

Impro

鷹普精密工業有限公司
Impro Precision Industries Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1286



2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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ABOUT THIS REPORT

SCOPE OF THE REPORT

This Report is the Environmental, Social and Governance (“ESG”) Report (the “Report”) issued by Impro Precision Industries Limited (“the Company”) to focus on the disclosure of the Group’s actions and performance in the aspects of environmental and social risk management during the period from 1 January 2021 to 31 December 2021 (the “Reporting Period”) to satisfy the expectations and requirements of the relevant stakeholders of the Group. The relevant policies, representations and information of ESG in this Report cover the Company and its subsidiaries in operating regions and countries including China, the U.S., Hong Kong, Luxembourg, Germany, Turkey, the Czech Republic and Mexico, any content with a different scope of coverage will be specified in this Report.

BASIS OF PREPARATION

This Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the core option of the GRI Standards issued by the Global Reporting Initiative (the “GRI”) in 2016 and the United Nation’s Sustainable Development Goals (the “SDGs”). The contents of this Report are determined by systematic procedures. The relevant procedures include identifying important stakeholders, and identifying and ranking key issues relevant to ESG, determining the boundary of ESG Report, collecting the relevant materials and data, preparing the Report based on the data and reviewing the information contained in the Report.

RELEVANT ABBREVIATIONS

For the convenience of representation and reading, references made to the “Group”, “Impro Group” and “we” in this Report shall represent Impro Precision Industries Limited and its subsidiaries.

DATA SOURCE AND RELIABILITY ASSURANCE

The data and cases set out in this Report are mainly from the statistical reports and relevant documents of the Group. The Group undertakes that this Report does not contain any false or misleading statements, and is responsible for the existence, accuracy and completeness of its contents.

CONFIRMATION AND APPROVAL

This Report, after confirmation by the management, has been approved by the Board of Directors (“the Board”) on 5 May 2022 for issuance.

ABOUT THIS REPORT

AVAILABILITY AND FEEDBACK OF THIS REPORT

This Report is provided to readers in both traditional Chinese and English version, we recommend the electronic version for reading based on environmental protection considerations, and the electronic version of this Report is made available under the category of “Financial Statements/ESG Information” of the Group on the Stock Exchange website or on the website of the Group. We highly value the opinions from the relevant stakeholders, and welcome readers to contact us through the following contact methods. Your opinions will assist us to further improve this Report and enhance the overall environmental, social and governance performance of the Group.

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STATEMENT OF THE BOARD

RESPONSIBILITY OF THE BOARD

As the leader of the ESG works of Impro Group, the Board undertakes ultimate responsibility on the Group's ESG strategy, policy and performance. Under the supervision of the Board, we have established the Sustainability Committee to formulate the strategic framework of sustainable development of the Group.

ENFORCEMENT AND IMPLEMENTATION

The Sustainability Committee is responsible for supervising and assessing development and implementation of sustainability policies and measures of the Group to incorporate sustainability to daily operations. Regular committee meetings are held with the management of the Group and external advisors to ensure that the management and relevant personnel participate in the Group's sustainability management.

RISK MANAGEMENT

In respect of the potential risk exposure during operations, the Board identifies and manages internal and external risks according to the actual circumstances and development needs and formulates risk management and risk prevention system considering demand of each stakeholder. After analyzing risks and opportunities faced by the Group, sustainability strategy has been formulated and incorporated to the Group's development strategies.

MATERIALITY ANALYSIS

Impro Group actively and regularly communicates with internal and external stakeholders to identify and assess ESG materiality development issues as an important basis for the formulation of sustainability strategy. We discuss the materiality issues identified and acknowledge the materiality of the issues. We formulate our sustainability goal, strategy and management direction based on the materiality of the relevant issues, the carbon neutrality and emission peak strategy of the PRC government and the Group's environmentally friendly development philosophy. We pay attention to our peers' and international sustainability performance for active follow-up and regular review on the Group's sustainability-related work.

MESSAGE FROM OUR CHAIRMAN

Since its establishment in 1998, Impro Group strives to be the global leader in the provision of high-precision, high-complexity and mission-critical components and solutions as well as a flexible and reliable business partner of global recognized industry leaders. We continuously explore harmonious development which strikes a balance between the nature, economy and society and actively incorporate corporate social responsibilities and sustainability to our policy and development direction while focusing on good corporate governance and business ethics and three major areas including environmental protection, employee care and community participation. We integrate corporate social responsibility and sustainability into our daily work to build resilience and reduce risk, as well as enhance our social value through sustainable business conduct. We attach great importance to sustainability. We reform our operations through sustainability and keep abreast of the times to enhance business efficiency and create more long-term value for our shareholders.

We establish and continuously improve our diversified corporate governance structure to enhance corporate management standard and internal supervision and manage daily corporate operations with strict adherence to the Listing Rules. Under the guidance of the Board and the Sustainability Committee, we insist on operational compliance and an equal and fair, just and honest working environment. We regulate our commercial conduct with our business partners to establish an honest and reliable corporate image. Meanwhile, we attach great importance to customers' privacy and protection of intellectual property rights to realize commercial ethics.

We uphold green and low carbon emission as the principle of our operations. We have recorded improvement in various key performance indices of environmental protection in 2021, including a year-on-year decrease of 2.2% in total energy consumption per unit revenue and a year-on-year decrease of 1.9% in greenhouse gas emission per unit revenue. We have established and implemented annual environmental goals and management plans during the year to ensure continuous improvement of the environmental management system. The Group plans to set up long-term realizable targets of greenhouse gas emissions and energy consumption intensity in 2022. Determination and efforts of the Group in energy conservation have been recognized by professional institutions. The Group won the grand award of "Excellent ESG Enterprise of 2020–2021" by Hong Kong Economic Times in 2021 and was granted green loan of a total of approximately HK\$400 million by DBS Bank and Citibank for purchase of environmentally friendly and energy-efficient production equipment.

Impro Group considers employees as the basis of corporate development. We enhance corporate core cohesiveness and create an equal and fair, harmonious and friendly as well as healthy and safe working environment for our employees. We build up personal development platform for our employees to facilitate their maximization of personal values. Meanwhile, we provide comprehensive care to our employees and care for their physical and mental health as well as daily lives. In 2021, we started the construction of the new living facilities in our campuses in Wuxi, the PRC and San Luis Potosí, Mexico ("Mexico SLP Campus") to enhance living quality and happiness of our employees.

Our footprints have reached different regions around the world. We bear social responsibility to create value for the places where we operate and engage in a range of charitable activities. We bring more job opportunities to the local communities. We care for the next generation and support local education. We care the underprivileged and raised funds for poor orphans.

Reviewing the past and anticipating the future, Impro Group will grasp opportunities, embrace challenges, consolidate our leading position in the industry, focus on promising areas and expand our global footprints to meet the demand of global customers. We will continue to realize the concept of sustainability and enhance sustainability abilities to build a more sustainable future with our stakeholders.

LU Ruibo

Chairman and Chief Executive Officer

2021 ESG HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

HK\$3,777.7 million

Record high revenue representing a year-on-year increase of 29.2%



HK\$422.2 million

Adjusted profit attributable to the shareholders of the Company representing a year-on-year increase of 34.7%



8,800 +

Active SKUs, among which over 1,200 new active SKUs have been co-developed with customers in 2021



381 registered patents

Covering certain key technologies used in our production process with 34 (2020: 49) patents application in 2021



HK\$211.0 million*

Research and development expenses, accounting for 5.6% of revenue (2020: HK\$171.3 million, accounting for 5.9% of revenue)



17.1 years

Average years of business relationship with top 20 customers (2020: 16.5 years)

* Including research and development expenses and related amortization charges of deferred expenses

2021 ESG HIGHLIGHTS

ENVIRONMENTAL HIGHLIGHTS

HK\$135.1 million

Green capital expenditures with certification from the HKQAA Green and Sustainable Finance Certification Scheme



HK\$400 million

Total amount of green loan granted by DBS Bank and Citibank



Decrease by 1.9%

Greenhouse gas emission per unit revenue as compared with last year



Decrease by 2.2%

Total energy consumption per unit revenue as compared with last year



Decrease by 30.1%

Hazardous waste disposal per unit revenue as compared with last year



Decrease by 13.3%

Total water consumption per unit revenue as compared with last year



STAFF AND SOCIAL HIGHLIGHTS

100%

Training coverage (2020: 100%)



35.4 hours

Average training hours representing a year-on-year increase of 26.0%



0 fatality

Work-related fatality (2020: 0)



15.1%

Staff turnover rate (2020: 27.3%)



HK\$1,054.1 million

Capital expenditures, of which capital expenditures of Mexico SLP Campus amounted to HK\$590.1 million



7,155 global staff

Representing a year-on-year increase of 15.8%



ABOUT IMPRO

Impro Precision Industries Limited was founded in 1998 in Wuxi City, the PRC and its global headquarters was moved to Hong Kong, the PRC in 2011. The Group is a global top 10 manufacturer of high-precision, high-complexity and mission-critical casting and machined components for diverse end-markets. As the world's 7th largest independent manufacturer¹ and China's largest manufacturer¹ of investment castings, the Group is also the world's 4th largest precision machining company¹ in the end-markets of automotive, aerospace and hydraulics, and one of the few suppliers offering one-stop solutions, including initial research and development, tooling design and manufacturing, casting, secondary machining, heat treatment and surface treatment.

Impro Group has established global manufacturing footprint and comprehensive service network and has 19 production plants (among which, 15 are in operation and 4 are under construction) in the PRC, Turkey, Germany, the Czech Republic and Mexico, which are supported by 9 sales offices in Mainland China, United States, Luxembourg, Germany, Turkey, Mexico and Hong Kong as well as warehousing facilities in the PRC, United States, Luxembourg, Mexico, Germany and Turkey. The Group has established long-term strategic cooperative relationships with a number of globally recognized industry leaders, selling its products to more than 30 countries and regions.



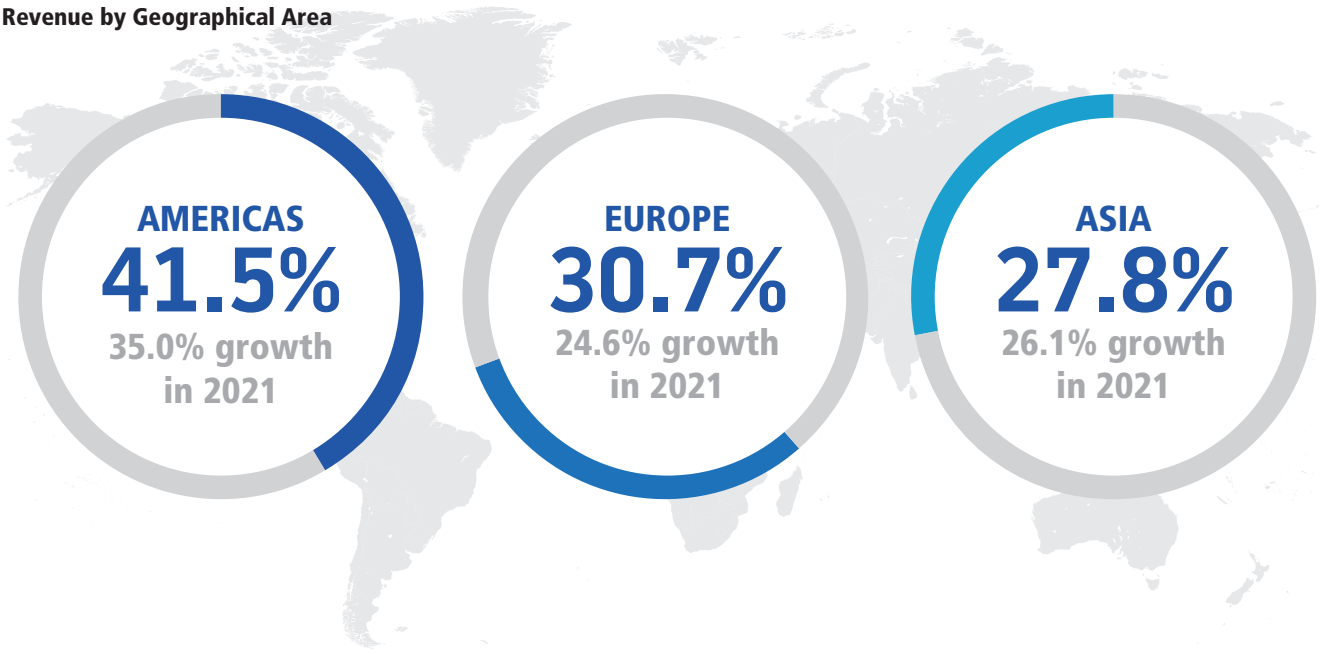
★ Headquarters ● 19 Production Plants ■ 9 Sales Offices ▲ Logistics and Warehousing Capacities

The majority of our sales is targeted at international customers. We have established a large, diverse and stable customer base including global leaders being owners of internationally renowned brands. The renowned and diverse customer base allows us to minimize concentration risk. We have also established stable long-term business relationship with our major customers. In 2021, average years of business relationship with the top 20 customers amounted to 17.1 years (2020: 16.5 years). Top 10 customers in 2021 accounted for approximately 55% of the total sales of the Group, which was similar to that of 2020.

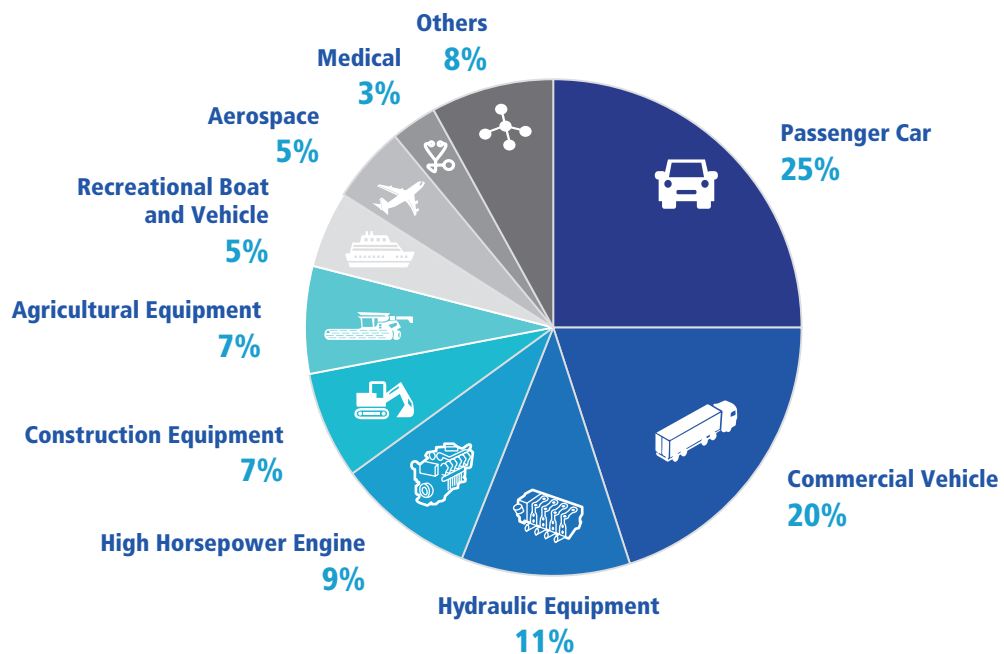
¹ Based on total revenue in 2018 according to the Roland Berger Industry Report dated 25 April 2019

2021 Record High Revenue of HK\$3,777.7 million

Revenue by Geographical Area



Revenue by End-Market



ABOUT IMPRO

PRODUCT AND OPERATIONAL SUSTAINABILITY

Our products and services are widely applied to various end-markets, including automotive (passenger car and commercial vehicle), industrial & others (high horsepower engine, hydraulic equipment, construction equipment, agricultural equipment, recreational boat and vehicle, and other end markets), as well as aerospace & medical. We have established long-term strategic cooperation relationship with various recognized industry leaders around the world. We develop over 1,000 new customized products with our customers every year to satisfy customers' needs and requirements for new end-market applications.


