

2023

Kaifa Environmental, Social, Governance Report



To be a Reliable and Respectable Enterprise

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Responsible Governance

Sustainable Environmental Management

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# **About this report**

#### **Report Description**

This report is the Environmental, Social, Governance (ESG) report published by Shenzhen Kaifa Technology Co., Ltd. It focuses on disclosing the concepts, progress, and future plans of Shenzhen Kaifa Technology Co., Ltd. and its subsidiaries in the field of sustainable development.

#### **Kaifa Title Explanation**

For the purpose of clarity and ease of expression and reading, in this report, the terms "Kaifa," "Company," and "We" refer to Shenzhen Kaifa Technology Co., Ltd. and its subsidiaries. Unless otherwise stated, the terminology used in this report carries the same meaning as defined in 2023 Kaifa Annual Report.

#### **Framework of Compilation**

Kaifa has prepared this report in compliance with the Global Reporting Initiative (GRI) standards, while referring to the Guidelines for Social Responsibility of Listed Companies by the Shenzhen Stock Exchange, the United Nations Global Compact Ten Principles, and the ISO 26000 Guidance on Social Responsibility. We have actively identified and engaged with various stakeholders, defined the reporting boundaries, and collected, compiled, and organized relevant information to shape this report. In the context of climate-related information disclosure, we have specifically referred to the disclosure recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD).

#### **Report Scope**

The policies, statements, and information contained in this report cover Kaifa's actual scope of operations.

The list of entities included in the report's scope is consistent with the entity list published in 2023 Kaifa Annual Report.

Note: The official version of this report is in Chinese, while the English version serves as a reference translation.

#### **Data Period**

This report covers the period from January 1, 2023, to December 31, 2023, coinciding with the financial report.

#### **Data Sources**

The financial data in this report is sourced from the audited 2023 Kaifa Annual Report. Other information and data primarily come from internal statistical reports or documents within Kaifa. The currency referenced in this report is denominated in Chinese Yuan, also known as Renminbi (RMB).

#### **Assurance Statement**

This report was reviewed by the management before being presented to the Board of Directors, who confirmed and approved it on April 9, 2024.

#### **Accessing and Responding to this Report**

This report is available in electronic format and can be accessed through the designated information disclosure media of Kaifa and the China Securities Information Network (www.cninfo.com.cn). It can be obtained and reviewed by visiting these platforms.

We highly value the suggestions and opinions of our stakeholders and encourage readers to provide feedback through the following contact methods. Your suggestions and opinions will help us further improve this report and enhance our ESG performance.

Contact Phone: 0755-83200095 Company Email: stock@kaifa.cn

# A Message from the Chairman



Chairman

ZongYuan Han

# Building a Sustainable and Bright Future through Green Development and Social Value Creation.

As a global high-end manufacturing company, we prioritize green and sustainability. We provide exceptional products and services to our customers while integrating environmental protection, social responsibility, and green practices into our operations and culture. Through practical actions, we strive to fulfill Kaifa's sustainability vision of becoming a reliable and respectable enterprise, committed to a sustainable and prosperous future.

#### **Transparent Governance, Honest operation:**

In 2023, Kaifa implemented the Three Major Core Businesses strategy, optimizing governance and enhancing capabilities. We prioritize transparency and honesty, strengthening internal systems and integrating risk and compliance management into our operations. Kaifa's commitment to excellence is recognized with an "A" grade in the 2022-2023 information disclosure assessment by the Shenzhen Stock Exchange, marking three consecutive years of top-level recognition. We also received the Best Practices in Board Operations for Listed Companies in 2023 and Best Practices in Board Office for Listed Companies in 2023 awards from the China Association For Public Companies, showcasing the market's recognition of our governance standards and investor relations.

#### **Green Development, Sustainable operation:**

Kaifa is committed to environmental protection, implementing low-carbon transformation and promoting industrial and energy adjustments. We adhere to international standards like ISO14064 to establish a greenhouse gas verification mechanism, analyze emissions, and formulate reduction plans. Our focus is on increasing green energy coverage, promoting green manufacturing, and optimizing energy management according to ISO50001. Through investments in energy-saving projects and environmental actions, we encourage subsidiaries to obtain green factory certifications. Our practical actions drive green development towards the goal of achieving net-zero emissions by 2060.

#### **Care for Employees, Grow together:**

Kaifa values its employees as the core force behind sustainability. We prioritize a people-oriented talent concept and empower their growth through diverse training programs. Our international talent team and high-quality management system support our global strategic layout. We actively explore medium- and long-term incentive mechanisms to inspire core employees to share responsibilities and benefits, promoting Kaifa's sustainable and healthy development. With a comprehensive safety management system covering all employees, we continuously enhance safety measures, investing more than 5% of our operating income. Through engaging holiday activities, interest classes, sports competitions, and more, we enrich employees' leisure lives and create a safe, healthy, harmonious, and progressive cultural atmosphere.

#### **Engage in Public Welfare and Fulfill Responsibilities:**

Kaifa actively fulfills social responsibilities and engages in public welfare initiatives. We raise funds, organize volunteer exercises, and provide assistance through labor unions to support rural revitalization. With a strong sense of responsibility, we contribute to society and demonstrate caring. Kaifa has been honored as an Outstanding Enterprise in Fulfilling Social Responsibility by the Federation of Shenzhen Industries for three consecutive years.

Looking ahead, Kaifa is committed to providing high-quality electronic product R&D and manufacturing services, creating value for society, and offering development platforms for employees. We will continue to be guided by the ESG principles, collaborating with stakeholders for mutual success and coexistence, striving for the high-quality development of the economy and society.



Responsible Governance

Sustainable Environmental Management

Innovation Concepts and Technologies

Sustainable Supply Chain Management

People-Centric Employer Creators of Social Value

Closing

# **About Kaifa**

Kaifa is a world-leading electronics manufacturing company, specializing in end-to-end services such as technology R&D, process design, production control, procurement management, and logistics support for global customers.



Name: Shenzhen Kaifa Technology Co., Ltd.



Establishment date: July 1985



Headquarters address:
No. 7006 Caitian Road, Futian
District, Shenzhen, China



Stock code:
000021 (Shenzhen Stock
Exchange, A-share)



Providing high-quality electronic product research and manufacturing services, Creating value for society, and providing employees with a platform for development



To be a Reliable and Respectable Enterprise



- Teamwork
   People Oriented
   Strive for Excellence
- Innovation Integrity & Honesty Collaborative Growth
- Financial Stability
   Contribution to Society

# **Company Overview**

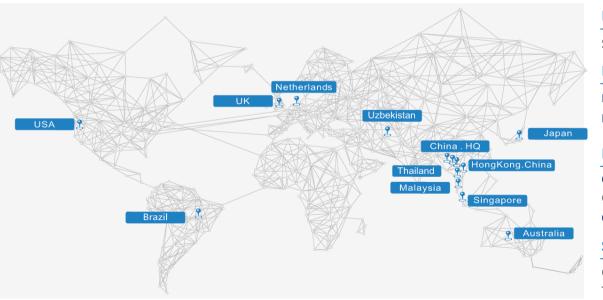
Shenzhen Kaifa Technology Co., Ltd. (referred to as Kaifa) is a manufacturing company established in 1985 with over 30 years of experience. Based in Shenzhen, China, Kaifa was listed on the Shenzhen Stock Exchange in 1994 and currently employs approximately 17,000 people.

Kaifa specializes in diverse manufacturing fields, including data storage, medical devices, automotive electronics, consumer electronics, commercial and industrial sectors, and new smart products. As a leading provider of smart metering terminals and industrial IoT systems, Kaifa is the sole Chinese company to extensively deploy smart meters in Europe, actively participating in major Advanced Metering Infrastructure (AMI) projects on the continent. Since 2002, Kaifa has supplied over 84 million smart metering products to more than 80 energy companies in 40 countries worldwide.

Kaifa has CNAS-accredited labs in Shenzhen. Additionally, it has specialized labs in various locations, including Chengdu, Dongguan, Suzhou, Hefei, and Malaysia. These labs cover a wide range of professional fields, such as advanced machinery, material analysis, simulation analysis, reliability and failure analysis, cleanliness control, and electrostatic control. Kaifa provides comprehensive services to industries, including semiconductor, smart meters, medical devices, data storage, commercial and industrial sectors, automotive electronics, smart products, and new energy.

# **Global Presence**

Kaifa has a global industrial presence with bases located in various cities in China, including Shenzhen, Suzhou, Dongguan, Chengdu, Chongqing, Hefei, as well as bases in Johor and Penang in Malaysia. Additionally, Kaifa has branch offices or research and development teams in more than ten countries or regions, including the United States, United Kingdom, Netherlands, Singapore, and Hong Kong.



#### Headquarter

Shenzhen. China

#### **R&D** and **NPI** Centre

**R&D Centre:** China, Japan **NPI Centre:** China, USA

#### **Manufacturing Bases**

China: Shenzhen, Suzhou, Huizhou, Dongguan,

Chengdu, Chongqing, Hefei

Overseas: Johor and Penang, Malaysia.

#### Service Centre

China, United Kingdom, Netherlands, Singapore, Thailand, Uzbekistan, Brazil, Australia

## **Business Overview**

Kaifa is a globally leading professional electronics manufacturing company that has consistently ranked among the top in the Electronic Manufacturing Service (EMS) industry, according to the Manufacturing Market Insider (MMI). With a foundation in advanced manufacturing and a focus on market trends and technological advancements, Kaifa is committed to sustainable growth and has developed a strategic approach based on three core business segments: Data Storage & Semiconductor, Advanced Manufacturing, and Smart Metering Products and Solutions.

#### **Data Storage & Semiconductor**

In the field of semiconductor packaging and testing, Kaifa specializes in the packaging and testing of high-end storage chips. Its product portfolio includes DRAM, NAND FLASH, and embedded storage chips, such as Double Data Rate Synchronous Dynamic Random-Access Memory, Low Power Double Data Rate Synchronous Dynamic Random-Access Memory, and Low Power Double Data Rate Synchronous Dynamic Random-Access Memory that complies with embedded storage specifications. As a leading independent enterprise in China's DRAM memory chip packaging and testing industry, Kaifa boasts a highly experienced research and development team and engineering staff, along with exceptional expertise in multi-layer stacking packaging processes and test software and hardware development..

In the field of data storage business, Kaifa boasts 39 years of extensive experience in research and manufacturing. It possesses autonomous production capabilities for fully automated high-precision head assemblies and ultrahigh-precision double-sided grinding wheel substrate production lines. Kaifa has established long-term and close collaborative relationships with leading global industry clients, consistently maintaining a world-leading position in technological research and development capabilities and product quality. As a global leader in the manufacturing of hard disk drive (HDD) heads, motherboards, and aluminum substrates, Kaifa focuses on delivering manufacturing services and comprehensive solutions for storage products, including HDD heads, HDD aluminum substrates, enterprise-level SSDs, and server PCBA.



HDD Aluminum Substrates



HDD HSA



Server PCBA



**Enterprise-Level SSDs** 

#### **Advanced Manufacturing**

With 39 years of experience, Kaifa provides comprehensive electronic product manufacturing services globally. Our expertise in research and development, along with our international professional team, allows us to enhance capabilities in product R&D, intelligent manufacturing, supply chain management, quality control, and after-sales service. We prioritize high-value businesses aligned with our core customers' strategies, specializing in manufacturing and servicing products and components in medical electronics, automotive electronics, consumer electronics, smart homes, IoT, new smart products, and new energy.



Medical Electronics



Commercial and Industrial Products



Automotive Electronics



Smart Products

#### **Smart Metering Products and Solutions**

Kaifa specializes in the research, development, production, and sales of smart metering products for electricity, water, gas, and AMI system software. It offers customers a comprehensive smart energy management system solution that encompasses multiple energy sources, including electricity, water, and gas. The solution integrates software and hardware, and is compatible with various communication technologies. With its advanced technology, professional services, industry-leading innovation, and superior quality, Kaifa has earned the long-term trust of customers both domestically and internationally. It has established collaborative partnerships with national-level energy utilities in Europe, Africa, Asia, South America, and the Middle East.



Smart Electric Meter



Smart Water Meter



Smart Gas Meter



Kaifa AMI System



Responsible Governance



# Kaifa Highlights in 2023

- At Kaifa Plaza, the world's first Ecological Industrial Park with Data Integration and Bay Area Digital Innovation Center were unveiled.
- Kaifa was listed as one of the Best Practices in Board Operations for Listed Companies in 2023 and Best Practices in Board Office for Listed Companies in 2023.
- Kaifa has implemented the stock incentive mechanism for the first time, successfully completing equity incentives for 466 core employees worldwide.
- Kaifa Chengdu has been listed on the New Third Board, with the stock code 873879.
- Kaifa Shiyan was certified as Specialized and Innovative SME in Guangdong Province 2022.

  Kaifa Caitian selected as service-oriented manufacturing demonstration enterprise by Ministry of Industry and Information Technology.
- Kaifa's R&D innovation, talent cultivation, and core technological capabilities have led to national high-tech certifications for subsidiaries.
- Kaifa has implemented various environmental projects across multiple factories, including photovoltaic power generation, thermal energy recovery, and wastewater utilization, effectively reducing energy consumption.
- Kaifa has implemented ESG decision-making and oversight mechanisms throughout its value chain, integrating ESG principles into production and operations.





Responsible Governance Sustainable Environmental Management

**Innovation Concepts** and Technologies

Sustainable Supply Chain Management People-Centric **Employer** 

Creators of Social Value

Closing

# **Annual Awards**



**Top 100 Manufacturing Enterprises in Guangdong (Ranked 69th)** 

Top 500 Enterprises in Shenzhen (Ranked 92nd) Top 500 Enterprises in Guangdong (Ranked 164th)







**Best Practices in Board Office for Listed Companies in 2023** 



**Best Practices in Board Operations** for Listed Companies in 2023



**Property Rights Protection** 







# **Sustainability Management**

Sustainable development involves harmonizing society, economy, population, resources, and the environment, with the goal of a chieving economic growth while safeguarding vital natural resources and ensuring the well-being of future generations. As the governing body responsible for Kaifa's sustainable development, the Executive Office establishes sustainability policies and strategies, and reports on sustainability matters to the Board of Directors. Within the Executive Office, there is an ESG Working Group led by a Vice President and comprised of department heads from various functional departments of Kaifa. This working group actively drives the implementation and integration of Kaifa's sustainability strategy. In 2023, the Executive Office formulated Kaifa's sustainability vision and strategy, which was approved by the Board of Directors.

# **Sustainability Vision**

To be a reliable and respectable enterprise, committed to a sustainable and prosperous future.

# **Sustainability Strategy**

Kaifa promotes green manufacturing and integrates environmental, social, and corporate governance principles into its culture and operations. To achieve this, Kaifa implements the following measures:

Upholding Integrity and Innovation to drive high-quality operations

- Enhance governance mechanisms for transparent and ethical decision-making and operations.
- Maintain a commitment to fair competition, regulatory compliance, and the fight against corruption.
- Advocate innovation, injecting new vitality into Kaifa's development and driving high-quality growth.
- Prioritize the physical and mental well-being of employees by ensuring a supportive work environment, fair compensation and benefits, and equal opportunities for professional growth.
- Value employee development by providing personalized learning and development plans.
- Actively fulfill social responsibilities through active participation in charitable initiatives.
- Foster strong partnerships with employees, customers, and suppliers to cultivate shared value and foster mutual success.

Putting People First to build resilient organizations

Embracing Green and Low-Carbon practices to ensure sustainable development

- Embrace manufacturing practices that emphasize low consumption, low emissions, high efficiency, and high profitability.
- Utilize energy-efficient equipment and implement clean production technologies to minimize environmental impact.
- Continuously optimize resource utilization and proactively incorporate eco-friendly materials in design to reduce waste and emissions.





# **Stakeholder Engagement**

Kaifa actively addresses the demands and expectations of stakeholders while maintaining stable business development. We have implemented a normalized and diversified communication mechanism to listen to the opinions of all parties and promptly respond through various channels.

Stakeholders	Stakeholder Expectations	Communication Mechanism
Government/ Regulators	<ul> <li>Discipline</li> <li>Compliance operations</li> <li>Risk management</li> <li>Energy saving and emission reduction</li> </ul>	<ul> <li>Disclosure</li> <li>Regulatory information submission</li> <li>On-site inspection and research</li> </ul>
Shareholders/ Investors	<ul> <li>Consistent and stable return on investment</li> <li>Timely and comprehensive information disclosure</li> <li>Corporate governance</li> <li>Business ethics and anti-corruption</li> <li>Profitability and core competitiveness</li> </ul>	<ul> <li>General meeting of shareholders</li> <li>News, announcements, periodic reports</li> <li>Roadshow events</li> <li>Investor networking events</li> <li>Daily telephone communication, research and visits</li> </ul>
Client	<ul><li>Quality products and services</li><li>Data and information security</li></ul>	<ul> <li>Customer satisfaction surveys</li> <li>Customer complaint mechanism</li> <li>Regular communication visits</li> </ul>
Suppliers/ Partners	<ul> <li>Clean business environment</li> <li>Supplier audits</li> <li>Supply chain sustainability</li> <li>Cooperative development</li> </ul>	<ul><li>Open tenders</li><li>Supplier assessment review</li></ul>

Stakeholders	Stakeholder Expectations	Communication Mechanism
Employee	<ul> <li>Protection of rights and interests</li> <li>Occupational Health and Safety</li> <li>Fair promotion and development</li> <li>Competitive compensation and benefits</li> <li>Effective communication and care</li> </ul>	<ul> <li>Employee congresses and trade unions</li> <li>Employee satisfaction surveys</li> <li>Performance management</li> <li>Internal and external training</li> <li>Employee care activities</li> </ul>
The public	<ul><li>Better products and services</li><li>Job creation</li><li>Social responsibility</li></ul>	<ul> <li>Soliciting opinions through various channels</li> <li>Public job postings</li> <li>Participate in public welfare activities</li> </ul>
Community	<ul> <li>Promoting community economic development</li> <li>Maintain the community environment</li> <li>Participate in community charities</li> </ul>	<ul> <li>Community building involvement</li> <li>Volunteer services</li> <li>Support for cultural and sports activities</li> </ul>

# **Materiality Assessment**

To better understand stakeholders' demands and expectations, Kaifa conducted a thorough analysis of material topics through i dentification, assessment, and approval processes. Surveys and interviews were used to evaluate the impact of these topics on stakeholders and the business, providing crucial insights for developing sustainability strategies and taking action. Moving forward, Kaifa will continue to focus on stakeholders, review and update material topics, and accurately comprehend their diverse needs, guiding and directing our operations, environmental practices, and social governance.

#### **Identifying topics**

Considering stakeholder concerns, corporate values, industry characteristics, and sustainability goals, among other factors.



### **Materiality Assessment Process**

#### **Assessing importance**

Kaifa gathers input from different stakeholders through surveys and interviews to understand the impact and level of concern regarding the topics. This helps in assessing and prioritizing the importance of the material topics.

#### Ар

#### **Approval confirmation**

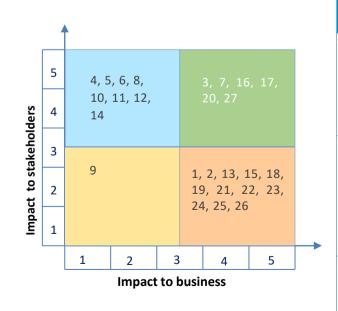
The Board of Directors reviews and approves material topics and priorities to ensure that Kaifa has a clear understanding of these topics and takes appropriate action.

#### **Matrix and List of Material topics**

Kaifa identified six material topics during the reporting period and created a matrix and list to effectively communicate their importance and relevant information. Following the Global Reporting Initiative (GRI) standards, Kaifa's report provides comprehensive disclosure on the management approach, goals, and data related to these material topics. This ensures transparency and meets the needs of stakeholders.



<sup>\*</sup> Business Ethics (Anti-corruption)



ESG	High importance	Moderate importance		Low importance
Environment topics	7. Energy Management	<ul><li>5. Waste Management</li><li>6. Climate Change (Greenhouse Gas Emissions)</li><li>8. Water Consumption and Security</li><li>10. Ecological Conservation</li></ul>	<ul><li>11. Air Emissions</li><li>12. Water Discharge</li><li>13. Chemical Usage and Safety</li></ul>	9. Ecological Protection
Social topics	16. Occupational H&S 17. Employee Training and Development 20. Human Rights Protection * 27. Conflict Minerals	<ul><li>14. Community Engagement</li><li>15. Talent Management</li><li>18. Employee Communication</li><li>19. Wage Management System</li><li>21. Women's Empowerment</li></ul>	<ul><li>22. Product Quality and Safety</li><li>23. Product and Process</li><li>Innovation</li><li>24. Customer Satisfaction</li><li>25. Customer Privacy Protection</li><li>26. Sustainable Supply Chain</li></ul>	
Economic topics	3. Business Ethics *	Economic Benefits Generated by the Company's Operations Market Position	4. Tax Governance, Control, and Risk Management.	



# Responsible Governance

Kaifa is dedicated to achieving high standards of corporate governance, recognizing its importance in promoting transparency and sustainable business practices. Our corporate governance philosophy is centered around ethical conduct, responsible decision-making, and protecting shareholder interests, which are fundamental to how we operate.



14.265 billion RMB , total revenue.



0.824 billion RMB, net profit.



Shenzhen Stock Exchange 2022-2023 disclosure assessment: **A-class rating**, three-year consecutive A-class rating.





Responsible Governance Sustainable Environmental Management



# Corporate Governance

Kaifa strictly adheres to the laws and regulations of the People's Republic of China, including the Company Law, Securities Law, and Corporate Governance Code for Listed Companies. It has established a proper corporate governance structure based on the requirements of regulatory bodies such as the China Securities Regulatory Commission, Shenzhen Stock Exchange, and Shenzhen Securities Regulatory Bureau. Kaifa continuously improves its Articles of Association, system framework, and implements various regulations, including the Rules of Board Meetings, Provisions of Board Committees, Information Disclosure Management System, Fundraising Management System, and Methods for Managing the 2022 Stock Option Incentive Plan. These measures enhance production, improve corporate governance, and elevate the overall governance level.

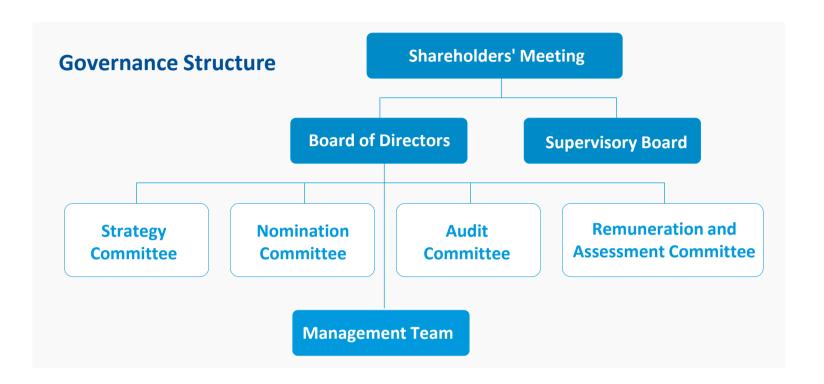
# **Shareholders' Meeting**

The shareholders' meeting is the highest authority, responsible for important decisions related to Kaifa's policies, financing, investments, and profit distribution.

#### **Board of Directors**

Kaifa's board of directors serves as the central pillar of its governance structure, assuming responsibility for driving Kaifa's long-term development and protecting shareholder interests. It formulates, approves, and revises Kaifa's mission, vision, values, strategies, policies, and sustainability goals. Operating within legal boundaries, the board exercises decision-making authority and diligently evaluates the professionalism and effectiveness of each director.

The board composition adheres to legal requirements, with independent directors chairing specialized committees, including the Audit, Nomination, and Remuneration and Assessment Committees. These robust governance measures ensure that the board's decision-making is legitimate, effective, and mitigates operational risks.



## **The Supervisory Board**

The Supervisory Board oversees Kaifa's operations, financial status, and management activities of the board of directors, senior executives, and management team. It ensures compliance with laws, regulations, supervisory rules, and Kaifa's articles of association. Its responsibility includes protecting the rights and interests of shareholders, employees, and Kaifa. The Supervisory Board comprises three members, including one employee representative.

## **Management Team**

The senior executives at Kaifa, including one President, three Vice Presidents (including the Finance Executive), and one Board Secretary, are accountable for organizing and implementing board resolutions, overseeing daily operations, and managing internal control activities.

#### **Oversight Performance**

### Shareholders' Meeting

Number of Meetings:

Approved 24 items resolutions:

#### **Board of Directors**

24

**78** items

Number of Meetings:

Approved resolutions:

#### **Supervisory Board**

Number of

10 Meetings:

Approved resolutions:

15 items

#### **Executive Compensation Policy**

To effectively empower Kaifa's international professional management team and ensure the sustained and healthy development of the company, we have implemented the Measures for Managing Professional Manager Compensation, enhancing our compensation distribution system.

Management **Principles** 

In a competitive global market, Kaifa's compensation policy emphasizes market orientation, performance-driven approach, and internal fairness. Compensation levels are determined through negotiations, considering factors like performance benchmarks and market conditions.

The Compensation and Assessment Committee is responsible for establishing assessment criteria for directors and executives and conducting assessments.

Assessment

**Supervision and Management** 

Implement a reporting system to promptly notify the board of directors about critical incidents such as safety accidents, quality issues, major asset losses, legal disputes, and other events that impact overall performance and brand image. The annual compensation of board-appointed professional managers is publicly disclosed in accordance with listed company regulations. Professional managers are required to protect company assets, prevent losses, and refrain from embezzlement or misuse during their tenure.

Note: For detailed information on the compensation of directors and executives during the reporting period, please refer to Section Four: Corporate Governance - Compensation of Directors, Supervisors, and Senior Management in the Annual Report for the Year 2023.

#### Responsibilities and Members of the Tenth Board of Directors' Special Committees

Special Committee	Responsibilities	Members	Remark
	leads and supervises Kaifa's strategic planning process, analyzes and evaluates business risks associated with	ZY Han (Chairman)	Director
Strategy Committee	Kaifa's strategy, conducts in-depth analysis of the market and competitive environment, ensures	Philip Cheng	Director
Committee	alignment between Kaifa's strategic plans, its vision, and shareholder value, and promotes adaptability to changing business environments.	HL You	Independent director
	recognible for new insting new director condidates	JX Zhou	Independent
Nomination	responsible for nominating new director candidates, regularly evaluating the performance of current directors, promoting board diversity, developing and overseeing succession plans, and ensuring effective functioning and high-level governance of Kaifa's board.	(Chairman)	director
Committee		ZY Han	Director
		JJ Bai	Independent director
	oversees Kaifa's financial reporting process, reviews and approves the annual audit plan, monitors compliance matters, evaluates potential risks related to financial reporting, and ensures transparency, compliance, and effectiveness of Kaifa's financial reporting process and audit procedures. These measures are implemented to maintain investor trust and promote healthy corporate governance.	JX Zhou	Independent
		(Chairman)	director
Audit Committee		WY Liu	Director
		JJ Bai	Independent director
	primarily responsible for establishing performance evaluation criteria for directors and executives, formulating and reviewing compensation policies and plans for directors and executives at Kaifa, and being accountable to the board of directors.	JJ Bai	Independent
Remuneration and Assessment Committee		(Chairman)	director
		JX Zhou	Independent director
		HL You	Independent director

Note: Refer to the Annual Report for information regarding the term of office and employment status

#### **Board Diversity**

Kaifa's board of directors comprises a dynamic and diverse collective of experienced professionals, each contributing unique expertise to guide our strategic direction. The board consists of individuals with diverse backgrounds, bringing a wealth of industry experience. This diverse composition ensures comprehensive decision-making capabilities to address the industry's challenges and opportunities.

The current board consists of nine members, including six directors and three independent directors, representing 33.3% of the board. The independent directors play a crucial role in providing independent oversight and supervision, without holding any shares in Kaifa. To strengthen the professionalism and independence of the board's operations, the chairpersons of the Audit, Nomination, and Compensation Committees are all independent directors, representing 66.7%, 66.7%, and 100% of the respective committees.

#### **Board Capacity Building**

In 2023, Kaifa's board members and senior executives participated in training programs, including the reform of the independent director system training by the Shenzhen Securities Regulatory Bureau, continuous supervision and guidance training by Kaifa, and training on corporate governance and standard operations for listed companies. They also received relevant ESG training, enhancing their understanding of Kaifa's ESG initiatives, supporting ESG capability development among board members, and improving their awareness of ESG's impact on Kaifa's business operations.

#### **Conflict of Interest**

Kaifa complies with applicable laws and regulations, implementing a robust Related Party Transaction Management System. Directors, supervisors, and senior executives are strictly prohibited from engaging in related party transactions that could jeopardize the interests of Kaifa and its minority shareholders, ensuring fair transactions. In cases of conflicts of interest involving directors, they are required to disclose such conflicts and abstain from voting, preserving the integrity of their judgment and independence. Kaifa undergoes annual external audits to obtain an internal control audit report, ensuring compliance with regulatory standards and maintaining operational integrity.

#### Skills Matrix of the 10th Board of Directors

metalls.	News	Constant	Educational Background; Industry Experience		Skill Matrix						
Title	Name	Gender			2	3	4	5	6		
Chairman	ZY Han	Male	MBA, Professor Level Senior Political Engineer and Senior Economist	•		•	•		•		
Director	Philip Cheng	Male	MBA, Master of Business Economics	•		•	•		•		
Director	Director GS Zhou Male Bachelor of Engineering, MBA		•		•	•	•	•			
Director	tor HQ Liu Male MBA		•		•	•		•			
Director	YW Liu	Male	Bachelor of Mechanical Engineering, specializing in Mechanical Design and Manufacturing, Senior Engineer				•		•		
Director	irector  DW Dong  Male  Power Electronics and Power Transmission major in the School of Microelectronics, Master of Engineering		•			•	•	•			
Independent director	JJ Bai	Male	Microwave Engineering, Management Accounting	•	•		•		•		
Independent director	JX Zhou	Male	Master of Economics, Certified Public Accountant in China, Certified Asset Appraiser in China	•	•	•	•		•		
Independent directors	HL You	Male	Ph.D. in Microelectronics and Solid-State Electronics	•			•	•	•		

Note: 1- Business Operations, 2- Financial Accounting, 3- Compliance Legal and Internal Control;

<sup>4-</sup> Globalization, 5- Technology Research and Development, 6- Risk Management

# **Shareholder Rights Protection**

Kaifa is committed to safeguarding the rights and protection of our shareholders. This includes voting rights on significant decisions, director elections, and access to timely financial information. We provide clear communication channels for shareholders to exercise their rights, ensuring transparency and fairness. Our governance structure incorporates protective measures against dilution of shareholder value and unfair treatment. We adhere to regulatory requirements and industry best practices, empowering shareholders to contribute to shaping the direction of our company.

#### **Shareholder Engagement Mechanisms**

We prioritize ongoing shareholder communication through various mechanisms, including regular in-person and remote shareholder meetings. These meetings allow investors to express views, ask questions, and vote on important matters.

We also maintain open communication channels through our Board of Directors' office, offering a dedicated point of contact for shareholders to seek advice, provide feedback, and address concerns. Our corporate website serves as a comprehensive resource, granting access to financial reports, updates, and governance-related information.



Email: stock@kaifa.cn



**Investor Hotline:** 0755-83200095

Through these engagement mechanisms, we actively seek shareholder input to better understand their perspectives and priorities, fostering cooperative relationships that contribute to the long-term success of our company.

#### **Practices in Upholding Shareholder Rights**

#### **Transparent Reporting:**

#### **Performance Briefings and Investor Receptions:**

We provide clear and comprehensive reports, enabling informed shareholder decision-making.

We hold events to enhance shareholder understanding of our business, governance, and market dynamics.

Through these practices, our aim is to uphold and strengthen shareholder rights, fostering relationships based on trust, transparency, and mutual respect.



Case

#### 2023 Shenzhen Investors' Online Communication

Kaifa's senior executives engaged in online communication with investors through web-based platforms, addressing investor concerns on financials, governance, internal controls, development strategies, performance, dividends, significant matters, and sustainability. Real-time exchanges were conducted with investors nationwide, achieving a 100% response rate. This exemplified our strong investor interaction, enhancing their comprehensive understanding of Kaifa and fostering alignment with our values and business philosophy, supporting high-quality development.



Online Investor Open Day Event in 2023



# **Strengthening Information Disclosure** & Investor Relations

In 2023, Kaifa achieved strong information disclosure practices and cultivated positive investor relations. Through media outlets such as China Securities Journal, Securities Times, and the Cninfo network platform, Kaifa issued 105 announcements and published 170 documents, totaling 1.75 million words. The information disclosure received an Alevel evaluation, demonstrating compliance with procedures and regulations.

To regulate related party transactions, Kaifa implemented regulations such as the Company Charter, Shareholder Meeting Rules, Board Meeting Rules, and Related Party Transaction Management System. These regulations defined the scope, review process, disclosure requirements, and avoidance measures for related party transactions, ensuring fairness for all shareholders, including minority shareholders. During the reporting period, all related party transactions were conducted to serve Kaifa's normal operations and business development, adhering to fair market principles and necessary decision-making processes. Independent directors and the supervisory board verified these transactions, protecting shareholder interests.

In 2023, Kaifa organized learning activities to stay updated on policy regulations issued by the China Securities Regulatory Commission, enhancing information disclosure and promptly sharing operational status, development strategies, and other relevant information with the market.

Kaifa prioritizes investor relations by strengthening communication through various channels. This includes hosting investor visits, conducting surveys, maintaining a company website, operating an investor relations hotline, email, fax, and interactive platforms. These efforts aim to improve communication, enhance understanding, and safeguard the rights and interests of investors.

**Total Released Announcement Documents:** 

**Total Number of Investor Hotline Calls Answered:** 

**Completed Interactive** 

Easy Q&A:

#### Welcome research from top institutions, including brokerages, analysts, funds, and private equity

Date	Event	Visitors			
Nov. 2 to Nov. 3, 2023	On-site research	CITIC Securities, China Securities, Northeast Securities, China Asset Management, E Fund Management, Tianhong Asset Management, Taikang Asset Management, Guosheng Securities, and others			
Sept. 22, 2023	Performance Briefings	Conducted remotely using platform (https://www.ir-online.cn)			
Sept. 21, 2023	On-site research	Minsheng Royal Fund, Penghua Fund, Huashang Fund, China Asset Management, Tianhong Asset Management, and others			
Sept. 12, 2023	On-site research	New China Asset Management, CCB Principal Asset Management, and others			
Sept. 4 to Sept. 5, 2023 On-site research		AVIC Securities, CINDA Fund, China Securities , BOCOM Schroders Asset Management, Fullgoal Fund, and others			
May 15, 2023 Performance Briefings		Conducted remotely using platform (https://www.ir-online.cn)			
May 8 to May 9, 2023	On-site research	Baoying Fund, GF Securities, CICC, CMB Wealth Management, Chaos Investment, Springs Capital, Orient Alpha Fund, and others			
May 5 to May 6, 2023 On-site research		Great Wall Fund, Southern Fund, Bosera Fund, Dacheng Fund, Huaan Fund, Guotai Fund, E Fund Management, and others			
Mar. 2 to Mar. 3, 2023 On-site research		Guangdong Hengkuo Investment Management, Guangdong Hengxin Fund Management, and others			
Feb. 28, 2023 On-site research		Aegon Industrial Fund			
Feb 21, 2023 On-site research		China Securities , Great Wall Securities, Tianhong Asset Management			
Feb 17, 2023	On-site research	CICC, Fullgoal Fund,, Tianhong Asset Management, Huashang fund			





# Risk and Internal Control Management

Kaifa complies with relevant laws, such as the Company Law and Securities Law of the People's Republic of China. With its unique business characteristics, Kaifa has established a comprehensive risk management framework that integrates a robust operational culture, strengthened internal control, and compliance risk management. We enhance internal audit supervision and implement a dynamic risk control mechanism that covers prevention, response, and control. This ensures proactive risk prevention, promotes stable operations, and facilitates high-quality development.

