

7.5 Human rights protection and diversity inclusion

7.5.1 Human rights promotion and management

Kaori values human rights and enforces labor policies and a proper work spirit in a fair and respectful manner. The Company is committed to creating a culture of fairness, inclusivity, and open communication as well as shaping a work environment that protects human rights; it goes to great lengths to incorporate relevant values into employees' work activities and corporate culture. In addition to complying with national laws, the Company protects workers out of respect for their human rights and observes international conventions regarding gender equality, prohibition against all forms of discrimination, forced labor, child labor, and avoidance of long work hours. We do not tolerate any form of harassment, discrimination, or any behaviors that are against employment laws. Kaori reported no human rights violations in 2024. The Company completed its first third-party human rights due diligence during the year, in accordance with international human rights conventions, and continues to foster a culture of diversity, equality, and inclusion.

No human rights violations were reported in 2024

The first third-party human rights due diligence was completed

Introduction to the Background of Human Rights Due Diligence

The assessment period for this due diligence was from July 2023 to June 2024. The assessment covered all employees in Kaori's Taiwan operations. Based on their past experiences at Kaori, the survey participants completed a human rights risk assessment questionnaire, which was subsequently verified by Deloitte. This assessment was conducted in accordance with the following international guidelines, directives, sustainability ratings, and standard-based issue frameworks: the UN Global Compact, the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights (UNGPs), the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), and the EU Corporate Sustainability Due Diligence Directive (CSDDD). Through this process, Kaori aims to respond to customer expectations regarding robust human rights management and to demonstrate the Company's proactive approach to addressing actual and potential human rights risks arising from its operations.

Scope and Subjects of the Human Rights Due Diligence

- Assessment Scope:

The scope of this human rights due diligence covers all members of Kaori Heat Treatment Co., Ltd.'s owned and operated facilities in Taiwan, including the Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Zhongli Ziqiang Plant, and the Kaohsiung Plant.

- Survey subjects:

Kaori's business model involves directly selling products and services to other enterprises rather than end consumers. Its production sites in Taiwan are located within the Zhongli Industrial Park and the Gangshan Benzhou Industrial Park. Under this operating structure, the identification of stakeholders is relatively straightforward. Considering the progress of human rights management and its practical implementation, this assessment targeted all employees within Kaori's owned and operated facilities in Taiwan, including both local and foreign employees. The human rights risk assessment questionnaire was distributed to all staff, with an emphasis on factual accuracy and relevance to real conditions to ensure precise risk identification. This approach helps maximize the effectiveness of the due diligence process based on sound risk management principles.

Human Rights Due Diligence Process

Phase	Description
Establishment of Human Rights Awareness	Designed training programs for both senior management and mid-level to frontline supervisors to help establish a foundational understanding of human rights management, thereby facilitating the effective execution of each stage of the due diligence process.
Identification of Human Rights Issues	Data Analysis: Conducted a contextual analysis of the target industry, business model, and management practices. This included reviewing international human rights standards, customer audit requirements, Kaori's internal human rights management policies, and competitor practices to define the potential scope of human rights risks within Kaori's own operations. Key Interviews: Conducted key interviews with senior decision-makers to identify human rights issues valued by Kaori's leadership. The interview results were analyzed to confirm the scope of relevant human rights topics. - These findings served as the foundation for the formal risk assessment phase.
Human Rights Risk Assessment	Based on the human rights topics identified during the issue identification phase, a human rights risk assessment questionnaire was developed and implemented through a third-party survey platform. To ensure employees could respond in their native language, the Kaori team translated the questionnaire into English, Vietnamese, and Thai.
Verification of Human Rights Questionnaire Results	Based on the results of the human rights risk assessment questionnaire, document reviews and on-site inspections were conducted at Kaori's Zhongli and Kaohsiung facilities. Deloitte also carried out multiple employee interviews, including both random interviews and voluntary one-on-one meetings, to verify the questionnaire results and gain insight into Kaori's actual internal management practices.
Preparation of the Human Rights Investigation Report	A human rights due diligence report for Kaori was compiled to fully disclose the investigation process, related risk analysis results, and recommended actions.

