



# 2022 Sustainability Report



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# About the Report

## Boundaries and overview of the report

This report is the 10<sup>th</sup> Sustainable Report of Merry Electronics Co., Ltd. (Merry Electronics), and its 2022 content focuses on the environmental, social, and governance (ESG) criteria for different stakeholder groups to understand our efforts and achievements in promoting sustainable development.

All economic data disclosed in this report was extracted from our 2022 consolidated financial statements, covering the overall financial and operational performance of our global production bases and sales locations. All monetary amounts in the report are expressed in New Taiwan Dollars (NTD or TWD). Regarding the data and information on environmental and social aspects, please refer to the Appendix of the report for the differences with the list of the subsidiaries in the Consolidated Financial Statements. 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.

## Reporting period and cycle

All performance data disclosed in this report is basically based on the data and information of 2022 (January 1–December 31, 2022) presented with respect to the requirements under GRI Standards (2021), 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 issuance: June 2022
- ◆ Current issuance: June 2023

## Report management

This report has been prepared by the Public Relations Department in collaboration with the departments related to the sustainable development promotion team. The head of related departments reviewed the first draft before submitting it to the CEO for final approval to complete the internal review for verifying the information disclosed in the report, and the report is submitted to the Board for approval and archiving.

## Report assurance

We engaged SGS Taiwan Ltd. to review the final version of the report with respect to the Moderate Assurance in Type 2, Accountability 1000 Assurance Standard AS v3, the GRI Standards (2021), and SASB to ensure the accuracy, accountability,

and explicitness of the report. The Statement of Assurance issued by SGS Taiwan is appended to this report.

## Significant changes in reporting

NA

## Feedback and contact

This report is available for inquiries in the corporate sustainability section of the Company's website



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

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- ◆ Tel.: 04-2359-0811 Mr. Hsiao, Public Relations Department
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- ◆ Website: <https://www.merry.com.tw>



# 2022 Sustainable Highlights



## Governance

- Top 6%-20% at the Corporate Governance Evaluation
- Ranked the 46th among the Top 50 in the large enterprise category, “Excellence in Corporate Social Responsibility”
- Gold Award, TCSA - Corporate Sustainability Report Awards
- Merry Shenzhen obtained the certification of ISO 27001 energy management system.



## Environment

- In response to the RE100 renewable energy initiative, the using ratio of renewable energy reached 16.31% in 2022.
- Merry Shenzhen obtained the green supply chain management enterprise certification
- Level C of awareness for the CDP climate questionnaire in 2022



## Social

- The headquarters won the top ranking for the workplace enrollment group of over 100 persons for the Taichung City Healthcare Step Counting Competition
- The headquarters won the Taichung City Workplace Health Enterprise Award
- Won the honor of outstanding enterprise under the “workplace sustainable health and safety development promotion plan” by the Occupational Safety and Health Administration
- Organized a press conference for a minor hearing damage survey - “Damaged Hearing Ability Below the Age of 40”
- Merry Thailand participated in a soccer game in the suburb and a fundraising sports festival and won the excellence trophy



# Message from the Chairman

The world entered into the post-pandemic era in 2022, the pressure on the global supply chain remained, and there were continual impacts of ultimate climate on earth. However, Merry adheres to the spirit of sustainable management and continues to face challenges. Since 2013, we have commenced preparing sustainability reports, and we joined RE100 in 2021 and continued to include sustainable management in our management system.

In 2022, our sustainable corporate policies continued to be realized. By adopting “profit optimization, revitalization, net zero carbon emission, and entrance to automotive field” as the management and linking sustainable indicators with CEO performance, we include sustainable philosophies into the organization from the management to employees.

In terms of the environment, we actively promote the use of renewable energy and make reductions from product design and use renewable materials in compliance with green product policy. For quality management, we listen to customers’ opinions, continue to introduce automated procedures and simplify procedures to reduce carbon emissions. As a material supplier of global hearing products, we continue to keep pace with the policy of “to hear for life, listen with care” of WHO in 2022 and cooperate with the CommonWealth Magazine for the first “minor hearing damage survey”; it is found that there are over three-fourths of people who encountered abnormal conditions of ears in the most recent three months and may have the risk of hearing damages and that people lack the knowledge to protect ears regardless of the generation. Via the press conference, “Damaged Hearing Ability Below the Age of 40,” we attracted extensive attention from society to minor hearing damage and realized the concept of hearing protection through earphone workshops.

Merry prepared the 10th sustainability report this year, has received the recognition of Taiwan's Excellence in Corporate Social Responsibility Award nine times in prior years, and won the TCSA Corporate Sustainability Report Awards. However, such achievements never stopped us from moving forward. The target of net zero carbon emissions by 2050 is imminent; we will continue to promote various measures of sustainable development and commit to creating a merrier future. Merry will continue to promote the use of renewable energy, green product design, and optimization of quality management; meanwhile, it will include the concept of sustainable development into its management system and corporate culture. We are convinced that efforts will provide incentives for more enterprises to join the line of sustainable development and facilitate industrial upgrade, transformation, and the sustainable development of the global economy.

Lastly, I would like to extend our appreciation to all persons who support and help Merry to achieve sustainable development, including our partners, employees, and social sectors. Let us join hands and jointly create a glorious and sustainable future.

Chairman

President





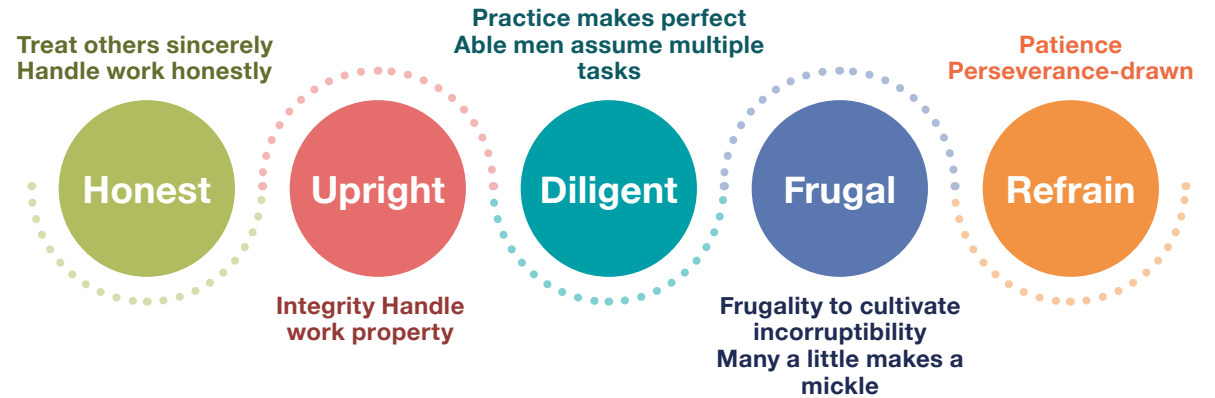
# Core Value

## Vision and Mission

Starting with a vision to “Delivering Excellent Sound and Enriching Human 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 the culture of honest, upright, diligent, frugal, and refrain.
- ◆ Value talent cultivation and grouping; focus on the between technologies, theories, and actual cooperation.
- ◆ Handle work with plans and faith; active and flexible responses; not afraid of conflicts or difficulties, and never give up easily.
- ◆ Modest and gentle, and be fair and square; inclusive for others and build mutual trust; greatness lies in the capacity, and lead a life of appreciation.
- ◆ Open and sustainable operation and attention to the sense of mission to the nation and society.
- ◆ Join hands with contractors, employees, and shareholders to provide services to customers to achieve sustainable operation of the Company by gaining customer satisfaction.



# Value Creation Process

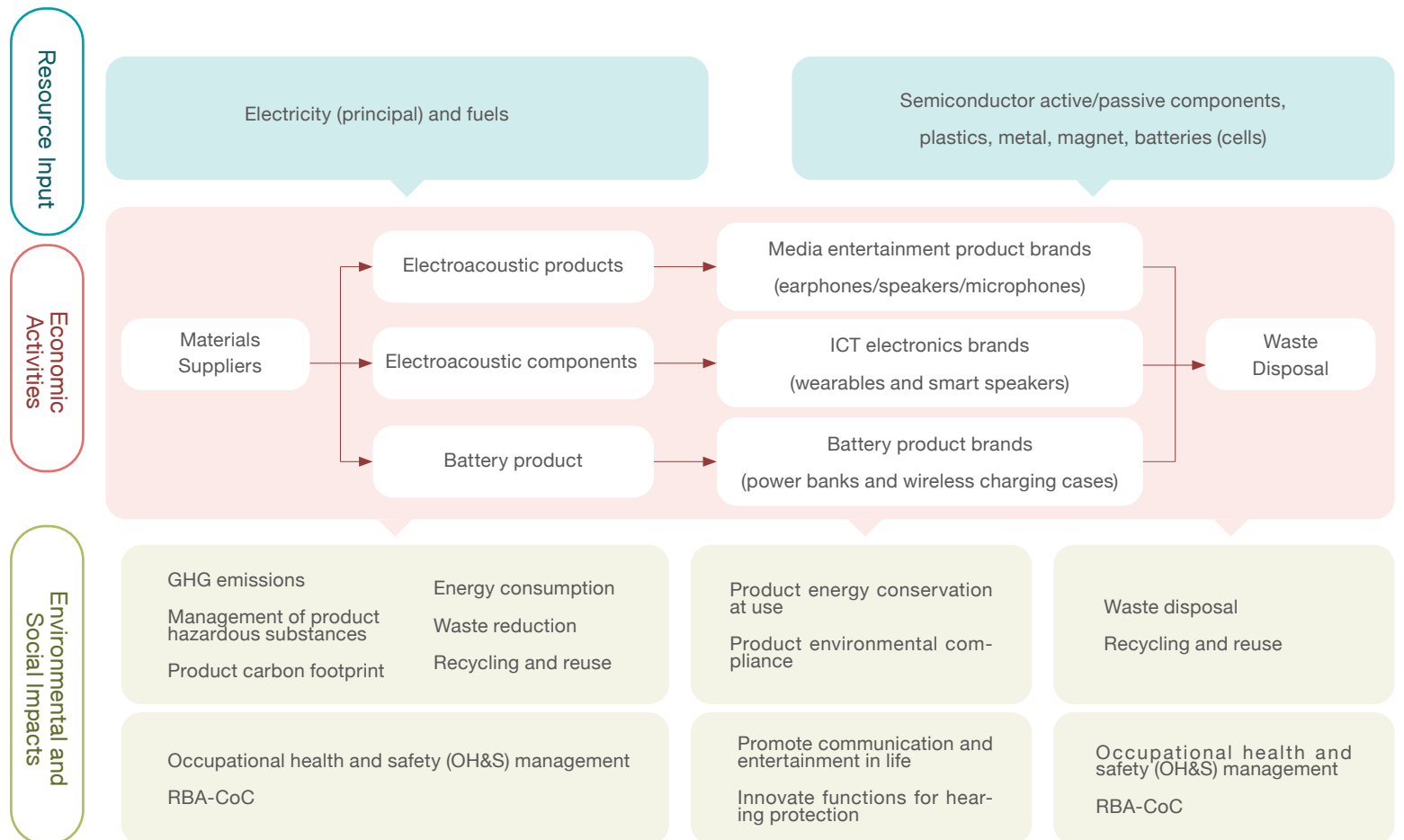
## Steady and sustainable development through innovation and foundation together

Specializing in electroacoustics for over four decades, we fulfill the demands and surpass the expectations of customers and earn their trust for our ability by providing comprehensive electroacoustic integrated services to capture visionary technology and new market trends, combine the accumulation and grounding of the fundamental technologies, materials, processes, and software 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 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 real-time 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.












## Sustainable promotion targets

### Delivering Excellent Sound.




Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Increase the proportion of sustainable products	Comply with the revenue proportion of DfS products	5%	Achieved	<ul style="list-style-type: none"> <li>Establish an environmental material database for product designs (design map)</li> <li>New material feasibility completion rate: 20%</li> </ul>	30%	50%	 
Improve corporate governance	<p>Board member expertise diversity</p> <p>Constant advocacy of an ethical corporate management culture</p>	<ul style="list-style-type: none"> <li>Implement online ethical corporate management courses</li> <li>Unfold the English version of the ethical corporate management policy</li> <li>Report to the Board the achievements in the implementation of ethical corporate management</li> </ul>	<ul style="list-style-type: none"> <li>The ethical corporate management training completion rate of employees was 99.09% and 100% for Taiwan HQ and Merry Shenzhen, and promote content related to ethical corporate management to all Directors via e-mails. The Code of Business Conduct and Professional Ethics to business locations in the English region and Simplified Chinese region, and the reading/sign and return rate was 100%.</li> <li>Reported to the Board the achievements in the implementation of ethical corporate management on December 29, 2022</li> </ul>	<p>The annual ethical corporate management training completion rate of employees was 100%.</p> <ul style="list-style-type: none"> <li>Execute internal audits</li> <li>Continue to promote and implement ethical corporate management policies to establish the culture and environment of ethical corporate management for employees</li> <li>Report to the Board the achievements in the implementation of ethical corporate management</li> <li>Establish a Sustainable Development Committee</li> </ul>	<ul style="list-style-type: none"> <li>Increase the number of members with diversified experience on the Board</li> <li>Promote ethical corporate management practices to major sites in Mainland China</li> </ul>	<ul style="list-style-type: none"> <li>Improve Board diversification</li> <li>Promote ethical corporate management practices to major sites worldwide</li> </ul>	
Strengthen the information security system	Establish an information security certification and management system based on ISO 27001.	<ul style="list-style-type: none"> <li>Merry Shenzhen implemented the ISO 27001 ISMS</li> <li>Establish ISO 27001 Merry Data Intelligent statements</li> <li>Establish the supplier information security periodic inspection policy (information security checklist).</li> </ul>	<ul style="list-style-type: none"> <li>Merry Shenzhen successfully obtained the ISO 27001 information security system certification</li> <li>Successfully introduce the supplier information security evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Complete the audit of information systems of all departments and complete corrective operations</li> <li>Carry out social engineering drills and training each month</li> <li>The passing rate for the quarterly information security educational training is 90%</li> <li>Carry out third-party mainframe penetration testing for attack and defense to ensure the safety of the Group's mainframe</li> </ul>	<ul style="list-style-type: none"> <li>Implement the ISO 27001 management system to all Merry Electronics sites</li> <li>Implement information security checks on suppliers periodically</li> <li>Introduce the ITIL management system to the Group</li> </ul>	<p>Modularize information security services to quickly construct the information security framework for new plants or new investees.</p>	



## Delivering Excellent Sound.

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Establish a risk management mechanism	Group risk management and business continuity plan (BCP)	<ul style="list-style-type: none"> <li>Add ethical corporate management= to the risk management list and include all items in the list for TCFD issue assessment</li> <li>Integrate with ISO 45001 risk management to reduce operating costs</li> <li>Analyze and plan for the Group's insurance.</li> <li>Implement at least one BPC drill</li> </ul>	<ul style="list-style-type: none"> <li>Add ethical corporate management (anti-bribery) to the risk management list and include it in the list for TCFD assessment</li> <li>Complete the integration with ISO 45001 risk management to reduce operating costs</li> <li>Complete the analysis and planning for the Group's insurance</li> <li>Report the status of implementation and the plan for the next year at the Board meeting at the end of the year</li> <li>Complete the BCP drill, including information security and occupational safety and health (COVID-19).</li> </ul>	<ul style="list-style-type: none"> <li>Optimize the risk management system according to the Risk Management Best Practice Principles for Companies Listed on TWSE/TPEX published and established by the competent authority in the second half of 2022</li> <li>Integrate with ISO 9001, ISO 14001, and ISO 50001 risk management to reduce operating costs</li> <li>Report the status of implementation and the plan for the next year at the Board meeting</li> </ul>	<ul style="list-style-type: none"> <li>Implement the risk management system for all sales locations in mainland China.</li> <li>Participate in the operation of risk control and legal compliance with newly implemented ISO management systems.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the risk management system for all sales locations.</li> <li>Participate in the operation of risk control and legal compliance with newly implemented ISO management systems.</li> </ul>	 

## Addressing Climate Change

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
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 to achieve sustainable business value. For the details of the achievement, please refer to 4-1 Sustainable Design and Innovative Management	<ul style="list-style-type: none"> <li>The number of projects that introduced optimized PCB accounts for 20%</li> <li>Product consumption optimization by 8%</li> <li>Improve product charging efficiency by 10%</li> </ul>	Merry Electronics has established its 10 DfS aspects, including 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; sustainable elements will be actively introduced to all new product designs to achieve zero carbon in the future.		
Promote the Group's green policy	Target to achieve 100% green power by 2050 under RE100	Consumed 14% of renewable energy.	<ul style="list-style-type: none"> <li>Consumed 16.31% of renewable energy.</li> <li>The rooftop solar power generation system is under evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Consumed 21% of renewable energy.</li> <li>Increase the use of renewable energy by 7% each year from 2021 to 2023; increase the use of renewable energy by at least 6% each year from 2024 to 2030.</li> </ul>	Consumed 33% of renewable energy	Consumed 60% of renewable energy	 



## Addressing Climate Change

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Continue the group's green manufacturing policy	Group carbon reduction target			• Reduction base year: 2020			
	Group energy conservation target						
Manage supplier social and environmental responsibilities	Merry Shenzhen passes green factory certification.	<ul style="list-style-type: none"> <li>Each year, reduce the intensity of GHG emissions (categories 1 and 2) by 2% over the previous year</li> <li>Reduce energy intensity by 3% (base year: 2020)</li> </ul>	<ul style="list-style-type: none"> <li>The intensity of GHG emissions (categories 1 and 2) decreased by 20.11% as compared to 2021</li> <li>Reduce energy intensity by 8.23%</li> <li>Taiwan HQ and Merry Shenzhen passed the third-party certification for ISO14064-1: 2018 GHG inventory; Merry Vietnam and Merry Thailand completed the GHG self-inventory</li> <li>Obtained the third-party certification of ISO 14067:2018 for the carbon footprint of earphone products</li> </ul>	<ul style="list-style-type: none"> <li>Carbon emission intensity decreased by 8% as compared to the base year.</li> <li>Carbon emission (category 1) intensity and carbon emission (category 2) intensity decreased by 1% and 7% as compared to the base year, respectively</li> <li>Energy intensity was reduced by 4% as compared to the base year.</li> <li>Guide the internal GHG inventory and plan certification for all plants according to ISO 14064-1</li> <li>Plan and implement the carbon neutrality target for 2050.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction base year: 2020</li> <li>Introduce SBT</li> <li>Carbon emission intensity decreased by 12% as compared to the base year</li> <li>Energy intensity was reduced by 7.5% as compared to the base year</li> <li>Plan and implement the carbon neutrality target for 2050.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction base year: 2020</li> <li>In accordance with SBT</li> <li>Energy intensity was reduced by 15% as compared to the base year</li> <li>Plan and implement the carbon neutrality target for 2050</li> </ul>	
	Implement sustainable management of key suppliers	<ul style="list-style-type: none"> <li>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.</li> <li>CSR audit score of key suppliers: 82 points.</li> <li>Extend the supplier ESG management policy to plants in Thailand and Vietnam.</li> </ul>	<ul style="list-style-type: none"> <li>Organize five green promotion seminars to promote social and environmental responsibilities in order to promote and call for ESG management concepts of suppliers</li> <li>A total of 61 suppliers was included in the annual CSR audit, with an average score of 84.4 points, representing a growth of 2% from the preceding year</li> <li>Complete the promotion in Thailand and Vietnam sites; the execution rate of sustainability declaration of all suppliers was 96%.</li> </ul>	<ul style="list-style-type: none"> <li>Make announcements of Merry Electronics (according to the RBA 7.0 standards)</li> <li>Promote the new version of social and environmental declaration for suppliers; the execution rate of sustainable declaration of all suppliers was 93%</li> <li>CSR audit score of key suppliers &gt; 83 points</li> <li>Continue to organize GP/CSR green promotion programs to facilitate sustainable policies of Merry Electronics.</li> </ul>	<ul style="list-style-type: none"> <li>CSR audit score of key suppliers increases by 5 points (achieved 85)</li> <li>Declaration signing rate of all suppliers increased to 95%</li> </ul>	<ul style="list-style-type: none"> <li>CSR audit score of key suppliers increases by 10 points (achieved 90)</li> <li>Declaration signing rate of all suppliers increased to 95%</li> </ul>	 



## Addressing Climate Change

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Establish climate strategies	Task Force on Climate-related Financial Disclosures (TCFD)	<ul style="list-style-type: none"> <li>Rolling assessment of climate-related risks and opportunities.</li> <li>Identifying material climate-related risks.</li> </ul>	<ul style="list-style-type: none"> <li>Carry out material climate-related risks identification</li> <li>We selected the RCP8.5 scenario for physical risk and the national standard scenario for transition risk</li> </ul>	<ul style="list-style-type: none"> <li>Taiwan HQ performed the second stage operation of TCFD (risk management)</li> <li>Merry Shenzhen performed the first stage operation of TCFD (risk identification)</li> </ul>	<ul style="list-style-type: none"> <li>Merry Shenzhen performed the second stage operation of TCFD</li> <li>Other subsidiaries in China performed the first stage operation of TCFD</li> </ul>	<ul style="list-style-type: none"> <li>Other subsidiaries in China performed the second stage operation of TCFD</li> <li>Other subsidiaries not in China performed the first stage operation of TCFD</li> </ul>	 

## Building a Friendly Workplace

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Talents attraction and retention	Employee engagement survey Employee diversity/inclusiveness	<ul style="list-style-type: none"> <li>Employee engagement survey (once every two years)</li> <li>Intend to add two work flexibility options and WFH and leave encouragement policies for employees with family care needs.</li> <li>Target female/male ratio for overall employees and intermediate officers: overall &gt; 0.87; intermediate officers &gt; 0.43</li> </ul>	<ul style="list-style-type: none"> <li>Score of engagement survey: 3.8</li> <li>Add the stable salary household policy</li> <li>Add seven days of paid leave for care at most</li> </ul>	<ul style="list-style-type: none"> <li>Taiwan HQ provides two gender-friendly measures more favorable than laws and regulations</li> <li>Employee shareholding trust participation rate: 35%</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement survey (once every two years)</li> <li>Target female/male ratio for overall employees and intermediate officers: overall &gt; 0.87; intermediate officers &gt; 0.45</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement survey (once every two years)</li> <li>Target female/male ratio for overall employees and intermediate officers: overall &gt; 0.87; intermediate officers &gt; 0.47</li> </ul>	
		<ul style="list-style-type: none"> <li>Blueprint training completion rate of new employees: 100%; training satisfaction: 4 points</li> <li>Management competency blueprint promotion plan for a period of three years</li> <li>Set mandatory training and selective training of 30 hours and 10 hours based on duties</li> <li>Constantly promote music courses and the employee/department shared reading plan.</li> </ul>	<ul style="list-style-type: none"> <li>Blueprint training completion rate of new employees: 100%</li> <li>Launched the "buddy system for new employees," with 67 new employees under consultation for the year, and the average satisfaction reached 4.57 points.</li> </ul>	<ul style="list-style-type: none"> <li>Two music series courses</li> <li>Hold reading clubs to promote employee/department joint reading</li> </ul>	<p>Create the program system: Plan the "Merry Strategy Program" to make up for the insufficiency of talent training and integrate it with the operational goals</p> <ul style="list-style-type: none"> <li>Organize competence-based talents training plans: achievement rate 50%</li> <li>Develop the reading passbook and establish music clubs.</li> </ul>	<ul style="list-style-type: none"> <li>Establish Merry Academy to combine the academy and talent batch cultivation plan with an execution rate of 100%</li> <li>Organize competence-based talents training plans: achievement rate 100%</li> <li>Expand the application scope of reading passbooks and facilitate the internal and external performance of the music club</li> </ul>	  



## Building a Friendly Workplace

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Health care	Target number of employees for health promotion	<ul style="list-style-type: none"> <li>The number of employees who participated in health promotion activities reached 1,200 persons</li> </ul>	<ul style="list-style-type: none"> <li>Won the Taichung City Workplace Health Enterprise Award</li> <li>Held a total of 22 sessions of health promotion activities with a total participation of 1,940 persons</li> </ul>	<ul style="list-style-type: none"> <li>The number of employees who participated in health promotion activities reached 1,200 persons</li> </ul>	<ul style="list-style-type: none"> <li>The number of employees who participated in health promotion activities reached 1,800 persons</li> </ul>	<ul style="list-style-type: none"> <li>The number of employees who participated in health promotion activities reached 2,700 persons</li> </ul>	
	Health protection plans	<ul style="list-style-type: none"> <li>Health education for all high-risk cases (overseas business trips, anomalies found in health checkups, four major health protection targets) reached 100%</li> </ul>	<ul style="list-style-type: none"> <li>Professional doctors carry out individual interviews and health guidance for cases with high risks</li> </ul>	<ul style="list-style-type: none"> <li>Health guidance rate for cases of high risk reached 100%</li> </ul>	<ul style="list-style-type: none"> <li>Work-related ill health prevention and health promotion under the health protection plans: achievement rate at 100%.</li> </ul>	<ul style="list-style-type: none"> <li>Work-related ill health prevention and health promotion under the health protection plans: achievement rate at 100%.</li> </ul>	
	Employee assistance program (EAP)	<ul style="list-style-type: none"> <li>Three hours of EAP Supervisor Sensitivity Training</li> </ul>	<ul style="list-style-type: none"> <li>A total of 73 persons participated in the Supervisor Sensitivity Training Course</li> </ul>	<ul style="list-style-type: none"> <li>Three hours of EAP Supervisor Sensitivity Training</li> </ul>	<ul style="list-style-type: none"> <li>Establish the EAP protection net (supervisor training for six hours and one department seed employee).</li> </ul>	<ul style="list-style-type: none"> <li>Establish the EAP protection net (supervisor training for 6 hours and two department seed employees)</li> </ul>	
Friendly and safe workplace	Deployment of safety management systems	<ul style="list-style-type: none"> <li>Promote ISO 45001 certifications to all subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Merry HQ, Merry Shenzhen, Merry Vietnam, and Suzhou Merry have obtained the ISO 45001 certification</li> </ul>	<ul style="list-style-type: none"> <li>Promote ISO 45001 certification to locations of high risks</li> </ul>	<ul style="list-style-type: none"> <li>All Merry businesses pass ISO 45001 certification</li> </ul>	<ul style="list-style-type: none"> <li>Pass third-party audit for ISO 45001 every year</li> </ul>	
	Maintenance of a low work-related injury rate.	<ul style="list-style-type: none"> <li>Taiwan HQ: FR &lt; 0.80; SR &lt; 33; FSI &lt; 0.16</li> <li>Severe work-related injury cases of Merry Shenzhen due to improper management &lt; 1</li> </ul>	<ul style="list-style-type: none"> <li>Taiwan HQ FR=0.69; SR=7</li> <li>There was one severe work-related injury case of Merry Shenzhen due to improper management</li> </ul>	<ul style="list-style-type: none"> <li>Work injury rate of the entire Group: FR &lt; 0.8; SR &lt; 33; FSI &lt; 0.16</li> </ul>	<ul style="list-style-type: none"> <li>Work injury rate of the entire Group:</li> <li>The annual work injury rate (FR, SR, and FSI) was reduced by 1% (base year: 2021)</li> </ul>	<ul style="list-style-type: none"> <li>Work injury rate of the entire Group:</li> <li>Reduction of annual work-related injury rate by 1% (base year 2021)</li> </ul>	
Human Rights Issues	RBA certification	<ul style="list-style-type: none"> <li>Merry Shenzhen and Merry Vietnam maintain the certificate renewal standard and continual assessment for Merry Thailand</li> </ul>	<ul style="list-style-type: none"> <li>There was no violation of human rights that occurred in 2022</li> </ul>	<ul style="list-style-type: none"> <li>Merry Shenzhen and Merry Vietnam maintain the certificate renewal standard and continual assessment for Merry Thailand</li> </ul>	<ul style="list-style-type: none"> <li>Guide all plants in mainland China to implement RBA</li> </ul>	<ul style="list-style-type: none"> <li>Guide all plants to implement RBA</li> </ul>	
	Gender equality	<ul style="list-style-type: none"> <li>Constantly hire more employees with disabilities through communication and job accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Merry Shenzhen and Merry Thailand passed the RBA certification</li> </ul>	<ul style="list-style-type: none"> <li>Report the Human Rights Policy to the Board and announce it on the Company's website</li> <li>Produce human rights due diligence survey reports</li> </ul>	<ul style="list-style-type: none"> <li>Constantly hire more employees with disabilities through communication and job accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Constantly hire more employees with disabilities through communication and job accommodation</li> </ul>	
				<ul style="list-style-type: none"> <li>Merry Thailand will build an internal self-assessment system in 2023</li> </ul>			



## Enriching Human Life

Dimension	Indicator	2022 Target	2022 Achievement	2023 Target	2025 Target	2030 Target	SDGs
Promote the Minimal Hearing Loss initiative	Number of persons influenced	<ul style="list-style-type: none"> <li>Depth: Sessions of campus publicity for students and teachers</li> <li>Three sessions</li> <li>Breadth: Enrich the issue understanding of the public: 5,000 persons</li> </ul>	<ul style="list-style-type: none"> <li>Depth: Three sessions of campus activities</li> <li>Breadth: Online gross impression of over 10,000 persons</li> <li>A total of 51 press releases from the Minimal Hearing Loss media conference</li> </ul>	<ul style="list-style-type: none"> <li>Gross impression of over 20,000 persons</li> <li>Promote systemized courses for Minimal Hearing Loss</li> </ul>	<ul style="list-style-type: none"> <li>[Escalate the co-creation/alliance issues]: 50,000 persons</li> <li>Invite upstream and downstream suppliers to discuss for more businesses to care about the issues.</li> </ul>	<ul style="list-style-type: none"> <li>[Influence/create and build value]: 100,000 persons</li> <li>Create changes and establish the core value of corporate ESG</li> </ul>	
Promote total ESG culture	Establish ESG educational training general knowledge courses	<ul style="list-style-type: none"> <li>Promote the Merry Sustainability Day</li> <li>Annual general education courses on sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Promote the Merry Sustainability Meat-free Day each month</li> <li>Add a new session for the annual sustainability online courses</li> </ul>	<ul style="list-style-type: none"> <li>A total of 5 internal sustainability promotion activities</li> <li>One session of the business system sustainability training course</li> </ul>	<ul style="list-style-type: none"> <li>ESG training completion rate of Merry Shenzhen: 100%</li> <li>Create the ESG mission roadmap for employees of Taiwan HQ</li> </ul>	ESG fundamental courses for all sales locations and training completion rate of 100%	



## Capital input and output

### Financial Capital

- Share capital: NT\$2.178 billion
- Total assets: NT\$33.429 billion

### Intellectual Capital

R&D expenditure: NT\$1.8 billion (accounting for 5.10% of total revenue, representing an increase of 0.4% from 2021)

### Human Capital

- Group employees: 5,438 persons
- Education/training budget: NT\$4.41 million

### Manufacturing Capital

- Completion and commencement of use of Taichung HQ
- Equipment update of factory areas of the Group

### Natural Capital

- Energy consumption: 115,249.86GJ
- Renewable energy consumption: 5,506MWh
- Total water consumption: 372.08ML

### Social Capital

- Public welfare expenses: NT\$1.628 million
- Total number of volunteers: 1,889 persons

Setting [Delivering Excellent Sound and Enriching Human Life] in 2022, the prospect of Merry Electronics, as the core, and establish its sustainable operating policy by adopting four major strategies of “profit optimization, restructuring, net-zero emissions, and entry to the field of automotive and medicine”

### Profit optimization

Continue to optimize the Company’s internal structure, focus on core technologies, create the value of product differentiation, improve the allocation flexibility of production capacity, and reinforce all aspects of management in the hope of improving its operating nature, increase external opportunities, and improve overall profitability and market competitiveness.

### Restructuring

Continue to focus on the vertical division of labor and horizontal integration of resources of business units, plants, and subsidiaries, supplemented by organizing the structure of the Group, and in turn, improve management benefits so as to exert the optimal operating synergies.

### Net-zero emissions

Adopting sustainable corporate development and the realization of net-zero emission as the final goal, Merry Electronics continues to introduce ESG and sustainable development philosophies into its corporate culture and comprehensively implements sustainable designs, energy-saving and carbon dioxide reduction, and achievement of the target of net-zero emissions step by step to attain the sustainability prospects of co-prosperity of enterprises, social harmony, and co-existence with the environment.

### Entry to the field of automotive medicine

Apart from continuing to realize innovation, in-depth development, and cooperation and partnership with customers, Merry Electronics will put further focus on exploring the field of automotive and medicine to actively set foot in new markets, improve its long-term competitive strength and corporate value, and initiate the next wave of growing momentum.

### Environmental performance

- GHG (scope 1 and 2) emission: 19,004.01 tCO<sub>2</sub>e (the intensity decreased by 20.11% as compared to last year)
- Energy intensity: 3.26(GJ/million NTD)

### Social performance

- Total hours of education and training: 509,190 hours; average hours of education and training per person: 93.64 hours.
- Employee engagement survey: 3.8 points
- The number of exposure to the minimal hearing loss initiative: over 6,000 times; press releases: 51
- A total of 82 students won the Merry Electroacoustics Thesis Award during 2010–2022

### Economic performance

- Revenue: NT\$35.399 billion (representing a decrease of 2.17% from 2021)
- Net profit before tax: NT\$2.049 billion (representing an increase of 29.51% from 2021)
- New product and extended model development: 37 items
- Total number of patents: 314 items



# 1.1 About Merry Electronics

## About

### Merry Electronics Co., LTD.,



**Headquarters location**  
Nantun District,  
Taichung City

**Date of establishment**  
1975

**Stock Code**  
2439

**Year of listing**  
2000

**Group consolidated revenue**  
NT\$353.99billion  
2022

**Group employees**  
5,438 persons  
As of December 31, 2022

**Major Products**

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

**Worldwide locations**

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

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

### Product Development Process

1975-1985 early products	<ul style="list-style-type: none"> <li>Wireless communication moving coil microphones.</li> <li>Taiwan's first manufacturer to successfully mass-produce speakers for Walkman headsets.</li> <li>Taiwan's first manufacturer to successfully mass-produce moving coil receivers for telephones.</li> </ul>
1985-2000 constant transformation	Produced micro receivers and hands-free products for mobile phones and laptop speakers.
2000-2010	<ul style="list-style-type: none"> <li>Expanded to the Bluetooth wireless market</li> <li>Produced Bluetooth headsets and ANC headsets, Bluetooth portable stereo speakers, and power banks</li> </ul>
2010-2015	<ul style="list-style-type: none"> <li>Produced advanced-level over-ear headsets, gaming headsets, and sports headsets</li> <li>Ultra-slim wearable moving coil speakers and wireless power banks</li> <li>Engaged in hearing amplification devices, such as personal sound amplification products (PSAPs)</li> </ul>
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	<ul style="list-style-type: none"> <li>We have signed up to RE100 and undertook to use 100% of renewables by 2050.</li> <li>We have integrated with DfS to constantly improve the low-emission design of new products in terms of design, manufacturing, and planning.</li> <li>Actively developed automotive and medical products to pave the way for the next growth stage.</li> </ul>
2022	<ul style="list-style-type: none"> <li>Built the global R&amp;D headquarters of Merry in Taichung</li> <li>Implemented the innovative spirit and formally set foot in video conference systems and automotive acoustic applications</li> </ul>

## Membership of associations

To understand the development trends and enhance information exchange in the industry, we actively participate in related associations and organizations that bring substantial benefits. In 2022, 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



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 the management status of climate-related risks and opportunities. While the potential financial impact is comparatively low, we are actively drawing up countermeasures.



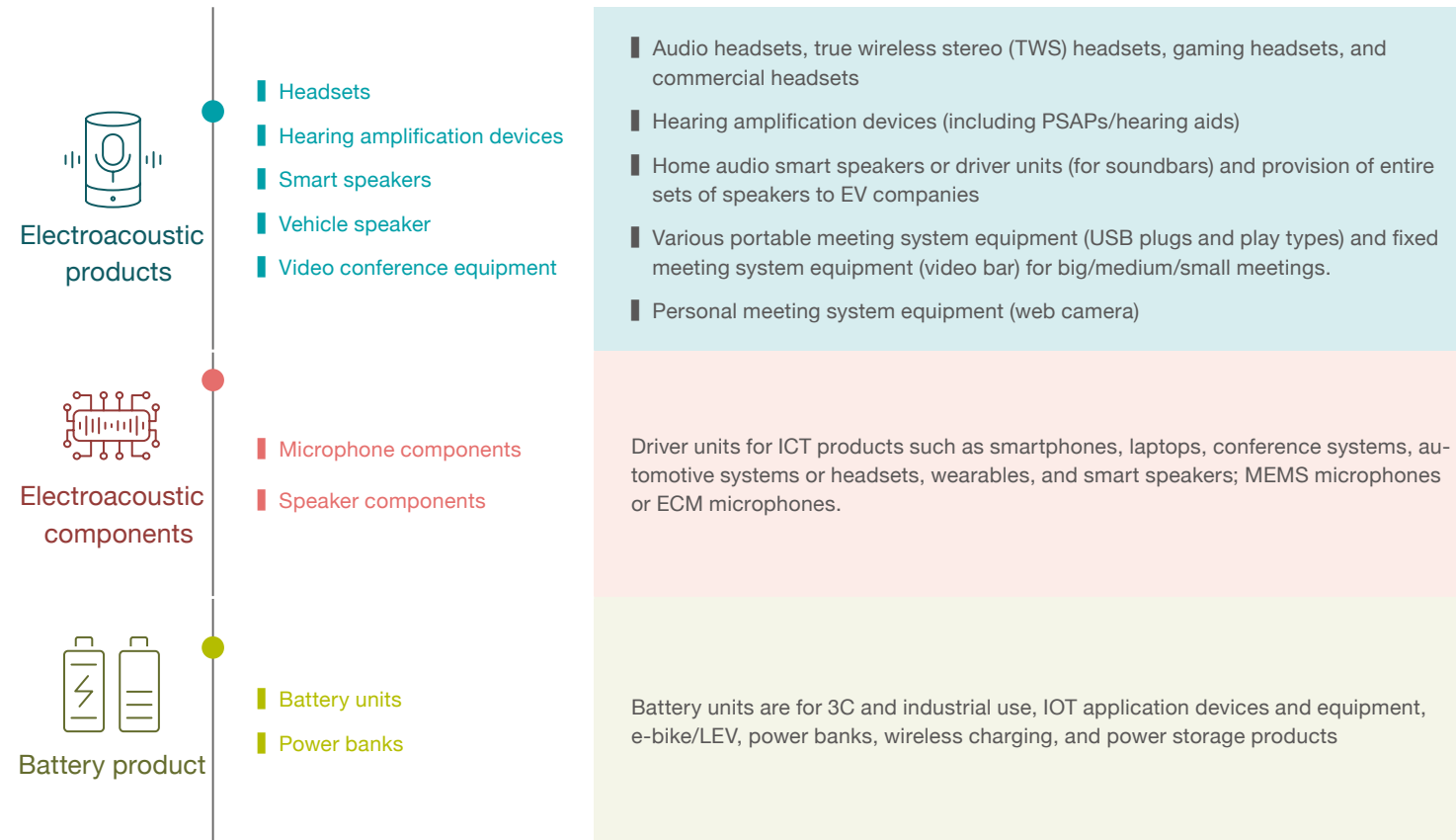
We already signed up for the RE100 initiative in 2021 to become the 13<sup>th</sup> enterprise in Taiwan to sign up for RE100. We also set the target to use 100% of renewables by 2050.



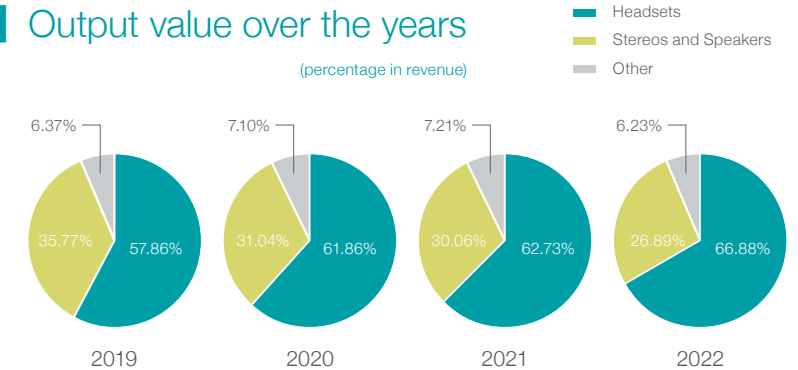
# 1.2 Product Overview

## Major product lineups and application

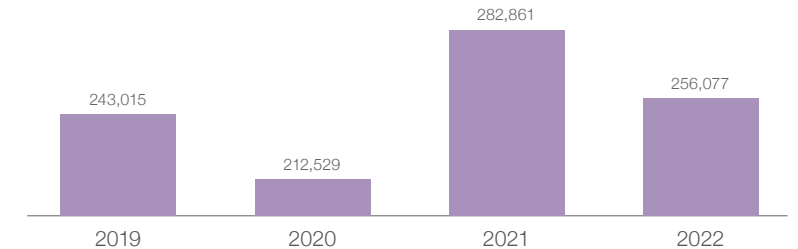
We integrate four key core technologies: electroacoustics, wireless, software, and battery to provide branded customers with total electroacoustics solutions covering the development, design, and manufacturing of products. Although the quality of music listening and speech is the first priority of electroacoustic products, it is also necessary to integrate special functions such as active noise cancellation (ANC), waterproofing, 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 combination with the upgrade of energy-saving equipment of production lines and plants, in order to provide customers with low-emission electroacoustics solutions. In 2022, Merry Electronics did not sell any products or services banned in particular markets.



## Output value over the years



## Sales over the years (thousand pcs)





## Global layout



Taiwan	Taipei
	Hsinchu
	Taichung (HQ)
China	Shenzhen
	Suzhou*
	Huizhou*

MUtek | Hsinchu  
 Fulicare | Haicang  
 Austar | Xiamen  
 Sonavox | Suzhou

Thailand	Rayong
Vietnam	Nghe An*
Canada	SCI   Vaughan

Norway	SEAS   Moss
Local Sales Office	Singapore
	West / East Coast, USA
	Hong Kong

\*Strategic Corporation with Luxshare Group



# 1.3 Financial Performance

In 2022, the consolidated revenue decreased by NT\$784 million (or 2.17%) over 2021 to NT\$35.399 billion; the consolidated net profit before tax increased by NT\$467 million (or 29.51%) over 2021 to NT\$2.049 billion.

In 2022, as the global earphone market recorded a decline, Merry amended its market strategies. Despite the decrease in the overall revenue from 2021, it continues to invest in the development of new products for customers and R&D expenses. Moreover, due to the favorable factor of currency exchange, its non-operating income increased.

## Historical revenue and profit or loss

Unit NT\$000'

	2018	2019	2020	2021	2022
Revenue	35,494,808	36,397,793	34,444,819	36,182,719	35,398,690
Operating costs	30,769,740	31,357,874	30,126,271	31,807,621	30,846,138
Gross profit	4,725,068	5,039,919	4,318,548	4,375,098	4,552,552
Operating expenses	2,421,935	2,804,567	3,177,806	3,276,541	3,479,432
Marketing expenses	350,439	397,602	345,767	424,928	454,456
Management fees	968,491	1,101,580	1,127,403	1,152,137	1,224,246
R&D expenses	1,103,005	1,305,385	1,704,636	1,699,476	1,800,730
Operating gains	2,303,133	2,235,352	1,140,742	1,098,557	1,073,120
Non-operating income (expenses)	423,116	1,010,845	561,963	483,616	975,906
Net profit before tax	2,726,249	3,246,197	1,702,705	1,582,173	2,049,026
Income tax expenses	665,400	715,051	383,305	291,083	427,970
Net profit of the period	2,060,849	2,531,146	1,319,400	1,291,090	1,621,056
Other comprehensive income before tax	-2,583,113	926,128	-936,960	-919,953	38,221
Total comprehensive income	-522,264	3,457,274	382,440	371,137	1,659,277
Earnings per share	10.47	12.51	6.39	5.40	6.81
<b>Expenditure items of disclosure specified by GRI</b>					
Employees' salaries and benefits	2,930,132	2,729,703	3,306,368	3,364,588	3,342,556
Governmental grants	59,410	173,967	188,780	312,065	327,336
Direct/indirect political donation	0	0	0	0	0
Public donation expenditure	2,843	2,013	1,649	1,598	1,628

Note:

1. Please refer to our 2022 Annual Report disclosed on the corporate website for the details regarding the operational status, financial performance, including liabilities, equity assets, retained earnings, dividend policy and status of execution, and rewards for employees and Directors.

2. The cash dividend for 2022 will be NT\$4.50 per share. However, the actual amount will be subject to the announcement made after the 2023 annual general meeting (AGM) of shareholders.



