



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

2022

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”, “Impro”, “Impro Group”) 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 2022 to 31 December 2022 (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 our subsidiaries in operating regions and countries including PRC, Turkey, Germany, Czech Republic, Mexico, U.S., Luxembourg and Hong Kong.

BASIS OF PREPARATION

This Report has been prepared in accordance with 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”), and with reference to the GRI Standards issued by the Global Reporting Initiative (the “GRI”) in 2021 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 our 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 18 April 2023 for issuance.

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 website of the Stock Exchange or the website of the Group. We highly value the opinions from our 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.

DISCLAIMER

This ESG Report contains certain forward-looking statements with respect to our future plans, targets, objectives, expectations and intentions. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual performance of Impro Group to be materially different from any performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Impro Group's present and future business strategies and the socio-political and economic environment in which Impro Group will operate in the future. Laws and regulations in the jurisdictions where we operate are also subject to potential change. Consequently, our sustainability targets are not projections or estimates of future performance. Instead, they represent targets that we strive to achieve.



CHAIRMAN'S STATEMENT

I am pleased to report the ESG development and performance over the past year to all Impro's stakeholders. Looking back on 2022, Impro Group not only achieved outstanding financial performance by executing on the Group's three major strategies of "Global Footprint", "Diversified End-markets" and "Twin Growth Engine", but also achieved outstanding results with respect to ESG aspects through strengthened investment.

During the year, the Group published our first set of goals for GHG emission, energy consumption and water consumption density, etc. by 2030, actively identified the impact of the risks of climate change and carried out assessment of and discussion on their solutions. Through energy structure transformation and other enhanced management measures, we achieved a year-on-year decrease of 19.9%, 21.8% and 34.1% in GHG emission intensity, energy consumption intensity and water consumption intensity, respectively, as compared with 2021. Based on the progress of this year, we are confident that the Group will be able to fulfill our first set of environmental goals in the near future, and is looking forward to setting higher climate goals in the future.

Impro Group attaches great importance to the physical and mental health and development goals of every employee, and protects their legitimate rights and interests. At work, we have set up sufficient health protection measures for employees and provided various targeted trainings to improve employees' safety awareness. Outside of work, we enrich the lives of employees and improve their sense of well-being by providing nursing rooms, shuttle buses and other employee benefits as well as building new living facilities, and organizing activities and festivals with local features.

In terms of governance, we focus on internal corporate compliance and insist on building a working environment of integrity and fairness. During the year, Impro Group updated the "Code of Conduct and Business Ethics", "Information Security Management Policy", "Group Internal Whistleblowing Management Policy" and other governing policies, and promulgated the "Group Risk Management Policy" for the first time. The Group has also been continuously improving corporate governance and resistance to various risks, focusing more on the business ethics of the Company and our partners, to achieve honest and reliable business operations through continuous supervision and training.

As a responsible and capable enterprise, we continue to use our own advantages to help the development of local communities, and provide jobs to people with disabilities. At the same time, we pay attention to the growth of the next generation and actively support local educational and volunteering projects.

Impro Group is at the forefront of a time where risks and opportunities coexist. We firmly believe that Impro Group is on the clear path. We put good products and services as our core, fulfill the responsibility of sustainable development, and undertake the mission of driving the common progress of the society to move forward together with all our employees as well as our community towards a bright and more sustainable future.

LU Ruibo

Chairman and Chief Executive Officer

2022 ESG HIGHLIGHTS

ESG AWARDS



In February 2023, Impro was awarded the **Bronze Medal** by EcoVadis, a global reputable corporate social responsibility rating provider in the world



Impro won again the **“Excellent ESG Enterprise”** from Hong Kong Economic Times in October 2022

ENVIRONMENTAL HIGHLIGHTS



Decrease by **19.9%**
GHG emission per unit revenue



Decrease by **21.8%**
Energy consumption per unit revenue



Decrease by **34.1%**
Water consumption per unit revenue



Decrease by **15.4%**
Hazardous waste per unit revenue



Decrease by **11.6%**
Non-hazardous solid waste disposal per unit revenue



Decrease by **35.6%**
Waste water emission per unit revenue

VS 2021

2022 ESG HIGHLIGHTS

SOCIAL HIGHLIGHTS



Training hours reached

283,397 hours with **36.5** hours per employee
100% training coverage



0 number of work-related fatality, and **0** work-related fatality rate



16.0% turnover rate for employees in Asia, and
4.2% turnover rate for employees in Europe



11.6% employees from minority and/or disadvantaged groups



28.6% female employees with
18.8% in top executive positions,
and **25.0%** as the Board of the Company



↓4.4% of lost time serious incident rate for direct workforce and
↓46.1% of lost time incident rate for direct workforce



GOVERNANCE HIGHLIGHTS



Registered a total of **68** new patents and **448** registered patents, covering certain key technologies used in our production process at the end of 2022



5,362 employees received anti-corruption training, an increase of **117.4%**



73.7% of plant locations conducted internal audits on business ethics



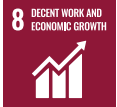




140 suppliers have obtained ISO 14001 Environmental Management System certification, an increase of **27.3%**








11.7% YoY decrease in product complaints



ESG TARGETS AND PROGRESS

| Environmental | | | |
|----------------------|---|---|---|
| Topics | Related SDGs | Targets | 2022 Progress |
| Climate Change |    | Reduce GHG emission intensity by 30% in 2030 as compared to 2020 | On Track: 21% decrease in GHG emission intensity compared with 2020 |
| Energy |   | Reduce energy intensity by 30% in 2030 as compared to 2020 | On Track: 24% decrease in energy intensity compared with 2020 |
| Resource Stewardship | | Reduce water intensity by 40% in 2030 as compared to 2020 | Achieved: 43% decrease in intensity of water consumption compared with 2020 |
| Waste Management | | Reduce hazardous intensity by 50% in 2030 as compared to 2020 | On track: 41% decrease in hazardous waste intensity compared with 2020 |
| | | Reduce non-hazardous waste intensity by 30% in 2030 as compared to 2020 | On track: 9% decrease in non-hazardous waste intensity compared with 2020 |

| Social | | | |
|--------------------------------------|---|--|---|
| Topics | Related SDGs | Targets | 2022 Progress |
| Human Capital |    | 100% of employees receive training | Achieved |
| Health and Safety |    | 0 work-related death accident | Achieved |
| Stakeholder and Community Engagement | | Continuing to expand community involvement | On Track: 2,676 hours of volunteer participation time |

| Governance | | | |
|----------------------|---|--------------------------------------|--|
| Topics | Related SDGs | Goals and Targets | 2022 Progress |
| Corporate Governance |    | 100% anti-corruption training | On Track: 69.1% employees received training on anti-corruption |
| Supply Chain |   | 100% contracts including ESG clauses | On Track: 28.7% contracts including ESG clauses |

Impro Precision Industries Limited was founded in 1998 in Wuxi City, the PRC and our 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 castings and machined components and hydraulic orbital motors for diverse end-markets. As the world's 6th largest independent manufacturer and China's largest manufacturer of investment castings, the Group is also the world's 4th largest precision machining company in the end-markets of automotive, aerospace and hydraulics, and one of the few suppliers offering one-stop solutions, including 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 21 production plants (among which, 19 are in operation and 2 are under construction) in the PRC, Turkey, Germany, Czech Republic and Mexico, which

are supported by 9 sales offices in Mainland China, U.S., Luxembourg, Germany, Turkey, Mexico and Hong Kong as well as warehousing facilities in the PRC, U.S., Luxembourg, Mexico, Germany and Turkey. The Group has established long-term strategic cooperative relationships with globally recognized industry leaders, selling our products to more than 30 countries and regions.

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 2022, average years of business relationship with the top 20 customers amounted to 17.7 years (2021: 17.1 years). Top 10 customers in 2022 accounted for approximately 52% of the total sales of the Group (2021: 55%).

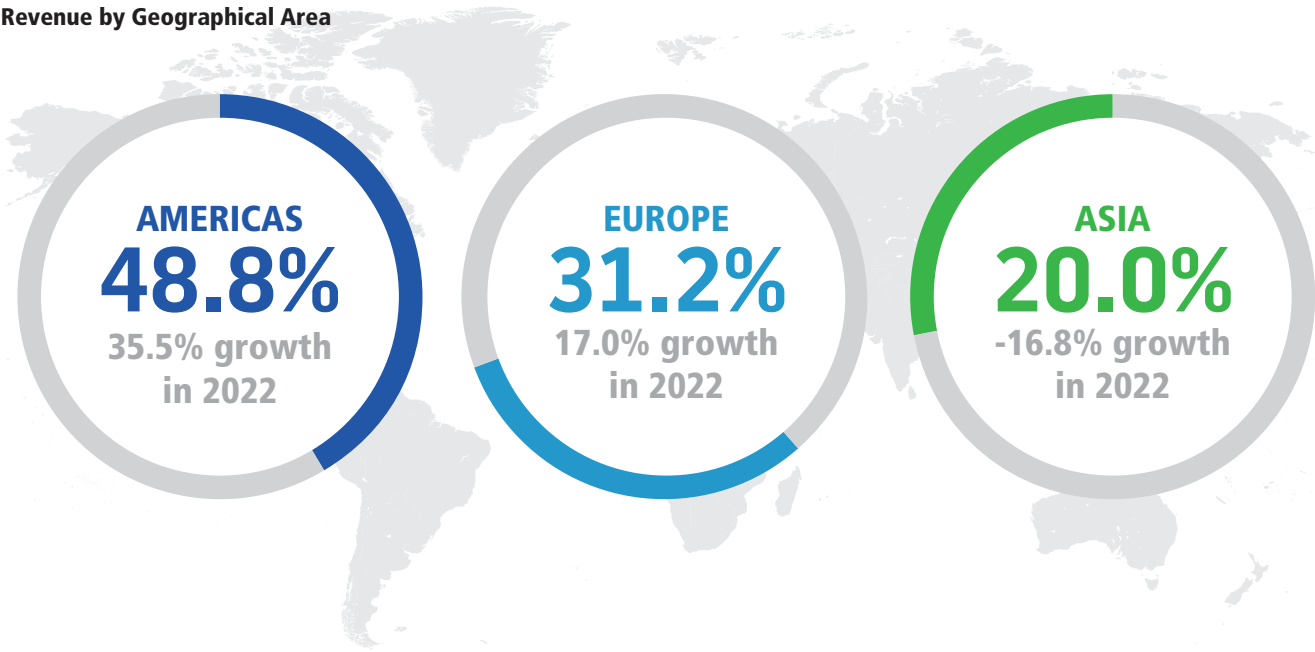


★ Headquarters ● 21 Production Plants ■ 9 Sales Offices ▲ Logistics and Warehousing Capacities

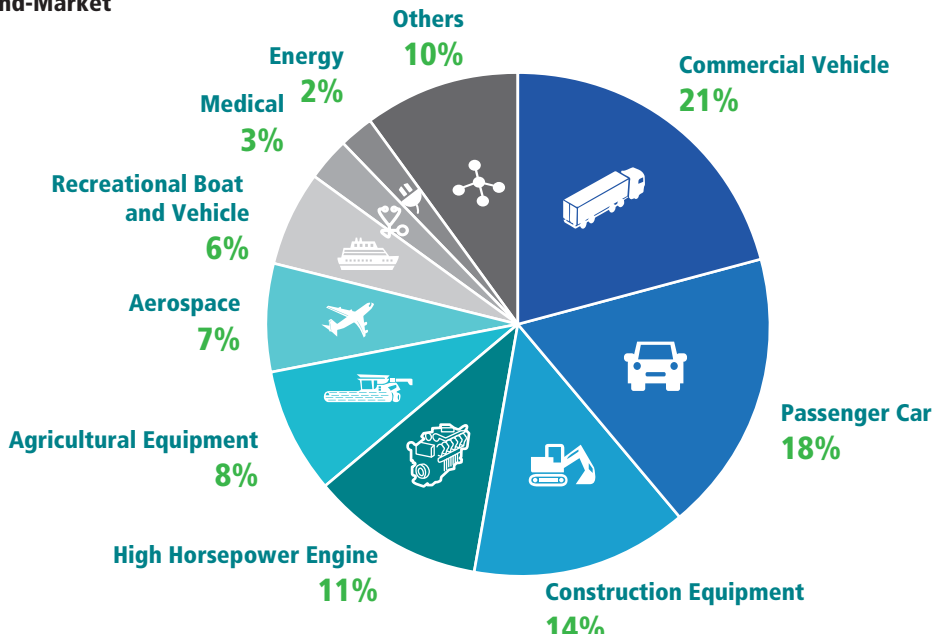
ABOUT IMPRO

2022 Record High Revenue of HK\$4,354.7 million

Revenue by Geographical Area



Revenue by End-Market



PRODUCT AND OPERATIONAL SUSTAINABILITY


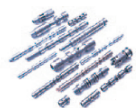


Our products and services are widely applied to various end-markets, including diversified industrials (high horsepower engine, construction equipment, agricultural equipment, recreational boat and vehicle, and other end markets), automotive (passenger car and commercial vehicle), as well as aerospace, medical and energy. 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 2022, we have over 8,500 active SKUs. These components are co-developed in close




cooperation with customers to understand the demand and preference of end 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 and durable products, but we can also help customers reduce the adverse environmental impacts of transport and packaging.

The table below demonstrates the sustainability advantages of our typical products:

| Diversified Industrials | Climate change and energy efficiency | Health and safety |
|--|--|---|
| <p>High horsepower engine components</p>  | <ul style="list-style-type: none"> ● Providing high power with low fuel consumption | <ul style="list-style-type: none"> ● Key component for reducing emission in the emission system to effectively reduce hazardous emissions of horsepower engines |
| <p>Construction equipment hydraulic system components</p>  | <ul style="list-style-type: none"> ● Highly precise and high quality precision machining to ensure the reliability of the hydraulic system and extend useful life | |
| <p>Gas detection components of the oil and gas industry</p>  | | <ul style="list-style-type: none"> ● 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 |
| <p>Hydraulic Orbital Motor</p>  | <ul style="list-style-type: none"> ● Valve-In-Rotor Design enabling efficient distribution of oil for higher motor efficiency, resulting in stronger scissor lift ramp climbing capability and longer working hours | |

ABOUT IMPRO

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

| Aerospace, Medical and Energy | Climate Change and energy efficiency | Health and safety |
|--|--|---|
| <p>Aerospace fuel nozzles of horsepower engine</p>  | <ul style="list-style-type: none"> ● Reducing fuel consumption ● Reducing greenhouse gas emission | <ul style="list-style-type: none"> ● Reducing noise ● Providing outstanding functions, reliability and efficiency |
| <p>Aerospace environment control system components</p>  | <ul style="list-style-type: none"> ● Better managing temperature and air flow of cabins and equipment bays ● Extending product life cycles | <ul style="list-style-type: none"> ● Providing clean and moist air ● Reducing airflow-generated noise |
| <p>CT scanner components</p>  | <ul style="list-style-type: none"> ● High energy efficiency | <ul style="list-style-type: none"> ● Clearer images of patients' bodies for accurate diagnosis ● Reducing noise, suitable for daily use |
| <p>Gas Turbine, Combustion components</p>  | <ul style="list-style-type: none"> ● High fuel flexibility- can burn a variety of fuel mixtures with high hydrogen content | <ul style="list-style-type: none"> ● More power, less emission |

ENVIRONMENT



ENVIRONMENT



At Impro, we are continually researching for bold, impactful, and innovative solutions, aiming to optimize our operation, reduce waste and improve our energy and water efficiency.

1.1 COMPLIANCE AND MANAGEMENT

The Impro Group recognizes our impact to the environment as well as the importance of respecting environmental resources throughout our business operations. We are committed to embracing greener practices and processes to minimize our environmental footprints. Environmental compliance and management have been strongly integrated into our management and culture.

Management System

We strictly abide by 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 as well as environmental industry standards, in all places of operation. The Impro Group regularly reviews relevant laws and regulations, identifies updated terms and conditions, and shares the results across the company in a timely manner to effectively promote environmental compliance.

A sound environmental management system is the cornerstone of Impro's practice of green development. In 2022, we released Impro Environmental Policy, which applies to the Impro Group and our subsidiaries, and to which all employees, suppliers and contractors are required to adhere. This policy governs the operation of our environmental management system. We sets out quantitative targets for energy, water, emissions, and waste reduction, guiding us to take prompt actions on sustainable development. The Sustainability Committee is responsible for overseeing the implementation of the policy, and the Board of Directors will review this policy every three years to ensure that it is in line with the Impro's current situation and stakeholders' expectations.

Meanwhile, we have established an execution team for environmental protection management to identify risk factors in the production process that may have a negative environmental impact and set up preventive measures. The team is also responsible for professional treatment of waste, closely monitoring changes in the local environmental laws and regulations and updating the internal production requirements as needed. During the reporting period, environmental risk assessments were carried out in 13 plants, accounting for 68.4% of the total operating plants as of 31 December 2022.

