

2023 Avary Holding Human Rights Due Diligence Report

1. Human rights policy

Avary supports international human rights standards. In compliance with the basic human rights principles such as the "United Nations Universal Declaration of Human Rights", the "United Nations Global Compact", the "United Nations Guiding Principles on Business and Human Rights", and the "Responsible Business Alliance Code of Conduct", as well as the laws and regulations of each location where we operate worldwide, we have established the "Statement of Human Rights Policy of Avary Holding (Shenzhen) Co., Ltd. " to protect the rights and interests of our employees.

Applicable scope:

Applicable to all employees, subsidiaries, business partners, suppliers, and contractors of Avary Holding (Shenzhen) Co., Ltd.

Human rights commitment:

- I. We firmly believe that respecting and protecting human rights is an important foundation for corporate sustainability.
- II. We take human rights issues into consideration in various aspects of our operations.
- III. We provide stakeholders with smooth communication channels.

Management principles:

Avary formulated management regulations, conducts internal audits, and used the Responsible Business Alliance (RBA) Code of Conduct as the management framework. We carry out risk management for all plants worldwide through periodic administration of the Self-Assessment Questionnaire (SAQ) and Validated Audit Program (VAP), and thereby identify the human rights risks faced in our production operations.

Policy Statement:

• A safe and healthy work environment

Each operation site complies with labor and environmental laws and regulations set by the local competent authorities to ensure reasonable working conditions, as well as

a safe and healthy working environment for our employees.

- **Prohibition of forced labor, and human trafficking, and child labor**

Forced or compulsory labor, human trafficking, and child labor are strictly prohibited. This includes work carried out involuntarily and through coercion due to intimidation, penalty, violence, including by security forces, restriction of movement, withholding wages, retention of identity or travel permits, or any threat of being disadvantaged.

All employment relationships at Avary and its value chain are based on voluntary participation and can be terminated at any time by the employees of their own free will and within a reasonable period of notice.

- **Equal employment, anti-discrimination, equal pay for equal work**

Avary has a zero-tolerance policy for any form of discrimination. We are committed to creating and providing equal work opportunities without discrimination regardless of nationality, race, ethnicity, skin color, age, gender, gender identity, disability, pregnancy status, marital status, religion, political affiliation, and union status.

- **Zero violence and humane treatment in the workplace**

Any form of violence or harassment, including sexual harassment, sexual abuse, physical punishment, physical or mental coercion, verbal abuse, and threats are strictly prohibited.

- **Freedom of association and collective bargaining**

By providing a workplace where our employees can freely express, share concerns or make suggestions, everyone has the right to form and join (or not join) union groups. We also respect employees' rights to bargain collectively and to engage in peaceful assemblies in accordance with related regulations.

- **Working hours and minimum wage**

Working hours shall not exceed the maximum set by local laws or more than 60 hours per week (including overtime), except for emergencies or particular circumstances. Employees shall be allowed at least one day off every seven days. All overtime must be voluntary. Compensation paid to employees shall comply with the relevant local laws on wages including minimum wage requirements, overtime hours and legally mandated benefits.

- **Value chain responsibility**

We expect our suppliers to share the same business mission and to operate in accordance with Avary's principles and requirements, as applicable. (e.g., Supplier Code of Conduct).

- **Effective Grievance Mechanism and Remediation**

To effectively prevent and remediate adverse human rights impacts, we commit to ensuring access to grievance mechanism for workers and all stakeholders.

We provide an open platform through various communication channels to initiate an investigation process immediately upon receipt of a complaint, and to develop improvement plans and implement remedial measures to reduce risks in the event of human rights violations. We will treat the identity of the complainant and the content of the complaint confidentially and prohibit any discrimination, retaliation, threat or harassment of the complainant.

Internal communication: Employee Service Center, suggestion boxes, and Care Hotline

External communication: whistleblowing email: A-H-M@Avaryholding.com; whistleblowing website (www.avaryholding.com/contact.aspx); and whistleblowing hotline: +86-755-3381-0388.

