Stock code: 301330

ZKTeco 熵基

2024
SUSTAINABILITY REPORT

ZKTeco 熵基

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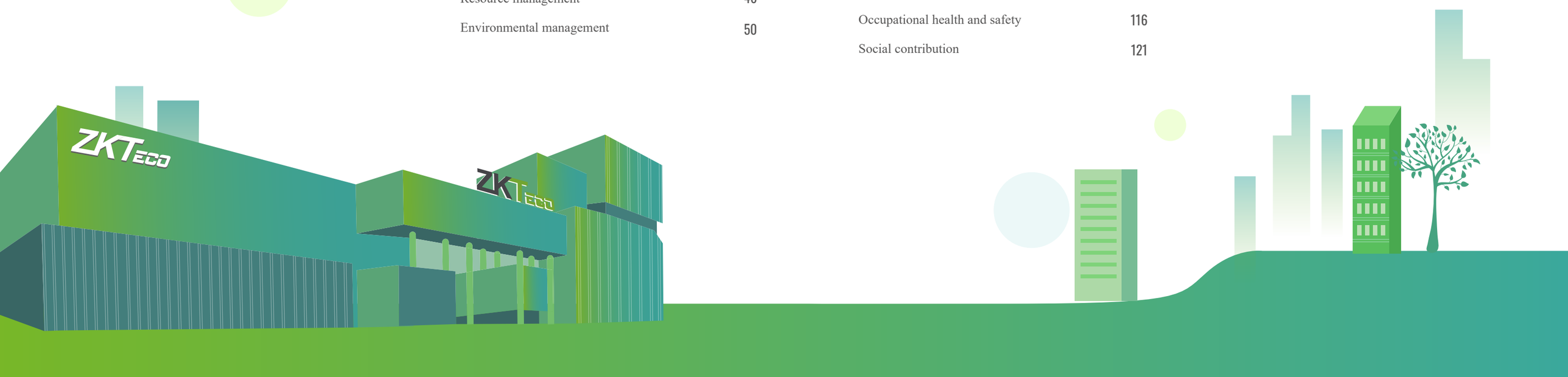


Introduction to the Report

About the Report

Introduction

This report is the second Sustainable Development Report (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 as well as relevant information about sustainable development of ZKTeco and its branches and subsidiaries in environmental, social and governance (ESG) in 2024.

Scope

Time frame: This report period is from January 1 to December 31, 2024 (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

This report is prepared in accordance with the "Shenzhen Stock Exchange Guideline No. 17 on Self Regulation of Listed Companies - Sustainable Development Report (Trial)" and "Shenzhen Stock Exchange Guideline No. 2 on Self Regulation of Listed Companies - Normative Operation of Listed Companies on the Growth Enterprise Board". Meanwhile, the preparation of this report referred to the Global Reporting Initiative (GRI) Standards (2021 Edition) (referred to as "GRI Standards") and the United Nations Sustainable Development Goals (SDGs).

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 2024 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
Tangxia Branch	Dongguan Tangxia Branch of ZKTECO CO., LTD.
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).

Address by General Manager

In 2024, the global digital transformation process continues to advance, and the development of artificial intelligence (AI) technology enters a new phase. ZKTeco, while fostering technological innovation and driving business growth, consistently integrates the principles of sustainable development into its corporate strategy. As a leader in multimodal BioCV technology, we are not only dedicated to creating a safer and smarter future through technological innovation but also actively fulfilling our environmental, social, and governance responsibilities. We firmly believe that true innovation should serve people and coexist harmoniously with the environment and society.

Governance as the Foundation, Compliance for Far-Reaching

Over the past year, ZKTeco has continuously improved its modern corporate governance structure of "three boards and one layer" and optimized decision-making mechanisms and operational processes, ensuring the scientificity and effectiveness of corporate governance. In terms of compliance operations, we have strengthened the internal control system, adhered to the compliance of related party transactions and tax compliance, and integrated compliance requirements into every aspect of business operations. Meanwhile, we attach great importance to the protection of rights and interests of investors. By improving the information disclosure mechanism, strengthening investor communication, and maintaining a stable shareholder return policy, we effectively safeguard the rights and interests of investors. In terms of business conduct standards, we adhere to the principle of honest operation, strictly enforce anti-commercial bribery, anti-corruption, and anti-unfair competition policies, and incorporate integrity and compliance requirements throughout the business process.

Green Empowerment for Sustainable Ecosystem

ZKTeco integrates the concept of green and low-carbon into the very core of its business development. We understand that addressing climate change and practicing sustainable development is not only a responsibility but also an inevitable choice for the future. Over the past year, we have continuously optimized the resource management system, enhanced operational efficiency and reduced environmental footprints through energy conservation and consumption reduction, water resource recycling, and green material management. In the R&D process, we adhere to green design concepts, promoting the low-carbonization of the entire product life cycle. In daily operations, we promote green office practices to reduce resource waste. Meanwhile, we strictly fulfill environmental compliance obligations, strengthen pollutant emission control, improve waste management mechanisms, and build a solid environmental safety defense line through measures such as emergency drills for hazardous chemical leaks.

Technology Leadership for Intelligent Future Creation

ZKTeco is always committed to the mission of "AI cognition making spaces smarter and the world better", and has been deeply engaged in core areas such as smart space, smart office, digital identity authentication, and smart business. Over the past year, we have continuously advanced the deep integration of multimodal BioCV technology with AI, IoT, and other digital technologies. Through university-enterprise cooperation to build key laboratories and joint research on major scientific projects, we have continuously enhanced technological innovation capabilities and competitive advantages, contributing to the high-quality development of the Company. In terms of product quality and safety, we have established a strict full-process management system, adhering to the highest standards from R&D to service, with a particular emphasis on data security and customer privacy protection, which is the lifeline of the enterprise's development.

Talent-oriented, Along with Responsibilities

Over the past year, ZKTeco has continuously improved the system for protection of employee rights and interests, creating an equal and inclusive growth environment for every employee from fair recruitment to salary and benefits, from democratic management to career development. We particularly emphasize the protection of women's rights and occupational health and safety, making the workplace a home where employees can work with peace of mind. Meanwhile, we actively fulfill social responsibilities, conducting charitable donations and public welfare activities globally, promoting sustainable community development through diverse volunteer actions, and assisting the healthy growth of the next generation.

Looking forward to 2025, ZKTeco will continue to deepen technological R&D, optimize the corporate governance system, promote green and low-carbon operations, and actively fulfill social responsibilities. We are filled with confidence and eagerly anticipate collaborating closely with partners from diverse sectors to collectively forge a future that is empowered by technology and guided by responsibility, enriching the lives of more individuals through the warmth of innovation.

General Manager Jin Hairong

About ZKTeco

About Us

Company profile

ZKTECO CO., LTD. (stock code: 301330) was established in 2007 and listed on the Shenzhen Stock Exchange in 2022. The Company is headquartered in Dongguan City, Guangdong Province.

As an internationally recognized innovative enterprise, the Company has consistently committed itself to the domains of smart space, smart office, digital identity authentication, and smart business. We provide advanced smart terminals, industry-specific application software, and platforms equipped with object detection as well as identity recognition and verification capabilities tailored for relevant sectors.

In light of the rapid advancements characterizing the intelligent era, the Company has officially unveiled its new mission and vision, with its robust AI cognitive technology serving as the core driving force. Based on this, the Company comprehensively upgraded its business system and built four strategic sectors: smart space, smart office, digital identity authentication, and smart business. This significant initiative marks the official commencement of the Company's new journey to redefine its value system. It will continuously explore the realm of intelligence, striving to create enhanced value for customers and set new trends within the industry.

In addition, in response to the growing market demands for smart homes and elderly care, the Company is actively expanding into these sectors by leveraging its technological expertise and marketing service capabilities. This strategic initiative aims to transition its business towards greater intelligence, scenario-based solutions, and global outreach.

Business introduction

Smart space

The smart space business segment leverages AI cognitive space computing technology and multi-dimensional perception capabilities to transcend the limitations of traditional entrance and exit management. This innovation enables comprehensive awareness and intelligent enhancement of people, vehicles, objects, and the environment. For applications in enterprise parks, office buildings, educational institutions, healthcare facilities, and communities, we provide solutions for traffic optimization, energy management, data analytics, and autonomous spatial decision-making.

Smart office

In the smart office segment, the Company is dedicated to enhancing work efficiency and enjoyment. This business segment, which focuses on multimodal BioCV technology and IoT perception, encompasses various scenarios including attendance tracking, visitor management, meetings, and consumption monitoring. It offers intelligent solutions for time management, security oversight, and operational optimization tailored for enterprise and institutional clients. This segment integrates AI-driven intelligent agents with cloud technology to develop advanced time management solutions and establish a comprehensive smart office ecosystem.

Digital identity authentication

The Company's digital identity authentication business seamlessly integrates multimodal BioCV, advanced large models, and blockchain technology to establish a precise, secure, and user-friendly identity authentication system, laying a robust foundation of trust for the digital world. By harnessing the distinctiveness of biometric features, the advanced deep learning capabilities of large models, and the decentralized and immutable nature of blockchain technology, the Company's digital identity authentication services can ensure both precise identity verification and robust data security.

Smart business

The Company's smart business segment, propelled by multimodal models, emphasizes the integration of "AI + digital signage" within the general retail and catering sectors. This segment supports traditional businesses in their transition towards intelligent ecosystems. It offers IoT infrastructure, digital solutions, and operational services, thereby establishing a new type of borderless retail platform that is comprehensive, scenario-inclusive, and fully integrated across the supply chain. The products and solutions of this business segment cover digital marketing screens, electronic price tags, AI shelves, smart shopping carts, as well as creative content, intelligent customer service, digital marketing, and digital stores.

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 launched algorithms, successfully facial recognition 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

Introduced finger vein algorithms and hybrid biometrics algorithms.

2013-2014

Launched the multimodal palm recognition algorithm.

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.

2020

Introduced institutional investors such as Walden International and Oriental Fortune Capital. Studied a series of epidemic prevention technologies and released epidemic prevention products. Released the multimodal palm, fingerprint and face hybrid recognition technology.

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, 2022, ZKTeco was listed on the ChiNext Market of Shenzhen Stock Exchange.
The Company was awarded the 2022 Top 50 Global Security Companies (12th place) by asmag and the 2022 AIOT Global Top 50.

2023

ZKTeco 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 built a digital ecosystem that integrates upstream and downstream and cross industry integration, established an ecological innovation fund, accelerated product incubation, and assisted in the construction of the digital industry ecosystem.

2024

The NGTeco sub-brand was launched in 2024. The Company was awarded the 2024 Top 50 Global Security Companies (15th place) by asmag and the "Top 50 Innovation" in 2024 Global Industry Digital Innovation Ranking by asmag.

Corporate culture

AI cognition makes spaces smarter and the world better.

A global leader in smart space evolution services

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.

Major events in 2024

March

The Company hosted a partner conference titled "Reach for the Heights, Embrace the Breadth," which brought together a diverse group of both new and longstanding partners and industry friends in an open and collaborative atmosphere. In this digital age, we are committed to joining forces to achieve new heights of innovation and collaboratively create added value for the industry.

May

The Xiamen Artificial Intelligence Industry Association, in collaboration with ZKTeco, has jointly initiated a salon event focused on the innovation and application of multimodal BioCV technology. This event aims to deepen understanding of multimodal BioCV technological advancements and collaboratively explore the development trends of digitalization and intelligence within the industry. Additionally, it seeks to investigate innovative applications across various scenarios, including smart entrances and exits, smart identity verification, smart office, and smart retail. The event also aspires to generate new ideas for industrial ecosystem cooperation while creating enhanced development opportunities.

June

The Company hosted a new product launch event for summer 2024, unveiling six innovative products that set the stage for enterprises and space operations to achieve enhanced efficiency, greater precision, and advanced digital intelligence.

September

The 2024 Digital Economy Industry Connection Conference was convened at the ZKTeco Building in Xiamen, further facilitating in-depth exchanges and collaborations between Xiamen and IoT organizations and enterprises nationwide. Together, participants explored the emerging opportunities within the digital economy and collectively endeavored to establish a new industrial ecosystem.

December

The "Project Pangu" global promotion campaign was launched in Shenzhen, Dongguan, Xiamen and 30 other locations where subsidiaries and offices are located across China. The event provided an in-depth analysis of the implementation details of the "Project Pangu" and issued a call to action to passionate and exploratory ZKTeco staff.

Honors and awards

The Company has been listed as one of the "Top 50 Global Security Companies" by asmag for five consecutive years from 2020 to 2024. In 2024, it ranked 15th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Security", "Top 10 Brands in Smart Transportation", "Top 10 Brands in Smart Education", "Top 10 Brands Intelligent Manufacturing", and "Top 10 Brands in Smart Buildings" in 2024 Global Industry Digital Innovation Ranking by asmag. It was selected by the organizing committee and relevant institutions of the DC World as the "2024 DC World - Top Enterprise of the DC World Awards" and the "World Digital City Construction Contribution Award", and awarded the "Honor Security Excellent Solution Award - ZKTeco Human Certificate Verification and Identity Authentication Solution", "Honor Security Excellent Solution Award - ZKTeco Integrated Charging and Parking Solution", and other awards. Meanwhile, the zFace series facial and fingerprint access control terminals and the ZKTeco X-ray security inspection equipment were awarded as the "Top 10 New Products" in China's security industry for 2024. It has been awarded the "2024 Outstanding Security Industry Solution - Smart Park Solution", "2024 Pioneer of Chinese Security Enterprises Going Global", "China Security 'Artificial Intelligence+' Initiative & 2024 AIIA 'AI+ Security' - Typical Case" and other awards by the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It has been awarded the "Outstanding IoT Solution Award" and "Leading Brand in Access Control" by the organizing committee of the 2024 China IoT Industry Conference and the 21st Huicong Brand Festival. It won the third place in the "2024 Top 10 Access Control Brands Award" and the "2024 Top 10 Smart Security Brands Award" by China Intelligent Building and other entities. It ranked first on the "Top 15 Access Control Brands" list by the Latin American security technology media SecuriTIC in 2023. 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 9 consecutive years. In 2024, the Company joined the China Construction Industry Association and the Fujian Society of Artificial Intelligence Science and Education (FSAISE). 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.

During the reporting period, Guangdong ZKTeco has been recognized by the Department of Science and Technology of Guangdong Province as the Guangdong Multimodal Computer Vision and Biometric Engineering Technology Research Center, XIAMEN ZKTECO has obtained the "ITSS Information Technology Service Standard Compliance Certificate" issued by the China Electronics Standardization Association. The "ZKTeco Cloud IoT Platform" (Minerva IoT Platform) developed by XIAMEN ZKTECO has been rated as "Information System Security Level Protection Filing Certificate (Level 3)".

Data of 2024

Governance

Operating revenue
RMB **1.991** billion

Net profit attributable to shareholders of listed companies
RMB **183.046** million

Distribution of cash dividends (including tax)
RMB **86.6023** million

Proportion of female directors
29%

Proportion of independent directors
43%

Punishments for violations of information disclosure
0 time

Number of interactions with investors on the "Easy to Interact" platform
91 times

Number of investor calls received
408 times

Environment

Annual environmental objective achievement rate
100%

Illegal and irregular incidents in the environmental field
0 item

Compliance rate of wastewater disposal
100%

Compliance disposal rate of hazardous waste
100%

Environmental investment
RMB **119.8** thousand

Society

Total R&D investment
RMB **215.471** million

Proportion of R&D personnel
31.42%

Cumulative number of authorized patents
963 items

Number of training sessions on intellectual property protection
2 sessions

Number of training sessions on product quality
92 times

Product quality training duration
156 hours

Person-time of special training on customer complaint response
80 person-times

Overall customer satisfaction score
95/100

Person-time of responsible marketing training
521 person-times

Number of training sessions on information security and privacy protection
17 times

Number of participants in information security and privacy protection training
1,210 persons

Total number of suppliers
304

Signing rate of the "Integrity Agreement" among suppliers
100%

Proportion of female employees
36.20%

Coverage rate of social insurance
100%

Number of employees entitled to maternity leave
77 persons

Employee return rate for maternity leave
100%

Employee training investment
RMB **232.1** thousand

Employee training coverage rate
100%

Amount of investment in work safety
RMB **111.3** thousand

Number of work safety accidents
0

Sustainable Development Management

Sustainable development governance system

Sustainable development concept

ZKTeco adheres to the concept of sustainable development, striving to achieve a comprehensive improvement in environmental protection, social responsibility, and corporate governance while pursuing economic benefits. We continuously strive to achieve more significant results in environmental, social, and corporate governance aspects, thereby contributing to the sustainable development of society.

