



H Q T S G r o u p L t d .

# HQTS Group ESG Service

Navigate you through Sustainability journey



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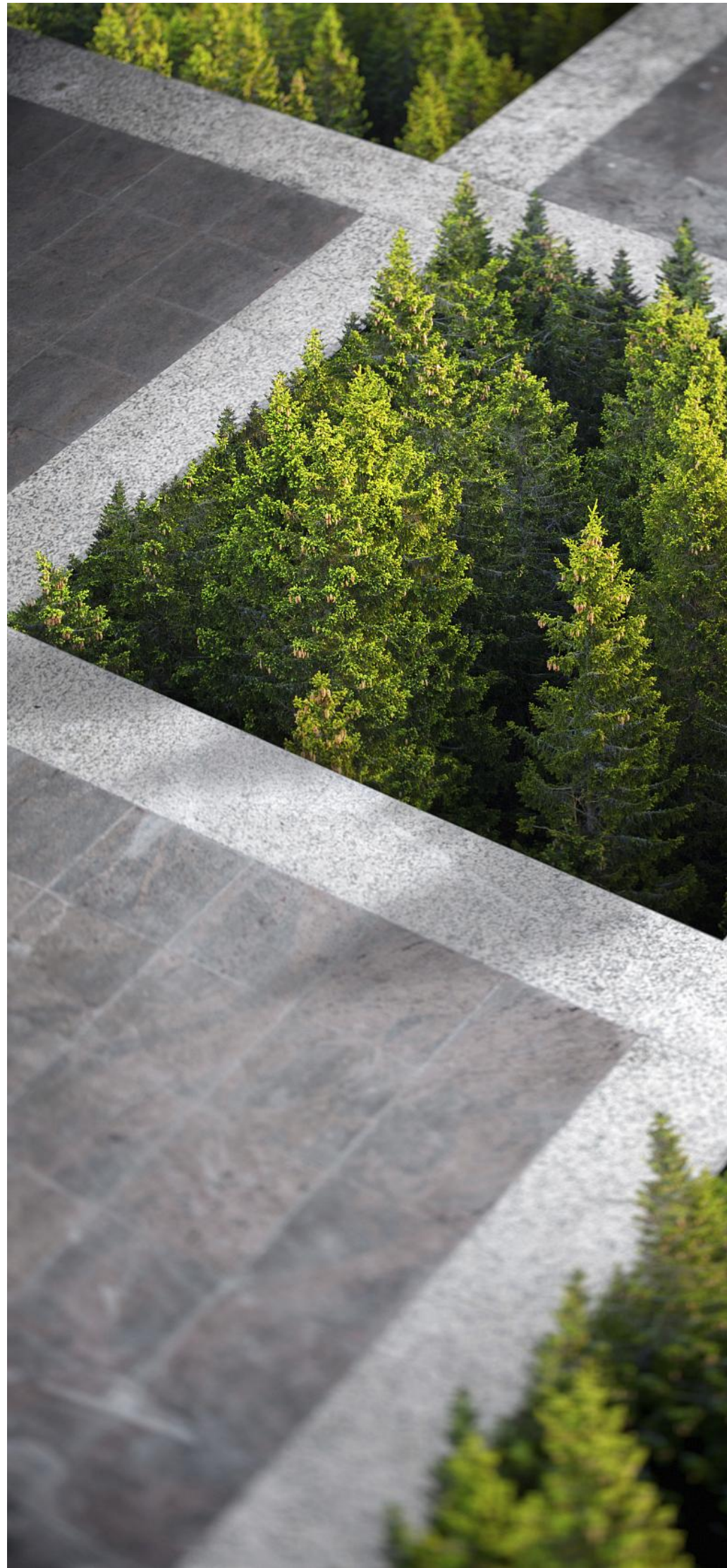
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# WHO WE ARE



