



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

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2023



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ABOUT THIS REPORT

SCOPE OF THE REPORT

This ESG Report, issued by Impro Precision Industries Limited (referred to as “the Company”, “Impro” or “Impro Group”), aims to provide comprehensive disclosure of the Group’s efforts and performance in managing environmental, social and governance during the period from 1 January, 2023, to 31 December, 2023 (referred to as the “Reporting Period”). The purpose of this Report is to meet the expectations and requirements of the Group’s stakeholders. The information, policies, and representations regarding ESG included in this Report pertain to the Company and its subsidiaries operating in various regions and countries, i.e. the People’s Republic of China (PRC), Turkey, Germany, Czech Republic, Mexico, United States, Luxembourg, and Hong Kong.

BASIS OF PREPARATION

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 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 its subsidiaries.

DATA SOURCE AND RELIABILITY ASSURANCE

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

CONFIRMATION AND APPROVAL

This Report, after confirmation by the management, has been approved by the Board of Directors (“the Board”) on 17 April 2024 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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CHAIRMAN'S STATEMENT

I am pleased to report the ESG development and performance over the past year to all Impro's stakeholders. Despite facing various market challenges, Impro remained dedicated to reducing our environmental footprint, providing safe workplace and comfortable living environment where our employees can excel, and maintain good performance. Meanwhile, we continuously invested in the countries and communities where we operate and adhering to the best governance practices.

By optimizing production schedule, investment in reusable energy, improvement to production process and change in product mix, the Group recorded reduction in greenhouse gas emission intensity, energy consumption intensity and water consumption intensity in 2023 by 10.6%, 11.5% and 26.1% respectively, as compared to 2022. On an accumulated basis, the Group has accomplished the 2030 greenhouse gas emission, energy consumption and water consumption intensity reduction goals and reduced these intensities by 41.1%, 32.4% and 57.9% respectively. We are currently contemplating new emission reduction targets. Meanwhile, we also made progress in the mapping of our Scope 3 emissions, including assessing the greenhouse gas emission from our raw materials purchase.

From sustainable product perspective, we further extended Impro's strategic leadership position in co-developing more than 1,100 new component SKUs with our customers in 2023, bringing up the total active component SKUs number to more than 9,300 as of 31 December, 2023. In our newly acquired hydraulic orbital motor business, we also self-developed thousands of new design of products tailored-made for our customers' needs during 2023.

In 2023, the Group completed the first phase of the Mexico SLP village and refurnished the staff quarter of Yixing plant in China. Each of these staff quarters will house hundreds of our staff and can improve the living quality and happiness of employees. The Group's continuous investment in providing safe workplace and comfortable living environment and various talent attraction measures have proved to be successful to retain talents, with the Group's employee turnover rate decreasing from 18.4% in 2022 to 13.8% in 2023.

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.

Sustainable development is an integral part of Impro's business and is positively accretive to our operation management performance. I am proud of the progress made in 2023, and I would like to thank our exceptional management team for their commitment and dedication to Impro's ESG initiatives. We will continue to hold ourselves to higher standards to play our part in advancing a more just, diverse, safe, and environmentally responsible world.

LU Ruibo

Chairman and Chief Executive Officer

2023 ESG HIGHLIGHTS

ESG AWARDS



In January 2024, EcoVadis, a renowned global provider of corporate social responsibility ratings, honored Impro with the **Bronze Medal** for the second consecutive year



In October 2023, Impro achieved the prestigious “**Excellent ESG Enterprise**” recognition from Hong Kong Economic Times for the third consecutive year, further reinforcing Impro’s consistent commitment to excellence in ESG practices

ENVIRONMENTAL HIGHLIGHTS



Decreased by **10.6%**
GHG emission per unit revenue



Decreased by **55.0%**
Waste water emission per unit revenue



Decreased by **11.5%**
Energy consumption per unit revenue



Decreased by **4.8%**
Non-hazardous solid waste disposal per unit revenue



Decreased by **26.1%**
Water consumption per unit revenue



HK\$350 million
Total amount of sustainability link loans raised during the year

VS 2022

2023 ESG HIGHLIGHTS

SOCIAL HIGHLIGHTS



Training hours reached
327,146 hours with
42.6 hours per employee on average
100% training coverage



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



13.8% turnover rate for employees of the Group, of which:
14.1% turnover rate for employees in Asia
4.6% turnover rate for employees in Europe
19.2% turnover rate for employees in Americas



27.9% female employees with
21.7% in top executive positions, and
25.0% as the Board of the Company

GOVERNANCE HIGHLIGHTS

94 accumulated new patents filed in 2023 and a total of **556** registered inventions and utility patents in use by the end of 2023, covering specific key technologies in our production process



6,528 employees received anti-corruption training, an increase of **21.7%**








15 plant locations conducted internal audits on business ethics



156 suppliers have obtained ISO 14001 Environmental Management System certification, a year-on-year increase of **11.4%**



ESG TARGETS AND PROGRESS

Environmental				
Topics	Related SDGs		Targets	2023 Progress
Climate Change		 	Reduce GHG emission intensity by 30% in 2030 as compared to 2020	Achieved: 41.1% decrease in GHG emission intensity compared with 2020
Energy			Reduce energy consumption intensity by 30% in 2030 as compared to 2020	Achieved: 32.4% decrease in energy consumption intensity compared with 2020
Resource Stewardship			Reduce water consumption intensity by 40% in 2030 as compared to 2020	Achieved: 57.9% decrease in water consumption intensity compared with 2020
Waste Management			Reduce hazardous emissions intensity by 50% in 2030 as compared to 2020	On track: 35.5% decrease in hazardous emissions intensity compared with 2020
			Reduce non-hazardous emissions intensity by 30% in 2030 as compared to 2020	On track: 13.4% decrease in non-hazardous emissions intensity compared with 2020

Social				
Topics	Related SDGs		Targets	2023 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: 703 hours of volunteer participation time

Governance				
Topics	Related SDGs		Targets	2023 Progress
Corporate Governance		 	100% anti-corruption training	On Track: 85.0% employees received training on anti-corruption
Supply Chain			100% contracts including ESG clauses	On Track: 55.0% contracts including ESG clauses

ABOUT IMPRO

Established in 1998 in Wuxi City, China, Impro Precision Industries Limited has grown to become a global leader in the manufacturing industry. In 2011, our global headquarters was relocated to Hong Kong, China. Our expertise lies in producing high-precision, high-complexity, and mission-critical castings, machined components, and hydraulic orbital motors for a wide range of industries. As one of the top 10 manufacturers globally in this field, we specialize in investment castings and hold the distinction of being China's largest manufacturer in this domain. Additionally, we are the world's third-largest precision machining company in the automotive, aerospace and hydraulics sectors. What sets us apart is our ability to offer comprehensive solutions, encompassing research and development, tooling design and manufacturing, casting, secondary machining, heat treatment, and surface treatment, all under one roof.

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 equipment installation) 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.

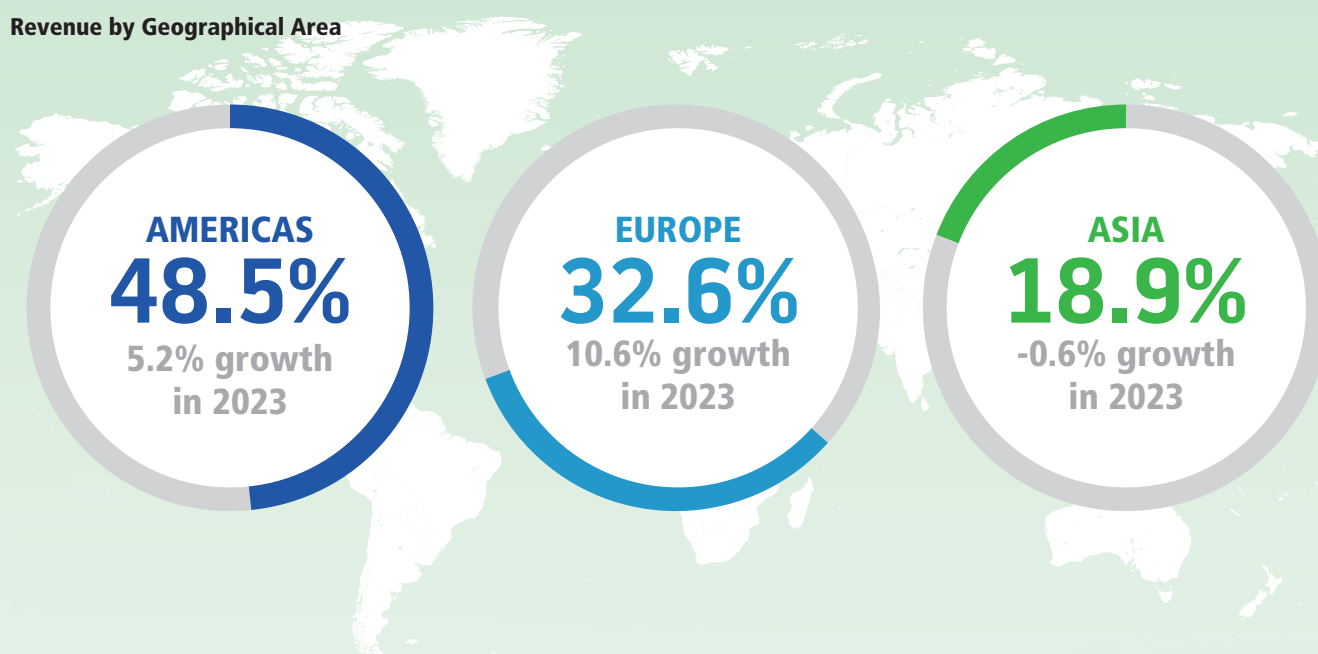
The majority of our sales is targeted at international customers. We have established a large, diverse and stable customer base including global leaders being owners of internationally renowned brands. The renowned and diverse customer base allows us to minimize concentration risk. We have also established stable long-term business relationship with our major customers. In 2023, average years of business relationship with the top 20 customers amounted to 18.5 years (2022: 17.7 years). Top 10 customers in 2023 accounted for approximately 52% of the total sales of the Group (2022: 52%).



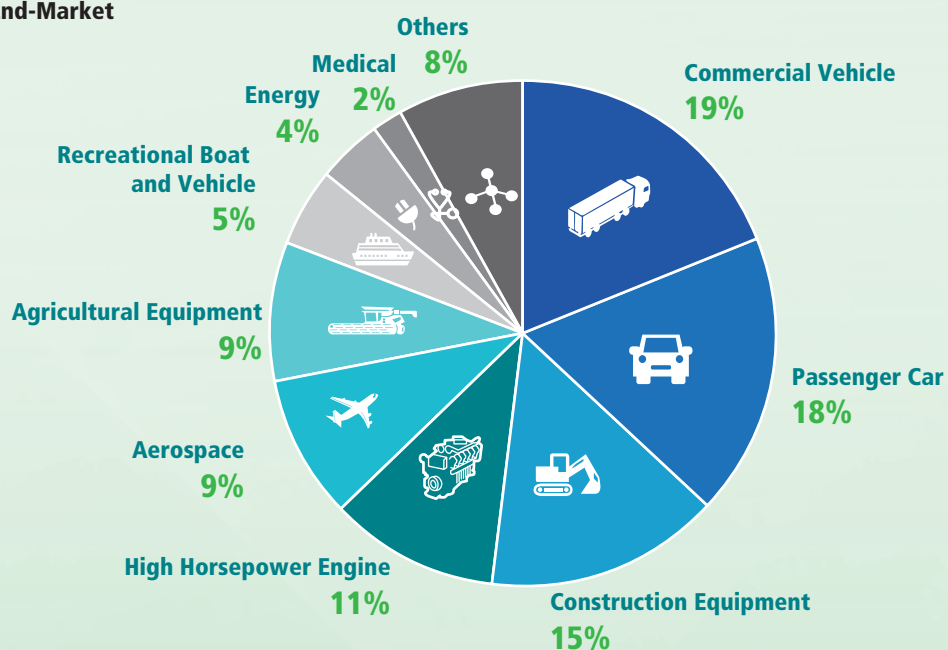
ABOUT IMPRO

2023 Record High Revenue of HK\$4,604.4 million

Revenue by Geographical Area



Revenue by End-Market



Impro

Impro
Aerotek

Impro
Fluidtek

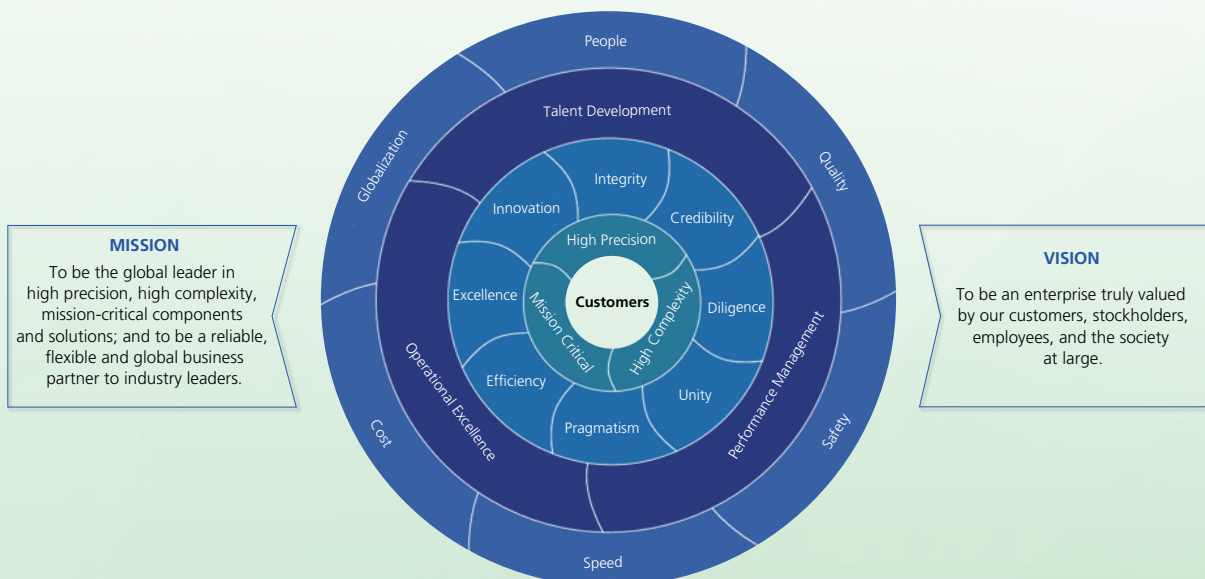
SUSTAINABLE DEVELOPMENT STRATEGY

Sustainability has always been a top priority for Impro Group, and we are proactive in meeting the requirements and expectations of our various stakeholders. As part of our commitment to sustainability, we are constantly improving our sustainability governance system to ensure that we maintain high standards of environmental, social and governance practices. By focusing on sustainability and engaging our stakeholders, we endeavour to create long-term value and make a positive contribution to the communities in which we operate.

Since 2020, we have established a four-tier, top-down sustainability structure comprising the Board, the Sustainability Committee, the Environmental, Social and Governance (ESG) Working Group and ESG Accountable Officers across all plants and divisions. The Board serves as the leader of Impro Group's sustainability efforts and is ultimately responsible for the Group's sustainability strategy, policies and performance. Under the supervision of the Board, we have established a Sustainability Committee to develop the Group's strategic framework for sustainability. As the highest governance body of Impro, the Board is also ultimately responsible for the implementation and execution of the Climate Risk Management Programme. They guide Impro's key climate governance initiatives and provide direction for the Company's development in this key area.

Impro's approach to sustainability:

- Through sustainable product development and innovation, customers of Impro can achieve their sustainability goals of reducing fuel consumption and improving efficiency;
- Continuously reduce the environmental footprint by optimizing production plans, investing in renewable energy, improving production processes and other measures;
- Attract and retain outstanding talents, strive to build a safe, healthy, cross-cultural, diverse and inclusive working environment so that employees at all levels can thrive, and fulfill our social responsibilities in the countries and regions where we operate;
- Continue to strengthen our governance system, improve product quality and adhere to the principle of customer-centricity; identify and manage internal and external risks in accordance with the actual situation and development needs, integrate the aspirations of various stakeholders, formulate a risk management mechanism and risk prevention system, and integrate sustainable development into the processes and practices of our suppliers.



We are a Customer-Centric company.

