



Sustainability Report

2023

Index

Message from our CEO

1. Merit Presentation

- Business Model
 - Company Structure
- Global Operations
- Products
- Innovation
- 2023 Milestones

2. Economic Performance

- Direct economic value generated and distributed
- Fiscal data

3. Sustainability in Merit

- Value Creation Process
- Stakeholder management
- Materiality matrix

4. Environment

- Environmental Policy and management
- Certifications
- Circular economy
- Sustainable use of resources
- Energy efficiency
- Climate Change
- Biodiversity Protection

5. Social

- Merit Team
 - Employment
- Health and Safety
- Diversity and Equality
- Local communities
- Suppliers
- Customers

6. Governance

- Corporate Governance
 - Board of Directors
- Respect for Human Rights
- Risk management and compliance
 - Fight against corruption and bribery

7. Annexes

- Normative Aspects of the Report
 - Basis for the preparation of the Report
 - External Verification
- Contents index Law 11/2018
- GRI Content Index





Message from our CEO

We are proud to present Merit's Sustainability Report for 2023, a year in which our company has continued to play a significant role in promoting positive changes in our environment.

Throughout the following pages, you will find a detailed analysis of how we have addressed sustainability challenges and how our actions have had a tangible impact on the people and organizations around us.

The automotive industry experienced a challenging year in 2023 due to rising prices and excessive inflation, a challenge that is also expected to persist in 2024. Slow customer spending, high-interest rates, and supply chain disruptions due to geopolitical tensions also led to a significant decrease in sales.

Undeniably, we are navigating challenging times in which the automotive sector faces the pressing need for significant investments to decarbonize vehicles in response to the growing imperative to adopt more environmentally efficient technologies.

That is why sustainability is a fundamental priority within our corporate culture. In 2022, we developed and approved the

2023-2030 sustainability strategy, which integrated environmental, social, and governance aspects across all our operations. This strategy not only reinforces our conviction that sustainability is essential for our business success, but also establishes a clear roadmap towards a more sustainable future.

Throughout 2023, we worked tirelessly to carry out each of the tasks assigned in our sustainability strategy and meet the established objectives. Operating in nine countries, with four prominent production facilities and employing over 1,000 committed individuals, we are proud to inform you that these efforts have been integral part of our ongoing commitment to sustainable development, including our transition towards a net-zero future.

In the upcoming years, we will continue dedicating our resources and efforts to achieving established objectives and reaffirming our steadfast commitment to sustainability. Together, we are determined to forge a more sustainable and prosperous future for all.

1. Merit Presentation

Business Model

Merit Automotive Electronics Systems is an international supplier of intricate mechanical components and ignition switches for the automotive industry. The company was founded in Germany in the 1940s and has become a leading player in design and manufacturing since then. In 1955, it expanded its operations to include the production of electromechanical parts for the automotive sector.

In 1996, Eaton acquired Merit Automotive Electronics Systems to develop a new product line called Mechatronics. At the beginning of 2017, Merit underwent a restructuring process and began operating independently, establishing its headquarters in Barcelona, Spain. With the support of its new parent company, Merit also opened a research centre in Krakow and operates facilities in Gdansk, Matamoros, Changchun, and Suzhou. This expansion strategy aligns with the company's global ambitions and enhances its ability to serve various automobile manufacturers.

As of 2023, Merit Automotive Electronics Systems has maintained seven years of successful independent operation. During this period, the company has strengthened its engineering capabilities and established three new production plants.

Company Structure

Merit Automotive Electronics Systems, S.L.U. was founded on December 27, 1973, as a sole shareholder Limited Company. Its focus is manufacturing electrical wiring, plastic injection components, and switches for the automotive industry, catering to domestic and international markets. The registered headquarters of the parent company are in Sant Vicenç dels Horts, Barcelona.

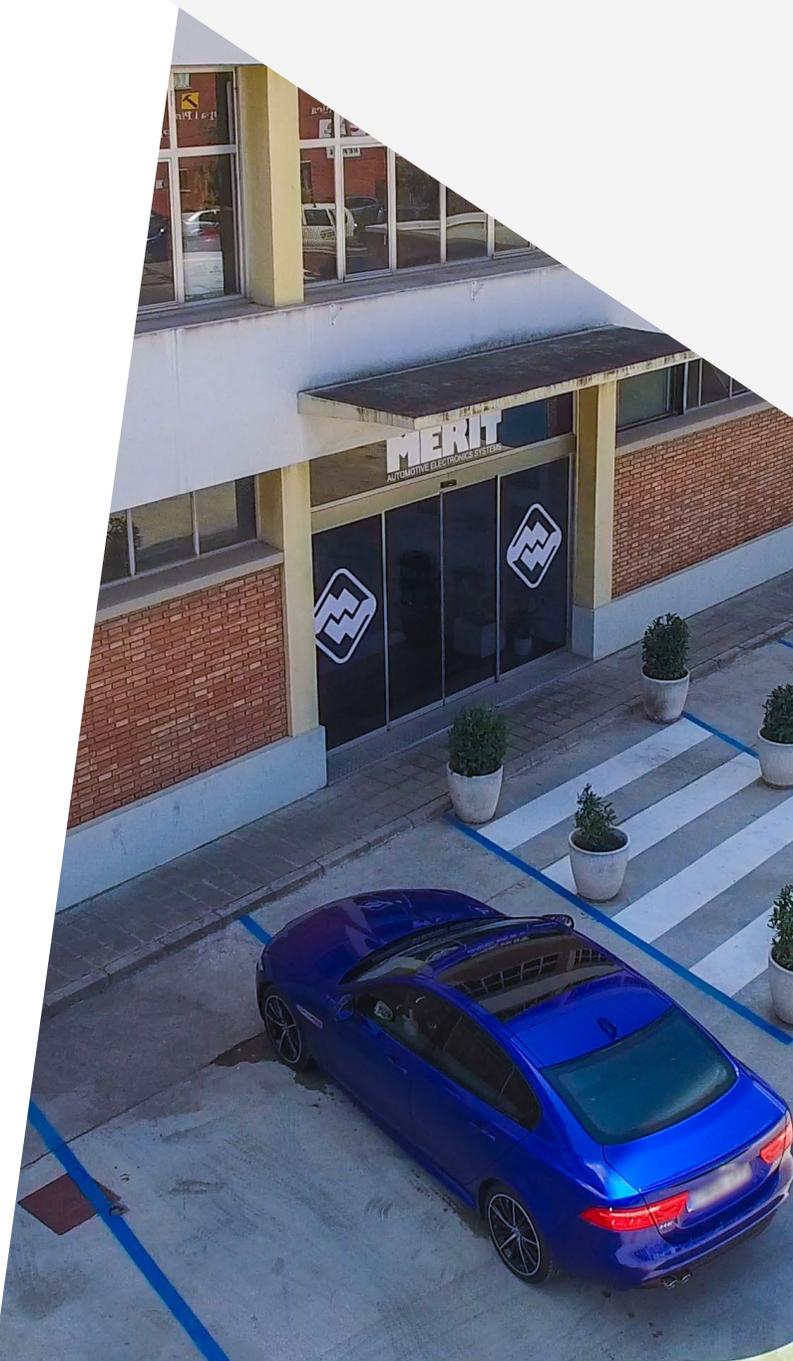
Company Culture

Mission

We seek to build trust and enhance the company's value through collaborative efforts. Merit aims to attract individuals who demonstrate a solid commitment to HMIs (Human Machine Interfaces) and continuously strive to improve the effectiveness of our products and processes.

Actions & key management indicators

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



Growth

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

Vision

We aim to earn recognition from our customers as a provider of cutting-edge and superior-quality HMI (Human-Machine Interface) components tailored for upcoming automotive applications.

Values

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

Lean thinking

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

Employees

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

Teamwork

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

Trust

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

Excellence

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

Responsibility

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

Global Operations

Merit Automotive Electronics Systems operates production facilities in four countries: Spain, Poland, Mexico, and China. The factories located in Mexico and China are fully operational and have attained the highest industry standards within the automotive sector. Moreover, Merit has established a commercial footprint in various other nations, such as France, Germany, the United States, Italy, and Brazil¹.



1. Merit has strategic customers worldwide: large multinational automotive manufacturers and Tier 1 component industries.

Products

The company offers a comprehensive range of products tailored to meet the diverse needs of the automotive industry. Our operations cover various aspects of component manufacturing, including the production of basic and column switches, as well as the manufacturing of integrated centre panels and steering wheel switches.



Seat Control Modules



Column Switches



Steering Wheel Switches



Integrated Centre Panels

Innovation

Merit places paramount importance on research and development, recognizing that innovation is crucial for its success and provides a competitive edge in the automotive industry. Understanding that continuous innovation is essential for maintaining a robust and distinctive market position, Merit aims to anticipate emerging technological trends and deliver differentiated products that align with efficiency, quality, safety, and sustainability standards through innovative approaches.

Research and development activities at the product level are led by Merit Group's technical centers located in Krakow (Poland) and Changchun (China). Their primary functions include:

1. Research new products, including vehicle component design, exploration of alternative materials, and enhancements to existing systems.
2. Continuously improving existing products to meet evolving market demands.
3. Developing cutting-edge technologies to enhance competitiveness and meet customer requirements.
4. Designing new products according to customer specifications and preferences.

The technical centers are supported by laboratories at Merit's production plants in Spain, Mexico, and China. Additionally, the plant in Spain conducts research and development initiatives focused on enhancing production processes and bolstering competitiveness.

The development centers and plants have been involved in various projects, such as:

- ▶ Designing and developing a new family of parts for 2020, emphasizing compact and high-quality multifunctional switch knobs through innovative manufacturing processes.
- ▶ Developing a new non-nitrogen atmosphere welding process to improve electronic circuit welding on PCBs.
- ▶ Designing and implementing a new control and communication unit integrated into vehicle steering wheels to enhance user control and vehicle communication efficiency.
- ▶ Creating new control modules for technologically advanced vehicles to integrate advanced control functionalities into steering wheels.
- ▶ Developing incident detection modules for vehicles to enhance alarm systems for incident detection.
- ▶ Designing and implementing new control systems for handling levers behind the steering wheels of off-road vehicles.
- ▶ Developing complete control modules for truck steering wheels, focusing on integrating advanced control systems.
- ▶ Designing and developing lever control modules integrated into the back of steering wheels.

2023 Milestones

In 2023, Merit successfully expanded and significantly diversified its client portfolio by establishing key partnerships with major automobile manufacturers, including Tesla, Rivian, and Volvo.

These milestones represent significant advancements for Merit in the automotive market and consolidate our position as a reliable and technology-leading partner for the electric vehicle industry. Merit will continue to seek growth opportunities and strategic collaborations to further drive change and innovation in the sector.

We highlight the following milestones:



Partnership with Volvo Cars:

Merit took a significant step forward by becoming a key supplier partner for Volvo Cars in their new electric vehicle architecture. This strategic partnership positions us as preferred suppliers for European and Chinese applications, with a view to the 2025 launch.



Expansion with BMW and Stellantis:

We strengthened our presence in the market by expanding our collaboration with BMW and being selected as technology development partners for a new generation of Steering Wheel Switches (SWSs) with Stellantis. These agreements reinforce our position as trusted suppliers to major automobile manufacturers.



Entry into the New Electric Vehicle OEM Market:

Merit continues its growth by preparing to commence production for Tesla and Rivian, two key players in the electric vehicle market. Both customers have highly valued our responsiveness and collaboration during the development process. Additionally, we are excited to introduce Merit products in the INEOS Grenadier EV, further strengthening our presence in the electric vehicle market.



2. Economic Performance

Direct economic value generated and distributed		31.12.2023	31.12.2022
Direct economic value generated		145,435	137,472
Revenues	Net sales, revenues from financial investments, revenues from sales of assets and exceptional revenues.	145,435	137,472
Economic value distributed		(147,341)	(140,398)
Operating costs	Payments to suppliers, repayments of fixed assets, losses from the sale of assets and exceptional expenses.	(106,448)	(101,518)
Employee wages and benefits	Cost of employees and executives.	(30,002)	(28,362)
Payments to providers of capital	Financial expenses, exchange differences, losses from the sale of financial instruments and dividends.	(1,313)	(1,107)
Payments to public administration	Expenses for taxes accrued during the financial year.	(9,578)	(9,411)
Economic value retained		(1,906)	(2,926)

Fiscal data		
Profit before tax per country for the financial year 2023 and 2022 per country (k€)		
Country	2023	2022
Brazil	16.00	(149.45)
China	(3,356.52)	(2,949.62)
USA	163.66	84.50
Spain	(1,162.91)	(2,813.81)
France	59.77	124.26
Mexico	2,308.05	1,353.23
Poland	879.37	988.95
Consolidation adjustments and eliminations	(984.81)	654.48
Total	(1,677.38)	(2,707.89)

Fiscal data		
Corporate income tax paid in 2023 and 2022 by country (k€)		
Country	2023	2022
Brazil	-	-
China	141.13	107.81
USA	-	-
Spain	1,211.44	273.45
France	(22.41)	(38.75)
Mexico	(698.58)	(41.60)
Poland	(231.57)	(301.35)
Total	400.01	(0.45)

The Company did not receive public grants or incentives for environmental use during 2023 and 2022.