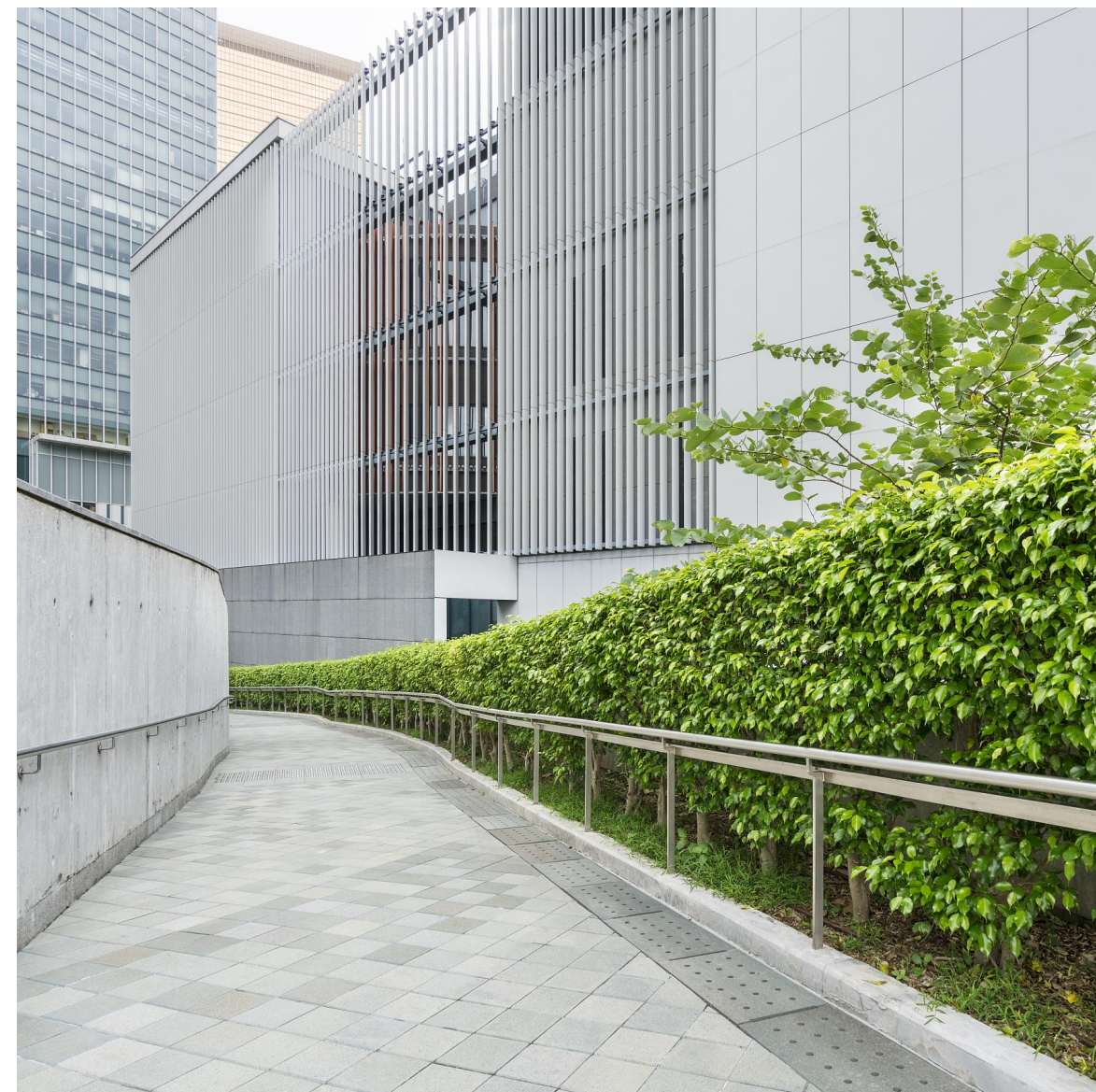
				
<b>Founded in 1995</b>	<b>Global Customer &amp; Supplier Base</b>	<b>One-Stop-Shop</b>	<b>Meet your Quality, SC &amp; ESG needs</b>	<b>Aim to achieve Sustainable Development</b>

**HQTS Sustainable Development Institute (SDI)** was formed to focus on the research and consultancy for ESG (Environmental, Social & Governance) and other solutions for sustainability, specializing in helping corporates and institutional investors understand and comply with cross-market regulations by integrating ESG strategies. We provide unique solutions and value-added services, including ESG compliance advisory, reporting requirement from stock exchanges, global standards and law enforcement, such as EU Taxonomy, SFDR, GRI, PRI etc., as well as ESG integration strategies such as building ESG assessment frameworks, sourcing ESG data and indices, providing environmental & code of conduct due diligence checks.