# 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 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.

### Summary of income tax paid in 2021 and 2022

By region	Unit NT\$000'			
	2021		2022	
Region	Amount	Ratio	Amount	Ratio
Asia	195,418	99.69%	192,724	99.04%
Europe	598	0.31%	1,871	0.96%
Total amount paid	196,016	100%	194,595	100%

Information related to income tax	Unit NT\$000'	
	2021	2022
Net profit before tax	1,582,173	2,049,026
Income tax expenses	291,083	427,970
Account entry effective tax rate	18.40%	20.89%
Income tax paid	196,016	194,595
Cash effective cash rate	12.39%	9.50%

The actual income tax paid in 2022 was approximately NT\$194 million, which was tax payable due to the earnings in 2021; however, net profit before tax in 2022 increased by 29.51%, resulting in a lower cash effective tax rate calculation in 2022 due to time difference.



# 1.5 Management Systems

Standard	Taiwan HQ	Merry Shenzhen	Merry Vietnam	Merry Thailand	Suzhou Merry
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## Quality management

ISO 9001:2015 Quality Management System	2022-11-10~2024-07-12	2021-10-18~2023-11-21	2023-01-03~2023-11-03	2022-03-25~2025-03-24	2022-10-12~2023-10-11
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## Labor, environment, ethics, health and safety

RBA-CoC 7.0		2021.03.22~2023.03.25 2023.04.17 Audit	2021.12.10~2023.08.13		
ISO 45001:2018 OH&S Management System	2021.09.28~2024.09.28	2021.10.18~2023.11.29	2022.01.05~2024.01.04		

## Environment

ISO 14001:2015 Environmental Management System		2021.11.18~2024.11.17	2022.01.03~2024.01.04	2021.12.25~2024.12.24	
IECQ-QC080000:2017 Hazardous Substance Process Management System		2023.02.17~2026.01.21	2022.07.03~2024.01.11		
ISO 14064-1:2018 GHG inventory	2022	2022			
ISO 50001:2018 Energy Management System	2022.11.07~2025.11.06	2020.12.02~2023.12.01			
SONY GP/ASUS GP	Expiry 2024.02.28	Expiry 2023.04.30			

## Intellectual Property Rights

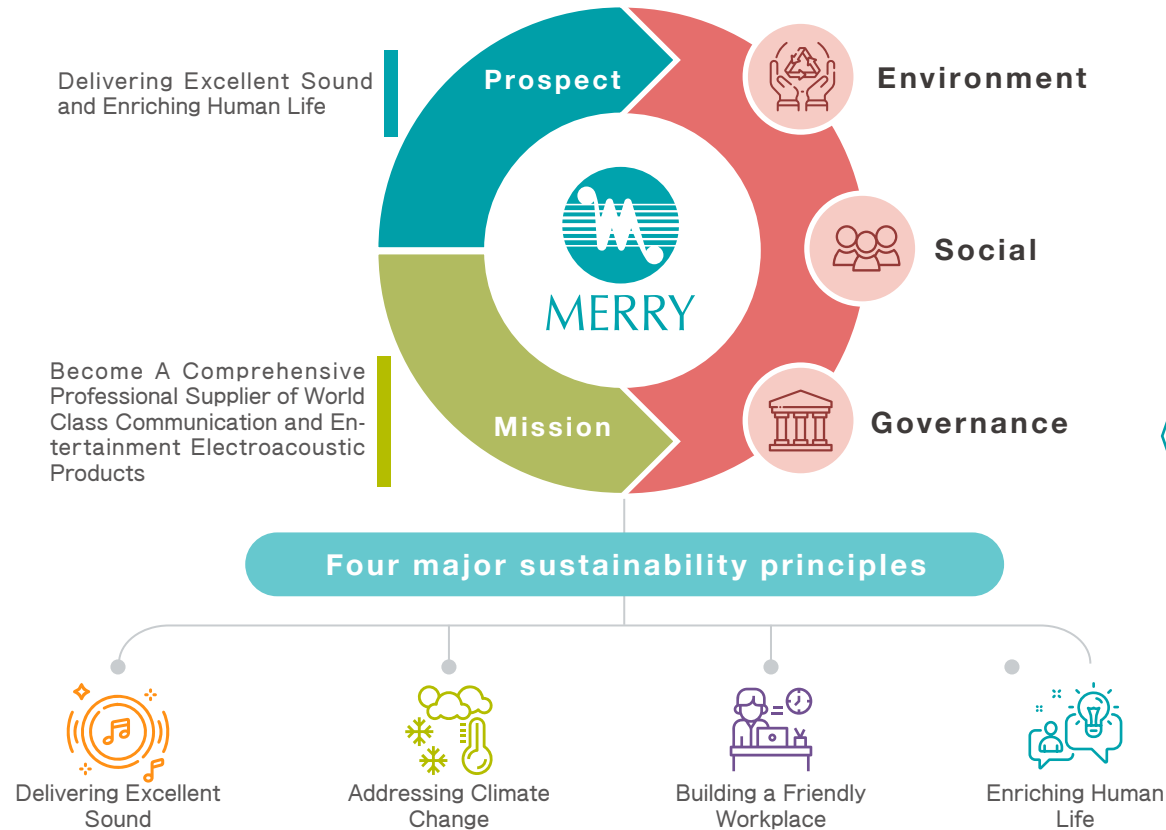
Taiwan Intellectual Property Management System (TIPS)	Expiry 2024.12.31				
GB/T 29490-2013 Enterprise Intellectual Property Management Standard		2021.01.23~2024.01.22			

## Information Security

ISO 27001:2013 Information Security Management System	2021.12.07~2024.12.06	2022.11.24~2025.11.23			
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※The above verifications do not apply to our locations in Singapore, Hong Kong, and the USA because they are operated in rented offices.

# 2.1 Sustainable Policy and Operation



Starting from the vision of “delivering excellent sound and enriching human life,” we make continual improvements to the core business to achieve the mission of being “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, 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

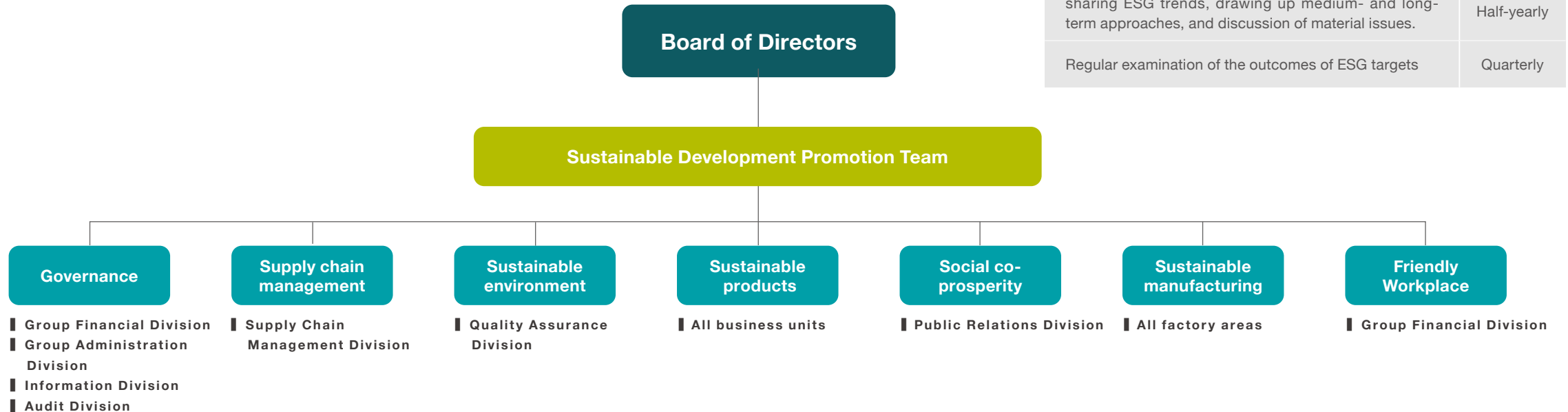
We established four promotion teams, including the Sustainable Development Promotion Team, under the Board. The Sustainable Development Promotion Team is chaired by the President, with the Public Relations Department as the executive secretary. Under the team, there are seven functional units to integrate 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.

The Board supervises the Company in formulating various short-term, mid-term, and long-term sustainable development strategies, targets, execution plans, and promoting achievements; when necessary, it formulates examination and improvement plans to realize sustainable principles and targets. The promotion team reported to the Board in December 2022, and the content of the report was the execution achievements in 2022, the execution plan in 2023, various project plans initiated, and ESG performance indicators, and the execution status will also be reported from time to time.

### Operating method :

Board of Directors	
Meeting Contents	Frequency
Annual ESG achievement report and plan, including sustainable development highlight schedule for the competent authority and responses to material issues concerned by stakeholders.	Half-yearly

Sustainable Development Promotion Team	
Meeting Contents	Frequency
Review of the outcomes of short-term ESG targets, sharing ESG trends, drawing up medium- and long-term approaches, and discussion of material issues.	Half-yearly
Regular examination of the outcomes of ESG targets	Quarterly



See 3-1 Governance Organization for Merry Electronics' organizational framework.







## 2.2 Stakeholder Identification and Communication

Besides maintaining sound communication and interaction with stakeholders in the course of operation 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. In 2022, we continued to carry out the analysis of 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, 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, and there was no material difference in the evaluation of the five major aspects; in 2022, material stakeholders identified remained investors, employees, suppliers, and customers.

### Stakeholder communication in 2022

Stakeholder	Significance to Merry	Communication Channel/Frequency	Communication achievements from January to December 2022	Countermeasure	Relevant Report Section
 <b>Investors</b>	The recognition and support of investors are the bedrock of our sustainable operations.	<ul style="list-style-type: none"> <li>Monthly revenue information (monthly)</li> <li>Investor conference/overseas investor forum (quarterly)</li> <li>AGM/annual report (annually)</li> <li>Corporate website/Market Observation Post System (MOPS)</li> </ul>	<ul style="list-style-type: none"> <li>Revenue announcement: 12 times</li> <li>Quarterly investor conferences: 4 times</li> <li>Participation in domestic and foreign investor forums: 15 times</li> <li>AGM: 1 time</li> </ul>	<ul style="list-style-type: none"> <li>Periodical disclosure of financial information of the Company on the MOPS and securities and corporate website</li> <li>Periodical disclosure of important board resolutions and material corporate information</li> <li>Employment of the spokesperson and deputy spokesperson to timely address the issues that concern investors</li> <li>Periodical meetings for reporting the operational performance to investors and addressing the questions that concern them</li> </ul>	<ul style="list-style-type: none"> <li>1.3 Financial Performance</li> <li>3.2 Ethical Corporate Management</li> <li>4.3 Green product management</li> <li>6.2 Climate Action and Energy Management</li> </ul>
 <b>Employees</b>	Employees are the most important asset to and the source of competitiveness of Merry.	<ul style="list-style-type: none"> <li>Employee performance interview (half-yearly)</li> <li>New employee interview (monthly, depending on training needs)</li> <li>EWC meeting (bimonthly)</li> <li>Internal information announcement (real-time)</li> <li>Employee feedback channels (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>Two times a year per employee (January and July)</li> <li>New employee seminars: 6 times</li> <li>EWC meetings: 6 times</li> <li>Internal information announcements: 30 times</li> <li>Employee feedback: 2 counts</li> </ul>	<ul style="list-style-type: none"> <li>Upholding the impartiality and non-discrimination principles to provide employees with equal opportunities for employment</li> <li>Establishing a well-planned remuneration and welfare system to give employees reasonable pay and rewards</li> <li>Optimizing professional skills through various education/training from time to time</li> <li>Ensure employee safety and health based on the “employee protection, care for health, hazard prevention, and reduction of work-related injuries” policies</li> </ul>	<ul style="list-style-type: none"> <li>4.1 Sustainable Design and Innovative Management</li> <li>5. Building a Friendly Workplace</li> </ul>



Stakeholder	Significance to Merry	Communication Channel/Frequency	Communication achievements from January to December 2022	Countermeasure	Relevant Report Section
Suppliers	The long-term and steady collaboration, growth with Merry together, and care for environmental and social responsibilities of suppliers facilitate the creation of value for customers.	<ul style="list-style-type: none"> <li>New supplier evaluation (as necessary)</li> <li>Supplier ratings (monthly)</li> <li>Supplier audits (annually)</li> <li>Supplier guidance (real-time)</li> <li>Onsite/over-the-phone/documents (emails)/online platform (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>Signing of the social and environmental undertaking of new suppliers: 96%</li> <li>Supplier monthly ratings.</li> <li>Audits of key suppliers: 61 suppliers</li> <li>Minimum supplier onsite guidance: 230 times</li> </ul>	<ul style="list-style-type: none"> <li>Assuring compliance with the Merry Green Product Regulations through the constant promotion of the green supply chain, request for and assistance in passing QMS certification for suppliers, and control of raw materials used</li> <li>Establishing communication platforms and promoting ESG-related publicity activities to actively explain the importance of sustainable cooperation to suppliers</li> <li>Excluding customer-designated and world-leading suppliers (compliance with the generally accepted ESG assessment standard), all (100%) new suppliers have signed the undertakings</li> </ul>	<ul style="list-style-type: none"> <li>4.2 Green product management</li> <li>4.3 Quality Management and Customer Service Optimization</li> <li>7. Enriching Human Life</li> </ul>
Customer	Customer recognition and trust are the drive of quality and technology improvement and sustainable development.	<ul style="list-style-type: none"> <li>Product project meeting (as required by projects)</li> <li>Quality meeting (monthly)</li> <li>Quarterly Business Review (QBR, quarterly)</li> <li>Customer satisfaction survey/scorecard (quarterly)</li> <li>Annual Supplier Conference</li> <li>Visits from time to time</li> </ul>	<ul style="list-style-type: none"> <li>Both technical capability and overall services have earned the recognition of major customers, with average customer satisfaction up to 83.16%.</li> <li>Customers have increasing concerns about low-emission design, such as the reduction of plastic packaging materials or replacement with paper and increased use of post-consumer recycled resin (PCR) in product materials.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve technical capacity, implement carbon dioxide reduction from product designs based on the sustainable design structure, implement renewable energy using routes under the RE100 initiative, actively promote carbon dioxide reduction measures, and jointly realize carbon dioxide reduction products with customers.</li> <li>Constantly satisfy customers' requirements and enhance customer satisfaction through quality management systems and problem-solving capacity. Manage relevant raw materials via the green management system to comply with the product specifications of customers and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>3.4 Information Security</li> <li>4. Delivering Excellent Sound and Enriching Human Life</li> <li>6. Addressing Climate Change</li> </ul>

Communication Channel

Apart from maintaining interactions in various forms with stakeholders in daily operations, the Company has set up a relevant contact section on its website.

**Investor-related**  
  
 investor@merry.com.tw  
 04-23590811#116229 Ms. Jian

**Employee/recruitment-related**  
  
 merry\_resume\_db@merry.com.tw  
 04-23590811 Ms. Guo

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

Complaint system

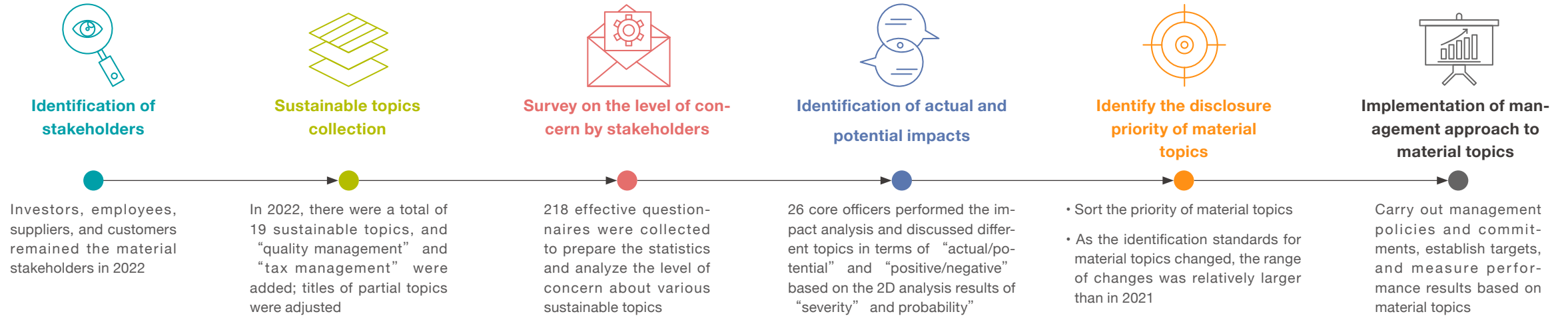
“Integrity and ethics” have been the corporate culture ingrained in our minds ever since the company was established. If you find any suspected violation of the “Merry Ethical Corporate Management Best-Practice Principles” or “Merry Code of Ethical Conduct” in Merry employees, please report to our responsible units through the following channels, and appropriate measures will be adopted to protect your personal information and privacy.

**Integrity report box**  
 integrity@merry.com.tw

**Report hotline**  
 04-2359-0811#118000

# 2.3 Analysis and Identification of Material Topics

## Identification procedures of material topics



### Sustainable topics collection

Merry Electronics considered the value creation process of corporate operations, collected information on communication with stakeholders, and referred to global sustainable disclosure specifications or standards (GRI, SASB, and TCFD), regulatory requirements imposed by the government of places where our business locations located, and sustainable reports of globally renowned sustainability rating institutions (i.e., S&P, Global, and MSCI), domestic and foreign material customers and industry benchmark enterpris-

es to compiled 19 sustainable topics to serve as the basis for the survey of level of concern by stakeholders and internal sustainability impact evaluations subsequently. In addition, in accordance with the composite consideration of trend, standard amendments, and rating of sustainable topic management, topics were adjusted from 17 in 2021 to 19 in 2022. Except for mild adjustments made to the title of partial topics, topics of “quality management” and “tax management” were newly added.

### Survey on the level of concern by stakeholders

To understand the concerns and expectations of stakeholders regarding sustainable topics promoted by Merry Electronics, we continued to distribute sustainable topic questionnaires to material stakeholders for survey in 2022 and recovered 218 effective feedback. According to the feedback results of the questionnaires, we derived topics concerned by different categories of material stakeholders to understand their level of concern for sustainable topics



## Identification of actual and potential impacts

Regarding the abovementioned 19 sustainable topics, 26 core officers carried out impact analysis and discussion when convening the Sustainability Committee meeting in 2022 Q4 to analyze the results of actual/potential and positive/negative impacts of various topics on the economy, environment, human and human rights, and other aspects based on “severity” and “probability.” Furthermore, they distinguished the level of positive impact and

the level of the negative impact of different sustainable topics. When evaluating the level of impact, if a topic has actual or potential human rights risks, it will have the highest mark in severity.

tainable topics. When evaluating the level of impact, if a topic has actual or potential human rights risks, it will have the highest mark in severity.

### Five major topics concerned by material stakeholders in 2022

 <b>Investors</b>	 <b>Employees</b>	 <b>Suppliers</b>	 <b>Customer</b>
<ul style="list-style-type: none"> <li>• Quality management</li> <li>• Economic influence</li> <li>• Product responsibility</li> <li>• Energy management</li> <li>• Ethical corporate management</li> </ul>	<ul style="list-style-type: none"> <li>• Talents attraction and retention</li> <li>• Human capital development</li> <li>• Diversity and inclusiveness</li> <li>• Economic influence</li> <li>• Innovative management</li> </ul>	<ul style="list-style-type: none"> <li>• Quality management</li> <li>• Innovative management</li> <li>• Ethical corporate management</li> <li>• Social influence</li> <li>• Information security</li> </ul>	<ul style="list-style-type: none"> <li>• Quality management</li> <li>• Sustainable supply chain management</li> <li>• Information security</li> <li>• Innovative management</li> <li>• Product responsibility</li> </ul>

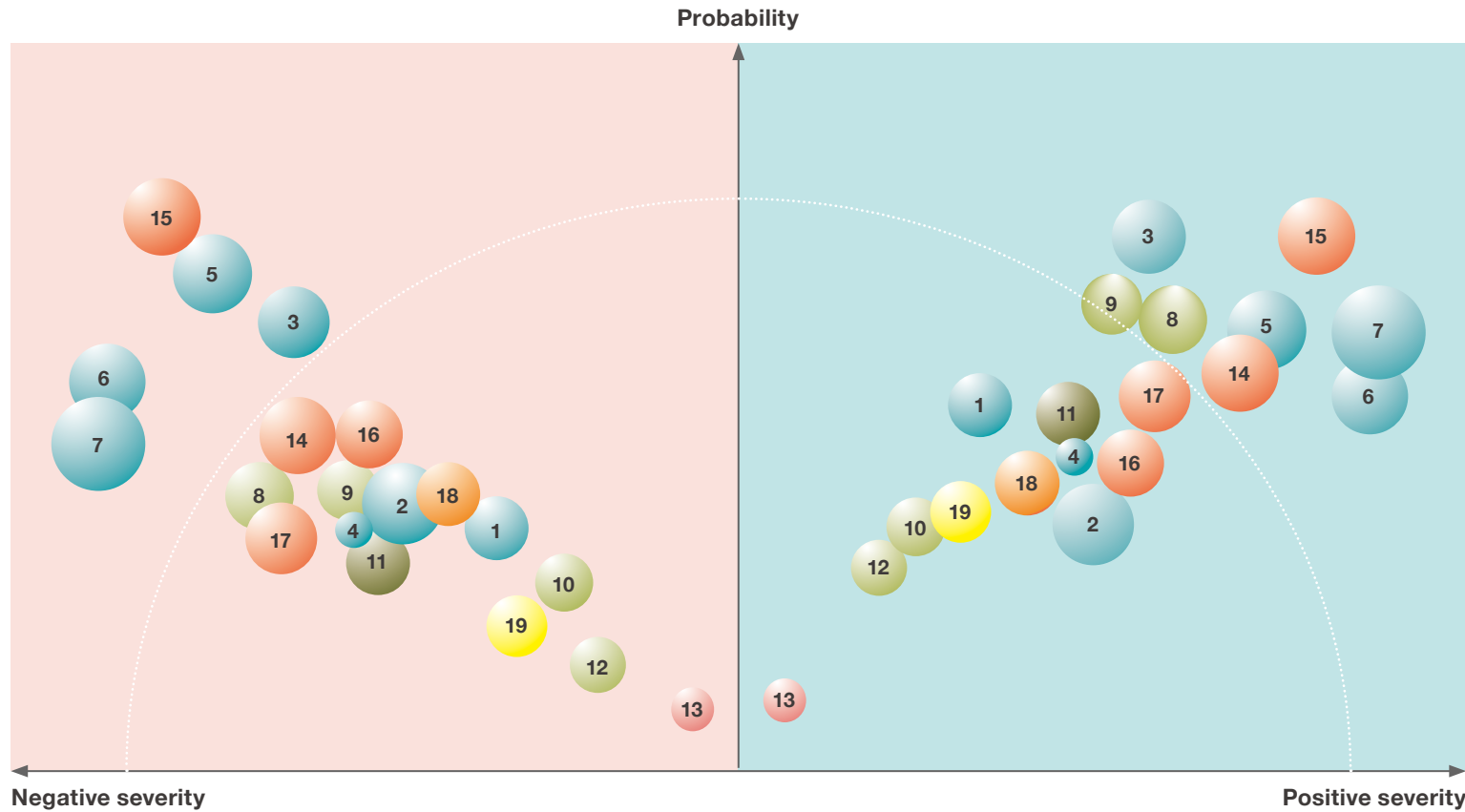
## Identify the disclosure priority of material topics

Compile and sort the abovementioned level of concern by stakeholders and positive and negative impacts to prepare the 3D matrix diagram. Based on the analysis and discussion results of the Sustainability Committee, talent attraction and retention, product responsibility, innovative management, information security, sustainable supply chain, product liability, climate strategies, and energy management, a total of eight sustainability topics, were selected as the material topics for disclosure in priority for the preparation of the sustainability report in 2022.

We performed an analysis regarding the differences in the material topics in 2021. As the selection was based on the existing management in 2022, topics may have positive/negative impacts and are different as compared to the impact evaluation performed based on the natural state of sustainable topics in 2021; therefore, the range of changes in the item of material topics was relatively larger. With the sustainable design requirements, the emergence of operating challenges due to climate change, sub-replacement fertility, and the in-

creasing competition in the industry, “talents attraction and retention” was newly added as a material topic in the evaluation result, and “quality management” newly added was also relatively more important in terms of risks and opportunities under customers’ requirements, and it was also listed as a material topic.

Economic influence (financial performance), ethical corporate management, occupational safety and health recorded favorable management performance under the business management of Merry Electronics, and the impacts were relatively weaker as evaluated; however, they are listed as topics that we will attach our constant attention to, and we will continue to implement in our daily management. We will not otherwise disclose the management policy but will continue the management based on our short-term, mid-term, and long-term plans, and we voluntarily disclose relevant management behaviors and quantitative information.



**Negative/positive**

1 Economic influence	8 Climate strategies	15 Talents attraction and retention
2 Ethical corporate management	9 Energy management	16 Diversity and inclusiveness
3 Sustainable supply chain	10 Water resources management	17 Human capital development
4 Tax management	11 Waste management	18 Occupational safety and health
5 Innovative management	12 Air pollution management	19 Social influence
6 Information security	13 Bio-diversity	
7 Quality management	14 Product responsibility	

No.	Negative impact No.	Positive impact No.
1	Talents attraction and retention *	Talents attraction and retention *
2	Innovative management *	Quality management *
3	Information security *	Innovative management *
4	Quality management *	Information security *
5	Sustainable supply chain management *	Sustainable supply chain management *
6	Product responsibility	Product responsibility *
7	Climate strategies	Climate strategies *
8	Diversity and inclusiveness	Energy management *
9	Energy management	Human capital development
10	Human capital development	Diversity and inclusiveness
11	Tax management	Waste management
12	Ethical corporate management	Tax management
13	Occupational health and safety	Economic influence
14	Waste management	Ethical corporate management
15	Economic influence	Occupational health and safety
16	Water resources management	Social influence
17	Social influence	Water resources management
18	Air pollution control	Air pollution control
19	Bio-diversity	Bio-diversity

\* Topics of material impacts



### Identification procedures of material topics

Topics of material impacts in 2022	Topics of material impacts in 2021	Comparison of differences between material topics	Scope of impact			Aspect of impact				Corresponding Topic	Corresponding Report Section
			Suppliers	Merry Electronics' operations	Customer	Economic aspect	Environmental aspect	Crowd	Human rights		
<b>Topics of material impact</b>											
Talents attraction and retention		Newly added items		⊙		⊙		⊙		<ul style="list-style-type: none"> <li>GRI 202 Market Presence 2016</li> <li>GRI 401 Employment 2016</li> <li>GRI 402 Employment 2016</li> <li>SASB TC-HW-330a.1</li> </ul>	5-1 Talents Attraction and Retention
Quality management		Newly added items	⊙	⊙	⊙	⊙		⊙		<ul style="list-style-type: none"> <li>Quality management system</li> <li>Customer service</li> </ul>	4-3 Quality Management and Customer Service Optimization
Innovative management	Sustainable Design	Maintenance item		⊙	⊙	⊙	⊙	⊙		<ul style="list-style-type: none"> <li>Saving from energy-saving design/material recycling/material</li> <li>SASB TC-HW-410a.2</li> <li>SASB TC-HW-410a.3</li> </ul>	4-1 Sustainable Design and Innovative Management
Information Security	Information Security	Maintenance item	⊙	⊙	⊙	⊙				<ul style="list-style-type: none"> <li>Focus of information security management</li> <li>Information security management system</li> <li>Information security educational training</li> </ul>	3-4 Information Security
Sustainable supply chain	Sustainable supply chain	Maintenance item	⊙	⊙	⊙	⊙	⊙		⊙	<ul style="list-style-type: none"> <li>GRI 308 Supplier Environmental Assessment 2016</li> <li>GRI 414 Supplier Social Assessment 2016</li> </ul>	4-5 Sustainable Supply Chain Management



Topics of material impacts in 2022	Topics of material impacts in 2021	Comparison of differences between material topics	Scope of impact			Aspect of impact				Corresponding Topic	Corresponding Report Section
			Suppliers	Merry Electronics' operations	Customer	Economic aspect	Environmental aspect	Crowd	Human rights		
<b>Topics of material impact</b>											
<b>Sustainable supply chain</b>	Sustainable supply chain	Maintenance item	⊙	⊙	⊙	⊙	⊙			<ul style="list-style-type: none"> <li>■ SASB TC-HW-430a.1</li> <li>■ SASB TC-HW-430a.2</li> <li>■ SASB TC-HW-440a.1</li> </ul>	4-5 Sustainable Supply Chain Management
<b>Product responsibility</b>	Product responsibility	Maintenance item	⊙	⊙	⊙	⊙	⊙	⊙		<ul style="list-style-type: none"> <li>■ GRI 416 Customer Health and Safety 2016</li> <li>■ GRI 417 Marketing and Labeling 2016</li> <li>■ SASB TC-HW-230a.1</li> <li>■ SASB TC-HW-410a.1</li> </ul>	4-2 Green product management
<b>Climate strategies</b>	climate change	Maintenance item	⊙	⊙	⊙	⊙	⊙			<ul style="list-style-type: none"> <li>■ GRI 201 Economic Performance 2016</li> <li>■ GRI 305 Emissions 2016</li> </ul>	6. Addressing Climate Change
<b>Energy management</b>	Energy management	Maintenance item		⊙	⊙		⊙	⊙		<ul style="list-style-type: none"> <li>■ GRI 302 Energy 2016</li> </ul>	6-2 Climate Action and Energy Management
<b>Topic of Continual Concern (topics of voluntary disclosure)</b>											
<b>Economic influence</b>	Financial performance	Constant concern	⊙	⊙		⊙			⊙	<ul style="list-style-type: none"> <li>■ GRI 201 Economic Performance 2016</li> <li>■ GRI 204 Procurement Practices 2016</li> </ul>	1-3 Financial performance
<b>Ethical corporate management</b>	Ethical corporate management	Constant concern	⊙	⊙	⊙	⊙			⊙	<ul style="list-style-type: none"> <li>■ GRI 205 Anti-corruption 2016</li> </ul>	3-2 Ethical corporate management



Topics of material impacts in 2022	Topics of material impacts in 2021	Comparison of differences between material topics	Scope of impact			Aspect of impact				Corresponding Topic	Corresponding Report Section
			Suppliers	Merry Electronics' operations	Customer	Economic aspect	Environmental aspect	Crowd	Human rights		
<b>Topic of Continual Concern (topics of voluntary disclosure)</b>											
<b>Tax management</b>	Tax management	Constant concern		⊙		⊙				█ GRI 207 Tax 2019	1-4 Tax Management
<b>Water resources management</b>	Water resources management	Constant concern		⊙			⊙		⊙	█ GRI 303 Water and Effluent 2018	6-3 Water and Waste Management
<b>Waste management</b>	Waste and recycling	Constant concern		⊙			⊙		⊙	█ GRI 306 Waste 2020 █ SASB TC-HW-410a.4	6-3 Water and Waste Management
<b>Diversity and inclusiveness</b>	Diversity, inclusiveness, and equality	Constant concern		⊙		⊙		⊙	⊙	█ GRI 405 Diversity and Equal Opportunity 2016 █ GRI 406 Non-discrimination 2016	5-3 Friendly and Safe Workplace
<b>Human capital development</b>	Talent development	Constant concern		⊙		⊙		⊙		█ GRI 404 Training and Education 2016	5-2 Talent Development
<b>Occupational health and safety</b>	Occupational health and safety	Constant concern	⊙	⊙		⊙		⊙	⊙	█ GRI 403 Occupational Health and Safety 2018	5-3 Friendly and Safe Workplace





# 2.4 Management Approach of Material Topics



## Talents attraction and retention

Responsibility

Group HR Division/Director

Employees are important partners of Merry Electronics for sustainable development. We are dedicated to creating a work environment of equality, diversity and health and providing salaries and benefit systems of competitiveness and internal fairness.

Scope of impacts

- Customer
- Merry Electronics
- Suppliers

Aspect of impacts

- Economy
- Environment
- Crowd
- Human rights

Scope of impact time

- Impacts occurred
- Potential impacts in the following year
- Potential impacts in the following two to three years
- Potential impacts over the following three years

Policy and commitment

- Upholding the impartiality and non-discrimination principles to provide equal opportunities for employment and development
- Connecting to the salary standard and benefits system within the industry and providing salary strategies and diversified benefits measures of competitiveness within the industry

Attract excellent talent to join, improve employees' cohesion, and improve corporate recognition of employees and retention

Objective and target

- Annual resignation rate  $\leq$  25%
- Retention rate of excellent employees  $\geq$  95%
- Gender ratio (female/male): Overall employees: 0.87; intermediate officers: 0.43
- Provide two gender-friendly measures more favorable than that of laws and regulations
- Benefit plans that are more favorable than laws and regulations
- Long-term retention incentive measures - Accumulated number of employees participated in shareholding trust: 330 persons
- Promote employee engagement survey

Action plan adopted

- Provide employee benefit policies more favorable than regulations
- Employee engagement survey once every two years

Action plan follow-up (performance measurement system)

- General meeting of the Group
- Merry Data Intelligent system

Performance measurement results

- Annual resignation rate: 23.18%
- Retention rate of outstanding employees: 89.4%
- Gender ratio (female/male): Overall employees: 0.924; intermediate officers: 0.538
- Score of employee engagement survey: 3.8
- Accumulated number of employees who participated in shareholding trust: 343 persons (achievement rate: 104%)
- Add the stable salary household policy
- Add seven days of paid leave for care at most

Stakeholder engagement

Internal: Employees may provide feedback and opinions via diverse communication channels to jointly build a friendly workplace  
 External: Manage the employer's brand image via diverse social recruitment channels to attract outstanding talents



## Management Approach of Material Topics (cont' d)



### Quality management

Responsibility

Group R&D Division/Chief of Technology

Establish stable product quality, improve the reliability of products to reduce the return rate of customers, and provide products and services that fulfill customers' requirements to improve customer satisfaction, and in turn, improve brand value and awareness, increase trust and recognition of customers for products, and facilitate the continual growth of the enterprise.

Scope of impacts

- Customer
- Merry Electronics
- Suppliers

Aspect of impacts

- Economy
- Environment
- Crowd
- Human rights

Scope of impact time

Impacts occurred

- Potential impacts in the following year
- Potential impacts in the following two to three years
- Potential impacts over the following three years

Policy and commitment

Adopt source management to instantly provide satisfactory products, quality, and services to customers

Continue to improve the effectiveness of the quality management system through the utilization of quality policies, quality targets, audit results, data analysis, corrective and preventive measures, and management review to achieve customers' expectations and ensure the overall operating targets of the Company

Objective and target

- Cost of quality failure: Less than 0.31%
- Number of production line suspensions due to quality anomaly throughout the year: 0
- QA qualification rate: 100%
- Average number of customer complaints each month: Less than two cases
- Customer satisfaction  $\geq$  80%

Action plan adopted

- Control the timeliness for addressing anomalies and comply with the "3637 principle" to avoid the suspension of production line due to failures in addressing anomalies in time
- Follow up on the target achievement rate each month, continue to improve items that have not achieved the target, and propose preventive measures

Action plan follow-up (performance measurement system)

- Carry out quality management and customer satisfaction reporting and examination each month at the general meeting

Performance measurement results

- Cost of quality failure: Less than 0.35%
- Number of production line suspensions due to quality anomalies throughout the year: 1
- QA qualification rate: 99.41%
- Average number of customer complaints each month: Less than 0.75 cases
- Customer satisfaction: 83.16%

Stakeholder engagement

Internal: The Quality Assurance Division shall establish quality policies that implement in all procedures of manufacturing processes  
External: Customers may provide feedback and opinions via the scorecard from time to time of the regular satisfaction survey



## Management Approach of Material Topics (cont' d)



### Talents attraction and retention

Responsibility

Group R&D Division/Chief of Technology

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 for customers in the sustainable ecosystem chain in collaboration with suppliers.

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.

Scope of impacts

- Customer
- Merry Electronics
- Suppliers

Aspect of impacts

- Economy
- Environment
- Crowd
- Human rights

Scope of impact time

Impacts occurred

- Potential impacts in the following year
- Potential impacts in the following two to three years
- Potential impacts over the following three years

Policy and commitment

- Constantly using recycled materials to increase the percentage of recycled materials used 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

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 to ensure that the materials, processes, and products from Merry Electronics comply with the related environmental protection regulations and standards

Objective and target

#### Short-term goals (2022)

- Recycled materials used in new models: 25%
- Optimal structure design for products

#### Medium-term goals (2025)

- Recycled materials used in new models: 40%
- Light-weight design for products
- Energy consumption optimization design for products
- Establishing an environmental material design database

#### Long-term goals (2030)

- Recycled materials used in new models: 90%
- Green energy use proportion: 60%

#### Action plan adopted

The Company has established six major structures of innovative management to assist customers in producing advanced and effective products. It continues to improve the modulization of production and manufacturing and product design capacity, save manufacturing materials, use renewable materials and environmental-friendly packaging design, adopt stages to reduce electricity consumption to realize its green manufacturing commitments starting from the interior of the Company and realize the sustainable value of the environment and society.

- Use recycled materials in products and packaging materials
- Adopt light designs of products to reduce the use of raw materials
- Optimize product power consumption and improve charging efficiency

#### Action plan follow-up (performance measurement system)

- 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 global regulations and customer requirements for no restricted substances in products

#### Performance measurement results

- Recycled materials used in new models: 25%
- The weight decreased due to the optimized structure accounting for approximately 15% of overall materials, and the overall volume of materials used by the optimized PCB was reduced by 33%.
- In 2022, no violation of marketing and labeling laws and regulations and/or voluntary codes were reported.

#### Stakeholder engagement

Internal: Reinforce the sustainable innovation capacity of relevant departments via ESG trend introduction, green products and materials, and other series courses

External: Customers may directly contact relevant business contact or use the product inquiry channels set on the Company's website



## Management Approach of Material Topics (cont' d)



### Information Security

Responsibility

Information Division/  
Chief of Information Security

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.

Scope of impacts

- Customer
- Merry Electronics
- Suppliers

Aspect of impacts

- Economy
- Environment
- Crowd
- Human rights

Scope of impact time

- Impacts occurred
- Potential impacts in the following year
- Potential impacts in the following two to three years
- Potential impacts over the following three years

Policy and commitment

- Information security risk evaluation: ascertain the source of information security risks and level of impacts
- Risk management strategy: ascertain the method to identify risks, including selecting appropriate risk management measures
- Implement risk management measures: implement the selected risk management measures
- Monitor and review: regularly monitor and review the implemented risk measures to ensure their effectiveness and timely adjustments
- "Strengthening information security for sustainable operations"
- 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.

Objective and target

- No material information security event
- Achievement rate of comprehensive control of accounts: 100%
- Information educational training completion rate ≥ 100%

#### Action plan adopted

- Employee information security awareness training
- Control of information security accounts
- Social engineering drill and training
- Endpoint operation protection and control
- Network management, prevention, and control

#### Action plan follow-up (performance measurement system)

- Bi-weekly information security meeting
- Monthly meeting of the Information Division
- Quarterly HQ information team
- Quarterly Group Information Security Promotion Team

#### Performance measurement results

- No material information security event in 2022
- Pass the external certification of ISO 27001 each year
- Reinforce the information security awareness of personnel and minimize information security risks. Achievements in 2022: The training completion rate for one dedicated information security personnel and 81 members of the information security workforce: 100%; the training completion rate of 785 employees of Taiwan HQ: 96.43%. 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%.
- Organize social engineering drills and carry out operating tests each month. A total of 12 testing e-mails were sent, and there were a total of 8,918 persons participated in the test, which effectively reduced the generation of phishing mail risks
- 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 attacks, with an accomplishment rate of 100%.

#### Stakeholder engagement

- Internal: Based on annual educational training and various information security drills, if there are relevant risks, report to the Information Division
- External: Regularly engage external professional information security companies to perform vulnerability scanning for servers for external services; if there are relevant impacts, please communicate with or file a complaint to the Company via the "Contact Us" section on the Company's website



## Management Approach of Material Topics (cont' d)

### Sustainable supply chain

Responsibility

Supply Chain Division/Vice President

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, and provide end-users with products that comply with health and safety requirements while creating value for customers.

Scope of impacts

Customer

Merry Electronics

Suppliers

Aspect of impacts

Economy

Environment

Crowd

Human rights

Scope of impact time

Impacts occurred

Potential impacts in the following year

Potential impacts in the following two to three years

Potential impacts over the following three years

Policy and commitment

- Nature optimization
- Risk management
- Supply chain localization
- Supplier audits/interaction

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 "Social Responsibility Commitment" and "Declaration of Non-Use of Conflict Minerals"; 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

Objective and target

- Enforce SCM and promote short-, medium-, and long-term KPIs for suppliers.
- The collection rate of CSR Commitment and Declaration of Non-Use of Conflict Minerals > 92%, CSR score of key suppliers > 82 points
- We prioritize procurement from local suppliers in the location of operations to enhance supply resilience

#### Action plan adopted

- Require suppliers to sign the Social Responsibility Commitment and Declaration of Non-Use of Conflict Minerals
- CSR audit of key suppliers
- Improve the ratio of procurement from the local supply chain

#### Action plan follow-up (performance measurement system)

- 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 measurement results

- In 2022, 96% of new suppliers signed the CSR Commitment and Declaration of Non-Use of Conflict Minerals (100% excluding customer-designated and world-leading suppliers)
- In 2022, 96% of current suppliers signed the Social Responsibility Commitment and Declaration of Non-Use of Conflict Minerals (achieved the mid-to-long-term target)
- In 2022, the average score of the CSR audit on key suppliers was 84.4, representing a growth of 2% as compared to 2021
- In 2022, our production remained majorly in China, and the local procurement ratio of the plant in China reached 98% (excluding electronic materials as such materials required to be purchased from designated major companies)
- Five green promotion seminars were held in 2022, and a total of 52 key suppliers participated in such seminars

#### Stakeholder engagement

Internal: Reinforce the awareness and implementation of employees in terms of the development strategies of the sustainable supply chain through ESG trend introduction and other series courses

External: Establish a supplier communication platform and promote ESG-related seminars



## Management Approach of Material Topics (cont' d)

### Climate strategies and energy management

Responsibility

Quality Assurance Division/Director

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.

Scope of impacts

- Customer
- Merry Electronics
- Suppliers

Aspect of impacts

- Economy
- Environment
- Crowd
- Human rights

Scope of impact time

Impacts occurred

- Potential impacts in the following year
- Potential impacts in the following two to three years
- Potential impacts over the following three years

Policy and commitment

- Total participation in energy conservation and energy legal compliance
- Green energy procurement and design, energy efficiency enhancement
- Continuous awareness education, practices of energy conservation and carbon reduction.

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

Objective and target

- GHG emissions intensity reduced by 2% from 2021
- Energy intensity reduced by 1.5% from 2021
- Set the renewable energy use target at 14% 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
- Headset product (1 item) passed the third-party verification of ISO 14067: 2018 carbon footprint
- 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

#### Action plan adopted

- Merry Data Intelligent system calculates GHG (scope 1 and 2) emissions
- Focus on improving the use of energy and using renewable energy or purchasing renewable energy certificates to reduce carbon dioxide emissions and continue to communicate and work with plants and divisions

#### Action plan follow-up (performance measurement system)

- Hold the Monthly ESG Meeting with plants each month to follow up on various energy conservation and carbon reduction measures
- Report and review the outcomes of GHG emissions at the monthly review meeting
- Continue to collect and update successful energy-saving cases to plants and divisions, regularly follow up on the energy data of plants and divisions, and assist in tracking energy-saving indicators

#### Performance measurement results

- Taiwan HQ and Merry Shenzhen perform inventory and verification based on ISO 14064-1:2018 GHG inventory standards
- Merry Vietnam and Merry Thailand introduced ISO14064-1:2018 GHG inventory standards in 2021 and 2022, respectively, and completed the organizational GHG internal inventory.
- In 2022, under the boundary of RE100, Merry used a total of 5,506MWh of renewable energy, accounting for 16.31% of the total power ratio, in which 907MWh was the direct use of renewable energy, and 4,599MWh was through the purchase of renewable energy certificates
- Merry Vietnam installed a heat recycling system for its air compressor system to recycle and reuse waste heat for water heating of the dormitory, which saves approximately 16,000 kWh each year; Merry Shenzhen Plant 2 introduced an energy system that automatically collects data for relevant units to make instant improvement for abnormal power consumption; Merry Thailand replaced old A/Cs with 14 inverter A/Cs to improve energy efficiency, which is expected to save 66,600 kWh each year

Stakeholder engagement

Internal: Reinforce the awareness and implementation of relevant departments through ESG trend introduction, ISO14064-1:2018 organizational GHG inventory, and other series courses

External: If there is any relevant impact, communication or complaints may be made and filed via "Contact Us" on the corporate website.



# 2.5 Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is a challenge to be jointly faced by all sectors worldwide. The governance body of Merry understands the potential effects of climate change on operations and long-term development. It started promoting relevant management systems in 2020 and continued to improve the management operation and the awareness of risks and opportunities related to climate issues and climate in 2021. It continued to implement

climate governance, formulated policies and targets, and invested resources in evaluating and studying transformation plans. In the future, it will continue to track the achievement status of targets and adopt active action plans.

