

2024

Human Rights Due Diligence Report



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Summary

KAORI Heat Treatment Co., Ltd. (hereinafter “KAORI”) engaged a third party to conduct its first human rights due diligence assessment. Covering the period from July 2023 to June 2024, the assessment identifies actual and potential human rights risks across KAORI’s Taiwan operations. Based on these findings, a targeted evaluation questionnaire was developed and distributed to all employees, with responses reflecting their experiences at KAORI. All results were subsequently verified through third-party review.

The due diligence was conducted in alignment with internationally recognized frameworks, including the UN Global Compact, the International Bill of Human Rights, the UN Guiding Principles (UNGPs), ILO core labor standards, the ILO MNE Declaration, and the EU Corporate Sustainability Due Diligence Directive (CSDDD). The goal is to address stakeholder expectations and demonstrate KAORI’s proactive approach to managing human rights risks across its operations.

The report covers a broad range of human rights issues aligned with the Dow Jones Sustainability Indices (DJSI), including forced labor, human trafficking, child labor, freedom of association, collective bargaining, equal pay, and non-discrimination. Findings indicate that KAORI’s human rights risks are generally moderate to low, with most mitigation and remediation measures already implemented.

In its 2024 due diligence, KAORI assessed 23 human rights issues, identifying 61% as medium risk and 39% as low risk. Document reviews and site visits found that 78% of issues fully met audit standards, with the remaining 22% largely compliant. Overall, KAORI’s human rights risk is low, supported by established management measures.

2. Human Rights Policy



KAORI HEAT TREATMENT CO., LTD.

Human Rights Policy

To fulfill corporate social responsibilities and protect the fundamental human rights of all employees, customers, and stakeholders, Kaori respects and follows the principles of internationally recognized human rights standards, including the UN Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), the United Nations Global Covenant, the Responsible Business Alliance (RBA) Code of Conduct, the International Labour Organization (ILO), and other core labor standards and local laws.

I. Diversity, inclusion, and equality

Kaori strictly abides by laws and regulations related to labor and gender equality and creates a friendly working environment with gender equality and diversity. There is no differential treatment due to an individual's gender, sexual orientation, age, language, ideology, religion, party affiliation, or physical and mental disabilities. We implement fair and reasonable employment, salary, benefits, clearly defined working hours, training, evaluation, and promotion opportunities.

II. Against discrimination, bullying, and harassment

Kaori adopts a zero-tolerance policy for any discrimination, harassment, or violence in the workplace. We formulate announcement standards and provide complaint channels, disciplinary mechanisms, and regular education and training.

III. Comply with basic wages and reasonable working hours

Kaori is committed to giving all employees fair and reasonable salary treatment and legal benefits. We offer salaries above the minimum legal requirement, establish reasonable legal guidelines, policies, and work schedules, and carefully monitor and manage employee attendance.

IV. Forbid forced labor and child labor

Kaori by law establishes a written contract for employment with clear terms that both parties agree on. The agreement specifies the prohibition of forced labor, human trafficking, slavery, and child labor.

V. Health and safety workplace environment

Kaori complies with relevant laws and regulations on occupational safety and health by regularly implementing education and training related to labor safety, free health check, special case care, and on-site doctor interview services. Also, we provide various health awareness activities and medical care information to prevent and reduce the risk of

2. Human Rights Policy

occupational accidents.

VI. Implement information security

Kaori implements cybersecurity control systems and protective measures to safeguard personal data and information.

VII. Promoting harmony between labor and management

Kaori respects and ensures employees can have open dialogue channels for gathering, association, negotiation, and consultation. Regular labor-management meetings foster harmonious relationships between labor and management by effectively addressing and resolving differences.

VIII. Complaint report

Anyone who violates laws and regulations or intends to use his/her position to obtain improper benefits, which affects the rights and interests of the company, please report to the following channels:

- Company Address
Special Assistant's Office
Kaori Heat Treatment Co., Ltd.
No. 5-2, Jilin North Road, Zhongli District,
Taoyuan City 32030, Taiwan (R.O.C.)
- E-mail: csr@kaori.com.tw

Allen Wu

Allen Wu
Chairman
July, 2023

3. Overview of Due Diligence Methodology

1. Scope and Subjects

The assessment covers all members across KAORI Heat Treatment Co., Ltd.’s self-operated facilities in Taiwan, including the headquarters and Zhongli Plants 1, 2, and 3, Zhongli Ziqiang Plant, and Kaohsiung Plant.

