

# Carbon Reduction Target and Action Periodic Report



Report preparation: Sustainable Development Center  
Reporting period: This report is a half-yearly progress report for 2024. For the annual progress, please refer to the Sustainability Report for the same year.  
Reporting scope: Same as that of 2023 Sustainability Report of the Company



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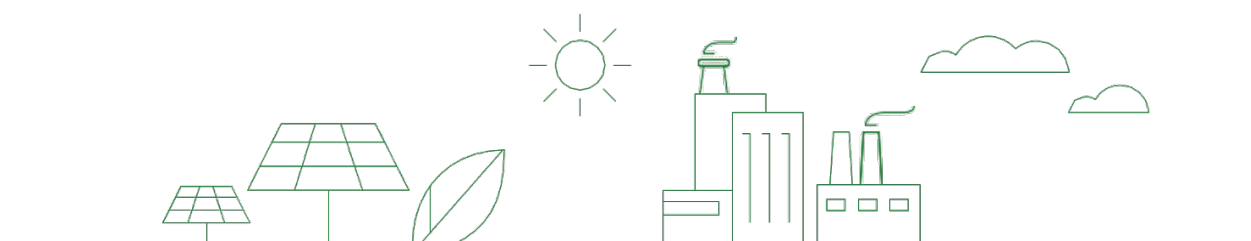
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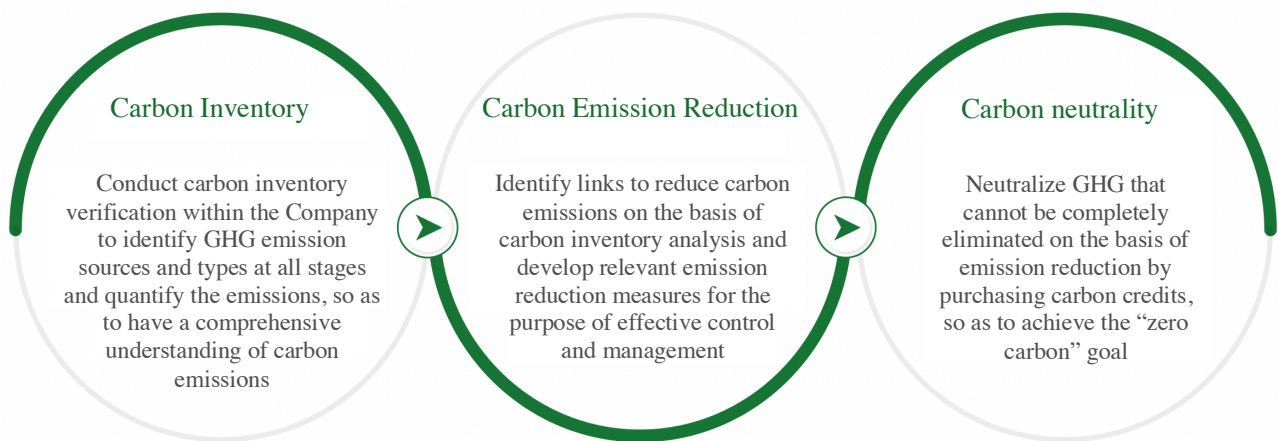


## 01 We Actively Respond to Climate Challenges

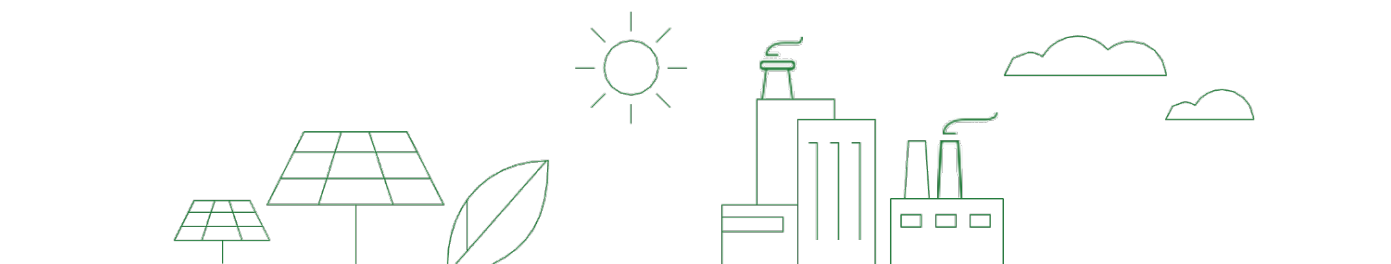
The World Meteorological Organization's recently release the *State of the Global Climate Report 2023*, which shows that the global average temperature in 2023 rose by  $1.45 \pm 0.12$  °C compared to pre industrial levels, making it the warmest year on record. The global warming which was driven by continuous increase in greenhouse gas (GHG) emissions poses a persistent threat to natural ecological balance and sustainable economic and social development. To address the climate challenge, the international community urgently needs to strengthen coordination. Governments of all countries should take decisive actions, strictly promote climate transition plans, accelerate the economic and social transition to a low-carbon future, and achieve carbon neutrality as soon as possible.

