

Green Manufacturing System Periodic Report



Report preparation: Sustainable Development Center

Reporting period: This report is a half-yearly progress report for 2023. For the annual progress, please refer to the Sustainability Report for the same year.

Reporting scope: Same as that of 2022 Sustainability Report of the Company



Release time:
September 2023

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Assist in Green Development of the Industry

Currently, China's economic development has entered a new normal, and the development of the manufacturing industry is also facing new challenges. With the continuous strengthening of resource and environmental constraints, the transformation of traditional manufacturing industry is urgent and imperative. Seizing the opportunities of a new round of global technological revolution and industrial transformation, promoting the transformation and upgrading of manufacturing industry towards a more digital, intelligent, and greener future, is the route one must take to promote the leapfrog development of the manufacturing industry and achieve the grand goal of building a strong manufacturing country.

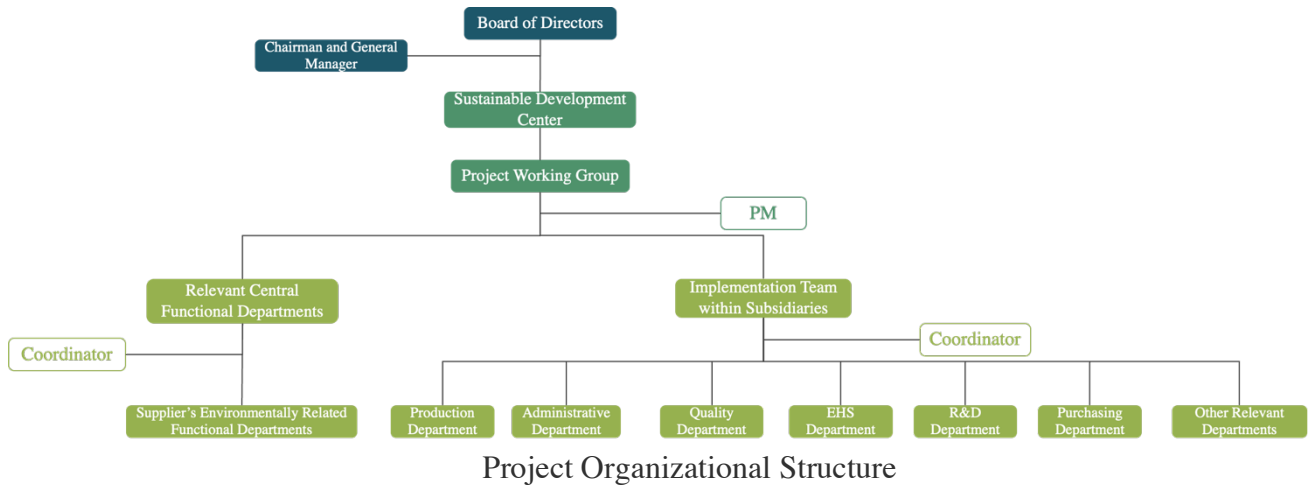
The “14th Five Year” Plan for Industrial Green Development focuses on tasks such as low-carbon energy consumption, recycling of resource utilization, cleaning of production processes, and improving the green manufacturing system, promoting the green and low-carbon transformation and high-quality development of the industry. As a leader in precision manufacturing, Luxshare Precision actively responds to national strategic planning, deeply explores low-carbon¹ and green connotations, promotes the transformation of green production methods, builds and continuously improves the green manufacturing system, reduces the impact of production and operation processes, and assists in green development of the industry.

How to Promote Green Manufacturing

Under the supervision and guidance of the Board of Directors, the Sustainable Development Center takes the lead in establishing a project team to collaborate with

¹ Luxshare Precision conducts management and actions around the two main themes of low-carbon and green development, and this article will mainly elaborate on the Company's green manufacturing system construction practices. Please refer to the "Carbon Reduction Target and Action Periodic Report" for the progress of Luxshare Precision in practicing low-carbon development.

relevant functional departments of subsidiaries to jointly promote green manufacturing actions.