Establishment of Human Rights Awareness

Human rights awareness training enhances employees' understanding of their rights and helps establish proper values. It supports the Company in reducing legal risks, strengthening brand image, increasing employee loyalty, and improving its capacity for diversity management in the context of international development.



The implementation status of human rights-related training in 2024 is shown in the table below:

Date	Training topic	Hours	Training group	Number of participants
May 20	Human Rights Awareness Training	1.5 hour(s)	Senior Management Team	21
June 12	Human Rights Awareness Training	1.0 hour(s)	Managerial Team	73
October 30	Human Rights Mitigation and Remedy Workshop	2.0 hour(s)	Business Units	21
December 5	Corporate Human Rights and Audit Response: The Critical Role of the Sales Department	1.0 hour(s)	Business Units	36

Identification of Human Rights Risk Issues

Potential human rights risks in Kaori's operations were identified through interviews with senior management. Kaori identified a total of 23 human rights risk issues across four major categories, namely labor conditions, physical and mental health, diversity and inclusion, and ethical governance.



Labor Conditions

- A. Forced labor
- B. Talent Training and Development
- C. Working Hours
- D. Wages and Benefits
- E. Child Labor and Protection of Minors



Physical and Mental Health

- F. Physical and Mental Health
- G. Work-Life Balance
- H. Occupational Injuries and Diseases
- I. Public Health, Food, and Accommodation
- J. Safe Operating Guidelines
- K. Occupational safety



Diversity and Inclusion

- L. Maternity Protection
- M. Diversity and Inclusion
- N. Freedom of Speech and Expression
- O. Rights of Persons with Disabilities
- P. Freedom of Religion
- Q. Gender Discrimination
- R. Occupational Discrimination
- S. Freedom of Association
- T. Bullying and Harassment



Ethical Governance

- U. Collective Bargaining
- V. Personal Data and Privacy Protection
- W. Human Trafficking

Human Rights Risk Issues and Corresponding Stakeholders

Issue Code	Issue	Risk Assessment Scenario	Stakeholders
A	Forced labor	The company restricts employees' personal freedom or forces them into involuntary labor, such as coercing them to work by withholding personal identification documents.	All employees
B	Talent Training and Development	The company does not provide adequate job training or internal transfer opportunities, thereby limiting employees' career development. Examples include insufficient training content, lack of clear career advancement paths or channels, or obstruction when employees apply for internal transfers.	All employees
C	Working Hours	Due to peak seasons, urgent business needs, or special operational circumstances, employees are required to work beyond the legal working hours. The company fails to implement proper overtime management, such as requiring employees to work overtime without their consent, failing to accurately record overtime hours, or imposing compensatory leave or schedule adjustments without employee approval.	All employees
D	Wages and Benefits	The wages paid by the company do not meet statutory standards, or there are practices such as arbitrary wage reductions, withholding of salaries, refusal to pay wages (including overtime pay), or unjust cancellation of legally mandated benefits.	All employees
E	Child Labor and Protection of Minors	The company fails to verify minimum age requirements when hiring underage employees or assigns them to hazardous or harmful work.	Child and underage job applicants
F	Physical and Mental Health	The company does not fulfill basic legal obligations regarding employee management and care. Examples include non-compliance with legal shift arrangements, inadequate rest periods, failure to implement epidemic prevention measures (such as not providing necessary protective supplies), or neglecting employees' physical and mental well-being by not offering access to psychological counseling services.	All employees



