cambourg:

The Los Angeles County Employees Retirement Association (LACERA) appreciates the opportunity to submit comments in response to the European Financial Reporting Advisory Group's (EFRAG) consultation on the revised ESRS exposure draft, as released in July 2025.¹ This letter is in furtherance of our letter of May 2, 2025, responding to EFRAG's initial request for market input in which we encouraged any prospective revisions to the ESRS to support material, timely, and comparable international reporting standards for sustainability factors. We welcome the opportunity to provide feedback on specific components of the ESRS revisions subsequently proposed in the July release.

We appreciate EFRAG publishing the prospective ESRS revisions for market feedback in the interest of facilitating a pragmatic and cohesive, investment-useful global framework for corporate sustainability reporting that is conducive to durable value creation for companies and investors alike.

About LACERA

LACERA is the largest county pension system in the United States, with approximately \$90 billion in plan assets, as of August 1, 2025. We hold investments in over 6,000 companies in more than 60 global financial markets. 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 that help facilitate economic growth and enhance our ability to fulfill our mission.

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](#)² and [Corporate Governance and Stewardship Principles](#).³ 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. Adequate information to identify and assess risks is critical to help evaluate material investment factors and therefore of paramount importance to fulfill our fiduciary duty.

¹ EFRAG. Press Release ESRS Shares Revised Exposure Draft. July 2025. Available at: <https://www.efrag.org/en/news-and-calendar/news/press-release-efrag-shares-revised-esrs-exposure-drafts-and-launches-60day-public-consultation>.

² 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.

³ LACERA. Corporate Governance and Stewardship Principles. Revised 2023. Available at: <http://www.lacera.com/sites/default/files/assets/documents/board/Governing%20Documents/BOI%20Policies/CorpGovPrinciples.pdf>.

As referenced in our May 2025 letter, we believe the IFRS Foundation's International Sustainability Standards Board (ISSB Standards) provides a pragmatic and valuable reporting framework to guide global regulators, reporting companies, and investors to identify, measure, and assess financially relevant factors that are specific to 77 industries. We strongly encourage global regulators and companies to align their reporting requirements and practices with the ISSB Standards to reduce reporting burden and facilitate efficient disclosures across global markets and business operations.

We support any efforts by EFRAG to maximize the alignment of the proposed ESRS revisions with the ISSB Standards. The most effective strategy for EFRAG to achieve the goals of optimizing the cost-effectiveness, pragmatism, and market-usefulness of the ESRS would be to utilize the ISSB Standards as the basis of reporting obligations. Alignment with the ISSB Standards empowers reporting companies to maximize efficiency, comparability, and consistency with international financial markets.

In that spirit, we address below four items regarding the proposed ESRS revisions.

1. **Impacts of Gross versus Net Materiality on Interoperability.** (*Consultation Question 12*). The proposed revisions deviate from the ISSB Standards in how they require companies to determine whether a sustainability factor could present a material risk. The proposed ESRS revisions call for companies to only assess prospective financial impact and do not call for companies to consider the financial requirements of any current risk mitigating efforts. The ISSB Standards, in contrast, require reporting entities to take into account the financial resources underlying any risk mitigating efforts that may reduce the financial impacts of certain sustainability risks. LACERA recognizes that the financial resources required to mitigate risks are part of a holistic view of the materiality of any risk. Guidance in any revised ESRS framework to consider mitigation in determining financial impact would enhance the congruence of the ESRS with other reporting standards in global markets, thereby facilitating interoperability for companies and investors. We respectfully submit that exclusion of any consideration of a companies' risk mitigation efforts in determining materiality may be counterproductive to EFRAG's stated objectives of simplifying the ESRS requirements, as the reporting standards—as proposed—would introduce a provision that is discordant with the ISSB Standards and any reporting regime in global markets that is aligned with the ISSB.⁴
2. **Disclosure of Corporate Performance Against Targets.** (*Consultation Question 14*). The proposed revisions suggest removing any requirements for reporting companies to provide information regarding the governance and oversight of risk mitigation activities and underlying methodologies related to the energy transition and climate change. LACERA supports prudent oversight of risks, including risks presented by climate change, consistent with the framework laid out by the Taskforce on Climate-related Financial Disclosures in 2016. Information regarding how a company oversees the impact on its business strategy from climate change, such as any risk mitigation activities, enables investors to assess the effectiveness of such oversight and use this information to inform investment decisions, including evaluating whether to support directors charged with exercising oversight on behalf of investors in our proxy voting activities. The proposed omission of this information under the revised ESRS would reduce the overall usefulness and comparability of ESRS disclosures.
3. **Disclosure of Quantitative Information on Financial Effects.** (*Consultation Question 19*). The proposal requests market feedback on whether companies should be required to provide quantitative or only qualitative information on the prospective financial impacts from climate change. We support aligning with ISSB Standards. Under the ISSB Standards, quantitative information is required subject to certain safeguards that enable reporting companies to include only reasonable and supportable information that is available within current skills, capabilities, and

⁴ EFRAG, Public Consultation on revised ESRS exposure draft. July 2025. Available at: https://www.efrag.org/sites/default/files/media/document/2025-08/Amended_ESRS_Exposure_Draft_July_2025_Public_Consultation_Survey_as_PDF-2.pdf.

resources, and allow for qualitative disclosures in limited circumstances. We encourage EFRAG to incorporate the safeguards to more fully align with ISSB Standards. Absent alignment with ISSB Standards, reporting companies would face increased reporting costs to make incremental efforts to provide quantitative information under the ISSB Standards.

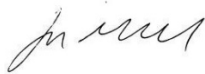
- 4. Disclosures Relating to Scenario Analysis.** (*Consultation Question Part 3*). Scenario analyses of a corporation's exposure to climate risks and potential threats to investment value can provide useful insights for investors to understand a company's approach to navigating business risks and opportunities. The proposed revisions remove requirements that companies disclose certain information about scenario analyses that are useful for investors to evaluate the appropriateness and comparability of scenarios and stress testing methodologies, such as the range of scenarios used and whether those scenarios are aligned with internationally recognized standards. The proposed omission would reduce the reliability of information as it would be harder to assess the credibility of the analysis. As an asset owner with fiduciary duties to the assets we steward, LACERA routinely conducts scenario analyses to evaluate the capital market assumptions that underlie our strategic asset allocation. The integrity of our process is reliant on clear disclosure of the methodologies deployed to inform our analysis. We believe a similar principle applies to entities reporting scenario analyses under the ESRS. We encourage EFRAG to ensure that the ESRS aligns with IFRS S22.2(b) regarding scenario analysis by requiring disclosure of underlying methodologies to promote reliable disclosures that would be consistent with the ESRS objectives.

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We reiterate our belief that the prospective regulations' alignment with the ISSB Standards would support timely and comparable global reporting that is relevant to capital providers and conducive to sustainable growth in the European Union and all global markets.

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

Sincerely,



Jonathan Grabel
Chief Investment Officer