

KSTAR



2023

**Environmental, Social, and
Governance (ESG) Report**

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About this Report

Summary

This is the fourth consecutive social responsibility report, and also the first Environmental, Social and Governance Report (hereinafter referred to as the "ESG Report") of Shenzhen KSTAR Science and Technology Co., Ltd., which systematically describes the Company's practices and performance in environmental, social and governance (hereinafter referred to as "ESG") management, corporate governance, product and service quality, environmental protection, employee rights and development, supply chain management and social welfare and so on. The purpose of this report is to provide stakeholders with a clear, direct and transparent understanding of the Company's ESG performance.

Scope of the Report

Unless otherwise specified, this report covers the same scope as the 2023 Annual Report of Shenzhen KSTAR Science and Technology Co., Ltd. (hereinafter referred to as "KSTAR", "the Company", or "we") and its subsidiaries. The short names of the subsidiaries in this report are listed below:

Subsidiaries	Short names
Shenzhen KSTAR New Energy Co., Ltd. Shenzhen KSTAR Software Technology Co., Ltd.	Collectively referred to as "Guangming Plant" together with Shenzhen KSTAR Science & Technology Co., Ltd.
Guangdong KSTAR Industrial Science & Technology Co., Ltd.	"Guangdong Industry"
CATL-KSTAR Science & Technology Co., Ltd.	"CATL-KSTAR"
Jiangxi Changxin Golden Sun Power Co., Ltd.	"Golden Sun"
Jiangsu KSTAR Energy Technology Co., Ltd.	"Jiangsu KSTAR"
Anhui KSTAR PV Co., Ltd. Anhui KSTAR New Energy Technology Co., Ltd.	Collectively referred to as "Anhui KSTAR"

This report is an annual report covering a specific period ranging from January 1, 2023 to December 31, 2023, with some parts extending beyond this period to enhance the comparability and prospectivity.

Basis of Preparation

This report is prepared in accordance with the following reporting guidelines:

- Global Reporting Initiative - Sustainability Reporting Standards (GRI Standards) (2021)
- United Nations Sustainable Development Goals (SDGs)
- National Standard - Guidance on Social Responsibility Reporting (GB T36001 2015)
- Shenzhen Stock Exchange Guidelines No. 1 for Self-Discipline Regulation of Listed Companies - Standardized Operation of the Companies Listed on the Main Board

Data Source

The financial data herein is derived from the audited annual report of KSTAR. Other data sources include but are not limited to raw data from the Company's actual operation, internal statistical data, and public data from third-party organizations. Unless otherwise stated, all amounts disclosed in this report are denominated in RMB.

Access to this Report

This report is published in both simplified Chinese and English. To support environmental protection, this report is published in electronic form for online browse or download at the official website of the Company (<https://www.kstar.eu/>). Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail. For any doubts, opinions or suggestions on this report, please do not hesitate to contact us.



Chairman's Statement

Nowadays, sustainability has become a spotlight topic drawing global attention. KSTAR is deeply aware that the long-term growth of an enterprise is closely bound up with its performance in corporate governance, social responsibilities and environmental protection. Following rigorous standards and requirements, we strive to refine our management system and ensure clear segregation of responsibilities in our governance structure, so that we can lay a solid foundation for the stability and sustainability of the Company. In 2023, benefited from our solid governance foundation, we made notable progress in key areas such as corporate governance, excellent products and services, green responsibility, and common prosperity and development of employees and society. Our efforts not only brought tangible value to our customers, but also contributed to the overall sustainability of society.

Efficient Governance for Sustainable Development

In terms of corporate governance, KSTAR upholds high standards and rigorous requirements, and constantly improves the governance system to ensure the standardized and transparent operations of the Company. The clear definition of authorities and responsibilities in our governance structure underpins the health and sustainability of the Company. We have established a robust anti-corruption system and whistleblowing channels. In addition, we actively nurture an integrity culture, striving to build a fair and honest working environment, and ensure the integrity and transparency of the Company's operations through internal audits and external engagements. In terms of sustainability management, we actively respond to the United Nations Sustainable Development Goals (SDGs) and deeply integrate the concept of sustainability in corporate governance to balance the development of economic and social benefits, short-term and long-term benefits. With emphasis placed on timely communication with our stakeholders, we actively collect their suggestions to continuously optimize our sustainability management practices. We constantly pursue the authenticity, accuracy and timeliness of information disclosure to establish and maintain a robust and trustworthy relationship with all stakeholders.

Pursuit of Excellence in Products

Empowered by the strength of the national-level enterprise technology center, KSTAR adheres to the strategy of "market-oriented and technology-driven" research and development, and is committed to further enhancing the Company's leadership in key fields such as data centers, new energy, photovoltaic power, energy storage and electric vehicle charging piles through continuous innovation of product technologies. By the end of 2023, we had obtained a total of 406 national and international patents and software copyrights, and participated in the formulation of 121 national and industry technical standards. Moreover, we have obtained the certifications of "TÜV Rheinland Lab" and "CNAS laboratory", and we also ensure product safety and reliability through our well-established and ever-evolving quality management system. For example, we improve the accuracy of experiments in accordance with the ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories, enhance the overall quality of operations by implementing the ISO 9001 Quality Management System, secure the environmental and health friendliness of products in line with the QC 080000 Hazardous Substance Management System, and protect customers' data based on ISO 27001 Information Security Management System. By adopting these internationally recognized standards, we aim to offer customers with safer and more reliable products of higher quality. In addition, we take staged actions to realize intelligent manufacturing, and realize lean production and continue to improve manufacturing capacity through comprehensive informatization and digitization, striving to offer customers premium products and services.

Protect the Green Homeland

Echoing the national "3060" strategy, KSTAR promotes green responsibilities, and leverages its comprehensive strength in low-carbon clean energy technology and solutions. We strive to mitigate our environmental impact in production and operations and share our experience in carbon reduction practices with peers. Our environmental protection practices have been included in Corporate Net Zero Pathway, where we are among 12 top domestic enterprises as a model of green development. This not only demonstrates our efforts in sustainability but also acknowledges our influence and achievements in the industry. In 2023, KSTAR continued to develop green products, and carried out the accounting and certification of carbon footprint for uninterruptible power supplies (UPS) and grid-tied photovoltaic (PV) inverters based on standards including ISO 14067 and PAS 2050. This demonstrated our commitment to building a green industrial chain. In addition, we regularly accounted for GHG emissions and removals generated by our organization and products in accordance with advanced international standards such as ISO 14064 and ISO 14067, and entrusted third parties to conduct audits. This laid a solid foundation for setting future zero-carbon goals. And we were honored with the title of "National Green Factory", marking that KSTAR's green manufacturing level and sustainability concepts have been recognized by the state authority. In particular, our series of energy storage converters, grid-tied PV inverters, data centers, and EV chargers have been optimized and updated through technological improvements, continuously enhancing product energy efficiency. These achievements in innovation not only align with the national dual carbon goals, but also provide customers with solutions of higher performance and quality.

Joint Efforts Towards a Harmonious Future

Always adhering to the principle of "people-orientation and benefits sharing," KSTAR actively undertakes social responsibility and contributes to community building and public welfare. For employee well-being, we create an equal and inclusive workplace through the protection of employees' rights and interests as well as democratic management. We optimize our talent structure with skilled professionals, competitive remuneration and performance incentives, and a sound training program, aiming to establish a healthy and positive working environment. For social contribution, we actively engage in projects such as rural revitalization and volunteer activities. According to incomplete statistics, our employees have accumulatively contributed approximately 2,478 hours in public welfare activities. We aim to promote the prosperity of the community and the improvement of people's livelihoods, demonstrating our commitment to social responsibility.

Global Layout and International Cooperation

In order to seize globalization opportunities and follow the Belt and Road Initiative, KSTAR accelerated new energy globalization, not only setting up its headquarters, R&D centers and manufacturing bases in the Chinese mainland, but also extending business in overseas markets and grasping the new opportunities of cooperation and development. To date, we have set up 18 offices/branches overseas, which are located in many countries and regions around the world, including Southeast Asia, Europe, Africa and Oceania. Our layout forms a demand-oriented marketing network platform, a product R&D platform and an intelligent supply chain production management platform, which not only equip the Company with the ability to penetrate into the local market and respond to customers' needs quickly, but also strengthen the connection with international partners and promote the internationalization of technological innovation and business models. In addition, we continue to enhance our competitiveness and brand influence in the global market through participation in international cooperation programs and long-term strategic partnerships with a number of internationally renowned universities and research institutes.

Looking ahead, we will stay true to the concept of sustainability and work with all stakeholders to fight for a more prosperous and greener future. We believe that through our continuous efforts and progress, KSTAR can achieve more success in the next year and make greater contributions to the sustainability of the society.

Liu Chengyu

Chairman

April 1st, 2024

2023 ESG Highlights

Environmental Protection

Environmental protection investment **RMB 5,466,300**, up by **45%** YoY

GHG emissions **13,131.06** tCO₂e

Comprehensive energy consumption **7,246.07** tonnes of standard coal

PV power generation Approximately **57.77** million kWh

Products and Services

R&D investment **RMB 259.1 million**

406 authorized invention patents and software copyrights have been obtained

Employee Development

The investment in staff training over **RMB 603,800**

31,063 people-times participated in the training

1,309 female employees

521 minority employees

Public Welfare

Employees participated in public welfare and volunteer activities for **2,478.36** hours

Annual Events

NO.1

- KSTAR's UPS has ranked the **1st** sales market share in China among local brands for 22 consecutive years and ensured green power supply for major sporting events such as Hangzhou Asian Games and Chengdu FISU Games
- Lead-acid UPS battery in mainland China has ranked the **1st** sales market share among local brands for 10 consecutive years
- The sales of Single-rack MDC products ranked **1st** in 2022-2023

NO.5

- KSTAR was ranked as the **5th** largest supplier of UPS devices in the world by OMDIA, a leading research organization

50GW+

- By the end of 2023, KSTAR's shipments of PV products had exceeded **50GW**

NO.7

- KSTAR's **7th** global digital intelligent manufacturing base in Jiangsu KSTAR Energy Technology Co., Ltd., was officially put into production

7GWh+

- By the end of 2023, KSTAR's cumulative shipments of energy storage products had reached **7GWh+**, providing a continuous supply of green energy to users in over 180 countries and regions worldwide

100kW/125kW

- The **100kW/125kW** High Power Density UPS Power Module was released to promote the scale and clustering development of global data centers, enabling energy conservation and carbon reduction

New C&I Energy Storage KAC120D-BC233DE

- KSTAR launched the new commercial and industrial (C&I) energy storage KAC120D-BC233DE to provide the industry with the best storage system that is safe, intelligent, stable and offers lower cost and higher efficiency

About KSTAR

Company Profile

KSTAR was established in 1993 and listed on the Shenzhen Stock Exchange in December 2010 (Ticker Symbol: KSTAR; Stock Code: 002518). After 30 years of development, KSTAR has become a leading enterprise in China's power electronics and new energy products, including data center infrastructure, modular & container data center solutions, PV and energy storage system (ESS) solutions, with its overall scale and research and development strengths topping the industry. In 2015, KSTAR's technology center was recognized as the National Enterprise Technology Center by four national departments including the National Development and Reform Commission and the General Administration of Customs. In 2016, the Company was honored as the National Technology Innovation Demonstration Enterprise by the Ministry of Industry and Information Technology, in further recognition of our independent innovation capability and model role as an industry leader at the national level.

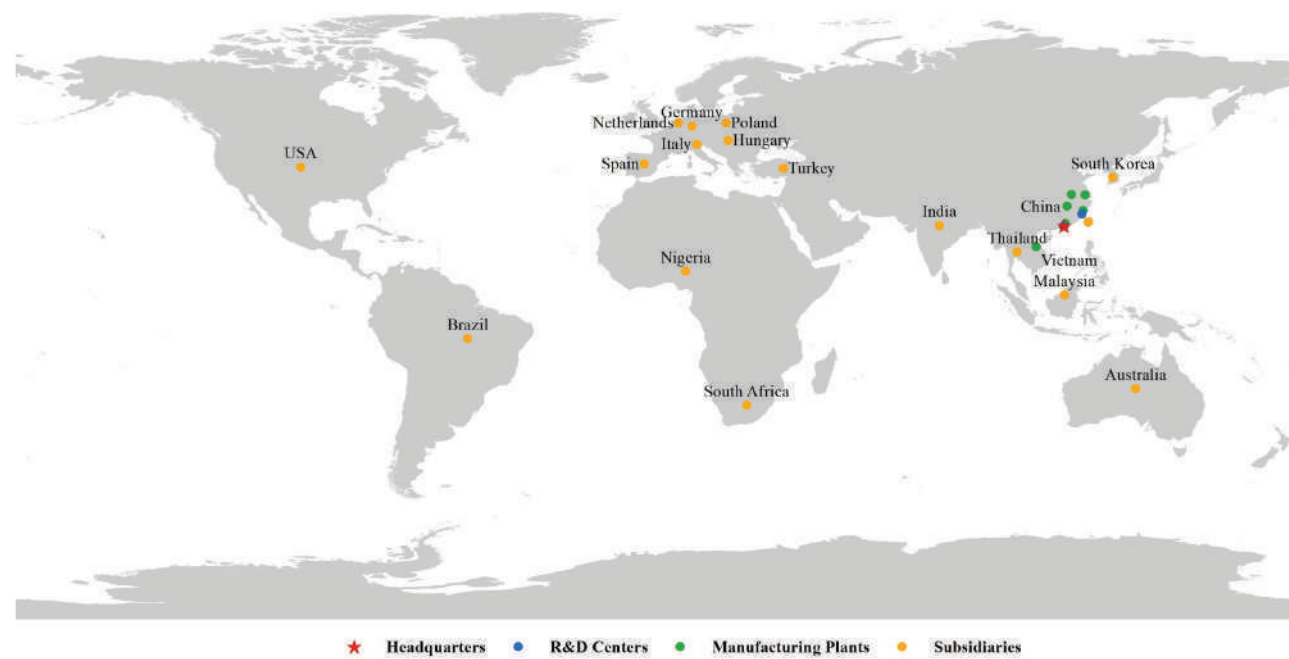
The Company is headquartered in Nanshan, Shenzhen, with two R&D centers and seven manufacturing bases. As a leader in China's uninterruptible power supply industry and an industry-leading provider of comprehensive solutions in the smart energy field, we have developed and produced data center infrastructure, PV Inverters, ESS, and EV chargers with industry-leading technology, and our comprehensive solutions are widely used in various industries.

Since the establishment of the Company, KSTAR has always adhered to the "market-oriented + technology-driven" philosophy towards research and development. We regard technological innovation as the primary driving force for the development of the Company and continue to invest in research and development, providing sufficient financial guarantee for leading technological innovation in the industry. Meanwhile, the Company attaches great importance to talent cultivation and introduction. There are a total of 631 professional R&D engineers in the technology center, all of whom are industry experts with many years of experience in R&D of information technology products. This innovative talent pool gives us significant advantages over peers in the industry. By the end of 2023, we had obtained 406 national patents, international patents, layout designs of integrated circuits and computer software copyrights. We have organized or been involved in the development of 121 national standards, industry standards, and association/group standards in total. In the current year, we organized or were involved in the development of 1 national standard, 26 industry standards, and 3 association/group standards, of which 29 projects were seeking for project approval, and 1 was seeking for comments. To accelerate the launch of cutting-edge products of high performance and high quality, the Company has established a long-term and continuous close strategic partnership with a number of universities and research institutes, while relying on independent development. These universities and research institutes have first-class scientific research capabilities in the field of power electronics, including Jilin University, Fuzhou University, and Hong Kong Polytechnic University. We have jointly implemented a number of industry-university-research cooperation projects, effectively accelerating the progress of independent innovation, and achieving a significant technological advantage in the industry.



Adhering to the market brand positioning of "generating superior solutions for energy and more", the Company implements the strategy of going global, and seizes opportunities of globalization to accelerate the layout of new energy worldwide. The Company has set up 18 offices/branches overseas and established industry-leading and demand-oriented marketing network platforms, product development platforms and intelligent supply chain management platforms to provide high-quality products and services to more than 180 countries and regions all over the world. We have obtained a number of domestic and international certifications and qualifications (see each section of this report for details), reflecting our strength in product quality, green production and technological innovation.

Illustration of Global Layout

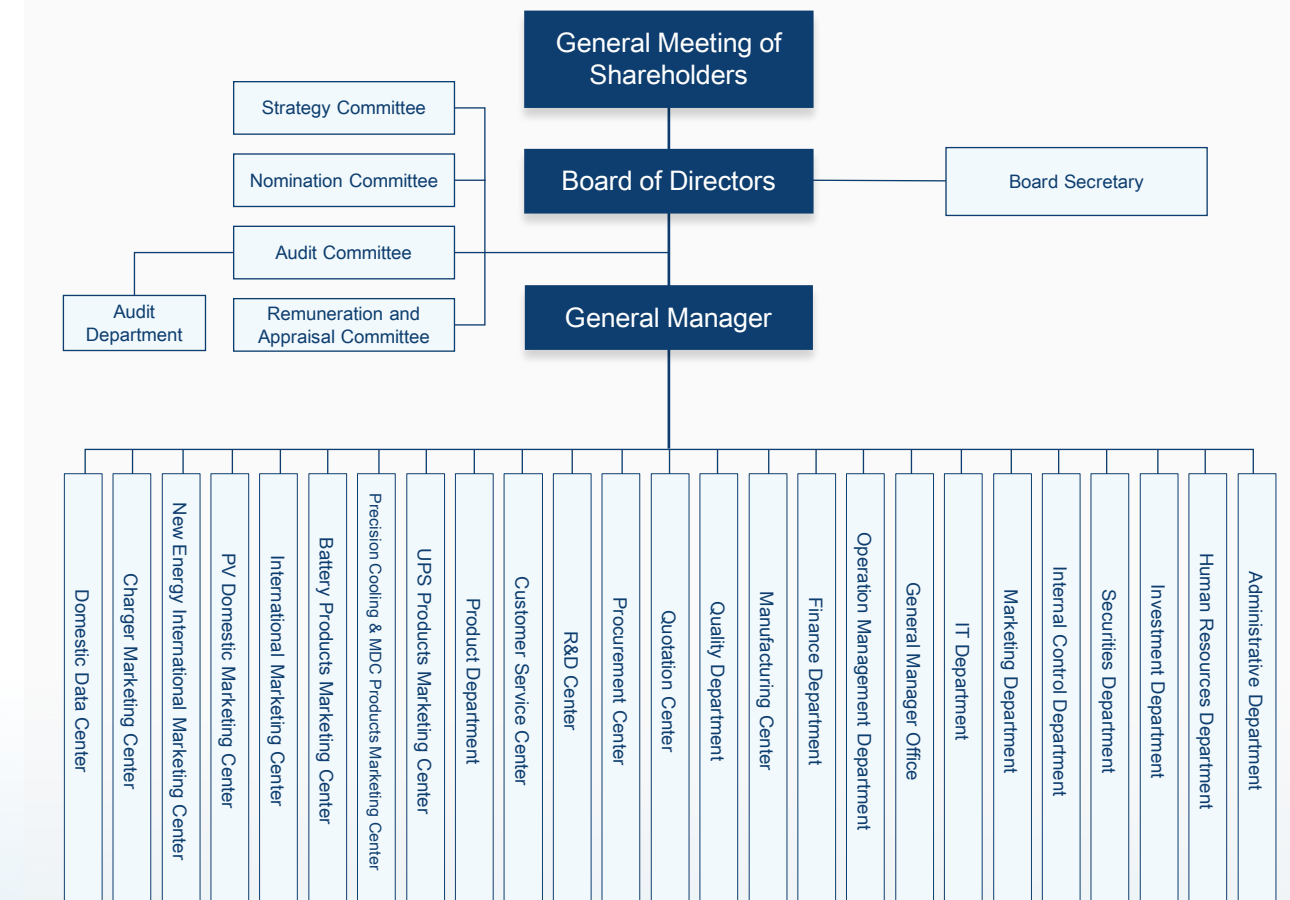


Note: Offices in the United States and Germany are under construction.

Organizational Structure

KSTAR has established a sound corporate organizational structure. To achieve the Company's strategic objectives, we have made organizational arrangements for the division of labor and collaboration, with clear hierarchies and defined responsibilities, so as to increase the Company's external competitiveness and operational efficiency.

KSTAR's Organizational Structure



Product Portfolios

KSTAR has a wide range of products covering four major segments: data centers (UPS, Cooling & MDC and batteries), PV inverters, energy storage, and EV chargers. KSTAR has made efforts and endeavors in the data center industry for more than 30 years, providing various products such as UPS, batteries, precision air conditioners and modular data center system integration. Meanwhile, KSTAR also explores the field of new energy, providing products such as residential PV inverters, commercial and industrial (C&I) PV inverters, PV inverters for large-scale ground power stations, residential/industrial and commercial energy storage inverters, and energy storage system integration, as well as AC/DC chargers, and charging modules. Since the establishment, KSTAR has focused on the core needs of customers, and adhered to the technological innovation to create a new productive force, and shape the core competitiveness of products, striving to become a globally influential enterprise in smart energy field.

Data Center Infrastructure



PV Inverter



Energy Storage



EV Charger



Corporate Strategy

With 30 years of efforts and endeavors in the power electronics industry, KSTAR has produced first-class and cost-effective products and established excellent lean manufacturing supply chain systems. On this basis, KSTAR is committed to building itself into a globally influential enterprise in the power electronics industry and delivering smart and clean energy solutions. KSTAR has made cleantech innovation a core strategy.

Corporate Culture



Mission

Meet the needs of diverse industries through innovation and break barriers to uncover new possibilities



Position

Become an enterprise with global influence in the smart energy field



Vision

Meet the needs of diverse industries through innovation and break barriers to uncover new possibilities



Slogan

Powering the Future

Awards and Recognitions

Time	2023 Honors	Awarding Institution/Sponsor
2023	ESG Most Valuable Brand Award	The Energy Magazine
	Director Unit of Green Data Center Technology Committee	China Electronics Energy Saving Technology Association, Green Data Center Technology Committee
	Senior Member of China Power Supply Society on its 40th Anniversary	China Power Supply Society
January 2023	"Leading Enterprise in Energy Technology and Intelligent Manufacturing" at the 14th China Energy Enterprises High-level Forum	The Energy Magazine
	Member of National Technical Committee 518 on Variable Frequency Regulating Speed Equipment of Standardization Administration of China	Tianjin Research Institute of Electric Science Co., Ltd.
	Shenzhen Manufacturing Single Champion Product	Industry and Information Technology Bureau of Shenzhen Municipality
March 2023	The 7th batch of "National Green Factories"	Ministry of Industry and Information Technology of the People's Republic of China
	Shenzhen Craftsman Cultivation Model Unit	Shenzhen Expert Assessment Committee for Top 100 Craftsman, Federation of Shenzhen Industries
	2023 "BJX Cup" Energy Storage Influence Innovation Enterprise	WWW.BJX.COM.CN CHUNENG.BJX.COM.CN Beijing Huonet Power Network Technology Co., Ltd.
May 2023	"New Generation of Information Technology Innovative Products" Award	CCID Consulting Company Limited
	"New Generation of Information Technology Innovative Enterprises"	
	Title of "Platinum Partner"	Electrical Branch of the Architectural Society of China
	Global Top 100 Photovoltaic Brands Value Certificate	New Energy Think Tank, Century New Energy Network, Photovoltaic Brand Lab (PVBL)
	Ranked 10th among the top 15 listed photovoltaic inverter enterprises in China in 2023	365 Energy Storage and Smart Energy
Ranked 12th among the top 20 energy storage enterprises in China (general category) in 2023		
Ranked 14th among the top 20 energy storage system enterprises in China in 2023		
June 2023	Member Unit of the Chinese Institute of Electronics	The Chinese Institute of Electronics
	Energy Storage Low Carbon Benchmark Award	Organizing Committee of Guangdong-Hong Kong-Macao Greater Bay Area Energy Storage Innovation and Investment Forum
	2023 Top 10 Influential Brands of Charging Pile	Organizing Committee of China International EV Charging & Swapping Battery Industry Forum, www.chongdian360.cn
	2023 Top 10 Smart and Safe Brands of Charging Piles	

Time	2023 Honors	Awarding Institution/Sponsor
June 2023	2023 Data Center Technology Innovation Award	Beijing Institute of Electronics, China Green Data Center Alliance
	2023 Data Center User Satisfaction Brand Award	
July 2023	Director Unit Member of CCUA Data Center Association	CCUA Data Center Association
	GGII Energy Storage - 2023 Energy Storage Industry TOP 50	GGII Consulting
	Greater Bay Area Data Center Product Technology Excellence Award	China Communications Industry Association Data Center Committee
August 2023	TÜV Rheinland Witness Laboratory	TÜV Rheinland Greater China
September 2023	Guangdong Enterprise Integrity Convention	Guangdong Provincial Federation of Enterprises and Guangdong Entrepreneurs Association
	2023 Computing Infrastructure Innovative Technology Cases	China Communications Industry Association Data Center Committee
	Award of Photovoltaic Inverter Supplier for 2023 at the Photovoltaic New Era Forum and the 12th "BJX Cup"	WWW.BJX.COM.CN GUANGFU.BJX.COM.CN
	Title of "PV & ESS Fusion Solution Enterprise"	EESA
	At the 2nd EESA China International Energy Storage Exhibition, KSTAR won "the Most Influential Enterprise Award for 2023"	
At the 2nd EESA China International Energy Storage Exhibition, KSTAR won "the Best Residential Energy Storage Award in 2023"		
October 2023	2023 Shenzhen Top 500 Enterprises	Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association
	Shenzhen Manufacturing Single Champion Product Award	Industry and Information Technology Bureau of Shenzhen Municipality
November 2023	Ranked 113th in Guangdong Top 500 Manufacturing Industries	Institute of Industrial Economics Jinan University, Guangdong Manufacturers Association, Guangdong Development Research Institute
December 2023	2023 China IDC Industry Innovative Technology Product Award	Organizing Committee of China IDC Industry Annual Ceremony
	Catalogue of Recommended Energy-Saving Technologies and Equipment in National Industry and Information Sectors (2022 Version)	The Chinese Institute of Electronics
	Top 10 Competitive Brands of Building Electricity in China's Engineering Investigation and Design Industry	Electrical Technology of Intelligent Buildings Magazine

01 Efficient Governance for Sustainable Development



SDGs responded to in this chapter



Efficient governance is essential for companies' sustainable and stable development and the enhancement of core competitiveness. As a listed company, we continue to improve our corporate governance system and strive to build a governance structure that facilitates our long-term development. Meanwhile, by establishing a risk management system and organizing business ethics training, we have clearly defined the responsibilities of the decision-making and management body, and instilled the concepts of risk prevention and control and business integrity in day-to-day management and business in a top-down manner, to push forward the sustainability of the Company.