China attaches great importance to empowering the entire society to achieve energy conservation and carbon reduction through the Information and Communication Technology (ICT) industry. Since the establishment of the "dual carbon" target, a series of policies have been released to support the green and high-quality development of the ICT industry. *The "14th Five Year Plan" for the Development of the Information and Communication Industry* clearly states that reducing the comprehensive energy consumption of telecommunications services per unit is one of the industry's development goals, and promotes the widespread use of energy conservation and carbon reduction technologies, equipment, and renewable energy. *The Action Plan for Green and Low Carbon Development of the Information and Communication Industry (2022-2025)* proposes that the ICT industry should focus on industrial green transformation, low-carbon and environmentally friendly life style for residents, and green development of urban and rural areas, empowering the whole society to save energy and reduce carbon emissions. It can be seen that the ICT industry plays an irreplaceable role in helping to achieve carbon peak and carbon neutrality goals as scheduled, and promoting high-quality development of the whole society. As a pioneer in the green transformation

of the ICT industry, Luxshare Precision is steadily advancing its action plan for carbon inventory, carbon reduction, and carbon neutrality. We have formulated carbon reduction targets that comply with the 1.5 °C path requirements of the Science Based Targets Initiative (SBTi), gradually achieving carbon neutrality in our own operations and value chain, and contributing to mitigating climate change and promoting low-carbon transformation in society.



