

DAQO NEW ENERGY LABOR DUE DILIGENCE REPORT

To: Daqo New Energy Corp.
From: DaHui Lawyers Shanghai
Date: 22 September 2023
Subject: Labor Compliance Assessment of Xinjiang Daqo New Energy Co., Ltd. and its Affiliates

To whom it may concern,

DaHui Lawyers Shanghai (“**DaHui**” or “**we**”) has been requested by Daqo New Energy Corp. (“**Daqo**”) to conduct an independent third-party labor compliance assessment in relation to Daqo’s routine operations and compliance program. The targets of this assessment include: Xinjiang Daqo New Energy Co., Ltd. (“**Xinjiang Daqo**”), Daqo, Chongqing Daqo New Energy Co., and other affiliated companies and organizations of Xinjiang Daqo (referred to collectively as the “**Daqo Companies**”).

I. ASSESSMENT METHOD

The methods of this assessment include:

1. Legal Analysis. We have researched and analyzed the applicable laws and regulations regarding labor compliance, human rights protections and other relevant issues, including but not limited to the United Nations Guiding Principles on Business and Human Rights.
2. Document Review. We have organized, reviewed and analyzed the information and materials provided to us by the Daqo Companies, including but not limited to the relevant labor contracts, employee handbooks, company policies, employment records and other documentation relevant to human resources.
3. Online and On-site Interviews. We have visited Xinjiang Daqo’s facilities and conducted on-site and online interviews with employees hired by the Daqo Companies.
4. On-site Visit. We visited Xinjiang Daqo and conducted on-site due diligence at the manufacturing workshops, offices, cafeterias and employee accommodations at Xinjiang Daqo.

II. CONCLUSION

The scope of our assessment includes a review of the Daqo Companies' policies in relation to the management framework, documentation system, ethnic minority protection, employment discrimination, forced labor, child recruitment, wages and benefits, working hours, vocational training and occupational protection.

Having conducted the relevant labor due diligence, we found no evidence of forced labor of any kind. More specifically, our audit results and analysis show that the Daqo Companies have never employed anyone of Uyghur origin. In addition, our assessment indicates that the Daqo Companies have never participated in any government-sponsored employment program or government-sponsored labor-transfer program of any kind. Furthermore, no evidence shows any discrimination, harassment, disputed wages, child recruitment, restrictions on employee movement or any other illegal acts that violate the human rights of employees on the part of the Daqo Companies, nor have the Daqo Companies engaged in any discriminatory treatment of ethnic minorities in general, or Uyghurs in particular.

Our assessment did not identify any existing activities that constitute a violation of the applicable laws or regulations relevant to the abovementioned issues. The Daqo Companies therefore appear to operate in compliance with all relevant and applicable laws and regulations.

Additional details about our labor compliance assessment can be found in the following sections of this report.

Sincerely yours,



DaHui Lawyers Shanghai

DAQO NEW ENERGY LABOR DUE DILIGENCE REPORT (DETAILED VERSION)

I. ASSESSMENT METHOD

1. The methods used in this assessment include:
 - 1.1 Legal Analysis. We researched and analyzed the applicable laws and regulations regarding labor compliance, human rights protections and other relevant issues (see *Annex 1: Laws and Regulations*);
 - 1.2 Document Review. We organized, reviewed and analyzed the information and materials provided to us by the Daqo Companies, including but not limited to the relevant labor contracts, employee handbooks, company policies, employment records and other documentation relevant to human resources.
 - 1.3 Online and On-site Interviews. We visited Xinjiang Daqo's facilities and conducted on-site and online interviews with employees hired by the Daqo Companies.
 - 1.4 On-site Visit. We visited Xinjiang Daqo and conducted on-site due diligence at manufacturing workshops, offices, cafeterias and employee accommodations.
2. This report has been compiled through the following steps:
 - 2.1 We researched and analyzed foreign laws and regulations applicable to this project, including but not limited to the United Nations Guiding Principles on Business and Human Rights.
 - 2.2 We communicated with the managers of the Daqo Companies to decide on the scope of work and our strategy for approaching the project.
 - 2.3 We prepared questionnaires and document checklists based on previous communication with the Daqo Companies and delivered the abovementioned documents to the Daqo Companies.
 - 2.4 We reviewed the documents and responses provided by the Daqo Companies.
 - 2.5 We prepared supplemental questionnaires and document checklists.
 - 2.6 We reviewed supplemental documents and responses provided by the Daqo Companies.
 - 2.7 We determined key points of assessment and focus areas for our interviews.

