



COMPANY COMMITMENT TO CLIMATE CHANGE

OUR CURRENT STATUS

At QES, we recognize the importance of addressing climate change as part of our long-term sustainability strategy. While we are in the early stages of developing our climate-related initiatives, we are dedicated to making meaningful progress. Our commitment to addressing climate change issue has also been outlined in our Environmental Policy, which is available on our corporate website.

We have initiated the measurement of our operational greenhouse gas (GHG) emissions and have disclosed Scope 1 and Scope 2 emissions data for FY2023. As we progress, we are committed to enhancing our measurement and monitoring efforts, with plans to expand our disclosure to include Scope 3 emissions. Our goal is to embed climate considerations into our strategic planning and operations, ensuring continuous improvement and alignment with sustainability best practices.

CLIMATE GOVERNANCE

In our ongoing commitment to addressing climate change, the Board of Directors (“Board”) will receive quarterly updates from the Sustainability Steering Committee (“SSC”) on climate-related issues, including risks, regulatory changes, and progress on our climate initiatives.

Moving forward, the Board will integrate climate considerations into its strategic oversight, encompassing major action plans, risk management policies, and annual budgets. The SSC shall be responsible for developing and setting climate strategy goals, which will be reviewed and approved by the Board. The Board will ensure that climate risks and opportunities are embedded in performance objectives, monitoring processes, and major investment decisions.

To track our progress, the Board will review regular updates from the SSC, evaluate the effectiveness of our climate initiatives, and make adjustments as necessary. This oversight will ensure that our climate targets are effectively implemented and aligned with our overall climate strategy.

The SSC will oversee the development and execution of our climate strategy, including assessing climate-related risks and opportunities, implementing measures, and tracking progress. Regular reports will be provided to the Board to ensure effective management of climate issues and alignment with our company’s climate objectives.

CLIMATE RELATED RISK AND OPPORTUNITIES

We recognize that climate change presents both risks and opportunities for our business. Climate-related risks, such as regulatory changes, extreme weather events, and shifts in market demand, are recognized as potential threats that could impact our operations and financial performance. Conversely, opportunities such as advancements in sustainable technologies and increased market demand for green products present avenues for growth and innovation.

To manage climate-related risks effectively, we will implement a structured approach to risk identification and assessment which shall involve continuous monitoring of external factors such as regulatory changes, extreme weather events, and market trends. By staying informed, we are able to proactively identify and assess potential climate-related risks. We are also committed to engaging with stakeholders, including industry experts and regulators, to gain insights into potential climate-related threats and opportunities to help us refine our understanding and response strategies.

In addition, we are committed to integrating climate-related considerations into our operations and reporting, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our risk management process will be dedicated to developing strategies to address identified climate-related risks. We are committed to evaluating each risk based on its potential impact and likelihood and will decide on appropriate actions to mitigate, transfer, accept, or control these risks. This approach will ensure that our responses are proportionate to the risks' significance and align with our broader organizational risk management framework.

Moving forward, we will integrate climate-related risks into our overall risk management processes to maintain consistency and coherence with other risk management activities. This integration will help us progress with a comprehensive view of our risk landscape, ensuring that climate-related considerations are addressed alongside other risk factors.

As we progress, we will focus on prioritization and materiality by assessing the significance of climate-related risks in relation to their potential impact on our operations, financial performance, and strategic objectives. This assessment will guide our risk prioritization process, allowing us to allocate resources and management attention to the most critical risks. High-priority risks will receive more intensive management and oversight to ensure they are effectively addressed.

The tables below outline the climate-related risks and opportunities identified for QES, including their potential impacts and associated time horizons: short-term ("ST"), medium-term ("MT"), or long-term ("LT").

Type of Risk	Potential Risks	Potential Impacts	Time Horizon
<ul style="list-style-type: none"> • Transition Risk 			
Regulatory and Policy Risks	<ul style="list-style-type: none"> • Enhanced emissions-reporting obligations • Mandates on and regulation of existing products and services • Exposure to litigation for failure to mitigate the impacts of climate change 	<ul style="list-style-type: none"> • Increased operational costs and disruptions due to stricter reporting and compliance requirements • Potential fines or penalties for non-compliance • Higher investment needed to meet evolving policy expectations 	MT, LT
Market Risks	<ul style="list-style-type: none"> • Shifts in consumer preferences towards low-carbon or sustainable products • Resource shortages for low-carbon technologies impacting production • Increased competition from companies offering more sustainable products 	<ul style="list-style-type: none"> • Reduced revenue due to changing consumer preferences • Higher production costs due to resource shortages or increased costs associated with transitioning to more sustainable technologies • Potential reduction in profitability due to intensified competition from companies with stronger sustainability credentials 	ST, MT
Technological Risks	<ul style="list-style-type: none"> • Substitution of existing products and services with lower emissions options • Costs to transition to lower-emissions technology • Challenges integrating new technologies into current operations 	<ul style="list-style-type: none"> • Significant research and development ("R&D") expenditures for new technologies • Reduced demand for outdated products and services • High costs of investing in new low-carbon technologies and potential disruptions during the transition 	ST, MT