To continuously raise employees' awareness of environmental compliance, the Impro Group has been taking efforts to organize environmental-related trainings. During the reporting period, 6,560 staff have been trained on environmental issues, witnessing a 11.4% increase compared with 2021.

Certification and Recognition

To continuously enhance the level of our environmental management and improve environmental protection performances, the Impro Group encourages our plants to obtain ISO environmental management system certifications and carry out cleaner production.

As of 31 December 2022, 10 plants in China, Turkey, Germany, Czech Republic and Mexico have obtained the ISO 14001 Environmental Management System (EMS) certification, accounting for 52.6% of the total number of plants.

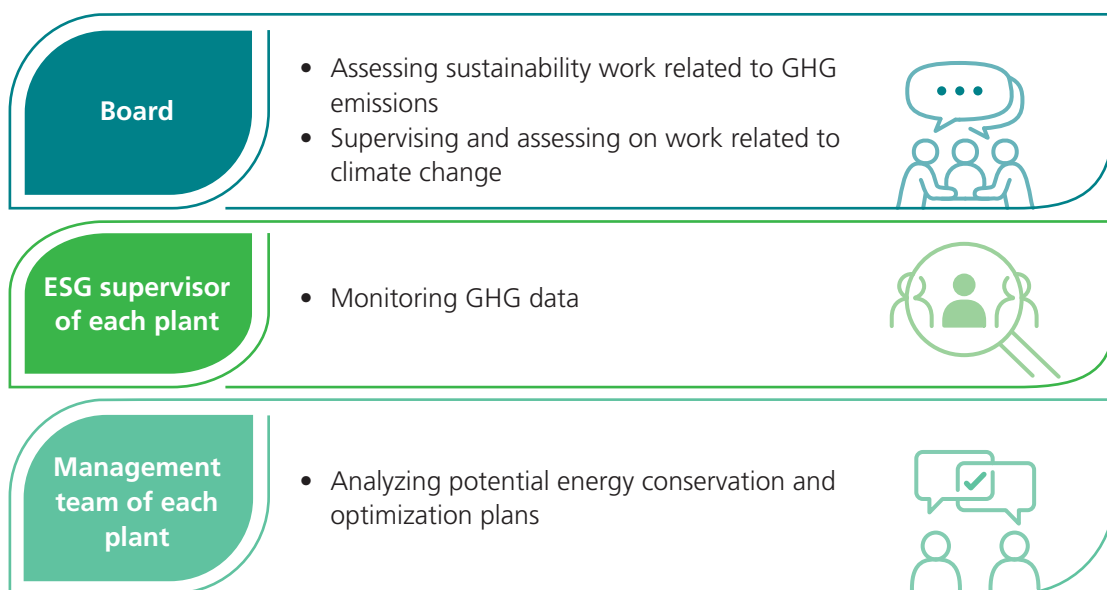
1.2 CLIMATE CHANGE

Climate change is one of the major challenges facing us in the 21st century. To address the financial ramifications brought on by pertinent climate change threats, we employ sound corporate risk management and strategic planning, and identify the pertinent opportunities. We have incorporated the Task Force on Climate-related Financial Disclosures (TCFD) framework into our climate risk management process and have taken actions to reduce energy consumption and GHG emissions through various energy saving measures.

Governance

The Board takes the lead in conducting analysis and monitoring of climate-related risks and ensures that they are incorporated into our strategy. Each plant's ESG supervisor and management team are responsible for monitoring climate data and implement the corresponding climate actions.

Climate Management Structure



ENVIRONMENT

Climate-related Risks and Strategies

Given the multifaceted and shifting impacts from climate-related risk on business, effective management of climate-related risks is essential for business operations. Factors considered include geographic location, local policies, future government plans, and the historical record of extreme weather events, etc. Impro Group's climate-related risk assessment and specific countermeasures are set out in details as below:

| Physical Risk | |
|--|--|
| <p>Acute Risk</p> <ul style="list-style-type: none"> • Extreme weather conditions (flood, storms, drought, etc.) <p>Chronic Risk</p> <ul style="list-style-type: none"> • Sea level rise • Increased temperatures and a linked drop in water availability | <p>Mitigation and Adaptation</p> <ul style="list-style-type: none"> • Identify potential locations at risk and mitigate impacts by capital or management actions, insurance coverage, and emergency planning • Management of each plant and company pays high attention to weather forecast to ensure staff safety and make adequate preparations |

| Transitional Risk | |
|--|---|
| <p>Policy Changes Risk</p> <ul style="list-style-type: none"> • Launch of policies in relation to energy conservation and emission reduction • More stringent reporting obligations and compliance requirements on emissions • Changes in regulatory requirements and standards <p>Technology Risk</p> <ul style="list-style-type: none"> • Costs to transition to low emission product and technology <p>Market Risk</p> <ul style="list-style-type: none"> • Customers' demand on environmental protection and green production • Surges in electricity fees and fuel expenses <p>Reputation Risk</p> <ul style="list-style-type: none"> • Customers' attention to corporate responsibilities • Stakeholders' concern on negative news | <p>Mitigation and Adaptation</p> <ul style="list-style-type: none"> • Set energy conservation and consumption reduction targets and GHG emission reduction targets, actively take relevant measures to reduce greenhouse gas emissions, and promote the gradual reduction of GHG emission intensity and total volume • Upgrade high energy-consuming equipment to save energy; promote resource recycling • Strengthen energy conservation and emission reduction management, training and publicity in the overall production and operation process, and raise employees' awareness of energy conservation • Develop green and low-carbon production techniques, reduce production costs and increase profit margins • Pay close attention to market signals and energy policy changes to ensure timeliness of information |

Targets and Metrics

We integrate energy conservation and emission reduction throughout our operations, with the goal of minimizing our impact on environment and fighting against climate change. In 2022, we set our first climate goals. We are committed to reduce both GHG emission intensity and energy intensity by 30% in 2030 as compared to 2020.

In 2022, our energy efficiency continued to improve, with our GHG emissions intensity decreasing 19.9% and energy intensity decreasing 21.8% compared with 2021.

Our 2030 Goals

- GHG emission Intensity **↓30%** as compared to 2020
- Energy intensity **↓30%** as compared to 2020



↓ 19.9% YoY Intensity of GHG Emissions



↓ 21.8% YoY Intensity of Energy Consumption

Implementation

To achieve our energy and emission reduction targets and the green transition of the Group, Impro has set key initiatives across the entire production operation. The pathways to achieve our energy and GHG emission targets including: (1) Improving energy efficiency, (2) Accelerating energy mix transformation and (3) Enhancing energy awareness.

Pathway 1: Improve Energy Efficiency

With reference to the local regulations and international best practices in the industry, the Impro Group continually explores new energy-saving equipment and optimizes processes to reduce energy dependency.

ENVIRONMENT

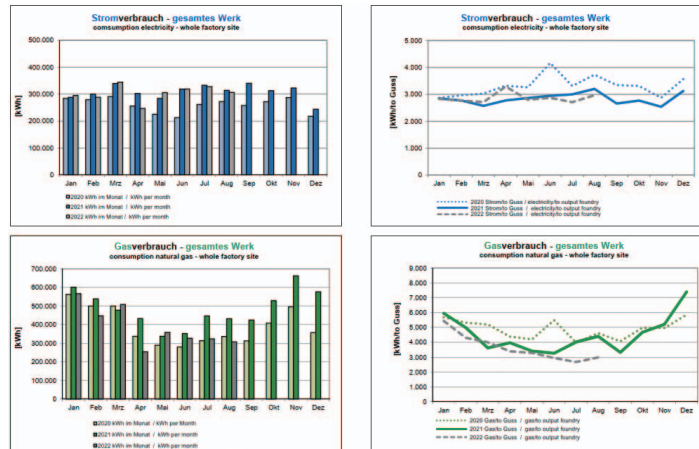
Energy management digital transformation

Impro Group’s production plants have started to implement energy analyser devices for high electric consumer machines. We are also implementing software for monitoring and calculation of energy effectiveness and controlling of energy consumption. Equipment with high electricity consumption is replaced with more energy-efficient ones.



Energy audit

The production plant in Germany has conducted energy audit in 2022. The audit analysed the monthly consumption of electricity and natural gas for the entire factory site and made projections of the energy consumption in the future year. Through a series of energy monitoring, auditing, and projection, the plant has gained insights in its consumption patterns, and identified opportunities in reducing energy costs through management and energy saving.



Residual heat recovery

In one of our production plants in China, we have started to generate savings in steam and costs through internal modification of air compressor, installation of piping between heat recovery module and air compressor, and heat recovery control system to utilize unintentionally generated heat to heat hot water for production. The steam saving is estimated to be 5.5 tons annually.



Pathway 2: Accelerate Energy Mix Transformation

Impro has made considerable efforts to explore diversified clean energy utilization solutions and adopt clean and renewable energy sources into our energy structure.

Solar energy

Impro has successfully installed photovoltaic grid-connected power generation system on the rooftop of our production plant in China on 20 December 2022. The projected average annual power generation is over 2 million KWH of green energy, reducing about 1,570 tons of carbon dioxide emissions. It has significant economic and environmental benefits and is of great significance for optimizing the energy structure and serving the green and low-carbon development of regional economy and society. Meanwhile, Impro is expected to obtain the green energy award after 6 months of grid connection. Similar projects will also be launched in other China, Turkey and Mexico plants in the near future.



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Pathway 3: Enhance Awareness

It is Impro Environmental Policy to raise employees' awareness of energy conservation. Impro is dedicated to arranging annual trainings related energy saving.

Measures of Energy Conservation Publicity



Designing posters on energy awareness and presenting video on energy saving in canteens



Adding content relating to natural resources consumption to new staff trainings



Promoting energy saving concept in festivals relating to environmental protection, such as the World Environment Day



1.3 RESOURCE STEWARDSHIP

Impro attaches great importance to the protection of water resources and the economical use of packaging materials. We strive to enhance our efficiency of resource management and have set out targets to facilitate our resource saving actions. We are committed to reducing water intensity by 40% in 2030 as compared to 2020.

Our 2030 Goal

- Water intensity **↓40%** as compared to 2020

Water Stewardship

Water is a vital resource for our society. The sustainable wellbeing of our local system and communities depends on responsible management of water and the protection of water resources.



↓ 34.1% YoY Intensity of Water Consumption

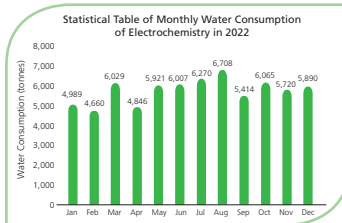
Practices of Water Resource Management

Cooling water circulation



- Impro's production plants in China have installed selfdraining closed cooling towers. They enable fully closed circulation of cooling water, which protects the circulating cooling water from leakage, or being polluted.

Precise management



- Impro conducts water meter reading on a daily basis. We evaluate the consumption pattern of each production line and adjust the use correspondingly.
- Infrared sensors are installed in the washroom. The sensor can automatically adjust the flushing time according to the frequency of use and the length of time of each use, so as to save water more effectively. With these sensors, the plant is expected to save 26,000 tons of water/year.

Concentrated water reuse



- The 3-ton capacity pure water station discharges concentrated water, which is treated through the reuse system and sewage treatment equipment. Up to the end of the reporting period, a total of 7,830 tons of water has been saved.

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In 2022, our total water consumption was 1,082,236 tons, with a consumption intensity (tons/HK\$'M) of 249, decreasing 34.1% as compared to 2021. When comparing to 2020, our total water consumption intensity decreased by 42.9%, exceeding our 2030 goal. The significant improvement was mainly attributable to our continuous improvement in production process to reduce water usage, increase water reuse proportion and also due to the significant lower production of our surface treatment plant in Nantong as a result of the fire accident in June 2022.

Packaging Management

Reducing the impact of packaging materials on the environment is a priority for the Impro Group. To achieve a higher degree of circularity, we have adopted reducing, reusing, and recycling initiatives for packaging materials.

Recycle

More than 80% of our deliveries made from our plants in Turkey to customers are contained in returnable packaging, including VDA KLT, plastic pallets, pallet covers, lids and thermoformed pallets. Cardboard packaging, wooden trays are also adopted at multiple sites.



Substitution

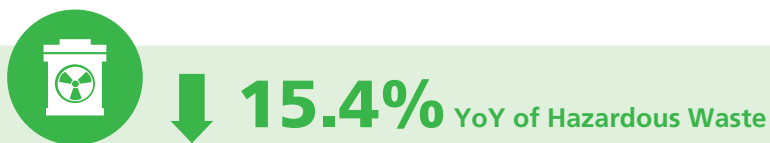
Before 2022, the blister boxes used in China were all made of PVC, which is not recyclable, not degradable, and costly to dispose of. As of the end of June 2022, the blister box material has been replaced with PET material, which is fully recyclable.

1.4 SOLID WASTE

Waste not only disrupts the original ecological balance of the earth, but also endangers human health. Therefore, the Impro Group strictly abides by the relevant laws and regulations on waste management and actively takes actions to reduce the impact of waste generation and disposal. In 2022, our hazardous waste drops for a third consecutive year, with a 15.4% decrease in intensity compared with 2021.

Our 2030 Goals

- Hazardous waste intensity **↓50%** compared with 2020



Waste Management

The Impro Group strictly supervises the collection, classification, storage, transfer of different kind of waste from manufacturing and daily operations to avoid environmental pollution and maintain compliance. We are committed to continuously optimizing production methods, regularly monitoring, and analyzing waste stream, and enhancing the reuse and recycling to reduce waste in a targeted manner. We divide waste into recyclable waste, general industrial solid waste, household waste and hazardous waste. In addition, we upgraded the equipment to reduce environmental impact and effectively reduced the discharge of hazardous waste.

Our 2030 Goals

- Non-hazardous waste intensity **↓30%** as compared to 2020

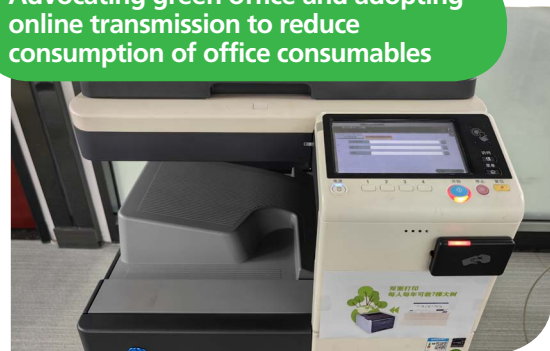
Measures of Waste Reduction

Strengthening internal and external publicity on waste reduction



- Enhancing waste classification awareness of all staff and posting waste stream notice in operation and living areas

Advocating green office and adopting online transmission to reduce consumption of office consumables



- Reducing paper approval forms by implementing an online approval process
- Encouraging employees to print on both sides

ENVIRONMENT

Strictly handling hazardous waste



- Impro has established a comprehensive hazardous waste management. Hazardous waste of different categories shall be placed separately in each designated area with warning signs and is regularly inspected to prevent mishandling and leaking.

Actively exploring recyclable materials for iteration



- Our new wax treatment equipment allows filled wax for production to be separated from the filler, and after treatment it can reach the standard of the reused wax for on-site production.



↓ **11.6%** YoY of Non-hazardous Waste

1.5 POLLUTANT EMISSIONS

We have formulated the Waste Gas Emission Management Rules and the Waste Water Discharge Management Rules to suit our production processes. We are determined to regularly monitor, measure and analyze the waste gas emission and waste water discharge. In 2022, our waste water emission recorded a 35.6% drop compared with 2021.



↓ **35.6%** YoY of Waste Water Emission

Wastewater Management

We are making continuous efforts to upgrade wastewater treatment stations and improve the efficiency of pollutant treatment process and reduce the pollutant concentration of discharged wastewater.

Real-time monitoring

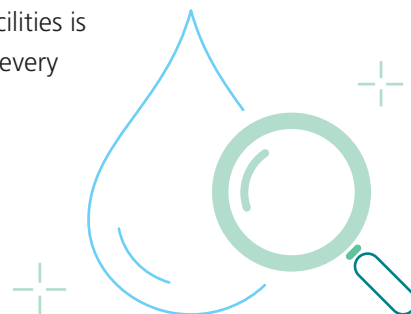
In our production plant in China, we have installed monitoring systems at the effluent outfalls with real-time statistics on the amount of effluent discharged, improving our timeliness in identifying, thus handling of abnormal situations, and reducing the risk of environmental pollution.

In addition, our plant has installed monitoring systems for total chromium and total nickel discharges, and implemented strict monitoring requirements. Our system is connected with the local environmental protection bureau’s monitoring systems and will notify the bureau if abnormal values are detected.