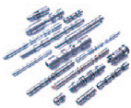


As at 31 December 2021, we have over 8,800 active SKUs. These components are co-developed in close cooperation with customers to understand the demand and preference of ultimate customers and to ultimately enhance energy efficiency of the end products and reduce emission, keep the environment clean, improve health and well-being, enhance safety, reduce waste and enhance product functions.

We are a vertical integrated one-stop solutions provider covering the entire precision components manufacturing process including tooling design and manufacturing, casting, secondary machining, heat treatment, surface treatment and precision machining so as to provide customers with ready-for-install products and services. Not only can we provide customers with highly cost-effective products, but we can also help customers reduce the adverse environmental impacts of transport and packaging.





The table below demonstrates the sustainability advantages of the typical products of the automotive end market.

Automotive		New energy vehicles	Internal combustion engine vehicles
Fuel system component			<ul style="list-style-type: none"> ⚡ Reducing fuel consumption ⚡ Reducing risk of oil leakage and extending useful lives of vehicles
EGR system component			<ul style="list-style-type: none"> ⚡ Reducing engine emissions ⚡ Reducing hazardous gas emission
Motor component of electric vehicles		<ul style="list-style-type: none"> ⚡ Ultra precision machining components only apply to new energy vehicles to extend useful lives of vehicles 	
Motor component of new energy vehicles		<ul style="list-style-type: none"> ⚡ Ultra precision machining components only apply to new energy vehicles to extend useful lives of vehicles 	

The table below demonstrates the sustainability advantages of the typical products of the industrial & others end market.

Industrial & others		Climate change and energy efficiency	Health and safety
High horsepower engine component		⚡ Providing high power with low fuel consumption	
Construction equipment hydraulic system component		⚡ Highly precise and high quality precision machining to ensure the reliability of the hydraulic system and extend its useful life	
Gas detection component of the oil and gas industry			⚡ Safety components mainly used in dangerous occasions including oil fields, refineries, natural gas and liquefied gas to effectively prevent the occurrence of severe fire and explosion incidents
High horsepower engine emission system component			⚡ Key component for reducing emission in the emission system to effectively reduce hazardous emissions of horsepower engines

The table below demonstrates the sustainability advantages of the typical products of the aerospace & medical end market.

Aerospace & medical		Climate Change and energy efficiency	Health and safety
Aerospace air and fuel system component		⚡ Reducing fuel consumption	⚡ Reducing noise
Aerospace fuel nozzles of horsepower engine		⚡ Enhancing heat resilience and life cycles of products	
Aerospace environment control system component		⚡ Reducing fuel consumption	⚡ Reducing noise
CT scanner component		⚡ Reducing greenhouse gas emission	⚡ Providing outstanding functions, reliability and efficiency
		⚡ Better managing temperature and air flow of cabins and equipment bays	⚡ Providing clean and moist air
		⚡ Extending product life cycles	⚡ Reducing airflow-generated noise
		⚡ High energy efficiency	⚡ Clearer images of patients' bodies for accurate diagnosis
			⚡ Reducing noise, suitable for daily use

GOVERNANCE & OPERATIONAL RESPONSIBILITY



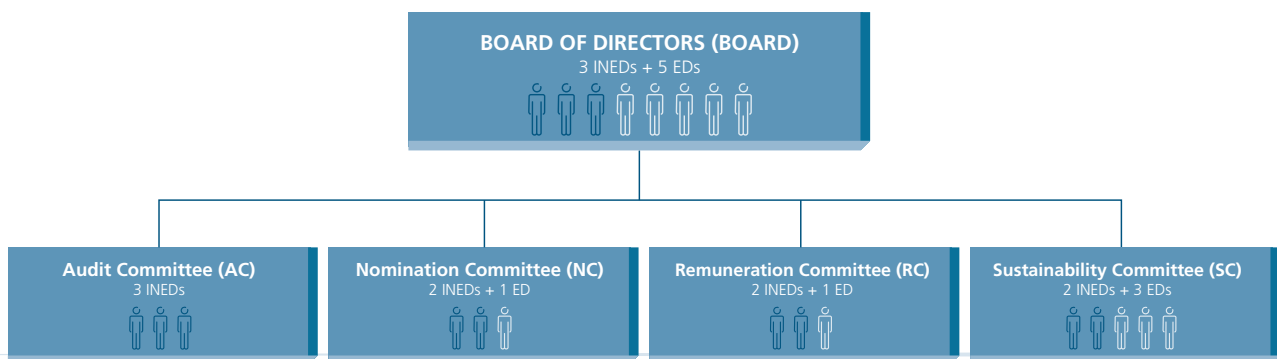
As a responsible corporate citizen, Impro Group continuously improves the level of corporate governance, integrates the sustainable development strategy into all aspects of corporate governance, implements the governance philosophy of compliance, integrity and fairness, creates a good operating environment, and lays the internal foundation for the Group to provide customers with quality products and services.

1.1. SUSTAINABLE DEVELOPMENT MANAGEMENT

Impro Group adheres to a high standard of corporate governance, adheres to the operating philosophy of integrity, diligence and unity of business, and establishes a rigorous management system to provide customers with quality and efficient services and continuously pursue excellence and innovation. We always uphold the concept of sustainable development, and constantly improve the level of sustainable development management from the aspects of technological innovation, environmental protection, employee development and community connection, so as to promote the overall progress of the society.

Corporate Governance

Impro Group has always been committed to ensuring a high standard of corporate governance and continues reviewing and improving corporate internal controls. We have strictly complied with the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. The responsibilities of each committee are clearly divided and coordinated. By formulating business plans and development strategies, discovering new opportunities and overcoming new market challenges, identifying and paying attention to potential risks, and formulating the strategic framework for sustainable development, the committees have jointly safeguarded the corporate and social responsibilities and values of the Group. Board diversity is also one of the elements of the Group’s long-term development. The Board has reviewed the diversity policy, and comprehensively considered the candidates of directors in terms of gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of service and time devoted to performing the duties of directors when designing, reviewing and evaluating the composition of the Board. Currently, female members of the Board account for 25%.



GOVERNANCE & OPERATIONAL RESPONSIBILITY

ESG GOVERNANCE STRUCTURE

In 2020, the Group formally established the Sustainability Committee to carry out planning, risk identification and assessment on ESG matters. The committee, which includes 2 independent non-executive directors and 3 executive directors, regularly convenes committee meetings with the management and external consultants of the Group to ensure that the management and all employees are involved in and engaged in the Group's sustainability management. We carry out the Group's comprehensive sustainability management with a sustainable development hierarchy to ensure that the management and front-line employees identify the Group's ESG responsibilities, and voluntarily participate in ESG management, so as to jointly realize the Group's sustainable development vision.

Currently, the Group's ESG management structure is as follows:





As at the end of the Reporting Period, the Sustainability Committee held two meetings to identify and manage internal and external risks, formulate risk management mechanism and risk prevention system based on the demands of various stakeholders, set ESG-related objectives, review, formulate and approve the Group's sustainability standards, priorities and goals, review the Company's performance on sustainable development matters, review the key performance indicators of sustainable development and make recommendations to the Board.


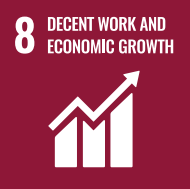
GOVERNANCE & OPERATIONAL RESPONSIBILITY

SUSTAINABILITY GOALS

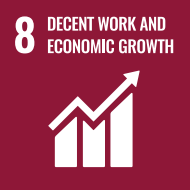

During the Reporting Period, Impro Group continued to implement the SDGs into the three dimensions of society, economy and environment and has still carried out relevant work. We take SDGs-related goals into consideration when formulating sustainable development strategies and directions and are committed to integrating sustainable development into our daily operations. During the Reporting Period, we identified 9 sustainable development goals closely related to the Group, environment and community.

SDG Goals	Descriptions of Relevant Goals	Actions of Impro	Our Report
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Good health and well-being</p>	To significantly reduce the number of deaths and diseases caused by hazardous chemicals and air, water and soil pollutions by 2030	We manage and store hazardous chemicals in strict accordance with relevant rules and regulations to safeguard the life and ensure the safety of employees, and regularly carry out hazardous chemical leakage drills to improve employees' ability to respond to emergencies	3.1 Employer Responsibility
	To achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	All employees are covered by social insurance, and regular occupational health examinations and physical examinations for all employees are carried out and recorded in the health files	3.1 Employer Responsibility
 <p>4 QUALITY EDUCATION</p> <p>Quality education</p>	To significantly increase the number of adolescents and adults with technical and vocational skills by 2030, so as to promote their employment, decent work and entrepreneurship	We carried out training activities, mainly the "Young Eagle Plan", for fresh graduates and carried out training programs based on the professional and career aspirations of graduates	3.1 Employer Responsibility
	To ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	Our employee development channel is open to all employees. Through the Elite Talents Program and the Star Mechanician and Star Technician Program, each employee can obtain corresponding skills, knowledge and career improvement	3.1 Employer Responsibility



GOVERNANCE & OPERATIONAL RESPONSIBILITY

SDG Goals	Descriptions of Relevant Goals	Actions of Impro	Our Report
 <p>Gender equality</p>	<p>To ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p> <p>To realize gender equality by empowering women and girls</p>	<p>We highly value the diversity and sustainable development at the Board level, with 25% of female members in the Board</p> <p>We strictly abide by the labor laws of the countries and regions where our plants are located and have established a sound recruitment system which requires the establishment of a diversified group of employees</p>	<p>1.1 Sustainable Development Management</p> <p>3.1 Employer Responsibility</p>
 <p>Decent work and economic growth</p>	<p>To focus on high value-added and labor-intensive sectors to achieve a higher level of economic production by way of diversification, technical upgrading and innovation</p> <p>To take immediate and effective measures to eradicate forced labor, secure the prohibition and elimination of the worst forms of child labor</p>	<p>We introduce advanced manufacturing technologies to increase productivity, and continue to promote technological innovation and product innovation to continuously explore the international market</p> <p>In compliance with the Law of the People’s Republic of China on the Protection of Minors, the Provisions on Prohibition of Child Labor and other laws and regulations, we have established the Child Labor Rescue Procedures to completely eliminate child labor and forced labor within the Group. If the use of child labor or forced labor is identified, it will be dealt with in strict accordance with the procedures</p>	<p>1.3 Craftsmanship Manufacturing</p> <p>3.1 Employer Responsibility</p>



GOVERNANCE & OPERATIONAL RESPONSIBILITY

SDG Goals	Descriptions of Relevant Goals	Actions of Impro	Our Report
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Decent work and economic growth</p>	<p>To reduce substantially the proportion of youth not in employment, education or training</p>	<p>Every year, we set up a training camp with the theme of the “Young Eagle Plan” for fresh graduates. Through the two major channels of social recruitment and campus recruitment, we established an information release platform and actively built connections with high-ranking colleges and universities to continuously open up talent recruitment channels</p>	<p>3.1 Employer Responsibility</p>
	<p>To protect labor rights and promote safe and secure working environments for all workers</p>	<p>We adopt effective measures in many aspects to improve occupational health and safety environment continuously and effectively prevent workplace accidents</p>	<p>2.1 Environmental Management 3.1 Employer Responsibility</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Industry, innovation and infrastructure</p>	<p>To support technology development, research and innovation in developing countries to ensure a favourable policy environment for industrial diversification and adding value to commodities</p>	<p>We continue to explore the market for business development, establish plants in developing countries, support the localization of supply chain, keep encouraging employees to innovate and create, and motivate employees who put forward suggestions on technological innovation</p>	<p>1.3 Craftsmanship Manufacturing 3.1 Employer Responsibility</p>
	<p>To upgrade infrastructure and retrofit industries by 2030 to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes</p>	<p>We save water resources and strengthen packaging material management by replacing equipment and optimizing processes to improve our energy and resource use efficiency</p>	<p>2.3 Use of resources</p>

GOVERNANCE & OPERATIONAL RESPONSIBILITY

SDG Goals	Descriptions of Relevant Goals	Actions of Impro	Our Report
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Sustainable cities and communities</p>	<p>To reduce urban per capita environmental impact, with a special focus on air quality, municipal and other waste management by 2030</p>	<p>We reduce emissions in strict accordance with relevant laws and regulations, continuously promote technological improvement to reduce emission sources, strictly manage wastewater and exhaust gas, and eliminate illegal emissions</p>	<p>2.4 Emissions Management</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Responsible consumption and production</p>	<p>To encourage companies to integrate sustainability information into their reporting cycle</p> <p>To realize the sustainable management and effective use of natural resources by 2030</p> <p>To substantially reduce waste generation through prevention, reduction, recycling and reuse by 2030</p>	<p>We regularly convene meetings with the Sustainability Committee, review the Company's performance on sustainable development and publish ESG Report annually</p> <p>We provide customers with products with lower energy consumption, less emissions, longer service life and reasonable price through technological innovation, optimize their own production processes and continuously launch new innovative products to systematically save resources and energy in the course of production</p> <p>The Group has unified the specifications of plastic products, wooden pallets, cartons and other packaging products to facilitate recycling; we also actively promote customer cooperation to realize the recycling of solid wood pallets and iron frames</p>	<p>1.1 Sustainable Development Management</p> <p>1.3 Craftsmanship Manufacturing</p> <p>2.3 Use of resources</p>

GOVERNANCE & OPERATIONAL RESPONSIBILITY

SDG Goals	Descriptions of Relevant Goals	Actions of Impro	Our Report
 <p>Climate action</p>	<p>To incorporate climate change measures into national policies, strategies and plans</p>	<p>We attach great importance to and support China’s efforts to achieve the goal of carbon neutrality by 2060, and actively respond to China’s carbon reduction goals in the “14th Five-year Plan” when identifying climate change risks and opportunities, reducing carbon emissions from our own, and implementing clean and energy-saving manufacturing</p>	<p>2.2 Addressing Climate Change</p>
 <p>Partnerships for the goals</p>	<p>To significantly increase the exports of developing countries, especially to double the share of the least developed countries in global exports</p>	<p>We have established plants and ancillary facilities in China, Turkey and Mexico to make positive contributions to the import and export trade of China, Turkey and Mexico</p>	<p>1.2 Compliance Operation 1.3 Craftsmanship Manufacturing 3.2 Harmonious Community</p>
	<p>To enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries</p>	<p>We have formulated a global strategic approach and are committed to deepening our relationships with existing major customers. Through voluntary and proactive quality control, product innovation and technology improvement, we continue to launch high-precision, quality and lean products, explore cooperation opportunities with other global industry-based customers, and expand our global footprint to meet the needs of global customers</p>	<p>1.3 Craftsmanship Manufacturing</p>