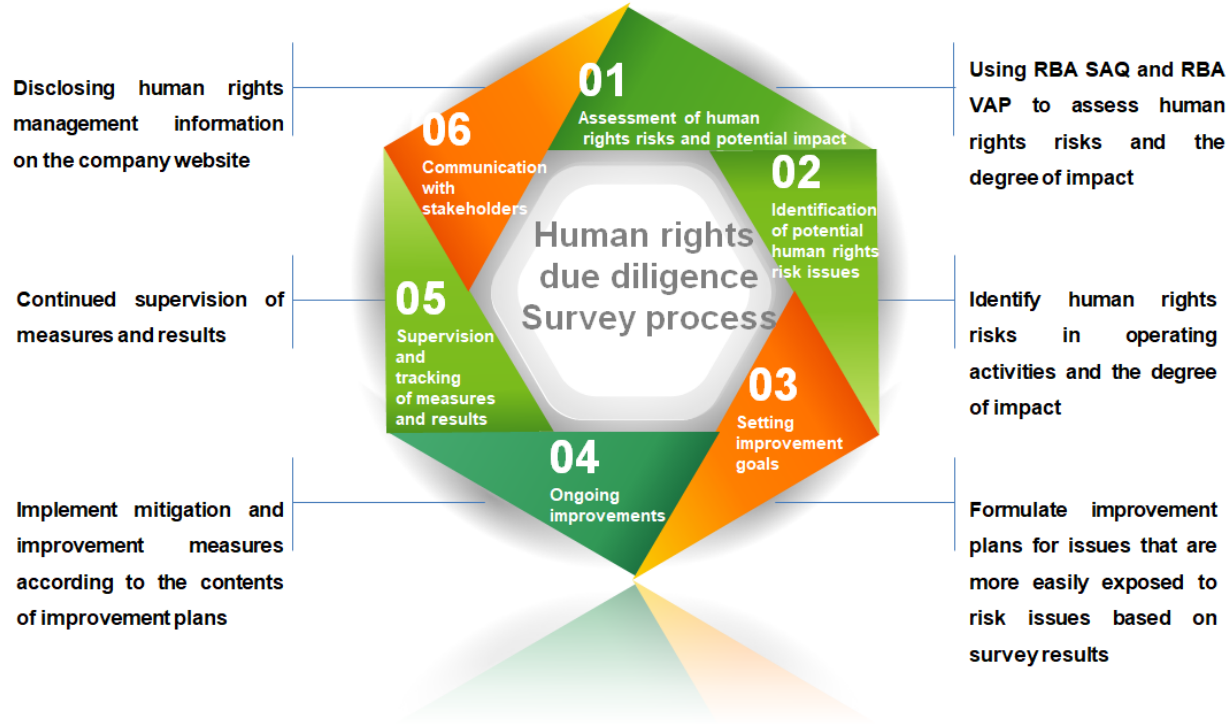
We proactively provide and share information on how to access available grievance mechanisms throughout our organization and to our suppliers to ensure that our employees and other stakeholders are aware of how to submit any grievances, complaints or suggestions.

Governance

The Sustainability Committee constituted by our Board members is committed to continuously enhance and uphold human rights by conducting regular reviews on Avary's overall operations, social responsibility, and environmental, safety and health performance.

2. Due diligence process

Avary periodically carries out human rights due diligence according to the PDCA process to assess human rights risks and potential impacts. We conduct RBA risk assessments for employees and the supply chain. We use a risk matrix with quantifiable degree of impact and frequency of occurrence for risk assessment of employees. For suppliers, we established human rights investigation and evaluation tools based on RBA, in order to understand important risks in the supply chain. If any human rights risks, potential impacts, or violations of human rights are found during human rights due diligence, we actively take corresponding mitigation or remedial measures. By assessing and identifying human rights risks, potential impacts or violations through human rights due diligence, and evaluating the effectiveness of human rights governance, the Company also reviews the "Statement Avary of Human Rights Policy of Holding (Shenzhen) Co., Ltd. " regulations or procedures, and ensures the implementation of human rights protection is more comprehensive.



