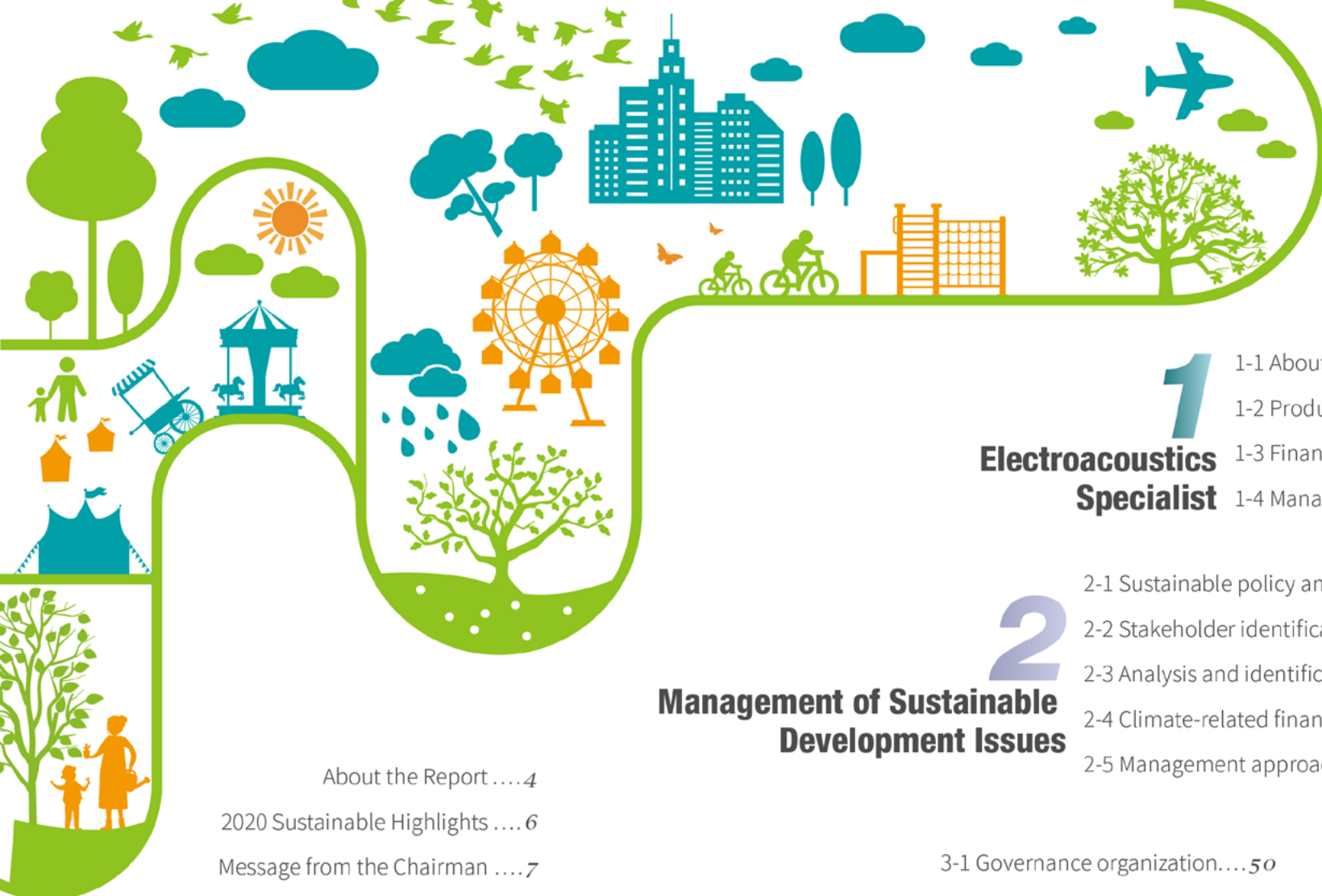




# Sustainability Report 2020



About the Report .... 4

2020 Sustainable Highlights .... 6

Message from the Chairman .... 7

Core Value .... 8

Value Creation Process .... 9

## **Contents**

### **1 Electroacoustics Specialist**

1-1 About Merry Electronics.... 20

1-2 Product overview.... 23

1-3 Financial performance.... 25

1-4 Management systems.... 26

### **2**

### **Management of Sustainable Development Issues**

2-1 Sustainable policy and operation.... 28

2-2 Stakeholder identification and communication.... 30

2-3 Analysis and identification of material topics.... 34

2-4 Climate-related financial disclosures.... 37

2-5 Management approach of material topics.... 41

### **3**

### **Governance**

3-1 Governance organization.... 50

3-2 Ethical corporate management.... 52

3-3 Risk Management.... 55

3-4 Information security.... 57

3-5 Legal compliance.... 58

3-6 Internal audit.... 59





## **4** **Delivering Excellent Sound**

- 4-1 Design for sustainability framework... 61
- 4-2 Green product management... 63
- 4-3 Customer service optimization... 67
- 4-4 Sustainable supply chain management... 68

- Third-Party Assurance Statement... 131
- GRI Standards Index... 133
- SASB Standards Index... 138
- UN SDGs... 139

- 5-1 Employee overview... 74
- 5-2 Talent development and training... 81
- 5-3 Wage and benefit systems... 86
- 5-4 Friendly and safe workplace ... 94
- 5-5 Health care ... 99
- 5-6 Diverse communication channels... 105

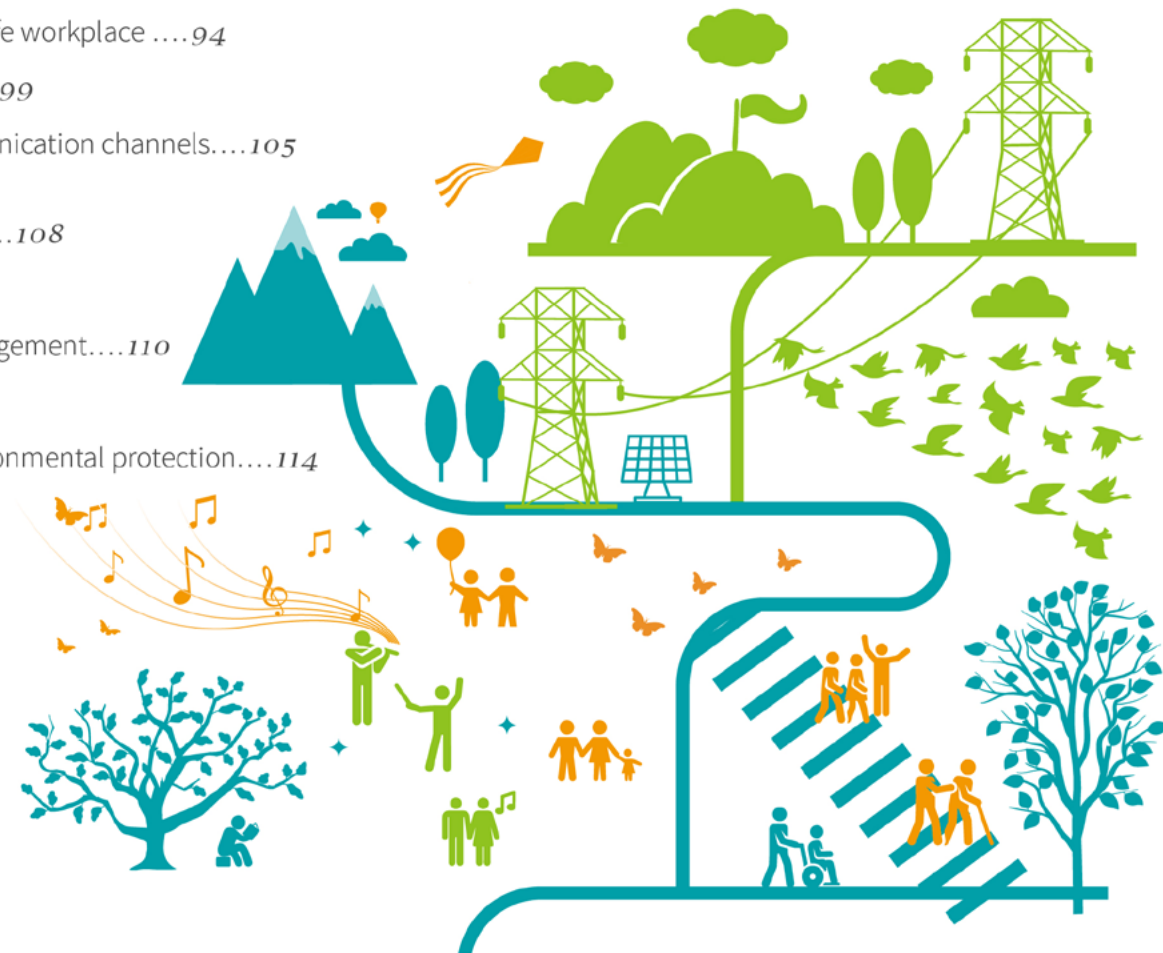
## **5** **Building a Friendly Workplace**

- 6-1 Environmental protection policy... 108
- 6-2 GHG management... 109
- 6-3 Energy and water resources management... 110
- 6-4 Waste management... 113
- 6-5 Strengthening awareness of environmental protection... 114

## **6** **Addressing Climate Change**

- 7-1 Education promotion... 117
- 7-2 Arts and culture promotion... 123
- 7-3 Community care... 127
- 7-4 Event sponsorship... 130

## **7** **Enriching Human Life**





# About the Report

## I Scope of report

In 2013, Merry Electronics Co., Ltd. (Merry), began to publish a corporate social responsibility (CSR) report annually to disclose our management approaches and achievements with respect to the environmental, social, and governance (ESG) criteria for different stakeholder groups to understand our efforts and achievements in promoting sustainable development. In response to the international trends and Corporate Governance 3.0 announced by Taiwan's Financial Supervisory Commission (FSC), in 2020, this report was renamed ESG report. .

All economic data disclosed in this report was extracted from our 2020 consolidated financial statements, covering the overall financial and operational performance of our global production bases and sales locations. All monetary amounts in the report are expressed in New Taiwan Dollar (NTD ). In the environmental and social categories, information of the sales offices, including Merry USA, Merry Singapore, Merry Hong Kong, will only include the labor (workforce) and partial environmental data, and no information relating to the strategic partners will be disclosed. Hence, the information disclosed in this report will focus only on Taiwan HQ, Merry Shenzhen, Merry Thailand, Merry Vietnam, and Asian Elite International Ltd (Suzhou Merry ). Information that cannot be disclosed within the said boundaries will be remarked and explained in specific sections. Information not disclosed in this report will be included in future reports after establishing mechanisms for gathering related information with respect to the accuracy and integrity of information.

Taiwan HQ includes: Taichung HQ; the office on Gong-Yeh 38th Road, Taichung City; Taipei Office, and Hsinchu Office.

## I Period of report

All performance data disclosed in this report is basically based on the data and information of 2020 (January 1-December 31, 2020) presented with respect to the “Core Option” of the GRI Standards published by Global Reporting Initiative (GRI) as well as the corresponding metrics for the Hardware industry of the Sustainability Accounting Standards Board (SASB).

Previous issue: July 2020

Current issue: July 2021



## Report assurance

This report has been prepared by the Investor Relations & Public Relations Department in collaboration with the related departments. The head of related departments reviewed the first draft before submitting it to the president for the final approval to complete the internal assurance for verifying the information disclosed in the report. An independent third party (SGS Taiwan Ltd.) has been engaged to provide assurance for AA1000 AS v3 Type-1, Moderate -level of assurance and GRI Standards disclosure in accordance with Core Option.

## Significant changes in reporting

In 2019, only the information of Taiwan HQ and Merry Shenzhen was disclosed. To ensure the transparency of business operation information, the scope of disclosure has been expanded in 2020, as shown in the “Scope of report” .

## Contact Information

This Report is available for access (download link:

If you have any comments, questions, or recommendations regarding this report, welcome to contact us according to the following contact information:



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# 2020 Sustainable Highlights



## Governance

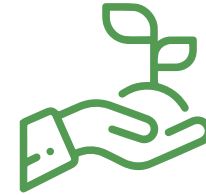
- Top 5% at the Corporate Governance Evaluation
- Bronze Medal, TCSA-Corporate Sustainability Report Awards
- Certification by Taiwan Intellectual Property Management System (TIPS)
- ISO 27001 certification for Merry Shenzhen



Top 5% at the Corporate Governance Evaluation



TCSA Bronze Medal



## Environment

- Awarded the FY20 Best Demand and Supply Award from a leading brand.
- Signed to support the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD Recommendations).
- Supported RE100 Renewable Energy Initiatives to assess the corporate energy transformation strategy and planned to sign up to RE100 in 2021



Golden Bell Award



Sports Administration's Taiwan i Sport mark.



## Social

- Taiwan HQ passed Taiwan i Sport certification to recognize our achievements in workplace health promotion.
- Raised the public awareness on minimal hearing loss.
- Long-term sponsoring the two-time Golden Bell Awards nominee (over 15 years) and winner of the 2020 Best Unit Program Taiwan's March of Happiness of Classical FM97.7.
- Merry Shenzhen received a certificate of honor for donating epidemic control supplies to the local district office.



Merry Shenzhen received a certificate of honor for donating epidemic control supplies to the local district office.



## Message from the Chairman



Due to the outbreak of COVID-19 and the continued US-China trade war, the macro environment in 2020 was unsettled. Under such a circumstance, we realize that only way to keep the corporate at a steady pace in times of upheavals is to place the importance on sustainable development.

Hence, we specifically set “technology orientation, digital transformation, southbound continuation, and sustainable development” as the four directions of our 2020 business policy. To respond accordingly to the dramatical change of the market and to improve the long-term corporate strategic plan, we combined the sustainable development goals that have long been concerning us with the corporate visions to establish four sustainable principles: 1) deliver the fidelity sound, 2) mitigate the climate chang, 3) bulid up a friendly workplace, 4) enrich human’ s life. On the other hand, we also team up four task forces under BOD (Board of Direction) to carry out ESG issues: A) Sustainable Development team, B) Ethical corporate management team, C) Risk Management team, and D) Information security team and set short-, medium-, and long-term goals, ingrained related concepts in employees, and optimized our ESG practices. Through the concerted efforts of all teams, we were rankedasthe top 5% of enterprises in the Corporate Governance Evaluation and won the Bronze Medal in the Corporate Sustainability Report Awards in the Taiwan Corporate Sustainability Awards (TCSA). In the future, we will keep track of the sustainable development trends at home and abroad to constantly internalize sustainable development in our corporate culture.

Talents are the foundation of an enterprise. We hope that employees can keep learning new knowledge and have a balance life while working at Merry. For better experiencing and understanding Merry DNA-- “enjoy reading, understanding music, love exercising, and being volunteer” , we organize study circles , establish physical and virtual libraries, hold music appreciation courses , and offer 2 days of paid volunteer leave a year. Besides, we also arrange health promotion activities to encourage employees to maintain good health conditions. In 2020, we were awared the Taiwan i Sport mark by Sports Administration.

As one of the world’ s leading electroacoustic manufacturers, we wish to advocate the correct knowledge of using ears as well as provide high-quality electroacoustic products. We initiated the “Care for Mild Hearing Loss” program at the end of 2020, not only because we discovered that the increasing population and the decreasing average age of hearing loss, but also the unawareness of hearing protection might speed up the situation. At our 45th-anniversary charity concert of classical guitar, we invited a professional deaf dancer to give wonderful performance with the guitar soloist at the National Taichung Theater. Moreover, a small group of people with hearing loss were invited as our guest to enjoy the concert. In the future, we will exert our influence to raise the awareness on hearing protection.

Facing the post-pandemic era in 2021, the global economic recovery is filled with challenges. We shall adhere to a strong belief and fight together with employees to achieve the sustainable development vision of “deliver fidelity sound to enrich life” in a determined and unchanged attitude.

Chairman

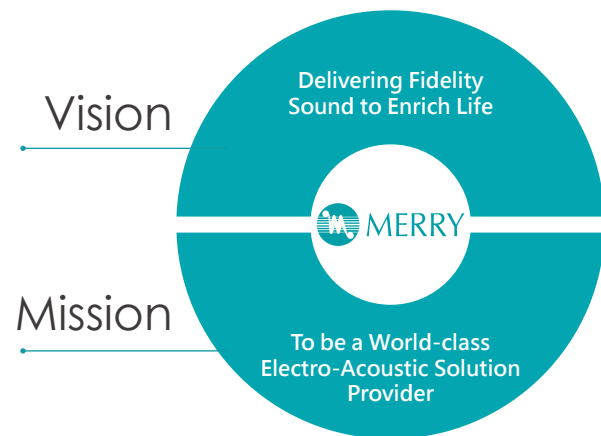
CEO



# Core Value

## Vision and Mission

Starting with a vision to “deliver excellent sound to enrich life” , we value social inclusion and environmental sustainability while pursuing corporate development. By teaming up with like-minded employees, suppliers, customers, and investors, we aim to be “a World-class Electro-Acoustic Solution Provider” , wishing for the common good of Merry Electronics and society and building a richer and better civil society.



## Business philosophy

- Cultivate a corporate tradition of sincerity, integrity, diligence, thrift, and endurance.
- Value talent cultivation and unity; emphasize coordination among technology, theory, and practice.
- Do with plans and confidence; be proactive and flexible; fear neither conflicts nor difficulty, and never give up easily.
- Be humble, considerate, frank, and righteous; embrace dissidents and trust and respect one another; be tolerant in order to be great and have a thanksgiving life.
- Transparent and sustainable operations, value the sense of mission for the country and society.
- Unite suppliers, employees and shareholders to serve customers hand-in-hand, as customer satisfaction is the only way to create sustainable operations.







# Value Creation Process

---

## Steady and sustainable development through innovation and foundation together

Specializing in electroacoustics for over four decades, we fulfill the demands and surpass the expectations of customers and earn their trust for our ability to capture visionary technology and new market trends, combine the accumulation and grounding of the fundamental technologies, materials, and processes of electroacoustics, and maintain an equal emphasis on innovation and foundation.

From the beginning of product design, we integrate key technologies including wireless, battery, and software technologies; engage in a collaborative development with customers; and combine our multidisciplinary know-how in electroacoustics, electronics, mechanism, software, acoustic simulation, and materials based on our core expertise in electroacoustics. Through simulation-software-assisted design, mold development, and process estimation, we deliver quick and high-performance integrated services from R&D to mass production with advanced equipment and process in coordination with real-time management of operational information using well-developed IT systems. In addition, we maintain timely, closed cooperation with suppliers to ensure material quality control at the source and international environmental compliance to constantly fulfill the customer's demand for product performance, specifications, and green products.

## ■ Upstream/downstream supply chain

We engage in developing, designing, and manufacturing headsets, speaker components, microphone components, battery products, and sound amplification devices. Therefore, the major materials for production include electronics, metals, and plastics. Most products are sold to world-class consumer electronics manufacturers.



1  
Electroacoustics Specialist

2  
Management of Sustainable Development Issues

3  
Governance

4  
Delivering Excellent Sound

5  
Building a Friendly Workplace

6  
Addressing Climate Change

7  
Enriching Human Life

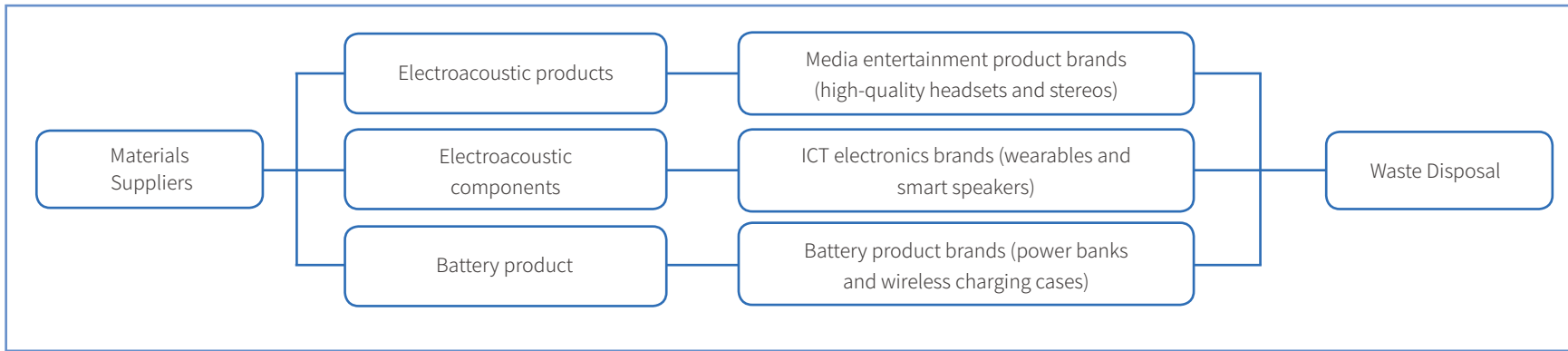
Resource Input

Electricity (principal) and fuels

Semiconductor active/passive components, plastics, metal, magnet, batteries (cells)



Economic Activities



Environmental and Social Impacts

GHG emissions  
 Management of product hazardous substances  
 Product carbon footprint

Energy consumption  
 Waste reduction  
 Recycling and reuse

Product energy conservation at use  
Product environmental compliance


Waste disposal  
Recycling and reuse

Occupational health and safety (OH&S) management  
RBA-CoC

Promote communication and entertainment in life  
Innovate functions for hearing protection

Occupational health and safety (OH&S) management  
RBA-CoC

## Sustainability Promotion Goals (corresponding SDGs)

 Delivering excellent sound		 			
Dimension	Indicator	2020 Achievements	2021 Target	2025 Target	2030 Target
Increase the proportion of sustainable products	Electroacoustic products comply with the revenue proportion of DfS products.		3%	15%	30%
	Battery products comply with the revenue proportion of DfS products.	<b>New indicators set in 2020</b> See 4-1 Design for sustainability framework	5%	20%	25%
	Microphone products comply with the revenue proportion of DfS products.		20%	25%	30%
Improve corporate governance	Board member expertise diversity Constant advocacy of an ethical corporate management culture	No female director so far. Formed the Ethical Corporate Management Team in June. See 3-2 Ethical corporate management.	Increase the seats of independent directors. 10 online courses for a consensus and concept building.	Increase one female director. Promote practice to major sites in mainland China	Board member expertise diversity Promote practice to major sites across the globe.
Strengthen the information security system	Establish an internal information security certification and management system based on ISO 27001.	<ul style="list-style-type: none"> <li>Merry Shenzhen acquired the ISO 27001 certificate.</li> <li>Completed the construction of the privilege account management system.</li> </ul>	Taiwan HQ acquires the ISO27001 certificate.	<ul style="list-style-type: none"> <li>Implement the ISO 27001 management system to all Merry Electronics sites.</li> <li>Implement information security checks on suppliers periodically.</li> </ul>	Modularize information security services to quickly construct the information security framework for new plants or new investees.



Dimension	Indicator	2020 Achievements	2021 Target	2025 Target	2030 Target
Strengthen the information security system	Establish an internal information security certification and management system based on ISO 27001.	<ul style="list-style-type: none"> <li>Established the quarterly information security internal audit procedure.</li> <li>Formed the Information Security Promotion Team and planned the new employee information security education/training.</li> <li>Conducted periodic phishing mail tests to strengthen the information security awareness of employees. See 3-4 Information security</li> </ul>	Taiwan HQ acquires the ISO27001 certificate.	<ul style="list-style-type: none"> <li>Implement the ISO 27001 management system to all Merry Electronics sites.</li> <li>Implement information security checks on suppliers periodically.</li> </ul>	Modularize information security services to quickly construct the information security framework for new plants or new investees.
Establish a risk management mechanism	Group risk management and business continuity plan (BCP)	<ul style="list-style-type: none"> <li>Established the risk management policy and formed the Risk Management Team.</li> <li>Consolidated major risk items and the control mechanisms addressed by all ISO management systems. See 3-3 Risk management</li> </ul>	<p>Establish the risk management mechanism of Taiwan HQ.</p> <ul style="list-style-type: none"> <li>Implement the risk management system and establish the list of risks.</li> <li>Integrate the risk control and legal compliance procedures of all ISO management systems to facilitate collecting risk control contents of each ISO management system. Define significant risks and</li> <li>assess their impacts on the organization for the reference of BCP planning.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the risk management system for all sales locations in mainland China.</li> <li>Participate in the operation of risk control and legal compliance with newly implemented ISO management systems.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the risk management system for all sales locations.</li> <li>Participate in the operation of risk control and legal compliance with newly implemented ISO management systems.</li> </ul>



## Addressing climate change



Dimension	Indicator	2020 Achievements	2021 Target	2025 Target	2030 Target
Define the sustainable product framework	Consider the 10 DfS dimensions in the new product design.	New indicators set in 2020	The 10 DfS dimensions include: Optimized structure, low-impact components, better materials, circular economy, low-impact packaging, energy efficient, positive environmental/social contributions, responsible sourcing, more efficient production, more efficient modes of transport		
Promote the group's green policy	Join the RE100 Roadmap for 100% achievement by 2050.	New indicators set in 2020	20%	45%	65%
Continue the group's green manufacturing policy	<ul style="list-style-type: none"> <li>Group carbon reduction target</li> <li>Group energy conservation target</li> <li>Merry Shenzhen passes green factory certification.</li> </ul>	See 6. Addressing Climate Change	<ul style="list-style-type: none"> <li>Reduce carbon emission intensity by 2% over the previous year every year.</li> <li>Conserve energy by 1.5% (over 2020)</li> <li>Merry Shenzhen completes the internal implementation of a green factory.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce carbon emission intensity by 2% over the previous year every year.</li> <li>Conserve energy by 7.5% (over 2020)</li> <li>Merry Shenzhen passes national green factory certification.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce carbon emission intensity by 2% over the previous year every year.</li> <li>Conserve energy by 15% (over 2020)</li> <li>Merry Shenzhen maintains over 97 points in green factory rating.</li> </ul>
Manage supplier social and environmental responsibilities	Implement sustainable management of key suppliers	See 4-4 Sustainable supply chain management	<ul style="list-style-type: none"> <li>1. Establish the sustainable supply chain management policy</li> <li>2. Set the criteria for key supplier selection.</li> <li>3. Include ESG scoring in the sustainability dimension to implement actual audit and guidance.</li> </ul>	Key suppliers ESG score up by 5 points (over 2020)	Key suppliers ESG score up by 10 points (over 2020)



## Build a friendly workplace



Dimension	Indicator	2020 Achievements	2021 Target	2025 Target	2030 Target
Employee satisfaction survey	Frequency of implementation and an average score for the survey (5-point scale)	New indicators set in 2020 See 5-6 Diverse communication channels	<ul style="list-style-type: none"> <li>Implement dynamically 2 times a year.</li> <li>Survey average score: 3.8.</li> </ul>	<ul style="list-style-type: none"> <li>Implement dynamically 3 times a year.</li> <li>Survey average score: 3.8.</li> </ul>	<ul style="list-style-type: none"> <li>Implement dynamically 3 times a year.</li> <li>Survey average score: 3.8.</li> </ul>
Optimize talent development planning	New employee training roadmap Course satisfaction Expertise improvement	New indicators set in 2020 See 5-2 Talent development and training	<ul style="list-style-type: none"> <li>New employee training achievement rate: 100%</li> <li>Training satisfaction average score: 3.8.</li> </ul>	R&D expertise pass rate: 90%	R&D expertise pass rate: 95%
Shape the Merry culture	Understand music Love reading Like exercise	New indicators set in 2020 See 5-2 Talent development and training 5-5 Healthcare	<ul style="list-style-type: none"> <li>Music courses: 2</li> <li>Read books: at least 2</li> <li>Accumulate power walking: 2 million steps/year.</li> <li>BMI reduces by 3.5% (over the previous year)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop the listening to music and reading habits</li> <li>Accumulate power walking 2021-2025: 10 million steps</li> <li>BMI reduces by 3.6% (over the previous year)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop the listening to music and reading habits</li> <li>Accumulate power walking 2021-2030: 20 million steps</li> <li>BMI reduces by 3.8% (over the previous year)</li> </ul>
Human Rights Policy	All business locations and production bases pass RBA certification.	See 5-1 Employee overview (human rights promotion)	Merry Shenzhen and Merry Thailand pass RBA certification.	Implement the RBA management mechanism to all business locations and production bases in mainland China.	Implement the RBA management mechanism to all business locations and production bases.
Employee diversity and inclusiveness	Balance gender proportion within the company.	See 5-1 Employee overview	Optimize the gender proportion in officers through communication and job accommodation.		



Dimension	Indicator	2020 Achievements	2021 Target	2025 Target	2030 Target
Employee Assistance Program	Progressively optimize the EAP mechanism and promote employee mental health.	See 5-5 Healthcare	<ul style="list-style-type: none"> <li>Implement the stress survey to keep track of the mental state of employees and proactively arrange counseling channels.</li> <li>Implement related projects through work, daily life, and mental care; enhance the EAP sensitivity of officers; develop the department care team; and optimize the EAP system annually.</li> </ul>		
Employee health and safety	Improve the work environment for employee health and safety through the ISO 45001 OH&S management system.	See 5-5 Healthcare	<ul style="list-style-type: none"> <li>Labor Health Protection Plan implementation record: 100% achievement for ergonomic hazards prevention, prevention of diseases caused by abnormal workloads, workplace violence prevention, and maternity health protection achievement.</li> <li>100% onsite service visits of physicians.</li> <li>Pass the certification of the ISO 45001 OH&amp;S management system.</li> </ul>		



## Enrich human life



Dimension	Indicator	2020 Achievements	2021 Target	2025 Target	2030 Target
Promote the “Minimal Hearing Loss” initiative	Number of persons influenced	See 7-2 Arts and culture promotion (care for minimal hearing loss)	1,000 persons	50,000 persons	100,000 persons
Shape the Merry Culture-Enjoy Volunteerism	Increase the length of volunteer service	See 7-3 Care for community 326 hrs/year	500 hrs/year	800 hrs/year	1,500 hrs/year
Promote total ESG culture	Create general courses for ESG education/training	New indicators set in 2020	<ul style="list-style-type: none"> <li>Design 3 fundamental ESG courses.</li> <li>Training completion rate in Taiwan HQ: 80%</li> </ul>	<ul style="list-style-type: none"> <li>ESG training completion rate of Merry Shenzhen: 100%</li> <li>Create the ESG mission road-map for employees of Taiwan HQ</li> </ul>	ESG fundamental courses for all sales locations and training completion rate of 100%.

## Capital input and output

We are committed to creating beautiful life and value for all stakeholders through six capital inputs in the operational process

Capital	Input	Output	Outcomes
<p><b>Financial Capital</b></p> <p>Create steady financial performance and optimize the financial capacity for product manufacturing and service provision through a sound corporate governance mechanism.</p>	<ul style="list-style-type: none"> <li>Capital stock: NT\$2.093 billion</li> <li>Total assets: NT\$34.155 billion</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated revenue NT\$34.445 billion, 5.37% less than 2019.</li> <li>Consolidated revenue NT\$1.703 billion, 47.54% less than 2019.</li> <li>ROE 10.72%</li> </ul>	<p>Both revenues fell and ROI reduced as a result of COVID-19. Alongside the foreign exchange loss, net profit reduced significantly. However, we increased investment in R&amp;D when the macro environment was impacted by the pandemic, hoping to accelerate new product development in the post-pandemic era.</p>
<p><b>Intellectual Capital</b></p> <p>We integrate four key core technologies: electroacoustics, software, wireless, and battery. They cover the technology and capacity for R&amp;D and manufacturing in customers for product development, design, and manufacturing.</p>	<p>R&amp;D expenditure NT\$1.7 billion (4.95% of sales income), 30.58% high than 2019. Protected R&amp;D outcomes through constant IP right management (TIPS:2016 and GB/T 29490:2013).</p> <p>Promoted various transformation projects and activated the planning and establishment of the information security management system.</p>	<ul style="list-style-type: none"> <li>New product and extended model development: 91 items.</li> <li>Patent application: 73 cases, approved 67 cases.</li> <li>Merry Shenzhen passed ISO 27001:2013 certification.</li> <li>HQ applies for ISO 27001:2013 certification in 2021.</li> </ul>	<p>Promote digital transformation projects, accelerate the digitization of the operational environment, and implement the information security management system to achieve business continuity management under digitization.</p>





Capital	Input	Output	Outcomes
 <p><b>Human Capital</b></p> <p>Hire talents identifying with our corporate culture, provide complete education/training, ensure the continual improvement and demonstration of the employee's expertise.</p>	<ul style="list-style-type: none"> <li>• Group employees: 9,818 persons.</li> <li>• Education/training budget: NT\$3.42 million.</li> <li>• Implement the ISO 45001:2018 OH&amp;S management system at HQ and Merry Shenzhen.</li> <li>• Promote the DNA cultivation activities “understand music, love reading, like exercise, enjoy volunteerism” .               <ul style="list-style-type: none"> <li>* Health promotion activities and sports clubs.</li> <li>* Officer study group</li> <li>* Physical library and e-book platform</li> <li>* Organized the 45th anniversary concert, music appreciation courses, and provision of concert tickets.</li> <li>* Granted leave for volunteer services and organized volunteer activities.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Total hours of training: 924,615</li> <li>• Merry Shenzhen passed the certification of ISO 45001:2018 OH&amp;S management system.</li> <li>• No fatality from high-consequence accidents and work-related injuries.</li> <li>• HQ acquired the Sports Administration's Taiwan iSport mark.</li> <li>• Total number of books read: 1,199 volumes (including paper books and e-books); total number of participants of officer study groups: 1,068.</li> <li>• Accumulated number of participants in music promotion activities: 858.</li> </ul>	<p>Enhance the project and management capacity of employees, build a safe and healthy workplace, and encourage employees to balance work and life through DNA cultivation activities such as understanding music, love reading, exercise, enjoy volunteering.</p>
 <p><b>Manufacturing Capital</b></p> <p>Plant, property, and equipment (PP&amp;E) for producing products</p>	<ul style="list-style-type: none"> <li>• Capacity expansion of Merry Thailand.</li> <li>• Investment in Merry Vietnam.</li> </ul>	<ul style="list-style-type: none"> <li>• Mass production started in Merry Vietnam.</li> <li>• Produced 213 million entertainment products and ICT electronics products in total.</li> </ul>	<p>We deploy production bases in Southeast Asia to expand capacity, make flexible capacity adjustment for orders, and lower the risk of operational interruption of a single business location.</p>



## Capital

## Input

## Output

## Outcomes

**Natural  
Capital**

Energy and water used in the manufacturing process.