Our goals:



Short/medium-term goal

- Employ external qualified environment monitoring institution to conduct environment monitoring at least once a year of wastewater discharge of factories
- Implement the principle of 4R (reduction, reuse, regeneration and recycling), promote the “Zero Waste to Landfill” practice, enhance utilization rate of resources, and achieve a waste transformation rate of over 90% by 2025

Long-term goal

- Impose strict graded control of all materials, components, finished products and hazardous substances involved in the production process and constantly implement removal of hazardous substances to gradually materialize reduction and elimination goals comprehensively
- Improve the utilization of water resources, reduce water withdraw and consumption, and decrease generation and discharge of wastewater
- Promote the concept and requirements of green manufacturing, and actively establish green factories
- Initiate green supply chain initiatives to promote environmental and social responsibility among suppliers

Under the guidance of the “14th Five Year Plan” for Industrial Green Development, the Company plans comprehensively to promote its own operation and supply chain green development, focusing on resource intensification, chemical compliance and cleaning, and improving the green manufacturing system. As of Q2 2023, we had carried out multiple projects, including Zero Waste to Landfill, Sustainable Water Management, Compliance Management of Hazardous Substances,

Chemical Safety, Green Factory Establishment, and Green Supply Chains. All works were smoothly carried out according to the plan.



- Implement the **UL2799 Zero Waste to Landfill** concept with high standards, improve waste conversion rate, and reduce resource waste
- **Implement Sustainable Water Management in accordance with AWS standards**, improve water resource utilization efficiency, and protect water ecology
- Improve the classification and control system for hazardous substances, strengthen life cycle management, and reduce the use of hazardous substances
- Carry out **Chemical Compliance Management and Selection**, actively seeking cleaner chemical alternatives
- Promote the concept of green manufacturing and improve the construction of factory green manufacturing system
- **Relying on the IPE platform to assist suppliers in improving environmental performance** and establishing a green supply chain

2023 Green Manufacturing System Project Plan

Our Effort in 2023

Resource Intensification Empowers Circular Production

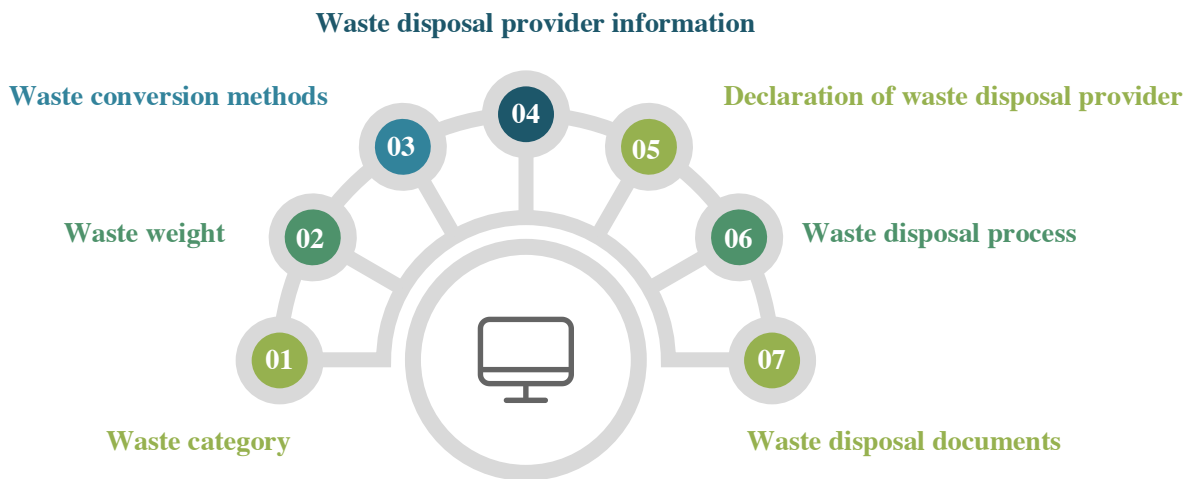
Promote Zero Waste to Landfill

Under the traditional linear economic development model, enterprises indiscriminately seize resources for production, resulting in the generation of a large amount of waste. This not only causes resource waste, but also may leads to environmental pollution, affecting human life and health. Luxshare Precision vigorously develops circular production, advocates resource intensification from the source, reduces unnecessary waste, carries out waste classification and compliant

disposal at the terminal, abandons rough disposal methods such as direct incineration and landfilling, advocates re-resource utilization, and comprehensively improves waste conversion rate and resource utilization rate.