SUSTAINABLE DEVELOPMENT STRATEGY







SUSTAINABLE DEVELOPMENT POLICY AND STRATEGIC FRAMEWORK

Stakeholders identification and communication

Our unwavering commitment lies in fostering strong and mutually beneficial relationships with both internal and external stakeholders, with the ultimate goal of creating a win-win scenario and maximizing value for all. Our key stakeholders encompass a wide range,

including employees, shareholders, investors, regulators, suppliers, customers, media, and more. Throughout the Reporting Period, we maintained active communication with our stakeholders, ensuring that we comprehensively understood their needs and concerns, and we responded to them with concrete actions, demonstrating our dedication to engage and respond to the community.

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	Annual 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

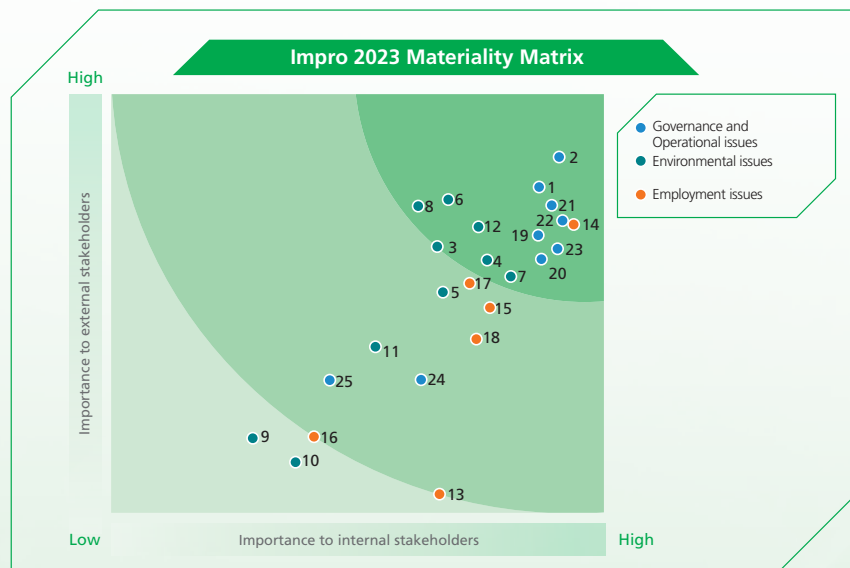
SUSTAINABLE DEVELOPMENT STRATEGY

Materiality analysis

In 2023, we have conducted a comprehensive analysis that incorporates input from stakeholders through online questionnaires, industry benchmarking, mega trend analysis, and referencing sustainability standards such as GRI, we have updated and identified material topics that are crucial for the long-term social responsibility strategies of Impro Group. This process

has allowed us to update our materiality topic portfolio. Among these topics, we have identified 14 issues with a high degree of materiality, 9 issues with a medium degree of materiality, and 2 issues with a low degree of materiality. In this report, we provide detailed information on the topics that are of high materiality, reflecting our commitment to transparency and accountability.

The Methodology for Identifying Materiality Issues



Governance and Operational issues

- 1 Financial performance
- 2 Corporate governance
- 19 Product quality assurance
- 20 Customer privacy protection
- 21 Maintenance of customer relationship
- 22 Protection of intellectual property
- 23 Anti-corruption management
- 24 Resilience of suppliers
- 25 Stakeholder and community engagement

Environmental issues

- 3 Utilization of resources
- 4 Discharge of pollutants
- 5 Environmental impact on soil and ground
- 6 Emission of greenhouse gases
- 7 Waste management
- 8 Water stewardship
- 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

PRODUCT AND OPERATIONAL SUSTAINABILITY

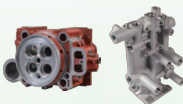



Our products and services are widely applied to various end-markets, including diversified industrials (high horsepower engine, construction equipment, agricultural equipment, recreational boat and vehicle, and other end markets), automotive (passenger car and commercial vehicle), as well as aerospace, medical and energy. We have forged enduring strategic partnerships with esteemed industry leaders worldwide. Furthermore, we collaborate closely with our customers to develop more than 1,000 tailored, innovative component products each year, ensuring we meet their evolving demands for new applications in various markets.

As of 31 December, 2023, our extensive portfolio consisted of over 9,300 active Stock Keeping Units ("SKUs"). These components are developed in close collaboration with our customers to gain valuable insights into the preferences and demands of end users. Through this process, our goal is to enhance energy efficiency, reduce emissions, promote environmental cleanliness, improve health and well-being,








ensure safety, minimize waste, and optimize product functionality. We are committed to maintaining a forward-looking approach in continuously enhancing the sustainability features of our products. To achieve this, we make substantial investments in our R&D and collaborate with academic institutions to explore industry-specific and market-leading features that promote sustainability within our industry and among our peers.

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. The vertical comprehensive one-stop solution not only enable us to offer cost-effective and durable products but also help minimize the environmental impact associated with transportation and packaging, contributing to our customers' sustainability goals.

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

Diversified Industrials	Climate change and energy efficiency	Health and safety
High horsepower engine components 	<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
Construction equipment hydraulic system components 	<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 	
Gas detection components of the oil and gas industry 		<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
Hydraulic orbital motor 	<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 	

PRODUCT AND OPERATIONAL SUSTAINABILITY

Automotive	New energy vehicles	Internal combustion engine vehicles
Fuel system components 		<ul style="list-style-type: none"> Reducing fuel consumption Reducing risk of oil leakage and extending useful lives of vehicles
EGR system components 		<ul style="list-style-type: none"> Reducing engine emissions Reducing hazardous gas emissions
Motor components of electric vehicles 	<ul style="list-style-type: none"> Ultra precision machining components only apply to new energy vehicles to extend useful lives of vehicles 	
Aerospace, Energy and Medical	Climate Change and energy efficiency	Health and safety
Aerospace fuel nozzles of horsepower engine 	<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
Aerospace environment control system components 	<ul style="list-style-type: none"> Better managing temperature and air flow of cabins and equipment bays Extending product life cycle 	<ul style="list-style-type: none"> Providing clean and moist air Reducing airflow-generated noise
CT scanner components 	<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
Gas Turbine, Combustion components 	<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





At Impro, we are dedicated to fostering an environmental conscience and integrating ESG principles into our business model. We actively engage in ongoing research to develop bold, impactful, and innovative solutions that optimize our operations, minimize waste generation, and enhance our energy and water efficiency. Through these efforts, we strive to make sustainable choices that align with our commitment to environmental stewardship and ESG integration.

1.1 COMPLIANCE AND MANAGEMENT

The Impro Group acknowledges our responsibility towards the environment and the significance of preserving environmental resources in all aspects of our business activities. We are dedicated to adopting eco-friendly practices and implementing sustainable processes to reduce our environmental impact. We have ingrained environmental compliance and management into our organizational culture and management approach, reflecting our strong commitment to environmental stewardship.

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.

Impro's commitment to green development is firmly rooted in a robust environmental management system. Since the release of our Environmental Policy in 2022, which applies to both Impro Group and our subsidiaries, we have actively disseminated this guidance and policy to our colleagues at all levels and across various departments. Our aim has been to enhance awareness and encourage feedback on environmental matters. Adherence to this policy is mandatory for all employees, suppliers, and contractors, as it governs the functioning of our environmental management system. The policy outlines specific targets for energy, water, emissions, and waste reduction. These targets serve as a guide for us to take immediate and sustainable actions towards development. The Sustainability Committee is entrusted with overseeing the implementation of this policy, ensuring its effective execution. Additionally, the Board will review the policy every three years to ensure its alignment with Impro's current situation and the expectations of our stakeholders.

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 17 plants, accounting for 89.5% of the total operating plants as of 31 December 2023.

ENVIRONMENT

To continuously raise employees' awareness of environmental compliance, the Impro Group has been taking efforts to organize environmental-related trainings. During the Reporting Period, 5,376 staff have been trained on environmental issues, accounting for 70.0% of the employees.

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 2023, 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.

In 2023, Impro Group secured two sustainability link long term loans at an aggregate amount of HK\$350 million from Hang Seng Bank and UOB, signifying the Group's continuous commitment to green production. Starting from 2024, Hong Kong Quality Assurance Agency ("HKQAA"), an independent non-profit-distributing organisation by the Hong Kong Government, will perform annual certification of the Group's progress of reduction of GHG emission as well as water consumption intensity.

1.2 CLIMATE CHANGE

Climate change continues to stand as one of the significant challenges we face. To effectively tackle the financial implications that arise from climate change threats, we have implemented rigorous corporate risk management and strategic planning approaches. Simultaneously, we actively identify opportunities associated with these challenges.

In our climate risk management process, we have integrated the Task Force on Climate-related Financial Disclosures (TCFD) framework. This framework allows us to comprehensively address climate risks and make informed decisions. To reduce energy consumption and greenhouse gas (GHG) emissions, we have implemented various energy-saving measures.

Furthermore, in 2023, we conducted a thorough analysis to identify any gaps between our current practices and the latest requirements outlined in the HKEx consultation paper aimed at enhancing climate-related disclosures. This exercise has solidified our progress and provided a clear direction for combating climate change risks while also capitalizing on climate-related opportunities. As part of our carbon reduction plan, we have reviewed and verified Scope 1 and Scope 2 emissions for 2022 and recalculated Scope 2 GHG emissions from 2022 based on the latest 2022 China's national grid average emission factor. We are still in the process of outlining Scope 3 emissions and expect to share the results in 2025.

ESG and Climate Governance

The Board plays a crucial leadership role in addressing climate-related risks within our organization. They take the initiative to conduct comprehensive analysis and closely monitor these risks to ensure they are effectively incorporated into our overall strategic planning. By prioritizing climate considerations, the Board demonstrates its commitment to sustainable and responsible decision-making.

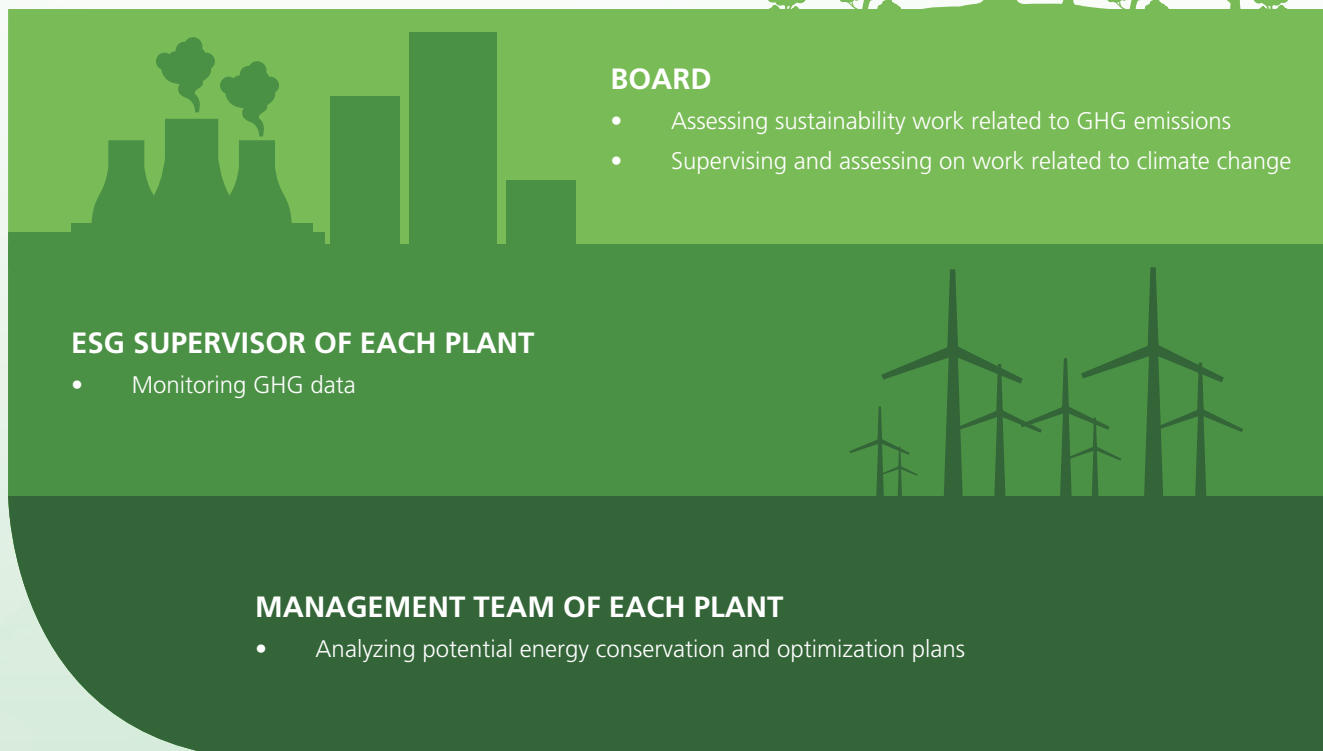
ENVIRONMENT

At the operational level, each plant has an assigned ESG supervisor and a dedicated management team. These individuals are responsible for actively monitoring climate data relevant to their respective plants. They gather and analyse information related to climate change, such as greenhouse gas emissions, energy consumption, and other environmental indicators.

Based on their analysis, the ESG supervisor and management team develop and implement specific climate actions tailored to the unique circumstances of each plant. These actions aim to mitigate climate risks, enhance environmental performance, and promote sustainability. Examples of such actions may include energy efficiency measures, renewable energy adoption, waste management strategies, or other initiatives that help reduce our carbon footprint and contribute to a more sustainable future.

Through this decentralized approach, the ESG supervisors and management teams at each plant take responsibility for monitoring and managing climate-related aspects of their operations. This distributed accountability ensures that climate considerations are addressed at a local level and aligns with the Group's broader commitment to environmental stewardship and sustainability.

CLIMATE MANAGEMENT STRUCTURE



ENVIRONMENT

Climate-related Risks and Strategies

Given the complex and ever-evolving nature of climate-related risks, it is crucial for businesses to effectively manage these risks to ensure the continuity of their operations. Various factors need to be considered in this process, including geographic location, local policies and regulations, future government plans, historical records of extreme weather events, and more. Within Impro Group, we recognize the significance of climate-related risks and have developed a comprehensive approach to assess and address them. Our climate-related risk assessment takes into account a range of factors and is designed to provide a detailed understanding of the potential impacts on our business:

Physical Risk		
Risk Types	Implications	Mitigation Measures
Acute Risk <ul style="list-style-type: none"> Extreme weather conditions (flood, storms, drought, etc.) 	<ul style="list-style-type: none"> Physical damage to infrastructure, buildings, and equipment due to floods, storms, or other severe weather events. Increased operational costs for repairs, maintenance, and recovery efforts following weather-related damage. 	<ul style="list-style-type: none"> Prioritize staff safety with local management teams by closely monitoring weather forecasts to ensure employee safety and make necessary preparations. Installing membrane insulation on factory roofs to improve durability against heavy rains. Assessing flood risks for factory locations and determining that no specific measures were required. Installing rope systems to prevent window breakage and ensuring occupational safety during natural events. Implementing an automatic natural gas cutoff system to mitigate hazards during earthquakes.
Chronic Risk <ul style="list-style-type: none"> Sea level rise Increased temperatures and a linked drop in water availability 	<ul style="list-style-type: none"> Increased coastal erosion, flooding, and damage to infrastructure, including buildings, ports, and transportation systems. Disruption of supply chains, leading to delays in the delivery of raw materials or finished products. 	<ul style="list-style-type: none"> Identify and mitigate risks by assessing vulnerable areas and take actions, including capital investments, management strategies, insurance coverage, and emergency planning, to minimize the impacts of chronic risks. Monitoring temperatures exceeding seasonal norms and installing automatic cooling systems in critical areas to protect equipment and prevent overheating. Enhancing chiller capacity and efficiency to address production issues caused by rising air temperatures.