 <b>国家市场监督管理总局</b> State Administration for Market Regulation	 <b>APSCA</b> ASSOCIATION OF PROFESSIONAL SOCIAL COMPLIANCE AUDITORS	 <b>Sedex</b>			
 <b>中国电子节能技术协会</b> China Electronic Energy Saving Technology Association				 <b>CECA</b> 中国节能协会	

# WHAT IS ESG

ESG (Environmental, Social, Governance) sustainability reporting is transitioning from voluntary to mandatory as climate change upends communities and businesses, disrupts supply chains and governments begin to tighten regulations. Investment capital is ever more inclined towards investment into sustainability-focused companies.



## Consider how a company performs as a steward of nature

- What a company is doing to reduce carbon emissions
- How the company is preserving biodiversity, improving air and water quality, combatting deforestation, or responsibly managing its waste
- How the company is responsibly using resources and its supply chain
- What the company is doing to reduce its emissions?



## Examine how it manages relationships with employees, suppliers, customers, and the communities where it operates

- How a company nurtures its people and workplace
- The company's employee engagement
- Data protection and privacy
- Community involvement
- Human rights and labor standards



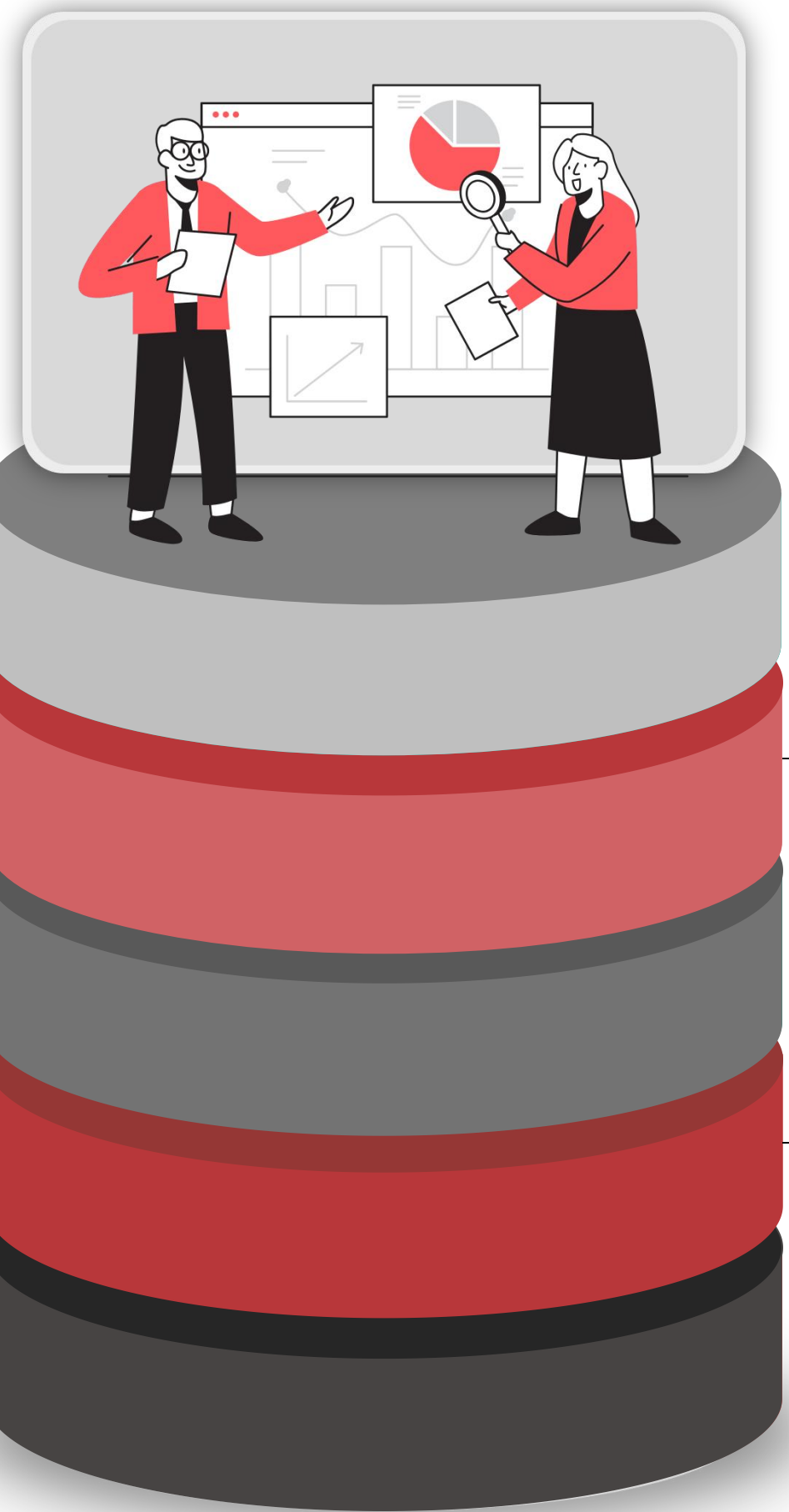
## Ensure its investments remain sustainable in the future

