

MERIDA 



2023 ESG Report

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About This Report

⊕ The Basis of Preparation

Dear readers and stakeholders, Welcome to explore the Sustainability Report of MERIDA INDUSTRY CO., LTD. (hereinafter referred to as “MERIDA Industry, MERIDA and/or this Company”). This report has been carefully prepared in accordance with the GRI Sustainability Reporting Standards, set forth by the Global Sustainability Standards Board (GSSB). It upholds the core principles outlined by GRI 2021, namely accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability. It is also aligned with the Sustainability Accounting Standards Board (SASB) standard for the toy and sporting goods industry, and is in line with the United Nations Sustainable Development Goals (SDGs). Additionally, it addresses the mandatory disclosure of climate-related information as required by TWSE and TPEX listed companies. This report not only addresses the key issues of concern to stakeholders, but also aligns with ESG strategies, continuously improving this Company in the aspects of environment, social and corporate governance. We invite you to delve deeper into MERIDA's unwavering commitment to sustainable management.

⊕ Scope and Principles

This report discloses information provided by all departments of MERIDA's headquarters from January 1, 2023 to December 31, 2023. The scope of the financial data disclosed in this report is consistent with the consolidated financial statements or publicly available financial information. The exception to this is the information on economy, environment, and employees, which only reports on information regarding the headquarters in Taiwan.

This report is certified by SGS based on AA 1000 AS v3 Type 1 standard. Moving forward, MERIDA remains committed to communicating transparently with our stakeholders about our corporate social responsibility efforts and the results of our sustainable management efforts through annual report publications.

⊕ Restatements of information

There were no significant restatements of information by MERIDA during the reporting period. However, with regard to procurement statistics, discrepancies have been identified in the manually collected data regarding the number and proportion of company

procurements, hence starting from the fiscal year 2023, these figures will be calculated using the SAP system. As a result, there have been minor adjustments to the data, which are explained in more detail in chapter 2.3 'Supply Chain Integration'.

⊕ Publication Overview

This marks the second edition of MERIDA's Sustainability Report, and the Company is committed to publishing an annual 'Sustainability Report' moving forward.

Previous publication: September 2023.

Current publication: August 2024

⊕ Contact Us:

If you have any questions, feedback, or suggestions regarding this report, please don't hesitate to contact us.

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Message from the President

Sustainability concerns, like the ever-changing seasons, persist and evolve continuously, both locally in Taiwan and globally. In 2015, on the 70th anniversary of the United Nations, the 'Transforming our world: The 2030 Agenda for Sustainable Development' was announced, focusing on people, the planet, prosperity, peace, and partnerships. It aims to establish an inclusive society, protect human rights, promote gender equality, safeguard Earth's resources, and ensure economic growth, among other sustainable development goals. In Taiwan, the Financial Supervisory Commission has also released the 'Corporate Governance 3.0 -Sustainable Development Roadmap', hoping to collaborate with Taiwanese companies to advocate for the planet, preserve available resources, and contribute to sustainability efforts.

Over the past year, MERIDA has made significant progress towards environmental sustainability. In addition to continuing its stewardship of the Yuanlin Agro-Industrial Ecological Park Air Quality Purification Zone, which received the prestigious High Distinction Award from the Environmental Protection Administration, MERIDA also continued its tradition of organizing the Changhua Classic 100K cycling event. In addition, MERIDA commissioned a large-scale solar power generation system from Tatung Forever Energy in 2023, which is expected to produce over 1.3 million kWh of green energy annually, equivalent to 10% of MERIDA's total electricity consumption, with a carbon reduction effect equivalent to 39 hectares of forest. Moreover, the Company has been actively reducing pollution emissions internally, achieving a remarkable 26% reduction in energy intensity from 2020 to 2022. MERIDA plans to implement the ISO 50001 energy management system and obtain certification by 2024, demonstrating our commitment to energy conservation, carbon reduction, and green energy.

In the future, we aspire to progressively implement the policies set by the Company and align with the government's guidelines in all three aspects of Environmental (E), Social (S), and Governance (G), advancing steadily on the path to sustainability. As the saying goes, 'The exuberant years of life will not return, the morning of the day does not repeat itself. Seize your time and brace yourself up, for time does not stop to wait for you', as time passes, never to return, we must seize the limited time we have, racing against nature, hoping for the day when darkness fades and light blooms, endeavoring to truly transform the world, safeguard the Earth, and uphold lasting peace.



President

曾 上 原



Implementation of the United Nations Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) comprise 17 goals and 169 targets, serving as the focal point of the global development agenda from 2016 to 2030. MERIDA aligns its efforts with the seven goals of the SDGs through sustainable practices.



| SDGs | Implementation actions in 2023 |
|--|---|
| <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensuring healthy lives and promoting well-being for all at all ages</p> | <ul style="list-style-type: none"> ○ The health status of employees was regularly monitored and special operational health check-ups were arranged to monitor the health condition of employees in special operational environments and health management reports were provided. In 2023, a total of 257 individuals underwent special health checks, overseen by two occupational health nurses who reviewed the results. Based on the level of risk, subsequent referrals and occupational health education were arranged to emphasise prevention over treatment, thus creating a safe working environment. Internally, contracts were signed with hospitals to provide employees with medical support. Externally, cycling promotion events were organized to encourage the public to adopt exercise habits for self-health management. |
| <p>4 QUALITY EDUCATION</p> <p>Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all</p> | <ul style="list-style-type: none"> ○ Compared to 2022, the total number of training hours in 2023 has been increased by 500 hours. MERIDA will continue to develop the professional skills of its employees in the future. ○ In 2023, professional training was provided for directors, distributors, and employees across different skill sets, including human rights training. These initiatives were designed to raise awareness of employee rights and foster a culture of continuous education among our employees, promoting lifelong learning. |
| <p>5 GENDER EQUALITY</p> <p>Achieving gender equality and empowering all women and girls</p> | <ul style="list-style-type: none"> ○ Of the thirteen directors appointed, three were women, representing 23% of the Board. ○ In 2023, a total of 21 employees applied for unpaid parental leave, including 5 men and 16 women. |



| SDGs | Implementation actions in 2023 |
|--|--|
| <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>Ensuring access to affordable, reliable, sustainable, and modern energy for all</p> | <ul style="list-style-type: none"> ⦿ The average electricity savings rate from 2015 to 2023 reached 1.63%, exceeding the legal targets. ⦿ In 2023, we partnered with Tatung Forever Energy to install solar panels on MERIDA's factory roof. It is estimated that 1.3 million kWh of green energy will be generated annually, equivalent to 10% of MERIDA's total electricity consumption for the year. This effort will reduce carbon emissions by an amount equivalent to planting 39 hectares of forest, thereby promoting the development of green energy. |
| <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> | <ul style="list-style-type: none"> ⦿ In 2023, the Company employed 13 people from minority or disadvantaged groups, exceeding statutory requirements. ⦿ The return-to-work rate after maternity/paternity leave in 2023 was 100%. |
| <p>10 REDUCED INEQUALITIES</p>  <p>Reducing inequality within and among countries</p> | <ul style="list-style-type: none"> ⦿ 100% of the employees at management level are local residents. |
| <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>  <p>Promoting peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels</p> | <ul style="list-style-type: none"> ⦿ MERIDA engages in continuous communication and dialogue with various stakeholders through various channels such as email, telephone, presentations, and seminars, ensuring transparency and openness. It addresses key issues by responding to stakeholders with tangible operational results. ⦿ MERIDA provides complaint mechanisms and channels, accessible through the Company's online platform. |

ESG Performance Highlights



The gravel bike SILEX gets honored with Taipei Cycle d&i Award 2024



ONE-FORTY 700 wins the BikeRadar/MBUK Trail Bike of the Year award



Award MBUK Best Mountain bike Category 2023



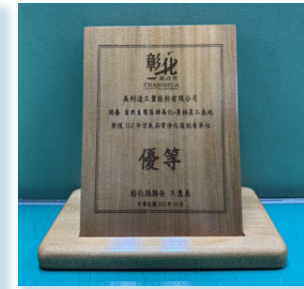
ONE-SIXTY wins the Taiwan Excellence Silver Award



MERIDA ranked 12th in the Best Taiwan Global Brands 2023, with a brand value of US\$494 million

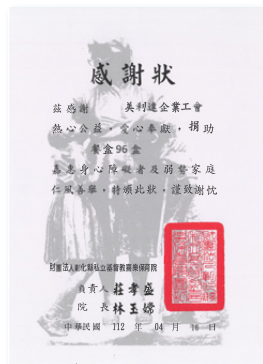


Recipient of Award of Excellence for Air Quality Purification Area Adoption 2023



| Rank | Brand | Brand Value (US\$) | % Change |
|------|-----------|--------------------|----------|
| 1 | Apple | 21,031 | +1% |
| 2 | Microsoft | 21,827 | +5% |
| 3 | Amazon | 19,796 | +13% |
| 4 | Google | 19,391 | +8% |
| 5 | Facebook | 8,811 | +11% |
| 6 | IBM | 7,920 | +6% |
| 7 | Oracle | 6,000 | +6% |
| 8 | Twitter | 5,972 | -1% |
| 9 | LinkedIn | 5,528 | +6% |
| 10 | Alibaba | 5,444 | +20% |
| 11 | Walmart | 5,260 | +16% |
| 12 | IBM | 4,914 | +6% |
| 13 | Microsoft | 4,226 | +1% |
| 14 | IBM | 2,289 | +6% |
| 15 | IBM | 2,648 | +6% |
| 16 | IBM | 2,223 | +1% |
| 17 | IBM | 2,211 | +6% |
| 18 | IBM | 2,171 | -3% |
| 19 | IBM | 1,288 | +6% |
| 20 | IBM | 1,022 | +2% |
| 21 | IBM | 1,001 | +20% |
| 22 | IBM | 6,265 | +12% |
| 23 | IBM | 6,794 | +12% |
| 24 | IBM | 6,861 | +12% |
| 25 | IBM | 6,831 | +1% |
| 26 | IBM | 138.42 | +5% |

The 2023 Taiwan Best International Brands Ranking



Certificate of Appreciation from Xi Le Nursery



Certificate of Appreciation from Si Ling Elementary School



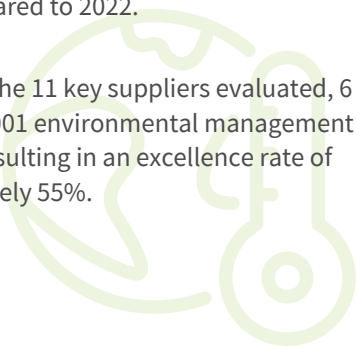
Merida uses DHL GoGreen Plus solutions in 2023 and reduced 886.37 tons CO₂e





Environmental aspect

- In 2023, MERIDA collaborated with Tatung Forever Energy to install solar panels, that are expected to produce over 1.3 million kWh of green energy annually, equivalent to 10% of MERIDA's total electricity consumption, with a carbon reduction effect equivalent to planting 39 hectares of forest.
- The average electricity saving rate from 2015 to 2023 reached 1.63%, surpassing statutory targets.
- In 2023, the total electricity saved amounted to 4,794 kilowatt-hours, resulting in a reduction of 2.37 metric tons of CO₂e energy emissions.
- In 2023, the energy intensity decreased by 1.2% compared to 2022.
- In 2023, of the 11 key suppliers evaluated, 6 had ISO 14001 environmental management systems, resulting in an excellence rate of approximately 55%.



Social aspect

- 100% of the management are local residents.
- Products passed domestic and international safety certifications with a 100% success rate.
- In 2023, the total community welfare contributions amounted to NT\$15,415,496.
- In 2023, the proportion of security personnel who received training on human rights policies or procedures was 100%.



Governance aspect

- Of the 13 directors on the Board, 3 are women, representing 23% of all directors.
- The total training hours for the Board of Directors reached 102 hours, with each director receiving an average of at least 6 hours of training per year.
- Annual revenue for 2023 is NT\$27,261,117,000.
- 2023 Annual Earnings Per Share is NT\$5.66.
- Achieved 95% customer satisfaction in 2023.
- Achieved 100% qualification rate for newly onboarded suppliers.





Material Topics Goals Setting and Achievement Status

| Material topics | 2023 targets | Progress on 2023 goals achievement | 2024 short term goals | Medium- to long-term goals for 2025 and beyond |
|-----------------------------|--|--|--|--|
| Economic performance | <ul style="list-style-type: none"> Reduce assembled bicycles inventory by 25%. Negotiate with suppliers to reduce lead times to be within 90 days. When production capacity allows, optimise production lines to improve assembly efficiency, preparing for potential future E-commerce direct-to-consumer sales. Continue the sponsorship of Team BAHRAIN VICTORIOUS and professional cyclists from other countries, to increase MERIDA brand awareness and exposure. | <ul style="list-style-type: none"> At the end of 2023, compared to the end of 2022, the actual reduction was 10%, falling short of the goal. This is due to lingering high inventory levels in various markets, requiring additional time for clearance, with some customers deferring shipment of their inventory until the first quarter of 2024. Apart from a few overseas suppliers whose delivery times have been extended due to the Red Sea crisis, resulting in longer transit times, or for some specific high-end components with longer lead times, the majority of suppliers have reduced their lead times to within 90 days. In 2023, we have selected certain models to improve assembly efficiency, and production and shipment have begun. Subsequently, we will gradually increase the range of models based on customer demand. Continued sponsorship throughout 2023. | <ul style="list-style-type: none"> Increase sales of assembled bicycles by 5% compared to 2023. Reduce the target of average number of days to sell off our inventory to 110 days. Sponsorship for Team BAHRAIN VICTORIOUS and professional cyclists from other countries to improve MERIDA brand awareness and exposure. Continue to sponsor Taiwanese YouTubers to increase market share in Taiwan. To hold 7 test ride events in the Taiwanese market for the launch of new models to enhance consumer experience and increase market interest and opportunities for the Company's products. Strengthen internal education and training to improve the efficiency of employees. | <ul style="list-style-type: none"> Continue to develop innovative e-bikes and high-end bicycles. Create brand value and market globally to increase sales volumes for the group's broader brand portfolio (including proprietary and investment brands). |



| Material topics | 2023 targets | Progress on 2023 goals achievement | 2024 short term goals | Medium- to long-term goals for 2025 and beyond |
|--|--|---|---|---|
| <p>Sustainable supply chain</p> | <ul style="list-style-type: none"> Implementing ESG evaluations for 13 newly onboarded suppliers. Gradually incorporate ESG criteria into existing supplier evaluations. | <ul style="list-style-type: none"> Evaluated 13 newly onboarded suppliers and achieved 100% qualification rate. Conducted ESG questionnaire evaluations for 11 key existing suppliers, all of which were rated as Gold (excellent) suppliers. | <ul style="list-style-type: none"> In 2024, we will continue to promote ESG questionnaire reviews for existing key suppliers at home and abroad (the top 20% of transaction amounts and key parts suppliers), and conduct on-site audits of the company's questionnaire suppliers in the second half of 2024 to confirm whether they comply with ESG standards. New supplier evaluation covers three aspects <ol style="list-style-type: none"> Supply capacity 40%: equipment, production capacity, environmental protection (including renewable energy, raw materials, waste treatment), labor conditions, occupational safety Quality status 40%: operator's quality concept, quality control, defective product control, correction and physical prevention measures (including working environment safety, personnel education and training) R&D technology 20% The total supplier evaluation score must reach 60 points or above to be a qualified supplier. For suppliers who have been assessed as qualified but still have some items that need to be improved in terms of ESG standards, Merida's responsible units (purchasing, quality assurance, R&D) will provide relevant guidance and improvement work in the future. | <ul style="list-style-type: none"> For existing suppliers, the ESG questionnaire review qualifications are increased to the top 50% of the transaction value and are key parts suppliers. Based on the ESG questionnaire review of key suppliers, each responsible unit (purchasing, quality assurance, R&D) provides individual guidance to suppliers so that their evaluation scores can reach over 85 points. Audit and control of green energy usage, waste management, and gas emissions for the raw materials used by suppliers. Environmental-friendly material usage: Use of more eco-friendly materials, such as recycled materials, to reduce the environmental footprint in the production process. Supplier training: Assist suppliers to improve their environmental and social responsibility by encouraging them to adopt sustainable production practices. Circular economy: Promotion of a circular economy model for products, such as offering repair services and upgrade kits, to extend product lifespan. Further understanding of the implementation level of sustainability concepts by responsible persons and key management personnel of suppliers, and its implications for the Company's future sustainable business philosophy and direction. Product innovation: Invest in research and development to drive innovation in green technologies and materials, creating bicycles that are lighter, more durable, and recyclable. |



| Material topics | 2023 targets | Progress on 2023 goals achievement | 2024 short term goals | Medium- to long-term goals for 2025 and beyond |
|--|--|---|--|---|
| <p>Sustainable supply chain</p> | <ul style="list-style-type: none"> Implementing ESG evaluations for 13 newly onboarded suppliers. Gradually incorporate ESG criteria into existing supplier evaluations. | <ul style="list-style-type: none"> Evaluated 13 newly onboarded suppliers and achieved 100% qualification rate. Conducted ESG questionnaire evaluations for 11 key existing suppliers, all of which were rated as Gold (excellent) suppliers. | <ul style="list-style-type: none"> Supply chain evaluation: Analyze environmental and social risks within the existing supply chain and evaluate compliance with relevant regulations. Material traceability: Strengthen the traceability of raw materials to ensure their credibility and reduce potential environmental and social risks. Plastic and waste reduction: Decrease the use of plastic in product packaging, promote environmentally friendly packaging options from suppliers, and minimize product end-of-life waste. Supplier collaboration: Work with existing suppliers to develop sustainable plans that align with standards. | <ul style="list-style-type: none"> Community engagement: Participate in community activities to establish positive relationships with local communities, support the local economy, and environmental conservation efforts. Sustainability certification: Strive to obtain relevant sustainability certifications to enhance brand credibility and meet consumer demand for sustainable products. |
| <p>Energy</p> | <ul style="list-style-type: none"> Reduce energy intensity by 1% compared to 2022. | <ul style="list-style-type: none"> 2023 energy intensity decreased by 1.2% compared to 2022. | <ul style="list-style-type: none"> Strict monitoring of energy consumption benchmarks in various processes through process control, aiming for precise operations to reduce energy waste. Implement ISO 50001. Set up solar power system. | <ul style="list-style-type: none"> Reduce contract capacity from 3500KW to 3300KW. Pursue advanced energy-saving processes to improve the foundation of production processes. |



| Material topics | 2023 targets | Progress on 2023 goals achievement | 2024 short term goals | Medium- to long-term goals for 2025 and beyond |
|---|--|--|--|--|
| Emission | <ul style="list-style-type: none"> Using 2022 as a baseline (Scope 1+2 emissions): Reduce greenhouse gas emissions by 3% over the next 5 years. | <ul style="list-style-type: none"> Through key performance indicators management, we will make timely adjustments to ensure alignment with business objectives. This flexibility allows us to continually optimize our actions as we strive to meet our greenhouse gas reduction targets, ensuring the optimal effectiveness of our emissions reduction efforts. | <ul style="list-style-type: none"> The Company aims to reduce greenhouse gas emissions by 3% in 5 years compared to the benchmark year of 2022, with a focus on Aspect 1+2 emissions. | <ul style="list-style-type: none"> 40kg carbon reduction per bicycle produced or 25% reduction in emissions. To achieve net zero emissions at the Taiwan headquarters. |
| Freedom of association and collective bargaining | <ul style="list-style-type: none"> Maintain attendance rate of Labor Union Member Representatives' Meeting at 95% and above. No significant industrial disputes. | <ul style="list-style-type: none"> In 2023, the attendance rate at the Labor Union Member Representatives' Meeting was 100%, with no related proposals brought up during the meeting. Any employee concerns can still be addressed through discussions at the quarterly supervisor meetings. At the trade union member congress in December 2023, 95 people were supposed to attend, but 95 people actually attended. In 2023, there were no significant industrial disputes. | <ul style="list-style-type: none"> Maintain attendance rate of Labor Union Member Representatives' Meeting at 95% and above. No significant industrial disputes. | <ul style="list-style-type: none"> No significant industrial disputes. Execution of collective agreement between the labor union and the Company by 2030. |



| Material topics | 2023 targets | Progress on 2023 goals achievement | 2024 short term goals | Medium- to long-term goals for 2025 and beyond |
|---|--|--|---|--|
| <p>Customer health and safety</p> | <ul style="list-style-type: none"> ○ All products are 100% compliant with safety regulations. | <ul style="list-style-type: none"> ○ In February 2022, the Vehicle Safety Certification Center conducted a factory inspection, and the inspection results met the standards. ○ In September 2023, the Metal Industries Research & Development Center conducted an external audit for ISO 9001, and the inspection results met the standards. ○ In 2023, external audits were arranged in Argentina and Indonesia, and the inspection results met the standards. | <ul style="list-style-type: none"> ○ To achieve a defective rate of less than 0.25% for assembled bicycles, and to continuously improve and reduce the defective rate. | <ul style="list-style-type: none"> ○ The Vehicle Safety Certification Center will conduct factory audits every two years as part of regular external audits. ○ The Metal Industries Research & Development Center will conduct ISO9001 external audits annually. ○ Foreign clients will periodically send audit personnel to the factory for external audits. ○ To achieve a defective rate of below 0.1% for assembled bicycles. ○ Promote the use of bicycles for commuting to reduce carbon emissions. |
| <p>Employee diversity and equality</p> | <ul style="list-style-type: none"> ○ Recruiting at least 1% of the employees with disabilities. | <ul style="list-style-type: none"> ○ In 2023, the Company employed 13 people (1.3%) from minority or disadvantaged groups, exceeding statutory requirements. | <ul style="list-style-type: none"> ○ Equal male-to-female ratio for temporary workers transitioning to permanent employment. | <ul style="list-style-type: none"> ○ The proportion of female Taiwanese employees as permanent staff will reach 50%. ○ Over 20% of women in supervisory positions. |



| Material topics | 2023 targets | Progress on 2023 goals achievement | 2024 short term goals | Medium- to long-term goals for 2025 and beyond |
|-----------------------------------|---|--|---|---|
| Labor-management relations | <ul style="list-style-type: none">Organize annual labor-management meetings to maintain harmonious relations between employees and management.Turnover rate of less than 5%.100% return-to-work rate after maternity/paternity leave. | <ul style="list-style-type: none">Four labor-management meetings were held in 2023, with labor representatives and management representatives accounting for 50% each.The relationship between employee and management were harmonious, no litigation nor mediation between employee and management in 2023.In 2023, the turnover rate for Taiwanese permanent employees was 1.93% (22 out of 1,138).In 2023, the turnover rate for foreign employees was 9.14% (104 out of 1,138).100% return-to-work rate after maternity/paternity leave. | <ul style="list-style-type: none">Turnover rate less than 3%. | <ul style="list-style-type: none">Turnover rate less than 2%. |

Overview of Management Policies



Economic Performance

Reason

Just as MERIDA's business philosophy of creating unlimited competitiveness and giving back to the community through the business core of honesty and prudence, and the enthusiasm of mutual assistance, only through prudent business management and revenue can we continue to create our competitiveness in the marketplace and achieve our goals of sustainable management.

Impact

Actual positive impact on economic/environmental/human rights aspects: MERIDA is committed to developing innovative and competitive products, improving production efficiency to enhance the working environment, reducing carbon emissions and resource waste, and achieving the goal of sustainable management.

Actual negative impact on economic aspect: Due to the rapid downturn in the global bicycle market, there has been an increase in inventory for both customers and the Company.

Policies/ strategies

- ⦿ Continue to develop new products to meet global market demand.
- ⦿ Effectively manage product development, specification confirmation, on-time production, and account management to consolidate sales channels.
- ⦿ Continue to introduce automation equipment to improve production efficiency.
- ⦿ Implementation of new bicycle pilot runs to reduce the risk of production issues, ensure product quality, and strengthen market confidence in our company's products.
- ⦿ Appropriate planning of internal manpower and use of external OEM production capacity to improve production completion rates and meet the needs of the sales channels.
- ⦿ Continue to promote marketing campaigns to improve MERIDA's market positioning and market share.

Management evaluation mechanism

Regular meetings with decision makers as well as production and sales meetings to assess progress against objectives and formulate appropriate improvement measures to ensure the achievement of annual operational performance targets.

Preventive or remedial measures

Adjustment of manpower and production capacity allocation according to market conditions to adapt to changes in market demand. Increase manpower and production capacity or use external OEM resources to meet market demand when orders increase. When orders decrease, adjust manpower and working hours in a timely manner to reduce costs.



Sustainable Supply Chain

Reason

MERIDA has over 500 suppliers worldwide. Considering bicycles and electric-assisted bicycles as green sports products, MERIDA emphasises management requirements and behavioral standards for suppliers and actively promotes the concept of sustainable supply chains. Sustainable supply chains are crucial for businesses, helping to reduce risks, save costs, comply with regulations, improve brand image, and create new market opportunities. By actively addressing environmental and social challenges, the Company can create long-term competitive advantages, achieving a triple win situation for the business, society, and the environment.

Impact

Actual positive impact on economic/environmental/human rights aspects: MERIDA has established a transparent management system and, in 2023, incorporating ESG criteria into the evaluation of existing suppliers. It is planned to extend this assessment to newly selected suppliers in 2024 through ESG questionnaire evaluations, covering topics such as environmental policies, energy, raw material sourcing, and labor policies.

Policies/ strategies

MERIDA places great emphasis on cooperation and growth with its suppliers, fostering mutually supportive partnerships and co-development. To proactively manage the sustainability risks associated with suppliers, ESG questionnaires are being introduced in the selection of new suppliers. Each criterion in the ESG questionnaire is carefully examined to ensure that suppliers comply with laws and regulations in various risk areas, thus avoiding inadvertent violations. For example, improper waste disposal could lead to factory shutdowns due to regulatory non-compliance, causing disruptions in the supply of materials.

- ⦿ Environmental policy: Supplier environmental assessment includes material sourcing, waste management, and gas emissions.
- ⦿ Energy policy: Evaluate whether suppliers have concrete energy management and energy-saving measures.
- ⦿ Raw material policy: Assess whether suppliers use recycled materials in their production.
- ⦿ Labor policy: Relevant human rights issues, including gender equality, non-discrimination, and no child labor.

Management evaluation mechanism

Annual audits are conducted on the sustainable supply chain criteria in respect of Sustainable Supply Chain in the supplier's sustainability self-assessment questionnaire (including environmental, energy, raw material, and labor policies). Suppliers are asked to provide relevant written documentation, and if necessary, on-site inspections are conducted (such as wastewater discharge, gas emissions, working environment, etc.). Through collaboration with suppliers, the goal of sustainable operation is achieved.

Preventive or remedial measures

It is anticipated that in 2024, a regular supplier audit mechanism will be implemented, with audits scheduled for 5 suppliers per month. Suppliers will be required to provide corresponding documentation for evaluation and record keeping.



Energy

Reason

MERIDA actively responds to international trends and government energy-saving and carbon-reduction policies by investing in research to improve energy efficiency with the view to achieve the goal of reducing greenhouse gas emissions. At the same time, we are actively responding to government energy policies, viewing "Sustainable Earth, Energy Saving and Carbon Reduction" as the main axis of corporate development, and are committed to creating an environmentally friendly future.

Impact

Potential negative impact on economic aspect: The establishment of the Carbon Border Adjustment Mechanism by various countries requires heavy energy users to strictly control their energy consumption. The Company is installing solar power generation systems for its own use to reduce carbon emissions.

Policies/ strategies

1. Improve energy efficiency and continuously improve energy performance.
2. Comply with Energy Administration Act and prioritize the introduction of energy-saving equipment.
3. Implement an energy management system involving all employees to promote energy conservation and carbon reduction.

Management evaluation mechanism

Electricity consumption and various types of greenhouse gas emission data are reviewed against year 2022 and are regularly assessed internally by our auditing unit.

Review electricity consumption and various greenhouse gas emissions data for the past three years, and conduct regular internal assessments.

Preventive or remedial measures

Implementing ISO 50001 to ensure effective management of energy usage while continuously enhancing the Company's compliance with green products and packaging. If the performance of green products falls short of expectations, the Company also actively reduces greenhouse gas emissions and seeks collaboration and communication with relevant parties.



Emissions

Reason

Emissions management is crucial for the sustainable development of a company. Through communication with stakeholders and impact analysis, we understand the significance of emissions for the business. Effective emission management not only reduces cost risks but also improves product competitiveness and aligns with market trends. Neglecting greenhouse gas management may lead to future regulatory constraints, directly impacting company operations. Therefore, actively promoting emissions management to mitigate risks, comply with regulatory requirements, ensure business stability, and safeguard reputation.

Impact

Actual positive environmental impact: In response to Taiwan's 2050 net-zero emissions goal, MERIDA plans to implement green energy through "Solar Photovoltaic Systems" by 2024. This initiative aims to reduce 643 metric tons of carbon emissions compared with year 2023. In addition, through the implementation of ISO 50001 and an energy management system, we monitor the usage of high-energy-consuming equipment and implement corresponding energy-saving measures to reduce carbon dioxide emissions.

Potential negative economic impact: Future increases in carbon prices will expose the Company to the cost impact from domestic carbon fees and foreign carbon taxes.

Policies/ strategies

First and foremost, MERIDA is committed to fulfilling our social responsibilities and reducing the negative impact of emissions on the environment and communities. Through technological innovation and efficiency improvements, we aim to reduce our carbon footprint, mitigate climate change, and protect local ecosystems. In line with the government's 2050 net-zero emissions policy, we are actively implementing energy-saving and carbon reduction activities within our factories/plants.

Management evaluation mechanism

Through greenhouse gas inventory projects and internal ISO management, we have established an effective environmental management system(The Environmental Group of the ESG Promotion Committee is responsible for coordinating). By regularly reviewing implementation, documentation, and PDCA cycle improvement, we are continuously improving our environmental performance. This systematic mechanism ensures our compliance with ISO standards and motivates ongoing improvement, achieving a higher level of sustainability.

Preventive or remedial measures

MERIDA evaluates the overall carbon reduction effectiveness through an annual review of management indicators and formulates effective emission reduction strategies. If the reduction effectiveness falls short of expectations, we actively source renewable energy and participate in measures such as adopting air purification zones and carbon sinks. At the same time, we are committed to communicating and cooperating with relevant parties to explore more effective carbon reduction solutions, demonstrating our relentless efforts to contribute to the environment.



Freedom of Association and Collective Bargaining

Reason

MERIDA considers its employees to be its most important asset of the Company and is proud to have motivated employees as well as an excellent management team. We value the physical and mental safety and comfort of our employees in the workplace and believe that every employee deserves respect and dignity. Therefore, we formulate and implement an equal employment policy, while communicating and working closely with local employees to ensure that every employee is treated fairly. Through communication with stakeholders and impact analysis, we understand that freedom of association and collective bargaining are relatively important to the Company, the purpose of which is to enable employees to work happily, improve productivity and reduce employee turnover. In the future, we will continue to manage issues related to freedom of association and collective bargaining, making the Company a happy place to work, reflecting our business philosophy: creating unlimited competitiveness and giving back to the corporations and the community through a business core of honesty and prudence, and the enthusiasm of mutual assistance.

Impact

Actual positive impact on human rights aspect: Enhancing labor rights and improving working conditions contribute to promoting social justice, enhancing employee engagement, and fostering good labor relations. Additionally, through negotiation, it becomes easier to comply with human rights principles, respect diverse cultures, enhance corporate image, and mitigate reputational risks. Furthermore, it helps to reduce the risk of labor disputes, improves corporate stability, and maintains a stable economic environment.

Policies/ strategies

MERIDA complies with relevant employment-related laws and regulations, protects the legal rights of its employees, and adheres to fundamental human rights principles, including freedom of association, the right to collective bargaining, care for the disadvantaged, prohibition of child labor, elimination of all forms of forced labor, and elimination of discrimination in hiring and employment. No action shall be taken that violates the fundamental rights of workers. The Company's human resources policy shall respect the fundamental principles of labor rights protection, establishing appropriate management methods and procedures to ensure that its employment policies do not discriminate based on gender, race, age, marital or family status, and shall ensure equality in compensation, employment conditions, training, and promotion opportunities.

The Company has established channels for regular communication and dialogue with employees, allowing them the right to access information and express their opinions on the Company's management activities and decisions. Labor union member representatives fully utilize their functions to help convey employee concerns. Through regular union meetings and representative assemblies, issues are raised and discussed with management, leading to effective improvements or resolutions by the Company.

Management evaluation mechanism

The purpose of the labor union is to safeguard the rights and interests of its members, increase their knowledge, foster business growth, and fortify the relationship between employers and employees. Regular general meetings of members and supervisors are convened annually, with interim meetings permitted as needed. Furthermore, to ensure ongoing labor relations characterized by care, respect, equality, and fairness, regular labor management meetings are conducted in accordance with legal requirements. The aim of these meetings is to understand the needs and expectations of employees with regard to working conditions, policies, the environment and welfare. Participation in these meetings includes representatives from both employers and employees. Employees and their representatives are encouraged to voice concerns without fear of discrimination, retaliation, threats, or harassment. Through open communication and dialogue, both parties can understand each other's perspectives and needs, leading to collaborative proposals or consensus-building for improvement.

Preventive or remedial measures

The Company encourages labor union members to raise issues during the annual general assembly of the labor union, where improvement strategies and deadlines for resolution are proposed for the issues discussed. At the same time, the Company refrains from attempting to control the labor union, labor-management meetings, or other social organization activities by any means. It maintains open channels for employee communication and grievances, regularly collects employee feedback, and ensures appropriate responses.



Customer Health and Safety

Reason

Bicycles and electric-assisted bicycles are products that combine commuting, leisure, and exercise. Providing consumers with high-quality, safe products is essential to boost their confidence in MERIDA's products and maintain brand loyalty.

Impact

Potential negative impact on human rights aspect:

- ⦿ Product quality issues: Defects in bicycle products can lead to accidents or injuries, directly affecting the health and safety of consumers.
- ⦿ Lack of transparency in information: If a company fails to provide sufficient product information and usage instructions, it may increase the risk of accidents.

Potential negative impact on economic aspect:

- ⦿ Product recalls: If there are defects or safety issues with the product, it may incur significant recall costs and cause damage to the brand image.
- ⦿ Legal litigation and compensation costs: Indirect consequences of quality issues leading to accidents may result in legal proceedings and compensation.
- ⦿ Damage to brand image: Health and safety issues can tarnish the brand image, leading to consumer distrust and impacting sales.

Policies/ strategies

The Company has established relevant internal regulations based on the ISO 9001 management system to ensure product quality and protect customer health and safety:

- ⦿ Product designs that comply with safety regulations.
- ⦿ Regular audits of the product development process to ensure that products meet testing standards.
- ⦿ Implementation of incoming material quality inspection and process quality control.
- ⦿ Continuous monitoring and improvement of quality-related issues.
- ⦿ Encouraging employees to commute by bicycle.

Management evaluation mechanism

Regular internal and external audits are conducted to control the quality management process, continuously supervise, and improve the effectiveness of quality management.

Preventive or remedial measures

- ⦿ Improve education and training to promptly and effectively address and resolve quality issues.
- ⦿ Provide appropriate incentives for employees who commute by bicycle.



Employee Diversity and Equality

Reason

Employees are the company's most valuable asset. Therefore, creating a friendly working environment that ensures employee protection, gender equality, empowerment, and support for underprivileged groups helps to attract diverse talent and fosters a positive company reputation.

Impact

Actual positive impact on economic/human rights aspects: To foster innovative thinking and problem-solving skills for better meeting the needs of diverse customer groups, the Company is committed to providing diverse and equal employment opportunities, with the aim of eliminating gender and racial discrimination as well as other forms of unfair treatment to improve the Company's competitiveness.

Policies/strategies

The Company treats its employees in accordance with the principle of "equal treatment", whereby the employment, salary, or promotion opportunities are not subject to differences in gender, race, nationality, religion, age, physical disability, political stance, marital status, or union affiliation. At the same time, we respect the career development of both genders and take practical actions to create a friendly and healthy workplace, for example by providing diverse and accessible measures to prevent sexual harassment and provide complaint channels. We also provide a comprehensive maternity care program to help female employees balance work and family life, enabling them to fully utilize their strengths in the workplace.

Management evaluation mechanism

- ⊙ Conduct management review meetings annually to discuss and track the achievement of goals.
- ⊙ Initiate employee satisfaction surveys and use employee feedback as a guide for future improvement directions.

Preventive or remedial measures

- ⊙ Provide breastfeeding room for female employees returning to work after maternity leave.
- ⊙ Provide a comprehensive maternity care program to help female employees achieve a work-life balance that allows them to fully utilize their strengths in the workplace.



Labor-management relations

Reason

Employees are the company's most important assets. Good labor-management interaction can elevate the corporate culture and organizational atmosphere, promote harmonious labor-management relations and work together for the robust growth of a company.

Impact

Actual positive impact on economic/human rights aspect: Effective talent attraction strategies contribute to building a healthier organizational talent structure, while retention measures ensure that key and potential talents are retained, thereby enhancing the Company's competitiveness. By establishing excellent labor-management relations, achieving talent attraction and retention, and enhancing employee dedication, productivity and efficiency can be increased, fostering a positive cycle of employee and customer satisfaction. This enables the Company to achieve stable and sustainable development.

Policies/strategies

1. Established labor union to safeguard the employees' rights and benefits.
2. Conducting labor-management meetings according to regulations to strengthen labor-management relations.
3. Formulating the Company's "Work Rules" in accordance with the 'Labor Standards Act,' 'Employment Service Act,' 'Gender Equality in Employment Act,' 'Sexual Harassment Prevention Act' and other relevant legislations, and submitting them to the competent authority for approval, serving as guidelines for the rights and obligations of both labor and management. Developing relevant management regulations such as the 'Labor Retirement Management Measures', 'Employee Retirement Management Measures', and 'Workplace Sexual Harassment Prevention, Complaint, and Disciplinary Management Measures' to uphold employee rights.

Management evaluation mechanism

1. According to the provisions of the "Labor Standards Act" and the "Measures for the Implementation of Labor-Management Meetings", public institutions should hold labor-management meetings. Our company currently has 5 capital representatives and 5 labor representatives, and holds regular labor-management meetings every quarter to promote negotiation between labor and management. and cooperation.
2. In accordance with the contents of the "Gender Equality in Employment Act," the Company has established measures for the prevention and handling of sexual harassment in the workplace, as well as procedures for complaints and disciplinary actions, and a Sexual Harassment Complaints Handling Committee has been formed.

