ZKTeco 熵基

2023
Environmental, Social and Governance (ESG) Report

「Responsibility Integrity Pragmatism Excellence」

Stock code: 301330

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Introduction to the Report

About the Report

Introduction

This report is the first Environmental, Social and Governance (ESG) Report released by ZKTeco CO., LTD. This report, based on the principles of objectivity, standardization, transparency and comprehensiveness, provides a detailed introduction to the practical measures and achievements of ZKTeco and its branches and subsidiaries in environmental, social and governance (ESG) in 2023.

Scope

Time frame: This report period is from January 1 to December 31, 2023 (hereinafter referred to as the "reporting period"). In order to enhance the comparability of the report, some content may be appropriately traced back to the reports of previous years or contain forward-looking descriptions.

Organizational scope: This report is based on "ZKTECO CO., LTD.", including its branches and subsidiaries. Unless otherwise specified, the scope of this report is consistent with the Company's annual report.

Basis

- UN Sustainable Development Goals (SDGs)

- "GRI Sustainability Reporting Standards (GRI Standards)" of Global Sustainability Standards Board (GSSB)

- "Guidelines for Chinese Corporate Social Responsibility Reporting (CASS-ESG 5.0)" of Chinese Academy of Social Sciences (CASS)

- "Shenzhen Stock Exchange Guideline No. 2 on Self Regulation of Listed Companies - Normative Operation of Listed Companies on the Growth Enterprise Board (Revised in December 2023)"

Source

The data in this report is sourced from the original internal ledger, company documents, and audited statements of ZKTeco, and some financial data is sourced from the Company's 2023 annual report. Unless otherwise specified, the monetary amounts involved in this report are measured in RMB.

Names

For ease of expression and reading, "ZKTeco", "Company", and "We" all refer to ZKTECO CO., LTD. Branches, subsidiaries, and special nouns can be found in the definitions.

Terms	Definitions
XIAMEN ZKTECO	XIAMEN ZKTECO CO., LTD.
Guangdong Zkteco	ZKTECO(GUANGDONG)CO.,LTD
Shenzhen ZKTeco	Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.
BioCV	Biometrics & Computer Vision

Acquisition

This report can be viewed and downloaded on the official website of the Company (www.zkteco.com), the website of Shenzhen Stock Exchange (www.szse.cn) and CNINFO (www.cninfo.com.cn).

General Manager Statement

Focusing on high-quality development as a caring enterprise

2023 is a year for ZKTECO to practice excellence and practical development, seeking industrial "innovation" and development with high "quality".

While global AI technology, digitization and intelligent transformation are rapidly developing, countries are also facing three global crises: climate change, loss of natural diversity and biodiversity, and pollution and waste. We deeply understand that the success of an enterprise lies not only in technological innovation and business growth, but also in its profound understanding and proactive actions towards the environment, society and governance.

Oriented at high quality

While focusing on the three main businesses, ZKTECO actively explores innovative applications of AI and digital technology for high-quality upgrading of the industry, and continues to invest in smart retail business, proposing the environmentally friendly concept of "ZKTECO's good screens for beautiful new life". In product innovation, we advocate for "good products being green", applying green energy technology to various products, and achieving the goal of emission reduction and low-carbon through daily efforts. Realizing green production and low-carbon operation has always been our direction. We will introduce advanced environmental protection technologies and equipment in new production bases, continuously optimize production processes, reduce pollutant emissions, and improve resource utilization efficiency. The new bases implement a water recycling system, with an environmental purification system established throughout the entire production process. In addition to actively upgrading environmental protection measures, we also actively promote green lifestyles among our employees and partners, contributing our efforts to the ecological civilization.

Based on higher standards

In 2023, we strove to create a new sample of ESG practices. ZKTECO has carried out benchmarking against world-class management, with a focus on improving modern management levels through management systems, mechanisms and supervision mechanisms. The Company has established a corporate governance structure composed of the Board of Shareholders, Board of Directors, Board of Supervisors, and management, established and improved the Rules of Procedure for the Board of Supervisors, Board of Directors, Board of Supervisors, and independent director work system. The Company has solidly promoted the standardized operation, optimized the corporate governance structure, strengthened internal control of the enterprise group, and prevented operational risks. Relying on digital transformation, the Company has upgraded ERP and surrounding information systems, and continuously improved network security systems to ensure data and privacy security, and enhance risk control capabilities. The Company adheres to business ethics, improves the supervision system, strengthens the construction of an incorruptible culture, and consolidates the foundation of integrity and compliance. Meanwhile, the Company has integrated ESG as an important value concept into its strategy, established an ESG management organization, fully promoted the construction of ESG management system, and continuously improved governance efficiency.

Targeted at caring

We deeply understand that social responsibility is a necessary condition for sustainable development of enterprises, and being a caring enterprise has always been our goal. We have assisted global employees in realizing their dreams of settling, reducing the burden of purchasing a house, and substantially promoting the settlement and happiness of employees and their families through our employee interest free housing loan program, achieving a win-win situation for enterprise development and employee well-being; at the same time, in order to enhance the happiness of employees among the new industry groups born in the 1990s and 2000s, the Company has provided apartment style dormitories for employees in Guangdong ZKTECO Park. The dormitories are adjacent to the National Forest Park and have family suites. In addition, we have daycare centers in ZKTECO Tangxia Park and Guangdong ZKTECO Park, eliminating worries for employees with young children; the Company has a good execution culture in providing assistance to disadvantaged employees and their families, employee holiday benefits, and daily cultural promotion, so that every employee can truly feel the warmth of the Company.

Looking ahead to 2024, ZKTECO will continuously improve corporate governance, uphold dreams, and maintain courage; adhere to honesty and achieve success. The Company will deepen high-quality development, become a trustworthy enterprise, make profound accumulation, and strive to realize the vision of a better life!

General Manager **Jin Hairong**

About ZKTeco

About Us

➤➤ Company Profile

ZKTECO CO., LTD. was established in 2007 and was listed on the Shenzhen Stock Exchange in 2022 with the stock code "301330". The Company is headquartered in Dongguan City, Guangdong Province. As of December 31, 2023, it has 4,106 employees worldwide, including more than 1,200 R&D personnel and more than 1,100 foreign employees. The Company has 42 branches/subsidiaries in Chinese Mainland and 47 controlling subsidiaries overseas, covering more than 100 countries and regions worldwide.

The Company is an international enterprise in the field of multimodal "Computer Vision and Biometrics" (BioCV), and is a national high-tech enterprise specializing in providing smart entrance and exit management, smart identity verification, smart office products, smart retail products and solutions. The Company is mainly committed to integrating core biometric technologies such as fingerprints, palm veins, palmprints, facial features, finger veins, and iris with computer vision, radio frequency, IoT, cloud computing and other technologies. It provides smart terminals, industry application software, and platforms with object detection, identity recognition and verification functions to multiple fields such as commerce, transportation, finance, education, healthcare, and government affairs.

Relying on the global ecosystem of R&D, manufacturing, and sales services, the Company actively deploys the field of smart retail cloud services while deeply cultivating the three major business sectors of smart entrance and exit, smart identity verification, and smart office, providing digital products and services for users in the public service field, enterprises, and personal users.

➤Development History

1998-2002

The founding team has successively launched independently developed fingerprint recognition algorithms and embedded fingerprint recognition systems. Simultaneously, the team has researched the application of facial recognition algorithms and fingerprint recognition technology in identity cards.

2003-2006

In 2003, the founding team successfully launched facial recognition algorithms, and subsequently continuously upgraded the embedded fingerprint development platform and facial recognition algorithms.

2007-2010

In 2007, ZKTeco was officially established and entered the international market.

2011-2012

Introduction of finger vein algorithms and hybrid biometric algorithms.

2013-2014

Multimodal palm recognition algorithm was launched.

2015

Visible light facial recognition algorithms and palm recognition algorithms were released, and time and safety management platforms such as Baiaoruida were launched.

2016

Upgraded versions of visible light facial recognition algorithms and multimodal recognition algorithms were released.

2017

The intelligent license plate recognition system, intelligent visual perception system, and fingerprint capture device have passed international certification.

2018

The Company released multimodal recognition technology for visible light facial recognition and fingerprint recognition, a series of technologies for human certificate verification, and international versions of license plate recognition algorithms in Thailand.

2019

The Company upgraded multimodal BioCV algorithm; honored as one of the top ten access control brands in China's public safety product industry.

2021

Joining hands with Amazon Cloud Technology to initiate digital transformation of enterprises, the Company has been awarded the A&S 2022 Top 50 Global Security Companies (12th place) and the A&S 2022 AIOT Global Top 50.

2022

On August 17, ZKTeco was listed on the Shenzhen Stock Exchange.

2023

ZKTeco has started the digital transformation of enterprises, with core packages such as SAP and ERP systems officially launched and put into operation. At the same time, the Company actively builds a digital ecosystem that integrates upstream and downstream and cross industry integration, establishes an ecological innovation fund, accelerates product incubation, and assists in the construction of the digital industry ecosystem.

Early stages of entrepreneurship
(1998 to 2006)

The Company was officially established (2007)

Biometric device provider
(From 2007 to 2012)

Provider of biometric solutions
(From 2012 to 2018)

Intelligent identification ecosystem solution provider
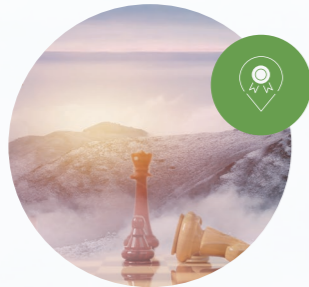(Since 2019)

Corporate Culture

Our Mission
Changing the world with technology, making human life and social development safer and smarter.

Our Vision
BioCV makes people more harmonious with a smart society

Our Purpose
Everything is customer-oriented, with quality as the standard, and strivers as the foundation, continuously creating value.

Core Values

Responsibility: Responsibility is an important indicator for ZKTeco to measure the spiritual quality of every individual, and it will also run through our mutual commitments to society, customers, partners, employees, shareholders, and other stakeholders in social relationships.

Integrity: Integrity and honesty are the most important and common values guiding the self-discipline of enterprise civilization upheld by ZKTeco, and are the cornerstone of all virtues. Integrity means being able to adhere to the right path and have the courage to admit mistakes. Integrity also means we must adhere to our beliefs.

Seeking truth: The significance of seeking truth lies in being down-to-earth and pragmatic in one's career. The basic connotation of seeking truth is to respect science and pursue truth. Fundamentally speaking, seeking truth is to start from reality, boldly adhere to truth and science, and fearlessly correct errors.

Excellence: ZKTeco thinks excellence as becoming a world-class enterprise, innovating and serving as a world-class enterprise. Continuously striving to become an outstanding enterprise is our interpretation of the process of excellence. Perfection and detail are the best practices of excellence.

Annual Honors

The Company has been listed as one of the "Top 50 Global Security Companies" by asmag for four consecutive years from 2020 to 2023. In 2023, it ranked 14th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Parks", and "Top 10 Brands in Smart Office" in 2023 Global Industry Digital Innovation Ranking by asmag; it was selected by the organizing committee and relevant institutions of the 19th Security China as the "DC World - Top Enterprise of the DC World Awards", "3rd China Security Innovation Enterprise in 2023", and "11th China Intelligent Transportation Construction Recommended Brand in 2023"; it was selected by the organizing committee of the Huicong Brand Festival as the "AIoT Innovation Enterprise" and "Leading Brand in Access Control" of the 20th China IoT Industry Conference and Brand Festival in 2023; it won the second place in the "2023 Top 10 Access Control Brands Award" awarded by Qianjia Smart Tech and other entities; it ranked first on the "Top 15 Access Control Brands" list by the Latin American security technology media SecuriTIC in 2023; it received the "Technology Innovation Award" in the field of physical security at the 2023 Security FESTA in South Korea; it was also selected as one of the "Top 100 Global Security Enterprises in 2023" by BOANEWS and Security World magazines. In May 2023, the Company's trusted digital identity QR code module ZKB10M was successfully shortlisted for the "Trusted Digital Identity Ecological Product Recommendation List" of Beijing Zhongdun Security Technology Development Co., Ltd. In June 2023, the Company's ZKTeco perception data gate was awarded the "Excellent Innovative Product Award" at the 16th China International Public Safety Products Expo. Internationally, the Company has won 6 industrial design industry awards, including 2 German Red Dot Awards and 4 iF Design Awards. In addition, since 2016, the Company has been awarded the title of "Top 500 Manufacturing Enterprises in Guangdong Province" by Guangdong Manufacturers Association and other entities for 8 consecutive years. In 2023, the Company was rated by the General Administration of Customs of the People's Republic of China as a "Sample Enterprise of China Customs Trade Prosperity Survey (Export)". In 2023, the Company also joined industry organizations such as the Guangdong Chain Operations Association (GDCOA), the E-paper Industry Alliance (EPIA), and the China Chain-Store & Franchise Association (CCFA), becoming a new retail technology and service provider in the retail industry. GUANGDONG ZKTECO has been rated as a "SRDI small and medium-sized enterprise (SME)" by the Department of Industry and Information Technology of Guangdong Province.

Data of 2023

Business Performance

Operating revenue

RMB **1.97** billion

Net profit attributable to shareholders of listed companies

RMB **177.2637** million

Total assets

RMB **3.924** billion

Distribution of cash dividends (including tax)

RMB **51.9722** million

Environmental Performance

Environmental investment

RMB **170,800**

Illegal and irregular incidents in the environmental field

0 item

Annual environmental objective achievement rate

100%

Compliance disposal rate of hazardous waste

100%

Corporate Governance

Number of shareholder meetings held

5 times

Proportion of independent directors

43%

Proportion of female directors

29%

Investor exchange activities

19 times

Industrial Value

Total R&D investment

RMB **213.6134** million

Total number of patents obtained

124

Product quality training duration

244 hours

Total number of R&D personnel

1,226 persons

Total number of suppliers

1,660

Customer satisfaction survey score

93 points

Proportion of R&D personnel

29.86%

Number of training sessions on product quality

44 times

Customer complaint handling and resolution rate

100%

Number of training sessions on information security and privacy protection

166 times

Number of participants in information security and privacy protection training

1,669 persons

Employee Rights and Interests

Total number of employees

4,106 persons

Number of new employees

1,038 persons

Occupational health examination qualification rate

97.3%

Number of female employees

1,514 persons

Number of employees entitled to maternity leave

70 persons

Proportion of female employees

36.87%

Employee return rate for maternity leave

100%

Social Contribution

Donation of Dongguan Charity Day

RMB **20,000**

Donate of the Lanzhou University Education Development Foundation (LZUEDF)

RMB **1,000,000**

Sustainable Development

Responding to Sustainable Development Goals (SDGs)

ZKTeco actively responds to the UN Sustainable Development Goals (SDGs), adheres to and strives to achieve the mission of "changing the world with technology, making human life and social development safer and smarter", and creating greater value for customers and society. The Company has always placed green, low-carbon and high-quality development in an important position, actively exploring the path of a new green circular economy, continuously improving the level of sustainable development management, continuously enhancing the awareness and ability of enterprises to fully fulfill their responsibilities, and contributing to the achievement of the UN Sustainable Development Goals (SDGs).

Responsive SDGs	Our Actions
8 Decent work and economic growth / 16 Peace, justice and strong institutions / 17 Partnership to promote goal achievement	Governance System Standardization Risk Control Improvement Investor Relationship Management Adhering to Compliant Operations
6 Clean drinking water and sanitation facilities / 7 Economical and applicable clean energy / 13 Climate Actions	Environmental Management Strengthening Green Production Promotion Green Technology R&D

Responsive SDGs	Our Actions
9 Industry, innovation and infrastructure / 12 Responsible consumption and production / 17 Partnership to promote goal achievement	Technological Innovation Promotion Responsible Supply Chain Building Product Quality Control Customer Rights and Interests Protection Information Security Protection
3 Good health and well-being / 4 Quality education / 5 Gender equality / 10 Reduce inequality	Employee Rights and Interests Safeguarding Democratic Communication Promotion Employee Growth Promotion Employee Health Protection Employee Care Strengthening
1 No poverty / 2 Zero hunger / 4 Quality education	Participate in community activities Carry out volunteer services Assist in rural revitalization

Stakeholder Communication

The Company values the rights and interests of stakeholders such as investors, customers, employees and partners. In the process of business development, the Company actively establishes various effective communication channels with stakeholders, understands and timely responds to their expectations and demands.

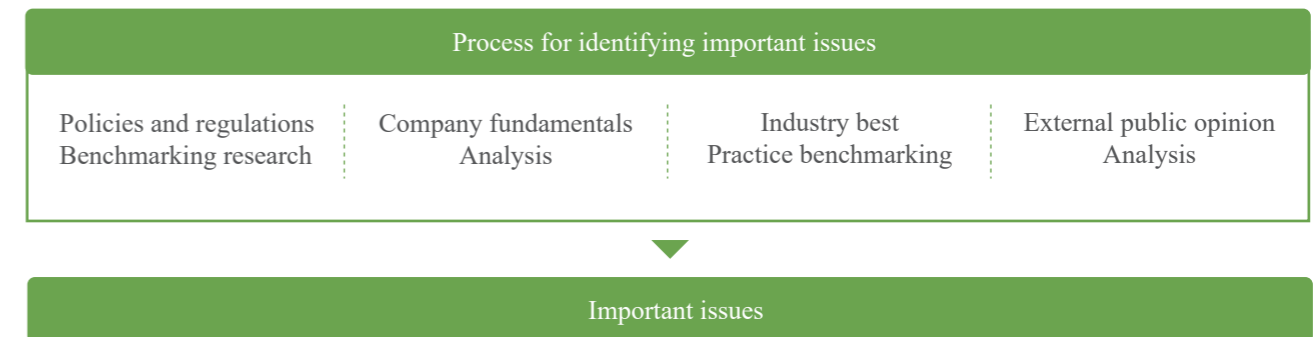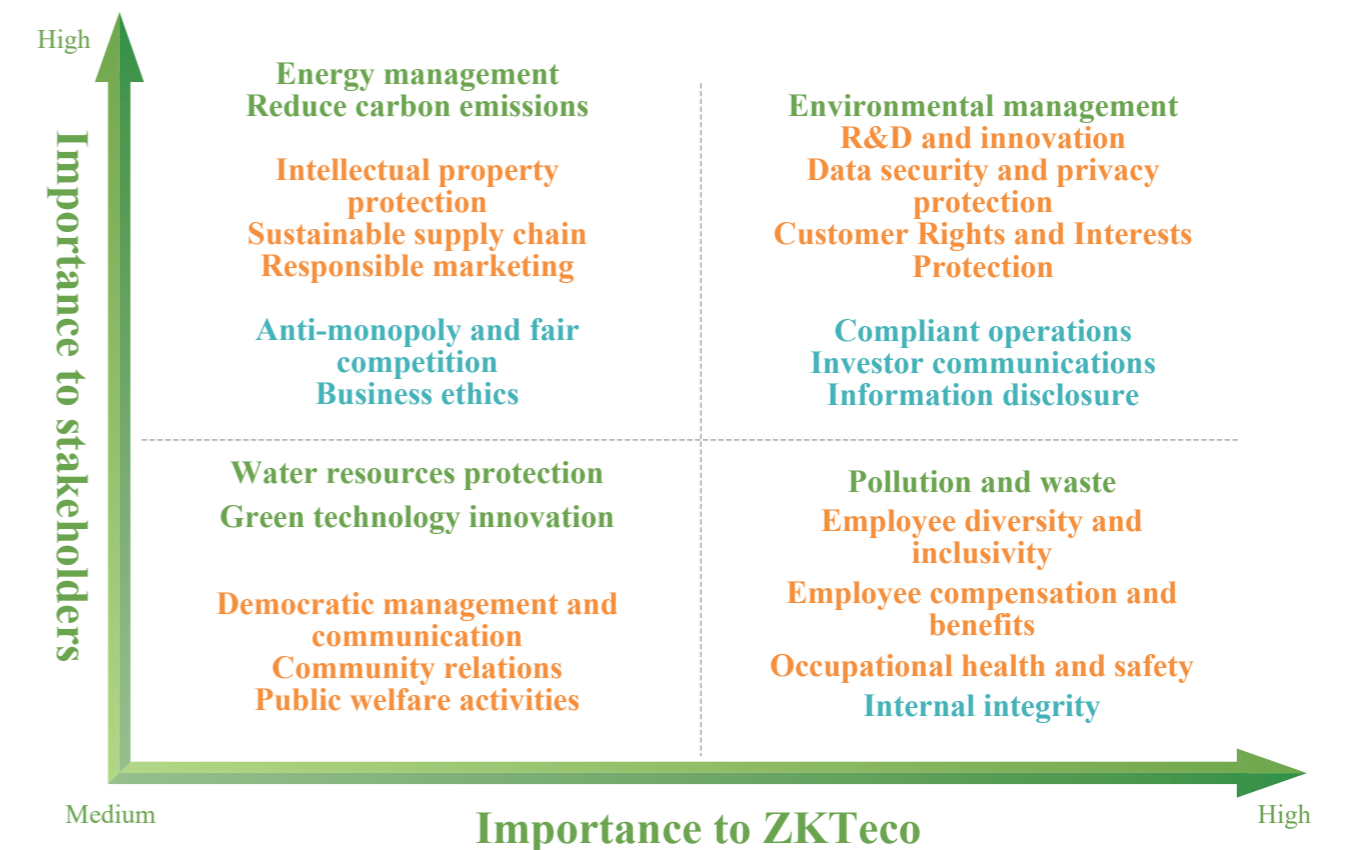| Stakeholders	Expectations and demands	Our response
Shareholders and investors	Continuous and stable returns Information transparency and disclosure	Continuous and stable operation Strengthen investor communication Transparent information disclosure
Government and regulatory agencies	Operate in accordance with laws and regulations Support local development Protect the environment	Enhance corporate governance Accept regulatory review Persist in protecting the environment
Customers	Product quality and safety Optimize customer service Privacy and information security	Provide high-quality products Provide high-quality services Respond to customer demands
Partners	Adhere to business ethics Honest cooperation	Build a responsible supply chain Adhere to business ethics
Employees	Training and development Basic rights and interests protection Health and safety Humanistic concern	Conduct internal training Ensure salary and benefits Occupational health management Employee care measures
Community	Public welfare and charity Community public welfare Promote regional development	Carry out public welfare and charity activities Give back to communities Assist in rural revitalization

Importance Issue Recognition

ZKTeco analyzes its own sustainable development challenges based on national policies, industry trends and company strategies, while paying attention to ESG rating indicators in the capital market. It establishes a mechanism for identifying important issues and determines annual important issues through analysis of internal and external stakeholders.

