

June 10th, 2025

Dear New Zealand External Reporting Board,

Wellington Management Company LLP (“Wellington”) commends New Zealand External Reporting Board – Te Kāwai Ārahi Pūrongo Mōwaho (XRB) for seeking information about the value of international alignment to climate reporting entities (CREs) and primary users of climate statements.

Wellington is one of the world’s largest independent investment management firms. Wellington serves as a trusted adviser to over 3,050 institutional and private clients located in more than 64 countries. Wellington actively manages approximately US\$1.2 trillion of assets, as of December 31, 2024, with capabilities covering most segments of the global capital markets. Wellington operates as a community of investment boutiques, with each investment team acting as a fiduciary for its clients and developing its own philosophy and process to guide investment decisions. Wellington does not have a Chief Investment Officer, or any group of individuals, who give “top-down” direction with respect to investment positions or strategies for the accounts that Wellington manages. Wellington believes that this structure best enables it to meet the investment objectives of its diverse client base and encourages individual responsibility for investment performance.

Accurate, comparable data about material climate-related risks is critical to our ability to make more informed investment decisions on behalf of our clients. Because climate change will continue to affect society, economies, and markets, investors need this information to better price climate risks and fully assess the value of an issuer’s securities. Inadequate data and the absence of a widely adopted standardized framework for disclosure currently limits our ability to evaluate the impacts of climate change (positive or negative) on our clients’ portfolios.

We encourage you to fully adopt all published ISSB standards (currently S1 and S2). Below are key reasons we believe this would be valuable for investors, companies, and governments as issuing entities.

Benefits to investors

1. **Aligning with materiality-based standards:** We support the global baseline that is centered on financial materiality, both for assessing enterprise value and focusing on industry-specific sustainability topics. The focus on financial materiality addresses a critical issue: the need for market participants to accurately assess the enterprise value of individual companies with information on sustainability topics most relevant to financial outcomes, industry by industry, and ultimately issuer by issuer. This is consistent with the structure of Wellington’s investment research teams, as ESG analysts are fully integrated with relevant industry experts focused on equity and credit analysis. The cornerstone of the ESG research process is ESG materiality frameworks, defining what industry teams believe are key issues for each sector and identifying metrics for assessing issuers’ performance and potential long-term value.
2. **Informing investment analysis across geographies:** A global baseline will provide investors with comparable, consistent, and reliable information. Comparability across geographies is particularly relevant to global investors like Wellington, given that several actively managed investment boutiques consider the relative value of companies across jurisdictions, rather than within a single jurisdiction. In the absence of required disclosure, investors must leverage third-party datasets which make estimates and assumptions. When we compare reported and estimated sustainability information for individual companies, we see significant divergence that can lead to different investment conclusions.

Benefits to companies

3. **Reducing reporting burden:** By focusing on the issues most pertinent to investors, the ISSB standards should provide clarity for companies and allow them to disclose material information with greater efficiency and accuracy and lower costs of compliance. This is further underscored by the incorporation of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations into the ISSB Standards from 2024.
4. **Sharpening strategy to address risks opportunities:** While meeting these disclosure expectations will require reporting entities to deepen their knowledge of the sustainability topics most material to their business, we believe greater transparency will have significant long-term benefits for financial markets, including for the issuers of securities themselves. Measuring and disclosing climate transition risks might help an entity realize strategic opportunities for growth or address vulnerabilities in its business model. Measuring and disclosing exposure and resilience to physical climate perils such as flooding, drought, hurricanes, wildfires, extreme heat, water scarcity, or sea-level rise could help a company protect its facilities and workforce, maintain access to raw materials and energy sources, and ensure that its locations remain fit for purpose.

Benefits to governments as issuing entities

5. **Attracting private sector capital:** Government debt is one of the asset classes in which Wellington invests on behalf of clients. Wellington applies the same research-led approach to assessing sustainability risks and opportunities to governments. This research is underpinned by our investment belief that a country's probability of default and depth of buyer base may be influenced by outsized exposure to transition risk and inadequate risk management. We understand that countries face unique climate risks and opportunities and may use different combinations of policy and financing tools to support the stability of their domestic financial markets. The global low-carbon transition is likely to result in a decline in high-carbon industries or in international demand for exports, which may harm a country's fiscal position – even if a country does not implement its own transition policies. Risk management can take many forms, including using government spending to diversify the economy beyond fossil fuel production by stimulating low-carbon sectors to support long-term economic growth. Our ESG analysis favors countries which require mandatory disclosures and are better able to attract and retain long-term investment, especially from international investors, as a complement to government spending. We believe this should lead to more sustainable debt levels throughout the transition and in turn increase the likelihood of executing against its stated transition target.

For these reasons, we encourage jurisdictions to adhere to a consistent global baseline, and to act in a timely manner. If adaptation is appropriate in your context, we encourage deviations in the form of reliefs – such as adjustments to the criteria for organizations covered or slower phasing of the first disclosure deadline – or supplementary disclosure areas to the global baseline, rather than carving out elements of the standards. In doing so, this would preserve the key benefits outlined above.

Thank you for considering our perspective. We would be open to discuss any of these points in further detail. Please feel free to contact us using the contact information below.

Wendy Cromwell, Senior Managing Director, Vice Chair, Head of Sustainable Investment