





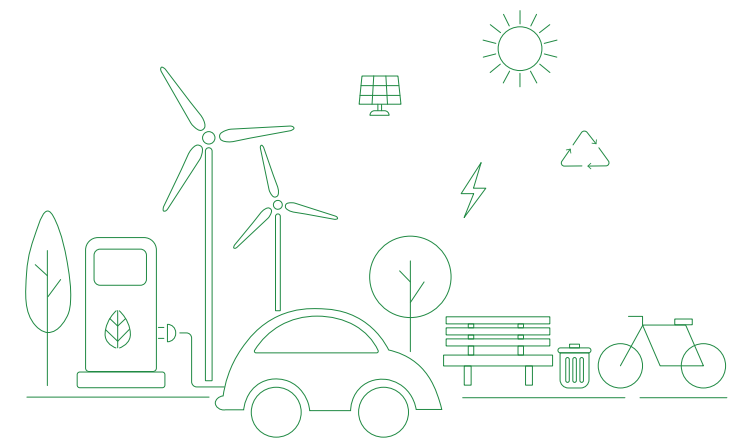
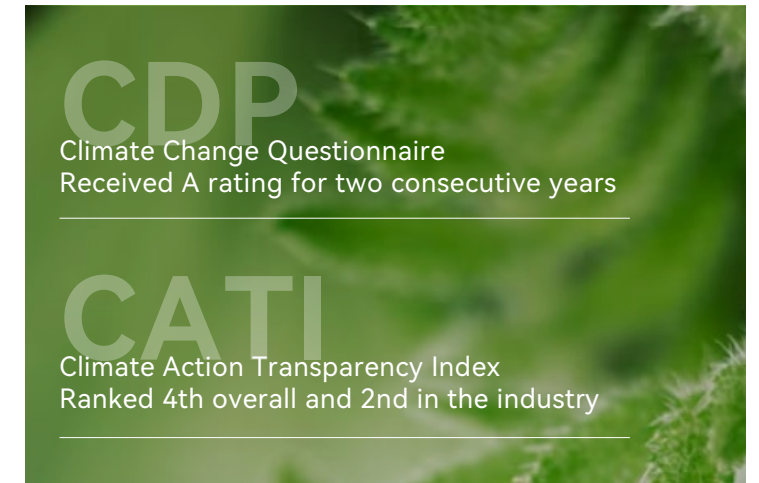
Addressing Climate Change

Facing increasingly severe climate challenges, Luxshare Precision actively identifies climate risks and opportunities, scientifically sets carbon reduction targets, solidly advances energy conservation and carbon reduction practices, and continuously deepens green and low-carbon concepts to effectively enhance the Company's climate resilience.

Climate Risks and Opportunities






We actively assess climate-related risks and opportunities throughout our upstream and downstream operations as well as our own business processes. In accordance with the *Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*, we disclose our work plans and outcomes across four key pillars: **governance, strategy, risk management, and metrics and targets.**

 Governance	<ul style="list-style-type: none"> Establishing a climate change management framework led and decided by the Board of Directors, reviewed by the Strategy Committee, coordinated and managed by the Sustainable Development Center, and executed by each subsidiary. Conduct at least one annual discussion on climate change related issues to develop plans and track the achievement of climate targets Maintaining regular engagement with external stakeholders and experts specializing in climate change and environment. Through various channels, including the sharing of best practices and standard training related to climate change and environmental matters, we ensure that the Board possesses the requisite capabilities to oversee decision-making regarding climate change-related risks and opportunities Establishing an incentive mechanism linking emission performance to the remuneration of senior management, incorporating the achievement of science-based targets into considerations, motivating the Company's management to integrate emission reduction into operational decisions
 Strategy	<ul style="list-style-type: none"> Identifying potential climate risks and opportunities within our operations and value chain. By drawing on the Net Zero Emissions (NZE 2050) scenario set by the International Energy Agency (IEA) and the Representative Concentration Pathway (RCP8.5) scenario set by the Intergovernmental Panel on Climate Change (IPCC), we assess the impact of various climate factors on the Company's business, strategy, and financial planning in both current and future operating environments. We proactively formulate climate response strategies to enhance organizational climate resilience and actively seize transformation opportunities
 Risk Management	<ul style="list-style-type: none"> Integrating current and potential climate risks into the Company's overall risk management framework, and implementing them in the annual work of respective risk management departments The Sustainable Development Center regularly holds special meetings to discuss and analyze the environmental risks and opportunities reported by various risk management departments, formulate risk countermeasures, and submit them to the Strategy Committee under the Board of Directors for final review
 Metrics and Targets	<ul style="list-style-type: none"> Establishing science-based targets in line with the 1.5°C pathway, which have been formally validated and approved by the SBTi Setting phased climate targets and committing to achieving carbon neutrality no later than 2050