Process for identifying important issues			
Policies and regulations Benchmarking research	Company fundamentals Analysis	Industry best Practice benchmarking	External public opinion Analysis

Important issues

We have identified and evaluated the importance of ESG issues, sorted out the important ESG issues, and formed an importance issue matrix from two dimensions: "importance to ZKTeco" and "importance to stakeholders" based on the degree of importance of the issues.

Importance to stakeholders (vertical axis: Medium → High)

Importance to ZKTeco (horizontal axis: Medium → High)

Upper left quadrant:
- Energy management
- Reduce carbon emissions
- Intellectual property protection
- Sustainable supply chain
- Responsible marketing
- Anti-monopoly and fair competition
- Business ethics

Upper right quadrant:
- Environmental management
- R&D and innovation
- Data security and privacy protection
- Customer Rights and Interests Protection
- Compliant operations
- Investor communications
- Information disclosure

Lower left quadrant:
- Water resources protection
- Green technology innovation
- Democratic management and communication
- Community relations
- Public welfare activities

Lower right quadrant:
- Pollution and waste
- Employee diversity and inclusivity
- Employee compensation and benefits
- Occupational health and safety
- Internal integrity

Steady for far-reaching

Opening up a new development pattern

We continue to improve the level of corporate governance, striving to achieve comprehensive strengthening of standardized governance, risk control, investor relationship management, and compliant operations, and establish a more sound, transparent and efficient governance system to ensure the sustainable development of the Company.

Our Actions

Governance System Standardization
Risk Control Improvement
Investor Relationship Management
Adhering to Compliant Operations

Responsive SDGs

| 8 Decent work and economic growth	16 Peace, justice and strong institutions	17 Partnership to promote goal achievement

Important Achievements in 2023

Operating revenue: RMB **1.97** billion

Total cash dividends: RMB **51.97** million

Number of publicly disclosed announcements: **187**

Punishments for violations of information disclosure: **0** times

Number of investor exchange activities conducted: **19** times

Governance System Standardization

➤ Governance Structure

The Company has always adhered to compliant operations and strictly followed the requirements of laws and regulations such as the "Company Law of the People's Republic of China", the "Measures for the Administration of Independent Directors of Listed Companies", the "Code of Corporate Governance for Listed Companies", and the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", forming a modern corporate governance structure where the Board of Shareholders, Board of Directors, Board of Supervisors, and management are separated, supported and balanced. At the same time, the Board of Directors has established a Salary and Assessment Committee, a Strategy and Development Committee, an Audit Committee, and a Nomination Committee, which have played a good role in further standardizing the operation of the Company. The Company has developed an effective business model that is adapted to the actual situation, with standardized and orderly management of all aspects, clear division of labor in the organization, and sound and clear functions.
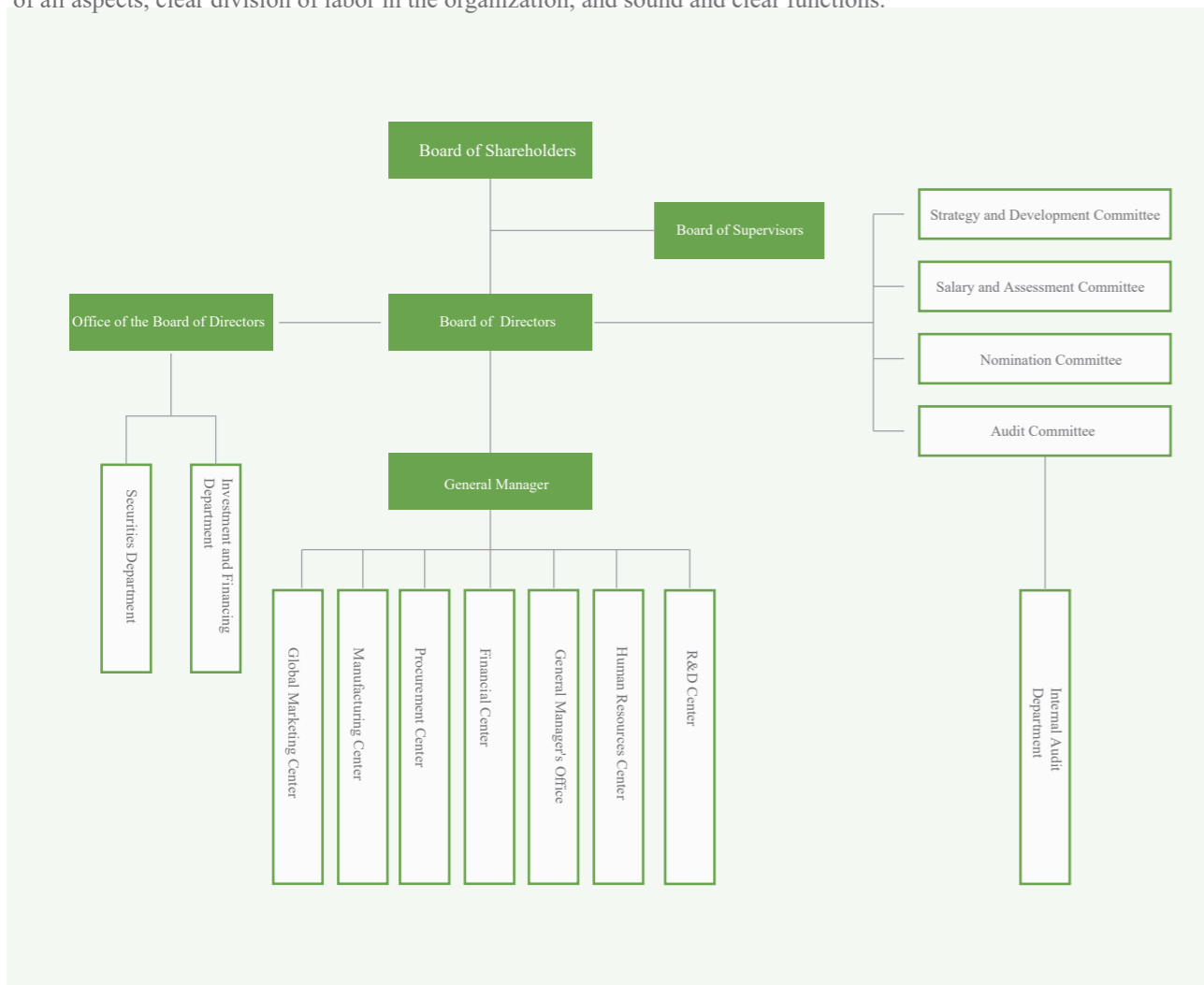
## ➤ Operation of the Three Boards

Board of Shareholders

The Board of Shareholders is the highest authority of the Company. The Company convenes and holds the General Meeting in strict accordance with the provisions and requirements of the "Articles of Association" and the "Rules of Procedure for Shareholders' Meeting". All shareholders of the Company, especially small and medium-sized shareholders, are entitled to equal rights and fully exercise their voting rights. During the reporting period, the Company held one annual general meeting and four extraordinary general meetings, and a total of 17 proposals were deliberated and approved.

Board of Directors

The Board of Directors is the decision-making body of the Company and is responsible to the Board of Shareholders. The Company shall convene and hold board meetings in strict accordance with the provisions of the "Articles of Association" and the "Rules of Procedure of the Board of Directors", exercise its powers in accordance with the law, and fully leverage the positive role of the Company's directors, especially independent directors, in the standardized operation of the Company. During the reporting period, the Company held 10 board meetings with a 100% attendance rate of directors, and a total of 47 proposals were deliberated and approved.

Diversification

When planning the composition of the Board of Directors, the Company will consider the diverse backgrounds of the board members, including but not limited to gender, age, cultural and educational background, professional experience, skills, etc. The Company's Board of Directors consists of 7 directors, including 3 independent directors and 2 female directors, with female directors accounting for 29%. The members of the Board of Directors have diverse professional backgrounds and utilize their professional knowledge to provide support for the Company's decision-making.
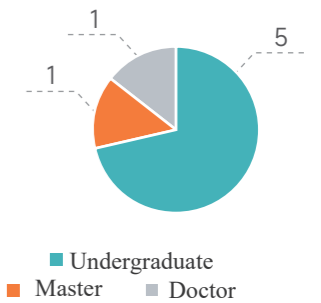
Independence

In accordance with relevant laws and regulations, normative documents, and the provisions of the Company's "Articles of Association", combined with the actual situation of the Company, we have formulated the "Independent Director System" to clarify the responsibilities of independent directors and fully leverage their role. Independent directors constitute the majority of various professional committees and serve as conveners of the Salary and Assessment Committee, Audit Committee, and Nomination Committee, providing scientific and professional opinions and references for the decision-making of the Company's Board of Directors.

Board of Supervisors

The Board of Supervisors is the highest supervisory body of the Company, responsible to the Board of Shareholders. The Company formulates election procedures for supervisors in accordance with relevant regulations and the Articles of Association. According to the relevant requirements of the "Rules of Procedure for the Board of Supervisors", the supervisors shall conscientiously fulfill their duties and supervise the production and operation, financial operations, as well as the directors and other senior management of the Company. During the reporting period, there were 3 members of the Board of Supervisors, including 1 employee supervisor. The Company held 9 supervisory board meeting and reviewed 23 proposals.

Risk Control Improvement

⟫ Internal Control

Internal control system

In 2023, the Company completed the preparation of the "2022 Annual Internal Control Self Evaluation Report" and disclosed it one time according to the "Basic Norms for the Internal Control of Enterprises" and its supporting guidelines, as well as other internal control regulatory requirements
. Within the benchmark date of the internal control evaluation report, there were no significant deficiencies in the Company's internal control, and effective internal control was maintained in all major aspects. The Company's "Self-evaluation Report on Internal Control in 2023" was prepared and disclosed in 2024. We have established an effective internal control system to achieve full coverage of all aspects and links of the Company's operations, forming a standardized management system that can effectively prevent and timely detect and correct major risks, defects and important deficiencies that may arise during the Company's operations.

Internal control system

The Company has established an internal control system based on the Company's "Articles of Association", with core structures such as the "Rules of Procedure for Shareholders' Meeting", the "Rules of Procedure of the Board of Directors", and the "Rules of Procedure for the Board of Supervisors". It covers procurement management, production management, product sales, external investment, R&D, administrative management, and other aspects, ensuring that all work has rules to follow, preventing and resolving various risks in the daily operation of the Company, and improving operational efficiency and profitability.

Internal audit

In order to improve the Company's internal control system and reduce financial and operational risks, the Company has formulated the "Internal Audit System" based on relevant regulations such as the Code of Corporate Governance for Listed Companies" and the "Basic Norms for the Internal Control of Enterprises", combined with the actual situation of the Company, to ensure that the internal audit institution plays its due role in internal supervision. The Company has an independent Internal Audit Department responsible to the Audit Committee. The Internal Audit Department is responsible for conducting internal audits of financial and economic activities related to the Company's internal institutions and subsidiaries, ensuring the effective operation of the Company's internal controls and preventing major risks.

⟫ Risk Management

Risk and Opportunity Control Procedure

To cope with risks and identify opportunities, we have established a comprehensive Risk and Opportunity Control Procedure, which clarifies the risks and opportunities that the Company may face in the production and operation process, as well as how to carry out risk identification and assessment. It is applicable to the planning and implementation of risk and opportunity response in activities, products and services within the quality/HSF/environment/occupational health and safety management system. In addition, the risk and opportunity response process clarifies the responsibilities of each department, promotes collaborative cooperation among departments, further strengthens internal control construction, better prevents and manages risks, and improves operational efficiency.

Risk identification

The Company has established a systematic and effective risk assessment and identification system based on strategic objectives and development ideas, combined with industry characteristics. According to control objectives, relevant functional departments of the Company extensively and continuously collect various external information, including collecting historical data, paying attention to changes that have occurred or will occur to macroeconomic environment and policies, competitors, new technologies and products, internal operations, etc. The collected information is promptly identified for risks, achieving control over risks.

Risk assessment

We evaluate the severity and frequency of identified risks, and confirm them based on the evaluation criteria of the Risk and Opportunity Control Procedure. The confirmation of risk severity and frequency is used to determine the risk coefficient, and then the measures to be taken for the risk are determined based on the risk coefficient.
We differentiate the severity of risks into five severity levels: very severe, severe, more severe, moderate, and mild. When evaluating the severity of risks, the severity level is divided into five levels based on the violation of laws, regulations, and product standards, the severity of personal injury, the amount of property damage, the time of shutdown, and the radiation range that affects the Company.
In addition, we define the frequency of risk as 5 levels: very rare, rare, occasional, sometimes, frequent. The frequency of risk occurrence is quantitatively confirmed by evaluating the frequency of uncertain factors, the frequency of risk occurrence, and the possible frequency of occurrence, as the evaluation criteria for risk frequency.

Risk countermeasures

Risk Categories	Risk Name	Countermeasures
Operational risk	Market competition risk	Continuously increase R&D investment in recent years, insist on developing and optimizing single and multimodal hybrid biometric technologies, continuously expand and enriching the types of biometric products and services, and pay more attention to the overall linkage design of product software and hardware.
	Overseas business operational risks	Gain a deep understanding of local laws, regulations and policy environment, and implement diversified business strategies. The Company's management personnel and various mechanisms are accelerating their adaptation to the requirements of global operations, cross regional management and standardized operations.
	Tax compliance risk	Regularly hire professional consulting agencies to analyze and demonstrate the risks related to subsidiaries and issue special reports.
	Legal risks brought by information data	Make timely and effective adjustments and responses to relevant policies and regulations, and strictly comply with relevant laws, regulations and industry norms.
Technology and product innovation risks	Innovation risk	Keep up with technological trends, increase R&D investment, and focus on customer needs.
Internal control risk	Management risks caused by future expansion of the Company's scale	A series of relatively complete enterprise management systems have been established to ensure the competitiveness and reliability of the Company's products and services.
	Dealer management risk	Improve the management ability of dealers and maintain good relationships with them.
Financial risk	Risk of bad debt losses on accounts receivable	The Company fully estimates the bad debt risk of accounts receivable, manages customers according to credit ratings, and improves the standardized and scientific management mechanism of customer credit by taking targeted preventive measures in advance to reduce and control customer credit risk; reasonably formulates a collection plan, increases collection efforts for accounts receivable that exceed the collection period, and if necessary, takes reasonable adjustments to the accounts receivable period.
	Inventory depreciation risk	Improve the Company's management level, actively expand customers, and increase inventory turnover rate; at the same time, conduct regular provision for inventory depreciation in strict accordance with policies to reduce the risk of inventory depreciation.
	Risk of RMB exchange rate fluctuations	The Company closely monitors exchange rate fluctuations and uses hedging and other exchange rate hedging tools in accordance with relevant company regulations to reduce the adverse effects of exchange rate fluctuations on the Company's production and operation.
	Risk of exchange rate fluctuations in mainstream countries	The Company closely monitors the global financial markets and relevant exchange rate policies of mainstream countries, conducts analysis and judgment, fully utilizes hedging and other financial tools to actively manage exchange rate risks, and reduces exchange rate risks caused by fluctuations.
Risks related to raising funds to invest in projects	The risk of raising funds to invest in projects that do not yield expected returns	The Company actively strengthens the analysis of market demand and technology, timely grasps the direction of business development, closely monitors the overall trend of industry, market, policy, competitive environment, etc., strengthens the management and supervision of the progress of fundraising investment projects, adjusts project implementation details in a timely manner based on internal and external influencing factors, improves the efficiency and return rate of fundraising, and ensures the smooth implementation of fundraising investment projects.
	The risks of cross-border implementation of investment projects	The Company actively pays attention to local political stability, economic development, industrial policy adjustments, exchange rate fluctuations and other situations, and prepares and prevents potential risks in advance; the management is responsible for overall investment management of the investment project, fully grasping the overall situation of overseas operations, and providing management level guarantees for controlling overseas risks; establishes a smooth communication and reporting mechanism both domestically and internationally to ensure the smooth operation of the project.

Investor Relationship Management

▶ Shareholder Returns

The Company attaches great importance to the return to shareholders and strictly implements the profit distribution policy stipulated in the Company's "Articles of Association". The Company has formulated the "Plan for Dividend Returns within Three Years after the Initial Public Offering and Listing of ZKTECO CO., LTD." to clarify the reasonable investment return of the Company to new and old shareholders, increase the transparency and operability of profit distribution decisions, and enable shareholders to supervise the Company's operations and profit distribution. The Board of Directors of the Company has formulated the "Proposal on the 2022 Profit Distribution Plan", which has been deliberated and approved by the 2022 Annual General Meeting. In 2023, the Company distributed a total cash dividend of RMB 51,972,217.85 (including tax).

▶ Information Disclosure

In order to better protect the legitimate rights and interests of investors, and improve the transparency and standardization of information disclosure, the Company has formulated the "Information Disclosure Management System" in accordance with relevant laws and regulations. This system is the basic standard for the Company's information disclosure . The Company truthfully, accurately, completely and timely discloses various information of the Company in strict accordance with the requirements of the system, ensuring that investors can fully understand the Company's operating conditions, financial position, risk situation, and development prospects.

According to the requirements of regulatory agencies, the Company timely disclosed the Company's regular reports, temporary announcements and other information through Shenzhen Stock Exchange, CNINFO, the Company's official website, etc., and also released the latest company information on the Company's official website, WeChat official account and other windows to facilitate the stakeholders to understand their concerns in a timely and comprehensive manner. In 2023, the Company disclosed a total of 187 announcements, including 4 regular reports, and was punished 0 times for violating information disclosure regulations.