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Friendly Workplace

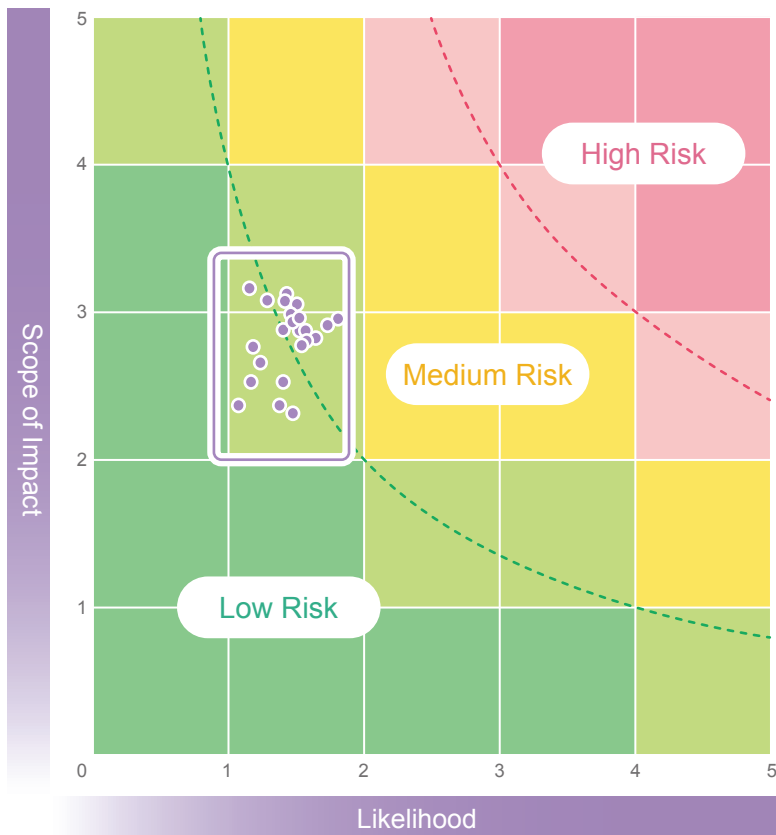
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Issue Code	Issue	Risk Assessment Scenario	Stakeholders
G	Work-Life Balance	The company provides limited support to employees, making it difficult for them to balance work and personal or family life.	All employees
H	Occupational Injuries and Diseases	The company neglects occupational injuries or diseases, failing to properly prevent, manage, and follow up on employee illness or injury cases.	All employees
I	Public Health, Food, and Accommodation	The company does not provide clean and sanitary restroom facilities, drinking water, or dining areas for employees, or lacks adequate emergency shelters, thereby endangering employee health and safety.	All employees
J	Safe Operating Guidelines	The company does not provide safety operation instructions or emergency response guidelines that are accessible and understandable to all employees, making it difficult for them to perform their duties safely.	All employees
K	Occupational safety	The company fails to provide sufficient protective equipment and occupational safety training, exposing employees to safety risks. For example, workers are exposed to extreme temperatures without adequate protective gear.	All employees
L	Maternity Protection	The company lacks adequate and appropriate protection measures for pregnant or breastfeeding female employees, such as suitable work arrangements, health assessments, and ongoing monitoring.	Female employees
M	Diversity and Inclusion	The company fails to accommodate the diverse needs of different groups and does not provide a friendly and inclusive work and living environment. Examples include only providing policies in Chinese or showing a lack of respect for religious dietary or lifestyle practices.	All employees
N	Freedom of Speech and Expression	The company suppresses or restricts various forms of expression, preventing employees from filing complaints or freely expressing their opinions.	All employees
O	Rights of Persons with Disabilities	The company lacks accessible facilities, creating mobility barriers or making it difficult for employees with disabilities to perform their work.	Employees with disabilities
P	Freedom of Religion	The company forces employees to participate (or prohibits them from participating) in religious activities, treats employees unequally due to religious beliefs, or fails to respect religious practices by neglecting the need for appropriate spaces, food, or accommodations.	All employees
Q	Gender Discrimination	The company treats employees and job applicants unequally based on gender in recruitment, compensation, training, career development, or workplace interactions. Examples include gender-based filtering for certain positions or promotions.	All employees and job applicants
R	Occupational Discrimination	The company evaluates job applicants or treats employees differently based on non work-related factors, including but not limited to nationality, marital status, age, health information, or religious beliefs. Examples include unfair promotion policies, unequal task assignments, or discriminatory compensation practices.	All employees and job applicants
S	Freedom of Association	The company obstructs or prohibits employees from organizing or participating in civil groups such as political parties, labor unions, or associations.	All employees
T	Bullying and Harassment	The workplace involves situations where supervisors or colleagues abuse their power or position to mistreat others, including incidents of verbal or physical violence, intimidation, threats, bullying, or harassment (including sexual harassment).	All employees
U	Collective Bargaining	The company lacks a proper mechanism for labor-management negotiation, or fails to honor agreements reached after full communication between labor and management. For example, labor-management meetings are not held regularly, or resolutions passed during such meetings are not implemented.	All employees
V	Personal Data and Privacy Protection	The company arbitrarily collects employees' personal data without consent or monitors employees through unlawful means, thereby infringing on their right to privacy.	All employees
W	Human Trafficking	The company fails to implement appropriate preventive measures against human trafficking, such as establishing comprehensive monitoring procedures and systems, or providing educational training on human trafficking awareness.	All employees

