

SUSTAINABILITY REPORT

2021



CHERRY 



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1 KEY GROUP FIGURES

€ million / as indicated	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020 ¹	Change
Revenue	168.5	130.2	29.4%
EBITDA margin [adjusted] ²	29.0%	28.5%	0.5 pp.
Personnel expenses	36.5	26.8	36.2%
R&D expenses (incl. Capitalized development costs)	8.7	5.2	67.3%

€ million / as indicated	Dec. 31, 2021	Dec. 31, 2020	Change
Total assets	411.0	290.5	41.5%
Liquid funds	109.7	22.9	379.0%
Equity ratio	71.3%	49.1%	22.2 pp.
Employees	554	496	11.7%
Proportion of female employees	41.5%	40.1%	1.6 pp.
Average age (in years)	42	42	0%

¹ In the 2020 fiscal year, the Cherry AG Group did not yet exist in its current structure. Therefore, unaudited comparative figures for the Cherry Holding Group are presented for the previous year's corresponding period.
² Adjusted for one-time and/or non-operating items.

Note for easier readability

For ease of reading, the masculine form is used, representing persons of any gender. Females and other gender identities are explicitly included to the extent necessary for the statement.



2 PREFACE

DEAR READERS,

This separate condensed non-financial (Group) report 2021 represents our first statement on sustainability at Cherry AG pursuant to Sections 289c, 315c of the German Commercial Code (HGB). As a company that has only recently went public, we have on the one hand a long tradition and history, but on the other hand we also first have to establish structures, develop goals and initiate projects in various areas. We are working on this, but more on that later.

Cherry has been listed on the stock exchange since summer 2021. An important milestone in our success story. Our stock market listing will enable us to continue our growth story. We are attracting public attention and can strengthen our brand. However, we are also aware that our stronger presence in the public eye means that we will also be subjected to greater scrutiny. Even more so than in the case of unlisted companies, it is not only how high sales and profits are that counts, but also how they are generated. Specifically, the relevance of ESG, i.e. environment, employees, community and governance in the company. This standalone sustainability report should therefore also be seen in conjunction with the annual report.

For Cherry, sustainability is part of its business model. With a history going back almost 70 years, we can justifiably say that. For us, success is not measured solely in economic terms; rather, we want to combine sustainable, responsible action with economic success. We do not pursue an "either/or" approach, but try to integrate sustainability directly into our processes. Accordingly, we see sustainability as having four dimensions: Economic success, protection of the environment, responsible treatment of employees, and integrity in our business dealings. For example, we already have numerous products that have been awarded the „Blue Angel“ seal for being especially environmentally friendly.

Our young history means that so far Cherry has only had a simple sustainability management system and no consistent reporting processes. Many measures are taken directly and locally, where they generate impact and make sense. This applies to the use of new, more power- and consumption-efficient machinery. This is the case when we replace plastic packaging with wrapping tissue. It applies to health measures in production and to targeted training.

However, we are working on developing Group-wide targets and implementing appropriate management. This also includes the definition and recording of important management-relevant performance indicators. We want to build up this system. In some cases, we are unable to use comparative values for our performance indicators. The background to this is that we have not been an independent company for very long. As such, these figures simply do not exist. In addition, we only moved into a new building at our site in Auerbach, which meets the highest standards, at the beginning of the pandemic. This is another reason why we lack comparative figures.

Cherry will continue to take the issue of sustainability seriously, even without Group-wide structures, and will implement numerous projects to attempt to reduce our footprint on the planet. This will include formulating a sustainability vision, setting targets and matching measures, and selecting qualitative and quantitative performance indicators to document our progress. Then we will also be able to substantiate our commitment to the SDGs and our contribution to them.

We thank you, dear readers, for your interest and trust. We would be delighted if you would accompany us on this path to greater sustainability.



3 ABOUT THE REPORT

Cherry AG is a German stock corporation with corporate headquarters in Munich. The main location is Auerbach in the German region of Upper Palatinate. The company is listed in the Commercial Register at the Local Court of Munich under the Commercial Register number HRB 266697. Shares of the company are listed in the Prime Standard of the Frankfurt Stock Exchange.

Cherry AG, including the subsidiaries it controls, (hereinafter also referred to as the “Cherry Group”, “Cherry Konzern”, “the Group”, “Cherry”) is required to publish a non-financial statement pursuant to Section 289c of the German Commercial Code (HGB). For the fiscal year 2021, this non-financial statement will be published as a separate sustainability report. The information required pursuant to the requirements of the CSR implementing regulation has been disclosed (see Index). For the implementation of the CSR implementing regulation, Cherry has followed the German Sustainability Code.

The reporting period for the non-financial statement of Cherry AG is the fiscal year 2021, from January 1, 2021 to December 31, 2021.

The non-financial statement of Cherry AG 2021 was reviewed by the company’s Supervisory Board and approved for publication at its meeting on April 20, 2022.

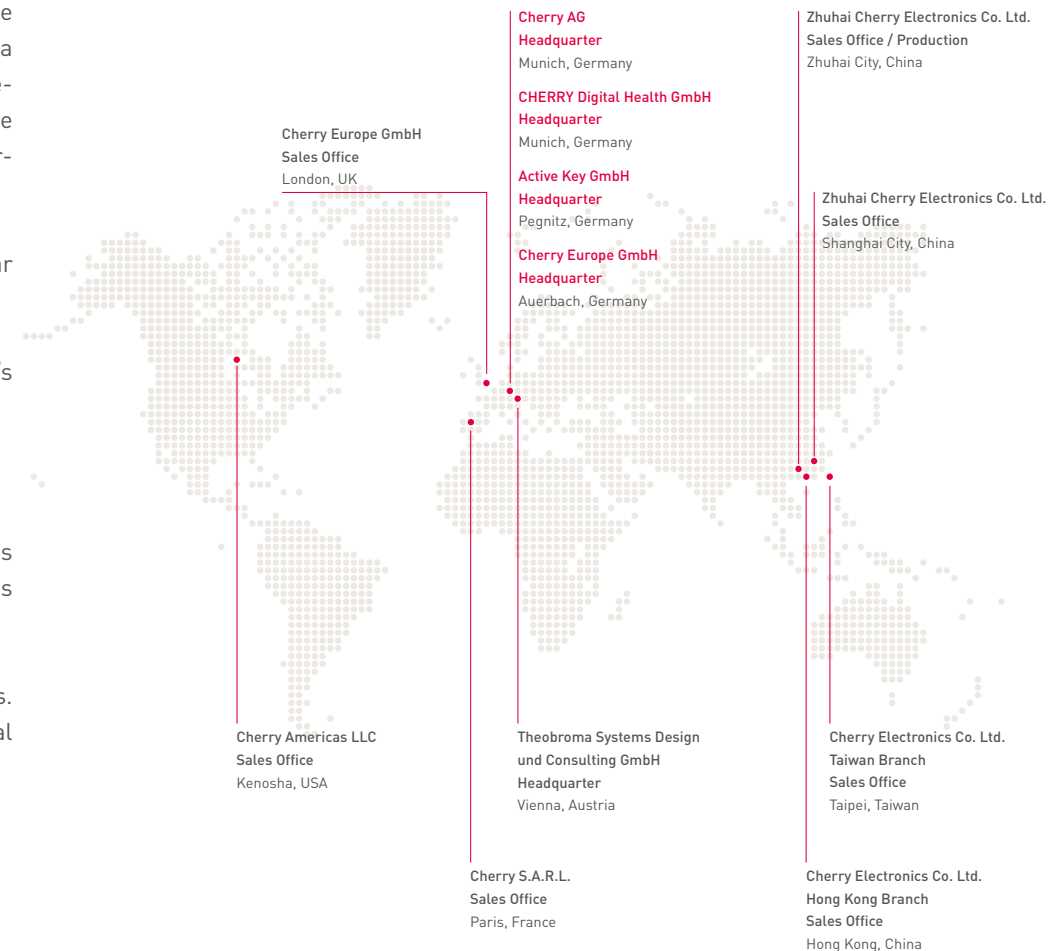
Valid for:

The reporting in this publication always refers to the entire Cherry Group. This includes the production facilities in Germany, Austria and Zhuhai (China) as well as the sales offices in the USA, France, Hong Kong, Taiwan and Shanghai.

Unless otherwise stated, it is also valid for the reported performance indicators. Human resources indicators relate to all sites or to the entire Group. Environmental

indicators relate to the production facilities in Germany, Austria and China. For some sites, we only have annual figures, which we receive at the end of a calendar year. In addition, most of these figures are only available for our production sites and not for leased sales offices.

Governance indicators relate to all sites.





4 ABOUT THE COMPANY

4.1 Business model

4.1.1 Values, Vision, History

Cherry AG was founded almost 70 years ago by Walter Cherry. Originally a family business, the Group is now one of the leading international companies for computer input devices. The group has built up a great reputation in the market. Today, the Cherry brand today stands for high quality, mature innovation, technological competence and open and fair partnership for both private and commercial customers.

Cherry's mission was developed in the ESG statement for Cherry's IPO.

"As a solution- and customer-focused company, Cherry is constantly striving to learn and create. We are inspired to offer responsibly designed products that enable efficient and reliable participation in the digital world.

The key values and principles of our daily work are:

- Customer orientation and user focus
- Innovation and passion
- Self-responsibility and excellence
- Diversity and integrity
- Respect and loyalty

These values are the basis of our daily work. They affect our dealings within the company, but also with our suppliers, business partners and other external parties. They are available to all suppliers, customers and business partners on our website and to employees within the company itself.

Cherry uses various management systems to ensure compliance with these values and rules. These include the binding Code of Conduct, and, for example, certification by DIN ISO 9000."

4.1.2 Cherry AG: Organization and business model

Cherry AG is listed in the Prime Standard of the Frankfurt Stock Exchange. The initial public offering took place on June 29, 2021. The shareholder structure can be found on a daily basis in the Investor Relations section of the company's website.

Operational headquarters is in Auerbach, Germany. The company currently employs more than 550 people at production facilities in Auerbach, Zhuhai (China) and Vienna (Austria), as well as in several sales offices in Auerbach, Pegnitz, Munich, Paris, Kenosha (USA), Shanghai, Taipei and Hong Kong. Cherry is also represented by sales representatives in England and Sweden.

The company's activities can be divided into the two business segments: GAMING and PROFESSIONAL. The GAMING segment comprises on the one hand the business with mechanical switches for gaming keyboards. In addition, this segment also includes business with peripheral devices for gaming PCs. The PROFESSIONAL segment comprises business with PC peripherals for use in office and industrial applications as well as the business with safe and hygienic peripherals for the healthcare sector.

Detailed information on the industry-related general conditions relevant for Cherry and their expected development can be found in the combined management report.

Consolidated sales in fiscal year 2021 totaled EUR 168.5 million.

The Cherry AG Board of Management currently consists of three persons:

- Rolf Unterberger, CEO
- Bernd Wagner, CFO
- Dr. Udo Streller, COO [since April 1, 2022]



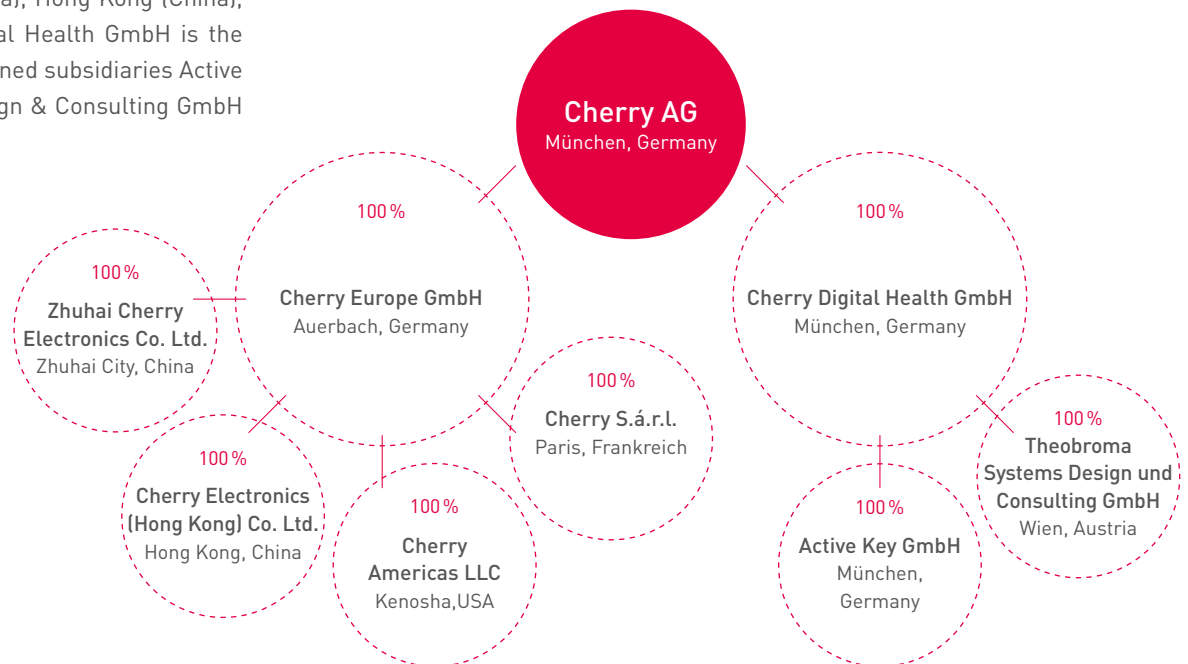
The Supervisory Board is made up of seven persons:

- Marcel Stolk, Chairman of the Supervisory Board
- James Burns, Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee
- Joachim Coers, Member of the Personnel and Compensation Committee
- Heather Faust, Chair of the Personnel and Compensation Committee, Member of the Audit Committee
- Steven M. Greenberg, Chairman of the Nominating Committee
- Tariq Osman, member of the Nominating Committee, member of the Personnel and Compensation Committee
- Dino Sawaya, member of the Audit Committee, member of the Nomination Committee

The Cherry Group is headed by Cherry AG, which has two direct wholly owned subsidiaries as of December 31, 2021: Cherry Europe GmbH (Auerbach, Germany) and Cherry Digital Health GmbH (Munich, Germany). In addition, Cherry Europe GmbH has other wholly owned subsidiaries located in Zhuhai (China), Hong Kong (China), Kenosha (Wisconsin, USA) and Paris (France). Cherry Digital Health GmbH is the organizational unit through which Cherry holds the wholly owned subsidiaries Active Key GmbH (Munich, Germany) and Theobroma Systems Design & Consulting GmbH (Vienna, Austria).

Cherry AG is involved in regional and supra-regional specialist associations, organizations, initiatives or working groups. This enables us to make a valuable contribution to association work and to actively participate in developments, trends and future topics. Memberships: bayme vbm, Munich (Employers' Association of the Metal and Electrical Industry in Bavaria), Bitkom e.V, Berlin, DIN Deutsches Institut für Normung e. V., Berlin, BGHM (Employers' Liability Insurance Association for Wood + Metal), Cherry, BGHW (Employers' Liability Insurance Association for Trade + Merchandise Logistics), Active Key, AUVA (General Accident Insurance Institution). Cherry Digital Health and Theobroma are members of the German Federal Association of Health IT (Bundesverband Gesundheits-IT / bvitg e. V.). Where appropriate, we release the employees involved for collaboration.

Our Group can be presented as follows:





4.1.3 Products and market segments

Cherry invented the first mechanical switch for keyboards in 1983 and is the world's leading supplier of mechanical keyboard switches. Development, production and sales are controlled by Cherry Europe GmbH. The special international brand strength and quality leadership mean that globally leading peripheral equipment suppliers advertise Cherry's switch technology to their end customers. The characteristics of the MX Ultra Low Profile switch, newly developed in 2021 with an overall height of only 3.5 mm, allow mechanical switches to be used in laptops for the first time in the world, including in gaming and high-quality office notebooks.

In addition, Cherry offers various PC gaming peripherals of its own, such as keyboards, mice and headsets, which are tailored to the needs of professional users in the field of gaming or e-sports. The gaming keyboards, which are produced at the Zhuhai (China) site using almost fully automated assembly machines, are successfully marketed primarily via distributors as well as online platforms in the major gaming markets of the Asia-Pacific region.

PC peripherals are developed specifically for use in office and industrial applications. The entire product range comprises a large number of different devices in numerous color and country variants. Sales are handled primarily by regional and national distributors in Europe, the USA and Asia, and increasingly also online to end users (direct-to-consumer). In addition, internationally renowned major companies and public institutions are supplied.

In addition, Cherry operates very successfully as one of two approved suppliers of systems for connection to the German telematics infrastructure (TI) in the healthcare sector. The modern e-health terminal ST-1506 is certified by the German Federal Office for Information Security (BSI) and is sold on the market by specialized system integrators.

In line with its product range, Cherry focuses on four business segments: CHERRY Components, CHERRY Digital Health, CHERRY Gaming, CHERRY Peripherals.

4.1.4 Customer satisfaction

The Cherry brand is synonymous with quality, innovation and design among IT users worldwide. Our switches have a life expectancy of at least 100 million keystrokes. We have deep and long-standing relationships with customers across our applications and solutions.

Customer and user satisfaction is correspondingly important to us, which is why it is also recorded as an key issue at Cherry.

Since a large proportion of our products are sold via intermediaries such as retail chains, ITC dealers, internet retailers, etc., and only a small proportion via direct sales, we have only limited access to end customers and end users.

Dialog with end customers therefore takes place in particular via our aftersales services. There, customers can obtain information or request support if they have any questions. Complaints in the event of unsatisfactory quality also come through this channel. We are working on providing customers with fast, uncomplicated access to this support. An important performance indicator here is the response time to a request.

Evaluation of the quality of Cherry products is also expressed in two forms in particular:

- a) The results of independent tests
- b) Evaluation on online portals or e-commerce.

Both forms of evaluation, by independent testers or by users, confirm our high quality standards and customer acceptance.

Accordingly, quality is an essential success criterion for us and a decisive factor for our reputation. We attach great importance to a consistently high level of quality. Quality management is largely responsible for this. This is already integrated in the development of products and in the selection of qualified, reliable suppliers. In production, we rely on a high level of automation for consistently high standards and on



highly trained employees. In addition, Cherry is certified by DIN ISO 9001 for its quality management system. The sites in Auerbach (Germany) and Zhuhai (China) are certified.

Another key performance indicator is the level of customer satisfaction, which we determine via questionnaires. The evaluation is carried out quarterly. The target is a value of <2 on a scale of 1-5, where 1 is very good and 5 is unsatisfactory.

KPIs:

	Measurement	2021	Target
Number of calls answered	Evaluation of T-Systems reports (ACD)	90%	>= 90%
Customer inquiries in process after 4 hours	Sales force report	98%	>= 95%
Average processing time	Salesforce-Bericht	2,8	< 5h

The numerous awards we receive can be seen as confirmation of our quality claim, which serves as the basis for customer satisfaction. During the reporting period, these included:

- Plus X Award for the CHERRY MV 3.0 – for high quality, design, function and ergonomics. The Plus X Award is the most important award for innovation in the field of technology, sports and lifestyle.
- German Design Award 2022 for the CHERRY MC 2.1 mouse in the category “Excellent Product Design - Computer and Communication”. German Design Award 2022 for the CHERRY HC 2.2 headset as a special mention for coherent design concept and implementation.
- The CHERRY MX 2.0S Mechanical Gaming Keyboard received the German Design Award with special mention for “Excellent Product Design - Computer and Communication”.