▶ Investor Communications

ZKTeco focuses on strengthening investor relationship management. In order to further strengthen communication and exchange with investors, the Company held a 2022 annual performance briefing after the disclosure of the 2022 annual report, timely explaining the Company's 2022 operation to investors and responding to their concerns one by one. In September 2023, the Company participated in the investor briefing on the digital economy held by the Shenzhen Stock Exchange through on-site and online channels, explaining the Company's participation in the construction of the digital economy to investors and responding to the concerns of on-site and online investors. In September 2023, the Company participated in the "2023 Online Collective Reception Day Event for Guangdong Listed Company Investors" jointly organized by the Guangdong Securities Regulatory Bureau and the Listed Companies Association of Guangdong (GDLA). Through online channels, the Company communicated and exchanged information with investors on the Company's 2023 half year performance, corporate governance, development strategy, operating conditions and other issues of concern to investors. During the reporting period, the Company organized a total of 19 investor exchange activities, strengthened communication and interaction with investors, and deepened their understanding and trust in the Company.

In addition, the Company responded to the concerns of investors through its official website, corporate email, telephone and other means, focusing on protecting the legitimate rights and interests of investors such as the right to know and vote, and maintaining a good trust relationship between the Company and investors.

www.zkteco.com   0769-82618868   ir@zkteco.com

Adhering to Compliant Operations

⟫ Construction of a Culture of Integrity

Internal integrity

To ensure a clean and honest working environment within the Company, the Company has signed an "Integrity Agreement" with employees, which stipulates that employees must comply with national laws and regulations, business ethics and company rules and regulations in the process of performing their duties, and shall not participate in or accept any form of bribery, kickbacks or other improper benefits. The Company has supervised and evaluated the integrity of employees in their employment, and for employees who violate the provisions of the Agreement, the Company has handled them in accordance with the law and regulations. The Company is well aware of the importance of clean work for the reputation and long-term development of the Company. The Company hopes that every employee can consciously abide by professional ethics, establish correct values, and jointly maintain the Company's image and interests.

Reporting channels

The Company has opened reporting channels such as telephone and email, encouraging internal and external personnel to report any improper behavior that violates laws, regulations or business ethics through reporting channels. The whistleblower's information is strictly kept confidential and the whistleblower is rewarded.

Duty crime reporting channel of ZKTeco	
Report phone	**13538555484 (long-term)**
Report email	zklaw@zkteco.com 1371146414@qq.com

Whistleblower protection

The Company focuses on protecting whistleblowers. The content of the report is communicated and recorded by full-time personnel to strictly prevent the leakage and dissemination of privacy information such as the identity and reporting materials of the whistleblower. Acts of retaliation against the whistleblower are strictly prohibited and punished, and if necessary, judicial authorities will be requested to pursue legal responsibility in accordance with the law.

⟫ Related Party Transactions

In order to ensure that the Company's related party transactions comply with the principles of fairness, impartiality and openness, the Company strictly complies with relevant laws, regulations and normative documents such as the "Company Law", the "Securities Law", and the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange". In addition, the Company has revised the "Related Party Transaction Management System" based on its actual business operations, and made clear provisions on the review and disclosure procedures, pricing principles, etc. for related party transactions. The Company strictly implements a related party avoidance mechanism. When related party transactions are reviewed, related directors and shareholders must avoid voting.

At the same time, the Company has formulated the "Standardized Management System for Transactions", which stipulates the principles of preventing the occupation of related party funds, t payment procedures, auditing and filing management. This system aims to ensure that the fi between the Company and its related parties are legal, compliant, transparent and fair, prevent abusing company assets, and safeguard the interests of the Company and shareholders.

⟫ Tax Compliance

The Company adheres to the principle of paying taxes in accordance with the law, ensures that the payment of taxes complies with relevant tax laws and regulations, and formulates tax management systems in combination with relevant laws and regulations and the actual situation of the Company to strictly regulate and manage taxation.

⟫ Fair Competition

The Company always adheres to laws and regulations such as the "Anti Monopoly Law of the People's Republic of China" and the "Anti Unfair Competition Law of the People's Republic of China", advocates fair transactions and competition, and is committed to maintaining a healthy competitive environment, ensuring a healthy competition mechanism among competitors, and participating in market competition in accordance with the law and regulations. During the reporting period, the Company did not experience any vicious competition incidents.

Green and low-carbon Exploring a new era of environmental protection

We always adhere to the ecological and environmental protection concept of "Clear waters and lush mountains are invaluable assets", and regard protecting the environment and conserving resources as our own responsibility. We continue to improve our environmental management level, strengthen energy conservation and emission reduction, promote water resource protection, and contribute to reducing pollution and emissions.

Our Actions

Environmental Management Strengthening
Green Production Promotion
Green Technology R&D

Responsive SDGs

6 Clean drinking water and sanitation facilities	7 Economical and applicable clean energy	13 Climate Actions

Important Achievements in 2023

Annual environmental objective achievement rate: **100%**

Illegal and irregular incidents in the environmental field: **0** incidents

Compliance disposal rate of hazardous waste: **100%**

Environmental investment: RMB **170,800**

Environmental Management Strengthening

▶ Environmental Management System

ZKTeco conscientiously complies with environmental protection laws and regulations such as the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution", and the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste" in their daily production and operation. During the reporting period, production and operating activities of the Company and its branches and subsidiaries comply with the relevant national environmental protection requirements, and there are no cases of being punished for violations of laws and regulations.

The Company has prepared an "Environmental Management Manual" based on the "Environmental Management Systems - Requirements with Guidance for Use", combined with the actual situation of the Company's environmental management, to determine the Company's environmental policy, and clarify the responsibilities and interrelationships of environmental management among various departments.

Environmental policy

The Company complies with regulatory requirements and implements pollution prevention; reasonably utilizes resources and continuously improves the environment

The Company establishes a sound environmental governance system, with the General Manager responsible for overseeing the Company's environmental management affairs and making final decisions on major environmental issues. The management representative is responsible for establishing, implementing and maintaining the Company's environmental management system, approving environmental objectives and indicators, and approving environmental management plans. Each department is responsible for implementing environmental management and achieving the Company's environmental objectives. We actively carry out environmental management system certification and have successfully passed the ISO 14001:2015 environmental management system certification.

ISO14001:2015
Environmental
Management System
Certificate

2023 Environmental Safety Objectives, Indicators and Management Plans

Environmental Factor	Objective	Achievement
Wastewater discharge	Up-to-standard discharge	✅
Exhaust emissions	Up-to-standard discharge	✅
Noise emissions	Up-to-standard noise emissions (≤ 65 decibels during the day, ≤ 55 decibels at night)	✅
Hazardous waste disposal	100% reasonable classification and disposal of waste	✅
Occurrence of potential fire, explosion and other safety accidents	Zero safety accidents	✅
Electric shock	Zero safety accidents	✅
Causing occupational health injuries (mechanical injuries, object strikes, burns, etc.)	Zero safety accidents	✅

▶ Environmental Risk Control

Risk identification and assessment

In order to ensure the systematic and standardized identification and assessment of environmental risks, we have developed and implemented the "Environmental Factor Identification and Evaluation Procedure" to comprehensively identify and evaluate the environmental impacts in the Company's operations. In addition, the Company regularly monitors key environmental indicators by implementing the "Environmental Monitoring and Control Procedure" to ensure the effective implementation of various environmental protection measures. In order to effectively identify and control environmental risks, we specially commissioned a third-party organization to conduct comprehensive testing on pollutants such as wastewater, noise and exhaust gas in the factory during the reporting period, and all test results met the standards.

Emergency plans and drills

The Company investigates environmental risks and hazards in accordance with relevant laws and regulations and internal management requirements, and improves risk prevention and control measures for sudden environmental incidents. During the reporting period, we developed the "Chemical Leakage Emergency Plan" and organized chemical leak prevention drills to enhance the coordination and cooperation ability among departments and improve the overall efficiency of the Company in responding to emergencies.

Case: Chemical leak prevention drills

In order to improve the reaction and rescue capabilities of employees in the event of chemical leaks, and enhance their environmental and safety awareness, the Company conducts chemical leak prevention drills.

» Green and Low-carbon Operation

ZKTECO always adheres to the concept of green office and is committed to implementing environmental protection measures in daily operations. We strictly adhere to energy-saving standards, and remind employees to pay attention to saving resources and energy and avoid waste. At the same time, the Company actively promotes paperless office, utilizing digital technology for document management and communication as much as possible to reduce paper consumption. For inevitable paper usage, we also advocate the use of recycled paper to reduce dependence on forest resources.

To ensure the effective implementation of green office measures, the Company has established corresponding management standards. For example, before printing a file, employees must preview the correctness of the format to avoid unnecessary paper waste caused by repeated printing due to formatting errors.

In addition, the Company vigorously promotes water conservation by posting water conservation slogans and other methods to enhance employees' awareness of water conservation At the same time, the Company actively promotes the Clean Your Plate Campaign. When dining in restaurants, we encourage employees to take meals as needed to avoid food waste and jointly implement the Clean Your Plate Campaign.

The Company actively fulfills its social responsibility and plays a leading role in environmental protection. In 2023, we were awarded the title of "Dongguan Environmental Management Demonstration Enterprise".

Green Production Promotion

» Energy Management

The Company strictly implements laws and regulations such as the "Environmental Protection Law of the People's Republic of China" and the "Law of the People's Republic of China on Conserving Energy", and attaches great importance to daily energy conservation management. In order to fully and effectively utilize energy and resources, reduce resource consumption, and carry out rational utilization, management and control of energy and resources, the Company has formulated the "Energy and Resource Management System", the "Energy Performance Management System", the "Main Energy Consumption Equipment Quota Management System", etc., aiming to improve energy utilization efficiency, reduce energy consumption and practice the concept of sustainable development.

» Energy Saving

The Company implements the concept of sustainable development in the production and operation process, committed to reducing resource and energy consumption and environmental costs during production and operation, and improving resource utilization efficiency. Institutional norms have been formulated, such as the "Energy Conservation Target Management System", the "Energy Conservation Publicity System", and the "Energy Conservation and Emission Reduction Reward and Punishment System". The Company actively responds to various environmental protection instructions issued by the environmental protection department, cooperates with the environmental protection department's instructions, and enhances employees' awareness of environmental protection and energy conservation.

» Water Resource Management

The Company pays close attention to the policy requirements of the national and local governments for water use, water reuse and sewage discharge quality, strictly complies with relevant laws and regulations such as the "Water Law of the People's Republic of China" and the "Law of the People's Republic of China on Prevention and Control of Water Pollution", and continuously optimizes water resource management and utilization, contributing to promoting the sustainable use of water resources and the protection of the ecological environment.

▶ **Emission Management**

Wastewater management

ZKTeco actively responds to relevant national policies and carries out wastewater discharge management. To ensure compliant discharge of wastewater, the Company hires a third-party organization to professionally treat the scattered wastewater produced by Tangxia Industrial Park, ensuring proper wastewater treatment and effectively avoiding wastewater pollution to the surrounding environment.

> **Case: Ultrasonic cleaning water treatment and reuse project**
>
> The Company has an ultrasonic cleaning process in the production process of its products, and the water to be treated mainly includes wastewater generated after filtration by a water purifier and wastewater from ultrasonic backend cleaning. In order to improve and protect the environment, save energy and reduce emissions, the Company has hired a professional third-party company to treat the above-mentioned wastewater using reclaimed water reuse filtration facilities for reuse.

Waste gas management

In order to comprehensively manage the waste gas generated during production and operation, the Company consciously complies with the "Integrated Emission Standard of Air Pollutants of the People's Republic of China" and the "Integrated Emission Standard of Volatile Organic Compounds for Stationary Pollution Source" of Guangdong Province, ensuring that the emissions of waste gas comply with relevant national and local regulations. Through the maintenance and management of waste gas treatment facilities and continuous technological innovation, the Company strives to reduce the impact of waste gas on the environment and is committed to achieving the goal of sustainable development.

Waste management

The Company strictly complies with relevant laws and regulations such as the "Technical Guidelines for Solid Waste Treatment & Disposition Engineering" and the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", and handles general industrial waste and hazardous waste with caution. The Company has developed the "Waste Management Specification" to further standardize the classification, storage and disposal of waste, reducing the potential harm of waste to the environment.

General waste

To ensure the legal, safe and environmentally friendly disposal of waste, the Company has signed a "General Industrial (Solid) Waste Treatment Service Agreement" with third-party organizations, and hired organizations to assist it in handling general waste such as waste packaging, tin tin dross, and defective glass prisms.

Hazardous waste

To ensure the professional and compliant disposal of hazardous waste, the Company has signed a "H Disposal Service Contract" with a third-party organization with professional qualifications to ensure pr hazardous waste and provide guarantees for the legal and safe disposal of hazardous waste.

In addition, to ensure the safety of hazardous waste transportation and avoid accidents such as leaks, th developed a detailed inter-provincial transfer plan and filed it for record. To ensure the profes transportation, the Company entrusts a third-party professional waste disposal company to be respons transportation of hazardous waste throughout the entire process.

Green Technology R&D

ZKTeco has always been committed to integrating green technology into product R&D. According to environmental requirements such as RoHS and REACH, it continuously promotes technological innov environmental protection and energy conservation of products. The Company has enhanced the co products by continuously developing energy-saving products, optimizing production processes and consumption, contributing to the sustainable development of society.

> **Case 1: New energy charging pile**
>
> The installation of new energy vehicle charging piles is convenient and suitable for various places. The charging piles developed by the Company support multiple power outputs to meet different needs. On the basis of 7kW AC charging piles, the Company has laid out DC fast charging piles, focusing on household, community and other scenarios, supporting multiple charging methods and cloud management functions. Combined with smart parking services, the Company has achieved integrated management and service of charging and parking.

> **Case 2: Intelligent low-power attendance machine**
>
> The Company integrates green technology into the product R&D process, and the intelligent l attendance machine produced does not work or start at ordinary times, but quickly starts when fingerprint clock-in through low-power and fast start technology, achieving precise fingerprint a function. After clock-in, the system automatically shuts down, effectively saving energy and consumption.

Creative and innovative Cultivating new driving forces for development

We attach great importance to technological innovation, continuously increase investment in R&D, cultivate innovative talents, improve product quality control system and customer service management system taking customer needs as the guide, and provide high-quality products and services, to continuously improve customer satisfaction, and create company value.

Our Actions

- Technological Innovation Promotion
- Responsible Supply Chain Building
- Product Quality Control
- Customer Rights and Interests Protection
- Information Security Protection

Responsive SDGs

Industry, innovation and infrastructure

Responsible consumption and production

Partnership to promote goal achievement

Important Achievements in 2023

Number of R&D personnel: **1,226** persons

R&D investment: RMB **213.6134** million

Number of patents and software copyrights obtained: **170**

Number of training sessions on product quality: **44** times

Customer complaint resolution rate: **100**%

Technological Innovation Promotion

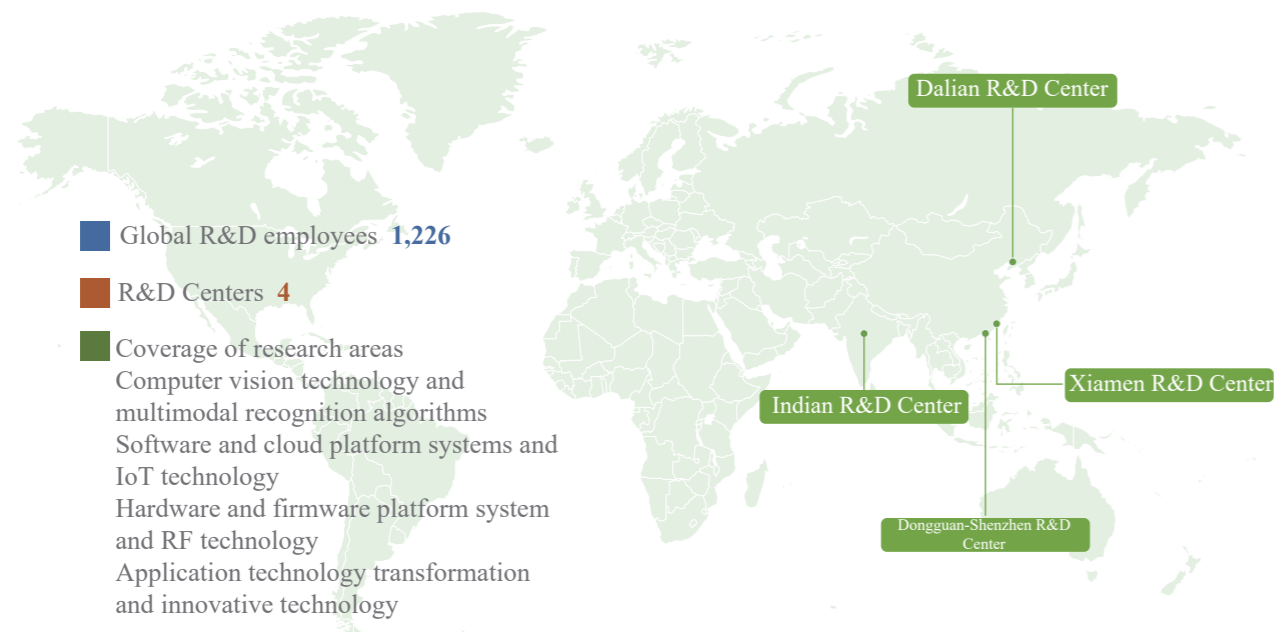## ❯❯ R&D and Innovation System

Innovative concepts

ZKTeco attaches great importance to product R&D and innovation, adheres to technological innovation as the strategic support for high-quality development of the enterprise, and formulates regulations such as the "Technical Committee Management Charter", further improving the product R&D system, and driving high-quality development through innovation. We are laying out a global R&D system, continuously improving our technological innovation capabilities and competitive advantages, and continuously consolidating our core technology and cloud platform technology capabilities, laying a solid foundation for R&D.

The Company takes multimodal BioCV as its core technology, integrates ZKTeco's independent intellectual property rights of multimodal computer vision and multimodal biometric technology, and constructs an end, edge and cloud service technology ecosystem, and the full stack and full-scenario solution, achieving dual wheel drive of market and technology, and helping the Company achieve high-quality development.

R&D organization

We always take market demand and technological innovation as the main driving force, and pursue leading core technologies as our core product competitiveness. Based on "taking the world's perspective as our own perspective", we continuously pursue new technologies and build a global, multi-dimensional, open and integrated R&D platform system.

The Company has four R&D Centers, namely Dongguan-Shenzhen R&D Center, Dalian R&D Center, Xiamen R&D Center, and India R&D Center, responsible for research in hardware, software, platform, products, algorithm technology and other aspects. Each R&D Center has high professionalism and continuously improves its R&D and innovation capabilities.

■ Global R&D employees **1,226**

■ R&D Centers **4**

■ Coverage of research areas
Computer vision technology and multimodal recognition algorithms
Software and cloud platform systems and IoT technology
Hardware and firmware platform system and RF technology
Application technology transformation and innovative technology

R&D talent

ZKTeco always regards talent strategy as an important strategy of the Company, and strives to promote employees to become participants and contributors to innovation by adhering to an innovation system with an engineer culture. Innovation is the first driving force, talent is the first resource, and a high-quality R&D team provides innovation assurance for the Company.

Indicators	Unit	2021	2022	2023
Number of R&D personnel	Person	1,131	1,125	1,226
Proportion of R&D personnel	%	29.5	29.7	29.86
Number of R&D personnel by educational background				
Bachelor's degree	Person	642	702	794
Master's degree	Person	56	66	75
Doctor	Person	2	1	1
Number of R&D personnel by gender				
Male	Person	901	884	956
Female	Person	230	241	270
Number of R&D personnel by age				
Under 30 years old	Person	673	620	652
30-40 years old	Person	380	440	459

R&D investment

Innovation is an important support for improving product and service quality. In order to consolidate our ability to sustain innovation, we attach great importance to R&D investment and inject strong momentum into independent R&D.