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Optimizing Governance Environment

We believe that a good governance environment is conducive to the long-term sustainability of the Company. We continue to improve our governance structure to ensure the rule-based operation of the Company. The General Meeting of Shareholders, the Board of Directors and the Board of Supervisors have clearly delineated powers and responsibilities, forming a reasonable, robust and effective management structure. At the same time, we actively maintain investor relations through various channels, platforms and approaches in line with the principles of compliance, equality, initiative and good faith.

Corporate Governance

We have established a governance structure consisting of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the management. With powers and responsibilities defined clearly and reasonably, they fulfill their own duties and responsibilities to realize effective checks and balances and harmonious operation. In this way, they facilitate the efficient, scientific and standardized operation of the Company's various production and business activities, so as to jointly promote the health and sustainability of the Company and effectively safeguard the legitimate rights and interests of the Company, customers, shareholders and employees.

As our highest authority, the General Meeting of Shareholders determines our business policies and investment plans, reviews and approves our profit distribution and loss absorption plans, and amends our Articles of Association according to the law.

The Board of Directors is the decision-making body of the Company and reports to the General Meeting of Shareholders. Under the Board of Directors, there are the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee and the Nomination Committee, all of which are staffed by a majority of independent directors who serve as chairpersons, except for the Strategy Committee. The Strategy Committee plays an active role in promoting the standardized operation and scientific decision-making of the Company. The Company aims to establish a diverse board and continues to enrich the board with members from diversified backgrounds. At present, there are 7 directors, of which 3 are independent directors, accounting for 43%, and 2 are female directors, accounting for 28%.

The Board of Supervisors reviews the periodic reports of the Company prepared by the Board of Directors and issues written opinions thereon, reviews the financial data of the Company and supervises the Directors and executives in the performance of their duties for the Company in accordance with the law. The Board of Supervisors consists of 3 supervisors, including 1 employee representative supervisor and 2 female supervisors, accounting for 67%.

For more details on corporate governance, please refer to KSTAR's 2023 Annual Report. The General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the Special Committee of the Board of Directors are responsible for deliberating on major matters related to the development of the Company. In 2023, the Company held 9 Board Meetings, 3 General Meetings of Shareholders, 8 Board of Supervisors Meetings and 10 Committee Meetings.



Investor Relations

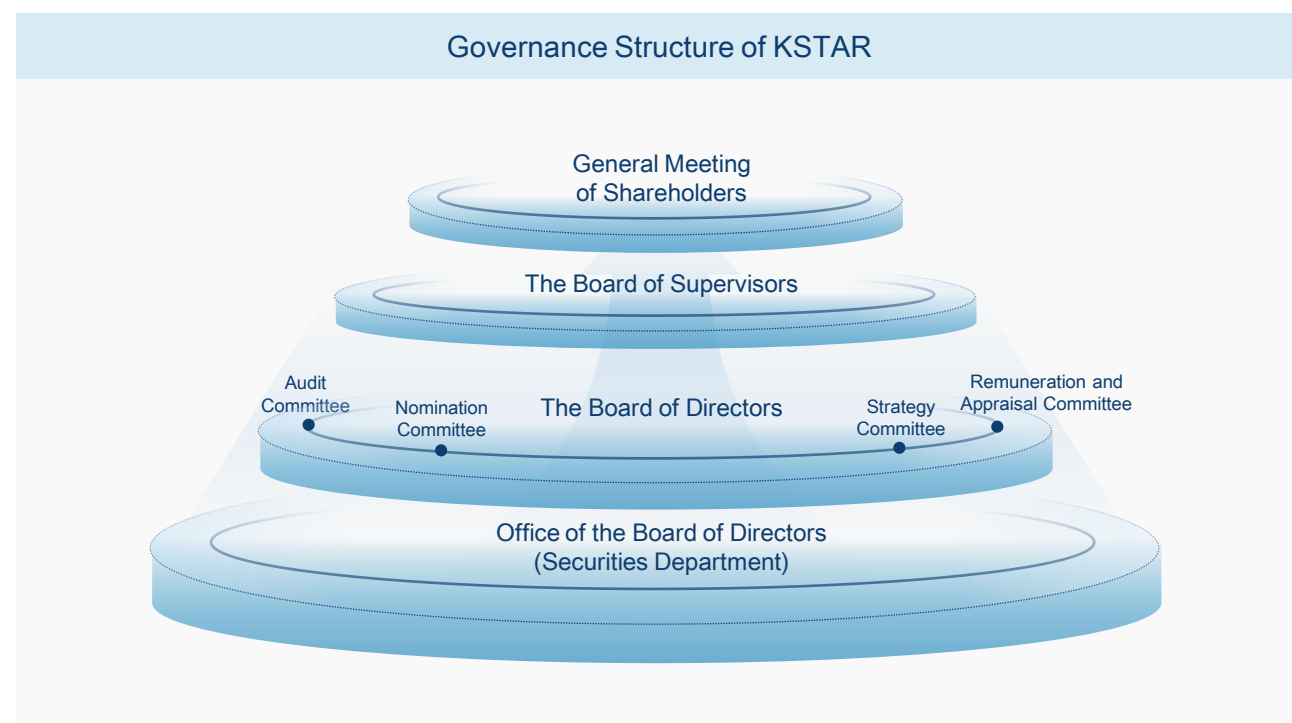
We keep strengthening our investor relations management by actively communicating and interacting with investors. We strive to establish channels for communication with investors and encourage them to share their advice and opinions with us, so that we can further improve our management and operations. In 2023, our information disclosure was rated A in the disclosure assessment organized by the stock exchange and there were no information disclosure incidents.

2023 Communication with Investors



Governance Structure

Strictly abiding by the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, and other laws, regulations and normative documents, KSTAR makes constant efforts to improve the corporate governance structure, ensure the fulfillment of the Board of Directors' responsibilities and duties, and build a compliant corporate governance system. At present, all our directors, supervisors and executives can faithfully and diligently perform their duties, effectively improving corporate governance.



Comprehensive Risk Management

Risk management is essential for the long-term and stable development of the Company. We take the initiative to build a risk management system and enhance risk management performance by identifying and eliminating risks. We also organize risk training for employees to instill the concept of risk prevention and control in each of them.

We have formulated the Risk Control Management Policy in accordance with the Company Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises, and other laws and regulations. We have also established a robust and effective risk control system based on our actuality to enhance our risk prevention capabilities and maintain safe and stable operations. We identify and analyze risks and develop response strategies in a bid to achieve the risk management targets we set in respect of strategy, operations, compliance and financial reporting. In order to implement the Company's risk management initiatives, we have established information communication channels for risk management, to ensure that information is communicated between departments in a timely, accurate and complete manner. At the same time, we require all responsible departments to regularly self-check, review and improve relevant issues and create a risk management system with powers and responsibilities clearly defined.

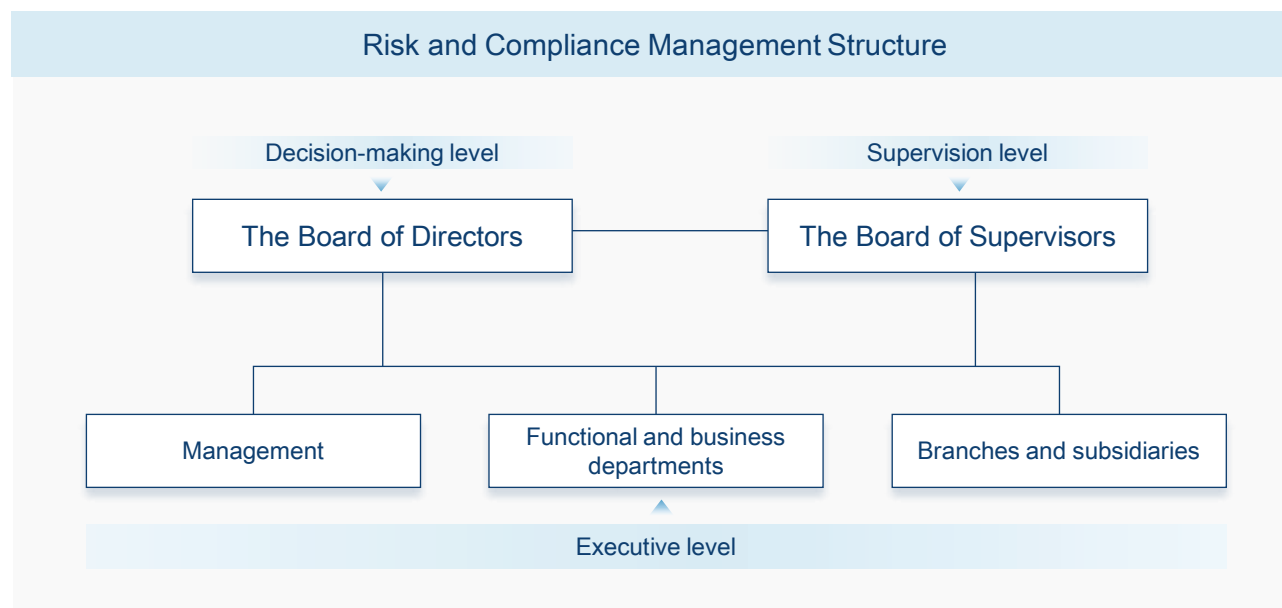
Risk Management Responsibilities of the Management and Departments

Internal Control Department	Audit Department	The Board of Directors	The Board of Supervisors
Developing risk management policies, conducting internal control assessments, and issuing annual internal control assessment reports.	Regularly monitoring and evaluating whether business units implement risk management as required and the effectiveness of their implementation.	Directing the building of risk management systems, etc.	Monitoring the effectiveness of the implementation of risk management policies.

Enhancing Risk Control

Risk Control System

Attaching great importance to risk prevention and control, we constantly improve the risk and compliance management structure, ensure the fulfillment of responsibilities, strengthen the tracking and prevention of risk events, and enhance risk prevention and management capabilities. These efforts contribute to the healthy development of the Company.








Risk Management and Control

In terms of risk management, we have established a standardized and effective risk control system to improve our risk prevention capability, ensure a safe and stable operation, and enhance our operational management. In accordance with the provisions of laws, regulations and normative documents such as the Company Law of the People's Republic of China and Basic Internal Control Norms for Enterprises, and based on our actuality, we have formulated the Risk Control Management Policy. Through risk confirmation and identification procedures, we identify risk signs in advance and take necessary pre-control measures to avoid risks and reduce losses. When risks occur, we first control them through existing measures and then take compensatory measures to minimize the losses arising from strategic risks, legal risks, financial risks, operational risks and market risks.

In order to build up the risk prevention capability, the Internal Control Department reviews the addition, modification and cancellation of the OA processes to optimize such processes. During the Reporting Period, the Internal Control Department optimized the payment process for fixed assets of Guangdong Industry and the infrastructure construction process of Gold Sun and monitored the implementation effectiveness on an ongoing basis.

Meanwhile, the Internal Control Department is responsible for establishing an internal control system by reviewing internal controls and for improving the effectiveness of such system. The internal control system is designed to achieve targets in terms of internal control organizational assurance, internal control awareness, internal control objectives, process control, and audit improvement. During the Reporting Period, the Internal Control Department reviewed and filed the documents on ten mechanisms of the Finance Department, Human Resources Department and Internal Control Department, to meet the needs of internal control management.

 <p>Strategic risk</p>	<ul style="list-style-type: none"> Identification: The industry develops fast in a complex and volatile context. Facing increasingly intensified market competition, technologies and products iterate faster than ever. Response: Adopting customer-centric strategies and meeting customer needs by developing better products and services.
 <p>Financial risk</p>	<ul style="list-style-type: none"> Identification: Increasing accounts receivable and disputes over product sales contracts. Response: Speeding up payment collection from customers, enhancing credit assessment on them, and protecting the Company's interests through legal means.
 <p>Exchange rate fluctuation risk</p>	<ul style="list-style-type: none"> Identification: The increasing proportion of overseas business will expose the Company to greater exchange rate uncertainty. Response: Where appropriate, hedging foreign exchange, agreeing on a fixed exchange rate in contracts, and negotiating prices.
 <p>Legal risk</p>	<ul style="list-style-type: none"> Identification: As our global business grows, we are confronted with complex laws in different countries and regions. Response: Making proactive assessments and taking preventive measures to respond to relevant risks.
 <p>Market risk</p>	<ul style="list-style-type: none"> Identification: Uncertainty in the market and related external environment impedes the Company from achieving the intended targets. Response: Keeping track of changes in market trends and developing countermeasures in advance

Building a Compliance Culture

We insist on honest, trustworthy and compliant operations. We have rigorous compliance policies to regulate employee behavior, and organize compliance training to help employees root compliance awareness in their minds and strengthen their sense of responsibility and ethics.

Our compliance training for new employees includes orientation and position-specific training. Orientation training covers our corporate culture, management rules, policies, safety education and the like. Position-specific training will be provided by the specific departments, covering knowledge required for the position, skills training, practical training, and promotion of the concept of fair trade and competition. Meanwhile, we require new employees to complete orientation and position-specific training within six months after their orientation training.

Maintaining Business Ethics

We operate legally with integrity, implement an anti-corruption management system and conduct internal and external anti-corruption audits. Meanwhile, we have whistle-blowing mechanisms in place to gather information and investigate the case in an open, fair and just manner. Efforts are also made to foster a culture of integrity and a fair and incorruptible working environment.

Strengthening Integrity Building

Business Ethics System

We observe the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, and other laws and regulations. We have formulated a series of internal anti-bribery and anti-corruption related management policies such as the Business Ethics Policy Management Rules, the Business Ethics and Integrity Rules, the Management Rules on Fair Trade, Advertising and Competition and the Anti-Corruption and Whistle-blowing Management Policy to continuously improve the anti-corruption management system, and clearly define each department's responsibilities for anti-corruption. We also take strict measures of anti-corruption and anti-bribery. All employees are required to honor their pledge to comply with the Company's anti-corruption related management policies and anti-corruption laws and regulations during business activities, and not to engage in any corrupt or improper behaviors. In this way, we aim to prevent bribery, fraud or other corrupt behaviors in the Company. In 2023, there were no significant incidents of suspected corruption or commercial bribery in the Company.

We continue to improve the Company's anti-corruption management system. The Board of Directors has the ultimate responsibility for managing the Group's business ethics and anti-corruption matters, and oversees and decides on related matters. The specific governance structure and division of responsibilities are summarized below.

Main Anti-corruption Responsibilities at the Board Level

The Board of Directors

Urging management to foster a company-wide anti-corruption culture and establish a robust internal control system covering corruption and fraud prevention, reports reception, and investigation and punishment

The Audit Committee of the Board of Directors

Guiding the Audit Department in anti-corruption and anti-fraud efforts and monitoring the effectiveness of these efforts

¹Details of the Anti-Corruption and Whistle-blowing Management Policy are available on the public link: <https://www.kstar.com.cn/cn/upload/cms/www/202401/26173131he1c.pdf>

Anti-corruption Responsibilities of the Management and Departments

Management

Establishing and improving internal control mechanisms, including anti-corruption and anti fraud mechanisms, providing whistleblowing channels to prevent and detect corruption and fraud incidents, and ensuring ongoing monitoring of corruption and fraud in day-to-day control activities

Audit Department

Focusing on monitoring and managing the integrity performance of personnel in key positions and areas; and preventing and addressing integrity issues at source, improving relevant policies, and recording the integrity performance of personnel in key positions and areas

Legal Department

Transferring corruption and fraud cases that meet the requirements for filing to judicial authorities

Human Resource Department

Addressing issues related to salaries, bonuses and remuneration of staff involved in corruption and fraud

Business Ethics Audit

KSTAR places the highest priority on business ethics and anti-corruption audits for all employees. The Audit Department of the Company continues to improve our risk management and internal control and strengthen our risk prevention capability through annual comprehensive internal control audits, economic responsibility audits, special audits and other audits. The audit scope covers company culture, team building, business ethics and anti-bribery.



The annual business ethics related audit covers all of the Company's production and management activities or external contacts, which include, but are not limited to, dealings with government agencies, order negotiations with customer representatives, procurement of raw materials, project construction, product sales, and equipment purchase and maintenance. In accordance with the audit plan developed by the Audit Committee, our Audit Department conducts annual audits of compliance with business ethics and related policies in the above business activities. The aim is to assess the effectiveness of our business ethics governance measures. The Audit Department makes correction suggestions for findings identified during the audits and tracks the correction progress to ensure that anti-corruption, anti-bribery and other business ethics policies are effectively implemented.

Whistle-blowing Channels and Whistle-blower Protection

KSTAR has formulated the Anti-Corruption and Whistle-blowing Management Policy and the Whistle-blowing Registration Form, strictly implementing the protection measures for the whistle-blowers, and fully safeguarding their legitimate rights and interests.

We provide multiple whistle-blowing channels, including mailbox and hotline, WeChat platform, internal mailbox, email address, and personal visit, to encourage employees and related parties to report all types of corruption. Whistle-blowers' information and whistle-blowing content are kept strictly confidential and retaliation against whistle-blowers is strictly prohibited. Matters reported, if found true, will be escalated to the Audit Committee. Persons reported or complained against will be required to take corrective action and will be punished in accordance with relevant rules. If the persons reported violate laws, we will transfer them to judicial authorities.

Whistle-blowing Channels

-  Whistle blowing hotline : 0755-21389008-8573
-  Whistle blowing e-mail : SJB@KSTAR.com.cn
-  Whistle blowing address : The Audit Department, Guangming High tech Zone KSTAR Industrial Park, Shenzhen, Guangdong



Promoting Anti-corruption Culture

In order to prevent corruption, KSTAR promotes a corporate culture of integrity and creates an anti-corruption and anti-fraud working environment.

We communicate our anti-corruption policies and related measures to all employees (including part-time and contractors) in a variety of ways, including employee handbooks, internal publications and corporate rules and regulations. We maintain effective communication with employees and ensure that they receive training on relevant laws and regulations and professional ethics, so that they understand the concepts in the code of conduct and can distinguish between legal and illegal, honest and dishonest, and ethical and unethical conducts.

At the same time, to strengthen integrity training for new employees, we provide them with additional anti-corruption training and training on applicable laws and regulations, integrity, and ethics, to enhance their awareness of anti-corruption.



Anti-bribery Management of Suppliers

We attach great importance to the anti-bribery management of suppliers and have formulated and issued the Supplier Code of Conduct. We investigate, strictly control and monitor bribery in the procurement process, in order to regulate suppliers' conduct, further standardize and systematize the anti-bribery management of suppliers, and conduct "sunshine purchase". The Supplier Code of Conduct requires suppliers to uphold the highest standards of ethics and conduct in their dealings with employees, customers and other stakeholders, to comply with anti-corruption and anti-bribery laws and regulations, and not to offer or accept any form of bribe or engage in unfair competition. We clearly reserve the right to audit our suppliers' compliance with the Code at our discretion, and our business partners shall cooperate actively in business ethics and anti-corruption related audits.

We require suppliers to sign a Letter of Commitment for Suppliers, to guarantee that they are aware of the Company's anti-corruption requirements and establish their own business ethics and anti-corruption policies. Supplier violating integrity or laws and regulations will be held liable by the Group in accordance with the agreement.

²Details of the Supplier Code of Conduct are available on the public link : <https://www.kstar.com.cn/cn/upload/cms/www/202401/26173341qxdk.pdf>

ESG Management

KSTAR, a committed advocate of sustainability, proactively aligns with the United Nations Sustainable Development Goals (SDGs), and contributes to the balanced development of the economy, environment and society through business operation and value creation. In our ongoing commitment to establishing an ESG management system, we integrate ESG considerations into our strategic decision-making processes and continuously strengthen our supervision and management to ensure robust implementation of our sustainability initiatives. We maintain smooth communication with stakeholders, respond promptly to their requests, and keep improving the information disclosure transparency and enhance ESG management capability.

Response to SDGs

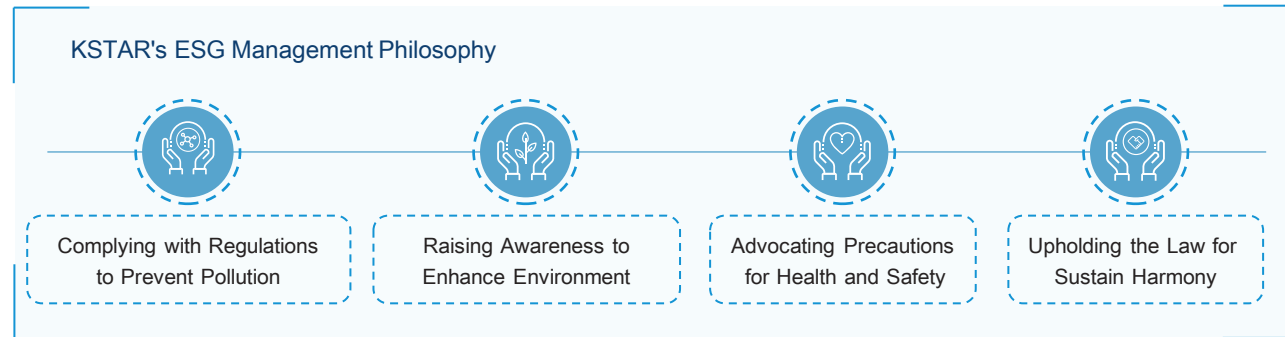
In active response to the SDGs, KSTAR has formulated ESG targets and monitoring indicators applicable to the Company based on the actual business operation. In this way, we deeply incorporate the sustainability concepts into the Company's operation and business, promoting the Company's sustainable development. This report discloses the Company's ESG targets and key actions during the Reporting Period.



