

2021

Corporate Sustainability Report





Electroacoustics Specialist

1.1 About Merry Electronics	19
1.2 Product overview	20
1.3 Financial performance	22
1.4 Tax management	23
1.5 Management systems	24



Content

Report Profile	5
2020 Sustainable Highlights	6
Message from the Chairman	7
Core Value	8
Value Creation Process	9
Assurance Statement	111
GRI content index	113
SASB Content Index	119
UN SDGs	126



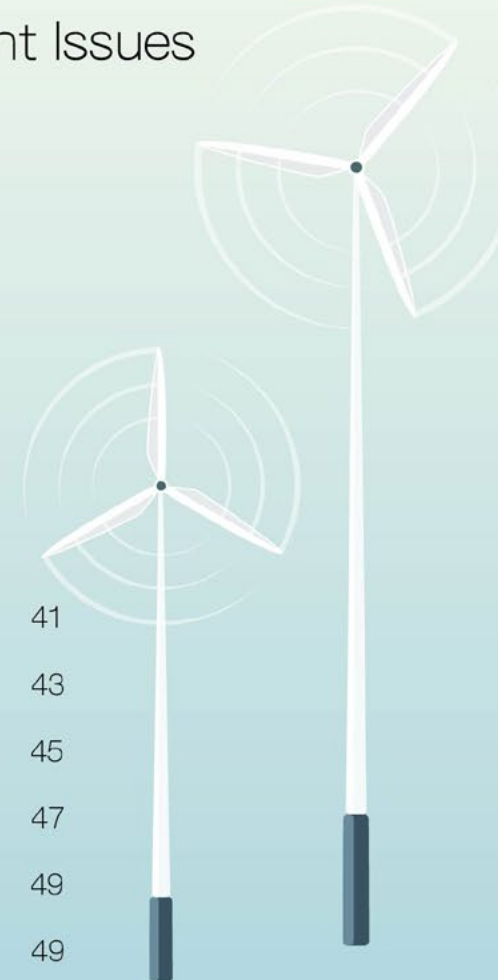
Management of Sustainable Development Issues

2.1 Sustainable policy and operation	25
2-2 Stakeholder identification and communication	26
2.3 Analysis and identification of material topics	30
2.4 Management approach of material topics	32
2.5 Task Force on Climate-Related Financial Disclosures	39



Governance

3.1 Governance organization	41
3.2 Ethical corporate management	43
3.3 Risk Management	45
3.4 Information security	47
3.5 Legal compliance	49
3.6 Internal audit	49



4

Delivering Excellent Sound.

4-1 Design for sustainability framework	50
4-2 Green product management	52
4-3 Customer service optimization	54
4-4 Sustainable supply chain management	55

7

Enriching Human Life

7-1 Promoting the minimal hearing loss	102
7-2 Education promotion	105
7-3 Care for local communities	109

5

Building a Friendly Workplace

5-1 Employee overview	58
5-2 Talent development and training	65
5-3 Wage and benefit systems	69
5-4 Friendly and safe workplace	74
5-5 Health care	81
5-6 Diverse communication channels	87



6

Addressing Climate Change

6-1 Environmental protection policy and commitment	89
6-2 Climate action and energy management	94
6-3 Water and waste management	99
6-3-2 Waste management	100
6-4 Strengthening awareness of environmental protection	101



About the Report

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 2021, this report was renamed ESG report.

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.

Period of Report

All performance data disclosed in this report is basically based on the data and information of 2021 (January 1–December 31, 2021) presented with respect to the Core Option of the GRI Standards published by Global Reporting Initiative (GRI), the corresponding metrics for the Hardware industry of the Sustainability Accounting Standards Board (SASB), and the Stakeholder Capitalism Metrics announced by the World Economic Forum (WEF).

Previous issue: July 2021

Current issue: June 2022

Report assurance

This report has been prepared by the 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 Standard disclosure in accordance with Core Option.

Significant changes in reporting

N/A

MERRY Sounds Excellent

Feedback and contact

This Report is available for access

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



No.22, 23 Rd., Taichung Industrial Park, Taichung,
40850, Taiwan



886-4-23590811
Public Relations Dept. - Ms. Chang



Merry_PR@merry.com.tw



<https://www.merry.com.tw/>



MERRY Website

2021 Sustainable Highlights



Governance

- Top 6–20% at the Corporate Governance Evaluation
- Ranked the 48th among the Top 50 in the large enterprise category, “Excellence in Corporate Social Responsibility,” CommonWealth Magazine.
- Gold Medal, TCSA – Corporate Sustainability Report Awards
- Taiwan Headquarters passed the certification of the ISO 27001 Information Security Management System (ISMS).
- Merry Shenzhen was recognized by the Corporate HQ in Longhua District and one of the Top 100 Industry companies.
- “Enjoin” conference speakers won the Good Design Award.

Top
6–20%
Corporate
Governance
Evaluation



Gold Medal
TCSA



GOOD DESIGN
AWARD



Environment

- Joined the RE100 global renewables initiative as the 13th enterprise in Taiwan and the first electroacoustics manufacturer to undertake to use 100% renewables by 2050. And pledged to achieve net zero carbon emissions by 2050.
- Merry Shenzhen passed the green factory certification (implemented certification plan in 2021 and received the certificate in January 2022)
- Signed a 3-year sustainability-linked loan agreement with Taipei Fubon Bank.

Commit to net zero
100%
by 2050

Commit to
renewable energy
100%
by 2050



Merry Shenzhen
Green Factory



Social

- Awarded the Special Award for Covid-19 Support “Torch” Award from branded clients.
- Awarded the Badge of Accredited Healthy Workplace by the Health Promotion Administration.
- Ranked the 2nd in the group category of the Healthy Fat (Weight) Loss Competition of the Taichung City Health Bureau.
- Engaged in the minimal hearing loss initiative to rectify correct hearing concepts by exerting our social influence.



Health
promotion
badge

Healthy Fat (Weight)
Loss Competition
of the Taichung City

Ranked **2**nd

Message from the Chairman

Although business operations were significantly affected as the global economy was under the huge impact of the persistent threat from Covid-19 when the pandemic continued in 2021, while climate change is the biggest threat to global sustainable development, countries worldwide have announced the goal of net zero emissions in succession. Facing natural disasters that are beyond reasonable human control, it is necessary for human beings to review our relationship with nature. Besides identifying climate-related risks and opportunities in accordance with the climate-related financial risk disclosures recommended by the Task Force on Climate-related Financial Disclosures (TCFD), we continue to include the domestic and international ESG trends in our management approaches in order to keep steady growth in the constantly changing market.

To cope with the rapid macroenvironmental changes and to meet the customer demands, in 2021 we constantly implemented the operational policy of “structure optimization, digital transformation, integration and innovation, sustainable development” to optimize the group structure and thereby enhance operational efficiency and deploy the future development of new business types. In production management, besides engaging in active digital transformation through innovative models, such as robotic process automation (RPA) and the digitization of global supply chain management, we also actively supported the RE100 and became Taiwan’s 13th enterprise to sign up to this global renewables initiative, aiming to become a lowest-carbon electroacoustics manufacturer.

Based on the regulations of “Corporate Governance 3.0” announced by the Financial Supervisory Commission (FSC), we should officially declare the sustainability (ESG) report from 2023. So far we have voluntarily compiled nine sustainability reports successively and were rated Top 50 in the Excellence in Corporate Social Responsibility of Common-Wealth Magazine and awarded the Gold Award for TCSA – Corporate Sustainability Report Awards in 2021. All these suggest that we care about the opinion of stakeholders, maintain long-term concerns and management of material sustainability issues, and constantly disclose, review, and improve the related systems and data in order to make constant progress in our corporate sustainable competitiveness.

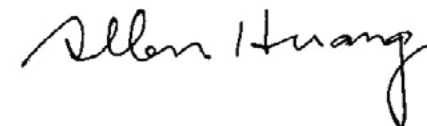
In terms of social issues, while nearly 1.1 billion of people aged 12–35 are at risk of hearing loss due to improper exposure to noise in leisure and entertainment, as indicated as an increasingly severe global hearing problem by the WHO in its 2020 report, as a world-leading electroacoustics brand, besides proactively activating various minimal hearing loss initiative projects at the end of 2020, in 2021, we have also successfully completed Taiwan’s first set of teaching materials that integrates acoustic hearing protection and offered campus awareness education in order to publicize the knowledge of correct ear use, hoping to prevent the increase in the hearing loss population starting from adolescents.

Looking out to 2022, we will face environmental challenges with a humbler mind and constantly maintain sustainable operations with a more practical attitude. We firmly believe that a better era is coming soon!

Chairman



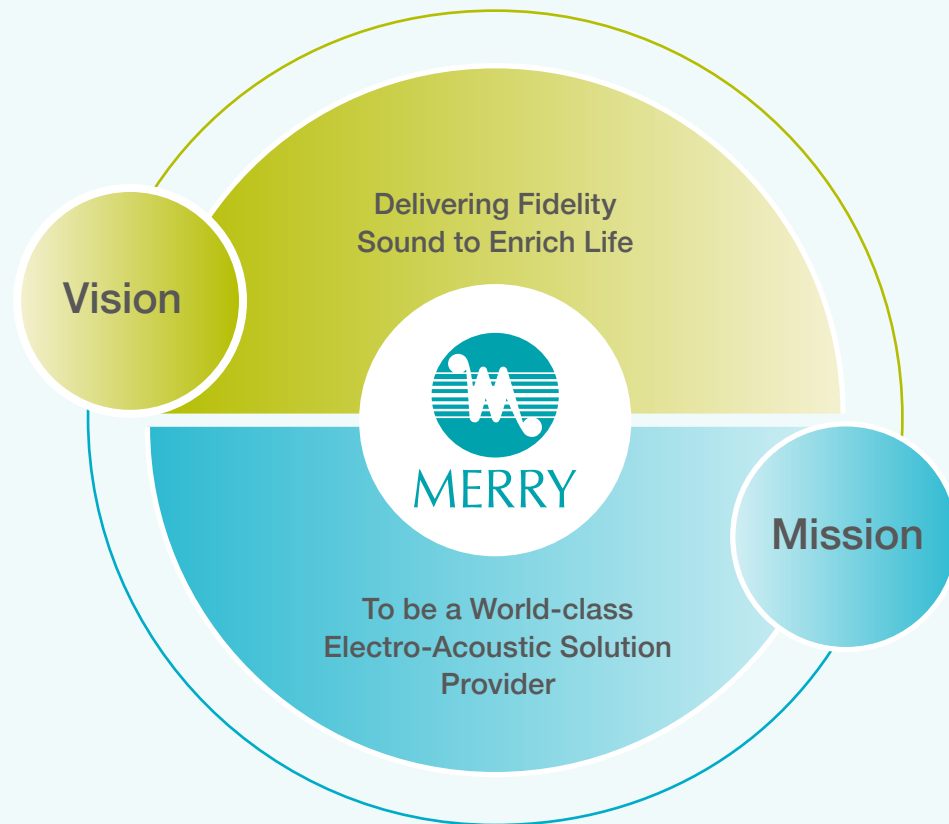
CEO



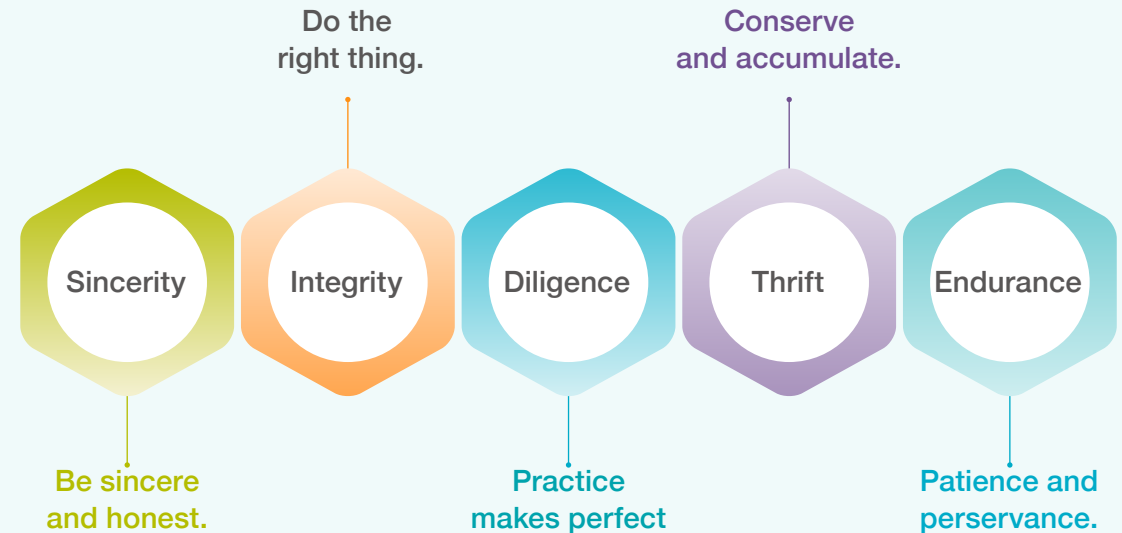
Core Value

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 global specialist provider of total solutions for electroacoustic applications in communication and entertainment”, 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

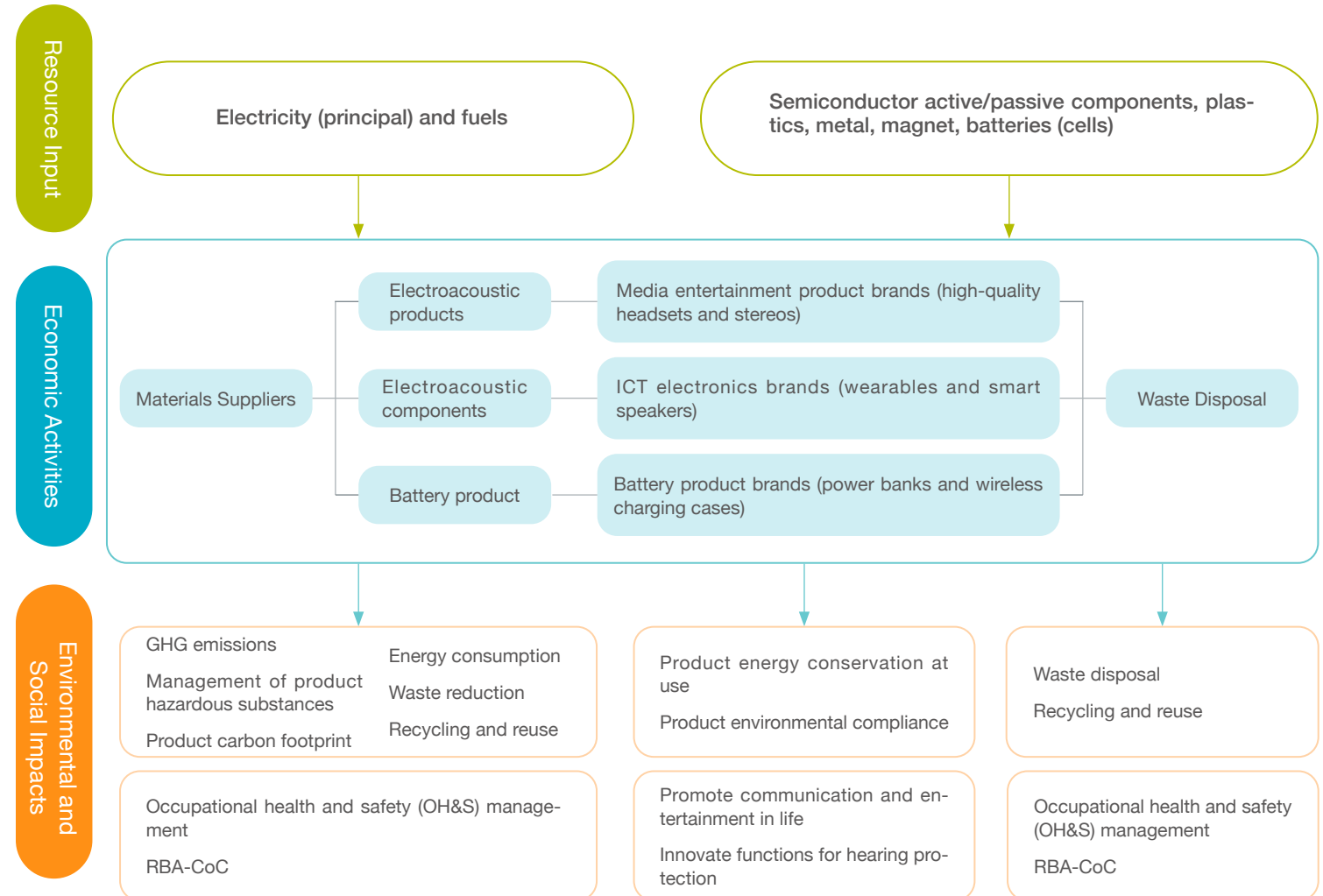
Steady and sustainable development through innovation and foundation together

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.



Sustainability Promotion Goals (corresponding SDGs)

Delivering excellent sound Corresponding to SDG8 Decent Work and Economic Growth/SDG13 Climate Action						
Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Increase the proportion of sustainable products.	products comply with the revenue proportion of DfS products.	3%	Up to	5%	Increase the target 15% → 30%	Increase the target 30% → 50%
Improve corporate governance	<ul style="list-style-type: none"> Board member expertise diversity Constant advocacy of an ethical corporate management culture 	<ul style="list-style-type: none"> Increase the seats of independent directors. 10 online courses for a consensus and concept building. 	<ul style="list-style-type: none"> Added one independent director through re-election. Currently, independent directors hold a third of the Board's seats. Achieved 100% courses on ethical corporate management, and publicized global cases on ethical corporate management to the Board. 	<ul style="list-style-type: none"> Implemented online ethical corporate management courses. Unfolded the English version of the ethical corporate management policy. Reported to the Board the achievements in implementation of ethical corporate management. 	<ul style="list-style-type: none"> Increase one female director. Promote practice to major sites in mainland China 	<ul style="list-style-type: none"> 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.	Taiwan HQ acquires the ISO27001 certificate.	Taiwan Headquarters passed the certification of ISO 27001 ISMS and completed the construction of information security systems including the digital signature and two-factor authentication (2FA) systems.	<ul style="list-style-type: none"> Merry Shenzhen implemented the ISO 27001 ISMS. Implemented the machine data intelligence (MDI) report under ISO 27001 ISMS. Established the supplier information security periodic inspection policy (information security checklist). 	<ul style="list-style-type: none"> Implement the ISO 27001 management system to all Merry Electronics sites. Implement information security checks on suppliers periodically. Implement ITIL Management System (Group) 	Modularize information security services to quickly construct the information security framework for new plants or new investees.

Delivering excellent sound Corresponding to SDG8 Decent Work and Economic Growth/SDG13 Climate Action



Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Establish a risk management mechanism	Group risk management and business continuity plan (BCP)	<ul style="list-style-type: none"> Establish the risk management mechanism of Taiwan HQ. Implement the risk management system and establish the list of risks. 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 assess their impacts on the organization for the reference of BCP planning. 	<ul style="list-style-type: none"> Produced the lists of 13 types of risks. Integrated the risk control and legal compliance procedures of all ISO management systems to facilitate collecting risk control contents of each ISO management system. Completed the business continuity plan (BCP) against the risk of COVID-19. Reported the status of implementation and the plan for the next year at the Board meeting on 2021/12/29. 	<ul style="list-style-type: none"> Add ethical corporate management (anti-corruption) to the risk management list and include all items in the list for TCFD issue assessment. Integrate with ISO 45001 risk management to reduce operating costs. Analyze and plan group insurance. Implement at least one BPC drill. 	<ul style="list-style-type: none"> Implement the risk management system for all subsidiaries in mainland China. Participate in the operation of risk control and legal compliance with newly implemented ISO management systems. 	<ul style="list-style-type: none"> Implement the risk management system for all subsidiaries. Participate in the operation of risk control and legal compliance with newly implemented ISO management systems.

Addressing climate change Corresponding to SDG 13 Climate Action



Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Sustainable product framework	Consider the 10 DfS dimensions in the new product design.	Consider the 10 major aspects of Design for Sustainability (DfS) in new product design and actively expand product possibility to make products eco-friendlier.	Constantly use recycled materials, implement product structure optimization and low-impact design, and promote green energy use with 10 DfS aspects as the core and the use of recycled materials use, product DfS, and green energy implementation as the three tracks of development to achieve sustainable business value.	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		

Addressing climate change Corresponding to SDG 13 Climate Action

Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Promote the group's green policy	Join the RE100 Roadmap for 100% achievement by 2050	Signed up to RE100 and submitted plans to increase the use of renewables each year.	<ul style="list-style-type: none"> Officially signed up to RE100 in October to become as the 13th enterprise in Taiwan and the first electroacoustics manufacturer support this global renewables initiative. Consumed 6.98% of renewables. 	<ul style="list-style-type: none"> Consumed 14% of renewables; increased by 7% each year for 2021–2030. 	<p>Targets:</p> <p>Consume 35% of renewables. (originally 45%, revised as per the plan submitted to RE100)</p>	<p>Targets:</p> <p>Consume 60% of renewables. (originally 65%, revised as per the plan submitted to RE100)</p>
Continue the group's green manufacturing policy	<ul style="list-style-type: none"> Group carbon reduction target Group energy conservation target Merry Shenzhen passes green factory certification. 	<ul style="list-style-type: none"> Reduce carbon emission intensity by 2% over the previous year every year. Conserve energy by 1.5% (over 2020) Merry Shenzhen completes the internal implementation of a green factory. 	<ul style="list-style-type: none"> Taiwan HQ and Merry Shenzhen passed the third-party verification of ISO 14064-1 GHG inventory. The intensity of GHG emissions (Scopes 1 and 2) reduced by 11.10% over last year; energy intensity increased by 8.96% over last year (energy report boundaries for 2022 included Suzhou Merry, otherwise the increase was only 7.98%). Merry Shenzhen completed green factory implementation (passed certification in January 2022). 	<ul style="list-style-type: none"> Each year reduce the intensity of GHG emissions by 2% over the previous year. Reduce energy intensity by 3% (base year 2020) Guide the internal GHG inventory and plan certification for all plants according to ISO 14064-1. Plan and implement the carbon neutrality target for 2050. 	<ul style="list-style-type: none"> Reduce carbon emission intensity by 2% over the previous year every year. Reduce energy intensity by 7.5% (base year 2020) Plan and implement the carbon neutrality target for 2050. 	<ul style="list-style-type: none"> Reduce carbon emission intensity by 2% over the previous year every year. Reduce energy intensity by 15% (base year 2020) Plan and implement the carbon neutrality target for 2050.
Manage supplier social and environmental responsibilities	Implement sustainable management of key suppliers	<ul style="list-style-type: none"> Establish the sustainable supply chain management policy Set the criteria for key supplier selection. Include CSR scoring in the sustainability dimension to implement actual audit and guidance. 	<ul style="list-style-type: none"> Selected 27 suppliers for the annual CSR audit, with an average score of 82.7 points, or 4.5% higher than the previous year. Declaration signing rate of all suppliers: 96%. 	<ul style="list-style-type: none"> Add the management of supplier communication indicators; constantly add and optimize e-supplier platforms to strengthen two-way communication; and organize related education and training courses to encourage a better understanding of our policies and management platforms for sustainable development. CSR audit score of key suppliers: 82 marks. Extend the supplier ESG management policy to plants in Thailand and Vietnam 	<ul style="list-style-type: none"> CSR audit score of key suppliers increases by 5 marks (85). Declaration signing rate of all suppliers increases to 95%. 	<ul style="list-style-type: none"> CSR audit score of key suppliers increases by 10 marks (90). Declaration signing rate of all suppliers increases to 95%.

Build a friendly workplace SDG 3 Good Health and Well-being / SDG 4 Quality Education /SDG5 Gender Equality /
SDG 8 Decent Work and Economic Growth



Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Talents attraction and retention	Employee satisfaction survey	Survey average score: 4.0 (out of 5)	Constantly incentivize outstanding talents with an average salary raise of Taiwan HQ at 3.84%; overall employee satisfaction 4.23 marks (out of 5).	Implement the employee engagement survey in the future once biennially.	Employee engagement survey (once biennially).	Employee engagement survey (once biennially).
	Employee diversity and inclusiveness	Female-to-male employee ratio overall >73%, Intermediate officers: >31%,	Start work from home (WFH) (average 30-50% of employees) in turns as a normal practice in May in response to COVID-19 and work flexibility; add leave types better than the legal requirements with an advance 3-day special leave for new employees and exempted make-up workdays. Although equal pay for equal work and fair evaluation and promotion have been maintained over time, in view of the larger	Add two work flexibility options and WFH and leave encouragement policies for employees with family care needs. Targets for overall employees and intermediate officers: overall >87%, intermediate officers >43%,	Targets for overall employees and intermediate officers: overall >87%, intermediate officers >45%,	Targets for overall employees and intermediate officers: overall >87%, intermediate officers >47%,
Optimize talent development planning	Competence Development Program Merry DNA: Understand Music, Enjoy Reading	New employee training achievement rate: 100% Training satisfaction average score: 3.8.(full score is 5) Organize Music courses: 2 and promote reading 2 books	New employee training achievement rate: 100%; overall course satisfaction: 4.5 marks. Five courses on "Classical Music History Made Easy" as periodic online courses for all employees; study groups for two books.	New employee training achievement rate: 100%; training satisfaction: 4 marks; management competence training: 3-Year Plan. Set 30 hours of required courses and 10 hours of electives by duty. Constantly promote music courses and the employee/department shared reading plan	Create the program system: Plan the "Merry Strategy Program" to make up the insufficiency of the talent training and integrate with the operational goals. Organize competence-based talents training plans: achievement rate 50%. Develop the reading passport and establish music clubs.	Set up Merry college and combine the college with the talent echelon training plan s: achievement rate 100%. Organize competence-based talents training plans: achievement rate 100%. Develop the reading passport and establish music clubs.

Build a friendly workplace SDG 3 Good Health and Well-being / SDG Quality Education /SDG5 Gender Equality /
SDG 8 Decent Work and Economic Growth



Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Healthy Workplace (multifaced health management)	Target number of employees for health promotion	Accumulated power walking: 2 million steps; and added the target number of employees for health promotion	Accumulate power walking to 187 million steps and promote health to 1,724 persons.	Health promotion activities for 1,200 persons (scaled down due to venue renovation at HQ); reduce abnormal BMI rate by 3%.	Health promotion activities for 1,800 persons; reduce abnormal BMI rate by 3.6%.	Health promotion activities for 2,700 persons; reduce abnormal BMI rate by 3.8%.
	Health protection plans	Completed all labor health protection plans and targeted number of employees for onsite physician consultation services; passed the certification of the "Badge of Accredited Healthy Workplace" from the Ministry of Health and Welfare.	Complete all plants and smoothly pass the certification of the "Badge of Accredited Healthy Workplace."	Health education for all high-risk cases (overseas business trips, anomalies found in health checkups, four major health protection targets).	Work-related ill health prevention and health promotion under the health protection plans: achievement rate at 100%.	Work-related ill health prevention and health promotion under the health protection plans: achievement rate at 100%.
Healthy Workplace (safety culture)	Employee Assistance Program (EAP)	Organized EAP Supervisor Sensitivity Training and group courses for health high-risk cases.	Complete 3 hours of EAP Supervisor Sensitivity Training; complete one group stress relief course; and establish referral channels for professional counseling.	Three hours of EAP Supervisor Sensitivity Training	Establish the EAP protection net (supervisor training for 6 hours, and one department seed employee).	Establish the EAP protection net (supervisor training for 6 hours, and two department seed employee).
	Deployment of safety management systems	Passing ISO 45001 certification	Taiwan HQ already passed ISO 45001 certification	Promote ISO 45001 certifications to all subsidiaries.	All Merry businesses pass ISO 45001 certification.	Pass third-party audit for ISO 45001 every year
Human Rights Issues	Maintenance of a low work-related injury rate.	New indicators set in 2021	Reduction of annual work-related injury rate by 1% (base year 2021)	Taiwan HQ: FR<0.80; SR<33, FSI<0.16; Merry Shenzhen: Severe work-related injury cases due to improper management <1	Work-related injury rate of all Merry businesses: Reduction of annual work-related injury rate by 1% (base year 2021)	Work-related injury rate of all Merry businesses: Reduction of annual work-related injury rate by 1% (base year 2021)
	RBA certification	Merry Shenzhen and Merry Thailand passed RBA certification.	Merry Shenzhen and Merry Vietnam passed RBA certification.	Merry Shenzhen and Merry Vietnam maintain at the certificate renewal standard, and continual assessment for Merry Thailand.	Guide all plants in mainland China to implement RBA	Guide all plants in mainland China to implement RBA
	Gender equality		Merry Thailand has not passed RBA certification.	Constantly hire more employees with disabilities through communication and job accommodation.	Constantly hire more employees with disabilities through communication and job accommodation.	Constantly hire more employees with disabilities through communication and job accommodation.




Enrich human life SDG 3 Good Health and Well-being / SDG 4 Quality Education





Dimension	Indicator	2021 Target	2021 Achievements	2022 Target	2025 Target	2030 Target
Promote the “Minimal Hearing Loss” initiative	Number of persons influenced	Influence 1,000 persons to understand minimal hearing loss.	<ul style="list-style-type: none"> Campus promotion plan: Completed the lesson plans and educational videos for minimal hearing loss and organized the first campus promotion activity. Promoted the initiative at the Commonwealth U20 Forum and podcast to reach about 300 persons, with total website exposure up to 1.5 million times. 	<ul style="list-style-type: none"> Depth: 3 sessions of campus publicity for students and teachers. Breadth: Enrich the issue understanding of the public: 5,000 persons 	<p>Escalate the co-creation/ alliance issues</p> <p>50,000 persons</p> <p>Invite upstream and downstream suppliers to discuss for more businesses to care about the issues.</p>	<p>Escalate the co-creation/ alliance issues</p> <p>100,000 persons</p> <p>Promote the “Minimal Hearing Loss” initiative</p>
Promote total ESG culture	Create general courses for ESG education/training	<ul style="list-style-type: none"> Design 3 fundamental ESG courses. Training completion rate in Taiwan HQ: 80% 	<ul style="list-style-type: none"> Held the All Hands Meeting, with the president announcing the goals and achievements of sustainable development. Published the Merry Sustainable Development e-Newsletter: 4 issues in total. Produced the online required course “Sustainable Development You Should Know” on basic ESG concepts, with training completion rate of 55%; ESG report introduction course and TCFD seed employee course, with training completion rate of 100%. 	<ul style="list-style-type: none"> Promote “Merry Sustainability Day” and integrate with the Merry Sustainable Development e-Newsletter. Annual general education courses on sustainable development. 	<ul style="list-style-type: none"> ESG training completion rate of Merry Shenzhen: 100% Create the ESG mission road-map for employees of Taiwan HQ 	Promote total ESG culture: achievement rate at 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	Description	Input	Output	Outcomes
 Financial Capital	<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"> Capital stock: NT\$2.165 billion Total assets: NT\$33.863 billion 	<ul style="list-style-type: none"> Consolidated revenue NT\$36.183 billion, 5.05% more than 2020. Consolidated net profit before tax NT\$1.582 billion, 7.11% less than 2020. ROE 11.04% 	<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&D when the macro environment was impacted by the pandemic, hoping to accelerate new product development in the post-pandemic era.</p>
 Intellectual Capital	<p>We integrate four key core technologies: electroacoustics, software, wireless, and battery. They cover the technology and capacity for R&D and manufacturing in customers for product development, design, and manufacturing</p>	<ul style="list-style-type: none"> R&D expenditure is NT\$1.699 billion (4.70% of sales income), 0.30% less than 2020. Continue to protect R&D outcomes through intellectual property management regulations and periodically update the patent map based on the new product and technology trends for the reference of the R&D unit. Continue to implement the digital transformation project and establish the ISO 27001 ISMS. 	<ul style="list-style-type: none"> New product and extended model development: 72 items. New patent application: 67 cases, approved 84 cases. Taiwan HQ passes ISO 27001:2013 certification 	<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>
 Human Capital	<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"> Group employees: 6,980 persons. Education/training budget: NT\$2.7 million. Implement the ISO 45001:2018 OH&S management system at Taiwan HQ and Merry Vietnam. Promote the DNA cultivation activities "understand music, love reading, like exercise, enjoy volunteering". <ul style="list-style-type: none"> Independently develop the health promotion app "Merry i-Sport." Study group, physical library, and e-book platform Music appreciation courses Volunteerism leave 	<ul style="list-style-type: none"> Total hours of education and training: 655,562 hours; total hours of education and training per person: 93.92 hours. Taiwan HQ and Merry Vietnam passed ISO 45001:2018 certification; no significant accident or work-related ill health or injury was reported. Taiwan HQ was awarded the Badge of Accredited Healthy Workplace by the Health Promotion Administration. Merry Shenzhen was rated the excellent unit at the National Emergency Management Legal Knowledge Popularization Competition of China. Taiwan HQ organized the online race-walking competition which accumulated a total of 187 million steps (about 128 rounds of Taiwan); accumulated physical library and e-book platform visits: 909 persons; accumulated study group 	<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>

Capital input and output (Continued from previous page)

Capital	Description	Input	Output	Outcomes
 Manufacturing Capital	Plant, property, and equipment (PP&E) for producing products	<ul style="list-style-type: none"> ■ Capital expenditure: 1.240 billion ■ Merry Shenzhen purchased intelligent equipment to facilitate energy management and enhance assembly line automation. ■ Activated the Green Factory Certification Plan ■ Merry Vietnam purchased new machinery and equipment ■ Built the new Taiwan HQ building 	<ul style="list-style-type: none"> ■ Produced 283 million entertainment products and ICT electronics products in total. ■ Merry Shenzhen passed the National Green Factory Certification (January 2022) to realize clean production, waste to resource, energy conservation, and carbon reduction. ■ Capacity expansion of Merry Vietnam 	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. We also keep clean production as the goal toward net zero emissions and sustainable development.
 Natural Capital	Energy and water used in the manufacturing process	<ul style="list-style-type: none"> ■ Total energy consumption is 114,142.86 GJ, mainly from electricity. ■ Constantly implemented energy conservation projects for energy-consuming equipment at plants to enhance energy efficiency and constantly increased renewables use: <ul style="list-style-type: none"> ● Purchased renewables certificates (RECs) for 1,990 MWh, accounting for 6.98% of total electricity consumption. ● Shenzhen: Reduced electricity consumption by 30% with the magnetic levitation energy-efficient air-conditioning system; implemented the floor electricity meter monitoring measures. ● Vietnam: Added lighting detectors and lighting sensors. ■ Total water withdrawal was 350.11ML, mainly for domestic water use by employees; added energy-efficient equipment to enhance water efficiency. 	<ul style="list-style-type: none"> ■ Officially signed up to the RE100 and undertook to use 100% renewables by 2050 by increasing the use of 7% of renewables each year. ■ Scopes 1 and 2 GHG emissions were 16,752.43 tCO₂e, 1,302.16 tCO₂e (7.21%) less than 2020. ■ Most effluents were domestic sewage (no industrial wastewater). Merry Shenzhen has installed the wastewater reclamation system. Water after treatment was used for toilet flush to save about 504MT of water each year, and constantly reduce domestic water use with smart water meters and water-efficient taps. 	Established a systematic energy management system and constantly enhance energy efficiency to focus on achieving the goals of energy conservation, carbon reduction, and clean energy use more aggressively.