3. Sustainability in Merit

In its broadest sense, Merit has always strategically prioritized sustainability alongside innovation and competitiveness. Throughout 2023, Merit continued actively implementing its Sustainability Strategy 2030 in response to the changing needs and trends of the automotive market. This strategy outlines the company's objectives and guidelines across all operational aspects, integrating environmental, social, and governance sustainability aspects into its day-to-day activities.

The Sustainability Strategy 2030 reflects Merit's public commitment to transparency and sustainability, identifying five priorities that address current and future challenges.



As a global company, Merit must also actively and positively contribute to achieving the UN Sustainable Development Goals (SDGs). Implementing the five strategic pillars described in the Sustainability Strategy 2030 can help Merit positively contribute to five SDGs.



To ensure efficient strategy implementation, we have defined sub-objectives across three-time horizons.

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



The Sustainability Team comprises key individuals from all plants, ensuring alignment of the strategy with its purpose and maximizing its positive impact and contribution to the Sustainable Development Goals (SDGs).

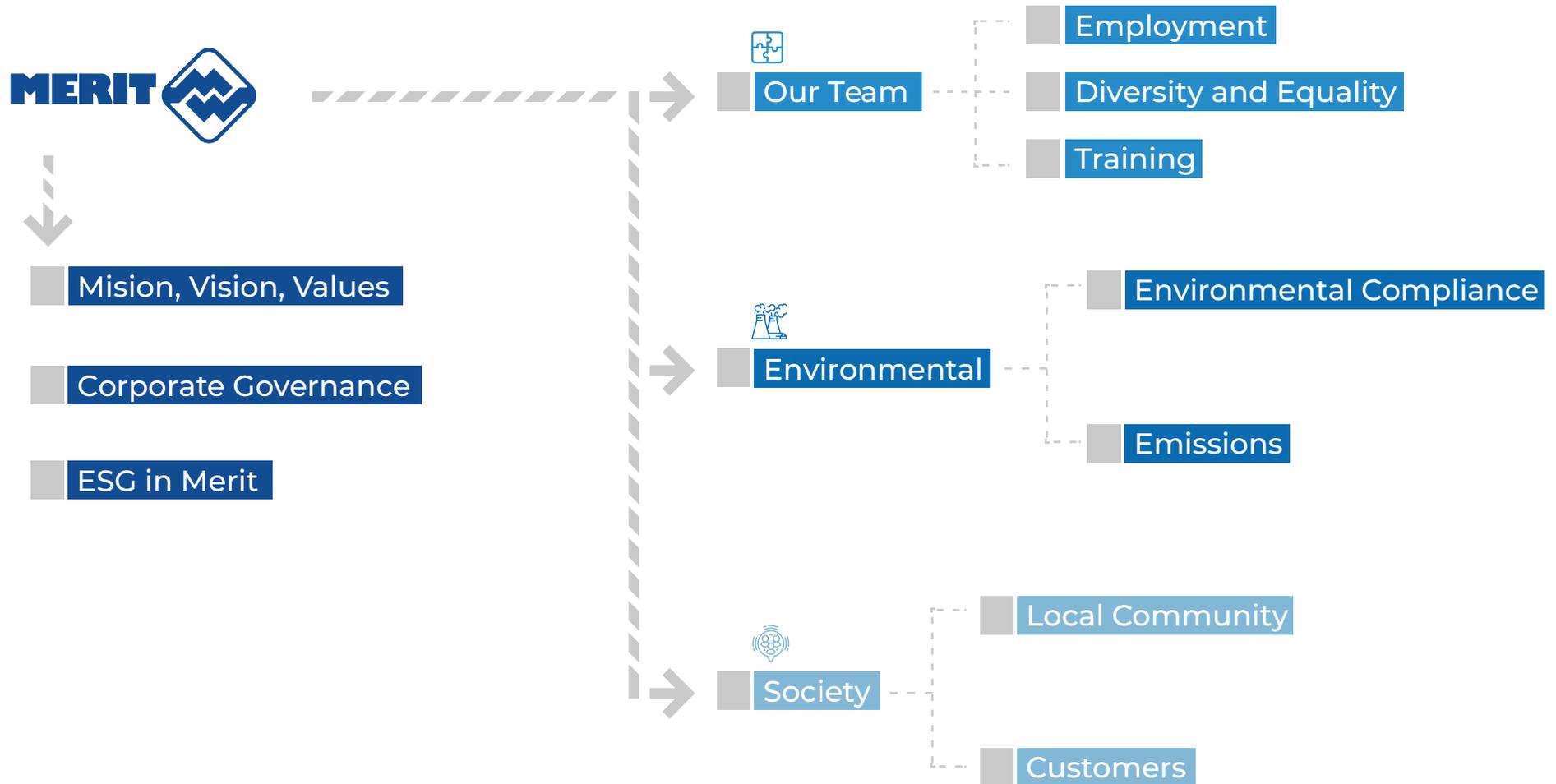


Indicators to measure progress

Merit has established specific indicators and actions for each aspect of its sustainability strategy to measure its progress. These indicators are reported according to their defined frequency, with each having its compliance date.

The Sustainability team is tasked with ensuring the fulfilment of each indicator and action area and overseeing staff management to meet these targets. Regular reviews of actions and key performance indicators (KPIs) are conducted, considering additional contextual analysis, emerging trends in the automotive industry, stakeholder interests, and legislative developments. As of 2023, Merit has accomplished 80% of the actions planned for the year and will continue working towards fulfilling the objectives of the strategy.

Value Creation Process



Stakeholder management

One of the critical pillars of our strategy is stakeholder engagement. Merit focus on receiving input from stakeholders to become a more sustainable and transparent organization. The company prioritizes engagement with stakeholders with the most significant influence and interest in sustainability topics.

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

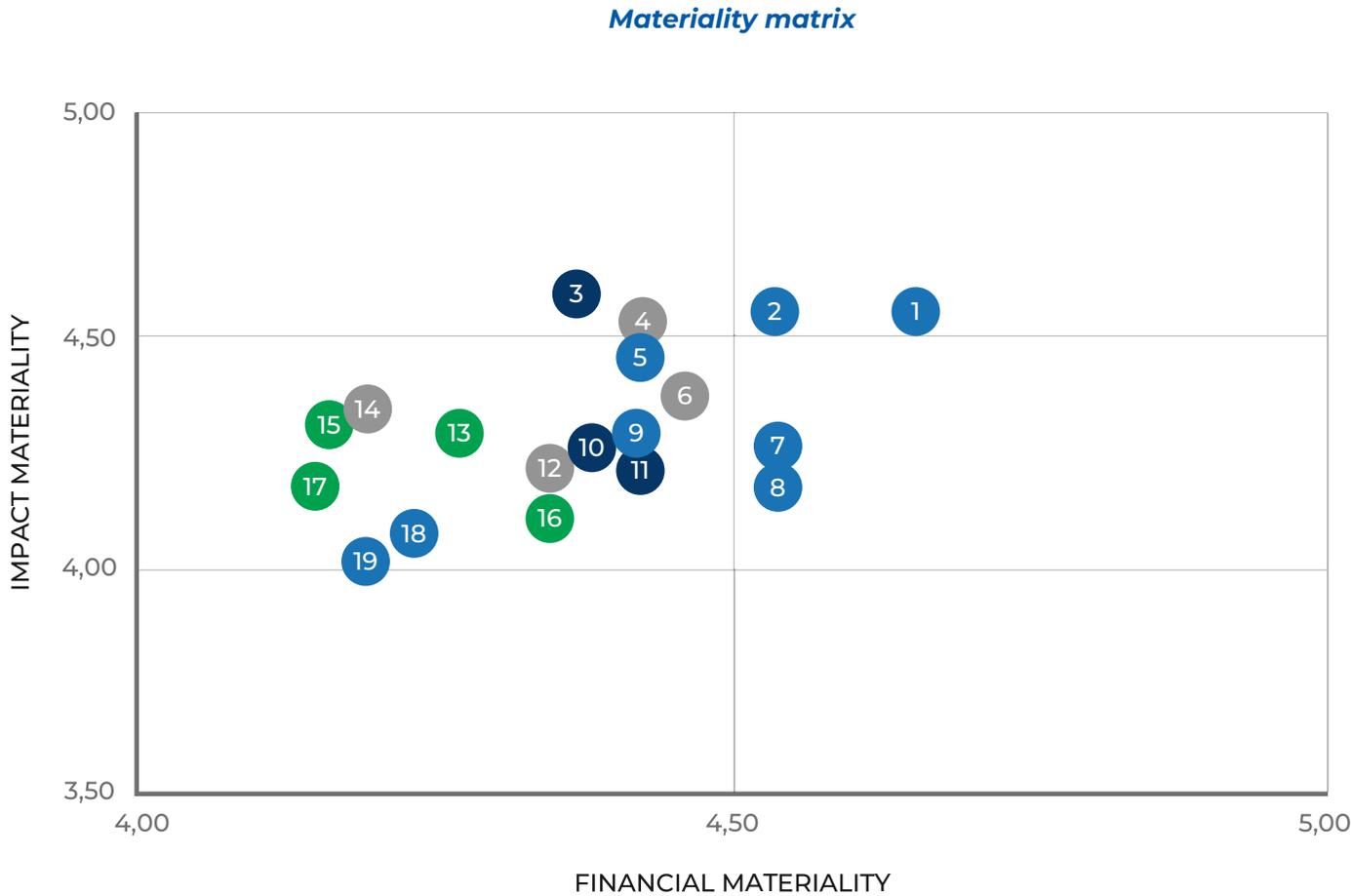
Materiality

In preparing the 2023 report, Merit relied on the previous year’s materiality analysis to identify the most relevant social, environmental, and economic issues related to sustainability management. This analysis was instrumental in shaping the company’s sustainability strategy by highlighting the most urgent issues.

The materiality analysis engaged both internal and external stakeholders, with the findings helping align the organization’s sustainability vision with stakeholder expectations. These identified issues have the potential to impact sustainable value creation positively or negatively, emphasizing the need for Merit to prioritize them in its sustainability efforts.

To identify the key issues, Merit conducted various stakeholder activities, including benchmarking against competitors and key industry players, to understand current market changes and challenges. Additionally, surveys were administered based on benchmarking and GRI Standards to assess perceptions of sustainability issues. Nearly 100 individuals globally, including employees, managers, suppliers, and customers, participated in these surveys. The insights gained from these activities have played a crucial role in shaping a comprehensive agenda of critical issues and corresponding actions to be undertaken.





- 1 Occupational health and safety
- 2 Respect for human rights
- 3 Customers orientation
- 4 Ethic and integrity
- 5 Social and economic area
- 6 Anti-corruption
- 7 Talent attraction and retention
- 8 Equality, diversity and inclusion
- 9 Well-being
- 10 Economic performance
- 11 Innovation
- 12 Cybersecurity
- 13 Sustainable use of resources
- 14 Risks management
- 15 Environmental impact
- 16 Circular economy
- 17 Climate change
- 18 Responsible supply chain management
- 19 Relationship with communities

● Social
 ● Environment
 ● Economic
 ● Governance

4. Environment

Merit prioritizes protecting human health, natural resources, and the global environment. Given the nature of manufacturing components for the automotive industry, it is essential to address various environmental considerations. These considerations are outlined in each plant's Environmental and Health and Safety Policy, meticulously prepared in accordance with the specific requirements mandated by local laws in each respective location.

Environmental policy and management

Merit has implemented due diligence procedures to identify, assess, prevent, and mitigate environmental risks. The core environmental policy focuses on identifying and assessing environmental factors, addressing risk control, opportunity management, and non-conformity management, and prioritizing key environmental risks associated with operations.

The company's management systems are designed to apply the precautionary principle through continuous improvement and specific provisions for environmental legal compliance. Additionally, Merit has a civil liability policy covering the environmental impact of accidents, reinforcing its commitment to responsible environmental practices.

Furthermore, Merit has established a new environmental and occupational health and safety policy applicable to all countries of operation, setting global targets to reduce and avoid risks. The company demonstrates its commitment to environmental compliance and sustainability by efficiently utilizing raw materials and natural resources, ensuring proper waste treatment, and reducing emissions, wastewater, and noise.

Key aspects highlighted include the measurement of greenhouse gas emissions, the establishment of science-based targets to align with the Paris Agreement, energy efficiency, renewable energy, water and air quality management, responsible chemical management, sustainable resource management, waste reduction, reuse and recycling, animal welfare, biodiversity and deforestation, soil quality, and noise emissions.

Merit Spain's plant identifies the main environmental risks associated with its operations annually.

Merit Mexico evaluates safety and environmental risks/opportunities, categorizing them based on severity, occurrence, and level of risk. They take actions to mitigate these risks, evaluate measures taken, and seek opportunities for improvement, with waste generation having a significant impact. Additionally, Mexico has an environmental risk prevention policy in place.

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

Merit Poland conducts risk analysis for goods delivery from the Gdansk plant, classifying environmental risks and opportunities based on severity and occurrence. They have also established a procedure to identify and assess environmental aspects, involving detailed monitoring of significant issues.