Luxshare Precision Carbon Neutrality Path

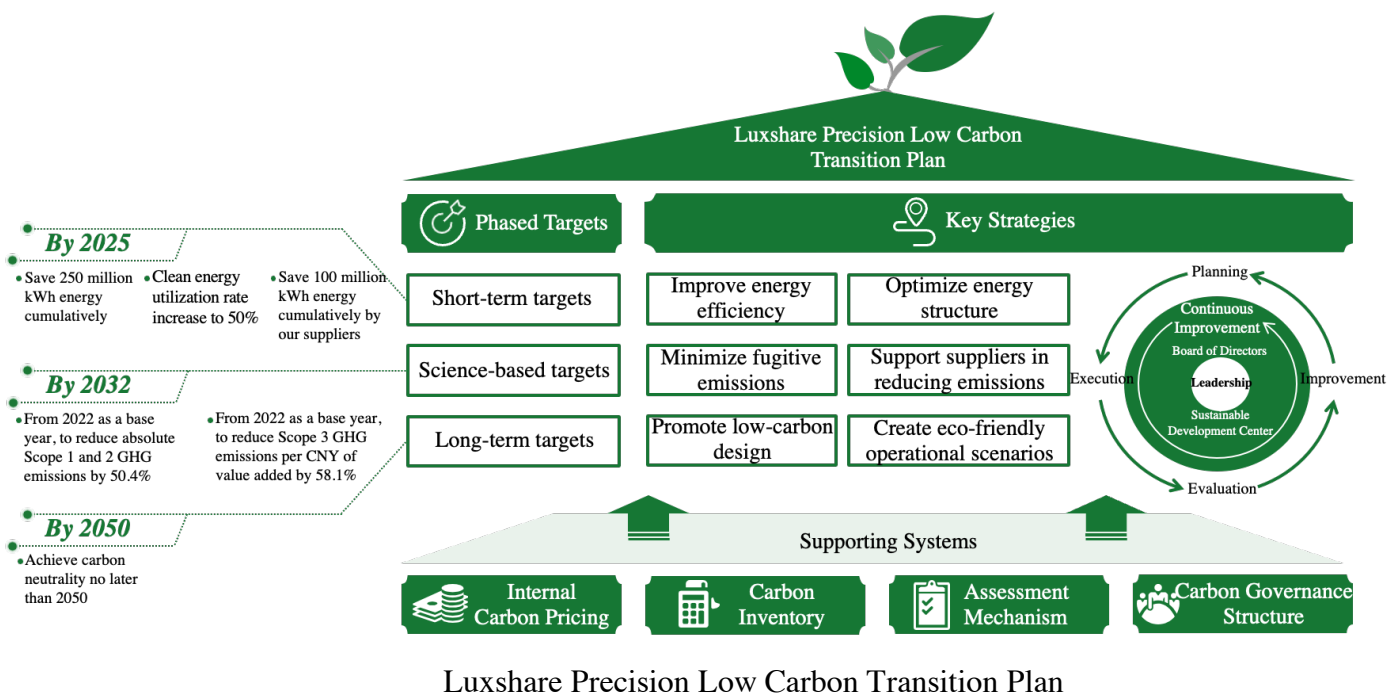




## 02 Carbon Neutrality Deployment

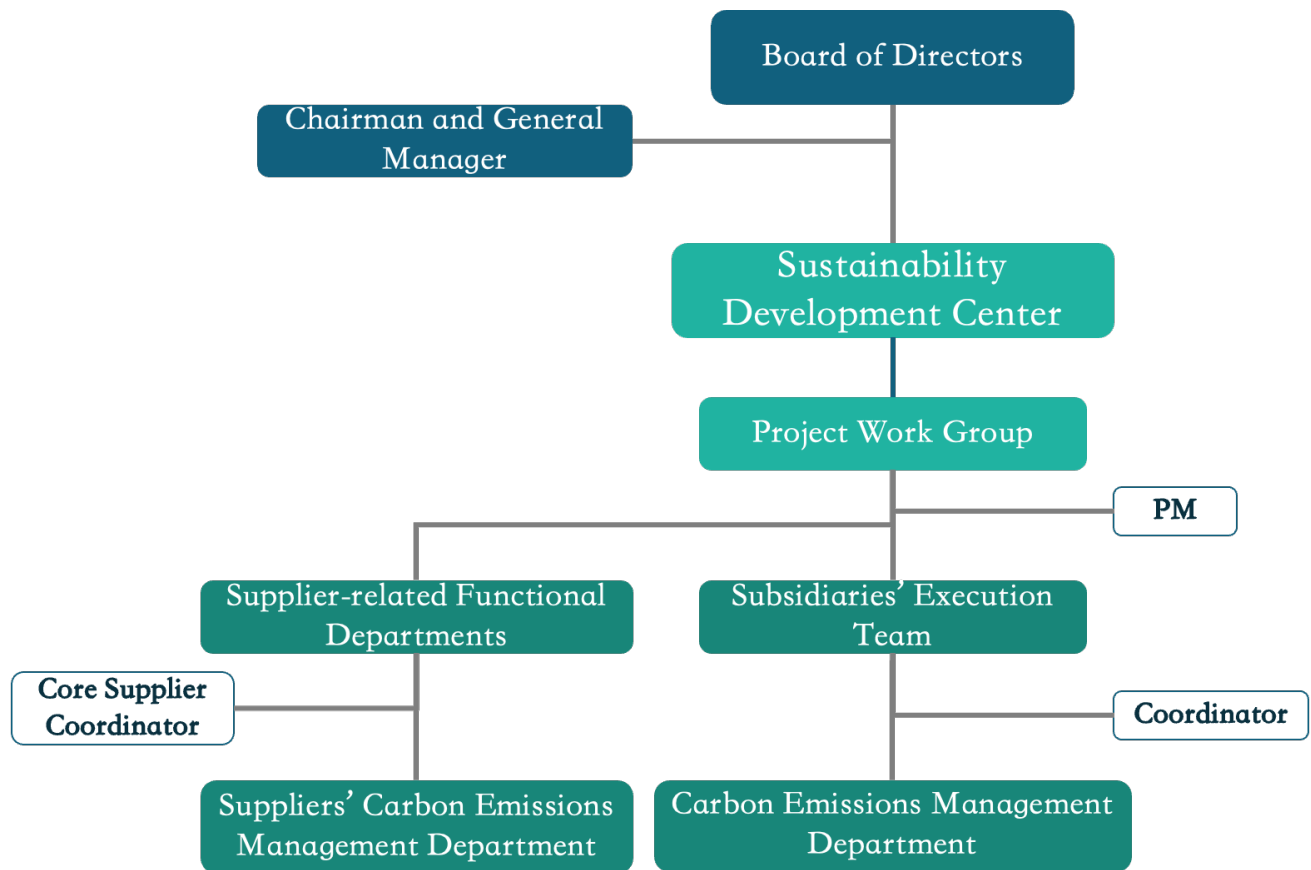
### Low Carbon Transition Plan

Under the carbon management framework system led by the Board of Directors, we follow a four-step climate action path of "planning-execution-evaluation-improvement". Taking the dual carbon target as the guiding principle and taking into account the carbon inventory results and our own business development, the Sustainable Development Center takes the lead in setting annual, short, medium, and long-term goals and formulating six key action strategies, and regularly reviews and evaluates the achievement. At the same time, we are taking steady steps, maintaining a keen insight into the implementation process, examining the challenges and shortcomings in the process, continuously improving the areas that need to be optimized, and constantly pushing the Company towards the goal of carbon neutrality.



## Carbon Governance Structure

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 transition tasks. The carbon emission management department is jointly established by multiple units such as Automation, Administration, Electromechanical, Production, Purchasing, and Technology.



Project Organizational Structure

In 2024, we innovatively established an incentive mechanism linking carbon management effectiveness to senior management compensation, and part of their annual bonus will be provided based on the achievement of our science-based targets. This

move can fully leverage the leadership role of management, focus on achieving climate goals in decision-making and action, optimize the efficient utilization and value release of key elements such as funds, technology, and manpower, and accelerate the process of energy conservation, carbon reduction, and green transformation of the Company.

## 03 Science Based Carbon Accounting

### Conduct Comprehensive Carbon Inventory Investigation

Starting from 2021, we annually refer 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 GHG emission data inventory and third-party verification covering Scope 1, 2, and 3. Through carbon inventory, we can accurately identify and quantify the GHG emissions generated in various aspects of organizational operations, deeply understand the energy consumption structure and major energy consumption types, not only enhance our grasp of the overall carbon emissions, but also lay a solid data foundation for formulating clear and scientific carbon reduction goals and strategies, ensuring the pertinence and effectiveness of emission reduction actions.



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

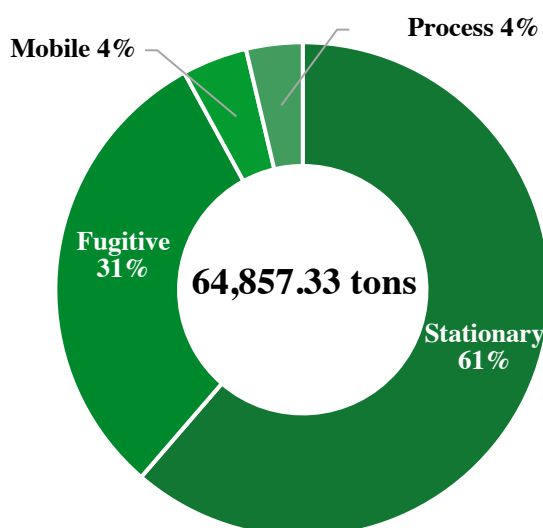
## Greenhouse Gas Emissions in 2023

The verified total GHG emissions of Luxshare Precision in 2023 were 6,577,548.64 tons, **a decrease of 22.98% compared to the base year**. The total emissions of Scope 1 and 2 were 675,000.77 tons, **a decrease of 54.37% compared to the base year**, and the total emissions of Scope 3 were 5,902,547.87 tons, **a decrease of 10.7% compared to the base year**.

