Luxshare Precision Industry Company Limited

LUXSHARE ICT

Carbon Reduction Target and Action Periodic Report

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What Does Carbon Neutrality Mean to Us?

In September 2020, President Xi Jinping announced at the 75th session of the United Nations General Assembly that China will launch a powerful carbon reduction strategy, strive to achieve carbon peak by 2030, and achieve carbon neutrality by 2060. Achieving the dual carbon goals is not only a solemn commitment made by the President on behalf of China to the outside world, but also an inherent requirement for our country to promote high-quality development and green transformation.

The Information and Communication Technology (ICT) industry is not only an important source of carbon emissions, but also an effective driver of carbon neutrality processes. According to Boston Consulting Group (BCG) and Global Enabling Sustainability Initiative (GESI), the ICT industry accounts for approximately 3-4% of global carbon emissions, and ICT technology can drive a 20% reduction in global carbon emissions by 2030. This means that in addition to accelerating the green transformation and upgrading on the operation side, the ICT industry should also empower the upstream and downstream sides through measures such as digitization and intelligentization, and promote a wider range of value chain carbon neutrality. Luxshare Precision will take this opportunity to continuously strengthen its own carbon management, collaborate with relevant parties to leverage technological and resource advantages, explore the low-carbon development path of the industry, and contribute to the low-carbon transition and green development of society.

Clarify the Carbon Neutrality Path

| Carbon Inventory	Carbon Emission Reduction	Carbon neutrality
Conduct carbon inventory verification within the Company to identify greenhouse gas (GHG) emission sources and types at all stages and quantify the emissions, so as to have a comprehensive understanding of carbon emissions	Identify links to reduce carbon emissions on the basis of carbon inventory analysis and develop relevant emission reduction measures for the purpose of effective control and management	Neutralize GHG that cannot be completely eliminated on the basis of emission reduction by purchasing carbon credits, so as to achieve the "zero carbon" goal

In response to the global climate action, we have conducted a comprehensive carbon inventory investigation within the Company's operational boundary, identified the sources and types of GHG emissions at each stage, and completed emission accounting, mainly covering the scope 1, 2, and 3 emissions of the Company:

Scope	Definition	Main emission activities
Scope 1	Direct emissions from resources owned and controlled by the Company	Stationary combustion, mobile combustion, process emissions, fugitive emissions (including refrigerant, fire extinguisher, septic tank discharge, etc.)
Scope 2	Indirect emissions from energy purchased by the Company	Purchased electricity, purchased steam, purchased heat/cooling
Scope 3	All indirect emissions occurring in the Company's value chain	Purchased goods and services, fuel and energy related activities, upstream/downstream transportation and distribution, employee commuting,

|		business travel, waste generated in operations, and other related activities

On the basis of the inventory results, we took the Company's energy consumption structure and future energy consumption trend into consideration, and have determined that electricity consumption is the main source of carbon emissions, covering both the Company's operation side and the supply chain side of purchased goods. In order to achieve the goal of carbon neutrality, we have developed a special plan that includes two aspects: one is to implement the Energy Efficiency Project (EEP) and the Clean Energy Project (CEP) in various production bases worldwide to improve the energy efficiency and clean energy consumption of our operations; the other is to gradually expand these projects to the entire value chain, and drive upstream and downstream partners to reduce emissions together. We will implement the plan in an orderly manner in line with the tasks and requirements at different stages.

For those emissions that are difficult to eliminate through proactive emission reduction schemes, we will adopt a Natural-based Solution (NbS) to purchase "carbon credits" to offset the remaining carbon emissions, thus achieving the ultimate goal of "Net Zero".

Luxshare Precision's Pathway to Operational Carbon Neutrality by 2050 (Estimated)
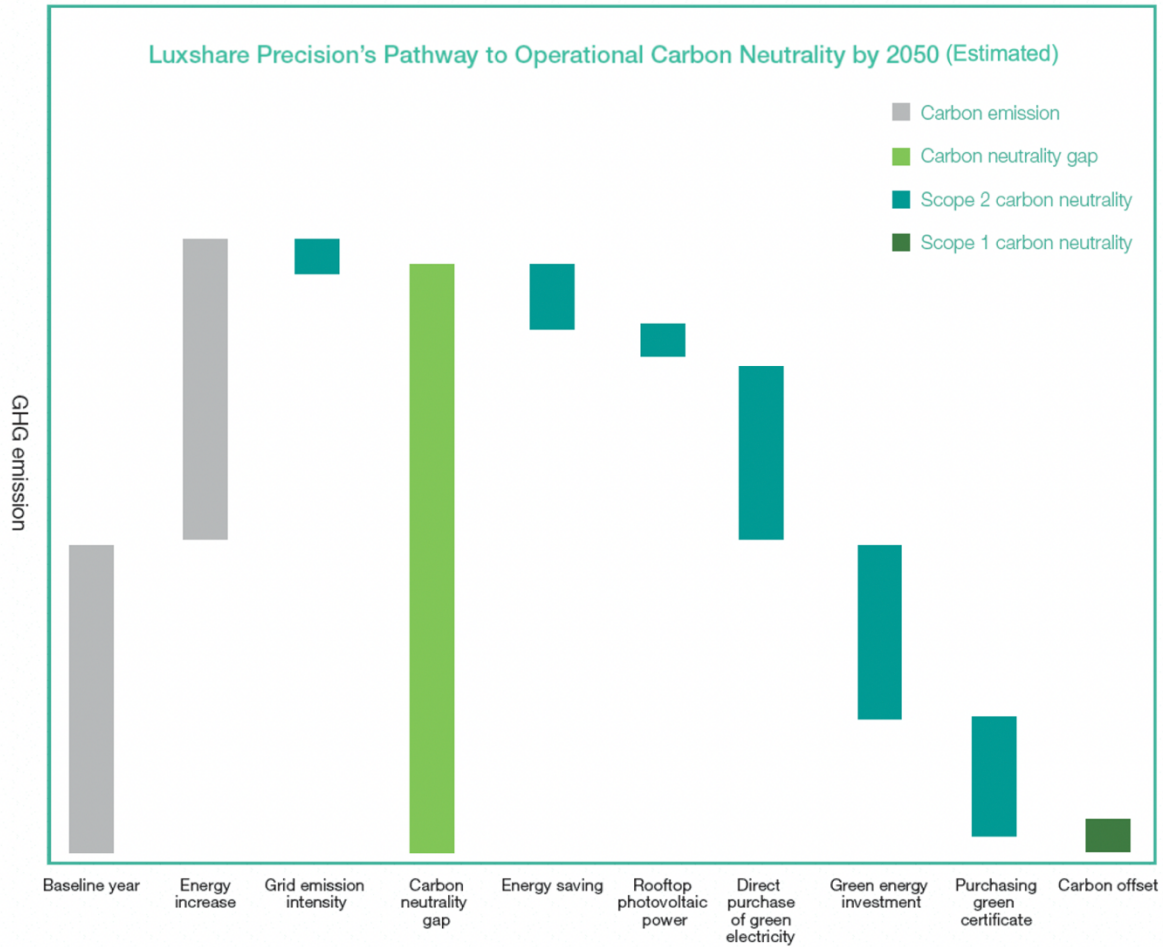
Green and Low-carbon Deployment