Similarly, Merit China has set up a system to manage, determine, and evaluate environmental aspects. They have identified five environmental impacts resulting from their operations: emission of volatile organic compounds (VOCs), wastewater discharge, noise emissions, discharge of hazardous waste, and discharge of general waste. To prevent and mitigate these impacts, Merit China has developed a detailed emergency plan to respond to environmental crises.

Certifications

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

Circular economy

As a pillar of its strategy, Merit is committed to implementing a circular economy model to maximize the use of natural resources and promote responsible waste management practices. Merit is actively pursuing the implementation of a Life Cycle Assessment, which involves a systematic analysis of the environmental impact of a product, material, process, or other measurable activity throughout its entire life cycle. The goal is to prioritize waste segregation, separation, reuse, recycling, and recovery while avoiding landfill as a final destination.

To support these efforts, Merit is in the process of creating a global product lifecycle engineering program to facilitate the analysis of product lifecycle. Additionally, they are in the process of developing a procedure aligned with ISO 14040 and ISO 14044 standards to delineate process phases and associated responsibilities. This procedural framework is essential for selecting suitable software; however, it remains a work in progress.

Waste management

There are three types of waste generated by production systems: liquids, hazardous solids, and industrial non-hazardous solids. In this regard, Merit has procedures for accurately classifying and segregating its waste at the source of generation, which is crucial for its appropriate treatment.



Waste Type	Unit of measurement	Value removed	Volume Recycled
Liquid Waste			
Non-chlorinated mineral oil	Kg	-	5,650
Aqueous rinsing liquids	Kg	23,620	-
Non-chlorinated solvent	Kg	-	190
Organic solvent	Kg	987	-
Mineral oil waste	Kg	38	-
Mold-purging water	l	6,800	6,800
Waste emulsion	Kg	950	-
Waste liquid pressure oil	Kg	15	-
Water contaminated with oil	l	2,375	-
Wasted oils	l	-	-
Solid Waste - dangerous			
Packaging	Kg	-	640
Absorbent material	Kg	-	-
Aerosol sprays	Kg	-	35
Fluorescent lighting	Kg	501	40
Obsolete Fat	Kg	-	170
Chemical waste containers/tin	Kg	-	-

Waste Type	Unit of measurement	Value removed	Volume Recycled
Solid Waste - dangerous			
Scrap circuit board	Kg	17,693	-
Lamp tube waste	Kg	26	-
Scrap printing cartridges	Kg	9	-
Activated carbon waste	Kg	70	-
PB-contaminated cloths	Kg	981	-
Cloths contaminated with chemical substances	Kg	5,411	-
Empty containers that contained chemical substances	Kg	841	-
Dross and residue from welding of lead alloyed tins	Kg	3,533	-
Slag and waste from lead alloy tin soldering	Kg	35	-
Paste residue from welding of lead alloyed tins	Kg	155	-
Infectious biological hazardous waste	Kg	19	-
Air conditioning filters	Kg	-	-
Chemical expired substances	lt	501	-
Centralized fillers	Kg	151	-
Scrap cables	Kg	-	-
Batteries and accumulators	Kg	-	-

Waste Type	Unit of measurement	Value removed	Volume Recycled
Industrial solid waste (non-hazardous)			
Toner	Kg	-	-
Batteries	Kg	-	40
Computer equipment	Kg	-	0,04
Paper and cardboard waste	Kg	3,710	70,620
Wood	Kg	-	17,780
Plastic	Kg	8,627	87,112
Metals	Kg	-	42,515
General waste	Kg	-	77,920
Industrial solids	Kg	26,786	-
Other solid waste	Kg	228	77

The company's primary waste stream is packaging, prompting one of Merit's key objectives: to increase the proportion of recyclable packaging. Moreover, Merit's initiatives center on the reuse of resources within plant operations, strongly influenced by clients' specific requirements and policies.

In 2023, waste recovery at the Barcelona plant amounted to 82% of the total waste generated throughout the year. This figure reflects the adoption of new measures in line with circular economy principles:

- ▶ Substituting cardboard boxes with plastic packaging within the plant.
- ▶ Establishing a dedicated area for shredding injection moulds to enhance recycling rates.
- ▶ Collecting and reusing used cardboard in production processes.
- ▶ Utilizing waste from the Sketching machine.
- ▶ Utilizing all plastic boxes from carriers.
- ▶ Reallocating the waste area to improve its size and accessibility.
- ▶ Eliminating foam between trays and trays in specific references, as well as in handle boxes.
- ▶ Negotiating with customers for the adoption of returnable packaging.

When introducing new products, Merit prioritizes using returnable and reusable packaging to minimize waste. This involves using returnable packaging from local suppliers and acquiring plastic crates made from recycled materials. Such practices significantly reduce waste generation, aligning with Merit's overarching sustainability objectives and environmental stewardship.

In Mexico, Merit recycles 5% of its non-hazardous waste, including materials such as aluminium, plastics, and paper. This underscores Merit's commitment to sustainability and environmental stewardship by diverting waste from landfills and promoting the reuse of valuable resources. Recycling non-hazardous waste also contributes to fostering a cleaner and healthier environment.

Waste-related indices

Aligned with the objectives set out in its sustainability strategy, Merit has implemented two indices to monitor the progression of waste generation and management practices. These indices serve as valuable tools for assessing the company's advancement toward more sustainable waste management practices.

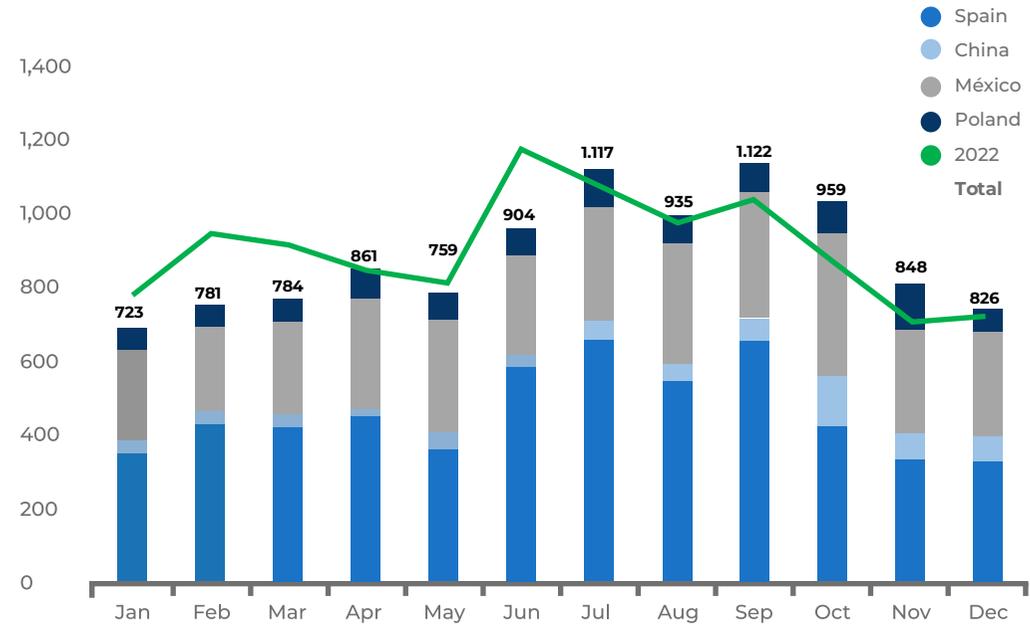
KPI Waste		
	2022	2023
Evolution of the Waste Production Index <small>(tons of waste*1,000 euros / Net sales)</small>	0.836	0.863
Evolution of the Waste Management Index <small>(cost of waste management in thousands of euros / Net sales)</small>	0.581	0.749

Sustainable use of resources

Water

Water is a finite natural resource, and while our usage may not be highly intensive, we have implemented measures to conserve and enhance its efficiency.

Monthly consumption of water (m3) by country



The aggregate water consumption registered in 2023 stands at 10,678 m3, representing a decrease of 1.73 % compared to the previous year (10,865.76 m3).

Regarding measures to optimize water usage, Merit has maintained its dedication to using solely sanitary water and initiated a Water Consumption Awareness Campaign to fulfil its EHS objective. Additionally, in Mexico, residual water is recycled for reuse.

Raw Materials

The production process of Merit's components involves the utilization of raw materials such as steel and non-ferrous metals, along with auxiliary materials like threads, welding gases, oils, and others.

In Poland, Merit dispose used materials to a specialized recycling company for proper processing and recycling.

Indicator	Unit of measure	2023	2022
Total Consumption	Kg	44,492,282	43,584,118
Pieces produced	Kg	44,337,503	43,412,504
Regranulated	Kg	99,168	97,754
Discarded	Kg	55,611	73,860

The data presented pertains to the production plants located in Barcelona, Mexico, Poland, and China. However, the bulk of raw material consumption originates from the Mexican plant, particularly in resin usage.

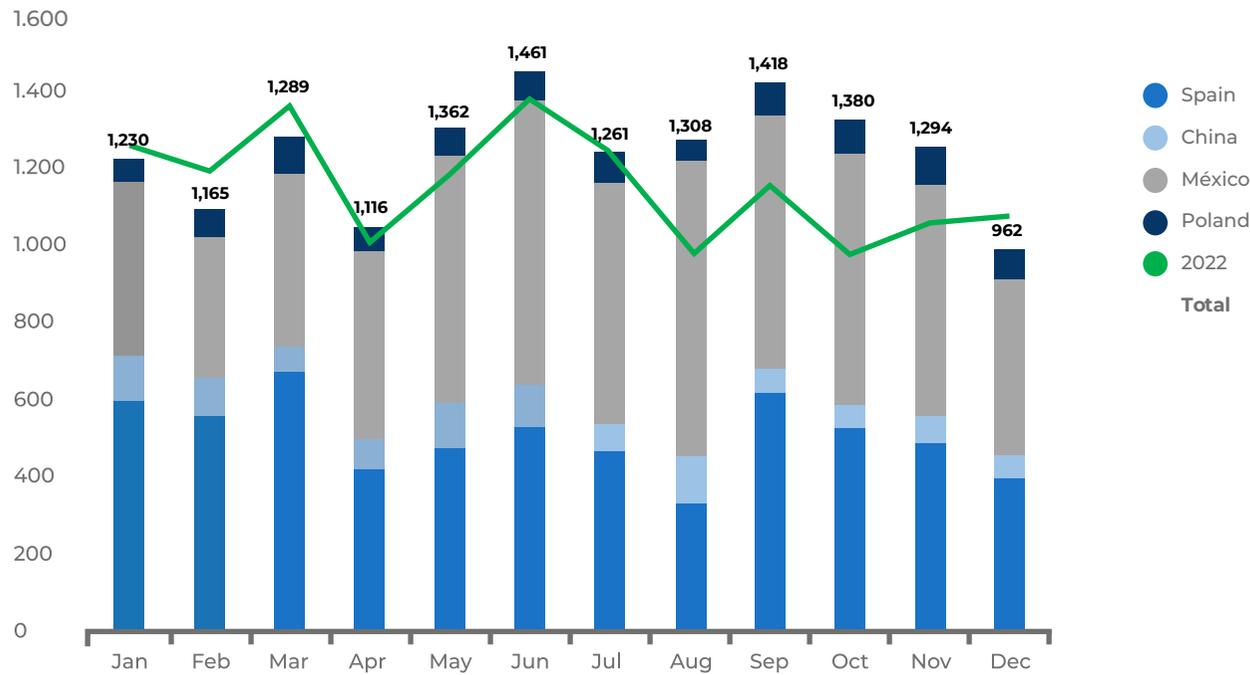
As depicted in the table, raw material consumption in 2023 totalled 44,492,282 kg, marking a 2.08% increase compared to the preceding year (43,584,118 kg).

Merit has instituted a system to reclaim plastic waste from new products to optimize raw material usage. The company continuously enhances these efforts by introducing new shredding models and increasing the utilization of recyclable packaging. Notably, new shredding machines have been procured, and 64% of plastic waste has been recovered.

Energy efficiency

Monitoring energy consumption at its four sites, including grid electricity and natural gas, is essential at Merit. Each of Merit's production plants has recorded consumption for 2023.

Monthly energy consumption (MWh) by country



The aggregate energy consumption recorded in 2023 amounted to 15,249.63 MWh, indicating a 9.23% increase compared to the previous year's consumption of 13,961.24 MWh.

This rise in electricity consumption can be attributed to several factors, including the integration of new machinery and an increase in installed kilowatt capacity. Furthermore, the introduction of several new products has led to extended operating hours in the plastic injection section. Additionally, both the Surface Mount Technology and Injection sections have been operating at maximum capacity.

Seasonal variations also play a significant role, as rising temperatures have necessitated the use of air conditioning units at maximum capacity. Moreover, heightened temperatures have resulted in increased utilization of cooling systems in the Injection section, also operating at maximum capacity.