Transitional Risk		
Risk Types	Implications	Mitigation Measures
Policy Changes Risk <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 	<ul style="list-style-type: none"> Increased regulatory scrutiny by the local regulators may introduce new policies and regulations to address climate change, such as carbon pricing or emission reduction targets. This could lead to stricter compliance requirements and additional costs for businesses. Shift in investment incentives often favor renewable energy and sustainable practices may create opportunities for businesses operating in these sectors, while industries heavily reliant on fossil fuels may face challenges and need to adapt or diversify their operations. 	<ul style="list-style-type: none"> Set energy conservation and consumption reduction targets and GHG emission reduction targets, actively take relevant measures to reduce GHG emissions, and promote the gradual reduction of GHG emission intensity and total volume Develop green and low-carbon production techniques, reduce production costs and increase profit margins
Technology Risk <ul style="list-style-type: none"> Costs to transition to low emission product and technology 	<ul style="list-style-type: none"> Climate change mitigation efforts often require the development and deployment of new technologies and solutions. Businesses that invest in and successfully adopt innovative technologies can gain a competitive advantage, while those slow to adapt may face market obsolescence. 	<ul style="list-style-type: none"> Upgrade high energy-consuming equipment to save energy; promote resource recycling
Market Risk <ul style="list-style-type: none"> Customers' demand on environmental protection and green production Surges in electricity fees and fuel expenses 	<ul style="list-style-type: none"> Growing environmental awareness and concerns about climate change can influence consumer behavior. Businesses that fail to align with evolving consumer values and expectations may experience reduced demand for their products or services. 	<ul style="list-style-type: none"> Pay close attention to market signals and energy policy changes to ensure timeliness of information
Reputation Risk <ul style="list-style-type: none"> Customers' attention to corporate responsibilities Stakeholders' concern on negative news 	<ul style="list-style-type: none"> Investors, employees, and other stakeholders are increasingly scrutinizing companies' environmental performance. Negative publicity or stakeholder activism related to unsustainable practices can harm a company's reputation, leading to financial consequences such as reduced investment or difficulty in attracting top talent. 	<ul style="list-style-type: none"> Strengthen energy conservation and emission reduction management, training and publicity in the overall production and operation process, and raise employees' awareness of energy conservation

ENVIRONMENT

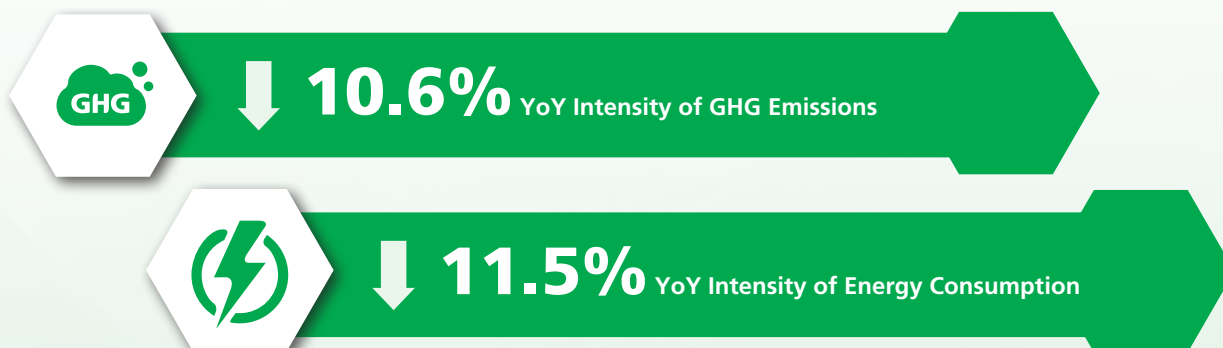
Targets and Metrics

In our ongoing efforts to minimize our environmental impact and combat climate change, we have embedded energy conservation and emission reduction practices across all our operations. To guide our actions, we established our initial climate goals in 2022. We are fully dedicated to achieving a significant reduction in both greenhouse gas (GHG) emission intensity and energy consumption intensity by 30% by the year 2030, compared to our baseline year of 2020. By integrating energy conservation measures and implementing strategies to reduce emissions, we aim to make substantial progress towards our climate goals. Through the adoption of innovative technologies, operational improvements, and the engagement of our employees, suppliers and partners, we are confident in our ability to drive meaningful change and contribute to a more sustainable and resilient future.

In 2023, our energy efficiency continued to improve, with our GHG emissions intensity decreasing by 10.6% and energy consumption intensity decreasing by 11.5% compared with 2022. On an accumulated basis, the Group has accomplished all the 2030 greenhouse gas emission, energy consumption and water consumption intensity reduction goals and reduced these intensities by 41.1%, 32.4% and 57.9% respectively. We are currently considering setting new emission reduction targets. In the meantime, we are also making progress on our Scope 3 emissions ranges, including an assessment of GHG emissions from raw material purchases.

Our 2030 Goals

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



Implementation

In order to accomplish our energy and emission reduction objectives and facilitate the Group's transition towards sustainability, Impro has implemented strategic initiatives throughout our production operations. These initiatives encompass various pathways to achieve our energy and greenhouse gas (GHG) emission targets, including enhancing energy efficiency, facilitating the transformation of our energy mix, and promoting a heightened awareness of energy consumption. These measures are aimed at driving positive change and aligning our operations with our sustainability goals.

Pathway 1: Improve Energy Efficiency

Strictly complying with local regulations and drawing inspirations from international and local best practices within the industry, Impro Group consistently seeks innovative ways to conserve energy and enhance efficiency. We actively explore the adoption of energy-saving equipment and optimize our processes to reduce our reliance on energy sources. Additionally, we invest in utility infrastructures and integrate smart technologies from the outset of our business operations to minimize resource consumption. These proactive measures align with our commitment to sustainability and reflect our dedication to responsible resource management.

Improving energy efficiency in the warehouse to reduce heating and cooling consumptions and costs

Impro's factory in Germany implemented a series of energy-saving programs in their warehouse to optimize energy usage and reduce associated costs. One key initiative involved restructuring the warehouse ceiling to enhance insulation and minimize heat and cold loss. By improving the insulation, the facility was able to maintain a more consistent temperature, reducing the need for excessive heating during colder months and excessive cooling during warmer months.

Additionally, a thin glass ceiling that was contributing to heat loss in the warehouse was identified and removed. This step helped to prevent heat transfer and improve the overall energy efficiency of the facility. Moreover, the improved energy efficiency not only had a positive financial impact but also contributed to the company's sustainability goals by reducing its carbon footprint.



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Utilizing waste heat from air compressors to enhance the heating system

Heat Recovery and Recycling

We introduced advanced heat recovery and recycling technology in our Impro Yixing plant. By upgrading the air compressor unit with a heat recovery module, the waste heat generated was successfully captured and reused in the cafeteria and dormitories. The technology was commissioned in mid-November 2023. It is expected to save 1,757 tonnes of steam consumption per year, which is equivalent to a reduction of 521 tonnes of carbon emissions per year.

This innovative waste heat recovery and recycling system allows us to maximise the use of waste heat resources and reduce energy waste. By reusing waste heat to provide thermal energy, we not only save energy, but also reduce the negative impact on the environment.

The implementation of this technology not only reflects our commitment to sustainable development, but also demonstrates our dedication to adopting advanced technologies and innovative solutions to improve energy efficiency. We will continue to promote the application of waste heat recovery and recycling technologies to achieve our wider sustainability goals and contribute to a cleaner, greener future.



Enhancing energy efficiency and operational safety through Smart Steam Usage and Recovery and optimization of cooling systems

The Company is committed to continuous improvement in energy management. This year, we have continued to optimise our operational processes and have implemented a number of measures in various areas, including smart steam usage and recovery and optimisation of the cooling system, which have improved efficiency, reduced costs and maintained safety.

Precise Steam Control and Reduction: Steam meters were installed on each production line to accurately monitor and control steam usage. This initiative is projected to reduce steam consumption by 200 tons. By implementing precise control measures, the Company can optimize steam usage, leading to energy conservation and cost savings.

Steam Heat Recovery: The Company planned to implement steam heat recovery systems, specifically through the use of steam water valves at their facility in China. This initiative is expected to save 1,757 tons of steam. By harnessing and reusing excess steam for other processes or applications, the Company reduces waste and maximizes energy utilization.

Cooling Tower Optimization: The Company transitioned from three open cooling towers to a single closed cooling tower for air compressors. This change reduces environmental impact by minimizing water evaporation and energy losses attributable to the structure of the cooling tower's interior walls. The optimization enhances operational efficiency and reduces resources required for cooling and maintenance.

Smart Electrical Monitoring: Smart electrical systems were installed in the substation to monitor and control electrical equipment and wiring temperatures, mitigating potential hazards. This implementation enhances electrical safety by proactively identifying and addressing temperature-related issues, reducing the risk of accidents and downtime.

Through the comprehensive application of these measures, the Company is committed to improving energy efficiency and reducing costs, and contributing to environmental protection and safety management. We will continue to strive to find innovative methods and technologies to continuously improve our energy management practices and make a positive contribution to sustainable development.



Steam Meters



Cooling Tower (before optimization)



Cooling Tower (after optimization)

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Pathway 2: Accelerate Energy Mix Transformation

Impro has undertaken significant initiatives to explore a wide range of solutions for utilizing diversified clean energy sources and integrating clean and renewable energy into our energy infrastructure.

Solar energy projects

Following the successful installation of grid-connected photovoltaic power generation systems on the roofs of some of its production plants in China in December 2022, Impro has continued to utilise solar energy as part of its commitment to green and low-carbon development.

Currently, the Company is focusing on evaluating the return on investment and efficiency improvements that can be realised through the integration of solar energy. The evaluation process includes a careful analysis of the financial viability and expected energy production of potential solar power installations. At our plant in Yixing, where we are developing a long-term solar power project, Impro has conducted a comprehensive assessment with the aim of better investing in and building solar solutions for its operations.

Overall, the solar power project will make a significant contribution to carbon reduction, and Impro Yixing expects to reduce carbon emissions by about 5,000 tonnes per year, equivalent to planting 13,735 trees or 3% of the Group's annual carbon emissions. By utilising renewable energy, we are committed to reducing carbon emissions, promoting sustainable development and contributing to a cleaner and greener future. In the near future, we intend to start similar projects in our operating regions, including plants in China, Turkey and Mexico. We will carefully monitor the projects to ensure their successful implementation and alignment with our strategic objectives.



Impro Yixing Energy Storage Power Station Project

Impro has started its energy storage project in 2023. The project is planned to operate on a mode of charging and discharging twice a day, which will be realised through the deployment of an 8MW/14.47MWh power storage station. The project is expected to provide approximately 8.7 million kWh of reserve power to Impro Yixing annually, which is equivalent to approximately 14% of the total annual power consumption of the Yixing plant. The energy storage project site is equipped with a control room, a lift transformer warehouse and a battery warehouse, all of which have been successfully lifted into place.



As of the first quarter of 2024, the energy storage power station project has been successfully connected to the grid. The implementation of this energy storage project will provide the Company with an important energy reserve and peak shifting capability, which will improve the efficiency of power utilisation, reduce the cost of electricity consumption and reduce the reliance on traditional energy sources. Impro is committed to promoting the development of sustainable energy and contributing to a green and low-carbon energy future.

Pathway 3: Enhance Awareness

At Impro, we prioritize the enhancement of employee awareness regarding energy conservation as part of our Environmental Policy. We are committed to organizing annual training sessions that focus on energy-saving practices. These trainings aim to educate and engage our employees in sustainable energy management initiatives.



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

ENVIRONMENT

1.3 RESOURCE STEWARDSHIP

At Impro, we recognize the importance of resource conservation and responsible management. Through the implementation of innovative technologies, process improvements, and responsible usage practices, we aim to minimize our water consumption and reduce our overall water footprint. At the same time, we are dedicated to promoting the economical use of packaging materials. We understand that packaging plays a vital role in product delivery and protection.

By setting reasonable and ambitious targets for reducing water intensity and implementing sustainable packaging practices, we are actively working towards our resource-saving goals. We believe that these actions will not only minimize our environmental impact but also contribute to a more sustainable and responsible approach to resource management.

Our 2030 Goal

- Water consumption intensity ↓ 40% as compared to 2020

Water Stewardship

The responsible management of water and the protection of water resources are vital for the long-term health and prosperity of our local systems and communities. Protecting water resources and promoting the efficient use of water are key priorities for Impro. We place a significant emphasis on enhancing our resource management practices and have established targets to guide our resource-saving efforts.

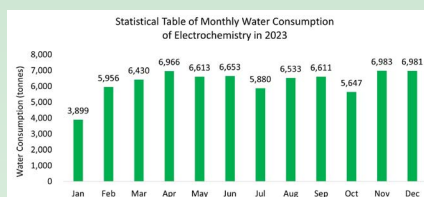
Practices of Water Resource Management

Cooling water circulation



- Impro's production plants in China have installed self-draining 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 11,974 tons of water has been saved.

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In 2023, our total water consumption was 846,531 tons, with a consumption intensity (tons/HK\$'M) of 183.9, decreasing 26.1% as compared to 2022. When comparing to 2020, our total water consumption intensity decreased by 57.9%, 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

Impro Group places a high priority on minimizing the environmental impact of packaging materials. Striving for increased circularity, we have implemented initiatives focused on reducing, reusing, and recycling these materials. By adopting these sustainable practices, we aim to enhance our commitment to environmental stewardship and contribute to a more sustainable and responsible approach to packaging. Our comprehensive packaging management aims to minimize our environmental impact through three key facets: recycling, reusing, and returning.

Reuse of Europallets and Euro Gitter-boxes in Germany

Impro's production plants in Germany implemented a robust system to maximize the reuse of packaging materials, specifically Europallets and Euro Gitter-boxes. Europallets, commonly used for transporting goods, and Euro Gitter-boxes, durable wire mesh containers, are essential components in the logistics industry.

To minimize waste and promote circularity, Impro established a comprehensive process to ensure the 100% reuse of Europallets and Euro Gitter-boxes. This involved meticulous inspection, repair, and maintenance of the packaging materials to extend their lifespan and optimize their usability.

By prioritizing the reuse of Europallets and Euro Gitter-boxes, Impro reduces the demand for new packaging materials, conserves resources, and minimizes waste generation. This sustainability strategy is in line with our corporate commitment to environmental responsibility and will help drive the economy towards a more circular model.



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Sustainable Packaging Management Initiatives in Turkey

In Turkey, more than 80% of deliveries from our factories to customers are in recyclable packaging, which includes VDA KLT crates, plastic pallets, pallet lids, toppers and thermoformed pallets, and even cardboard packaging and wooden pallets at several sites. Impro recognises the importance of promoting sustainability and reducing the waste generated from packaging materials, so as part of our commitment to environmental stewardship, we have implemented a packaging return process specifically designed for our foreign customers. This process allows customers in different regions to return recyclable packaging such as crates or containers to designated collection points. By establishing such a return process, we encourage the reuse of packaging materials, thereby reducing the need for disposable packaging and minimising waste. This initiative not only contributes to environmental sustainability, but also provides a cost-effective solution for the Company and our customers.



1.4 SOLID WASTE

The improper handling of waste not only disturbs the Earth's natural ecological equilibrium but also poses significant threats to human well-being. Consequently, Impro Group places great importance on adhering to applicable waste management laws and regulations. We actively engage in initiatives to mitigate the adverse effects of waste generation and disposal. By taking proactive steps, we aim to minimize our environmental footprint and foster a safer and healthier environment for all. In 2023, one-off hazardous waste of 237 tonnes was generated due to the relocation of partial machinery and equipment from the former factories No. 1 and No. 5 in the northern part of the Wuxi Xishan Base in China to the factories in the southern part Wuxi Xishan Base in China. Excluding the wastes related to the relocation in the northern part of the Wuxi Xishan Base in China, the intensity of hazardous wastes reduced by 1.8%, as compared with that in the previous year.

Our 2030 Goals

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



ENVIRONMENT

Waste Management

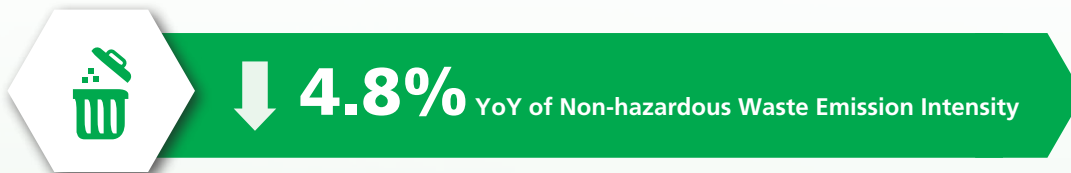
Impro Group maintains a strict oversight of waste collection, classification, storage, and transfer arising from our manufacturing and daily operations. Our primary objective is to prevent environmental pollution and ensure compliance with regulations. We are dedicated to continuously optimizing our production methods, regularly monitoring and analysing waste streams, and enhancing reuse and recycling practices to effectively reduce waste generation.

To facilitate efficient waste management, we categorize waste into distinct groups, namely recyclable waste, general industrial solid waste, household waste, and hazardous waste. Each category receives careful attention and appropriate handling procedures to ensure compliance and minimize environmental impact.