Waste compliance management is our bottom line. On this basis, the Company adheres to the UL2799 Zero Waste to Landfill standard, promotes relevant works in all subsidiaries, regularly conducts special training and guidance, carries out quarterly tracking and analysis of quantitative indicators, and promotes Zero Waste to Landfill validations.

- Launch of the electronic information management system: In 2023, the Company developed an online waste management electronic information management module based on the UL2799 standard, embedded it into the Company's EHS system. It can systematically collect and monitor waste related data, and further improve the efficiency and quality of waste management.



Waste Management Electronic Information Management Module

- Conduct special training: In December 2022, we held training on knowledge and system operation methods related to zero waste to landfill.

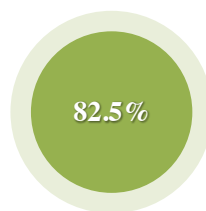


Training coverage rate of staff who handles waste related tasks



Special Training Material for Zero Waste to Landfill

- Quantitative indicator dynamic analysis: The Company tracks and analyzes the progress of waste management work in each subsidiary through quantitative indicators on a quarterly basis, and provides special guidance to subsidiaries that are relatively behind schedule to assist them in tapping into potential waste conversion methods and developing practical improvement plans.



The average waste conversion rate subsidiaries achieved as of Q2

- Zero Waste to Landfill validation: We hope that our subsidiaries can continuously improve their waste management and disposal level, and achieve and obtain UL2799 validation. In 2023, **three subsidiaries plan to participate in the UL2799 Zero Waste to Landfill validation for the first time. As of**

Q2, one new subsidiary passed the validation for the first time and obtained the UL2799 Platinum Grade certificate.



ENVIRONMENTAL CLAIM VALIDATION SUMMARY

Ri-Shan Computer Accessories (JiaShan) Co., Ltd.

Ri-Shan Computer Accessories (JiaShan) Co., Ltd.

Report Number:

304299-1160

Validation Period:

30 May 2023 - 30 May 2024

Claim:

Ri-Shan Computer Accessories (JiaShan) Co., Ltd. has achieved Zero Waste to Landfill Platinum Operations, 100% diversion, with 10% Thermal Processing with Energy Recovery.

Method:

Environmental Claim Validation Procedure (ECVP) for Zero Waste Classifications, UL 2799A First Edition, Dated July 20, 2018

Facility:

No.95 Changjiang Road, Huimin Sub-District, JiaShan County, Jiaxing 314112, Zhejiang, China

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UL2799 Zero Waste to Landfill Certificate of Ri-Shan Computer Accessories (JiaShan) Co., Ltd

Implement Sustainable Water Management

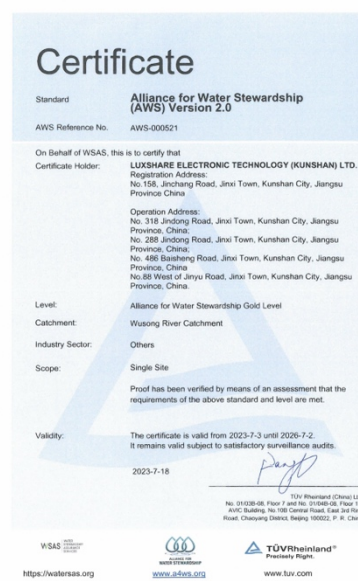
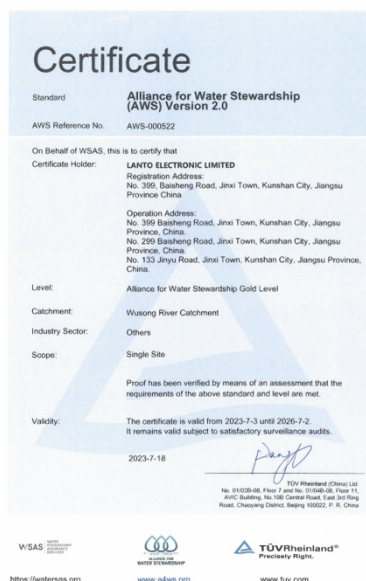
The World Resources Institute (WRI) predicts that by 2040, China will face higher water resource pressures, exacerbating the contradiction between higher demand for water resources and limited resources. Luxshare Precision actively responds to water resource pressures, adhering to the policy of **“scientific compliance, balanced health, sufficient sanitation, and watershed protection”**, and carrying out sustainable water management. We identify and manage enterprise level water risks, and annually use the “Aqueduct” water risk tool developed by WRI to identify water risks for all factories based on their operating conditions. In line with the identification results, the Company develops control plans catering for factories in different operating locations.