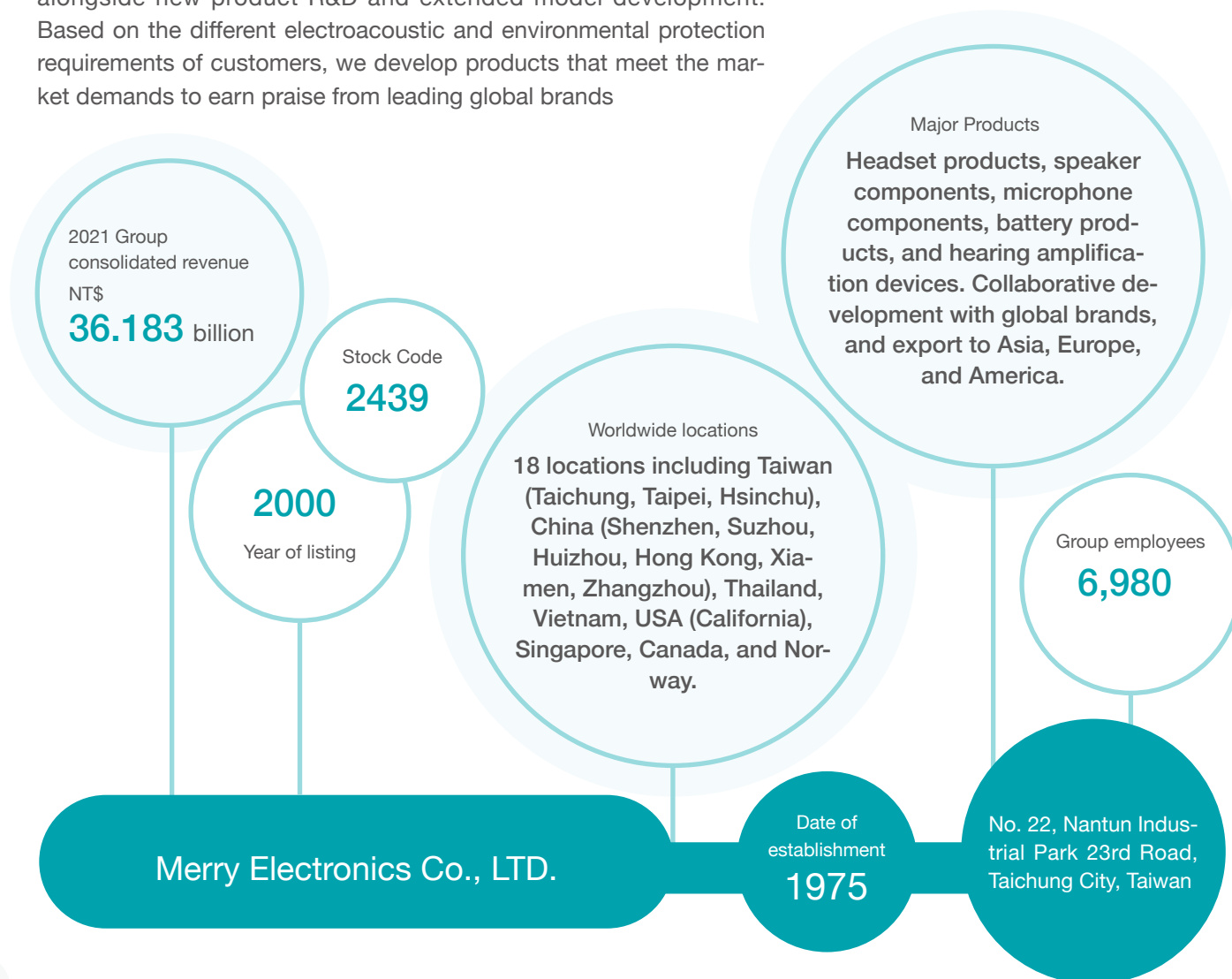
Capital input and output (Continued from previous page)

Capital	Description	Input	Output	Outcomes
 <p>Social Capital</p>	<p>The ability to increase social value in collaboration with stakeholders</p>	<ul style="list-style-type: none"> ■ Made external donations of NT\$1.6 million. ■ Advocated the minimal hearing loss initiative to publicize the knowledge of correct ear use to protect hearing from campuses and musicians: <ul style="list-style-type: none"> ● Co-developed lesson plans suitable for elementary and junior high schools with the faculties and students of the department of audiology and speech and department of special education for children to understand the importance of hearing and how to protect it. ● Organized charitable hearing talks at the National Taiwan Symphony Orchestra and performed hearing tests for musicians with professional equipment. ● Donated a total of 100 hearing aids to Hondao and other three groups, advocated paying attention to the influence of minimal hearing loss, and promoted the importance of technological aids. ■ Organized the Merry Electroacoustics Thesis Award for 12 consecutive years and offered prizes of NT\$550,000 in total; and sponsored the program Taiwan's March of Happiness of Classical FM97.7 for 17 consecutive years. ■ Total number of volunteers and hours of volunteer services: 864 persons for 2,630 hours. 	<ul style="list-style-type: none"> ■ Minimal hearing loss initiative <ul style="list-style-type: none"> ● Completed publicity videos and lesson plans and organized the first teacher sharing meeting, and the scale of the campus publicity plan will be expanded. ● Publicized minimal hearing loss at the Commonwealth U20 Forum and podcast to reach about 300 persons online, with total website exposure up to 1.5 million times. ● The hearing talks attracted nearly 100 members of the National Taiwan Symphony Orchestra to protect the "golden ears" of musicians. ■ A total of 76 students won the Merry Electroacoustics Thesis Award during 2010–2021. ■ Continued to sponsor the "Philanthropic Library" and Taiwan's March of Happiness. ■ Employees of Taiwan HQ emphasize science education; Merry Shenzhen is devoted to community care over time and voluntarily assisted with community epidemic control at the peak of the pandemic, winning the praise of local governments and citizens. 	<p>Starting out from the vision of "deliver excellent sound to enrich life," we introduce the minimal hearing loss initiative and advocate the correct use of ears, hoping that more people enjoy a healthy hearing life for a longer time. We also constantly deliver happy and excellent sound to society and deepen the positive energy of reading and the popular science of electroacoustics.</p>

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



Major Events

- 1975-1985** (early products)
 - Wireless communication moving coil microphones.
 - Taiwan's first manufacturer to successfully mass-produce speakers for Walkman headsets.
 - Taiwan's first manufacturer to successfully mass-produce moving coil receivers for telephones.
- 1985-2000** (constant transformation)
 - Produced micro receivers and hands-free products for mobile phones and laptop speakers.
- 2000-2010**
 - Expanded to the Bluetooth wireless market.
 - Produced Bluetooth headsets and ANC headsets, Bluetooth portable stereo speakers, power banks.
- 2010-2015**
 - Produced advanced-level over-ear headsets, gaming headsets, and sports headsets.
 - Ultra-slim wearable moving coil speakers and wireless power banks.
 - Engaged in hearing amplification devices, such as personal sound amplification products (PSAPs).
- 2015-2020**
 - Sensor fusion true wireless stereo (TWS) headsets, AI smart sports headsets, high-recognition smart speakers, high-power speakers, MEMS/ECM microphone components and modules, wireless power banks. Also constantly engaged in medical hearing products including hearing amplification earphones, smart PSAPs, and hearing aids.
- 2021**
 - We have signed up to RE100 and undertook to use 100% of renewables by 2050.
 - We have integrated with DfS to constantly improve the low emission design of new products in terms of design, manufacturing, and planning.
 - Actively developed automotive and medical products to pave way for the next growth stage.

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, and Taiwan Institute of Directors.

External initiatives

TCFD

We have signed to support the "Recommendations of the Task Force on Climate-related Financial Disclosures Recommendations" (TCFD), and the risk management team has also convened the related departments to inventory management status of climate-related risks and opportunities. While the potential financial impact is comparatively low, we are actively drawing up countermeasures.

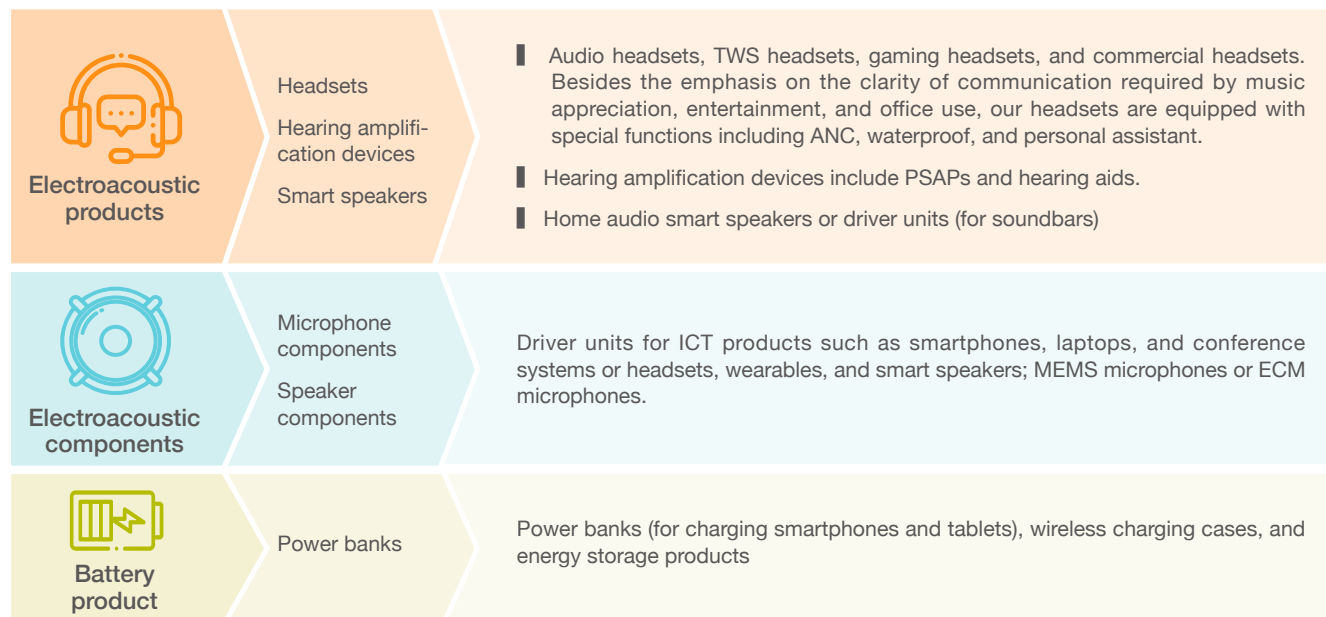
RE100

We already signed up to the RE100 initiative in 2021 to become the 13th enterprise in Taiwan signing up to RE100. We also set the target to use 100% of renewables by 2050.

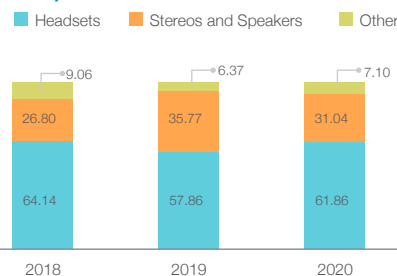
1.2 Product overview

Major product lineups and application

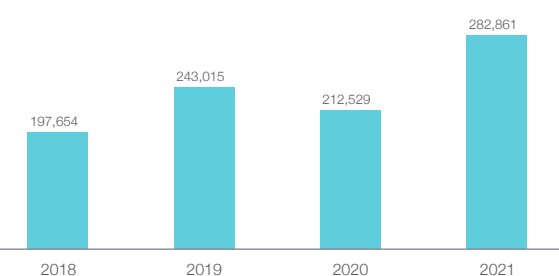
We integrate four key core technologies: electroacoustics, wireless, software, and battery to provide branded customers with total electroacoustics solutions covering the development, design, and manufacturing of products. Although the quality of music listening and speech is the first priority of electroacoustic products, it is also necessary to integrate special functions such as active noise cancellation (ANC), waterproof, and personal assistant. Additionally, in response to the global trend of net zero emissions, we have established the DfS framework to reduce carbon reduction starting from product design in order to provide customers with low-emission electroacoustics solutions.



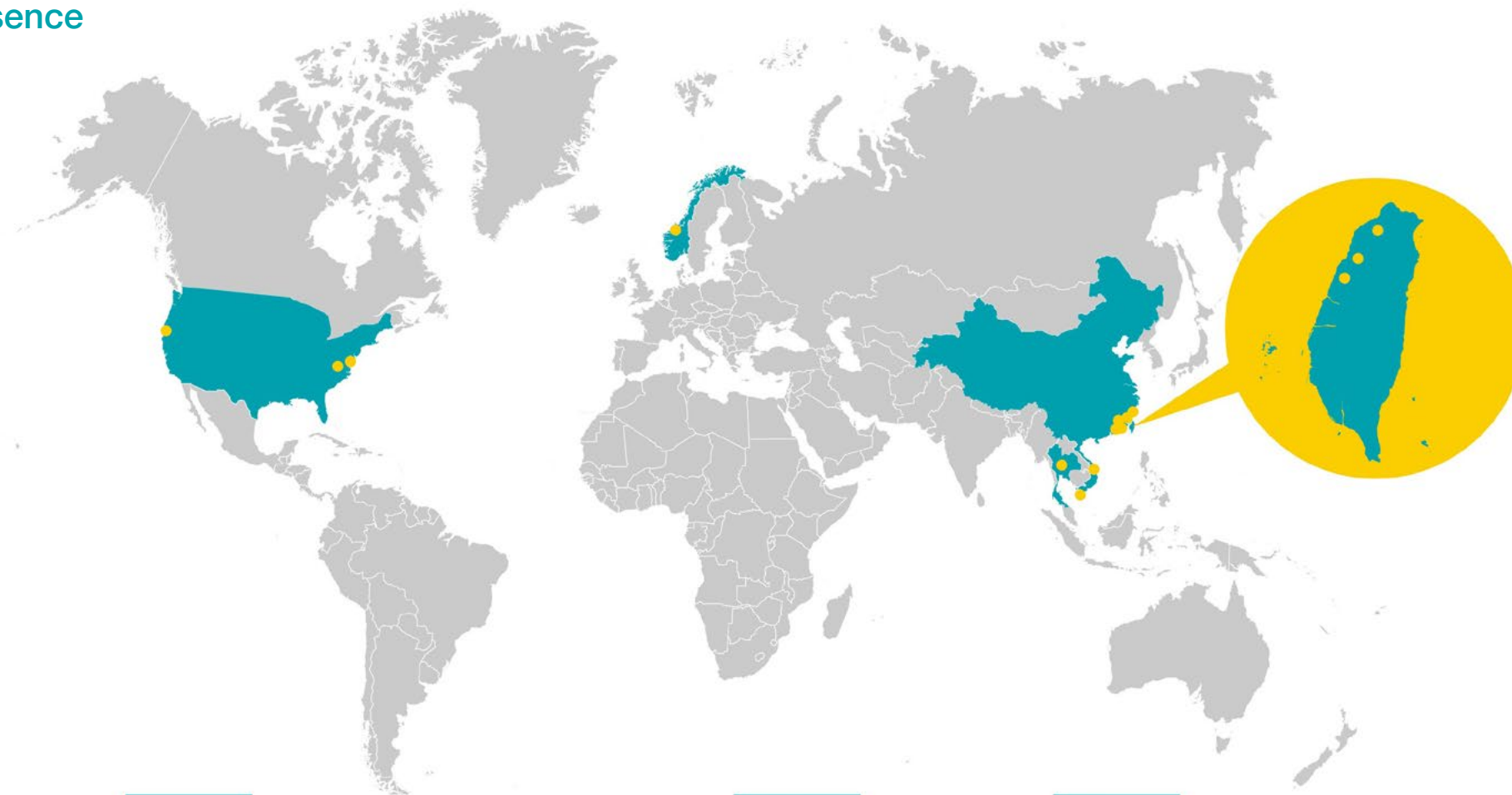
Output Value over the Years



Sales over the Years (thousand pcs)



Global Presence



Taiwan	Taipei Hsinchu Taichung (HQ)	MUtek Hsinchu	Thailand	Rayong	Norway	SEAS Moss
China	Shenzhen Suzhou* Huizhou*	Fulicare Haicang Austar Xiamen Sonavox Suzhou	Vietnam	Nghe An*	Local Sales Office	Singapore West / East Coast, USA Hong Kong
			Canada	SCI Vaughan		

*Strategic Corporation with Luxshare Group

1.3 Financial performance

In 2021, the consolidated revenue increased by NT\$1.738 billion (or 5.05%) over 2020 to NT\$36.183 billion; the consolidated net profit before tax reduced by NT\$121 million (or 7.11%) over 2020 to NT\$1.582 billion.

The 2021 revenue increased because of the progressive global economic recovery in the post-COVID-19 era, the sales of new products were good after launch, and shipping also increased comparatively. In 2021, the operating expense also increased as the cost for international transportation rose due to the pandemic. The 2021 non-operating income (expense) reduced over 2020 because net profit reduced over 2020 due to the delayed shipment of new products from investees.

Unit: thousand

Revenue and Profit over the years

	2017	2018	2019	2020	2021
Sales revenue	26,678,810	35,494,808	36,397,793	34,444,819	36,182,719
Operating costs	22,017,976	30,769,740	31,357,874	30,126,271	31,807,621
Net operating margin	4,660,834	4,725,068	5,039,919	4,318,548	4,375,098
Total Operating expenses	2,088,457	2,421,935	2,804,567	3,177,806	3,276,541
Selling expenses	323,523	350,439	397,602	345,767	424,928
General and administrative expenses	845,662	968,491	1,101,580	1,127,403	1,152,137
Research and development expenses	919,272	1,103,005	1,305,385	1,704,636	1,699,476
Operating profit	2,572,377	2,303,133	2,235,352	1,140,742	1,098,557
Total Non-operating income and expenses	1,684,883	423,116	1,010,845	561,963	483,616
Profit before income tax	4,257,260	2,726,249	3,246,197	1,702,705	1,582,173
Income tax expense	635,051	665,400	715,051	383,305	291,083
Profit for the year	3,622,209	2,060,849	2,531,146	1,319,400	1,291,090
Total other comprehensive (loss) income	3,307,089	(2,583,113)	926,128	(936,960)	(919,953)
Total Profit	6,929,298	(522,264)	3,457,274	382,440	371,137
Basic earnings per share	18.94	10.47	12.51	6.39	5.40

Compiling the information specified in Disclosure 201-1

Employee wages and benefits	2,586,579	2,930,132	2,729,703	3,306,368	3,364,588
Government grants	5,427	59,410	173,967	188,780	312,065
Direct/indirect / political donations	0	0	0	0	0
Charity donations	3,043	2,843	2,013	1,649	1,598

Note

1. Please refer to our 2021 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. www.merry.com.tw
2. .With respect to the resolution made at the 2022 AGM, the cash dividend for 2021 is NT\$4.00/share.

1.4 Tax management

We have established a tax management unit to ensure the synchronous compliance with the tax regulations of the locations of operations of all Merry businesses. The unit also reports the results of tax management to the management to constantly create profit and perform our taxpaying duty.

Tax Management Policy

- Comply with the tax laws and regulations and follow the legislation spirit and report and pay various taxes in time to perform the taxpayer duty.
- Maintain the arm's length principle and follow the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations published by the Organisation for Economic Co-operation and Development (OECD) for transactions among affiliates.
- Adopt legal and transparent tax incentivization policies and reject tax mitigation methods against the legal spirit.
- Disclose tax information to stakeholders through open channels to enhance information transparency.
- Consider and assess related risks and adopt appropriate strategies when making and implementing tax policies.
- Maintain open, honest, and virtuous communication with taxation agencies and help improve the tax environment and system.

Tax governance and risk control mechanisms

The Board is the top decision-making and supervisory unit of tax administration, and the HQ Financial Division is the tax administration unit. To honestly report and pay tax, enforce information transparency, and cautiously assess tax risks and impacts through mutual trust.

Income tax conversions paid in 2020 and 2021

Unit: thousand

Locations	2020		2021	
	Amount	percentage	Amount	percentage
ASIA	160,503	98.55%	195,418	99.69%
America	2,358	1.45%	0	0.00%
Europe	0	0.00%	598	0.31%
Others	0	0.00%	0	0.00%
total	162,861	100.00%	196,016	100.00%

Financial disclosure

Unit: thousand

	2020	2021
Profit before income tax	1,702,705	1,582,173
Income tax expense	383,305	291,083
Income tax paid	162,861	196,016

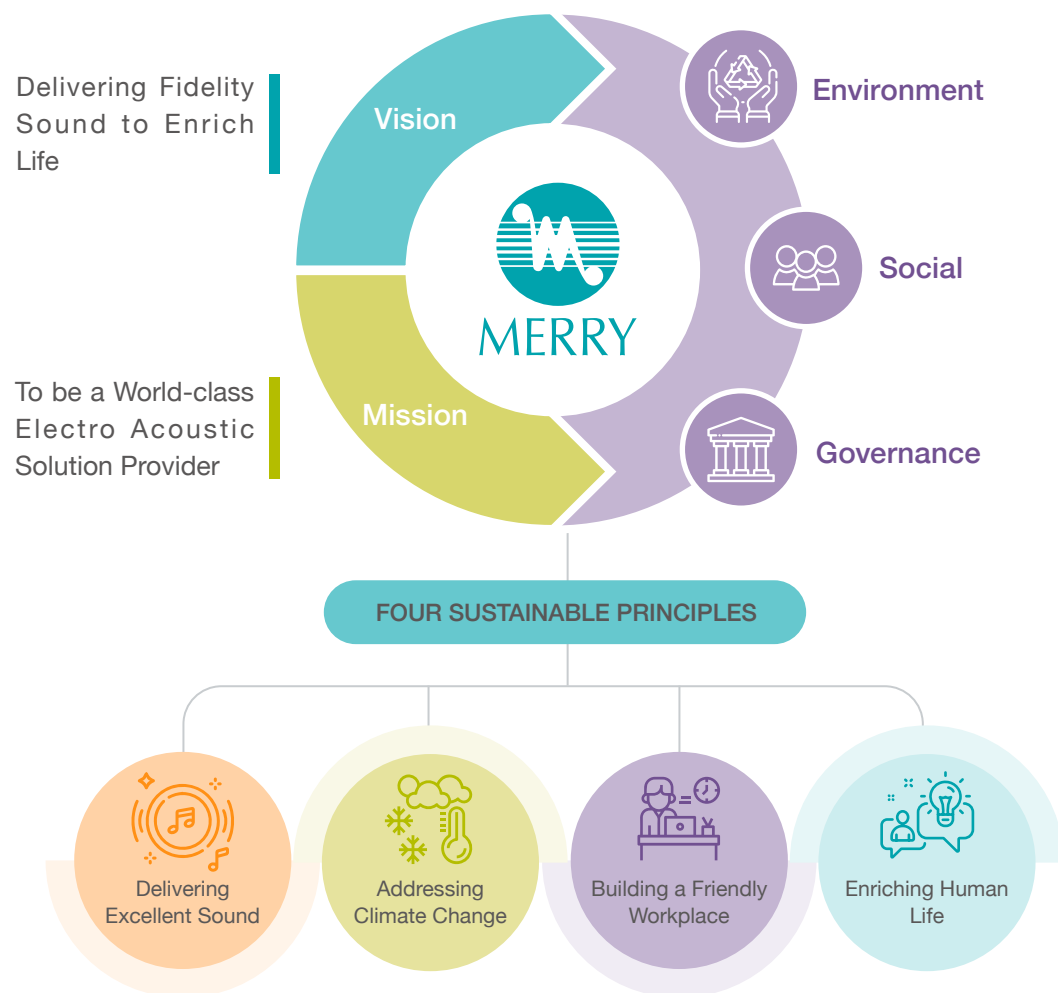
1.5 Management systems

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 70		•	•	Application in progress	
	ISO 45001:2018 OH&S Management System	•	•	•		
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
- 1.The above verifications do not apply to our locations in Singapore, Hong Kong, and the USA because they are operated in rented offices.
 - 2.Although Merry Shenzhen originally passed ISO 27001 certification last year through a project partner, it was cancelled due to a contract adjustment, Merry Shenzhen is applying for certification.

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 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 2021, the team reported to the board on the outcomes of implementation in 2021 and the implementation plan 2022. The team will also report the status of various projects and ESG performance indicators to the board from time to time.

Operation

	Meeting Contents	Frequency
Board of Directors	Annual ESG outcomes and plans, including the response to the material topics that concern stakeholders.	Half-yearly
Sustainable Development Promotion Team	Sharing ESG trends; drawing up medium- and long-term approaches, and discussion of material issues.	Half-yearly
	Review of the outcomes of short-term ESG targets	Quarterly





See 3.1 Governance organization for Merry Electronics' organizational framework

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, Occupational safety and health(OSH), 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 2021

Stakeholder	Significance to Merry	Communication Channel/Frequency	Outcomes of Communication in 2021 Jan. – Dec.	Major Issues of Concern	Countermeasure	Relevant Report Section
 <p>Investors</p>	<p>The recognition and support of investors are the bedrock of our sustainable operations.</p>	<ul style="list-style-type: none"> Monthly revenue information (monthly) Investor conference/overseas investor forum (at least once per quarter) AGM/annual report (annually) Corporate website/Market Observation Post System (real-time) 	<ul style="list-style-type: none"> Revenue announcement: 12 times Domestic and overseas investor conferences: 69 times AGM: 1 time 	<ul style="list-style-type: none"> financial performance Ethical corporate management Sustainable Supply Chain Occupational Safety and Health Future outlook and strategic partner cooperation 	<ul style="list-style-type: none"> Periodical disclosure of financial information on the MOPS and corporate website. Periodical disclosure of important board resolutions and material corporate information. Employment of the spokesperson, deputy spokesperson, and service coordinator to address the issues that concern investors. Periodical meetings for reporting the operational performance to investors and addressing the questions that concern them. 	<p>1.3financial performance</p> <p>3.2Ethical corporate management</p> <p>4.2een product management 4.4stainable supply chain management</p> <p>5.4iendly and safe workplace</p>
 <p>Employees</p>	<p>Employees are the most important asset to and the source of competitiveness of Merry</p>	<ul style="list-style-type: none"> Employee performance interview (half-yearly) New employee interview (monthly, depending on training needs) EWC meeting (bimonthly) Internal information announcement (real-time) Employee feedback channels (real-time) 	<ul style="list-style-type: none"> Two times a year per employee (Jan and Jul) New employee seminars: 4 times Labor-management meetings: 3 times. EWC meetings: 4 times Internal information announcements: 21 times Employee feedback: 15 counts 	<ul style="list-style-type: none"> Talent development Talents attraction and retention Ethical corporate management Diversity, inclusiveness, and equality Information security Addressing Covid-19 	<ul style="list-style-type: none"> Upholding the impartiality and non-discrimination principles to provide employees with equal opportunities for employment. Establishing a well-planned remuneration and welfare system to give employees reasonable pay and rewards. Optimizing professional skills through various, irregular education/training. Ensure employee safety and health based on the “employee protection, care for health, hazard prevention, and reduction of work-related injuries” policies. 	<p>5.Building a Friendly Workplace</p> <p>3.Ethical corporate management</p> <p>3.4formation security</p>

Material stakeholders

Stakeholder Communication in 2021

Stakeholder	Significance to Merry	Communication Channel/Frequency	Outcomes of Communication in 2021 Jan. – Dec.	Major Issues of Concern	Countermeasure	Relevant Report Section
 Suppliers	<p>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.</p>	<ul style="list-style-type: none"> New supplier evaluation (as necessary) Supplier ratings (monthly) Supplier audits (annually) Supplier guidance (real-time) Onsite/over-the-phone/documents (emails)/online platform (real-time) 	<ul style="list-style-type: none"> CSR Commitment and Declaration of Non-Use of Conflict Minerals signed by new suppliers: 94% Supplier monthly ratings. Audits of key suppliers: 27 Minimum supplier onsite guidance: 230 times 	<ul style="list-style-type: none"> Ethical corporate management Information security Product responsibility Sustainable Supply Chain Sustainable design 	<ul style="list-style-type: none"> Assuring compliance with the Merry Green Product Regulations through constant promotion of the green supply chain, request for and assistance in passing QMS certification for suppliers, and control of raw material use. Excluding customer-designated and world-leading suppliers (compliance with the generally accepted ESG assessment standard), all (100%) new suppliers have signed the undertakings. Establishing communication platforms and promoting ESG-related publicity activities to actively explain the importance of sustainable cooperation to suppliers. 	<p>3.2 Ethical corporate management</p> <p>3.4 Information security</p> <p>4.2 Green product management</p> <p>4.4 Sustainable supply chain management</p> <p>4.1 Sustainable design</p>
 Customers	<p>Customer recognition and trust are the drive of quality and technology improvement and sustainable development.</p>	<ul style="list-style-type: none"> Product project meeting (as required by projects) Quality meeting (monthly) Quarterly Business Review (QBR, quarterly) Customer satisfaction survey/Score card (quarterly) Annual Supplier Conference Irregular visits 	<ul style="list-style-type: none"> Both technical capability and overall services have earned the recognition of major customers, with average customer satisfaction up to 79.9%. Customers have increasing concerns about low-emission design, such as reduction of plastic packaging materials or replacement with paper, and increased use of post-consumer recycled resin (PCR) in product materials. Receive brand customer's Special Award for Covid19 Support "Torch" Award 	<ul style="list-style-type: none"> Ethical corporate management Financial performance Occupational safety and health Information security Waste and recycling Use of renewables and eco-friendly materials 	<ul style="list-style-type: none"> Constantly improving capabilities: In 2021, about NT\$1.70 billion, accounting for 4.7% of the revenue, was invested in R&D. Implementing carbon reduction from product design based on the DfS framework: We already signed up to the RE100 initiative to constantly increase renewables use and reduce carbon in order to help customers realize low-emission products. Constant fulfilling customer expectations and enhancing customer satisfaction through quality management and problem-solving; and performing traceability management through the green management system to meet the customer's green product requirements. Constantly maintaining close cooperation with suppliers to strengthen the resilience and flexibility of the supply chain in material shortages during the pandemic and port congestion. 	<p>1.3 Financial performance</p> <p>3.2 Ethical corporate management</p> <p>5. Friendly and safe workplace</p> <p>3.4 Information security</p> <p>6.3.2 Waste management</p> <p>4.1 Sustainable design</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



Investor

✉ investor@merry.com.tw

📞 04-23590811#112262 Ms. Zheng



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.



Unethical behavior report platform

<https://besign.merry.com.tw/whistleblowing/>



Integrity report box

integrity@merry.com.tw



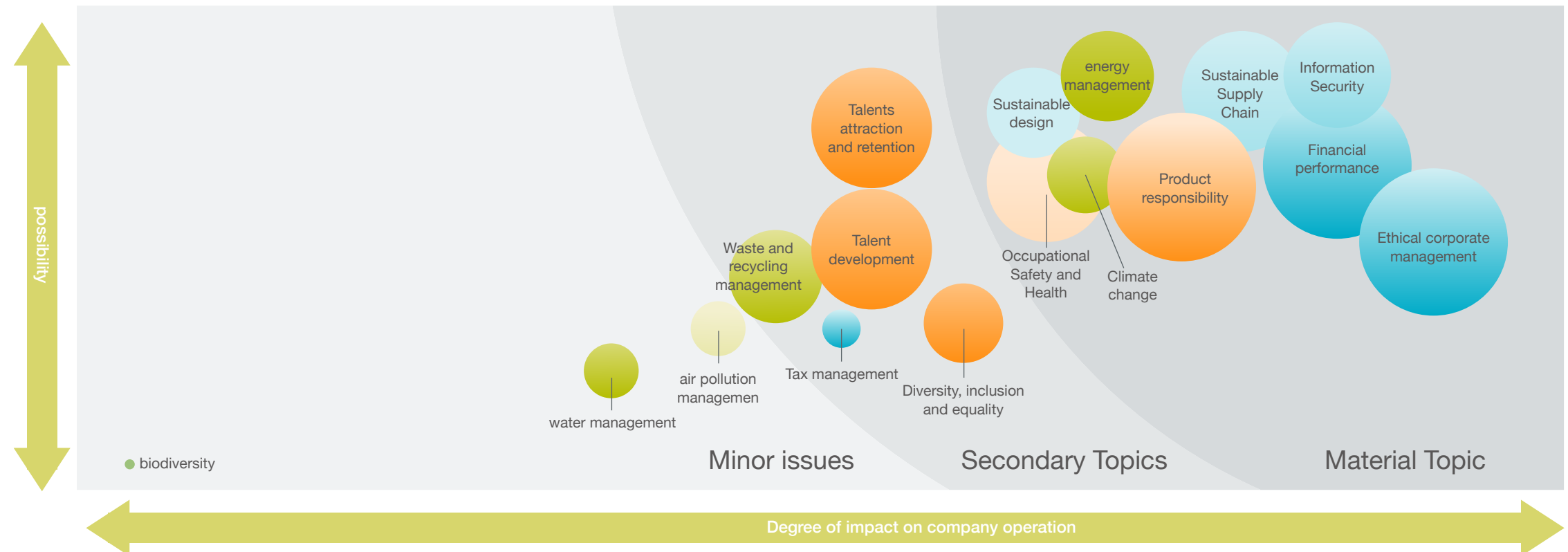
Report hotline

04-2359-0811#118000

2.3 Analysis and identification of material topics

In 2021 Global Reporting Initiative (GRI) published the foundation for the new version of GRI Standards. In consideration of the benchmarked enterprises at home and abroad, international standards, international credit rating agencies, government and agency requirements, and stakeholder opinions, we integrated the sustainability issues into 17 issues in 2021. Through online and paper questionnaire surveys, we found the tension of each issue in four major stakeholder groups. After collecting 211 responses, based on the impact analysis method of sustainability issues in the latest GRI 3: Material Topics 2021, we asked the heads of 23 related departments to fill in the questionnaire on the degree of impact to access the positive and negative economic, environmental, and social impacts and produce the severity and likelihood of each sustainable issue. After integrating with the tension of stakeholders, a 3D matrix of material issue analysis was produced. Then, after discussing by the management and considering the opinions gathered from various communication channels, the verification of sustainability issues began. From 17 sustainability issues, 9 of them were verified as material issues for disclosure in this report and for the reference to strengthen our sustainability policies and relevant operational planning.

Compared to the material issues of 2021, while climate change has been deteriorating, design for sustainability (DfS) and energy management issues have been considered as material issues in this report. Through product design and renewables use, we have invested more resources in climate change mitigation. Additionally, as one of the risks that has been concerning industries in recent years, information security was also added as a major issue to this report. Moreover, since talents attraction and retention, talents development, and diversity, inclusiveness, and equality have become three secondary issues implemented constantly in our routine management, their management approaches were not disclosed in the report. However, constant management is maintained through short-, medium-, and long-term planning, and related management actions and quantitative information are disclosed voluntarily.



Cross-Reference Table of Material Issues

2021	Issues in 2020	Corresponding to the issue last year	Topic Boundary						GRI Topic	Corresponding Report Section
			Within Organization				Outside of Organization			
			Taiwan HQ	Merry Shenzhen	Other manufacturing facilities	Other Sales Office	Suppliers	Customers		
Ethical corporate management	Ethical corporate management and business ethics	Material	●	●	○	○	●	●	<ul style="list-style-type: none"> GRI 205: ANTI-CORRUPTION 2016 GRI 307: ENVIRONMENTAL COMPLIANCE 2016 GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016 	3.1 Governance organization 3.5 Legal compliance
Financial performance	Corporate governance and financial performance	Material	●	●	●	●	●	●	<ul style="list-style-type: none"> GRI 201: ECONOMIC PERFORMANCE 2016 	1.1 About Merry Electronics
Sustainable design	NA	Added	●	●	●	●	●	●	<ul style="list-style-type: none"> Power saving design/recycled materials/material saving Goal 12 Department of Economic and Social Affairs 	4.1 Sustainable design
Product responsibility	Product safety, labeling, and marketing	Material	●	●	●	●	●	●	<ul style="list-style-type: none"> GRI 416: CUSTOMER HEALTH AND SAFETY 2016 GRI 417: MARKETING AND LABELING 2016 	4.2 Green product management
Sustainable Supply Chain	Supplier management and local procurement	Material	●	●	○	○	●	●	<ul style="list-style-type: none"> GRI 204: PROCUREMENT PRACTICES 2016 GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016 GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016 	4.4 Sustainable supply chain management
Climate change	Climate change response and management	Material	●	●	◎	○	○	○	<ul style="list-style-type: none"> GRI 305: EMISSIONS 2016 	2.5 Task Force on Climate-Related Financial Disclosures 6.2 Climate action and energy management
energy management	NA	Added	●	●	●	◎	○	○	<ul style="list-style-type: none"> GRI 302: ENERGY 2016 	6.2 Climate action and energy management
Information Security	NA	Added	●	●	○	○	○	○	NA	3.4 Information security
Occupational Safety and Health	Promotion of occupational safety and health	Material	●	●	◎	○	○	○	<ul style="list-style-type: none"> GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018 	5.4 Friendly and safe workplace

“●” represents the affected and disclosed topic boundaries; “◎” represents the affected but partially disclosed topic boundaries; and “○” represents the affected but undisclosed topic boundaries.