Preventive or remedial measures

1. Each unit supervisor should care for employees in a timely manner. If they find an employee who wants to leave, they should immediately initiate employee care measures, provide timely assistance and care, provide adequate psychological support and promote the mental health of employees.
2. In response to the situation where the turnover rate cannot be effectively reduced, the supervisors of each unit should conduct resignation interviews with resigned employees to understand the detailed reasons for resignation and find effective solutions based on the reasons to prevent similar situations from happening again.



1

The Company

1.1 MERIDA

1.2 Sustainable Development Missions

1.3 Governance Structure

1.4 Operational Results

1.5 Risk Management

1.6 Integrity and Compliance with the Law

Special Column : Advancement and Transformation Project of Bicycle Supply Chain Digital Intelligent Integration System



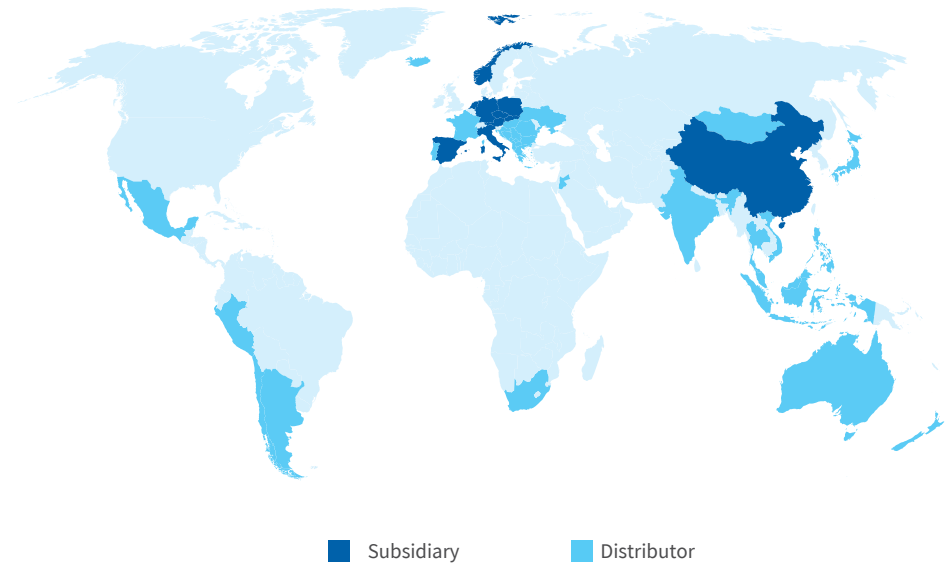
1.1 MERIDA

MERIDA Industry Co., Ltd is a Taiwanese bicycle manufacturer that was founded in 1972, with its headquarter based in Yuanlin, Changhua. The Company mainly manufactures bicycles and electric-assisted bicycles, including mountain bikes, road bikes, city & trekking bikes, race bikes, etc. Renowned for its innovative, high-quality products and excellent customer service, MERIDA is one of the leading brands in the global bicycle market.

The founder, Mr. Ike Tseng set up MERIDA's first production plant in 1972. The birth of a MERIDA bicycle embodies the founder's life motto: 'Life should be full of passion and courage'. This reflects the Company's commitment to brand values and brand spirit, integrating them into the design and manufacturing process of products. The Company also emphasizes a spirit of continuous improvement and pursuit of quality and innovation, striving to ensure that each product possesses a unique personality and becomes the first choice for consumers when choosing a bicycle. The Company places importance on the collaboration between research and development design engineers and production management experts to ensure that every step from initial concept to manufacturing of the product is closely coordinated. Additionally, modern technologies such as computer-aided design drawings are used to improve the efficiency and quality of product design and manufacturing. This demonstrates the Company's expertise in technology and production processes, as well as its commitment to continually optimizing and improve products, thereby maintaining its competitive advantage in the market.

The Bahrain Victorious Team rides MERIDA's most advanced bicycles in the world's major professional races, allowing more people to understand MERIDA's bikes craftsmanship. Through continuous innovation, the focus extends beyond the technical research and development of the frame. Human factors, design and ergonomic considerations are equally as important as manufacturing processes and production technology. Research and development engineers and production management personnel share the same passion, engaging in periodic meetings to ensure that each step is executed correctly, making sure that every MERIDA innovation can be truly passed on to the consumer.

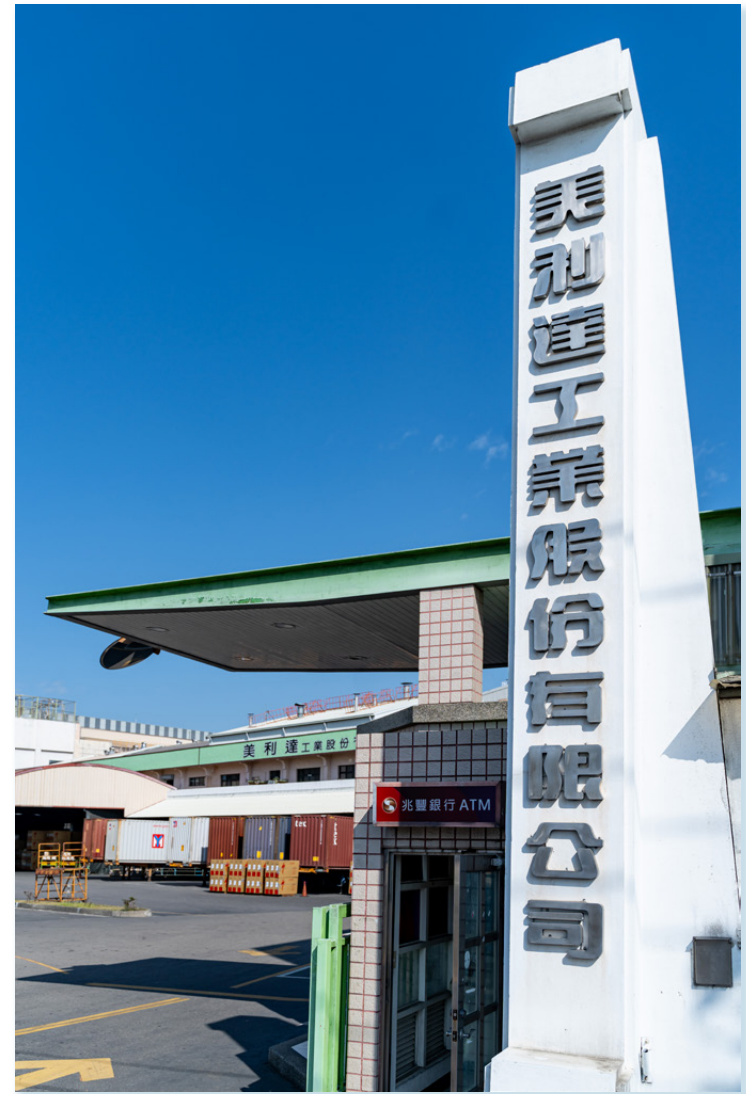
With distribution spanning 38 locations across 60 countries worldwide, MERIDA carefully monitors market trends and skillfully crafts products that align with today's consumer demands. Driven by a collective passion for cycling, we infuse the MERIDA ethos into every product we offer. Today, after 51 years, MERIDA bicycles proudly bear the hallmark "Made in Taiwan; Designed in Germany," symbolizing not only world-class technology and high-quality bicycle manufacturing prowess, but also the cherished creations of a passionate community of cyclists.

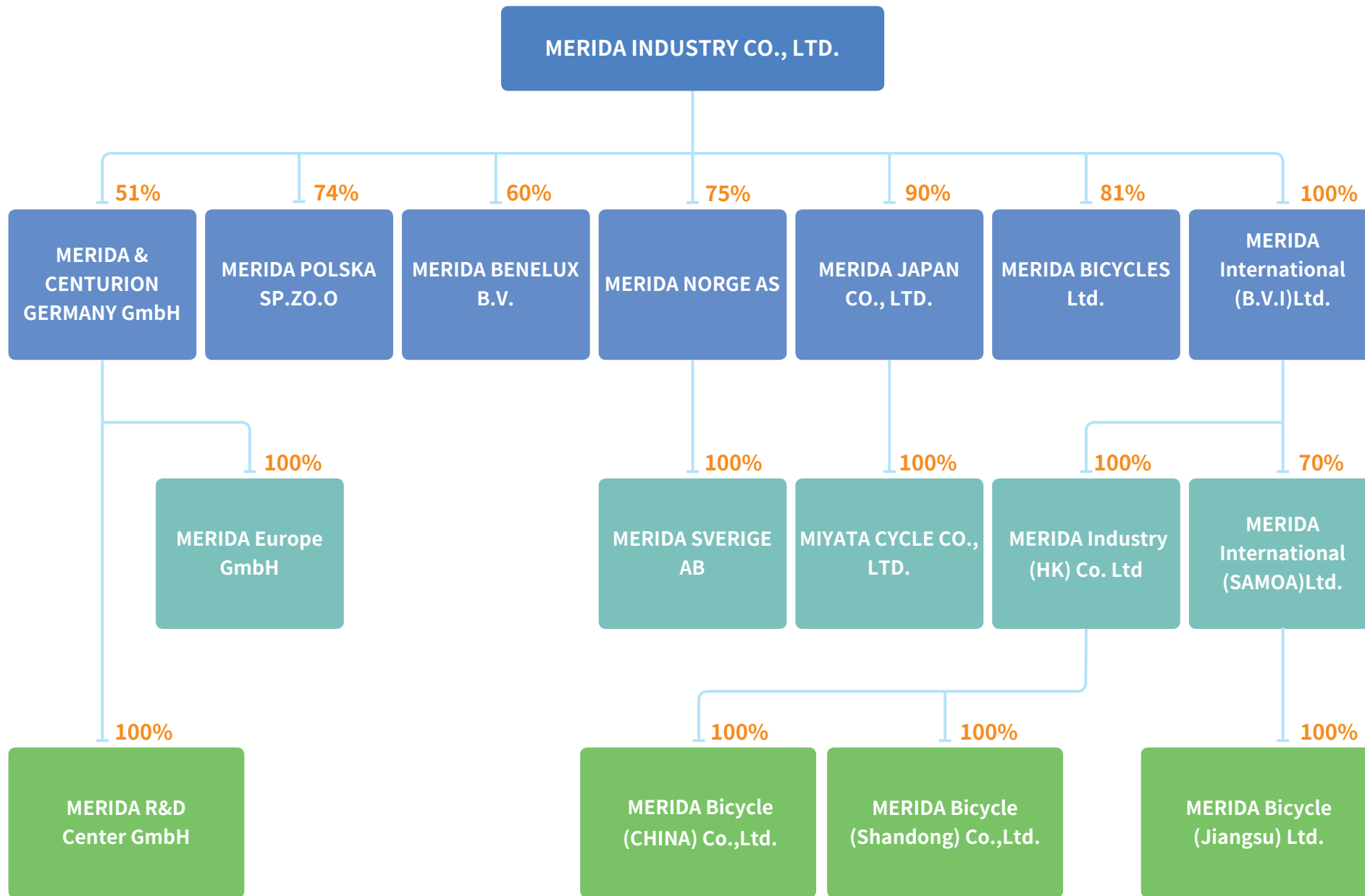




◎ Company Basic Information

| | |
|------------------------------|---|
| Name | MERIDA Industry Co. Ltd. |
| Address | NO. 116 MEIGANG ROAD, DACUN TOWNSHIP, CHANGHUA COUNTY, TAIWAN |
| Telephone No. | 04-8526171 |
| Type | Listed Company |
| Date of Incorporation | September 29, 1972 |
| IPO Date | September 30, 1992 |
| Stock Symbol TPE | 9914 |
| Industry | Production and Distribution of Bicycles and Related Accessories |
| Amount of Capital | NT\$2.99 billion |
| Chairman | Mr. Michael Tseng Song-Zhu |
| Vision | Brilliant green conveys sustainable life, environmental protection, and hope. |
| Main products | Mountain bikes, road bikes, city & trekking bikes, race bikes, electric assisted bikes, and bike accessories. |



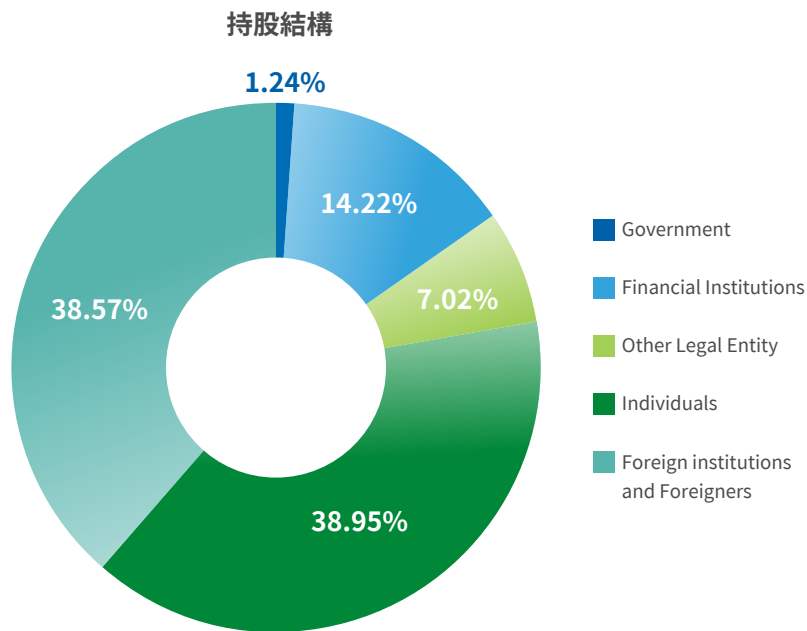


◎ MERIDA Shareholders' Shareholding Structure

Shareholding Structure

| Shareholders | Shareholdings (Shares) | Shareholding ratio (%) |
|-------------------------------------|------------------------|------------------------|
| Government | 3,713,450 | 1.24 |
| Financial Institutions | 42,516,095 | 14.22 |
| Other Legal Entity | 20,980,544 | 7.02 |
| Individuals | 116,442,898 | 38.95 |
| Foreign institutions and Foreigners | 115,330,813 | 38.57 |

due date :2024.04.28



◎ Qualification of Association

The Company actively participates in bicycle industry associations within the industry, striving to serve as directors and supervisors, actively contributing to the formulation and promotion of industry standards, in pursuit of product development and quality improvement.

| Industry trade associations, other member associations, and national or international advocacy organizations | Membership |
|--|--------------------------------|
| Taiwan Bicycle Association | Advisor / Executive Supervisor |
| Bicycle Alliance for Sustainability (BAS) | Director |
| Taiwan Transportation Vehicle Manufacturers Association (TTVMA) | Member |
| Cycling & Health Tech Industry R&D Center | Managing Director |
| The Institute of Internal Auditors-Chinese Taiwan | Member |
| Accounting Research And Development Foundation | Member |
| Changhua County Industrial Association | Member |
| Changhua Labor Relations Association | Member |
| Taiwan Association of Occupational Health Nurses | Member |



1.2 Sustainability Mission Statement

The Company maintains open communication and mutually beneficial channels with its affiliated banks, creditors, employees, consumers, suppliers, communities, and all other stakeholders, respecting and safeguarding their rightful interests. The Company's website has a section dedicated to stakeholders, accepting and responding to their needs. When the interests of stakeholders are infringed upon, the company handles them appropriately based on the principle of integrity, ensuring that all employees and stakeholders are treated fairly and with dignity. The Company values the welfare of internal employees, supply chain management, and the rights of other stakeholders, aiming to achieve sustainable management goals and fulfill corporate social responsibilities. Although the Company has not adopted the Responsible Business Alliance (RBA) Code of Conduct and Human Rights Due Diligence investigations and related human rights policies, various internal policies and measures are formulated with reference to the RBA standards, Merida joined "BAS" (Bicycle Sustainability Alliance) in 2022. In addition to promoting net-zero carbon emissions in the bicycle industry, "BAS" also focuses on the development of human rights issues. Since the code of conduct is still in the drafting stage, Merida will continue to pay attention to the relevant commitments and norms of the "BAS" Bicycle Sustainability Alliance in the future, sign the code of conduct issued by "BAS", and formulate relevant methods and norms, striving to safeguard the company's values and social responsibility. Reflecting MERIDA's commitment to human rights issues and dedication to upholding corporate values and social responsibilities.

To implement the Company's human rights policies of prohibiting child labor, establishing a safe and healthy working environment, and maintaining gender equality in the workplace, the Company adheres to Labor Standards Acts, Act of Gender Equality in Employment and other relevant labor regulations. For example: not employing workers under the age of 15; providing maternity leave and wages during maternity leave; establishing and disclosing measures to prevent and address sexual harassment, as well as procedures for complaints and disciplinary actions; not imposing restrictions based on gender, religion, age, race, etc., during recruitment and interviews.

The Company formulates the Regulations on Prevention, Complaint and Punishment of Sexual Harassment in the Workplace in accordance with the Act of Gender Equality in Employment and the Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment in the Workplace, and simultaneously announces this measure on the Company's online platform for all employees to access. In addition to incorporating compliance with relevant laws and regulations on sexual harassment prevention into the pre-employment training courses for new employees, the company also conducts periodic education and training sessions or posts the latest information on bulletin boards. Each department also uses departmental meetings or internal documents to reinforce the promotion of measures for preventing and addressing

sexual harassment and the channels for complaints. This ensures that employees fully understand the Company's commitment to protecting and valuing employee rights, promoting gender equality, and maintaining an equal and safe workplace.

In addition, the company implements environmental monitoring of "tasks with special health hazards" and conducts special health checks for employees engaged in such operations to prevent and reduce workplace injuries. To address the negative impacts on the economy, environment, and society (including human rights), the Company has established relevant improvement measures:

1. To pursue sustainable development and proactively fulfill corporate social responsibility, the Company establishes transparent and effective communication channels with stakeholders. By promptly understanding and responding to the issues of concern to stakeholders, the Company continuously reviews the effectiveness of its corporate social responsibility initiatives and improves relevant policies and systems as needed.
2. In addition to maintaining interaction with stakeholders through various channels in its daily business activities, MERIDA has set up a "Investor Info" section on the company website, as well as a dedicated "Stakeholders" section, to offer yet another channel of communication between the stakeholders and the Company. Dedicated departments are responsible for appropriately responding to the feedback and opinions raised by stakeholders.

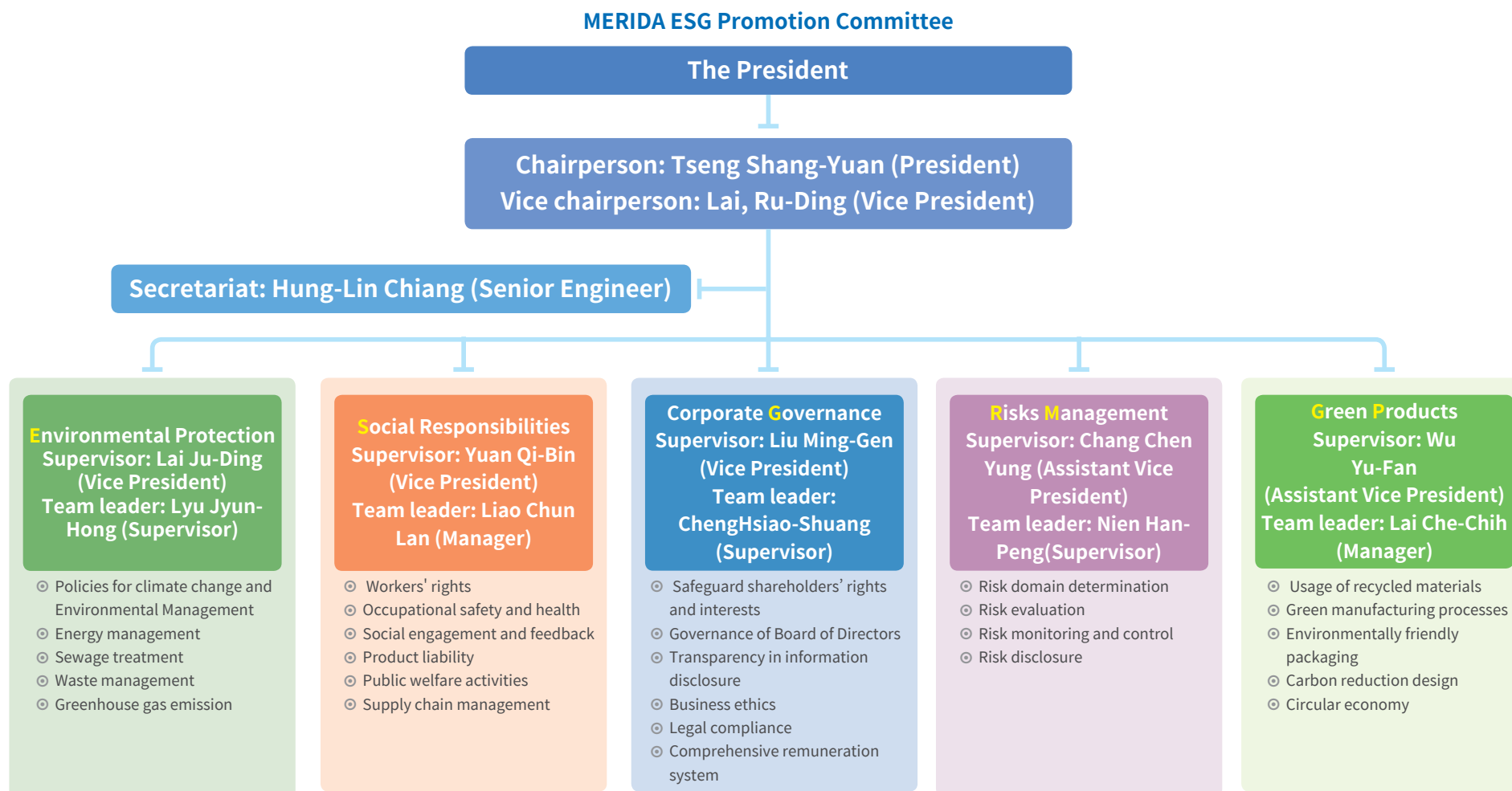
The Company also collaborates with suppliers to jointly implement sustainable development policies such as environmental protection, human rights protection, and resource circulation. In 2023, the Company incorporated a supplier sustainability self-assessment questionnaire policy, which serves as the primary reference for supplier selection (In 2024, an ESG questionnaire review will be carried out for the top 20% of transaction amounts and key parts suppliers. It is expected to conduct a survey of 50 suppliers, and conduct an on-site audit of the ESG questionnaire items in the second half of 2024 to confirm whether the suppliers meet the requirements of the ESG questionnaire items and disclose them. Each responsible unit of the company (purchasing, quality assurance, R&D) provides individual guidance to suppliers so that their evaluation scores can reach over 85 points). In early 2023, alongside revision of the "Third-party Vendors Application Form" to include whether the supplier prepares an ESG report as a reference item for supplier selection, the Company also incorporated clauses regarding integrity in business operations and anti-corruption measures into procurement contracts, signalling the Company's stance. In the future, the Company will gradually develop related policies to extend the concept of ESG to all third-party vendors, establish sustainable and mutually beneficial partnerships with them, and fulfill corporate social responsibility.

To implement and promote sustainable development, MERIDA has established the "MERIDA ESG Promotion Committee" in 2022 to promote tasks related to corporate governance, risk management, corporate social responsibilities, climate change policies,

and environmental protection. The committee aims at grasping the global sustainable development trends and focusing on sustainability issues such as corporate governance, environmental protection, corporate social responsibilities, etc. By aligning with operational development goals, the committee establishes strategic sustainability directions and promotes relevant projects.

The Company’s Chairman being the highest management representative of the committee is the person who oversees the formulation of sustainable development policies and concrete implementation plans, while the President acts as the primary executor of the committee, leading it to enhance the overall effectiveness of implementation among departments, ensuring that various sustainability initiatives are effectively implemented. The President, Vansen Tseng is the chairperson of the “MERIDA ESG Promotion Committee” while our Chairman acts as an advisory member and supervisor of the implementation progress.

The organization chart of the Committee is as follows:

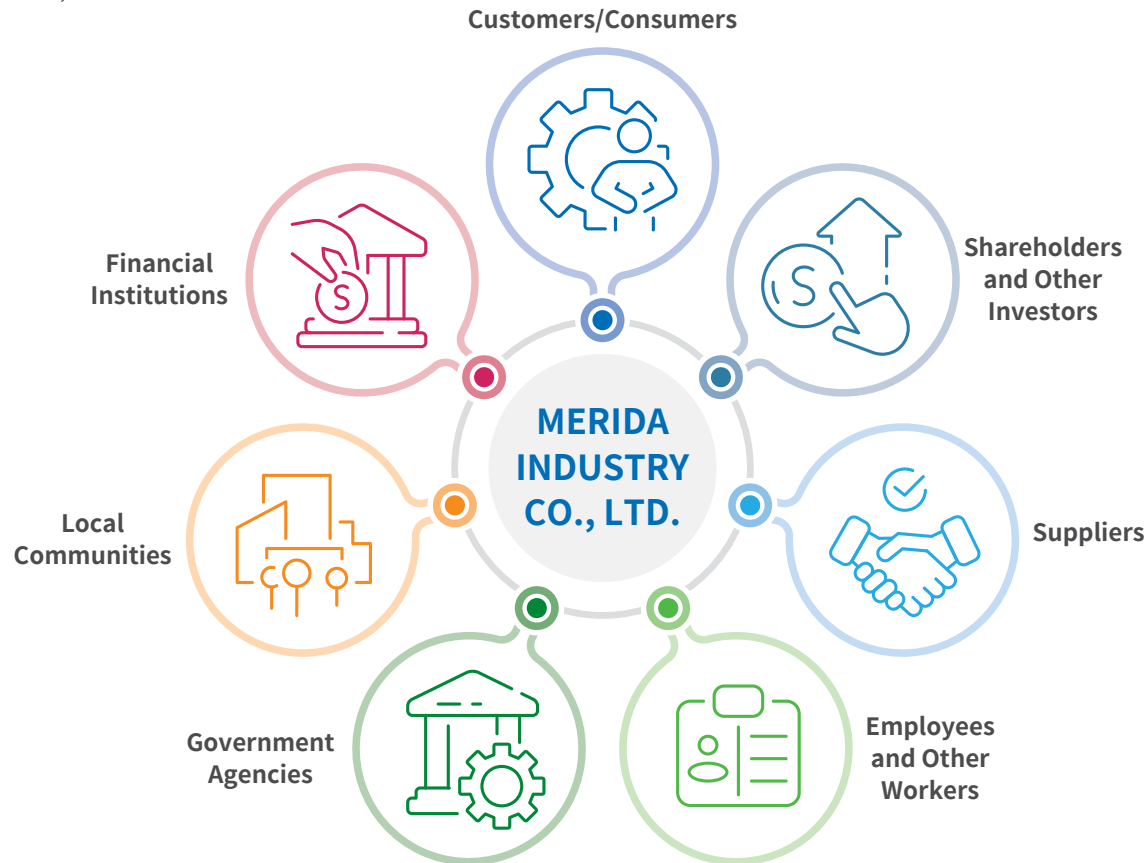




1.2.1 Communications with Stakeholders




To achieve the goals and vision of sustainable management, MERIDA follows the GRI Standards 2021 Stakeholder Identification Criteria, focusing on Environment, Social, and Governance (ESG). In addition to external experts evaluating the actual or potential, positive or negative impacts of the Company on the economy, environment and people (including human rights), reference is made to the types of stakeholders of the peer group in the same industry. Together with company coworkers, the relevance of various types of stakeholders to MERIDA is discussed and reviewed. This helps the Company to better understand, respond to, and manage the needs and concerns of stakeholders, thereby achieving more comprehensive sustainable development.

As a result of the discussion, it was confirmed that the stakeholders for the Company in 2023 consist of seven categories: customers/consumers, shareholders and other investors, suppliers, employees and other workers, government agencies, local communities, and financial institutions.







Stakeholders Engagement

MERIDA places a high priority on the opinions of its various stakeholders to ensure a thorough understanding of their needs, expectations of the Company, and concerns regarding sustainable development issues. To achieve this, we provide various communication channels and interactive methods. Additionally, we incorporate the suggestions and outcomes of stakeholders into our corporate social responsibility and sustainable development as references to promote a better sustainable future. The table below illustrates the channels and frequencies of communication between the Company and each stakeholder:

| Stakeholders | Significance | Communication channels | Frequency | Communication Effectiveness | Concerned Topics |
|--|--|--|---|--|--|
|  <p>Customers/ Consumers</p> | <p>MERIDA adheres to the spirit of honesty and prudence, provides customers with products of the highest quality, and establishes good communication channels. We will gradually implement measures related to environmental sustainability and work together with our customers to improve the green environmental protection and create a win-win situation for both parties.</p> | <ul style="list-style-type: none"> ⊙ E-mail ⊙ Video conferences ⊙ Customer satisfaction survey ⊙ Annual distributor meeting ⊙ Customer careline ⊙ Taiwan distributor education and training ⊙ Client visit ⊙ Exhibition (Taipei Cycle, Eurobike) | <ul style="list-style-type: none"> ⊙ Immediately ⊙ On average 8-9 times a week ⊙ Annually ⊙ Three times per year (1 time for domestic sales department and 2 times for export sales department) ⊙ Instantaneous ⊙ About 5 times a year ⊙ On average 6-8 times a week ⊙ Twice a year | <ul style="list-style-type: none"> ⊙ In 2023, 1 distributor meeting for the export sales department was conducted. ⊙ In 2023, the domestic sales department held a total of 3 educational training sessions for new products. ⊙ Achieved 95% customer satisfaction in 2023. | <ul style="list-style-type: none"> ⊙ Customer Health and Safety ⊙ Economic Performance ⊙ Sustainable Supply Chain |
|  <p>Shareholders and Other Investors</p> | <p>As the backbone of the Company, shareholders are at the helm of the Company</p> | <ul style="list-style-type: none"> ⊙ E-mail ⊙ Telephone ⊙ Shareholders meeting ⊙ Investor conference ⊙ Company website, Market Observation Post System | <ul style="list-style-type: none"> ⊙ Immediately ⊙ Immediately ⊙ Regularly ⊙ Irregularly ⊙ Immediately | <ul style="list-style-type: none"> ⊙ Conducted 1 Shareholder meeting in 2023. ⊙ Conducted 2 investor conferences in 2023. | <ul style="list-style-type: none"> ⊙ Economic Performance ⊙ Risk Management ⊙ Emissions |
|  <p>Suppliers</p> | <p>Suppliers and MERIDA share a symbiotic partnership, with an excellent supply chain supporting the Company's continuous growth over the past 50 years. Mutual learning and improvement with suppliers has enabled the Company to meet the product delivery expectations and quality requirements of end-consumers, providing high-quality products and services. This mutual trust and cooperative collaboration has strengthened MERIDA's relationship with our supply chain.</p> | <ul style="list-style-type: none"> ⊙ E-mail ⊙ Telephone ⊙ Fax ⊙ Quality anomaly monitoring ⊙ Supplier evaluations ⊙ Procurement visits ⊙ Visits of European research and development team | <ul style="list-style-type: none"> ⊙ Immediately ⊙ Irregularly ⊙ Irregularly ⊙ Monthly ⊙ During first collaboration ⊙ Irregularly ⊙ Annually | <ul style="list-style-type: none"> ⊙ In 2023, evaluations were conducted for a total of 13 newly onboarded suppliers, all of which were deemed qualified, achieving a 100% qualification rate. ⊙ In the same year, evaluations were conducted for a total of 11 key suppliers, with 6 of them rated as excellent, achieving an excellence rate of 55%. | <ul style="list-style-type: none"> ⊙ Supply chain management ⊙ Ethical practices of suppliers' senior management ⊙ Completeness of financial statements ⊙ Sustainable supply chain |



| Stakeholders | Significance | Communication channels | Frequency | Communication Effectiveness | Concerned Topics |
|---|---|---|--|--|---|
|  <p>Employees and Other Workers</p> | <p>Employees are the mainstay of MERIDA's sustainable management and the driving force behind our continuous growth.</p> | <ul style="list-style-type: none"> ⊙ E-mail ⊙ Telephone ⊙ Labor-management meetings ⊙ Labor union ⊙ Official website | <ul style="list-style-type: none"> ⊙ Real-time ⊙ Immediately ⊙ Once per quarter ⊙ Irregularly ⊙ Instantaneous | <ul style="list-style-type: none"> ⊙ 4 Labor-management meetings conducted in 2023. ⊙ The annual general assembly of the labor union was conducted. ⊙ Conducted 3 Employee Welfare Committee meetings in 2023. ⊙ 1 Dietary Committee meeting was conducted in 2023. ⊙ 4 Safety and Health Committee meetings were held in 2023. | <ul style="list-style-type: none"> ⊙ Freedom of association and collective bargaining ⊙ Employee diversity and equality ⊙ Industrial relations |
|  <p>Government Agencies</p> | <p>Government agencies are the drivers of sustainable legislation, and we must continue to comply with government policies, laws and regulations in order to achieve the goals of sustainable management.</p> | <ul style="list-style-type: none"> ⊙ E-mail ⊙ Telephone ⊙ Formal correspondences ⊙ Seminars | <ul style="list-style-type: none"> ⊙ Instantaneous ⊙ Instantaneous ⊙ Regularly ⊙ Irregularly | <ul style="list-style-type: none"> ⊙ In 2023, the Company was able to have good interaction and smooth communication with the government agencies, for instances, National Taxation Bureau of the Central Area, County Government, Department of Environmental Protection, and etc. | <ul style="list-style-type: none"> ⊙ Emissions ⊙ Freedom of association and collective bargaining ⊙ Compliance with laws and regulations |
|  <p>Local Communities</p> | <p>Continue to preserve the local environment and promote community development, maintaining a friendly and good neighborly relationship with the communities.</p> | <ul style="list-style-type: none"> ⊙ Letter correspondences ⊙ Telephone | <ul style="list-style-type: none"> ⊙ Regularly ⊙ Irregularly | <ul style="list-style-type: none"> ⊙ In 2023, the Company sponsored local community-related activities totaling approximately NT\$200,000. | <ul style="list-style-type: none"> ⊙ Community development and caring for the underprivileged |
|  <p>Financial Institutions</p> | <p>Financial institutions serve as the strongest backbone for business operations. The Company's operations rely on the support of financial institutions.</p> | <ul style="list-style-type: none"> ⊙ E-mail ⊙ Telephone ⊙ Visits | <ul style="list-style-type: none"> ⊙ Instantaneous ⊙ Instantaneous ⊙ Irregularly | <ul style="list-style-type: none"> ⊙ Financial institutions with which our company conducts transactions includes Mega International Commercial Bank, E.SUN Commercial Bank, CTBC Bank, etc., with a total of 17 banks. | <ul style="list-style-type: none"> ⊙ Economic Performance ⊙ Emissions |

Stakeholders Contact Information

| Categories | Contact Person | Contact Number | Email |
|------------------------|------------------------------------|----------------|-----------------------------|
| Suppliers | Production Management Center | (04) 8526171 | ethan@merida.com.tw |
| Customers | Customer Service Center | 0800-296-188 | merida-service@dimpr.com.tw |
| Employees | Tseng Ching-Cheng (Vice President) | (04) 8526171 | IR@merida.com.tw |
| Financial Institutions | Tseng Ching-Cheng (Vice President) | (04) 8526171 | IR@merida.com.tw |
| Government Agencies | Tseng Ching-Cheng (Vice President) | (04) 8526171 | IR@merida.com.tw |
| Shareholders | Tseng Ching-Cheng (Vice President) | (04) 8526171 | IR@merida.com.tw |
| Local Communities | Tseng Ching-Cheng (Vice President) | (04) 8526171 | IR@merida.com.tw |

Notes: In addition to maintaining interaction with stakeholders through a range of channels in daily business activities, MERIDA has set up a "Investor Info" section on the Company's website, and the "Stakeholders" section is set up under the responsibility of our Vice President, Mr. Tseng Ching-Cheng to coordinate the allocation of specialized departments to appropriately respond to stakeholders' opinion. Additionally, in order to further strengthen the whistleblower mechanism, the Company has established a contact point with an independent director (convener of the audit committee) who can simultaneously receive reports via roberthchen@yahoo.com.tw, in order to enhance the liaison between independent directors and stakeholders.

1.2.2 Determining Material Topics

In preparing this Sustainability Report, MERIDA has incorporated the materiality assessment, followed the GRI Standards 2021, and referred to the sustainability topics of our peers in the industry. Sixteen relevant topics were selected, and external experts evaluated the actual or potential negative impacts and positive contributions of these topics on the economy, environment, and society (including human rights). At the same time, considering the requirements and concerns of sustainability initiative-related international institutions and potential investors regarding corporate sustainability topics, each topic was rated in terms of their actual negative impacts, potential negative impacts, actual positive contributions, and potential positive contributions to the economy, environment, and society (including human rights). These assessments were discussed with local staff, and serve as reference for the significant topics and data disclosure in the 2023 annual report on the economic, environmental, and social aspects that significantly affect the company's sustainable management. The details for the process of determination are as follows:



Analysis Steps for ESG Topics Materiality

1 Identify Stakeholders **Stakeholders Inclusiveness**

By engaging in discussions and receiving feedback from third-party experts, department heads, and internal colleagues, and by referencing stakeholders identified in peer sustainability reports, inclusive stakeholders are identified as targets for materiality communication.

The following 7 groups have been identified as the Company’s stakeholders for 2023: customers/ consumers, shareholders and other investors, suppliers, employees and other workers, government agencies, local communities, and financial institutions.

2 Prioritization of ESG Topics **Sustainability Context**

Sustainability context is taken into consideration when identifying topic. The database for prioritization of materiality determination is mainly based on the topics of the Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) and the topics considered by the peer group. As a result, 16 material issues have been identified, covering aspects related to corporate governance, economy, and environment, serving as criteria for assessing positive and negative impacts.

3 Determining Material Topics **Materiality**

Through the identification of external experts (this stage is the pre-score), the scores of the topics of concern are analyzed in a matrix, and the importance of the topics is ranked according to the analysis results. Major topics are screened out after internal discussions with company managers and colleagues, and each topic is targeted. Develop effective management disclosures. In 2023, 16 topics of concern were pre-scored, and topics with scores exceeding 30 were screened and 8 major topics were identified after discussions with the company. Among them, the topics "GRI 414 Supplier Social Assessment" and "GRI 308 Supplier Environmental Assessment" were merged into "Sustainable supply chain".