Sustainable development management mechanism

ZKTeco always places green, low-carbon, and high-quality development in an important position, continuously promoting the improvement of the Company's environmental, social, and corporate governance systems. We enhance the supervision and participation of the Board of Directors in the Company's sustainable development affairs, incorporate sustainable development management into the Company's overall risk assessment and management system, and promptly share the Company's theoretical achievements and practical experience in sustainable development with the public. Meanwhile, the Company continuously improves its governance structure to enhance the operational level of sustainable development management, better adapting to strategic development needs and fully considering the impacts, risks, and opportunities related to sustainable development in the process of strategy implementation, risk management, and major decision-making.

Sustainable development risk management

Risk and opportunity control procedures

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. Additionally, the Company clarifies the responsibilities and authorities of each department in the risk and opportunity response process, promoting collaboration among departments to better prevent and manage risks and improve 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

The Company has evaluated the severity and frequency of identified risks, and confirmed 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.

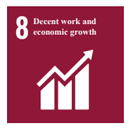
Risk response

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 risks caused by transfer pricing arrangements between various tax entities within the Company both domestically and internationally	Regularly hire professional consulting agencies to analyze and demonstrate the transfer pricing strategies involved in the operation of the Company and some overseas subsidiaries, and issue special reports.
	Legal risks of the impact of industry regulatory policies related to personal information protection and data protection on company operations	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	Technology and product innovation risks	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	Establish a sound enterprise management system, enhance management capabilities, and 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	Make a full assessment of the bad debt risk of accounts receivable, take targeted preventive measures in advance, and reduce and control the credit risk of customers. Formulate a reasonable collection plan.
	Inventory depreciation risk	Maintain a good cooperative relationship with raw material suppliers and customers, and reasonably arrange the inventory of raw materials and goods in stock.
	Risk of RMB exchange rate fluctuations	Closely monitor exchange rate fluctuations and use 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	Closely monitor the global financial markets and relevant exchange rate policies of mainstream countries, conduct analysis and judgment, fully utilize hedging and other financial tools to actively manage exchange rate risks, and reduce 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	Actively enhance the analysis of market demand and technology, promptly grasp the business development direction, strengthen the management and supervision of the progress of the raised fund investment projects, and improve the efficiency and return rate of the raised fund utilization.
	The risks of cross-border implementation of investment projects	Actively pay attention to local political stability, economic development, industrial policy adjustments, exchange rate fluctuations and other situations, and prepare for and prevent potential risks in advance; establish a smooth communication and reporting mechanism both domestically and internationally to ensure the smooth operation of the project.

Sustainable development goals (SDGs)

ZKTeco actively responds to the UN SDGs, adheres to and strives to achieve the mission of "AI cognition makes spaces smarter and the world better", 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 to fully fulfill their responsibilities, and contributing to the achievement of the UN SDGs.

SDGs	Content of SDGs	Action of ZKTeco
	Eradicate all forms of poverty throughout the world	Participate in social public welfare Carry out volunteer activities
	Ensure a healthy lifestyle and enhance the well-being of people of all ages	Implement work safety measures Protect occupational health
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Provide smooth career development channels Improve the employee training mechanism
	Achieve gender equality and empower all women and girls	Oppose gender discrimination Care for female employees
	Ensure safe drinking water and sanitation facilities	Persist in saving water. Achieve compliant treatment of wastewater
	Ensure universal access to affordable, reliable and sustainable modern energy	Carry out energy conservation and emission reduction actions

SDGs	Content of SDGs	Action of ZKTeco
	Promote sustained, inclusive and sustainable economic growth, achieve full and productive employment and ensure decent work for all	Adhere to equal employment. Protect employee rights and interests
	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	Encourage R&D and innovation. Protect intellectual property rights
	Ensure sustainable consumption and production models	Attach great importance to product quality management. Protect customer rights and interests
	Take urgent actions to address climate change and its impacts	Promote energy conservation and carbon reduction Promote green office practices Identify climate risks and opportunities
	Promote peaceful and inclusive societies conducive to sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels	Standardize corporate governance Adhere to compliant operations Adhere to business ethics
	Strengthen implementation measures and revitalize the global partnership for sustainable development	Build a sustainable supply chain Adhere to responsible procurement

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	Shareholders and investors	Government and regulatory agencies	Customers	Partners	Employees	Community	Media	Industry associations
Communication Channels	• Investor hotline • Board of Shareholders • Information disclosure • Easy to Interact • Investor on-site research • Performance briefing • Questionnaires	• Information reporting • Work reporting • Questionnaires	• Hotline • Company website and email address • Official WeChat platform • Daily business communication • Questionnaires	• Company website and email address • Official WeChat platform • Daily business communication • Questionnaires	• Labor union and employee congress • Seminar • Work assessment • Questionnaires	• Public welfare and charity • Volunteer services Publicity • and visits Questionnaires •	• Public media • Platform media • Meeting • Questionnaires	• Daily communication • Industry association activities • Questionnaires
Expectations and Demands	• Continuous and stable returns • Information transparency and disclosure	• Operating in accordance with laws and regulations • Supporting local development • Protecting the environment	• Product quality and safety • Optimizing customer service • Privacy and information security	• Adhering to business ethics • Honest cooperation	• Training and development • Basic rights and interests protection • Health and safety • Humanistic concern	• Public welfare and charity • Community public welfare • Promoting regional development	• Correct information disclosure • Maintaining good cooperation • Special interview	• Smooth communication channels • Promoting the development of the industry
Our Response	• Ensure continuous and stable operations Strengthen • investor communication Ensure transparent • information disclosure Ensure continuous equity • distribution	• Enhance corporate governance • Accept regulatory reviews • Persist in protecting the environment	• Provide high-quality products • Provide high-quality services • Respond to customer demands	• Build a responsible supply chain • Adhere to business ethics	• Conduct internal training • Ensure salary and benefits • Carry out occupational health management • Take employee care measures	• Carry out public welfare and charity activities • Give back to communities	• Carry out timely, complete and accurate information disclosure. • Strengthen daily communication • Organize joint activities	• Actively participate in industry exchanges • Participate in industry standard development

Importance issue recognition

In accordance with the "Shenzhen Stock Exchange Guideline No. 17 on Self Regulation of Listed Companies - Sustainable Development Report (Trial)" (hereinafter referred to as the "Guideline"), and closely integrating the characteristics of the industry and the actual operation of the Company, while also referring to the relevant requirements of international mainstream GRI Standards, the Company comprehensively assesses its performance in various related issues to determine whether they will have a significant impact on the economic, social and environmental aspects (i.e., impact importance), and at the same time considers whether each issue will have a considerable influence on the Company's business model, business operation, development strategy, financial position, cash flow, financing methods and costs, value chain, etc. (i.e., financial importance).

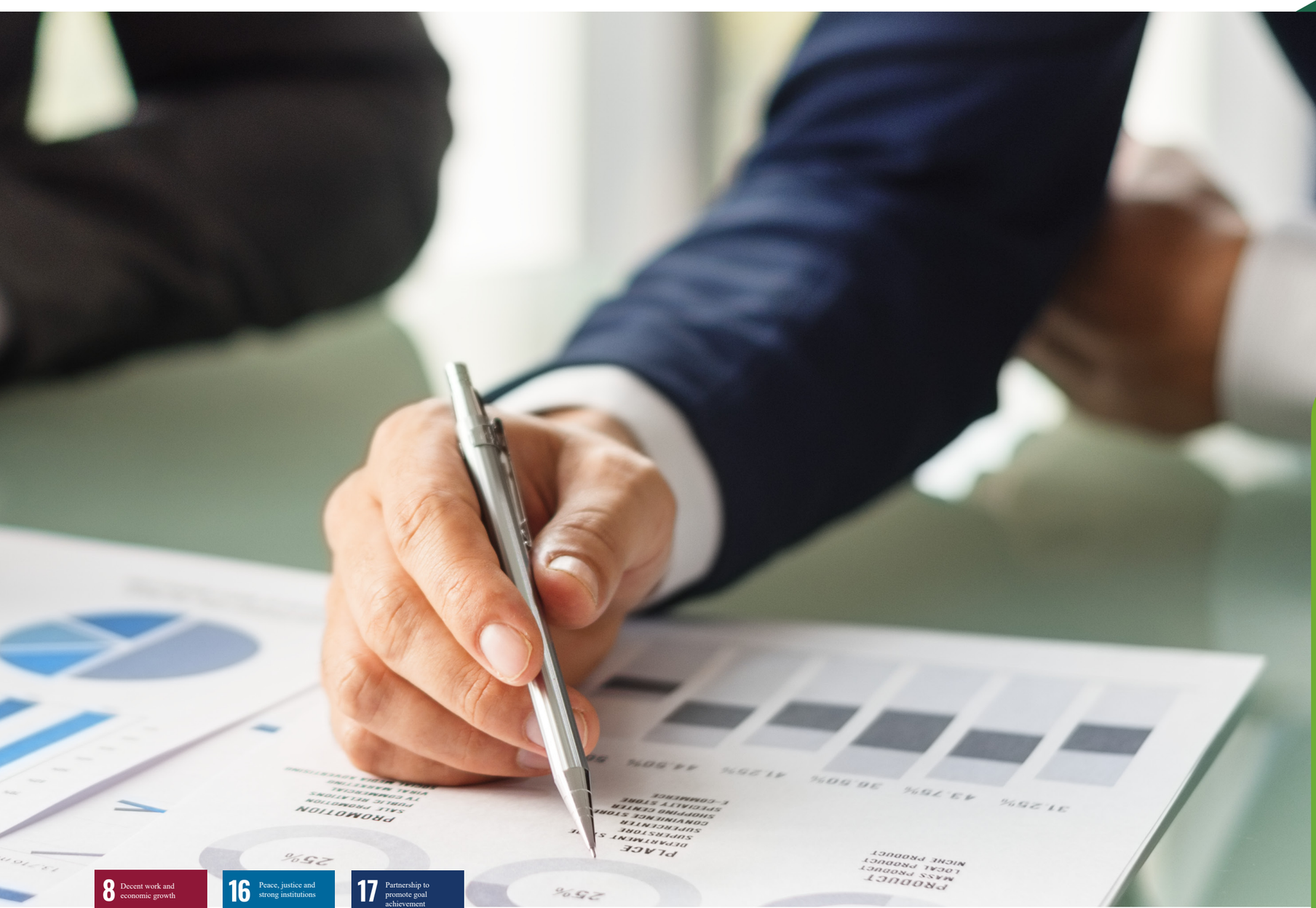
Issue Assessment Process	Analysis Method
Step 1: Understand the company background	Analyze based on the macro environment of global trends, the development trends of China's industries, the industry the Company is in, and its business model to identify the Company's stakeholders, the impacts, risks and opportunities.
Step 2: Conduct preliminary screening of issues	By using the 21 issues set in the "Guideline" as the basis for the issue list, referring to the relevant requirements of international mainstream GRI Standards, as well as the relevant issues in the same industry, and aligning with the UN SDGs, establish the Company's 2024 sustainable development issue library containing a total of 23 issues.
Step 3: Evaluate issue importance	● Impact importance assessment Sort out the potential or actual positive or negative impacts of each issue on the external environment, society and economy, conduct research and analysis through questionnaires to stakeholders, collect a total of 205 valid stakeholder questionnaires, and combine expert judgment to assess the issues with impact importance. ● Financial importance assessment Through the analysis of impact, dependence and other factors, combined with expert judgment and the risk identification and assessment list of each department of the Company, identify and assess the risks and opportunities under relevant issues, and assess the issues of financial importance.
Step 4: Confirm and approve issues	Form the list of issues with impact importance and financial importance, and ensure that the relevant issues are disclosed in a transparent, balanced and complete manner in the report.

Importance Issue Matrix of ZKTeco

Importance Issue Recognition List

Importance	Issue		
	Environment	Society	Governance
Issues with both financial importance and impact importance	Responding to climate change	Innovation-driven Product and service safety and quality Data security and customer privacy protection Supply chain security	/
Issues with financial importance but without impact importance	/	/	/
Issues with impact importance but without financial importance	Environmental compliance management Energy utilization Circular economy Water resource utilization Pollutant emissions Waste disposal	Protecting the legitimate rights and interests of employees Employee training and development Occupational health and safety Social Contribution Rural revitalization	Anti-commercial bribery and anti-corruption Anti-unfair competition Due diligence Stakeholder Communication
Issues without financial importance or impact importance	Ecosystem and biodiversity conservation	Ethics in science and technology Treating small and medium-sized enterprises (SMEs) equally	/

01



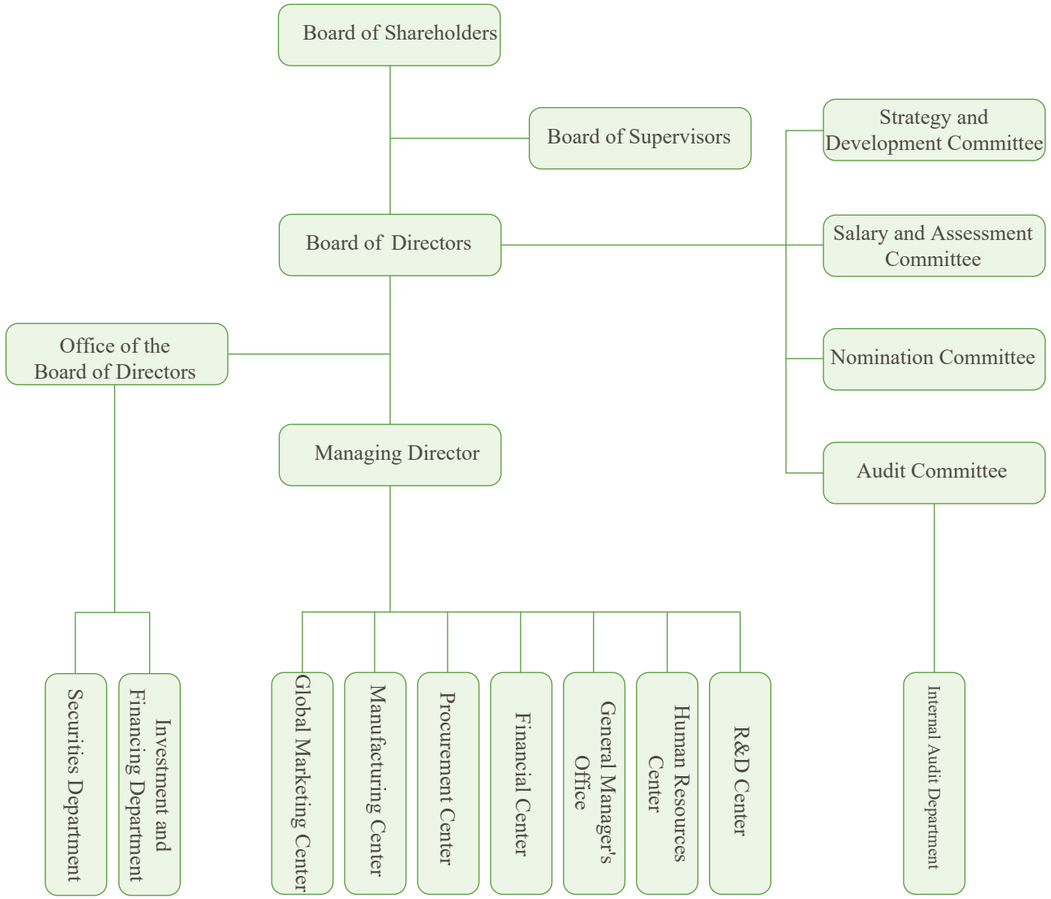
Compliance Governance: Building the Foundation for Development

Governance system

Governance structure

ZKTeco is committed to enhancing the modernization level of corporate governance. Strictly adhering to the requirements of the "Company Law of the People's Republic of China" (hereinafter referred to as the "Company Law"), the "Code of Corporate Governance for Listed Companies", and the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange" (hereinafter referred to as the "ChiNext Listing Rules") and other laws and regulations, the Company has established a modern governance system featuring clear division of responsibilities, mutual checks and balances, and efficient collaboration among the Board of Shareholders, the Board of Directors, the Board of Supervisors, and the management. The Company has developed an efficient operation model that matches its actual development, with rigorous and orderly internal management processes and a scientifically designed organizational structure with clear functional divisions.

Company Organization



Operation of the three boards

Board of Shareholders

The Board of Shareholders is the highest authority of the Company. To ensure that the Board of Shareholders exercises its powers in accordance with the law and protect the legitimate rights and interests of shareholders, the Company has formulated the "Rules of Procedure for Shareholders' Meeting" to standardize the procedures for convening, holding and voting at General Meetings, and ensure that all shareholders, especially minority shareholders, enjoy equal rights and fully exercise their voting rights. During the reporting period, the Company held a total of 3 General Meetings, including 1 annual general meeting and 2 extraordinary general meetings, and a total of 13 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 has formulated the "Rules of Procedure of the Board of Directors" to standardize the deliberation methods and decision-making procedures of the Board of Directors, and to promote the effective performance of duties by directors and the Board of Directors, and improve the level of standardized operation and scientific decision-making of the Board of Directors. The Board of Directors has established Salary and Assessment Committee, Strategy and Development Committee, Audit Committee, and Nomination Committee. Through professional division of labor and effective supervision, the Company's governance has been further enhanced in terms of standardization and transparency.