GHG Scope	2023		Base Year (2022)	
	Emissions (ton)	Proportion	Emissions (ton)	Proportion
Scope 1	64,857.33	0.99%	93,645.54	1.16%
Scope 2 <sup>1</sup>	610,143.44	9.28%	1,385,529.8	17.13%
Scope 3	5,902,547.87	89.74%	6,6097,51.98	81.71%
<b>Total</b>	<b>6,577,548.64</b>	<b>100.00%</b>	<b>8,088,927.32</b>	<b>100.00%</b>

Total GHG Emissions and Composition in 2023

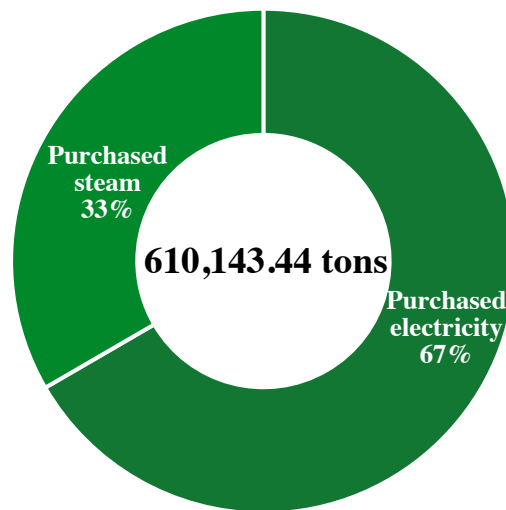
Scope 1 emissions come directly from subsidiaries owned and controlled by the Company, with a total emission of 64,857.33 tons in 2023, accounting for approximately 0.99% of the total GHG emissions. This includes emissions from stationary sources such as natural gas, diesel, and liquefied petroleum gas, from mobile sources such as gasoline and diesel, from domestic/industrial wastewater methane, refrigerants, and from process stages such as dry ice use.



Scope 1 Emissions and Compositions

<sup>1</sup> Market-based data

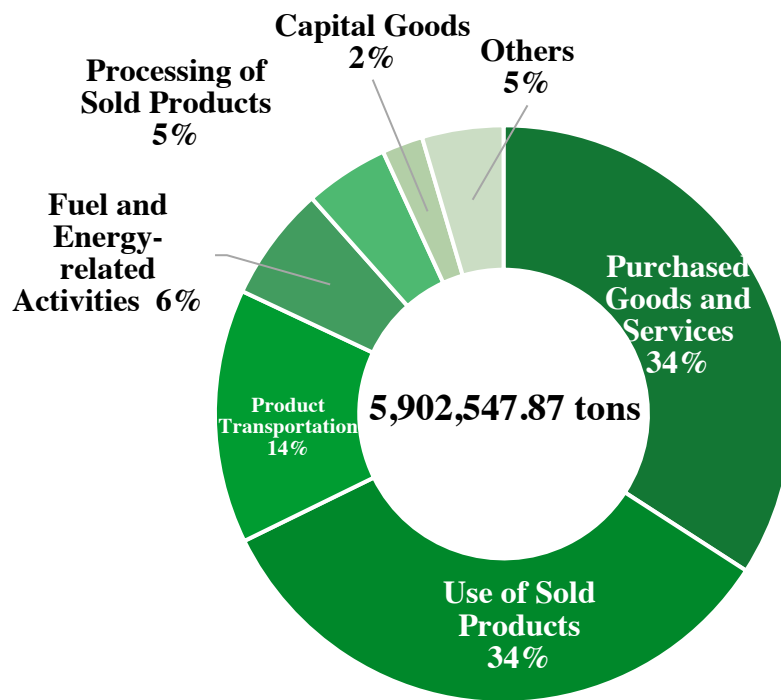
Scope 2 emissions come from indirect emissions generated by the Company's purchased electricity and heating steam. The total emissions in 2023 were 610,143.44 tons, accounting for approximately 9.28% of the total GHG emissions. Among them, **purchased electricity** is the main source of emissions for our operational activities, thus we are carrying out a series of energy efficiency improvement and clean energy projects to reduce emissions from Scope 2.



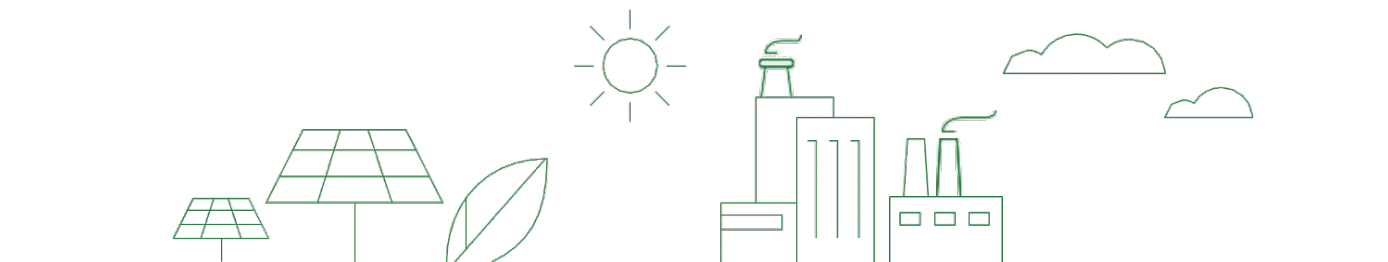
Scope 2 Emissions and Compositions

Scope 3 emissions come from indirect emissions generated by the Company's value chain. The total emissions in 2023 were 6,577,548.64 tons, accounting for approximately 89.74% of the total GHG emissions, including emissions from 14 categories such as Purchased Goods and Services, Use of Sold Products, Product Transportation, Fuel and Energy-related Activities, Processing of Sold Products, and Capital Goods. **Among them, the three categories of Purchased Goods and Services, Use of Sold Products, and Product Transportation account for more than 80% of the total emissions of Scope 3.** We hope to spread our accumulated carbon reduction experience and practices to the entire value chain by setting carbon reduction targets at the value chain level, in order to motivate and work together with upstream and downstream partners to promote emission reduction actions.