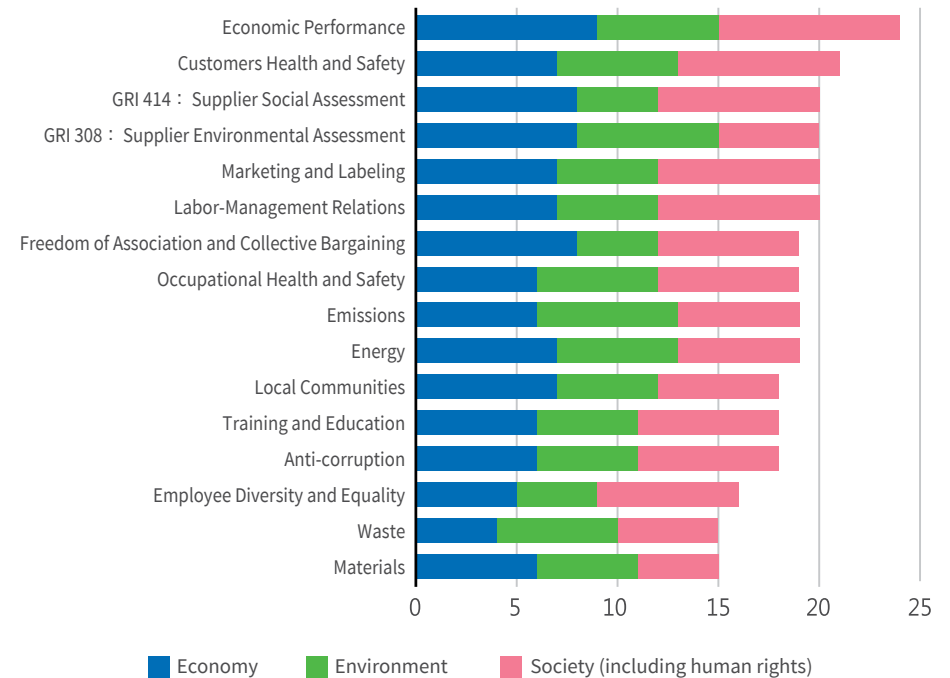
4 Review and Discussion **Completeness**

After identifying the boundaries of the material topics, the prioritized topics are incorporated into MERIDA’s annual work or targets, and into the future. MERIDA will continue to improve the management and consider whether adjustments are needed to the types of material issues, with relevant information disclosed in the sustainability reports.

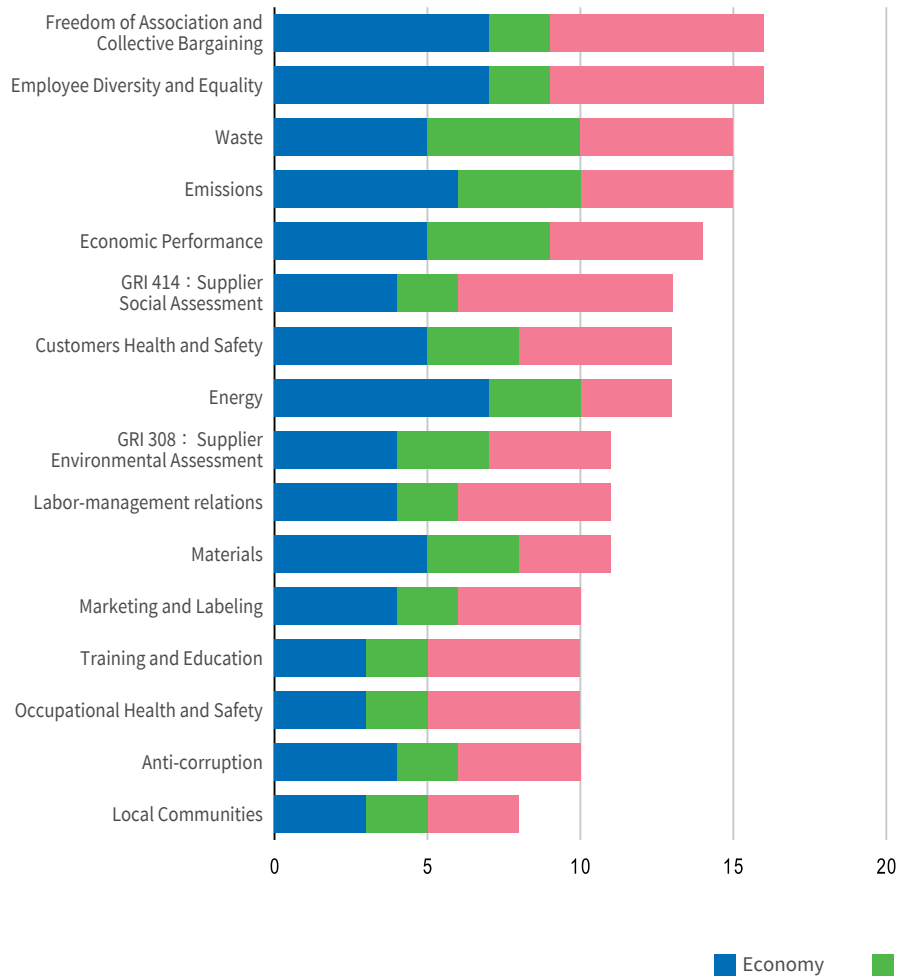
Results of Material Topics Determination

Through assessments by external experts and internal discussions, it was confirmed that the 8 material topics on sustainability are: economic performance, Customer health and safety, Sustainable supply chain, labor-management relations, employee diversity and equality, freedom of association and collective bargaining, energy, and emissions. These are listed as projects for continued attention and promotion, as well as the basis for disclosure in future sustainability reports. All topics themes of the year will be reported to the board of directors for approval before issuance promotion. The sustainability topics in 2022 are economic performance, customer health and safety, labor-employer relations, sustainable supply chain employee diversity and equal opportunities, freedom of association and group negotiation, energy and emissions, a total of 8 topics, newly added in 2023 The theme of sustainable supply chain, and the theme of training and education will still be included in the writing.

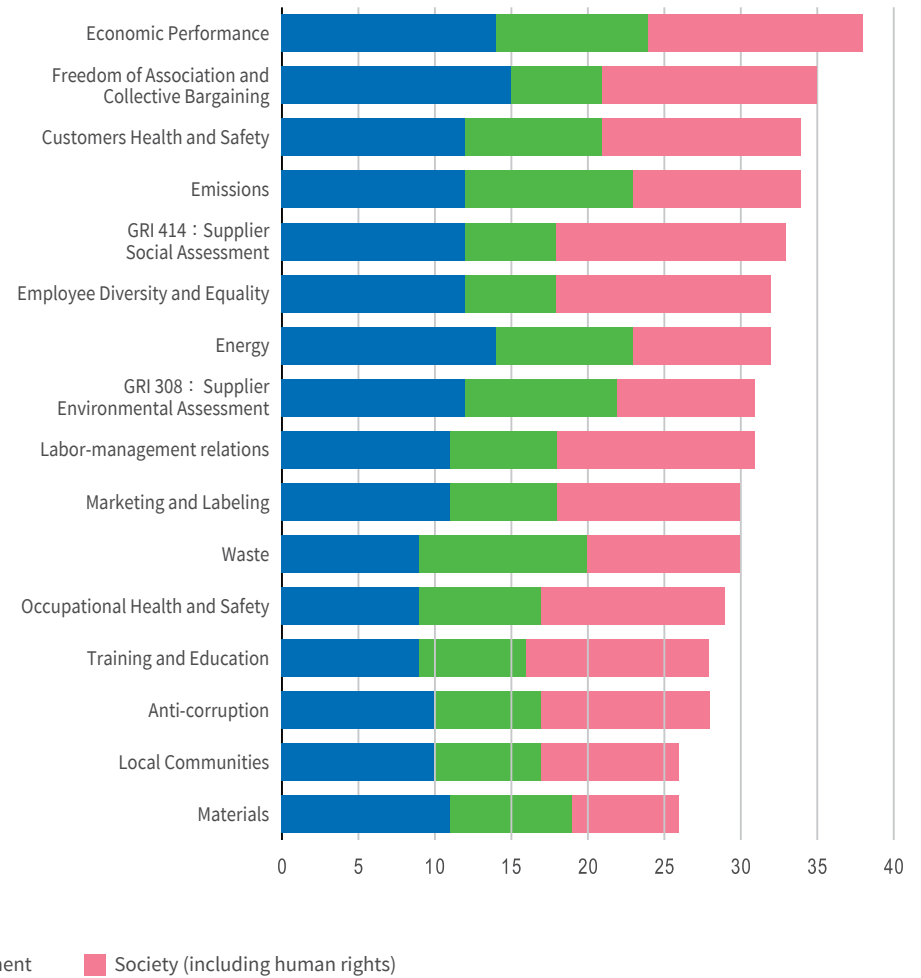
Positive Impact Ranking of Material Topics



Negative Impact Ranking of Material Topics



Integrated Impact Ranking of Material Topics





◎ Value Chain Boundaries of the Material Topics

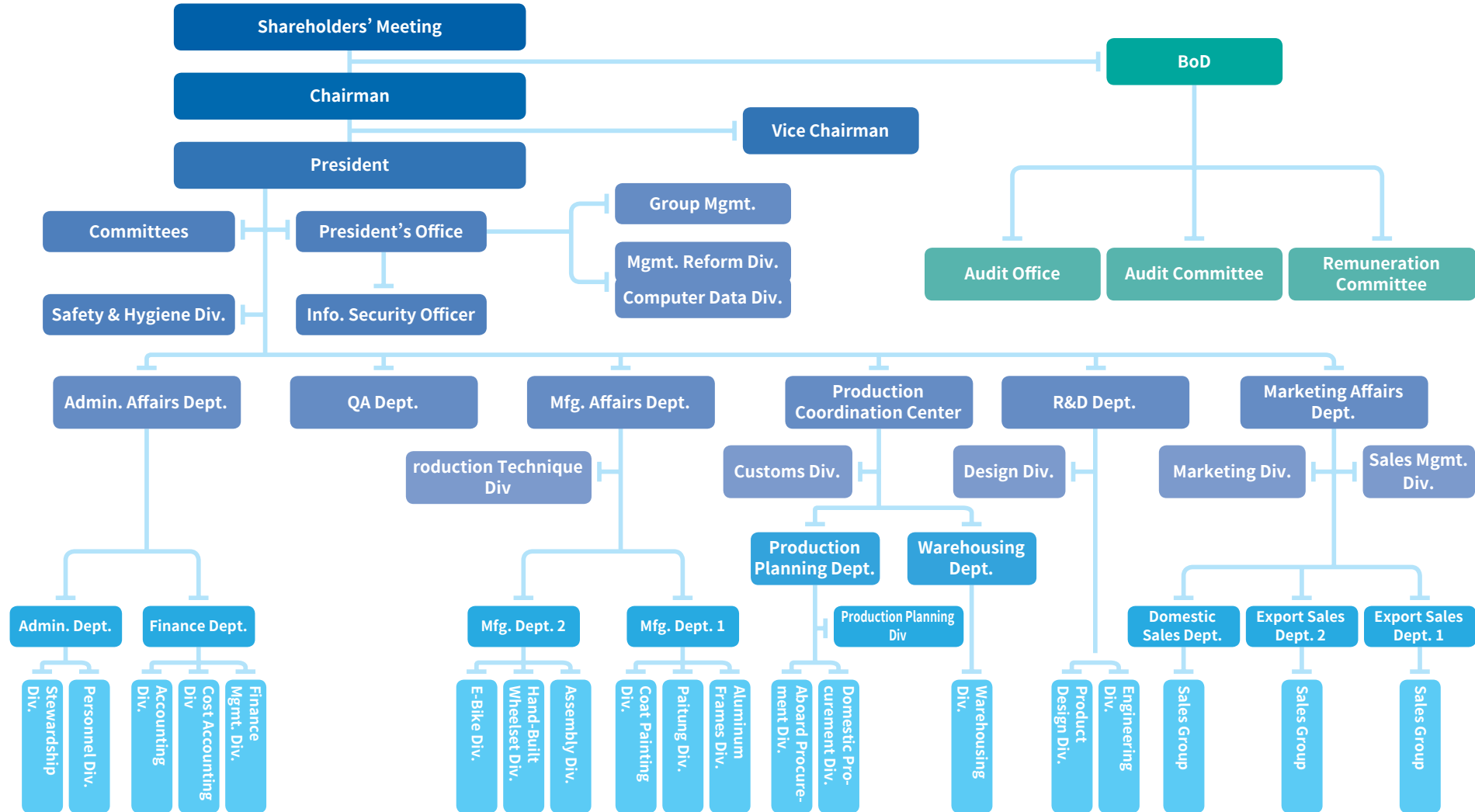
| Material topics | Corresponding GRI Standards | MERIDA's Material Issues Across the Value Chain | | | | | | | |
|--|-----------------------------|---|-----------------------------|---------------------|----------------------------------|-----------|---------------------|-------------------|------------------------|
| | | Internal | | External | | | | | |
| | | MERIDA | Employees and Other Workers | Customers/Consumers | Shareholders and Other Investors | Suppliers | Government Agencies | Local Communities | Financial Institutions |
| Economic Performance | GRI 201 | ■ | | ▲ | □ | ▲ | | | □ |
| Freedom of Association and Collective Bargaining | GRI 407 | ■ | ■ | | | □ | □ | | |
| Emissions | GRI 305 | ■ | | | | □ | □ | □ | |
| Customer Health and Safety | GRI 416 | ■ | | ▲ | | □ | | | |
| Sustainable Supply Chain | GRI 308 \ GRI 414 | ■ | | ▲ | | □ | □ | | |
| Employee Diversity and Equality | GRI 405 | ■ | ■ | | | | | □ | |
| Labor-management relations | GRI 401 | ■ | ■ | | | | □ | | |
| Energy | GRI 302 | ■ | | | | □ | □ | | |

■ : Direct Impact ; □ : Indirect Impact ; ▲ : Business conduct-related impact

1.3 Governance Structure

The organizational chart of MERIDA Industry Co. Ltd. is as follows :

MERIDA INDUSTRY CO., LTD. Organization Chart





◎ Main Departments Functions

| Departments | Main functions |
|----------------------------|--|
| Auditing Div. | ◎ Responsible for auditing and advising on internal control, general business operations and financial activities |
| Management Reforming Div. | ◎ Responsible for planning major investments and reviewing regulations and rules |
| Computer Data Div. | ◎ Responsible for the integrating corporate information systems, assisting in establishing query and decision-making resource systems, and other related tasks. |
| Safety & Hygiene Div. | ◎ Responsible for environmental protection and employees' health and safety, among other related tasks. |
| Engineering R&D Div. | ◎ Responsible for research and development of new product design, production, processes, etc. ◎ Responsible for annual new vehicle chassis design and mold fixture design and production, etc. ◎ Responsible for the development and research of product specifications and related tasks. |
| Quality Assurance Dept. | ◎ Responsible for quality control of raw materials and finished products |
| Finance Div. | ◎ Responsible for fund scheduling, accounting treatment and management information provision |
| Administration Dept. | ◎ Responsible for HR planning, implementation, and operation of human resource policies ◎ Responsible for property management and integration of the company's general affairs |
| Export Sales Dept. 1 and 2 | ◎ Responsible for overseas customer affairs and business information collection and analysis |
| Domestic Sales Dept. | ◎ Responsible for domestic marketing network issues and business information collection and analysis |
| Production Planning Dept. | ◎ Responsible for raw material negotiation, purchasing, tracking and production scheduling control |
| Warehousing Dept. | ◎ Responsible for raw material and finished product management in warehouse area |
| Manufacture Affair Dept. | ◎ Responsible for the production of bicycle products and maintenance of production equipment |

1.3.1 Board of Directors

The Board of Directors of the Company adopts a candidate nomination system. The acceptance method, announcement, and other matters relating to candidate nomination shall be handled in accordance with the provisions of the Company Act, the Securities and Exchange Act, and other relevant laws and regulations. The nomination of directors is subject to a rigorous selection process, taking into account not only their diverse backgrounds, professional skills, and experience, but also placing significant emphasis on individual ethical conduct. Diverse backgrounds include work experience in different fields, academic qualifications, and professional knowledge. The Company will conduct a Board of Directors election in 2024. Currently, there are a total of 13 directors, including 5 juristic person's representative directors, 4 individual directors, and 4 independent directors, representing 31% of the Board. There are also 3 female directors, representing 23% of the Board.

In view that the Chairman of the Board of Directors and the President of the Company are the same person or first-degree relatives, according to the "Directions for the Establishment of the Board of Directors", the number of independent directors should not be less than 4, and more than half of the directors should not serve as employees or managers at the same time. Currently, only 5 directors of the Company serve as managers, which is less than half of the director seats, complying with legal regulations and indeed strengthening the supervisory function of the Board of Directors to avoid conflicts of interest.

Among the 13 directors and independent directors, there are a total of 9 seats without any marital or direct family links. Thus, the Board of Directors of this Company possesses sufficient independence. To enhance the professional competence and legal literacy of directors, the Company regularly arranges training courses to help directors enrich their knowledge. For detailed information regarding the professional qualifications and experience of directors, their independence, training status, shareholding status, and other relevant information, please refer to the Company's website and the disclosure in the Annual Report (Annual Meeting of Shareholders). The following table presents information about each member of the Board of Directors:



| Title | Name | First Elected Date | Main Education Background | Concurrent Roles in the Company and Other Companies |
|----------------------|---|--------------------|---|---|
| Chairman | Tseng Song-Zhu | 1994/06/06 | 13 th MBA Program for Entrepreneur, National Chengchi University | 1. President of the Company (Retired on 1st February 2023) 2. Director, Zhengxin Rubber (China) Limited 3. Concurrently taking roles at affiliates of the Company. Refer Annual Report (Annual Meeting of Shareholders) for more details. |
| Vice Chairman | Tseng Song-Ling | 2000/06/24 | MBA Program of Long Island University, New York, USA | Chairman, Ding-Sheng Investment Co., Ltd. |
| Director | Tseng-Lu Min-Hua | 2012/06/28 | Graduated from Department of Accounting and Statistics, Taipei High School | Chairman, Ding-Hung Investment Co., Ltd. |
| Director | Luo Tsai-Jen | 2021/08/04 | Department of Marketing and Materials Management Newark College of Engineering | Chairman, Zhengxin Rubber (China) Limited |
| Director | Ding-Sheng Investment Co., Ltd. Rep: Tseng Hui-Juan | 2012/06/28 | Graduated from Accounting & Statistics Department of Holy Savior High School | |
| Director | Ding-Hung Investment Co., Ltd. Rep.: Zhen Wen-Xiang | 2012/06/28 | Graduated from Institute MBA, Dayeh University | 1. Vice President of Marketing Affairs Department and Spokesperson of the Company 2. Concurrently taking roles at affiliates of the Company. Refer Annual Report (Annual Meeting of Shareholders) for more details |
| Director | Ding-Hung Investment Co., Ltd. Rep: Yuan Qi-Bin | 2012/06/28 | Graduated from Institute MBA, Dayeh University | Vice President of Production Management Centre of the Company |
| Director | Ding-Hung Investment Co., Ltd. Rep: Lai Ru-Ding | 2018/06/26 | Graduated from Institute MBA, Dayeh University | 1. Vice President of Manufacturing Affairs Department of the Company 2. Concurrently taking roles at affiliates of the Company. Refer Annual Report (Annual Meeting of Shareholders) for more details |
| Director | Ding-Hung Investment Co., Ltd. RepL Tseng Ching-Cheng | 2021/08/04 | Graduated from Power Div., Mechanical Engineering Dept. 1-Year Program, Nanya Institute of Technology | Vice President of Domestic Sales Department of the Company |
| Independent Director | Chen Shui-Jin | 2015/06/22 | Master, Graduate School of Business Administration, National Chung Cheng University | Chief Accountant, Yuan-Sheng CPA Firm |
| Independent Director | Chen Jian-Nan | 2015/06/22 | Master of Design, , University of California, Los Angeles | Associate Professor, Department of Industrial Design, Chaoyang University of Technology |
| Independent Director | Tsai Wu-Ying | 2021/08/04 | Graduated from Department of Computer Science, Feng Chia University | Chairman, Fu-Chian Tire Co., Ltd. |
| Independent Director | Lei Shin-Jung | 2021/08/04 | Graduated from Department of Information Management 5-Year Program, Tatung Institute of Commerce | Supervisor of Engineering Department, E-Tech Ltd. |



All independent directors of the Company are able to leverage their strengths. Their diverse backgrounds include various work experiences, academic achievements, and professional knowledge from different fields. They actively participate in the operation of functional committees and use their expertise to fully exercise the guidance and oversight functions of these committees. In addition, if a director has a conflict of interest with any agenda item listed for the Board meeting, either personally or on behalf of a legal entity they represent, they must explain the important details of such conflict of interest at that meeting. If such a conflict may harm the interests of the Company, they are not allowed to participate in the discussion or vote on the matter. They should also abstain from discussions and voting, and cannot authorize other directors to exercise their voting rights. On January 13, 2023, the Board of Directors passed a resolution to promote Vansen Tseng to the position of President of the Company. Michale Tseng Song-Zhu resigned from the position of President, but remains the Chairman of the Board. The effective date of the said promotion is February 1, 2023.

The Board members have knowledge and experience in business management, finance and accounting, marketing, production, warehousing, product design, and information security. Their professional backgrounds are aligned with the current operational development needs of the Company. The Board members have extensive industry experience and professional capabilities, which enable them to provide valuable insights during Board meetings. The opinions of independent directors on various issues are also taken into consideration during the Board meetings. These discussions serve as important references for the Board members to formulate strategies and make decisions on key topics.

In 2023, there was 1 case of a director abstaining from a discussion due to a conflict of interest, which did not violate any relevant regulations.

| Title | Name | Gender | Age | Industrial Experience | | | | Professional Capabilities | | |
|----------------------|--|--------|------------------------|-----------------------|----------------------|---------------------|-----|-----------------------------------|----|-----------------|
| | | | | Banking/ Finance | Operation Management | Sales and Marketing | R&D | Accounting and Financial Analysis | IT | Risk Management |
| Chairman | Tseng Song-Zhu | M | 50 years old and above | V | V | V | V | V | | V |
| Vice Chairman | Tseng Song-Ling | M | 50 years old and above | V | V | V | V | V | | V |
| Director | Tseng-Lu Min-Hua | F | 50 years old and above | V | V | V | | V | | V |
| Director | Luo Tsai-Jen | M | 50 years old and above | V | V | V | V | V | | V |
| Director | Ding-Sheng Investment Co., Ltd. Rep. : Tseng Hui-Juan | F | 50 years old and above | V | V | V | | V | | V |
| Director | Ding-Hung Investment Co., Ltd. Rep. : Zheng Wen-Xiang | M | 50 years old and above | V | V | V | V | V | | V |
| Director | Ding-Hung Investment Co. Ltd. Rep. : Yuan Qi-Bin | M | 50 years old and above | | V | V | V | | | V |
| Director | Ding-Hung Investment Co. Ltd. Rep. : Lai Ru-Ding | M | 50 years old and above | | V | V | V | | | V |
| Director | Ding-Hung Investment Co. Ltd. Rep. : Tseng Ching-Cheng | M | 50 years old and above | | V | V | V | | | V |
| Independent Director | Chen Shui-Jin | M | 50 years old and above | V | V | V | | V | | V |
| Independent Director | Chen Jian-Nan | M | 50 years old and above | | V | V | V | | | V |
| Independent Director | Tsai Wu-Ying | M | 50 years old and above | V | V | V | V | V | | V |
| Independent Director | Lei Shin-Jung | F | 30-50 years old | | V | V | | | V | V |

◎ Operation of the Board of Directors

The Company began preparing sustainability reports in 2023 in accordance with the regulations of the relevant authorities. In response to corporate sustainability management, since 2022 the Company has taken a proactive approach to utilizing ESG, along with the guidance of consultants, so that the management can have an in-depth understanding of the risks and opportunities for the Company. We expect to report regularly to the Board of Directors on the key plans for sustainability and performance results in conjunction with the operational development goals, and regularly monitor progress of these plans in order to adjust the business strategies and operations. Based on the principle that the Board of Directors shall convene meetings no less than once per quarter, the Board of Directors met 8 times in 2023, with an average attendance rate of 98.08%.

MERIDA’s ESG Promotion Committee consists of senior management, including the Chairman, President, Vice President, and Head of Corporate Governance. Its main function is to coordinate the formulation and promotion of the Company’s environmental protection, social responsibility, and corporate governance objectives.

Each relevant sub-committee of the ESG Promotion Committee reports to the Board of Directors annually on the implementation and performance of the sustainability promotion plans, and the Board of Directors oversees the implementation of each plan. The Company’s management is responsible for exercising due care and diligence to ensure the quality of the sustainability report. After the completion of the sustainability report, it will be submitted to the Board of Directors for review before publication. The matters reported by the ESG Promotion Committee to the Board of Directors in 2023 are as follows:

| Aspect | Number of Critical Concerns | Overview of Communication Agenda |
|-------------|-----------------------------|--|
| Environment | 4 | <ul style="list-style-type: none"> 1. Establish a full-time (part-time) unit for greenhouse gas inventory of the parent company and subsidiaries, evaluate the scope of responsibilities and set up a schedule for internal verification units. 2. Formulate plans for various projects such as personnel training, strategic goals, and control mechanisms for greenhouse gas inventory and prepare procedure documents. 3. Greenhouse gas inventory schedule and external verification schedule of the parent company and subsidiaries. |
| Economy | 1 | <ul style="list-style-type: none"> 1. Report on the performance evaluation results of the Board of Directors and its members, the Audit Committee, and the Salary and Remuneration Committee. |
| Social | 5 | <ul style="list-style-type: none"> 1. Employee year-end bonus payment case. 2. Salary adjustment case for Thai migrant workers, dispatched workers and full-time employees. 3. Employee remuneration distribution and payment case. |

◎ Continuing education of directors and independent directors

The Company arranges regular training courses every year, such as climate governance and digital transformation, to improve the directors’ professional knowledge. This helps the directors in fulfilling their supervisory duties and promotes a culture of integrity in business management. Through this, we establish robust corporate governance and risk control mechanisms to ensure that the Company’s operation adheres to principles of transparency and accountability. For detailed information on the directors’ professional qualifications and experiences, independence status, training, and shareholding, please refer to the Company’s website and the disclosure in the Annual Report (Annual Meeting of Shareholders).



In 2023, the Board of Directors has planned educational training courses, for instance, ‘Plan ahead: Discussing Business Continuity Management, ‘What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing’, ‘Analysis of the latest tax regulations and practice trends’, ‘Business performance and total reward management practice’ and ‘Introduction to IFRS Sustainability Disclosure Standards’. Each director received an average of at least 6 hours of training per year, with a total of 102 hours, meeting the regulatory requirements for continuing education hours.



Training Overview for the Board of Directors

| Title | Name | Date | Organizer | Training | Hour | Total hour |
|---------------|------------------|--|--|--|------|------------|
| Chairman | Tseng Song-Zhu | 2023/11/09 | Taiwan Corporate Governance Association | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Vice Chairman | Tseng Song-Ling | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Director | Tseng-Lu Min-Hua | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Director | Luo Tsai-Jen | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Director | Tseng Hui-Juan | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Director | Zheng Wen-Xiang | Plan ahead: Discussing Business Continuity Management | 3 | 6 | | |
| | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | | | |
| Director | Yuan Qi-Bin | Plan ahead: Discussing Business Continuity Management | 3 | 6 | | |
| | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | | | |
| Director | Lai Ru-Ding | 2023/11/09 | Taiwan Corporate Governance Association | Plan ahead: Discussing Business Continuity Management | 3 | 12 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| | | 2023/09/20 | Industrial Technology Research Institute | The Introduction Strategy and Mechanism of Renewable Energy on Enterprise | 3 | |
| | | 2023/09/13 | Industrial Technology Research Institute | Strategies of Technology and Management for Factory Energy Conservation | 3 | |



○ Performance Evaluation of the Board of Directors

The Company aims to improve the functionality of the Board of Directors and implement corporate governance by setting performance targets to strengthen the efficiency of the Board's operations. This is achieved through regular performance evaluations to monitor the execution of these targets. For example, the Company has established the "Rules for Performance Evaluation of the Board of Directors" and conducts performance evaluations according to relevant regulations, including conducting regular annual evaluations of the Board, the Board members and its functional committees, as well as conducting an external performance evaluation at least once every three years. The scope of the evaluation includes the overall Board, individual Board members, and functional committees. Evaluation methods include self-assessment within the Board, self-assessment by the Board members, internal self-assessment within the functional committees, as well as engaging external professional institutions, experts, or other appropriate methods of performance evaluation.

The Company places great emphasis on the efficiency and quality of the Board of Directors and its related committees, striving for optimization and improvement through performance evaluations. The evaluation results serve as the basis for nominating directors or setting

| Title | Name | Date | Organizer | Training | Hour | Total hour |
|----------------------|-------------------|------------|---|--|--|------------|
| Director | Tseng Ching-Cheng | 2023/11/09 | Taiwan Corporate Governance Association | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Independent Director | Chen Jian-Nan | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Independent Director | Tsai Wu-Ying | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Independent Director | Lei Shin-Jung | | | Plan ahead: Discussing Business Continuity Management | 3 | 6 |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| Independent Director | Chen Shui-Jin | 2023/01/12 | Taiwan Corporate Governance Association | Analysis of the latest tax regulations and practice trends | 3 | 24 |
| | | 2023/04/19 | | Business performance and total reward management practice | 3 | |
| | | 2023/06/16 | | How does the Board of Directors Oversee ESG Risks and Build Sustainable Competitiveness of Enterprises | 3 | |
| | | 2023/09/23 | Securities & Futures Institute | Practical Symposium on Sustainable Development | 3 | |
| | | 2023/11/09 | Taiwan Corporate Governance Association | Plan ahead: Discussing Business Continuity Management | 3 | |
| | | | | What investors are thinking - Discussing Enterprise Sustainability Transformation from ESG Investments and Financing | 3 | |
| | | | | Corresponding strategies for profit - seeking enterprise and individuals under the CFC | 3 | |
| | | | | 2023/11/11 | Introduction to IFRS Sustainability Disclosure Standards | |
| Total | | | | | | 102 |



compensation, enabling a more objective assessment of the performance of the Board, the Board members, and functional committee, ensuring that the Company's leadership team has appropriate skills and contributions. Compensation for directors, president, and vice presidents is carefully considered based on their professional skills, level of involvement in Company's operations, measurement of other special contributions to the Company, and is linked to company profits and individual performance as the basis for compensation calculation. While the Company's current compensation does not directly link to the performance of ESG sustainable development, it continuously monitors future operational risks, timely reviews the compensation system, to achieve a balance between sustainable management and risk management, thus realizing ESG sustainable development indicators.

The Board of Directors Secretariat is responsible for the internal performance evaluation, and the performance evaluation of the Board of Directors, the Board members, and functional committee are conducted by means of internal self-assessment questionnaires. After the self-evaluation questionnaires are collected by the Secretariat in January 2024, the evaluation results have been recorded according to the scoring standards of each evaluation item. Each sub-item under each evaluation item is presented in a 5-level rating scale, with the following explanations of the rating levels:



In 2023, the overall performance of the Board of Directors, the individual Board members, and functional committees are all rated as “Excellent”. The comprehensive results indicate that the Board of Directors and its functional committee are operating well. The above performance evaluation results were submitted to the Board of Directors on March 14, 2024. The evaluation results for 2023 are as follows:

| Scope of Evaluation | Evaluation Items | Scores |
|---|--|--------|
| Board of Directors Performance Evaluation | Degree of participation in company operations | 56 |
| | Enhancement of decision-making quality by the Board of Directors | 58 |
| | Composition and structure of the Board of Directors | 34 |
| | Election and continuing education of the directors | 31 |
| | Internal control | 35 |
| Weighted Average Score | | 4.76 |
| Directors Performance Evaluation | Grasp over company goals and tasks | 187 |
| | Awareness of duties and responsibilities of directors | 192 |
| | Degree of participation in company operations | 489 |
| | Management and communications of internal relations | 194 |
| | Professionalism and continuing education of directors | 183 |
| | Internal control | 184 |
| Weighted Average Score | | 4.78 |

| Scope of Evaluation | Evaluation Items | Scores |
|---|--|--------|
| Remuneration Committee Performance Evaluation | Degree of participation in company operations | 20 |
| | Awareness of duties and responsibilities of the Remuneration Committee | 23 |
| | Enhancement of decision-making quality by the Remuneration Committee | 34 |
| | Composition and election of members of the Remuneration Committee | 15 |
| | Internal control | 5 |
| Weighted Average Score | | 4.85 |
| Audit Committee Performance Evaluation | Degree of participation in company operations | 20 |
| | Awareness of duties and responsibilities of the Audit Committee | 23 |
| | Enhancement of decision-making quality by the Audit Committee | 34 |
| | Composition and election of members of the Audit Committee | 14 |
| | Internal control | 13 |
| Weighted Average Score | | 4.73 |

In July 2022, the Company appointed the "Taiwan Corporate Governance Association" to conduct a performance evaluation of the Board of Directors. The details are as follows:

- (1) Evaluation Period: October 1, 2021 to September 30, 2022.
- (2) Evaluation Method: The external performance evaluation was conducted through the review of relevant documents provided by the Company, and also video interviews of the Chairman, the convenor of the Audit Committee (Independent Director), the convenor of the Remuneration Committee (Independent Director), Representative of Juristic-Person Director (Vice President of Marketing Affairs Department and Spokesperson of the Company), Head of Corporate Governance, Chief Auditor, etc. by the Evaluation Committee of the Taiwan Corporate Governance Association as well as the specialists.
- (3) Evaluation Items: The external performance evaluation was based on eight aspects, including composition of the Board of Directors, guidance provided by the Board of Directors, authorization granted by the Board of Directors, supervision of the Board of Directors, communication within the Board of Directors, internal control and risk management, self-discipline of the Board of Directors, and other factors such as Board of Directors meetings and support systems, to examine the operation of the Company's Board of Directors.

The Evaluation Report was issued by the Taiwan Corporate Governance Association on November 24, 2022. The report is summarized below:

1. General rating of the Evaluation Report :

(1) The Chairman of the Company values the expertise required for the Company's development and respects the opinions of the Board of Directors. There is good communication between the Chairman and directors, often by telephone, to build consensus. Of the 13 directors on the Board of Directors, 3 are female, demonstrating a focus on gender diversification, which is commendable.

(2) The selection of independent directors in the Company is based on the expertise required during the operational development phase, whereby experts in relevant fields are selected to serve as the independent directors. All independent directors are able to contribute their strengths and actively participate in the work of the functional committee. The Company leverages the expertise of the independent directors to fully utilize the guiding and supervisory functions of the functional committees.

(3) The Company's Board of Directors places emphasis on the long-



term cultivation of talent. Senior executives are required to consider succession planning in advance, with the Chairman setting an example by declaring a ten-year transition plan for his position as president. Concrete measures include comprehensive training and experience transfer tailored to the specifics of the industry, nurturing a pipeline of successors for the group, and ensuring the Company's sustainable development through talent reserves.

(4) The Board of Directors and the Remuneration Committee of the Company attach great importance to human capital, by establishing the 'Regulations governing Payment of Remunerations to Directors' and 'Salary Management Regulations'. The transparent and publicly available compensation structure surpasses industry standards, effectively motivating mid to senior-level executives, thus laying the cornerstone for the Company's competitiveness and talent retention.

2. The recommendations and improvement plans outlined in the Evaluation Report are detailed below:

Recommendations

Improvement plans

With 4 independent directors on the Board, it still falls short of one-third of the total number of directors. Further, the proportion of having 6 internal directors is relatively high. The recommendation is that the Company should consider reducing the number of director seats or number of internal directors, to achieve a more balanced separation of supervisory and management powers, and strengthen the supervisory function of the Board of Directors.

The recommendation has been presented to the Company's management as a reference for the subsequent re-election of the Board of Directors.

It was suggested that the Company should establish a functional committee under the Board of Directors, dedicated to overseeing the coordination of sustainable development policies and concrete implementation plans. The committee will contribute to the deepening and institutionalization of corporate sustainable development, and improve the synergies among departments in executing corporate sustainability and social responsibility initiatives.

The Company established an ESG Promotion Committee in 2022, primarily for the formulation and execution of ESG plans. The Company is currently in the process of deliberating the establishment of a functional committee under the Board of Directors - the Sustainability Committee.

It is suggested to establish a risk management organization to develop relevant policies and procedures to ensure their effectiveness in addressing various risks and compliance with relevant legal requirements. In the event of occasional significant information, a timely collection, assessment, and response can also be facilitated through notification procedures, providing accurate and timely notifications to relevant stakeholders. This risk management organization can regularly review and assess the Company's risk control situation and report the review results to the Board of Directors, enabling the Board members to better understand the overall risk management situation of the Company and formulate corresponding strategic directions.

The company is gradually considering the establishment of a functional committee under the Board of Directors - the Risk Management Committee, and is in the process of revising the practical guidelines for risk management.

The Company values communication with stakeholders and provides channels for stakeholder contact and whistleblowing. Strengthen the whistleblower mechanism to communicate directly with the independent directors, regularly collect stakeholders' opinions, and report to the Board of Directors. Further strengthen communication and interaction between the Company and stakeholders, improve transparency and efficiency of corporate governance, and strengthen the Company's reputation and sustainable development.

The Company will adjust current communication channels to allow independent directors to receive whistleblower reports simultaneously.

1.3.2 Audit Committee

The Company's Audit Committee consists of four independent audit committee members, one of whom is a female independent director. The purpose is to oversee the fair presentation of the Company's financial statements, the selection and dismissal of certified public accountants as well as their independence, the effective implementation of internal controls, the Company's compliance with relevant laws and regulations and the control of existing or potential risks of the Company. For information on the professional qualifications of audit committee members and the independence of independent directors, please refer to the disclosure in the Annual Report (Annual Meeting of Shareholders). The main tasks of the Audit Committee include: annual standalone and consolidated financial statements, annual profit distribution, annual audit plan formulation, internal control systems, loans of funds of the Company and its subsidiaries, endorsements and guarantees by the Company for its subsidiaries, evaluation of the independence and suitability of certified public accountants, changes in accounting executives, self-assessment questionnaires for the Audit Committee's performance evaluation, and regulatory compliance.