Moreover, energy efficiency considerations are incorporated into the procurement of new machinery, such as compressed air moulders and dryers. In line with environmental objectives for the Barcelona plant in 2023, the following initiatives have been undertaken:

- ▶ Adjusting the temperature of the injection chiller to 22 °C to reduce electricity consumption.
- ▶ Implementing automatic lighting in bathrooms and stairwells to minimize electricity usage.
- ▶ Temporarily conserving the nitrogen tank to eliminate nitrogen consumption in April.

Additionally, the Merit Mexico plant has implemented various improvements, including contributions to generating renewable energy.

Merit Poland's plant has implemented several initiatives to decrease energy usage and minimize its environmental footprint. A comprehensive environmental audit was undertaken in 2023. The plant has streamlined its machinery processes to decrease energy consumption, and it actively procures renewable energy for its operations in Gdansk, intending to reduce energy usage continuously.

Moreover, the company is continuously seeking ways to enhance its energy efficiency. One notable action taken by the plant includes optimizing the workflow of its machinery to reduce energy consumption. Additionally, the company is dedicated to purchasing renewable energy for its Gdansk facility, underscoring its commitment to sustainability.

The Polish plant has installed photovoltaic panels for self-consumption, which accounted for 5% of the energy consumed in 2023.

Merit China has two specific environmental targets. The first objective is to achieve an annual energy consumption rate of less than 2,172 MWh. The second target is to limit the company's annual water consumption to no more than 1,180 m³.



Climate Change

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

Merit took an important step in environmental responsibility by calculating the CO₂ emissions generated by its operations from the 2021 financial year. The company followed the GHG Protocol methodology for managing and reporting CO₂ emissions.

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

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

		Total	
		2023	2022
Scope 1	Stationary Combustion	106,16	87,97
	Mobile Sources	22,65	35,25
	Mobile Sources	137,84	273,73
	Scope 1 total	266,64	396,95
Scope 2	Electricity	4.974,40	3.791,79
	Scope 2 total	4.974,40	3.791,79
Scope 3	1. Purchased Goods and Services	48.568,98	57.098,70
	2. Capital Goods	3.921,53	4.122,87
	3. Fuel and Energy related Activities not included in s1 or s2	646,58	882,75
	4. Upstream Transportation and Distribution	2.090,12	761,37
	5. Waste Generated in Operations	65,81	37,94
	6. Business Travel	325,38	354,77
	7. Employee Commuting	1.265,14	1.322,05
	8. Upstream Leased Assets	-	-
	9. Downstream Transportation and Distribution	230,90	347,84
	10. Processing of Sold Products	-	-
	11. Use of Sold Products	-	-
	12. End of Life Treatment of Sold Products	173,83	82,28
	13. Downstream Leased Assets	-	-
	14. Franchises	-	-
	15. Investments	-	-
	Scope 3 total	57.288,28	65.010,57
	Total emissions	62.529,33	69.199,31



In anticipation of the requirements set by the CSRD, Merit is developing a climate-resilience analysis that may lead to establishing emission reduction goals. These reduction targets aim to contribute to corporate climate action to halve global emissions by 2030 and achieve net-zero emissions by 2050.

Emissions intensity	2023	2022
Total GHG emissions per unit of Generated Energy	0.52	0.54

Formula Emissions intensity: Tn CO₂e / Net Sales

Biodiversity Protection

As stated in Merit's environmental policy, the protection of ecosystems, especially in key biodiversity areas affected by its operations, and the prevention of illegal deforestation are determined in accordance with international biodiversity regulations, including resolutions and recommendations of the IUCN (International Union for Conservation of Nature) on biodiversity. However, it is worth noting that Merit's operations are not conducted in locations near protected areas or adjacent to areas of high biodiversity with protected species. These conditions make habitat conservation or restoration irrelevant to its operations.

5. Social

Merit Team

At Merit, we have established a self-development system and culture under the guidance of our Human Resources Department. This initiative fosters a positive workplace environment for all employees and fosters their professional advancement. Our main goal is to attract and retain talented professionals while maintaining their ongoing motivation and commitment. In doing so, we nurture a sense of community where everyone feels valued and appreciated.

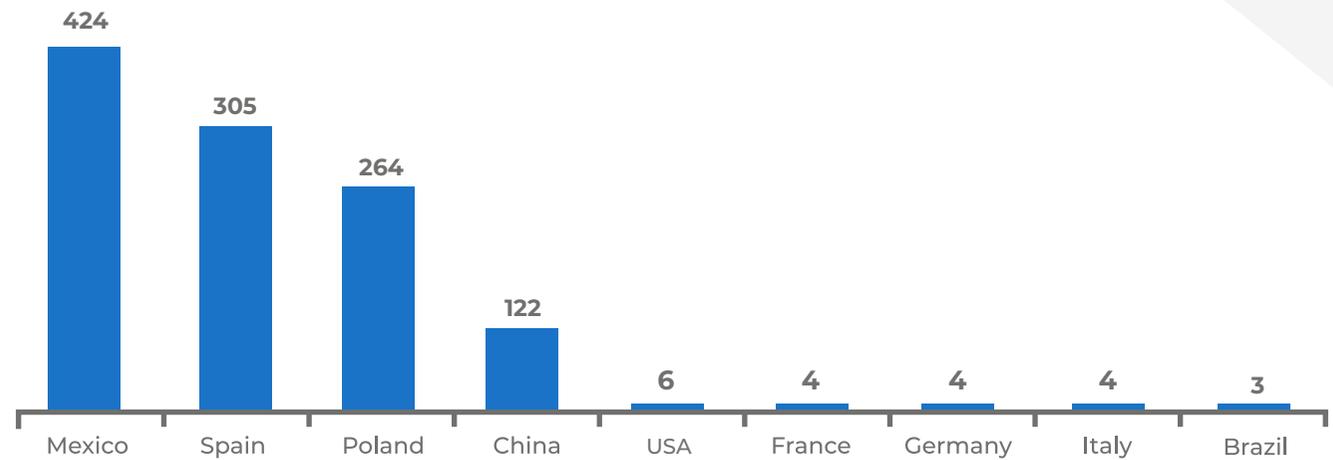
Employment

Personnel³

As of 31 December 2023, across its various work centres in Europe, Asia and America, Merit had 1,136 employees, representing an increase of 2.5% compared to the previous year (1,108 employees).

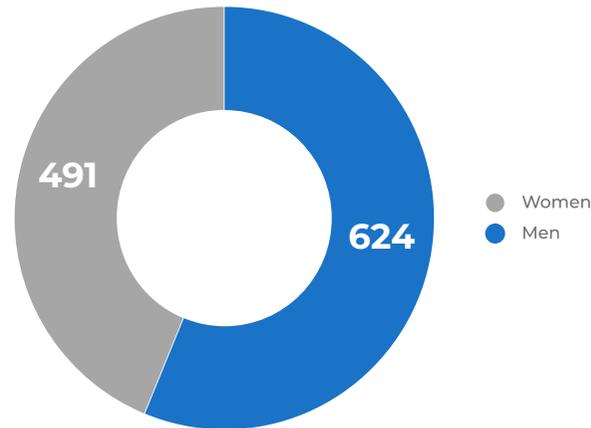
³ The information of the subsidiaries in France, Italy, USA, Brazil and Germany has not been reported regarding: the distribution of personnel, gender, age, type of contract, number of dismissals, average remuneration, work shifts, absenteeism and training. These subsidiaries account for 2% of the total Merit workforce as of 12.31.2023.

Merit employees by country

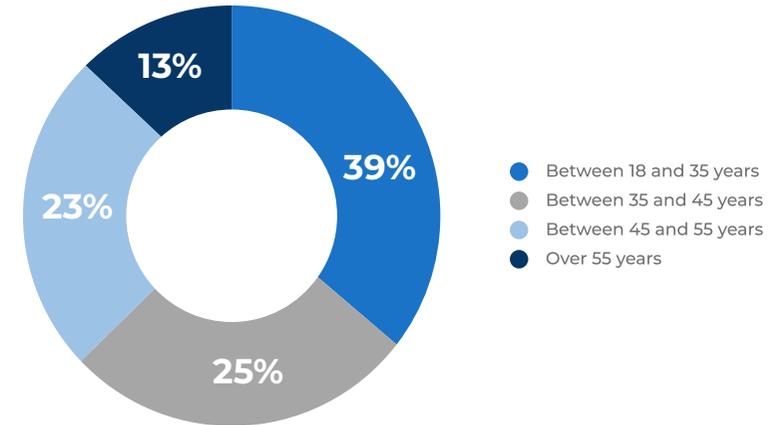


The following diagrams outline the distribution of the personnel category by gender, age range, and professional category at the end of the 2023 financial year.

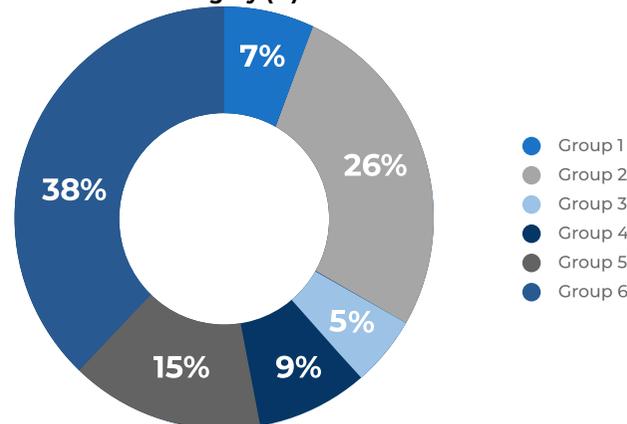
Merit employees by gender



Merit employees by age



Merit employees by professional category (%)



Professional categories according to collective agreement

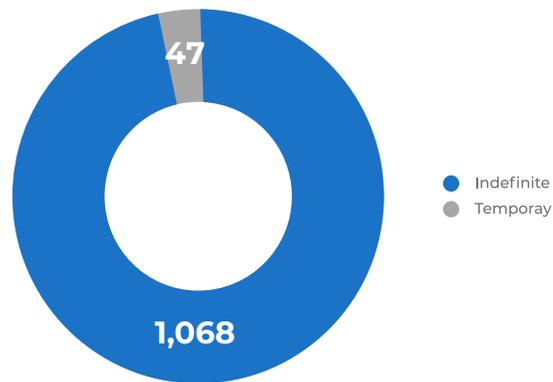
- GROUP 1:** Management, Engineers, and Graduates with direct management responsibility.
- GROUP 2:** Graduates without direct management responsibility.
- GROUP 3:** Administrative managers.
- GROUP 4:** Organisational Technicians and Managers.
- GROUP 5:** 1st and 2nd Grade Workers, Administrative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



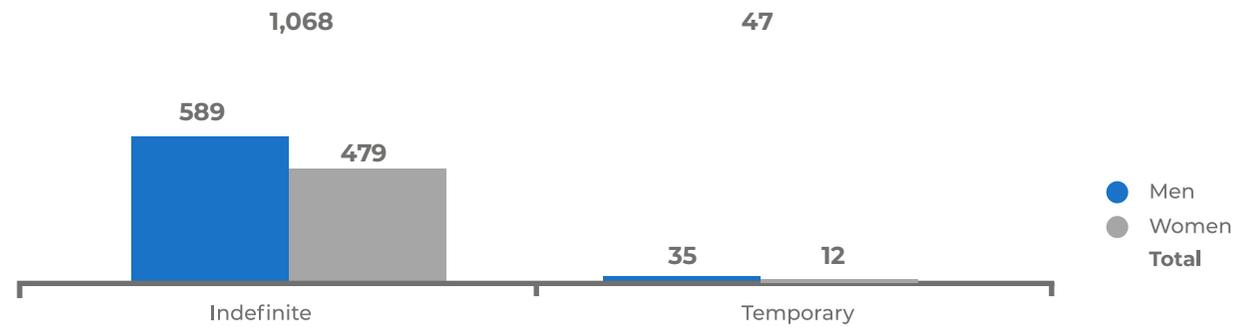
Types of Contracts

Merit operates mainly through indefinite contracts. In the 2023 financial year, the number of indefinite contract agreements (1,068) represents 95.8% of the total workforce, and 1.91% more than in 2022 (1,048 indefinite contracts agreements):