- 2.8 We conducted online interviews.
- 2.9 We visited Xinjiang Daqo at No. 16, Weiliu Road, New Chemical Materials Industrial Park, Shihezi Economic Development Zone, Xinjiang to conduct on-site interviews.
- 2.10 We visited Xinjiang Daqo to conduct on-site due diligence at the manufacturing workshops, offices, cafeterias and employee accommodations, and interacted face-to-face with Xinjiang Daqo employees.
- 2.11 We reviewed and analyzed all interview responses and evaluated the working papers from the on-site visit to produce the final assessment report.

II. KEY FINDINGS

Based on our assessment of potential legal liabilities and consequences, we did not identify any existing activities by the Daqo Companies which constitute or may be deemed to constitute a violation of the applicable laws or regulations relevant to human rights and labor practices.

1. MANAGEMENT STRUCTURE

- 1.1 A sound labor management structure has been set up by the Daqo Companies.

Our assessment identified that a sound labor management structure has been set up by the Daqo Companies which runs across the entire human resources management structure of the Daqo Companies.

2. MANAGEMENT SYSTEM

- 2.1 A sound labor management system has been adopted by the Daqo Companies, and the employee handbook is regularly reviewed and updated.

Based on information provided by the Daqo Companies and the employee interviews, the Daqo Companies have formulated and promulgated the employee handbook, recruitment management policies, attendance management policies and other related labor management policies.

3. HUMAN RIGHTS PROTECTION OF ETHNIC MINORITIES

- 3.1 The Daqo Companies have never employed anyone of Uyghur origin.¹

¹ The *Uyghur Human Rights Policy Act of 2020* and the *Uyghur Forced Labor Prevention Act* issued by the United States Congress prohibit abuse, discrimination, forced labor and human rights violations against Uyghurs.

- (1) According to the Staff List of December 2022 provided by the Daqo Companies, there are no ethnic Uyghurs among the current employee population of the Daqo Companies.
- (2) According to the interviewees, the Daqo Companies have never employed anyone of Uyghur origin. Xinjiang Daqo is located in Shihezi City, where the ethnicity of the local population is primarily Han Chinese (accounting for more than 95% of the total local population) and there are very few Uyghurs or other ethnic minorities residing at this location. Although the Daqo Companies have never set forth any ethnic restrictions in their internal and external recruitment and management processes, for demographic reasons, there were no Uyghur applicants when the Daqo Companies recruited employees through open channels. The Daqo Companies have never employed anyone of Uyghur origin, and hence, have never been involved in any human rights or labor disputes associated with employees of Uyghur origin.
- (3) Our assessment identified that since inception, the Daqo Companies have neither employed anyone of Uyghur origin, nor have there been any employee incidents involving people of Uyghur origin.

3.2 The Daqo Companies have not set forth any special restrictions against ethnic minorities in their recruitment and other labor management processes.

- (1) According to the Staff List of December 2022 provided by the Daqo Companies and the interviews, Xinjiang Daqo currently has 2,484 employees, with ethnic minorities constituting about 2% of the employee population.
- (2) According to the interviewees, the Daqo Companies have not set forth any special restrictions on ethnic minorities in their labor management process, nor have they set forth any discriminatory measures or exhibited any discriminatory tendencies against ethnic minorities.
- (3) Our assessment identified that the Daqo Companies have not set forth any special restrictions against any ethnic minority in their recruitment and other labor management processes, and that there has never been any violation of human rights of ethnic minorities working at the Daqo Companies.

4. **FORCED LABOR**

4.1 There is no forced labor within the Daqo Companies.²

- (1) According to the interviewees, the majority of employees at the Daqo Companies come from Shihezi City, Gansu Province, Qinghai Province, Ningxia Province and other regions, and they have all been recruited by the Daqo Companies via public channels for the hiring of students or experienced professionals. There is no third-party intervention within the processes of employee recruitment, hiring, promotion or retention at the Daqo Companies. The Daqo companies have no cooperation or partnerships with any labor camps, education and training centers or detention centers. The interviewees confirmed that all employees of the Daqo Companies have voluntarily signed labor contracts with the Daqo Companies.
- (2) According to the employee interviewees, there is no slavery or forced/semi-forced labor taking place at the Daqo Companies, nor is there any human trafficking to exploit people for forced labor.
- (3) Our assessment identified that there is no forced labor occurring at the Daqo Companies.