The powers of the Audit Committee are as follows :

1. The adoption of or amendments to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, in accordance with Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and quarterly financial reports.
11. Other material matters as may be required by this Company or by the competent authority.

The above-mentioned items shall be subject to the approval of one half or more of the entire membership of the Audit Committee and shall be submitted to the Board of Directors for a resolution. Except of item 10, any matter that has not been approved by one half or more of the entire membership of the Audit Committee may be adopted with the approval of two thirds or more of the entire Board of Directors. "The entire membership," as used herein, shall be counted as the number of members actually in office at the given time. The convener of the Audit Committee shall represent the Committee to the public.

Audit Committee Operation Information

| Title | Name | Actual Attendance | Proxy Attendance | Actual Attendance Rate (%) | Notes |
|----------|---------------|-------------------|------------------|----------------------------|-----------------------------|
| Convener | Chen SHui-Jin | 5 | 0 | 100% | Independent Director |
| Member | Chen Jian-Nan | 5 | 0 | 100% | Independent Director |
| Member | Tsai Wu-Ying | 5 | 0 | 100% | Independent Director |
| Member | Lei Shin-Jung | 5 | 0 | 100% | Female Independent Director |

1.3.3 Remuneration Committee

In order to ensure sound corporate governance and strengthen the function of the Board's compensation management to safeguard the rights and interests of investors, the Company has established a Remuneration Committee in accordance with Article 14-6, Paragraph 1 of the Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committees of Companies Whose Stock is Listed on the Stock Exchange or the Taipei Exchange" promulgated by the Financial Supervisory Commission of the Executive Yuan on March 18, 2011. The Company has also formulated the Remuneration Committee Charter for compliance.

The payment of the directors' remuneration is governed by Article 32 and Article 34 of the Company's Articles of Incorporation. Directors are entitled to remuneration regardless of the Company's operating profit or loss while performing their duties. The Board of



Directors is authorized to determine the remuneration based on the level of involvement in the Company's operations, the value of the contribution and the general industry standards. When the Company generates profits, apart from independent directors, an amount not exceeding 5% shall be allocated for directors' remuneration, with the actual allocation ratio being 2.6% per year.

The independent directors of the Company receive a fixed monthly remuneration, with no variable bonus. They only receive a travel allowance based on the actual number of meetings attended. Executive remuneration primarily comprises salaries, bonuses, and employee dividend, with allocations for retirement funds and welfare benefits, among others. Payments are processed according to the Company's salary management regulations and relevant laws and regulations, taking into account the Company's operational performance, individual performance, achievement of strategic objectives and industry standards. They are reviewed by the Remuneration Committee and approved by the Board of Directors to ensure fair compensation, that motivates and retains talent, thereby enhancing the Company's competitiveness. In the event of significant risks affecting the Company's reputation, improper internal management, or personnel misconduct, bonuses may be reduced or withheld. Directors' remuneration is reviewed by the Remuneration Committee and is submitted to the Board of Directors for approval, to ensure fair remuneration.

The Company's Remuneration Committee consists of three members who are responsible for evaluating the salary and remuneration policies and systems for directors and executives from a professional and objective standpoint. They provide recommendations to the Board of Directors for decision-making. The committee operates in accordance with the "Remuneration Committee Charter" of the Company and convenes regular meetings at least twice a year. The committee's relevant duties include:

1. Regularly reviewing the "Remuneration Committee Charter" and proposing amendments if necessary.
2. Formulating and regularly reviewing the Company's policies, systems, standards, and structures of remuneration of directors and executives.
3. Periodically assessing the achievement of performance objectives by the directors and executives of the Company and reviewing the content and amounts of their individual remuneration accordingly.

Remuneration Committee Operation Information

| Title | Name | Actual Attendance | Proxy Attendance | Actual Attendance Rate (%) | Notes |
|----------|---------------|-------------------|------------------|----------------------------|----------------------|
| Convenor | Chen Jian-Nan | 3 | 0 | 100% | Independent Director |
| Member | Chen Shui-Jin | 3 | 0 | 100% | Independent Director |
| Member | Lin Fu-Xing | 3 | 0 | 100% | Member |





1.4 Operational Achievement

In 2023, the Company's operating revenue was NT\$27,261,117,000, a decrease of NT\$9,741,965,000 from the previous year, primarily due to inventory adjustments in the bicycle industry. In 2023, the Company did not make any political donations or receive any government subsidies.

Overview of Operational Performance in the past three years

Unit : NT\$ thousand

| Project/Year | 2021 | 2022 | 2023 |
|---|------------|------------|------------|
| Net Sales Revenue(A) | 29,391,183 | 37,003,082 | 27,261,117 |
| Operating Cost(B) | 25,304,229 | 30,611,767 | 22,147,087 |
| Operating Margin | 4,086,954 | 6,391,315 | 5,114,030 |
| Net Operating Profit | 1,589,376 | 3,437,465 | 3,385,943 |
| Non-Operating Income and Expense | 4,615,377 | 1,060,381 | (636,286) |
| Net Profit before Tax | 6,204,753 | 4,497,846 | 2,749,657 |
| Current Net Profit | 4,788,170 | 3,454,418 | 1,798,762 |
| Total Comprehensive Income for the Year | 3,884,024 | 5,317,914 | 1,956,057 |
| Earnings Per Share (NT\$) | 15.55 | 11.34 | 5.66 |
| Employees Welfare(B) | 18,195 | 11,132 | 10,579 |
| Dividends | 2,391,870 | 2,092,887 | 1,793,903 |
| Employees' Remuneration (including Employees Welfare) | 2,257,068 | 2,343,549 | 2,064,231 |
| Retained Economic Value(C) | 3,936,368 | 3,343,954 | 706,892 |
| Payment to Investors(B) | 2,439,292 | 2,170,322 | 2,022,404 |
| Payments to Government(B) | 1,494,781 | 1,166,874 | 1,124,999 |
| Community Investment(B) | 1,509 | 768 | 561 |

Notes:

(1) The currency is NTDS.

(2) Direct economic value generated = Σ (A)

(3) Distributed economic value = Σ (B)

(4) Retained Economic value (C): "Direct economic value generated" - "Distributed economic value" - short-term employee benefits and post-employment benefits that are operating expenses.



1.5 Risk Management

In order to strengthen corporate governance and promote sound management, the Company has established 'Internal Control and Audit Procedures' in accordance with the 'Regulations Governing the Establishment of Internal Control Systems by Public Companies'. The Company's internal control system covers all operational activities, which are categorized into eight major cycles: (1) Sales and cash receipts cycle, (2) Purchase and payment cycle, (3) Production cycle, (4) Labor and wage cycle, (5) Finance cycle, (6) Property, plant and equipment cycle, (7) Investment cycle and (8) Research and development (R&D) cycle. For each of the eight major cycles, policies and procedures have been established for departments to follow.

Each department and subsidiary regularly assesses internal control system risks, enabling the Company to promptly identify and address potential risk issues, thereby enhancing self-supervision and management capabilities. Timely adaptation of the design and implementation of internal control systems to changes in the environment ensures the effectiveness and applicability of the systems and enables them to better adapt to changes and challenges in the external environment. Disclosing rules and regulations on online platforms helps improve employees' understanding and compliance with the Company's policies, thereby reducing the risks that may arise during the execution of business operations and thereby ensuring the stability and compliance of the Company's operations.

In order to strengthen the Company's internal control systems and promote long-term sustainable development, the assessment and monitoring performed by the audit department helps gain a deeper understanding of the design and execution of internal controls, enabling issues to be identified and corrective action to be taken in a timely manner.

Suggesting improvements and monitoring their effectiveness facilitates the continuous optimisation of the company's internal controls and operational efficiency. In addition, audit reports truthfully reveal deficiencies and anomalies in the internal control system, with regular reporting and communication of the audit results to the Board of Directors and the Audit Committee. This enhances the transparency and efficiency of corporate governance, and increases the Board of Directors' and Audit Committee's understanding and confidence in the Company's internal controls.

| Scopes of Risk Control | | |
|---|---|---|
| Type | Potential Risks | Countermeasures |
| Information Security Management Risks | <ol style="list-style-type: none"> 1. Equipment affected by unforeseeable disasters such as earthquakes, fires, etc. 2. Data infected by viruses 3. Data or information theft 4. Hacker attacks | <ol style="list-style-type: none"> 1. Establish an Information Security Management System (ISMS) to mitigate enterprise cybersecurity threats from a system, technical, and procedural perspective, and to provide confidential information protection services that meet customer requirements. 2. Implement environmental control and disaster prevention measures, as well as off-site data backups, in equipment rooms. 3. Install antivirus software and regularly update versions and virus definitions. 4. Implement access control devices and personnel access management in equipment rooms, as well as user data permission management, to ensure data confidentiality. 5. Update software and hardware in a timely manner, conduct regular inventory and audit user terminals. 6. Raise employee awareness of malicious attacks on emails, software, files, etc., to improve their cybersecurity awareness. |
| Financial Risks | <ol style="list-style-type: none"> 1. Exchange rate and interest rate risks 2. Credit risk 3. Liquidity risk | <ol style="list-style-type: none"> 1. Timely use of derivative financial instruments to hedge risks, such as the use of forward foreign exchange contracts to hedge exchange rate risks on imports and exports. 2. Sign fixed-rate loan agreements with banks to reduce interest rate fluctuations over the loan period, or opt for short-term loans that can be renegotiated quickly in the event of interest rate changes. 3. Monitor the status of customer funds and carry out aging analysis of receivables to prevent customers from defaulting on their contractual obligations, which could result in financial loss to the company. 4. Manage and maintain sufficient cash and cash equivalents to support the group's operations and mitigate the impact of cash flow fluctuations. Oversee management's use of bank financing facilities and ensure compliance with contract terms. |
| Risks from Management of Intellectual Property Rights | Infringement of intellectual properties (e.g., trademarks, patents, or copyrights) | <ol style="list-style-type: none"> 1. Signing of licensing agreements is necessary when granting others the rights of intellectual property. 2. In the event of illegal infringement of intellectual property rights, legal personnel should proactively collaborate with relevant departments and lawyers to take effective protective measures. |



1.6 Integrity and Compliance with the Law

Pursuant to Chapter II, Article 4, Item 26(C) of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, 'Material information of TWSE listed companies' means the occurrence of a disaster, group protest, strike, environmental pollution, information and communication security event, or any other material event, resulting in where the administrative fines for a single event have accumulated to NT\$1 million or more. The events subject to penalties for the Company in 2023 did not meet the criteria of a material event.

MERIDA has been established for more than half a century now. From the initial struggles and the hardships of entrepreneurship, step by step, we have managed to secure a place in the industry, which is no easy feat. Although there are currently no specific anti-competition regulations in place the Company respects market mechanisms and emphasizes the importance of conducting business with integrity, refraining from unfair commercial practices such as restrictive pricing, sales, or colluding with industry peers to monopolize the market.

The Company has always valued its employees as its most important asset. It has established various employee organizations such as the Employee Welfare Committee, Food Committee, Labor Union, and Bicycle Association. These organizations set subsidy standards and implement various welfare systems according to employees' needs. These includes safeguard mechanisms, travel subsidies, annual festival gifts, birthday and housewarming bonuses, and year-end banquets and raffles. These efforts demonstrate the Company's appreciation of the hard work and dedication of its employees throughout the year. The interaction between the Labor Union and the Company is positive.

In 2023, both employees and management held regular quarterly employees-management meetings and organized a general members' meeting at the end of the year to discuss issues relevant to all employees. Through these regular dialogues and communication opportunities, Labor Union Member Representatives are able to communicate the employees' demands directly to the Company.

The Company is committed to operating prudently and to maintaining and creating a safe and lawful working environment. It respects international human rights conventions and complies with the requirements of our country's 'Labor Standards Act', 'Employment

Service Act', and 'Gender Equality in Employment Act'. Internally, the Company has established clear institutional norms such as the 'MERIDA Code of Conduct', 'Work Rules', and 'Measures on Prevention of Sexual Harassment in the Workplace and Related Complaint Procedures and Punishment Measures' to safeguard the rights of employee.

When selecting partners, priority is given to companies that implement human rights requirements or policies. In fulfilling its corporate social responsibility, the company adheres to the principles set out in relevant international human rights conventions such as the 'Universal Declaration of Human Rights' and the 'International Labor Organization (ILO) Conventions'. It strives to improve working conditions in order to enhance the quality of life of its employees. It also strives to create a healthy and safe working environment in accordance with national laws and regulations on labor and gender equality.

To ensure the implementation of and compliance with labor rights as stipulated in the 'Labor Standards Act' and the 'Gender Equality in Employment Act', the Company periodically reviews the implementation of various issues such as child labor, forced labor, sexual harassment, communication between employees and management, and freedom of expression in accordance with customer requirements. Additionally, all employees are provided with education and training on relevant human rights policies. The Company strictly prohibits any form of forced or compulsory labor and maintains open communication and cooperation with Labor Unions at all times to achieve a win-win situation for both employees and management.

When employees are required to work overtime due to customer order requirements, the Company calculates the overtime pay to be provided in accordance with the "Labor Standards Act" and the "Salary Management Regulations" formulated internally. If the adjustment of overtime hours is still insufficient to meet order delivery requirements, the Company will arrange for support from other departments to minimize reliance on overtime work and avoid any instances of forced labor.



| Relevant laws and regulations | Occurrence (Yes/No) |
|---|---|
| Corruption | No |
| Child labor | No |
| Discrimination | No |
| Environmental protection related laws | 1 event, with a total fine of NT\$123,000 |
| Political donations | No |
| Cases of customer privacy breach or loss of customer data | No |
| Employment-related laws | 2 events with a total fine of NT\$260,000 |
| Various regulations related to social and economy sectors | No |

Notes :

1. The abovementioned events do not amount to material event as defined by the Taiwan Stock Exchange Corporation Procedures 1.for Verification and Disclosure of Material Information of Companies with Listed Securities, whereby "Material information of TWSE listed companies" means the occurrence of a disaster, group protest, strike, environmental pollution, information and communication security event, or any other material event, resulting in where the administrative fines for one single event have accumulated to NT\$1 million or more.
2. Explanation of violations of labor regulations: Regarding extension of working hours, failure to pay wages in accordance with regulations and extension of working hours exceeding the statutory requirements, overtime wages have been calculated in accordance with legal requirements, flexible working hours have been used and manpower has been supplemented, and overtime hours have been reduced to meet legal requirements.
3. Explanation for violation of environmental protection regulations: The sewage treatment facilities did not meet the standards for discharged water. The company has purchased testing equipment of the same level as the laboratory and used the environmental testing standard methods announced by the Ministry of Environment to conduct discharged water testing three times/day. For parts of the wastewater storage tank that are inconsistent with the license registration, the relevant temporary storage tanks within the company have been checked and the license contents have been revised.

So far, the Company has not received any complaints from the public or regulatory authorities regarding anti-competitive behavior, anti-trust and monopoly practices, discrimination incidents, illegal use of child labor, infringement of employee rights, or involvement in violations of rights of indigenous people.

The Company considers tax compliance to be an essential part of its operations and is committed to information transparency by regularly disclosing relevant tax information to stakeholders through financial reports and annual reports (annual meeting of shareholders). Our tax policy includes:

1. Conducting business and operational strategies in accordance with relevant tax regulations.
2. Not transferring profits to low-tax jurisdictions or tax havens.

3. Ensuring that transactions with associated enterprises comply with the transfer pricing principle.
4. Establishing good and mutually respectful relationships with tax authorities.

The Administrative Affairs Department serves as the highest guiding department for the group’s tax management. The tax affairs of other overseas subsidiaries within the group are handled by Taiwanese executives and local finance departments for the day-to-day implementation of tax management. In response to updates in tax laws and regulations, expertise is enhanced through professional advisory services provided by external tax expert organizations. When faced with significant and complex tax issues, the Company gives priority to obtaining opinions from accounting firms or tax authorities in order to avoid tax disputes and risks.

⦿ **Anti-corruption Policies**

MERIDA places great emphasis on corporate governance and corporate social responsibility, with a corporate ethos of ‘Creating unlimited competitiveness and giving back to the community through the business core of honesty and prudence, and the enthusiasm of mutual assistance’. Led by the President, all employees attend in the monthly all-staff meeting, where these principles are reiterated. "Honesty and Prudence" and "Valuing Ethics and Integrity" have always been the Company's guiding principles, deeply ingrained in the hearts of every employee.

Therefore, relevant internal control systems have been established to ensure compliance with related guidelines and regulations, such as Corporate Governance Best Practice Principles, Information Disclosure and Insider Trading Prevention Procedures, Codes of Ethical Conduct, Ethical Corporate Management Best Practice Principles and Corporate Social Responsibility Best Practice Principles, and etc. These regulations can also be found on the Company's official website.

Furthermore, to ensure that colleagues understand the Company's emphasis on integrity in business management principles, we not only promote the articles of the integrity management guidelines through education and training mechanisms but also extend the emphasis to the supplier side. In procurement transactions, we include provisions in the procurement contracts that require procurement personnel and vendors to strictly adhere to integrity standards in their business dealings and prohibit any dishonest behavior. This is to ensure that the governance structure and operations are in line with best practice and that shareholder rights and corporate interests.

The Company has also established Information Disclosure and Insider Trading Prevention Procedures to ensure the transparency and compliance in information disclosure and to prevent inappropriate activities such as insider trading. At the same time, in order to promote a corporate culture of integrity and provide a sound mechanism for business operations, the "Ethical Corporate Management Best Practice Principles" and "Codes of Ethical Conduct" have been formulated for all employees to follow.

Additionally, in order to prevent illegal activities or incidents of corruption, an independent reporting mailbox has been established in accordance with Article 23 of the "Ethical Corporate Management Best Practice Principles". Stakeholders can report through telephone, email, or through suggestion boxes set up at the Company's premises. If, upon investigation, any violations are found to be true, the Company will take the necessary actions in accordance with the relevant disciplinary rules or applicable laws.

At the same time, the Company has established a whistleblower system, through which stakeholders can make reports by via telephone, email, or through suggestion boxes placed located throughout within the Company company premises. In the event of reports concerning illegal or disciplinary misconduct, after upon investigation and confirmation, the necessary actions will be taken in accordance with the Company's company's 'Work Rules' or relevant legal provisions. Measures are also in place to protect the whistleblower and to ensure ensuring their rights and safety. The identity and content of the whistleblower are kept confidential to protect the whistleblower safeguard them from any undue repercussions. In 2023, there were no reported incidents of breaches of integrity, ethics, or corruption, either internal or external to internally or externally within the Company, No corruption occurred.

The Company conducts an annual internal control self-assessment in accordance with the 'Regulations Governing Establishment of Internal Control Systems by Public Companies' published by Financial Supervisory Commission. The scope of the assessment covers three subsidiaries (MERIDA China, MERIDA Shandong, MERIDA Jiangsu), and evaluates risk levels (classified as high, medium, low) based on internal control elements such as control environment, risk assessment, control activities, information and communication and monitoring.

The overall results of the assessment show that both the headquarters and the three subsidiaries do not have high-risk levels in the assessment items of 'control environment' and 'company emphasizes integrity and ethics'. Additionally, the Internal Audit Department performs operational cycle reviews as part of the annual audit plan. Any discrepancies are discussed with the relevant departments and improvements are made accordingly. In the audit results for 2023, the rate of non-compliance with the internal control system was approximately 5.5% of the annual audit plan, all of which have now been fully rectified.

| Course | Amount of trainees | Completed hours |
|--|--------------------|-----------------|
| Education and Training for Ethical Corporate Management Best Practice Principles | 32 | 240 |

Notes: In 2023, the Human Resources department conducted integrity training for new employees upon joining the Company, with the aim of instilling the Company's philosophy of "Ethical Corporate Management" deeply into their minds.

Reporting Channel

Department-in-charge

1. Domestic Sales Dept.
2. Independent director (Convener of Audit Committee), Chen Shui-Jin.

Address

No. 116, Meigang Rd, Dacun Township, Changhua County 515005

Telephone

(04) 8526171

Email

1. IR@merida.com.tw
2. roberthchen@yahoo.com.tw



Suggestion box for the employees

Special Column :

Advancement and Transformation Project of Bicycle Supply Chain Digital Intelligent Integration System

MERIDA aims to enhance its international integration capability and corporate international competitiveness. Recognizing that international enterprises, including upstream, midstream, and downstream supply chains, as well as many international partners, use the SAP Enterprise Resource Planning (ERP) system, MERIDA hopes that the introduction of the system platform can assist the Company in integrating international partners and their information platforms more easily. MERIDA leads four cooperative third-party vendors and jointly applies for government projects for the purchase of new equipment and improvement subsidies for existing equipment. Therefore, MERIDA began to implement the SAP ERP system in 2020 to promote digital transformation, assist in streamlining operations procedures in various departments such as manufacturing, procurement, warehouse management, sales, and finance, strengthen process reconciliation at all stages, comprehensively upgrade systematic management, accelerate the consolidation of operational data at all ends, and provide executives with real-time analysis of business operations information through system services, enabling agile decision-making and rapid response to global market changes, to provide consumers with better products and experiences. Looking at the implementation of the SAP ERP system, it helps MERIDA to assist in smoother coordination of overall production and sales information and supply chain management, effectively strengthening the development of international business.

However, the bicycle industry is a traditional industry, and there is often a gap and deficiency in information technology within the business. Traditional industries face difficulties in recruiting information talents. Therefore, in the absence of technical talent and capabilities, the bicycle industry faces the dilemma of insufficient information capabilities and lack of information integration capabilities. MERIDA, as a leading enterprise in the domestic bicycle industry, assists in improving the international competitiveness and vertical integration capability of the supply chain system through internal technological investment and information integration. The Company proposes to develop an information application technology for heterogeneous integration of supply chain platforms, aiming to establish a service platform based on internet and interactive webpage technology, for use by supply chain system enterprises through the promotion of this project.

The motivation and benefits of implementing high-efficiency intelligent Automated Storage Retrieval System



Inventory management cost

The low efficiency of storage and transportation leads to frequent problems of inventory backlog or overdue, resulting in waste and losses. Excessive storage of goods will lead to high inventory costs, while expiration will increase waste and environmental costs associated with scrapped products.



Reducing manual labor operations

Without efficient storage and transportation systems and automated equipment, reliance on manual operations for storage and transportation is necessary. Manual operations require more time and labor costs, are prone to errors, thereby affecting production and logistics efficiency, increasing costs, and reducing competitiveness.



Reducing throughput

When storage and transportation efficiency is low, order processing and logistics distribution will take more time, resulting in the inability to meet customer demands promptly, affecting satisfaction and reputation. If competitors offer faster delivery, customers will choose them, leading to a decrease in sales.

In 1995, we pioneered the industry by establishing semi-automated warehousing. However, it is currently unable to meet the demands of our existing small-scale and diversified production methods.

Integrating suppliers and order information

Through the heterogeneous supply chain platform, suppliers can receive order information emails sent by the system in real-time, and they can also confirm order information through the platform. This not only streamlines the communication process but also enhances the efficiency of order processing, helping to accelerate production scheduling and operations.

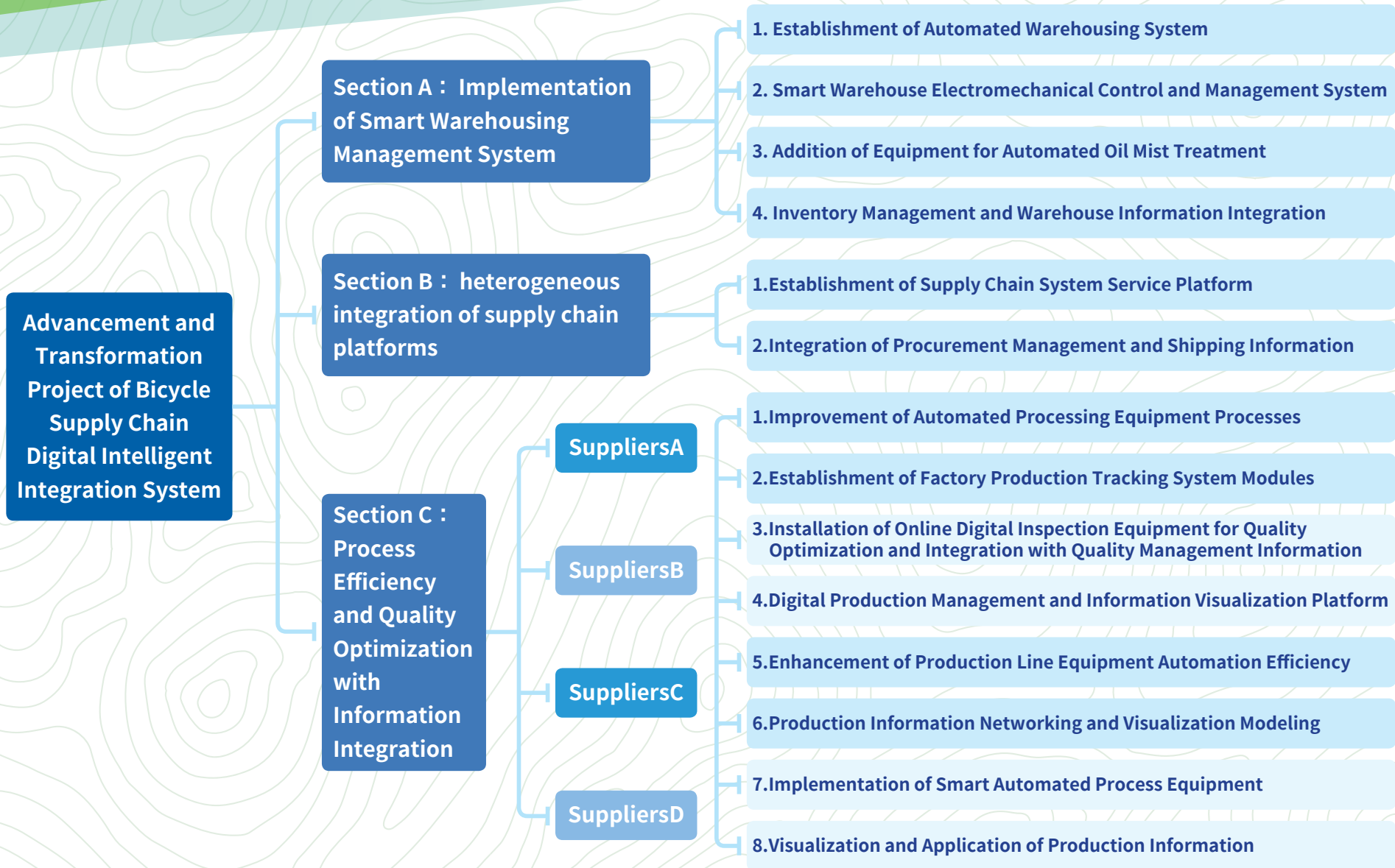
Integrating inbound and outbound operations

In order to effectively integrate the information of supply chain shipments and product receipts, the Company not only integrates order information with supply chain shipment information but also incorporates order receipt operations into the plan. Through the SAP procurement and inventory management modules, the Company can intelligently allocate warehouse storage locations based on various material condition criteria, further enhancing inventory management efficiency.

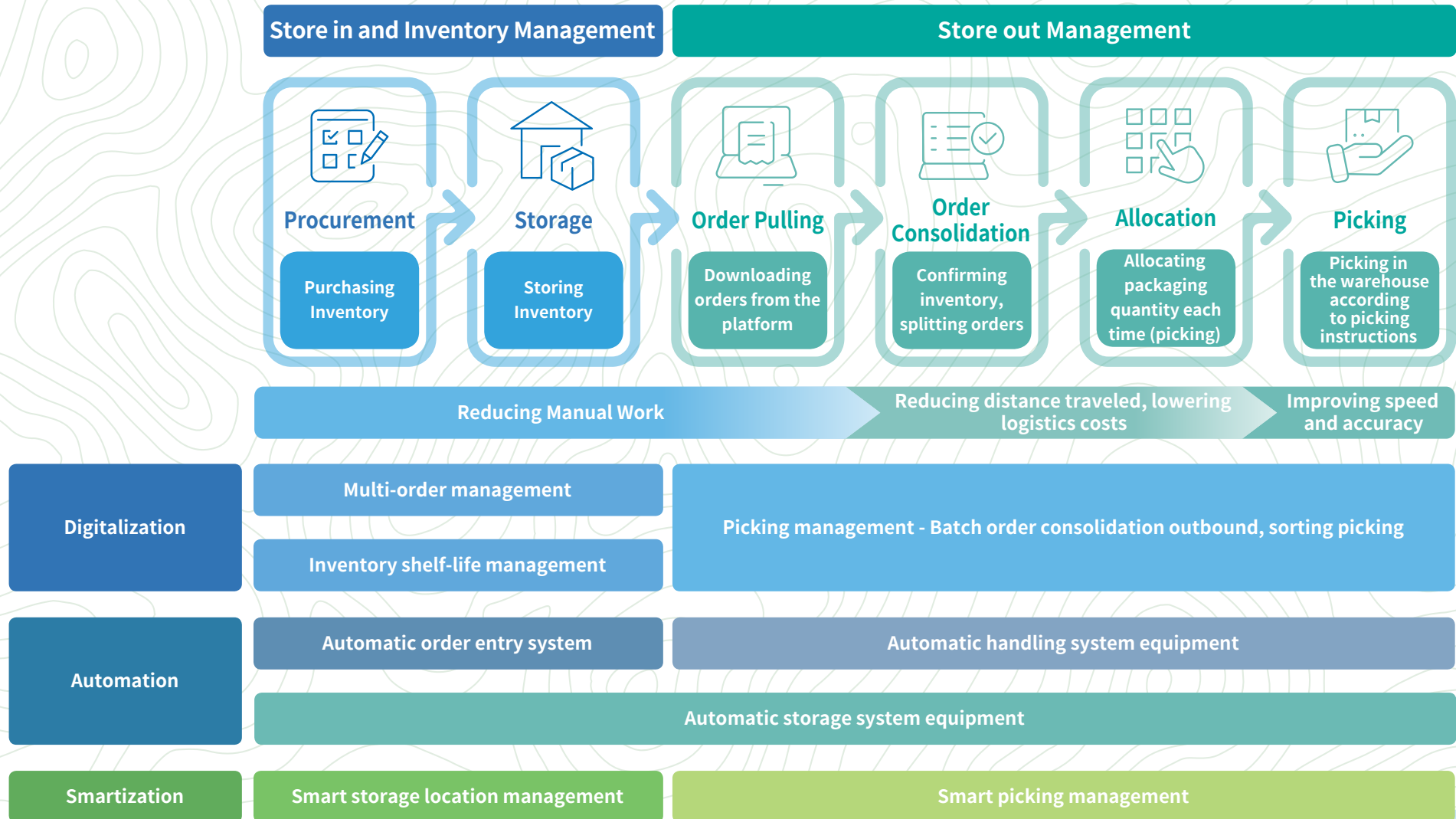
Integration of intelligent warehouse management system

To overcome the shortcomings of the existing warehouse system, the Company has integrated an intelligent warehouse management system into the project to improve the accuracy of warehouse personnel operations and the efficiency of material access operations. This includes intelligently incorporating the status of storage locations in the warehouse into the SAP procurement and inventory modules to ensure the accuracy of procurement inventory management.

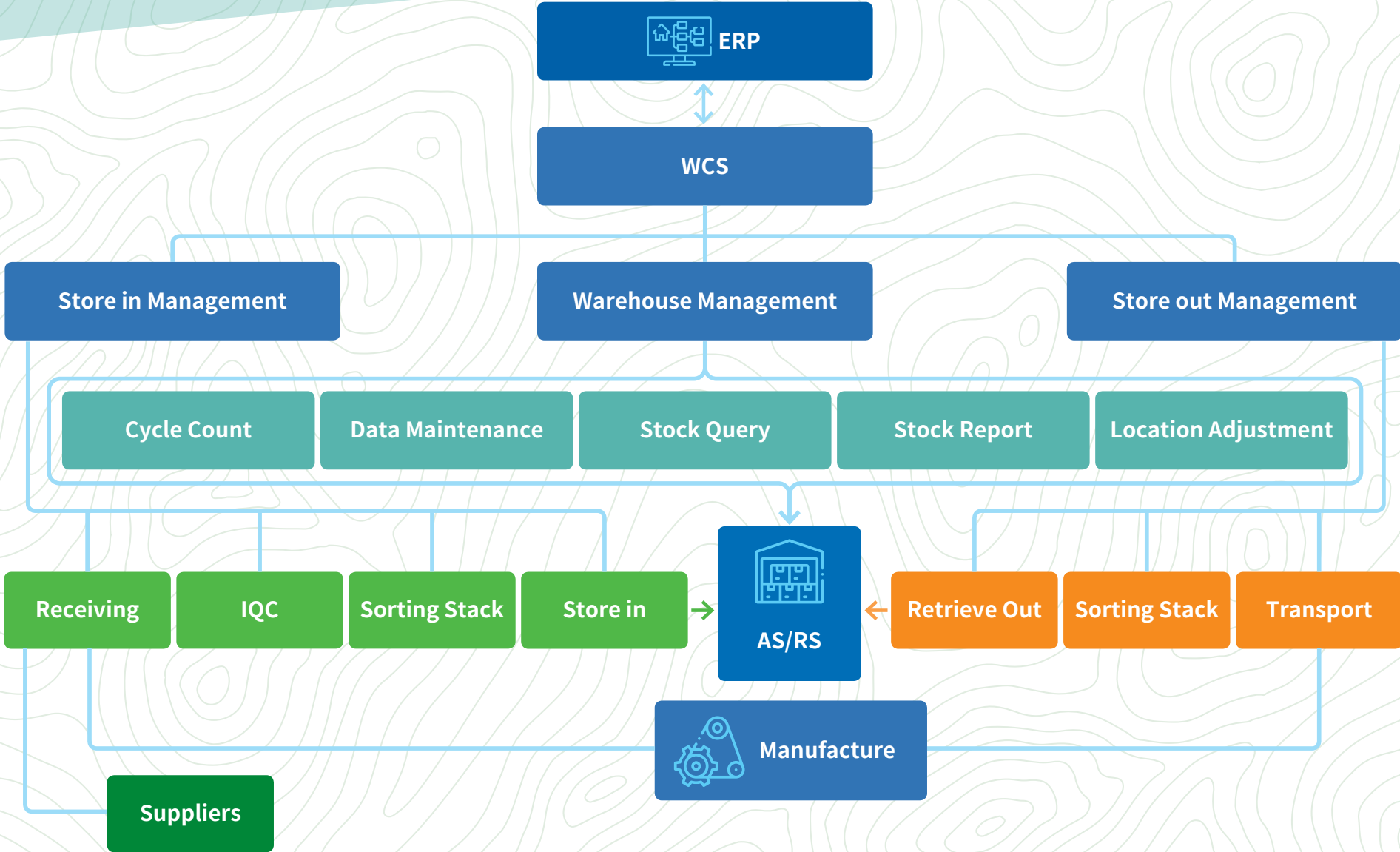
Advancement and Transformation Project of Bicycle Supply Chain Digital Intelligent Integration System



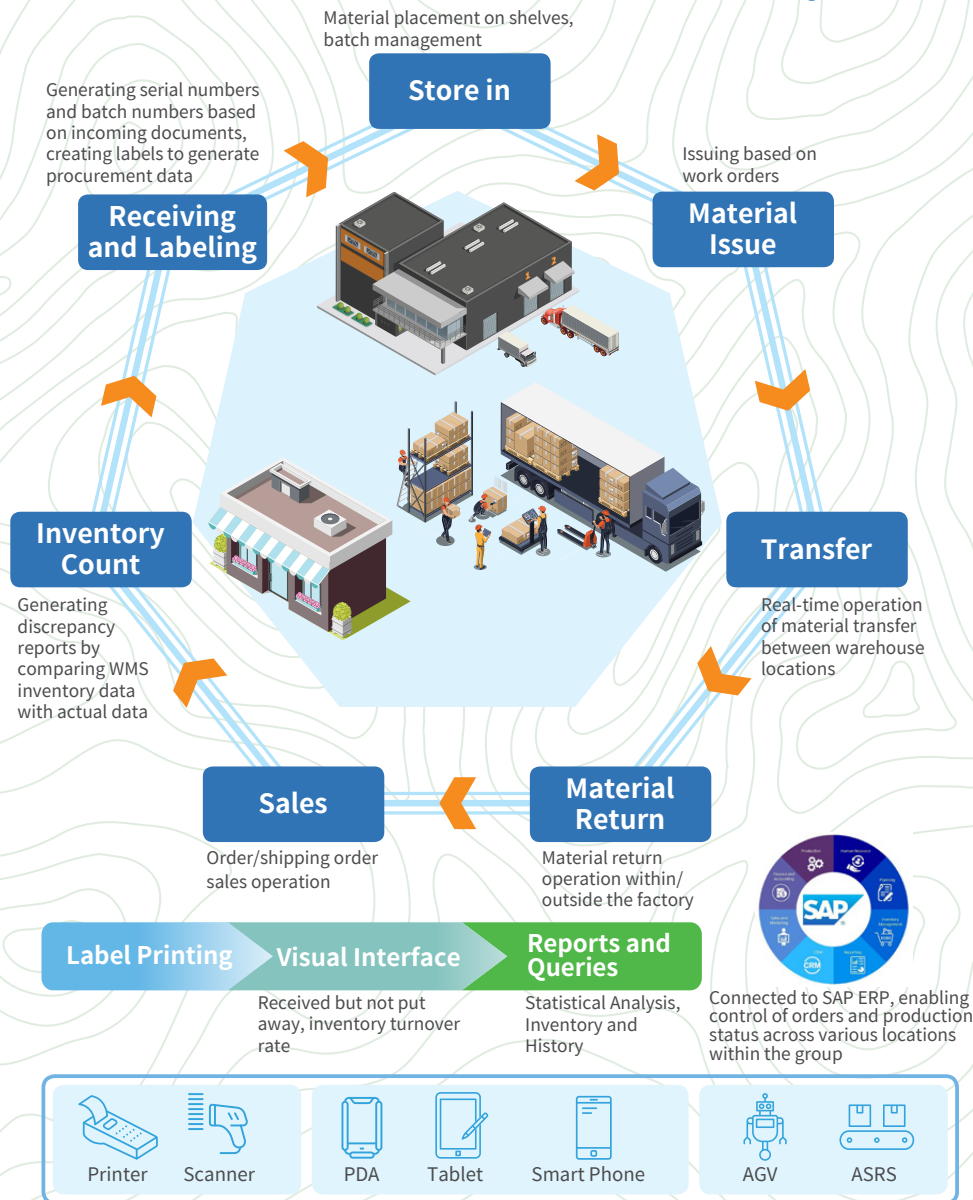
Advancement and Transformation Project of Bicycle Supply Chain Digital Intelligent Integration System Smart Warehousing Operational Efficiency



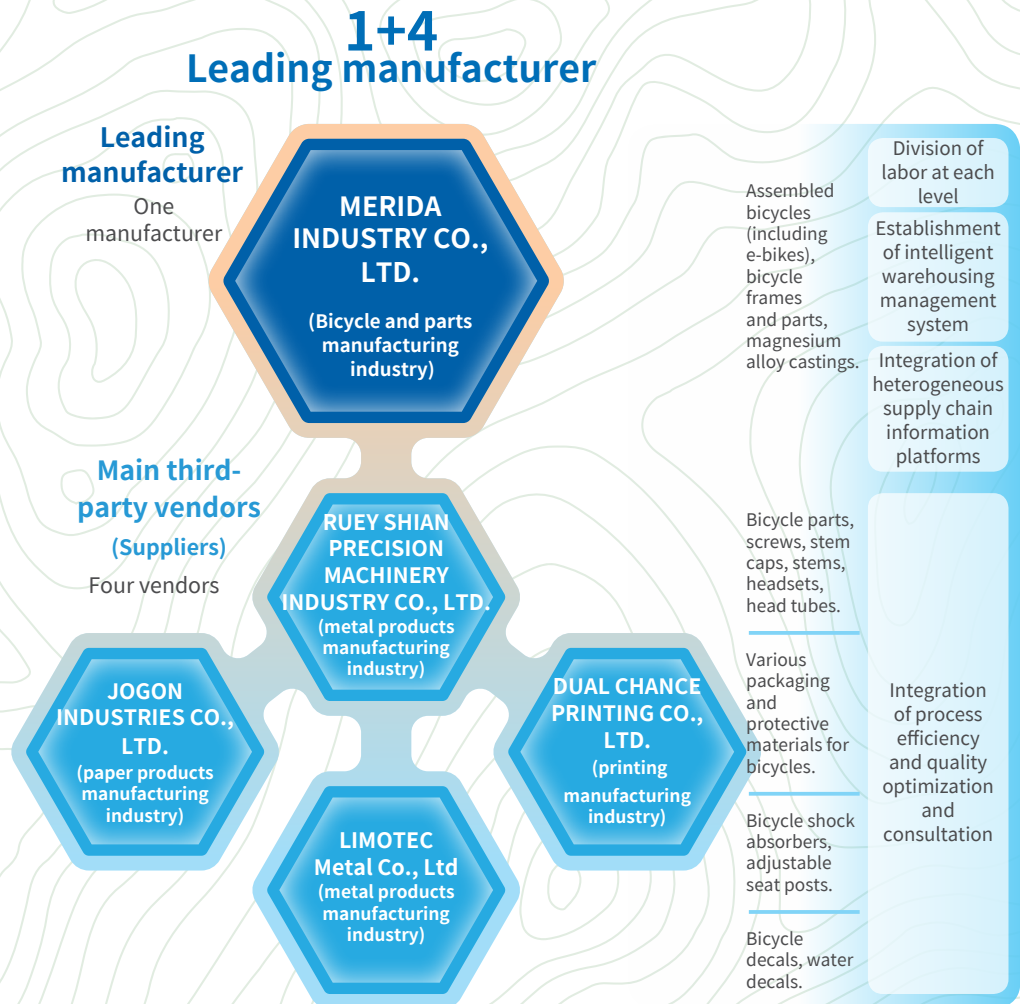
Smart Warehousing Operational Efficiency



Overall Architecture and Benefits of Smart Automated Warehousing System



MERIDA's Supply Chain System Interconnection Diagram for the Project





2

Diversified products and supply chain

2.1 Products Overview

2.2 Carefree Quality

2.3 Supply Chain Integration

Special Column : Innovation Achieves Excellence, Winning Numerous Accolades—Merida SILEX Sets Remarkab



2.1 Products Overview

Being the second-largest bicycle manufacturer in Taiwan, MERIDA's bicycle products are known for their unique and innovative designs, often winning awards both domestically and internationally. For example, the ONE-FORTY 700 model was awarded the 2023 Trail Bike of the Year title by the renowned international media website BikeRadar. The ONE-SIXTY also received awards such as the Design & Innovation Award and the 2023 Taiwan Excellence Silver Award. Additionally, MERIDA is the official supplier of bicycles for the world-class professional road cycling team, Team Bahrain Victorious. Our product's outstanding performance and quality are highly recognized by top athletes worldwide.