2. Methodology

The due diligence process aligns with international human rights standards, integrating risk and sustainability management principles. Each phase was adapted to KAORI’s operational context, ensuring a rigorous and fact-based assessment of current and potential human rights risks.

Assessment Phases



3. Questionnaire Overview

An online questionnaire was distributed to all 631 employees across KAORI’s Taiwan sites, with 531 valid responses collected—an 84% response rate.

Facility	Questionnaires Distributed	Questionnaires Returned	Coverage Rate
Headquarters & Zhongli Plant 3	V	V	100%
Zhongli Plant 1	V	V	100%
Zhongli Plant 2	V	V	100%
Zhongli Ziqiang Plant	V	V	100%
Kaohsiung Plant	V	V	100%

4. Risk Issues Assessments

To assess KAORI’s human rights risks, key interviews and data analysis identified relevant issues, followed by questionnaires, interviews, document reviews, and site visits to evaluate risk levels. The results inform KAORI’s prevention and remediation policies.

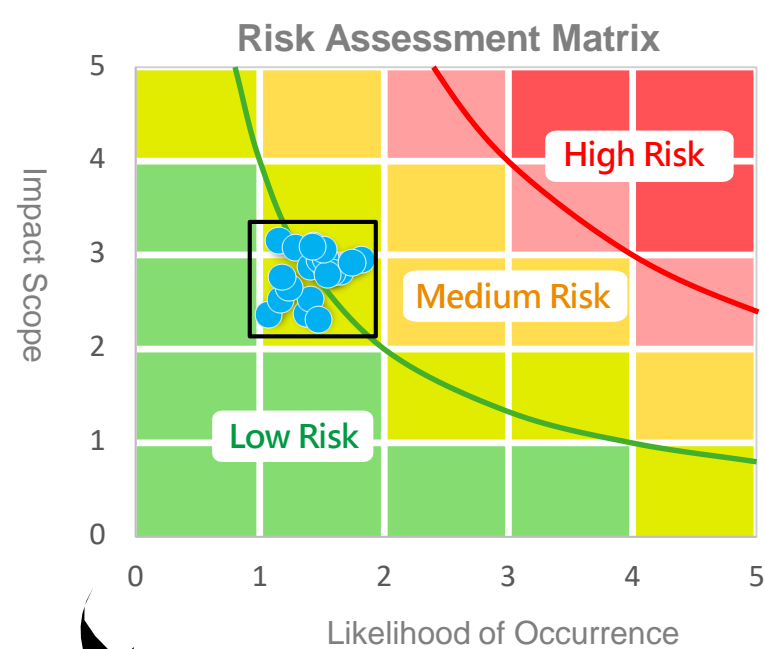
Key Interviews

- **Interviewees:** KAORI management team
- **Content:** The interviews identified potential human rights risks within KAORI’s operations. Across four key categories—labor conditions, physical and mental health, diversity and inclusion, and ethical governance—23 relevant human rights risk issues were identified.

Human Rights Risk Issues List

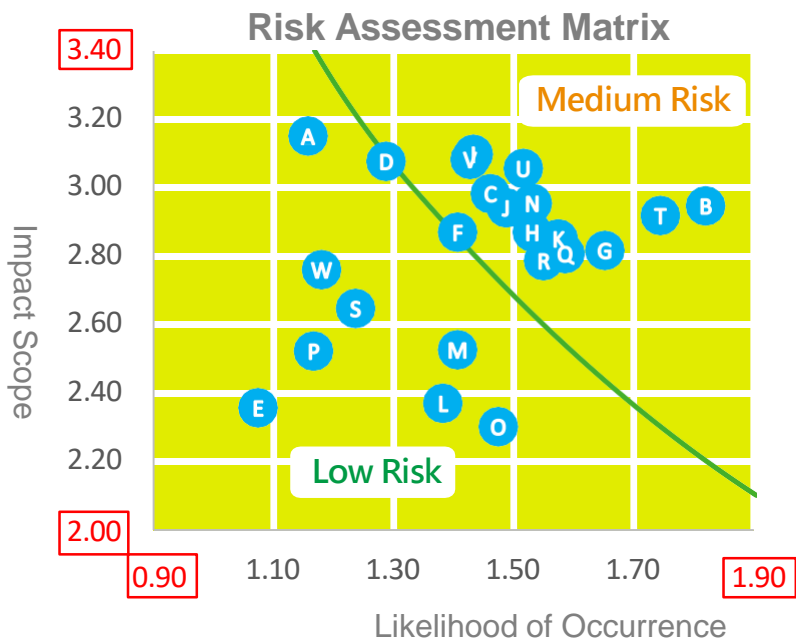
Labor Conditions		Diversity & Inclusion			
A	Forced Labor	L	Maternity Protection	Q	Gender Discrimination
B	Talent Training & Development	M	Diversity & Inclusion	R	Occupational Discrimination
C	Working Hours	N	Freedom of Speech & Expression	S	Freedom of Association
D	Wages & Benefits	O	Disability Rights	T	Bullying & Harassment
E	Child Labor & Minor Protection	P	Religious Freedom		
Physical & Mental Health				Ethical Governance	
F	Physical & Mental Health	I	Public Health & Accommodation	U	Collective Bargaining
G	Work-Life Balance	J	Safety Operation Guidelines	V	Personal Data & Privacy Protection
H	Occupational Injury & Illness	K	Occupational Safety	W	Human Trafficking