2.4 Management approach of material topics

Material Topic	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>2021 business policy: “structure optimization, digital transformation, integration and innovation, and sustainable development.”</p> <p>Structure optimization: By optimizing the internal value chain covering cost optimization, agile manufacturing, and organization optimization, portfolio optimization and customer structure optimization were implemented at the same time to create more diversified growth opportunities.</p> <p>Digital transformation: Digital optimization projects were implemented through digital tools to constantly “increase revenues and strengthen customer relationships” and “lower costs and enhance efficiency.”</p> <p>Integration and innovation: Starting from the core capability in electroacoustics, a new element called “acoustic +” was added to constantly cultivate new markets and new customers to discover and enrich new competitiveness.</p> <p>Sustainable development: The ESG culture was constantly promoted and management approaches were implemented through the ESG Promotion Team.</p>
Goals	<ul style="list-style-type: none"> ■ Maintaining governance evaluation results at the top 5%. ■ Increasing R&D expenses to >4% of revenues. ■ Comprehensively optimizing the group’s organization, developing the digital business management model, and enhancing operating efficiency. ■ Maintaining continuous profit growth.
Assessment mechanism	<ul style="list-style-type: none"> ■ Reviewing and following up on the progress of target achievement at the monthly review meeting and continuously cultivating sources and cutting expenses to create steady growth. ■ Periodically updating financial information, announcing material information, and enforcing the spokesperson system for investors to understand corporate development. ■ Establish and implement improvement plans and follow up improvement progress according to the governance evaluation indicators.
Performance and adjustment	<ul style="list-style-type: none"> ■ Due to the keen competition of elite businesses, we were ranked the top 6–20% at the 8th (2021) Corporate Governance Evaluation. In the future, we will constantly draw up improvement plans, follow up the effectiveness of improvements, implement robotic process automation (RPA) and the digital supply chain management mechanism, and build the competitive edges in smart manufacturing to keep pace with the times. ■ Effectively using resources to increase ROE.

Material Topic

Ethical Corporate Management

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.
- Increasing education and training on the ethical corporate management policy.
- Promoting the English Ethical Corporate Management section.

Assessment mechanism

- Established and announced related report channels to ensure zero unethical behavior, such as corruption and bribery.
- 100% signing of the “Merry Code of Business Conduct and Professional Ethics” undertaking.
- 100% acceptance of the education and training on the ethical corporate management policy.
- Establishing and announcing the English Ethical Corporate Management section

Performance and adjustment

- Periodically reporting the performance to the Board. The last report was made on December 29, 2021, with the Audit Section supervising the outcomes.
 - 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.
- Percentage of training participation of all employees: Taiwan HQ 99.9% and Merry Shenzhen 100%.

Material Topic	Sustainable Design and Product Responsibility
Corresponding Topic	Sustainable Design GRI 416: CUSTOMER HEALTH AND SAFETY 2016 GRI 417: MARKETING AND LABELING 2016
Significance to Merry	With product lifecycle as the foundation, we control the safety and health of end-users and reduce environmental and ecological impacts. Starting from the design phase, we are committed to supplying green and eco-friendly products and services. Combining profound design and innovation capabilities and eco-friendly materials, we become the best partner of customers in the sustainable ecosystem chain in collaboration with suppliers.
Purpose of management	Based on the environmental protection regulations and standards at home and abroad, we further ensure that the eco-friendly materials, processes, energy, and final products from Merry all comply with the low-carbon, eco-friendly, and product sustainability requirements.
Policy	<ul style="list-style-type: none"> ■ Constantly using recycled materials to increase the percentage of recycled materials use in new products. ■ Implementing product structure optimization and low-impact design to reduce production dissipation. ■ Promoting green energy use to enforce sustainable business development. ■ All products comply with the European and US restrictions on hazardous materials use, and product labeling complies with the customer requirements.
Goals	aiming to provide customers with low-emission electroacoustics solutions through carbon reduction from materials selection to product design. <ul style="list-style-type: none"> ■ Short-term goals (2022): Recycled materials used in new models: 30% \ Optimal structure design for products ■ Medium-term goals (2025): Recycled materials used in new models: 60% \ Light-weight design for products \ Energy consumption optimization design for products ■ Long-term goals (2030): Recycled materials used in new models: 90% \ Green energy use proportion: 50%
Assessment mechanism	<ul style="list-style-type: none"> ■ Report and review the outcomes in DfS at the monthly review meeting. ■ Implementing source control of materials with the green product management System (GPMS) to ensure compliance with the global regulations and customer requirements for no restricted substances in products.
Performance and adjustment	<ul style="list-style-type: none"> ■ In 2021, recycled materials and low-impact packaging design were adopted to reduce the weight of new earphone (headphone) products by 15%, increase PCR use on all earphone (headphone) shells to 40%, and reduce package size by 50%. Please refer to "4-1 Design for sustainability framework" for details. ■ In 2021 we signed up to the RE100 international renewables initiative to constantly increase renewables use every year in the future. ■ Product development in 2021 (new product and extended model: 72 items. Based on the labeling specifications established by customers, the required certifications were properly labeled by product attributes and according to the customer requirements to comply with the labeling and certification required by the law of different regions. ■ In 2021 no violation of marketing and labeling laws and regulations and/or voluntary codes were reported.

Material Topic	Occupational Safety and Health
Corresponding Topic	GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018
Significance to Merry	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.
Purpose of management	Shaping a OH&S culture and building a friendly workplace environment Building an employee health safety net in response to the COVID-19 pandemic.
Policy	<ul style="list-style-type: none"> Building a safe workplace by implementing the ISO45001 OH&S management system and maintaining legal compliance to constantly protect employee health and safety. Constantly publicizing ESH education and training to enhance safety awareness, create a safe environment and prevent occupational accidents to ensure zero work-related injuries. aluing employee physical and mental health and constantly planning and offering health-related services to employees. Revising the “Epidemic Condition Grading and Countermeasures” of the Infectious Diseases Prevention and Control Plan under the “Health Management Regulations,” regularly holding emergency response team meetings based on the pandemic’s severity, and implementing the epidemic control policy.
Goals	<ul style="list-style-type: none"> Provide a safe work environment and achieve zero accidents. Provide comprehensive benefits and activities and balance work and life. Applying for certification of the Badge of Accredited Healthy Workplace to the Health Promotion Administration and the CHR Corporate Health Responsibility to CommonHealth Magazine. Passing the annual audit of the ISO 45001:2018 OH&S management system
Assessment mechanism	<ul style="list-style-type: none"> Severe work-related injury cases due to improper management <1 OH&S management system: Implement and continuously improve every year and ensure system effectiveness through periodic third-party audits.
Performance and adjustment	<ul style="list-style-type: none"> In 2021 both Taiwan HQ and Merry Vietnam passed ISO 45001:2018 certification, and the ISO 45001:2018 certificate of Merry Shenzhen was still valid. Arranging safety training courses for all new employees and irregular office safety training courses; work-related injury and accident of Taiwan HQ and Merry Vietnam: 0; work-related injury and accident such as workshop slip or traffic accident of Merry Shenzhen: 4. All related preventive action was completed and safety education and training were enhanced. In 2021 Taiwan HQ was awarded the Badge of Accredited Healthy Workplace by the Health Promotion Administration and ranked the 2nd in the group category of the Healthy Fat (Weight) Loss Competition of the Taichung City Health Bureau. We also offered vaccination leave and bought vaccination insurance for all employees to encourage employees to receive COVID-19 vaccination, with a COVID-19 vaccination coverage over 50%. We also organized the health promotion activity Online Power Walking Competition (independently developed app), with a total of 1,726 participants. In 2021, besides participating in the National Emergency Management Legal Knowledge Popularization Competition and being rated an excellent enterprise of the Longhua District in Shenzhen, Merry Shenzhen also organized the health promotion activity All Out Health Month interesting sports meet, with 285 participants.

Material Topic	Sustainable Supply Chain
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.
Policy	<ul style="list-style-type: none"> ■ Promotion of source management ■ Resilience of the local supply chain ■ Establishment of the supply warning mechanism ■ Establishment of related exchange channels, such as the platform interactive meetings.
Goals	<ul style="list-style-type: none"> ■ Enforce SCM and promote short-, medium-, and long-term KPIs for suppliers. ■ Collection rate of CSR Commitment and Declaration of Non-Use of Conflict Minerals >91%, CSR score of key suppliers >80 marks. ■ We prioritize procurement from local suppliers in the location of operations to enhance supply resilience.
Assessment mechanism	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ In 2021, 94% of new suppliers signed the CSR Commitment and Declaration of Non-Use of Conflict Minerals (100% excluding customer-designated and world-leading suppliers) ■ In 2021, 96% of current suppliers signed the Social Responsibility Commitment and Declaration of Non-Use of Conflict Minerals, 6% more than 2020. ■ In 2021, the average score of the CSR audit on key suppliers was 82.7, 4.5 marks higher than 2020. ■ In 2021, the actual local procurement rate was 99% by monetary amount, 1% higher than 2020 (excluding electronics that must be purchased from leading manufacturers).

Material Topic	Climate Change and Energy Management	
Corresponding Topic	GRI 305: emissions 2016 GRI 302: energy 2016	
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	In response to climate change, we will constantly enhance energy efficiency and reduce GHG emissions to achieve the sustainability goal of net zero emissions in 2050.	
Policy	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ Set the emission reduction target at 2% lower than 2020 for GHG emission intensity. ■ Set the energy conservation target to energy intensity at 1.5% lower than 2020. ■ Set the renewables use target at 7% of total energy use. ■ Performing GHG inventory according to ISO 14064-1:2018 and constantly promoting to all locations of operations; implementing ISO 50001:2018 energy management system (EMS) to enforce the group's energy conservation and carbon reduction. ■ Enhancing energy efficiency and constantly following up the effectiveness of energy conservation, strengthening the energy monitoring system and energy use analysis, and prioritizing energy-efficient equipment procurement for the most potential zones for energy conservation. ■ Merry Shenzhen has passed the National Green Factory certification. 	
Assessment mechanism	<ul style="list-style-type: none"> ■ Hold the Monthly ESG Meeting with plants each month to follow up various energy conservation and carbon reduction measures. ■ Report and review the outcomes in GHG emission at the monthly review meeting. 	
Performance and adjustment	<ul style="list-style-type: none"> ■ Taiwan HD and Merry Shenzhen performed GHG inventory according to the ISO 14064-1:2018 GHG inventory standard. Merry Vietnam implemented the ISO 14064-1:2018 GHG inventory standard for the first time, completed the internal GHG inventory for organizations, and set 2021 as the base year. ■ The 2021 intensity (t-CO2e/M NT\$) of GHG emissions (categories 1 and 2) was 11.10% less than 2020. ■ In 2021, we signed up to the RE100 global renewables initiative and made a commitment to 100% green energy use by 2050 and submit the renewables plan each year. ■ In 2021, we obtained the RECs for 2,163 MWh, accounting for 6.98% of the total energy use. ■ In workplace energy conservation, Merry Shenzhen introduced the magnetic levitation energy-efficient air-conditioning system to significantly enhance refrigeration efficiency, expecting to reduce electricity consumption by about 1,587,222kWh (about 30%) each year. Merry Shenzhen also installed 40 coil air-conditioners in workshops to lower and control workshop temperature, expecting to reduce electricity consumption by about 29,700KWh each year. ■ In domestic electricity conservation, Merry Shenzhen installed the temperature controller on the air-conditioning system of the employee dormitory, expecting to reduce electricity consumption by about 54,648KWh each year. Merry Vietnam also installed the lighting sensors at carports, expecting to reduce electricity consumption by about 20%. 	

Material Topic	Information Security	
Corresponding Topic	Information Security	
Significance to Merry	The security of information operations and protection of confidential and sensitive data are our competitiveness and commitment to customers, shareholders, and employees. Besides forming an information security promotion team, we will constantly implement and optimize the group's information security management system (ISMS) to ensure the integrity, availability, and confidentiality of group's information assets.	
Purpose of management	Based on the ISO 27001:2013 ISMS, we have established a secure and trusted information environment to ensure data, system, equipment, and cyber security and prevent the risks of diddling, exposure, damage, or loss of data to ensure business continuity.	
Policy	<p>"Strengthening information security for sustainable operations"</p> <ul style="list-style-type: none"> ■ Establishing a complete information security management policy and plans to meet the total information security requirements for operations and customers. ■ Enforcing and ensuring the operation and benefits of information security to achieve the goal of sustainable business development. 	
Goals	<p>Ensuring the confidentiality, integrity, and availability of information assets.</p> <ul style="list-style-type: none"> ■ Protecting the confidentiality of information assets and strengthening the information security regulations to ensure the non-leakage of confidential and sensitive data. ■ Maintaining the integrity of information assets and establishing information security processes to reduce anomalies and problems in information security. ■ Ensuring the availability of information assets and performing information security audits to ensure non-disrupted information services. 	
Assessment mechanism	<ul style="list-style-type: none"> ■ Employee information security awareness training ■ Control of information security accounts ■ Social engineering drill and training 	<ul style="list-style-type: none"> ■ Endpoint operation protection and control ■ Network management, prevention, and control
Performance and adjustment	<ul style="list-style-type: none"> ■ Enhanced information security awareness, lowered information security risk, and completed employee information security training at 100%. ■ Total control of information accounts, implementation of two-factor authentication, and building a privileged account management system to ensure account security, with an accomplishment rate of 100%. ■ Plan social engineering drills and run tests each month to lower the risk of phishing mails, with an accomplishment rate of 100%. ■ Employee information system endpoint check and operation, controlling the random access of peripherals, and installing antivirus/anti-hacking systems to reduce virus/hacker attacks, with an accomplishment rate of 100%. ■ Implementing the intrusion prevention system (IPS) to filter ingress packets to proactively prevent and block abnormal cyber behavior and prevent the risk of zero-day attack, with an accomplishment rate of 100%. 	

2.5 Task Force on Climate-Related Financial Disclosures

Implementation plan

Climate change as a result of global warming can impact business operations. Although our operations and industry are characterized by low-energy consumption and low-carbon emissions, we also face global issues. In 2020, we began to voluntarily implement the “Recommendations of the Task Force on Climate-related Financial Disclosures” to the inventory of climate-related risks and opportunities to establish and implement adaptation action plans and improve the capability in climate change adaptation in order to care about climate change issues together with stakeholders.

In 2021, our risk management team began to identify the risks and opportunities brought by climate change and included the risk and opportunity identification process in the Company’s existing risk management system. In the future, we will continue to manage risk identification, materiality assessment, and counteraction implementation and continue to enhance our strength in climate governance.



Climate change management framework

Governance

- The Board periodically reviews climate-related risks and the effectiveness of the implementation of response plans.
- The ESG Promotion Team is chaired by the president and holds meetings every quarter to plan and implement the Company’s sustainable development, review the performance, and report related outcomes to the Board.
- The Risk Management Team is a task force formed and directed by the responsible department of risk management to identify climate-related risks, implement response plans, and report the outcomes to the Board.

Strategy

- Our operations and industry are characterized by low-energy consumption and low-carbon emissions, we also face global issues. In response to global climate change, we continued to assess climate-related risks in 2021.
- We selected the RCP8.5 scenario for physical risk and the national standard scenario for transition risk as the foundation for climate-related risk assessment.
- To strengthen our capability in climate change adaptation, we have planned four directions for the future short-, medium-, and long-term climate-related management strategies: ① business continuity management, ② GHG reduction, ③ low-carbon and innovative products, and ④ sustainable supply chain management.

Risk Management

- 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.
- Implementing the framework of the TCFD Recommendations and establishing the process for climate-related risk identification. Establishing a climate change task force under the direction of the risk management unit to include the outcomes of risk identification in the existing risk management procedure to manage subsequent risk response plans.
- In the future, we will continue to assess international trends and the domestic climate policies of individual business locations to draw up the 1.5°C transformation plan in pace with the world. We will also establish climate-related metrics and goals and ensure the feasibility of plans to constantly improve the capacity of internal climate governance and management.

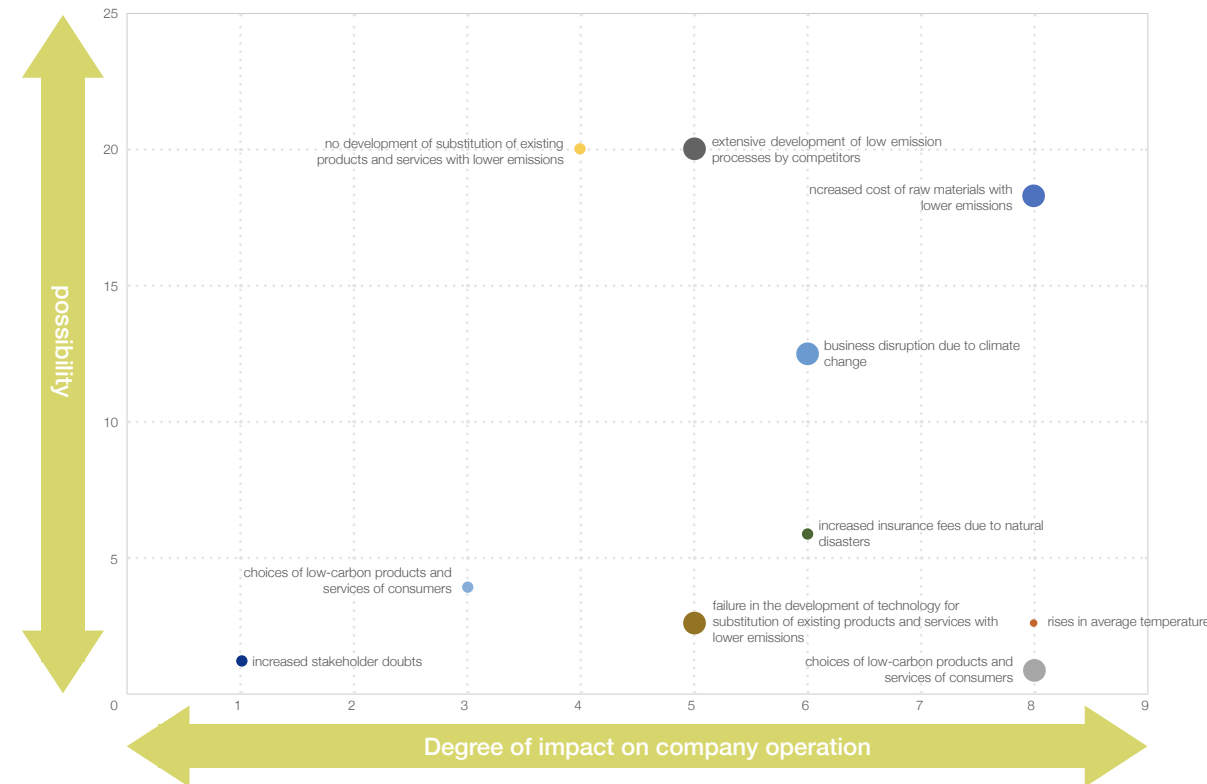
Indicators and Targets

- Setting metrics and goals for the four climate response strategies.
 - The Risk Management Team defines significant risks, assesses their impacts on the organization, and establishes corresponding business continuity plans (BCPs).
 - In 2021 we officially signed up to the RE100 initiative and made a commitment to 100% green energy use 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.
 - 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.
 - 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.
- In the future, we will continue to discuss the governance unit based on the outcomes of climate-related risk identification to set climate-related metrics and periodically review the accomplishment of goals.

Outcomes of climate-related risk identification

We have established a risk management team with 14 departments to assess the transition risks and physical risks as stated in the TCFD recommendations with reference to the policies, economic activities, physical environments, society, and technology. With reference to the TCFD recommendations, we selected the national standard scenario for transition risk and the RCP8.5 scenario for physical risk. Through the climate change workshop and discussions and interviews with department supervisors, we fully discussed the time scale, and the likelihood of occurrence of various climate-related issues in specific scenarios and conditions. We also estimated the potential vulnerability and potential impact. Then, we identified nine risks that concerned us: increased cost of raw materials, choices of low-carbon products and services of consumers, business disruption due to climate change, extensive development of low emission processes by competitors, failure in the development of technology for substitution of existing products and services with lower emissions, increased insurance fees due to natural disasters, no development of substitution of existing products and services with lower emissions, increased consumer doubts, and rises in average temperature.

In the future, we will continue to plan and promote risk response plans and report them to the Board regularly.

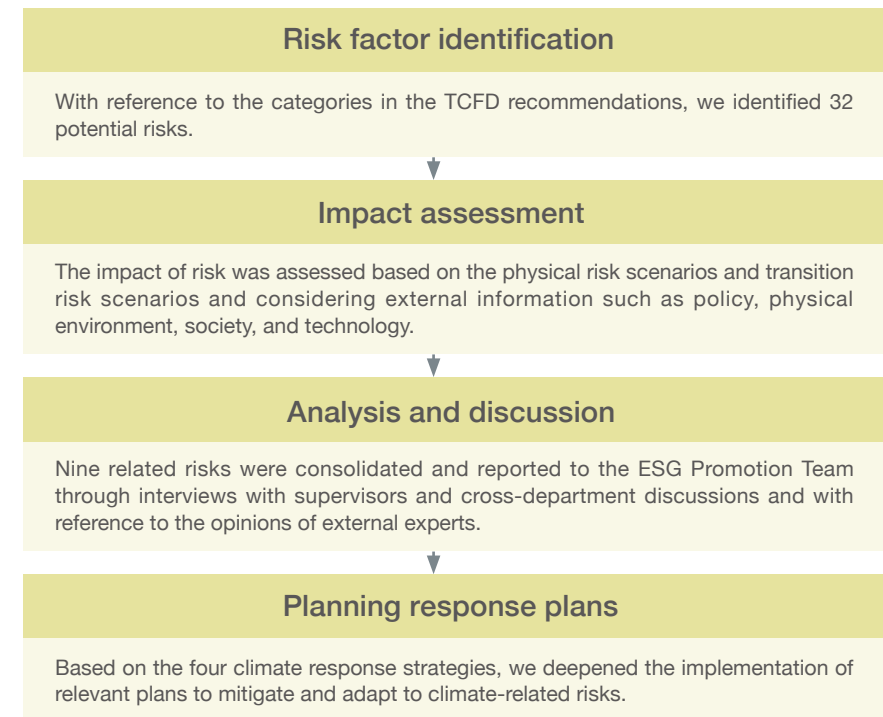


The x-axis represents likelihood (the greater the value is, the higher likelihood of occurrence at specific time scales will be).

The y-axis represents impact (after the comprehensive assessment of a risk's impact on operations, property, personnel, reputation, and product, the greater the value is, the greater the impact a risk will bring at specific time scales will be).

The size of the circle represents the time scale (large: short term (0–3 years), medium: medium term (3–5 years), and small: long term (over 5 years)) of the likelihood of risk occurrence.

Process of climate-related risk identification



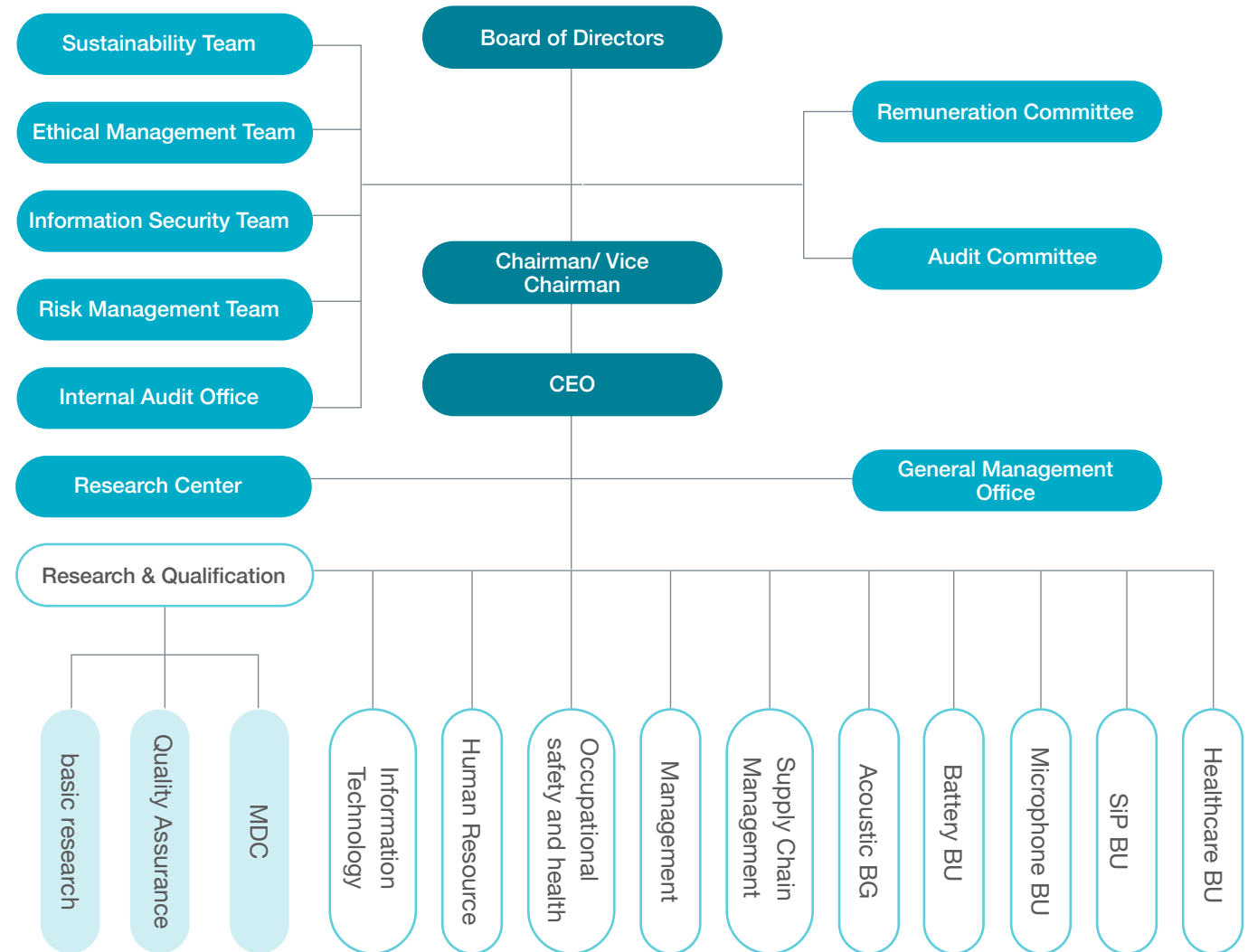


At the 8th (2021) Corporate Governance Evaluation, we were ranked the top 6–20% among 913 listed companies. We were ranked within the top 20% for two consecutive years (top 5% in 2020), suggesting that we have made significant progress in the following four aspects: maintaining the rights and interests of shareholders and treating shareholders fairly, strengthening Board structure and operation, enhancing information transparency, and enforcing CSR in recent years.

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.



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 present Board is formed by nine members, including six directors and three independent directors. All members are outstanding professionals with industry experience. Operated in accordance with the “Rules of Procedure of Meetings of the Board of Directors,” the Board holds at least one meeting quarterly. In 2021, a total of seven Board meetings were held. The members of the present Board were elected at the annual general meetings (AGM) of shareholders on 2019.6.19 and 2021.7.21. Each is entitled to a term of 3 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”. Board operations, including the minutes of Board meeting; director attendances; status of further education of directors; the background data, education attainment, concurrent positions in other companies or boards of members; and the operation of all functional committees have been disclosed in the Company’s annual report and accessible from the Market Observation Post System (MOPS) and our corporate website (www.merry.com.tw)

Name	Title	Gender	Nationality	Professional Knowledge and Skills					Age		
				Business management	Leadership and decision-making	Industry knowledge	Financial Accountin	Marketing	Under 55	55-65	66-75
Lu-Li Liao	Chairman		R.O.C (Taiwan)	●	●	●		●			●
Wen-Chieh Wei	Vice Chairman			●	●	●		●			●
Shih-Chieh Lin	Director			●	●	●		●		●	
Shu-Chun Lin	Director			●	●	●	●	●		●	
Chal-Feng Huang	Director			●	●	●	●	●	●		
Keng-Bin Liao	Corporate representative director			●	●	●	●	●		●	
Ji-Hsin She	Independent Director			●	●	●	●	●		●	
Huei-Huang Wu	Independent Director			●	●	●	●				●
Chang-Yuen Yi	Independent Director*			●		●	●		●		

Independent Director Chang-Yuen Yi resigned on July 21, 2021

3.2 Ethical corporate management

Functional Committees

Duty

- Fair presentation of financial statements.
- Selection (dismissal) and independency and performance assessment of CPAs.
- Effective implementation of the company's internal control.
- Legal compliance of the company.
- Control of the existing or potential risks of the company.

Performance

- Established in 2019.
- Formed with three independent directors (Ji-Hsin She, Huei-Huang Wu, and Chang-Yuen Yi), with Independent Director Ji-Hsin She being the committee convener.
- seven committee meetings were held in 2021, and the average attendance rate was 100%.

Audit committee

Remuneration

Duty

- Assist the board in implementing the overall wage and benefits policy and review the remuneration of directors and officers.

Performance

- Established in 2011.
- Formed with two independent directors and other specialists (Ji-Hsin She, Huei-Huang Wu, and Chang-Yuen Yi), with Independent Director Huei-Huang Wu being the committee convener.
- Four committee meetings were held in 2021, and the average attendance rate was 100%.

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 Audit Section supervises or audits the 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 take the training courses on the basic laws and regulations related to ethical corporate management for them to understand our determination and policy in ethical corporate management and in the prevention of unethical behavior. In 2021, we organized 13 education and training activities relating to ethical corporate management for the Board and employees of Taiwan HQ. They included insider trading, trade secrets, confidentiality, and occupational ethics. Additionally, the legal unit and corporate governance unit publicized information related to ethical corporate management to employees and directors by email from time to time. Each year Merry Shenzhen must organize RBA training courses (7 hours), including human rights, ethics in business activities, and others. The training proportion was 100%. Currently, besides publicizing standards related to ethical corporate management to suppliers, we also request them to sign the CSR Commitment. In 2021, 96% (based on the total number of suppliers) of suppliers signed the CSR Commitment.

	Target	Implementation Method	Number of Persons Receiving Training*1	Trainee Percentage*2
Governance Body	All directors	External courses, corporate publicity activities, email	9	100%
Taiwan HQ	All employees (all grades : all new employees + excluding expatriates)	Internal training courses	720	99.9%
Merry Shenzhen	All employees (all grades)	RBA-CoC training courses	3,399	100%

Note 1: Annual average number of employees receiving training.

Note 2: Training percentage: Average number of employees receiving training, the total number of employees completed training/total number of employees at the end of the year.

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.

Performance

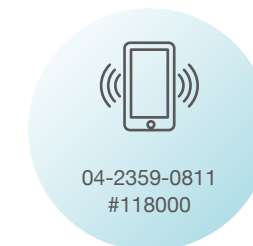
The specific methods for implementing ethical corporate management and the plans to prevent unethical behavior in 2021 are as follows:

1. At the end of each year, the Ethical Management Team reports to the board of outcomes of promotion. The last report was made on December 29, 2021, with the outcomes being supervised by the Audit Section.
2. "Merry Business Practice and Professional Ethics Code" stipulates the policy to prevent conflicts of interest and provides suitable report channels. In 2020, all directors, independent directors, senior management, officers, employees, and new employees signed the Code.
3. We also requested suppliers to sign the "Undertaking of Supplier's Social Responsibility" with terms on ethical behavior covering business integrity and fair business. We also review and audit suppliers periodically and request them to audit the ethical behavior of their suppliers.

Establishment of the whistleblower system

After receiving a report of unethical or unlawful behavior, the Ethical Corporate Management Promotion Team members will protect the informant (stakeholder) against retaliation and differential treatment. By the end of 2021, two reports were received from the independent report platform, independent report email of the employee portal, and report hotline. After verification by the related units, no report involved unethical behavior. This means, no report on violation of ethical corporate management was received.

Channels for reporting unethical behavior



<https://besign.merry.com.tw/whistleblowing/>

3.3 Risk Management

We actively manage risks that may occur in operations. Based on the ISO 31000:2018 risk management system, the Risk Management Team establishes related risk management procedures, periodically assesses and supervises the Company’s risk-bearing capacity and the status of risk incurred, and determines the Company’s compliance with the risk response strategies and risk management procedures. The team also reports the operational performance to the Board once a year (the last Board report and the plan for the next year were made on 2021/12/29).



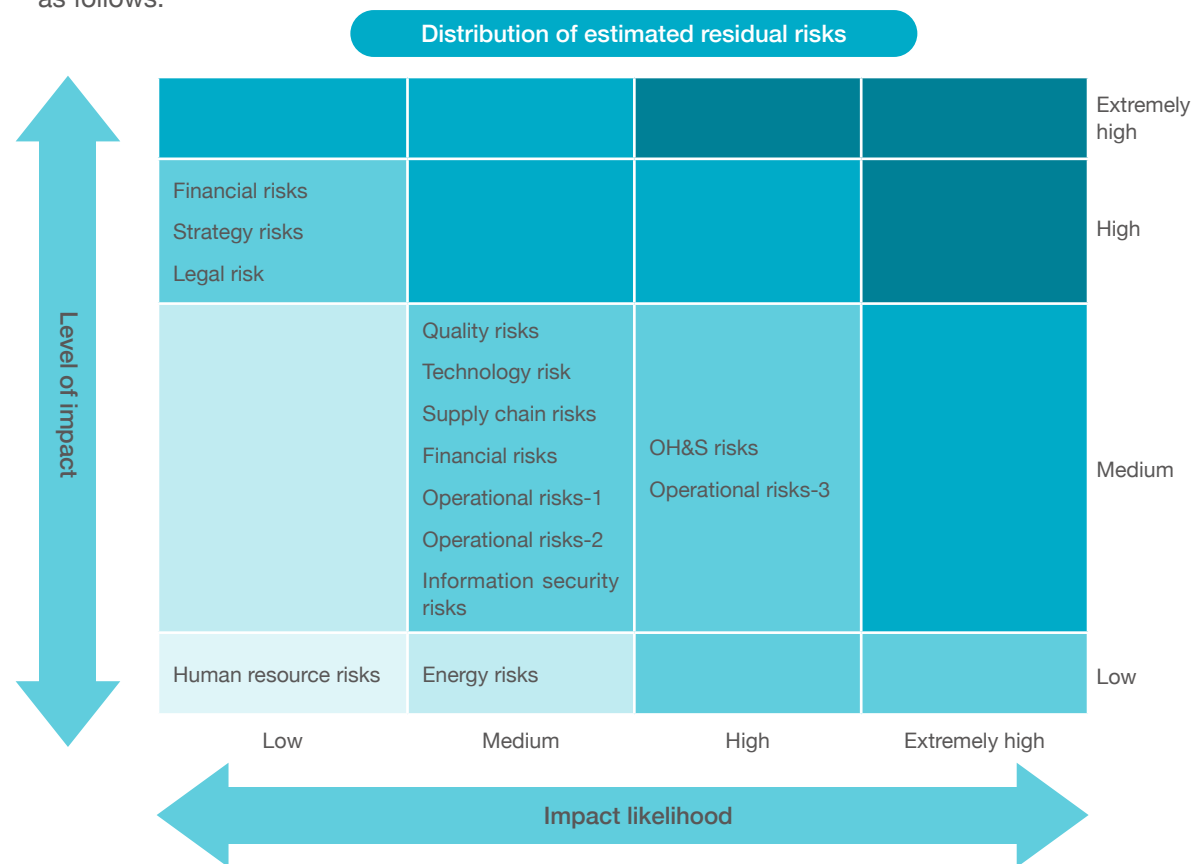
Currently, the scope of risk management covers 13 categories of risks: “operation,” “quality,” “energy,” “environment,” “technology,” “supply chain,” “finance,” “tax,” “information security,” “human resources,” “OH&S,” “strategy,” and “legal.” With the risk assessment tools in the procedures, risks are graded at 4 levels and discussed with individual responsible units the need to take control measures for the listed risks in order to produce the risk matrix analysis. Then, risk management is integrated to the implemented management systems including ISO 27001, ISO 45001, ISO 50001, TIPS, and others. Through the annual internal audit and external audit of various systems, the effectiveness of the risk management control measures is verified. Additionally, to ensure steady corporate growth and achieve the goal

of sustainable development, the Risk Management Team has planned to expand the scope of risk management. First, climate-related risks (please refer to 2-5 Task force on climate-related financial disclosures (TCFD) of this report) will be included. In the future, we will also establish the business continuity plan (BCP) according to the Business Continuity Management (BCM) and ISO 22301 standards, as well as the results of operational impact and the organizational status.