The Company's products are mainly divided into two categories: 'bicycles' and 'e-bikes' (electric-assisted bicycles). The bicycle products come in various forms and styles such as mountain bikes, road bikes, and city & trekking bikes. The e-bike category comprises of e-mountain bikes, as well as e-bicycles for sports, leisure, and commuting purposes. Below are the various forms and functions of bicycles:

1. Mountain Bikes: Known for their excellent responsiveness and durability, mountain bikes are designed to handle various terrains and environments. They come in multiple styles and sizes to meet the needs of different consumers. Mountain bikes are well-suited for riding in mountainous areas, dirt trails, and rugged terrain, providing stability and control. Additionally, mountain bikes can be further classified into hardtail (front suspension only) and full/dual suspension (front and rear suspension) types, offering different levels of suspension travel and rider focus.
2. Road Bikes: As the name suggests, road bikes are specifically designed for riding on paved roads, featuring high efficiency, speed, and stability. Road bikes typically come equipped with fast rolling tyres, lightweight frames, and professional-grade components, making them the preferred choice for racing enthusiasts and individuals who enjoy fast-paced riding.
3. City & Trekking Bikes: Designed specifically for urban commuting and transportation, city bikes prioritize lightweight frames, convenience, and comfort. City bikes typically feature wider tires, comfortable saddles, and user-friendly designs, making riding in the city more relaxed and enjoyable. They are suitable for use on city streets, sidewalks, and bike paths, offering riders a comfortable and easy way to navigate urban environments.

4. Cross or Hybrid Bikes: This type of bike falls between road bikes and mountain bikes. In addition to the traditional hybrid bikes typically equipped with front suspension forks, there is also the increasingly popular "gravel bike" segment in Europe and the United States.

In addition, MERIDA also manufactures and sells other styles of bicycle to meet different needs and preferences, such as bikes for kids and folding bikes. The Company's main sales targets include bicycle brand OEMs, MERIDA's overseas subsidiaries, regional distributors for the Company's own brands, and domestic bicycle retailers.

In 2023, MERIDA produced 268,449 bicycles and 194,399 e-bikes. The amount of on-site manufacturing facilities and the outsourcing percentage are as follows:

| On-site manufacturing facilities | Items and Quantity |
|----------------------------------|--|
| Alloy Frame Dept | <ul style="list-style-type: none"> ⊙ Laser Cutting Machine - 1 unit ⊙ CNC Machine - 25 units ⊙ Robot Welding Machine - 16 units ⊙ Argon Welding Machine - 85 units |
| Painting and Coating Dept | <ul style="list-style-type: none"> ⊙ Electrostatic Powder Coating Machine - 20 units ⊙ Adsorption Dryer - 6 units ⊙ Freeze Dryer - 6 units |
| Assembly Dept | <ul style="list-style-type: none"> ⊙ Powered handling equipment: 4 units ⊙ Copper head locking machines: 10 units ⊙ Weaving machines: 16 units ⊙ Screw-type air compressors: 6 units |

| Outsourced Manufacturing | Quantity | Ratio |
|--------------------------|--|-------------------|
| Assembly | ○ 932 units | Less than 1% |
| Welding | ○ Front frame triangle 30,328 units, Rear upper and lower forks 43,499 pieces | Approximately 50% |
| Handlebar Wrapping | ○ 29,254 pieces | 100% |



Bicycle assembly



Bicycle welding by robot

Company Products and Services

| Products/ Services | Sales Region | Customer Types | Sales (Unit: bike) |
|--------------------|--------------|--|--------------------|
| Bikes | Global | Bicycle brand OEMs, MERIDA's overseas subsidiaries, regional distributors for the Company's own brands, and domestic bicycle retailers. | 268,449 |
| E-bikes | Global | Bicycle brands OEMs, MERIDA's overseas subsidiaries, regional distributors for the Company's own brands, and domestic bicycle retailers. | 194,399 |



Road bike



Mountain bike



Full suspension mountain bike



Gravel bike



Kids Bike



City & Trekking bike



Electric-assisted bicycle



Triathlon/Time trial road bike



2.2 Carefree Quality

Our products are 100% compliant with international and domestic standards, such as ISO 4210: Cycles - Safety requirements for bicycles, ISO 8098: Cycles - Safety requirements for bicycles for young children, CPSC 1512: Requirements for Bicycles, EN15194: EU Standards for power-assisted pedal cycles, JIS Japanese Industrial Standards, CNS 15138 Method of Test for Determination of Phthalates Plasticizers in Plastic Products-Gas chromatography, CNS 13371: Inspection of eye protection gear for protective helmets of motorcycle and mopeds, CNS 15557 Lighting equipment for bicycles, CNS 14976: Safety requirements for bicycles for young children, CNS 15289: Determination of the aromaticity of oil in vulcanized rubber compounds, CNS 4797 Safety of toys, etc.

We disclose relevant service information and labeling on our products, user manuals, and website. For internal processes and supplier products, we conduct testing in accordance with relevant regulations and provide supporting reports. We also perform regular and irregular sampling inspections and track audits. If any non-compliance is found, immediate improvement is requested, and continuous tracking or shortening of audit periods is implemented.

Statistics on Regulatory Compliance Certification for Products or Services

| Products | Safety Compliance Certification | Evaluated Ratio |
|--|---|-----------------|
| Bicycles | ISO 4210: Cycles - Safety requirements for bicycles | 100% |
| | CPSC 1512 Regulations and tests for bicycles safety | 100% |
| | AS/NZS 1927 : 1998 Pedal bicycles-Safety requirements | 100% |
| electric-assisted bicycles | CNS 14126 Standards for Electrically power assisted cycles | 100% |
| | Regulations for Type Safety Examination of Electric Assisted Bicycles and Micro Electric Two Wheelers | 100% |
| | EN15194 Standards for power-assisted pedal cycles | 100% |
| | EN 60335-1 Household and similar electrical appliances. Safety - General requirements | 100% |
| | Household and similar electrical appliances - Safety - Part 2-29: Particular requirements for battery chargers | 100% |
| Bicycles for kids | CNS 14976 Safety requirements for bicycles for young children (1996 version) | 100% |
| | General safety requirements for children's products Chapter 4.5.1 (2018 version) | 100% |
| Water bottles for Bicycles | Food Hygiene Control Act | 100% |
| Eye protection gear for protective helmets for drivers and passengers of motorcycle and mopeds | CNS 13371 Protective helmets for drivers and passengers of motorcycle and moped Chapter 8 Inspection & Chapter 9.1(i), 9.2(g) Labeling. | 100% |
| Standard for electric-assisted mountain bikes | EN17404 | 100% |

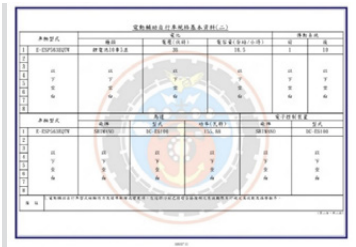
As of 2023, our company has not violated any regulations regarding product health, safety, labeling, and marketing communication, nor have we experienced any recalls or secondary recalls or received any non-compliance notices from the CPSC.

Regulatory Compliance Certificates

Ministry of Transport - Certificate of Conformity for Safety Examination of Electric Assisted Bicycles



Ministry of Transport - Certificate of Conformity for Safety Examination of Electric Assisted Bicycles



Bureau of Standards and Inspection, Ministry of Economic Affairs - Certificate of Registration of Commodity Verification



EN15194 Certification Test Report



EN15194 Certification Test Report



EN15194 Certification Test Report



EN15194 Certification Test Report



EN15194 Certification Test Report



EN15194 Certification Test Report



EN15194 Certification Test Report



Accreditation Declaration



AS/NZS 1927 : 1998 Certification Test Report



CPSC 1512 Certification Test Report



ISO 4210 Certification Test Report





Implementation of Product Safety

MERIDA has implemented multiple quality control measures to ensure product quality. This includes the establishment of various quality inspection laboratories: client-side laboratories, MERIDA laboratories, and third-party certified laboratories in Germany (EFBE, ZEDLER, QIMA, TREO, DEKRA). These measures are in place to ensure consistent product quality. Additionally, the Company provides third-party inspection and certification according to different models and requirements, including VSCC Vehicle Safety Certification Center, SGS RSL Hazardous Substance Testing, ETC Taiwan Testing and Certification Center, ACT Child Bikes Certification, CHC Cycling & Health Tech Industry R&D Center, and TUV Rheinland L1e Speed Pedelecs Certification, to ensure the safety of the products provided.

Regarding internal control, our company's Quality Assurance Department arranged a total of 13 quality-related courses in 2023, with a combined training duration of 15.5 hours. In the product operation process, inspections are conducted at different stages: incoming materials, processes, and completed products. Incoming materials undergo inspection, and sampling control is carried out according to the sampling plan (10pcs for appearance/3pcs for size). The process steps are controlled by autonomous checks defined in the QC work schedule for each production line (1 time/2 hours). Completed products also undergo sampling inspections, with 1 sample taken from every 500 general bicycles and every 200 electric bicycles. For key components used in the Company's production process, periodic tests are arranged after sample testing to ensure the stability of product quality.

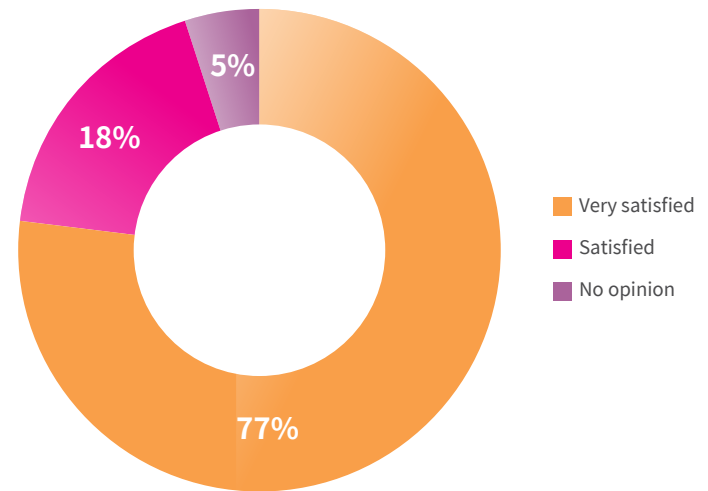
The control personnel in the Quality Assurance Department also conduct an inspection once in the morning and once in the afternoon. One of their main responsibilities is to ensure that the products produced on the production line meet the relevant safety certification requirements. The control personnel inspect each workstation on the production line every hour and conduct sampling inspections of mass-produced vehicles every two hours to confirm whether the relevant specifications and dimensions comply with regulatory requirements.

Customer Satisfaction

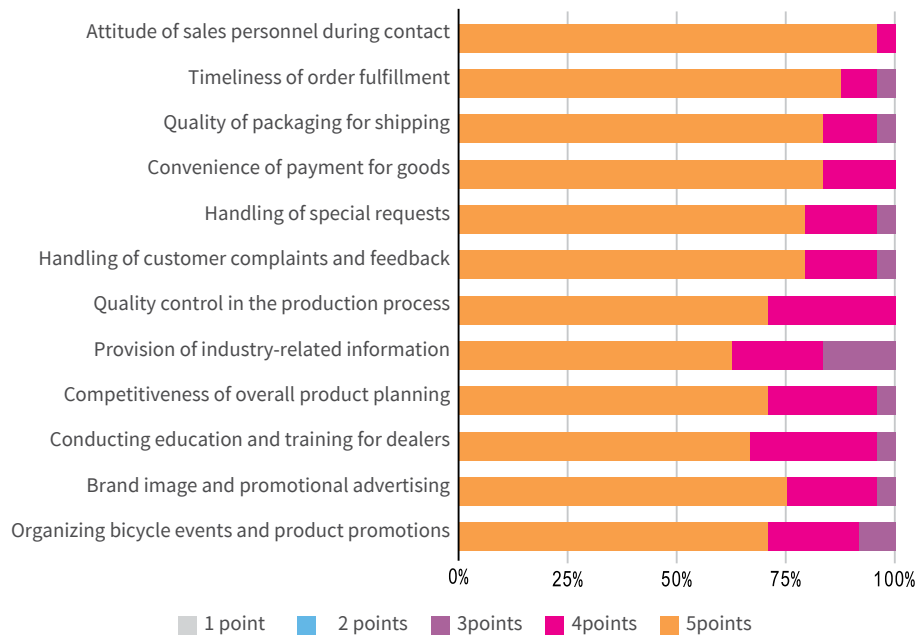
MERIDA is committed to providing high-quality products and services, as well as establishing long-term and stable cooperative relationships to ensure customer satisfaction with their purchasing experience. To achieve this goal, continuous efforts are made to enhance product quality and service standards. This is done through regular market research and customer feedback mechanisms, enabling the continuous optimization of product design and timely adjustments to service processes to meet the ever-changing needs of customers.

The Company conducts customer satisfaction surveys for dealers, which mainly cover the following aspects: product competitiveness, supply-related services, and after-sales services. The customer satisfaction survey results for 2023 showed a satisfaction rate of 95%, with the remaining responses (no opinion, dissatisfied, and very dissatisfied) accounting for 5%. The main feedback focused on the diversification of the bicycle market demand. They expressed a desire for the Company to organize more bicycle-related events and product promotions, provide education and training for dealers, and offer industry-related information to maintain interaction between consumers and dealers, thus continuously strengthening brand satisfaction.

The overall results on satisfaction



Survey Results



Customer Privacy and Information Security

MERIDA is committed to information security protection to ensure compliance with company trade secrets and government personal data protection laws. Currently, MERIDA has established an information security management system, equipped with dedicated personnel responsible for planning, monitoring, and implementing information security management. Various information risk management measures have also been implemented, including installation management, hardware protection, application system security monitoring, internet access and mobile security, etc. In the future, we will continue to strengthen our information security protection capabilities.

In order to thoroughly implement information protection, the Company has established an information security organization, with the President Office's Head overseeing and serving as the Chief Information Security Officer. This organization comprises audit, control, and management units, ensuring consistency between regulatory compliance and actual implementation from top to bottom. MERIDA has planned four

major information security protection focuses: disaster prevention, anti-virus measures, theft prevention, and hacking prevention. These are implemented according to the PDCA (Plan-Do-Check-Act) cycle to develop corporate information security management strategies and frameworks:

- The "Planning Phase" focuses on risk management for information security: establishing Information Security Management System (ISMS) to minimize corporate information security threats from system, technical and procedural aspects, and establishing confidential information protection services that meet customer needs.
- During the "Implementation Phase," a multi-layered approach to information security defense is established: continuously adopting innovative security defense technologies and integrating security control mechanisms into day-to-day software and hardware operation processes. For example, setting up endpoint protection according to machine type and implementing virtualization and fiber storage backup architecture to maintain the confidentiality, integrity, and availability of the Company's critical assets.
- The "Audit Phase" actively monitors the effectiveness of information security management: based on the audit results, we conduct information security indicator analysis and information security maturity assessment.
- The "Action Phase" is based on reviewing and continuous improvement: supervision and audits are carried out to ensure that information security regulations are continuously effective; when employees violate relevant regulations and procedures, they are dealt with in accordance with the information security non-compliance handling process and are subject to disciplinary action (including the employee's annual performance appraisal or legal action if necessary). In addition, we regularly review and implement improvement measures including information security measures, education, training, and awareness to ensure that there will be no leakage of the Company's important confidential information.

The Company adheres to domestic and exporting countries' laws and international standards regarding customer health and safety, customer privacy, marketing, and labeling concerning our products and services. The Company complies with the "Personal Data Protection Act" regarding customer privacy and follows the internal "Personal Data Protection Management Measures". Access controls are implemented in our files, and data usage is limited to executing business operations, projects, activities, and internal administrative operations. Regular education, training, and audits are conducted to ensure the protection and management of customer personal data. Additionally, the Company website includes a stakeholder section, providing a customer service hotline to protect consumer or customer rights. We also maintain open channels for complaints. In 2023, our company experienced no information security-related incidents or cyberattacks, nor were there any instances of customer data breaches, privacy infringements, or customer complaints.



2.3 Supply Chain Integration

As a world-renowned bicycle brand manufacturer, Merida is a downstream bicycle supply chain. It integrates upstream bicycle components such as carbon fiber frames, shock absorbers, transmission sets, chainrings, hubs and other components, and provides manufacturing and sales of bicycles and their parts.

MERIDA's products are mainly aluminum, carbon fiber, rubber, and paper, etc. Throughout our business operations, we consistently uphold the principles of sustainability. We establish consensus with our suppliers and prioritize local sourcing and production to fulfill our corporate responsibilities. This ensures the integrity of our supply chain system and fosters long-term, stable partnerships.

To promote the sustainability concept among suppliers, MERIDA is driving the "Leave No Trace" movement. We invite suppliers to collaborate in cleaning up garbage in the mountains and forests, aiming to protect the natural environment and showcase a spirit of community care. We hope to work together with our suppliers to create a sustainable future, achieving a win-win situation for the economy, society, and environment.

| Type of contract | Procurement regions | 2021 | | 2022 | | 2023 | |
|---|---------------------|---------------------|--|---------------------|--|---------------------|--|
| | | Number of companies | Percentage of the entire purchase value of the overall procurement (%) | Number of companies | Percentage of the entire purchase value of the overall procurement (%) | Number of companies | Percentage of the entire purchase value of the overall procurement (%) |
| Labour (Contracting and Services) | Domestic | 13 | 99% | 13 | 99% | 18 | 98% |
| | Overseas | 1 | 1% | 1 | 1% | 1 | 2% |
| Property (Raw materials) | Domestic | 329 | 56% | 407 | 57% | 390 | 46% |
| | Overseas | 71 | 44% | 80 | 43% | 87 | 54% |
| Engineering (Construction & Equipment) | Domestic | 8 | 100% | 8 | 100% | 6 | 100% |
| | Overseas | 0 | 0% | 0 | 0% | 0 | 0% |

Notes:

1. Domestic refers to the local area of Taiwan; overseas refers to the area outside of Taiwan.
2. The type of contract is mainly filled in according to the company's internal division, and the predefined items (labor, property and engineering) and can be ignored if they are not available.
3. The manually calculated procurement figures and proportions for 2021 and 2022 were incorrect. Starting from 2023, it will be calculated using the SAP system.
4. The reason why the proportion of domestic raw material procurement in 2023 is lower than in the previous two years is affected by the materials and parts specified by customers and varies according to annual sales of vehicle models.



Supplier Evaluation

The Company evaluates new suppliers primarily based on three aspects: supply capacity, quality status, research and development technology, and ESG. Suppliers with a total score of 60 or above are considered qualified for acceptance. In 2023, our company evaluated a total of 13 new suppliers, all of which were deemed qualified for acceptance, resulting in a 100% acceptance rate.

| Evaluation Content | Ratio |
|--|-------|
| Supply Capacity: Equipment, Production Capacity, Environmental Friendliness (including renewable energy, recycled raw materials), Labor Conditions, Labor Safety | 40% |
| Quality Status: Quality philosophy of the business operator, Quality control, Non-conforming product control, Corrective and preventive measures | 40% |
| Research and development technology | 20% |

In 2023, the Company conducted ESG questionnaire surveys for 11 existing key suppliers*. Among them, 4 suppliers possessed ISO 14001 environmental management systems, while the other 7 had specific energy management and energy-saving measures but lacked the aforementioned certifications. An overall comprehensive analysis shows that the ESG risks of 11 key suppliers in 2023 are low. The Company plans to expand the scope of surveys from 2024, targeting the top 20% of transaction value suppliers who are key component suppliers. The company expect to review 50 suppliers to assess their compliance with production standards, social responsibility, and codes of conduct.

In addition, the Company is planning to enhance the supplier social responsibility audit mechanism. We aim to understand cases of violations of code of conduct through hierarchical classification and review. When a supplier violates relevant code, we immediately request the supplier to submit an improvement plan for review and set a deadline for improvement.

In the supplier development evaluation process, whether the supplier publishes an ESG report will be prioritized as a condition. Subsequently, their supply capacity, quality control, research and development technology, and other capabilities will be assessed to ensure mutual understanding.

Currently, regarding social responsibility, we have added a new item to the latest version of the third-party vendor's* data sheet, which inquires about their implementation of ESG practices. If a third-party vendor claims to implement ESG practices, we will request relevant evidence. If confirmed, the third-party vendor will be included in the list of preferred third-party vendors.

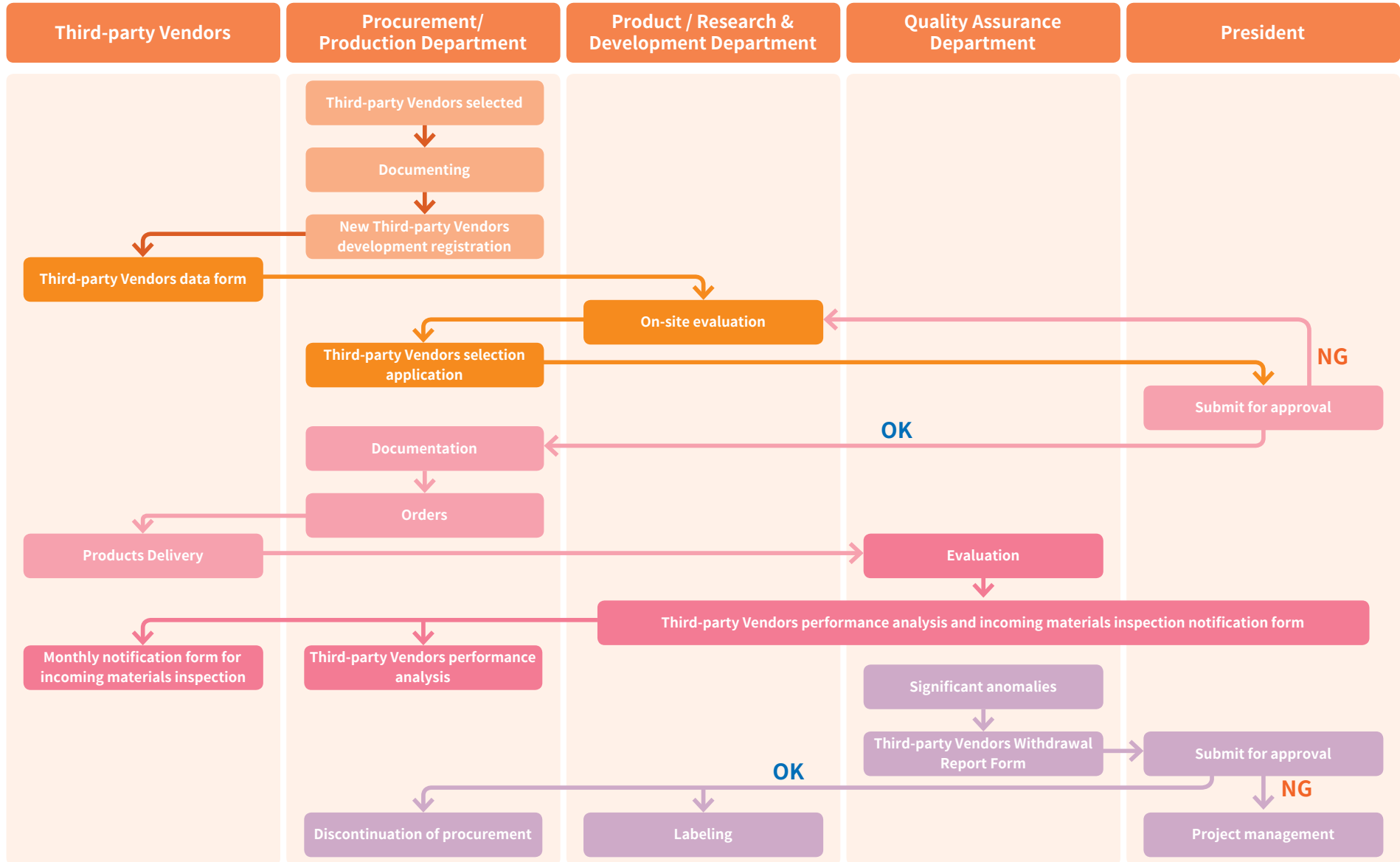
Notes:

1. Key Suppliers: These are suppliers categorized based on the type of parts (such as important components like carbon fiber frames, shock absorbers, gear sets, cranksets, hubs) and the comprehensive assessment of transaction amounts, they are listed as suppliers of key concern.
2. Third-party Vendor: This term refers generally to suppliers with transaction records.

| Grade | Marks | Procurement Assessment |
|-------|--------|--|
| A | 80~100 | Supplier sustainability effort is good, and will become a preferred supplier for Merida. |
| B | 60~79 | Maintain normal procurement volume |
| C | 59 分以下 | Request the supplier to make adjustments and improvements within a specified deadline. |



Our evaluation process is as follows :



Special Column

Innovation Achieves Excellence, Winning Numerous Accolades—Merida SILEX Sets Remarkable Records Once Again



Every MERIDA bicycle embodies the founder's life attitude: "Life should be full of passion and courage". Therefore, MERIDA is committed to conveying the unique personality of each product and continuously innovating. We proudly announce that the MERIDA SILEX gravel bike, after being awarded the "GEAR OF THE YEAR" by the international media offroad.cc in December 2023, has recently won two more outstanding domestic and international DESIGN & INNOVATION AWARDS, showcasing the excellent performance of our innovative technology in the field of bicycles.



Highly commended by offroad.cc

The experts at offroad.cc highly commended the SILEX for its versatile and all-around design in the "GEAR OF THE YEAR" selection. They emphasize its excellent balance between pure competitiveness and versatility, making SILEX an indispensable all-around choice.



Dual honors in the International iF Design Award and the German Design & Innovation Award

Following the recognition from offroad.cc, SILEX once again received the prestigious TAIPEI CYCLE d&i Award 2024 GOLD winner from the internationally renowned institution iF, showcasing its outstanding performance in the field of design innovation. Additionally, SILEX 10k was honored with the DESIGN & INNOVATION AWARD 2024 in Germany, with experts giving it high praise for its "outstanding workmanship and clever frame details, a perfect match!"



Matej Mohoric, SILEX World Champion, witnesses SILEX's versatile characteristics

In October 2023, representing Slovenia, Matej Mohoric rode SILEX to victory at the Gravel Bike World Championships, making a remarkable debut. Mohoric believes that SILEX's versatile characteristics, including its versatility and multifunctionality, have helped it stand out in competitive racing.



A brand-new travel experience

The all-new travel experience: MERIDA's SILEX not only excels on the competitive stage but also represents the fusion of innovative technology and design aesthetics, bringing endless surprises and joy to cycling enthusiasts. With outstanding speed and a robust character, SILEX provides practical riding comfort and load capacity for solo exploration. MERIDA warmly invites you to embrace the full potential of the SILEX's unbeatable combination of on-road comfort and off-road prowess. Strap on your luggage bags, saddle up on the SILEX, and embark on an exhilarating journey filled with adventure and discovery!





3

Environmental stewardship and sustainable pursuit

- 3.1 Risks and Opportunities Under Climate Change
- 3.2 Raw Material Management and Recycling
- 3.3 Water resource management
- 3.4 Energy Management
- 3.5 Greenhouse Gases Management and Pollution Prevention

- 3.6 Waste Management
- 3.7 Biodiversity
- Special Column: Effortlessly Cutting Carbon: Introducing the Smart Choice - E-bike (Environmental Electrically -Assisted Bicycle)
- Special Column: Advancing Energy Conservation: MERIDA's Large-Scale Solar Initiatives



3.1 Risks and Opportunities Under Climate Change

3.1.1 Financial risks due to climate change

The World Economic Forum predicts that nearly half of the top ten global risks in the coming years will be environmental risks caused by climate change. In order to operate sustainably, enterprises must continuously monitor and assess the financial impacts brought about by these risks and proactively respond to them.

In addition to continuously tracking operational and governance-related risks through internal controls and audit systems, our company introduced the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2023. This framework helps identify financial risks and opportunities that may arise due to climate change and further develop relevant strategies and measures to mitigate the risk of financial loss.

Through the climate risks and opportunities matrix, we will broaden our business planning perspective to include sustainable management strategies such as energy conservation, carbon reduction, and water conservation. We aim to create benefits through sustainable transformation and to build a sustainable future for the Company.

| | Governance | Strategies | Risk management | Target and objectives |
|-----------------------|---|---|---|---|
| Action plans | <p>The sustainability development operating strategies are formulated by the Group's Board of Directors, which also periodically oversees issues that may affect sustainability development, such as environmental, social, and governance (ESG) issues. Additionally, there is an ESG promotion committee established to conduct cross-departmental discussions on climate change-related issues in accordance with the guidance provided by the audit committee and external experts.</p> | <ul style="list-style-type: none"> Identify significant low-carbon transformation risks, physical risks, and opportunities through assessing potential occurrences and their financial impacts. Analyze various scenarios to understand the financial implications of climate change on the Company and devise corresponding action plans to reduce operational risk costs. | <p>The ESG promotion committee convened inter-departmental meetings and engaged external consultant experts to discuss and identify climate risks and opportunities. Additionally, assessments were conducted regarding emerging potential risks and opportunities.</p> | <p>The Company adheres to Taiwan's regulations on greenhouse gas reduction, including the Intended Nationally Determined Contribution, INDC and the Climate Change Response Act, to set energy-saving and carbon reduction goals. We continuously adjust these goals to align with international trends.</p> |
| Implementation status | <ul style="list-style-type: none"> The Board of Directors reports on the progress of the greenhouse gas inventory every quarter and submits the results to the ESG Promotion Committee at the end of the year. The ESG Promotion Committee regularly discusses potential challenges and response plans related to the "Environment" aspect and submits them for review by the Board of Directors and the Audit Committee. At least 1 independent director completes education and training on sustainability topics. | <ul style="list-style-type: none"> Analyzing scenarios based on the Shared Socioeconomic Pathways proposed by the IPCC Sixth Assessment Report and the scenarios from the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform, we illustrate and define the scenarios of various risk themes. We then score the financial impacts and likelihood of occurrence of various risk categories to identify climate risks and opportunities for the Company. Discuss potential response action plans based on the current development status of the Company. | <ul style="list-style-type: none"> The identification and assessment process of climate-related risks for our company is conducted every 2-3 years, with rolling adjustments made based on the potential occurrence of unforeseen risks and opportunities. Each year, during management and budget meetings, we review the progress of budget execution for climate adaptation plans. | <ul style="list-style-type: none"> Set short-, medium-, and long-term carbon reduction and energy-saving goals according to GRI 302 Energy and GRI 305 Emissions. The ESG Promotion Committee regularly monitors the progress and achievement of various Energy saving and carbon reduction consolidates the results to report to the Board of Directors. |

3.1.2 Climate Risk and Opportunity Management

The process and results of the risks and opportunities identified by the Company in 2023 are as follows:



Step 1 Background Information Collection

Referencing the Recommendations on Climate-related Financial Disclosures and guided by external experts on relevant issues and processes, we will understand the implications represented by each risk and opportunity. Subsequently, we will proceed with the collection of relevant data on climate-related risks and opportunities.



Step 2 Scope of Risk and Operational Evaluation

In consideration of the risks and the scope covered by the risks, it was decided to begin the assessment and evaluation of the MERIDA Taiwan Headquarters from the year 2022 onwards.



Step 3 Analysis of Risks and Operational Impacts

By scoring the financial impacts and likelihood of each risk and opportunity, discussions and deliberations were conducted with senior executives and external consultants. Ultimately, 3 risks and 1 opportunity were identified. Subsequently, financial impact assessments were conducted based on scenario settings (Physical Risks - Representative Concentration Pathway (RCP) 8.5, Nationally Determined Contributions (NDC) scenarios, The Taiwan Climate Change Projection Information and Adaptation Knowledge Platform physical risks, and Intergovernmental Panel on Climate Change Sixth Assessment Report SSP1-2.6 and SSP5 baseline scenario transition risks)."



Step 4 Management Measures and Target Setting

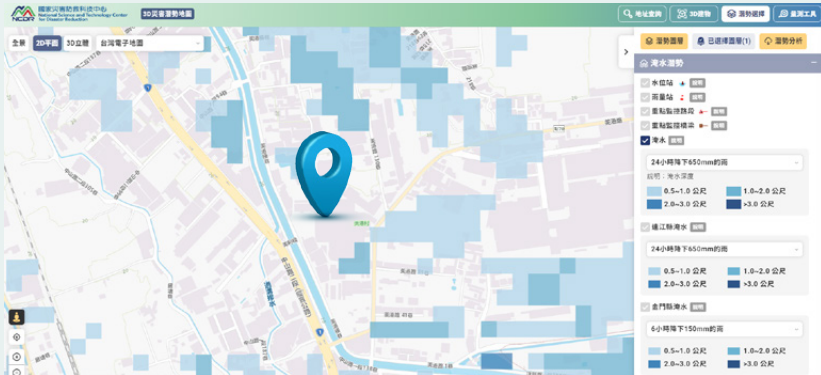
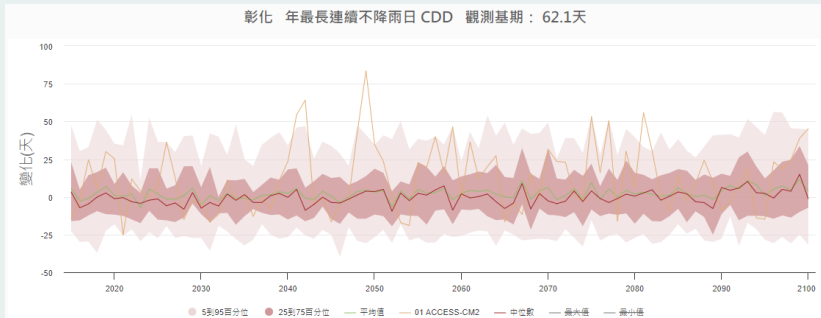
After identifying the risks and opportunities, discussions were held regarding possible strategies for each risk to mitigate the financial impacts, along with setting objectives to achieve them. Additionally, discussions were held on the practical implementation of opportunities, and plans for data collection and implementation are expected to commence in the near future.

