MBA Statement to the SEC on Climate Change Disclosure

We are MBA students and recent MBA graduates from 23 business schools who support climate change disclosure rulemaking by the Securities and Exchange Commission.

Climate change poses systemic risks to the economy, for which we, as emerging business leaders, will be held accountable. Mandatory disclosure of the material risks of climate change is imperative for companies and investors to understand, price, and manage climate risks and opportunities.

The decisions made today will dramatically impact the trajectory of the economy that we will inherit and steward for the decades to come. Most of us will be in the workforce past 2050, the date that many climate actions target for achieving a net-zero economy. Effective climate disclosure is critical to the success of those targets and to the health of the economy that we will manage.

A core lesson of business that has been paramount in our education is that investors and companies need information to make decisions. Stakeholders require access to consistent, comparable, and reliable information at scale to fully assess their risk exposure and to navigate the uncertain future.

The current state of climate change disclosure does not meet these needs. Companies and investors currently do not get comprehensive, decision-useful data from all enterprises facing material climate risk. We openly acknowledge that there will be a cost for compliance with SEC climate disclosure rules, but we fervently believe that disclosure of climate risk and further action to manage the risk is far less costly to companies and their investors than ignoring the risk.

Fortunately, we are not alone in recognizing that the only successful world is a sustainable world. Many of our future employers are already supportive of these efforts.

For these reasons, we appreciate the SEC’s request for public input on climate change disclosure, as a critical step in the SEC’s efforts to resolve these issues to meet the needs of all market participants.

There are numerous recommendations that the SEC should consider, including those from the Commodity Futures Trading Commission’s Subcommittee on Climate-Related Market Risk in its report on Managing Climate Risk in the U.S. Financial System. We believe that climate change disclosure rules from the SEC should, at minimum, include the following elements:

- Be Based on the TCFD: The SEC’s work should be based on the recommendations and principles for effective disclosure of the Task Force on Climate-related Financial Disclosures (TCFD), which are now taught in the curriculum of many business schools and have been endorsed by over two thousand investors, companies and other stakeholders. This work should include the key elements of TCFD, spanning the four pillars of Governance, Strategy, Risk Management and Metrics & Targets, as well as scenario analysis and transition plans.

- Cover Various Time Horizons: There is currently significant ambiguity around the materiality and disclosure of medium- and long-term risks. SEC rulemaking should clarify the necessity for disclosing these risks, including through quantitative and qualitative
factors. As market participants for the coming decades, we are particularly focused on ensuring that longer time horizons are considered appropriately.

- Include Industry-Specific Information: Because material climate risks manifest in different ways by industry, SEC rulemaking should include industry-specific metrics. These metrics should build on existing standards and focus on ensuring comparable disclosures.

- Include Emissions Disclosures: Disclosure should include Scope 1 and Scope 2 emissions. As reliable transition risk metrics and consistent methodologies for Scope 3 emissions are developed, they should be disclosed as well.

- Require Inclusion in Financial Filings: Material climate risks should be covered in financial filings, including through financial statements and the Management’s Discussion and Analysis.

- Ensure Regular Updates: Best practices for monitoring and managing climate risks are rapidly evolving. SEC rules should be updated regularly to evolve in line with emerging best practices and market needs.

The undersigned MBA students and recent MBA graduates support SEC climate disclosure rulemaking to ensure consistent, comparable, and reliable information. We need this information as the ones who will be tasked with making the challenging decisions that will be critical for a sustainable future. We sincerely appreciate the Commission’s consideration of our views as market leaders and participants for the coming decades.

We strongly encourage the SEC to act urgently and decisively in response to the growing threats of the climate crisis to markets and the economy that we will shepherd into the future.

Sincerely,

Stephen Moch
Harvard Business School & Harvard Kennedy School '21

on behalf of 350 MBA students and recent MBA graduates:

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