4.1.5 Value chain / process flow

As an international high-tech group with four core business segments and production facilities in Germany, Austria and China, Cherry has a specialized supplier base. We rely primarily on suppliers located close to our production facilities. For the production of switches, which are manufactured in Germany in particular, we rely mainly on European suppliers. Production in China relies primarily on suppliers from the region. It is important for us, that all suppliers follow the same high standards of quality, reliability, integrity and sustainability as we do.

The value chain varies in detail depending on the product category. The following illustration provides a simplified description:

Purchasing Logistics/ Procurement	Production/ Manufacturing	Marketing/ Distribution	Outbound logistics
Raw materials		Direct	Secure supply chain
Third-party components & Intermediate products		B2B B2C Indirect	Delivery Customer service Product issues
Semi-finished goods	Finished goods ¹	Distributor	Complaints
Finished goods	Final assembly	System house	Technical support

¹ Only for Theobroma and Components

Supporting activities would be

- Human resources
- Technology development

Goods purchased from external suppliers include merchandise, plastics, metals (strips, wires, copper alloys), electronic components, CAPEX fixed assets and spare parts for production. Cherry also purchases external services, for example for logistics or IT.



In the reporting year, the order volume was as follows:

Suppliers of production materials (number)	approx. 180
Suppliers of operating supplies/service providers (number)	approx. 530
Purchasing volume of production material/merchandise	approx. 90 million €
Purchasing volume of operating supplies/service providers incl. leasing	approx. 28 million €

The regional distribution of suppliers is as follows:

Asia/Pacific	51.0%
Western Europe	46.0%
Eastern Europe	1.5%
North America	1.5%

Value creation of our products has a high degree of automation along the entire value chain.

The Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) will apply in Germany from January 1, 2023. Cherry is already working on how exactly this will be implemented in the company and how the company will ensure compliance with legal requirements. The aim here is also to take future requirements for responsibility in the supply chain into account in a appropriate, forward-looking manner.

4.2 Sustainability in the Group

4.2.1 Sustainability strategy, goals and organization

Cherry takes environmental, social and governance factors into account at every phase of its business activities. Cherry is committed to improving its existing practices, policies and procedures to enhance the sustainability and long-term value of the Cherry Group while ensuring treatment of all stakeholders and the communities in which we operate.

Cherry plans to supplement a sustainability strategy in the current fiscal year as part of its corporate strategy. This integrated approach is important to us: Economic success and sustainable corporate management must go hand in hand. Important fields of action for us are in line with the identified key issues. In the field of the environment, our focus is on: Energy, waste, water management, as well as the use of resources. In the field of human resources, our attractiveness as an employer and the health of our employees are fundamental. Compliance and governance, observance of human rights, IT security and data protection are fields of action in governance. With the key issues of process and plant safety, product and process innovations, sustainable products, product safety and the importance of functioning supply chains, we also address issues that have overarching significance and impact.

Targeted measures to improve performance are already being implemented in the above-mentioned fields of action. A detailed presentation is provided in the following chapters.

In line with the future strategy, an organizational structure for sustainability will then also be established. We currently manage the dimensions of environmental, social and societal responsibility and governance on a decentralized basis. Measures to improve the environmental balance in production and along the value chain are managed and implemented at the local production sites. The measures and activities are regularly evaluated with respect to their effectiveness. In the event of variations, the measures are adjusted as necessary.



Responsibility for implementing social issues lies with the Human Resources department. The Compliance Officer is responsible for the issue of compliance. There is also a Senior Director Engineering & Services, who is responsible for monitoring ESG indicators.

All members of the Board of Management are involved in the issue of ESG, as are the relevant managers of the Group. ESG issues are also discussed during the weekly/monthly management meetings. Within this framework, target figures have also been defined for selected ESG indicators.

Cherry will further develop and institutionalize the organization of ESG issues in alignment with the sustainability strategy. This will also involve implementing a control system for the strategy developed and its targets, allowing progress to be documented through monitoring and analysis and measures to be adjusted when necessary.

With the implementation of sustainability targets in the corporate strategy, it is also planned to embed an ESG component in the remuneration policy. The design will be based on the targets and meaningful, relevant performance indicators. To this end, the remuneration model will have to be adapted and taken into account accordingly in future Board of Management contracts.

At present, target achievement for sustainability issues cannot be reflected in the remuneration system.

4.2.2 Stakeholders and stakeholder dialog

As an internationally active, listed company with a broad customer base and production facilities and sales offices in different countries and regions, Cherry has a large number of stakeholders. They interact with Cherry on a regular basis as individuals, groups or organizations.

These stakeholders were identified in a joint workshop with managers from different areas of the company. In particular, they include employees, customers, business partners, suppliers and shareholders. At the same time, Cherry is in continuous exchange with other representatives from the financial market, science and research, the media, politics, associations, NGOs, neighbors and communities.

In the course of further interviews and workshops, the issues relevant to Cherry's stakeholders, the communication channels and the frequency of the dialog conducted with them in each case were then determined.



Stakeholder group	Dialog	Issues
Financial market (shareholders, banks, analysts, proxy advisors)	Direct dialog (including by telephone, e-mail and in person), reporting/financial reporting, Annual General Meeting, conferences, roadshows, other individual discussion formats	Continuous, transparent financial market communication, business model / business development, reporting, compliance with covenants/agreements, reliability of figures, planning and risk management
Customers (end customers, dealers)	Personal exchange with sales and product managers, dialog offers on website	Customer service, quality
Employees	Personal dialog with supervisors and with the Human Resources department, intranet, employee information	Work-life balance, appropriate pay, human rights, reconciliation of work and private life, personnel development, good workplaces (ergonomics, occupational health and safety), health promotion
Suppliers/business partners	Open exchange of information, weekly coordination meetings/phone calls with main suppliers, personal appointments	Good information flow, clear agreements, fair conduct, punctual payment, commensurate quantities and prices, reliability
Public/community	Public relations, website, multipliers, events	Economically and socially relevant topics
Science/universities	Coburg University of Applied Sciences, Amberg-Weiden	Design
Media/press	Press releases, press events	Company relevant topics
Associations	<ul style="list-style-type: none"> - bayme vbm, Munich (Employers' associations of the metal and electrical industry in Bavaria) - Bitkom e.V, Berlin - DIN German Institute for Standardization e. V., Berlin - BGHM (Trade association wood + metal) - BGHW (Trade + Goods Logistics Trade Association) - AUVA (General Accident Insurance Fund) - Federal Association for Health IT (bvitg e. V.) 	Sector-specific topics

Constructive and open dialog with key stakeholder groups is a decisive factor for our business success. We maintain ongoing dialog with our stakeholders and see this as an important basis for shaping our corporate responsibility.