GOVERNANCE & OPERATIONAL RESPONSIBILITY

Stakeholders identification and communication

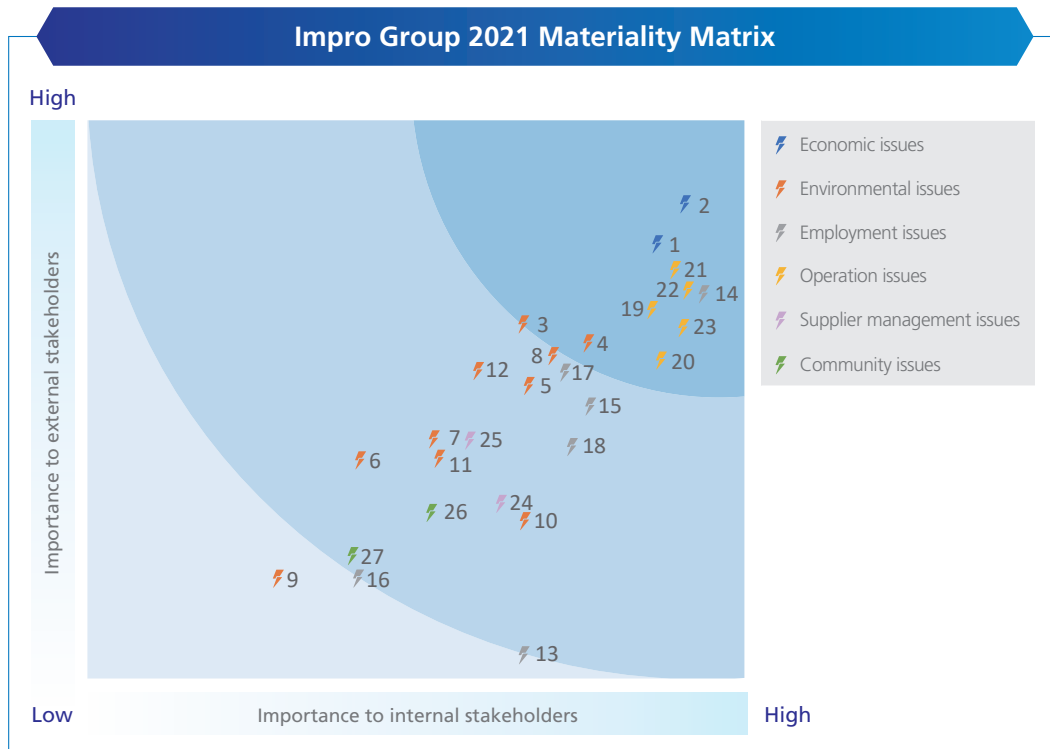
The development of Impro Group is inseparable from the support and concern of many stakeholders. The suggestions and opinions of stakeholders on us are also the driving force for us to keep innovating and forge ahead. To this end, the Group has taken the initiative to build a communication channel with different stakeholders, aiming to collect their opinions and expectations through regular or irregular forms, such as activities, visits and surveys, and make our response. The Group's major stakeholders and communication methods are as follows:

Category of Stakeholders	Communication Methods	Communication Frequency
Employees	Employee training	Regular/irregular
	Employee activity	Regular/irregular
	Employee satisfaction survey	Regular/irregular
	Group internal publication	Regular/irregular
Shareholders/Prospective Investors	General meeting	Regular
	Interim/annual report	Regular
	Results announcement	Regular
	Roadshow	Regular/irregular
	Press release	Regular/irregular
	Plant visit	Regular/irregular
Regulators	Press release/announcement	Regular/irregular
	Interim/annual report	Regular
	Regular communication	Regular
Suppliers	On-site review	Regular/irregular
	Assessment of suppliers	Regular
	Technical training	Regular/irregular
	Online/offline communication	Irregular
Customers	Customer satisfaction survey	Regular
	Handling complaints from customers	Regular/irregular
	On-site visit	Regular/irregular
	Online/offline communication	Irregular
Media	Press release/announcement	Regular/irregular
	Press reporting	Regular/irregular
	Results announcement meeting	Regular

Materiality analysis

Based on stakeholders' review, media analysis, industry benchmarking and the Group's development needs, we have identified a number of issues that are closely related to the sustainable development of Impro Group and analyzed the importance of the issues to form a materiality matrix. During the Reporting Period, the climate change issues have increased in importance. For the 10 highly important issues identified, we will elaborate them in subsequent chapters of this Report.

GOVERNANCE & OPERATIONAL RESPONSIBILITY



Economic issues

- 1 Financial performance**
- 2 Corporate governance**

Environmental issues

- 3 Utilization of resources**
- 4 Discharge of pollutants**
- 5 Environmental impact on soil and ground water
- 6 Emission of greenhouse gases
- 7 Disposal of general solid waste
- 8 Disposal of hazardous waste
- 9 Use of packaging materials
- 10 Noise reduction
- 11 Green design
- 12 Climate change risk and actions

Employment issues

- 13 Employee remuneration and benefits
- 14 Health and safety management**
- 15 Career development and training
- 16 Diversity and equal opportunities
- 17 Protection for human rights
- 18 Employee retention and turnover reduction

Operation issues

- 19 Product quality assurance**
- 20 Customer privacy protection**
- 21 Maintenance of customer relationship**
- 22 Protection of intellectual property**
- 23 Anti-corruption management**

Supplier management issues

- 24 Diversification and localization of suppliers
- 25 Management of supplier ESG performance

Community issues

- 26 Contribution to community and charity
- 27 Community communication

GOVERNANCE & OPERATIONAL RESPONSIBILITY

The table below sets forth the highly important issues identified together with the disclosure standards of the GRI Sustainable Development Report and the Stock Exchange ESG Report.

Types of Issues	Major Issues	Corresponding Stock Exchange/GRI disclosures
Economic issues	1 Financial performance	GRI 102 General Disclosures
	2 Corporate governance	GRI 102 General Disclosures
Environmental issues	3 Utilization of resources	GRI 302 Energy; A2 Use of Resources
	4 Discharge of pollutants	GRI 305 Emissions; A1 Emission
Employment issues	14 Health and safety management	GRI 403 Occupational Health and Safety; B2 Health and Safety
Operation issues	19 Product quality assurance	B6 Product Responsibility
	20 Customer privacy protection	GRI 418 Customer Privacy; B6 Product Responsibility
	21 Maintenance of customer relationship	B6 Product Responsibility
	22 Protection of intellectual property	B6 Product Responsibility
	23 Anti-corruption management	GRI 205 Anti-Corruption; B7 Anti-corruption

1.2. COMPLIANCE OPERATION

An enterprise is a gear for the society, and the society is an engine for an enterprise. While using social resources to carry out operational activities, enterprises should also shoulder the responsibility to achieve mutual benefits with the society. Impro Group has formulated strict compliance operation systems, such as the Compliance Evaluation Management System, the Code of Ethics and Business Conduct and the Global Tax Policy in accordance with the relevant laws and regulations of each operating country, has established a compliance operation system, regularly inspects and evaluates the Company's implementation and compliance with applicable laws and regulations in production, operation and management activities, continuously improves compliance operation procedures, strives to create a business environment of compliant operation and fair competition and makes continuous improvement.

Compliance Evaluation Management System

- To inspect and evaluate the Company's implementation and compliance with applicable laws and regulations in production, operation and management activities, and make continuous improvements.

GOVERNANCE & OPERATIONAL RESPONSIBILITY

Code of Ethics and Business Conduct

- We have been committed to operating with integrity, both within the Group and in our dealings with our business partners, customers, suppliers, competitors and the communities in which we operate.
- We have issued and implemented the Code of Ethics and Business Conduct policy, which sets forth a code of conduct that defines these behaviors and guides all employees in making right decisions and complying with ethical standards when conducting business activities.
- The Code is published in local language of that country.

Global Tax Policy

- We manage our tax affairs in a manner that maintains the Group's corporate reputation and is in line with all regions and countries in which we operate.
- The finance department of each company under the Group is responsible for understanding and complying with the tax laws and regulations applicable to its business.
- Our finance department and external tax advisors are continually identifying, reporting and resolving potential tax issues on an annual basis, including the filing of transfer pricing reports, to ensure timely responses to changes in tax laws in different countries around the world and to ensure legal compliance with our operations.

Code of Conduct for Suppliers

- To regulate the behavior of suppliers, strengthen access evaluation and avoid risks.

Integrity and Cooperation Undertaking

- To clarify the specific acts of bribery, the relevant treatment for breach of commitment and the channels of complaint.

Compliance Operation System

In order to create a fair, impartial and clean working atmosphere and operating environment, Impro Group has formulated the Internal Reporting Management System of Impro Group, Employee Code of Conduct, Anti-Commercial Bribery Undertaking and other documents, set up diversified reporting channels for corruption incidents, improved reporting and investigation procedures and corruption incident monitoring procedures, and regularly carries out special audit and anti-corruption training. During the Reporting Period, we set up a new column of "Integrity Culture" in the Group's internal network to encourage employees to actively participate in the integrity building of the Group.

The Group protects the rights and interests of the whistleblowers and continuously improves the protection mechanism for the whistleblowers to prevent them from being treated unfairly.



Reporting Channels

GOVERNANCE & OPERATIONAL RESPONSIBILITY

The Reward System for Whistleblower



In addition, we require all suppliers to comply with the Supplier Business Standards and sign the Integrity and Cooperation Undertaking to continuously strengthen the construction of a clean supply chain. We have also built a good corporate image while standardizing the internal environment and the business behaviors of partners.

During the Reporting Period, the Group did not have any corruption-related litigation cases.

1.3. CRAFTSMANSHIP MANUFACTURING

The Group always emphasizes the importance of product quality management, upholds the attitude of being responsible for products, strictly controls product quality with the spirit of pursuing excellence, actively establishes the quality concept of pursuing excellence, and constantly improves the quality management level of the Group by using scientific and advanced quality management methods and combining technological innovation. At the same time, we pay close attention to innovation and research and development and continue to increase the investment in research and development to consolidate Impro's position as a leading enterprise in the industry.

Quality First

Quality Management

The Group strictly complies with the requirements of the Law of the People's Republic of China on Product Quality, the Standardization Law of the People's Republic of China and other laws, regulations and regulatory policies, and has been improving internal quality management processes and systems. During the Reporting Period, we updated the Management Regulations on Advanced Product Quality Planning, the Management Regulations on Equipment and Facilities and other management policies, and strictly controlled product quality with a responsible attitude towards products and customers. Impro Group is committed to continuous improvement and customer success, empowering customers with quality products, promoting sustainable growth of its own business, and assisting customers in sustainable development.

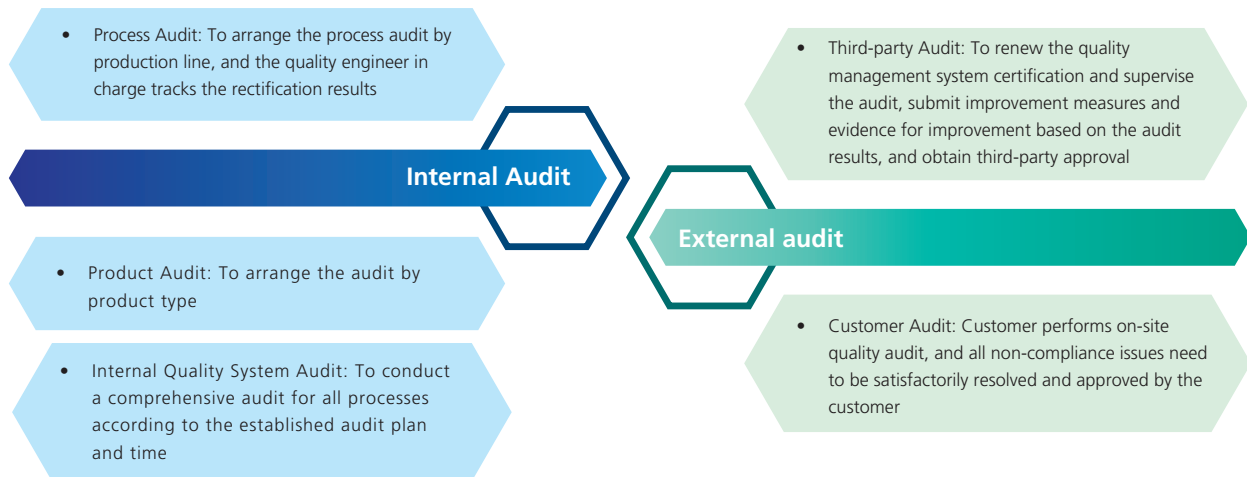
GOVERNANCE & OPERATIONAL RESPONSIBILITY

Impro Group takes comprehensive production management processes and specifications as the basic guarantee for product quality and have been in pursuit of higher product quality under the guidance of industry standards. During the Reporting Period, we have obtained quality system certifications by benchmarking against industry standards in many industries, such as aviation and aerospace, vessel and marine, automobile and medical device, and obtained the new ISO 3834-2 Welding Quality Management System Certification, which has been recognized by the industry. As at the end of the Reporting Period, we have obtained the following quality management system certifications:



The Group has established a complete quality management system. Through a strict internal and external audit mechanism, the Group conducts strict quality audit on all aspects of product production, continue to optimize the product production management process based on the audit results and implements rectification measures to ensure product quality in all aspects. During the Reporting Period, the plants that have obtained quality management system certifications have completed annual audits.

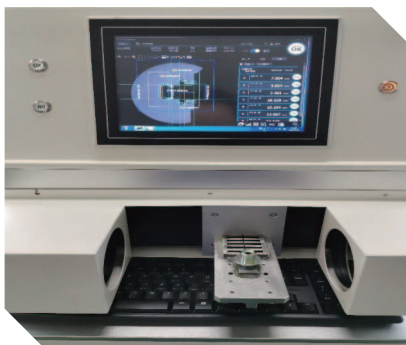
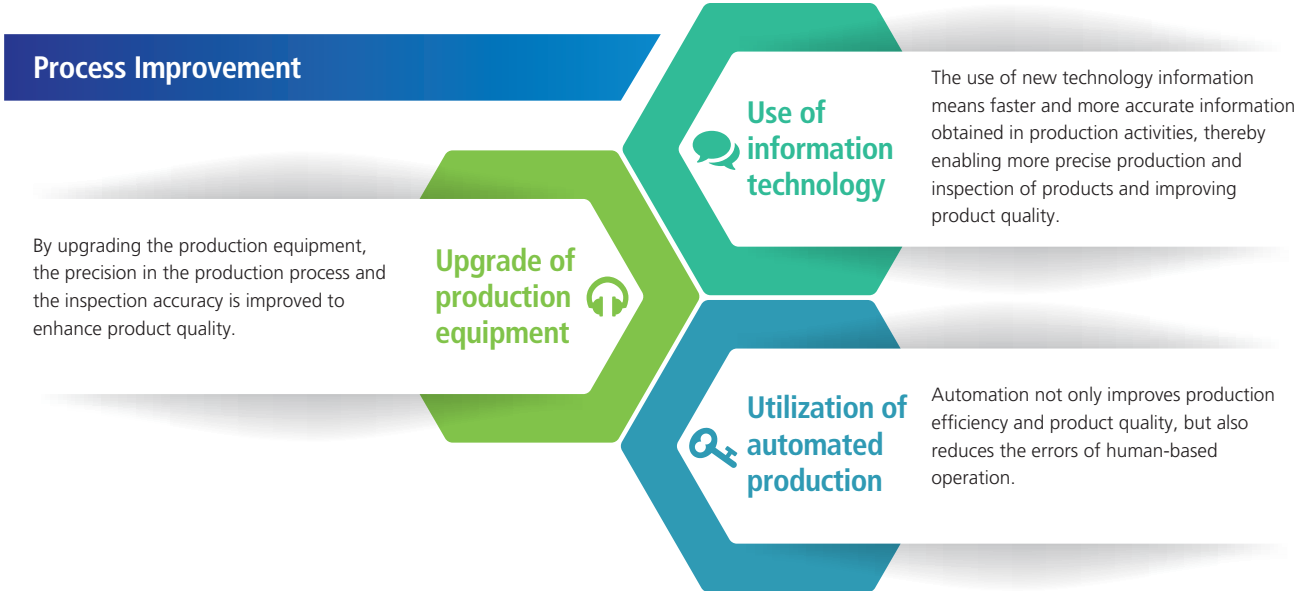
Internal and External Quality Audit Mechanism



Based on a sound quality management system and internal and external audit mechanism, Impro Group constantly updates its production equipment, applies information technology, such as automatic production technology and the Internet of Things to improve production process, optimize production procedure, improve product quality, and create a benchmark for industry quality.