The Company gradually installs intelligent water management systems in each factory area, scientifically develops water-saving plans based on water resource usage, invests in more advanced water-saving facilities and technologies, improves water

resource utilization efficiency from both management and technology dimensions, and reduces wastewater discharge.

On this basis, we are committed to introducing the Alliance for Water Stewardship (AWS) standards into our subsidiaries and comprehensively improving the level of water resource management. The project team organized and carried out key tasks such as sustainable water management training, water resource management system optimization and certification guidance, and cooperation and exchange with relevant stakeholders.

- Promote pilot certification for sustainable water management: In 2022, the Company took Lanto Electronic Limited and Luxshare Electronic Technology (Kunshan) Co., Ltd. as piloting bases to promote sustainable water management standards in accordance with AWS requirements. After optimizing the water management system, **two subsidiaries were awarded AWS Gold Level certification in July 2023 through evaluation.** We plan to promote the AWS pioneer concept to other factories and subsidiaries, and **five factories plan to obtain AWS Gold Level certification within two years.**

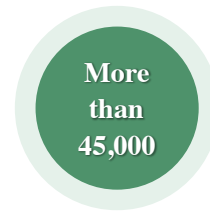


Lanto Kunshan and Luxshare Electronic Kunshan were Awarded AWS Gold Level Certifications

- Carry out special promotion training: In June 2023, based on our understanding of the standards and pilot factory experiences, we developed a sustainable water management promotion textbook for the Group, interpreting AWS standards, company sustainable water management requirements, and individual water-saving and water protection initiatives for employees. The textbook was uploaded to the Company's online training platform i School and delivered to employees for learning.



Training coverage rate of staff who handles water related tasks



Number of employees completing online training as of Q2



Sustainable Water Management Training Textbook

- Carry out cooperation with relevant stakeholders: The Company actively cooperates with stakeholders such as government, institutions, associations, enterprises, and media to stimulate more exploration of innovative water management measures through exchange of water resource management experience, collaborate to cope with water resource pressure, protect the water environment we rely on for survival, and help create a cleaner, livable, healthy, and sustainable future.



Participated in a Sustainable Water Management Industry Exchange Event in June 2023 to Gain Leading Water Resource Management Experience

Chemical Safety Assistants Compliance Cleaning

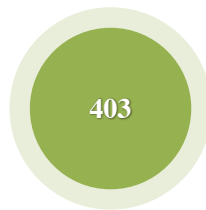
Improve the Systematic Control of Hazardous Substances

The control of hazardous substances in electronic products helps to protect the health of end consumers and avoid potential environmental pollution caused by product wastes. Luxshare Precision implements applicable domestic and international standards and customer requirements to a high standard, regulating the entire process control of product development, raw material procurement, manufacturing process, and shipment traceability. We conduct hierarchical management and control of all product materials, components, finished products, and the chemical substances involved in their production processes, forming a hazardous substance management system through the entire product lifecycle.

In order to ensure the safety of our products, the Company insists on paying attention to and collecting updates on domestic and foreign institutional standards and customer requirements, evaluating the potential impact of hazardous substance control requirements on the Company, timely updating relevant management standards such as the *Management Standard for Restricted Substances of Materials and Finished*

Products, maintaining a green product information management system, and developing targeted management strategies.

- Management standard update: **As of Q2, we collected and organized 403 optimization suggestions of hazardous substance management standards.** Currently, we are conducting effectiveness identification and evaluation to confirm the necessary revision or addition of hazardous substance control items. We will complete the annual update of the *Management Standard for Restricted Substances of Materials and Finished Products* after the evaluation is completed.