Status of risk management in 2021

Risk matrix analysis

After implementing risk control measures, the matrix analysis of residual risk distribution is as follows:



General List of Risk Items and Control Mechanisms

Unit	Risk Type	Major Risk Item	Control Mechanism
Electroacoustic Product Business Group	Operational risks-1	High customer concentration	<ul style="list-style-type: none"> Cultivate new customers and periodically review the revenue percentage Develop new products (e.g. videoconferencing equipment)
Battery Product Business Group	Operational risks-2	Gap between sales forecast and sales volume	Rolling review and productivity forecast
Microphone Product Business Unit	Operational risks-3	High customer concentration, high supplier concentration	<ul style="list-style-type: none"> Approach potential customers through the recommendation of agents and periodically review the revenue percentage. Strategic investments Develop new products Cultivate substitute suppliers
Technology Division	Quality risks		Currently no pending risk items
	Energy risks		Currently no pending risk items
	Technology risk		Currently no pending risk items
Supply Chain Division	Supply chain risks		Currently no pending risk items
Group Financial Division	Financial risks		Currently no pending risk items
	Tax risks		Currently no pending risk items
Information Division	Information security risks	Malware/hacker attacks, data breaches/theft, system or program loopholes, unauthorized access, service disruption risks. (assess according to ISO 27001 ISMS)	<ul style="list-style-type: none"> Implement ISO 27001 and perform information security management on systems. Establish the BCP and emergency response measures. Confirm improvement measures through external consultants.
Human Resources Division	Human resource risks		Currently no pending risk items
OH&S Section	OH&S risks		Currently no pending risk items
Group Administration Division	Strategy risks		Currently no pending risk items
	Legal risk	Content: High liquidated damages for the breach of specific contracts	<ul style="list-style-type: none"> Establish the trade secret graded management system and inventory the system each year. Reasonable risk transfer may lead to the acknowledgment of the relevant information; third-party confidentiality should be maintained together.

3.4 Information security

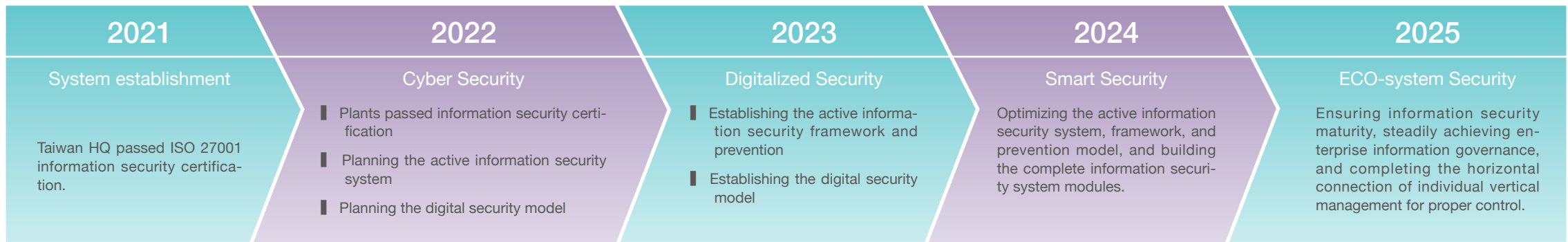
The security of information operations and protection of confidential and sensitive data are our competitiveness and commitment to customers, shareholders, and employees. At Merry, the long-term goal of establishing the group’s ISMS is implemented by the Information Security Promotion Team under the Board. In 2021, Taiwan HQ already obtained the ISO 27001 certificate and set 2022 as the year zero of information security to actively promote the establishment and certification of the ISMS of each plant in order to enforce the two cores “strengthening information security and ensuring sustainable operations” of the group’s information security policy and thereby fulfill the group’s medium- and long-term goals: operational development and total information security.

Focus of information security management

The procedures for information security management and security protection technology apply to all information operations to ensure the confidentiality, integrity, and availability of information assets during the collection, processing, transmission, storage, and circulation of information. Additionally, proactive information security protection and the transformation and establishment of digital information security are emphasized to protect the data of the Company, customers, suppliers, and personal data. Employee security awareness is publicized and enhanced periodically to lower the risk of man-induced information risk.

In addition to operating the ISMS, we have also established and implemented information security audits and assessments. Each year we perform the operational impact and risk assessment, internal audit, and business continuity drill to ensure the continuing operation of the ISMS.

Security Information Milestones



Foci of the duty of the information security promotion team



Information security control mechanism

Information security control	Mechanism description	Risk control
Privileged account control	Client computer administrator privileged accounts management system	Preventing employees from unauthorized installation of illegal or pirate software or malware intrusion.
Control of information security awareness	Enhancing information security awareness to lower information security risk.	Arranging information security education and training and irregular awareness education of information security risk.
Control of peripherals	Installing the access control system at client computer peripherals.	Preventing breaches of confidential and sensitive data when employees use mobile storage devices.
Control of network access	Control of internet access and threat detection system	Preventing employees from visiting malicious sites to prevent viruses and threats from intrusion.
Social engineering drills	Establishing the social engineering drill process to protect email security.	Preventing employees from the threats of social engineering, such as phishing emails.
Control of information breaches	Encryption of important files at the client side.	Preventing confidential and sensitive information from breaches and hacker attacks.
Control of system vulnerabilities	System source code check, server vulnerability detection and scan system.	System source code report and server vulnerability check report to prevent threat from intrusion.
Control of log audits	Server log management system	Providing the audit trail log query for information security incidents.
Control of cyber threats	Filtering ingress packets with IPS.	Proactively preventing and blocking abnormal cyber behavior and preventing the risk of zero-day attack.
Control of remote access	Providing VPN two-factor authorization to control remote access to the corporate network.	Providing employees with remote access to the Company's IT application systems.
Control of endpoint protection	Detection and control of endpoint virus/behavior signatures	Monitoring endpoint behavior signatures to prevent endpoint attacks.

Enhancing employee information security awareness

New employees

- Sign the "Merry Code of Business Conduct and Professional Ethics" to understand our confidentiality principles and duties.
- Information security education and training for new employees of Taiwan HQ.

All employees

All employees of Taiwan HQ received 1-3 hours of information security education and training to ensure their enhancement and awareness of the latest information related to information security. Education and training courses related to information security will be constantly planned for other business locations.

Goals and Accomplishments of Information Security in 2021

Employee information security awareness training

Enhanced information security awareness, lowered information security risk, and completed employee information security training at 100%

Control of information security accounts

Total control of information accounts, implementation of two-factor authentication, and building a privileged account management system to ensure account security

Social engineering drill and training

Planning social engineering drills and running tests each month to lower the risk of phishing mail

Endpoint operation protection and control

Employee information system endpoint check and operation, controlling the random access of peripherals and installing antivirus systems to reduce virus attacks.

Network management, prevention, and control

Implementing the intrusion prevention system (IPS) to filter ingress packets to proactively prevent and block abnormal cyber behavior and prevent the risk of zero-day attack

3.5 Legal compliance

To ensure legal compliance with laws and regulations of the locations of operations and customer requirements, related management mechanisms have been established with reference to the ISO 19600:2014 Compliance Management Systems to gather, access, implement, and monitor legal compliance matters in 10 categories, including OH&S, labor/social responsibility, information security, energy, environment, medical devices, business/anti-corruption, finance, intellectual property, fair trade/antitrust, for department heads to verify the compliance of department operating procedures with legal requirements. In 2021, no sanction for violation of the relevant laws and regulations was reported.



3.6 Internal audit

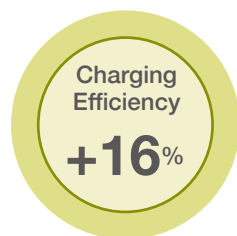
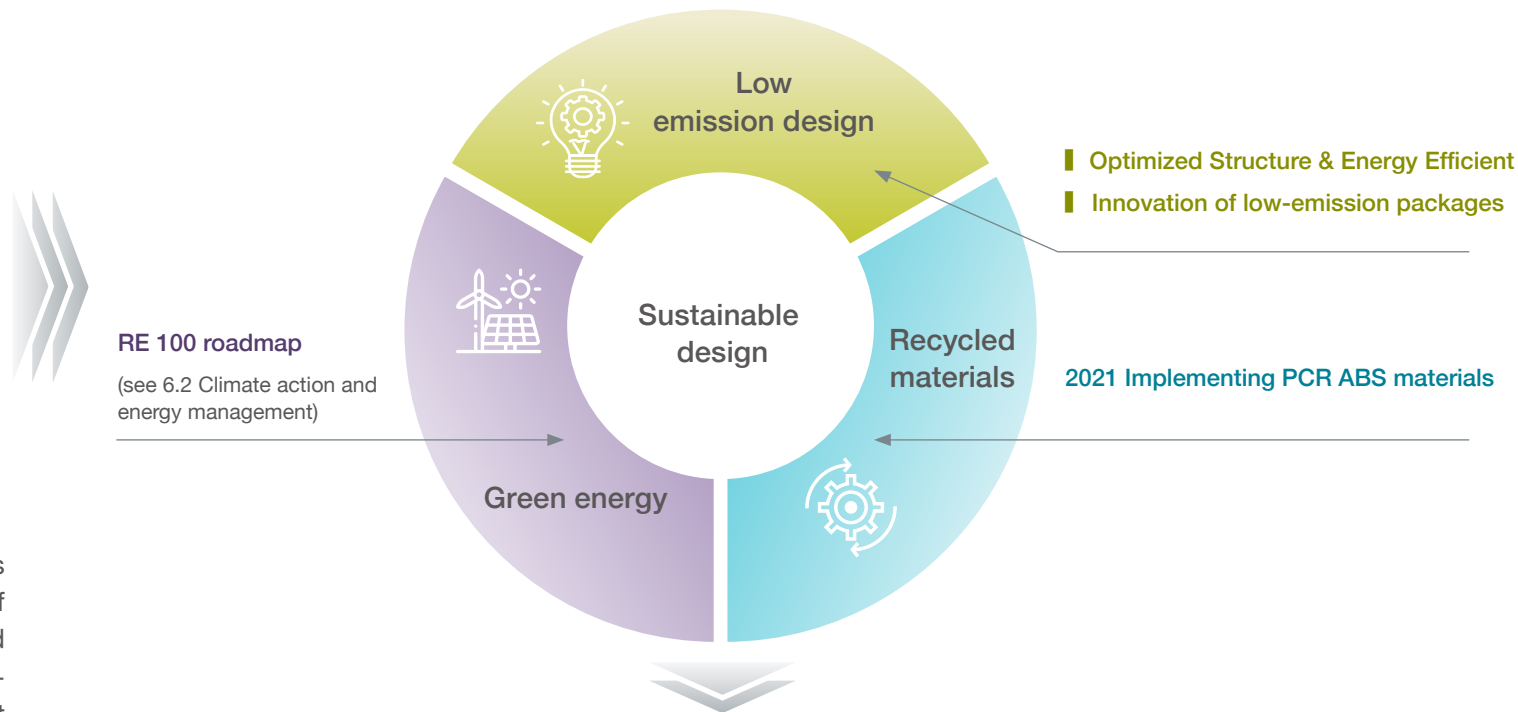
We have an internal audit unit that implements routine audits according to the annual audit program approved by the board. The unit may also implement targeted audits as necessary to reduce possible defects in the internal audit system and make a recommendation for improvement. In addition, the audit unit also supervises all units to implement self-assessment of their internal controls to assess the legitimacy and effectiveness of internal controls. After an internal audit, the audit unit will issue an audit report and present it to the chairperson each month and the Board each quarter to realize the spirit of corporate governance. In 2021, no relevant significant defect was audited.

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 batter 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. In 2021, we began to use recycled materials, adopt the structure optimization and low-impact design of products, and promote green energy use based on the three tracks of development: use of recycled materials use, product DfS, and green energy implementation to achieve sustainable business development.

2021 Sustainable Design 3 Main Shaf



TCircuit design optimization of TWS ear-phones/headphones

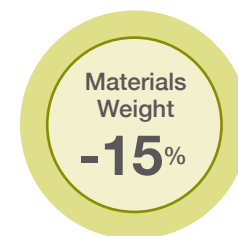
- Reducing the power consumption of true wireless stereo (TWS) earphones/headphones from 9.2mA to 7mA

TWS charging case - IC charging efficiency

- Enhancing the IC charging efficiency of charging cases from traditional 74% to 90%

Earphone/Headphone packages :

- Reducing the overall box size by 50%
- For more examples, please see the next page



Lightweight design for new models of gaming headphones

- Reduced the thickness of part of plastic parts
- The number of screws from 3 reduce to 2
- Reduce the all materials weight of parts by 15% (4% accounting for 4% of the headphone's gross weight)



Constantly use of Post-Consumer Recycled material(PCR)

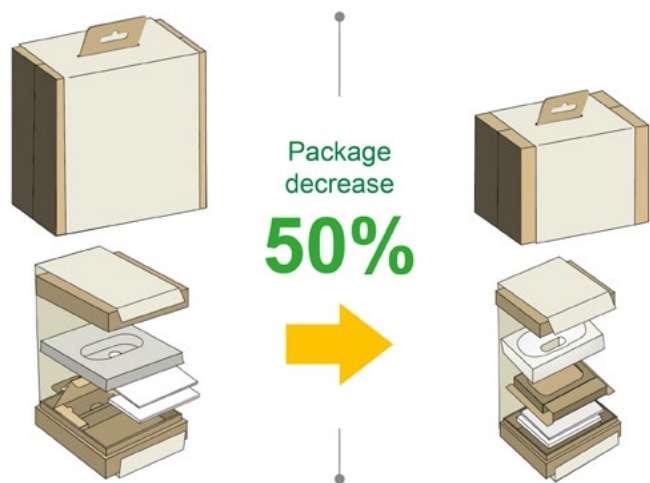
- Increasing the use of PCR on the plastic shells of new models of gaming headphones
- Use of PCR materials from 20% to 40%

Innovation of low-emission packages

Through the innovation and design of product packages, besides reducing the use of packaging materials and ink, we also reduced plastic use and used recyclable, degradable packaging materials. Additionally, to reduce the carbon footprint of product logistics (including warehousing, transportation, packaging, and distribution), we re-designed product packages to enhance packaging and warehousing efficiency while meeting requirements for product protection, convenience, and sales. This also increased the containing capacity of each pallet to reduce container use during transportation and storage space for warehousing.

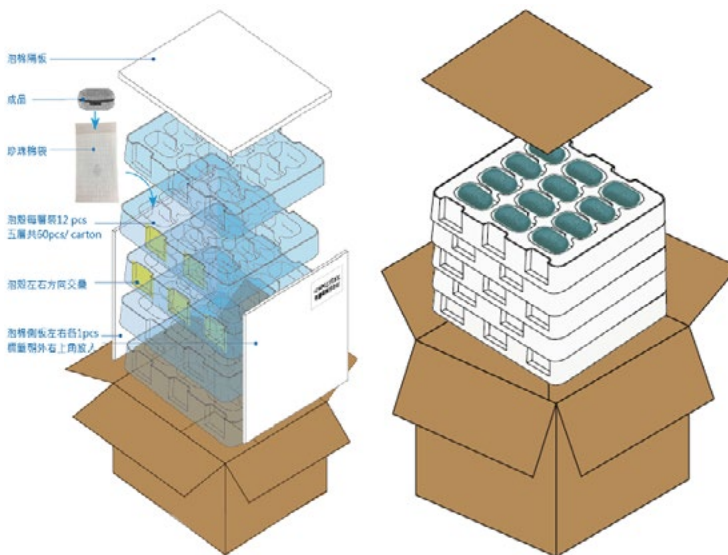
Low-emission design of earphone/headphone packages

- 1) Plastics reduction
 - Replacing polystyrene (PS) shells with paper shells.
- 2) Reduction
 - Reducing the overall box size by 50% through optimization.
 - Reducing the weight of cuff box paper.
- 3) Enhancement of transportation efficiency
 - Based on the same pallet, increasing the containing capacity by 114.29% to significantly pallet containing capacity.



Low-emission design for the reusable package of earphone charging cases

- 1) Plastics reduction
 - Replacing PS buffers with paper buffers
- 2) Reusable
 - 100% recyclable and reusable paper exterior boxes and partitions.
- 3) Degradable
 - Replacing PS shells with degradable polylactic acid (PLA) materials
 - All materials meet the RoHS, REACH, WEEE requirements.



Low-emission design for power banks

- 1) Plastics reduction
 - Cancelling the lamination of color boxes to facilitate recycling for reproduction.
 - Using 100% paper for all packaging materials
- 2) Reduction
 - Reducing dimensions by 25%
- 3) Ink reduction
 - Using lighter-tone colors to reduce ink use.
 - No printing for color boxes and partitions.
 - Simplifying the user's guide by adding the QR code for online reading.
- 4) Enhancement of transportation efficiency
 - Increasing carton capacity from 32pcs to 48pcs



IP rights management

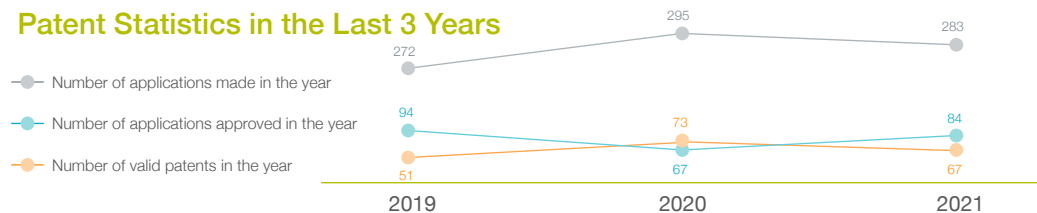
To protect R&D outcomes and enhance corporate competitiveness, based on the IP management policy, we set up management targets; acquire, protect, maintain, and use intellectual property; and adopt measures to avoid infringement and protect rights. To constantly strengthen the awareness of and capacity in intellectual property, in 2019 we passed the category A certification of the Taiwan Intellectual Property Management System (TIPS) version 2016. In 2020 and 2021, 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 recent years.



- **Maintain the freedom of operations.**
- **Strengthen the awareness of IP rights protection in employees.**
- **Enhance the protection of IP outcomes and create high value-added IP portfolios.**

Based on the abovementioned specifications, the legal and patent department periodically presents the assessment reports of management processes that require 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. The legal and patent department and the relevant units of subsidiaries compile reports on legal requirements and industry information. Additionally, they also promptly inform R&D units of the relevant risks in 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. The implementation items of the abovementioned IP right management, as well as the next-year implementation plan, are periodically reported to the Board each year. Additionally, in terms of patent approval, as shown in the above figure, in 2021 we applied for 67 patents and were awarded 84 patents

Patent Statistics in the Last 3 Years



4.2 Green product management

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

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

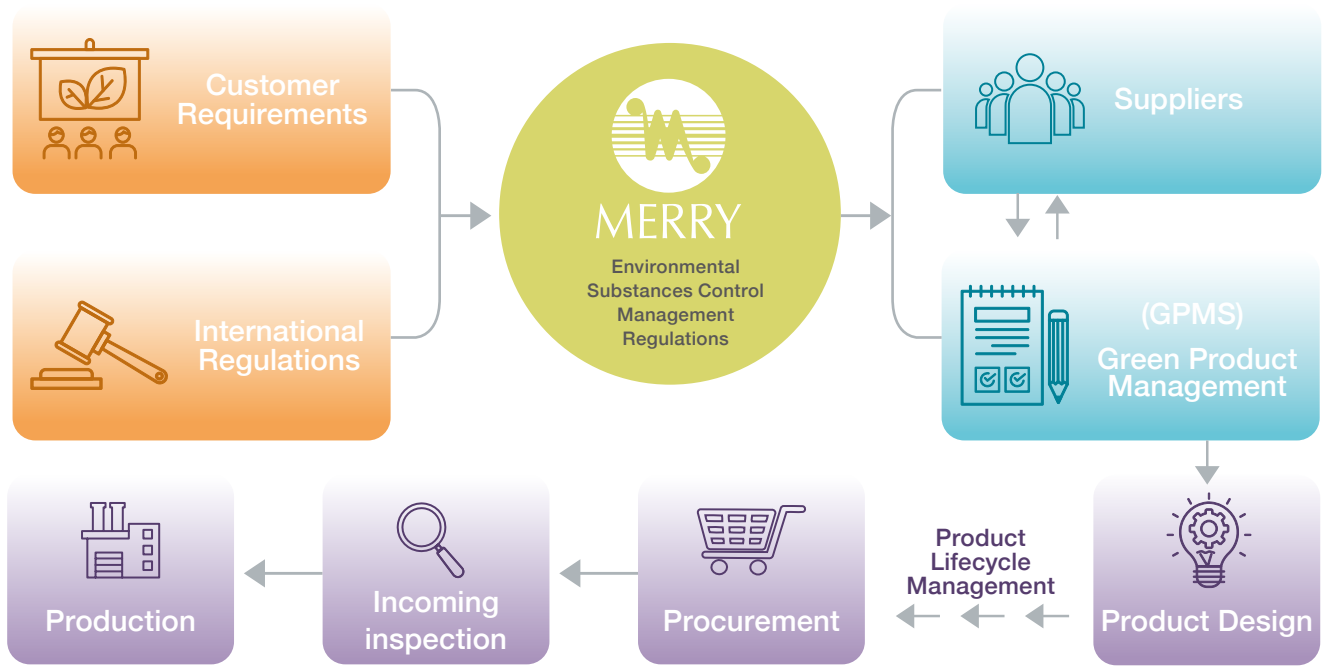


- EU RoHS Directive
- EU RoHS Directive 2.0
- EU REACH SVHC
- California Prop 65
- Free of lead, nickel, beryllium, antimony, and antimony oxide
- China VOCs
- Conflict Mineral Policy
- EU Battery/Environmental Directives-Halogen Free
- Phthalate-free plasticizers
- China RoHS
- PVC-free
- EU PPWD
-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

Management process of substances of very high concern (SVHC)

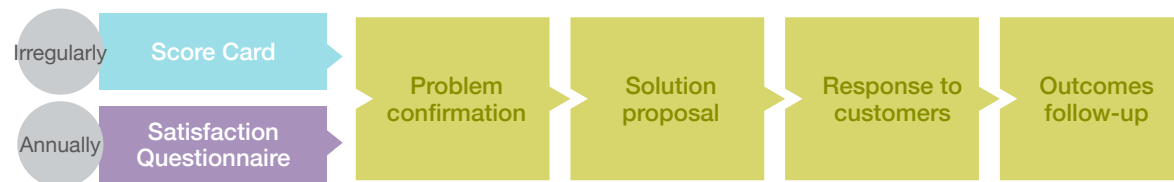
We audit new suppliers according to the “Supplier Management Regulations”. Management of qualified suppliers (vendors) is implemented according to GPMS-related SOPs.

- 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.



4.3 Customer service optimization

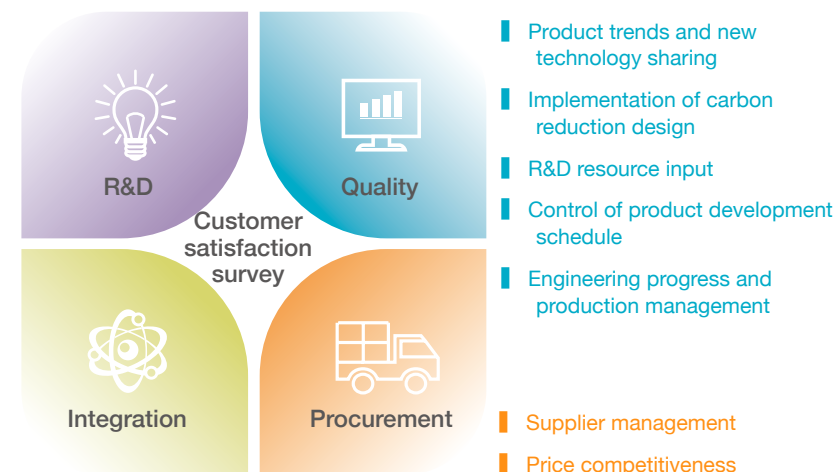
With visionary product R&D and process capacity, we provide customers with integrated services from design to distribution and quick and flexible technical and logistics support. In addition, we apply the scorecard mechanism and/or conduct the annual customer satisfaction survey to discern the customer's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



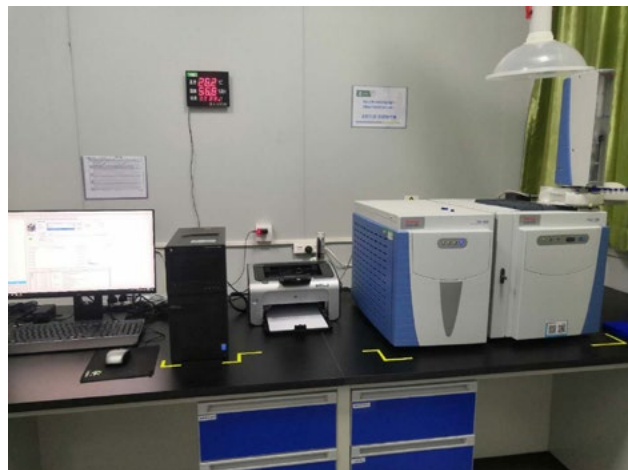
We integrated the problems reflected in the customer scorecard and satisfaction survey, referred them to the responsible units to analyze the causes, requested them to propose solutions by a time limit, and informed the sales unit of the solutions to reply to customers. Besides reporting to customers, the sales unit also handed over the cause analysis results to 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 2021, our competitive strengths were shown as revealed by the integrated satisfaction at 79.9% of major customers, customer recognition of our R&D capabilities and new product introduction (NPI), quality, and delivery punctuality, and the award of the Special Award for Covid-19 Support "Torch" Award from branded customers.

- Product target achievement
- Incident handling lead-time
- New product development quality
- Derivative model production quality
- Project execution ability and response speed
- Delivery flexibility and supply schedule control
- Production planning and management
- Professional communication skills and effectiveness



GC-MS Inspect plastic and non-metal materials.



FTIR Analyze customer complained items and uncertain materials.



4

Based on the labeling specifications of branded customers and the relevant certifications of product category, we completed package labeling confirmation right at the design phase to meet the legal requirements for product labeling of different regions. In 2021, no violation or customer claim relating to labeling was reported.

4.4 Sustainable supply chain management

Maintaining long-term and steady cooperation with suppliers is essential to our operations. Apart from creating economic value together, we wish that suppliers can value the social and environmental value like what we do in order to build a sustainable and reciprocal supply chain.

Through the management and valuation mechanisms, we encourage and urge suppliers to fulfill CSR together, including compliance with the professional ethics, value labor human rights, provision of a good workplace environment, no use of conflict minerals, compliance with the national or local environmental regulations, and build a management system based on cooperation in order to meet the CSR requirements and work for the sustainable supply chain.

Source management

- As a world-leading electroacoustics manufacturer, we achieve source management with the GPMS to ensure the materials supplied by suppliers meet our green product specifications (please refer to 4.2 Green Product Management for details). Additionally, we also request suppliers to make a commitment to no use of conflict metals in their materials and to comply with the code of ethical conduct. All new suppliers sign the CSR Commitment and Declaration of Non-Use of Conflict Minerals to enforce CSR.
- Each year we perform CSR audits on key suppliers (operated as per the Code of Conduct (CoC) of the Responsible Business Alliance (RBA) as the management mechanism, with evaluation aspects covering labor, health and safety, environment, ethics, and management system) and urge suppliers to engage in environmental protection, treat laborers nicely, and uphold ethical corporate management.
- “Quality supplier DNA implantation”: Through the abovementioned declaration and audit process, we constantly communicate our standards and expectations to suppliers, review the status of the green supply chain, and share the success of quality suppliers to constantly optimize sustainable supply chain management.

Status of signing of the Supplier CSR Commitment

New suppliers in 2021:

94% of new suppliers signed the CSR Commitment and Declaration of Non-Use of Conflict Minerals (100% excluding customer-designated and world-leading suppliers)

Partner suppliers in 2021

96% (based on all suppliers) of partner suppliers signed the CSR Commitment and Declaration of Non-Use of Conflict Minerals.

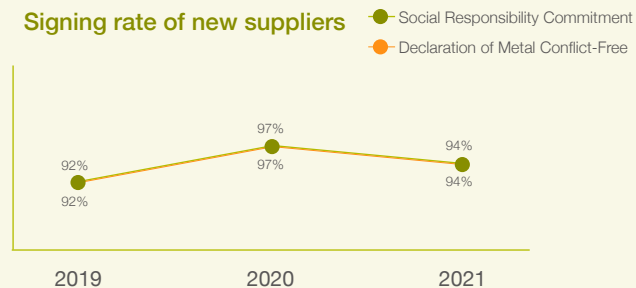
Note: The CSR Commitment includes the requirements in three aspects: labor employment condition (no child labor, human rights protection, non-discrimination, fair treatment), ethics (anti-corruption and fair trade), and environmental protection.



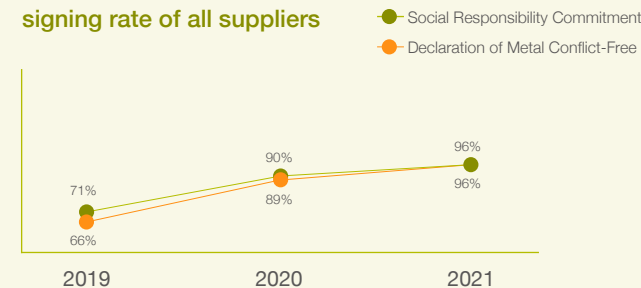
Source management

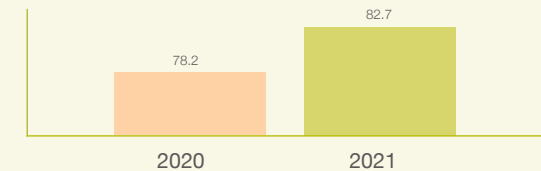

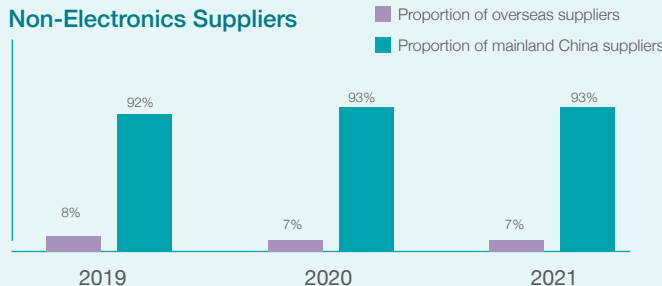
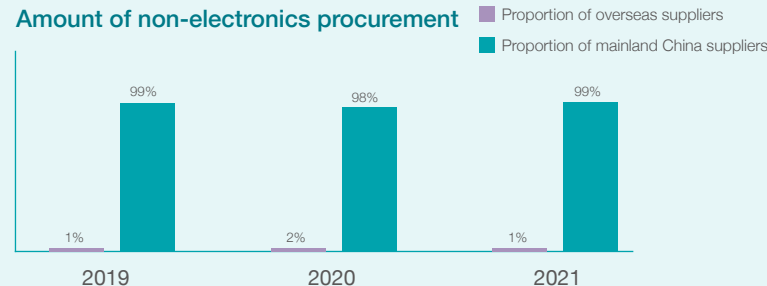

- GPMS
- No use of conflict metals
- Social Responsibility Commitment
- Annual supplier audit

Signing rate of new suppliers



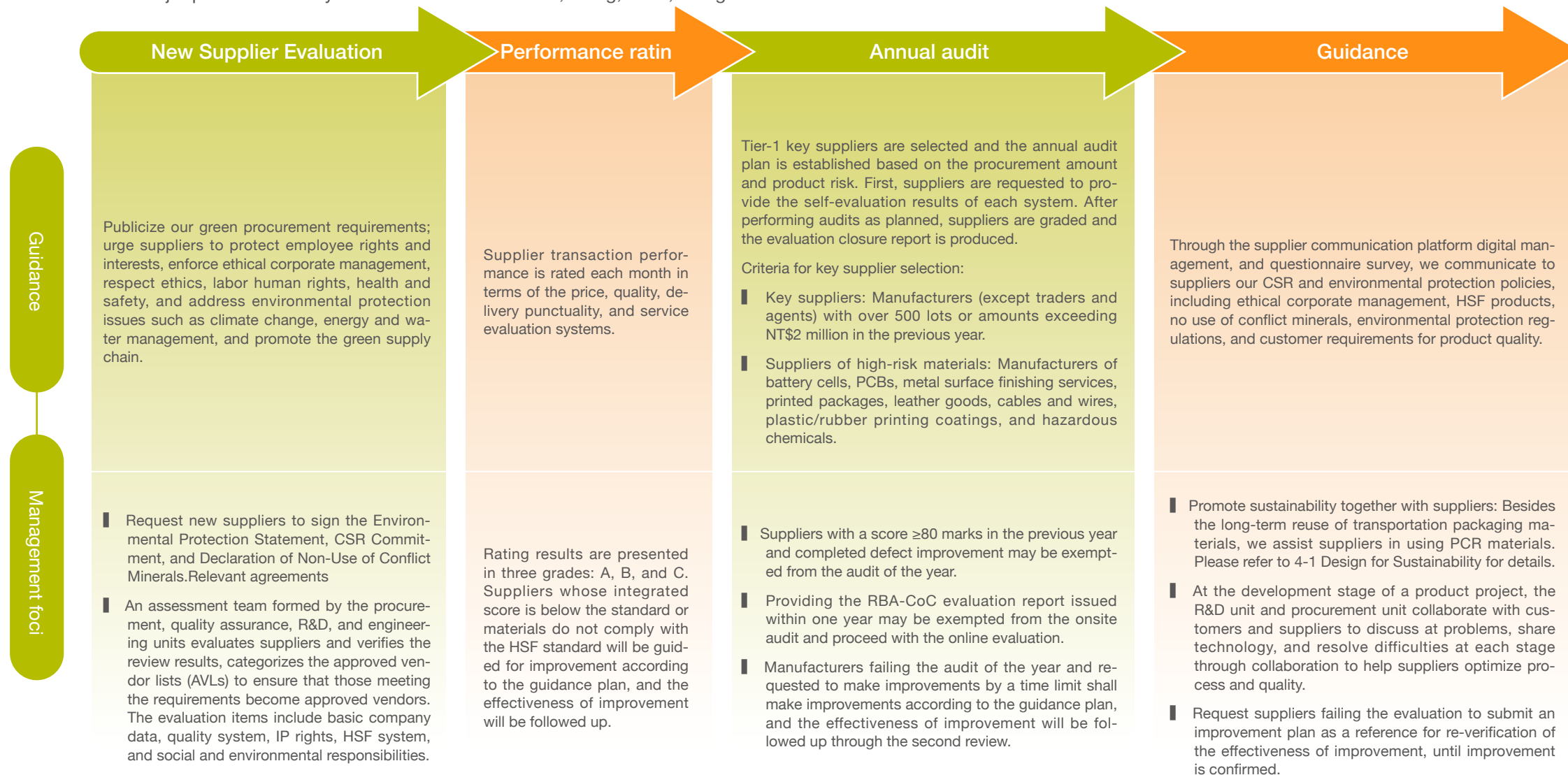
Signing rate of all suppliers



 <p>Source management</p>	<p>Annual supplier audit</p>	<p>Audits of key suppliers:</p> <p>In 2021, we selected 27 key suppliers for the annual CSR audit (operated as per the RBA-CoC as the management mechanism, with evaluation aspects covering labor, health and safety, environment, ethics, and management system), with 100% pass rate.</p> <p>In 2021 the average score of the CSR audit on key suppliers was 82.7, 4.5 marks higher than 2020.</p> <div data-bbox="1728 228 2122 256" data-label="Caption"> <p>CSR audit score of key suppliers</p> </div> 
 <p>Supply alert mechanism</p>	<p>Establishing an emergency response team</p> <p>Implementing graded warnings and the management measures at all stages.</p>	<p>Under the risk management mechanism, routine supply is under steady monitoring. To lower the risk of supply disruption, we have established an emergency response team and supply emergency response plan, implemented the graded alert system and management measures at all stages, and periodically investigated and assessed the financial risk of suppliers to reduce the impact and loss caused by supply disruption as a result of climate change, natural disasters, pandemics, financial and operational crises, and reputation risks to stabilize operations. In 2021, we fulfill the supply demands of all customers.</p>
 <p>Supply chain resilience</p>	<p>Local procurement</p> <p>Supply chain diversification</p>	<p>To balance local procurement and supply chain diversification, enhance production efficiency, and reduce the carbon emissions from the transportation of raw materials, parts, and components, we prioritize procurement from local suppliers and assist them in optimizing supply quality and their core capability. We also keep track on the feasibility of production and transportation against the extreme weather due to climate change or unpredictable natural disasters in local areas in order to constantly strengthen the resilience of sustainable supply.</p> <p>In 2021, China was still our production center, and the proportion of local procurement was 93% and the procurement amount was up to 99%, 1% higher than 2020.</p> <div data-bbox="801 903 1102 932" data-label="Caption"> <p>Non-Electronics Suppliers</p> </div>  <div data-bbox="1617 903 2078 932" data-label="Caption"> <p>Amount of non-electronics procurement</p> </div>  <p>(These statistics are produced based on non-electronics suppliers. While electronics, such as semiconductor active and passive components, are purchased mainly from world-leading manufacturers, they are not included in the amount of local procurement.)</p>
 <p>Supplier exchange channels</p>	<p>Commendation of outstanding suppliers</p> <p>Publicity of the sustainable supply chain management policy</p>	<p>At the supplier biannual conference in 2021H2, we commended outstanding suppliers, publicized our operational directions and green supply chain management policies, and interacted and interviewed with suppliers to exchange the market trends and improve the mutual understanding and consensus for cooperation.</p>

Supplier evaluation mechanism

To enforce the procurement and supply chain policies and ensure compliance with international standards of the quality system management and raw materials life cycle management of suppliers, with cooperation as the foundation, we urge suppliers to optimize their products while improving the management of social and environmental responsibilities of the supply chain in terms of the four major process in the cyclic mechanism: evaluation, rating, audit, and guidance.