GOVERNANCE & OPERATIONAL RESPONSIBILITY

Quality Improvement Measures



Upgrade of production equipment

During the Reporting Period, the Group's production plants in China have added 2 sets of high-accuracy instant measurement machines from Keyence. The equipment can significantly improve the inspection efficiency and inspection ability, simplify the operation process, avoid the operation error among surveyors, and greatly enhance the product quality.



Use of information technology

The Group's production plants in China have used the Internet of Things measuring instrument in the production process. The equipment is lightweight and takes up little space, which can automatically redirect the measurement parameters, store the data in an automatic manner, monitor the results of each key parameter in real time, reject products that are out of specification in a timely manner and provide alarms to form a comprehensive three-dimensional quality monitoring and early warning network. The measurement data and analysis results can be monitored on the Internet, making the measurement process more accurate and reliable, and greatly improving the inspection efficiency and product quality.

GOVERNANCE & OPERATIONAL RESPONSIBILITY



Utilization of automated production

During the Reporting Period, the Group's production plants in China used the automated abrasive flow equipment from SMKS to remove burrs in deep holes of its products. By using special fluid abrasives, the burrs of the products are removed by squeezing and grinding with high-pressure speed. Compared to manual deburring, this equipment can improve productivity and product quality.

Impro Group continuously optimizes the product inspection process of each plant to ensure the quality of the entire product life cycle. From the incoming product materials to the production and shipment, we implement strict quality inspection measures in every process to ensure that products meet high standards and quality production concept at every stage.

Process of Product Inspection



GOVERNANCE & OPERATIONAL RESPONSIBILITY

Awareness Enhancement

Based on employees' ideological awareness, Impro Group reinforces a quality culture through a variety of team building and quality awareness enhancement activities.

Establishment of Quality Culture

Quality Analysis Session	Employee Skill Training	Star Mechanician and Star Technician Selection
<ul style="list-style-type: none"> Review and analyze the quality performance of plants via regular quality analysis sessions, and supervise the improvement progress and completion of the key SKUs to continuously improve product quality 	<ul style="list-style-type: none"> Conduct pre-job trainings for new employees, and clarify the requirements for processing and discipline in manufacturing Provide quality awareness trainings for engineers and inspectors, and cultivate the professionalism of quality production 	<ul style="list-style-type: none"> Give employees the opportunity to train, learn and improve their skills by setting up the Star Mechanician and Star Technician System, motivate and encourage employees to apply, and establish awareness of quality production for employees

Establish an online learning and examination mechanism for quality management

The Group's production plants in China have organized employees to participate in online quality management learning and examinations. The quality control department has uploaded the relevant quality management regulations to the website for sharing through QR code, so that all employees can browse the relevant documents on their mobile phones anytime and anywhere for learning. In addition, the quality control department has prepared online examination questions, requiring new employees to take examinations in the system before taking up their posts.

Organize employees to participate in external trainings

The Group's production plants in China organized production technicians to participate in CQI-11 external training, enabling technicians to obtain relevant technical certificates. At the same time, it organized technicians to participate in trainings regarding product responsibility held by VDA (Verband der Automobilindustrie) and PSB (Product Safety Representative), established the PSB organization structure, and carried out relevant procedures internally to improve the production quality of products.

GOVERNANCE & OPERATIONAL RESPONSIBILITY

Scientific research and innovation

Impro Group always places product innovation and technological innovation as an important position for development. During the Reporting Period, the Group increased its investment in innovation and research and development to HK\$211.0 million, which accounted for 5.6% of the Group's revenue and represented an increase of 23.2% as compared with the previous reporting period.

Product Innovation

As the world's leading manufacturer of high-precision, high-complexity and mission-critical casting and machined components, we adhere to product innovation, pursue excellent products, and provide more quality customized casting and machined products and services for diversified customers from around the world.

Proactive Research and Development

- During the Reporting Period, the Group's production plants in China successfully developed rack acidic zinc-nickel alloy plating, which has a silvery-white appearance, resembling the tone of stainless steel, and is a highly corrosion-resistant functional plating. Nowadays, zinc-nickel alloy plating is increasingly used in the automotive, marine, aviation and defense industries.

Customer-based Research and Development

- Due to the thin wall structure of the original product parts and the high dimensional accuracy required by customers, the original products are prone to cracking after the heat treatment process. Therefore, the Group's production plants in China have worked together with the customers to improve the product structure, inspection control and other aspects of optimization, significantly increased the product qualification rate and improved customer satisfaction, thereby bringing higher quality products to customers.

Technological Improvements

Impro Group constantly pays attention to details, challenges the tradition, actively improves the production process, continuously optimizes the production procedure, strives for perfection, and serves every customer with a brand-new thinking. During the Reporting Period, we took initiative to innovate and improve the process flow to strive for excellence.

Constant voltage method for hard anodizing technology

During the Reporting Period, in order to improve the stability of product quality, the Group's production plants in China conducted research and development on the process of hard anodizing using the constant voltage method and submitted an application for invention patent. The constant voltage method of hard anodizing technology can improve the accuracy of the thickness control of the oxidised membrane to a certain extent, saving the measurement of traditional anode area, avoiding the thickness error of finished membrane caused by the measurement error of oxidised area, and improving the stability of product quality.

GOVERNANCE & OPERATIONAL RESPONSIBILITY

External Cooperation

Impro Group actively cooperates with external institutions and universities in an open and cooperative manner. Through cooperation with external parties, it will jointly research and improve products, optimize manufacturing processes, and create top-notch products with better quality for customers.

Industry Cooperation

The Group's production plants in China and Southeast University have conducted a research based on the "research and development project of water-soluble ceramic cores for aluminum alloys", which is a technological improvement on the formulation of water-soluble ceramic cores targeting at the characteristics of aluminum alloys. This research and development project aims to make a breakthrough in the formulation of ceramic cores, and solve the shortcomings of ceramic cores such as being hygroscopic.

The Group's production plants in China was approved by the Jiangyin Science and Technology Bureau to establish the "Jiangyin (Ying Bei) Metal Surface Treatment Engineering Technology Research Center (江陰市(鷹貝)金屬表面處理工程技術研究中心)". This engineering research and development center is mainly involved in hard chrome plating, aluminum alloy anodizing and chemical plating processes, which are related to surface treatment processes in the fields of aviation, medical, automotive and engineering equipment.

Since its establishment, Impro Group has attached great importance to the protection of labor achievements while continuously promoting independent innovation. We strictly abide by the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Technology Contract Law of the People's Republic of China and other laws, regulations and regulatory documents. We have formulated the Intellectual Property Management System within the Company, established a sound intellectual property management system, and clarified the requirements of intellectual property application, management and other aspects. At the same time, we actively sign the Confidentiality Agreements with customers and suppliers to respect each other's intellectual property and privacy.

As at the end of the Reporting Period, we possessed a total of 90 invention patents and 291 utility model patents in China, of which 6 were newly applied for invention patents and 28 were newly applied utility model patents during the Reporting Period.

Customer service

As a leader in the industry, Impro Group values customer experience, meets customer needs, and provides customers with more considerate and practical services. We have formulated the Customer Complaint Handling Management Regulations, the Customer Communication Control Procedures and other systems. By standardizing the handling process, we listen attentively and quickly respond to the various demands of customers, so as to create more value for customers.

GOVERNANCE & OPERATIONAL RESPONSIBILITY

The Group has actively utilized information technology to develop Impro global customer relationship management (CRM) system and effectively built a customer relationship management mechanism. Impro global CRM system mainly consists of business opportunity management, customer management, marketing management and other functions, covering three major regions in North America, Europe and Asia, which fully reflects the needs of our global layout. The use of the CRM system has helped us achieve precise marketing, efficient management and collaborative management for customers, greatly improving customer satisfaction and expanding the sales market.

We also actively communicated with customers through various means to understand their needs and listen to their voices.

High-level Interaction	Customer Visit	Technical Exchange	Communication via Meetings
<ul style="list-style-type: none"> Understand the development strategy and business dynamic direction of both parties and have discussion on future cooperation development 	<ul style="list-style-type: none"> On-site visits to customers to understand their product needs for positioning plans, discuss with customers the current needs and capacity allocation, develop business channels and discuss the future strategic cooperation 	<ul style="list-style-type: none"> The technical team actively conducts technical communication meetings with customers to discuss key product issues and help customers improve the manufacturability of their products 	<ul style="list-style-type: none"> Actively participate in the training sessions held by customers to enhance communication with customers

In response to customer complaints¹, we respond immediately and strictly implement GP12/EPC (Early Production Containment) procedures. In response to customer complaints about products and key items, we have compiled a defect warning and visual inspection work instruction, and analyzed, improved and tracked the problems found via GP12/EPC until the problems are solved.

We actively carry out customer satisfaction surveys to better understand customer demands and urge us to continuously improve our products and services with quantitative indicators. During the Reporting Period, we actively carried out customer satisfaction surveys and conducted surveys on delivery performance, technical exchanges, product quality, new product development and other aspects. Customers were very satisfied with our overall performance.

While providing customers with quality products and services, we enhance customer service skills, improve customer service quality and enhance customer satisfaction through service trainings for customer service personnel.

¹ Customer complaints mean that customers are dissatisfied with product quality, delivery, research and development, service, etc., report the problems to the Company's sales, customer service and other departments in writing or verbally, and put forward some requirements and suggestions.

GOVERNANCE & OPERATIONAL RESPONSIBILITY

Professional Trainings for Customer Service Personnel

Induction Training

- Conduct a two-week customer service induction training in respect of the culture of the Group, customer service process and other application systems for the new customer service personnel

Specialized Training

- Conduct specialized trainings on daily problems that arise within customer service

Internal Newcomer Communication Meeting

- In order to monitor the psychological dynamics of new recruits and increase their integration to the Group as soon as possible, we launch a three-month communication weekly meeting for new employees in groups, so that employees can share their knowledge and promote the smooth development of follow-up work

Induction training for new customer service personnel

In order to ensure the quality of customer service, we carried out a two-week customer service induction training for new customer service personnel and arranged 10 training courses with experienced lecturers, providing them with specialized trainings in terms of the Group, process, and various application systems.

The continuous pursuit of excellence, quality products, attentive customer service and comprehensive after-sales services have been recognized by customers, which once again proved the standard set by Impro Group as a benchmark in the industry.



Honeywell Aero ISC Supplier of the Year Award



“Best Velocity Improvement Award” by Caterpillar

GOVERNANCE & OPERATIONAL RESPONSIBILITY

1.4. INDUSTRY CO-CONSTRUCTION

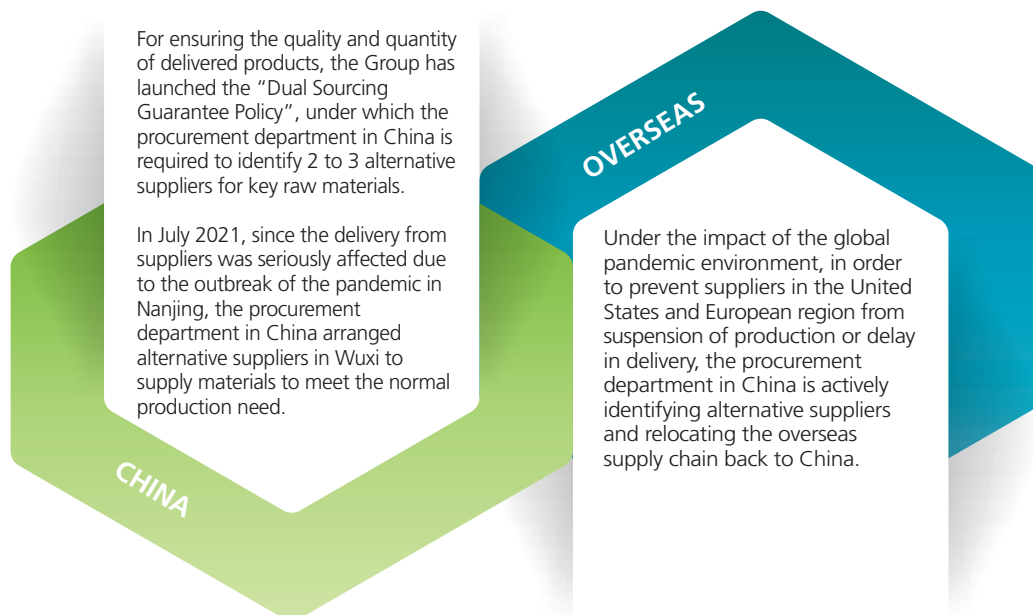
Impro Group adheres to the concept of being responsible for customers and insists on providing customers with quality products. We strictly control all aspects of product manufacturing, work with suppliers, effectively guarantee the quality of raw materials, build a diversified cooperation model, and promote the healthy development of the industry.

Supplier management

Impro Group has established a full-process management system covering supplier access, screening, examination and verification, and conducts systematic, institutionalized and standardized management of all suppliers in accordance with the Supplier Management Procedure to supervise the entire supply chain. With the goal of building a stable supply chain, we have strengthened our supplier management, set multiple supplier audit objectives, upgrade the original supplier material quality analysis from once a year to once a month, and continued to strengthen audit. During the Reporting Period, we redefined the definition and classification of suppliers, and conducted quality statistics and trend analysis on major raw and auxiliary material suppliers every month.

Impro Group also includes the performance of suppliers in environmental and social aspects into the scope of important evaluation. In the Supplier Code of Conduct, we clarify the standards based on environmental protection and employment. Suppliers are required to provide MSDS certification and test reports on all ingredients, and to fill in the Environmental Condition Survey Form and sign the Supplier Environmental Notification. As at the end of the Reporting Period, 110 suppliers have obtained ISO 14001 system certification. At the same time, we pay attention to the risk management of suppliers, refine supplier types, and strengthen the supplier access evaluation to avoid risks. During the pandemic, the Group tracked the information of the suppliers in the regions where the pandemic occurred and tried to avoid a concentration of suppliers from one region. In the case of suppliers with a single patent, the Group tried to avoid the ordering of goods in a single region, stabilize supply and reduce risks through communication.