Furthermore, we have made significant investments in upgrading our equipment to further reduce our environmental footprint. These enhancements have proven successful in effectively reducing the discharge of hazardous waste. Through these proactive measures, we strive to promote sustainable practices, minimize waste generation, and actively contribute to environmental preservation and regulatory compliance.

Our 2030 Goals

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



Measures of Waste Reduction

Waste Collection and Segregation



- Dual Collection System for Waste Collection
- Separate Collection of Waste Batteries, Waste Vegetable Oils, and Waste Engine Oil
- Separate collection of biodegradable household waste and reuse through composting

Compliance, Training and Communications

Zero Waste Certification from Turkey



- Legislation Compliance for Waste Electrical and Electronic Equipment
- Information on Waste Type for Collection Equipment
- Training on Zero Waste Management System

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Strictly handling hazardous waste



- Collection of Hazardous Wastes Separately
- Separate Collection and Management of Medical Waste

Waste Storage and Management



- Establishment of Temporary Storage Area for Waste
- Compliance with Storage System Regulations

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 analyse the waste gas emission and waste water discharge. In 2023, our waste water emission recorded a 55.0% drop compared with 2022. The significant improvement in waste water discharges is mainly due to the significant reduction in production at the Nantong Surface Treatment Plant as a result of the fire incident in June 2022 and the effectiveness of a series of waste water management measures.



↓ **55.0%** YoY of Waste Water Emission Intensity

Wastewater Management

We are consistently striving to enhance our wastewater treatment facilities, aiming to improve the efficiency of the pollutant treatment process and reduce the concentration of pollutants in the discharged wastewater. Our ongoing efforts focus on upgrading the wastewater treatment stations to ensure optimal treatment results and minimize our environmental impact.

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.

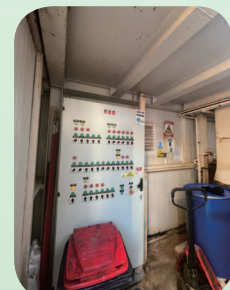
In addition, our plant has installed monitoring systems for total chromium and total nickel discharges, and implemented strict monitoring requirements. Our system is connected with the local environmental protection bureau's monitoring systems and will notify the bureau if abnormal values are detected.



Upgraded Chemical and Biological Treatment Infrastructure of Waste Water

We have successfully implemented a chemical treatment system in our production plants located in Turkey. This milestone achievement has resulted in zero hazardous wastewater discharge from both of our Turkish plants. Our wastewater treatment system conducts daily checks to monitor the condition of the wastewater, including parameters such as pH value and color. Additionally, the treated water from all our wastewater facilities undergoes analysis as per the regulations set by the local Environment Ministry every three years.

In the year 2023, we undertook a comprehensive upgrade of our wastewater treatment infrastructure at our CMTR1 and CMTR2 factories. This upgrade involved the integration of both chemical and biological treatment methods, ensuring strict adherence to the guidelines specified in the ÇİSG-TLM-016 and ÇİSG-TLM-017 Instructions. These enhancements have yielded significant positive outcomes, including a reduction in pollutant discharge, an improvement in environmental protection measures, and the strengthening of our relationships with local communities and stakeholders.



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Gas Emissions Management

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

Oil Mist Capture in Operation Sites

Due to the characteristics of machining, the oil mist generated during the operation of the equipment has an impact on the health of personnel and on the equipment. To address this issue, water vapor filtration and oil mist electrostatic capturing devices were installed in the machining equipment, specifically tailored to the types of cutting processes involved.

By effectively utilizing the electrostatic devices to capture and collect oil mist particles, the new equipment prevents them from spreading throughout the working environment, reducing the damage caused by oil mist and similar substances to both personnel and equipment. This not only improves air quality but also protects the health and well-being of employees who would otherwise be exposed to these hazardous substances. By reducing the inhalation of oil mist particles, respiratory issues and potential long-term health problems are minimized.

The introduction of water vapor filtration and oil mist capture equipment in machining processes has created a positive impact by improving the working environment, safeguarding the health of employees, prolonging equipment lifespan, reducing maintenance costs, and promoting environmental sustainability.



SOCIAL



SOCIAL



As a responsible business and employer, 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”. Our employees are of utmost importance to us and are considered our strategic priority. By safeguarding their rights and fostering their professional growth, we aim to cultivate a fair and equitable working environment that nurtures a sense of belonging within the Impro Group’s culture.

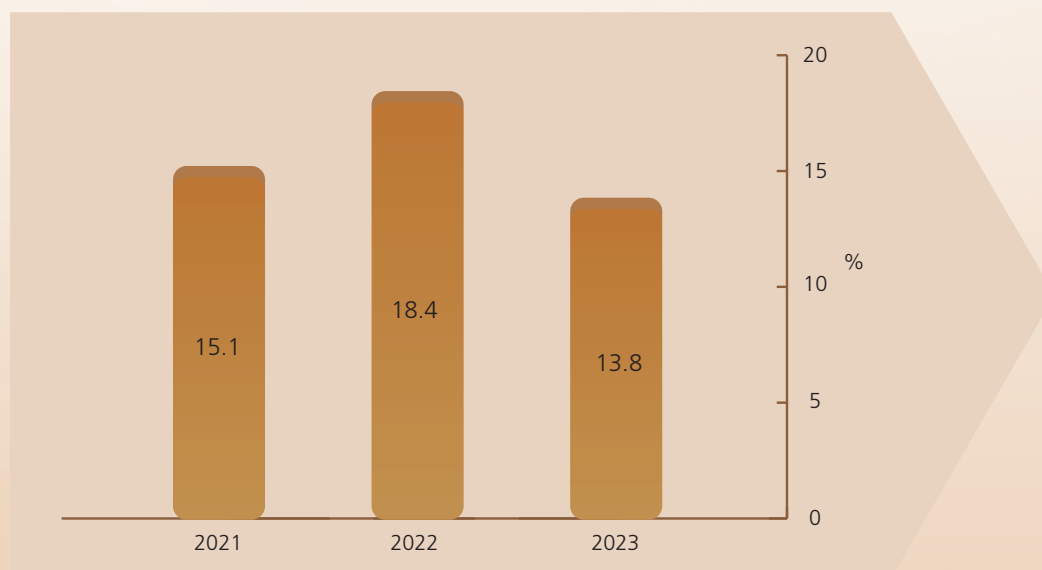
Our turnover rate for employees during the Reporting Period was 13.8%, compared to 18.4% in 2022 and 15.1% in 2021. The turnover rate for employees has improved significantly in 2023. Management continues to take a range of measures to retain capable talent. Our turnover rate for employees in Asia and Europe remained stable at 14.1% and 4.6% respectively in 2023, while the turnover rate for employees in Americas, as compared to 2022, dropped significantly by 26.6% to 19.2%.



Turnover rate for employees in Americas, as compared to 2022, declined significantly by 26.6% to

19.2%

Turnover rate for employees



Talent Development

Impro Group recognizes the importance of career development of our employees and continuously invest in different programs and activities aimed at nurturing talent, ensuring that our staff can achieve optimal performance.

During the Reporting Period, Impro's total training hours reached 327,146; the average training hours per staff were 42.6 hours, representing a year-on-year increase of 16.7%, and 83.2% employees received skill development trainings in all sites.

Talent Empowerment

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. At our Turkish plants, we prioritize talent empowerment through

diverse training programs such as AS9100, ISO50001, and IATF16949 Quality Management System training. Our white-collar personnel benefit from a dedicated program, where potential candidates are identified by department managers and a tailored training plan is created through collaboration with senior management. In 2023, two employees were recognized as talents and are being supported through this program.

We also provide tuition fee reimbursement to support employees in their pursuit of further education and certifications. Our Mexico Plant prioritizes talent empowerment through strategic collaborations with local universities. These partnerships offer significant discounts on language courses at Harmon Hall and tuition fees at UNID for employees and their families. Additionally, Impro provides professional internships to final degree students, helping them gain practical experience and offering school scholarships.

Process knowledge training in the Group's production plants in China

The product manager of the China plant launched a training programme for the sales and customer service staff on knowledge related to investment casting, precision machining and sand casting, aiming to enhance the professional competence of the sales and customer service teams, thus improving the efficiency of internal communication and customer satisfaction, to better satisfy the market demand and to enhance the competitiveness of the Company as a whole.



AS9100 Quality Management System Awareness and Internal Auditor training in the Turkish plants

10 people from various departments are trained to become internal auditors. After the training, the trained personnel have gained an understanding of the AS9100 Quality Management System. An evaluation exam was held. All personnel passing the exam gained a certificate and became an internal auditor.



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IATF 16949:2016 Quality Management System Internal Auditor Training for Automotive Industry

The factory in China commenced the IATF 16949:2016 Quality Management System Internal Auditor Training for the automotive industry, which aims to enhance the technical ability of the staff and create a high-quality, strong technical quality team; allowing the staff to combine theory and practice, and escorting the production.



VDA 6.3 Process Audit Training

The factory in China launched the VDA6.3 process audit training, which aims to enhance the understanding of the staff on the VDA series audit standard structure, improve the professional skills, and create a more excellent audit team. It enables staff to improve, reduce or eliminate potential risks in each process more efficiently, providing a strong guarantee for better customer service.

Talent Promotion

Impro Group places a strong emphasis on empowering its talent. We have established the Corporate Position Management Policy, which governs the application, approval, and overall management process of positions and their adjustments.

To enhance talent management and drive business performance, the Company regularly conducts skill matrix evaluations and talent inventory analyses. By utilizing skill matrix evaluations, employees can identify skill gaps and determine suitable skill development programs available at Impro plants. The evaluation encompasses various factors, such as leadership, risk management, occupational health and safety management, and computer skills. Benefiting from the

performance evaluation system, our Turkish plants identified career development opportunities for 13 individuals, with 10 employees receiving promotions, 1 undergoing a job transfer, and 2 recognized as talents.

Middle management personnel undergo annual performance appraisals, and the results play a crucial role in considering contract renewals for the following year. The company conducts talent inventory analyses twice a year to assess young employees and skilled personnel against existing vacancies or new job demands. Promotions are offered to deserving candidates identified through the analysis. Throughout the Reporting Period, 82.8% of employees across all sites received regular individual performance and career development evaluations.


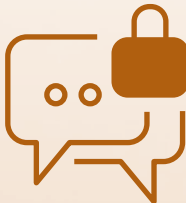
Employee Developing Channels		
Young Eagle Plan	Employee First Year Consultation Plan	Star Mechanician and Star Technician
<ul style="list-style-type: none"> Impro has proposed the "Young Eagle Plan" for the training of university graduates. During the Reporting Period, a total of 40 university students participated in the "Young Eagle Plan". 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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, 158 technicians were selected as the star technicians after the appraisal in the China region of Impro.

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	Mitigation procedure	Reporting channel	Corrective measures
<ul style="list-style-type: none"> We conduct regular trainings on employees to improve the awareness and understanding on child and human trafficking. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

SOCIAL

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.

During the Reporting Period, Impro has hosted a training camp for 40 college student talents as part of the esteemed Young Eagle Plan. This training programme not only provided them with intensive training, but also offered valuable insights into Impro's rich history, culture, production processes, and operational systems. By immersing these students in Impro's environment, the program aimed to foster a deep understanding of the Company's culture while empowering them to seize opportunities and unleash their full potential.

Additionally, Impro held a School-Enterprise Cooperative Internship Commendation Conference in July 2023. This year's internship program involved 49 students from a range of Technical College and Vocational School. The mentors and factory leaders praised the interns for their practical skills and overall qualities, and 7 outstanding interns were selected and awarded honorary certificates as a token of encouragement. Over the past six years, the Yixing factory's school-enterprise cooperation has cultivated a large pool of talent for the Company and established a stable channel for recruiting technical professionals.

Impro recognizes and incentivizes talent through a reward system that includes monetary rewards for former employees upon re-joining based on their previous rank. Internal employees are also encouraged to recommend qualified candidates and receive corresponding monetary awards. Impro further promotes diversity and synergistic development by offering generous incentive payments to employees in China who choose to relocate and work in Mexican plants. These initiatives attract and retain top talent, foster collaboration, and contribute to the Company's success.

As at the end of the Reporting Period, Impro Group had a total of 7,681 employees worldwide, with male and female employees accounting for 72.1% and 27.9% respectively.

Employee Care

Impro Group is committed to cultivating an inclusive and motivating working environment where every employee feels valued and empowered. We place a strong emphasis on fostering diversity and inclusion, actively promoting employee well-being, and fostering open and effective communication channels. By prioritizing these aspects, we aim to build a solid foundation for the Company and create a workplace culture that nurtures success and innovation.

Diversity, Equity and Inclusion

Impro Group is fully committed to eradicating all forms of bullying, discrimination, and harassment based on gender, age, sexuality, marital status, physical health, religious belief, and other personal attributes. Our dedication to promoting equality and inclusivity is reflected in the inclusion of anti-discrimination policies within our Code of Conduct and Business Ethics. We staunchly support the fundamental rights of our employees, aiming to eliminate any form of injustice or inequity. This commitment extends to providing equal employment opportunities, promotion prospects, as well as fair compensation and benefits for all individuals. Furthermore, the Company actively identifies human rights risks across its various sites, ensuring a proactive approach to addressing potential issues.

To actively combat prejudice and discrimination, the Company organized comprehensive anti-discrimination and anti-harassment training for employees in 2023. This training was designed to enhance awareness regarding the importance of respecting others and safeguarding one's own rights, fostering a workplace culture of mutual respect and inclusivity. During the Reporting Period, the employees trained in anti-discrimination and human right account for 96.3% among all sites; the percentage of workplace that have undergone a human rights review or human rights impact assessment reached 10.5%; the percentage of female employed in the Company is 27.9% with 21.7% in top executive positions and 25% 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).

Competitive Remuneration and Benefits

At Impro Group, we recognize the importance of providing fair and equitable compensation to our

employees. To ensure this, we have implemented a range of internal policies, including the Corporate Remuneration Policy, Corporate Benefit Policy, Corporate Reward and Reprimand Policy, and Corporate Overtime Policy. These policies have been developed to establish standardized guidelines for managing compensation and benefits across the organization, taking into account market standards and best practices.

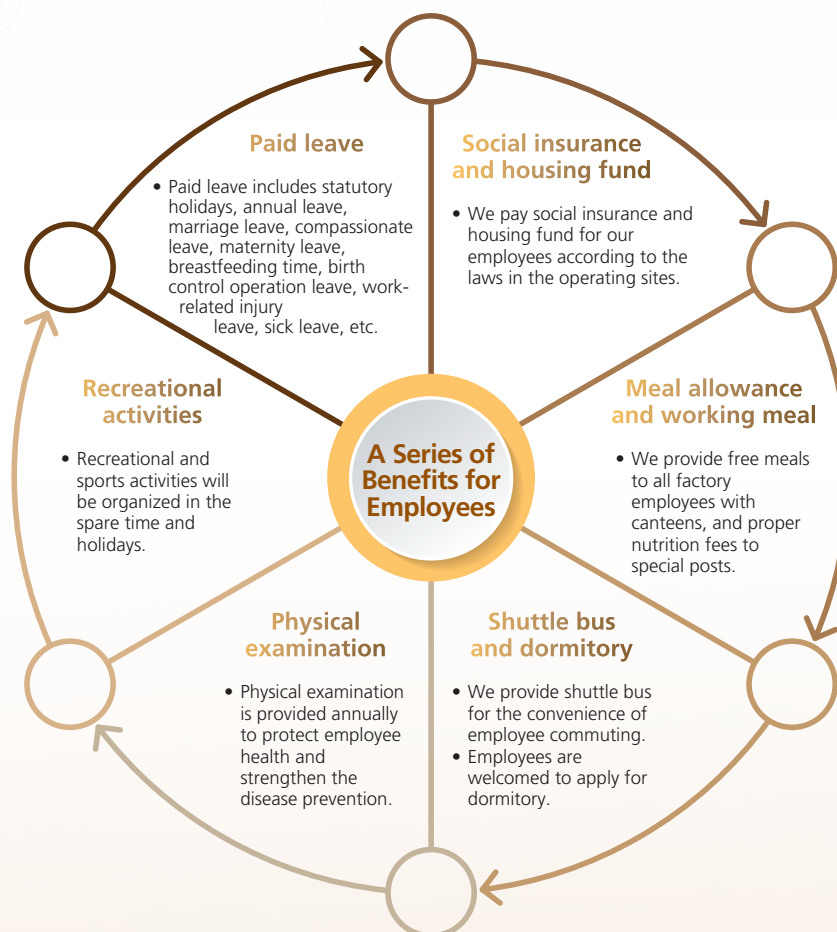
We value the dedication and hard work of our employees by offering a competitive compensation and benefits package that aligns with market norms. The compensation structure for our staff consists of three main components: basic salary, position salary, and performance bonuses. Additionally, we provide supplementary pay and bonuses to further recognize and appreciate our employees' contributions.