Scope 3 Emissions and Compositions



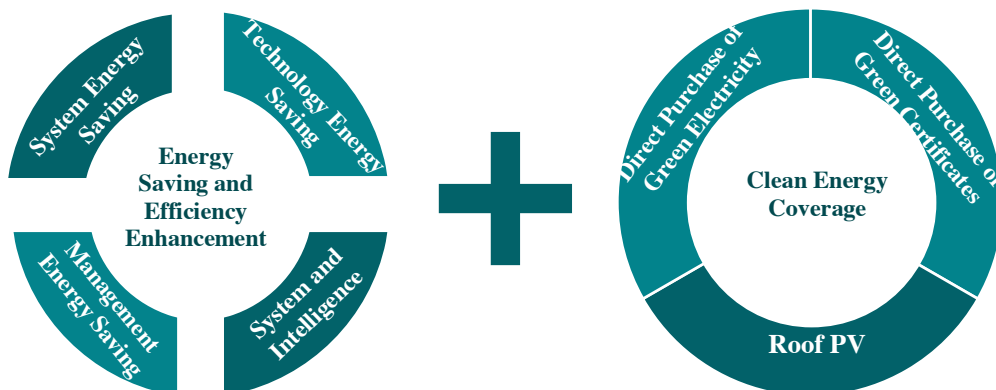
## 04 Our Efforts

At the beginning of 2024, our Scope 1, 2, and 3 science-based targets were officially approved by SBTi, signifying a new stage in our journey to address climate challenges. In the middle of the year, we officially released the *Luxshare Precision Carbon Management Commitment and Statement*, which takes the 1.5 °C temperature control requirement of the *Paris Agreement* as the basic principle to guide our green and low-carbon transformation in various aspects such as production and operation, supply chain management, product design and research and development. We promise to continue promoting the decarbonization of our company's operations, advancing the construction of zero carbon supply chains and customer carbon reduction processes, and actively participating in communication and cooperation with various stakeholders to share our carbon target performance and progress in an open and transparent manner.



Luxshare Precision Carbon Management Commitment and Statement

## Promote Energy Saving, Efficiency Enhancement and Clean Energy Coverage



Composition of Luxshare Precision's Energy Saving and Efficiency Enhancement and Clean Energy Coverage Projects

The inventory results show that GHG indirectly generated from the use of purchased electricity constitute the main source of emissions from our operational activities. We believe that continuously optimizing operational energy efficiency, using renewable energy to replace traditional fossil fuels, and accelerating the transformation of energy structure are key strategies to achieve our company's carbon neutrality goal. Luxshare Precision is promoting Energy Efficiency Project (EEP) and Clean Energy Project (CEP) in various production bases around the world. At the beginning of each year, the Sustainable Development Center takes the lead in setting the Company's overall annual carbon reduction target. The project team PM of the Company accurately communicates the headquarters' emission reduction requirements to the project leaders of each factory, assists them in formulating annual EEP and CEP targets that are suitable for their own situation, and provides necessary technical support and resources. By establishing a quarterly data reporting mechanism, we can closely track the execution status of projects in each factory, providing strong data support for decision-making optimization. At the same time, we will rank and publicize the performance of each factory, and be supervised by the top executives of both the factory and the entire company to establish demonstration benchmarks, stimulate healthy competition and cooperation among factories, and jointly promote the continuous improvement of the Company's overall carbon reduction performance. **In 2024, the overall clean energy utilization rate of the Company is expected to be no less than 40%.**

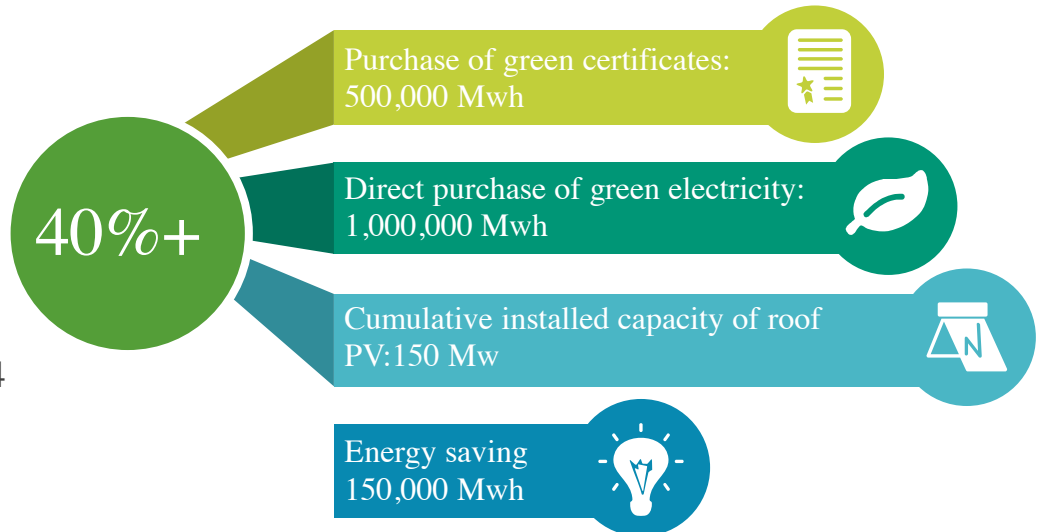
#### **Case: Improvement of High-efficiency Ice Machine Motor**