Supplier Risk Management



GOVERNANCE & OPERATIONAL RESPONSIBILITY

Impro Group is committed to creating a cooperative relationship with suppliers that promotes mutual development and common progress. We actively carry out supplier communication activities, strengthen information exchange with suppliers, and organize supplier training meetings to ensure the stable advancement of production and operation.

Industry progress

Impro Group is the only domestic investment casting enterprise that has ranked in the top ten in the world due to its own business types and the wide range of end markets. As a leader in the industry, we not only meet the needs of upstream and downstream enterprises and customers of the supply chain, but also improve our own business capabilities, actively participate in industry associations and industry activities, and make unremitting efforts to promote the development and innovation of the entire industry.



Participated in the 19th China International Foundry Expo

On 27 May 2021, Impro Group exhibited in the 19th China International Foundry Expo held in Shanghai, which is unique, authoritative, representative, forward-looking and oriented, and is recognized as a trend for the development of China's casting industry.

With the opportunity to participate in the exhibition, we strengthened communication with industry partners and deepened the understanding of the operation, production and product optimization of existing suppliers, while at the same time, we obtained better understanding of new products, collected new supplier resources, and expanded the existing procurement channels.



Participated in the 8th Asian Gas Turbine Focus

From 3 June to 4 June 2021, Impro Group participated in the 8th Asian Gas Turbine Focus held in Shanghai with domestic and foreign gas power plants, industrial energy users, machine companies, gas design and research units, operation and maintenance service providers, suppliers of special processes and raw materials (including coating, gearbox, blade, bearing, sealing, simulation system, filtration system, intelligent manufacturing system, 3D printing, etc.), benchmark enterprises of gas turbines, domestic and foreign quality gas turbine suppliers, etc. During the two-day meeting, Impro Group discussed with the host and other participants on the theme of "Focusing on Low-carbon and Embracing the Future" and shared cutting-edge practices on China's gas turbine independent innovation, key technology breakthroughs and core field applications. Participation in the summit is conducive to Impro Group's in-depth development of the gas turbine field and further development and innovation.

ENVIRONMENTAL RESPONSIBILITY



Impro Group is committed to reducing adverse environmental impacts during production and operations. We identify and prevent factors that potentially lead to environmental impacts and climate change, insist on reasonable use of energy and resources and actively bear environmental responsibilities by energy conservation and reduction of energy consumption and our own carbon emissions.

2.1 ENVIRONMENTAL MANAGEMENT

Impro Group strictly complies with the environmental laws, regulations and standards in the places where we operate, including the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Promotion of Clean Production, Basic Law of Germany, Environmental Law of Turkey and Waste Prevention and Management Law of Mexico. The Group actively identifies changes in laws and regulations regarding environmental protection, energy conservation, clean production, air pollution and water pollution, conducts compliance evaluations as well as optimizes and updates environmental protection management systems according to external changes.

While optimizing the Group's internal management system, we continuously work on certification of environmental management systems. During the Reporting Period, our plants in China, Turkey, Germany, Czech Republic and Mexico have already passed and obtained the ISO 14001 Environmental Management System Certification, accounting for approximately 58% of the total number of plants. During the Reporting Period, we revised our documents including Emergency Plans for Environmental Incidents and Risk Evaluation Report to ensure operational compliance. In addition, the Group conducted trainings and drills based on the emergency plans to implement institutional documents while enhancing environmental protection awareness of employees.

Automotive manufacturing market has been rapidly entering the electric vehicles sector to reduce air pollution. During the Reporting Period, the Group continues to actively develop new energy vehicle projects. For example, in Turkish and Mexican plants, large-scale production of precision machining parts of electric vehicles for foreign major customers has started in 2021. Meanwhile, our plants in China have started providing plating service of various components for major domestic and foreign customers of electric vehicles. Looking forward, we will continue to facilitate the innovation and application of latest technology so that we can become the industrial leader of electric vehicles components manufacturing.

ENVIRONMENTAL RESPONSIBILITY

We established specialized environmental management teams in various subsidiaries around the world and formulated annual environmental goals incorporating business and production characteristics of the subsidiaries specifically including indicators such as standard pollutant emission rate, comprehensive management rate and completion rates of environmental system training programs. During the Reporting Period, the green capital expenditure used in refurbishing environmentally friendly equipment and enhancing energy conservation amounted to HK\$135.1 million with certification from the HKQAA Green and Sustainable Finance Certification Scheme. Impro Group was granted green loan of a total of approximately HK\$400 million by DBS Bank and Citibank for purchase of environmentally friendly and energy-efficient production equipment so that the Group can enhance production efficiency while contributing to the creation of a new era of low carbon emission and energy conservation, and give back to society with concrete actions like pursuing green financing. In addition, our environmental protection work has gained external recognition specifically as below :



2.2 ADDRESSING CLIMATE CHANGE

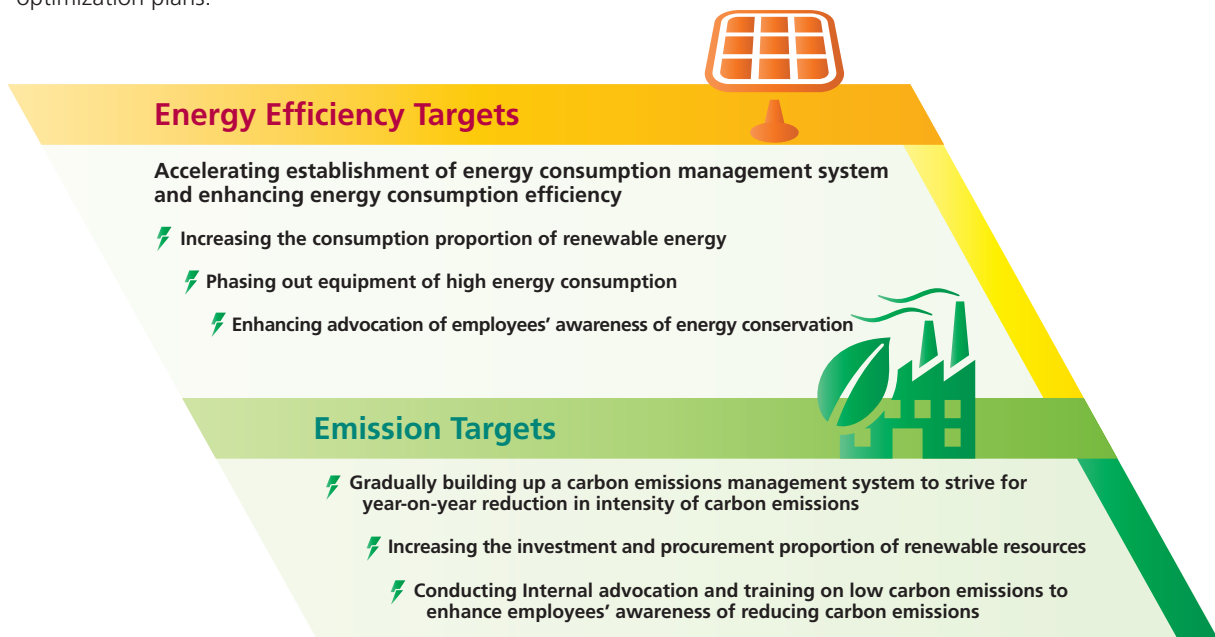
Climate change poses threat to the globe and all human beings, and it is also a huge challenge that we must face. The industry in which we operate is a major source of global carbon emissions. Therefore, Impro Group bears important responsibility in addressing climate change. Meanwhile, we are of the view that climate change brings threats and opportunities to the Group's operations.

We make use of sound corporate risk management and strategic planning to address the financial impacts brought by relevant risks of climate change and actively take corresponding measures to grasp the relevant opportunities. Since 2020, with reference to the recommendations by Task Force on Climate-Related Financial Disclosures,TCFD, we plan our work in response to risks associated with climate change from four perspectives, namely governance, strategy, risk management and goals.

ENVIRONMENTAL RESPONSIBILITY

Governance and Targets

In terms of climate change management, the Board is responsible for assessing sustainability work of Impro Group through discussions on issues related to greenhouse gas emissions. The Board is also responsible for supervision and assessment on work related to climate change. The ESG supervisor of each plant is responsible for monitoring data in relation to greenhouse gas emissions. The management of the plants continuously analyses potential energy conservation and optimization plans.



Management and Response

Impro Group attaches great importance to the risks and opportunities associated with global climate change and greatly supports the PRC to strive for achieving carbon neutralizing goal before 2060. When identifying risks and opportunities associated with climate, we make reference to the carbon reduction targets formulated by the PRC and consider the potential effects of the relevant policies on the industry and industrial development cycles. During the Reporting Period, the Board preliminarily analyzes measures in response to risks associated with climate change as below. The Board also plans to formulate long-term realizable quantitative environmental protection goals for the Group in 2022.

ENVIRONMENTAL RESPONSIBILITY

Risk Categories		Risk Parameters	Corresponding Measures
Physical Risk	Acute	Extreme weather conditions including typhoon, flood, drought, extremely hot and cold weather	<ul style="list-style-type: none"> • Management of each plant and company pays high attention to weather forecast to ensure staff safety and make adequate preparations • Formulating emergency plans to address the impacts of unpredictable weather conditions on productions • Conducting prospective risk identification and assessment on chronic climate risk and treating the risks as a factor for consideration of production plans
	Chronic	Effects of changes in temperature and precipitation and rise in sea levels	
Transition Risk	Policies and Laws	Launch of policies in relation to energy conservation and emission reduction	<ul style="list-style-type: none"> • Timely understanding and compliance of relevant regulatory laws and regulations in countries where we operate • Considering environmental protection and climate during product development and project management • Continuously renewing and improving product and raw material procurement standards • Gradually start exploring new opportunities including carbon compensation and carbon removal • Timely understanding on government incentive policies on low carbon emission technologies of various operating countries • Continuous incorporation of energy consumption and emission reduction philosophies to product design and research and development • Enhancing environmental impact evaluation of new products and using highly efficient production equipment whenever possible to reduce energy consumption and greenhouse gas emissions • Continuously increasing capital expenditure related to energy consumption and emission reduction • To consider obtaining ESG Report appraisal or scores from third party evaluation institutes • Exploring the possibility of increasing the proportion of renewable energy and effectively managing the risk associated with the surge of electricity prices and energy expenses by communication with customers and suppliers and resource integration • Regularizing and systemizing production standards related to the environment and regularly analyzing and ensuring continuous improvement on annual energy consumption and emission intensity and compliance with the environmental protection requirements of each production and operation country • Continuously caring for and participating in highly recognized or applicable domestic and foreign environmental protection activities to enhance corporate competitiveness
		More stringent reporting obligations and compliance requirements on emissions	
		Changes in regulatory requirements and standards	
	Techniques	Low emission product transformation	
		Low emission technical transformation	
	Market	Customers' demand on environmental protection and green production	
		Surges in electricity fees and fuel expenses	
	Reputation	Customers' attention to corporate responsibilities	
		Stakeholders' concern on negative news	

ENVIRONMENTAL RESPONSIBILITY

Measures on energy conservation and emission reduction

1	2	3
<h3>Enhancing awareness</h3> <p>Presenting video on energy saving in canteens</p> <p>Adding content relating to natural resources consumption to new staff trainings</p> <p>Promoting energy saving concept in festivals relating to environmental protection, such as the World Environment Day</p>	<h3>Improving techniques</h3> <p>Master exhaust gas valves being installed in the beginning end of workshops to implement master valves control by internal technique transformation. Direct control by the master valves in the beginning end avoids waste of resources resulting from not turning off the equipment during leaves</p> <p>Renovation of dewaxing equipment: changing the heating method of dewaxing equipment from steam heating to electric heating to reduce steam consumption</p> <p>Enhancing casting techniques to reduce consumption of raw materials of mold shells and avoid energy consumption of dewaxing and mold shell baking to reduce carbon emissions</p>	<h3>Reducing carbon emissions during processes</h3> <p>Making full use of climate conditions during the construction of Mexican plants to reduce energy consumption and carbon emissions</p> <p>Installing solar energy equipment on empty space on the rooftop of plants for the use of workshops</p> <p>Adjusting the time of adding recarburizers during smelting to reduce carbon burning loss and reduce carbon emissions</p> <p>Eliminating material consumption during cutting to reduce energy consumption of cutting and indirectly reduce carbon emissions</p>

Greenhouse gas emission per unit revenue of the Group ↓1.9%

Total energy consumption per unit revenue ↓2.2%



ENVIRONMENTAL RESPONSIBILITY

2.3 USE OF RESOURCES

Water resources management



Water efficiency targets

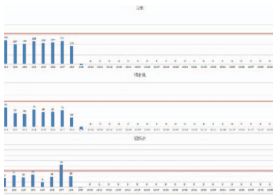
Gradually increasing the investment in water conservation techniques and technologies to enhance water efficiency

- ⚡ Actively exploring water conservative equipment and water treatment technology to replace original technology and equipment
- ⚡ Reinforcing internal and external advocacy on awareness of water conservation
- ⚡ Exploring opportunities brought by new carbon removal technology



Enhancing awareness

- Enhancing water conservation promotion and water conservation awareness of all staff and posting conservation notice in operating and living areas
- The new staff induction training of the Group's Turkish plants includes water resources conservation



Precise management

- Regarding water resources used in production, daily meter reading is carried out by category for tonnage monitoring
- Regarding domestic water, sensor-activated flushing facilities are used to conserve water resources of 170 tons per year. Water meter is monitored regularly to compare differences in water usage and promptly look into unusual data



Equipment optimization

- Equipped with high pressure washing equipment to increase the utilization rate of wash water and avoid wasting water resources
- The dry-cleaning system of Group's Mexican plant has been upgraded to effectively reduce use of water resources.