During the reporting period

The Company held ***6*** board meetings

Deliberating and approving ***33*** proposals

100% attendance rate of board members

One special meeting for independent directors was held

Deliberating and approving ***2*** proposals

3 meetings of the Salary and Assessment Committee were held

Deliberating and approving ***9*** proposals

4 meetings of the Audit Committee were held

Deliberating and approving ***13*** proposals

Diversification

The Company fully considers factors such as gender, age, educational background, professional experience and skills of the board members to ensure a diversified board composition, meeting the needs of various business operations while enhancing the decision-making and execution capabilities of the Board of Directors. The Company has 7 board members, including 3 independent directors and 4 non-independent directors, with 2 female directors, accounting for 29%. The board members have diverse professional backgrounds, covering areas such as law, accounting, and industry experts, providing professional support for the Company's decision-making.

Independence

In accordance with the "Company Law", the "Measures for the Administration of Independent Directors of Listed Companies", the Company's "Articles of Association", and other relevant regulations, the Company has formulated the "Independent Director System", "Annual Report Work System for Independent Directors", and "Special Meeting Work System for Independent Directors", clearly defining the election process and responsibilities of independent directors to ensure they play a more active and effective role in corporate governance. Independent directors hold the majority in each specialized committee and serve as the conveners of the Salary and Assessment Committee, Audit Committee, and Nomination Committee. Through their professional backgrounds and independent perspectives, they provide scientific and objective opinions and suggestions for the decision-making of the Board of Directors. Meanwhile, independent directors participate in the review and supervision of significant events through special meetings, effectively ensuring the transparency and standardization of corporate governance and safeguarding the legitimate rights and interests of all shareholders, especially minority shareholders.

Board of Supervisors

The Board of Supervisors is the highest supervisory body of the Company, responsible for supervising the behavior of directors and senior management. The deliberation methods and voting procedures of the Board of Supervisors are strictly in accordance with the "Rules of Procedure for the Board of Supervisors". Each supervisor conscientiously fulfills their supervisory duties, improving the corporation governance structure. The Company's Board of Supervisors consists of 3 members, including 1 employee supervisor. During the reporting period, the Company held 6 supervisory board meetings and deliberated and approved 21 proposals.

Salary management for Directors, Supervisors, and Senior Managers

The Salary and Assessment Committee is responsible for formulating salary plans or schemes for directors and senior management based on the main scope, responsibilities, importance of their management positions, and the salary levels of relevant positions in other companies. In 2024, the Salary and Assessment Committee of the Company's Board of Directors drafted the "Proposal on the 2024 Annual Salary Plan for Directors" and the "Proposal on the 2024 Annual Salary Plan for Senior Management", while the Board of Supervisors drafted the "Proposal on the 2024 Annual Salary Plan for Supervisors". The "Proposal on the 2024 Annual Salary Plan for Directors" and the "Proposal on the 2024 Annual Salary Plan for Supervisors" were deliberated and approved by the Board of Directors and the Board of Supervisors and submitted to the Board Meetings for approval. The "Proposal on the 2024 Annual Salary Plan for Senior Management" was deliberated and approved by the Board of Directors. The aforementioned proposals stipulate the salary standards for directors, supervisors, and senior management.

Salary standards for directors: 1. Independent directors of the Company only receive director allowances, with each receiving RMB 150,000 per year. 2. Mr. Che Quanhong, as the full-time chairman of the Company, receives chairman salary, which is in line with the salary standards for senior management. 3. Non-independent directors who concurrently hold specific management positions in the Company do not receive additional director allowances apart from their regular job compensation.

Salary standards for supervisors: Supervisors who hold positions in the Company receive salaries based on their specific management roles in accordance with the Company's relevant salary and performance assessment management systems. Supervisor salary is divided into basic salary and performance related pay. The basic salary is paid monthly based on fixed salary, while performance related pay is assessed based on annual business goals, and is determined and paid based on the annual achievement of benefits and personal work performance completion.

Senior management salary is divided into basic salary and performance related pay. The basic salary is paid monthly based on fixed salary, while performance related pay is assessed based on annual business goals, and is determined and paid based on the annual achievement of benefits and the senior management's work performance completion.

Compliant operations

Internal control

Internal control system

The Company has established an internal control system based on the Company's "Articles of Association" and centered around 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", etc. It clearly defines the roles of the Board of Shareholders, the Board of Directors, the Board of Supervisors, and the specialized committees of the Board of Directors in the Company's decision-making and operation management, and clarifies the responsibilities and authorities in decision-making, execution, supervision, and other aspects, forming a scientific and effective division of responsibilities and check-and-balance mechanism. 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.

The Audit Committee has an Internal Audit Department, which conducts audits and verification on the Company's production and operation conditions, financial security status and other activities, and audits and supervises the implementation of the Company's internal management system and internal control system, forming a stable, complete and professional internal control system.

Internal control evaluation

In 2024, in accordance with the "Basic Norms for the Internal Control of Enterprises" and its supporting guidelines, as well as other internal control regulatory requirements, the Company completed the "Self-evaluation Report on Internal Control in 2023" and disclosed it on time. 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 "2024 Annual Internal Control Evaluation Report" was prepared and disclosed in 2025.

Internal audit

To improve the Company's internal control system and reduce potential risks in areas such as finance and operations, the Company has formulated internal audit work regulations such as the "Internal Audit System" and the "Implementation Rules of the Audit Committee of the Board of Directors" in accordance with relevant provisions such as the "Code of Corporate Governance for Listed Companies" and the "Basic Norms for the Internal Control of Enterprises", and in light of its own actual situation. 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.

External audit

Starting from 2024, the Company has engaged an accounting firm to conduct internal control audits on its internal control system. The internal control audit expenditure for 2024 was RMB 280,000. The external audit institution is responsible for independently and objectively assessing and verifying the Company's internal control system, further enhancing the effectiveness and transparency of the internal control system and ensuring its compliance with relevant regulations such as the "Code of Corporate Governance for Listed Companies" and the "Basic Norms for the Internal Control of Enterprises".

Management of related party transactions

The Company has formulated the "Related Party Transaction Management System" in accordance with relevant laws and regulations such as the "Company Law", the "Securities Law", and the "ChiNext Listing Rules", as well as the Company's "Articles of Association", and in light of its actual situation. This system clearly defines the specific matters of related party transactions and the scope of related party identification, and stipulates 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.

Meanwhile, the Company has formulated the "Standardized Management System for Related Party Fund Transactions", which clearly stipulates the principles, norms, payment procedures, audit supervision, and file management for funds transferred between related parties, ensuring that the Company's funds transferred with related parties strictly comply with laws and regulations, and are fair, compliant, and effectively prevent the risk of related parties occupying or misusing the Company's assets. During the period of annual and half year report disclosure, the Company simultaneously discloses the "Summary Table of Non-Operating Fund Occupations and Other Related Party Fund Transfers", ensuring the transparency of the management of related party fund transactions and effectively safeguarding the rights and interests of the Company and all shareholders, especially minority shareholders.

Tax management

The Company has always adhered to the basic principle of paying taxes in accordance with the law, strictly abiding by national and local tax laws and regulations, and ensuring the timely and full payment of taxes. To strengthen the standardization and effectiveness of tax management, the Company has formulated a series of financial and tax-related systems such as the "Management Measures for the Issuance and Use of Value-Added Tax Invoices", the "Management System for Stamp Duty Declaration", the "Management Norms for Export Receipts and Foreign Exchange", the "Management System for Corporate Income Tax Declaration", and the "Management System for Individual Income Tax Declaration", strictly managing all tax-related work and preventing tax risks such as failure to pay taxes on time and tax evasion. Meanwhile, the Company actively organizes all employees of the Financial Center to study new tax laws to ensure tax and financial compliance and timely tax payment. In 2024, ZKTeco did not experience any tax violations, and the Company organized 8 tax training sessions.

Protection of rights and interests of investors

Shareholder returns

The Company has always regarded shareholder returns as a significant responsibility and strictly adheres to the profit distribution policies stipulated in the Company's "Articles of Association" and the "Plan for Dividend Returns within Three Years after the Initial Public Offering and Listing of ZKTECO CO., LTD." to ensure that both new and existing shareholders can obtain reasonable investment returns. By clarifying the profit distribution mechanism, the Company further enhances the transparency and operability of profit distribution decisions, facilitating shareholders' effective supervision of the Company's operating results and profit distribution, and effectively safeguarding the legitimate rights and interests of shareholders.

The Board of Directors has drafted the "Proposal on the 2023 Profit Distribution Plan", which was deliberated and approved at the 2023 Annual General Meeting. The Board of Directors has completed the equity distribution on May 29, 2024. The Company's 2023 cash dividend per share was RMB 0.45, with a total cash dividend (including tax) of RMB 86.6023 million, accounting for 48.86% of the net profit attributable to shareholders of the listed company in the consolidated financial statements. The Company's planned 2024 profit distribution plan is to distribute a total of RMB 97.0412 million in cash dividends and increase the share capital by 38,816,465 shares.

Information disclosure

In accordance with the "Company Law", the "Securities Law", the "Measures for the Administration of Information Disclosure of Listed Companies", the "ChiNext Listing Rules", and other laws and regulations, and in combination with the provisions of the Company's "Articles of Association", the Company has formulated the "Information Disclosure Management System" to strengthen information disclosure management and protect the right to know of investors, especially small and medium-sized investors. The Company strictly fulfills its information disclosure obligations, ensuring that the disclosed information is true, accurate, and complete, so that investors can fully understand the Company's operating conditions, financial position, risk status, and development prospects.

The Company discloses important information such as regular reports and temporary announcements through the Shenzhen Stock Exchange, CNINFO, etc. Meanwhile, the Company makes full use of its official website, official WeChat public account, and other diversified channels to update company news in real time, ensuring that investors, shareholders, and other stakeholders can obtain relevant information in a timely, convenient, and comprehensive manner, and improving the efficiency of information communication.

In 2024, the Company disclosed a total of penalties **103** announcements, including **4** regular reports, and received no for information disclosure violations.

Investor communications

The Company actively communicates with investors and attaches great importance to investor relations management. In 2024, the Company held a total of 3 investor communication activities. On May 7, 2024, the Company held the 2023 Performance Briefing, where directors and senior management promptly explained the Company's 2023 operating situation to investors, covering the Company's products, R&D, and annual financial data, and focused on answering investors' questions about the 2023 annual report. On September 2, 2024, the Company held the semi-annual performance briefing, where three senior executives answered questions about financial data, overseas business, and the planning and use of raised funds. On September 12, 2024, the Company participated in the "Firm Confidence, Work Together, and Enhance the Investment Value of Listed Companies - Collective Reception Day for Investors in 2024 Guangdong Listed Companies Investor Relations Management Month Activity" jointly organized by the Guangdong Securities Regulatory Bureau and the Listed Companies Association of Guangdong (GDLA). The Company actively engaged in communication with investors around core topics such as corporate governance, development strategies, and operating performance.

In addition, the Company responds to investors' concerns in a timely manner through its official website, corporate email, and phone, etc., effectively safeguarding their right to know. The Company always adheres to the principles of openness and transparency, and is committed to maintaining a good communication and trust relationship with investors, providing them with comprehensive and accurate information support, and assisting them in making rational decisions.

Website:
www.zkteco.com

Phone:
0769-82618868

Email:
ir@zkteco.com

Number of investor research receptions
1 Times

Number of interactions with investors on the "Easy to Interact" platform
91 Times

Number of investor calls received
408 Times

Number of investor research visitors
5 Person-time

Number of investor open exchange meetings held
3 Times

Enterprise credit evaluation

In August 2023, the China Association of Small and Medium Enterprises (CASME) evaluated the Company's credit status as AAA, valid until August 2026. This demonstrates the Company's strong comprehensive strength in terms of operating conditions, credit rating, and profit levels. It represents the Company's brand influence and credibility in the capital market, which helps enhance investor confidence and plays a significant positive role in strengthening the Company's financial risk resistance and improving business efficiency.

企业信用等级证书
CERTIFICATE OF ENTERPRISE CREDIT GRADE

Commercial conduct

Anti-commercial bribery and anti-corruption

Internal integrity

To establish a clean and compliant working environment within the Company, the Company has signed an "Integrity Agreement" with its employees, clearly stipulating that employees must abide by national laws and regulations, business ethics, and internal company rules and regulations during their performance of duties. They are prohibited from participating in or accepting bribes, kickbacks, or any other improper benefits in any form. The Company has established a supervision and evaluation mechanism to review and assess the integrity of employees in their work. Employees are regularly required to fill out the "Honesty and Integrity Self-Inspection Form". Any violations of the agreement will be dealt with in accordance with relevant laws and regulations and company policies. The Company recognizes the importance of integrity in maintaining its reputation and sustainable development, and requires employees to adhere to professional ethics to jointly safeguard the Company's interests and image. Additionally, the Company actively conducts integrity training, spreading anti-corruption and anti-bribery awareness to every department from the individual to the collective. In 2024, the Company conducted three legal training sessions and two hours of anti-commercial bribery and anti-corruption training, with 30 employees participating. No commercial bribery or corruption incidents occurred within the Company.

Case

In 2024, the Company held a meeting for procurement personnel with the theme of "Integrity, Anti-corruption, Warning, and Opportunity", aiming to strengthen the professional ethics of procurement personnel, prevent corrupt practices, and ensure the fairness, transparency, and efficiency of procurement activities. Members of the Legal Department's Audit Team presented cases from their work to introduce the definition of integrity and proposed behavioral norms for integrity, namely, abiding by laws and regulations, operating transparently, resisting temptation, and reporting proactively.

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.

Duty Crime Reporting Channels 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.

Anti-unfair competition

The Company strictly adheres to relevant 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", upholds the principles of fair trade and fair competition, and actively maintains a healthy and orderly market competition environment to ensure a positive competition with rivals. During the reporting period, the Company has always participated in market competition in accordance with laws and regulations and no malicious competition incidents occurred.

02

6 Clean drinking water and sanitation facilities

7 Economical and applicable clean energy

13 Climate Actions

Green Operations: Safeguarding the Ecological Future

Responding to climate change

Governance

ZKTeco actively responds to the opportunities and challenges brought by climate change, fully integrating the response to climate change into the Company's management and business practices. Reducing greenhouse gas emissions is listed as a key part of the Company's environmental management, and it explores an economic model that fits its own development and can address the risks of climate change. The Company incorporates climate change-related functions into its governance structure, steadily advancing its work on climate change response, laying a solid foundation for achieving SDGs.

Strategy

The Company actively takes actions to respond to international and domestic requirements, embracing the low-carbon development trend in the industry with an open and positive attitude, and proactively becoming a practitioner, promoter, and contributor to green development, thereby promoting sustainable development. To accurately identify the impact of climate change on the Company's business, the Company analyzes climate change-related risks, identifying the risks and impacts brought by climate change to the Company from both physical risks and transformation risks, and actively takes countermeasures.

Risk/ Opportunity Type		Risk/Opportunity Description	Financial Impact	Impact Period1	Countermeasures
Physical risk	Acute physical risk	The frequency and intensity of extreme weather events such as typhoons, floods, heavy rain, heat waves and cold snaps have increased.	Facility repair and operation are suspended, and costs of alternative supply chains are increased. Revenue loss is caused due to production or service interruption.	Short to medium term	Formulate relevant emergency plans and implement disaster response plans to ensure rapid resumption of operations.
	Chronic physical risk	There is continuous rise in sea level, average temperature increase, and extreme changes in precipitation patterns and weather patterns, etc.	Operating costs are increased.	Medium to long term	Strengthen flood control and emergency management to reduce the probability of business interruption.
Transformation risk	Market risk	There are changes in customer behavior, uncertain market signals, and rising energy costs.	Sudden and unexpected changes occur in energy costs.	Medium to long term	Firmly establish the concept of green development and actively promote the Company's energy conservation and carbon reduction efforts.
	Reputation risk	There is impact on corporate reputation due to non-compliance or poor performance in climate risk management.	Operating revenue is reduced.	Medium to long term	Proactively release sustainability reports, disclose environmental protection-related information, strictly implement relevant systems such as the "Environmental Protection Law", and enhance environmental management capabilities.
Opportunity	Energy alternatives	Clean energy and new technologies are adopted.	Operating costs are reduced. The risk of future energy price hikes is mitigated.	Short and medium to long term	Adopt energy-saving and carbon-reduction technologies in the production process to reduce greenhouse gas emissions.
	Products and services	New products or services are developed through R&D and innovation.	Operating revenue is increased.	Short and medium to long term	Continuously engage in R&D and innovation to create green and low-carbon products.

