



Sustainability Report 2022



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Message from our CEO

Bernd Hesse

Over 80 years ago, Merit's story began. In these years of existence, we have gone from being a local manufacturer to a global supplier of automotive parts. Currently, Merit operates in nine countries, with four large production plants and more than 1,000 employees.

The year 2022 presented great challenges, mainly characterized by the excessive increase in inflation and the war in Ukraine, which caused a significant increase in prices, especially in the energy sector. In this context, global vehicle production continued to recover, although it is still below pre-pandemic levels. This year, there is greater growth in the manufacturing of electric vehicles.

Merit has found innovative solutions to maintain production levels, deliver orders on time, and preserve customer satisfaction. The company continues to work closely with its customers to provide them with the best products. Additionally, we are aware that it is essential to support our customers in reducing emissions throughout the supply chain. We believe that is our responsibility to lead the charge in sustainable business practices, recognizing that sustainability is not just about protecting the environment but building a better future for employees, customers, and communities.

For all these reasons, environmental, social, and governance (ESG) sustainability is a priority within our corporate culture. In 2022, we developed and approved a sustainability

strategic 2023-2030, and carried out a thorough calculation of our carbon footprint following the GHG protocol. This ESG strategy is another step in our trajectory and aims to contribute to the decarbonization of the sector, promote circular economy, and enhance the well-being of our employees. ESG sustainability will continue to gain strength within the Group, and we will continue to put all available means into implementing our sustainability strategy and contributing to the achievement of the Sustainable Development Goals (SDGs) to create a better and more sustainable world.

Looking towards the future, Merit acknowledges there is always more work to be done and remains committed to continuing its efforts to build a sustainable business that positively contributes to society and the environment.





1. Merit Presentation

Business Model

Merit Automotive Electronics Systems is an international supplier of complex mechanical components and ignition switches for the automotive industry. The company was founded in Germany in the 1940s and has since become a leading expert in designing and manufacturing these switches. In 1955, the company expanded its operations to produce electromechanical parts for the automotive industry.

In 1996, Eaton acquired Merit Automotive Electronics Systems to develop a new product line called Mechatronics. This line was later sold to China's Northeast Industries group in 2016. At the beginning of 2017, Merit underwent a restructuring and began operating independently, with its headquarters in Barcelona, Spain. The company is now supported by its new parent company and houses a research center in Krakow, in addition to operating facilities in Gdansk, Matamoros, Changchun, Suzhou. This expansion of operations aligns with the company's globalization initiatives and enables Merit to serve other automobile manufacturers better.

As of 2022, Merit Automotive Electronics Systems has successfully operated independently for six years. Over this period, the company has bolstered its engineering capabilities and established three production plants.

Company Structure

Merit Automotive Electronics Systems, S.L.U. was incorporated on December 27, 1973, as a Sole-Shareholder Limited Company. As mentioned above, its corporate purpose is the manufacture of electrical wiring, plastic injection components, and switches for the automotive sector, catering to both the domestic market and export. The parent company's registered office is located in Sant Vicenç dels Horts, Barcelona.

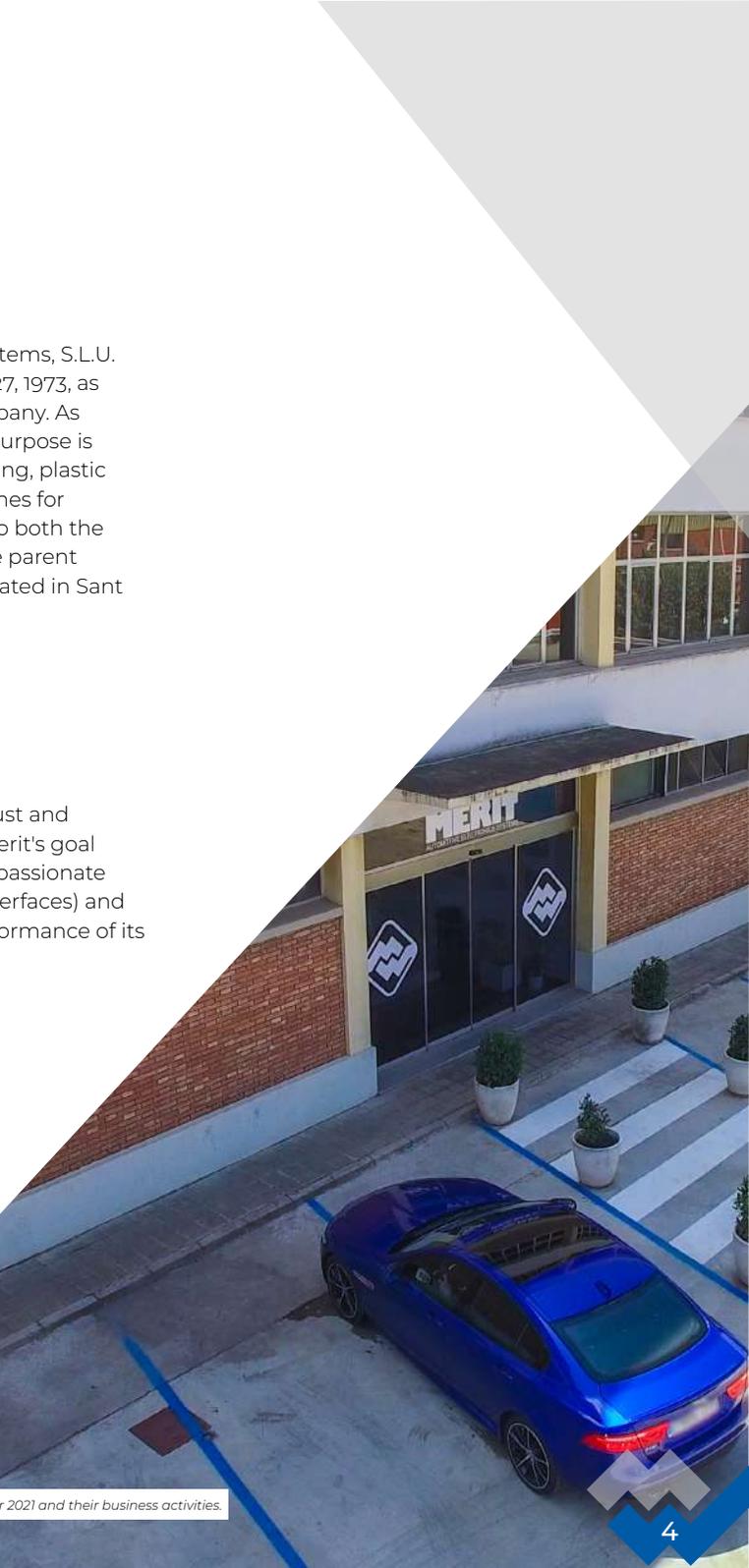
Company Culture

Mission

Through joint efforts, we build trust and enhance the company's value. Merit's goal is to employ individuals who are passionate about HMIs (Human Machine Interfaces) and to continuously improve the performance of its products and processes.



¹ Note 2.2 of the Consolidated Report details the companies that make up the Group's scope of consolidation in the financial year 2021 and their business activities.



1. Merit Presentation

Actions & key management indicators

- ▶ Return on investment.
- ▶ Employee satisfaction.
- ▶ Knowledge exchange events.
- ▶ Updated risk control.
- ▶ Productivity levels.
- ▶ Prompt delivery.

Growth

- ▶ Create a global culture.
- ▶ Remember core values and priorities.
- ▶ Create a united plan for understanding processes, identifying problems, and subsequent action.
- ▶ Strengthen communication and visualization through shared platforms.
- ▶ Implement best practices and lessons learned.
- ▶ Behave proactively, quickly and in a results-oriented manner.
- ▶ Recognize and eliminate root causes.

Vision

To be recognized by our customers as a supplier of high-quality and innovative HMI (Human-Machine Interface) components for future automotive applications.

Values

Merit acts based on corporate values that make up its DNA:

Lean thinking

- ▶ We are committed to continually improving our processes and products.
- ▶ We standardize processes to reduce variations and eliminate deviations immediately.
- ▶ We do not accept, create, or remit defects.
- ▶ We develop our products to minimize waste and improve the inputs and outputs of all our processes at all levels.

Employees

- ▶ We are proud to be part of the Merit family.
- ▶ We care about employees and try to eliminate frustration.
- ▶ Our professionalism is based on honesty.
- ▶ We want to help our employees be successful.

Teamwork

- ▶ We rely on the experience of our employees.
- ▶ We keep an open mind.
- ▶ We highly value feedback in our organization.
- ▶ We build relationships and support each other.

Trust

- ▶ We build trust inside and outside the organization.
- ▶ We do not hide problems; we find the cause and solve them.
- ▶ We measure and control risks.
- ▶ Customers can trust us.

Excellence

- ▶ We always give our best.
- ▶ We have a genuine sense of urgency.
- ▶ We want to do more with less effort.
- ▶ We use new technologies to find the best practices.

Responsibility

- ▶ We feel responsible for tasks.
- ▶ We care about delivering things on time.
- ▶ We are committed to our projects and personal tasks.
- ▶ We do the right thing



Global Operations

Merit Automotive Electronics Systems has production facilities in four countries: Spain, Poland, Mexico, and China. The factories established in Mexico and China are fully operational and have achieved the highest industry standards in the automotive sector. Additionally, Merit has established a commercial presence in several other countries, including France, Germany, the United States, Italy, and Brazil. Merit has strategic customers all over the world: large multinational automotive manufacturers and Tier 1 component industries.



¹ Note 2.2 of the Consolidated Report details the companies that make up Merit's scope of consolidation in the financial year 2022 and their business activities.

Products

Merit offers a wide range of products to meet the diverse needs of the automotive industry. Our operations encompass different aspects of component manufacturing, from creating simple and column switches to manufacturing integrated center panels and steering wheel switches.

Innovation

Merit places a high priority on research and development. The company acknowledges that innovation is critical to its success and gives it a competitive edge in the automotive industry. It recognizes that staying innovative is essential to maintaining a strong and distinctive market position. Merit aims to anticipate new technological trends and provide differentiated products that meet efficiency, quality, safety, and sustainability requirements through innovation.

The product-level research and development activities are carried out by Merit Group's technical centres located in Krakow (Poland) and Changchun (China), with their main activities being:

1. Research of new products (design of vehicle parts, alternative materials, system improvements, etc.).
2. Enhancement of existing products.
3. Development of technologies that allow us to compete for our customers' business.
4. Development of new products following our customers' guidelines.



Column Switches



Seat Control Modules



Steering Wheel Switches



Integrated Centre Panels

2022 MILESTONES

- May:** General Shareholders' Meeting to be held.
- June:** Publication of the annual report.
- July:** Carbon footprint.
- October:** ESG strategy finalized, and Become an official supplier for Tesla for their next generation of cars.
- August:** Become an official supplier for BMW for their next generation of cars.



Laboratories in our production plants in Spain, Mexico, and China support the technical centers. In addition, the Spain plant also conducts research and development activities to improve the plant's production processes and increase our competitiveness. The development centers and plants have participated in several projects, including:

- ▶ Design and development of a new family of parts for 2020, aiming to obtain new multifunctional switch knobs that are more compact and of higher quality due to innovations in manufacturing processes.
- ▶ Design and development of a new non-nitrogen atmosphere welding process based on improvements in a new welding process for electronic circuits on PCBs.
- ▶ Design and development of a new control and communication unit integrated into the vehicle's steering wheel, aiming to obtain a new user control and a communication module with the vehicle that is more compact, safe, and efficient.
- ▶ Design and development of new control modules for technologically enhanced vehicles, aiming to develop new control modules integrated into the steering wheel with substantial technological advancements.
- ▶ Design and development of new incident detection modules for vehicles, aiming to obtain new alarm systems for incident detection.
- ▶ Design and develop new control systems for levers, aiming to develop new digital control systems for handling levers behind the steering wheel of off-road vehicles.
- ▶ Design and development of new complete control modules in truck steering wheels based on developing new integrated control systems in truck steering wheels.
- ▶ Design and development of new complete control modules for lever controls in steering wheels, aiming to develop lever controls integrated into the back of the steering wheel.

2. ESG in Merit

Its broadest sense, sustainability has always been a strategic focus at Merit, alongside innovation and competitiveness.

In 2022, Merit initiated the implementation of its new Sustainability Strategy 2030 in response to the changing needs and trends in the automotive market. This comprehensive eight-year plan outlines the company's objectives and guidelines across all operational aspects and includes integrating Environmental, Social, and Governance (ESG) aspects into its day-to-day activities.