Human rights risk identification results:

Frequency

High			· Work hour management
Medium	· Discrimination, diversity, and tolerance	· Occupational health and safety and environment · Freedom of occupation choice · Sexual harassment · Equal pay and equal work · Forced labor and human trafficking	
Low	· Child labor · Freedom of association and collective bargaining right	· Data privacy and safety · Liberty and security · Water resource management · Air pollution and noise	· Responsible purchasing of minerals
	Low	Medium	High
			Impact

Assessment mechanisms for material human rights issues:

Target	Major human rights issues	Impact assessment mechanisms	Actual Operating Conditions
Employees	Occupational health and safety and environment	RBA SAQ RBA VAP	1. RBA conducts regular re-certification audits every two years. 2. Customers conduct annual audits of various systems and quality regularly every year to ensure normal operation. 3. Conduct employee satisfaction surveys every year to listen to employees in a timely manner and make continuous improvements. 4. Regularly update employee human rights protection practices in accordance with relevant laws and regulations to comply with regulations.
	Work hour management	Customer audits	
	Freedom of occupation choice	ISO 45001	
	Sexual harassment	Employee satisfaction	
	Equal pay and equal work	Evaluation of laws and regulations and compliance	
	Forced labor and human trafficking		

	Discrimination, diversity, and tolerance Liberty and security Child labor Women Protection		
Supplier/ Contractor	Occupational health and safety	Supplier risk assessment questionnaire	Conduct SER risk assessments for all transactional suppliers every year. Suppliers are classified and managed based on the assessment results (high/medium/low risk). High-risk suppliers are included in the annual audit plan. In 2023, 39 suppliers were audited. Among which, 28 suppliers obtained the green rating, 11 suppliers obtained the yellow rating, and there were no instances where suppliers were rated as red based on the audit results, leading to a suspension of business transactions due to failed improvements.
	Work hour management Freedom of occupation choice Equal pay and equal work	RBA SAQ RBA VAP On-site audit	
	Responsible purchasing of minerals	Conflict minerals investigation	Conduct two CMRT/EMRT/PRT surveys for all transactional suppliers every year. Additionally, the SER annual audit will verify the actual implementation status of the suppliers.
Customer	Data privacy and safety	Information security audit ISO27001 certification	1. An Information Security Committee has been established to conduct regular ICT security audits and inspections. 2. ISO 27001 internal and external audits of the information security system are conducted regularly every year.
Communities	Water resource management Air pollution and noise	Plant monitoring	Each campus conducts monthly self-sampling and testing of the water environment in the surrounding main river basins to ensure the health and sustainability of the water bodies around the Company and surrounding communities. Conduct regular independent and outsourced testing of various exhaust gas emissions every year to ensure compliance with regulations.

3. Human Rights Risk Mitigation and Remediation Measures

The following mitigation and remediation measures for all major human rights issues apply to all Avary campuses:

Target	Material Human Rights Issues	Mitigation Measures	Remedial Measures
Employees	[Occupational health and safety and environment]	<ol style="list-style-type: none"> Each manufacturing site implements the ISO 45001 Occupational Health and Safety Management System. Avary's occupational health and safety policy and system is established in accordance with RBA and relevant occupational health and safety laws and regulations. Multiple training and education channels. The Company conducts monthly safety committee meetings to review any safety anomalies that occur within the Company. Each plant holds monthly meetings to analyze and discuss the causes and improvement measures for safety anomalies that occurred within the respective plant during that month. Regular occupational risk factor tests for employee workplaces. 	<ol style="list-style-type: none"> Formulated handling measures for occupational injury and accident reporting and investigations. Regular drills and exercises are conducted, and the results and outcomes of these exercises are summarized and reviewed. Appropriate and legally compliant labor protection equipment is provided to employees in various work environments. Enhance the promotion and regulations regarding the wearing of personal protective equipment (PPE) by on-site employees, and ensure that site management personnel conduct regular inspections of employees' PPE usage. Conduct regular occupational health checkups for employees working in hazardous positions.
	[Work hour management] [Freedom of choice for selecting an occupation] [Sexual harassment] [Equal pay and equal work]	Avary complies with the "United Nations Universal Declaration of Human Rights", the "United Nations Global Compact", the "United Nations Guiding Principles on Business and Human Rights", and the "Responsible Business Alliance Code of Conduct", as well as the laws and regulations of each location where we operate	<ol style="list-style-type: none"> Avary stipulated the Statement of Human Rights Policy. Periodically review and revise various management measures each year to continuously improve the systems and procedures. Conduct internal and external audits each year, including customer audits and RBA VAP audits, and implement