The results of the human rights risk analysis indicate a medium-low level of risk

Human Rights Risk Matrix

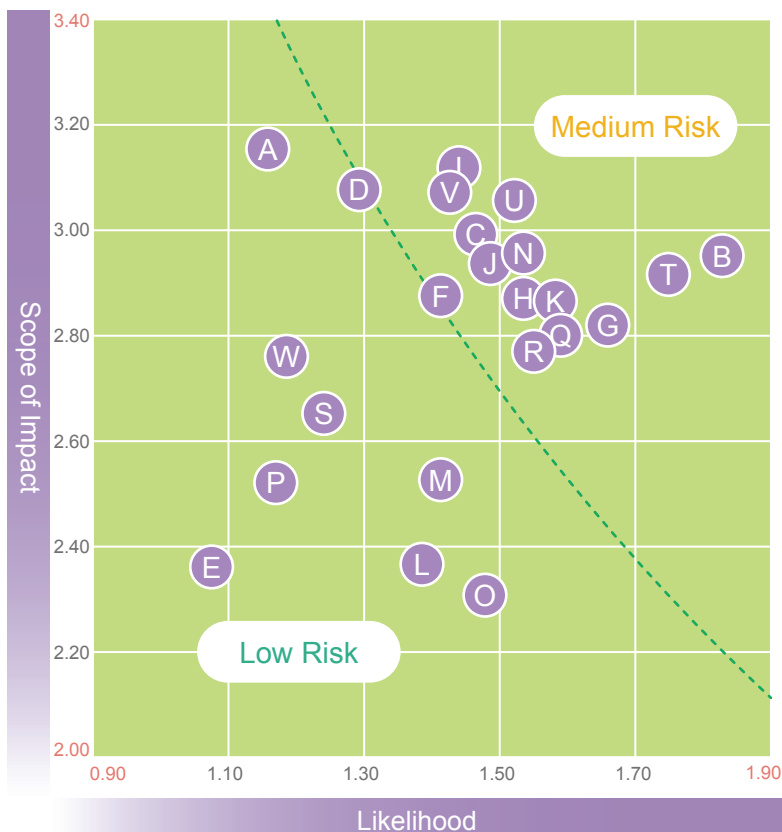


Overall

Each topic is classified as high, medium, or low risk based on the risk score calculated from the likelihood of occurrence and the scope of impact. A risk score of ≤ 4 is considered low risk, located to the left of the green line in the chart on the left; a score of >4 and ≤ 12 is considered medium risk, located between the green and red lines; a score of >12 is considered high risk, located to the right of the red line.

According to the results of the Human Rights Risk Assessment Questionnaire, the evaluation of 23 human rights topics falls within the low- to medium-risk range overall. This indicates that employees generally perceive a low likelihood of human rights violations occurring at Kaori and believe the potential impact to be limited.

- High Risk > 12
- Medium Risk $\leq 12, > 4$
- Low Risk ≤ 4



Specific Scope

Based on the questionnaire results, the likelihood scores for the 23 human rights risk topics ranged from 0.9 to 1.9, the impact scope scores ranged from 2 to 3.4, and the resulting risk scores ranged from 2.54 to 5.36. Of the 23 topics, 9 were classified as low risk and 14 as medium risk.