1 Impact period definition: Short term: within one year; Medium term: 1 to 5 years; Long term: more than 5 years.

Impact, risk and opportunity management

ZKTeco incorporates climate change risks into its corporate risk assessment and control system, deeply explores technological innovation opportunities and market development potential in the transition to a low-carbon economy, continuously enhances the Company's resilience to climate risks, and effectively integrates SDGs with the Company's strategy.

Climate-related Risk Identification, Assessment, and Management Processes		
Step 1	Confirm management boundaries and identify the climate risk list	By comprehensively analyzing the current trends in the natural and social environment and identifying risks in different scenarios, a preliminary list of potential climate risks for the Company is compiled using methods such as industry research reports, policies issued by regulatory agencies, benchmarking against peers, and stakeholder surveys.
Step 2	Perform climate risk assessment and ranking	Based on the climate risk list, each climate risk and opportunity is analyzed and evaluated, and the importance of the risks is ranked.
Step 3	Formulate countermeasures	According to the results of the climate risk assessment, each department conducts targeted risk management and response work and formulates risk handling plans, and the relevant business departments are responsible for implementation.
Step 4	Monitor and manage	The relevant business departments regularly report the implementation of countermeasures to the management and adjust actions in a timely manner based on the actual situation. The management regularly supervises the key risk indicators.

Indicators and objectives

The Company continuously improves its climate change management system, sets the objective of reducing carbon dioxide emissions per RMB 10,000 of revenue year by year, and formulates a series of energy-saving and consumption-reducing measures, which are implemented in the operation process.

Indicators	Objective	Achievement
Carbon dioxide emissions per RMB 10,000 of revenue	Decline year by year	In progress

Greenhouse gas emission management

The Company strictly adheres to laws and regulations such as the "Law of the People's Republic of China on Conserving Energy", promotes the rational use of energy, prevents the occurrence of resource waste incidents, pays attention to the implementation and enforcement of greenhouse gas reduction measures, fulfills its main responsibility for energy conservation and carbon reduction, and ensures the smooth execution of energy conservation and carbon reduction goals. In response to the national call for green and low-carbon development, the Company optimizes its energy structure, improves energy efficiency, promotes green office practices, encourages low-carbon travel, and reduces carbon emissions in all aspects and at multiple levels to contribute to the country's ecological civilization construction. At the same time, it promotes the Company's transformation and upgrading, achieving a win-win situation in economic and social benefits.

Resource management

Energy utilization

The Company implements laws and regulations such as the "Law of the People's Republic of China on Conserving Energy" and the "Dual Carbon" strategy requirements, incorporating energy conservation and consumption reduction into its sustainable development strategy. To effectively utilize energy and resources and reduce resource consumption, the Company formulates systems and norms such as the "Energy and Resource Management System" and the "Energy Performance Management System", introduces the ISO 50001 energy management system standard, improves the energy management system, enhances energy utilization efficiency, and practices the concept of sustainable development.

The Company formulates the "Energy Measurement and Statistics Position Work Guidelines", the "Energy Performance Management System", and the "Energy Statistics Account System" to clarify the specific responsibilities and processes for energy measurement, statistics, analysis, and performance management, ensuring the accuracy and traceability of energy data and providing a scientific basis for the Company's energy management decisions. By establishing an energy performance management system, it can continuously monitor and optimize energy usage efficiency, promoting the refinement and sustainable development of the Company's energy management.

Energy conservation and consumption reduction measures

The Company is 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.

Saving electricity

The Company strictly prohibits the use of long-burning lights and lights on during the daytime. When there are fewer people, fewer lights should be turned on. When people leave, lights should be turned off immediately. The Company adjusts the positions of desks in each department (office) to make use of natural light as much as possible. Energy-saving lamps are used and ordinary incandescent bulbs are not used. The Company reduces the power consumption of electronic office equipment and standby power consumption. Computers, printers, copiers, scanners, fax machines and other electrical equipment should be turned on and used reasonably. Power should be turned off when personnel leave work to prevent standby power consumption. For the use of air conditioners in the Company, they should not be turned on in normal spring and autumn weather. In summer and winter, they should be turned on according to the temperature standard (the indoor cooling temperature in summer should not be lower than 26°C, and the indoor heating temperature in winter should not be higher than 20°C). In special places, they can be turned on according to work needs. When the air conditioner is on, windows and doors should be closed, and the temperature should be set reasonably. It is recommended to turn off the air conditioner half an hour in advance. It is prohibited to turn on the air conditioner when no one is around to avoid wasting electricity. In addition, the Company strictly prohibits the use of high-power appliances such as electric stoves in the office. The configuration and switch time of electric drinkers should be reasonably adjusted to reduce unnecessary power consumption.

Saving oil

In the production process, the Production Department should avoid the idling of production equipment to prevent the waste of electricity and lubricating oil. When maintaining and servicing equipment and facilities, each department should pay attention to the amount of lubricating oil used and avoid excessive application, which may lead to waste and leakage onto the ground, polluting the environment. Private use of company vehicles should be minimized. At the same time, all full-time and part-time drivers should be trained to operate and drive vehicles normally to ensure normal oil consumption.

Water resource utilization

The Company strictly adheres to relevant laws and regulations such as the "Water Law of the People's Republic of China", closely follows the policies and requirements of the state and local governments regarding water usage and reuse, and optimizes water resource management and utilization to contribute to the sustainable use of water resources and the protection of the ecological environment. The Company continuously strengthens water conservation management throughout the entire process of water extraction and usage, achieving the recycling of water resources. After tap water is purified through a water purifier, 70% of the purified water is used in ultrasonic cleaning machines. After professional treatment, 60% of the reclaimed water meets the reuse standards and is then returned to the water purifier for secondary purification, effectively conserving water resources and protecting the ecological environment. The Company's water source is municipal water supply.

▶ Saving water

The Company intensifies the daily inspection, maintenance, and management of water-using equipment, promptly addressing any leakage or waste, and strictly preventing the waste of water resources. The total monthly water consumption is verified and statistically recorded by a designated person. Violations of water conservation regulations and water waste are subject to penalties based on the severity of the offense. In addition, the Company vigorously promotes water conservation by posting water conservation slogans and other methods to enhance employees' awareness of water conservation

Material management

Material management system

To ensure the continuity and orderliness of the production process, the Company has formulated the "Raw Materials Warehouse Management Regulations" to rationalize warehouse operations, ensure the safety and quality of materials, guide and standardize the daily work of warehouse personnel, and improve the efficiency of material turnover. The Company has established a complete material management organization, with the material warehouse divided into an electronic materials warehouse and a mechanical materials warehouse. The specific responsibilities of each position in the raw materials warehouse management are clearly defined, enabling efficient raw materials warehouse management and promoting the long-term sustainable development of material storage management.

To enhance employees' professional capabilities in material management, the Material Management Department regularly conducts material-related training, such as training on the use of packaging materials, identification of electronic materials, and implementation of the "Line-Side Warehouse Material Management Regulations". After the training, a "Training Sign-in and Evaluation Form" is compiled to quantify the training results, ensuring that the training effectively enhances the professional skills of relevant employees and provides strong support for the efficient operation of the Company's material management.

▶ On-site Training Picture

Full-process material management

▶ Material storage

The Company's Production Material Control (PMC) Department formulates a "Risk and Opportunity List" for warehouse management, comprehensively identifying potential risks in each operation activity and position during the material management process in the warehouse. Through risk assessment and analysis, corresponding existing safety control measures and recommended improvement measures are determined, providing clear work directions for responsible personnel, reducing losses caused by poor material management, and ensuring the normal operation of each link in warehouse material management to maintain the stability of the Company's overall operation.

The Company implements classified and labeled management for material storage. Based on different requirements for static electricity protection and temperature and humidity, materials are stored in different warehouse areas to ensure suitable environmental conditions. During storage, materials are required to be protected from moisture, theft, pests and rodents, sunlight, pressure, exposure, and tipping. Smoking is strictly prohibited in the warehouse, and no fire sources are allowed. All flammable, explosive, and hazardous materials are strictly controlled. Regular safety inspections are conducted to prevent material damage and accidents. The warehouse uses the SAP system to maintain accurate inventory records, and each item is subject to area division, line marking, and fixed location management.

Material transportation

The warehouse formulates detailed transportation plans based on production order requirements and adopts appropriate packaging and protection measures, and all items must be neatly and stably arranged during transportation, not exceeding the specified capacity. AGV machines are used for material transportation. During transportation, all materials must be protected from tipping, fire, and pressure. Real-time monitoring is conducted during transportation, and emergency plans are prepared to deal with unexpected situations.

Receiving and usage

Standard orders are fulfilled based on order requirements to ensure that the consumption of raw materials during production complies with the material BOM and process requirements. The Company has established an application and approval process for exceptional material requisition (such as defective product returns and exchanges, and component replacements) for orders that require exceptional materials, ensuring that raw materials are requisitioned and used as needed and correctly, avoiding waste. In terms of quality control and inspection, incoming raw materials are subject to quality inspection and reliability testing to ensure that their quality meets production requirements. In the production process, process inspections are conducted on the usage of raw materials to ensure product quality stability.

Circular economy

ZKTeco integrates the concept of green development into its daily operations and actively explores and implements the circular economy. In the production process, it optimizes the production process, improves resource utilization, effectively disassembles, classifies, and reuses waste products, and reduces waste generation. In daily office operations, the Company actively promotes paperless office practices and explores the use of e-paper smart devices and solutions to achieve efficient resource recycling and promote the development of the circular economy.

Green office practices

ZKTeco adheres to the concept of green office and is committed to implementing environmental protection measures in daily operations. The Company strictly enforces energy-saving standards and reminds employees to pay attention to resource and energy conservation and avoid waste, such as promoting paperless office practices and using digital technology for document management and communication to reduce paper consumption. For unavoidable paper usage, the Company encourages 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 norms, such as requiring employees to preview the format correctness before printing documents to avoid re-printing due to format errors and unnecessary paper waste.

Green production

The Company is committed to achieving green production and low-carbon operations. In new production bases, advanced environmental protection technologies and equipment are introduced, and production processes are continuously optimized to reduce pollutant emissions and improve resource utilization efficiency.

Environmental management

Environmental compliance management

ZKTeco complies with environmental protection laws and regulations such as the "Environmental Protection Law of the People's Republic of China" in its daily production and operation and attaches great importance to environmental management. 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. In 2024, the Company's environmental protection investment reached RMB 119,800. The Company actively fulfills its responsibility to protect the environment and was awarded the title of "Dongguan Environmental Management Demonstration Enterprise" in 2023, with the validity period extending until March 2025.

Environmental management system

The Company has prepared an "Environmental Management Manual" based on the "Environmental Management Systems - Requirements with Guidance for Use" and according to ISO 14001 requirements, 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
- implements pollution prevention
- reasonably utilizes resources
- 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. The Company actively carries out environmental management system certification. By the end of the reporting period, it has passed the ISO 14001:2015 environmental management system certification.

▶ ISO14001:2015 Environmental Management System Certificate

Environmental Factor	Objective	Achievement
Wastewater discharge	Up-to-standard discharge	Achieved
Exhaust emissions	Up-to-standard discharge	Achieved
Noise emissions	Up-to-standard noise emissions (≤ 65 decibels during the day, ≤ 55 decibels at night)	Achieved
Hazardous waste disposal	100% reasonable classification and disposal of waste	Achieved
Energy and resource consumption	Domestic water: ≤ 4m3 per person Production water: ≤ 2,500m3 Domestic electricity: ≤ 30kWh per person Production electricity: ≤ 280,000kWh Monthly paper usage: ≤ 12,500 sheets	Achieved

Environmental risk control

The Company formulates and implements the "Risk and Opportunity Management Control Procedure". Starting from risk identification and assessment, it sorts out potential risks in environmental management, effectively consolidating the stable operation of the environmental management system and facilitating the Company's achievement of SDGs.

▶ Risk identification and assessment

To ensure the systematic and standardized identification and assessment of environmental risks, the Company implements the "Environmental Factor Identification and Evaluation Procedure", comprehensively identifying and assessing environmental impacts during its operations. Through the execution of the "Environmental Monitoring and Control Procedure", key environmental indicators are regularly monitored and dynamically evaluated to ensure that all environmental risks are under control and that environmental management measures are effectively implemented. During the reporting period, the Company entrusted a third-party organization to conduct emission tests on pollutants such as wastewater, exhaust gas, and noise from the factory, with a **100** % pass rate for pollutant tests.

▶ Emergency plans and drills

The Company investigates environmental risks and hazards, and improves risk prevention and control measures for sudden environmental incidents. The Company formulates the "Chemical Leakage Emergency Plan" and organizes chemical leakage prevention drills to exercise the coordination and cooperation capabilities among various departments. This ensures that in the event of an environmental accident, it can be handled promptly and effectively, enhancing the Company's overall efficiency in responding to emergencies.

Case | Chemical leak prevention drill

On December 10, 2024, the Company conducted a chemical leak prevention drill in the open area in front of the logistics platform. The drill covered the standardization and timeliness requirements of the emergency command system for accident alarms and communication, as well as the handling of cordoning off and evacuation, leakage treatment, fire suppression, and subsequent on-site monitoring and cleanup. This effectively enhanced the employees' response and rescue organization capabilities in the event of a chemical leak, and strengthened their environmental protection and safety awareness.

Hazardous substance management

The Company has formulated the "Environmental Hazardous Substance Management Regulations" to strictly control the content of hazardous substances in its products and uses professional equipment to test the content of hazardous substances. The Company requires suppliers to cooperate with the implementation of the "Environmental Hazardous Substance Management Regulations", sign the "Commitment Letter of Not Using Hazardous Substances", and strictly abide by relevant regulations during the supply of raw materials and production process, not to use any hazardous substances exceeding the limit standards, to ensure that the supplied products comply with the EU RoHS Directive and other relevant environmental protection laws and regulations, and produce green products that meet customer requirements.

Hazardous Substance Test Equipment

Environmental protection training

The Company requires each department to identify the environmental training needs of employees based on actual work requirements, determine different training themes, such as environmental awareness education, environmental business knowledge and professional skills training, and qualification training for special environmental work, and formulate corresponding employee training plans to effectively enhance employees' environmental awareness.

Pollutant emissions

Wastewater management

The Company complies with the "Law of the People's Republic of China on Prevention and Control of Water Pollution" and conducts 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 avoiding wastewater pollution to the surrounding environment. In 2024, ZKTeco generated 48 tons of wastewater, and the Tangxia Branch generated 50 tons of wastewater, with a 100% compliance rate for wastewater disposal.

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. The Company has engaged a professional third-party organization to treat the aforementioned wastewater using reclaimed water reuse filtration facilities. The purified wastewater is then reused in the production process, achieving closed-loop management of production water and effectively conserving water resources.

Waste gas management

The Company controls the emissions of waste gas during the production process in strict accordance 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" to ensure that the emissions comply with national and local regulations. The Company has established a complete and regular maintenance mechanism for waste gas treatment facilities, and regularly arranged employees to conduct comprehensive inspections and maintenance of the facilities to ensure their stable operation. At the same time, the Company continuously upgrades the technology of waste gas treatment facilities to effectively reduce the negative impact of waste gas emissions on the environment, demonstrating its commitment to green development through practical actions. The company pays attention to waste gas treatment, and installs environmental protection exhaust fans to quickly draw smoke and dust to the rooftop, where they are filtered and separated of harmful substances through purification equipment, ensuring that the air meets environmental protection emission standards. By regularly cleaning the smoke and dust collection devices, the dust collectors can operate efficiently. The smoke and dust treatment methods for laser cutting, welding, and grinding processes are similar, so the environmental protection dust collectors are applicable to the entire production process.

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. It has formulated the "Waste Management Specification" to further standardize the classification, storage, and treatment processes of wastes, effectively reducing the potential harm of wastes 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. This effectively reduces the Company's pressure in waste treatment, ensuring that general wastes are treated scientifically and in a standardized manner, minimizing the negative impact on the environment.

Company Name	General Industrial Waste Category	Unit	Waste Treatment Volume in 2024
ZKTeco	Waste packaging, waste tin slag, and defective glass prisms	Ton	2.54
Tangxia Branch	Cutting sediment	Ton	2

Hazardous waste

To ensure that the hazardous waste generated during the Company's production and operation is professionally and compliantly handled, the Company has entered into a "Commercial and Industrial Waste Treatment Agreement" with a third-party organization with professional qualifications. The agreement clearly defines the rights and obligations of both parties in the hazardous waste treatment process, ensuring that each item of hazardous waste is properly handled in accordance with regulatory standards and professional norms, laying a solid foundation for the legal and safe disposal of hazardous waste from the source. In 2024, ZKTeco entrusted a third-party company to dispose of 2.19 tons of hazardous waste in a compliant manner, and its Tangxia Branch disposed of 9.4 tons of waste in a compliant manner.