Luxis Technology has eliminated several old and high energy consuming ice machines and replaced them with low-energy consuming, high COP level, and more stable operating ice machine equipment. According to calculations, **the annual energy savings can reach 9 million kWh, and the expected annual emission reduction can reach 5,000 tons of carbon dioxide equivalent.**



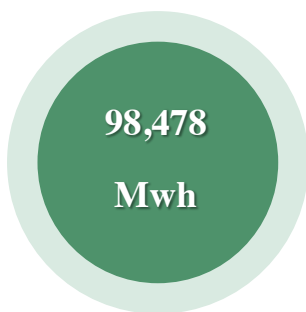
Luxis Technology High Efficiency Ice Machine Equipment

The Company's clean energy utilization rate shall not be less than 40% in 2024

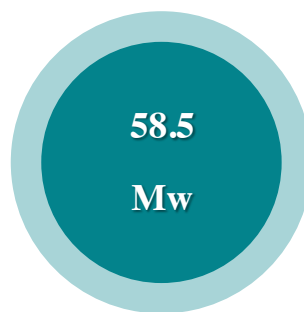


Overall Goals of Luxshare Precision's EEP and CEP in 2024

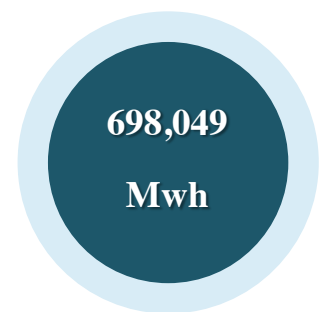
In 2024, we introduced an **Internal Carbon Pricing** mechanism and plan to use shadow pricing to estimate the cost of carbon emissions exceeding the established threshold in each factory after completing the annual carbon inventory of the Company. This will convert carbon emissions into more intuitive financial costs. Although this process does not generate actual cash flow, it allows decision-makers in each factory to comprehend the environmental costs behind every production activity. Driven by cost-benefit and value-oriented decision-making, it stimulates internal innovation, so that decision makers will actively seek energy-saving and emission reduction paths where they continuously explore and apply more efficient and energy-saving production technologies and management models to help the Company gradually build a low-carbon and sustainable business development future.



Energy saving



Newly added roof PV installed capacity



Direct purchase of green electricity

The Progress of Luxshare Precision's EEP and CEP as of 2024 Q2



Jiashan Factory Roof PV Aerial Photo

## Build Carbon Accounting Platforms

### Visualization Upgrade of Carbon Data Platform

Each factory uploads various basic activity data on the Company's carbon data platform on a monthly basis, which is continuously reviewed and verified by the Company's project team PM to ensure the accuracy of the data. The platform's embedded automatic calculation function seamlessly integrates the basic activity data uploaded by various factories, automatically matches emission factors, and achieves real-time and accurate accounting of carbon emissions. In 2024, the Sustainable Development Center, in collaboration with the internal IT team of the Company, launched a comprehensive upgrade of the visualization function of our carbon data platform. By building a visual dashboard, we plan to transform the massive carbon emission data into intuitive and understandable data visualization reports. At the same time, through multidimensional analysis of the Company's annual emission trends, emission source management, clean energy overview, subsidiary carbon emission status, etc., the Company's executives can grasp the full picture of carbon emissions at



any time, improve decision-making timeliness, and formulate more targeted emission reduction strategies and goals. **We expect to complete the full launch of this feature by 2025.**



Luxshare Precision Carbon Data Platform Visual Dashboard Example

## GSCM Supply Chain Carbon Data Collection Module

The GSCM system can efficiently collect and account for carbon emissions data for the Company's supply chain. We have made a series of optimizations and adjustments to it this year. By uploading the platform operation guide on the system homepage, **carbon management staff of subsidiaries with internal auditor qualifications** can issue carbon emission investigation tasks to core suppliers in accordance with the requirements of the guide. In addition to verifying the accuracy of basic information such as fossil fuels, purchased electricity, clean energy, etc., they will also convey the excellent carbon reduction practices of the Company to our suppliers, guide them to set carbon reduction targets and carry out carbon reduction actions. Additionally, we collected dozens of system optimization suggestions from subsidiary carbon management staff in the first half of the year, involving account permissions,

data form logic, etc. **We expect to complete the improvement and debugging of various functions within the year.**



Luxshare Precision GSCM System Interface

## Assist Suppliers in Reducing Emissions

### Spread Sustainability Concepts

Luxshare Precision is committed to maintaining mutually beneficial and win-win relationships with suppliers, and jointly achieving sustainable development of the supply chain. In July 2024, we invited over 300 suppliers to attend the annual supplier praising conference held at our headquarters. We shared the latest achievements and future plans of our company in promoting green development and fulfilling social responsibilities at the conference. At the same time, we conveyed specific requirements for carbon data accounting, carbon reduction and efficiency improvement, and energy structure



Sharing of Sustainable Achievements at the Luxshare Precision Supplier Conference

transformation to our suppliers, and sent an important message to them: the core suppliers of Luxshare Precision are indispensable key factors in achieving our climate commitments. This concept will continue to motivate us to take the leading role in driving the entire supply chain towards a green and sustainable future.