Chemical treatment

Chemical treatment system has been implemented in our production plants in our Turkey plant. With this achievement, both of our Turkish plants have zero hazardous wastewater. The wastewater treatment system carries out daily checks of wastewater condition including pH value and colour etc. The treated water from all our wastewater facilities is analysed under the control of the local Environment Ministry every 3 years.



ENVIRONMENT

Gas Emissions Management

We continuously improve emissions management and reduce the amount or intensity of emissions through process innovation and facility retrofitting.

Retrofit of exhaust gas treatment facilities

In our production plant in China, the photo-oxidation catalytic oxidation process was changed to an activated carbon adsorption process, which improved the adsorption efficiency of VOCs and reduced the emission of exhaust gases.

The dust-absorbing hood above the roaster was modified to expand the effective coverage area of the dust-absorbing hood and reduce the escape of fumes and dust.

In 2022, we built environmental protection equipment for the collection and treatment of exhaust gas emissions such as H₂S and methane at the wastewater treatment station.

Leveraging environmental protection equipment and fume and dust collection equipment in our production plant, we collect and treat the particles produced during sandblasting and the fume and dust produced during casting centrally.



VOCs source substitution

Binder has been replaced from alcohol-based to water-based binder in our production plant in China. One of the fast-drying cleaning agents has been changed to environmentally friendly cleaning agent which contains a relatively small amount of VOCs.



SOCIAL



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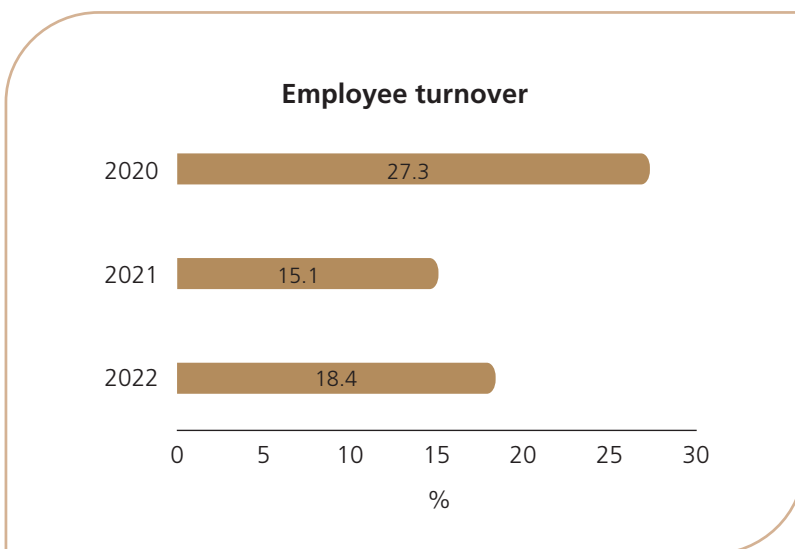
As a responsible business and employer, the Impro Group strives to build an equitable, diverse and safe environment for our employees and communities. We are committed to create a supportive workplace for our employees and bring positive impact to our communities.

2.1. HUMAN CAPITAL

We uphold our value of “Integrity and Credibility, Diligence and Unity, Pragmatism and Efficiency, Pursuit of Excellence and Innovation”. Employees are our strategic focus and the most precious asset. Through protection of employees’ rights and facilitation of staff development, we aim to

maintain a fair and equitable working environment for them and enhance Impro Group’s culture of belonging.

During the Reporting Period, our turnover rate was 18.4%, as compared with 15.1% in 2021 and 27.3% in 2020. The higher turnover rate in 2022 was mainly corresponded to the significant ramp up of our Mexico plants operations. Management is currently implementing a range of various measures to retain competent staff while continuing the aggressive expansion of our operations in Mexico. In Asia and Europe, our staff turnover rate remained stable at 16.0% and 4.2% respectively in 2022.



16.0% turnover rate for employees in Asia, and **4.2%** turnover rate for employees in Europe

Talent Development

The Impro Group recognizes the importance of career development of our employees and continuously cultivates talent through various initiatives to enable staff to perform at their best.

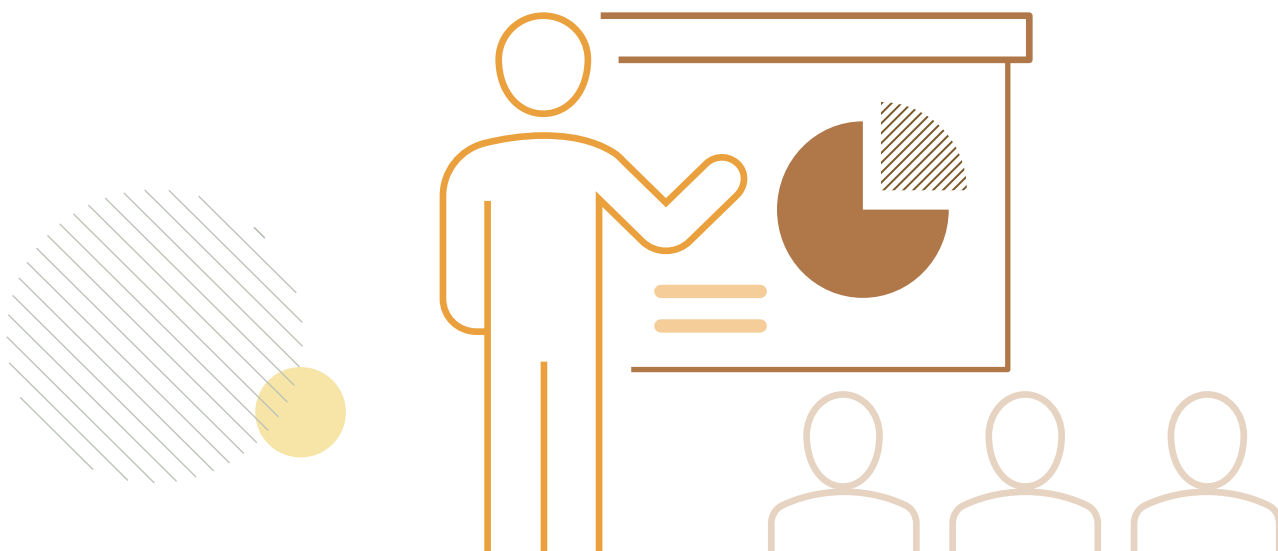
During the Reporting Period, Impro's total training hours reached 283,397 while internal training accounted approximately 200,000 hours; the average training hours were 36.5 hours, representing a year-on-year increase of 3.1%, and 85.2% employees received skill development trainings in all sites.

Target Empowerment

Impro Group has formulated Corporate Training Policy to manage the training planning and implementation. HR Department takes charge of the training plan formulation and adjustment based on Impro's business needs.

The Company also improved training efficiency through technological innovation. During the Reporting Period, Impro Group introduced the Youkaoshi online training and exam system, and achieved a closed loop of internal training through four links including learning, practicing, examination and evaluation. We implemented measures such as setting up error books, preventing cheating, and analysing training data, to improve the internal training efficiency.

Impro has also established a comprehensive multi-category training system covering internal, external and self-training. We offer onboarding training, skill training, safety training and quality training. In addition, we offer tuition fee reimbursement to encourage employees to develop their skills, and assist them in obtaining degrees and certifications.



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Technician training in the Group's production plants in China

In 2022, the Group's production plants in China applied to the Human Resources and Social Security Bureau for the qualification of skill level evaluation organization to train the intermediate and senior foundry workers. Additionally, experts were invited to conduct professional skill training, covering professional knowledge and application of foundry skills, etc.

During the Reporting Period, 43 employees have obtained the nationally recognized senior foundry worker skill level certificate, and 3 employees have obtained the intermediate foundry worker skill level certificate.



IATF 16949 disclosure and internal audit training in the Turkish plants



At least 2 people in each department are trained to become internal auditors. At the end of the training, people become conscious about the IATF 16949 Quality Management System. An evaluation exam was held. All personnel passing the exam gained a certificate and became an internal auditor.



Talent Promotion

Impro Group recognizes the importance of talent empowerment. We have formulated Corporate Post Management Policy to regulate the application, approval and management of position determination and adjustment.

The Company implements skill matrix evaluation and talent inventory analysis regularly to identify current risks and opportunities and make better informed decisions to improve talent management and eventually business performance. Skill matrix evaluation is utilized to help employees discover the skill gap and identify the corresponding suitable skill development programs in Impro

plants. The factors analyzed in the evaluation include leadership, risk management, OHS management and computer skills etc.

We conduct performance appraisal annually for middle management personnel, the assessment results will be treated as an important factor for the next year’s contract renewal consideration. In terms of talent inventory analysis, we analyze young employees or skilled personnel against existing vacancies or new job demands twice a year, and promote talents when suitable candidates are identified in the analysis. During the Reporting Period, 85.1% employees received regular individual performance and career development evaluation in all sites.

Employee Developing Channels

Young Eagle Plan

- Impro Group proposes the Young Eagle Plan targeting at cultivation of college graduates.
- During the Reporting Period, 30 college students participated in Young Eagle Plan.



Employee First Year Consultation Plan

- Employees who have been employed for less than one year are required to regularly summarize their work content and reflect on their work achievements and problems in the second week, first month, third month, sixth month and the end of the first year of employment respectively.
- We will communicate with them based on their personal review, answer questions, and assist them with their career development plans.

Star Mechanician and Star Technician

- We formulated a skill set for major technical work to encourage technicians to continuously upgrade their skills and smooth their career development paths.
- During the Reporting Period, 161 technicians were selected after the appraisal in the China region of Impro.

SOCIAL

Talent Attraction

To protect the legal rights of employees and ensure our compliance, Impro Group strictly abides by the Labor Law of the People’s Republic of China, Labor Contract Law of the People’s Republic of China, Law of the People’s Republic of China on the Protection of Minors, Provisions on Prohibition of Child Labor and The Labor Law of Turkey as well as the other applicable laws and regulations of countries and regions in which we operate. We adhere to the principles of compliance, fairness and equality. We have also updated and implemented internal procedures including the Corporate Entry Policy, Child Labor Rescue Procedures and Impro Child Labor, Forced Labor

and Human Trafficking Policy etc. to govern our recruitment process. We have also updated our Code of Conduct and Business Ethics, and continue to have zero tolerance regarding child labor, forced or slave labor.

Child Labor Rescue Procedures and Impro Child Labor, Forced Labor and Human Trafficking Policy are applied in our requirement process to avoid any form of child and forced labor. Impro Group does not permit the employment of individuals aged below 16 years. During the Reporting Period, there was no litigation in relation to labor rights.

Measures to Prevent the Child and Forced Labor

Training on avoiding child and forced labor

- We conduct regular trainings on employees to improve the awareness and understanding on child and human trafficking.



Mitigation procedure

- We strictly follow Impro Child Labor, Forced Labor and Human Trafficking Policy to mitigate any violation found.
- The identities of new employees are verified through various compliant methods, including document collection and verification.
- The HR and the employment department carry out annual verification to check the personnel information.

Reporting channel

- Employees are encouraged to use established channels to report violations or suspected violations.
- We promise to keep the whistle blower’s information confidential and always protect the informer from any form of retaliation.



Corrective measures

- Once any use of child labor or forced labor is found, we will terminate the employment immediately and report to local government.
- On the condition of ensuring the health and wellbeing, the child workers will be sent back to the place of custody.
- Serious treatment measures will be implemented towards the relevant personnel.

Impro Group continuously expands our talent pool and balances our staff structure through enriching our recruitment channels, including Young Eagle Plan and cooperation with universities and colleges.

Impro has also set up a reward system for re-entry and talent recommendation. Outstanding ex-employees are entitled to an amount of reward when they rejoin according to their pre-termination rank. To further expand the talent pool, we have set up a corresponding amount of monetary awards to encourage internal employees to recommend workers. Meanwhile, to promote diversity and synergistic development among our operating sites, we have also set up a subsidy policy to offer generous incentive payment for employees in China to relocate and work in the Mexican plants.

As at the end of the Reporting Period, Impro Group had a total of 7,762 employees worldwide, with male and female employees accounting for 71.4% and 28.6% respectively.

Employee Care

Impro Group targets to create a working environment in which all employees feel welcomed and motivated. We attach great importance to diversity and inclusion, optimizing employee cares and enhancing effective communication with employees to solidate a strong foundation of the company.

Diversity Equity and Inclusion

Impro Group is committed to eliminating all forms of bullying, discrimination and harassment arising from gender, age, sexuality, marital status, physical health, religious belief and other personal attributes. The Company has included the anti-discrimination in the Code of Conduct and Business Ethics. We unequivocally support the fundamental rights of employees to eliminate injustice and inequity, and provide equal employment, promotion opportunities as well as the compensation and benefits to all individuals. The Company also actively identified the human right risks among different sites.

In order to combat prejudice and discrimination, the Company has organized anti-discrimination and anti-harassment training in 2022 for employees to improve their awareness of respecting others and safeguarding own rights. During the Reporting Period, the employees trained in anti-discrimination and human right account for 87.6% among all sites; the percentage of workplace that have undergone a human rights review or human rights impact assessment reached 21.1%; the percentage of workers from minority and/or disadvantaged groups employed in the Company is 11.6% with 5.0% in top executive positions; the percentage of female employed in the Company is 28.6% with 18.8% in top executive positions and 25.0% as directors of the Company.

Discrimination of any kind is prohibited and will not be tolerated. Employees are encouraged to report workplace discriminations to their supervisors, Human Resources representatives, any member of management or contact Audit & Supervision Department through email (speakup@improprecision.com).

SOCIAL

Competitive Remuneration and Benefits

Impro Group believes it is imperative to compensate employees equitably. We comprehensively consider the market standards and have formulated internal policies, such as Corporate Remuneration Policy, Corporate Benefit Policy, Corporate Reward and Reprimand Policy, and Corporate Overtime Policy, to standardize the management of compensation and benefits.

We appreciate our employees' efforts by offering a market-competitive compensation and benefits package. The compensation of a staff is mainly consisted of three parts: basic salary, position salary and performance bonus, and several other pay and bonuses is supplemented.

Remuneration and Bonus Structure



Basic salary

We comprehensively consider the market compensation level, Impro's ability to pay, the relative value of employees' positions in Impro, the contribution of employees and other factors in the salary distribution management.

Position salary

We check and verify Impro's economic benefits regularly to determine and modify the position salary based on the position responsibilities.

Performance bonus

Performance bonus occupies 1/3 of the employee salary and adjusts upward or downward according to the monthly performance evaluation results.

Employee equity plan

Senior management and certain employees were granted Pre-IPO Share Options to incentive value creation and align the long term interest of management with those of shareholders.

SIP bonus

SIP bonus is applicable to product development managers, engineers, and sales account managers when the new project achieved mass production with the production rate, qualified rate and other indicators meet the targets set during the product planning.

KPI bonus

We treat the factories as units and evaluate them based on the indicators such as this and next year revenue and profits, new product development, quality loss amount, scrap rate, monitored inventories amount, reduction in GHG and water intensity, etc. The KPI bonus is then calculated and distributed to the middle and senior managers and relevant key employees.

Overtime pay

We formulate reasonable work plan and encourage staff to improve the efficiency to avoid unnecessary overtime. For any approved overtime, the overtime pay should be made according to the Corporate Overtime Policy.

Impro also provides a wide range of benefits that are tailored to specific groups of employees, such as commuting bus services and nursing rooms.

A Series of Benefits for Employees

Paid leave

- Paid leave includes statutory holidays, annual leave, marriage leave, compassionate leave, maternity leave, breastfeeding time, birth control operation leave, work-related injury leave, sick leave, etc.

Social insurance and housing fund

- We pay social insurance and housing fund for our employees according to the laws in the operating sites.

Meal allowance and working meal

- We provide meal allowance to employees below mid-level, and proper nutrition fees to special posts.

Shuttle bus and dormitory

- We provide shuttle bus for the convenience of employee commuting. The Mexican plants have launched a brand new employee transportation program officially in 2022.
- Employees are welcomed to apply for dormitory.

Physical examination

- Physical examination is provided annually to protect employee health and strengthen the disease prevention.

Recreational activities

- Recreational and sports activities will be organized in the spare time and holidays.

Nursing room

- We have established a nursing room in Xishan to provide convenience for female employees.

SOCIAL

The employee transportation program at the Mexican plants

In September 2022, Mexican plants launched the complimentary employee transportation program to transport employees from downtown to factory. This has not only relieved our employees of long commutes, but also provided extra rest time, thus sought to reduce the employee turnover rate.

New employee dormitory in the Group's production plants in China

During the Reporting Period, Impro Group built the new staff dormitory in the Group's production plants in China to provide safe, clean and comfortable living space for employees, and continuously improve the employee wellness.