# **Risk Management System**

To ensure the effective operation of the risk management system, Kaifa has established sound systems and released key documents, including the Enhancing Risk Management, Internal Control, and Compliance Management Processes and Comprehensive Risk Management Processes. These documents outline risk management processes at various stages, cultivate a risk management culture, and establish a comprehensive risk management system.

Kaifa has a Risk Management, Internal Control, and Compliance Management Committee (Risk and Compliance Committee), led by the President. The committee provides guidance on risk management, internal control, and compliance management, reporting to the board of directors. It is supported by the Risk Management, Internal Control, and Compliance Management Office (Risk and Compliance Office), which implements committee decisions. The various functional departments of Kaifa and its subsidiary companies are responsible for the daily risk and compliance.

Name	Member	Responsibilities		
Risk and Compliance Committee	Kaifa executives, department heads, subsidiary general managers, business unit general managers	Provide comprehensive guidance on Kaifa's comprehensive risk management, internal control construction, and compliance management.		
Risk and Compliance Office	Staff members responsible for risk management, internal control, and internal assessment	Coordinate and implement the decisions of the Risk and Compliance Committee and report to the committee.		
All departments, business units, and subsidiary companies	All employees	Carry out daily risk control and compliance work in their respective business units, ensure the effective implementation of relevant systems, and cooperate with the Risk and Compliance Office in preparing regular and real-time reports, and other related tasks		





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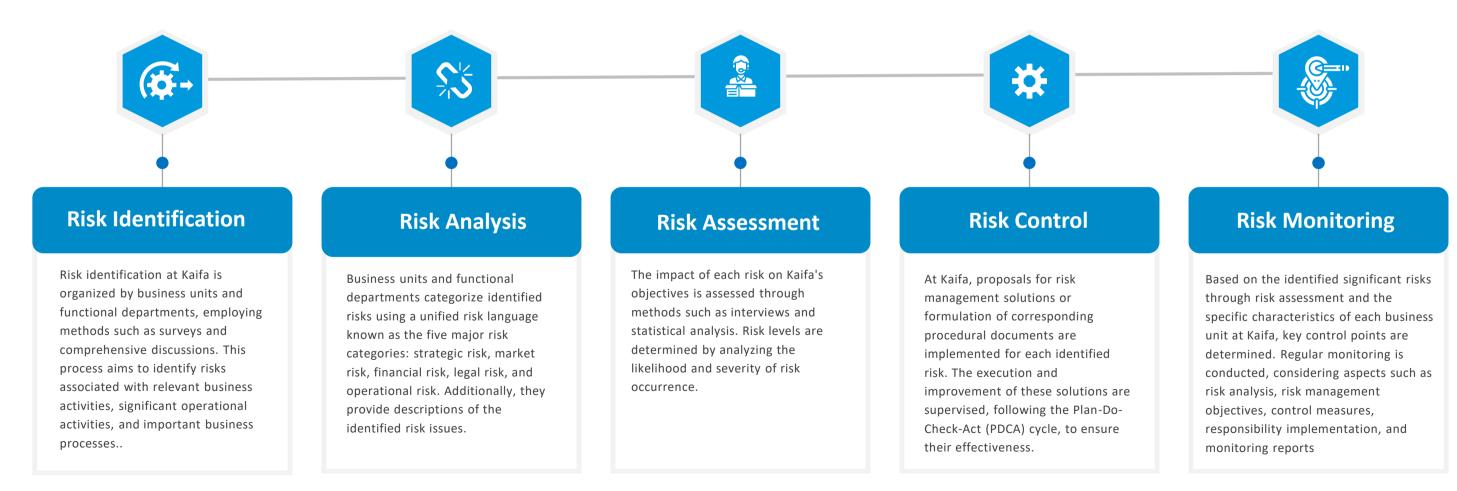
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Sustainable Supply Chain Management

## **Risk Management Process**

Kaifa follows the Comprehensive Risk Management Processes to conduct comprehensive risk management activities. The Risk and Compliance Committee acts as the decision-making body for significant matters, while the Risk and Compliance Office coordinates these efforts. Each department and business unit at Kaifa ensures the implementation of a comprehensive risk management framework. For Kaifa's domestic subsidiary companies that have existing orders and engage in substantial business, comprehensive risk management coverage is maintained at 100%.

The Risk and Compliance Office at Kaifa is responsible for collecting internal and external information pertaining to Kaifa's risks and risk management. This includes strategic, market, financial, legal, and operational categories, with responsibilities divided among various business units. Additionally, the office conducts risk assessments, tracks initial risk management information, and oversees various management processes.



# **Key Focus Projects for 2023**

#### **Macroeconomic Fluctuation Risk**

The electronic manufacturing industry in which Kaifa operates is closely connected to macroeconomic development, technological advancements, and consumer demand. It is anticipated that there will be a significant global economic growth slowdown in 2023, resulting in weak demand for industries such as consumer electronics, medical products, and automotive electronics. This unfavorable impact will affect Kaifa's customer business and extend to electronic manufacturing service companies, including Kaifa, consequently increasing Kaifa's financial risks.



#### Measures to Address Macroeconomic Fluctuation Risk

Internally, Kaifa will prioritize monitoring financial indicators and establish an early warning mechanism to optimize and adjust operations in a timely manner. Externally, Kaifa will closely monitor market changes, maintain close communication with customers, actively participate in product design with leading customers in the industry, and seek collaboration opportunities to maintain a competitive advantage.

#### **Exchange Rate Risk**

In 2024, the Federal Reserve may potentially begin cutting interest rates, and the US dollar may weaken. The inventory, accounts receivable, and prepayments in Kaifa's assets are mostly denominated in US dollars. If the US dollar weakens, Kaifa will incur significant losses.



#### **Measures to Address Exchange Rate Risk**

Kaifa will manage exchange rate risks through a combination of forward contracts, US dollar deposits and loans, and forward exchange settlements.

#### **Market Competition Risk**

Kaifa's core business focuses on high-end manufacturing in sectors such as storage semiconductors, medical products, and automotive electronics. These industries are characterized by high market competitiveness and face intense competition from numerous well-known domestic and international manufacturers.



#### **Measures to Address Market Competition Risk**

Kaifa will leverage its overall strengths, emphasize technological innovation, and focus on forward-looking research and development. Additionally, Kaifa will actively engage in international cooperation, enhance global strategic deployment, accelerate the upgrading of traditional advantageous industries, strategically enter emerging industries, and consistently promote the sustainable and healthy development of its business operations.



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## **Internal Control Construction and Improvement**

Kaifa has established a risk-oriented internal control system, which is anchored in business processes and designed to create a working system that suits our operations. Dedicated staff are responsible for planning, establishing, maintaining, and enhancing our working system. This system aims to align Kaifa's management system with external management frameworks, legal requirements, and internal management standards. It encompasses mechanisms such as management systems, roles, document guidelines, process digitization, and effective communication channels.

During the reporting period, Kaifa actively promoted process reviews across the entire organization. Each department conducted self-assessments to identify and resolve issues, with a focus on continuously improving the applicability and effectiveness of the processes. The on-site audit completion rate and identified improvement rate reached 100%. In alignment with Kaifa's strategic expansion into international operations, existing rules, procedures, and electronic documents were reviewed, translated into English, and verified to ensure comprehension and compliance with rules and procedures by overseas employees.

#### **Internal Control Assessment**

Kaifa has implemented the Internal Control Assessment Process Instruction and conducts annual planned assessments and supervision inspections to ensure comprehensive coverage of internal control management and supervision at our headquarters and subsidiary controlled companies. Considering the unique characteristics of Kaifa's business, internal control assessments primarily focus on assessing deficiencies in financial management, procurement, sales, human resources, warehousing, disposal of obsolete assets, significant asset management, and infrastructure project management. Whether conducted by external institutions or Kaifa's audit department, no significant or material deficiencies have been detected in Kaifa's internal control system.

#### **Auditor Independence**

Kaifa is committed to upholding regulatory requirements related to auditor independence and tenure. To ensure the objectivity and impartiality of audit results, proactive management measures are implemented to prevent mutual dependence between Kaifa and auditors. Annual audits are conducted by third-party institutions, and their findings and recommendations are comprehensively detailed in Kaifa's independent Internal Control Audit Report.

Maintaining the independence of auditors is a paramount consideration in conducting audit services and a crucial factor in ensuring objective and impartial audit outcomes. To safeguard auditor independence and prevent business dependency, Kaifa regularly invites bids from new accounting firms for annual financial audits. The selection of the previous year's accounting firm was overseen by the group company, while other audit projects were chosen by the group company or Kaifa's supply chain management department. Multiple measures were implemented to ensure a fair and impartial selection process.

During the selection of accounting firms, Kaifa performs comprehensive market research and adheres to a rigorous bidding process to ensure that the chosen firms possess the required expertise, independence, and a solid reputation. Detailed contracts are signed between Kaifa and the accounting firms, clearly outlining the scope of services, responsibilities, and obligations of the engaged firms.



Kaifa recognizes the critical importance of auditor independence and professionalism in audit work and provides full support in terms of funding. The selection of intermediary agencies undergoes a strict bidding process, and the annual audit fees are set at a level not lower than other intermediary service fees.



In terms of tenure management for accounting firms, audit project partners, and signing registered accountants, Kaifa follows the practice that if they have been actively engaged in Kaifa's audit business for a cumulative period of 5 years, they are prohibited from participating in Kaifa's audit business for the subsequent consecutive 5 years.



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# **Tax Governance**

Kaifa is committed to fully complying with all tax laws and regulations of the countries in which we operate globally. We adhere to the transfer pricing rules of the respective countries, ensuring that profit allocation aligns with value creation and avoiding profit shifting to low-tax jurisdictions. We uphold the spirit of the law and principles of tax fairness. We believe that fulfilling our social responsibility by paying taxes supports governments in promoting local economic growth and pursuing sustainable long-term business operations.

Kaifa places great importance on tax transparency and adheres to international and local statutory disclosure obligations. We timely file tax returns and fulfill all tax payment obligations, taking responsibility for our tax affairs. Through the establishment of a unified financial management system, we ensure that intercompany transactions within the Kaifa group are conducted on an arm's length basis, aligning tax payments with income generation and refraining from engaging in malicious tax avoidance practices through tax havens.

To strengthen our tax governance, Kaifa has implemented robust internal tax processes and prioritizes tax risk management. Significant operational decisions involving tax matters are reported to the Board of Directors, accompanied by comprehensive tax analysis conducted by our internal tax team. Additionally, we engage external professional firms to provide expert advice when necessary.

The financial and tax responsibilities of Kaifa's management, including our corporate entity, are declared and reflected in the annual audit report, which is publicly disclosed by Kaifa. The report is signed by our corporate entity and the responsible financial management, obtaining confirmation from the auditing firm.

According to our Regulations on the Work of the Audit Committee of the Board of Directors, the Audit Committee is responsible for communication, supervision, and verification of both internal and external audits. It conducts at least one inspection and assessment each year of the establishment, effectiveness, and implementation of the internal control system, including financial and tax processes. The Audit Committee issues special opinions and reports to the Board of Directors, reviewing the annual audit report, including tax policies and implementation data, and providing written opinions





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# **Information Security**

In an era of rapid development in information technology, information security management has become particularly important. Kaifa obtained ISO27001 certification for the first time in 2011 and gradually expanded it to subsidiary companies, covering Kaifa Dongguan, Kaifa Chengdu, Kaifa Malaysia, and others. After more than 10 years of operation and continuous improvement, a top-down information security management organization has been established, along with an information security management system and processes that are adaptable to Kaifa's development, effectively protecting Kaifa's information security, employee and stakeholder personal privacy, and customer product information.

# **Information Security Policy and Systems**

Based on information security laws and regulations, customer requirements, ISO27001 standard requirements, and internal management requirements, Kaifa has developed and approved policies that focus on ensuring the confidentiality, integrity, and availability of information. To ensure the orderly and effective implementation of information security-related activities, Kaifa has established various systems and processes based on a risk-oriented information security management system.

#	Systems and Processes	#	Systems and Processes
1	Information Security Management Manual	7	Departmental Information Classification Management Process
2	Information Security Risk Management Process Instruction	8	Information Infrastructure Management Process
3	Information Security Management System Applicability Statement	9	Application System Backup Rules and Strategy
4	Instruction for Monitoring the Information Security Management System	10	Production System Network Security Issue Handling Process
5	Instruction for Conducting Security Audits on Company Information Systems	11	Desktop Classification Management Process
6	Information Security Incident Management Process	12	System Account Management Process

### **Information Security Education and Training**

01

Through Security and Confidentiality group of the Lanxin system, over 100 information security promotional messages were published and reposted, with a readership exceeding 10,000. There were more than 1,000 interactions.

To enhance the overall awareness of information security, each subsidiary company conducted three offline guizzes on confidentiality knowledge with over 500 participants.

02

03

To cultivate specialized personnel in information system security management, seven staff members participated in training and passed the CISP assessment.

To enhance the internal audit capabilities of the information security management system, ISO27001 internal auditor training was conducted with 245 participants attending, accumulating a total of 1,071 training hours.

04

05

The national security law training, centered around the theme of the April 15 National Security Education Day event.

To enhance employee protection of company information security and ensure the security of employees' personal privacy information, confidentiality agreements were signed with employees, achieving a signing rate of 100%.

06



# **Information Security Technical Measures**

Based on risk identification and management systems, Kaifa has developed proactive and layered security strategies and established a comprehensive network security control system that includes monitoring, alarm, defense, and recovery.

Through asset assessment, threat assessment, and vulnerability assessment, we have identified three primary risks based on the likelihood of triggering security incidents and the extent of resulting damage: risks related to complex internal and external security threats, risks of user data leakage and tampering, and compliance risks. To address these risks, we have implemented various measures to mitigate information security risks in accordance with relevant management requirements.

Type of Risks	Risk Rating	Measures Implemented
Complex internal and external security threats  Information security incidents caused by virus attacks, phishing attacks, hacking, or ransomware threats.	High	<ul> <li>We collect, analyze, and integrate data from various sources through a situational awareness platform to monitor and assess Kaifa's security situation in real-time, identify and predict security risks, and take appropriate measures to reduce risks.</li> <li>We enhance network security and manageability by dividing the virtual LAN to restrict traffic and access permissions in different network functional areas.</li> <li>We prevent potential attacks and reduce system vulnerabilities through regular vulnerability scanning and timely patching.</li> <li>We strengthen endpoint control through access control and internet behavior management to effectively limit illegal software applications and data access.</li> <li>We protect our email system from malicious software and phishing attacks through email gateways with sandbox functionality.</li> <li>We have established security incident and emergency response procedures to ensure quick response and handling in the event of a security incident, minimizing potential losses.</li> </ul>
Risks of user data leakage and tampering Improper protection of user data leading to the risk of data tampering, theft, or damage during usage.	Moderate	<ul> <li>We have established a data leakage protection system to encrypt data and ensure its security during distribution, transmission, and usage.</li> <li>We have established a secure network by physically or logically isolating channels for external data interaction, maximizing the prevention of data theft and malicious tampering.</li> <li>We implement production network isolation for different clients to effectively protect client data from being affected by data leaks or attacks, enhancing data security and confidentiality.</li> <li>We encrypt and transmit customer data through dedicated lines to ensure data integrity and security during transmission.</li> <li>We have implemented a multi-layered data backup mechanism to quickly recover data and ensure business continuity in the event of data loss or damage.</li> </ul>
Compliance risks  Risk of non-compliance with information security-related laws, regulations, regulatory requirements, and customer audits, leading to potential notifications or penalties.	Low	<ul> <li>We only allow the installation and use of legally authorized software and verified freeware. This ensures that only authorized and legally verified software can be installed and used within Kaifa, avoiding potential security risks and copyright issues.</li> <li>We control the collection, storage, and display of personal privacy data. Through permission control, minimal collection, and data anonymization, we effectively protect personal privacy data from misuse or leakage.</li> <li>We support audit of critical device operations through bastion hosts and log auditing. Real-time monitoring and recording of critical device operations help detect any abnormal behavior or potential security threats and take immediate measures to address them.</li> <li>We integrate legal requirements, regulations, and industry standards into the department's security system standards. This ensures that the company's information security system complies with national and industry regulations, avoiding fines or other consequences due to non-compliance.</li> </ul>



# **Business Ethics**

Kaifa is committed to creating a work atmosphere characterized by integrity, frugality, and ethical conduct. Honesty and trustworthiness are the core values of our company. We firmly oppose corrupt practices and maintain a zero-tolerance policy towards any form of commercial bribery. To uphold these principles, we have established clear ethical guidelines and codes of conduct, including the Employee Manual and the Employee Code of Conduct. We continuously improve reporting channels and supervision mechanisms to ensure transparency and accountability. Through effective ethical risk management, we strive to cultivate a trustworthy corporate image.

# **Governance Structure and Responsibilities for Business Ethics**

#### **Governance Structure for Business Ethics**

#### **Key Responsibilities at Each Level**



# **Integrity in Business Operations**

Kaifa adheres to national anti-monopoly and competition laws, along with ethical standards promoting freedom and fair competition. We follow the Responsible Business Alliance (RBA) Code of Conduct and our own ethical guidelines. We gather competitive information legally and avoid improper business activities. Risk identification and assessment, training, and supervision for high-risk positions and key personnel ensure operational integrity.

#### **Training and Supervision**



#### **Leading by example**

We prioritize the integrity and self-discipline of leadership management, clarifying the concept of tiered risk control through enhanced institutional construction.



#### **Integrity commitment**

We promote contract spirit, establish long-term anti-corruption and integrity mechanisms through improved systems and integrity commitment letters with middle-level and key personnel.



#### Integrated supervision with inspections

We tailor our supervision and inspection model to fit Kaifa's personnel structure and production characteristics, effectively identifying and rectifying issues to drive high-quality development.



#### Promotion of an ethical culture

We establish a strong ethical culture as a corporate brand, systematizing and standardizing the promotion of ethical values. Quarterly, we develop educational materials, conduct on-site presentations in key departments, and utilize real-life examples to educate employees and reinforce their ethical awareness.



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## **Anti-Bribery and Anti-Corruption**

Kaifa strictly complies with anti-bribery and anti-corruption laws and regulations, ensuring business operations adhere to prescribed rules. We prohibit corrupt practices, bribery, theft, extortion, embezzlement, and other illegal activities among employees. Suppliers must sign a Supplier Code of Conduct agreement. We oversee procurement rigorously to prevent commercial bribery and foster a professional ethics environment.

Anti-corruption and anti-bribery governance at Kaifa is managed by our Audit Department & Discipline Inspection and Supervision Department, reporting to the Board of Directors. We maintain high vigilance, continuously strengthen governance measures, and uphold Kaifa's integrity and ethical standards.



Integrity commitment for leadership and middle management



Completion rate of handling petitions and reports

**100**%

100%



Implementatio n of inspection work in 2023

4 times

**Integrity** contracts

We enhance contractual management by signing the Senior Management Integrity Responsibility Letter for leadership and professional managers. This incorporates integrity and ethics requirements into labor or appointment contracts, promoting discipline and ensuring compliance with laws and regulations. Currently, 46 contracts have achieved full coverage of integrity contracts for middle and senior management.

Corruption risk management

In comprehensive risk management, we identify corruption supervision risks, including: 1) establishing robust internal systems to enhance the ability to identify corruption risks; 2) further strengthening integrity controls for overseas subsidiaries; and 3) improving personnel qualifications.

**Supervision** mechanism

Every year, we conduct specialized supervision called Integrated Inspection to enhance internal control. These inspections cover key areas and critical processes of the headquarters and subsidiaries, focusing on system establishment, process design, and implementation. In 2023, four inspections were conducted, aiming for comprehensive coverage.

## **Integrity Education and Promotion**

To strengthen integrity in our practices, Kaifa implements regular, surprise, and themed programs to promote integrity policies.

Regular Programs Every quarter, we create materials for integrity promotion and conduct training through disciplinary classes and case studies. These materials and training cover all departments and subsidiaries, with no less than one hour dedicated to promotion. This regular campaign ensures that the concept of integrity becomes deeply ingrained and achieves lasting educational effects

We conduct on-site promotion activities with a particular focus on subsidiaries and key departments. In 2023, we organized three on-site promotion events, with a total attendance of 279 individuals. Through these activities, we engage in face-to-face communication with employees, emphasizing the importance

Surprise Programs

Themed Programs

Each year, we hold a disciplined promotion and education month with a specific theme. Through these themed campaigns, we continuously deepen integrity education, enhancing employees' understanding and adherence to integrity principles

#### **Integrity and Self-discipline Theme Training**





Kaifa 2023 ESG Report



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## **Reporting and Whistleblower Protection System**

Kaifa has established a robust reporting system and whistleblower protection framework. The procedures for handling reports and complaints are clearly outlined. The main measures are as follows:

Reporting Channels

We have established clearly defined channels for reporting, including a dedicated hotline and email address. These reporting avenues are prominently displayed on our office system, providing employees with convenient means to report any concerns or incidents.

We have established clear confidentiality principles for whistleblower reporting, ensuring the safety and security of their identity and information. This allows them to report incidents of bribery and corruption with confidence, while minimizing the risk of unnecessary disclosure and negative consequences.

Confidentiality Principle

**Investigation Timeline** 

We have established clear time limits for investigations. Typically, the investigative work will be concluded within three months. If the time limit is exceeded, we will provide a detailed explanation and follow the appropriate approval procedures.

We have clearly stated our prohibition of retaliatory actions against whistleblowers and have established a secure mechanism to protect their identity. This mechanism safeguards whistleblowers from any form of improper treatment or retaliation, thereby fostering an environment that encourages employees and stakeholders to actively report any violations.

**Protection Mechanism** 

In 2023, we received and resolved two reports in accordance with the established procedures and within the specified timeframe.

### **Whistleblower Protection**

Kaifa acknowledges the concerns of whistleblowers and prohibits discrimination or retaliation in any form. We guarantee that individuals who report issues in good faith will be protected from retaliation. Any instances or attempts of retaliation must be reported to the highest authority within Kaifa. Kaifa will take disciplinary measures against supervisors, managers, or individuals involved in retaliation or attempted retaliation, including termination of employment.

### **Reporting Channels**

Whistleblower hotline:

Email:

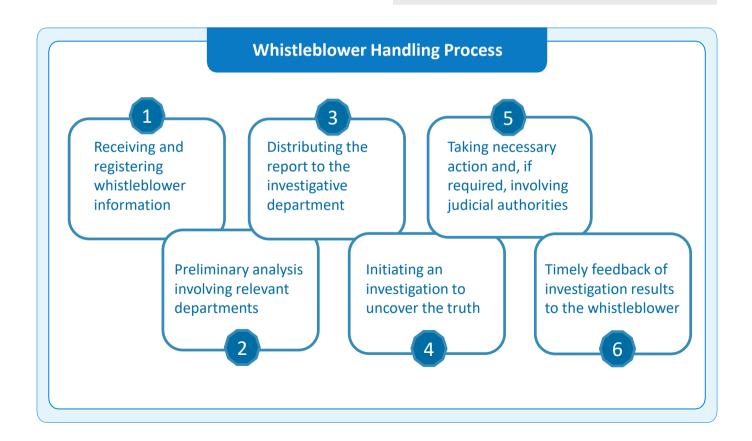
0755-83032168

di@kaifa.cn

#### Written or in-person reports:

18th floor, Block C, Kaifa Plaza

(Discipline Inspection & Supervision Dept)





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# **Compliance Laws and Regulations**

Kaifa has a longstanding commitment to operating with integrity. We adhere rigorously to national laws and regulations in corporate governance, finance, taxation, intellectual property, environmental protection and safety, and labor rights. We also prioritize the value and rights of our business partners. In line with our internal Compliance Management Basic System, we have identified 19 compliance areas and assigned responsible departments, with 16 compliance administrators appointed. The current key areas are as follows:

Areas	Compliance Focus
Intellectual Property	Strict compliance with intellectual property laws, protecting innovative achievements and trade secrets, ensuring the legality and rights of intellectual property, preventing infringement, maintaining a fair competitive environment, and promoting industry innovation and sustainability.
Trade Compliance	Strict compliance with trade laws and regulations, following the principles of fair competition, and promoting the healthy development of international trade.
Listing and Securities Regulation	Strict compliance with listing standards and securities regulations, ensuring timely and accurate information disclosure, maintaining a fair and transparent market environment, safeguarding investor rights, and promoting the stability and sustainability of the capital market.
Labor Protection	Strict compliance with labor and employment laws and regulations, safeguarding employees' labor rights and welfare benefits, prohibiting forced labor and employment discrimination.
Finance and Taxation Affairs	Strict compliance with financial, tax, and customs regulations, timely tax reporting, ensuring compliance in import and export business.
Safety Regulations	Strict compliance with safety laws and regulations, implementing safety management systems, enhancing accident prevention and emergency management, providing safety training and equipment, continuously improving safety standards, ensuring a safe production environment and employee safety.
Green Environmental Protection	Adhering to green environmental protection, complying with environmental laws and regulations, reducing environmental pollution and resource waste, promoting clean production and circular economy, using environmentally friendly materials and technologies, reducing energy consumption and emissions, actively conducting environmental monitoring and control, and striving to build a sustainable green factory.
Product Quality	Strict compliance with product quality laws and regulations, ensuring that product quality meets standards and requirements, implementing comprehensive quality management and control, establishing a sound quality inspection system, safeguarding consumer rights, adhering to integrity in business operations, and providing reliable product quality and high-quality after-sales service.



# **Compliance Training Performance**

In 2023, Kaifa conducted advocacy and compliance training activities in various forms, both online and offline, in the fields of trade compliance, ethical business conduct, contract fundamentals, construction engineering, and commercial real estate. We focused on providing targeted compliance training to key employees in critical areas and conducting legal education for all employees.



#### **Compliance Administrator Special Training**

Kaifa emphasizes the crucial role of compliance administrators as the link between compliance management and departments. They receive mandatory specialized training guided by our compliance department, covering Kaifa's compliance systems and implementation methods. Administrators are encouraged to raise any compliance-related questions or concerns during training. Afterward, a dedicated group facilitates timely updates on laws and regulations, ensuring their impact on our business is assessed and compliance efforts are seamlessly integrated into daily operations.



### Case

#### **Constitutional Awareness Campaign for All Employees**



Kaifa prioritizes improving employees' legal literacy. In 2023, we released a short video called The Constitution and Our Lifelong Journey on Constitution Day. The video vividly illustrates the profound connection between the constitution and our lives, safeguarding us from childhood to old age, in personal matters and work. It concludes with a collective message from young employees, urging everyone to read and remember the constitution, and uphold rights and responsibilities. Our aim is for everyone to comprehend and respect the constitution.



Number of participants in specialized training:

362



Duration of specialized trainings

35hours



Number of training sessions:

**15** 



Number of training sessions attended by executives:

10



Coverage rate of new employee training:

L00%

# 2

# Sustainable Environmental Management

In response to the national call for the construction of an ecological civilization, we actively and responsibly embrace our role in environmental protection. Throughout the reporting period, we have integrated the principles of green and low-carbon practices into every aspect of Kaifa's operations.

We continuously enhance our environmental management system, actively explore the development path of green and intelligent factories, and strive to improve our environmental performance. Moreover, we consistently implement the concept of green and low-carbon practices in our day-to-day operations. Our objective is to establish an environmentally friendly, clean, and innovative enterprise, contributing to China's efforts in achieving the goals of carbon peak and carbon neutrality.

以以	
COD	

**Environmental Protection Investment (RMB):** 

**17.91**<sub>M</sub>



Reduction in Water Consumption Intensity:

20.27%



Reduction in Energy Consumption Intensity:

3.15%



Reduction in Hazardous Waste Emissions Intensity:

9.47%





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# **Addressing Climate Change**

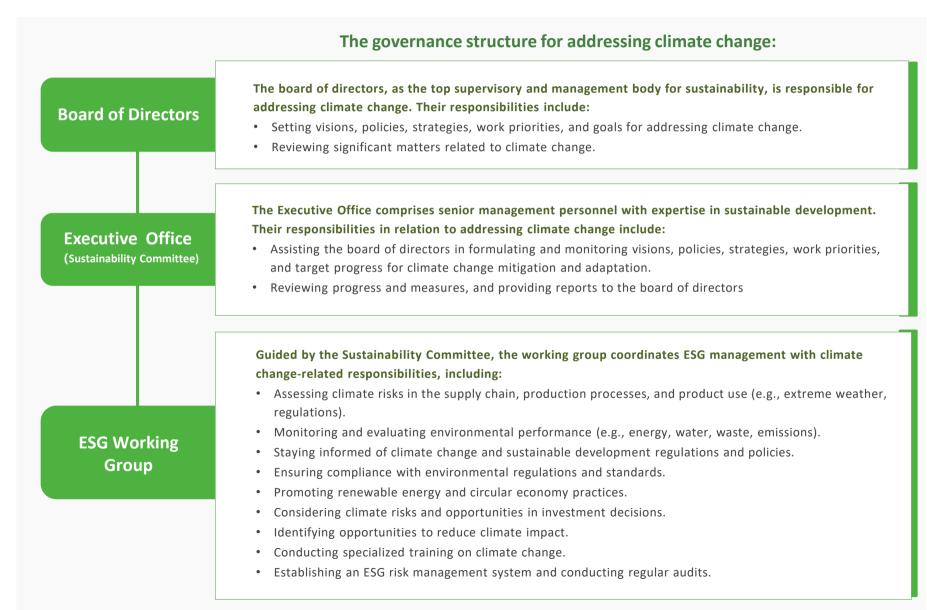
Kaifa had referenced the Task Force on Climate-related Financial Disclosures (TCFD) framework, assessing and disclosing climate risks to uncover business opportunities and manage climate impacts. The board of directors ensures sustainable development and reporting, aligning with sustainability and climate change. Transparent information is provided to investors and stakeholders for long-term success and positive contributions to global climate issues.

Kaifa actively participates in external industry organizations and serves as a director of the Futian District Environmental Protection Industry Association in Shenzhen. This allows us to stay informed about and share relevant policies and events related to climate change.

To reduce greenhouse gas emissions and minimize our environmental impact, we have established the Climate Change Risk Management and Opportunity Operation Instruction to manage climate change risks and opportunities.

#### Governance

Climate change has significant implications for Kaifa's operations and future. We prioritize climate-related risks and opportunities, integrating environmental and climate goals into our long-term planning and performance assessments. We implement monitoring and management measures to address climate challenges and promote sustainability. The Executive Office reports to the board of directors on measures and progress related to climate change, while the ESG working group is responsible for implementing and executing relevant actions.



# **Strategy**

During the reporting period, we referenced the TCFD framework to disclose climate-related information. Kaifa identified opportunities and multiple potential risks related to climate change for this year. The Sustainability Committee closely monitors these potential risks to ensure appropriate monitoring and measurement are conducted, and takes appropriate actions to mitigate climate change.

### **Climate Scenarios**

Kaifa adopts the Paris Agreement scenario to limit global warming below 2 degrees Celsius and the Business-as-usual scenario to identify risks, opportunities, and transformational risks. These scenarios help Kaifa develop climate strategies and actions.

	Paris-aligned Scenario	Business-as-usual Scenario
Reference Models	International Energy Agency's Sustainable Development Scenario (SDS)	IPCC's RCP 8.5 concentration pathway
Explanation	Assessing the impact of transition risks when moving towards a low-carbon economy helps evaluate the potential risks associated with the transformation. This evaluation assists the company in developing climate strategies and actions.	Assessing the impact of entity risks in high-emission scenarios helps the company understand the potential risks associated with high emissions. This assessment is crucial in guiding the development of climate strategies and actions.
Assumptions	By implementing the company's climate strategies and actions, we aim to achieve comprehensive net-zero emissions. By the year 2100, we can control the temperature increase to below 2 degrees Celsius.	By the year 2100, the global average temperature is projected to rise by approximately 4 degrees Celsius, with a high frequency and intensity of extreme climate events.



# **Identify climate-related risks**

Туре	Major risks	Description of major physical risks and transition risks related to climate through scenario analysis
	Extreme weather events	Climate change can lead to frequent extreme weather events such as hurricanes, floods, droughts, and blizzards. These events can affect our facilities, supply chains, and infrastructure, resulting in production disruptions and asset losses.
Physical	Impacts of climate disasters on the supply chain	Climate change can cause supply chain disruptions, such as transportation interruptions, port closures, or production stagnation due to natural disasters affecting suppliers. This can hinder our ability to obtain raw materials or components in a timely manner, impacting production and delivery capabilities.
risks	Asset losses and facility damages	Extreme weather events caused by climate change can result in damages to our facilities and assets. For example, floods can damage production lines or equipment, requiring costly repairs or replacements.
	Instability in energy supply	Climate change can lead to instability in energy supply, such as power outages or fluctuations in energy prices. This can have a negative impact on our production costs and operations.
	Climate-related diseases and health risks	Climate conditions can contribute to the spread of disease vectors. This can affect the health of our employees and the availability of the workforce.
	Government policy and regulatory changes	Governments may introduce new policies and regulations to address climate change, such as carbon pricing, emissions limits, and environmental standards. This may require us to take additional measures to reduce carbon emissions, comply with new environmental requirements, and potentially invest in new technologies and equipment.
	Clean technology and energy transition	Increased attention to climate change may drive energy transition and the development of clean technologies. We may need to undergo technological transformations, improve product design and production processes to adapt to the requirements of clean energy and a low-carbon economy.
Transiti on risks	Depreciation	Transitioning to a low-carbon economy may lead to the depreciation of certain assets. We may need to adjust our asset portfolio and take preventive measures to address potential asset depreciation risks.
	Market demand changes	Consumer awareness of environmental sustainability is increasing, which may result in a decline in demand for traditional electronic products and an increase in demand for eco-friendly products. We may need to adjust our product portfolio and market positioning to meet new market demands.
	Investor pressure and reputation risks	Increased attention to climate change has raised investor concerns about environmental, social, and governance (ESG) issues. We may face pressure from investors to disclose our risk management and sustainable practices related to climate change. Failure to meet investor expectations may result in reputational damage and the risk of capital outflows.

Potential impacts on financial planning	Explanation
Fluctuations in raw material prices	Climate change can lead to instability in the supply chain of raw materials, which can in turn affect our production costs.
Increased energy costs	We may need to pay higher energy costs, which can have a negative impact on production costs and profit margins.
Carbon emissions taxes and restrictions	We may incur additional expenses to reduce carbon emissions in our production processes or to pay carbon emissions taxes.
Green certifications and sustainability standards	We need to invest in green technologies and sustainable practices to meet market demand, or else we may lose market share.
Regulatory compliance costs	We need to allocate additional funds to meet regulatory requirements, including investments in equipment upgrades, waste management, and environmental regulations.
Brand reputation and social responsibility	Failure to take proactive environmental measures may result in resistance from consumers, investors, and stakeholders.
Strategic transformation and innovation	Climate change may drive us to undergo strategic transformation to adapt to new market demands and environmental requirements, which may require significant investments in research and development and technological innovation.
Risk management costs	We need to allocate additional resources and funds to mitigate potential losses. •
Emerging market opportunities	Climate change can also bring new market opportunities and new sources of revenue.
Supply chain resilience and flexibility	It is necessary to assess and improve the resilience and flexibility of our supply chain to reduce potential supply disruptions and ensure timely product delivery.  This may involve investments in close collaboration with suppliers, diversified supply chain sources, inventory management, and emergency planning, thus affecting financial planning.