Number of optimization
suggestions collected as of Q2

- Information management system maintenance: The Company regularly updates and maintains the green product information management system, incorporating the latest hazardous substance regulations and foreseeable control trends into the system, achieving timely identification of materials containing relevant substance components, warning potential hazardous substance risks, and laying the foundation for targeted hazardous substance control strategies. **As of Q2, we added international key substances of concern, such as Substances of Very High Concern (SVHC) to the EU REACH regulations, Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS),** effectively warning and controlling risks of hazardous substances.

Cleaner Chemicals

In the manufacturing process of electronic products, various types of cleaning agents, adhesives, inks, coatings, and other chemicals are widely used. As they are

directly applied on products, they also have potential impacts on consumer health and safety. Luxshare Precision adheres to the laws and regulations related to chemical safety in China and overseas, follows the full process compliance management, and strictly controls chemicals containing restricted substances and occupational health and safety hazards.

Volatile organic compounds (VOCs) are restricted substances controlled by the Company and are commonly found in cleaning agents, adhesives, inks, coatings and other chemicals, and their volatilization may have potential impacts on employee health and the environment. Therefore, the Company has carried out special work on the above types of chemicals to ensure that chemicals are cleaner, greener and safer from the source by enhancing chemical compliance awareness through training and empowerment, promoting chemical compliance audits and on-site audits, strengthening full process management, and using various management and technology methods to reduce VOCs emissions.

- Multi-level chemical training with internal and external integration: We combine external customer requirements, internal project teams work, and subsidiary training to form a multi-level and multi-dimensional training mechanism, interpreting domestic and international chemical compliance management standards, company chemical management requirements, and operational processes. In March 2023, the project team held a special training session on chemicals, providing detailed explanations of project requirements and **covering 100% of employees who handle chemical related tasks.**

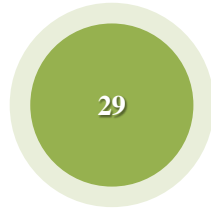


2023 Chemical Special Training Textbook for the Project Team

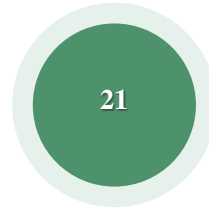
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Number of subsidiaries that completed the internal chemical safety training as of Q2

- Chemical compliance audit: We created and distributed chemical safety disclosure forms to conduct annual chemical compliance audits. We required each subsidiary to identify and report the use of five categories of chemicals including adhesive, cleaning agent, paint, ink and others, provide compliance certification documents, and evaluate them in accordance with the *GB/T 16483-2008 Chemical Safety Technical Manual Content and Project Sequence*. As of Q2, 29 subsidiaries completed the collection and submission of chemical data, of which 21 passed the review of chemical data, while the remaining 8 were in the process of improving their data. Our goal is to reach 100% compliance.



Number of subsidiaries that completed the submission of chemical data as of Q2



Number of subsidiaries that passed the review of chemical data

- On site visits and audits: In order to effectively strengthen chemical compliance audits, we conducted spot checks on our subsidiaries in accordance with regulations such as the *Safety Management Regulations for Hazardous Chemicals* and the *Volatile Organic Matter Management Operation Measures*, and conducted on-site audits of chemical usage standards. The audit content included on-site management and operational requirements for chemical procurement, handling, warehousing, storage, use, emergency disposal, and waste disposal, and we timely identified issues and provided on-site guidance to subsidiaries in need. **As of Q2, we inspected 5 subsidiaries and found 10 issues, all of which are under rectification.**
- VOCs emissions reduction: Effectively controlling and reducing the use and emissions of VOCs, minimizing their impact on the environment and occupational health and safety, is our ultimate goal. The Company prioritizes cleaning agents with high usage and VOCs content as improvement targets, and comprehensively utilizes management and technical means to develop low VOCs emission solutions through recycling, reuse, substitution, and other methods.

Case 1: Optimizing the Workflow to Promote Recycling and Reusing of Cleaning Agents

Usually, cleaning agents are discarded after a cleaning operation and enter the waste disposal process. However, cleaning agents will not completely lose effect after

a single use, and direct disposal will not only cause a lot of waste, but also bring more VOCs to be used and discharged.