Employee Engagement and Communication

Impro Group respects and highly values employees' opinion. We have designed various platforms for employees to share suggestion without pressure, and receive timely feedback. We conduct employee satisfaction survey regularly. Employees' advices on the Company's culture and policies, workload and training, compensation and benefit, team collaboration are collected.

Impro Group is committed to guarantee the right of employees to join the labor union or other collective bargaining organization. Labor unions in various sites of Impro represent the rights and benefits of employees and hold regular meetings to promote staff's wellbeing. In the Turkish plants, Union representatives and the HR Director hold weekly meetings to discuss issues employees might have and take reasonable measures to tackle the problems. Meanwhile, collective agreements have been signed across different operating sites with topics covering from health and safety, working conditions, training and career management to discrimination. During the Reporting Period, employees in all sites eligible for employee representatives election accounted for 25.6%, the collective agreement related to working conditions covered 20.2% employees in all sites.

The Company has organized various events to enrich employees' lives and enhance corporate cohesiveness.

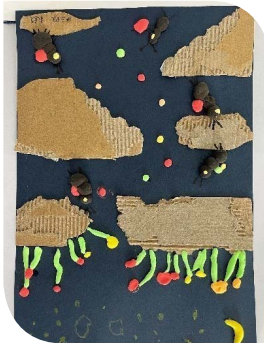


“Celebration In Place” event during the Spring Festival

The Group’s production plants in China arranged a sumptuous New Year’s Eve dinner for employees who stayed in the plants during the Spring Festival. We also sent out New Year gift packages for those employees.



Creative Competition on International Children’s Day



The Group’s production plants in China organized the Creative Competition on International Children’s Day to enhance the communication between employees and their families. Employees’ children were encouraged to create painting, handcraft, hand-written newspaper and photography works around the topic of double reduction policy and praising labor. The children responded positively.

The Altar of the Dead Competition

The Mexican plants organized the Altar of the Dead competition to promote employee integration. Around 50% of the employees participated in the competition and enjoyed a great night.



SOCIAL

2.2. HEALTH AND SAFETY

Impro Group strives to create a safe and healthy working environment by improving our governance, conducting thorough inspection and equipment updates. We also aim at enhancing the awareness of production health and safety among employees. We continuously promote the 7S management concept.



During the Reporting Period, 0 work-related death occurred, the days lost due to injury reached 1,546, lost time serious incident rate for direct workforce* was 0.086 and the lost time incident rate for direct workforce# was 5.47, a decrease of 4.4% and 46.1% as compared to 2021, respectively.

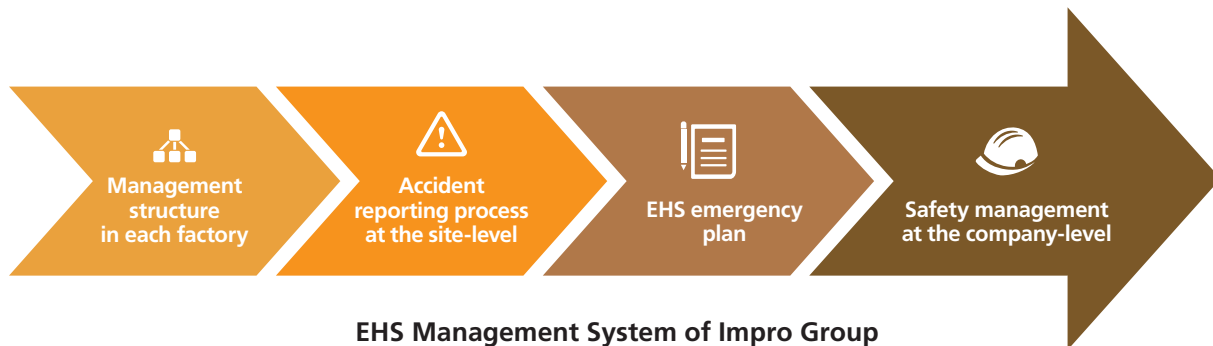
* $Lost\ time\ serious\ incident\ rate\ for\ direct\ workforce = (Days\ lost\ due\ to\ work-related\ injuries) \times (1,000 / Total\ hours\ worked)$

$Lost\ Time\ Incident\ Rate\ for\ Direct\ Workforce = (Total\ Lost\ Time\ Incidents) \times (1,000,000 / Total\ hours\ worked)$

Safety Governance

In strictly compliance with the Production Safety Law of the People’s Republic of China, Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, Regulation on Work-Related Injury Insurance and other laws and regulations in all operating sites, Impro Group aims to protect employees from occupational hazards. The Company also formulated internal policies in all our sites to clarify the EHS management system coverage as well as governing the daily production and operation works. We also set out our safety commitment in Code of Conduct and Business Ethics which covered both employees and suppliers.

The Company has formulated a well-established EHS management system with the EHS Control Framework and the work-related injury management process for the Group’s production plants in China to ensure the safety production management. Impro’s managing director is responsible for the production safety. We have also established EHS Committee which meet regularly to coordinate the implementation of EHS work and review the action processes of EHS related issues. During the Reporting Period, the employees represented by the EHS Committee account for 39.4% of the total employees in all sites.



EHS Management System of Impro Group

To strengthen the accident response capabilities and minimize the impacts on the Company, Impro Group has also formulated a EHS risk management emergency plan covering the following aspects:



Impro Group has standardized safety accident management and reporting process. Each plant is required to establish a safety accident ledger in a timely manner to facilitate random inspection and supervision by responsible managers. Regardless

of the severity, all accidents must be registered on the ledger. The work-related injury processing mechanism has also been set in place to standardize the investigation, analysis and processing of reportable events.

Safety Accident Management and Reporting Process of Impro Group



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Our efforts on safety at work have been recognized. During the Reporting Period, three of the Group's production plants in China obtained ISO 45001, and one plant was awarded the Advanced Enterprise of Safety Production.



Sample of Impro Group obtained ISO 45001


The Group's production plants in China was awarded the Advanced Enterprise of Safety Production in 2022



Safety Mitigation

To create a hazard-free workplace, Impro Group embeds numerous safety mitigation measures into our daily operation. The Company organizes risk assessment together with sites and equipment inspections regularly, and takes necessary corrective actions to mitigate the safety risks as soon as they are discovered.

Regular Assessment and Inspections



Conduct health and safety risk assessments for the existing and new business, and implement hierarchical controls according to the assessed risk results. During the Reporting Period, 11 of our plants already conducted employee health and safety risk assessment, equivalent to 68.4% of our total workplaces.

Regular inspection to ensure equipment safety

Regular noise exposure level studies were carried out, and protective gear such as earplugs were distributed once the noise was exceeds the level permitted by law

On site detection of occupational hazards caused by chemical and physical hazards



SOCIAL

The Company has also implemented various measures to strengthen employees' safety and health. During the Reporting Period, our EHS targets were mainly achieved.

EHS Assurance Measures of Impro Group



Compulsory physical examination

Organize physical examination for employees annually, inform them the results of health checkups.



Distribution of personal protective equipment

Equip employees with the personal protective equipment, and carry out daily inspections to ensure proper usage.



Working environment and equipment optimization

Apply noise reduction dedusting equipment and expansion joint sound insulation cotton. Update some occupational hazard notification cards, and post the results of the latest occupational health reviews on the public notice board.



Monthly EHS meetings

Factory EHS personnel should attend the monthly EHS meetings to review the EHS issues, report accident number, analyze the causes of accidents, and take the initiative to share the valuable prevention and error correction mechanisms.



Noise Reduction Dedusting Equipment



Expansion Joint Sound Insulation Cotton



Working environment optimization project

In November 2022, the Group's production plants in China conducted a thorough cleaning of the working environment to optimize production arrangement and improve working efficiency. Besides, exhaust fan of our dewaxing workshop was also replaced with a new one, which improved the ventilation of the workshop.



Dust cleaning and testing project

The Group's production plants in China developed plant dust cleaning system, and purchased vacuum cleaners. A noise detector and a dust measuring instrument were also put into use to minimize the health impacts of the working environment on the workers.



SOCIAL

Safety Culture

Impro Group has recognized the importance to raise the safety and health awareness of employees as well as suppliers. The Company has designed detailed safety training programs for the plants together with rich and diverse safety training courses covering employees and suppliers.

EHS Training for Employees and Suppliers

For employees

- Daily training for all employees
- Safety themed Training Courses for our Management
- Security awareness promotion activities
- ISO 45001 OHS management system training
- Safe production month activities

For suppliers

- Supplier safety training when entering the factories
- Prohibiting the bringing of dangerous goods into the plant

Limited Space Operation Emergency Drill

In July 2022, to strengthen the safety operation procedures and emergency disposal process, the Group's production plants in China conducted a drill of limited space operation and rescue for roaster maintenance work after conveying the safety knowledge of operation process and emergency disposal to the employees.



2.3 STAKEHOLDER AND COMMUNITY ENGAGEMENT

Impro Group values the relationships and perspectives of our key stakeholders, including employees, customers, suppliers, shareholders, regulators and media, and conduct continuous engagement with stakeholders to ensure our operation creates positive impacts on the community. We actively promote the local economy development while organizing charitable events to establish a harmonious society.

Investing in our communities is a focus of our corporate responsibility approach. Impro Group promotes the local economy development through various community-driven programs. We invest in various plants to create more employment opportunities while attracting foreign investment for the community. We also contribute to local education and talent fostering by actively cooperating with local universities or schools.

Promote local employment

- Through the new plant development, the Mexican plants increased the local full-time employees by more than 50% to over 600 staff by end of the Reporting Period
- The completion of new plant construction in Wuxi included a new hostel with capacity of more than 540 staff, a new carpark for more than 450 motor vehicles, etc.

Increase local capital investment

- Capital expenditure of HK\$600 million has been made in 2022, mainly focusing on the infrastructure and equipment, with approximately HK\$353 million in Mexico, remaining HK\$247 million mainly in China and Turkey. This expanded the scale of global footprints of the Group.

Helping disabled worker factory

In order to help the small factory operated by disabled workers and assist the unprivileged, the German plants placed orders amounting to 50k€ per year.



SOCIAL

Impro Group is dedicated to help the underprivileged and actively organize activities to integrate with the society.

Wuxi Children's Welfare Institute Sympathy Activities

To advocate the traditional Chinese virtue of caring for children, on the International Children's Day, the representatives of Impro Group partnered with Wuxi Children's Welfare Institute to carry out the "Love Donation, Full of Love on June 1" campaign to send more than 150 boxes of gifts including milk, nuts, fruits and snacks to the children.



Marathon fundraising event



In 2022, the Turkish plants actively participated in Istanbul Marathon, the world's only intercontinental marathon, to raise funds and awareness for children battling cancer.



GOVERNANCE



GOVERNANCE



Impro Group continues to solidify the governance system, pursues innovative development, practices sustainable supply chain, serves every customer with high quality products, and creates more value for our customers.

3.1 INNOVATION

Impro Group believes in efficient R&D capability and an inclusive cooperative attitude. We continue to explore innovative technologies and pursue industry development by fostering strong R&D teams and establishing mutually beneficial partnerships with industrial peers in order to develop revolutionary and innovative products.

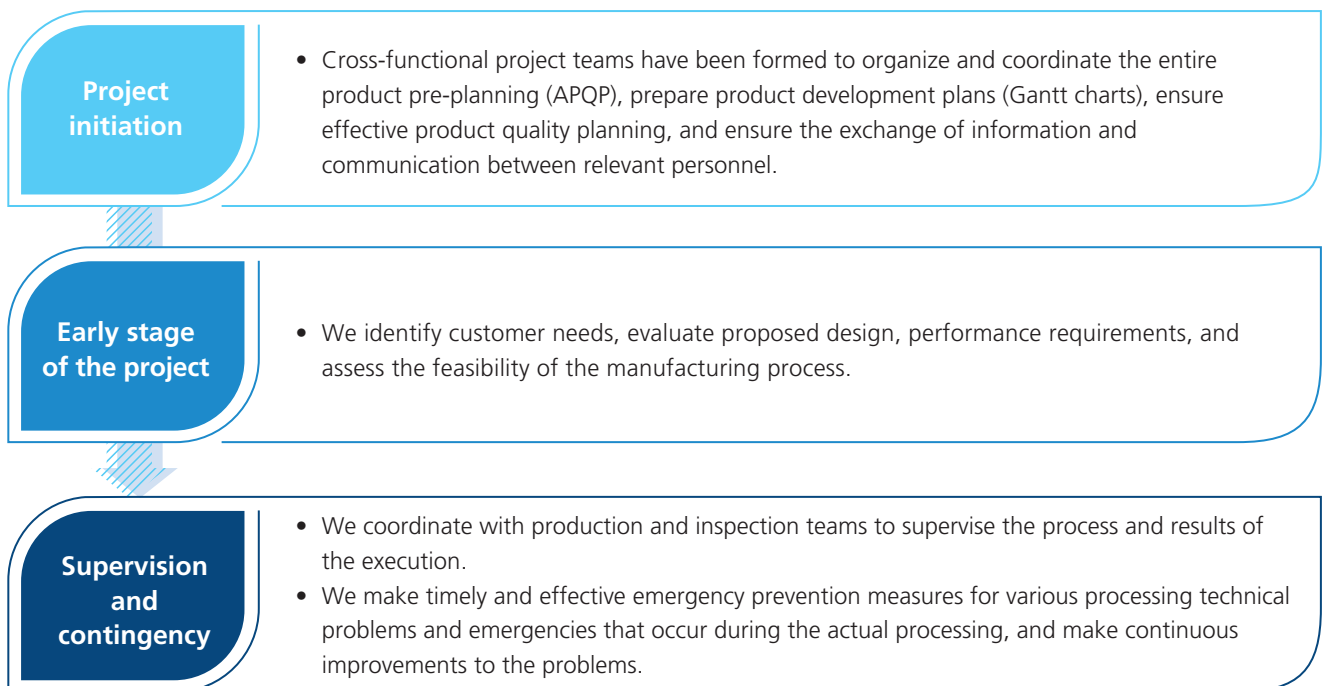
In 2022, we applied 11 invention patents and 57 utility model patents which represents an increase of 83.3% and 103.6% respectively as compared to 2021. Besides, we possessed a total of 100 invention patents and 348 utility model patents at the end of the Reporting Period.

Innovation Management

During the reporting period, we continuously invest in R&D to stimulate the innovation potential of talents. In 2022, a new R&D base has been built in China, and the Impro Group's total investment in innovation ups to HK\$211.2 million.

To enhance research and development, Impro established a research and development team both in China and Turkey.

R&D Mechanism

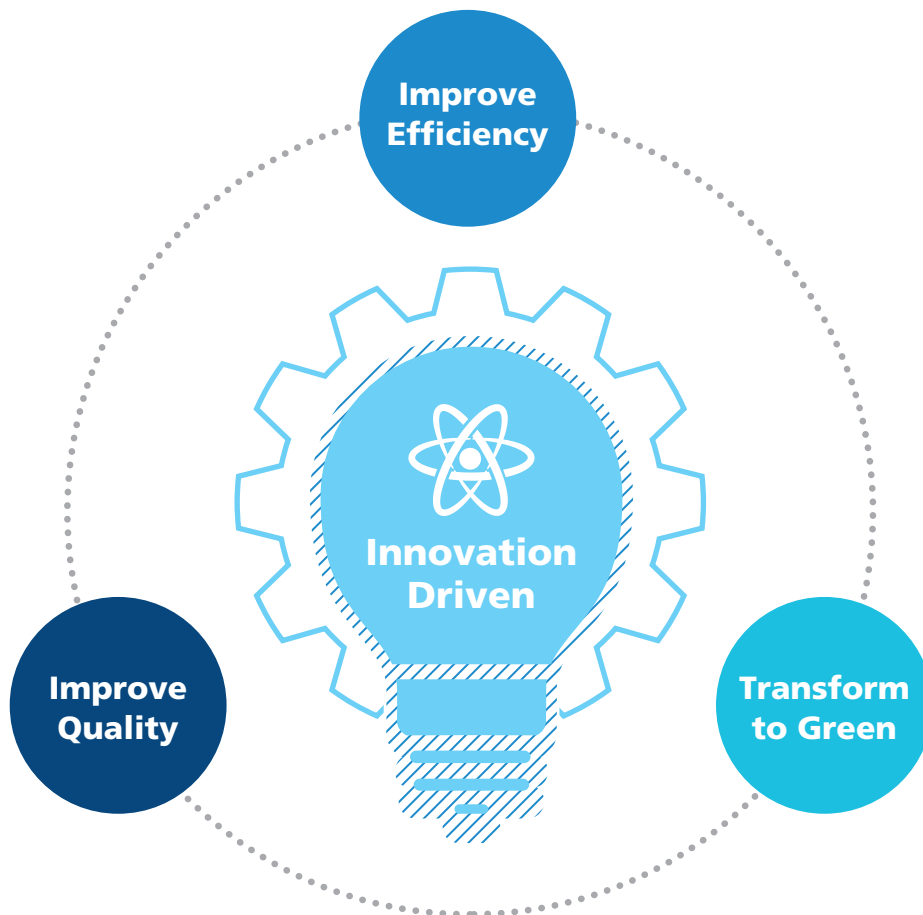


The Impro Group has set up an internal corporate innovative platform and launched innovative schemes of “Innovative Ideas”, “3C” and “Brilliant Thoughts” to expand Impro Group’s production lines. During the Reporting Period, the Impro Group had a total of 45 qualified innovative projects.