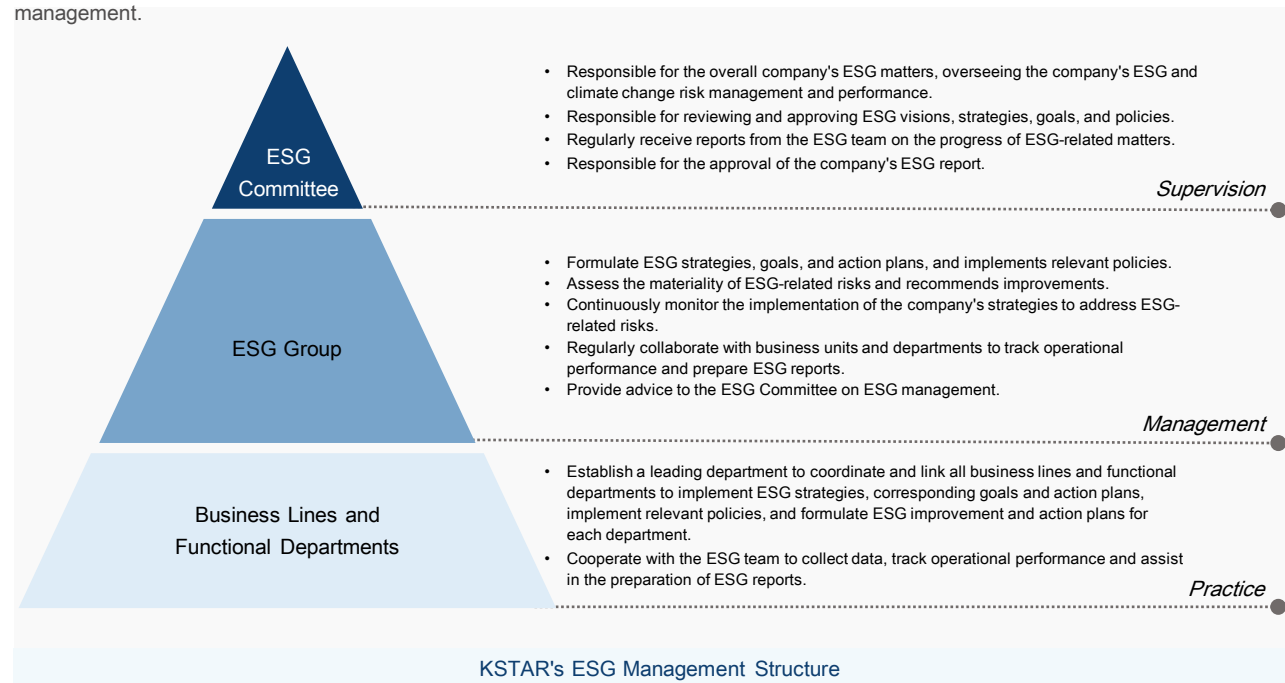
Chapter	SDGs	Key actions
Efficient Governance for Sustainable Development		<ul style="list-style-type: none"> Encourage all employees to consciously abide by business ethics, and establish an anti-corruption system and reporting channel. We also strive to build an integrity culture and a fair and incorruptible working environment.
Pursuit of Excellence in Products	     	<ul style="list-style-type: none"> Control the quality of products and services in strict accordance with the policies and systems, encourage innovation and strictly implement the Company's intellectual property rights protection mechanism. Adhere to development driven by technology, innovation, and efficiency, and make significant efforts to deploy green data centers and green new energy, increase investment in research and development to launch new energy products, and achieve iteration and upgrading of products and technology. Plan to invest more than RMB 100 million in clean technology research and development in 2024. Improve customer complaint management mechanisms and customer privacy protection measures to continuously improve customer satisfaction. Control supplier ESG risks by implementing management throughout the supplier lifecycle at all stages, and prioritize the engagement of service providers who have a strong commitment to sustainability, emphasize environmentally friendly practices and use environmentally friendly materials whenever possible.
Protect the Green Homeland	  	<ul style="list-style-type: none"> Adopt practical environmental protection measures to identify and respond to climate change and risks, and increase the development and utilization of renewable energy and energy efficiency to continuously reduce the clean energy costs.
Joint Efforts Towards a Harmonious Future	     	<ul style="list-style-type: none"> Safeguard the legitimate rights and interests of employees, advocate for an equal, diversified and inclusive workplace environment. Continue to improve the training system, optimize remuneration and benefits, and focus on employees' physical and mental health. Actively undertake social responsibility and participate in community building.

ESG Management System

As a company committed to achieving global influence in the field of smart energy, we actively respond to the national dual carbon goals. With the vision of "Generating Superior Solutions for Energy and More", we aim to "provide highly reliable smart energy solutions to meet the customers' demand for high-quality energy". To this end, we have incorporated the ESG management philosophy into our daily management.





The key foundation for activating the ESG potential of an enterprise is to build and improve the ESG management system. The Company has established a three-tier ESG management structure consisting of the ESG Committee, the ESG Working Group, and various business lines and functional departments. We have also clarified the roles and responsibilities of ESG management at all levels to ensure the smooth progress of the Company's ESG work. Environmental performance is part of executive management debriefing. In the future, we will continue to improve the ESG management system and mechanism, and promote the organic integration of sustainability management with the Company's operations. This can help us lay a solid foundation for the Company's sustainability, and press ahead on the road of sustainable development. Furthermore, we have incorporated sustainability-related performance into our senior management compensation assessment system, which covers areas such as supply chain ESG management.



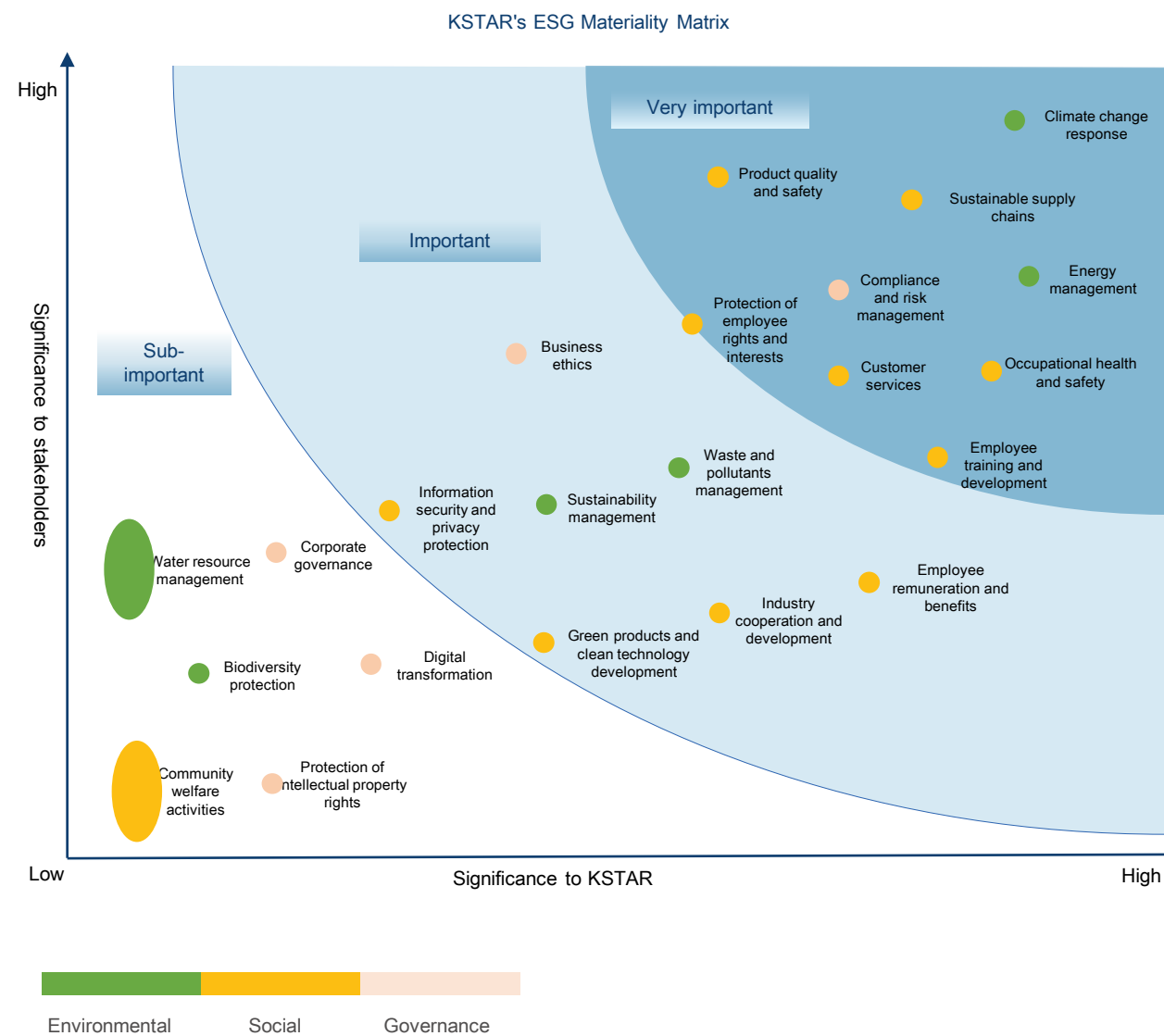
Communication with Stakeholders

In order to understand the demands and concerns of stakeholders and thus continuously improve our ESG governance performance, we have identified eight major stakeholders, which are shareholders, customers, partners, employees, government agencies, local communities, the environment, and the media and the public. We have also established a smooth communication mechanism to maintain close contact and cooperation with stakeholders. KSTAR is committed to promoting the concept of sustainability and disclosing its progress in responsibility fulfillment. We listen to stakeholders' voices, striving to satisfy their expectations and demands. We also make ongoing efforts to give a better performance in sustainability, enabling stakeholders to be more satisfactory to join hands with us and support us.

Stakeholders	Demands and Expectations	Communication and Response
<p>Shareholders /Investors</p>	<ul style="list-style-type: none"> Corporate governance Stable operating performance and profitability of the Company Return on investment Periodic information disclosure 	<ul style="list-style-type: none"> General Meeting of Shareholders Annual reports, interim reports and announcements of the Company Investor meeting, performance report meeting, and underwriter strategy exchange meeting On-site survey, hotline, email, and online feedback platforms
<p>Customers</p>	<ul style="list-style-type: none"> Brand recognition Business size Cost performance of products Product quality and reliability 	<ul style="list-style-type: none"> Customer satisfaction surveys Websites, annual reports, interim reports and announcements of the Company Customer activities, market insights, customer insights, customer service hotline and technical discussion meetings Plant visits, benchmark case studies, on-site or remote technical training
<p>Partners</p>	<ul style="list-style-type: none"> Long-term cooperation Fair prices Business integrity and mutual benefits 	<ul style="list-style-type: none"> Supplier survey Business negotiation Social responsibility assessment activities
<p>Employees</p>	<ul style="list-style-type: none"> Employees' rights and interests, and prevention of child labor and forced labor Training and development Health and safety Remuneration and benefits 	<ul style="list-style-type: none"> Labor union and workers' congress Employee care and suggestion box Employee training and monthly communication meetings KSTAR SPACE WeChat group for employee activities Table Tennis Club, Badminton Club, Basketball Club, Yoga Club, etc.

Stakeholders	Stakeholders' expectations	Channels for communication with stakeholders
 Government /Regulators	<ul style="list-style-type: none"> Compliant operations and timely tax payment Job creation and contribution to the economic development Environmental protection, energy conservation, and emissions reduction Targeted poverty alleviation and charitable donation Less negative impact on communities Corporate governance 	<ul style="list-style-type: none"> Websites, social media identification, and regulatory compliance Information disclosure Involvement in standard development Institutional visits, daily communication and reports, meetings, forums and exchanges
 Local Communities	<ul style="list-style-type: none"> Community development and community public welfare Environmental protection, and harmonious and civilized atmosphere Hazardous substance 	<ul style="list-style-type: none"> Community services Public welfare activities
 Environment	<ul style="list-style-type: none"> New energy development and utilization, energy conservation and emissions reduction Waste management 	<ul style="list-style-type: none"> Information disclosure Standards and policies development Detection and assessment
 Media/public/ Industry Professionals	<ul style="list-style-type: none"> Technology R&D and industry development promotion 	<ul style="list-style-type: none"> Websites, social media, and forum activities Visitor reception and interview

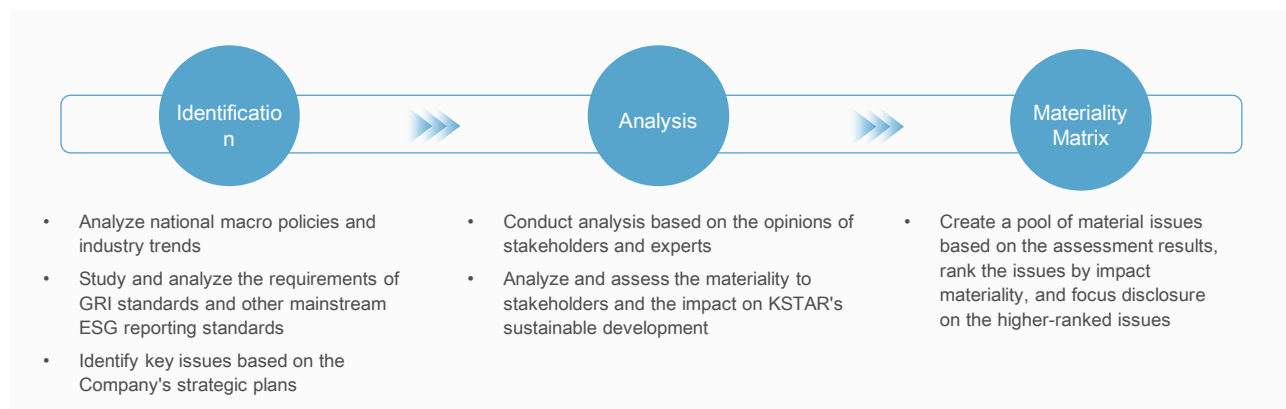
The Company's ESG materiality matrix for the year is as follows:



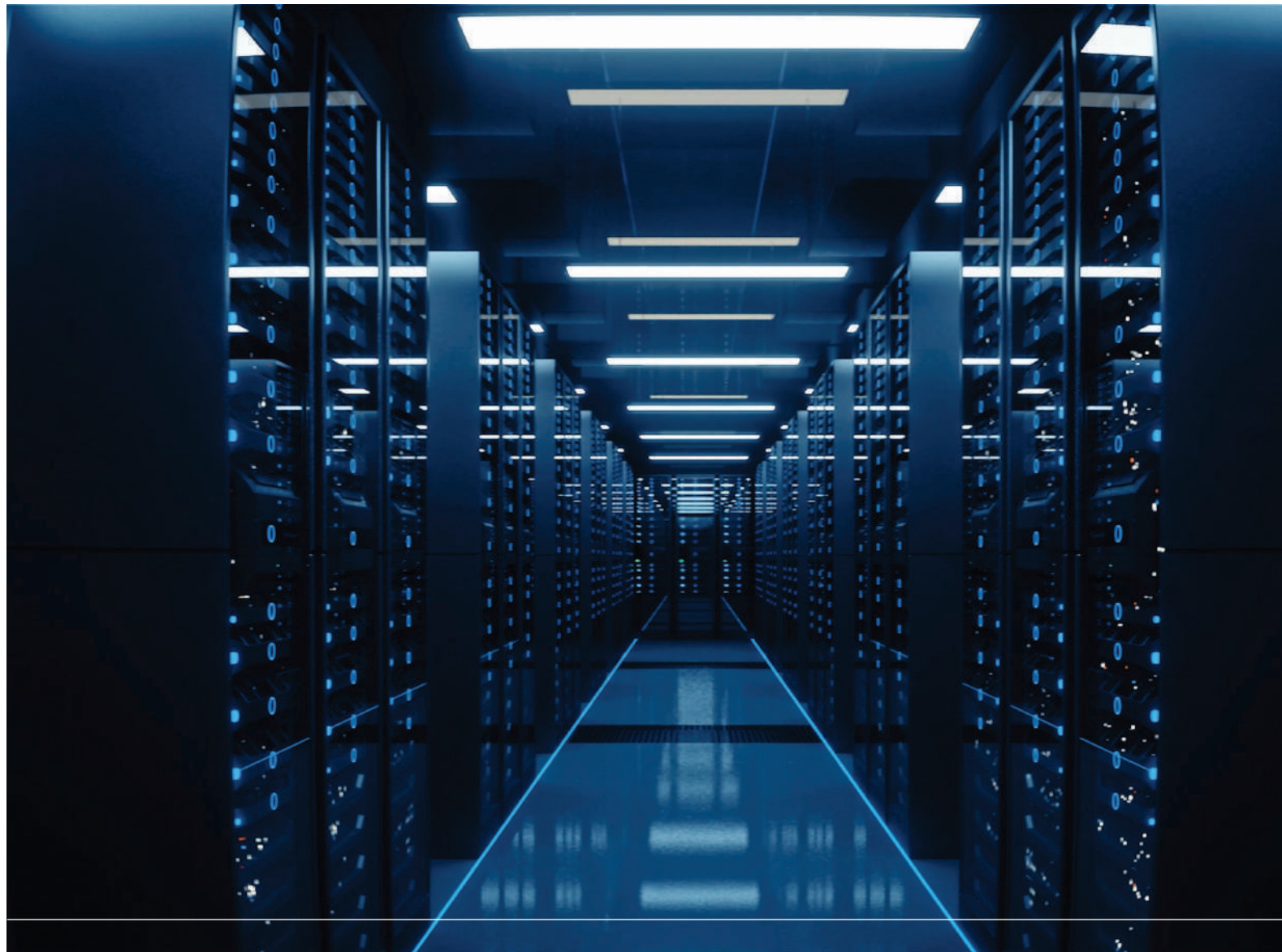
Based on our business development in 2023 and the results of stakeholder surveys, we have identified the most concerned issues, including Climate Change Response, Sustainable Supply Chains, Energy Management, Occupational Health and Safety, Product Quality and Safety, Compliance and Risk Management, Customer Service, Protection of Employees' Rights and Interests and Employee Training. We will continue to keep an eye on these issues in our sustainability management, and disclose the material issues in this report.

Materiality Assessment

In order to continuously improve our ESG management, we have identified issues having a material impact on both the Company and stakeholders based on research on ESG reporting standards at home and abroad, the results of stakeholder surveys and our development strategies. The materiality assessment is carried out in the following steps:



02 Pursuit of Excellence in Products



SDGs responded to in this chapter



KSTAR, with innovation as its core, prioritizes quality and is dedicated to crafting high-performance, premium, and eco-friendly products that align with market demands and bolster the green economy. By continuously improving the technological innovation system, strengthening intellectual property protection, actively participating in the formulation of industry standards, and providing products and services that satisfy customers, KSTAR has created significant value for its customers and played a leading role in promoting sustainability and industry advancement. At the same time, the company is dedicated to building an "excellent supply chain at KSTAR, driven by lean management and intelligent manufacturing." KSTAR actively cooperates with its supply chain partners to take on social responsibilities and build a green, efficient, and sustainable supply chain to achieve the goals of sustainability.

Innovation-driven Development	35
Safe Product Creation	43
Customer Satisfaction	51
Joint Efforts for Responsible Supply Chain	54

Innovation-driven Development

KSTAR has made cleantech innovation a core strategy. Leveraging technology and innovation as major driving forces for business growth, KSTAR adheres to technological innovation to lead industrial development, and constantly improves the management in this regard. To meet the market needs and create more value, KSTAR takes measures to empower management and encourage innovation. With increasing investment in research and development, KSTAR endeavors to provide more high-quality and safer products, aiming to contribute to the achievement of the national dual carbon goals, the transition to a green economy and the construction of a new power system. KSTAR plans to invest more than RMB 100 million in clean technology research and development in 2024.

The Company has established a R&D and innovation system based on the Integrated Product Development (IPD) Management Model, as well as a market-oriented innovation mechanism, to ensure the close connection between R&D projects and market needs. For the purpose of continuously ensuring the forward-looking and market-adaptable nature of the projects, a monitoring system for technological development and market dynamics has been established to support the timely adjustment of R&D direction. On this basis, the Company has formulated a series of management specifications such as the Design and Development Management Procedures, the Management Measures for Employee Career Development and Qualification in KSTAR R&D System, the Outlines for the Implementation of Mentorship in KSTAR R&D System and the Knowledge Management Procedures. In doing so, we have clarified the management requirements for product design and development, so as to effectively control the process of design and development.

The Company has an advanced experimental and testing platform, with the laboratory being assessed as a "CNAS Laboratory" and the R&D centers being certified by the "TÜV Rheinland Sighting Experiment". The advanced experimental and testing platform provides a good R&D environment for the implementation and validation of innovative projects, and a solid safeguard for technological innovation.



Technological Innovation System

So far, KSTAR has received a number of nationally recognized honors, such as the Key High-Tech Company under the National Torch Plan, the National Enterprise Technology Center and the National Technology Innovation Demonstration Enterprise. As an industry-leading new energy high-tech enterprise that takes technological innovation as the primary driver of development, KSTAR has always been adhering to the strategy of "market-oriented and technology-driven" research and development since its establishment. KSTAR attaches great importance to the construction of technological innovation systems and capacities, and has established R&D and innovation management policies and standards to provide support for the management of technological innovation.

In terms of R&D and innovation project management, the Company has formulated policies such as the Project Performance Assessment Management System, the Management Measures for Major Science and Technology Projects and the Design and Development Management Procedures to specify requirements for the whole process of a project from declaration to acceptance. At the same time, the Company classifies the projects into three categories, namely technology pre-research, new product development and derivative development. The different categories of projects are subject to hierarchical management. The Project Management Department carries out routine management of project and tracking of project progress, and the Expert Committee sets up an expert review group to evaluate the initiation, appraisal and acceptance of the project. Besides, by introducing advanced project management tools and methodologies and applying the agile development model, the Company improves the efficiency and quality of project management to ensure that projects can be delivered on time and meet expectations.



Focusing on building capacity for independent innovation, KSTAR has established two R&D centers in Shenzhen and Fuzhou, and continues to improve the organizational structure, management mechanism and processes for research and development. The Company has established and cultivated a professional R&D team with rich R&D experience and strong independent innovation ability. As of 2023, the R&D team had 631 members, accounting for 15.6% of all employees.

The R&D team had **631** members Accounting for **15.6%** of all employees



In addition to internal innovation management, the Company also introduces external innovation achievements to form a synergy. The Company establishes strategic partnerships with universities, research institutes, and upstream and downstream enterprises in the industry chain to share resources and knowledge and promote joint R&D projects. In 2020, the Company and Shenzhen University, as a joint reporting unit, cooperated with CAPXON Electronic Technology to carry out the fifth batch of key projects for technological breakthroughs in Shenzhen in 2020 (Project No.: Zhong 2020N49). The project focuses on the research and development of key technologies for high-voltage and high-stability aluminum electrolytic capacitors with a long service life, and is expected to be completed in the first half of 2024. In addition, we cooperated with Fuzhou University to establish a R&D center in Fuzhou, which mainly focuses on the technical problems of bi-directional charging modules, PV inverters, weak grid-tied technology and electromagnetic compatibility of energy storage converters. Through external cooperation, we have not only developed a solid network of cooperation in specialized fields, but also accelerated technological breakthroughs and product upgrades in an innovative environment with shared insights, thus bringing new growth momentum to the Company.

It is also important for us to maintain scientific research integrity and academic ethics at the Company. We take various measures to comprehensively safeguard scientific research integrity, such as organizational supervision, system development and awareness promotion. We manage and trace scientific research results, warn against any integrity violations identified, and hold those with serious cases liable. We implement the integrity spirit of scientific researchers, and communicate proper scientific ethics and morals to R&D personnel. By the end of 2023, there were no cases of academic misconduct in the Company.