**Social  
Capital**

The ability to increase social value in collaboration with stakeholders

Merry Shenzhen implemented ISO 50001. Merry Shenzhen replaced the central air-conditioning system. HQ implemented the version change of ISO14064-1:2018 GHG inventory system and will pass certification in 2021.

- Made external donations of NT\$1.6 million.
- Sponsored the program Taiwan's March of Happiness of Classical FM97.7 for 16 years.
- Organized the Merry Electroacoustics Thesis Award for 11 years and provided prizes of NT\$550,000 in total.
- Total number of volunteers and hours of volunteer services: 1,769 persons for 4,736 hours.

- Merry Shenzhen the certification of ISO 50001 energy management system.
- Compared to the old system, the new AC system saved electricity up to 1,712,070 kWh/year to conserve energy by about 45.2%.
- GHG emission was 18,468.29tCO<sub>2</sub>e, increased by 1,706.13tCO<sub>2</sub>e (or 10.18%) from 2019.

- Organized 198 activities to promote the Philanthropic Library and influence nearly 20,000 persons.
- In 2020, Taiwan's March of Happiness production team interviewed 51 respondents and produced 84 touching stories, winning the Best Unit Program Award at the 55th Golden Bell Awards.
- A total of 70 students won the Merry Electroacoustics Thesis Award during 2010-2020.
- HQ continued to promote science education and support active aging; plants earned praise from residents with transportation and cleaning services for community care.

Establish a systematic energy management system and join organizations advocated by RE100 in 2021 to achieve the goals of energy conservation, carbon reduction, and clean energy use in a more focused and active manner.

Constantly deliver merry sound to society and develop energy for reading and popular science with knowledge as the bedrock and sound as the carrier.

# 1 Electroacoustics Specialist

1-1 About Merry Electronics....20

1-2 Product overview....23

1-3 Financial performance....25

1-4 Management systems....26





# 1.1 About Merry Electronics

## About

As a specialist manufacturer of electroacoustic products, Merry Electronics develops and manufactures various electroacoustic products for customers through the OEM/ODM models, covering over 100 models each year alongside new product R&D and extended model development.

Based on the different electroacoustic and environmental protection requirements of customers, we develop products that meet the market demands to earn praise from leading global brands.

### Full name of company

Merry Electronics Co., Ltd

### Headquarters location

No. 22, Nantun Industrial Park  
23rd Road, Taichung City, Taiwan.

### Date of establishment

December 24, 1975

### Stock Code

2439

### Major Products

Headset products, speaker components, microphone components, battery products, and hearing amplification devices. Collaborative development with global brands, and export to Asia, Europe, and America.

### Group employees

9,818 persons  
(by December 31, 2020)

### Group consolidated revenue

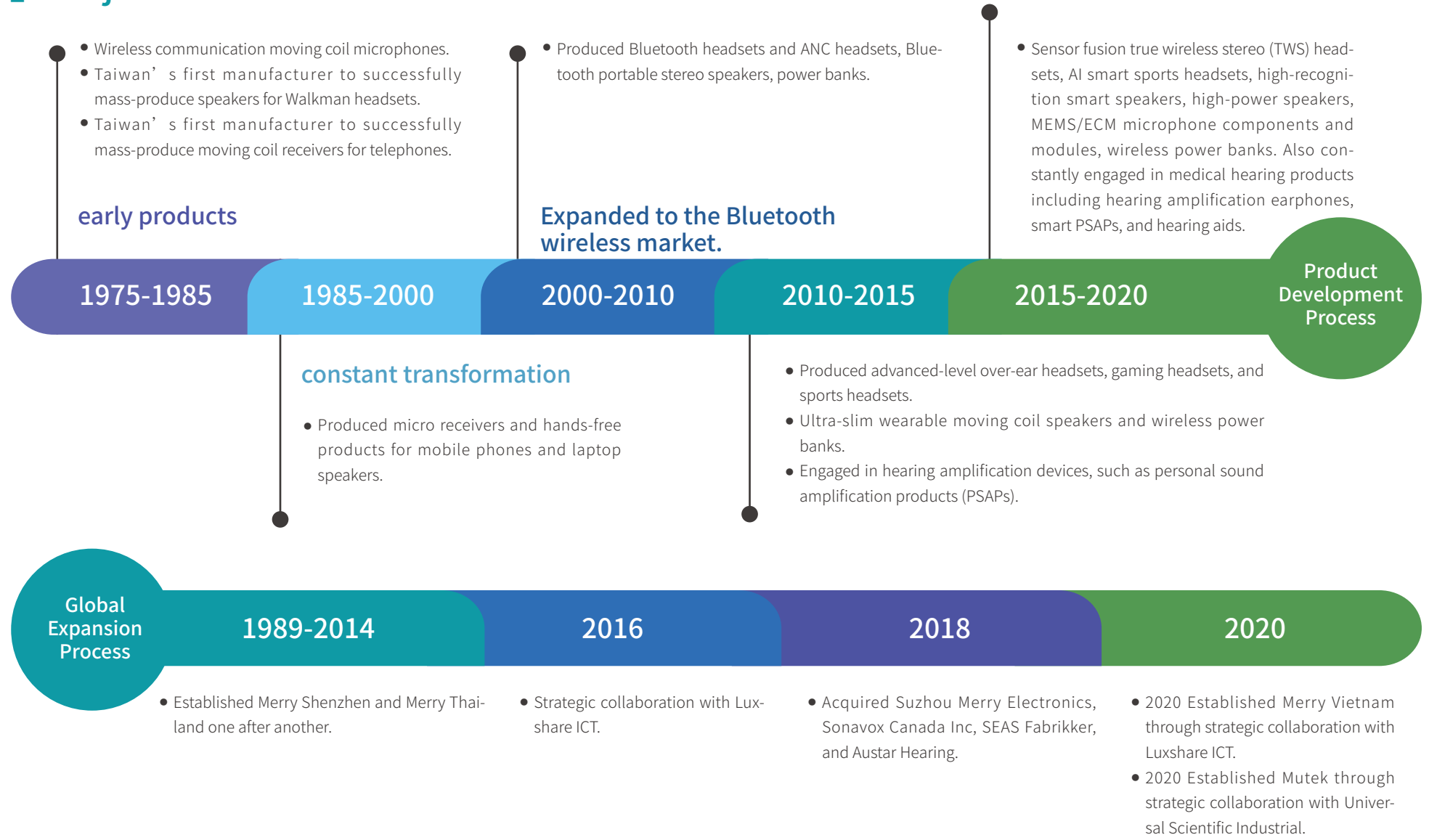
NT\$34.445 billion (2020)

### Worldwide locations

18 locations including Taiwan (Taichung, Taipei, Hsinchu), China (Shenzhen, Suzhou, Huizhou, Hong Kong, Xiamen, Zhangzhou), Thailand, Vietnam, USA (California), Singapore, Canada, and Norway.



## Major Events





## Membership of associations

To understand the development trends and enhance information exchange of the industry, we actively participate in related associations and organizations that bring substantial benefits. In 2020, we were simply members of these associations or organizations without engaging in management or related working groups.

### We were a member of the

- EATD,
- International Institute of Acoustics and Vibration (IIAV)
- Micro Sensors and Actuators Technology Consortium
- Taiwan Electrical and Electronic Manufacturers' Association
- Taiwan Automation Intelligence and Robotics Association
- Chinese National Association of Industry and Commerce Taiwan.
- Taichung Industrial Park Association,
- Taiwan Battery Association,
- Taiwan Institute of Directors.

## External initiatives



We have signed to support the “Recommendations of the Task Force on Climate-related Financial Disclosures” (TCFD Recommendations) and included the four core elements of recommended climate-related financial disclosures: governance, strategy, risk management, and metrics and targets in the management framework; inventoried the management status of risks and opportunities posed by climate change; and assessed the magnitude of their potential effects on finance.



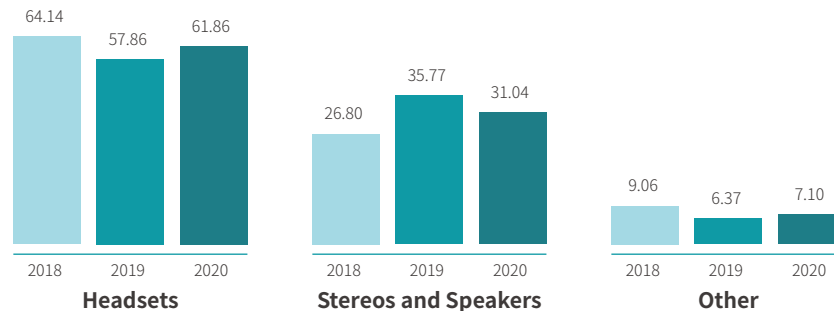
Set 100% use of renewables by 2050. Application to the RE100 initiative will be made in 2021

## 1.2 Product overview

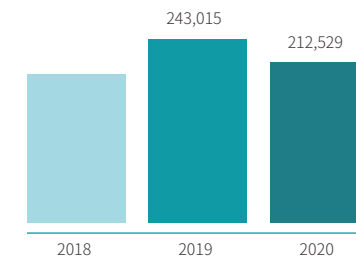
### Major product lineups and application

Product Type	Product	Application
Electroacoustic products	Headsets Hearing amplification devices Smart speakers	<ul style="list-style-type: none"> <li>Audio headsets, TWS headsets, gaming headsets, and commercial headsets. Besides the emphasis on the clarity of communication required by music appreciation, entertainment, and office use, our headsets are equipped with special functions including ANC, waterproof, and personal assistant.</li> <li>Hearing amplification devices include PSAPs and hearing aids.</li> <li>Home audio smart speakers or driver units (for soundbars)</li> </ul>
Electroacoustic components	Microphone components Speaker components	Driver units for ICT products such as smartphones, laptops, and conference systems or headsets, wearables, and smart speakers; MEMS microphones or ECM microphones.
Battery product	Power banks	Power banks (for charging smartphones and tablets), wireless charging cases, and energy storage products.

### Output Value over the Years (percentage in revenue)



### Sales over the Years (thousand pcs)





# Global Presence



Taiwan

Taipei  
Hsinchu  
Taichung (HQ)

MUtek | Hsinchu

China

Shenzhen  
Suzhou\*  
Huizhou\*

Fulicare | Haicang  
Austar | Xiamen  
Sonavox | Suzhou

Thailand  
Vietnam  
Canada

Rayong  
Nghe An\*  
SCI | Vaughan

Norway  
Local Sales Office

SEAS | Moss  
Singapore  
West / East Coast, USA  
Hong Kong

\*Strategic Corporation with Luxshare Group





## 1.3 Financial performance

In 2020, the consolidated revenue reduced by NT\$1.953 billion (or 5.37%) from 2019 to NT\$34.445 billion; the consolidated net profit reduced by NT\$1.543 billion (or 47.54%) from 2019 to NT\$1.703 billion.

The revenue in 2020 reduced over 2019 mainly because of the impact from COVID-19. Shipping dropped as the market demand for overall consumer electronics shrank on the customer side. The operating cost in 2020 increased over 2019 mainly because of the increase in the number of new headset development projects, with an R&D increasing reversely by NT\$399 million. The non-operating income (expenses) in 2020 reduced over 2019 for two main reasons: (1) the profit of investees dropped over 2019 due to the pandemic and (2) the loss on foreign exchange caused by the appreciation of the New Taiwan Dollar. Employee salary and expenses increased when orders increased in 2020H2, leading to an increase in the dispatch expense of direct labor to raise the salary expense.

Revenue and Profit					
Unit: thousand	2016	2017	2018	2019	2020
Sales revenue	16,939,274	26,678,810	35,494,808	36,397,793	34,444,819
Operating costs	13,573,195	22,017,976	30,769,740	31,357,874	30,126,271
Net operating margin	3,366,079	4,660,834	4,725,068	5,039,919	4,318,548
Operating expenses	1,712,690	2,088,457	2,421,935	2,804,567	3,177,806
Selling expenses	302,079	323,523	350,439	397,602	345,767
G&A expenses	707,138	845,662	968,491	1,101,580	1,127,403
R&D expenses	703,473	919,272	1,103,005	1,305,385	1,704,636
Operating profit	1,653,389	2,572,377	2,303,133	2,235,352	1,140,742
Non-operating income	816,917	1,684,883	423,116	1,010,845	561,963
Profit before income tax	2,470,306	4,257,260	2,726,249	3,246,197	1,702,705
Income tax expense	459,160	635,051	665,400	715,051	383,305
Profit for the year	2,011,146	3,622,209	2,060,849	2,531,146	1,319,400
Total other comprehensive (loss) income	(291,884)	3,307,089	(2,583,113)	926,128	(936,960)
Total comprehensive income	1,719,262	6,929,298	(522,264)	3,457,274	382,440
Basic earnings per share	11.00	18.94	10.47	12.51	6.39
Disclosure GRI 201-1					
Employee wages and benefits	2,652,704	2,586,579	2,930,132	2,729,703	3,306,368
Government grants	10,156	5,427	59,410	173,967	188,780
Donations to political parties	0	0	0	0	0
Contributions to charities	1,958	3,043	2,843	2,013	1,649

Note

1. Please refer to our 2020 Annual Report disclosed on the corporate website for the details regarding the operational status, financial performance including liabilities, equity assets, retained earnings, dividend policy and status of execution, and rewards for employees and directors.

2. With respect to the resolution made at the 2021 AGM, the cash dividend for 2020 is NT\$5.16/share.



## 1.4 Management systems

Category	Standard	Taiwan HQ	Merry Shenzhen	Merry Vietnam	Merry Thailand	Suzhou Merry
Quality management	ISO 9001:2015 Quality Management System	●	●	●	●	●
Labor, environment, ethics, health and safety	RBA-CoC 6.0		●		○ Application in progress	
	ISO 45001:2018 OH&S Management System	○ Application in progress	●			
	OHSAS 18001:2007 Occupational Health and Safety Assessment Series	●				
	Taiwan Occupational Safety and Health Management System (TOSHMS)	●				
Environment	ISO 14001:2015 Environmental Management System		●	●	●	
	IECQ-QC080000:2017 Hazardous Substance Process Management System		●	●		
	ISO 14064-1:2018 GHG inventory	●	●			
	ISO 50001:2018 Energy Management System	●	●			
	SONY GP/ASUS GP	●	●			
Intellectual Property Rights	Taiwan Intellectual Property Management System (TIPS)	●				
	GB/T 29490-2013 Enterprise Intellectual Property Management Standard		●			
Information Security	ISO 27001:2013 Information Security Management System	○ Application in progress	●			

**Note**

Previously, Taiwan HQ passed the certification of OHSAS18001 and TOSHMS for OH&S. In 2020, we implemented the ISO 45001:2018 OH&S Management System and will pass certification in 2021. OH&S does not apply to sales locations in Singapore, Hong Kong, and the USA because local offices are rented.

## **2** Management of Sustainable Development Issues

2-1 Sustainable policy and operation....28

2-2 Stakeholder identification and communication....30

2-3 Analysis and identification of material topics....34

2-4 Climate-related financial disclosures....37

2-5 Management approach of material topics....41



## 2.1 Sustainable policy and operation

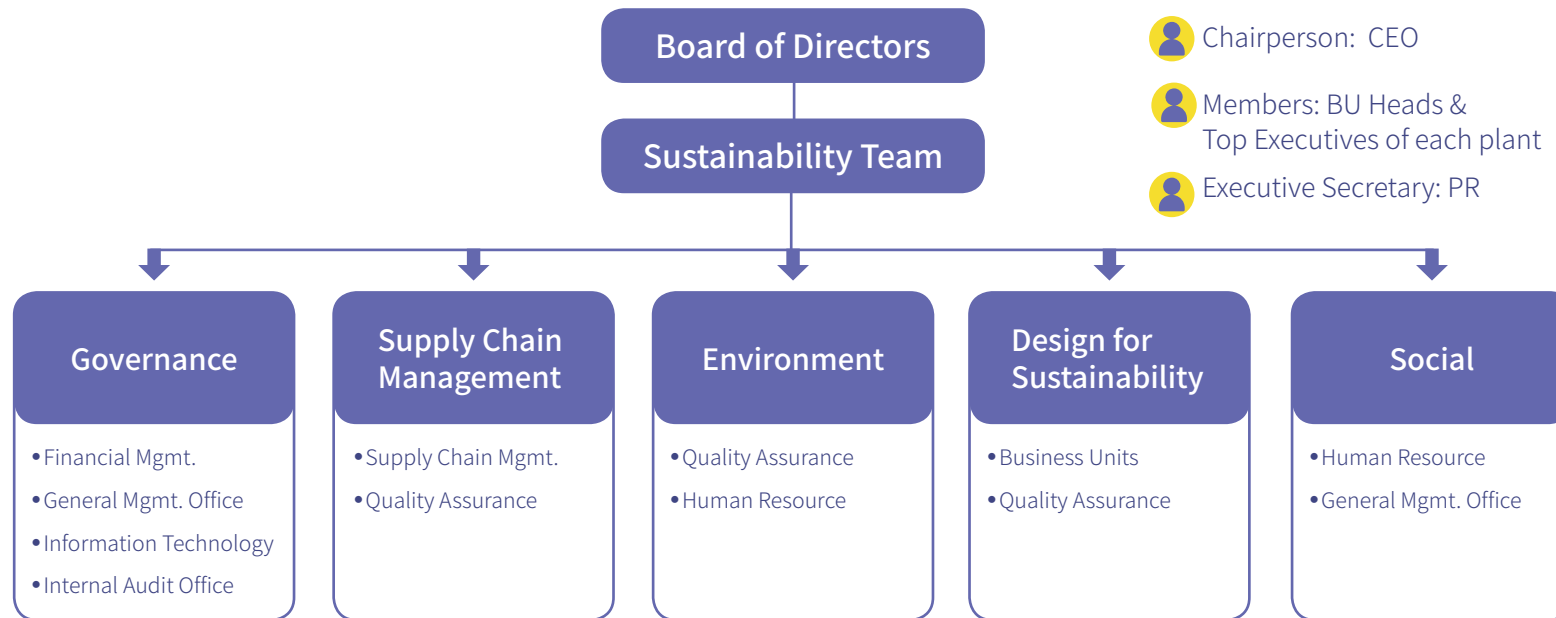


Starting from the vision “delivery excellent sound to enrich human life”, we make continual improvement of the core business to achieve the mission of “a global specialist provider of total solutions for electroacoustic applications in communication and entertainment”. We value the opinion of stakeholders and are committed to pursuing sustainable development through ESG. Hence, in 2020 we established four major principles for sustainable development and set the short-, medium-, and long-term goals to strengthen our constitution for sustainable development, optimize the disclosure of ESG information, and create co-prosperity shared by shareholders, customers, employees, suppliers, society, and the environment.



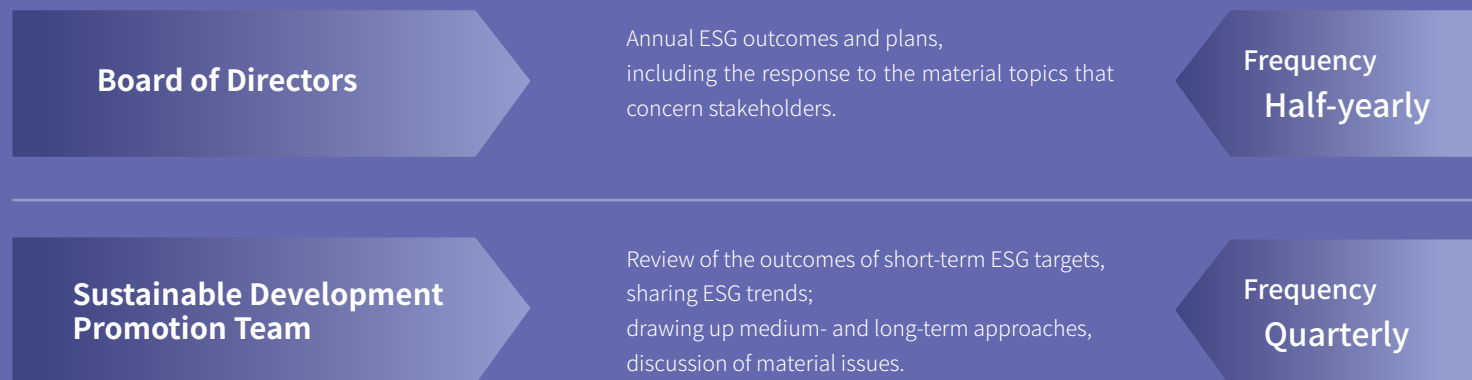
## Sustainable Development Promotion Team

We established four promotion teams, including the Sustainable Development Promotion Team, under the board. The Sustainable Development Promotion Team is chaired by the president, with the Investor Relations and Public Relations Department as the executive secretary. Under the team, there are five functional units to integrate policies and systems or propose and implement management approaches and specific promotion plans related to sustainable development; maintain constant communication and interaction with stakeholders; and periodically report to the board. In the future, the team will periodically report to the board the individual implementation plans and their outcomes. In December 2020, the team reported to the board on the outcomes of implementation in 2020 and the implementation plan 2021. The team will also report the status of various projects and ESG performance indicators to the board from time to time.



See 3-1 Governance organization for Merry Electronics' organizational framework

## Operation





## 2.2 Stakeholder identification and communication

While the mission of a corporate citizen is of utmost importance to us, besides maintaining sound communication and interaction with stakeholders in routine operations in a pragmatic and steady approach, we have set up an external communication email on the corporate website to establish transparent, diverse communication channels with all stakeholders. To identify and engage with material stakeholders with significant relevance from among a host of stakeholders, employees of the financial, investor relations, strategic planning, customer relationship management (CRM), supply chain management (SCM), human resources and labor safety, and IT departments formed a working group to determine the four major stakeholder groups of Merry Electronics with respect to the five attributes of stakeholders, including dependency, influence, tension, responsibility, and diverse perspective, in the AA1000 Stakeholder Engagement Standard (AA1000SES) established by AccountAbility through open discussion.





## Material stakeholders

### Stakeholder Communication in 2020

Stakeholder	Significance to Merry	Communication Channel/Frequency	Outcomes of Communication in 2020	Major Issues of Concern (from questionnaires and routine communication channels)	Countermeasure	Relevant Report Section
 <b>Investors</b>	The recognition and support of investors are the bedrock of our sustainable operations.	<ul style="list-style-type: none"> <li>Monthly revenue information (monthly)</li> <li>Investor conference/overseas investor forum (quarterly)</li> <li>AGM/annual report (annually)</li> <li>Corporate website/Market Observation Post System (MOPS)</li> </ul>	<ul style="list-style-type: none"> <li>Revenue announcement: 12 times</li> <li>Domestic and overseas investor conferences: 105 times</li> <li>AGM: 1 time</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and financial performance</li> <li>Ethical corporate management and business ethics</li> <li>Climate change response and management</li> <li>Waste management and reduction</li> <li>Employee appointment and wage management</li> <li>Strategic partner relationship</li> </ul>	<ul style="list-style-type: none"> <li>Periodical disclosure of financial information on the MOPS and corporate website.</li> <li>Periodical disclosure of important board resolutions and material corporate information</li> <li>Employment of the spokesperson, deputy spokesperson, and service coordinator to timely address the issues that concern investors.</li> <li>Periodical meetings for reporting the operational performance to investors and address the questions that concern them.</li> </ul>	<p>3. Corporate Governance</p> <p>2-4 Climate-related financial disclosures</p> <p>6. Addressing Climate Change</p> <p>5. Friendly and Safe Workplace</p>
 <b>Suppliers</b>	The long-term and steady collaboration, growth with Merry together, and care for environmental and social responsibilities of suppliers facilitate the creation of value for customers.	<ul style="list-style-type: none"> <li>New supplier evaluation (as necessary)</li> <li>Supplier ratings (monthly)</li> <li>Supplier audits (annually)</li> <li>Supplier guidance (real-time)</li> <li>Onsite/over-the-phone/documents (emails)/online platform (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>Signing of the social and environmental undertaking of new suppliers: 97%</li> <li>Supplier monthly ratings.</li> <li>Audit of key suppliers: 46 suppliers</li> <li>Minimum supplier onsite guidance: 230 times</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and financial performance</li> <li>Ethical corporate management and business ethics</li> <li>Supplier management and local procurement</li> <li>Employee appointment and wage management</li> <li>Product safety, labeling, and marketing</li> </ul>	<p>Assurance of compliance with the Merry Green Product Regulations through the constant promotion of the green supply chain, request and assistance for suppliers to/in passing QMS certification, and control raw material use</p>	<p>3. Corporate Governance</p> <p>4. Delivering excellent sound</p> <p>5. Friendly and Safe Workplace</p>



Stakeholder	Significance to Merry	Communication Channel/Frequency	Outcomes of Communication in 2020	Major Issues of Concern (from questionnaires and routine communication channels)	Countermeasure	Relevant Report Section
 Employees	Employees are the most important asset to and the source of competitiveness of Merry	<ul style="list-style-type: none"> <li>Employee performance interview (half-yearly)</li> <li>New employee interview (monthly, depending on training needs)</li> <li>EWC meeting (bi-monthly)</li> <li>Internal information announcement (real-time)</li> <li>Employee feedback channels (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>2 times a year per employee (Jan and Jul)</li> <li>New employee seminars: 7 times</li> <li>EWC meetings: 8 times</li> <li>Internal information announcements: 34 times</li> <li>Employee feedback: 2 counts</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and financial performance</li> <li>Ethical corporate management and business ethics</li> <li>Employee appointment and wage management</li> <li>Education/training and career development</li> <li>Promotion of occupational safety and health</li> <li>Countermeasures of COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>Equal opportunity for employment upon impartiality and non-discrimination.</li> <li>Reasonable pay and rewards upon a well-planned remuneration and welfare system.</li> <li>Optimization of expertise through comprehensive, irregular education/training.</li> <li>Occupational safety and health upon the “employee protection, care for health, hazard prevention, and reduction of work-related injuries” policies.</li> </ul>	<p>3. Corporate Governance</p> <p>5. Friendly and Safe Workplace</p>
 Customer	Customer recognition and trust are the drive of quality and technology improvement and sustainable development.	<ul style="list-style-type: none"> <li>Product project meeting (as necessary)</li> <li>Quarterly business review (QBR)</li> <li>Customer satisfaction survey/score card (quarterly)</li> <li>Irregular visits</li> </ul>	<ul style="list-style-type: none"> <li>Customer technology and service satisfaction: 80.2%</li> <li>Awarded the FY20 Best Demand and Supply Award from a leading brand.</li> </ul>	<ul style="list-style-type: none"> <li>Ethical corporate management and business ethics</li> <li>Supplier management and local procurement</li> <li>Employee appointment and wage management</li> <li>Promotion of occupational safety and health</li> <li>Product safety, labeling, and marketing</li> <li>Use of renewables and eco-friendly materials</li> </ul>	<ul style="list-style-type: none"> <li>Constant fulfillment of customer expectations and enhancement of customer satisfaction through quality management and problem-solving.</li> <li>Fulfillment of the customer’s green product demands through constant close collaboration with suppliers and traceability management.</li> <li>Inclusion of renewables and DfS in long-term strategic planning.</li> </ul>	<p>3. Corporate Governance</p> <p>4. Delivering excellent sound</p> <p>5. Friendly and Safe Workplace</p> <p>6. Addressing Climate Change</p>



## Communication Channel

Besides interacting with stakeholders through various activities in routine operations, we have set up related email accounts for stakeholders to send us their feedback. Communication channels are generally divided into:



### Investor

investor@merry.com.tw  
 04-23590811#111233 Ms.Lee



### Employee / Recruitment

merry\_resume\_db@mery.com.tw  
 04-23590811 Ms.Kuo



### Media

merry\_pr@merry.com.tw  
 04-23590811#116409 Ms.Chen

## Report channels

“Integrity and ethics” are our DNA that has been ingrained in the heart of Merry since its establishment. If you found any suspected violation of the “Merry Ethical Corporate Management Best Practice Principles” or “Merry Code of Ethical Conduct” in Merry employees, please report to us through the following channels. The related responsible units will handle all reports, and appropriate measures will be adopted to protect your personal information and privacy.



04-2359-0811#118000



integrity@merry.com.tw

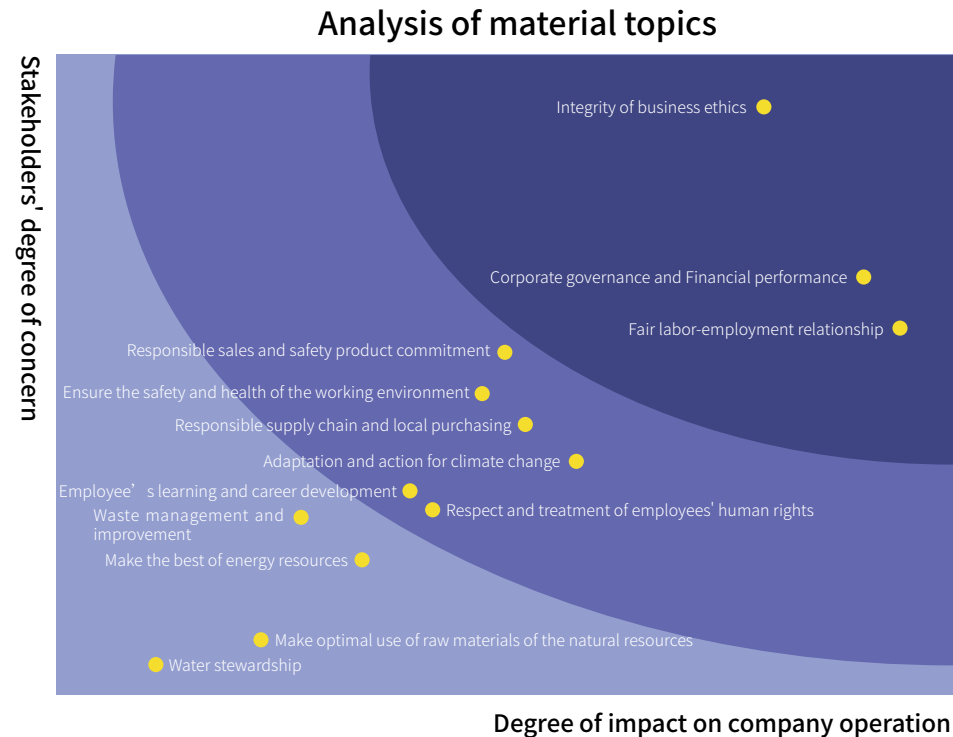


<https://besign.merry.com.tw/whistleblowing/?lang=US>

## 2.3 Analysis and identification of material topics

Based on the GRI Standards published by Global Reporting Initiative (GRI), in 2020, we integrated sustainable issues into 13 issues in consideration of the requirements of domestic and overseas benchmarking enterprises, international standards, international rating institutions, and government entities. Through online and paper questionnaires, we measured the tension of individual sustainable issues in the 4 major stakeholder groups from a total of 241 valid responses collected. Then, the head of 22 related units answer the impact questionnaire to assess the positive and negative impacts on Merry in each issue's economic, environmental, and social aspects, analyzed and prioritized the relevance and significance of impacts of each issue, and drew the material issue analysis matrix. After internal management discussion, in consideration of the opinions gathered from various communication channels, and inclusion for material topics assessment, we selected 9 out of 13 material issues as the material topics for disclosure in this report and for the reference of strengthening sustainable development policies and related operational planning.

Compared to the material topics in the last years, “climate change response and management” is a new topic for this year, while the remaining topics remained the same; short-, medium-, and long-term sustainable management is planned accordingly. In addition, we are an eco-friendly manufacturer characterized by low energy and water consumption due to



the characteristics of our operations and industry. Although energy, water, and waste were immaterial topics according to the sustainable issue surveys in the last 3 years, we still implement routine management and voluntary disclosure and quantify related information on these topics.



## Cross-Reference Table of Material Issues

Material Topics	Corresponding to the issue last year	Topic Boundary					GRI Topic	Corresponding Report Section
		Within Organization			Outside of Organization			
		Taiwan HQ	Merry Shenzhen	Other Subsidiaries	Suppliers	Customers		
Ethical corporate management and business ethics	Material	●	●	○	●		<ul style="list-style-type: none"> <li>● GRI 205 Anti-corruption 2016</li> <li>● GRI 307 Environmental Compliance 2016</li> <li>● GRI 308: Supplier Environmental Assessment 2016</li> </ul>	3-1 Governance organization 3-5 Legal compliance
Corporate governance and financial performance	Material	●	●	●			<ul style="list-style-type: none"> <li>● GRI 201:2016 Economic Performance</li> </ul>	1-1 About Merry Electronics
Product safety, labeling, and marketing	Material	●	●	○	●	●	<ul style="list-style-type: none"> <li>● GRI 416 Customer Health and Safety 2016</li> <li>● GRI 417 Marketing and Labeling 2016</li> </ul>	4-2 Green product management
Employee appointment and wage management	Material	●	●	●		●	<ul style="list-style-type: none"> <li>● GRI 201:2016 Economic Performance</li> <li>● GRI 202 Market Presence 2016</li> <li>● GRI 401 Employment 2016</li> <li>● GRI 405 Diversity and Equal Opportunity 2016</li> </ul>	5-1 Employee overview 5-3 Wage and benefit system



**2**  
Management of Sustainable Development Issues

**1**  
Electroacoustics Specialist

**3**  
Governance

**4**  
Delivering Excellent Sound

**5**  
Building a Friendly Workplace

**6**  
Addressing Climate Change

**7**  
Enriching Human Life

Material Topics	Corresponding to the issue last year	Topic Boundary					GRI Topic	Corresponding Report Section
		Within Organization			Outside of Organization			
		Taiwan HQ	Merry Shenzhen	Other Subsidiaries	Suppliers	Customers		
Promotion of occupational safety and health	Material	●	●	●	●		<ul style="list-style-type: none"> <li>GRI 403 Occupational Health and Safety 2018</li> </ul>	5-4 Friendly and safe workplace
Education/training and career development	Material	●	●	●			<ul style="list-style-type: none"> <li>GRI 404 Training and Education 2016</li> </ul>	5-2 Talent development and training
Human rights policy and management	Material	●	●	○	●	●	<ul style="list-style-type: none"> <li>GRI 402 Employment 2016</li> <li>GRI 406 Non-discrimination 2016</li> <li>GRI 409 Forced or Compulsory Labor 2016</li> <li>GRI 412 Human Rights Assessment 2016</li> </ul>	5-1 Employee overview 5-6 Diverse communication channels
Supplier management and local procurement	Material	●	●	○	●	●	<ul style="list-style-type: none"> <li>GRI 204 Procurement Practices 2016</li> <li>GRI 308 Supplier Environmental Assessment 2016</li> <li>GRI 414 Supplier Social Assessment 2016</li> </ul>	4-3 Sustainable supply chain management
Climate change response and management	Added	●	●	○	●	●	<ul style="list-style-type: none"> <li>GRI 305 Emissions 2016</li> </ul>	2-4 Climate-related financial disclosures 6-1 Environmental protection policy 6-2 GHG management

Note: “●” refers to the disclosed affected topic boundaries; “○” refers to undisclosed affected topic boundaries.