- | | |
|---|---|
| A Forced labor | M Diversity and Inclusion |
| B Talent Training and Development | N Freedom of Speech and Expression |
| C Working Hours | O Rights of Persons with Disabilities |
| D Wages and Benefits | P Freedom of Religion |
| E Child Labor and Protection of Minors | Q Gender Discrimination |
| F Physical and Mental Health | R Occupational Discrimination |
| G Work-Life Balance | S Freedom of Association |
| H Occupational Injuries and Diseases | T Bullying and Harassment |
| I Public Health, Food, and Accommodation | U Collective Bargaining |
| J Safe Operating Guidelines | V Personal Data and Privacy Protection |
| K Occupational safety | W Human Trafficking |
| L Maternity Protection | |

Risk Mitigation and Remedy Measures for Human Rights Issues

Talent Training and Development

Stakeholders

All employees

Preventive and Mitigation Measures

- Propose the following year's training plan in the fourth quarter each year and implement internal and external training programs accordingly to enhance employee skills.
- Assign mentors to new employees to strengthen on-the-job training.
- Provide internal transfer opportunities based on business needs, employees' competencies, and individual preferences.
- Incorporate training and talent development into performance reviews. Department heads are required to conduct self-assessments and evaluate the competency development and training outcomes of their team members during the appraisal process.
- Foster a corporate culture that encourages employees to learn new technologies and methods to improve individual work efficiency.

Follow-up Remedy Measures

- The Human Resources unit provides each department with the implementation results of the annual training plan, which serve as the basis for improving and adjusting the talent development plan for the following year.
- Based on performance evaluation results, the Company identifies the professional or managerial competencies that need to be strengthened in each department and organizes relevant training programs accordingly.

Bullying and Harassment

Stakeholders

All employees

Preventive and Mitigation Measures

- Establish a code of conduct for employees that explicitly prohibits all forms of bullying and harassment, and regularly promote awareness of the policy.
- Organize regular anti-bullying and anti-harassment training sessions to enhance employees' understanding of these issues. Help employees learn how to identify, prevent, and respond to bullying behaviors.

Follow-up Remedy Measures

- Multiple grievance channels are available within the organization, with the privacy of complainants fully protected to ensure employees have adequate and trustworthy means of seeking redress.
- Upon receiving a complaint, an investigation procedure must 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 be conducted.
- Disciplinary actions should be taken against the offender, and legal liability should be pursued where applicable.

Work-Life Balance

Stakeholders

All employees

Preventive and Mitigation Measures

- In accordance with the Labor Standards Act, flexible working hour options are provided to help employees balance work and family life.
- Designated occupational safety and health personnel are assigned to offer health and psychological counseling services, supporting employees in addressing personal and family-related issues.
- Annual assessments of employee workload are conducted to prevent overwork and ensure appropriate adjustments to assigned tasks.
- Health seminars on time management and stress management are held to help employees improve work efficiency and strengthen their ability to cope with pressure.

Follow-up Remedy Measures

- Communicate and coordinate with affected employees to understand their needs and difficulties, and adjust working hours or job assignments based on their feedback.

7.5.2 Human Rights Management Implementation Status

Kaori's "Personnel Management Regulations" clearly prohibit all forms of forced labor, imprisonment, bonded labor, prison labor, debt bondage (including labor in repayment of debt), human trafficking, and slavery. All employment must be based on the free will of the employee. In addition to complying with labor laws, the Company has established specific regulations for the management of migrant workers to protect their labor rights and interests. Kaori is committed to 100% compliance with relevant labor laws and regulations. In accordance with RBA standards, we publicly disclose our labor policies and require our suppliers to sign a Corporate Social Responsibility Code of Conduct Statement, which strictly prohibits the employment of child labor, the assignment of hazardous work to young workers, and all forms of forced labor.

