

# Qing Yue ESG Disclosure Recommendations and Rating Methodology

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Concentrate:

1. This article is only a general introduction to Qing Yue in the ESG direction and value of the work, specific types of industry indicators and rating details, see other Qingyue public information.
2. The English version of this article is automatically translated with Microsoft Word, do not rule out errors and omissions, whichever is Chinese version.

## I. Background

1. ESG is an important measure of sustainable and high-quality green development.

China's economic and social development and ecological environment protection, both need enterprises to change the mode of production and management, take a green and sustainable road of high-quality development, not only to fulfill social responsibility, for the global and human sustainable development efforts, but also to ensure the sustainable development of enterprises themselves.

For which enterprises are truly adhering to green sustainable high-quality development, with more stable long-term development advantages and investment value, need a set of qualitative and quantitative combination of measures, easy for government and the market, consumers, investors and so on for reference. ESG is a set of information disclosure and ratings, as well as a framework for responsible investment, which is widely recognized internationally and has been used in many practices (e.g. the ESG Guidelines issued by the Hong Kong Stock Exchange) in a comprehensive and quantitative manner in terms of environmental, social and corporate governance.

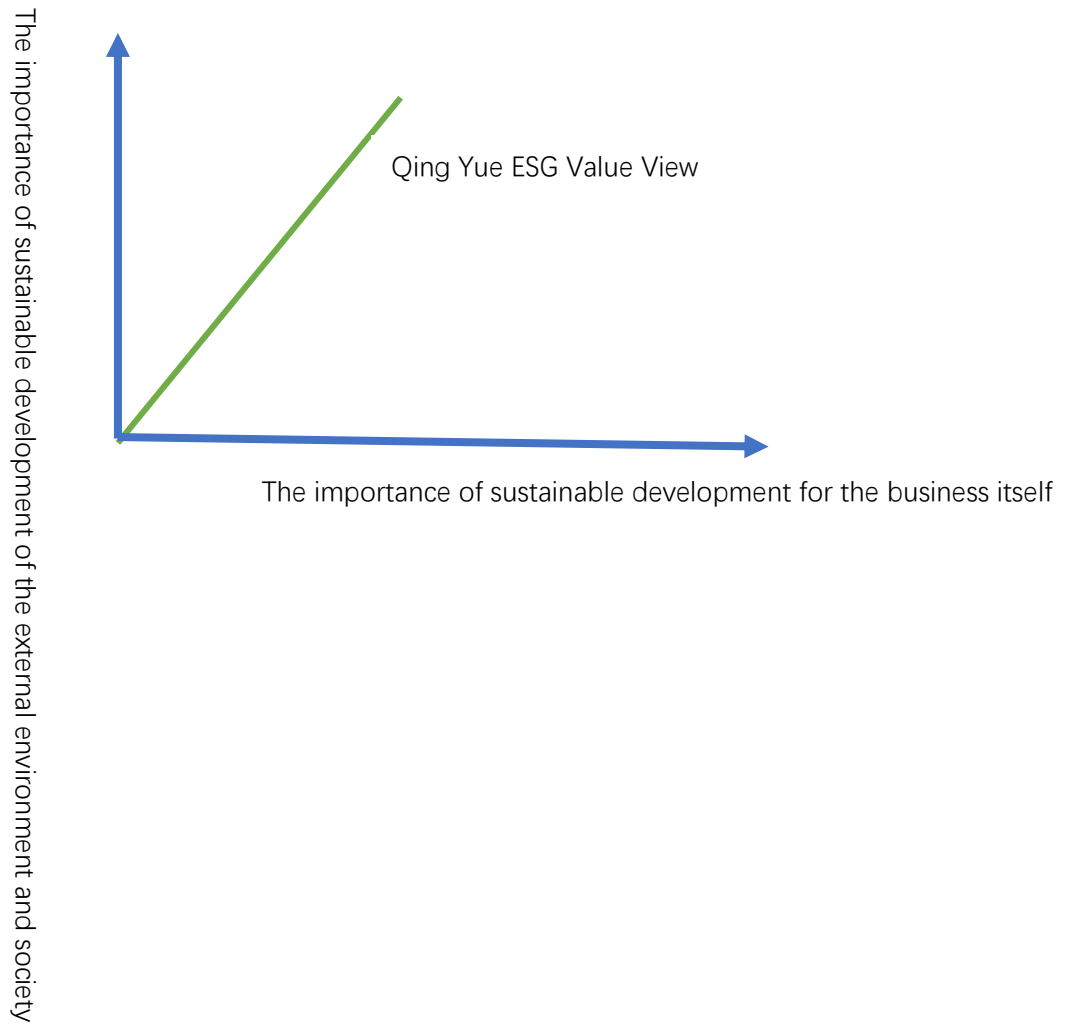
As the micro-subject of economic development, the quality of development of enterprises directly determines the quality of the development of the whole economy and society, promotes the disclosure and rating of enterprise ESG information, as well as the application of securities, credit, insurance and other financial and various aspects, which is of great practical significance to China to achieve sustainable and sustainable economic and social development, and is worthy of long-term sustained promotion.