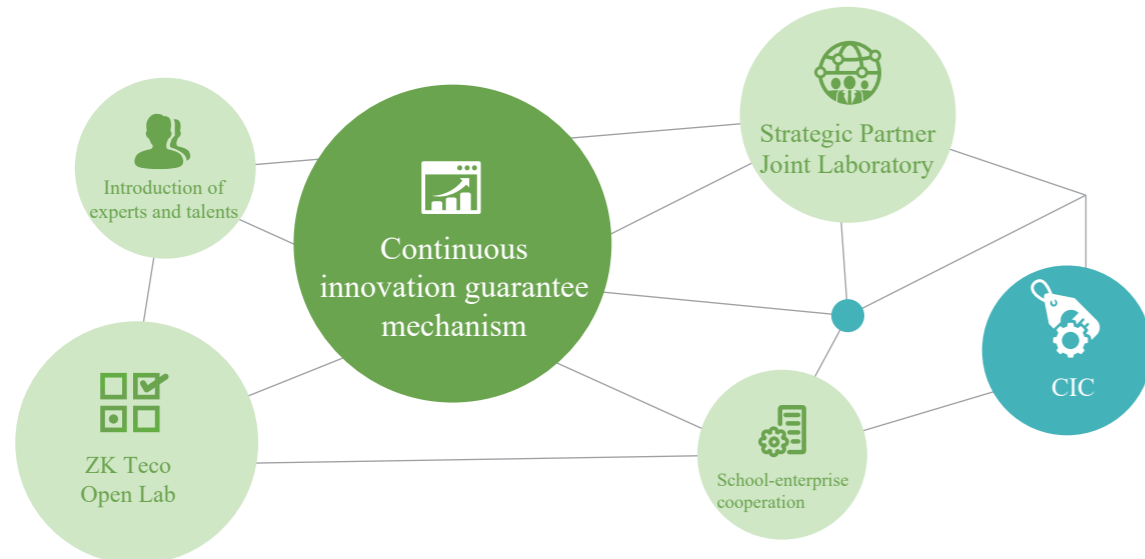| Indicators	Unit	2021	2022	2023
R&D investment amount	RMB '0,000	19,678.67	18,798.38	21,361.34
Ratio of R&D investment to operating revenue	%	10.06	9.80	10.84

Strategic Objectives for R&D

ZKTeco adheres to the mission of "changing the world with technology, making human life and social development safer and smarter", maintains strategic concentration, works together with partners and customers to continuously utilize multimodal BioCV core technology to deeply integrate with digital technologies such as AI, IoT, big data and cloud computing with a focus on the four core tracks of smart access, smart identity verification, smart office and smart retail, meeting the personalized and diversified needs of global customers.

Since going public, the Company has expanded its market, globalization, smart retail and innovation ecosystem. R&D has entered a new stage of development, expanding from traditional three scenarios to smart retail, transforming from product sales to software and services, and from machine vision to generative AI. A global, multi-dimensional, open and integrated R&D platform system has been constructed.

Achievement of objectives during the reporting period ▶
- Master the core algorithms of biometrics, leading the industry in multimodal biometric technology;
- Create the unique ultra short delay supercomputing technology;
- Deep research on multimodal BioCV AI technology;
- Technological accumulation of AGI technology and smart retail scenarios.

Next year's objectives and medium- to long-term planning ▶
- Continuously promote the deep integration of various products and software platforms, create a scenario data connectivity ecosystem, and enhance the scenario customization and delivery capabilities of software platforms;
- Increase investment in core technologies of multimodal biometrics and deepen the integration of computer vision and biometric technology;
- Accelerate the upgrading of product globalization engineering design capabilities and agile production capabilities, and enhance engineering integration capabilities.

R&D and Innovation Practice

Collaborative R&D mechanism

In order to strengthen talent cultivation and enhance innovation capabilities, ZKTeco continues to promote collaborative R&D, and establishes "school-enterprise talent strategic cooperation" with Lanzhou University. We jointly built a "school-enterprise talent strategic training platform"; jointly established the "Dongguan Key Laboratory of Multimodal Computer Vision and Biometric Recognition" with the Dongguan Institute of Optoelectronics, Peking University.

Smart retail cooperation

In March 2023, ZKTeco's wholly-owned subsidiary in Singapore, ZKTECO SG INVESTMENT PTE. LTD., and Indonesian listed company Digital Mediatama Maxima Tbk. (DMMX) jointly invested in the establishment of a smart retail cloud service subsidiary, ZKDIGIMAX PTE. Ltd. (referred to as ZKDIGIMAX). ZKDIGIMAX focuses on providing global retail enterprises with "AI+digital signage" services, digital infrastructure (including e-paper digital price tags), and smart business cloud services. It is committed to becoming a new boundaryless retail platform service provider with comprehensive, full scenario and full chain services, accelerating the transformation of traditional retail industry to data-driven smart retail, and helping retail customers create greater commercial value.
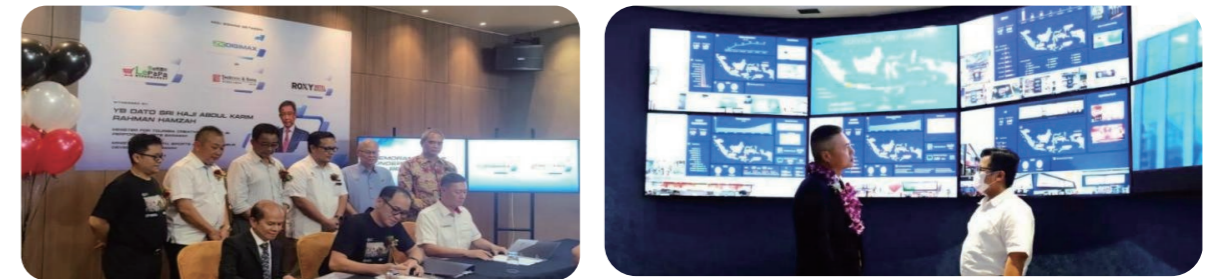
Innovation platform construction

National high-tech enterprise

In 2012, the Company was approved as a national high-tech enterprise and has been awarded this title for 12 consecutive years. XIAMEN ZKTECO and Guangdong Zkteco have both received this honor.

— For **12** consecutive years —
Approved and recognized as a national high-tech enterprise

Guangdong Province Doctoral Workstation

In 2020, the Company was approved to establish Guangdong Province Doctoral Workstation, which is a recognition of the Company's scientific research ability, comprehensive management level, and service ability by the Human Resources and Social Security Department of Guangdong Province. This means that the Company will have the qualifications and ability to absorb, introduce and gather more doctoral and postdoctoral talents. It is a leap in the construction of the Company's talent team, a new milestone in building a high-level talent team, and also an important carrier for the Company to carry out scientific research and technical services.

Engineering Experimental Center

Focusing on advanced R&D, with innovation as the foundation, ZKTeco's R&D Experimental Center is dedicated to advancing technology R&D. It has more than 20 laboratories, including electronic laboratory, optical laboratory, communication laboratory, wireless laboratory, reliability laboratory, etc. It can conduct basic research from raw materials, devices, single boards and complete machines, creating a systematic capability foundation.

The Guangdong Biometrics and Security Technology Engineering Technology Research Center is the only provincial-level engineering center in the biometric industry in Guangdong Province. Relying on the talent team and research equipment of ZKTECO, the center accelerates the transformation of scientific research achievements into real productivity with the goal of building a provincial-level first-class research platform for deep integration of biometrics by researching and developing key common technologies in the industry, thereby promoting industrial technological progress.

progress. Participation in industry seminars

Participated in the 2023 IDS

The 2023 IDS was successfully held at China National Convention Center, with four special forums set up at the same time: Security Certificate Technology Development Forum, Biometric Technology and Security Forum, Network Trusted Authentication Security Technology Forum, and Emergency Management and Identity Integration Application Forum. Mr. Chen Shukai, Chief Scientist of ZKTeco, was invited to attend the Biometric Technology and Security Forum and shared the R&D and application of ZKTeco's non-contact fingerprint recognition technology.

Participated in the Biometric Technology Application Forum

At the DC World, Mr. Chen Shukai, Chief Scientist of ZKTeco, was invited to attend the Biometric Technology Application Forum as a guest speaker on multimodal biometric technology in the era of AI models.

Encouraging R&D and innovation

The Company continuously improves its technology innovation incentive mechanism, formulates the "ZKTECO Patent Application and Reward Measures", and further standardizes the management of technology rewards. Through various incentive measures, the Company encourages employees to actively participate in R&D and innovation, improve the Company's core competitiveness and market share, and achieve long-term development of the Company.

We set up incentive policies such as project sprint incentives, patent bonuses, and project assessment bonuses to reward and commend innovative projects and talents on a monthly or annual basis, maximizing employees' innovation enthusiasm. In addition, we provide employees with salary standards that match their abilities, organize annual job qualification evaluations, and determine their positions and salaries based on the results of ability evaluations.

Ecological innovation fund

To build and improve the computer vision field, multi-dimensional perception smart terminals, scene interactive robots, scene cloud service software, AR digital twins, digital identity cards and other track industry chains, and form a digital ecosystem integrating upstream, downstream and cross industries, ZKTeco cooperates with Hefei Xingniu Private Equity Fund Management Co., Ltd. to jointly establish an ecological innovation fund.

In August 2023, the ecological innovation fund completed its industrial and commercial registration, with a fund size of RMB 120 million. The investment direction is "in the field of computer vision, multi-dimensional perception smart terminals, scene interactive robots, scene cloud service software, AR digital twins, digital identity cards and upstream and downstream of the other track industry chains".

The establishment of the ecological innovation fund marks an important step for ZKTeco to promote the integrated and coordinated development of the upstream and downstream of the entire industry chain. With the assistance of capital, ZKTeco will accelerate product incubation and assist in the construction of smart industry ecology.

▶▶ Significant Innovation Achievements

Core technological advantages

ZKTeco possesses core algorithms in the field of biometrics and has a strong competitive advantage. After years of technological accumulation, the Company has built a core technology system focusing on single biometric technology and multimodal biometric technology. In the field of single biometric recognition, the Company has successfully developed biometric technologies such as fingerprints, facial features, palmprints, veins (including finger veins and palm veins) and irises. In the field of multimodal biometrics, the Company continues to innovate and has launched various multimodal biometric technologies such as "fingerprint+facial recognition", "facial+palm vein recognition", "fingerprint+finger vein recognition", "facial+iris recognition", and "fingerprint+palmprint+facial recognition". It has obtained 18 invention and utility model patents in the field of multimodal biometrics.

In addition, the Company has evolved from a single biometric technology to a pioneer in computer vision and biometric multimodal BioCV AI technology. By combining computer vision with biometrics, the Company has achieved an empathetic experience ecology of multimodal AI attributes and scene interaction.

Main R&D achievements

ZKTeco combines basic R&D of biometrics with application R&D. The Company was awarded the titles of "Guangdong Intellectual Property Advantage Enterprise" and "Guangdong Intellectual Property Demonstration Enterprise" by the Guangdong IP Protection Association (GDIPPA) in 2018 and 2019, respectively. During the reporting period, XIAMEN ZKTECO was awarded the title of "National Intellectual Property Advantage Enterprise".

As of December 31, 2023, the Company has obtained a total of **858** patents, including **149** invention patents and obtained a total of **675** computer software copyrights and **67** work copyrights.

In 2023, the Company obtained a total of **124** patents, including **39** invention patents and obtained a total of **46** computer software copyrights and **8** work copyrights.

Main R&D projects of ZKTeco

- BioCV VLM 2.0 Multimodal Computer Vision Model
- ZKTeco Interconnection Cloud Scenario Service Platform V2.0.0
- Research on the Application of Retail Scenario Detection and Recognition
- Cloud Attendance Scenario Service Platform V3.0
- R&D of Technology and Device for Authentication Application Based on CTID Digital Identity Card
- BioCV LLM 3.0 NLP Model
- R&D of Core Technology Platform and Device for Access Controller Based on IoT Video Technology
- R&D of Structured Light Module for Face and Palm Hybrid Recognition Based on High Security and High Accuracy
- Wide Access IoT Perception Application Platform V1.0 (formerly known as ZKBioCV Security V1)
- ZLink (International Version) V2.0 (ZKTeco Interconnection Cloud Scenario Service Platform)

- ZKDigimax-L3 V1.0 (Cloud Digital Retail Management Platform)
- Continuous Capacity Building of the IoT Platform (Minerva/Goddess Platform) V3.0
- R&D of Smart Terminal Based on LLM and Large Model Technology of Multimodal Computer Vision
- Research on Algorithms Related to Digital Human Generation
- R&D of Device for Collecting and Recognizing Mixed Images of Humans, Vehicles and Objects Based on Multispectral Analysis
- R&D of Smart Office Terminal Management Platform and Device Based on Cloud Service MinervaIoT platform
- R&D of Mobile Access Solution Device Based on Multimodal BioCV Technology and Bluetooth/NFC Near-field Communication Technology
- R&D of Electromechanical Product O&M Platform Based on Bluetooth Near-field Communication Technology and IoT Cloud Platform

Note: For more information on the main R&D projects of ZKTeco, please refer to the "2023 Report of ZKTECO CO., LTD.".

## Participation in industry standard development

Participating in the formulation of industry standards and norms can enable the Company to grasp the forefront of industry development direction and carry out technology development and product layout in advance. Since its establishment, the Company has been focused on the R&D of biometric technology, and is one of the main participants in drafting and revising multiple technical standards and specifications in the industry.

In the fields of facial feature, palm vein, palmprint, fingerprint and iris biometric technology and its applications, ZKTeco has led and participated in the development and revision of over 27 domestic technical standards, making it an important contributor to the formulation of biometric standards. As of December 31, 2023, ZKTeco and its subsidiaries Shenzhen ZKTeco and XIAMEN ZKTECO have participated in the development of 14 national standards, 3 local standards, 6 industry standards and 2 group standards.

During the reporting period, the "Information Technology - Biometrics - Test Methods for Face Recognition System" (GB/T42981-2023) and the "Technical Requirements for Contactless Fusion Recognition Terminal Devices of Palm Print and Palm Vein" (T/CESA1264-2023), where ZKTeco served as the drafting entity, were officially released to promote standardized governance of the industry and promote healthy development. Participating in drafting industry standards is a full recognition of the important influence, authority and professional strength of ZKTeco in the field of biometrics.

Summary Table of Standards Formulated with Participation of ZKTeco in 2023

Category	Standard No.	Standard Name	Release Date	Remarks
National standard	GB/T 29268.7-2023	Information Technology - Biometric Performance Testing and Reporting - Part 7: Testing of On-card Biometric Comparison Algorithms	May 23, 2023	ZKTeco is the drafting entity
Group standard	T/CESA 1264 —2023	Technical Requirements for Contactless Fusion Recognition Terminal Devices of Palm Print and Palm Vein	June 29, 2023	ZKTeco and XIAMEN ZKTeco are the drafting entities
National standard	GB/T 42981-2023	Information Technology - Biometrics - Test Methods for Face Recognition System	September 7, 2023	ZKTeco and XIAMEN ZKTeco are the drafting entities
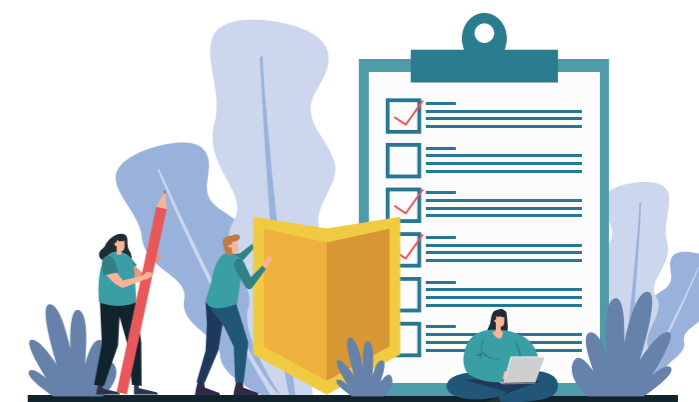
Participating social organizations

Summary of ZKTeco Participation Associations During the Reporting Period

S/N	Name
1	National Security and Alarm System Standardization Technical Committee Human Biometrics Application Sub-Technical Committee (SAC/TC100/SC2)
2	National Information Technology Standardization Technical Committee Technical Committee on Biometrics (NITS SC37)
3	Xiamen High-tech Association (member entity)
4	Xiamen Technology Innovation Association (director entity)
5	Xiamen System Integration Association (member entity)
6	Xiamen Software Association (director entity)
7	National Information Technology Standardization Technical Committee (NITS) (member)
8	Information Technology Application Innovation Working Committee (ITAI) (member)
9	IIFAA (member entity)

Joined the E-paper Industry Alliance (EPIA)

In November 2023, ZKTeco officially joined the E-paper Industry Alliance (EPIA) to promote the deep integration of e-paper technology and the retail industry.

Intellectual property protection

ZKTeco strictly complies with laws and regulations such as the "Patent Law of the People's Republic of China", the "Copyright Law of the People's Republic of China", and the "Anti Unfair Competition Law of the People's Republic of China". It attaches great importance to its own intellectual property protection, strengthens the utilization of patent information, and avoids infringing on the intellectual property rights of others. The Company has formulated systems such as the "Intellectual Property Management Measures", the "Patent Management Measures", the "Copyright Management Measures", the "Trade Secret Management System", and the "Trademark Management Measures" to strengthen the management of intellectual property rights.

The Company has established an Intellectual Property Department to manage intellectual property related work, responsible for reviewing and supervising various aspects of the Company's intellectual property work, establishing an intellectual property management performance evaluation system, establishing an intellectual property risk warning mechanism, managing company patents, and handling intellectual property disputes. In 2023, XIAMEN ZKTECO has passed the certification of intellectual property management system.

To promote the concept of intellectual property protection, we provide intellectual property training for the Company's R&D personnel, including patent protection and intellectual property risk prevention. In 2023, the Company conducted multiple intellectual property training sessions and 2 offline routine training sessions, mainly targeting technical professionals who have been employed for more than one year, with a total of 66 participants; the Company conducted several online induction training sessions, mainly targeting new employees, with a total of 79 participants.

ZKTeco conducts intellectual property training

Responsible Supply Chain Building

Supplier management

In order to standardize supplier management, improve the Company's supplier classification and grading management mechanism, develop differentiated supplier management strategies, and ensure the achievement of procurement objectives, the Company has formulated the "Supplier Management Control Procedure", which makes clear provisions for supplier access, supplier assessment, supplier classification, etc. At the same time, we have developed a "New Supplier Selection Certification Procedure" to standardize the selection of new suppliers for the Company, ensure the quality of purchased materials, provide stable sources of goods, and improve the competitiveness of the Company's products.

Quantity Table of Suppliers of ZKTeco in 2023

Indicators	Unit	Quantity in 2023
Total number of suppliers	Nos.	1,660

Supplier access

The Company manages the access of suppliers by setting corresponding standards and approval processes in supplier sourcing, supplier certification and supplier selection, ensuring that the selected qualified suppliers meet the Company's business needs in terms of quality, delivery, price, compliance and trade security. We have set minimum access standards for suppliers for both production and non-production procurement, and set minimum requirements for supplier enterprise size, registered capital, industry experience, system certification, product environmental protection, etc. for different materials.

Supplier review

For new suppliers, the Company conducts on-site reviews at the supplier development site. Before the first trial production, suppliers within the province shall organize personnel from R&D/material certification or engineering, procurement and other departments to conduct on-site reviews of their process capabilities, quality status, delivery time, etc. The review results shall be filled in the "Supplier Site Assessment and Review Form". After approval by relevant personnel, sustainable procurement may be carried out if the review results are at level C or above (including level C); suppliers from outside the province can conduct self-assessment or video review based on actual needs, and evaluate whether they meet the Company's procurement needs based on written qualification materials and technical strength (patents, technical specifications, etc.) provided by the suppliers. For suppliers listed in the "Qualified Supplier List", the Company will conduct regular or irregular reviews based on their actual situation.

Supplier Review Rating Table at Development Site

Category	Level	Score
Excellent	Level A	90.1-100 points
Good	Level B	80.1-90 points
Qualified	Level C	70.1-80 points
Improved after coaching	Level D	60.1-70 points
Unqualified	Level E	Below 60 points (inclusive)

Supplier assessment

The Company has established a supplier performance management team, which is organized and led by the Quality Department. It mainly includes departments such as the Executive Procurement Department, the Resource Development Department, the Quality Department, the Material Certification Department, and the R&D Department, responsible for conducting monthly performance assessments of suppliers. For suppliers who score last 5 in consecutive assessments, the Company has conducted interviews or on-site coaching, and output the "Minutes of Supplier Quality Problem Counseling Meeting". For suppliers who score last 5 in consecutive assessments, the Company has considered reducing orders and eliminating them.

Supplier classification

The Company divides suppliers into four categories based on supply risk and procurement amount: core suppliers, leverage suppliers, bottleneck suppliers, and general suppliers. Different management strategies are adopted for different categories of suppliers to improve the efficiency and level of supplier management.