MERIDA Risk Identification Results

| Type of Risks | Topics | Description | Relevant Solutions |
|-----------------|---|--|--|
| Transition risk | Regulation - Increase in greenhouse gas emissions pricing | The Company primarily manufactures bicycles and e-bikes, actively promoting greenhouse gas reduction to comply with national policies. Various countries are also progressively implementing carbon taxes or carbon fee systems, with significantly increasing carbon tax standards in stages. Consequently, industries with high carbon emissions or higher electricity consumption will experience a significant increase in production costs, reducing corporate competitiveness. | <ul style="list-style-type: none"> ⊙ In the future, the Company will actively respond to international greenhouse gas regulations. We will calculate emissions according to the reporting formats and cycles of various countries. After verification by a third-party verification organization, we will report to the government. (Related Carbon Footprint Verification third-party verification fee: approximately NT\$300,000 per year). ⊙ Invest NT\$740,000 on replacement or maintenance or air conditioning facility to improve air conditioning efficiency. ⊙ We are progressively promoting the implementation of the ISO 14001 Environmental Management System, ISO 14064-1 Greenhouse Gas Inventory (already implemented), and ISO 50001 Energy Management, to establish control over greenhouse gas emissions within the Company. The estimated one-time system implementation cost is NT\$600,000, and the annual ISO system verification cost is NT\$900,000. ⊙ In 2023, the total emissions of Scope 1 and Scope 2 greenhouse gasses for the Company amounted to 5,607.6404 metric tons of CO₂e (self-inventory). Estimated at NT\$300 per metric ton, the annual expenditure on carbon fees is projected to be NT\$1,682,292 (assuming no increase of emissions in the future). |



| Type of Risks | Topics | Description | Relevant Solutions |
|-----------------|--|---|--|
| Transition risk | Regulation - Taiwan's Pathway to Net-Zero Emissions in 2050 | In April 2022, the Taiwanese government amended and renamed the "Greenhouse Gas Reduction and Management Act" as "Climate Change Response Act" and formulated a policy for net-zero emissions by 2050. The government did not rule out the possibility of gradually expanding the taxation scope to other industries in the future, using economic means to achieve net-zero emissions. | <ul style="list-style-type: none"> In order to comply with greenhouse gas reduction and the 2050 net-zero emission goals, the Company, based on Taiwan's NDC targets (base year 2022), needs to reduce emissions by 25% by 2030 (2,021.25 metric tons) and achieve a 100% reduction by 2050 (8,085 metric tons). The Company completed the signing of contracts for the installation of self-generation and self-consumption solar energy equipment in the factory area at the end of 2023. It is estimated that after the completion of this installation project, it will produce over 1.3 million kWh of green electricity annually, resulting in an estimated annual reduction of approximately 643.5 metric tons of carbon dioxide. Estimated expenditures on Taiwan Renewable Energy Certificate (T-REC) are projected to be NT\$7.8 million in 2030 and NT\$46.8 million in 2050 (calculated based on a rate of NT\$7,500 per certificate, using an electricity consumption of 13 million kWh in 2022). |
| | Market - Customer Behavior Change | There are customers who are requesting reduction in the carbon footprint of our main products. If it concerns primary or supplementary materials, we can respond by replacing suppliers with qualified ones or by using recycled aluminum materials. There may be a risk of losing orders from customers in the future if improvements cannot be made to meet their requirements. | <ul style="list-style-type: none"> We still need further discussions with our customers regarding whether the strength of the recycled aluminum frame meets the standards. The Engineering R&D Div. will continue to monitor the industrial application of low-carbon composites materials. Compile a list of potential replacements for both primary and supplementary materials, and ensure continuous information exchange with suppliers. Early access to market insights enables proactive preparation. |
| physical risks | <p>Based on the estimation using AR6 statistical downscaling data from the TCCIP (The Taiwan Climate Change Projection Information and Adaptation Knowledge Platform), it is projected that the longest continuous period without rainfall will be approximately 3 months by 2050. The Company's factory area has access to groundwater sources and promotes water conservation activities. After assessment, it is determined that there will be no risk of water shortage.</p> <p>Furthermore, according to the National Science and Technology Center for Disaster Reduction's potential disaster map, a simulated 24-hour rainfall of 650mm indicates that there is no risk of flooding in the Taiwanese factory area.</p> | | |



MERIDA Opportunities Identification Results

| Type | Topic | Description | Relevant solutions |
|-----------------------|--|---|--|
| Products and services | Increase sales of electrically-assisted bicycles | The global trend in various countries is towards energy conservation and carbon reduction. Replacing conventional fossil fuel-based transportation with electrically-assisted bicycles is a future trend. Electric-assisted bicycles are low-carbon products with promising market prospects. There is an opportunity to continue expanding market share, which will effectively boost the Company's revenue. | <ol style="list-style-type: none"> 1. Continuously develop new electrically-assisted bicycles. 2. Collaborate with customers to develop reduced plastic packaging, making electrically-assisted bicycles even lower-carbon. 3. Provide sales and maintenance education and training for dealers and bike shops on electrically-assisted bicycles. Due to higher inventory levels in the bicycle industry market in 2023, short-term sales growth was challenging. However, after inventory clearance in 2024, it is planned for electrically-assisted bicycles to achieve an annual growth rate of over 5%. |

3.2 Raw Material Management and Recycling

The raw materials used by the Company include aluminum, rubber, and paper. Among them, aluminum mainly comes from manufacturers in Taiwan and China, with a proportion of recycled materials of about 15% to 20%, which increased by 5% compared to the previous year. Rubber mainly comes from manufacturers in Taiwan, China, and Vietnam, with a proportion of recycled materials of about 20%. Paper mainly comes from manufacturers in Taiwan, with a proportion of recycled materials of about 85% to 90%.

To reduce paper waste from outer packaging, the Company actively advises our main suppliers to adopt reusable containers. Regarding packaging materials such as expanded polyethylene (aka EPE foam) and bubble wrap protection bars provided for outer packaging, the Company has successfully reused them in packaging frame sets, achieving cost savings on packaging materials and realizing the sustainable value of recycling.

The recycling of product packaging materials is managed by individual stores. In an effort to enhance environmental friendliness, the company will gradually shift towards packaging materials suitable for secondary recycling, enabling end consumers to recycle more effectively. Examples of the reuse practices that our company has implemented include:

- Saddles, seat posts, and frames: Before shipping, suppliers will wrap them with packaging materials made of polyethylene or polypropylene to achieve protective effects. Once fitted to the bike, the original protective material remains in place,

eliminating the need for additional packaging. Once assembled, these will not be disassembled.

- Front forks: Before shipping, suppliers use protective rods to prevent deformation of the front forks. After assembly onto the whole bicycle or frame, these protective rods are reused within the factory.
- Rear shocks: To properly protect the product, suppliers use materials with good wrapping properties to protect the component during shipping. After assembly, the packaging materials are retained for subsequent protection.
- Cycle computers: Before shipping, suppliers use bubble wrap to protect the cycle computers, and after assembly, this protection is not removed to protect the cycle computers.

Below is a table illustrating the consumption of raw materials and non-renewable materials used by the Company:



| Raw materials | Unit | Renewability (Yes/No) | 2021 | 2022 | 2023 |
|-------------------|------------|-----------------------|----------|----------|---------|
| Aluminium | metric ton | Y | 1,264.36 | 1,402.56 | 826.88 |
| Carbon Fiber | metric ton | N | 286.16 | 309.22 | 236.85 |
| Rubber | metric ton | Y | 823.33 | 992.06 | 639.93 |
| Paper | metric ton | N | 3,650.64 | 3,948.89 | 2547.24 |
| Plastic Packaging | metric ton | N | 581.23 | 626.84 | 404.34 |

Notes:

- The above data is sourced from the total output of assembled bicycles from MERIDA Taiwan's local factory from 2021 to 2023, including both bicycles and electrically -assisted bicycles.
- Material types include:
 - Raw natural resources such as ores, iron, wood, and nurdles.
 - Lubricating oil used in machinery, semi-finished parts, or components.
 - Packaging materials.
- Materials are classified as follows:
 - Non-renewable refers to materials that cannot be replenished in the short term, such as metals, minerals, and petroleum.
 - Renewable refers to materials that can regenerate after being harvested.

3.3 Water resource management

We will actively address the challenges of extreme weather brought about by global warming, establish a comprehensive water resource management mechanism, implement water usage plans, conduct water supply impact assessments, ensure that water extraction does not significantly impact water sources, and demonstrate a high level of concern for environmental sustainability and a responsible attitude towards local water resources.

Due to the lack of reservoirs and rivers as a source of tap water, Changhua County mainly relies on underground water sources to meet residents' tap water needs. In order to ensure that the water quality meets the "Drinking Water Quality Standards" announced by the Environmental Protection Administration of the Executive Yuan (now known as Ministry of Environment), the region specifically drills deep wells reaching up to 300 meters to obtain groundwater. Regular testing is conducted by companies and environmental

protection agencies. Long-term monitoring results consistently show that the water quality meets the standards.

The Company conducted a query using the World Resources Institute's "Aqueduct Water Risk Atlas" for our operational site in Changhua, and the result indicated that it is a low-risk area. This demonstrates that our water extraction activities have not caused significant impacts on the ecological environment.

MERIDA Water Usage

| Year | 2021 | 2022 | 2023 |
|--|------------|------------|------------|
| Water Withdrawal Volume (Megalitres) | 118.64 | 120.73 | 67.50 |
| Water Discharge Volume (Megalitres) | 66.75 | 81.44 | 51.00 |
| Water Consumption Volume (Megalitres) | 51.89 | 39.29 | 16.50 |
| Organization-specific metrics | Revenue | Revenue | Revenue |
| Organization-specific metrics value (NT\$ Million) | 23,434.868 | 31,977.115 | 20,008.786 |
| Water Use Intensity | 0.0051 | 0.0038 | 0.0034 |

Notes:

1. Water Consumption Volume = Water Discharge Volume - Water Withdrawal Volume
2. The calculation formula for Water Use Intensity is: Water Withdrawal Volume (megalitres) / Revenue (NT\$ million).

Wastewater Discharge Situation

The Company conducts regular water quality testing. In 2023, the total wastewater discharge was 50.997 m³, with Suspended Solids (SS) at 28.9 ppm and Chemical Oxygen Demand (COD) at 17.05 ppm, both within the discharge standards.

| Parameters | 2021 | | 2022 | | 2023 | |
|------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
| | Discharge standard (ppm) | Annual average test values (ppm) | Discharge standard (ppm) | Annual average test values (ppm) | Discharge standard (ppm) | Annual average test values (ppm) |
| SS Suspended Solids | 30 | 15.95 | 30 | 14.5 | 30 | 28.9 |
| COD Chemical Oxygen | 100 | 24.5 | 100 | 17 | 100 | 17.05 |





3.4 Energy Management

The main energy sources used by the Company include electricity, liquefied petroleum gas (LPG), and diesel. All are non-renewable energy sources, and renewable energy sources are not currently used within the organization. In 2023, the total energy consumption was 49,690.91 gigajoules, with an energy intensity of 2.48 gigajoules/million yuan. In 2023, due to changes in production capacity and inventory adjustments, energy use will be lower than in the previous two years. The energy intensity in 2023 decreased by 1.2% compared to 2022. The table below illustrates the Company's energy consumption over the past three years:

Energy Consumption Statistics for the Past Three Years

| Qualitative Indicators | Unit | 2021 | 2022 | 2023 |
|-------------------------------------|------------------------|------------|------------|-------------|
| Electricity Consumption | kWh/year | 12,700,000 | 12,916,000 | 8,073,076.7 |
| | GJ | 45,720.00 | 46,497.60 | 29,063.08 |
| liquefied petroleum gas (LPG) | KG /年 | 607,550 | 680,530 | 408,030 |
| | GJ | 30,118.03 | 33,735.86 | 20,606.73 |
| Diesel Consumption | L/year | 0 | 900 | 600 |
| | GJ | 0 | 31.63 | 21.10 |
| Contract Capacity | kW | 3,500 | 3,500 | 3,500 |
| Total Energy Consumption | GJ | 75,838.03 | 80,265.09 | 49,690.91 |
| Organization-specific metrics value | Revenue (NT\$ Million) | 23,434.868 | 31,977.115 | 20,008.786 |
| Energy Intensity | GJ/NT\$ Million | 3.24 | 2.51 | 2.48 |

Notes:

1. According to the coefficient provided by the Energy Bureau, 1kWh=860kcal ∙ 1 kcal=4.1868 KJ, The energy in gigajoules is equal to the energy in kilowatt-hours multiplied by 0.0036.
2. The conversion factors are derived from Version 6.0.4 of the Gas Emission Factor Management Table of the Ministry of Environment to calculate fuel calorific values; Diesel, 8,400 kcal/L; LPG gas, 6,635 kcal/L; 1 kcal = 4.184 KJ. The energy in gigajoules is equal to the energy in kilowatt-hours multiplied by 0.0036.
3. The revenue referred to in the organizational metric is the amount reported in the standalone financial statements.
4. There is no energy consumption for heating, cooling, or steam within the organization.
5. Energy intensity is based on the energy consumption within the organization. Energy intensity = total energy usage (GJ) / turnover (million yuan)
6. Electricity usage comes from electricity bills, and LPG and diesel usage comes from ERP (Enterprise Resource Planning)



Energy Conservation Results

MERIDA is dedicated to supporting the national energy conservation goals. Through continuous investment in various energy-saving measures and replacing old energy-consuming equipment, we ensure the most efficient use of energy. In 2023, the replacement of old air-cooled chillers with new ones by the Hand-built Wheelset Division resulted in savings of approximately 4,794 kWh/year. In 2024, the Company will implement the ISO 50001 energy management system and complete certification, actively identifying and managing risks associated with future energy supply, monitoring and supervising energy usage to improve any inefficiencies. By enhancing overall performance, we aim to reduce energy consumption and expenditure, decrease carbon emissions, and achieve the government's carbon reduction targets. Additionally, in 2024, we plan to achieve solar energy project completion and installation, while also establishing energy-saving equipment as part of our midterm goals, continuously driving the transition of the Company towards green energy.

Under the Company's policy promotion and the collective efforts of all employees, the energy intensity decreased by approximately 1.2% in 2023 compared to 2022. The total energy saved reached 4,794 kWh, equivalent to reducing energy emissions by 2.37 tons of CO₂e. The Energy Administration, Ministry of Economic Affairs set a goal for energy conservation from 2015 to 2024, aiming for an annual electricity saving rate and an average annual electricity saving rate of over 1%. The Company achieved an average electricity saving rate of 1.63% from 2015 to 2023, surpassing regulatory standards. In addition to various energy-saving actions, MERIDA actively promotes energy transformation. We have appointed Tatung Forever Energy to install a self-generation and self-consumption solar photovoltaic power generation system within the factory premises, which is estimated to produce over 1.3 million kWh of green electricity annually, equivalent to 10% of MERIDA's annual electricity consumption. The carbon emission reduction effect is equivalent to 39 hectares of forest, demonstrating MERIDA's vision for energy conservation.

Notes:

1. Calculation formula for reduced energy consumption: $\text{new equipment (rated power consumption KW} \times \text{annual usage hours HR)} - \text{old equipment (rated power consumption KW} \times \text{annual usage hours HR)}$
2. The base year for calculating energy consumption and the base year for energy management policies are 2022.

3.5 Greenhouse Gases Management and Pollution Prevention

Climate change is closely related to corporate sustainable development. In response to the challenges of climate change, MERIDA adopts sustainable management as its management policy and continues to conduct greenhouse gas inventories. The greenhouse gas inventory is produced in accordance with the ISO 14064-1:2018 standard and with reference to the requirements of the Ministry of Environmental Protection's greenhouse gas inventory operation guidelines. It mainly explains the information related to the company's greenhouse gas inventory management. Through the process and results of the inventory, we can truly understand the company's greenhouse gas emissions. We also hope that we can devote ourselves to greenhouse gas reduction work in the future and do our best to slow down the global warming trend. Responsibility as a member of the global village. Inventory boundary setting method Merida adopts the operational control method to inventory greenhouse gases including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), nitrogen trifluoride (NF₃), sulfur hexafluoride (SF₆), hydrogen For fluorocarbons (HFCs) and perfluorocarbons (PFCs), the company's greenhouse gas emissions use 2022 as the base year (mainly Scope 1 and Scope 2 emissions).

In 2023, direct GHG emissions mainly came from the use of liquefied petroleum gas and diesel, while indirect GHG emissions mainly came from imported energy. Other indirect emission sources include employee commuting and Operational waste treatment emissions, purchased goods, upstream transportation and distribution (land transport), upstream transportation and distribution (sea transport), purchased goods (aluminum raw frames and aluminum frame materials). The total GHG emissions in 2023 were 12,064.470 tons CO₂e, with an emission intensity of 0.6030 CO₂e per million dollars. This increase in GHG emissions was primarily due to additional inventory categories in 2023 compared to 2022, such as Category 3 - upstream transportation and distribution (land transport), upstream transportation and distribution (sea transport), and purchased goods (aluminum raw frames and aluminum frame materials).



| Items | 2021 | 2022 | 2023 |
|--|-------------|-------------|-------------|
| Scope 1: Direct GHG emissions (tons CO ₂ e) | 1,937.8548 | 1,499.1016 | 1,582.0964 |
| Scope 2: Indirect GHG emissions (tons CO ₂ e) | 6,464.3000 | 6,586.1856 | 3,988.1001 |
| Scope 3: Other Indirect GHG emissions (tons CO ₂ e) | -- | 1,893.1913 | 6,494.2730 |
| Total emissions = Scope 1 + Scope 2 + Scope 3 | 8,402.1548 | 9,978.4785 | 12,064.4695 |
| Organization-specific metrics value (NT\$ million) | 23,434.8680 | 31,977.1150 | 20,008.7860 |
| GHG emission intensity (tons CO ₂ e/NT\$ million) | 0.3585 | 0.3121 | 0.6030 |

Notes:

1. The emission factors are calculated based on the latest data from The Energy Administration, Ministry of Economic Affairs, version 6.0.4 (IPCC Sixth Assessment Report)
2. Global Warming Potential (GWP) adopts the value from the IPCC Fourth Assessment Report (2007)
3. Imported electricity is based on the electricity emission factor announced by The Energy Administration, Ministry of Economic Affairs. In 2021 and 2022, the electricity emission factor = 0.509 kgCO₂e/kWh. In 2023, the electricity emission factor = 0.494kgCO₂e/kWh.
4. GHG emission intensity = Total emissions (tons CO₂e) / Revenue (NT\$ million).
5. In 2021, the Company internally compiled statistics, only encompassing Scope 1 and Scope 2 values. Starting from 2022, assistance from relevant units was sought to conduct GHG inventories for Scope 1 to Scope 3 data, with rigorous internal audit and control. Scope 3 includes employee commuting, waste management, purchased goods, transportation from suppliers, and other indirect emissions.

Ozone Layer Depleting Substances Statistics

Unit: tons

| Name | 2021 | 2022 | 2023 |
|--------------------------------|--------|--------|-------|
| Air conditioning equipment-R22 | 0.3817 | 0.3817 | 0.211 |

Notes:

1. Ozone-Depleting Substances includes chlorofluorocarbons (CFCs), R11, R12, R22, hydrochlorofluorocarbons (HCFCs), halons, carbon tetrachloride (CCl₄), 1,1,1-trichloroethane, hydrobromofluorocarbons (HBFCs), and Methyl Bromide (CH₃Br).
2. 2023 將舊有耗能的空調設備 (冰水主機) 進行汰舊換新，因此 R22Emissions 較前二年降低。

The Company adheres to government regulations, prevents air pollution, maintains the living environment and public health, enhances employees' awareness of environmental protection, and conducts regular monitoring of air pollutant emissions. Air pollution emissions in 2023 will comply with regulatory standards. The air pollutant emissions for the year 2023 are as follows:

| Items | 2021 | 2022 | 2023 |
|---|----------------|----------------|----------------|
| | Emissions (kg) | Emissions (kg) | Emissions (kg) |
| VOCs Volatile organic compounds | 57,382 | 58,019 | 47,011.301 |
| TSP Total Suspended Particulate matter | 848 | 837 | 669.31 |
| SOx Sulfur Oxides | 110 | 114 | 77 |
| Nitrogen Oxides [nitric oxide (NO) and nitrogen dioxide (NO ₂)] | 1,401 | 1,449 | 982.71 |

Notes:

1. Emission data is entered into the quarterly usage amount from the Ministry of Environment's Air Pollution Fee and Emissions Declaration Integrated System, and converted through the integrated system.
2. Our company is not a fixed pollution source designated by the central competent authority to install monitoring facilities, so there is no annual average monitoring value.

The reduction in emissions in 2023 was mainly influenced by the destocking in the European and American markets, leading to a significant decrease in orders. Due to the reduced demand at the market end, manufacturers had to adjust production plans, lowering production quantities to address inventory issues, thus impacting emissions in the following ways:

1. Production Reduction: With the decrease in orders, bicycle manufacturers may reduce production to cope with the declining demand. This means reduced operating time for production lines, thereby reducing energy consumption and emissions accordingly. The GHG emissions generated by the factory's production activities may decrease.
2. Transportation Reduction: Following the decrease in orders volume, the demand for transporting bicycles to European and American markets will also decrease. This will reduce the use of transportation tools such as shipping vessels, airplanes, or trucks, thereby reducing transportation-related emissions. Reducing the amount of fuel used during transportation processes will help reduce emissions of GHG such as carbon dioxide.
3. Supply Chain Impact: Decrease in orders volume may affect the supply chain of the bicycle industry, resulting in reduced production activities for suppliers. This may include raw material suppliers, component manufacturers, etc. Reductions in production along the supply chain will also lower emissions throughout the entire production process. °

In summary, a decrease in orders in the bicycle industry may lead to reductions in production, transportation, and supply chain activities, thereby lowering overall emissions. However, this impact may be temporary and subject to fluctuations over time due to market demand and other factors. Changes in emissions may fluctuate with time.

Merida uses DHL GoGreen Plus solutions in 2023 and reduced 886.37 tons CO₂e.

Over the past decade, the Company has responded to the government's Air Quality Purification Area Adoption plans with tangible actions, contributing to the beautification and maintenance of the local environment. We fulfill corporate social responsibility through concrete actions and strive to maintain good air quality.



In recent years, the Company has adopted two air quality purification zones in Changhua County, including the "Yuanlin Vocational High School-Natural Ecological Park Afforestation and Beautification" and the "Shiqifen Park". Both areas are green spaces with natural ecological ponds and native plant educational areas. The lakeside, lawn, and trees in these areas provide a rich natural habitat. These areas are not only places for students and teachers to learn and hold outdoor activities but also capable of purifying the air.

Due to the efforts of MERIDA, the adoption campaign has been recognized by the Changhua County Government, and recently the Company was also awarded the Excellence Award for 112th Air Quality Purification Zone Adoption by Taiwan Ministry of Environment. The Ministry of Environment pointed out that these outstanding adoptive units not only maintain the cleanliness of the air quality purification zone but also integrate geographical advantages, develop local characteristics, and enhance the value added of the air quality purification zones. Such efforts also encourage more people to participate in greening movements, further improving environmental air quality. From 32% in 2014 to 51% in 2022, the Ministry of Environment's promotion of adoption rates demonstrates the public's increasing attention to and participation in environmental protection efforts.

In the future, the Ministry of Environment will continue to promote nationwide participation in greening movements to align with Taiwan's goal of achieving Net-Zero Emissions in 2050. It will encourage businesses, communities, schools, and other entities to join the adoption ranks, and by combining urban greening with natural carbon sinks, it aims to collectively create a sustainable environment of net-zero greening. MERIDA, acting as a role model among the industry, responds to the government's adoption plans through practical actions and contributes to the beautification and preservation of the local environment through reforestation, demonstrating an exemplary fulfillment of corporate social responsibility.



Recipient of Excellence Award for Air Quality Purification Area Adoption 2023

3.6 Waste Management

Waste management is an essential part of an environmentally friendly approach. MERIDA is dedicated to environmental friendliness and symbiosis. We start by reducing waste and reusing it, aiming to extend the life cycle of waste. During the packaging and shipping processes of our products, a considerable amount of waste is generated. Therefore, we have collaborated with our customers to promote a plastic reduction plan. We divide the products into three main parts: "assembled bicycles," "frame sets," and "wheel sets," and develop different plastic reduction plans for each part. Currently, for the "wheel sets" part, we have fully adopted paper-based packaging materials. For the "frame sets," the number of plastic packaging materials has been reduced to 5 plastic bags and 1 plastic rod, with the remaining parts switched to paper-based packaging materials. The "assembled bicycles" part is currently the main focus of our research efforts.

In the aspect of waste resource recycling and reuse, the Company adheres to the "Waste Disposal Act" and entrusts environmental agency-approved institutions to handle the announcement of general industrial waste for reuse. In our internal processing procedures, we record each outbound quantity, issue three-part clearance forms for disposal, and manage the waste flow using GPS tracking systems. This ensures that we obtain proper handling certificates from qualified processing institutions to execute comprehensive waste management. In 2023, the Company had no incidents of waste leakage or spillage.

Regarding the announcement of general industrial waste for reuse, the Company's waste can be roughly divided into four categories: plastic wastes, paper waste, steel waste, and aluminum waste. Among them, paper waste accounts for the largest proportion, reaching 97,723.33 kilograms per month, followed by plastic waste (11,683.33 kilograms per month), aluminum waste (5,010.83 kilograms per month), and finally steel waste (2,534.17 kilograms per month). The specific details are as follows: :

- Paper waste: In the production process, the Warehousing Div. accounts for the largest portion at 31.67%, followed by the Assembly Div. at 26.17%, and the E-Bike Div. at 17.33%.
- Plastic waste wastes: In the production process, the Assembly Div. accounts for the largest portion at 32.84%, followed by the Painting Div. at 18.66%, and the E-Bike Div. at 17.17%.
- Aluminum waste: In the production process, the Aluminum Frames Div. accounts for the largest portion at 57.42%, followed by the E-Bike Div. at 13.01%, and the Assembly Div. at 11.01%.
- Steel waste: In the production process, the Painting Div. accounts for the largest portion at 35.17%, followed by the Coat Painting Div. at 27.63%, and the Aluminum Frames Div. at 12.81%.

MERIDA will continue to make efforts in various aspects such as the source, technology, and backend processes in reducing waste generation, increasing reuse rates, and exploring more environmentally friendly packaging materials, aiming to achieve a more sustainable production and operation.





MERIDA Waste Generation and Disposal Situation

| Waste composition | Hazardous/Non-hazardous (Yes/No) | Disposal | |
|---|----------------------------------|------------------------|--|
| Items | | Waste generated (tons) | Method of disposal |
| R-0201 Plastic waste | No | 11.68 | Recycle |
| R-0601 Paper waste | No | 97.7 | Recycle |
| R-1301 Steel waste | No | 2.53 | Recycle |
| R-1304 Aluminum waste | No | 5.01 | Recycle |
| Plastic waste compound | No | 0.220 | Incineration (without energy recovery) |
| Paper waste compound | No | 0.190 | Incineration (without energy recovery) |
| Waste wood compound | No | 0.200 | Incineration (without energy recovery) |
| Waste fiber or other cotton fabric compound | No | 0.170 | Incineration (without energy recovery) |
| Inorganic sludge | No | 46.560 | Others |
| Paint/Paint residue waste | No | 54.820 | Incineration (without energy recovery) |
| Oil waste compound | No | 12.060 | Others |
| Sandblasting waste | No | 2.660 | Others |
| General industrial waste generated from industrial activities | No | 67.330 | Incineration (without energy recovery) |

3.7 Biodiversity

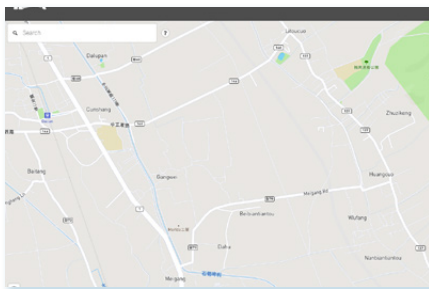
In recent years, external stakeholders have not only been concerned about the impact assessment of climate-related risks and opportunities, but also begun to pay attention to the impact of business operations on the natural environment, with "biodiversity loss" becoming a focal point of concern.

After integrating the Integrated Biodiversity Assessment Tool (IBAT) and the Taiwan Ecological Network Blueprint Assessment, it was found that within a 10-kilometer radius of MERIDA's production facilities in Taiwan (Changhua Dacun factory) and various production sites in China (Jiangsu Nantong factory, Shandong Dezhou factory, Guangdong Shenzhen factory), there are no environmentally protected areas, biologically rich and diverse areas, or restored habitats. Moreover, there are no natural forests containing rare plant species within the operational production areas, nor are there species listed as endangered on the International Union for Conservation of Nature (IUCN) Red List or national conservation lists. MERIDA adheres to environmental regulations in various countries and conducts

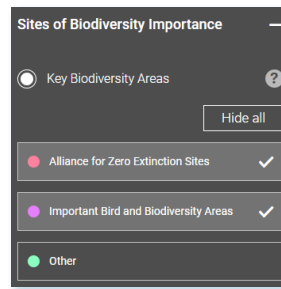
relevant environmental impact assessments to avoid harming biodiversity conservation by operational activities. Each year, measures are taken to ensure that wastewater, waste gas, waste disposal, and noise emissions comply with regulatory requirements.

MERIDA continues to focus on ecological environment and respect ecological balance, and has adopted two green spaces in the air purification zone in Changhua County, namely "National Yuanlin Agricultural and Industrial Vocational High School-Natural Ecological Park Afforestation and Beautification" and "Shiqifen Park". In the future, the Company will actively formulate corresponding production management policies and require the supply chain to integrate ecological environment protection and biodiversity conservation into daily operations. Through continuous improvement of products and services, we aim to mitigate the impact on the ecological environment and make positive contributions to nature by 2050.

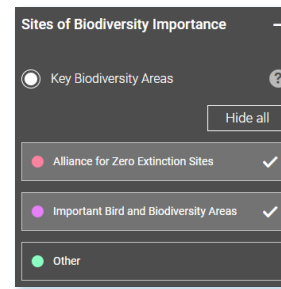
Jiangsu Nantong factory



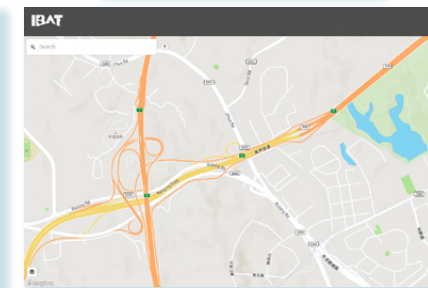
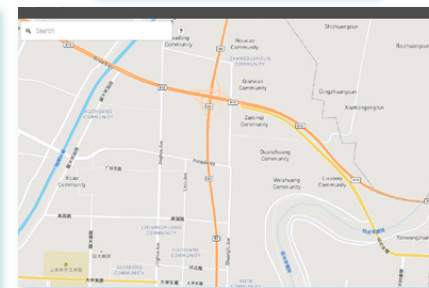
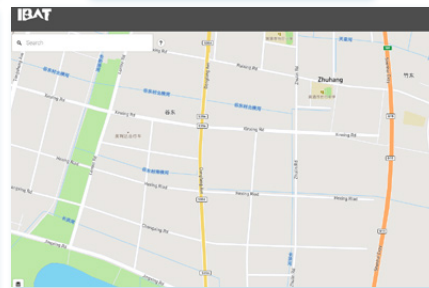
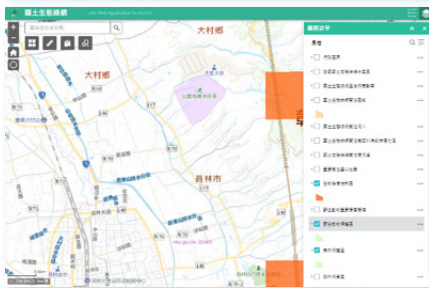
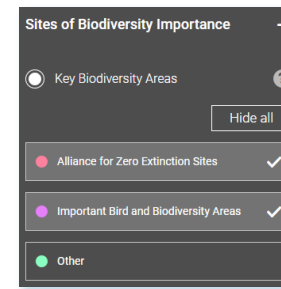
Changhua Dacun factory



Shandong Dezhou factory



Guangdong Shenzhen factory



Special Column

Effortlessly Cutting Carbon: Introducing the Smart Choice - E-bike (Environmental Electrically -Assisted Bicycle)

What is an e-bike?

E-bikes, or electrically-assisted bicycles, have become a popular mode of transportation in recent years, especially in Europe and America. With the assistance of an electric motor, riding becomes easier, particularly when tackling uphill climbs, making the experience more enjoyable and effortless. Due to their convenience and suitability for riders of all ages, e-bikes have become a favored choice for commuting.

A choice that combines environmental friendliness and health benefits

Besides providing decent fitness effects, e-bikes also have the green transportation advantage. According to a report by the international website BikeRadar in 2020, considering the entire life cycle from production to use (well to wheel), the carbon emissions of e-bikes are the lowest, even lower than classic bicycles. The reason is that riding a classic bicycle requires more human power, consumes more energy, and requires more food consumption; similarly, the carbon emissions from walking are 3.7 times that of riding an e-bike.

| Mode of transportation | CO ₂ e emissions per kilometer (well to wheel) |
|--|---|
| Riding an e-bike | 15g / km |
| Riding a classic (human powered) bicycle | 21g / km |
| Walking | 56g / km |
| Taking Bus | 101g / km |
| Driving (petrol) | 271g / km |

Data Source : BikeRadar 2020

Market trends and Taiwan's performance

With technological advancements, high-end e-bikes equipped with lithium batteries now have a range exceeding 100 kilometers, making them practical means of transportation. Over the past few years, e-bikes have gained immense popularity in European and American countries. According to statistics from the Confederation of the European Bicycle Industry (CONEBI), e-bike sales in EU countries have increased from 1 million units in 2015 to 5.7 million units in 2022, accounting for 25% of the entire EU bicycle market. Taiwan, as one of the main production hubs for e-bikes, has also seen significant growth in exports. From 181,000 units in 2018, exports surged to 1.037 million units in 2022, but due to global market adjustments, dropped to 686,000 units in 2023. Amidst this trend, MERIDA exported approximately 194,000 e-bikes in 2023, accounting for around 28% of Taiwan's total e-bike exports.

Outlook for the future

In light of the escalating threat of global warming, the imperative to decrease carbon emissions is pressing. Opting for e-bikes, which boast the lowest carbon emissions, emerges as the prime choice for short-distance commuting. Envisioning the future, we eagerly anticipate witnessing a surge in e-bike ridership within urban landscapes, seamlessly integrating this eco-conscious and health-promoting alternative into everyday routines. This shift is poised to become a pivotal component in propelling societal sustainability forward. Looking ahead, e-bike riding transcends mere transportation, emerging as a pivotal component in fostering a greener, healthier lifestyle!



Special Column

Advancing Energy Conservation: MERIDA's Large-Scale Solar Initiatives



Bicycles have long been hailed as the premier low-carbon mode of transportation and a highly praised option for travel. With exceptional technology and quality, MERIDA holds a prominent position within the global bicycle industry, representing a beacon of excellence for Taiwan. As carbon tariff policies like the EU's CBAM and the US's CCA come into effect, the establishment of green supply chains has become the prevailing international trend. Keeping pace with global developments, MERIDA is proactively expanding into green energy to bolster our international competitiveness.

Starting from within, we actively promote energy-saving, carbon-reducing, and pollution-reducing processes. Over the span of three years, from 2020 to 2022, we achieved a remarkable 26% reduction in energy intensity and over 15% decrease in GHG emission intensity. To further embrace green energy and carbon reduction, MERIDA has partnered with Tatung Forever Energy, a top player in the photovoltaic field, to install a self-generation and self-consumption solar photovoltaic power generation system within the factory premises. The signing ceremony took place at MERIDA headquarter on November 11, 2023, symbolizing our joint commitment to driving forward the development of green energy.

Tatung Forever Energy is a standout in the field of photovoltaics, boasting leading-edge technology and exceptional research and development capabilities. The solar photovoltaic power generation system they are installing for MERIDA has an output capacity of 976.10 kWp, expected to produce over 1.3 million kWh of green electricity annually. This output accounts for approximately 10% of MERIDA's annual electricity consumption, with a carbon emission reduction equivalent to 39 hectares of forest. Upon completion of the solar photovoltaic power generation system installation, MERIDA plans to utilize the generated electricity immediately to reduce gray energy consumption, and surplus electricity during off-hours or non-working days will be sold back to Taiwan Power Company. In our forthcoming strategies, we aim to incorporate behind-the-meter energy storage systems and equipment into the overall energy management system of the factory, fulfilling power regulation needs throughout the entire factory. This move also propels MERIDA towards its ambitious goal of achieving net-zero emissions, taking a significant step forward in sustainability.

MERIDA President, Vansen Tseng, emphasized during the signing ceremony: "Through the establishment of this solar photovoltaic system, our company demonstrates our commitment to energy conservation and carbon reduction, as well as our pledge to the future of green energy." Additionally, the CEO of Tatung Forever Energy, Huang Yun Wei also stated: "We look forward to this collaboration bringing mutually beneficial results to both companies, jointly creating a more environmentally friendly and sustainable energy future." Through this solar photovoltaic installation project, both parties promise to work in close collaboration, fostering a more environmentally friendly and sustainable energy future together, moving towards the vision of sustainable net-zero emissions.





4

Workplace Inclusion and Human Rights Vigilance

- 4.1 Recruitment and Deployment of Talent
- 4.2 Cultivation and Development
- 4.3 Comprehensive Benefits and System
- 4.4 Healthy and Safe Workplace
- 4.5 Community Welfare

4.1 Recruitment and Deployment of Talent

MERIDA places great emphasis on actively attracting excellent talent, as employees are a crucial key to achieving the Company's long-term stable development. Upholding rigorous labor and human rights standards, we are committed to ensuring fair treatment and respect for all employees throughout the recruitment process, and strive to create a workplace filled with a friendly atmosphere.

