

MBA teams tell Davos how world's largest fund can cut carbon and boost returns

CK-Schulich Business for a Better World MBA Case Competition finalists present to panel of five judges in Davos on how to profitably decarbonize the Norwegian Oil Fund

DAVOS, Switzerland, January 26, 2016 – The University of Victoria's Peter B. Gustavson School of Business team came out on top at this year's CK-Schulich Business for a Better World Case Competition held during the World Economic Forum, with a combined team from UNC Kenan-Flagler Business School and Duke University's Fuqua School of Business taking second place.

Third place went to the Schulich School of Business at Toronto's York University.

Twenty-eight teams from 14 countries registered to compete in the 2016 competition. Of five teams, two were selected to compete in Round 2 for the chance to present their business plans in Davos in front of a judging panel. The third finalist was the winner of the 2015 Yale Low-Carbon Portfolio Case Competition.

Gustavson School of Business team members presented a plan for the Norwegian Oil Fund to decrease its equity portfolio carbon intensity by 27 per cent, reduce exposure to fossil fuel reserves by 73 per cent and shift \$18.8 billion of the fund's holdings from carbon intensive high risk stocks to clean stocks with more attractive financial prospects. The team's rules-based strategy, guided by a five factor model (financial health, ESG, risk-return, future performance and externalities) generated total returns of 219 per cent over a 10 year back-test, besting comparable benchmarks by a wide margin.

One of the 10 stocks the team recommended for phased divestment over the next four years was Glencore PLC, a global mining conglomerate with substantial exposure to coal. The team's model found that while Glencore has the ability to meet its short-term debt, it is

unlikely to be able to meet its long-term debt obligations, pegging the company's expected return at negative 58 per cent.

Professor Dirk Matten of the Schulich School of Business summarized the event: "While some commentators lamented a lack of future perspectives at Davos due to the magnitude of contemporary challenges on the agenda for world leaders, the CK-Schulich MBA Case Competition reflected the traditional spirit of Davos at its finest: some of the sharpest minds from this future generation of business leaders applying their creativity to help solve the most pressing challenge of climate change and identify opportunities for business and the investment community. A truly visionary event."

The three teams, which earned a total of \$10,000 for making the finals, will have their presentations and background materials shared with Espen Erlandsen, director general of the Asset Management Department at the Norwegian Ministry of Finance and Yngve Slyngstad, CEO of Norges Bank Investment Management.

"Profitable portfolio decarbonization is the investment objective for the next decade, and we are immensely proud of the students for the innovative new investment frameworks they developed," said Toby Heaps, CEO of *Corporate Knights* and one of the five judges. The other four judges included Mark Campanale, founder and executive director of Carbon Tracker, Renat Heuberger, CEO, South Pole Group, Alexandra Mihailescu Cichon, head of business development, RepRisk and Sean Flannery, vice chairman of *Corporate Knights* and former CIO, SSgA.

All teams were provided access to the [Clean Capitalist Portfolio Cleaner](#) created by *Corporate Knights* for investors to benchmark, measure and manage exposure to carbon and other ESG factors on one platform. Clean Capitalist data partners include South Pole Group, Sustainability Accounting Standards Board, Oekom, CDP and Fossil Free Indexes.

For more information and to view finalist presentations please visit:

<http://www.corporateknights.com/affiliates/2016contest/>

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