Procurement amount
Leveraging
Reduce procurement costs

Core suppliers
Establish partnership
Develop competitive advantages

General suppliers
Streamline internal processes
Reduce management costs

Bottleneck suppliers
Reduce procurement risks
Ensure effective supply

Procurement amount (High / Low)
Supply risk (Low / High)

⟫ Supply Chain Security Management

The Company attaches great importance to solving the uncertainty of the supply chain and ensuring supply safety. In order to ensure effective production, ensure the supply of purchased materials, and prevent unexpected losses caused by shortages or poor quality of purchased materials, the Company has formulated the "Supplier Emergency Control Procedure". Through process planning, arrangements are made in advance to quickly respond to problems and ensure timely delivery of products to customers.

We have established an emergency response team, with the General Manager of the Supply Chain Committee serving as the team leader, and the Resource Development Manager, Executive Procurement Manager, Material Certification Department Manager, Quality Manager, and PMC Manager as team members to coordinate and handle supply chain security management related work. For different emergency events, we have developed emergency plans and clearly defined various emergency measures. In the event of an emergency, the emergency response team decides whether to implement the emergency plan based on the current procurement situation of the Company's production plan and unifies the command of emergency response.

```
        ┌─────────────────────────────┐
        │        Team leader          │
        │ General Manager of the Supply│
        │      Chain Committee        │
        └─────────────────────────────┘
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| Team members Resource Development Manager | Team members Executive Procurement Manager | Team members Manager of Material Certification Department | Team members Quality Manager | Team members PMC Manager |

Emergency response team
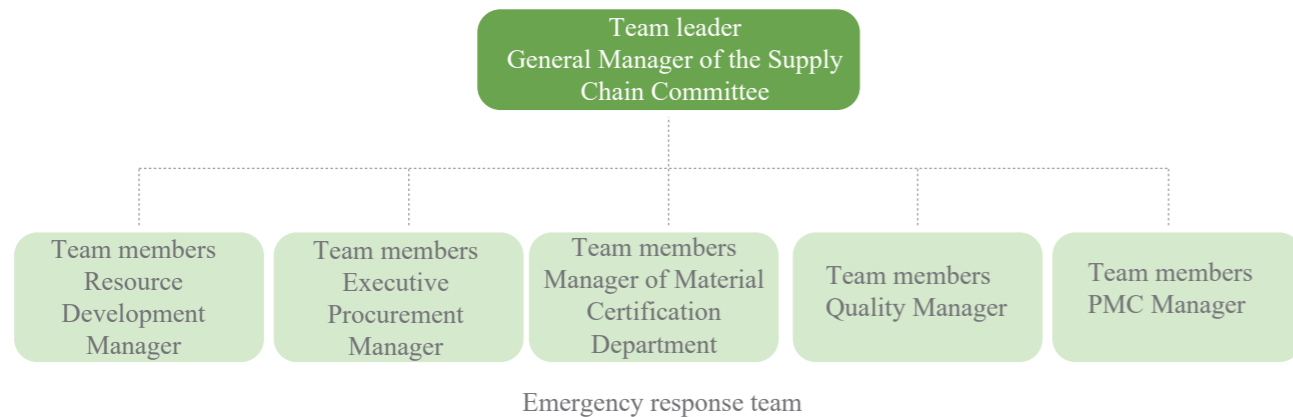
⟫ Responsible Supply Chain

Sustainable procurement

ZKTeco always adheres to the concept of sustainable development throughout the procurement management process. Before establishing a cooperative relationship with suppliers, both parties need to sign agreements such as the "Environmental Protection Agreement", the "Commitment Letter for Non Infringement of Intellectual Property Rights", and the "Commitment Letter for Non Use of Hazardous Substances". In addition, before adding suppliers to the Company's "Qualified Supplier List", suppliers are required to provide the Environmental Compliance Declaration, the Material Composition Declaration, and the Third-party Environmental Testing Report completed by laboratories with ISO/IEC 17025 certification qualifications.

The cooperation between the Company and suppliers is based on the principles of fairness, justice, mutual benefit, and win-win cooperation. The mutual trust, conventions, and contracts established by both parties in the cooperation are the foundation of business cooperation, and improving efficiency and common development are the common goals of both parties. The supply chain has always adhered to the principles of "sunshine purchase, honesty and trustworthiness, integrity and self-discipline", requiring suppliers to also bear relevant responsibilities for social responsibility and environmental impact. By formulating complete procurement management agreements, and continuously improving the procurement process, the Company ensures that the source of materials is legal and compliant. In order to promote and regulate the active fulfillment of corporate social responsibility by partners in the supply chain, we have signed a "CSR Agreement" with suppliers to regulate the requirements of both parties, including labor rights, environmental protection, occupational health and safety, business ethics and other aspects.

Clean procurement

We continue to enhance the business ethics awareness of our suppliers and are committed to establishing honest, fair and trustworthy business cooperation relationships with them. To ensure the transparency of the procurement process, the Company and its suppliers jointly signed the "Integrity Agreement" and the "Procurement Framework Agreement", advocating mutual supervision and creating a fair competition, honest and trustworthy, and sunny and healthy business environment. At the same time, we have set up a dedicated complaint channel for accepting reports of illegal and disciplinary behaviors, encouraging the reporting and exposure of behaviors that violate work integrity, such as accepting commercial bribes and transmitting improper benefits, and protecting whistleblowers.

Reporting acceptance channels

| zklaw@zkteco.com | 1371146414@qq.com | 13518555484 |

Conflict mineral control

ZKTeco has always practiced and actively assumed social responsibility, adhered to ethical procurement, promoted sustainable development of the industry chain, and strictly controlled conflict minerals. We require suppliers to sign a "Letter of Commitment for Not Using Conflict Minerals" in the new supplier identification and selection procedure document, strictly control the Company's raw material sources, and make every effort to ensure the procurement and use of non-conflict minerals in the supply chain within a commercially reasonable range.

Product Quality Control

⟫ Optimizing Quality System

Providing high-quality products is the Company's unremitting pursuit. In order to establish and improve the quality management system of ZKTeco, improve product quality, enhance the competitiveness of the enterprise in the international market, and elevate the Company's management level to a new level, we have prepared the "Quality Management Manual" as a guiding document for the Company to implement quality management, and carry out quality planning, quality control and quality improvement activities following the principle of customer satisfaction, in accordance the "IS09001:2015 Quality Management System Requirements" and the "QC080000:2017 Hazardous Substance Process Management (HSPM) System Requirements" standards, and combined with the actual situation of the Company.

Quality policy

We establish a quality policy based on the basic principles of quality and HSF management, which is the overall quality purpose and direction of the Company.

> **Quality policy**
>
> Continuously innovate technology; continuously improve product quality; always pursue customer satisfaction. Use environmentally friendly materials, prevent pollution, make continuous improvements, and meet regulations and customer requirements!

Quality objectives

The Company sets annual quality objectives, which are signed off by the General Managers of business groups and summarized in the "List of Company Quality Objectives". Each department formulates and decomposes objectives based on the overall objectives, and conscientiously implements and monitors them to ensure the achievement of the overall objectives. In addition, we assess the implementation of quality objectives and record the implementation process and assessment results.

To achieve our policies and objectives, we require all employees to establish the guiding ideology of "quality first" and the service awareness of "customer first", establish and maintain a strict and effective management system within the Company, operate in strict accordance with prescribed procedures and documents, and provide users with the most satisfactory and compliant products at the best cost and with the best production and service.

ZKTeco's Quality Objectives

Assessment Content	2023 Objective	Achievement of 2023 Objective	2024 Objective
Incoming inspection batch qualification rate	99.00%	98.98%	99.10%
Delivery inspection batch qualification rate	99.60%	99.66%	99.70%
Repair rate	2.00%	1.77%	1.70%

Quality certifications

During the reporting period, ZKTeco, ZKTeco Dongguan Branch, and Guangdong ZKTeco all passed the GBT9001-2016 and ISO9001:2015-CNASCN certifications.
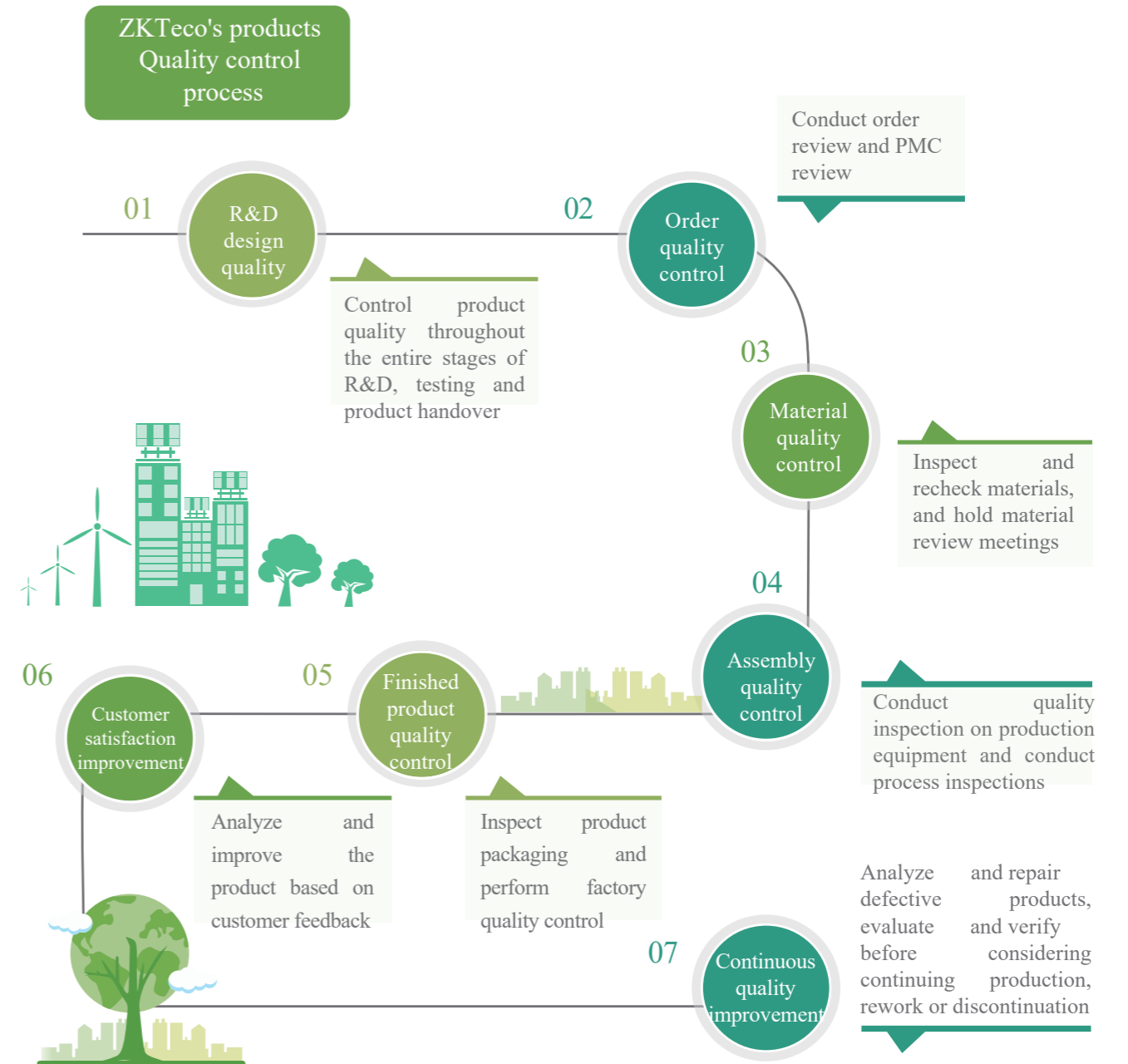
Product Quality System Certificate

Quality risk management

The Company has developed the "Risk and Opportunity Control Procedure" to identify and evaluate various risks and opportunities in the quality management system, establish countermeasures for risks and opportunities, clarify operational requirements including risk avoidance, risk reduction and acceptable risks, establish a comprehensive risk and opportunity management system, enhance the Company's risk resistance, and provide operational guidance for incorporating and applying risk and opportunity identification and evaluation measures in the quality management system.

» Ensuring Product Quality

ZKTeco's products Quality control process

01 R&D design quality

Control product quality throughout the entire stages of R&D, testing and product handover

02 Order quality control

Conduct order review and PMC review

03 Material quality control

Inspect and recheck materials, and hold material review meetings

04 Assembly quality control

Conduct quality inspection on production equipment and conduct process inspections

05 Finished product quality control

Inspect product packaging and perform factory quality control

06 Customer satisfaction improvement

Analyze and improve the product based on customer feedback

07 Continuous quality improvement

Analyze and repair defective products, evaluate and verify before considering continuing production, rework or discontinuation

Production Equipment Management

The Company has developed the "Equipment and Instrument Management Control Procedure" to ensure the normal operation of production equipment, testing instruments and metallurgical tools through service, renovation, calibration, maintenance and management, and to reasonably and effectively meet production and testing needs. The Production Department and the Quality Department are responsible for the procurement, management, daily maintenance and level I service of equipment, instruments and metallurgical tools used in their respective departments; the Engineering Department is responsible for evaluating the feasibility and configuration of the Company's equipment, designing, manufacturing, repairing and renovating it, and organizing acceptance by user departments and conducting level II and level III services; the Procurement Department is responsible for contacting equipment suppliers to cooperate with the Engineering Department in formulating equipment plans and negotiating purchase quotations; the Management Department is responsible for evaluating the purchase cost and reviewing and approving equipment purchases. We regularly perform calibration on the Company's equipment, either internally or externally, with an internal calibration cycle of six months and an external calibration cycle of one year. The Engineering Department or those with an instrument calibration certificate shall submit an "Annual Calibration Plan" at the beginning of each year and schedule the calibration according to the annual plan. During the reporting period, we conducted internal caliper calibration on some equipment using secondary gauge blocks in accordance with the "JJG30-2012 Verification Regulation of Current Calipers". At the same time, we commissioned a third-party testing agency to perform external calibration on some equipment and issued calibration certificates. In addition, we have developed an "Annual Maintenance Plan" for production equipment and carry out daily maintenance and upkeep of the equipment.

Product Quality Training

To enhance employee quality awareness, the Company actively carries out product quality training by a combination of external and internal, online and offline methods. The Quality Management Department is responsible for providing internal training to employees, and providing targeted training of different categories and contents for all employees, quality inspectors, etc. External training is conducted online, covering multiple aspects such as production line design, factory planning, QCDSM indicators, etc. During the reporting period, the Company conducted a total of **42** internal training sessions and **2** external training sessions, with a total training duration of **244** hours and covering **373** people.

Customer Rights and Interests Protection

Customer Service Management

Improving service system

As an innovative international technology company, since its establishment in 2007, ZKTeco has always adhered to a global market network layout based on the concept of localized services. ZKTeco has now established a relatively complete global marketing service network system. As of December 31, 2023, the Company has established 28 branches, 14 subsidiaries, and 193 service outlets in 31 provinces, cities, and autonomous regions across China, with a sales and service system covering the whole country. The Company has established a total of 47 controlling subsidiaries overseas, located in 31 countries and regions worldwide, with product sales covering over 100 countries and regions. During the reporting period, the Company established 7 overseas controlling subsidiaries and 1 domestic controlling subsidiary, continuously accelerating its global layout and promoting the construction of the Company's regional grid marketing system. At the same time, the Company has actively participated in large-scale overseas exhibitions, receiving increasing attention in overseas markets such as South Africa, Brazil and Singapore.

Domestic market

We are committed to safeguarding customer rights and interests and continuously improving customer service levels. For domestic customers, the Company has established systems such as the "After-sales Service Management Specification for China Business Group", the "After-sales Service Process for China Business Group", the "After-sales Quality Exception Handling Specification" and the "Product Warranty Policy of ZKTeco" to standardize product after-sales service management and after-sales exception handling process, and improve customer satisfaction.

Overseas market

The Company's overseas business revenue accounts for a relatively large proportion due to a large number of overseas customers. Therefore, we have developed a customer service management system that is different from the domestic market. We have considered the characteristics of multilingualism, multiculturalism, and multi-time zones to fully improve customer satisfaction. Different overseas subsidiaries have developed customer service systems that are adapted to local policies. For example, the Mexican subsidiary has developed systems such as "Politica-de-Garantias-2023" (after-sales maintenance policy) to better protect customer rights and interests.

Overseas market customer service system

1. The headquarters team provides services to global branches and customers;
2. Local teams of branches provide localized pre-sales, in-sales, and after-sales services to local distribution customers and their customers;
3. Local teams of branches and various distribution agent teams jointly provide various services to local customers, including but not limited to online and offline training, experiential interaction, and after-sales service, ensuring comprehensive coverage and timely response to customer needs.

Overseas market customer service concept

Localized services: With the local team at the core, understand and respect the local culture, customs and language.

Localized services: With customers as the center, provide accessible and efficient communication channels, ensuring that language and time zones do not become communication barriers.

Localized services: Gain a deep understanding of customer needs and provide personalized and thoughtful service experiences.

Full process management of customer service in overseas markets

Pre-sales services

- Market research and analysis: Gain a deep understanding of the characteristics and needs of markets in various countries/regions
- Customer consultation and answers: Provide consulting services tailored to different cultures and languages to answer customer inquiries.
- Product introduction and customized solutions: Provide customized product solutions based on customer needs.

In-sales services

- Order processing and follow-up: Ensure smooth order process, track order status, and respond to customer needs in a timely manner.
- Cultural sensitivity training: Provide team training for customers with different cultural backgrounds to enhance cultural sensitivity.

After-sales services

- Problem solving and technical support: Provide technical support for different languages to ensure timely resolution of customer issues.
- Customer satisfaction survey and feedback: Conduct regular surveys to understand customer satisfaction and continuously optimize services based on feedback.

After-sales service system for overseas markets

24/7 support: Provide 24/7 customer support services in different time zones.

Multilingual support team: Build a multilingual team to cover the diverse language needs of customers.

Knowledge base and training:: Through internal team training, transmit relevant knowledge to the customer's team, and continuously learn and respond to different situations through training.

Intelligent service management

We have opened a national technical service hotline through cloud services, and the service center has set up 80 agents to intelligently record inbound calls, outbound calls, and business transactions.

We have created a WeChat official account of "ZKTeco Customer Service Center", where customers can consult online, communicate and operate after-sales maintenance, equipment password reset and other work online.

We have established an after-sales service management system website, where customers can operate product after-sales management, effectively reducing communication processes and improving work efficiency.

We have uses an online customer service system to categorize and edit answers to common questions,
covering multiple topics such as attendance, access control, video surveillance,
security inspections, etc. By identifying keywords, we can automatically reply.

National technical service hotline: 4006900999

WeChat official account: ZKTeco Customer Service Center

After-sales service management system: https://cn.zkteco.com/cn/product

Online customer service system: https://www.sobot.com/console/login

▶ Customer satisfaction improvement

Customer complaint response

We have actively responded to customer complaints. During the reporting period, the Company had 63 customer complaints and resolved 63 of them. The customer complaint resolution rate was 100%.

Domestic market

In order to improve service quality, standardize the complaint handling process system, put customers at the center, and improve customer satisfaction, we have formulated the "Customer Complaint Acceptance System for China Business Group", which clarifies the customer complaint acceptance regulations related to product or service quality in the China Business Group

We adhere to the principle of "customer first, quality first, high-quality service, and timely response" in our after-sales service and technical support. When receiving customer complaint calls, we calm their emotions, communicate complaint content with them, and keep records. We promptly handle them within the Company and provide feedback on the results to the complaining customers. We have set requirements for the deadline for handling customer complaints to ensure that their demands can be met in a timely manner. After the complaint handling is completed, we fill out the "Customer Complaint Handling Record Form" and the "Technical Service Report Form (After-sales Service Form)", and archive and save the documents generated during the complaint process.

Overseas market

Offline complaints: Customers can directly complain to the legal representative of each subsidiary or directly complain to the legal representative of the business unit during regular visits. The legal representative of the subsidiary and business unit will analyze and provide feedback based on specific circumstances.

Online complaints: Customers can provide feedback on relevant complaint suggestions to the Company through the reserved email on the official website, and the Company will respond to customers based on specific circumstances.

Customer satisfaction survey

Customer feedback is an important source of information for ZKTeco to continuously optimize its services, and the Company attaches great importance to and continues to carry out customer satisfaction management. We conduct customer satisfaction surveys on an annual, quarterly, or monthly basis through telephone, WeChat, QQ, questionnaire, and other survey methods. The survey targets core agents in China, large end customers, overseas subsidiaries, and customers related to quality ticket customer complaints. We also follow up on customer feedback or suggestions and generate a "Customer Satisfaction Survey Follow-up Form". Our customer satisfaction survey target is 90 points, and in the past three years, our monthly customer satisfaction survey scores have been higher than the target value. In the 2023 annual customer satisfaction survey, we collected a total of 3,817 valid questionnaires, with a satisfaction score of 93 out of 100. More than half of the respondents had a very good overall impression of the "ZKTeco" brand.