The approval of the Sustainability Strategy 2030 aligns with Merit's public commitment to transparency and sustainability. Industry studies predict a surge in performance in the coming years, making this an ideal opportunity for Merit to evaluate its growth strategy and incorporate ESG management as a crucial component for sustained growth and market positioning.

The ESG strategy was developed through market analysis and with the participation of key organization members. This process identified five priorities considering current and future ESG challenges.

As a global company, Merit must also play an active and positive role in achieving the United Nations' Sustainable Development Goals (SDGs). Implementing the five strategic pillars outlined in the Sustainability Strategy 2030 can help Merit positively contribute to five SDGs.



GOOD HEALTH AND WELL-BEING



QUALITY EDUCATION



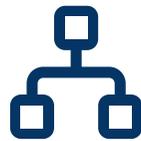
GENDER EQUALITY



REDUCED INEQUALITIES



CLIMATE ACTION



1. STAKEHOLDER MANAGEMENT



2. NET ZERO



3. CIRCULAR ECONOMY



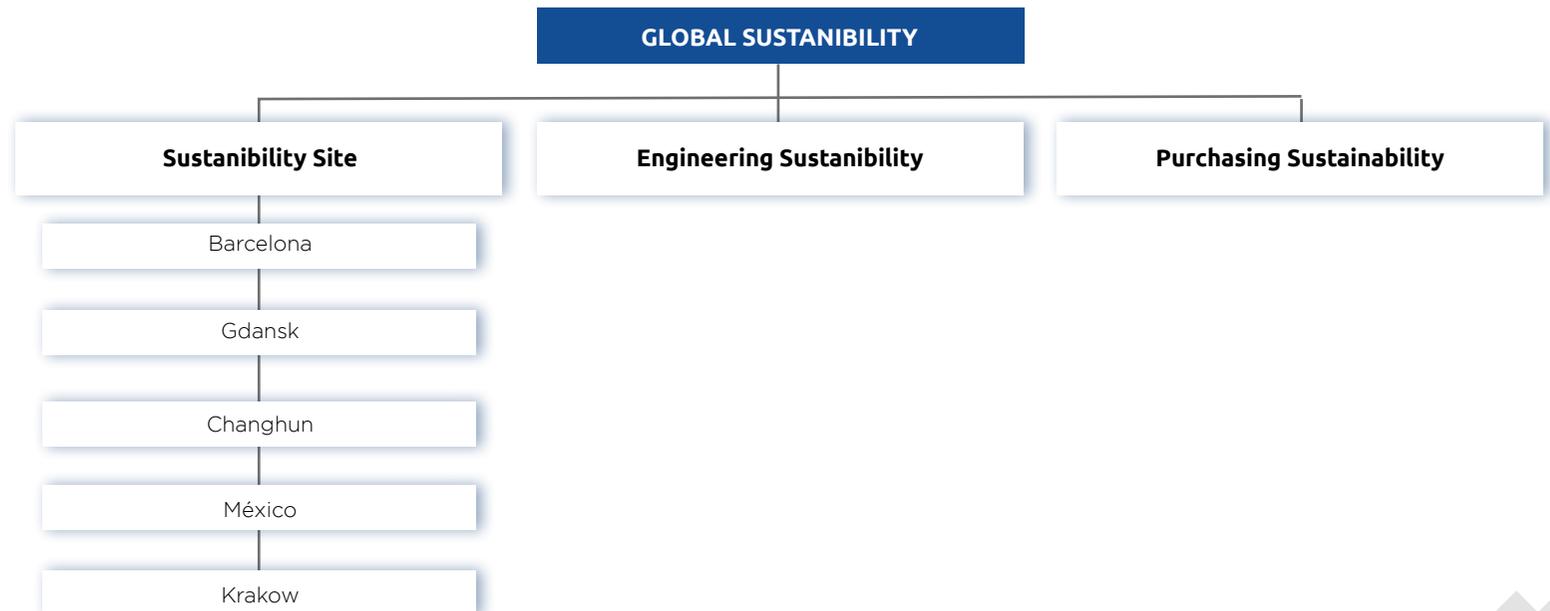
4. SOCIAL



5. SUPPLIERS

	1. Conduct comprehensive materiality analysis	Maintain materiality analysis updated to stay on top of the market and maximise stakeholder engagement	
	2. Implement SBTi 50% renewable energy consumption	Archive nearly 100% renewable energy consumption (>90%)	Validate SBTi objectives Become a Net Zero company
	3. Quantify waste generation Incorporate LCA	Determine the environmental impact of 50% of the processes and products	Determine the environmental impact of 100% of the processes and products Obtaining Zero Waste certification
	4. Establish a new HR policy that addresses the three key elements	Increase the presence of women at Executive/Senior Management level to 15%	Increase the presence of women at Executive/Senior Management levels to 25%
	5. Definition of a questionnaire for Human Right Due Dilligence Human Rights among suppliers	50% of local suppliers 60% of suppliers to be audited for ESG criteria	80% of local suppliers 100% of suppliers to be audited for ESG criteria and HR.DD.
		1 year Short-term (H1)	3 years Medium-term (H2) 5 years Long-term (H3)

The company has a Sustainability Team of key individuals from all plants who ensure the strategy is aligned with its purpose, maximizing its positive impact and contribution to the Sustainable Development Goals (SDGs).



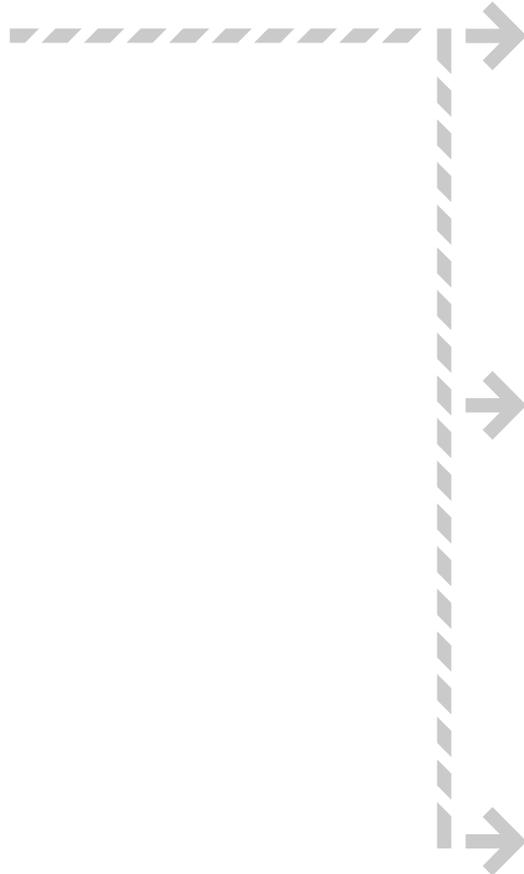
Indicators to measure progress

To measure its progress in ESG matters, Merit has established specific indicators and actions for each pillar of the ESG strategy.

Each indicator is reported quarterly, half-yearly or annually, depending on the defined frequency, and each has a different target date for completion. The Sustainability team is responsible for meeting each indicator and action area and managing staff to achieve the targets.

The actions and KPIs will be reviewed periodically, considering additional context analysis, new trends in the automotive industry, stakeholder interests, and evolving legislation.

Value Creation Process



Stakeholder management

One of the critical pillars of our strategy is stakeholder engagement. Merit places high importance on receiving feedback from stakeholders to become a more sustainable and transparent organization. The company prioritizes the engagement with stakeholders with the most significant influence and interest in ESG.

	Stakeholders	Channels of communication
Internal	Shareholders	Performance review meetings with shareholders
	Executives	Staff meetings
	Employees	Meetings with Human Resources and Plant Management
External	Customers	Meetings with sales managers
	Suppliers	Purchasing, Logistics and the departments using the service or material.
	Financial institutions	Communications with the Finance Department
	Trade unions	Human Resources and Plant Management
	Local community	Human Resources and the departments involved
	Social organizations	Human Resources and the departments involved
	Competitors	Business organizations
	State and society	Company representatives

Materiality

In 2022, Merit carried out a materiality analysis to identify the most relevant social, environmental, and economic topics related to sustainability management. This analysis has been crucial in helping the company determine its sustainability strategy, as it provides insight into the most pressing issues that must be addressed.

The materiality analysis involved internal and external stakeholders, and the results have helped to align the organization's sustainability vision with its stakeholders. The identified issues have the potential to positively or negatively impact sustainable value creation, making it essential for Merit to prioritize them in its sustainability efforts.

To identify the key issues, Merit executed a range of stakeholder activities, including benchmarking of competitors and key companies operating in the sector to understand the changes and challenges the market is currently facing.

In addition, surveys were conducted based on benchmarking and GRI Standards to capture perceptions of sustainability issues. The surveys involved nearly 100 people globally, including employees, managers, suppliers, and customers. The insights gained from these activities have been instrumental in establishing an agenda of critical issues and actions to be taken.



Materiality matrix



3. Economic Performance

Direct economic value generated and distributed

		31.12.2022	31.12.2021
Direct economic value generated		137,472	121,307
Revenues	Net sales, revenues from financial investments, revenues from sales of assets and exceptional revenues.	137,472	121,307
Economic value distributed		(140,398)	(135,946)
Operating costs	Payments to suppliers, repayments of fixed assets, losses from the sale of assets and exceptional expenses.	(101,518)	(96,409)
Employee wages and benefits	Cost of employees and executives.	(28,362)	(27,284)
Payments to providers of capital	Financial expenses, exchange differences, losses from the sale of financial instruments and dividends.	(1,107)	(4,169)
Payments to public administration	Expenses for taxes accrued during the financial year.	(9,411)	(8,084)
Economic value retained		(2,926)	(14,639)

Fiscal data

Result for the year by country 2022 and 2021 by country (k€)		
Country	2022	2021
Brazil	(149.45)	18.98
China	(2,949.62)	433.02
USA	84.50	129.02
Spain	(2,813.81)	(15,772)
France	124.26	77,84
Mexico	1,353.23	1,088.71
Poland	988.95	881.40
Consolidation adjustments and eliminations	654.48	(1,038.46)
Total	(2,707.89)	(14,152.88)

Corporate income tax in 2022 and 2021 by country (k€)		
Country	2022	2021
Brazil	-	-
China	107.81	-
USA	-	-
Spain	273.45	245,34
France	(38.75)	(23,49)
Mexico	(41.60)	(234,63)
Poland	(301.35)	41,25
Total	(0.45)	28,46

The Company has not received public grants or incentives for environmental use during 2022 and 2021.

4. Environment

Merit protects human health, natural resources, and the global environment. Manufacturing components for the automotive industry requires considering a series of environmental aspects. These aspects are contained in each plant's Environmental and Health and Safety Policy, prepared following the specific requirements established by the local laws in each location².

Environmental policy and management

Merit has implemented due diligence procedures to identify, assess, prevent, and mitigate environmental risks. Its central environmental policy is to identify and assess environmental factors. These policies address risk and opportunity control, non-conformity management, and corrective and preventive action management.

Furthermore, Merit has established an environmental and occupational health and safety policy that applies to all the countries where it operates, setting global targets to reduce and avoid risks. The company has demonstrated its commitment to environmental compliance and sustainability by efficiently utilizing raw materials and natural resources, ensuring proper waste treatment, and reducing emissions, wastewater, and noise.

Merit's management systems are designed to apply the precautionary principle through a continuous improvement system and specific provisions for environmental legal compliance, which are essential requirements. Additionally, the company has a civil liability policy covering the environmental impact of accidents, further

highlighting its commitment to responsible environmental practices. Thanks to these policies, Merit Spain plant has identified the primary environmental risks associated with its operations. They rank threats based on their likelihood, severity, and level/state of risk on a scale of one to ten.

The report on identifying and assessing environmental aspects includes information on risks and actions. They rate the intensity, toxicity, and frequency of environmental hazards on a scale of one to three, resulting in a risk score (nine being the highest). To reduce their environmental impact, they establish indicators based on these risks. For instance, Merit is working to address the significant environmental risk posed by the fact that only 30% of packaging is returnable.

Merit Mexico plant evaluates the safety and environmental risks/opportunities by classifying them based on their severity, occurrence, and level of risk. They take actions to mitigate these risks and evaluate the measures taken, along with potential

opportunities for improvement. Additionally, they have implemented an environmental risk prevention policy.

Poland's site has implemented a procedure to define the general restrictions and requirements of information on materials, substances of concern, and recycled content in parts and materials they sell.

Merit Poland plant performs risk analysis for delivering goods from the Gdansk plant, classifying environmental risks and opportunities according to their severity

and occurrence. Additionally, they have established a procedure to identify and assess environmental aspects, which involves detailed monitoring of the most significant issues.

