ARVELLA
ESG ENGAGEMENT
MBA CHALLENGE

**Organized jointly with the
Yale Initiative on Sustainable Finance**

OFFICIAL RULES

2024 SEASON

I.   Teams

1. Teams must have up to five members.
2. Team members must be currently enrolled as full- or part-time MBA students. Students graduating in summer 2023 might participate.
3. Teams can consist of first and/or second year students.
4. A school may have several teams participate in the Challenge.
5. Team members may withdraw, as long as one team member is present for the finalist presentation.
6. Team members may not participate on more than one team.

II.   Timeline

1. The Arvella ESG Engagement MBA Challenge will be held in two rounds. Round 1 will consist in submitting a PowerPoint presentation ("case study"). On Round 2, two finalist teams will be selected to present their work to a panel of judges. The presentation will be held via videoconference (Zoom).
2. Teams must register by **21 January 2024** by sending the registration form (see Appendix B) to mbachallenge@arvella.com.
3. Case studies (Round 1) must be submitted by email at mbachallenge@arvella.com no later than **28 January 2024 at 11:59 PM ET**.
4. Finalist teams will be announced by **11 February 2024.**
5. Finalist teams (Round 2) will present their work to the judges via videoconference on the week of **26 February 2024**.

III.   Challenge Format and General Guidelines

1. The official language of the Challenge is English. All Challenge matters, including correspondence, project submission, oral presentation etc. must be completed in English.
2. Academic standards around plagiarism apply. That is, teams should cite all sources.

Round 1 – Case Study:

1. Each team must prepare a PowerPoint presentation. It should be submitted in PowerPoint and PDF formats.
2. The case study will be graded according to the criteria set forth in Appendix A, "Evaluation Form".
3. The case study must contain (but is not limited to) the following sections:
    o **Target Company and ESG Issue:** Teams will use the Engagement Maximizer, to select a target company and one ESG variable featured in the tool. The Engagement Maximizer identifies which E, S or G improvement(s) could raise shareholder value most for each firm. Teams should select an ESG issue associated with a high potential increase in shareholder value. Please refer to

the section "How to Use the Engagement Maximizer" on the website. Teams should present:

- o The company.
- o The selected ESG issue.
- o How lagging behind on this issue is hurting the firm's profits.
- o **Target Company's Peers**:
  - o Use the "Best Peers" functionality[1] on the Engagement Maximizer's website to identify potential best peers.
  - o Use qualitative analysis to select the most relevant peers. The Maximizer's best peers list includes companies classified in the same sector (GICS level 1) or industry (GICS level 2) and region. Not all such firms are relevant benchmarks for the selected company. Using qualitative analysis to select the three to six most relevant peers is therefore essential.
- o **Best ESG Practices:**
  - o Teams should analyze what the most advanced peers are doing to be industry leaders at this particular ESG issue. Teams should analyze how being such a leader helps business and financial outcomes.
  - o Teams should suggest actionable solutions to improve the selected ESG issue, learning from peers' best practices. Teams should also explain how their solutions would boost the firm's profits and/or equity valuation.
- o **ESG Engagement Action Plan:** Teams should come up with an action plan to convince the target company to implement the best ESG practices. In practice, teams should elaborate a concrete, actionable plan to persuade the company to act. The plan should:
  - o Include arguments to persuade the company's management and shareholders to act. Making <u>the business case</u> for the suggested plan is essential.
  - o Discuss how the team would approach the company to persuade its various stakeholders (management, board, shareholders…).
4. **Extra points** will be awarded to teams that have engaged their target company. Actions taken and outcomes achieved (if any) should be detailed in the case study in an additional section.
5. Case studies should be submitted by email at mbachallenge@arvella.com by **28 January 2024 at 11:59PM ET.**

Round 2 – Finalist Presentation:

1. The top 2 teams (finalist teams) will make a presentation to a panel of judges.
2. A minimum of one team member should be present for the presentation.

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[1] The functionality "Best Peers" on the website is only available to partners. The team lead will be given access to the functionality upon registration. Teams should not only rely on the tool to identify "Best Peers". Given the quantitative nature of the tool, we expect that some "peers" will be more relevant than others for each firm.

3. The finalist teams will be announced by **11 February 2024**. They will present their work to the judges via videoconference on **the week of 26 February 2024.**
4. Presentations for the finalist round should be submitted by email at mbachallenge@arvella.com in PowerPoint and PDF formats **by 23 February 2024 at 11:59PM ET.** No revisions can be made to the team's electronic presentation once submitted.
5. Content presented during the finalist presentation (Round 2) should be similar (potentially, identical) to the one highlighted in the case study (Round 1). Teams that are engaging their target companies should add any new development since submitting their case study.
6. Each presentation will last 60 minutes (25 minutes presentations, 35 minutes Q&A).

