



IPE GROUP LIMITED

國際精密集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

**2016
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

* for identification purposes only

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About This Report

This is the first Environmental, Social and Governance Report (the “Report”) published by IPE Group Limited (the “Group” or “IPE Group”). The report provides information on our commitments and achievements across social and environmental parameters.

The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong. Unless otherwise specified, the reporting period is from 1 January 2016 to 31 December 2016.

The Report covers our major operations, including, manufacturing and sales offices in Dongguan Koda, Guangzhou Xin Hao and Thailand.

For information regarding our corporate governance, please refer to the “Corporate Governance Report” contained in our Company’s Annual Report for the year ended 31 December 2016.

ESG Risk Management and Governance

Our ESG governance starts at the highest levels of our Company. The Board of Directors provides directions on corporate governance and sustainability issues on a regular basis. It also maintains appropriate and effective risk management and internal control systems that is compliant with applicable rules and regulations. The finance and quality control departments supports the integration of our sustainability strategies across the Group and oversees our daily sustainability programs and initiatives, including conducting stakeholder engagement, managing sustainability-related data and preparing ESG Report.

Stakeholder Engagement and Materiality Analysis

IPE Group believes the strong relationships that we built with our stakeholders are one of the key drivers of our business success. Hence, we actively communicate with and solicit feedback from our diverse stakeholders, in order to match their expectations on our practices and products. Similarly, we recognise that there is growing importance in addressing ESG risks and issues, so it is essential to extend our engagement to the ESG space.

During the early phase of report preparation, we invited a broad spectrum of stakeholders to participate in our ESG stakeholder engagement. Stakeholders were asked to identify and rate ESG issues that they considered important to our Company. Their opinions and comments served as the cornerstone of this ESG Report and our ESG strategies.



Our stakeholders

Based on the stakeholder engagement, the materiality assessment result is as follows:

ESG Subject Areas	Environment	Social
ESG Aspects	<ul style="list-style-type: none"> ■ Water usage ■ Emissions ■ Energy usage ■ Non-hazardous waste 	<ul style="list-style-type: none"> ■ Health and safety ■ Child labour and forced labour

Environmental Protection

We strive to maintain a high standard for environmental responsibility throughout our operations. We are committed to minimising our impact through better use of resources, reduction in emissions and responsible waste treatment. To ensure we achieve the goal, environmental considerations are taken into account in our management and decision-making processes.

Our quality control department oversees the environmental performance in our day-to-day operations and monitors the implementation of environmentally friendly practices. As a commitment to reduce our environmental impact, we have implemented a certified ISO 14001 Environmental Management System (EMS). The EMS systems ensures that our environmental practices are implemented in a systematic and accountable manner.

Energy and greenhouse gas emissions

We are dedicated to reducing our greenhouse gas emissions by developing strategies to reduce energy consumption.

Due to our business nature, our factories are energy-intensive. To exhibit our persistence in protecting the environment, we have exerted efforts in reducing energy consumption during the manufacturing process.

During the reporting period, we installed a new air compressor to achieve better operational efficiency. The new air compressor changes electrical energy into kinetic energy at a higher efficiency rate. Therefore, energy consumption is reduced. Apart from upgrading our equipment in the production line, we also consider the facilities used in daily operation. Lighting is essential in our offices and factories. We have switched to LED lights from the traditional lighting system to enhance energy efficiency. Subsequently, our overall energy consumption decreased steadily. During the reporting period, our electricity consumption was 25,895 MWh.

Employees' environmental awareness is crucial to sustain our environmental performance. Hence, we educate our employees on the importance on energy saving. Guidance on related practices is provided for all employees to follow. For instance, the lighting and air-conditioning is only switched on when colleagues are working in that area. Each employee is required to switch off electronic devices when they are not in use.

Emissions, mainly carbon dioxide, are inevitable during the manufacturing process. However, we have put in place relevant policies which comply with local laws and regulations. We have also been constantly seeking innovative methods and improving our facilities to reduce our emissions.

Waste treatment

The Group is growing and to cope with the increasing waste generation from increasing production, we have developed comprehensive waste treatment procedures to minimise the waste produced.