In 2023, the Company attempted to optimize the cleaning process by introducing a solvent recovery device to recover the waste liquid from a single use of cleaning agents. After evaporation, condensation, liquefaction, and other processes, the waste liquid returned to the production line for reuse. After testing, **the recovery rate of the cleaning agent can reach 95%**, and the concentration of the recovered cleaning agent still meets the usage requirements. It has also met the cleaning standards in multiple usage scenarios. We see that recycling and reuse effectively improves the use efficiency of cleaning agent and reduces the use and emissions of VOCs.

Case 2: Developing and Promoting Greener and Cleaner Chemical Alternatives

In addition to reducing usage, reducing the concentration of VOCs within chemicals can also reduce the use and emissions of VOCs at the source. The Company collaborates with suppliers to develop cleaner and greener chemical usage plans, tests and compares the effectiveness and emission data of cleaning agents, and provides better solutions for cleaner and greener chemicals.

In 2022, we collaborated with cleaning agent manufacturers and suppliers to find a solution to replace alcohol with water-based/semi water-based cleaning agents, and promoted their use in our subsidiaries. On this basis, in 2023, the Company will continue to promote and apply alternative solutions, and our subsidiaries will gradually apply alternative solutions for clean chemicals. In addition, we are willing to share our experience in green chemicals with our supplier partners, introduce low VOCs cleaning agent solutions, and help suppliers improve their chemical management performance. **As of Q2, some subsidiaries and suppliers had completed the replacement of low VOCs cleaning agents, and it is expected to achieve an annual VOCs reduction of 1.5 tons.**

Green Manufacturing Shapes Green Supply Chains

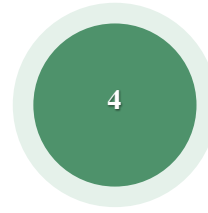
Establish Green Factories with High Quality

Factories are the production units of the manufacturing industry, and establishing green factories and implementing green manufacturing are important means for manufacturing enterprises to solve environmental, resource, and carbon emissions problems. Luxshare Precision firmly establishes and implements the concept of green, circular, and low-carbon development, creates green manufacturing benchmark factories, gradually promotes green factory standards, and improves construction of the green manufacturing system. The Company has established a cross departmental green factory organizational structure in benchmark factories, established a green committee and a green factory management office, clarified the construction, implementation methods, and management assessment system of green factory related systems, and carried out various management aspects around the goal of establishing a green factory, including infrastructure, management system, energy resource investment, environmental emissions, products, and green procurement. In addition, we conduct training on green factory establishment to continuously promote and empower employees with awareness and knowledge of green manufacturing.

We evaluate from multiple dimensions such as infrastructure, management system, energy resource investment, product situation, environmental emissions and performance, select subsidiaries with good capacity and potential. Through guidance, we enhanced their green and low-carbon operation level, and aim to help them receive titles such as the national/provincial/municipal level green factory, and the zero/near-zero carbon factory. In 2023, after screening and evaluation, **we selected 5 subsidiaries to cultivate as a priority**, to target for the national and provincial green factory title. **As of Q2, four subsidiaries completed the submission of application materials and entered the review stage; one subsidiary is expected to submit application materials in August**, and the overall project is progressing smoothly.



Number of green factories planned to be cultivated in 2023



Number of subsidiaries that submitted application materials as of Q2

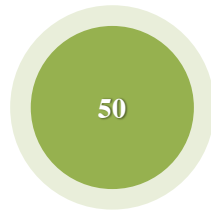
Make Every Effort to Build a Green Supply Chain

The reliability, stability, and sustainability of the supply chain are the foundation for the success of electronic enterprises and we will make the achievement of the supply chain an important part of the success of our business. We will share experience and resources with our supplier partners, collaborate to build a complete and connected green supply chain, and reduce the environmental impact of the entire product lifecycle.