From the end of 2022 to 2023 Q1, the risk management team has convened two meetings and invited functional/business units to carry out the identification and confirmation of climate-

related risks and opportunities, financial impact evaluations, and discussion of response plans.

Evaluations and planning achievements will be included in the operating plans promoted by relevant units, and they will be reported to the Sustainable Development Promotion Team and the Board regularly as a reference for governance.

## Climate change governance and structure

<p><b>Board of Directors</b></p>	<p>The highest decision-making unit of climate-related risks is responsible for approving relevant risk management regulations, tracking climate-related risk management execution status, providing instructions for the decision-making of response plans, and supervising execution achievements and target achievements of plans.</p>
<p><b>ESG/Sustainable Development Promotion Team</b></p>	<p>The President is the chairperson. Meetings are regularly convened each quarter to carry out sustainable development planning, execution, and performance examination.</p>
<p><b>Risk Management Team</b></p>	<p>The dedicated risk management department of Merry took the lead in establishing a cross-department task force for the identification of climate-related risks, promotion of response plans, coordinating and planning for risk and opportunity identification, response plan planning, and other risk management procedures. Based on the ISO31000 management system structure, Merry's climate-related risks have been integrated with the existing risk management operation for the annual operation of risk management.</p> <p>Meanwhile, the risk management team regularly confirms the execution achievements, compiles climate-related risk management reports, reports to the Board at least once a year regarding the evaluation achievements of climate-related risks and opportunities and provides instruction for the implementation of climate-related risk and opportunity management.</p>
<p><b>Functional/business units</b></p>	<p>Regularly carry out evaluation and analysis of climate-related risks and opportunities, organize and execute response plans, and regularly report the implementation achievements and performance.</p>



## Management procedures for climate-related risks and opportunities

With reference to TCFD recommendations, Merry identifies risks and opportunities, evaluates response strategies and plans, and regularly carries out internal and external reporting based on the management procedures of climate-related risks and opportunities.

### Inventory check of risk items

Identify possible risk and opportunity items with reference to TCFD recommendations, domestic and foreign regulations and the expectations of external stakeholders.

### Crucial risk analysis

The Company carries out crucial risk analysis and identification based on the time range of the occurrence of risks (short-term: 1-3 years; mid-term: 5-10 years; long-term 10 years or above), probability of risk occurrence, potential occurrence position of risks, and the level of risk impacts.

Analysis results are sorted by adopting a quantitative method, and the top three risk and opportunity items are crucial risks.

### Financial impact analysis of risks and opportunities

Consider the probability of the occurrence of risks/opportunities and the level of impacts on operations to evaluate potential items and the level of financial impacts.

### Planning response plans and reporting

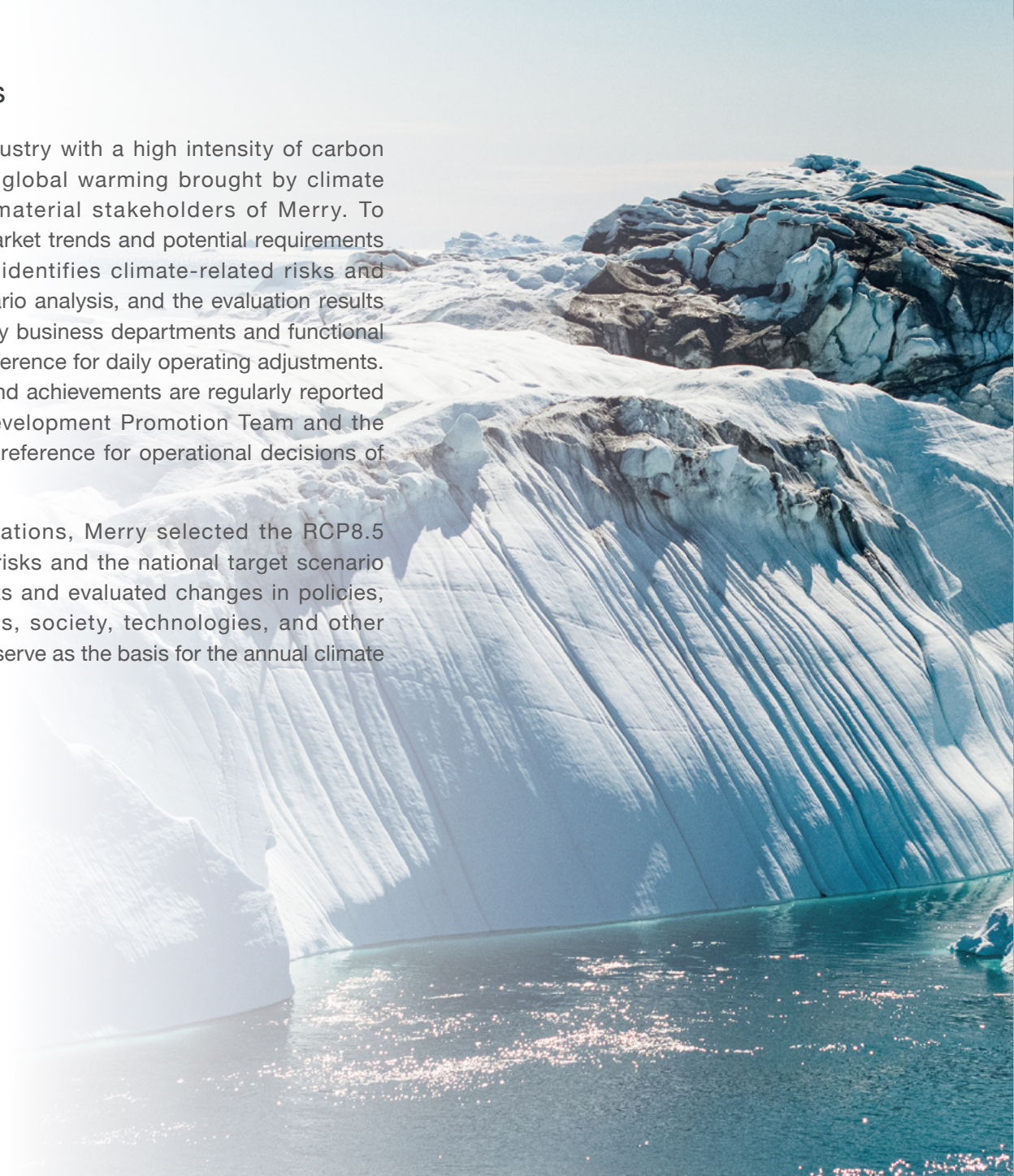
Evaluate response strategies (mitigation, transfer, tolerance, and control) and plan for response plans taking into account the level of financial impacts based on crucial risks and opportunities.

Report according to internal management procedures and make regular disclosures in the sustainability report.

## Scenario analysis

Merry is not in an industry with a high intensity of carbon emissions. However, global warming brought by climate change affects the material stakeholders of Merry. To instantly respond to market trends and potential requirements of customers, Merry identifies climate-related risks and opportunities via scenario analysis, and the evaluation results are closely examined by business departments and functional units to serve as the reference for daily operating adjustments. In addition, progress and achievements are regularly reported to the Sustainable Development Promotion Team and the Board to serve as the reference for operational decisions of the Group.

Under such considerations, Merry selected the RCP8.5 scenario for physical risks and the national target scenario for transformation risks and evaluated changes in policies, physical environments, society, technologies, and other external information to serve as the basis for the annual climate risk evaluation.







## Climate-related risks and opportunities

For the evaluation of the time range of occurrence, level of impact, and financial impacts, Merry re-evaluated the evaluation results recorded in 2021 in 2022. With reference to the feedback from business units and functional units, it evaluated short-term (1-3 years) risk items and identified three crucial transformation risks and three crucial physical risks; meanwhile, it compiled and identified four major opportunity items to serve as factors of consideration for the transformation plan development and promotion of Merry. In 2022, the evaluation scope is limited to the headquarters in Taiwan without including plants in the evaluation. In the future, it will continue to expand the evaluation scope and reinforce the climate risk evaluation and governance of the Group.

Transformation risk			
Risk factor	Failure in low-carbon material development and application	Consumers select low-carbon products or services	Increase in acquisition costs of low-carbon raw materials
Financial impact	<ul style="list-style-type: none"> <li>Loss of capital investment</li> <li>Decrease in revenue due to a drop in demand</li> </ul>	Decrease in revenue due to a drop in demand	Increase in direct costs
Response strategies and plans	<ul style="list-style-type: none"> <li>Develop industry-academy cooperation.</li> <li>Develop industry-academy cooperation.</li> <li>Seek cooperation with suppliers.</li> </ul>	Continue to focus on the international low-carbon trends, dynamics of companies within the industry, and customers' expectations and regularly carry out internal reports in terms of relevant achievements.	<ul style="list-style-type: none"> <li>Continue to deepen supplier management.</li> <li>Continue to invest in the R&amp;D of manufacturing procedures.</li> </ul>
Corresponding opportunity	R&D and innovation to develop new products and services	Entry to new markets	Patent layout
Strategy to realize opportunities	<ul style="list-style-type: none"> <li>Use environmental/low-carbon materials to increase products' competitiveness.</li> <li>Continue to promote low-carbon design by using better, lighter, and low-carbon materials.</li> <li>Continue to develop products in response to customers' demands and concurrently convey the message of Merry's low-carbon production to seek strategic cooperation and business opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to promote the development of self-owned brands and expand application fields.</li> <li>Light, thin, short, and small products of low-carbon designs allow Merry to enter new existing markets.</li> </ul>	<ul style="list-style-type: none"> <li>Actively utilize the internal patent proposal system to assist in patent acquisition.</li> <li>Continue to promote business secret protection to prevent the leakage of carbon dioxide reduction technologies and procedures.</li> </ul>



## Indicators and Targets

Responding to the national trend and the national target of net zero carbon emissions by 2050, Merry identifies climate-related risks and opportunities and sets relevant indicators and objectives in combination with the existing sustainability promotion targets.

	Physical risk		
<b>Risk factor</b>	Extreme weather results in operation suspension or interruption of employees' transportation	Extreme weather results in the interruption of supply chain transportation	Extreme weather results in production line suspension
<b>Financial impact</b>	<ul style="list-style-type: none"> <li>Increase in capital investments</li> <li>Increase in asset losses</li> </ul>	Increase in indirect operating costs	Increase in capital costs
<b>Response strategies and plans</b>	<ul style="list-style-type: none"> <li>Continue to enhance the internal emergency management ability.</li> <li>Regularly evaluate the placing venue of assets and equipment.</li> <li>Reduce possible property losses via insurance.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to deepen supplier management.</li> <li>Continue to reduce potential losses via commercial insurance.</li> </ul>	Continue to promote relevant ESG plans and obtain preferential loans related to sustainability to mitigate the pressure arising from the increase in capital costs.
<b>Corresponding opportunity</b>	Make use of production and distribution procedures of higher efficiency.		
<b>Strategy to realize opportunities</b>	<ul style="list-style-type: none"> <li>Introduce automated production systems to improve product efficiency and reduce on-site labor requirements.</li> <li>Include the consideration of supply chain suspension brought by climate chain into production and sales planning.</li> </ul>		

	Indicator	2023	2025	2030
Governance	Group risk management and business continuity plan (BCP)	<ul style="list-style-type: none"> <li>Optimize the risk management system and enhance climate governance and the level of participation of the governance body.</li> </ul>	Promote relevant systems to operating joints in China.	Promote relevant systems to all operating joints.
	Revenue of products with sustainable designs	<ul style="list-style-type: none"> <li>Establish an environmental material database for product designs.(design map)</li> <li>New material feasibility completion rate: 20%</li> </ul>	New material feasibility completion rate: 30%	New material feasibility completion rate: 50%
Strategy	Ratio of the use of renewable energy(RE100)	<ul style="list-style-type: none"> <li>Consumed 21% of renewable energy.</li> <li>Increase the use of renewable energy by 7% each year from 2021 to 2023; increase the use of renewable energy by at least 6% each year from 2024 to 2030.</li> </ul>	Consumed 33% of renewable energy.	Consumed 60% of renewable energy.
	Carbon emission intensity and energy intensity (base year of 2020)	<ul style="list-style-type: none"> <li>Carbon emission intensity decreased by 8% as compared to the base year.</li> <li>Carbon emission (category 1) intensity and carbon emission (category 2) intensity decreased by 1% and 7% as compared to the base year, respectively.</li> <li>Energy intensity was reduced by 4% as compared to the base year.</li> <li>Guide the internal GHG inventory and plan certification for all plants according to ISO 14064-1.</li> <li>Plan and implement the carbon neutrality target for 2050</li> </ul>	<ul style="list-style-type: none"> <li>Introduce SBT</li> <li>Carbon emission intensity decreased by 12% as compared to the base year.</li> <li>Energy intensity was reduced by 7.5% as compared to the base year.</li> <li>Plan and implement the carbon neutrality target for 2050</li> </ul>	<ul style="list-style-type: none"> <li>In accordance with SBT</li> <li>Energy intensity was reduced by 15% as compared to the base year.</li> <li>Plan and implement the carbon neutrality target for 2050</li> </ul>
Risk Management				

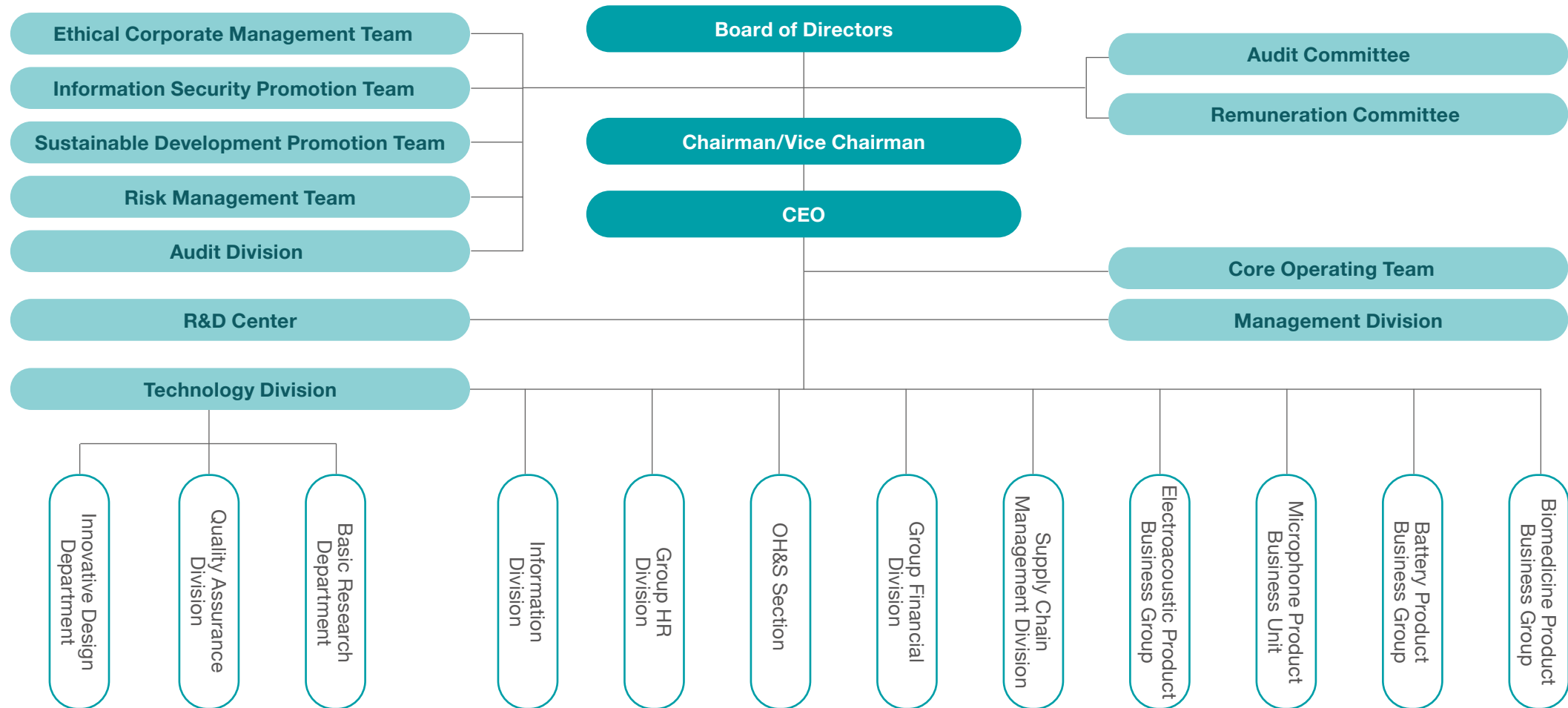
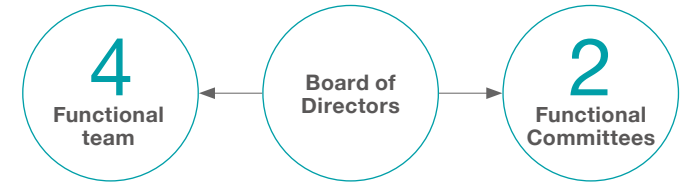


# 3.1 Governance Organization

## Organizational framework

Based on the business management and operation of the Company, four functional teams and two functional committees were established under the Board; they are responsible

for the discussion of material topics related to economy, environment, society, and risk management in accordance with their duties and reporting to the Board.

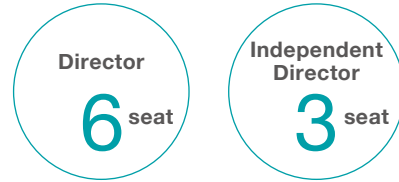




## Board composition and operation

The Board is the highest governance body of Merry Electronics. Directors are nominated and elected with respect to the “Directorial Election Regulations” by adopting the candidate nomination system. In consideration of overall Board composition and ensuring the diversification of Board members, 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.

Currently, there are a total of nine Board members, including six Directors and three Independent Directors, who are outstanding professionals with extensive industrial experiences; they were elected at the annual shareholders’ meeting on June 15, 2022, with a term of office of three years. The operation of the Board is compliant with the “Rules of Procedures of Board Meetings.” A Board meeting is held at least once every quarter. In 2022, a total of six Board meetings were convened. Board members are highly self-disciplined; if they have a personal interest in any proposal, they recuse from voting according



to the recusal system due to conflicts of interest in the “Rules of Procedures of Board Meetings.” The average hours of Directors participating in training related to corporate governance and sustainable corporate governance were 9.7 hours, and the Company continued to improve Directors’ professional knowledge through diverse programs to fully exert business decision-making and supervisory functions. Other Board operations, including the minutes of Board meetings, Director attendances, recusals due to conflicts of interest, status of further education of Directors, cross-shareholding with stakeholders, existence of shareholders with the power of control, related party transactions, and other information, the background data, education attainment, concurrent positions in other companies, independence of Independent Directors, and the operation of all functional committees have been disclosed in the Company’s annual report and the Company’s website; annual reports and relevant information are accessible from the Market Observation Post System (MOPS) and our corporate website.

## Impact management for sustainable topics

To effectively exert the functions of the Board and advance the decision-making quality of the Board, it is stated that procedures related to crucial and material topics in the course of operations shall be reported to the Board regularly or from time to time. The summary of partial relevant management rules is set out in the table below; please refer to the Company’s website.

Based on relevant regulations or specifications of internal procedures, proposals shall be resolved by the Board as a “discussion”; a “report” shall be proposed if the resolution of the Board is not required. Relevant proposals shall be signed off by the senior management in the form of a “List of Proposal by Directors,” and the stock affairs unit will include them in the agenda of the upcoming Board meeting to make a resolution for a discussion and provide feedback or recommendations for a report at the Board meeting.

Since 2022, GHG inventory has been included as an item to be reported to the Board regularly, and the TCFD project was also included in the report of the risk material team for reporting to the Board at once. In 2023, the Company will also evaluate and amend the scope of material impacts of existing procedures by examining the type and category of existing sustainable topics and other factors and include material environmental and social impacts in items supervised by the Board. Material resolutions made by the Board of Merry Electronics in 2022 were announced on the Company’s website. In 2023, Merry Electronics also voluntarily established a Sustainable Development Committee to reinforce the governance system of sustainable corporate development.



**Corporate Governance Best Practice Principles**

- Evaluate the independence and adequacy of CPAs each year and report to the Board regarding the evaluation results
- The revaluation results of the performance of functional committees shall be reported to the Board

**Sustainable Corporate Development Best Practice Principles**

The Sustainable Development Promotion Team shall regularly report to the Board regarding the proposal and implementation of sustainable development policies, systems, or relevant management policies and substantial promotion plans

**“Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Corporate Management”**

The Ethical Corporate Management Team shall report the implementation status of ethical corporate management at least once a year

**Information Security Management Handbook**

The Information Security Promotion Team shall report to the Board regarding the information security achievements and items at least once a year

**Risk management procedures**

The Risk Management Team shall compile and report the risk management implementation status of the Company at least once a year

**Procedures for Audits on Internal Control System**

Execute regular audits based on the annual audit plan

**Summarized a total of 15 ESG-related proposals**

	Discussion	Report
2022.02.24	<ul style="list-style-type: none"> <li>• Amended the “Corporate Social Responsibility Best Practice Principles”</li> <li>• Amended the “Risk Management Procedures”</li> <li>• Amended partial provisions of the “Corporate Governance Best Practice Principles”</li> </ul>	-
2022.04.28	-	<ul style="list-style-type: none"> <li>• Reported on the GHG inventory and verification schedule of the Company</li> </ul>
2022.07.28	<ul style="list-style-type: none"> <li>• Applied for the adjustment to sponsored funding items donated to related parties in 2022</li> <li>• Amended the “Information Security Management Handbook”</li> </ul>	-
2022.10.27	<ul style="list-style-type: none"> <li>• Amended the “Risk Management Procedures”</li> </ul>	-
2022.12.29	<ul style="list-style-type: none"> <li>• Donations made to related parties in 2023 were NT\$1.48 million</li> <li>• Proposal for the amendment to the “Regulations for Performance Evaluation of the Board”</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation status of the Ethical Corporate Management Team in 2022 and the working plan in 2023</li> <li>• Risk management report in 2022 and the working plan in 2023</li> <li>• Intellectual property management plan implementation report in 2022 and the working plan in 2023</li> <li>• ESG implementation achievements in 2022 and the working plan in 2023</li> <li>• Information security achievements in 2022 and the working plan in 2023</li> <li>• Reported on the GHG inventory and verification schedule</li> </ul>



## Diversity of Board of Directors

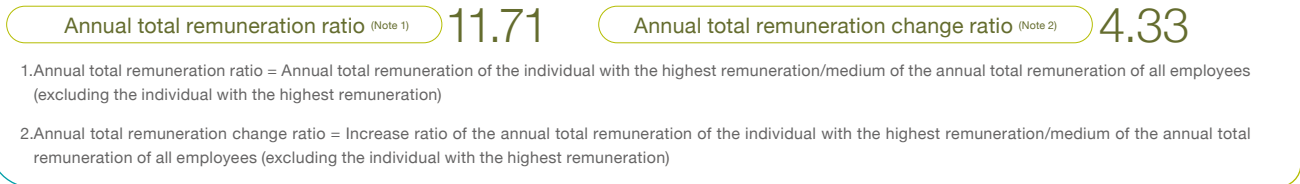
Director Name	Title	Gender	Nationality	Professional Knowledge and Skills					Age		
				Business Management	Leadership and Decision-making	Industrial knowledge	Finance and Accounting	Marketing	Under 55 years old	55-65 years old	Above 66 years old
Lu-Li Liao	Chairman/Corporate representative director	Male	Taiwan	●	●	●				●	
Wen-Chieh Wei	Vice Chairperson	Male	Taiwan	●	●	●				●	
Chaoli Huang	Corporate representative director	Male	Taiwan	●	●	●	●	●	●		
Shih-Chieh Lin	Director	Male	Taiwan	●	●	●				●	
Keng-Bin Liao	Corporate representative director	Male	Taiwan	●	●	●	●	●		●	
Yong-Sheng Su	Director	Male	Singapore	●	●	●				●	
Ji-Hsin She	Independent Director	Male	Taiwan	●	●	●	●	●		●	
Huei-Huang Wu	Independent Director	Male	Taiwan	●	●	●	●			●	
Chang-Yun Yi	Independent Director	Male	Taiwan	●		●	●		●		



## Functional Committees



### Annual remuneration ratio of 2022



## Board and functional committee performance evaluation

The "Regulations for Performance Evaluation of the Board of Merry Electronics Co., Ltd." are in place. The Company executes the Board performance evaluation of the year at the end of the year and engages an external professional independent institution or external expert and scholar team to execute the evaluation at least once every three years. The evaluation target includes the performance of the overall Board (functional committees)



and individual Directors.

Implementation status in 2022: The self-evaluation item achievement rate for the year ranged from 98% to 100%, and the result was excellent and above. Furthermore, the Company engaged Taiwan Investor Relations Institute to com-

plete the performance evaluation of the Company's Board, Board members, Remuneration Committee, and Audit Committee on February 7, 2023, and the evaluation results were reported at the Board meeting convened on February 23, 2023. For relevant execution status, please refer to the Company's website.



# 3.2 Ethical Corporate Management

To optimize corporate ethical management, we have established the Ethical Corporate Management Promotion 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 of Taiwan HQ, Merry Shenzhen, and Suzhou Merry must sign the “Merry Code of Business Conduct and Professional Ethics.” In addition, new employees must receive training on ethical corporate management on arrival, with contents including the “Merry Code of Business Conduct and Professional Ethics,” 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 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 2022, we organized 8 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 responsible unit and corporate governance unit publicized information related to ethical corporate management to employees and Directors by email from time to time.

	Unit	Target	Method	Number of Persons Receiving Training (Note 1)	Trainee Percentage (Note 2)
Ethical corporate management	Governance Body	All directors	External courses and e-mails	9	100%
Educational training	Taiwan HQ	All employees (all grades, including new employees, but excluding dispatched personnel)	Internal training courses	716	99.09%
	Merry Shenzhen	All employees (all grades)	RBA-CoC training courses	3,817	100%

Note 1: Annual average number of employees receiving training.

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 Conducts

- Avoidance of conflicts of interest, no damage to 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
- Reporting 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





## Promotion achievements

The specific methods for implementing ethical corporate management and the plans to prevent unethical behavior in 2022 are as follows:

- At the end of each year, the Ethical Corporate Management Promotion Team reports to the Board on the outcomes of promotion. The last report was made on December 29, 2022, with the outcomes being supervised by the Audit Section.
- “Merry Code of Business Conduct and Professional Ethics” stipulates the policy to prevent conflicts of interest and provides suitable report channels. In 2022, all Directors, Independent Di-

rectors, senior management, officers, employees, and new employees of Taiwan HQ, Merry Shenzhen, and Suzhou Merry have signed the Code.

- We also requested suppliers to sign the “Social Responsibility Commitment” 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.
- The ethical corporate management section is established on the intranet in Traditional Chinese, Simplified Chinese, and English.



## Establishment of the whistleblower system

For acts violating ethics or illegal conduct and other unethical behaviors, we have stipulated relevant regulations in the “Procedures for Ethical Corporate Management” for whistleblowers to report unethical behaviors or inappropriate behaviors, and members of the Ethical Corporate Management Team shall accept the report made by relevant stakeholders and concurrently provide a written statement that prom-

ises to protect whistleblowers from inappropriate treatment due to the report. By the end of 2022, five reports were received from the independent report platform, independent reporting e-mails of the employee portal, and the report hotline. After verification by the related units, no report involved unethical behavior. Therefore, no report on violation of ethical corporate management was received.

### Channels for reporting unethical behavior



Independent report platforms



Report mailbox  
integrity@merry.com.tw



Report hotline  
04-2359-0811#118000



# 3.3 Risk Management

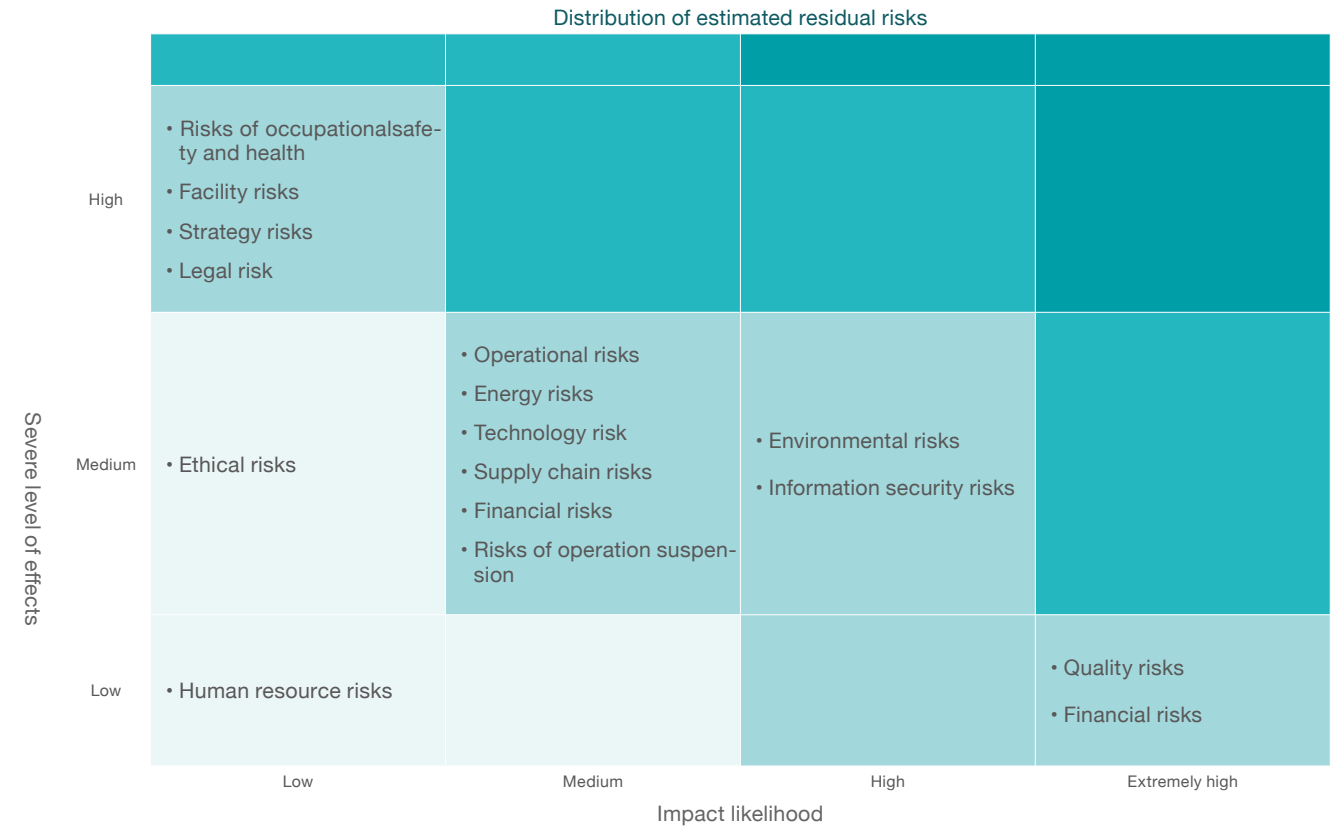
We actively manage risks that may occur in operations. Based on the ISO 31000:2018 risk management system, the Risk Management Team establishes related risk management procedures, periodically assesses and supervises the Company’s risk-bearing capacity and the status of risk incurred, and determines 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 2022/12/29).

Currently, the scope of risk management covers 16 categories of risks: “operation,” “quality,” “energy,” “environment,” “technology,” “supply chain,” “finance,” “tax,” “information security,” “human resources,” “facilities,” “OH&S,” “strategy,” “legal,” “ethical corporate management,” and “operation suspension.” 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 into the implemented management systems, including ISO 9001, ISO 22301, 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 organize risk management educational training courses and promotes risk items related to climate change commenced to subsidiaries of the Group. In the future, we will also continue to 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 2022

### 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	Risk items of concern	Control Mechanism
Electroacoustic products Business group	Operational risks-1	High customer concentration	<ul style="list-style-type: none"> <li>• Cultivate new customers and periodically review the revenue percentage</li> <li>• Develop new products (e.g., videoconferencing equipment)</li> </ul>
Battery product Business units	Operational risks-2	-	-
Microphone products Business units	Operational risks-3	High customer concentration, decrease in customer requirements, high supplier concentration, tense production capacity in the semiconductor supply chain, and loss of talents	<ul style="list-style-type: none"> <li>• Approach potential customers through the recommendation of agents and periodically review the revenue percentage.</li> <li>• Strategic investments</li> <li>• Develop new products</li> <li>• Cultivate substitute suppliers</li> </ul>
Risk Management Team Technology Division	Environmental risks	-	-
Technology Division	Quality risks	High-quality requirements of automotive customers	Introduced IATF16949
	Energy risks	-	-
	Technology risk	-	-
Supply Chain Division	Supply chain risks	-	-
Group Financial Division	Financial risks	-	-
	Financial risks	-	-
Information Division	Information Security Risks	Unauthorized software alteration/access, lacking track records/inappropriate division of responsibility and labor by operating staff, invasion of malware/hackers, and leakage/theft of data	<ul style="list-style-type: none"> <li>• Adopt floor segregation management and establish an anti-virus and anti-hack system for network protection</li> <li>• Regularly implement information security educational training and performance interview</li> <li>• Managers of key systems shall not share the same account, and one user account shall only have one keeper</li> </ul>
Information Division Risk Management Team	Operation suspension Risks	-	-
Human Resources Division	Human resources Risks	-	-
	Facility risks	-	-
Occupational safety Health Division	Occupational safety Health risks	Emerging pandemic - COVID-19	<ul style="list-style-type: none"> <li>• Work from home system</li> <li>• Sharing of pandemic control information and health consultation</li> <li>• COVID-19 response plan and meeting discussion</li> </ul>
Ethical corporate management Promotion team	Ethical corporate management Risks	-	-
	Strategy risks	-	-
Group Administration Division	Legal risk	High liquidated damages for the breach of specific contracts	<ul style="list-style-type: none"> <li>• Establish the trade secret graded management system and inventory the system each year.</li> <li>• Reasonable risk transfer may lead to the acknowledgment of the relevant information; third-party confidentiality should be maintained together.</li> </ul>



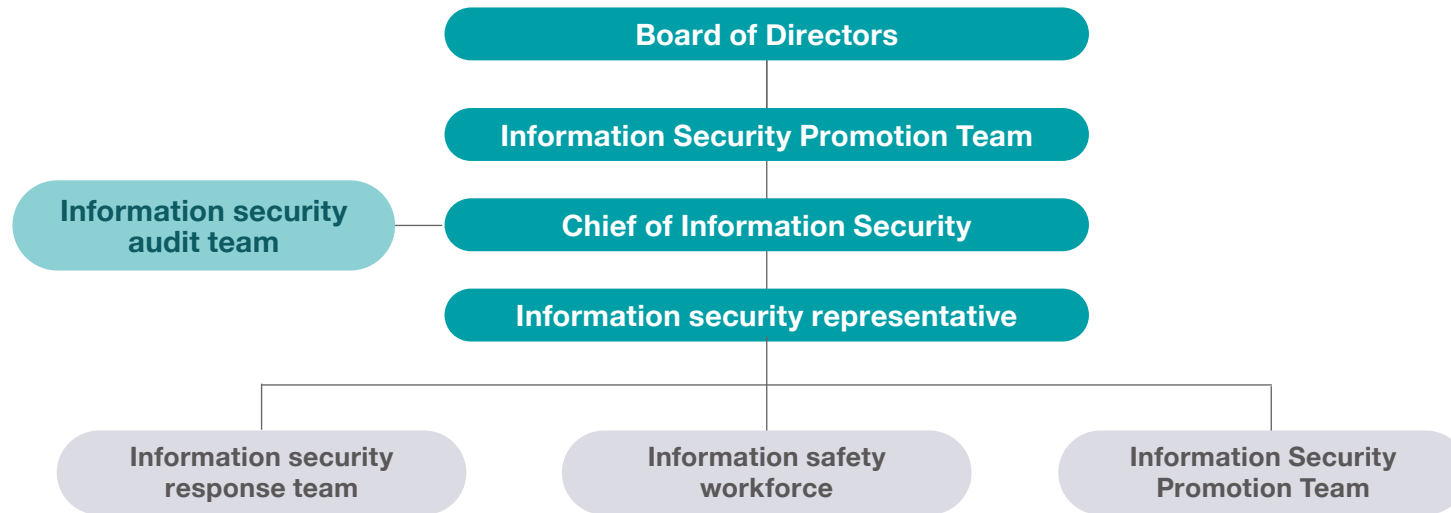
# 3.4 Information Security

In 2021, Merry established its “Information Security Promotion Team,” which is subordinated to the Board with the Chief of Information Security as the chair and information security experts of the entire Group as team members. The team is responsible for examining and establishing information security targets and policies, preventing the occurrence of invasion that affects the information system of the Group, and reporting to the Board regarding the operating achievements once every year (the latest report to the Board on the annual execution achievements and the plan for the following year was on December 29, 2022); the team focuses on information security and the protection of sensitive data that constitutes the Company’s competitiveness and is also a commitment of the

Company to customers, shareholders, and employees.

Taiwan HQ and Merry Shenzhen obtained ISO 27001 information security management certification in 2021 and 2022, respectively. After establishing relevant information security targets in 2022, the first year of information security, we have established an information security system and obtained the information security certification to face the increasing trend of information security risks; we also implemented the philosophy of “reinforce information security to ensure sustainable operation” to satisfy the mid-to-long-term goals of the Group’s operational development and comprehensive information requirements.

## • Structure of Information Security Promotion Team



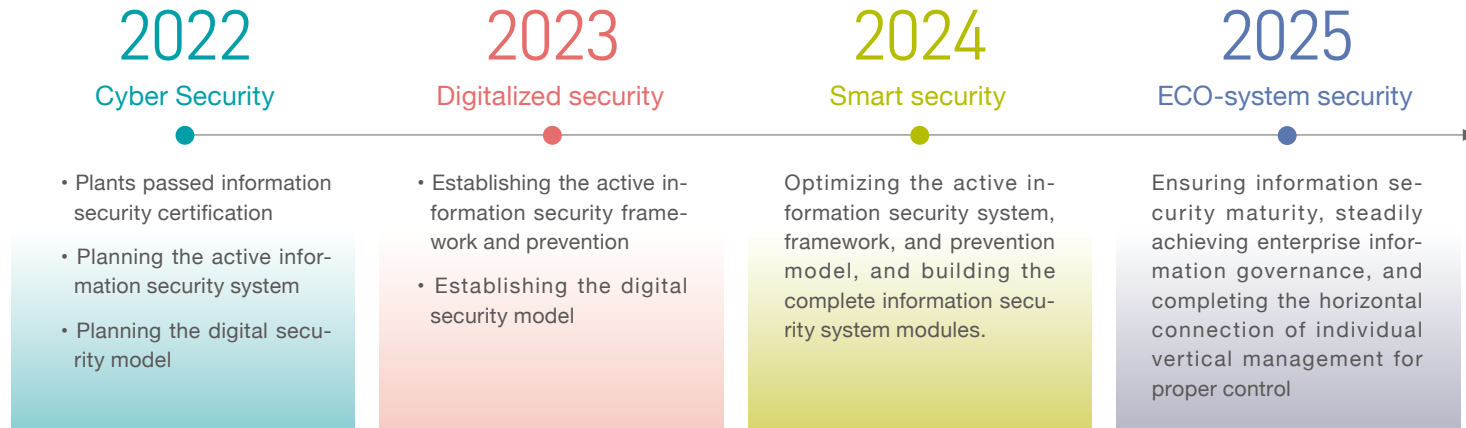
## Focus of information security management

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. Procedures were also established to reinforce the response capacity upon the occurrence of information security events to minimize or eliminate damages resulting from information security events and prevent potential information security events in the future. 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.

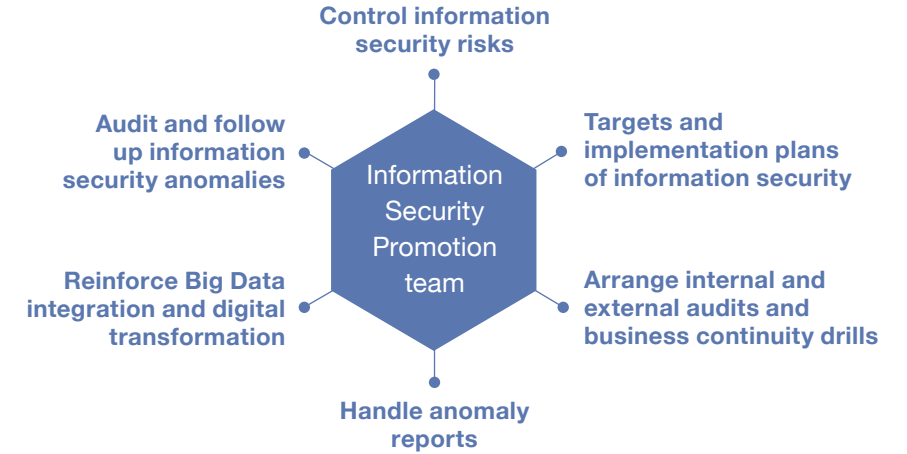
In addition to operating the ISMS, we have also established and implemented information security audits and assessments. Each year we perform the operational impact and risk assessment, internal audit, and business continuity drill to ensure the continuing operation of the ISMS.



Information security milestones



Focus of the duty of the Information Security Promotion Team



Enhancing employee information security awareness

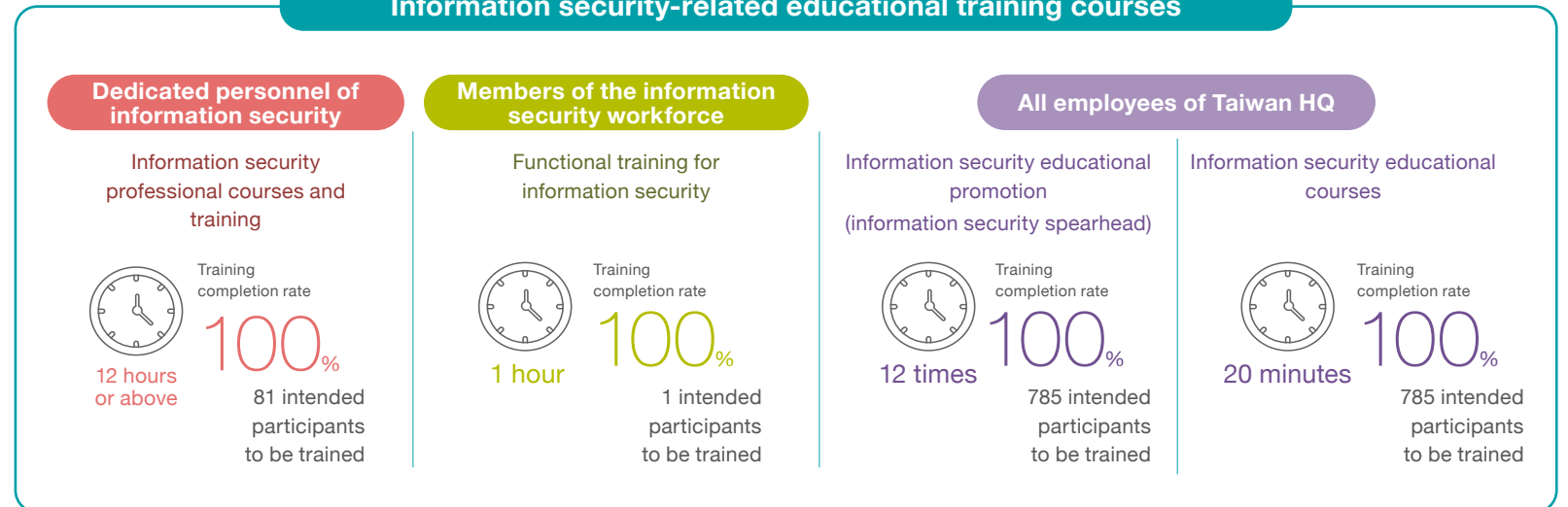
New employee training

- 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

Taiwan HQ regularly implements information security promotion each month and regularly organizes social engineering drills (phishing mail) and tests 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.