A future task at Cherry is to ensure that the stakeholder dialog is systematically institutionalized and expanded.

4.2.3 Materiality

In winter 2021/2022, Cherry conducted a materiality analysis for the first time, together with an external consultancy. It was initially carried out with internal participants at management level from all areas of the company, who in this context also

input their experience and information from the dialog with the various stakeholders of Cherry AG. In a future update of the materiality analysis, it is also planned – in compliance with the legal requirements and any frameworks applied – to directly involve external stakeholders in the course of a survey.

The issues that are important to Cherry were selected in a multi-stage process.

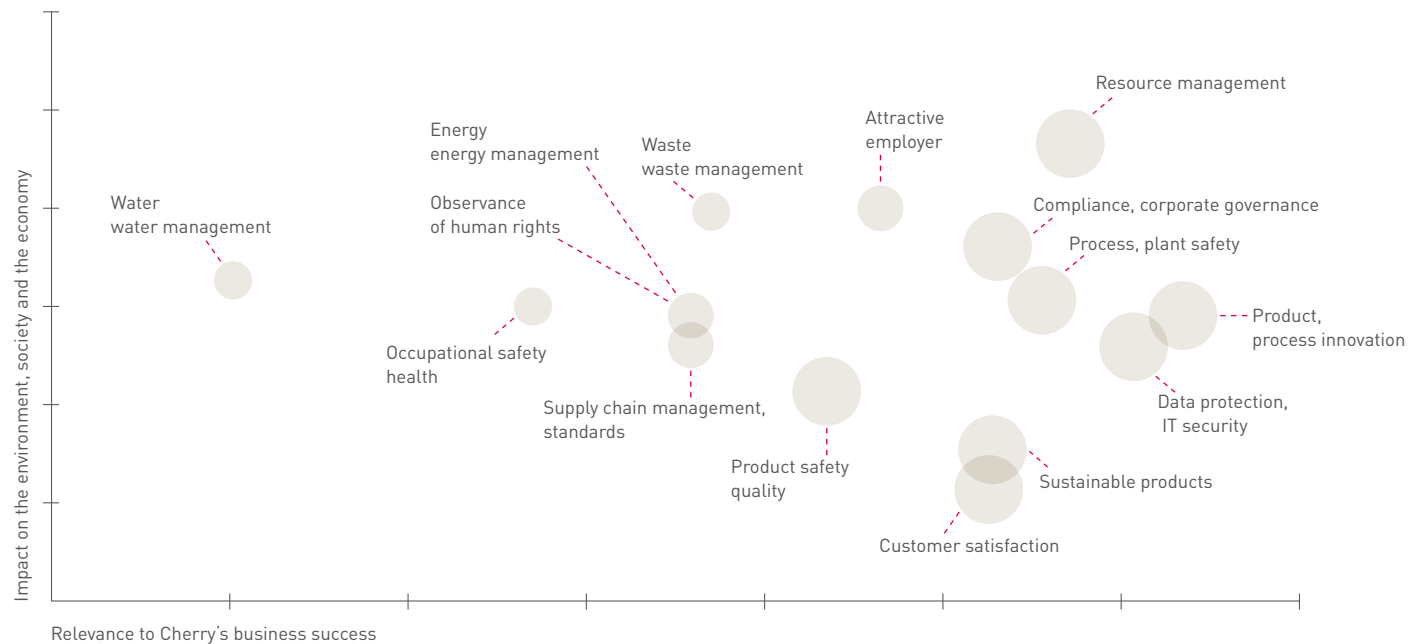
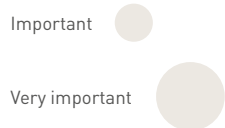
- In the run-up to the materiality analysis, a catalog of potentially material issues was drawn up on the basis of national and international standards and frameworks, a peer group analysis and company-specific factors.
- Subsequently, management staff from all divisions of the company evaluated the catalog of issues in terms of materiality from three perspectives: a) importance of the issue to Cherry (outside-in), b) impact of Cherry’s business activities related to the issue (inside-out), and c) importance from a stakeholder perspective.

– In some cases, issues were then combined if they had a similar focus. Subsequently, the Cherry AG Board of Management was able to prioritize the issues that were identified as highly significant in order to also take into account the perception of the company’s management.

As part of the materiality analysis, Cherry has identified the issues that are especially important in terms of business success and impact. Particular importance is attached to these issues as part of the ESG relevance of the company’s strategy. If this has not already been done, Cherry intends to successively develop concepts, goals and management approaches for these issues. Suitable and meaningful performance indicators should illustrate the development.

As a result of the multi-stage process, 14 issues emerged that are very important for Cherry. These are visualized in the following graphic

The size of the circles indicates the importance to stakeholders. The larger the circle, the more important the issue is to stakeholders.





5 PRODUCTS

Cherry is internationally known for high-quality, innovative products with high design value. The products sold are the basis of our business success. As a technology leader and quality leader “Made in Germany”, we stand for innovation and reliability. In some cases, customers who use our components in their products advertise the fact that Cherry technology has been integrated. In this way, we make a substantial contribution to the success of our customers in the business-to-business sector. What counts with end customers in particular is their confidence in our reliability, ergonomics and high quality.

Our products are characterized by:

- high quality standards and a particularly long service life
- a recyclable design
- conformity with standardized ergonomic requirements

In connection with the products, we have identified the following key issues as part of the materiality analysis:

- Product and process innovations / research collaborations
- Product safety and quality
- Sustainable products / certification

These essential issues all pay off in terms of our business success and also strengthen our brand. Innovations, safety and quality are just as important as sustainable, environmentally friendly products and sustainability perspectives.

5.1 Product and process innovations / research collaborations

Innovations are an important factor in Cherry’s success and reputation. It is not without reason that we describe ourselves as innovation leaders in our industry. These innovations are developed, implemented and applied at Cherry on two levels:

- Innovations in the production process
- Innovations in the products

Innovations in the process ensure that we can implement our technical innovations in products so that they are ready for series production. Innovations in the production process are even more relevant, however, enabling us to hold our own against international competitors. Innovations here relate, for example, to the automation of processes.

Innovations in the production process always relate to sustainability. In the year ahead, for example, we will be installing new machinery at our site in Auerbach. This new equipment will contribute to reduced energy consumption in production.

R&D in production develops in part from improvement proposals from employees and from dialog between customers and product managers.