Poor: 2.3%
General: 12.3%
Very good: 43.6%
Relatively good: 41.8%

2023 Customer Satisfaction Survey Results of ZKTeco
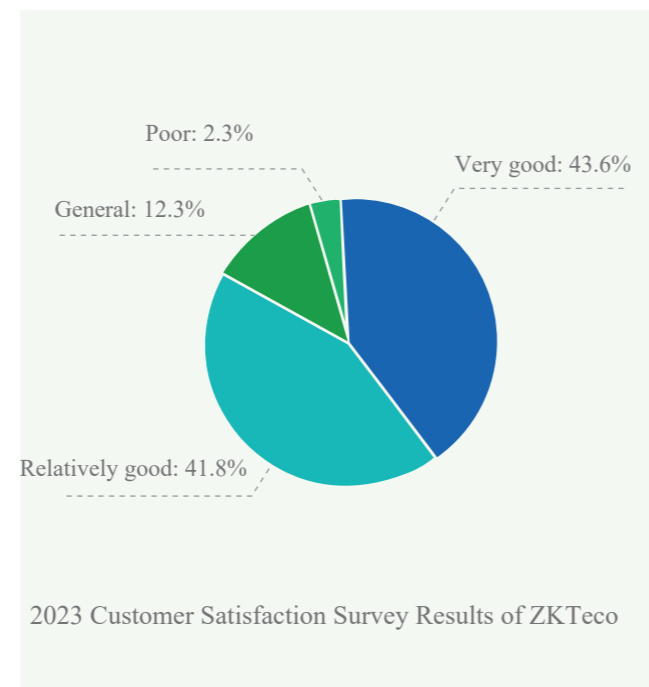
Indicators	Unit	2021	2022	2023
Number of customers participating in the survey	Nos.	3,240	3,497	3,511
Proportion of customers participating in the survey	%	85	88	92
Number of valid customer satisfaction questionnaires distributed	Copies	3,812	3,947	3,817
Overall customer satisfaction score	Points	90	92	93

	January	February	March	April	May	June	July	August	September	October	November	December
■ Customer satisfaction in 2022 (%)	98.9	99.5	99.2	99.2	99.3	99.0	99.3	99.1	99.2	99.4	99.4	99.1
■ Customer satisfaction in 2023 (%)	99.3	99.1	99.0	99.1	99.3	99.1	98.9	99.4	99.6	99.6	99.5	99.5

Trend Chart of Customer Satisfaction via ZKTeco's 400 Hotline

Customer service training and assessment

To better serve customers, the Company conducts customer service training for relevant employees, special training for new employees, and assessment of trainees, including theoretical and practical assessments. In 2023, we conducted two batches of customer service training and customer technical training, with a total of 48 participants and a pass rate of 95.8% in the assessment. In addition, we provided specialized training on customer complaints, including etiquette standards for customer service personnel and how to enhance customer experience, in order to better respond to customer complaints.
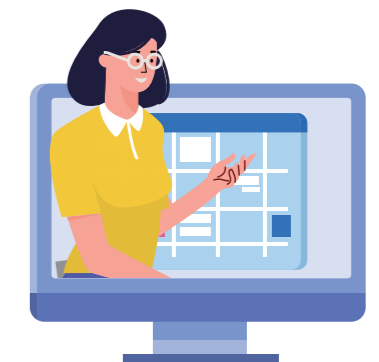
Customer service training and customer technical training

Statistics on Customer Service Training and Assessment

| Indicators	Unit	2021	2022	2023
Person-time of special training on customer complaint response	Person-time	76	85	90
Total duration of special training on customer complaint response	Hour	72	84	96
Number of special training sessions on customer complaint response	Times	12	12	12
Number of assessments on customer complaint response	Times	12	12	12
Pass rate of assessments on customer complaint response	%	83	86	90

Responsible marketing

The Company regulates its information management and publicity work in strict accordance with the "Advertising Law of the People's Republic of China", adheres to responsible marketing, and strictly prohibits all forms of false advertising. We are committed to showcasing the service capabilities and competitive advantages of ZKTeco to the market, while maintaining absolute authenticity and objectivity, and strictly prohibiting false advertising. To enhance our employees' awareness of responsible marketing, we provide annual training on responsible marketing to them.

Indicators	Unit	2021	2022	2023
Person-time of responsible marketing training	Person-time	500	556	609
Total duration of responsible marketing training	Hour	8	8	8
Number of responsible marketing training sessions	Times	4	4	4

➤ Customer Privacy Protection

ZKTeco respects and protects the privacy of customers, and will sign a "Confidentiality Agreement" before conducting business cooperation with customers, requiring the confidentiality of information between both parties. We have made provisions in the "After-sales Quality Exception Handling Specification" to protect customer privacy: do not call and view user information without user authorization; do not modify, delete, copy or transmit user data to the outside world without user authorization; do not exchange customer accessories without user authorization; do not change customer machine hardware and software settings without user authorization. In addition, we require relevant personnel to notify customers to clear device data before handling after-sales product returns and exchanges.

Each overseas subsidiary has established relevant policies and systems to protect customer information. For example, the Mexican subsidiary has formulated the "Aviso-de-Privaci-dad-Integral (Comprehensive Privacy Statement)", the "Politica -de-Privacidad -ZKTeco-LATAM (Privacy Policy)", etc., to standardize customer privacy protection.

Do not call and view user information without user authorization

Do not modify, delete, copy or transmit user data to the outside world without user authorization

Regulations for protecting customer privacy

Do not exchange customer accessories without user authorization

Do not change customer machine hardware and software workpiece settings without user authorization
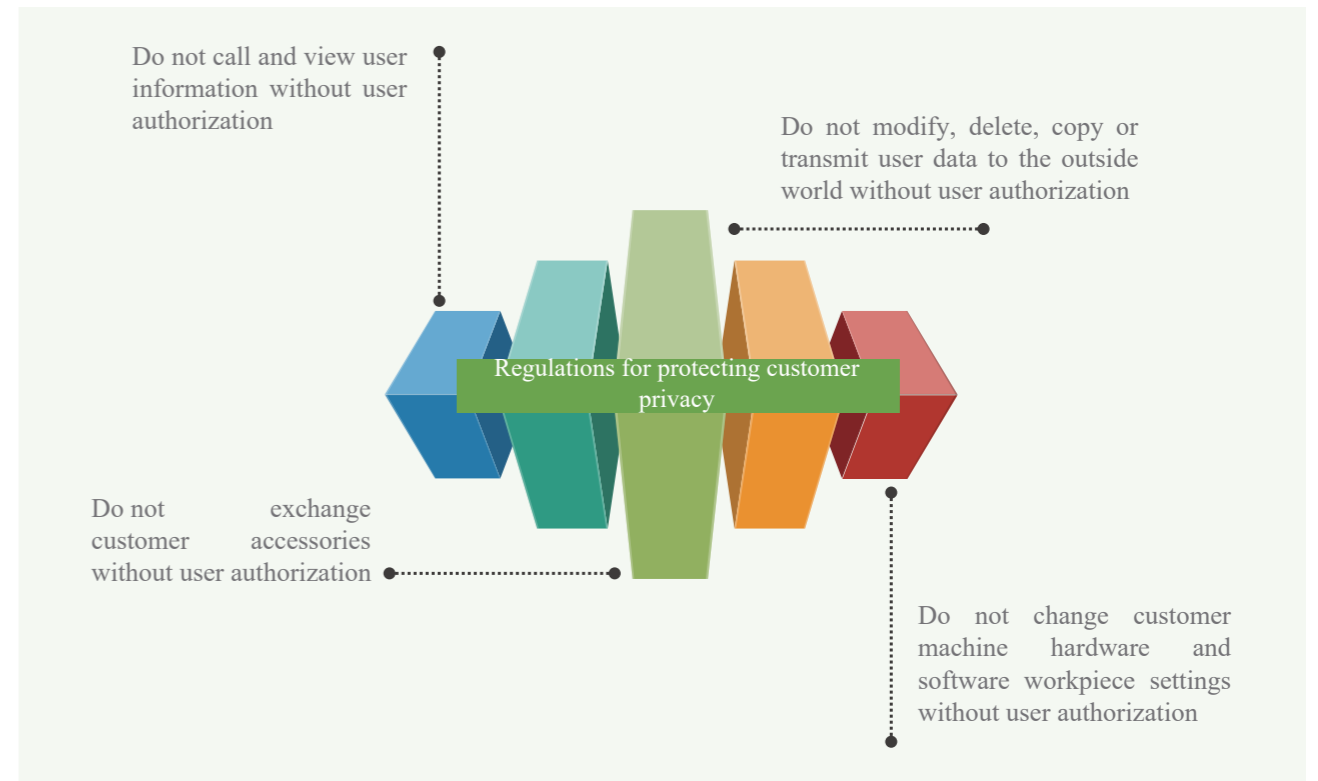
Information Security Protection

⟩⟩ Information Security Management System

Institutional policy

With the development of information technology revolution and economic globalization, competition between enterprises has shifted to competition in technology and information. Protecting the Company's core technology secrets and other information assets, and preventing information leakage, have become the basic guarantee for the Company's sustainable development.

ZKTeco has established multiple information security and privacy protection related systems and regulations in strict accordance with laws and regulations such as the "Cybersecurity Law of the People's Republic of China" and the "Data Security Law of the People's Republic of China", including the "Cybersecurity Management Regulations", the "Information Security and Privacy Incident Management Regulations", the "Software Development Security Management Regulations", etc., covering personnel security management, access control management, network and communication security, operational security, information security continuity management, information asset protection, privacy related management, etc.

In order to define the process and requirements for establishing, implementing, maintaining and continuously improving information security, information technology services and privacy security management systems in the Company, clarify the responsibilities of all related parties, establish management policies and basic strategies, and guide all business units and employees to carry out their work comprehensively within the Company, ZKTeco has developed the "Information Security and Privacy Management Manual" in accordance with international standards such as the "Information Security Management Requirements" (ISO/IEC27001:2013) and the "Information Technology - Security Techniques - Code of Practice for Information Security Controls Based on ISO/IEC27002 for Cloud Services" (ISO/IEC27017:2015). XIAMEN ZKTECO has developed the "Management Manual" for information security management, information technology service management, and cloud security management system documents for privacy security.

Information security and privacy security policy

Information security is everyone's responsibility, and risk control is continuously improved.
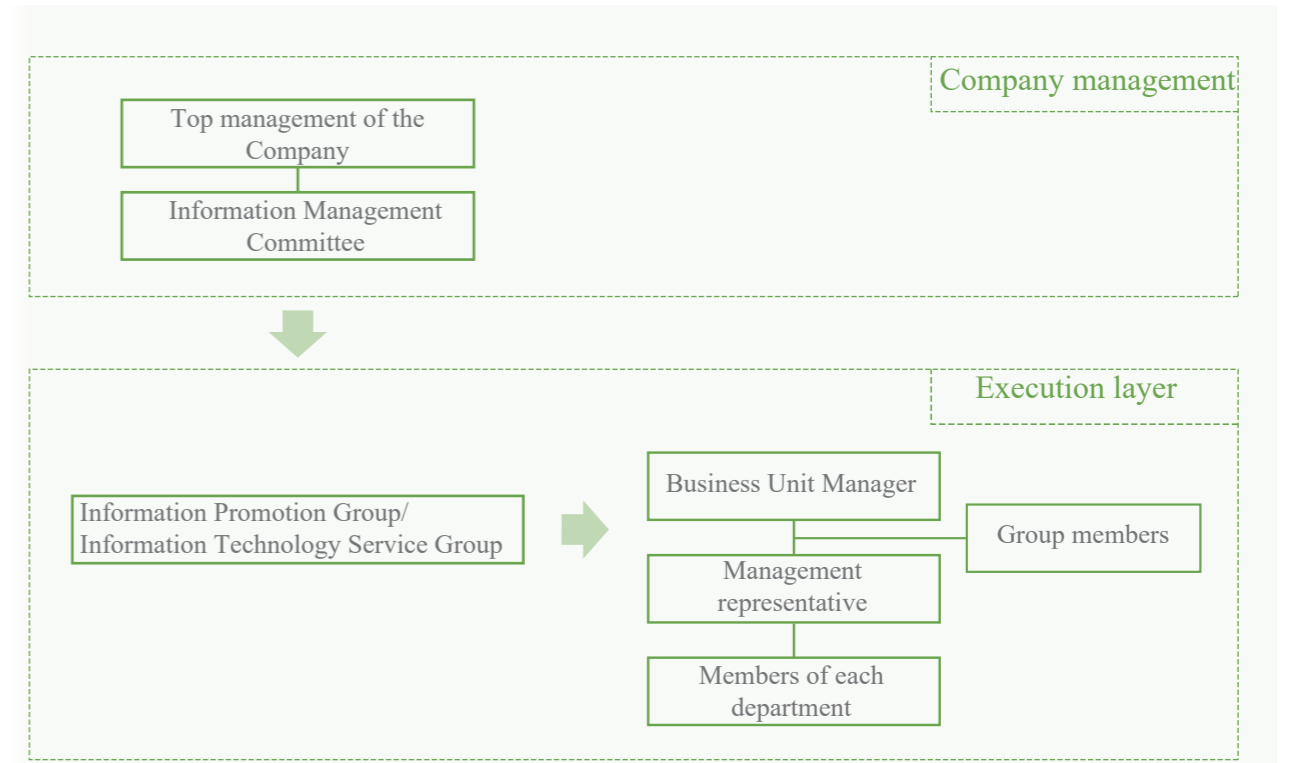
Information technology service policy

Quick response, professional focus, first-class service, and continuous improvement.
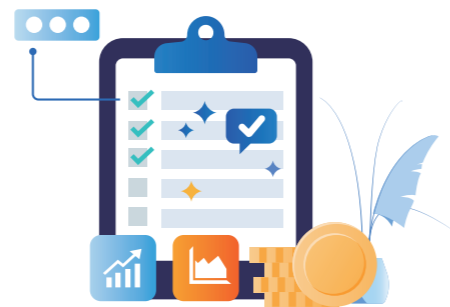
Managing organizations

The Company has established an Information Security and Privacy Management Committee and an Information Security Management Working Group. With the vision of protecting the Company's core assets and preventing information leakage, the Company has established and implemented a series of strategies, systems, measures and methods through asset collection, risk analysis, and plan formulation, and established an information security management system, which has been comprehensively promoted and implemented within the Company. The Information and Product Security Committee is a Promotion Group under the highest organization of the Company's information security, responsible for the overall information security management of the Company and for promoting the implementation of information security, and other departments cooperate to complete information security related work.

Information Security, Information Technology Service and Privacy Security Management System Diagram for XIAMEN ZKTECO

Management objectives

We have set information security, information technology service, and privacy security management objectives, and all objectives were achieved during the reporting period.

Information security objectives

Ensure the security of the Company's core information assets and prevent information leakage.

Number of security incidents:

Target value of major safety incidents: 0 times per year;
(Including but not limited to core code damage and loss, leakage of trade secrets to competing companies in the industry, financial statement leakage, etc.) Target value of major security incidents: no more than 3 times per year;
(Including but not limited to network interruption exceeding one working day, power outage exceeding one working day, etc.)
Target value of general safety incidents: no more than 8 times per year.
(Including but not limited to network interruption exceeding half a working day, power outage exceeding half a working day, etc.)
Number of information leaks:
Zero incidents of information leakage at or above the confidential level.

Information technology service objectives		Privacy security management objectives

Target assessment qualification rate agreed upon in the service level agreement ≥ 99%; Software design implementation rate ≥ 97%; Customer satisfaction ≥ 85%.

Cloud service availability ≥ 99.9%; Timely response rate to privacy incidents ≥ 95%.

System certifications

The Company actively carries out information security and privacy protection related management system certifications. ZKTeco has passed ISO27001:2013 information security management system certification and ISO27701:2019 privacy information management system certification. XIAMEN ZKTECO has passed ISO27001:2013 information security management system certification, ISO27701:2019 privacy information management system certification, and ISO27017:2015 cloud service information security management system certification, all of which are valid during the reporting period.

➤ Normalized Security Governance

Information security risk management

ZKTeco has formulated the "Information Security Risk Assessment Guidelines" and the "Personal Privacy Risk Assessment Guidelines" to assess and manage information security risks and personal privacy risks. Both the Company and XIAMEN ZKTECO have formulated the "Information Confidentiality Classification Guidelines" to identify and determine the confidentiality levels of various information in the Company's business activities. The confidentiality levels from level I to level V are classified as top secret, confidential, internal restriction, internal disclosure, and external disclosure.

We summarize information assets of various departments and compile the "List of Information Assets", and classify and rate them based on their characteristics (confidentiality, integrity and availability). For information assets at level III or above, we assess potential risks, including risk likelihood, consequences and asset level, form preliminary risk levels, determine final risk levels after taking measures, and record them in the "Risk Assessment Form"; develop a risk management plan for level 3 and above risk assets and risk items, and prepare a "Risk Assessment Report & Management Plan".

Data security protection

Data security protection
The Company conducts risk identification and analysis on supplier information, customer data, employee data, etc., and takes targeted measures to protect their data security and privacy.

Protecting supplier information

The Company keeps confidential paper versions of supplier information, while electronic versions are stored in the NAS and access permissions are set. XIAMEN ZKTECO classifies suppliers, sets different information security requirements for the confidential information involved by different suppliers, and takes targeted measures.

Protecting customer data

For customer data related to R&D technical support, the Company has formulated the "Technical Support Service Customer Data Privacy Management Rules" to clarify the work requirements of technical support personnel. In addition, we require customers to sign a "Privacy Protection Statement for Technical Support Services", reminding them to backup and clear device data before sending the product for repair; for special circumstances where it cannot be cleared, customers need to sign relevant statements, and the Company's technical support personnel will clear the data and keep records after processing.

Protecting employee data

The Company stores paper versions of employee data in the Printing Room, sets access control and permissions, and clears them upon expiration; electronic files are stored in the NAS and only support internal network access. Access permissions are set and relevant data is backed up weekly.

Company Printing Room

In addition, the Company requires all relevant personnel to sign the "Confidentiality Agreement" and install ESMC port management software and antivirus software to prevent virus and Trojan attacks. We provide information security related training to new employees upon their onboarding, and also provide periodic information security awareness training to current employees. In the past three years, the Company has not experienced any violations of information security and privacy protection. We attach great importance to data security protection and continue to increase investment in data security.

Training on Information Security and Privacy Protection Conducted by the Company

Indicators	Unit	2021		2022		2022	
		Dongguan	Xiamen	Dongguan	Xiamen	Dongguan	Xiamen
Number of relevant training sessions conducted	Times	12	4	12	4	12	4
Number of participants in practice and training	Person-time	1,290	796	958	586	1,005	664
Employee coverage of practice and training	%	43	64	31	52	34	71

Information security technology guarantee

ZKTeco's information security technology guarantee measures

- 🛡️ Set up a firewall at the entrance of the external network to resist external virus and Trojan intrusion
- 🛡️ Install AsiaInfo antivirus software on the server
- 🌐 Use internal network system. External network needs to be accessed through VPN
- 🔒 Product data/sensitive information encryption
- 🖥️ Computer port management (using ESMC for terminal control)
- 👤 Restrict some personnel's internet access and use the SangFor AntiBot System to control their Internet behavior
- ▣ Anonymization of product user data
- 🔐 Access control (develop the "Access Control Management Regulations")

Data security technology cooperation

ZKTeco actively expands cooperation in security ecosystem technology, conducts in-depth communication with data security technology companies, and invites external organizations to provide training and guidance to employees, comprehensively strengthening the Company's capabilities in threat intelligence collection, vulnerability scanning, risk assessment, and other aspects. During the reporting period, the R&D Department was responsible for timely handling and responding to product related vulnerabilities periodically released by CNVD (China National Vulnerability Database). At the same time, the Company invited external certification training institutions (DNV, SGS, etc.) and external product security experts to provide coaching and customized product security training, and purchased information security protection system coaching and related technical consulting services from Dalian Hi-Think.

Feedback on CNVD vulnerability platform issues

Dalian Hi-Think assisting in building a security system

Customized training on "Software Security"

Inviting DNV experts for training

» Emergency Event Management

To address information security risks, ZKTeco has developed alternative measures and emergency plans to ensure the Company's level of information security management. The Company has established systems such as the "Business Impact Analysis (Information Security)", the "Information Security Continuity Management Regulations", and the "Information Security Continuity Management Plan" to provide stable and reliable guidance for ensuring information security. Moreover, in order to respond to possible emergencies, achieve scientific, procedural and standardized emergency response to network and information security emergencies, and build an information and network security guarantee system, the Company has developed multiple emergency plans to take timely measures in the event of information security emergencies.

ZKTeco

"Emergency Response Plan for Storage Server Failures"
"Emergency Plan for Handling Failures in Access Aggregation Switches"
"ZKTeco's Fire Emergency Mechanism"
"ZKTeco's Power Outage Emergency Mechanism"
"Emergency Plan for Failure Handling in Internet Behavior Management (AC)"
……

XIAMEN ZKTECO

"Emergency Plan for Failure Handling in Internet Behavior Management (AC)"
"Emergency Plan for Handling Core Switch Faults"
"Emergency Plan for Power Outage"
"Fire Emergency Mechanism"

……

» Network Security Escort

Currently, network security has become a national strategy. During the reporting period, ZKTeco released the "Cloud Security & Compliance White Paper", which for the first time disclosed the cloud service security operation system and elaborated on the cloud platform security standards and compliance system. Based on years of deep cultivation in professional fields and continuous innovation investment in basic research, ZKTeco provides multi-dimensional technical support capabilities in the field of cloud platform service security, fully providing network security services and safeguarding cloud network security for customers.

People oriented Creating a warm new home

We adhere to the talent concept of "people-oriented, collaborative and win-win", create a diverse and inclusive workplace environment, provide employees with competitive salary and benefits, establish a comprehensive training system, and strive to ensure the physical and mental health and safety of employees. Let employees work hand in hand with the Company for constantly creating new value and a good life.

Our Actions

- Employee Rights and Interests Safeguarding
- Democratic Communication Promotion
- Employee Growth Promotion
- Employee Health Protection
- Employee Care Strengthening

Responsive SDGs

| 3 Good Health and well-being | 4 Quality education | 5 Gender equality | 10 Reduce inequality |

Important Achievements in 2023

- Labor contract signing rate: **100%**
- Number of new employees: **1,038**
- Number of employees entitled to maternity leave: **70**
- Employee return rate for maternity leave: **100%**

Employee Rights and Interests Safeguarding

⟫ Labor Relationship Management

Employee recruitment

The Company has formulated multiple management systems including the "ZKTeco's Recruitment and Configuration Management Regulations" and the "ZKTeco's Recruitment Behavior Operation Standards" in strict accordance with relevant laws and regulations such as the "Labor Law of the People's Republic of China" (hereinafter referred to as the "Labor Law") and the "Labor Contract Law of the People's Republic of China" (hereinafter referred to as the "Labor Contract Law"). Adhering to the principles of "respect, fairness, and impartiality" and "efficient identification, scientific evaluation, personnel position matching, and selective recruitment", the Company standardizes the recruitment and entry process of employees, eliminates all forms of discrimination and prejudice, and ensures that recruitment work is fair, just and orderly. We adhere to the talent concept of "those who are capable come first, and talents emerge in large numbers", evaluate talents based on their abilities, qualities and values, and build ZKTeco's talent supply chain.

Diversified recruitment channels

The Company has established diversified recruitment channels, including online recruitment platforms, on-site job fairs, and third-party human resources services through social recruitment channels. Campus recruitment channels include online and offline campus lectures, mutual selections, school-enterprise cooperation, and third-party campus recruitment company cooperation. In addition, based on the source of candidates for positions, the Company also opens up the internal talent market to employees through internal recruitment in addition to campus recruitment and social recruitment, providing more opportunities for employees to expand their career development areas and helping them explore broader growth paths. Internal recruitment includes internal transfers, post promotions, etc. The Company will also open recruitment channels for suitable veterans and people with disabilities.

Given the high level of understanding and loyalty among internal employees towards the Company, the Company adheres to the principle of "internal first, external later" in recruitment, prioritizing internal recruitment to promote internal talent flow and optimize allocation, and enhance employee motivation. When internal recruitment cannot meet the Company's employment needs, the Company considers external recruitment to attract outstanding talents and revitalize the enterprise's talent pool. The Company conducts an annual effectiveness evaluation of recruitment channels, retains efficient recruitment channels, and eliminates inefficient ones.