## 2.4 Climate-related financial disclosures

### Implementation plan

With respect to The Global Risks Report 2020 published by the World Economic Forum (WEF), “extreme weather” and “climate action failure” are the top two “highest likelihood risks”, while “infectious diseases” and “climate action failure” are the top two “highest impact risks”, suggesting that the impact of climate change on business operations may bring unprecedented challenges to enterprise decision-making.

Despite being a manufacturer of low energy consumption and low emissions, we never spare our social responsibility for global issues. Hence, we began to inventory climate-related risks opportunities in 2020 with respect to the “Recommendations of the Task Force on Climate-related Financial Disclosures” published in June 2017 by the Task Force on Climate-related Financial Disclosures (TCFD) formed in 2016 by the Financial Stability Board (FSB) to establish priority action plans for climate adaptation to enhance climate change adaptability and concern about climate issues together with stakeholders.

With respect to the disclosure framework recommended by TCFD, based on the four core elements, including governance, strategy, risk management, and metrics and targets, we have appointed the Sustainable Development Promotion Team as the internal functional organization for climate-related risks opportunities management. Every year the team gathers and analyzes information relating to climate-related international trends and issues that concern industries, design internal questionnaires on climate-related risks and opportunities, and identifies climate-related risks and opportunities that may cause a significant financial impact on Merry with the head of executive departments. Then, based on an analysis of responses to climate-related scenarios, the team implements various climate adaptation projects and sets management metrics to facilitate the quantification of financial impacts.

2021

- Implement various climate adaptation projects.
- Set various management indicators.

2020








- Assessed climate-related risks
- Promoted governance and strategies.
- Established long-term GHG reduction targets.

2019


- Established the Sustainable Development Promotion Team.
- Establish implementation plans according to the TCFD Recommendations.
- Constantly implemented ISO 14064-1 inventory.



## TCFD implementation framework

Implementation Framework	Action Targets in 2020	Actions in 2020
 <b>Governance</b>	Enhance the management's awareness of climate change response	<p>The Sustainable Development Promotion Team is chaired by the president. It holds meetings every quarter to plan and implement the company's sustainable development, review the performance, and report related outcomes to the board. In 2020, enhancing the management's awareness of climate-related risk factors was the focus. In 2021, the team will plan and establish the climate governance framework as the company's management mechanism of climate change.</p>
 <b>Strategy</b>	Implement the TCFD framework	<p>We are a manufacturer of low energy consumption and low emissions. In response to the global climate issue, we implemented the climate-related risk assessment for the first time in 2020. After consolidating the opinions of officers, four directions were concluded and included in the 2021 and future short-, medium-, and long-term strategies to facilitate the development and planning of climate change adaptation. These directions include:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Business continuity management</p> </div> <div style="text-align: center;">  <p>GHG reduction</p> </div> <div style="text-align: center;">  <p>low-carbon and innovation of products</p> </div> <div style="text-align: center;">  <p>sustainable SCM</p> </div> </div> <p>Further internal investigation and communication of climate-related risks opportunities will be the focus of 2021 to enhance the company's climate adaptability.</p>
 <b>Risk Management</b>	Identification of Risks and Opportunities	<p>In 2020, we began to implement the risk management system with respect to ISO 31000. The Risk Management Team was also established to report to the board regularly. Personnel of each functional unit periodically assess and address the company's potential risks and opportunities (including climate change) to implement risk management in a top-down manner. The Risk Management Team assists management units in the cross-department coordination and surveillance of risk countermeasures.</p> <p>In the future, we will constantly implement risk assessment every year according to the types of climate-related risks recommended by TCFD and set the likelihood and level of impact of risks and opportunities as the strategic reference for operational planning for the head of execution departments to identify and inventory the climate-related risks and opportunities that may cause significant financial impacts to the company, initiate and establish priority action plans for subsequent climate adaptation to enhance our climate change adaptability and concern about climate issues together with stakeholders.</p>

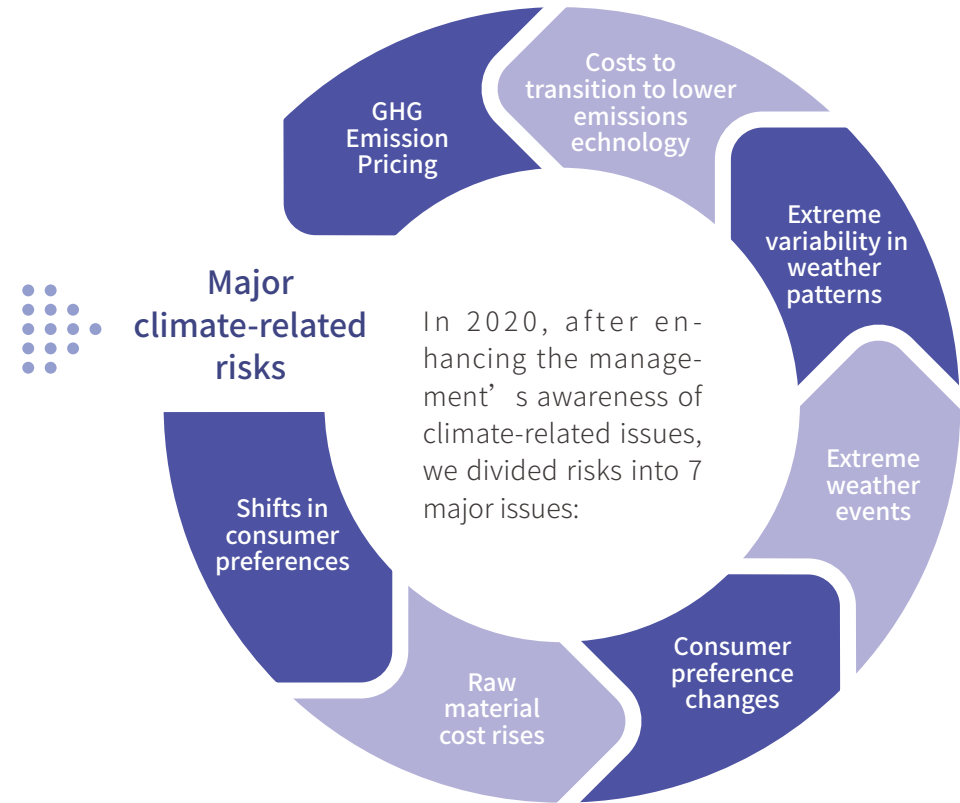
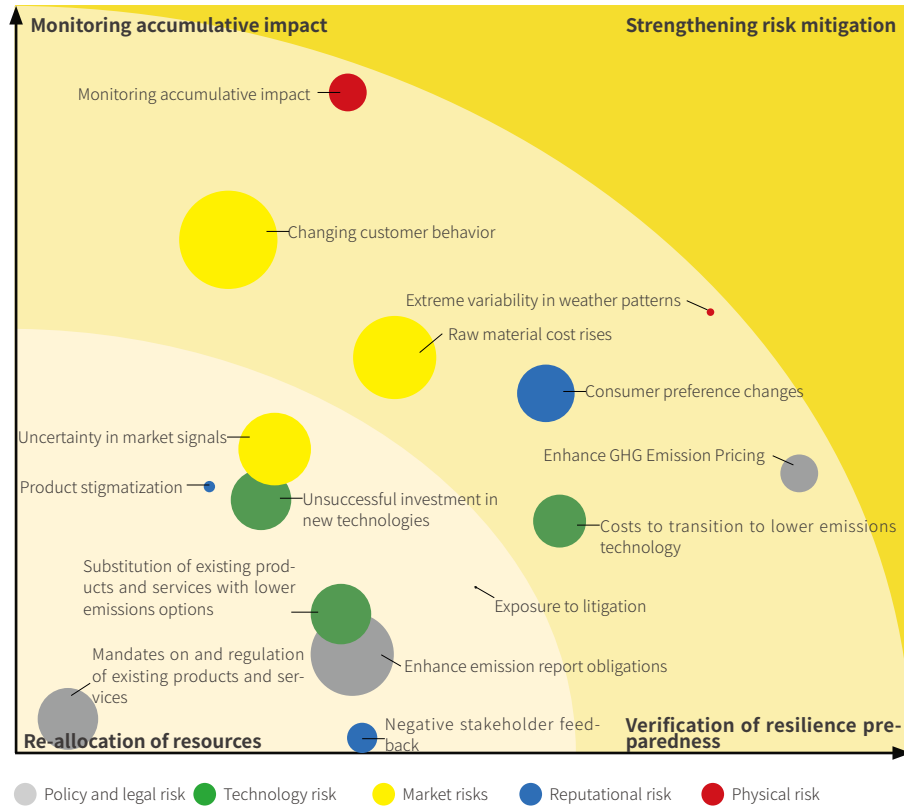


Implementation Framework	Action Targets in 2020	Actions in 2020
 <p>Indicators and Targets</p>	<ul style="list-style-type: none"> <li>① Business continuity management</li> <li>② GHG reduction</li> <li>③ Low-carbon and innovation of product</li> <li>④ Sustainable SCM</li> </ul>	<ul style="list-style-type: none"> <li>• The Risk Management Team defines significant risks, assesses their impacts on the organization, and establishes corresponding business continuity plans (BCPs).</li> <li>• We will apply for the RE100 initiative in 2021 and undertake 100% use of renewables by 2050. Currently, besides inventorying GHG emissions every year, Taiwan HQ and Merry Shenzhen capture GHG emissions and set defined energy conservation targets according to ISO 14064-1 and ISO 50001. See 6-2 GHG management for details.</li> <li>• Establish the “design for sustainability” (Dfs) framework to reduce the environmental load of products right at the design and development phase. Dfs includes the use of recycled materials and reduction of product size (reducing materials consumption). By integrating with responsible sourcing, more efficient production, and more efficient modes of transport to constantly reduce carbon emissions, we aim to promote carbon reduction at the sources with branded customers.</li> <li>• Active collaboration with suppliers to ensure compliance with sustainable development of the supply chain, fulfillment of social and environmental responsibilities, respect for ethics, labor human rights, health and safety, and environmental protection issues regarding the impact of climate change on energy management and water management.</li> </ul>

## Process of assessment of climate-related risks



The quantitative assessment of the three dimensions: potential vulnerability, potential impact, and the likelihood of risk is performed with reference to the TCFD Recommendations to grade and sort the results of risk assessment and identify potential opportunities and their responses.



In the future, we will further analyze and investigate individual risks and opportunities to plan the response strategy for the next phase and make fuller information disclosure.

**Note:**

**Potential vulnerability:**

Preparedness or adaptability to this risk (x-axis: the greater the value is, the lower the preparedness or adaptability will be).

**Potential impact:**

The level of impact of a risk on business operations (y-axis: the greater the value is, the higher the level of impact on business operations).

**Likelihood:**

The probability of occurrence in 10 years of a risk (the larger the ball is, the higher the likelihood will be).





## 2.5 Management approach of material topics

Material Topic	Corporate governance and financial performance
Corresponding Topic	GRI 201:2016 Economic Performance
Significance to Merry	It has been 20 years now since we were listed. According to the latest list of shareholders, there are 44,317 shareholders (by April 2021, including corporate shareholders). We will continuously create profit for investors and strengthen overall competitiveness are the important tasks of our business operations.
Purpose of management	Pursue sustainable steady growth, strengthen overall competitiveness, and increase corporate value.
Policy	<p>2020 business policy: technology orientation, digital transformation, southbound continuation, and sustainable development.</p> <p><b>Technology orientation:</b> Integrate IoT, 5G, and AI trends to continuously expand the scope of application of electroacoustics.</p> <p><b>Digital transformation:</b> Accelerate process digitization and develop a digital management model.</p> <p><b>Southbound continuation:</b> Expand the production bases in Thailand and Vietnam and turn the Singapore Office into the Southeast Asian Regional HQ in response to the impact of the US-China trade war and the rising manufacturing cost in China.</p> <p><b>Sustainable development:</b> Value the opinion of stakeholders, enforce corporate governance, develop a sustainable environment, maintain social welfare, and improve the disclosure of efforts to pursue sustainable development.</p>
Goals	<ul style="list-style-type: none"> <li>• One grade higher in the Corporate Governance Evaluation (from the top 21-35% to the top 6-20%)</li> <li>• Increasing R&amp;D expenses to &gt;3.5% of revenue.</li> <li>• Steady development of the production bases in Vietnam and Thailand for flexible capacity adjustment within the group.</li> <li>• Continuous profit growth.</li> </ul>
Assessment mechanism	<ul style="list-style-type: none"> <li>• Review and follow up on the progress of target achievement at the monthly review meeting and continue cultivating sources and cutting expenses to create steady growth.</li> <li>• Periodically update financial information, announce material information, and enforce the spokesperson system for investors to understand corporate development.</li> <li>• Establish and implement improvement plans and follow up improvement progress according to the governance evaluation indicators.</li> </ul>



Material Topic	Corporate governance and financial performance
Performance and adjustment	<ul style="list-style-type: none"> <li>• At the 7th (2020) Corporate Governance Evaluation, we were ranked in the top 5% elite enterprises for the first time.</li> <li>• Established production bases in Southeast Asia to maintain the electroacoustics industry cluster and lower international political and economic risks. In 2020, the Vietnam Plant was completed and mass production started.</li> <li>• Revenue over NT\$30 billion for 3 consecutive years and profit over NT\$1 billion for 5 consecutive years. However, the 2020 revenue and profit were lower than that of 2019 due to the pandemic, except for the R&amp;D expense, which increased by NT\$399 million (accounting for 4.9% of the revenue) over 2019.</li> <li>• Actively explore the feasibility of new product lineups and new markets from “sound” , such as the videoconferencing equipment and headsets for business and electroacoustic products for medical and healthcare uses.</li> </ul>



Material Topic	Material Topic Product safety, labeling, and marketing
Corresponding Topic	GRI 416 Customer Health and Safety 2016 GRI 417 Marketing and Labeling 2016
Significance to Merry	Ensure the safety and health of end-users and lower the environmental impact of materials and the production process of products.
Purpose of management	Ensure that the materials, processes, and products from Merry Electronics comply with the related environmental protection regulations and standards.
Policy	Constant management and supervision of the addition and amendment of environmental protection regulations/standards and active inventory, improvement, and implementation of corresponding green measures to practice green thinking.
Goals	<ul style="list-style-type: none"> <li>• Products meet the limitations and restrictions on hazardous substances of Europe and the USA.</li> <li>• External labeling on product packages meeting the customer requirements.</li> </ul>
Assessment mechanism	Control at the source: Ensure that the limited or restricted substances contained in products comply with the international regulations and customer requirements through the Green Product Management System (GPMS), the “XRF Instruments and Inspection Control Regulations” and “GC-MS Instruments and Inspection Control Regulations” for incoming materials control, the submission of the “Declaration of Non-Use Hazardous Substances - Compliance Form” to customers for conformation.
Performance and adjustment	<ul style="list-style-type: none"> <li>• 2020 New product development (including new product and extended model development): 91 items.</li> <li>• Compliance with the customer’s labeling specifications, proper labeling of the certifications by product attributes and according to requirements, and compliance with the labeling and certifications required by the law of different regions.</li> <li>• No violation of marketing and labeling regulations or breach of voluntary codes in 2020.</li> </ul>



Material Topic	Ethical corporate management and business ethics
Corresponding Topic	GRI 205 Anti-corruption 2016 GRI 308 Supplier Environmental Assessment 2016 GRI 419 Socioeconomic-compliance 2016
Significance to Merry	“Sincerity, integrity, diligence, thrift, and endurance” are our motto. Since Merry was established, we have adhered to ethical corporate management and maintained self-discipline with the highest ethical standard. Besides complying with the requirements of the competent authorities, we establish a culture of ethical corporate management and develop a robust business model upon integrity.
Purpose of management	Ethical corporate management through integrity.
Policy	Establish the “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management SOP” , set up the Ethical Corporate Management Team under the board to promote and implement ethical corporate management, strictly prohibit all forms of unethical behavior, such as corruption and bribery.
Goals	100% understanding and support of our commitment to ethical corporate management of all directors, members of senior management, officers, and employees to achieve zero unethical behavior, such as corruption and bribery.
Assessment mechanism	<ul style="list-style-type: none"> <li>Established and announced related report channels to ensure zero unethical behavior, such as corruption and bribery.</li> <li>100% signing of the “Merry Business Practice and Professional Ethics” undertaking.</li> <li>100% acceptance of the education of the ethical corporate management policy</li> </ul>
Performance and adjustment	No violation of ethical corporate management was reported. 100% completion of signing the undertaking and training of all directors and new employees of Taiwan HQ. Training participation of all employees: Taiwan HQ70% and Merry Shenzhen 77%.



Material Topic	Employee appointment and wage management/ Promotion of occupational safety and health/ Education/training and career development/ Human rights policy and management		
Corresponding Topic	GRI 201:2016 Economic Performance GRI 202 Market Presence 2016 GRI 401 Employment 2016 GRI 402 Labor/Management Relations 2016	GRI 403 Occupational Health and Safety 2018 GRI 404 Training and Education 2016 GRI 405 Diversity and Equal Opportunity	GRI 406 Non-discrimination 2016 GRI 409 Forced or Compulsory Labor GRI 412 Human Rights Assessment 2016
Significance to Merry	Employees are the most important asset to and the source of competitiveness of Merry.		
Purpose of management	Equal opportunity for employment upon impartiality and non-discrimination and establishment of a well-planned wage and benefits system and safe work environment for career development through right job accommodation.		
Policy	<ul style="list-style-type: none"> <li>Adhere to people-oriented leadership. We take care of employees in terms of work, life, and health for employees to demonstrate expertise at work without sacrificing family life to create future excellence with the company.</li> <li>Build a safe workplace by implementing the ISO 45001 OH&amp;S management system and TOSHMS and maintaining legal compliance to constantly protect the health and safety of employees.</li> </ul>		
Goals	<ul style="list-style-type: none"> <li>Optimize talent development and training, provide adaptive career development, and achieve 100% training of new employees.</li> <li>Diversify communication channels, constantly optimize the work environment and wage and benefit system, and establish the salary adjustment plan according to the company's annual profit, future economic condition, pay standard in the industry, and the consumer price index (CPI).</li> <li>Provide comprehensive benefits and activities and balance work and life.</li> <li>Provide a safe work environment and achieve zero accidents.</li> <li>Apply for the Taiwan iSport mark.</li> <li>Implement the ISO 45001:2018 OH&amp;S management system and complete certification and audit.</li> </ul>		
Assessment mechanism	<ul style="list-style-type: none"> <li>Talent education/training: Expertise in cultivation planning and outcomes.</li> <li>Labor/management relations: Two-way labor-management communication and employee satisfaction survey.</li> <li>Workforce development: Verify organizational learning and development through HR performance indicators.</li> <li>Talent attraction and retention: Employee performance evaluation, remuneration, and reward systems.</li> <li>Employee benefits: Focus on activities for the physical and mental development of employees and their effectiveness.</li> <li>Labor indicators: Resolutions on employee grievances and open commitment in labor regulations.</li> <li>OH&amp;S management system: Implement and continuously improve every year and ensure system effectiveness through periodic third-party audits.</li> </ul>		



Material Topic	Employee appointment and wage management/ Promotion of occupational safety and health/ Education/training and career development/ Human rights policy and management
Performance and adjustment	<ul style="list-style-type: none"> <li>• Raises in Taiwan HQ in 2020 averaged 2.27% (excluding new employees with seniority under one year).</li> <li>• Average hours of training in 2020 increased by 10.37 over 2019 to 94.18 hours. ; The achievement rate of new employee training in 2020 was 100%.</li> <li>• In 2020, Taiwan HQ and Merry Shenzhen received 68 employee feedback and suggestions. All were timely addressed and active improvement was made after feasibility assessment.</li> <li>• Promoted the DNA cultivation activities in terms of “understand music, love reading, like exercise, enjoy volunteerism” .</li> <li>• No fatality from high-consequence accidents and work-related injuries.</li> <li>• Five work-related injuries were reported from Merry Shenzhen, including three related to machinery and equipment safety and two connected to employee operation.</li> <li>• Related corrective and preventive actions were completed, and safety education/training was implemented.</li> <li>• Five work-related injuries were reported from Taiwan HQ, including three related to falls at work or when going up- and down-stairs and two were connected to unsafe work. Awareness education has been enhanced.</li> <li>• Passed Sports Administration’ s certification for the Taiwan iSport mark. Merry Shenzhen passed ISO 45001:2018 certification; Taiwan HQ will follow suit in 2021.</li> </ul>

Material Topic	Supplier management and local procurement
Corresponding Topic	GRI 204 Procurement Practices 2016 GRI 308 Supplier Environmental Assessment 2016 GRI 414 Supplier Social Assessment 2016
Significance to Merry	We have over 500 suppliers in long-term and steady collaboration. Starting from raw materials procurement, they grow and build a green supply chain for sustainable development with us to maintain human rights, protect the environment, provide end-users with products that comply with health and safety requirements, and fulfill corporate social responsibility while creating value for customers.
Purpose of management	Committed to creating a positive, circular supply chain, we maintain active collaboration and progress with suppliers; ensure that suppliers comply with the sustainable development of the supply chain, fulfill agreements including the “Undertaking of Supplier's Social Responsibility” and “Declaration of Metal Conflict-Free” ; urge them to respect ethics, labor human rights, health and safety, and address issues relating to environmental protection against climate change, such as energy and water management and renewables use.



Material Topic **Supplier management and local procurement**

**Policy**

- Sustainable risk control: Enforce the “Environment Protection Statement” , “Undertaking of Supplier’ s Social Responsibility” , and “Declaration of Metal Conflict-Free” ; request suppliers to follow the requirements of the code of professional ethics and code of conduct; comply with the human rights and conflict minerals requirements; and constantly implement sustainable risk assessment.
- Strengthening local supply chain: Improve the core capacity of local suppliers to avoid the increased cost of raw materials due to climate change and energy depletion, and request suppliers to comply with the code of conduct.

**Goals**

- Enforce SCM and promote short-, medium-, and long-term KPIs for suppliers

Item	Sustainable Supply Chain KPIs	2020	2021	2025	2030
1	Collection rate of the Undertaking of Supplier’ s Social Responsibility	90%	91%	95%	95%
2	Collection rate of the Declaration of Metal Conflict-Free.	89%	91%	95%	95%
3	Average ESG score increases by 1 mark each year for key suppliers.	78	80	85	90

For all Merry suppliers, except for suppliers designated by customers or leading suppliers with outstanding ESG performance

- We prioritize procurement from local suppliers in the location of operations to enhance supply resilience.

**Assessment mechanism**

- With respect to our supplier management regulations, new suppliers must pass our evaluation and sign related commitments (undertakings). Procurement from suppliers without signing all the required documents must be approved by the facility president before proceeding with a special purchase.
- Report and review the supplier KPIs every month.

**Performance and adjustment**

- In 2020, all new suppliers signed the Undertaking of Supplier’ s Social Responsibility and Declaration of Metal Conflict-Free.
- The signing of the Undertaking of Supplier’ s Social Responsibility and Declaration of Metal Conflict-Free of current suppliers is 90% and 89% respectively.
- The ESG score of key suppliers averaged 78 points.
- Actual local procurement at 98% by monetary amount (excluding electronics designated for procurement from leading manufacturers).



Material Topic	Climate change response and management
Corresponding Topic	GRI 305 Emissions
Significance to Merry	The impact of climate change has become an undeniable issue to enterprises. As the acquisition and use of energy and resources will increase our operating cost and operational interruption risk in the future, optimizing corresponding counter and management measures at the moment will be the basis to enhance corporate resilience.
Purpose of management	We will constantly fulfill our social responsibility by constantly enhancing energy efficiency and reducing GHG emissions to address climate change.
Policy	Total participation in energy conservation and energy legal compliance. Green energy procurement and design, energy efficiency enhancement. Continuous awareness education, practice of energy conservation and carbon reduction.
Goals	Implement the ISO 50001 energy management system and inventory and verify emissions according to ISO14064-1 to practice energy conservation and carbon reduction. Enhance energy efficiency and constantly trace energy performance. Prioritize efficient equipment procurement for areas with the highest potential for energy conservation. Set the 2020 target of GHG emission intensity to 10% less than 2019.
Assessment mechanism	Report and review the outcomes in GHG reduction at the monthly review meeting.
Performance and adjustment	<ul style="list-style-type: none"> <li>In 2020 Merry Shenzhen passed the version change certification of the ISO 50001:2018 energy management system to constantly implement energy conservation and carbon reduction to enhance overall energy performance and control GHG emissions.</li> <li>In response to the SDG13 Climate Action, we include renewables use as a medium- and long-term goal from 2021. Hence, we began to gather information and assess the feasibility of renewables use at all business locations to support the “RE100” renewable energy initiative. We also undertake to 100% renewables use by 2050 and propose the renewables use plan for each year.</li> <li>Merry Shenzhen replaced the central air-conditioning system to save electricity by about 1,712,070 kWh or about 45.2% each year. Merry Shenzhen also installed an air purification system to provide employees with a more comfortable work environment.</li> <li>Both Taiwan HQ and Merry Shenzhen inventoried and verified GHG emissions according to the ISO 14064-1:2018 standard and set the base year to facilitate future control of GHG emissions.</li> <li>In 2020, the intensity of GHG emissions (express in t-CO<sub>2</sub>e/million NTD) increased by 16.52% over 2019 when the unit carbon emission increased due to the revenue drop as a result of COVID-19.</li> </ul>





## **3** Governance

3-1 Governance organization....50

3-2 Ethical corporate management....52

3-3 Risk Management....55

3-4 Information security....57

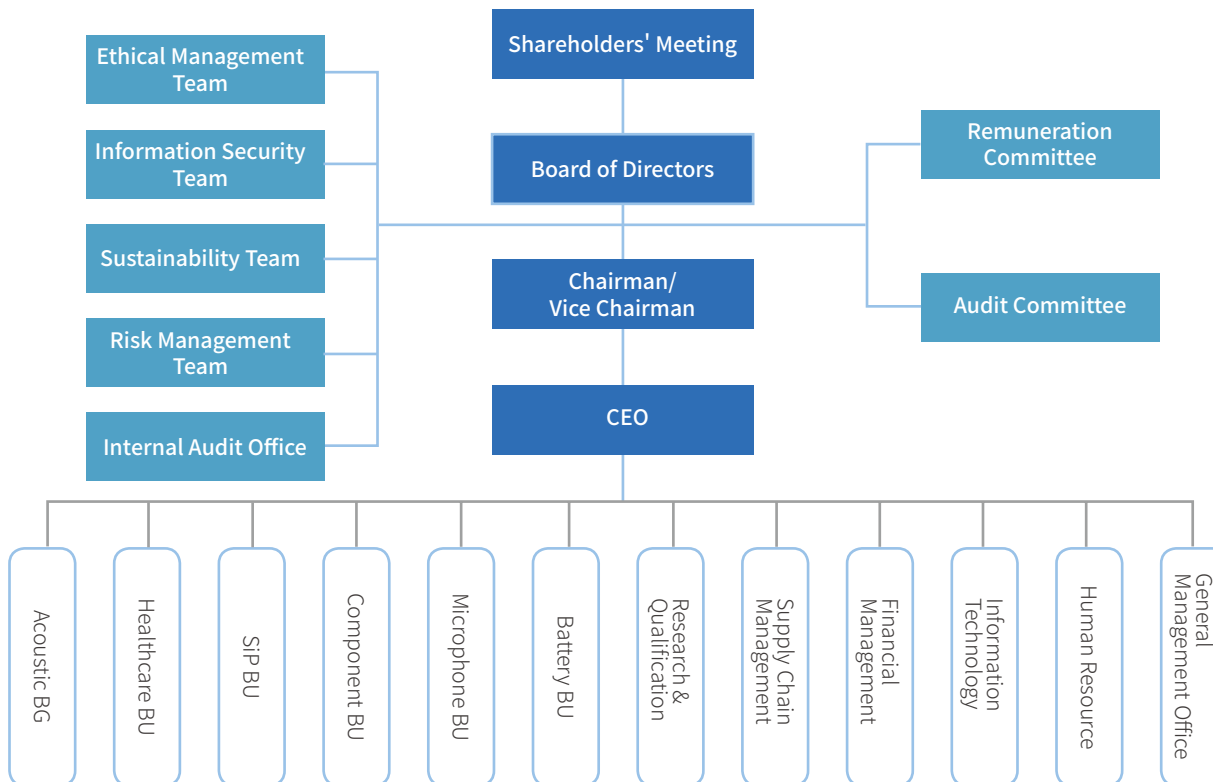
3-5 Legal compliance....58

3-6 Internal audit....59

# 3.1 Governance organization

## Organizational framework

Based on corporate management and operation, four functional teams and two functional committees were established under the board and report to the board.



\*BG: Business Group

Among the 905 listed companies evaluated at the 7th (2020) Corporate Governance Evaluation, we ranked in the top 5% elite enterprises for the first time, suggesting that our continual improvement in four aspects, including maintaining the rights and interests and treatment of shareholders, strengthening board structure and operation, enhancing information transparency, and enforcing CSR, has borne fruit.





## Board of Directors

The board is the highest governance body of Merry Electronics. Directors are elected with respect to the “Directorial Election Regulations”. In consideration of overall board composition, directors are equipped with the knowledge, skills, and competencies required for carrying out their duties, including business judgment ability, accounting and financial analysis ability, business administration ability, crisis management ability, industry background knowledge, global market view, leadership, and decision-making ability, to make an impartial judgment of the company’s operational strategies.

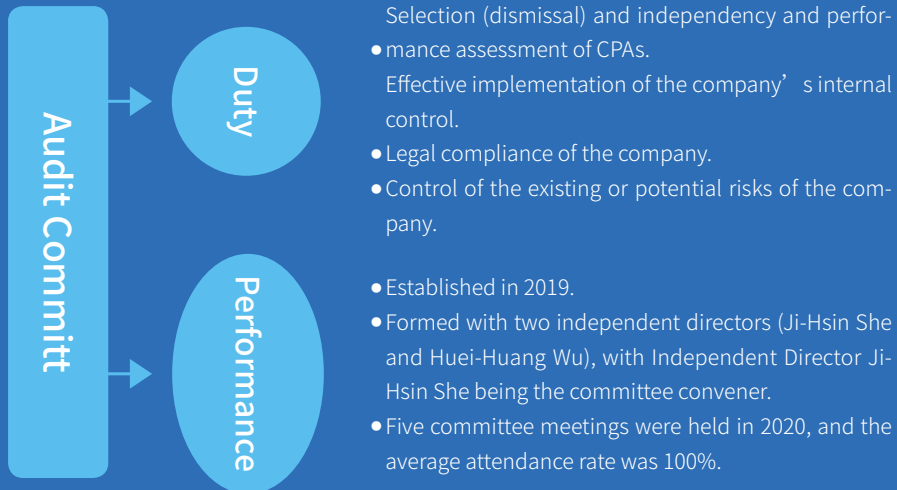
The current board comprises eight seats, including six directors and two independent directors. All directors are outstanding experts in related areas with rich field experience. The board is operated according to the “Regulations Governing the Procedure of Meetings of the Board of Directors” holds at least one board meeting each quarter. In 2020, the board held five board meetings. Currently, directors were elected by the annual general meeting (AGM) of shareholders on June 19, 2019 and are entitled to a term of three years. All directors maintain high self-discipline and recuse from the voting of proposals involving personal interest with respect to the “Regulations Governing Conflicts of Interest”. The information regarding board operation, including board meeting minutes, board meeting attendance, and further education; the background data, education attainment, and concurrent positions in other companies of directors; and the operation of various functional committees is disclosed in the annual report and accessible at the MOPS and our corporate website ([www.merry.com.tw](http://www.merry.com.tw)). {Arts editor} add links to the above websites

## Diversity of Board of Directors

Note: Independent Director Chun-Huei Ko resigned on June 30, 2020.

Name	Title	Gender	Professional Knowledge and Skills				Age	
			Business management	Leadership and decision-making	Industry knowledge	Financial Accounting	Under 55	Over 56
Lu-Li Liao	Chairman	Male	V	V	V			V
Wen-Chieh Wei	Vice Chairman	Male	V	V	V			V
Shih-Chieh Lin	Director	Male	V	V	V			V
Shu-Chun Lin	Director	Female	V	V	V	V		V
Chal-Feng Huang	Director	Male	V	V	V	V	V	
Keng-Bin Liao	Corporate representative director	Male	V	V	V	V		V
Huei-Huang Wu	Independent Director	Male	V	V	V	V		V
Ji-Hsin She	Independent Director	Male	V	V	V	V		V
Chun-Huei Ko*	Independent Director	Male	V	V	V	V		V

## Functional Committees



## 3.2 Ethical corporate management

To optimize corporate ethical management, we have established the Ethical Management Team to periodically report to the board the promotion plans and outcomes. The team is equipped with sufficient resources and eligible staff to establish, promote, and implement related preventive programs. The “Ethical Corporate Management Best Practice Principles” and related regulations are disclosed on the corporate website and employee portal. In addition, the internal Audit office supervises or audits the

### Code of Ethical Conduct

- Avoidance of conflicts of interest, no damage of the corporate interest to fulfill personal needs.
- Non-disclosure of confidential data.
- Protection of corporate assets and resources and no embezzlement.
- Workplace safety, equality, and impartiality, and no discrimination or harassment.
- Protection of corporate intellectual property and respect for the rights of other companies.
- Report of internal violations and whistleblower protection.