Product Innovation

Insisting on the development driven by technology, innovation and efficiency, KSTAR dives into the fields of green data center and green new energy. With the advantage of an experienced R&D team, KSTAR continuously explores for energy-saving, reliable and intelligent products, and carries out a series of innovations and upgrades to the products. In 2023, the Company made innovative breakthroughs in its products such as UPS, PV All In One ESS and chargers. In particular, the KSTAR Reserve Integrated UPS won the "2023 China IDC Industry Innovative Technology Product Award". The full-frequency fluorine pump energy-saving precision air conditioner won the "Technology Innovation Award". And the charger won awards such as the "China Charging&Battery Swapping Industry Top 10 Smart and Safety Charging Pile Brand 2023", the "China Charging&Battery Swapping Industry Top 10 Influential Brand 2023" and the "China Charging&Battery Swapping Industry Best Technology Innovation Award 2023".

Innovation Awards in 2023 (Selected)



KSTAR has a deep insight into the market trends and demands, and optimizes and innovates its products such as reserve integrated UPS, fluorine pump free-cooling precision air conditioner, PV All In One ESS, chargers and charging modules to make the products more energy-saving and reliable.

KSTAR YMK3300 Series Reserve Integrated UPS

The KSTAR YMK3300 reserve integrated UPS can be switched to the reserve integrated mode, which enables smooth output by making full use of photovoltaics and adjust electricity loads to achieve economic returns. In addition, outdoor lithium power can be used as backup power for UPS to enhance the reliability of lithium power at a data center. Meanwhile, the user-side UPS + energy storage can also respond to load scheduling, which alleviate the pressure of utility power consumption. The product is characterized by high performance, high availability and high reliability.

- High energy efficiency - Green and eco-friendly way to reduce energy costs: The overall efficiency of the uninterruptible power supply (UPS) is improved through optimization of circuit cooling structure and other ways. In addition, compared to the industry's mainstream efficiency of around 96%, the efficiency of the on-line mode can reach up to 97.1%, and the PLF can be increased by approximately 0.012. The efficiency of the HECO mode can reach 99.0%.
- High Reliability -Stable power supply without interruption: The scalability of the product and the reliability of the system power supply is comprehensively improved by the digital equalization technology based on controller area network communication.

With its high performance, high availability and high reliability, KSTAR YMK3300 reserve integrated UPS applies wind, photovoltaic and other new energy to the data center to bring customers with economic benefits, social and ecological value.



YMK3300-600 Reserve Integrated UPS

MT Full-Frequency Intelligent Fluorine Pump Free-Cooling Precision Air Conditioner

In the full-frequency intelligent fluorine pump free-cooling precision air-conditioning system, the compressor and refrigerant pump are installed in series. The system can automatically calculate the load through AI algorithms according to the operation conditions and installation method. On this basis, the system can automatically run 4 modes and control the number of air-conditioning system in service, so that the air conditioner always runs at the optimal energy-efficiency level. This makes the best use of the free-cooling source and reduces the energy consumption. Fluorine pump precision air conditioner has a significant energy-saving effect in northern areas. Compared to those without the fluorine pump energy-saving module, an individual MT100 fluorine pump air conditioner can save power by more than 109,000 kWh annually, equivalent to an annual reduction of about 109 tonnes of carbon dioxide emissions, demonstrating an obvious effect of energy saving and emission reduction.

In this year, KSTAR provided State Grid Gansu Electric Power Company with seven 100-kW, three 80-kW and two 50-kW MT room-level fluorine pump air conditioners. Due to the long hours of low temperatures in the winter of Gansu, such conditioners have achieved significant energy-saving effects and helped reduce the PUE value of the server room at the data center, with a power reduction of 1,319,147 kWh and a carbon emission reduction of approximately 1,315 tonnes throughout the year.



MT Full-Frequency Intelligent Fluorine Pump Free-Cooling Precision Air Conditioner

PV All In One ESS

For residential application scenarios, KSTAR BluE-S 5000D All In One ESS adopts system integration design, and supports global cloud platform & mobile APP access and energy interconnection. It also supports PV 200% over-allocation and on/off-grid paralleling, with adjustable output power. The product can be easily operated and maintained with low costs. With such outstanding advantages, the product maximizes the economic value for users, and makes 24-hour home green power possible.

For industrial and commercial application scenarios, KSTAR launched the KAC50DP-BC100DE C&I ESS for commercial and industrial enterprises to solve their problems in cost reduction, efficiency promotion, energy conservation and emission reduction. The economical and efficient product adopts the LFP core of CATL, which is highly scalable and supports capacity expansion on demand. It adopts dual fire protection system and 1+1 redundancy design, which is safer and more reliable. The modular design, compact size and flexible deployment enable the product to satisfy the integrated application of ESS in small and medium-sized microgrids and industrial and commercial buildings. The product has been successfully applied to many industrial and commercial energy storage projects at home and abroad, and its demonstration application has been realized in many projects in the UK, Ireland and various locations in China. It helps global enterprises in cost reduction, efficiency promotion and transition to green and low-carbon energy.



Residential All In One ESS



C&I All In One ESS

40KW SiC Charging Modules

40kW SiC charging modules adopt advanced silicon carbide (SiC) MOS materials and feature high efficiency, compactness, reliability, and fast charging, demonstrating significant advantages in application scenarios.



40kW SiC Charging Modules

- **High efficiency:** Thanks to high thermal conductivity, fast switching frequency, and high voltage resistance, SiC materials support these modules to achieve higher efficiency of energy conversion, which boosts efficiency by 0.5%, effectively reduces energy loss and waste, and extends battery life for users.
- **Reliability:** High voltage resistance of SiC materials enables the modules to maintain stable operation in high-voltage conditions, effectively reducing equipment failure and improving overall lifetime. In addition, the reliability of the modules helps reduce maintenance and replacement costs, saving users money.
- **Fast charging:** Efficient thermal management technology of 40kW SiC charging modules reduces heat loss and increases charging current, which can dramatically reduce charging time and improve equipment availability.

Innovation Incentive

To stimulate the innovation potential of employees and develop a corporate culture that encourages innovation, the Company has formulated and implemented internal regulations such as the Knowledge Management Procedures, the Technology Review Management Procedures and the KSTAR Patent Management System, which stipulate the incentive measures for R&D personnel. Under the regulations, different incentives are provided for technical specification-type knowledge innovations, patent innovations, etc. For employees with outstanding contributions, the Company rewards them in accordance with the relevant policies of the human resource department. They may enjoy priority for appointment, position or level promotion, annual salary adjustment, etc.

To encourage R&D personnel to continuously give full play to their passion for innovation and creativity, the Company provides sufficient financial support for various scientific research and innovation projects, and sets up special funds for recognizing outstanding scientific and technological achievements. In 2023, the Company's R&D investment amounted to RMB 259.1 million. The cumulative R&D investment in the past six years exceeded RMB 1 billion, increasing year by year. Of the R&D investment in 2023, a total of RMB 478.9 thousand was used as special rewards to recognize outstanding scientific and technological achievements, and 543 people were rewarded.

Besides, to ensure that the R&D staff can keep up with the cutting-edge technologies of the industry and continuously improve their professional skills and innovation capabilities, the Company provides them with continuous learning and training opportunities.



Protection of Intellectual Property

KSTAR attaches great importance to intellectual property management and takes intellectual property protection as the basic means and guarantee to encourage innovation. The Company strictly abides by national laws and regulations such as the Intellectual Property Protection Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Copyright Law of the People's Republic of China. We have formulated and implemented the Knowledge Management Procedures and the KSTAR Patent Management System and other policies based on the actual conditions of the Company. At the same time, the Company has also set up a patent team for the overall management of patent affairs, responsible for implementing the patent management system, and following up on and supervising the progress of patent-related work.

The Company's intellectual properties are subject to uniform, standardized and orderly management with clear division of labor. Patent application and technology confidentiality measures are taken to ensure that the Company's R&D achievements are effectively protected, and those who infringe intellectual property rights will be held accountable. At the same time, in order to avoid infringement of others' intellectual property rights and enhance employees' awareness of intellectual property protection, the Company carries out activities themed on intellectual property to create an atmosphere that respects knowledge and advocates innovation.

Over the years, the Company has insisted on independent R&D and technological innovation, and has made outstanding achievements in intellectual property and core technology. In this year, the Company obtained 75 new valid patents and 26 software copyrights. As of December 31, 2023, the Company obtained a total of 304 valid patents and 102 software copyrights.



Facilitation of Industry Development

KSTAR attaches great importance to both independent innovation and cooperation and exchanges with external parties. While focusing on innovation, KSTAR actively cooperates and exchanges with external parties, such as peer enterprises, governments, industry associations and other organizations. By participating in the revision of domestic and international standards, deepening the industry-university-research cooperation, and other means, the Company continuously promotes industry growth.

Involvement in Standard Development

The Company is actively involved in the formulation and revision of domestic and international standards, and contributes to the ecological construction of industry standards. The Company plays a positive role in leading and standardizing the development of the industry and promoting the discourse power of Chinese enterprises. In 2023, the Company organized or was involved in the development of 1 national standard, 26 industry standards and 3 association/group standards, of which 29 were seeking project approval and 1 was seeking comments. As of the end of the Reporting Period, the Company had been involved in the development of 121 standards. The details are as follows.

© KSTAR's Involvement in Industry Standard Development

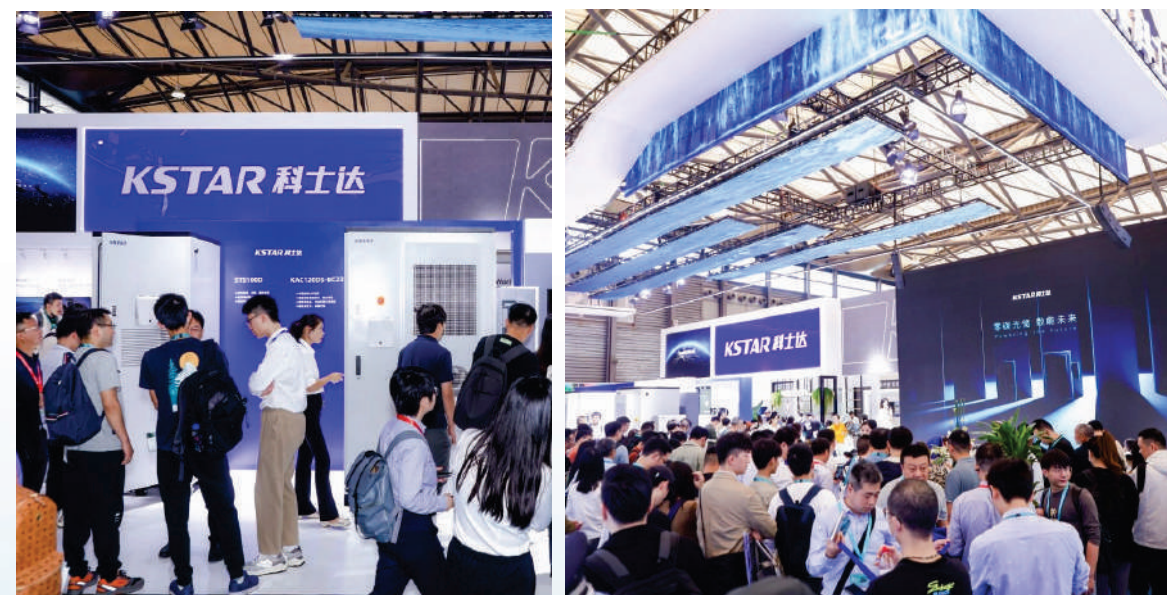
Level of standard	Number	Number of standards issued and implemented
National level	6	2
Industry level	104	54
Association/Group level	11	7

Exhibitions and Exchanges

The Company actively organizes and participates in industry forums and exhibitions to share technical experience in the new energy, and discusses with industry partners about the frontier development trend of the industry to seek coordinated development. In 2023, the Company participated in industry exchange activities such as the "8th SNEC ES+ International Energy Storage Exhibition", the "US International Solar Power Exhibition RE+ 2023", the "6th Charging Pile and Power Exchange Station Exhibition". By doing so, we aim to take new development opportunities and work with industry partners to achieve complementary advantages and win-win cooperation, and jointly build a clean and efficient industrial ecology.

The eighth SNEC ES+ International Energy Storage Exhibition

On November 1, 2023, the 8th SNEC ES+ International Energy Storage Exhibition was grandly opened at Shanghai New International Expo Center. KSTAR impressed the participants with 13+ blockbuster products and 4+ solutions. The products cover all application scenarios, and present the Company's technical achievements and practices in the field of photovoltaics & energy storage systems, as well as business of PV & ESS scenarios from the power supply side, power grid side and user side.



Intersolar Europe 2023

On June 14, Intersolar Europe 2023 kicked off in Munich. KSTAR discussed multi scenario PV & ESS solutions with exhibitors from all over the world and talked about new technologies and trends in photovoltaics & energy storage systems.

KSTAR made a big debut with a full range of PV & ESS products and solutions with the theme of "Zero carbon Photovoltaic Storage Digital Energy Future". At the exhibition site, KSTAR focused on household and industrial and commercial applications, and exhibited a full range of solutions covering household PV & ESS system solutions, industrial and commercial PV & ESS system solutions, household photovoltaic system solutions, and industrial and commercial photovoltaic system solutions.



Safe Product Creation

Attaching great importance to quality management, KSTAR insists on the core value of "putting quality first to win the trust of customers with high-quality products". Upholding the product philosophy of "quality first", the Company has established a sound quality management system to strictly control the quality of products throughout their lifecycle. In addition to building a quality culture with the involvement of all staff, the Company implements various quality management requirements to ensure the continuous and efficient operation of all business processes, so as to provide customers with safe products.

Quality Management System

Focusing on product quality and safety, KSTAR continuously improves its product quality management system. The Company has formulated various product management policies such as the DFMEA³ Management Specifications, to comprehensively incorporate the possible difficulties related to the products at various stages. On this basis, the Company can take precautions and consolidate the foundation for the operation of product management system to provide customers with high-quality products.

As of the end of the Reporting Period, the Company had obtained the ISO 9001 Quality Management System Certification, the ISO 14001 Environmental Management System Certification, the ISO 45001 Occupational Health and Safety Management System Certification and the IECQ QC 080000 Hazardous Substance Process Management System Certification. In doing so, we have built a systematic management system, so as to achieve standardized and efficient operation. In the future, to ensure high-quality development, the Company will continue to improve its management standards with reference to relevant management systems, and assign management responsibilities to all departments.

KSTAR System Certification:

Certification item	Certification authority	Certification item	Certification authority
Quality Management System ISO 9001:2015	SGS	Environmental Management System ISO 14001:2015	SGS
Occupational Health and Safety Management System ISO 45001:2018	SGS	Hazardous Substance Process Management System IECQ QC 080000:2017	SGS

³DFMEA(d FMEA, Design Failure Mode and Effects Analysis) means that, at or before the formation of a design concept, and at all stages of product development, if the design changes or other information is available, amendments should be made timely and continuously before the drawing is completed. DFMEA evaluates and analyzes the final product and each of the systems, subsystems and components associated with it.

KSTAR System Certification:

Certification item	Certification authority	Certification item	Certification authority
Laboratory Certification ISO/IEC 17025:2017	CNAS	Energy Management System ISO 50001:2018	TÜV
Integration of Informatization and Industrialization Management System ⁴ Certificate AA GBT 23001	CEPREI	Safety Production Standardization Certificate	Emergency Management Bureau

Shenzhen KSTAR New Energy System Certification:

Certification item	Certification authority	Certification item	Certification authority
Quality Management System ISO 9001:2015	SGS	Environmental Management System ISO 14001:2015	SGS
Occupational Health and Safety Management System ISO 45001:2018	SGS	Quality Management System Certificate GBT 19001-2016	TC151
Environmental Management System Certificate GBT 24001-2016	TC207	Safety Production Standardization Certificate	Emergency Management Bureau

Guangdong Industry System Certification:

Certification item	Certification authority	Certification item	Certification authority
Quality Management System ISO 9001:2015	SGS	Environmental Management System ISO 14001:2015	SGS
Occupational Health and Safety Management System ISO 45001:2018	SGS	Hazardous Substance Process Management System IECQ QC 080000:2017	SGS

⁴The proposal for the Integration of Informatization and Industrialization Management System is based on the following working basis and practical experience: The technical application achievements and management innovation experience gained by Chinese enterprises in the course of informatization; the methods and logic refined from the assessment of the integration of informatization and industrialization in more than 10,000 enterprises in accordance with the Assessment Specification on Integration of Informatization and Industrialization for Industrial Enterprises (GB/T 23020); and the work basis and application environment formed in the course of promoting the quality, environment, information technology services, information security, energy, occupational health and safety and other management systems.

Golden Sun Certification:

Certification item	Certification authority
Quality Management System ISO 9001:2015	SGS
Occupational Health and Safety Management System ISO 45001:2018	SGS

Certification item	Certification authority
Environmental Management System ISO 14001:2015	SGS

CATL-KSTAR:

Certification item	Certification authority
Quality Management System ISO 9001:2015	SGS
Occupational Health and Safety Management System ISO 45001:2018	SGS
Environmental Management System Certificate GBT 24001-2016	TC207
Safety Production Standardization Certificate	Emergency Management B

Certification item	Certification authority
Environmental Management System ISO 14001:2015	SGS
Quality Management System Certificate GBT 19001-2016	TC151
AEO Certificate	Fuzhou Customs District P.R. China

Overall Quality Management

KSTAR, with a customer-centric approach, is dedicated to product excellence through stringent quality standards and lean manufacturing. We leverage digital technology to streamline production processes, thereby boosting efficiency and consistently elevating the caliber of our products.

Lifecycle Product Quality Management

We implement lifecycle quality management for our products, identify and avoid quality risks in R&D and design, incoming materials, manufacturing and after-sales services. We implement quality control to ensure the quality of our products. The specific measures are as follows.

R&D and Design

- Consider the problems that may be involved in the production, transportation and use of products at the R&D and design stage, and develop preventive measures and solutions in advance.
- Assess the potential failure mode of products in the usage stage from the dimensions of severity, incidence and difficulty in problem detection in accordance with the DFMEA Management Specifications under specific operating environment conditions and usage conditions. After the potential failure mode is identified, the best improvement method should be determined to improve the process to avoid the occurrence of failure.

Incoming Materials

- Develop and implement the IQC Incoming Material Inspection Specifications, set up indicators for the inspection of incoming materials and key parts, and clarify the inspection items and acceptance criteria for raw materials, to ensure that the product quality can meet customer needs.

Manufacturing

- Perform first article inspection in accordance with the Operation Standards for First Article Inspection, to confirm the correctness of process settings and the conformity of product quality before mass production.
- Formulate the IPQC Inspection Standards to standardize and implement the quality and environmental protection requirements of the production process.
- Ensure that the process and product quality meet the expectations by implementing the Product Monitoring and Measurement Control Procedures.

After-sales Services

- The customer service center quickly responds to customer feedback, and engineers solve problems for customers on site. For details on customer after sales service management, please refer to "2.3.1 Customer Service and Satisfaction".

At the same time, the Company has formulated the Nonconforming Product Control Procedures to take effective control measures such as identifying, marking, isolating, evaluating and treatment against nonconforming products concerning incoming materials, production process, finished product inspection and customer complaints. We monitor, identify and solve product quality problems through standardized processes and methods, and keep records of nonconforming products for effective closed-loop management, so as to continuously improve product quality.



Digital Efforts to Ensure Product Quality

The Company actively promotes digital construction and transformation by adopting a series of measures to enhance overall operations, production efficiency, and product quality control, including:

Digital Factory

Taking the Guangming Plant initiative as our first step to build digital factories, we integrated PDM, CRM, ERP, SRM, WMS, MES, and QMS. By doing so, we aim to achieve closed-loop management and real-time monitoring of the entire value chain. With these efforts, the Company managed to lay the groundwork for digital production in key regions such as Huizhou, Ningde, Yichun in China and Vietnam.

Barcode Management

We implement barcode management to ensure reliable product quality, control the production process and track the deliverables, as well as to promote refined warehouse management.

Visualization Technology

Backed by the visualization technology, dashboards for digital management of the supply chain have been created to present key manufacturing data and production situations in the workshops. The technology has helped to achieve real-time collection and sharing of production information, and to establish a command system with rapid response. At the same time, some PCBA (Printed Circuit Board Assembly) workshops have adopted 3D digital twin technology for display and warning.

Total Productive Maintenance

We have implemented the TPM (Total Productive Maintenance). A series of measures such as preventive maintenance, equipment cleaning, and employee training were adopted to reduce equipment failures and downtime, ensure standardized operation process to prevent defective products from entering the production lines, and improve production efficiency and product quality. In addition, we have achieved real-time acquisition of process information, ensuring that the production information is traceable throughout the entire production process.

Intelligent Enterprise

KSTAR is committed to building itself into an intelligent enterprise. The Company keeps optimizing ERP, CRM, and BI system process, and works to remove information barriers in sales, finance, and after-sales services. These efforts have supported the Company in achieving online display of data and integration of business and finance, enhancing the Company's capabilities in resource allocation, risk control, and financial analysis, as well as achieving the goal of going paperless.



Dashboards for Digital Management of Supply Chain

Full-process Hazardous Substance Management

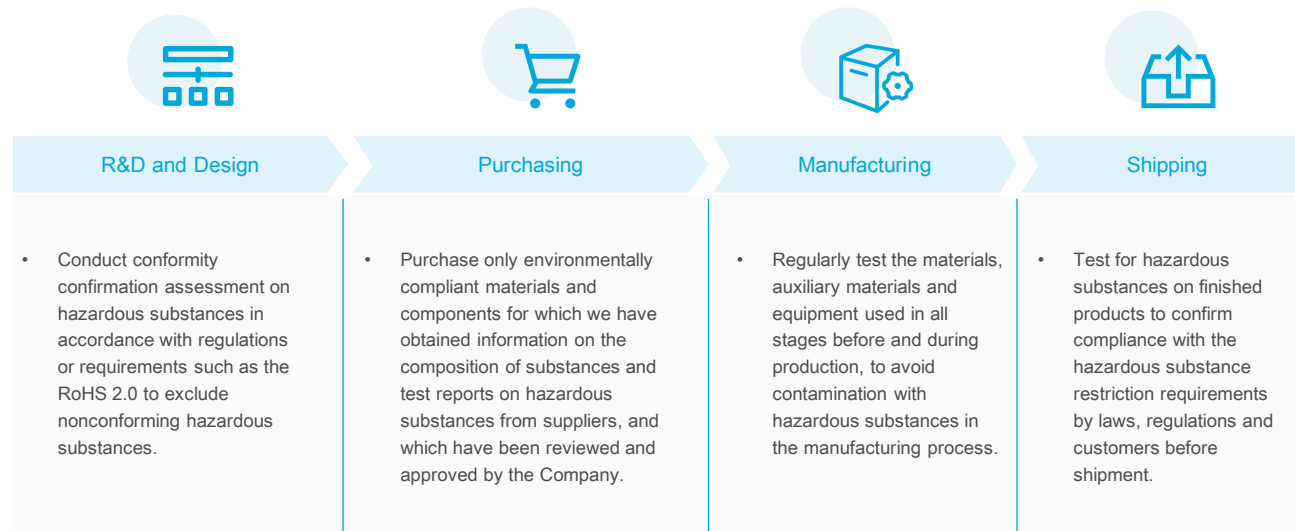
KSTAR understands and complies with the National Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products, the European Union's Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). We also keep on updating and revising internal management standards such as the Eco-friendly Substance Control Procedures and the Hazardous Substance Management Conformity Assessment Procedures. We clarify the list of banned and restricted substances required by various regulations and directives as well as our customers, and improve the full-process control over the eco-friendly substances and materials of products in the design, purchasing, manufacturing and delivery of the products. By doing so, we ensure that all the products satisfy the requirements of hazardous substance management and do not have any harmful effects on health and the environment before shipping. We have consistently maintained QC 080000 certification for Hazardous Substance Management Systems over the years.



Hazardous Substance Control

In order to implement measures to control hazardous substances in products, each department of the Company works together under clear segregation of duties to control hazardous substances and materials in each procedure of the product lifecycle.