We continuously assess climate risks. Integrating macroeconomic policies, industry regulations, and compliance requirements, we analyze the primary risks and opportunities facing Luxshare Precision in the short term (1-5 years), medium term (6-10 years), and long term (11-20 years). Referencing the IPCC RCP8.5 Scenario and IEA NZE 2050 Scenario, and considering the likelihood, severity, and impact magnitude of risk events, we identify and evaluate climate-related physical risks, transition risks and opportunities that possess financial materiality.



Key Climate Risk Responses

Risk Item	Risk Type	Risk Description	Impacted Stages	Time Horizon	Current Financial Impact	Expected Financial Impact	Risk Response Measures
 Increase in raw material costs	Transition Risk - Market	Changes in policies and regulations related to climate change lead to complex fluctuations in raw material procurement, manufacturing, transportation, and the overall supply chain	Upstream Value Chain	Medium-term	Upstream high-emission suppliers (e.g., metal, plastic, and chemical manufacturers) pass additional carbon costs down the supply chain to key raw material prices, thereby increasing production costs	<ul style="list-style-type: none"> When the development of initial green technologies fails to keep pace with the speed of policy transformation, the use of biodegradable and recyclable raw materials increases procurement and operating costs 	<ul style="list-style-type: none"> Screen potential suppliers and reasonably control procurement costs Through supplier communications and surveys, promote energy saving and emission reduction Accelerate the green transformation by introducing new technologies and new materials
 Carbon pricing mechanism	Transition Risk - Policy	Pricing mechanisms such as carbon trading and carbon taxes impose fees on carbon-emitting enterprises, requiring them to bear the damages caused by their emissions and encouraging them to modify business activities to reduce emission levels	Direct Operations	Long-term	Subsidiaries included in the carbon market trading proactively carried out energy-saving renovations, resulting in increased compliance costs and capital expenditures	<ul style="list-style-type: none"> The government announces an increase in carbon pricing, a tightening of carbon market allowances, or the imposition of a carbon tax, resulting in higher compliance costs Relevant compliance costs may be passed on to raw material and energy costs, thereby increasing operating expenses 	<ul style="list-style-type: none"> Continuously monitor policy developments on carbon pricing in various regions Promote the use of clean energy sources such as rooftop photovoltaics and purchased green electricity to replace traditional fossil fuels, driving the transformation of the energy structure Accelerate the construction of the energy management system and establish a green manufacturing system
 Transition to low-emission technologies and products	Transition Risk - Technology	Government policies on energy conservation and carbon reduction, coupled with rising market demand for product environmental standards, require the Company to undertake energy-saving retrofitting and innovate low-carbon technologies	Direct Operations	Short-term	Conducted energy-saving retrofit and energy management system optimization projects, resulting in increased capital expenditures	<ul style="list-style-type: none"> Adopting more energy-efficient production equipment and technologies increases capital expenditure The outcomes of investments in new processes or equipment may fall short of expectations, leading to a reduction in operating revenue 	<ul style="list-style-type: none"> Establish energy conservation and consumption reduction targets, advance emission reduction efforts, and improve energy efficiency from both management and technical perspectives Establish a product environmental footprint management mechanism Implement energy efficiency improvement projects
 Increased concerns and negative feedback from stakeholders	Transition Risk - Reputation	The growing concern of diverse stakeholders regarding the Company's management of climate risks and opportunities has become a key component of the Company's overall evaluation	Direct Operations	Short-term	A dedicated team is established to respond to stakeholders' concerns on climate change, increasing operational costs	<ul style="list-style-type: none"> Failure to effectively address the concerns of stakeholders or to properly manage climate risks may adversely affect the public's overall perception of the Company. In the long term, this could impact the Company's market competitiveness and increase financing costs 	<ul style="list-style-type: none"> Establish a Sustainable Development Center to address sustainable development and climate change issues, actively communicate with stakeholders, and enhance the Company's reputation Disclose policies and information related to climate change to ensure that all relevant stakeholders have access to such information and can monitor and evaluate the Company's performance
 Changes in consumer behavior	Transition Risk - Market	Customers are increasingly concerned about the actual impacts of climate change and prefer products that are greener and more energy-efficient	Downstream value chain	Medium-term	Market and customer preference for green products reduces demand for traditional products and services, reducing operating revenue	<ul style="list-style-type: none"> Product R&D costs increase due to strong customer preference for green products More customers request the Company to address ecological impacts, promote environmental protection, and implement green operations due to the growing focus of their customers, increasing product sales costs 	<ul style="list-style-type: none"> Conduct regular market research to understand customer needs and market trends, and promptly adjust product strategies Increase R&D investment in energy-saving and low-carbon technologies to develop more efficient and environmentally friendly products Collaborate with suppliers that are green and low-carbon, and adopt production materials with greater environmental benefits