### Duties of the Ethical Corporate Management Team

- Establish related anti-corruption measures according to the laws and regulations.
- Assess the risk of unethical behavior, draw up plans for preventing unethical behavior, and establish SOPs and guidelines for each plan.
- Plan the organizational design, staffing, and duties; and establish the supervision and check and balance mechanisms.
- Promote and coordinate the publicity and education/training of ethical corporate management policies.
- Plan the whistleblower system and ensure its operating effectiveness.
- Periodically review the business process, assess the status of compliance, and issue reports.



outcomes of promotion or related measures to ensure the effective promotion of ethical corporate management.

All directors, senior management, officers, and employees must sign the “Merry Business Practice and Professional Ethics Code” . In addition, new employees must receive training on ethical corporate management on arrival, with contents including the “Merry Business Practice and Professional Ethics Code” , RBA-CoC, and related ethical corporate management policies and plans, for them to understand our determination to promote ethical corporate management and prevent unethical behavior, and set ethical corporate management as the unchanged commitment to insist on legal and ethical behavior. All new employees must participate in the fundamental legal training courses on ethical corporate management for them to understand our determination and policy to promote ethical corporate management and prevent unethical behavior. In 2020, five education/training activities on ethical corporate management were organized for directors and employees, with contents relating to insider trading, trade secrets, non-disclosure policy, and professional ethics. Training for existing employees is arranged mainly at the monthly meetings. However, the proportion of employees receiving training was lower than expected due to business trips and leave factors. In 2020, other training methods were planned to increase the proportion of employees receiving related training. In addition, the legal affairs unit and corporate governance body publicize information relating to ethical corporate management to employees and directors by email from time to time. Merry Shenzhen requires employees to complete RBA-CoC training (7 hours) every year, with contents covering human rights, business conduct and ethics. Currently, besides publicizing the “Merry Code of Business Conduct and Professional Ethics” to suppliers, we request them to sign the “Social Responsibility Commitment” . By 2020, 87% of suppliers have signed the commitment, and 6% of suppliers who have not signed the commitment are suppliers designated by customers. We will keep publicize ethical corporate management to them and encourage them to sign the commitment. Internally, all suppliers not designated by customers must sign the commitment.

	Target	Implementation Method	Number of Persons Receiving Training	Trainee Percentage*
Governance Unit	All directors	External courses, corporate publicity activities, email	8	100%
Taiwan HQ	All new employees (excluding expatriates)	New employee training	207	100%
	All employees (all grades)	Monthly meeting, internal training courses	1,049	70 %
Merry Shenzhen	All employees (all grades)	RBA-CoC training courses	15,441	77%

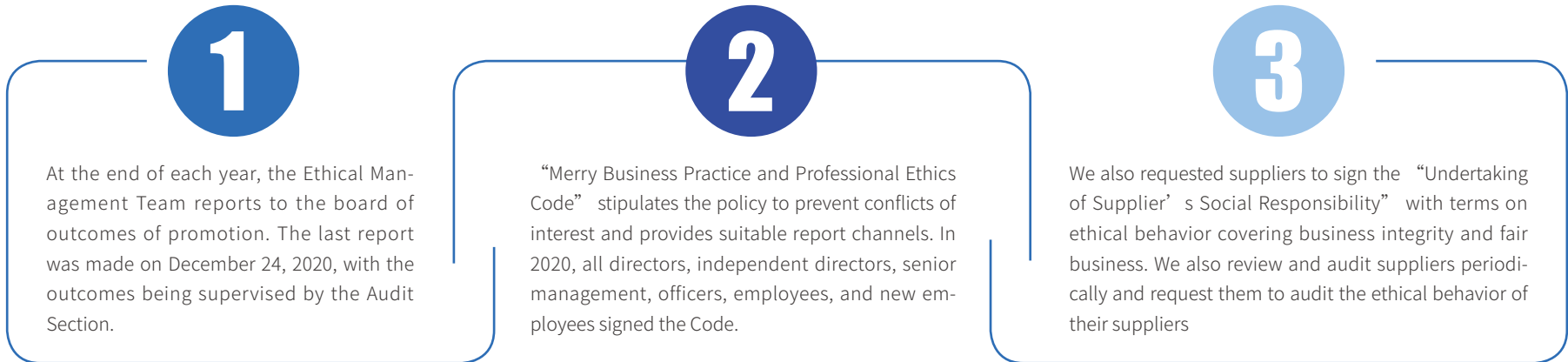
Note:

Trainee percentage refers to the total number of persons receiving training/total number of employees at the end of the year. If the trainee percentage is higher than 100% after employees resign in the middle of the year after receiving training, it is calculated as 100%.



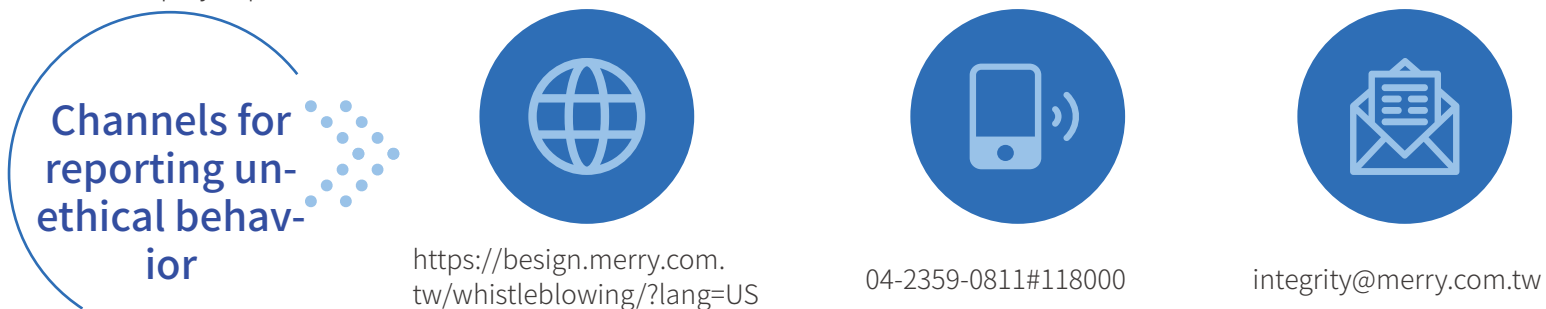
# Performance

The specific methods for implementing ethical corporate management and the plans to prevent unethical behavior in 2020 are as follows:



# Establishment of the whistleblower system


After receiving a report of unethical or unlawful behavior, the Ethical Management Team members will protect the informant (stakeholder) against retaliation and differential treatment. By 2020, no report of unethical or unlawful behavior was received from the independent report platform or integrity email on the corporate website or employee portal.



## 3.3 Risk Management

To ensure steady corporate growth, besides actively managing the potential risks in the business process, based on the authorized control and division of responsibility, all functional units prevent potential damage within the risk appetite through methods including risk transfer, process improvement, education/training, and internal audit according to the company’s business policy. Functional units also identify and assess risks and adopt countermeasures to ensure the achievement of the operational goals. In 2020, we established the Risk Management Team with representatives from all business units and functional units to plan and implement risk countermeasures. The team also reported related operations to the board on December 24, 2020.

### Risk countermeasures

Important Risk Item	Risk Control Unit	Risk countermeasures
Exchange Rate Risk		<ul style="list-style-type: none"> <li>• We are running business across the globe, and future business transactions are the source of foreign exchange risk.</li> <li>• Hedges for foreign exchange exposure include foreign currency loans, cross currency swap, forward exchange contracts, and options.</li> <li>• We engage in foreign exchange derivatives for hedging and have established the “Procedures for Asset Acquisition and Disposition” according to the regulations of the Securities and Futures Bureau and related laws and regulations to optimize the management of exchange rate risk in finance and operations.</li> </ul>
 <p>Interest Rate Risk</p>	Group Financial Division	<ul style="list-style-type: none"> <li>• Interest rate risk arises from the liabilities for supporting business activities and holding assets including time deposits and securities investment.</li> <li>• To lower the interest rate risk from liabilities, we raise long-term loans or issue convertible corporate bonds to support capital expenditure.</li> <li>• To lower the interest rate risk from assets, we allocate funds in short-term time deposits and fixed-income securities with good liquidity to ensure principal safety and maintain capital liquidity.</li> </ul>
Credit risks		<ul style="list-style-type: none"> <li>• Credit risk mainly arises from the risk of financial loss caused by the failure to perform the contractual obligations of customers or counterparts of financial instruments.</li> <li>• Internal risk control considers their financial status, past experience, and other factors to assess the credit quality of partners.</li> </ul>





Important Risk Item	Risk Control Unit	Risk countermeasures
Policy and legal changes	Legal and Patent Department, Group Administration Division	We conduct business in conformity with the local policies and laws. The Legal and Patent Department of Group Administration Division keeps track of the policy and legal changes, compiles the “Evaluation List of Compliance ItemsEvaluation List of Compliance Items” every quarter, submits assessment reports on management processes requiring adjustment to top management for approval, and proposes preventive measures.
Industry and technology changes	Market Planning Department of each business unit Strategic Planning Department, Group Administration Division	Periodically analyze the industry and market to capture the trend of market application to deal with the changes in the industry, and engage in new product and technology development and technical talent cultivation.
Market presence changes	Group Administration Division Investor Relations and Public Relations Department Group Financial Division	We value CSR and actively manage information relating to corporate image. We centralize external communication through the corporate website, MOPS, Investor Relations and Public Relations Department, and the spokesperson system.
IP rights management	Legal and Patent Department, Group Administration Division	Periodically gather and identify changes in IP laws, update the patent map, monitor IP and litigation information in the industry, and establish and implement countermeasures.
Centralization of sales and purchases	Centralization of sales and purchases	Actively cultivate comprehensive products and customer groups to disperse sales risk; and ensure that materials can fulfill customer demands in quality, technology, price, and delivery time through close collaboration with core suppliers and strategic cultivation of new suppliers.

Operational  
risks





Important Risk Item	Risk Control Unit	Risk countermeasures
 Information security changes	Information security changes	<ul style="list-style-type: none"> <li>Implemented firewall equipment, defined the ports on the servers required by external services, and locked all other ports to enhance the information security of servers for external services.</li> <li>Implemented IPS to filter incoming packets over the internet to ensure the information security of internal servers.</li> <li>Hire external information security service providers to analyze IPS incidents regularly and recommend solutions for abnormal incidents.</li> <li>Hire information security service providers half-yearly to perform vulnerability scans on servers providing external services (e.g., web server) and patch loopholes found in these servers.</li> <li>In the future, we will strengthen information security protection, establish a joint defense mechanism, and cultivate information security talents.</li> </ul>
 Operational risks	Behavior, conduct, and ethics of personnel	Through advocating ethical behavior at regular meetings and irregular education/training, we allow employees to understand the standard of the required behavior and attitude.
Climate risk	Climate risk	Identify climate-related risks and opportunities that can cause significant financial impacts on the company, analyze the climate-related scenarios, implement various climate adaptation programs, and set management metrics and targets with reference to the TCFD framework to facilitate the quantification of financial impacts.

## 3.4 Information security

Besides establishing the “Information Security Management Regulations” , we periodically publicize and enhance information security awareness. To strength the group’s information security and corporate competitiveness, we established the Information Security Promotion Team under the board in 2020 to plan and implement the information security management system (ISMS). In November 2020, Merry Shenzhen passed the external certification of ISO 27001:2013, and Taiwan HQ will pass the same certification in 2021. In addition, implementing the ISMS to all Merry affiliates will be the medium- and long-term goals of our sustainable development. Through ISMS operation, we implement high-avail-



ability technology and plan business continuity management (BCM) for important operational systems based on risk identification and operational risk analysis to ensure the confidentiality, integrity, and availability of operational assets.

In addition, besides requesting all employees to sign the “Merry Code of Business Conduct and Professional Ethics” on their arrival, we also request them to receive information security education/training to enhance their awareness of information security, so that they can understand our principle of confidentiality and their obligations for non-disclosure of data.

In addition to implementing the ISMS, we have also strengthened the controls over cybersecurity, data transmission, computer hardware and software, and information security privilege. These controls include software encryption and privilege protection of files containing important information and access control of R&D offices and laboratories to ensure project team members can properly control personal files and the important, confidential information of customers and suppliers. In addition, two-factor authentication and privileged account management will be implemented from March 2021 to protect account login and thereby reduce system hacks and data theft. To enhance the timeliness of information security, we will plan and implement the digital signature system to ensure the timeliness, confidentiality, and integrity of documents and protect the validity of various approvals in order to pursue the sustainable development of digital transformation.

2020

**Merry Shenzhen**  
passed ISO 27001:  
2013 certification.



2021

**Taiwan HQ**  
passes ISO 27001:2013  
certification



2025

**Merry Electronics  
affiliates operate**  
according to ISO  
27001:2013

## 3.5 Legal compliance

Besides meeting the customer requirements, we conduct business in compliance with the laws and regulations of the host countries or regions. After gathering and identifying, on a regular basis, the applicable laws and regulations required for compliance, covering ten categories of social, economic, and environmental regulations including OH&S, labor/social responsibilities, personal data protection, energy, environment, pharmaceutical/ medical device quality, commerce/anti-corruption, finance and tax, intellectual property/innovation, antitrust, compliance staff record them in the “Evaluation List of Compliance Items” for the head of related units to verify the legal consistence of various operating processes. In 2020, we were sanctioned twice for violation of economic, environmental, and social regulations.



Time	Factory Area	Sanction Unit	Violation	Corrective and Preventive Action
2020/11/9	Taiwan	Ministry of Economic Affairs	Sanctioned by a fine of NT\$20,000 for failure to submit documents to apply for a change in the company registration according to Article 387, paragraph 1, Company Act, when an independent director resigned on June 30, 2020.	To prevent information and communication inconsistency, we integrated the personnel responsible for business registration and board meeting records into a single window and completed the company registration change.
2020/9/4	Taiwan	Department of Labor Inspection, Taichung City Government.	Sanctioned by a fine of NT\$40,000 in total for failure to grant overtime pay for employees (Article 24, Labor Standards Act) and exactly record the check-in and check-out time of employees to the minute (Article 30, paragraph 6, Labor Standards Act).	As supervisors did not need to record the check-in and check-out time, we requested section chief and above supervisors and grade 6 or above supervisors to check in and check out with their ID from September 2020. In addition, as employees of Taiwan HQ are administrative/R&D staff, the compensatory leave for overtime work is adopted to enhance the flexibility in a break from work. Furthermore, they are granted flexible sign-in and sign-out within one hour and can exchange the untaken compensatory leave for overtime work with pay during separation. The pay will be given on the regular payday.

## 3.6 Internal audit

We have an internal audit office that conducts routine audits based on the annual audit plans approved by the board. The unit may also conduct special audits as necessary to reduce possible defects in the internal audit system and make a recommendation for improvement. In addition, the audit unit also has all units to conduct self-assessment of their internal controls to evaluate the overall efficacy of all internal control systems. After an internal audit, the audit unit will issue an audit report and report it to the chairperson and the board to fulfill corporate governance.

# 4 Delivering Excellent Sound

- 4-1 Design for sustainability framework... 61
- 4-2 Green product management... 63
- 4-3 Customer service optimization... 67
- 4-4 Sustainable supply chain management... 68





## 4-1 Design for sustainability framework

In addition to efficiency enhancement, new-generation products require lowering environmental impact, which is the focus of design for sustainability (DfS). Starting from product design and development, integration of function diversification, size miniaturization, ergonomics, software/firmware differentiation, smart electroacoustic platform, and battery integration is the main target. In 2020, we began to draw up short-, medium-, and long-term strategies for product design; constantly improve production technology and product design capacity; reduce materials use; increase the use of recycled materials; use low-impact packages, and enhance product energy efficiency to demonstrate the product's social/environmental contributions to sustainable development.





## IP rights management

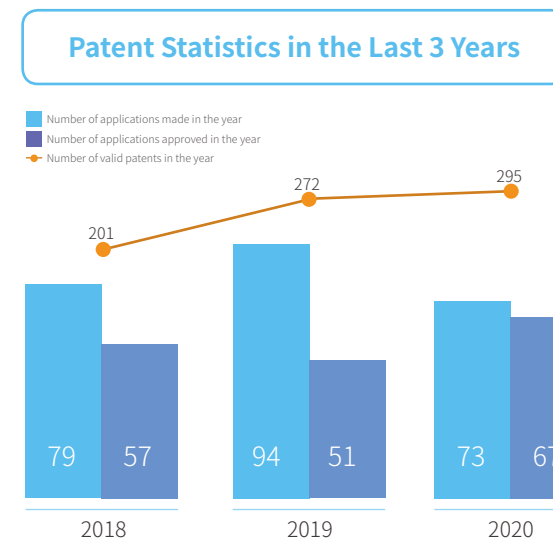
To protect R&D outcomes and enhance corporate competitiveness, based on the IP management policy, we set up management targets; acquire, protect, maintain, and use intellectual property; and adopt measures to avoid infringement and protect rights. To constantly strengthen the awareness of and capacity in intellectual property, in 2019 we passed the category A certification of the Taiwan Intellectual Property Management System (TIPS) version 2016. At the end of 2020, we also passed the re-certification. Earlier in 2018, Merry Shenzhen passed GB/T 29490-2013 Enterprise intellectual property management certification and the periodic re-certification in 2019 and 2020.

Patent Statistics in the Last 3 Years



Based on the above regulations, after gathering and identifying changes in the IP laws and regulations, the Legal and Patent Department produces the “Evaluation List of Compliance Items” each quarter, and submits the assessment reports on management processes requiring adjustment to top management for approval. The Legal Affairs and Patent

Department also updates the patent map for the trend of new products and technologies for the reference of the R&D unit. In addition, based on the industry information, the Legal and Patent Department and related units of subsidiaries produce the “Market IP Information Monitoring Report” and “IP Government and Litigation Information Monitoring Report” on a regular basis and timely inform all R&D units of the related risks in the patent application during product development. If the IP right investigation report shows that there is legal risk or doubt of infringement, the department, proposing unit, and IP right responsible person will immediately plan, establish, and implement the risk countermeasures and risk avoidance plans. In 2020, 67 patents were approved.

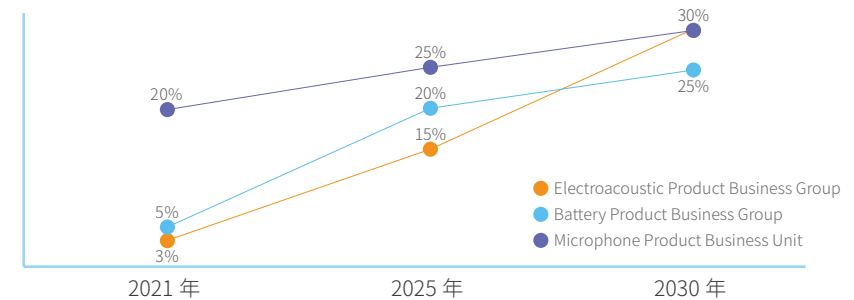




## Improvements in 2020

Type of Improvement	Description of DfS Outcomes in 2020
Optimized structure Energy Efficient	Through circuit and structure optimization, the overall outer diameter of new TWS products was reduced by 10%. Products became more energy-efficient, with durability increasing from 6.5 hours to 8.6 hours with the same battery capacity.
Circular Economy	The case of gaming headsets uses 12% of post-consumer recycled resin (PCR).
Energy Efficient	As shown by internal tests, the charging and recharging conversion efficiency of 1000Whr energy storage system products are 0.9-3.9% better than other products.

## Sustainable Product Target – Increasing Sustainable Product Proportion



Definition:

The proportion in the group's or unit's total revenue of products complying with the DfS requirements (new target set in 2020)

## 4.2 Green product management

### Compliance with International Regulations and Customer Requirements on Limited/Restricted Substances

- EU RoHS Directive
- EU RoHS Directive 2.0
- EU REACH SVHC
- California Prop 65
- China RoHS
- China VOCs
- Conflict Mineral Policy
- EU Battery/Environmental Directives-Halogen Free
- Phthalate-free plasticizers
- Free of lead, nickel, beryllium, antimony, and antimony oxide
- PVC-free
- EU PPWD
- EU WEEE II
- Recycled metal/recycled package/ recycled plastics GP



## Management policy

To protect the health and safety of end-users and lower the inherent risk on the environment of products, we have established the “Management Regulation of Environmental Substances Control”, the “XRF Instruments and Inspection Control Regulations”, and “GC-MS Instruments and Inspection Control Regulations” with respect to the latest international environmental protection laws and regulations and customer requirements. We have also established the “Hazardous Substances Control List” and carefully manage chemical substances contained in the raw materials of products according to the GPMS.

When developing and manufacturing various electroacoustic products for customers, we integrate green thinking with product design, materials procurement, product manufacturing, and product sales and servicing to ensure compliance with the green product requirements throughout the process from suppliers to customers. Besides keeping track of the latest international laws and regulations and customer requirements, we also actively progressively reduce substances that have not been controlled but are hazardous to the human body or the environment.

In materials management, mechanisms integrating the green product management (GPMS), product lifecycle management (PLM), enterprise resources planning (ERP by SAP) systems are applied to management starting from part number assignment to eliminate intended or unauthorized use of materials. We also monitor products according to EU’s WEEE directive and enhance the reuse and recycling rates (e.g., using recyclable plastics such as ABS and PC) to reduce carbon emissions and mitigate the environmental impact throughout the product’s lifecycle.

## Management process of substances of very high concern (SVHC)

We audit new suppliers according to the “Supplier Management Regulations”. Management of qualified suppliers (vendors) is implemented according to GPMS-related SOPs.

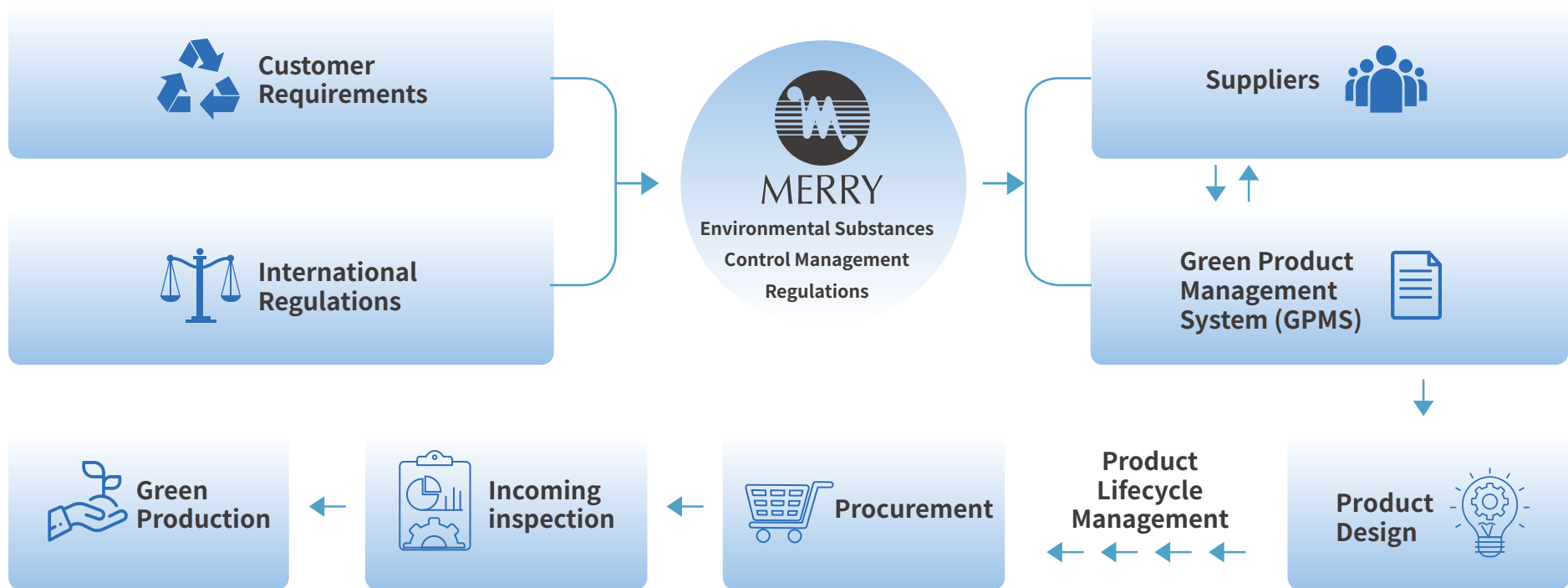
1

Evaluate the required green part recognition data (e.g., the declaration of conformity, material certificate, and test report) that suppliers upload to the GPMS according to the “Management Regulation of Environmental Substances Control” to ensure compliance with the international environmental protection laws, regulations, and directives, and customer requirements of such parts.

2

Publicize the REACH regulations and the knowledge of hazardous substances in the REACH annexes to suppliers and investigate and control if products contain SVHC in the REACH and the hazardous substances in the REACH annexes.





### 3

Establish the hazardous substance examination system for incoming materials; perform sampling test through random sampling according to the AQL; examine and verify incoming materials with instruments including the XRF, GC-MS, and FTIR to ensure no hazardous substance is contained in the parts. Request suppliers to provide support data for materials not complying with the “Management Regulation of Environmental Substances Control” (nonconforming items), return all re-verified nonconforming items to suppliers, and request suppliers to propose corrective and preventive actions



4

Delivering Excellent Sound

1

Electroacoustics Specialist

2

Management of Sustainable Development Issues

3

Governance

5

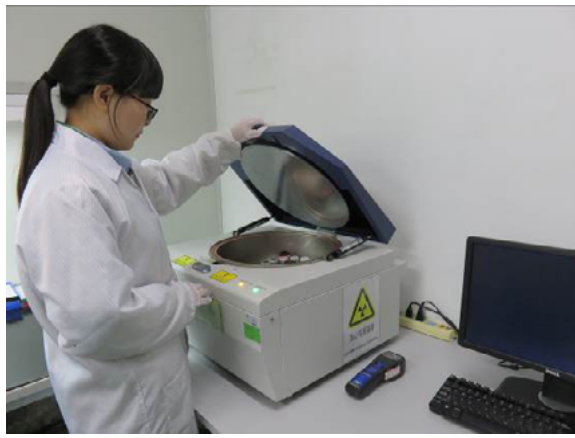
Building a Friendly Workplace

6

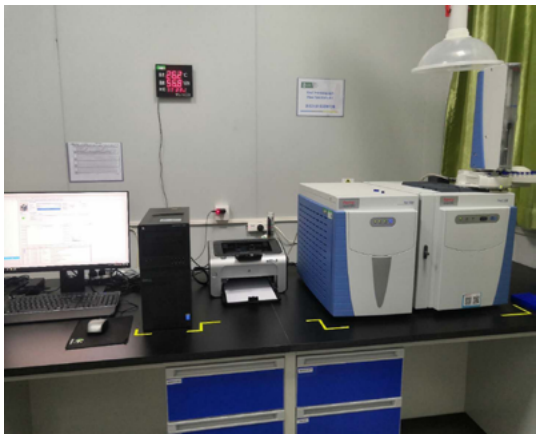
Addressing Climate Change

7

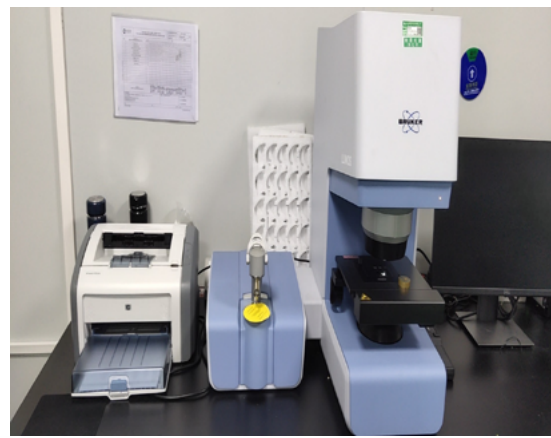
Enriching Human Life



**XRF**  
Inspect metal materials.



**GC-MS**  
Inspect plastic and non-metal materials.



**FTIR**  
Analyze customer complained items and uncertain materials.

In 2020, 26 suppliers participated in the supplier ESG training.

4



5

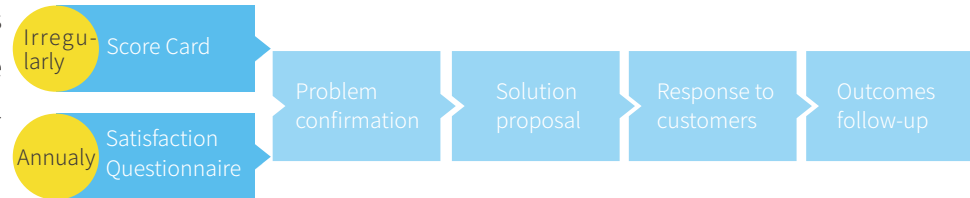
Verify the external labeling of the package at the design phase according to the required product-specific certifications following the label instructions of branded customers to comply with the product labeling regulations of different countries and regions. In 2020, no violation of laws or claims from customers regarding product labeling was reported.

## 4.3 Customer service optimization

With visionary product R&D and process capacity, we provide customers with integrated services from design to distribution and quick and flexible technical and logistics support. In addition, we apply the scorecard mechanism and/or conduct the annual customer satisfaction survey to discern the customer's comments, opinions, and needs. Through information integration and cause analysis, we plan, establish, and implement improvement plans and follow up the outcomes.

To ensure the effective communication of customer feedback and opinion, each year, apart from actively collecting customer feedback, conducting the customer satisfaction survey, integrating the problems reflected in the scorecard and satisfaction survey, referring the problems to the responsible units cause analysis and requesting them to propose solutions by a time-limit, and informing the sales unit of the solutions to reply to customers, we request the audit unit and marketing unit of overseas plants to follow up the improvement.

The scorecard and customer satisfaction survey covers four dimensions: quality, R&D, procurement, and integration, which are the bases for continual process improvement and the important indicators for operation optimization. In 2020, the integrated satisfaction of major customers was 80.2%, with the highest score found in the new product introduction (NPI) process. We were also awarded the FY20 Best Demand and Supply Award from leading brands to demonstrate our competitive strengths.



- Product target achievement
- Incident handling lead-time
- New product development quality
- Derivative model production quality



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## 4.4 Sustainable supply chain management

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Committed to creating a positive, circular supply chain, we maintain active collaboration and progress with suppliers; ensure compliance with sustainable development of the supply chain; request suppliers to value environmental protection, occupational safety, labor human rights, and related issues and comply with the relevant laws and regulations in the same way as we do.

### Supplier management strategy

#### Sustainable risk control

We request suppliers to fulfill agreements including the “Environment Protection Statement” , “Undertaking of Supplier’ s Social Responsibility” , and “Declaration of Metal Conflict-Free” ; comply with the requirements in the code of professional ethics and code of conduct; value labor human rights and health and safety; declare and undertake to use no conflict minerals; and address issues relating to environmental protection against climate change, such as energy and water management and renewables use. These controls apply to all Mer-ry suppliers, except for suppliers designated by customers or leading suppliers with out-standing ESG performance.

#### Strengthening the local supply chain

To strength the resilience of materials supply and lower the environmental impact caused by the carbon mileage from materials and part transportation, we constantly improve the core capacity of local suppliers and prioritize procurement from suppliers near the production bases.





## Undertaking of Supplier's Social Responsibility

We hereby declare and undertake to reject metals made with conflict minerals (or with minerals from conflict sources). To enhance risk management of the sustainable supply chain and fulfill our CSR commitment, we also request suppliers to follow the requirements of the code of professional ethics and code of conduct, comply with the human rights and conflict minerals requirements, and perform the “Undertaking of Supplier’s Social Responsibility” .

In 2020, all new suppliers signed the “Undertaking of Supplier’s Social Responsibility” and “Declaration of Metal Conflict-Free” , better than the 97% in 2019. To constantly review the supply chain performance, we have established short-, medium-, and long-term plans for suppliers to implement the green supply chain together with us.

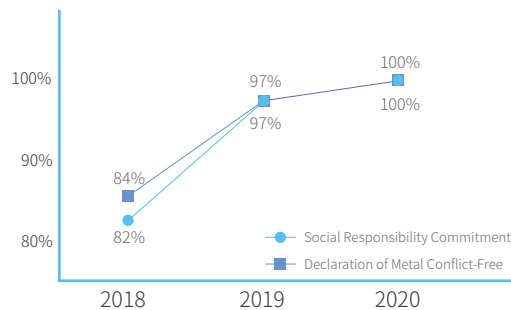
Sustainable Supply Chain KPIs	2020	2021	2025	2030
Collection rate of the Undertaking of Supplier’s Social Responsibility	90%	91%	95%	95%
Collection rate of the Declaration of Metal Conflict-Free.	89%	91%	95%	95%
Average ESG score increases by 1 mark each year for key suppliers.	78	80	85	90

## Strengthening the local supply chain

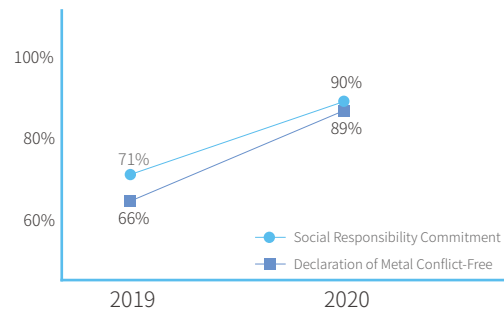
To strength the resilience of materials supply and lower the environmental impact caused by the carbon mileage from materials and part transportation, we constantly improve the core capacity of local suppliers and prioritize procurement from suppliers near the production bases to prevent the social cost from climate change and resource depletion. We also request suppliers to comply with the code of conduct.

Merry Shenzhen is our major production base. Except for electronics, the 2020 percentage of local procurement in mainland China increased by 1% over 2019 to 93%, and the monetary amount of local procurement was up to 98% (electronics such as semiconductor active and passive components that must be purchased from leading manufacturers are excluded from the statistics).