At our Turkey plant, we implemented a policy to reward white-collar personnel for completing higher education, resulting in one employee receiving a wage increase after completing a master's degree in 2023. Additionally, we provided social allowance payments to blue-collar personnel for each child continuing their education.



SOCIAL

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



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.

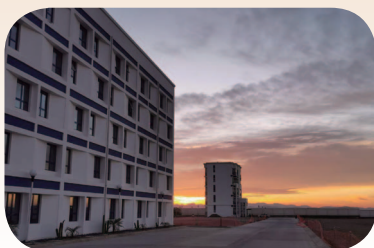
Impro Group is committed to guarantee the right of employees to join the labor union or other collective bargaining organization. Labor unions in various sites of Impro represent the rights and benefits of employees and hold regular meetings to promote staff's wellbeing.

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 24.5%, 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.

Impro Village in Mexico SLP officially opens for use

Impro Village in Mexico SLP was officially put into use on 28 December 2023. Impro Village in Mexico is located on approximately 46 acres of land and consists of a 170-room studio apartment building with ensuite bathrooms, a 10-suite family apartment building, and a living suite. The Village is located about 2 kilometers away from the Impro SLP campus, making it very convenient for employees to commute between the living area and the production area.



Impro's 25th Anniversary

On Impro's 25th anniversary, in order to reinforce the Company's "open" and "transparent" management style and corporate culture, we organised a series of activities to express our condolences to our hard-working staff as well as to lead them to celebrate this memorable moment together. We gave out a 25th anniversary souvenir package to our employees, which included a thermos bottle, a thermos cup, a backpack and a small pendant keychain. Meanwhile, to continue the tradition, the Company will continue to organise an 'Open Day' in China. Through this event, on the one hand, we closely connect with the companies, employees and their families, on the other hand, we hope that everyone can keep in mind the development history of Impro, seize the current opportunities and meet the challenges, witness the magnificent history of Impro, and personally create the future of Impro. We invited 120 groups of families (including employees, spouses, children and parents) from China to visit our Xishan base factory and Jiangyin No.2 factory to gain

an in-depth understanding of Impro's corporate culture. In addition, we also organised an essay writing campaign with the theme of "My Story with Impro". In order to improve the quality of food for our employees, we provided a festive canteen meal and issued gift cards to our employees to take care of their family needs.



SOCIAL

Completion of Renovation Works of Impro Yixing's Staff Quarters

In 2023, Impro invested approximately HK\$2.6 million in refurbishing its dormitory in Yixing, China, which has significantly improved the living environment for its employees.



Celebration of International Women's Day: Extraordinary "Her"!

On 8 March, 2023, we invited female employees to participate in a themed event celebrating International Women's Day. The activities included interactive discussions, hands-on DIY block printing workshops, and a tea break for sharing. In coordination with the President's Office and the General Managers or Administrative Departments of each factory in the China region, a gift-giving initiative was organized. Every female employee in China received a festive gift set and a mini bouquet.



2.2 HEALTH AND SAFETY

Impro Group is dedicated to fostering a secure and healthy work environment through enhanced governance, comprehensive inspections, and equipment updates. We are committed to raising employee awareness regarding production health and safety, while actively promoting the principles of 7S management.



During the Reporting Period, there were 0 work-related fatalities, the total number of days lost due to work-related injury reached 1,817, lost time incident rate for direct workforce* was 0.106 and the incident rate for direct workforce# was 7.04. Both indicators were higher than in 2022, mainly due to the Mexico plant being in the ramp-up stage with a relatively higher accident rate. Excluding the work-related injuries that occurred at the Mexico plant, the lost time accident rate for direct workforce and the lost time accident rate for direct workforce at all other Group plants in 2023 decreased by 9% and 3% respectively compared to 2022. The management team of the Mexico plant has analysed the root causes of each accident and coordinated a series of safety measures including daily safety inspections, weekly machine and tool safety checks and occasional reviews of personal safety equipment to ensure the safety of employees.

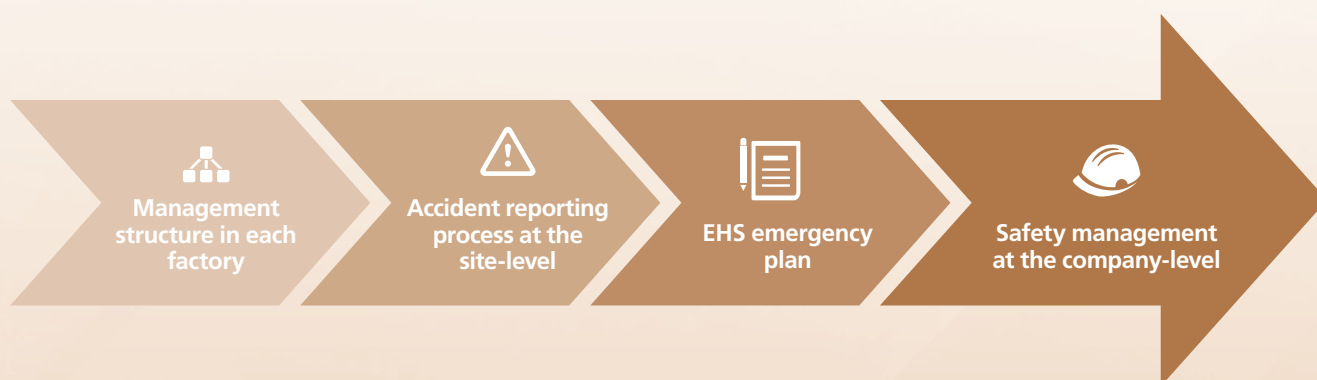
* *Lost time incident rate for direct workforce = (Days lost due to work-related injuries) X (1,000/Total hours worked)*

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

Safety Governance

In strict adherence to the Production Safety Law of the People's Republic of China, the Law on Prevention and Control of Occupational Diseases, the Regulation on Work-Related Injury Insurance, and other relevant laws and regulations across all our operational sites, Impro Group prioritizes safeguarding employees from occupational hazards. We have implemented internal policies throughout our facilities to clearly define the scope of our EHS (Environmental, Health, and Safety) management system, governing day-to-day production and operations. Additionally, our Code of Conduct and Business Ethics includes a safety commitment that applies to both employees and suppliers.

Impro Group has established a robust EHS management system to ensure effective safety management in our production plants in China. This system encompasses an EHS Control Framework and a well-defined process for managing work-related injuries. The managing director of Impro Group holds ultimate responsibility for production safety. Furthermore, we have formed an EHS Committee, which convenes regularly to coordinate EHS initiatives and review the progress made in addressing EHS-related concerns. During the Reporting Period, the employees represented by the EHS Committee account for 31.5% of the total employees in all sites.



EHS Management System of Impro Group

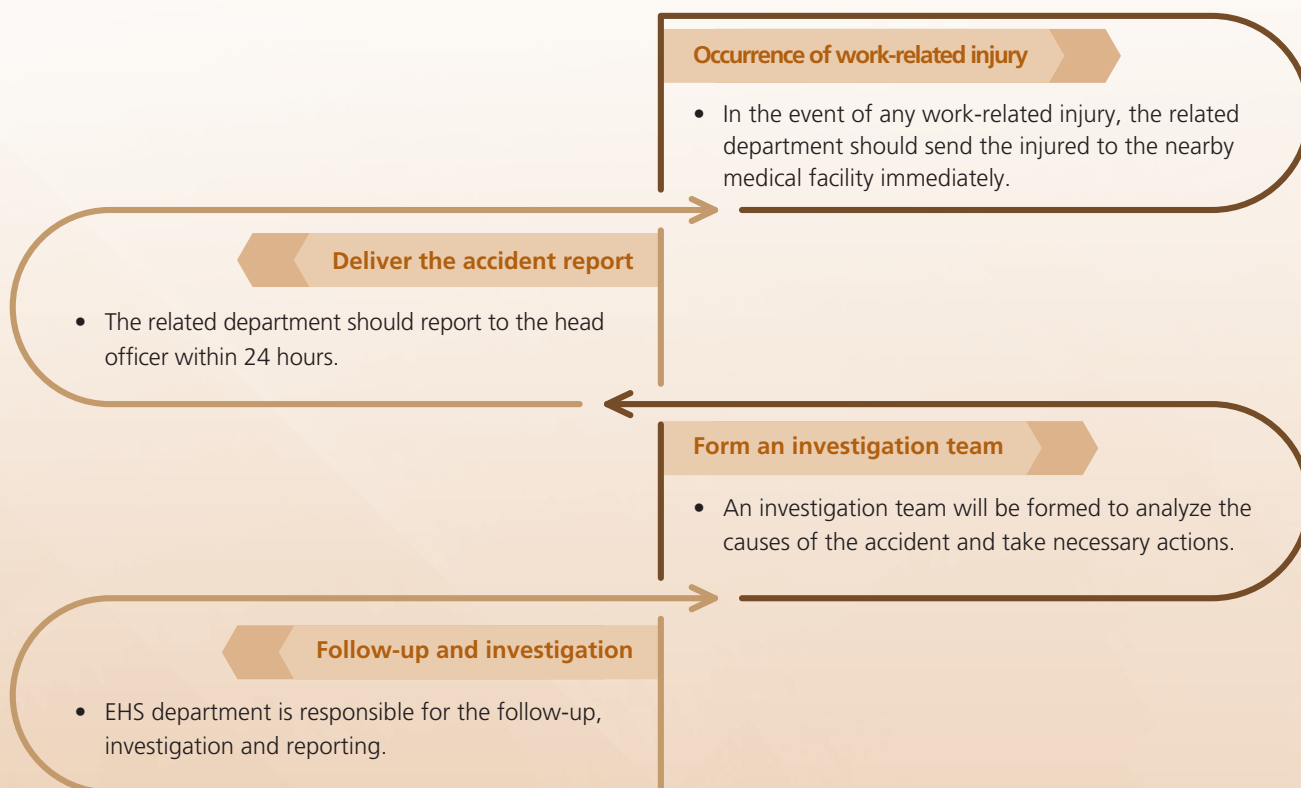
SOCIAL

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 implemented a comprehensive system for managing and reporting safety incidents. Every plant is mandated to promptly establish a safety incident log, enabling random inspections and oversight by accountable managers. Regardless of the severity, all accidents are required to be documented in the log. Moreover, we have established a standardized mechanism for handling work-related injuries, ensuring consistent investigation, analysis, and processing of reportable incidents.

Safety Accident Management and Reporting Process of Impro Group



Our efforts on safety at work have been recognized. During the Reporting Period, three of the Impro Group's production plants in China were awarded certificates for production safety standardisation and three production plants obtained ISO 45001 certification.



Sample of Impro Group
obtained ISO 45001

Impro Group's production
plants in China were
awarded certificates for
production safety
standardisation

Safety Mitigation

To cultivate a workplace that is free from hazards, Impro Group incorporates a wide range of safety precautions into our daily operations. The organization consistently conducts risk assessments in conjunction with regular inspections of our sites and equipment. Prompt corrective actions are promptly implemented to address any safety risks that are identified.

Regular Assessment and Inspections



Conducting health and safety risk assessments for existing and new business, and implementing hierarchical controls according to the risk assessment results. During the Reporting Period, 18 of our plants already conducted employee health and safety risk assessment, equivalent to 94.7% 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 in the Work Environment

In August 2023, in the original workshop of the inspection and packaging branch plant, the washing machine equipment area was separated from the packaging area through a glass partition. This allowed the cleaners to simply place materials on the cleaner guides and leave, greatly reducing the contact time between personnel and the source of noise pollution. On 25 September 2023, a CMA-qualified third-party company was commissioned to conduct a test, which showed that the noise at the post complied with the standard, with a range of 75 to 82.4 decibels.



Replacement of bench dual tube bracket lights with LED lights

To improve efficiency and quality during inspections, we recently replaced the aging dual-tube bracket lights on the stainless-steel workbenches at the inspection packaging plant. The new LED lights, with a total of 112 sets, have significantly enhanced the work environment and increased inspection efficiency.



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

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

For suppliers

Limited Space Operation Emergency Drill in PRC Plant

In June 2023, as part of the 22nd National "Safety Production Month" with the theme "Safety Awareness for Everyone, Emergency Response for Every Individual," Impro's plant in China region conducted a simulated emergency rescue drill. The drill focused on confined space operations in a heat treatment nitriding furnace. Through the drill, employees received training on safety procedures and emergency measures.



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2.3 STAKEHOLDER AND COMMUNITY ENGAGEMENT

Impro Group highly values the relationships and perspectives of our key stakeholders, including employees, customers, suppliers, shareholders, regulators, and the media. We continuously engage with them to ensure that our operations have positive impacts on the community. Through active promotion of local economic development and organizing charitable events, we strive to establish a harmonious society.

Supporting and investing in our communities lies at the heart of our corporate responsibility strategy. Impro Group actively drives the development of the local economy by implementing a range of community-focused initiatives. We make strategic investments in multiple plants, generating new employment opportunities and attracting foreign investment to benefit the community. We also collaborate closely with local universities and schools, actively contributing to education and talent cultivation.

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

Promote local employment

- Through the new plant capacity climb, the Mexican plants increased the local full-time employees by 10% to approximately 800 staff
- The first phase of a 26,720 square metre plant in Zhenjiang, China, specialising in the production of orbital motor and other fluid power components and assemblies, was completed in early 2024 and employs more than 100 staff.

Increase local capital investment

Capital expenditure of HK\$713 million has been made in 2023, mainly focusing on the new plant and investment of new machinery equipment, with approximately HK\$320 million in Mexico, remaining HK\$393 million mainly in China and Turkey. This expanded the scale of global footprints of the Group.

CMTR Material Donations after 7.8 magnitude Earthquake Hit Turkey

Management at Impro Turkey Plant responded to the devastating earthquakes in south Turkey by supplying 132 generators — 80 from the Company and 52 donated by employees. The generators were sent to the affected areas via AFAD's THY plane. Despite challenges such as a lack of rescue workers and equipment shortages, the united rescue efforts provided hope and strength to those affected.



Supporting underprivileged Children Charity Activities in Xishan

Impro has organized a charity event in collaboration with the Chunlei Community in Xishan District, Wuxi. Representatives from the Company visited families with underprivileged children, and provided them with educational scholarships, school supplies, daily necessities, and fruits.



Impro Group's Xishan Base and Wuxi Red Cross Blood Station Co-operate to Start Blood Donation

Impro Group's Xishan Base cooperated with the Wuxi Red Cross Blood Station and successfully recruited volunteers and promoted the knowledge of blood health during the blood donation activity. 32 people successfully donated 11,000ml of blood, demonstrating Impro's corporate spirit and social responsibility.



Love Meal, Sending Warmth to Children's Day

Impro Group's Xishan Base cooperated with Wuxi Children's Welfare Institution and held a buffet during the Children's Day, sending warmth and blessings to the children in the welfare home. The children in the welfare home felt the love and joy on their first Children's Day in the new home. During the event, representatives of Impro had a sharing time with the leaders of the welfare home, introduced Impro's situation, and greeted and blessed the children for the festival.



GOVERNANCE



GOVERNANCE



Impro Group remains committed to strengthening its governance system, driving innovative development, promoting sustainable supply chain practices, delivering high-quality products to every customer, and continuously enhancing customer value.

3.1 INNOVATION

Innovation Management

At Impro Group, we place great emphasis on our robust R&D capabilities and foster a collaborative approach. We remain dedicated to exploring cutting-edge technologies and driving industry advancements. To achieve this, we have invested in building strong R&D teams and forging mutually beneficial partnerships with industry peers, enabling us to develop ground-breaking and innovative products. Throughout the reporting period, we have made continuous investments in R&D to unleash the full innovation potential of our talented workforce. As part of our commitment to enhancing research and development, we have established dedicated teams in both China and Turkey. These teams are instrumental in driving our innovation efforts and propelling us towards future success.