Innovation Outcomes

Pursuit excellence and innovation is one of the values and culture of the Impro Groups. We always strive to pay attention to details, seeking to implement improvements, challenging traditions, and adopting new thinking in all areas of our business. With these three driving forces, Impro Group has achieved a lot of success during the reporting period.

Innovation Driven of Impro Group



GOVERNANCE

Improve Efficiency

Pragmatism and efficiency are part of Impro Group's value and culture. We continuously optimize our processes to minimize waste, including duplicate processing or downtime by innovation.



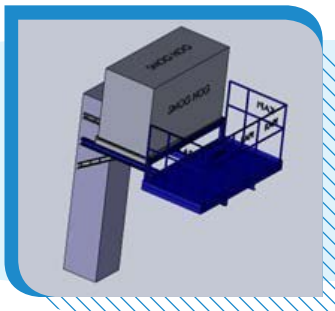
The Group's production plants in China introduced automation equipment for automatic loading and unloading of materials to improve production efficiency.

The Group's production plants in China innovated the core assembly method to achieve the overall dip coating of sand cores, which increases the cleaning efficiency by five times.



Transform to Green

Impro Group actively leads low-carbon development through technological innovation. We strive to reduce energy consumption in the production process, develop low energy consumption products, and reduce pollution through innovation.



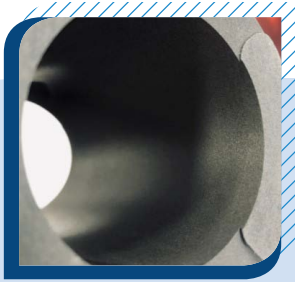
The Group's production plants in Turkey designed and produced a special platform for replacing filters from smog-hog systems, which can recycle oil collected by smog-hog systems.

The Group's production plants in China improved the ball joint bracket of new energy vehicles, saving 35% of materials and resources compared with the original design.



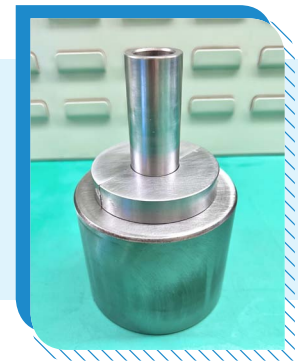
Improve Quality

Innovation enables Impro Group to achieve higher product quality. We improve product quality and reduce the rate of defective products by practices such as adopting more suitable production raw materials, and optimizing the process of operation, etc.



We have enhanced the aluminum alloy castings of one plant in China by adding modifier, to avoid the white spot problem after anodizing, which greatly improves the product quality.

The Group's production plants in China has improved the plunger assembly molding process. By changing the molding principle, we have enhanced the pass rate from around 80% to almost 100%.



External Cooperation and Innovation

Impro Group actively cooperates with external institutions and universities to improve innovation capabilities and optimize manufacturing processes.

Impro cooperated with Jiangnan University on design and R&D

The Group's production plants in China and Jiangnan University co-designed and co-developed cartridge valves and solenoid valve hydraulic components, which aim to assist Impro in the original material chemical composition and mechanical properties research. This project adopted mathematical modelling for principle analysis and product design to provide reference for industrial assembly line design. Since the cooperation with Jiangnan University in November 2020, totally 23 cartridge valve components have been verified by samples and produced in mass production.

GOVERNANCE

Impro cooperated with Nanjing Engineering College to conduct performance testing



The Group's production plants in China cooperated with Nanjing Engineering College in testing and analyzing the structure and organization of mechanical parts, with an aim to improve product quality by avoiding defects. In addition, scientific data testing and analysis reports obtained from this cooperation have been utilized for product development to improve R&D efficiency.

Intellectual Property Protection

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.

In addition to safeguarding our own intellectual property rights, we also encourage our partners, customers and other stakeholders to participate in the protection of intellectual property rights. We actively sign the Confidentiality Agreements with customers and suppliers to facilitate protection of each other's intellectual property.

3.2 QUALITY

Impro Group is devoted to providing high-quality products. We continuously optimize the quality management system, and integrates the quality culture into the daily work.





Quality Management

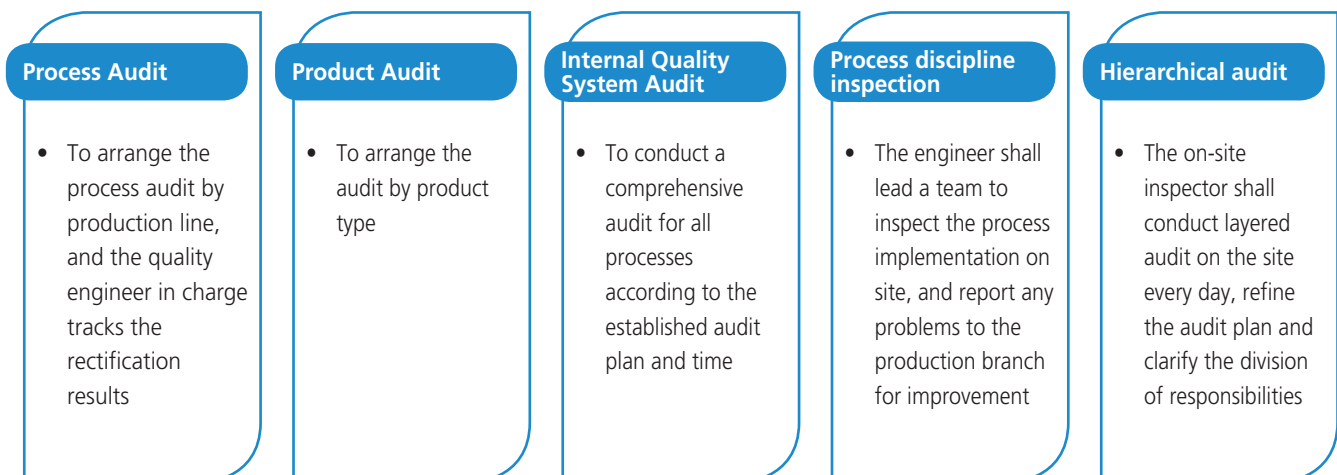
Impro Group strictly complies with the requirements of the Law of the People’s Republic of China on Product Quality, the Standardization Law of the People’s Republic of China and other laws, regulations and regulatory policies, and has been improving internal quality management processes and systems. 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.

Impro Group actively benchmarks our quality standards against industry standards in many industries and identifies improvement opportunities. During the Reporting Period, we renewed our quality management system certifications. The following are quality management system certifications of Impro at the end of the Reporting Period:

Impro Group takes various measures to ensure production quality, including conducting quality audit to reveal and address product quality issues. During the reporting period, we focused on strengthening the internal audit system.

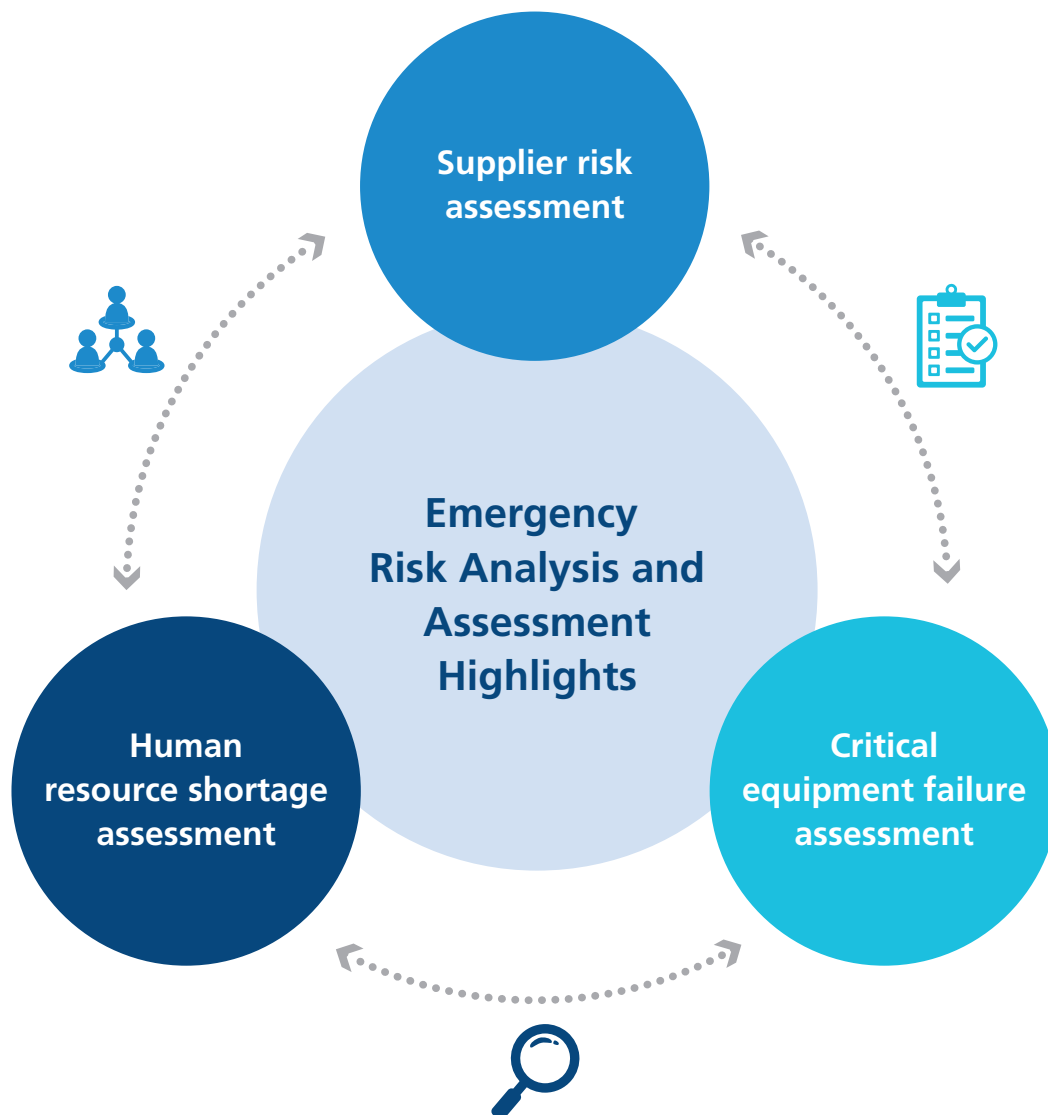
- ISO 3834-2 Welding Quality Management System
- ISO 9001 Quality Management System
- IATF 16949 Automotive Quality Management System Standard
- ISO 13485 Medical Device Quality Management System
- Nadcap US National Aerospace and Defense Contractors Accreditation Program
- AS 9100 International Aviation and Aerospace Quality Management System Standards
- PED EU Pressure Equipment Directive
- TPG Transportation and Energy Certification
- Shipping Industry Certification Program of Classification

Internal Quality Audit System



GOVERNANCE

In order to deal with the production disruption and quality degradation caused by emergencies, we have updated the Emergency Plan Management Regulations to improve production quality. We have adopted statistical methods to conduct emergency risk analysis and assessment and develop emergency plans. Specifically, we assess the risk levels of various factors, develop corresponding test cycles according to the comprehensive risk levels, and plan corresponding emergency test methods according to the emergency process.



Quality Improvement

Based on our quality management system, we aim to make full use of available resources to improve the quality of products. Below are our key initiatives.

Use information technology

Various electronic display screens have been added at the plant in China inspection site to improve the efficiency and effectiveness of quality on-site inspection.



Install monitoring equipment

As the semi-automatic chrome plating line of the Group's production plants in China has a narrow control range for temperature requirements and process formulation, we installed a temperature control recorder to monitor the production temperature.

Improve precision

The Group's production plants in China introduced new 3D scanners with higher accuracy to enhance the product size detection ability.



Improve detection capability

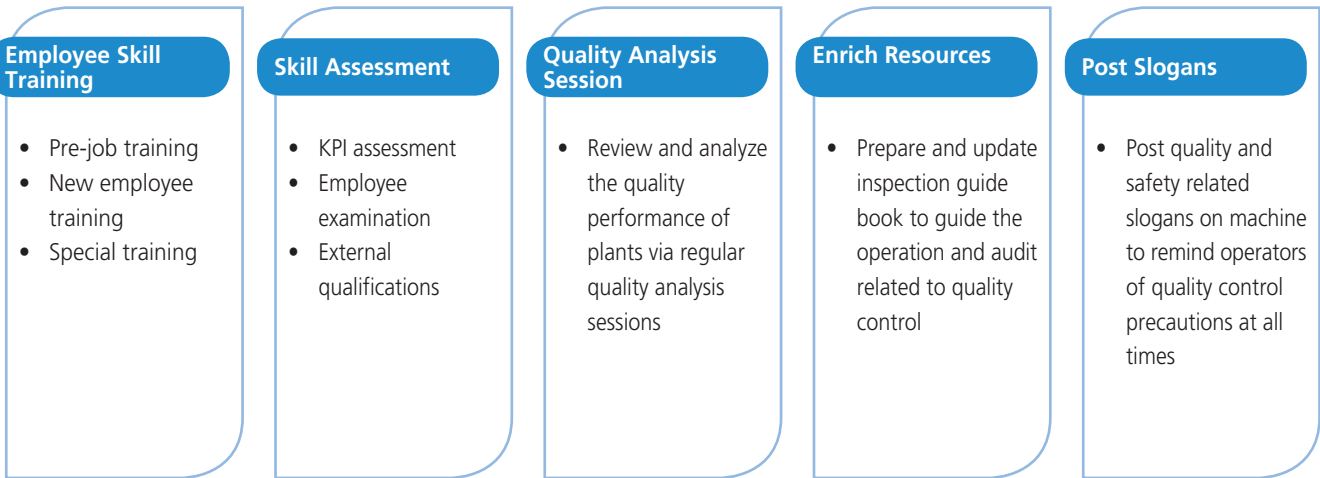
During the reporting period, the Group's production plants in China purchased an endoscope for product inspection, which improved its internal cavity inspection ability and thus greatly reduced the internal cavity defect rate.

GOVERNANCE

Quality Culture

Impro Group conducts extensive quality management training and sharing sessions, aiming to promote a quality culture among our employees. Our key initiatives are as follows.

Establishment of Quality Culture



Organize quality management training for all employees in plant

In response to the customer’s requirements for obtain AS13100 quality management system, one of the Group’s production plants in China set up an AS13100 project team to formulate training materials of AS13100 related quality management.

Group’s production plants in China have been recognized by customers in terms of quality. Especially, the Group’s production plants in China were awarded the A-class Quality Supplier of the Year. In addition, and we earned Cummins 2022 Best of Best (BOB) – Quality Award.



3.3 CUSTOMER SERVICE

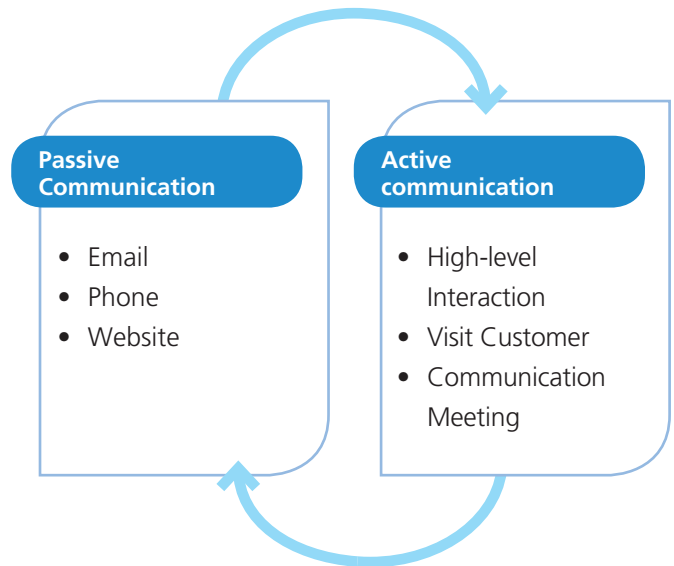
As a global leading manufacturer of high-precision, high-complexity and mission-critical casting machined components, and hydraulic orbital motors we continue to improve our customer services.

Customer Management

We review our Customer Complaint Handling Management Regulations, the Customer Communication Control Procedures and other policies from time to time and adjust them as needed to guide our employees in delivering better customer experience.