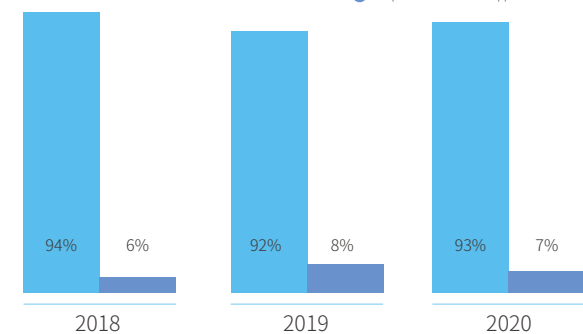
Commitment/declaration signing rate of new suppliers



Commitment/declaration signing rate of all suppliers



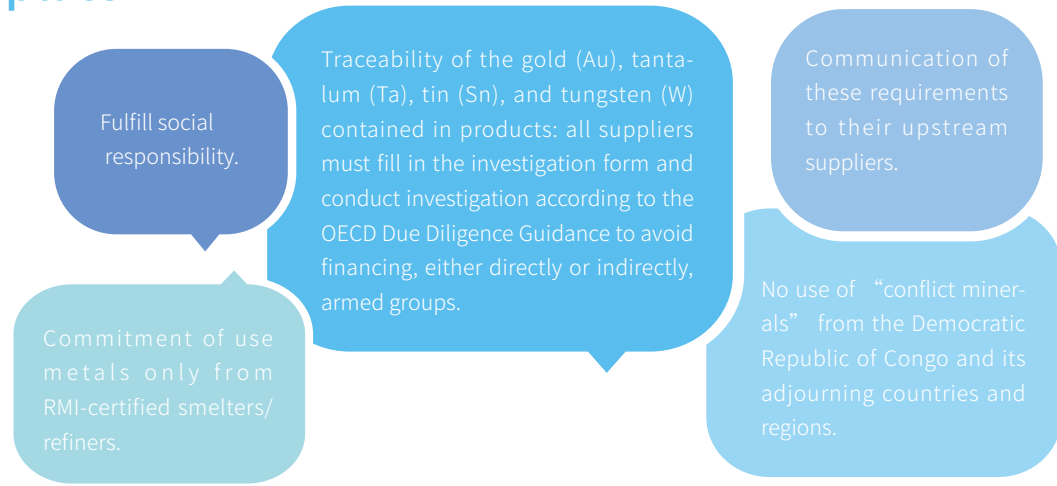
Non-Electronics Suppliers



## Conflict Minerals Reporting Template

In response to the international trends and customer requirements, we requested suppliers to stop using minerals from conflict sources and established a conflict mineral investigation system to comply with Dodd-Frank 1502 of the USA from 2011. Every year we disclose if metals used on Merry products contain conflict minerals. Conflict minerals refer to the minerals from conflict sources. These minerals include tantalum-niobium ores, cassiterite, wolframite, and gold, from which tantalum (Ta), tin (Sn), tungsten (W), and gold (Au) are refined and used in electronics and other products.

We hereby declare and undertake to reject metals made with conflict minerals (or with minerals from conflict sources). With the GPMS, we constantly request suppliers to honestly and fully disclose if their products and materials are made with metals from RMI-certified smelters and refiners to ensure the sources of raw materials and reject any conflict minerals. In 2020, we completed the conflict metal investigation of all suppliers to ensure that no Merry products contain conflict minerals of any kind. We constantly communicate to suppliers the following requirements:



## Responsible management of supply chain

In response to the product trends and procurement strategy and to ensure that the quality system management and materials lifecycle management of suppliers comply with international standards, we request suppliers to fully comply with the related local laws and regulations in the business operations. We also request them to fulfill corporate social responsibility by maintaining human rights, protecting the environment, and provide end-users with products that comply with health and safety requirements.

Apart from establishing the “Sustainable Supply Chain Management Regulations” in terms of four dimensions: evaluation, rating, audit, and guidance as the guide for implementation, we also urge suppliers to respect ethics, human rights, health and safety, and environmental protection and encourage them to optimize product quality.





## Four dimensions of SCM implementation



### New Supplier Evaluation

#### Implementation items

Publicize our green procurement requirements; ensure that suppliers can also protect employee rights and interests and enforce human rights policy; urge suppliers to respect ethics, labor human rights, health and safety, and address issues relating to environmental protection against climate change, such as energy and water management and renewables use; and promote the green supply chain

#### Management measures

- Request suppliers sign agreements including the “Environment Protection Statement” , “Undertaking of Supplier’ s Social Responsibility” , and “Declaration of Metal Conflict-Free” ; and verify if materials supplied by suppliers comply with international standards such as WEEE, RoHS, and REACH.
- Form an assessment team with procurement, quality, R&D, and engineering units to evaluate suppliers and verify the evaluation results to ensure only suppliers meeting our requirements can become qualified suppliers. The evaluation covers company basic data, quality system, environmental system, HSF system, and CSR.
- In 2020, we requested all new suppliers to sign the “Undertaking of Supplier’ s Social Responsibility” (with contents including no child labor, human rights protection, non-discrimination, humane treatment, business integrity, fair business, environmental protection) and the “Declaration of Metal Conflict-Free” , with 100% achievement rate.



### Supplier rating

#### Implementation rules

Monthly performance is rated in terms of quality, service, price, and delivery time through a standardized supplier evaluation system.

#### Management measures

Suppliers are classified into three grades: A, B, and C. Suppliers will be rated “C” if the integrated score is below pass score or hazardous substances are found in the sampling inspection of incoming materials. These suppliers must make improvements according to the guidance plan and their effectiveness will be followed up.



## Four dimensions of SCM implementation



### Supplier audit

#### Implementation rules

Except for trading companies or agents, suppliers for the annual audit are selected according to the related criteria, the annual audit program is established to audit and rate suppliers, and a closure audit report is produced after the audit.

Selection criteria

- Key suppliers: Suppliers supplying products for over 500 batches and each with an amount over NT\$2 million in the previous year.
- Suppliers of high-risk materials: Suppliers supplying battery cells, PCBs, metal surface finishing service, printed packages, leather goods, cables and wires, plastic/rubber printing coating, and hazardous chemicals.

#### Management measures

- Suppliers with a score  $\geq 80$  points in the previous years and completed defect improvement may be exempted from the audit of the year.
- Suppliers providing the RBA-CoC evaluation report issued within one year may be exempted from the onsite audit and proceed with the online evaluation.
- Suppliers failing the audit will be requested to complete improvement by a time limit and re-audited to ensure punctual delivery and good quality.
- In 2020, 15 suppliers were selected for the annual audit, and all passed the audit.



### Supplier guidance

#### Implementation items

Constantly communicate our CSR and ESH policies to suppliers, including the green supply chain, product HSF regulations, environmental protection laws and regulations, and customer requirements for product quality.

#### Management measures

- Encourage collaboration among customers, R&D, procurement, and suppliers at project development to resolve difficulty at each stage through problem discussion and technology sharing and optimize process and quality together with suppliers to enhance yield rate.
- Request suppliers failing the audit to submit an improvement plan for auditing the improvement and verifying the results, until improvement is completed



# 5 Building a Friendly Workplace

5-1 Employee overview....74

5-2 Talent development and training....81

5-3 Wage and benefit systems....86

5-4 Friendly and safe workplace ....94

5-5 Health care ....99

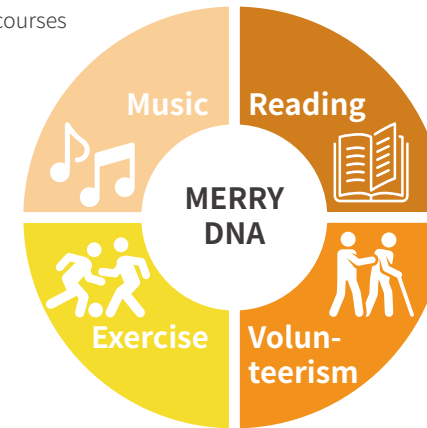
5-6 Diverse communication channels....105





We treat employees as the most important partner of operations. Hence, we are committed to providing employees with a safe work environment where gender equality and development diversity prevail for employees to enjoy preferential wages, improve expertise, develop friendships, and receive benefits. We also promote activities in terms of “understand music, love reading, like exercise, and enjoy volunteerism” to help employees balance work and life.

- Music appreciation courses
- Concert tickets



- e-Book reading system
- Library
- Officer study group

- Health promotion activities
- Sports clubs

- Volunteer service leave
- Volunteer activities

## 5.1 Employee overview

We maintain equal opportunity for employment. Besides considering the host country's laws, regulations, and culture or region, we are committed to creating a work environment free of differential treatment. By hiring talents from different business locations, we hope to fuse and stimulate new thinking with employees from different regions with cultural backgrounds to provide global customers with more professional services and better meet local demands. To protect the employment rights and interests of all employees, we abide by the labor laws and regulations of the business locations and sign employment contracts with employees to protect their rights and interests.

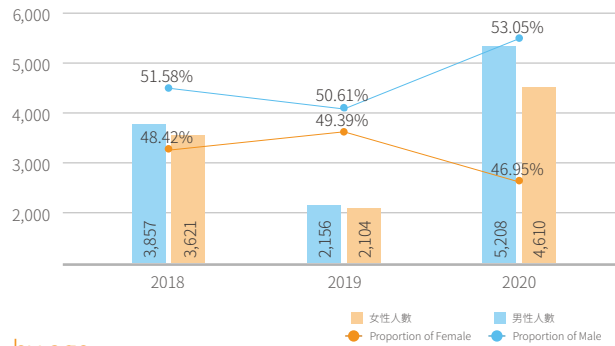
### Workforce structure

By the end of 2020, we had 9,818 employees in total, including 752 employees at Taiwan HQ, 6,711 employees at Merry Shenzhen, and 2,355 at other business locations. In terms of gender, there were 4,610 female employees, accounting for 46.95%, and 5,208 male employees, accounting for 53.05%. In terms of employment contract type, 1,548 employees were on non-fixed-term contracts, 4,984 employees were on fixed-term contracts, and 3,286 employees were dispatch labor. In terms of working time, 4,145 employees were full-time employees, and 5,673 were part-time employees. The growth rate of employees in Taiwan and other regions in 2020 was 5.32% and 155.67% respectively, mainly because of the increase in purchase orders from customers. Therefore, the number of direct labor increased significantly.

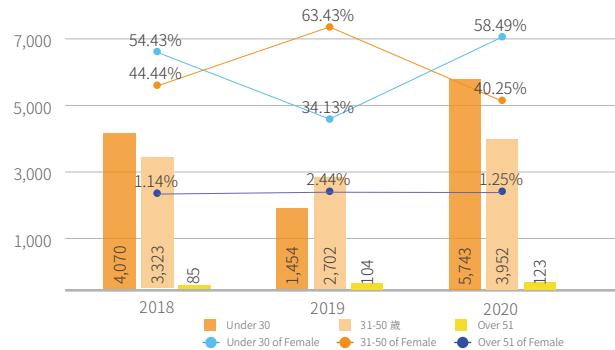


**Total Number of Employees over the Years**

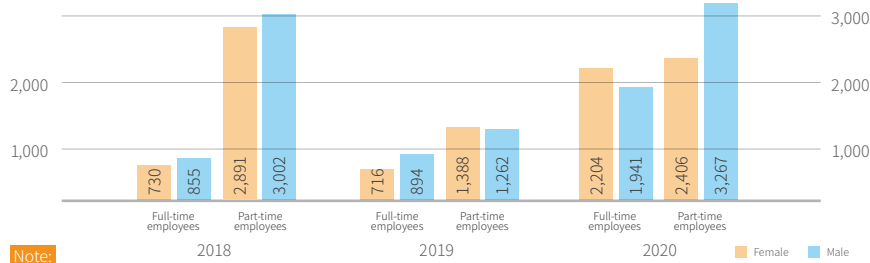
by gender



by age



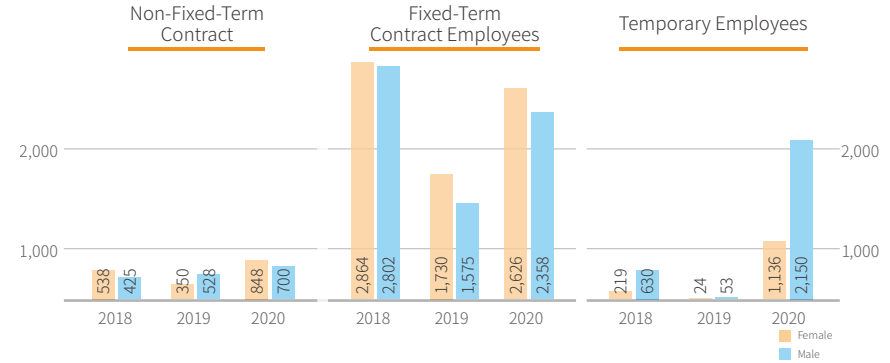
Classification by Labor Type



Note:

1. Full-time employees are salaried monthly.
2. Part-time employees are paid hourly.
3. The number of employees each year is based on the actual number of in-service employees by December 31 of that year.

Classification by Employment Contract Type



Total Number of Employees by Contract Type over the Years (by business location)

Year	Contract Type	HQ	Shenzhen	Thailand	Vietnam	USA	Singapore	Hong Kong	Suzhou
2018	Non-Fixed-Term Contract Employees	657	-	246	-	9	40	11	-
	Fixed-Term Contract Employees	8	5,657	-	-	-	-	1	-
	Temporary Employees	-	849	-	-	-	-	-	-
2019	Non-Fixed-Term Contract Employees	706	-	116	-	10	36	10	-
	Fixed-Term Contract Employees	8	3,104	191	-	-	-	2	-
	Temporary Employees	-	77	-	-	-	-	-	-
2020	Non-Fixed-Term Contract Employees	743	-	672	-	11	44	10	68
	Fixed-Term Contract Employees	9	3,439	-	1,462	-	-	2	72
	Temporary Employees	-	3,272	-	-	-	-	-	14

Note:

1. Full-time employees are on non-fixed-term contracts.
2. Contracted employees are on fixed-term contracts.
3. Temporary employees are hired and dispatched by work agencies. In 2020, Merry Shenzhen had a higher proportion of temporary employees because of collaborative projects requiring large workforce support during the project period with affiliates.



Total Number of Employees by Grade/Duty over the Years (by age)								
Grade/Duty	Year	Under 30	31~50	Over 51	total	3Under 30	31~50	Over 51
Medium and Senior Management	2018	-	57	27	84	0.00%	67.86%	32.14%
	2019	-	65	33	98	0.00%	66.33%	33.67%
	2020	1	81	37	119	0.84%	68.07%	31.09%
Junior Supervisors	2018	8	111	8	127	6.30%	87.40%	6.30%
	2019	4	141	13	158	2.53%	89.24%	8.23%
	2020	4	179	12	195	2.05%	91.79%	6.15%
Engineers	2018	267	427	15	709	37.66%	60.23%	2.12%
	2019	229	480	16	725	31.59%	66.21%	2.21%
	2020	323	622	12	957	33.75%	64.99%	1.25%
Clerks	2018	214	440	20	674	31.75%	65.28%	2.97%
	2019	169	440	25	634	26.66%	69.40%	3.94%
	2020	330	553	49	932	35.41%	59.33%	5.26%
Direct Labor	2018	3,581	2,288	15	5,884	60.86%	38.89%	0.25%
	2019	1,052	1,576	17	2,645	39.77%	59.58%	0.64%
	2020	5,085	2,517	13	7,615	66.78%	33.05%	0.17%
合計	2018	4,070	3,323	85	7,478	54.43%	44.44%	1.14%
	2019	1,454	2,702	104	4,260	34.13%	63.43%	2.44%
	2020	5,743	3,952	123	9,818	58.49%	40.25%	1.25%

Note:

Junior supervisors are section chiefs and assistant managers; intermediate and senior supervisors are managers and above.

## Personnel recruitment

Based on the business strategy and employee career development, we recruit outstanding employees through different channels, including the college/university joint recruitment activities and enterprise recruitment activities organized by government entities. Job opportunities cover technology function, professional function, and expatriation. In Taiwan, we also introduce the summer or regular work-study internship programs, hire R&D alternative civilian servicemen every year, and cultivate and recruit outstanding talents through substantial education-employment exchange with academia-industry collaboration to provide seamless education-employment connections. In 2020, campus recruitment was completely canceled when campus entry was banned due to the pandemic. Therefore, recruitment in 2020 was mainly implemented over online job banks.

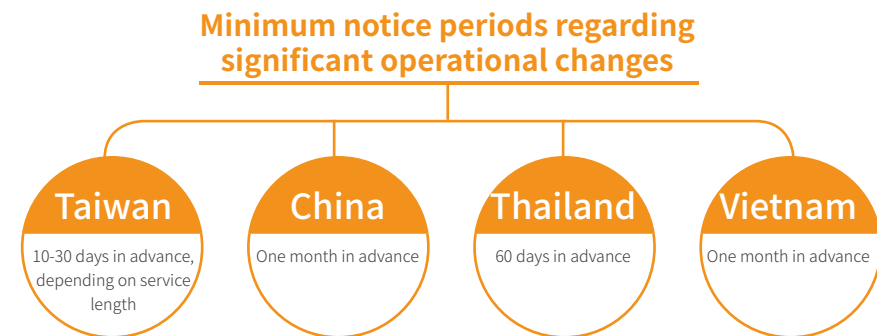
We provide prospective training courses, well-planned benefits, and a comfortable and convenient work environment to ensure adaptive development for different types of talents. We also establish sound communication channels and care about the work and life of employees to enhance corporate cohesion. We also provide opportunities and stages for international development. Our worldwide locations (18 locations in China, Thailand, the USA, and Singapore) allow comprehensive training for employees to develop international work experience and fully develop their expertise in their careers. In response to the IoT, 5G, and AI trends, electroacoustics is indispensable to developing the sound human-machine interface (HMI) for high-tech products. In 2020, we recruited new talents from comprehensive areas, including mechanism design, electronics design, software design,

firmware design, acoustics/noise engineering, microphone R&D, automation, design verification, and material verification.

We recruit employees according to local laws and regulations. Besides ensuring no use of child labor, we ban forced labor and underage employees from engaging in dangerous jobs. In addition, we maintain proper management of the working time and leave of employees through the attendance management system to maintain the work-life balance of employees.

## Employee retention

When an employee applies for resignation, the HR unit will immediately arrange a resignation interview for the employee as necessary to understand the cause(s) of resignation. If it is a cause of the company's business development, we will implement the minimum notice period regarding significant operational changes that may affect the employee's rights and interests to ensure that the affected employee is notified in advance.

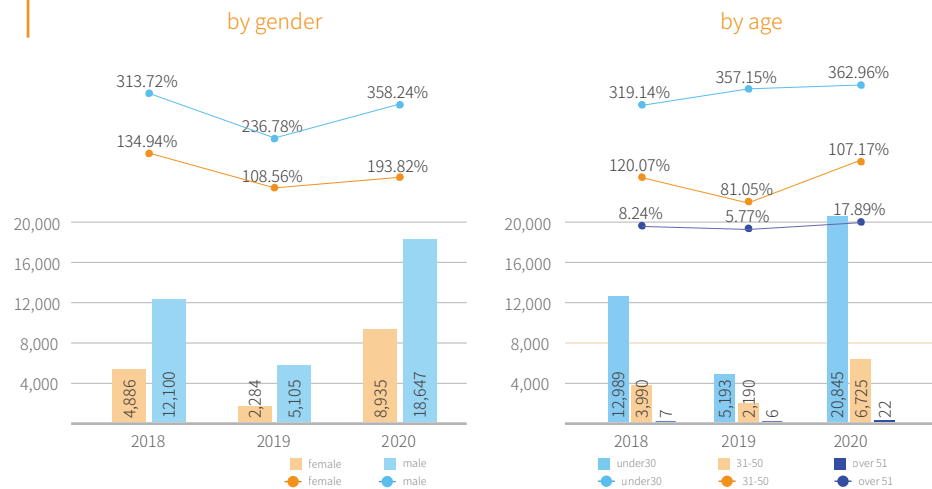




## Statistics one and resigned employees

In 2020, there were 27,592 new employees in total (annual employment rate 281.03%), including 20,845 persons aged below 30, 6,725 persons aged 31-50, and 22 persons aged over 51. In 2020, a total of 27,035 employees resigned (annual separation rate 235.03%), including 16,807 persons aged below 30, 6,226 persons aged 31-50, and 42 persons aged over 51. This is mainly because of a response to the temporary increase in purchase orders which constitute the high and low seasons. In the high season, contracted or temporary employees are hired to meet the demand. Therefore, most new and resigned employees were aged below 30. However, the employment rate was higher than the separation rate because of the overall growth in purchase orders, leading to employee growth by 101.01%.

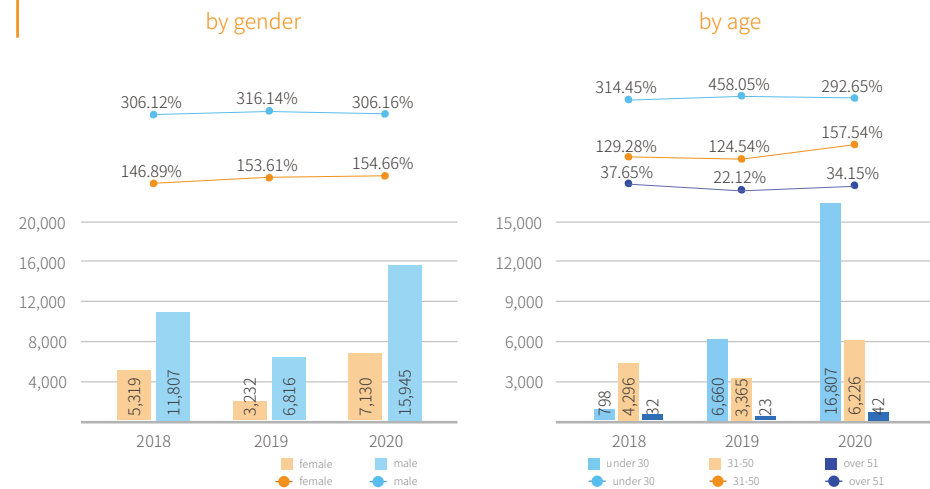
### Number of New Employees over the Years



Note:

Annual employment rate = Number of new employees (by age) of one gender in the year ÷ Total number of employees (by age) of the same gender at the end of the year.

### Number of Resigned Employees over the Years



Note:

Annual separation rate = Number of resigned employees (by age) of one gender in the year ÷ Total number of employees (by age) of the same gender at the end of the year.



## Number of New Employees by Location

Age	Under 30				31-50				Over 51			
	Female		Male		Female		Male		Female		Male	
gender	Total	Employment Rate	Total	Employment Rate	Total	Employment Rate	Total	Employment Rate	Total	Employment Rate	Total	Employment Rate
<b>Taiwan HQ</b>	39	5.19%	32	4.26%	61	8.11%	82	10.90%	1	0.13%	2	0.27%
<b>Merry Shenzhen</b>	5,513	82.15%	13,603	202.70%	2,156	32.13%	4,275	63.70%	4	0.06%	-	-
<b>Merry Thailand</b>	247	36.76%	156	23.21%	34	5.06%	33	4.91%	-	-	-	-
<b>Merry Vietnam</b>	826	56.50%	397	27.15%	13	0.89%	22	1.50%	-	-	-	-
<b>Other regions</b>	11	4.98%	21	9.50%	23	10.41%	26	11.76%	7	3.17%	8	3.62%

**Note:**

Annual employment rate = Number of new employees (by age) of one gender in the year ÷ Total number of employees at the end of the year.  
Taiwan HQ 752 persons, Merry Shenzhen 6,711 persons, Merry Thailand 672 persons, Merry Vietnam 1,462 persons, other regions 221 persons.

## Number of Resigned Employees by Location

Age	Under 30				31-50				Over 51			
	Female		Male		Female		Male		Female		Male	
gender	Total	Turnover rate	Total	Turnover rate	Total	Turnover rate	Total	Turnover rate	Total	Turnover rate	Total	Turnover rate
<b>Taiwan HQ</b>	15	1.99%	20	2.66%	55	7.31%	79	10.51%	3	0.40%	7	0.93%
<b>Merry Shenzhen</b>	4,721	70.35%	11,718	174.61%	2,024	30.16%	3,950	58.86%	19	0.28%	2	0.03%
<b>Merry Thailand</b>	113	16.82%	50	7.44%	12	1.79%	6	0.89%	1	0.15%	-	-
<b>Merry Vietnam</b>	88	6.02%	53	3.63%	29	1.98%	22	1.50%	-	-	-	-
<b>Other regions</b>	17	7.69%	12	5.43%	27	12.22%	22	9.95%	6	2.71%	4	1.81%

**Note:**

Annual employment rate = Number of new employees (by age) of one gender in the year ÷ Total number of employees at the end of the year.  
Taiwan HQ 752 persons, Merry Shenzhen 6,711 persons, Merry Thailand 672 persons, Merry Vietnam 1,462 persons, other regions 221 persons.



## 人 Human rights promotion

All plants abide by the labor and employee employment rights and international standards, value labor human rights, occupational safety and health, maintain a friendly, safe, and healthy work environment. Apart from banning any tangible or intangible sexual harassment; act of discrimination, such as race, religion, color, nationality, and gender; forced labor; child labor; and improper treatment; we should protect the employee’s right to freedom of association and privacy. In addition, we have established the “Merry Code of Business Conduct and Professional Ethics” and related regulations to protect the rights and interests of employees. We have also set up grievance channels and disciplinary regulations and arranged strict protection of the identity of whistleblowers (informers). In 2020, non-compliance with human rights was reported.

Currently, both Taiwan HQ and Merry Shenzhen will arrange education/training on human rights for new employees on their arrival. At the same time, other locations include human rights in the ESG promotion to progressively include related education/training each year. In addition, Merry Shenzhen conducts internal audits on labor human rights, environmental protection, occupational health and safety, and business integrity with respect to the RBA-CoC. In 2018, it applied for the RBA audit under the Validated Assessment Program (VAP) and was recognized at the “silver” level (certificate valid for 2 years\*). From RBA-Online, customers can inquire about the information on our effort in pursuing sustainable development. The certification expired in 2020, and we will apply for a re-audit in 2021.



Locations	Recipient	Duration/Method	Training Percentage	Total Hours of Training
Taiwan HQ	All new employees (excluding dispatched employees)	Every new employee must receive one hour of legal training, including human rights issues.	21%	161
Merry Shenzhen	All employees	In 2020, the RBA training course contained 8 topics covering human rights and business integrity, and was administered in 12 classroom sessions (7.9 hours in total).	100%	34,051

**Note:**

Training Percentage = Total number of trainees in a business location ÷ Total number of employees of the same business location at the end of the year.



## 5.2 Talent development and training

### Talent development management

Talents are the biggest driver of our growth, while education/training are the important methods to ensure the constant appreciation of human capital. Building a learning organization and improving the management and professional competencies of employees are the momentum that boosts team performance and enhances organizational operational performance.

Based on the needs of different trades of training, the results of performance evaluation, and the needs of career development, we provide comprehensive learning channels and development resources, including on-the-job training, classroom training, e-learning, work instructions, and job rotation. The training records of each employee are kept in detail and followed up to guide employees to plan for adaptive career development.

In addition to internal talents cultivation, we also extend our education/training culture to the social aspect, including industry-academia collaboration, volunteerism, the Philanthropic Library, Taiwan's March of Happiness, and CSR, to demonstrate the "common good" of enterprise and society.

### Taiwan Training Quality System (TTQS)

To make training more organized and systematic, Taiwan HQ began to implement the Talent Quality-management System (TTQS) in 2013 and carry out each training program according to the Plan (P), Design (D), Do (D), Review (R), and Outcome (O) cycle. In coordination with the business strategy, we develop the annual workforce strategy and training orientation, review the interrelations between training needs and goals with different management tools, reports, and periodic meetings. After implementing the TTQS, through linking training targets and performance and continual improvement of the training system, we maintained considerable growth in all aspects. We were awarded the silver medal for the TTQS in 2020.

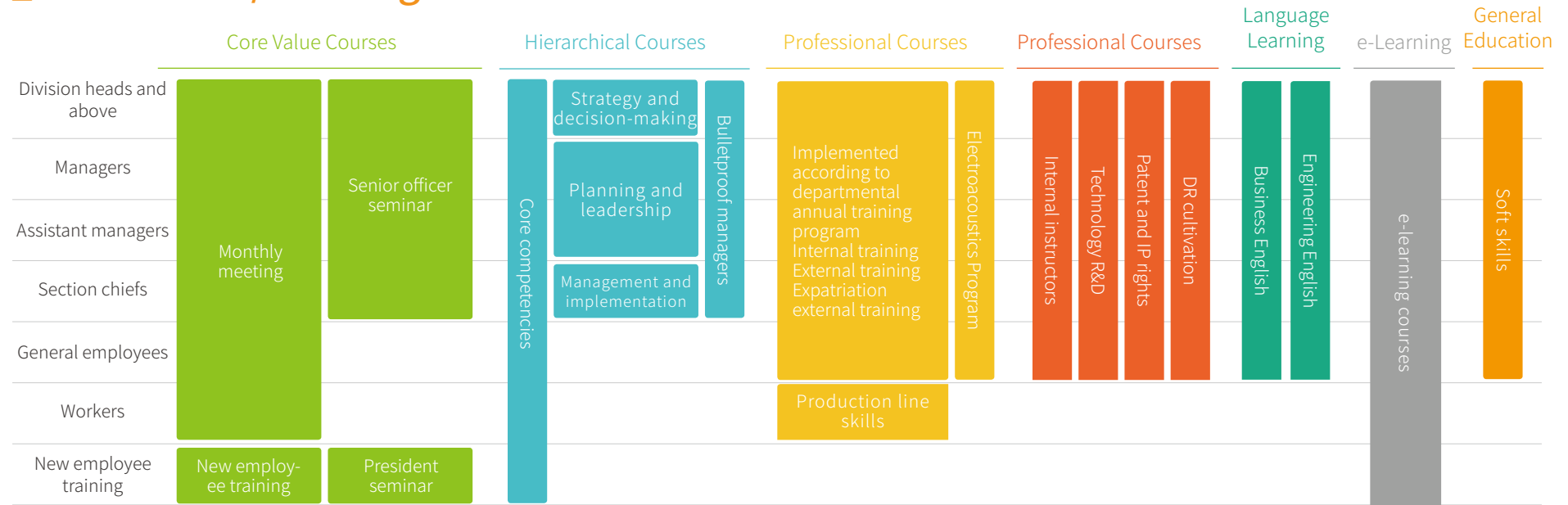
TTQS  
Continuous  
Optimization  
and  
Improvement

- Training commitment and participation of senior officers
- Conversion of training analysis results into the training needs for planning the next training.
- Continuous cultivation of "internal instructors" and increase in internal training resources.
- Establishment of the mechanism for selecting and assessing external instructors.
- Enhancement of the course design involvement of the head of user units, trainees, and instructors.
- Confirmation of course contents through pre-training questionnaires and focus.
- Post-training satisfaction survey, action plan feedback and analysis.





## Education/Training Framework

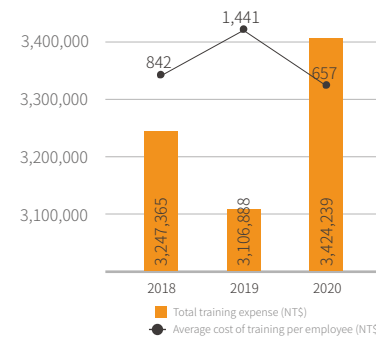


## Training results

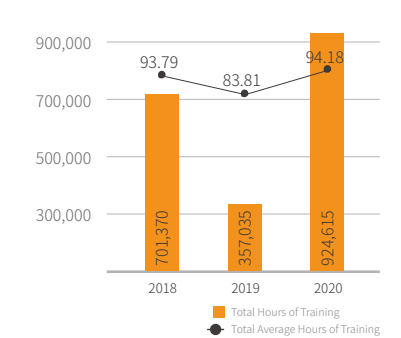
In 2020, courses were mainly given by internal instructors or through e-learning. Therefore, the total education/training expense in 2020 reduced from NT\$320,000 over 2019 to NT\$3.42 million, while the average hours of training increased by 10.37 hours over 2019 to 94.18 hours.



Total Expenses on Education/ Training over the Years



Total Hours of Education/Training over the Years



Note:

Education/training expenses include only the expenses on external training or external instructors, including the related expenses deriving from self-organized education/training by the company. The average cost of training and total average hours of training are calculated based on the total number of employees at the end of the year.



### Total Hours of Education/Training (by gender)

	Year	Total hours			Average hours		
		Female	Male	Total	Female	Male	Total
Medium and Senior Management	2018	541	2,069	2,610	27.03	32.33	31.07
	2019	955	2,523	3,479	38.21	34.57	35.50
	2020	1,108	4,066	5,174	41.03	44.20	43.48
Junior Supervisors	2018	922	2,659	3,581	21.96	31.28	28.20
	2019	1,276	2,738	4,014	26.03	25.12	25.40
	2020	1,028	2,842	3,870	17.73	20.75	19.85
Engineers	2018	7,179	20,953	28,132	40.11	39.53	39.68
	2019	9,112	21,703	30,814	50.34	39.90	42.50
	2020	9,582	33,202	42,784	44.78	44.69	44.71
Clerks	2018	12,285	5,011	17,296	27.30	22.37	25.66
	2019	16,474	5,696	22,170	38.58	27.52	34.97
	2020	22,607	12,110	34,717	36.35	39.06	37.25
Direct Labor	2018	189,447	473,175	662,621	64.66	160.18	112.61
	2019	98,320	208,785	307,105	69.14	170.72	116.11
	2020	268,106	596,874	864,980	72.68	152.03	113.59
Total	2018	210,374	503,866	714,240	58.10	130.64	95.51
	2019	126,136	241,446	367,582	59.95	111.99	86.29
	2020	302,432	649,094	951,526	65.60	124.63	96.92

### Hierarchical Courses

Based on the requirements of the annual training program, we develop the core competencies, professional competencies, and management competencies required by employees of all levels to improve organizational development and thereby enhance corporate competitiveness of employees by arranging courses including “Customer Satisfaction” , “Business Negotiation and Communication Skills” , “Officer Study Group” , “Officer and Staff Camp” , and “MAP Management Competency Training” to enrich the professional knowledge of employees to match training and skills. In 2020, we arranged a total of 3,537 hours of training for 1,627 persons with a sum of NT\$972,000.