- A company's internal controls
- Policies, principles and procedures governing leadership, board composition, executive compensation, audit committee structure, shareholder rights, bribery, lobbying, political contributions, and whistleblower programs



- Where we serve
- Offices
- Testing Lab & Inspection factory
- Corporate Office

# POTENTIAL IMPACTS ON BUSINESS



### UK Corporate Governance Code 2018

Focuses on the importance of long-term success and sustainability

### ESG Disclosure Simplification Act

Joe Biden has taken up the fight against climate change and wants to oblige companies to disclose sustainability-relevant information

SGX: the production of an annual sustainability report is a requirement. Climate-related disclosures consistent with the TCFD recommendations

### Corporate Sustainability Due Diligence(CSDD)

Anchor human rights and environmental considerations in companies' operations and corporate governance **Corporate Sustainability Reporting Directive (CSRD)**

Companies must submit their report aligning with the CSRD on 1 January 2024, for the 2023 financial year

HKEX-GL86-16, incorporating the disclosure of environmental and social matters into the business chapter of the listing application document



# HOW CAN HQTS HELP ?

# ESG Service Portfolio

## CSR/ESG Reporting

- The CSR/ESG report is the final deliverable.
- Discover customer highlights and fully demonstrate customer ESG management results.
- Respond to inquiries from stakeholders and financial institutions.

## Training

- Global mainstream ESG rating interpretation training ESG standard training (GRI, TCFD, SDGs, ISO26000 standards, etc.)
- ESG report preparation methods and skills training
- ESG Management Rating Improvement Practical Training
- Training to Key supplier about company policy
- Other customized training

## Supplier audit/ Assessment (Due Diligence)

- Through document review, on-site audit, ESG data collection and other methods, understand the current status of supplier management, identify and analyze risks that may affect the company's valuation or reputation.
- Identify and assess suppliers' ESG-related compliance risks;
- Depending on the severity of the identified risks, different levels of remedial measures and suggestions for improvement are taken.



## ESG Strategy Consultancy

- Assist in the formulation of sustainable development (CSR/ESG) strategies and implementation plans.
- Improve the ESG management mechanisms, policies and procedures.
- CSR/ESG Reporting
- Respond to inquiries from stakeholders and financial institutions.
- Keeping improvement.