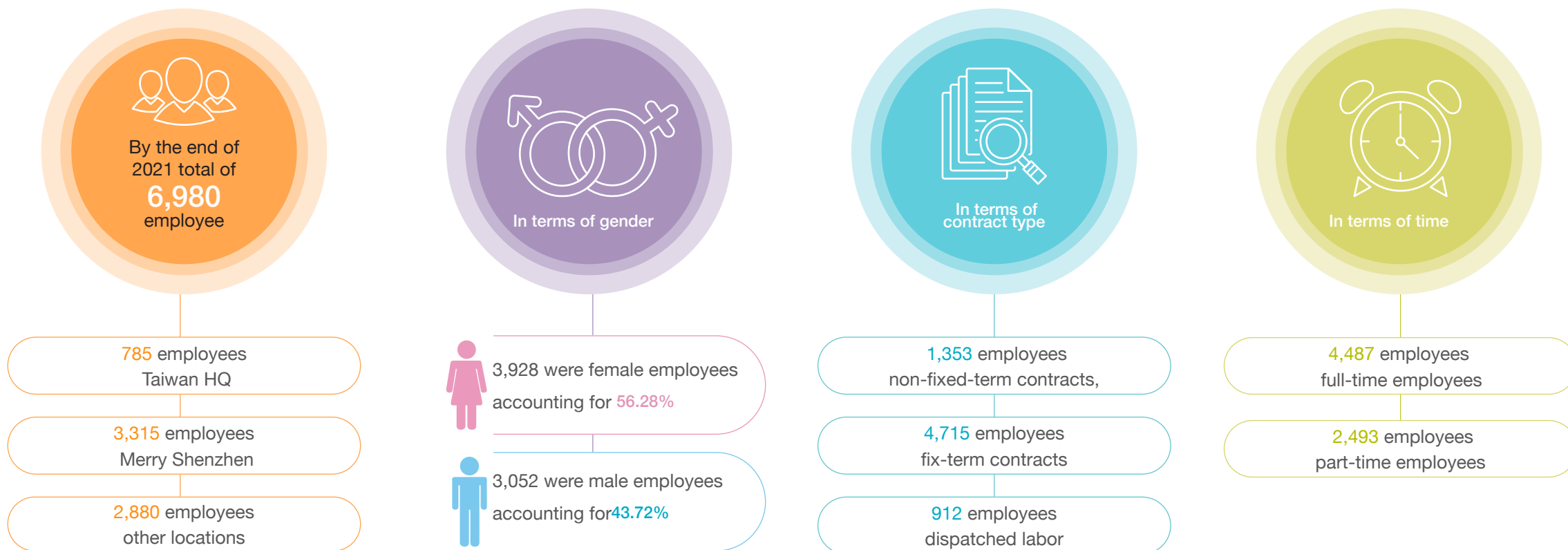


We treat employees as the most important partner of operations. Hence, we are committed to providing employees with a safe work environment where gender equality and development diversity prevail for employees to enjoy preferential wages, improve expertise, develop friendships, and receive benefits.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

5.1 Employee overview

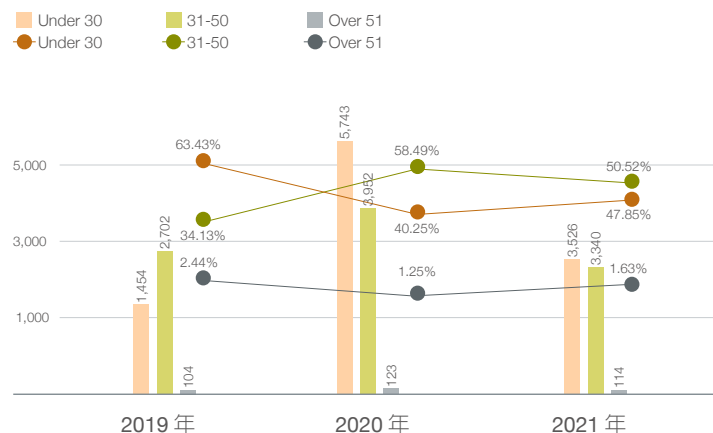
We maintain equal opportunity for employment. Besides considering the host country's laws, regulations, and culture or region, we are committed to creating a work environment free of differential treatment. By hiring talents from different business locations, we hope to fuse and stimulate new thinking 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

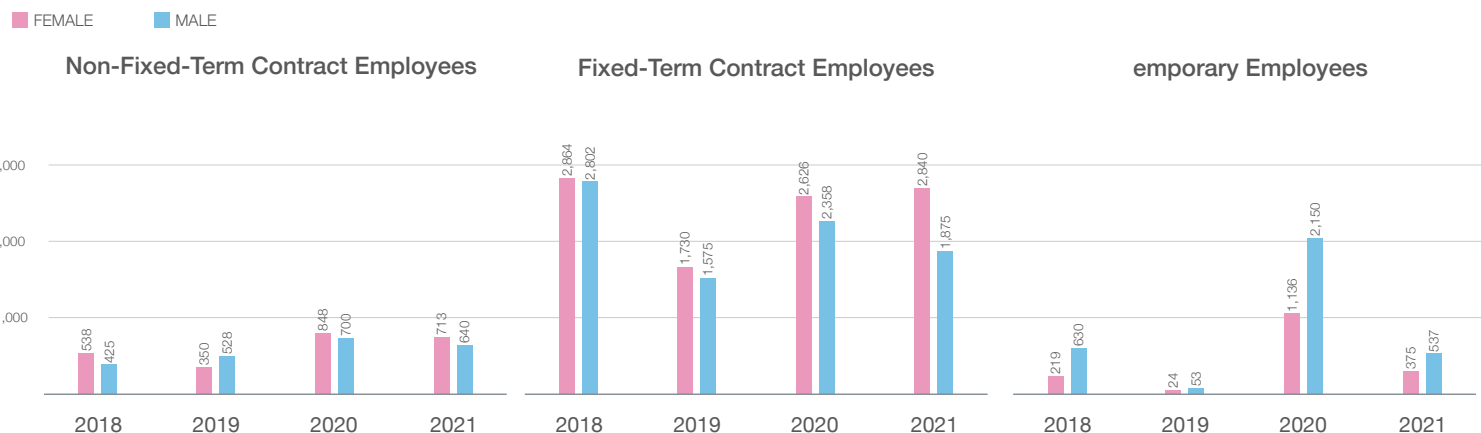


In 2021, the number of employees in Taiwan HQ increased by 4.39%, while the number of employees in other regions reduced by 31.67%. This is mainly because of the completion of projects with specific customers, leading to the reduction of employees in Shenzhen.

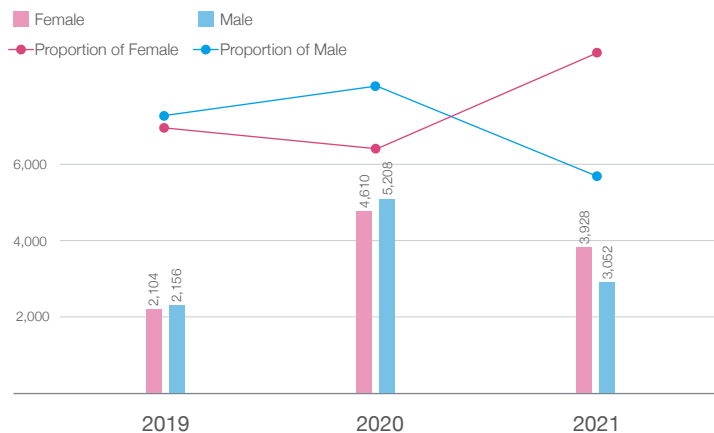
Total Number of Employees over the Years (by Age)



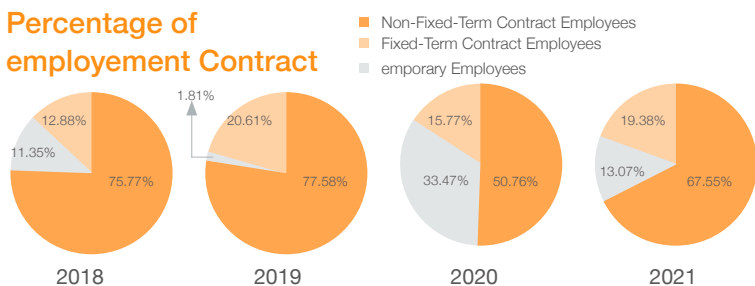
Classification by Employment Contract Type (by gender)



Total Number of Employees over the Years (by gender)



Percentage of employment Contract



Classification by Employment Contract Type

Year	Contract Type	Taiwan HQ	Merry Shenzhen	Merry Thailand	Merry Vietnam	Merry USA	Merry Singapore	Merry Hong kong	Suzhou Merry
2019	Non-Fixed-Term Contracts	706	-	116	-	10	36	10	-
	Fixed-Term Contracts	8	3,104	191	-	-	-	2	-
	emporary Employees	-	77	-	-	-	-	-	-
2020	Non-Fixed-Term Contracts	743	-	672	-	11	44	10	68
	Fixed-Term Contracts	9	3,439	-	1,462	-	-	2	72
	emporary Employees	-	3,272	-	-	-	-	-	14
2021	Non-Fixed-Term Contracts	776	-	447	-	9	44	10	67
	Fixed-Term Contracts	9	2,403	-	2,242	-	-	2	59
	emporary Employees	-	912	-	-	-	-	-	-

1. Full-time employees are on non-fixed-term contracts. 2. Contracted employees are on fixed-term contracts.

Note 3. Temporary employees are hired and dispatched by work agencies.

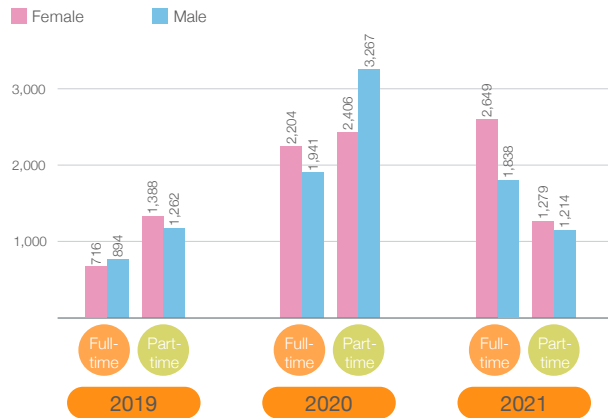
4. The number of employees each year is based on the actual number of in-service employees by December 31 of that year.

Total Number of Employees by Grade/Duty over the Years(By age)

Grade/Duty	YEAR	Under 30	Percentage	31~50	Percentage	Over 51	Percentage	Total	Female	Percentage	Male	Percentage
Medium and Senior Management	2018	-	0.00%	57	67.86%	27	32.14%	84	20	23.81%	64	76.19%
	2019	-	0.00%	65	66.33%	33	33.67%	98	25	25.51%	73	74.49%
	2020	1	0.84%	81	68.07%	37	31.09%	119	27	22.69%	92	77.31%
	2021	-	0.00%	80	70.80%	33	29.20%	113	27	23.89%	86	76.11%
Junior Supervisors	2018	8	6.30%	111	87.40%	8	6.30%	127	42	33.07%	85	66.93%
	2019	4	2.53%	141	89.24%	13	8.23%	158	49	31.01%	109	68.99%
	2020	4	2.05%	179	91.79%	12	6.15%	195	58	29.74%	137	70.26%
	2021	7	3.27%	193	90.19%	14	6.54%	214	76	35.51%	138	64.49%
Engineers	2018	267	37.66%	427	60.23%	15	2.12%	709	179	25.25%	530	74.75%
	2019	229	31.59%	480	66.21%	16	2.21%	725	181	24.97%	544	75.03%
	2020	323	33.75%	622	64.99%	12	1.25%	957	214	22.36%	743	77.64%
	2021	236	30.45%	522	67.35%	17	2.19%	775	192	24.77%	583	75.23%
Clerks	2018	214	31.75%	440	65.28%	20	2.97%	674	450	66.77%	224	33.23%
	2019	169	26.66%	440	69.40%	25	3.94%	634	427	67.35%	207	32.65%
	2020	330	35.41%	553	59.33%	49	5.26%	932	622	66.74%	310	33.26%
	2021	446	44.33%	526	52.29%	34	3.38%	1,006	730	72.56%	276	27.44%
Direct Labor	2018	3,581	60.86%	2,288	38.89%	15	0.25%	5,884	2,930	49.80%	2,954	50.20%
	2019	1,052	39.77%	1,576	59.58%	17	0.64%	2,645	1,422	53.76%	1,223	46.24%
	2020	5,085	66.78%	2,517	33.05%	13	0.17%	7,615	3,689	48.44%	3,926	51.56%
	2021	2,837	58.23%	2,019	41.44%	16	0.33%	4,872	2,903	59.59%	1,969	40.41%
tota	2018	4,070	54.43%	3,323	44.44%	85	1.14%	7,478	3,621	48.42%	3,857	51.58%
	2019	1,454	34.13%	2,702	63.43%	104	2.44%	4,260	2,104	49.39%	2,156	50.61%
	2020	5,743	58.49%	3,952	40.25%	123	1.25%	9,818	4,610	46.95%	5,208	53.05%
	2021	3,526	50.52%	3,340	47.85%	114	1.63%	6,980	3,928	56.28%	3,052	43.72%

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

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.

Personnel recruitment

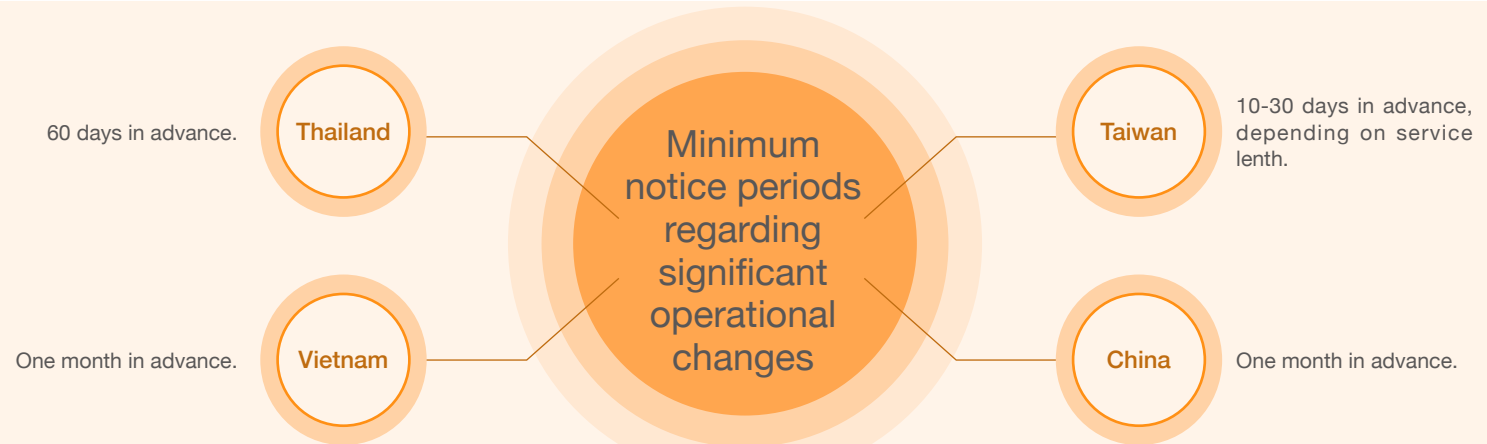
Based on the operational strategy and employee career development, we recruit employees from various channels, including the joint campus talents recruitment and enterprise talents recruitment organized by government agencies. We offer job opportunities for technicians, professionals, and expatriates. In Taiwan, we also offer internship opportunities during summer breaks or ordinary times and technology talents cultivation funds through industry-academia collaboration to cultivate and recruit elites through the substantial exchange between schools and fields to ensure seamless connection from education to employment. When outsiders were blocked from campus entry in 2021 after the pandemic alert raised to level 3, all campus recruitments were suspended, and talents were mainly recruited over the 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

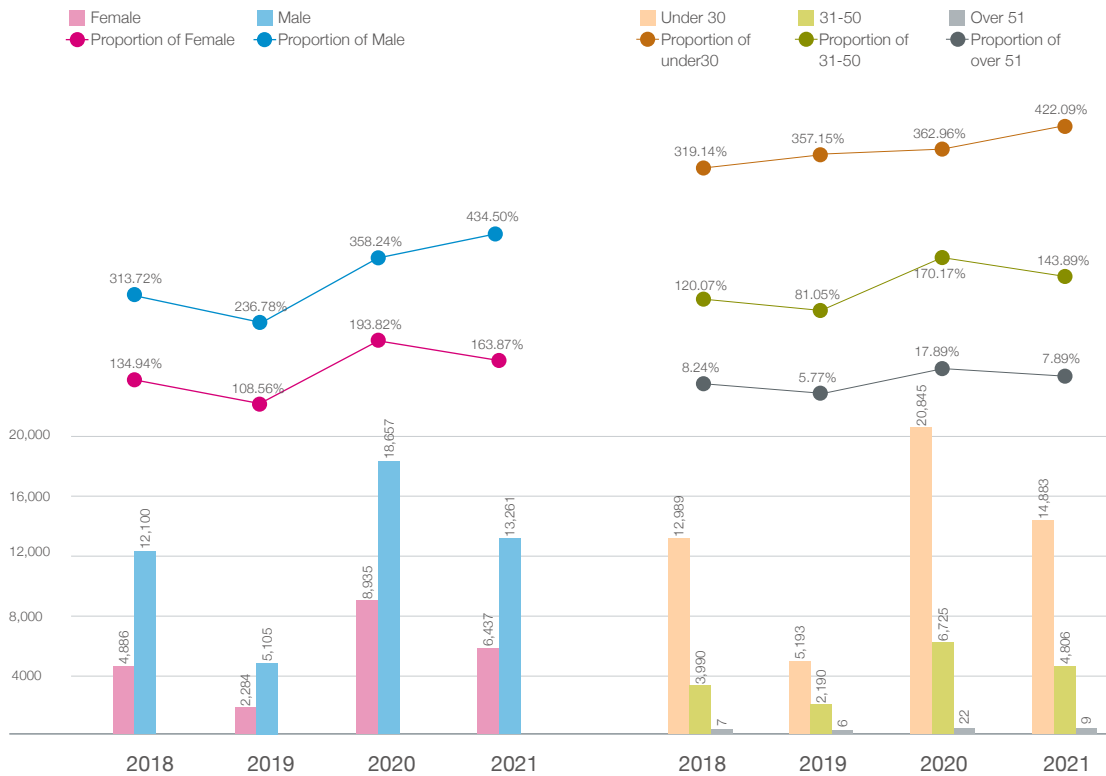
When an employee applies for resignation, the HR unit will immediately arrange a resignation interview for the employee as necessary to understand the cause(s) of resignation. If it is a cause of the company's business development, we will implement the minimum notice period regarding significant operational changes



Statistics one and resigned employees

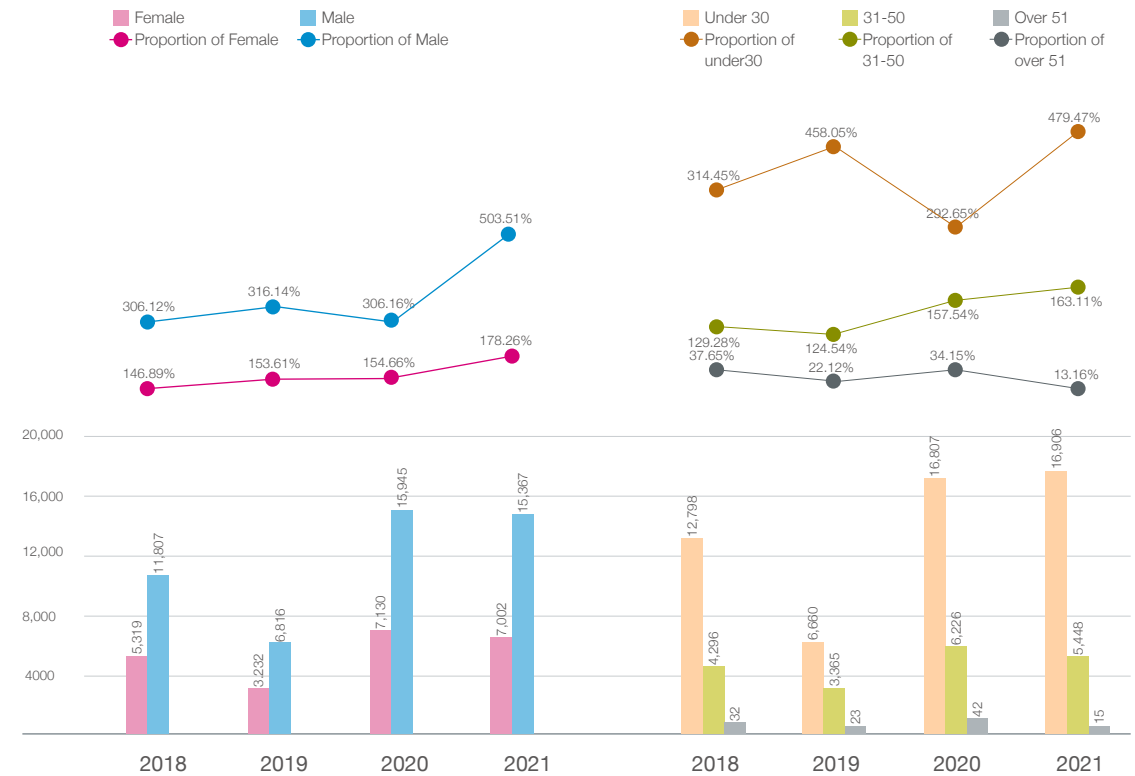
In 2021, there were 19,698 new employees in total (annual employment rate 282.21%), including 14,883 persons aged below 30 years, 4,806 persons aged 31 and 50 years, and 9 persons aged over 51 years. In 2021, a total of 22,369 employees resigned (annual turnover rate 320.47%), including 16,906 persons aged below 30 years, 5,448 persons aged 31 and 50 years, and 15 persons aged over 51 years. 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. The turnover rate was higher than the new employee rate because some specific projects in China ended and the demand for fixed-term contract workers and dispatched labor reduced during the low production season.

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				Total	
	♀		♂		♀		♂		♀		♂			
Gender	♀		♂		♀		♂		♀		♂			
Item	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion
Taiwan HQ	51	6.50%	38	4.84%	62	7.90%	86	10.96%	1	0.13%	1	0.13%	239	30.45%
Merry Shenzhen	3,349	101.03%	9,936	299.73%	1,598	48.21%	2,573	77.62%	-	0.00%	-	0.00%	17,456	526.58%
Merry Thailand	207	46.31%	92	20.58%	30	6.71%	29	6.49%	2	0.45%	1	0.22%	361	80.76%
Merry Vietnam	836	37.30%	372	16.60%	294	13.12%	118	5.27%	-	0.00%	-	0.00%	1,620	72.29%
Other regions	1	0.52%	1	0.52%	2	1.05%	14	7.33%	4	2.09%	-	0.00%	22	11.52%
Total	4,444	63.68%	10,439	149.58%	1,986	28.46%	2,820	40.41%	7	0.10%	2	0.03%	19,698	282.25%

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 785 persons, Merry Shenzhen 3,315 persons, Merry Thailand 447 persons, Merry Vietnam 2,241 persons, other regions 191 persons.

Number of Resigned Employees by Location

Age	Under 30				31~50				Over 51				Total	
	♀		♂		♀		♂		♀		♂			
Gender	♀		♂		♀		♂		♀		♂			
Item	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion
Taiwan HQ	29	3.69%	24	3.06%	47	5.99%	98	12.48%	4	0.51%	7	0.89%	209	26.62%
Merry Shenzhen	4,118	124.22%	11,648	351.37%	1,999	60.30%	3,088	93.15%	-	0.00%	1	0.03%	20,854	629.08%
Merry Thailand	327	73.15%	140	31.32%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	467	104.47%
Merry Vietnam	348	15.53%	262	11.69%	117	5.22%	75	3.35%	-	0.00%	-	0.00%	802	35.79%
Other regions	2	1.05%	8	4.19%	8	4.19%	16	8.38%	3	1.57%	-	0.00%	37	19.37%
Total	4,824	69.12%	12,082	173.12%	2,171	31.11%	3,277	46.96%	7	0.10%	8	0.11%	22,369	320.52%

Note: Annual employee turnover rate = Number of turnover employees (by age) of one gender in the year ÷ Total number of employees at the end of the year.

Taiwan HQ 785 persons, Merry Shenzhen 3,315 persons, Merry Thailand 447 persons, Merry Vietnam 2,241 persons, other regions 191 persons.

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 2021, non-compliance with human rights was reported.

To ensure all locations and plants to provide a safe work environment and show respect for all employees, currently, Taiwan HQ, Merry Shenzhen, and Merry Vietnam will arrange education and training related to human rights for new employees on their arrival. At the same time, other locations will progressively include human rights in awareness education, education, and training each year. We assess the human rights risks of each location and identify major production bases as regions (Shenzhen, Thailand, and Vietnam) with significant potential human rights risks. Besides enforcing various human rights measures, we voluntarily sign up for the RBA’s Validated Assessment Program (VAP) to strengthen human rights management in these locations and facilitate customers to query our validation results from RBA-Online.

Locations	Recipient	Duration/Method	Training Percentage	Total Hours of Training
Taiwan HQ	All new employees (excluding dispatched employees)	[Ethical Corporate Management]: Confidential data/IP protection/licensing agreements/questions and report of concerned issues and unethical behavior	99%	164
		[Ethical Corporate Management]: Discrimination and harassment	96%	35.2
Merry Shenzhen	All employees	In 2021, the RBA training course contained eight topics covering human rights and business integrity, and was administered in 15 classroom sessions (12.75 hours in total).	100	44,669.75
Merry Vietnam	All employees	In 2021, the RBA training course covered basic training and standard training, with contents on five topics including labor, health, and safety (one hour in total).	100%	2201

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.



Completed RBA-VAP in 2018 and 2021, with an RBA silver certificate (valid for 2 years).



Completed RBA-VAP in 2021, with an RBA gold certificate (valid for 2 years).



In 2021, we progressively inventoried the differences in measures for human rights management and will apply for RBA-VAP in 2022.

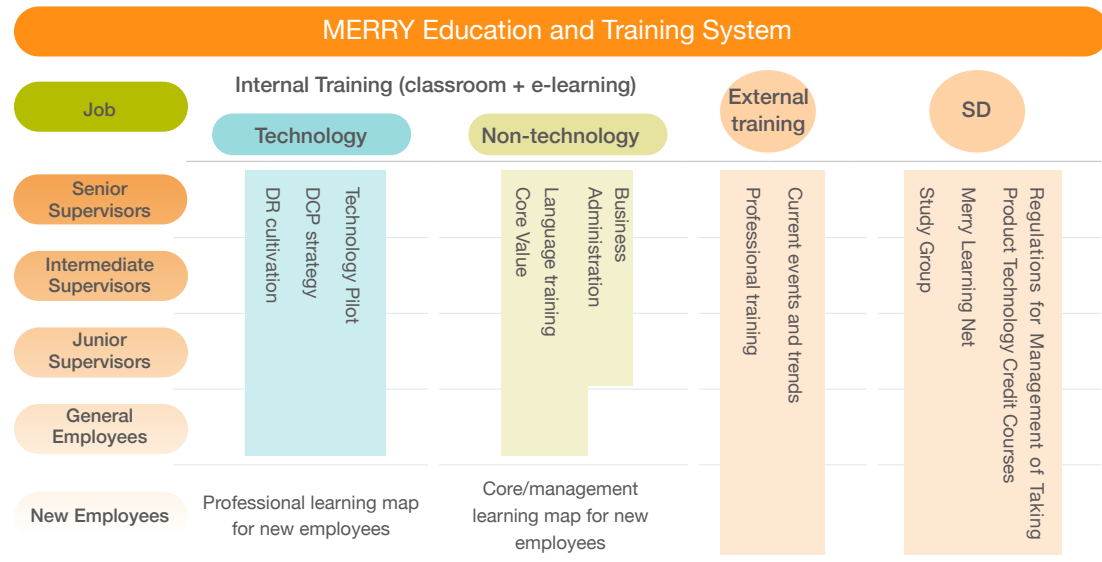
5.2 Talent development and training

Diversified training channels for strengthening self-learning and development

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.

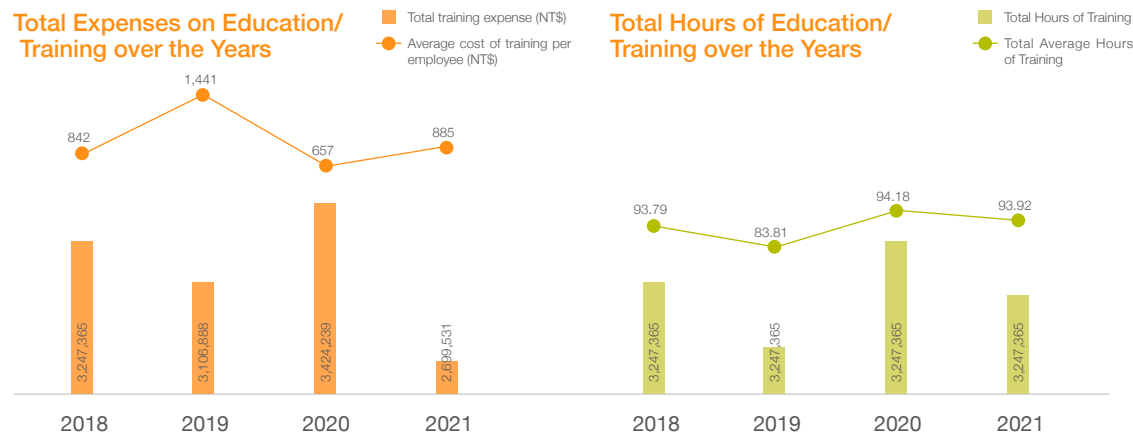
Based on the needs of different trades of training, the results of performance evaluation, and the needs of career development, we provide comprehensive learning channels and development resources, including on-the-job training, classroom training, e-learning, work instructions, and job rotation. The 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.








Training results

Due to the pandemic in 2021, training courses were offered by internal instructors online over the newly established e-learning platform "Merry Learning Net" to ensure the smooth operation of the training plan.



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 Average Hours of Education/Training over the Years (by gender)

職級	Year	♀	♂	Total
		平均時數	平均時數	平均時數
 Medium and Senior Management	2018	24.87	31.10	29.61
	2019	37.36	33.12	34.20
	2020	37.12	30.92	32.33
	2021	63.29	47.92	51.60
 Junior Supervisors	2018	18.71	23.52	21.93
	2019	25.10	23.32	23.87
	2020	16.01	16.23	16.16
	2021	16.11	17.04	16.71
 Engineers	2018	30.66	26.78	27.76
	2019	38.02	33.77	34.83
	2020	30.45	28.62	29.03
	2021	46.18	41.50	42.66
 Clerks	2018	21.28	18.85	20.47
	2019	30.08	22.73	27.68
	2020	22.62	34.81	26.67
	2021	21.68	30.33	24.05
 Direct Labor	2018	64.66	160.18	112.61
	2019	69.14	170.72	116.11
	2020	72.68	152.03	113.59
	2021	63.96	204.79	120.87

Professional and competence training

Based on the annual business strategy, goals, and needs, we cultivate the core, professional, and management competencies required by employees at all levels to facilitate organizational development and thereby enhance corporate competitiveness.