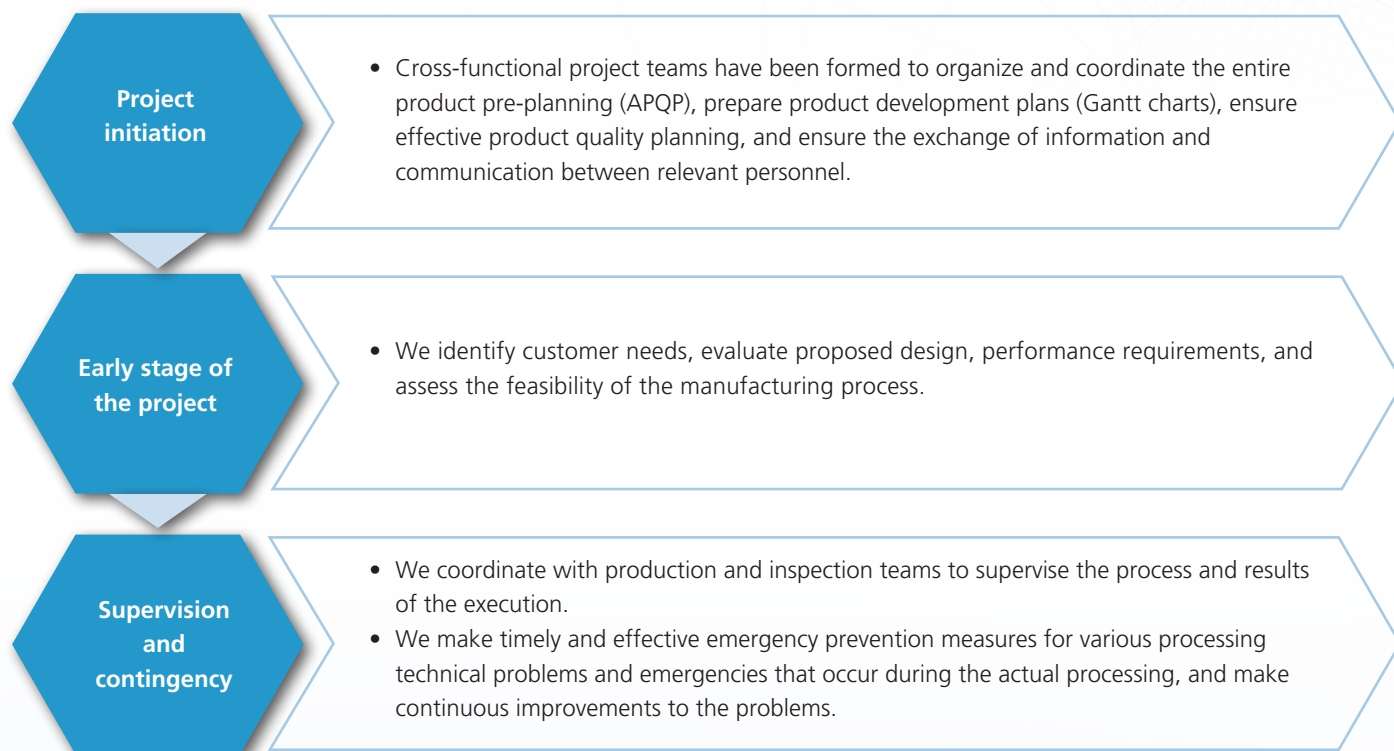
To further incentivize and recognize innovative individuals, Impro Group has implemented an additional layer of motivation through corporate awards and monetary rewards, supported by our in-house Intellectual Property Incentive System. Authors of

accepted patent applications receive rewards upon patent approval, while employees who publish in scientific journals are also eligible for additional recognition based on the authority and rank of the journal. These awards and monetary incentives aim to motivate and acknowledge the contributions of individuals within the Company who actively pursue innovative ideas, generate intellectual property, and contribute to the advancement of technology and knowledge in the industry. By providing tangible rewards, Impro Group aims to foster a culture of innovation and recognize the value of intellectual property and research publications created by its employees.

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, Impro Group had a total of 105 qualified innovative projects.

In 2023, we applied 25 invention patents and 69 utility model patents which represents an increase of 127.3% and 21.1% respectively as compared to 2022. Besides, we possessed a total of 124 invention patents and 432 utility model patents at the end of the Reporting Period.

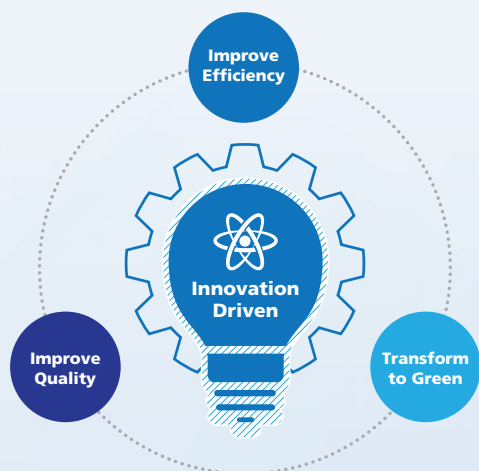
R&D Mechanism



Innovation Outcomes

At Impro Group, our commitment to excellence and innovation is deeply ingrained in our values and company culture. We consistently prioritize meticulous attention to detail, continuously seek opportunities for improvement, challenge conventional practices, and embrace innovative thinking across all aspects of our operations. It is through the synergy of these three driving forces that Impro Group has achieved notable success throughout the Reporting Period.

Innovation Driven of Impro Group



Improve Efficiency

Pursuing maximum utilization and higher efficiency are deeply ingrained in Impro Group's values and culture. We continuously optimize our processes to minimize waste through innovative approaches that eliminate duplicate processing and reduce downtime. These efforts have had a positive impact on the Company, resulting in cost savings, increased efficiency, enhanced product strength, improved manufacturing processes, energy conservation, and environmental benefits. Our commitment to sustainable growth and success drives us to explore various initiatives that have proven to be beneficial in terms of cost reduction, improved efficiency, and environmental sustainability.

GOVERNANCE

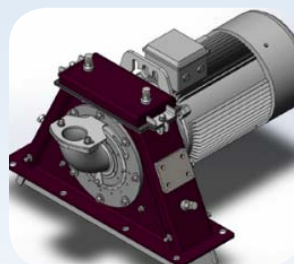
Development of Cold Extrusion Process



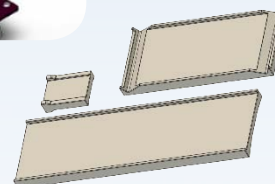
To continuously reduce production costs and enhance efficiency, the Company collaborated with external partners to develop a cold extrusion process. This new metal forming technique minimizes material consumption and waste, as it involves minimal metal cutting. The process boasts high material utilization rates and results in components with superior strength due to the cold work hardening effect. The cold extrusion process demonstrates significant potential in various manufacturing applications. For example, in the case of the Static Iron Core series, individual component material savings of around 50% were achieved.

Shot Blasting Machine Upgrades

Advanced Blast Wheel Machine Heads Replacement: By replacing the existing blast wheels machine heads with a more advanced model available in the market, the Company increased the shot blasting efficiency while maintaining the same power consumption. The shot blasting time was reduced by 80% compared to the previous setup. With the same casting output, one shot blasting machine saves approximately 18,000 kWh of electricity per year.



Improved Wear Parts: The Company upgraded vulnerable components within the shot blasting machine, such as blades and armour boards, replacing cast iron with tool steel. This change increased the lifespan of vulnerable parts, reducing material consumption. Each shot blasting machine saves 440 kg of material per year, and thousands of kg of materials can be saved across the Group.



Vulnerable components are strategically upgraded

Sustainable Innovations

Impro Group takes an active role in spearheading sustainable methods to enhance efficiency through technological innovation. Our focus lies in minimizing energy consumption during the production process, reducing manual labour, and improving the working conditions for our employees. By prioritizing these initiatives, we aim to create a more efficient and sustainable work environment while maintaining a high level of productivity.



Intelligent three-dimensional rotary storage

Intelligent three-dimensional rotary storage: After enabling the intelligent three-dimensional rotary storage, it realises the real-time collection of material information and the automatic push of materials according to the demand for use, and further realises the intelligent management of first-in-first-out of materials. This not only greatly reduces the space occupied by materials, but also significantly improves the work efficiency of personnel.

AGV Intelligent Transfer Vehicle

After activating AGV (Automated Guided Vehicle) Intelligent Transfer Vehicle to transport parts, it has not only improved the moving efficiency and flexibility of logistics and transportation, but also reduced the cost of logistics and transportation, and at the same time, reduced the labour cost, lowered the intensity of labour of employees, and improved the safety of moving components. Through the advanced AGV Intelligent Transfer Vehicle, we have further realised the information and intelligent management of logistics, which brings more benefits and competitive advantages to the production and operation.



AGV Intelligent Transfer Vehicle

Improve Quality

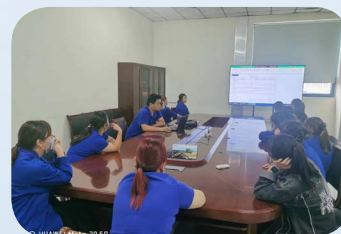
Impro Group has made significant strides in quality improvement through a range of initiatives. By adding personnel, implementing training programs, and optimizing processes, the Company has achieved positive outcomes including improved quality monitoring, enhanced training, streamlined development processes, and efficient material management. Through innovation, Impro Group has been able to enhance product quality by adopting suitable raw materials and optimizing operational processes. These efforts have resulted in a reduction in defective products and an overall elevation of quality standards.

Product Development Process Optimisation and Staff Quality Skills Training

In 2023, we have conducted in-depth optimization and updates of product development process documents. This project is led by a professional PMO project manager, who carefully sorts out and analyzes the existing development process to ensure the efficient operation of the process. This included streamlining workflows and clarifying job responsibilities. In addition, for newly launched products, we upgraded our internal manufacturing processes, improved the ISIR (Initial Sample Inspection Report) process, and enhanced the PPAP (Production Part Approval Procedure) product status query function to ensure a smooth transition from product development to production and quality control, thereby reducing the risk of quality problems.

Staff Quality Skills Training

In order to enable new employees to quickly grasp the Company's key technologies and quality inspection processes, as well as to gain a visual understanding of past quality situations, we have compiled customer feedback into a presentation and organised a number of trainings to train new employees in a graphic and illustrative manner. Such training has helped new employees to better understand Impro's technology and quality procedures.



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External Cooperation and Innovation

Impro Group actively engages in collaborations with external institutions and universities to enhance its innovation capabilities and optimize manufacturing processes. By forging partnerships with academic and research entities, Impro Group seeks to bolster its ability to innovate and continuously improve its manufacturing practices. These collaborative efforts serve as a catalyst for fostering knowledge exchange, enabling the Company to stay at the forefront of technological advancements. By actively seeking external collaborations, Impro Group demonstrates its commitment to staying agile and adaptive in an ever-evolving industry.

Fostering Innovation and Knowledge Exchange through Collaboration: Collaboration with Gison University for Advancing Casting Technologies

Impro Group has formed a collaborative partnership with Gison University to explore and advance traditional and new casting technologies. The collaboration includes various research projects and internship programs. This synergistic effort promotes the integration of innovative casting techniques with traditional methods, creating a positive impact on sustainability integration. The partnership facilitates knowledge exchange, fostering innovation in casting technologies and enhancing research capabilities. The planned initiatives scheduled for the spring of the following year demonstrate a long-term commitment to sustainable growth and continuous advancements in casting technologies.

Achieving ABS Certification for Sustainable Business Expansion



On 28 April, 2023, Impro Group China officially obtained certification from ABS (American Bureau of Shipping) for carbon steel, alloy steel, and stainless-steel series products within specified dimensions and weight limits. This certification enables the factory to undertake a broader range of projects that require ship classification society certification. The certification serves as a catalyst for the Company's sustainable business expansion, allowing for the development of new clients and new business opportunities. This achievement demonstrates Impro Group's commitment to quality and sustainability, injecting new energy into the Company's growth trajectory.

Winning the NEWCAST International Casting Award



On 14 June 2023, at the four-yearly global top casting industry event GIFA and NEWCAST, Impro won the NEWCAST International Casting Award, winning one of the three awards for "Best Functional Integration". The award-winning component, part of the exhaust gas recirculation (EGR) system, showcases complex dual-cavity structure, corrosion resistance, and the ability to withstand harsh environments with high-temperature engine gases. This recognition highlights Impro Group's commitment to innovation and sustainable casting solutions, promoting the integration of functionality and advanced casting techniques. The award further enhances the Company's reputation and positions them as a leader in developing innovative and exceptional casting technologies and products.

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.

Apart from safeguarding our own intellectual property rights, we actively promote the involvement of our partners, customers, and other stakeholders in the protection of intellectual property. We actively engage in the signing of Confidentiality Agreements with our customers and suppliers, fostering an environment of mutual trust and ensuring the preservation of each other's intellectual property. By encouraging collaboration and cooperation in intellectual property protection, we aim to create a secure and respectful ecosystem that benefits all parties involved.

3.2 QUALITY

Impro Group is committed to delivering products of exceptional quality. We consistently enhance our quality management system, ensuring its seamless integration into our daily operations. By cultivating a culture of quality throughout our organization, we strive for excellence in every aspect of our work. Our dedication to providing high-quality products reflects our unwavering commitment to customer satisfaction and continuous improvement.

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.

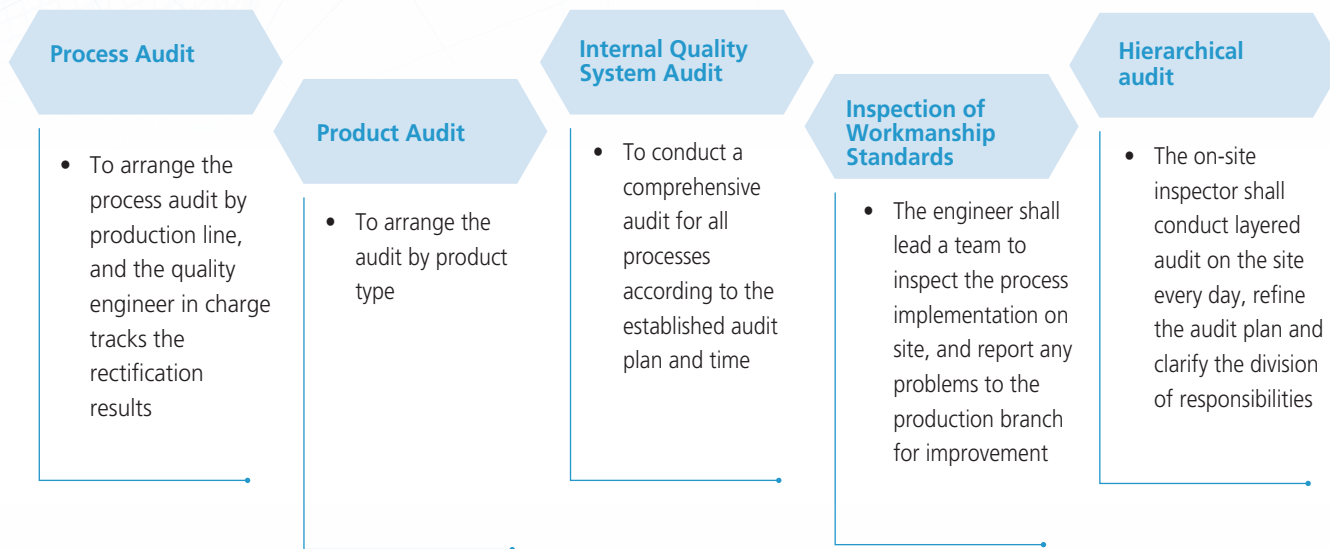
Impro Group takes various measures to ensure production quality, including conducting quality audit to reveal and address product quality issues. During the Reporting Period, we focused on strengthening the internal audit system.