Full-process Control over Hazardous Substances in Products

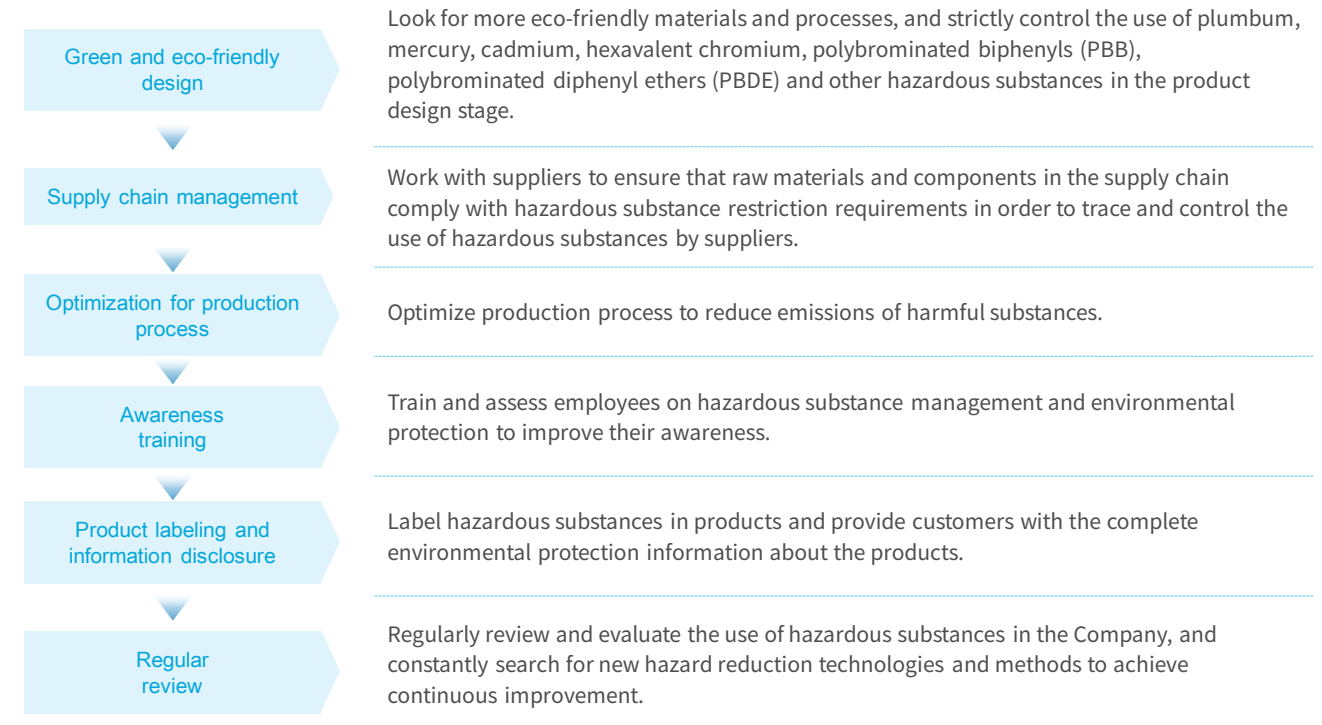


Restricted Use of Hazardous Substances

We continuously track the development of domestic and overseas laws and regulations, and align with the latest standards and requirements to identify improvements in the management of restricted substances. During the Reporting Period, we formulated the 30th List of Substances of Very High Concern (SVHC) in accordance with the requirements of the REACH, and updated our Eco-friendly Substance Control Procedures to the 15th edition, with a total of 240 restricted substances.

Substitution and Reduction of Hazardous Substances in Products

KSTAR has set HSF (Hazardous Substance Free) as a long-term goal for its products, a target suitable for all hazardous substances reduction plans, and we plan to seek for alternatives to reduce and eliminate the use of hazardous substances. We strive to achieve the hazardous substance substitution and reduction goals through a series of measures:



In the future, we will increase our investment in the research and development of new eco-friendly materials and processes, and propose alternatives to traditional hazardous materials. At the same time, we will consider more about the possibility of recycling and disassembling products for subsequent recycling and reuse, so as to minimize the impact of wastes on the environment and recycle valuable materials. Meanwhile, we will continue to learn from international advanced hazardous substance management technologies and align ourselves with global industry standards. Furthermore, we will utilize the substitution catalog of hazardous raw materials (products) recommended by the state, develop and apply low-toxic and low-hazardous or non-toxic and non-hazardous raw materials to cut down on poisonous and hazardous substances and pollutant emissions in production.

Quality Culture Cultivation

With a focus on customer needs, KSTAR continuously improves product quality, and imparts the philosophy of quality construction to every employee through the cultivation of a robust quality culture. During the Reporting Period, we hosted a total of 2 company-wide and over 25 department-level quality management training sessions. The topics covered include knowledge about quality management systems, hazardous substance process management systems, nonconformance control and so on. The aim was to impart quality management knowledge across all employees, foster a commitment to product quality management, and elevate the Company's overall product quality management. In 2023, the Company passed 94 proposals and completed 28 QCC improvements through internal quality optimization interaction activities.



Customer Satisfaction

KSTAR is customer-focused, with customer satisfaction at its core. The Company dedicates itself to understanding customer needs and continuously enhancing its customer service processes. Additionally, KSTAR prioritizes the robust security and privacy of customer data, ensuring higher-quality and more reassuring services to clients. Additionally, we are committed to maintaining compliant promotion, thereby establishing long-term, positive relationships built on trust with our clients.

Customer Service and Satisfaction

KSTAR is committed to providing excellent customer service and constructing a closed loop integrating pre-sales, during-sales, and after-sales service. The Company has established standardized processes to provide on-site quality services to meet customer needs and achieve rapid responses to customer complaints or suggestions. At the same time, the Company communicates with customers about product and service feedback through regular customer satisfaction surveys, and makes relevant optimizations and improvements based on these insights.

Providing Quality Services

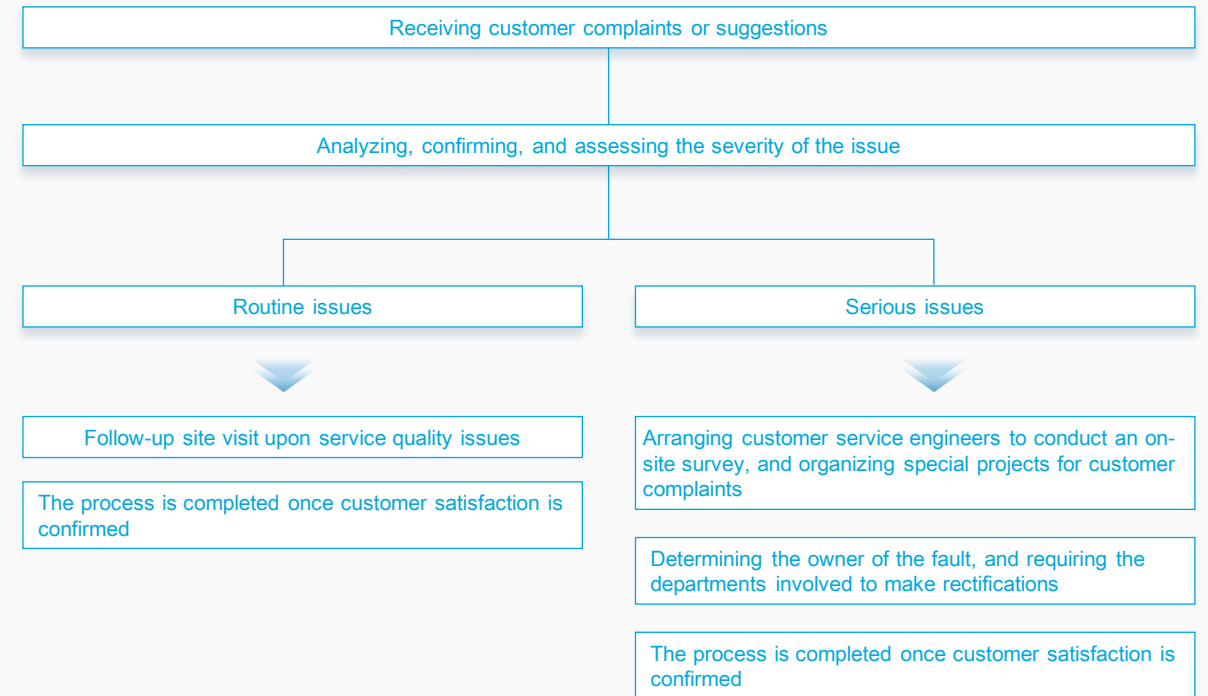
Our service offerings for customers include but are not limited to, pre-sales technical consultations, post-sales product installation, training, maintenance, warranty services, and returns. In response to customer complaints or suggestions regarding our products or services, we have developed the Customer Service Procedures. The aim of this procedure is to assure customers of our service quality and to build a foundation of trust between both parties. We passed the five-star certification of "Evaluation System for After-sales Service of Commodities" (GB/T 27922-2011).

To ensure timely response to customer feedback and complaints, we've established a three-tier maintenance system consisting of our customer service center, regional maintenance centers, and authorized service stations. This system is backed by the service management department, call technology center, spare parts management department, field service department and authorized service stations, all dedicated to delivering excellence in service. In managing customer complaints or suggestions, we classify them as either "routine issues" or "serious issues". We then address each category through established standardized procedures to ensure effective resolution. Additionally, we collect and summarize all customer complaint data on a quarterly basis and report it to the relevant departments to facilitate their review, introspection, and improvement of common issues.



Five-star Certification of Evaluation System for After-Sales Service of Commodity (GB/T 27922-2011)

Customer Complaint or Suggestion Handling Process



To enhance service for our key clients, we have formulated and implemented the Guidelines for Key Client Services. In accordance with these guidelines, we provide a streamlined, secure, and expedited green channel for key clients, and assemble an expert team to address significant equipment failures and other complex issues. The objective is to ensure a controlled and high-quality service process for our key clients, helping them resolve problems efficiently.

Enhancing Customer Satisfaction

Committed to enhancing customer satisfaction, we value and are willing to listen to clients' suggestions and ideas. We regularly survey our key distributors and end-users to gather feedback on various aspects, including product functionality, logistics services, and response times to issues. Based on those feedbacks, we implement targeted improvements to address the concerns raised by our customers.

We have formulated the Customer Satisfaction Management Procedure, under which the management representatives deal with customer satisfaction-related issues, while the Marketing Management Department is mainly responsible for customer satisfaction surveys, feedback of the results to the relevant departments, and continuous tracking. In order to better measure and analyze customer satisfaction and understand customer opinions, we will conduct different customer satisfaction surveys in various forms, such as emails and visits, so as to continuously improve the quality management system. After customer satisfaction survey, the Marketing Management Department will analyze and summarize the results and customer feedback and submit them to management representatives for review.

In 2023, we surveyed our key distributors and end-users, including product functionality, environmental protection requirements, product package and appearance design, logistics services and so on. We assign weights to each score, with the results of the national satisfaction survey all above 90 and the average score of the international customer satisfaction survey exceeding 85.

Information Security and Privacy Protection

We prioritize the protection of customer information and privacy data, striving to safeguard customer rights and interests. To achieve this, we have established a range of information security management policies, including the Policy for Security Configuration Management of Network Equipment, the User Access to Systems and Network Management Procedures, and the Information Security Incident Management Procedures. We are dedicated to continuously enhancing our information security management system, ensuring that our customers benefit from a secure service environment. The Company has obtained the ISO 27001 information security management system certification.

To effectively protect customer information, we require that the configuration and parameter settings of all major network equipment, including firewalls, switches, load balancing devices, etc., must meet the requirements of the Company's Network Equipment Security Configuration Baseline. The Company also strictly manages the permissions given to all employees and related third-party users for them to use various application systems, thereby preventing unauthorized access and mitigating the risk of customer information breaches.



To avoid customer information loss in the event of an information security incident, the Company has formulated the Information Security Incident Management Procedures to enforce the classified and graded management of such incidents. We develop tailored emergency response plans for each level of incident, ensuring a swift and effective response to information security incidents. This proactive approach aims to minimize any potential negative impact on our customers. Furthermore, we will coordinate with relevant departments to carry out disruption and recovery exercises in accordance with our emergency drill plan and emergency drill contingency plan. We will then issue Emergency Drill Reports to refine our response capabilities and to enhance the Company's overall preparedness for information security incidents.

We also carry out in-house information security training in line with the Human Resource Management Procedures. These include information security orientation for new hires and ongoing information security training for all employees via a blend of online and offline platforms. The goal of this training is to enhance employees' awareness and understanding of information security and to strengthen their commitment to data security and protection. In 2023, we conducted a total of 16 information security training sessions, with 835 participants.



Responsible Marketing

In market promotion and marketing efforts, KSTAR strictly abides by the Advertising Law of the People's Republic of China, prohibiting exaggerated and false advertising to maintain a transparent sales and promotion environment. The Company strictly reviews external promotional materials to ensure that the promotional information and product details provided are accurate and trustworthy. It is required that the Company's marketing process strictly comply with localized privacy policies and other laws and regulations to regulate the release and management of marketing advertisements. For sales personnel, we organize marketing compliance training for them, teaching them sales skills and communicating to them the Company's compliance marketing principles and requirements, thereby improving their business communication capability and service quality.

In 2023, the Company did not experience any regulatory notifications or investigations for illegal advertising or promotions, nor did it experience any business violations or breaches of marketing and promotional rules.



Joint Efforts for Responsible Supply Chain

A stable and sustainable supply chain is crucial for an enterprise to maintain long-term competitiveness. KSTAR is dedicated to establishing a green, efficient, and responsible supply chain. We actively work with supply chain partners to collectively fulfill social responsibilities and drive the sustainability of the entire value chain.

Supplier Management

KSTAR manages suppliers in a systematic way. We have established a set of policies and guidelines to rigorously oversee supplier admission, evaluation, performance assessment, and more. Efforts are also being made to drive the capacity building of suppliers and empower their growth and development.

Supplier Management System

The Company has formulated a series of supplier management policies and regulations, such as the Supplier Development and Management Specifications, Procurement Control Procedure, Supplier Performance Assessment and Grading Management Methods, and Code of Conduct for Suppliers. These are designed to standardize supplier management through a structured process that integrates admission, evaluation, and periodic assessment reviews.

The Company requires suppliers to meet the ISO 9000 and ISO 14000 standards as minimum entry criteria and encourages them to obtain additional third-party certifications such as ISO 45001, IATF 16949, and IECQ QC 080000 in order to improve suppliers' management system.

For candidate suppliers, the Company carries out pre-qualification first, including reviewing the documents and specimens they provide. Then a panel consisting of personnel from the procurement department, quality assurance department, audit department, and other relevant departments conducts on-site assessments and reviews on them in accordance with the Supplier On-site Assessment and Review Form. The evaluation encompasses various aspects such as quality assurance and control, social responsibility, EHS management, and business ethics. The outcomes of the evaluation will influence our decision as to whether to contract with the supplier and the procurement priority. In addition, to ensure that the management systems of our current suppliers continue to meet our standards, we undertake annual on-site audits of these suppliers. In 2023, we conducted on-site assessments for 68 existing suppliers, with a compliance rate of 100%.



Furthermore, we conduct performance evaluations on suppliers, implement hierarchical management for them, and identify strategic cooperative suppliers, thereby enhancing the efficiency of our supplier management. Supplier performance is assessed by metrics like quality performance, responsiveness, and delivery performance. Considering suppliers' responsiveness to and implementation of corrective action requirements, they are classified into four tiers: A, B, C, and D. For suppliers identified with any deficiencies, we send them the Improvement Measures for Suppliers, requesting them to provide performance enhancement plans or measures. We then follow up on suppliers' implementation of these performance improvement measures. For underperforming suppliers or those who fail to meet improvement requirements, we terminate the agreement with them.

Supplier Capability Building

To assist suppliers in their growth, the Company actively carries out supplier capability building activities. We regularly train suppliers to raise their awareness of quality and to improve the quality of the products they supply. To this end, we provide suppliers with systematic training, technical support and guidance, and help them to deeply understand the quality management system, and advanced quality control methods. We also pay attention to suppliers' ESG improvement. We communicate our supply chain ESG management requirements to suppliers. Through visits to suppliers, and organizing supplier conferences, we exchange and share with them experiences in fulfilling social responsibilities, promoting the sustainable and healthy development of all suppliers. In addition, we build communication platforms to encourage suppliers to share their experiences and learn advanced ESG management approaches and practices to build a sustainable supply chain ecology.

Sustainable Supply Chain

KSTAR is committed to creating an environmentally and socially responsible supply chain. We integrate ESG considerations throughout our supply chain management process to identify ESG risks in the supply chain. We have established and published the Supplier Code of Conduct, which outlines the basic requirements for suppliers across various domains, including human rights and labor practices, health and safety standards, environmental stewardship, hazardous substance management, business ethics, and the avoidance of conflict minerals. We require suppliers to sign a Letter of Commitment for Suppliers, pledging their fulfillment of corporate social responsibilities.



Supply Chain ESG Management

When selecting suppliers, we value their performance in environmental responsibility, social responsibility, and business ethics. This principle is also integrated in various stages, including supplier investigation, on-site assessment audits, and performance evaluations. We conduct annual on-site audits on our suppliers to understand their ESG management and performance. The metrics covered include:

Environmental



- **Environmental Protection:**

Suppliers must have valid environmental impact assessment (EIA) certificates, environmental permits, and emission control permits. They must also regularly monitor and manage hazardous gases, noise, hazardous solid waste, and hazardous waste, and maintain appropriate records.

Social



- **Human rights and labor rights:**

Suppliers must establish policies that prohibit child labor and protect underage workers. They are required to sign legal labor contracts with all employees, schedule working and resting hours reasonably and provide appropriate compensation

- **Anti-discrimination:**

Suppliers shall not engage in discrimination against employees based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religious belief, political affiliation, union membership, marital status, or any other factors.

- **Freedom of association and collective bargaining:**

Suppliers have trade unions or other workers' organizations and hold regular events. Suppliers shall respect the rights of employees to freely join, form, or refrain from joining trade unions or other worker organizations.

- **Responsible minerals:**

Suppliers must maintain documentation for 3TG (tin, tantalum, tungsten and gold) and conduct due diligence on their supply chains to ensure that their products do not contain 3TG metals.

- **Occupational health and safety:**

Suppliers must conduct regular evaluations to identify and assess occupational disease hazards and safety risks. They should disclose information about occupational hazards (including toxic and harmful gases, noise, and dust), to their employees and relevant stakeholders. Suppliers are also required to provide necessary safety facilities, protective devices, and comprehensive safety training to all employees, as well as offer personal protective equipment at no cost.

Governance



- **Business ethics:**

All of our suppliers are required to sign a Letter of Commitment. Suppliers must adhere to ethical business standards, establish a management system committed to honest and clean operation, and prevent all forms of corruption, extortion, embezzlement, bribery, and other unethical practices.

- **Information security management:**

Suppliers must establish information security management processes and have the qualifications and technical capabilities that meet information security requirements.

For any deficiencies and issues identified during audits, we require suppliers to submit a rectification plan within five business days of receiving the audit nonconformance report. Suppliers should analyze the root causes and implement effective measures to solve the deficiencies and issues identified. We follow up on and verify key issues addressed in the rectification plan to ensure suppliers meet our requirements upon implementing necessary improvements. In the aforementioned audit items, the provisions for human rights, labor rights, and environmental protection are deemed "non-negotiable" in ESG management. Suppliers that do not fully comply with these requirements shall be deemed "failed" in the audit. In 2023, we completed ESG on-site audits for 68 suppliers, focusing on environmental protection and labor rights among other ESG issues, achieving a coverage rate of 100%.



Green Supply Chain

KSTAR actively practices green procurement, strictly enforcing our environmental standards. We have formulated the Agreement of Environmental Safety Management for General Stakeholders that outlines the requirements and expectations for suppliers' environmental performance throughout the procurement process, aiming to support the building of a green supply chain through joint efforts. We have established a systematic green supply chain management system that clarifies the management requirements for green materials, green products, and green suppliers at the procurement stage. Our supply chain management system has received green supply chain certification (five-star rating) in accordance with GB/T 39257-2020 Green Manufacturing - Green Supply Chain Management in Manufacturing Enterprises - Specifications for Assessment. In addition, our supply chain has obtained green packaging management system certification for consecutive years in accordance with GB/T 37422-2019 Method and Criteria for Green Packaging Assessment.



Our green requirements for suppliers are as follows. Suppliers should :

- Implement measures in their production to reduce environmental pollution, strive to minimize or eliminate solid waste, wastewater, and air pollutant emissions, and properly manage and dispose of the three types of waste (wastewater, waste gas, and solid waste).
- Reduce resource consumption by decreasing the use of water and energy through improved production processes, material replacement, conservation of natural resources, and by recycling and reusing materials.
- Adopt energy-saving measures, such as using clean energy to reduce carbon emissions.

Management of Hazardous Substances in Supply Chain

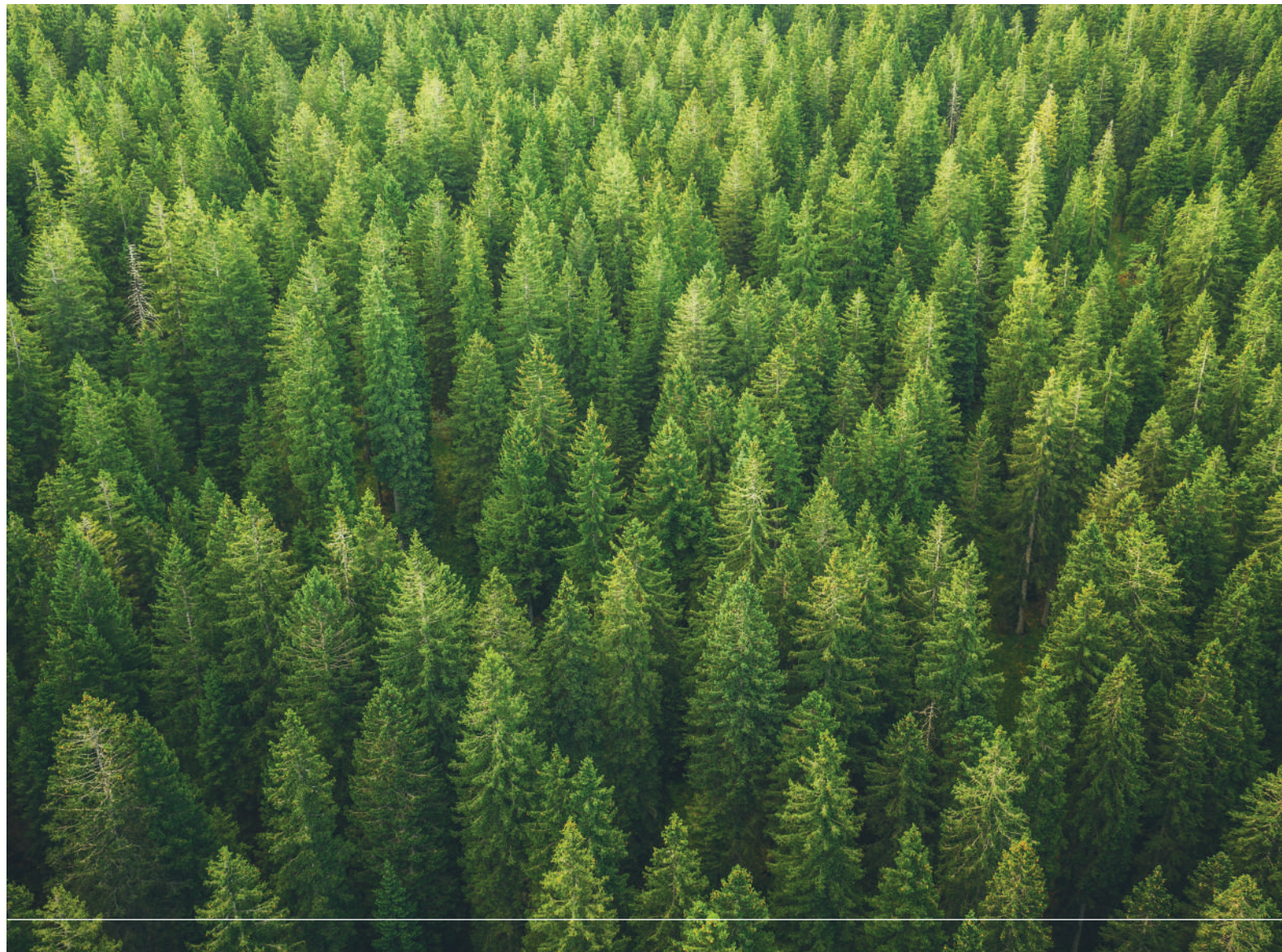
Specifying clear requirements for raw materials to suppliers is crucial to offering high-quality, environmentally friendly products to customers. To enhance the Company's overall management of hazardous substances, we require suppliers to implement comprehensive hazardous substance management to mitigate risks that may arise from non-compliant procurement.