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# **Our Response**

We prioritize risks based on a comprehensive assessment of probability and impact to determine the most important and urgent risks that require response actions. We consider the timeframes for climate-related issues as: short-term (within the next year), medium-term (within the next 5 years), and long-term (beyond the next 5 years).

Туре	C	limate-related risks	Time dimension	Impact	Probability	Ranking	Potential financial impacts	Our response
		Extreme weather events such as typhoons and floods	Long Term	н	L	1		The ESG working group reviews the Business Continuity Management
		Extreme cold or extreme heat	Long Term	Н	L	2	Supply chain disruptions and business closures due to extreme weather	(BCM) program annually to ensure the adequacy of emergency plans to protect employees and minimize losses.
	Acute and chronic	Rising average temperatures	Long Term	М	L	8	<ul> <li>Decreased revenue and increased operating costs due to reduced production capacity.</li> <li>Increased capital costs (e.g., facility damage).</li> </ul>	<ul> <li>Regularly conduct emergency drills such as fire drills or flood drills.</li> <li>Implement various energy-saving projects to minimize energy consumption and improve energy efficiency in our day-to-day</li> </ul>
Physical risks	physical risks	Rising sea levels	Long Term	М	L	8		operations.  Set absolute reduction targets for carbon emissions and reduce
		Water scarcity	Long Term	М	L	8	workforce management and planning issues.	<ul> <li>energy intensity.</li> <li>Incorporate chronic physical risks into business decisions, such as increasing manufacturing bases and assessing supply chain risks.</li> </ul>
		Wildfires	Long Term	М	L	8		дана на
	Policy and Regulation	Increased reporting obligations for emissions	Short Term	М	Н	4	<ul> <li>Increased operating costs (e.g., higher compliance costs, increased insurance premiums).</li> <li>Divestment, asset impairment, and early retirement of existing assets due to policy changes.</li> </ul>	<ul> <li>Regularly monitor regulatory trends to identify potential climate- related risks and opportunities that may impact our business</li> </ul>
		Strengthened environmental regulations and practice guidelines	Short Term	М	Н	3		<ul> <li>operations.</li> <li>Account for greenhouse gas emissions in accordance with ISO 14064 and undergo third-party verification.</li> </ul>
		Replacing existing products with low-emission options	Med to Long	М	L	8	Write-off and early retirement of existing assets.	Implement energy management according to ISO 50001 Energy
Transition risks	Technology	Transition costs to low-emission technologies	Med to Long	М	L	8	<ul> <li>Capital investments in technology development.</li> <li>Research and development expenses for new and alternative technologies due to resource scarcity.</li> <li>Decreased demand for products and services due to shifts in consumer preferences.</li> </ul>	Management System.     Optimize or change production methods to use more efficient production processes and equipment.     Strengthen research and development of environmentally friendly products in collaboration with customers.
		Changes in customer behavior	Med to Long	М	L	8	Decreased demand for products and services due to shifts in consumer	Seek business opportunities to increase green products.
	Market	Market signal uncertainty	Med to Long	М	L	8	preferences.  Increased uncertainty in production costs.	<ul> <li>Conduct product carbon footprint and lifecycle assessments as required by customers.</li> </ul>
		Increasing raw material costs	Med to Long	М	Н	5	Sudden and unexpected changes in energy costs.	Control and avoid the use of hazardous materials in products.
		Shifts in consumer preferences	Med to Long	М	Н	7	Decreased revenue due to reduced demand for products and services.	
	Reputation	Stakeholder attention or Increasing negative feedback	Med to Long	М	Н	6	<ul> <li>Decreased revenue due to reduced production capacity (planned delays, supply chain disruptions).</li> <li>Decreased revenue due to negative impacts on workforce attraction and retention</li> </ul>	<ul> <li>Seek business opportunities to increase green products.</li> <li>Align with stakeholder requirements.</li> </ul>

# **Our Opportunities**

Despite the challenges posed by climate change, we see these opportunities as a way to create new market opportunities and revenue streams, achieve business success, and promote sustainability.

Туре	Climate-related opportunities	Potential financial impacts	Our Opportunities	
	Use more efficient production processes		Optimize or change production methods, using more efficient	
	Implement recycling and reuse practices	Reduce operating costs through efficiency improvements and cost reductions	production processes, technologies, and equipment	
Resource efficiency	Transition to more efficient buildings	Increase production capacity, leading to revenue growth	<ul> <li>Develop environmental conservation strategies, including reducing energy consumption and promoting recycling</li> </ul>	
	Reduce water use and consumption	Increase the value of fixed assets (e.g., highly rated energy-efficient buildings)	<ul> <li>Implement green building practices for our administration and commercial buildings</li> </ul>	
	Utilize low-emission energy sources	Lower operating costs by implementing low-cost emission reduction		
	Benefit from supportive policy incentives	measures	<ul> <li>Manage energy efficiently according to ISO 50001 Energy Management System, striving for energy efficiency</li> </ul>	
Energy sources	Adopt new technologies	Mitigate the risk of future fossil fuel price increases		
	Engage in carbon markets	Reduce sensitivity to greenhouse gas emissions, hence less affected by carbon cost fluctuations	<ul> <li>Implement solar power generation on factory rooftops</li> <li>Establish internal carbon pricing and management mechanisms</li> </ul>	
		Return on investment in low-emission technologies		
	<ul> <li>Develop or expand low-emission goods and services</li> </ul>		<ul> <li>Seek business opportunities to increase green products</li> </ul>	
Products and services	<ul> <li>Innovate and develop new products or services</li> </ul>	<ul> <li>Increase revenue by offering low-emission products and services</li> <li>Gain a competitive advantage by reflecting shifts in consumer preferences,</li> </ul>	<ul> <li>Strengthen research and development collaborations with customers to develop environmentally friendly products</li> </ul>	
	Capitalize on shifts in consumer preferences	leading to increased revenue	<ul> <li>Increase investment in research and development to develop more efficient and low-carbon products and production technologies</li> </ul>	
Market	Enter new markets	Increase revenue	Seek business opportunities to increase green products	
	Build a flexible supply chain	<ul> <li>Improve supply chain reliability and the ability to operate under various conditions</li> </ul>	<ul> <li>Assess and manage supply chain risks to ensure stable logistics and supply capabilities</li> </ul>	
Resilience	Resource substitution/diversification	<ul> <li>Enhance market valuation through resilience planning (e.g., infrastructure, land, buildings)</li> </ul>	<ul> <li>Incorporate chronic physical risks into business decisions, such as increasing manufacturing bases</li> </ul>	



# **Risk Management**

Kaifa's risk management system includes the process of identifying and evaluating climate-related risks. The ESG working group incorporates climate-related risks into Kaifa's existing risk classification and risk inventory, including mapping climate-related risks to existing risk categories and types. Existing emergency plans are also effective in addressing climate-related risk events. Kaifa regularly monitors changes in climate-related risks and new threats and updates emergency plans in a timely manner to ensure they are up to date.

#### **Identification and assessment**

We refer to the recommendations of TCFD to identify, assess, implement, and monitor climate change risks (or potential risks) and their impacts to address the challenges and opportunities posed by climate change to operations and supply chains. At the same time, we have developed a process for managing climate change risks and opportunities, known as the Climate Change Risk Management Operation Instruction.

We identify potential risk factors related to climate change and assess the probability and magnitude of their impact. Finally, based on a comprehensive assessment of probability and impact measures, risks are prioritized to determine the most important and urgent ones.

# Risk identification

Identify physical risks and transition risks and their impacts.

Evaluate and prioritize risks to provide information for risk management.

Risk assessment

Risk management

Identify the most important and urgent risks and implement risk mitigation measures.

#### **Metrics and Targets**

The primary climate-related metrics encompass greenhouse gas emissions, energy consumption, waste, and water usage. Commencing in 2023, Kaifa will implement a unified and standardized approach to collect greenhouse gas emissions data across the entire organization. Using the data from 2023, both short-term and long-term targets will be established



Kaifa is committed to achieving carbon neutrality before 2060 and establishes annual key performance indicators for climate change and resource management.

Kaifa prioritizes carbon verification work to ensure the accuracy and reliability of its own carbon emissions data. To enhance fairness and accuracy, the carbon emissions data of Kaifa Shenzhen and Kaifa Dongguan are certified by trusted third-party organizations



#### **Direct GHG emissions**

Kaifa's direct GHG emissions primarily stem from diesel, gasoline, natural gas, fire extinguishers, and refrigerants. During the reporting period, Kaifa emitted 22118 metric tons of carbon dioxide equivalent.



#### **GHG** emission intensity

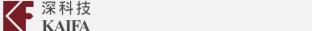
GHG emission intensity measures the amount of GHG emissions produced per unit of production activity, serving as a crucial indicator. In the reporting period, Kaifa's GHG emission intensity stood at 34.6 metric tons of carbon dioxide equivalent per million RMB of output.



#### **Indirect GHG emissions**

Indirect greenhouse gas emissions arise from the supply chain and electricity consumption. To reduce these emissions, we collaborate closely with suppliers, optimize power usage, increase renewable energy utilization, and enhance energy efficiency. In the reporting period, Scope 2 emissions amounted to 152,370 metric tons of CO2 equivalent. This year, we initiated data collection for Scope 3 emissions, including three emission sources from five subsidiaries.

Emission scope of GHG	GHG emissions quantity in metric tons CO₂e	GHG emission intensity in metric tons CO₂e / M RMB
Scope 1	22,118.38	
Scope 2	152,370.56	34.6
Scope 3	299.5	



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### Ecological Conservation

Ecological security is essential for human survival, development, and economic stability. Unfortunately, human activities have led to significant environmental degradation, underscoring the urgent need to address ecological concerns. At our company, we actively promote clean production, pollution reduction, and ecological protection while striving to improve resource efficiency. We also prioritize environmental education to foster a sense of responsibility.

Our commitment to ecological security encompasses various initiatives, including enhancing resource efficiency, promoting environmental protection, and fostering global collaborations. Our ultimate goal is to achieve sustainable and harmonious coexistence with nature.

Before establishing new industrial parks, Kaifa diligently complies with relevant laws and regulations, such as those pertaining to nature reserves, forests, and biosafety. We conduct comprehensive environmental impact assessments and implement measures to minimize adverse effects. Moreover, to safeguard sensitive areas, Kaifa subsidiaries are strategically located away from such regions. Our operations strictly adhere to emission standards to ensure compliance and protect the local environment.



**Actions for ecological conservation** 

#### **Kaifa Plaza Green Certification**

Kaifa Plaza has achieved four major international certifications: WELL Gold, LEED-CS Gold, Green Building, and BREEAM Excellent. These certifications prioritize the harmony between buildings and nature, minimize energy consumption and environmental pollution, and create healthy, comfortable, and efficient sustainable office spaces. The goal is to achieve the mutual benefits of technology and ecology while promoting harmony between humans and nature.



**WELL CORE GOLD** 



**GREEN BUILDING LABEL** 



**LEED-CS GOLD** 

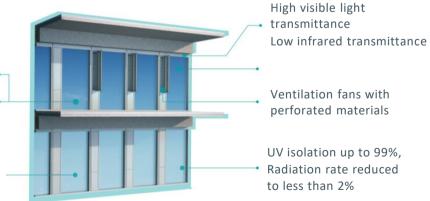


**BREEAM Certification** 



Low-E double silver hollow laminated ultraclear glass

Sound insulation performance meets Level 3 standards (RW38))



Ventilation fans with

UV isolation up to 99%, Radiation rate reduced to less than 2%



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### **Environmental Management**

Kaifa prioritizes environmental management as a core element of our sustainable business development. We strictly adhere to relevant laws and regulations such as the Environmental Protection Law, Water Pollution Prevention and Control Law, and Solid Waste Pollution Prevention and Control Law of the People's Republic of China. This ensures that our business activities meet the required standards, and we continually track and update regulatory requirements to maintain compliance.

Our environmental management system follows the ISO 14001 standard and includes the establishment of an Environmental and Occupational Health and Safety Management Manual. We are committed to establishing and maintaining a robust environmental management system that minimizes negative environmental impacts and promotes efficient resource utilization. Our comprehensive environmental management encompasses various aspects, ensuring the highest standards of environmental protection and sustainability.

**Environmental** protection

We take measures to minimize environmental pollution and energy consumption by optimizing resource utilization, adopting eco-friendly technologies, and reducing the negative impact of our production and operations on the environment.

Energy management We are committed to minimizing our environmental impact by reducing energy consumption and optimizing energy utilization. Through the promotion of energy-saving technologies and the adoption of renewable energy sources, we achieve effective energy management.

Water resource management

We prioritize water resource protection and rational utilization. Through a water resource management system, monitoring, and control of water usage, optimized production processes, and reduced water pollution, we strive for sustainable water resource utilization.

Air emissions management We implement effective measures for exhaust gas treatment to minimize emissions. By utilizing advanced emission control equipment and technologies, our goal is to reduce pollution to the atmosphere and safeguard air quality.

Waste management We are committed to improving waste management efficiency by reducing waste generation and ensuring safe and compliant waste disposal. Our goal is to minimize the environmental impact through responsible waste management practices.

**Environmental risk** assessment and improvement

We conduct regular environmental risk assessments to identify and evaluate potential risks. Based on the results, we implement control measures to mitigate these risks. We also monitor and measure our environmental performance using key indicators to track progress in our improvement efforts.

**Employee training** and involvement

We promote environmental awareness and adherence to management policies through communication and diverse employee training programs. We provide necessary resources and support to encourage active employee participation in environmental protection activities.

Information disclosure and communication We prioritize transparency and responsibility by actively communicating and collaborating with stakeholders. We share our environmental achievements, seek feedback, and foster a collaborative approach to environmental stewardship...

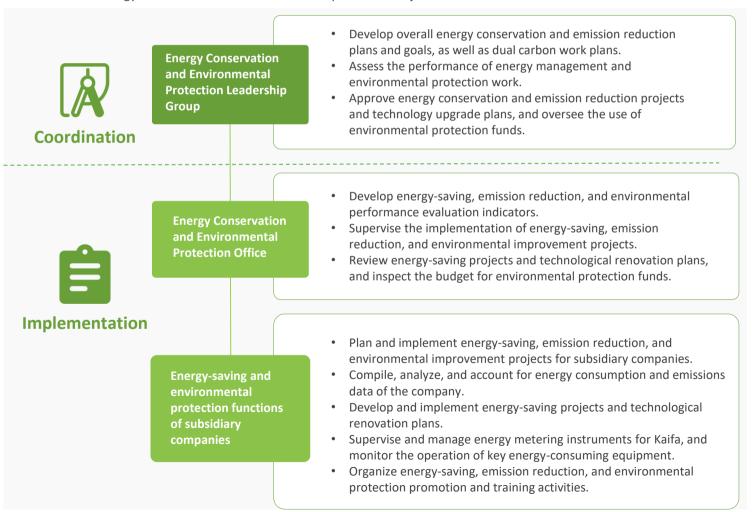


### **System Establishment and Planning**

Kaifa has established a long-term sustainable manufacturing strategy, continuously improving environmental and energy management capabilities. By implementing environmental and energy-related management systems, we have standardized and enhanced our performance. Since 1999, all our domestic factories and major overseas companies have obtained ISO 14001 certification. In response to government initiatives, Kaifa Shenzhen, Kaifa Dongguan, and Kaifa Suzhou have implemented third-party carbon verification reports, while Kaifa Chengdu has established a greenhouse gas management system based on ISO 14064 standards and completed third-party verification. Additionally, Kaifa Dongguan has implemented an ISO 50001 energy management system, achieving energy rationalization and laying a solid foundation for becoming a green factory.



Kaifa has established the Energy Conservation and Environmental Protection Leadership Group to comprehensively promote energy conservation and environmental protection efforts. The leadership group is led by the Chairman, with the Vice President serving as the Vice Leader. The group also includes relevant department heads who are responsible for coordinating and supervising energy conservation and environmental protection work. Additionally, a dedicated Energy Conservation and Environmental Protection Office has been set up under the leadership group to ensure the effective implementation and achievement of energy conservation and environmental protection objectives.







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Performance	Year-on-year comparison with 2022
1、Energy intensity	Decrease by <b>3.15%</b>
2. Water consumption intensity	Decrease by 20.27%
3. General waste emission intensity	Decrease by <b>9.91%</b>
4. Hazardous waste emission intensity	Decrease by <b>9.47%</b>
5. Energy-saving projects	<b>94</b> projects
6. Adoption of clean energy and increased photovoltaic power generation in major factories	In 2023, the cumulative photovoltaic power generation in Kaifa Dongguan and Kaifa Hefei reached <b>4.92</b> million kilowatt-hours.
7. Carbon emissions coverage for Scopes 1 and 2 across the entire Kaifa group	100%

#### **Environmental Investment**

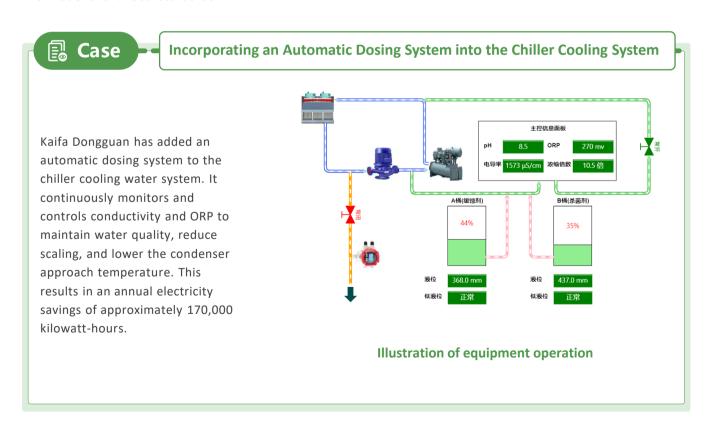
We continuously strengthen our investment in environmental funds and technology to achieve our environmental management goals. By purchasing advanced equipment, we improve energy efficiency and reduce waste emissions. Introducing advanced clean energy technologies helps promote sustainable energy use and reduce reliance on traditional sources. We enhance employees' environmental consciousness and skills through extensive training and awareness activities. Our strict environmental management and supervision systems ensure compliance with national and local standards.

Environmental investment in 2023

RMB 17.91 million

Environmental investment in 2022

RMB 17.54 million



#### **Environmental Emergency Management**

In compliance with relevant laws and regulations, including the Environmental Protection Law and Emergency Response Law of the People's Republic of China, as well as the National Contingency Plan for Environmental Emergencies, we have developed necessary emergency response plans. These plans include the Emergency Response Plan for Environmental Incidents, Environmental Emergency Response Processes, and Special Emergency Response Plan for Hazardous Chemical Leakage Accidents. Our emergency team conducts annual drills to identify environmental risks and hazardous sources within Kaifa. We analyze pollutant types, impact scope, and response measures for potential accidents, ensuring proactive prevention and effective emergency response capabilities.

In the event of an environmental incident or accident, we promptly activate the emergency plan, mobilize professionals for on-site handling and cleanup, and report to higher-level supervisory departments while accepting their supervision and inspections. These measures enable us to respond rapidly and effectively to emergencies, safeguard the health and safety of employees and surrounding residents, and support the sustainability of environmental protection.

#### **Environmental Assessment for New Projects**

For new projects to meet national and local environmental standards, we have implemented the following environmental assessment policies:

#### **Environmental Assessment Policy**

- Project Development Phase: Conduct a comprehensive assessment and analysis of the project's environmental impact.
- Project Design Phase: Develop environmental protection measures and plans based on the assessment results.
- Project Implementation Phase: Supervise the implementation of environmental measures, conduct real-time
  monitoring and evaluation, and adhere to the Three Simultaneous system. This ensures that environmental
  protection facilities are designed, constructed, and operational in sync with the main facilities, minimizing the
  project's ecological impact.
- Project Acceptance Phase: Summarize and evaluate the project's environmental efforts to ensure compliance with environmental standards and requirements.

#### **Environmental Compliance Measures**

We prioritize environmental compliance and implement the following measures to ensure it:

#### **Environmental Compliance Measures**

- Conduct regular environmental self-inspections, promptly addressing any identified issues to ensure compliance with national regulations and standards.
- Take immediate corrective actions and accept penalties from relevant authorities for any discovered environmental violations, actively cooperating with their work.
- Continuously strengthen internal management, improve environmental system construction and process specifications, ensuring sustainability and preventing the recurrence of similar problems.

During the reporting period, we fully complied with environmental regulations and standards, without any violations, incidents, or penalties. If any violations or incidents occur, we will take responsibility and accept appropriate penalties. We deeply respect the environment, strive for continuous improvement, and are dedicated to protecting the Earth.



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## **Environmental Training** and Awareness

Following Kaifa's internal process instructions on environmental training and management, we organize training sessions for employees on topics such as carbon reduction and responsible use of smart meters. This ensures that employees understand how to effectively lower carbon emissions and conserve energy. Additionally, we provide specialized training to plant personnel on wastewater treatment and the safe management of common chemicals, as outlined in the Wastewater Treatment Operation Instruction and Instruction for Managing Common Chemicals. These efforts help us comply with environmental regulations and minimize our environmental impact during daily operations.

To promote environmental consciousness and active participation among employees, we engage in various forms of energy-saving and environmental awareness campaigns. For instance, we annually observe the Earth Hour by reducing non-essential lighting and appliances to conserve energy, demonstrating our commitment to environmental protection.



Case

#### **Factory Energy-Saving and Carbon Reduction Exchange Meeting**

We recently organized the Factory Energy-Saving and Carbon Reduction Exchange Meeting in Kaifa Shenzhen and Kaifa Dongguan. The meeting aimed to drive cost reduction, improve efficiency, and practice ESG principles. It focused on power equipment management and the sharing of best practices in energy-saving and emission reduction among our subsidiary companies. This collaborative effort empowered all participants to advance sustainable practices together.



**Kaifa Factory Energy-Saving and Carbon Reduction Exchange Meeting** 



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### **Clean Technology**

With growing global concern for environmental protection and sustainability goals, Kaifa is actively involved in the development and industrialization of emerging green environmental products. As a leading provider of product manufacturing services in the high-end manufacturing sector, we are actively engaged in researching and manufacturing photovoltaics, new energy storage systems, new energy vehicles, and other products. Our primary objective is to drive the advancement of clean technology.

#### **Clean Technology Planning in the Manufacturing Process**

In line with our strategic objective of promoting green sustainability, we have established a comprehensive clean technology solution service platform to cater to various business scenarios. Our proficient service team excels in assessing and developing meticulous clean processes, delivering highly efficient and energy-saving clean technology solutions to customers, as well as providing quality evaluation services for cleaning processes. We are unwavering in our commitment to fostering the green and low-carbon development of product manufacturing.

#### **Actions**

- Application of dry ice cleaning technology
- Technological transformation to reduce the use of rosin
- Circulation of clean materials

#### **Planning**

- Substituting organic flux with water-based flux
- Low-residue clean technology

#### **Targets**

 Expanding the application of clean technology in various fields.

#### **Application of Clean Technology**

We have been dedicated to the adoption of new technology applications to minimize environmental and personnel hazards. These include:

- Dry ice cleaning technology replacing traditional organic solvents, such as dry ice cleaning tools and dry ice cleaning furnaces.
- Wave soldering adopting spot spraying to reduce rosin usage by 90%. Existing equipment has been fully retrofitted, and new equipment meets the entry requirements.



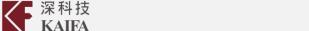
#### **Recycling of clean Materials**

We continuously improve our environmental performance by implementing measures such as material substitution and the reuse of packaging materials, taking into consideration our company's specific situation and needs. These measures include:

- · Substituting organic flux with water-based flux.
- Utilizing recycled materials, such as plastic pipe recycling, cardboard box transformation into plastic boxes, and cardboard sheet conversion into wooden pallets.







### **Environmental Product and Technology Applications**

We are dedicated to the application of environmentally friendly products and technologies, incorporating a range of advanced environmental technologies and equipment such as wastewater treatment systems and air purification devices. To achieve our environmental objectives, we have implemented the following measures:

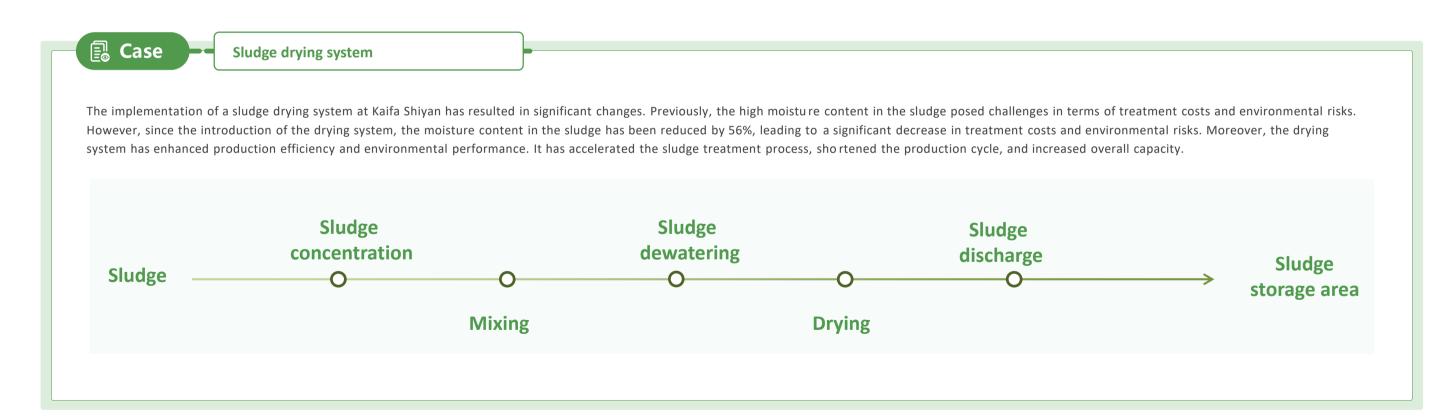
Adoption of highly eco-friendly products and production techniques to enhance the environmental performance and production efficiency of our products.

2 Action energy technology and the contract of the contract of

Active promotion and implementation of energy-saving and environmentally friendly technologies and equipment to reduce energy consumption and pollutant emissions.

3

Encouraging employees to propose innovative environmental improvement solutions to enhance the environmental performance and efficiency of our production processes. These research and development efforts not only contribute to environmental protection but also enhance our core competitiveness.



#### **Energy-saving Technologies for Manufacturing Equipment**

Kaifa is actively committed to promoting green manufacturing by focusing on reducing carbon emissions, conserving energy, and optimizing resource utilization. We achieve this by carefully selecting environmentally friendly equipment and materials and continuously improving our manufacturing processes to minimize our environmental impact. Our goal is to provide customers with production equipment and materials that meet ESG standards through our green manufacturing approach. By doing so, we strive to achieve a win-win objective of sustainability.

Water savings from equipment: 50%

Equipment Energy Conservation: 24%

Reduction in N<sub>2</sub> gas usage: 25%

#### **Energy-saving control of manufacturing equipment**

We have strict criteria for the selection of production equipment and materials. While pursuing excellent performance and quality, we ensure compliance with relevant environmental requirements.

#### Water

- Precise control of flow rates in rough and precision grinding machines.
- Automatic control of spray systems in workshop cleaning equipment.

#### **Electric**

- Installation of variable frequency drives for highpower equipment.
- Upgrading and optimizing motors.
- Development of software for automatic cooling in SMT reflow ovens.

#### Air

- By improving reflow oven technology, we have achieved automatic control and alarm prompts for nitrogen gas shutdown.
- Reflow oven intelligent control system with closed-loop nitrogen gas control.
- Two production lines share a dual-lane reflow oven to reduce the number of reflow ovens.
- Validation of nitrogen gas elimination for certain products.



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### **Energy Management**

Kaifa places great importance on energy management, considering it a core element of sustainable business development. We strictly adhere to relevant laws and regulations, including the Energy Conservation Law and Promotion of Clean Production Law of the People's Republic of China, to ensure compliance with required standards. We actively monitor updates to regulations to maintain ongoing compliance. Kaifa has established an 'Energy Management Manual' and is dedicated to developing and maintaining a comprehensive energy management system. Our objective is to minimize energy consumption, reduce negative environmental impact, and promote efficient energy utilization. Our energy management efforts encompass the following aspects.

Energy **Efficiency**  Taking all necessary measures to improve energy utilization efficiency and reduce energy waste and losses. By optimizing production processes, promoting energy-saving technologies and equipment, we aim to minimize our energy consumption and carbon emissions.

Actively promoting the use of renewable energy sources, including solar and hydro energy. Through investment and procurement of renewable energy facilities, we aim to reduce reliance on traditional energy sources and improve the sustainability of our energy supply.

Renewable Energy

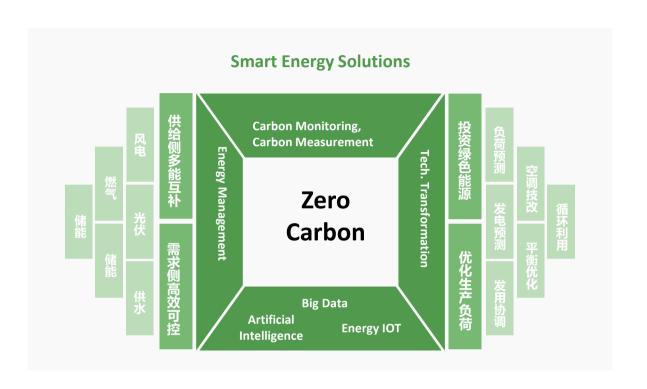
Energy Management System

Establishing an ISO 50001-based energy management system. Collecting and analyzing energy data to address abnormal consumption and waste. Setting energy targets, developing energy-saving measures, and monitoring implementation for continuous performance improvement.

Encouraging employee participation in energy-saving actions, raising awareness of energy consumption, and strengthening their understanding and implementation of energy-saving measures through training and education.

**Employee Engagement** 

Monitoring and Reporting Regularly monitoring and measuring energy consumption. Conducting energy performance assessments and developing key indicators to measure effectiveness. Kaifa discloses energy management results and improvement measures to stakeholders, ensuring transparency and communication.



#### **Energy Consumption**

Our energy consumption primarily includes electricity, gas, and fuel oil. To minimize our environmental impact, we optimize production processes and equipment to enhance energy efficiency. Regular energy data analysis helps identify consumption issues, enabling us to implement improvement measures. We monitor and retrofit energy systems, introducing energy-saving technologies and equipment. Employee participation in energy-saving proposals uncovers further potential.

In 2023, Kaifa's total energy consumption was 9.89 × 10^14 joules, with electricity consumption at 24,924.62 million kilowatt-hours, diesel consumption at 194.84 tons, gasoline consumption at 83.25 tons, and natural gas consumption at 204.83 million cubic meters.





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#### **Smart Energy Management System**

The Smart Energy Management System employed by Kaifa Chengdu combines supply-side multi-energy complementarity and demand-side efficiency and controllability to achieve optimal energy management. This system incorporates investment in green energy and production load optimization, leveraging advanced technologies such as the energy Internet of Things, big data, and artificial intelligence. By integrating the distribution, utilization, and management of our company's energy, the system aims to achieve the ultimate objective of zero carbon emissions.

Kaifa Chengdu's Smart Energy Management System offers a comprehensive suite of features, including energy analysis, maintenance information management, fault alarm records, and energy-saving recommendations.

Utilizing visualized, intelligent, and digital approaches, the system effectively reduces unnecessary energy consumption, identifies and addresses energy waste, improves operational efficiency, and enhances overall energy utilization.











### **Energy Consumption Intensity**

In order to reduce energy consumption intensity, Kaifa has implemented various effective measures, such as recovering and reusing waste heat generated by industrial equipment, adopting energy management software and intelligent technologies, among others. Additionally, we actively cooperate with government authorities and work together to promote energy conservation and emissions reduction. These initiatives have resulted in a continuous reduction in our energy consumption intensity.

The energy consumed by Kaifa includes electricity, gasoline, diesel, and natural gas. Electricity consumption accounts for over 90% of the total energy consumption. The data for electricity consumption total and intensity over the past three years are as follows.

Year	Total energy consumption (electricity) in metric tons of coal equivalent	Energy consumption intensity (electricity) in metric tons of coal equivalent per million RMB
2021	/	/
2022	28,476.41	6.28
2023	30,632.35	6.08

#### Note::

- The electricity data for the year 2021 is partially collected and therefore not disclosed in this report.
- Energy consumption intensity = Total energy consumption / VA

Туре	Key measures to reduce energy consumption intensity
	Optimizing production processes to reduce energy consumption during manufacturing.
	<ul> <li>Selecting energy-efficient production equipment and electrical devices, such as high-efficiency motors and low-energy consumption production line equipment.</li> </ul>
	<ul> <li>Establishing an energy management system to regularly monitor the our energy consumption, identify and address energy waste issues.</li> </ul>
Electricity	<ul> <li>Strengthening employee awareness and training on energy conservation to foster an energy- saving corporate culture.</li> </ul>
	• Implementing energy recovery and reuse technologies to enhance energy utilization efficiency.
	• Prioritizing the use of green and clean energy sources to replace some fossil fuel consumption.
	<ul> <li>Performing regular maintenance on equipment to extend its lifespan and reduce energy consumption.</li> </ul>
	<ul> <li>Utilizing energy management software and intelligent technologies for real-time monitoring, analysis, and optimization of energy usage.</li> </ul>
-	Gradually adopting new energy vehicles to replace traditional gasoline-powered vehicles.
Gasoline	Optimizing route planning helps reduce unnecessary distance and gasoline consumption.
	• Encouraging remote meetings whenever possible to reduce the need for business travel.
Diesel	Employing efficient power generators and properly scheduling their operation to avoid prolonged low-load operation.
	Gradually adopting new energy vehicles to replace diesel vehicles.
Natural Gas	<ul> <li>Regularly inspecting and maintaining natural gas pipelines to ensure their sealing and normal operation, preventing leaks.</li> </ul>
	Utilizing energy-efficient and stable combustion gas equipment.
	Utilizing waste heat from industrial equipment for heating purposes.



Responsible Governance

Sustainable Environmental Management

Innovation Concepts and Technologies



#### **Case**

#### Digitalization and Energy Efficiency Improvement of Chiller Station

In 2023, the Green Factory Conference took place in Zhuhai, focusing on technical and managerial professionals in the high-end manufacturing industry. The conference aimed to explore how to achieve cost reduction, efficiency improvement, and enhance the global competitiveness of China's high-end manufacturing sector through environmentally-friendly, low-carbon, intelligent approaches.

During the conference, Kaifa Dongguan showcased its project titled Digitalization and Enhanced Energy Efficiency of Chiller Station based on Lean Six Sigma Methodology. The project resulted in a 40% increase in refrigeration efficiency after the transformation, leading to annual electricity savings of 4.39 million kWh and a reduction of 3,530 tons of carbon dioxide emissions. The project demonstrated exceptional performance and stability. These improvements not only enhanced refrigeration efficiency but also saved Kaifa approximately RMB 2 million in annual electricity costs, generating significant economic benefits. This successful case exemplifies the vital role of digitalization technology in improving operational efficiency and reducing costs, contributing to the sustainability of Kaifa and aligning with the current societal demand for green, intelligent, and efficient solutions.

Additionally, the project actively prepared to participate in the "Blue Sky Cup" High-Efficiency HVAC System Selection organized by the HVAC magazine in 2024, aiming to showcase its outstanding HVAC system performance.



On-Site Forum: Digitalization and Energy Efficiency Improvement of Chiller Station

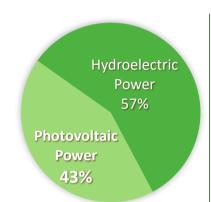
### **Utilization of Clean Energy**

The application of clean energy is one of Kaifa's sustainability goals, aiming to reduce reliance on traditional energy sources through energy structure transformation.