Key Climate Risk Responses (Continued)

Risk Item	Risk Type	Risk Description	Impacted Stages	Time Horizon	Current Financial Impact	Expected Financial Impact	Risk Response Measures
Heavy precipitation (rain, hail, snow/ice) 	Physical Risk - Acute	Climate change leads to an increase in the number of days with heavy precipitation and a rise in maximum rainfall intensity, resulting in severe urban waterlogging that threatens the safety of equipment and personnel at facilities located along rivers, lakeshores, coastlines, and low-lying areas	Direct Operations	Short-term	To address extreme weather events (such as Typhoon Ragasa in the Guangdong region), capital expenditures were increased to upgrade flood control and drainage facilities, reinforce factory buildings, upgrade equipment, and establish emergency systems	<ul style="list-style-type: none"> Natural disasters can damage production facilities, increase costs for asset maintenance or replacement, and pose risks of production stoppages or delays 	<ul style="list-style-type: none"> The factory site was selected to avoid areas prone to heavy rainfall. Drainage facilities and submersible pumps were installed in flood-prone areas such as underground parking garages. Rainwater pipes are regularly cleared to ensure unobstructed drainage Establish an emergency organizational structure, formulate and implement emergency response plans, regularly conduct emergency drills, and ensure adequate preparation of emergency supplies Continuously monitor weather forecasts. Upon receiving warnings, activate emergency response plans and implement contingency measures based on the warning level. Proactively reinforce facilities that may be affected Purchase property insurance for the Company's assets (inventory, construction in progress, fixed assets, and buildings)

Key Climate Opportunity Responses

Opportunity Item	Opportunity Type	Opportunity Description	Impacted Stage	Time Horizon	Current Financial Impact	Expected Financial Impact	Opportunity Response Measures
Leverage public-sector incentive mechanisms 	Market	The government is increasing policy support for the green and low-carbon sector, encouraging enterprises to participate in infrastructure construction for key emerging areas and to establish green factories	Direct Operations	Short-term	By establishing Green Factories and Zero-Carbon Factories to align with green policy guidelines, the Company secures relevant subsidies or incentives	<ul style="list-style-type: none"> The Company is advancing the construction of photovoltaic and new energy charging pile projects within the industrial park to promote efficient multi-energy complementarity and reduce energy costs 	<ul style="list-style-type: none"> Continuously monitor the dynamics of government policies on green and low-carbon development Apply for National, Provincial, and Municipal Green Factory and Zero-Carbon Factory certifications
Develop new products or services 	Products and Services	As the low-carbon green transformation deepens, market demand for clean products and services is increasing	Direct Operations	Medium-term	Increase investment in the research and development of clean products such as new energy vehicles and intelligent equipment to boost revenue from green products	<ul style="list-style-type: none"> Developing a diversified business portfolio in response to the growing market demand for green products can drive revenue growth 	<ul style="list-style-type: none"> Actively position in clean technology product sectors such as new energy vehicles and data center power supplies Continuously invest in the research and development of clean technology products