Similarly, Merit China plant has established a system to manage, determine, and evaluate environmental aspects. Using this system, they have identified five environmental impacts resulting from their operations:

- ▶ Emission of volatile organic compounds (VOCs)
- ▶ Wastewater discharge
- ▶ Noise emissions
- ▶ Discharge of hazardous waste
- ▶ Discharge of general waste

To prevent and mitigate these impacts, Merit China has developed a detailed emergency plan to respond in case of environmental crises.



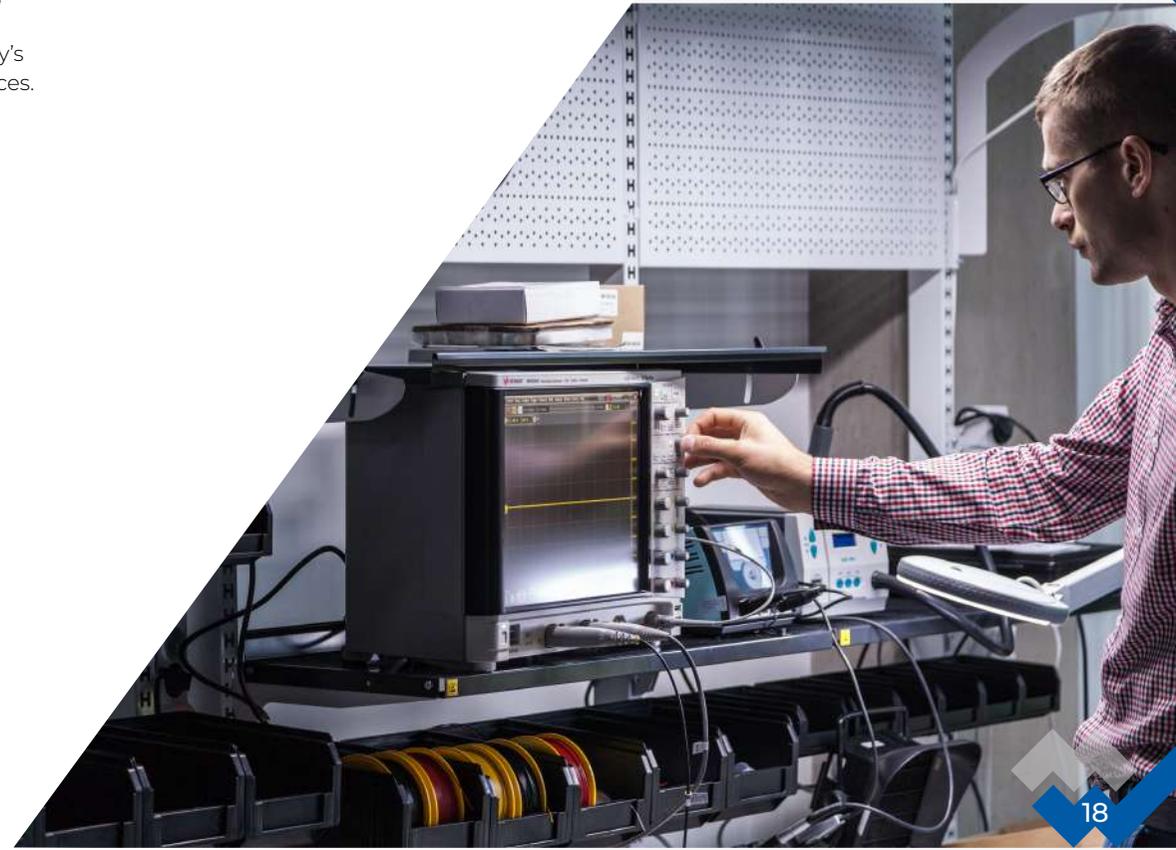
² The Environmental & Health and Safety Policy of the Barcelona plant is published on the corporate website for dissemination: <<https://www.merit-automotive.com/downloads/Policy.pdf>>



Certifications and audits

Merit's commitment to pollution prevention is reflected in its adoption of the ISO14001:2015 management approach, which makes pollution prevention a mandatory requirement for certification. This international standard also ensures that managerial responsibility is assigned and demonstrated through the Management Review of the Integrated Safety, Health, and Environment Management System.

In addition to compliance with local laws and regulations, Merit's environmental management systems are based on ISO14001, and in 2022, all of the company's sites were certified to this standard. Moreover, in 2021, the company conducted an energy audit that is still in effect, indicating the company's continued dedication to sustainable practices.





Circular economy

As one of the pillars of Merit's strategy, Merit is committed to implementing a circular economy model to maximize the use of natural resources and promote responsible waste management practices. The company is actively pursuing the implementation of a Life Cycle Assessment, which is a systematic analysis of the environmental impact of a product, material, process, or other measurable activity throughout its entire life cycle.

The goal is to focus on waste segregation, separation, reuse, recycling, and recovery while avoiding landfill as a final destination.

Waste management

There are three types of waste generated by production systems: liquids, hazardous solids, and industrial non-hazardous solids. In this sense, Merit has procedures for correctly classifying and separating its waste at the source it was generated from, which is essential for its proper treatment.



Waste Type	Unit of measurement	Volume removed	Volume recycled	Volume reused
Liquid waste				
Non-chlorinated mineral oil	kg	-	3,510	-
Aqueous rinsing liquids	kg	15,440	-	-
Non-chlorinated solvent	kg	-	100	-
Organic solvent	kg	86	-	-
Mineral oil waste	kg	40	-	-
Waste emulsion	kg	-	-	-
Waste liquid pressure oil	kg	10	-	-
Water contaminated with oil	l	5,600	-	-
Wasted oils	l	-	-	-
Solid waste - dangerous				
Packaging	kg	-	760	-
Absorbent material	kg	-	-	-
Aerosol sprays	kg	-	40	-
Fluorescent lighting	pcs	122	-	-
Chemical waste containers / tins	kg	248	-	-
Scrap circuit board	kg	17,005	-	-
Lamp tube waste	kg	4	-	-
Scrap printing cartridges	kg	11	-	-
Activated carbon waste	kg	95	-	-
PB-contaminated cloths	kg	912	-	-
Cloths contaminated with chemical substances	kg	4,318	-	-
Empty containers that contained chemical substances	kg	1,111	-	-
Dross and residue from welding of lead alloyed tins	kg	125	-	-
Paste residue from welding of lead alloyed tins	kg	313	-	-
Infectious biological hazardous waste	kg	46	-	-
Air conditioning filters	kg	-	-	-
Chemical expired substances	lt	379	-	-
Centralized fillers	lt	10	-	-
Scrap cables	kg	-	-	-
Batteries and accumulators	kg	-	-	-
Industrial solid waste (non-hazardous)				
Toner	kg	-	0.46	-
Computer equipment	kg	-	1	-
Paper and cardboard waste	kg	3,537	5,430.04	-
Wood	kg	313	62.62	-
Plastic	kg	16,985	2,912.16	-
Metals	kg	-	91.36	1,370
General waste	kg	-	40.05	-
Industrial solids	kg	26,246	-	-
Other solid waste	kg	-	-	-

The company's most significant source of waste is the packaging. Therefore, one of Merit's objectives is to increase the quantity of recyclable packaging. Also, Merit's actions are directed toward reusing resources concentrated in the plant's activities. This is because clients' specific requirements and policies greatly influence the components' recycling potential.

In 2022, the recovery of waste from the Barcelona plant reached 86% of the total waste generated during the year. This represents a 5% increase from last year. This percentage is also the result of new measures linked to the circular economy:

- ▶ Recovery of plastic castings in the injection section of new products, obtaining 62,5 tons in 2022.
- ▶ 95% of the solder paste in electronic components no longer contains lead. Merit is working on lead-free solder paste, minimizing nitrogen and special residue.
- ▶ To facilitate the recycling of the parts in their final disposal, the part is marked with the material of which it is composed, provided that the design of the part allows it and in a place that is not visible when the car is assembled.

Merit Spain plant has reduced the ratio between the weight of the marketed product and its packaging by 27%, resulting in a decrease in the purchase of raw materials and the production of waste.

When introducing new products, Merit prioritizes using returnable and reusable packaging, thus minimizing waste. They achieve this by utilizing returnable packaging from local suppliers and purchasing plastic crates made from recycled materials. This approach leads to a significant reduction in waste, which aligns with Merit's goal of achieving sustainability and environmental responsibility.

Merit recycles 5% of its non-hazardous waste in Mexico, including aluminium, plastics, and paper. This demonstrates Merit's commitment to sustainability and environmental responsibility by diverting waste from landfills and promoting the reuse of valuable resources. The recycling of non-hazardous waste also contributes to a cleaner and healthier environment.

Waste-related indices

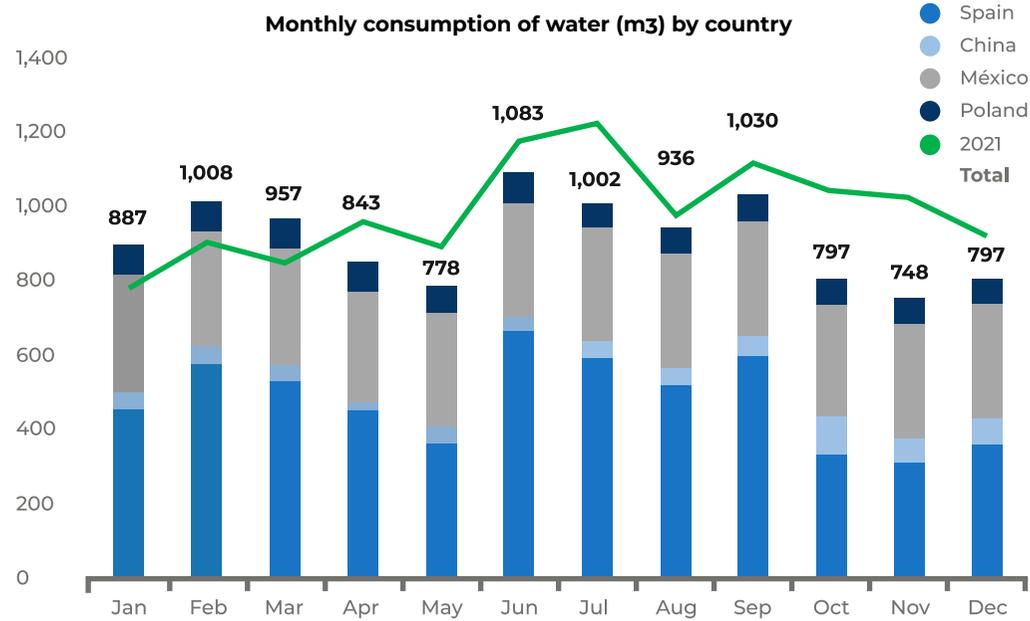
Aligned with the objectives of its ESG strategy, Merit has established two indices to track the evolution of waste generation and management practices. These indices will provide valuable insights into their progress towards more sustainable waste management.

Evolution of the Waste Production Index	2022
(tonne of waste / 1,000 euros of value added)	0,836
Evolution of the Waste Management Index	2022
(cost of waste management in thousands of euros / euros value added)	0,581

Sustainable use of resources

Water

Water is a limited natural resource, and although we may not highly intensive in its use, we have implemented measures for its conservation and efficiency.



The aggregate consumption of water registered in 2022 stands at 10,865.76 m3, representing a decrease of 7.8 % compared to the previous year (11,794.29 m3).

Regarding the measures to optimize water use, Merit continued its commitment to purely sanitary water and launched a Water Consumption Awareness Campaign to achieve its EHS objective.

Raw Materials

The production of Merit's components involves the use of raw materials such as steel and non-ferrous metals, as well as auxiliary materials such as threads, welding gases, oils, and more.

Indicator	Unit of measure	2022	2021 ³
Total Consumption	Kg	43,584,118	34,448,557
Pieces produced	Kg	43,412,504	34,308,706
Regranulated	Kg	97,754	71,226
Discarded	Kg	73,860	68,625

The data presented correspond to the production plants in Barcelona, Mexico, Poland and China. However, most of the consumption of raw materials comes from the Mexican plant for the use of the raw material resin.

As shown in the table, the consumption of raw materials in 2022 amounts to 43,560,534 kg, representing an increase of 21% compared to the previous year (34,448,557 kg).

The Merit company has implemented a system to recover plastic waste from new products to optimize raw material consumption. They are continuously improving in this direction by introducing new shredding models and increasing the use of recyclable packaging.

Moreover, Merit has invested in machines that unify three polyacetal materials and recover 20% of the original castings. If these tests with the polyacetal materials are successful, it will lead to annual savings and other benefits.