Implementation Status of the Eight Key Human Rights Indicators in 2024

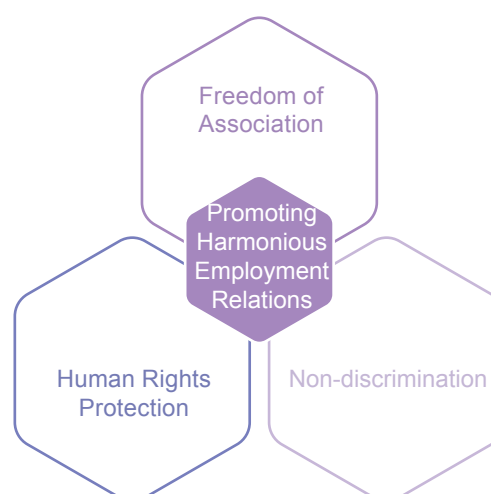
Human rights management policy	Specific plans
Diversity, inclusion, and equal opportunity	1. We value the diversity of all employees and ensure equal treatment. Regardless of position, age, gender, or nationality, all team members are entitled to equal opportunities. 2. Menstrual leave is better than the one under the Gender Equality in Employment Act. 3. Full compliance in employing the legally required number of employees with disabilities. 4. Home leave provided for migrant workers.
Against discrimination, bullying, and harassment.	1. Issue a statement against unlawful conduct, promote it through emails and the official LINE account, and display it on bulletin boards across all plant locations. 2. Install anonymous suggestion boxes at each plant site. 3. Invite psychologists or legal professionals to hold lectures or seminars. 4. Upon identifying relevant issues, the Occupational Safety and Health Department will immediately initiate an investigation. 5. Provide promotional materials in multiple languages.
Comply with basic wage and reasonable working hours	1. The working hours for mid-day and night shifts are reduced by 0.5 hours, which is more favorable than the daily working hour requirements stipulated by the Labor Standards Act. 2. Entry-level employees are offered starting salaries that exceed the minimum wage requirements set by local regulations. 3. Meal allowances are provided based on overtime hours.
Prohibition of forced labor and child labor	1. Comprehensive explanations of Company policies and job responsibilities are provided during interviews to reduce issues arising from information asymmetry. 2. Comply with all relevant laws and regulations by strictly prohibiting the use of child labor, and implement a comprehensive review mechanism to prevent any misuse. 3. Dispatch contracts explicitly prohibit the use of child labor.
Healthy and Safe Workplace Environment	1. Obtained the ISO 45001:2018 Occupational Health and Safety Management System certification. 2. Fully equipped nursing rooms and medical rooms are available. 3. Clean and well-lit office environment. 4. Company facilities include heating and air conditioning, warm water sinks, and bidet toilet seats. 5. Rest areas feature a coffee bar and massage chairs. 6. Irregular health seminars are held and health information is provided. 7. Doctors are stationed at the plants to provide health education and health consultations regularly. 8. Employee health is managed, with follow-up and health guidance provided to those with abnormal health examination results. 9. Provide a variety of club activities. 10. Free physical health examinations are provided to employees annually.

Human rights management policy	Specific plans
Implementation of Cybersecurity	1. Obtained the 27001 - Cybersecurity Management System certification. 2. Employees undergo regular cybersecurity testing. 3. Computer security updates are performed on a regular basis. 4. Cybersecurity awareness campaigns are regularly conducted to enhance all employees' cybersecurity awareness. 5. Signed the "Computer Software Usage Agreement (Consent to Information Security Compliance)".
Promoting Harmonious Employment Relations	1. Regularly hold labor-management meetings. 2. Hold seminars for migrant workers from time to time.
Grievance and Reports	1. Set up grievance mailboxes and telephone numbers. 2. Install anonymous suggestion boxes at each plant site.
Others	1. Recognized as an outstanding enterprise in the "Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports" by the Occupational Safety and Health Administration, Ministry of Labor. 2. Completed the first third-party human rights due diligence. 3. Approximately 425 participants attended the annual "Human Rights Re-education" program. 4. Approximately 315 participants attended the "Climate Change and Environmental Policy" course. 5. Approximately 540 participants attended the "Occupational Safety and Health Education and Training" program. 6. Approximately 150 participants attended the "Corporate Human Rights and Practice Management" course. 7. Since 2022, a total of 200 consultations have been provided by on-site physicians.

Human rights and anti-discrimination

Kaori prohibits any form of sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse or inhumane treatment of employees. If employees have doubts about the Company's system or the management of officers, they can file a grievance in writing. The Administrative Management Division will handle the discrimination against the employee in accordance with the "Employee Reporting and Grievance Handling Procedures." With an independent and objective attitude, we seek to understand as soon as possible. If the investigation results are true, the Company will punish the discriminator and inform the complainant of the outcome.

Under the control of the effective mechanism, there were no related discrimination cases in 2024. In addition, we also conduct human rights communication and training, such as getting new employees to sign documents through new employee training courses, electronic official document reminders, requiring on-site personnel to sign, requiring suppliers to sign an ethical commitment, and customer confirmation during audits.