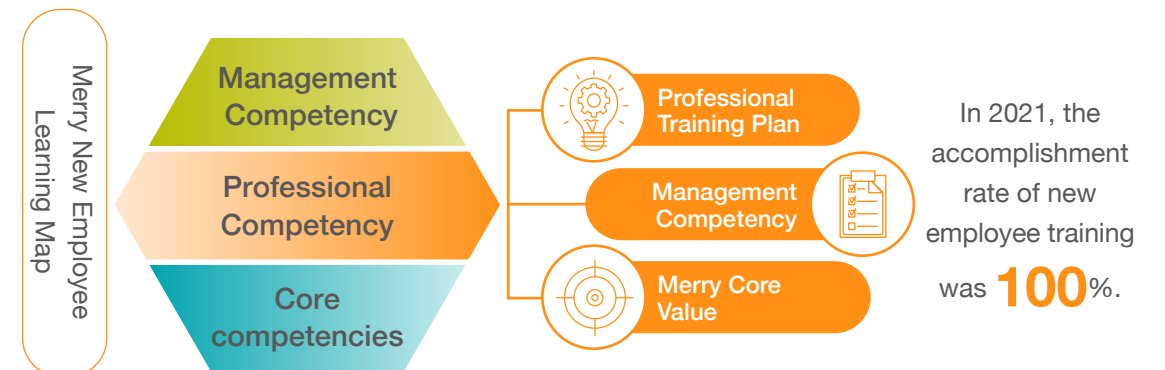


To enhance the sensitivity to technology development of R&D personnel, in 2021 we planned talks on various technology topics



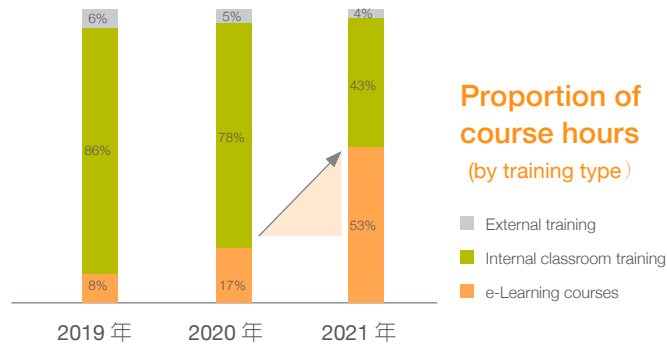
Competence development for new employees

Each employee has his/her own learning map. Through comprehensive learning methods, we guide new employees to quickly understand the Company's core value, system, and product information. The president also shared the management concept and future outlook with new employees at core value courses to reach a consensus.



Undisrupted learning during pandemic

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 e-learning contents and enhance the professional competencies of employees in various fields with useful skills based on the track of a learning organization. Due to the pandemic, although internal and external training opportunities reduced in 2021, we immediately activated the new e-learning platform, and the number of e-learning courses increased in folds. The overall satisfaction was 4.5 marks (out of 5), suggesting that the demand and learning efficiency of e-learning have earned the positive comments and recognition of employees.



Proportion of course hours (by training type)

External training
Internal classroom training
e-Learning courses



online

Merry DNA cultivation and non-business-related activities

To cultivate the Merry DNA in all employees: enjoy reading, understand music, be volunteers, and love exercising, we constantly organize talks and provide e-learning resources for employees to learn and develop.

62 related activities 2,788 hours 7,499 persons



Shaping a reading culture

Each year we organize the officer study group to create different ways of thinking and innovation through the brainstorming of books. In 2021, we encouraged non-officers to join the study group for reading together two books: Dual Transformation: How to Reposition Today's Business While Creating the Future and Atomic Habits: An Easy & Proven Way to Build Good Habits & Break Bad Ones.

A total of 791 persons 1,089 hours.



Support for career learning

除 Besides planning comprehensive courses, we also encourage employees to expose to other areas through self-learning.



Learning reward

Including individual and group competitions to encourage employees to learn and read proactively, and winners will be rewarded with monetary prizes.



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.



External trends and expertise:

Employees may apply for further study based on actual needs. To encourage the organizational vide of learning together and stimulate learning motivation, the education/training budget is unlimited.



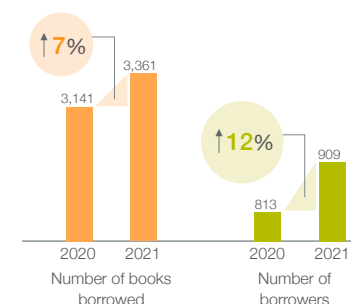
Allowance for on-the-job training:

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 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 professional skills and pursue self-growth.

Development of reading habit

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 in the library, employees may access e-books over their smartphones or computers. In 2021, we further promoted the e-book platform and organized the World Reading Day activity. Compared to 2020,

Book borrowing status



Hyread e book



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 2021 averaged **3.84%**

(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 headquarters and 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 ₫3,670,100	1.06
Suzhou Merry	RMB ¥2,280	RMB ¥2,280	1.00

Remuneration ratio by gender

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 duty attributes and seniority. Therefore, the ratio may differ between genders.

Gender-based Wage Ratio – by base salary

Locations	Taiwan HQ		Merry Shenzhen		
	♂	♀	♂	♀	
Direct Labor	(no direct labor)		1	1.00	
Indirect Labor	Non-supervisor	1	0.81	1	0.80
	Supervisor	1	0.86	1	1.00

Gender-based Wage Ratio –by average salary per capita

Locations	Taiwan HQ		Merry Shenzhen		
	♂	♀	♂	♀	
Direct Labor	(no direct labor)		1	1.00	
Indirect Labor	Non-supervisor	1	0.81	1	0.68
	Supervisor	1	0.83	1	0.43

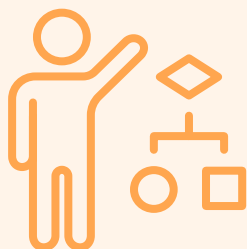
Wage of full-time non-supervisor employees

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 earnings” of non-supervisor employees in 2021 reduced by 2.7% from NT\$919K in 2020 to NT\$894K, and the “median earnings” of non-supervisor employees increased by 0.6% from NT\$714K in 2020 to NT\$718K.

Performance evaluation system

With a fair performance evaluation system and through beginning target setting, we unfailingly 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 2021, 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
	Medical insurance	7%	2%
Suzhou Merry	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	15%~16%	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	16%	8%

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 checkup 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	2019		2020		2021	
	♂	♀	♂	♀	♂	♀
Number of employees entitled to parental leave (A)	56	38	58	34	53	48
Number of employees taking parental leave (B)	1	5	2	7	0	3
Number of employees due to return to work after parental leave (C)	1	5	2	6	0	4
Number of employees that did return to work after parental leave (D)	1	3	2	3	0	2
Number of employees that did return to work after parental leave in the previous year (E)	1	5	1	3	2	3
Number of employees retained 12 months after returning to work following parental leave in the previous year (F)	1	3	1	3	0	3
Return to work rate (D/C)	100%	60%	100%	50%	0%	50%
Retention rate (F/E)	100%	60%	100%	100%	0%	100%

Note: The number of employees entitled to parental leave in 2021 was the total number of employees applying for maternity leave and paternity leave in 2018-2021.

Leave system better than the regulatory requirements

Besides the days off as stipulated in the Labor Standards Act, we offer a leave system better than the regulatory requirements. In 2021, we added no make-up workdays policy for long holidays announced by the government, granted advance special leave to new employees on their arrivals, and activated the “WFH with Pay” mode for all employees to work from home (WFH) when COVID-19 escalated in May. Thereafter we maintain WFH for 30-50% of employees in turns as a new norm until now to ensure employee health. We also introduced the highest work flexibility. Besides implementing flextime for a long time, we also introduce paid volunteerism leave, relatives’ marriage leave, and home leave for expatriates better than the statutory holidays. 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
Special leave	3 days of special leave for a service length up to 6 months.	NEW Advance special leave of 3 days for new employees after duty reporting.
WFH with Pay mode	NA	NEW In response to the epidemic control policy or for employees with family care needs may apply for work from home (WFH).
Holidays for makeup workdays	Attendance is required for statutory working hours.	NEW In response to the long holidays for festivities, no makeup workdays are required for employees to directly enjoy paid long holidays.
Flextime	NA	Employees can choose different sign-in (8:00–9:00) and sign-out (17:00–18:00) times, simply working for 8 hours is required.
Home leave	NA	<ul style="list-style-type: none"> ■ Several times a year. ■ In response to the COVID-19 pandemic, besides the statutory leave benefits, we pay expatriates for the quarantine period required by the respective countries and also the accommodation expenses.
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> <ul style="list-style-type: none"> ■ Children (2 days) ■ Siblings (1 day)
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.

Employee Welfare Committee

Taiwan HQ has established the “Employee Welfare Committee” (EWC), with periodic committee meetings being held by EWC representatives to promote various employee benefits, including cash gifts for folk festivals, allowances for employee reunions and travels, cash gifts for birth and marriage, scholarships for employees and their children, emergency assistance, consolation money, funeral subsidy, and others. 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. In response to the impact of COVID-19, besides suspending Family Day, we also bought the COVID-19 insurance and presented epidemic control supplies such as custom medical facemasks and alcohol dispensers for employees to protect health in 2021.

Employee travels

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.

Employee reunions

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

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.

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 2021, we approved 119 scholarship applications with a total amount of NT\$198,600.



Other benefits

Commendation of senior and model employee

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 2021, we hired masseur to provide the service for up to 893 person-times.

5.4 Friendly and safe workplace

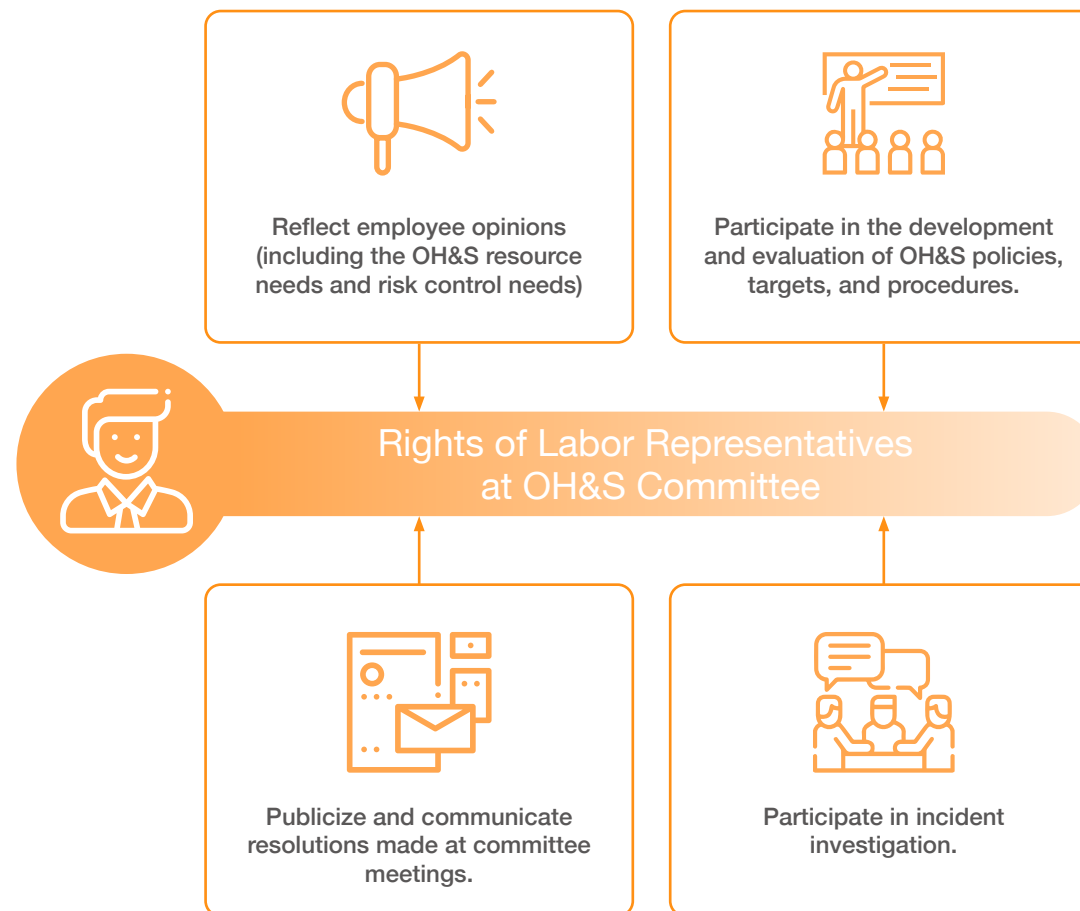
Occupational health and safety management system

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 5 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.

Taiwan HQ, Merry Shenzhen, and Merry Vietnam have established the OH&S management system according to the ISO 45001:2018 standard, with covering workers (both employees and non-employees) engaging in design, development, procurement, construction, production, maintenance, and contract projects. This covers only non-employees of contractors offering resident services, including security guards, cleaners, and resident workers. 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. Besides Merry Shenzhen that already obtained the ISO 45001:2018 certificate in 2020, both Taiwan HQ and Merry Vietnam also passed ISO45001:2018 certification and obtained the certificate in 2021. Although Merry Thailand has established its own OH&S management mechanism, the mechanism does not comply with the ISO 45001 management framework. Suzhou Merry is an affiliate acquired in 2018. In the future, we will progressively implement the OH&S management system to the production activities of all locations and apply for external certification each year.



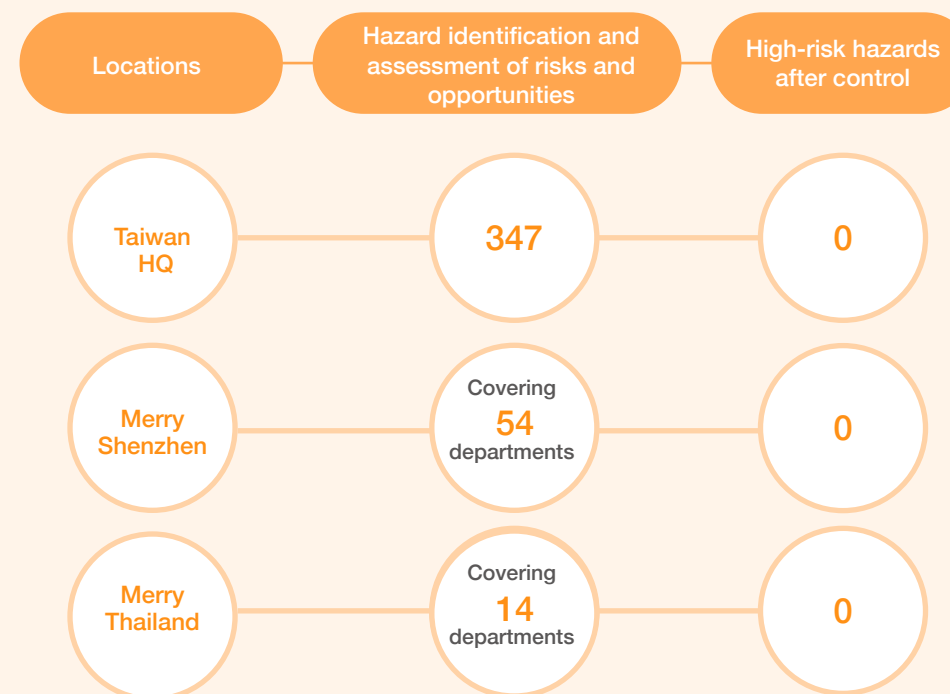
Locations	Number of employees by the end of 2021		Number of employees covered by the OH&S management system	Number of employees included in the OH&S management system	Number of employees covered by external certification
	Staff	Non-staff			
Taiwan HQ*	728	6	728	728	518
Merry Shenzhen*	3,372	34	3,372	3,372	3,372
Merry Thailand*	453	6	453	0	0
Merry Vietnam*	2,261	15	2,261	2,261	2,261
Suzhou Merry*	84	3	0	0	0
Merry USA	11	-			
Merry Singapore	44	-			
Merry Hong Kong	12	-			
Number of employees at high-risk business locations	6,898	64	6,814	6,361	6,151
Coverage (high-risk business locations only)			98.78%	92.22%	89.12%
Coverage (all business locations)			97.83%	91.33%	88.31%

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.

Hazard identification, risk assessment, and incident investigation

Based on the requirements of ISO 45001:2018, Taiwan HQ, Merry Shenzhen, and Merry Vietnam gather information on the OH&S incidents in direct relation to operations, products, or services with significant impact. They also constantly identify and register the potential OH&S hazards (including physical, ergonomic, chemical, biological, psychosocial, and so on) in various normal and abnormal work activities and facilities, assess the hazards with high OH&S risks based on severity and likelihood, and adopt management measures to lowering such risks in order to achieve safety and zero occupational accident. 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.

Risk assessment outcomes and control achievements in 2021

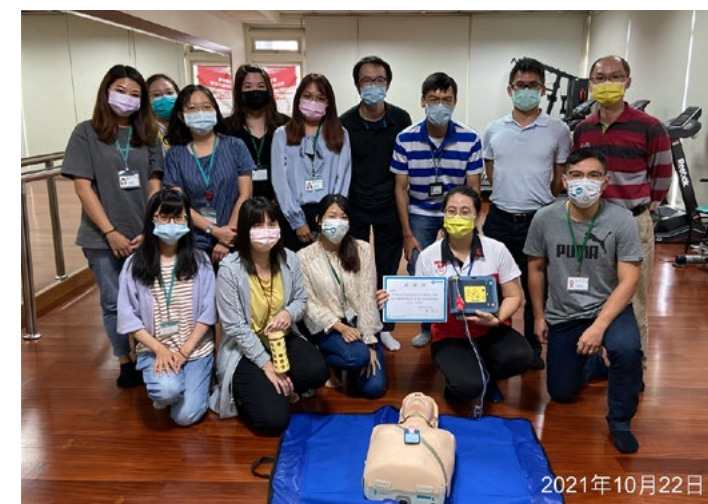


If nonconforming behavior or new potential risks and problems are detected, special staff are assigned to follow up the improvement, assess the need for revision of related regulations according to the question points to ensure the safety and health of work environment. We have also established an effective 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 countermeasures 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. Merry Shenzhen implements the monthly volunteer fire team drill and daily safety briefing for all employees before work to protect the routine fire safety of plants. In 2021, Merry Shenzhen formed the safety mutual assistance team with eight neighboring enterprises to maintain production safety and build plant safety, thus

earning an award from the government. In 2021, the safety responsible person was assigned to participate in the National Emergency Management Legal Knowledge Popularization Competition, and Merry Shenzhen earned the “excellent enterprise” of Longhua District.

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.



Merry Shenzhen earned the “excellent enterprise” of Longhua District.

OH&S education/training

To establish an OH&S culture for all employees, we arrange periodic OH&S-related education and training with respect to the regulatory requirements to ensure that all employees are familiar with the related regulations and the Company’s OH&S management mechanism to enhance OH&S awareness in employees.

In 2021, Taiwan HQ arranged a total of 723 man-hours of education and training for new employees, including general OH&S education and training (including labor safety and fire prevention knowledge) for 195 new employees and hazardous chemicals education and training for 46 new employees, but all “fire safety talks” were cancelled due to COVID-19. However, recurrent training for labor safety related personnel continued by law, and employee OH&S education and training were enhanced to raise employee safety awareness.

Occupational safety license qualification	Person	Total hours of training (man-hours)
First responder	7	69
Firefighting management personnel	3	18
Operators of containers for high pressure gases	1	35
Organic solvent safety supervisor	1	18

Training Time	Topics of Public Safety Training Course at Merry Shenzhen	Actual Number of Trainees
Feb	Counter terrorism knowledge training	3,822
	Fire equipment use	3,822
	Safety Knowledge Learning (Access Clearance, Extinguishing and Evacuation; Safety Responsibility and Requirements)	3,822
Apr	Identification and Control of Material Environmental Factors Learning	3,235
	Identification and Control of Dangerous Sources	3,235
	Waste Sorting and Management Methods Learning	3,235
May	HSF and Labor Environmental Safety Goals and Metrics Learning	3,377
Jun	Selected Labor and EHS Regulations Learning	3,377
Jul	ISO 14001:2015 System Explained	3,406
	ISO 45001:2018 Standard Learning	3,406
Sep	Training on the use of Personal Protective Equipment	4,243
Dec	Hazardous Chemicals Common Knowledge	3,361



Besides equipping all production machines with well-defined operating procedures and standards and maintenance records, Merry Shenzhen and Merry Vietnam request 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 arrival. In 2021, training was arranged for up to 17,500 persons. Additionally, public safety training courses are arranged from time to time. In 2021, a total of 12 lessons were arranged for 42,341 persons. Merry Vietnam arranges safety training for all new employees and hires contractors to provide labor safety training each year. In 2021, a total of 1,614 persons received the training.

Workers engaging in high-risk operations completed the relevant safety training and recurrent training according to the local laws and regulations, as tabulated below:

	Merry Shenzhen			Merry Vietnam			Merry Thailand		
	Course Title	Person	Total hours of training (man-hours)	Course Title	Person	Total hours of training (man-hours)	Course Title	Person	Total hours of training (man-hours)
General Education	Safety Knowledge Training	45	45	Employee Production Safety Training	1,614	25,824	Safety Committee Members' Training	4	48
Machinery Safety	■ Goods Transportation Safety (Forklift)	26	12	E&M Equipment Safety Training	6	528	Goods Transportation Safety (Forklift)	646	646
	■ Machinery Injury Safety training								
Chemicals Safety	■ Hazardous Chemicals Knowledge Training	43	36	Chemicals Safety Training	152	6,080	Chemicals Safety Training	323	323
	■ Hazardous Chemicals Leakage Prevention Drill								
Fire Safety	■ Volunteer Firefighting Team Drill	3,527	1,640	Fire Safety Training	47	1,504	Fire Extinguisher Use	646	646
	■ Fire Safety Training								
	■ Fire Evacuation Drill								
Special Operation Worker Training	First Responder Training	90	22	■ Forklift Driver's License Training	6	1,516	First Responder Training	24	324
Other	Confined Space Operation Drill	25	13	■ First Responder Training	-	-	Personal Protection Equipment (PPE)	323	323

After reporting duty, new employees must complete OH&S-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

Taiwan HQ also periodically updates the list of chemicals used in-house and implements systematic assessment and identification of hazardous chemicals according to hazardous chemicals assessment and graded management methods to capture high-risk toxic substances to human health and implement graded management according to the assessment results. Taiwan HQ performs environmental monitoring half-yearly to constantly verify if the exposure intensity of hazardous chemicals exceeds the legal limits. In 2021, both Merry Shenzhen and Merry Vietnam performed environmental monitoring according to the legal requirements, and the monitoring results conformed to the legal requirements.

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. The total hours worked of Taiwan HQ, Merry Shenzhen, Merry Thailand, Merry Vietnam, Merry USA, Merry Singapore, Merry Hong Kong, and Suzhou Merry were about 22.31 million hours.

Statistics of Disabling Injuries in 2021 (number of lost days >1)

- Taiwan HQ: None, so the total lost time was 0 days. Close call (near miss): 4.
- Merry Vietnam: None, so the total lost time was 0 days. No statistics on close calls.
- Merry Shenzhen: 3 disabling injuries causing 182 lost days in total. Accident investigation is described as follows. Reviews and improvement action were implemented and safety education and training were enhanced afterwards to prevent their recurrence. Additionally, no close call was reported in 2021.

Incident investigation of Merry Shenzhen:

Cause	Corrective Actions
Falls caused by polished floor.	<ol style="list-style-type: none"> 1. Floor will be polished on weekends. 2. Anti-slip mats will be put on top after polishing. 3. Arrange safety training for employees. 4. Erect the “Caution! Slippery Floor” sign on the floor.
Fall due to wet floor when employees cycled to the plant alone.	<ol style="list-style-type: none"> 1. Department heads publicize traffic safety knowledge at the morning assembly. 2. Request employees to take the company bus when traveling between plants.
Cut caused by improper use of electric saws for trimming branches.	<ol style="list-style-type: none"> 1. Hire third-party qualified service providers to trim branches of large trees. 2. Arrange safety education and training for all maintenance personnel.

Information of Disability Injury of All Employees

All employees	2019	2020	2021
Number of hours worked in a year	10,791,571	13,988,064	22,310,765
Number of fatalities as a result of work-related injuries	0	0	0
Number of high-consequence work-related injuries	0	0	0
Number of close calls	0	3	4
Number of lost days	5	218	182
Number of recordable work-related injuries	1	6	4
Rate of fatalities as a result of work-related injuries	-	-	-
Number of high-consequence work-related injuries	-	-	-
Total recordable incident rate (TRIR)	-	-	-
Near miss frequency rate (NMFR)	-	-	-
Lost day rate (LDR)	0.09	3.12	1.63
Disabling injury frequency rate (FR)	0.09	0.42	0.17
Disabling injury severity rate (SR)	-	15	8
Frequency-severity indicator (FSI)	-	0.08	0.04



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 physical and mental health of employees and arrange in-service health checkups by law. Taiwan HQ also arranges health consultation services with contracted physicians once a month and provides healthcare through one full-time factory nurse. Other health-related services include follow-up care for anomalies shown in the health checkup report, medical unit referrals, and work resumption care. Additionally, besides sending health comprehensive publicity materials biweekly, we also organize various health promotion activities to enrich the health knowledge of employees.

Merry Thailand and Merry Vietnam hire one and two factory nurses respectively to provide employees with health-related services

Due to the pandemic, the contracted hospital stopped sending resident physicians to Merry Shenzhen in 2021. However, the well-equipped on-site medical institution could satisfy the plant's emergency needs. Merry Shenzhen arranges work-related health checkups for employees engaging in special jobs (e.g. dust, chemical contacts, noise) before, during, and after taking the job. Merry Shenzhen also provides follow-up care and rechecks or transfers employees with related indications off the present job.

Locations	Number of employees receiving general health checkups	Number of employees receiving health checkups for special hazards/hazardous jobs	NOTE
Taiwan HQ	6	0	Due to the pandemic, Taiwan HQ cancelled the annual employee health checkup in 2021, except for employees requiring age-based checkups by law. One employee, accounting for 16.67% of all employees receiving checkups, required a recheck, and no problem was found after the recheck.
Merry Shenzhen	0	1,279	In 2021, a total of 73 employees, accounting for 5.71% of all employees receiving checkups, of Merry Shenzhen required a recheck. No problem or work-related ill health was found after the recheck.
Merry Vietnam	954	502	3. No work-related ill health was reported throughout the group after the health checkup.
Merry Thailand	326	94	

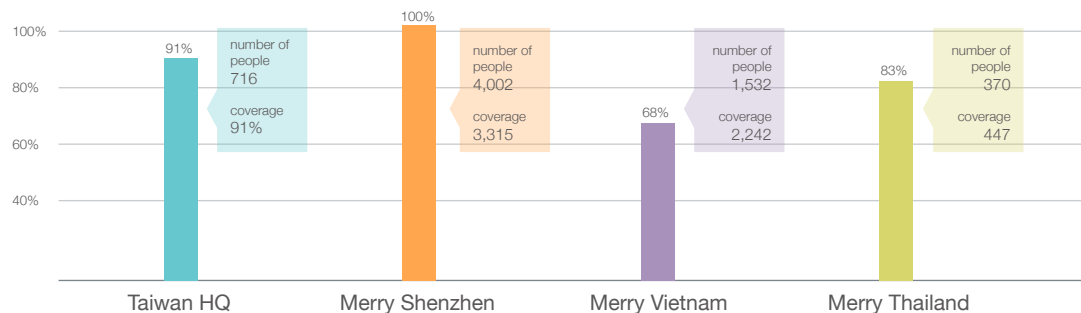
Note: The number of employees receiving general health checkups excluded the number of employees receiving health checkups for special hazards/hazardous jobs.

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. Each day the OH&S section kept track on the global epidemic trends and 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. In 2021, we revised the “Epidemic Condition Grading and Countermeasures” of the Infectious Diseases Prevention Plan under the “Health Management Regulations” and held emergency response team meetings based on the pandemic’s severity, and implemented the epidemic control policy.

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. In response to Taiwan’s deteriorating epidemic condition, besides offering vaccination leave and care leave, we also bought vaccination insurance for all employees in July 2021 to encourage employees to receive vaccination for employees to possess better protection, improve their resistance against COVID-19, increase the vaccine coverage, and lower the risk of business disruption due to COVID-19 infection. In December 2021, the COVID-19 vaccine coverage at Merry was over 50%.

Coverage rate of employees receiving two COVID-19 vaccines



Note: Total number of employees by the end of year: Taiwan 785 / Shenzhen 3,315 / Vietnam 2,242 / Thailand 447. If the vaccination rate exceeds 100% due to employees resigning during the year, the rate is considered as 100%.



Epidemic Controls



Personal protection

Access management

- 1. Access route control
- 2. 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.



Environmental safety

Dining management

Split dining areas

Assembly (crowd) restriction

- 1. Maintaining a 1.5m social distance and wearing face masks.
- 2. Strengthening and tightening: Gathering of over 50 persons.

Environment disinfection

Periodic disinfection



Attendance management

Overseas business trips

- 1. Minimization of unnecessary overseas business trips
- 2. During the severe epidemic: 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)



Visitor management

Incoming visitors

- 1. Limitation of the areas of visit for visitors.
- 2. During the severe epidemic: No visitors.



Health and medical

Care for employee health

- 1. Daily voluntary report of travel history and contact history (cat. A-G) and access management.
- 2. Concern about the travel history and contact history of employees, WFH arrangements as necessary, and periodic care for employee health.
- 3. 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.



Work-from-home

Information equipment

- 1. Ensuring the sufficiency and operation of IT resources, including hardware and software, of employee check-in, virtual meetings, and communication for work-from-home.
- 2. Ensuring data integrity and confidentiality.



Epidemic control supplies

Supplies stocking

Periodic supplies stocktaking (inventory) to ensure the availability and sufficiency. Timely assistance for supplies dispatches across regions.

Health promotion

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 develop exercise habits to improve personal health awareness and develop healthy living habits.

To encourage employees to develop exercise habits, the Merry team has independently developed the “Merry i-Sport app” and organized regular online walking competitions for employees to participate in groups in order to promote friendship and encourage one another. In 2021, over 186,722,555 steps were walked (about walking around Taiwan for 136 rounds).



	Course Topic	Number of Trainees
Exercise for all employees	Online Power Walking Competition (Merry i-Sports app)	391
	Online Burn-Off the Calories Competition (Merry i-Sports app)	124
	Bai Yin Qigong	486
	Home Together (6 sessions, video)	207
Healthy weight loss	Weight Loss Competition	48
	Exercise and Weight Loss (video)	40
	Diet and Weight Loss (video)	37
Personal physical and mental health	Physical fitness assessment	67
	Vision health for working people	55
	Prevention of Degenerative Diseases (video)	39
	Total Strength Training	14
	Healthy Lifestyle for Ridding Sore Muscle (video)	7
	Stress Relieving Talk: Good feelings for living and breezes for the heart.	34
	EAP	Supervisor Sensitivity Training Course
First aid knowledge	AED education and training and first aid training (once for each)	24
Blood donation	Blood donation activity (3 times in total)	121

In addition to the existing meat and vegetarian boxed meals, in 2021 Taiwan HQ added the operations for low-oil and low-salt health meals. Weight loss competitions were also organized. Through mutual support of team members, diet instructions from dietitians, and online exercise courses, employees on the program lost a total of 129.6 kg over 20 weeks. The follow-up after the competition showed that 67.5% of participants have changed their exercise and dietary habits.



Besides winning the second place in the group category of the Healthy Fat (Weight) Loss Competition of the Taichung City Health Bureau and being ranked one of the top six at the CHR Corporate Health Responsibility to CommonHealth Magazine, we also received the Badge of Accredited Healthy Workplace from the Health Promotion Administration.



Besides organizing health preservation knowledge training with contracted medical institution Houde Hospital, Merry Shenzhen also organized various club activities irregularly through the basketball club, badminton club, and volunteerism club to promote the physical and mental health of employees and strengthen team cohesion and commitment in order for employees to work with more enthusiasm and better health and strength. These activities included various musculoskeletal health promotion activities, basketball matches, badminton matches, and the “All Out Workout Month” fun sports meet. In 2021, Merry Shenzhen organized health competitions with 285 participants.



All Out Workout Month” fun sports meet

200

participation



Merry Cup Basketball League

45

participation



Badminton Match

40

participation



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.

Overwork-Related Ill Health Prevention Plan

Each year we identify high-risk cases from the health checkup reports and questionnaires, arrange interviews with contracted physicians and health instructions, and periodically send health-related information to all employees.

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.

Ergonomic Hazards Prevention Plan

With the musculoskeletal symptoms questionnaire, we discern the risk of musculoskeletal disorders of employees. For employees with higher risk (score), the factory nurse will arrange individual care and rechecks. Then, interviews with physicians will be arranged to provide medical and improvement advice. In 2021, we identified 13 suspected cases with the health questionnaire. After lifestyle and exercise adjustments, the condition of 8 cases was improved.



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”.

Maternity Health Protection Plan

After acknowledging employees are pregnant, Taiwan HQ will ask those employees to fill in the “Female Labor Maternity Health Risk Assessment Sheet” for OH&S management personnel to further assess their health risk. Lastly, interviews with physicians and health instructions will be arranged. Factory nurses will arrange follow-up care from time to time. We also provide employees with free use of breastfeeding (lactation) rooms.



Merry Shenzhen and Merry Vietnam register pregnant employees every month. Besides producing statistics on pregnant employees, they include 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 Vietnam has designed the 4-period (pre-pregnancy period, pregnancy period, labor period, and breastfeeding period) employee risk assessment sheet to assess the work-related potential hazards on employees at each period and adopt the relevant control measures.

Locations	Total number of pregnant employees	Breastfeeding (lactation) rooms	Number of users of breastfeeding (lactation) rooms
Taiwan HQ	23	Y	9
Merry Shenzhen	39	Y	18
Merry Vietnam	143	Y	50
Merry Thailand	8	N	NA

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 2021, Taiwan HQ and Merry Shenzhen received 75 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.



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.



Employee satisfaction survey

Employees are the most important partner to Merry. Therefore, we survey employee satisfaction on specific benefits, corporate activities, issues, and policies, such as the company’s future, organizational operation and communication, i-Sport app use survey, e-learning platform occupancy survey, to actually understand and resolve the relevant problems, provide employees with benefits closer to their needs, and thereby create a friendly work environment and vibe. In 2021, we conducted two employee satisfaction surveys.



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.