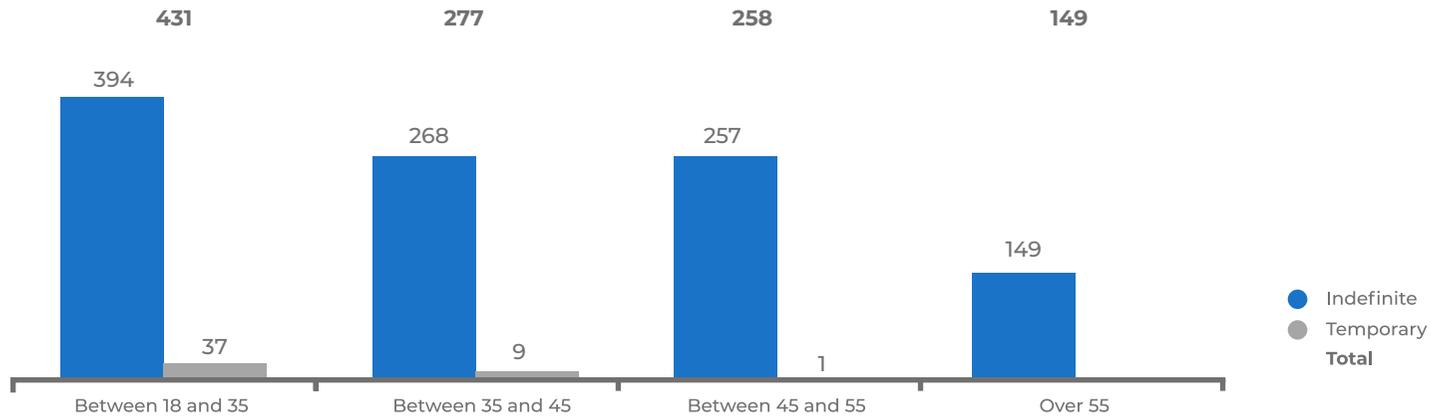
Merit employees by contract modality



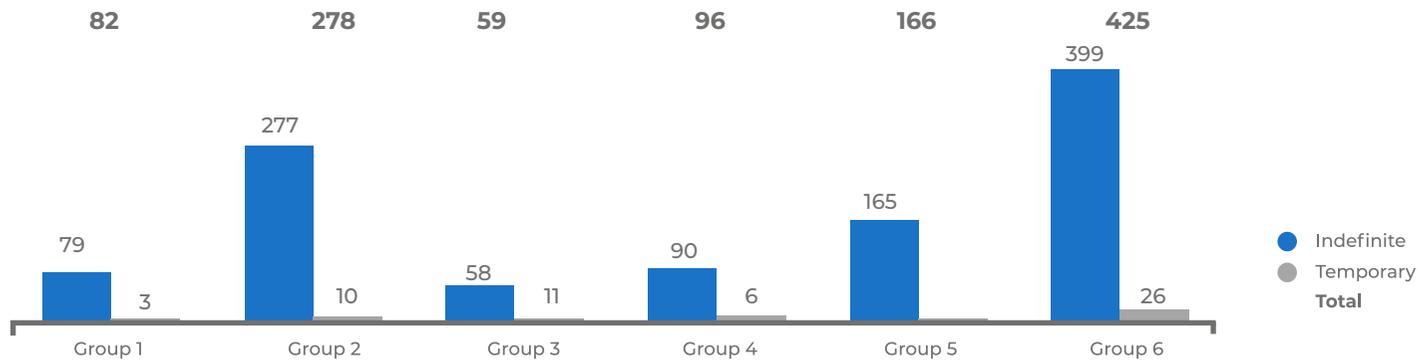
Contract modalities by gender



Contract modalities by age



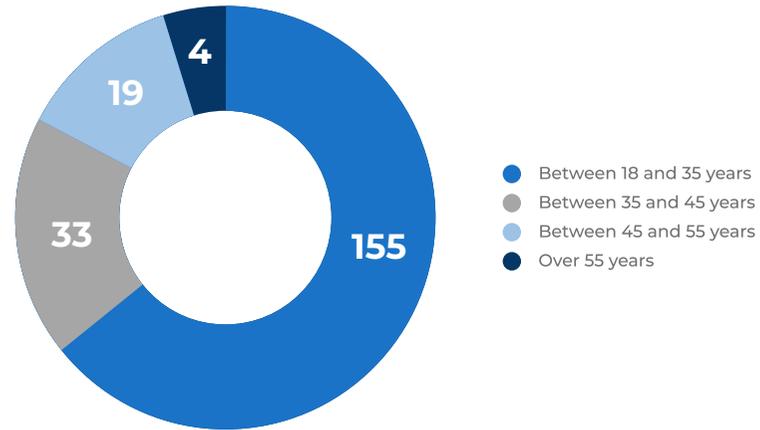
Contract modalities by professional category



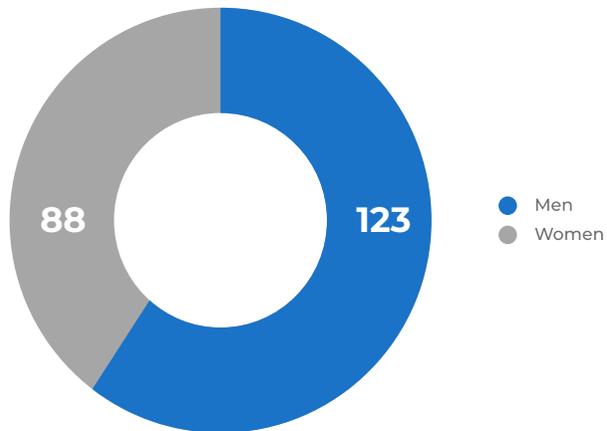
New recruits

During 2023, Merit hired a total of 211 new employees across its main four locations⁴. Among the total number of new hires, 51% occurred in Merit's Mexico site, whereas 30% were hired in Poland. The following graphs summarize the information regarding new hirings, attending to different criteria:

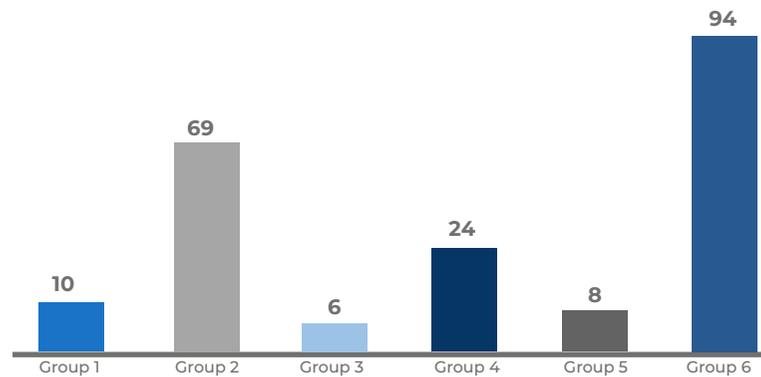
Hirings by age



Recruits by gender



Recruits by professional category



Turnover

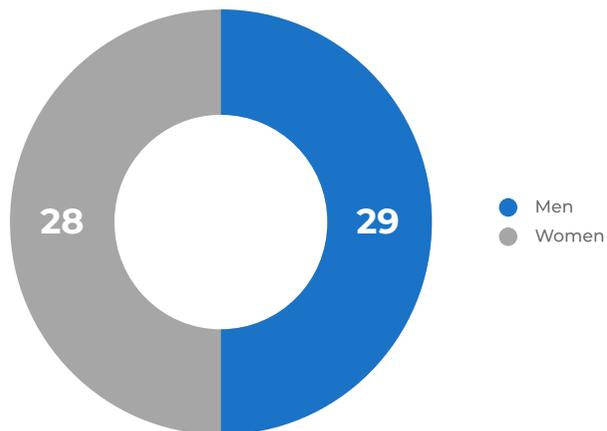
The employee turnover during the year 2023 broken down by country is as follows:

Country	2023
Mexico	23.4
Spain	12.2
Poland	22.6
China	10.2

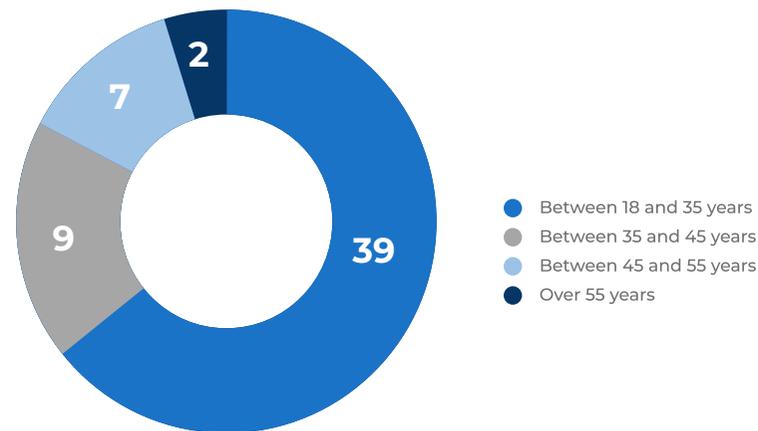
Dismissals

During the 2023 financial year, 57 dismissals were registered. This represents a decrease of around 66% compared to 2022 (165 dismissals). In this regard, it should be noted that 80% of all dismissals have occurred in Mexico. Mexico accounts for nearly half of the workforce, and turnover levels are higher than in other Merit locations.

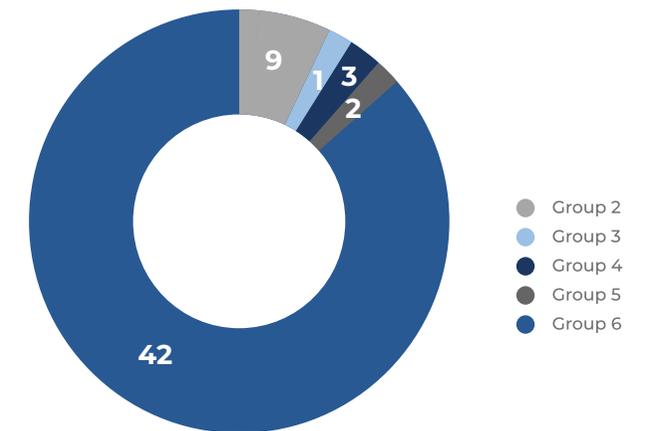
Dismissals by gender



Dismissals by age



Dismissals by professional category



Average Remuneration

The table below presents the relevant figures regarding the average remuneration of Merit's personnel, classified by country, gender, age range, and professional classification. The data pertains to the fiscal year 2023 and includes the facilities in Spain, Mexico, China, and Poland. All compensation figures are expressed in thousands of euros.

Professional category	Average remuneration as of 31.12.23- Spain							
	Men (k€)				Women (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	44.88	61.10	63.61	109.64	-	55.46	57.33	-
Group 2	-	-	-	-	-	-	-	-
Group 3	-	-	-	52.83	-	-	-	-
Group 4	33.18	54.00	48.88	48.80	42.00	-	-	-
Group 5	32.71	39.51	40.27	38.42	28.93	-	40.34	41.70
Group 6	-	32.75	32.89	33.49	-	32.75	32.86	33.27

Professional category	Average remuneration as of 31.12.23- China							
	Men (k€)				Women (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	-	32.97	53.08	-	-	37.02	35.86	-
Group 2	12.86	19.59	17.42	-	10.17	17.33	21.78	-
Group 3	-	24.91	-	-	-	24.77	-	-
Group 4	9.23	8.91	13.25	-	-	11.72	-	-
Group 5	4.76	7.72	-	-	8.49	10.12	-	-
Group 6	4.88	6.93	7.39	-	3.77	7.60	7.14	-



Average remuneration as of 31.12.23- Mexico								
Professional category	Men (k€)				Women (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	58.83	44.78	51.29	135.68	-	60.71	61.81	66.29
Group 2	24.54	24.93	28.07	28.62	-	19.79	33.98	-
Group 3	20.36	25.63	33.32	-	23.36	20.92	26.02	22.70
Group 4	12.56	15.65	14.52	-	13.52	-	-	-
Group 5	9.44	9.13	9.13	-	9.13	9.13	9.64	9.13
Group 6	7.23	7.40	7.33	8.45	6.79	6.90	6.90	-

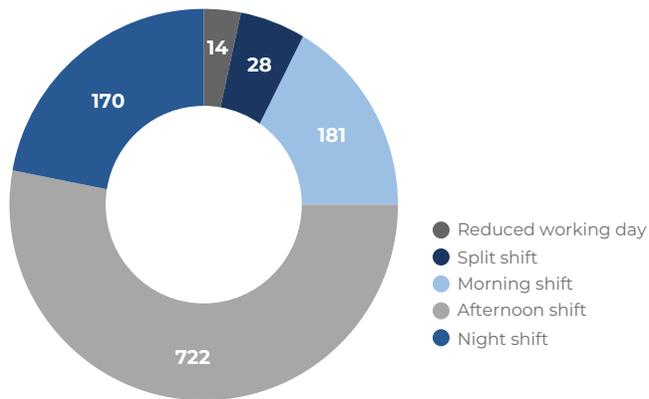
Average remuneration as of 31.12.23- Poland								
Professional category	Men (k€)				Women (k€)			
	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55	Between 18 and 35	Between 35 and 45	Between 45 and 55	Over 55
Group 1	-	70.41	81.27	176.32	-	-	-	-
Group 2	29.15	39.15	41.41	40.94	26.66	30.57	32.01	28.7
Group 3	44.15	-	52.64	25.25	47.05	-	34.49	-
Group 4	17.18	20.28	24.01	17.93	21.25	27.59	-	-
Group 5	16.55	-	-	18.21	13.79	20.69	-	16.55
Group 6	11.59	-	11.59	-	11.59	11.59	11.59	11.59

Wage gap by country				
	Spain	China	Mexico	Poland
2023	-	-0.02	0.04	0.14
2022	-0.01	-0.04	0.10	0.16

Working Schedule

At Merit, employees work various shifts, including morning, afternoon, night, and split shifts, with most assigned to morning or split shifts. Part-time employees also work across these shifts.