2. Qing Yue ESG Information Disclosure and Rating Positioning

For ESG disclosure recommendations, existing international and domestic disclosure guidelines or recommendations are not sufficient to reflect **industry risks and**

**opportunities and social responsibility.** How to study key industries and regions such as high pollution and high energy consumption from the perspective of independent third parties, and put forward the substantive issues and indicators that the industry should focus on disclosing is a difficult problem to be solved urgently.

For ESG ratings, there are many business organizations that have come up with different approaches, most of which only disclose the outline framework, and generally do not disclose specific internal metrics, weights, etc., and are not transparent. Different stakeholders, different national conditions, different industries, regions, stages of development, ownership and other enterprises, facing different risks and opportunities for sustainable development. From the perspective of an independent third party, it is important to make **more** efforts to demand on which issues enterprises should make and to measure openly and **transparently**, especially in high-polluting and high-energy industries, and to promote the overall development of the fittest.



## II. Qing Yue ESG work goal

ESG Disclosure Recommendations: Analysis Of Key Industry Disclosure quality Status Quo, More Disclosure RecommendationS In Line With China'S Development Stage And Industry DifferenceS, To Promote More EnterpriseS To Better Carry Out ESG Information Disclosure. .

ESG rating: put forward more in line with China's development stage of national conditions and key industries and other differences and more to maintain the public interest tendency of the rating model, weights, indicators, etc., and open and transparent evaluation, and through open and transparent to generate credibility, promote the green sustainable high-quality development of enterprises.

## III. Methodology

### 1, The overall idea

At present, the ESG information disclosure rate and disclosure quality is still very low, so

the transparency of ESG information disclosure needs to be analyzed and promoted as an important indicator.

At the same time, the ESG performance is sensitive to the heavy pollution of high energy consumption industries, as well as the public interest has a greater impact on the industry priority ESG performance in-depth analysis and rating.

Therefore, at this stage, the transparency of ESG information disclosure is promoted by the analysis and calculation of individual indices, and the overall ESG rating is combined with the specific performance of key industries.

By publishing indices, rating results, benchmarking cases, etc., ESG's success in China has been driven.

All of the above are based on the disclosure of verifiable data, reflecting the MRV principles (Monitoring), Reporting, and Verification).

All of the above work refers to the GRI,SASB and other international standards organizations sustainability report disclosure recommendations, as well as the SEHK disclosure guidelines, and refers to some benchmark companies ESG disclosure practices.

## 2,ESG information disclosure and rating model

Qing Yue suggests that the information disclosure model is very similar to the rating model, except that when rating, only the specific performance indicators of the medium and high priority issues are analyzed in depth. However, due to the different stakeholders and investors have different concerns, it is recommended that enterprises choose to make comprehensive disclosure according to various disclosure recommendations and guidelines, while focusing on the disclosure of issues that have a greater impact on external sustainable development, such as environmental society, and have a greater impact on their own sustainable development, and can explain non-applicable topics without disclosure.

### a) The overall model



### b) ESG Disclosure Transparency Evaluation Model

In addition to general principles such as the importance of ESG information disclosure, companies should be easy to read, understand and automate data analysis from the perspective of various stakeholders, including investors.

inspect dimension	Specific indicators	Value	weight	remark
systematicness	Whether to publish ESG reports (including combined and independent publications in annual reports)	0/1	15%	
substantive	High-priority issue disclosure rates in the industry	0-1	25%	Scores vary depending on the issue disclosure rate
Balance	Whether there is a balanced disclosure such as whether or not there is a penalty or how many administrative penalties	0/1	5%	
	Whether to mention the administrative penalties in the Qingyue ESG database: whichever is the penalty instrument number	0/1	10%	
Quantify comparability	Is there a key performance statement for many years in a row?	0/0.5/1	20%	3 years 1 point, less than 3 years 0.5 points
Convenience	Whether there is a GRI or SEHK and so on disclosure guide index table	0/1	15%	
reliability	Whether third-party verification is available	0/1	10%	

Table 1 ESG Transparency Evaluation Model for Disclosure

a) ESG Substantive Issues Disclosure and Performance Evaluation Model

We recommend that companies disclose substantive issues on a case-by-case basis in a uniform, generally accepted management logic for the convenience of stakeholders.



b) ESG Substantive Issues List

Below is a list of common issues for each industry, with specific disclosure recommendations and rating models that can be increased or subtracted, weighted, and other adjustments.