## ESG Report Verification

- Commonly used verification standards: AA1000AS, ISAE 3000/3410
- Ensure internal data collection and approval systems are in order by interviewing data holders and data processors, checking data sources, observing processes, validating data, recalculating, etc.
- Make an ESG report credibility assessment.

## Carbon audit/certification

- Carbon inventory accounting according to ISO14064-1
- Carbon footprint verification.
- Others



# ESG Reporting



## Planning

- ESG Management Strategy
- Define Stakeholders
- Define the boundary and scope
- Materiality topic analysis
- Training

## Data Collection

- Provide data collection tables.
- Understand the data that the financial industry needs to collect.
- Determine project timeline and deliverables.
- Supply Chains audit/assessment.

## Data Analysis

- Analyse the collected data
- Data Validation, if the data is not applicable to the industry or incomplete, provides an explanation.
- Strive to unearth the brightness.
- Provide suggestion and option of improvement

## Report Preparation

- Start preparing the report based on the data feedback
- Report submission, and sharing with interested parties

## Improvement

- Reply questions/questionnaire from external interested parties
- Take action to shorting point.
- Keep learning from benchmarking



# ESG Assessment – Materiality Topic for Suppliers (Sample)

Environment	Social	Governance
Materials	Employment	Procurement Practices
Energy Management	Labor Management Relations	Anti corruption
Water and Effluent	Occupational Health and Safety	Anti competitive Behavior
Biodiversity	Training and Education	Critical Incident Risk Management
Emissions	Diversity and Equal Opportunity	
Waste	Non discrimination	
Environmental Compliance	Freedom of Association and Collective Bargaining	
Supplier Environmental Assessment	Child Labor	
GHG Emissions	Forced or Compulsory Labor	

# Supplier Environmental Segmentation

The supplier segmentation will determine the governance hierarchy of ESG assessment for different type of suppliers



- These suppliers provide customized or unique products or services that have a significant impact for your business.
- There are few, if any, alternatives to using these suppliers, and the cost of switching suppliers is often very high.



- These suppliers typically provide business-critical goods and services. You can usually find other suppliers for these goods and services, but switching can be difficult or expensive.



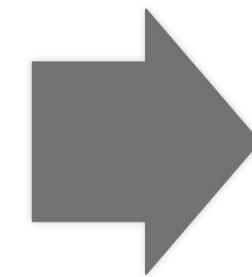
- These suppliers are typically transactional, and their service offerings are not business-critical.

# ESG Assessment - Process

On-going improvement will be decided and designed by discussion with Client and their suppliers when necessary

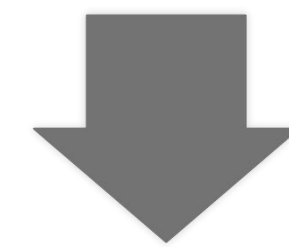
## ① PREPARE QUESTIONNAIRE

Prepare questionnaire and encourage the supplier to provide us with the information necessary for the assessment