### Hierarchical Courses

- MAP-Subordinate Cultivation and Inspiration, Leadership, and Encouragement
- Business Negotiation and Communication Skills
- Customer Satisfaction
- Officer study group
- 2020 Officer and Staff Training Camp
- Corporate Sustainable Development and Co-Building a Common Good Society



[R&D and training courses]

In 2020, R&D and technology courses were the focus of professional courses. We arranged a total of 9,218 hours of training for 1,812 persons with a sum of NT\$276,000.

R&D and technology courses

- PLM System Education/Training Course
- DR Cultivation Course
- Risk Management: FMEA
- 8D Report
- R&D Professional Course



Periodic self-improvement seminars

In 2020 Taiwan HQ organized seminars including the

- Electroacoustics Technology Seminar
- Introduction to Classical Music
- Volunteerism: Life Education Sharing
- Legal Practice Publicization
- Parenting Seminar
- Health Talk
- Fire Safety Talk

for up to 2,753 persons.



[e-Learning courses]

Following the changes toward training diversity, we have developed a range of e-learning resources, increased e-learning tools, optimized the e-learning platform, and integrated physical courses with e-learning tools to progressively replace physical courses. We also constantly enrich the contents of e-learning courses, strengthen individual professional fields, encourage up and running, and focus on developing a learning organization. In 2020, we arranged 3,871 hours of training for 4,427 persons.

e-Learning Courses

- R&D technology training courses
- Quality management courses
- ESH courses
- Procurement and materials courses
- Information software courses
- New employee training courses





### Encouragement of employee further education

Besides planning comprehensive courses, we encourage employees to receive further education through the following three aspects:

- **Learning Reward:**

We calculate the total hours of training of each year of each employee, including individual and group training groups. Winners will be rewarded with cash certificates.

- **Internal Instructor Citation**

We commend “Merry Confucius” on Teacher’ s Day every year to encourage employees to become internal instructors to share their expertise and own experience. Outstanding instructors of the year will be rewarded with a wonderful gift.

- **Unlimited Education/Training Budget**

The education/training expense will be appropriated according to the actual needs of employees. To encourage learning and stimulate learning motivation in the company, the education/training budget is unlimited.



### Support for career learning

As a learning organization, we highly recommend employees engage in on-the-job further education based on the needs of expertise for product development and the career development of employees. Employees wishing for further education due to personal needs may apply for further study during work or leave of absence for full-time further study. We encourage employees to receive further education to improve their experience and pursue self-growth.





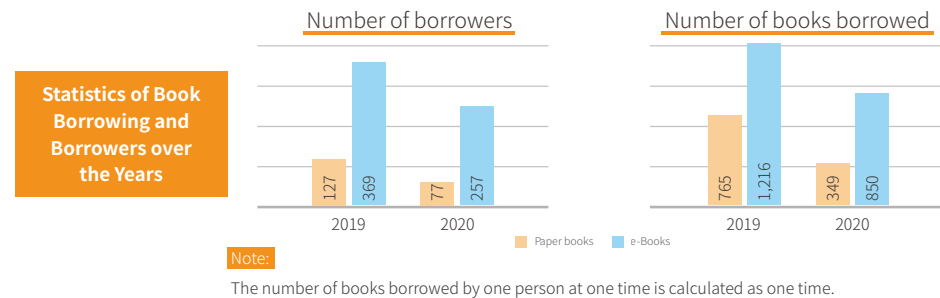
### Development of reading habits

Currently, the library at Taiwan HQ has a collection of over 10,000 volumes. The library of Merry Shenzhen also has a collection of over 1,000 volumes of professional, management, and literature books and magazines. The library at different business locations also keeps increasing its collection following plant expansion and encourages employees to keep reading. In 2019, we introduced the Hyread e-book system. Apart from borrowing and reading physical books from the library, employees may access the e-books over their smartphones or computers. In 2020, we further promoted the e-book platform at the monthly meeting. The number of both borrowers and borrowed e-books have significantly exceeded that of paper books.

#### Officer Study Group

We began to organize the “Officer Study Group” in 2018, with participation by over 100 officers at HQ and overseas plants. Every year, we select 2-4 books for officers to read to encourage officer opinion exchange and application of the knowledge at work.

In 2020, four books were selected: Total Strategy for Digital Transformation, Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs, Business Model Generation, and Building A High-Agility Team with OGSM. A total of officers participated in over 1,068 study groups for 1,602 hours.



## 5.3 Wage and benefit systems

### Employee compensation plan

We provide employees with wages and benefits in compliance with the laws and regulations where business is conducted. Full-time employees are entitled to the regulatory types of insurance and pension plan. We adopt the wage equality policy and will not engage in differential treatment for employees based on race, ethnicity or social background, social status, blood lineage, religion, physical disabilities, gender, gender orientation, family responsibility, marital status, trade union membership, political affiliation, and age. In addition, consider the remuneration system based on the overall pay, including wages, benefits, bonuses, and profit sharing. Each employee must receive two performance evaluations each year. The results will be the reference for rewards, appointment, promotion, and personnel management.

Every year, we participate in the salary survey and draw up the salary adjustment plan based the assessment according to the economic growth rate, CPI,



the company's profit status, and the salary adjustment of benchmark industries, with reference to the minimum wage announced by the local government, and in consideration of the results of performance evaluation of employees to ensure the overall wage system can attract and retain talents.

We establish country- or region-specific bonus and employee reward systems. Take Taiwan HQ for example, before or after Spring Festival each year, we distribute the year-end bonus based on the company's profit and the employee's personal performance. In addition, based on the company's regulations, we distribute the employee reward according to the company's achieved performance and the employee's personal performance and contribution. In addition, we also introduce related measures, such as the employee stock option/treasury stock/restricted stock awards plan/employee stock ownership trust according to the reward regulations of Taiwan's Ministry of Finance. Raises at Taiwan HQ in 2020 averaged 2.27% (excluding new employees with seniority under one year).

## Ratio of Base-Level Employee Pay Vs Minimal Wage

We hire direct labor at four production bases, such as Merry Shenzhen. They are salaried based on education attainment, work experience, professional knowledge and skills, and job duties. The start pay for inexperienced employees also complies with or is superior to the local minimum wage. No direct labor is hired in other business locations. The start pay of indirect

labor in all other business locations is way better than the minimum wage and thus excluded from the statistics.

Locations	Start Pay	Minimum Wage	Ratio
Merry Shenzhen	RMB 2,250	RMB 2,200	1.02
Merry Thailand	THB 8,710	THB 8,710	1.00
Merry Vietnam	VND 3,900,000	VND 3,430,000	1.14
Suzhou Merry	RMB 2,440	RMB 2,020	1.21

### Gender-based Wage Ratio – by base salary (same pay grades)

Locations	Taiwan HQ		Merry Shenzhen	
	Male	Female	Male	Female
Direct Labor	(no direct labor)		1	1
Indirect Labor	Non-supervisor	1	1	1
	Supervisor	1	1	1

### Gender-based Wage Ratio – by average salary per capita

Locations	Taiwan HQ		Merry Shenzhen	
	Male	Female	Male	Female
Direct Labor	(no direct labor)		1	1.00
Indirect Labor	Non-supervisor	1	0.82	0.73
	Supervisor	1	0.87	0.93

There is no differential treatment in the start pay and annual raise based on gender for new employees who are recruited and salaried with the same criteria and at the same pay grade. However, the remuneration may vary between genders due to the duty attributes and seniority. Therefore, the ratio may differ.



### Gender-based Wage Ratio – by total salary per capita

Locations	Taiwan HQ		Merry Shenzhen		
	Male	Female	Male	Female	
Direct Labor	(no direct labor)		1	1.00	
Indirect Labor	Non-supervisor	1	0.82	1	0.73
	Supervisor	1	0.87	1	0.93

## Wage of full-time non-supervisor employees

In respect of the regulations of the competent authorities, we disclose the wage information of non-supervisor employees on MOPS and in this to improve the quality of corporate governance information and strengthen our social responsibility. The “average wage” of non-supervisor employees in 2020 reduced by 9.9% from NT\$1,010k in 2019 to NT\$919k, and the “mean average” of non-supervisor employees was reduced by 7.99% from NT\$776k in 2019 to NT\$714k.

## Performance evaluation system

With a fair performance evaluation system and through beginning target setting, we unflinchingly implement the corporate strategy and link the annual targets to the department and individual goals in a top-down manner. At the end of each year, the unique head will interview employees to review the achievements in the key performance indicators (KPIs) and give them encouragement and feedback for improvement in order

to promote two-way communication and employee development and improve organizational performance.

Except for new employees starting service for less than three months, all other employees regardless of grades and gender must accept two performance evaluations conducted each year based on a fair performance evaluation system. In 2020, the evaluation achievement rate was 100%. In addition, the evaluation results will be the reference for determining promotion, salary raises, performance bonuses, rewards, employee development, and training needs.

## Insurance

Taiwan HQ and other business locations arrange different types of social insurance, medical insurance, unemployment insurance, and other mandatory social benefits according to the laws and regulations of the locations where business is conducted. Besides deducting the employee’s contribution from their salaries, we also make our contributions by law.





Factory Area	Types of insurance	Employer Contribution	Employee Contribution
Taiwan HQ	Labor Insurance and National Health Insurance	Subject to the payroll bracket	
	Group insurance	Casualty insurance	NA
	Expatriate group insurance	Increased casualty \ insurance \ Accidental medical cover \ Hospitalization insurance	NA
Merry Shenzhen	Medical insurance	0.45%~5.2%	0.1%~2%
	Birth insurance	0.45%	NA
	Unemployment insurance	0.7%	0.3%
	Work-related injury insurance	0.14%-1.14%	NA
Merry Thailand	Social security system (covering medical, unemployment, child welfare, and retirement)	5% (max. THB 750)	5% (max. THB 750)
Merry Vietnam	Social insurance (covering birth, occupational hazards, retirement, unemployment, and health)	21.5%	10.5%
Merry USA	Social security taxes	6.2%	6.2%
	Medicare tax	1.45%	1.45%
Merry Singapore	Central Provident Fund	7.5%~17%	5%~20%
Merry Hong Kong	Employees' Compensation Insurance	100%	NA
Suzhou Merry	Medical insurance	7%	2%
	Birth insurance	0.8%	NA
	Unemployment insurance	0.5%	0.5%
	Work-related injury insurance	0.25%	NA

## Retirement Protection

Besides establishing the retirement system according to the Labor Standards Act and related laws and regulations of Taiwan, Taiwan HQ has formed the Labor Retirement Reserve Supervisory Committee to institutionalize the operation of the labor retirement reserve. The committee approved by the Taichung City Government holds a committee meeting quarterly. In pension contribution, for employees choosing the

plan under the Labor Standards Act (LSA), we contribute monthly 5.1% of the total amount of the employee's salary and deposit the amount in the Labor Retirement Reserve special account at the Trust Department, Bank of Taiwan. The amount of the reserve is contributed in full each year to sufficiently disburse the pension for employees. For employees choosing the plan under the Labor Pension Act (LPA), we contribute monthly 6% of



the total amount of the employee’s salary and deposit the amount in the employee’s pension special account in the Bureau of Labor Insurance. Employees may choose to contribute 0-6% to his/her pension special account.

We also follow the pension laws and regulations of the host country/region where business is conducted by contributing the employee’s pension to the special accounts according to the local retirement protection and insurance schemes to protect the later life of employees.

Locations	Pension System	Employer Contribution	Employee Contribution
Taiwan HQ	LSA Plan	Contribute 5.1% of the total salary amount each month	NA
	LPA Plan	Contribute 6% of the total salary amount each month	0-6% at the employee’s will
Merry Shenzhen	Endowment Insurance under social insurance	14%-15%	8%
Merry USA	401(K)	6%	At the employee’s will
Merry Singapore	Central Provident Fund (pension)	17% (max. SGD \$1,020)	20% (max. SGD \$1,200)
Merry Hong Kong	Central Provident Fund (pension)	5%	5%
Suzhou Merry	Endowment Insurance under social insurance	24.5%	10.5%

The pension system of Thailand and Vietnam is subject to the local mandatory social insurance schemes and thus not repeated here.

## Parental leave

Taiwan has established the “Regulations for Implementing Unpaid Parental Leave for Raising Children” and “Act of Gender Equality in Employment”. Apart from abiding by the law, to help employees take care of their careers and family at the same time, Taiwan HQ introduces the “Unpaid Parental Leave Policy” for employees to apply for unpaid parental leave for a maximum of two years to take care of children aged under 3. We also introduce other types of leave, such as menstrual leave, pregnancy check-up leave, maternity leave, paternity leave, tocolysis leave, and family care leave, friendly workplace measures, such as breastfeeding (lactation) room, maternal health protection, and sign contracts with qualified and quality kindergartens to support the childcare needs of employees in all dimensions (as parental leave is only legislated in Taiwan, only the data of parental leave will be disclosed in this report).






Item	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Number of employees entitled to parental leave (A)	52	32	56	38	58	34
Number of employees taking parental leave (B)	0	4	1	5	2	7
Number of employees due to return to work after parental leave (C)	1	7	1	5	2	6
Number of employees that did return to work after parental leave (D)	1	5	1	3	2	3
Number of employees that did return to work after parental leave in the previous year (E)	1	2	1	5	1	3
Number of employees retained 12 months after returning to work following parental leave in the previous year (F)	0	1	1	3	1	3
Return to work rate (D/C)	100%	71%	100%	60%	100%	50%
Retention rate (F/E)	0%	50%	100%	60%	100%	100%

**Note:**

The number of employees entitled to parental leave in 2020 was the total number of employees applying for maternity leave and paternity leave in 2017-2020.

## Leave system better than the regulatory requirements

Taiwan HQ adopts the flex-time and flex-time-off policy for employees to enjoy greater flexibility in work and time-off. In addition to the types of leave stipulated in the Labor Standards Act, we introduce a leave system better than that of the law, such as home leave for expatriates and paid relative marriage leave. To encourage employees to engage in charitable activities, we introduce volunteer service leave. Employees who are unable to go to work for illness or some reason may apply for work from home to maintain income from work and balance life. The benefits of other business locations are mainly subject to the laws and regulations of the host country/region

Item	Regulatory Requirements	Merry' s Superior Benefits
 Home leave	NA	<ol style="list-style-type: none"> <li>1. Several times a year.</li> <li>2. In response to the COVID-19 pandemic, besides the statutory leave benefits, we pay employees for the quarantine period required by the respective countries and also the accommodation expenses.</li> </ol>
 Marriage leave	Paid 8-day leave for the marriage of employees.	<p>In addition to the marriage of employees, employees are entitled to paid marriage leave for:</p> <ol style="list-style-type: none"> <li>1. Children (2 days)</li> <li>2. Siblings (1 day)</li> </ol>
 Volunteer service leave	NA	Paid 2-day leave each year.
 Maternity leave	Employers are not obliged to grant paid maternity leave to employees having a miscarriage within three months of pregnancy.	Employees having a miscarriage after three months of pregnancy are entitled to apply for paid maternity leave by law.
 Work from home (WFH)	NA	Employees who are unable to go to work for illness or some reason may apply for work from home.

## Employee Welfare Committee

Taiwan HQ has established the “Employee Welfare Committee” (EWC), which holds committee meetings regularly and promotes various employee benefits, including cash gifts for folk festivals, subsidies for employee reunions and travels, cash gifts for birth and marriage, scholarships for employees and their children, funeral subsidy, emergency assistance, consolation money, etc. We also support employees to form various leisure clubs and encourage employees and employees to join related club activities to make inclusion a reality at Merry. We value the family of employees. In response to COVID-19, Merry Family Day was canceled.



## Thriving employee club development

To encourage employees to develop hobbies, extend interpersonal relationships, and maintain physical and mental health, Taiwan HQ has a host of employee clubs, such as the badminton club, basketball club, yoga club, aerobic exercise club, calisthenics club, etc.



## Employee reunions

Departments of Taiwan HQ hold departmental reunions every quarter to enhance organizational commitment, improve team spirit, and promote friendship exchange in employees.





5

Building a Friendly Workplace

1

Electroacoustics Specialist

2

Management of Sustainable Development Issues

3

Governance

4

Delivering Excellent Sound

6

Addressing Climate Change

7

Enriching Human Life

## Employee travels

Besides organizing employee tours (some are organized by employees) every year to promote friendship and understanding among employees, Taiwan HQ also plans family activities for employees to balance family life and work, optimize the relationship with their spouse, and interact with their children and family, and for their family to understand our corporate culture and inclusiveness.



## Scholarships for employees and children

We provide scholarships for employees and their children to reward their outstanding learning performance and improve the sense of identity and belonging of family. In 2020, we approved 100 scholarship applications with a total amount of NT\$145,800



## Other benefits

### Commendation of senior and model employees

Every year, Taiwan HQ rewards employees for a service of every five years with the “Service Award”. We also nominate and select employees with outstanding performance for the “Model Employee of the Year” award to thank them for their contributions.



### Stress-relieving massage service

In 2013, we began to hire a masseur with visual impairment to provide a 20-minute massage service for employees during work. In 2020, we hired another masseur (2 in total) to provide the service for up to 923 person-times.





## 5.4 Friendly and safe workplace

### Occupational health and safety management system

Upholding the OH&S policy featuring “employee protection, health care, hazard prevention, and injury minimization”, besides establishing and implementing the OH&S management system with respect to the “Occupational Safety and Health Act” and the ESH policy, goals, and indicators, we also implement periodic inspections to comply with the “Occupational Safety and Health Act” and related requirements, provide employees with a safe and healthy work environment, eliminate hazards and lower OH&S risks, and promote OH&S consultation and participation to ensure that internal operation comply with the OH&S policy and regulations

To ensure the effective operation of the OH&S management system, Taiwan HQ has established the OH&S Committee, with the president being the chairperson, the OH&S management representative the vice chairperson, and staff of the labor safety unit and labor representatives as the committee members. The committee has 4 labor representatives, accounting for over 33% of all members. Merry Shenzhen assigns the Fire Prevention and Safe Production Committee to be the OH&S management organization concurrently, with the plant general manager being the chairperson and 50% members from labor representatives. The committee holds the committee meeting quarterly to evaluate material OH&S matters or make recommendations for material OH&S issues.

Both Taiwan HQ and Merry Shenzhen have established the OH&S management system according to ISO45001:2018 to cover workers (both staff and non-staff) implementing design, development, procurement, construction, production, maintenance, and contracts. Based on the management system framework, we established procedures relating to OH&S management for the reference of OH&S planning.

As business locations including Merry USA, Merry Singapore, and Merry Hong Kong engage only in sales and management and have a lower risk of disability injury and a smaller number of employees, as shown in the OH&S risk assessment, they are not covered by the OH&S management system. Merry Shenzhen already passed the external certification of ISO 45001:2018 in 2020. Taiwan HQ began to implement the system in 2020 and will apply for external certification in 2021. Although Merry Thailand has established an OH&S management system, it does not comply with the ISO 45001 framework so far. Suzhou Merry is an affiliate acquired in 2018. Merry Vietnam started mass operations only in 2020. In the future, we will continue to implement the OH&S management system in all production bases and pass certification.

#### Rights of Labor Representatives at OH&S Committee

- Reflect employee opinions (including the OH&S resource needs and risk control needs)
- Participate in the development and evaluation of OH&S policies, targets, and procedures.
- Publicize and communicate resolutions made at committee meetings.
- Participate in incident investigation.



Locations	Number of employees by the end of 2020	Number of employees covered by the OH&S management system	Number of employees included in the OH&S management system	Number of employees covered by external certification
Taiwan HQ	752	752	752	0
Merry Shenzhen	6,711	6,711	6,711	6,711
Merry Thailand	672	672	0	0
Merry Vietnam	1,462	0	0	0
Suzhou Merry	154	0	0	0
Merry USA	11	Low-risk locations as shown in risk assessment. Only safety management measures are implemented in offices. Management is implemented under the management system not according to the ISO45001:2018 framework.		
Merry Singapore	44			
Merry Hong Kong	12			
Number of employees at high-risk business locations	9,751	8,135	7,463	6,711
Coverage (high-risk business locations only)		83.43%	76.54%	68.82%
Coverage (all business locations)		82.86%	76.01%	68.35%

## Hazard identification, risk assessment, and incident investigation

Work-related hazards (including physical, ergonomic, chemical, biological, and psychosocial) are constantly identified and registered to evaluate OH&S risk in order to achieve zero occupational accidents. Hazards are identified and assessed and necessary controls are implemented constantly to realize the OH&S policy and thereby meet the requirements for sustainable development. In 2020, Taiwan HQ found 244 incidents through hazard identification and risk and opportunity assessment, and no high-risk incident was confirmed after controls. Merry Shenzhen implementation hazard identification and risk and opportunity assessment on 58 departments, and no high-risk incident was confirmed after control.

If nonconforming behavior or new potential risks and problems are detected, special staff are assigned to follow up the improvement, assess the need for revision of related regulations according to the question points to ensure the safety and health of work environment. We have also established an effective investigation and handling system for a work-related injury, ill-health, diseases, and other accidents to investigate the causes or underlying causes of accidents and take effective corrective and preventive action to enhance the effectiveness of OH&S management.

To prevent an emergency in advance or mitigate the environmental impact and hazard caused afterwards, we have established management procedures for the preparedness and counter-measures of disasters and emergencies to prevent items that may cause impact or hazard to the environment and safety in routine work and prepare for the response. To prevent fires from occurring and to rescue and extinguish them as soon as possible, we arrange fire prevention training and fire equipment operation training every year to equip employees with more fire



prevention knowledge and skills.

We value life safety, promote it in new employee training, and state it in the OH&S management manual. When a life-threatening situation (e.g., earthquake, fire, explosion, toxic substance leak) occurs at work, employees should actively avoid danger, leave the risky area, and immediately report to the superior. There will be no punishment for employees.



## OH&S education/training

With respect to the regulatory requirements and to ensure that all employees are familiar with the OH&S-related regulations and the company's OH&S management mechanism, we arrange regular OH&S-related education/training to ingrain the OH&S culture and concept in employees.

In 2020, Taiwan HQ arranged new employee OH&S and fire prevention education/training for 178 person-times, new employee hazardous chemicals education/training for 57 person-times, fire safety training for 193 person-times, and fire prevention talks for 205 person-times, with a total of about 562 hours. In addition, occupational safety and hygiene officers receive recurrent training according to the regulatory requirements and

arrange health and safety training for employees to enhance the safety awareness of all employees.

Besides equipping all production machines with clear operating procedures and specifications and maintenance records, Merry Shenzhen requires all operators to receive operation training and pass the evaluation before operating any machines. Merry Shenzhen also designs safety mechanisms and measures for all machines to protect employees against any injuries. Merry Shenzhen arranges three levels (plant, shop, and post) of safety training for all new employees on their arrivals. In 2020, training was arranged for up to 23,248 person-times. In addition, public safety training courses are arranged from time to time. In 2020, a total of 7 courses were arranged for 15,606 person-times.

Training Time	Topics of Public Safety Training Course at Merry Shenzhen	Actual Number of Trainees
Feb	Safety Knowledge Learning (Access Clearance, Extinguishing and Evacuation: Safety Responsibility and Requirements)	2,602
Apr	Identification and Control of Dangerous Sources	2,340
Jul	ISO 45001 Standard	2,803
Sep	Use of Personal Protective Equipment	3,004
Oct	Knowledge of Machinery and Equipment ESH and GP Assessment and Acceptance	69
Nov	Important Dangerous Sources of Machinery, Equipment, and Department	3,903
Dec	Occupational Safety Control of Hazardous Chemicals	885

After reporting arrivals, new employees must complete health and safety





related courses and training. All employees can also access work-related regulations and SOPs at any time through the document management system to capture related work safety regulations.

## Work environment monitoring

We also periodically update the list of chemicals used in-house and implement systematic assessment and identification of hazardous chemicals according to hazardous chemicals assessment and grading management methods to capture toxic substances with a high risk of health hazards and implement graded management according to the assessment results. We implement environmental monitoring half-yearly to constantly verify if the exposure intensity of hazardous chemicals exceeds the legal limits. In 2020, both Taiwan HQ and Merry Shenzhen conformed with the limit of exposure intensity.

## Contractor safety management

We treat contractors as important partners. To ensure the work safety of their employees, apart from implementing hazard communication and supervision according to the local laws and regulations of business locations, we also implement various management mechanisms to strengthen the construction safety of contractors.

Taiwan HQ has established the “Procurement Safety and Health Assessment Management Procedures” and “Contractor Construction Safety Management Regulations”. The procuring unit makes a request for project/labor service/materials procurement for the labor safety unit to review related safety and health criteria and notify the cautions for construction

safety for the procuring unit to outsource and perform inspection and acceptance. Merry Shenzhen has established the “Contractor ESH Management SOP” and requests all contractors to sign the “ESH Management Notice” to notify them of the safety precautions for working in-house and for the procuring unit to outsource and perform inspection and acceptance. This system helps procuring units to capture the qualification and conditions of contractors in advance and improve the construction quality and safety of outsourced projects. However, we have not implemented the management and statistics on the work duration of contractors. In the future, we will plan related management mechanisms to include the work duration of contractors in the statistics.

## Management of disabling injury

In the last three years, no fatality or high-consequence disabling injury on workers was reported, and no disabling injury on non-staff workers was reported. Due to the lower risk in occupational safety and the absence of regulatory requirements in the host country/region, Merry USA, Merry Singapore, and Merry Hong Kong are excluded from the working time statistics and management. The total working hours of Taiwan HQ, Merry Shenzhen, Merry Thailand, and Suzhou Merry were about 1,399 million hours.

In 2020, three disabling injuries (LDR>1 day) were reported from Taiwan HQ, with a combined lost time of 143 days. These injuries were caused by falls when walking or going upstairs/downstairs on slippery surfaces or in a dim environment. They all were reviewed and improvement was made to ensure the floor surface is dry at all times and proper lighting is provided



on the stairs to prevent the recurrence of similar accidents. Two minor injuries (LDR<1 day and excluded from the statistics according to related criteria) were also reported. In addition, there were three close calls (also near misses, recording started in 2020 after the implementation of ISO45001:2018).

Three disabling injuries (LDR>1 day) were reported from Merry Shenzhen, with a combined lost time of 75 days. Two were caused by falling/collapsed objects or impact due to improper equipment operation. Another one was caused by a fall. All were reviewed and improvement was completed. Safety education/training was enhanced and optoelectronic protective devices were installed on machines and equipment to prevent the recurrence of similar accidents. Two minor injuries (LDR<1 day and excluded from the statistics according to related criteria) were also reported. In addition, no close call was recorded (recording started in 2020 after the implementation of ISO45001:2018)

### Incident investigation of Merry Shenzhen:

Cause	Corrective Actions
When an employee transported a machine alone with a cart, the wheel of a cart accidentally stuck in the grill gutter. As a result, the machine fell on the employee's instep.	Enhance employee safety education/training, ensure route clearance before transporting machines, transporting machines by at least two persons.
Fall in the canteen due to slippery floor	Wear anti-slip shoes when working in kitchens.
Impact of warehouse staff due to improper operation of cargo lifts.	Re-training on the safe operation of cargo lifts and increase safety signs.

Information of Disability Injury of All Employees		
All employees	2019	2020
Number of hours worked in a year	10,791,571	13,988,064
Number of fatalities as a result of work-related injuries	-	-
Number of high-consequence work-related injuries	-	-
Number of close calls	-	3
Number of lost days	5	218
Number of recordable work-related injuries	1	6
Rate of fatalities as a result of work-related injuries	-	-
Number of high-consequence work-related injuries	-	-
Total recordable incident rate (TRIR)	0	0
Near miss frequency rate (NMFR)	-	0
Lost day rate (LDR)	0.09	3.12
Disabling injury frequency rate (FR)	0.09	0.42
Disabling injury severity rate (SR)	-	15
Frequency-severity indicator (FSI)	-	0.08

Note:

Indicator calculation does not include injuries due to traffic accidents.

Rate of fatalities as a result of work-related injuries = Number of fatalities as a result of work-related injuries × 200,000 ÷ Number of hours worked in a year

Rate of high-consequence work-related injuries = Number of high-consequence work-related injuries × 200,000 ÷ Number of hours worked in a year

TRIR = Number of recordable work-related injuries × 200,000 ÷ Number of hours worked in a year

NMFR = Number of near misses × 200,000 ÷ Number of hours worked in a year

“Lost Days” refer to the number of days during which the injured cannot resume work temporarily (or permanently), excluding the day when the injury occurs and the day of resumption to work. However, the number of days in between (including Sundays, holidays, days off of the business) and the number of days that the injured cannot work due to the incident should be included. “Number of recordable work-related injuries” refers to the number of injured person-times (lost time >8 hours).

“Number of high-consequence work-related injuries” refer to other unrecoverable injuries (e.g., amputation of a limb) or injuries depriving the injured of recovery to the condition before the injury in six months.



## 5.5 Health care

### Occupational health services

We value the health physical and mental health of employees. Besides meeting the regulatory requirements, every year, we arrange health checkups better than the regulatory requirements for employees. Taiwan HQ also provides employees with comprehensive health care services including monthly consultation with contracted physicians, real-time health consultation and healthcare from occupational health nurses, anomaly follow-up and care after health checkups, medical referrals, and work resumption care. In 2020, 621 employees of Taiwan HQ took the health checkup, with a participation rate of 87.46%. Taiwan HQ also arranged follow-up services for high-risk cases found in checkups to ensure early detection and early intervention.

Merry Shenzhen arranges occupational safety related checkups for employees working in special environments (e.g., dust, chemical contacts, noise) before, during, and after taking the job. Merry Shenzhen provides follow-up care and rechecks or transfers employees with related indications off the present job.

### Countermeasures of COVID-19

In response to the COVID-19 pandemic, we made high-standard deployment and implemented a rolling review of the epidemic control policy from January 2020. The Workforce and OH&S Division kept track of the global epidemic trend every day. They established corresponding controls in terms of seven aspects: personal protection, environmental safety, attendance management, visitor management, health and medical, work from home, and epidemic control supplies. They also held meetings with representatives from related departments to discuss and revise related controls. Then, they reported them to the president before implementation to ensure the unflinching implementation of the epidemic control policy. In 2021, they will revise the “Epidemic Condition Grading and Countermeasures” of the Communicable Diseases Prevention Plan under the “Health Management Regulations” and regularly hold emergency meetings based on the pandemic's severity.

In personal protection, we classified travel history and contact history into categories A-G for employees to voluntarily report their condition order the “Employee Voluntary Status Report” online epidemic investigation system. We also implemented related attendance and health management measures to capture the real-time status and health condition of employees. When the situation was critical, we activated the split operation mechanism, shut down the canteen to prevent group dining, held virtual meetings, and reduced unnecessary overseas business trips to prevent or reduce the pandemic from spreading. We also provided employees going on overseas business trips with the disease prevention package and safety protection and health handbook and arranged quarantine hotels and airport pick-up for them. When they returned to Taiwan, we arranged periodic care and health follow-up and provided them with timely health consultation services and medical assistance.



## Epidemic Controls

 <p>Personal protection</p>	Access management	Access route control Voluntary condition report, body temperature measurement, wearing face masks, alcohol hand sanitization
	Fever treatment	No entry into the office/factory and compulsory homestay within 24 hours from the fever episode.
 <p>Environmental safety</p>	Dining management	Split dining areas Strengthening and tightening: Group dining ban.
	Assembly (crowd) restriction	Maintaining a 1.5m social distance and wearing face masks. Strengthening and tightening: Gathering of over 50 persons.
	Environment disinfection	Periodic disinfection Strengthening and tightening: Once a month
 <p>Attendance management</p>	Overseas business trips	Minimization of unnecessary overseas business trips Strengthening and tightening: Cross-county/city business trip restrictions, and split operation for unavoidable transregional business trips.
	Split operation	Work-from-home (WFH) or split operation (adjustment as necessary)
 <p>Visitor management</p>	Incoming visitors	Limitation of the areas of visit for visitors. Strengthening and tightening: No visitors.
 <p>Health and medical</p>	Care for employee health	Daily voluntary report of travel history and contact history (cat. A-G) and access management. Concern about the travel history and contact history of employees, WFH arrangements as necessary, and periodic care for employee health. Set up the “COVID-19” site on the employee portal and updating contents from time to time.
	Medical for business trips	Assistance for health management and medical assistance for employees taking overseas business trips.
 <p>Work-from-home</p>	Information equipment	Ensuring the sufficiency and operation of IT resources, including hardware and software, of employee check-in, virtual meetings, and communication for work-from-home. Ensuring data integrity and confidentiality.
 <p>Epidemic control supplies</p>	Supplies stocking	Periodic supplies stocktaking (inventory) to ensure the availability and sufficiency. Timely assistance for supplies dispatches across regions.



## Epidemic control mechanism timeline:

December 2019	<b>Outbreak of COVID-19 (SARS-CoV-2) in Wuhan City, Hubei Province.</b> Kept track of global epidemic development and stay alert with the employee's health.
January 2020	<b>First imported confirmed cases detected in Taiwan on Jan 21 .</b> We began the access control; activated work-from-home and the health management mechanisms for expatriates returning to Taiwan. 2. Postponed large conferences or education/training activities with 50 or more participants or organized them online.
February 2020	1. Started using the online dynamic self-reporting form, and implemented the A-G graded access control management and health follow-up mechanism. 2. Implemented entrance body temperature measurement and access control, and provided alcohol and environmental disinfectants at conference rooms and office areas.
March 2020	1. Shut down dining in at restaurants, implemented the one-way and alternate seating arrangements for canteens, and used tabletop partitions. Activated work-from-home and management measures. 3. Minimized unnecessary overseas business trips. If an overseas business trip is required, the disease prevention package and Taiwan home quarantine package (face masks, vitamins, 75% alcohol and wipes, protective gowns, googles, body thermometers, environmental disinfectants, fruit and food), quarantine hotel arrangement (if required), and pickup service.
April 2020	1. Visitor control. 2. Cancellation of all club activities and department reunions, and other group gatherings
June 2020	<b>Progressive relaxation of the corporate epidemic control policy in line with the pandemic slowdown.</b> Re-opened large conferences with less than 100 participants, resumed club activities and department reunions, and allowed visitors.
May May 2021	<b>Level 2 epidemic control started across Taiwan on May 11 . Level 3 epidemic control started in Taipei and New Taipei cities on May 14 . Level 3 epidemic control started across Taiwan on May 19 .</b> Activated work-from-home or split operations; no visitors.