Currently, the construction of solar power stations has been completed in Kaifa Suzhou, Kaifa Dongguan, Kaifa Chengdu, and Kaifa Hefei. Solar power projects in Kaifa Shenzhen and Kaifa Chongqing are scheduled for completion in 2024. In the meantime, Kaifa Chengdu utilizes hydroelectric power, enabling a more environmentally friendly and sustainable approach to production.

According to the 2023 data, the consumption of clean energy amounted to 1667.80 metric tons of standard coal, accounting for 4.71% of the total energy consumption. Compared to 2022, clean energy consumption has grown by 17.18%, demonstrating our gradual commitment to increasing the use of clean energy. It is projected that solar power generation will reach an estimated 6.19 million kilowatt-hours next year.

Additionally, during the process of updating production equipment, priority is given to selecting facilities and equipment that utilize clean energy. This selection is based on meeting production quality, safety, and environmental standards while emphasizing the use of clean energy sources.



Photovoltaic power generation in 2023:

5.8187M kilowatt-hours

Photovoltaic power generation in 2022

1.4792M kilowatt-hours

Increase in usage compared to last year

293.96 %

Case

#### **Photovoltaic Power Stations**

Newly added photovoltaic Power Stations in 2023

#### Kaifa Hefei:

Installed capacity: 1.87MWp

• Power generation in 2023: 1.97M kWh

Projected annual power generation: 2.05M kWh

#### Kaifa Dongguan:

• Installed capacity: 2.430MWp

• Power generation in 2023: 2.32M kWh

• Projected annual power generation: 2.47M kWh



Photovoltaic power generation at Kaifa Hefei



Photovoltaic power generation at Kaifa Dongguan



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#### **Green Office Measures and Performance**

Kaifa has always adhered to green office practices and advocates for energy conservation and emission reduction. In daily work, we have established an online office platform and promoted paperless office practices. We encourage employees to print doublesided and reuse paper, thereby saving office paper consumption. We also emphasize efficient electricity usage by implementing intelligent lighting systems in office areas and controlling air conditioning usage and temperature. Additionally, we have implemented a green procurement policy, giving priority to environmentally friendly office equipment such as LED energy-saving lights, low-power computers, and automatic sensor faucets. Furthermore, Kaifa carries out green office awareness campaigns to enhance employee participation and promote the progress of green office practices.

Office Electricity
Consumption in
2023

**5.4889**м кwн

Office Water Consumption in 2023

**51725.1** metric tons

Note: The estimated office water consumption for Kaifa Plaza is calculated as (number of people \* 3 metric tons).

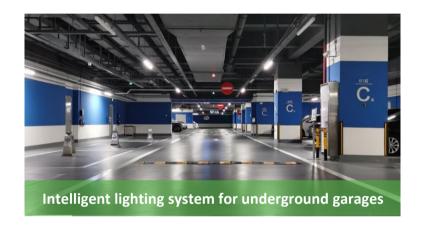


Case

Kaifa Plaza —Green Office Measures

#### **Intelligent Lighting System**

Kaifa Plaza has replaced traditional lighting fixtures with LED energy-saving lights. The lighting circuits in public areas and underground parking lots are connected to an intelligent lighting control system. Intelligent panels are installed in appropriate locations in the public areas to achieve energy-saving effects through zone and circuit division controlled by the backend system. The lighting control in public areas can effectively reduce electricity costs and improve convenience.



#### **Destination Selection Control System for Elevators**

Kaifa Plaza's elevators are equipped with a destination selection control system. In addition to collecting data from traditional elevator control systems, the destination selection control system also records the desired destination floors and the number of waiting passengers. This additional information can be used to optimize the number of passengers carried by the elevators, reducing the elevator's operating time during peak periods and minimizing unnecessary power consumption.



Utilize Face recognition technology



Your desired floor



Guide you to the corresponding elevator





### **Water Resources Management**

Kaifa's factories strictly adhere to the Water Law, Water Pollution Prevention and Control Law, and Soil and Water Conservation Law of the People's Republic of China. In order to standardize the daily management of water resources and ensure compliance and sustainability, Kaifa has developed comprehensive guidelines including the Water Supply and Drainage Management Process Instruction and Wastewater Treatment Operation Instruction To promote efficient utilization and compliance with water resources, regular third-party water balance testing and secondary water supply testing are conducted in selected factory areas. These tests provide valuable insights into water consumption, identify areas for water-saving improvements, promptly detect and address potential issues, and help reduce water waste. Furthermore, Kaifa prioritizes energy management requirements during the operation and upgrading of water supply and drainage equipment. Wastewater and sewage are treated for recycling, enabling the efficient utilization of water resources and contributing to sustainable environmental development.



#### Water Supply Source

Mainly sourced from municipal tap water



#### Uses of **Tap Water**

Production water and water for staff office and daily life



#### Wastewater Source

Mainly from industrial wastewater and sewage in staff office and living areas



#### Wastewater **Treatment Facilities**

Wastewater treatment plants, recycled water systems, rainwater reuse systems, and



#### Discharge **Destination**

After treatment in the wastewater treatment plant, some wastewater enters the purified water preparation system, while the rest is discharged into the municipal sewage network

Kaifa factories are located in regions where water resources are not scarce, and 66.67% of the factories use water recycling systems.

Throughout the reporting period, there were no instances of illegal or noncompliant water intake or discharge, and all wastewater was diligently discharged in complete adherence to the established standards.

Third-party independently verified water balance test reports and wastewater monitoring reports for select factory areas:





	Unit	2021	2022	2023
Freshwater Consumption	Tons	2243020	2681169	2374321
Water Consumption Intensity	Tons/M RMB VA	463	591	471
Water Savings	Tons	(233665.40)	(287948.40)	306847.67
Recycled Water Volume	Tons	12183489	17828396	8665624.93
Water Reuse Rate	/	84.45%	86.93%	78.49%

Freshwater usage has decreased compared to 2022

11.44 %

Water intensity has decreased compared to 2022

20.27%

Investment in water-saving projects:

RMB **5.6591**M

Note: In 2022, the fresh water consumption of Kaifa increased due to the establishment of new factories in Chongging and Hefei.

#### **Wastewater Reduction and Discharge**

We fully comply with national and local environmental protection regulations, including the Integrated Wastewater Discharge Standard (GB8978-1996) and the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002). Each of our factories has obtained the necessary discharge permits and established wastewater treatment plants in accordance with regulatory requirements. Our implementation of advanced sewage and wastewater reuse systems guarantees that treated domestic wastewater meets national discharge standards before it is released into the municipal sewage network. To ensure compliance and safety, we regularly engage qualified third-party organizations to conduct inspections, providing comprehensive inspection reports.



We reduce wastewater discharge by optimizing production processes and equipment configurations.



We implement wastewater treatment and recycling projects to improve wastewater treatment efficiency and recovery rates.



We employ an online platform for real-time monitoring and management of wastewater discharge to ensure compliance with relevant regulations and standards.

#### **Wastewater Discharge Volume**

In 2023, the total amount of wastewater discharged by us was 475,102 metric tons.





Case

**Wastewater Recycling System** 

Kaifa Shiyan employs a purified water and wastewater recycling system, which categorizes treated reclaimed water based on its characteristics for different uses.

### **Recycling Rate**

Increased from 25% to 69% Expected water cost reduction of approximately RMB 800K.



**Wastewater Treatment Plant** 



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Closing



### **Exhaust Gas Management**

Kaifa's factories adhere to the laws and regulations, including the Air Pollution Prevention and Control Law of the People's Republic of China, Regulations on the Management of Substances that Deplete the Ozone Layer, and the Emission Standards for Volatile Organic Compounds (VOCs). We have developed the Exhaust Gas Treatment Operation Instruction and installed online monitoring equipment for exhaust gas. We regularly engage qualified third-party organizations to provide exhaust gas testing reports. In our production and operational activities, the main pollutants emitted in exhaust gas are nitrogen oxides (NOx), volatile organic compounds (VOCs), and particulate matter (PM). We do not emit sulfur oxides (SOx). To mitigate the environmental impact, we have implemented the following measures to reduce exhaust gas emission s:



Introduction of advanced production processes and equipment to minimize exhaust gas emissions.

2

Implementation of exhaust gas treatment and recycling projects, such as activated carbon adsorption towers, acid mist spray towers, and alkaline spray towers, to improve treatment efficiency and recovery rates.

3

Real-time online monitoring and management of exhaust gas emissions to ensure compliance with relevant regulations.



Use of clean energy and lowemission fuels to reduce the generation and emission of exhaust gases.

### **Amount of exhaust gas emissions**

In 2023, our emissions were:

Nitrogen oxides (NO<sub>x</sub>)

Volatile organic compounds (VOC)

Particulate matter (PM)

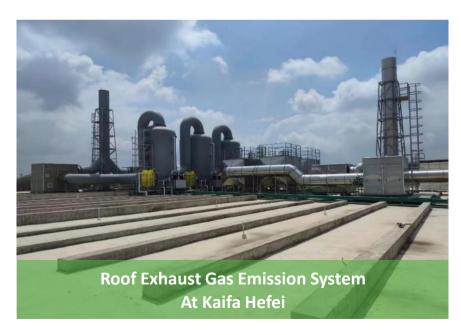
**109.08** κg

**15145.55** κg

**374.79** κg

Emission of air pollutants (in Kg) from 2021 to 2023					
Pollutants	2021	2022	2023		
NO <sub>x</sub>	/	116	109.08		
VOC	17084.7	15340.42	15145.55		
PM	630.72	447.38	374.79		

Note: Nitrogen oxides emissions data for the year 2021 was not collected.







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### **Waste Management**

Kaifa places high importance on waste management and has developed the Waste Management Process Instruction based on laws and regulations such as the Solid Waste Pollution Prevention and Control Law of the People's Republic of China and the Guidelines for the Development of Hazardous Waste Generator Management Plans. These guidelines outline the proper handling methods and emission control standards for various types of waste to ensure compliant waste disposal. It is required that all factories strictly adhere to national and local regulations for waste management.

In order to minimize the environmental impact of waste emissions, we have implemented the following waste emission management measures:

- 1 Identify the types of waste and establish a waste inventory
- Entrust compliant third-party providers to handle waste or implement a bidding process for general waste recycling and reuse. Ensure the safe disposal of hazardous waste in accordance with applicable regulations and standards. By doing so, we can enhance resource utilization and reduce the consumption of natural resources.
- Construct solid waste and hazardous waste storage facilities for proper waste classification, collection, transportation, and disposal. Maintain accurate records and registers
- Conduct external audits to periodically inspect the implementation of the waste management system

Types of Waste		Emission quantity (metric tons)		Emission intensity (metric tons per million RMB)		Performance of			
		2021	2022	2023	2021	2022	2023	waste recycling and utilization	
	General wast	e							
Waste paper	Packaging waste	Waste plastic products	/	2310.52	2311.94	/	0.51	0.46	
Scrap metal	Waste wires	Cardboard boxes							54.63%
	Hazardous wast	te							
Sludge  Waste PCB boards	Waste batteries  Waste filter cartridges	Waste organic reagents  Waste activated carbon	/	1909.41	1919.89	/	0.42	0.38	

As of the end of the reporting period, we achieved a waste recycling and utilization rate of 54.63%. The emission intensity of general waste decreased by 9.91% compared to the previous year (2022), and the emission intensity of hazardous waste decreased by 9.47% compared to the previous year (2022).

Note: The Emission quantity for the year 2021 is partially collected and therefore not disclosed in this report.

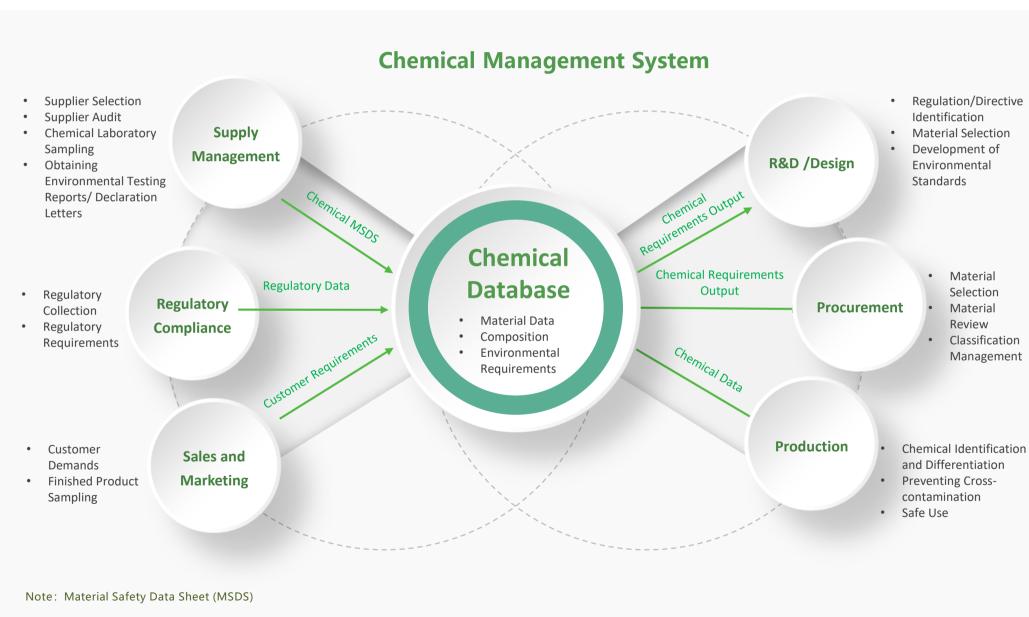


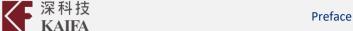
### **Chemical Management**

Kaifa integrates environmental protection and safety-related specifications for chemicals into every stage of the product life cycle, including research and development, procurement, production, and shipment, in accordance with regulatory requirements and customer standards. This ensures the compliance of chemicals used throughout the product supply chain.

To minimize environmental pollution and prioritize the health and safety of personnel, Kaifa strictly controls chemicals according to the regulations, directives, and requirements of China, the European Union, and other relevant jurisdictions. We have implemented the General Chemical Management Process Instruction and the Chemical Safety Operating Instruction to regulate the handling of chemicals. Regular sampling inspections are conducted to ensure that all chemicals meet legal requirements. Additionally, we provide annual training on chemical safety, protection, first aid, and emergency response, focusing on areas such as chemical storage, usage, disposal, and emergency procedures, to enhance employees' awareness of chemical safety.

Kaifa has developed a comprehensive and efficient system for chemical management, encompassing product research, design, material supply, procurement, production, and sales. By implementing this process-oriented system, we ensure compliance and prioritize safety in the use of chemicals...

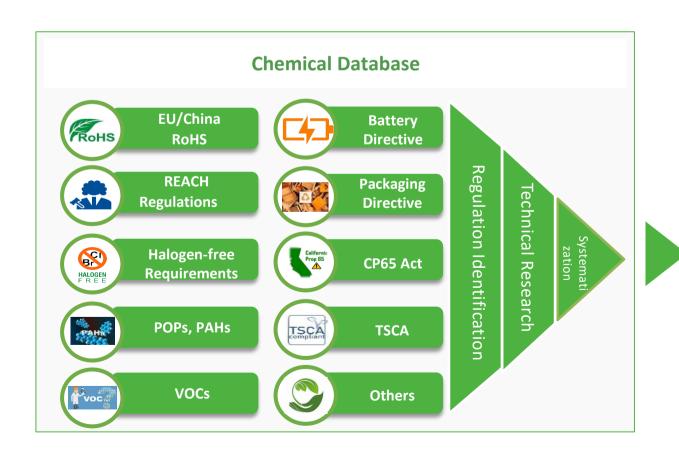


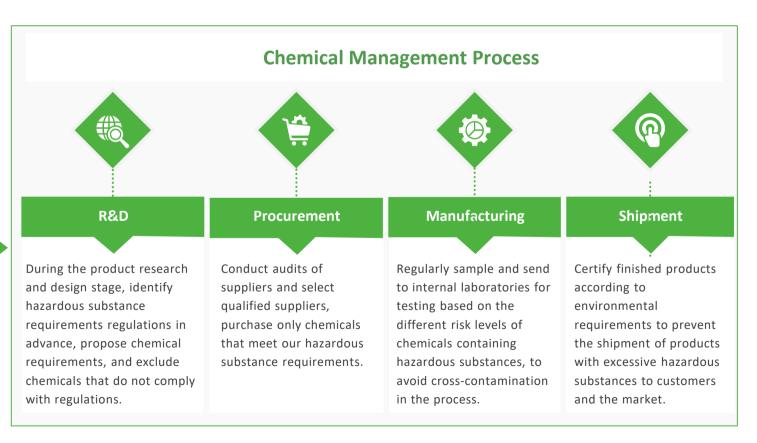


#### **Chemical Management Standards and Processes**

Kaifa optimizes its supplier requirements by requesting technical data sheets (TDS)/material safety data sheets (MSDS) and other relevant documentation for chemicals based on specific product requirements. We conduct regular audits of supplier processes and establish partnerships through the Certificate of Non-Use of Hazardous Substances to ensure compliance with mandatory environmental regulations and directives. In addition to meeting mandatory requirements, Kaifa proactively responds to non-mandatory directives, such as halogen-free requirements, aligning with environmental initiatives and demonstrating our commitment to social responsibility. We have successfully achieved halogen-free status for the majority of our chemicals.

To stay updated with environmental regulations and standards, Kaifa diligently collects and researches requirements from various countries and regions, considering the sales and usage locations of our products. These regulations include the Administrative Measures on the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products (Chin a RoHS), EU RoHS Directive 2011/65/EU and its amendments (EU) 2015/863, REACH regulations, and more. We continuously enhance our chemical database and develop internal documents such as Environmental Control and Analysis Testing Technology for Electronic Products and Limits Requirement of Hazardous Materials in Electrical and Electronic Products, ensuring compliance with chemical environmental requirements.







Responsible Governance **Sustainable Environmental** Management

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#### **Chemical Management Measures**

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Kaifa categorizes chemical substances into prohibited, restricted, and disclosed types based on our business model and product characteristics, aligning with IEC 62474 guidelines. We implement specific control measures for different toxic and hazardous substances. Our internal laboratories enable us to test incoming materials for prohibited substances such as RoHS and HF. For restricted substances like REACH SVHC, we request regular test reports or declaration letters from suppliers for thorough review and confirmation. We conduct planned environmental certifications for finished products to guarantee compliance with diverse environmental regulations and directives, emphasizing our commitment to sustainability.

#### **Testing Capability for Toxic and Hazardous Substances in Chemicals**

Kaifa's Material Science Laboratory is equipped with advanced analysis capabilities for detecting toxic and hazardous substances in chemicals, including RoHS, HF, BPA, PAHs, and hazardous heavy metals. We implement differentiated management based on the risk levels of these substances, conducting sampling and testing at high, medium, and low frequencies. Our RoHS 2.0 testing for the ten hazardous substances is accredited by CNAS, and the results are recognized by global accreditation bodies. Through these measures, we ensure that our products comply with environmental regulations and directives, demonstrating our commitment to product safety and environmental responsibility.

#### The Substances Undergoing Toxicity and Harm Testing Primarily Include:





The number of batches for sampling chemical hazardous substances:

231

I 10; The quantity of chemical hazardous substance sampling:

4845



The qualification rate of chemical hazardous substance sampling:

99.8%



Kaifa's Technical Research and Central Laboratory (Analysis & Testing Center) was established in 1992, consisting of the Material Science Laboratory, Reliability Laboratory, Advanced SMT Laboratory, Advanced Mechanical Laboratory, ESD Laboratory, Calibration Laboratory, and a Research and Development team.

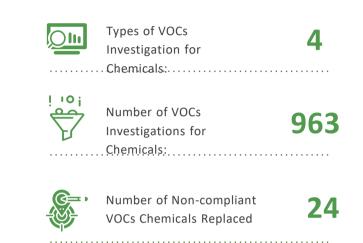
The Reliability Laboratory and Material Science Laboratory obtained the certification of China National Accreditation Service for Conformity Assessment (CNAS) in 2003 and 2007, respectively.

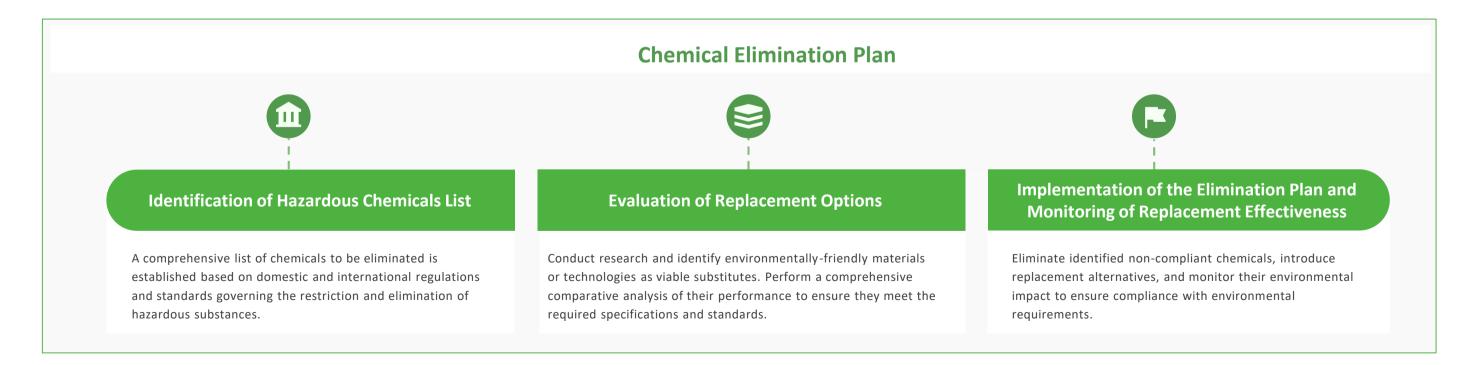


#### **Chemical Elimination Mechanism**

Kaifa is committed to the reduction and elimination of hazardous substances in its products. To ensure effective control, we have established the Limits Requirement of Hazardous Materials in Electrical and Electronic Products document. This comprehensive document regulates the control of over 300 prohibited or restricted substances from 17 domestic and international regulations and directives, including the EU's RoHS and REACH. During routine inspections, if prohibited substances are detected in chemicals, we promptly activate the elimination mechanism and diligently search for suitable alternatives that meet the requirements. Similarly, in cases where chemicals contain restricted substances, we actively pursue environmentally-friendly substitutes. Through these actions, we demonstrate our unwavering commitment to corporate social responsibility.

Kaifa investigated four categories of chemicals, namely coatings, adhesives, inks, and cleaning agents, which are subject to volatile organic compound (VOC) restrictions. We thoroughly examined 963 types of these chemicals and successfully replaced 24 of them with new alternatives that meet VOC requirements. Furthermore, we proactively planned to reduce and eliminate the use of high-VOC three-proof coatings, which are exempt from VOC regulations, and gradually transition to low-VOC or 100% solid content alternatives. To address cleaning agents that do not comply with VOC requirements, we implemented an elimination mechanism and switched to low-VOC options such as water-based or semi-water-based cleaning agents. Additionally, we have outlined plans to initiate research on zero-emission and non-hazardous waste cleaning technologies, allowing for the gradual implementation of our hazardous chemical elimination plan.







# **Innovation Concepts and Technologies**

Innovation is not only a reflection of human beings' unique thinking and practical abilities but also a manifestation of their proactive nature. It serves as an important means for driving social progress and development. Innovation plays a significant role in various fields such as economics, technology, sociology, and architecture.

At Kaifa, we uphold the principles of innovation and strive for continuous improvement and innovation in areas such as product development, manufacturing processes, and management. Our aim is to achieve sustainable operation and growth

	Number of Patent Applications:	56
	Number of Innovation Bases/Workshops:	2
( Ö	Lean Professional Talent Ratio:	>30%
<b>~</b>	Lean Maturity Improvement:	24.8%





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## Industrial Value

Addressing global environmental changes and achieving high-quality development, along with promoting green manufacturing upgrades, are essential for sustainable human progress. Technological innovation serves as the key driver for high-quality development in manufacturing enterprises. At Kaifa, we enhance our investment in innovation, provide incentives, and establish protection mechanisms to ensure a culture of continuous innovation and effective innovation planning. We actively promote green and intelligent development in manufacturing, improve innovation mechanisms within our business operations, implement innovative measures, and align our company's development requirements with ESG management strategies. Additionally, we actively participate in and promote a new model of social manufacturing division of labor and cooperation.

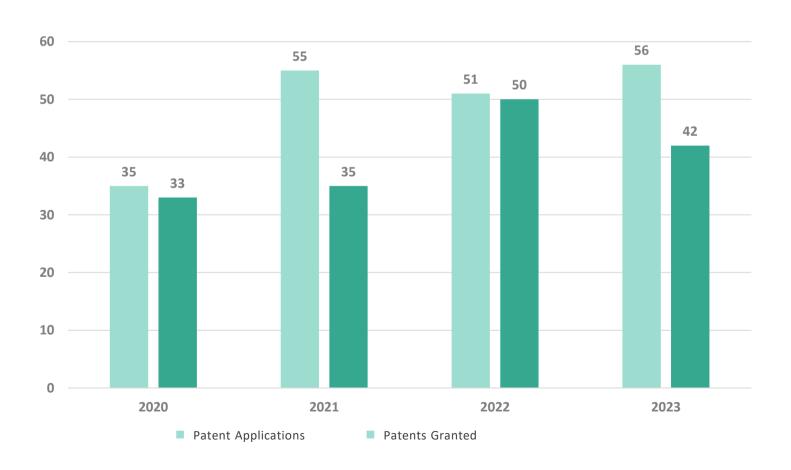
### **Technological Innovation Mechanisms**

Kaifa's technological innovation is driven by strategic planning. It establishes a technology committee to coordinate and plan innovation initiatives, strengthen technological platforms, standardize R&D project implementation, and enhance collaboration among different levels of innovation platforms. Additionally, Kaifa systematically improves innovation mechanisms, including project management, specialized platforms, incentives, and talent cultivation. These efforts contribute to promoting sustainability, manufacturing core components in storage, ensuring supply chain security, and fostering collaborations with universities and research institutes. Kaifa also establishes innovation centers to facilitate technology cooperation and talent development, aligns manufacturing standards with business development, and connects domestic and international quality systems.

#### **Innovation Achievements**

Intellectual property is a significant intangible asset, and Kaifa focuses on and regulates patent layouts in areas such as intelligent manufacturing, high-end process equipment, and industrial product design. Over the years, Kaifa has filed 659 patent applications and been granted 504 patents. In the past four years, it has applied for 54 invention patents and received 28 grants.

#### Number of patent applications and grants over the years (2020-2023)





#### **Actions for Technological Innovation**

Kaifa promotes research and innovation through external collaboration and joint platforms with domestic research institutions and universities. These collaborations focus on intelligent manufacturing, high-end process equipment, and industrial product design, aligning with Kaifa's strategies in storage semiconductor, high-end manufacturing, and intelligent measurement terminals. Notably, Kaifa has partnered with renowned academic institutions and research organizations for multiple projects. In 2021, Kaifa established an Advanced Manufacturing Technology Innovation Center with a university. This integrated platform drives technology research, talent development, result commercialization, and service provision. They explore innovative models and nurture professionals in advanced electronic manufacturing. Additionally, Kaifa serves as a postdoctoral innovation practice base and has multiple innovation studios supporting its R&D activities. Kaifa prioritizes the development of a robust technological innovation system, incentivizing R&D personnel to enhance competitiveness and marketability. Intellectual property awards are part of its comprehensive R&D reward system. Furthermore, Kaifa actively participates in forums organized by the China Electronics Industry Association and has received numerous national and industry awards for innovation and quality.

Postdoctoral Innovation
Practice Base

 To facilitate effective collaboration between advanced technical talents and Kaifa's business development, as well as provide a platform for the flexible mobility of talent, Kaifa has been successfully designated as a Postdoctoral Innovation Practice Base by the Shenzhen government. This designation aims to foster collaborative innovation, technology transfer, and partnerships between higher education institutions, research institutes, and Kaifa.

R&D Manufacturing
Innovation Studio

 Kaifa's R&D Manufacturing Innovation Studio is dedicated to driving technological advancements in the field of intelligent manufacturing. With a strategic focus on digitally transforming smart factories and advancing the EMS+ODM sector, the studio plays a crucial role in enhancing Kaifa's core competitiveness, reducing process waste, and optimizing costs. Additionally, it provides essential support in expanding the global market presence of customer products

#### **Green Product**

Kaifa adheres to the green concept and integrates environmental thinking into every aspect of product design. It continuously invests in research and development to pursue more advanced and environmentally friendly technologies and products, thereby improving its own green and low-carbon levels. Kaifa actively contributes to environmental protection and promotes sustainability.

#### **Green Material**

- Sustainable responsible procurement practices
- Compliance with hazardous substance restriction requirements
- Improving product lifespan and durability
- Continuously enhancing design and innovation capabilities

**Green Design** 

## Green Manufacturing

- Streamlining production processes
- Exploring and implementing process upgrades
- Reducing packaging waste
- Innovative packaging design

Green Packaging

## Green Application

- Remote maintenance and management
- Efficient energy-saving operation modes
- Strengthening packaging material recycling and disposal
- Waste classification and recycling

Green Recycling

### **Case**

#### **Intelligent Factory Green Energy Management and Control System**

Guided by green principles, Kaifa has independently developed the Intelligent Factory Green Energy Management and Control System. By digitally upgrading energy management, it establishes monitoring and analysis, optimization control, and collaborative control. This system achieves precise energy savings and intelligent energy management through a combination of technological advancements and effective management practices.

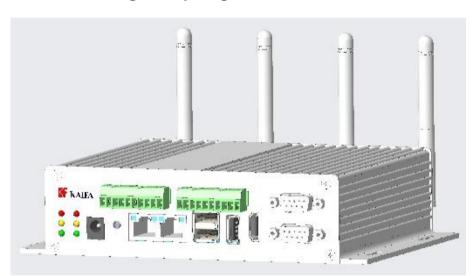
#### **Energy Consumption Monitoring Dashboard**



### Visualization of Energy Consumption Monitoring

- Achieve real-time autonomous energy saving of 5% to 20% for equipment.
- Achieve energy-saving upgrades and transformations for old equipment, with energy savings of over 30%.
- Remote management, reducing operation and maintenance costs by over 15%.

#### **Edge Computing Micro Servers**



### Multi-dimensional analysis of energy consumption data

- Product aluminum alloy design with a recycling rate of over 95%.
- Product stable and reliable operation for over 10 years.

#### **Energy Consumption Monitoring Terminals**



### Multi-sensor technology collects real-time energy consumption data

- Product aluminum alloy design with a recycling rate of over 95%.
- Product stable and reliable operation for over 10 years.
- Strong product universality, reducing the demand for new products.



#### Collaborative Development of the Industrial Chain and Supply Chain Security

Kaifa is actively involved in high-end manufacturing across diverse industries, such as electronic products, hard disk storage, medical devices, and new energy batteries. To enhance its overall competitiveness, Kaifa strengthens strategic partnerships with suppliers through expanded collaboration and active participation in joint research and innovation initiatives. These efforts foster technological advancements and contribute to the overall competitiveness of the industrial chain.

### **Expanding the Green Supply Chain**

- Actively promote environmental protection concepts and technologies, encouraging more suppliers to join the green supply chain system.
- Through cooperation and communication, drive the sustainability of the entire industrial chain.

### Strengthening Industrial Chain Risk Management

- Further improve the supply chain risk management system to enhance early warning and response capabilities.
- Enhance information sharing and collaborative response mechanisms with suppliers to reduce our potential risks.

## Promoting Innovative Development of the Industrial Chain

- Encourage engagement in joint research and innovation activities with suppliers, promoting technological progress and innovation throughout the entire industrial chain.
- Enhance the competitiveness and market position of the entire industrial chain through innovation-driven approaches.

#### **Participation in Industry Standard Setting**

Kaifa is a leading player in ESD control in the electronic product manufacturing process and has gained significant recognition in the domestic ESD industry. It actively collaborates with industry peers, including the China Electronics Standardization Institute and the China Electronic Instrumentation Industry Association, to contribute to the formulation of ESD standards at the national and industry levels. This includes the pending conversion of three IEC61340-5 series ESD international standards into national standards, the recent release of an updated industry standard, and the ongoing development of a new national standard. As a core component manufacturer for hard disk drives, Kaifa also contributes to the formulation of domestic hard disk standards.

#### **Technological and Industrial Layout**

As energy demand rises and environmental concerns grow, the energy-saving industry is gaining greater significance. Kaifa proactively addresses the global demand for green, low-carbon, and circular development by consistently innovating market-leading energy-saving products and technologies. With the continuous advancement of energy-saving technology and its expanding applications, Kaifa will enhance collaboration with customers in the energy-saving industry, intensify research and development efforts, and actively contribute to energy conservation, emission reduction, and sustainable development objectives.



### **Quality Management**

Kaifa strives for excellence in both production and operational activities, placing a strong emphasis on delivering superior quality that meets customer demands. Understanding and fulfilling these demands are key to achieving high-quality outcomes. To align with Kaifa's strategic goals, the implementation of lean production and Lean Six Sigma methodologies is prioritized to digitize quality management. This involves integrating relevant management systems, optimizing work systems and platforms, ensuring the timely delivery of high-quality products. Kaifa firmly upholds the management principle that Quality is not merely inspected, but rather manufactured throughout the entire production process.

Kaifa boasts a robust quality control system that addresses critical aspects of the entire customer satisfaction process, from initial requirements to final delivery. Continuously adopting advanced management methods and tools, Kaifa actively seeks industry certifications, having already obtained comprehensive certifications such as ISO 9001, ISO 13485, IATF 16949, and QC 080000.

#### **End-to-End Quality Control Product Design Incoming Material Quality Process Quality Outgoing Quality Customer-End Quality** Requirements Requirements analysis review OQA inspection Production part approval Supplier qualification · First and last piece inspection Customer Satisfaction Solution design review Customer-end quality OBA inspection Material qualification Process SPC control Design optimization review Outgoing inspection monitoring Incoming material inspection and control Exception/blacklist control Design validation review Return handling Outgoing inspection control SPCR Control Corrective and preventive actions Complaint handling Product quality monitoring Shipment guarantee Quarterly supplier performance Satisfaction surveys evaluation **Quality Issue Tracking Product Lifecycle Manufacturing Execution System (MES)** Management System (PLM) System (QITS)

Note: 1, SPCR: Supplier Process Change Request

3、OBA: Out of Box Audit

2, OQA: Outgoing Quality Assurance

4、SPC: Statistical Process Control



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Kaifa has been progressively implementing Lean Six Sigma, Industrial Engineering, and Lean methodologies since 2002, driving continuous improvement efforts. Based on objective facts and data-driven approaches, Kaifa utilizes the scientific methodology of Lean Six Sigma to improve systems and processes from top to bottom. Simultaneously, it promotes bottom-up initiatives for autonomous improvement, making employees the main driving force for proposing improvements and focusing on their work areas. These improvements are characterized by being cost-effective, fast, and involving everyone's participation.

The projects resulting from continuous improvement rely on a project management system for process management, forming a comprehensive and multidimensional continuous improvement system and culture centered around Lean Six Sigma within Kaifa.

Percentage of
Lean Six Sigma
specialized personnel:
(Technical management
personnel)

Champion: 6.5%

Black Belt: 1.0%

Lean Specialist: 1.5%

Green Belt: 28%

#### **Lean Management Process:**

#### **Strategic Orientation**

Aligning Lean Six Sigma management with Kaifa's strategy to achieve consensus from top to bottom and transition towards Digital Intelligent Manufacturing for high-quality development.



#### Assessment-driven

Utilizing the Lean Manufacturing Maturity Standard to identify weaknesses, summarize strengths, establish indicators, clarify responsibilities, drive improvement projects, and involve all employees in systematic improvement activities.