Organization of employees by work shifts

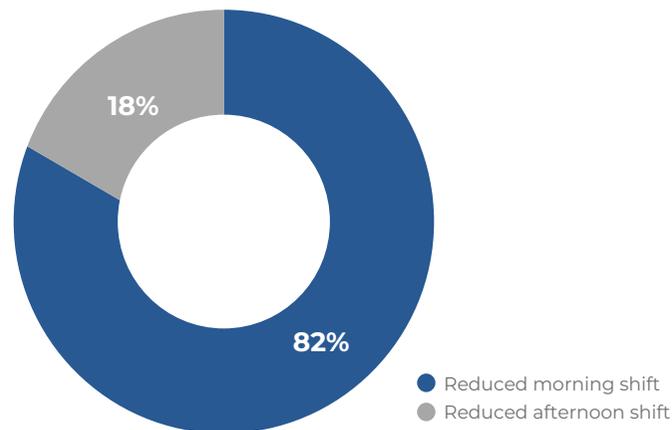


To support work-life balance, Merit offers reduced working hours for employees with children under twelve or dependents, and flexible hours for those not on production shifts. In Spain, 31 employees have utilized this scheme to manage their work and family responsibilities.

While Merit has no formal digital disconnection policy, it adheres to Spanish legislation and implements measures to ensure employees' right to disconnect digitally. The company is committed to fostering a diverse and discrimination-free work environment.

Similarly, in Merit Poland, employees are not obligated to be available after an eight-hour workday, though they retain system access for emergencies.

Distribution of employees with a reduced working day



All Merit centers have codes of conduct promoting a positive workplace culture that values diversity and equality. Employee benefits vary by country:

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

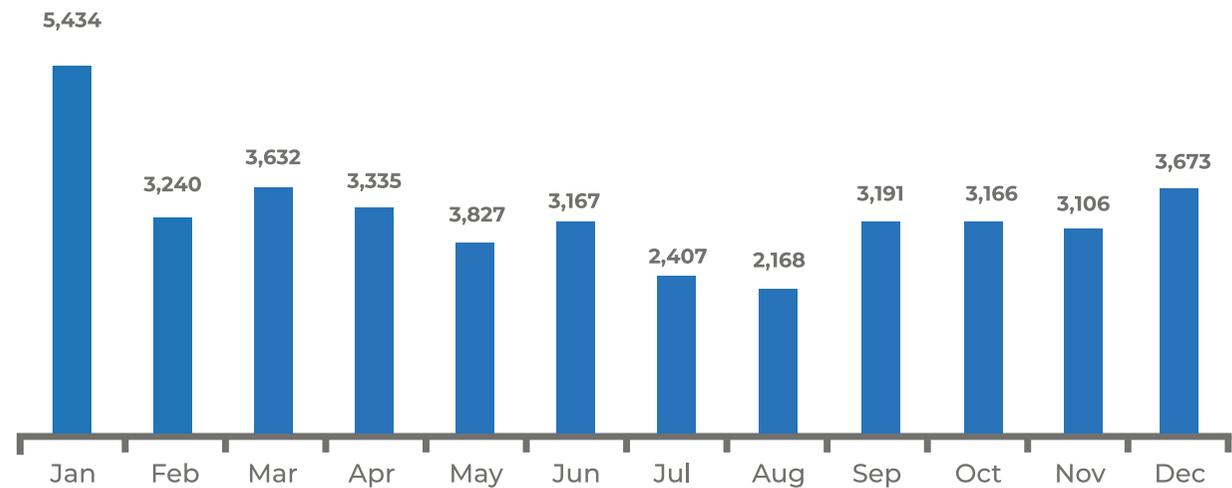
Impact shortage of electronic components

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

Absenteeism

In 2023, Merit registered a total of 39,346 hours of work absenteeism, which represents a decrease of 10.57% compared to the previous year (43,996 hours). This includes the hours of absenteeism at the plants in Spain, Mexico, China and Poland. The distribution of the hours of absenteeism registered per month is indicated below:

Hours of Absenteeism during 2023



Note: The following assumptions are not included in calculating the hours of absenteeism: leave of more than three months, maternity/paternity leave, union hours, or work leave paid by agreement.

Health and Safety

Merit places great importance on working conditions as they are critical to employee commitment and talent retention. To this end, the company is dedicated to safeguarding and promoting the health and safety of its workers. Merit strives to guarantee the safety of its workers by controlling risks and continuously improving its processes. Regarding health and safety at work, Merit adheres to current regulations such as the Law of Prevention of Occupational Risks 31/1995.

The new environmental and occupational health and safety policy highlights the following:

- ▶ Provision of personal protective equipment to workers when necessary and ensuring they understand how and when to use them.
- ▶ Procedure for acquiring machinery that includes specifications complying with European legislation to ensure safety in its use.
- ▶ Reduction of occupational hazards and developing an Emergency Preparedness and Response Plan.
- ▶ Incident and accident management.
- ▶ Ergonomics in the workplace.
- ▶ Handling of chemical and/or biological substances.
- ▶ Fire protection.

The company's motto, "Together for Safety," is based on four fundamental values: discipline, integrity, responsibility, and teamwork. Merit has implemented effective measures in

its workplaces to prevent occupational accidents and has established systems for continuous improvement, as outlined below:

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

Accidents and occupational diseases

In 2023, Merit recorded 22 occupational accidents, listed below, showing an increase of around 22% compared to the previous year (18). Below is a detailed overview of the Mexican and Spanish plants.

Work accidents, frequency, and severity per country				
Indicator	2022		2023	
	Spain	Mexico	Spain	Mexico
Number of accidents at work with sick leave	9	-	12	-
Number of accidents at work without sick leave	5	-	6	1
Number of accidents at work with sick leave "in itinere"	1	-	-	-
Number of accidents at work without sick leave "in itinere"	-	3	-	3
Frequency Index (I.F)	21.77	1,01	26.55	1.09
Severity Index (I.G)	0.42	0.02	1.58	0.02
Total hours worked	459,347	990,578	489,730	914,646
Absent working days	193	18	290	20

However, no accidents were recorded in the China and Poland plants. Moreover, during the financial year 2023, no cases of occupational diseases were reported in any of the Merit plants.

Relationships with workers

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

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

In Mexico, employees are covered by the provisions of their agreement. Internal regulations and annual occupational health checks apply to the rest of the countries.

No explicit collective bargaining mechanism establishes working conditions in the sector in China. Merit complies with labour legislation regulations in force in the People's Republic of China.

In Poland, there are three employee representatives who discuss all changes in work, ensuring compliance with the provisions of current legal regulations on labour matters.

Training

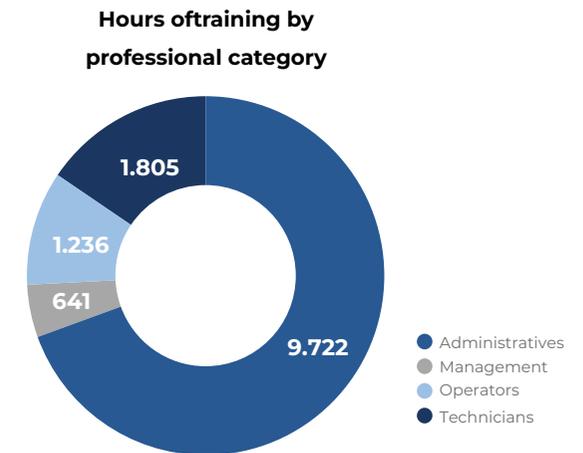
Merit considers staff training and motivation crucial for improving its value-creation process. Therefore, the company devises yearly training plans for its employees, including newcomers, considering individual and collective goals. The training encompasses various areas such as quality management, product safety, occupational health and safety, environmental management, and compliance with policies like the code of conduct, anti-corruption measures, ethical escalation, and confidentiality policies.

This year, Merit has organized its annual training program, focusing on several aspects:

- ▶ External training: Training sessions conducted by external providers, which may take place at Merit's premises, the provider's location, or another designated venue.
- ▶ Internal training (provided by employees themselves).
- ▶ Introductory training: Orientation sessions for new hires to familiarize them with job expectations and performance standards.
- ▶ Occupational health and safety training: Including instructions on company safety protocols as part of the orientation program.
- ▶ On-the-job training: Individualized training conducted during regular work hours at the employee's workplace, aimed at improving skills relevant to their tasks. This training is overseen by experienced supervisors who assess and monitor the employee's progress.

Following the training sessions, Merit evaluates their effectiveness. Supervisors discuss with employees and observe their performance to enhance skills, quality, and productivity. Additionally, Merit Poland has implemented a training and motivation scheme to foster the development of its workforce.

In 2023, Merit provided 13,404 training hours. The training hours have remained the same in comparison with FY22. A breakdown of training hours completed by employees, categorized by professional roles, is presented below:



Percentage of employees receiving regular performance and career development appraisals

Country	Spain	China	Mexico	Poland
Percentage	23%	58%	100%	83%

Diversity and Equality

Merit has developed a new Code of Conduct during 2023, emphasizing the importance of equal employment opportunities, promoting diversity, and preventing discrimination in managing relationships with employees and stakeholders. At Merit, diversity is valued among its workforce, encompassing various experiences, backgrounds, ethnicities, lifestyles, cultural orientations, and beliefs. This diversity allows for fresh perspectives and innovative solutions to be offered to clients. Success is based on the team's ability to collaborate effectively and respect diverse ideas, perspectives, and beliefs.

Additionally, Merit is committed to fostering an inclusive workplace that allows all employees to contribute, with a firm commitment to providing equal opportunities. In Spain, efforts to advance the equality plan have progressed, including the development of job classifications and the establishment of a salary register. These initiatives are currently pending final validation and will be presented to the Employee Committee to inform them about the procedure for resolving labour disputes and harassment issues. The plan will include preventive measures to ensure gender equality, which will contribute to the elimination of gender discrimination. Additionally, a procedure for resolving labour disputes establishes necessary measures to prevent, avoid, and eradicate labour conflicts.

Mexico has a non-discrimination labour policy aligned with the Code of Conduct, while Merit Poland prioritizes equal employment opportunities, diversity, and non-discrimination. Furthermore, Merit China has incorporated guidelines into its disciplinary action management protocol to address workplace sexual harassment.

Disabilities

Regarding disability, Merit adheres to all local regulations in the countries where it operates, but the company has no documented policies regarding universal accessibility for people with disabilities. In Spain, Merit's operations are governed by the provisions of the General Disability Law. The company also maintains a declaration of exceptionality to fulfil the reserved quota by contracting with Special Centres. In 2023, five employees with some degree of disability worked at the facilities in Spain.

Furthermore, the company ensures equal employment opportunities, diversity, and non-discrimination for disabled workers on all sites.

Local communities

Merit places significant importance on sustainability, encompassing economic advancement, societal development, and environmental preservation. The company is dedicated to addressing the requirements of both local and global communities sustainably.

Relationship with the local community

When interacting with local communities, Merit emphasizes establishing enduring relationships built on mutual respect. The company highly values proactive dialogue and interaction with local communities and institutions. Additionally, Merit collaborates with governmental entities at the local, regional, and national levels to improve its employees' working and living conditions.

Furthermore, Merit supports various associations and participates in sponsorship activities. Its global supply network consists of nearly 800 direct suppliers of production materials and 1,000 indirect suppliers and service providers. Acknowledging the impact of its operations on society, the company is committed to minimizing any adverse effects while positively contributing to the communities where it operates.

