

# Conflict Minerals 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



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## **We Promise to Implement Responsible Mineral Procurement**

Minerals such as tantalum, tin, tungsten, gold (collectively referred to as "3TG"), and cobalt are widely used in electronic products and are also the main minerals illegally mined in conflict affected and high-risk areas. The illegal mining of rare metal minerals by armed groups has caused serious human rights and environmental issues, and the trade in minerals has also provided financial support for ongoing armed conflicts, leading to long-term instability in these regions. Therefore, responsible mineral procurement is particularly important.

Although Luxshare Precision does not directly purchase and use raw gemstones, the necessary materials we use and components we produce may potentially contain metals such as 3TG and cobalt. In order to create a supply chain free of conflict minerals, Luxshare Precision is committed to implementing responsible mineral procurement, establishing and improving due diligence and management procedures, striving to ensure that all materials used in our products come from socially and environmentally responsible procurement channels. The Company is preparing its participation in the Responsible Minerals Initiative (RMI) initiated by the Responsible Business Alliance (RBA), and planning to carry out Reasonable Country of Origin Inquiry (RCOI), to strengthen the identification of conflict mineral source risks, and provide more support to suppliers to assist them in establishing responsible mineral management procedures that comply with Luxshare Precision's standards.

## **We are Committed to Create a Supply Chain Free of Conflict Minerals**

Luxshare Precision is not listed on the US or European stock exchange, so it is not bounded by the conflict minerals report framework of the US and the European Union. However, we recognize their practices and assist in cutting off the funding sources of armed groups that violate human rights. Luxshare Precision takes advices from internationally recognized conflict minerals conventions and standards and apply them to the value chain management of conflict minerals.

**Relevant International and Domestic Conventions and Initiatives We Refer to:**

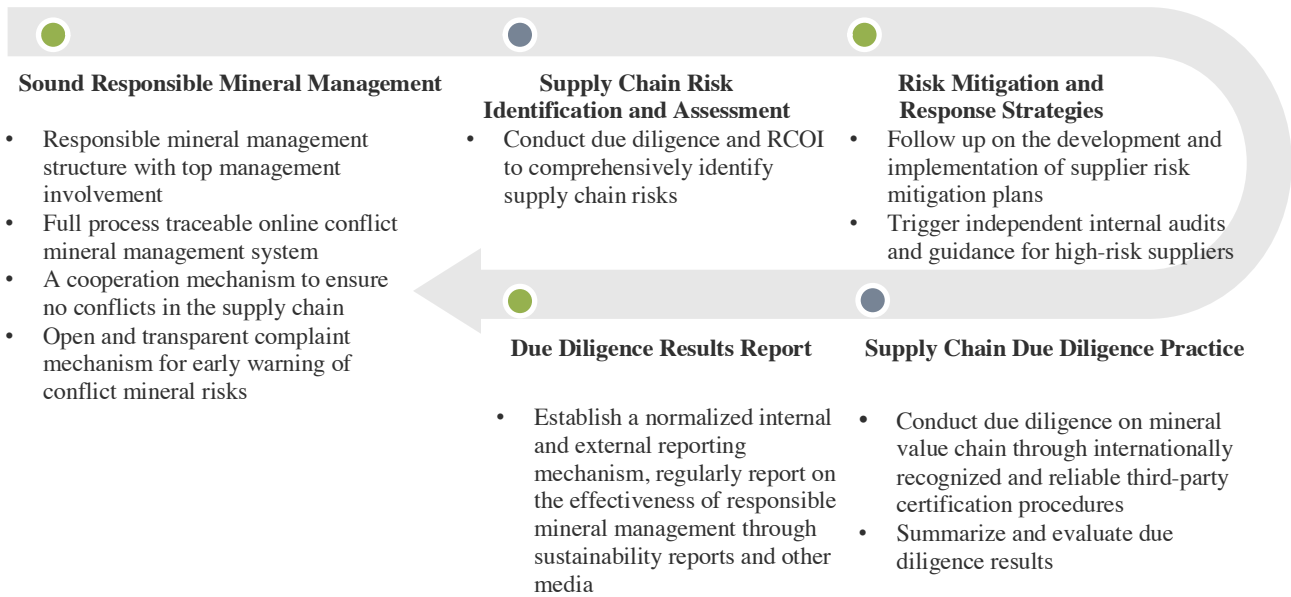
- RBA: Responsible Minerals Initiative
- US SEC: Section 1502 of the *Dodd Frank Wall Street Reform and Consumer Protection Act*
- EU: *EU Conflict Minerals Regulation*
- OECD: *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*
- IPC: *IPC Conflict Minerals Due Diligence Guide*
- EICC/GeSI: *Conflict-Free Smelter Program*
- ESMA: *Securities Financing Transactions Regulation*
- CCCMC: *Guidelines for Social Responsibility in Outbound Mining Investments*



**How to Implement Responsible Mineral Management**

Luxshare Precision’s responsible mineral management program aims to ensure traceability of mineral value chains and avoidance of conflict mineral risks, and plans to conduct due diligence and Reasonable Country of Origin Inquiry (RCOI). We have conducted detailed planning and implementation of responsible mineral management

procedures based on the framework of the Organization for Economic Cooperation and Development (OECD) guidelines.