5. Risk Assessment Matrix



Overall

Based on the human rights risk assessment questionnaire results, all 23 human rights issues fall within the low to medium risk range. This indicates that employees generally perceive a low likelihood of human rights violations occurring at KAORI, with limited potential impact.



Specific Scope

The likelihood scores for all 23 issues range from 0.9 to 1.9, and impact scope scores range from 2 to 3.4. The resulting risk scores fall between 2.54 and 5.36. Among the assessed issues, 9 are classified as low risk and 14 as medium risk.

Human Rights Issue Risk Levels

Medium Risk Issues

B	Talent Training & Development	I	Public Health & Accommodation
T	Bullying & Harassment	V	Personal Data & Privacy Protection
G	Work-Life Balance	H	Occupational Injury & Illness
U	Collective Bargaining	J	Safety Operation Guidelines
N	Freedom of Speech & Expression	C	Working Hours
K	Occupational Safety	R	Occupational Discrimination
Q	Gender Discrimination	F	Physical & Mental Health

Low Risk Issues

D	Wages & Benefits	P	Religious Freedom
A	Forced Labor	E	Child Labor & Minor Protection
M	Diversity & Inclusion		
O	Disability Rights		
L	Maternity Protection		
S	Freedom of Association		
W	Human Trafficking		

6. Risk Mitigation and Remediation Measures

Human rights management is an ongoing, dynamic process, proactively addressing risks to ensure stable and sustainable operations.

Top 5 Risk Issues Mitigation and Remediation Measures

Human Rights Issue Analysis (1): Talent Training and Development

Talent Training and Development	
Human Rights Risk Questionnaire Assessment	
Risk Ranking	Risk Scenario Description
1	Lack of adequate training or internal mobility limits career growth, such as unclear development paths or blocked transfer opportunities.
Risk Mitigation and Remediation Measures	
Stakeholders	Risk Mitigation Measures Taken
All Employees	<ul style="list-style-type: none">An annual training plan is proposed in Q4 and implemented through internal and external programs to enhance employee skills.Mentors are assigned to new hires to strengthen on-the-job training.Rotation opportunities are offered based on business needs, employee competencies, and individual preferences.Performance reviews include training and talent development, with department heads required to assess and review team development outcomes.
	<ul style="list-style-type: none">A learning-oriented culture is fostered to encourage employees to adopt new skills and improve work efficiency.
	Remedial Measures Implemented
	<ul style="list-style-type: none">HR provides each department with annual training outcomes to inform improvements for the following year's plan.Based on performance evaluations, professional or managerial skill gaps are identified, and relevant training programs are developed accordingly.

Top 5 Risk Issues Mitigation and Remediation Measures

Human Rights Issue Analysis (2): Bullying & Harassment

Bullying & Harassment

Human Rights Risk Questionnaire Assessment

Risk Ranking	Risk Scenario Description
2	In the workplace, there are instances where supervisors or colleagues take advantage of their position or authority to engage in inappropriate treatment, or where bullying or harassment (including sexual harassment) occurs, such as physical or verbal violence, intimidation, or threats.

Risk Mitigation and Remediation Measures

Stakeholders	Risk Mitigation Measures Taken
All Employees	<ul style="list-style-type: none">■ Establish a code of conduct for employees that explicitly prohibits all forms of bullying and harassment, and regularly promote awareness of these policies.■ Conduct regular anti-bullying and anti-harassment training sessions to enhance employees' understanding of related issues, and help them learn how to identify, prevent, and respond to bullying behaviors.