Information security-related educational training courses





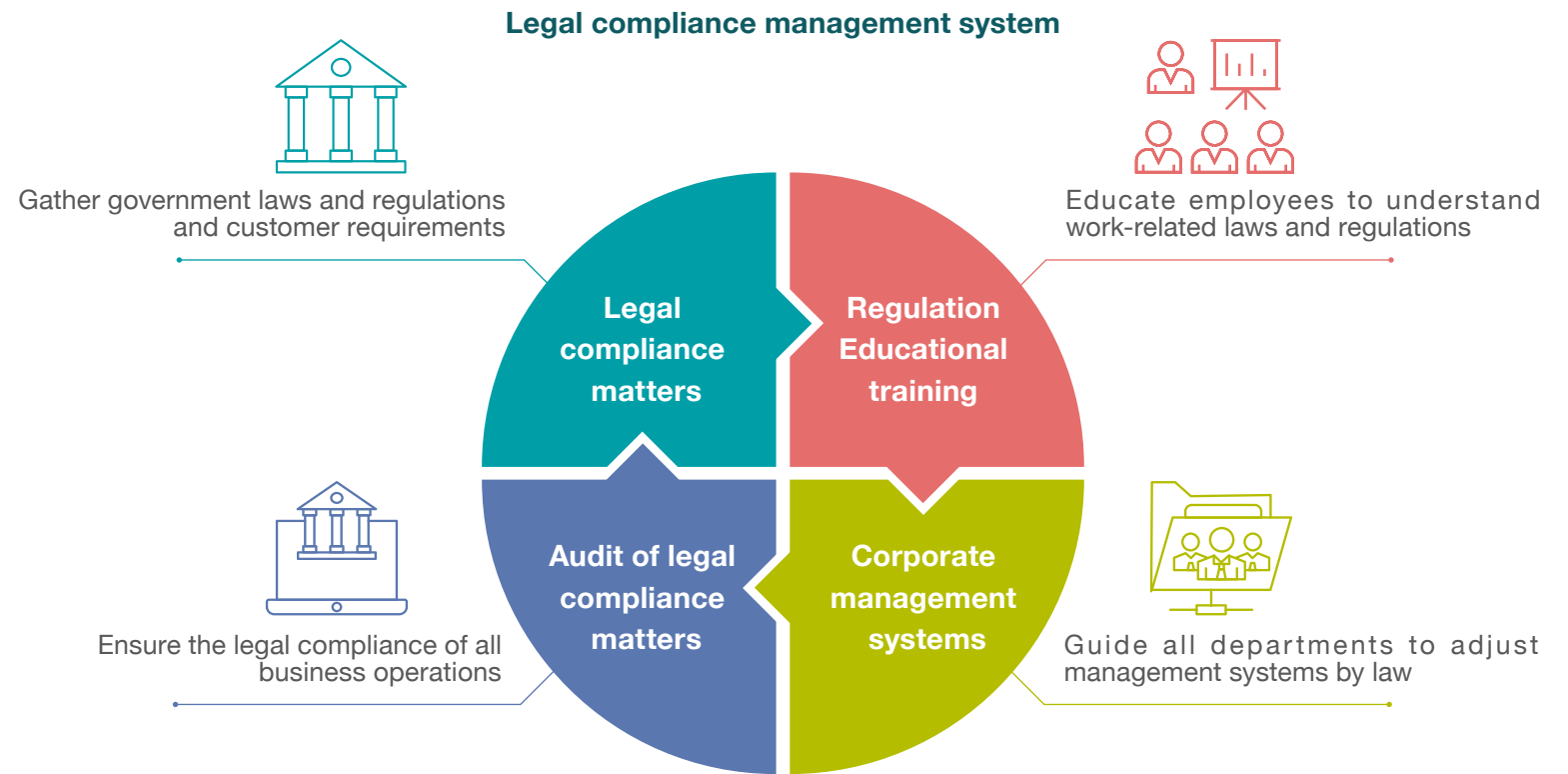
## Information security control mechanism

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.

# 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. The legal and patent department refers to the ISO 19600:2014 Compliance Management Systems to gather, access, implement, and monitor legal compliance matters in 11 categories, including OH&S, labor/social responsibility, information security, energy, environment, medical devices, business/anti-corruption, finance, intellectual property, fair trade/antitrust, and products for department heads to verify the compliance of department operating procedures with legal requirements. In 2022, no sanction for any material violation of the relevant laws and regulations was reported.

The Company refers to the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities” for the definition of a material event; if any sanctions were imposed due to the recognition of material events, the Company makes disclosures on MOPS according to the regulations.



# 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

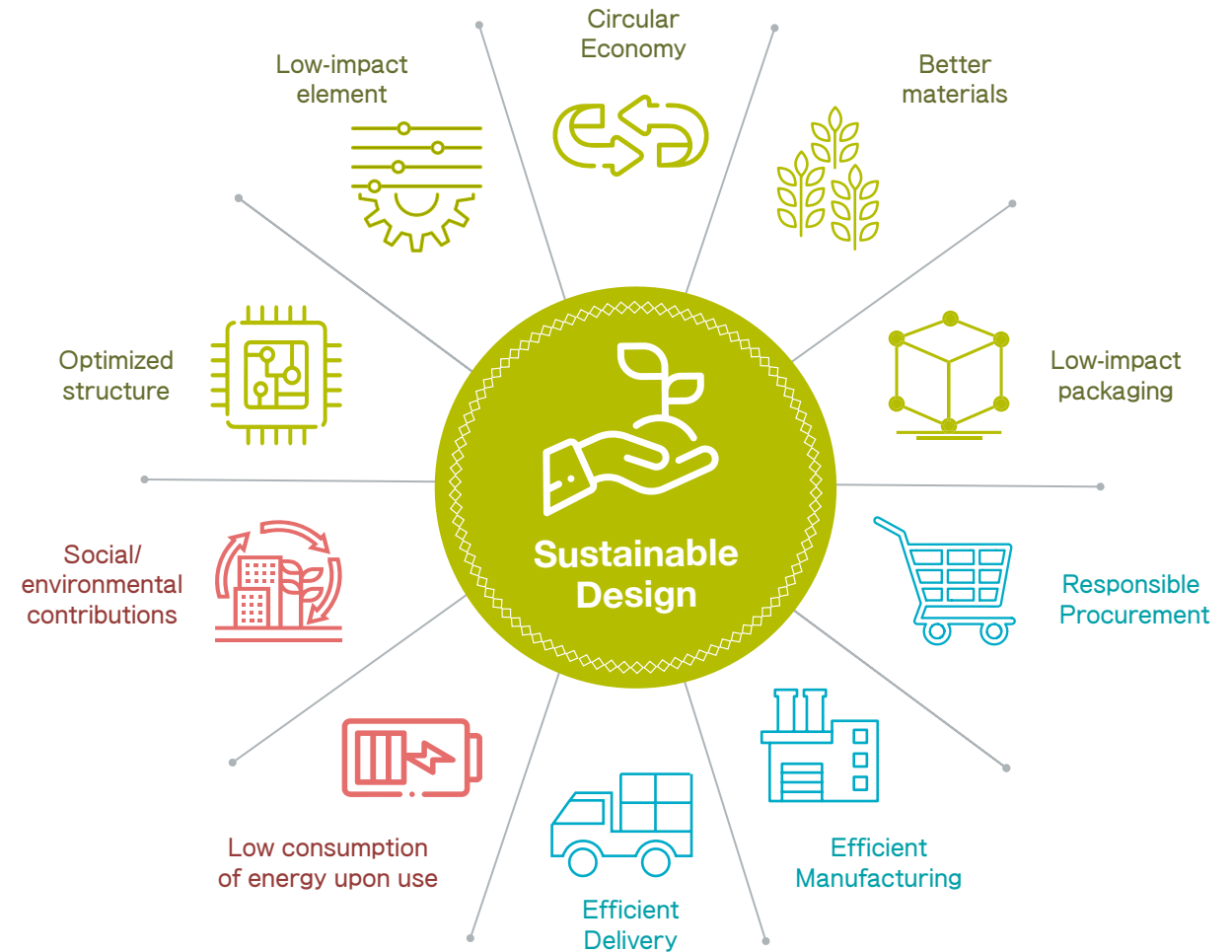
the Board each quarter to realize the spirit of corporate governance. In 2022, no relevant significant detection was audited.



# 4.1 Sustainable Design and Innovative Management

Innovative management is one of the crucial driving factors for the Company to continue maintaining its advantages in the future. Merry has long been focusing on investments in R&D capacity and grasping new industrial opportunities. Regarding product innovation, procedure innovation, and open innovation, it combined the trends of sustainable designs and low-carbon transformation and focused on principles combining concepts of the product lifecycle and circular economy. Starting from the design stage of products, it consolidated micro-function, automated equipment, smart electroacoustic platform, battery integration, and other objectives to minimize the impacts of products on the environment and create sustainable values.







Merry combined the spirit of innovative management with ten aspects of sustainable designs to assist customers in producing advanced and effective products. It continues to improve the modulization of production and manufacturing and product design capacity, save manufacturing materials, use renewable materials and environmental-friendly packaging design, adopt stages to reduce electricity consumption to realize its green manufacturing commitments starting from the interior of the Company and realize the sustainable value of environment and society.







Innovation achievements of products and procedures

Type of Improvement	2022 Achievement
 <b>Optimized structure</b>	For the light new products, through the optimization of the structural design, the partial thickness of plastic parts was reduced, and the weight reduction accounts for approximately 15% of the overall materials and 4% of the total weight of earphones; delicate adjustments and screw locking positioning were made in response to the structure to for optimization, and the use of overall PCB plat materials reduced by 33%.
 <b>Circular Economy</b>	Introduced the use of renewable materials facilitated the number of customers' new products adopting post-consumer recycled (PCR) for the plastic covers; meanwhile, the ratio of PCR to materials also increased from 20% at the beginning of the target setting to 30%, continuing to expand the effects of Merry in terms of green products.
 <b>Low-Impact Packaging</b>	Continue to promote environmental-friendly packaging design and carry out designs and packaging material and printing ink reduction based on the philosophy of environmental protection and the reduction of resource waste, reduce the use of plastic materials by adopting recyclable or degradable packaging materials, and print the instruction on the inner side of the cover. After the overall optimization, the volume of paper boxes was reduced by 50%, which significantly reduced impacts on and damage to the environment.
 <b>Energy Efficient</b>	Improve the conversion efficiency of charging/discharging of battery products and reduce the energy consumption during charging/discharging; the charging/discharging conversion rate of energy storage products has reached 87%. As compared to products in 2020, the new generation mobile energy storage system may reduce approximately 8.4kWh of power for charging 120 times a year.
 <b>Efficient Delivery</b>	Fulfilling product protection, convenience, sales, and other functional conditions, the size of the overall packaging box was reduced, which improved the use efficacy of packaging and warehouse space and improved the number of products that may be loaded onto a single pallet. Taking entertainment earphone products as an example, the number of products that may be loaded increased by 114%, which significantly improved the loading efficiency of pallets and reduced the number of transportation containers and requirements for warehouse storage. With the same shipping quantity, approximately 63%of carbon emissions may be reduced for product delivery.
 <b>Efficient Manufacturing</b>	<p>Integrate OT and IT, the two major technologies, for production line intelligence upgrades.</p> <ol style="list-style-type: none"> <li>1. The modularized designs of automated machines reduced the workload of production line changeover design by 70% and reduced the cost of changeover by 50%</li> <li>2. The modularized designs of carriers reduced the workload of jig alteration by 60% and reduced the cost of jig by 60%</li> <li>3. The production line set-up time has been reduced from 8-12 weeks to 5 weeks, and the target is to reduce it to 3 weeks by 2025</li> </ol>

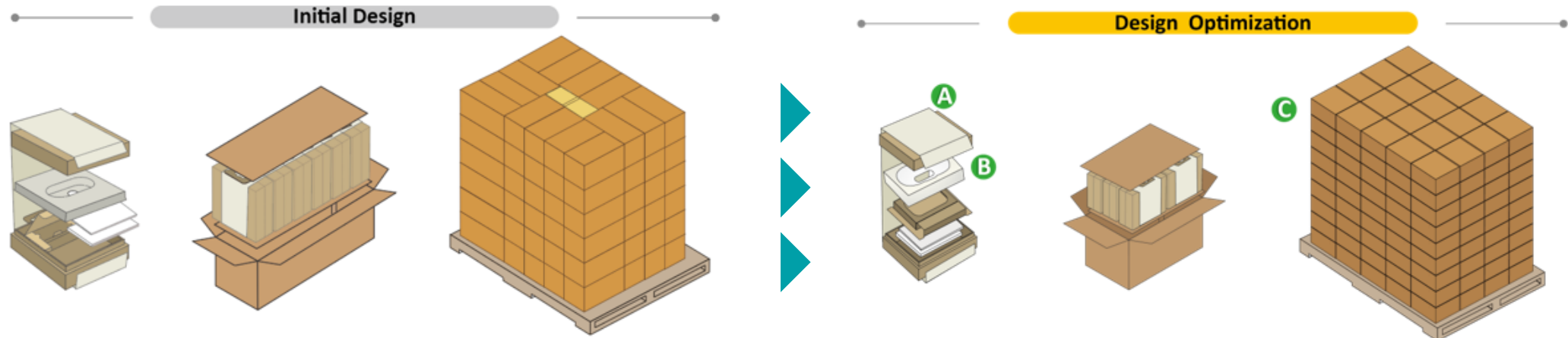
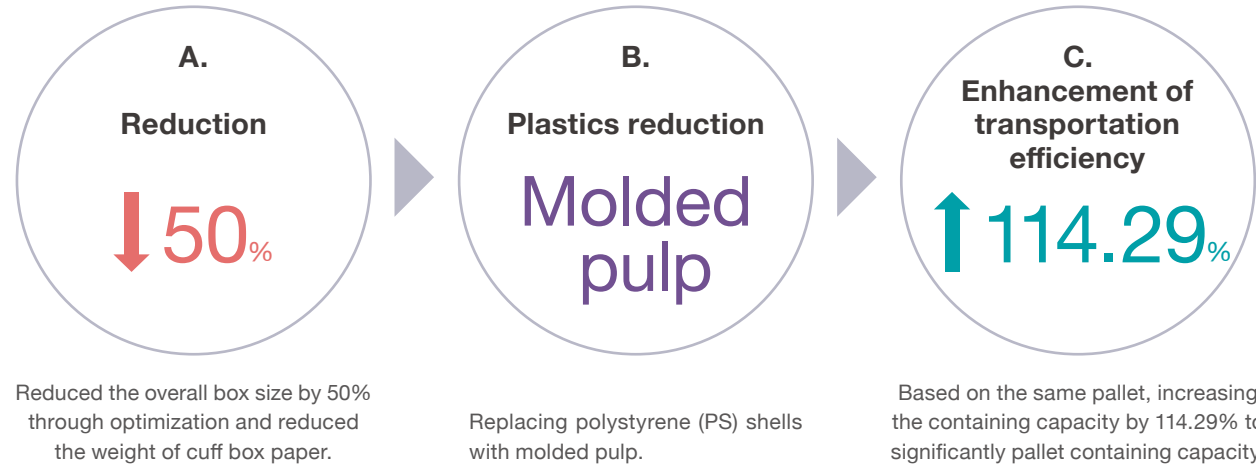
Open innovation achievements

Type of Improvement	Engage in medical innovative products in 2022 - passive AI smart fetus sensor technologies
 <b>Social contribution</b>	<p>Successfully developed the AI fetus sensor, which is developed by using the highly sensitive MEMS microphone and clinically verified in cooperation with medical institutions. The sensor is able to improve the deficiency of existing equipment to help pregnant women monitor fetuses' conditions.</p> <p>Deficiency of market equipment: Fetus sensors currently used by obstetrics and gynecology departments are active inspection that makes use of the theory of ultrasonic to detect fetal heart rates (FHR). FHR monitoring equipment used clinically is large and pricey and may not be used for real-time monitoring at home. If fetuses have any particular circumstances, pregnant women are unable to instantly acknowledge and respond.</p> <p>Advantage of innovative product: For the product, the Company will develop a passive fetus monitoring system that does not require ultrasonic monitoring technologies and simplify monitoring devices and operations. Users may operate the system themselves together with mobile apps and networks to provide information to doctors for subsequent analysis or diagnosis via home monitoring.</p>



## Innovation of low-impact 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.



## Efficient Manufacturing

Integrate OT and IT, the two major technologies, for production line intelligence upgrades and carry out comprehensive improvements in terms of efficiency, accuracy rate, and product quality.

### Information upgrade

With the arrival of Industry 4.0, in combination with 5G applications and Big Data collection, the Company converted data to “visualized data” via plant equipment to collect comprehensive production information (including supplies, workstations, equipment, and test data), together with automatic background calculation, and provide digital decisions rapidly.

Introduce the central situation room board to allocate tasks and the function of automatic message delivery to the mobile devices of technicians upon any malfunction of equipment to solve issues rapidly and provide crucial decisions to minimize operating costs.



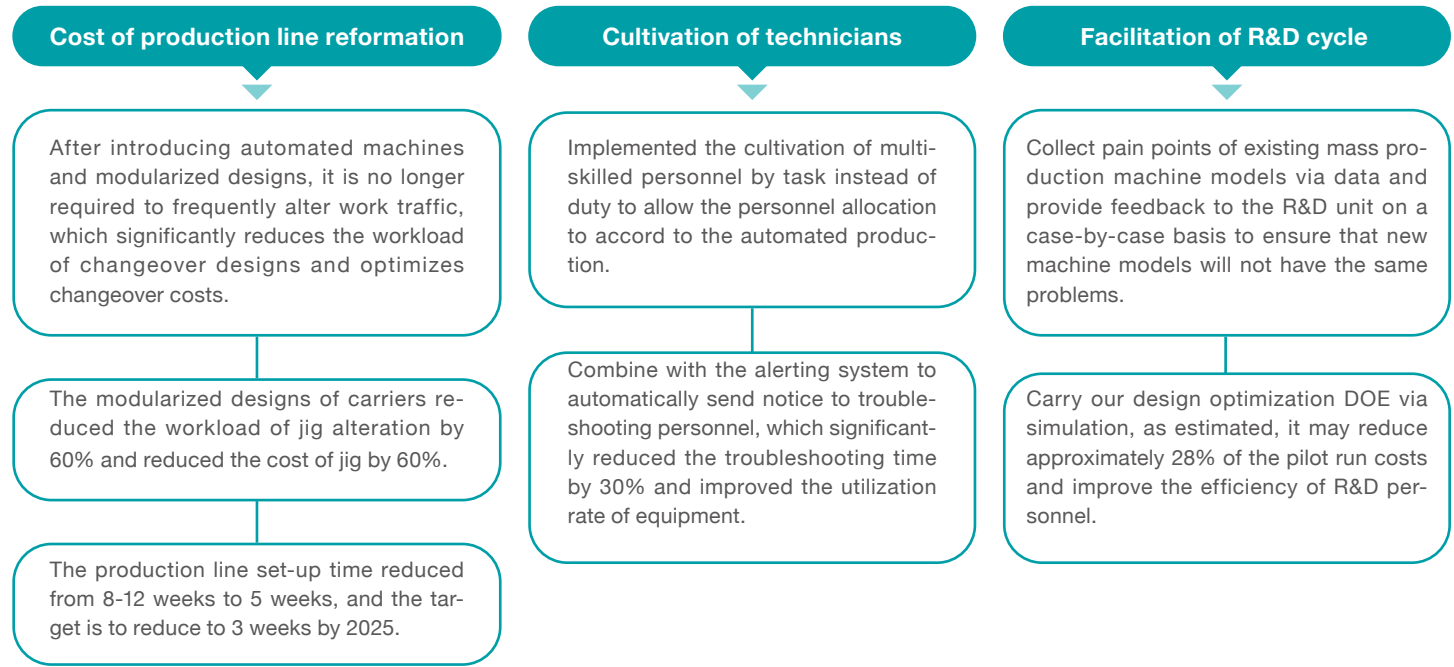
### Upgrades of operating technologies

Optimize the SPK procedures, SMT and automated module assembly capacity, introduce SPK magnetic circuit automatic assembly machine, unmanned robotic arms, automated welders,

automated guided vehicles, and other automated solutions to reduce the workload of changeover designs by 70% and reduce the cost of changeover by 50% and significantly improve the product assembly capacity in order to achieve the optimal production efficiency alongside the increase in equipment utilization rate.

### Production line of high flexibility

The life cycle of consumer products has shortened, and products are produced in small quantities but diverse models with a large demand during the initial marketing period. The output in the first three months may account for 50% of the total requirements of orders; therefore, production lines of high flexibility shall be created, combined with the introduction of automated equipment, to solve the costs of mass changeover and labor requirements at the initial period of mass production.





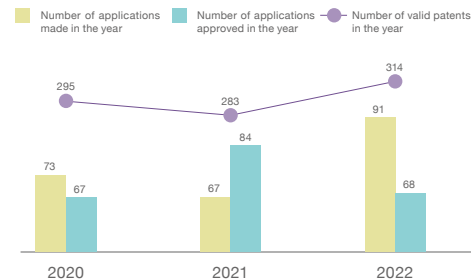
## IP rights management

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 2022, we also passed the re-certification. In 2018, Merry Shenzhen passed GB/T 29490-2013 enterprise intellectual property management certification and continued to pass the periodic re-certification each year.

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 rights investigation report shows that there is any legal risk, the proposing unit and the legal and patent department 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 and disclosed on the Company's website. Additionally, in terms of patent approval, as shown in the figure below, we applied for 91 patents and were awarded 68 patents in 2022, and there are 314 validly existing patents at present.



### IP Management Policy

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





# 4.2 Green product management

## Management policy

To safeguard the health and safety of end users of products and reduce the potential risks of environmental impacts on products, Merry has established its regulations for substance management and explicitly specified the content of all materials that contain environmental control substances based on the latest international regulations for hazardous substance management and customer requirements, and implemented relevant standards through internal promotions and educational training to provide products that comply with or more favorable than such standards and minimize external effects on the environment and ecosystem.

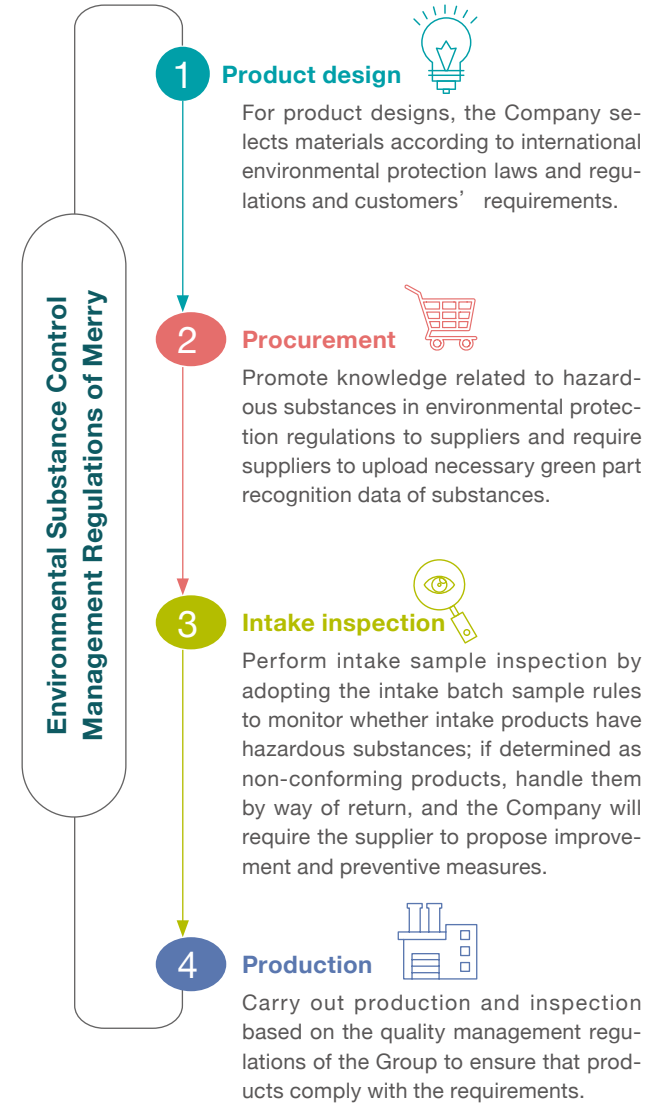
When developing and manufacturing various electroacoustic products for customers, we integrate green thinking with product design, materials procurement, product manufacturing, and product sales and servicing to ensure compliance with the

green product requirements throughout the process from suppliers to customers.

In materials management, mechanisms integrating the green product management system (GPMS), product lifecycle management (PLM), and 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/recycled steel) to reduce carbon emissions and mitigate the environmental impact throughout the product's lifecycle.

**Environmental substance control and management procedures**

<ul style="list-style-type: none"> <li>• EU RoHS</li> <li>• EU RoHS 2.0</li> <li>• EUREACH (SVHC)</li> <li>• EU Battery Regulation</li> <li>• California Proposition 65</li> <li>• China RoHS</li> <li>• China VOCs</li> </ul>	<ul style="list-style-type: none"> <li>• EU PPWD</li> <li>• EU WEEE II</li> <li>• CMRT/Conflict Mineral Policy</li> <li>• Phthalate-free plasticizers</li> <li>• Free of lead, nickel, beryllium, antimony, and antimony oxide</li> <li>• PVC-free</li> </ul>
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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 “Environmental Substances Control Regulations” to ensure compliance with the international environmental protection laws, regulations, and directives, and customer requirements of such parts. In 2022, 100% of Merry’s products complied with international environmental protection regulations.
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 tests through random sampling according to the intake batch sampling rules; 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 “Environmental Substances Control Regulations” (nonconforming items), return all re-verified nonconforming items to suppliers, and request suppliers to propose corrective and preventive actions.
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 2022, no violation or customer claims relating to labeling were reported. In 2022, there was no event of product and service violating health and safety regulations.
5. In 2022, the Company held three online supplier conferences to promote relevant CSR, RBA, and GP specifications of Merry on July 15, 2022, promote organizational carbon inventory and issues related to ESG trends on August 19, 2022, and promote relevant specifications under regulations of EU on September 23, 2022.
6. According to the product structure principles and under the regulatory requirements of WEEE, the Company engaged a certified laboratory to disassemble its products. Based on the B2B operating model, products produced in 2022 can achieve a reuse rate of 55% and a renewable rate of 75% in terms of the recycling ratio, and the waste recycling at the end is executed by end brand customers.



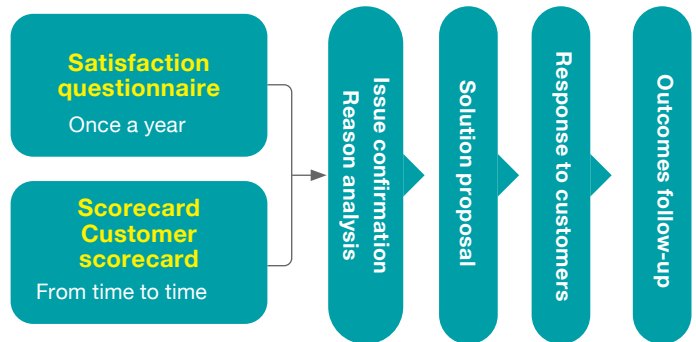
# 4.3 Quality Management and Customer Service Optimization

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. 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 on the outcomes.

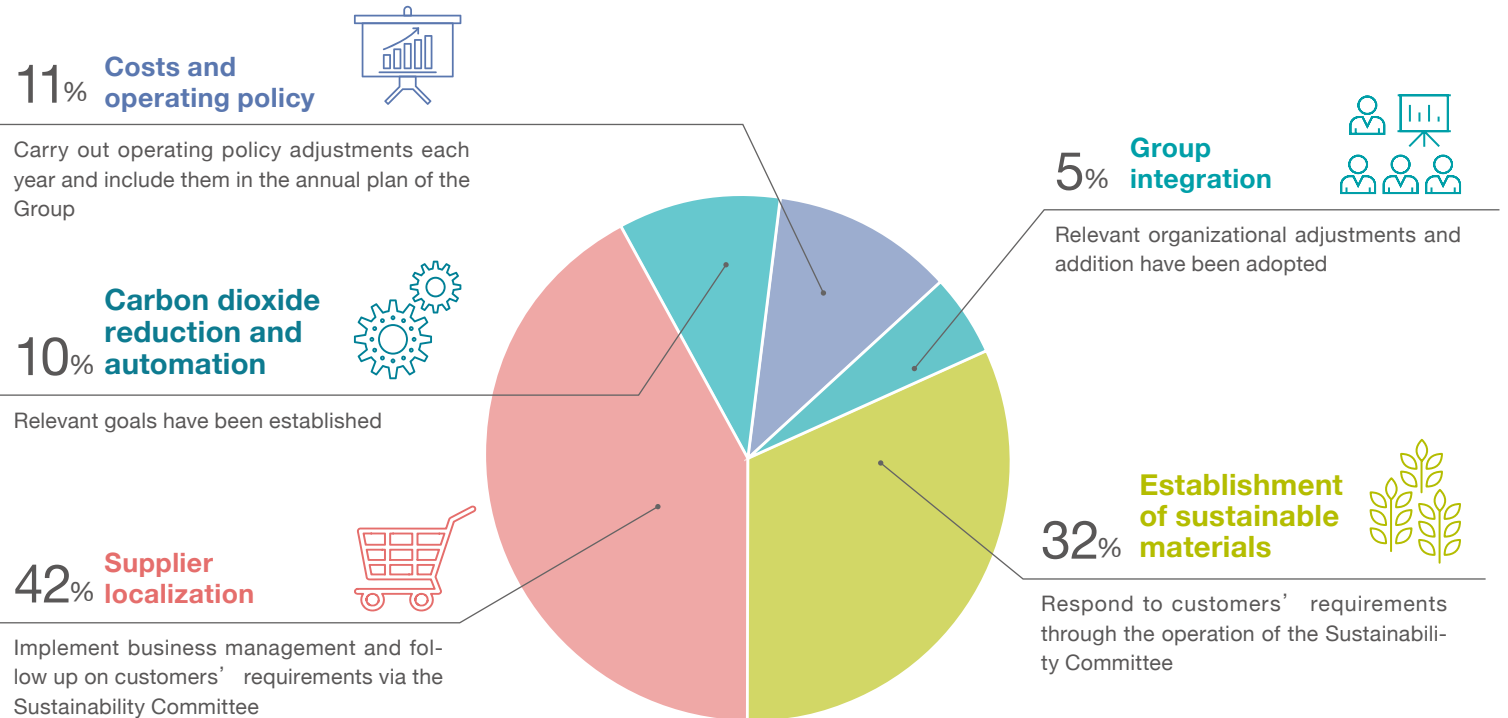


The scorecard and customer satisfaction survey covers four dimensions: quality, R&D, procurement, and integration, which are the bases for continual process improvement and the important indicators for operation optimization. In general, major customers' composite satisfaction in 2022 was 83.16%.

Apart from the balancing scorecard system above, qualitative issues responded to by customers in 2022 were majorly divided into the following items for cross-department communication and implementation in daily management.



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.





### Quality management system

Merry Electronics has established systemized procedures for the development of products to ensure the quality, costs, and delivery term of the new product under development may satisfy the requirements of customers and markets under a systemized structure, and it continues to seek procedure optimization to improve product competitiveness. The quality assurance system involves R&D personnel, quality management personnel, sales, plants, supply chain management, and other cross-department units for joint implementation, and the Company optimizes quality management and customer services through the management cycle of planning, implementing, examining, and improving.

### Key materials management procedures

To ensure the quality in different stages of product project development and delivery term control, confirm the development trial production time, and guarantee the quality of trial production and mass production, the Company has established the Key Materials Defining and Operation Regulations” in the hope of improving project development efficacy and customer satisfaction. The definition of key materials refers to parts constituting products that require special control as they affect production quality as evaluated.

During the RFQ stage of product development: After the part engineering department defines the “key part list,” the project management department shall confirm with customers regarding key materials details, the R&D department shall carry out a risk material evaluation, the procurement department shall confirm and provide materials for a long delivery term, the sales department shall confirm with customers regarding the material details selected by customers, and the project team shall have general discussions, maintain, monitor, and supervise the status of materials on the list.

During the DVT stage of product development: The part engineering department shall adjust the “key part list,” the project management department shall notify customers of key material details, the quality project management department shall make adjustments based on material preparation status, the procurement department shall keep abreast of the status of long delivery term materials, the supplier quality management department shall confirm issues with incoming materials, and the project team shall maintain, monitor, and supervise the status of materials on the list in general.

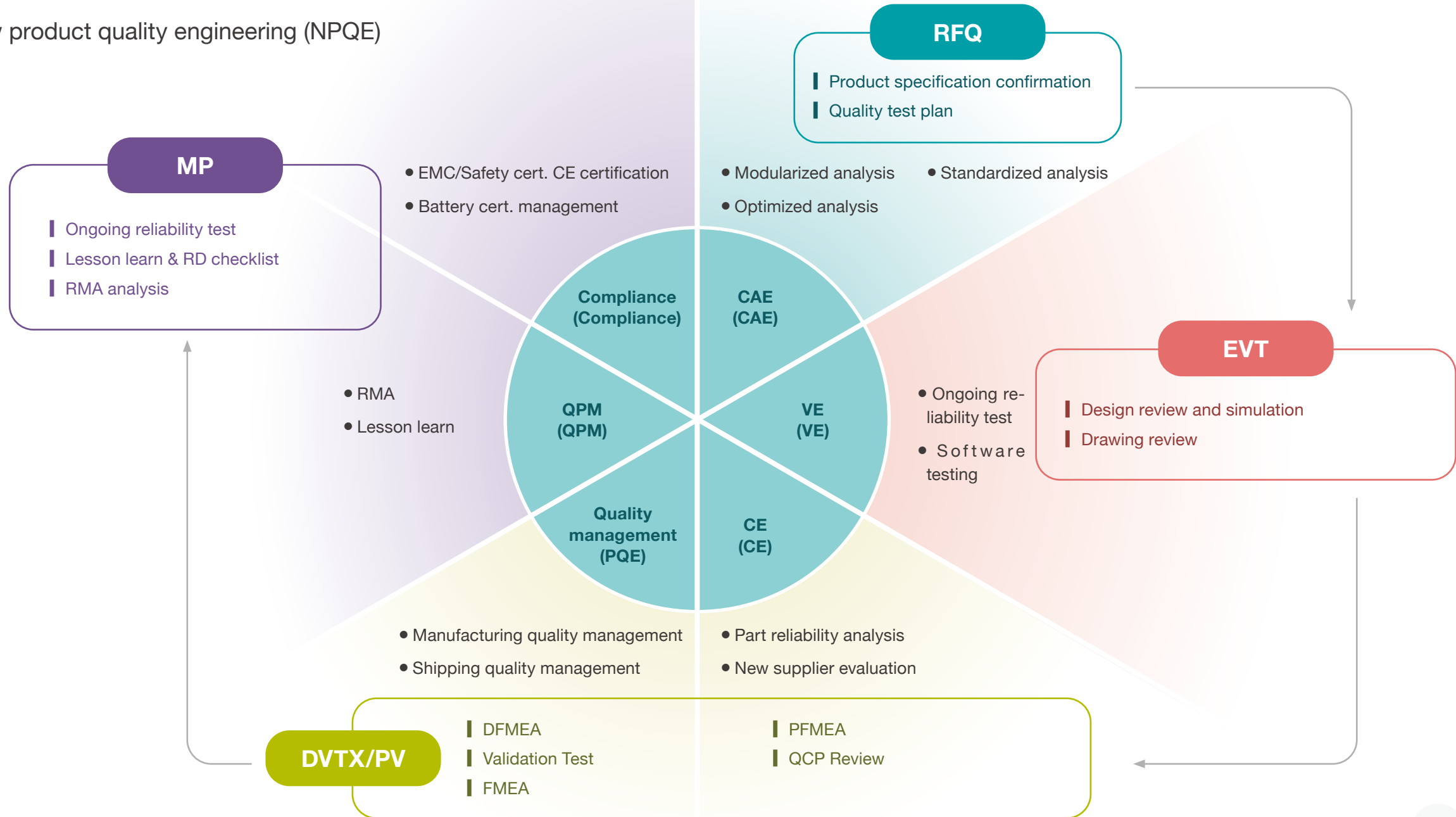
During the PVT stage of product development: The quality project management department shall carry out material quality control, the supplier quality management department shall carry out supplier material quality management, the intake inspection department shall carry out material yield control, the procurement department shall carry out material status control during each stage of development, and the project team shall maintain, monitor, and supervise the status of materials on the list in general.







## New product quality engineering (NPQE)





# 4.4 Sustainable supply chain management

As a globally renowned communication and entertainment electroacoustic product leader, suppliers are our material partners. We cooperate stably and closely with suppliers. Apart from creating economic value, we are dedicated to promoting sustainable supply chain management and hope that our suppliers also value social and environmental value in order to create a sustainable supply chain of co-prosperity.

## Sustainable supply chain development strategy

We encourage and urge suppliers to fulfill CSR together, including compliance with professional ethics, value labor human rights, provision of a good workplace environment, no use of conflict minerals, compliance with national or local environmental regulations, build a management system based on cooperation, and fulfill our social responsibilities in order to meet the CSR requirements and make efforts for the positive development of the sustainable supply chain.

Integrate supplier management and evaluation systems through standardized operations to improve the tenacity of suppliers.

### Nature optimization

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

### Supplier localization

- Local procurement
- Supply chain diversification

### Risk Management

- Graded warnings of supplies and management measures at all stages
- Financial questionnaire survey
- Information security questionnaire survey

### Supplier exchange

- Commendation of outstanding suppliers
- Green promotion seminars
- Circular use of environmental materials

### • Nature optimization

The Group regularly convenes internal management team meetings to examine the status of the green supply chain and continue to advance the Group's sustainable supply chain management.

#### [GPMS systematic management]

Ensure the materials supplied by suppliers meet our green product specifications. 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.

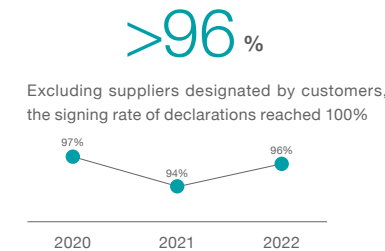
#### [Execution of sustainability declaration]

Material suppliers are required to sign the Social Responsibility Commitment (the content includes employment conditions, ethical specifications, and environmental protection) and the Declaration of Non-Use of Conflict Minerals to realize the promotion of concepts related to the social and environmental responsibilities of enterprises.

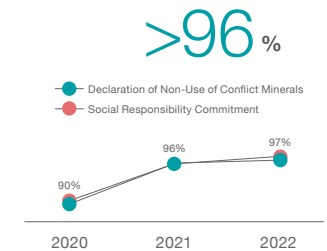
#### [Execution achievements of supplier sustainability declaration]

Social Responsibility Commitment and Declaration of Non-Use of Conflict Minerals

New suppliers 2022



All suppliers 2022





**[Key supplier audit effects]**

We perform annual 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 value both operations and corporate social responsibilities. The audit rating is divided into four levels, A, B, C,

and D. For a level C (< 70 points), the supplier shall be introduced after being consulted for improvement; for a level D (< 60 points), the supplier is listed as unqualified, and the cooperation relationship will end.

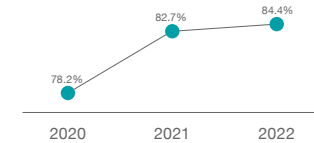
The Company identified a total of 61 key suppliers (only 27 in 2021) based on procurement amounts, high-risk material suppliers, and other conditions to implement the annual CSR audit; the qualification rate was 100% (there

was no supplier receiving a rating below level C), and the average score of the Group's supplier CSR audit was 84.4, representing a growth of 2% from last year.

Note: Criteria for key supplier selection:

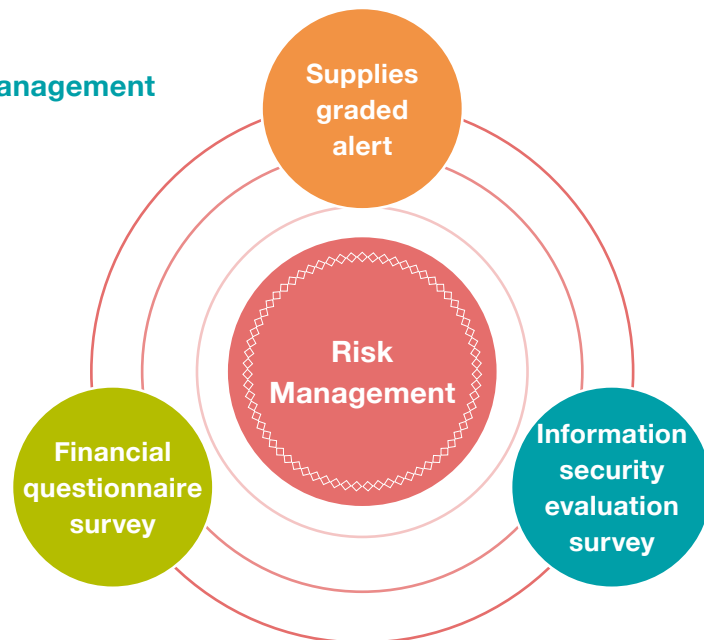
1. Key suppliers: Manufacturers (except traders and agents) with over 500 lots or amounts exceeding NT\$2 million in the previous year
2. High-risk material suppliers: Producers of battery chips, PCB, metal sur-

CSR audit rating of key suppliers



face treatment, color box, leather products, wirings, plastic/rubber band printing and coating, and hazardous chemicals<sup>3</sup>. Area: In 2020 and 2021, we focused on plants in China; in 2022, we added the evaluation of suppliers for plants in Thailand and Vietnam; therefore, the number of suppliers increased more significantly

**• Risk Management**



Based on three risk management systems, including “supplies graded alert,” “financial questionnaire survey,” and “information security evaluation,” the Company includes suppliers with transactions into evaluations in accordance with different risk rating methods (i.e., key material, procurement amount, customer requirements, and other condition), steadily monitors the daily supplies of suppliers, and keeps abreast of operations of suppliers to improve cooperating flexibility and response capacity. To minimize the risk of supply suspension, the Company has an

Emergency Management Plan for Suppliers and implements alert grading and management measures for different stages. Furthermore, based on the regular evaluations by the Group Financial Division and the information security team, we investigate financial risks and carry out information security evaluations on selected suppliers to minimize effects and losses arising from supply suspension due to climate change, pandemic, financial operating crisis, and hacker invasion. In 2022, the supplies satisfied customers' requirements, and there was no anomaly.



• **Supplier localization**

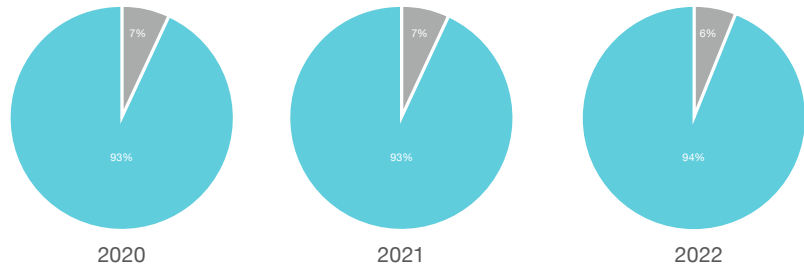
To separate risks, the Company continues to develop and improve local procurement and the diversification of the supply chain. To accelerate the liquidity of supplies and communication efficiency and reduce carbon dioxide emissions arising from the transportation of raw materials, the Company prioritizes local suppliers where the production plants locate and also assists suppliers in improving the quality of supplies and, in turn, reinforcing their core abilities. In addition, the Company continues to focus on whether production or transportation may be affected by climate change or unexpected natural disasters due to the location of suppliers to allocate stable sup-

plies under supply chain diversification.

In 2022, the production focus of Merry Electronics was maintained in China; with the risk dispersion strategies, there were also non-China plants that supported the production allocation. The number of companies for local procurement for plants in China reached 94%, and the amount ratio reached 98%. (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.)

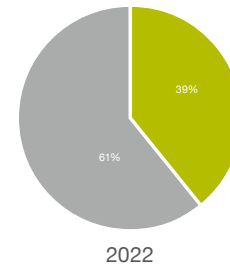
Local suppliers for plants in China

■ Proportion of mainland China suppliers  
■ Proportion of overseas suppliers



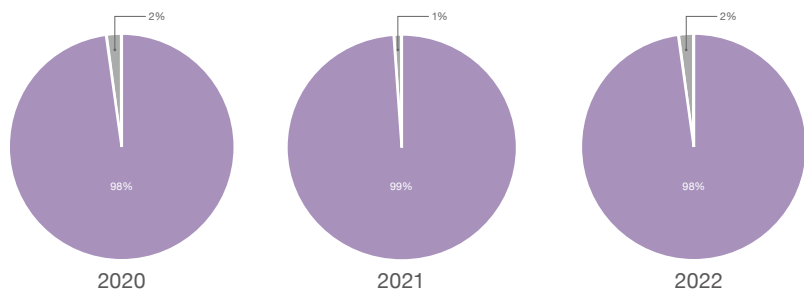
Local suppliers for plants not in China

■ Proportion of local suppliers  
■ Proportion of overseas suppliers



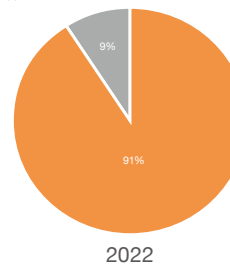
Amount of local procurement of non-electronic parts by plants in China

■ Proportion of mainland China suppliers  
■ Proportion of overseas suppliers



Amount of local procurement of non-electronic parts by plants not in China

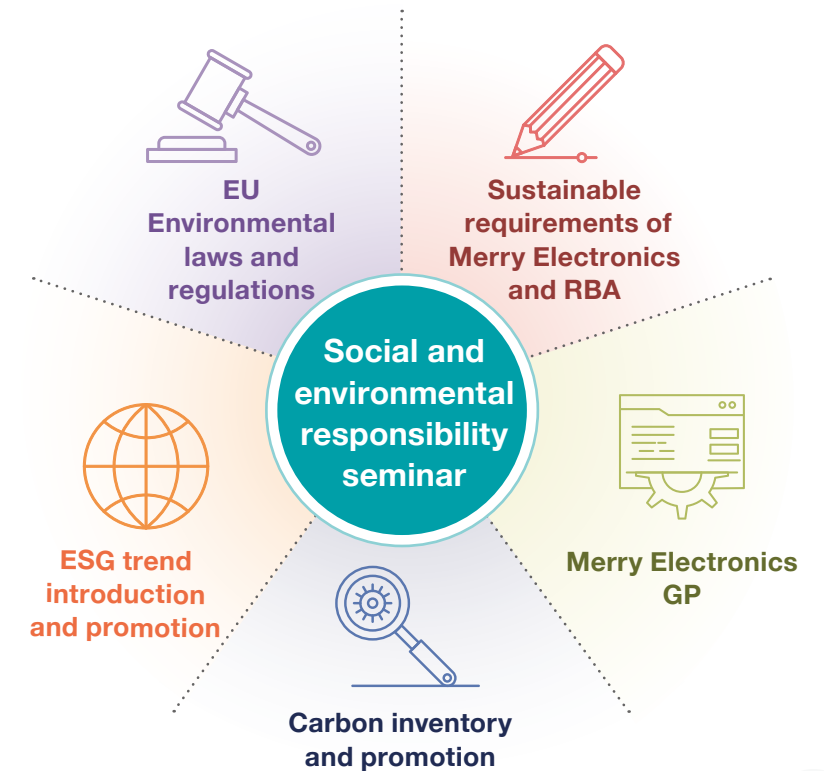
■ Proportion of local suppliers  
■ Proportion of overseas suppliers



• **Supplier exchange**



In 2022, five green promotion online seminars were held, and a total of 52 key suppliers participated in the seminars. The Company promoted ESG management concepts to key suppliers through courses of RBA, ESG trends, and environmental protection regulations, and in turn, promoted its sustainable operating policy and policies related to green supply chain management, and exchanged material trends of GHG inventory to improve cooperating tacit understanding and consensus and grow together with suppliers through mutual assistance.