Luxshare Precision Responsible Mineral Management Plan

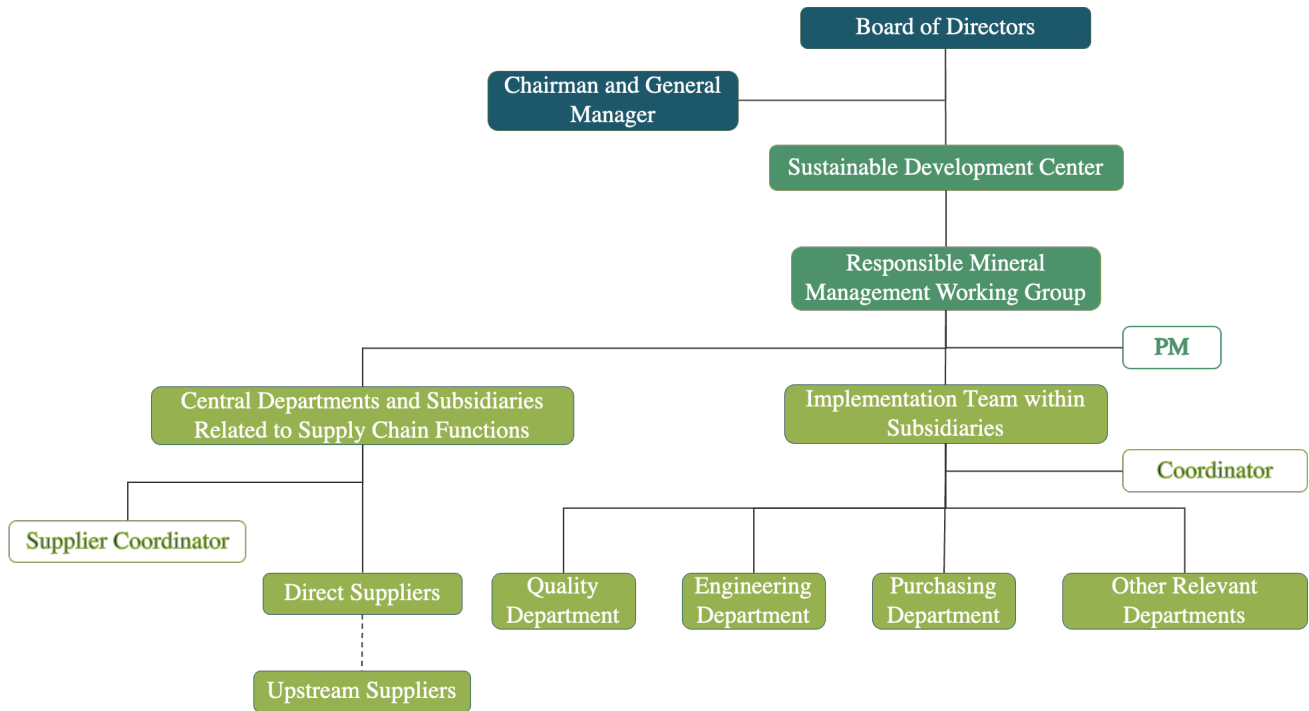
**Sound Responsible Mineral Management**

**Professional Management and Execution Team**

Luxshare Precision carries out responsible mineral management work in a systematic manner. Under the supervision and guidance of the Board of Directors, the Sustainable Development Center as the supervision institute, collaborates with subsidiary execution teams and mineral value chain suppliers to jointly promote responsible mineral management. We disseminate our conflict mineral management and best practices to direct suppliers and even the entire value chain, ensuring that the mineral supply chain is traceable and conflict free

The Sustainable Development Center has established a responsible mineral management working group, responsible for the overall formulation, management, and implementation of management policies and standards, regularly reviewing the progress and achievement of goals, and reporting to the Board of Directors. The subsidiary's execution team is composed of members with relevant capacities and experiences,

responsible for collaborating with relevant parties to execute responsible mineral management processes, including conducting supply chain due diligence and risk identification and mitigation.