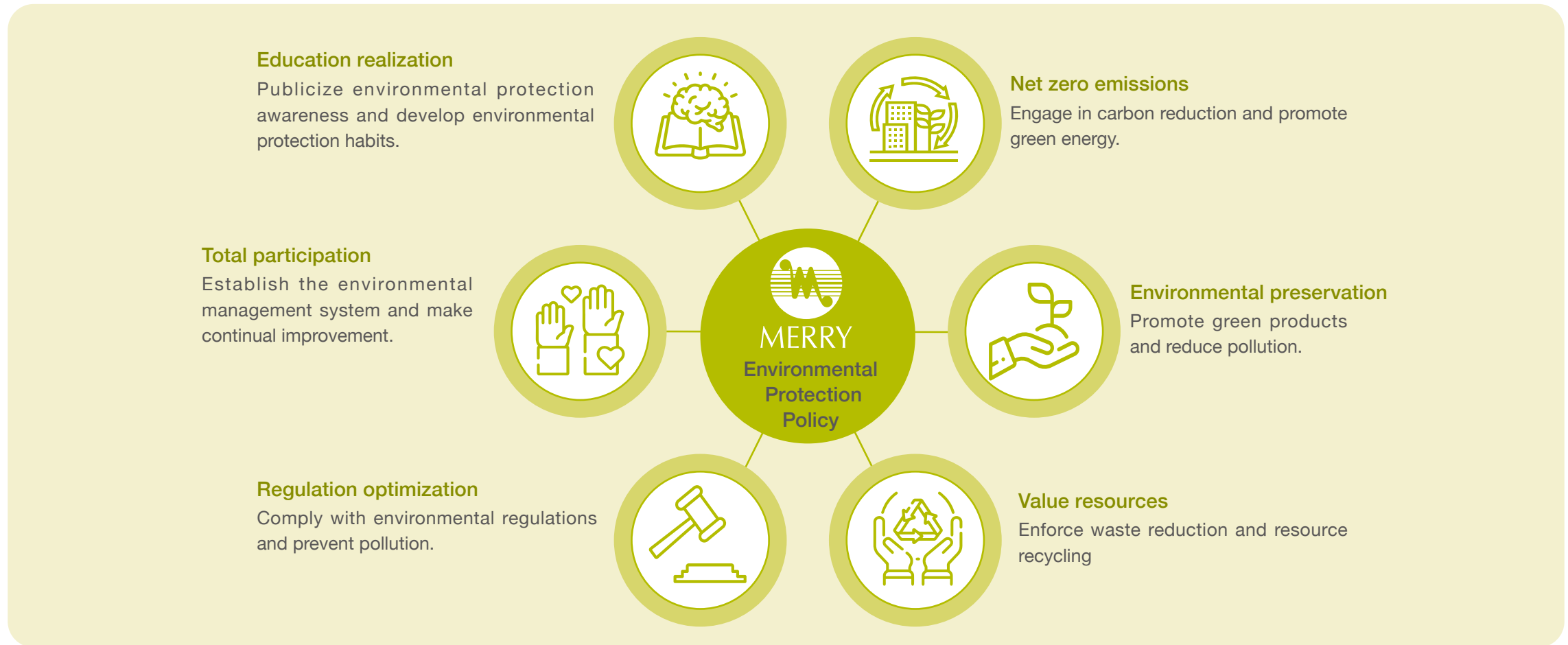


Labor union

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.



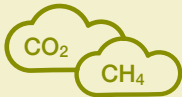



6.1 Environmental protection policy and commitment

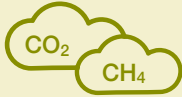





Organization governance

Under the Board, we have established the Sustainable Development Promotion Team and the responsible unit for environmental management to promote environmental resources management, corporate carbon management, energy management and renewables use, water and waste management, as well as strengthening environmental protection awareness. The “Green Management Team” corresponds to the group’s sustainable development commitment and global environmental issues; plans and establishes the group’s short- and long-term environmental sustainability policies and goals; holds environmental sustainability meetings with all locations periodically; follows up the planning and implementation of their sustainability actions; and exchanges experience and the last trends of environmental sustainability issues in order to strengthen the horizontal collaboration and communication across organizations and departments. In terms of execution, each business unit includes the relevant environmental policies and targets in the management systems, while the Green Management Team promotes the collection and consolidation of the relevant information within the group.

Climate strategies and achievements

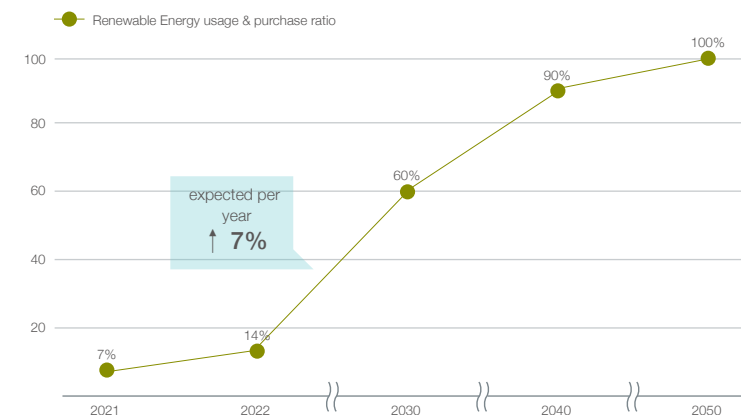
Issue	Strategy	Highlights of 2021 performance
 <p>GHG inventory</p>	<p>GHG inventory: We constantly expand GHG inventory to all locations and enforce the inventory of "other indirect (Scope 3) GHG emissions".</p>	<ul style="list-style-type: none"> Taiwan HQ and Merry Shenzhen performed organizational GHG inventory in accordance with the ISO14064-1:2018 standard and passed the third-party verification. Merry Vietnam performed internal organizational GHG inventory in accordance with the ISO14064-1:2018 standard.
 <p>Enhancing energy efficiency</p>	<ul style="list-style-type: none"> Energy monitoring system and energy use analysis: improved the energy efficiency of energy-consuming equipment. Paying attention to successful examples in corporate energy conservation: Through experience exchange talks and external successful examples in energy conservation, we actively learned new technology, concepts, and experience. 	<ul style="list-style-type: none"> Merry Shenzhen introduced the magnetic levitation energy-efficient air-conditioning system to reduce electricity consumption by at least 30%. Merry Shenzhen also installed 40 coil air-conditioners in workshops to control workshop temperature, expecting to reduce electricity consumption by about 29,700KWh each year. Merry Vietnam installed lighting sensors at carports, expecting to reduce electricity consumption by about 20%.
 <p>Renewables</p>	<ul style="list-style-type: none"> Renewables use: Constantly assessed solar PV system construction and renewables transfer projects. renewables certificate (REC): Supported local renewables development by purchasing RECs. 	<ul style="list-style-type: none"> In October 2021, we officially signed up to RE100 and made a commitment on 100% renewables use by 2050. In 2021, we purchased RECs of 2,163MWh, accounting for 6.98% of total electricity consumption.
 <p>Water and waste management</p>	<ul style="list-style-type: none"> Water resources Plant water management with ISO 14001 While domestic water use was the major water consumption at plants, we used water-efficient equipment and enhanced employee awareness. Waste management Plant waste management with ISO 14001 We periodically followed up the plant's hazardous waste disposal and conducted real-time analysis and improvement of abnormal waste production. 	<ul style="list-style-type: none"> Water resources Taiwan HQ installed water-efficient taps and sensor taps in the whole building. Merry Shenzhen replaced all taps with water-efficient taps to reduce water consumption by 50%. Merry Vietnam adjusted the water level of toilet bowl flush to reduce equipment water consumption by 20%. Waste management Merry Shenzhen hazardous waste production per unit output value reduced by 3%. 100% compliance with local laws and standards for waste disposal

Issue	2022 Targets	Medium-term targets and strategies
 <p>GHG inventory</p>	<p>We constantly promoted GHG inventory in accordance with the ISO14064-1:2018 standard to all locations.</p>	<ul style="list-style-type: none"> All locations performed GHG inventory in accordance with the latest ISO14064-1 standard. We implemented the Science Based Targets (SBT) to implement carbon reduction and management more effectively.
 <p>Enhancing energy efficiency</p>	<ul style="list-style-type: none"> The intensity of energy use reduced by 1.5%. Constantly enhanced equipment efficiency to strengthen the energy use analysis and monitoring system. Merry Shenzhen passes national green factory certification. 	<p>Constantly expanded the scope of energy management and enforced energy efficiency improvement plans.</p>
 <p>Renewables</p>	<p>In 2022, the proportion of renewables use will reach 14% of total energy consumption.</p>	<p>In 2030, the proportion of renewables use will reach 60% of total energy consumption.</p>
 <p>Water and waste management</p>	<ul style="list-style-type: none"> Water resources Annual water conservation target: The intensity of water use at 1% less than the previous year. Waste management Constantly promoted reduction in waste production per unit output value and enforced resource recycling following source management. 	<ul style="list-style-type: none"> Water resources Enhanced water monitoring and analysis and constantly enhance water efficiency. Waste management Constantly implemented waste reduction and enforced resource recycling following source management

Supporting RE100 global renewables initiative

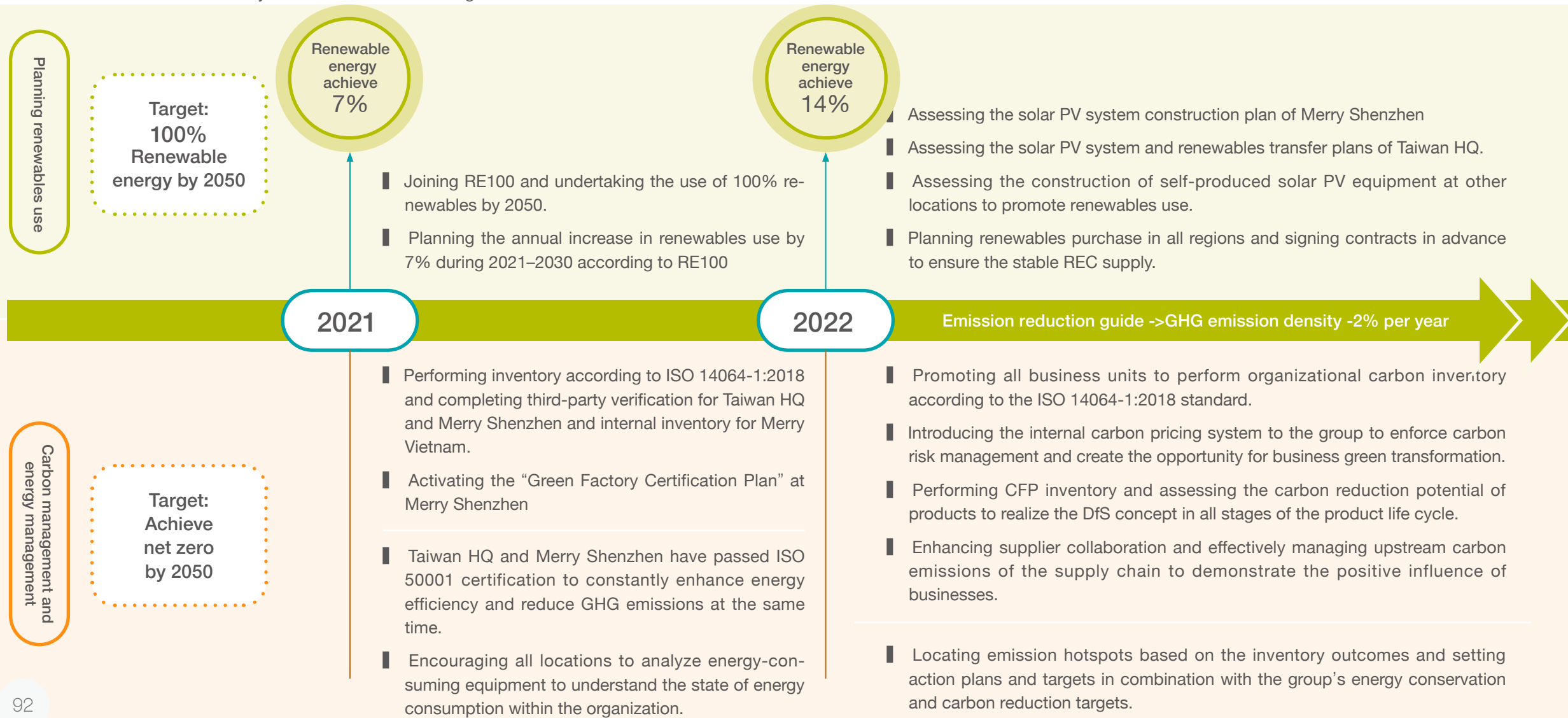
In response to SDG 13 Climate Action, in 2021 we officially signed up to plan to the RE100 global renewables initiative advocated by the Climate Group and the Carbon Disclosure Project (CDP) and made a commitment to 100% renewables use by 2050 to advance the schedule of renewables use to the medium- and long-term goals. 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. To achieve the goal of renewables use, we will continue with the management and enhancement of energy efficiency, assess the feasibility of building rooftop solar PV at all locations, and actively source local renewable companies to sign electricity purchase agreements with them, and purchase international RECs to increase the proportion of renewables use each year in order to develop toward low-emission production.

Merry Renewable energy usage target

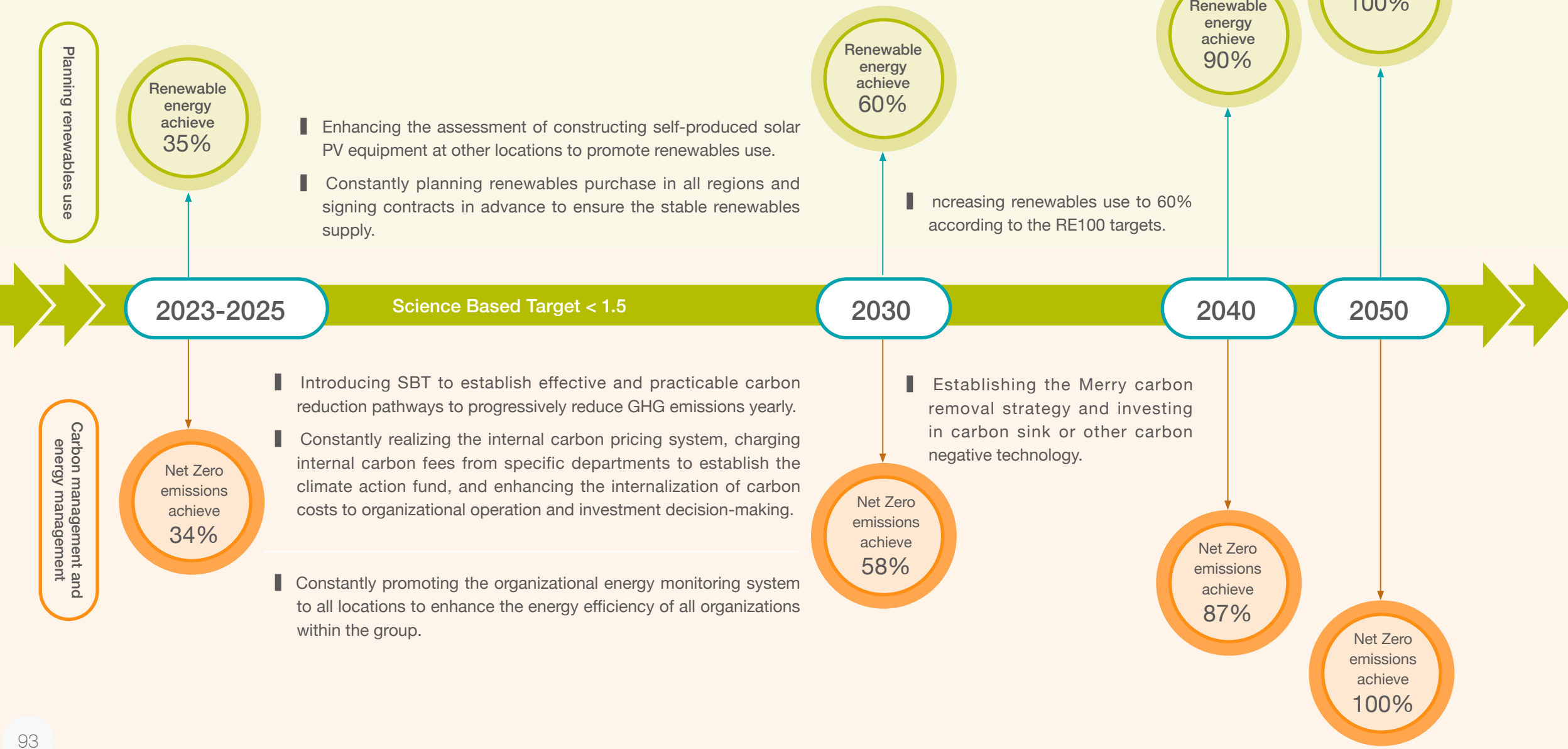


Merry Environmental Sustainability Goal: Net Zero Emissions in 2050

To support the climate action of net zero emissions, we set “Net Zero Emissions 2050” as an important roadmap of our action to reduce energy carbon emissions and use renewables for environmental sustainability to actively include the environmental sustainability concept to product design and development, enhance the efficiency of environmental resources, and lastly offset carbon emissions by means of carbon offsetting.



Merry Environmental Sustainability Goal: Net Zero Emissions in 2050



6.2 Climate action and energy management

6.2.1 GHG inventory and management

GHG inventory

We are committed to GHG inventory to capture exactly the status of GHG emissions and set clear energy conservation targets. In 2007, Merry Taiwan HQ began to perform organizational GHG inventory according to the ISO 14064-1:2006 standard and passed the third-party verification. Additionally, we also progressively extended the GHG inventory to other locations yearly. In 2021, we reset 2020 as the base year for GHG emission calculation according to ISO 14064-1:2018 and established various management measures for various energy uses and pollution emissions to achieve the eco-friendly goals of less pollution, low energy consumption, and easy recycling through continual improvement. The seven GHGs for inventory included CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃.

The emission of categories 1 and 2 GHGs actually inventoried within the past organizational boundary (Taiwan HQ and Merry Shenzhen) in 2021 was 16,829.01 tCO₂e, 1,225.58 tCO₂e (or 6.79%) less than the 2020 emissions at 18,054.59 tCO₂e. This is mainly because electricity consumption reduced due to the pandemic. The emission reduction target for 2021 of categories 1 and 2 was 2% of the total emission intensity per million revenue over 2020. The 2021 GHG emission density was 11.10% less than 2020. Emission intensity reduced mainly because of the increase in revenues and reduction of electricity consumption during the pandemic period.

Taiwan HQ

Based on the ISO 14064-1:2018 GHG inventory standard, Taiwan HQ set the scope of inventory including categories 1, 2, and 3 to 6 (upstream transportation, business travels, purchased products and services, and waste from production process). The total emissions in 2021 were 773.02 tCO₂e, 46.43 tCO₂e (or 5.67%) less than the 2020 emissions at 819.45 tCO₂e. This is mainly because business travels of employees reduced after work from home was implemented at Taiwan HQ due to the pandemic, thus reducing the GHG emissions of input energy and business travels.

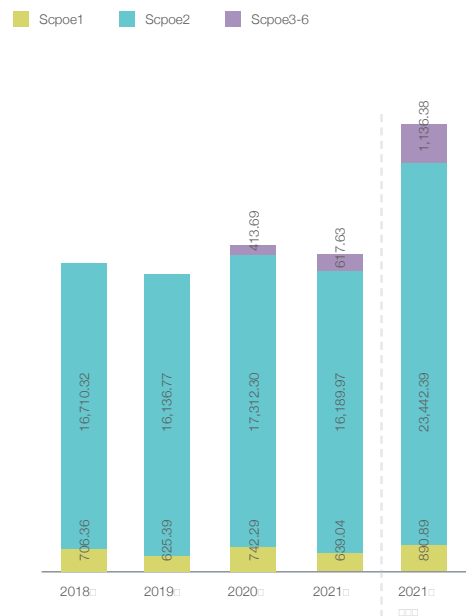
Merry Shenzhen

The scope of inventory of Merry Shenzhen included categories 1, 2, and 3 to 6 (purchased products and services, business travels, up- and down-stream transportation). The total emissions in 2021 were 16,673.62 tCO₂e, 975.22 tCO₂e (or 5.53%) less than the 2020 emissions at 17,648.84 tCO₂e. Although the emissions of category 3 increased significantly from the previous year when Merry Shenzhen added the identification of up- and down-stream transportation to the 2021 scope of inventory, after introducing the energy-efficient central air-conditioning system in the last year, energy efficiency was enhanced significantly. Additionally, the number of overseas visitors also reduced, leading to the reduction in GHG emissions over 2020.

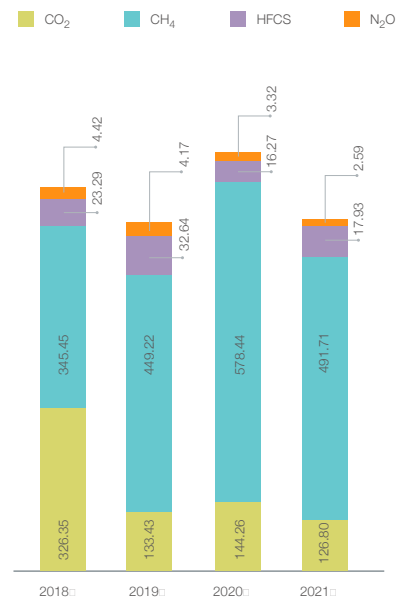
Merry Vietnam

The production of Merry Vietnam began in July 2020. In the first year, the internal inventory focused on the period from September 2020 to August 2021. The scope of inventory covered direct (Scope 1) and indirect (Scope 2) emissions. The total emission during the period was 6,472.21 tCO₂e. Based on the ISO 14064-1:2018 standard, in 2022 Merry Vietnam inventoried the 2021 emissions at 8,023.02 tCO₂e, with the scope of inventory covering categories, 1, 2, and 3 to 6 (including employee commuting, upstream leased assets, and waste disposal). Merry Vietnam also set 2021 as the base year.

GHG Emissions over the Years (Mt CO₂e)

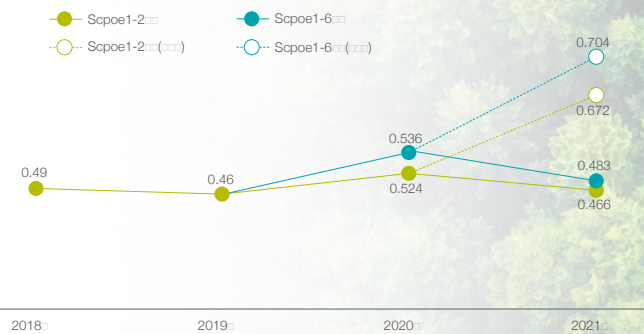


GHG scpoe1 Emissions



GHG intensity over the year

(Mt CO₂e/million NTD- revenue)



note :

- The boundary of inventory covered Taiwan HQ, Taipei R&D Center, Hsinchu R&D Center, Merry Shenzhen, and Merry Vietnam. Other locations will be included in the GHG management system progressively each year.
- Boundaries were defined by operational control, and emission coefficient is adopted in the calculation.
- 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, Executive Yuan, Carbon Footprint Information Platform, Simapro 9.3.0.2, global warming potential coefficients in the AR6 (2021) of IPCC, and the ICAO flight carbon emissions.
- Taiwan HQ adopted the electricity emission coefficients at 0.533 tCO₂e/MWh (2018), 0.509 tCO₂e/MWh (2019), and 0.502 tCO₂e/MWh (2020) announced by the Bureau of Energy.
- 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 0.8042 tCO₂e/MWh. Due to the update of the 2017 coefficients, the emission data is calculated based on the updated coefficient.

Intensity of GHG emission = GHG emissions of the year ÷ Net consolidated revenue of the year (million NTD)

6.2.2 Energy management

Energy consumption, carbon emissions, and climate change are interrelated with one another. Over the years, electricity has been the major source of our GHG emissions. Hence, we are committed to implementing energy conservation and carbon reduction through energy conservation and energy efficiency enhancement. In 2016, Taiwan HQ began to implement the ISO 50001 energy management system (EnMS) and extended it to Merry Shenzhen later. In 2020, both Taiwan HQ and Merry Shenzhen passed the third-party verification (agencies: AFNOR and Shenzhen CTI International) of ISO 50001:2018 to systematically implement various energy conservation and carbon reduction measures and constantly update 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

Taiwan HQ

LED tubes were used in the new HQ building and new office in Taipei, and constant replacement with LED is implemented in the original office area.

Merry Thailand

Energy conservation of factory energy-consuming equipment

- Three fixed-frequency air conditioners were replaced with variable-frequency air conditioners, expecting to save electricity by about 28,134.82KWh each year.
- Lighting fixtures were replaced with LED lighting, expecting to save electricity by about 43,713.20KWh each year.

Merry Vietnam

Energy conservation of factory energy-consuming equipment

- Merry Vietnam also installed lighting sensors at carports, expecting to reduce electricity consumption by about 20% and save electricity by about 3,594KWh each year.
- It also installed dimmers in the warehouse, posted power switch labels, and removed 148 unnecessary fluorescent tubes without affecting the necessary lighting, expecting to save electricity by about 2,600KWh each year.
- The switch machine was also added to achieve independent power supply for the test station and appearance station to prevent unnecessary energy consumption

Office energy conservation

- Merry Vietnam installed lighting sensors in the pantries and lavatories to prevent long-time lighting from causing a waste of electricity

Merry Shenzhen

Energy conservation of factory energy-consuming equipment

- Merry Shenzhen introduced the magnetic levitation energy-efficient air-conditioning system which significantly enhanced the system refrigeration efficiency to reduce electricity consumption by at least 30%, expecting to save electricity up to 1,587,222KWh each year.
- Merry Shenzhen also installed 40 coil air-conditioners in workshops to reduce and control workshop temperature, expecting to save electricity by about 29,700KWh each year

Energy conservation of employee dormitory

- Merry Shenzhen installed 184 temperature controller on the air-conditioning system of the employee dormitory, expecting to save electricity by about 54,648KWh each year.

Besides actively implementing various energy conservation measures, we also enhance the monitoring and analysis of energy use of all locations, hoping to capture the state of organizational energy use and enhance energy efficiency with the energy monitoring system and periodic inventory and analysis.

- Merry Shenzhen Plant II installed an electricity meter on each floor for energy consumption monitoring. These meters are expected to function in January 2022. The system will automatically collect data and send it to all electricity-using units for electricity use analysis, in order to make improvements for abnormal electricity use.
- Merry Thailand and Merry Vietnam inventoried and analyzed the state of their internal energy use to build a complete equipment energy consumption database for the reference of future energy efficiency enhancement.

Passing green factory certification and clean production review

In 2021, Merry Shenzhen activated the “Green Factory Certification Plan” to make assessments and improvements in terms of the environmental system, energy management, and green procurement. In early 2022, Merry Shenzhen passed the “National Green Factory” certification of the Ministry of Industry and Information Technology, PRC, to realize intensive land use, non-toxic raw materials, clean production, waste to resource, and low emission of energy. In 2021, Merry Shenzhen also passed the “Clean Production” review of the Industry and Information Technology Bureau of Shenzhen Municipality to earn recognition for its efforts in low-emission product production and resource efficiency. In the future, it will continue to enhance energy efficiency to achieve low-emission production.



Renewables use

Based on the RE100 commitment made in 2021, we are actively assessing various renewables use plans, including the solar PV self-generation for self-consumption, renewables procurement, and REC procurement. In 2021, we purchased RECs up to 2,163MWh (accounting for 6.98% of the group's total electricity consumption). In the future, we will continue to promote renewables use to all locations by accumulating the successful experience of each location for reproduction in other locations in order to achieve the commitment made for RE100 and environmental sustainability goal of net zero emissions by 2050.



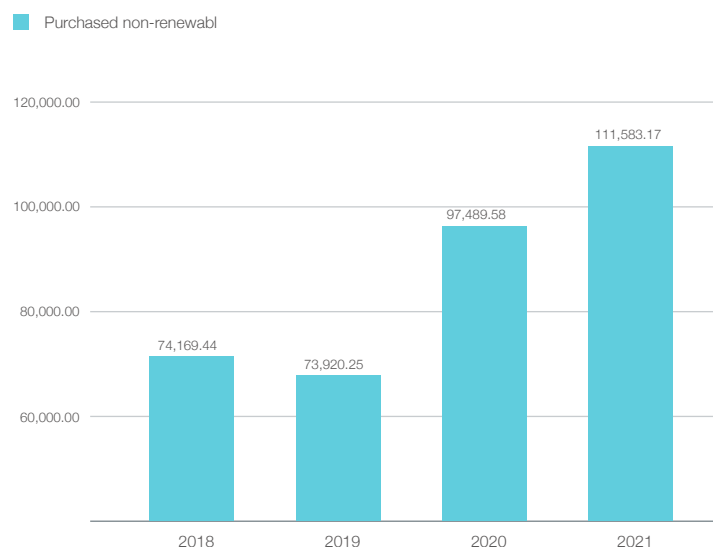
Note: We officially signed up to the RE100 international renewables initiative in October 2021 and made a commitment to achieve 100% renewables use by 2050 within the group (covering Taiwan HQ, Merry Shenzhen, Merry Huizhou, Merry Thailand, Merry Vietnam, Merry Hong Kong, Merry Singapore, Suzhou Merry, Fulicare (Qingdao), Fulicare (Xiamen), AST, SCI, and SEAS). The scope of commitment covers the reporting boundaries of this report.

Energy consumption statistics

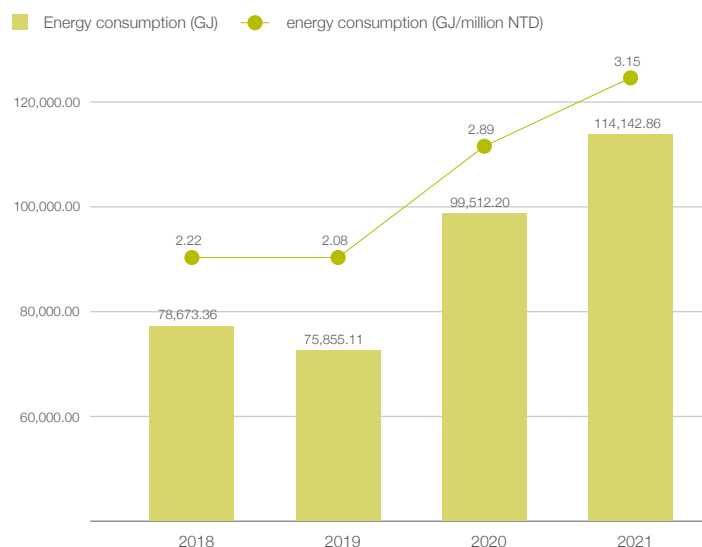
After the outbreak of COVID-19 in 2020, we implemented the WFH policy at the request of the government in different regions, leading to the reduction of office electricity consumption. In 2021, we adopted the WFH in turns as the pandemic curve flattened, the vaccination rate rose, and the epidemic control relaxed. As a result, office electricity consumption returned to the level before the outbreak. In 2021, the energy intensity was 3.15 GJ/M\$, up by 9.00% from 2.89GJ/M\$ in 2020. This is mainly because the electricity consumption data of Suzhou Merry was added to the total in 2021, and production of Merry Vietnam began in July 2020 with continuous capacity expansion, thus increasing the overall energy consumption.

In January 2021, Taiwan HQ began using two newly purchased offices, accounting for the increase in overall electricity consumption of Taiwan HQ in 2021. The 2021 electricity consumption was 1,335.54MWh, 22.97MWh (or 1.75%) more than 2020. Excluding the office area, the overall electricity consumption was 46.19MWh (or 3.52%) less than 2020. Besides the WFH, this result also shows the efficiency of our energy conservation plan.

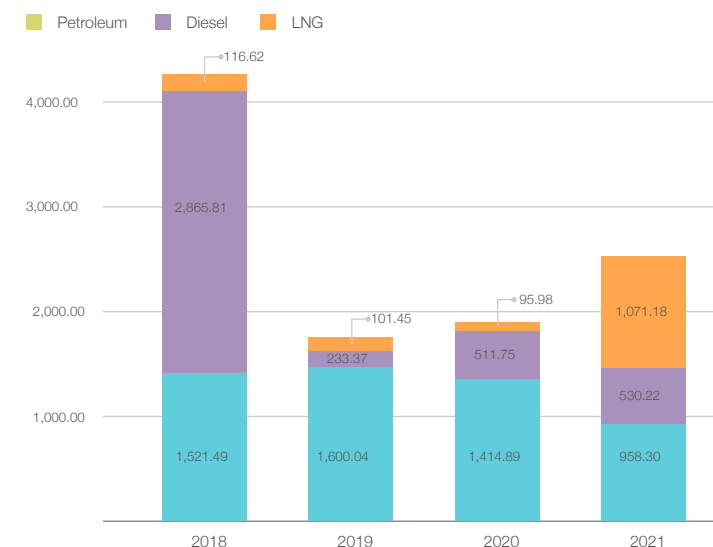
Electricity Consumption over the Year (unit : GJ)



Energy Consumption and Intensity over the Years (unit : GJ)



Non-Renewables Consumption over the Years (unit : GJ)



Note:

1. We began to include the purchased electricity data of Suzhou Merry in 2021. As the rent of Merry USA already covered electricity bills, the data of Merry USA was excluded.
2. We began to include the statistics of Merry Thailand in 2019, Merry Vietnam started production in July 2020.
3. Due to the pandemic, the number of foreign visitors of Merry Shenzhen reduced significantly, leading to the reduction of petroleum use by 38.70%.
4. Unit conversion: 1 kWh = 3600 KJ, 1 Kcal = 4.186798 KJ.
5. Please refer other units to the "Energy Heating Value Per Unit Product Table" announced by the Bureau of Energy, Ministry of Economic Affairs.
Diesel 1L=8,400 Kcal, Petroleum 1L=7,800 Kcal, LPG 1L=11,880 Kcal.

6.3 Water and waste management

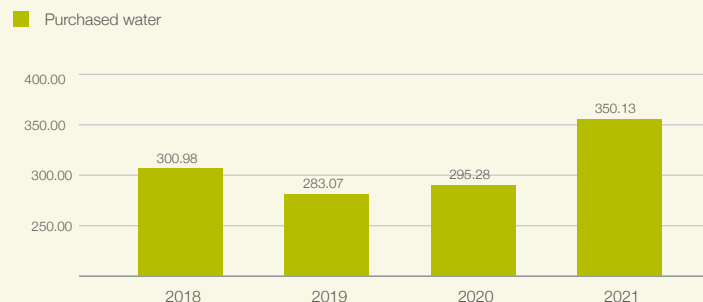
6-3-1 Water resources management

Water consumption statistics

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).

The water withdrawal in 2021 was 350.13ML, 54.85ML more than 2020. This is mainly because Merry Vietnam started mass production in July 2020 and continued capacity expansion. Additionally, the number of employees was doubled in 2021, leading to the increase in water consumption.

Water Usage over the years(unit:ML)



Note:

As the rent of the offices in Taipei, Hsinchu, and Gongyequ 38th Rd., and USA covered water bills, their water consumption was not included in the statistics. Merry Vietnam was included in the statistics in 2020. Water withdrawal excluded the domestic water use of the employee dormitories of all locations.

Water conservation plan

Taiwan HQ

The water management of Taiwan HQ emphasized the water-saving concept of employees in the routine work, equipment improvement, and active implementation of water conservation measures. For example, the new HQ building (completed in 2022) under construction was equipped with water-efficient taps and sensor taps (each 50%), rainwater harvesting system with a plan capacity of 1,000MT to enhance water recycling. In addition to adding water-efficient facilities, Taiwan HQ also performed anomaly analysis each month to follow up and enhance water efficiency.

Merry Shenzhen

Merry Shenzhen has established the “Wastewater Treatment Control Regulations” to prevent water pollution. To reduce domestic water use, it equipped the employee canteens with fully automatic dishwashers to water tableware collectively after meals. According to the statistics of catering contractors, about 115,200MT of water can be saved each year. Two water purification systems were installed to recycle wastewater into pure water for washing toilets. It is expected to save water of about 504MT each year. Smart water meters were installed in the dormitory area to control water consumption within 3,200L/month for each person. Compared to the past water consumption per person at 5,700L/month, this can save water by about 40%. Merry Shenzhen further replaced all taps with water-efficient taps in 2021 to save water by about 50% compared to the previous taps.



Merry Vietnam

After starting mass production in 2020, Merry Vietnam has been actively tracking the state of domestic water equipment within the organization to find the equipment that can enhance water efficiency and change the water use behavior to achieve water conservation. For example, the level of water use by the toilet flush reduced by 20% each time.



