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Supply Chain Management System

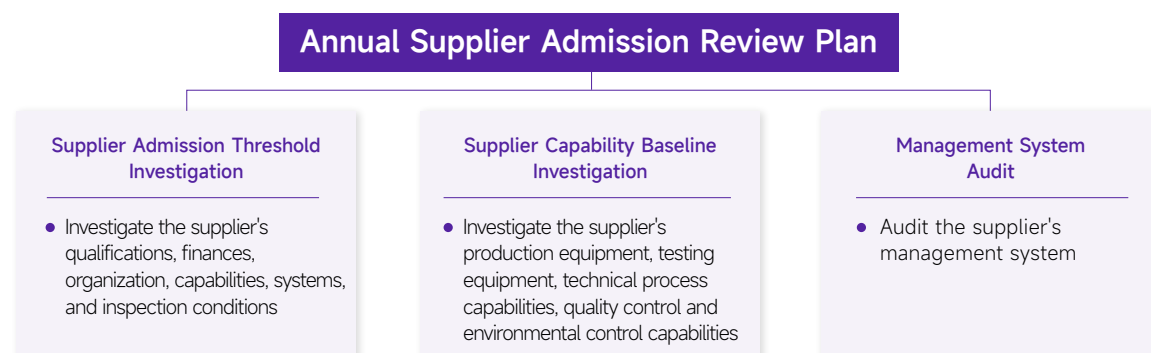
Luxshare Precision has formulated a series of management systems and procedures, such as **the Supplier Code of Conduct and the Supplier Management Operating Procedure**, to establish the high standards for supplier behaviors in areas such as labor rights and environmental responsibility. The Company implements full life cycle management of suppliers through three stages: **development access, tiered management, and evaluation and audit**.

During the Reporting Period, we added provisions for the introduction and referral process of temporary suppliers in the **Supplier Management Operating Procedure**, requiring first-tier suppliers to manage their suppliers (second and third-tier suppliers of the Company) and implement corresponding processes, which furtherly improves the Company's supplier management system.



Development Access

Luxshare Precision formulates an annual admission review plan for potential suppliers and conducts strict qualification reviews of suppliers by ISO-approved auditors, in accordance with the admission standards stipulated in **the Supplier Admission Operating Procedure, the Electronic Material Supplier Admission Mechanism**, and other procedures.



During the review process, we communicate and promote the Company's supplier management standards, product quality and environmental standards, RBA standards and requirements to our suppliers, and require potential suppliers to sign **the Environmental Assurance Letter, Letter of Guarantee on Responsible Business Alliance Code of Conduct, Letter of Integrity Commitment for Supplier**, and other documents.

Suppliers must obtain at least **1 quality system certification** and **1 social responsibility system certification** to be included in the list of potential suppliers. In 2023, we further refined the admission requirements for suppliers, clarifying the basic quality system certification requirements for **consumer electronics and automotive electronics suppliers**.

Requirements of System Certification for Supplier Admission

Quality Management System Certification

ISO 9001, IATF 16949, ISO 13485, TL 9000, QC 080000, SONY GP or third-party quality system certifications of other categories

Consumer Electronics

► At least certified in one of ISO 9001, IATF 16949, and ISO 13485

Automotive Electronics

► Certified in ISO 9001
► Certified in IATF 16949 or has established an IATF 16949 certification introduction plan

Social Responsibility System Certification

ISO 14001, OHSAS 18001, ISO 45001, SA 8000, RBA-VAP or third-party social responsibility system certifications of other categories

Tiered Management

After the admission of new suppliers, the Company adopts a monthly performance evaluation method to continuously grade and manage suppliers, in order to ensure product and service quality as well as supply chain stability. We conduct a comprehensive scoring from multiple dimensions such as **technical ability, quality ability, delivery and supply ability, cost leadership ability, environment and business ethics**, and classify suppliers into four grades: A, B, C, and D.

During the Reporting Period, Luxshare Precision distributed supply chain impact survey questionnaires/risk management questionnaires to suppliers and developed an online risk warning map program, systematically and intelligently controlling supply chain risks and ensuring business continuity.

Tiered Supplier Management Standards

Grades in Monthly Performance Appraisal	Management Measures
Grade A/B	Prioritized for future cooperation
Grade C	Required to provide an improvement report, with effects 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

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Evaluation and Audit

Luxshare Precision conducts annual audits on its suppliers through a combination of online and on-site methods, with audit criteria consistent with the admission review, so as to regularly assess whether qualified suppliers meet compliance requirements. In 2023, we continued to promote **the application of the SRM system**, with nearly **100%** of suppliers already included in the system for management, comprehensively enhancing the efficiency of auditing, ensuring the retrievability and traceability of records, and promoting the systematization and standardization of the Company's annual supplier audits.

Supplier Training

Luxshare Precision values supplier capability building. We communicate with suppliers through **one-on-one exchanges, quarterly business reviews, specialized trainings, workshops, supplier conferences**, and other methods to jointly identify areas for improvement and discuss optimization directions.

Topics of Supplier Training		
<ul style="list-style-type: none"> System operation processes 		<ul style="list-style-type: none"> Updates to supplier management systems
<ul style="list-style-type: none"> CSR management 	<ul style="list-style-type: none"> Carbon emissions and energy management 	<ul style="list-style-type: none"> Hazardous substance management
<ul style="list-style-type: none"> EHS 	<ul style="list-style-type: none"> Conflict minerals management 	<ul style="list-style-type: none"> Anti-corruption and business ethics
<ul style="list-style-type: none"> Diversity and inclusion requirements 	<ul style="list-style-type: none"> Waste management 	<ul style="list-style-type: none"> Sustainable water management

During the Reporting Period

The number of supplier training sessions organized by Luxshare Precision was

9

Had a cumulative attendance of

5,529 participants

Environmental and Social Responsibility Management

Luxshare Precision places great emphasis on the environmental and social responsibility management of its supply chain. We require suppliers to comply with the framework of *UN Guiding Principles on Business and Human Rights*, the RBA Code of Conduct, all applicable laws and regulations, as well as the *Supplier Code of Conduct, Supplier Corporate Social Responsibility Management Operating Procedure*, and other internal management regulations. We also issue **the Letter of Guarantee on the Responsible Business Alliance Code of Conduct** to all suppliers, ensuring **100% awareness of and compliance with environmental and social responsibility requirements** through **comprehensive promotion**. Any violation of relevant management regulations may jeopardize the cooperative relationship between the supplier and the Company, and even lead to termination of the partnership at the worst.

During the Reporting Period

The signing rate of the *Letter of Guarantee on Responsible Business Alliance Code of Conduct* by new suppliers was

100%

In 2023, Luxshare Precision completed the development of the GSCM information management system which included a Social Environmental and Responsibility (SER) auditing module. This module enables online management of processes such as **information collection, risk assessment, evaluation and auditing** of suppliers, supporting the Company's efforts to digitize and systematize supplier CSR management while **ensuring auditing security and traceability**, as well as **reducing costs and increasing efficiency**.

Functions of SER Module