During the 2023 financial year, the Barcelona plant carried out various philanthropic activities, which included:

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

Suppliers

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

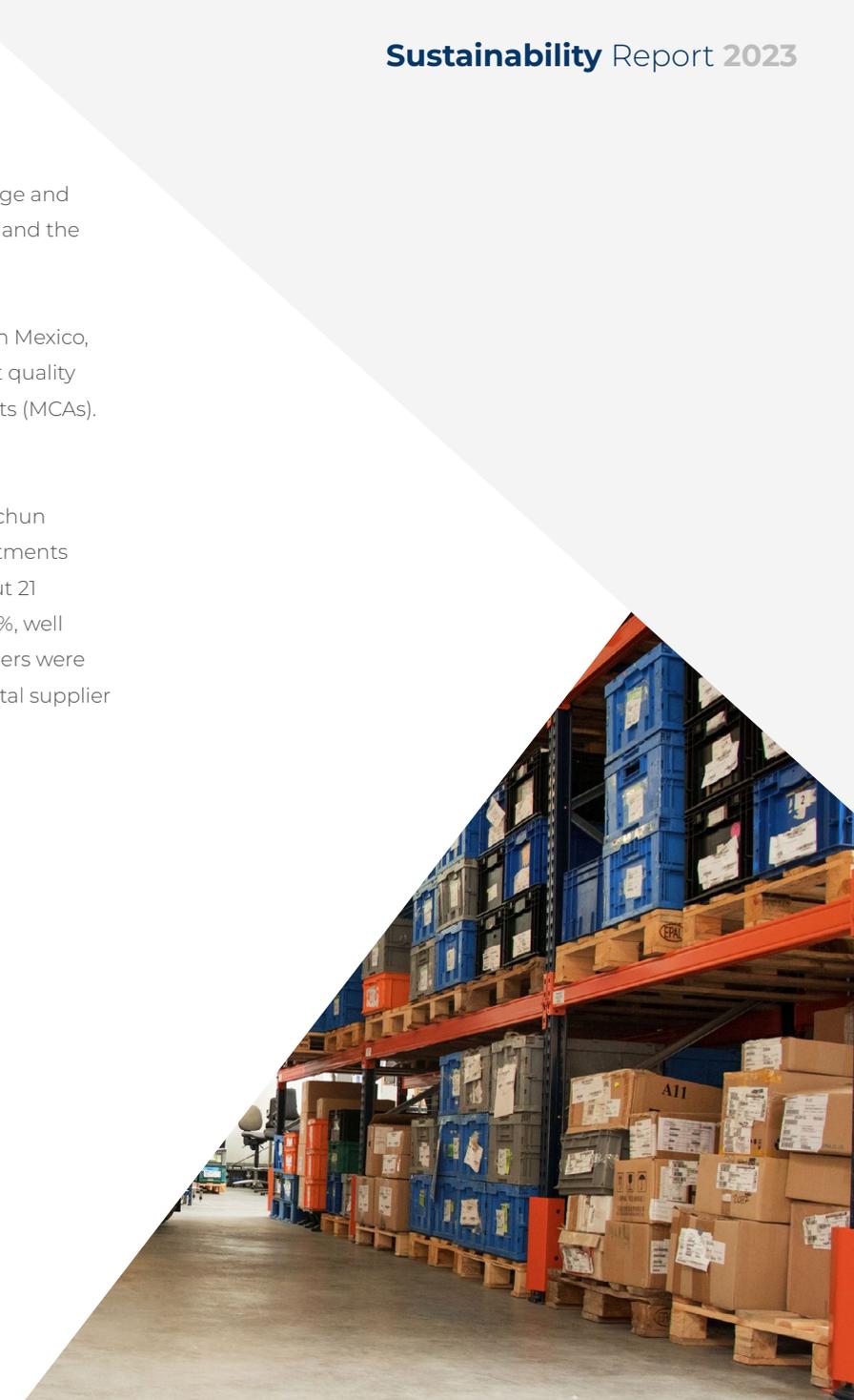
Merit has established a Supplier Code of Conduct, which outlines the required behaviour of its suppliers and mandates them to act consistently with Merit's values, including their approach to the environment, supply chain management, responsibility, and integrity. To enhance performance in its supply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

To this end, Merit's purchasing and supply policy outlines supplier selection and continuous evaluation processes. All suppliers are required to hold ISO 9001:2015 or IATF 16949:2016 certification, and Merit also mandates that suppliers acknowledge their understanding of the requirements established by the client. Merit has developed specific customer requirements for 2023 to be used in conjunction with ISO 9001:2015 and IATF16949:2016 requiring suppliers to be involved in environmental and social responsibility issues. Merit's evaluation process involves an annual audit program approved by the purchasing department's head. On a global level, Merit conducts annual audits to verify that suppliers

comply with social and sustainability criteria. Knowledge and acceptance of Merit Customer Specific Requirements and the Supplier Code of Conduct are required.

In 2023, 19 supplier audits were undertaken in Spain. In Mexico, key suppliers were selected globally based on product quality performance for manufacturing capability assessments (MCAs). Around eight global MCAs were conducted.

Significant changes were implemented in the Changchun Purchasing department during 2023, including adjustments to line reports. Additionally, 16 audits were planned, but 21 were completed, achieving a completion rate of 131.25%, well exceeding the 80% target. Furthermore, 12 new suppliers were evaluated and audited, accounting for 57.14% of the total supplier audit list.



Customers

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

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

Measures implemented for the health and safety of customers

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

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



Complaint systems, grievances and their resolution

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

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

The company's Quality Statement is 'Together for Excellence,' which is supported by its core values: Lean Thinking, Trust, Excellence, Employees, Teamwork, and Responsibility. Adherence to these core values is critical to the company's value creation and growth.

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

In 2023, the Barcelona plant received and addressed seventy-seven quality-related claims through a continuous improvement process, resolving them directly with customers. All claims have been satisfactorily resolved. In Mexico, complaints are managed through the Customer Management procedure, with forty-five customer complaints received in 2023.

In contrast, the Chinese plant received three formal and nine informal customer complaints, all successfully resolved to customer satisfaction. Meanwhile, the Polish plant received two formal and twenty-three informal claims and addressed them with appropriate corrective actions. Finally, the management team oversees the treatment of complaints and ensures their proper resolution. The quality policy is communicated to all employees and regularly reviewed to maintain its relevance.

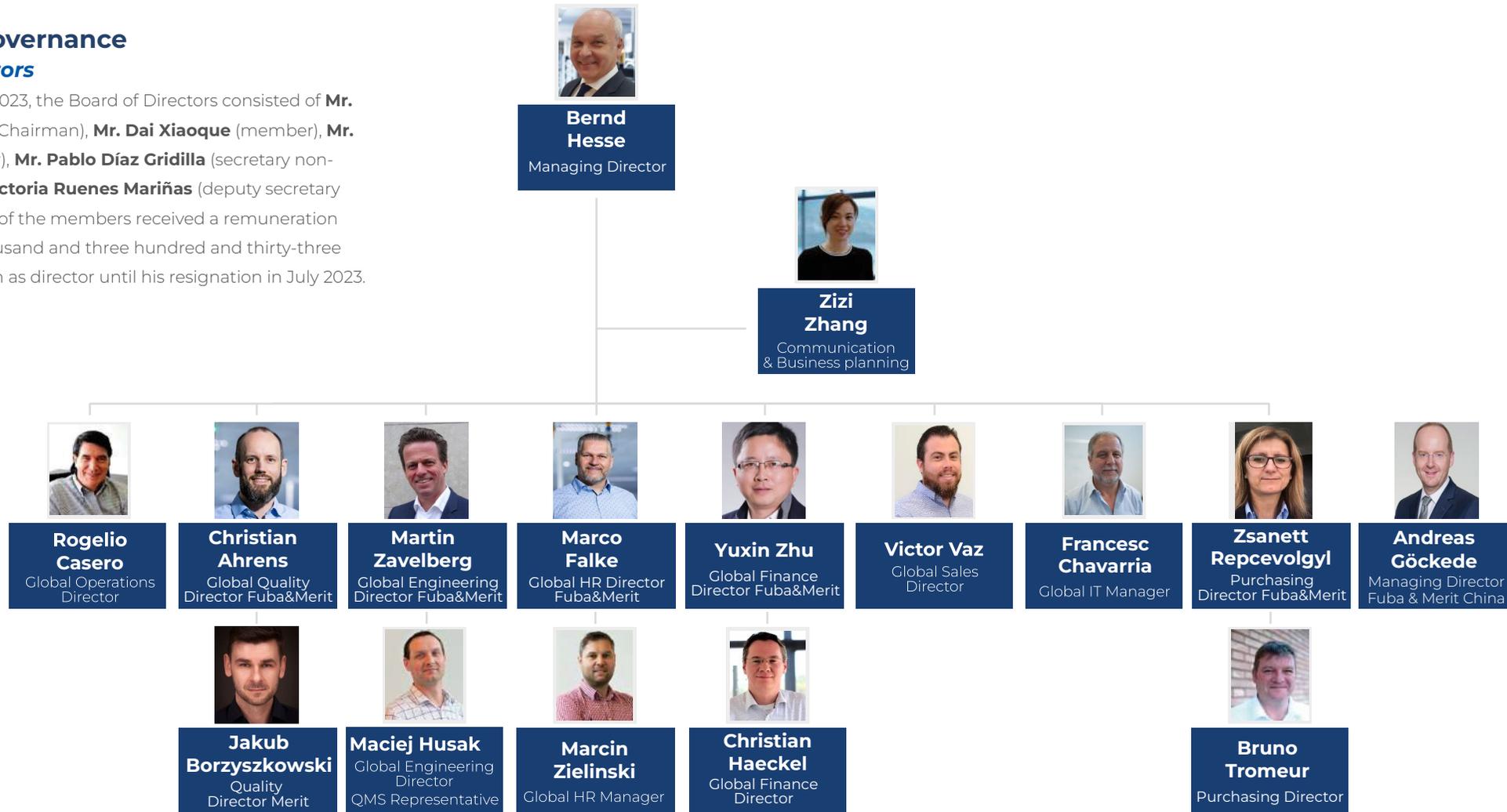


6. Governance

Corporate Governance

Board of Directors

As of 31 December 2023, the Board of Directors consisted of **Mr. Quinghong Meng** (Chairman), **Mr. Dai Xiaoque** (member), **Mr. Wei Peng** (member), **Mr. Pablo Díaz Gridilla** (secretary non-director), and **Ms. Victoria Ruenes Mariñas** (deputy secretary non-member). One of the members received a remuneration of twenty-three thousand and three hundred and thirty-three euros for his position as director until his resignation in July 2023.



Respect for Human Rights

Merit is committed to compliance with legal regulations in all its operating regions. The company upholds the fundamental principles of the International Labour Organization, including the rights to freedom of association and collective bargaining. Additionally, Merit adheres to Article 358 of the Federal Labour Law. Throughout the 2023 financial year, no human rights violations were reported at any of Merit's facilities.

Merit China has implemented a labour protection procedure to prevent and address human rights violations, while the Merit Poland plant conducts assessments to identify and mitigate various human rights risks. All Merit employees are guided by the new Code of Conduct, which promotes a discrimination-free workplace and emphasizes integrity and respect. The Code also underscores Merit's commitment to supporting employees from recruitment to professional growth and outlines measures to identify, assess, prevent, and address potential human rights risks within the organization.

Merit maintains an Ethics Escalation Policy to foster an environment where employees can voice concerns without fear of retaliation. This policy establishes a framework for reporting suspected violations of Business Ethics Policies or concerns to appropriate management levels, minimizing the mishandling of serious concerns. Employees are assured that there will be no negative consequences for raising concerns with their employer, and they can report possible violations of the Code of Conduct and other ethical corporate policies to the Human Resources department.

Moreover, Merit has implemented a Conflicting Minerals Policy requiring suppliers of products containing conflict minerals to adhere to specific guidelines. This includes sourcing conflict-free materials from the Democratic Republic of Congo (DRC) and implementing policies, due diligence frameworks, and management systems to prevent the inclusion of conflict minerals from the DRC in supplied products. Merit does not purchase products containing conflict minerals from suppliers that fail to implement reasonable steps towards transitioning to conflict-free sources from the DRC. Suppliers must promptly respond to Merit's requests for compliance evidence and provide the latest Conflicting Minerals Reporting Template (CMRT) declaration.

It is important to note that the nature of Merit's operations does not indicate significant risks related to forced labour, compulsory labour, or child labour.

Risk management and compliance

Merit's operations involve a range of occupational risks. Therefore, the company actively considers and assesses these risks to protect its workers' health and safety in high-risk areas. Merit regularly conducts risk assessments to evaluate the effectiveness of its quality management system and its ability to reduce negative impacts and improve work performance. The aim is to identify and assess all external and internal factors impacting the organization.

Note 8.4 on Risk Policy and Management in Merit's Consolidated Report for the 2023 financial year includes financial risks, operating and investment activities, and different areas of risk that have been identified. This note also defines Merit's business relationships, products, or services that may negatively affect particular areas and how Merit manages these risks. Additionally, the note explains control procedures and methods used to detect and evaluate these risks following national, European, and international frameworks.

Fight against corruption and bribery

Given the paramount importance of Merit's relationships with its stakeholders, the company prioritizes integrity, honesty, and transparency in all its operations. These principles are deeply embedded in the workplace culture, where ethical and responsible behavior takes precedence over purely economic interests.

It is crucial for Merit to proactively identify and mitigate risks that could compromise its integrity and transparency. Therefore, all Merit employees must adhere to the company's comprehensive global Anti-Corruption Policy, which provides clear guidelines governing conduct related to fraud, corruption, and bribery. This policy protects Merit against potential economic and reputational harm and fosters a culture of accountability and ethical behavior. Additionally, Merit has implemented a conflict-of-interest questionnaire to further reinforce its anti-bribery and anti-corruption stance, demonstrating a firm commitment to conducting business professionally, fairly, and with unwavering integrity.

Merit's Ethical Escalation Policy includes a suggestion box where employees can confidentially report any instances of non-compliance with the Anti-Corruption Policy. However, it is noteworthy that no complaints regarding ethics, human rights, or corruption were received at any of Merit's operational sites throughout 2023.

Furthermore, none of Merit's subsidiaries meets the criteria to be classified as obligated parties under Spanish Law 10/2010, dated 28 April, concerning preventing money laundering and funding terrorism.

In the fiscal year 2023, Merit refrained from donating to foundations or non-profit entities across its various locations, ensuring compliance with ethical and regulatory standards.

7. Annexes

Normative Aspects of the Report ***Basis for the preparation of the Report***

The report has been prepared in accordance with the GRI Universal Standards. The report reflects the organization's business activity on sustainability and non-financial information between 1 January and 31 December 2023. In 2018, Merit published its first Non-Financial Information Statement. The contents included have been prepared based on the materiality analysis carried out and the requirements of Law 11/2018, of 28 December 2018, which modifies the Commercial Code, consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Accounts, regarding non-financial information and diversity.