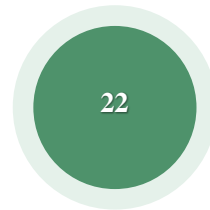
Luxshare Precision collaborates with the Institute of Public and Environmental Affairs (IPE) to use the IPE Blue Ecological Chain platform to accurately and efficiently obtain information on our own operations and supply chain environmental performance, in order to timely carry out monitoring and mitigation actions. We dynamically monitor the removal of environmental violation records in the supply chain, urge the implementation of Pollutant Release and Transfer Registers (PRTR) and carbon data disclosure, and fulfill the commitment of reducing pollution and carbon emissions throughout the entire value chain through systematic carbon emission and environmental pollutant management and more transparent information disclosure mechanisms. At the same time, we provide training and coaching to our subsidiaries and suppliers to assist them in continuously improving their environmental performance.

- Training and visits: Luxshare Precision collaborates with IPE to regularly provide specialized training for subsidiaries and suppliers, introducing the latest developments in environmental compliance, dual carbon and energy management actions, and other content. **As of Q2, we had organized and**

completed three training sessions. In addition, to implement green supply chain actions effectively, Luxshare Precision carefully selected core suppliers to conduct on-site visits, promote the connotation of the Company's green supply chain initiative, conduct on-site exchanges to obtain supplier feedback, and solve practical difficulties.



Number of planned visits to core suppliers in 2023



Number of suppliers visited as of Q2



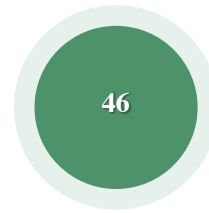
Luxshare Precision Visited Core Suppliers to Promote the Requirements of the Company's Green Supply Chain Initiative

- **Dynamic tracking of environmental violations:** Based on the Blue Map system, Luxshare Precision dynamically monitors supply chain environmental violations, reminds and assists suppliers in improving and removing violation records. We require suppliers to submit improvement plans for non-compliant projects within 10 days of the disclosure of non-compliance records, and have them reviewed by dedicated personnel to follow up on the implementation of improvement plans and record the progress of removal, providing one-on-one guidance to suppliers. In 2023, **the Company plans to assist no less than 60**

subsidiaries and suppliers in removing violation records through the IPE platform, and the project is progressing smoothly as planned.



Number of subsidiaries that completed the removal of environmental violations as of Q2

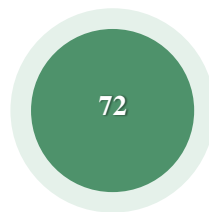


Number of suppliers who completed the removal of environmental violations as of Q2

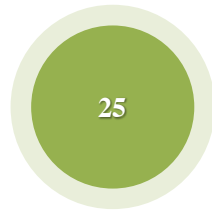
- Improve the transparency of supply chain environmental information: Leveraging the supply chain PRTR and carbon information module developed by IPE, Luxshare Precision hopes to promote suppliers to strengthen environmental information disclosure, help them form a standardized and long-term environmental management mechanism, and systematically and comprehensively reduce the environmental impact of the entire value chain. In 2023, **the Company plans to promote the improvement of information disclosure for no less than 150 subsidiaries and suppliers.** We hope to continue expanding the influence of green supply chain actions, gradually including secondary suppliers in the scope of actions, and driving the comprehensive green transformation of the supply chain. In 2023, we have included six secondary suppliers in our scope of action and plan to promote and assist them in completing information disclosure on the IPE platform.



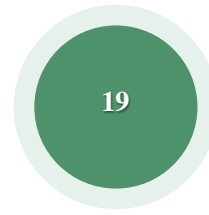
Number of subsidiaries that completed PRTR disclosure as of Q2



Number of suppliers that completed PRTR disclosure as of Q2



Number of subsidiaries that completed carbon data disclosure as of Q2



Number of suppliers who completed carbon data disclosure as of Q2

A Long term Object that Needs Continuous Effort

Faced with imminent climate and resource pressures, building and continuously improving a green manufacturing system is the consistent strategy and answer of Luxshare Precision. We will continue to deepen the connotation of green manufacturing, promote green and clean reformation in the supply side of the manufacturing industry, collaborate in exploring innovative supply chain actions, reduce the environmental impact of the supply chain, and jointly safeguard the beautiful homeland of green mountains and clear waters.