Reputational Risks	<ul style="list-style-type: none"> • Lack of transparency in climate-related disclosures • Increased stakeholder concerns or negative feedback • Potential reputational damage from non-compliance or negative public perception 	<ul style="list-style-type: none"> • Reduced revenue due to negative impacts on workforce management (e.g., employee attraction and retention) • Increased costs and delays from regulatory issues • Loss of trust from investors and customers, leading to decreased brand value and difficulty attracting partnership 	ST, MT, LT
Physical Risks			
Acute Risks	<ul style="list-style-type: none"> • Increased severity of extreme weather events such as floods 	<ul style="list-style-type: none"> • Reduced revenue from decreased production capacity due to transport difficulties and supply chain interruptions • Increased costs and reduced revenue from adverse impacts on workforce health and safety • Potential write-offs and early retirement of assets damaged in high-risk locations Disruptions to logistics and supply chains due to extreme weather events. 	ST
Chronic Risks	<ul style="list-style-type: none"> • Changes in precipitation patterns and extreme variability in weather patterns • Rising mean temperatures • Rising sea levels 	<ul style="list-style-type: none"> • Increased operating costs (e.g., inadequate water supply affecting hydroelectric plants) • Higher capital costs from facility damage • Reduced revenues due to lower sales or output • Increased insurance premiums and potential challenges in securing insurance for high-risk assets • Global supply chain disruption 	MT, LT

Type of Opportunities	Potential Opportunities	Potential Impacts	Time Horizon
Resource Efficiency	<ul style="list-style-type: none"> • Adoption of more efficient transport modes • Use of more efficient production and distribution processes • Implementation of reduce, reuse, and recycle practices • Reduced water usage and consumption 	<ul style="list-style-type: none"> • Lower operating costs through efficiency improvements and cost reductions • Cost savings from material reuse and reduced waste disposal expenses • Enhanced workforce benefits, such as improved health and safety and increased employee satisfaction, leading to lower costs • Increased production capacity, contributing to higher revenues 	ST, MT
Energy Source	<ul style="list-style-type: none"> • Transition to lower-emissions energy sources • Implementation of energy monitoring and optimization solutions • Adoption of new energy technologies • Shift towards decentralized energy generation 	<ul style="list-style-type: none"> • Reduced operational costs due to energy efficiency and lower emissions • Lower exposure to carbon cost fluctuations and reduced GHG emissions • Increased capital availability from investors prioritizing low-emission producers • Enhanced reputation, potentially increasing demand for goods and services 	MT, LT
Products and Services	<ul style="list-style-type: none"> • Development and/or expansion of low-emissions goods and services • Development of new products or services through R&D and innovation • Diversification of business activities • Shift in consumer preferences 	<ul style="list-style-type: none"> • Increased revenue from growing demand for low-emissions products and services • Improved competitive position and market share due to alignment with consumer preferences • Enhanced reputation and marketability 	MT, LT

Markets	<ul style="list-style-type: none"> • Access to new and emerging markets • Utilization of public-sector incentives 	<ul style="list-style-type: none"> • Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks) • Greater financial asset diversification through investments in green bonds and infrastructure 	MT, LT
Resilience	<ul style="list-style-type: none"> • Participation in renewable energy programmes and adoption of energy efficiency measures • Diversification of resources and supply chains 	<ul style="list-style-type: none"> • Increased market valuation through enhanced resilience planning (e.g., infrastructure, land, buildings) • Improved supply chain reliability and operational continuity • Revenue growth from new products and services that support resilience 	LT

FUTURE COMMITMENTS AND TARGET PLAN

Building on our current progress, we are actively working on a phased approach to further integrate climate considerations into our operations and strategic planning. Our focus for the upcoming years includes the following key actions:

Phase	Timeframe	Key Actions
Phase 1: Planning and Assessment	2024-2026	<ol style="list-style-type: none"> 1. GHG Emissions Measurement: Initiate the measurement for all Scope 1, 2 and 3 GHG emissions and ensure timely disclosure of all GHG emission data 2. Risk and Opportunity Assessment: Assess climate-related risks and opportunities within our business model and operations, defining short, medium, and long-term horizons to guide strategic planning. 3. Energy Efficiency and Reduction Assessment: Conduct an energy efficiency audit to identify and implement opportunities for reducing energy consumption and emissions.

Phase 2: Implementation	2027- 2029	<ol style="list-style-type: none"> 1. Setting Emission Reduction Targets: Using baseline data from ongoing measurements, establish achievable short-term emission reduction targets, focusing on enhancing operational efficiencies and investing in sustainable practices. 2. Climate Risk Integration: Integrate climate risks into risk management processes and develop actionable plans to mitigate these risks, embedding climate considerations into all decision-making levels. 3. Stakeholder Engagement: Continue engaging with employees, customers, and suppliers to align our climate actions with broader expectations and industry standards, helping us set and achieve meaningful targets.
Phase 3: Long-Term Commitment	2030 and Beyond	<ol style="list-style-type: none"> 1. Ambitious Reduction Goals: Building on short-term targets, establish long-term goals to significantly reduce Scope 1, 2, and 3 emissions, with the ambition to achieve carbon neutrality by 2050. 2. Ongoing Monitoring and Reporting: Continuously monitor and report progress towards climate-related goals, refining strategies and adjusting targets as needed to ensure we remain on track. 3. Climate-Resilient Business Practices: Fully integrate climate considerations into all aspects of our business, from product development to supply chain management, ensuring long-term sustainability and resilience.

COMMITMENT TO CONTINUOUS IMPROVEMENT

While we recognize that our efforts are just beginning, we are committed to continuously improving our climate-related practices. Our leadership team, including the Board, is closely involved in overseeing the development and implementation of our climate strategy. Regular updates and reviews will ensure that we remain on track to meet our goals.

We are committed to aligning our climate strategy with industry standards and best practices. To this end, we will benchmark our progress against peer companies to confirm that we are advancing effectively.

As we advance on this journey, we prioritize transparency and accountability. We will regularly update stakeholders on our progress and welcome their feedback. By working together, we aim to contribute to a more sustainable future.