	<p>[Forced labor and human trafficking]</p> <p>[Discrimination, diversity, and tolerance]</p> <p>[Personal freedom and safety]</p> <p>[Child labor]</p> <p>[Women protection (Female Employees)]</p>	<p>worldwide. We regularly review the implementation of the "Statement of Human Rights Policy of Avary Holding (Shenzhen) Co., Ltd. " to protect the rights and interests of our employees.</p> <p>[Work hour management]</p> <p>According to the "Process for Working Time and Employee Overtime" and requirements of the RBA, the Company strictly controls the working hours system and its implementation.</p> <p>[Freedom to choose occupation]</p> <p>The "Process for Humanistic Management" SOP is formulated to ensure that all employees work voluntarily.</p> <p>[Sexual harassment]</p> <p>Formulated the "Prevention of Sexual Harassment and Discrimination Management Regulations" to prevent sexual harassment. Annual regular training assessments at all levels and monthly on-site audits through random visits or telephone interviews.</p> <p>[Wages and benefits]</p> <p>The Company provides a remuneration management system that is externally competitive and internally reasonable. In addition to paying monthly salary, the Company also gives out various types of monetary rewards, including year-end performance bonuses, bonuses for continuous services, employee bonus, and monetary rewards for innovative research and development and for</p>	<p>optimizations and improvements accordingly.</p> <ol style="list-style-type: none"> 4. Through "identity verification of applicants in recruitment operations" and facial recognition and card swiping through the personnel system, employees' identities are confirmed to prevent child labor. 5. Use the early warning system to promptly remind and prevent employees from working overtime and implement working hours monitoring. 6. Pay employees' remuneration in accordance with all remuneration-related laws, including minimum wage and overtime pay. 7. To keep the Company's general salary offers competitive, we plan and review remuneration policies of the Company's manufacturing campuses according to changes in the external economic environment. We also draft salary adjustment plans as needed by reviewing the salary survey reports provided by professional consulting companies and measuring the salary levels of the local market of each manufacturing campus. 8. The Company has established a variety of communication channels for employees to file complaints at any time. The situation is investigated and handled in a timely manner based on the feedback. There were 0 complaints of harassment and discrimination in 2023. 9. The Company stipulated the "Employee Handbook", which ensures employees' freedom of association and
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		<p>proposing improvement ideas.</p> <p>[Forced labor and human trafficking] Established the “Process for Humanistic Management” SOP. Conduct annual training on the prohibition of forced labor and human trafficking for recruiters and employees. Set up a working hour early warning function in the attendance system to review and control employees’ working hours on a daily basis. Annual regular training assessments at all levels and monthly on-site audits through random visits or telephone interviews.</p> <p>[Non-discrimination, diversity, and tolerance] The Company respects diversity and inclusion, and strictly abides by equal treatment. We are committed to creating and providing equal work opportunities without discrimination regardless of nationality, race, ethnicity, skin color, age, gender, gender identity, disability, pregnancy status, marital status, religion, political affiliation, and union status.</p> <p>[Personal freedom and safety] Formulated the “Process for Humanistic Management” and “Process for Employee ‘s Safety Operation Management” to ensure the freedom of movement and safety of employees during operations.</p> <p>[Women Protection] Establish the "Special Group Protection Operation Method" to ensure fair treatment and non-discrimination against</p>	<p>collective bargaining rights. The Company's daily operations are performed in accordance to the law.</p> <p>10. Avary values diversity and inclusion, focusing on women's issues and respecting employees' personal pursuits. We welcome more women to join us. For female workers, we provide nutritious meals during pregnancy and issue care cards for personalized services. Each facility has a nursing room, and breastfeeding employees can leave work one hour early daily. We offer multiple birth subsidies and an additional full-paid day off beyond the legally mandated maternity leave to celebrate the newborn. After returning to work post-childbirth, female employees receive a care package from the company.</p>
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		female workers, providing protection for women's rights, health, and welfare in accordance with the law.	
Supplier/contractor	[Occupational health and safety]	<ol style="list-style-type: none"> Established the "Procedure for Supplier Social Responsibility Management" to identify the risk levels of suppliers and conduct audits and implement controls based on the risk levels. This approach aims to mitigate SER risks associated with suppliers. Sign the "Health and Safety Commitment Letter" with suppliers to inform them of the Company's occupational health management requirements. 	<ol style="list-style-type: none"> Conduct supplier audits and track improvements every year. Conduct supplier education and training.
	[Work hour management] [Freedom of choice for selecting an occupation] [Remuneration and benefits]	<ol style="list-style-type: none"> To address human rights risks in the supply chain, the Company conducts annual audits of its suppliers to prevent the occurrence of risks. By providing education and training to suppliers, the Company instills the importance of labor rights and instructs them on practical implementation methods, helping to mitigate human rights risks in advance. 	<ol style="list-style-type: none"> Conduct irregular random audits and RBA SAQ ratings on suppliers. Require suppliers to implement improvement measures for human rights risks and continuously track the level of improvement. Suppliers are required to provide compensation measures such as "counseling" or "policy modifications" for employees who have suffered human rights violations.
Supplier/contractor	[Responsible procurement of minerals]	<ol style="list-style-type: none"> Suppliers are required to sign a commitment letter, confirming their compliance with Avary's Conflict Minerals Policy and ensuring accurate and complete disclosure of the smelters in their supply chain. Supplier investigations are conducted using the Conflict Minerals Reporting Template (CMRT) to identify the sources of 3TG minerals in the supply chain. 	<ol style="list-style-type: none"> An annual supplier audit plan is executed to conduct audits on conflict minerals within the supply chain. Conduct Reasonable Country of Origin Inquiry and due diligence for suitable conflict mineral suppliers. Disclose information related to conflict minerals management on the company website every year.