In the case of products, ideas for innovations come from exchanges with customers, business partners or market observations about the products. These ideas are developed by the product managers, presented to a management body and, if approved, implementation is examined. Innovations are therefore strongly customer-driven and do not result from targeted initiatives. Furthermore, there are also development partnerships with industry in the B2B area. These involve the targeted development of new products or solutions in collaboration with a customer. In return for this partnership, the customer has temporary exclusivity for the use and deployment of the innovation. This was most recently the case in the field of switches. There we developed a particularly flat, high-quality switch solution for the computer manufacturer Dell. Dell can use this switch exclusively in its premium models for a period of several months.



In the future, too, we want to confirm and expand our role as an innovation leader. Besides the above approaches to developing innovations, we also intend to launch our own innovations on the market in a more targeted manner in the future. To this end, at least 8 new projects are to be launched and completed on a rolling basis each year.

5.2 Product safety and quality

We consider the issue of product safety and product quality to be closely linked with customer satisfaction. This is described in detail in Chapter 4.1.4. To ensure product quality and safety, we employ an ISO-certified quality management system. Moreover, there is a central catalog of quality criteria entitled “Quality Requirements”.

5.3 Sustainable products / certification

The issue of sustainable products is becoming increasingly important. Since 1994, we have certified some of our products to the “Blue Angel” standard for especially eco-friendly products and services. Our keyboards have been awarded the Blue Angel eco-label for computer input devices.

Nine office keyboards currently listed in our product range are certified with the German “Blue Angel” eco-label. Products are being converted to plastic-free packaging and booklets are being replaced by single-sided folded sheets. More information can be found online. When making a purchasing decision, the Blue Angel can be of particular importance. The seal of approval guarantees that products meet high standards in terms of environmental, health and usage properties. This means: Blue Angel certified products are more environmentally friendly than comparable conventional products.

KPIs:

Number of products with “Blauer Engel” (Blue Angel) certification in Peripherals:	9 (7 Office and 2 Security products)
Products with “Blauer Engel” certification as a percentage of Peripherals sales	41%

The sustainability of products is increasingly becoming a competitive factor in the market. In this context, sustainability feeds on various contents along the life cycle of a product. It starts with the consideration of sustainability in development and production, both of which are closely interdependent. We take into account compliance with the international REACH and RoHS requirements. We ensure the materials and raw materials used are environmentally compatible, that so-called conflict minerals are avoided, and pay attention to the means of delivery of these goods (logistics), the use of environmentally friendly (low-emission) production processes, the responsible treatment of employees and the like.

The detailed design of our products takes into account energy-efficient production and an almost complete recycling concept. The next step is about logistics when selling (packaging materials used, optimized transport routes, energy consumption in use, after-use options).

Waste avoidance also affects our production facilities, which we recycle at the end of their service life. “Scrapping” becomes “dismantling and reusing”.

The risks of this issue are that a lack of sustainability could lead to reluctance on the part of buyers and retailers. Competitors could also make faster progress in adapting their business model to be ESG-compliant. We assess this risk as low. With the strength of the Cherry brand and our proven spirit of innovation, we have a good basis for increasingly sustainable production and products. Our close contact with suppliers on the one hand and customers on the other also enables us to identify starting points for more sustainable products at an early stage.

In the reporting period, we dispensed with the plastic packaging that had always been commonplace in the industry in our product logistics. Instead, we were able to switch to environmentally friendly wrapping tissue for the necessary packaging. This enabled us to save 3.3 million plastic bags in 2021.



6 ENVIRONMENT

Protecting our environment is a declared objective of Cherry, and an integral component of our corporate policy. From environmentally friendly sourcing to environmentally compatible and energy-efficient production, as well as virtually complete recycling of our products at the end of their life cycle – environmental protection characterizes the ecological consciousness throughout all business units at our company.

Cherry is a production company specializing in high-tech products such as mice, keyboards and gaming devices. Production processes at our sites in Germany, Austria and China all involve placing great value on sustainable production, the manufacture of sustainable products and the efficient use of resources. This is why protection of the environment has great significance at Cherry. Using scarce resources sparingly is also preferable from the perspective of company management.

The responsibility for measures to protect the environment and to prevent negative impacts is assigned to the respective segments/production sites. The Board of Management is involved in environmental issues through its regular management meetings.

We have had our environmental management system certified in accordance with ISO 14001:2015 at our sites in Auerbach (Germany) and Zhuhai (China). This certification was most recently renewed last year. These environmental management systems each cover a (site-) specific environmental policy, environmental goals and environmental programs as well.

The most important issues in the environmental area include:

- Climate-relevant emissions
- Resource management
- Energy and energy management
- Waste and waste management/circular economy (recycling)
- Water/wastewater
- Dealing with hazardous substances
- Process and plant reliability

The key figures in the environmental area do not allow a comparison with the previous year. The reason is that Cherry AG has only registered figures on its energy consumption as an independent company for the first time for the year 2020. Moreover, there are no values for comparison from the previous year for the newly built production facility in Auerbach.

Cherry has identified key figures for a number of different issues, some of which are now also supplemented by goals. Specific measures were defined to reach the goals. The progress made in achieving the goals is reviewed regularly, and all measures are modified when this proves necessary.

Our goals in the environmental area include the systematic setup of environmental auditing processes. To do this, we intend to collect information on consumption figures for gas, power, water, waste and other environmental factors on the one hand, while also allocating them to when and where they arise and identifying ways to control them on the other hand. Specific objectives will be defined using this as our starting point.

With regard to risks inherent to issues relevant to the environment, please refer to the section of the management report covering risks in the annual report.

6.1 Energy, energy management and consumption

The use of energy in a production company is also a factor relevant to company management. This is particularly true of a company that produces in a high energy cost country. We therefore pay correspondingly close attention to management of the energy used. The goal is to reduce the use of energy relative to production volume, and in absolute terms.

In Germany, we moved into a new production building only around 1.5 years ago. In this regard, attention was paid to state-of-the-art construction methods, supply efficiency, and an optimized use of energy during construction. 100 per cent of the lighting is accounted for by LED lights or other sustainable technologies.

We have certified environmental management systems at our sites in Germany and China.



KPIs:

Energy consumption in [MWh]	2021	2020
Asia	530 [ZHU]	544 [ZHU]
Europe	2,962 [ARB] + 151 [TB] + 17 [AK] = 3,130	2,549 [ARB] + 10 [TB] + 20 [AK] = 2,579
Total	3,660	3,123

[AK] = Pegnitz (Active Key), [ARB] = Auerbach, [TB] = Vienna (Theobroma), [ZHU] = Zhuhai

The goal for natural gas consumption (total) in relation to revenue is less than, or equal to, 29.7 MWh/€ million in revenue. The figure for 2021 was 39.94.