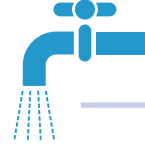


Recycling and reuse

- Continuously optimizing techniques and recycling and reusing water used in production by technical transformation, examples include reusing deburring water and purifying and reusing waste water used in production

ENVIRONMENTAL RESPONSIBILITY

Total water consumption per unit revenue ↓13.3%



Case study of packaging materials management

Recycling packaging materials

Consistent the specifications of packaging materials such as plastic products, wooden trays and paper boxes to facilitate recycling

Cooperating with customers to change one-off packaging materials to hardwood trays and iron frames for recycling

Obsolete pearl cotton and crates are used in turnover in the plants of the Group

During the Reporting Period, storage tonnage of packaging materials in the Group's plants in China increased by 29.7%, yet packaging materials consumption per unit decreased by 20.5%

Donation of waste packaging materials

A total of 218kg of plastic bottle caps have been collected in the Group's Turkish plants and donated to Turkish Spinal Cord Injury Association for the provision of wheelchairs to the disabled to recycle and reuse waste packaging materials while helping the disabled



ENVIRONMENTAL RESPONSIBILITY

2.4 EMISSIONS MANAGEMENT

Waste Management



Waste reduction targets

Further enhancing waste management and increasing waste recycling proportion

- ⚡ Enhancing internal and external waste reduction promotions
- ⚡ Advocating green office and adopting online transmission channels to reduce consumption of office consumables
- ⚡ Actively exploring sustainable materials for renewal

Enhancing management

Updating internal management systems in accordance with the newly issued Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC

Joining the environmentally friendly faces, a profile per company (環保臉譜一企一檔) website of the government for reporting and exchanging information on hazardous waste

Classification of waste to increase recycling and reusing value



Optimizing procedures

Replacing cutting liquid with cutting oil for machining equipment to solve the problems of easy deterioration and odour of cutting liquid and effectively control the use of cutting liquid according to concentration and PH value

Filtering cleansing liquid with filtering devices to reducing the use of cleansing liquid



Improving techniques

Improving the design of sealing tanks to replace fire resilient mud with sealing strip or tape to effectively reduce the use of fire resilient mud for sealing and reduce the emission of solid waste

Through evaluation of techniques, the core is emptied during manufacturing and filled with wooden pieces, drawing tube or waste packaging bubble films to reduce the usage of sand, resin and curing compound



ENVIRONMENTAL RESPONSIBILITY

Disposal of hazardous waste per unit revenue ↓ 30.1%



Pollutants Emission Management

Exhaust gas management

Installing dust and smoke suppresser to reduce environmental pollution

Installing mist collector to reduce mist generated during cutting process

By technical reform, organic exhaust gas produced in quenching and tempering is directed to exhaust gas treatment facility after being collected by gas skirt to significantly reduce total amount of VOCs emissions

Mist filters have been installed in the Turkish plants to ensure that exhaust gas emissions comply with the standards



Waste Water Management

Water from the zinc-nickel system of the production lines is directed to combined adjustment pool for PH adjustment. Compared with previous treatment methods, the current method can largely reduce the use of sulfuric acid and sodium hydroxide and effectively reduce concentration of pollutants of waste water

SOCIAL RESPONSIBILITY



Impro Group has been undertaking responsibilities as a corporate citizen. It focuses on staff care and social contribution, expands staff career development channels and creates a harmonious community. Corporate sustainable development is motivated by talent cultivation to co-develop a harmonious community with our employees as well as other parties.

3.1. EMPLOYER RESPONSIBILITY

Employees are the foothold for corporate establishment and development. Employees have been the strategic focus of Impro Group. Based on protection of employees' rights, health and safety as well as facilitation of staff development, the Group is committed to maintaining a fair and friendly working environment and establishing a united, efficient and innovative team to realize a win-win situation of corporate and staff development.

Equality in Employment

To maintain harmonious and equal employment and protect legal rights of staff communities of various regions of the Group, Impro Group has formulated, updated and implemented relevant procedures and policies on its human resources management such as the Entry Rules, Attendance Measures, and Overtime Working Policies with strict adherence to the relevant laws and regulations of various operating countries and regions. We have also put in place strict procedures for review and approval in the process of recruitment pursuant to the Law of the People's Republic of China on the Protection of Minors and Provisions on Prohibition of Child Labor as well as other laws and regulations. The Group has formulated Child Labor Rescue Procedures during the Reporting Period so as to eradicate the employment of child labor and forced labor. As soon as the employment of child labor or forced labor is identified, we will take decisive actions in strict compliance with relevant procedures. During the Reporting Period, there was no litigation in relation to labor rights.

In addition, we are committed to creating a diverse and inclusive working environment and expanding talent recruitment channels. During the Reporting Period, we organized a Young Eagle Plan training program for fresh graduates. We recruit talents through occupational training and outreach programs, continuously optimize staff structure and achieve a reasonable distribution of employees' gender, age and regions.

As at the end of the Reporting Period, the Group had a total of 7,155 employees worldwide, with male and female employees accounting for 72% and 28%, respectively.

SOCIAL RESPONSIBILITY

Living in Harmony

Impro Group seeks diverse benefits for employees, enhances effective communication with employees and optimizes employee care systems from employees' perspective to create a comfortable working environment and enhance employees' happiness.

Remuneration and Benefits

We comprehensively consider market standard and formulate a remuneration system including Corporate Remuneration Policy, Corporate Benefit Policy and Reward and Punishment Policy based on staff competency and performance for compliant and effective management of employee remuneration and benefits and provision of good benefits. To enhance employees' happiness, on top of regular remuneration and benefits, there are fringe benefits including staff accommodation, meal allowance, transportation, health checks, festive holidays and organization of events. In addition, during the Reporting Period, fee limit of employees' free meals and allowance for expatriates have been raised twice. To advocate avoiding unnecessary travelling and unnecessary returning to hometowns, we have provided overtime incentives and diligence incentives.

At Impro Group, remuneration and incentive schemes are linked to the achievement of current and next two years' performance goals. All global staff positions, including executive directors and senior management, are governed by an evaluation methodology which takes into staff entrepreneurial spirit, proactiveness, innovativeness, leadership and execution ability, etc. Individual executive director and senior management acknowledges scope of responsibilities, contribution and performance. The base salary takes into account factors such as contribution to the business, employee retention and market remuneration. Annual incentives, when payable, are performance-based and include company's and the Group's financial objectives as well as non-financial individual objectives. No individual director or member of senior management team approves his or her own remuneration.

By providing total compensation at competitive industry levels, the Group seeks to attract talents in the industry essential to its long term success. We offer considerable remuneration for our employees at a globally comparable industrial level. Senior management and certain employees were also granted Pre-IPO Share Options so as to align the long term interest of management with those of shareholders.

SOCIAL RESPONSIBILITY

Employee Communication and Caring

We adhere to a people-oriented operating philosophy to maintain effective employee communication by staff caring hotline, "10 (days)+ 10 (weeks) + 10 (months)" reporting and employee satisfaction survey to encourage timely employee feedback. In addition, we organize various events and provide various benefits to enhance corporate cohesiveness, employees' happiness and staff caring activities.



Family caring activity for employees' children

To cultivate a positive and motivational corporate culture, express our gratitude to employees' family for their appreciation for the Group, actively promote classification of waste and advocate sustainability in terms of resource conservation, Impro Group organized an event themed on environmental protection and collected various drawings and handcrafts from employees and their children during the June 1st Children's Festival. A total of 38 artworks were collected during the event, including 9 handcrafts, 21 drawings and 8 articles. To express our gratitude towards the employees' families, we have remunerated these artworks.



"Celebration In Place" essay event during the Spring Festival

During the Spring Festival in 2021, in response to the national call on "celebration in place", we encourage our employees to "celebrate in place" to reduce crowds and safeguard employees' health and safety. We provide "special reward" for the employees who celebrate in place and "diligence reward" for employees who resume work early after the festival. To enrich staff activities during the Spring Festival, we organized a "celebrate in place" essay event for employees to encourage them to record their experiences during the Spring Festival by writing essays and taking pictures, express blessings of the Spring Festival and share interesting findings. We received a total of 31 essays during the event with 15 of which selected as the featured articles for "celebration in place" .

SOCIAL RESPONSIBILITY

Talent Cultivation

Core competitiveness of long-term corporate development lies in talent cultivation. Impro Group adheres to the philosophy of “proper selection, proper deployment and proper cultivation” of talent and considers talent cultivation as one of our dominant strategic missions. The Group has activated a series of talent cultivation programs to establish various career development channels for our employees and facilitate their self-realization and rapid development.

Training Development

During the Reporting Period, we organized various staff training activities covering various dimensions including enhancement of their skills and safety awareness, improvement on quality and business communication and cooperation to comprehensively elevate their technical level, knowledge and management ability.



Training on employees' quality awareness

To enhance the quality control awareness of our plant staff, we organized quality awareness training. For new staff, the Group updated and prepared the Basic Training Material of New Staff Introduction during the Reporting Period to conduct pre-employment and on-the-job training. Training content includes knowledge on the quality system, proper use of general measurement tools, familiarization on various forms' usage, filling and self-inspection requirements of first inspection forms, requirements for first inspection, shunting and tool changing and management of unqualified products. Self-inspection ability and quality awareness of new staff can be enhanced by systematic training.

During the Reporting Period, the Group's training coverage rate was 100%, total training hours were 253,530 and the average training hours were 35.4 hours, representing a year-on-year increase of 26.0%.

SOCIAL RESPONSIBILITY

Development Channels

The Group upholds a fair and diverse talent cultivation philosophy, focuses on comprehensive enhancement on quality and professional skills and formulates a diverse employee appraisal system to facilitate employees' career development and personal improvement.



Young Eagle Plan

Campus recruitment is an important way of talent acquisition and cultivation of Impro Group. Impro Group proposes the Young Eagle Plan targeting at cultivation of college graduates to provide scientific and effective training for them so that they can soon become the fresh blood of the corporation. We provide a wide platform for students' development according to their profession and pursuit.



Star Mechanician and Star Technician

To enhance technical standard of front-line technicians, plant production efficiency and product quality, since the end of 2015, the Group has assessed the technical standard of technicians and initiated the Star Mechanician and Star Technician program. We formulated a skill set for major technical work and clarified assessment standard for regular appraisal. Recognition and incentive are provided to star technicians to establish a green path for skills advancement and career development of front-line technicians. During the Reporting Period, 180 technicians applied and 152 were selected after passing the appraisal.



Leadership Development Program in Turkish plants

To elevate the personal capability of staff possessing high operational leadership skills, Impro Group organized a leadership development program in Turkish plants. 10 elites were selected for competency enhancement training provided by the human resources manager in forms of interactive training programs and personal guidance courses. The training program consists of two phases with the first phase initiated in September 2020 and the second phase initiated in 2021 following the first phase, and the training of the course was completed in April.

SOCIAL RESPONSIBILITY

Staff Incentives

To encourage staff innovation and motivation, Impro Group creates an innovative platform and launches a series of incentive schemes to unleash staff potential and facilitate corporate innovative development. The Group established the Innovation Committee and launched Cloud-Based Incentive Scheme, 3C Brilliant Thoughts Scheme and Recommendation and Guidance Scheme to create new products, develop new techniques and provide new management methods by staff innovation, technical reform and introduction of new techniques and ideas so that personal values can be realized while facilitating development of the Group.



Cloud-Based Incentive Scheme

Cloud-Based Incentive Scheme is a new incentive platform incorporating the Group's development strategy to set up rewards from six aspects namely people, quality, speed, safety, cost and globalization. Each aspect of reward has different scores for score records. Points can be used to redeem cloud incentive reward.



3C Brilliant Thoughts Scheme

Impro Group has set up an internal corporate innovative platform and launched innovative schemes of "Innovative Ideas", "3C" and "Brilliant Thoughts" for manufacturing and reform by knowledge, techniques, mindset and innovation brought by our staff to expand Impro Group's production lines. During the Reporting Period, the Group had a total of 90 projects, 3 of which were innovative projects, 76 of which were 3C projects and 11 of which were Brilliant Thoughts projects.



Recommendation and Guidance Scheme

Impro Group tailor-made various incentive schemes for different positions in the Turkish plants. During the Reporting Period, Turkish plants innovated incentive schemes and created a new "Recommendation and Guidance Award" to replace the previous "Recognition and Guidance Award" which is less practicable. Employees and working groups who can provide more recommendations are rewarded and recognized.

During the Reporting Period, staff turnover of the Group was 15.1% , representing a year-on-year decrease of **↓12.2%** as compared with 27.3% last year.



SOCIAL RESPONSIBILITY

Health and Safety

Impro Group has been caring for employees' occupational health and safety. We strive to create a safe and healthy working environment, optimize the safety management structure, promote featured 7S management concept, facilitate management system recognition, enhance awareness of production health and safety among employees and implement occupational health and safety management.



Safety Management

The Group strictly complies with the laws, regulations and standards relating to occupational health and safety at national, regional and industrial level, including the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Occupational Safety Law of Germany, the Regulations on Safety, Health and Working Environment of the United Mexican States and the Law on Occupational Health and Safety of Turkey. We have passed the ISO 45001 occupational health and safety management system and formulated the EHS Control Framework for the China Region of Impro as the basis of high demand on safety production management of plants. During the Reporting Period, each respective plant started identification of laws and regulations in relation to occupational health and safety. A total of 66 laws and regulations in relation to occupational health and safety, 24 EHS and stakeholders' requests have been identified and updated.

SOCIAL RESPONSIBILITY

Safety Training

Occupational health and production safety have always been our key training items. The Group has formulated detailed safety training programs for the plants and established a rich and diverse safety training course. During the Reporting Period, the plants of the China region conducted 3D safety training, talks themed on EHS knowledge and skills, fire safety training, talks themed on prevention of heat stroke and training of safety managers.



Safety themed Training Courses for our Management

To enhance the production safety awareness of the management of Impro Group, training on occupational health knowledge and new Production Safety Law of the People's Republic of China has been provided to the EHS management teams of the Group's production plants in China from January to September 2021.



"Safe Production Month" Quiz

In response to the national call on production safety and sorting national production safety, the Group's production plants in China organized "Safe Production Month" online quiz to further enhance the safety awareness of our employees and the ability of applying theoretical knowledge to practical work. The quiz has a question bank covering topics that are highly relevant to our employees' daily work including safety laws and regulations, safety responsibility, safety signs, safety protection measures, types of fire, use of fire extinguishers, first-aid know-how and emergency exists of plants. All staff of the Group can take part in the online quiz.

Safety Emergency Drills

In 2021, Impro Group conducted several emergency drills of high quality and completeness including dust leakage, molten steel leakage, mechanical harm, natural gas leakage, hazardous chemicals leakage, emergency evacuation and rescue in limited space to continuously enhance our employees' safety awareness and to equip our employees with the capability to respond and react to emergency.

Emergency Drills for Liquid Ammonia Leakage

On 9 July 2021, our employees of the plants in China took part in an emergency drill for liquid ammonia leakage. Before the drill, employees took part in training during which the remarks on liquid ammonia leakage, occupational hygiene, safety protection, emergency response after leakage and cases of other units have been explained.



SOCIAL RESPONSIBILITY

Safety training in Turkish plants

During the Reporting Period, the Turkish plants established a closed-circuit safety training system while organizing relevant themed events according to the local geographical features and occupational health and safety standards.

- All newly recruited staff has received training on occupational health and safety before working. In cases where the staff has experienced work-related injury, he/she has to receive training before resuming duty. Due to the constraints arising from the pandemic, the trainings were conducted through video meetings.
- To arouse people’s awareness of fire, the Turkish plants organized trainings on fire response. For those who are responsible for aloft work, corresponding training on aloft awork has been provided.

Contest on screening technique of potential safety threats among mechanics staff in Haimen

During the Reporting Period, the Group’s plant in China passed Level 2 safety standardised assessment. To encourage our employees to actively participate in the screening of potential safety threats, enhance their ability to screen potential safety threats and their safety awareness, the plant in China organized a mechanics staff safety potential threats screening contest themed on “investigation of potential threats, eradication of non-compliance and protection of safety”. The Group was awarded the second prize and outstanding organization award in the contest.



The Group’s efforts in safety have gained external recognition. During the Reporting Period, we were selected as the “2020 Outstanding Production Safety Corporation”.