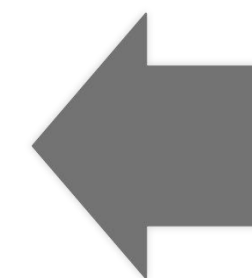
## ② CONDUCT AUDIT

Audit the factory according to the schedule



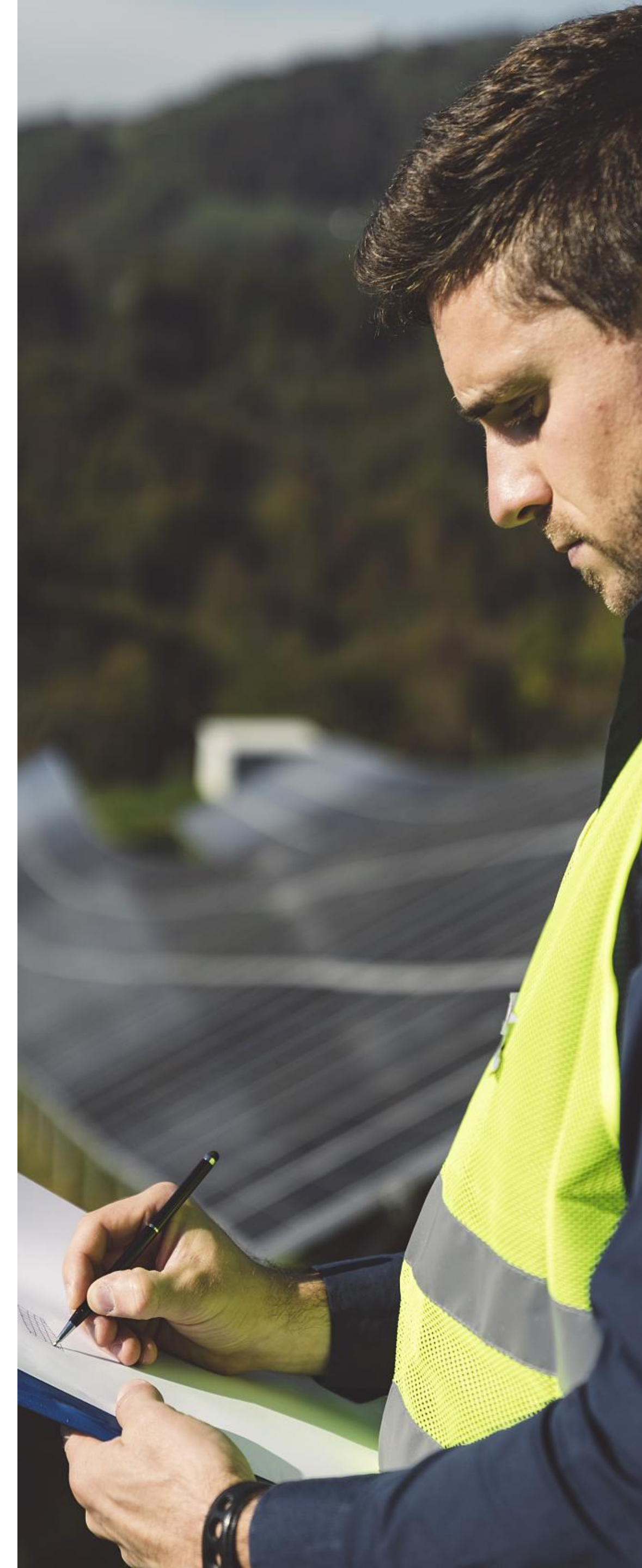
## ③ PROVIDE REPORT

Produce and submit the audit report



## ④ CONTINUOUS IMPROVEMENT

- Consultancy
- Assessment result analysis
- Improvement plan development
- Re-audit