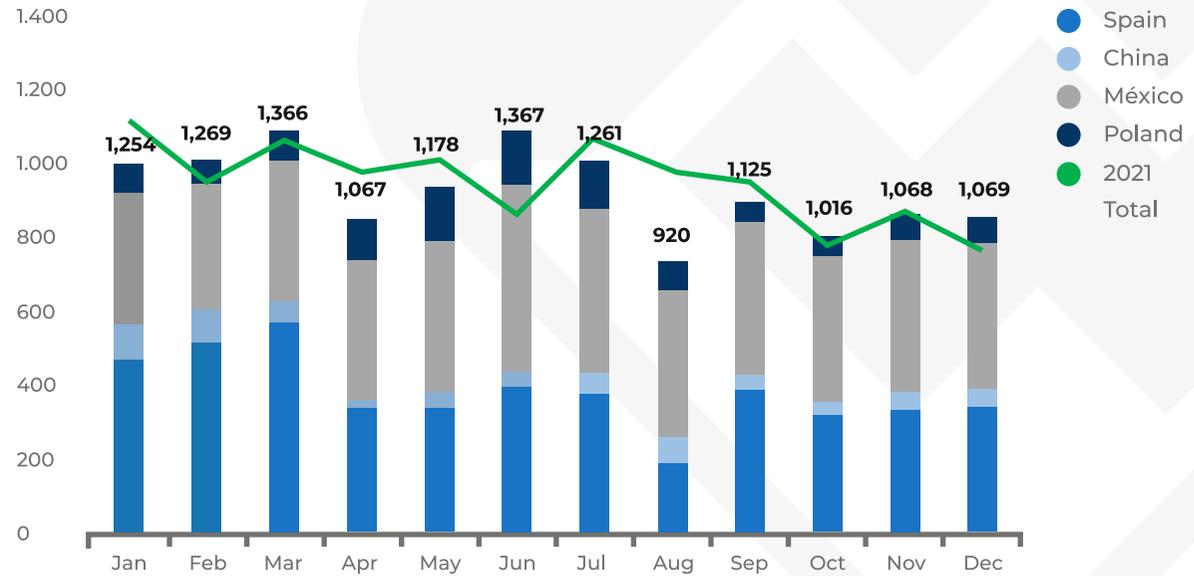
In Poland, Merit passes on used materials to a specialized recycling company for proper recycling.

³ Data for 2021 have been restated from the figures reported in the previous year's report. In the previous year's figure there was an error in the consumption of pieces produced, specifically in the resin feedstock produced in Mexico, and in 2022 the error has been corrected.

Energy efficiency

At Merit, it is essential to monitor the energy consumption of its four sites, which includes grid electricity and natural gas. The consumption for 2022 has been recorded for each of Merit's production plants.

Monthly energy consumption (MWh) by country



The aggregate energy consumption registered in 2022 was 13,961.24 MWh, representing a decrease of 2.7% compared to the previous year (14,349.65 MWh).

Merit purchases 100% renewable energy sources at its Barcelona plant. In addition, energy efficiency criteria are included in purchasing new machinery, e.g. compressed air moulders and dryers. The environmental objectives for the Barcelona plant in 2022 include the following:

- ▶ Reducing water consumption by 2% and electricity consumption by 5%, weighted according to hours worked.
- ▶ Developing a questionnaire to evaluate suppliers based on ESG sustainability criteria.
- ▶ Continuing to increase the percentage of recoverable casts in the Injection section, currently at 57%, to reach 70%.
- ▶ Increasing the use of returnable packaging.
- ▶ Establishing two new indices to track waste generation and management progress.
- ▶ Merit's management review has addressed all these observations, proposed improvements, and incorporated them into the company's continuous improvement process.

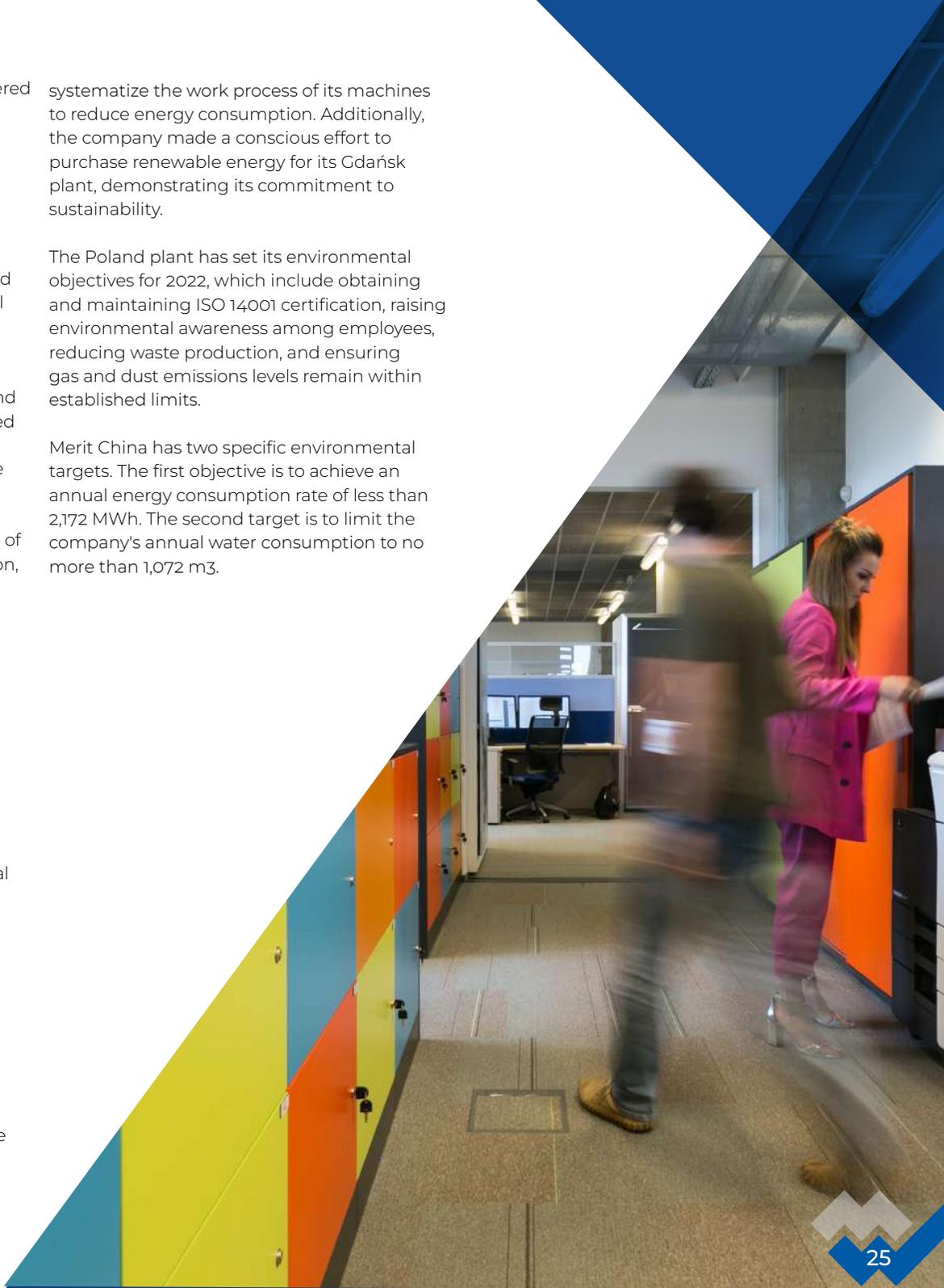
Merit Mexico plant has implemented several improvements, including adjustments to its SMT process, to enhance efficiency and productivity.

Merit Poland plant has taken several steps to reduce its energy consumption and minimize its environmental impact. In 2022, the company conducted a thorough environmental audit and determined its energy consumption was satisfactory. However, the company continues to explore ways to improve its energy efficiency. One of the measures taken by the plant was to

systematize the work process of its machines to reduce energy consumption. Additionally, the company made a conscious effort to purchase renewable energy for its Gdańsk plant, demonstrating its commitment to sustainability.

The Poland plant has set its environmental objectives for 2022, which include obtaining and maintaining ISO 14001 certification, raising environmental awareness among employees, reducing waste production, and ensuring gas and dust emissions levels remain within established limits.

Merit China has two specific environmental targets. The first objective is to achieve an annual energy consumption rate of less than 2,172 MWh. The second target is to limit the company's annual water consumption to no more than 1,072 m³.



Climate Change

Climate change represents a real threat to society. Merit has committed to meeting its goals established in the ESF strategy to effectively address this issue and respond to the demands and expectations of our stakeholders.

Merit has taken a significant step in environmental accountability by calculating the CO₂ emissions generated from its operations during the 2022 financial year. The company followed the GHG Protocol methodology for managing and reporting CO₂ emissions.

- ▶ The emissions identified in the company's business value chain are categorized into three scopes.
- ▶ Scope 1 includes emissions from the company's vehicle fleet, and fuel consumption is carefully monitored.
- ▶ Scope 2, emissions linked to electricity use are measured using market-based and location-based methodologies.
- ▶ Scope 3 encompasses emissions from purchased goods and services, purchased capital goods, fuel and energy-related activities, upstream transport and distribution, waste generation, business

travel, employee commuting, downstream transport and distribution, and use of traded products.

This comprehensive analysis enables Merit to identify opportunities to reduce its carbon footprint and increase its environmental responsibility.

		2022	2021
		Tn CO ₂ eq	
Scope 1	Fuel	35	42
	Natural Gas	88	118
	Refrigerant	274	95
	Total Scope 1	397	255
Scope 2	Electricity	3.792	5.224
	Total Scope 2	3.7	5.224
Total Scope 1 + Scope 2		4.189	5.479
Scope 3	Purchased goods and services	51.478	97.548
	Capital goods	6.830	10.053
	Fuel - and Energy -Related Activities Not included in Scope 1 or Scope 2	883	1.108
	Upstream Transportation and Storage facilities	1.529	3.549
	Business travel	355	535
	Employee Commuting	3.697	4.049
	Waste	38	35
	Downstream Transportation and Storage	85	129
	End-of-Life Treatment of Sold Products	82	74
Sub - Total Scope 3		64.976	117.081
Total Scope 1 + Scope 2 + Scope 3		69.165	122.559

The significant decrease is due to a reduction in purchases leading to a large overall reduction in scope 3. After calculating the carbon footprint in detail, Merit, as a way of evolution and continuous improvement, is currently developing a roadmap towards Net Zero to align it with the global goal of zero GHG emissions.

They are also considering joining the Science Based Targets initiative (SBTi), a global organization that helps companies and financial institutions set ambitious emissions reduction targets based on the latest climate science developments. The SBTi aims to accelerate corporate climate action to halve global emissions by 2030 and achieve net-zero emissions by 2050.

Biodiversity Protection

Merit operations are not carried out in sites close to protected areas or adjacent to areas of high biodiversity with protected species. These conditions make preserving or restoring habitat immaterial to its operations.



5. Social

Merit Team

At Merit, we have implemented a self-development system and culture that is overseen by our Human Resources Department. This approach creates a positive work environment for all our employees and supports their professional growth. Our primary objective is to attract and retain skilled professionals while ensuring their continued motivation and engagement. By doing so, we cultivate a sense of belonging within a community that values everyone.

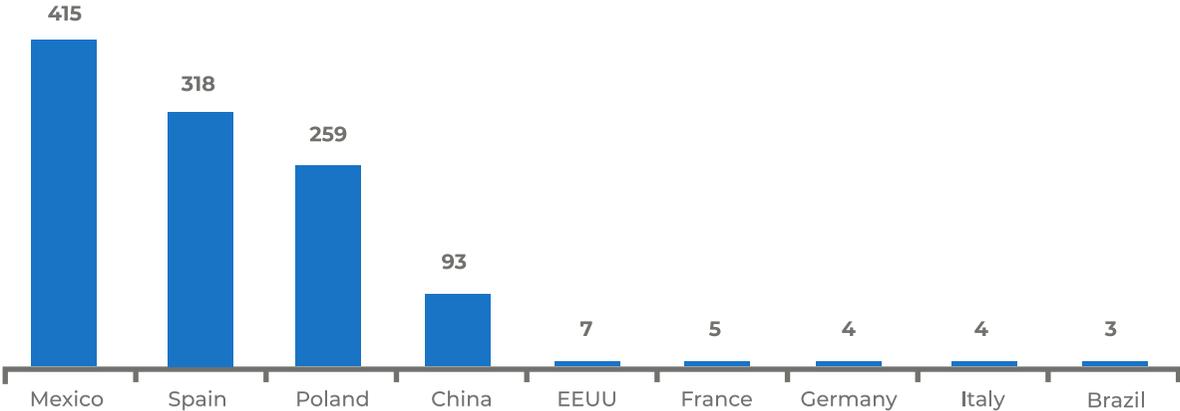
The following diagrams outline the distribution of personnel at the end of the 2022 financial year by gender, age range, country and professional category.