5. CHILD LABOR

5.1 The Daqo Companies have never engaged in any child labor throughout their history.³

- (1) According to the responses of the Daqo Companies, since inception, the Daqo Companies have never employed any minors.
- (2) According to the information provided by the Daqo Companies, the employee handbook of the Daqo Companies stipulates that the Daqo Companies strictly prohibit the employment of minors.
- (3) According to the interviewees, the Daqo Companies firmly adhere to the regulations set forth in the employee handbook

² The *Supplementary Convention on the Abolition of Slavery* issued by the United Nations prohibits the sale and use of slaves in any form. The *Abolition of Forced Labour Convention* and *Combating forced labour: A handbook for employers and business* issued by the International Labor Organization prohibits deception, restriction of freedom of movement, isolation, physical violence, intimidation, threats, withholding of identity documents, withholding of wages, debt bondage, harsh working and living conditions, excessive overtime and other forms of forced labor.

³ The *Worst Forms of Child Labour Convention* issued by the International Labor Organization prohibits the sale, trafficking, bonded labor or child labor; prohibits forced labor; prohibits the recruitment of children to engage in illegal activities. The *ILO Declaration on Fundamental Principles and Rights at Work*, and the *Protocol of the Forced Labour Convention* issued by the International Labor Organization and the *Supplementary Convention on the Abolition of Slavery* issued by the United Nations all prohibit the use of child labor.

and follow the prohibition of child labor in practice. As a result, the Daqo Companies have never employed any minors.

- (4) Our assessment identified that there is no child labor taking place at the Daqo Companies.

6. EMPLOYMENT DISCRIMINATION

6.1 There is no employment discrimination based on gender, age, sexual orientation, etc. within the labor management processes of the Daqo Companies.⁴

- (1) According to the interviewees, during the process of labor management, such as in recruitment, position determination, and salary determination, there is no employment discrimination based on gender, age, sexual orientation, etc., at the Daqo Companies. The Daqo Companies only evaluate personal qualities, experiences and potential fit related to day-to-day job duties when hiring and retaining staff, and the labor management process is carried out fairly with respect to all applicants/employees.
- (2) Our assessment identified that there is no employment discrimination based on gender, age, sexual orientation, etc., in the labor management processes of the Daqo Companies. According to the interviews with the employees of the Daqo Companies, we found that a higher proportion of women tend to work in the central control rooms than men.

7. VOCATIONAL TRAINING

7.1 The Daqo Companies conduct training for new employees.⁵

- (1) According to the New Employee Orientation Training Book and the New Employee Training Record provided by the Daqo Companies, the Daqo Companies conduct trainings for new employees. The trainings are organized by the *Administration and Human Resources Department* and the *Safety and Environmental Protection Department*. Beyond the fundamental vocational skills, the trainings also cover human rights protection regulations, anti-discrimination, anti-

⁴ According to the *Labor Law of the People's Republic of China*, when an enterprise recruits employees, it shall not refuse to hire women or raise the recruitment standards for women on the grounds of gender, except for positions that are not suitable for women as stipulated by the applicable laws and regulations. According to the *Law on the Protection of Women's Rights and Interests*, in the recruitment process, unless otherwise stipulated in the applicable laws and regulations, enterprises shall not limit recruitment to men or stipulate that men are given priority.

⁵ According to the *Labor Contract Law of the People's Republic of China*, employees have the right to receive training. Pre-employment training is not only the right of employees, but also the obligation of enterprises.

harassment, anti-abuse, prohibition of forced labor, prohibition of child labor, etc. According to the interviewees, the Daqo Companies create an annual training program at the beginning of every new year, and they arrange 3-5 days of training for new employees.

- (2) From our audit results and analysis, we found that the Daqo Companies arrange a holistic induction training for all new employees to prepare them for their respective roles.