At the supplier admission stage, we enter into an Agreement on the Management of Environmental Contaminants with suppliers and request documentation such as the RoHS Declarations (product ingredients declarations), the REACH-SVHC Declarations (green product ingredients declarations), the Material Safety Data Sheet (MSDS), the Third-party Report on Environmental Contaminants Testing, and the Environmental Compliance Declaration to comprehensively verify the supplier's use of hazardous substances. In 2023, the use of hazardous substances by suppliers was 100% compliant with KSTAR's requirements. We strictly require that materials supplied by our suppliers comply with the latest international standards, including the European Union's RoHS 2.0 Directive (2011/65/EU) and its amendments ((EU) 2015/863), the EU Packaging Directive (94/62/EC, 2004/12/EC) and its amendments (2013/2/EU), the EU REACH Regulation (EC) No. 1970/2006 and its supplement clauses, as well as the new EU Battery Regulation (EU) 2023/1542), to ensure our products meet relevant hazardous substance regulations. In addition, we require suppliers to attach environmental compliance labels, such as RoHS labels, as required by regulations.

Responsible Minerals Management

KSTAR places a high priority on the use of conflict-free minerals. We have issued the Declaration of Minerals Conflict-Free on our official website and mandate that all of our suppliers sign a Letter of Commitment for Suppliers to ensure compliance with our standards. By 2023, the Letter of Commitment for Suppliers had been signed by all of our suppliers. The Letter of Commitment for Suppliers mandates that suppliers develop and implement robust policies to guarantee that the tantalum, tin, tungsten, and gold used in their products do not finance or otherwise support, directly or indirectly, armed groups in the Democratic Republic of Congo or adjacent countries or regions known for severe human rights abuses. Additionally, suppliers are required to perform thorough due diligence on the sources and supply chains of these minerals, in accordance with international standards. We require suppliers to submit CMRT compliance reports in January and July of each year to ensure adherence to our commitment to avoiding the use of conflict minerals. We have implemented the Conflict-Free Minerals Policy that strictly prohibits the procurement and use of conflict minerals, thereby fostering the sustainable and responsible development of the industry chain. We issue a Conflict Minerals Survey Questionnaire to suppliers to understand their practices regarding the avoidance of conflict minerals. Throughout the fiscal year, the Company had no supplier violating the conflict minerals regulations.

03 Protect the Green Homeland



SDGs responded to in this chapter



Guided by climate action, KSTAR pursues green development and closely follows the latest sustainability trends to contribute to the protection of our green homeland. KSTAR continuously promotes energy transformation and innovation in environmental protection, to protect the environment while ensuring regular production. We integrate the green concept into all aspects of production and operations, optimizing our energy structure and strengthening environmental management to achieve low-carbon operations.

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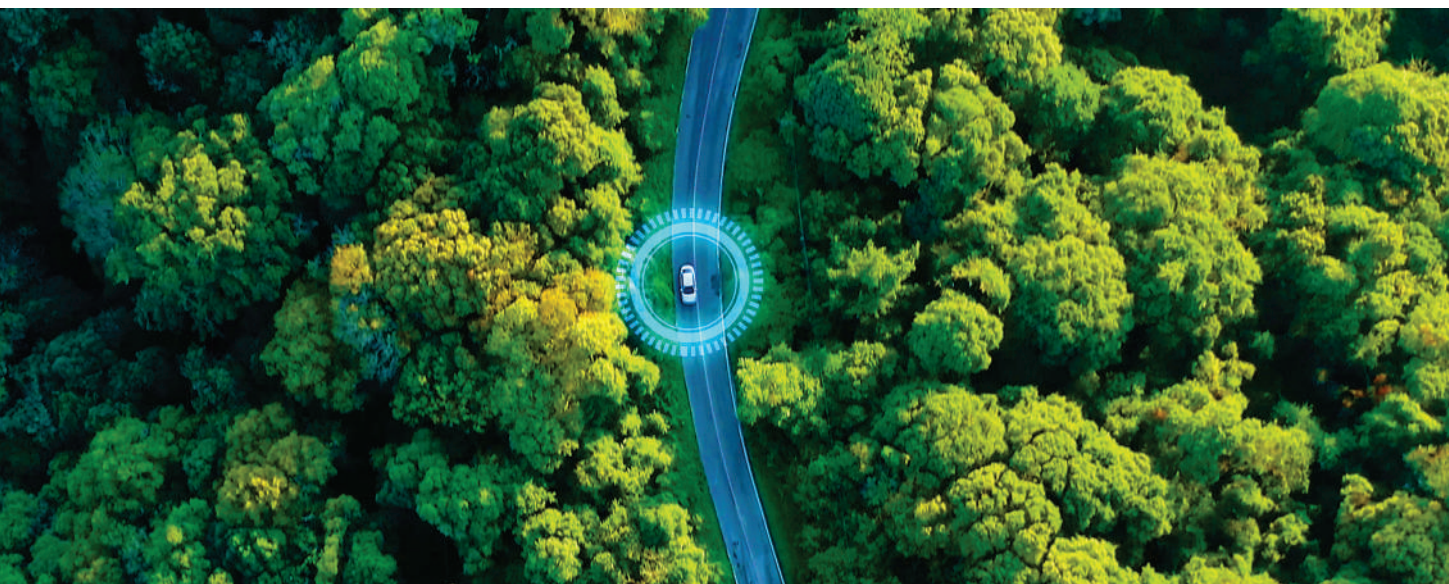
Climate Change Response

KSTAR is fully aware of the urgency of addressing climate change. According to the disclosure framework by Task Force on Climate-related Financial Disclosures (TCFD), we demonstrate our capacity in managing climate-related risks for promoting sustainability in terms of governance, strategy, risk management, and metrics and targets.

Governance

KSTAR's management centrally plans and manages responses to climate change. The management is responsible for identifying and assessing climate-related risks and opportunities, formulating climate strategies, setting climate response targets, and regularly monitoring and reviewing the progress towards climate targets.

To address the impacts and opportunities arising from climate change, we have established a three-tier management structure at the supervision, management and implementation levels. The ESG Committee oversees the Company's management and performance with respect to ESG and climate change risks. The ESG Team develops ESG strategies, goals, and action plans. The GHG management team, composed of managers from various functional departments and business lines, is responsible for implementing, reviewing, assessing and improving climate response measures, carrying out and implementing energy saving and emission reduction work to achieve the set climate goals, and reporting to the management promptly.



Strategy

Energy-driven Development

We are always committed to developing green energy and advocating green production. We drive the transformation to green and clean energy in our operation by installing solar photovoltaic power generation equipment on the roof of Guangming Plant and Guangdong Industrial Plant, and on the ground of Anhui KSTAR. At present, Guangming Plant has realized the intensified use of land, clean production and recycling of wastes, and applied harmless raw materials and low-carbon energy in the production. In 2023, Guangming Plant was honored with the title of "National Green Factory", marking that KSTAR's green manufacturing level and sustainable development have been recognized by the authority. And we invested in Anhui Jinzhai Zaochong photovoltaic power plant to continuously promote sustainability. With the target to increase investment in clean tech and achieve full coverage of clean energy at our operation sites, we will continue investing in clean energy going forward.



In 2023

Anhui KSTAR achieved a PV power output of	Guangdong Industrial Plant	Guangming Plant	Total
56,840,000 kWh	520,000 kWh	410,000 kWh	57,770,000 kWh

KSTAR Supports Weifang Binhai Intelligent Energy Demonstration Base for Wind-solar Storage

KSTAR's Turnkey Solution (Inverter+MV Transformer+RMU) features great power generation capacity, anti-corrosion and protectiveness, contributing significantly to the operation of the 300 MW photovoltaic power generation project (Phase II) in Weifang Binhai intelligent energy demonstration base for wind-solar storage. The Turnkey Solution (Inverter+MV Transformer+RMU) used in Weifang Binhai intelligent energy demonstration base for wind-solar storage adopts a turnkey design with a unified external communication interface, which can be quickly deployed and allows for central commissioning, operation and maintenance. After the project is put into operation, the annual output can reach 400 million kWh, saving about 1.33 million tonnes of standard coal and reducing carbon dioxide emissions by about 3.55 million tonnes. It can significantly promote the transformation and upgrading of local energy structure and contribute to green, low-carbon and high-quality development.



the annual output can reach **400** million kWh

saving about **1.33** million tonnes of standard coal

reducing carbon dioxide emissions by about **3.55** million tonnes

Planning and Action for Energy Saving and Emission Reduction

We have formulated strategic plans and set goals for energy saving and emission reduction to ensure the implementation of climate response actions, so as to promote the green and low-carbon transformation of the Company and upstream and downstream partners. We focus on improving energy efficiency through technology and process improvement projects. The results of energy saving by the technology improvement projects in the past three years are as follows:

Results of energy-saving technology improvement projects (partial)

Recycling of power used for the aging test of photovoltaic inverter	Saved 3.12 million kWh of electricity every year
Power-recycled self-aging in SK workshop	Saved 2.5272 million kWh of electricity every year

In 2023, we took a series of actions for energy saving:

Energy saving on air compressor:

Purchase a new small energy-efficient air compressor and renovate the dryer at the bottom to recover waste heat from the air compressor.

Energy saving on central air-conditioning:

Renovate the central air-conditioning equipment room for intelligent control, so as to achieve efficient and energy-saving operation of central air-conditioning.

Use of clean energy:

During the reporting period, we purchased 200,000 kWh of green electricity and constructed rooftop photovoltaic projects and ground power station projects in Guangming Plant, Guangdong Industry and Jinzhai, Anhui, so as to increase the proportion of clean energy in the Group's operations.

Introduction of refrigerant charging machine:

Introduce refrigerant charging machines in the workshop to upgrade from the manual to automatic charging when switching between large tanks of refrigerant. It effectively reduces fugitive emissions of refrigerant and direct GHG emissions caused by the effusion.



Climate-related Risks and Responses

We actively analyze climate risks, identify physical and transition risks, assess the time horizon for the occurrence (short-term of 1-3 years, medium-term of 3-5 years, and long-term of 5-10 years) and the impact on the Company, and take targeted responses based on features of the climate risks.

Category	Time horizon	Risk description and impact	Responses
Physical risks	Acute	<p>Short term</p> <p>High temperature:</p> <ul style="list-style-type: none"> The working environment is too hot for production in the short term, which may reduce operating hours or suspend production, and decrease the operating revenue The increase in fire risks may lead to deaths and injuries, damage to production facilities and equipment, and more capital expenditures <p>Typhoon, rainstorm and flood:</p> <ul style="list-style-type: none"> Disruption of logistics and transportation results in delay of product delivery The supply disruption affects the delivery and production, and increases operating costs; The flooding in the factory results in damage to production equipment, disruption of operations, and increase in maintenance costs The meteorological department issues meteorological orange and red alerts, the production and operation are suspended Employees' safety is at risk, and injuries will lower the productivity 	<ul style="list-style-type: none"> Equip with refrigeration facilities for cooling Equip with fire facilities Conduct fire safety training and emergency drills to enhance employees' awareness and capability on safety protection Plan for multiple modes and times of logistics and transportation in advance according to weather forecasting Secure material reserve stock Adopt protective measures for production equipment in extreme weather, stock emergency supplies and strengthen safety inspections Conduct regular drills and training on emergency response to extreme weather, to enhance employees' awareness and ability for safety protection
	Chronic	<p>Long term</p> <p>Sea-level rise:</p> <ul style="list-style-type: none"> Operating entities in coastal areas are required to relocate to inland areas, and damage to or early disposal of fixed assets leads to increase in production costs 	<ul style="list-style-type: none"> Continuously monitor the rising trend of sea level Consider the impact of sea level rise when choosing operation sites Develop multi-regional suppliers of the same category to ensure the supply of raw materials
Transition risks	Policies and laws	<p>Short and medium term</p> <p>Policies and regulations on carbon emission management are tightened:</p> <ul style="list-style-type: none"> Carbon compliance costs increase The trend of carbon taxes on international imports and exports is obvious, which may lead to an increase in costs The operation costs may increase as the industry may be affected by the carbon market 	<ul style="list-style-type: none"> Follow policy and regulatory developments on carbon emissions in the location where we operate to make a reasonable adjustment according to the latest policies and laws Choose production equipment with low energy consumption and actively conduct energy saving and emission reduction projects
	Technologies	<p>Short and medium term</p> <p>Transit to low-carbon emission technologies:</p> <ul style="list-style-type: none"> Early obsolescence of equipment with high-energy consumption leads to an increase in operating costs Costs on research, development and application of clean energy or innovative low-carbon technologies increase 	<ul style="list-style-type: none"> Use green power Reduce more carbon in the whole process of production and operation Choose production equipment with low energy consumption and actively conduct energy saving and emission reduction projects
	Market	<p>Medium and long term</p> <p>Customer preferences shift towards low-carbon products:</p> <ul style="list-style-type: none"> Consumers prefer green, low-carbon and environmentally friendly products as their environmental awareness increases, which may lead to an increase in the cost of raw materials and production 	<ul style="list-style-type: none"> Use green power with carbon emissions lower than the industry average
	Reputation	<p>Medium and long term</p> <p>The society focuses on the Company's responses to climate change and performance on sustainability:</p> <ul style="list-style-type: none"> As stakeholders expect the Company to take more responsibilities for reducing emissions, the Company may suffer the damage of reputation if fails to plan for a low-carbon transformation in advance 	



Opportunities from Climate Change

Addressing climate change is not only the shared responsibility for the entire industry, but also a great opportunity for us. KSTAR is actively identifying potential opportunities underlying this challenge and developing a comprehensive response strategy. We are committed to enhancing our adaptability on climate change while firmly promoting practices of sustainability, to ensure that we can remain competitive and resilient for climate change in the future.

Types of opportunity	Description of opportunity	Responses
Energy sources	Use clean energy and make full use of green power to save electricity costs	Increase the proportion of clean energy including photovoltaic power and wind power in the energy structure to mitigate the future risk of energy price rise and carbon emission trading
Products and services	Develop and increase low-carbon products and services, and explore new processes and technologies	Actively develop clean energy, increase the proportion of new energy photovoltaic and energy storage system products in the Group, and accelerate the development of charging products for new-energy vehicles
Resilience	Deploy greener and lower-carbon supply chains and logistics and explore green investment strategies to promote the low-carbon transformation	Actively identify and manage the opportunities from climate change, develop energy-saving and emission-reduction plans, take low-carbon and environmental actions, and continuously improve the responsiveness and adaptability of the low-carbon transformation

Risk Management

The Company regularly reviews and monitors physical and transition risks related to climate, identifies and updates the risk list, assesses potential impacts of the risks, and develops targeted mitigation measures. We gradually integrate climate risks into our overall risk management system, and comprehensively carry out systematic risk management measures based on our climate risk response strategies. For detailed risk management procedures, please refer to the section "1.2 Comprehensive Risk Management" in this report.

Metrics and Targets

KSTAR actively practices the green development concept and puts efforts to achieve the "carbon peaking and neutrality" goals based on its climate governance system. We will set scientific and feasible carbon emission goals in the future, and continuously optimize our carbon emission management in an effort to achieve the "carbon neutrality" goal.

The Company has verified its GHG emissions for three consecutive years. In accordance with ISO 14064, we account for GHG emissions and removals (Scope I and Scope II) generated by all equipment in Guangming Plant's operation. In addition, third-party organizations are entrusted to verify the GHG emissions of Guangming Plant to provide transparent and scientific data to support the Company's low-carbon development. In the future, we will constantly expand the coverage of carbon verification and gradually apply it in other subsidiaries.

Carbon emissions of KSTAR and its domestic subsidiaries in 2023 are as follows:

GHG categories		2023	
Scope	Major sources	Volume (Tonnes CO ₂ e)	Intensity (Tonnes CO ₂ e/ RMB ten thousand revenue)
Category 1: Direct GHG emissions	Fuel consumption of company self-owned cars and spare generators, acetylene for equipment maintenance, effusion of methane from factory septic tanks, heptafluoropropane fire extinguishing agent, production and testing of precision air-conditioners, and fugitive emissions of refrigerant from central air-conditioners	4,002.34	0.008
Category 2: Indirect GHG emissions	Purchased electricity used by electrical equipment	9,128.72	0.043
Total	/	13,131.06	0.051

In 2023, Guangming Plant identified procedures of highest carbon emissions, and included them in specific action plans and goals. At present, the Company has analyzed the developments of annual verified data and the reasons, with gaps identified to inform the new control directions and carbon reduction opportunities and optimize the work plan for the next year, so as to continuously improve the climate change responses.

Top 3 procedures of Highest GHG emissions in Guangming Plant:

Priority ranking	Scope	Procedures	Main content
1	Scope 2	Purchased electricity	Electricity used in the Company's operations which is not green electricity from the grid company
2	Scope 1	R410A (new environment-friendly refrigerant)	Fugitive emissions in the test of precision air-conditioners
3	Scope 1	R410A (new environment-friendly refrigerant)	Fugitive emissions in the production of precision air-conditioners

Resource Management throughout the Value Chain

KSTAR always attaches importance to green and sustainability and incorporates green concepts in the production and operation. KSTAR optimizes the resource use, strengthens the green exploration for each link in the whole lifecycle of products, to contribute to sustainable development. Based on management policies of "Complying with environmental laws and regulations, preventing environmental pollution, raising environment awareness, and improving environmental quality", we have formulated internal policies including the Water, Electricity, and Gas Management Operating Guidelines, to standardize the use of resources and enhance the use efficiency of energy and water.

Water Resource Management

We continuously optimize water management, implement water-saving strategies and enhance the promotion of water-saving awareness to improve water use efficiency. We use stencil automatically cleaned by recycled water in our workshop, which efficiently reduces the waste of water. In addition, we have realized the automatic upgrading of rain test facilities and procedures for charging piles through the introduction of efficient water-saving equipment such as inductive water dispensers and delayed flushing valves, which has significantly improved the water use efficiency in production. As a result, the charging pile production line can save 3,000 cubic meters of water per year, which means it also reduces sewage discharge by the same amount. At the same time, Guangming Plant has implemented the water circulation optimization project for cooling tower of central air-conditioners, installing stainless steel circulating water pumps and pipes for three cooling towers on the roof of the factory. It is expected to save more than 50,000 cubic meters of water per year.

Water consumption indicators	Unit	2023
Water consumed	Tonnes	305,491.44
Water consumption intensity	Tonnes/RMB ten thousand revenue	0.56

Energy Management

The Company has developed a sound energy management system and continuously regulates the Group's energy management in strict accordance with laws and regulations such as the Energy Conservation Law of the PRC. Our energy management system has obtained the ISO 50001 certification. We have developed internal policies to regulate the daily management of energy consumption, promote green office and operation, and educate employees on energy saving, so as to continuously improve their awareness of energy saving. In addition to replacing old lights with energy-saving models, we also require lights and air-conditioners in offices to be turned off promptly, and control the temperature settings of air-conditioners. The Administrative Department regularly reviews the electricity consumption. The production units recycle the electricity used for aging tests to save energy and reduce consumption. In addition, we will continue to increase our use of green power to reduce carbon emissions from our operations.

Green Products

KSTAR is committed to minimizing the impact on the environment and enhancing the efficiency of resource use. We strive to develop green products and fully consider green and energy-saving factors in the processes of research, development, design, production and use. As an enterprise certified as a national green factory by the Ministry of Industry and Information Technology (MIIT), KSTAR carries out the product carbon footprint (PCF) verification and certification and evaluates the potential impact on the climate and environment in the whole lifecycle of products based on standards including ISO 14067 and PAS 2050. At present, KSTAR has completed PCF verification and certification for two products: Grid-tied PV inverters and UPS.

In 2023, we set the following energy consumption targets:

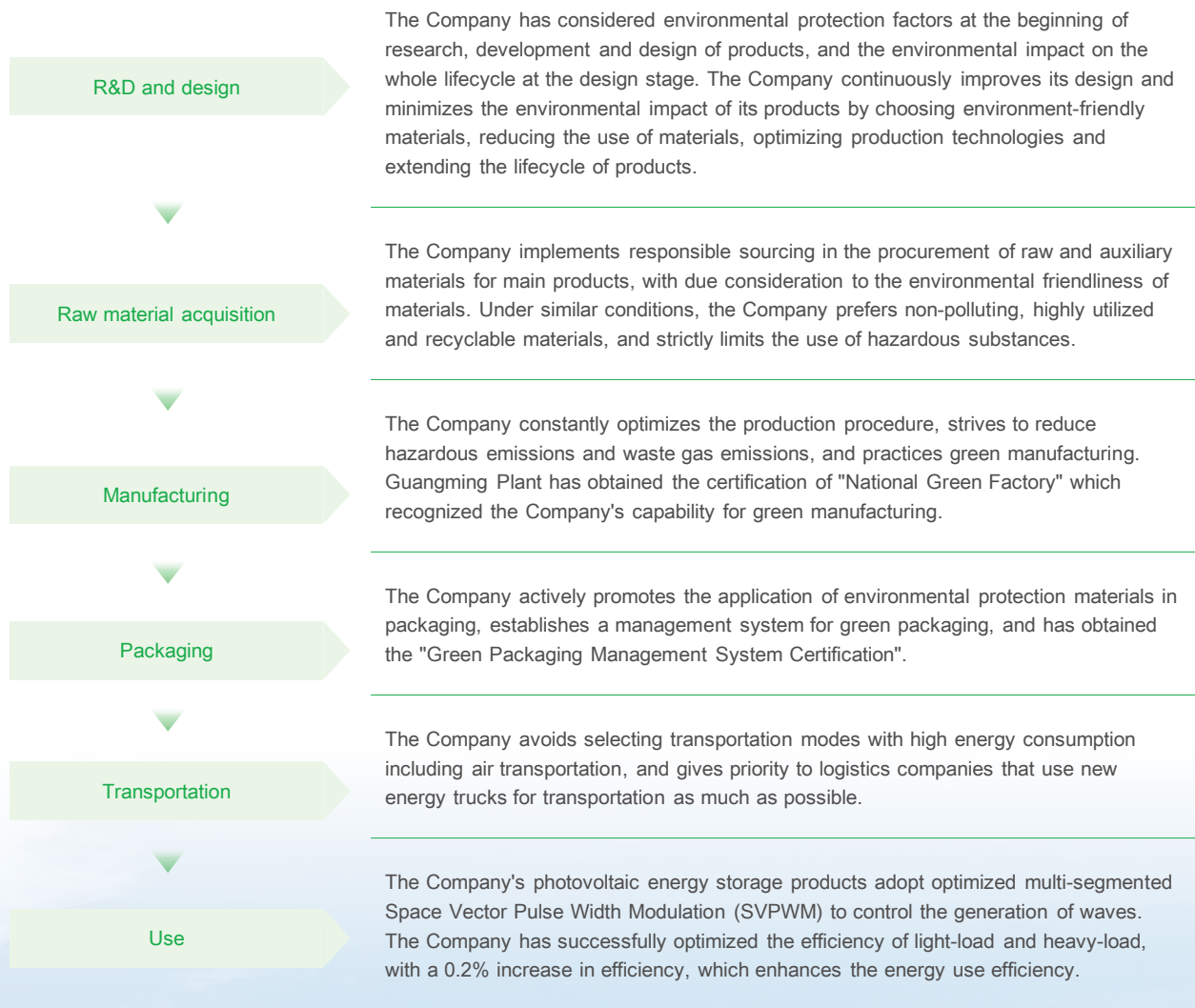
- Taking 2023 as the base year, by 2025
 - 1% reduction in comprehensive energy consumption,
 - 2% reduction in comprehensive energy consumption per unit of output.

The Company's energy consumption in 2023 is as follows:

Indicators	Unit	2023
Total electricity consumption	kWh	56,589,808.26
Total consumption of energies other than electricity	Tonnes of standard coal	291.18
Comprehensive energy consumption	Tonnes of standard coal	7,246.07
Comprehensive energy consumption intensity	Tonnes of standard coal / RMB ten thousand revenue	0.013



The Company considers green energy-saving factors throughout the product lifecycle.