Remedial Measures Implemented

All Employees	<ul style="list-style-type: none">■ The organization has established multiple channels for filing complaints and ensures the privacy of complainants, providing employees with accessible and trustworthy avenues for redress.■ Upon receiving a complaint, an investigation should be initiated immediately. During the investigation, temporary protective measures should be taken, such as appropriate separation between the alleged offender and the victim.■ Victims of bullying or harassment should be provided with necessary support and protection, including legal assistance, psychological counseling, and job reassignment if needed. Regular employee care and follow-up should also be conducted.■ Disciplinary actions should be taken against the offender, and legal liability should be pursued as appropriate.
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Top 5 Risk Issues Mitigation and Remediation Measures

Human Rights Issue Analysis (3): Work-Life Balance

工作與生活平衡

Human Rights Risk Questionnaire Assessment

Risk Ranking	Risk Scenario Description
3	The company's limited support for employees has made it difficult for them to attend to personal or family life, resulting in challenges achieving work-life balance.

Risk Mitigation and Remediation Measures

Stakeholders	Risk Mitigation Measures Taken
All Employees	<ul style="list-style-type: none">■ In accordance with the Labor Standards Act, flexible working hours should be offered to help employees balance work and family responsibilities.■ Appoint dedicated personnel for occupational safety and health, and provide health and psychological counseling services to assist employees in addressing personal and family issues.■ Conduct annual assessments of employees' workloads to prevent overwork and make appropriate adjustments to work assignments when necessary.■ Organize health seminars on time management and stress management to help employees improve work efficiency and strengthen their ability to cope with stress.
	Remedial Measures Implemented
	<ul style="list-style-type: none">■ Communicate and coordinate with affected employees to understand their needs and challenges, and adjust working hours or job content based on their feedback.

Top 5 Risk Issues Mitigation and Remediation Measures

Human Rights Issue Analysis (4): Collective Bargaining

Collective Bargaining

Human Rights Risk Questionnaire Assessment

Risk Ranking	Risk Scenario Description
4	The company lacks a mechanism for labor-management negotiation, or after sufficient communication and agreement between labor and management, are either not held regularly or, if held, decisions made are not implemented.

Risk Mitigation and Remediation Measures

Stakeholders	Risk Mitigation Measures Taken
All Employees	<ul style="list-style-type: none">■ Hold regular labor-management meetings with clearly defined topics, frequency, and decision-making processes, ensuring the participation rights of labor representatives.■ Regularly track the implementation status of decisions made in labor-management meetings to ensure their execution.■ Conduct annual employee satisfaction surveys to understand employees' needs and continuously improve.■ Organize training sessions on labor laws to help employees understand their rights and enhance mutual trust between labor and management.■ Use labor-management meetings and welfare committees as internal oversight mechanisms to regularly review the effectiveness of labor-management agreements.

Remedial Measures Implemented

- Establish physical suggestion boxes and online complaint channels, actively promote these communication methods, and encourage employees to express their opinions.
- Comply with and implement labor-management agreements, ensuring management fulfills its commitments, publicly acknowledging past mistakes, and committing to improving negotiation mechanisms and implementation processes.
- Regularly evaluate and adjust internal company policies to ensure all policies align with labor-management agreements and meet employee needs.

Top 5 Risk Issues Mitigation and Remediation Measures

Human Rights Issue Analysis (5): Freedom of Speech & Expression

Freedom of Speech & Expression

Human Rights Risk Questionnaire Assessment

Risk Ranking	Risk Scenario Description
5	The company controls and suppresses various opinions, preventing employees from filing complaints or freely expressing their views.

Risk Mitigation and Remediation Measures

Stakeholders	Risk Mitigation Measures Taken
All Employees	<ul style="list-style-type: none">■ Establish anonymous suggestion boxes or online feedback channels so employees are aware of diverse and safe ways to express their opinions. Ensure that issues raised by employees are handled fairly and promptly, and that the identities of those providing feedback are fully protected.■ Hold regular labor-management meetings, all-staff monthly meetings, or department meetings to encourage employees to raise questions and suggestions. Ensure management actively listens and responds, fostering an open and transparent company culture that respects and values employee opinions.
	Remedial Measures Implemented
	<ul style="list-style-type: none">■ If incidents occur that infringe on employees' freedom of expression, company management should issue a public apology and commit to improving internal communication and complaint mechanisms.■ Encourage employees to propose improvements during labor-management meetings or all-staff monthly meetings, and offer bonuses or recognition for suggestions that show significant results.■ Conduct annual employee satisfaction surveys to collect feedback on company policies and environment, and continuously improve based on the results.

KAORI HEAT TREATMENT CO., LTD.

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