## Health promotion

We combine mental stress tests in the annual health checkup to identify employees under high stress and psychiatrist consultation and care for them to help them relieve stress.

As most employees of Taiwan HQ are R&D and administrative personnel, they sit a lot during work and easily suffer from musculoskeletal disorders, metabolic syndrome, and mental stress. Therefore, we arrange various awareness education and activities and encourage them to participate in various employee sports clubs in order to develop health awareness and healthy living habits in them.

In 2020, Taiwan HQ held 11 health promotion activities with 1,216 participants. Taiwan HQ also passed Sports Administration's certification for the Taiwan iSport mark.

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5

### Building a Friendly Workplace

tification” for the Taiwan iSport mark. Besides organizing health preservation knowledge training with contracted medical institution Houde Hospital, Merry Shenzhen also invited graduate students of Guangzhou University of Chinese Medicine to provide volunteer acupuncture service in the plant to provide employees with comprehensive health care. Employees of Merry Shenzhen have also formed employee clubs including the basket club, badminton club, and volunteer club, which organize various club activities from time to time, such as matchmaking, family activities, charitable activities, and the “All-Out Work-out Month” sports meet to promote physical and mental health in employees and enhance team cohesion and commitment for employees to engage in work with greater enthusiasm and better health.



- 1  
Electroacoustics Specialist
- 2  
Management of Sustainable Development Issues
- 3  
Governance
- 4  
Delivering Excellent Sound
- 6  
Addressing Climate Change
- 7  
Enriching Human Life

Course Topic	Actual Number of Trainees
Adaptive teaching: Let children be themselves (online)	314
Blood donation	51
Away from pain: Back to right positions	49
Workplace violence 2. Parenting: Embrace conflicts and let love flow	496
Physiotherapists: No more stiff shoulders	34
Musculoskeletal relaxation (4 classes)	45
Physical fitness assessment	66
Post-checkup physician consultation	38
Metabolic syndrome talk	22
Blood donation	36
Does the internet tell you all? Weight loss with BMI you should know.	65



## Mandatory labor health checkups

Taiwan HQ arranges health protection and promotion through in-house individual health consultation with contracted physicians and according to the labor health service guidelines stipulated by the Ministry of Labor.



### Program to prevent diseases caused by abnormal workloads

During the active employee health checkup, employees are requested to fill in the risk identification assessment form to screen the level of health risks according to the risk factors found in the health checkup. High-risk employees are interviewed and given health instructions by contracted physicians, and their superiors are notified to provide appropriate assistance. Medium- and low-risk employees will be given email medical advice or interviewed by the occupational health nurse.

HQ

2 high-risk employees  
were screened



### Employee maternal health protection program:

After acknowledging employees are pregnant, we ask them to fill in the “Employee Maternal Health Risk Assessment Form” to assess the influence of work on their maternal health. In 2020, health interviews were provided to nine pregnant employees and eight postnatal employees to provide pregnancy and postnatal health education information. In addition, seven employees used the breastfeeding (lactation) room.

Merry Shenzhen registers pregnant employees every month. Besides producing statistics on pregnant employees, it includes them in a list to follow up the maternal health during pregnancy. Pregnant employees are transferred to other jobs away from toxic and hazardous substances. No overtime work will be requested from employees with a pregnancy of seven or more months. During the breastfeeding period, employees can apply for one hour of breastfeeding leave every day. Merry Shenzhen has also set up the breastfeeding (lactation) room. In 2020, a total of 21 pregnant employees were registered.

### Health Interviews

9 Pregnant employees  
8 Postnatal employees



### Ergonomic hazards prevention program

During the active employee health checkup, employees are requested to fill in the musculoskeletal disorders survey (with suspected hazards) form to create the follow-up list. After discerning the causes of symptoms through the care interview, suspected cases were referred to the contracted physicians for further medical advice based on their status of improvement. In 2020, 20 suspected cases were identified, and the symptoms of six cases improved after lifestyle adjustment and exercise.

Based on the “Program for Identification and Management of Employees with Excessive Workloads and Requiring Excessive Strength” , Merry Shenzhen assessed the ergonomic workload of each job post and produced the list of ergonomic-related factors. After the assessment, Merry Shenzhen found eight job posts with potential hazards on employee health and thus adopted related measures to relieve their workload.

#### HQ

Improved 6 Cases

#### Shenzhen

Improved 8 Job posts



### Workplace violence prevention program

Besides establishing and implementing the program, workplace violence is included in the orientation training for new employees and the on-the-job training for in-service employees. The president has also signed and posted on the bulletin board the “Declaration of Workplace Violence Prevention” . In 2020, one workplace violence course was organized with 496 participants.

#### Training course

496 participants



## 5.6 Diverse communication channels

All Merry locations prepare the employee feedback form and set up the employee suggestion box for employees to express their opinions and make recommendations at any time. Through form management and by making timely responses to employees, the HR unit makes continual improvement of Merry's systems and work environments.

### Employee Feedback Form

In addition to the employee feedback form and employee suggestion box, we also gather ideas and suggestions from different channels to continually improve the overall environment and welfare system. In 2020, Taiwan HQ and Merry Shenzhen received 68 employee feedback and suggestions. All were timely addressed and active improvement was made after feasibility assessment. In the future, we will gather feedback and suggestions from other business locations to plan and implement various work systems and environments within the group

	Employee Feedback Form	Contents					
Taiwan HQ	2	1 count of feedback on the control system. 1 count of feedback on policy	All employees	Face-to-face communication Organization/unit/mixed-level meeting/labor union Notice Plant/organization activities	Heads of all levels	Board of directors and management	
Merry Shenzhen	66	24 counts of feedback on food and accommodation 30 counts of feedback on control system. 12 counts of feedback on wages and benefits		Employee portal Employee opinion survey Labor service resources team Unscheduled communication meetings e-newsletters	Notices/memos Corporate activities ■ Corporate activities ■ Plant Health Promotion Center		Human resource organization
				Employee feedback channels ■ Employee grievance hotline ■ Sexual Harassment Grievance Committee	■ Employee suggestion box ■ Call and text care hotline		System and committee chairpersons



### Collection of feedback from new employees

Taiwan HQ holds the new employee seminar every month chaired by the president to interact with new employees, answer their questions, and give them advice. In addition, new employees can make suggestions or recommendations through the “New Employee Report Form”. Merry Shenzhen also conducts one-on-one interviews with new employees one month after their arrival.



### Collection of feedback from resigned employees

For resigning employees, the HR Division and employment unit will interview employees filing an application for resignation to understand their reasons for resignation and feedback to gather related opinions for the reference of continual work environment improvement and talent retention.



### Employee satisfaction survey

Employees are the most important partner. Therefore, we survey employee satisfaction on specific benefits, corporate activities, issues, and policies, such as the food satisfaction survey, year-end reunion satisfaction survey, and satisfaction surveys on other benefits, to understand and resolve the relevant problems, provide employees with benefits closer to their needs, and thereby create a friendly work environment and atmosphere. In 2021, we will re-design the framework of the employee satisfaction survey, hoping to understand the ideas and satisfaction of employees more effectively to provide a reference for promoting various measures in the future.

### Labor union

Currently, Merry Shenzhen has established a labor union. Employees can make reasonable recommendations for production, safety, environmental protection, and 5S, and management will reward them according to the profit that can be created with these recommendations. The union chairperson also chairs the mediation committee. Employees can request for mediation of problems in daily life and work to the committee office. By improving employee benefits and holding various activities regularly, we hope to raise employee cohesion. However, Merry Shenzhen has not signed a collective bargaining agreement with employees.



## **6** Addressing Climate Change

6-1 Environmental protection policy....108

6-2 GHG management....109

6-3 Energy and water resources management....110

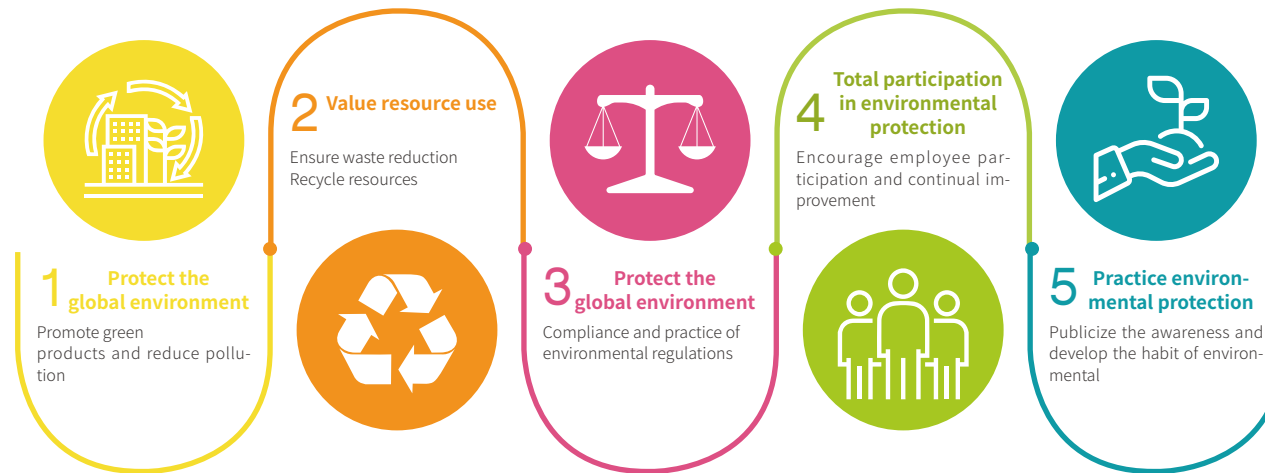
6-4 Waste management....113

6-5 Strengthening awareness of environmental protection....114



## 6.1 Environmental protection policy

We have established a dedicated environmental management unit. Besides promoting resource management, energy and water management, and waste management, it strengthens environmental protection awareness



### Committed to 100% renewable electricity

In response to SDG 13 Climate Action, we plan to include renewable electricity use in the medium- and long-term goals in 2021. Therefore, besides gathering information and assessing the feasibility of using renewables in worldwide locations to support the “RE100” advocated by The Climate Group and Carbon Disclosure Project (CDP), we make the commitment and propose the time frame for 100% renewables use from 2021 to 2050. The boundary of RE100 will cover Merry Taiwan, Merry Shenzhen, Merry Huizhou, Merry Thailand, Merry Vietnam, Merry Hong Kong, Merry Singapore, Suzhou Merry, Fulicare (Qingdao), Fulicare (Xiamen), AST, SCI, and SEAS.



## 6.2 GHG management

### GHG inventory

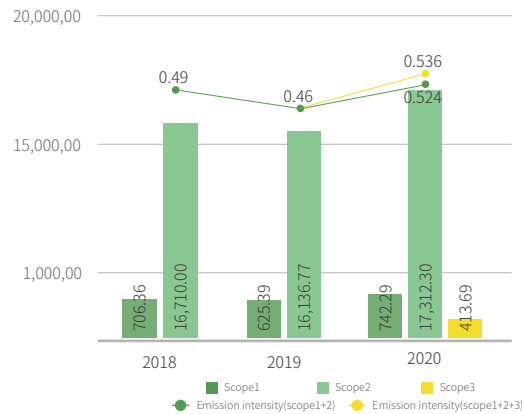
We are committed to GHG inventory to capture exactly the status of GHG emissions and set clear energy conservation targets. We also establish various management measures to govern energy use, pollution, and emissions to achieve eco-friendly goals including lowering pollution, reducing energy consumption, and ensuring easy disposal through continual improvement. The seven types of GHGs included in the inventory are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>.

In 2020 Taiwan HQ calculated GHG emissions with respect to the ISO14064-1:2018 GHG inventory standard and set 2020 the base year. The 2020 emissions were 819.45tCO<sub>2</sub>e, including Scope 1, Scope 2, and Scope 3 (purchased products and services, waste from production process, business travels, i.e., categories 3-6 in 2018).

In 2020 Merry Shenzhen calculated GHG emissions with respect to the ISO14064-1:2018 GHG inventory standard and set 2020 as the base year. The 2020 emissions were 17,648.84 tCO<sub>2</sub>e, including Scope 1, Scope 2, and Scope 3 (purchased products and services, business travels, i.e., categories 3-6 in 2018).

The actual GHG emissions in 2020 included 18,054.59 tCO<sub>2</sub>e of Scope 1 and Scope 2 emissions, increasing by 1,292.43 tCO<sub>2</sub>e (7.71%) over 2019. Although the 2020 GHG reduction target was 10% of the emission intensity per million revenue over 2019, the intensity of 2020 GHG emissions increased by 13.91% (revenue reduced by 5.37%) over 2019. Although revenue reduced more than expected as a result of the pandemic, as air-conditioning is one of the regular sources of major electricity consumption, per capita emissions increased. In addition, influenced by the power outage plan of the local government, Merry Shenzhen used diesel generators for more days, resulting in an increase in the intensity of GHG emissions to the contrary.

GHG Emissions over the Years (tCO<sub>2</sub>e)



**Note**

- 1.The boundary of GHG inventory covered only Taiwan HQ, Taipei R&D Center, and Merry Shenzhen. GHG emissions of other business locations will be included in reporting according to the future GHG management schedule.
- 2.Boundaries were defined by operational control, and emission coefficient is adopted in the calculation.
- 3.Based on different emission sources, conversion was implemented with respect to the GHG Emission Coefficient Management Table (v. 6.0.4 dated June 2019) announced by EPA, Carbon Footprint Information Platform, Simapro 9.0.0.49, global warming potential coefficients in the AR5 (2013) of IPCC, and the ICAO flight carbon emissions.
- 4.The electricity emission coefficients at 0.533 tCO<sub>2</sub>e/MWh (2018) and 0.509 tCO<sub>2</sub>e/MWh (2019 and 2020) announced by the Bureau of Energy were adopted for calculating electricity emissions of Taiwan HQ.
- 5.The “2019 China Regional Grid Baseline Emission Factors” announced by the PRC Ministry of Ecology and Environment were adopted for inventorying the electricity emissions of China locations. The conversion coefficient for the south regional grid is 0.8042tCO<sub>2</sub>e/MWh. Due to the update of the 2017 coefficients, the emission data is calculated based on the updated coefficient.
- 6.Intensity of GHG emission = GHG emissions of the year ÷ Net consolidated revenue of the year (million NTD)

## Logistics carbon reduction

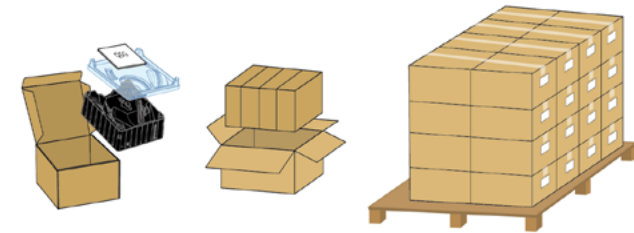
We minimize packages and packaging material uses or reducing transportation mileage to reduce carbon emissions in logistics or delivery, including warehousing, transportation, packaging, and distribution.

Through improvement and innovation of packaging methods, we enhance the capacity of packaging and storage space to reduce the quantity of container transportation.

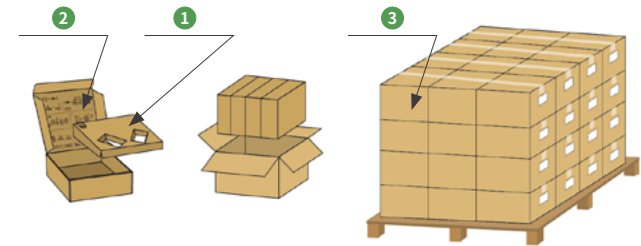
### Innovation of carbon-reducing packages in 2020

- 1 **Plastics reduction:** Replaced plastic blisters with corrugated paper.
- 2 **Quantity reduction:** Directly printed user's guide on the inside of box covers.
- 3 **Loading capacity enhancement:** Reduced carton size after overall optimization to increase the loading capacity of the same pallet by 33.33%.

Initial  
design



Design  
optimi-  
zation




## 6.3 Energy and water resources management

Energy consumption is indispensable to carbon emissions and climate change. Therefore, we constantly promote energy conservation and carbon reduction to demonstrate our concern about global environmental change. Taiwan HQ began to implement the ISO 50001 energy management system (EnMS) in 2016 to systematically implement measures for energy conservation and carbon reduction and constantly renew energy-efficient equipment. We have replaced old chiller units and air-conditioners with chillers compliant with the COP specifications to enhance energy efficiency every year.


## Energy conservation enhancement measures

**1** In 2020, Merry Shenzhen replaced the central air-conditioning system. Compared to the old system, the new system can save electricity up to 1,712,070kWh or conserve energy by 45.2% a year.



Energy Saved  
**45.2%**

**2** Merry Shenzhen also installed the heat exchanger to reduce the indoor temperature. Setting indoor temperature at 26°C can save electricity up to 25MWh a year. Merry Shenzhen also continues to replace lighting with LED lamps every year to save electricity of about 3.4MWh.



Electricity Saved  
**3.4Mwh**

## Process optimization

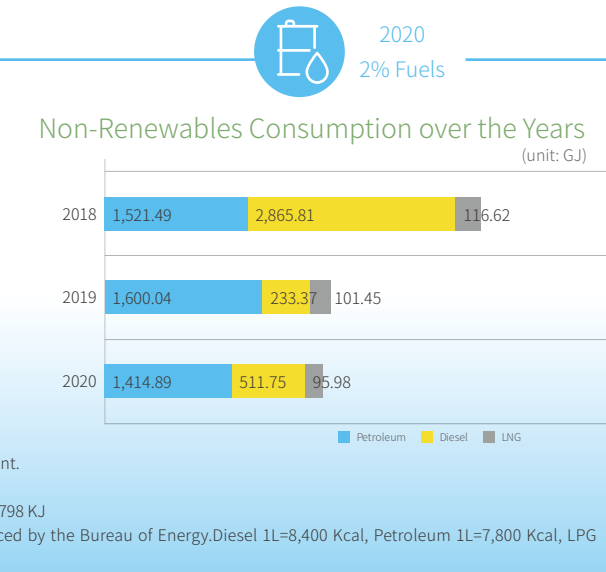
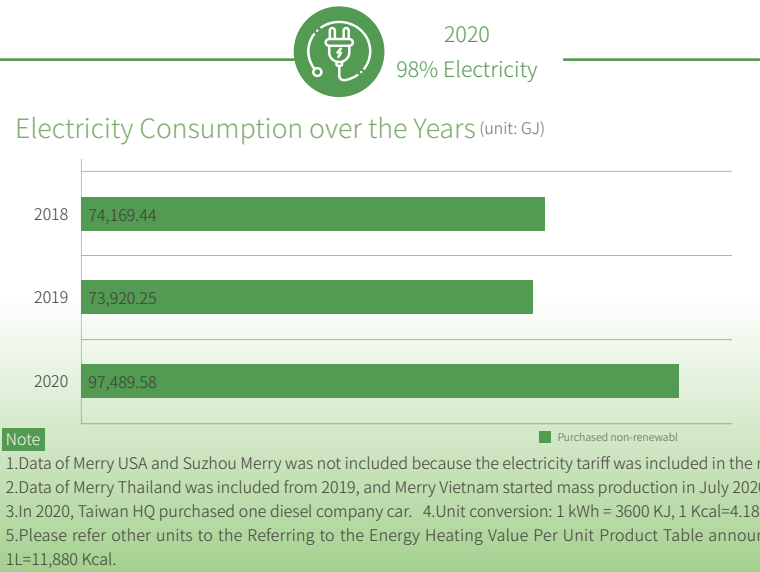
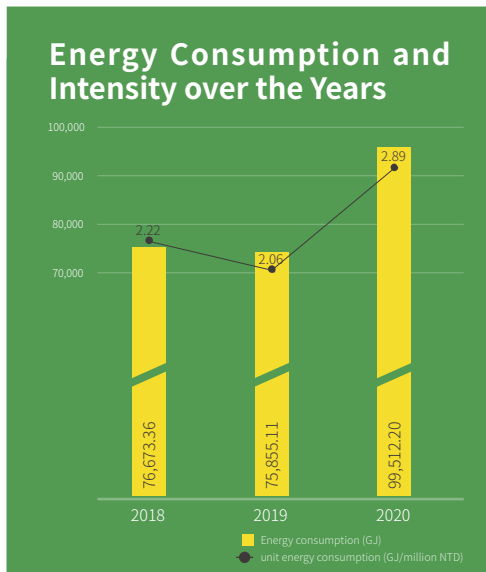
Through constant process improvement and automated equipment use, we reduce labor, enhance the energy efficiency, improve quality, and raise productivity. In 2020, we implemented the PCBA robotic arm automated

tin feeder to reduce labor and enhance the productivity of the station from 3 persons and 400 UPH to 1 person and 1,200 UPH.

## Energy consumption statistics

The 2020 energy intensity increased by 38.63% over 2019 from 2.08 GJ/million NTD to 2.89 GJ/million NTD. This is mainly because of the first-year operations of Merry Vietnam, the start of mass production of Merry Thailand, and the increase in electricity consumption from factory leasing for a project between Merry Shenzhen and its affiliates. In addition, as revenue was reduced due to the pandemic, the effectiveness of energy management was reduced.

Although Taiwan HQ did not engage in production and the 2020 electricity consumption for office use reduced slightly by only 9.18MWh (0.69%) over 2019 to 1,312.58MWh, after the regression analysis with factors including monthly temperature and man-hours based on the energy efficiency indicator and energy baseline monitoring table, however, the average energy reduction of 2020 was 4.29%, meeting the reduction target.



## Water resources management

Assembly is the major part of our production process that requires no water consumption. Therefore, water is withdrawn primarily for domestic use from 100% tap water in non-water stress areas. In addition, wastewater is primarily domestic wastewater (no industrial wastewater).

In water management, Taiwan HQ emphasizes the employee's awareness of water conservation and equipment water efficiency enhancement through active promotion of various energy conservation measures, such as the use of water-efficient taps and monthly analysis of consumption anomalies to enhance water efficiency.

Merry Shenzhen has established the "Wastewater Treatment Control Regulations" to prevent water pollution. To reduce domestic water consumption, fully automatic dishwashers are used in the employee canteen for central washing after use. According to the statistics of catering service providers, this can save about 115,200 MT of water each year. Merry Shenzhen also purchased two water purification systems to purify wastewater into pure water for cleaning toilets to save about 504 MT of water each year (data from the system supplier).

Total water withdrawal in 2020 increased by 12.21 ML over 2019 to 295.28 ML. This is because of the expansion of Merry Thailand and the start of mass production of Merry Vietnam in 2020. After deducting the increased water consumption of 26.96ML, the actual 2020 water withdrawal was lower than 2019.





## 6.4 Waste management

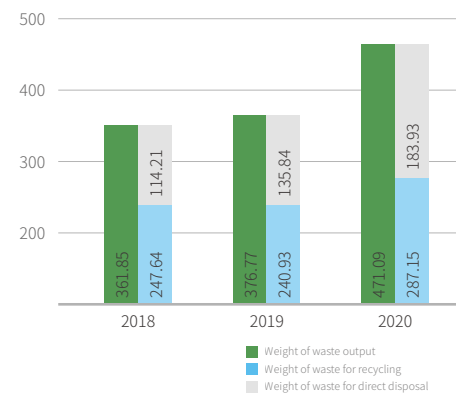
To achieve effective resource use through the reduction, recycling, and reuse of waste, we have established the “Waste Management SOP” and “Waste Management Regulations” included in the control of the ISO 14001 environmental management system (EMS). Minimization of the environmental impact of waste in storage, transportation, recycling or final incineration or burial is the basic principle of waste management. We hire only qualified contractors for the safe disposal of all types of waste (hazardous/non-hazardous) according to the environmental protection regulations. Ultimate treatments include incineration or other methods compliant with the local laws and regulations. We hire qualified contractors to recycle recyclable waste for reuse and transport domestic waste to incineration plants for disposal.

Waste increased mainly because Merry Vietnam started production, Merry Thailand started mass production, and Merry Shenzhen engaged in a project with affiliates in a leased factory.

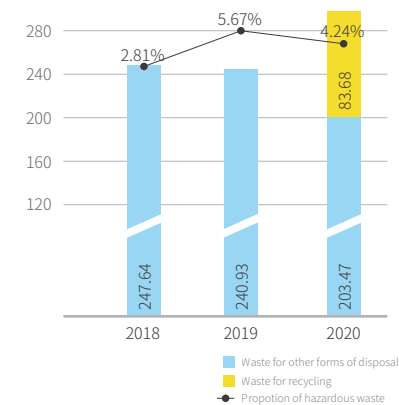
Waste Disposal in 2020 (unit: MT)

Type of waste	Weight of waste for recycling	Weight of waste for direct disposal	total
General industrial (including domestic) waste	-	120.35	120.35
Non-hazardous industrial waste	274.97	61.60	336.57
Toxic Industrial Waste	12.18	1.99	14.17
小計	287.15	183.3	471.09

Total Weight of Waste over the Years (unit: MT)



Achievements in Reduction, Recycling, and Reuse of Waste over the Years (unit: MT)






Note

1. Offices of Taiwan HQ (Taipei, Hsinchu, and Industrial Zone 38th Road), Merry USA, Merry Singapore, and Merry Hong Kong are rented, with domestic waste disposed of by the property management company. Domestic waste of Taichung Head Office is disposed of by contract without actual weight measurement.
2. In response to China's waste management policy, we increase hazardous waste items in the catalog every year to expand the scope of hazardous waste. For example, we included PCBs as hazardous waste in 2020. Therefore, the weight of hazardous waste of Merry Shenzhen increased significantly over the last two years. Food waste is categorized as wet waste included in general waste.



## 6.5 Strengthening awareness of environmental protection

Besides publicizing the environmental protection policy in the education/training for new employees, we also practice environmental protection in product design, materials control, and GHG emissions. Every year, we communicate the requirements of our “Environmental Substances Control Management Regulations” and international environmental protection regulations to suppliers from time to time to promote our green policy to the entire supply chain, hoping to disseminate Merry’s green concept and thereby achieve sustainable development.

Course Title	Course Contents	Recipient
 <p>Publicization of Environmental Protection Regulations and Green Trends</p>	<p>Requirements of international environmental protection laws and regulations</p> <p>Climate strategy and carbon management</p>	<p>Suppliers</p> <p>All new employees</p> <p>All employees</p>
 <p>Audit and Assessment of Green Products and Materials</p>	<p>Green product management system framework</p> <p>Introduction of green design specifications</p> <p>Data requirements of green parts</p> <p>Green materials confirmation and change</p> <p>Green product confirmation</p>	<p>R&amp;D and design units</p> <p>QC unit</p> <p>Environment unit</p> <p>New employees of related units</p> <p>From time to time</p>
 <p>Energy Conservation, Carbon Reduction, and Waste Disposal</p>	<p>Common knowledge in energy conservation</p> <p>Waste sorting and disposal methods</p>	<p>Department seed personnel</p> <p>From time to time</p>

## **7** Enriching Human Life

7-1 Education promotion....117

7-2 Arts and culture promotion....123

7-3 Community care....127

7-4 Event sponsorship....130





Common Good with Society” is the central thought of our social engagement. Therefore, besides engaging in “education promotion” , “art and culture promotion” , “care for community” , and “enterprise volunteerism” over the years, we have established various long-term educational and cultural projects and encourage employees to voluntarily care and contribute to society, hoping that these seeds of kindness can help

### **No absence in epidemic control Support for “2020 Us” of Commonwealth Magazine**

COVID-19 affected the health of humankind. From the global economy to daily life, it has completely upset all human activities, and countries of the world must constantly adjust control policies in response to the pandemic’ s development.

Taiwan has made excellent performance in epidemic control. In addition to the key decisions and deployments made by the Central Epidemic Control Center (EPCC), the total devotion of frontline medical and nursing staff, face mask manufacturers forming the “face mask national team” at the first time, the Taiwan Machine Tool & Accessory Builders' Association, and contracted pharmacies, and the wearing mask and washing hands habits of citizens in Taiwan have all helped build Taiwan’ s epidemic control network. To maintain a record of the effort in 2020 of the “Taiwan National Team” , Commonwealth Magazine invited Merry to join the special issue 2020, Us to bring hopes and directions to Taiwan in the post-COVID-19 era with our own story. With a heart to cultivate Taiwan, this is our honor and responsibility.

In the special issue, besides sharing how Merry maintained the physical and mental health of employees by providing transparent information and integrating bricks and clicks during the pandemic, President Allen Huang also showed readers how he saw new opportunities in the crisis to constantly make innovation and enter new markets to seek transformation. This 2020 special issue on the pandemic published in limited edition is specifically presented to frontline medical and nursing staff and the epidemic controls national team and shares the new reflections and new hopes in the post-COVID-19 era, hoping to bring warmth and power to the people of Taiwan in the pandemic.

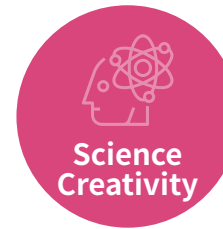


## 7.1 Education promotion

With the rise of 5G and AIoT, electroacoustics also expands. In addition to acoustic devices including headsets and speakers, electroacoustics has been expanded to other areas including medicine and fitness. Therefore, creativity from different types of talents is required to ignite new sparkles. In view of the lack of education and difficulty in talent cultivation for electroacoustics in Taiwan, we actively input resources and spare no effort in the sustainable cultivation of electroacoustics talents in 2006. In addition, realizing the advantages of the early development of “science” and “reading” interest in children, we constantly promote science education and reading culture through long-term programs.



- Electroacoustics Thesis Award
- Electroacoustics Master’s Program
- Electroacoustics Technology Forum
- Electroacoustics Talent Cultivation Program



- Engineers Week

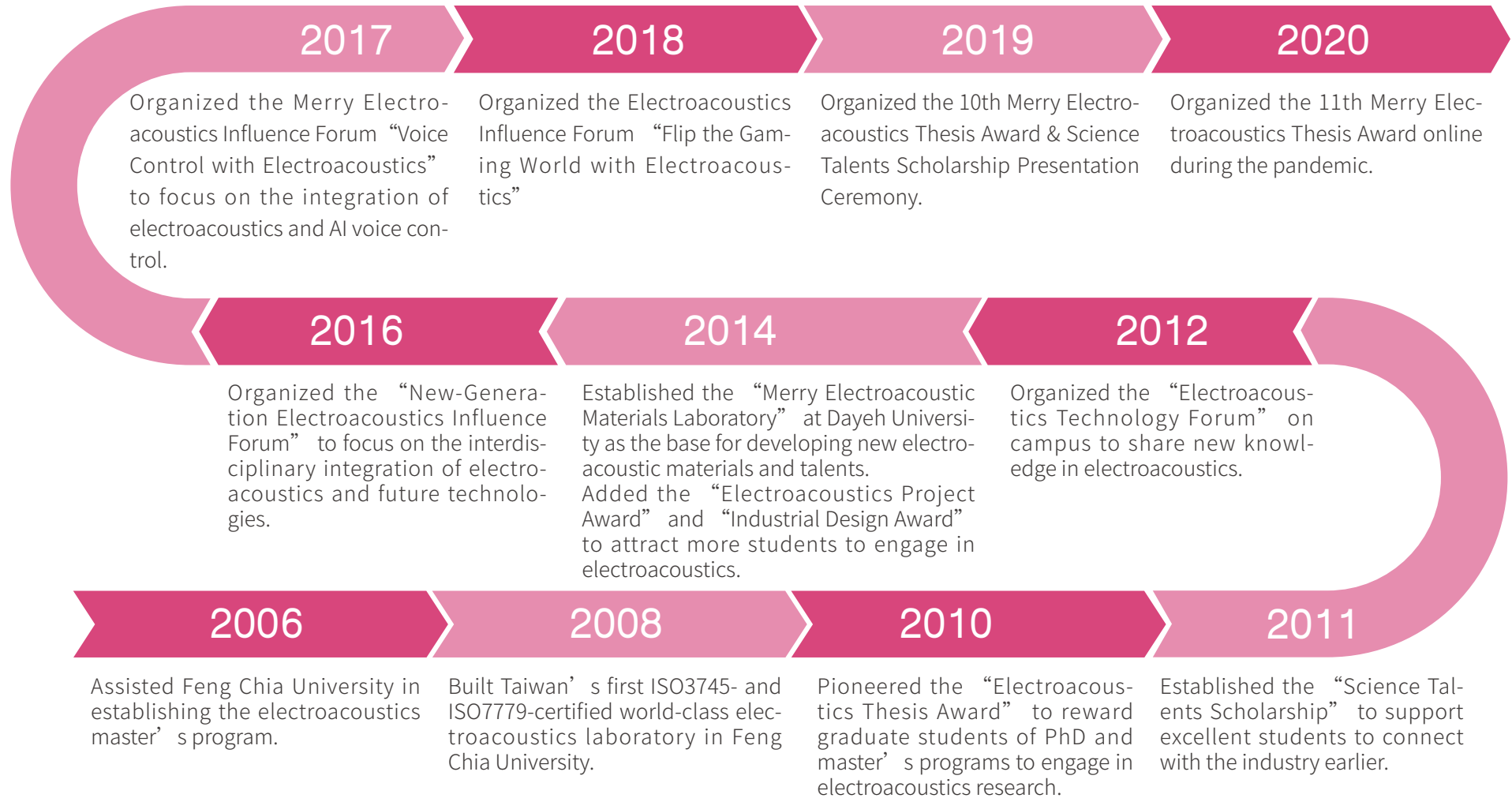


- Philanthropic Library

### --Merry Electroacoustics, Taiwan Electroacoustics--

Although the electroacoustic industry has a history of over 100 years, new applications are developed as time goes by. From mobile communication and multimedia entertainment to medicine, healthcare, and smart home, electroacoustics has always been a key HMI. Adhering to the passion for sound and valuing talent cultivation, we constantly keep up with times to stand in the global electroacoustics arena.

While electroacoustics requires interdisciplinary R&D, it covers disciplines including acoustics, mechanical engineering, mechanics, electronics, material science, and software. As it is difficult to develop such a kind of interdisciplinary talents and resources are relatively insufficient, as one of the global electroacoustics manufacturers, we draw up long-term strategies and constantly input resources to develop electroacoustics talents for Taiwan to enhance Taiwan’s global competitiveness in electroacoustics.