We have established a three-level project organizational structure of "decision-making, planning and execution", which consists of the Board Directors, the Sustainable Development Center and project implementation teams of each subsidiary. We coordinate with the carbon emission management departments of subsidiaries and suppliers in the form of projects to orderly promote the implementation of low-carbon transformation tasks. The carbon emission management department is jointly established by multiple units such as Automation, Administration, Electromechanical, Production, Purchasing, and Technology.
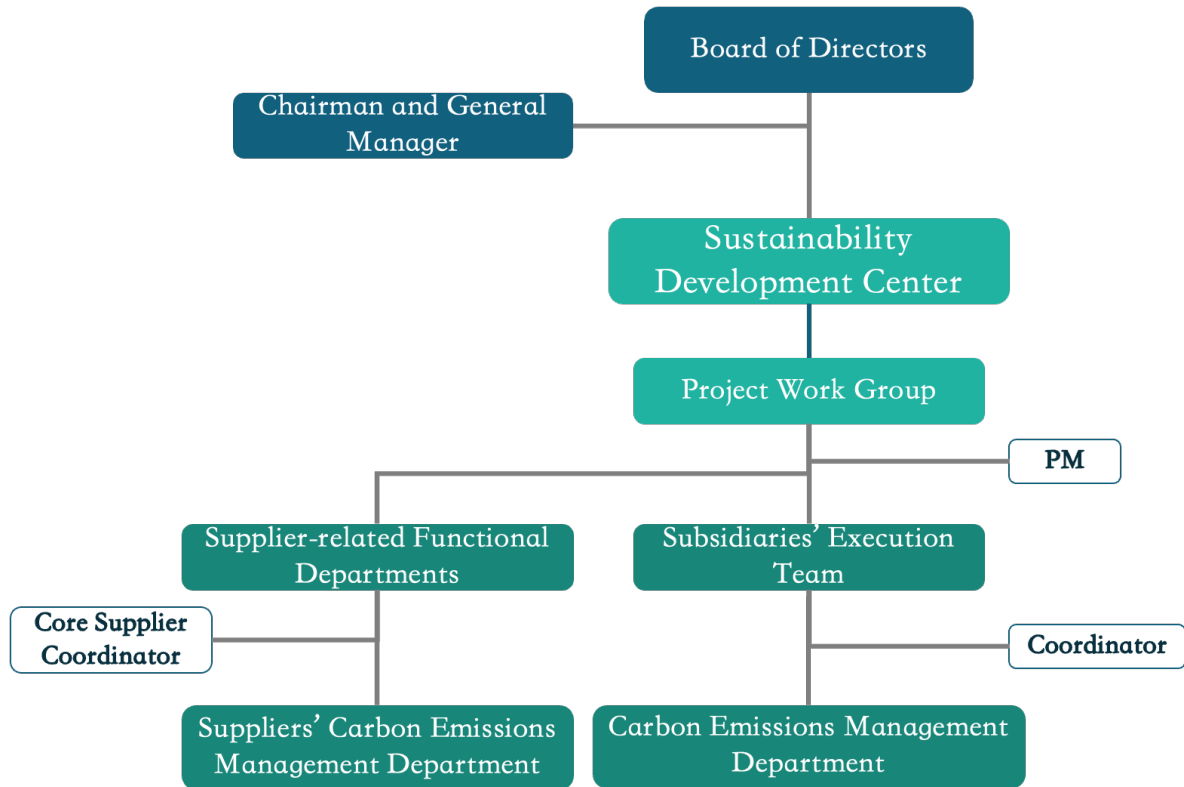
Project Organizational Structure