Furthermore, due to the high risk in the transportation of hazardous waste, to prevent leakage and other unexpected situations that could pollute the environment, the Company has formulated a detailed inter-provincial transfer plan and filed it for record. To ensure the professionalism and safety of the transportation process, the Company has specially entrusted an experienced third-party professional company to be responsible for the entire transportation process of hazardous waste from the generation site to the disposal site, ensuring that the transportation process is safe and worry-free.

Company Name	Hazardous Waste	Unit	Quantity
ZKTeco	Waste activated carbon	Ton	1.9
	Waste packaging materials	Ton	0.09
	Waste container tanks	Ton	0.2
Tangxia Branch	Waste activated carbon	Ton	1
	Waste paint residue	Ton	6
	Waste container tanks	Ton	0.3
	Waste rags	Ton	1.1
	Washout wastewater	Ton	1

Ecosystem and biodiversity conservation

ZKTeco strictly adheres to relevant environmental protection laws and regulations. The Company's operating activities do not directly affect ecosystems, biological species and their habitats, or biological genetic resources, and will not cause damage to ecosystems and biodiversity. During the project site selection process of the Company's operating activities, it avoids natural reserves, key ecological function zones, or other areas with significant biodiversity value, and does not damage local water sources and ecosystems. During construction and operation, it conducts greening based on the planting characteristics and ecological environment around the project to avoid impacts on soil and groundwater.

03

Excellent Quality: Ensuring Information Security

Innovation-driven

Governance

Innovative concepts

ZKTeco attaches great importance to product R&D and innovation, and insists on taking technological innovation as the strategic support for the Company's high-quality development. It has formulated and updated systems such as the "Product Development Process", "Engineering Change Process", "Customization Demand Classification and Baseline Standards", and "Technical Committee Management Charter", further improving the product R&D system and driving high-quality development through innovation. The Company is laying out a global R&D system, continuously improving its technological innovation capabilities and competitive advantages, and continuously consolidating its core technology and cloud platform technology capabilities, laying a solid foundation for R&D.

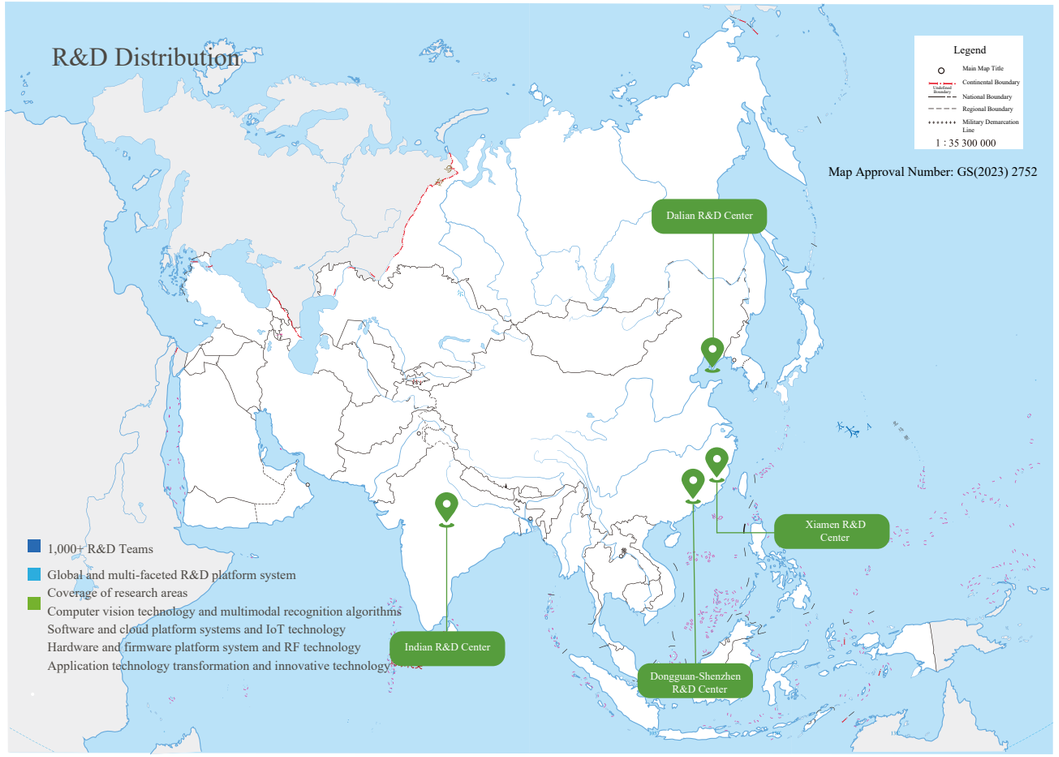
The Company takes multimodal BioCV as its core technology, integrates ZKTeco's independent intellectual property rights in multimodal computer vision and multimodal biometric technology, and constructs an end, edge and cloud service technology ecosystem, and the full stack and full-scenario solution,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

R&D organization

The Company always takes market demand and technological innovation as the main driving force, and pursues leading core technologies as its 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, Xiamen R&D Center, Dalian 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 Center Distribution



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	2022	2023	2024
Number of R&D personnel	Person	1,125	1,226	1,118
Proportion of R&D personnel	%	29.7	29.86	31.42
Number of R&D personnel by gender				
Male	Person	884	956	890
Female	Person	241	270	228

R&D training

Case

In 2024, to enhance employees' understanding and application of AI technology, enable AI tools to empower daily work, improve work efficiency, integrate AI technology with the Company's products, and create better "AI + ZKTeco products" solutions for customers, the Company launched the "Focus on AI Application to Promote Business Development" AI enterprise prompt training.

Strategy

Risk/Opportunity Type		Risk/Opportunity Description	Financial Impact	Impact Period[2]	Countermeasures
Risk	Technical risk	Evaluate whether there are insurmountable technical difficulties in the R&D process of new technologies that prevent the project from achieving its expected goals; whether the Company's R&D achievements will be replaced by new technologies before they are launched on the market due to the industry's rapid technological updates. The Company's internal R&D achievements may be leaked due to reasons such as employee departure, hacker attacks, and violations by partners, causing losses to the Company.	Increased cost	Medium to long term	When employees join the Company, they sign a confidentiality agreement to prevent the leakage of technology. Before a project is initiated, a technical feasibility review is conducted, with a focus on discussing the feasibility and maturity of new technologies for key requirements. At the same time, efforts are made to enhance technological R&D cooperation by collaborating with universities, research institutions, and others to improve the level of technology and innovation capabilities.
	Talent risk	The shortage of high-quality professionals may affect the progress and quality of R&D projects, or the departure of core personnel may lead to technology leakage and impact project schedules.	Increased cost	Short to medium term	Strengthen talent cultivation and recruitment, formulate personnel training plans, and attract and retain high-quality professional talents; establish an incentive mechanism, and enhance employees' innovation ability and work efficiency through incentive assessment, equity incentives and other means.
Opportunity	Technical opportunity	Through market research, explore market demands, cooperate externally to integrate innovative resources, identify and seize emerging technologies, and increase investment.	Increased operating revenue and strong market competitiveness	Short and medium to long term	Keep a close eye on the development trends of new technologies, increase investment in the R&D of cutting-edge technologies, and enhance the Company's technological innovation capabilities; build a technological innovation platform, integrate internal and external resources, promote technological exchanges and cooperation, and accelerate the process of technological innovation.

2Impact period definition: Short term: within one year; Medium term: 1 to 5 years; Long term: more than 5 years.

Impact, risk and opportunity management

Risk identification

Internal assessment method: In combination with the "Product Development Process", analyze the possible risks involved at each node from demand introduction, project initiation and development, testing and verification, to production handover. Organize internal cross-departmental meetings to involve personnel from R&D, marketing, finance, legal affairs and other relevant departments for risk assessment. At the same time, refer to historical R&D and innovation projects to analyze and summarize possible risk factors, and analyze possible risk items based on financial data such as project return on investment and fluctuations in R&D investment ratio.

External reference method: By paying attention to national and local government laws, regulations, policy documents and industry standards related to innovation and R&D, as well as researching and analyzing risk events of competitors or industry-leading enterprises, identify possible risk items. Actively collect feedback from stakeholders such as shareholders, employees, customers, suppliers, community organizations, and non-governmental organizations.

Risk assessment

Assess the size and likelihood of risks mainly through subjective judgments and descriptions of their nature, scope of influence, and potential consequences, as well as through specific financial data and indicators, such as the growth rate of new product sales and the first-pass yield of new product delivery.

Risk assessment and ranking standards

Assess the impact of risks from four aspects: Financially, examine whether there is direct economic loss and measure it in terms of amount or financial indicators; strategically, focus on whether it disrupts the Company's strategy, such as changes in R&D direction or market position; reputationally, determine whether the Company's reputation and brand image are damaged, referring to media reports, word-of-mouth, and customer satisfaction; and socially, pay attention to negative impacts on society and the environment, such as pollution or resource waste during R&D. To determine the likelihood of risk occurrence, it is usually necessary to refer to the frequency and probability of similar risks in the past for competitors and companies in the same industry, as well as to invite experts for assessment and conduct scenario analysis under different circumstances to evaluate the possibility of risk occurrence.

Risk management

Based on the annual key indicators for R&D, such as the growth rate of new product sales, the number of patent applications, and the direct pass rate of new product delivery, collect and analyze the data of these indicators on a quarterly basis to promptly identify changes and trends in risks. Use the JIRA project management tool to conduct real-time monitoring of the key links and risk points of R&D innovation projects. For R&D innovation projects with high risks and low returns, avoid the risks by not undertaking such projects.

Indicators and objectives

ZKTeco adheres to the mission of "AI cognition makes spaces smarter and the world better", maintains strategic focus, and collaborates with partners and customers to concentrate on four core tracks: smart space, smart office, digital identity authentication, and smart business. It continuously integrates its multimodal BioCV core technology with digital technologies such as AI, IoT, big data, and cloud computing to meet the personalized and diverse needs of global customers.

In 2025, the Company will set a performance assessment target of a 15% year-on-year growth in operating revenue or net profit for the unlocking of the employee stock ownership plan and the vesting of equity incentives. This will drive technological innovation and product upgrades, address the technical shortcomings in "audio-video+AI capabilities" and "visual language models", and enhance the Company's market competitiveness. By constantly optimizing the product development process and improving product quality and delivery efficiency, it will meet market demands and continuously update and iterate products.

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;

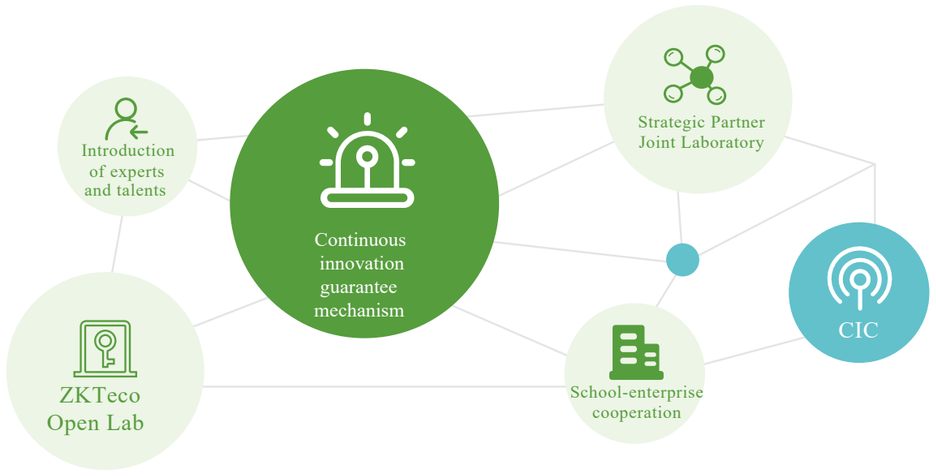
Increase investment in core technologies of multimodal biometrics and deepen the integration of computer vision and biometric technology;

Accelerate the upgrading of product globalization engineering design capabilities and agile production capabilities, and enhance engineering integration capabilities.

▶ R&D investment

Indicators	Unit	2022	2023	2024
R&D investment amount	RMB '0,000	18,798.38	21,361.34	21,547.10
Ratio of R&D investment to operating revenue	%	9.80	10.84	10.82

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 famous universities. We jointly built a "school-enterprise talent strategic training platform"; jointly established the "Dongguan Key Laboratory of Multimodal Computer Vision and Biometric Recognition"; and jointly applied with a certain university for the "2024 Dongguan Major Science and Technology Project Inclusion" and the "2025 Key Field R&D Project - Key Technology Breakthrough" and other projects.

Innovation capability recognition

In 2024, ZKTeco has been awarded titles such as "National High-tech Enterprise", "Guangdong Province Doctoral Workstation", "Guangdong Engineering Technology Research Center", "Technology-based Small and Medium-sized Enterprises", and "Innovative Small and Medium-sized Enterprises". Within the Company's consolidated scope, the Company has been awarded the titles of 1 SRDI enterprise and 3 national high-tech enterprises.

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.

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. The Company sets up incentive policies such as project sprint incentives, patent bonuses, project assessment bonuses, and equity incentives to reward 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.

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 multiple 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.

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.

Summary Table of Standards Formulated with Participation of ZKTeco

Category	Standard No.	Standard Name	Participant
National standard	GB/T 42981-2023	Information Technology - Biometrics - Test Methods for Face Recognition System	ZKTeco and XIAMEN ZKTECO
Industry standard	GA/T 1093-2023	Security Precautions - Facial Recognition Application - Entrance and Exit Control Facial Recognition Technical Requirements	ZKTeco
Industry standard	GA/T 2152-2024	Security Protection - Palm Vein Recognition Applications - Acquisition Device	ZKTeco
Industry standard	GA/T 2153-2024	Security Protection - Palm Vein Recognition Applications - Evaluation Methods for Algorithm Performance	ZKTeco and XIAMEN ZKTECO
National standard	GB/T 44404.1-2024	Information Technology - Biometric Identity Assurance Services - Part 1: BIAS Services	ZKTeco
National standard	GB/T 44261.1-2024	Information Technology - Application of Biometric Recognition Technology in Video Surveillance Systems - Part 1: System Design and Specifications	ZKTeco and XIAMEN ZKTECO
National standard	GB/T 44261.4-2024	Information Technology - Application of Biometric Recognition Technology in Video Surveillance Systems - Part 4: Ground Truth and Video Annotation Procedures	ZKTeco and XIAMEN ZKTECO
National standard	GB/T 44248-2024	Information Technology - Biometrics - Face Recognition System Application Requirements	ZKTeco

Participating social organizations

By the end of the reporting period, the Company had joined multiple industry associations, actively engaged in industry exchanges, promptly shared its R&D achievements, and learned about the latest technologies in the industry.

Summary of ZKTeco Participation Associations

S/N	Name
1	National Information Technology Standardization Technical Committee Technical Committee on Biometrics (NITS SC37)
2	Xiamen High-tech Association (member entity)
3	Xiamen Technology Innovation Association (director entity)
4	Xiamen System Integration Association (member entity)
5	Xiamen Software Association (director entity)
6	China National Information Technology Standardization Network (NITS) (member)
7	Chinese Information Technology Application Innovation Working Committee of China Electronics Standardization Association (member)
8	IIFAA (member entity)
9	Intelligent Terminal Microelectronics Association (ITMA)

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, the Company actively carries out intellectual property training for the Company's R&D personnel, including patent protection and intellectual property risk prevention. In 2024, the Company conducted a total of two intellectual property training sessions.

Case

In 2024, in order to better assist employees in sorting out the technical points during the project R&D process and extracting patent application points to better protect the Company's technological achievements, the Company launched patent mining training and arranged for external patent agencies to come to the Company to assist employees in patent mining through one-on-one communication.

Indicators	Unit	2022	2023	2024
Cumulative number of authorized patents (patents within the validity period)	Item	736	858	963
Cumulative number of authorized invention patents	Item	106	149	171
Cumulative number of authorized utility model patents	Item	231	245	248
Cumulative number of authorized design patents	Item	399	464	544

Indicators	Unit	2022	2023	2024
Number of patent applications	Item	145	142	204
Cumulative number of software copyrights	Item	629	675	739
Cumulative number of trademarks	Item	1,129	1,181	1,220

Ethics in science and technology

Technology is a powerful tool for development, but it can also be a source of risks. The new round of technological revolution and industrial transformation is accelerating, and the breakthroughs and applications of emerging technologies are having an increasingly profound impact on economic and social development. The ethical issues that come with them have become a common challenge faced by the world. Ethics in science and technology are the value concepts and behavioral norms that need to be followed in scientific research, technology development and other technological activities, and they are an important guarantee for the healthy development of the science and technology cause. ZKTeco adheres to the "Data Security Law of the People's Republic of China", the "Personal Information Protection Law of the People's Republic of China", the "Provisions on the Administration of Deep Synthesis of Internet-based Information Services", and the "Interim Measures for the Administration of Generative Artificial Intelligence Services". The Company has released the "BioCV TinyML Multimodal Model Technology Application White Paper", showcasing our latest achievements in multimodal models and TinyML edge computing, and also indicating our profound insights into the future of AI. In 2024, the Company did not experience any incidents that violated relevant laws and regulations on ethics in science and technology.