## --Electroacoustics Thesis Award--

We began to organize the “Merry Electroacoustics Thesis Award” in 2010 with an expense of over NT\$1 million each year, and it was the eleventh round in 2020. Despite the outbreak of COVID-19, electroacoustic applications continued to thrive. The rise of telemedicine and virtual conferencing has broadened the vision in electroacoustics of more people to release electroacoustics from acoustic devices and apply electroacoustics to different industries.

In recent years, the AIoT development and gradual maturity of 5G have extended the application and show the importance of electroacoustics. Therefore, the number of contestants increases every year. During 2010-2020, a total of 70 winners won the “Merry Electroacoustics Thesis Award”. The advisors and appraisers of related theses are all domestic giants in areas relating to electroacoustics. Graduate students of PhD and master’s programs in areas including mechanical engineering, electrical engineering, electronics, communications, naval engineering, electroacoustics, speech and hearing science, acoustics, civil engineering, aerospace, mechanics, material science, architecture, and environmental science can run for the award with their outstanding theses to vie for the high-amount prizes.

Influenced by COVID-19, both the final evaluation and prize presentation ceremony of 2020 were under great challenges. Upholding the aim of electroacoustics research through the concerted effort of judges, contestants, and ceremony organizers, the physical final evaluation meeting was completed to select the five winners of 2020. However, the physical prize presentation ceremony must be held online due to the pandemic. Through the video, Chairperson Lu-Lee Liao, the award founder, shared his intent to promote electroacoustics. In addition, it is also the first time for winners to share their glory through the pre-recorded acknowledgment made at the final evaluation for more people to understand the “Merry Electroacoustics Thesis Award” through the video.

Winners of the 11th Merry Electroacoustics Thesis Award



(線上頒獎影片連結 <https://www.merry.com.tw/thesis/page/ceremony/>)



## Winners of the 11th Merry Electroacoustics Thesis Award

Award	Thesis Title	Author	Advisor	Recommended School
Gold Award	Mockingjay: Unsupervised Speech Representation Learning with Deep Bidirectional Transformer Encoders	Ting-Wei Liu	Hung-Yi Li	Graduate Institute of Communication Engineering (GICE), National Taiwan University
Silver Award	Investigation of Cost Function for Task-Oriented Speech Enhancement	Ssu-Wei Fu	Shou-Te Lin Yu Tsao	Department of Computer Science and Information Engineering (CSIE), National Taiwan University
Bronze Award	Enhanced Dysarthria Voice Conversion with Phonetic Posteriorgrams	Chen-Kai Li	Ying-Hui Lai	Department of Biomedical Engineering, National Yang Ming University
Electroacoustic Engineering Special Award	Automatic Generation of Popular Piano Music Using Chord Algorithm Conversion	Yu-Hsiang Huang	Yi-Hsuan Yang	Graduate Institute of Networking and Multimedia, National Yang Ming University
Electroacoustic Engineering Special Award	Underdetermined multichannel inverse filters applied to multi-dimensional active noise control system	Shin-Cheng Huang	Ming-Hsien Pai	Department of Power Mechanical Engineering, National Tsing Hua University.

## --Electroacoustics Master's Program --

Although electroacoustics is indispensable to human life, as resources for the systematic development of related talents are insufficient in Taiwan, in 2006, we collaborated with Feng Chia University to establish Taiwan's first "Electroacoustics Master's Program" to build Taiwan's electroacoustics talent pool. In 2008, we further donated the establishment of Taiwan's first world-class Merry Electric Acoustic Laboratory (MEA Lab). It is also Taiwan's first electroacoustics laboratory (anechoic/semi-anechoic chamber) built through industry-academia collaboration.

We maintain long-term, close collaboration with Feng Chia University in the talent and technology development for electroacoustics. Over the years, both the chairperson and related officers have been visiting lecturers to shape Feng Chia University, a specialist electroacoustics education institution with complete teacher resources, courses, and hardware and software equipment. Over the years, we have constantly cultivated many outstanding talents and made excellent R&D achievements in electroacoustics.



## --Electroacoustics Technology Forum --

In 2012, our engineers began to organize the “Electroacoustics Technology Forum” at different universities to share the future trends of the electroacoustics industry. The forum covering four main topics: R&D, materials, design, and software, aims to stimulate the interest in electroacoustics of students and share with students the experience from school to the workplace. During 2012-2020, the forum was held at 78 departments with over 4,300 participants.



4,300 participants  
78 departments  
since 2012

## --Electroacoustics Talent Cultivation Program--

We believe that talent development is a long-term enterprise. Excellent students can focus more on research with corporate assistance and directly extend from schools to enterprises to advance career planning. In return, enterprises can advance interaction with students to develop a future workforce.

In 2011, we introduced the “Science Talent Scholarship” for domestic graduate students and students enrolling in the five-year BS-MS program. Besides receiving a grant or scholarship, successful applicants can engage in substantial academic exchange with us through the work-study internship to understand the electroacoustics industry earlier or even directly join Merry after graduation or military service to combine theory to practice.

The “Science Talent Scholarship” opens to students of electroacoustics, electrical engineering, electronics, mechanical engineering, automation control, naval engineering, material science, information engineering, telecommunications, aerospace, marine engineering, system engineering, and industrial engineering. Besides receiving a grant/scholarship of NT\$120,000 each year from Merry, successful applicants can join our internship program to accumulate practical experience and connect with the industry earlier. In 2020, 2 outstanding students were granted the scholarships. During 2011-2020, a total of 52 students received the scholarship. Except for active students or servicemen, 30 past recipients joined us directly after graduation (employment rate up to 57.69%).

Note: There were 43 recipients in total, including 9 who received the scholarships twice. Therefore, a total of 52 person-times received the scholarship.





## --Engineers Week--

In addition to classroom lectures, sci-tech education must meet the industrial demands for education to catch up with the social movement. In 2014, we teamed up with IBM for volunteers of both companies to walk into the campus through the Engineers Week activity to communicate the application of sci-tech education in electroacoustics technology in the afternoon. The activity also allows students to feel the power of technology through hands-on experiments.

Due to COVID-19, the IBM Engineers Week was postponed to the 2020H2 for the first time. The activity combined the “contactless delivery” arising from COVID-19 to introduce the mission to build the creative delivery equipment. Merry volunteers and students of Taichung Municipal Taichung First Senior High School and Taichung Municipal Wen-Hua Senior High School accomplished the supplies delivery mission with creativity. Merry volunteers also participated in the inter-school competition of teams of 14 schools across Taiwan held at the Taipei World Trade Center by IBM and its partners. Through creativity exchange and the competition, students demonstrated their science passion.

President Allen Huang supported volunteers for their service spirits by participating in both the campus competition at both schools and the inter-school competition. He also provided Merry’s hearing protection headsets as prizes for the champion team and publicized knowledge in hearing protection to remind over 1,000 students onsite and enterprise volunteers to pay attention to hearing protection.

I joined Engineers Week for the first time this year. When the PR assigned me Taichung Municipal Taichung First Senior High School, I accepted it immediately. When they assigned me to Taichung Municipal Wen-Hua Senior High School again, I specifically asked my PA to change my original schedule. I wanted to show volunteers that I support volunteerism through contribution. Besides work, I hope they can have fun and contribute to society through volunteerism. I have already enrolled on the pre-mission training next year because I also want to interact with students. CEO Chao-Li Huang, Merry Electronics.



## 7.2 Arts and culture promotion

years, we discovered that the population with hearing impairment increased rapidly, and the age of the population reduced. In addition, as we also found that the public is unfamiliar with hearing impairment, we hope to call for the public’s attention to this issue with our effort.

At the 45th-anniversary charity concert at the National Taichung Theater in December 2020, we added the “care for minimal hearing loss” element. In addition to inviting classical guitarist Chia-Wei Lin to perform, we also invited deaf dancer Pei-Shan Lin to give a dance performance in front of about 700 audiences, including a dozen or so audiences with hearing impairment. Before the concert began, we customized a guided theater tour for them. As the onsite guided tours of ordinary arts and cultural facilities require the use of headsets that are very inconvenient to people with hearing impairment who need to use hearing aids, we recruited Merry volunteers to provide a “headset-free guided theater tour” in the special collaboration of theater staff for people with hearing impairment to explore the wonder of the National Taichung Theater.

Internationally renowned classical guitarist Chia-Wei Lin and Chairperson Lu-Lee Liao have been friends for many years. Chairperson Liao can be considered as the scout of Lin. After accidentally hearing the performance of Lin, Chairperson Liao was deeply impressed by his virtuosic performance. Recognizing Lin’s financial difficulty, Chairperson Liao immediately reached out to him for his talent by unconditionally funding him to study music in Germany. Pei-Shan Lin is a person with hearing impairment and an outstanding dancer. Due to profound hearing impairment, she was deeply frustrated in her growth. Through dancing, she progressively regained her sense of identity and the sense of achievement. She can only feel the floor’s vibration with profound hearing impairment to count the beat during dancing. This performance is a brand-new challenge to both artists and an opportunity for the audience to feel the beauty of hearing.

### Care for minimal hearing loss, Hear the good sound

As a global electroacoustics leader, we provide comprehensive electroacoustic products to enrich people’s hearing experience. In recent





According to the hearing report published by the WHO in March, about 2.5 billion people will have hearing impairment by 2050. So far, about 430 million people require hearing aid therapy, and 240 million of them are in Asia-Pacific (Southeast Asia and Western Pacific). As a leading global designer and manufacturer of electroacoustic products, we will focus more on minimal hearing loss in the future to raise the public's attention to hearing protection.

## Long-term promotion of reading culture

We sponsor the “Taiwan Reading and Culture Foundation” to systematically promote a reading culture with “Philanthropic Reading” as the core and promote educational projects including teacher training, adaptive teaching, and classical music promotion talks with “reading” as the target.

The concept of our ceaseless effort to promote a reading culture also ingrains in the heart of employees. A great proportion of the funds for building new libraries or buying new books are from employee donations. With such, we aim to develop the power of Taiwan from the root through supporting “reading”.

**In 2020, we sponsored the following projects of Taiwan Reading and Culture Foundation:**

1

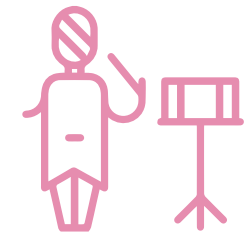
### Promoting “Philanthropic Reading”

“Philanthropic Reading” has become one of the important resources for teachers across Taiwan to promote campus reading together and develop reading habits in children. Every year we sponsor dozens of teacher seminars to guide teachers of junior and senior high schools to develop the optimal operating model of study groups and develop reading together teachers to become the hand that deepens the reading culture. In 2020, the foundation held a total of 130 reading promotion activities (including teacher training and community promotion, student extended reading activities) to influence 7,587 person-times.

2

### “Celebrity Inspiration (Music Promotion)” seminar tour

The event introduced chamber music (National Taiwan Symphony Orchestra) to campus and encouraged schools and teachers to promote “reading together” to guide children to enjoy classical music to ingrain art appreciation in children. In 2020, a total of 40 seminars were held to influence 10,272 person-times.





# 3

## “Discovering Talent-Scouting Children” seminar

The event communicates the concept “intelligence diversity and adaptive teaching” to help teachers and parents to discover talent and adopt adaptive teaching and raising for each child to demonstrate and develop talent. In 2020, a total of 19 seminars influenced 1,860 person-times.



# 4

## “Reading for the Hearing Impaired” picture book reading together for infants with hearing impairment

The project collaborates with the Department of Speech Language Pathology and Audiology, Chung Shan Medical University, to provide early reading training for children with hearing impairment in order to improve their reading and writing skills. In 2020, a total of 9 sessions were held for 9 children with hearing impairment and their parents and siblings.



## Philanthropic Reading: Achievements in promoting reading education in Taiwan for 16 years

The Taiwan Reading Promotion Center, established with the donation from the 921 Earthquake Relief Foundation, was the precursor of the “Taiwan Reading and Culture Foundation” . It was transformed into a foundation at the end of 2006 through the effort to call for sponsorship and donation by directors and supervisors of Merry, other enterprises, and the academia upon the call of Chairperson Liao. Through long-term support of the foundation, Chairperson Liao and Merry constantly promote the establishment, operations, and development of “Philanthropic Reading” in the concept of business operations to promote reading. Chairperson Liao also introduces the SOP concept to equip the foundation with an

effective model for book procurement, center establishment, and teacher training, in order to maximize social resources.

“Philanthropic Reading” packs 35 identical books in one box for teachers or study groups to borrow to promote “intelligence sharing and circulation through reading together” in classes or groups, stimulate intelligence exchange through discussion after reading, develop reading habits in children, bridge the rural-urban disparity, compensate for the resource insufficiency of schools, and change the future of children in the rural or offshore islands.

In 2019, Chairperson Liao was awarded the “Social Education



Contribution Award” by the Ministry of Education to recognize his contribution as the foundation’s chairperson. Under his leadership, the foundation has established 319 “Philanthropic Reading” locations across Taiwan over the last 15 years, and over 86% of elementary schools and 47% of junior high schools have used related resources. Currently, “Philanthropic Reading” has included audible books, English books, indigenous people’s books, and e-books and accumulated a total of 56.1 million reader-times.



## Taiwan’s March of Happiness

In 2004, we began to sponsor the classical music program Taiwan’s March of Happiness produced by Classical FM97.7. In 2020, the program won the “Best Unit Program Award” at the 15th Golden Bell Awards!

“Taiwan’s March of Happiness” reports many “ordinary giants” making silent contributions to Taiwan and its people over time, hoping to inspire people to model the positive energy presented by these beautiful stories and thereby create a common good society. In 2020, the sensation of happiness and joy echoed through the collaboration of unity, life, common good, local, and philanthropic powers.

In 2020, the program interviewed a total of 51 respondents and recruited 84 papers. It also covered the stories of the youth chocolate team from Pingtung and the violin dream of the head of Heping Village in Dapu, Chiayi. The characters of these stories express their passion for this land and life through their interpretations. Since the program was introduced in 2004, it has interviewed countless people and cared about increasingly diversified topics and trends. As it has earned the echo and support of many people over the years, we thus produced the audible book Taiwan’s March of Happiness to collect the program highlights in physical publications. In recent years, program producers also transcribed program highlights into text and share them on the website



for audiences to hear them repeatedly and even collect and share them more easily.

To constantly promote and convey these beautiful program highlights, we have set up the Taiwan Award for Happiness section on the corporate website for the public to find more information through online search. We believe that the engagement of enterprises and program producers and the support of audiences and netizens can make Taiwan's March of Happiness spread far and wide and have a more far-reaching influence.



### Information of Taiwan's March of Happiness:



#### Classical

Taichung FM97.7 Taipei FM91.3

daily 09:50 and 14:50



#### Online

radio:[https://www.family977.com.tw/index.php?route=choice/unit\\_detail&choice\\_program\\_id=29](https://www.family977.com.tw/index.php?route=choice/unit_detail&choice_program_id=29)



## 7.3 Community care

We are committed to promoting volunteerism over time. Besides granting volunteer service leave, we also recruit or match volunteer services to constantly care for society through the combined effort of like-minded people. We established the corporate volunteer team as early as 2010. Over the years, the team has effectively demonstrated its power to care for communities and earned recognition from residents and local governments.

### ■ Sponsoring the “Journalist Impact Award” and “Eco Soap” of Hondao

In 2012, we began to support the “care for the elderly through concerted affection” concept advocated by the Hondao Senior Citizen's Welfare Foundation for elderly people in society to be raised and live with health and happiness. We also advocate preventive care to encourage seniors to go outdoor for healthy physical and mental development.

In 2020, we sponsored the “Journalist Impact Award” organized for the first time by the



foundation. While most of the top ten aging reports on the internet involve negative impressions, the foundation thus founded Taiwan's first "aging-focus" journalist award to encourage the press to engage in comprehensive and positive reports of aging, in order to communicate the friendly aging idea and develop the aging-friendly society concept through the media and welcome the aging society and reduce generation gap.

In addition, we sponsored the "Dreamed Soap Shop-Handmade Eco-Soap" activity of the Bulao 125\* of Hondao for the second year. In two activities, volunteers turned a few buckets of spent cooking oil into 1,200 bars of eco-soaps to recycle spent oil through innovation and promote environmental protection while raising funds for the elderly workshop.



## Bulao 125 of Hondao

The "Miyahara Takekuma Residence" located in the shopping area of Taichung Municipal Taichung First Senior High School was the former residence of Taichung City mayors. Through the careful operation of Hondao Senior Citizen's Welfare Foundation, this historical building has been revitalized with vigor! The foundation began to run the "Bulao 125" elderly workshop here in 2016. In addition to the "Bulao Cook" handmade light meals, afternoon tea, and boxed meals, the foundation holds different types of exhibitions and activities here and sells "Bulao" cultural-creative products. The best-selling artistic eco-soaps are made by Bulao (never-aging) volunteers with cooking oil recycled from nearby shops. Through job accommodation, the foundation enables seniors with an average age over 65 to be chefs, waiters/waitresses, and volunteers in this friendly environment to regain self-confidence and passion. Agreeing with this "active aging" spirit, we support the foundation through substantial event collaboration and encourage employees to explore the "Bulao" dreams and gourmet food at "Bulao 125"!







## Comprehensive care from Taiwan HQ

Each year Taiwan HQ grants two days of paid volunteer service leave to encourage employees to engage in volunteerism.

In 2020, we provided 67 person-times of volunteer service for a total of 326 hours, mostly for the Hondao Senior Citizen's Welfare Foundation and the Engineers Week.



## Local service of Merry Shenzhen

In 2020, the Merry Shenzhen Volunteer Association provided 1,702 person-times of volunteer service for a total of 4,410 hours. Besides helping with the company's epidemic control, the volunteer team constantly provided volunteer service after making good self-protection. The service included traffic control in coordination with the local government and cleaning of local communities. The team also earned the recognition of local government units and residents.





## 7.4 Event sponsorship

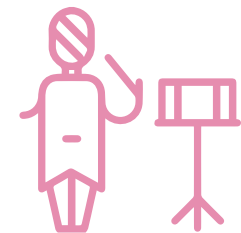
We sponsor various activities from time to time, particularly for reading promotion, music appreciation, care for vulnerable groups, and academic activities. Due to the strong tie between electroacoustics and music, besides sponsoring various quality music activities, we also provide concert tickets for employees to enjoy music.

### ■ Long-term sponsorship for the musical clubs of Taichung Municipal Taichung First Senior High School

We began to sponsor musical clubs of Taichung Municipal Taichung First Senior High School in 2006, including the Taichung Municipal Taichung First Senior High School Choir, Chinese music club, guitar club, and winds club, and it has been 15 years now. Believing that music can break through national, language, spatial, and ethnic barriers, we thus encourage employees to participate in musical clubs to improve music appreciation ability and enrich life. Every year Taichung Municipal Taichung First Senior High School organizes a concert to demonstrate the learning achievements in the year. Each musical club has also made outstanding achievements in national music competitions.

### ■ Sponsorship of the “Charity Concert” of the Taiwan Reading and Culture Foundation

We sponsored the Taiwan Reading and Culture Foundation and National Taiwan Symphony Orchestra to organize the opening concert for the NT-SO-Beethoven Series 2020-21. The foundation provided free tickets and invited volunteers of “Philanthropic Reading” and teachers and students of rural schools or special education to enjoy music at the concert.



# Assurance Statement

1  
Electroacoustics  
Specialist

2  
Management of  
Sustainable  
Development Issues

3  
Governance

4  
Delivering  
Excellent Sound

5  
Building a Friendly  
Workplace

6  
Addressing  
Climate Change

7  
Enriching  
Human Life



## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE MERRY ELECTRONICS CO., LTD.'S CORPORATE SUSTAINABILITY REPORT FOR 2020

#### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by MERRY ELECTRONICS CO., LTD. (hereinafter referred to as MERRY) to conduct an independent assurance of the Corporate Sustainability Report for 2020 (hereinafter referred to as the Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification (2021/04/23–2021/07/13). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

#### INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all MERRY's Stakeholders.

#### RESPONSIBILITIES

The information in the MERRY's Report of 2020 and its presentation are the responsibility of the directors or governing body (as applicable) and management of MERRY. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all MERRY's stakeholders.

#### ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options		Level of Assurance
A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)	n/a
B	AA1000ASv3 Type 1 (AA1000AP Evaluation only)	Moderate

Assurance has been conducted at a moderate level of scrutiny.

#### SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

#### Reporting Criteria Options

- 1 GRI Standards (Core)
- 2 AA1000 Accountability Principles (2018)

- AA1000 Assurance Standard v3 Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

#### ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, ESG Task Force members and the senior management in Taiwan, documentation and record review and validation with external bodies and/or stakeholders where relevant.

In response to COVID-19 pandemic situation the partial assurance process was conducted via Zoom.

#### LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts and Task Force on Climate-related Financial Disclosures (TCFD) has not been checked back to source as part of this assurance process.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from MERRY, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

#### FINDINGS AND CONCLUSIONS

#### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.



AA1000 ACCOUNTABILITY PRINCIPLES (2018) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

**Inclusivity**

MERRY has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, MERRY could consider developing a strategy based on a comprehensive and balanced understanding of and response to material sustainability topics and stakeholder concerns.

**Materiality**

MERRY has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. Setting consistent and clear boundaries for the materiality assessment is encouraged in the next report.

**Responsiveness**

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback. Implementing a process for developing responses and communicating with stakeholders continuously is an effective response to align with MERRY's objectives and integrate into strategy.

**Impact**

MERRY has demonstrated a process on identifying impacts that fairly encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performance. Impacts related to material topics were in place at target setting with qualitative and quantitative measurements and evaluation.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, MERRY's CSR Report of 2020, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is best practice to enhance descriptions of MERRY's involvement with the impacts for each material topic (103-1) and how efforts were given to mitigate the impacts. MERRY has set goals and targets for each material topic aligning with SDGs, which the results are expected to demonstrate with qualitative and quantitative information.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang  
Senior Director  
Taipei, Taiwan  
29 July, 2021  
[WWW.SGS.COM](http://WWW.SGS.COM)



AA1000  
Licensed Report  
000-8/V3-3GSQX





## GRI content index

GRI Standards	Disclosure Item	Corresponding Report Section	Page
<b>1. Strategy and analysis</b>	102-14	Statement from senior decision-maker	Message from the Chairman <u>7</u>
	102-1	Name of the organization	1-1 About Merry Electronics <u>17</u>
	102-2	Activities, brands, products, and services	1-2 Product overview <u>20</u>
	102-3	Headquarters location	1-1 About Merry Electronics <u>17</u>
	102-4	Locations	1-1 About Merry Electronics <u>17</u>
	102-5	Ownership and legal form	1-1 About Merry Electronics <u>17</u>
	102-6	Markets served	1-1 About Merry Electronics <u>17</u>
		Value Creation Process	<u>9</u>
	102-7	Scale of the organization.	1-1 About Merry Electronics <u>17</u>
		1-2 Product overview	<u>20</u>
<b>2. Organizational profile</b>	102-8	Information on employees and other workers	5-1 Employee overview <u>62</u>
	102-9	Supply chain	4-4 Sustainable supply chain management <u>57</u>
	102-10	Significant changes to the organization and its supply chain	Report Profile <u>4</u>
	102-11	Precautionary principle or approach	3-3 Risk management <u>46</u>
	102-12	External initiatives	1-1 About Merry Electronics <u>19</u>
	102-12	External initiatives	5-1 Employee overview (human rights promotion) <u>67</u>
	102-13	Membership of associations	1-1 About Merry (membership of associations) <u>19</u>
<b>3. Ethics and integrity</b>	102-16	Values, principles, standards, and norms of behavior	3-2 Ethical corporate management <u>43</u>
<b>4. Governance</b>	102-18	Governance structure	3-1 Governance organization <u>41</u>



GRI Standards	Disclosure Item	Corresponding Report Section	Page
<b>5. Stakeholder engagement</b>	102-40	List of stakeholder groups	2-2 Stakeholder identification and communication <u>27</u>
	102-41	Collective bargaining agreements	5-6 Diverse communication channels <u>87</u>
	102-42	Identifying and selecting stakeholders	2-2 Stakeholder identification and communication <u>27</u>
	102-43	Approach to stakeholder engagement	2-2 Stakeholder identification and communication <u>27</u>
	102-44	Key topics and concerns raised	2-2 Stakeholder identification and communication <u>27</u>
<b>6. Reporting practice</b>	102-45	Entities included in the consolidated financial statements.	Report Profile <u>4</u>
	102-46	Defining report content and topic Boundaries	2-3 Analysis and identification of material topics <u>30</u>
	102-47	List of material topics	2-3 Analysis and identification of material topics <u>31</u>
	102-48	Restatements of information	Report Profile <u>4</u>
	102-49	Changes in reporting	Report Profile <u>4</u>
	102-50	Reporting period	Report Profile <u>4</u>
	102-51	Date of most recent report	Report Profile <u>4</u>
	102-52	Reporting cycle	Report Profile <u>4</u>
	102-53	Contact point for questions regarding the report	Report Profile <u>4</u>
	102-54	Claims of reporting in accordance with the GRI Standards	Report Profile <u>4</u>
	102-55	GRI content index	GRI content index <u>112</u>
	102-56	External assurance	Report Profile <u>4</u>



Material Topic				
<b>Management approaches</b>	103	Management approaches	2-5 Management approach of material topics	<u>30</u>
<b>201 Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	1-3 Financial performance	<u>22</u>
	201-3	Defined benefit plan obligations and other retirement plans	5-3 Wage and benefit system	<u>73</u>
<b>202 Market Presence 2016</b>	202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	5-3 Wage and benefit system	<u>73</u>
<b>204 Procurement Practices 2016</b>	204-1	Proportion of spending on local suppliers	4-4 Sustainable supply chain management	<u>57</u>
<b>205 Anti-corruption 2016</b>	205-2	Communication and training about anti-corruption policies and procedures	3-2 Ethical corporate management	<u>43</u>
<b>305 Emissions 2016</b>	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions.	6-2 GHG management	<u>91</u>
	305-2	Energy indirect g(Scope 2) greenhouse gas (GHG) emissions.	6-2 GHG management	<u>91</u>
	305-3	Other indirect (Scope 3) GHG emissions	6-2 GHG management	<u>91</u>
	305-4	GHG emissions intensity	6-2 GHG management	<u>91</u>
<b>307 Environmental Compliance 2016</b>	307-1	Non-compliance with environmental laws and regulations	3-5 Legal compliance	<u>49</u>
<b>308 Supplier Environmental Assessment 2016</b>	308-1	New suppliers that were screened using environmental criteria	4-4 Sustainable supply chain management	<u>57</u>
<b>401 Employment 2016</b>	401-1	New employee hires and employee turnover	5-1 Employee overview	<u>62</u>
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5-3 Wage and benefit system	<u>73</u>
	401-3	Parental leave	5-3 Wage and benefit system	<u>73</u>
<b>402 Labor/management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	5-1 Employee overview (employee retention)	<u>65</u>



GRI Standards	Disclosure Item	Corresponding Report Section	Page
<b>403 Occupational Health and Safety 2018</b>	403-1	Occupational health and safety management system	5-4 Friendly and safe workplace <a href="#">79</a>
	403-2	Hazard identification, risk assessment, and incident investigation	5-4 Friendly and safe workplace <a href="#">79</a>
	403-3	Occupational health services	5-5 Health care <a href="#">83</a>
	403-4	Worker participation, consultation, and communication on occupational health and safety	5-4 Friendly and safe workplace <a href="#">79</a>
	403-5	Worker training on occupational health and safety	5-4 Friendly and safe workplace <a href="#">79</a>
	403-6	Promotion of worker health	5-4 Friendly and safe workplace <a href="#">79</a>
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5-5 Health care <a href="#">83</a>
	403-8	Workers covered by an occupational health and safety management system	5-4 Friendly and safe workplace <a href="#">79</a>
	403-9	Work-related injuries	5-4 Friendly and safe workplace <a href="#">79</a>
	403-10	Work-Related Illnesses	5-4 Friendly and safe workplace <a href="#">79</a>
<b>404 Training and Education 2016</b>	404-1	Average hours of training per year per employee	5-2 Talent development and training <a href="#">68</a>
<b>405 Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	3-1 Governance organization <a href="#">41</a>
			5-1 Employee overview <a href="#">62</a>
405-2	Ratio of basic salary and remuneration of women to men	5-3 Wage and benefit system <a href="#">73</a>	
<b>406 Non-discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	5-1 Employee overview (human rights promotion)-No incident of discrimination in 2020 <a href="#">67</a>
<b>409 Forced or Compulsory Labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	5-1 Employee overview (human rights promotion) <a href="#">67</a>



1  
Electroacoustics  
Specialist

2  
Management of  
Sustainable  
Development Issues

3  
Governance

4  
Delivering  
Excellent Sound

5  
Building a Friendly  
Workplace

6  
Addressing  
Climate Change

7  
Enriching  
Human Life



GRI Standards		Disclosure Item	Corresponding Report Section	Page
<b>412 Human Rights Assessment 2016</b>	412-2	Employee training on human rights policies or procedures	5-1 Employee overview (human rights promotion)	<u>67</u>
<b>414 Supplier Social Assessment 2016</b>	414-1	New suppliers that were screened using social criteria	4-4 Sustainable supply chain management	<u>57</u>
<b>416 Customer Health and Safety 2016</b>	416-1	Assessment of the health and safety impacts of product and service categories	4-2 Green product management	<u>53</u>
<b>416 Marketing and Labeling 2016</b>	417-1	Requirements for product and service information and labeling	4-2 Green product management	<u>53</u>
	417-2	Incidents of non-compliance concerning product and service information and labeling	4-2 Green product management	<u>53</u>
<b>419 Socioeconomic Compliance-2016</b>	419-1	Non-compliance with laws and regulations in the social and economic area	3-5 Legal compliance	<u>49</u>



## SASB Content Index

Industry Type

TC Technology and Communication

Name of Industry

HW Hardware

### ACCOUNTING METRICS



Description of approach to identifying and addressing data security risks in products	TC-HW-230a.1	Merry wireless earphones use Bluetooth as the communication interface. The assessment shows that neither the earphone uses nor the Bluetooth design and production processes contains information-related risk.
Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-HW-330a.1	5-1 Employee overview (the race of employees as indicated in the standard is not disclosed due to the attributes of employees in the business locations, except for the number of employees by gender)
Percentage of products by revenue that contain IEC 62474 declarable substances	TC-HW-410a.1	4-2 GP management (RoHS and REACH are currently the controls of limited/restricted substances adopted by customers, all products complying with RoHS and REACH are sold).
Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent	TC-HW-410a.2	Our products are not required for EPEAT registration.
Percentage of eligible products, by revenue, meeting ENERGY STAR® Criteria	TC-HW-410a.3	Our products are not required for ENERGY STAR® compliance.
Weight of end-of-life products and e-waste recovered, percentage recycled	TC-HW-410a.4	We trade in the B to B model and do not require the WEEE procedure.
Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities	TC-HW-430a.1	We will implement supplier audits for sustainable development and request them to comply with CSR.
Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a)priority non-conformances and (b) other non-conformances	TC-HW-430a.2	We will implement supplier audits for sustainable development and request them to comply with CSR.
Description of the management of risks associated with the use of critical materials	TC-HW-440a.1	We have established the “Key Materials Defining and Operation Regulations” to define the list of key parts and components. In addition, we apply the red or yellow warning on non-conforming products according to the severity of nonconformity with respect to the “Procurement Risk Management Regulations” to implement corresponding controls.



### Activity Metrics

Number of units produced by product category	TC-HW-000.A	1-2 Product overview
Area of manufacturing facilities	TC-HW-000.B	By the end of 2020, the combined area of all product bases, including Merry Shenzhen, Merry Thailand, and Merry Vietnam, was 87,369m2.
Percentage of production from owned facilities	TC-HW-000.C	After receiving a purchase order from customers, products will be manufactured by own plants or joint-venture plants (with Luxshare) based on the required product line(s). In 2020, the revenue of own plants and joint-venture plants was 52% and 48% respectively. No order was outsourced for production.

## UN SDGs

	SDGs	Merry SDGs
 <p>SDG 3 Good health and well-being</p>	<p>By 2030, reduce non-communicable diseases through prevention and treatment and promote mental health and well-being.</p> <p>By 2030, ensure universal access to sexual and reproductive healthcare services, including family planning, information and education.</p>	<p>Workplace</p> <p>Employee health and safety</p> <p>Employee Assistance Program</p> <p>Employee satisfaction survey</p> <p>Enriching Human Life</p> <p>Promote the “Minimal Hearing Loss” initiative</p>
 <p>SDG 4 Quality education</p>	<p>By 2030, increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and culture’s contribution to sustainable development.</p>	<p>Building a Friendly Workplace</p> <p>Optimize talent development planning</p> <p>Shape the Merry culture</p> <p>Enriching Human Life</p> <p>Promote the “Minimal Hearing Loss” initiative</p> <p>Promote total ESG culture</p>

1  
Electroacoustics  
Specialist

2  
Management of  
Sustainable  
Development Issues

3  
Governance

4  
Delivering  
Excellent Sound

5  
Building a Friendly  
Workplace

6  
Addressing  
Climate Change

7  
Enriching  
Human Life



SDG 5 Gender  
Equality

End all forms of discrimination against all women and girls everywhere.  
Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.  
Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

Building a Friendly Workplace  
Employee diversity and inclusiveness



SDG-8 Decent Work  
and  
Economic Growth

By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.  
Protect labor rights and promote safe and secure working environments for all workers.

Delivering Excellent Sound.  
Increase the proportion of sustainable products.  
Improve corporate governance  
Strengthen the information security system  
Establish a risk management mechanism  
Building a Friendly Workplace  
Employee diversity and inclusiveness



SDG 13  
Climate Action

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters of the country.  
Improve awareness-raising, early warning, and human and institutional capacity on climate change.

Delivering Excellent Sound.  
Increase the proportion of sustainable products.  
Addressing Climate Change  
Define the sustainable product framework  
Promote the group's green policy  
Continue the group's green manufacturing policy  
Manage supplier social and environmental responsibilities  
Enriching Human Life  
Promote the "Minimal Hearing Loss" initiative  
Enhancing employee volunteerism  
Promote total ESG culture