Overall Planning for Climate Transformation

Based on the dual carbon goals, we have taken into account carbon inventory results of the base year and the Company's own business development scenarios, and formulated comprehensive climate transformation goals covering the short, medium, and long term, as well as emission reduction strategies covering Scope 1, 2, and 3 emissions in order to fulfill climate commitments and move towards carbon neutrality in the future.
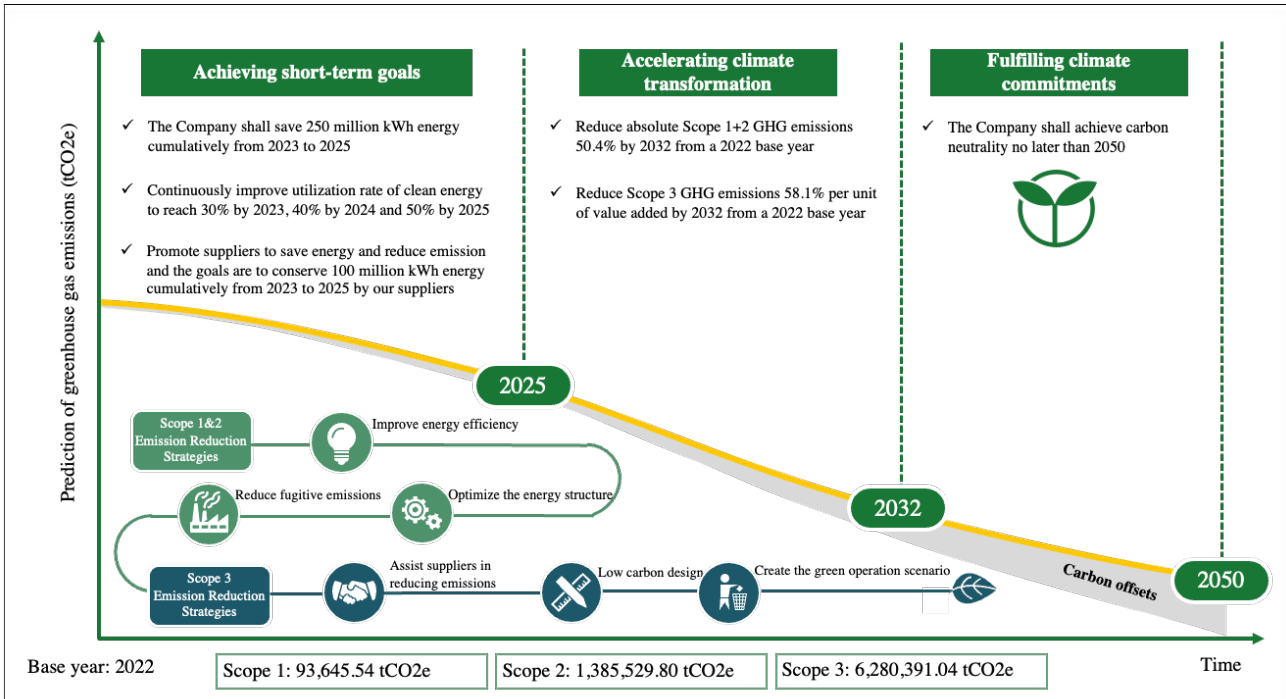
Luxshare Precision Carbon Neutrality Roadmap

Set Science Based Targets (SBTs)

We set SBTs, reasonably plan carbon reduction paths, and achieve sustained and scientific carbon reduction work to meet the requirements of the Paris Agreement, which is to keep the global average temperature rise of this century below 2 or 1.5 degrees Celsius above pre-industrial levels, and alleviate the adverse effects of climate change.

The development of SBTs includes 4 stages and 9 steps:

Commit	Set SBTs	Submit targets for validation	Communicate and disclosure
1. Project preparation survey 2. Commit to set SBTs	3. Carbon inventory training for subsidiaries and core suppliers 4. Complete the GHG inventory covering Scope1,2,3 as a benchmark for setting reasonable carbon targets 5. Complete emission reduction plans and develop emission reduction paths	6. SBTi document development 7. SBT submission, approval and amendment	8. Publish SBTs in public channels and regularly track progresses 9. Adjust targets based on business and operational needs, as appropriate

Implementation Plan for SBTs

This year, we completed the carbon inventory verification for year 2022 within the organizational boundaries, formulated emission reduction paths, and developed
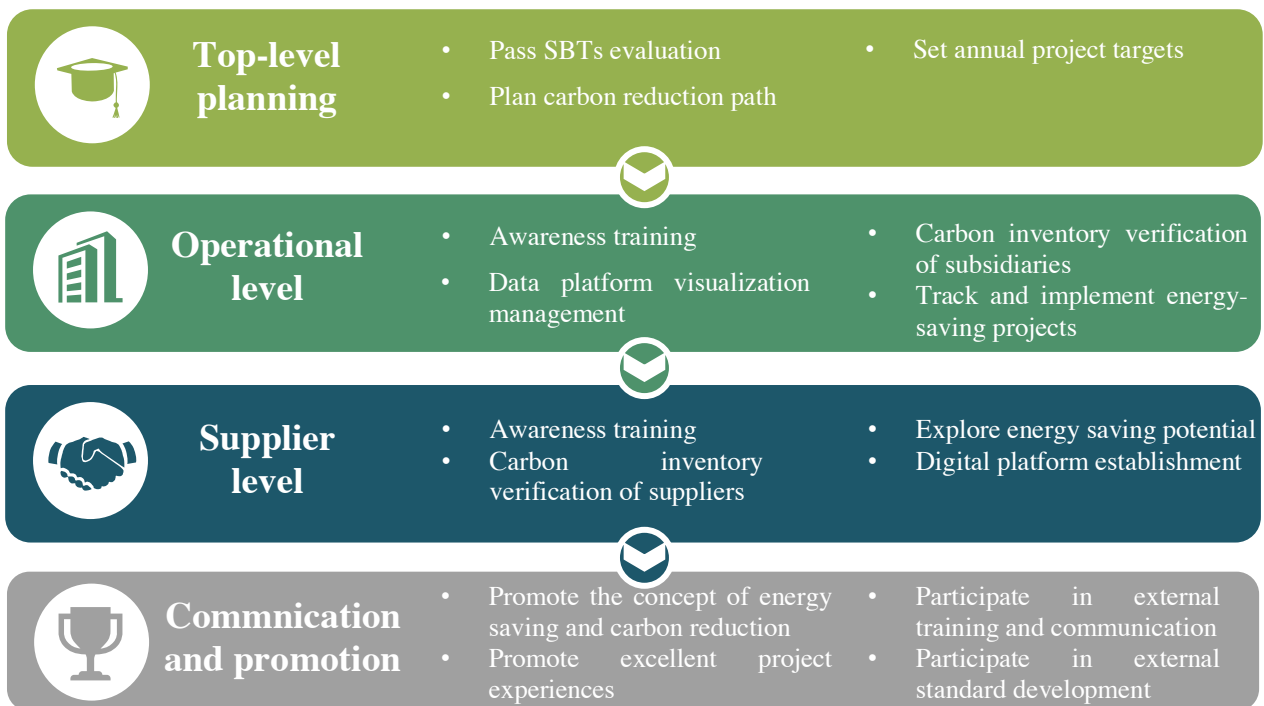
documentations required by the Science Based Targets initiative (SBTi). We have preliminarily formulated targets that meet SBTi standards:

- **Reduce absolute Scope 1+2 GHG emissions 50.4% by 2032 from a 2022 base year**
- **Reduce Scope 3 GHG emissions 58.1% per unit of value added by 2032 from a 2022 base year**

We have submitted our targets to SBTi for further review and validation. After SBTs are officially approved, they will be announced on the Company's official website, sustainability report and other public channels.

Our Effort in 2023

In 2023, we guided subsidiaries and core suppliers to complete the carbon inventory investigation, set annual energy-saving and carbon reduction targets, implement energy efficiency improvement actions, and motivate more stakeholders to participate through the communication of excellent energy-saving and efficiency enhancement project experiences.

Top-level planning
- Pass SBTs evaluation
- Plan carbon reduction path
- Set annual project targets

Operational level
- Awareness training
- Data platform visualization management
- Carbon inventory verification of subsidiaries
- Track and implement energy-saving projects

Supplier level
- Awareness training
- Carbon inventory verification of suppliers
- Explore energy saving potential
- Digital platform establishment

Commnication and promotion
- Promote the concept of energy saving and carbon reduction
- Promote excellent project experiences
- Participate in external training and communication
- Participate in external standard development

Low Carbon Transition Plan in 2023

Conduct Comprehensive Carbon Inventory Investigation

At the beginning of 2023, we referred to the International Organization for Standardization *ISO 14064: 2018 Greenhouse gases Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals* to promote the inventory and third-party verification of Scope 1, 2 and 3 GHG emission data and establish a scientific and reasonable carbon reduction path. To achieve the goal of carbon neutrality, we will prioritize carbon reduction for both suppliers and our own operations, ensuring coverage of subsidiaries controlled by the Company and core suppliers that are crucial to our operations.

ISO 14064-1 Third-party GHG Verification Statement for 2022

More than 3000

Number of Core Suppliers Covered by the Carbon Inventory Investigation

Through the development of the carbon inventory, we can comprehensively analyze the energy consumption condition of the Company, and deeply understand the structure and main types of energy sources, which lays a solid foundation for the subsequent carbon reduction measures and paths.

Cultivate Awareness of Carbon Management Among All Employees

On February 2023, we conducted internal auditor training for our subsidiary coordinators, promoting core content such as GHG accounting guidelines, GHG inventory boundaries, GHG quantification, and GHG reporting, and assisting them in obtaining internal auditor qualifications through exam preparations. We also prepared EEP and CEP standardized textbooks for coordinators, detailing the Company's annual project plan, excellent cases, and project progress, in order to comprehensively enhance their practical skills.

100%
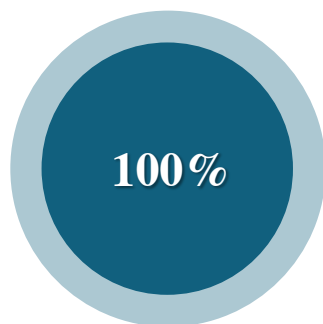
Training participation rate

60
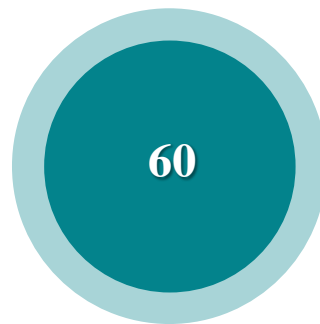
Number of internal auditor certificate obtained

Internal Auditor Training for Subsidiary Coordinators

For suppliers, we use our core supplier coordinator as an important connection point to send standardized textbooks and recording files to our suppliers. Suppliers can learn from our energy-saving and efficiency improvement cases, evaluate their carbon reduction potential, and gradually explore the feasibility of relevant low-carbon practices. We hope to play a positive role in influencing and ultimately mobilizing our supplier partners to participate in reducing carbon emissions in the supply chain.