Luxshare Precision Responsible Mineral Management Organizational Structure

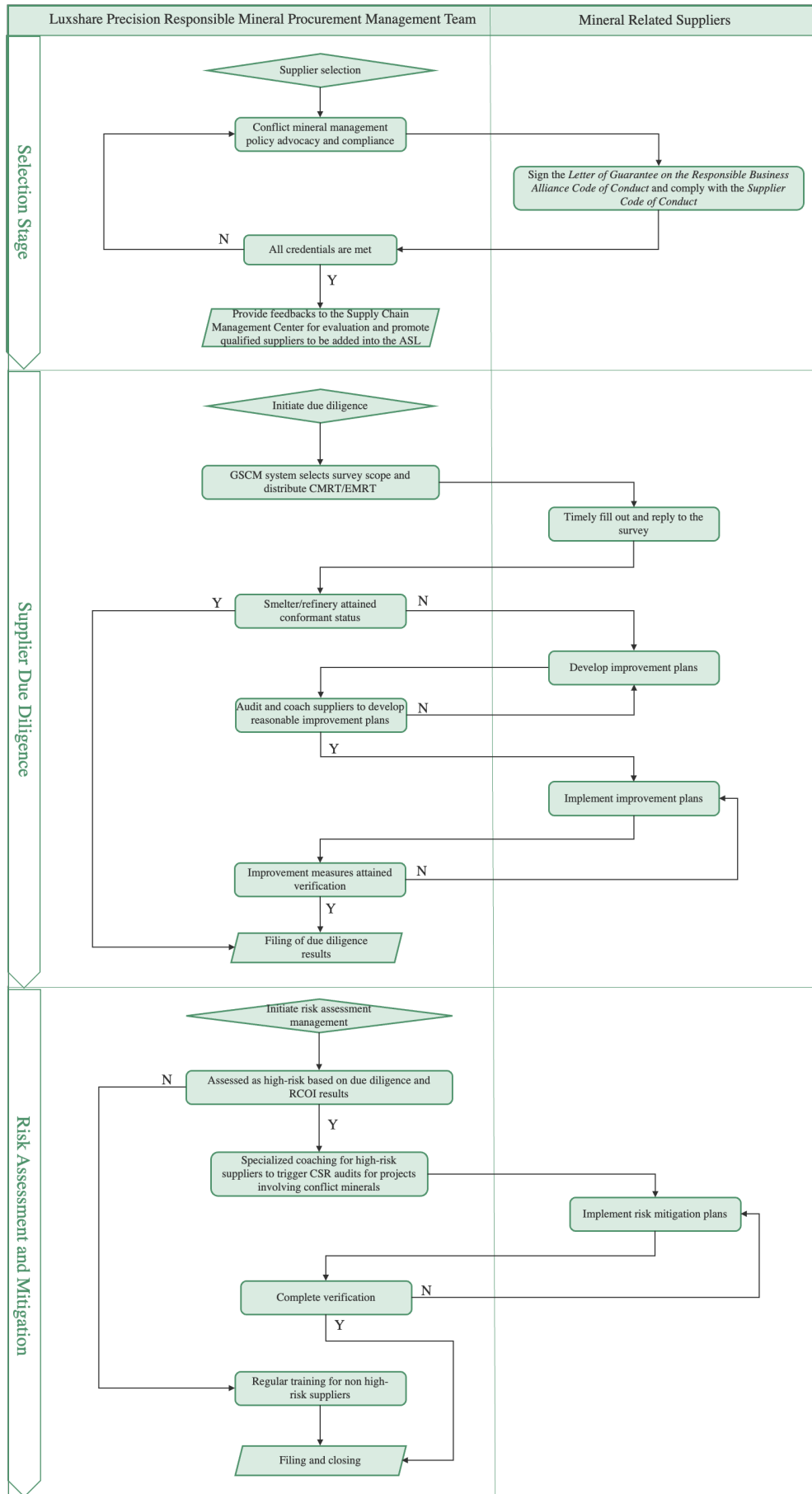
### **Fair, Transparent and Rigorous Management Policies and Processes**

Luxshare Precision adheres to international standards and initiatives such as RBA guidelines and OECD guidelines, formulates conflict minerals policies, clarifies the Company's concerns about potential environmental and labor human rights issues in the mineral supply chain, and firmly adheres to the position of responsible mineral procurement to avoid mineral trade exacerbating environmental and human rights issues. We require suppliers to comply with RBA guidelines and only purchase materials from suppliers who are responsible for the environment and society. All suppliers should purchase materials from SORs that have passed RMAP certification and meet conflict free requirements. SORs that have not passed RMAP certification or do not meet customer requirements must be removed from the supply chain.