#### **Technical Support**

Top-level leadership provides design and planning, while business departments allocate resources for new technology implementation, supporting breakthrough productivity improvements and performance enhancement.







#### **Standard Guidance**

Developing Kaifa's Lean Maturity Assessment Standard, which includes ten modules with 76 qualitative clauses and 36 quantitative KPI indicators, and establishing a five-level maturity scale for continuous improvement.

#### **Empowering the Entire Workforce**

Establishing a comprehensive training and empowerment system that cultivates Lean Manufacturing talent at all levels (high, middle, and basic) through a blend of training and practical application, meeting the business's talent requirements.

#### **Project Realization**

Establishing a Lean Six Sigma project management platform to evaluate the value realization of Lean improvement through Lean Six Sigma project achievements in methodologies, technologies, talent, and capabilities.

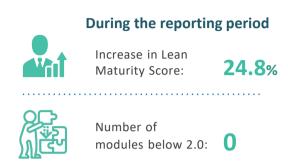


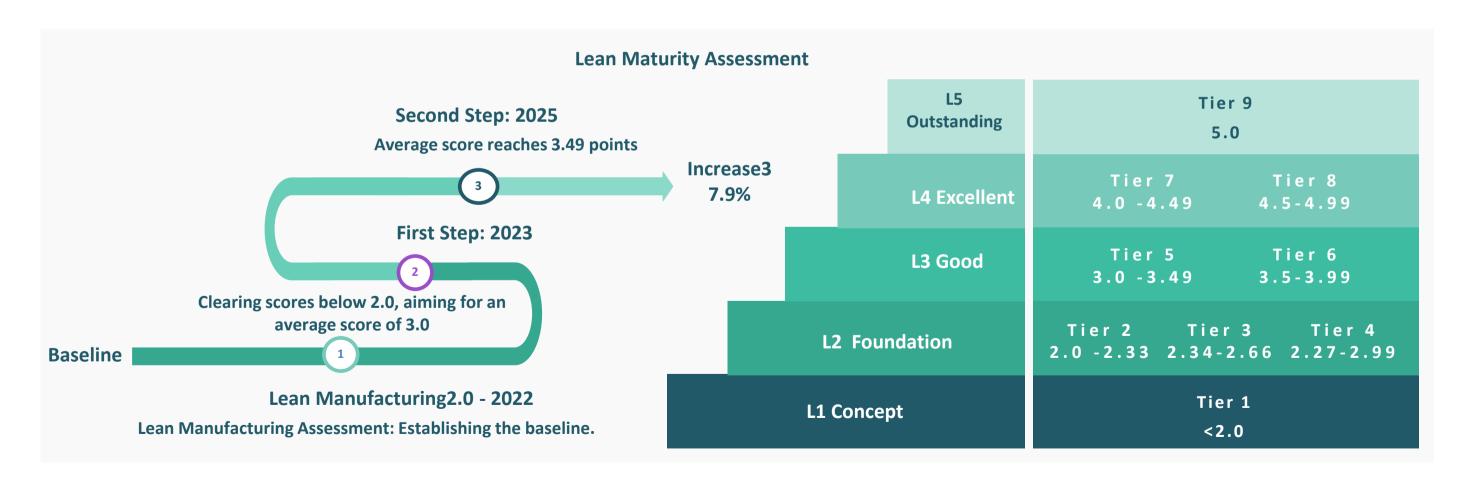
### **Lean Manufacturing 2.0**

Guided by its development strategy, Kaifa initiated the Lean Manufacturing Capability Enhancement 2.0 project in 2022. It proposed a two-step action plan based on Lean Manufacturing assessment scores, aiming to address weaknesses and formulate improvement plans. The goal is to increase the average assessment score by 37.9% by 2025, reaching a good level at Level 3.

In 2023, several measures were implemented to enhance Lean Manufacturing, including personnel empowerment, implementation of improvement projects, and conducting monthly Lean activities. From September to November, re-assessments were conducted in 14 business units, resulting in a 24.8% improvement in Lean maturity assessment scores, successfully achieving the goals of the first phase.

Lean Maturity Assessment







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Lean Month Activities

To foster active engagement and drive continuous improvement among all employees, Kaifa organizes Lean Culture Month activities. These activities provide a platform for senior executives to share valuable Lean knowledge and provide guidance at the production site. The theme for this year is centered around 6S, emphasizing the optimization of workplace organization and efficiency. Additionally, outstanding Lean Six Sigma projects are recognized annually. To encourage widespread participation from frontline employees, knowledge competitions and a Lean short video contest are conducted both offline and online.

17 +participants

**Executive Lectures on Lean Management** 

Visits to **Production Sites** 

480 + participants

**6S Site Evaluation** 

Outstanding Project Evaluation

2000 + participants

**Knowledge Competitions** 

**Short Video Contest** 





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### Sound of the same of the same

### **Customer Service**

At Kaifa, we prioritize customer needs and embrace a customer-centric approach as our management philosophy. We have implemented a customer service system that identifies implicit customer requirements and promotes resource sharing. Our commitment lies in consistently delivering value-added services to our global customers, creating value for them, and establishing strategic partnerships. These efforts play a crucial role in supporting Kaifa's pursuit of high-quality development.

## Serving Customers



We analyze customer needs and business patterns to ensure that requirements are met.
By staying up-to-date with market trends, we make strategic investments based on
customer needs. Our primary focus is on intelligence and digital management, enabling
us to deliver efficient, high-quality services and solutions to customers worldwide. We
prioritize independent innovation and possess expertise in reliability, material analysis,
and advanced machinery. These strengths give us a competitive edge in providing
professional technical services.

We explore innovative management models and implement initiatives such as lean
production, quality management, and lean manufacturing 2.0. Our goals include reducing
manufacturing costs, improving product quality, enhancing production efficiency, and
increasing profitability. By providing customers with the benefits of lean practices, we
actively contribute to the high-quality development of intelligent manufacturing.



Continuous Innovation

#### Effective Improvement



To obtain objective evaluations of our products and services and improve customer satisfaction, Kaifa regularly conducts customer satisfaction surveys using questionnaires.
 These surveys use a 5-point rating scale, and we closely monitor the annual comprehensive ratings. For items rated ≤3 points, we develop improvement plans and assess the timeliness and feasibility of corrective measures through quality tracking systems. We continuously track the progress of improvements to ensure timely and effective resolution of issues.





# **Sustainable Supply Chain Management**

Kaifa, in collaboration with its suppliers, is dedicated to promoting the sustainability of the entire value chain. We have established comprehensive processes for supplier lifecycle management and supply chain risk management. We strengthen our management of conflict minerals and social responsibility by imposing rigorous requirements and providing communication and training. Through these efforts, we collectively enhance the sustainability of the supply chain.

\$<u>\</u>

Key Supplier Code of Conduct Signing Rate: 100%



**Supplier Annual Evaluation Pass Rate:** 

99.2%



CMRT/EMRT
Compliance Rate:

100%



Anti-Corruption Training for Procurement Personnel:

760 participants







### Supply Chain Management System and Policies

As global climate change intensifies, the environmental and social risks within the supply chain have gained widespread attention. A secure, stable, and sustainable supply chain is now the core competitive advantage for Kaifa's development and the key to the sustainable growth of the industrial chain. We strive to conserve resources, optimize processes, foster product innovation, reduce costs, and enhance efficiency by improving our supply chain's environmental management capabilities, thereby increasing our company value. Enhancing supply chain competitiveness brings significant benefits in terms of ensuring supply, reducing costs, improving efficiency, and managing risks. This drives innovation and transformation in Kaifa's management and industry development, and fosters a green supply ecosystem throughout the industry chain.

#### Supplier Management

- By adopting a lifecycle perspective, we establish a robust and sustainable supply chain management system that encompasses raw material acquisition, design, production, transportation and/or delivery, and end-of-life disposal. While promoting Kaifa's economic interests, we strive to balance the needs of society, the environment, ethics, and governance.
- To maintain strong partnerships with high-quality suppliers and ensure the long-term sustainability of our supply, Kaifa employs a strict supplier management process that is based on supplier categories and material types. This process includes dynamic techniques, such as supplier grading, which are implemented to minimize and prevent any adverse impacts during collaboration.
- To enhance risk control measures, we have implemented comprehensive risk management mechanisms, and a full cycle supplier control, including preintroduction evaluation and certification, ongoing daily control after onboarding, and supplier exit. These measures ensure smooth business operations and support steady growth of Kaifa.

#### Responsible **Procurement**

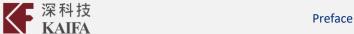
- We identify, control, monitor, and report the use of chemical substances regulated by relevant regulations in supply chain management. We promote the green supplier management capabilities of the supply chain and reduce the use of harmful chemicals in products.
- We do not accept conflict minerals originating from conflict-affected areas such as the Democratic Republic of the Congo (DRC) or neighboring countries, and establish a conflict-free supply chain.

#### **Environmental** Protection

- Kaifa prioritizes efficient water usage and biodiversity conservation. We refrain from establishing factories within national nature protection areas and adhere to sustainability principles. Our focus is on reducing waste, wastewater, and air pollutant emissions, while actively seeking waste recycling and improving water use efficiency to minimize adverse impacts on biodiversity and ecosystems.
- We emphasize suppliers' compliance with the Supplier Code of Conduct to minimize or eliminate the generation and emission of pollutants at the source. Furthermore, we encourage the abstinent use of natural resources. Whenever possible, we minimize transportation frequency and prioritize the use of renewable energy. Additionally, we carefully select renewable and reusable materials as raw materials.
- To address climate change, we encourage suppliers to set greenhouse gas reduction targets and diligently track, record, and report energy consumption and emissions of relevant Scope 1 and Scope 2 greenhouse gases. We actively support suppliers in exploring cost-effective methods to improve energy efficiency and minimize energy consumption and greenhouse gas emissions.

#### Labor **Compliance**

- Suppliers must comply with ILO conventions and Kaifa's Supplier Code of Conduct, which strictly prohibits child labor. Working hours must adhere to regulations, and overtime must be voluntary.
- Suppliers should provide non-discriminatory workplaces and reasonable facilities for religious activities. They must respect workers' rights to form and join trade unions, engage in collective bargaining and peaceful assembly, and have the right to refuse participation.
- Suppliers are expected to provide workers with wages that comply with all applicable wage laws, including minimum wage, overtime provisions, and statutory benefits. Wage deductions should be prohibited.



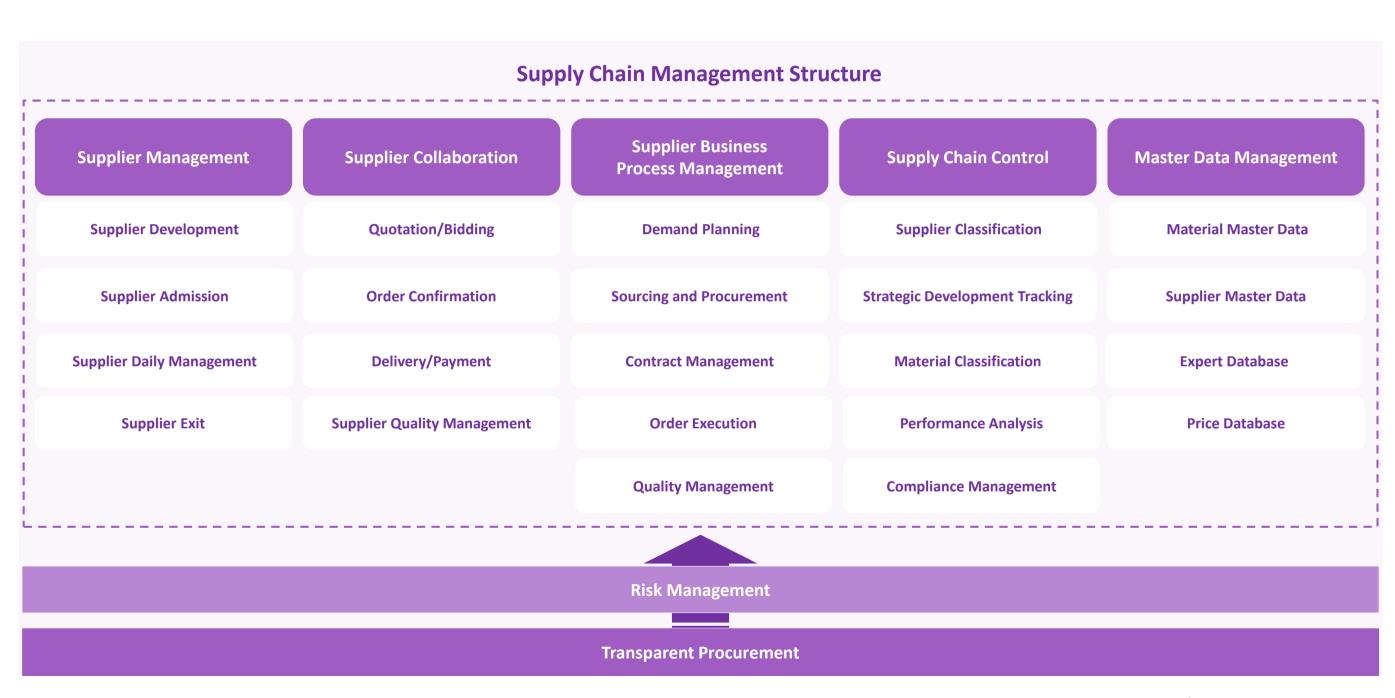
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## **Supply Chain Risk Management**

Supply chains involve various risk factors such as natural disasters, political stability, and legal changes, which can lead to negative outcomes such as supply delays, quality issues, and price fluctuations. To identify, assess, and manage potential risks in the supply chain, Kaifa has developed the Purchasing Risk Identification and Countermeasures Management Process Instruction and collects factors that may affect the supply from the market situation. Analysis reports are compiled to formulate response measures, ensuring the sustainability and efficiency of the supply chain.

### **Supplier Risk Management Measures**

In the supplier lifecycle management process, Kaifa identifies, assesses, and controls supplier risks in stages and implements corresponding management measures to mitigate risks.

#### **Pre-introduction Review**

- The preferred order for supplier development is as follows: manufacturers, agents, traders.
- Preferred suppliers are those that possess large scale, leading technology, a wide range of product lines, strong support, and proximity.
- Background checks and preliminary evaluations are conducted. Qualified potential suppliers then proceed to evaluation and certification.

# Mid-introduction Assessment and Certification

- Assess suppliers' business capabilities, quality management practices, and engineering and technical capabilities.
- Review suppliers' facility safety, respect for human rights, environmental responsibility, and compliance with laws and regulations.
- The involved parties sign purchasing agreements and product quality assurance agreements.

#### **Post-introduction Control**

- Classify supplier risks and manage them based on high-risk, mediumrisk, and low-risk classifications.
- Conduct quarterly or annual performance assessments to drive continuous improvement and eliminate underperforming suppliers.
- Verify supplier compliance through on-site or written audits, due diligence investigations, and other appropriate methods.

#### **Elimination Mechanism**

- Suppliers who violate integrity and ethical policies or contractual terms are added to a blacklist.
- Suppliers that fail to meet performance evaluation criteria consecutively twice are suspended and phased out.
- Suppliers with no transactions within a two-year period are evaluated and subject to suspension for phased-out.





## **Supplier Management**

To align cooperation between Kaifa and its suppliers with sustainability principles, supplier management encompasses partner selection, environmental protection, social responsibility, and corporate governance. The goal is to establish a sustainable and mutually beneficial supply chain system that contributes to society.

Kaifa implements a comprehensive supplier management approach that includes evaluating new suppliers, conducting regular assessments, performing sustainable risk assessments, facilitating supplier visits and communication, implementing supplier ESG-related management systems, conducting ESG-related reviews and assessments of suppliers, and establishing procedures for supplier exit. Through effective lifecycle management, Kaifa ensures thorough and efficient end-to-end control of its suppliers.

### **Supplier Management Process**

#### **Supplier Development**

- Compliance with laws and regulations
- Company qualifications
- Financial status
- Capacity assessment
- Customer base

### **Supplier Admission**

- Qualification and capability review
- On-site certification audits
- Signing of relevant agreements

### **Supplier Process Management**

- Business ethics management
- Quality management
- Qualification management
- Risk management
- Performance management
- Audit management

#### **Supplier Exit**

- Supplier Freeze Management
- Blacklist management

#### **Supplier Development**

During the supplier development stage, Kaifa ensures that suppliers meet the quality requirements of both Kaifa and its custo mers. This involves conducting basic checks using enterprise investigation platforms, credit information disclosure platforms, and supplier company websites. The evaluation focuses on compliance with laws and regulations, creditwo rthiness, financial status, and system status. Initial screening is performed to assess supplier qualifications, abilities, and certification requirements. Suppliers that do not meet the criteria during the initial screening are not permitted to proceed to the new supplier admission and certification stage.



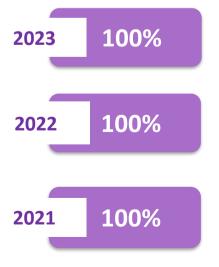
### **Supplier Admission**

During the supplier onboarding process, Kaifa communicates its management standards, product quality and environmental standards, and responsible business alliance behavior standards to suppliers. Suppliers are required to sign agreements, such as the Purchasing Agreement, Product Quality Assurance Agreement, Supplier Code of Conduct, Confidentiality and Non-Disclosure Agreement, and Safety Responsibility Agreement. These agreements ensure understanding and compliance with Kaifa's requirements, including risks related to competition, intellectual property, environmental compliance, information protection, labor compliance (such as child labor, forced labor, and discrimination), business bribery, and the corresponding responsibilities in the event of risk occurrence. These measures safeguard the rights and interests of both Kaifa and its suppliers.

Kaifa performs certification assessments of suppliers in various areas, including business, quality (which encompasses evaluation of environmental practices, occupational health and safety, social responsibility, and business continuity in addition to quality systems), and engineering. These assessments utilize documents such as the Supplier Audit Business Evaluation Checklist, Manufacturer Quality System Audit Checklist, and Supplier Audit Technical Evaluation Checklist. Evaluations of suppliers' environmental and social responsibility aspects are conducted through the Vendor Questionnaire Form. Suppliers are included in Kaifa's supplier system only after successfully completing the comprehensive assessment process.

#### Signing rate of Supplier Code of Conduct and completion rate of Vendor Questionnaire Form





### **Supplier Process Management**

To maintain supplier performance and ensure the provision of high-quality supply chain services to Kaifa, a comprehensive system of dynamic assessment and evaluation programs is implemented. Suppliers on the Approved Vendor List (AVL) undergo centralized audits annually to assess their qualifications. Regular performance evaluations and annual audits are conducted in accordance with standardized procedures. Suppliers who do not meet the assessment criteria are provided with improvement requirements, and the progress of their improvements is closely monitored until satisfactory results are achieved.

#### **Supplier Performance Management**

Suppliers are evaluated based on transaction volume, quality, business performance, engineering capabilities, trade security, social responsibility, critical material supply, and financial risks. Performance evaluations are conducted quarterly for production material suppliers and annually for non-production material suppliers. The Supplier Performance Management Process Instruction are adhered to when evaluating suppliers on the supplier management platform. The evaluation results are published and made available for suppliers to access online.



#### **Supplier Communication**

Throughout the reporting period, we conducted mutual visits with a total of 398 suppliers. We engaged in comprehensive communication with suppliers through the following methods, aiming to ensure that the entire supply chain stays informed about the latest market information and standards and to establish sustainable partnerships.

## Primary communication methods

- Supplier performance evaluation
- Supplier visits
- Annual supplier audits
- Technical exchanges

### **Key communication topic**

- Performance evaluations in areas such as quality, business, and technology
- Product information, including requirements for high efficiency, low energy consumption, and reduced packaging to minimize environmental impact
- Industry insights and business opportunities
- Identification and handling of potential or identified risks
- Supplier demands and concerns

### **Case**

#### **Supplier Communication**

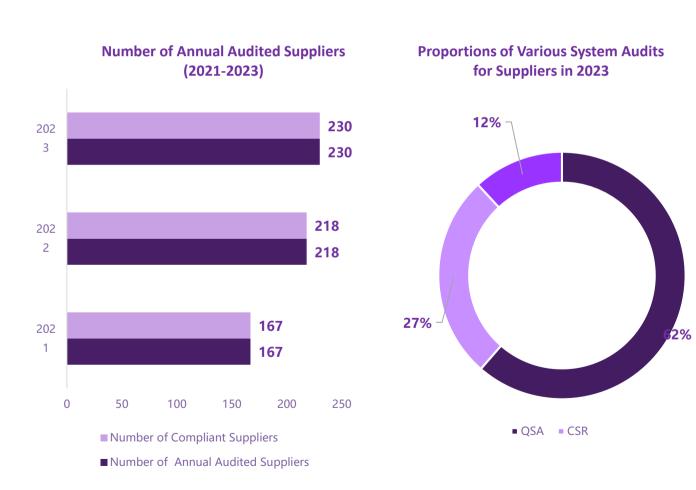


Technical exchanges with suppliers

In November 2023, Kaifa and the world's fifthlargest semiconductor manufacturer held a productive technical exchange meeting. The manufacturer presented a comprehensive overview of their latest product technology and its cuttingedge applications in different sectors. Both parties thoroughly explored a wide range of technical issues, resulting in valuable insights and outcomes.

#### **Supplier Audit**

Kaifa conducts annual supplier audits according to the Supplier Audit Process Instruction, which includes audits such as the Supplier Quality System Audit (QSA), Corporate Social Responsibility (CSR), and Hazardous Substances Free (HSF) audits. In instances where suppliers do not meet the audit requirements, proactive measures are implemented to facilitate improvement and closely monitor effectiveness until all issues are fully resolved. Suppliers who fail to meet the standards within the specified timeframe and do not cooperate with the necessary corrective actions will have their partnership with Kaifa terminated.





## **Supplier Exit Management**

To ensure that suppliers meet Kaifa's requirements in terms of quality, business, technical support, and integrity, Kaifa has established the Supplier Exit and Reactivation Management Process Instruction

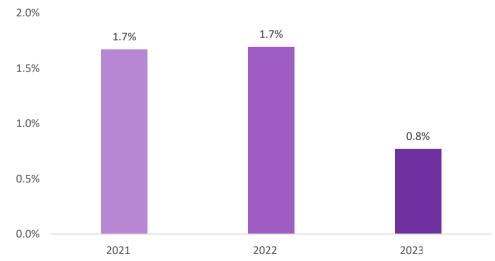
### **Supplier Evaluation**

• Each year, suppliers undergo evaluations to identify those who cannot consistently meet Kaifa's requirements or are no longer utilized for business reasons. These suppliers are subject to controlled measures and managed through an exit management process, ensuring that our collaborative suppliers align with legal regulations and meet Kaifa's cooperation standards.

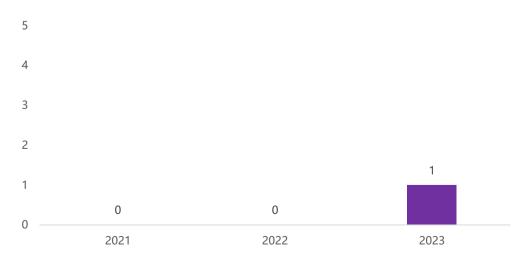
### **Compliance Management**

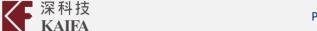
- Suppliers who violate ethical integrity, breach confidentiality agreements by disclosing
  confidential information, engage in price manipulation, cause significant quality or delivery
  issues resulting in major losses, or are recognized by the industry as problematic suppliers are
  included in Kaifa's cooperation blacklist and will not be engaged.
- In the year 2023, one supplier's cooperation was terminated due to non-compliance with social responsibility, specifically related to business ethics issues.

## **Percentage of Temporarily Suspended Suppliers**



#### **Number of Terminated Suppliers**





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## Transparent Procurement

We are dedicated to enhancing transparency across our entire supply chain, encompassing production processes, procurement, delivery, and supplier relationships. Our objective is to establish a procurement environment that is fair and equitable, instilling greater customer trust. Internally, Kaifa's Discipline Inspection and Supervision Department and Audit Department collaborate to ensure the integrity of our operations. This includes active participation in project procurement and bidding processes, overseeing critical process configurations, and engaging in discussions regarding compliance within various supply chain management processes and electronic documentation. Kaifa offers a whistleblowing channel through the Supplier Management Platform, allowing for the reporting of corruption and unethical conduct. We also make our Supplier Code of Conduct and Code of Conduct for Procurement Personnel publicly available to regulate the behavior of our suppliers.

### **Clean Procurement**

Kaifa mandates that all suppliers sign the Supplier Code of Conduct prior to commencing formal operations. This comprehensive code encompasses areas such as labor, health and safety, environment, ethics (with a strong focus on anti-corruption and integrity, including requirements related to business integrity, prevention of unfair advantages, and anti-money laundering obligations), trade security and anti-terrorism, network security, and management systems. In order to promote and uphold these principles, Kaifa periodically releases integrity advocacy and training materials through the Supplier Management Platform.

Furthermore, any suppliers found to be involved in corruption are permanently blacklisted in accordance with Kaifa's Supplier Exit and Reactivation Management Process Instruction. This stringent measure ensures that Kaifa maintains a zero-tolerance approach towards corruption and upholds the highest standards of ethical conduct within its supply chain.



## **Internal Anti-Corruption and Integrity Training**

Kaifa places great importance on advocating and supervising anti-corruption and integrity efforts from top to bottom, involving company leadership, the Discipline Inspection and Supervision Department, the Audit Department, supply chain management departments, and procurement personnel across different regions. Regular and periodic integrity advocacy and training activities are organized on various topics and in various formats throughout the year and quarter.

Completion Status of Anti-**Corruption and Integrity Training** 

 training sessions 2021 participants training sessions 2022 participants training sessions participants

Case

**Supplier Training** 

Suppliers involved in corrupt practices will be permanently blacklisted according to Kaifa's document Supplier Exit and Reactivation Management Process Instruction





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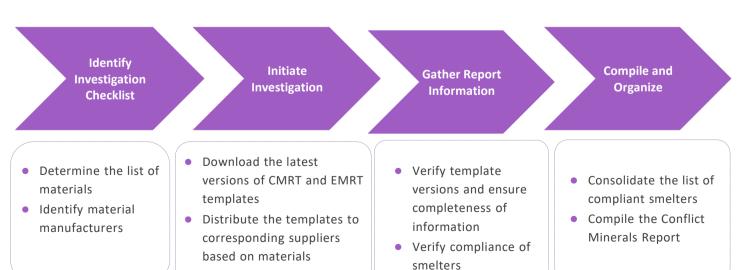
## **Conflict Minerals Management**

In order to meet the management requirements of conflict minerals, mitigate negative impacts such as environmental damage and human rights violations, Kaifa has established cooperative relationships with suppliers. We strictly require suppliers to adhere to labor rights and human rights standards, promote transparency and traceability of mineral sourcing, and ensure that mining activities comply with environmental protection laws and regulations.

Based on the United Nations Conflict Minerals Initiative, the EU Conflict Minerals Regulation, the Responsible Mineral Supply Chain Due Diligence Guidelines for China, and the OECD Guidelines, Kaifa has developed a Social Responsibility Management Manual. This manual mandates that suppliers do not provide parts and products containing conflict minerals.

Through conflict minerals investigations on suppliers, we use the Responsible Minerals Initiative (RMI) process to identify and assess risks related to minerals such as tungsten, tin, tantalum, gold, cobalt, mica, etc. This includes the use of Conflict Minerals Reporting Template (CMRT) and Expanded Minerals Reporting Template (EMRT). We disclose the investigation results to customers and, if necessary, terminate cooperation with suppliers who do not meet the requirements, ensuring responsible procurement across the entire supply chain.

### **Conflict Minerals Due Diligence Process**



### **Conflict Minerals Commitment**

Kaifa is dedicated to refraining from procuring materials that contain conflict minerals, including tungsten, tin, tantalum, gold, cobalt, mica, and other minerals from conflictaffected and high-risk regions. We conduct thorough due diligence investigations to prevent the exacerbation of environmental damage and human rights violations through mineral trade, thereby making a meaningful contribution to sustainable, equitable, and effective development.

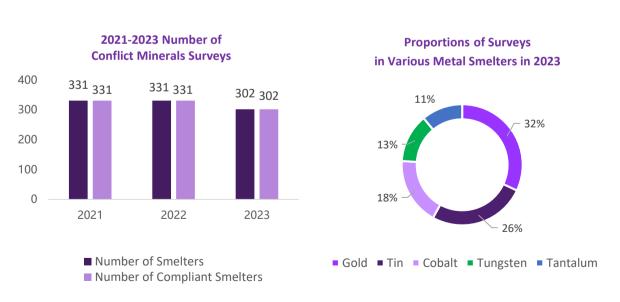
2023 Conflict Minerals
Training Coverage Rate

2023 CMRT
Compliance Rate

2023 EMRT
Compliance Rate

100%

#### **Conflict Minerals Due Diligence Investigations**





# Transforming Green Supply Chains

With the growing global environmental consciousness, stricter regulations and limitations on environmental indicators such as carbon emissions and energy consumption are anticipated. Kaifa evaluates suppliers' environmental, social, and governance practices through tools like the Vendor Questionnaire and Supplier Corporate Social Responsibility Audit. We conduct risk assessments to address environmental concerns. Our management processes, including Kaifa Project Procurement Management, Inquiry and Quotation Management, Energy Design Management, Product Eco-design, Supplier Development, Supplier Certification, and Supplier Auditing, enable us to integrate environmental considerations into design, quality control, procurement, logistics, and other operations. We prioritize sustainability by reducing waste, wastewater, and air pollutants. Additionally, we actively promote waste recycling, minimize water consumption, improve efficiency, and strive to minimize the impact of our operations on biodiversity and ecosystems.

**Green Design** 

- Follow the Product Eco-design Operation Instruction to integrate environmental factors into design and development activities, minimizing the environmental impact of products throughout their lifecycle.
- Choose environmentally friendly materials that are halogen-free and compliant with RoHS and REACH regulations.
- Utilize recyclable and recycled plastic materials and packaging.

Green **Procurement** 

- Request suppliers to provide environmentally friendly materials based on environmental protection clauses outlined in the Inquiry and Quotation Management Process Instruction. Prioritize the selection of environmentally friendly materials of equivalent quality and price.
- Conduct risk assessments on environmental issues when selecting new suppliers using forms such as the Vendor Questionnaire, Supplier Corporate Social Responsibility Audit, and Manufacturer Quality System Audit forms.
- Consider suppliers' energy management capabilities and implementation of energysaving projects, such as energy consumption levels and equipment efficiency, when choosing suppliers for project procurement.

Green Logistics

- Kaifa is dedicated to implementing green logistics in the supply chain and Kaifa Chengdu has been ISO 14064 certified since 2017.
- Actively evaluate the carbon emissions generated during the transportation of supplier materials and choose more environmentally friendly transportation methods through comprehensive assessments.

Green **Production** 

- Kaifa has obtained certifications such as ISO 9001, ISO 14001, and ISO 45001, actively promoting green factory certification.
- Expand the use of clean energy, optimize production processes, and make efficient use of waste heat and pressure from production equipment.
- Utilize intelligent technology and Internet of Things (IoT) to enhance energy allocation efficiency.

Recycling and End-oflife Disposal

• Kaifa considers recyclability when selecting materials for products, aiming to minimize the generation of non-recyclable waste and achieve the goal of zero landfill.



Case

#### **Supplier Training**

Kaifa actively promotes the establishment of a responsible and sustainable supply chain through collaborative efforts with suppliers. In our communication and engagement with suppliers, we prioritize providing ESG training, encompassing responsible procurement, hazardous substance management, anti-corruption practices, and integrity. We aim to effectively integrate our ESG principles into the supplier ecosystem.



**ESG Training 2023** 252 times



**ESG Training for Suppliers** 



# **People-Centric Employer**

Kaifa adheres to a talent development philosophy of Youthfulness, Internationalization, and Knowledge-based and is dedicated to providing diverse development platforms for employees to realize their self-worth and personal aspirations.

We continuously refine our talent strategy, safeguard employees' basic rights, establish competitive compensation, benefits, and profit-sharing mechanisms, provide diverse opportunities for employee training and development, foster a fair, just, open, and inclusive work environment, ignite employees' passion for work and spirit of innovation, and enable employees to integrate their self-worth with Kaifa's values, achieving mutual success for individuals and the organization.

₩ ₩	Average Training Hours Per Person in 2023:	34.1
	Percentage of Female Employees in 2023:	33%
	Total OHS training Duration (Hours):	481,380





## **Human Rights Protection**

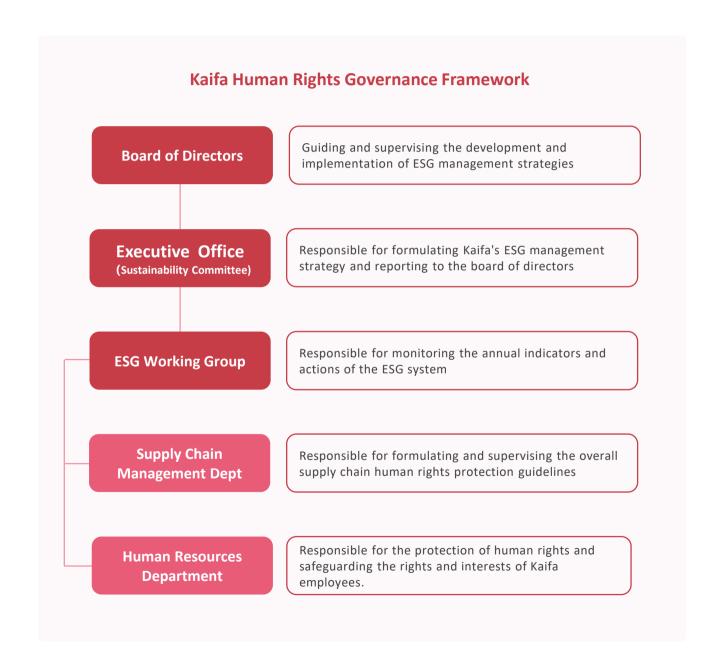
Kaifa is committed to strict compliance with international labor conventions and initiatives, as well as relevant laws and regulations applicable to its operations both domestically and internationally. These include the Universal Declaration of Human Rights, International Labor Organization Core Conventions, United Nations Global Compact Ten Principles, Responsible Business Alliance (RBA) Code of Conduct, Social Accountability 8000 (SA8000) Standard, as well as the Labor Law and Labor Contract Law of the People's Republic of China. We prioritize human rights protection and risk management, adhering to a transparent, fair, and equal employment policy that ensures no discrimination based on race, color, religion, gender, nationality, ethnicity, age, disability, or marital status in recruitment, selection, disciplinary actions, employee development, compensation and benefits, and termination of labor contracts.

To further enhance and implement human rights management, Kaifa has established a series of systems to safeguard labor rights, including the Social Responsibility Management Manual, Employee Manual, Provisions on Prohibition of Child Labor, Employee Recruitment Management System, Attendance Management Measures, Compensation Management Measures. These systems aim to standardize work processes and codes of conduct, prevent illegal practices such as forced labor and child labor, and ensure the protection of employee rights. We respect employees' freedom of association and collective bargaining rights while strongly opposing discrimination and harassment. We pay attention to labor rights and protection throughout the entire value chain, conducting corporate social responsibility audits and risk assessments on suppliers to effectively address human rights risks such as forced labor and child labor in the supply chain.

To ensure management regulation implementation, we provide training on human rights protection and labor policies, such as the RBA Code of Conduct. We have a triple audit mechanism, including internal, customer, and external third-party audits, ensuring comprehensive coverage of human rights and labor-related areas. We maintain internal feedback channels to address employee concerns promptly, preventing human rights incidents and promoting effective communication and resolution.