KPIs:

Gas consumption in [MWh]	2021	2020
Asia	-	-
Europe	2,049 [ARB] + 105 [AK] = 2,154	1,569 [ARB] + 102 [AK] = 1,671
Total	2,154	1,671

[AK] = Pegnitz (Active Key), [ARB] = Auerbach, [TB] = Vienna (Theobroma), [ZHU] = Zhuhai

6.2 Climate-relevant emissions

Cherry is aware of how important it is to avoid climate-relevant emissions. As an international group of companies, we consider it our responsibility to reduce or avoid emissions all the way along our value creation chain, and to do so at those points in particular where we can have an immediate impact. In doing so, we are aware that emissions cannot be reduced overnight. In this respect, we need to plan and implement strategic and operative objectives and measures in equal measure in relation to Cherry's climate-relevant emissions.

Climate-relevant emissions are, in particular, generated in logistics and freight transport at Cherry. All forms of transport are used within the supply chain: Roads, rail, sea and air. In doing so, attention is paid to pooling regular transport operations and to using reusable containers. Freight transport causes emissions that cannot be avoided. Special journeys should be avoided to reduce unused space in freight transport by road, among other measures.

The goal is to keep the share of air freight low, both from an economic perspective and in order to avoid CO₂ emissions.

Over the reporting period, the instability of supply chains has resulted in increased emissions due to logistics activities. In order to ensure the availability of goods in times of low container availability in Asia, for example, some imports from Asia were transported by land in 2021. Combined road and rail transport from China to Germany causes almost four times as many greenhouse gas emissions as sea freight does. To be able to systematically address the reduction of climate-relevant emissions, defining both the sources and the extent of greenhouse gas emissions is necessary. This encompasses production as a first step (energy used, heat purchased etc.) and extends all the way along the value creation change in both directions. At present, we can only record some of these emissions. Logistics companies, which process around 70% of Cherry's transport volume, have been asked to submit a CO₂ balance sheet.



Cherry has 32 company vehicles in use worldwide, with four of them equipped with petrol engines, 27 with diesel engines, and there is one electric vehicle as well. Total CO₂ emissions by company vehicles totaled 51.03 kg in 2021; of this, 44.38 kg was emitted in Europe and 6.65 kg in Asia (calculation model according to Zentralverband des Deutschen Kraftfahrzeuggewerbes (German Association of Motor Trades, ZDK).

In order to continue to reduce CO₂ emissions, we will continue to hold meetings with customers, business partners and suppliers along with other stakeholders, such as shareholders and analysts, by means of video conferencing and virtual meetings even once the pandemic is over. At the same time, we are assuming that the number of face-to-face meetings will also rise again. They will, however, be less regular than previously the case, and we will organize them to ensure they are as sustainable as possible.

Only last year did we change our internal logistics processes by introducing round trips instead of single trips. One round trip replaces three individual trips. At the same time, trucks with a higher capacity were used.

6.3 Resource management and conflict minerals

The responsible use of resources is an important foundation for sustainable production and sustainable products. The resources and materials used in production include, specifically, plastic granulate and regranelate.

Moreover, gold is applied to our switches due to the conductivity this allows. This layer can be measured in nanometers. In the year under report, total gold consumption was equivalent to around 15 kilograms. We do not source our 3TG raw materials from conflict-affected and high-risk areas.

When choosing the materials, we follow guidelines for environmentally aware products (Baseline Requirements guidelines).

6.4 Waste and waste management / circular economy (recycling)

Waste and waste management are significant issues in production companies. At Cherry, we use the following rules for orientation: Avoid, reduce, reuse, repair, recycle. Avoiding waste has priority. Unavoidable waste is recycled wherever possible.

Only waste that cannot be recycled is approved for disposal. Cherry follows a resource-saving approach in all its activities. Environmentally friendly technologies and state-of-the-art production processes aim to avoid waste wherever possible.

We endeavor not to produce waste during the production or assembly of products (combining different components into a finished product). This is not always possible in the plastics field due to production-related reasons. This is why we use particularly pure and high quality base materials for plastics, which can be returned to the production process as part of recycling activities.

When it comes to disposal, Cherry places value on only commissioning competent and experienced disposal companies or transport companies. They must have the corresponding certifications to verify this. Color-coded containers have been set up around the company, with employees having been instructed on how to separate waste correctly. Employees receive training in how to avoid additional costs for the disposal of contaminants by separating them correctly right at the workplace. All employees receive training at least once a year.

Cherry keeps separate records of its waste for every site. This involves drawing up waste balance sheets. Moreover, there are company guidelines governing how to deal with waste correctly, how to avoid waste, and how to separate waste and recycle it. Cherry places value on raising employees' awareness of this issue.

Cherry has also introduced measures to avoid waste at its international sites in China and Austria and draws its employees' attention to their responsibility in this regard. All suppliers along the supply chain are also encouraged to take a sustainable approach to the production of components.

Nor should the actual products end up as waste at the end of their service life. Instead, the goal is to find a subsequent use for the high-quality components or to systematically recycle them. Cherry first received the „Blauer Engel“ eco-label, which is currently awarded to 35% of our office products and 67% of our security products, back in 1994. These products account for around 41% of sales in the Peripherals business unit.

How components are returned to the product cycle or recycled does, however, depend on the general regulations in the country of use. In the European Union, for example,



return and separate collection of electronics waste is required by law. This ensures that those materials that are used in electronics in particular, such as copper or rare earths, are recycled. In order to reduce the waste associated with its products, Cherry has started replacing plastic packaging components with materials that do not harm the environment.

Cherry's goal is to continue reducing the share of residual waste created during the production process. Furthermore, there are ongoing reviews of the points at which recyclable materials can be used. Group-wide objectives are expected to be defined that are consistent with Cherry's sustainability strategy.

KPIs:

Waste in t	2021	2020
Asia		
Electronics scrap	3.8 [ZHU]	6.1 [ZHU]
Hazardous waste	0.18 [ZHU]	0.3 [ZHU]
Non-hazardous waste	-	-
Europe		
Electronics scrap	13 [ARB] + 1 [TB] = 14	18 [ARB]
Hazardous waste	19 [ARB]	13 [ARB]
Non-hazardous waste	50 [ARB] + 4.8 [TB] + 2.3 [AK] = 57.1	54 [ARB] + 5.3 [AK] = 59.3
Total	94.1	96.7

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai

6.5 Water / wastewater

The sparing use of water and wastewater is also part of Cherry's responsibility for the environment. Our production is characterized by its low use of water during product manufacture. Nonetheless, we place value on using as little water in production as possible. Dealing with wastewater responsibly is also a relevant issue.