Our conflict minerals policy has been publicly announced on our official website, for more detailed information, please refer to the link below

<http://www.luxshare-ict.com/about/intr.html>

We also formulate and regularly update the *Conflict Minerals Management Measures* to standardize job responsibilities, work content, and processes; During the supplier selection stage, suppliers are required to sign the *Letter of Guarantee on the Responsible Business Alliance Code of Conduct* and comply with the *Supplier Code of Conduct* to ensure effective communication and compliance with our conflict mineral management requirements.

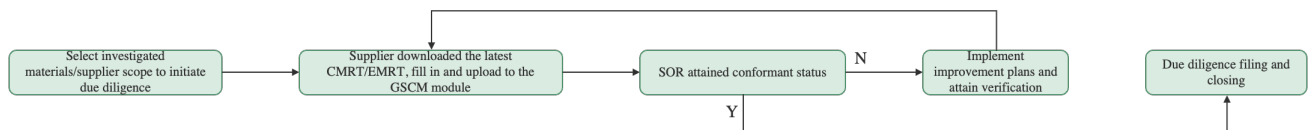


Luxshare Precision Supply Chain Responsible Mineral Management Process



## Full Process Traceability Electronic Platform

Luxshare Precision has developed and gradually improved its green supply chain compliance management (GSCM) system, launched a conflict mineral management module, and achieved full material traceability. In addition, we regularly update and maintain the conflict minerals requirements both internally and externally to help suppliers timely understand and grasp the latest information on conflict minerals.



GSCM Conflict Minerals Module Due Diligence Work Flow Chart

## Closer Supplier Support and Cooperation

We hope to work closely with suppliers to help them enhance their conflict mineral management capabilities and awareness, establish and improve their conflict mineral management system in line with our requirements, and to strengthen every link of the conflict free value chain.

We carry out policy promotion for new suppliers, hold annual supplier conferences to plan conflict mineral themed training, and provide targeted answers and guidance to suppliers in a timely manner by the execution team, including how to develop and implement risk mitigation plans. We convey our conflict mineral management concepts and experiences to suppliers through various forms and channels, continue to assist them in removing non-compliant SORs, and enhance the management and traceability capabilities in the upstream supply chain. In addition, the Company is willing to share the latest industry information available to RMI members with suppliers in a timely manner, and promote supplier to obtain RMAP certification.

## Smooth Complaint Mechanism

We welcome the attention of stakeholders and are willing to humbly accept the supervision and consultation of all parties on the Company's conflict mineral management. We welcome and encourage internal employees, suppliers, and external

stakeholders to report any issues, concerns, or violations related to the conflict minerals procedures through public channels. The report can be conducted anonymously and kept confidential to the maximum extent permitted by law. The Company promises to take all friendly feedback seriously and conduct in-depth investigations and provide feedback in a project-based manner.

Email: [MineralsReporting@luxshare-ict.com](mailto:MineralsReporting@luxshare-ict.com)

### **Supply Chain Risk Identification and Assessment**

Luxshare Precision does not directly purchase mineral materials, which makes our risk identification of the supply chain more challenging. The Company plans to adopt a RCOI program to reasonably and appropriately trace and investigate the origin of minerals used in our products, identify whether mineral materials originate from conflict affected and high-risk areas, or come from recycled materials and waste, in order to evaluate and control the potential risks of mineral materials that are crucial to the performance of our products.

We conduct due diligence on direct suppliers and require them to provide CMRT/EMRT as a reasonable method to obtain and trace mineral supply chain procurement information. We summarize the SOR information involved in the Company's mineral supply chain and compare it with the reasonable origin database provided by RMI to trace the source of mineral materials as specific as possible. The Company will combine supplier due diligence with reasonable country of origin investigation results to comprehensively evaluate and define risk levels. We will focus on the presence of SORs in the CMRT/EMRT report that have not participated in RMAP certification, as well as suppliers confirmed to be at risk through reasonable country of origin investigations.

### **Risk Mitigation and Response Strategies**

Luxshare Precision designs and implements different response strategies based on risk levels. For direct suppliers involved in high-risk situations, we will not immediately

cease our cooperative relationship with them. We are willing to provide necessary information and resources to assist suppliers in taking practical actions to truly alleviate potential conflict mineral risks.

In supply chain due diligence, the GSCM system can automatically compare supplier CMRT/EMRT reports, identify and alert when finding out SORs that have not participated in RMAP certification. The responsible mineral procurement execution team of the Company will provide targeted guidance to relevant suppliers, help them complete improvement plans within the specified time, continuously follow up, evaluate, review the implementation of improvement actions, and verify that all SORs involved in the supply chain are qualified before closing the case.