Employment

Personnel⁴

As of 31 December 2022, across its various work centres in Europe, Asia and America, Merit had 1,083 employees, representing a decrease of 9% compared to the previous year (1,193 employees).

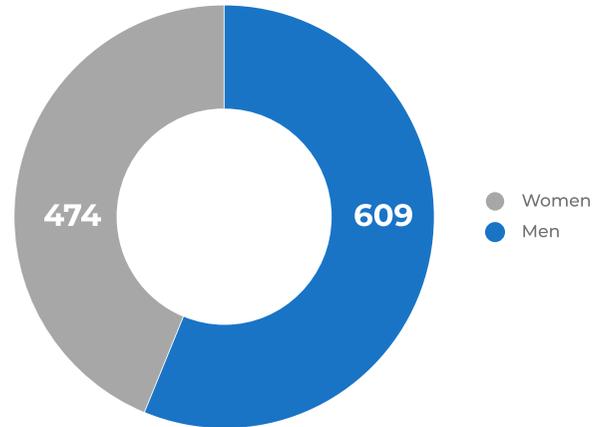
Merit employees by country



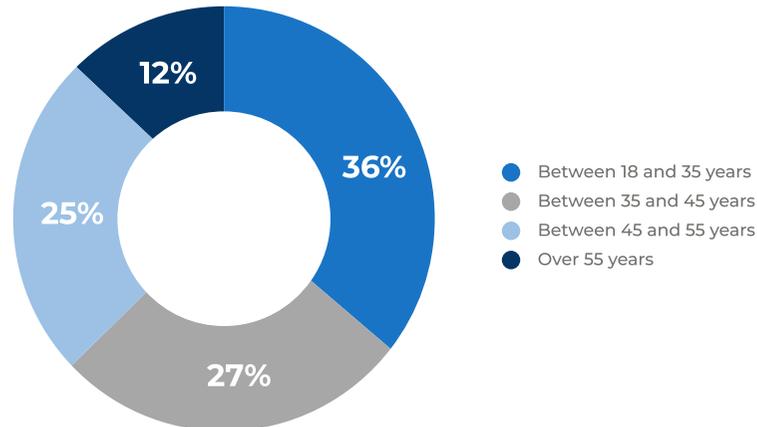
⁴ The information of the subsidiaries in France, Italy, USA, Brazil and Germany has not been reported regarding: the distribution of personnel, gender, age, type of contract, number of dismissals, average remuneration, work shifts, absenteeism and training. These subsidiaries account for 1.8% of the total Merit workforce as of 12.31.2021.



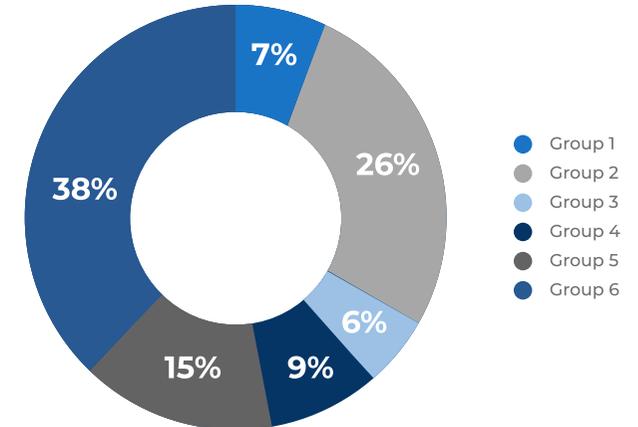
Merit employees by gender



Merit employees by age



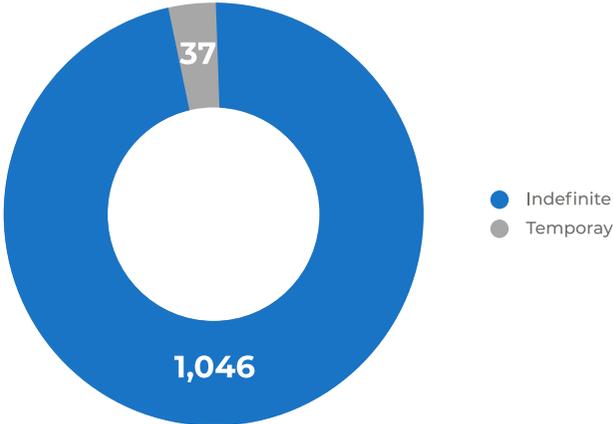
Merit employees by professional category (%)



Professional categories according to collective agreement

- GROUP 1:** Management, Engineers, and Graduates with direct management responsibility.
- GROUP 2:** Graduates without direct management responsibility.
- GROUP 3:** Administrative managers.
- GROUP 4:** Organisational Technicians and Managers.
- GROUP 5:** 1st and 2nd Grade Workers, Administrative and Factory.
- GROUP 6:** 3rd Grade Workers, Auxiliaries and Specialists.

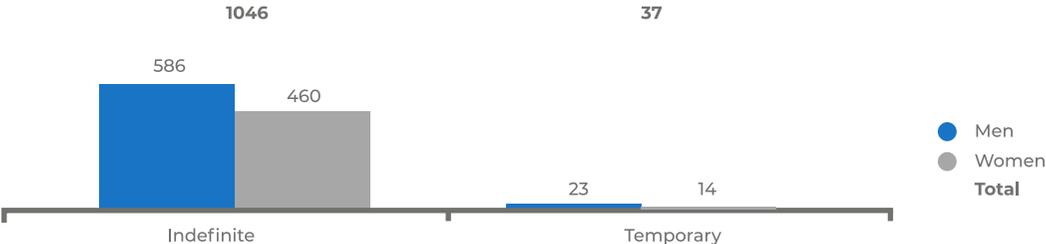
Merit employees by contract modality



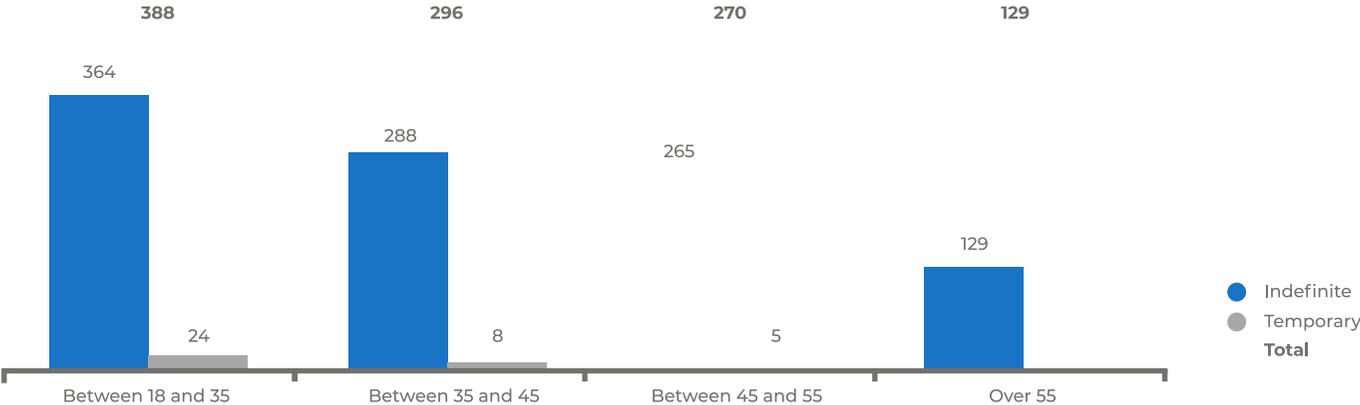
Types of Contracts

Merit operates mainly through indefinite contracts. In the 2022 financial year, the number of indefinite contracts (1,046) represents 96.5% of the total workforce, 5.5% less than in 2021 (1,107 indefinite contracts).

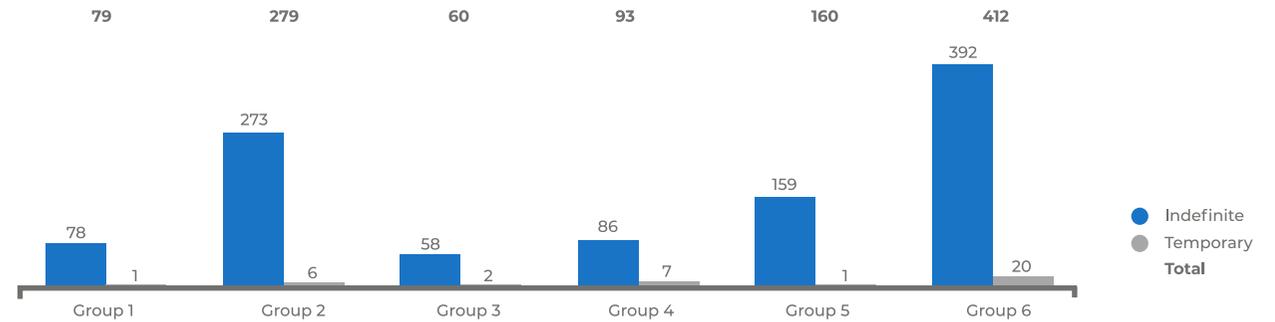
Contract modalities by gender



Contract modalities by age



Contract modalities by professional category

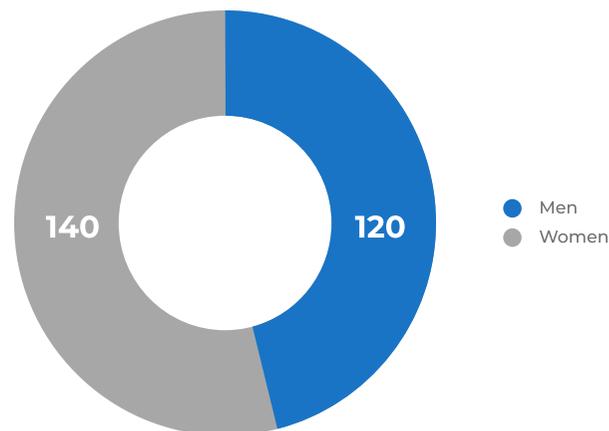


Dismissals

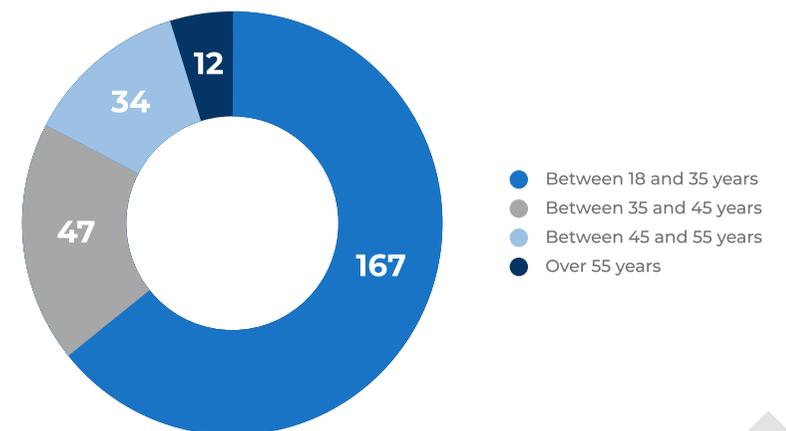
During the 2022 financial year, a total of 165 dismissals were registered. This represents an increase of 129% compared to 2021 (72 dismissals).

In this regard, it should be noted that 69% of all dismissals have occurred in Mexico. Mexico accounts for nearly half of the workforce, and turnover levels are higher than in other Merit locations.

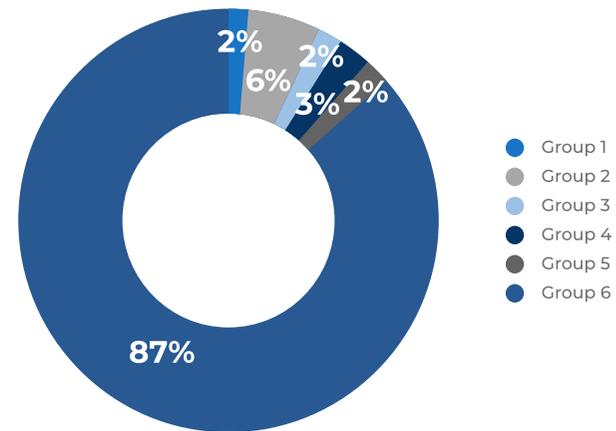
Dismissals by gender



Dismissals by age



Dismissals by professional category



Average Remuneration

Concerning the average remuneration of Merit's personnel, the table below presents the relevant figures classified by country, gender, age range, and professional classification. The data pertain to the fiscal year of 2022 and includes the facilities in Spain, Mexico, China, and Poland. All compensation figures are expressed in thousands of euros.