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

External Verification

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

Contents index Law 11/2018

Contents index Law 11/2018	
Basic contents	Page
Description of the business model	4-6
Reference frames used	45
Risks related to NFIS issues	44
Environmental issues	
Detailed information	15
Pollution	15
Circular economy and waste prevention and management	16-19
Sustainable Use of Resources: Water	19
Sustainable Use of Resources: Materials	20
Sustainable Use of Resources: Energy	21,22
Sustainable Use of Resources: Energy Efficiency	22
Climate Change: GHG Emissions	23,24
Climate Change: Adaptation	24
Climate Change: GHG Emission Goals	24
Protection of biodiversity: Measures	24
Protection of biodiversity: Impacts	24

Contents index Law 11/2018	
Social and personnel issues	Page
Employment: Number of employees	25,26
Employment: Modalities of employment contracts	27,28
Employment: Annual average of contracts	Regarding the annual average number of contracts, there are no major differences with respect to the data reported at the end of the year.
Employment: Number of dismissals	30
Employment: Remuneration	31,32
Employment: Wage gap	32
Employment: Average remuneration of the Board of Directors	" As indicated in Note 12.3 of the 2023 Consolidated Report, there are no senior management contracts as of December 31, 2023. Instead, senior management functions are performed by different executives on the payroll, whose services are included in their salary payments."
Employment: Disconnection from work	33
Employment: Disability	38
Work organisation	33
Work organisation: Absenteeism	34
Work organisation: Conciliation	33
Health and Safety: Conditions	35
Health and Safety: Accidents and diseases	36
Worker-company relations	37



Contents index Law 11/2018

Social and personnel issues	Page
Training	37
Universal accessibility for people with disabilities	38
Equality	38
Company information	
Commitments to sustainable development	10; 39
Outsourcing and supplier companies	39
Consumers: Health and safety	40
Consumers: Complaints	41
Consumers: Tax information	9;10
Respect for human rights	
Due diligence of human rights	43
Risks and measures	43
Freedom of association and collective bargaining	43
Discrimination in employment	43
Forced and child labour	43

Contents index Law 11/2018

Fight against corruption and bribery	Page
Corruption and bribery prevention	44
Money laundering prevention	44
Contributions to foundations and non-profit entities	44

GRI Content Index

GRI Content Index			
GRI Code	Number	Contents	Page
GRI 2	2-1	Organizational details	4,5
GRI 2	2-2	Entities included in the organization's sustainability reporting	4
GRI 2	2-3	Reporting period	45
GRI 2	2-4	Restatements of information	Foot print (2022 consumption has been recalculated using the GHG protocol).
GRI 2	2-5	External assurance	52
GRI 2	2-6	Activities, value chain and other business relationships	4,5
GRI 2	2-7	Employees	25-28
GRI 2	2-9	Governance structure and composition	42
GRI 2	2-12	Role of the highest governance body in overseeing the management of impacts	42

GRI Content Index			
GRI Code	Number	Contents	Page
GRI 2	2-22	Statement on sustainable development strategy	3
GRI 2	2-23	Policy commitments	4,5
GRI 2	2-26	Mechanisms for seeking advice and raising concerns	41
GRI 2	2-28	Membership of associations	38
GRI 2	2-30	Collective bargaining agreements	37
GRI 3	3-1	Process to determine material topics	13
GRI 3	3-2	List of material topics	14
Material aspect: Economic performance			
GRI 3	3-3	Explanation of the material topic and its boundary	8
GRI 201	201-1	Direct economic value generated and distributed	8
GRI 201	201-4	Financial assistance received from government	9
Material aspect: Procurement practices			
GRI 3	3-3	Explanation of the material topic and its boundary	39
Material aspect: Fight against corruption			
GRI 3	3-3	Explanation of the material topic and its boundary	44
GRI 205	205-3	Confirmed incidents of corruption and actions taken	44

GRI Content Index			
GRI Code	Number	Contents	Page
Material aspect: Tax			
GRI 3	3-3	Explanation of the material topic and its boundary	8
GRI 207	207-4	Country-by-country reporting	9
Material aspect: Materials			
GRI 3	3-3	Explanation of the material topic and its boundary	20
GRI 301	301-1	Materials used by weight or volume	20
GRI 301	301-2	Recycled input materials used	20
Material aspect: Energy			
GRI 3	3-3	Explanation of the material topic and its boundary	21
GRI 302	302-1	Energy consumption within the organisation	21,22
GRI 302	302-4	Reduction of energy consumption	21,22
Material aspect: Water			
GRI 3	3-3	Explanation of the material topic and its boundary	19
GRI 303	303-4	Water consumption	19
Material aspect: Biodiversity			
GRI 3	3-3	Explanation of the material topic and its boundary	24

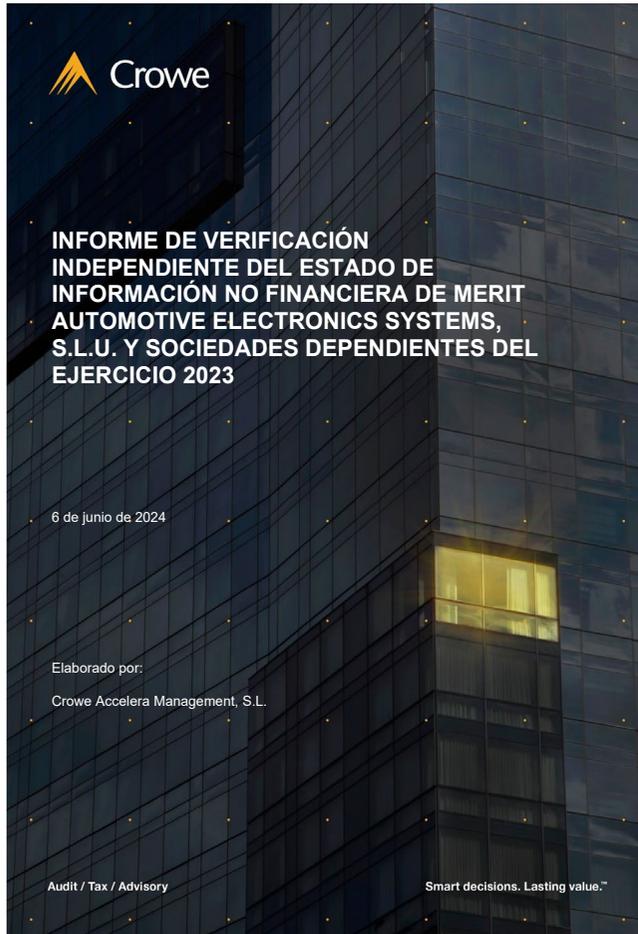
GRI Content Index			
GRI Code	Number	Contents	Page
Material aspect: Emissions			
GRI 3	3-3	Explanation of the material topic and its boundary	23
GRI 305	305-1	Direct (Scope 1) GHG emission	23
GRI 305	305-2	Energy indirect (Scope 2) GHG emissions	23
GRI 305	305-3	Other indirect (scope 3) GHG emissions	23
GRI 305	305-4	GHG emissions intensity	24
GRI 305	305-5	Reduction of GHG emissions	23
Material aspect: Waste			
GRI 3	3-3	Explanation of the material topic and its boundary	16
GRI 306	306-1	Waste generation and significant waste-related impacts	16
GRI 306	306-2	Management of significant waste-related impacts	16
GRI 306	306-3	Waste generated	17,18
GRI 306	306-4	Waste diverted from disposal	18
GRI 306	306-5	Waste directed to disposal	18
Material aspect: Environmental compliance			
GRI 3	3-3	Explanation of the material topic and its boundary	15
GRI 308	307-1	Non-compliance with environmental laws and regulations	15

GRI Content Index			
GRI Code	Number	Contents	Page
Material aspect: Environmental assessment of suppliers			
GRI 3	3-3	Explanation of the material topic and its boundary	39
GRI 308	308-1	New suppliers that were screened using environmental criteria	39
Material aspect: Employment			
GRI 3	3-3	Explanation of the material topic and its boundary	25
GRI 401	401-1	New employee hires and employee turnover	29,30
Material aspect: Occupational health and safety			
GRI 3	3-3	Explanation of the material topic and its boundary	35
GRI 403	403-1	Occupational health and safety management system	35
GRI 403	403-9	Work-related injuries	36
GRI 403	403-10	Work-related ill health	36
Material aspect: Training and education			
GRI 3	3-3	Explanation of the material topic and its boundary	37
GRI 404	404-1	Average hours of training per year per employee	37

GRI Content Index			
GRI Code	Number	Contents	Page
Material aspect: Diversity and equal opportunities			
GRI 3	3-3	Explanation of the material topic and its boundary	38
GRI 405	405-1	Diversity of governance bodies and employees	38
GRI 405	405-2	Ratio of basic salary and remuneration of women to men	32
Material aspect: Non-discrimination			
GRI 3	3-3	Explanation of the material topic and its boundary	38
GRI 406	406-1	Incidents of discrimination and corrective actions taken	38
Material aspect: Freedom of association and collective bargaining			
GRI 3	3-3	Explanation of the material topic and its boundary	28
Material aspect: Human rights assessment			
GRI 3	3-3	Explanation of the material topic and its boundary	43
Material aspect: Local communities			
GRI 3	3-3	Explanation of the material topic and its boundary	38
GRI 413	413-1	Operations with local community engagement, impact assessments, and development programs	38

GRI Content Index			
GRI Code	Number	Contents	Page
Material aspect: Social evaluation of suppliers			
GRI 3	3-3	Explanation of the material topic and its boundary	39
Material aspect: Customer health and safety			
GRI 3	3-3	Explanation of the material topic and its boundary	40
GRI 416	416-1	Assessment of the health and safety impacts of product and service categories	40
Material aspect: Customer health and safety			
GRI 3	3-3	Explanation of the material topic and its boundary	40
GRI 418	418-1	Substantiated complaints about breaches of customer privacy and loss of customer data and loss of customer data	40
Material aspect: Socio-Economic Compliance			
GRI 3	3-3	Explanation of the material topic and its boundary	37
GRI 419	419-1	Non-compliance with laws and regulations in the social and economic and economic fields	No non-compliance

External Assurance



INFORME DE VERIFICACIÓN INDEPENDIENTE DEL ESTADO DE INFORMACIÓN NO FINANCIERA DE MERIT AUTOMOTIVE ELECTRONICS SYSTEMS, S.L.U. DEL EJERCICIO 2023

AL socio único de Merit Automotive Electronics Systems, S.L.U.

De acuerdo con el artículo 49 del Código de Comercio hemos realizado la verificación, con el alcance de seguridad limitada, del Estado de Información No Financiera (en adelante EINF) correspondiente al ejercicio anual finalizado el 31 de diciembre de 2023, de Merit Automotive Electronics Systems, S.L.U. (en adelante el Grupo) que forma parte del Informe de Gestión Consolidado del Grupo.

Responsabilidad del órgano de administración

La formulación del EINF incluido en el Informe de Gestión del Grupo Consolidado, así como su contenido, es responsabilidad del órgano de administración del Grupo. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de estándares de sostenibilidad de Global Reporting Initiative (estándares GRI) seleccionados de acuerdo con lo mencionado para cada materia en la tabla de contenidos incluida en el Estado de Información No Financiera de Merit Automotive Electronics Systems, S.L.U.

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

El órgano de administración del Grupo es también responsable de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

Nuestra independencia y gestión de calidad

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

1

Crowe Accelera Management, S.L., Registro Mercantil de Barcelona, Tomo 32796, Folio 166, Hoja B-217.673, CIF B-62326663



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

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información No Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

Nuestra responsabilidad

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

El contenido del EINF incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación sobre la información identificada en la tabla de contenidos incluida en el Estado de Información No Financiera de Merit Automotive Electronics Systems, S.L.U.

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

2

Crowe Accelera Management, S.L., Registro Mercantil de Barcelona, Tomo 32796, Folio 166, Hoja B-217.673, CIF B-62326663



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

- Reuniones con el personal para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y para obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2023 en función del análisis de materialidad realizado por el Grupo, considerando los contenidos requeridos en la normativa mercantil en vigor.
- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2023.
- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación con los aspectos materiales presentados en el EINF del ejercicio 2023.
- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2023 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los Administradores y la Dirección.

3

Crowe Accelera Management, S.L., Registro Mercantil de Barcelona, Tomo 32790, Folio 166, Hoja B-217.673, CIF B-62320563



Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en la evidencia obtenida, no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF de Merit Automotive Electronics Systems, S.L.U. correspondiente al ejercicio anual finalizado el 31 de diciembre de 2023 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI seleccionados, así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en la tabla de contenidos incluida en el Estado de Información No Financiera de Merit Automotive Electronics Systems, S.L.U.

Uso y distribución

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

6 de junio de 2024

Crowe Accelera Management, S.L.

Luis D. Piacenza, Socio

4

Crowe Accelera Management, S.L., Registro Mercantil de Barcelona, Tomo 32790, Folio 166, Hoja B-217.673, CIF B-62320563

MERIT

Merit Automotive Electronics Systems



Sustainability Report 2023