### **Construct the Green Supply Chain Evaluation System**

In order to more effectively promote the carbon reduction transformation of the supply chain, Luxshare Precision has integrated environmental standards into supplier evaluation system. We also require all suppliers to comply with the requirements for GHG accounting and energy efficiency improvement in the Company's *Supplier Code of Conduct*. Under the same conditions, we would be more inclined to choose suppliers who have demonstrated outstanding performance in addressing climate change. This is reflected in their active practices in setting of climate goals, use of renewable energy, pursuit of energy-saving potential, and efficient implementation of GHG inventory work, demonstrating a firm commitment to addressing climate change.

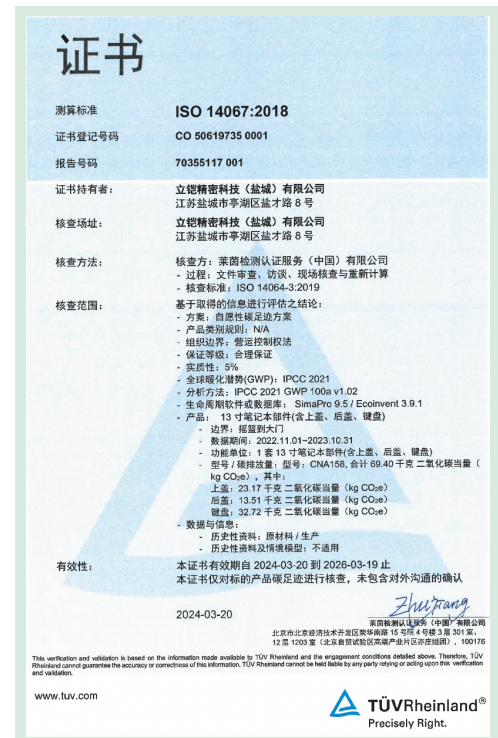
### **Supplier On-site Coaching**

The inventory results show that the **three categories** of Purchased Goods and Services, Capital Goods, and Product Transportation related to suppliers constitute **nearly half** of the Company's Scope 3 carbon emissions. Therefore, helping core suppliers effectively reduce their carbon footprint is the key to achieving our value chain emission reduction goals. **In 2024, we plan to provide on-site guidance to at least 50 core suppliers** and share Luxshare Precision's concepts and achievements in energy saving and emission reduction. We require core suppliers to submit basic carbon activity data using the GSCM system, and refer to the mature experience of the Company's EEP and CEP to carry out energy-saving, emission reduction, and energy transformation actions. At the end of the year, we will comprehensively consider the cases reported by each supplier, score and rank them according to energy-saving and efficiency improvement performances and the relevant results will be an important indicator for

the supplier's annual assessment. **As of Q2 of 2024, we have provided on-site guidance to 34 core suppliers.**

## Promote Low Carbon Design

Luxshare Precision introduces the concept of ecological design in the process of product design and development, with the goal of improving environmental performance throughout the product lifecycle. We fully consider GHG emissions in various stages such as raw material extraction, processing, production, packaging, transportation, use, and disposal, and identifies key emission links and major hotspots. We promise to gradually increase the use of recycled materials such as aluminum, copper, tin, Post-Consumer Recycled (PCR) plastics, and reusable polyester resin in our products, and reduce the use of plastic packaging to develop more efficient and energy-saving products and solutions for our customers. As of Q2 of 2024, we have completed carbon footprint verification for several products in accordance with *ISO 14067:2018 Greenhouse gases - Carbon footprint of products - Requirements and guidelines for quantification*, and plan to conduct PCR material verification in accordance with *UL 2809 Recycled Content Validation*



Yancheng Luxcase Product Carbon Footprint Certificate

## Create Eco-friendly Operational Scenarios

Employees play a crucial role in the Company's journey towards achieving carbon neutrality. We strive to create a culture of energy saving and emission reduction within the Company, integrating green and low-carbon concepts into employees' daily lives and work, making them a key force in promoting the process of carbon neutrality. On May 17th, we jointly organized the "Green Transformation, Energy Conservation



Campaign" energy-saving publicity week with relevant departments of Kunshan Tourism Resort. Through games such as energy-saving knowledge competition, competition to become an environmental leader, and environmental flying chess, we popularized ecological priority, green low-carbon to employees, actively mobilizing everyone to participate in energy-saving and carbon reduction actions.



National Energy Conservation Promotion Week

The carbon footprint of employees is significantly reflected in their outdoor activities. We encourage employees to arrange their travel activities reasonably, such as prioritizing long-distance business trips by taking high-speed trains and reducing high emission travel methods such as aviation; In daily commuting, we provide new energy shuttle buses for employees in various factories and encourage them to take public transportation or use new energy vehicles. In response to the national policy of energy conservation, emission reduction, and green travel, and to meet the Company's increasing demand for new energy vehicle charging, more than 40 new energy charging piles were officially put into use at the Jinxi factory in Kunshan at the end of August. In the future, Luxshare Precision will accelerate the construction and coverage of charging piles in more factories, empowering green travel.



New Energy Charging Pile Launch Poster in Jinxi Factory



## 05 Fulfillment of Commitment in Actions

Luxshare Precision's carbon reduction target being officially approved by SBTi means we have taken a crucial step on the journey towards carbon neutrality. However, the challenge of climate change remains very severe, with frequent extreme weather events and increasing days of high temperatures, all of which remind us of the arduous task and cannot be slackened. This actually strengthens our determination to address the climate challenge. We believe that although the journey to address climate change is long, it follows a path that tasks are difficult before they are easy. Through unremitting efforts, a turning point will eventually come. Prior to this, Luxshare Precision will always maintain a self-reflective and enterprising attitude, put commitments into action, continue to improve the construction of carbon governance structure, increase investment in clean energy, deeply explore the potential of energy saving and emission reduction, while maintaining an open attitude, actively communicating and cooperating with the outside world, enhancing its professional capabilities, and regularly evaluating the effectiveness of carbon reduction work, steadfastly moving towards a carbon neutral future by 2050.