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:

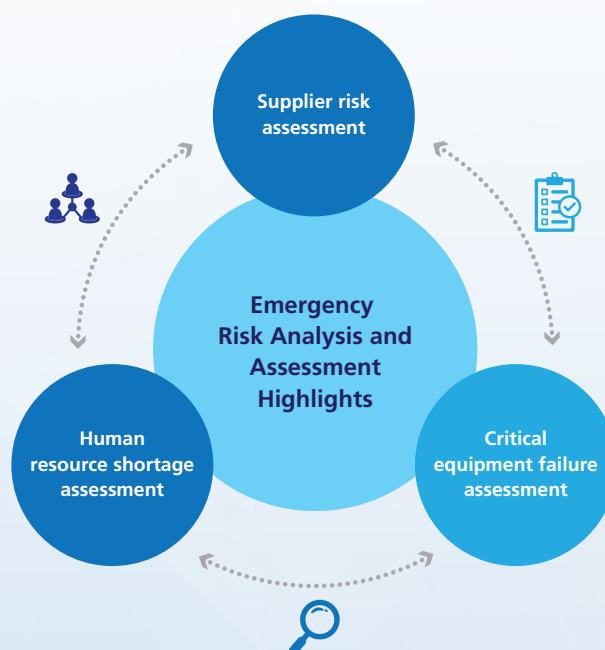
- ISO 3834-2 Welding Quality Management System
- ISO 9001 Quality Management System
- IATF 16949 Automotive Quality Management System Standard
- ISO 13485 Medical Device Quality Management System
- Nadcap US National Aerospace and Defense Contractors Accreditation Program
- AS 9100 International Aviation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

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Internal Quality Audit System



To effectively address production disruptions and mitigate potential quality degradation resulting from unforeseen emergencies, we have recently enhanced our production quality through the revision of our Emergency Plan Management Regulations. Employing statistical methodologies, we now conduct comprehensive emergency risk analysis and assessment to formulate appropriate emergency plans. This involves assessing risk levels associated with various factors, determining test cycles based on the overall risk levels, and devising specific emergency testing methods tailored to the emergency processes. These proactive measures ensure our readiness to handle unforeseen circumstances and maintain the highest standards of production quality.



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.

Improve Product Inspection Efficiency and Accuracy



The addition of a large number of strokes to the Bridge Machine Tri-Coater has greatly increased the inspection capability for large diameter components and long shaft type components, enabling it to effectively cope with the inspection needs of

these components. Due to the increased stroke, some components inspection procedures can be reduced from two to three procedures to one. On one hand, it can effectively improve the inspection efficiency and shorten the inspection time; on the other hand, it can also change the status quo of multiple reference extensions and large linear deviation. The technology update not only helps to improve inspection capability, but also changes the previous inspection process, bringing more efficient and precise inspection solutions.

Residual Oil Control and Product Quality Improvement



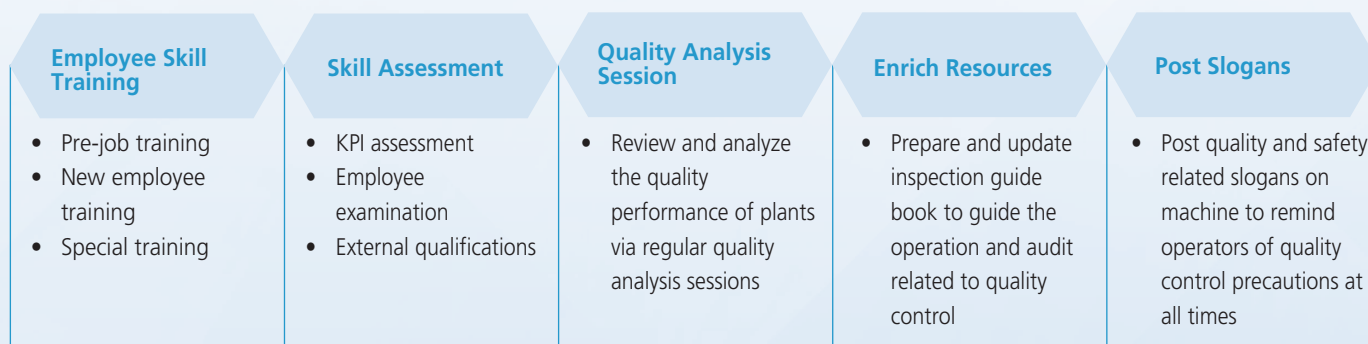
Due to the change of the direction of the connection of the oil port of the motor by the customer, the RC motor has generated the problem of oil residue, i.e. the oil residue inside the motor drips into the customer's assembling workshop. In order to

solve this problem, we have tried our best to control the oil residue within 10ml of the motor when the connection direction is changed. In order to satisfy the high quality requirements of our customers, we designed the Oil Discharge Test Bench, the principle of which is to control the residual oil in the motor within 5ml by rotating the output shaft and increasing the compressed air. This system fully meets the customer's demand, effectively solves the problem of motor oil residue and improves the product quality.

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



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Receiving Critical Claims for Higher Quality from Suppliers and Recognized Organizations

In February 2023, Impro Aerotek Wuxi was honoured by Honeywell Aerospace with the 'Best Partnership Award' for the exemplary partnership it demonstrated in 2022. These accolades underline Impro Aerotek Wuxi's commitment to excellence and reinforce trust and confidence amongst customers and suppliers.



In May of the same year, Impro Aerotek Wuxi was awarded the Supplier Qualification Certificate by Liebherr Aerospace of Germany, reinforcing its position as a reliable supplier.

In September of the same year, Impro Aerotek Wuxi was recognised as a national "Small Giant" enterprise for its professionalism and innovation. This honour demonstrates Impro Aerotek Wuxi's excellence in terms of expertise and competence, which has a positive impact on both customers and suppliers.



3.3 CUSTOMER SERVICE

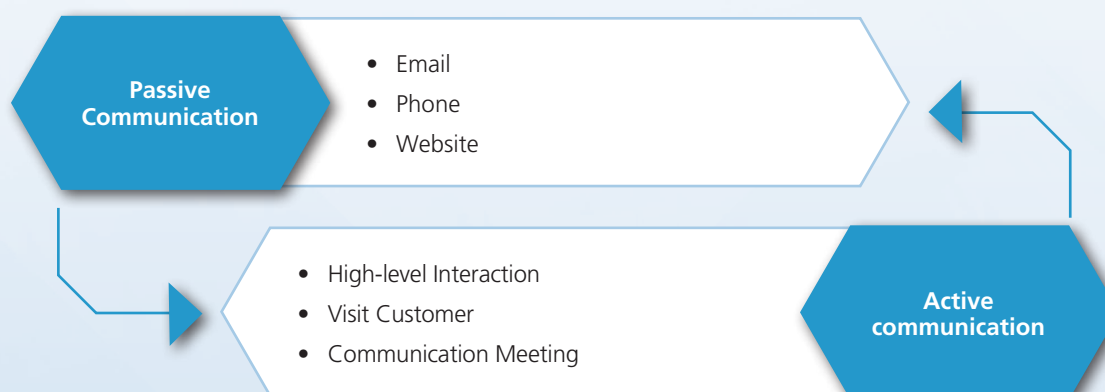
Being a prominent global manufacturer specializing in the production of precise, intricate, and essential casting machined components and hydraulic orbital motors, we are consistently enhancing our customer service offerings. Our commitment to improving customer services underscores our dedication to meeting the diverse needs of our clients worldwide.

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.

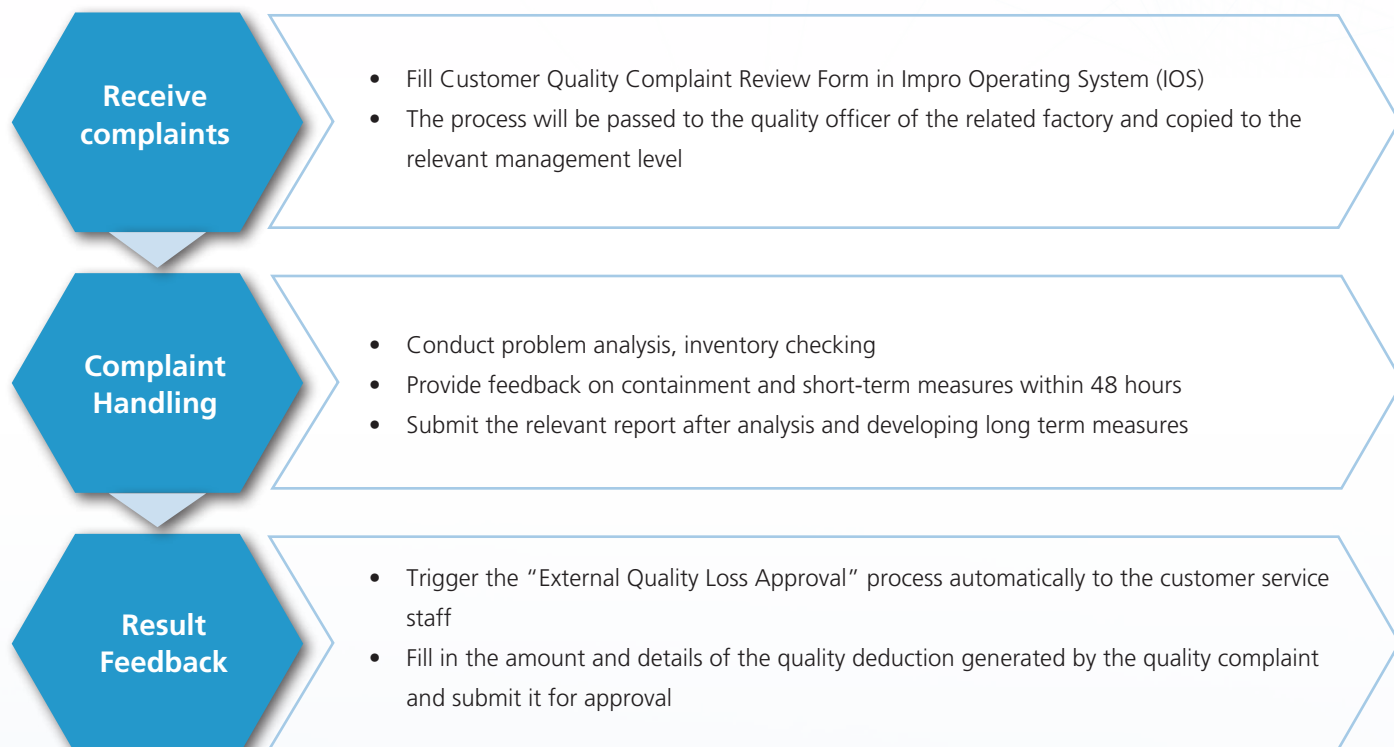
During the Reporting Period, we established a variety of new customers communication channels, to enable us in improving our services according to customer feedback.

Customers Communication Channel



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

Quality Complaint Handling Process



Total number of valid product complaints increased by 20.6% to 475 cases in 2023. The significant increase in the total number of valid product complaints in 2023 is mainly due to the fact that the new plants in Mexico are still in the ramp-up stage, and many new products are in the stage of customer approval and testing. Management has made improvements such as enhancing staff training on quality, strengthening pre-shipment testing and sending more experienced quality control staff to the Mexico plant for training. If Mexico plants' related product complaints were excluded, the total number of valid product complaints for the rest of the Group in 2023 would increase by 6.7% year-on-year as compared to 2022.

Customer Privacy Protection

At Impro Group, we place utmost importance on privacy protection and prioritize safeguarding the privacy of our customers, suppliers, and employees. To ensure comprehensive protection, we have implemented a stringent confidentiality system specifically designed for customer information.

Our approach involves conducting thorough audits of business processes and security risks, focusing on areas such as network security, external devices, and document circulation. Through robust access control measures and the utilization of an internal network security platform, we effectively mitigate the risk of confidentiality breaches across various channels.

GOVERNANCE

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.



Information Security Protection

In order to protect the information security of the Company and its employees, Impro responds in a timely manner to deploy system patches and anti-virus codes; perform security reinforcement at the borders of each subsidiary, data centre, office and industrial Internet; and set up a traffic threat monitoring and analysis system to detect, in real time, the abnormal behaviour of known advanced cyber-attacks and unknown new cyber-attacks against the mainframe and servers in the network, to achieve manageable information security risks.

In 2023, Impro participated in a number of cybersecurity protection and cybersecurity attack and defense drills, and conducted two internal information security emergency response drills. Impro conducts regular staff security training and anti-phishing email drills annually, continuously implement staff information security awareness and encourages staffs to report information security risks in a timely manner. In addition, we are in the process of conducting information security assessment and exchange of TISAX (Trusted Information Security Assessment Exchange) certification for the automotive industry. Currently, Impro China has obtained the AL3 certification, while the operating plants in Mexico, Turkey, and others are still being verified.

In order to enhance employee awareness of information security and assess their knowledge in this area, our IT center conducted a series of tests using phishing emails. The results of these tests were carefully analyzed, and based on the findings, we created a comprehensive report and training materials for employees to educate them about identifying and handling phishing emails effectively. This initiative serves as a proactive measure to strengthen our overall information security and ensure that our employees are equipped with the necessary knowledge to protect against potential threats.

3.4 SUPPLIER CHAIN

At Impro Group, we strongly believe in fostering mutually beneficial partnerships with our suppliers. In addition, we are committed to maintaining strict control over procurement quality and actively managing both upstream and downstream suppliers. By upholding these practices, we ensure that our supply chain operates smoothly and efficiently, ultimately leading to a win-win cooperation dynamic for all parties involved.

Supply Chain Management

The effective and sustainable management of our supply chain is crucial to the overall success of our manufacturing company. To ensure this, we have recently updated our internal procurement policy, including the Supplier Management Procedure, to establish a comprehensive procurement management system. This system encompasses supplier screening, access, examination, and verification processes.

When selecting suppliers, we prioritize those who possess relevant environmental and labor certifications, or who have demonstrated outstanding performance in environmental and social responsibility areas. By considering these factors, we strive to build a supply chain that aligns with our commitment to environmental and social sustainability.

At the end of the Reporting Period, 156 suppliers have obtained ISO 14001 Environmental Management System certification, an increase of 11.4% 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



GOVERNANCE

In our supplier evaluation and management process, we uphold stringent standards to ensure excellence. Suppliers were assessed by a combination of annual supplier performance assessment, supplier on-site review, and supplier social responsibility review. We mandate that all suppliers adhere to our Supplier Environmental Notice and Supplier Code of Conduct, which outline our expectations regarding environmental protection, anti-corruption measures, labor practices, and more. These requirements serve as a foundation for our suppliers to align with our values and commitment

to responsible business practices. By implementing these high standards, we aim to maintain a strong and ethical supplier base that reflects our dedication to sustainability and integrity.

During the Reporting Period, 55.0% of target suppliers who have signed the Sustainable Sourcing Charter/ Supplier Code of Conduct, 30.9% of suppliers contracted with clauses covering environmental, labor and human rights requirements.

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



Enhancing Supplier Engagement and Social Responsibility

Incentive policies for suppliers

Clarification in the supplier notification letter that suppliers with higher scores in social responsibility audits will be given priority under equal conditions. Internally, the development of suppliers with ESG certifications and procurement activities from relevant suppliers are integrated into the performance assessment of procurement personnel.

Addressing Conflict Minerals in Material Procurement

Impro Group issued the “Mineral Conflict Policy.” Starting from October 2023, the Procurement Department in the China region has added explanations regarding conflict minerals to the material procurement framework contracts and quality agreements.

Continuous Improvement in Sustainable Procurement Training

The internal training for all procurement personnel in 2023 has introduced new elements such as questionnaire surveys and training reports to assess the understanding of the training content. This approach significantly motivated participants and resulted in substantial improvement in the effectiveness of the training. The same approach is expected to be followed in 2024, with the addition of questionnaire components in external training and the continuous development of new internal training models.

The image shows a document titled "Supplier Environmental Performance Questionnaire" (供应商环境绩效问卷). It contains a table with columns for "Questionnaire Number" (问卷编号), "Supplier Name" (供应商名称), "Questionnaire Date" (问卷日期), and "Questionnaire Status" (问卷状态). Below the table, there are several sections of text in Chinese, likely providing instructions or details about the questionnaire process.

**Supplier Environmental
Performance
Questionnaire**

GOVERNANCE

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 (the “CG Code”) as set out in Appendix C1 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 2023 Annual Report or official website (<https://www.improprecision.com/investors/corporate-governance/>). In order to drive the Group’s ESG performance, the assessment basis for the annual bonus to Executive Directors and management from 2022 onwards, in addition to the Company’s and the Group’s financial targets, is also linked to performance against certain sustainability performance targets.

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

Risk Oversight

Our strict adherence to applicable laws and regulations has enabled us to establish a robust risk prevention and control system. This involves conducting thorough risk

audits and regularly reviewing and creating risk prevention documents. These initiatives have significantly bolstered our internal control mechanisms and effectively reduced 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
- Transfer pricing

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

Ethics and Business Conduct, Global Tax Policy, and Code of Conduct for suppliers. These systems align with the legal requirements of every jurisdiction in which we operate.