Product and service safety and quality

Governance

Product quality management 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 Company 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 "ISO 9001:2015 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. The Manufacturing Center is the main responsible department for the Company's product quality management. The Company regularly assesses the Quality Manager's performance, with assessment targets including the number of major quality issues, customer quality losses, and the number of quality issues at the factory exit.

Quality policies

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 certifications

ZKTeco, its Dongguan Branch, and Guangdong ZKTeco have all passed the GB/T 9001-2016 and ISO 9001:2015-CNAS CN certifications.

▶ Product Quality System Certificate

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 employees concerned, quality inspectors, etc. External training is conducted online, covering multiple aspects such as production line design, factory planning, QCDSM indicators, etc. In 2024, the Company conducted a total of 89 internal training sessions and 3 external training sessions, with a total training duration of 156 hours and covering 325 people.

▶ The Company conducts product quality training for external suppliers.

Customer 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, 2024, the Company has established 28 branches, 14 subsidiaries, and 202 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 49 controlling subsidiaries overseas, located in 34 countries and regions worldwide, with product sales covering over 100 countries and regions. The Company continuously accelerates its global layout and promotes 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. The Company has been certified as a five-star service provider in accordance with the "Evaluation System for After-Sales Service of Commodity" (GB/T 27922-2011).

▶ After-Sales Service Certification Certificate

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

01 The headquarters team provides services to global branches and customers;

02 Local teams of branches provide localized pre-sales, in-sales, and after-sales services to local distribution customers and their customers;

03 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.

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

Personalized care: 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.

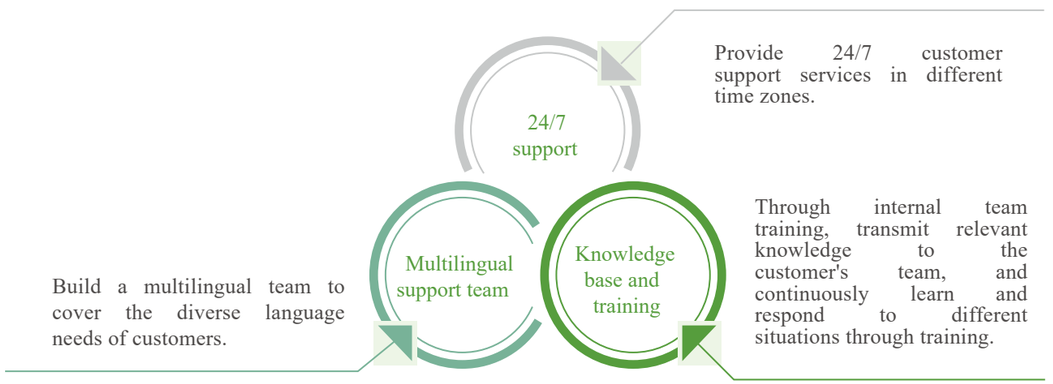
In-sales services

- **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

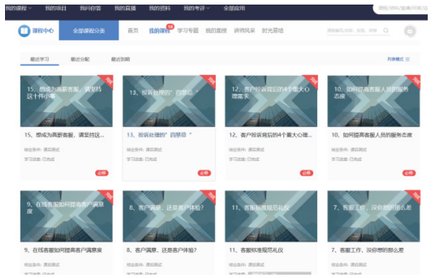
- **Problem solving and technical support:** Provide technical support for different languages to ensure timely resolution of customer issues.
- **Customer satisfaction survey and feedback:** Conduct regular surveys to understand customer satisfaction and continuously optimize services based on feedback.

After-sales service system for overseas markets



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 addition, the Company 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 - Online Learning Platform

Statistics on Customer Service Training and Assessment

Indicators	Unit	2022	2023	2024
Person-time of special training on customer complaint response	Person-time	85	90	80
Total duration of special training on customer complaint response	Hour	84	96	80
Number of special training sessions on customer complaint response	Times	12	12	2
Number of assessments on customer complaint response	Times	12	12	2
Pass rate of assessments on customer complaint response	%	86	90	100

Strategy

Risk/ Opportunity Type		Risk/Opportunity Description	Financial Impact	Impact Period3	Countermeasures
Risk	Market risk	If a product or service fails to adapt to the changes in market demand and customer preferences, it will have a low market acceptance rate; competitors may launch more competitive products or services to seize market share; or the industry may have strict regulations, standards and certification requirements for new products or services, and if they are not met, they cannot enter the market.	Increased cost and reduced income	Short and medium to long term	Regularly conduct market research to understand changes in market demand and customer preferences, and promptly adjust the direction and focus of R&D innovation; closely monitor changes in industry regulations, standards and certification requirements, and proactively obtain relevant certifications for products.
Opportunity	Technical opportunity	The continuous emergence of new technologies, new materials and new processes provides the cCompany with technical support to enhance the safety and quality level of its products. Through technological innovation, the Company can develop safer, more efficient and more environmentally friendly products, thereby strengthening its market competitiveness.	Increased operating revenue and strong market competitiveness	Short and medium to long term	Continuously pay attention to market demands and the development trends of new technologies, promote technological exchanges and cooperation, cultivate talents, enhance the Company's technological level, and develop high-quality new products.

3Impact period definition: Short term: within one year; Medium term: 1 to 5 years; Long term: more than 5 years.

Impact, risk and opportunity 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. See the content of "Sustainable Development Risk Management".

Indicators and 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.

Department	Key Performance Indicators (Quantitative)	(Less Than) Target Value/Month	Achievement in 2024 (Monthly Average)
ZKTeco (Excluding Basic Manufacturing)	Number of major quality complaints from customers	4.17	Achieved
	Number of serious quality complaints from customers	10	Achieved
	Number of production batch error incidents	4	Achieved
	Number of customer complaints caused by design reasons	2	Achieved
	Number of times customers have reported quality issues	27	Achieved
Electronic Products Department	Number of major quality complaints from customers	1	Achieved
	Number of serious quality complaints from customers	4	Achieved
	Number of production batch error incidents	2	Achieved
	Number of quality issues reported by customers (less than)	13	Achieved
Mechanical Products Department	Number of major quality complaints from customers	1	Achieved
	Number of serious quality complaints from customers	2	Achieved
	Number of production batch error incidents	2	Achieved
	Number of quality issues reported by customers (less than)	6	Achieved
Ecological Products Department	Number of major quality complaints from customers	1	Achieved
	Number of serious quality complaints from customers	2	Achieved
	Number of production batch error incidents	1	Achieved
	Number of quality issues reported by customers (less than)	5	Achieved
Thai factory	Number of major quality complaints from customers	1	Achieved
	Number of serious quality complaints from customers	2	Achieved
	Number of production batch error incidents	1	Achieved
	Number of quality issues reported by customers (less than)	3	Achieved

Product quality management

Product Quality Control Process of ZKTeco

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

Order quality control
Conduct order review and PMC review

Material quality control
Inspect and recheck materials, and hold material review meetings

Assembly quality control
Conduct quality inspection on production equipment and conduct process inspections

Finished product quality control
Inspect product packaging and perform factory quality control

Customer satisfaction improvement
Analyze and improve the product based on customer feedback

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 Quality Department are responsible for the application, management, daily maintenance and first-level maintenance of the equipment, instruments and jigs used in their departments. The Engineering Department is responsible for the feasibility and configuration assessment, design, manufacture, repair and modification of the Company's equipment, organizing the acceptance of the equipment by the user departments and the second-level and third-level maintenance. The Procurement Department is responsible for contacting equipment suppliers to cooperate with the Engineering Department in formulating equipment plans and negotiating quotations. The Management Department is responsible for the assessment of purchase costs and the review and approval of equipment applications.

The Company regularly performs calibration on the 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. In addition, the Company has developed an "Annual Maintenance Plan" for production equipment and carried out daily maintenance and upkeep of the equipment.

Customer service management

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.

Through the online customer service system, common questions are classified and answers are edited, covering multiple aspects such as attendance, access control, video surveillance, and security inspections. Automatic responses can be triggered by identifying key words.

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.

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 complaint response

▶ 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.

The Company adheres to the principle of "customer first, quality first, high-quality service, and timely response" in the 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".

Indicators	Unit	2022	2023	2024
Number of customers participating in the survey	Nos.	3,497	3,511	3,778
Proportion of customers participating in the survey	%	88	92	95
Number of valid customer satisfaction questionnaires distributed	Copies	3,947	3,817	3,997
Overall customer satisfaction score	Points	92/100	93/100	95/100

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" and by formulating systems such as the "Management Measures for External Publicity of China Region Business Division", 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	2022	2023	2024
Person-time of responsible marketing training	Person-time	556	609	521
Total duration of responsible marketing training	Hour	8	8	8
Number of responsible marketing training sessions	Times	4	4	4

Data security and customer privacy protection

Governance

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/IEC 27001:2013) and the "Information Technology - Security Techniques - Code of Practice for Information Security Controls Based on ISO/IEC 27002 for Cloud Services" (ISO/IEC 27017:2015). 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.

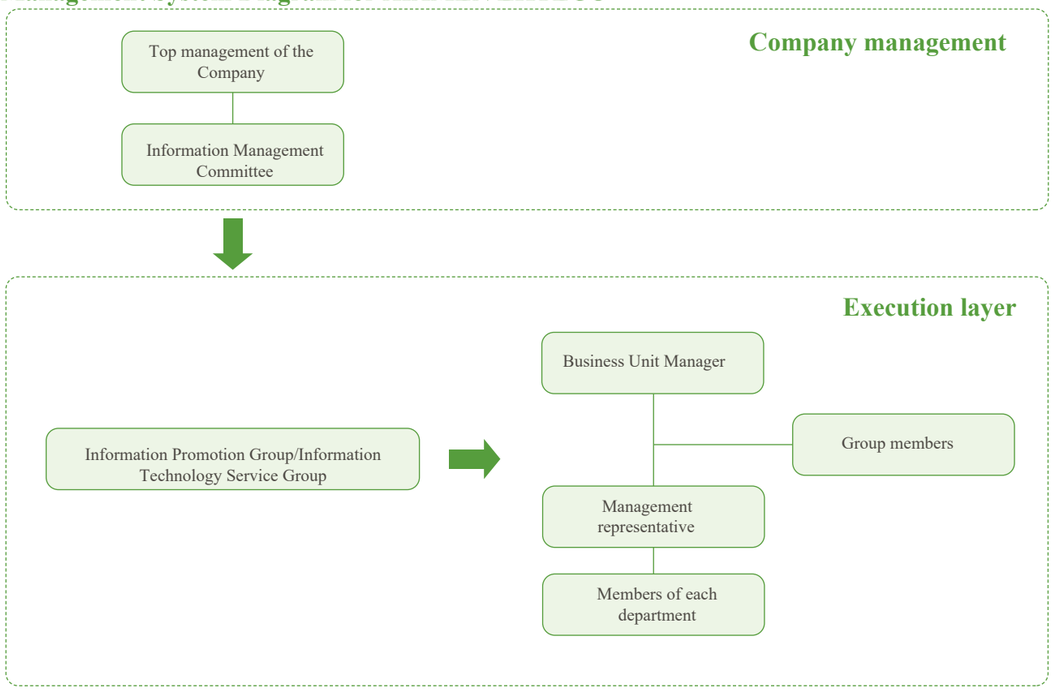
Information technology service policy:

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

Management organization

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



System certifications

The Company actively carries out information security and privacy protection related management system certifications. ZKTeco has passed ISO 27001:2022 information security management system certification and ISO 27701:2019 privacy information management system certification. XIAMEN ZKTECO has passed ISO 27001:2013 information security management system certification, ISO 27701:2019 privacy information management system certification, and ISO 27017:2015 cloud service information security management system certification, all of which are valid during the reporting period.

Information security training

The Company provides information security-related training to new employees upon their onboarding. Meanwhile, it conducts regular information security awareness training for current employees and carries out training assessments and satisfaction surveys. In the past three years, the Company has not experienced any violations of information security and privacy protection. The Company attaches great importance to data security protection and continues to increase investment in data security.

Training on Information Security and Privacy Protection Conducted by the Company

Indicators	Unit	2022		2023		2024	
		Dongguan	Xiamen	Dongguan	Xiamen	Dongguan	Xiamen
Number of relevant training sessions conducted	times	12	4	12	4	12	5
Number of participants in practice and training	person-times	958	586	1,005	664	957	253
Employee coverage of practice and training	%	31	52	34	71	50	74

Onboarding Online and Offline Training for ZKTeco's New Employees on Information Security

Information Security Training of XIAMEN ZKTECO

Privacy and Cloud Security Training of XIAMEN ZKTECO

Strategy

Risk/ Opportunity Type		Risk/ Opportunity Description	Financial Impact	Impact Period[4]	Countermeasures
Risk	Legal risk	Data and customer privacy leaks will violate relevant laws and regulations on information security, as well as the requirements of regulatory agencies and customer audits, and face the risks of being reported, legal proceedings or penalties.	Increased cost	Short and medium to long term	Regularly carry out special audits on information security, conduct self-examination and self-correction to ensure compliance with legal and regulatory requirements and the requirements for regulatory agencies and user audits; continuously optimize the information security management system.
	Reputation risk	Public concern over data security and privacy protection is on the rise. Once a data leakage incident occurs, the Company's brand image will be severely damaged.	Decreased income	Short and medium to long term	Formulate clear data security policies and procedures; enhance technical protection, data backup and recovery; establish an emergency response mechanism.
Opportunity	Market opportunity	The public is increasingly concerned about personal data security and privacy protection, and the market demand for highly secure information and data products is on the rise.	Increased income	Medium to long term	When designing and developing products, pay attention to information security and privacy protection, innovate product and service models, and enhance technical protection capabilities.

4Impact period definition: Short term: within one year; Medium term: 1 to 5 years; Long term: more than 5 years.

Impact, risk and opportunity management

ZKTeco has formulated the "Information Security Risk Assessment Guidelines", the "Personal Privacy Risk Assessment Guidelines", and the "Information Confidentiality Classification Guidelines" to assess and manage information security risks and personal privacy risks. XIAMEN ZKTECO has formulated the "Information Confidentiality Classification Guidelines" and the "Information Security Risk Management Procedures" 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".

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. In addition, the Company regularly conducts emergency drills for data security. During the reporting period, the Company carried out multiple emergency drills including data backup drills, business continuity drills, and network equipment emergency drills.

Emergency Plan Formulated by the Company for Dealing with 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"

……

Information security audit

The Company has formulated regulations such as the "Internal Audit Procedures for Information Security Management System", "Information Security Risk Management Procedures", and "Information Asset Protection Management Procedures". It conducts regular internal audits on information security and issues the "Internal Audit Report for Information Security". The Company conducts information security audits on the business activities of departments, categorizes the problems or deficiencies in information security management, and requires relevant departments and personnel to complete rectification within the required rectification period based on the rectification suggestions in the "Corrective and Preventive Action Report". At the same time, the Company regularly hires external professional third-party organizations to conduct on-site information security audits, summarizes the discovered problems, and provides suggestions. The Company has compiled the "Corrective Action Requirements" report for the Company's reference.

Indicators and objectives

The Company has set information security, information technology service, and privacy security management objectives, and all objectives were achieved during the reporting period.

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.

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%.

Information security management work plan:

By conducting various forms of security training courses, enhance employees' awareness and execution of information security;	Continuously improve data/information security management systems and norms and implement them;	Improve data/ information security technical infrastructure and systems, such as updating firewall equipment, network management devices (AC), etc.	Strengthen the detection and monitoring of data/ information security, and continuously carry out security inspection audits, emergency response drills, etc., to effectively prevent and handle data security threats.

Data security management measures

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. 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.

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 Access Control

Company Printing Room

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.
- Achieve product data/sensitive information encryption.
- Carry out 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.
- Anonymize product user data.
- Implement 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. In April 2024, the Dongguan Bureau of Industry and Information Technology entrusted Guangzhou China GDN Security Technology Co., Ltd. to conduct an information security risk assessment for the Company; from June to July 2024, SGS provided information security internal auditor training and document gap analysis training for the Company; in September 2024, the Dongguan Bureau of Industry and Information Technology conducted the "Wanqi'an-2024" Dongguan Industrial Enterprise Cybersecurity Attack and Defense Drill for the Company; in November 2024, Sangfor Technologies Inc. conducted a comprehensive security assessment of the Company's computer room; in 2024, XIAMEN ZKTECO hired external institution Indusface WAS to conduct application penetration testing and invited SGS to provide information security training for its employees.