At the end of the reporting period, we found **no incidents** of violations related to freedom of association, collective bargaining rights, forced labor, child labor, underage workers, or discrimination within our operational sites and suppliers





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### **Prohibition of Child Labor**

Prohibiting child labor is a crucial responsibility for Kaifa in promoting sustainability. As a responsible company, we are committed to completely eradicating the employment of child labor in our production, operations, and supply chains. We strictly adhere to relevant laws and regulations, including the Labor Law, Labor Contract Law, Minors Protection Law, and Prohibition of Child Labor Regulations of the People's Republic of China. To prevent incidents of child labor, Kaifa has implemented comprehensive preventive and monitoring measures as outlined in our Regulations on the Prohibition of Employing Child Labor.

#### **Prevention of Child Labor Risks**

Risk Type	Target	Risk Impact	Risk Mitigation
Prohibition of child labor	Newly hired employees	<ul> <li>Potential impact on the physical and mental health of child labor</li> <li>Violation of national laws and regulations</li> <li>Impact on our company's reputation and decrease in customer trust</li> </ul>	<ul> <li>Establishment of management systems to prohibit child labor</li> <li>Global factories recruit talents in accordance with local regulations and conduct legal age identification</li> <li>Establish complaint and feedback mechanisms</li> </ul>

At the end of the reporting period

No incidents

within our operational sites and suppliers

- involving child labor
- of minors engaging in hazardous work

In 2023 reporting period

**Training and promotion** 

8,000 + participants

#### **Key Measures to Prohibit Child Labor**

## **Employee** Recruitment

Strictly adhere to guidelines, such as the Operator Recruitment Process Guide and the Management Methods for Labor Service Cooperative Units in Operator Recruitment, explicitly prohibiting child labor. Employ measures like interviews, resume verification, and identity validation to prevent the recruitment of child labor.

Ensure compliance with our Supplier Code of Conduct, which explicitly prohibits the use of child labor, for suppliers and partners. Regularly review and assess their adherence to these guidelines.

Supply Chain and Partnerships

## Review and Audit

Conduct internal and supply chain audits to ensure regulatory compliance. Engage in third-party inspections and certifications for transparent and credible supply chains. Establish a reporting mechanism to encourage employees to report any child labor incidents, protecting us from its impact.

Promote awareness of child labor issues within Kaifa and among supply chain partners, emphasizing our policies and standards against child labor. Provide targeted training and education to suppliers to enhance their understanding and management capabilities regarding child labor.

Training and Education

The existence of child labor can potentially bring the following negative impacts to Kaifa, such as the physical and mental well-being of the child workers, violation of laws and regulations, damage to reputation and customer trust. Kaifa has established appropriate complaint and feedback mechanisms, strengthened training and awareness campaigns, and aimed to minimize these negative impacts. As of the end of the reporting period, we have not identified any manufacturing factories or suppliers with significant risks of child labor.



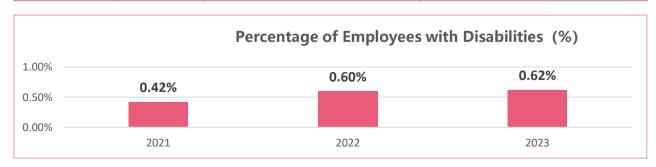
### **Non-Discrimination**

Kaifa is fully committed to adhering to the principles of non-discrimination in all aspects of its business operations. We strive to provide equal employment opportunities, ensuring that every employee is treated fairly and without discrimination on the basis of race, gender, religion, age, sexual orientation, disability, nationality, or any other characteristic.

In line with relevant laws and regulations such as the Labor Law, Anti-Racial Discrimination Law, Anti-Gender Discrimination Law, and Anti-Disability Discrimination Law of the People's Republic of China, Kaifa has established comprehensive management policies and procedures. These include the Employee Recruitment Management System, Employee Performance Assessment Management Measures, and Employee Promotion Management Measures. These regulations are implemented at all levels of our organization, including our manufacturing facilities and supply chain, to proactively prevent incidents of discrimination.

#### **Prevention of Discrimination Risks**

Risk Type	Target	Risk Impact	Risk Mitigation
Non- Discriminat ion	All Employees	<ul> <li>Violation of Responsible         Business Alliance (RBA)         requirements prohibiting         discrimination</li> <li>Potential risk of employee         attrition</li> <li>Loss of customer trust and         business opportunities</li> </ul>	<ul> <li>Establishment of management regulations against discrimination</li> <li>No discriminatory practices in recruitment, job assignments, employee benefits, and promotions</li> <li>Implementation of a complaint and feedback mechanism</li> </ul>



#### **Key Anti-Discrimination Measures**

# Training and Audits

Conduct regular training to enhance employees' understanding of antidiscrimination principles and raise awareness of related issues. Ensure suppliers comply with our Supplier Code of Conduct, including anti-discrimination requirements. Conduct periodic social responsibility audits and, if necessary, third-party audits to prevent discrimination incidents in the supply chain.

Create a gender-equal work environment, empowering female employees to leverage their strengths and contribute to team management and technological innovation. Address challenges they may face, provide necessary support, implement equal pay, and enforce policies such as paid marriage leave, maternity leave, breastfeeding breaks. Offer additional benefits such as free gynecological examinations, dedicated spaces for working mothers, and organize activities to reduce work stress and enhance work-life balance.

Development of Female Employees

Empowering Persons with Disabilities

Foster an inclusive workplace that provides equal employment opportunities for persons with disabilities. Offer suitable positions and ensure their welfare needs are met, while fulfilling our corporate social responsibilities.

#### At the end of the reporting period

within our operational sites and suppliers

**0** incidents

of Employee Discrimination

#### In 2023 reporting period

Number of Employees with Disabilities

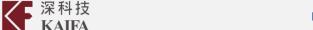
107

Percentage of Employees with Disabilities

0.62 %

Percentage of Minority Employees

**13** %



### **Prevention of Forced Labor**

Kaifa strictly adheres to relevant laws and regulations in China, such as the Labor Law and Labor Contract Law of the People's Republic of China. We have developed the Supplier Code of Conduct, Attendance Management System, and Employee Resignation Process and Regulations, firmly opposing forced labor. We commit to zero tolerance for any form of forced labor in our supply chain and production processes, actively taking measures to protect the rights of our employees.

#### **Key Measures to Prevention of Forced Labor**

We require all suppliers and partners to comply with our Supplier Code of Conduct, explicitly prohibiting the use of forced labor. We conduct supply chain audits and reviews, promote policies and standards against forced labor, and ensure that suppliers and partners meet our requirements.

Kaifa follows the principle of voluntary employment, prohibiting any form of coercion, deception, or employment of individuals who are forced, bound (including debt bondage), or under contract restrictions.

We provide training and awareness programs on preventing forced labor for employees and suppliers, encourage employees to express their opinions and suggestions through organizations such as 0.5 labor unions, and protect them from any threats or retaliation.

Kaifa and all entities within the supply chain are prohibited from holding, destroying, concealing, or confiscating employees' identification documents and immigration papers..

Kaifa strictly implements working hour systems in accordance with local labor laws, providing employees with reasonable and appropriate rest periods within regular working hours. If there is a need for extended working hours due to special circumstances, the consent of the workers must be obtained and approved by the local labor department.

Employees have the right to apply for early departure from Kaifa in accordance with the relevant provisions of their contracts and local labor laws and regulations.

#### **Prevention of Forced Labor Risks**

Risk Type	Target	Risk Impact	Risk Mitigation
Prevention of Forced Labor	All employe es	<ul> <li>Violation of Responsible         Business Alliance (RBA)         requirements on working         hours.</li> <li>Violation of national laws         and regulations.</li> <li>Concerns in international         trade that can impact         business operations.</li> </ul>	<ul> <li>Establishment of a management system to prevent forced labor.</li> <li>Global factories adhere to local regulations, ensuring freedom and strictly controlling excessive overtime for employees.</li> <li>Implementation of a complaint and feedback mechanism.</li> </ul>

Forced labor may lead to the following negative consequences for Kaifa, such as breaching RBA audit qualifications, violating relevant national laws and regulations, and impacting international trade. To mitigate these potential risks and effects, we have established transparent mechanisms in our manufacturing factories and supply chains, strengthened communication and cultural understanding, developed codes of conduct against forced labor, and implemented labor rights policies. We will continue to promote relevant training and conduct monitoring and oversight actions to ensure the enforcement of these policies. As of the end of the reporting period, we have not identified any manufacturing factories or suppliers with significant risks of forced labor.

reporting period

At the end of the within our operational sites and suppliers

of forced labor



### **Employee Communication**

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Kaifa prioritizes effective communication and collaboration with employees. We have established transparent and efficient channels to facilitate employee expression and address their needs, ensuring their rights to participate in democratic management and supervision. We value and actively listen to employees' opinions and suggestions across various aspects of Kaifa, promptly addressing operational and management issues and providing timely feedback to enhance employee satisfaction. Additionally, we utilize a public WeChat account called Employee Home to amplify positive voices and provide a platform for employees to share their thoughts within Kaifa.

During new employee training and in the Employee Manual, we promote social responsibility and provide guidelines for employee conduct, ensuring a clear understanding of rights and responsibilities.

#### **Employee Communication Channels**



#### In 2023 reporting period

Coverage rate of departmental employee representatives

100 %

Response rate to employee representative opinions

100 %

**Employee satisfaction rate** 

3.98 score

(5 max)

#### **Promoting a Respectful and Supportive Work Environment**

We embrace employee diversity and ensure a workplace free from discrimination, retaliation, harassment, and abuse. Behaviors involving humiliation, intimidation, or hostility are strictly prohibited. We prioritize a work environment characterized by mutual respect, positivity, and fairness while firmly standing against prejudice and harassment. In interpersonal interactions, we stand firmly against all forms of harassment and sexual misconduct. If employees experience similar incidents, we encourage them to report through multiple channels, including HR and the labor union. Prompt and decisive action is taken to address concerns, accompanied by continuous support and assistance for affected employees.









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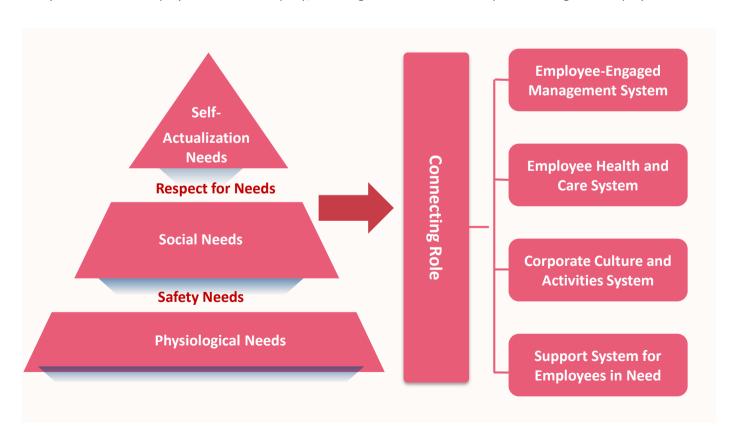
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Our employee union serves as a trusted and essential platform, playing a crucial role in connecting workers. Following the regulations outlined in the Trade Union Law of the People's Republic of China, our union establishes a guiding principle for employee relations that emphasizes a people-centric approach, caring for individuals, fostering a supportive culture, and promoting collaborative growth.

Our service philosophy revolves around caring for employees and providing genuine support, while prioritizing the construction of the 'four systems.' By sincerely serving employees, promoting the humanistic development of the organization, and fostering the vitality of local unions, we enhance their leadership, organizational capacity, and service capabilities, ultimately strengthening employee cohesion. This creates a harmonious and mutually beneficial ecosystem between employees and our company, resulting in a 100% membership rate among local employees.



### **Employee-Engaged Management System**

We conduct annual employee representative meetings to address issues that directly impact employees' interests. These meetings bring together worker representatives to discuss important matters like the Employee Manual, Collective Labor Contract, and Occupational Health and Safety. We prioritize listening to employees, gathering their suggestions, and providing feedback to the company and relevant departments. Our goal is to ensure that every suggestion is heard and every issue is resolved. We are committed to enhancing transparency in union and factory operations to safeguard employees' rights to oversight and decision-making. To achieve this, we utilize various communication channels, including the 'Kaifa' WeChat official account, company website, Office Automation platform, publicity showcases, and the 'Kaifa' magazine, to openly address common concerns.

Local Employee
Representative
Conferences and
Communication
Meetings

Frequency of Convening: 12

Communication Meetings:

Collecting
Suggestions and
Resolving Issues

Collecting Suggestions: **571** 

Advancing Solutions:

565



**Employee Representative Meeting** 

38

We regularly gather opinions and suggestions from employee representatives across various departments and positions at Kaifa. This inclusive platform encourages open and constructive discussions, allowing valuable insights and recommendations to emerge regarding Kaifa's development, new transformations, environmental considerations, innovation, and more.





### **Employee Health and Care System**

We prioritize the well-being of Kaifa employees and strongly advance the development of a comprehensive system to enhance their skills. We conduct employee health seminars and initiatives to support their psychological well-being. We establish caring facilities, such as employee sports centers and nursing rooms, ensuring full coverage across all Kaifa locations. Our unwavering commitment is to fulfill employees' aspirations for a better life, resulting in a continuous increase in their sense of achievement and happiness.



#### Employee Skills Training

We create platforms for employee development, including employee innovation workshops, to facilitate knowledge transfer. We encourage our employees to prioritize national strategic needs, industry development trends, and the efficient operation of Kaifa. Our goal is to foster the mutual growth and development of both our employees and Kaifa.





**Employee Skills Competition** 

Participate in the First National Employee Skills Competition



#### Activities for Women's Care

Every year on International Women's Day, we organize themed activities such as 'Makeup, Floral Arrangement, and Handicraft Salons' to celebrate the occasion. We invite professional instructors to provide on-site guidance, ensuring that every female employee feels the company's warm care and support.







**Handicraft Salons** 

Goddess Festival Series of Activities

### **Case**

#### **Nursing Rooms**

Kaifa provides private, hygienic, comfortable, and safe rest areas for female employees in the pre-pregnancy, pregnancy, and lactation periods. Nursing rooms are set up in the headquarters and subsidiary companies to provide warm and comfortable services for female employees.





Interior of the Nursing Room

### **Case**

#### **Health Lectures**

We organize health knowledge lectures with themes centered around employee well-being, covering topics such as dietary nutrition and disease prevention. We invite specialized professors from medical universities and hospital directors to educate our employees on health knowledge, guiding them to cultivate scientific, proper, and balanced dietary habits.







Health Lecture

Prevention and Control of Common Diseases and Health Lecture



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### **Corporate Culture and Activities System**

In line with our diverse cultural enterprise, we prioritize the creation of a 'family-oriented culture.' We offer a rich array of cultural and sports activities throughout the year, encompassing five categories: regular events, traditional events, innovative events, personal development events, and holiday events. By catering to the diverse cultural needs of our employees, we foster a cohesive and healthy development, strengthening the collective spirit.



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#### **Spring Festival Gala, Lantern Festival Activities**

On the occasion of the New Year each year, our management visits the factory and workshops to extend sincere holiday greetings and heartwarming gift packages to frontline staff who remain dedicated to their positions. We organize a New Year celebration party and Lantern Riddles event during the Lantern Festival, allowing everyone to truly experience the warmth of the Kaifa family.









#### **Photography and Art Exhibitions**

Every year, we organize an annual employee competition for calligraphy, painting, and photography. It highlights Kaifa's achievements, transformation, and the commitment of our employees in driving progress during this new era.





## **Case**

#### **Sports Competitions**

We establish employee-managed badminton, table tennis, and basketball clubs, organizing regular sports competitions. This initiative aims to cultivate a healthy and positive corporate culture, foster internal communication, and strengthen team cohesion.







### Case

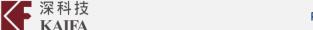
#### **Yoga and Dance Training**

We consistently engage exceptional teachers to offer a wide range of interest classes within Kaifa throughout the year. Furthermore, we provide regular training programs for employees' children, ensuring that our employees truly experience the caring and familial atmosphere of Kaifa.









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### **Assisting Employees in Difficulties**

"We prioritize mutual assistance and support, ensuring targeted assistance for employees facing difficulties. Annually, we conduct a specialized medical examination for married female employees of mainland China, and a general health check-up for all employees every two years. These initiatives reflect our genuine care for our employees, providing them with support, security, and promoting their well-being.

Every year, the Kaifa management visits and extends condolences to employees facing hardships. We provide them with organizational care, encouraging them to maintain a strong belief in overcoming challenges and actively face the difficulties in their personal and work lives. This enables everyone to truly experience the warmth of the Kaifa family.

Furthermore, we care about the growth of employees facing difficulties and leverage the 'Dream Plan' initiative of the Shenzhen General Federation of Trade Unions. We actively encourage employees to pursue education and personal development, aiming to enhance their qualifications and educational background.



Medical Examination for Female Employees

**Number of participants** 

1484

100%

Coverage rate



Assisting Employees in Difficulties

Number of visits for condolences

161

Amount of support provided

RMB **500K** 



Droam Blan

Number of people helped

10 individuals

10

obtained a degree

# Maintenance of the Right to Freedom of Association and Collective Bargaining

Kaifa prioritizes democratic management, participation, and supervision to protect employees' rights, foster harmonious labor relations, and drive long-term stable development. We have established unions in compliance with laws and regulations and developed essential documents like the Freedom of Association, Union Membership, and Religious Management Procedures and the Regulations on Union Membership Management. Proposals and opinions concerning significant matters, including labor remuneration, working hours, rest and leave, occupational safety and health, insurance benefits, and employee training, are thoroughly discussed and negotiated with employee representatives. Employees can voice objections and propose improvements through legal channels during the implementation of regulations and major decisions. This ensures their active participation in management, decision-making, research, and other democratic processes. By empowering the employee representative meeting to regulate behavior, protect democratic rights, and safeguard employees' legitimate interests, we foster an environment that harnesses the enthusiasm and creativity of our workforce, driving growth.

To ensure effective channels for employee feedback and protect their rights, Kaifa utilizes various methods such as regular employee symposiums, communication mailboxes, and hotlines. These platforms allow employees to express their opinions and suggestions on all aspects of Kaifa's operations. Relevant departments are urged to provide timely responses and feedback, ensuring that employees' rights to information, participation, expression, and oversight are upheld. When it comes to labor rights and interests directly affecting employees, the labor union collaborates with employee representatives to discuss and negotiate collective contracts with Kaifa. This approach maximizes the protection of employees' fundamental rights.

As of now, the coverage rate of employees under collective contracts is 100%. A total of 245 employee symposiums have been conducted, involving 10,416 participants. There have been 7,466 employee care activities, with a 100% completion rate for handling and responding to employee matters.



## Talent Recruitment and Retention

Kaifa continuously enhances talent management to improve talent quality and maintain a rich pool. We offer clear career paths, scientific performance evaluations, fair promotions, transparent compensation, and generous benefits. This fosters employee engagement, unlocks their potential, and boosts our competitiveness.

### **Fair Employment**

We recruit professionals who align with our company goals and strategies. Kaifa plans recruitment based on needs, analyzes the labor market, formulates strategies, and utilizes diverse channels and hiring models. Our talent acquisition methods include campus recruitment, referrals, internships, sharing sessions, and online media. We employ objective assessments aligned with job requirements for screening purposes.

At Kaifa, we are committed to providing equal opportunities to every employee and believe that differences in nationality, ethnicity, place of origin, and religious beliefs can bring greater innovation. During recruitment, employment, compensation and benefits, career development, and rewards and penalties, we rely on objective facts and do not discriminate or treat employees differently based on gender, age, or physical characteristics. We actively ensure equal pay for equal work between men and women, promote employment opportunities for disabled individuals, and strive to create a fair and diverse working environment. To ensure fair and legal employment practices, Kaifa has established a series of policies such as the Employee Recruitment Management System, Employee Performance Management System, Employee Promotion Management System, and Employee Resignation Management System. We strictly control talent recruitment, carefully select interviewers, ensure the applicability and fairness of the interview process, conduct rigorous verification of candidate information, conduct background checks for key positions, and sign labor contracts with employees that fully comply with legal requirements. Our employee labor contract signing rate is 100%.

During The reporting period

Number of newly hired employees

Proportion of newly hired employees from ethnic minorities

Proportion of non-local employees

8.482

16%

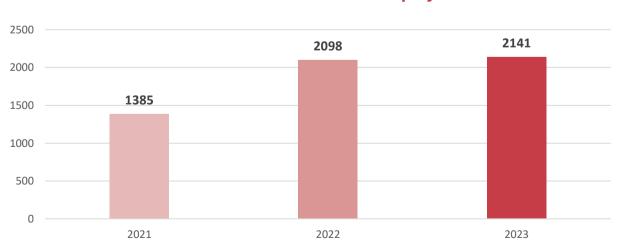
**17.4**%

### **Employee Diversity**

As a global company, Kaifa values employee diversity and inclusivity, and is committed to creating an inclusive and equal opportunity work environment. We strictly adhere to relevant laws and regulations, including the Labor Law and Labor Contract Law (including policies and regulations of the countries and regions where we operate overseas). We establish personnel regulations and systems through democratic and legal procedures, aiming to create a favorable employment environment.

Our Employee Handbook explicitly prohibits discrimination based on gender, race, skin color, reproductive status, disability, age, region, religion, or any other factors that hinder employee development within Kaifa. We embrace and encourage individuals from diverse backgrounds to apply for positions at our company. The collaboration among employees with different genders, ages, and educational backgrounds fosters synergies and enables us to fully leverage their talents. We are committed to upholding the principles of gender equality, supporting a diverse and international workforce, and ensuring equal access to job opportunities for all employees. To facilitate comprehension for individuals with various native languages, we provide documents in multiple languages, ensuring a comprehensive coverage of process documents in both Chinese and English versions.

#### **Number of Non-Local Employees**



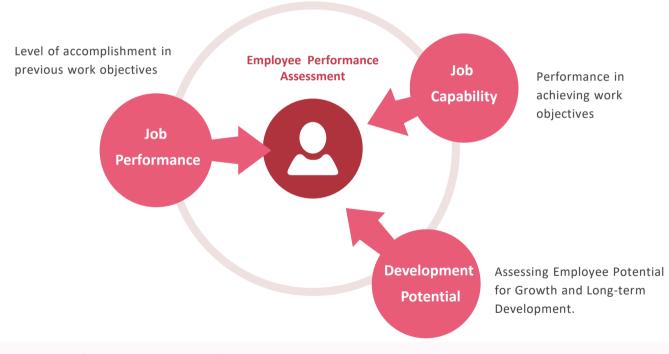
During the

reporting period

### **Performance Management**

Kaifa attaches importance to talent development, providing equal career advancement opportunities for all employees. A fair and scientific performance assessment ensures the achievement of departmental and overall goals, enhancing operational capabilities and core competitiveness.

For performance assessment, Kaifa sets targets and outlines procedures in the Performance Evaluation Management Measures for Technical and Management Staff. Regular evaluations assess employees' abilities, performance, and potential, aiding in improving work performance and competency.



#### During the reporting period

Employee Turnover Rate Count of talented individuals in key positions

Key Employee **Turnover Rate** 

7.96%

Ratio of Employee Performance and Development Assessment

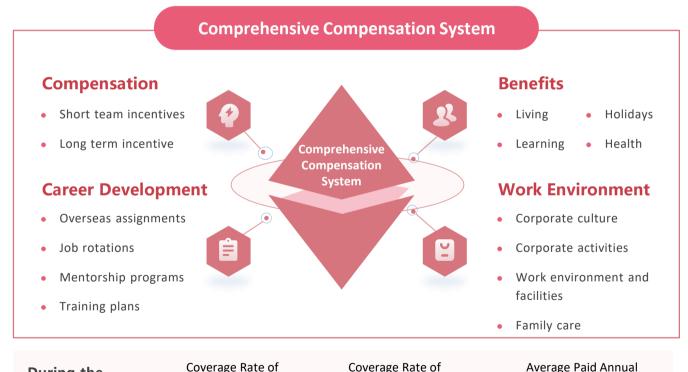
**12.9**%

716

100 %

### **Compensation and Benefits**

Kaifa has established a comprehensive compensation system, providing employees with all-round incentive mechanisms from multiple dimensions, including salary, benefits, career development, and working environment. These mechanisms aim to stimulate employees' enthusiasm and creativity, thus achieving the organization's business and strategic goals. In addition, Kaifa strictly adheres to the paid leave system for employees, implementing various statutory leave systems mandated by the government. All benefit programs are required to cover 100% of the employees, ensuring diversified welfare benefits. Additionally, the payment of employees' social insurance, retirement pension, and old-age pension follows the local national and regional laws and regulations, covering 100% of the employees. In 2023, the average paid annual leave days per person is 7 days.



100 %

Welfare Programs

Coverage Rate of **Employee Social Insurance** 

100 %

Average Paid Annual Leave Days per Employee

7 days



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#### **Employee Rewards**

Kaifa offers a range of reward programs designed for employees at different levels, positions, and categories. These programs aim to consistently motivate their enthusiasm and set a standard of excellence within our company. They foster a culture of healthy competition, learning from the best, and maintaining a positive and proactive atmosphere. Specific reward schemes are implemented in various areas, such as lean manufacturing, technology sharing, incentives, performance benchmarks, research and development, and knowledge transfer.

The relevant incentive policies include, but are not limited to, the Employee Rewards Measures, Research and Development Incentive Measures, and Best Practices Incentive Measures. These policies provide both spiritual and material incentives to employees, enhancing their sense of belonging and contributing to Kaifa's overall performance and innovation. They contribute to the mutual development of Kaifa and its employees, creating an environment of excellence.

#### **Rewards System Technological Performance** Cultural **Operation Lean Practices** Benchmarks Inheritance Innovation **Excellence** Department Lean Team Outstanding Intellectual Process Performance Mentor Property Management Leader Excellent R&D Projects Safety Production Technical Instructor Energy Efficiency Best Practices Management nd Conservation During the reporting period **523** Number of Award Recipients

#### **Employee Equity Incentive Program**

Kaifa actively motivates the directors, senior executives, core management personnel, and core technical staff of both Kaifa and its subsidiaries, fostering their enthusiasm, sense of responsibility, and commitment. This program effectively combines the interests of shareholders, Kaifa, and individual operators, encouraging a collective focus on Kaifa's long-term development and joint efforts. It is developed in compliance with relevant laws, regulations, and guidelines, such as the Company Law and Securities Law of the People's Republic of China and the Administrative Measures for Equity Incentives of Listed Companies (2018 revised edition). The program is also aligned with Kaifa's current compensation and performance evaluation systems, aiming to provide equity-based incentives to employees.

#### **Equity Incentive Recipients**

The recipients of Kaifa's equity incentive program include directors and senior executives of Kaifa and its subsidiaries, key middle managers, core technical (business) experts, and other individuals recognized by the board for their special contributions to Kaifa. For specific details, please refer to the Announcement of the Initial Grant of Stock Options under the 2022 Stock Option Incentive Plan, published on the designated website of the China Securities Regulatory Commission.



Number of Equity Grants

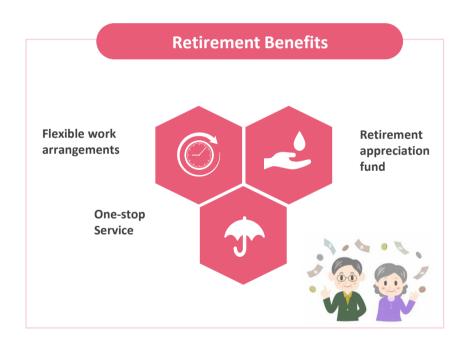
**46. 5475** million shares

Percentage of the number of recipients granted

**12** %

### **Employee Retirement Plan**

Kaifa has formulated the Employee Retirement Management Measures. If employees meet the statutory retirement age in their respective work locations, they can submit a retirement application and enjoy corresponding retirement benefits and receive retirement pensions in accordance with the law. At the same time, in order to improve the retirement experience of employees, Kaifa provides support to retired employees, allowing them to feel the care from Kaifa.



During the reporting period		
Number of retirees	Ratio of retirees enjoying benefits	
46	100 %	

#### **Employee Satisfaction**

Kaifa is committed to establishing a positive work environment and strives to build an employer brand. In order to understand the opinions, experiences, and concerns of employees, we regularly conduct employee satisfaction surveys. We have developed the Factory Satisfaction Survey Process Guidelines as management requirements to assess employees' satisfaction with the work environment, benefits, and development opportunities. Based on the survey results, we take corresponding measures to improve working conditions.

Employee Satisfaction Survey involves employees from both domestic and overseas factories. It collects feedback from employees through anonymous survey questionnaires.

#### **Employee Satisfaction Survey**

Survey Contents	Survey Items	
Business Operations & Production Support Services	<ul> <li>Factory Energy Supply Stability</li> <li>Plant Maintenance Services</li> <li>Procurement Demand Support Services</li> <li>Import and Export Services</li> <li>Warehousing Services</li> <li>Laboratory Technical Support Services</li> </ul>	<ul> <li>Product Testing Equipment and Technical Support Services</li> <li>Smart Manufacturing Support Services</li> <li>Incoming Material Inspection Services</li> <li>Recruitment Demand Support Services</li> <li>Quality Management Support Services</li> <li>Licensing and Certification Processing Services</li> </ul>
Customer Reception Services	<ul><li>Guest and Catering Services</li><li>Front Desk Reception Services</li></ul>	<ul><li>Conference Reception Services</li><li>Car Rental Services</li></ul>
Daily Office Support Services	Information Systems Services	Travel Services
Employee Support and Training Services	Employee Support Services	Employee Training Services
Employee Work & Life Services	<ul> <li>Maintenance of Employee Dormitory Environment and Facilities</li> <li>Employee Dining Services</li> <li>Environmental Sanitation of Park and Office Areas</li> </ul>	<ul> <li>Factory Safety Management Services</li> <li>Labor Union Activity Organization</li> <li>Factory Clinic Services (Partial Survey)</li> <li>Shuttle Bus Services</li> </ul>

#### During the reporting period

The Employee Satisfaction average score is **3.98** out of 5, showing improvement from 2022.

**5,420** survey questionnaires were collected



**Headquarters** 

**Human Resources** 

**Department** 

Headquarters

**Training Center** 

## **Employee Training and Development**

Kaifa is dedicated to establishing a learning organization and cultivating a positive learning atmosphere. We organize training programs for employees at various levels, including through external hiring, internal training, job rotation, experiential learning, visits, and seminars, among other methods. These initiatives align with our development strategies and business needs, aiming to foster the growth of both our employees and contribute to the overall development of Kaifa.

We have implemented training systems, including the Regulations for External Employee Training and the Training Management Process Guidelines, along with talent development policies such as the Measures for Enhancing Talent Quality and the Guidelines for Planning and Implementing Topic-Specific Course Development Programs. These initiatives drive the ongoing transformation and advancement of our training programs, aligning talent development plans and implementation strategies with our company's strategic objectives.

We encourage employees to continuously enhance their professional skills by providing opportunities for outbound learning, obtaining professional qualifications and academic advancements. Kaifa offers rewards and considers these achievements as key factors for talent development and promotion.

#### **Training and Development Risk Prevention**

Risk Type	Target	Risk Impact	Risk Mitigation
Training and Development	All employees	<ul> <li>Inability to meet customer and business development needs</li> <li>Impact on product quality and delivery, reducing customer satisfaction</li> <li>Impairment of employee personal development, career planning, and reduced employability</li> </ul>	<ul> <li>Establish a comprehensive training system</li> <li>Provide abundant learning resources and training courses, diverse learning methods</li> <li>Customize learning paths for key talents and carry out targeted learning projects</li> </ul>

#### **During the reporting period**

Total training hours

133,372 hrs

Average training hours per female employee

33.7 hrs

Average training hours per male employee

**34.2** hrs

Average training hours per managerial-level employee

33.8 hrs

Average training hours per non-managerial-level employee

**34.1** hrs

Number of active trainers

237

Number of newly developed courses

**155** 

Training coverage rate

**87** %

**Factory Human** 

Resources

**Department** 

Training satisfaction exceeding

**95** %



Responsible for overall planning and resource allocation for talent cultivation and development at Kaifa

Responsible for building the Kaifa training system and implementing the planning and execution of talent development projects Factory General Manager

Responsible for the basic planning and resource allocation for talent cultivation and development at the factory

Responsible for building the factory training system and implementing the planning and execution of talent development projects.

**Subsidiary Company Training Center** 

Responsible for differentiated talent development in the local region and the coordination of Kaifa projects

### **Training System**

Kaifa has developed its training system with a core focus on empowering employees and supporting the business. This system specifically targets key employee groups, including new hires, potential leaders, team managers at different levels, and engineering and technical staff. By utilizing training management and online learning platforms, Kaifa ensures the availability of abundant training resources to cater to the diverse training requirements of employees across the entire organization

We recognize the challenges involved in training and development for manufacturing companies, including high costs, time investment, employee turnover, technological innovation, and limited instructor resources. To address these challenges, we continuously innovate our training system and methods, offering high-quality courses and instructors tailored to business pain points and development needs. Our comprehensive training programs, rich learning resources, and dedication to fostering a learning organization enable us to overcome these difficulties

#### **Creating a Learning Organization**

To leverage over 30 years of organizational experience, we cultivate internal experts and key talents in specific positions. Since 2022, Kaifa has established multiple topic groups to drive specialized initiatives, accumulating critical position knowledge across five major capabilities: organizational strength, support strength, team strength, business strength, and innovation strength. Our project development cycle encompasses stages such as planning, course development, training implementation, evaluation, and continuous improvement. Exceptional managers participate in course development teams and serve as instructors, empowering them to provide in-depth coaching and enhance the overall quality of the courses.

As of 2023, numerous projects have been initiated and implemented, including Lean Six Sigma, leadership, manufacturing engineering, customs compliance, safety, SMT technology, team leader, process management, and administrative services. These projects provide training for key personnel in specific positions, ensuring comprehensive coverage of job-related knowledge and fostering a learning and sharing for all learning organization.



## **Organization Enhancing business quality and efficiency** Learning organization Organizational knowledge inheritance Standardization and Integration and job competency **Employee**

Team Process execution and innovation

- consistency of work
- Process innovation to adapt to new businesses
- enhancement for new employees

 Personalized learning and development, and talent cultivation

**Accelerate** integration and growth



**Training Topic Group Planning** 



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#### **Leadership Development**

To empower team managers during their transition into new roles, enhance their team management capabilities, and cultivate high-performance teams, Kaifa offers a series of leadership training programs tailored for different levels of management. These programs include Assistance, Initiation, Continuation, and Navigation.

In 2023, we introduced the "Initiation" leadership training camp specifically designed for newly appointed managers. This program adopts an innovative approach by combining online and offline training formats. It integrates various learning methods, including online courses, practical exercises, interactive online communities, and offline knowledge sharing, to facilitate practical application and action-oriented transformation. The program covers a wide range of topics, including management skills, professional expertise, and overall competencies. It incorporates engaging training activities and practical assignments to ensure effective learning outcomes and the successful application of acquired knowledge.

### Case

#### **Leadership - Initiation Program**



The teaching team comprises exceptional managers from Kaifa who leverage their practical experience to guide students, inspiring them to gain insights into potential challenges and solutions in team management

**Leadership - Initiation Program Results** 

Number of courses

**17** 

Number of course hours

45.5 hrs

**39** 

In our interactive classrooms, knowledge is

assimilated through engaging games and team-based

tasks. We encourage student participation and foster practical application skills by facilitating student sharing and providing valuable teacher feedback

Number of participants

### **Lean Six Sigma Talent Development**

Kaifa consistently organizes Lean Six Sigma training programs to foster a culture of quality process management. These programs involve executives and experts sharing Kaifa's proven strategies. With over two decades of experience, Kaifa has embraced the Lean philosophy of working by process and relying on data-driven decision-making. Through training at different levels, including Lean specialists, Green Belts, Black Belts, Champions, and subject matter experts, Kaifa has successfully promoted operational excellence.