On-site recruitment

School-enterprise cooperation signing meeting

Offline lecture

Indicators	Unit	2023
Labor contract signing rate	%	100
Number of new employees	Person	1,038
Campus recruitment	Person	210
Social recruitment	Person	828
Employee turnover rate	%	21.35

Employee structure

Employee Composition		Unit	2021	2022	2023
Total number of employees		Person	3,834	3,788	4,106
Divided by gender	Male	Person	2,431	2,394	2,592
	Female	Person	1,403	1,394	1,514
Divided by age	Under 30 years old	Person	1,878	1,811	1,931
	31-50 years old	Person	1,864	1,890	2,078
	Over 50 years old	Person	92	87	97
Divided by educational background	Doctor	Person	2	2	2
	Master's degree	Person	117	131	135
	Bachelor's degree	Person	1,540	1,648	1,902
	Other	Person	2,175	2,007	2,067
Divided by specialty	Production personnel	Person	1,050	941	994
	Sales personnel	Person	1,214	1,305	1,568
	Technical personnel	Person	1,117	1,125	1,226
	Financial personnel	Person	127	126	79
	Administrative personnel	Person	326	291	239

Diversification, equality and inclusiveness

ZKTeco adheres to the principles of legality, compliance, fairness, and respect, and is committed to establishing an inclusive and equal opportunity work environment. The Company's employees are distributed in various regions of China and overseas countries. The Company clearly stipulates in the "Recruitment Behavior Operation Standards" that it is prohibited to pass on discriminatory ideas such as region, race and gender. During recruitment and employment, the Company abides by the relevant provisions of ZKTeco's Business Values Guide, cares for employees, and does not take the hepatitis B test and pregnancy test as employment conditions, does not take social class, nationality, religion, etc. as the criteria for judging employees, and respects and guarantees the rights and interests of employees in all aspects. During the reporting period, the Company did not experience any incidents of labor discrimination.

Opposing the employment of child labor

The Company prohibits the employment of child labor and firmly opposes any disguised use of child labor. In the "ZKTeco's Recruitment Behavior Operation Standards", there are clear regulations on the age of applicants and it is not allowed to hire minors. The Company has formulated the "Recruitment Background Check Operation Standards" to conduct background checks on every newly hired employee. The content of the background check includes comparing the ID card and the person, confirming the age of the new employee, and avoiding the recruitment of child labor by mistake. During the reporting period, the Company did not experience any incidents of child labor.

Opposing forced labor

The Company has formulated working hour and vacation policies in strict accordance with the relevant provisions of laws and regulations such as the "Labor Law" and the "Labor Contract Law", ensuring the legitimate right to rest of employees. The Company provides employees with various paid leave options such as annual leave, marriage leave, and compensatory leave, and implements a 5-day 8-hour work system. In addition, the Company prohibits the use of forced or compulsory forms of labor such as prisoner laborer and bonded laborer. During the reporting period, the Company did not experience incidents of forced labor.

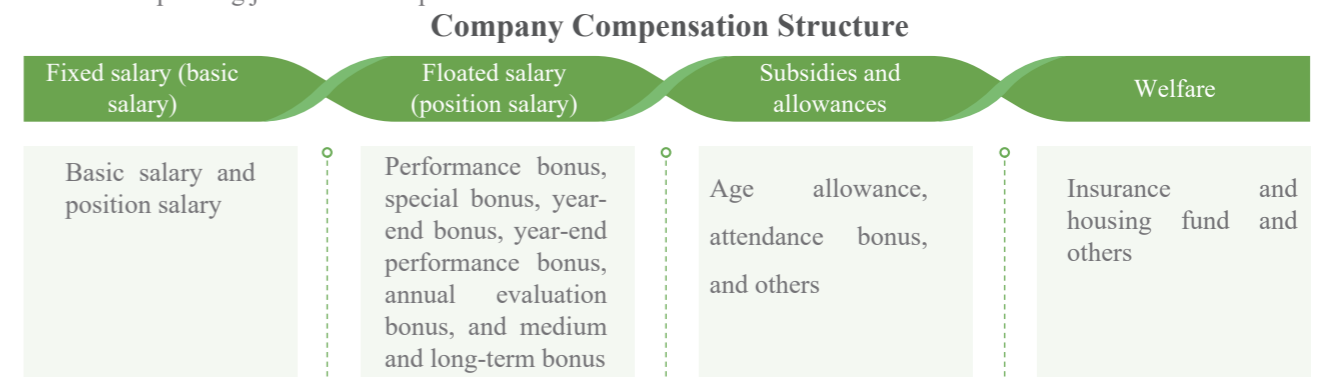### Protection of female employees' rights and interests

We pay attention to the rights and interests of female employees, strengthen the protection of female employees during pregnancy, childbirth, lactation, and other stages in strict accordance with the requirements of laws and regulations such as the "Law of the People's Republic of China on the Guarantee of the Rights and Interests of Women", and actively implement the systems of maternity leave, prenatal rest leave, maternity leave, lactation leave, etc. The Company pays salaries to pregnant female employees according to normal attendance. We respect and care for female employees, strive to combat discrimination against special groups such as pregnant women, and implement human rights protection effectively.

Indicators	Unit	2023
Number of employees entitled to maternity leave	Person	70
Maternity leave return rate	%	100
Number of employees entitled to accompanying paternity leave	Person	62
Accompanying maternity leave return rate	%	100

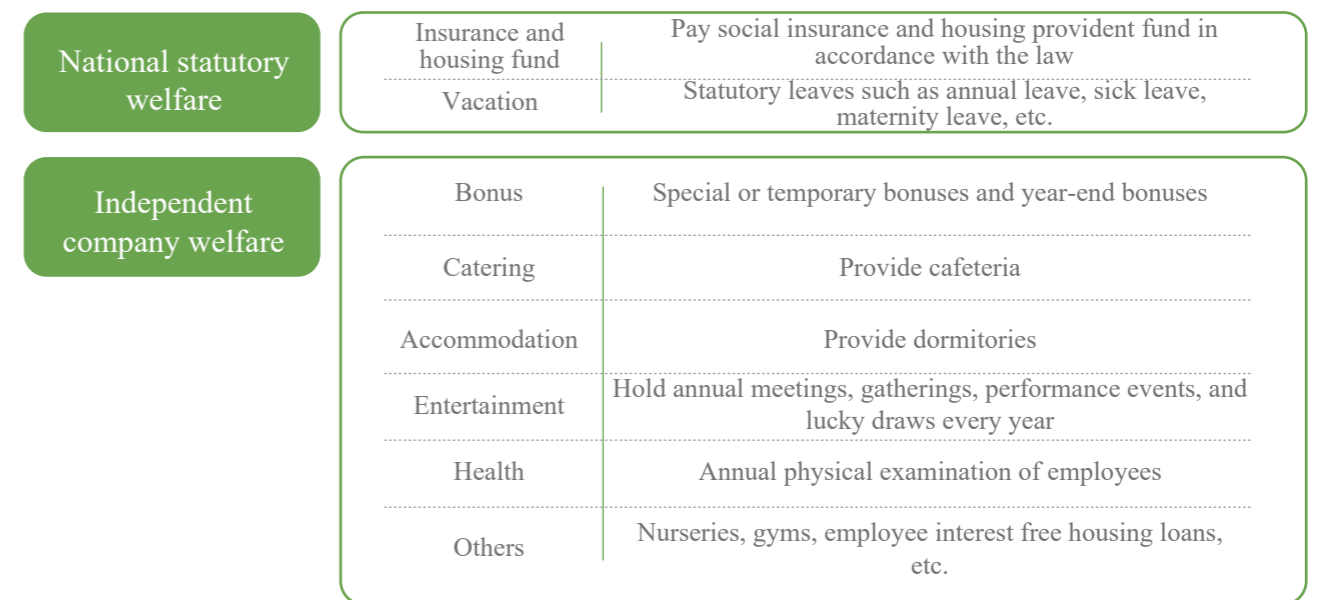## Compensation and Benefit System

Compensation structure

The Company has formulated the "Employee Handbook", the "Compensation Management System", and the "Organizational Performance Management System" in strict accordance with relevant laws and regulations such as the "Company Law", the "Labor Law", and the "Labor Contract Law", to enhance the incentive, balance, and fairness of salary, and ensure that salary distribution is scientific and reasonable. The Company determines salary standards based on the principles of remuneration for work, fairness and justice, and mutual benefit between labor and capital, according to the corresponding job level of the position.

Company Compensation Structure

Fixed salary (basic salary)	Floated salary (position salary)	Subsidies and allowances	Welfare
Basic salary and position salary	Performance bonus, special bonus, year-end bonus, year-end performance bonus, annual evaluation bonus, and medium and long-term bonus	Age allowance, attendance bonus, and others	Insurance and housing fund and others

Staff welfare

To protect the rights and interests of employees, enhance the cohesion of the Company, and attract and retain outstanding talents, the Company provides employees with generous benefits.

ZKTeco's Welfare System

National statutory welfare	Insurance and housing fund	Pay social insurance and housing provident fund in accordance with the law
	Vacation	Statutory leaves such as annual leave, sick leave, maternity leave, etc.
Independent company welfare	Bonus	Special or temporary bonuses and year-end bonuses
	Catering	Provide cafeteria
	Accommodation	Provide dormitories
	Entertainment	Hold annual meetings, gatherings, performance events, and lucky draws every year
	Health	Annual physical examination of employees
	Others	Nurseries, gyms, employee interest free housing loans, etc.

Case 1: Holding an employee birthday party

In order to make employees truly feel the care of the Company, further strengthen the centripetal force and cohesion of employees, and deepen the construction of the Company's "home" culture, the Company has sent blessings and carefully prepared birthday gifts to employees every month since its establishment, so that employees all over the country and even globally can feel the care of the Company.

Case 2: Employee family day activities

In order to express gratitude to expatriate employees for their loyalty, dedication, responsibility, and mission to the Company, as well as to every family for understanding and contribution to ZKTeco, the Company has launched activities such as family visits overseas, regular invitations to family members to participate in internal company activities, gifts for major holidays, and irregular visits to the families of expatriate colleagues.

Performance assessment

The Company has established a Compensation Management Committee, which includes the Human Resources Center, the heads of level I organizations, the Internal Audit Department, and the Finance Department, to form a performance management organization. The Human Resources Center plays the role of a consultant in performance management, and each department is responsible for performance management. To achieve the annual performance objectives of the Company and departments, we jointly establish the "Performance Objective Responsibility Letter" through the participation of superiors and subordinates, as a formal performance agreement, to standardize and guide the work behaviors and efforts of all related parties.

According to the "Organizational Performance Management System", the Company conducts regular performance assessments every year. We adhere to the principles of "fairness, impartiality, and openness", and clearly define the specific requirements for four key links: performance objective setting, performance implementation and coaching, performance evaluation and feedback, and performance result application.

We value two-way communication between performance evaluators and assessees, providing feedback on assessment results, strengths and weaknesses, and providing improvement suggestions. If the assessed organizations have objections to the results, they can fill out the "Performance Appraisal Appeal Form" within the prescribed time to appeal to the Compensation Management Committee. The Human Resources Center will lead the investigation, propose preliminary handling opinions, and submit them to the Compensation Management Committee for ruling before implementation. If the declarant does not accept the conclusion, he/she may retain his/her opinion, but the ruling result must be applied.

Equity incentives

To fully stimulate and mobilize the work enthusiasm and motivation of the core team, effectively combine the interests of the Company, shareholders, and employees, and maximize the symbiosis and growth of multiple values, ZKTeco CO., LTD. officially released the 2022 Restricted Stock Incentive Plan in September 2022, implementing the second type of restricted stock incentive plan. The grant of reserved shares was completed in June 2023, and the first phase of the grant of restricted shares was completed in November 2023.

ZKTeco continues to improve its long-term incentive mechanism. In order to promote the healthy and stable development of the Company, the actual controller and Chairman of the Company have fully considered the Company's financial position, operation, and development strategy, and propose that the Company use its own funds to repurchase some of the Company's shares for the implementation of employee stock ownership plans or equity incentives. On November 10, 2023, the Company held the 7th Session of the Third Board Meeting and deliberated and approved the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading". As of February 1, 2024, the above-mentioned share repurchase plan of the Company has been completed, with a total of 2,230,000 shares repurchased. The repurchased shares will be used for equity incentives or employee stock ownership plans in the future.

Democratic Communication Promotion

» Convening employee congresses

The Company establishes the trade union in accordance with relevant laws and regulations, regularly holds employee congresses, facilitates communication channels, and safeguards the legitimate rights and interests of employees, such as the right to know and participate. Employees of the Company join the trade union organization on a voluntary basis. The management structure of the trade union organization includes members such as the Chairman, finance and economics, cultural and sports, labor and welfare, and women's protection. Generally, employee representatives account for about 10% of the total number of members. During the reporting period, the Company held the first employee congress of 2023. The main agenda of the employee congress was to review the "2023 Employee Handbook", and the number and qualifications of employee representatives at the employee congress met the statutory requirements.

The First Employee Congress of 2023

» Establishing diversified communication channels

Smooth communication channels help employees fully express their opinions and create a working environment for democratic communication in the enterprise. The Company has established equal and democratic diversified communication methods, ensuring that employees can obtain timely and clear information in different scenarios through face-to-face meetings, emails, internal social networks (such as Colleague Bar and ZKTeco World), etc. In addition, the Company has established an employee suggestion box, allowing employees to raise questions and provide feedback in a timely manner, in order to better understand their needs and ideas. To ensure the transparency and accuracy of information, and to clearly convey information, the Company has set up a company affair disclosure column, issuing announcements, internal communications, etc., to help employees better understand the development and objectives of the enterprise.

Employee suggestion box poster

Company affair disclosure column

Employee Growth Promotion

➤ Talent Development Concept

In order to standardize the training management of ZKTeco, improve the comprehensive quality of employees, and achieve common development between employees and the enterprise, the Company has formulated the "Training Management System". We always adhere to the concept of "developing the enterprise with technological innovation and talents", providing employees with multi-channel and diversified promotion channels and development platforms, and inspiring their innovation awareness and work passion. We adhere to the values of "responsibility, integrity, pragmatism, and excellence", focusing on the intrinsic qualities of integrity, pragmatism, enterprising spirit, and sense of responsibility. In terms of employment, we focus on practical abilities, and are guided by work results and performance to achieve self-value while realizing the Company's value.

➤ Career Development Channel

Career development path

The employee career development system, as an important component of the human resource management system, plays a crucial role in establishing and strengthening organizational capabilities, shaping core advantages, and promoting the effective achievement of organizational strategic objectives. The Company has formulated employee career development paths and promotion channels based on actual situations, providing employees with diversified career development directions and opportunities, and maximizing employee vitality and potential.

The Company divides employees into five categories, namely management, marketing, technical, professional, and operational categories. Except for the management category, employees in other categories are evenly divided into six levels, and are promoted step by step based on work experience and performance. The career development path is clear.

ZKTeco's Position Pattern

Management category (M)	Executive management (M3)		Operational management (M4)		Management decision-makers (M5)		
Rank	New entrants	Assistants	Junior	Intermediate	High	Senior	Experts
Marketing category (S)	S0	S1	S2	S3	S4	S5	S6
Technical category (T)	T0	T1	T2	T3	T4	T5	T6
Professional category (P)	P0	P1	P2	P3	P4	P5	P6
Operational category (O)	O0	O1	O2	O3	O4	O5	O6

Internal job transfer mechanism

Job transfers within the Company are mainly divided into two types: internal transfers within business groups and transfers across business groups. Internal job transfers require the Company's talent demand department to initiate internal recruitment requests, and the Human Resources Center recommends resumes and interviews to select transferred employees based on the needs. Employees complete internal job transfers after passing the trial period and assessment.

> During the reporting period, the Company experienced a total of 639 transfer incidents, including 597 transfers within the business group and 42 transfers across business groups.

➤ Employee Training Measures

In terms of talent cultivation, we create a rich and diverse online and offline learning environment and training opportunities for the growth and progress of employees. We strive to create a corporate culture atmosphere of mutual trust, respect and help, providing sustainable development space and opportunities for each employee, and encouraging employees to work together and grow together in the Company.

Construction of teaching team

ZKTeco implements "mentor system" and "internal lecturer system" management methods. In order to promote the extraction and inheritance of knowledge and experience within the Company, select and cultivate high-quality mentors and internal lecturer teams, we have formulated the "ZKTeco's Mentor System Management Measures" and the "Lecturer Management Regulations", which cover the selection, welfare, and teaching management of mentors and internal lecturers. In 2023, the Company certified 125 lecturers, including 5 senior lecturers, 35 intermediate lecturers, and 85 junior lecturers.

Construction of training platform

We provide employees with a rich and diverse online learning environment. Through online management of course resources, real-time teaching, online exams, and result analysis, we help establish an enterprise knowledge base and promote the standardization and professionalization of the Company's training management. The Company has introduced an online learning platform called Yunxuetang, which includes five application sections: training center, online classroom, testing center, research center, and teacher management. The platform contains rich course resources, covering multiple sections such as human resources management, sales management, financial management, basic middle and senior management, and workplace literacy, with a total of 955 learning courses.

Diversified training methods

The Company and its subsidiaries have established multiple exhibition halls for corporate development and culture, strengthening employees' organizational responsibility through training and education, and enhancing their sense of honor and pride. We pay attention to employee skill training, focus on promoting employee education and training, establish talent training mechanisms such as on-the-job training and professional technical training, accelerate employee career growth, and broaden employee development channels.

Case 1: New employee training

In 2023, the Company conducted three offline training sessions for new employees, with a total of 136 participants (new employees from various business groups), and a total of 15 class hours; the Company provided 10 courses online, with a total of 10 class hours and 54 participants (new employees of the Group).

Case 2: Technical post training

The Company carries out SAP system skills training activities to promote key personnel in relevant departments to have a deeper understanding of SAP system and better use it, in order to improve employees' SAP system operation level and practical operation ability. There are about 700 trainees, covering various job levels.

Case 3: Management post training

The Company conducts EDP training (Agile Change Special Training for Middle and Senior Managers) activities, which promote the mastery of core knowledge, construction of management thinking, improvement of comprehensive abilities, optimization of business philosophy, clear strategic direction, and support for future development through systematic management courses and innovative practical activities by the middle and senior managers. The trainees are 80 middle and senior managers of the Company, with a total of 7 training courses and 72 class hours.

Training Evaluation and Assessment

The Company uses the Kirkpatrick model to comprehensively evaluate training results and provides feedback to the supervisory department as a basis for developing and revising training plans. Response evaluation provides feedback on the training results of trainees through survey questionnaires or interviews. Learning evaluation involves the knowledge and skills mastery of trainees through exams, speeches, and other methods. Behavioral and result level evaluation involves the achievement of training objectives through tracking surveys and face-to-face interviews between training leaders and trainees. After the training is completed, an assessment will be conducted to ensure fairness, impartiality, and openness. If trainees have any doubts about the assessment process, they can report it to the Human Resources Center, which is responsible for investigating and informing them of the results within a week.

Skill Level Recognition

In order to implement the recognition of occupational skill levels in human resources and social security, accelerate the improvement of the Company's skilled talent evaluation system, further stimulate and mobilize the enthusiasm of employees, and explore and cultivate a group of excellent skilled talents, the Company has been carrying out skill level recognition for three consecutive years since 2021. As of December 31, 2023, 1,542 people have obtained certificates.

Employee Level 2 Vocational Skills Certification and Evaluation Site

Categor	Level	Unit	Number of People
Number of recognized workers for electronic assembly and connection of broadcasting and communication equipment	Level 5	Person	1,067
	Level 4	Person	234
	Grade III	Person	126
	Grade II	Person	27
Number of computer programming staff	Level 4	Person	47
	Grade III	Person	24
	Grade II	Person	17

Employee Health Protection