IV.   Judges & Miscellaneous

1. Judges will be drawn from industry experts, academics or other professionals operating in the sustainability space.
2. Judges and their biographies will be disclosed on the website page dedicated to the Challenge (www.arvella.com/esg-engagement-mba-challenge/) in the coming months.
3. Students can submit questions about the Challenge via email at mbachallenge@arvella.com.
4. Please refer to Appendix C for Frequently Asked Questions (FAQ).
5. By registering for the Challenge, team members agree to take part in any publicity related to the Challenge as well as to the use of their names and photographs in such publicity.

V.   Disclaimer

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Appendix A –Study Evaluation Form

SECTION	MAXIMUM POINTS	COMMENTS
Target Company and ESG issue *Select a target company and one ESG issue whose improvement would deliver great impact and great financial returns using the [Engagement Maximizer](#)*	10	
Target Company's Peers *Use qualitative analysis to select the most relevant peers. You should leverage the Maximizer's best peers list. Yet, not all best peers suggested by the tool are relevant benchmarks for the selected company. Using qualitative analysis to select the three to six most relevant peers is therefore essential.*	30	
Best ESG Practices • *Identify peers' best practices for this ESG issue* • *Learning from peers' best practices, suggest actionable solutions to improve the selected ESG issue*	40	
ESG Engagement Action Plan *Elaborate a concrete, actionable plan to persuade the company to act*	20	
Extra Points (Optional) *Actual engagement with the target company and outcome*	10	
Total	**110**	

Teams should base their recommendations on facts, statistics, and rigorous analysis. The more detailed and quantified the analysis, the better.

Appendix B – Registration Form

Registration Deadline is January 21, 2024 at 11:59 PM ET.

TEAM INFORMATION	
Team Name:	
University Name:	
City / Campus:	
STUDENT #1 (Primary Point of Contact for Team)	
First Name:	
Last Name:	
Email:	
Cell:	
Anticipated Year of Graduation:	
STUDENT #2 (Optional)	
First Name:	
Last Name:	
Email:	
Cell:	
Anticipated Year of Graduation:	
STUDENT #3 (Optional)	
First Name:	
Last Name:	
Email:	
Cell:	
Anticipated Year of Graduation:	
STUDENT #4 (Optional)	
First Name:	
Last Name:	
Email:	
Cell:	
Anticipated Year of Graduation:	
STUDENT #5 (Optional)	
First Name:	
Last Name:	
Email:	
Cell:	
Anticipated Year of Graduation:	
How did you hear about the Challenge (LinkedIn, email, website, school, etc.)?	

Students can submit questions about the Challenge via email at mbachallenge@arvella.com.

Appendix C – Frequently Asked Questions (FAQ)

General Questions:

We are not MBA students. Can we still register for the Challenge?

Students from Masters (MSc, MS, MIM) and PhD programs are welcome to register for the Challenge.

We are graduating in December 2023; can we still participate in the Challenge?

Yes.

Can we see the finalist presentations from the two finalist teams of the previous edition of the Challenge?

The PowerPoint presentations from the two finalist teams of the 2023 edition are available on our website at: https://www.arvella.com/esg-engagement-mba-challenge/

If we participate in the Challenge, will we receive a Certificate of Participation?

Certificates of Participation will be granted upon request.

Can you help us find other team members?

Unfortunately, we cannot help you find team members. We accept teams of one.

Are there any cost implications for the students and University should teams decide to participate in the challenge?

No. There is no registration fee. In addition, the finalist presentations will be held via videoconference call.

Can we ask a professor or industry expert to review our work?

Yes. You can leverage any resources available to your team.

Are there any restrictions around who we are allowed to communicate with during our research?

No.

Would Arvella Investments be willing to sign an NDA if required by our chosen company?

Yes, we can sign an NDA if required by your target company.

Can we have some additional resources to go through for in-depth understanding of Arvella software (tutorials, etc.)?

We will not conduct training sessions on how to use the Engagement Maximizer tool. You should refer to the Technical Appendix and "How to use the Engagement Maximizer" sections at the bottom of the website page dedicated to the Engagement Maximizer.