Our manufacturing process involves the use of chemicals, which may have an adverse impact on the environment. We have implemented strict hazardous waste management policies that guide our employees during waste treatment. All relevant waste is properly treated before disposal. We also invited external parties to conduct audits to ensure our treatment is up to regulatory standards.

Aside from chemical waste, we have a set of non-hazardous waste management procedures. With the aim of achieving waste reduction, our administrative department monitors the amount of waste disposal. We conduct waste sorting in our factories, waste is classified as sludge, general garbage, solvent, incandescent lamps, etc. and recorded monthly. For each type of waste, a different waste treatment procedure is applied. Additionally, we review our waste disposal record regularly to identify improvement plans and set up strategic targets for our employees to follow.

To further reduce our environmental burden, we encourage recycling whenever possible. The materials we recycle include paper and packaging materials etc. By effectively recycling these products, we reduce the raw materials that are extracted from nature.

In terms of sewage treatment, we have adopted both external and internal controls to monitor water quality. We have our own sewage treatment system to treat sewage onsite. Sewage is decomposed or mineralised before discharging outside our production area. To ensure the septic tank functions properly, we conduct regular maintenance. We invite third parties to examine the quality of our discharge regularly. If any underperformance is noted, the responsible department will conduct an investigation to ensure the discharge is up to standard as soon as possible.

Use of resources

To create a better environment for our future generations, the Group takes up the responsibility in conserving resources from the natural environment.

Water is a valuable natural resource. Water saving practices are promoted in our factories. For example, we impose regular checks on our water pipelines. Repairs and maintenance are carried out to prevent leakage. Moreover, we always remind our employee to switch off machines when they are not operating to reduce the unnecessary usage of cooling water.

We also manage the use of fuel for transportation. Fuel purchases are recorded systematically. We record the fuel purchased per car and monitor to ensure there is no unreasonable vehicle use. In addition, we use golf carts instead of cars whenever possible within our factories to minimise fuel consumption and pollution.

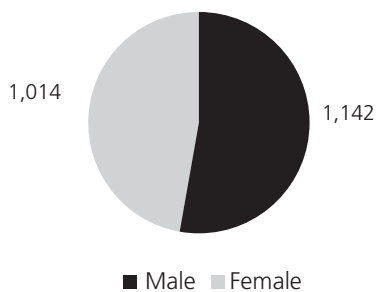
Social Commitment

Employment and labour practices

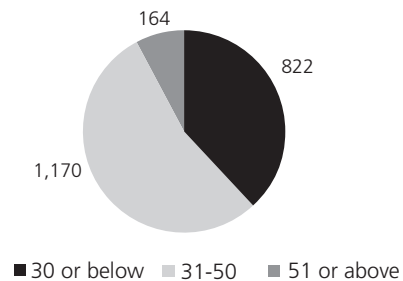
The Group sees employees as its greatest asset. The Group believes that its long-term success relies on the provision of a fair employment environment and safe and healthy working conditions to its employees.

During the employment process, the Group strictly follows the Employment Policy which is in accordance with the local labour law and other related regulations. The policy restricts the use of child and forced labour. The Group protects and respects the right of employees. We do not tolerate discrimination in any form, regardless of gender, sexual orientation, race, colour, religion, age, or disability.

Employees by gender



Employees by age group



Development and Training

To maximise job satisfaction, it is important for employees to unleash their full potential at work. To encourage their continuous development, the Group provides work-related training on a regular basis.

For every new employee, mandatory induction training is provided to introduce them to the Group culture, systems and procedures. This training helps new employees to quickly integrate into the Group. One major part of the training is basic workplace health and safety. We perform a walkthrough on the potential hazards at the workplace to our new employees, and teach them how they can prevent accidents. We emphasise the importance of chemical management. We educate our employees on the proper handling of chemicals to minimise safety risks. Basic training on the ISO 14001 Environmental Management System is also provided to new employees to raise their awareness of environmental protection. This includes introducing employees to the relationship between our operations and the environment, environmental related requirements from clients and how they can contribute to our environmental commitment.

On-the-job training is also provided to employees to enhance their knowledge and skills, at the same time increasing the effectiveness of production. Some training examples include product quality improvement training, production process capability analysis training and effects analysis training.