EEP and GHG Internal Auditor Training Materials

Promote Energy Saving, Efficiency Enhancement and Clean Energy Coverage

Low Carbon Transition Plan
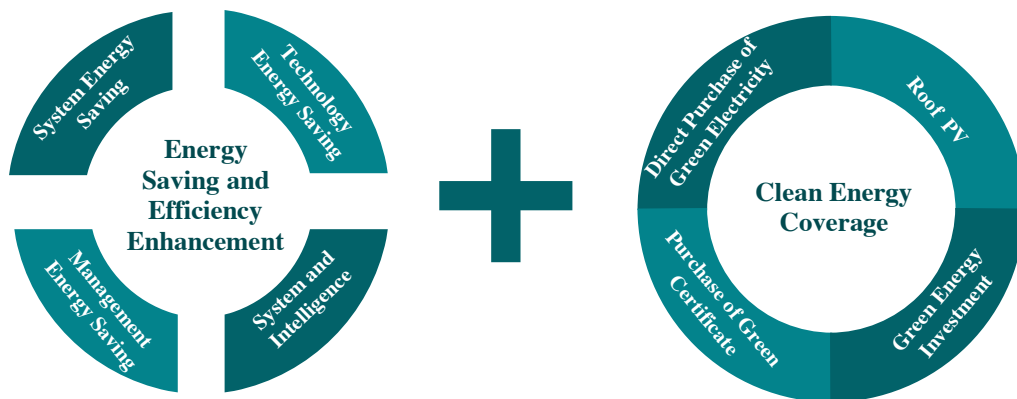
We believe that implementing energy saving and efficiency enhancement, as well as expanding clean energy coverage, are the most important and effective ways to achieve carbon neutrality goals. After conducting a carbon inventory, we analyzed the potential and feasibility of various measures to reduce energy consumption, increase efficiency and expand clean energy use. Based on our findings, we collaborated with

production bases to establish project targets in early 2023. We have committed to continuously improve utilization rate of clean energy to reach 30% by 2023.

By 2023, the Company's clean energy utilization will reach 30%

30%

Cumulative installed capacity of roof PV: 75 Mw

Purchase of green certificates: 500,000 Mwh

Direct purchase of green electricity: 400,000 Mwh

Green electricity obtained by green energy fund investment: 26,000 Mwh

Energy saving: 180,000 Mwh
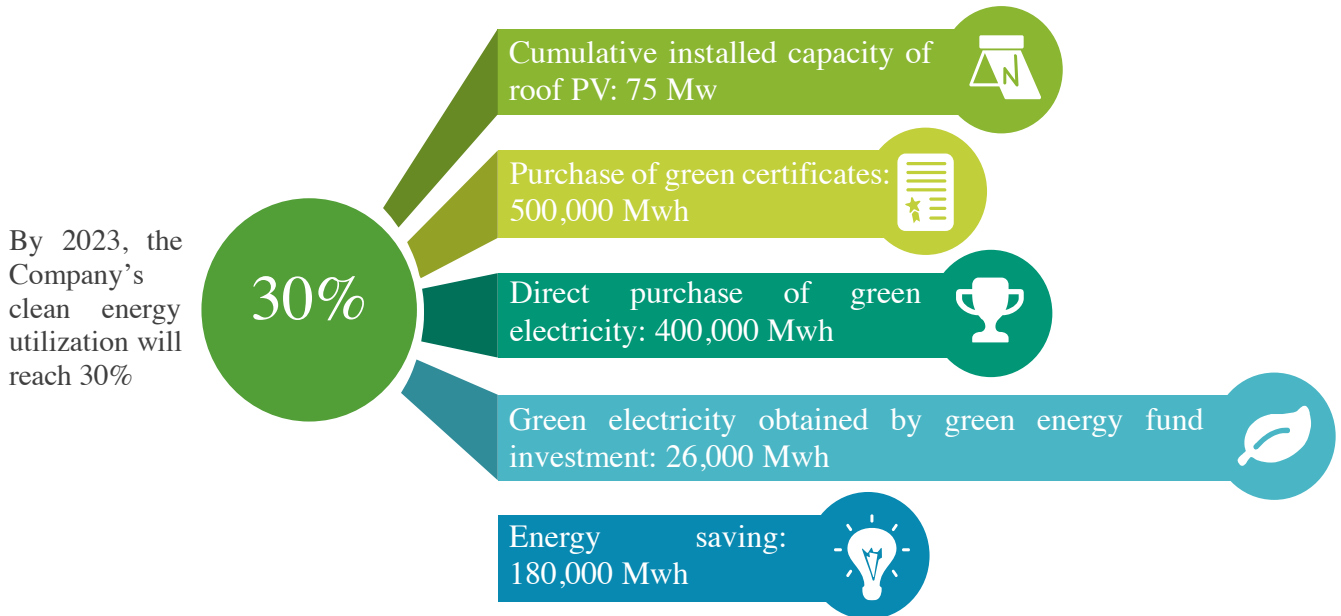
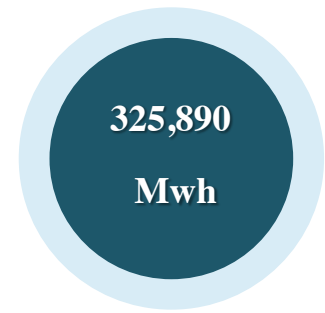Overall Goals of Luxshare Precision's EEP and CEP in 2023