Ethics & Compliance

At Impro Group, our commitment to operating responsibly is unwavering. We consistently adhere to the stipulations set forth by relevant laws and regulations, including the Anti-Unfair Competition Law, Interim Provision on the Prohibition of Commercial Bribery, Criminal Law, Criminal Procedure Law, Civil Code, and Company Law of the People's Republic of China. To ensure strict compliance, we have implemented robust operational systems such as the Compliance Evaluation Management System, Code of

Throughout the Reporting Period, we have taken significant steps to enhance our code of conduct, extending its applicability to encompass all employees, including part-time and temporary workers, dispatch workers, outsourced workers, suppliers, and other business partners associated with the Company. The updated code of conduct now explicitly outlines our requirements regarding fraud prevention, anti-money laundering measures, and combating unfair competition practices.

GOVERNANCE

Furthermore, we have supplemented our labor management and human rights policies to ensure comprehensive coverage. At Impro Group, we have established a robust anti-corruption system built upon our Code of Conduct & Business Ethics Policy. This system encompasses various aspects of our operations, including procurement, human resources, finance, and

sales. Moreover, we maintain stringent controls over sensitive transactions to prevent any potential ethical issues. To reinforce our commitment to integrity, our CEO has issued a directive mandating that employees report any involvement in sensitive transactions, such as receiving gifts, money, or securities, to the Audit and Supervision Department for proper records.

Anti-corruption Awareness-raising Measures

Anti-corruption training

- During the Reporting Period, we carried out many anti-corruption trainings, covering 6,528 employees including directors.



Anti-corruption exam

- In order to improve efficiency, in 2023 we use the system Online Exam Maker (優考試在線培訓系統) 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 under the theme of "Anti-corruption and Integrity, Never Forget the Beginning", and received essays from employees in plants.

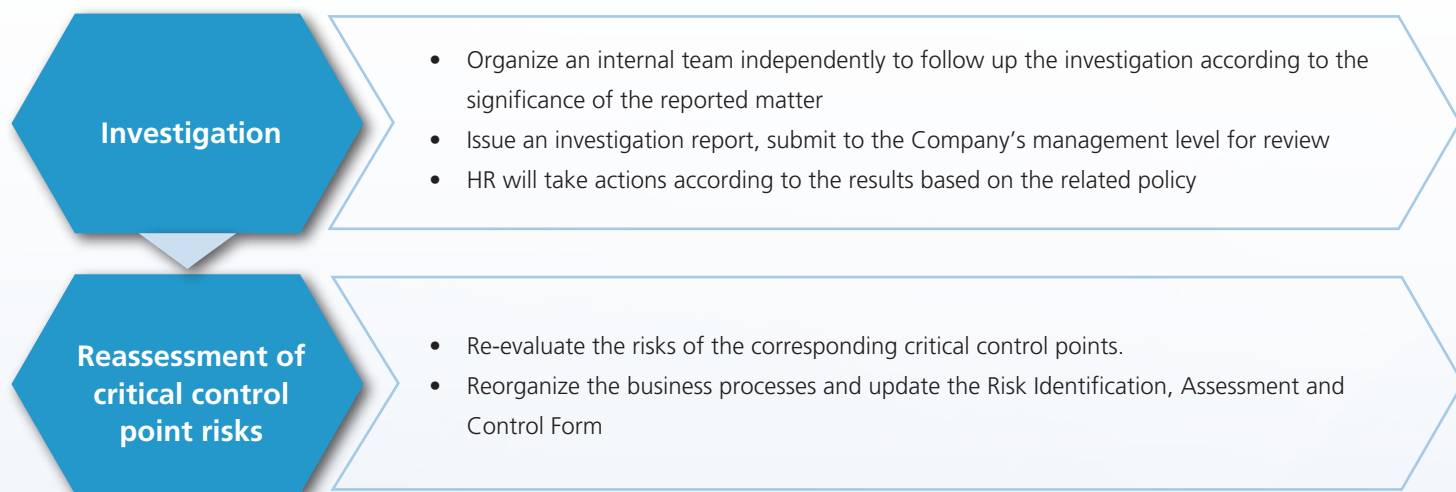
During the Reporting Period, Impro Group did not have any corruption-related litigation cases, and did not receive any reports generated by the whistleblower process. Internal audits on business ethics issues covering 15 plant locations (representing 78.9% of total plant locations) were conducted. 85.0% of employees received training on business ethics issues.

Reporting Management

Impro has established a comprehensive reporting management policy that enables employees to report instances of internal corruption and fraud. To ensure

ease and accessibility, we have implemented various reporting channels, including email, mail, telephone hotline, and WeChat. When employees report such incidents to the management, they are promptly forwarded to the Audit and Inspection Office for thorough investigation. This ensures that all reports of corruption and fraud are taken seriously and undergo a specialized examination by the Audit and Supervision Office. Our commitment to maintaining a robust reporting system underscores our dedication to transparency and accountability within the organization.

Corruption Incident Handling Mechanism



GOVERNANCE

At Impro Group, our aim is to cultivate an environment where employees feel encouraged to communicate openly and honestly, without any apprehension of reprisal. To further strengthen this commitment, we have implemented enhanced measures in 2023 to

provide greater protection and support for whistleblowers. These measures serve to foster a culture of transparency and ensure that concerns can be raised without fear, ultimately promoting a safe and open working environment for all employees.

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.

APPENDIX I ESG DATA SUMMARY

INDICATORS OF THE STOCK EXCHANGE

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Operating Results					
Revenue	4,604.4	4,354.7	3,777.7	HK\$ million	N/A
Adjusted profit attributable to shareholders of the Company	532.0	649.1	422.2	HK\$ million	N/A
Number of Active SKUs	9,300	8,500	8,800	Number	N/A
Number of New SKUs during the year	1,100	1,100	1,200	Number	N/A
Average Years of Business Relationship of Top 20 Customers	18.5	17.7	17.1	years	N/A
Top 10 Customers Revenue as a % of Total Revenue	52	52	55	%	N/A

ENVIRONMENTAL PERFORMANCE

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Greenhouse Gas Emission					
Scope 1 Greenhouse Gas Emissions ¹	10,538	12,094	12,557	tons carbon dioxide	A1: Emission
Scope 2 Greenhouse Gas Emissions ²	144,434	152,451	199,705	tons carbon dioxide	
Total Greenhouse Gas Emissions	154,972	164,545	212,262	tons carbon dioxide	
Greenhouse gas emission per unit revenue	33.7	37.7	56.2	tons carbon dioxide/ HK\$ million	
Waste Disposal					
Hazardous Waste	2,742	2,382	2,459	tons	A1: Emission
Non-hazardous solid waste	47,957	47,618	46,824	tons	
Total amount of waste disposal	50,699	50,000	49,283	tons	
Hazardous waste disposal per unit revenue	0.60	0.55	0.65	tons/HK\$ million	
Non-hazardous solid waste disposal per unit revenue	10.42	10.95	12.39	tons/HK\$ million	

¹ Scope 1 greenhouse gas consists of greenhouse gas emissions from natural gas, diesel and gasoline. Scope 1 Calculation is made with reference to AIB Carbon Footprint Report 2021 and CDP Technical Note: Conversion of fuel data to MWh.

² Scope 2 greenhouse gas consists of purchased electricity and purchased steam. Scope 2 Calculation is made with reference to IEA emission factors 2021 and China's national grid average emission factor. Scope 2 greenhouse gas emission for 2022 has been restated due to switching to the latest China's national grid average emission factor for 2022 since 2023.

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Exhaust Gas Emission³					
Nitrogen oxides	3,784	2,500	3,467	kg	A1: Emission
Sulphur dioxide	997	983	1,388	kg	
Particulates	6,504	8,002	18,170	kg	
Wastewater Emission					
Total amount of wastewater	211,438	443,667	688,503	tons	A1: Emission
Chemical oxygen demand	13	14	14	tons	
Ammonia nitrogen	1,042	991	677	kg	
Energy Consumption					
Direct energy consumption	6,274	6,996	7,446	tons of coal equivalent	A2: Use of Resources
— Natural gas	418	478	494	10,000 normal cubic meter	
— Diesel	413	369	489	tons	
— Gasoline	74	68	112	tons	
Indirect energy consumption	35,996	38,214	42,667	tons of coal equivalent	
— Purchased electricity	24,467	24,935	27,243	10,000 kWh	
— Purchased steam	46,045	58,855	71,423	tons	
Total energy consumption ⁴	42,270	45,210	50,113	tons of coal equivalent	
Total energy consumption per unit revenue	9.2	10.4	13.3	tons of coal equivalent/HK\$ million	
Water Resources Consumption					
Fresh water consumption ⁵	846,531	1,082,236	1,428,442	tons	A2: Use of Resources
Water consumption per unit revenue	183.9	248.9	377.9	tons/HK\$ million	
Packaging Materials Consumption					
Packaging materials consumption	384	327	253	tons	A2: Use of Resources
Packaging materials consumption per unit revenue	0.083	0.075	0.067	tons/HK\$ million	

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

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

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

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Environmental Risk Assessment					
Number of Plants Completed Environmental Risk Assessment	17	13	11	number	N/A
Environment-related Training					
Number of staff trained on environmental issues	5,376	6,560	5,233	number	N/A
EMS Certification					
Number of plants received EMS Certification	10	10	11	number	N/A

SOCIAL PERFORMANCE

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Staff Employment					
Number of staff	7,681	7,762	7,155	number	B1: Employment
Number of Employees by Gender					
Male	5,537	5,543	5,120	number	B1: Employment
Female	2,144	2,219	2,035	number	
Number of Employees by Age					
Below 30	1,745	1,777	1,783	number	B1: Employment
30–39	2,838	3,058	2,786	number	
40–49	2,207	2,097	1,916	number	
50 or above	891	830	670	number	
Number of Employees by Academic Qualification					
Master and bachelor degree	79	66	61	number	B1: Employment
Tertiary and undergraduate	1,851	1,717	1,654	number	
Below tertiary education	5,751	5,979	5,440	number	

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Number of Employees by Type of Employment					
Full time	7,681	7,762	7,154	number	B1: Employment
Part time	0	0	1	number	
Number of Employees by Job Function					
Production	5,418	5,465	5,091	number	B1: Employment
Quality management	814	828	715	number	
Research and development and engineering	667	691	713	number	
Sales and marketing, customer service, supply chain and warehousing	373	388	323	number	
Legal, finance, human resources and administration	409	390	313	number	
Number of Employees by Geographical Region					
Asia	5,933	5,994	5,779	number	B1: Employment
Europe	984	1,069	919	number	
Americas	764	699	457	number	
Staff Retention					
Staff Turnover by Gender					
Group	13.8	18.4	15.1	%	B1: Employment
Male	13.3	18.2	14.6	%	
Female	15.1	18.9	16.1	%	
Staff Turnover by Age					
Below 30	19.1	28.8	19.5	%	B1: Employment
30–39	13.7	16.6	15.4	%	
40–49	9.1	11.0	8.8	%	
Over 50	8.0	10.3	13.5	%	

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Staff Turnover by Geographical Region					
Asia	14.1	16.0	14.4	%	B1: Employment
Europe	4.6	4.2	10.2	%	
Americas	19.2	45.8	31.5	%	
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	1,817	1,546	1,432	days	
Recordable work-related incidents	121	98	165	number	N/A
Lost time incident rate for direct workforce ⁶	0.106	0.086	0.090	rate	N/A
Incident rate for direct workforce ⁷	7.04	5.47	10.15	rate	
Proportion of employees representing health and safety committees	31.5	39.4	40.9	%	N/A
Number of plants conducted employee health and safety risk assessment	18	11	11	number	N/A
Staff Training					
Total staff training hours	327,146	283,397	253,530	hours	B3: Development and Training
Total number of trained staff	7,681	7,762	7,155	number	
Training coverage	100	100	100	%	
Average training hours per staff	42.6	36.5	35.4	hours	N/A
Proportion of total employees with vocational or skills-related training	83.2	85.2	69.9	%	
Proportion of employees who have undergone regular performance and career development reviews	82.8	85.1	64.8	%	N/A
Percentage of Trained Staff by Gender					
Male	72.1	71.4	71.6	%	B3: Development and Training
Female	27.9	28.6	28.4	%	

⁶ Lost time incident rate for direct workforce = (Days lost due to work-related injuries) X (1,000/Total hours worked)

⁷ Incident rate for direct workforce = (Total recordable work-related incidents) X (1,000,000/Total hours worked)

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Percentage of Trained Staff by Job Function					
Production	72.7	70.4	70.4	%	B3: Development and Training
Quality management	10.0	10.7	10.6	%	
Research and development and engineering	7.4	8.9	10.0	%	
Sales and marketing, customer service, supply chain and warehousing	5.3	5.0	4.4	%	
Legal, finance, human resources and administration	4.6	5.0	4.6	%	
Average Training Hours per Staff by Gender					
Male	40.5	35.1	33.9	hours	B3: Development and Training
Female	33.0	39.7	39.2	hours	
Average Training Hours per Staff by Job Function					
Production	45.2	36.1	34.5	hours	B3: Development and Training
Quality management	26.0	36.5	53.6	hours	
Research and development and engineering	19.3	41.1	21.3	hours	
Sales and marketing, customer service, supply chain and warehousing	10.8	32.7	37.1	hours	
Legal, finance, human resources and administration	20.8	37.1	40.2	hours	
Human right					
Proportion of employees trained in anti-discrimination and human right	96.3	87.6	96.8	%	N/A
Proportion of workplace that have undergone a human rights review or human rights impact assessment	10.5	21.1	6.3	%	N/A
Proportion of employees who have duly elected employee representatives	24.5	25.6	23.7	%	N/A
Proportion of all employees who covered by a formal collective agreement on working conditions	20.2	20.2	17.6	%	N/A

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Social Contributions					
Total number of staff who have taken part in charitable activities	307	218	120	staff	B8: Social Investment
Total number of hours of participation in community events	703	2,676	280	hours	
Social donations	0.1	0.4	0.6	HK\$ million	

GOVERNANCE PERFORMANCE

	2023	2022	2021	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	21.7	18.8	21.0	%	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	6,528	5,362	2,466	number	
Number of plants which have been conducted internal audits on business ethics issues	15	14	12	number	N/A
Proportion of employees who have been trained on business ethics issues	85.0	70.4	34.0	%	N/A

APPENDIX I ESG DATA SUMMARY

	2023	2022	2021	Unit	Indicators of the Stock Exchange
Product Innovation					
Total invention patent newly applied	25	11	6	number	B6: Product Responsibility
Total existing invention patents	124	100	90	number	
Total utility patent newly applied	69	57	28	number	
Total existing utility patent	432	348	291	number	
Research and development costs expenses	225.1	211.2	211.0	HK\$ million	
Product Quality					
Total number of valid product complaints	475	394	446	number	B6: Product Responsibility
Percentage of product recall due to safety and health reasons	0	0	0	%	
Supplier Performance					
Total number of suppliers	3,971	4,208	3,112	number	B5: Supply Chain Management
Number of Suppliers by Geographical Region					
Asia	1,142	1,139	1,014	number	B5: Supply Chain Management
Europe	2,006	1,972	1,803	number	
Americas	486	1,097	295	number	
Suppliers' Environmental and Social Considerations					
Total number of suppliers obtaining ISO14001 certification	156	140	110	number	B5: Supply Chain Management
Suppliers who have signed the Sustainable Sourcing Charter	55.0	26.1	32.8	%	
Suppliers who have contracted with clauses covering environmental, labor and human rights requirements	30.9	28.7	36.2	%	

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

APPENDIX II HKEX

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, anti-discrimination, 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

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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

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ESG aspects and general disclosure and key performance index (KPI)			Chapter
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	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

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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	Sustainable Development Strategy
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

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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

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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 consumption 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

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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

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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

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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>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>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
 <p>Gender Equality</p>	To ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	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
 <p>Decent work and economic growth</p>	To focus on high value-added and labor-intensive sectors to achieve a higher level of economic production by way of diversification, technical upgrading and innovation	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 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 2023, 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\$225.1 million. Also, we have around 700 R&D staff as of 31 December 2023.	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>	To incorporate climate change measures into national policies, strategies and plans	<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 consumption intensity by 30% in 2030 as compared to 2020 • Reduce water consumption intensity by 40% in 2030 as compared to 2020 • Reduce hazardous waste emission intensity by 50% in 2030 as compared to 2020 • Reduce non-hazardous waste emission 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</p> <p>1.2 Climate Change</p> <p>1.3 Resource Stewardship</p> <p>1.4 Solid Waste</p> <p>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>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 invest in various plants to create more employment opportunities for the sites while attract more foreign investment for local government</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> <p>2.3 Stakeholder and Community Engagement</p>