8. EMPLOYEE PROTECTION

8.1 The Daqo Companies provide protective measures to employees who are engaged in special types of work, such as work involving exposure to toxic substances, and to employees who are engaged in operations where they are exposed to occupational hazards.⁶

- (1) According to the Physical Examination Notice and Records provided by the Daqo Companies, some employees could be exposed to hazardous working environments with exposure to hydrogen chloride, hydrochloric acid, and high levels of noise. The Daqo Companies provide their employees with protective measures against these risks. During the on-site visit, we observed that the Daqo Companies have set up major hazard safety notice boards, four-color safety risk spatial distribution maps and factory emergency evacuation and rescue route maps to caution and inform employees about the possible occupational hazards within the factory area.
- (2) The interviewees confirmed that the Daqo Companies provide protective support services for relevant employees which mainly include: (i) Annual physical examinations for employees who are engaged in special types of work that risk exposure to toxic chemicals. These examinations are also received by employees who are engaged in operations which risk exposure to certain occupational hazards; (ii) The provision of safety equipment for employees, which includes but is not limited to the provision of hard hats, goggles, noise-proof earplugs, dust masks and gas masks; (iii) The provision of emergency protection equipment, such as seat belts, etc.
- (3) Our assessment identified that as a socially responsible renewable energy corporation, the Daqo Companies have provided necessary protective measures for employees who are engaged in special types of work which risk exposure to toxic

⁶ According to the *Regulations on Labor Protection in Workplaces Where Toxic Substances Are Used*, enterprises should take effective protective measures to prevent occupational poisoning accidents and protect the life, safety and health of employees.

chemicals and other sources of harm. The same measures have been provided to employees who are engaged in operations which risk exposure to occupational hazards.

III. CONCLUSION

Our assessment identified that the Daqo Companies comply with the relevant domestic and foreign labor laws and regulations regarding recruitment, salary and benefits, working hours, vocational training and occupational protection. In addition, the Daqo Companies value employee well-being, and therefore provide employees with staff cafeterias, residential accommodations, access to shuttle buses and other welfare services.

No evidence of forced labor was identified from our labor due diligence. Our audit results and analysis highlighted that the Daqo Companies have never employed anyone of Uyghur origin, nor have they engaged in discrimination against any ethnic minority, including people of Uyghur origin. Specifically, the Daqo Companies have never participated in any government-sponsored employment or labor-transfer programs. Furthermore, no evidence was discovered with respect to any discrimination, harassment, wage arrears, child recruitment, restrictions on employee movement or other illegal acts that violate the human rights of employees on the part of the Daqo Companies.

ANNEX 1: LAWS AND REGULATIONS

| No. | Topic | Promulgation Year | Promulgator | Laws and Regulations | Key Points |
|-----|-------------------------|-------------------|--|---|---|
| 1. | Human Rights Protection | 2018 | National People's Congress of the People's Republic of China | Constitution of the People's Republic of China | Labor freedom, labor remuneration and welfare treatment, prohibition of illegal restriction of personal freedom, etc. |
| 2. | | 1948 | United Nations | Universal Declaration of Human Rights | Prohibition of slavery, labor freedom rights, etc. |
| 3. | | 1949 | International Labor Organization | Migration for Employment Convention | Equal labor treatment, etc. |
| 4. | | 1950 | Council of Europe | European Convention on Human Rights | Prohibition of slavery and forced labor, etc. |
| 5. | | 1966 | United Nations | International Covenant on Economic, Social and Cultural Rights | Labor freedom, reasonable working hours and wages, fair and good working conditions, the right to join trade unions and strikes, etc. |
| 6. | | 1966 | United Nations | International Covenant on Civil and Political Rights | Prohibition of slavery and forced labor, etc. |
| 7. | | 1990 | United Nations | International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families | Prohibition of slavery and forced labor, labor freedom and safety, etc. |
| 8. | | 1993 | United Nations | Vienna Declaration and Programme of Action | Prohibition of racial discrimination, prohibition of torture, protection of |