We have established a quarterly data reporting mechanism, where the Group's project team PM closely communicated with project leaders of each factory to monitor working progresses. At the beginning of the year, we required each production base to estimate the electricity consumption for the next year based on the actual electricity consumption of the previous year. At the same time, we required them to review the energy-saving performance of the previous year, fully explore the energy-saving potential, and formulate energy-saving targets for the next year. By ranking each factory's performance and having them supervised by the top executives of both the factory and the Group, we aimed to encourage them to learn from their successes and failures, and to enhance their strengths and address their weaknesses. We also hoped that the leading factories would inspire and assist the lagging ones to achieve continuous improvement.
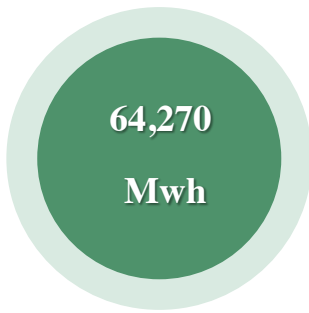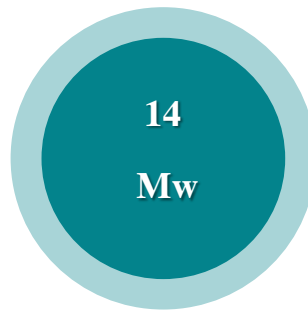
64,270 Mwh	14 Mw	325,890 Mwh
Energy saving	Newly added roof PV installed capacity	Direct purchase of green electricity

The Progress of Luxshare Precision's EEP and CEP as of Q2
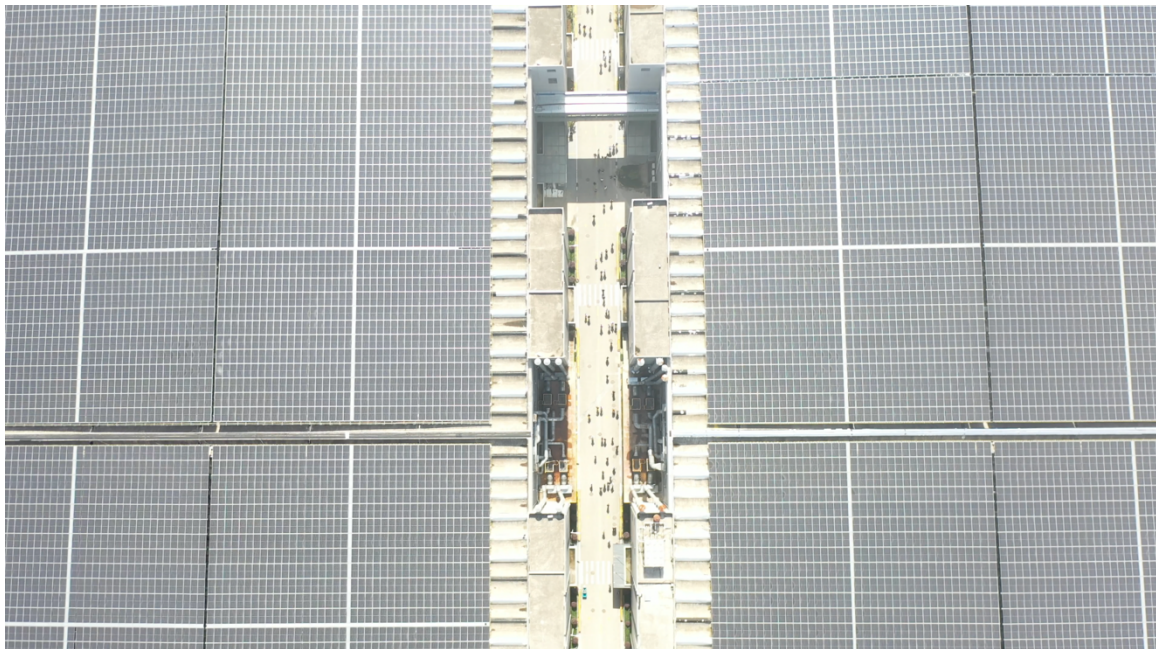
Aerial View of the Jiashan Factory Roof PV

On Site Visits

We make every effort to provide the necessary resources and support for each production base. In 2023, we plan to visit at least 20 subsidiaries to check the effectiveness of EEP and CEP on site and provide professional guidance in need. On site, we verified the effectiveness of the information through cross checking of the original forms and data, and conducted spot checks on the actual operation of energy-saving improvement projects by verifying the accuracy and rationality of key information such as investment amount, electricity saving, and emission reduction.

After visiting each production base, we will share our insights on energy saving and clean energy opportunities with coordinators, and then develop related improvement plans, disseminated and promoted by email. **As of the end of June 2023, we had visited 7 production bases.**

In order to promote the green and low-carbon transformation of the supply chain, we plan to have on-site communication with at least 50 core suppliers in 2023 to share our mature experience and concepts in energy saving and emission reduction. We have developed a supplier visit plan to promote green and low-carbon activities, where we encouraged them to actively participate in carbon inventory verification, report energy saving cases, improve carbon management process and staffing and formulate energy saving targets and improvement plans in an orderly manner. By visiting the sites, we can gain a deeper understanding of how carbon management is done at the supply chain side, which will help us establish appropriate carbon reduction targets and strategies. **As of the end of June 2023, we had visited 22 core suppliers.**

Improvement measures:

In response to the concept of low-carbon and environmental protection, one of our core suppliers has taken an improvement measure by gradually replacing diesel forklifts with electric forklifts. According to calculations, each electric forklift can save 2 tons of diesel fuel consumption per year compared to diesel forklifts. Even considering the carbon footprint of purchased electricity, it can still reduce emissions by 2 tons of carbon dioxide equivalent (tCO2e). At present, the supplier has replaced 12 electric forklifts and is expected to reduce emissions by over 20 tCO2e per year.