⟫ Occupational Health and Safety Management System

The Company adheres to the concept of "safety first, prevention first" and pays attention to the occupational health of employees. In accordance with relevant laws and regulations such as the "Occupational Disease Prevention and Control Law of the People's Republic of China", the "Work Safety Law of the People's Republic of China", and the "Workplace Occupational Health Management Regulations", the Company has formulated occupational health management systems such as the "Occupational Health and Safety Management Manual" and the "Occupational Disease Management System". The Company adheres to the occupational health and safety policy of "preventing, controlling, and eliminating occupational hazards, preventing and controlling occupational diseases, and protecting the health of workers", establishes and improves an occupational health and safety management system, and conscientiously implements various occupational health measures, to comprehensively guarantee the health and safety of employees. During the reporting period, ZKTeco and Guangdong ZKTeco passed the ISO45001:2018 occupational health and safety management system certification.

Occupational Health and Safety Management System Certificate

⟫ Work Safety Risk Management

The Company always regards work safety as the top priority and attaches great importance to the construction of work safety culture. The Company has established the "Work Safety Responsibility System", and signed a safety production target management responsibility letter based on the policy of "safety first, prevention first, and comprehensive management" in accordance with the principle of "whoever is in charge is responsible", to clarify the work safety responsibilities of entities, management personnel at all levels, and employees in each position, strengthen the safety awareness of all employees, and prevent the occurrence of accident hazards. During the reporting period, the Company did not experience incidents of employee deaths due to work.

Safety hazard investigation

An inspection team is established within the enterprise, the safety inspection system is strictly implemented, and a combination of safety self-inspection and special inspection, routine inspection and surprise inspection, and inspection and rectification is adopted, to continuously eliminate unsafe factors in production such as human, machine and environmental factors. Each Production Department of the Company shall inspect at least once a day whether the electrical equipment is normal, the mechanical equipment is safe, the fire-fighting facilities are normal, and inspect the implementation of protective measures by each department, and the preparation of labor protection and prevention materials.

Safety hazard investigation

Emergency plans and drills

To ensure the safety of employees, production equipment, and property, and to prevent accidents and disasters, we have formulated the "Emergency Rescue Plan for Work Safety Accidents" in accordance with laws and regulations such as the "Work Safety Law of the People's Republic of China" and the "Fire Prevention Law of the People's Republic of China". In the event of a disaster, we aim to minimize potential losses.

The Company formulates a fire drill plan at the beginning of each year to implement the policy of "prevention first, combining prevention and elimination", and enhance employee safety awareness and self-protection ability. To cope with sudden fires and ensure the safety of employees and company property, the Company organized a fire drill for all employees on the day of the National Firefighting Day in 2023.

2023 work safety fire drill

2023 work safety fire drill

Safety Management Measures

Management of first-aid kit

When each department of the Company needs a first-aid kit, it shall submit an application. After approval, the relevant department provides it according to the "List of First Aid Medicine" and checks it weekly to see if there is a need to supplement the types and quantities of drugs. At the same time, it is recorded in the "First-aid Kit Inspection Form".

Posting escape route maps

The Company regularly updates the escape route maps of each manufacturer, which are attached to the entrances or exits or gates of each department. The supervisors of each Production Department are responsible for supervising employees to understand the escape route maps.

Management of emergency exit lights and related lighting

Electrical workers are responsible for inspecting and repairing emergency exit lights and related lighting equipment in various departments, actively carrying out circuit acceptance, preparing for various disasters and accidents, and reducing the occurrence of safety accidents.

Inspection of protection facilities

The Company conducts a quarterly inspection of occupational hazard protection facilities and fills out the "Occupational Hazard Protection Facility Inspection Form". The Company maintains warning signs, alarm facilities, eye washers, and first-aid kits every quarter, and fill out the "Maintenance Record Form".

Hazardous chemical management

The Company strictly manages hazardous chemicals according to national regulations, to ensure the safety of the entire process. Dangerous goods containers must be sturdy, tight, and labeled with special signs. The instruction manual shall indicate the nature of the dangerous goods and safety precautions. In addition, the Company assigns professional personnel to manage dangerous goods.

Indicators	Unit	2023
Number of safety education and training sessions	Times	9
Duration of safety education and training	Hour	12

➤ Occupational Disease Prevention

Occupational hazard testing

The Company conducts annual occupational hazard factor testing in the workplace, and conducts professional occupational health examinations for personnel in positions with hazardous factors through testing, paying attention to employee health and reducing the risk of occupational diseases. During the reporting period, the Company did not have new occupational cases.

Occupational health examinations

The Company implements a rotation and job transfer mechanism for personnel at occupational disease risks, and regularly conducts occupational health examinations. In 2023, the number of people participating in occupational health examinations was 113, and the qualified number was 110, with a qualification rate of 97.3%. The physical examination items include occupational internal medicine examination, routine blood test, ALT, routine urine test, electrocardiogram, chest X-ray, lung function, ophthalmic examination, fasting blood glucose and ear examinations, etc.

Health education and training

The Company conducts occupational health education and training every quarter to strengthen employees' awareness of occupational health and safety, and continuously improve their awareness of work safety.

ZKTeco Holds 2023 Occupational Disease Knowledge Lecture

Notification of occupational hazards

Employees may encounter hazards such as dust and noise during production. The Company has established and posted hazard notification cards on site to remind workers to protect their own health and safety and reduce the risk of occupational diseases. The Company posts signs such as "Note Dust Prevention" and "Wear Protective Masks" in places prone to dust generation, and signs such as "Noise Harmful" and "Wear Ear Protectors" in places prone to noise generation.

Employee Care Strengthening

›› Carrying out employee activities

ZKTeco organizes a variety of cultural and entertainment activities for employees following the people-oriented management philosophy, relieving work pressure, caring for their physical and mental health, revitalizing their vitality, and stimulating their self motivation. We create a warm and loving corporate atmosphere, allowing the enterprise and employees to grow together.

Case 1: Basketball competition activities

In order to enrich the leisure life of employees, improve their physical fitness, enhance the close connection between employees in various business groups and departments of the Company, and promote a harmonious corporate culture, the Company has organized basketball competition activities.

Case 2: Hiking and mountain climbing activities

In order to create a healthy and positive corporate culture, enhance communication and exchange among colleagues and partners, the Company has organized hiking and mountain climbing activities to improve everyone's physical fitness and enhance team cohesion.

Case 3: Badminton competitions

In order to enrich the leisure life of employees, create a confident, sunny, and vibrant corporate atmosphere, and call on everyone to strengthen their physical fitness and devote themselves to work with a more full spirit, the International Business Group has organized the "Badminton Cup" men's and women's singles competitions.

Case 4: Women's Salon Club

In order to motivate female employees to reshape themselves, enhance their work enthusiasm and creativity, and enhance the corporate culture atmosphere, the Company has launched a "New Era Women" salon.

›› Emphasizing Humanistic Concern

Consoling the sick

The Company provides care and assistance to sick employees and their families, visits sick employees with gifts and money, and reimburses the travel expenses for cross city visits. Moreover, in order to help employees with major illnesses solve practical difficulties and reduce the burden of medical expenses on employees, the Business Group Management Department provides assistance and consolation money based on the actual situation of employees.

Contributing to the society Creating a harmonious new future

We actively fulfill our corporate social responsibility, fully leverage our own advantages, and focus on creating value for society. As a responsible enterprise, ZKTeco focuses on community development and actively carries out diversified public welfare and charity projects, giving back to society with practical actions and conveying warmth and love to society.

Our Actions

- Participate in community activities
- Carry out volunteer services
- Assist in rural revitalization

Responsive SDGs

Important Achievements in 2023

Donation of Dongguan Charity Day: RMB 20,000

Donate of the Lanzhou University Education Development Foundation (LZUEDF): RMB 1 million

ZKTeco actively participates in community development support work, carries out knowledge exchange activities, and actively participates in local social and cultural activities to establish harmonious and friendly community relationships with community residents. The Company adheres to the spirit of voluntary service of "dedication, friendship, mutual assistance, and progress", encourages employees from all over the country to participate in volunteer activities and contribute love and warmth to society. For many years, the Company has actively practiced social responsibility and carried out volunteer activities, such as voluntary blood donation, charitable donations, caring for children, etc., to convey corporate care to every corner of the world.

Case 1: Public welfare teaching activities

ZKTeco held a public welfare teaching activity in Nigeria. On August 26, 2023, computer science students from Federal University of Agriculture, Abeokuta in Ogun State visited and studied at ZKTeco in West Africa.

Case 2: Community activities for middle school students

In order to promote innovation and encourage young people to accept new technologies, ZKTeco and its partners jointly organized a high school community activity in Nigeria in the second half of 2023. Through a month of professional training, local students can quickly learn and understand new knowledge and technologies.

Case 3: Community activities on South African Presidential Day

On Nelson Mandela Day, we encourage employees to actively participate in various activities that promote change, integrate into the local community, and benefit society. Every year on Nelson Mandela Day, subsidiary employees spend at least 67 minutes serving the local community, symbolizing Nelson Mandela's 67 years of dedication to social justice. We assist the local vulture rescue center by cleaning cages and feeding vultures, and look forward to helping more other charitable organizations on Nelson Mandela Day.

Case 4: Donation to Nigeria's schools for blind children

We donate daily necessities such as rice, flour, grain, oil, and hygiene products to Nigeria's schools for blind children to help solve some of their living problems.

Case 5: Blood donation by Nigerian ZK employees

ZKTeco encourages employees to participate in charitable blood donation activities. In 2023, the Nigerian company organized a collective blood donation activity for employees.

Case 6: Nigerian ZK volunteer cleaning

The Company officially established the ZKTeco Volunteer Team in 2013. The ZKTeco Volunteer Team adheres to the principle of "serving society, conveying love, harmony, and friendliness", providing services to people in special difficulties and need of help. ZKTeco volunteers bring the idea and action of giving back to society to more than 30 countries and regions around the world, as well as more than 80 branches and subsidiaries.

Case 7: Filipino children's hope public welfare activities

We care for children's growth, organize and participate in Filipino children's hope public welfare activities, give gifts to local children, carry out fun activities, and accompany children to play together.

Case 8: Sponsorship of South African universities

ZKTeco not only supports the development of education, but also actively pays attention to student sports activities, providing sponsorship for the Hockey 1st Team at a South African university to support team development.

Hockey 1st Team

Case 9: South Africa ZK Children's Care Home

ZKTeco participates in the establishment of a caring home for children in South Africa, striving to make the world a better place.

Case 10: Donation to Panama ZK cancer hospital

On November 20, 2023, ZKTeco made a material donation to Adavion Cancer Hospital, the only hospital in Panama that treats cancer, and received a thank-you letter. Due to its small scale and government budget cuts, the hospital's infrastructure is very dilapidated, and daily necessities are also in short supply. After communicating with the hospital to understand the needs, ZKTeco donated chairs, tissues, garbage bags, alcohol, towels and other daily necessities.

Case 11: Donation to Panama ZK Forest Association

On December 2, 2023, ZKTeco made a material donation to the local forest association Adopta Bosque in Panama and received a thank-you letter. This association is a non-governmental organization dedicated to protecting the ecological diversity of Panama, primarily relying on donations to maintain operations. ZKTeco donated planting equipment and horticultural supplies to the association and participated in the tree planting activity on that day.

Case 12: Donation to the Listed Companies Association of Dongguan

In February 2023, the Company donated RMB 100,000 to the Listed Companies Association of Dongguan for the decoration and renovation of the association's member activity center, procurement of operating equipment, property maintenance and repair, etc., to support the development of the association.

Assist in rural revitalization

Implementing the strategy of rural revitalization is a major historical task for achieving the goal of building a moderately prosperous society in all respects and building a socialist modernized country in all respects. As a socially responsible enterprise, we firmly believe that rural revitalization is not only an important national strategy, but also a social responsibility that our enterprises shall actively participate in. Therefore, we have been committed to making contributions to rural revitalization and supporting the development of local communities through various means.

We focus on supporting national education and cultural undertakings, donating books, equipment and other materials to schools, supporting the education of impoverished students, and helping them realize their self-value. We provide employment opportunities for local residents, as well as training and skill enhancement opportunities, to help them achieve self-value and livelihood stability.

Case 1: Donation of Dongguan Charity Day

The Company participated in the 2023 "June 30" Assistance to Rural Revitalization and Dongguan Charity Day Event held in Zhangmutou Town, Dongguan City, consolidating and expanding the achievements of poverty alleviation, and helping to achieve rural revitalization. The Company and its subsidiary Guangdong ZKTeco donated RMB 10,000 each, totaling RMB 20,000.

Case 2: Donation to education

In 2023, the Company donated RMB 1 million to the Lanzhou University Education Development Foundation (LZUEDF) for quality education of college students and subsidies for impoverished students, fully supporting the education cause.

2024 Outlook

New opportunities are coming globally in the new era of hard technology. ZKTeco provides insights into transformation trends and looks forward to the future. ZKTeco will continue to deeply cultivate core technologies of multimodal BioCV, adapt to technological and industry evolution trends, and consolidate the foundation of healthy development and technological leadership for the enterprise. Adhering to a corporate culture of responsibility, integrity, pragmatism, and excellence, we continuously deepen the ESG concept, committed to achieving higher levels of development in the ESG field.

In 2024, we will further strengthen the reform of our corporate governance structure, strengthen risk management and compliance awareness by improving our internal control system, safeguard the legitimate rights and interests of shareholders and other stakeholders, and establish a good corporate reputation and brand image. Moreover, we will increase investment in green and low-carbon technologies to contribute to the green transformation of the industry.

In 2024, we will continuously promote the deep integration of various products and software platforms, create a scenario data connectivity ecosystem, and enhance the scenario customization and delivery capabilities of software platforms. We will increase investment in multimodal biometric core technology, and deepen the integration of computer vision and biometric technology.

In 2024, we will continue to adhere to our mission of "changing the world with technology, making human life and social development safer and smarter", actively fulfill our commitments to society, continue to be customer-centric, pay attention to user needs, and provide safe and intelligent products and services. Moreover, we will actively participate in social public welfare undertakings, and fulfill social responsibilities, to make positive contributions to social harmony and stability.

The journey is long and hard, but with determined steps, we will reach our destination. ZKTeco will continue to promote ESG work with higher standards and stricter requirements, making greater contributions to the sustainable development of the Company and the prosperity of society.

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Feedback

Thank you for taking the time to read the "2023 Environmental, Social and Governance (ESG) Report of ZKTeco CO., LTD.". We attach great importance to and look forward to hearing your valuable opinions and suggestions on the Company's ESG work and sustainable development management. Your opinions and suggestions are an important basis for us to continue improving ESG work and enhancing sustainable development management. We sincerely invite you to assist us in completing the relevant issues in the reader's feedback and provide feedback to us through the following methods. Thank you again for your strong support of our ESG work!

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For ZKTeco, your identity is:

□ Shareholders and investors □ Employees □ Government and regulatory agencies □ Customer partners □ Employee industry associations and organizations □ Community, public, and media

□ Others＿＿＿＿＿＿ (please s pecify)

1. Your overall evaluation of ESG report of 2023:

□ Very good □ Good □ General □ Poor □ Very poor

2. Do you think the information disclosed in this report is accurate, clear, and complete?

□ Very good □ Good □ General □ Poor □ Very poor

3. Do you think this report is readable?

□ Very good □ Good □ General □ Poor □ Very poor

4. Do you think this report can comprehensively reflect the significant impact of the Company on the economy, society, and environment?

□ Very good □ Good □ General □ Poor □ Very poor

5. What is your evaluation of the logical thinking, structural arrangement, and layout design of this report?

□ Very good □ Good □ General □ Poor □ Very poor

6. What topics in this year's ESG report have attracted your most attention?

_____

7. What other information would you like to obtain from the report?

_____

8. What is your opinion on our ESG report or ESG work and sustainable development management?

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