SGS Information Security Training for XIAMEN ZKTECO

Customer privacy protection

ZKTeco respects and protects the privacy of customers, and formulates the "Product Privacy Policy". It 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-Privacidad-Integral (Comprehensive Privacy Statement)", the "Politica-de-Privacidad-ZKTeco-LATAM (Privacy Policy)", etc., to standardize customer privacy protection.

Supply chain security

Governance

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, the Company has 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. The Company conducts intelligent management of suppliers through digital systems such as SAP and SRM.

Quantity Table of Suppliers of ZKTeco in 2024

Indicators	Unit	Quantity in 2024
Total number of suppliers	Nos.	304

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. The Company has 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.

Supplier Category	Management Objectives
Core suppliers	Establish partnerships and develop competitive advantages.
Leverage suppliers	Leverage resources to reduce procurement costs.
Bottleneck suppliers	Lower procurement risks and ensure effective supply.
General suppliers	Streamline internal processes and reduce management costs.

Strategy

Risk/ Opportunity Type		Risk/Opportunity Description	Financial Impact	Impact Period	Countermeasures
Risk	Supply chain disruption risk	Insufficient raw material capacity and issues such as conflict minerals may lead to disruptions in the Company's supply chain, affecting the production and sales of its products.	Decreased income	Short to medium term	Select multiple suppliers for raw material procurement to ensure a continuous supply of raw materials; require suppliers to sign the "Letter of Commitment for Not Using Conflict Minerals" and strictly control the source of raw materials for the Company.
	Market risk	The prices of raw materials have risen and logistics costs have increased.	Increased cost	Short and medium to long term	Adjust the procurement strategy flexibly in accordance with market conditions, negotiate with suppliers on price and payment terms, or adjust the supply ratio from different manufacturers with the same material to cope with price fluctuations.
Oppo-rtunity	Digital transformation of the supply chain	By integrating advanced information technologies such as IoT, big data, and AI, the Company's supply chain management becomes more intelligent and automated, thereby enhancing the response speed of the supply chain.	Reduced cost	Medium to long term	Carry out digital and intelligent management of the supply chain.

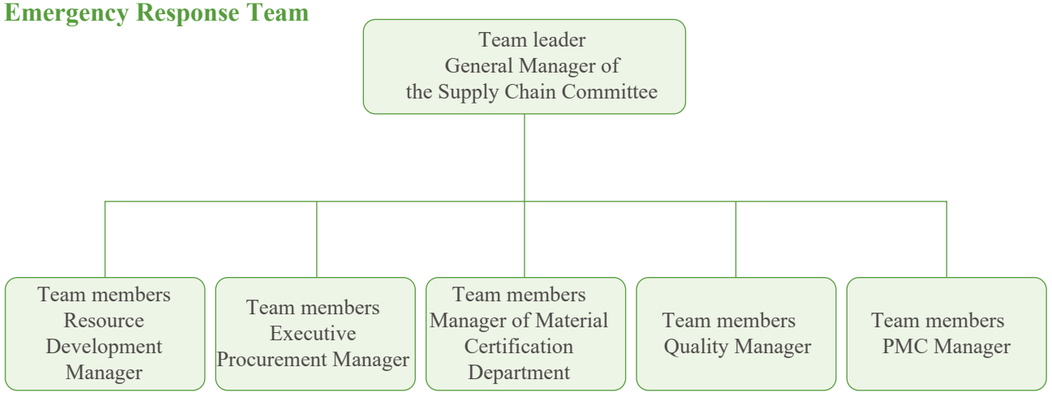
5 Impact period definition: Short term: within one year; Medium term: 1 to 5 years; Long term: more than 5

Impact, risk and opportunity management

The Company attaches great importance to solving the uncertainty of the supply chain and ensuring supply chain 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.

The Company has 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, the Company has 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.

Emergency Response Team



Indicators and objectives

Objective	Achievement
No significant risks or impacts occurred in the supply chain links.	Achieved

Responsible supply chain management

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

The Company continues to enhance the business ethics awareness of our suppliers and is 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, the Company has 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. In 2024, the signing rate of the "Integrity Agreement" among suppliers was 100%

Reporting Acceptance Channels

EMAIL:
zklaw@zkteco.com 1371146414@qq.com

TEL:
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.

04

1 No poverty

3 Good health and well-being

4 Quality education

5 Gender equality

10 Reduce inequality

People-oriented, Creating a Harmonious Society

Protection of employee rights and interests

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, 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.

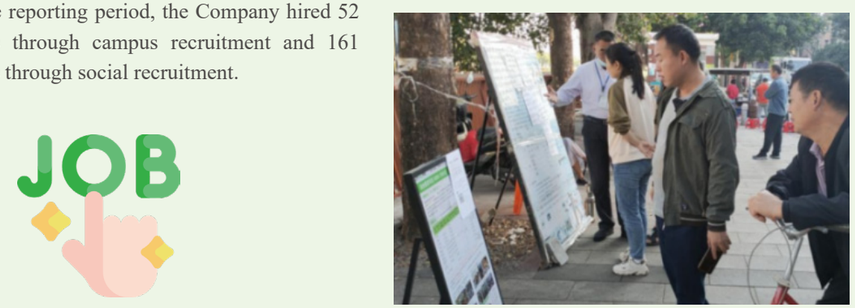
Employee recruitment channels

The Company closely follows its talent development strategy and actual business needs to build a dual recruitment channel both internally and externally. Externally, the Company widely recruits outstanding talents through social and campus recruitment, and actively responds to national policies by providing equal employment opportunities for special groups such as the disabled and veterans, fulfilling its corporate social responsibility. Internally, the Company opens an internal talent market to employees, providing them with more opportunities to expand their career development fields. Through a coordinated internal and external recruitment strategy, the Company not only continuously introduces new talents from outside, injecting new vitality into its development, but also creates a broader development space for internal employees, promoting the common progress of talents and the enterprise.

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.

Social recruitment	This includes online recruitment platforms, on-site job fairs, and third-party human resource services, etc.
Campus recruitment	This includes both online and offline campus recruitment presentations, job fairs, school-enterprise cooperation, and cooperation with third-party campus recruitment companies, etc.
Internal recruitment	This includes internal job transfers and promotions.

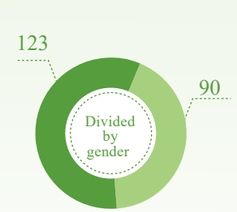
During the reporting period, the Company hired 52 employees through campus recruitment and 161 employees through social recruitment.

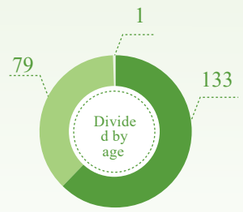


Campus Recruitment

Social Recruitment

Number of new employees：213.



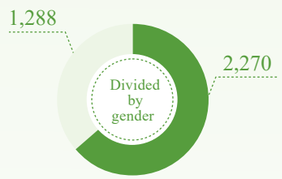


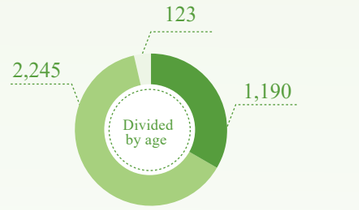
Male Female

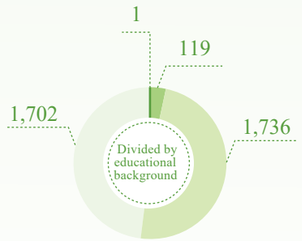
30 years old and under | 31-50 years old | Over 50 years old

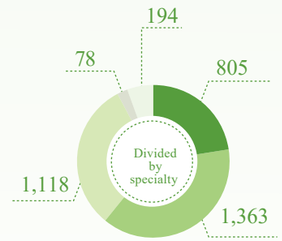
Employee structure

Total number of employees:3,558.









Number of employee departures

861 人

Total employee turnover rate

30.53 %

Diversification, equality and inclusiveness

The Company has always adhered to the principles of "respect, fairness, and impartiality", and firmly opposes any form of discriminatory behavior. The Company clearly stipulates in the "ZKTeco's 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. During the reporting period, the Company did not experience any incidents of labor discrimination.

Legal and compliant employment

Compliance with employment procedures

The Company strictly adheres to relevant laws and regulations such as the "Labor Law" and the "Labor Contract Law" to ensure the compliance, fairness, and transparency of the employee recruitment and employment process. The Company legally signs formal labor contracts with all employees, re-employment agreements with rehired personnel, and internship agreements with interns, safeguarding the rights and obligations of both parties and ensuring clear and compliant labor relations. The Company attaches great importance to the protection of employee privacy and strictly follows relevant regulations on personal information processing to effectively safeguard the legitimate rights and interests of employees and build a harmonious and stable employment relationship. During the reporting period, the Company's labor contract signing rate was 100%.

During the reporting period, the Company's labor contract signing rate was **100** %

Prohibition of child labor

The Company firmly opposes any form of disguised employment of child labor and strictly implements the "ZKTeco's Recruitment Behavior Operation Standards" and the "Recruitment Background Check Operation Standards". Identity verification is conducted during background checks and new employee onboarding to ensure that all new hires meet the legal age requirements and prevent the accidental recruitment of child labor. If child labor is found to have been accidentally recruited, the Company will immediately terminate their employment and properly arrange for their return to their parents or guardians. During the reporting period, the Company did not experience any incidents of child labor.

During the reporting period, the Company **did not experience** any incidents of child labor.

Opposition to forced labor

The Company strictly complies with labor laws and regulations and prohibits the use of any form of forced or compulsory labor, ensuring employees' legal right to rest. The Company has clear policies on working hours and leave, implementing a 5-day, 8-hour workweek system and combining other working hour systems to ensure that the average working hours per person do not exceed 8 hours. For overtime situations, the Company implements policies of paying overtime wages or granting compensatory time off, prioritizing employees' preferences for compensatory time off to ensure that overtime is arranged voluntarily and reasonably. Additionally, the Company provides employees with paid statutory holidays such as annual leave, sick leave, and maternity leave to ensure they have sufficient rest time when needed. During the reporting period, the Company did not experience incidents of forced labor.

During the reporting period, the Company **did not experience** incidents of forced labor.

Compensation and benefits management

Compensation system

The Company has established a scientific and reasonable compensation system, formulated and implemented the "Compensation Management System" to standardize compensation management, enhance the incentive, balance, and fairness of compensation, and ensure scientific and reasonable compensation distribution. 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, fully leveraging the incentive and guiding role of compensation.

Company Compensation Structure

Fixed salary (basic salary)

Basic salary and position salary

Floated salary (position salary)

Performance bonus, special bonus, year-end bonus, year-end performance bonus, annual evaluation bonus, and medium and long-term bonus

Subsidies and allowances

Age allowance, attendance bonus, and others

Welfare

Insurance and housing fund and others

Welfare system

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. During the reporting period, the Company's social insurance coverage rate was **100** %.

Company's Welfare System

National statutory welfare

Insurance and housing fund
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

Accommodation
Dormitories

Health
Annual physical examination of employees

Catering
Cafeteria

Entertainment
Annual meetings, gatherings, performance events, and lucky draws every year

Others
Nurseries, gyms, employee interest free housing loans, etc.

Performance assessment

The Company continuously optimizes its performance management system and incentive and restraint mechanisms, formulates the "Employee Performance Management System", adheres to the principles of "fairness, openness, and scientificity", and conducts monthly, quarterly, and annual performance appraisals. The Company sets up various performance assessment models, including but not limited to behavior and attitude assessment methods, key performance indicators (KPIs), personal business commitments (PBCs), etc., and flexibly selects appropriate performance assessment methods based on the actual business needs of each department to ensure the effectiveness and fairness of performance management. The results of performance appraisals will be used as important references for employee salary adjustments, promotions, and other work applications. Monthly/Quarterly performance results affect monthly performance bonuses, while quarterly/annual performance results affect daily floating rewards.

▶ Performance feedback and appeals

We attach great importance to the two-way communication between performance appraisers and those being evaluated, improve the performance communication and feedback mechanism, and provide regular performance interviews and feedback for employees. After each performance appraisal cycle, managers proactively communicate with employees about their performance to help them understand their work performance and provide improvement suggestions. If employees have objections to the performance appraisal results, they can submit written appeals to their superior leaders. If no consensus is reached, employees can submit the "Performance Appraisal Appeal Form" to the Human Resources Department within 3 working days after receiving the performance appraisal results. The Human Resources Department will conduct research together with the employee's department within 5 working days after receiving the complaint.

Equity incentives

To fully stimulate and mobilize the enthusiasm and initiative of the core team, effectively combine the interests of the Company, shareholders, and employees, and maximize the co-growth of multiple values, the Company officially released the "2022 Restricted Share Incentive Plan" in September 2022. In November 2024, the second phase of the restricted shares granted under the plan was completed, and 1,557,855 restricted shares were granted to 436 eligible incentive objects.

The Company held the 7th Session of the Third Board Meeting on November 10, 2023, and deliberated and approved the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading". The Company was agreed to use its own funds to repurchase the issued RMB denominated ordinary shares of the Company through centralized bidding trading, for employee stock ownership plans or equity incentives. As of February 1, 2024, the Company's share repurchase plan has been completed. The Company repurchased 2,230,000 shares through the dedicated securities account for share repurchases by centralized bidding, with a total transaction amount of RMB 59,683,228.10 (excluding transaction fees). The repurchased shares will be used for equity incentives or employee stock ownership plans.

Democratic management and communication

Democratic management mechanism

The Company establishes the trade union in accordance with relevant laws and regulations, irregularly 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. Employee representatives account for about 5% of the total number of members.

Diversified communication channels

The Company has established equal and democratic diversified communication channels, 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. At the same time, the Company has established a complete employee feedback channel, and it encourages employees to raise questions and suggestions at any time through setting up employee suggestion boxes, employee proposal centers, etc. To further enhance information transparency, 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

WeCom Workbench - Employee Proposal Center

Labor dispute resolution

The Company's trade union organization assumes the function of labor dispute mediation and collaborates with local community service organizations to handle labor disputes. The management of labor disputes within the Company is the responsibility of the Human Resources Department of each business group. They handle abnormal labor relations through employee interviews and event verification, and issue disciplinary notices in accordance with company regulations. If employees have objections, they can file complaints with the Human Resources Center. If the issue cannot be resolved, the trade union leader and community leader will intervene for mediation. Currently, there are few labor disputes in the Company, and employee satisfaction is high.

Employee activities and employee care

Employee activities

The Company adheres to a people-oriented management philosophy and is committed to creating a warm and harmonious working atmosphere for employees. Through organizing a variety of cultural and recreational activities, it helps employees relieve work pressure, rejuvenate their work energy, and stimulate their potential.

Case:| World Book and Copyright Day Event

The Company set up a spring event scene integrating books and scenery, making it convenient for everyone to read, donate, and recommend books. This event aims to stimulate employees' interest in reading, cultivate their reading habits, enhance their knowledge and humanistic qualities, help the Company build a learning organization, promote talent development within the enterprise, and strengthen the cohesion of the Company.

Case | Club Activities

To enrich the cultural life of employees, promote communication and exchanges among them, and create a positive and healthy team atmosphere, in June 2024, the Company launched a club recruitment and successfully established eight clubs: the basketball club, the table tennis club, the badminton club, the coffee club, the hiking club, the singing and performing club, and the psychology club. Each club actively organized activities, making the employees' spare time more colorful.

Case | Mid-Autumn Festival Event

The Company held the "Full Moon of Mid-Autumn, ZKTeco Overflowing with Affection - Be the Swallow in the Tide of the Times" Mid-Autumn Festival theme event, organizing a lantern riddle guessing activity to create a festive atmosphere, enrich cultural life, and promote communication and interaction among employees.

Case | Employee Family Day

The Company held the ZKTeco Family Day event to express gratitude to the employees for their hard work and dedication at ZKTeco over the years, and to thank the employees' families for their support. This event also aimed to allow more employee families to understand the Company, experience its culture, and enhance the cohesion of the enterprise.

Focus on employee mental health

The Company attaches great importance to the construction of employee mental health and has launched an online course titled "Mental Health and Self-Psychological Adjustment" to help employees deeply understand the significance of mental health, master scientific stress management methods, and cultivate a positive attitude towards life.

Employee assistance

The Company has formulated the "Management Regulations for Corporate Care of Sick Employees". 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. 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. At the end of 2022, the Company launched an interest-free housing loan for employees to meet their housing needs and assist those with housing difficulties. The terms were updated and revised at the end of 2024, expanding the scope of borrowing to include car purchases and loans for serious illnesses.