We are continuously improving the energy efficiency of our products through technological optimization to reduce energy consumption. So far this year, several of our products have exceeded energy efficiency standards. The details are as follows:

Product type	Standard	Standard requirements	Measured data of product
UPS YMK3300-600	CQC3108-2011 Energy Conservation Certification Criteria for UPS	Power efficiency ≥ 92% (In ECO mode, power efficiency ≥ 97%)	96.63% (In ECO mode, power efficiency ≥ 99.12%)
Precision air conditioner MT100UA, KCD150HNA; MT100DA, KCD150HNA	GB 19576-2019 Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Unitary Air Conditioners GB/T 19413-2010 Unitary Air-Conditioners for Computer and Data Processing Room	The measured Annual Energy Efficiency Ratio (AEER) should not be less than the Grade 2 index specified in the energy efficiency standard and should be ≥ 95% of the labelled value.	The measured value is 4.65 (required index: 3.99), which meets the energy efficiency standard for Grade 2.
160kW integrated charger	NB/T 33008.1-2018 Specification for Inspection and Test of Electric Vehicle Charging Equipment Part 1: Off Board Charger	The efficiency should be ≥ 88% when 20% ≤ P0/PN ≤ 50%; The efficiency should be ≥ 93% when 50% ≤ P0/PN ≤ 100%.	The efficiency should be ≥ 95.45% when 20% ≤ P0/PN ≤ 50%; The efficiency should be ≥ 95.42% when 50% ≤ P0/PN ≤ 100%.
Grid-tied PV inverter	CGC-R46055: 2018A Implementation Rules for Certification of Solar Photovoltaic Products	Rated A+ when the grid-connected solar PV inverter achieves 98.5% or greater power efficiency without an isolation transformer	16.3W G320KTHC: 98.52% G110KT1: 98.53% GSM3125D: 98.56%



Reduction of Environmental Impact

KSTAR implements the environmental protection policy of "Prevention first, and combination of prevention and treatment". KSTAR strictly abides by national and local laws and regulations related to environmental protection, as well as industry standards such as the Air Pollutant Emission Limits DB44/27-2001, the Guangdong Water Pollutant Emission Limits Standard DB44/26-2001 and the 3 Types of Emission Standards for Industrial Enterprises Noise at Boundary (GB12348-2008) in daily production and operation. The Company has developed a management system for environmental protection from four aspects, i.e. waste gas, noise, solid waste and wastewater, which provides the basis and support for the Company's environmental governance and has guaranteed the efficient operation of environmental protection work for years. In addition, we have formulated and published the Environmental, Occupational Health and Safety Management Policy⁵, which clearly defines the management responsibilities of the management and various departments with respect to environmental management. By establishing and implementing control measures related to environmental management, we will continue to improve environmental performance and reduce environmental impact. Through these efforts, we strive to consistently reduce carbon and waste emissions, increase energy and water use efficiency, and protect the diversity of ecosystems.

KSTAR, Guangming Plant, Guangdong Industry, Golden Sun and CATL-KSTAR have obtained ISO 14001 environmental management system certification (covering all manufacturing sites in operation) for consecutive years.

In 2023

The Company invested a total of RMB **5,466,300** in environmental protection

An increase of **45.24%** from 2022



ISO 14001 Environmental Management System Certification of KSTAR

⁵Details of the Environmental, Occupational Health and Safety Management Policy are available on the public link : <https://www.KSTAR.com.cn/cn/upload/cms/www/202401/26172801kp30.pdf>

KSTAR ensures the disposal and treatment of waste gases, wastewater, and waste in full compliance with laws and regulations. We actively take effective measures to continuously improve waste management processes and optimize production technologies and environmental protection measures. These measures are aimed at consistently reducing toxic emissions and waste from all operational and production activities. The Company regularly monitors emissions of waste gas, wastewater and other major pollutants, and analyses and evaluates risks of environmental emergencies for the pollution generation process in production. The Company actively controls emissions of environmental pollutants, standardizes the configuration of environmental protection facilities and daily operation management, and conducts environmental protection training for employees, to ensure that the Company's pollutants are consistently discharged at the required standard. In addition, the Company implements an internal environmental audit (compliance audit) on a semi-annual basis. The aim is to thoroughly review and identify potential environmental management risks and to promptly take practical and effective measures and actions to eliminate these risks. Meanwhile, to ensure continuous optimization of environmental protection measures, the disposal processes for waste gases, wastewater, and waste at all plants (covering all operating locations) are rigorously audited and evaluated annually by third-party independent organizations. The external independent audits cover all relevant operations at least once every three years.

Wastewater Management

The Company attaches great importance to water issues. According to laws and regulations including the Water Pollution Prevention and Control Law of the PRC and Water Pollutant Discharge Limits, the Company has formulated and implemented the Wastewater Discharge Control and Management Rules to strengthen the control, monitoring and management of wastewater. The Company internally regulates the treatment and recycling of wastewater by each production unit, stipulates the regular monitoring for treatment, and obtains the Environmental Monitoring Report, to ensure that wastewater discharge is in full compliance with the requirements.

The wastewater that the Company generates is mainly domestic wastewater and no industrial wastewater is generated and discharged from the production. Domestic wastewater is discharged into the municipal wastewater network after being processed in a tertiary septic tank.

In addition, Guangdong Industry has a comprehensive wastewater treatment facility, which uses coagulation precipitation + inclined tube sedimentation + mechanical filtration process. Wastewater generated by oil and rust removal of surface treatment is discharged or reused after being treated to certain standards. Guangdong Industry regularly maintains its wastewater treatment facilities to ensure the proper operation of the facilities.

The Company's domestic wastewater discharge in 2023 is as follows:


Wastewater indicators	Unit	2023
Domestic wastewater	Tonnes	295,244



Waste Gas Management

To strengthen the control, monitoring and management on waste gas, the Company has formulated the Air Emissions Control and Management Rules in accordance with laws and regulations including the Air Pollutant Discharge Limits and Emission Standard of Cooking Fume for Catering Industry, and the actual situation, to ensure that the emission of waste gas meets the standards.

The Company's waste gas mainly consists of industrial waste gas and cooking fume from the canteen. Industrial waste gas is generated from workshop and generator operations, which contains non-methane hydrocarbons, particulate matter, NOx, SOx, tin and its compounds, and other major pollutants.



We conduct air emissions treatment improvement programs across all operations of the Group to reduce toxic emissions and waste gas. These programs include:

Gas-collecting hood device:
collecting waste gas from workshops and generators;

Water and alkali liquor spray towers:
decreasing the concentration of dust and particulate matter in waste gas;

Activated carbon filtration facility:
equipped in the workshop, which can effectively remove humus, synthetic organics and low molecular weight organic matter in the organic waste gas, enabling the up-to-standard discharge in the upper air for the industrial waste gas;

Equipment management:
dedicated persons are in place to regularly review and maintain the equipment, to ensure that all facilities function properly and meet environmental standards;

Cooking fume electrostatic system:
using the cooking fume extraction electrostatic system to process the cooking fume in the canteen and ensure that emission standards are met.

Our waste gas emissions in 2023 are as follows:

Waste gas indicators	Unit	2023
Volatile organic compounds (VOC)	kg	271.40
Particulate matter	kg	46.33
Tin and its compounds	kg	0.01
NOx	kg	25.38
SOx	kg	13.38
Heavy metals and heavy metal compounds	kg	137.39

In addition, the Company also standardizes the management of waste gas emission outlets. For regulated waste gas emissions, the Company records detailed information such as the height, inner diameter, emissions, name of main pollutants, and replacement time of activated carbon of the emission outlets. For unregulated waste gas emissions, the Company adopts measures such as dedusting, absorbing, and isolating, so as to effectively control and manage waste gas emissions, and reduce the impact on atmospheric environment. In this year, the Company ensured that waste gas emissions complied with environmental protection regulations and no emissions exceeded the standards through daily monitoring.



Noise Management

KSTAR has formulated the Noise Pollution Control and Management Rules based on laws and regulations including the Environmental Protection Law of the PRC, Law of the People's Republic of China on Prevention and Control of Occupational Disease and Emission Standards for Industrial Enterprises Noise at Boundary, to ensure that noise meets national environmental noise emission standards. During the reporting period, the Company did not receive any complaints about noise pollution.

The Company has adopted the following measures to effectively control major noise sources of production, generators and air compressors, manage noise from the operation and at boundary, and further reduce the impact of noise on employees and neighboring residents:



This year, we engaged a professional third-party testing organization to test the noise at boundary, confirming that the Company's noise at boundary complied with environmental protection requirements. It manifested the effectiveness of KSTAR's efforts in noise management.

Waste Management

KSTAR actively responds to relevant national laws and regulations, and has formulated and implemented the Solid Waste Control and Management Rules to ensure the effective management of solid waste and reduce the potential impact on the environment and human health.

In daily operation, the Company adheres to principles of "Reduction, resource utilization, and harmless processing" to classify solid wastes. The Company classifies solid wastes into two categories, non-hazardous and hazardous wastes. Non-hazardous waste is further classified into recyclable and unrecyclable wastes. Recyclable items such as waste cartons, papers and metal parts are recycled by qualified recycling companies. Unrecyclable non-hazardous wastes, such as office and kitchen wastes, are disposed of and transported by the sanitation department. Hazardous wastes, including waste empty containers, activated carbon, batteries and fluorescent tubes, are separately stored in a special hazardous waste warehouse and regularly disposed of by the professional environmental protection company. In 2023, the Company's recycling rate of industrial solid waste exceeded 90%. In the future, with continuous efforts to reduce waste emissions, we aim to increase the recycling rate of solid waste to 100%. We have set targets to reduce toxic emissions and waste: In 2024, the amount of hazardous waste per unit of production decreased by 2% year-on-year.

In 2023

The Company's recycling rate of industrial solid waste exceeded

90%

We aim to increase the recycling rate of solid waste to

100%

In 2023, the Company achieved significant success in solid waste management. Specific emissions data are as follows:

Waste indicators		Unit	2023
Non-hazardous waste	Recyclable non-hazardous waste	kg	264,276
	Unrecyclable non-hazardous waste	kg	1,090,353
Hazardous waste	Hazardous chemical waste	kg	86,216
	Hazardous electronic waste	kg	262,262
	Hazardous solid waste	kg	13,458
	Hazardous industrial waste	kg	32,183
	Hazardous liquid waste	kg	1,826
Other hazardous waste	kg	960	

The Company strictly abides by regulations on solid waste management, regularly registers the waste volume on the Guangdong Solid Waste Management Information Platform, and makes the declaration at the end of the year. Meanwhile, KSTAR has put effective pollution prevention and control equipment into operation, and ensures that waste emissions meet the standards through daily monitoring. This year, there was no excessive emission.

Chemicals Management

KSTAR strictly abides by relevant laws and regulations such as the Regulations of the People's Republic of China on the Administration of the Controlled Chemicals, Regulations on the Safety Management of Hazardous Chemicals, Interim Provisions on the Supervision and Management of Major Hazard Sources of Dangerous Chemicals and Catalogue of Hazardous Chemicals, and formulates the Regulations on Chemicals Management and Regulations on Emergency Response to Leakage of Hazardous Chemicals, to ensure that the lifecycle management of chemicals, from purchasing to disposal of waste, complies with safety standards. To protect the safety of people and environment, the Company strictly controls the selection and storage of chemicals with high toxins and serious occupational health and safety hazards.

In key chemicals management processes such as procurement, storage, receipt, transport, use and waste disposal, we ensure chemicals safety through the following measures in accordance with relevant policies :

Whole-process management of chemicals

Purchase and storage

- Material Safety Data Sheet (MSDS) is required for chemical purchasing. The warehouse manager should fill in the material request form according to production needs and inventory, and purchase the chemicals upon the approval of the supervisor.
- Chemicals storage sites should clearly indicate the maximum storage capacity and emergency response measures.

Requisition

- Chemicals received upon requisition are centrally placed in a designated storage area and issued to the corresponding employees for use as needed. The department using chemicals should not stockpile excessive chemicals.

Transport

- In the transport process, hazardous chemicals that are prone to burn, explode or cause other hazards due to collision or contact should be handled gently and prevented from being hit, dragged or dumped.
- For hazardous chemicals that are prone to burn, explode or produce toxic gases when exposed to heat or moisture, take measures to insulate against heat and moisture during shipment.

Use

- Chemical users must be trained properly.
- Safety protection measures and appliances must be provided when using hazardous chemicals. Hazardous chemical containers must be inspected thoroughly before and after use to eliminate hidden dangers.

Disposal of hazardous waste chemicals

- Wastes contaminated with chemicals should be strictly classified and disposed of according to the Waste Management Operating Guidelines.
- The General Affairs Department should regularly transfer hazardous wastes to qualified recyclers for disposal and keep the transfer records.

Meanwhile, the Company has set up separate chemical warehouses, which are far away from production workshops and managed by specific persons. Warehouses are equipped with automatic monitoring, surveillance, ventilation, temperature regulation, explosion-proof and other safety facilities, as well as facilities for preventing fire, poison, neutralization, moisture, lightning, static electricity, corrosion and leakage. Dedicated persons are in place to conduct regular inspections and maintenance to ensure the normal operation of the equipment, so as to prevent the environmental pollution caused by the leakage of chemicals. The Company uses professional explosion-proof cabinets for temporary storage of chemicals used in workshops, which ensures the safety of temporarily stored chemicals. In 2023, there was no chemical leakage.

In addition, with the Emergency Plan for Hazardous Chemicals formulated and implemented, the Company provides emergency rescue personnel and equipment, and regularly conducts special training on hazardous chemicals for employees and emergency drill on chemical leakage, to improve response capability of hazardous chemical incidents.

Special Training on Hazardous Chemicals

This year, the Company organized special training on the management and operation of hazardous chemicals to improve the safety management of hazardous chemicals. A total of 109 employees participated in the training which covered the identification of hazardous chemicals, physical and chemical characteristics, and the correct use methods. After the training, we immediately conducted an on-site safety training and education examination. All participants passed the examination. This initiative has significantly improved employees' safety awareness and operational standardization, which lays a solid foundation for the prevention of chemical safety accidents.



Training on safety of hazardous chemical

04 Joint Efforts Towards a Harmonious Future



SDGs responded to in this chapter



In line with the philosophy of "people-orientation and benefits sharing", KSTAR helps employees enhance themselves and increases the human capital to create value and share the harvest together. We create an equal and inclusive workplace through protection of employees' rights and interests as well as democratic management. We optimize our talent structure with skilled professionals, competitive remuneration and performance incentives, and a sound training program. We attach great importance to work safety and health management, aiming to establish a healthy and positive working environment. We boost team cohesion and build a better future together by holding diversified employee care activities.

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Protection of Employees' Rights and Interests

KSTAR, as a global enterprise, makes breakthroughs in business performance constantly and takes the lead in social responsibility and employee rights as well. We promote democratic management where employees' opinions are incorporated into our decision-making and management, driving the sustainable development of the Company with joint efforts. Regarding employees as the most valuable asset and the core force to sustainability, we always stay committed to building a diverse, inclusive and harmonious workplace.

Diversity, Inclusion and Equality

In compliance with 7 ratified core conventions of International Labor Organization, KSTAR has formulated regulations such as the Recruitment and Employment Management Policy, the Anti-Discrimination Management Regulations, the Management Regulations for Protection of Female Employees, and the Anti-Harassment Management Regulations to create an equal and inclusive workplace. At the same time, KSTAR recognizes the basic rights of citizens to freedom of association, and protects the legitimate rights and interests of employees. The Labor Rights Committee, established under the Social Responsibility Management Committee, is responsible for guiding and implementing KSTAR's labor management and participating in the planning of strategic objectives for social responsibility. In addition, the Company sets up a social responsibility column on its official website, displaying KSTAR's specific measures in protecting labor rights under the Labor Rights Section, such as employee training, company meetings and team-building activities.

We oppose and prohibit any discrimination and harassment on the grounds of color, gender, nationality, religious belief, pregnancy, health status, age and others in recruitment, promotion and remuneration, ensuring equal and fair employment opportunities for women and minorities. In 2023, female employees accounted for 32.44% of the total workforce and there were 12.91% minority employees.

In addition, the Company firmly opposes and strictly prohibits the use of child labor and forced labor and has formulated the Regulations on Prohibition of Child Labor and Protection of Underage Workers and the Management Regulations on Prohibition of Forced Labor. Relevant procedures and measures are set up in the important stages of recruitment and employment to prohibit any employment of child labor or forced labor. We apply an advanced ID system to strictly verify the authenticity of applicants' identities, avoiding recruiting minors under the age of 16. We also ensure that no means such as violence, threats, unlawful restriction of personal freedom, deduction of earned wages, and reduction of statutory benefits will be adopted to force or coerce employees to work or provide service. At the same time, we inform our suppliers of the requirements on prohibition of child labor and forced labor, and ensure their compliance by conducting regular monitoring and reviews. In 2023, there was no use of child labor or forced labor in the Company.

In 2023

Female employees accounted for **32.44%** of the total workforce

12.91% minority employees

Democratic Management

Aligning with laws and regulations such as the Labor Law of the People's Republic of China, the Trade Union Law of the People's Republic of China, and the Collective Agreement Regulations, the Company has set up labor union organizations, the Dispute Settlement Committee of Labor Union, and the Workers' Congress, and has formulated the Labor Union Management Measures and the Management Policy for Employee Suggestion Box. All these efforts are made to strengthen democratic management, facilitate communication channels for employees, and effectively protect employees' rights to know, participate and supervise. The Company respects the autonomy of employees to participate in the union. In 2023, the membership rate of the labor union reached 80%. By the end of 2023, we had signed collective agreements with our employees on salaries, labor safety and health, special protection for female employees, anti-discrimination and anti-forced labor, employee training, etc. The collective bargaining of the Workers' Congress is held every year for consultation and confirmation on the revision of collective agreements and regulations related to the vital interests of employees. By doing so, we extensively collect employee opinions and effectively protect the legitimate rights and interests of employees.

In addition to the Workers' Congress, we also advocate diversified communication and encourage employees' participation. We collect employees' opinions and listen to their voices through multiple channels such as telephone, WeChat, forums, email, letters, and the suggestion box, and give timely feedback to management for solutions.

In 2023, the Company conducted an employee satisfaction survey that measures nine dimensions including salary and welfare, policy and process, corporate culture, office environment, training and development, trust, cooperation and communication, and the work, and optimized the survey dimension and scoring mechanism. Accordingly, we made targeted rectifications based on the results and effectively improved employee cohesion and satisfaction.



Talent Attraction and Development

KSTAR firmly believes that talent is the core driving force for business growth. Therefore, we actively implement the strategy of "putting talent first for corporate development, and building a sound mechanism for talent attraction". The mechanism covers the optimization of talent structure, remuneration incentives and welfare protection, and training and development opportunities. It aims to provide employees with a dynamic and promising working environment, a broad development platform, and the opportunity to display personal talent. In this way, employees can contribute to the Company and achieve personal growth and improvement as well.

Talent Structure

In compliance with laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, KSTAR actively promotes fair employment, diversity, and anti-discrimination in the hiring and firing of employees. The Recruitment and Employment Management Policy has been formulated to regulate the Company's recruitment process and the behaviors of recruiters.

In terms of employee recruitment, the company implements diversified recruitment forms, including internal recruitment and external recruitment, and provides internal promotion and career development channels for employees, while external recruitment includes social recruitment and school recruitment. Following the principle of "fairness, justice, openness and transparency", we prohibit discriminatory language in job descriptions, and recruit people with clear standards, open interviews and merit-based rules.

Campus Recruitment

KSTAR cooperates with domestic institutions of higher education in initiating campus recruitments, to attract high-quality talents and promote talent cultivation. In 2023, the Company cooperated with colleges and universities such as University of Electronic Science and Technology of China and Southwest Jiaotong University on campus recruitments. A total of over 15 online and offline recruitment talks were conducted in cities such as Xi'an, Chengdu, Wuhan, Shenzhen, and Fuzhou, with 78 fresh graduates hired.



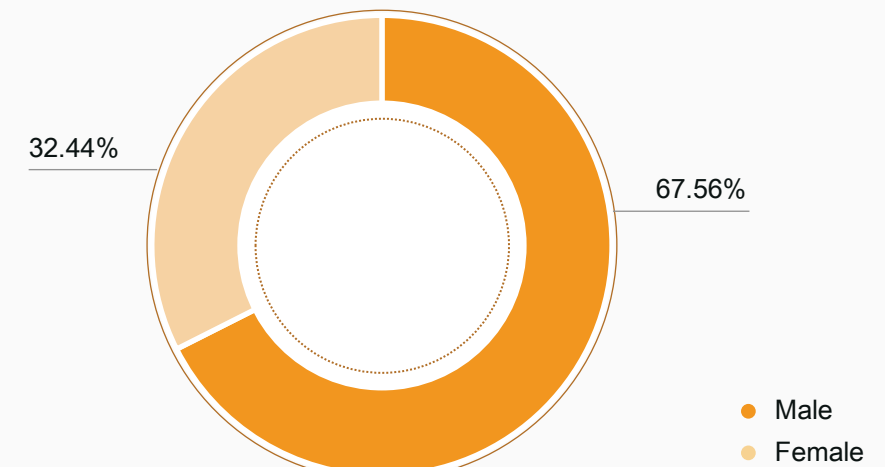
Technology of China Spring Recruitment in the Southwest Jiaotong University



Autumn Recruitment in the University of Electronic Science

The Company scales up business through steady growth. By the end of 2023, KSTAR had a total of 4,035 employees, of which 2,726 were male (67.56%) and 1,309 were female (32.44%). Among them, there were 4035 full-time employees, 0 temporary employees (labor dispatch), and 0 part-time employees. In 2023, KSTAR's overall turnover rate was 12.23%. In addition, there have been not any major layoffs or collective strikes of employees since the establishment of the Company. This embodies employees' recognition of KSTAR's management and confidence in its future development.

Male-to-female Ratio of KSTAR Employees in 2023



KSTAR has established a well-respected corporate image and successfully built the employer brand with industry influence by improving the organizational development strategy, optimizing the talent recruitment process, strengthening training and development, refining the remuneration and performance management system, and promoting the process optimization of human resources system. These efforts laid a solid foundation for the sustainability of the Company. Over the past three years, we have been recognized with the following employer awards:



Best Employer Award 2021



LinkedIn Raising Star 2023

Remuneration Incentives and Benefits

KSTAR has formulated internal regulations and policies such as the Remuneration Management Policy, the Management Regulations for Employee Performance, the Welfare for Dispatched Employees, and the Training Implementation Measures in accordance with labor and personnel policies of the national and local government. We aim to provide employees with competitive, fair and legitimate remuneration incentives and comprehensive welfare benefits, give full play to the remuneration incentives, and promote the Company's development strategy.

KSTAR tailors quantitative KPI and qualitative assessment to different positions, and establishes a result-oriented incentive mechanism, including annual bonus distribution, salary adjustment, equity incentive, promotion opportunities and development training, to offer competitive salaries and benefits to all employees. At the same time, the Company allocates a certain percentage of its profits for employee benefit sharing each year according to its operating performance. Through salary adjustments, year-end bonuses, and staff skills training funds, the Company shares benefits with all employees to encourage them to continuously improve abilities and create value.

To better motivate employees, the Company selects excellent employees every quarter, gives gifts and bonuses in the R&D system and selects excellent teams and employees in the supply chain system every month. In 2023, about 1,500 employees were involved in the selection and were rewarded with around RMB 300,000. In addition, the Company offers 11 different types of awards each year, such as the Outstanding Team Award, the Excellent Employee Award, and the Technical Pioneer Award. These awards cover a range of positions in research and development, support, production, sales, and functional roles. In 2023, a total of 230 awards were given to various teams and individuals, with the bonus amount reaching RMB 496,000. In addition, the Company rehires outstanding employees after their retirement at the same remuneration standards. For those who are not rehired, the Company gives at least one month's salary supplement.