In addition, Luxshare Precision considers the existence of high risks related to conflict minerals as one of the situations that trigger internal independent audits. The Company will conduct comprehensive risk identification and audit of suppliers in accordance with the *Supplier Social Responsibility (CSR) Management System* and *Supplier CSR Risk Identification and Evaluation Form*, which include conflict mineral evaluation indicators to comprehensively evaluate the implementation of supplier conflict mineral management. The execution team will guide suppliers to complete the rectification of relevant risks and do their best to ensure that our supply chain avoids the use of conflict minerals completely.

We will also seriously deal with suppliers who still cannot meet the requirements after extensive communication and improvement actions. The inaction of direct suppliers will trigger an upgrade mechanism at the business level.

### **Supply Chain Due Diligence Practice**

As a downstream enterprise in the mineral supply chain, Luxshare Precision recognizes the importance of due diligence in the supply chain, and acknowledges the complexity of conducting independent third-party audits. Therefore, the Company has established procedures to conduct commercially reasonable due diligence on suppliers.

We fully trust and rely on the professional tools and authoritative data provided by RMI, and require suppliers to conduct CMRT/EMRT reports and refer to the independent third-party audit procedures of RMAP to evaluate whether the SORs involved in the supply chain meet the conflict free requirements. At the same time, we require direct suppliers to establish a management system to conduct due diligence and traceability of conflict minerals for their raw materials. Through collaboration with direct suppliers, we indirectly participate in the compliance audit of SOR.

### **Due Diligence Results Report**

Luxshare Precision has established a comprehensive information disclosure mechanism, and use the annual sustainability report as the main medium to summarize and review the progress and results of the conflict minerals due diligence project. We hope to strengthen communication and exchange with stakeholders through detailed information disclosure, while further enhancing our management capabilities for conflict minerals.

### **Actions and Progresses in 2023**

As of Q2 2023, we had held two training sessions related to conflict minerals, introducing the Company's conflict mineral management requirements, annual conflict mineral project plan, as well as the operation methods of the GSCM conflict mineral module to the subsidiary's execution team. This has deepened the understanding of conflict mineral related knowledge among the execution team members, in order to provide more effective support and guidance to suppliers.

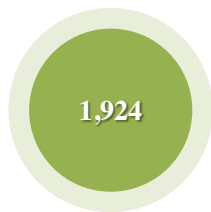


Training coverage for staff related to  
conflict minerals tasks



Luxshare Precision Conflict Minerals Training Textbook

The Company has initiated an annual due diligence on conflict minerals, conducting comprehensive investigations on suppliers who contain 3TG and cobalt in the materials. This year, we conducted CMRT investigations on 1,924 3TG-relevant suppliers and EMRT investigations on 1,373 cobalt-relevant suppliers. As of Q2, the CMRT survey response rate exceeded 95%, and the EMRT survey response rate was nearly 90%. In the next stage, the Company will promote the integration and analysis of CMRT/EMRT data, identify and assist in removing high-risk SORs that do not meet the requirements. The final results of the annual survey on conflict minerals will be released in this year’s sustainability report.



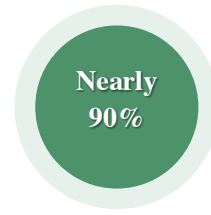
Number of suppliers taking CMRT survey



CMRT survey response rate as of Q2



Number of suppliers taking EMRT survey



EMRT survey response rate as of Q2

Luxshare Precision is committed to creating positive business value by focusing on the impact of its own operations and supply chain on the environment, society and economy. We deeply recognize that conflict minerals can bring about armed conflicts, human rights violations, and other issues. Therefore, we implement responsible procurement management for suppliers and work with them to avoid the procurement of conflict minerals. In 2023, the Company plans to become a member of RMI, hoping to use its professional and advanced database and review system to scientifically scrutinize the current status of ourselves and the supply chain, and further improve our management capability. At the same time, we hope to strengthen communication and cooperation with RMI expert groups, deepen our own understanding of conflict minerals and help suppliers optimize conflict mineral management.

### **A Long-term Object that Needs Continuous Effort**

Go Far with Constant and Concrete Efforts. Luxshare Precision will continue to carry out responsible mineral procurement management and practice with high standards, work together with our like-minded supplier partners to eliminate human rights and environmental violations in the mineral supply chain, and create a conflict free mineral supply chain.

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In case of inconsistency or discrepancy, please refer to the Chinese version.