Professional category	Average remuneration - Spain							
	Male (k€)				Female (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	42.67	55.31	65.23	100.91	43.91	51.19	46.87	-
Group 2	-	-	-	-	-	-	-	-
Group 3	-	-	-	49.24	-	-	-	-
Group 4	31.50	49.26	45.58	45.02	-	-	-	-
Group 5	32.99	36.11	37.63	35.68	-	-	-	-
Group 6	-	30.55	30.77	31.23	-	30.55	-	-

Average remuneration - Mexico								
Professional category	Male (k€)				Female (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	51.80	41.76	46.67	135.84	53.50	48.36	67.66	48.58
Group 2	22.55	31.20	25.04	25.32	14.99	17.68	30.04	-
Group 3	18.19	28.07	25.66	-	20.53	19.55	20.67	19.44
Group 4	11.25	13.70	12.58	-	11.92	11.64	-	-
Group 5	8.00	7.78	7.78	-	7.78	7.78	8.29	7.78
Group 6	5.79	6.10	6.10	7.39	5.52	5.64	5.49	5.47

Average remuneration - Poland								
Professional category	Male (k€)				Female (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	-	58.42	71.80	157.20	-	-	-	-
Group 2	23.50	33.37	36.28	38.07	19.59	28.87	26.87	25.08
Group 3	42.66	41.47	45.46	21.50	35.41	-	26.80	-
Group 4	13.21	16.67	18.68	14.59	18.20	20.40	-	-
Group 5	14.07	14.08	-	15.25	10.70	16.60	14.33	-
Group 6	-	9.77	9.20	-	-	-	9.70	9.20

Average remuneration - China								
Professional category	Male (k€)				Female (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	24.42	43.57	67.88	-	-	45.00	43.00	-
Group 2	18.18	19.64	14.85	-	14.19	19.30	25.46	-
Group 3	-	26.38	-	-	23.95	22.76	-	-
Group 4	11.55	12.15	15.21	-	-	10.97	-	-
Group 5	8.41	10.73	-	-	7.90	11.03	-	-
Group 6	7.30	6.58	7.81	-	6.53	7.55	7.04	-

Wage gap by country				
	Spain	China	Mexico	Poland
2022	0.94	1.03	0.91	0.79
2021	0.95	0.95	0.83	0.79

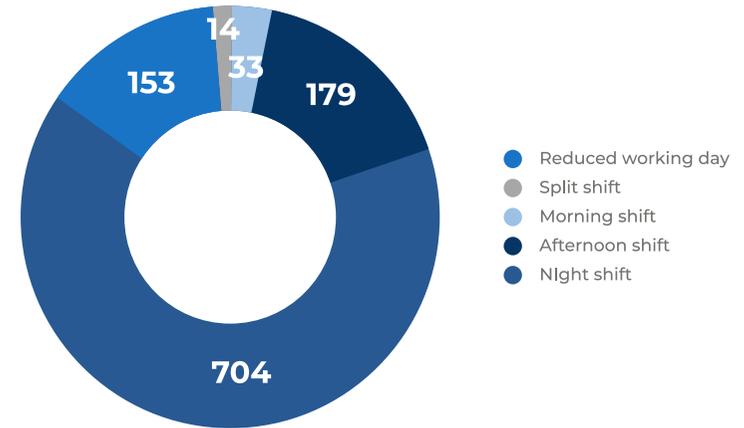
Working Schedule

At Merit, the staff members are scheduled to work in different shifts, including the morning, afternoon, and night shifts and split shifts. Most of the workforce is assigned to either the morning or split shift. Part-time employees are also scheduled for morning, afternoon, and night shifts.

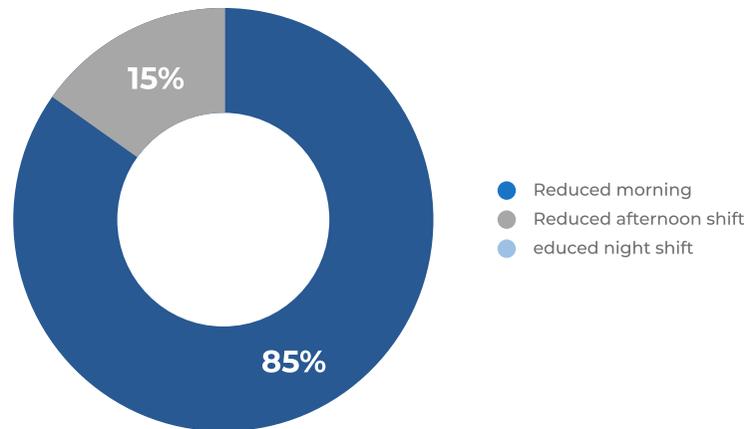
In order to facilitate a work-life balance for its employees, Merit provides a reduced working hours scheme for staff who have children under the age of twelve or close relatives with a certain degree of dependency. Additionally, flexible working hours are available to all employees not part of production shifts.

As of 2022, 36 employees in Spain have utilized this scheme to their benefit. These employees could request a schedule that enabled them to manage their work obligations and family commitments better.

Organization of employees by work shifts



Distribution of employees with a reduced working day



Merit has no formal policy on disconnection from work; the company complies with Spanish legislation regulating this matter. In practice, Merit implements several measures to ensure that employees have the right to disconnect digitally. Additionally, the company is committed to fostering a diverse work environment that offers equal opportunities and is free from discrimination.

Similarly, in Merit Poland plant, the company follows the Labour Law, which stipulates that employees are not obligated to be available for work after an eight-hour working day. However, they still retain access to the system in case of emergency.

Furthermore, all Merit work centers have established codes of ethics or conduct that promote a positive workplace atmosphere among employees and help to foster a culture that values diversity and equality within the workforce.

Merit provides various employee benefits, depending on the country of its plants. These benefits include:

- ▶ In compliance with Spanish legislation which extended the maternity and paternity leave period in 2021, Merit Spain plant provides 16 weeks of paid leave for both men and women to attend to parenting needs.
- ▶ Merit Mexico plant offers its male employees five working days of paid paternity leave.
- ▶ Merit China offers its female employees paid maternity leave for the entire period.
- ▶ Merit Poland plant adheres to labor laws and provides financial assistance to its employees.

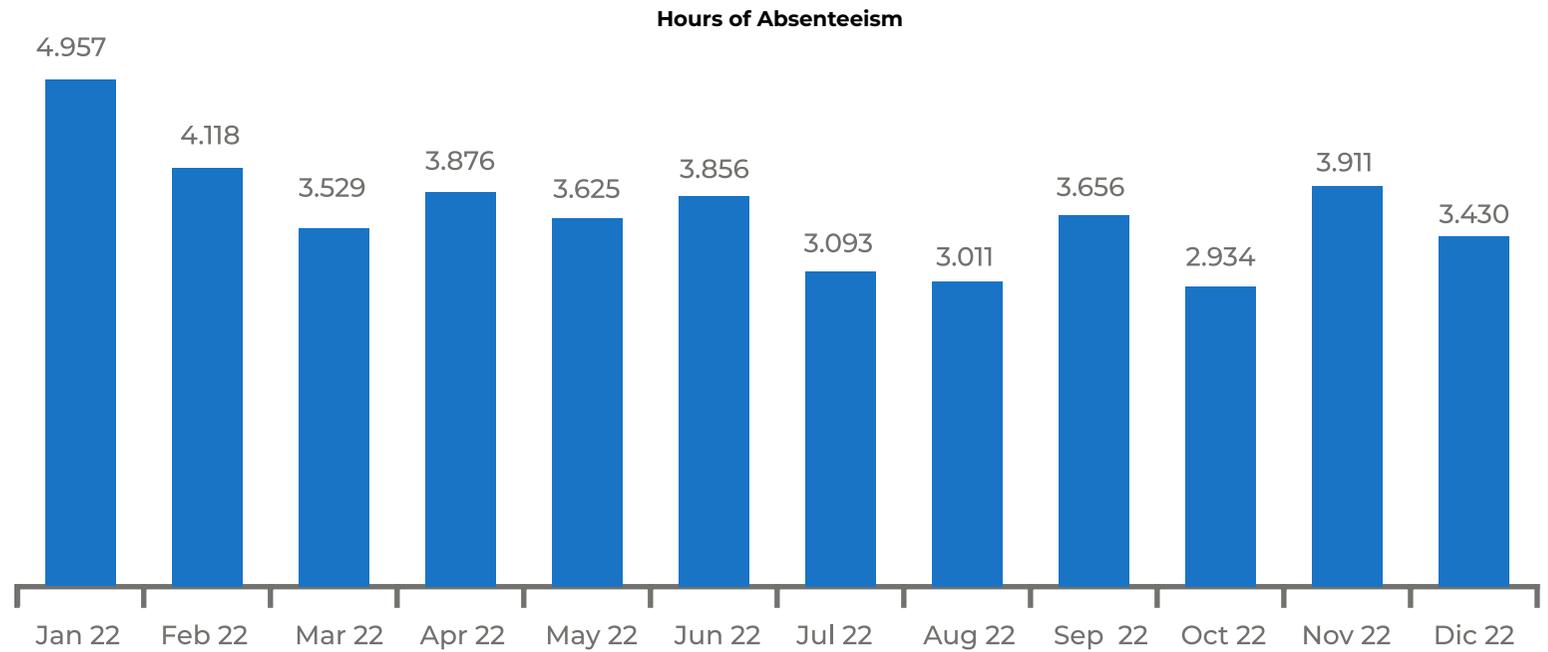
Impact shortage of electronic components and Covid-19.

Due to a shortage of electronic components, the company requested an ERTE for 223 employees from 22/04/2022 to 30/09/2022, lasting for 32 days. As the situation failed to improve, an extension of 118 days for the ERTE was requested for 210 employees until 31/12/2023, totalling 150 days for the requested ERTE period.

Finally, during the 2022 fiscal year, the Merit China plant was temporarily shut down in March and April following Covid-19 regulations imposed by the local government. However, from July to December, the site conducted mandatory PCR testing daily to prevent the spread of Covid-19.

Absenteeism

In 2022, Merit registered a total of 43,996 hours of work absenteeism, which represents a decrease of 1% compared to the previous year (44,486 hours). This includes the hours of absenteeism at the plants in Spain, Mexico, China and Poland. The distribution of the hours of absenteeism registered per month is indicated below:



Health and Safety

Merit places great importance on working conditions as they are critical to employee commitment and talent retention. To this end, the company is dedicated to safeguarding and promoting the health and safety of its workers. Merit strives to guarantee the safety of its workers by controlling risks and continuously improving its processes.

The company's motto, "together for safety," is based on four fundamental values: discipline, integrity, responsibility, and teamwork. Merit has implemented effective measures in its workplaces to prevent occupational accidents and has established systems for continuous improvement, as outlined below:

- ▶ Spain: Merit has obtained ISO45001 certification for occupational health and safety management systems.
- ▶ Poland: The company has appointed an occupational health and safety specialist who manages safety aspects and related procedures.
- ▶ China: Merit has appointed an occupational health and safety specialist who manages safety aspects and related procedures. Additionally, the plant has obtained ISO45001 certification.
- ▶ Mexico: Merit is currently in the process of obtaining occupational health and safety management system certification based on ISO45001.

Work accidents, frequency, and severity per country

Indicator	2022		2021	
	Spain	Mexico	Spain	Mexico
Number of accidents at work with sick leave	9	-	9	-
Number of accidents at work without sick leave	5	-	10	1
Number of accidents at work with sick leave "in itinere"	1	-	1	-
Number of accidents at work without sick leave "in itinere"	-	3	0	-
Frequency Index (I.F)	21.77	1,01	23.08	0.96
Severity Index (I.G)	0.42	0,02	0.72	0.09
Total hours worked	459,347	990,578	433,217	1,042,528
Absent working days	193	18	312	90

Accidents and occupational diseases

In 2022, Merit recorded 18 occupational accidents, representing a decrease of 14% compared to the previous year (21 occupational accidents). A detailed overview of the Mexican and Spanish plants is provided below.

However, no accidents were recorded in the China and Poland plants. Moreover, during the financial year 2022, no cases of occupational diseases were reported in any of the Merit plants. No occupational diseases have been recorded during 2022.

Relationships with workers

Effective social dialogue is essential for Merit to ensure the smooth running of its operations. The company has implemented mechanisms that promote collective bargaining and employee participation to foster such dialogue.

