

Collaborative Value Creation

Luxshare Precision is committed to developing a supply chain management model that balances environmental, social, and economic benefits. We uphold high-quality, green, and responsible supply chain partnerships, integrating sustainability assessments into procurement decisions and daily supplier management to drive collective industry progress.

Supply Chain Management System

To systematically mitigate supply chain risks and ensure business continuity, we manage suppliers across their entire lifecycle through a three-phase framework "development access, tiered management, and evaluation and audit". In 2024, we enhanced our risk heatmap by implementing origin tracking for critical electronic materials, enabling rapid aggregation and correlation of material origins, specifications, and supplier data. This upgrade strengthens our capacity to identify and mitigate risks posed by natural disasters and geopolitical conflicts.

Additionally, we plan to collaborate with third-party platforms to refine early-warning mechanisms for at-risk suppliers, further mitigating supply chain risks' operational impacts.



Development Access

Luxshare Precision strictly evaluates supplier qualifications in accordance with the *Supplier Management Operating Procedures*, the *Electronic Material Supplier Admission Mechanism*, and other procedures by the ISO-certified internal auditors. Furthermore, we implement baseline capability surveys across critical dimensions, including production testing capabilities, technical process competencies, quality control, and environmental compliance management. Suppliers must hold at least 1 **quality management system certification** and 1 **social responsibility system certification** for inclusion in our preferred supplier list.

Requirements of System Certification for Supplier Admission

Quality Management System Certification	
ISO 9001, IATF 16949, ISO13485, QC 080000, SONY GP, or third-party quality system certifications of other categories	
Consumer Electronics <ul style="list-style-type: none">At least certified in one of ISO 9001, IATF 16949, and ISO 13485	Automotive Electronics <ul style="list-style-type: none">Certified in ISO 9001Certified in IATF 16949 or has established an IATF 16949 certification introduction plan
Social Responsibility System Certification	
ISO 14001, ISO 45001, SA 8000, RBA-VAP or third-party social responsibility system certifications of other categories	

Luxshare Precision seeks partners who share our values. During the onboarding phase, suppliers are required to sign critical agreements, including the *Supplier Code of Conduct Acknowledgment Letter of Integrity Commitment for Supplier*, and *Environmental Assurance Letter*, formally committing to uphold our ethical business standards and environmental and social requirements.

Tiered Management

We implement a tiered management system for qualified suppliers, conducting monthly, quarterly, and annual evaluations through our Supplier Relationship Management(SRM) platform. Performance-based tier classifications determine collaboration frameworks, enabling us to gain precise, real-time insights into supplier capabilities and performance, allowing targeted supply chain optimization.

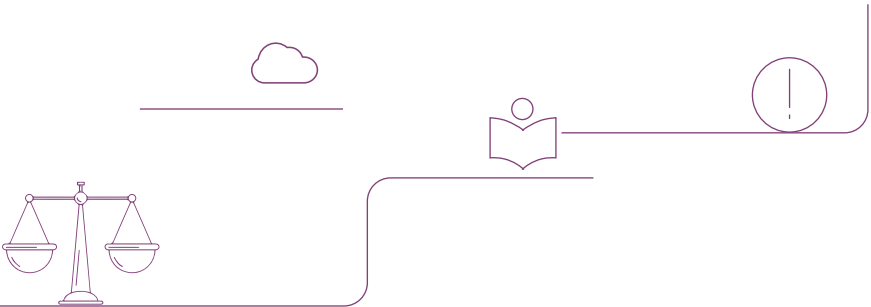
Tiered Supplier Management Standards

Grades in Performance Appraisal	Management Measures
Grade A/B	Long-term Partnership, Co-research, Priority Procurement, and More Resource Support
Grade C	Required to provide an improvement report, with corrective results to be tracked, and may be subject to on-site audits if necessary; Supplier qualification will be revoked if two consecutive audits are failed
Grade D	No contract renewal or new contracts awarded; Required to suspend supply and provided with guidance for improvement; If all improvements are implemented, supply will be allowed and monitored continuously, otherwise, supplier qualification will be revoked

