

November 25, 2022

To our esteemed investors & stakeholders,

We are aware that recent reports by well-regarded research institutions have connected Zhen Ding Technology Holding Limited (“Zhen Ding”) & its subsidiary Avary Holding (Shenzhen) Co, Limited (“Avary”) to human rights issues. I want to strongly emphasize that at Zhen Ding, we respect human rights throughout our operations. We work to uphold the relevant fundamental rights and freedoms of all people across the business, in line with the principles of the UN Universal Declaration of Human Rights, the UN Global Compact, the UN Guiding Principles on Business & Human Rights, and the Code of Conduct of the Responsible Business Alliance (“RBA”). All workers at Zhen Ding & Avary’s operations are recruited openly, transparently, and compensated fairly in compliance with all relevant local laws and regulations. These commitments are articulated in our [Human Rights Policy](#).

Zhen Ding’s Sustainability Committee, which is chaired by myself, integrates on a strategic level and drives Zhen Ding’s efforts in Environmental, Social, and Governance (ESG) policies, initiatives, and actions. Therefore, please allow me to address some of the recent developments regarding this topic:

- Zhen Ding is aware that past reports by well-regarded research institutions have connected Zhen Ding & Avary to human rights issues. We have made public responses to such allegations, such as in [March 2021](#) & [May 2021](#) regarding the report “Uyghurs for sale” by Australian Strategic Policy Institute (ASPI) and the report “Seven Apple suppliers accused of using forced labor from Xinjiang” by The Information, refuting alleged connection to forced labor issues. The ASPI report is a key citation in the public domain that the current report: “Passively Funding Crimes Against Humanity” based its findings on.
- Zhen Ding & its subsidiary Avary closely follows labor issues & policies around the world and strives to keep up with best practices & key concerns. Zhen Ding & its subsidiary Avary acknowledges the August 2022 report by the [UN OHCHR](#) and the February 2022 report by [ILO](#). However, we would like to emphasize that there is no mention of Zhen Ding or its subsidiaries in either report.
- In August 2021, Zhen Ding & its subsidiary Avary worked with Business for Social Responsibility (“BSR”) – a nonprofit organization that works with the world’s leading companies to build a just and sustainable world – to conduct a comprehensive human rights assessment within Zhen Ding & its subsidiary Avary’s operations. According to the BSR investigation, the following are listed verbatim in the report:
  - The company does not engage with any labor brokers and recruitment agencies in China (...) as (...) those are strictly prohibited by Zhen Ding clients.
  - There was no Uyghur worker employed.
  - The ‘Employee communication record (員工溝通紀錄表)’ with records from 2021 January to March provided by trade union did not show any concerns or complaints around forced labor.

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Zhen Ding & its subsidiary Avary continues to have a direct and open dialog with different ESG rating agencies, including MSCI and Morningstar Sustainalytics. In the most recent communique with MSCI, we discussed the most recent MSCI ESG Controversies Report issued on Zhen Ding & Avary, we acknowledge that MSCI requires independent external audits to respond to human rights-related allegations. Zhen Ding & its subsidiary Avary also highlighted the fact that our operations are audited biannually by independent external parties – BSI, Greenment, Elevate Limited, UL Responsible Sourcing, & SGS per the RBA Validated Audit Processes (“VAP”) standard. We also shared that the 2022 RBA VAP Closure Report concluded that we did not violate any human rights issues.

- The following is verbatim from the 2022 RBA VAP Closure Report regarding human rights issues:
  - Any type of forced, involuntary or exploitative prison, indentured, bonded (including debt bondage), trafficked or slave labor is not permitted.
  - Adequate and effective procedures are established ensuring that any form of forced, bonded (including debt bondage), involuntary or exploitative prison, trafficked or slave labor is not permitted.
  - There are no unreasonable restrictions on the movement of workers and their access to basic liberties.

In contrast, our latest Morningstar Sustainalytics report from October 2022 determined Zhen Ding’s rating [improved](#) to 17.2 - Low Risk - and our labor controversial issue risk was moderate. Furthermore, Zhen Ding’s key customer regularly conduct reviews on their supply chain to ensure all labor laws and global standards are met. In the 2022 Progress Report, the customer stated, “we found no instances where anyone was forced to work in our supply chain.” [\[p42\]](#)

I would also like to highlight that Zhen Ding & its subsidiary Avary also transparently discloses our audit results, ESG progresses & achievements in our annual [ESG Report](#). Here are a few highlights regarding human rights that I would like to share with you in our most recent ESG Report:

- 100% of all employees completed our human rights-related training
- 600 thousand person-hours of human rights-related training conducted
- 0 significant breaches of the codes of conduct
- 0 complaints on ethical issues through our whistleblower system

I would also like to highlight the continuous improvement in our management systems on human rights issues to prevent any future controversies.

- The principle of voluntary hiring, prohibition of prison labor, and forced labor is readdressed and emphasized in all of Zhen Ding & its subsidiary Avary’s recruitment related policies and procedures.
- Training around forced labor and techniques on raising questions to identify forced labor are included in the training for Zhen Ding and & its subsidiary Avary’s Human Resource team and all recruiters.
- A self-assessment is conducted in the undertaking (員工求職表) for all job-seekers to sign and proof they are not coerced. The questions of identifying forced labor are asked at the recruitment phase, the new hire orientation program, and the worker’s departure processes to cross reference worker’s remarks and records.

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- Set up monitoring frameworks to ensure all recruitment processes will follow our guidelines around forced labor.
- All documents and procedures are in place and apply to Zhen Ding & Avary's operations.

Zhen Ding & its subsidiary Avary welcomes stakeholders & concerned parties to discuss with us, at any time, on such important issues. We believe that direct dialog can contribute to transparency & accuracy on issues that are critical for the global community. We hope that going forward Zhen Ding & its subsidiary Avary will be provided the opportunity to respond to critical issues ahead of a report's release to allow for fair and accurate representation in the final assessment.

My utmost thanks to you, esteemed stakeholders, for your unwavering support of Zhen Ding.

Sincerely,



Chairman, Charles Shen

Zhen Ding Technology Holding Limited

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