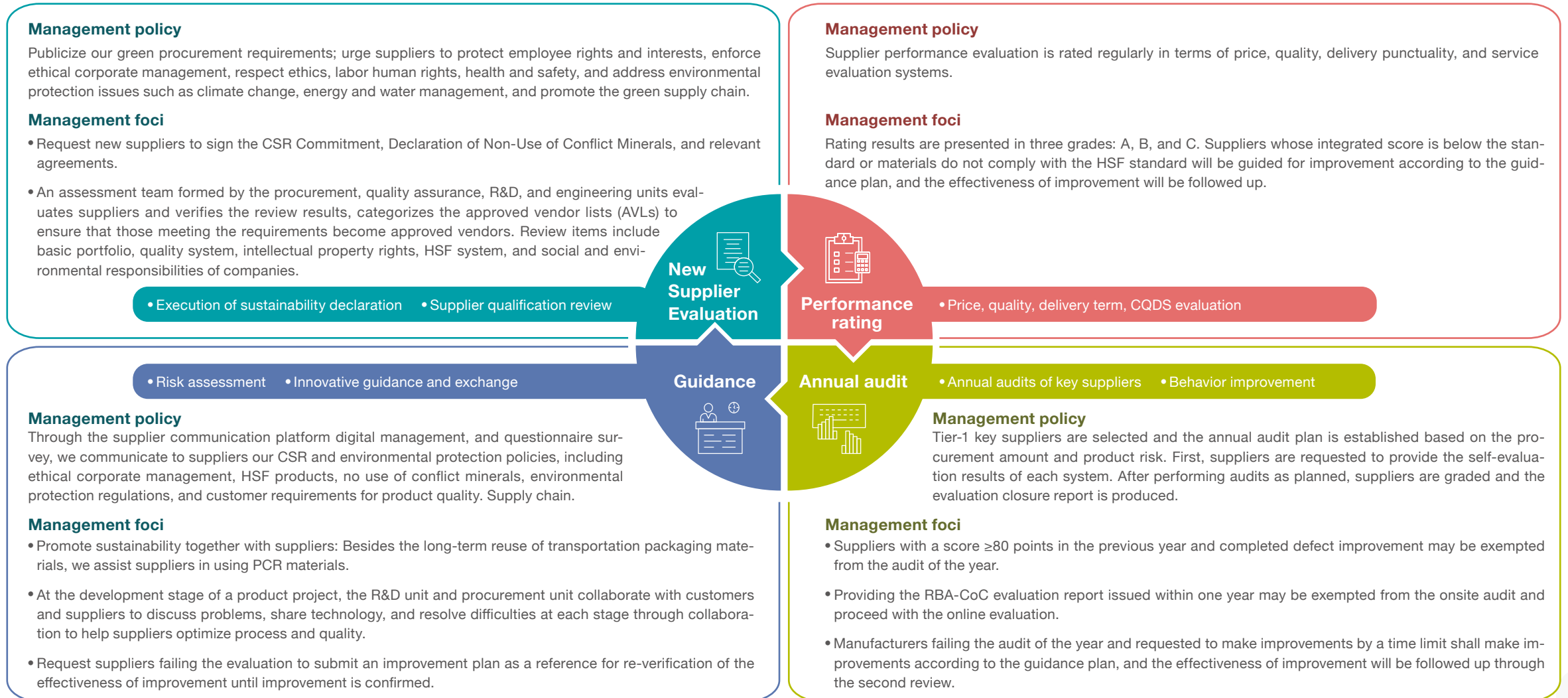


## Supplier evaluation mechanism

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, we urge suppliers to optimize their products

while improving the management of social and environmental responsibilities of the supply chain in accordance with the supplier management procedures that comprise four major processes in the cyclic mechanism: evaluation, rating, audit,

and guidance. In particular, in 2022, we adopted social and environmental evaluation and selection standards for 100% of the new supplier evaluation.





We deem employees as the most significant cooperating partners for corporate operations. Changes in the workplace environment in the post-pandemic era allowed us to reconsider the value of sustainable development of talents. We promised to start out with the prospect of “Enriching Human Life and De-

living Excellent Sound” to attach attention to corporate development and the sustainability and co-prosperity of society and environments and build a worry-free and equal working environment of diverse development, hoping that employees may have improvements in salaries and professional abilities,

friendships, and charitable feedback in a friendly workplace environment, and we continued to assist employees in work-life balance by adopting the promoting activities of four DNAs, “understand music, love reading, fond of exercise, and volunteer.”


## 5.1 Talents Attraction and Retention

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




Total number of employees in Taiwan: **781 persons**  
 Merry Shenzhen: **2,594 persons**  
 Total number of other business locations: **2,063 persons**

Total number of employees of the entire Group as of the end of 2022: **5,438 persons**


There were 3,031 Asian female employees (55.74%), 2,406 Asian male employees (44.24%), and 1 male Caucasian (0.02%).



By gender



Total number of female employees: 3,031  
 Ratio: **55.74%**



Total number of male employees: 2,407 persons  
 Ratio: **44.26%**



By nature of employment contract

Employees with permanent contracts: **1,704 employees**  
 employees of term fixed-term contract employees: **3,535 employees**  
 Dispatched employees: **199 employees**



By working hours

Full-time employees: **3,559 employees**  
 Part-time employees: **1,879 employees**

The number of employees in Taiwan in 2022 was equivalent to that of last year. For the number of employees in other regions, in response to the adjustments made based on customers’ order requirements, the number of laborers decreased slightly. For more details of the workforce structure, please refer to the Appendix.



## Personnel recruitment

Based on business strategies and the career development of employees, recruit outstanding talents via digital and physical channels, including joint recruitment activities of universities and colleges or participating in corporate recruitment activities organized by governmental agencies. For job selection, the Company provides technical positions, professional positions, overseas positions, and other diverse development opportunities; the Company also offers part-time jobs and internship opportunities during summer vacation or on normal days and Science Talent Scholarship and engaged in other industry-academy cooperation methods to cultivate and recruit elites through substantial professional and industrial exchanges for the provision of seamless employment opportunities.

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 chan-

nels 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 (including 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 2022, 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.

## Recruitment channels

### [Joint recruitment activities of universities and colleges]

Due to the slowdown of the outbreak in Taiwan, the organization of physical recruitment activities (i.e., campus recruitment activities) resumed. In 2022, the Company participated in a total of four campus recruitment activities (National Taiwan University, National Tsing Hua University, National Cheng Kung University, and Tunghai University” to recruit outstanding fresh graduates and improve the brand image as an employer.



### [Social media operation]

In response to the arrival of the pandemic era, we made in-depth management for our LINE@, LinkedIn, and other diverse social media recruitment channels, regularly announced internal position vacancies, industry-academy cooperation plans, industrial knowledge, and relevant information to deliver our corporate culture to potential candidates, and continued to focus on the employer brand. In 2022, a total of 39 posts were published on the corporate page of Merry Electronics on LinkedIn, with a number of cumulative followers of 3,938. A total of 28 posts were published by its LINE@ of-

ficial account, with a number of cumulative friends of 3,954; furthermore, the Company was able to provide one-on-one question response services for candidates via such channels to instantly solve questions related to job vacancies and interviews.



Friend  
**3,954**  
Person



Follower  
**3,938**  
Person



[Internship plan]

The Company has spared no effort in cultivating technology talents by way of offering internships to students who are still studying. Accumulated since 2017, a total of 86 outstanding students participated in the Company's internship plan to grow awareness and sensitivity of the electroacoustic industry during the student period and learn the friendly working environment and corporate culture of the Company so as to cultivate R&D talents in advance for the future.



Merry Electronics' **Cumulative** internship plan **86** Person

[Science Talent Scholarship]

In 2011, we introduced the "Science Talent Scholarship" for domestic graduate students and students enrolling in the five-year BS-MS program for the 12<sup>th</sup> year. Besides 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.

Cumulative number of persons  
**116** Person

accepted under application  
**64** Person

Acceptance rate  
**55.17** %

In 2022, seven students were accepted. Over the last 12 years, a total of 116 students applied for the scholarship, 64 students were accepted for the scholarship, and the acceptance rate was 55.17%. As active students can apply for the Science Talents Scholarship for one more year. Over the years, 9 out of 55 winners applied for the scholarship for one more year. Except for those who are still students or drafted, 33 outstanding students have joined Merry after graduation.

[Industry-academy cooperation]

In 2022, Merry Electronics and Feng Chia University carried out in-depth industry-academy cooperation. With the R&D supervisor as the corporate project mentor, students received guidance for projects related to electroacoustic for a period of half-year, leading students to gain an in-depth understanding of the electroacoustic field. Besides, Merry Electronics also organized headset workshops on campus for employees to guide students in the workshop as volunteers, cultivating students' interest in the electroacoustic industry. In the future, the Company will continue to develop diverse industry-academy projects (i.e., electroacoustics program cooperation and internship cooperation projects) and explore more universities, colleges, and students for cooperation.

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.

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.



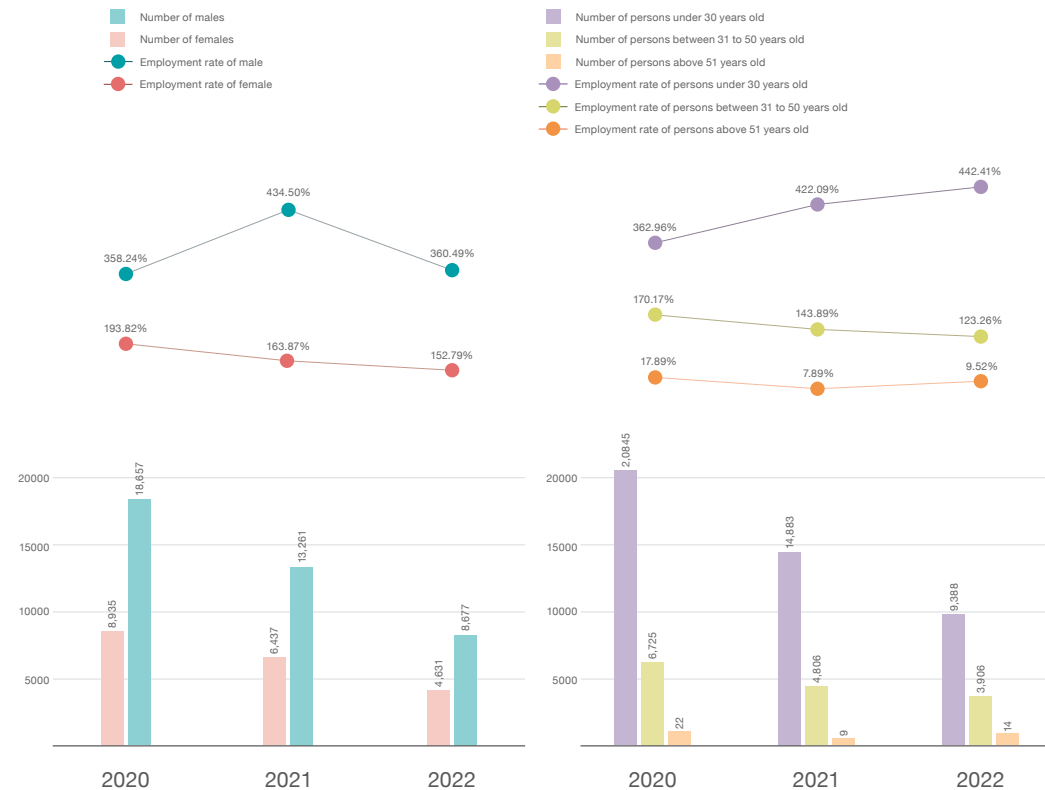




• Statistics one and resigned employees

In 2022, there were 13,308 new employees in total (annual employment rate 244.72%) of the entire Group, including 9,388 persons aged below 30 years, 3,906 persons aged 31 and 50 years, and 14 persons aged over 51 years. In 2022, a total of 14,878 employees resigned (annual turnover rate 273.59%), including 10,412 persons aged below 30 years, 4,432 persons aged 31 and 50 years, and 34 persons aged over 51 years. As the market demand has peak seasons and off seasons, in response to orders of short-term demand, contracted or temporary employees are hired to meet the demand during peak seasons. Therefore, most new and resigned employees were aged below 30. The demand for fixed-term contract workers and dispatched labor was 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.



## Wage and benefit systems

### • Comprehensive and competitive remuneration system

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 go through performance evaluations each year. The results will be the reference for rewards, appointments, promotions, 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 as an example; before or after the Chinese New Year each year, we distribute the year-end

bonus. 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. Annual raises at Taiwan HQ in 2022 averaged 2% (excluding new employees with seniority under one year).

### • Performance evaluation system

With a performance evaluation system and through beginning target setting, we unflinchingly implement the corporate strategy

and link the annual targets to the department and individual working 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 go through performance evaluations conducted each year. In 2022, 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.

### • Ratio of base-level employee pay to 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 at the HQ and other business locations. The start pay of indirect labor in all other business locations is way better than the minimum wage and thus excluded from the statistics.

Locations	Start pay of direct labor	Minimum Wage	Ratio
Merry Shenzhen	RMB2,410	RMB2,360	1.02
Merry Vietnam	VND4,200,000	VND4,160,000	1.01
Suzhou Merry	RMB2,280	RMB2,280	1.00
Merry Thailand	THB13,000 (month)	THB376 (day)	-

Note: Merry Thailand adopts the monthly salary system for all employees; therefore, the comparison cannot be made with the local statutory basic wage (daily salary)



• 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.

Location	Gender	Direct Labor	Indirect Labor	By salary per capita				By total remuneration per capita			
				Taiwan HQ		Merry Shenzhen		Taiwan HQ		Merry Shenzhen	
				Male	Female	Male	Female	Male	Female	Male	Female
				(no direct labor)		1	1.00	(no direct labor)		1	1.00
			Non-supervisor	1	0.80	1	0.84	1	0.78	1	0.64
			Supervisor	1	0.86	1	0.95	1	0.84	1	0.56

Wage and benefit systems

• 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. Besides deducting the employee's contribution from their salaries, we also make our contributions by law.

• 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 systems of where our business locations locate by contributing the employee's pension to the special accounts according to appropriation laws and regulations protection and insurance schemes to protect the retirement life of employees.

• Employee shareholding trust system

A formal employee who has a seniority of one year or above may opt to join the shareholding trust project of Merry Electronics each quarter. The Company additionally subsidized 50% of the appropriation amount as bonuses each month to purchase stocks of the Company regularly at a fixed amount to allow employees to share profits of the Company in the nature of shareholders upon resignation or retirement. As of the end of 2022, the cumulative number of participants for the employee shareholding trust was 343 persons, which exceeded the targeted number of 330 persons, and the achievement rate was 104%.



Insurance			Factory Area	Retirement Protection		
Employer Contribution	Employee Contribution	Types of insurance		Pension System	Employer Contribution	Employee Contribution
Subject to the payroll bracket		Labor Insurance and National Health Insurance	Taiwan HQ	LSA Plan	Contribute 5.1% of the total salary amount each month	NA
Casualty insurance	NA	Group insurance		LPA Plan	Contribute 6% of the total salary amount each month	0-6% at the employee's will
Increased casualty insurance Accidental medical cover Hospitalization insurance	NA	Expatriate group insurance		Merry Shenzhen	Endowment Insurance under social insurance	14%~15%
0.45%~6.2%	0.1%~2%	Medical insurance				
0.5%	NA	Birth insurance				
0.7%	0.3%	Unemployment insurance				
0.196%	NA	Work-related injury insurance				
1%~5% (maximum 750 THB)	1%~5% (maximum 750 THB)	Social security system (covering medical, unemployment, child welfare, and retirement)	Merry Thailand	The pension system of Thailand and Vietnam is subject to the local mandatory social insurance schemes and thus not repeated here.		
21.5%	10.5%	Social insurance (covering birth, occupational hazards, retirement, unemployment, and health)	Merry Vietnam			
6.2%	6.2%	Social security taxes	Merry USA	401(k)	6%	At the employee's will
1.45%	1.45%	Medicare tax	Merry Singapore	Central Provident Fund (pension)	17% (max. SGD \$1,020)	20% (max. SGD \$1,200)
4%~17%	5%~20%	Central Provident Fund		Central Provident Fund (pension)	5%	5%
100%	NA	Employees' Compensation Insurance	Merry Hong Kong	Suzhou Merry	Endowment Insurance under social insurance	16%
7%	2%	Medical insurance				
0.8%	NA	Birth insurance				
0.5%	0.5%	Unemployment insurance				
0.2%	NA	Work-related injury insurance				



## Wage and benefit systems

### • Parental leave

Taiwan has “Regulations for Implementing Unpaid Parental Leave for Raising Children” and “Act of Gender Equality in Employment” in place. Apart from implementing the unpaid parental leave system according to the law, Taiwan HQ allows employees to apply for unpaid parental leave before their children are three years old up to two years. The Company also offers menstruation leave, pregnancy check leave, maternity leave, paternity leave, tocolysis

leave, family care leave, and relevant leaves to employees who are in need. We also introduce friendly workplace measures, such as breastfeeding (lactation) room and 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	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Number of employees entitled to parental leave (A)	34	58	48	53	54	55
Number of employees taking parental leave (B)	7	2	3	0	11	1
Number of employees due to return to work after parental leave (C)	6	2	4	0	8	0
Number of employees that did return to work after parental leave (D)	3	2	2	0	7	0
Number of employees that did return to work after parental leave in the previous year (E)	3	1	3	2	2	0
Number of employees retained 12 months after returning to work following parental leave in the previous year (F)	3	1	3	0	2	0
Return to work rate (D/C)	50%	100%	50%	0%	88%	0%
Retention rate (F/E)	100%	100%	100%	0%	100%	0%

Note: The number of employees entitled to parental leave in 2022 was the total number of employees applying for maternity leave and paternity leave in 2019-2022



• Leave system better than the regulatory requirements

Apart from off days stated under the Labor Standard Act, Taiwan HQ added a paid care leave system in 2022. We also have other systems more favorable than that of laws and regulations, including holidays for makeup workdays announced by the government, special leave offered to new employees in advance, long-term flexible working hours, paid volunteer service leave, paid marital leave for relatives, and return leave for

employees dispatched abroad. The benefits of other business locations are mainly subject to the laws and regulations of the host country/region.

After the outbreak of COVID-19, Merry Electronics initiated the “safely work from home” model, together with relevant system and equipment support completed under the digital transformation project. There was once up to 80% of all employees

worked from home. In the second half of 2022, we entered the post-pandemic era; taking example from the work model during the special period, we continued to optimize and adjust to achieve a “mixed work pattern” by adopting both remote and office models and offered flexible work pattern subject to business nature. Apart from ensuring employees’ health, it also effectively realizes the goal of work-life balance.

	Regulatory Requirements	Merry's Superior Benefits
<b>Paid care leave</b>	NA	Measure added in 2022: Offering paid care leave of seven days each year.
<b>Special leave</b>	3 days of special leave for a service length up to 6 months.	Advance special leave of 3 days for new employees after duty reporting.
<b>WFH with Pay mode</b>	NA	In response to the epidemic control policy or for employees with family care needs may apply for work from home (WFH).
<b>Holidays for makeup workdays</b>	Attendance is required for statutory working hours.	In response to the long holidays for festivities, no makeup workdays are required for employees to directly enjoy paid long holidays.
<b>Flextime</b>	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.
<b>Home leave</b>	NA	<ul style="list-style-type: none"> <li>• Several times of application for home leave a year.</li> <li>• 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</li> </ul>
<b>Marriage leave</b>	Paid 8-day leave for the marriage of employees.	In addition to the marriage of employees, employees are entitled to paid marriage leave for: <ul style="list-style-type: none"> <li>• Children (2 days)</li> <li>• Siblings (1 day)</li> </ul>
<b>Volunteer service leave</b>	NA	Paid 2-day leave each year.
<b>Maternity leave</b>	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.



## Wage and benefit systems

### Employee Welfare Committee

The 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. With the slowdown of the pandemic in 2022,

the new building of the HQ was put into use. We organized a family day at Taichung HQ to allow employees to bring their families to enjoy the time together! Apart from allowing



family members to see the working environment, we provided popular food dishes, multiple family interactive games, and a live band on-site. The international acoustic laboratory



and audio-visual room built costing over a few hundred thousand was also available that day for employees and their families to take a peek at the secret of the acoustic world.

### [Company trip]

The HQ organizes group tours, self-formed group tours by employees, and family activities each year for employees to care for family and children apart from work. Company trips improve employees’ exchanges and tactic understanding, allow family members to understand our corporate culture, improve relationships between couples and family interactions, and for families to experience the family vibe at Merry Electronics.



### [Gathering]

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, our HQ has a badminton club, yoga club, music club, and aerobic exercise club.



**[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 families.

Application

66 persons

Distribution

135,200 NT\$

**[Commendation of senior and model employees]**

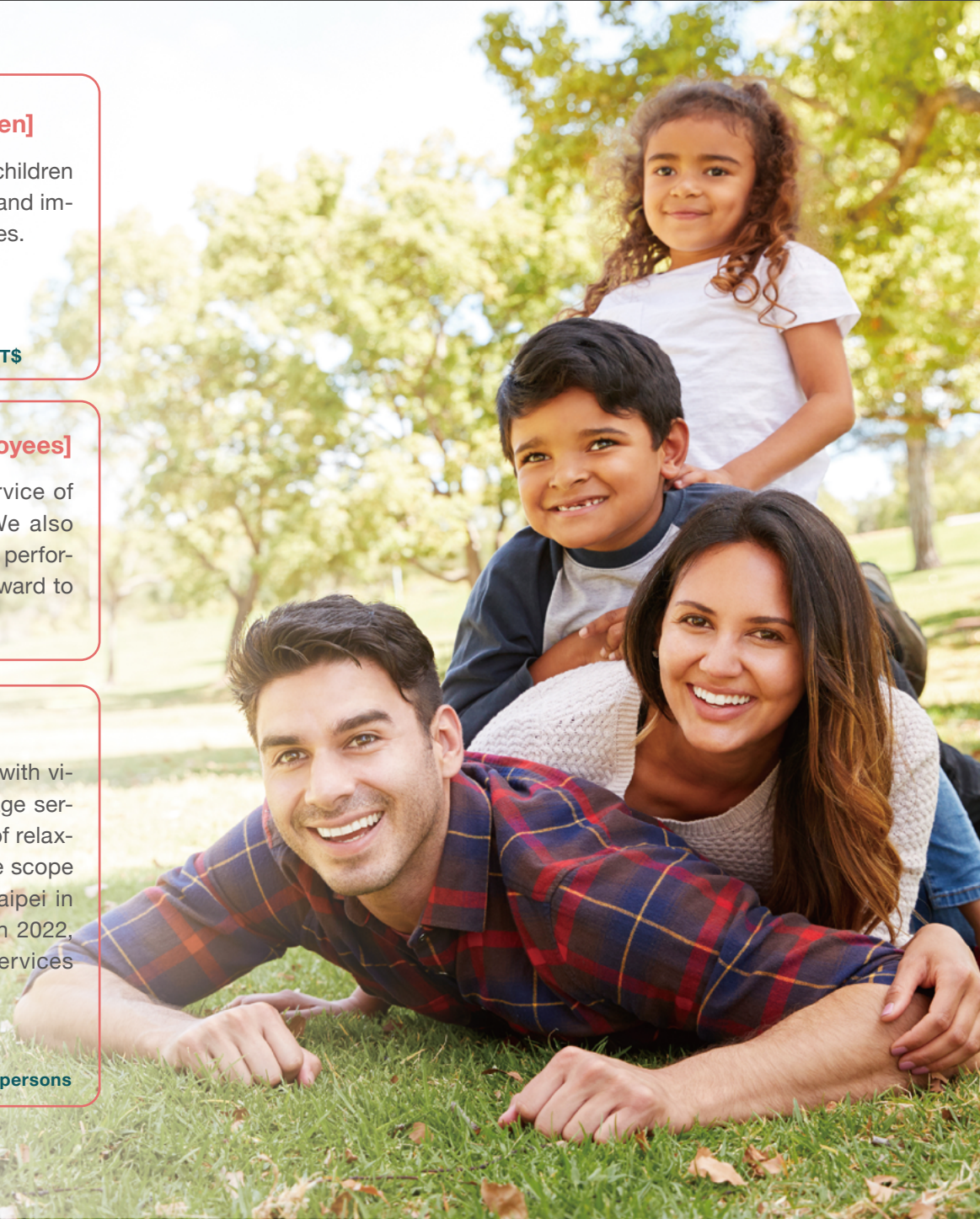
Every year, the HQ rewards employees for a service of every five years with the "Service Award." We also nominate and select employees with outstanding performance for the "Model Employee of the Year" award to thank them for their contributions.

**[Stress-relieving massage service]**

Starting from 2013, we hired massage therapists with visual disabilities to provide stress-relieving massage services to employees for them to enjoy 20 minutes of relaxing massage during working hours. To expand the scope of benefits, massage locations were added in Taipei in 2020 to benefit employees in different regions. In 2022, we started to provide uninterrupted massage services throughout the year.

Annual accumulation

1,185 persons







# 5.2 Talent Development

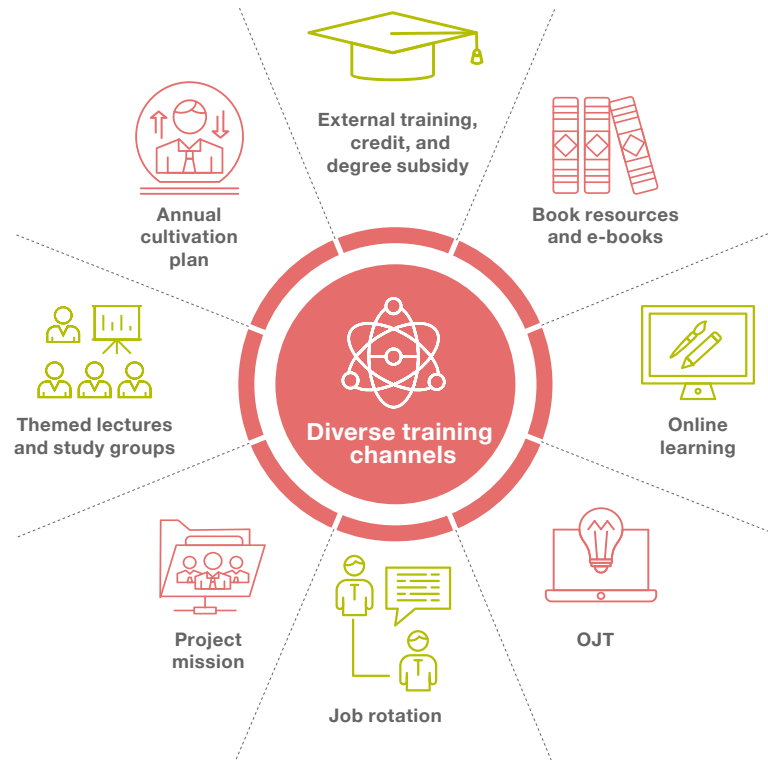
## Diversified training channels for strengthening self-learning and development

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.

We utilize a dual-track system for talent development by matching persons to appropriate positions to improve the capacity of talents. In combination with the functions and DNA, we utilize diverse activities and build individual learning blueprints to nurture talents. All employees are able to use various

online and offline platforms in the learning organization to learn new knowledge, accumulate professional experience during work, and expand their horizons in terms of diverse aspects during interactions to continue to grow by adhering to the spirit of co-learning, joint learning, common good, and co-creation.

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, {i>Taiwan's March of Happiness<i>, and CSR, to demonstrate the "common good" of enterprise and society.



## Value employees' opinions and promote talent development strategies

We planned to commence the employee engagement survey once every two years: In the initial engagement survey in 2022, we focused on seven major experience aspects of employees, listened to employees' opinions, and focused on material topics to set out our action plans.

The scope of the survey involves personnel of professional positions and management positions at Taiwan HQ, and a total of 361 persons completed the questionnaires, with a response rate of 46.1%; we adopted the 5-point Likert scale, and the overall score was 3.8. 95% of employees recognized the leading styles of management and task allocation and gained

work recognition and satisfaction via task assignment and co-operation. In addition, 95% of employees fully understood and recognized our and their own goals and prospects by the total participation in all-hands meeting each quarter or other communication channels.

Improvement plans implemented subsequently will focus on deepening group cooperation, introducing the OKR mindset to organizational strategies, building individual development plans (IDPs), and optimizing the linkage between performance and remuneration to commence relevant actions.



**Group work**

**[ Team learning ]**

- Department study group
- Merry Electronic annual studying award
- Deepen OKR

**5-point Likert scale**  
3.8 points

95 %  
**employees recognized with Merry Electronics**

**Work value and salary retention**

**[ Create career probability ]**

- Dual track system for talent development
- Successor plan
- Key talent plan

**[ Trigger motivation through individual development ]**

- Knowledge pilot Confucius event
- Buddy & tutor plan to take roles in giving rise to growth momentum

**[ Optimize the linkage between performance and remuneration ]**

- Initiate a new performance system
- Update employee bonus plan

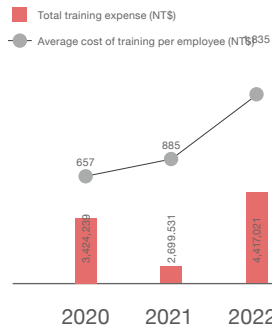
**Training results**

**• Learning achievements**

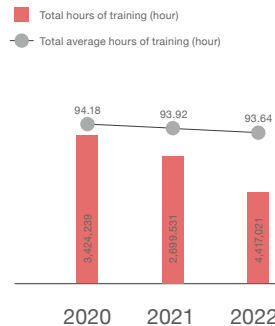
In 2022, apart from uninterrupted online learning, we continued to invest in training costs to focus on the key position talent development. In 2022, the total amount of education and training funds was NT\$4.41 million, representing an increase of NT\$1.71 million as compared to 2021. In 2022, the average hours of training were 93.64 hours, representing a decrease of 0.28 hours as compared to 2021.

Total amount  
**441**  
ten thousand

Total Expenses on Education/Training over the Years



Total Hours of Education/Training over the Years



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

Job grade	Year	Female	Male	Total
Medium and Senior Management	2020	37.12	30.92	32.33
	2021	63.29	47.92	51.60
	2022	49.64	47.50	48.08
Junior Supervisors	2020	16.01	16.23	16.16
	2021	16.11	17.04	16.71
	2022	21.54	24.97	23.63
R&D personnel	2020	30.45	28.62	29.03
	2021	46.18	41.50	42.66
	2022	44.30	40.10	41.12
Clerks	2020	22.58	34.81	26.64
	2021	21.68	30.33	24.05
	2022	26.20	38.80	29.16
Direct Labor	2020	72.70	152.03	113.60
	2021	63.96	204.79	120.87
	2022	73.58	203.42	126.09



**Merry Electronics' hard skills - profession and management function cultivation**

In 2022, we continued to advance the leadership capacity of the management and strengthen group operations to improve work efficiency. Based on our management competency model, we initiated a training plan for a period of three years. In the first year, we completed six classes in total with a total hour of 103.5 hours, and there were a total of 165 participants, and the training completion rate

Training  
**180**  
persons

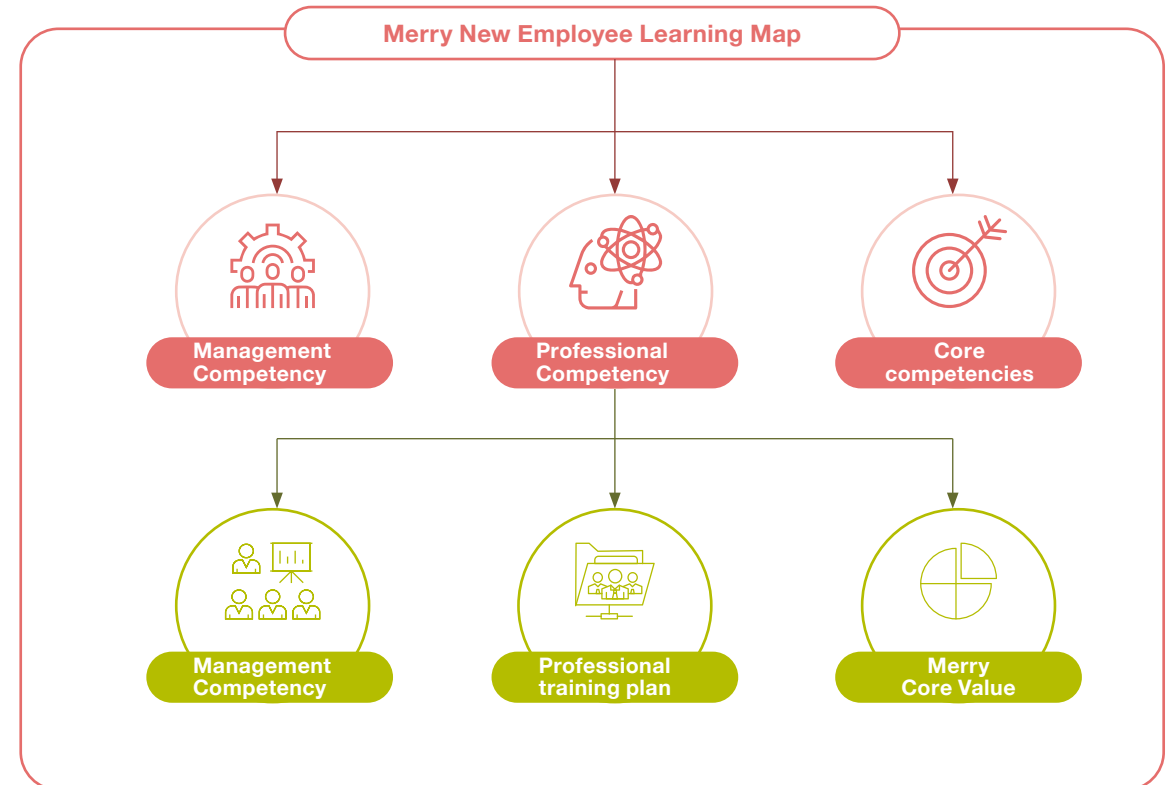
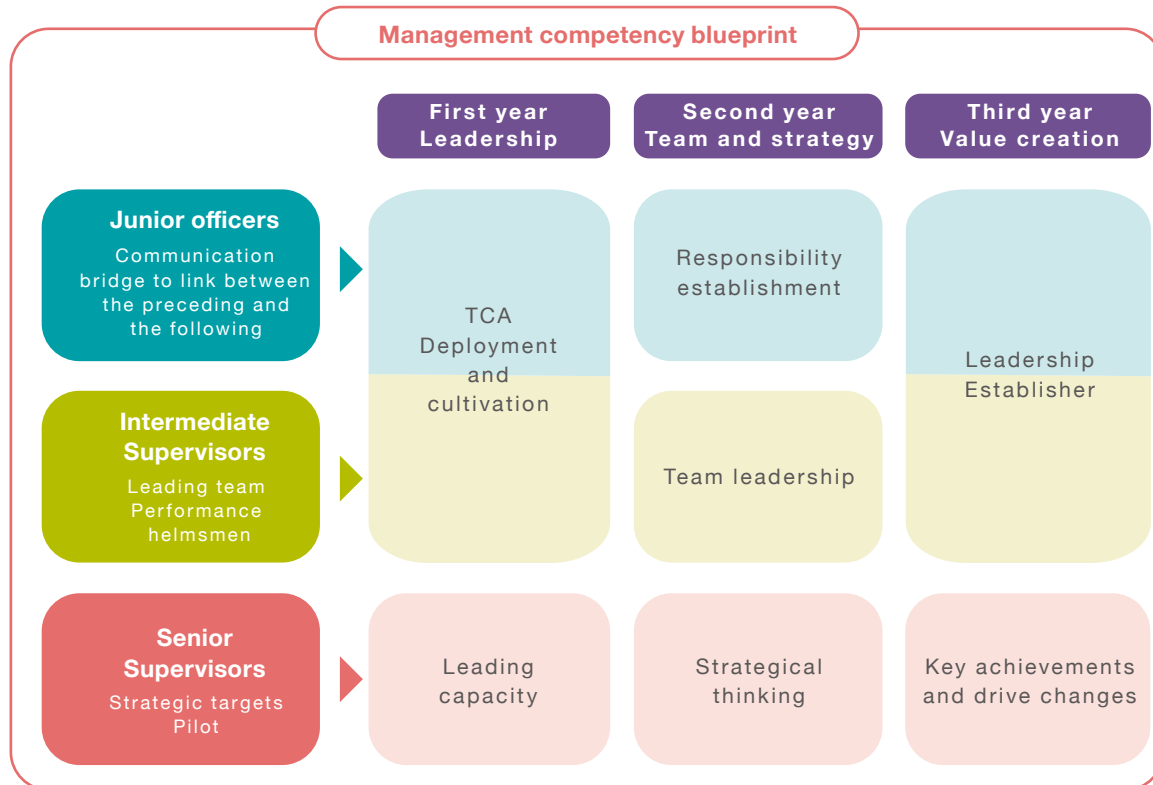
of the management competency blueprint was 15%. For professional positions, we reinforced ability cultivation and introduced agile management to the R&D team to initiate training of 21 hours and operation plans of 25 hours, and training for 180 persons was completed in 2022.

**Merry Electronics' hard skills - ability cultivation for new employees**

Each new employee has an exclusive learning blueprint to guide freshmen to rapidly understand the Company's core values, systems, and product information by way of diverse learning. The CEO also shared the management concept and future outlook with

new employees at core value courses to reach a consensus.  
• Blueprint training completion rate of new employees in 2022: 100%

completion rate  
**100**  
%





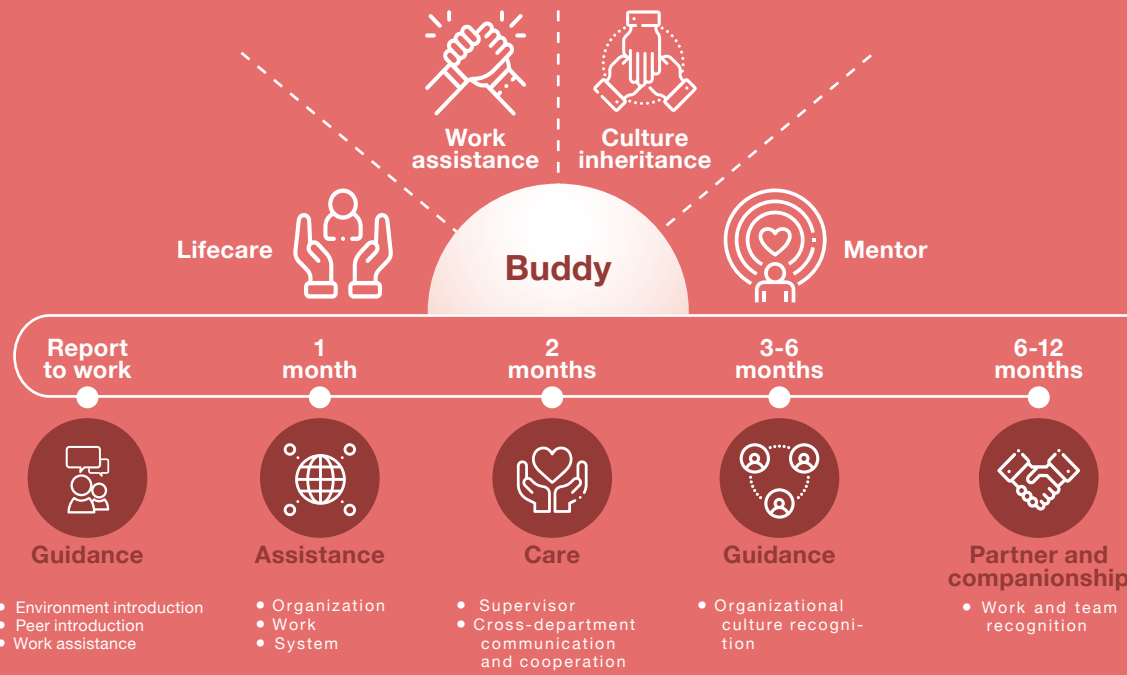
[ New employee tutor system ]

To allow new employees to successfully fit into a new working environment and eliminate a sense of tension and insecurity, we launched the “Buddy system” in 2022 to cultivate tutors of different departments through training provided by professional lecturers. Tutors will be buddies for new employees to assist new employees in familiarizing themselves with the working environment rapidly and problem assistance

Satisfaction  
4.57%

and experience sharing to allow new employees to grow in an atmosphere of support and kindness.

There were 67 new employees being tutored during the year, and a new employee satisfaction survey was performed after three months after reporting to work, and the average satisfaction reached 4.57 (the 5-point Likert scale was adopted).



• Merry Electronics soft power - Microlecture

In 2021 and 2022, we promoted Merry Electronics microlecture. Combined with the function, business policy, and employee opinion survey feedback, the microlectures were promoted in the form of monthly themed activities, which were deeply rooted in our employees’ DNA. In 2022, a total of 198 lectures



were organized, with a total of 7,826 participants and 1,118 learning hours.

Month	Category	Subject
Apr	DNA - Love Reading + Function - Integrity	Reading, Reading Clubs, You Can Learn More
May	DNA - Understand Music	Understand Music is Easy, Feel Free to Learn Together
June	2022 Business Policy - Net Zero Carbon Dioxide Emissions	Net Zero Carbon Dioxide Emissions, Many Small Contributions Make A Difference
Jul	Self-growth + Function - Be Active	Easy Language Learning, Just Speak, The World Will Know!
August	2022 Business Policy - Profit Optimization + Function - Execution Capacity	Profit? Strengthen Execution Capacity, Improve Your Combat Capability!
Sep	Self-growth + Function Communication and Negotiation	Effective Briefing, Communication and Negotiation Number one!
Oct	2022 Business Policy Restructuring + Function - Customer Services	Manage Oneself, Delivering Excellent Sound of Customers!
Nov	Self-growth	Master in Investment and Wealth Management, Lead A Worry-free Retirement Life
Dec	2022 Business Policy - Entry to the Field of Automotive Medicine + Function - Seek Excellence	Entry to the Field of Automotive Medicine, Learn the Trends and Create Leverage!



• **Merry Electronics' soft power - learning organization cultivation:** Offer diverse learning channels for employees to enjoy and learn from activities

**[Merry Go!]**

Merry Go! is just like Pokemon Go! We hope that all our employees can explore fun new knowledge and plenty of knowledge is worthy of learning! Lecturers and seed personnel jointly deliver new knowledge to employees who enjoy learning to learn. The Company also showed commendation for key roles participating in learning: Merry Studying Award, Confucius Award, and Outstanding Seed.



**[Team Reading Club and Conversation]**

Merry has been organizing study groups for years to brainstorm diverse thinking and innovation. In the past, we focused on co-reading of supervisors; in 2021, we encouraged non-supervisors to join the study group. In 2022, we initiated group reading and management reading. A total of seven units responded and participated in the group reading. The management reading started from the enlightenment of external lecturers for functional training, and a study group was otherwise organized after courses for group discussion to jointly brainstorm and create management

practicing methods starting out from “sharing” and “discussion and application.” In 2022, there were a total of 939 participants, and 11 books were read. We transform reading from passive to active via activities to combine with functions and spread the habit to more groups.

(1) Subsidies to encourage in-service education: We highly recommend employees engage in on-the-job further education based on the needs of expertise for product development and the career development of employees. Employees wishing for

further education due to personal needs may apply for further study during work or leave of absence for full-time further study. We encourage employees to receive further education to improve their experience and pursue self-growth.