#### **Lean Six Sigma Black Belt Training Camp**

To meet the diverse needs of business capability enhancement, in 2023, Kaifa planned and implemented a series of advanced training programs for key talents in manufacturing engineering. Kaifa selected outstanding managers and technical experts to participate in the internal course development team and serve as instructors, establishing an internal Lean Six Sigma curriculum system. Simultaneously, business-critical talents were selected for the Lean Six Sigma Black Belt Training Camp in 2023 based on performance, potential, and learning ability. The participants covered all global factories, and 71% of them successfully passed the examination conducted by the China Association for Quality(CAQ).





Champion **Coverage Rate** 

46 %

**Black Belt Number of certified individuals** 

**37** 

**Green Belt** 

Number of certified individuals

1082



### **Career Development Pathway**

Kaifa is dedicated to providing comprehensive career development support and opportunities to its employees, enabling them to achieve their personal career goals and unlocking their potential, thus actively contributing to Kaifa's business growth. To facilitate this, we have implemented policies such as the Management Measures for Promotion, Deployment, and Appointment of Managers, Employee Promotion Management Measures, and Qualification Standards for Employment. These policies establish diverse development paths, including the Worker Series, Management Series, and Technical Series offer vertical promotion paths and encourage lateral series conversion, allowing employees to transition their career directions.

Furthermore, to further develop employees' capabilities, cultivate versatile talents, and create broader career development opportunities, Kaifa has introduced policies such as the Measures for Enhancing Talent Quality and Job Rotation Management Measures. These policies provide job rotation opportunities for high-performing and high-potential employees. Through diversified training, personalized development opportunities, focused talent development programs, and transparent internal talent mobility, Kaifa motivates employee growth and development, fostering mutual development between employees and our company.

#### **Key Initiatives for Employee Career Development**











### **Training Opportunities**

Starting from new employee onboarding, we combine online and offline, internal and external, as well as interactive and sharing learning formats to help employees continuously enhance their professional skills and knowledge. This ensures that employees stay aligned with industry trends and best practices.

### **Personal Development**

We place a strong emphasis on the personal development of our employees, prioritizing the Individual Development Plans (IDPs).

Additionally, we have implemented Regulations for Recent Graduate Development to provide comprehensive support. Each new employee is assigned a mentor, and we create individualized training programs with specific target indicators.

### **Customized Development**

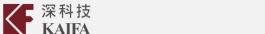
We design customized development plans for key talent. Through processes such as personnel selection, concentrated training, onthe-job practice, and performance assessments, we identify outstanding individuals. These individuals are then entered into Kaifa's talent pool and provided with priority career development opportunities within our organization.

#### **Fair and Inclusive**

We have developed the Employee Promotion Management Measures to promote talent mobility through open recruitment and internal competitions. This allows employees to pursue career growth based on their professional expertise and development aspirations.

#### **Lifelong Learning**

We advocate for employees to continuously enhance their employability and encourage them to engage in continuous learning and self-improvement.

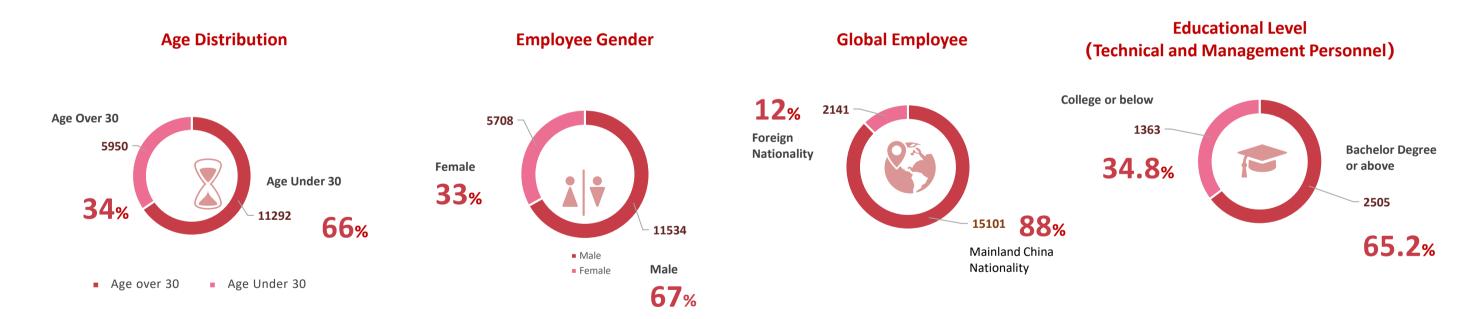




## **Human Resources Structure**

Kaifa prioritizes talent development at all levels and actively promotes the Three Transformations of youthfulness, internationalization, and knowledge-based talent building. This approach aims to foster innovative thinking among employees and cultivate a group of individuals with international management capabilities and expertise in core technologies. We strongly encourage young individuals to assume key positions, injecting a continuous stream of fresh energy into Kaifa.

### Distribution of Human Resources Structure in 2023





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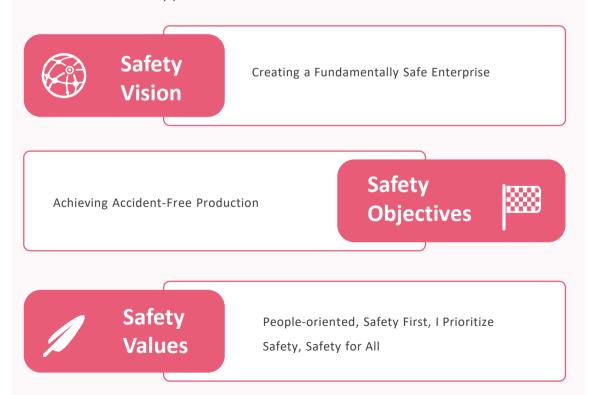


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## Occupational Health and Safety

Kaifa adheres to the People-Oriented concept of safety production, upholds the safety production policy of safety first, prevention as the main approach, comprehensive management, and is committed to creating a healthy, safe, and harmonious working environment and culture for its employees.

We have established a safety vision and values, with the aim of achieving accident-free production. In compliance with safety production laws and regulations, such as the Labor Law, Work Safety Law, Occupational Disease Prevention and Control Law, and Fire Protection Law of the People's Republic of China, we strictly ensure safety measures. We comprehensively implement safety responsibilities, improve safety production technologies, and continuously enhance the level of safety production informatization.



### **Safety Production Investment**

Kaifa is dedicated to providing employees with consistently secure production conditions and ensuring the essential investment in safety production. Statistical data confirms that the annual safety investment proportion complies with national requirements.

#### Note:

Initial investment in safety facilities.

Excluding safety evaluation for new construction, renovation, and expansion projects.

**2023 Safety Production Investment** 

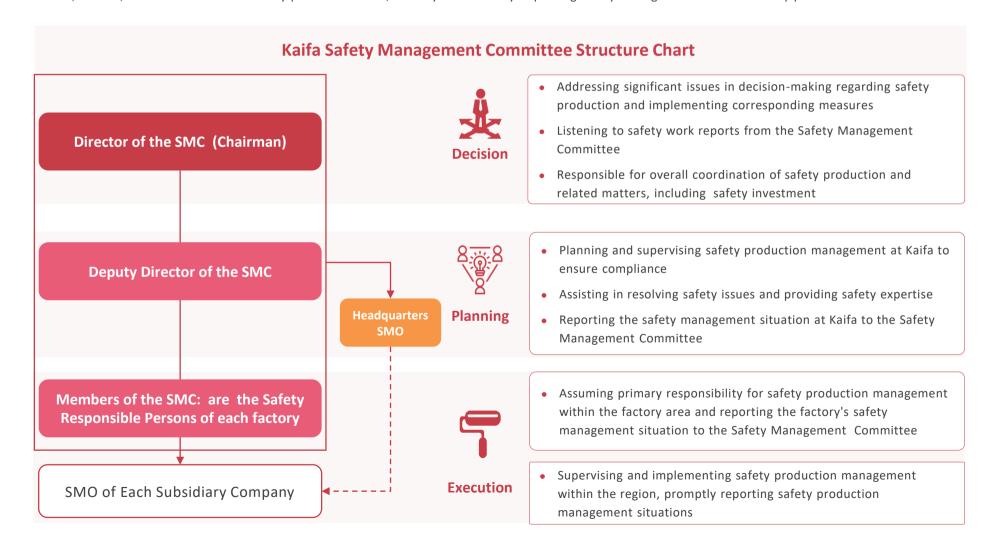


Type of Safety Investment	Content
Safety equipment and facilities	<ul> <li>Improve, renovate, and maintain safety facilities and equipment (Note1)</li> <li>Promote new technologies, standards, processes, and equipment for safety production.</li> <li>Test and inspect safety facilities and special equipment.</li> </ul>
Emergency response	<ul> <li>Procure, maintain, and update emergency rescue equipment and teams, and revise emergency plans.</li> </ul>
Hazard source monitoring	<ul> <li>Expenditure on detection, assessment, and monitoring of hazard sources, graded control of safety risks, rectification of accident hazards, and construction of safety production information technology and intelligence.</li> </ul>
Training and education	Safety production promotion and education
Occupational health	<ul> <li>Procurement and renewal of safety protective equipment.</li> <li>Occupational health examinations</li> </ul>
Others (directly related expenses to safety production)	<ul> <li>Safety production inspections, evaluations, consultations, and standardization construction. (Note2)</li> <li>Incentives for reporting hidden accident hazards.</li> </ul>

#### **Safety Management Organizational Structure**

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In 2012, the Board of Directors authorized the establishment of the Safety Management Committee (SMC), with the Chairman assuming the role of the Committee's Director. This committee is responsible for safety management and decision-making on important safety production issues as the Principal Person in Charge. Within the committee, there is a Headquarters Safety Management Office (SMO), which oversees safety supervision and management. It assists the Committee's Director in planning, deploying decisions, and setting requirements. Additionally, it provides supervisory oversight to the Safety Management Offices of subsidiary companies. The Safety Committees of each subsidiary company are responsible for executing safety production within their respective areas of responsibility. To ensure effective implementation and execution of decisions and plans, the Safety Committee organizes regular safety production meetings to review, discuss, and address relevant safety production work, thereby continuously improving safety management methods and approaches.



In order to strengthen safety responsibilities and minimize oversights, the Safety Management Office operates in accordance with Kaifa's organizational structure and functions. We employ the Six Sigma quality improvement management methodology to conduct specialized research and establish a robust responsibility system. This system includes identifying 46 distinct safety roles and ensuring clarity in their respective responsibilities. We formalize these responsibilities through signed safety production responsibility agreements at all levels. Additionally, we develop comprehensive process guidelines and conduct annual assessments, such as evaluating the safety performance of employees and safety officers, as well as assessing target indicators. These measures effectively enforce safety responsibilities throughout the organization.

35

213

#### **Safety Management Team**

• Registered safety engineers: 22

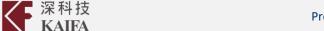
 Full-time safety management personnel:

 Part-time safety officers from various dept:



Safety Production Responsibility Agreement Signing Rate

100%



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### **Occupational Health and Safety Management System**

Since 2002, Kaifa has been developing an occupational health and safety management system, continually advancing the ISO 45001 system and improving safety supervision and management. The system currently covers all employees, including domestic staff, labor dispatch workers, and interns. In 2023, the Safety Management Office conducted a comprehensive review of the safety production management system, focusing on integration and division to optimize safety-related management systems and processes. New documents, such as the Safety Management Planning Process Instruction and Annual Review Form for Safety Management Documents, were added to provide guidance for the continuous improvement of the safety production system.

Responsible

Governance



System Certification Rate:

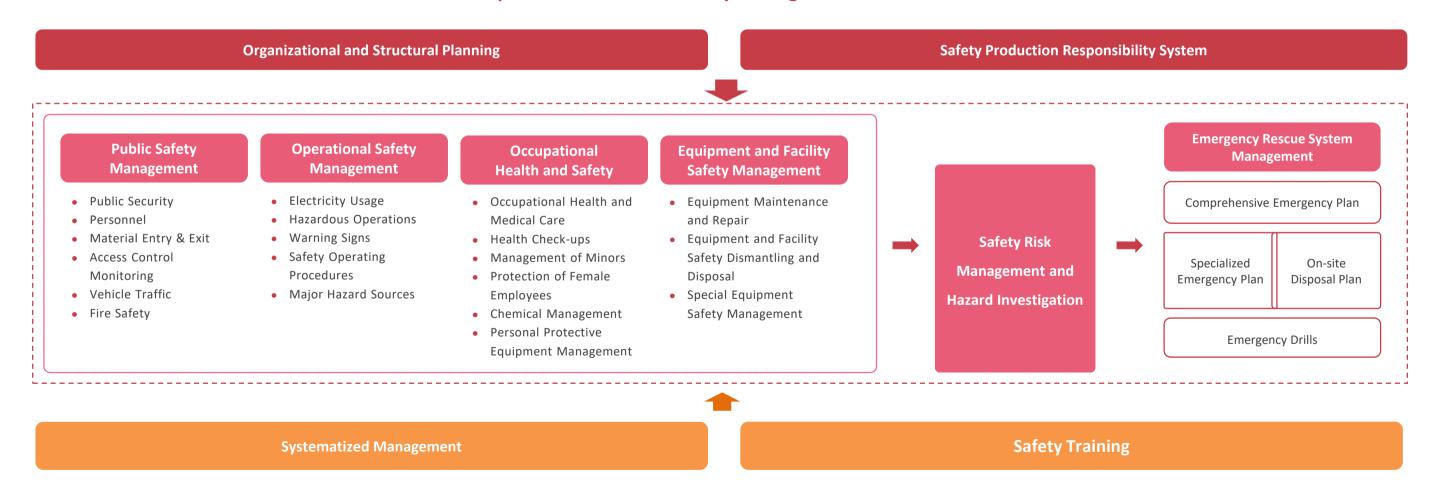
tion Rate:



Number of Factories with Completed System Certification:

10

### **Occupational Health and Safety Management Structure Chart**





### **Occupational Health and Safety Risk Management**

In the current trend of gradual globalization in the market, Kaifa remains committed to a foundation of high-end manufacturing, intelligence, and digitization to enhance production quality and efficiency. However, as we accelerate development and innovation, we must also address the significant safety risks and opportunities that arise. These risks include new safety challenges brought about by technological innovation, equipment upgrades, business expansion, and the digital transformation. To address these concerns, we continuously strengthen risk management, enhance process control, and ensure sustainability and safety.

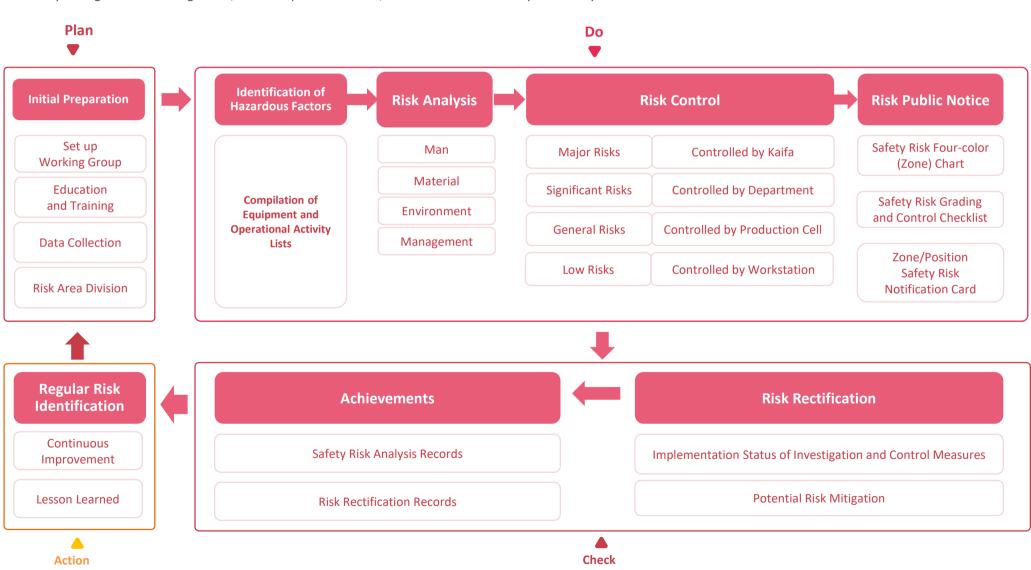
Kaifa has established a dual preventive mechanism to proactively control safety risks, thereby reducing the occurrence of accidents.

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Every year, we organize risk identification and updates across our factories and departments. Through risk analysis and control, we assess the frequency (F), exposure (F), and severity (S) of potential risks associated with our operational activities. Based on these assessments, we implement specific control measures to effectively maintain the risk level within an acceptable range.

Furthermore, whenever new operational activities arise, significant changes occur in relevant laws and regulations, or we receive feedback from other stakeholders, we conduct a reassessment and revision of our risk identification and control processes. We then develop targeted control measures based on the updated results.

The key personnel involved in safety risk identification and control include dedicated safety management staff and the ISO 45001 system owner. Their involvement ensures the effectiveness and accuracy of our risk identification and assessment processes.





Currently, Kaifa does not have any significant high-risk activities or major hazardous sources. However, there are six operational activities classified as having a higher risk level. Hazardous operations, such as hot work, work at heights, and confined space operations, are the key areas of focus in Kaifa's safety management efforts. To prevent accidents, we strictly adhere to the hazardous operations approval system, implement robust safety measures, and adopt a control approach that includes on-site supervision by guardians and safety inspections conducted by responsible departments. These measures are in place to ensure safe operations and minimize the occurrence of safety incidents.

Hazardous Sources	Operational Activities with a Higher Risk Level
Electrical Equipment/Facilities	Areas with Distribution Equipment and Circuit Maintenance
Flammable Gases	Kitchens using Natural Gas for Cooking
Hazardous Operations	Hazardous Operations such as Hot Work, Confined Space Work, Cross Operations, Work at Heights, Temporary Electrical Work
Hazardous Chemicals	Operations involving the use and storage of Hazardous Chemicals in Cleaning, Production, and Handling activities, as well as Hazardous Chemical Storage Warehouses
Special Equipment	Use and Maintenance of Elevators, Forklifts, Pressure Vessels, etc.
Occupational Hazard Factors	Occupational Hazard Factors in Job Positions

In 2023, we revised the 'Guidelines for Graded Control and Investigation of Safety Risks and Hazards to enhance the processes and requirements for risk identification and control. As part of this revision, we updated the Hazard Identification and Control Form. The form now categorizes risk control measures into five subdivisions: engineering technical measures, management system measures, education and training measures, personal protective measures, and emergency response measures. This categorization aims to prevent the formulation of inadequate control measures, which can lead to management failures and oversights.

#### **Employee Participation and Protection**

Employee feedback and suggestions are crucial in safety management at Kaifa. We have implemented various measures to actively encourage employees to provide feedback on safety issues. Our dedicated professionals promptly address and resolve these matters, significantly enhancing employees' intrinsic awareness. This shift from external motivation to internal commitment establishes a collaborative approach where our company and employees work together to promote safety management.

To foster the active participation of all employees in safety risk identification, we encourage them to proactively report safety hazards. As part of this effort, we have implemented a QR Code Reporting System for Safety Hazards. This system undergoes annual evaluation, and awards are granted to enhance participation and ensure the timely rectification of identified safety hazards.

#### 2019-2023 Safety Hazard Reporting Data



Number of reported safety hazards:

943



Total awards granted for hazard reporting:

RMB **110,000**+

Commitment

To safeguard employees' rights to provide suggestions, opinions, and lodge complaints with supervisory management departments, Kaifa commits to not engage in workplace retaliation or reprisal based on these actions.

Kaifa strictly prohibits compelling employees to engage in unauthorized risky operations, ensuring the safety of employees' lives. Additionally, Kaifa employees have the right to refuse to participate in hazardous operations when personal safety cannot be guaranteed.



### **Occupational Health and Safety Environment**

Kaifa consistently prioritizes the improvement of safety environment and occupational health management for its employees. It has developed documents such as the Regulations for Occupational Health and Medical Care Management Process Instruction. Every year, regular assessments of occupational hazard factors are conducted based on the actual work environment at Kaifa, ensuring compliance with standard limits. Each factory strictly implements occupational health surveillance and protective measures to safeguard employees against occupational diseases and injuries.







#### Potential occupational hazard factors at Kaifa may include:

- Dust
- Organic compound
- Noise
- Inorganic
- Lighting level
- compounds
- Temperature
- Infrared radiation

- Humidity
- Ultraviolet
- Fields
- radiation Power frequency
- electric
- · Ionizing radiation

## Case

#### **Production Automation**

To establish a foundation of safety, each factory is proactively implementing intelligent and automated equipment and facilities. In 2023, Kaifa Shiyan initiated the implementation of a lights-out factory concept, promoting automation through the utilization of robotic arms for occupational hazard positions and employing transport robots for material handling. These measures aim to mitigate occupational hazards associated with manual operations and facilitate a gradual transition toward achieving fundamental safety.



Kaifa Shiyan's production automation

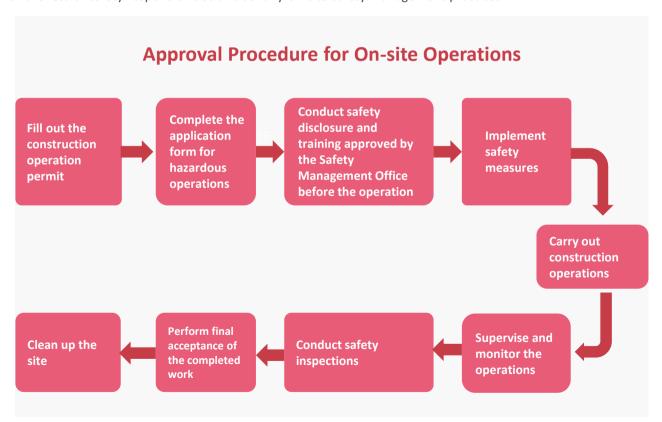
### **Chemical Safety Management**

Kaifa, in accordance with the United Nations policy and strategy for chemical management, has developed documents and guidelines for chemical management and emergency response. We implement comprehensive lifecycle management of chemicals, effectively controlling potential safety risks such as leaks, fires, and explosions associated with dangerous chemicals. Additionally, we actively adopt alternative safety measures to minimize the release of toxic and hazardous substances. For example, we replace toxic and harmful volatile organic solvents with safer water-based cleaning agents, reducing the risk of employee exposure to toxic and harmful substances and ensuring occupational health.

All newly added dangerous chemicals must undergo approval from the relevant departments at Kaifa to ensure compliance with chemical suppliers and the implementation of effective control measures for emerging risks before procurement. Over the years, Kaifa has maintained strict on-site management of chemicals, requiring the implementation of appropriate safety measures based on the nature of the hazardous substances. These measures include fire and explosion prevention, safety warnings, emergency procedures, leak prevention measures, personnel safety training, personal protective equipment (PPE), ventilation and exhaust systems, and assigning responsible individuals. Failure to comply with these safety measures will be recorded and addressed as non-conformities.

#### **Contractor Management**

Supplier and contractor operations are high-risk areas prone to accidents. To establish the responsibilities of relevant stakeholders, strengthen safety risk management, and prevent safety incidents, Kaifa has developed guidelines for the Management Process for Outsourced Workers, the Management Process for Hazardous Operations, and supplier management processes. These documents outline specific requirements, including qualifications for suppliers and contractors, construction permits for on-site operations, approvals for hazardous operations, the signing of safety responsibility agreements, and penalties for violations. Furthermore, Kaifa has strengthened the internal approval process for hazardous operations and the management of reporting and approval for small-scale projects. These efforts aim to enhance contractors' awareness of safety responsibilities and solidify on-site safety management practices.



Kaifa recognizes contractor safety management as an important risk management measure and consistently emphasizes the implementation of operation permits and the supervision of guardians. We continuously strive to improve the fulfillment of safety responsibilities by both parties, signing safety agreements, and strictly fulfilling the responsibilities, obligations, and rights of the contracting parties. We implement unified supervision and management of contractors' safety production and conduct regular safety qualification reviews and training to ensure the safety of operations.

Zero

Incidents of work-related injuries among contractors in the past three years

Number of contractors

Rate of signing safety production responsibility 100% agreements:



#### **Contractor Meetings and Training**

Kaifa regularly holds contractor safety meetings to disseminate and train contractors on our safety regulations and principles. The aim is to foster a strong identification with Kaifa's safety culture among contractors, encouraging them to proactively fulfill safety responsibilities and implement relevant safety management measures.







**Contractor Safety Meetings** 

**Pre-operation Safety Training and Briefing Meeting** 

In 2023, 60 safety responsibility agreements were signed with rental businesses. These agreements encompass conducting audits of lessees' relevant qualifications and licenses, providing safety knowledge training, regularly conducting emergency drills and hazard inspections, fulfilling responsibilities for supervision and management, and mitigating safety risks arising from inadequate implementation of safety responsibilities by the lessees.

### Identification and remediation of potential risks

Each year, Kaifa actively organizes and deploys the identification and remediation of potential risks in accordance with national laws, regulations, policies, and various requirements. The safety inspection plan is refined, and inspection tasks are implemented step by step to ensure effective rectification of identified hazards.

In 2023, the leadership team from Kaifa conducted a total of **77** safety inspections.

Kaifa's top management demonstrates leadership in the following areas

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- Take the lead in implementing the responsibility for safety production among all emplovees
- Take the lead in organizing the investigation and remediation of significant accident risks within Kaifa
- Take the lead in conducting investigations and rectification of hazardous operations such as hot work.
- Take the lead in conducting investigations and rectification of outsourcing and leasing.
- Take the lead in conducting accident emergency rescue drills.



Special Action for the Investigation and Remediation of Potential Risks

Kaifa dedicated substantial human and material resources to the identification and management of hazards. In addition to conducting planned hazard investigations and annual safety production cross-inspections, in 2023, the Safety Management Committee developed the 2023 Kaifa Action Plan for Investigating and Remediating Major Accident Hazards. This plan proactively conducted investigations into major accident hazards in areas such as construction, explosive dust, confined spaces, fire safety, gas safety, and hazardous operations, ensuring the fulfillment of the principal's 'Five Leadership' responsibilities.



Kaifa's leadership team conducted on-site inspections









Leadership teams from subsidiary companies conducted safety inspections

To improve inspection efficiency and establish a standardized framework for safety checks, the Safety Management Office organized safety experts and personnel from Kaifa to develop Safety Inspection Manual. This comprehensive manual includes essential guidelines for safety inspections in critical areas such as production workshops, chemical storage areas, warehouses, power rooms, sewage treatment plants, fire control rooms, dormitories, canteens, intermittent construction sites, and occupational hazards.

In 2023, the data regarding hazard identification and remediation are as follows

- A total of **180** hazard investigations were conducted.
- 1490 safety hazards were discovered.
- The hazard rectification rate is approximately **99.5%**. (0.5% of the hazards are currently undergoing rectification, with plans to complete the process in the first quarter of 2024.)



#### **Safety Cross-Inspection**

In addition to self-inspections and self-rectification, the Safety Management Office regularly organizes safety production cross-inspections. A Safety Cross-Inspection team has been established to facilitate the sharing of safety work experiences, mitigate blind spots, and address potential gaps in routine safety inspections. This approach aims to continuously enhance the capability of identifying and addressing hidden dangers. In 2023, approximately 40 safety hazards were identified, all of which have been rectified.



**Meeting of Safety Cross-Inspection** 



On-Site Safety Cross-Inspections Conducted by the Safety Inspection Team in Chengdu

## **Occupational Health and Safety Training**

To provide employees with an in-depth understanding of Kaifa's safety production principles, culture, basic safety knowledge, and emergency procedures, as well as to enhance their safety awareness and encourage self-initiated improvement in safety practices, Kaifa has developed a comprehensive occupational health and safety training program. This program includes the development of training plans, the implementation of training sessions, the assessment of training outcomes, and the evaluation of effectiveness to ensure the successful execution of the training. All training sessions are provided to employees free of charge during their regular working hours.

Occupational
Health and
Safety Training
in 2023

Total number of training sessions:

442

Number of participants in training:

24,278

Total training duration:

481,380<sub>hrs</sub>

Safety training coverage rate:

**100**%

In addition to offline education and training such as pre-job safety training, on-the-job safety training, specialized training for specific job roles, emergency drill training, and accident education training, Kaifa has collaborated with the Safety Committee of each subsidiary to establish safety project teams. These teams have developed online courses for cybersecurity training. The courses are taught by certified safety engineers and other professionals, covering subjects like workplace safety, hazardous chemical safety, workshop safety, occupational health, food safety, and storage safety.

In 2023, the Safety Management Office at Kaifa's headquarter conducted safety accident warning education. They compiled a Safety Incident Warning based on recent typical accident cases from both domestic and international sources and organized all employees to participate in the study.

## **Case**

#### **Safety Education and Training**



**Traffic Safety Training** 



**Pre-job Safety Training for Factory Teams** 



**Accident Warning Education and Training** 



Watch the Safety Documentary

## **Occupational Health and Safety Promotion**

To thoroughly promote the concept of Safety First, Kaifa utilizes multiple communication channels such as WeChat groups, public accounts, emails, notice boards, on-site banners, posters, and other means to continuously strengthen promotional efforts. Throughout the reporting period, Kaifa conducted a total of 116 safety promotion and education activities. Additionally, we organized educational activities during National Occupational Health and Safety Month, National Safety Production Month, and National Fire Safety Awareness Month. Furthermore, to further strengthen Kaifa's safety culture, we established dedicated safety months such as Safe Travels Month, Construction Safety Month, Occupational Health and Safety Month, Dormitory Safety Month, Rental Property Management Safety Month, Food Safety Month, Equipment Safety Month, and Safety Culture Building Month. These dedicated safety months involve educational activities and various work plans based on the respective themes.



#### **Safety Production Month Kick-off Meeting**

Kaifa organized meetings for management to launch the Safety Production Month, announce the plan, and officially initiate the safety month activities. Under the theme of Everyone Knows Safety, Everyone Knows Emergency, the Safety Management Offices in various locations conscientiously organized a total of 51 promotional training and educational activities.



**Safety Production Month Kick-off Meeting** 

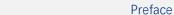


#### **Fire Safety Awareness Month**

Kaifa launched the Fire Safety Awareness Month with the theme of Prevention First, Life First. It organized various activities, including public square promotions, competitions for fire safety knowledge and skills, and fire drills, to enhance the fire safety awareness among all employees.



**Fire Safety Knowledge and Skills Competition** 



Responsible Governance

Sustainable Environmental Management

Innovation
Concepts and
Technologies

Sustainable Supply Chain Management



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Kaifa fulfills its commitment to the well-being of employees and society by prioritizing health education and promotion efforts. It is dedicated to addressing global health issues such as HIV/AIDS, tuberculosis, malaria, and other diseases through preventive measures and disease management. Kaifa has developed contingency plans for infectious diseases and provides employees with training on infectious diseases and general health.

Kaifa embraces the responsibility of Preventing and Treating Occupational Diseases for the Benefit of Workers. In 2012, it was awarded the title of Cooperative Health Promotion Enterprise. Over the past decade, Kaifa has enhanced workers' health knowledge, fostered a culture of well-being, and improved occupational health management through rational planning, engaging activities, awareness campaigns, and active feedback.



# Occupational Health Management System

- The well-established system forms the foundation of Kaifa as a health-conscious enterprise. After years of development, Kaifa has implemented a comprehensive employee health management system, which comprises occupational health check-ups, training programs, workplace environment enhancements, and promotion of healthy lifestyles. These measures effectively safeguard employees' well-being.
- Since its establishment in 1985, there has been no occurrence of occupational diseases.



# Seeking Employee Input on Health and Safety

- Kaifa conducts annual employee representative meetings to gather representative employees' opinions on occupational health. We consistently enhance the work environment to ensure the comfort and safety of our employees. During the reporting period, we collected a total of 90 safety-related suggestions from our employees, achieving a 100% response rate.
- To promote improvements in health management, we conduct 100 health surveys each year. This helps enhance employee health awareness and knowledge while also committing to safeguarding the personal health information and privacy of our employees.



# Health Training, Education and Events

- In order to effectively assist each employee in safeguarding their personal well-being in the workplace, it is essential to apply occupational health and safety measures on an individual basis. Kaifa has organized various forms of health training, education, and programs to aid employees in cultivating healthy lifestyles and work habits.
- During the reporting period, Kaifa conducted a total of 31 health promotion events, with 4,985 individuals seeking medical consultations. The total consultation time amounted to approximately 18,658 hours.

## **Emergency Management**

We are fully aware of the detrimental effects of unforeseen incidents on society, businesses, and individuals. Apart from proactive preventive measures, we also prioritize post-event response. To this end, we have established an emergency command center, enhanced our emergency management system, assembled an emergency team, ensured the availability of emergency supplies, and employed emergency technologies to provide comprehensive assurance for Kaifa in combating unforeseen incidents.

#### **Emergency Command System Chart**

**Emergency Command Center** 

Overall Commander: Vice President

**Deputy Commander: Safety Director** 

**On-site Commander: Safety Manager** 

#### **Emergency Response Team**

**Communication and Coordination Group** 

**Alert and Evacuation Group** 

**Logistics Support Group** 

**Medical Aid Group** 

**Emergency Rescue Group** 

Kaifa has established an emergency management process and developed an emergency management manual that consists of comprehensive emergency response plans, specific emergency plans, and on-site crisis management protocols. This manual undergoes regular evaluations to ensure its effectiveness. We prominently display emergency response charts in key positions and promptly make them available to the public. Moreover, we strictly adhere to relevant national emergency laws, regulations, and standards. To maintain preparedness, we enforce a shift-based duty system for emergency response and conduct regular emergency drills. Our employees receive frequent first aid and emergency response training to enhance their capabilities in handling emergencies. Additionally, our emergency teams collaborate with firefighters in regular drills to continually improve their professionalism. This collective effort ensures timely accident response, effective on-site control, and the prevention of incidents from escalating or causing harm to the public.

**Emergency Drills:** 

88 sessions

Number of Participants:

29,317

### **Case**

#### **Emergency Preparedness and Drills**

Kaifa actively organizes a wide range of emergency drills, including emergency evacuation exercises, fire extinguishing practical exercises, electric shock response drills, gas leak response drills, confined space accident response drills, first aid training drills, flood and typhoon preparedness exercises, elevator emergency drills, and more. These drills effectively enhance our emergency response capabilities.



Fire evacuation drill



Elevator emergency drill



Flood prevention drill



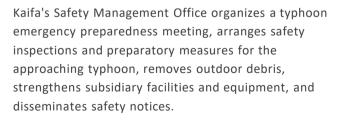
Confined space accident response drill



Fire extinguishing practical exercise



Gas leak response and food contamination drill





**Typhoon Emergency Preparedness Meeting** 



## **Accident Incident (Work-related) Management**

Kaifa has developed the Management Process for Production Safety Accident Reporting, Investigation, and Handling to ensure standardized and rationalized procedures for accident reporting, investigation, and accountability. These guidelines are designed to promote accurate accident investigation findings. Employees are required to promptly report near-miss accidents, first aid incidents, and work-related accidents, with strict prohibitions on concealing, withholding, or delaying reporting. Employees who promptly report accident incidents are recognized and may be eligible for commendations or rewards. As part of our plans for 2024, we aim to implement an information system for managing the reporting of accident incidents, which will significantly enhance the efficiency of incident feedback.



On-site
Reporting and
Emergency
Response

After an accident occurs, it should be immediately reported to the department head by phone, and emergency response measures should be implemented.

2

Reporting to the Safety Management Office

The department head should promptly report to the Safety Management Office in their respective area.