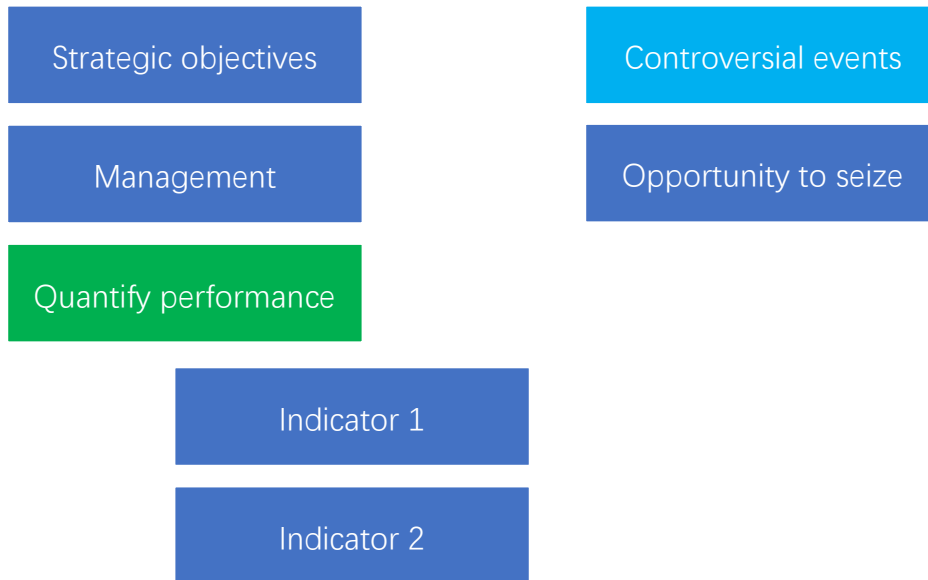
topic	Chinese	English
Environmental environment	Water resources management	Water Use
	energy management	Energy Use
	Resource consumption and management	Resouce Use
	Pollutant emissions	Pollution
	Climate change and greenhouse gas emissions	Climante Change & GHG

	Supply chain environment	SupplyChain Enviornmental
	Biodiversity	Biodiversity
Social society	Customer responsibility	Customer Responsibility
	Health and safety	Health&Security
	Human rights and communities	Humanrights&Community
	Employee rights and development	Employee Development
	Supply chain health and safety	SupplyChain Health Social
	Fair Competition and Antitrust	Fair play &Antitrust
Governance corporate governance	Tax transparency	Tax
	risk management	Risk Management
	Internal controls	Inner Control
	Anti-corruption	Anti-Corruption
	ESG governance architecture	ESG Management
	Innovation management	Innovation

a) Table 2 A list of common ESG substantive issues

b) ESG substantive issue structure

Qing Yue recommends that companies disclose each issue in the following format. When rating, Qing Yue will be based on industry and enterprises to give the following topics different weights, will be based on quantitative performance.



The general weights and metrics are as follows, and specific industries and companies can be adjusted for different risk opportunities.

Internal weights	Internal structure of the topic	Metrics
10%	Strategic objectives	Quantify clear 10 points / simple description 5 points / no description 0 points
10%	Management measures	Quantify clear 10 points / simple description 5 points / no description 0 points
20%	Controversial events	Quantify clear 10 points / simple description 5 points / no description 0 points
10%	Opportunity to seize	Quantify clear 10 points / simple description 5 points / no description 0 points
50%	Quantify performance indicators	The indicator 1X weight 1plus the indicator 2X weight 2

Table 3 Internal structural weights for ESG substantive issues

### 3、Qing Yue ESG rating formula

In the following formula, before calculation between different indicators, normalization is carried out to avoid the calculation problems caused by different indicator score ranges.



ESG Rating for an Enterprise Total Score : ESG Disclosure Transparency Score X50%-  
ESG Substantive Issues Performance Score X50%.

An enterprise ESG substantive issue performance score  $Z\sum_{i=1}^n XiYi$

Xi: Issue i score

Yi: Issue i Weight

An enterprise An issue score - Strategic objective score X weight , management  
measure score X weight , dispute event score X weight , development opportunity score X  
weight , quantitative performance score X weight.

A business A quantitative performance score for an issue is  $C\sum_{j=1}^n A j B j$

Aj: Quantify j score

Bj: Quantify the j weight

At the specific quantitative indicators, the score starts at 60 to 100 points as long as  
there is quantitative disclosure to encourage more quantitative disclosure and then  
compares with the industry.

Quantitative indicators are divided into positive and reverse indicators according to the  
evaluation role, and absolute and relative indicators according to the nature of the  
indicator data, which need to be treated without quantitative and normalization of  
each indicator. The specific treatment is to convert the absolute number indicator into  
a relative indicator, the reverse indicator into a positive indicator, and then calculate  
the indicator score.

#### IV. Qing Yue ESG-related work output

Shanghai Qingyue and partners in various industries, issues and regions do the  
following:

1. ESG Transparency Index for Disclosure of Information.
2. ESG Climate Change Response and Carbon Neutral Information Disclosure Index.
3. ESG emission permit implementation index.
4. ESG Biodiversity Disclosure Transparency Index.
5. ESG Key Industry Ratings and Benchmarking Analysis.
6. ESG disclosure recommendations for each industry, including substantive issue  
priorities and quantitative performance metric priorities.

The above report is analyzed in many dimensions, such as national, sub-industry, sub-  
region, sub-topic, etc., as appropriate, and adjusted according to feedback at any time.

## V. Thanks

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The contents and opinions of this article are independently assumed by Shanghai Qingyue and are not related to the funder or the support party.

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