6.3.2 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). In 2021 Merry Shenzhen, Merry Vietnam, and Merry Thailand passed the third-party verification of ISO 14001:2015. 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.

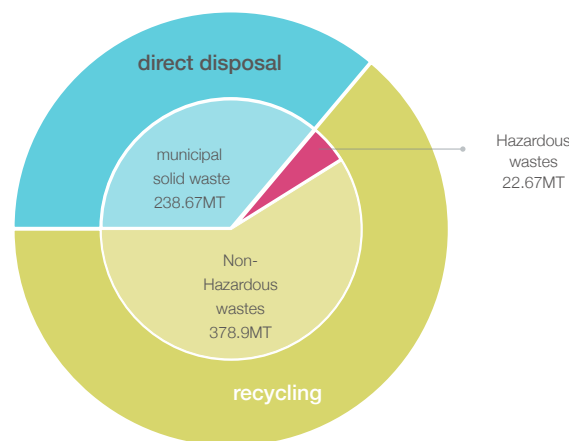
Waste increased mainly because Merry Vietnam started mass production in July 2020 and continued with capacity expansion. As production activities were more active than the previous year at Merry Shenzhen, although overall waste production was higher than the previous year, the production of hazardous waste per unit output value was 3% less than 2020.

Total Weight of Waste over the Years

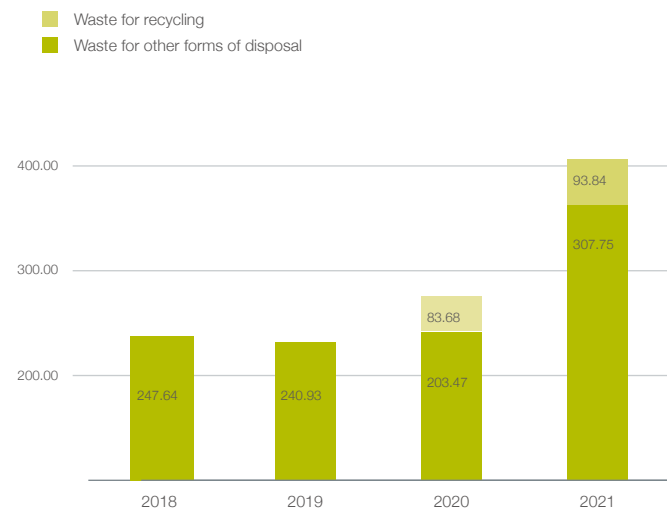


2021 Waste type and disposal overview

(Total: 640.25MT)



Achievements in Reduction, Recycling, and Reuse of Waste over the Years



note

- Merry Vietnam started mass production in July 2020 and continued capacity expansion. Additionally, Merry Thailand also expanded its capacity. Both increased waste production in 2021.
- The offices of Taiwan HQ (Taipei, Hsinchu, and Taichung Gongyequ 23rd Rd. and 38th Rd.), Merry USA, Merry Singapore, and Merry Hong Kong are rented, with domestic waste disposed of by the property management company. Domestic waste of Taichung HQ is disposed of by contract without actual weight measurement.
- 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.

6.4 Strengthening awareness of environmental protection

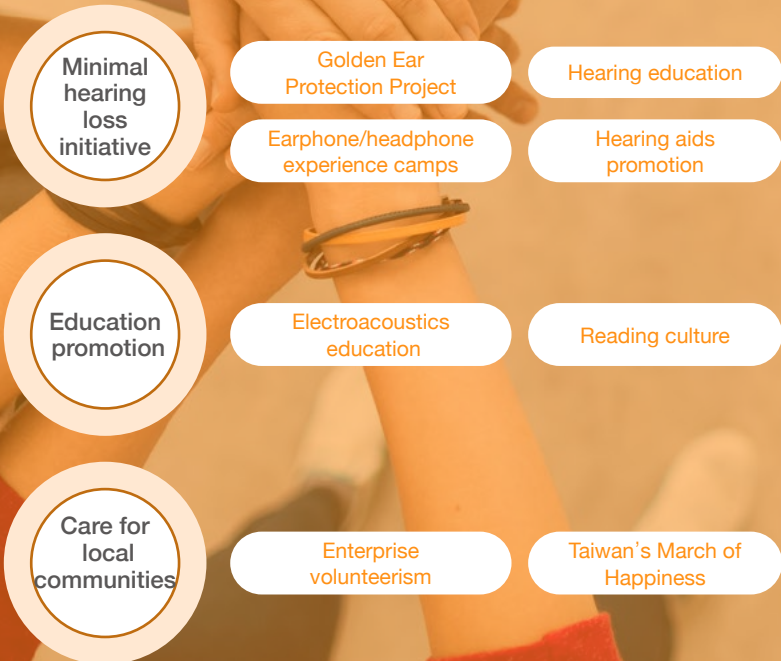
Besides publicizing the environmental protection policy in the education/training for new employees, we also practice environmental protection in product design, materials control, and GHG emissions. Every year, we communicate the requirements of our “Environmental Substances Control Management Regulations” 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.

Training/publicity topics	Training/publicity contents	Training/publicity targets
Sustainability you should know	<ul style="list-style-type: none"> What is “sustainable development”? Must-know vocabulary of sustainable development: ESG, carbon neutrality, carbon border tax, SDGs Enterprise and personal responses 	All employees
Publicization of Environmental Protection Regulations and Green Trends	<ul style="list-style-type: none"> Requirements of international environmental protection laws and regulations Climate strategy and carbon management 	Suppliers All new employees All employees
Audit and Assessment of Green Product Products and Materials	<ul style="list-style-type: none"> Green product management system framework Introduction of green design specifications Data requirements of green parts Green materials confirmation and change Green product confirmation 	R&D and design units QC unit Environment unit New employees of related units From time to time
Energy Conservation, Carbon Reduction, and Waste Disposal	<ul style="list-style-type: none"> Common knowledge in energy conservation Waste sorting and disposal methods 	Department seed personnel From time to tim



Emphasizing “education promotion”
 “care for community”
 promoting various long-term educational
 cultural projects over the years.

Due to WHO’s concerns about hearing impairment in recent years, based on electroacoustics, our core capacity, we take the initiative to advocate the “minimal hearing loss initiative,” unfold various action plans, and encourage employees to offer proactive care and contribute to society, hoping that these kind seeds can contribute to building a harmonious society.



7.1 Promoting the minimal hearing loss initiative to advocate the knowledge of correct ear use

According to WHO’s World Report on Hearing published in 2021, “Globally more than 1.5 billion people experience some degree of hearing loss. Of these, an estimated 430 million have hearing loss of moderate or higher severity in the better hearing ear.” In the next 30 years, the number of persons with hearing impairment will increase by 1.5 folds, and over 700 million people will live with moderate or higher levels of hearing impairment.

Congenital hearing loss has been under control in Taiwan and developed countries and will be replaced by long-term hearing impairment caused by overuse of entertainment hearing products and work-related injury of specific jobs. In 2015, WHO pointed out that over 1/2 of young people use earphones/headphones in an unsafe manner. Besides the high dependency on mobiles and tablets, there are also exposures to noisy venues such as clubs, bars, karaokes, and sports events. Then, it is the work-related injury in jobs highly requiring the use of ears.

Merry is the important supply chain of global earphone/headphone manufacturers, and hearing problems are our responsibility. Hence, we began to advocate the minimal hearing loss issue to the public in 2020. In 2021, we officially activated two major projects: “Golden Ear Protection” and “Hearing Education.”

Promoting the “Golden Ear Protection project” with the National Taiwan Symphony Orchestra

In 2012, violist Christopher Goldscheider of the Orchestra of the Royal Opera House felt a sudden ear pain on hearing the loud sound of the trumpet from behind when rehearsing “The Ring.” As the situation persisted for quite a while, he has since been forced to stop all professional performances until today. He filed a complaint for his irreversible hearing impairment. In 2018, the High Court confirmed the violation of the health and safety regulations, leading to the excessive noise exposure of Goldscheider. The orchestra must take responsibility for his illness and all damages.

However, until 2021, most of Taiwan’s musicians did not know that there are professional custom music earbuds to prevent the hearing impairment caused by loud music during rehearsals, and they even did not know the safety use of different types of earphones/headphones.



This activity became a hot story in the press with 9 media reports. We hope that this activity can help the public care about the hearing loss problem.

Hence, in April 2021, we organized the charitable talk on “Golden Ear Protection” at NTSO. Besides teaching about 80 members hearing-related knowledge through professional instructors, we further offered “pure hearing test” to these musicians in collaboration with the Department of Speech Language Pathology and Audiology, Chung Shan Medical University, to locate musicians with hearing loss.

This activity became a hot story in the press with 9 media reports. We hope that this activity can help the public care about the hearing loss problem.

Completed Taiwan’s first set of hearing protection teaching materials integrating with acoustics and also promoted them to remote townships.

Education is the foundation of everything. However, our education system only emphasizes “eye protection” for children, without telling them the “correct use of ears.” Following the escalation of the pandemic and the rise of video-based distance learning, parents gave earphones/headphones to children, without telling them what the safe level was. Parents even did not know that using the earphones/headphones they gave to children in the metro was a hearing killer.

While most hearing protection teaching materials in Taiwan focus on health education that cannot motivate children to learn, as an electroacoustics expert, we spent one year producing a set of minimal hearing loss teaching materials suitable for elementary schools and junior high schools in collaboration with the National Taichung University of Education (NTCU) and professors of the Department of Speech Language Pathology and Audiology, Chung Shan Medical University. We have also produced lively videos in Mandarin and English versions to promote to campuses online or through volunteers.



When the lesson plan was introduced at the end of 2021, we presented this great gift to 12 teachers of Long Hua Elementary School in Xinyi Township, Nantou County. Through teacher sharing, we showed teachers how to guide students to the world of sound, let them know the correct use of ears, and include activities in the course. We will collaborate with more elementary schools and junior high schools in 2022 to increase the influence of these teaching materials..

Sponsored the Commonwealth Magazine U20 International Youth Forum and advocated on Podcast

Young people are at high risk for heavy use of ear-phones, President Allen Huang participated in the U20 International Youth Forum for the first time in 2021. Under the theme of "Earth's New Voice", he talked with Qunyu Hsiao, head of light Box, and Yonghe Wang, CEO of Foxconn Education Foundation about reducing social inequality in SDG issues. In the event, the minimal hearing loss video was released for the first time, hoping that more young people will have a correct concept of ear use. In addition, Merry explains the knowledge of minimal hearing loss to listeners in a humorous way and call them to check their ear usage habits on the topic of "Listen to the Earth's New Voice - do you know these health problems hidden in life" on the podcast, which has been listened to more than 50,000 times.

MERRY protect your hearing



Chinese version

English version



Earphone/headphone DIY camp: Understanding earphone/headphone structure and learning hearing protection

Earphones/headphones have become the major characters in electroacoustics in recent years. ANC earphones/headphones, sports earphones/headphones, sleep earphones/headphones, and the TWL earphones/headphones rising in recent years are all important human-machine interfaces (HMIs), and “electroacoustics engineers” are the hands that create these products. We organized the earphone/headphone experience camp for 30 students from Taichung Municipal Wen-Hua Senior High School to make earphones/headphones on their own. Through approaches closed to daily life and combining with courses on product trends, earphone/headphone tests, hearing protection, and anechoic room visit, we allowed students to explore the mystery of electroacoustics engineers.

Additionally, the camp also enabled adolescents to understand how sound is transferred to the cerebrum via earphones/headphones so that they can prevent hearing impairment caused by entertainment through the correct use of earphones/headphones.



Donation of 100 hearing aids

As a world-leading electroacoustics manufacturer, we bring rich hearing experience to people with a full range of electroacoustic products and take the responsibility to promote hearing health across the globe. In 2021, we donated 100 hearing aids to Hondao Senior Citizen’s Welfare Foundation, Little Sisters of the Poor’s Elderly Home, Taiwan Red Cross, PSA Charitable Foundation, and NWL Hearing Health Foundation to encourage those facing minimal hearing loss to mitigate hearing loss with appropriate aids and urge the public to consider the hearing problem through the concerted efforts of different parts of society. At the new song launch, Lara Liang, the elderly assistance ambassador of Taiwan Red Cross, urged the public to listen to the needs of elderly people and understand the “hearing loss” of seniors with a correct concept.



Provide by Red Heart Association

Student feedback

In the activity, besides understanding the structure of the driver unit, cable soldering, and earphone/headphone assembly, through the explanation of engineers, I finally realized how sound is transferred via earphones/headphones!”

“It’s the first time for me to understand if earphone/headphone volume over half of the highest level will cause irreversible hearing impairment. This is an interesting and meaningful course!”

According to David, our engineer who explained earphone/headphone making and testing to senior high school students, “The electroacoustics industry is interesting because after a series of tough R&D processes, we enable many people in the world to hear the life-like ‘original sound.’ This sense of achievement cannot be found in other industries.”

7.2 Education promotion

Following the advent of the metaverse era and the rise of AIoT accelerated by 5G, the scope of electroacoustics continues to expand. In addition to acoustic devices such as earphones/headphones and speakers, it can be extended to other files such as healthcare and fitness. Hence, we need the creativity of talents from different fields to create exquisite technologies. 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.



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.

<ul style="list-style-type: none"> ■ Built Taiwan's first ISO3745- and ISO7779-certified world-class electroacoustics laboratory in Feng Chia University. 	2021	<ul style="list-style-type: none"> ■ Assisted Feng Chia University in establishing the electroacoustics master's program.
<ul style="list-style-type: none"> ■ Established the "Science Talents Scholarship" to support excellent students to connect with the industry earlier. 	2020	<ul style="list-style-type: none"> ■ Pioneered the "Electroacoustics Thesis Award" to reward graduate students of PhD and master's programs to engage in electroacoustics research.
<ul style="list-style-type: none"> ■ Established the "Merry Electroacoustic Materials Laboratory" at Dayeh University as the base for developing new electroacoustic materials and talents. 	2019	<ul style="list-style-type: none"> ■ Organized the "Electroacoustics Technology Forum" on campus to share new knowledge in electroacoustics.
<ul style="list-style-type: none"> ■ Added the "Electroacoustics Project Award" and "Industrial Design Award" to attract more students to engage in electroacoustics. 	2018	<ul style="list-style-type: none"> ■ Organized the "New-Generation Electroacoustics Influence Forum" to focus on the interdisciplinary integration of electroacoustics and future technologies.
<ul style="list-style-type: none"> ■ Organized the Merry Electroacoustics Influence Forum "Voice Control with Electroacoustics" to focus on the integration of electroacoustics and AI voice control. 	2017	<ul style="list-style-type: none"> ■ Organized the Electroacoustics Influence Forum "Flip the Gaming World with Electroacoustics"
<ul style="list-style-type: none"> ■ Organized the 10th Merry Electroacoustics Thesis Award & Science Talents Scholarship Presentation Ceremony. 	2016	<ul style="list-style-type: none"> ■ Organized the 11th Merry Electroacoustics Thesis Award online during the pandemic.
<ul style="list-style-type: none"> ■ The 12th Merry Electroacoustics Thesis Award prize presentation ceremony was webcast live for the first time. All winners can invite friends and relatives to watch them online. 	2014	
	2012	
	2011	
	2010	
	2008	
	2006	

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 twelfth round in 2021. 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 2010-2021, a total of 76 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.

Due to the impact of COVID-19 in 2021, the schedule of both the final review meeting and the prize presentation ceremony was disturbed. However, upholding the intent to encourage electrostatics research, through the combined efforts of the jury, contestants, and ceremony planners, the physical final review meeting and presentation were held and the prize presentation ceremony was webcast live. Additionally, as it was difficult to make a decision on many outstanding constants, we added the Jury’s Recommendation Award to encourage more students to join the activity.



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 2012-2021, the forum was held at 86 departments with over 4,933 participants.

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 2021, five students were accepted for the Science Talents Scholarship. Over the last 11 years, a total of 101 students applied for the scholarship, and 57 students (56.43%) were accepted for the scholarship. As active students can apply for the Science Talents Scholarship for one more year, this has encouraged students to make early planning and application. Over the years 9 of the 48 winners applied for the scholarship for one more year. Except for those who are still students or drafted, 30 outstanding students have joined Merry after graduation.

Engineers Week

In 2014, we began to organize the Engineers Week science education activity in collaboration with IBM for volunteers to guide students to learn science with their hands on to stimulate their interest in science and technology.

Due to COVID-19 in 2021, the event was organized online for the first time. In collaboration with the volunteers from IBM and China Steel Corporation, we guided nine classes of students from Taichung Municipal Taichung First Senior High School and Taichung Municipal Wen-Hua Senior High School to a cross-class joint competition through video-conferencing.

As volunteers were in the office and students were in their classrooms, the interaction could not be as close as on-site. Hence, volunteers demonstrated high enthusiasm in rule explanation and group guidance. Through the assistance of class teachers, 54 groups of students from 9 classes demonstrated the creativity to finish the assignments.



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”.

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 2021, the foundation held a total of 83 reading promotion activities



influence **6,233** person-times

“Celebrity Inspiration (Music Promotion)” seminar tour

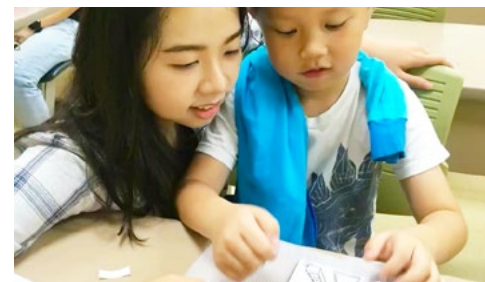
The event introduced chamber music (National Taiwan Symphony Orchestra) to campus and encouraged schools and teachers to promote “reading together” to guide children to enjoy classical music to engrain art appreciation in children



Total of **5** Events
Impact **530** people

“Discovering Talent-Scouting Children” seminar

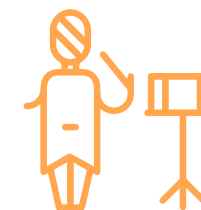
The event communicates the concept “intelligence diversity and adaptive teaching” to help teachers and parents to discover talent and adopt adaptive teaching and raising for each child to demonstrate and develop talent.



Total **10** seminars
9 hearing-impaired children, their parents and siblings participated

“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



Total of **41** Events
Impact **7291** people

Chia-Wei Lin Guitar Recital

By organizing recitals, we made classical music accessible

Total **25** campus
3,985 participants



7.3 Care for local communities

We promote volunteerism over time to constantly care for society through the combined effort of like-minded people.

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.

Comprehensive care from Taiwan HQ

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

Due to COVID-19, volunteer activities reduced in 2021. There were 38 in total joining the related activities to provide a total of 190 hours of volunteer services, focusing on the Minimal Hearing Loss Program, Earphone/Headphone Experience Camp, and Engineers Week Science Education (online).



The total number of volunteers served was **38**

The total service hours were **190**

Local service of Merry Shenzhen

Merry Shenzhen established the corporate volunteer team in 2010. Over the years, the team has effectively demonstrated its power to care for communities and earned recognition from local governments and residents. In 2021, the Merry Shenzhen Volunteerism Association provided a total of 2,440 hours of volunteer service through a total of 826 volunteers. Regardless of the pandemic, the team proactively assisted the PCR test stations in Longhua District to stand on the frontline of epidemic control. It also walked into local communities to organize waste sorting publicity activities to promote environmental protection. Earning the recognition of local government units and nearby residents for constant local services.



The total number of volunteers served by the association was **826**

The total service hours were **2,440**

Taiwan's March of Happiness

In 2004, we began to sponsor the production of the classical music program Taiwan's March of Happiness. It has been seventeen years now. The program 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 2021, the program echoed the touch and joy of happiness by integrating ESG with love, compassion, green energy, indigenous township memories, and the road to success.

In 2021, a total of 40 persons were interviewed and 68 articles were produced. The program also interviewed the Nibun Academy, Shine Culture and Education Foundation, Nanzhuang Youth, and others. After the program was broadcast in 2004, it has since interviewed countless people and cared about comprehensive topics. Over the years, it has earned many echoes and touching supports. In recent years, program MCs have documented selected interview contents and shared them on the website and through Podcast to meet the listening habits of modern people for audiences to listen to these wonderful stories again and again and collect and share them more conveniently.

Broadcast



Classical
Taichung FM97.7
Taipei FM91.3

FM09:50
and 14:50
daily

Online radio





Podcast





Information of Taiwan's
March of Happiness



Support for the "Evergreen e-Sports" activity of Hondao.

In 2012, we began to support the Hondao Senior Citizen's Welfare Foundation. Based on the vision that "every senior deserves self-determination and dignity, as well as worry-free, wonderful later life," we contribute to making seniors enjoy a worry-free later life and promoting their physical and mental health.

In 2021, we sponsored the "Evergreen e-Sports Competition" organized by Hondao to support seniors to realize their e-sports dreams, challenge new things, and find topics to dialog with the younger generations. A total of 28 seniors with an average age of 65 years formed three teams: northern Taiwan, central Taiwan, and southern Taiwan. After three months of special training, they stepped onto the e-sports stage to challenge the highly difficult League of Legends. The wonderful performance of these evergreen players surprised many netizens through the webcast and attracted extensive social discussion and positive feedback. Internally, we also set group targets for employees to accumulate steps with "Merry i-Sport," the power walking app independently developed by Merry. When the targets were achieved, we made donations. Additionally, through event publicity, we stimulated employees to engage in charity through power walking and care about helping seniors to fulfill their dreams.

photo provided : Hondao Senior Citizen's Welfare Foundation



Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE MERRY ELECTRONICS CO., LTD.'S SUSTAINABILITY REPORT FOR 2021

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 Sustainability Report for 2021 (hereinafter referred to as the SR 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 verification 2022/03/18~2022/05/13. 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 SR Report of 2021 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 and Level of Assurance

A.	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
B.	AA1000ASv3 Type 1 Moderate Level (AA1000AP Evaluation only)

TWLPP 5008 Issue 2201

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

- GRI Standards (Core)
- 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, Sustainability committee 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, Task Force on Climate-related Financial Disclosures (TCFD) and SASB related disclosures 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.

TWLPP5008 Issue 2201

Assurance Statement

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, sustainability experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, MERRY may collect more responses from diversified stakeholders to integrate their engagement results into governance, strategy and relevant decision-making processes across the full organisation.

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. Evaluating the relevance of identified material sustainability topics based on suitable and explicit criteria has been implemented and improved in the report.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

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, leading to more effective decision-making and results-based management.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, MERRY's SR Report of 2021, 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, when assessing impacts, MERRY should consider economic, environmental, human rights, and other societal challenges at local, regional, and global levels related to sectors and the geographic location of its activities and business relationships. Furthermore, more detailed descriptions of the highest governance body's involvement with ESG management are encouraged.

Signed:

For and on behalf of SGS Taiwan Ltd.



David Huang
Senior Director
Taipei, Taiwan
01 June, 2022
WWW.SGS.COM



AA1000
Licensed Report
000-8/V3-64RM2

TWLPP5008 Issue 2201



GRI content index

GRI Standards	Disclosure Item	Corresponding Report Section	Page	
1 Strategy and analysis ¹	102-14	Statement from senior decision-maker	Message from the Chairman	7
	102-1	Name of the organization	1-1 About Merry Electronics	19
	102-2	Activities, brands, products, and services	1-2 Product overview	20
	102-3	Headquarters location	1-1 About Merry Electronics	19
	102-4	Locations	1-1 About Merry Electronics	19
	102-5	Ownership and legal form	1-1 About Merry Electronics	19
	102-6	Markets served	1-1 About Merry Electronics	19
2 Organizational profile			Value Creation Process	9
	102-7	Scale of the organization.	1-1 About Merry Electronics	19
			1-2 Product overview	20
	102-8	Information on employees and other workers	5-1 Employee overview	58
	102-9	Supply chain	4-4 Sustainable supply chain management	55
	102-10	Significant changes to the organization and its supply chain	No significant changes	-
			1-1 About Merry Electronics	19
102-12	External initiatives	5-1 Employee overview (human rights promotion)	58	

GRI Standards	Disclosure Item	Corresponding Report Section	Page
2 Organizational profile	102-13 Membership of associations	1.1 About Merry (membership of associations)	20
3 Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	3.2 Ethical corporate management	43
4 Governance	102-18 Governance structure	3.1 Governance organization	41
5 Stakeholder engagement	102-40 List of stakeholder groups	2.2 Stakeholder identification and communication	26
	102-41 Collective bargaining agreements	5.6 Diverse communication channels	87
	102-42 Identifying and selecting stakeholders	2.2 Stakeholder identification and communication	26
	102-43 Approach to stakeholder engagement	2.2 Stakeholder identification and communication	26
	102-44 Key topics and concerns raised	2.2 Stakeholder identification and communication	26
	102-45 Entities included in the consolidated financial statements.	Report Profile	5
	102-46 Defining report content and topic Boundaries	2.3 Analysis and identification of material topics	30
6 Reporting practice	102-47 List of material topics	2.3 Analysis and identification of material topics	30
	102-48 Restatements of information	Report Profile	5
	102-49 Changes in reporting	Report Profile	5

GRI Standards	Disclosure Item		Corresponding Report Section	Page
6 Reporting practice	102-50	Reporting period	Report Profile	5
	102-51	Date of most recent report	Report Profile	5
	102-52	Reporting cycle	Report Profile	5
	102-53	Contact point for questions regarding the report	Report Profile	45
	102-54	Claims of reporting in accordance with the GRI Standards	Report Profile	5
	102-55	GRI content indexGRI	GRI content indexGRI	113
	102-56	External assurance	Report Profile	5

Specific Standard Disclosure.	Material Topic			
Management approaches	103	Management approaches	2.4 Management approach of material topics	32
201:Economic Performance 2016	201-1	Direct economic value generated and distributed	1.3 Financial performance	22
	201-3	Defined benefit plan obligations and other retirement plans	5.3 Wage and benefit systems	69
204:Procurement Practices 2016	204-1	Proportion of spending on local suppliers	4.4 Sustainable supply chain management	55
205:Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	3.2 Ethical corporate management	43
	205-3	Confirmed incidents of corruption and actions taken	No corruption cases	-

GRI Standards	Disclosure Item	Corresponding Report Section	Page	
302: ENERGY 2016	302-1	Energy consumption within the organization	6-2 Climate action and energy management	94
	302-3	Energy consumption outside of the organization	6-2 Climate action and energy management	94
305:Emissions 2016	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions.	6.-2 Climate action and energy management	94
	305-2	Energy indirect g(Scope 2) greenhouse gas (GHG) emissions.	6.-2 Climate action and energy management	94
305:Emissions 2016	305-3	Other indirect (Scope 3) GHG emissions	6-2 Climate action and energy management	94
	305-4	GHG emissions intensity	6-2 Climate action and energy management	94
307: ENVIRONMENTAL COMPLIANCE 2016	307-1	Non-compliance with environmental laws and regulations	3.5 Legal compliance	49
308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	New suppliers that were screened using environmental criteria	4-4 Sustainable supply chain management	55
403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	Occupational health and safety management system	5.4 Friendly and safe workplace	74
	403-2	Hazard identification, risk assessment, and incident investigation	5.4 Friendly and safe workplace	74
	403-3	Occupational health services	5.5 Health care	81

GRI Standards	Disclosure Item	Corresponding Report Section	Page	
403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	5.4 Friendly and safe workplace	74
	403-5	Worker training on occupational health and safety	5-4 Friendly and safe workplace	74
	403-6	Promotion of worker health	5.5 Health care	81
403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.5 Health care	81
	403-8	Workers covered by an occupational health and safety management system	5.4 Friendly and safe workplace	74
	403-9	Work-related injuries	5-4 Friendly and safe workplace	74
	403-10	Work-related ill health	5.5 Health care	81
414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1	New suppliers that were screened using social criteria	4.4 Sustainable supply chain management	55
416: CUSTOMER HEALTH AND SAFETY 2016	416-1	Assessment of the health and safety impacts of product	4.2 Green product management	52
417: MARKETING AND LABELING 2016	417-1	and service categories	4.2 Green product management	52
	417-2	Requirements for product and service information and labeling	4.2 Green product management	52
419: SOCIOECONOMIC COMPLIANCE 2016	419-1	Incidents of non-compliance concerning product and service	3.5 Legal compliance	49

Secondary Topics

202: MARKET PRESENCE 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.3 Wage and benefit systems	69
207: TAX 2019	207-1	Approach to tax	1.4 Tax management	23
306: WASTE 2020	306-3	Waste generated	6.-3Water and waste management	99
306: WASTE 2020	306-4	Waste diverted from disposal	6.-3Water and waste management	99
401 EMPLOYMENT2016	401-1	New employee hires and employee turnover	5-1 Employee overview	60
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.3Wage and benefit systems	69
	401-3	Parental leave	5.3Wage and benefit systems	69
402: LABOR/MANAGEMENT RELATIONS 2016	402-1	Minimum notice periods regarding operational changes	5.1Employee overview	58
404: TRAINING AND EDUCATION 2016	404-1	Average hours of training per year per employee	5.2 Talent development and training	65
405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	3.1Governance organization	41
			5.1 Employee overview	58
406: NON-DISCRIMINATION 2016	405-2	Ratio of basic salary and remuneration of women to men	5.3 Wage and benefit systems	69
			406-1	Incidents of discrimination and corrective actions taken
409: FORCED OR COMPULSORY LABOR 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.1Employee overview (human rights promotion)	58

GRI Standards	Disclosure Item	Corresponding Report Section	Page
412: HUMAN RIGHTS ASSESSMENT 2016	412-2 Employee training on human rights policies or procedures	5.1 Employee overview (human rights promotion)	58

SASB Content Index

Industry Type: TC Technology and Communication

Name of Industry: HW Hardware

ACCOUNTING METRICS

Accounting Metric	CODE 指	Corresponding Report Section
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	44-2 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	The Tier 1 of key supplier facilities 27, through the audit ratio of 100% 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	The Tier 1 of key supplier facilities 27, through the audit ratio of 100% 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 nonconforming products according to the severity of nonconformity with respect to the “Procurement Risk Management Regulations” to implement corresponding controls.


Activity Metrics


Accounting Metric	CODE	Corresponding Section
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 2021, 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 2021, the revenue of own plants and joint-venture plants was 59% and 42% respectively. No order was outsourced for production.

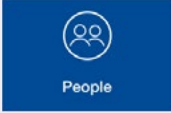
Measuring Stakeholder Capitalism Towards Common Metrics

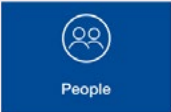

Theme	Core metrics and disclosures	Corresponding Report Section	
 <p>Principles of Governance</p>	Governing purpose		
	Setting purpose	The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders	Message from the Chairman 2.1 Sustainable policy and operation
	Quality of governing body		
	Governance body composition	Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	3.1 Governance organization Please refer to our official website for information on board members
	Stakeholder engagement		
	Material issues impacting stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	2.2 Stakeholder identification and communication 2.3 Analysis and identification of material topics
Ethical behaviour			
Anti-corruption	<p>1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.</p> <p>2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption</p>	There were no corruption cases in 2020 and 2021 3.2 Ethical corporate management	


Theme	Core metrics and disclosures	Corresponding Report Section
 <p>Principles of Governance</p>	<p>Protected ethics advice and reporting mechanisms</p> <p>A description of internal and external mechanisms for:</p> <ol style="list-style-type: none"> 1. Seeking advice about ethical and lawful behaviour and organizational integrity. 2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity. 	<p>There were no report of unethical or unlawful behavior in 2020 and 2021</p> <p>3.2 Ethical corporate management</p>
	<p>Risk and opportunity oversight</p> <p>Integrating risk and opportunity into business process</p> <p>Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.</p>	<p>3.3 Risk Management</p> <p>2.5 Task Force on Climate-Related Financial Disclosures</p>

Theme	Core metrics and disclosures	Corresponding Report Section
 <p>Planet</p>	<p>Climate change</p>	
	<p>Greenhouse gas (GHG) emissions</p> <p>For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO2e) GHG Protocol Scope 1 and Scope 2 emissions.</p> <p>Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate</p>	<p>6.2.1 GHG inventory</p>
	<p>TCFD implementation</p> <p>Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.</p>	<p>2.5 Task Force on Climate-Related Financial Disclosures</p>

Theme	Core metrics and disclosures	Corresponding Report Section	
 Planet	Nature loss Land use and ecological sensitivity	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA). NA All the operating areas are not in key biodiversity areas	
	Freshwater availability Water consumption and withdrawal in water-stressed areas	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	All the operating areas are not in water-stressed areas 6.3.1 Water resources management



Theme	Core metrics and disclosures	Corresponding Report Section	
 People	Dignity and equality		
	Diversity and inclusion (%)	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	5.1 Employee overview
	Pay equality (%)	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	5.3 Wage and benefit systems
	Wage level (%)	Ratios of standard entry level wage by gender compared to local minimum wage. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	5.3 Wage and benefit systems "Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO"undisclosure for this year.

Theme	Core metrics and disclosures	Corresponding Report Section
 <p>People</p>	<p>Risk for incidents of child, forced or compulsory labour</p> <p>An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to:</p> <p>a) type of operation (such as manufacturing plant) and type of supplier; and</p> <p>b) countries or geographic areas with operations and suppliers considered at risk.</p>	<p>In 2020, non-compliance with human rights was reported,also Implement requirements for suppliers to take human rights seriously.</p> <p>5.1 Employee overview (Human rights promotion)</p>
	<p>Health and well being</p>	
	<p>Health and safety (%)</p> <p>The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.</p> <p>An explanation of how the organization facilitates workers' access to non-occupational medical and health-care services, and the scope of access provided for employees and workers.</p>	<p>5.4 Friendly and safe workplace</p> <p>5.5 Health care</p>
	<p>Skills for the future</p>	
	<p>Training provided</p> <p>Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).</p> <p>Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).</p>	<p>5.2 Talent development and training</p>
Theme	Core metrics and disclosures	Corresponding Report Section
 <p>Prosperity</p>	<p>Employment and wealth generation</p>	
	<p>Absolute number and rate of employment</p> <p>1.Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.</p> <p>2.Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.</p>	<p>5.1 Employee overview</p>

Theme	Core metrics and disclosures	Corresponding Report Section	
 Prosperity	<p>1.Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organization’s global operations, ideally split out by:</p> <ul style="list-style-type: none"> -Revenues -Employee wages and benefits -Payments to government -Operating costs -Payments to providers of capital -Community investment <p>2.Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.</p>	1.3 Financial performance	
	<p>1.Total capital expenditures (CapEx) minus depreciation, supported b</p> <p>2.Share buybacks plus dividend payments, supported by narrative to describe the company’s strategy for returns of capital to shareholders</p>	Financial investment contributionI is expected to be disclosed in the Sustainability Report from 2022.	
	<p>Innovation of better products and services</p>		
	<p>Total R&D expenses (\$)</p>	Total costs related to research and development.	1.3 Financial performance
	<p>Community and social vitality</p>		
<p>Total tax paid</p>	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	

Note: Metrics follow the Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation by World Economic Forum.

UN SDGs

SDGs	Merry SDGs
 <p>SDG 3 Good health and well-being</p> <ul style="list-style-type: none"> By 2030, reduce non-communicable diseases through prevention and treatment and promote mental health and well-being. By 2030, ensure universal access to sexual and reproductive healthcare services, including family planning, information and education. 	<ul style="list-style-type: none"> Building a Friendly Workplace Employee health and safety Employee Assistance Program Employee satisfaction survey Enriching Human Life Promote the “Minimal Hearing Loss” initiative
 <p>SDG 4 Quality education</p> <ul style="list-style-type: none"> By 2030, increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. 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. 	<ul style="list-style-type: none"> Building a Friendly Workplace Optimize talent development planning Shape the Merry culture Enriching Human Life Promote the “Minimal Hearing Loss” initiative Promote total ESG culture
 <p>SDG 5 Gender Equality</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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