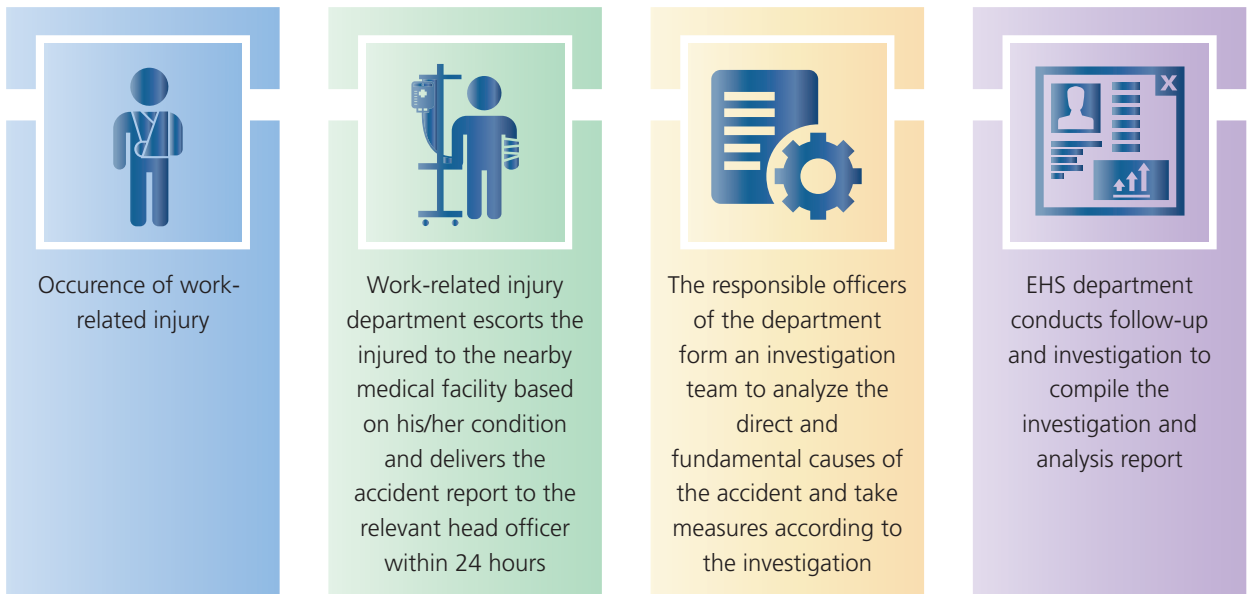
SOCIAL RESPONSIBILITY

Employee Health

Impro Group attaches great importance to employees' health. We care for employees' health conditions through work-related injury management system, regular occupational health checks, occupational hazard inspection and staff occupational health profile.

Since 2016, we have established the work-related injury management system and conducted investigation and analysis on reportable events to record the work-related injuries of the Group by reports. We analyze the direct and fundamental causes of the accidents and propose remedial measures to prevent recurrence of accidents. We also completely eradicate work-related injury accidents recorded to prevent their recurrence.

The management procedure is as follows:



During the Reporting Period, new staff underwent induction health checks and current staff being employed for at least one year underwent occupational health checks once a year and had their own occupational health profiles.

During the Reporting Period, we engaged a CMA certified inspection firm to conduct on-site inspection on the occupation hazard of hazardous chemical and physical agents of the Group's plants in the China region. Results reflect that the hazardous chemical agents of the work locations tested comply with the relevant national standard of Occupational Exposure Limit for Hazardous Agents in the Workplace(GBZ2.1-2019).

SOCIAL RESPONSIBILITY

3.2. HARMONIOUS COMMUNITY

Impro Group actively bears social responsibility and incorporates social responsibility to the entire process of corporate development. We actively organize charitable events to provide all-rounded care for the underprivileged in our society. We express our love and care for establishing a harmonious society and continuously give back to our society.

Social Development

We are committed to the social development of the region where we operate and giving back to the society. We provide employment opportunities for the locals and greatly support education. Through cooperation of production, education and research, we enhance our interaction with the place where we operate for a win-win situation. During the Reporting Period, it is our honor to be named the Wuxi Famous Export Brand.



Facilitating the economic development of the place where we operate



Capital expenditures of the Group amounted to HK\$1,054.1 million in 2021 which was primarily used in the production capacity expansion in our PRC plants, as well as the infrastructure and machinery spending for the new plants in Mexico. Among which, the Group incurred HK\$590.1 million for the development of new plants in Mexico, including the purchases of machinery for and construction of precision machining, sand casting, investment casting, aerospace and surface treatment plants.

Construction of the North American production base of Impro Group (Mexico SLP Campus) commenced in 2019. On 18 November 2021, two plants (sand casting and precision machining plants) officially commenced operations. The base is an important move for realization of “Global Footprint” and “Region for Region Manufacturing” of Impro Group serving an array of end markets including the North American automotive, construction and agriculture equipment, high horsepower engines, hydraulic equipment and aerospace & medical end markets.

SOCIAL RESPONSIBILITY

Facilitating the economic development of the place where we operate



In China, construction phase 1 of the southern Xishan base commenced during the Reporting Period with a site area of approximately 51,230 square metres. Completion of the Mexico SLP Campus and Xishan, China campus will further consolidate the leading position of Impro Group in relevant areas globally and in China. More employment opportunities can be provided for the locals in the places where the Group operates, and employment channels of the locals can be effectively expanded. Combining corporate advantages with local resources helps in resolving the local employment issue and promoting group development so as to contribute to socio-economic development.



Meanwhile, the Group started constructing new living facilities in Wuxi, China and Mexico SLP Campus in 2021 providing a total of approximately 500 staff dormitories which can accommodate more than a thousand staff and their family members to enhance living quality and happiness of our employees. It is expected that the construction of the facilities will be completed in 2022.

Enhancement of interaction between schools and the corporation



Apart from providing employment opportunities, Impro Group cooperates and communicates with local tertiary education institutions at the same time. We have strengthened our cooperation with Jiangnan University, Liaoning University of Technology, Wuxi Institute of Technology and several universities at Mexico to provide internship base for the vocational colleges of the region where we operate. We provide assistance to the social practices including internship and professional internship of the high school students of relevant profession. Combining education and practice, we help high schools to clarify the direction of cultivating their students and establish a stable cooperation relationship with the schools to facilitate the elevation and development of education.

SOCIAL RESPONSIBILITY

Social Activities

We actively organize community activities, fulfill social responsibility and express our love and care for establishing a harmonious society. We pay attention to the underprivileged and warm their hearts with voluntary services and charitable donations to let them feel the love and care from the society as a large family.



Voluntary work respecting the elderly

We focus on population aging and promote traditional traits. During the Dragon Boat Festival in 2021, more than 30 volunteers from Impro Group visited Jiangnan Elderly Home of the Welfare Centre of Xishan, Wuxi (無錫錫山區福利中心江南頤養院) to give a present for each elderly and deliver festive blessings. Our volunteers accompanied old people who do not live with their family members to enjoy the heartwarming time during the festival. Apart from visiting the elderly, we have organized voluntary work to spend an hour on clearing litter including construction waste and tree branches for the construction of a green community.



Caring for underprivileged students

Impro Group acknowledges that the next generation is our hope and future and cares for underprivileged children. During the Reporting Period, it was the first time for Impro Group in China region to provide a grant of 1,000 dollars each and stationary including school bags to selected underprivileged primary school students whose parents have passed away. The Group will treat the children as long-term aided people to provide more assistance and care for them so that they can experience the love and care from the society during their hard times and grow up healthily with love.



Themed activities of "2021 World Environment Day"

We actively organize environmentally friendly charitable activities. In response to "harmonious co-existence between human and nature", theme of the 2021 World Environment Day in China, the volunteers from Impro Group went on the streets to pick up rubbish. We advocate the idea of environmental protection to citizens and jointly enhance the awareness on following, respecting and protecting the nature for a beautiful homeland achieving harmonious co-existence between human and nature.

APPENDIX 1 ESG DATA

Economic Performance

	2021	2020	2019	Unit	Indicators of the Stock Exchange
Operating Results					
Revenue	3,777.7	2,924.6	3,640.2	HK\$ million	N/A
Adjusted profit attributable to shareholders of the Company	422.2	313.4	575.7	HK\$ million	

Governance Performance

	2021	2020	2019	Unit	Indicators of the Stock Exchange
Equality and Diversification					
Proportion of female members in the Board	25	25	25	%	N/A

Environmental Performance

	2021	2020	2019 ¹	Unit	Indicators of the Stock Exchange
Greenhouse Gas Emission					
Scope 1 Greenhouse Gas Emissions	12,557	10,683	11,456	tons carbon dioxide	A1: Emission
Scope 2 Greenhouse Gas Emissions	199,705	156,619	176,595	tons carbon dioxide	
Total Greenhouse Gas Emissions ²	212,262	167,301	188,051	tons carbon dioxide	
Greenhouse gas emission per unit revenue	56.2	57.2	57.6	tons carbon dioxide/ HK\$ million	
Waste disposal					
Hazardous Waste	2,459	2,709	2,423	tons	A1: Emission
Non hazardous solid waste	46,824	35,177	39,432	tons	
Total amount of waste disposal	49,283	37,886	41,855	tons	
Hazardous waste disposal per unit revenue	0.65	0.93	0.74	tons/HK\$ million	
Non hazardous solid waste disposal per unit revenue	12.39	12.03	12.07	tons/HK\$ million	

¹ In 2019, data categories including comprehensive energy consumption per unit revenue, greenhouse gas emission per unit revenue, water consumption per unit revenue, hazardous waste disposal per unit revenue, non-hazardous solid waste disposal per unit revenue, nitrogen oxides, sulfur dioxide, particulates, total amount of waste water, chemical oxygen demand and ammonia nitrogen only include China region and Turkish Plants of Impro Group.

² Scope 1 greenhouse gases consist of the greenhouse gas emissions from natural gas, diesel and gasoline. Scope 2 greenhouse gases consist of purchased electricity and purchased steam. Calculation is made with reference to Greenhouse gas emissions accounting methods and reporting guidelines for mechanic equipment manufacturers (trial) and GHG Protocol issued by WRI and WBCSD.

APPENDIX 1 ESG DATA

	2021	2020	2019 ¹	Unit	Indicators of the Stock Exchange
Exhaust gas emission³					
Nitrogen oxides	3,467	1,301	810	kg	A1: Emission
Sulphur dioxide	1,388	1,866	2,869	kg	
Particulates	18,170	26,945	23,063	kg	
Waste water emission					
Total amount of waste water	688,503	780,546	742,668	tons	A1: Emission
Chemical oxygen demand	14	54	39	tons	
Ammonia nitrogen	677	898	2,564	kg	
Energy consumption					
Direct energy consumption	7,446	6,421	6,761	tons of coal equivalent	A2: Use of Resources
— Natural gas	494	415	441	10,000 normal cubic meter	
— Diesel	489	518	527	tons	
— Gasoline	112	96	87	tons	
Indirect energy consumption	42,667	33,434	37,098	tons of coal equivalent	
— Purchased electricity	27,243	20,913	22,721	10,000 kWh	
— Purchased steam	71,423	60,125	71,342	tons	
Total energy consumption ⁴	50,113	39,855	43,859	tons of coal equivalent	
Total energy consumption per unit revenue	13.3	13.6	13.4	tons of coal equivalent/ HK\$ million	
Water resources consumption					
Fresh water consumption ⁵	1,428,442	1,275,469	1,371,618	tons	A2: Use of Resources
Water consumption per unit revenue	377.9	436.1	420.0	tons/HK\$ million	
Packaging materials consumption					
Packaging materials consumption	253	304	N/A	tons	A2: Use of Resources
Packaging materials consumption per unit revenue	0.067	0.104	N/A	tons/HK\$ million	

³ Discharge hatches are examined once a year. There are changes and fluctuations in relation to products manufactured during different periods, and data would fluctuate accordingly.

⁴ Direct energy consumption consists of natural gas, diesel and gasoline consumption. Indirect energy consumption refers to purchased electricity and consumption of purchased steam. Calculation is made with reference to GB/T 2589-2020 General rules for calculation of the comprehensive energy consumption and GHG Protocol issued by WRI and WBCSD.

⁵ Fresh water comes from municipal pipe network and natural water body.

APPENDIX 1 ESG DATA

Social Performance

	2021	2020	2019	Unit	Indicators of the Stock Exchange
Staff employment					
Number of staff	7,155	6,179	7,125	number	B1: Employment
Number of employees by gender					
Male	5,120	3,528	5,059	number	B1:Employment
Female	2,035	2,651	2,066	number	
Number of employees by age					
Below 30	1,783	1,542	1,995	number	
30-39	2,786	2,404	2,565	number	B1:Employment
40-49	1,916	1,717	1,924	number	
50 or above	670	516	641	number	
Number of employees by academic qualification					
Master and bachelor degree	61	53	71	number	
Tertiary and undergraduate	1,654	1,232	1,283	number	B1:Employment
Below tertiary education	5,440	4,894	5,771	number	
Number of employees by type of employment					
Full time	7,154	6,179	7,125	number	B1:Employment
Part time	1	–	–	number	
Number of employees by job function					
Production	5,091	4,185	5,059	number	
Quality management	715	747	855	number	
Research and development and engineering	713	626	712	number	
Sales and marketing, customer service, supply chain and warehousing	323	325	143	number	B1:Employment
Legal, finance, human resources and administration	313	296	356	number	

APPENDIX 1 ESG DATA

	2021	2020	2019	Unit	Indicators of the Stock Exchange
Employees by geographical region					
Asia	5,779	5,106	5,984	number	
Europe	919	924	998	number	B1:Employment
Americas	457	149	143	number	
Staff retention					
Staff turnover by gender					
Group	15.1	27.3	N/A	%	
Male	14.6	26.7	N/A	%	
Female	16.1	28.8	N/A	%	B1:Employment
Staff turnover by age					
Below 30	19.5	41.1	N/A	%	
30-39	15.4	25.4	N/A	%	
40-49	8.8	16.9	N/A	%	B1:Employment
Over 50	13.5	7.6	N/A	%	
Staff turnover by geographical region					
Asia	14.4	30.2	N/A	%	
Europe	10.2	6.6	N/A	%	B1:Employment
Americas	31.5	24.9	N/A	%	
Occupational health and safety					
Number of work-related fatalities	0	0	0	number	
Work-related fatality rate	0	0	0	%	B2:Health and Safety
Lost days due to work-related injury	1,432	920	1,391	days	
Staff training					
Total staff training hours	253,530	173,672	26,846	hours	
Total number of trained staff	7,155	6,179	5,724	number	B3:Development and Training
Training coverage	100	100	80	%	
Average training hours per staff	35.4	28.1	4.7	hours	
Percentage of trained staff by gender					
Male	72	57	73	%	B3:Development and Training
Female	28	43	27	%	

APPENDIX 1 ESG DATA

	2021	2020	2019	Unit	Indicators of the Stock Exchange
Percentage of trained staff by job function					
Production	70.4	67.5	67.6	%	
Quality management	10.6	15.0	22.9	%	
Research and development and engineering	10.0	6.2	4.9	%	
Sales and marketing, customer service, supply chain and warehousing	4.4	5.6	2.3	%	B3:Development and training
Legal, finance, human resources and administration	4.6	5.7	2.3	%	
Average training hours per staff by gender					
Male	33.9	34.7	N/A	hours	B3:Development and Training
Female	39.2	19.3	N/A	hours	
Average training hours per staff by job function					
Production	34.5	28.0	N/A	hours	
Quality management	53.6	34.8	N/A	hours	
Research and development and engineering	21.3	17.2	N/A	hours	
Sales and marketing, customer service, supply chain and warehousing	37.1	29.8	N/A	hours	B3: Development and Training
Legal, finance, human resources and administration	40.2	33.5	N/A	hours	
Supplier Performance					
Total number of suppliers	3,112	2,682	1,965	number	B5:Supply Chain Management
Number of suppliers by geographical region					
Asia	1,014	1,102	1,081	number	
Europe	1,803	1,466	884	number	B5: Supply Chain Management
Americas	295	114	N/A	number	