| No. | Topic | Promulgation Year | Promulgator | Laws and Regulations | Key Points |
|-----|------------------------|-------------------|--|--|---|
| | | | | | women's equal status, etc. |
| 9. | Prohibition of Slavery | 1999 | International Labor Organization | Worst Forms of Child Labour Convention | Prohibit the sale, trafficking, bonded labor or slavery of children, prohibition of forced labor, prohibition of the recruitment of children for illegal activities, etc. |
| 10. | | 2000 | United Nations | Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children | Prohibition of sexual exploitation, forced labor, abduction, fraud, deception, abuse, etc. |
| 11. | | 2000 | European Convention | Charter of Fundamental Rights of the European Union | Workers' right to personal freedom, prohibition of torture, forced labor, occupational freedom, etc. |
| 12. | | 2011 | United Nations Human Rights Council | United Nations Guiding Principles on Business and Human Rights. | Protection of human rights, respect of human rights, etc. |
| 13. | | 2016 | United States Congress | Magnitsky Act | Prohibition of torture, etc. |
| 14. | | 1926 | League of Nations | 1926 Slavery Convention | Prohibition of slavery and forced labor, etc. |
| 15. | 1956 | United Nations | Supplementary Convention on the Abolition of Slavery | Prohibition of debt bondage, prohibition of child labor, etc. | |
| 16. | Labor | 1994 | Ministry of Labor | Interim Provisions on the Payment of | Reasonable wages, etc. |

| No. | Topic | Promulgation Year | Promulgator | Laws and Regulations | Key Points |
|-----|------------|-------------------|--|---|--|
| | Protection | | and Social Security of the People's Republic of China | Remuneration | |
| 17. | | 1995 | State Council of the People's Republic of China | Provisions of the State Council on Employees' Working Hours | Employees work 8 hours a day and 40 hours a week, etc. |
| 18. | | 2012 | Standing Committee of the National People's Congress of the People's Republic of China | Labor Contract Law of the People's Republic of China | Rest and vacation, labor remuneration, prohibiting forced labor, etc. |
| 19. | | 2015 | Standing Committee of the National People's Congress of the People's Republic of China | Employment Promotion Law of the People's Republic of China | Labor freedom, etc. |
| 20. | | 2018 | Standing Committee of the National People's Congress of the People's Republic of China | Labor Law of the People's Republic of China | Prohibition of forced labor, voluntary labor of workers, freedom of job choice, etc. |
| 21. | | 2020 | Standing Committee of the National People's Congress of the People's Republic of China | Criminal Law of the People's Republic of China | Labor freedom, etc. |
| 22. | | 1919 | International Labor | Constitution of the International Labor | Labor freedom, etc. |

| No. | Topic | Promulgation Year | Promulgator | Laws and Regulations | Key Points |
|-----|---------------------------|-------------------|--|--|---|
| | | | Organization | Organization | |
| 23. | | 1930 | International Labor Organization | Forced Labour Convention (No.29) | Prohibition of forced labor, etc. |
| 24. | | 1957 | International Labor Organization | Abolition of Forced Labour Convention (No. 105) | Prohibition of forced labor, etc. |
| 25. | | 1998 | International Labor Organization | ILO Declaration on Fundamental Principles and Rights at Work | Freedom of association of workers, right to collective bargaining, prohibition of forced labor, prohibition of child labor, elimination of employment and occupational discrimination, etc. |
| 26. | | 2014 | International Labor Organization | Protocol of 2014 to the Forced Labour Convention, | Prohibition of human trafficking, protect workers from abuse and fraud, etc. |
| 27. | | 2015 | International Labor Organization | Combating Forced Labour: A Handbook for Employers and Business | Prohibition of forced labor, prohibition of deception, restriction of freedom of movement, isolation, physical and sexual violence, etc. |
| 28. | Xinjiang-related Policies | 2020 | The State Council Information Office of the People's Republic of China | Employment and Labor Rights in Xinjiang | Prohibition of forced labor in the Xinjiang region, protect workers' basic rights, etc. |
| 29. | | 2020 | United States | Uyghur Human Rights Policy Act of | Prohibition of forced labor, |

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| No. | Topic | Promulgation Year | Promulgator | Laws and Regulations | Key Points |
|-----|-------|-------------------|------------------------|------------------------------------|---|
| | | | Congress | 2020 | abuse and discrimination against Uyghurs, prohibition of torture, etc. |
| 30. | | 2022 | United States Congress | Uyghur Forced Labor Prevention Act | Prohibition of forced labor and human rights abuses against Uyghurs, etc. |