# Supplier Scorecard Structure



**Grade of Suppliers** 

**Grade**

**Quality** 

**Cost** 

**Delivery** 

**Sustainability (ESG)** 

**Main Indicators**

**Quality KPI** 

**TOA Score** 

**Cost KPI** 

**Delivery KPI** 

**Environmental(E)** 

**Social(S)** 

**Governance(G)** 

**Sub-Indicators**



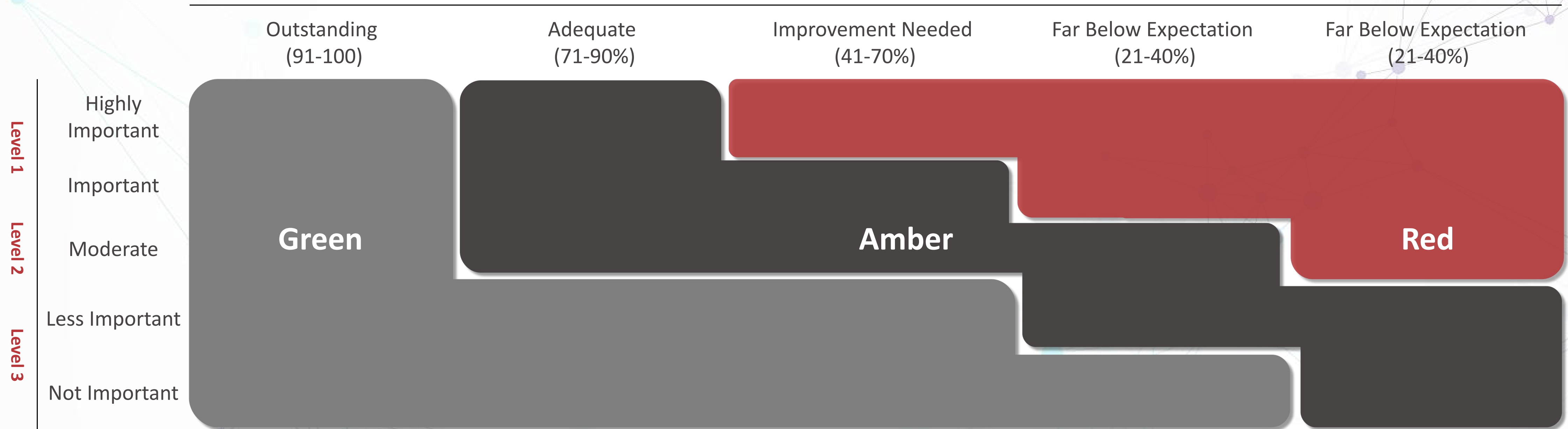
# Supplier Scorecard (with example)

Supplier scorecard system will be introduced to evaluate your supplier's overall performance periodically, including quality, cost, delivery and Sustainability by necessary information collection, on-site audit and data analysis.

Supplier Scorecard													
Main Indicators	Main Indicator Weight	Sub-Indicators				Subsystem Rating					Weighted Total Score		
						Significantly Deficient	Far Below Expectation	Improvement needed	Adequate	Outstanding		Weight	Score
						0-20	21-40	41-70	71-90	91-100			
		No.	Criteria	Approach									
Quality	50%	Quality KPI (20%)	1.0	Lot Reject Rate	PSI & Data collection						0	0.0	
			2.0	Claims Case	Data collection						0	0.0	
			3.0	Quality Incident Case	Data collection						0	0.0	
		TQA Score (80%)	4.0	Infrastructure & Production Machine	TQA Audit						0	0.0	
			5.0	Production Process Control	TQA Audit						0	0.0	
			6.0	Packing, Handling & Storage	TQA Audit						0	0.0	
			7.0	Training, Knowledge, Skill, and Experience	TQA Audit						0	0.0	
			8.0	Inspection/Testing and Quality Control	TQA Audit						0	0.0	
			9.0	Documentation of Management/Records Control	TQA Audit						0	0.0	
			10.0	Managers in High Level	TQA Audit						0	0.0	
Cost	15%	Cost KPI (100%)	11.0	Product Price Variance	Data collection					0	0.0		
Delivery	10%	Delivery KPI (100%)	12.0	Lot % of shipping product on-time	Data collection					0	0.0		
			13.0	Lot % of shipping correct quantity						0	0.0		
Sustainability	25%	Environmental (40%)	14.0	Environmental	Data Collection & Audit					0	0.0		
		Social (40%)	15.0	Social	Data Collection & Audit					0	0.0		
		Governance (20%)	16.0	Governance	Data Collection & Audit					0	0.0		
<b>OVERALL SUPPLIER GRADE</b>										<b>0%</b>	<b>0.0</b>		

# Supplier Risk Grading & Solution

## Scorecard – Overall Supplier Grade



Risk Level

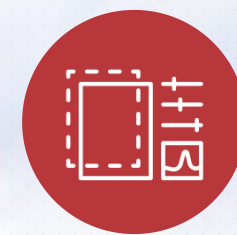
HQTS Solution

Client discretion

Red	Supplier Improvement Program, Increase Monitoring
Amber	Increase Monitoring
Green	Annual Surveillance Audit



# ESG Management HUB



The ESG module in system can be designed according to Client's ESG Materiality topic.



Client and Key supplier can input data regularly.



Client can monitor company ESG performance and supplier ESG performance easily.



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# THANK YOU FOR WATCHING

We believe what's good for society is good for business