The Case Study of a Supplier Replacing Diesel Forklifts with Electric Forklifts

Building Digital Platforms for Carbon Emission Management

Carbon Data Platform Visualization Management

This year, we have optimized the visualization function of the carbon data platform. By adding a dashboard function, we can monitor the submission and review status of carbon emission activity data of each factory in real-time, optimizing data

processing efficiency. The system can also automatically summarize activity data of each factory and perform fast and accurate carbon emission calculation and data export. Currently, we are in the process of verifying the carbon emission calculation logic and emission factors, and we expect to complete the launch of relevant functions before the end of the year 2023.
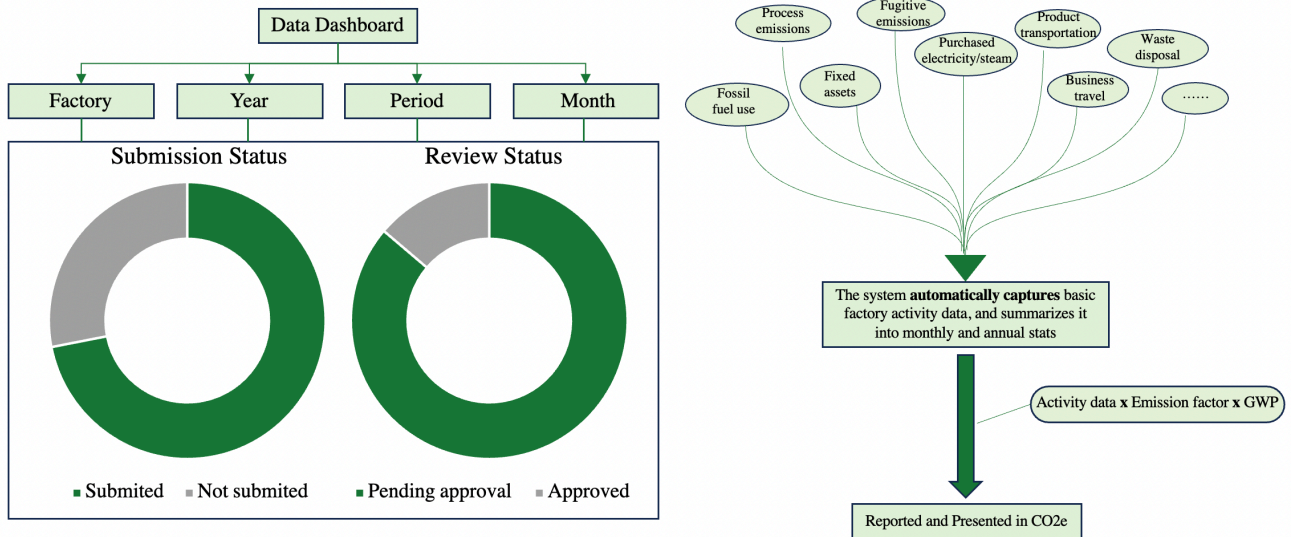
Carbon Data Platform Visualization Update

GSCM Supply Chain Carbon Data Collection Module

In order to improve our ability to control GHG emissions in the supply chain, we started to develop the GSCM supply chain data collection module in 2022. This system can not only comprehensively monitor, accurately calculate, timely report and effectively optimize the carbon footprint related to us in the supply chain, such as fuel usage, purchased electricity, raw material transportation, etc., but also conduct in-depth research on important information such as carbon management structure, management systems, and energy-saving and carbon reduction measures of our suppliers. With these features, we plan to develop appropriate plans and strategies in the future to assist suppliers in achieving low-carbon transformation and green development of the supply chain.

| Each subsidiary publishes tasks | → | Supplier information filling/modification | → | Reviewed by each subsidiary | → | Pass or not | → Y → | Data summarized to the Group PM |

Company overview
- Company name
- Annual sales revenue (100 million yuan)
- The highest responsible person for carbon emissions
- Contact person for carbon reduction management
- ISO50001 certification
- ISO14064 certification
- …

Carbon reduction project
- Carbon emission reduction management structure
- Carbon reduction targets
- Carbon peaking and neutrality plan
- Use of clean energy
- Participation in carbon trading
- …

Carbon emission survey
- Scope 1 emissions such as fixed combustion source, mobile source, fugitive source and process emissions
- Scope 2 emissions such as purchased electricity and steam
- Scope 3 emissions such as land, sea and air transportation

Material statistical table
- Collect the types and quantities of main raw materials used in the products provided by suppliers to calculate emissions related to product transportation

Energy-saving project list
- Collect excellent energy-saving cases from suppliers (including information on investment amount, energy-saving amount, completion time, etc.) to demonstrate energy-saving effectiveness.

Operation Process and System Architecture of the GSCM Supply Chain Carbon Data Collection Module
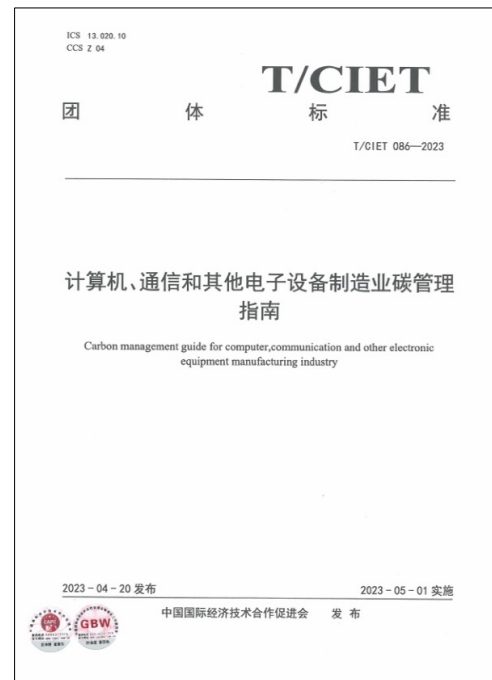
As of Q2 2023, we completed the development of various functions of the system, and it is expected to be officially launched in Q3 2023.