Evaluation and Audit

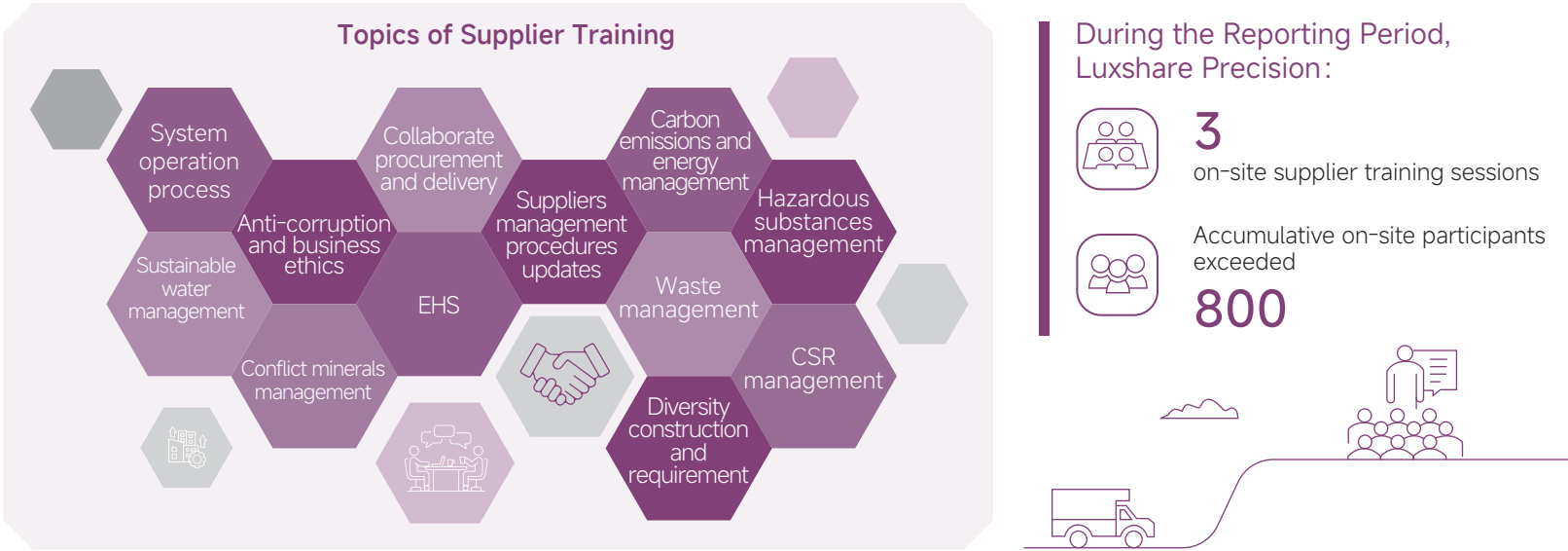
To ensure supply chain compliance and high-quality development, Luxshare Precision conducts annual supplier audits through integrated online and onsite method. In 2024, we formally implemented a Supplier Blacklist Mechanism. Suppliers subject to integrity violations, fraudulent activities, or ethical breaches will be added to the blacklist, and receive relevant management and punishment. All blacklist decisions and supplier disqualifications are transparently communicated via the SRM platform, ensuring full accountability.

Assessment Dimension	"Blacklist" Behaviors
Integrity	Suppliers violating Luxshare Precision's Integrity Policies
Fraudulent Practices	Material fraudulent practices include supply of counterfeit/adulterated materials, cost-cutting through inferior substitutes, and unauthorized material substitution without approval
Honesty	Major breaches of trust include collusive bidding or bid rigging during tenders, violation of procurement contracts, and failure to fulfill contractual delivery obligations
Others	Suppliers failing two consecutive annual audits with unresolved non-conformances



Supplier Training

We systematically enhance supplier capabilities through diversified engagement formats including **one-on-one coaching**, **business review sessions**, **specialized training programs**, **thematic workshops**, and **annual supplier summits**. Collaborating with suppliers to identify optimization opportunities, we empower them to strengthen comprehensive sustainability competencies in environmental governance, social responsibility fulfillment, and business ethics development. This collaborative approach drives synergistic advancement of supply chain competitiveness.



Case | Luxshare Precision Hosted 2024 Southern China Supplier Summit

On July 6, 2024, Luxshare Precision convened the 2024 Southern China Supplier Summit under the theme "Collaborative Innovation, Shared Future", gathering over 700 representatives from approximately 300 suppliers. The summit strengthened partnerships through integrity compliance sessions, excellence awards ceremonies, sustainability achievement showcases, and procurement strategy briefings, fostering collaborative business growth and innovation while establishing a platform for in-depth dialogue. We presented a comprehensive overview of Luxshare Precision's sustainability progress, outlining specific requirements for suppliers in data accounting, carbon reduction initiatives, energy structure transition, and CSR implementation. These efforts significantly enhanced suppliers' understanding and operational capabilities in sustainability practices, accelerating the supply chain's transition toward low-carbon operations and inclusive practices.

2024 Southern China Supplier Summit






Environmental and Social Responsibility Management

Luxshare Precision has deeply embedded environmental and social responsibility management into our supply chain management framework, empowering green and low-carbon transformation across the value chain through strategic influence.

Supplier CSR Management

Guided by global standards including the *UN Guiding Principles on Business and Human Rights* and the *RBA Code of Conduct*, we formulated the *Supplier Code of Conduct Acknowledgement*, requiring all suppliers to sign and comply with its requirements as well as applicable local laws and regulations where it operates. Any violations of these provisions may jeopardize ongoing collaborations and result in termination of partnerships.

We conduct supplier CSR risk assessments and audits via a hybrid online-offline approach based on the *Supplier Audit Checklist*, continuously enhancing supplier's CSR management capabilities. Leveraging the CSR module within our Green Supply Chain Management (GSCM) system, we achieve digital and systematic execution of supplier data collection, risk evaluation, and audit processes.

