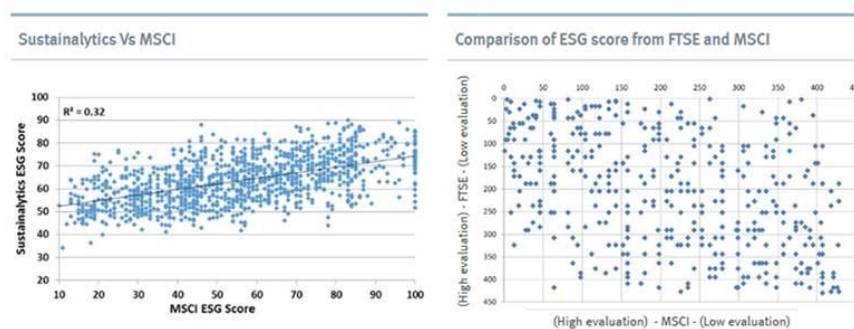


ESG Clarification Sheet

1. Purpose of the document

ESG analyses and definitions are a highly subjective topic. It is perfectly possible that two subject experts conduct an ESG analysis on the same company and come up with a differing conclusion. This can also be seen in the ratings that various ESG research providers place on a company. The graph below already clearly displays the huge differences that can be found when comparing the risk ratings of the major research providers such as MSCI and Sustainalytics.

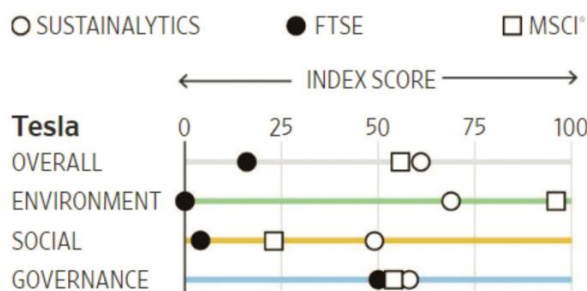
Figure 1: Comparison of ESG ratings from different providers



Source: CSRHub, S&P 1200 equities

In various cases, one research provider has awarded a company with a very good ESG score, while another provider has scored the company much lower in terms of ESG.

This can be explained by the subjective nature of the assessment, the differences in methodology, the importance weighting of the different subsections of ESG and the definitions that are being used. To make this more concrete, we display an example of a specific company, in this case Tesla, to indicate how different providers come to very differing conclusions. FTSE and MSCI have completely opposite ratings on how well Tesla scores in terms of environment. One agency may focus on the positive impact that electric vehicles have on the reduction of carbon emissions while other agencies may focus on the pollution and poor working conditions that take place in cobalt mines where the materials for electric car batteries are extracted. Some research providers will even take into account Tesla's decision to invest in Bitcoin due to the fact that most Bitcoins are mined in China while consuming enormous amounts of charcoal to provide the required energy.



ESG Clarification Sheet

Just like different research providers will differ in opinion amongst each other, our internal analyses will also differ at times with our external research provider. In order to be transparent towards our clients, we will highlight on this sheet where our internal analyses differ from those of our research provider and why we have chosen to follow our internal analyses over the analysis of our external research provider.

2. Clarifications

Company	Discussion point	Clarification
Amazon	Risk category	Amazon has received an ESG risk rating of 30.9 by Sustainalytics which means that it falls just into the high ESG risk category. We disagree with the downgrade to high ESG risk that occurred in August 2021 since there have been no new incidents to justify this downgrade. Sustainalytics own database lists no severe or high risk incidents and while the European Commission started an investigation into non-competitive practices in July of 2019, there has been no conviction as of this date. While a fast growing company with a global presence, we have to face the fact that smaller incidents may occur more regularly than for mature companies, but the company's goals to reach 100% renewable energy usage by 2030 for its AWS operations and the hiring of several ESG leaders provide us with the forward looking comfort that Amazon is actively trying to catch up with the growth of its operations in terms of ESG.
Meta	Risk category	Meta platforms assigned a high-risk rating to Meta (ESG risk score of 32) due to the risk nature of dealing with personal consumer data. Additionally, the company is frequently accused to not be doing enough to combat fake news and offensive language on its platforms. While we acknowledge the risks that are involved with dealing with consumer data, we are of the opinion that Meta is actually one of the most proactive companies in terms of data protection and we acknowledge that they are amongst the top spenders in terms of data security. We take a neutral stance regarding the company's role in fake news and offensive messages as this is a highly politicalized and very subjective matter on which viewpoints will vary completely depending on the position on the political spectrum of the accuser. Meta has been blamed for allowing users to post conspiracy theories which would later on become the official viewpoint of the United States. Meta has several fact-checking programs going on, but even these are criticized by conservatives and progressives alike depending on the outcome. We encourage politicians to propose a clearly defined legal framework in which Meta can operate as the company is currently tasked with the impossible

ESG Clarification Sheet

		objective of finding universally accepted limitations to free speech. We consider the company to be a medium risk company in terms of ESG and we struggle to find any company that spends as much in content moderation as Meta platforms.
--	--	--