In 2023

1,500

employees were involved in the selection and were rewarded with around RMB

300,000

11

different types of awards each year

230

awards were given to various teams and individuals, with the bonus amount reaching

RMB 496,000



Presentation of the Outstanding Team Awards



Presentation of the Excellent Employee Awards



Strictly complying with the national statutory leave policy, KSTAR offers statutory leaves and paid leaves to employees. The specific benefits are as follows:

Category	Content	Coverage
Basic benefits	Social insurances and housing fund, performance benefits, and statutory leaves	All employees
Care benefits	Holiday benefits, physical examination, group accident insurance, group life insurance, female staff benefits, staff dormitory, staff meal subsidies, team building, benefits for business trip or dispatch, highland subsidies, high temperature subsidies, and paid leaves including annual leave, maternity leave, paternity leave, parental leave, marriage leave, funeral leave, sick leave, and injury leave.	All employees
Special benefits	Commercial insurance and flexible working hours	Employees in special positions

Training and Development

In 2023

RMB 603,800

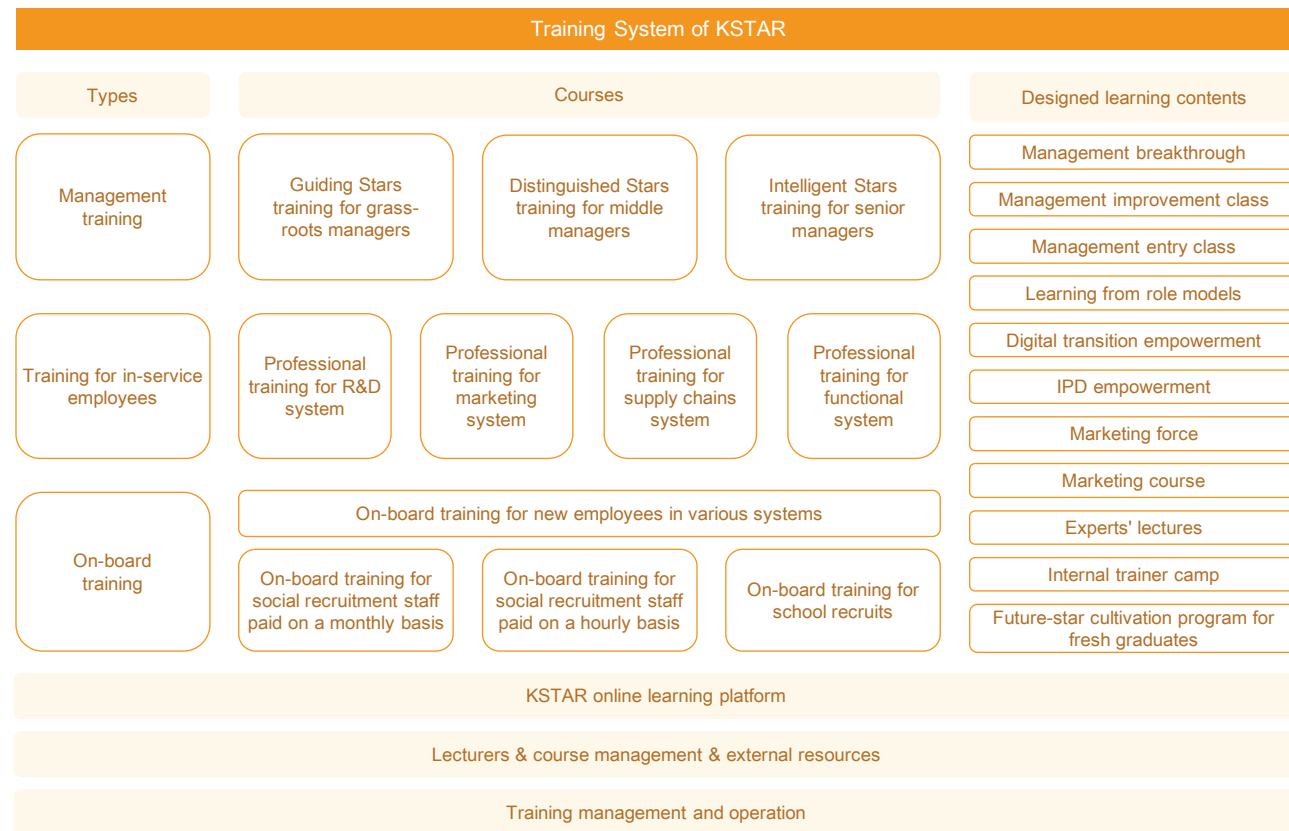
in employee training

31,063

participants

In line with the corporate culture of "individual success cannot be achieved without team cooperation", KSTAR has formulated the Human Resource Management Procedures and the Training Implementation Measures. We have also established a systematic human resource development system and learning organization according to our business lines and operation stages. According to the demands of employees at different levels, KSTAR has established a three-level training program covering all employees, including part-time and outsourced employees, including management training, on-the-job training and orientation training, which fully responds to the Company's strategic plan and contributes to employees' personal growth. In addition, we have established leadership training programs covering all employees, including training for our front-line managers, middle managers and senior managers, to allow them to be equipped with the ability and professions to adapt to various positions. In 2023, KSTAR invested RMB 603,800 in employee training, with a total of 31,063 participants.

For the demands of employees in different systems, the Company sets differentiated training goals, integrates internal and external knowledge resources, and develops personalized training courses that meet the current needs of employees and the Company's development plan. The specific quality course system is as below.



R&D Mentor Project

On February 11, 2023, KSTAR held a kick-off meeting of the R&D mentor project, and selected 36 mentors with shares and 49 trainees and 24 new energy mentors and 26 trainees. On March 21, 2023, the Company organized a communication meeting for mentors and their trainees. With 121 attendees, the Company further stressed the importance of the mentor project. The R&D mentor mentoring project follows the 721 principles of employee growth, builds a mentor document system, empowers management tools, and sets up K-star community R&D mentoring columns, expert yellow pages, WeChat groups, expert lecture halls and other learning methods, so that students can learn on the job, quickly convert knowledge, and improve efficiency. At the same time, we continue to pay attention to the learning situation of students through PDCA means such as monthly reports, and arrange defense to test the growth quality of students, and continue to consolidate the quality of the talent team according to the results of the defense.



The R&D Mentor Mentoring Project

The Company has set up the "Online Learning" platform, and redesigned and promoted the four functional modules under the community section in 2023. At present, the platform hosts more than 500 training courses, mainly including videos for data center products and solutions, photovoltaics systems, and energy storage solutions. More than 150 videos have been uploaded to the PV & ESS section. In addition, the Company has developed five courses of over 70 hours on software operation skills to supplement the structural software operation courses. During the Reporting Period, KSTAR made full use of online and offline learning platforms to cover 100% employees, with more than 23,000 trainees, nearly 500 training sessions, and more than 64,000 training hours.

Learning platforms to cover 100% employees	with more than 23,000 trainees	nearly 500 training sessions	more than 64,000 training hours
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We also continue to enrich the training content and form, and with a focus on staff development, launch training on leadership and professional ability. So far, a total of RMB 485 thousand has been invested to support our employees including part-time and outsourced employees in obtaining the Project Management Professional (PMP) certification and special work permit.

Safety and Health Protection

KSTAR puts the safety and health of employees as its top priority. The Company implements the occupational health management policy that promotes prevention, health and safety, law-abiding, and harmony to guarantee employees' safety and health. The Company continuously optimizes the ISO 45001 occupational health and safety management system, and practices safety responsibilities from the management level to the primary level to ensure the effective implementation of all safety measures. Through continuous improvement of the management system and measures, the Company standardizes the work safety process, improves the overall safety management performance, and provides a solid guarantee for the health and safety of employees.

KSTAR has also set up the Work Safety Management Committee, with the general manager as the director and the heads of level-1 departments as members. The committee is responsible for the research and decision-making of major issues in the Company's safety work (including production, infrastructure, transportation, etc.). It also shall coordinate and solve major safety problems in production, provide guidance and hold regular meetings of the Work Safety Committee at the company level. On the basis of the committee, the Company builds a long-term and effective working mechanism that focuses on employee health and safety, covers all employees, and is under safety supervision. This could improve a series of systems such as the work safety responsibility system and the hierarchical control and management of safety risks, and implement the "one position with two responsibilities" system of all departments.

In 2023, KSTAR entrusted a third-party agency to carry out assessments on safety practices, fire risk, occupational health, and safety equipment. Based on the assessment results, we rectified the weakness of safety and health to put the possible accidents under control. Throughout the year, there were no primary-level safety accidents or above including fire, explosion, electric shock, mechanical injury, falling, poisoning, occupational disease, or work fatalities. In 2023, the Company recorded 0 cases of occupational diseases and 0 work-related deaths, 13 work-related injuries and 171 days lost due to work-related injuries.

In 2023

0

case of occupational diseases and work-related death

13

work-related injuries

171

days lost due to work-related injuries

Work Safety

Safety Management

Abiding by laws and regulations such as the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and the Fire Protection Law of the People's Republic of China, KSTAR has formulated the Compilation of Rules and Regulations on Safety and Environmental Management and the Environmental, Occupational Health and Safety Management Policy⁶ to standardize the Company's occupational safety and health management system and ensure the safety and health of employees. In addition, KSTAR and its subsidiary, CATL-KSTAR, obtained the certification of ISO 45001 occupational health and safety management system. We specify the occupational health and safety management measures in aspects of work safety, fire safety, occupational health, and environmental protection to regulate behaviors of departments and employees, in a way to achieve safe corporate operations.



⁶Details of the Environmental, Occupational Health and Safety Management Policy are available on the public link : <https://www.KSTAR.com.cn/cn/upload/cms/www/202401/26172801kp30.pdf>



Safety Education

KSTAR attaches great importance to the work safety education and training of employees, which are carried out by the Work Safety Management Committee on a regular basis. This includes safety training for new employees, and sessions on occupational disease prevention, chemical safety, professional skills for special jobs and special equipment such as forklift electrician, implementation requirements for hazardous substances process management system, implementation requirements for occupational health and safety management system, etc. All these training sessions aim to improve employees' safety awareness and operation skills to ensure operation safety. Safety training was conducted on a quarterly basis in 2023. Throughout the year, the Company conducted a total of 280 education and training sessions on work safety, covering 17,092 new employees, leaders, and safety and occupational health management personnel.

Safety Training



Paint drying training: 15 trainees; they must pass the relevant written test after the training



Joint exercise and training for the emergency response team



Mechanical safety training: 38 trainees

Work Safety Education and Training for Employees



Safety education



Safety training for new employees



Technical training on the safety of hazardous chemicals



Annual training for responsible persons and safety managers

Emergency Management

KSTAR recognizes the important role of emergency management in protecting the safety of all employees. In compliance with documents such as the Management Measures for Emergency Plans for Work Safety Accidents and the Guidelines for Enterprises to Develop Emergency Response Plan for Workplace Accidents (GB/T29639-2020), the Company has revised the Emergency Plan for Work Safety Accidents based on actual situations to improve the construction of the emergency system. The Work Safety Management Committee has prepared comprehensive emergency plans for fires, chemical leakage, first aid, heat stroke and poisoning, and organizes accident drills every year to evaluate the feasibility of emergency plans and improve the emergency response ability of employees. The Company establishes a safety assurance team with strong ability and rich experience to ensure quick response and effective mitigation towards emergencies, providing a strong guarantee for the Company's work safety.



Fire Drill in the Second Half of 2023

Occupational Health

Occupational Health Management

KSTAR pays great attention to the management and protection of employees' occupational health. The Company strictly follows laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, and has formulated the Occupational Disease Prevention and Management Policy to prevent, control and eliminate potential occupational diseases for employees' occupational health. Abiding by the national regulations, the Company sets up an occupational health management team under the Work Safety Management Committee. The team is mainly responsible for the regular detection of occupational hazards in the workshop, the regular identification and evaluation of occupational hazards, the regular occupational health examination and examination file management, and the training on occupational hazards, to improve the Company's occupational health and safety management system.

For employees engaged in positions with hazards, the Company implements pre-job and on-the-job training programs on occupational safety and health, and issues the "Occupational Hazard Notice for Workers" to ensure that employees fully understand potential hazards in the workplace and properly operate equipment for occupational disease prevention. The Company also arranges pre-job health examinations for employees as required and transfers staff with occupational contraindications to other positions. In addition, the Company posts the "Occupational Hazard Warning Board at Workplace" at relevant positions, clearly listing potential occupational hazards and prevention measures, and provides free personal protective equipment (PPE) to protect employees.

Safety Training on Occupational Health

On December 27, 2023, KSTAR held a special training on occupational health and safety knowledge, with 104 employees attended. The training aimed to teach employees about the concept, impact, prevention measures, identification, response, relevant laws and regulations, and rights protection of occupational diseases. Therefore, employees can have a deep understanding of occupational diseases and learn effective methods to prevent, identify and respond to occupational diseases. The attendees took the occupational health and safety training test, with a pass rate of 100%. This training effectively strengthened employees' awareness of occupational disease prevention and improved their health awareness and self-protection ability.




Training on Occupational Health

Positive Working Environment

KSTAR strives to create a healthier and more comfortable working environment. In 2023, we took the following measures to provide our employees with more comfortable and diversified activities options.

- 

Continuously carry out labor protection monitoring and identification of occupational hazards;
- 

Renovate and update old equipment and facilities, introduce new technologies and equipment to optimize the working conditions and reduce potential risks to health;
- 

Provide clean and tidy dining hall and dormitory for employees;
- 

Build a new yoga room and weekly invite yoga teachers to teach in addition to the original library, gym and professional facilities, and establish the KSTAR basketball team.

Care for Physical and Mental Health

To ensure the physical and mental health of employees, we regularly carry out stress and emotion management training, and psychological stress relief activities, helping employees effectively cope with psychological stress arising from work, life and interpersonal relationships through counseling and relief measures. At the same time, we regularly organize occupational health examinations, and establish a sound medical examination file management system to monitor and evaluate the health status of employees in real time.

Mental Stress Relief Activity Salon for Employees

Mental stress relief is one of our efforts to actively take care of the mental health of our employees. In 2023, the Mental Stress Relief Activity Salon was organized for employees, which included a series of mind and body nurturing activities such as horticultural therapy, music appreciation, painting, and psychological counseling.



Horticultural Therapy



Appreciation of African Drumming



Psychological Counseling

Employee Care

The Company always aims to build a caring and warm working environment. We focus on the specific needs of female employees and provide them with comprehensive support and care. We also attach importance to communication and exchange among employees, and organize various activities to enhance mutual understanding and trust. In addition, the Company also provides a series of measures on employee care and welfare to ensure that every employee can feel warmth and care.



In addition, KSTAR organizes activities during traditional Chinese festivals and anniversaries, such as the Spring Festival Gala, the anniversary gala and the Mid-Autumn Festival party. Diversified holiday benefits are distributed to each employee during traditional holidays. These activities not only promote friendship among employees, but also create a harmonious, inclusive and supportive working environment.

Care for Female Employees

KSTAR places great emphasis on the protection of special rights and interests of female employees. The Company strictly follows laws and regulations such as the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Labor Law of the People's Republic of China, and has formulated internal policies such as the Management Regulations on the Protection of Female Employees to effectively protect the rights and interests of female employees.



In addition, to keep employees motivated and engaged, we also provide logistics support services that include accommodation, commuting, meals, and daily amenities to meet the daily needs of our employees.

Main Content of Logistics Services

Accommodation

- Free accommodation of over 15 square meters with essential furniture
- Regular inspections to ensure the safety, hygiene, and comfort of the dormitories



Commuting

- Commuter shuttle buses and business cars available from Huizhou to Nanshan



Meals

- Oversight and evaluation of the standardized operation of the cafeteria
- Regular satisfaction surveys on cafeteria services



Daily amenities

- Amenities such as free parking spaces, a gym, a library, and an integrated badminton and table tennis court



Care for Employees

To enrich the cultural life of employees and improve their life quality, the Company's labor union and the Human Resources Department plan and organize a variety of cultural and sports activities, including badminton friendlies and team building. We strive to create pleasant leisure time for employees and strengthen communication and team cohesion among employees.

Public Welfare

KSTAR sticks to the vision of "Generating Superior Solutions for Energy and More". The Company assumes social responsibility in the process of development, participates in public welfare undertakings, drives local development with business growth, and promotes the prosperity of the community and the improvement of people's livelihood. Through all these efforts, the Company establishes a responsible corporate image.

During the Reporting Period, we contributed to rural revitalization, supported public welfare, and took responsibility for corporate citizenship, continuously enhancing our social influence and reputation. In 2023, the Company's total investment in public welfare reached RMB 35,000, with 2,478.36 service hours of charitable and volunteer activities.

In response to the national strategy of rural revitalization, KSTAR fulfills its social responsibility as a listed company, protects local natural resources in a sustainable way, and improves the lives of surrounding rural residents with its business advantages and resources. As the world's highly innovative power electronic equipment company, KSTAR leverages advanced technology and life-cycle solutions to promote clean energy. Giving consideration to the project's land resource and industrial advantages, the Company actively expands the multi-scenario application model of "photovoltaic +" in agriculture, fishery, forestry and hydropower. The "photovoltaic +" model will be adopted in more countryside, to develop multiple functions of agriculture and the diverse values of rural areas, as well as promote the green development of rural economy. At the same time, the Company takes concrete actions to help rural revitalization by increasing employment opportunities for local villagers and providing a strong guarantee for the steady growth of household income.



the Company's total investment in public welfare reached RMB

35,000

2,478.36

service hours of charitable and volunteer activities

The "Photovoltaic Farm" Powers the Green Economy Along the New Road of Rural Revitalization

The "photovoltaic farm" in Luonan county, Shangluo city, Shaanxi province, covering an area of 461 acres, is a demonstration project of comprehensive utilization of photovoltaic agriculture and sightseeing tourism. It is also the current photovoltaic power station project in southern Shaanxi. The project builds a planting demonstration area, where power is generated on panels, and cash crops such as Chinese herbs, vegetables and fruits are planted under panels. Sightseeing platforms are built to promote the comprehensive utilization of land, realizing the organic combination of photovoltaic development, modern agriculture and tourism.

In 2023, after the project was put into operation, the collective income for each of the four local villages increased by RMB 800 thousand by transferring land, working, and planting cash crops. The project provided more than 1,500 villagers with employment opportunities, with an increase of the annual per capita income of over RMB 3,000.



100MW Photovoltaic Farm in Luonan

Appendix

GRI Index

Disclosure number	Disclosure title	Chapter
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GRI 2-1	Organizational details	About this Report
GRI 2-2	Entities included in the organization's sustainability reporting	About this Report
GRI 2-3	Reporting period, frequency, and contact point	About this Report
GRI 2-4	Restatements of information	About this Report
GRI 2-5	External assurance	About this Report
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GRI 2-6	Activities, value chain and other business relationships	Company Profile
GRI 2-7	Employees	Protection of Employees' Rights and Interests
GRI 2-8	Workers who are not employees	Protection of Employees' Rights and Interests
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GRI 2-10	Nomination and selection of the highest governance body	Optimizing Governance Environment
GRI 2-11	Chair of the highest governance body	Optimizing Governance Environment
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Optimizing Governance Environment
GRI 2-13	Delegation of responsibility for managing impacts	Optimizing Governance Environment
GRI 2-14	Role of the highest governance body in sustainability reporting	ESG Management
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GRI 2-18	Evaluation of the performance of the highest governance body	Optimizing Governance Environment
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GRI 2-20	Process to determine remuneration	Talent Attraction and Development
GRI 2-21	Annual total remuneration ratio	Talent Attraction and Development
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GRI 2-23	Policy commitments	ESG Management
GRI 2-24	Embedding policy commitments	ESG Management
GRI 2-25	Processes to remediate negative impacts	ESG Management
GRI 2-26	Mechanisms for seeking advice and raising concerns	ESG Management
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GRI 203: Indirect Economic Impacts		
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GRI 203-1	Infrastructure investments and services supported	Public Welfare
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GRI 205-1	Operations assessed for risks related to corruption	Maintaining Business Ethics
GRI 205-2	Communication and training about anti-corruption policies and procedures	Maintaining Business Ethics
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Topic management disclosures		Maintaining Business Ethics
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Disclosure number	Disclosure title	Chapter
Environmental		
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GRI 301-2	Recycled input materials used	Reduction of Environmental Impact
GRI 301-3	Reclaimed products and their packaging materials	Reduction of Environmental Impact
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GRI 302-3	Energy intensity	Climate Change Response Resource Management Throughout Value Chain
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GRI 303-1	Interactions with water as shared resource	Resource Management Throughout Value Chain
GRI 303-2	Management of water discharge-related impacts	Resource Management Throughout Value Chain
GRI 303-3	Water withdrawal	Resource Management Throughout Value Chain

Disclosure number	Disclosure title	Chapter
GRI 303: Water and effluents		
GRI 303-4	Water discharge	Resource Management Throughout Value Chain Reduction of Environmental Impact
GRI 303-5	Water consumption	Resource Management Throughout Value Chain Reduction of Environmental Impact
GRI 305: Emissions		
Topic management disclosures		Reduction of Environmental Impact
GRI 305-1	Direct (Scope 1) GHG emissions	Climate Change Response
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GRI 305-4	GHG emissions intensity	Climate Change Response
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Reduction of Environmental Impact
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GRI 306-2	Management of significant waste-related impacts	Reduction of Environmental Impact
GRI 306-3	Waste generated	Reduction of Environmental Impact
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GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Responsible Supply Chain

Disclosure number	Disclosure title	Chapter
Social		
GRI 401: Employment		
Topic management disclosures		Talent Attraction and Development
GRI 401-1	New employee hires and employee turnover	Talent Attraction and Development
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Talent Attraction and Development
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GRI 403-1	Occupational health and safety management system	Safety and Health Protection
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GRI 403-5	Worker training on occupational health and safety	Safety and Health Protection
GRI 403-6	Promotion of worker health	Safety and Health Protection
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety and Health Protection
GRI 403-8	Workers covered by an occupational health and safety management system	Safety and Health Protection
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Disclosure number	Disclosure title	Chapter
GRI 404: Training and Education		
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GRI 404-1	Average hours of training per year per employee	Talent Attraction and Development
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Topic management disclosures		Optimizing Governance Environment Protection of Employees' Rights and Interests
GRI 405-1	Diversity of governance bodies and employees	Optimizing Governance Environment Protection of Employees' Rights and Interests
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GRI 406: Non-discrimination		
Topic management disclosures		Protection of Employees' Rights and Interests
GRI 406-1	Incidents of discrimination and corrective actions taken	Protection of Employees' Rights and Interests
GRI 407: Freedom of Association and Collective Bargaining		
Topic management disclosures		Protection of Employees' Rights and Interests
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	This year, there were no operations or suppliers in which the right to freedom of association and collective bargaining may be at risk.
GRI 408: Child Labor		
Topic management disclosures		Protection of Employees' Rights and Interests
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	This year, there were no operations or suppliers at significant risk for incidents of child labor.
GRI 409: Forced or Compulsory Labor		
Topic management disclosures		Protection of Employees' Rights and Interests
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	This year, there were no operations or suppliers at significant risk for incidents of forced or compulsory labor.

Disclosure number	Disclosure title	Chapter
GRI 413: Local Communities		
Topic management disclosures		Public Welfare
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Public Welfare
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	This year, there were no operations with significant actual or potential negative impacts on local communities.
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GRI 414-1	New suppliers that were screened using social criteria	Responsible Supply Chain
GRI 414-2	Negative social impacts in the supply chain and actions taken	Responsible Supply Chain
GRI 416: Customer Health and Safety		
Topic management disclosures		Safe Product Creation Customer Satisfaction
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Safe Product Creation Customer Satisfaction
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	This year, there were no incidents of non-compliance concerning the health and safety impacts of products or services.
GRI 417: Marketing and Labeling		
Topic management disclosures		Safe Product Creation Customer Satisfaction Responsible Supply Chain
GRI 417-1	Requirements for product and service information and labeling	Safe Product Creation Responsible Supply Chain
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	This year, there were no incidents of non-compliance concerning product, service information, or labeling.
GRI 417-3	Incidents of non-compliance concerning marketing communications	This year, there were no incidents of non-compliance concerning marketing communications.
GRI 418: Customer Privacy		
Topic management disclosures		Customer Satisfaction
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	This year, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data.



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