Protection of female employees' rights and interests

The Company strictly adheres to 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", actively implements exclusive paid leave for female employees such as prenatal check-up leave, prenatal rest leave, maternity leave, and breastfeeding leave, and strengthens protection for female employees during pregnancy, maternity, and breastfeeding periods. We respect and care for female employees, strive to combat discrimination against special groups such as pregnant women, and implement human rights protection effectively. In 2024, 77 employees enjoyed maternity leave, with a 100% return-to-work rate after maternity leave, and 0 employees enjoyed parental leave.

Case | International Women's Day - "Her Power, Hot and Spicy" Salon

The Company held a "Her Power, Hot and Spicy" salon to inspire female employees to bravely break through themselves, rebuild confidence and value, and enhance work enthusiasm and creativity.

Case | Conducting the Lecture "Reject Domestic Violence, Cherish the Good"

To further deepen legal publicity and rights protection services, and to truly pay attention to women's livelihood, and strive to create a good social atmosphere of gender equality and protection of women's rights, the Company invited staff from Dongguan Yingke Law Firm to conduct the lecture "Reject Domestic Violence, Cherish the Good".

Employee training and development

Talent development concept

The Company adheres to the concept of "developing the enterprise with technological innovation and talents", and is committed to building a multi-level and multi-dimensional career development channel to provide a broad stage for employees to display their talents. We uphold the values of "responsibility, integrity, pragmatism and excellence", and in talent cultivation, we focus on the dual improvement of moral character and professional ability. We also establish a performance-oriented incentive mechanism to achieve the harmonious development of personal growth and enterprise development.

Career development channel

Career development path

The Company formulates the career development path and promotion channels for employees based on actual conditions, providing diversified career development directions and opportunities to maximize the vitality and potential of employees. 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

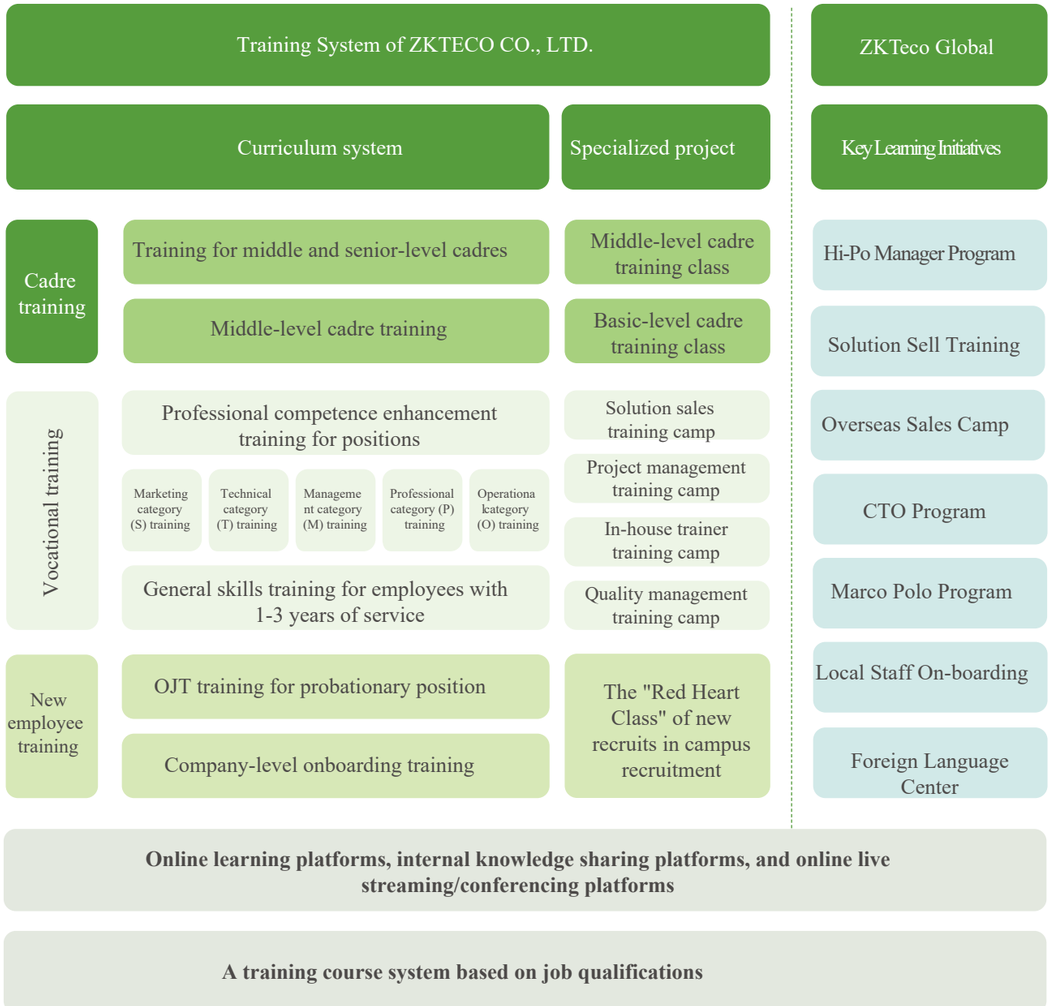
The Company has established a complete internal job transfer mechanism, mainly comprising two types: internal transfer within the business group and cross-business group transfer. For internal job transfer, the department with talent demand should first initiate the internal recruitment request. The Human Resources Center will then recommend resumes and select the transferred employees through interviews. After the transferred employees pass the assessment in the probation period, the internal job transfer will be completed, achieving the optimal allocation and reasonable flow of talent resources.

The number of transfers in the Company is:	The number of transfers within the business group is:	The number of transfers across business groups is:
1,249	963	286

Employee training measures

The Company has formulated the "Training Management System" to standardize the training management. 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.

Training System for Employees of ZKTeco



Construction of teaching team

The Company implements the "mentor system" and "internal lecturer system" management methods, formulates the "ZKTeco's Mentor System Management Measures" and "Lecturer Management Regulations", clarifying the selection, benefits, and teaching management of mentors and internal lecturers, and is committed to building a high-quality team of mentors and internal lecturers. As of the end of the reporting period, the Company had a total of 221 lecturers, including 48 special invited lecturers, 20 senior lecturers, 48 intermediate lecturers, and 105 junior lecturers.

Case | TTT training

To enhance the capabilities of lecturers in course design and development, PPT creation and optimization, teaching presentation, and training techniques, and to improve the system for lecturer training and selection, the Company has launched an internal lecturer training program. The program consists of 14 class hours and involves 20 participants.

Construction of training platform

The Company has established an online learning platform - Yunxuetang, providing employees with a rich and diverse online learning environment. Through online management of course resources, real-time teaching, online examinations and result analysis, it helps to build an enterprise knowledge base and promote the standardization and professionalization of the Company's training management. Yunxuetang includes five application sections: Training Center, Online Classroom, Testing Center, Research Center, and Teacher Management. The course content covers multiple areas such as human resource management, sales management, financial management, middle and senior management, and workplace skills. In 2024, the platform added 283 courses on company products, operation norms, project management, product knowledge, etc.

Diversified training

The Company offers systematic training for employees in areas such as technical improvement and management innovation, including induction training, professional training, product training, full-time training, external training, job rotation, cross-professional practice, academic advancement, and experience sharing.

Case | New employee training

To help new employees integrate into the team quickly, the Company actively conducts new employee onboarding training, covering aspects such as corporate culture, rules and regulations, and job skills, to facilitate their rapid growth and role transition. In 2024, the Company held one new employee training session, totaling 16 class hours, including 10 class hours conducted online and 6 class hours offline.

Case | Yellow Belt Training

To further popularize the lean concept among more front-line employees, cultivate and establish an internal pool of high-potential talents, and build a compound talent team capable of applying lean management ideas, methods, and tools, the Company organized a lean management course - Yellow Belt Training, which lasted for 8 class hours and was attended by 99 people.

Case | Office Software Professional Skills Training

To further enhance organizational work efficiency and professional skills, and help everyone deeply master the advanced functions and application techniques of office software, improve the automation and data processing capabilities of daily office work, and promote a dual leap in work efficiency and quality, the Company has specially organized an Excel office skills training. The training lasts for 3 days, which lasted for 18 class hours and was attended by 32 people.

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.

Indicators	Unit	2024
Employee training investment	RMB '0,000	23.21
Employee training sessions	Session	966
Total number of trainees	Person-time	23,998
Employee training coverage rate	%	100

Occupational health and safety

Occupational health and safety management system

The Company has always adhered to the concept of "safety first, prevention first, and comprehensive governance", taking work safety as the primary work focus. 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" (hereinafter referred to as the "Work Safety Law"), and the "Workplace Occupational Health Management Regulations", it has formulated the "Occupational Health and Safety Management Manual" and the "Occupational Disease Management System", and earnestly implemented various occupational health and safety management measures to comprehensively ensure the health and safety of employees. During the reporting period, ZKTeco and Guangdong ZKTeco passed the ISO 45001:2018 occupational health and safety management system certification.

Occupational Health and Safety Management System Certificate of ZKTeco

Occupational Health and Safety Management System Certificate of Guangdong ZKTeco

Safety responsibility system

The Company has established, improved and organized the implementation of the Work Safety Responsibility System, and signed a work safety objective management responsibility letter 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. The Manufacturing Center and the Administration Department are the main responsible departments for safety management.

Objectives and planning

2024 Safety Objectives

Environmental Factor	Objective	Achievement
Occurrence of potential fire, explosion and other safety accidents	Zero safety accidents	Achieved
Electric shock	Zero safety accidents	Achieved
Causing occupational health injuries (mechanical injuries, object strikes, burns, etc.)	Zero safety accidents	Achieved

Long-term Plan for Occupational Health and Safety

All departments should assist safety management personnel in implementing the Company's safety and environmental protection regulations and requirements. They should organize their employees to study and implement the Company's various work safety regulations and operating procedures, and do a good job in work safety publicity and education within their departments, carry out various safety activities, and provide safety education for new employees.

Holding firm to the safety line

Safety risk management

Safety hazard investigation

The Company has established and improved a safety inspection management mechanism, and set up a dedicated safety inspection team. By combining self-inspections with special inspections, regular inspections with surprise inspections, and inspections with rectifications, it continuously eliminates unsafe factors related to people, machines, and the environment in production. Each production department strictly implements the daily safety inspection system, focusing on checking the operating conditions of electrical equipment, the safety performance of mechanical equipment, the integrity of fire-fighting facilities, the implementation of safety protection measures, and the reserve of labor protection and epidemic prevention materials, etc. This ensures that potential safety hazards are identified and rectified in a timely manner, effectively building a solid line of defense for work safety.

Monthly Comprehensive Safety Inspection

Emergency plans and drills

The Company adheres to the requirements of relevant regulations such as the "Work Safety Law" and the "Fire Prevention Law of the People's Republic of China", formulates the "Emergency Rescue Plan for Work Safety Accidents", standardizes the Company's emergency management work, and ensures that emergency rescue can be implemented promptly, effectively and orderly after an accident, safeguarding the lives of company employees, production equipment and property safety. The Company implements the fire control policy of "prevention first, combining prevention and elimination", actively organizes and conducts fire emergency drills, strengthens the fire safety awareness of all employees, and tests the ability of each emergency response team to handle emergencies. During the reporting period, the Company organized two full-staff fire drills in the Zhangmutou Industrial Park.

Work Safety Fire Drill

Safety protection measures

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.

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.

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".

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.

Occupational health management

Occupational hazard testing

The Company has developed the "Occupational Hazard Monitoring and Evaluation Management System". Every year, it hires qualified occupational health testing institutions to conduct comprehensive occupational hazard factor testing in the workplace. During the reporting period, the Company focused on monitoring 14 types of positions exposed to occupational hazards, including argon arc welders, polishers, and laser cutters. A total of 104 inspection points were checked, with 102 qualified points, achieving a qualification rate of 98.07%.

Occupational health examinations

To safeguard employees' health rights, understand their health conditions, and prevent occupational diseases, the Company has established the "Occupational Health Monitoring and Record Management System for Workers". For employees in positions with occupational hazard factors, it implements pre-employment, on-the-job, post-employment, and emergency occupational health examinations, and establishes occupational health monitoring records to dynamically track employees' health conditions.

Health education and training

The Company has formulated the "Occupational Disease Prevention and Control Publicity, Education, and Training System". It regularly conducts training on occupational health laws and regulations, basic knowledge of occupational hazard prevention and control, maintenance and management of occupational hazard prevention facilities, and correct use and maintenance of personal protective equipment, comprehensively enhancing employees' awareness of occupational health and safety and their protective capabilities. At the same time, the Company promotes occupational health through bulletin boards, blackboard newspapers (wall newspapers), and occupational hazard warning signs, creating a favorable occupational health culture.

Occupational disease prevention measures

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".

Notification of occupational hazards

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.

Indicators	Unit	2024
Amount of investment in work safety	RMB '0,000	11.13
Number of work safety accidents	Case	0
Number of deaths due to work-related causes	Person	0
Total number of employees with work-related injuries	Person	0
Coverage rate for work-related injury insurance personnel	%	100
Total investment in safety training	RMB '0,000	1.73

Social contribution

Volunteer activities

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. Over the years, the Company has proactively fulfilled its social responsibilities and actively carried out various volunteer activities, such as environmental protection and caring for the elderly and other vulnerable groups, spreading the Company's care to every corner of the world.

Columbia - Montserrat Mountain Forest Clean-up Campaign

South Africa - Care for Elderly Homes and Frail Care Centers

Public welfare donations

The Company actively engages in various public welfare and charitable donation activities. By donating materials to impoverished areas and supporting the development of education, it fulfills its social responsibilities and commitments through concrete actions, contributing to the building of a more harmonious world.

Educational donations

Indonesia - Donating Funds and Supplies to a Local Orphan School

Europe - Sponsoring a Badminton Club to Promote Sports and Healthy Living

South Africa - Donating Materials to a Preschool

South Africa - Sponsoring a Rugby Club to Facilitate Youth Development

Daily necessities donations

India - Donating Daily Necessities to a Local Charitable Trust

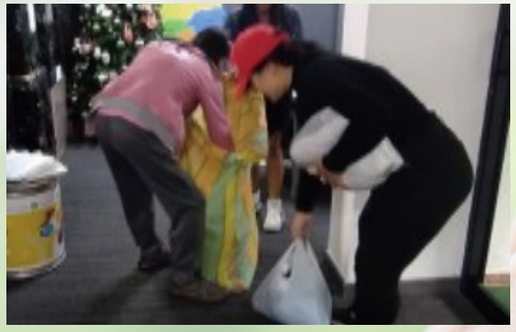
Thailand - Donating Daily Necessities to a Shelter

Colombia - Donating Supplies to Families in Need

Social donations

Thailand - Donating Funds to a Local Hospital

Thailand - Donating Funds to a Retirement Home for Overseas Chinese Women



Colombia - Donating Supplies to Rescue Stray Animals in Collaboration with the Charity Organization "Tapitas x Patitas"

Charitable donations

The Company is enthusiastic about public welfare and actively participates in charitable activities, conducting charitable donations to support community development and rural revitalization. In 2024, Guangdong Zkteco has donated RMB 10,000 to the Jinhe Community Residents' Committee in Zhangmutou Town, Dongguan City during the 19th Spring Festival Gathering for the God of Longevity in Jinhe Community; in 2024, it donated RMB 5,000 to the Jinhe Zhupai Shareholding Economic Cooperative in Zhangmutou Town, Dongguan City during the Spring Festival Gathering for the God of Longevity in Zhupai Village, Jinhe Community, 7,000 yuan to the Jinhe Shareholding Economic Joint Cooperative in Zhangmutou Town, Dongguan City during the "6.30" Rural Revitalization Support and Dongguan Charity Day event, and RMB 10,000 to the Zhangmutou Charity Foundation in Dongguan City. ZKTeco has donated RMB 5,000 to the Tangxia Chamber of Commerce in Dongguan City and RMB 10,000 to the Tangxia Charity Foundation in Dongguan City during the "6.30" Rural Revitalization Support and Dongguan Charity Day event.

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Feedback

Thank you for taking the time to read the "2024 Sustainable Development Report of ZKTECO CO., LTD.". We attach great importance to and look forward to hearing your valuable opinions and suggestions on the Company's sustainable development work and sustainable development management. Your opinions and suggestions are an important basis for us to continue improving sustainable development 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 sustainable development work!

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For ZKTeco, your identity is:

☐ Shareholders and investors ☐ Government and regulatory agencies

☐ Customers Partners ☐ Employees Industry associations and organizations

☐ Community, public, and media ☐ Others (please specify)

1. Your overall evaluation of the 2024 Sustainable Development Report:

☐ 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 the 2024 Sustainable Development 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 Sustainable Development Report or sustainable development management?

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