During the reporting period, we established a variety of new customers communication channels, to enable us in improving our services according to customer feedback.

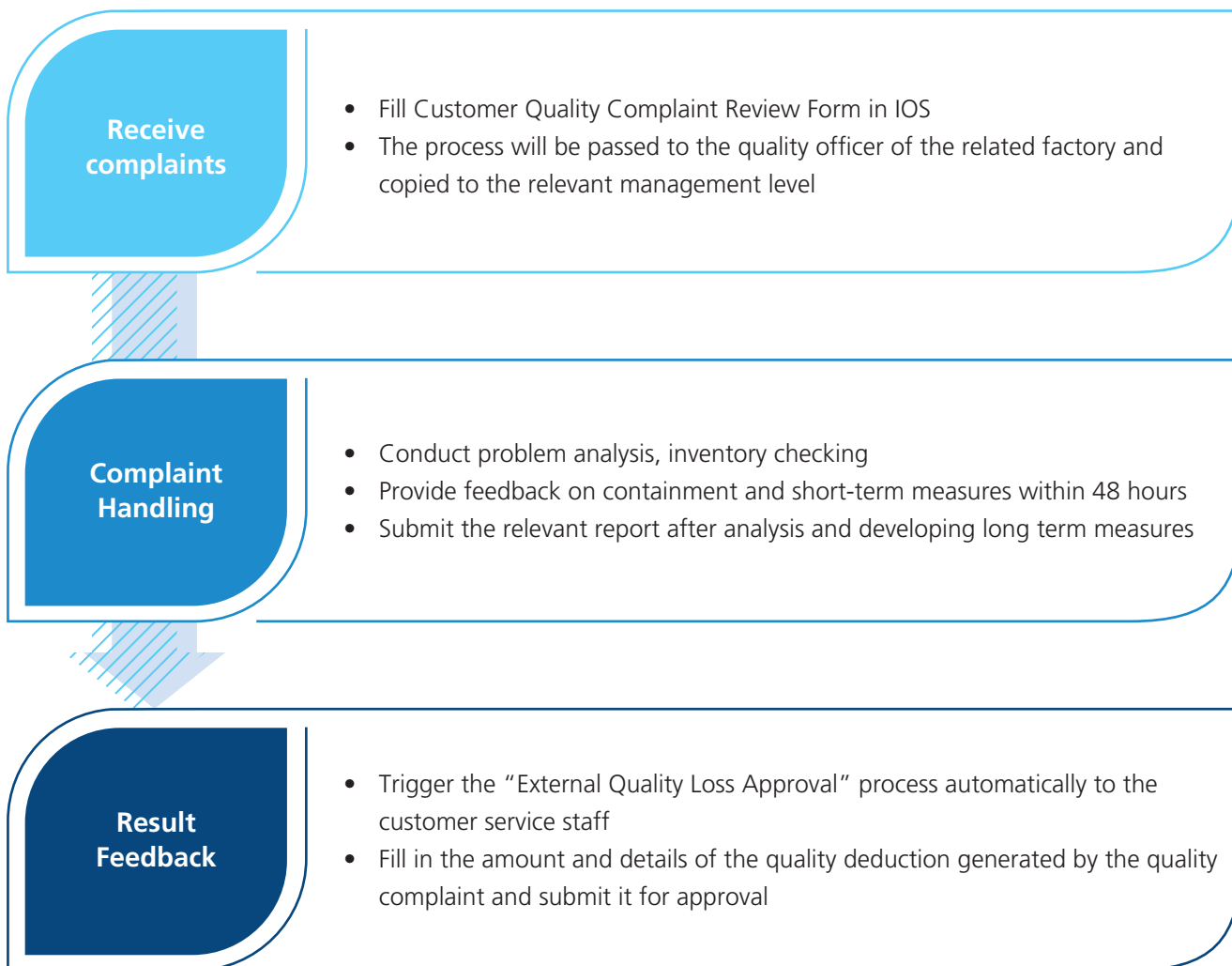
Customers Communication Channel



GOVERNANCE

We have developed a set of strict handling procedures to deal with quality complaints.

Quality Complaint Handling Process



Total number of valid product complaints decreased by 11.7% to 394 cases in 2022.









11.7% YoY of product complaints

Privacy Protection

The Impro Group strictly abides by the privacy protection policy and promotes the protection of privacy of customers, suppliers and employees. We have established a strict confidentiality system for customer information to provide comprehensive protection for customer information.

With the internal network security platform as the core, Impro conducts audits to assess business processes and security risks, and mitigates the risk of confidentiality leakage through various channels such as network, external devices and document circulation with robust access control.

Measures to Protect Customer Privacy

-  Signing confidentiality agreements with customers, employees and suppliers.
-  All customer information is classified as top confidential.
-  Customers are identified by customer codes internally.
-  Access to the engineering drawing is restricted to authorized personnel only.
-  The IT and audit department supervise and ensure the implementation of confidentiality measures through the unified management of computer software installation, computer maintenance and the control of various core meetings and documents.
-  Corrective actions have been implemented to mitigate security risks identified by regular IT audits.

To test the information security awareness of employee, improve employee's awareness of information security, our IT center sent a batch of

testing phishing emails to employee. We analyzed the test results, made a report and training materials for employees to learn about phishing mails.

GOVERNANCE

3.4 SUPPLIER CHAIN

Impro Group believes in win-win cooperation relationship with suppliers. Besides, we strictly control the procurement quality and actively manage the upstream and downstream suppliers.

Supply Chain Management

As a manufacturing company, an effective and sustainable supply chain management is critical to the success of the group's operations. We refreshed the internal procurement policy, such as Supplier Management Procedure, to establish a full-process procurement management system covering supplier screening, access, examination and verification. In 2022, we have released a new

Impro Group Sustainable Procurement Policy, Impro Conflict Minerals Policy to guide the Impro Group's sustainable procurement efforts and lead the Impro Group's procurement towards a green and sustainable supply chain.

When selecting suppliers, Impro evaluates the environmental and social performance. We prioritize those with applicable environmental and labor and human rights system certification, or have demonstrated excellent performance in the following environmental and social issues. At the end of the Reporting Period, 140 suppliers have obtained ISO 14001 Environmental Management System certification, an increase of 27.3% over last year.

ESG Issues Concerned to the Impro Group's Suppliers

Environmental Issues

- Energy and resource use and conservation
- Emission management
- Waste management
- Green packaging
- Biodiversity
- Climate change risk



Social Issues

- Labor and human rights
- Business ethics
- Anti-corruption
- Anti-money laundering
- Privacy and security



In the supplier evaluation and management process, we also adopt high standards. First, all suppliers are required to comply with our Supplier Environmental Notice, and Supplier Code of Conduct, which stipulate our requirements for suppliers with respect to environmental protection, anti-corruption, labor issues, etc. During the reporting period, 26.1% of target suppliers who have signed the Sustainable Sourcing Charter/Supplier Code of Conduct, 28.7% of suppliers contracted with clauses covering environmental, labor and human rights requirements.

In addition, in 2022, we have optimized the supplier assessment. Suppliers were assessed by a combination of annual supplier performance assessment, supplier on-site review, and supplier social responsibility review.

Suppliers Assessment

Performance Assessment

- Assessment of supplier delivery, quality and other performance



Supplier on-site Review

- The on-site review is conducted in the form of information review and site inspection



Social Responsibility Review

- The supplier social responsibility review covers child labor, forced labor, labor abuse, occupational health and safety, environmental policies, laws and regulations, and business ethics



GOVERNANCE

In addition, in 2022, we updated the supplier questionnaire with the addition of conflict minerals requirements to facilitate our assessment on whether suppliers use products from conflict mineral regions during supplier selection and acceptance. Also, in the procurement process, we set out our terms forbidding the sourcing of minerals in conflict areas in all our agreement with suppliers.

In order to reduce supply chain risks and mitigate the risk of supply chain disruptions, in 2022, Impro Group started to adopt a “multi-sourcing” and “localization” supply chain strategy to increase the resilience of the Group’s supply chain.



Supplier Environmental Performance Questionnaire

Localized procurement case

In order to prevent supply chain disruption or delivery delay of foreign suppliers, the procurement department in China re-engineered our supply chain and increased proportion of domestic procurement. In view of the cost, procurement cycle time and lack of reliability of supply of C355 aluminum alloy from European and American steel mills, we started to engage domestic suppliers, thus reducing the cost by 29%, and the delivery lead time by more than half. It has reduced our risk of material shortage.

Impro Group also continues to promote the value chain development. The Impro Group actively participates in industry activities and enhance communication with suppliers. In 2022, we actively participated in industry associations and industry activities to promote the development and innovation of the entire industry. In addition, we attended exhibition actively for creating new potentials and extending our supplier portfolio. For example, our plant in Turkey participated in 2022 Solarex İstanbul- International Solar Energy and Technologies Fair and Maktek Eurasia 2022 7th International Software and Manufacturing Technologies Fair.



3.5 CORPORATE GOVERNANCE

Impro Group actively practices the concept of sustainable corporate development, continuously improves our corporate governance structure and risk management system, and continuously promotes our ESG governance.

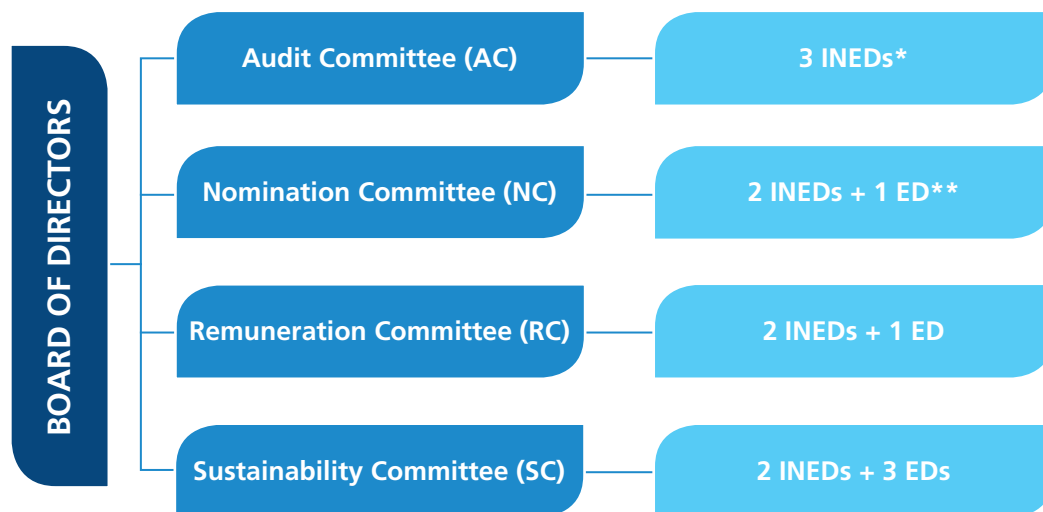
Basic Governance Information

Impro Group continuously enhances the governance system and procedures to safeguard the interests of shareholders, as well as enhance the corporate value. 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 4 Committees with clear and

complementary responsibilities. For more details about the governance structure, please refer to our 2022 Annual Report or official website (<https://www.improprecision.com/investors/corporate-governance/>).

Diversity and equity of the Board are linked to the Company's improved performance. The Board has updated and reviewed the diversity policy. During evaluation for director candidates and evaluating existing Board members for reappointment, the Nomination Committee comprehensively considered the candidates 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. Currently, female members account for 25% of the Board.

The Structure of the Board



* INED refers to Independent Non-executive Director

** ED refers to Executive Director

GOVERNANCE

Risk Oversight

In accordance with relevant laws and regulations, we have standardized our risk prevention and control system by conducting risk audit, updating and formulating a risk prevention documents.

During the reporting period, we promulgated the “Group Risk Management Policy” for the first time and updated Risk Inventory and related mitigation plan, which has enhanced our internal control and mitigated the corporate risks.

Key Factors Related to ESG in Risk Inventory

Operation

- Accepting commercial bribery
- R&D management and return on investment risk
- Supply chain planning risk
- Product quality risk
- Talent risk

Compliance

- Employee conflict of interest
- Anti bribery and corruption
- Business ethics
- Personal data and privacy protection

Strategy

- Corporate governance risk
- Employee health and safety
- Risk management system risk
- Natural disaster
- Information disclosure risk

Finance

- Tax compliance risk
- Related party transaction

During the reporting period, Impro carried out a number of specialized audits, which assess the effectiveness of internal controls in the procurement processes.

Ethics & Compliance

Impro Group always observes the principle of compliant operation, and strictly complied with the requirements of applicable laws and regulations such as Anti-Unfair Competition Law of the People’s Republic of China, Interim

Provision on the Prohibition of Commercial Bribery, Criminal Law of the People’s Republic of China, Criminal Procedure Law of the People’s Republic of China, Civil Code of the People’s Republic of China, Company Law of the People’s Republic of China. We have formulated strict compliance operation systems, such as the Compliance Evaluation Management System, the Code of Ethics and Business Conduct, the Global Tax Policy, Code of Conduct for supplier in accordance with applicable laws and regulations of each operating location.

During the reporting period, we updated our code of conduct to expand the coverage to all employees, part-time and temporary workers, dispatch workers, outsourced workers, suppliers, outsourcers and other partners who do business with the Company. In terms of content, our requirements against fraud, money laundering and anti-unfair competition operations are now clearly stipulated. On the other hand, the labor management and human rights policies have been supplemented.

Impro Group has formed a solid anti-corruption system based on Code of Conduct & Business

Ethics Policy. Anti-corruption management has covered procurement, human resources, finance, sales, etc. In addition, we strictly manage sensitive transactions to prevent business ethics problems. We issued a directive from our CEO to all employees on the incorruptible behavior, requiring that sensitive transactions such as accepting gifts, money and securities should be reported to the Audit and Supervision Department for registration.

In addition, in 2022, Impro has strengthened our “anti-corruption” awareness by educating all employees about the company’s policy through training, examinations and conducting activities.

Anti-corruption Awareness-raising Measures

Anti-corruption training

- During the reporting period, we carried out many anti-corruption trainings, covering 5,362 employees including directors.



Anti-corruption exam

- In order to improve efficiency, in 2022 we use the system Online Exam Maker (優考試在線培訓系統) for the first time to provide employees with flexible training and exam, either online or offline.

Anti-corruption activity

- During the reporting period, Impro launched an essay writing activities on the theme of “Anti-corruption and Integrity, Never Forget the Beginning”, and received essays from employees in plants.



GOVERNANCE

During the reporting period, Impro Group did not have any corruption-related litigation cases, and did not receive any reports generated by the whistleblower process. Internal audits on business ethics issues covering 14 plant locations (representing 73.7% of total plant locations) were conducted. 70.4% of employees received training on business ethics issues.

Reporting Management

Impro has formulated reporting management policy. Employees can report internal corruption and fraud to the Management or the Audit and Inspection Office through various reporting channels, including E-mail, Mail, Telephone Hotline and WeChat. Any corruption and fraud reported to Management will also be reported to the Audit and Supervision Office for special investigation.

Corruption Incident Handling Mechanism

Investigation

- Organize an internal team independently to follow up the investigation according to the significance of the reported matter
- Issue an investigation report, submit to the company's management level for review
- HR will take actions according to the results based on the related policy

Reassessment of critical control point risks

- Re-evaluate the risks of the corresponding critical control points.
- Reorganize the business processes and update the Risk Identification, Assessment and Control Form

Impro Group wants to create an environment where employees can feel comfortable communicating honestly and feel free to raise

concerns without fear of retaliation. We have instituted stricter measures in 2022 to enhance protection and encouragement of whistleblowers.

The Protection and Reward System for Whistleblower



The whistleblower's name, contact information and all other relevant information are strictly confidential, these reported information are centrally kept by the Audit and Supervision Office, and are only accessible by specialized staff.



Strictly prohibit to transfer the reported information to the reported department or the person who is being reported.



When the whistleblower sends a help request, the auditors must take actions and deal with it on a timely basis.



The whistleblower who reports a major misconduct and successfully prevents its occurrence shall be rewarded after the case is handled.



The whistleblower of a major case may change to another workplace or position which is not less favorable than the original working and living conditions if he/she voluntarily accepts such arrangement.

ESG Governance Structure

Impro Group has always pursued sustainable development and addressed the demands and expectations of various stakeholders, and continuously improved our ESG governance system.

Since 2020, we have established a top-down four-level ESG governance structure consisting of the Board, the sustainability committee, the ESG working team, and ESG responsible officers of all plants and departments. For more information, please refer to <https://www.improprecision.com/corporate/sustainability/>







GOVERNANCE

Stakeholders identification and communication

We are committed to building good cooperation and mutually beneficial relationships with internal and external stakeholders and strive to achieve a win-win situation and maximum value. Our key

stakeholders include employees, shareholders and investors, regulators, suppliers, customers, media, etc. We maintained active communication with stakeholders during the reporting period to understand their demands and concerns, and responded with concrete actions.