7.5.3 Labor-Management Communication

Good labor-management communication helps the Company improve weaknesses and develop the solid foundation needed to raise competitiveness. The Company provides a broad diversity of communication channels that employees can use to express opinions. Kaori believes that effective communication and bilateral interaction between labor and management is a useful way of uniting employees. Employees who have physical or mental disabilities are offered assistance from a variety of sources; meanwhile, efforts are made to learn and adjust their workload and to provide care, support, and assistance where possible.

Employees are able to express opinions through the Employee Welfare Committee, labor-management meetings, the grievance mailbox, and the grievance hotline. Kaori has the “Regulations for Implementing Labor-Management Meeting” in place to support a harmonious work environment. Labor-management meetings are held once every three months to facilitate communication and cooperation between labor and management for the benefit of both sides. The Company also ensures that all of the employees' opinions, suggestions, and feedback are handled by dedicated personnel. Meanwhile, systems have been implemented to protect employees from all forms of retaliation and threat. Although the Company does not have a labor union or collective bargaining agreement, it holds regular labor-management meetings and has transparent communication channels in place.

Matters to be discussed in labor-management meetings:

- Regular announcements and reminders of various bonus distribution matters
- Employee annual physical examination and employee health consultation services
- Distribution of employee remuneration
- Promote various employee activities and organize publicity, including annual year-end parties.
- Annual calendar publication
- Establish online employee communication channels, such as various social networking sites, to increase two-way communication with employees without time difference

A total of five such meetings were convened in 2024, and each meeting had 10 participants. No grievance were raised internally and no misconduct report was raised externally during the year. Kaori handled the report according to relevant policies and will continue following up on subsequent progress while taking preventive measures.

Grievance Channels



Grievance mailbox: jocelyn@kaori.com.tw



Grievance hotline: 03-4527005 #236

All-round communication channels, diverse, two-way, and open response mechanism, through the implementation of employee communication and feedback, so that colleagues' voices can be effectively handled and responded to, and colleagues' doubts are resolved through a fair, confidential, and expedited handling process to build a good labor-management relationship.

Diversification of Labor-management Communication Channels

The Company respects employees' legal rights to freedom of assembly and association. Establish labor-management meetings, occupational safety and health committees, and employee welfare committees in accordance with the following table:

Meeting name	Meeting chairperson	Frequency of meetings	2024 Feedback issues
Labor-management meetings	Labor-employer rotation	Once a quarter	No material issues
Occupational Safety and Health Committee	Labor-employer rotation	Once a quarter	No material issues
Employee Welfare Committee	Chairperson	Once a quarter	No material issues
Grievance/Whistleblowing Evaluation Committee	Committee rotation	According to actual needs	No material issues
Sexual Harassment Review Committee	Committee rotation	According to actual needs	No material issues

We adhere to the principle of information confidentiality. Employees or potential employees raise any questions, suggestions, complaints or grievances to their supervisors or managers in good faith, or participate in the investigation or handling of any of them in any way. No employee will be subjected to dismissal, blacklisting, discrimination, harassment, intimidation, retaliation, or any other adverse employment decision for doing so.

7.5.4 Freedom of Association

Kaori respects and protects the legal rights of employees to form or join organizations, as well as their rights to collective bargaining and peaceful assembly. Furthermore, we undertake not to inflict unequal treatment on employees who participate in the above association activities, nor to use rewards or intimidation to control or attempt to control employees. The Company shall not interfere with employees in establishing their own charters and rules, freely choosing their representatives, managing their organization and activities, and creating their own plans. Under the open association system, employees are not subject to retaliation, threats, or harassment, and they can openly communicate with the Company about work and management issues. Although Kaori does not have a collective agreement, employee rights are protected through mechanisms such as labor-management meetings.

7.5.5 Minimum notice periods regarding operational changes

Should the Company encounter a major change of operation that affects employees' rights or terms of employment, we comply with the "Labor Standards Act" regarding the minimum notice period for terminating labor contracts, as outlined below:

- If the individual has served at the Company for more than three months but less than one year, the notice shall be given ten days in advance.
- If the individual has served at the Company for more than one year but less than three years, the notice shall be given twenty days in advance.
- If the individual has served at the Company for more than three years, the notice shall be given thirty days in advance.