According to the "Employee Recruitment and Appointment Management Measures", recruitment targets are individuals aged 18 and above who voluntarily provide labor or services. Throughout the entire recruitment process, the Company adheres to the principle that no factors, including but not limited to race, religion, belief, gender, marital or parental status, age, political background, nationality, disability, sexual orientation, zodiac sign, blood type, or any other reasons, shall affect the recruitment process and decisions, thereby ensuring the fairness and impartiality of the recruitment and decision-making. The Company is firmly opposed to any form of discrimination and ensures that employees enjoy equal compensation and treatment, jointly creating a dynamic and respectful working environment.

At the end of 2023, the total number of employees was 1,138, of which 778 are male and 360 are female. The detailed breakdown of the employees hiring and gender distribution in 2023 is shown in the following table:

Number of Employees

| Region/Type | | Male | Female | Total |
|-------------|--------------------|------|--------|-------|
| Taiwan | Employee | 778 | 360 | 1,138 |
| | Full-time Employee | 547 | 360 | 907 |
| | Temporary Employee | 231 | 0 | 231 |

Notes:

1. Employee: Individual who is in an employment relationship with the organization according to national law or practice (in Taiwan, individual covered by labor insurance).
2. Full-time: Individuals who sign indefinite-term contracts.
3. Temporary: Individuals who are foreign workers or signed fixed-term contracts.
4. The company does not have unlimited hours guaranteed employees

The non-employee workers of the Company include dispatched workers, security guards, kitchen chefs, and kitchen assistants. In 2023, there were a total of 213 such workers, a decrease of nearly a hundred compared to the previous year. The main reason for this decrease is that some dispatched workers' contracts expired, and they chose not to renew or voluntarily resigned. Additionally, a portion of the Company's security system is outsourced to professional security agencies. Contracted security guards are hired in accordance with Article 10-2 of the Private Security Service Act. These security guards receive relevant professional training annually under the Occupational Safety and Health Act, covering disaster prevention and rescue, as well as security-related duties and practices. In 2023, 100% of security guards received training on human rights policies or procedures.

Although the security agencies cooperating with MERIDA do not explicitly include regulations regarding education and training in the contract, training for security guards is provided on a regular monthly basis. The Company plans to incorporate provisions related to education and training into the new contract to be signed by the end of 2024.



Prevention against unlawful infringement during execution of duties (Labor safety)



The principles and directions of security guard duties



First-Aid Knowledge (Labor safety)



Promotion of Enforcement Rules of the Personal Data Protection Act



Information for Non-Employee Workers of the Company

| Types of workers | Contractual Relationship with the Company | Total number of workers |
|--------------------------|---|-------------------------|
| Security guards | Hire of Work | 6 |
| Dispatched workers | Hire of Work | 196 |
| Kitchen chefs+assistants | Hire of Work | 10 |

MERIDA gives priority to employing local residents as a way of back to the community, strengthening harmonious relations with the local area, and improving effective communication, thereby maximizing the stability and quality of the employees' work. The Company is committed to the development of Taiwan and strives to create more job opportunities locally. Specifically, 100% of executives at the level of division head or above are held by local residents. Also, the Company has hired 13 employees (1.3%) with disabilities, higher the government requirement of 1%. The distribution of employee positions over the past three years is as follows:

Employee composition over the past three years

| Year | | 2021 | 2022 | 2023 |
|-----------------------------------|-----------|----------|--------|--------|
| Item/Gender | Age group | Number | Number | Number |
| Executive employees | Male | Under 30 | 0 | 0 |
| | | 30-50 | 27 | 25 |
| | | Over 50 | 18 | 21 |
| | Female | Under 30 | 0 | 0 |
| | | 30-50 | 1 | 1 |
| | | Over 50 | 5 | 5 |
| Total for Executive employees | | 51 | 52 | 46 |
| Non-executive employees | Male | Under 30 | 168 | 209 |
| | | 30-50 | 562 | 622 |
| | | Over 50 | 102 | 93 |
| | Female | Under 30 | 29 | 33 |
| | | 30-50 | 253 | 268 |
| | | Over 50 | 79 | 70 |
| Total for Non-executive employees | | 1,193 | 1,295 | 1,092 |
| Total number of employees | | 1,244 | 1,347 | 1,138 |

Notes: Supervisor: Personnel above section chief.



The employment criteria of the Company are based on standards such as education, character, ability, experience, and suitability for the position. As of the end of 2023, there were a total of 12 new employees, including 8 males and 4 females, accounting for 1.05% of the total workforce. The bicycle industry will be affected by destocking in 2023, so it will be conservative to increase manpower. Therefore, the number of new colleagues will be significantly reduced compared with 2022. In 2023, a total of 73 employees left MERIDA, accounting for 6.41% of the total workforce. There will be an increase in the number of people applying for the preferential retirement program in 2023, so the number of people resigning over the age of 51 will increase. Details of the new employee hires and turnover are as follows:

Statistics of New Employee Hires over the Past Three Years

| Year | 2021 | | | | 2022 | | | | 2023 | | | |
|------------------------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|
| Gender | Male | | Female | | Male | | Female | | Male | | Female | |
| Age /Items | Number | New Hire Rate (%) | Number | New Hire Rate (%) | Number | New Hire Rate (%) | Number | New Hire Rate (%) | Number | New Hire Rate (%) | Number | New Hire Rate (%) |
| Under 30 | 33 | 2.65 | 10 | 0.80 | 56 | 4.16 | 10 | 0.74 | 5 | 0.44 | 4 | 0.35 |
| 30-50 | 102 | 8.20 | 15 | 1.21 | 113 | 8.39 | 19 | 1.41 | 3 | 0.26 | 0 | 0 |
| Over 50 | 0 | 0 | 0 | 0 | 1 | 0.07 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Number of New Employee Hires | 160 | | | | 199 | | | | 12 | | | |
| Total Number of Employees | 1,244 | | | | 1,347 | | | | 1,138 | | | |
| Total New Hire Rate (%) | 12.86 | | | | 14.77 | | | | 1.05 | | | |

Notes:

1. The number of new employees is inclusive of those who have resigned midway, Does not include the number of people who were retained and reinstated without pay in the current year.
2. The new hire rate of male (female) employees in the age group = The number of new male (female) employees in that age group during the year / Total number of employees at operations at the end of year.
3. Total new hire rate = Number of new hires during the year / Total number of employees at operations at the end of year.



Statistics of Turnover Rate over the Past Three Years

| Year | 2021 | | | | 2022 | | | | 2023 | | | |
|-----------------------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|--------|-------------------|
| Gender | Male | | Female | | Male | | Female | | Male | | Female | |
| Age/Items | Number | Turnover rate (%) | Number | Turnover rate (%) | Number | Turnover rate (%) | Number | Turnover rate (%) | Number | Turnover rate (%) | Number | Turnover rate (%) |
| Under 30 | 5 | 0.40 | 0 | 0 | 17 | 1.26 | 3 | 0.22 | 6 | 0.53 | 2 | 0.17 |
| 30-50 | 39 | 3.14 | 4 | 0.32 | 54 | 4.01 | 4 | 0.30 | 11 | 0.97 | 7 | 0.61 |
| Over 50 | 11 | 0.89 | 6 | 0.48 | 10 | 0.74 | 8 | 0.60 | 35 | 3.08 | 12 | 1.05 |
| Total number of employee turnover | 65 | | | | 96 | | | | 73 | | | |
| Total number of employee | 1,244 | | | | 1,347 | | | | 1,138 | | | |
| Total turnover rate (%) | 5.23 | | | | 7.13 | | | | 6.41 | | | |

Notes:

1. The calculation of resigned employees does not include the number of people who have applied for leave without pay and the expiry of migrant worker contracts.
2. The turnover rate of male (female) employees in the age group = The number of male (female) employees leaving in that age group during the year / Total number of employees at operations at the end of year.
3. Total turnover rate = Number of departures during the year / Total number of employees at operations at the end of year.

⦿ Operational Change: Minimum period of advance notice

The Company is committed to safeguarding the rights and interests of employees in accordance with the provisions of the Labor Standards Act, including Articles 11 and 16. In the event of any circumstances that may affect the employment rights of employees in the future, we will adhere to the regulations of the Labor Standards Act. This includes providing advance notice of the termination of labor contracts based on employees' length of service, allowing employees to prepare accordingly. During the notice period, employees will continue to receive their wages.

According to Article 11 of the Labor Standards Act, if an employee of the Company meets any of the following conditions as specified for dismissal, the Company may terminate the employment relationship after providing advance notice to the employee:

1. Where the employers' businesses are suspended, or has been transferred.
2. Where the employers' businesses suffers operating losses, or business contractions.
3. Where unforeseeable circumstances make the suspension of business for more than one month necessary.
4. Where the change of the nature of the business make the reduction of workforce necessary and the terminated employees can not be reassigned to other suitable positions.
5. A particular employee is clearly unable to perform satisfactorily the duties required of the position held.

Severance Process of the Company

| Category | Description |
|--|--|
| Provide employees with an advance notice period | <p>The employer must notify employees in advance of when the labor contract will be terminated according to the length of their service, allowing employees to prepare accordingly. Moreover, during the advance notice period, employees are entitled to receive wages based on their performance (Labor Standards Act, Article 16, Paragraph 1).</p> <ol style="list-style-type: none"> Where a worker has worked continuously for more than three months but less than one year, the notice shall be given ten days in advance. Where a worker has worked continuously for more than one year but less than three years, the notice shall be given twenty days in advance. Where a worker has worked continuously for more than three years, the notice shall be given thirty days in advance. |
| Provide employees with severance pay | <p>Employers must comply with statutory requirements for terminating a labor contract and fulfill the obligation to pay severance pay. According to Article 17 of the Labor Standards Act, employers must pay severance pay to employees within 30 days after terminating the labor contract (the agreed-upon employee's last working day), failing that, employers shall be subject to fines between NT\$300,000 and NT\$1.5 million.</p> |
| Provide employees with leave of absence for the purpose of finding a new job | <p>After receiving the advance notice, a worker may, during hours of work, ask for leave of absence for the purpose of finding a new job. Such leave of absence may not exceed two working days per week. Wages shall be paid during such leave of absence.</p> |
| Conduct layoff notification | <p>In the event of layoffs, employer shall list the laid-off employee, at least ten days prior to leaving his/her job, and submit such list to and inform the local competent authority (Changhua Department of Labor Affairs) as well as public employment services institution(s).</p> |

The Company had no major labor disputes in 2023. The definition of a major labor dispute is that there is a major conflict or dispute between the company and its employees, and after the Changhua County Labor Department, the Central District Occupational Safety and Health Center or the relevant competent authority intervenes and coordinates, our company is determined to have lost the case, and it is regarded as a major labor dispute.

MERIDA values multiculturalism, and our talent recruitment and employee hiring follow labor and human rights-related laws such as the Labor Standards Act, Employment Service Act, and Gender Equality in Employment Act. We take practical actions to ensure the equal employment rights of minorities and disadvantaged groups, aiming to become a friendly corporation that is free from gender discrimination, accessible, and respectful to the disadvantaged. The distribution of employees from diverse ethnic groups in the past three years is shown in the table below:

Statistics of Diversity in Employees Over the Past Three Years

| Year | | 2021 | 2022 | 2023 | |
|-------------------------------|------------|----------|--------|--------|---|
| Item/Gender | Age groups | Number | Number | Number | |
| Minority or vulnerable groups | Male | Under 30 | 1 | 2 | 1 |
| | | 30-50 | 2 | 6 | 5 |
| | | Over 50 | 6 | 0 | 2 |
| | Female | Under 30 | 1 | 2 | 2 |
| | | 30-50 | 0 | 1 | 3 |
| | | Over 50 | 0 | 0 | 0 |

Notes: Minority or vulnerable groups: groups of individuals with a specific condition or characteristic (e.g., economic, physical, political, social) that could experience negative impacts as a result of the organization's activities more severely than the general population.



4.2 Cultivation and Development

MERIDA is committed to attracting talented individuals from around the world by offering competitive salary, while also encouraging employees to make outstanding contributions to the Company. The male to female salary ratio of executive employees is 2.22, while the male to female salary ratio of non-executive employees is 0.98.

The Company is actively fostering diversity and inclusivity, ensuring that its culture remains open and free from discrimination, thus enabling all individuals to fully unlock their potential. Annually, we assess global economic conditions, industry landscapes, and company profitability to adjust salary based on market rates for each role and individual performance. Adhering to gender equality and other principles, the Company’s salary is higher than the government requirement.

| Remuneration Ratio by Job Category | Basic salary ratio | | Remuneration ratio | |
|------------------------------------|--------------------|--------|--------------------|--------|
| | Male | Female | Male | Female |
| Executives | 1.32 | 1 | 2.22 | 1 |
| Non-executives | 1.09 | 1 | 0.98 | 1 |
| Factory staff | 1.12 | 1 | 1.01 | 1 |
| Office staff | 1.33 | 1 | 1.63 | 1 |

Notes:

1. Remuneration ratio of female to male (annual salary ratio) = The average annual salary of females in that category divided by the average annual salary of males in that category.
2. There is a large difference in the salary ratio between male and female supervisors. 2022 employee remuneration will be paid in 2023, and the female supervisors newly promoted in 2023 will not be in management positions in 2022.
3. There is a large difference in the salary ratio between men and women in Office staff, indirect personnel, which is affected by two factors: seniority and position.

| Country/Region | The ratio of the annual total remuneration of the highest-paid individual in the Company to the median annual total remuneration of employees (excluding the highest-paid individual) | The increase ratio in the annual total remuneration of the highest paid individual of the Company to the median annual total remuneration of the employees (excluding the highest paid individual) |
|----------------|---|--|
| Taiwan | 11.695 | 0.81 |

Notes:

1. The Chairman is not considered the highest-paid individual, unless he/she also serves as the President/CEO.
2. Formula for calculating the median ratio of annual remuneration: Annual remuneration of the highest paid individual for the year / Median individual annual remuneration for the year.
3. Formula for calculating the increase ratio of annual remuneration: Percentage increase in the annual remuneration of the highest paid individual for the year / Percentage increase in median individual annual remuneration for the year.
4. In response to factors such as changes in production capacity and inventory adjustments, the median annual total salary increase percentage for the highest individual and the average annual total salary increase percentage for employees are both negative.



4.2.1 Education and Training

MERIDA emphasizes the cultivation and development of talent, continuously enhancing employees' professional capabilities, and establishing an organized learning system and environment. In this culture, we encourage employees to actively engage in self-directed learning while advocating for superiors to provide assistance. The Company has developed a comprehensive education system, including training for new employees, annual training needs surveys and budgeting, as well as professional skills training. Additionally, we offer programs such as trainer training and on-the-job training to meet the development needs of both the Company and individuals. The Company is committed to creating an environment full of learning opportunities to promote the professional growth of every employee. Details are explained as follows:

Education and training for new employees

The Administration Department arranges pre-job education and training for new employees upon their arrival, during which relevant departments explain the Company's operational philosophy, attendance management regulations, health and safety management regulations, work rules, and living norms.

Annual training needs and budgeting survey

Each year, departments propose the educational and training course needs and budgets, both for in-house and external training, according to operational requirements. They then plan the annual education and training program and implement internal or external training accordingly.

Professional skills training

Each department records the professional training effectiveness of department staff and on-site operation supervisors in the "Staff Professional Skills Training Form". In addition to serving as a record of the implementation effectiveness of professional skills training, it is also used to assess the job performance and suitability of department staff. This record is included as a reference for performance evaluations at the year-end performance review.

Internal Trainer Training and Encouragement

Utilizing personal knowledge and experience sharing to rapidly propagate inherited wisdom and generate value within the organization. Apart from aiding in the expansion and efficient transmission of knowledge within the Company, it also enhances individuals' capabilities and their sense of self-worth in the workplace.

On-the-job training

In order to achieve the Company's incremental growth targets and foster lifelong learning among employees, annual education and training plans are drafted for each department to encourage employees to pursue further education while on the job.



HR system - Internal Trainer Training



Internal Improvement Initiative - M3T Education Program



HR system - Internal Trainer Training



Statistics of Employee Training

| Item/Category | | Executives | | Non-executives | | Direct employees | | Indirect employees | |
|------------------------|---------------|------------|--------|----------------|---------|------------------|---------|--------------------|--------|
| Unit/Gender | | Male | Female | Male | Female | Male | Female | Male | Female |
| Total number | persons | 20 | 3 | 495 | 334 | 470 | 307 | 45 | 30 |
| Total training hours | hours | 107 | 17 | 3,420 | 2,185 | 3,055 | 2,030 | 386 | 258 |
| Average training hours | hours/persons | 5.35 | 5.67 | 6.91 | 6.54 | 6.50 | 6.61 | 8.58 | 8.60 |
| Training costs | NT\$ | 17,550 | 2,500 | 413,300 | 265,350 | 336,050 | 223,300 | 94,800 | 44,550 |

Statistics of Assessment

| Item | Executives | Non-executives | Factory staff | Office staff |
|---|------------|----------------|---------------|--------------|
| The ratio of male employees undergoing assessment | 100 | 100 | 100 | 100 |
| The ratio of female employees undergoing assessment | 100 | 100 | 100 | 100 |

4.2.2 New Workplace Experience

⦿ HR System Innovation: Win-win for Environmental Protection, Employee Well-being, and Efficiency

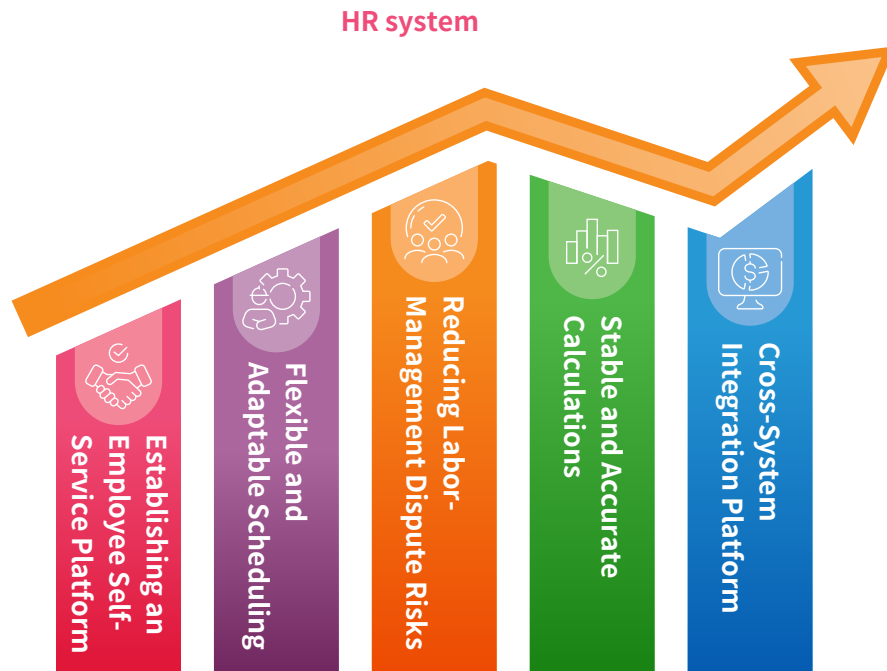
In this era of swift transformations, safeguarding the environment has evolved into a universal duty and, more importantly, a responsibility that corporations must embrace. In 2023, in response to the mission of environmental protection and caring for the planet, MERIDA integrated innovative technologies and successfully implemented a brand-new Human Resources (HR) system, designed to not only fulfill environmental objectives but also elevate work efficiency through digitalization, ultimately fostering mutually beneficial outcomes. Below is an outline of the practical application of our company's initiatives in 2023:

1. **Electronic Document Management:** By digitizing HR-related documents through the system, the demand for paper has been significantly reduced. This not only benefits the environment but also achieves effective document management and sharing, while enhancing data security.

2. **Digitalized Processes:** The HR system can handle various processes such as recruitment, onboarding, training, and performance evaluation through automation and digitization, which not only reduces paper usage but also improves process efficiency.
3. **Employee Self-Service:** The HR system provides employee self-service features, enabling employees to conveniently manage personal data, view pay stubs, etc. This not only reduces tedious tasks and paper waste but also enhances employee job satisfaction.
4. **Data Analysis and Reporting:** The system can generate various reports and analyses, such as personnel statistical reports, salary budget reports, etc. As well as reducing workload, it provides decision-makers with more accurate data support, enabling better management and understanding of employee's needs, allowing the HR team to devise more thoughtful benefits and training plans.

5. Online Application and Approval: The HR system offers online application and approval functionalities, such as online leave requests, online approvals, etc. Through transparent processes, it reduces the risk of labor disputes. Management and employees can swiftly communicate on the self-service platform, reducing uncertainties that may lead to disputes.

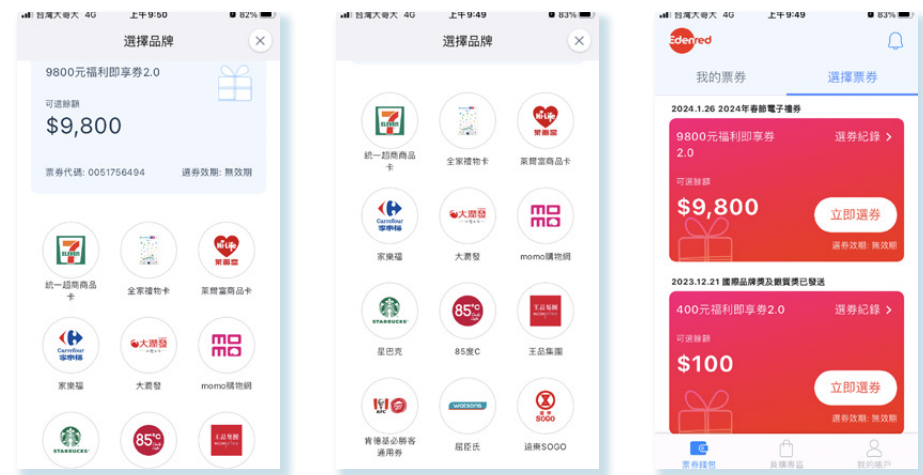
The integration platform of the HR system across various systems has fostered collaboration and communication between HR and different departments, leading to a further enhancement in work efficiency. This not only saves time but also optimizes the effective utilization of internal company resources, resulting in maximizing benefits. Through the implementation of the HR system, we have successfully achieved a harmonious balance between environmental protection, employee well-being, and efficiency. This initiative not only aligns with our commitment to environmental protection but also aims to establish a more sustainably developing corporation, catering to the evolving needs of the modern corporate landscape. Through these initiatives, we aim to create a healthy and sustainable workplace for our employees and contribute to building a happy business.



◎ MERIDA's Electronic Vouchers

MERIDA has consistently prioritized employee welfare, regularly issuing gift vouchers as a token of appreciation for their hard work and share in the Company's success. While pursuing welfare, we also recognize the wasteful and environmentally unfriendly aspects of the traditional paper-based voucher distribution method. Hence, in 2023, the Company underwent a significant transformation by fully transitioning to electronic vouchers, aiming to achieve environmental objectives while enhancing the employee experience. Previously, the voucher distribution process was intricate and time-consuming. It involved tasks such as determining employee numbers, printing statistical sheets, ordering vouchers, and distributing them, each step consuming considerable paper and time. This method not only proved environmentally unsustainable but also impacted employee productivity.

The introduction of electronic vouchers in 2023 not only achieved a paperless environment but also met our carbon reduction objectives. By implementing electronic vouchers, the Company simplified the cumbersome process associated with paper vouchers, resulting in a yearly reduction of over 10,000 sheets of paper wastage. Furthermore, utilizing mobile phones as the platform for electronic voucher distribution brings added convenience to employees. The employees can select their preferred store before shopping and then redeem their voucher points at that specific store, providing them with a diverse range of shopping choices. This ensures that vouchers hold the same value as cash, enabling employees to purchase items they genuinely need, thereby embodying the Company's welfare policy.





4.3 Comprehensive Benefits and System

4.3.1 Employees Retirement System

The Company's retirement system is managed in compliance with the "MERIDA Labor Retirement Management Regulations", "MERIDA Employee Retirement Management Regulations" as well as relevant laws including the "Labor Standards Act" and the "Labor Pension Act".

Based on the "Labor Standards Act," monthly allocations are made to the labor pension reserve funds, supervised by the Supervisory Committee of Labor Retirement Reserve. Before the end of each year, employers shall assess the balance in the designated labor pension reserve funds account. Currently, there is full allocation in the labor pension reserve funds account with the balance of NT\$ 449 million. In compliance with the "Labor Pension Act", a monthly contribution of no less than 6% of employees' monthly wage is allocated as labor pension funds and stored in individual labor pension accounts at the Bureau of Labor Insurance, Ministry of Labor. Currently, employees under the company's old system contribute 6% of their monthly salary as labor pension.

Apart from the mandatory labor pension contributions as per the law, the Company also provides additional retirement benefits and offers special early retirement programs. For example, the "60 Retirement Program" is available to employees whose combined age and years of service are 60 or more, ensuring the retirement welfare of the senior employees.

4.3.2 Unpaid Parental Leave for Raising Children

To implement the rights to gender equality in vacation, MERIDA has implemented the Unpaid Parental Leave for Raising Children system in accordance with the provisions stated in the "Labor Standards Act" and the "Gender Equality in Employment Act". This initiative aims to facilitate a balance between work and family life for employees. Upon completion of the leave period, arrangements are made for employees to return to their original positions, with additional support provided to help them readjust to workplace dynamics. Below are the specifics of the Unpaid Parental Leave for Raising Children in 2023:

| Year | 2021 | | | 2022 | | | 2023 | | |
|---|------|--------|-------|------|--------|-------|------|--------|-------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| The number of eligible applicants for Unpaid Parental Leave for Raising Children (A) | 42 | 30 | 72 | 48 | 33 | 81 | 42 | 33 | 75 |
| The actual number of applicants for Unpaid Parental Leave for Raising Children in each year (B) | 1 | 6 | 7 | 2 | 4 | 6 | 5 | 16 | 21 |
| The number of employees expected to return to work after Unpaid Parental Leave for Raising Children in the year (C) | 0 | 2 | 2 | 1 | 0 | 1 | 4 | 7 | 11 |
| The actual number of employees who returned to work after Unpaid Parental Leave for Raising Children in the year (D) | 0 | 2 | 2 | 1 | 0 | 1 | 4 | 7 | 11 |
| The actual number of employees who returned to work after Unpaid Parental Leave for Raising Children in the previous year (E) | 0 | 1 | 1 | 0 | 2 | 2 | 1 | 0 | 1 |
| The number of employees who continued working for one year after returning from Unpaid Parental Leave for Raising Children in the previous year (F) | 0 | 1 | 1 | 0 | 2 | 2 | 1 | 0 | 1 |
| The return-to-work rate for Unpaid Parental Leave for Raising Children in the year [D/C] | 0 | 100 | 100 | 100 | 0 | 100 | 100 | 100 | 100 |
| The retention rate of Unpaid Parental Leave for Raising Children in the year [F/E] | 0 | 100 | 100 | 0 | 100 | 100 | 100 | 0 | 100 |

Notes:

1. The number of people who should be reinstated = the number of people who are expected to be reinstated in the current year if their childcare jobs are suspended without pay.
2. Number of people retained in year N = N-1 of people actually reinstated in year 1 and still employed on December 31, year N.
3. A The statistical period for maternity leave and paternity leave is 3 years (2021/01/01~2023/12/31).

4.3.3 Optimizing Welfare Benefits

MERIDA's headquarter location and the majority of employees' workplaces constitute the Company's main operations. In accordance with the law, the Company has established a labor union to safeguard members' rights, enhance their knowledge, promote productive enterprises, and strengthen labor-management cooperation. The highest authority of the labor union is the general assembly of members. In the previous year, a total of five directors and supervisors meetings, four labor-management meetings, and one annual general assembly were held. Through exchanges in these meetings, channels of communication between labor and management are kept open, enabling employees to effectively communicate their concerns and demands to the Company and obtain improvements. Due to the harmonious relationship between labor and management, a collective agreement has not been planned in the short term; however, the agreements reached between the Company and the union apply to all employees. In the year 2023, the number of individuals joining the union was 907, accounting for approximately 80% of the total workforce.

MERIDA values the rights of every employee, considering them important partners of the Company. To ensure that employees can work with peace of mind and utilize their strengths, basic welfare should be provided. Therefore, the Company has established an Employee Welfare Committee. In addition to basic protection such as labor and health insurance for all employees in accordance with the law, the company also proactively provides additional group insurance protection for senior managers and personnel stationed overseas, including life insurance and accident insurance. We also provide travel safety insurance and Schengen insurance for short-term business travelers at home and abroad. At the same time, employees and their dependents are also allowed to purchase medical insurance and accident insurance at their own expense, including accident insurance and hospitalization medical insurance, to provide financial security for their families. As for the parental leave system: According to the Gender Equality Work Act, different days of "paternity check-up and paternity leave", "prenatal check-up leave" and "maternity leave" are provided. In addition, for details of the "nursing stay system", please read 4.3.2. The Committee, composed of elected members who autonomously manages welfare funds. Based on employees' needs, the Committee sets various subsidy standards and implements diverse welfare systems. These include safeguarding mechanisms, travel allowances, festive bonuses, celebratory tokens for birthdays and housewarming, alongside year-end festivities and prize draws. Furthermore, employees benefit from discounts at numerous reputable affiliated stores, all included within the employee welfare program.

The labor union hosts anniversary festivities and year-end gatherings aimed at fostering the physical and mental well-being of employees. These initiatives aim to promote mutual cooperation and benefit between labor and management. In January of last year, the company held its customary year-end party, featuring performances by renowned singers and offering generous prizes in lucky draws, as a token of gratitude for the hard work of its employees throughout the year. Additionally, in April, the Company commemorated its 51st anniversary by organizing a mountain cleanup initiative. Alongside

engaging activities like competitions and cycling, all staff members were encouraged to participate in cleaning up the Yuanlin Tengshan Trail vicinity during the ascent, contributing to environmental protection efforts.

MERIDA provides ample employee benefits and organizes a range of welfare initiatives, including year-end gratitude dinners, employee travel subsidies, the Merida Cycling Club gatherings, and hiking outings. These activities are designed to strengthen bonds between employees and to promote cohesion within the Company. Furthermore, they provide bonuses for various festivals including Lunar New Year, Dragon Boat Festival, and Mid-Autumn Festival and offer support for significant life events like weddings and funerals, actively fostering a positive workplace environment.

| MERIDA Public Association Committees and Social Organizations | |
|---|---|
| Employee Welfare Committee | Discuss matters related to employee welfare |
| Catering Committee | Organize daily meals, ensure the freshness and safety of the menu, and ensure that employees' dining rights are upheld |
| Labor Union | Regularly convene labor-management meetings with the employer to advocate for the welfare of employees |
| Supervisory Committee of Labor Retirement Reserve | Hold a quarterly meeting to ensure that pension reserve funds are allocated in accordance with the law, safeguarding employees' retirement-related rights and benefits |
| Merida Cycling Club | Encourage employees to maintain their physical and mental health by cycling. The Merida Cycling Club regularly organizes local and out-of-county cycling events, planning enjoyable and safe routes to take employees through various classic cycling routes. |



customary year-end party



MERIDA Bike Association gatherings



4.4 Healthy and Safe Workplace

4.4.1 Occupational Health and Safety Organizations

Although MERIDA has not implemented the ISO 45001 system, we adhere to occupational health and safety management regulations. We have established an occupational health and safety organization, overseen by the Health and Safety Committee, dedicated to providing recommendations, reviewing, coordinating, and advising on the Company's health and safety policies, management systems, and related matters.

Meanwhile, the Company follows the ISO QP7130 standard within ISO 9001, further establishing an occupational health and safety organization. This organization, led by the Occupational Health and Safety Committee, collaboratively formulates the Company's health and safety policies and management systems. It conducts joint reviews and coordination among all committees to provide recommendations on health and safety matters.

The Health and Safety Committee comprises professionals from various occupational health and safety -related fields. This includes the President serving as the chairperson, 2 occupational health and safety personnel; 5 department heads, supervisors, and commanding officers; 1 engineering technician; and 2 healthcare personnel engaged in labor health services and labor representatives; totaling eleven members. The Labor Union representatives make up 33% of the Committee.

The Company convenes a quarterly Occupational Health and Safety Management and Fire Committee meeting in accordance with the law, assisting in hazard assessment, identifying and evaluating potential hazards in the workplace, proposing corresponding control measures and recommendations to reduce the impact of hazards on the employee's health and safety. It regularly reviews the effectiveness of health and safety measures, analyzes data, and provides improvement suggestions. The Committee is responsible for participating in or directing accident investigations, determining the causes and responsibilities of accidents, and proposing preventive measures to avoid similar accidents from recurring. The Health and Safety Committee plans and decides on occupational of health and safety -related issues, ensuring employee participation, consultation, and communication. The Company plans to implement the ISO 45001 system between 2027 and 2029.

By implementing this series of measures, the Company is dedicated to fulfilling regulatory standards, incorporating the principles of sustainable development, and

attaining sustainable objectives of economic stability, environmental friendliness, and human rights respect. As the sustainability officer, the Company will persistently drive and refine these of health and safety management initiatives to ensure ongoing progress towards sustainability.

Each department conducts regular inspections of machinery and equipment and performs pre-operation checks according to respective regulations. After assessing unsafe equipment or environments in various work areas, the Company conducts hazard and risk assessments, prioritizing the mitigation of higher-risk deficiencies and implementing improvements immediately. The effectiveness of improvement measures is evaluated through indicators such as the Disabling Injury Severity Rate (SR) and Disabling Injury Frequency Rate (FR). Additionally, through regular internal and external audits, relevant regulations are adjusted promptly to ensure compliance with ISO management system standards. To continually identify and assess potential hazards in various operations, the Company conducts regular hazard identification and assessment of raw materials, machinery and equipment, operational environments, and personnel activities, along with accident investigations.

The Company conducts risk assessments in accordance with the Risk Assessment Techniques Guideline provided by the Occupational Safety and Health Administration, following fundamental principles and recommended practices. We establish, implement, and maintain a risk assessment management plan to meet the requirements of occupational health and safety management system regulations. The proper conduct of risk assessments assists units in developing comprehensive occupational health and safety management plans or systems, effectively controlling hazards and risks, preventing or mitigating the likelihood or severity of disasters, and improving safety and health management performance, thereby achieving sustainable operation objectives.

The process of risk assessment focuses on identifying, analyzing, and evaluating general occupational health and safety risks in the workplace. It includes safety assessments of processes, as well as risks related to chemicals, repetitive tasks, abnormal workloads, and other factors that may affect occupational health. The Company refers to the occupational health and safety regulations and relevant guidelines published by the Ministry of Labor to conduct risk assessments and implement necessary protective measures, ensuring the health and safety of workers.

There are many methods for risk assessment. For certain situations, a single assessment method may be used to cover all operations. However, in some cases, different assessment methods may need to be employed due to factors such as different work areas or job type. For example, hazard and operability analysis may be necessary for automated

production processes. However, for maintenance of production equipment or processes involving manual operation, the job safety analysis method may be more suitable. Factors that units need to consider when choosing a risk assessment method include :

- Health and safety regulations require, for example, a Process Safety Assessment in Hazardous Workplaces, which mandates the implementation of a Preliminary Hazard Analysis (PHA) to analyze and identify significant potential hazards in the workplace. Subsequently, one of the following methods should be chosen for safety assessment concerning significant potential hazards: :
 1. Checklist.
 2. What-If analysis.
 3. Hazard and Operability Studies (HazOp).
 4. Fault Tree Analysis (FTA).
 5. Failure Modes and Effects Analysis (FMEA).
 6. Other safety assessment methods recognized by the central competent authority as having equivalent functionality to the aforementioned methods.
- The nature of the workplace, such as fixed equipment or installations, temporary locations, etc.
- Process Characteristics, such as automated or semi-automated processes, developmental / variable processes, demand-driven operations, etc.
- Operational characteristics, such as repetitive operations, occasional operations, etc.
- Technological complexity.



Hazards are further divided into human hazards, biological hazards, chemical hazards, physical hazards, and socio-psychological hazards. To maintain the safety of all employees in the factory, regulations for education and training management, employee training management, verification of personnel qualifications management, health and safety management, lifting and hoisting equipment management, hazardous equipment management, organic solvent operation management, dust operation management, contractor health and safety management, major disaster emergency response management regulations, prevention and control of workplace harassment, complaint and disciplinary management regulations are established in ISO 9001. One class A environmental health and safety personnel and two occupational health service nursing personnel conduct identification, assessment, and accident investigation according to professional categories, and hold health and safety committee meetings quarterly to report accident investigations, reducing the risk of accidents and enhancing the efficiency of incident recurrence.

The Company adopts the P-D-C-A management model to evaluate various hazards that may arise from operational procedures, raw materials, machinery and equipment, operational environment, and personnel activities. It formulates reasonable and effective control measures to continuously improve workplace health and safety, reduce potential risks to operational personnel and contractor employees, ensure the safe operation of the occupational health and safety management system, effectively reduce the occurrence of occupational accidents, and enhance employee productivity. The overall implementation status of the Company is reported in relevant reports of the Company's Health and Safety Committee.

For various operational activities involving employees, contractors, and visitors within the factory, as well as when operating machinery or using chemicals, strict adherence to the relevant provisions of the ISO management system is followed. When conducting operations, operating machinery, or using chemicals,



risk assessment is quantitatively performed to review existing protective measures and prioritize improvements to reduce hazard risks. If an immediate danger situation arises, operations will be immediately halted, the integrity of protective measures will be reinforced, improvement plans will be formulated, or response capabilities will be enhanced.

In alignment with the Company's governance principles and policies, management goals are established, and execution plans are devised to define the corresponding objectives. These plans guide efforts aimed at enhancing workplace health and safety. Management performance is monitored and assessed according to the plan, establishing efficient systems for data collection and analysis to track occupational health and safety indicators, and recognize trends and issues. This process furnishes a basis for data-informed decision-making and ongoing enhancement of occupational health and safety performance.

With the objective of attaining "zero accidents," the Company places utmost importance on the safety and well-being of every employee. Through initiatives like risk assessments, hazard identification, health and safety education promotion, and pre-job meetings, we aim to enhance employees' awareness of risks and safety knowledge. In line with legal requirements and our commitment to zero accidents, we conduct monthly statistical analyses on FR (Disabling Injury Frequency Rate), SR (Disabling Injury Severity Rate), and FSI (Frequency-Severity Indicator), presenting reports during quarterly Occupational Health and Safety Committee meetings. In 2023, the Company encountered no workplace safety incidents. We aspire that all employees to persist in their endeavors towards achieving the goal of zero accidents in 2024.