Stakeholders Identification and Communication Methods

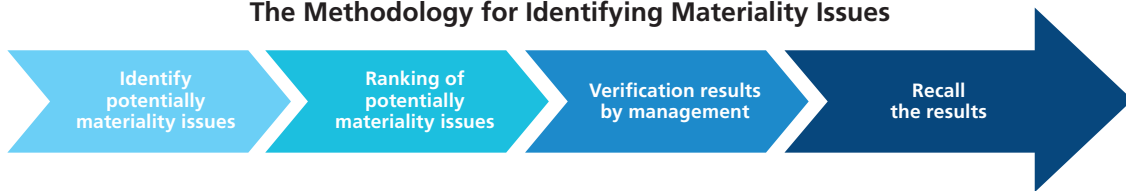
| Stakeholders | Communication Channel | Communication Frequency |
|---|---|---|
|  Employees | Staff Training Employee Activities Employee Satisfaction Survey Group Internal Newsletter | Regular/irregular Regular/irregular Regular/irregular Regular/irregular |
|  Shareholders/ Prospective Investors | General meeting Interim/annual report Results announcement Monthly Investor Newsletter Roadshow Press release Plant visit | Regular Regular Regular Regular Regular/irregular Regular/irregular Regular/irregular |
|  Regulators | Press release/announcement Interim/annual report Regular communication | Regular/irregular Regular Regular |
|  Suppliers | On-site review Assessment of suppliers Technical training Online/offline communication | Regular/irregular Regular Regular/irregular Irregular |
|  Customers | Customer satisfaction survey Handling complaints from customers On-site visit Online/offline communication | Regular Regular/irregular Regular/irregular Irregular |
|  Media | Press release/announcement Press reporting Results announcement meeting | Regular/irregular Regular/irregular Regular |

Materiality analysis

Based on stakeholders' review, media analysis, industry benchmarking, GRI and other sustainability standards and the Impro Group's development needs, we analyzed the material topics to provide a basis for formulating long-term social responsibility

strategies. We discovered 12 topics with a high degree of materiality, 14 topics with a medium degree of materiality, and 1 topic with a low degree of materiality. Among them, concerns with a high degree of materiality are reported in detail in this report.

The Methodology for Identifying Materiality Issues



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

APPENDIX I ESG DATA SUMMARY

ECONOMIC PERFORMANCE

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|---|---------|---------|---------|--------------|----------------------------------|
| Operating Results | | | | | |
| Revenue | 4,354.7 | 3,777.7 | 2,924.6 | HK\$ million | N/A |
| Adjusted profit attributable to shareholders of the Company | 649.1 | 422.2 | 313.4 | HK\$ million | N/A |
| Number of Active SKUs | 8,500 | 8,800 | 8,000 | Number | N/A |
| Number of New SKUs during the year | 1,100 | 1,200 | 1,371 | Number | N/A |
| Average Years of Business Relationship of Top 20 Customers | 17.7 | 17.1 | N/A | years | N/A |
| Top 10 Customers Revenue as a % of Total Revenue | 52 | 55 | 54 | % | N/A |

ENVIRONMENTAL PERFORMANCE

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|---|---------|---------|---------|--------------------------------------|----------------------------------|
| Greenhouse Gas Emission | | | | | |
| Scope 1 Greenhouse Gas Emissions | 12,094 | 12,557 | 10,683 | tons carbon dioxide | A1: Emission |
| Scope 2 Greenhouse Gas Emissions | 183,459 | 199,705 | 156,619 | tons carbon dioxide | |
| Total Greenhouse Gas Emissions | 195,553 | 212,262 | 167,301 | tons carbon dioxide | |
| Greenhouse gas emission per unit revenue ¹ | 45.0 | 56.2 | 57.2 | tons carbon dioxide/ HK\$ million | |
| Waste Disposal | | | | | |
| Hazardous Waste | 2,382 | 2,459 | 2,709 | tons | A1: Emission |
| Non-hazardous solid waste | 47,618 | 46,824 | 35,177 | tons | |
| Total amount of waste disposal | 50,000 | 49,283 | 37,886 | tons | |
| Hazardous waste disposal per unit revenue | 0.55 | 0.65 | 0.93 | tons/HK\$ million | |
| Non-hazardous solid waste disposal per unit revenue | 10.95 | 12.39 | 12.03 | tons/HK\$ million | |

¹ 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. If we use the national average power factor with reference to Notice on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry from 2023 to 2025, the 2022 greenhouse gas emission per unit revenue would be 38.5 tons/HK\$ million (2021: 49.0 tons/HK\$ million with reference to Guidelines for Accounting and Reporting of Greenhouse Gas Emissions by Enterprises Power Generation Facilities (Revised 2022)).

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-----------|-----------|-----------|--|----------------------------------|
| Exhaust Gas Emission² | | | | | |
| Nitrogen oxides | 2,500 | 3,467 | 1,301 | kg | A1: Emission |
| Sulphur dioxide | 983 | 1,388 | 1,866 | kg | |
| Particulates | 8,002 | 18,170 | 26,945 | kg | |
| Wastewater Emission | | | | | |
| Total amount of wastewater | 443,667 | 688,503 | 780,546 | tons | A1: Emission |
| Chemical oxygen demand | 14 | 14 | 54 | tons | |
| Ammonia nitrogen | 991 | 677 | 898 | kg | |
| Energy Consumption | | | | | |
| Direct energy consumption | 6,996 | 7,446 | 6,421 | tons of coal equivalent | A2: Use of Resources |
| — Natural gas | 478 | 494 | 415 | 10,000 normal cubic meter | |
| — Diesel | 369 | 489 | 518 | tons | |
| — Gasoline | 68 | 112 | 96 | tons | |
| Indirect energy consumption | 38,214 | 42,667 | 33,434 | tons of coal equivalent | |
| — Purchased electricity | 24,935 | 27,243 | 20,913 | 10,000 kWh | |
| — Purchased steam | 58,855 | 71,423 | 60,125 | tons | |
| Total energy consumption ³ | 45,210 | 50,113 | 39,855 | tons of coal equivalent | |
| Total energy consumption per unit revenue | 10.4 | 13.3 | 13.6 | tons of coal equivalent/ HK\$ million | |
| Water Resources Consumption | | | | | |
| Fresh water consumption ⁴ | 1,082,236 | 1,428,442 | 1,275,469 | tons | A2: Use of Resources |
| Water consumption per unit revenue | 248.9 | 377.9 | 436.1 | tons/HK\$ million | |
| Packaging Materials Consumption | | | | | |
| Packaging materials consumption | 327 | 253 | 304 | tons | A2: Use of Resources |
| Packaging materials consumption per unit revenue | 0.075 | 0.067 | 0.104 | tons/HK\$ million | |

² 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.

³ 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.

⁴ Fresh water comes from municipal pipe network and natural water body.

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-------|-------|------|--------|----------------------------------|
| Environmental Risk Assessment | | | | | |
| Number of Plants Completed Environmental Risk Assessment | 13 | 11 | N/A | number | N/A |
| Environment-related Training | | | | | |
| Number of staff trained on environmental issues | 6,560 | 5,233 | N/A | number | N/A |
| EMS Certification | | | | | |
| Number of plants received EMS Certification | 11 | 11 | N/A | number | N/A |

SOCIAL PERFORMANCE

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-------|-------|-------|--------|----------------------------------|
| Staff Employment | | | | | |
| Number of staff | 7,762 | 7,155 | 6,179 | number | B1: Employment |
| Number of Employees by Gender | | | | | |
| Male | 5,543 | 5,120 | 3,528 | number | B1: Employment |
| Female | 2,219 | 2,035 | 2,651 | number | |
| Number of Employees by Age | | | | | |
| Below 30 | 1,777 | 1,783 | 1,542 | number | B1: Employment |
| 30–39 | 3,058 | 2,786 | 2,404 | number | |
| 40–49 | 2,097 | 1,916 | 1,717 | number | |
| 50 or above | 830 | 670 | 516 | number | |
| Number of Employees by Academic Qualification | | | | | |
| Master and bachelor degree | 66 | 61 | 53 | number | B1: Employment |
| Tertiary and undergraduate | 1,717 | 1,654 | 1,232 | number | |
| Below tertiary education | 5,979 | 5,440 | 4,894 | number | |

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-------------|-------|-------|--------|----------------------------------|
| Number of Employees by Type of Employment | | | | | |
| Full time | 7,762 | 7,154 | 6,179 | number | B1: Employment |
| Part time | 0 | 1 | 0 | number | |
| Employees from Minority and/or Disadvantaged Groups | | | | | |
| Proportion of minority and/or Disadvantaged employees | 11.6 | 8.4 | N/A | % | N/A |
| Number of Employees by Job Function | | | | | |
| Production | 5,465 | 5,091 | 4,185 | number | B1: Employment |
| Quality management | 828 | 715 | 747 | number | |
| Research and development and engineering | 691 | 713 | 626 | number | |
| Sales and marketing, customer service supply chain and warehousing | 388 | 323 | 325 | number | |
| Legal, finance, human resources and administration | 390 | 313 | 296 | number | |
| Number of Employees by Geographical Region | | | | | |
| Asia | 5,994 | 5,779 | 5,106 | number | B1: Employment |
| Europe | 1,069 | 919 | 924 | number | |
| Americas | 699 | 457 | 149 | number | |
| Staff Retention | | | | | |
| Staff Turnover by Gender | | | | | |
| Group | 18.4 | 15.1 | 27.3 | % | B1: Employment |
| Male | 18.2 | 14.6 | 26.7 | % | |
| Female | 18.9 | 16.1 | 28.8 | % | |
| Staff Turnover by Age | | | | | |
| Below 30 | 28.8 | 19.5 | 41.1 | % | B1: Employment |
| 30–39 | 16.6 | 15.4 | 25.4 | % | |
| 40–49 | 11.0 | 8.8 | 16.9 | % | |
| Over 50 | 10.3 | 13.5 | 7.6 | % | |

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|---|---------|---------|---------|-------------------|----------------------------------|
| Staff Turnover by Geographical Region | | | | | |
| Asia | 16.0 | 14.4 | 30.2 | % | B1: Employment |
| Europe | 4.2 | 10.2 | 6.6 | % | |
| Americas | 45.8 | 31.5 | 24.9 | % | |
| Occupational Health and Safety | | | | | |
| Number of work-related fatalities | 0 | 0 | 0 | number | B2: Health and Safety |
| Work-related fatality rate | 0 | 0 | 0 | % | |
| Lost days due to work-related injury | 1,546 | 1,432 | 920 | days | |
| Lost time serious incident rate for direct workforce | 0.086 | 0.090 | N/A | rate ⁵ | N/A |
| Lost time incident rate for direct workforce | 5.47 | 10.15 | N/A | rate ⁶ | N/A |
| Proportion of employees representing health and safety committees | 39.4 | 40.9 | N/A | % | N/A |
| Number of plants conducted employee health and safety risk assessment | 11 | 11 | N/A | number | N/A |
| Staff Training | | | | | |
| Total staff training hours | 283,397 | 253,530 | 173,672 | hours | B3: Development and Training |
| Total number of trained staff | 7,762 | 7,155 | 6,179 | number | |
| Training coverage | 100 | 100 | 100 | % | |
| Average training hours per staff | 36.5 | 35.4 | 28.1 | hours | |
| Proportion of total employees with vocational or skills-related training | 85.2 | 69.9 | N/A | % | N/A |
| Proportion of employees who have undergone regular performance and career development reviews | 85.1 | 64.8 | N/A | % | N/A |
| Percentage of Trained Staff by Gender | | | | | |
| Male | 71 | 72 | 57 | % | B3: Development and Training |
| Female | 29 | 28 | 43 | % | |

⁵ Lost time serious incident rate for direct workforce = (Days lost due to work-related injuries) X (1,000/ Total hours worked)

⁶ Lost Time Incident Rate for Direct Workforce = (Total Lost Time Incidents) X (1,000,000/ Total hours worked)

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|---|------|------|------|-------|----------------------------------|
| Percentage of Trained Staff by Job Function | | | | | |
| Production | 70.4 | 70.4 | 67.5 | % | B3: Development and Training |
| Quality management | 10.7 | 10.6 | 15.0 | % | |
| Research and development and engineering | 8.9 | 10.0 | 6.2 | % | |
| Sales and marketing, customer service, supply chain and warehousing | 5.0 | 4.4 | 5.6 | % | |
| Legal, finance, human resources and administration | 5.0 | 4.6 | 5.7 | % | |
| Average Training Hours per Staff by Gender | | | | | |
| Male | 35.1 | 33.9 | 34.7 | hours | B3: Development and Training |
| Female | 39.7 | 39.2 | 19.3 | hours | |
| Average Training Hours per Staff by Job Function | | | | | |
| Production | 36.1 | 34.5 | 28.0 | hours | B3: Development and Training |
| Quality management | 36.5 | 53.6 | 34.8 | hours | |
| Research and development and engineering | 41.1 | 21.3 | 17.2 | hours | |
| Sales and marketing, customer service, supply chain and warehousing | 32.7 | 37.1 | 29.8 | hours | |
| Legal, finance, human resources and administration | 37.1 | 40.2 | 33.5 | hours | |
| Human right | | | | | |
| Proportion of employees trained in anti-discrimination and human right | 87.6 | 96.8 | N/A | % | N/A |
| Proportion of workplace that have undergone a human rights review or human rights impact assessment | 21.1 | 6.3 | N/A | % | N/A |
| Proportion of employees who have duly elected employee representatives | 25.6 | 23.7 | N/A | % | N/A |
| Proportion of all employees who covered by a formal collective agreement on working conditions | 20.2 | 17.6 | N/A | % | N/A |

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-------|------|------|--------------|----------------------------------|
| Social Contributions | | | | | |
| Total number of staff who have taken part in charitable activities | 218 | 120 | N/A | staff | B8: Social Investment |
| Total number of hours of participation in community events | 2,676 | 280 | N/A | hours | |
| Social donations | 0.4 | 0.6 | 0.2 | HK\$ million | |

GOVERNANCE PERFORMANCE

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-------|-------|------|----------|----------------------------------|
| Equality and Diversification | | | | | |
| Proportion of female members in the Board | 25 | 25 | 25 | % | N/A |
| The percentage of female employed in top executive positions | 18.8 | 21.0 | N/A | % | N/A |
| Commercial Ethics Performance | | | | | |
| Corruption litigation cases | 0 | 0 | 0 | incident | B7:Anti-corruption |
| Number of directors and employees who have participated in anti-corruption training | 5,362 | 2,466 | N/A | number | |
| Number of plants which have been conducted internal audits on business ethics issues | 14 | 12 | N/A | number | N/A |
| Proportion of employees who have been trained on business ethics issues | 70.4 | 34.0 | N/A | % | N/A |

APPENDIX I ESG DATA SUMMARY

| | 2022 | 2021 | 2020 | Unit | Indicators of the Stock Exchange |
|--|-------|-------|-------|--------------|----------------------------------|
| Product Innovation | | | | | |
| Total invention patent newly applied | 11 | 6 | 3 | number | B6: Product |
| Total existing invention patents | 100 | 90 | 85 | number | Responsibility |
| Total utility patent newly applied | 57 | 28 | 46 | number | |
| Total existing utility patent | 348 | 291 | 256 | number | |
| Research and development costs expenses | 211.2 | 211.0 | 171.3 | HK\$ million | |
| Product Quality | | | | | |
| Total number of valid product complaints | 394 | 446 | N/A | number | B6: Product |
| Percentage of product recall due to safety and health reasons | 0 | 0 | 0 | % | Responsibility |
| Supplier Performance | | | | | |
| Total number of suppliers | 4,208 | 3,112 | 2,682 | number | B5:Supply Chain Management |
| Number of Suppliers by Geographical Region | | | | | |
| Asia | 1,139 | 1,014 | 1,102 | number | B5:Supply Chain Management |
| Europe | 1,972 | 1,803 | 1,466 | number | |
| Americas | 1,097 | 295 | 114 | number | |
| Suppliers' Environmental and Social Considerations | | | | | |
| Total number of suppliers obtaining ISO 14001 certification | 140 | 110 | N/A | number | B5:Supply Chain Management |
| Suppliers who have signed the Sustainable Sourcing Charter/Supplier Code of Conduct | 26.1 | 32.8 | N/A | % | |
| Suppliers who have contracted with clauses covering environmental, labor and human rights requirements | 28.7 | 36.2 | N/A | % | |