(2) External trends and expertise: Employees may apply for further study based on actual needs. To encourage the organizational wide of learning together and stimulate learning motivation, the education/training budget is unlimited.





# 5.3 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 complies with the OH&S policy and regulations. In 2022, the Occupational Safety and Health Administration carried out an active evaluation of enterprises that disclosed occupational health and safety performance indicators in the sustainability report, and we stood out from 588 enterprises, and we were rated one of the top 10% excellent workplaces among listed electronic enterprises. We also won the honor as an excellent enterprise for the first “Sustainable Workplace Health and Safety Development Promotional Plan.”

To ensure the effective operation of the management system, Taiwan HQ established the

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

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

Occupational Safety and Health Committee with the CEO as the chairperson and the representative of occupational safety and health management as the vice chairman; the representative of occupational safety and health management was the senior HR officer appointed by the CEO; the committee coordinates

and determines affairs of occupational safety and health and make report. Personnel of the occupational safety and health unit and all labor representatives are members of the committee; there are a total of five labor representatives, accounting for 33% of all members or above. Merry Shenzhen has its occupational safety and health committee in place to serve as the management organization of occupational safety and health. The representative

Note: \*High-risk business locations

	Number of workers at the end of 2022		Number of employees under the management of the OH&S system	Number of employees included in the OH&S management system	Number of employees covered by external certification
	Employees	Non-employee			
Taiwan HQ*	781	6	728	728	516
Merry Shenzhen	2,594	192	2,594	2,594	2,594
Merry Thailand*	808	6	808	0	0
Merry Vietnam*	1,042	15	1,042	1,042	1,042
Suzhou Merry*	147	4	0	0	0
Merry USA	9	NA	Low-risk locations as shown in risk assessment. Only safety management measures are implemented in offices. Management was not fully compliant with the management system of the ISO45001:2018 framework.		
Merry Singapore	45	NA			
Merry Hong Kong	12	NA			
Number of employees at high-risk business locations	5,372	223	5,172	4,364	4,152
Coverage (high-risk business locations only)			96.28%	81.24%	77.29%
Coverage (all business locations)			95.11%	80.25%	76.35%



tative of occupational safety and health management is the senior officer of the HR administration division appointed by the president; there are a total of 14 labor representatives, accounting for 46% of all members or above; meetings are regularly held each quarter to discuss occupational safety and health issues and follow up on improvement. Merry Vietnam has established its safety and health labor group, and personnel of the safety and health labor unit and labor representatives are the members; there are a total of three labor representatives, accounting for 20% of members; meetings are regularly convened each quarter to provide recommendations for material occupational safety and health matters or material occupational safety and health problems.

Taiwan HQ, Merry Shenzhen, and Merry Vietnam have obtained the ISO 45001:2018 certification, covering workers (both employees and non-employees) engaging in design, development, procurement, construction, production, maintenance, and contract projects, and continued to ensure the effective control of compliance and safety risks through regular third-party audits and verification. This covers only non-employees having activities in our plants, including security guards, cleaners, resident workers, and maintenance and engineering companies. Based on the man-

agement 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, which already obtained the ISO 45001:2018 certificate in 2020, both Taiwan HQ and Merry Vietnam also passed the 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 in the production activities of all locations and apply for external certification each year to realize the occupational safety and health management of Merry Group and create and provide a friendly working environment.

## 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.

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. For injuries, poor health, diseases, and other accidents related to work that occurred to employees, the Company has established an effective investigation and handling system to commence investigations regarding the cause of accidents or potential reasons and adopt effective corrective and preventive measures to improve safety and health management achievements. Employees may also reflect on safety and health-related issues and recommendations, and the occupational health and safety unit will perform evaluations. For those who filed complaints via channels provided by the Company, to protect employees who filed complaints, matters will be handled by confidential means, and then, the Company will respond to employees and carry out subsequent follow-up.

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 and engages qualified third-party institutions to maintain and repair fire control facilities of plants each month to protect the routine fire safety of plants. 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.



### Risk assessment outcomes and control achievements in 2022







## 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 2022, Taiwan HQ arranged new employee general safety and health education/training (including OH&S and fire prevention) for 173 person-times, new employee hazardous chemicals education/training for 72 person-times, and fire safety training for 67 person-times, with a total of about 1,003 hours of training. However, recurrent training for OH&S-related personnel continued by law, and employee OH&S education and training were enhanced to raise employee safety awareness.

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 organizes public safety training courses from time to time. In 2022, there were 15 training courses with 54,620 participants. It also arranged three levels of safety training from plant, workshop, and to position for all new employees; in 2022, the total participation was 11,754 persons. Merry Vietnam arranges safety training for all new employees and hires contractors to provide labor safety training each year. In 2022, a total of 1,037 persons received the training.

### Occupational safety license qualification



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.

Time	Topics of Public Safety Training Course at Merry Shenzhen	Actual Number of Trainees
Feb	HSF, EHS, RBA, and Energy System Policy and Target Learning	2,793
March	General Knowledge of Hazardous Chemicals	2,999
	Selected Labor and EHS Regulations Learning	2,999
May	Material Machine and Equipment Hazard Source and Material Department Hazard Source Identification and Control Method Learning	3,234
	Identification and Control of Material Environmental Factors Learning	3,234
	Waste Sorting and Management Methods Learning	3,234
June	Counter terrorism knowledge training	3,768
	Fire Equipment Use	3,768
Jul	RBA7.0 Standard Training	4,452
	ISO14001:2015 Standard Learning	4,452
August	ISO 45001:2018 Standard Learning	5,192
Sep	Safety Knowledge Learning (Access Clearance, Extinguishing and Evacuation; Safety Responsibility and Requirements)	5,291
Oct	COVID-19 Pandemic Control Knowledge Training	4,833
	Occupational Health Knowledge Training	163
	Training on the use of Personal Protective Equipment	4,208



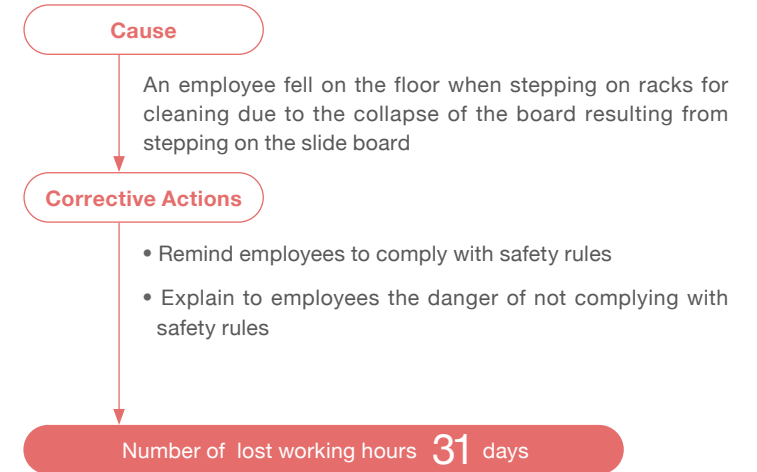
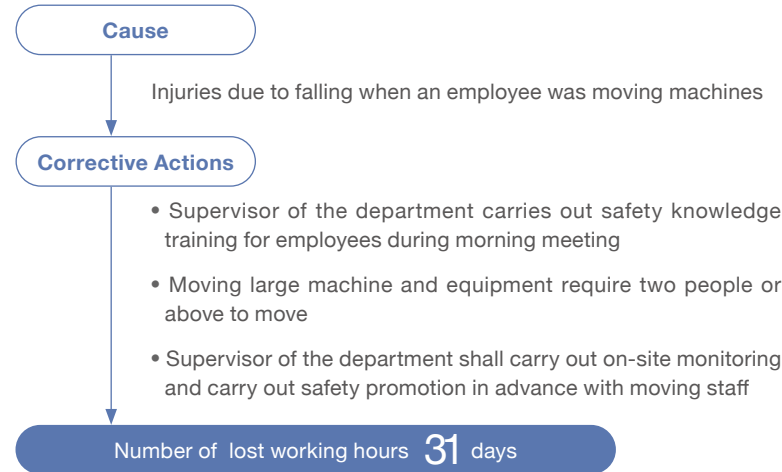
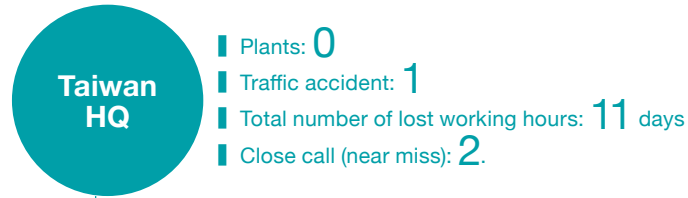
Course location	Merry Shenzhen			Merry Vietnam			Merry Thailand		
Statistical Item	Course Type	Person	Total hours of training (person-hours)	Course Type	Person	Total hours of training (person-hours)	Course Type	Person	Total hours of training (person-hours)
<b>General Education</b>	• Safety Knowledge Training	896	145	• Employee Production Safety Training	3,408	9,640	• Safety Committee Members' Training	19	19
<b>Machinery Safety</b>	• Goods Transportation Safety and Forklift • Machinery Injury Safety training	49	49	• E&M Equipment Safety Training	42	502	• Goods Transportation Safety and Forklift	11	11
<b>Chemicals Safety</b>	• Hazardous Chemicals Knowledge Training • Hazardous Chemicals Leakage Prevention Drill	42	21	• Chemicals Safety Training	34	1,360	• Chemicals Safety Training	211	496
<b>Fire Safety</b>	• Volunteer Firefighting Team Drill • Fire Safety Training • Fire Evacuation Drill	7,795	2,598	• Fire Safety Training	1,511	3,476	• Fire Extinguisher Use	119	952
<b>Special Operation Personnel Training</b>	• First Responder Training	60	180	• Forklift Driver's License Training • First Responder Training	52	416	• First Responder Training	54	222
<b>Other</b>	• Confined Space Operation Drill	13	6	-	-	-	-	-	-



## 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 working hours of Taiwan HQ, Merry Shenzhen, Merry Thailand, Merry Vietnam, Merry USA, Merry Singapore, Merry Hong Kong, and Suzhou Merry were about 16.82 million hours.

### Statistics of disabling injuries in 2022 (number of lost days >1):





Information on Disability Injury of All Employees

All employees	2020	2021	2022
Number of working hours throughout the year	13,988,064	22,310,765	16,827,920
Number of fatalities as a result of work-related injuries	-	-	-
Number of high-consequence work-related injuries	-	-	-
Number of near misses	1	2	2
Lost day	218	182	219
Number of recordable work-related injuries	6	4	14
Rate of fatalities as a result of work-related injuries	-	-	-
Rate of high-consequence work-related injuries	-	-	-
Total recordable incident rate (TRIR)	0.09	0.04	0.17
Near miss frequency rate (NMFR)	0.01	0.02	0.02
Lost day rate (LDR)	3.12	1.63	2.60
Disabling injury frequency rate (FR)	0.42	0.17	0.83
Disabling injury severity rate (SR)	15	8	13
Frequency-severity indicator (FSI)	0.08	0.04	0.10

Note:

- The calculation method of "number of working hours throughout the year": Number of persons from January to December x number of working days of the month x number of daily working hours;
- 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 day" refers to the number of days during which the person injured temporarily (permanently) and not being able to return to work, excluding the injury day and the day returned to work, but including the number of days in between such two days (including Sundays, off days, or work suspension days of the business unit) and any number of days that the person cannot work due to the disaster after returning to work.
- "Number of recordable work-related injuries" refers to the person-time of persons injured above (number of lost working hours over eight hours);
- "Number of high-consequence work-related injuries" refers 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.
- Minor injury incidents were initially included in the calculation of the number of near misses; in 2022, the calculation method was amended, and minor injury incidents are no longer included in the calculation of near misses; therefore, the historical number of near misses was updated



# 5.4 Healthcare

## Occupational health services

Merry values employees' physical and mental health and arranges regular in-service health inspections according to the requirements of laws and regulations. Taiwan HQ arranges monthly doctor health services, work safety recommendations, and OH&S-related on-site services. Additionally, appointed nursing practitioners send comprehensive health publicity materials biweekly, and we also organize various health promotion activities to enrich the health knowledge and skills of employees.

Due to the pandemic, the contracted hospital stopped sending resident physicians to Merry Shenzhen in 2022. 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.

Since the outbreak in 2021, Merry Thailand has been arranging vaccination operations and completed the second dosage of COVID-19 vaccination for all employees in 2022, and subsequent new employees were required to have at least injected two vaccines. Our factory area has an infirmary with comprehensive facilities to test ATK when external personnel or new employees enter. Merry Shenzhen arranges work-related health checkups for employees engaging in special jobs (e.g., solder paste dispense, welding, and noise test). Merry Shenzhen also provides follow-up care and rechecks or transfers employees with related indications off the present job (e.g., relo-

cation of pregnant women from positions with special hazards).

	Taiwan HQ	Merry Shenzhen	Merry Vietnam	Merry Thailand
Nursing practitioner	One	Contracted institution	One	Two
Employees receiving general health checkups	644	0	1,026	459
Number of employees receiving health checkups for special hazards/hazardous jobs	0	1,072	599	142 (Note)

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

## Health promotion

### [Health awareness]

Merry cooperates with hospitals in different locations to organize various health knowledge training and activities to improve all employees' health awareness via activities and nurture favorable habits for healthy lifestyles.

Facing the outbreak of COVID-19, during the season of flue at the end of autumn, we cooperated with a medical institu-



tion for the first time in 2022 for personnel to visit the Company to carry out self-paid flu vaccination for employees; a total of 61 employees and 3 family members participated.

Taiwan HQ organized 22 sessions of health promotion activities in 2022 with a total participation of 1,940 persons. As the top ten diseases have been occurring to younger citizens, Merry took the lead in providing colorectal cancer screening for all employees and organized female disease and oral cavity cancer

screening during annual health inspections. In 2022, we won the Taichung City Workplace Health Enterprise Award and the top ranking for the workplace enrollment group of over 100 persons for the Taichung City Healthcare Step Counting Competition.





Type	Course Topic	Actual Number of Trainees
Physical and mental health	Prevent Lower Back Pain - Sit Tight and Get Rid of Pain	34
	Post-checkup physician consultation	48
	Goodbye to Metabolic Syndrome	39
	Weight Loss Health Talks	61
	Eye Syndromes Easily Neglected	39
	Healthy Diet Talks	26
	Parent Talks: Internet Addiction and Bullying of Children	30
	Mental Health Talks	35
EAP	Supervisor Sensitivity Training Course	73
First-aid Knowledge	CPR Training	31
Blood donation	Blood donation activity (3 times in total)	107
Preventive Care	Self-paid Flu Vaccination	61

### 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 and regularly kept track of the global epidemic trend. We 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. We encouraged employees to have full COVID-19 vaccination to improve their protection and improved our pandemic control forms and optimized access control system in 2022, effectively improving our management efficiency.

### [Healthy exercise]

To infuse sports spirit and habits into our corporate culture, we organized sports events from time to time to encourage teams to motivations to one another and cultivate the habit of exercising. In 2022, the first Merry Group Online Sports Festival was held, and a total of 834 employees from domestic and overseas plants participated. The online step-counting competition for 30 days recorded an excellent performance of over 220 million steps, and there were 79.0% of individuals (658 persons) achieved 0.1 million steps for 30 days. We continue to cultivate the “like exercise”

DNA of Merry Electronics and encourage all employees to improve their body fitness to enhance corporate and individual competitiveness. Overseas plant organizes club events from time to time (i.e., bone health activities, basketball games, badminton games, volunteer activities, and “All-Out Workout Month” sports meet) to promote physical and mental health in employees and enhance team cohesion and commitment for employees to engage in work with greater enthusiasm and better health.

#### Taiwan HQ

The “Merry i-Sports app” developed by our team played a crucial part in the Group Online Step Counting Competition. During the competition period, apart from accumulating and recording individual step counts, employees also formed groups online to join the competition to improve relationships and encourage one another to move.



#### Merry Shenzhen

In 2022, Merry Shenzhen organized health competitions with 293 participants.





**Merry Vietnam**

In 2022, the total number of employees of Merry Vietnam participating in different activities was 558.



**Merry Thailand**

Merry Thailand participated in Suburb Soccer Matches and fundraising sports festivals and won the Outstanding Cup. Small soccer matches are held from time to time for employees who enjoy soccer for training and practicing, and they also participate in games organized by local communities from time to time. In 2022, the total number of employees of Merry Thailand participating in different activities was 698.



<b>Merry HQ</b>	AR app interactive game	28
	Online 228 Three-Day App Sports Competition (Merry i-Sports app)	175
	Call-Up for Four-Day Vacation Sports Photo (Merry i-Sports app)	20
	Labor Day Online Sports App Sports Competition (Merry i-Sports app)	121
	Group Online Step Counting Competition (Merry i-Sports app)	307
	Physical fitness assessment	81
	Exercise with Sports Celebrity	37
	Group Weight Loss Competition	60
<b>Merry Shenzhen</b>	“All Out Workout Month” fun sports meet	160
	Merry Cup Basketball League	45
	Badminton Match	38
	Merry Family Sports Day	50
<b>Merry Vietnam</b>	“All Out Workout Month” fun sports meet	93
	Merry Family Sports Day	75
	Merry Soccer Match: 24 teams	360
	Suburb Soccer Match	30
<b>Merry Thailand</b>	“Fundraising” Sports Festival	450
	Merry Soccer Match: 14 teams	224
	Suburb Soccer Match	24

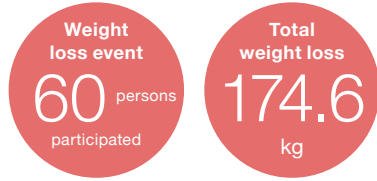


[Healthy diet]

We provide healthy and diverse catering food for employees and have established canteens, social rooms, and other dining environments in response to different regions and environments for employees to socialize with each other while enjoying food.

Apart from non-vegetarian and vegetarian catering lunch boxes, Taiwan HQ also has healthy lunch boxes with less oil and less salt. In 2022, we otherwise introduced a lunch box temperature control vending machine for employees to enjoy delicious and diverse dishes of low calories. Each year, employees have always been expecting the group weight loss event to lose weight for health and continue to exercise and adjust their diet when under mutual monitoring within the group.

In 2022, during the weight loss event for 12 weeks, 60 participants lost 174.6kg in total; each person lost 3kg on average. A follow-up was performed after the end of the event. 25% of participants with mid-to-high risk of metabolic syndrome became low risk; the outcome was outstanding.



[Healthy environment]

To encourage employees to cultivate the habit of exercise, plants have established multi-function indoor or outdoor sports facilities and environments that are available to employees to improve their body fitness and maintain physical and mental health. In 2022, to improve the quality of office environments, Taiwan HQ carried out a building renovation. It is estimated that after the completion of the renovation, we will purchase more gym equipment to create premium and healthy environments and sports culture.



[Health management]

Merry Electronics has set up an infirmary and relevant first-aid equipment. Taiwan HQ will rebuild a comfortable and warming infirmary in 2023 to ensure that employees can work in safe and healthy environments.







## 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.

### [ Ergonomic hazard prevention ]

Each employee at Taiwan HQ is allocated a chair with adjustable height. In 2022, we added an open sharing office space with high tables and chairs, and there are office tables with adjustable height in partial areas, allowing employees to have more options in terms of office environments and avoiding musculoskeletal discomfort due to long sitting time.

We carry out a musculoskeletal symptoms questionnaire survey each year for all employees and focus on employees with higher scores of risks; our nursing practitioner will arrange individual care and rechecks. Then, interviews with physicians will be arranged to provide medical and improvement advice.

In 2022, we identified 11 suspected cases with the health questionnaire. After exercise adjustments and medical assistance, the condition of all cases was improved.

### [ Workplace violence prevention ]

Taiwan HQ has established a preventive plan and implemented it. Training courses related to the prevention of illegal infringement at the workplace are included in the educational training of new and in-service employees. The CEO signed the “Declaration of Prevent Illegal Infringement at Workplace,” and it was announced on the bulletin.

### [ Prevention plan of diseases caused by abnormal workloads ]

Professional doctor at Taiwan HQ carries out individual interviews and health guidance for cases with high risks based on individual health follow-up, and the HR unit controls the overtime hours of 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.

### [ Maternal health protection plan ]

We regularly calculate the number of pregnant employees and make tabulation, track the health and safety status of employees during the pregnancy period, encourage employees to give birth and return to work successfully after labor, and

have established comprehensive nursery rooms and friendly measures to create a happy and healthy workplace. Merry’s maternal health care individual cases and friendly measures:

Region	Number of pregnant employees	Breastfeeding (lactation) rooms	Number of users
Taiwan HQ	28	Yes	7
Merry Shenzhen	39	Yes	18
Merry Vietnam	202	Yes	34
Merry Thailand	11	NA	Not applicable

- Optimize the pregnant employee reporting system. When an employee applies for pregnancy check leave, tocolysis leave, or maternity leave, the system will automatically report to our nursing practitioner to care for all employees.
- We carry out health risk evaluations for pregnant, delivered, or feeding employees and arrange for our nursing staff to carry out one-on-one interviews and health guidance.
- Parking space exclusive to pregnant women.
- Establish a community to support pregnant women and mothers.

- Pregnant employees are immediately transferred to other jobs away from positions of special health hazards. 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.

- Follow up on pregnant employees’ health and safety based on the maternal health booklets issued by hospitals.
- Pregnant employees are immediately transferred to other jobs away from positions of special health hazards. No overtime work will be requested from employees once reported pregnancy.
- Employees may take paid pregnancy leave and maternity leave, and the infirmary shall care for employees regularly.



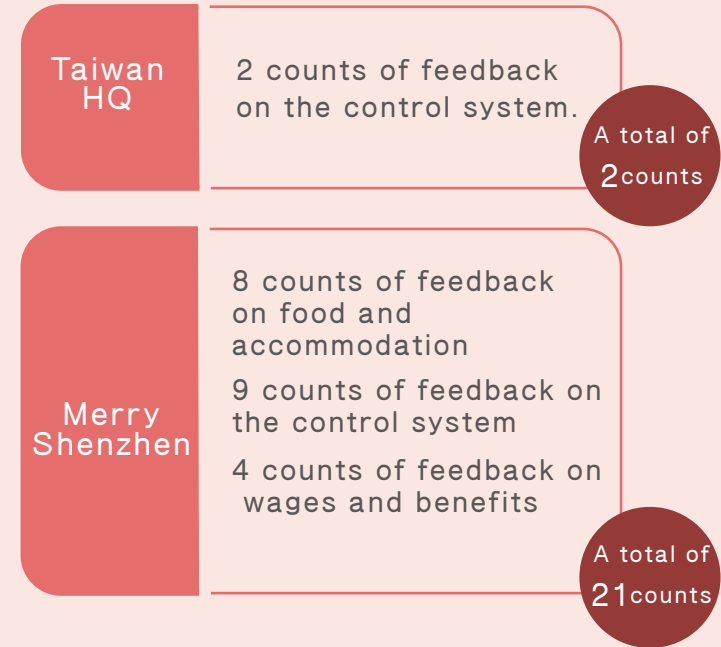
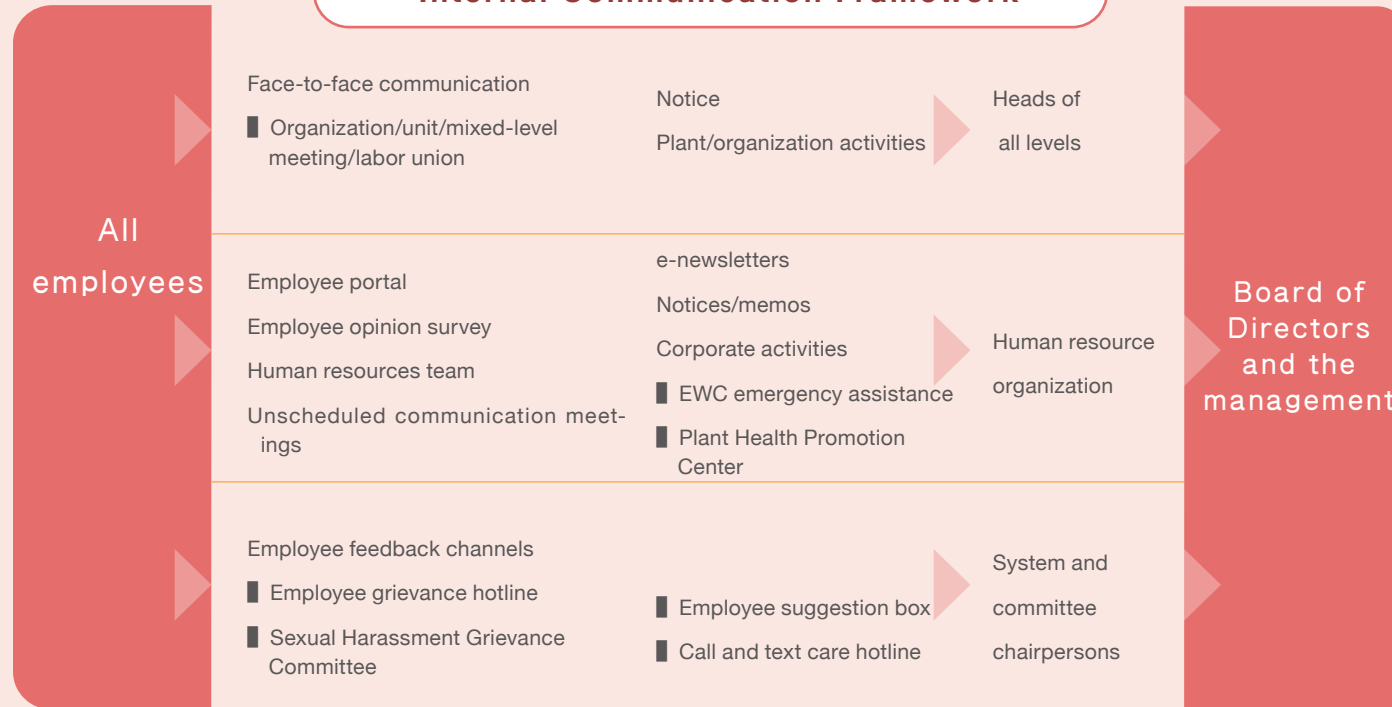
# 5.5 Human Rights and Diverse Communication Channels

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 improvements to Merry's systems and work environments.

## Employee Feedback Form

In 2022, Taiwan HQ and Merry Shenzhen received a total of 23 employee feedback and suggestions. All were timely addressed, and active improvement was made after the 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.

### Internal Communication Framework

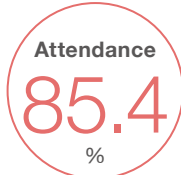




### All Hands Meeting

To allow all employees to fully understand the Company's operating status and goals, the Company regularly organizes all-hands meetings for all employees to deliver the current status of operating goals and future, explain key policies, and carry out Q&A for two-way communication to reach team consensus, allowing all employees to fully understand the Company's goals and make joint efforts.

In 2022, a total of three meetings were held, and the average attendance was 85.4%.



### Employee engagement survey

Employees are the most significant partners of the Company. The Company regularly carries out surveys with respect to corporate cultural prospects, management function, talent management, welfare items, corporate activities, topics, and policies. In 2022, the average score was 3.8 (adopted the 5-point Likert scale); employees were generally satisfied with the management function, strategic development and cultural prospect, and there are rooms for progress, which will become our action plans for future growth. Merry Electronics will continue to keep abreast of employees' opinions, actively improve issues, and provide policies and activities close to employees' requirements to create a friendly and sustainable working environment and culture.

### Labor union

Taiwan HQ convenes labor-capital conferences quarterly to listen to employees' opinions and facilitate communication between laborers and the management to achieve a harmonious labor-capital status. Merry Shenzhen has a labor union in place. 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 mediation of problems in daily life and work at the committee office. By improving employee benefits and holding various activities regularly, we hope to raise employee cohesion. As of 2022, other business locations have no labor union at present.





## 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. We have established the "Merry Code of Business Conduct and Professional Ethics" and related regulations that apply to all business locations of the Group 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 2022, non-compliance with human rights was reported. We expect to establish human rights policies in 2023 and publish such policies on our website after reporting to the Board and implementing human rights due diligence.

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.

### Educational training related to human rights

Locations	Recipient	Duration/Method	Training percentage(Note)	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%	175
		[Ethical Corporate Management]: Discrimination and harassment	99%	37.7
Merry Shenzhen	All employees	[Ethical Corporate Management]: Discrimination and harassment	100%	42,070
Merry Vietnam	All employees	In 2022, 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%	2,195

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.



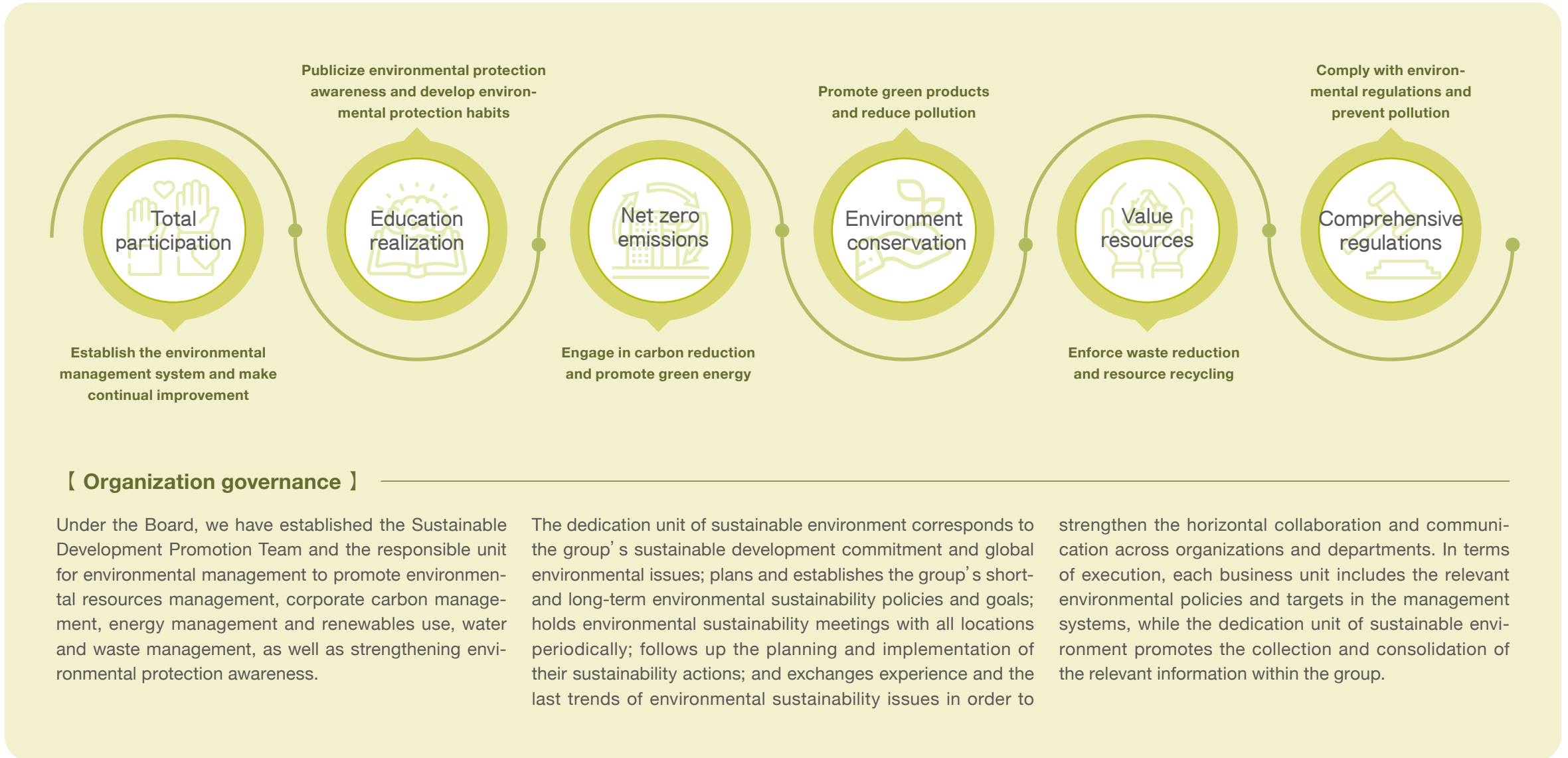
Merry Shenzhen: Completed RBA-VAP in 2018 and 2021, with an RBA silver certificate (valid for 2 years). Upon the expiry of the certificate in 2023, we will continue to take the initiative in applying for RBA verification audit

Merry Vietnam: Completed RBA-VAP in 2021 with an RBA gold certificate (valid for 2 years). Upon the expiry of the certificate in 2023, we will continue to take the initiative in applying for RBA verification audit

Merry Thailand: In 2022, we progressively inventoried the differences in measures for human rights management, and we expect to establish an internal self-assessment system in 2023



# 6.1 Environmental protection policy and commitment



## 【 Organization governance 】

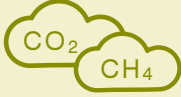




Under the Board, we have established the Sustainable Development Promotion Team and the responsible unit for environmental management to promote environmental resources management, corporate carbon management, energy management and renewables use, water and waste management, as well as strengthening environmental protection awareness.

The dedication unit of sustainable environment 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 dedication unit of sustainable environment promotes the collection and consolidation of the relevant information within the group.



## Climate strategies and achievements

Issue	Strategy	Highlights of 2022 performance
 <p>GHG inventory</p>	<ul style="list-style-type: none"> <li>GHG inventory: We constantly expand GHG inventory to all locations and enforce the inventory of other indirect (Scope 3: categories 3 to 6) GHG emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Taiwan HQ and Merry Shenzhen performed organizational GHG inventory in accordance with ISO14064-1:2018 standard and passed the third-party verification.</li> <li>Merry Vietnam and Merry Thailand completed internal organizational GHG inventory in accordance with the ISO14064-1:2018 standard.</li> <li>Completed the carbon footprint inventory of an earphone product (one piece) and passed the third-party verification of ISO14067:2018.</li> </ul>
 <p>Enhancing energy efficiency</p>	<ul style="list-style-type: none"> <li>Energy monitoring system and energy use analysis: Improved the energy efficiency of energy-consuming equipment.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Merry Shenzhen Plant 2 introduced electric meter monitoring and established an energy management system to automatically collect data by the system for improvement in abnormal power consumption immediately.</li> <li>Merry Vietnam installed a waste heat recycling system in its air compressor system to provide hot water to dormitories, which can save approximately 16,000kWh each year.</li> <li>Merry Thailand updated 14 inverter A/Cs to improve energy consumption efficiency, which can save approximately 66,600kWh each year.</li> </ul>
 <p>renewables</p>	<ul style="list-style-type: none"> <li>renewables use: Assess solar PV system construction and renewables transfer projects.</li> <li>renewables certificate (REC): Supported local renewables development by purchasing RECs.</li> </ul>	<ul style="list-style-type: none"> <li>In 2022, under the boundary of RE100, Merry used a total of 5,506MWh of renewable energy, accounting for 16.31% of the total power ratio, in which 907MWh was the direct use of renewable energy, and 4,599MWh was through the purchase of renewable energy certificates.</li> <li>Merry Vietnam installed a rooftop solar power system, and it is estimated to be put into use in March 2023.</li> </ul>
 <p>Internal carbon pricing</p>	<ul style="list-style-type: none"> <li>Establishment of shadow pricing: Set internal carbon pricing to evaluate regulatory and transformation risks related to climate change that may be faced by the organization in the future.</li> </ul>	<ul style="list-style-type: none"> <li>Plan for the establishment of the internal carbon pricing system of the Group and introduce and set up the short-term, mid-term, and long-term objectives and relevant promotion schedule of the internal carbon pricing system.</li> <li>Set up the internal carbon pricing system and establish relevant procedure documents.</li> </ul>
 <p>Water and waste management</p>	<p><b>Water resources</b></p> <ul style="list-style-type: none"> <li>While domestic water use was the major water consumption at plants, we used water-efficient equipment and enhanced employee awareness by adopting ISO 14001 as the basis for the water resource management of our plants.</li> </ul> <p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>We periodically followed up on the plant's hazardous waste disposal and conducted real-time analysis and improvement of abnormal waste production by adopting ISO 14001 as the basis for the waste management of our plants.</li> </ul>	<p><b>Water resources</b></p> <ul style="list-style-type: none"> <li>Merry Taiwan has installed a rainwater collection system, and the gathering volume is approximately 1,000 tons, and the maximum use volume is 60%.</li> <li>Merry Shenzhen has changed to use 37 water-saving faucets.</li> <li>Merry Thailand adjusted the water pressure of the faucets and the water level of the flushing equipment.</li> </ul> <p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>Merry Shenzhen optimized the SMT procedures and reduced the generation of hazardous wastes by approximately 24% as compared to 2021.</li> <li>100% compliance with local laws and standards for waste disposal.</li> </ul>

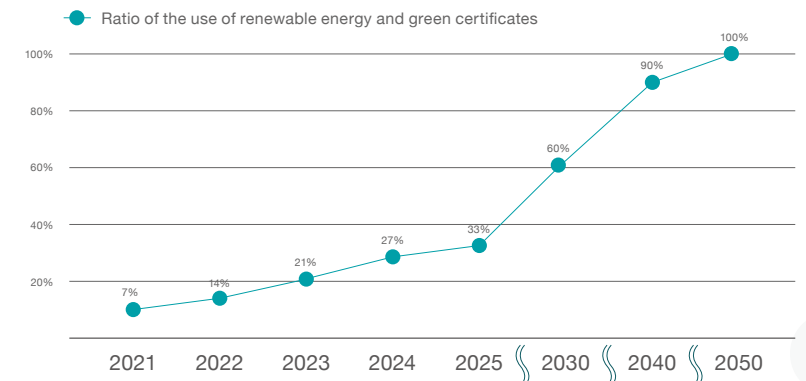


Issue	2023 Targets	Medium-term targets and strategies
<p>GHG inventory</p>	<ul style="list-style-type: none"> <li>Taiwan HQ and Merry Shenzhen completed the third-party verification in accordance with ISO14064-1:third-party verification of ISO14067:2018.</li> <li>Merry Vietnam, Merry Thailand, Merry Hong Kong, Merry Singapore, and Merry USA completed the organizational GHG inventory in accordance with ISO14064-1:2018.</li> </ul>	<ul style="list-style-type: none"> <li>All locations performed GHG inventory in accordance with the latest ISO14064-1 standard.</li> <li>We implemented the Science Based Targets (SBT) to implement carbon reduction and management more effectively.</li> </ul>
<p>Enhancing energy efficiency</p>	<ul style="list-style-type: none"> <li>Reduce energy intensity by 7.5% (base year 2020)</li> <li>Constantly enhanced equipment efficiency to strengthen the energy use analysis and monitoring system.</li> </ul>	<ul style="list-style-type: none"> <li>Constantly expanded the scope of energy management and enforced energy efficiency improvement plans.</li> </ul>
<p>renewables</p>	<ul style="list-style-type: none"> <li>In 2023, the proportion of the use of renewable energy will reach 21% of total energy consumption.</li> <li>The headquarters in Taichung installed a rooftop solar power system, and it is estimated to be put into use in January 2024, and it is estimated to generate approximately 250MWh of power.</li> </ul>	<ul style="list-style-type: none"> <li>In 2030, the proportion of the use of renewable energy will reach 60% of total energy consumption.</li> </ul>
<p>Internal carbon pricing</p>	<ul style="list-style-type: none"> <li>Continue to carry out the internal promotion of shadow carbon pricing and implement the continual optimization of operating procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce an internal carbon fee system to improve the internal awareness of carbon dioxide reduction of the organization.</li> </ul>
<p>Water and waste management</p>	<p><b>Water resources</b></p> <ul style="list-style-type: none"> <li>Water consumption intensity was reduced by 6% as compared to the base year (base year 2020)</li> </ul> <p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>Waste intensity was reduced by 6% as compared to the base year (base year 2020)</li> <li>Constant promoted reduction in waste production per unit output value and enforced resource recycling following source management.</li> </ul>	<p><b>Water resources</b></p> <ul style="list-style-type: none"> <li>Enhanced water monitoring and analysis and constantly enhance water efficiency.</li> </ul> <p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>Constantly implemented waste reduction and enforced resource recycling following source management</li> </ul>

## Supporting RE100 global renewables initiative.

In response to SDG 13 Climate Action, in 2021, we officially signed up for 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. In 2022, under the boundary of RE100, Merry used a total of 5,506MWh of renewable energy, accounting for 16.31% of the total power ratio, in which 907MWh was the direct use of renewable energy, and 4,599MWh was through the purchase of renewable energy certificates.