Strengthen External Collaboration and Experience Exchange

External Communication

We are committed to improving the level of corporate carbon management and establishing good communication channels with external stakeholders. Not only can we learn from their advanced experience and professional knowledge, but we can also share our excellent achievements in carbon neutrality practices, contributing to the carbon neutrality process of the industry.

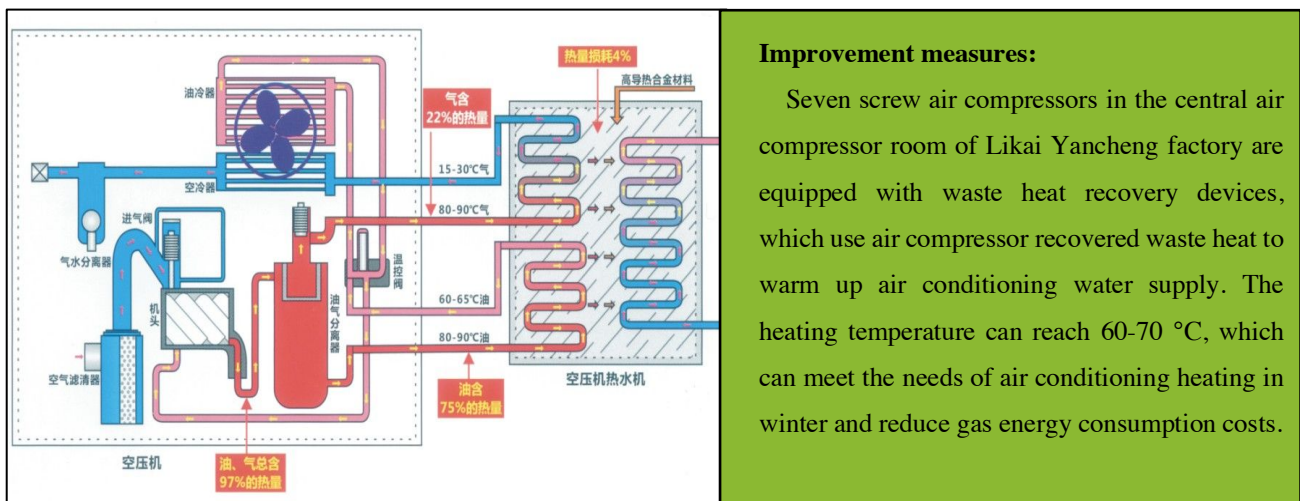In November 2022, we participated in the "Enterprise Carbon Neutrality Planning and Strategy Training Course" organized by Shanghai Jiao Tong University. In this course, we had in-depth discussions with external experts and explored how to efficiently formulate and execute corporate carbon neutrality strategic plans, innovative design concepts and application cases for smart zero carbon parks, as well as key technologies and implementation plans for smart buildings. In

addition, we have also learned about the opportunities and challenges for enterprises to participate in the carbon trading market, preparing for the future path of carbon neutrality.

In 2023, we participated in the drafting of the group standard *Guidelines for Carbon Management in the Computer, Communication, and Other Electronic Equipment Manufacturing Industry* by the China Association for the Promoting International Economic & Technical Cooperation, which provided guidance and norms for carbon neutrality in the industry. This standard covers various aspects such as carbon emission management, carbon asset management, carbon trading management, and information disclosure, providing feasible paths and methods for enterprises to achieve carbon neutrality. This standard was officially released on April 20, 2023 and implemented on May 1, 2023.

Experience Promotion

We firmly believe that the summary as well as sharing of experiences, are important driving forces for promoting the process of carbon reduction. Through this approach, we can stimulate the participation and innovation of more relevant parties, forming a virtuous cycle of carbon reduction work. As of the end of June, we had issued a notice to collect EEP project Q2 summary and typical energy-saving cases, exploring excellent project experiences worth promoting in the Company.

Improvement measures:

Seven screw air compressors in the central air compressor room of Likai Yancheng factory are equipped with waste heat recovery devices, which use air compressor recovered waste heat to warm up air conditioning water supply. The heating temperature can reach 60-70 °C, which can meet the needs of air conditioning heating in winter and reduce gas energy consumption costs.

Air Compressor Waste Heat Recovery Case

We also invite employees and local communities to join our climate action. On July 11th, we jointly organized an energy-saving publicity week themed promotional activity with the Kunshan Tourism Resort Management Committee. During this period, the Company organized a series of activities such as "old clothes recycling", "creative gallery", and "environmental donation", comprehensively creating a cultural atmosphere of "energy conservation and carbon reduction, we go together", and continuously improving employees' awareness and ability to save energy and reduce carbon.

Luxshare Precision National Energy Conservation Promotion Week Activity

Long Term Commitment, Continuous Progress

The commitment to setting SBTs means that we have incorporated climate action into our long-term strategic focus. Adhering to our ambitious vision of mitigating climate challenges, we not only need to develop practical short, medium, and long-term goals, but also need to design comprehensive, systematic, and quantifiable carbon reduction plans and paths, and strictly manage and supervise various low-carbon transformation projects. We will also regularly evaluate the progress and effectiveness of carbon reduction work based on business development and changes in the macro environment, adjust goals and strategies in a timely manner, and strive to achieve carbon neutrality no later than 2050.

In case of inconsistency or discrepancy, please refer to the Chinese version.