In Spain, all of Merit's employees are governed by the agreement of the iron and steel sector in the province of Barcelona, and the company maintains constant communication with the Union Committee through frequent informational meetings. A collective bargaining agreement covers all employees.

Regarding health and safety at work, Merit adheres to current regulations such as the Law of Prevention of Occupational Risks 31/1995 and various ISO45001 procedures in Spain. In Mexico, employees are covered by the provisions of their agreement. Internal regulations and annual occupational health checks apply to the rest of the countries.

In China, no explicit collective bargaining mechanism establishes working conditions in the sector. Merit complies with labour legislation regulations in force in the People's Republic of China. In Poland, there is no representative structure for workers, but Merit complies with the provisions of current legal regulations on labor matters.

Training

Merit places significant importance on staff training and motivation to enhance its value-creation process. As such, the company prepares annual training plans for its workforce, including new hires, considering individual and collective objectives. Training covers various topics such as quality management, product safety, occupational health and safety, environmental management, and compliance policies such as the code of conduct, anti-corruption, ethical escalation, and confidentiality policies.

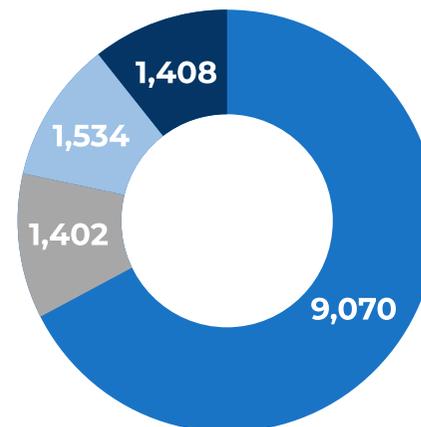
This year, Merit has conducted the annual training plan for its employees with a focus on the following aspects:

- ▶ External training; training carried out by external providers. Such training may occur at Merit's offices, at the provider's office, or at another location specified by the organizer
- ▶ Internal training (provided by employees)
- ▶ Introductory training; provided to new hires to ensure they are fully aware of the expectations and performance of their duties
- ▶ Training in occupational health and safety; including information on safety rules within the company, was included as part of the introductory training
- ▶ On-the-job training; involves individual training conducted during regular work hours at the employee's workplace. This type of training is focused on developing skills that are directly related to the tasks performed by the employee and is supervised by experienced supervisors who observe and evaluate the employee's performance to ensure their skills are improved.

After delivering training, Merit conducts an evaluation to assess its effectiveness. Supervisors aim to enhance their skills, quality, and productivity through conversations with employees and observations. Merit Poland plant has also implemented a training and motivation procedure to ensure workers' development.

In 2022, Merit provided 13,404 training hours, an average of 12.4 hours per employee annually. The training hours have increased by 16.5% compared to the previous year (11,506 hours), significantly impacted by the Covid-19 pandemic. This increase is due to the return of normal training activities in 2022.

Hours of training by professional category



Percentage of employees receiving regular performance and career development appraisals.

Spain	23%
China	62%
Mexico	32%
Poland	75%

- Administratives
- Management
- Operators
- Technicians

Diversity and Equality

Following the Merit Code of Ethics, ensuring equal opportunities in employment, promoting diversity, and preventing discrimination are critical factors when managing relationships with employees and stakeholders.

At Merit, we value diversity in our workforce, including various experiences, backgrounds, ethnic groups, lifestyles, cultural orientations, and beliefs. This allows us to provide new perspectives and innovative solutions to our clients. Our success is based on our team's ability to work collaboratively and respect differing ideas, perspectives, and beliefs.

Furthermore, Merit is committed to promoting an inclusive workplace that allows for the contribution of all employees, with a firm commitment to equal opportunities. However, beyond compliance with the current legal framework, the company has no documented policies regarding universal accessibility for people with disabilities.

In Spain, Merit has implemented an Equality Plan since 2012 to provide equal conditions for both men and women. This plan includes preventive measures such as creating job classifications and wage records to ensure equal treatment and opportunities between genders, contributing to eliminating gender discrimination.

Since 2021 Merit Spain plant are working on the Equality Plan by creating job classifications and a salary register, which is currently awaiting final validation to inform the Works Council of the procedure. Merit has also implemented a procedure for resolution.

In line with the Code of Conduct and Ethical Escalation policy, Mexico and Poland's sites prioritize equal employment opportunities, diversity, and non-discrimination. Meanwhile,

Merit China has established guidelines in its disciplinary action management guideline to combat workplace sexual harassment.

Disabilities

In terms of disability, Merit adheres to all local regulations in the countries where it operates in. In Spain, Merit's operations are governed by the provisions of the General Disability Law. The company also maintains a declaration of exceptionality to fulfill the reserved quota by contracting with Special Centres. In 2022, there were four employees with some degree of disability working at the facilities in Spain.

Merit Poland plant has also recently improved its code of conduct to ensure equal employment opportunities, diversity and non-discrimination for disabled workers. Furthermore, in Poland employs 1.5% of individuals with disabilities, and the business premises ensure universal accessibility for people with disabilities.



Local communities

Sustainability is crucial to Merit's operations, balancing economic growth, social progress, and environmental protection. Merit is committed to meeting the needs of both local and global communities sustainably.

Relationship with the local community

When engaging with local communities, Merit prioritizes building long-lasting relationships based on mutual respect. The company values proactive dialogue and engagement with local communities and institutions. Merit also collaborates with government entities at the local, regional, and national levels to enhance its employees' working and living conditions. In addition, Merit supports various associations and engages in sponsorship activities. Its global supply network comprises almost 800 direct suppliers of production materials and 1,000 indirect suppliers and service providers. The company recognizes the impact of its activities on society and is committed to minimizing any adverse effects while contributing positively to the communities in which it operates.

During the 2022 financial year, the Barcelona plant carried out various philanthropic activities, which included:

- ▶ Conducting an annual blood donation campaign at various Merit facilities.
- ▶ Collaborating with the Iris Foundation for disabilities by contracting their garden maintenance and laundry services.
- ▶ Establishing internship agreements with Salesian students from Sant Vicenç.

Suppliers

Supply chain management is a crucial and complex element within the automotive industry. Merit has a Quality Policy to ensure compliance with legal regulations and client-specific requirements. Merit also has a Purchases and Supplies management policy, establishing the control measures for all products and services acquired from third parties and impacting customer requirements. Customer requirements often include the assembly of subsets, sequencing, classification, reprocessing and calibration services.

Merit has established a Supplier Code of Conduct, which outlines the required behaviour of its suppliers and mandates them to act consistently with Merit's values, including their approach to the environment, supply chain management, responsibility, and integrity. To enhance performance in its supply chain, the company has implemented a supplier code of conduct that aligns with the AIAG Automotive Industry Sustainability Guiding Principles.

To this end, Merit's purchasing and supply policy sets out the supplier selection and continuous evaluation processes. All suppliers are required to hold ISO 9001:2015 or IATF 16949:2016 certification, and Merit also mandates that suppliers acknowledge their understanding of the requirements established by the client.

Merit's evaluation process involves an annual audit program approved by the purchasing department's head. On a global level, Merit conducts between 30 and 40 audits annually to verify that suppliers comply with basic social responsibility standards. In 2022, there were a total of 33 supplier audits undertaken globally. In China, 13 supplier audits have been undertaken during 2022, including evaluating seven new suppliers. These audits also assess environmental standards and are a significant factor when selecting suppliers.

Customers

Merit is an organization that prioritizes customer satisfaction and strives to provide high-quality products. Quality is a vital factor in maintaining positive relationships with customers, which is why ensuring customers health and safety is paramount during each step of the production process. The company recognizes that an unsafe product could have severe consequences resulting in ethical, legal, and reputational repercussions, which could affect car manufacturers, drivers and passengers.

Measures implemented for the health and safety of customers

Merit maintains a strict adherence to operating procedures to achieve excellence in correctly and safely using its products. To ensure this, the Barcelona, Poland (in Gdańsk and Kraków), China, and Mexico facilities have implemented a Quality Management System certified with the IATF 16949:2016 standard. This system serves as a regulatory guide, which analyzes the requirements associated with Merit's products and services, manages communication with clients, determines requirements related to products and services, and reviews and manages changes in said requirements.

The Quality Management System is fully implemented and working within a continuous improvement process, as reflected in the minutes reviewed by the managers of the Quality Management System. Other production plants under Merit operate under a conformity charter from an authorized controlling body, indicating that they are in the certification process.

Furthermore, the Barcelona plant has also obtained the ISO/IEC 27001:2013 certification for its Information Security Management System, which approves adequate risk management. The plant is also TISAX certified, verifying data-protection management following local legislation. Collaboration with critical suppliers requires certifications such as ISO 27001 to support Merit's cybersecurity needs.

Complaint systems, grievances and their resolution

Merit has established a quality policy as part of its quality management system, certified with IATF 16949:2016 and ISO 9001:2015 standards. The policy aims to provide high-quality goods and services to customers while fairly rewarding employees and suppliers. The policy is based on the following commitments:

- ▶ Maintain and improve the Merit Business System.
- ▶ Continuously improve processes and products.
- ▶ Standardise processes to reduce variation and eliminate deviations immediately.
- ▶ Care for employees and increase their knowledge and skills.
- ▶ Build trust both inside and outside the organization.
- ▶ Develop partnerships with suppliers.

The company's Quality Statement is 'Together for Excellence,' which is supported by its core values: Lean Thinking, Trust, Excellence, Employees, Teamwork, and Responsibility.

Adherence to these core values is critical to the company's value creation and growth.

Merit's Quality Management System includes various mandatory requirements systematically evaluated by management to ensure effectiveness. Among these requirements, there is the need for documentation related to customer relationship processes and mechanisms for continuous improvement, such as collecting feedback on customer satisfaction and complaints. Additionally, the system requires documentation regarding the auditing processes for managing nonconformities and corrective and preventive actions.

During 2022, the Barcelona plant received and addressed 39 quality-related claims through a continuous improvement process, resolving them directly with customers. In comparison, the Chinese plant recorded nine quality claims (one formal and eight informal) that have been successfully resolved to the customers' satisfaction.

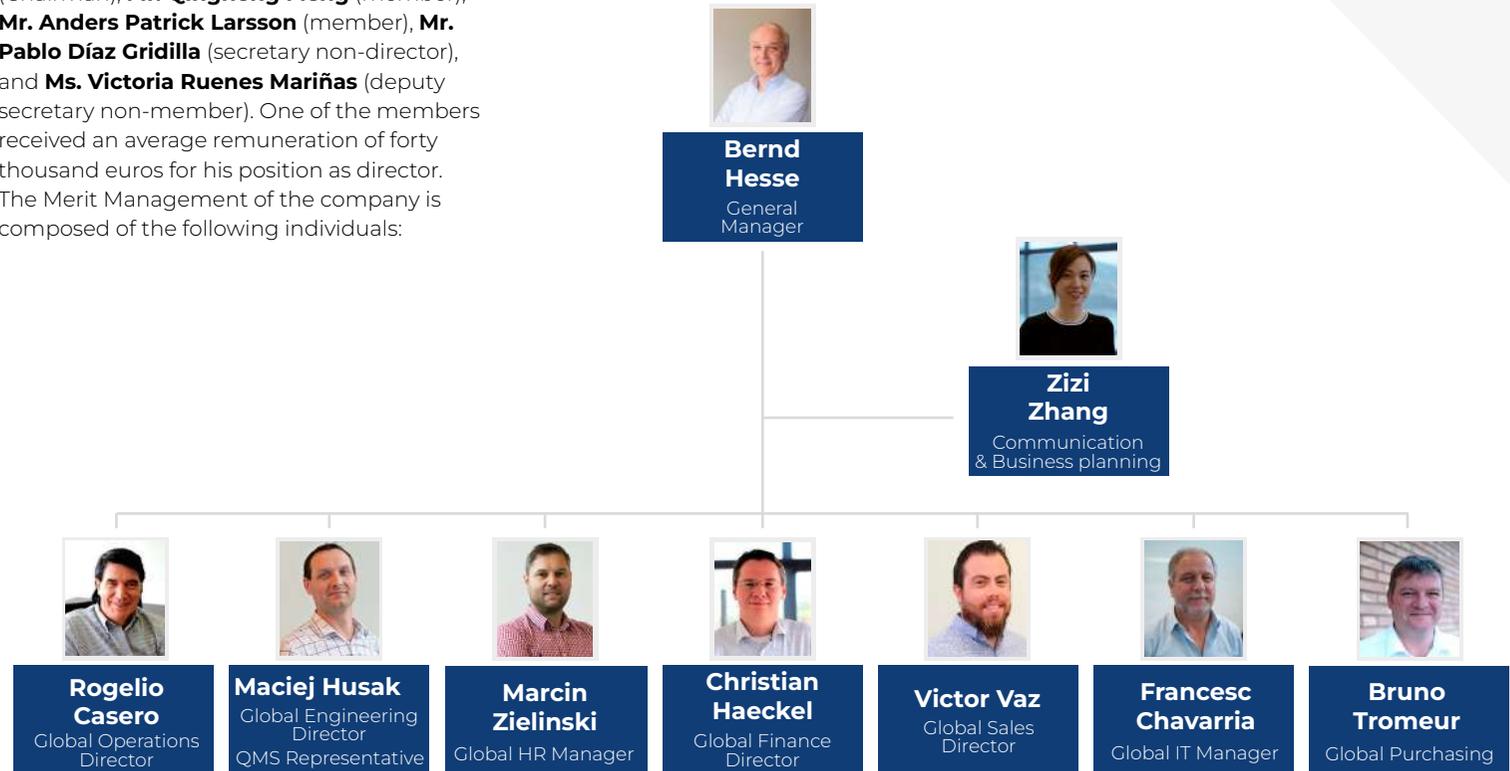
Meanwhile, the Polish plant received two formal and 16 informal claims and addressed them using appropriate corrective actions. Finally, the management team is responsible for overseeing the treatment of complaints and ensuring their appropriate conclusions. The quality policy is communicated to all employees and regularly reviewed to keep it current.