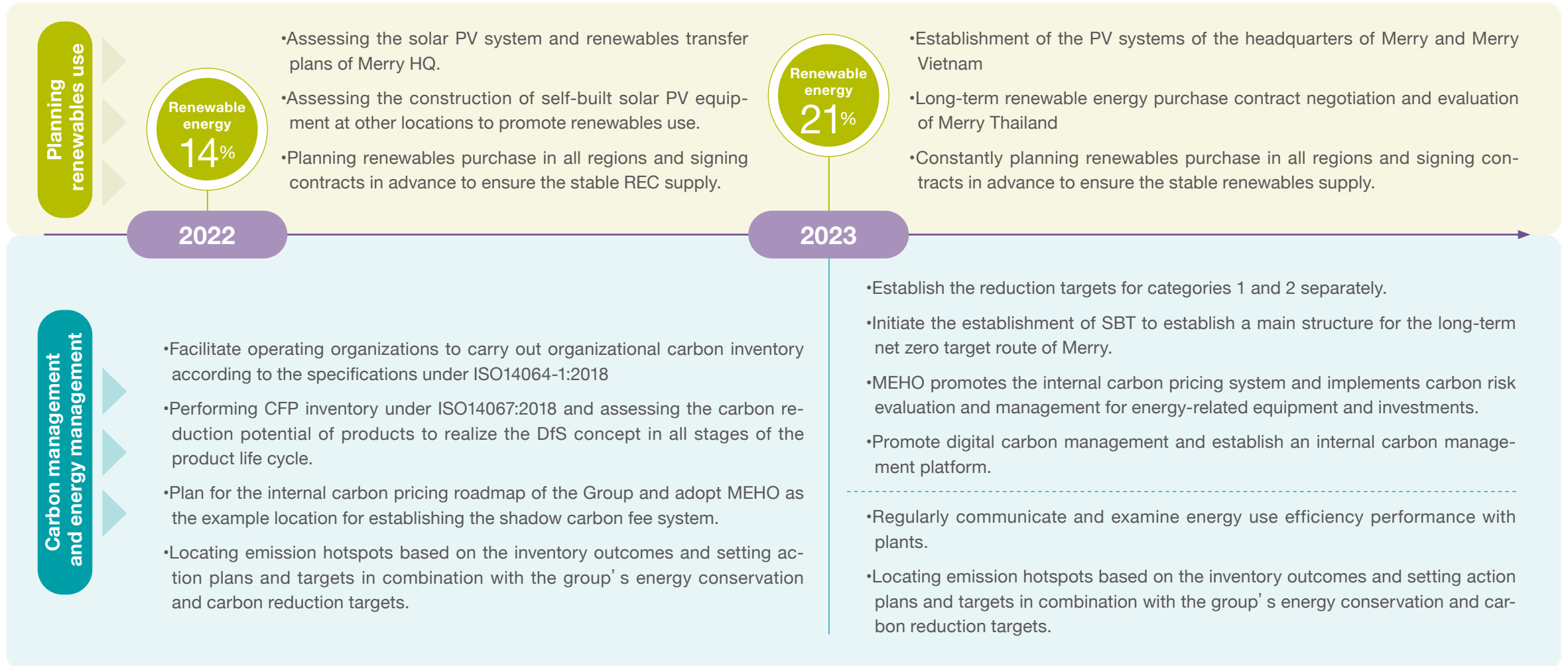
Target the use of renewable energy of Merry





## Merry Environmental Sustainability Goal: Net Zero Emissions in 2050

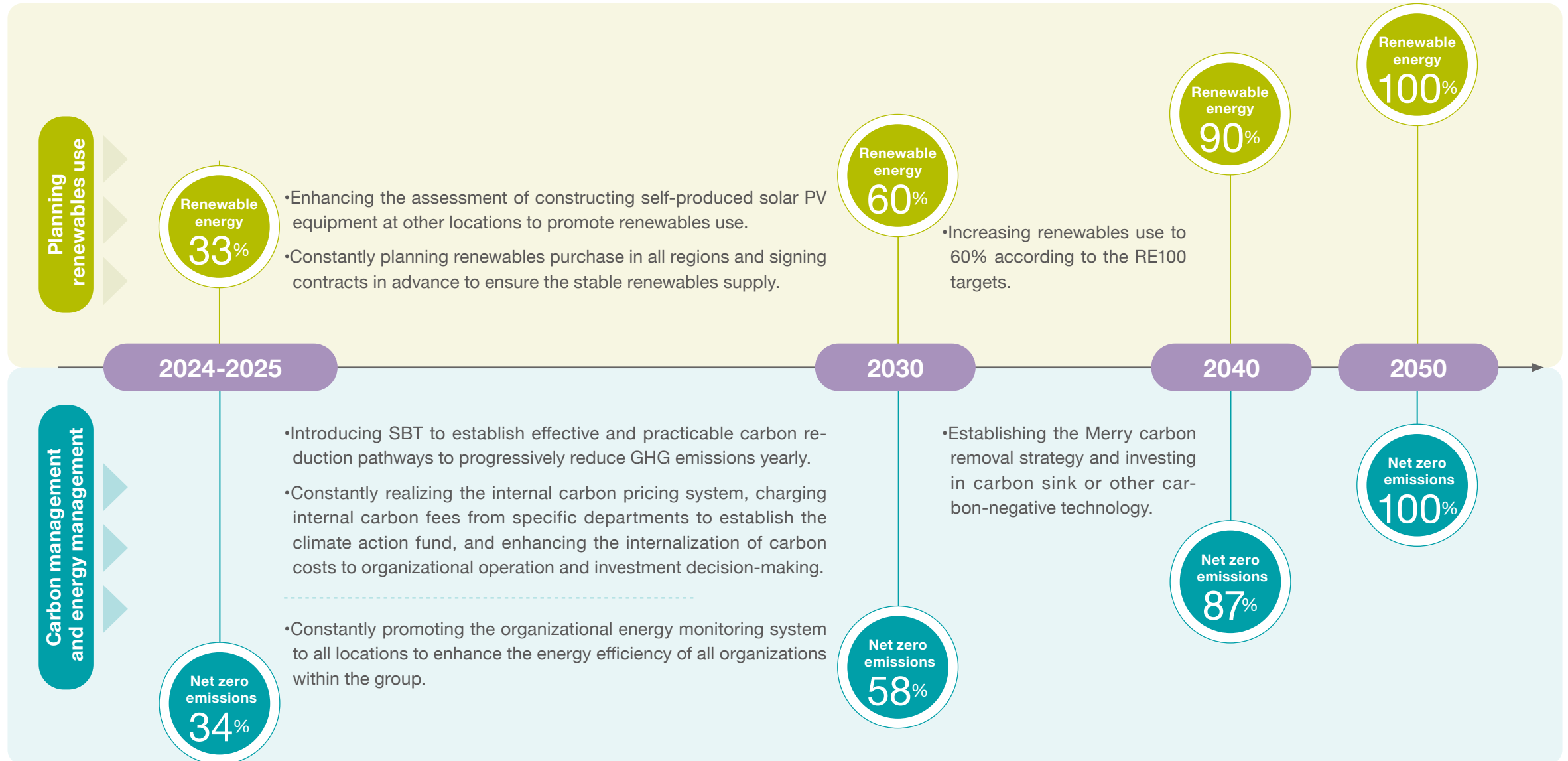
To support the climate action of net zero emissions, we set “Net Zero Emissions 2050” as an important roadmap of our action to reduce energy carbon emissions and use renewables for environmental sustainability to actively include the environmental sustainability concept in product design and development, 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

## GHG inventory and management

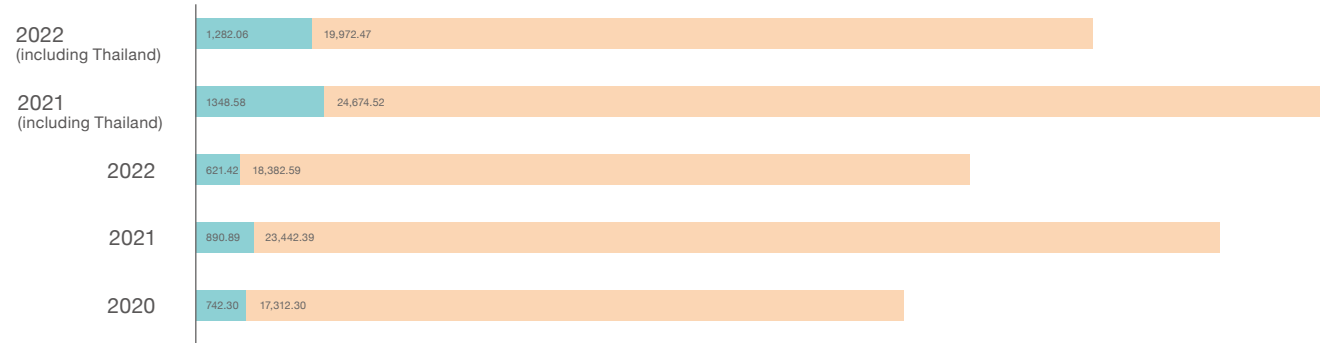
We are committed to GHG inventory. In recent years, we continued to expand the organizational boundary of GHG inventory to accurately grasp the GHG emission status and establish accurate energy-saving goals, and we expect to [\*] in 2024. Starting from 2007, Taiwan HQ has been performing organizational GHG inventory in accordance with ISO14064-1:2006 and have third-party certification, and we have been expanding the scope of business locations under the inventory. As the scope of the organization under the inventory of the Group in recent years has been increasing, the plant divisions have no unified base year for comparison. Currently, plants and divisions that perform GHG inventory adopt the emission base year they set and promote reduction plans according to the Group's GHG emission reduction goals. Based on the GHG inventory promotion plan, it is estimated that the Group's emissions in 2024 will be fully disclosed in 2025, and we estimate to set 2024 as the base year for the emissions of the Group.

### GHG inventory (Scope 1 and 2; category 1 and 2)

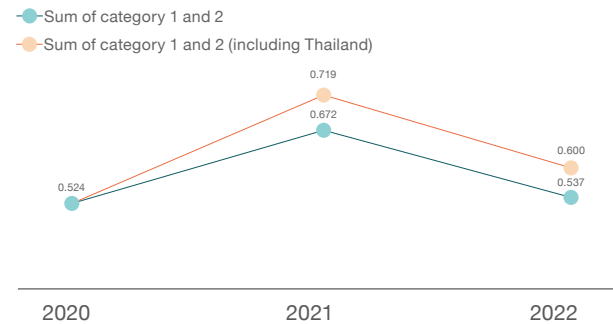
We perform GHG inventory in accordance with ISO14064-1:2018 GHG inventory standards. This year, we expanded the organizational boundary of inventory to Merry Thailand. Meanwhile, we performed external certification for key plants and divisions. The GHG emissions (category 1 and 2) of the scope of the organization that completed the inventory in 2021 (Taiwan HQ, Merry Shenzhen, and Merry Vietnam) in 2022 was 19,004.01 tCO<sub>2</sub>e, representing a decrease of 5,329.27 tCO<sub>2</sub>e (or 21.90%) from the annual emissions of 24,333.28 tCO<sub>2</sub>e in 2021.



Historical GHG emissions



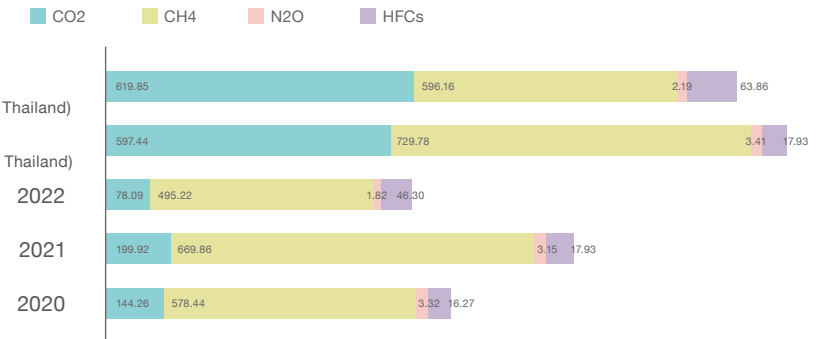
Historical GHG emissions intensity



Note:

- The organizational boundary of inventory covered Taiwan HQ, Taipei R&D Center, Hsinchu R&D Center, Merry Shenzhen, Merry Vietnam, and Merry Thailand. Other locations will be included in the GHG management system progressively each year
- Merry Vietnam was added to the inventory organizational boundary in 2021
- Boundaries were defined by operational control, and the emission coefficient was 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

Scope 1 (category 1) GHG emissions category and quantity (unit: tCO<sub>2</sub>e)



in the AR6 (2021) of IPCC, and the ICAO flight carbon emissions

- Taiwan HQ adopted the electricity emission coefficients at 0.533 tCO<sub>2</sub>e/MWh (2018), 0.509 tCO<sub>2</sub>e/MWh (2019), 0.502 tCO<sub>2</sub>e/MWh (2020), and 0.509 tCO<sub>2</sub>e/MWh (2021) announced by the Bureau of Energy
- For the electricity emission coefficient for locations in China in 2022, the conversion electricity emission coefficient of 0.5703 tCO<sub>2</sub>e/thousand kWh stated in the "Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises" published by the Ministry of Ecology and Environment of the People's Republic of China
- Intensity of GHG emission = GHG emissions of the year ÷ Net consolidated revenue of the year (million NTD)



GHG inventory

Taiwan HQ

Total emissions (category 1 and 2) of Taiwan HQ in 2022 were 735.57 tCO<sub>2</sub>e, representing an increase in the emissions (category 1 and 2) by 15.42% from 637.31 tCO<sub>2</sub>e in 2021, primarily due to the significant changes (total input energy emissions approximately increased by 12.64% from 2021) in annual emissions arising from the increase in power consumption requirements as the boundary of the GHG inventory report was expanded due to the commencement of use of the new R&D building by Taichung HG in 2022. In addition, there were material changes in fugitive emissions of manual systems due to the purchase of high-capacity water chillers for the new building in response to the use of two office buildings and the increase in the number of employees.

Merry Vietnam

Total emissions (category 1 and 2) of Merry Vietnam in 2022 were 5,153.93 tCO<sub>2</sub>e, representing a decrease in the emissions (category 1 and 2) by 31.32% from 7,504.26 tCO<sub>2</sub>e in 2021, primarily due to the decrease in total emissions (category 1 and 2) as the dormitory was removed from the reporting boundary in 2022 arising from organizational adjustments. When only comparing total emissions (categories 1 and 2) in 2021 and 2022 after removing the dormitory from the boundary, total emissions decreased by 25.70% from 2021 to 2022. Apart from the decrease in fugitive emissions of manual systems due to a decrease in employees, emissions caused by the direct use of fuels and input energy were reduced from last year.

Merry Shenzhen

Total emissions (category 1 and 2) of Merry Shenzhen in 2022 were 13,114.51 tCO<sub>2</sub>e, representing a decrease in the emissions (category 1 and 2) by 19.00% from 16,191.70 tCO<sub>2</sub>e in 2021. Merry Shenzhen introduced a central AC energy-saving equipment at the end of 2021 and introduced an energy management system in Plant 2 at the beginning of 2022, which significantly improved the use efficiency of energy, reduced the use of diesel power generators, and reduced the use of non-renewable energy. In addition, the effects of the pandemic continued in 2022; the overall energy requirement was relatively lower than that of 2021, and in turn, facilitated the significant reduction of emissions (category 1 and 2) in 2022.

Merry Thailand

Merry Thailand implemented the first organizational GHG inventory (calculate the emissions in 2021) at the end of 2022 and started to make disclosures in the sustainability report in 2023. Total emissions (category 1 and 2) of Merry Thailand in 2022 were 2,250.52 tCO<sub>2</sub>e, representing an increase in the emissions (category 1 and 2) by 33.18% from 1,689.83 tCO<sub>2</sub>e in 2021, primarily due to the growth in revenue of Merry Thailand by nearly 70% from last year, addition of employees, the increase in production capacity, the increase in energy requirements, and the decrease in non-renewable energy intensity by 24.08% from 2021, instead of an increase.



## GHG inventory (Scope 3; category 3-6)

We have been performing scope 3 (category 3-6) inventory according to ISO14064-1:2018 GHG inventory standards since 2020, and the inventory organizational scope progressively included Taiwan HQ, Merry Shenzhen, Merry Vietnam, and Merry Thailand. Meanwhile, we performed external certification for key plants

and divisions year by year and committed to optimizing the emission items of sub-categories for inclusion in the boundary of the report. Within 15 items under scope 3, we performed inventory on scope 3 emissions for a total of nine items in 2022, and the total emissions were 15,874.10 tCO<sub>2</sub>e.

Inventory organizational boundary:

Taiwan HQ  
Merry Shenzhen

Taiwan HQ and Merry Shenzhen  
Merry Vietnam and Merry Thailand

Unit: tCO <sub>2</sub> e		2020	2021	2022
Scope 3-1 Product and services purchased	Category 4.1	361.99	1,042.78	1,526.26
Scope 3-2 Capital products	Category 4.2	-	-	14.34
Scope 3-3 Activities related to fuels and energy not under Scope 1 or 2	Category 4.1	-	-	1,374.52
Scope 3-4 Upstream transportation and delivery	Category 3.1	-	309.68	2.04
Scope 3-5 Wastes generated from operations	Category 4.3	5.58	213.37	28.75
Scope 3-6 Business trips	Category 3.5	46.13	4.36	44.85
Scope 3-7 Employee commutation	Category 3.3	-	401.02	766.09
Scope 3-8 Upstream lease assets	Category 4.4	-	2.67	No relevant operation
Scope 3-9 Downstream transportation and delivery	Category 3.2	-	-	12,082.24

## 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 dioxide reduction measures and constantly update energy-efficient equipment. We have replaced old water chillers and ACs in prior years and purchased energy-saving water chillers in compliance with COP. In recent years, we continued to establish an energy management system to automatically collect and manage data via the digital system and actively track energy consumption status, allowing energy-saving benefits to improve on a yearly basis.

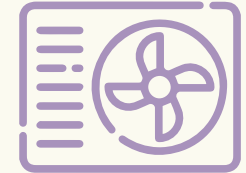


## Energy conservation enhancement measures

Besides actively implementing various energy conservation measures, we track the monthly energy intensity of plants and divisions via regular meetings, and 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 Vietnam

- Merry Vietnam installed a waste heat recycling system in its air compressor system to provide hot water to dormitories, which can save approximately 16,000kWh each year
- Improve the AC in the BI room, install air cooling modules for the BI room, and a switch machine was also added to achieve an independent power supply for the test station and appearance station to prevent unnecessary energy consumption; approximately 9,000kWh may be saved each year
- Add lighting switch to workshops and IQC rooms, and partial warehouses adopted odd/even-hour lighting; lighting is adjusted based on the lighting intensity to avoid unnecessary energy consumption; approximately 14,040kWh may be saved each year



### Taiwan HQ

- Replaced water chillers with screw-type inverter water chillers to improve energy use efficiency
- Install ammeters on each floor of the new building for the convenience of tracking power consumption of office areas and make improvements for abnormal power consumption

### Merry Shenzhen

- Plant 2 introduced electric meter monitoring and established an energy management system to automatically collect data by the system for improvement in abnormal power consumption immediately
- Install air compressor flow meters to avoid unnecessary waste due to air leakage

### Merry Thailand

- 14 fixed-frequency air conditioners were replaced with variable-frequency air conditioners; approximately 66,600kWh of power can be saved each year
- Replace all outdoor lighting with solar lights; approximately 9,056kWh of power can be saved each year

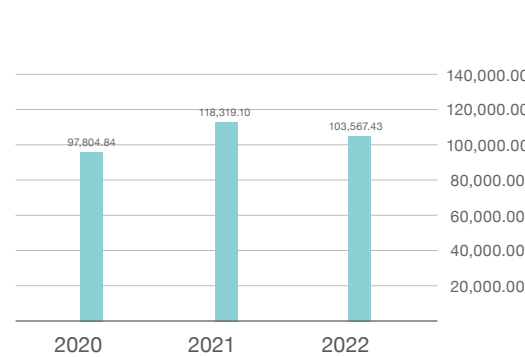




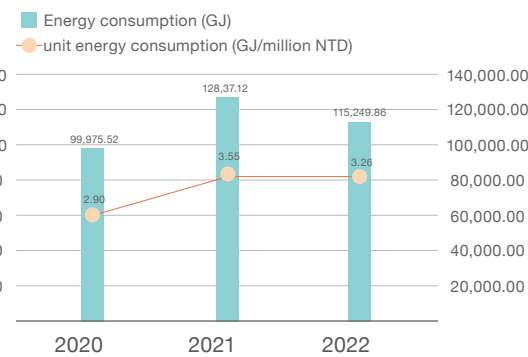
## Energy consumption statistics

In 2022, we implemented a total of nine energy improvement measures, and the annual energy saving volume is expected to reach 114,696kWh or above, allowing energy intensity to be significantly improved. The energy intensity in 2022 was 3.26(GJ/million NTD), representing a decrease of 8.23% from 2021, achieving the energy reduction goal set by Merry in 2022.

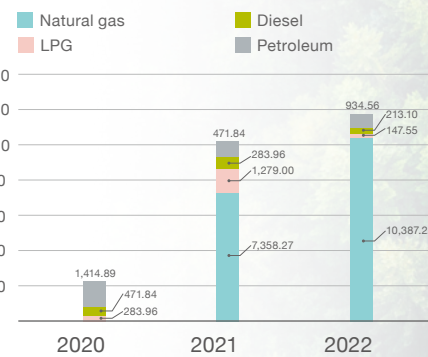
### Non-purchased renewable electricity (unit: GJ)



### Energy Consumption and Intensity over the Years



### Non-Renewable fuel consumption over the years (unit: GJ)



**Energy intensity**  
**3.26**  
(GJ/million NTD)

**As compared to 2021**  
**8.23%**

Note:

- The Company commenced the confirmation and modification of data of plants and divisions from 2020 to 2022 during the year
- The natural gas consumption of Merry Thailand was added in 2021
- Power data of Merry USA was not included in the calculation as the rental includes power bills

- We began to include the statistics of Merry Thailand in 2019; Merry Vietnam started production in July 2020
- Unit conversion: 1 kWh = 3600 KJ, 1 Kcal = 4.186798 KJ
- 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.

## Renewables use

Based on the RE100 commitment made in 2021, we are actively assessing various renewable energy use plans, including 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 2022, we used a total of 5,506MWh of renewable energy under the scope of RE100 commitment, accounting for 16.31% of total power, of which 907MWh was the direct use of renewable energy, and 4,599MWh was RECs purchases. In the future, the Company

will continue to promote the use of renewable energy in all business locations and replicate the cumulative successful experience of locations to other locations to achieve the RE100 commitment and the goal of environmental sustainability of net zero carbon emissions by 2050.

Note:

We officially joined 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.

**Scope of RE100 commitment**  
Used a total of  
**5,506**  
MWh of renewable energy

**renewables**  
**16.31%**  
Total power ratio



# 6.3 Water and Waste Management

## Water resources management -Water consumption statistics

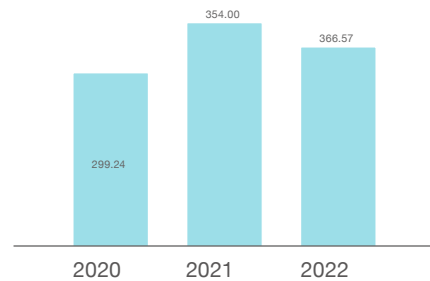
The manufacturing procedures of our plants are primarily assembly, and there was no use of water resources during the course of production; therefore, there was no industrial wastewater discharge. The major use of our water withdrawal is for domestic use, and the source of all water is third-party tap water; domestic wastewater produced was released to local wastewater treatment plants according to local regulations, and there was no material external impact on water sources and environments of water sources.

The total water withdrawal in 2022 was 366.57ML, representing an increase of 12.57ML (3.55%) from the total

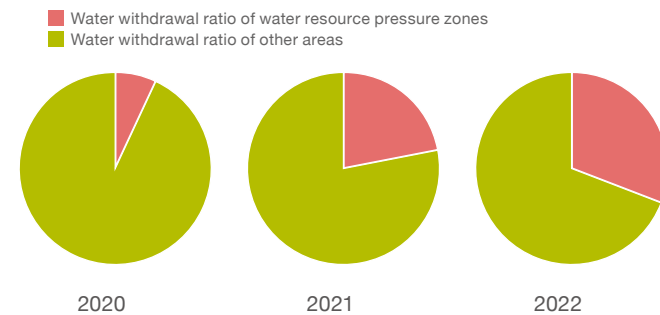
water withdrawal of 354ML in 2021. Plants and divisions with significant increasing trends for their overall water consumption were Merry Thailand and Merry Vietnam. The total working hours of Merry Thailand in 2022 increased by 68.56% from 2021, causing an increase in the overall water consumption of the plant; the total working hours of Merry Vietnam had no material change; therefore, adjustments were made to the water flow in the public areas in 2023; it is estimated to achieve an annual water-saving volume of 14.40ML. As the water withdrawal of Merry Electronics was mainly for domestic use, water was discharged to wastewater treatment plants specified by different business locations. The total water emissions in 2022 were 317.46ML.

We carried out water risk analysis for our offices and plants and divisions by using Aqueduct, a water risk evaluation tool developed in the public database of WRI. Two production locations (Merry Vietnam and Suzhou Merry Caohu Plant) were identified as within the high and extremely high water resource pressure zones. We further set a clear base year and established the goal to improve water consumption intensity reduction in 2023 and otherwise reinforce water consumption and water-saving management for high and extremely high water resource pressure zones.

Tap Water Withdrawal over the Years (unit: ML)



Water withdrawal ratio of water resource pressure zones



Note:

1. The Company commenced the confirmation and modification of water consumption data of plants and divisions from 2020 to 2022 during the year
2. As the water bills of Taipei, Hsinchu, and Gongyequ 38th Rd. offices and the US office were included in the rental of offices. They were not included in the calculation
3. Merry Vietnam Plant was included in the calculation in 2020



### Water conservation plan

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 wash 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.

Water savable each year

115,200 tons

Savable each year

50%

(as compared to the original equipment)

#### [Merry Vietnam]

Merry Vietnam and Merry Thailand also actively tracked the use of domestic water equipment of the organization to find equipment that can improve water resources use efficiency and adjust the use to achieve the goal of water-saving. Merry Vietnam adjusted the water level of flushing equipment in washrooms to reduce 20% of wa-

#### [Merry Thailand]

ter volume for each time of flushing. Merry Thailand reduced water pressure to reduce the water output of equipment under the premise of not affecting uses and otherwise adjusted the water level of flushing equipment to reduce 16.67% of water volume for each time of flushing.

Reduced by each time of flushing

16.67%

Reduced by each time of flushing

20%





## 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. We further set a clear base year and established the goal to improve waste reduction in 2023.

The waste generation volume in 2022 was 724.14 tons, representing an increase of 83.89

tons (or 13.10%) from 2021. Merry Shenzhen has begun to carry out waste management and follow-up (hazardous/waste ledger calculation, cause analysis for abnormal waste generation, and results follow-up) on a monthly basis according to regulations in 2022 and establishes department waste reduction plans when necessary. In addition, SMT procedures were optimized to reduce the use of cleaning agents and reduce the generation of waste by 24%.

The production capacity of Merry Vietnam increased in 2022, resulting in an increase in the total generation volume of business waste. In addition, affected by relevant requirements of waste amended by the local government, the total volume of non-hazardous business waste increased; however, domestic waste decreased in general. The production capacity of Merry Thailand increased in 2022, resulting in an increase in the total generation volume of business waste. However, its business waste intensity reduced by 9.05% as compared to the base year.

## Plant innovation accelerated the improvement in yield and efficiency and reduced production line waste

### Pain point

High loss of yield and efficiency during the initial period of mass production

### Current status faced

New consumer products were updated for each annual cycle, and the mass production was concentrated in Q3 to Q4. Carried out mass production of all models during the year, and the initial yield and efficiency climbed from 65% to a yield of 95% and efficiency of 90% within 8 to 12 weeks; a mass amount of materials, human resources, and production capacity were consumed in the first 8 weeks

### Improvement plan and effects

Utilize barcode, RFID, and data collection to collect all information on production (supplies, work stations, equipment, time, parameters, and testing data), together with the background automated calculation, to provide fast digital decision-making and rapidly solve problems of suspicious supplies, jigs, equipment, and staff with the allocation of missions by the central situation room and the automated notice to mobile devices of technicians for equipment malfunctions.

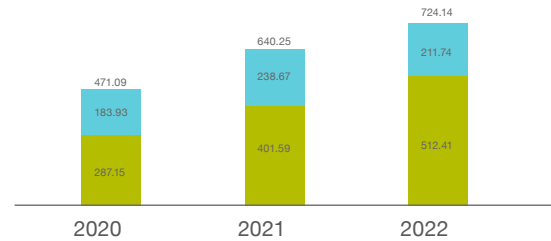
The time required for the failure analysis was shortened from 3 days to 1 hour, and the yield climbing time improved from 8 to 12 weeks to 4 to 5 weeks.



## Total waste production and disposal methods over the Years

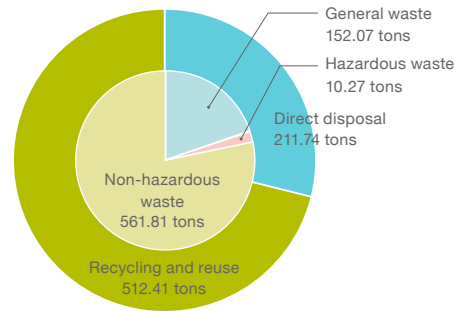
### Total waste production and disposal methods over the Years

- Weight of waste for recycling
- Weight of waste for direct disposal



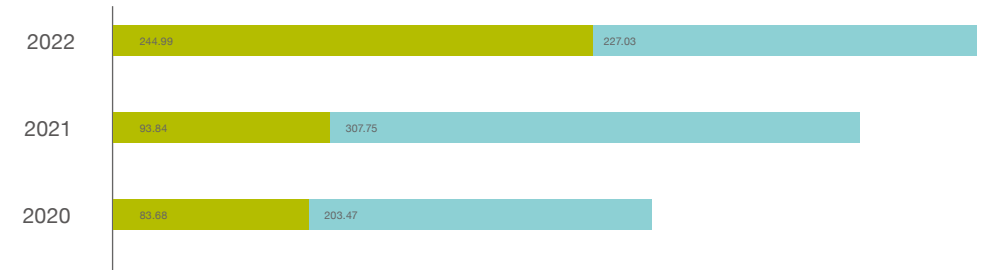
### Overview of waste categories and disposals in 2022 (total weight: 724.15 tons)

- General waste
- Hazardous waste
- Non-hazardous waste
- Recycling and reuse
- Direct disposal



### Waste Recycling and Reuse over the Years (by recycling type; unit: MT)

- Total weight of waste for recycling and reuse
- Total weight of waste for other forms of disposal



Note:

- The calculation of the weight of waste is rounded to the second decimal, and there may be carry-over deviation after totaling multiple items
- Business waste of Merry Vietnam increased from 2021 due to the increase in production volume and the effects of relevant requirements of waste amended by the local government
- 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 the 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 in Merry Shenzhen increased significantly in the current year over the past. Food waste is categorized as wet waste and 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.

### Sustainability you should know

- What is “sustainable development” ?
- Must-know vocabulary of sustainable development:  
ESG, carbon neutrality, carbon border tax, SDGs
- Enterprise and personal responses

•All employees

### ESG trend introduction and subsequent recommendations

- New development of international climate
- IPCC Material Climate Change Assessment Report and COP26
- Carbon dioxide reduction and carbon neutrality of enterprises
- Introduction to the sales and purchase system in the renewable energy market

•Suppliers  
•All employees

### ISO14064-1: 2018 organizational GHG inventory

- New version of ISO 14064-1 GHG classification
- Report boundary setting and significance evaluation
- Data collection, identification, and quantitative model
- Parameter uncertainty analysis

•Suppliers  
•Plant/division seed personnel

### Audit and Assessment of Green Product Products and Materials

- 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  
•Organize from time to time

### Energy Conservation, Carbon Reduction, and Waste Disposal

- Common knowledge in energy conservation
- Waste sorting and disposal methods

•Department seed personnel  
•Promote from time to time

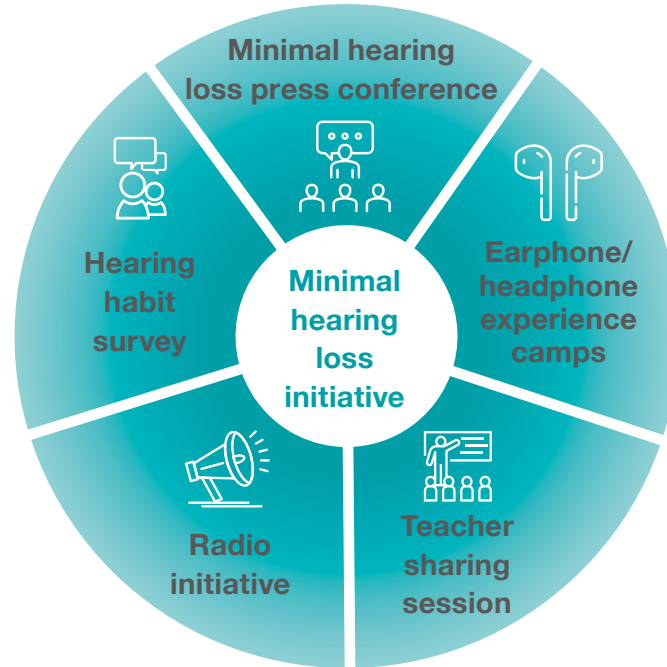


# 7.1 Minimal Hearing Loss Initiative

Exert the influence of our major business and promote accurate hearing knowledge

The first “World Report on Hearing” published by WHO in 2021 predicted that one in every four persons would face different levels of hearing loss worldwide, and the population of hearing loss will increase from 1.5 billion persons at present to nearly 2.5 billion persons by 2050. According to WHO, over 50% of young people (12 to 35 years old) are exposed to noise due to inappropriate control of music volume for entertainment and have risks of hearing loss. In 2023, WHO further adopted Ear and hearing care for all! Let’s make it a reality as the slogan and include the mitigation of global hearing issues as a key item.

As a global-leading electroacoustics supplier, we take responsibility for issues of global hearing health and delivering accurate hearing knowledge and hope that more people will be aware of the importance of hearing protection due to our contributions.



## Carry out the first hearing habit survey in Taiwan - nearly three-fourths of citizens have risks of minimal hearing loss

In light of the insufficient information on hearing habits in Taiwan and the hearing status of nationals, Merry joined hands with CommonWealth Magazine and iSURVEY for the first “minimal hearing loss survey” to carry out tests on people aged from 20 to 49 who participated in online activities related to hearing on

the Internet in the most recent three months and have used headsets recently to understand the daily hearing behavior of citizens in Taiwan and compare the hearing behaviors of different generations to find out the potential “hearing loss” group; a total of 1,874 questionnaires were collected for the survey.



The results showed that over 75% of citizens have ear problems in the most recent three years and may have risks of hearing loss. People in their 20s use headsets for longer times; nearly 80% (77%) of youngsters use headsets on a daily basis, indicating that the changes in entertainment patterns made people in their 20s carry headsets at all times. In addition, long-term and high-volume heavy users are primarily aged from 40 to 49. Hearing habits of people in their 40s in terms of watching shows, online meetings, and learning achieved high risks (refer to the continuous use of headsets for over one hour with volume higher than 60%), presenting that they have higher risks to be exposed to the risk of hearing loss.

The survey responded to the health alert from WHO to the new generations and showed that hearing loss issues in Taiwan have occurred in middle age. Facing the aging population, hearing issues of people in their 40s require active and regular checks to prevent to avoid dementia due to the lack of interpersonal interactions caused by hearing.



## Via the press conference, “Damaged Hearing Ability Below the Age of 40,” we cooperated with affiliates to bring social awareness about the issue of minimal hearing loss

At the end of 2022, we conceived that the hearing issues for those in their 40s have become more severe, we initiated the press conference for minimal hearing loss, “Damaged Hearing Ability Below the Age of 40,” at the Taiwan Tech Arena to call upon the attention of minimal hearing loss issue of different sectors by combining forces of Merry Group, audiologists, gaming players, and doctors, and the press conference received well recognition, with a total of 51 relevant press releases. Apart from publishing data and indicators

related to minimal hearing loss, we also joined hands with our affiliates, New Care and Austar Hearing. They exhibited the latest hearing aids at the site, and reminded citizens to attach attention to the importance of hearing health and the accurate use of headsets and hearing products. In addition, the press conference also invited a professional otolaryngologist to call for the attention of citizens to the crisis of hearing loss and successfully allowed citizens to learn about “minimal hearing loss” through media promotion.



The photo of the minimal hearing loss press conference of Merry Electronics organized today. Merry Electronics' CEO Chaoli Huang (middle), Linko Smile Clinic's otolaryngologist Hong Chang (first on the right), Merry Healthcare Business Department's director Mengfan Wu (second on the right), and New Care's audiologist (third on the right) are in the figure



Merry Electronics exhibited hearing protection headsets and aids at the press conference

### Classical FM97.7 and CommonWealth Magazine minimal hearing loss initiatives

Merry Electronics have been cooperating with Classical FM97.7 for 18 years since 2004. In 2022, Classical FM97.7 also joined the line of the minimal hearing loss initiative and recorded the minimal hearing loss initiative.

## Organized headsets DIY workshop for children to “see sound”

In 2022, even if the pandemic resulted in a significant reduction in school activities, we considered that the root cause of citizens lacking awareness of hearing protection was due to not understanding the energy process of “sound” through years of communication with students based on its profession in sound. After we organized a headsets workshop in 2021, we received well recognition. Therefore, we continued to organize the workshop this year. Apart from allowing students

to assemble headsets with their hands, they also see the energy of sound by observing Kundt's tubes for children to understand how sound is delivered into ears via headsets, and a hearing protection competition was performed. The activity guided approximately 30 students from Wen-Hua Senior High School for a four-hour experiment program. Meanwhile, we exclusively made available the anechoic chamber costing nearly a hundred thousand for children to experience “the quietest place on earth” in person.





## 7.2 Care for Local Communities

### Story of Ordinary People - 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 18 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 2022, Taiwan's March of Happiness was nominated for the Golden

Bell Awards again. Six major themes were adopted throughout the year, and a total of 29 interviewees were interviewed, with the production of 72 manuscripts; the themes include "regional revitalization march," "a groomed third life in old age," "love co-existence with nature," "my life is a red carpet made with accidents," "home is the place with love," and "witness the growth of the land with different aspects." From nobody

to grand story, the program adopted the UN SDGs spirit as the core to allow each note to be heard via the six major melodies to generate happiness and joy resonance. In recent years, the manager of the program also textured the selected interviews and shared them on the website of the program and podcast, which was more aligned with the listening habit of modern people, allowing people to repeat listening, save, and share.



### Diverse volunteer activities, implement SDGs starting from labor

Merry HQ provides two days of paid volunteer service leave each year and encourages employees to actively participate in social/public welfare to provide service opportunities based on different volunteer requirements of diverse volunteers. In 2022, we expanded diverse

volunteer items in combination with SDGs. In 2022, the total number of volunteering hours in Taiwan was 214 hours, and the number of volunteering hours in Shenzhen was 1,675 hours; the total number of volunteering hours was 1,899 hours.



**Care for the leftover topic:** We cooperated with Dish of Tomorrow (Hedy's Kitchen); volunteers participated in the course of social practice from visiting the market to experience making ugly vegetables and fruits into dishes and to donate them to homeless people, participated in the on-site workshop to produce tomorrow coins for the use by the initiative market.

**Employees visited Amazing Grace Deaf Bakery to be volunteers to assist the hearing-impaired group in gift packaging before Mid Autumn Festival:** We have long been attaching attention to the hearing loss topic, and we acknowledged that Amazing Grace Deaf Bakery was lacking packing labor before Mid Autumn Festival; therefore, we call upon volunteers to visit the site to assist in festival gift box packaging. A total of 2,520 cartons were packed; even if the number was insignificant, the volunteer services maintained the welcome rain for the foundation.



**Employees visited Andrew Charity Association to assist in packaging Chinese New Year gift boxes and deliver them to remote townships before Chinese New Year:** We visited Andrew Charity Association to assist in packaging Chinese New Year gift boxes, and volunteers written cards in person and delivered them to remote townships before Chinese New Year.



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 2022, the Merry Shenzhen Volunteerism Association provided a total of 1,675 hours of volunteer service through a total of 434 volunteers. Regardless of the pandemic, the team proactively assisted the PCR test stations 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.



## 7.3 Education Promotion

5G accelerated the emergence of AIoT, and the field of electroacoustics also expanded. In addition to acoustic devices, including headsets and speakers, electroacoustics has been expanded to other areas, including medicine and fitness. Therefore, creativity from different types of talents is required to ignite new sparkles. In view of the lack of education and difficulty in talent cultivation for electroacoustics in Taiwan, we actively input resources and spare no effort in the sustainable cultivation of electroacoustics talents in 2006.

In addition, realizing the advantages of the early development of “science” and “reading” interest in children, we constantly promote science education and reading culture through long-term programs.

### 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 pas-

sion for sound and valuing talent cultivation, we constantly keep up with times to stand in the global electroacoustics arena.

While electroacoustics requires interdisciplinary R&D, it covers disciplines including acoustics, mechanical engineering, mechanics, electronics, material science, and software.

As it is difficult to develop such a kind of interdisciplinary talents and resources are relatively insufficient, as one of the global electroacoustics manufacturers, we draw up long-term strategies and constantly input resources to develop electroacoustics talents for Taiwan to enhance Taiwan’s global competitiveness in electroacoustics.



## Electroacoustics Thesis Award

We began to organize the “Merry Electroacoustics Thesis Award” in 2010 with an expense of over NT\$1 million each year, and it was the eleventh round in 2022. From 2022, the rise of telemedicine, remote conferences, and automotive electronics 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 shown the importance of electroacoustics. Therefore, the number of contestants increases every year. During 2010-2022, a total of 82 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 Ph.D. 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 2022, 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 contestants, 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.

- 2022 Added the Judge Recommendation Award to encourage innovation
- 2021 The 12<sup>th</sup> 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.
- 2020 Organized the 11th Merry Electroacoustics Thesis Award online during the pandemic.
- 2019 Organized the 10th Merry Electroacoustics Thesis Award & Science Talents Scholarship Presentation Ceremony.
- 2018 Organized the Electroacoustics Influence Forum “Flip the Gaming World with Electroacoustics”
- 2017 Organized the Merry Electroacoustics Influence Forum “Voice Control with Electroacoustics” to focus on the integration of electroacoustics and AI voice control.
- 2016 Organized the “New-Generation Electroacoustics Influence Forum” to focus on the interdisciplinary integration of electroacoustics and future technologies.
- 2014 Established the “Merry Electroacoustic Materials Laboratory” at Dayeh University as the base for developing new electroacoustic materials and talents.
- 2012 Added the “Electroacoustics Project Award” and “Industrial Design Award” to attract more students to engage in electroacoustics.
- 2011 Organized the “Electroacoustics Technology Forum” on campus to share new knowledge in electroacoustics.
- 2010 Established the “Science Talents Scholarship” to support excellent students to connect with the industry earlier.
- 2008 Pioneered the “Electroacoustics Thesis Award” to reward graduate students of PhD and master’s programs to engage in electroacoustics research.
- 2006 Built Taiwan’s first ISO3745- and ISO7779-certified world-class electroacoustics laboratory in Feng Chia University.
- 2006 Assisted Feng Chia University in establishing the electroacoustics master’s program.





## 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 2012-2022, the forum was held at 93 departments with over 5,290 participants.

## Long-term promotion of reading culture

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

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

### In 2022, we sponsored relevant projects of the Taiwan Reading and Culture Foundation

#### Promote “Philanthropic Library”

“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.