Audit Criteria	Audit Contents		Rectification Items Completed
 Labor Management	<ul style="list-style-type: none">Child laborForced laborDiscrimination and disciplinary measuresFree association and communicationWorking hours and remunerationDiversity management		444
 Occupational Health and Safety Management	<ul style="list-style-type: none">Fire safetyOccupational safetyEquipment safety and healthEmergency planIndustrial hygienePrevention and control of occupational diseasesPhysically demanding workPublic hygiene, food, and accommodation		686
 Environmental Management	<ul style="list-style-type: none">Environmental permits and reportsWater resource managementAir pollutionEnergy conservation and emission reductionWasteNoiseHazardous substances		647
 Business Ethics	<ul style="list-style-type: none">Business integrityNo improper benefitsFair trade, advertising, and competitionIdentity protection and anti-retaliation policyInformation disclosureIntellectual property protectionPrivacy protectionEqual business, advertisement publish and competition		22
 Management System	<ul style="list-style-type: none">Management systemRegulatory and client requirementsSupplier managementResponsible procurement (conflict minerals management)TrainingCommunicationEmployee feedback, engagement, and appealsCorrective action process		383

During the Reporting Period, Luxshare Precision:

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The number of suppliers that underwent CSR audits
1,436
- 

The suppliers that completed on-site CSR audits
678
- 

The rate of new suppliers that underwent CSR audits
100 %
- 


No major CSR risk was found in suppliers




Green and Low-Carbon Supply Chain

Luxshare Precision is committed to collaborating with suppliers to build a green and low-carbon supply chain ecosystem, sharing expertise and resources to minimize environmental impacts across product lifecycles. By the end of 2024, we established **supply chain Green and Low-Carbon Commitment and set relevant supply chain targets commitment**. Moving forward, we will progressively engage core suppliers to sign and implement these commitments, accelerating industry-wide sustainable transformation.


Targets and Commitments in the Green and Low-Carbon Commitment



> Achieve a 6% year-on-year reduction in absolute carbon emissions related to Luxshare Precision's business by 2032 (base year ²³: 2024)




> Gradually increase renewable energy use percentage, transition 100% of Luxshare Precision-associated production to renewable energy by 2030




> Annually disclose pollutant release and transfer registers (PRTR) and carbon emissions data via the IPE platform

Luxshare Precision has partnered with IPE for consecutive years. Leveraging its Blue EcoChain platform, we precisely and efficiently acquire supply chain's environment performance and dynamically monitor the supply chain's environmental violation records, further driving PRTR disclosures. We provide suppliers with tailored training to enhance environmental management capabilities, jointly advancing green supply chain development.


During the Reporting Period, Luxshare Precision:




Corporate Information Transparency Index (CITI) overall ranking
11th place



CITI industry ranking
5th place



Assisted **110 suppliers** in removing of environmental violation records




Promoted **239 suppliers** to disclose the PRTR information


²³ For suppliers newly admitted after 2024, the base year refers to the first year of the transaction happened with Luxshare Precision.

We consistently leverage our net-zero impact in supply chain management by conducting on-site green and low-carbon investigation, guiding suppliers to strengthen carbon emission management, implementing energy-saving projects, and encouraging active participation in carbon inventory. In collaboration with IPE, we launched the *Zero Carbon Supply Chain Initiative*, incentivizing suppliers to disclose emissions data through IPE platform. In 2024, we upgraded our GSCM system with automated raw material carbon accounting, significantly improving Scope 3 data accounting accuracy and efficiency.


During the Reporting Period, Luxshare Precision:



Provided on-site green and low-carbon related investigation and coaching for **50 suppliers**



Suppliers promoted to disclose their carbon emission information on the IPE platform was **229**



Facilitated suppliers' energy conservation of **33,013 MWh**

Case | Selected Cases About Suppliers' Energy Conservation and Emission Reduction

Supplier 1: Waste Heat Recovery of Air Compressor

- The waste heat recovery of the air compressor is used to supply hot water in the living area of the facility. It can save approximately 250,000 kWh of electricity per year, and the annual emission reduction exceeds 155 tCO₂e.

Supplier 2: Transformation of Machine Lighting Strips

- The lighting inside the production line machines is changed from fluorescent lamps to lighting strips. After the improvement, the power efficiency is increased by about 58%. It can save approximately 210,000 kWh of electricity per year, and the annual emission reduction exceeds 130 tCO₂e.

Supplier 3: Application of Air Conditioning Intelligent Control System

- The central air-conditioning refrigeration station is renovated, and through the intelligent control system and cloud networking system, it can automatically sense the indoor cooling air in real time, thereby reducing the use of the cooling water tower. It can save up to 330,000 kWh of electricity per year, and the annual emission reduction exceeds 205 tCO₂e.

Supplier 4: Installation of Rooftop Photovoltaic Panels

- Photovoltaic solar panels are installed on the rooftops of the facility. The photovoltaic power generation is used to supply power to the switchgear room. The total annual power generation is approximately 1.1 million kWh, and the annual emission reduction can reach 685 tCO₂e.