APPENDIX 1 ESG DATA

	2021	2020	2019	Unit	Indicators of the Stock Exchange
Suppliers' Environmental and Social Considerations					
Total number of suppliers obtaining ISO 14001 certification	110	N/A	N/A	number	B5: Supply Chain Management
Product quality					
Total number of product complaints	446	N/A	N/A	number	B6: Product Responsibility
Percentage of product recall due to safety and health reasons	0	0	N/A	%	
Product research and development					
Total invention patent newly applied	6	3	N/A	SKUs	B6: Product Responsibility
Total existing invention patents	90	85	N/A	SKUs	
Total utility patent newly applied	28	46	N/A	SKUs	
Total existing utility patent	291	256	N/A	SKUs	
Research and development costs expenses	211.0	171.3	177.6	HK\$ million	
Commercial Ethics Performance					
Corruption litigation cases	0	0	0	incident	
Number of directors and employees who have participated in anti-corruption training	2,466	N/A	N/A	number	B7: Anti-corruption
Social Contributions					
Total number of staff who have taken part in charitable activities	120	N/A	N/A	staff	B8: Social Investment
Total number of hours of participation in community events	280	N/A	N/A	hours	
Social donations	0.6	0.2	1.0	HK\$ million	

APPENDIX 2 ESG CONTENT INDEX

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

ESG aspects and general disclosure and key performance index (KPI)			Chapter
Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1 Environmental Management
	A1.1	The types of emissions and respective emissions data.	Appendix 1 ESG Data
	A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1 ESG Data
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1 ESG Data
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1 ESG Data
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	2.4 Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, description of reduction target(s) set and steps taken to achieve them.	2.4 Emissions Management

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ESG aspects and general disclosure and key performance index (KPI)			Chapter
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2 Addressing Climate Change 2.3 Use of Resources
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1 ESG Data
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1 ESG Data
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2 Addressing Climate Change
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	2.3 Use of Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix 1 ESG Data
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	2.1 Environmental Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.1 Environmental Management 2.4 Emissions Management
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	2.2 Addressing Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	2.2 Addressing Climate Change

APPENDIX 2 ESG CONTENT INDEX

ESG aspects and general disclosure and key performance index (KPI)			Chapter
Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	3.1 Employer Responsibility
	B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1 Employer Responsibility Appendix 1 ESG Data
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1 ESG Data
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.1 Employer Responsibility
	B2.1	Number and rate of work-related fatalities in the past three years (including the reporting year).	3.1 Employer Responsibility Appendix 1 ESG Data
	B2.2	Lost days due to work injury.	Appendix 1 ESG Data
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.1 Employer Responsibility
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.1 Employer Responsibility
	B3.1	The percentage of employees trained by gender and employee category.	Appendix 1 ESG Data
	B3.2	The average training hours completed per employee by gender and employee category.	3.1 Employer Responsibility Appendix 1 ESG Data

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ESG aspects and general disclosure and key performance index (KPI)			Chapter
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.1 Employer Responsibility
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employer Responsibility
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Employer Responsibility
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	1.4 Industry Co-Construction
	B5.1	Number of suppliers by geographical region.	Appendix 1 ESG Data
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	1.4 Industry Co-Construction
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	1.4 Industry Co-Construction
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	1.4 Industry Co-Construction Appendix 1 ESG Data

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ESG aspects and general disclosure and key performance index (KPI)			Chapter
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	1.3 Craftsmanship Manufacturing
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix 1 ESG Data
	B6.2	Number of products and service related complaints received and how they are dealt with.	Appendix 1 ESG Data
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.3 Craftsmanship Manufacturing Appendix 1 ESG Data
	B6.4	Description of quality assurance process and recall procedures.	1.3 Craftsmanship Manufacturing
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	1.3 Craftsmanship Manufacturing

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ESG aspects and general disclosure and key performance index (KPI)			Chapter
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.2 Compliance Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.2 Compliance Operation Appendix 1 ESG Data
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.2 Compliance Operation
	B7.3	Description of anti-corruption training provided to directors and staff.	1.2 Compliance Operation Appendix 1 ESG Data
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	3.2 Harmonious Community
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	3.2 Harmonious Community
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix 1 ESG Data

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CORE CONTENT INDEX OF “GRI STANDARD”

Disclosure Issue/Item	Headline of Disclosure Item	Chapter
GRI101: Foundation 2016		
GRI102: General Disclosures 2016		
Organization Profile		
102-1	Name of Organization	About This Report
102-2	Activities, Brands, Products and Services	About Impro
102-3	Location of Headquarters	About Impro
102-4	Location of Operations	About Impro
102-5	Ownership and Legal Form	About Impro
102-6	Markets Served	About Impro
102-7	Scale of Organization	About Impro
102-8	Information on Employees and Other Workers	3.1 Employer Responsibility
102-9	Supply Chain	1.4 Industry Co-Construction
Strategy		
102-14	Statement from Senior Decision-makers	Statement of the Board
102-15	Key Impacts, Risks and Opportunities	1.1 Sustainable Development Management
Ethics and Integrity		
102-16	Values, Principles, Standards and Code of Conduct	1.1 Sustainable Development Management
102-17	Mechanisms for Ethical Advice and Concerns About Ethics	1.2 Compliance Operation
Governance		
102-18	Governance Structure	1.1 Sustainable Development Management
102-19	Delegating authority	1.1 Sustainable Development Management
102-20	Responsibilities of Executive Management for Economic, Environmental and Social Issues	1.1 Sustainable Development Management
102-21	Consultation with Stakeholders on Economic, Environmental and Social Issues	1.1 Sustainable Development Management
102-22	Composition of the Highest Governance Body and Its Committees	1.1 Sustainable Development Management
102-23	Chairman of the Highest Governance Body	1.1 Sustainable Development Management
102-24	Nomination and Selection of the Highest Governance Body	1.1 Sustainable Development Management
102-25	Conflict of Interest	1.2 Compliance Operation
102-26	Role of the Highest Governance Body in Formulating Purpose, Value Concept and Strategies	1.1 Sustainable Development Management
102-29	Identification and Management of Economic, Environmental and Social Impacts	1.1 Sustainable Development Management

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
102-31	Review of Economic, Environmental and Social Issues	1.1 Sustainable Development Management
102-32	Role of the Highest Governance Body in Sustainable Development Report	Statement of the Board 1.1 Sustainable Development Management
102-33	Communication of Important Concerns	1.1 Sustainable Development Management
102-34	Nature and Total Number of Important Concerns	1.1 Sustainable Development Management
102-35	Remuneration Policy	1.1 Sustainable Development Management 3.1 Employer Responsibility
Stakeholder Engagement		
102-40	List of Each Stakeholder Group	1.1 Sustainable Development Management
102-42	Identification and Selection of Each Stakeholder	1.1 Sustainable Development Management
102-43	Each Stakeholder Engagement Policy	1.1 Sustainable Development Management
102-44	Major Issues Raised and Concerns	1.1 Sustainable Development Management
Reporting Practice		
102-45	Entities Covered in Combined Financial Statements	About This Report
102-46	Definition of Report Contents and Issue Boundaries	About This Report
102-47	List of Substantive Issues	1.1 Sustainable Development Management
102-48	Information Restatement	About This Report
102-49	Report Changes	About This Report
102-50	Reporting Period	About This Report
102-51	Latest Reporting Date	About This Report
102-52	Reporting Cycle	About This Report
102-53	Contact Information for Issues Related to This Report	About This Report
102-54	Statement of Reporting in Compliance with GRI Standards	About This Report
102-55	GRI Content Index	Appendix 2: ESG Content Index
GRI103: Management Measures 2016		
General Requirements for Report Management Methods		
103-1	Explanation of Substantive Issues and Their Boundaries	
103-2	Management Method and Its Components	1.1 Sustainable Development Management
103-3	Evaluation of Management Methods	

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
Substantive Issues		
Economy		
GRI201: Economic Performance 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	1.1 Sustainable Development Management
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
201-1	Economic Value Directly Generated and Distributed	2021 ESG Highlights
201-2	Financial Impact Brought About by Climate Changes and	2.2 Addressing Climate Change
2.2	Other Risks and Opportunities	
201-3	Compulsory Fixed Benefit Plan and Other Retirement Plans	3.1 Employer Responsibility
GRI205: Anti-Corruption 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	1.2 Compliance Operation
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
205-1	Operation Points Which Have Been Assessed for Corruption Risk	1.2 Compliance Operation
205-2	Communication and Training of Anti-Corruption Policies and Procedures	1.2 Compliance Operation Appendix 1 ESG Data
205-3	Confirmed Corruption Incidents and Actions Taken	1.2 Compliance Operation
Environment		
GRI301: Materials 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	2.3 Use of Resources
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
301-1	Weight or Volume of Materials Used	Appendix 1 ESG Data
301-2	Use of Recycled Materials	2.3 Use of Resources
301-3	Recycling products and their packaging materials	2.3 Use of Resources

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
GRI302: Energy 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	2.2 Addressing Climate Change
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
302-1	Energy Consumption Within Organization	Appendix 1 ESG Data
302-2	Energy Consumption Outside Organization	Appendix 1 ESG Data
302-3	Energy Intensity	Appendix 1 ESG Data
302-4	Reductions in Energy Consumption	2.2 Addressing Climate Change
302-5	Reductions in Energy Demand for Products and Services	2.2 Addressing Climate Change
GRI303: Water Resources 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	2.3 Use of Resources
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
303-1	Water withdrawal by sources	Appendix 1 ESG Data
303-2	Water sources significantly affected by withdrawal of water	2.3 Use of Resources
303-3	Water Recycling and Reuse	2.3 Use of Resources
GRI305: Emissions 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	2.4 Emissions Management
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
305-1	Direct (Scope 1) Greenhouse Gas Emissions	Appendix 1 ESG Data
305-2	Indirect (Scope 2) Greenhouse Gas Emissions Related to Energy	Appendix 1 ESG Data
305-3	Other Indirect (Scope 3) Greenhouse Gas Emissions	Appendix 1 ESG Data
305-4	Greenhouse Gas Emission Intensity	Appendix 1 ESG Data
305-5	Reductions in Greenhouse Gas Emissions	Appendix 1 ESG Data
305-7	Emissions of Nitrogen Oxides (NO _x), Sulfur Oxides (SO _x) and Other Significant Gas	Appendix 1 ESG Data

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
GRI306: Wastewater and Wastes 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	2.4 Emissions Management
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
306-1	Total Amount of Water Discharge by Water Quality and Discharge Destination	Appendix 1 ESG Data
306-2	Total Amount of Wastes by Type and Treatment Method	Appendix 1 ESG Data
306-3	Significant Spills	2.4 Emissions Management
306-4	Transport of Hazardous Waste	2.4 Emissions Management
GRI307: Environmental Compliance 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	2.1 Environmental Management
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
307-1	Non-compliance with Environmental Laws and Regulations	1.4 Industry Co-Construction
GRI308: Supplier Environmental Assessment 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	1.4 Industry Co-Construction
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
308-1	New Suppliers Selected Using Environmental Standards	Appendix 1 ESG Data
308-2	Negative Environmental Impacts in the Supply Chain and Actions Taken	1.4 Industry Co-Construction
Society		
GRI401: Employment 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
401-1	New Employee Hires and Employee Turnover	Appendix 1 ESG Data
401-2	Benefits Provided to Full-time Employees (Excluding Temporary or Part-Time Employees)	3.1 Employer Responsibility

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
GRI402 : Labor/Management Relations 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
402-1	Minimum notice periods regarding operational changes	3.1 Employer Responsibility
GRI403: Occupational Health and Safety 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
403-1	Worker Representatives in the Labour/Management Joint Health and Safety Committee	3.1 Employer Responsibility
403-2	Types of Work-Related Injuries, and Rates of Work-Related Injuries, Occupational Diseases and Lost Working Days, Absence	Appendix 1 ESG Data
403-3	Workers with High Incidence or High Risk of Diseases Related to Their Occupation	3.1 Employer Responsibility
403-4	Health and Safety Topics Covered in Formal Agreements with Trade Unions	3.1 Employer Responsibility
GRI404: Training and Education 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
404-1	Average Hours of Training Received by Each Employee Each Year	3.1 Employer Responsibility Appendix 1 ESG Data
404-2	Employee Skill Improvement Plan and Transition Assistance Plan	3.1 Employer Responsibility
404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	3.1 Employer Responsibility Appendix 1 ESG Data

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
GRI405: Diversity and Equal Opportunity 2016		
GRI103:	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
Management		
Measures 2016	103-2 Management Methods and Its Components 103-3 Evaluation of Management Methods	
405-1	Diversity of Governance Institutions and Employees	1.1 Sustainable Development Management 3.1 Employer Responsibility Appendix 1 ESG Data
GRI408: Child Labor 2016		
GRI103:	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
Management		
Measures 2016	103-2 Management Methods and Its Components 103-3 Evaluation of Management Methods	
408-1	Operation Sites and Suppliers with Significant Risk of Child Labor Incidents	3.1 Employer Responsibility
GRI409: Forced or Compulsory Labor 2016		
GRI103:	103-1 Explanation of Substantive Issues and Their Boundaries	3.1 Employer Responsibility
Management		
Measures 2016	103-2 Management Methods and Its Components 103-3 Evaluation of Management Methods	
409-1	Operation Sites and Suppliers with Significant Risks of Forced or Compulsory Labor Incidents	3.1 Employer Responsibility
GRI413: Local Community 2016		
GRI103:	103-1 Explanation of Substantive Issues and Their Boundaries	3.2 Harmonious Community
Management		
Measures 2016	103-2 Management Methods and Its Components 103-3 Evaluation of Management Methods	
413-1	Operation Point with Local Community Participation, Impact Assessment and Development Plan	3.2 Harmonious Community
413-2	Operations with Significant Actual and Potential Negative Impacts on Local Communities	3.2 Harmonious Community

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Disclosure Issue/Item	Headline of Disclosure Item	Chapter
GRI414: Supplier Assessment for Impacts on Society 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	1.4 Industry Co-Construction
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
414-1	Selecting New Suppliers by Using Social Standards	1.4 Industry Co-Construction
414-2	Negative Social Impacts in the Supply Chain and actions taken	1.4 Industry Co-Construction
GRI418: Customer Privacy 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	1.3 Craftsmanship Manufacturing
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
418-1	Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data	1.3 Craftsmanship Manufacturing
GRI419: Socioeconomic Compliance 2016		
GRI103: Management Measures 2016	103-1 Explanation of Substantive Issues and Their Boundaries	1.2 Compliance Operation
	103-2 Management Methods and Its Components	
	103-3 Evaluation of Management Methods	
419-1	Non-compliance with Laws and Regulations in the Social and Economic Area	1.2 Compliance Operation