APPENDIX II HKEX

| ESG aspects and general disclosure and key performance index (KPI) | | | Chapter |
|--|--------------------|---|--|
| Environment | | | |
| 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. | 1.1 Compliance and Management |
| | A1.1 | The types of emissions and respective emissions data. | Appendix I ESG Data Summary |
| | 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 I ESG Data Summary |
| | A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Appendix I ESG Data Summary |
| | A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Appendix I ESG Data Summary |
| | A1.5 | Description of emissions target(s) set and steps taken to achieve them. | 1.2 Climate Change 1.5 Pollutant Emissions |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, description of reduction target(s) set and steps taken to achieve them. | 1.5 Pollutant Emissions |
| A2: Use of Resources | General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 1.2 Climate Change 1.3 Resource Stewardship |
| | 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 I ESG Data Summary |
| | A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Appendix I ESG Data Summary |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | 1.2 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. | 1.3 Resource Stewardship |
| | A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Appendix I ESG Data Summary |

| ESG aspects and general disclosure and key performance index (KPI) | | | Chapter |
|--|--------------------|--|--|
| A3: The Environment and Natural Resources | General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | 1.1 Compliance and Management |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 1.1 Compliance and Management 1.5 Pollutant Emissions |
| 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. | 1.2 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. | 1.2 Climate Change |
| 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. | 2.1 Human Capital |
| | B1.1 | Total workforce by gender, employment type, age group and geographical region. | 2.1 Human Capital Appendix I ESG Data Summary |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | 2.1 Human Capital Appendix I ESG Data Summary |
| 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. | 2.2 Health and Safety |
| | B2.1 | Number and rate of work-related fatalities in the past three years (including the reporting year). | 2.2 Health and Safety Appendix I ESG Data Summary |
| | B2.2 | Lost days due to work injury. | Appendix I ESG Data Summary |
| | B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | 2.2 Health and Safety |

APPENDIX II HKEX

| ESG aspects and general disclosure and key performance index (KPI) | | | Chapter |
|--|--------------------|--|---|
| B3: Development and Training | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 2.1 Human Capital |
| | B3.1 | The percentage of employees trained by gender and employee category. | Appendix I ESG Data Summary |
| | B3.2 | The average training hours completed per employee by gender and employee category. | 2.1 Human Capital Appendix I ESG Data Summary |
| 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. | 2.1 Human Capital |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 2.1 Human Capital |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | 2.1 Human Capital |
| B5: Supply Chain Management | General Disclosure | Policies on managing environmental and social risks of the supply chain. | 3.4 Supplier Chain |
| | B5.1 | Number of suppliers by geographical region. | Appendix I ESG Data Summary |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 3.4 Supplier Chain |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | 3.4 Supplier Chain |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | 3.4 Supplier Chain Appendix I ESG Data Summary |

| 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. | 3.2 Quality |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Appendix I ESG Data Summary |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | Appendix I ESG Data Summary |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 3.1 Innovation Appendix I ESG Data Summary |
| | B6.4 | Description of quality assurance process and recall procedures. | 3.2 Quality |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 3.3 Customer Service |
| 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. | 3.5 Corporate Governance |
| | 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. | 3.5 Corporate Governance Appendix I ESG Data Summary |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | 3.5 Corporate Governance |
| | B7.3 | Description of anti-corruption training provided to directors and staff. | 3.5 Corporate Governance Appendix I ESG Data Summary |
| 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. | 2.3 Stakeholder and Community Engagement |
| | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | 2.3 Stakeholder and Community Engagement |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area. | Appendix I ESG Data Summary |

APPENDIX III GRI STANDARD INDEX

| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|---|---|--|
| GRI101: Foundation 2021 | | About this Report |
| GRI102: General Disclosures 2021 | | About this Report |
| The organization and its reporting practices | | |
| 2-1 | Organizational details | About this Report |
| 2-2 | Entities included in the organization's sustainability reporting | About this Report |
| 2-3 | Reporting period, frequency and contact point | About this Report |
| 2-4 | Restatements of information | About this Report |
| 2-5 | External assurance | About this Report |
| Activities and works | | |
| 2-6 | Activities, value chain and other business relationships | 3.3 Customer Service 3.4 Supplier Chain |
| 2-7 | Employees | 2.1 Human Capital |
| 2-8 | Workers who are not employees | 2.1 Human Capital |
| Governance | | |
| 2-9 | Governance structure and composition | 3.5 Corporate Governance |
| 2-10 | Nomination and selection of the highest governance body | 3.5 Corporate Governance |
| 2-11 | Chair of the highest governance body | 3.5 Corporate Governance |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | 3.5 Corporate Governance |
| 2-13 | Delegation of responsibility for managing impacts | 3.5 Corporate Governance |
| 2-16 | Communication of critical concerns | 3.5 Corporate Governance |
| Strategy, policies and practices | | |
| 2-22 | Statement on sustainable development strategy | Statement of the Board |
| 2-27 | Compliance with laws and regulations | 3.5 Corporate Governance |
| Stakeholder engagement | | |
| 2-29 | Approach to stakeholder engagement | 3.5 Corporate Governance |
| 2-30 | Collective bargaining agreements | 2.1 Human Capital |
| GRI 3: Material Topics 2021 | | |
| Disclosures on material topics | | |
| 3-1 | Process to determine material topics | 3.5 Corporate Governance |
| 3-2 | List of material topics | 3.5 Corporate Governance |
| 3-3 | Management of material topics | 3.5 Corporate Governance |

APPENDIX III GRI STANDARD INDEX

| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|--|---|--------------------------|
| GRI201: Economic Performance 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 201-2 | Financial implications and other risks and opportunities due to climate change | 1.2 Climate Change |
| 201-3 | Defined benefit plan obligations and other retirement plans | 2.1 Human Capital |
| GRI 204: Procurement Practices 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 204-1 | Proportion of spending on local suppliers | 3.4 Supplier Chain |
| GRI 205: Anti-corruption 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 205-1 | Operations assessed for risks | 3.5 Corporate Governance |
| 205-2 | Communication and training about anti-corruption policies and procedures | 3.5 Corporate Governance |
| 205-3 | Confirmed incidents of corruption and actions taken | 3.5 Corporate Governance |
| GRI 206: Anti-competitive Behavior 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 3.5 Corporate Governance |

APPENDIX III GRI STANDARD INDEX

| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|--|--|-----------------------------|
| Environment | | |
| GRI301: Materials 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 301-1 | Materials used by weight or volume | Appendix I ESG Data Summary |
| 301-2 | Recycled input materials used | 1.3 Resource Stewardship |
| 301-3 | Reclaimed products and their packaging materials | 1.3 Resource Stewardship |
| GRI 302: Energy 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 302-1 | Energy consumption within the organization | Appendix I ESG Data Summary |
| 302-2 | Energy consumption outside of the organization | Appendix I ESG Data Summary |
| 302-3 | Energy intensity | Appendix I ESG Data Summary |
| 302-4 | Reduction of energy consumption | 1.2 Climate Change |
| 302-5 | Reductions in energy requirements of products and services | 1.2 Climate Change |
| GRI 303: Water and Effluents 2018 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 303-1 | Interactions with water as a shared resource | 1.3 Resource Stewardship |
| 303-2 | Management of water discharge- related impacts | 1.3 Resource Stewardship |
| 303-4 | Water discharge | Appendix I ESG Data Summary |
| 303-5 | Water consumption | Appendix I ESG Data Summary |

APPENDIX III GRI STANDARD INDEX

| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|--|---|-----------------------------|
| GRI 305: Emissions 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 305-1 | Direct (Scope 1) GHG emissions | Appendix I ESG Data Summary |
| 305-2 | Energy indirect (Scope 2) GHG emissions | Appendix I ESG Data Summary |
| 305-3 | Other indirect (Scope 3) GHG emissions | Appendix I ESG Data Summary |
| 305-4 | GHG emissions intensity | Appendix I ESG Data Summary |
| 305-5 | Reduction of GHG emissions | 1.2 Climate Change |
| 305-7 | Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions | Appendix I ESG Data Summary |
| GRI 306: Effluents and Waste 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 306-1 | Waste generation and significant waste-related impacts | 1.5 Pollutant Emissions |
| 306-2 | Management of significant waste-related impacts | 1.5 Pollutant Emissions |
| 306-3 | Waste generated | 1.5 Pollutant Emissions |
| 306-4 | Waste diverted from disposal | 1.5 Pollutant Emissions |
| 306-5 | Waste directed to disposal | 1.5 Pollutant Emissions |
| GRI 308: Supplier Environmental Assessment 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 308-1 | New suppliers that were screened using environmental criteria | 3.4 Supplier Chain |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | 3.4 Supplier Chain |

APPENDIX III GRI STANDARD INDEX

| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|---|---|--------------------------|
| Society | | |
| GRI 401: Employment 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 401-1 | New employee hires and employee turnover | 2.1 Human Capital |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 2.1 Human Capital |
| 401-3 | Parental leave | 2.1 Human Capital |
| GRI 403: Occupational Health and Safety 2018 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 403-1 | Occupational health and safety management system | 2.2 Health and Safety |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 2.2 Health and Safety |
| 403-3 | Occupational health services | 2.2 Health and Safety |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 2.2 Health and Safety |
| 403-5 | Worker training on occupational health and safety | 2.2 Health and Safety |
| 403-6 | Promotion of worker health | 2.2 Health and Safety |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 2.2 Health and Safety |
| 403-8 | Workers covered by an occupational health and safety management system | 2.2 Health and Safety |
| 403-9 | Work-related injuries | 2.2 Health and Safety |
| 403-10 | Work-related ill health | 2.2 Health and Safety |
| GRI 404: Training and Education 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 404-1 | Average hours of training per year per employee | 2.1 Human Capital |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | 2.1 Human Capital |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 2.1 Human Capital |

APPENDIX III GRI STANDARD INDEX



| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|--|--|--|
| GRI 405: Diversity and Equal Opportunity 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 405-1 | Diversity of governance bodies and employees | 2.1 Human Capital |
| 405-2 | Ratio of basic salary and remuneration of women to men | 2.1 Human Capital |
| GRI 406: Non-discrimination 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 406-1 | Incidents of discrimination and corrective actions taken | 2.1 Human Capital |
| GRI 408: Child Labor 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | 2.1 Human Capital |
| GRI 409: Forced or Compulsory Labor 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 2.1 Human Capital |
| GRI 413: Local Communities 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | 2.3 Stakeholder and Community Engagement |
| GRI 414: Supplier Social Assessment 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 414-1 | New suppliers that were screened using social criteria | 3.4 Supplier Chain |
| 414-2 | Negative social impacts in the supply chain and actions taken | 3.4 Supplier Chain |

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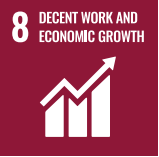
| Disclosure Issue/Item | Headline of Disclosure Item | Chapter |
|---|---|--------------------------|
| GRI 416: Customer Health and Safety 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 416-1 | Assessment of the health and safety impacts of product and service categories | 3.3 Customer service |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | 3.3 Customer service |
| GRI 418: Customer Privacy 2016 | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 3.5 Corporate Governance |
| | 3-2 List of material topics | 3.5 Corporate Governance |
| | 3-3 Management of material topics | 3.5 Corporate Governance |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 3.3 Customer Service |

APPENDIX IV UN SUSTAINABLE DEVELOPMENT GOALS




Impro Group integrates ESG's goal formulation, management system and governance model into the United Nations sustainable development goals. During the Reporting Period, we identified 9 sustainable development goals closely related to Impro Group, the environment and the community.

| SDG Goals | Descriptions of Relevant Goals | Our Actions | 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. We also formulated a EHS risk management emergency plan in terms of chemical spill emergency response and regularly carry out hazardous chemical leakage drills to improve employees' ability to respond to emergencies | 2.2 Health and Safety |
| | 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 | We pay social insurance for our employees according to the laws in the operating sites, and provide regular occupational health examinations and physical examinations for all employees | 2.1 Human Capital, 2.2 Health and Safety |
|  <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 organized various training programs, mainly the "Young Eagle Plan" and "Employee First Year Consultation Plan", for fresh graduates and new recruits to improve their professional skills | 2.1 Human Capital |
| | To ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university | We formed employee development channels for all employees, including "Young Eagle Plan", "Employee First Year Consultation Plan" and "Star Mechanician and Star Technician Program", and implemented skill matrix evaluation to ensure employees improve the corresponding skills and knowledge | 2.1 Human Capital |



APPENDIX IV UN SUSTAINABLE DEVELOPMENT GOALS

| SDG Goals | Descriptions of Relevant Goals | Our Actions | Our Report |
|---|---|--|---|
|  Gender Equality | 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 | Currently, female members account for 25% of the Board | 3.5 Corporate Governance |
| | To realize gender equality by empowering women and girls | We strictly follow labor laws and regulations in all operating sites and unequivocally support the fundamental rights of employees to eliminate injustice and inequity, and provide equal employment, promotion opportunities as well as the compensation and benefits to all individuals regardless of gender | 2.1 Human Capital |
|  Decent work and economic growth | 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 | We improve production efficiency through innovation and introduction of new equipment | 3.1 Innovation |
| | To take immediate and effective measures to eradicate forced labor, secure the prohibition and elimination of the worst forms of child labor | We strictly follow labor laws and regulations in all operating sites, and updated and implemented internal procedures including the Impro Child Labor, Forced Labor and Human Trafficking Policy etc. to govern our recruitment process to avoid any form of child and forced labor | 2.1 Human Capital |
| | To reduce substantially the proportion of youth not in employment, education or training | We continuously expand our talent pool and balance our staff structure through enriching our recruitment channels, including “Young Eagle Plan”, and make contribute to local education and talent fostering by actively cooperating with local universities or schools | 2.1 Human Capital |
| | To protect labor rights and promote safe and secure working environments for all workers | We respect the rights of employees and have formulated a well-established EHS management system. We also implement numerous measures to ensure the occupational health and safety of employees | 2.1 Human Capital, 2.2 Health and Safety |

APPENDIX IV UN SUSTAINABLE DEVELOPMENT GOALS

| SDG Goals | Descriptions of Relevant Goals | Our Actions | Our Report |
|---|--|--|--|
|  <p>Industry, innovation and infrastructure</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 | We continuously increase our investment in various sites, enhance the R&D strength, improve the R&D mechanisms, and stimulate the innovation potential of talents. In 2022, a new R&D base has been built in one of plants in China, and the Impro Group's total investment in innovation ups to HK\$211.2 million. Also, we have ~700 R&D staff as of 31 December 2022. | 3.1 Innovation 2.3 Stakeholder and Community Engagement |
| | 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 | We are dedicated to reducing our energy consumption and improving our efficiency through various energy saving measures including promoting clean energy and equipment retrofitting | 1.3 Resource Stewardship |
|  <p>Sustainable Cities and Communities</p> | To reduce urban per capita environmental impact, with a special focus on air quality, municipal and other waste management by 2030 | We continuously promote technological improvement to reduce air emissions and strictly manage wastewater and waste discharge | 1.4 Solid Waste 1.5 Pollutant Emissions |
|  <p>Responsible consumption and production</p> | To encourage companies to integrate sustainability information into their reporting cycle | We have established Sustainability Committee and hold regular meetings to discuss Impro's performance on ESG issues | 1.1 Compliance and Management |
| | To realize the sustainable management and effective use of natural resources by 2030 | Impro Group actively leads low-carbon development through technological innovation. We strive to reduce energy consumption in the production process, develop low energy consumption products, and reduce pollution through innovation | 3.1 Innovation |
| | To substantially reduce waste generation through prevention, reduction, recycling and reuse by 2030 | We continue to promote waste management by improving our waste classification and recycling efforts | 1.4 Solid Waste |

APPENDIX IV UN SUSTAINABLE DEVELOPMENT GOALS

| SDG Goals | Descriptions of Relevant Goals | Our Actions | Our Report |
|--|---|---|--|
|  <p>Climate Action</p> | <p>To incorporate climate change measures into national policies, strategies and plans</p> | <p>In 2022, we established our environmental policy and set our first climate goals. We are committed to:</p> <ul style="list-style-type: none"> • Reduce GHG intensity by 30% in 2030 as compared to 2020 • Reduce energy intensity by 30% in 2030 as compared to 2020 • Reduce water intensity by 40% in 2030 as compared to 2020 • Reduce hazardous waste intensity by 50% in 2030 as compared to 2020 • Reduce non-hazardous waste intensity by 30% in 2030 as compared to 2020 <p>Please see Environmental section to get more actions we have taken.</p> | <p>1.1 Compliance and management 1.2 Climate Change 1.3 Resource Stewardship 1.4 Solid Waste 1.5 Pollutant Emissions</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 invest in various plants to create more employment opportunities for the sites while attract more foreign investment for local government</p> | <p>2.3 Stakeholder and Community Engagement</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 continuously increase our investment in various sites all over the world and actively cooperated with local universities or schools to contribute to local education and talent fostering</p> | <p>2.3 Stakeholder and Community Engagement</p> |