Customers	[Data privacy and security]	<ol style="list-style-type: none"> 1. In accordance with the Taiwan Personal Data Protection Act and relevant personal data protection regulations applicable in other operational regions, Avary ensures compliance operations for its employees and collaborating vendors. Together, they are committed to maintaining the security of personal data to safeguard the rights and interests of customers and other individuals whose personal data is involved. 2. To ensure the security of business partners such as customers and operational-related information assets, a "Information Security Management Policy" is established as a basis for management. 3. For Avary employees and suppliers who engage in transactions with customers, their awareness of relevant privacy, personal data protection, and information security regulations is strengthened through the dissemination of compliance management guidelines and training, thereby enhancing their understanding of and compliance with applicable regulations. 	<ol style="list-style-type: none"> 1. Avary conducts annual information security audits and internal reviews to ensure that our information systems and network environments comply with security implementation standards. The Company strictly enforces information security policies and customer privacy protection measures to safeguard the confidentiality of business secrets and customer data, preventing any unauthorized disclosure. 2. If, through investigation, it is found that Avary employees or suppliers are indeed involved in violations of privacy rights and personal data protection policies, or violations of applicable privacy rights and personal data protection regulations, immediate review and improvement measures will be implemented to enhance management practices. AT the same time, the Company will communicate with customers to assess compensation measures on a case-by-case basis. 3. Individuals involved in misconduct or violations will be disciplined in accordance with applicable disciplinary regulations.
Communities	[Water Resource Management] [Air pollution and noise]	<p>[Water resource management]</p> <p>Each of Avary 's key manufacturing sites in China conducts AWS system audit and certification every year. Annual water risk identification and assessment are carried out, and we use the Water Risk Filter AWS, a regional water crisis scoring system of the World Wildlife Fund (WWF), to</p>	<p>[Water resource management]</p> <p>Avary actively improves the amount of wastewater reused after wastewater treatment and increases the water reuse rate year by year. In addition, each of Avary 's manufacturing site are striving for more water supply from outside, and has built emergency water tanks within the sites to ensure</p>