Reading promotion seminars

(including teacher seminars and community promotion, and student reading extension activities)

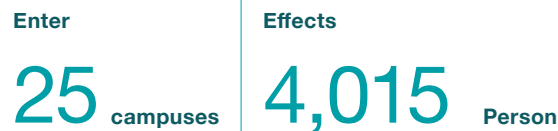
#### ” Discover Talents and Become the Talent Scout of Children” lecture

The event communicates the concept of “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



#### Chiawei Lin’ s classical guitar solo concert

Make classical music available by organizing a small-scale solo concert



#### ” Beautiful Sound and Joyful Reading” picture book co-reading program for children with hearing loss

Worked with faculties and students from the Department of Speech Language Pathology and Audiology, Chung Shan Medical University, to assist in the reading of children with hearing loss in the early stage to improve their reading and writing abilities





## Philanthropic Library -

### 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.

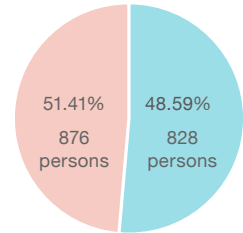
“Philanthropic Reading” packs 35 identical books in one box for teachers or study groups to borrow to promote “intelligence sharing and circulation through reading together” in classes or groups, stimulate intelligence exchange through discussion after reading, develop reading habits in children, bridge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



# Data Related to Human Resources

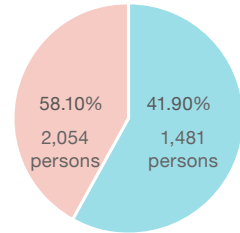
## Number of employees in 2022

Female Male



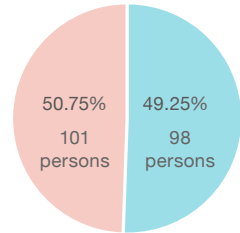
**Non-Fixed-Term Contract Employees**

Total number of persons  
**1,704** persons



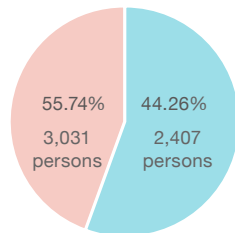
**Fixed-Term Contract Employees**

Total number of persons  
**3,535** persons



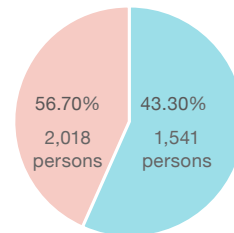
**Temporary Employees**

Total number of persons  
**199** persons



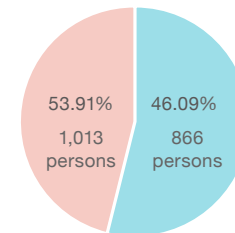
**Total number of employees**

Total number of persons  
**5,438** persons



**Full-time employees**

Total number of persons  
**3,559** persons



**Part-time employees**

Total number of persons  
**1,879** persons

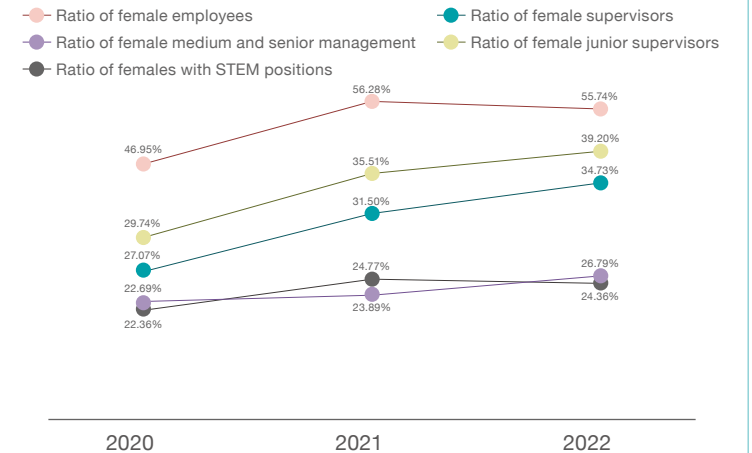
Note:

1. Full-time employees are on permanent contracts or are called permanent employees
2. Contracted employees are on fixed-term contracts or are called temporary employees
3. Dispatched personnel are employees dispatched by staffing companies engaged
4. The Company has no employees with no hour guarantee
5. Full-time employees are salaried monthly
6. Part-time employees are paid hourly

## Number of non-employees in 2022 (medicine business location)

	Taiwan HQ	Merry Shen-zhen	Merry Thai-land	Merry Viet-nam	Merry USA	Merry Singa-pore	Merry Hong Kong	Suzhou Mer-ry
<b>Number of working hours throughout the year</b>	15,532	482,252	-	54,216	-	-	520	8,320
<b>Security</b>	2	35	-	10	-	-	-	2
<b>Cleaning</b>	4	19	-	10	-	-	1	-
<b>Restaurant</b>	-	-	-	8	-	-	-	-
<b>Total</b>	6	54	-	28	-	-	1	2

## Historical distribution of female employees

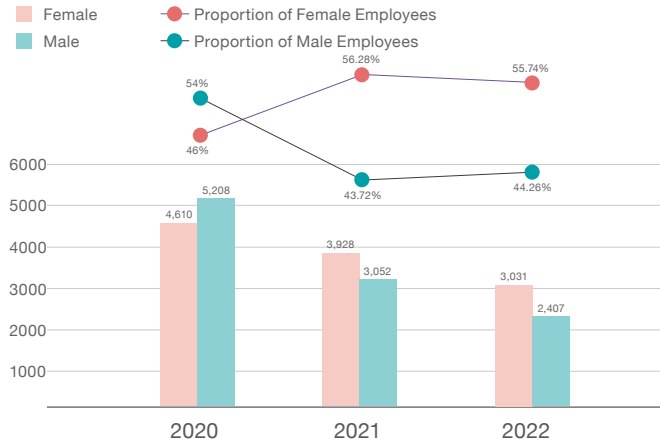


Note: STEM refers to positions related to science, technology, engineering, and math

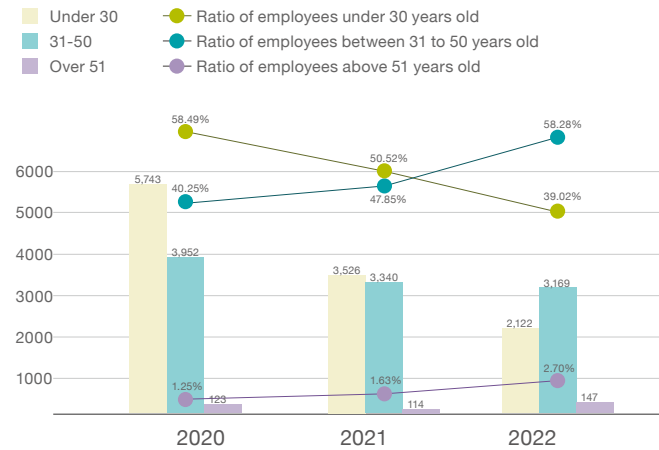


# Data Related to Human Resources

Total Number of Employees over the Years (by gender)



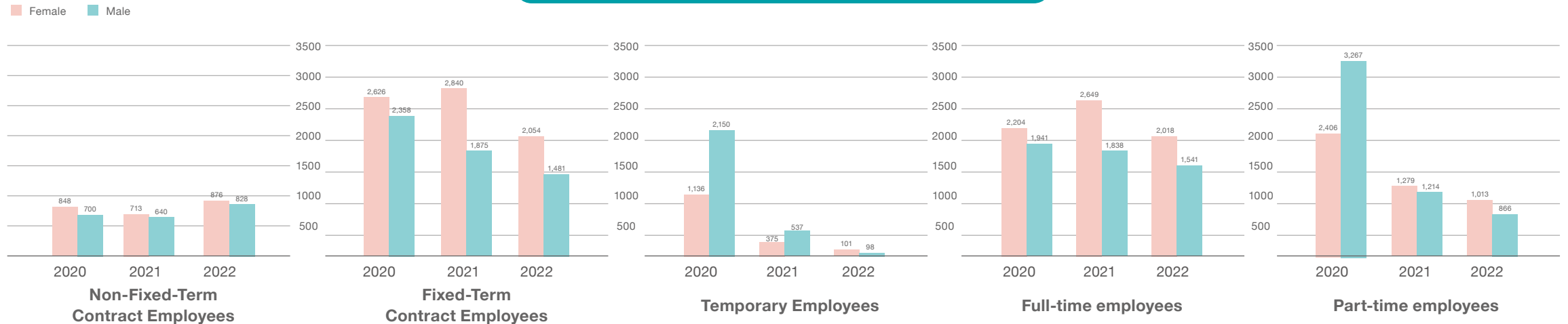
Total Number of Employees over the Years (by age)



Proportion of Employees by Contract Type over the Years



Historical classification by employment type/contract





# Data Related to Human Resources

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

	2020			2021			2022		
	From time to time Fixed-term	contract Fixed-term	Dispatched personnel	From time to time Fixed-term	contract Fixed-term	Dispatched personnel	From time to time Fixed-term	contract Fixed-term	Dispatched personnel
Taiwan HQ	743	9	-	776	9	-	772	9	-
Merry Shenzhen	-	3,439	3,272	-	2,403	912	-	2,419	175
Merry Thailand	672	-	-	447	-	-	808	-	-
Merry Vietnam	-	1,462	-	-	2,242	-	-	1,042	-
Merry USA	11	-	-	9	-	-	9	-	-
Merry Electronics Singapore	44	-	-	44	-	-	45	-	-
Merry Hong Kong	10	2	-	10	2	-	10	2	-
Suzhou Merry	68	72	14	67	59	-	60	63	24

Note:

1. Full-time employees are on permanent contracts or are called permanent employees
2. Contracted employees are on fixed-term contracts or are called temporary employees
3. Dispatched personnel are employees dispatched by staffing companies engaged
4. The Company has no employees with no hour guarantee
5. Full-time employees are salaried monthly
6. Part-time employees are paid hourly
7. The calculation is based on the actual number of in-service employees by December 31, historically



# Data Related to Human Resources

Total Number of Employees by Grade/Duty over the Years

		Under 30		31-50		Over 51		Total	Female		Male	
		Number of persons	Ratio	Number of persons	Ratio	Number of persons	Ratio		Number of persons	Ratio	Number of persons	Ratio
Medium and Senior Management	2020	1	0.84%	81	68.07%	37	31.09%	119	27	22.69%	92	77.31%
	2021	0	0.00%	80	70.80%	33	29.20%	113	27	23.89%	86	76.11%
	2022	0	0.00%	79	70.54%	33	29.46%	112	30	26.79%	82	73.21%
Junior Supervisors	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%
	2022	4	2.01%	170	85.43%	25	12.56%	199	78	39.20%	121	60.80%
Engineers	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%
	2022	196	25.26%	557	71.78%	23	2.96%	776	189	24.36%	587	75.64%
Clerks	2020	330	35.37%	553	59.27%	50	5.36%	933	623	66.77%	310	33.23%
	2021	446	44.33%	526	52.29%	34	3.38%	1,006	730	72.56%	276	27.44%
	2022	293	34.88%	506	60.24%	41	4.88%	840	643	76.55%	197	23.45%
Direct Labor	2020	5,085	66.78%	2,517	33.06%	12	0.16%	7,614	3,688	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%
	2022	1,629	46.40%	1,857	52.89%	25	0.71%	3,511	2,091	59.56%	1,420	40.44%



# Data Related to Human Resources

Number of New Employees by Location in 2022

Under 30				31-50				Over 51				Total			Under 30				31-50				Over 51				Total	
Fe-male	Ratio	Male	Ratio	Fe-male	Ratio	Male	Ratio	Fe-male	Ratio	Male	Ratio	Total number	Ratio		Fe-male	Ratio	Male	Ratio	Fe-male	Ratio	Male	Ratio	Fe-male	Ratio	Male	Ratio	Total number	Ratio
47	6.02%	35	4.48%	42	5.38%	51	6.53%	1	0.13%	4	0.51%	180	23.05%	Merry HQ	33	4.23%	24	3.07%	48	6.15%	64	8.19%	7	0.90%	5	0.64%	181	23.18%
2526	97.38%	5,724	220.66%	1,294	49.88%	2,179	84.00%	1	0.04%	0	0.00%	11,724	451.97%	Merry Shenzhen	2685	103.51%	6,038	232.77%	1,450	55.90%	2,256	86.97%	4	0.15%	2	0.08%	12,435	479.38%
242	29.95%	211	26.11%	70	8.66%	70	8.66%	0	0.00%	2	0.25%	595	73.64%	Merry Thailand	111	13.74%	56	6.93%	37	4.58%	22	2.72%	0	0.00%	1	0.12%	227	28.09%
266	25.53%	318	30.52%	117	11.23%	60	5.76%	0	0.00%	0	0.00%	761	73.03%	Merry Vietnam	788	75.62%	598	57.39%	330	31.67%	135	12.96%	0	0.00%	0	0.00%	1851	177.64%
8	3.76%	11	5.16%	13	6.10%	10	4.69%	4	1.88%	2	0.94%	48	22.54%	Ohter plants	21	9.86%	58	27.23%	39	18.31%	51	23.94%	11	5.16%	4	1.88%	184	86.38%
3089	56.80%	6,299	115.83%	1,536	28.25%	2,370	43.58%	6	0.11%	8	0.15%	13,308	244.72%	Total	3638	66.90%	6,774	124.57%	1,904	35.01%	2,528	46.49%	22	0.40%	12	0.22%	14,878	273.59%

Note:

1. 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.
2. Total number of employees at the end of 2022: Taiwan HQ 781 persons, Merry Shenzhen 2,594 persons, Merry Thailand 808 persons, Merry Vietnam 1,042 persons, other regions 213 persons.

Note:

1. 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.
2. Total number of employees at the end of 2022: Taiwan HQ 781 persons, Merry Shenzhen 2,594 persons, Merry Thailand 808 persons, Merry Vietnam 1,042 persons, other regions 213 persons.



# Assurance Statement



## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE MERRY ELECTRONICS CO., LTD.'S SUSTAINABILITY REPORT FOR 2022

#### 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 2022 (hereinafter referred to as the SR Report). The scope of assurance is based on the SGS Sustainability Report Assurance methodology and AA1000 Assurance Standard v3 Type 2 Moderate level to assess whether the text and data in accompanying tables contained in the report and complies with the GRI Universal Standard (2021) and AA1000 Accountability Principles (2018) during on-site verification (2023/03/15-2023/05/02) in MERRY headquarter. The boundary of this report includes MERRY Taiwan and overseas operational and production sites' specific performance data included the sampled text, and data in accompanying tables, contained in the report presented. The assurance process did not include the evaluation of specific performance information outside the scope, such as climate-related financial disclosures (TCFD). 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 2022 and its presentation are the responsibility of the directors or governing body and management of MERRY. SGS has not been involved in the preparation of any of the material included in the SR 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 and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2 General Disclosure 2021 for organisation's reporting practices and other organizational detail, GRI 3 2021 for organisation's process of determining material topics, its list of material topics and how to manages each topic, and the guidance on levels of assurance contained within the AA1000 series of standards.

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

Assurance Standard Options	Level of Assurance
A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
B	AA1000ASv3 Type 2 Moderate (AA1000AP Evaluation plus evaluation of Specified Performance Information)

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#### SCOPE OF ASSURANCE AND REPORTING CRITERIA

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

#### Reporting Criteria Options

1	GRI Universal Standard (2021) (In Accordance with)
2	AA1000 Accountability Principles (2018)
3	SASB (HARDWARE)

- evaluation of content veracity of the sustainability performance information in relation to the determined material topics at a moderate level of scrutiny for MERRY and moderate level of scrutiny for subsidiaries, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard v3 Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018);
- evaluation of the report against the requirements of Global Reporting Initiative Universal Standard 2021 (GRI 2, GRI 3, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with; and
- evaluation of the report against the SASB Disclosures and Metrics included in the HARDWARE Sustainability Accounting Standard (VERSION 2018-10) and conducted alongside an evaluation of accuracy assurance at moderate level of scrutiny.

#### ASSURANCE METHODOLOGY

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

#### LIMITATIONS AND MITIGATION

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

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

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

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

#### VERIFICATION/ ASSURANCE OPINION

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

#### AA1000 ACCOUNTABILITY PRINCIPLES (2018) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

##### Inclusivity

MERRY has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR 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.

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#### 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.

#### Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback. MERRY could develop a strategy based on a comprehensive and balanced understanding and response to material sustainability topics and stakeholder concerns.

#### 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 2022, is adequately in accordance with the GRI Universal Standards 2021 and complies with the requirements set out in section 3 of GRI 1 Foundation 2021, where the significant impacts on the economy, environment, and people, including impacts on their human rights are assessed and disclosed following the guidance defined in GRI 3: Material Topic 2021, and the relevant 200/300/400 series Topic Standard related to Material Topic have been disclosed. MERRY has set goals and targets for each material topic aligning with SDGs, which the results are expected to demonstrate with qualitative and quantitative information. For future reporting, it is recommended to have more descriptions on how the organization has applied due diligence as a method for the identification and the evaluation of its impacts on the economy, environment, and people, including impacts on their human rights as well as the role of the highest governance body in overseeing these processes. More detailed disclosures of the highest governance body's involvement with ESG management are encouraged.

#### SASB CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

MERRY has referenced with SASB's Standard, HARDWARE, VERSION 2018-10 to disclose information of material topics that are vital for enterprise value creation. The reporting boundaries of the disclosed information correspond to correspond to MERRY's Sustainability Report of 2022. MERRY used SASB accounting and activity metrics to assess and manage the topic-related risks and opportunities, where relevant quantitative information was assessed for its accuracy and completeness to support the comparability of the data reported. Process to identify, assess, and manage topic-related risks and opportunities were integrated into MERRY's overall management process. It is recommended that regular monitoring of peer disclosure can help MERRY better understand evolving expectations—among investors and other stakeholders and ensure to provide comparable information.

#### Signed:

For and on behalf of SGS Taiwan Ltd.

Stephen Pao  
Knowledge Deputy General Manager  
Taipei, Taiwan  
31 May, 2023  
[WWW.SGS.COM](http://WWW.SGS.COM)



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000-8/V3-2ERWU

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# GRI content index

## GRI Statement of Use

Statement of Use	Merry Electronics Co., Ltd. has complied with the content for GRI Standards reporting for the year ended December 31, 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Industrial Standards	NA

## GRI 2: General Disclosures 2021

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
<b>The organization and its reporting practices</b>					
2-1	Organizational details	1-1	About Merry Electronics	14	
			Report Profile	4	
2-2	Entities included in the organization's sustainability reporting	Appendix	Differences between Disclosures and Subsidiaries in the Consolidated Financial Statements in 2022		
2-3	Reporting period, frequency and contact point		Report Profile	4	
2-4	Restatements of information		Report Profile	4	
2-5	External assurance		Report Profile	4	
			Assurance Statement		
<b>Activities and workers</b>					
			Value Creation Process	8	
2-6	Activities, value chain and other business relationships	1-1	About Merry Electronics	14	
		1-2	Product overview	16	
		4-4	Sustainable supply chain	53	
2-7	Employees	5-1	Talents attraction and retention	56	
		Appendix	Data Related to Human Resources	97	



# GRI content index

## GRI 2: General Disclosures 2021

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
2-8	Workers who are not employees	5-1	Talents attraction and retention	56	
		5-3	Friendly and safe workplace	69	
		Appendix	Data Related to Human Resources	97	
<b>Governance</b>					
2-9	Governance structure and composition	3-1	Governance organization	21	
		2-1	Sustainable policy and operation	37	
		Website	Diverse culture of the Board		
2-10	Nomination and selection of the highest governance body	3-1	Governance organization	37	
		Website	Corporate rules and regulations		
2-11	Chair of the highest governance body	3-1	Governance organization	37	The Chairman is not concurrently a senior management
2-12	Role of the highest governance body in overseeing the management of impacts	3-1	Governance organization	37	
2-13	Delegation of responsibility for managing impacts	2-1	Sustainable policy and operation	21	
		2-4	Management Approach of Material Topics	28	
2-14	Role of the highest governance body in sustainability reporting		Report Profile	4	
2-15	Conflicts of interest	3-1	Governance organization	37	
2-16	Communication of critical concerns	3-1	Governance organization	37	
2-17	Collective knowledge of the highest governance body	3-1	Governance organization	37	
		Website	Continuing education of Directors		
2-18	Evaluation of the performance of the highest governance body	3-1	Governance organization	37	
		Website	Board performance evaluation		



# GRI content index

## GRI 2: General Disclosures 2021

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
2-19	Remuneration policies	3-1	Governance organization	39	The Remuneration Committee was established
		Website	Performance evaluation and remuneration policies, systems, and structure of Directors and managers		
2-20	Process to determine remuneration	3-1	Governance organization	39	The Remuneration Committee was established
		Website	Operation of the Remuneration Committee		
2-21	Annual total compensation ratio	3-1	Governance organization	39	
<b>Strategy, policies and practices</b>					
2-22	Statement on sustainable development strategy		Message from the Chairman	6	
2-23	Policy commitments	3-1	Governance organization	37	
		3-2	Ethical corporate management	40	
		5-3	Friendly and safe workplace	69	
		5-5	Human Rights and Diverse Communication Channels	77	
		6-1	Environmental protection policy and commitment	80	
2-24	Embedding policy commitments	3-2	Ethical corporate management	40	
		4-4	Sustainable supply chain management	53	
		5-3	Friendly and safe workplace	69	
		5-5	Human Rights and Diverse Communication Channels	77	
		6-1	Environmental protection policy and commitment	80	
2-25	Processes to remediate negative impacts	6-4	Strengthening awareness of environmental protection	91	
		2-4	Management approach of material topics	28	
		3-2	Ethical corporate management	40	
		5-5	Human Rights and Diverse Communication Channels	77	



# GRI content index

## GRI 2: General Disclosures 2021

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
2-26	Mechanisms for seeking advice and raising concerns	2-4	Management approach of material topics	28	
2-27	Compliance with laws and regulations	3-5	Legal compliance	44	
2-28	Membership associations	1-1	About Merry Electronics	14	

### Stakeholder engagement

2-29	Approach to stakeholder engagement	2-2	Stakeholder identification and communication	22	
2-30	Collective bargaining agreements	-	-	-	No collective bargaining agreement was entered into

## GRI 3: Material Topics 2021

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
3-1	Process to determine material topics	2-3	Analysis and identification of material topics	24	
3-2	List of material topics	2-3	Analysis and identification of material topics	25	

### Material Topic 1: Sustainable supply chain

3-3	Management of material topics	2-4	Management approach of material topics	32	
GRI 308: Supplier Environmental Assessment 2016					
308-1	New suppliers that were screened using environmental criteria	4-4	Sustainable supply chain management	53	

### GRI 414: Supplier Social Assessment 2016

414-1	New suppliers that were screened using social criteria	4-4	Sustainable supply chain management	53	
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### Material topic 2: Innovative management

3-3	Management of material topics	2-4	Management approach of material topics	30	
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# GRI content index

## GRI 3: Material Topics 2021

Indicator	Disclosure Item	Corresponding chapters in the report		Page	Description
Self-established topic					
IM-1	Saving from energy-saving design/material recycling/material	4-1	Sustainable Design and Innovative Management	45	
<b>Material Topic 3: Information security</b>					
3-3	Management of material topics	2-4	Management approach of material topics	31	
Self-established topic					
IS-1	Focus of information security management	3-4	Information Security	42	
IS-2	Information security management system	3-4	Information Security	42	
IS-3	Information security educational training	3-4	Information Security	42	
<b>Material Topic 4: Quality management</b>					
3-3	Management of material topics	2-4	Management approach of material topics	29	
Self-established topic					
QM-1	Quality management system	4-3	Quality Management and Customer Service Optimization	50	
QM-2	Customer service	4-3	Quality Management and Customer Service Optimization	50	
<b>Material topic 5: Product responsibility</b>					
3-3	Management of material topics	2-4	Management approach of material topics	30	
GRI 416: Customer Health and Safety 2016					
416-1	Assessment of the health and safety impacts of product and service categories	4-2	Green Product Management	49	No violation
416-2	There was no event of product and service violating health and safety regulations	4-3	Quality Management and Customer Service Optimization	50	No violation



# GRI content index

## GRI 3: Material Topics 2021

Indicator	Disclosure Item	Corresponding chapters in the report		Page	Description
GRI 417: Marketing and Labeling 2016					
417-1	Requirements for product and service information and labeling	4-2	Green Product Management	49	No violation
<b>Material Topic 6: Climate strategies</b>					
3-3	Management of material topics	2-4	Management approach of material topics	33	
GRI 201: Economic Performance 2016					
201-2	Financial implications and other risks and opportunities due to climate change	2-5	Task Force on Climate-related Financial Disclosures (TCFD)	34	
GRI 305: Emissions 2016					
305-1	Direct (Scope 1) GHG emissions	6-2	Climate action and energy management	85	
305-2	Energy indirect (Scope 2) GHG emissions	6-2	Climate action and energy management	85	
305-3	Other indirect (Scope 3) GHG emissions	6-2	Climate action and energy management	86	
305-4	GHG emissions intensity	6-2	Climate action and energy management	85	
305-5	Reduction of GHG emissions	6-2	Climate action and energy management	85	
<b>Material Topic 7: Energy management</b>					
3-3	Management of material topics	2-4	Management approach of material topics	33	
GRI 302: Energy 2016					
302-1	Energy consumption within the organization	6-2	Climate action and energy management	88	
302-3	Energy intensity	6-2	Climate action and energy management	88	
302-4	Reduction of energy consumption	6-2	Climate action and energy management	88	
302-5	Reductions in energy requirements of products and services	4-1	Sustainable Design and Innovative Management	45	



# GRI content index

## GRI 3: Material Topics 2021

Indicator	Disclosure Item	Corresponding chapters in the report	Page	Description
<b>Material Topic 8: Talents attraction and retention</b>				
3-3	Management of material topics	2-4	Management approach of material topics	28
GRI 202: Market Presence 2016				
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	5-1	Talents attraction and retention	60
202-2	Proportion of senior management hired from the local community	Region	Ratio	
		Taiwan	100%	
		Chinese plants	91%	
		Asia Pacific	57%	
Note: Senior management is above the level of managers, and the definition of “local” shall be based on the nationality				
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	5-1	Talents attraction and retention	59
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5-1	Talents attraction and retention	60
401-3	Parental leave	5-1	Talents attraction and retention	62
GRI 402: Employment 2016				
402-1	Minimum notice periods regarding operational changes	Taiwan: 10-30 days in advance, depending on service length. China: One month in advance. Thailand: 60 days in advance. Vietnam: One month in advance.		



# GRI content index

## GRI topics and indicators voluntarily disclosed

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
<b>Topic of Continual Concern 1: Economic influence</b>					
GRI 201: Economic Performance 2016					
201-1	Direct economic value generated and distributed	1-3	Financial performance	18	
201-3	Defined benefit plan obligations and other retirement plans	5-1	Talents attraction and retention	61	
201-4	Financial assistance received from government	1-3	Financial performance	18	
GRI 204: Procurement Practices 2016					
204-1	Proportion of spending on local suppliers	4-4	Sustainable supply chain management	53	
<b>Topic of Continual Concern 2: Ethical corporate management</b>					
GRI 205: Anti-corruption 2016					
205-2	Communication and training about anti-corruption policies and procedures	3-2	Ethical corporate management	40	
205-3	Confirmed incidents of corruption and actions taken	3-2	Ethical corporate management	40	No corruption
<b>Topic of Continual Concern 3: Tax management</b>					
GRI 207: Tax 2019					
207-1	Approach to tax	1-4	Tax management	19	
207-2	Tax governance, control, and risk management	1-4	Tax management	19	
<b>Topic of Continual Concern 4: Water resources management</b>					
GRI 303: Water and Effluent 2018					
303-1	Interactions with water as a shared resource		Water consumed by us was for office and domestic use, and our water withdrawal and discharge complied with the specifications of local governments		





# GRI content index

## GRI topics and indicators voluntarily disclosed

Indicator	Disclosure Item	Corresponding chapters in the report	Page	Description
303-2	Management of water discharge-related impacts	Water consumed by us was for office and domestic use, and our water withdrawal and discharge complied with the specifications of local governments		
303-3	Water withdrawal	6-3 Water and waste management	89	
303-4	Water discharge	There was no use of water during our production; therefore, there was no industrial wastewater discharge. All water for office and domestic use was discharged into the sewage system designated by governments via connecting pipes; therefore, we did not calculate our water discharge and water consumption		
303-5	Water consumption	There was no use of water during our production; therefore, there was no industrial wastewater discharge. All water for office and domestic use was discharged into the sewage system designated by governments via connecting pipes; therefore, we did not calculate our water discharge and water consumption		

### Topic of Continual Concern 5: Waste management

GRI 306 Waste 2020

306-3	Waste generated	6-3 Water and waste management	90	
306-4	Waste diverted from disposal	6-3 Water and waste management	90	

### Topic of Continual Concern 6: Diversity and Inclusiveness

GRI 405 Diversity and Equal Opportunity 2016

405-1	Diversity of governance bodies and employees	5-1 Talents attraction and retention	56	
		Appendix Data Related to Human Resources	97	
405-2	Ratio of basic salary and remuneration of women to men	5-1 Talents attraction and retention	60	

GRI 406 Non-discrimination 2016

406-1	Incidents of discrimination and corrective actions taken	5-5 Human Rights and Diverse Communication Channels	77	There was no incident of discrimination
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### Topic of Continual Concern 7: Human capital development

GRI 404 Training and Education 2016



# GRI content index

## GRI topics and indicators voluntarily disclosed

Indicator	Disclosure Item		Corresponding chapters in the report	Page	Description
404-1	Average hours of training per year per employee	5-2	Talent development	66	
404-2	Programs for upgrading employee skills and transition assistance programs	5-2	Talent development	65	
404-3	Percentage of employees receiving regular performance and career development reviews	5-1	Talents attraction and retention	60	
<b>Topic of Continual Concern 8: Occupational health and safety</b>					
GRI 403 Occupational Health and Safety 2018					
403-1	Occupational health and safety management system	5-3	Friendly and safe workplace	69	
403-2	Hazard identification, risk assessment, and incident investigation	5-3	Friendly and safe workplace	70	
403-3	Occupational health services	5-3	Friendly and safe workplace	69	
403-4	Worker participation, consultation, and communication on occupational health and safety	5-3	Friendly and safe workplace	69	
403-5	Worker training on occupational health and safety	5-3	Friendly and safe workplace	71	
403-6	Promotion of worker health	5-4	Health care	73	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5-3	Friendly and safe workplace	69	
403-8	Workers covered by an occupational health and safety management system	5-3	Friendly and safe workplace	69	
403-9	Work-related injuries	5-3	Friendly and safe workplace	69	



# SASB Index

Industry type	Technology and communication (TC)
Industry name	Hardware (HW)

## Accounting indicator

Content of indicator	Indicator No.	Corresponding chapter/annual disclosure	Page
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 Talents Attraction and Retention	56
		Appendix - Data Related to Human Resources	97
Percentage of products by revenue that contain IEC 62474 declarable substances	TC-HW-410a.1	4-2 Green product management	49
		(We adopted GPMS for chemical management. At present, we have included partial substance frameworks within the IEC 62474 specifications and compared the differences with the list of controlled substances; we will fully include IEC 62474 for management upon the upcoming revision and register the comparison list of substances in GPMS). We require suppliers that the uploaded supplies shall comply with the requirements of RoHS, REACH, and other relevant international regulations or standards via the GPMS system and shall enclose necessary green part recognition data (e.g., the declaration of conformity, material certificate, and test report) to ensure compliance with the international environmental protection laws, regulations, and directives, and customer requirements of such parts. In 2022, the products we sold fully complied with RoHS, REACH, IEC62474, and other international environmental protection regulations.  The ratio of the sales amount of products under the control of IEC62474 was 0%.	
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.	-



# SASB Index

## Accounting indicator

Content of indicator	Indicator No.	Corresponding chapter/annual disclosure	Page
Weight of end-of-life products and e-waste recovered, percentage recycled	TC-HW-410a.4	We adopt the B2B operating model; therefore, the recycling of electronic waste is executed by end customers, and products designed and produced for customers are fully compliant with WEEE standards. To facilitate the circular economy, we increase the ratio of adopting recycled materials for product design, development, and manufacturing via continuous evaluations of recycled materials from source designs.	-
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	(a) 7.5% (b) 100%	-
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	All suppliers passed the audits, and there was no supplier of non-compliance or required corrections.	-
Description of the management of risks associated with the use of critical materials	TC-HW-440a.1	4-2 Green product management  We have established "Key Materials Defining and Operation Regulations" to continue focusing on the operating status of suppliers based on key materials, procurement amount, customer requirements, and other conditions, and we also actively develop and improve local procurement and the diversity of our supply chain to improve the tenacity and response capacity of the overall supply chain. According to the requirements under "Procurement Risk Management Regulations" and "Emergency Management Plan for Suppliers," we continued to focus on the inventory of key parts and components and the status of suppliers to issue graded alerts when there may be purchase anomalies based on the severity for corresponding control measures.	49



# SASB Index

## Activity metrics

Content of indicator	Indicator No.	Corresponding chapter/annual disclosure	Page
Number of units produced by product category	TC-HW-000.A	Production value (ratio to revenue %)	-
		Major Products and % Services	
		Headsets 66.88	
		Stereos and Speakers 26.89	
		Other 6.23	
		Sales volume: 256,077 (thousand pcs)	
Area of manufacturing facilities	TC-HW-000.B	By the end of 2022, the combined area of all product bases, including Merry Shenzhen, Merry Thailand, Merry Vietnam, and Suzhou Merry, was 105,867m <sup>2</sup> .	-
Percentage of production from owned facilities	TC-HW-000.C	After receiving a purchase order from customers, products will be manufactured by self-owned plants or joint-venture plants (with Luxshare) based on the required product line(s). In 2022, the revenue of own plants and joint-venture plants was 60% and 40%, respectively. No order was outsourced for production.	-



# Sustainability Disclosure Indicators - Communications and Internet Industry

Content of indicator	Indicator No.	Corresponding chapter/annual disclosure	Page								
Total energy consumption, percentage of purchased electricity, utilization rate(renewable energy)	GJ and %	6-2 Climate Action and Energy Management	88								
Total water withdrawn, total water consumption	m <sup>3</sup>	6-3 Water and Waste Management	89								
Total hazardous waste generated and percentage recycled	t and %	6-3 Water and Waste Management	90								
Types of, number of employees in and rate of occupational accidents	% and number	5-3 Friendly and Safe Workplace	69								
Product Lifecycle Management Disclosure: including weights of scraps and electronic waste and percentage recycled (Note 1)	t and %	We adopt the B2B operating model; at present, we are not required by end customers to collect electronic wastes for the procedures of disassembly and subsequent use in production; however, we continued to improve the ratio of adopting recycled materials for product design, development, and manufacturing via evaluations of recycled materials	-								
Description of the management of risks associated with the use of critical materials	Qualitative description	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.	-								
Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	Reporting currency	There were no such circumstances during the reporting year	-								
Production by product category	thousand pcs	Production value (ratio to revenue %) <table border="1"> <thead> <tr> <th>Major Products and Services</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Headsets</td> <td>66.88</td> </tr> <tr> <td>Stereos and Speakers</td> <td>26.89</td> </tr> <tr> <td>Other</td> <td>6.23</td> </tr> </tbody> </table> Sales volume: 256,077 (thousand pcs)	Major Products and Services	%	Headsets	66.88	Stereos and Speakers	26.89	Other	6.23	-
Major Products and Services	%										
Headsets	66.88										
Stereos and Speakers	26.89										
Other	6.23										

Note 1: Include the sales of scraps or other recycling disposals and relevant descriptions shall be provided.



# TCFD Disclosures

TCFD Disclosures	Corresponding chapters in the report	Page
<b>Governance</b>		
Describe the board's oversight of climate-related risks and opportunities.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
Describe management's role in assessing and managing climate-related risks and opportunities.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
<b>Strategy</b>		
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	35
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	35
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
<b>Risk Management</b>		
Describe the organization's processes for identifying and assessing climate-related risks.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
Describe the organization's processes for managing climate-related risks.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
	3-3 Risk Management	41
<b>Indicators and Targets</b>		
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34
	6-2 Climate Action and Energy Management	85
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)	34



# GHG Inventory and Assurance

Merry Electronics is a company with a “capital less than NT\$5 billion.” We disclosed our inventory schedule voluntarily as it is not mandatory according to the requirements of the Sustainable Development Roadmap for Listed Companies. The GHG emissions information in the report is based on the inventory performed in accordance with ISO 14064-1:2018. The inventory reporting boundary includes partial items under scope 1, scope 2, and scope 3 (partial items under category 1 and 2 and category 3 to 6). For details of the organizational boundary of the inventory and the scope of assurance, please refer to Table “Description of the organizational boundary.”

## GHG emissions (scope 1 and scope 2; category 1 and category 2)

Scope 1 (category 1)				
Emission scope	Total emissions (tCO2e)	Intensity (tCO2e/million NTD)	Assurance institutions	Description of assurance
Taiwan HQ	109.5	0.003	SGS Taiwan	Link to PDF
Merry Shenzhen	420.39	0.012	Shenzhen Centre Testing International Co., Ltd.	Link to PDF
Merry Thailand	660.64	0.019	Internal inventory	-
Merry Vietnam	91.38	0.003	Internal inventory	-
Scope 2 (category 2)				
Emission scope	Total emissions (tCO2e)	Intensity (tCO2e/million NTD)	Assurance institutions	Description of assurance
Taiwan HQ	625.92	0.018	SGS Taiwan	Link to PDF
Merry Shenzhen	12,694.12	0.359	Shenzhen Centre Testing International Co., Ltd.	Link to PDF
Merry Thailand	1,589.88	0.045	Internal inventory	-
Merry Vietnam	5,062.55	0.143	Internal inventory	-

## GHG emissions (scope 3; category 3-6)

Scope 3 (category 3-6)			
Emission scope	Total emissions (tCO2e)	Assurance institutions	Description of assurance
Total of scope 3			
3-1 Products and services purchased (category 4.1)	1,562.26	SGS Taiwan and Shenzhen Centre Testing International Co., Ltd.	40%
3-2 Capital products (category 4.2)	14.34	-	-
3-3 Activities related to fuels and energy not under Scope 1 or 2 (category 4.1)	1,374.52	-	-
3-4 Upstream transportation and delivery (category 3.1)	2.04	SGS Taiwan	20%
3-5 Wastes generated from operations (category 4.3)	28.75	SGS Taiwan	20%
3-6 Business trips (category 3.5)	44.85	SGS Taiwan and Shenzhen Centre Testing International Co., Ltd.	40%
3-7 Employee commutation (category 3.3)	766.09	-	-
3-8 Upstream lease assets (category 4.4)	0	-	-
3-9 Downstream transportation and delivery (category 3.2)	12,082.24	Shenzhen Centre Testing International Co., Ltd.	20%

\* Assurance ratio: Calculate according to the number of overall companies within the scope of disclosure of the report





# Measuring Stakeholder Capitalism Towards Common Metrics

Theme	Core metrics and disclosures	Corresponding chapters in the report
<b>Principles of Governance</b>		
<b>Corporate purpose</b>		
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
<b>Quality of governing body</b>		
Governance body composition	<p>Composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> <li>-competencies relating to economic, environmental and social topics;</li> <li>-executive or non-executive;</li> <li>-independence;</li> <li>-tenure on the governance body;</li> <li>-number of each individual's other significant positions and commitments, and the nature of the commitments;</li> <li>-gender;</li> <li>- membership of under-represented social groups;</li> <li>- stakeholder representation.</li> </ul>	3-1 Governance organization  For information on Directors, please refer to "Portfolio of Board Members" on the Company's website
<b>Stakeholder engagement</b>		
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
<b>Ethical behaviour</b>		
Anti-corruption	<ol style="list-style-type: none"> <li>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.                             <ol style="list-style-type: none"> <li>a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and</li> <li>b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.</li> </ol> </li> <li>2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruptio</li> </ol>	There was no corruption that occurred in 2021 and 2022  3-2 Ethical corporate management



# Measuring Stakeholder Capitalism Towards Common Metrics

Theme	Core indicators and disclosure item	Corresponding chapters in the report
Protected ethics advice and reporting mechanisms	A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organizational integrity. 2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.	There was no report related to the violation of integrity in 2021 and 2022  3-2 Ethical corporate management
<b>Risk and opportunity oversight</b>		
Integrating risk and opportunity into business process	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	3-3 Risk management  2-5 Task Force on Climate-related Financial Disclosures (TCFD)
<b>Planet</b>		
<b>climate change</b>		
Greenhouse gas (GHG) emissions	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.  Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	6.2 Climate Action and Energy Management
TCFD implementation	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 pre-industrial levels and pursue efforts to limit warming to 1.5° C – and to achieve net-zero emissions before 2050.	2-5 Task Force on Climate-related Financial Disclosures (TCFD)
<b>Nature loss</b>		
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).	Not applicable, all business locations of the Company are not in any ecologically sensitive area
<b>Freshwater availability</b>		
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.	6-3 Water and Waste Management



# Measuring Stakeholder Capitalism Towards Common Metrics

Theme	Core indicators and disclosure item	Corresponding chapters in the report
<b>People</b>		
<b>Dignity and equality</b>		
Diversity and inclusion (%)	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	5-1 Talents Attraction and Retention
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.	5-1 Talents Attraction and Retention
Wage level (%)	1.Ratios of standard entry level wage by gender compared to local minimum wage. 2.Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	3-1 Governance organization 5-1 Talents Attraction and Retention
Risk for incidents of child, forced or compulsory labour	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: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.	In 2022, there was no violation of human rights, and we required suppliers to value human rights  5-5 Human Rights and Diverse Communication Channels
<b>Health and well-being</b>		
Health and safety (%)	1.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. 2.An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	5-3 Friendly and Safe Workplace 5-4 Healthcare
<b>Skills for the future</b>		
Training provided (#, \$)	1.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). 2.Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	5-2 Talent Development



# Measuring Stakeholder Capitalism Towards Common Metrics

Subject	Core indicators and disclosure item	Corresponding chapters in the report
<b>Prosperity</b>		
<b>Employment and wealth generation</b>		
Absolute number and rate of employment	<ol style="list-style-type: none"> <li>Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.</li> <li>Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.</li> </ol>	5-1 Talents Attraction and Retention
Economic contribution	<ol style="list-style-type: none"> <li>Direct economic value generated and distributed (EVG&amp;D), on an accruals basis, covering the basic components for the organization’s global operations, ideally split out by:                             <ul style="list-style-type: none"> <li>– Revenues</li> <li>– Operating costs</li> <li>– Employee wages and benefits</li> <li>– Payments to providers of capital</li> <li>– Payments to government</li> <li>– Community investment</li> </ul> </li> <li>Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.</li> </ol>	1-3 Financial Performance
Financial investment contributions	<ol style="list-style-type: none"> <li>Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company’s investment strategy.</li> <li>Share buybacks plus dividend payments, supported by narrative to describe the company’s strategy for returns of capital to shareholders.</li> </ol>	2022 annual report of the Company
<b>Innovation of better products and services</b>		
Total R&D expenses (\$)	Total costs related to research and development.	1-3 Financial Performance
Total tax paid	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.	1-3 Financial Performance 1-4 Tax Management



# UN SDGs

SDGs	Merry SDGs
<p><b>Goal 3.</b> <b>Health and Welfare</b></p> <p>By 2030, reduce non-communicable diseases through prevention and treatment and promote mental health and well-being.</p> <p>By 2030, ensure universal access to sexual and reproductive healthcare services, including family planning, information and education.</p>	<p><a href="#">Building a Friendly Workplace</a></p> <ul style="list-style-type: none"> <li>-Employee health and safety</li> <li>-Employee Assistance Program</li> <li>-Employee satisfaction survey</li> </ul> <p><a href="#">Enriching Human Life</a></p> <ul style="list-style-type: none"> <li>-Passive AI smart fetus sensor technologies</li> <li>-Promote the “Minimal Hearing Loss” initiative</li> </ul>
<p><b>Goal 4.</b> <b>Quality Education</b></p> <p>By 2030, increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and culture’s contribution to sustainable development.</p>	<p><a href="#">Building a Friendly Workplace</a></p> <ul style="list-style-type: none"> <li>-Optimize talent development planning</li> <li>-Shape the Merry culture</li> </ul> <p><a href="#">Enriching Human Life</a></p> <ul style="list-style-type: none"> <li>-Promote the “Minimal Hearing Loss” initiative</li> </ul>
<p><b>Goal 5.</b> <b>Gender Equality</b></p> <p>End all forms of discrimination against all women and girls everywhere.</p> <p>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.</p> <p>Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p><a href="#">Building a Friendly Workplace</a></p> <ul style="list-style-type: none"> <li>-Employee diversity and inclusiveness</li> <li>-Human rights complaint channels and punishment methods</li> </ul>



# UN SDGs

SDGs	Merry SDGs
<p><b>Goal 8.</b> <b>Decent Work and Economic Growth</b></p> <p>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.</p>	<p><a href="#">Delivering Excellent Sound.</a></p> <ul style="list-style-type: none"> <li>-Increase the proportion of sustainable products</li> <li>-Improve corporate governance</li> <li>-Strengthen the information security system</li> <li>-Establish a risk management mechanism</li> </ul> <p><a href="#">Building a friendly workplace</a></p> <ul style="list-style-type: none"> <li>-Employee diversity and inclusiveness</li> </ul>
<p><b>Goal 12.</b> <b>Responsible Consumption and Production</b></p> <p>Significantly reduce the generation of waste through prevention, reduction, recycling, and reuse by 2030. Enterprises are encouraged to adopt sustainable approaches, particularly large-scale and international companies, and include sustainable development information in corporate business plans.</p>	<p><a href="#">Delivering Excellent Sound.</a></p> <ul style="list-style-type: none"> <li>-Increase the proportion of sustainable products</li> <li>-Optimize sustainable product framework</li> </ul> <p><a href="#">Addressing Climate Change</a></p> <ul style="list-style-type: none"> <li>-Promote the Group's green policy</li> <li>-Water and waste management</li> </ul>
<p><b>Goal 13.</b> <b>Climate Action</b></p> <p>Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters of countries. Improve awareness-raising, early warning, and human and institutional capacity on climate change.</p>	<p><a href="#">Delivering Excellent Sound.</a></p> <ul style="list-style-type: none"> <li>-Increase the proportion of sustainable products</li> </ul> <p><a href="#">Addressing Climate Change</a></p> <ul style="list-style-type: none"> <li>-Promote the Group's green policy</li> </ul> <p>Continue the group's green manufacturing policy Manage supplier social and environmental responsibilities</p> <p><a href="#">Enriching Human Life</a></p> <ul style="list-style-type: none"> <li>-Enhancing employee volunteerism</li> <li>-Promote total ESG culture</li> </ul>



# Differences between Disclosures and Subsidiaries in the Consolidated Financial Statements in 2022

	Business category	Consolidated Financial Statements	Scope of disclosure of the report				
			Economy data	Social data		Environmental data	
				Employee information	Other	GHG inventory	Other
Taiwan HQ	-	●	●	●	⊙	●	●
Merry Shenzhen	The major business is the same as the Company.	●	●	●	⊙	●	●
Merry Vietnam	Production of consumer electronics, manufacturing of speaker systems, and manufacturing of microphones.	●	●	●	⊙	●	●
Merry Thailand	The major business is the same as the Company.	●	●	●	⊙	●	●
Suzhou Merry	Production and sales of speakers and amplifiers	●	●	●	⊙	●	●
Merry Singapore	Manufacturing of other electronic elements and PCB.	●	●	●	○		
Merry Hong Kong	Primarily selling products that are the same with the Company	●	●	●	○		
Merry USA	Distribution of microphones, safety systems, and other products produced by affiliates	●	●	●	○		
MUtek Electronics	Manufacturing and application services of appliances and audio-visual electronic products.	●	●				
Universal Capital Investment Limited	Engage in investments.	●	●				



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			Economy data	Social data		Environmental data	
				Employee information	Other	GHG inventory	Other
MERRYTECH (HK)CO.LIMITED	Engage in investments.	●	●				
Merry Electronics North America Inc.	Order-taking, R&D, and appearance design of speakers and amplifiers.	●	●				
Seas Fabrikker	Production and sales of loudspeakers.	●	●				
FULICARE CO., LTD	Engage in sales of medical devices.	●	●				
Fulicare (Suzhou) Co.,Ltd.	Engage in sales of medical devices.	●	●				
Fulicare (Xiamen) Co.,Ltd.	Engage in sales of medical devices.	●	●				
Xiamen Etimbre Hearing Technology Chain Co.,Ltd.	Engage in the R&D, production, and sales of hearing aids, hearing equipment, and acoustics-related equipment.	●	●				
AUSTAR Hearing Science and Technology (XIAMEN) Co., Ltd.	Engage in the R&D, production, and sales of hearing aids, hearing equipment, and acoustics-related equipment.	●	●				
Xiamen Laiyate Medical Devices Co., Ltd.	Engage in the R&D of software functions used by hearing aids and sales of technologies.	●	●				
Merry Electronics Sdn Bhd	Engage in the R&D of microphones, handsets, and speakers.	●	●				

Note:

1. "●" refers to full disclosure, "◎" refers to partial disclosure, and "○" merely discloses minor basic information. Subsequently, the Company will evaluate and plan for the schedule to include subsidiaries of the Group in its sustainability information disclosure management.
2. Merry USA, Merry Singapore, and Merry Hong Kong are sales offices; therefore, only human resources information and partial environmental data are disclosed.
3. According to the requirements of the Sustainable Development Roadmap for Listed Companies, we expected to complete the GHG inventory and certification operations of all subsidiaries in the Consolidated Financial Statements by 2027 and 2029, respectively.





Publisher/ Merry Electronics Co., Ltd.

Issuer/ Lu-Li Liao, Chao-Li Huang

Address/ No. 22, Taichung Industrial Park 23<sup>rd</sup> Road

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Editor in chief/ Jen-Chieh Hsiao

Art design/ Jui-Hsueh Lai

Website/ [www.merry.com.tw](http://www.merry.com.tw)

Report download/ [www.merry.com.tw/page/about/index.aspx?kind=50#](http://www.merry.com.tw/page/about/index.aspx?kind=50#)

Editorial board/ Hsu-Wei Chen, Ta-Wen Ma, Hsiu-Mei Wang, Yi-Han Chien, Tzu-Hsuan Chu, Hsin-Ying Chiang, Wei-Chi Sung, Li-Feng Lin, Li-Min Tseng, Mei-Fang Huang, Yi-Hui Chen, Jui-Chi Chang, Li-Chiao Su, Ta-Chi Li, Ching-Kuo Chin, Pei-Shan Kuo, Feng-Ju Chen, Wen-Chuan Chen, Kun-Tang Liang, Ju-Hsuan Lin