You might also refer to the following training webinar conducted upon the launch of our tool. Part of the video discusses the Engagement Maximizer.
https://us06web.zoom.us/rec/share/nyTnqQm9UIca2ysr1KlzpLUs_aoYuM9O_0itGpX5Vqqofr8Y5hm2TRSmC31ms2f6.75JhI8byIbuCLsdb

Access to the Engagement Maximizer:

How do we receive the login information (credentials) to access the Engagement Maximizer?

Once we receive the registration form (to be sent at mbachallenge@arvella.com), the team lead will receive a confirmation email, along with the rules of the challenge (also available on the website).
In a separate email, the team lead will receive login credentials. You will receive only one login per team. Once logged in, students will find some instructions on how to use the tool on the website itself. Please note that the platform is quite user-friendly, and we do not conduct training sessions.

We have sent the Registration Form but have not received a login yet. Is it normal?

Only the team lead will receive login credentials by email. Please check your spam. If you are still unable to find the email, please contact us at: mbachallenge@arvella.com.

Materials to be submitted for Round 1 ('Case Study'):

What is the format of the presentation that should be sent for the 1st round ('Case Study')?

You must submit a PowerPoint presentation. Please send the presentation in both PowerPoint and PDF format.

Is there a maximum number of slides for the PowerPoint presentation ('Case Study')?

There is no slides limit. Yet, you may keep in mind that if selected for Round 2, you are expected to present your content in about 25 mins.

Selection of the target company, ESG variable and peers:

Can we pick any company for the case study?

You should pick a company that is available on the Engagement Maximizer.

What is the universe of companies available on the Engagement Maximizer?

Our dataset covers 2546 firms from the MSCI All Country World Index (MSCI ACWI) and the STOXX Europe 600 (STOXX 600). The dataset does not include companies classified in the financials sector.

How do we select a relevant ESG variable for the case study?

You should select a variable for which the potential increase in shareholder value associated with adopting peers' best practices is elevated.

Please note that ESG issues are sector specific. Hence, some ESG variables are only relevant in a few sectors. For example, water usage is only relevant for the energy and materials sectors. Health & Safety is only relevant for consumer stapples, consumer discretionary, industrials, materials, utilities, and real estate. When an ESG variable is not relevant for a specific company (because of its sector classification), a 0% will appear on the graph.

Are there some ESG variables that are less relevant / less interesting to analyze according to the sector of our chosen/target company?

Our Carbon Emissions variable only covers scope 1 and scope 2 emissions. Hence, you should not work on this variable if you select a company operating in an industry where scope 3 emissions account for the majority of emissions (e.g., energy, utilities, etc.). A company's Scope 3 carbon emissions include everything beyond its direct operations and electricity use, including supply-chain operations and end-product usage by customers.

Can we use an ESG variable outside the Engagement Maximizer?

No. You should pick one of the 13 ESG variables available on the Engagement Maximizer.

Can the ESG issue be one the target company has already identified?

Yes. Companies might have started to address specific ESG issues. Yet, they might still be lagging their peers and might not have implemented all the appropriate solutions.

Some companies have an asterisk next to their potential shareholder value gain metrics. Why is this the case?

Some companies do not report data on certain variables. Rather than displaying missing data, we use a proxy. The proxy is flagged by an asterisk. The proxy corresponds to the average gain across peers. We define "Peers" as firms in the same sector (GICS level 1) and region; or in the same industry (GICS level 2) globally.

How do we select the most relevant peers?

Our tool allows identifying peers with best practices. Analyzing these peers can point companies to actionable solutions. To identify peers, select underneath the graph the ESG variable you are interested in assessing and click on your preferred scope: sector & region or industry globally.

Some "peers" will be more relevant than others for each firm. Investors should therefore use the "peers" list as a menu to select from. In other words, qualitative analysis should be used to select the most relevant peers for your target company. Best peers will operate in the same industry and have similar business activities: they will compete with your target company with similar product/services categories.

Can we pick a peer company for analysis which is not present in the engagement maximiser?

Yes.
The Engagement Maximizer helps you identify peers that have better practices than your target company. Yet, not all the peers suggested by the tool would be truly comparable to your target company. Hence, using qualitative analysis is essential. You can select a peer that is outside the scope of the database if you deem that it is a relevant peer and that it has better ESG practices than your target company.

Engagement with the target company:

What is expected from the team on actual engagement with the target company and outcome? Is there a mechanism in place/suggestive approach for this?

We are conscious that a successful engagement with a company is extremely difficult to achieve. It takes time and the right contacts within the organization.

Hence, we will award extra points for teams who tried to engage. We will value the originality of their engagement, the materials (if any) they have provided to the company, and any possible outcomes (responses from the firm, calls set up, etc.).