Investigation and Handling

The Safety Management Office coordinates with relevant departments to swiftly conduct in-depth investigations and handle the incident, analyzing the fundamental causes of the accident

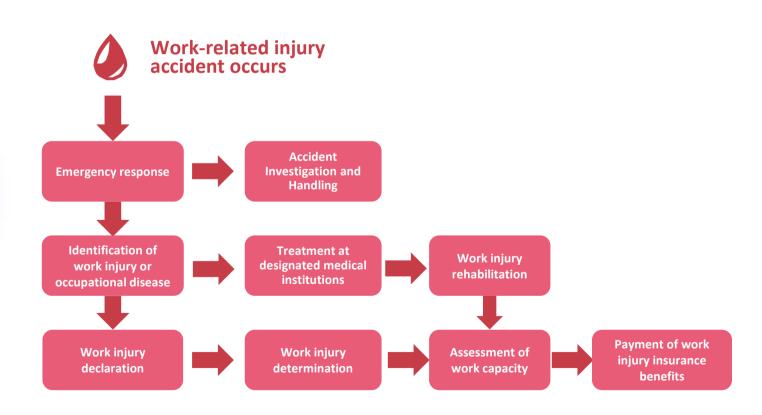


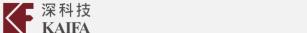
Accident Education

Accountable individuals are required to make necessary corrections and carry out accident education and training.

Kaifa prioritizes people and respects the human rights of its employees. To ensure employees receive their rights and entitlements after a work-related injury, Kaifa continuously improves its protocols for managing work-related injuries. This includes ensuring equitable assessment of work-related injuries and providing suitable arrangements for injured employees, such as granting necessary leaves of absence, providing wage compensation, and facilitating reasonable job transfers, in compliance with applicable laws and regulations.

## **Work-Related Injury Accident Handling Process**





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## **Safety Production Accident Statistics**

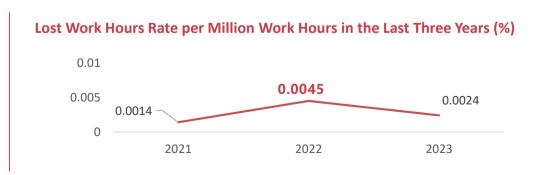
According to statistics, from 2021 to 2023, the statistics on safety production incidents at Kaifa are as follows:

Categories of Incidents		2021	2022	2023
Non-reportable incidents	Near-miss incidents	11	14	12
Non-reportable incluents	First aid incidents	-	-	30
	Work-related medical injuries	6	1	1
Reportable incidents	Work-related accidents with time loss	11	8	13
	Fatalities	0	0	0
	Occupational diseases	0	0	0

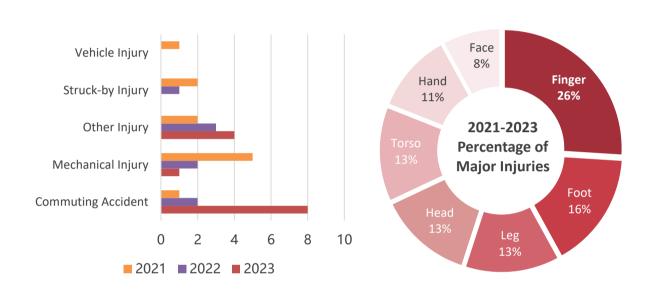
- In 2021-2022, there was a lack of proper recording for first aid incidents. Kaifa will continue to enhance the management of these incidents and establish effective monitoring and analysis mechanisms.
- In 2023, a 57-year-old employee tragically passed away due to a heart attack at their residence. Kaifa has treated this case as a work-related injury and promptly responded with appropriate measures. We have intensified employee health and safety training and implemented regular medical check-ups to support comprehensive health management.
- First aid incidents have been tracked since 2023.



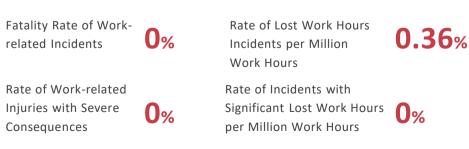
From 2016 to 2023, there have been no reported cases of occupational diseases.



## Main Categories of Work-related Injury Accidents (2021-2023)



#### **Accident Rate Statistics for 2023**





## **Creators of Social Value**

We consistently pay attention to and actively fulfill our social responsibilities. Centered around the national rural revitalization strategy and themes such as community development, environmental protection, and supporting vulnerable groups, we join hands with our employees to organize diverse philanthropic activities. Through our concrete actions, we give back to society and contribute the strength of Kaifa.



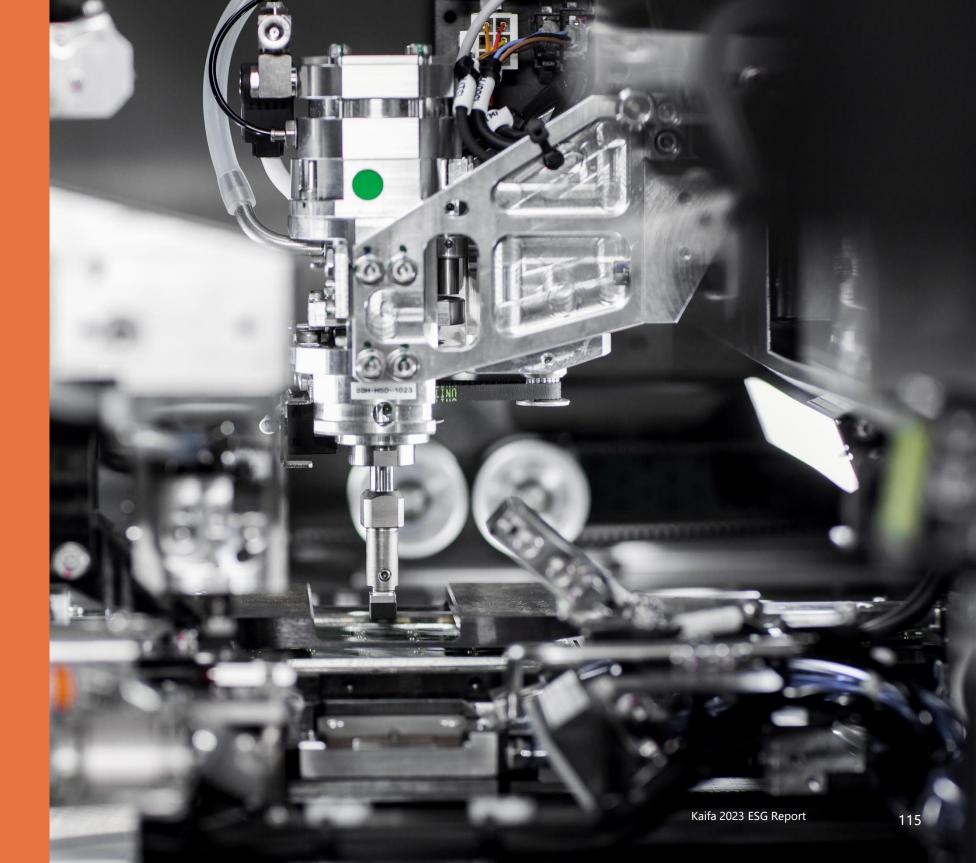
Donation for vulnerable groups in 2023 (RMB):

**1.5**M



Cumulative donations for Thalassemia Children in 14 years (RMB):

**2.2**M





Closing



## **Promoting Employment**

Kaifa consistently promotes the implementation of stable employment policies and leverages industrial growth to generate job opportunities. Through collaborations with educational institutions and targeted job fairs, Kaifa attracts talented individuals from both society and universities. Moreover, Kaifa prioritizes the recruitment of local employees in its various factory locations, thereby fostering employment opportunities in nearby communities.

## **Advancing University-Enterprise Collaboration**

To enhance its technological research and development capabilities and drive the commercialization of research achievements in relevant fields, Kaifa fosters internship and employment opportunities for university students. Adhering to the principles of shared resources, complementary advantages, shared responsibilities, and mutual benefits. Kaifa collaborates with renowned domestic and international universities on projects involving universityindustry cooperation, joint training programs, and internship initiatives. Additionally, Kaifa establishes innovation centers to facilitate technological collaboration and knowledge exchange between Kaifa and universities.



The research teams from both parties collaborate through technology cooperation to jointly undertake research and development projects.

Addressing Kaifa's talent needs, Kaifa establishes agreements with universities for joint graduate training, working together to fulfill student education and teaching tasks.

**Joint Training Programs** 





Internship **Programs** 

In response to Kaifa's management and business requirements, Kaifa establishes agreements with universities for schoolenterprise cooperation internship programs, jointly providing students with professional internship opportunities.

## **Policy on School-Enterprise Cooperation**

Kaifa has established the Management Measures for School-Enterprise Collaboration Platform, which aims to foster the successful execution of research projects through provisions such as research grants and student internship support. Based on the academic achievements and professional competencies of participating researchers, monthly internship allowances ranging from RMB 5,000 to 10,000 are provided. Moreover, additional benefits including complimentary accommodation, meal subsidies, accident insurance coverage, and overtime compensation are offered. Participants engaged in Kaifa's research and development initiatives may also be eligible for project bonuses based on their contributions. Upon completion of the joint training program, exceptional students who express a genuine interest in long-term career growth at Kaifa can enter into labor contracts aligned with salary levels commensurate with recent graduates.



New graduates and interns officially join Kaifa



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# **Public Welfare Actions**

The growth of a company is inseparable from the support of society. Kaifa has always been proactive in responding to national strategic needs by leveraging its business advantages and contributing to areas of social value. It actively engages in and supports initiatives related to rural revitalization, agricultural assistance, environmental protection, community welfare, and volunteer activities. By continuously focusing on and participating in social welfare endeavors, Kaifa upholds its corporate values of serving society.

## **Empowering Rural Revitalization**

Kaifa actively responds to the national call for rural revitalization, and for many years has been supporting rural revitalization through means such as donating funds, assisting in the sales of agricultural products, and promoting sustainability in the supported regions.

### **Case**

#### **Assistance for Rural Revitalization**

We have donated RMB 1.2 million to support rural revitalization. Additionally, through consumer assistance, we have purchased agricultural and rural products with a total value of approximately RMB 288,000 from targeted assistance counties, including Songtao County in Guizhou, Langzhong City in Sichuan, and Zhen'an County in Shaanxi. This initiative aims to stimulate economic development in the assisted regions.





**Rural Support Week** 

**Promoting Rural Products** 

## **Engaging in Community Welfare**

We actively participate in community activities, consistently linking the development of our company with the flourishing of the community. We are committed to maintaining long-term and close connections with various social groups and fostering collaboration. As Kaifa continues to grow, we actively contribute to community development through tangible actions, promoting harmonious progress within the community.



#### **Blood Donation Campaign**

Voluntary blood donation is a crucial source of blood supply for medical treatment. In 2023, we partnered with the Blood Center to organize multiple blood donation campaigns. We collectively donated a total of 31,200 ml of blood, demonstrating our commitment to spreading positive energy and supporting the continuation of life through practical actions.









Kaifa Dongguan Blood
Donation Campaign

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## **Case**

#### **Kaifa Chengdu Love Donation**

Kaifa Chengdu donated 1 semi-automatic external defibrillator, equivalent to approximately RMB 76,000, to Tianquan Community Workstation of Xiyuan Street, Chengdu High-tech Zone, Xiyuan Street Office of Chengdu High-tech Zone, Experimental Middle School of University of Electronic Science and Technology, and Affiliated Primary School of Experimental Middle School of University of Electronic Science and Technology.



Kaifa Chengdu donated automated external defibrillators (AEDs) to Schools



#### **Establishing "Red Rider" Refueling Stations**

Kaifa Suzhou actively participated in the "Red Rider" refueling station event organized by Shengpu Street, Suzhou. A refueling station was set up in the Kaifa security office, equipped with water and emergency medicine, to provide convenience for new forms of employment such as delivery drivers and food delivery personnel. This initiative demonstrates care and support for the emerging workforce in new industries.



Kaifa Suzhou "Red Rider" Refueling Stations

## **Advocating Environmental Protection**

We are committed to sustainability and the continuous promotion of ecological civilization. Kaifa actively organizes diverse environmental protection initiatives, such as tree planting campaigns, Earth Hour, energy conservation and emission reduction conferences, and more. These activities align with the fundamental national policies and principles of resource conservation and environmental protection. We aim to instill in all employees a sense of awareness and action towards water and energy conservation, as well as promoting green production and operations. By enhancing employees' environmental consciousness, we encourage everyone to start from small actions in their daily lives, collectively safeguarding the environment and making contributions to preserving a healthy ecological environment.





**Ecological Conservation Action** 

#### Tree-Planting Activity in Suzhou Industrial Park

Kaifa Suzhou participated in the Gathering Green Energy, Building Youthful Forests tree-planting event held in Suzhou Industrial Park. Over 100 individuals came together to enhance the park's environment by planting nearly 50 trees. This initiative has increased the park's vegetation coverage, improved the ecological environment, and contributed to a brighter future for our planet's home.



**Tree-Planting Activity in Suzhou Industrial Park** 

#### Tree-Planting Activity in Kaifa Chongqing

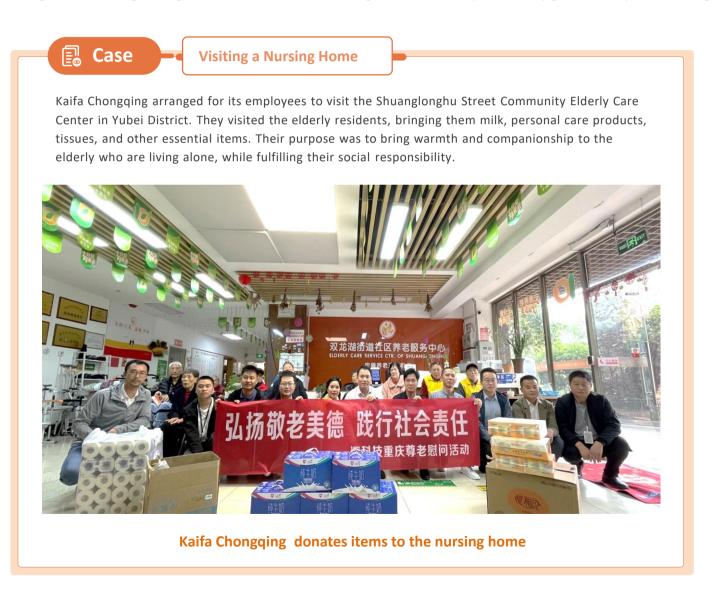
Kaifa Chongqing conducted a tree-planting activity as a gift for Kaifa's anniversary. This activity not only allows employees to understand the importance of environmental protection through practical experience but also enhances internal cohesion and competitiveness within our company. Furthermore, it aligns with Kaifa's long-term sustainability philosophy.



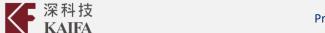
**Kaifa Chongqing Tree-Planting Anniversary Activity** 

## **Caring for Vulnerable Groups**

For a long time, we have upheld the belief that we must pay extra attention, care, and concern to marginalized populations. We have consistently focused on the well-being and development of vulnerable groups and have supported them through a diverse range of organized activities. With love, we give back to society and convey genuine compassion through a sense of responsibility.







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#### **Charity Run for Autism Children's Care**

Kaifa Suzhou participated in the 'Running for Love and Walking with Blue' Autism Children's Care Charity Run event organized by Suzhou Industrial Park. By bringing together caring running groups, running enthusiasts, philanthropists, families of children with autism, and the general public, they aimed to raise awareness, acceptance, and care for children with autism and their families. The event was symbolized by lighting up the color blue.



The 7th edition of the "Running for Love and Walking with Blue" Autism Children's Care Charity Run



Case

#### **Charity Project for Thalassemia Children**

The "Fuel Action" charity project, dedicated to supporting children with Thalassemia, was initiated by Shenzhen Evening News in 2003. In collaboration with Shenzhen Care Office, Shenzhen Red Cross Society, Shenzhen Lions Club, and other charitable organizations, we extend hope and assistance to children affected by Thalassemia. Kaifa joined the "Fuel Action" project under the Shenzhen Care Action brand in 2010 and has been unwavering in its support. Over the past 14 years, our total donations to the cause have reached RMB 2.2 million.



**Charity Project for Thalassemia Children** 

## **Key Performance Data Summary**

## **Environmental Management** <sup>1,2</sup>

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Indicators	Unit	2023
Energy Consumption 3,4		
Non-renewable energy usage	Megajoules	91.75
Gasoline	Megajoules	3.59
Diesel	Megajoules	8.32
Natural gas	Megajoules	79.84
Renewable energy usage	Megajoules	48.84
Photovoltaic power generation (for internal use)	Megajoules	20.58
Purchased green electricity	Megajoules	28.26
Purchased municipal electricity	Megajoules	897.29
Total energy consumption	Megajoules	1037.89
Energy Intensity		
Energy consumption intensity	Tons of standard coal per million RMB VA	7.03
Power consumption intensity	Tons of standard coal per million RMB VA	6.41
Reduce energy consumption		
Annual energy saving <sup>5</sup>	Megajoules	(63.15)

Indicators	Unit	2023
Water resources		
Total water withdrawal	Tons	2,374,321.33
Freshwater consumption	Tons	2,374,321.33
Water savings	Tons	306,847.67
Recycled water usage	Tons	8,665,624.93
Greenhouse gas emissions		
Direct (Scope 1) greenhouse gas emissions	TCO₂ e	22,118.38
Indirect (Scope 2) greenhouse gas emissions	TCO₂ e	152,370.56
Other indirect (Scope 3) greenhouse gas emissions <sup>6</sup>	TCO₂ e	299.5
Waste emissions		
General waste emissions	Tons	2,311.94

#### Note:

- 1. Unless otherwise specified, the scope of environmental performance data includes all subsidiary companies under Kaifa that are engaged in production activities.
- 2. When calculating energy consumption intensity, the VA value is in million RMB for the current year.
- 3. The main sources of energy consumption for Kaifa are natural gas, gasoline, diesel, photovoltaic power generation, purchased electricity, and purchased clean energy.
- 4. The energy consumption data for 2023 is calculated based on the consumption of electricity and fuel, using the relevant conversion factors provided by the General Guidelines for Comprehensive Energy Consumption Calculation (GB/T 2589-2020).
- 5. During the reporting period, due to an increase in production volume, the total electricity consumption for the year has increased, but the power consumption intensity has decreased by 2.74% compared to the previous year.
- 6. For Scope 3 greenhouse gas emissions, the reporting period only includes partial emission data from five subsidiary companies.





## **Employee**

Indicators	Unit	2023
Employment		
Total number of employees		17242
Percentage of female employees	%	33.3
Percentage of employees from Hong Kong, Taiwan, and overseas	%	12
Percentage of employees with master's degree or above	%	7.1
Total number of new employees	Persons	8482
Percentage of new employees from Hong Kong, Taiwan, and overseas	%	12.4
Percentage of employees from ethnic minorities	%	16
Employee attrition rate	%	12.9
Attrition rate of key employees	%	7.96
Training and education		
Average training duration per employee <sup>7</sup>	Hours	34.1
Average training duration per female employee	Hours	33.7
Average training duration per male employee	Hours	34.2
Average training duration per manager and above	Hours	33.8
Average training duration per non-managerial employee	Hours	34.1

## **Employee health and safety**

Indicators	Unit	2023
Health and safety		
Safety training coverage rate	%	100
Coverage rate of occupational health and safety management system	%	100
Lost-time injury rate per million work hours	%	0.0024
Fatality rate due to work-related injuries	%	0

### **Social value**

Indicators	Unit	2023
Economic performance		
Research and development investment	RMB	362.01M
Total cumulative number of patents	Count	504
Indirect economic impact		
Donations and rural revitalization	RMB	1.8M

Note

7. The data only includes technical and management personnel.



## **GRI Sustainability Reporting Standards (GRI Standards 2021) Content Index**

- Shenzhen Kaifa Technology Co., Ltd. has reported in accordance with the GRI Standards for the period from 1st Jan 2023 to 31st Dec 2023
- GRI 1: Foundation 2021

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• Applicable of GRI sector standard(s): No applicable sector standard

					Om	ission			
GRI Standard	Disclosure	Location	Page(s)	Requirement(s) Omitted	Reason	Explanation			
General Disclo	General Disclosure								
	GRI 2: General Disclosures 2021								
2-1	Organizational details	About Kaifa	P.5						
2-2	Entities included in the organization's sustainability reporting	About this Report	P.3						
2-3	Reporting period, frequency and contact point	About this Report	P.3						
2-4	Restatements of information	About this Report	P.3						
2-5	External assurance	About this Report	P.3						
2-6	Activity, value chain and other business relationships	About Kaifa	PP.5-6						
2-7	Employees	Talent Recruitment and Retention, Human Resources Structure	P.92, P.99	2-7b, 2-7c, 2-7d	Incomplete information	Accurate disclosure is not possible due to the lack of complete statistics			
2-8	Workers who are not employees		Omitted	2-8a, 2-8b, 2-8c	Incomplete information	Accurate disclosure is not possible due to the lack of complete statistics			
2-9	Governance architecture and composition	Corporate Governance	PP.13-15						



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						Omission		
GRI Standard	Disclosure	Location	Page(s)	Requ	uirement(s) Om	itted Rea	ison	Explanation
General Disclo	osure							
		GRI 2: General Disclosu	ures 2021					
2-10	Nomination and selection of the highest governance body	Corporate Governance	PP.13-16					
2-11	Chairman of the highest governance body	Corporate Governance	PP.14-15					
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance	PP.13-15					
2-13	Delegation of responsibility for managing impacts	Corporate Governance	PP.13-15					
2-14	Role of the highest governance body in sustainability report	Materiality Assessment	P.11					
2-15	Conflicts of interest	Corporate Governance	PP.15-17					
2-16	Communication of critical concerns	Corporate Governance	P.14, PP.16-17					
2-17	Collective knowledge of the highest governance body	Corporate Governance	P.15					
2-18	Evaluation of the performance of the highest governance body	Corporate Governance	P.14, PP.21-22					
2-19	Remuneration policy	Corporate Governance	P.14					
2-20	Process to determine remuneration	Corporate Governance	P.14					
2-21	Annual total compensation ratio		Omitted			Confidentiali	†\/	ion classified as confidential and be disclosed
2-22	Statement on sustainable development strategy	Sustainability Management	P.9					
2-23	Policy commitments	Business Ethics, Human Rights Protection	PP.25-27,PP.82-86					



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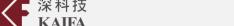
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					C	mission	
GRI Standard	Disclosure	Location	Page(s)	Requirement(s) Omitted	Reason	Explanation	
2-24	Embedding policy commitments	Business Ethics, Supply Chain Management System and Policies, Transparent Procurement, Human Rights Protection	PP.25-27, PP.71-72, P78, PP.82-86				
2-25	Processes to remediate negative impacts	Stakeholder Engagement, Business Ethics	P.10, P.27				
2-26	Mechanisms for seeking advice and raising concerns	Business Ethics, Human Rights Protection	PP.26-27, PP.86-87				
2-27	Compliance with laws and regulations	Business Ethics, Environmental Management, Water Resources Management	P.28, P.41, P.52				
2-28	Membership associations	Addressing Climate Change	P.31				
2-29	Approach to stakeholder engagement	Stakeholder Engagement, Cooperate Governance, Human Rights Protection, Employee Union	P.10, P.16, PP.86-87				
2-30	Collective bargaining agreements	Employee Union	P.90	2-30b	Incomplete information	Accurate disclosure is not possible due to the lack of complete statistics	
Material Topic	cs .						
		GRI 3: Material Topic	s 2021				
3-1	Process to determine material topics	Materiality Assessment	P.11				
3-2	List of material topics	Materiality Assessment	P.11				
Material Discl	Material Disclosures						
GRI 3: Material Topics 2021							
3-3	Management of material issues	Business Ethics	PP.25-28				



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						Omission		
GRI Standard	Disclosure	Location	Page(s)	Requirement(s) Omitted	Reason	Explanation		
205-1	Operations assessed for risks related to corruption	Business Ethics	P.26					
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics	PP.25-26					
205-3	Confirmed incidents of corruption and actions taken	Business Ethics, Supplier Management	P.27, P.77					
	GRI 302: Energy 2016							
3-3	Management of material issues	Energy Management	PP.46-51					
302-1	Energy consumption within the organization	Energy Management, ESG Key Performance Indicators	P.46, P.122					
302-2	Energy consumption outside of the organization		Omitted	302-2-a 302-2-b 302-2-c	Incomplete information	The statistical/estimation methods of energy consumption from upstream to downstream activities are not yet complete and therefore cannot be accurately disclosed		
302-3	Energy intensity	ESG Key Performance Indicators	P.122					
302-4	Reduction of energy consumption	ESG Key Performance Indicators	P.122					
302-5	Reductions in energy requirements of products and services		Omitted	302-5-a 302-5-b 302-5-c	Confidentiality	Information classified as confidential and will not be disclosed		
	GRI 403: Occupational Health and Safety 2018							
3-3	Management of material issues	Occupational Health and Safety	PP.100-114					
403-1	Occupational health and safety management system	Occupational Health and Safety	P.102					



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					Omissio	n
GRI Standard	Disclosure	Location	Page(s)	Requirement(s) omitted	Reason	Explanation
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	PP.103-104			
403-3	Occupational health service	Occupational Health and Safety	PP.105-108, P.111			
403-4	Worker participation, consultation, and communication on occupational health and safety	Employee Union, Occupational Health and Safety	P.90, P.104			
403-5	Worker training on occupational health and safety	Occupational Health and Safety	PP.109-110			
403-6	Promotion of worker health	Talent Recruitment and Retention, Occupational Health and Safety	P.92, P.105, P.111			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety	PP.103-111			
403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety	P.102			
403-9	Work-related injuries	Occupational Health and Safety	P.106, PP.113-114			
403-10	Work-related ill health	Occupational Health and Safety	PP.103-105, P.114			
		GRI 404: Training and Educa	ation 2016			
3-3	Management of material issues	Employee Training and Development	PP.95-98			
404-1	Average hours of training per year per employee	Employee Training and Development	P.95			
404-2	Programs for upgrading employee skills and transition assistance programs	Talent Recruitment and Retention, Employee Training and Development	P.94, PP.96-98			
404-3	Percentage of employees receiving regular performance and career development reviews	Talent Recruitment and Retention	P.92			



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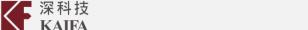
Omission									
GRI Standard	Disclosure	Location	Page(s)	Requirement(s) omitted	Reason	Explanation			
GRI 406: Non-disc	GRI 406: Non-discrimination 2016								
3-3	Management of material issues	Human Rights Protection	P.82, P.84						
406-1	Incidents of discrimination and corrective actions taken	Human Rights Protection	P.82, P.84						
GRI 408: Child La	por 2016								
3-3	Management of material issues	Human Rights Protection	PP.82-83						
408-1	Operations and suppliers at significant risk for incidents of child	Sustainable Supply Chain  Management, Human Rights  Protection	P.71, P.75, P.83						
GRI 409: Forced o	GRI 409: Forced or Compulsory Labor 2016								
3-3	Management of material issues	Human Rights Protection	P.82, P.85						
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights Protection	P.82, P.85						

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## **Ten Principles of the United Nations Global Compact Content Index**

	Ten Principles of the United Nations Global Compact	Location	Page(s)
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Human Rights Protection	P.82
	Principle 2: make sure that they are not complicit in human rights abuses	Human Rights Protection	PP.82-85
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Human Rights Protection, Employee Union	P.82, P.90
	Principle 4: the elimination of all forms of forced and compulsory labor	Human Rights Protection	P.82, P.85
	Principle 5: the effective abolition of child labor	Human Rights Protection	PP.82-83
	Principle 6: the elimination of discrimination in respect of employment and occupation	Human Rights Protection	P.82, P.84
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	Addressing Climate Change, Environmental Management	PP.31-36, PP.38-42
	Principle 8: undertake initiatives to promote greater environmental responsibility	Addressing Climate Change	P.36
	Principle 9: encourage the development and diffusion of environmentally friendly technologies	Clean Technology, Industrial Value	PP.43-45, PP.62-64
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Business Ethics	PP.25-26





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#### **Responds to United Sustainable Development Goals**



 Provide competitive compensation packages that meet the minimum wage requirements set by local governments. The total wage income includes basic salary, performance-based pay, and various social insurance contributions.
 Additionally, salary increases are determined based on performance each year (1.3).



- Pay attention to the employees mental and physical health, reduce the occurrence of related illnesses through activities such as regular check-ups, medical services, mental health seminars, and traditional Chinese medicine lectures (3.3).
- Provide employees with কোনাছি চন্দেলা safety and health education. Enhance employees' awareness of traffic safety and health through educational courses. Additionally, establish medical clinics in the workplace to provide healthcare services (3.6, 3.8).
- Provide employees with social medical insurance as per local policies. Additionally, purchase commercial insurance to enhance employees' protection in case of accidents (3.8).
- Implement measures to prevent leakage and control channels for hazardous chemical management. Strictly monitor and prevent occupational hazards that may arise from the use of hazardous chemicals (3.9).



- Provide employees with widespread vocational skills training. In 2023, training
  exceeded 120,000 hours, with 188 offline courses. Actively promote online learning
  platforms and offer a wide range of learning resources. The number of online
  courses exceeds 3,000 (4.4).
- Provide employees with education and training opportunities for sustainability. We offer relevant learning courses based on employees' career development paths and assign mentors to provide guidance. Additionally, we have established a talent pool within Kaifa to facilitate talent rotation (4.7).



- Pay attention to the physical and mental health of female employees and promote their career development. Regularly organize various activities and lectures for female employees. Provide maternity leave, paternity leave, and breastfeeding leave. During the reporting period, over 1000 female employees enjoyed leave and participated in various activities (5.1).
- Employee salary and compensation are determined based on their education, professional skills, experience, length of service, and performance. Gender does not influence employee recruitment and career development. During the reporting period, female employees accounted for over 30% of the workforce. The male-to-female ratio among Kaifa's senior management is 13:3 (5.5).





- Implement effective wastewater treatment, comprehensive control of sewage
  processes, and proper classification and treatment of waste materials. Ensure that
  all chemicals used meet environmental requirements to prevent harmful
  substances from polluting the water. Also, establish proper disposal and recycling
  methods for waste chemicals to avoid water pollution through sewage pipes (6.3).
- Protect the environment by reducing carbon emissions, conserving water, minimizing waste, and adopting renewable energy sources. Examples include installing water-saving devices in restrooms and providing water conservation training for employees (6.4).
- Actively promote and widely publicize tree-planting activities, and encourage employees to actively participate and jointly create a green ecological environment (6.5).



Responsible Governance

Sustainable Environmental Management

Innovation Concepts and Technologies

Sustainable Supply Chain Management

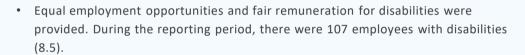
People-Centric Employer Creators of Social Value

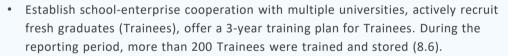
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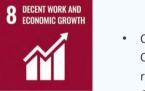
 Utilize sustainability technologies in the design and manufacturing of green products (7.1)



- Reduce energy consumption through the installation of solar photovoltaic power generation equipment and utilizing purchased hydroelectric power (7.2).
- Establish energy management systems, develop energy objectives, and implement projects to enhance energy efficiency. Implement energy-saving measures in both factory and office environments, such as energy-efficient retrofits for air conditioning and air compressors, digital transformation of cooling stations, and implementation of intelligent lighting systems (7.3).







- Committed not to the use of Child Labor, committed to the International Labor
  Organization Convention and the Prohibition of Child Labor Regulations, conduct
  regular risk assessments on compliance and Labor issues and conduct RBA Code of
  Conduct audits to ensure implementation of policies of against Child Labor (8.7).
- Foster a diverse workforce and provide a work environment that is free from discrimination, retaliation, harassment, or any form of abuse. Prohibit any behavior that is demeaning, intimidating, or hostile. Ensure all employees have a stable, secure, and supportive work environment, guaranteeing their rights to safety and well-being (8.8)



- Actively develop diversified industrial layout and drive employment through industry. The total number of employees in Kaifa during the reporting period is 16,475 (9.2).
- Implement a patent incentive program and establish multiple innovation studios in global research and development centers and NPI (New Product Introduction) centers. Over the years, a total of 659 patent applications have been filed, with 504 patents granted (9.5).





- Dedicate to promoting a fair and harmonious work environment with zero tolerance for discrimination and harassment, provide fair employment opportunities, ensure that employees at all levels is treated equally in the hiring and promotion process without discrimination on the race, gender, religion, age, sexual orientation, disability, national origin or other characteristics (10.2).
- Conduct talent selection openly, treating all applicants without bias or discrimination. To foster fair competition, establish a range of labor rights protection systems. Provide educational opportunities and resources to those in need, ensuring that everyone has an equal chance to maximize their potential and contribute their talents (10.3).



Sustainable Environmental Management

Innovation Concepts and Technologies

Sustainable Supply Chain Management

 Purchase housing funds for employees in accordance with local governmental policies and provide transition housing for family members and talent housing at lower than market prices (11.1).

Responsible

Governance



- Develop natural disaster contingency plans in local factories and conduct flood prevention drills to reduce flood hazards (11.5).
- Set up fixed garbage sorting place, establish solid waste warehouses and hazardous chemicals warehouses, and entrust third parties to handle garbage (11.6).
- Continue to eliminate and replace chemicals that do not meet VOCs emission requirements in the production process, reduce VOCs emissions, and replaced 24 types of non-conforming materials such as coatings, adhesives, inks and cleaning agents, and three-proof paint by 2023 (11.6).
- Continuously improve the safe production environment to provide a comfortable and safe working space for all employees (11.7).



- Comply with laws and regulations on hazardous substances, purchase materials that meet environmental protection requirements, such as ROHS, REACH, etc., recycle waste chemicals, do not discharge them into sewer pipes to cause water quality and soil pollution, and reduce the impact of hazardous substances on the environment and human health (12.4).
- Implement office energy conservation and consumption reduction measures (such as paperless, etc.), rationally treat wastewater according to laws and regulations, and establish rainwater recycling equipment (12.5).
- To implement the transparent procurement policy, all suppliers must sign the Supplier Code of Conduct, and the purchased materials are checked with reference to the list of restricted hazardous substances to strengthen hazardous substances management. Through a digital management platform to select suppliers that meet environmental and social standards and ensure that raw materials and products meet code requirements (12.7).

Following the Task Force on Climate-related Financial Disclosures (TCFD)
framework to identify climate risks and opportunities, establish an emergency
command center, establish risk management mechanisms to proactively prevent
natural disasters (13.1).



- Strictly adhere to relevant national emergency laws, regulations, and standards.
   Develop an effective emergency management manual to effectively respond to climate-related risk events. Regularly monitor changes in climate-related risks and opportunities and promptly update emergency plans to ensure they remain up to date (13.2)
- Annually carry out emergency drills and emergency response teams training, and regularly publicize and train safety knowledge about natural disaster prevention and escape (13.3).



- Establish an emergency team and prepare contingency supplies, actively prevent all contingencies, to fully guarantee the company against contingencies including violent attacks (16.1).
- Develop policies such as the Code of Conduct for Procurement Personnel and Supplier Code of Conduct as part of a transparent procurement strategy. Publicly disclose reporting hotline numbers and email addresses on the supplier management platform (16.5).
- Conduct quarterly anti-corruption and integrity training for procurement personnel to enhance integrity awareness and resolutely resist fraud and corruption (16.5).
- Take Integrity & Honesty as the core value of the company, establish business ethical governance structure to ensure that the anti-corruption work system is fully implemented in the company's operations (16.6).





## **Sustainability Vision**

To be a reliable and respectable enterprise, committed to a sustainable and prosperous future.

#### Report retrieval

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