		<p>analyze the water risk in the regional watersheds, and all sites have low risks and have no water-related impacts. In addition, we use the WRI Aqueduct Water Risk Atlas water assessment tool to simulate and test the water stress of each site by analyzing the baseline and the worst-case scenarios. The results of the simulation analysis are incorporated into the operational resilience strategy. Each campus monitors the water environment of the surrounding main river basins and conducts self-sampling and testing every month to ensure the health and sustainability of the surrounding water bodies. Ensure that the water usage and water quality for the surrounding communities are prioritized and not affected by the company's operations.</p> <p>[Air pollution]</p> <p>Avary introduces innovative technologies integrated with waste gas scrubber, dust collector, and activated carbon to reduce the emission of air pollutants. Every year, we regularly conduct or outsource tests and continue to track various pollutant monitoring data to ensure that our gas emissions are compliant with law and kept within the emission standards.</p> <p>[Noise]</p> <p>Avary conducts plant area noise monitoring according to the laws and regulations of the location of each plant.</p>	<p>emergency water needs as a priority. Simultaneously, an emergency water supply is also in place, ensuring multiple sources of water.</p> <p>[Air pollution]</p> <p>Avary implements atmospheric pollution reduction and prevention through the three aspects of manufacturing, prevention, and detection. On the manufacturing end, clean raw materials, intensive collection of pollution sources, and optimization of processes are employed to reduce the generation of air pollutants. In the prevention aspect, scrubbers, dust collectors, activated carbon adsorption, and continuous development/introduction of other technologies are utilized for the treatment of end-of-pipe pollutants. Lastly, in the detection aspect, regular outsourced testing is conducted to ensure compliance with the emission standards for atmospheric pollutants.</p> <p>[Noise]</p> <p>Avary identifies the sources of noise and implements improvements for specific sources of noise. Soundproofing facilities are installed to achieve noise reduction.</p>
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4. Implementation and Results

Avary discloses the implementation status and results in the human rights due diligence report, and tracks and analyzes value chain due diligence, including human rights risk identification and the implementation and effectiveness of mitigation measures and remedial measures.

- **Situation of Internal Inspections**

The Company's Social and Environmental Responsibility (SER) Committee inspects the internal implementation status through periodic internal and third party reviews. The due diligence reports of internal audits include internal commitments, human rights programs, and improvement goals. We follow review procedures of the RBA SAQ and VAP, and periodically conduct internal and external reviews of manufacturing sites. Our purpose is to ensure the completeness and appropriateness of sustainability measures and human rights management. Audit procedures clearly summarize the process, principles, and cycle of each audit and improvement measures. The RBA Code of Conduct provides standards for labor, health and safety, environmental protection, and business ethics. The Company follows these guiding principles and arranges for departments to audit each other every year. If there are any non-conforming items, a solution is proposed and improvements are made within the time limit. The achievement and improvement of performance indicators, such as labor, ethics, environment, safety, and health, are reviewed during management meetings each year to ensure that the Company fulfills its corporate social responsibility. Human rights questionnaire surveys are also periodically conducted on external value chain partners (customers, suppliers, contractors, and local communities).

- **Situation of External Inspections**

Avary requires suppliers to sign a written commitment to management based on the basic guidelines set forth in the RBA Code of Conduct applicable to suppliers. We also established RBA management regulations. We established human rights investigation and evaluation tools based on the RBA, main contents include: prohibiting the use of child labor, protecting human rights, prohibiting discrimination, equal treatment, statutory work hours, equal pay and equal work, code of ethics, and environmental management, in order to understand important risks of the supply chain. We conduct a survey at least once every three years. Customer satisfaction is an important basis for Avary's continuous improvement of products and services. The Company conducts a customer satisfaction survey at least once a year to continue monitoring, analyzing, and understanding customers. We analyze items that customers were dissatisfied with and take corrective and preventive action to achieve the highest customer satisfaction possible. The Company actively encourages related parties and industry advocates to periodically conduct inspections to help identify, prevent, or mitigate adverse effects on business.

- **Situation of disclosures**



Avary discloses information on its due diligence policy and process, including providing human rights due diligence reports or sustainability reports on the official website. These reports are sufficient for the value chain to identify and resolve actual or potential adverse effects. All information is disclosed on the official website in Chinese and English versions for visitors. We have channels for timely communication with rights owners that have been impacted or potentially may be impacted by the human rights impacts we cause or facilitate.