6. Governance

Corporate Governance

Board of Directors

As of 31 December 2022, the Board of Directors consisted of **Mr. Rusen Gao** (Chairman), **Mr. Qinghong Meng** (member), **Mr. Anders Patrick Larsson** (member), **Mr. Pablo Díaz Gridilla** (secretary non-director), and **Ms. Victoria Ruenes Mariñas** (deputy secretary non-member). One of the members received an average remuneration of forty thousand euros for his position as director. The Merit Management of the company is composed of the following individuals:



Respect for Human Rights

Merit must abide by various legal regulations within the jurisdictions of the territories where it operates. The company is committed to upholding the fundamental conventions of the International Labour Organisation, which include respecting the freedom of association and the right to collective bargaining.

This commitment extends to complying with article 358 of the Federal Labour Law. Throughout the 2022 financial year, no reports of human rights violations in any of Merit's plants have been filed.

Merit China has implemented a labour protection distribution procedure to prevent and protect against human rights violations. Similarly, Merit Poland plant conducts a risk assessment to identify and mitigate various human rights risks.

All Merit employees adhere to the Code of Conduct, which emphasizes the importance of promoting a workplace that is free of discrimination and values integrity and respect. The Code of Conduct also supports Merit's commitment to assist employees from recruitment through their professional development. Additionally, the code identifies, evaluates, prevents, and mitigates potential human rights risks to the organization.

As previously stated in the section regarding corruption and bribery, Merit has implemented an Ethical Escalation Policy that includes a suggestion box accessible to all employees through email or in person. This mechanism allows employees to report possible cases of non-compliance with the Code of Conduct and other ethical corporate policies to the Human Resources department.

Furthermore, Merit has a Conflicting Minerals Policy that demands suppliers of products containing conflict minerals to adhere to the following:

- ▶ Extract conflict-free sources and materials from the Democratic Republic of Congo (DRC)
- ▶ Establish Conflicting Minerals policies, due diligence frameworks, and management systems to prevent conflict minerals in the DCR from being included in the products supplied to Merit.

Merit is committed to not purchasing products containing conflict minerals from suppliers who do not implement reasonable steps to transition to conflict-free sources from the DRC.

Suppliers are required to promptly respond to Merit's requests for evidence of compliance with the Conflicting Minerals Policy, and they must provide the latest Conflicting Minerals Reporting Template (CMRT) declaration to Merit.

Finally, it is essential to note that the nature of Merit's operations does not suggest significant risks concerning forced or compulsory labor or child labor.

Risk management and compliance

Merit's operations involve a set of occupational risks. Therefore, the company actively considers and assesses these risks to protect its workers' health and safety in high-risk areas.

Merit regularly carries out a risk assessment to evaluate the effectiveness of its quality management system and its ability to reduce negative impacts and improve work performance. The aim is to identify and assess all external and internal factors impacting the organization.

Note 8.4 on Risk Policy and Management of Merit's Consolidated Report for the 2022 financial year includes the financial risks, operating and investment activities and different areas of risk which have been identified. This note also defines Merit's business relationships, products or services that may negatively affect particular areas and how Merit manages these risks. In addition, the note explains control procedures and methods used to detect and evaluate these risks following national, European and international frameworks.

Fight against corruption and bribery

Given the importance of Merit's relationship with its stakeholders, integrity, honesty, and transparency form the foundations of its business. These values are reflected across the workplace culture, where ethical and responsible conduct prevails over economic interest.

In the financial year 2022, no donations have been made to any foundations or non-profit entities from any of the locations.

It is essential for Merit to identify and prevent risks that could compromise its integrity and transparency. As a result, all Merit employees adhere to the company's global Anti-Corruption Policy. It explicitly defines the guidelines that influence the professional performance in fraud, corruption and bribery.

This also helps Merit mitigate any significant damage at an economic and reputational level. In addition, the company have a conflict-of-interest questionnaire.

Merit's Ethical Escalation Policy includes a suggestion box where employees can report any cases of non-compliance with the Anti-Corruption Policy. However, no complaints regarding ethics, human rights or corruption have been received at any operations' sites during 2022.

None of Merit's companies meets the requirements as an obligated party in the terms referred to in Spanish Law 10/2010, of 28 April, on the prevention of money laundering and the funding of terrorism.

In the financial year 2022, no donations have been made to any foundations or non-profit entities from any of the locations.

7. Annexes

Normative Aspects of the Report

Basis for the preparation of the Report

The report has been prepared in accordance with the GRI Universal Standards. The report reflects the organization's business activity on sustainability and non-financial information between 1 January and 31 December 2022. In 2018 Merit published its first Non-Financial Information Statement. The contents included have been prepared based on the materiality analysis carried out and the requirements of Law 11/2018, of 28 December 2018, which modifies the Commercial Code, consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Accounts, regarding non-financial information and diversity.

For the preparation of this report and the selection of the relevant contents, a materiality analysis has previously been carried out. The contents required by the Law mentioned above determine which contents must be included in detail.

External Verification

Merit has engaged Crowe for external verification of this report. The verification report is attached to this report. It has been prepared following the ISAE3000 standard: Assurance Engagements other than the audit or review of historical financial information.

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Employment: Wage gap	34
Employment: Average remuneration of the Board of Directors	As indicated in Note 12.3 of the 2022 Consolidated Report, there are no senior management contracts as of December 31, 2022. Instead, senior management functions are performed by different executives on the payroll, whose services are included in their salary payments.
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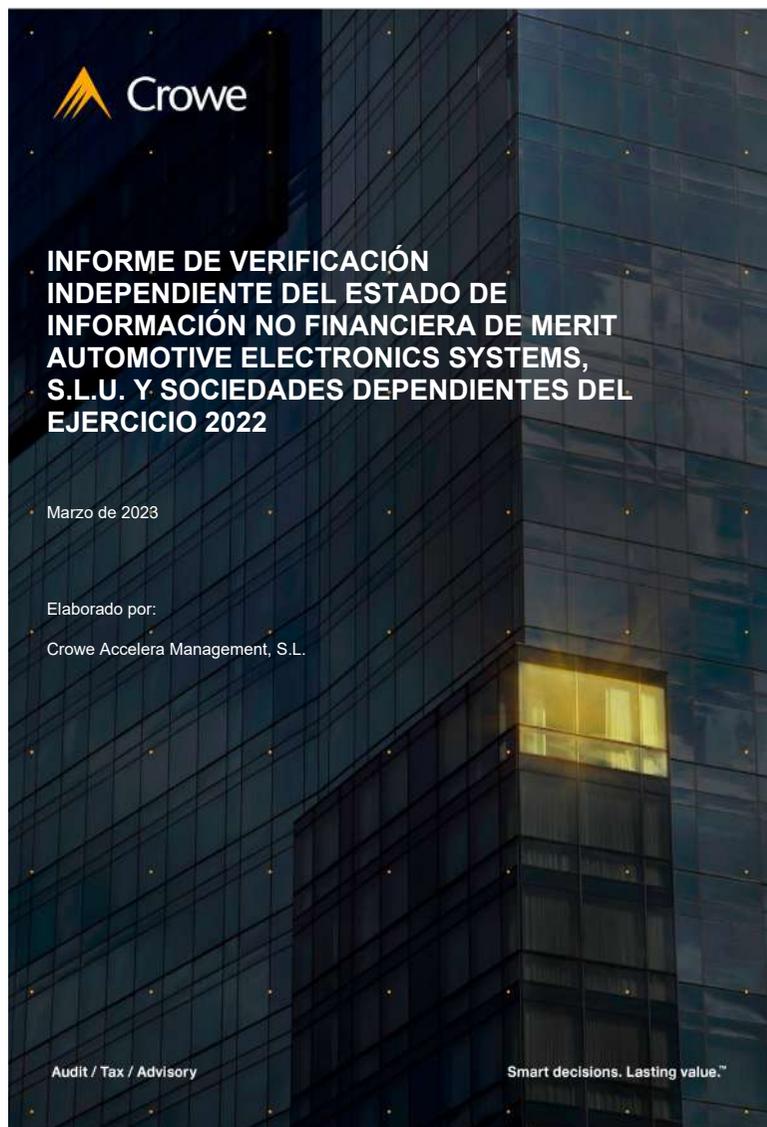
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GRI Content Index

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Material aspect: Fight against corruption			
GRI 3	3-3	Explanation of the material topic and its boundary	46
GRI 205	205-3	Confirmed incidents of corruption and actions taken	46
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GRI 3	3-3	Explanation of the material topic and its boundary	16
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Material aspect: Materials			
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GRI 419	419-1	Non-compliance with laws and regulations in the social and economic and economic fields	No non-compliance



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INFORME DE VERIFICACIÓN INDEPENDIENTE DEL ESTADO DE INFORMACIÓN NO FINANCIERA DE MERIT AUTOMOTIVE ELECTRONICS SYSTEMS, S.L.U. DEL EJERCICIO 2022

Al socio único Merit Automotive Electronics Systems, S.L.U.:

De acuerdo con el artículo 49 del Código de Comercio hemos realizado la verificación, con el alcance de seguridad limitada, del Estado de Información No Financiera (en adelante EINF) correspondiente al ejercicio anual finalizado el 31 de diciembre de 2022 de Merit Automotive Electronics Systems, S.L. (en adelante el Grupo) que forma parte del Informe de Gestión del Grupo.

Responsabilidad de los administradores

La formulación del EINF incluido en el Informe de Gestión del Grupo, así como su contenido, es responsabilidad de los administradores. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente siguiendo los criterios de los Sustainability Reporting Standards de Global Reporting Initiative (estándares GRI) seleccionados.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores del Grupo son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

Nuestra independencia y control de calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código de Ética para Profesionales de la Contabilidad emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.



Nuestra firma aplica la Norma Internacional de Control de Calidad 1 (NICC 1) y mantiene, en consecuencia, un sistema global de control de calidad que incluye políticas y procedimientos documentados relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado. Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 en vigor, "Encargos de Aseguramiento distintos de la Auditoría o de la Revisión de Información Financiera Histórica" (NIEA 3000 Revisada), emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC), con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Registro de Economistas Auditores (REA) del Consejo General de Economistas de España (CGEE) y con la Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements desarrollada por el Auditing and Assurance Standards Board (IAASB).

El contenido del EINF incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación de la información identificada en el apartado "Contenidos ley 11/2018" incluido en el EINF adjunto.

En un trabajo de seguridad limitada los procedimientos llevados a cabo varían en su naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad que se obtiene es sustancialmente menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades del Grupo que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal del Grupo para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y para obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2022 en función del análisis de materialidad realizado por el



Grupo, considerando los contenidos requeridos en la normativa mercantil en vigor.

- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2022.
- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación con los aspectos materiales presentados en el EINF del ejercicio 2022.
- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2022 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los administradores y la Dirección.

Conclusión

Basándonos en los procedimientos realizados y en las evidencias que hemos obtenido, no se ha puesto de manifiesto aspecto que nos haga creer que el EINF de Merit Automotive Electronics Systems, S.L.U. y sociedades dependientes correspondiente al ejercicio anual finalizado el 31 de diciembre de 2022 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI seleccionados.

Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos o jurisdicciones.

31 de marzo del 2024
Crowe Accelera Management, S.L.
Luis D. Piacenza, Socio

Sustainability Report 2022

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