Statistics of Occupational Accidents

| Year | 2022 | 2023 |
|-----------------------------------|------|------|
| Disabling Injury | 23 | 0 |
| Frequency-Severity Indicator(FSI) | 0.7 | 0 |

Note: In 2022, there were 17 traffic accidents and 6 on-site accidents.

The Company's reporting channels are internal. Employees can directly report any health and safety concerns to their immediate supervisors. For relevant departments, employees can contact the company's Human Resources department, including workers' health service nursing personnel as well as safety & hygiene management officers to address health and safety issues. After reporting, the Company should ensure that the reporting channels are clear and that reports are promptly received. This can be achieved

by providing contact information and establishing dedicated reporting channels. All received reports should be documented, including the content of the report, the identity of the reporter, and the date of the report, based on the reporter's willingness and the date of the report.

Finally, the Company should assess the content of the report to determine if further investigation is necessary. If an investigation is required, the Company should assign appropriate personnel to conduct the investigation and ensure that the investigation results are handled and improved appropriately. To encourage whistleblowers to bravely expose illegal activities, the Company has established whistleblower protection measures:

1. Confidentiality and Protection: It is the responsibility of the Company to maintain the confidentiality of both the identity of the reporter and the content of the report, while also safeguarding the reporter from any form of retaliation or mistreatment.
2. Identity information of whistleblowers and individuals making suggestions should be kept confidential, and no information revealing their identity should be disclosed.
3. Internal Reporting: The whistleblowers shall not be dismissed, discharged, demoted, reduced in salary, or have his or her legal, contractual, or customary rights and interests impaired, or otherwise disadvantaged as a result of the reported case.

4.4.2 Employee Health Checkup

The Company prioritizes the wellbeing of all staff members, ensuring a workplace that fosters both physical and mental health. We implement robust occupational health measures, identify and mitigate hazards, and establish safe working conditions. Our aim is to promote a healthy work-life balance for employees and contractors alike, working in collaboration with stakeholders to minimize occupational health and safety risks.

The Company conducts annual health examinations for all employees and managed contractors in accordance with relevant legal regulations. It also regularly monitors the health status of employees. For legally mandated special operations, such as workplaces with noise exposure, operational environmental monitoring data is collected twice a year to identify potential health hazards. Special health examinations are arranged accordingly to monitor the health status of employees working in these environments and provide health management reports. The results of these health examinations are reviewed by two occupational health service nurses, and subsequent referrals and occupational health

education are arranged based on the severity of risks, with the primary aim being prevention.

Establish and enforce pertinent policies, protocols, and directives for the management and regulation of occupational health hazards. Standardize sensible work procedures, enforce safety standards, and operational protocols. Supply suitable personal protective equipment, including safety helmets, welding masks, safety footwear, goggles, protective gloves, masks, earplugs, earmuffs, and so forth. Adjust work hours or offer breaks to minimize employees' exposure to hazards. Gather and analyze relevant occupational health data, evaluate the efficacy of control measures, and promptly refine and enhance them to safeguard employees from potential harm, fostering a safe and secure work environment.



Annual health checkup

Statistics of Number of Employees and Costs for Employee Health Checkup

General Health Checkup

| | |
|-------|--|
| Items | <ul style="list-style-type: none"> ⊙ Investigation of work experience, past medical history, lifestyle habits, and self-reported symptoms. ⊙ Physical examination of height, weight, waist circumference, vision, color vision, hearing, blood pressure, and physical examination of various systems or parts of the body. ⊙ Chest X-ray (full chest) examination. ⊙ Examination of urine for protein and occult blood. ⊙ Examination of hemoglobin and white blood cell count. ⊙ Examination of blood sugar, serum alanine aminotransferase (ALT or SGPT), creatinine, cholesterol, triglycerides, high-density lipoprotein cholesterol, and low-density lipoprotein cholesterol. |
|-------|--|

Number (person) : 291

Costs (thousand NT\$) : 145.5

Special Health Checkup

Item : Special physical and health examinations for workers in operations with noise exposure

Number (person) : 257

Costs (thousand NT\$) : 0 (Application Form for Noise Inspection Expenses - Payment borne by the Bureau of Labor Insurance, Ministry of Labor)

Note: According to Article 16 of the "Labor Health Protection Rules," the regular checkup intervals are as follows: for those under 40 years old, once every 5 years; for those aged 40 to less than 65 years old, once every 3 years; for those aged 65 years and above, once a year.



4.4.3 Occupational Illnesses and Occupational Injuries

Prevention is an important aspect of occupational safety. In order to effectively prevent occupational diseases and accidents within the factory, MERIDA strengthens safety management for employees in the workplace in accordance with relevant occupational health and safety regulations such as the "Enforcement Rules of the Occupational Health and Safety Act," "Rules for Occupational Health and Safety Facilities," "Occupational Health and Safety Management Regulations," "Guidelines for Occupational Health and Safety Labeling Installation," and "Occupational Health and Safety Education and Training Rules."

Additionally, the Safety & Hygiene Div. and management personnel conduct routine inspections of the work environment. They disseminate labor safety-related operating regulations, various management system specifications, and safety data sheets through regular announcements for easy access. This aims to instill correct health and safety concepts and knowledge among employees and ensure that this knowledge is integrated into daily work practices, with safety being the top priority. In 2023, neither employees nor non-employees workers of the Company experienced any incidents of work-related illnesses or injuries. Comprehensive plans were executed to regularly update unclear operational equipment labeling, implement measures to prevent tool malfunction, and conduct education and training for operational personnel effectively. Below are the relevant statistics for the past three years:

Statistics of occupational injuries for employees over the past three years

| Categories | Items | 2021 | 2022 | 2023 |
|--|--------|-----------|-----------|-----------|
| Total working hours | Female | 1,066,748 | 1,093,689 | 788,207 |
| | Male | 1,731,063 | 1,750,059 | 1,990,335 |
| | Total | 2,797,811 | 2,843,748 | 2,778,542 |
| Number of Deaths Caused by Occupational Injuries | Female | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Number of High-consequence work-related injuries (Excluding Deaths) | Female | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Number of Recordable work-related injuries (Including Deaths and High-consequence work-related injuries) | Female | 0 | 0 | 0 |
| | Male | 0 | 2 | 0 |
| | Total | 0 | 2 | 0 |
| Work-related Injuries Fatality Rate (%) | | 0.00 | 0.00 | 0.00 |
| High-consequence work-related injury Rate (%) | | 0.00 | 0.00 | 0.00 |
| Recordable work-related injuries Rate (%) | | 0.00 | 0.70 | 0.00 |

Notes:

1. Work-related injuries fatality rate = (Number of Deaths Caused by Work-related Injuries/Total working hours)*1,000,000.
2. High-consequence work-related injuries rate = [Number of High-consequence work-related injuries (Excluding Deaths)/Total working hours]*1,000,000.
3. Recordable work-related injuries rate = [Recordable work-related injuries (Including Deaths and High-consequence work-related injuries)//Total working hours]*1,000,000.
4. High-consequence work-related injuries are work-related injuries that result in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.
5. Recordable work-related injuries do not include work-related injuries caused by commuting to and from work.

Statistics of occupational injuries for non-employee workers over the past three years

| Categories | Items | 2021 | 2022 | 2023 |
|--|--------|---------|---------|-----------|
| Total working hours | Female | 468,867 | 465,379 | 20,057.5 |
| | Male | 489,812 | 439,186 | 277,849.5 |
| | Total | 958,679 | 904,565 | 297,907 |
| Number of Deaths Caused by Work-related Injuries | Female | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Number of High-consequence work-related injuries (Excluding Deaths) | Female | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Number of Recordable work-related injuries (Including Deaths and High-consequence work-related injuries) | Female | 1 | 0 | 0 |
| | Male | 2 | 4 | 0 |
| | Total | 3 | 4 | 0 |
| Work-related Injuries Fatality Rate (%) | | 0.00 | 0.00 | 0.00 |
| High-consequence work-related injury Rate (%) | | 0.00 | 0.00 | 0.00 |
| Recordable work-related injuries Rate (%) | | 3.13 | 4.42 | 0.00 |

Notes:

1. Work-related Injuries injuries fatality rate = (Number of Deaths Caused by Work-related Injuries/Total working hours)*1,000,000.
2. High-consequence work-related injuries rate = [Number of High-consequence work-related injuries (Excluding Deaths)/Total working hours]*1,000,000.
3. Recordable work-related injuries rate = [Recordable work-related injuries (Including Deaths and High-consequence work-related injuries)//Total working hours]*1,000,000.
4. High-consequence work-related injuries are work-related injuries that result in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.
5. Recordable work-related injuries do not include work-related injuries caused by commuting to and from work.

4.4.4 Preventive and Improvement Measures

The Company implements a systematic management approach across the entire factory to oversee employee health and safety. For high-risk operations like painting processes and robot controlled processes, industrial health and safety professionals are engaged to conduct on-site inspections to identify hazards and assess risks. Relevant safety improvements for processes and operational controls are then implemented to enhance risk management and effectively prevent any occupational accidents. To safeguard employee health, MERIDA offers the measures which are elaborated as follows. In 2023, a total of 246 individuals received on-site medical services and health education.

1. According to the Occupational Health and Safety Act - Labor Health Protection Rules, the Company appoints two occupational health service nurses and contracts one physician with a professional license in occupational medicine from the Ministry of Health and Welfare Hospital, Changhua. The physician conducts on-site services three times a month, each session lasting three hours. Additionally, the Company complies with the law in jointly addressing the following labor health protection matters:
 - ⊙ Analyses and evaluations of labor physical (health) examination results, health management, and data preservation.



- Assist employers in selecting appropriate jobs for workers.
 - Manage and provide health guidance for workers with abnormal results from health checks.
 - Evaluate and manage cases of employees under eighteen, those at risk of maternal health hazards, occupational injury or illness, and those at high risk related to occupational health.
 - Maintain records of occupational health-related research, injuries, and diseases.
 - Plan and implement measures such as health education, hygiene guidance, mental and physical health protection, and health promotion for workers.
 - Prevent work-related injuries and illnesses, offer health consultations, and provide first aid and emergency response.
2. According to the regulations set forth by the Occupational Safety and Health Administration, Ministry of Labor, measures are implemented to protect individuals from occupational hazards and maternal health risks. Additionally, preventive plans are enacted to mitigate unlawful infringements on job duties and prevent diseases triggered by abnormal workloads, while also providing care for high-risk employees.
3. Signed medical contracts with medium to large medical institutions in Changhua County to provide employees with access to medical benefits.



The occupational health and safety management system is consistent with the Company's internal management model and maintenance of operations. It applies to all operational activities, including both production and non-production areas, machinery, equipment, routine, and non-routine operations at various process production sites, as well as activities involving all vendors entering the Company's factory premises, such as food suppliers, security guards, equipment maintenance providers, business communications, and stocks shipping and receiving activities. This management system aims to prevent work-related injuries and illnesses and promote continuous improvement.

Employees of the Company should undergo occupational health and safety -related education and training. The training statistics for the reporting period are as follows:



Before selecting new suppliers and maintaining relationships with existing ones, it is pertinent to first understand their compliance with environmental health and safety regulations and their actual practices through on-site inspections. This includes checking if there are regular maintenance records and operational SOPs for large equipment such as forging machines, hydraulic presses, and natural gas (LPG) storage tanks, etc. To strengthen hazards prevention operations, periodic hazards prevention training is conducted within the factory to enhance fire awareness and evacuation procedures.

The Company reviews whether suppliers conduct regular special health checks for employees in occupations with higher environmental risk coefficients. For suppliers with potentially higher environmental and safety risks in their processes, the Company ensures that they regularly commission qualified monitoring agencies to conduct inspections to prevent employees from being exposed to high-risk work environments.

4.5 Community Welfare

The Company has noticed potential noise and odor issues during the production process. The frame painting process involves spraying paint, which may emit strong odors into the air. In order to reduce the impact of odor dispersion on residents' living environment, the Company strictly implements positive and negative pressure control during the painting process to minimize odor dispersion. Additionally, since July 2015, the Company has voluntarily conducted regular perimeter inspections of the factory area. Furthermore, efforts are being made to shorten the painting process to reduce environmental impact. Collaborative research with paint suppliers is also underway to develop low-pollution paints to further reduce the environmental impact.

Perimeter inspections are led by the Safety & Hygiene Division, of the Manufacturing Affairs Department, in collaboration with the Company's environmental and safety personnel, as well as the supervisor of the painting process. The frequency is once a month, with separate inspections conducted in the morning and evening. If residents have any concerns, they can report them immediately or communicate through bilateral channels with local village representatives and the Stewardship Division of the Administration Department at any time. The Company has always valued feedback from the community. In addition to actively maintaining friendly relations with the local community, it consistently supports and sponsors community service initiatives, never forgetting its commitment to fostering neighborly harmony.

| Activities | Amount (NT\$) | Description |
|---|---------------|---|
| Dacun Volunteer Fire Brigade Sub-team 2023 Annual Recognition Dinner for Top Performers | 30,000 | Sponsoring consultant funds to express gratitude to the diligent efforts of volunteer firefighting teams in various disaster relief activities, and commending outstanding personnel for their performance. |
| Dacun Meigang Community Environment Volunteers | 10,000 | Sponsoring funds to express gratitude to local residents who autonomously form volunteer teams and actively engage in community service for the betterment of the local environment. |
| Dacun Meigang Community Patrol Team | 10,000 | Sponsoring funds to express gratitude to local residents who autonomously form patrol teams to safeguard community safety. |
| "Leave No Trace" movement by MERIDA Cycling Club | -- | Invited third-party vendors, Cheng Shin Rubber Industry Co., Liow Ko Co., Ltd., and Dragon-tech to join hands in participating in mountain cleaning activities for environmental conservation. |
| 2023 i-Ride x Merida Summer Bike Camp | 444,000 | Partnered with the Taiwan i-Ride Education Association to host a bicycle summer camp. |
| MERIDA Changhua Classic 100K | 8,720,166 | With the strong promotion of bicycle tourism by the Tourism Administration, it provided a healthy sports environment, driving the business opportunities of sports tourism. |
| MERIDA Cup Cycling Carnival | 6,101,330 | |
| 1919 Love in Motion - Emergency Relief for Families in Need | 100,000 | To aid vulnerable families in urgent need, raising emergency relief funds and providing spiritual comfort. |
| Total | 15,415,496 | -- |

MERIDA CYCLING EVENT: MERIDA Changhua Classic 100K and MERIDA Cup Cycling Carnival

Every year, our company hosts two major cycling events, attracting around 3,000 to 6,000 participants each. One of these events is the "MERIDA Changhua Classic 100K" cycling event, now in its 13th year. With the Tourism Bureau's strong promotion of bicycle tourism, these events not only offer a healthy sporting environment but also stimulate local economic growth. Cyclists are encouraged to explore neighboring towns and villages, supporting local businesses by indulging in their distinctive snacks, agricultural produce, and souvenirs. This contributes to the flourishing of opportunities for sports tourism.

Secondly, the 21st edition of the MERIDA Cup Cycling Carnival, held at Sun Moon Lake in 2023, seamlessly integrates the sport with the natural beauty of Nantou. Riding bicycles while enjoying the picturesque scenery of the lake and mountains not only tests the cyclists' physical endurance but also offers a serene journey for the soul. Besides admiring the beauty of Sun Moon Lake, participants can also explore the charming towns of Checheng, Jiji, Shuili, among others, and contribute to local accommodation

and businesses. MERIDA, having promoted sports for many years, spares no effort in organizing the event, rallying a team of hundreds to maintain a high standard of traffic management services, thus winning the hearts of numerous cycling enthusiasts. Therefore, developing cycling events presents quite a challenge.

These two events attract a significant number of participants. By incentivizing local spending through sponsorship vouchers, they further stimulated the local economy. Moreover, these activities create job opportunities, such as bicycle maintenance services, and attract a broader participation in cycling events. These initiatives have positively influenced the local economy and yielded notable indirect economic impacts. Cycling events promote health and fitness, thus reducing healthcare costs. Additionally, cycling aids in decreasing reliance on motor vehicles, easing traffic congestion, and promoting environmental sustainability. Furthermore, cycling events catalyze industrial revitalization, boost product sales, and drive market growth.



MERIDA Changhua Classic 100K



MERIDA Changhua Classic 100K



MERIDA Cup Cycling Carnival



MERIDA Cup Cycling Carnival



"Leave No Trace" movement by MERIDA Cycling Club

We hope that through combining cycling with mountain cleaning activities, apart from keeping cyclists fit and maintaining a good exercise routine, we also advocate for everyone to cherish the environment by leaving no trace in the mountains. Together, we pick up litter in the mountains to protect the natural environment and demonstrate our love for our hometowns. In this event, we collaborate with suppliers to participate in mountain cleaning activities, contributing our efforts to fulfill ESG corporate social responsibility and achieve environmental sustainability.



"Leave No Trace" movement by MERIDA



"Leave No Trace" movement by MERIDA



Tengshan Trail Mountain Cleaning

2023 i-Ride x Merida Summer Bike Camp

In 2023 i-Ride x Merida Summer Bike Camp finally returned after a hiatus of 3 years due to the pandemic. This event marks the first collaboration between MERIDA bicycles and the Taiwan i-Ride Education Association. Through the program's curriculum, children not only learn about cycling safety and basic riding skills but also have the opportunity, under expert guidance, to personally assemble their own bicycles. At the end of the summer camp, children even took their self-assembled bicycles home. In addition to the bicycles, Merida generously provided professional cycling attire, helmets, front and rear lights, gloves, bike locks, headbands, a 16-in-1 tool kit, saddlebags, water bottles, bottle cages, and other professional personal equipment to the participating children, ensuring they have the best summer memories.



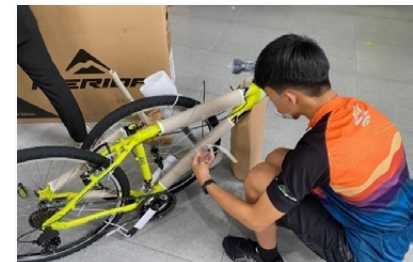
Tseng Ching-Cheng (Vice President) was there to cheer for the children



Bicycles sponsored by MERIDA



Assembly instructions provided by MERIDA Professional technicians



Build your own bike

1919 Love in Motion - Emergency Relief for Families in Need

To support vulnerable families in times of crisis, the Chinese Christian Relief Association (CCRA) initiated the "1919 Love in Motion - Emergency Relief for Families in Need" in 2002. It aimed to embody the spirit of "1919 We Want To Save" by raising emergency relief funds and providing spiritual comfort. Starting the following year, they began distributing aid. From September 2023, CCRA continued to promote the "22nd 1919 Love in Motion - Emergency Relief for Families in Need" and held the "1919 Love in Motion - Taipei Cycling" charity event, with MERIDA as the main sponsor. By the end of November 2023, a total of 16,014 families in urgent need had been assisted with a monthly allowance of NT\$5,500, helping them through their toughest times.



1919 Love in Motion - Taipei Cycling





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Appendix

Appendix I: GRI Sustainability Reporting Standards (GRI Standards) Content Index

Appendix II: SASB Sustainability Accounting Standard Content Index

Appendix III: Disclosure of Climate-related Information by TWSE and TPEX Listed Companies

Appendix IV: Sustainable Development Goals (SDGs) Content Index

Appendix V: External Verification Statement



Appendix I: GRI Sustainability Reporting Standards (GRI Standards) Content Index

「*」 Material Topics

| | |
|-----------------------------------|--|
| Statement of Use | This Report has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB), which will disclose the information from January 1, 2023 to December 31, 2023. |
| GRI 1 in use | GRI 1: Foundation 2021 |
| Applicable GRI Industry Standards | N/A |

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| 2-2 | Entities included in the organization’s sustainability reporting | About This Report | 2 | |
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| 2-4 | Restatements of information | About This Report | 2 | |
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| No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
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| 2-15 | Conflicts of interest | 1.3 Governance Structure 1.3.1 Board of Directors | 36 37 | |
| 2-16 | Communication of critical concerns | 1.3 Governance Structure | 36 | |
| 2-17 | Collective knowledge of the highest governance body | 1.3 Governance Structure | 36 | |
| 2-18 | Evaluation of the performance of the highest governance body | 1.3 Governance Structure | 36 | |
| 2-19 | Remuneration policies | 1.3 Governance Structure 1.3.2 Audit Committee 1.3.3 Remuneration Committee | 36 46 46 | Omit reason: At present, the salary and remuneration of senior management are only related to operational and financial performance, and sustainable performance review has not yet been adopted. The company is planning a suitable system to establish ESG performance to link the remuneration of senior management. It is expected to complete the establishment and implementation of relevant systems in 2027. |
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| 2-21 | Annual total compensation ratio | 4.2 Cultivation and Development | 93 | |

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| 2-24 | Embedding policy commitments | 1.2 Sustainable Development Missions | 27 | |
| 2-25 | Processes to remediate negative impacts | 1.2 Sustainable Development Missions | 27 | |
| 2-26 | Mechanisms for seeking advice and raising concerns | 1.6 Integrity and Compliance with the Law | 50 | |
| 2-27 | Compliance with laws and regulations | 1.6 Integrity and Compliance with the Law | 50 | |
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|------------------------------------|---|--|--|------|------------------|
| Material topics | | | | | |
| *Economic Performance | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | 1.4 Operational Results | 48 | |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | 3.1 Risks and Opportunities Under Climate Change | 71 | |
| | 201-3 | Defined benefit plan obligations and other retirement plans | 4.3 Comprehensive Benefits and System | 97 | |
| | | | 4.3.1 Employees Retirement System | 97 | |
| 201-4 | Financial assistance received from government | 1.4 Operational Results | 48 | | |
| *Energy | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | 3.4 Energy Management | 77 | |
| | 302-3 | Energy intensity | 3.4 Energy Management | 77 | |
| | 302-4 | Reduction of energy consumption | 3.4 Energy Management | 77 | |
| | 302-5 | Reductions in energy requirements of products and services | 3.4 Energy Management | 77 | |
| *Emissions | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |



| GRI Standards | No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
|--|-------|--|---|----------|------------------|
| GRI 305: Emissions 2016 | 305-4 | GHG emissions intensity | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |
| | 305-5 | Reduction of GHG emissions | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |
| | 305-6 | Emissions of ozone-depleting substances (ODS) | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |
| | 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | 3.5 Greenhouse Gases Management and Pollution Prevention | 78 | |
| *Employment | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | 4.1 Recruitment and Deployment of Talent | 88 | |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 4.3 Comprehensive Benefits and System 4.3.3 Optimizing Welfare Benefits | 97 98 | |
| | 401-3 | Parental leave | 4.3 Comprehensive Benefits and System 4.3.2 Unpaid Parental Leave for Raising Children | 97 97 | |
| *Diversity and Equal Opportunity | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | 4.1 Recruitment and Deployment of Talent | 88 | |
| | 405-2 | Ratio of basic salary and remuneration of women to men | 4.2 Cultivation and Development | 93 | |
| *Freedom of Association and Collective Bargaining | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies 1.6 Integrity and Compliance with the Law | 14 50 | |



| GRI Standards | No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
|--|-------|---|---------------------------------|------|--|
| *Customer Health and Safety | | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 416: Customer Health and Safety 2016 | 416-1 | Assessment of the health and safety impacts of product and service categories | 2.2 Carefree Quality | 61 | |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | 2.2 Carefree Quality | 61 | |
| *Sustainable Supply Chain | | | | | |
| Sustainable Supply Chain | 3-3 | Management of material topics | Overview of Management Policies | 14 | |
| GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | 2.3 Supply Chain Integration | 65 | |
| GRI 308:Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria | 2.3 Supply Chain Integration | 65 | |
| | 308-2 | Negative environmental impacts in the supply chain and actions taken | 2.3 Supply Chain Integration | 65 | Omit reason: In 2024, the scope of the investigation will be expanded to 50 suppliers, and a supplier social responsibility audit mechanism will be introduced to assess whether they comply with Merida's social responsibility and code of conduct to manage the supply chain's negative impact on the environment. |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | 2.3 Supply Chain Integration | 65 | |
| | 414-2 | Negative social impacts in the supply chain and actions taken | 2.3 Supply Chain Integration | 65 | Omit reason: In 2024, the scope of the investigation will be expanded to 50 suppliers, and a supplier social responsibility audit mechanism will be introduced to assess whether they comply with Merida's social responsibility and code of conduct to manage the risk of the supply chain's negative impact on society. |



| GRI Standards | No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
|---|-------|---|---|------|------------------|
| Topic-specific GRI Standards – 200 (Economic Topics) | | | | | |
| Market Presence | | | | | |
| GRI 202: Market Presence 2016 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 4.2 Cultivation and Development | 93 | |
| | 202-2 | Proportion of senior management hired from the local community | 4.1 Recruitment and Deployment of Talent | 88 | |
| Indirect Economic Impacts | | | | | |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 | Infrastructure investments and services supported | 4.5 Community Welfare | 107 | |
| | 203-2 | Significant indirect economic impacts | 4.5 Community Welfare | 107 | |
| Anti-Corruption | | | | | |
| GRI 205: Anti-corruption 2016 | 205-1 | Operations assessed for risks related to corruption | 1.6 Integrity and Compliance with the Law | 50 | |
| | 205-2 | Communication and training about anti-corruption policies and procedures | 1.6 Integrity and Compliance with the Law | 50 | |
| | 205-3 | Confirmed incidents of corruption and actions taken | 1.6 Integrity and Compliance with the Law | 50 | |
| Anti-Competitive Behavior | | | | | |
| GRI 206: Anti-competitive Behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 1.6 Integrity and Compliance with the Law | 50 | |
| Tax | | | | | |
| GRI 207: Tax 2019 | 207-1 | Approach to tax | 1.6 Integrity and Compliance with the Law | 50 | |
| | 207-2 | Tax governance, control, and risk management | 1.6 Integrity and Compliance with the Law | 50 | |
| | 207-3 | Stakeholder engagement and management of concerns related to tax | 1.6 Integrity and Compliance with the Law | 50 | |



| GRI Standards | No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
|--|-------|---|--|-----------|------------------|
| Topic-specific GRI Standards – 300 (Environmental Topics) | | | | | |
| Materials | | | | | |
| GRI 301: Materials 2016 | 301-1 | Materials used by weight or volume | 3.2 Raw Material Management and Recycling | 74 | |
| | 301-2 | Recycled input materials used | 3.2 Raw Material Management and Recycling | 74 | |
| | 301-3 | Reclaimed products and their packaging materials | 3.2 Raw Material Management and Recycling | 74 | |
| Waste | | | | | |
| GRI 306: Waste 2020 | 306-1 | The generation of waste has a significant impact on waste-related | 3.6 Waste Management | 82 | |
| | 306-2 | Management of significant waste-related impacts | 3.6 Waste Management | 82 | |
| | 306-3 | Waste generation | 3.6 Waste Management | 82 | |
| | 306-4 | Waste disposal and transfer | 3.6 Waste Management | 82 | |
| | 306-5 | Direct disposal of waste | 3.6 Waste Management | 82 | |
| Topic-specific GRI Standards – 400 (Social Topics) | | | | | |
| Labor/Management Relations | | | | | |
| GRI 402: Labor/Management Relations 2016 | 402-1 | Minimum notice periods regarding operational changes | 4.1 Recruitment and Deployment of Talent | 88 | |
| Occupational Health and Safety | | | | | |
| GRI 403:Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | 4.4 Healthy and Safe Workplace 4.4.1 Occupational Health and Safety Organizations | 99 99 | |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | 4.4 Healthy and Safe Workplace 4.4.1 Occupational Health and Safety Organizations | 99 99 | |
| | 403-3 | Occupational health services | 4.4 Healthy and Safe Workplace 4.4.2 Employee Health Checkup | 99 101 | |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | 4.4 Healthy and Safe Workplace 4.4.1 Occupational Health and Safety Organizations | 99 99 | |



| GRI Standards | No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
|---|--------|---|--|-----------|------------------|
| GRI 403:Occupational Health and Safety 2018 | 403-5 | Worker training on occupational health and safety | 4.4 Healthy and Safe Workplace 4.4.4 Preventive and Improvement Measures | 99 104 | |
| | 403-6 | Promotion of worker health | 4.4 Healthy and Safe Workplace 4.4.4 Preventive and Improvement Measures | 99 104 | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 4.4 Healthy and Safe Workplace 4.4.4 Preventive and Improvement Measures | 99 104 | |
| | 403-8 | Workers covered by an occupational health and safety management system | 4.4 Healthy and Safe Workplace 4.4.4 Preventive and Improvement Measures | 99 104 | |
| | 403-9 | Work-related injuries | 4.4 Healthy and Safe Workplace 4.4.3 Occupational Illnesses and Occupational Injuries | 99 103 | |
| | 403-10 | Work-related ill health | 4.4 Healthy and Safe Workplace 4.4.3 Occupational Illnesses and Occupational Injuries | 99 103 | |
| Training and Education | | | | | |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | 4.2 Cultivation and Development 4.2.1 Education and Training | 93 94 | |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | 4.2 Cultivation and Development 4.2.1 Education and Training | 93 94 | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | 4.2 Cultivation and Development 4.2.1 Education and Training | 93 94 | |
| Non-Discrimination | | | | | |
| GRI 406: Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | 1.6 Integrity and Compliance with the Law | 50 | |
| Child labor | | | | | |
| GRI 408: Child Labor 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labor | 1.6 Integrity and Compliance with the Law | 50 | |



| GRI Standards | No. | GRI Standards Disclosure | Chapter | Page | Omission/Remarks |
|--|-------|--|---|------|------------------|
| Forced or Compulsory Labor | | | | | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 1.6 Integrity and Compliance with the Law | 50 | |
| Security Practices | | | | | |
| GRI 410: Security Practices 2016 | 410-1 | Security personnel trained in human rights policies or procedures | 4.1 Recruitment and Deployment of Talent | 88 | |
| Rights of Indigenous Peoples | | | | | |
| GRI 411: Rights of Indigenous Peoples 2016 | 411-1 | Incidents of violations involving rights of indigenous peoples | 1.6 Integrity and Compliance with the Law | 50 | |
| Local Communities | | | | | |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programs | 4.5 Community Welfare | 107 | |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | 4.5 Community Welfare | 107 | |
| Public Policy | | | | | |
| GRI 415: Public Policy 2016 | 415-1 | Political contributions | 1.4 Operational Results | 48 | |
| Marketing And Labeling | | | | | |
| GRI 417: Marketing and Labeling 2016 | 417-1 | Requirements for product and service information and labeling | 2.2 Carefree Quality | 61 | |
| | 417-2 | Incidents of non-compliance concerning product and service information and labeling | 2.2 Carefree Quality | 61 | |
| | 417-3 | Incidents of non-compliance concerning marketing communications | 2.2 Carefree Quality | 61 | |
| Customer privacy | | | | | |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 2.2 Carefree Quality | 61 | |



Appendix II: SASB Sustainability Accounting Standard Content Index

In accordance with SASB Sustainability Accounting Standards, "TOYS & SPORTING GOODS" was selected as an indicator disclosure item based on the Company's business attributes.

| Topic | Code | Disclosure Metric | Category (Unit of Measure) | Chapter | Page | Omission/Remarks |
|---------------------------------------|--------------|---|-----------------------------------|------------------------------|------|------------------|
| Chemical & Safety Hazards of Products | CG-TS-250a.1 | Number of (1) recalls and (2) total units recalled | Quantitative (Number) | 2.2 Carefree Quality | 61 | |
| | CG-TS-250a.2 | Number of Letters of Advice (LOA) it received from the U.S. Consumer Product Safety Commission (CPSC) | Quantitative (Number) | 2.2 Carefree Quality | 61 | |
| | CG-TS-250a.3 | Total amount of monetary losses as a result of legal proceedings associated with product safety | Quantitative (Reporting Currency) | 2.2 Carefree Quality | 61 | |
| | CG-TS-250a.4 | Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products | Discussion and Analysis | 2.2 Carefree Quality | 61 | |
| Labor Conditions in the Supply Chain | CG-TS-430a.1 | Number of facilities audited to a social responsibility code of conduct | Quantitative (Number) | 2.3 Supply Chain Integration | 65 | |
| | CG-TS-430a.2 | Direct suppliers' social responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) priority nonconformances and (b) other non-conformances. | Quantitative (Rate) | 2.3 Supply Chain Integration | 65 | |

| Code | Disclosure Metric | Category (Unit of Measure) | Chapter | Page | Omission/Remarks |
|-------------|---|-------------------------------------|-----------------------|------|------------------|
| CG-TS-000.A | Annual production | Quantitative (Number of Units) | 2.1 Products Overview | 59 | |
| CG-TS-000.B | Number of manufacturing facilities, percentage outsourced | Quantitative (Number, Percentage %) | 2.1 Products Overview | 59 | |




Appendix III: Disclosure of Climate-related Information by TWSE and TPEX Listed Companies

| Item | Chapter | Page | Omission/Remarks |
|--|---|----------|------------------|
| 1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities. | 3.1.1 Financial risks due to climate change | 71 | |
| 2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term). | 3.1.2 Climate Risk and Opportunity Management | 72 | |
| 3. Describe the financial impact of extreme weather events and transformative actions. | 3.1.1 Financial risks due to climate change | 71 | |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. | 3.1.2 Climate Risk and Opportunity Management | 72 | |
| 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described. | 3.1.1 Financial risks due to climate change | 71 | |
| 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. | 3.1.2 Climate Risk and Opportunity Management | 72 | |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. | 3.1.1 Financial risks due to climate change | 71 | |
| 8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified. | 3.1.2 Climate Risk and Opportunity Management | 72 | |
| 9. Greenhouse gas inventory and assurance status, along with Emission Reduction Targets, Strategies, and Specific Action Plans.(separately fill out in point 1-1 and 1-2 below). | 3.1.2 Climate Risk and Opportunity Management 3.5 Greenhouse Gases Management and Pollution Prevention | 72 78 | |

Appendix IV: Sustainable Development Goals (SDGs) Content Index

| Item | Sustainable Development Goals | Chapter | Page |
|---------|--|--|----------|
| Goal 3 | Ensure healthy lives and promote well-being for all at all ages | 4.4.2 Employee Health Checkup | 101 |
| Goal 4 | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | 1.2 Sustainable Development Missions 1.3.1 Board of Directors | 27 37 |
| Goal 5 | Achieve gender equality and empower all women and girls | 1.3.1 Board of Directors 4.3.2 Unpaid Parental Leave for Raising Children | 37 97 |
| Goal 7 | Ensure access to affordable, reliable, sustainable, and modern energy for all | Special Column: Advancing Energy Conservation: MERIDA's Large-Scale Solar Initiatives 3.4 Energy Management | 86 77 |
| Goal 8 | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. | 1.2 Sustainable Development Missions 4.1 Recruitment and Deployment of Talent | 27 88 |
| Goal 10 | Reduce inequality within and among countries | 4.1 Recruitment and Deployment of Talent | 88 |
| Goal 16 | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels | 1.2 Sustainable Development Missions 1.2.1 Communications with Stakeholders | 27 29 |

Appendix V: External Verification Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE MERIDA INDUSTRY CO., LTD.'S ESG REPORT FOR 2023

NATURE AND SCOPE OF THE ASSURANCE
 SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by MERIDA INDUSTRY CO., LTD. (hereinafter referred to as MERIDA) to conduct an independent assurance of the ESG Report for 2023. The scope of assurance is based on the SGS Sustainability Report Assurance methodology and AA1000 Assurance Standard v3 Type 1 Moderate level to assess whether the text and data in accompanying tables contained in the report presented and complies with the GRI Standards and AA1000 Accountability Principles (2018) during assurance (2024/5/28-2024/7/12) in MERIDA headquarter. The assurance process did not include the evaluation of specific performance information outside the scope, such as climate-related financial disclosures (TCFD) and sustainability accounting standards (SASB).

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 MERIDA's Stakeholders.

RESPONSIBILITIES
 The information in the MERIDA's ESG Report of 2023 and its presentation are the responsibility of the directors or governing body (as applicable) and management of MERIDA. SGS has not been involved in the preparation of any of the material included in the ESG Report.

Our responsibility is to express an opinion on the report content within the scope of assurance with the intention to inform all MERIDA'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 organization's reporting practices and other organizational detail, GRI 3 2021 for organization'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 1 Moderate Level (AA1000AP Evaluation only) |

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SCOPE OF ASSURANCE AND REPORTING CRITERIA
 The scope of the assurance included evaluation of adherence to the following reporting criteria:

| Reporting Criteria Options | |
|----------------------------|---|
| 1 | GRI Standards (in Accordance with) |
| 2 | AA1000 Accountability Principles (2018) |

- AA1000 Assurance Standard v3 Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018) is conducted at a moderate level of scrutiny, and therefore the reliability and quality of specified sustainability performance information is excluded.
- The evaluation of the report against the requirements of GRI Standards, includes GRI 1, GRI 2, GRI 3, 200, 300 and 400 series claimed in the GRI content index as material and is conducted in accordance with the standards.

ASSURANCE METHODOLOGY
 The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, ESG committee 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, Task Force on Climate-related Financial Disclosures (TCFD) and SASB related disclosures has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE
 The SGS Group of companies is the world leader in inspection, testing and assurance, 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 affirms our independence from MERIDA, being free from bias and conflicts of interest with the organization, 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.

ASSURANCE / VERIFICATION OPINION
 On the basis of the methodology described and the assurance work performed, we are satisfied that the disclosure with inclusivity, materiality, responsiveness, and impact information in the scope of assurance is reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

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ADHERENCE TO AA1000 ACCOUNTABILITY PRINCIPLES (2018)

INCLUSIVITY
 MERIDA has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, sustainability experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, MERIDA may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

MATERIALITY
 MERIDA 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.

IMPACT
 MERIDA has demonstrated a process on identify and fairly represented impacts that 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. Measurement and evaluation of its impacts related to material topic were in place at target setting with combination of qualitative and quantitative measurements.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS
 The report, MERIDA's ESG Report of 2023, 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. The report has properly disclosed information related to MERIDA's contributions to sustainability development. 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. In addition, more comprehensive disclosure of policy commitments for responsible business conduct; and how the organization embeds its policy commitments for responsible business conduct.

Signed:
 For and on behalf of SGS Taiwan Ltd.




Stephen Pao
 Business Assurance Director
 Taipei, Taiwan
 12 August, 2024
WWW.SGS.COM

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2023 ESG Report