Health and safety

The Group continues to put effort into creating a safe and healthy workplace for our employees. We strive to keep a strong safety record. Our objective is to minimise workplace hazards, and to achieve zero fatalities and no serious injuries at the workplace.

In our factories, our safety officers and safety committee ensure that all safety measures are in place. While the machinery operational manual is reviewed annually, regular checks are conducted especially for machinery with fast-moving parts to ensure it is operating properly.

We require all our frontline employees to always wear personal protective equipment while they are at their work station. Warning signs and symbols are also placed in the workplace to constantly remind our front line employees of safety hazards.

Regular occupational health hazards tests and dust explosion prevention safety tests are conducted at our factories in China in compliance with national law.

Operating Practices

The Group maintains high ethical standards and ensures sustainable business practices. As clearly defined in our Group Policy, we strictly prohibit any form of corruption, such as bribery or acquisition of other monetary benefits, by our employees. Related training is provided to our employees during induction, and they are fully aware of our policy.

Further, employees are able to report any misconduct or concerns of misconduct under the established whistleblowing policy. All cases received will be treated confidentially. During the year, no legal cases relating to corrupt practices were brought against the Group or our employees.

Sustainable supply chain

As the Group relies on suppliers to provide materials necessary for production and believes in creating greater value through establishing trusted relationships, it encourages suppliers to employ high environmental and ethical standards. Ongoing engagements are conducted with our suppliers to understand their performance.

Quality first

The Group has a “Customer satisfaction at all times” motto, and is dedicated to achieving top quality at every step of the production process. We distribute a satisfaction survey to our clients annually. Understanding our clients’ feedback on our products and services motivates us to continue to identify room for improvement. Clients are asked to rate our performance on three major criteria: product quality, production and delivery process, and customer service.

The Group has always executed strict quality controls across our operations, beginning with raw materials inspection to final product inspection. All the Group’s production facilities are equipped with high precision testing equipment to check every aspect of a precision component that may affect its performance including the length, breadth, depth, smoothness and roundness. The quality control equipment has the ability to measure precision up to 0.002µm.

Quality Inspections Procedure

Inspections are conducted at each critical stage of the production process to ensure that our final products meet and exceed the expectations of our clients.

Initial inspection

At this initial stage, raw materials are assessed against a number of criteria upon delivery. Our Quality Assurance Engineer, responsible for the quality assessment, will ensure its visual appearance; dimensions, chemical composition and mechanical performance meet our internal standards before it enters the production process. We do not tolerate any deviations in our raw materials.

On-line inspection

To monitor and control the quality of materials during the production process, samples are further assessed. If the samples fail the assessment, production will stop and the materials will be handled under the “Defective Products Handling Procedures”. We will make necessary adjustments to the materials until they meet our standards for production.

Final inspection

A detailed final assessment is conducted before the final products are delivered to clients. The corresponding measurements of all parts of the products are checked to ensure they are accurate to meet our clients’ requirements.

Despite the minimal complaints we have received, we review and evaluate our performances by keeping track of our complaints records. For every complaint we received, our customer service team and relevant department will take immediate actions to resolve the problem as quickly as possible. Once resolved, the complaint will be documented for annual evaluation.

Our policy also outlines the procedure when product recall is required. Every recall is reported directly to management and appropriate action is taken immediately.

Intellectual property and data protection

The Group is committed in protecting its own intellectual property rights as well as respecting the intellectual property rights of others. While the research and development team continues to improve the production process and overcome technical difficulties, the team ensures that its products do not infringe on these rights. At the same time, the Group protects clients' privacy and, it will not disclose any information of their products to a third party without their consent.

Community Involvement

The Group is committed in enhancing the well-being of the communities in which we operate. Our commitment in giving back to the community has encouraged our employees to participate in different volunteering activities.

In China, the Group has organised a Chinese New Year Couplet Fundraising Event in the local community. Chinese New Year is the most important festival of the year in China, and the Group wants to help the community to enjoy the festival.

Charitable donation projects

Name of beneficiary

TO BE NUMBER ONE Project to Anti-drug, Thailand	Industrial work-Ayutthaya
Buddhism Religious Ceremony to Phanancheung Temple	Phanancheung Temple
2016 Guangdong Poverty Relief Day and Dongguan Charity Day	People's Government of Dongguan Shijie Town

HKEx ESG Reference

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