## 06 Appendix - Key Performance Data

### Verified Key Performance Data in 2023

Indicator	Unit	2023
Energy consumption within the organization		
Non-renewable energy consumption	MWh	209,165.88
Gasoline	MWh	4,542.33
Diesel oil	MWh	6,143.46
Liquefied petroleum gas	MWh	216.09
Natural gas	MWh	198,264.01
Renewable energy consumption	MWh	79,062.61
Biomass energy (ethanol gasoline)	MWh	406.46
PV power generation for self-use	MWh	78,656.15
Purchased municipal electricity	MWh	2,497,635.19
Total PV power generation	MWh	78,656.15
Purchased green electricity	MWh	755,796.54
Purchased green certificates	MWh	788,326.00
Purchased thermal energy	MWh	0.00
Purchased cold energy	MWh	0.00
Purchased steam	MWh	35,301.34
PV power sold	MWh	0.00
Total energy consumption	MWh	2,821,165.03
Energy intensity		
Energy consumption intensity per unit of business revenue	MWh/RMB 1 million	12.17
Electricity consumption intensity per unit of business revenue	MWh/RMB 1 million	11.11
Reduction of energy consumption		
Annual electricity savings	MWh	143,893.50
Installed photovoltaic capacity	MW	85.29
Direct (Scope 1) GHG emissions		
Total Scope 1 GHG emissions	tCO <sub>2</sub> e	64,857.33
Total CO <sub>2</sub> emissions	tCO <sub>2</sub> e	44,799.79
Total CH <sub>4</sub> emissions	tCO <sub>2</sub> e	16,921.49
Total N <sub>2</sub> O emissions	tCO <sub>2</sub> e	104.85
Total HFCs emissions	tCO <sub>2</sub> e	3,031.21
Total PFCs emissions	tCO <sub>2</sub> e	0.00
Total SF <sub>6</sub> emissions	tCO <sub>2</sub> e	0.00
Total NF <sub>3</sub> emissions	tCO <sub>2</sub> e	0.00
Gasoline	tCO <sub>2</sub> e	1,157.57

Indicator	Unit	2023
Diesel oil	tCO <sub>2</sub> e	1,654.68
Liquefied petroleum gas	tCO <sub>2</sub> e	48.14
Natural gas	tCO <sub>2</sub> e	39,677.20
Biogenic CO <sub>2</sub> emissions	tCO <sub>2</sub> e	103.28
Energy indirect (Scope 2) GHG emissions		
Total (Location-based) Scope 2 GHG emissions	tCO <sub>2</sub> e	1,571,530.89
Total (Market-based) Scope 2 GHG emissions	tCO <sub>2</sub> e	610,143.44
Other indirect (Scope 3) GHG emissions		
Total Scope 3 GHG emissions	tCO <sub>2</sub> e	5,902,547.87
Category 1: Purchased Goods and Services	tCO <sub>2</sub> e	2,014,192.98
Category 2: Capital Goods	tCO <sub>2</sub> e	135,396.76
Category 3: Fuel and Energy-related Activities (excluded in Scope 1 or Scope 2)	tCO <sub>2</sub> e	380,364.66
Category 4: Upstream Transportation and Distribution	tCO <sub>2</sub> e	736,135.72
Category 5: Waste Generated in Operations	tCO <sub>2</sub> e	29,255.51
Category 6: Business Travel	tCO <sub>2</sub> e	8,077.61
Category 7: Employee Commuting	tCO <sub>2</sub> e	50,030.14
Category 8: Upstream Leased Assets	tCO <sub>2</sub> e	67,043.61
Category 9: Downstream Transportation and Distribution	tCO <sub>2</sub> e	104,323.11
Category 10: Processing of Sold Products	tCO <sub>2</sub> e	277,885.69
Category 11: Use of Sold Products	tCO <sub>2</sub> e	1,985,053.44
Category 12: End of Life Treatment of Sold Products	tCO <sub>2</sub> e	17,461.22
Category 13: Downstream Leased Assets	tCO <sub>2</sub> e	30,389.13
Category 14: Franchises	tCO <sub>2</sub> e	/
Category 15: Investments	tCO <sub>2</sub> e	66,938.29
GHG emissions intensity		
Total Scope 1 & Scope 2 (Location-based) GHG Emissions	tCO <sub>2</sub> e	1,636,388.22
Total Scope 1 & Scope 2 (Market-based) GHG Emissions	tCO <sub>2</sub> e	675,000.77
Scope 1 & Scope 2 (Location-based) GHG Emission Intensity	tCO <sub>2</sub> e/RMB 1 million	7.06
Scope 1 & Scope 2 (Market-based) GHG Emission Intensity	tCO <sub>2</sub> e/RMB 1 million	2.91
Scope 1 GHG Emission Intensity	tCO <sub>2</sub> e/RMB 1 million	0.28
Scope 2 (Location-based) GHG Emission Intensity	tCO <sub>2</sub> e/RMB 1 million	6.78
Scope 2 (Market-based) Greenhouse Gas Emission Intensity	tCO <sub>2</sub> e/RMB 1 million	2.63
Reduction of GHG emissions		
Total reduction of GHG emissions	tCO <sub>2</sub> e/RMB 1 million	1,100,074.21