We moved our production to a newly constructed building at our site in Auerbach around 1.5 years ago. The standards in relation to the use of water and disposal of wastewater are correspondingly high. Moreover, we make sure that no hazardous substances from production enter the wastewater or are able to contaminate groundwater.

KPIs:

Water consumption in m ³	2021	2020
Asia	1,535 [ZHU]	1,643 [ZHU]
Europe	3,455 [ARB] + 800 [TB] + 74 [AK]	2,885 [ARB] + 346 [TB] + 80 [AK]
Total	5,864	4,954

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai

As a result of the 20% increase in production output and the Corona hygiene measures, there was higher water consumption at the Auerbach site in the reporting period compared to 2020.

6.6 Dealing with hazardous substances

Wherever possible, we avoid using materials in production which are hazardous to health. We follow our Baseline Requirements (CQ1) guidelines in doing so.



Even during the concept phase for new products, focus is directed at choosing environmentally compatible materials – in compliance with the international REACH and RoHs requirements. This also factors in the avoidance of what are known as conflict materials, as well as the optimization of transport routes along the supply chain. The detailed product design aims to ensure energy-efficient production and a largely exhaustive recycling concept.

Cherry informs itself about the legal requirements and reacts to new bans on substances at an early stage, with relevant bans on substances being reviewed every six months using the SVHC list, CP65 list, RoHs etc. Series products undergo ongoing monitoring by means of random sample analyses of products in the laboratory, with substances being substituted when relevant.

By principle, every endeavor is made to replace all hazardous substances with less hazardous substances to the extent possible. This is not, however, always possible. In these cases, the company is vigilant about particularly careful use. Substances in WHC 3 (substances highly hazardous to water) are not used at Cherry. A registry of hazardous substances sets rules for the use and storage of hazardous substances.

KPIs:

Incidents involving hazardous substances	0
Incidents involving hazardous substances subject to mandatory reporting	0

Cherry is currently working on building up a database for hazardous substances within the supply chain. To do this, direct suppliers are being called on to provide information directly. The suppliers are reviewed over the course of supplier audits.

6.7 Process and plant reliability

Cherry moved to a new and state-of-the-art building at the Auerbach site in the fourth quarter of 2019, a building that satisfies all current technical requirements for energy efficiency and building insulation.

We also pay attention to sustainability when it comes to the production machinery that we use for manufacturing. All machinery complies with the latest safety standards. We do not dispose of machinery that has reached the end of its service life, and instead recondition it over the course of recycling, using it for other purposes or keeping it in reserve.

Moreover, we have introduced new, state-of-the-art tooling for switch production. This was prompted by the potential to increase production efficiency, on the one hand, while using less energy and achieving correspondingly lower energy costs on the other hand.



7 EMPLOYEES / SOCIAL ISSUES

Cherry is an innovative company characterized by robust growth and is at home all over the world. The success of our business and Cherry's innovative capacity and continued growth are made possible by experienced, committed and reliable employees. Employees are encouraged to play a part and become involved in turning our corporate goals into reality by assuming responsibility for the business and showing a high degree of self-reliance. Short decision-making processes and flat hierarchies also contribute to this, as they allow employees to make a difference and work together as 'doers' to keep the company moving forward.

The main issues at Cherry in relation to employee concerns in accordance with the CSR implementing regulation are:

- Employer attractiveness
- Occupational health and safety
- Equal opportunity, diversity and inclusivity
- Observance of human rights

All these issues are closely intertwined for Cherry. Occupational health and safety, and equal opportunity, diversity and inclusivity all have a major impact on Cherry's attractiveness as an employer.

7.1 Number of employees

As of December 31, 2021, the Cherry Group employed a workforce of 554 people (December 31, 2020: 496 people), 443 of whom were working in the Europe region (December 31, 2020: 392 employees), 19 in the North America region (December 31, 2020: 18 employees), and 92 in the Asia region (December 31, 2020: 86 employees).

During the 2021 fiscal year, 90 new employees were recruited across the Group (December 31, 2020: 73 employees) and 23 employees were added through corporate acquisitions (December 31, 2020: 18 employees). Over the 12-month reporting period, the Cherry Group employed an average number of 532 people (December 31, 2020: 490 people). The growth was driven mainly by the expansion of production capacity at

the Group's Auerbach and Vienna locations as well as by the general growth in business volume and Cherry's transition to a stock corporation.

7.2 Employer attractiveness

Motivated employees with the corresponding knowledge and experience are one of the most important factors in Cherry's success. This is why we consider it essential to recruit and retain highly qualified employees. In Bavaria in particular, where Cherry maintains its headquarters, there is intense competition for qualified talent. We are seeing how the expectations placed on employers are changing. Issues such as work-life balance, flexible working hours and professional fulfillment are gaining more and more significance. The biggest risk in the human resources area is that a potential lack of expert employees could adversely impact Cherry's business, or that employees could leave for a different employer. This makes it all the more important for us to offer our employees, along with potential new recruits, attractive jobs for the long term. To this end, we are creating an attractive working environment at Cherry, and offering the corresponding performance incentives.

Observance of employee rights

We are committed to ensuring that the applicable laws covering collective labor law, among others, are respected and complied with both in Germany and internationally. We use the core labor standards issued by the International Labor Organization (ILO) for orientation, the basic principles of which determine that the right to freedom of association and collective bargaining must be granted, and that child labor and forced labor, along with discrimination, will not be tolerated. At the same time, we comply with the General Act on Equal Treatment (AGG) in Germany, among other laws. This ensures that all of Cherry's employees are treated equally with regard to employment, payment and career opportunities, regardless of ethnic origins, gender, religion or worldview, a disability, age or sexual identity.

For us, the laws that apply for employees in Germany and internationally are the minimum standards that we at the Cherry Group exceed in Germany in particular. This concerns, among others, the implementation of health screenings as well as advice on ergonomics at the workplace, in particular for production workplaces.



Cherry maintains a Code of Business Conduct to prevent corruption and discrimination, among other things, and to promote cooperation based on respect and environmentally friendly conduct. We intend to use it to ensure that all employees of the company act in accordance with our corporate culture – even when they originate from different cultures and environments and have different personal values. https://www.cherry.de/media/wysiwyg/PDF/0401G002EN_CherryCodeofBusinessConduct.pdf

Cherry is currently implementing measures worldwide to guarantee adherence to labor laws throughout the value creation chain to the greatest degree possible. The first step involves obliging suppliers to provide Cherry with a written declaration that they adhere to labor laws, and that their suppliers, in turn, are also expected to uphold these standards. The second step will see Cherry introduce regular social audits to supplement the quality audits based on ISO standards.

Communication as a basis for good partnership

Another key building block for Cherry's attractiveness as an employer is employee communication. We ensure that constructive personal communication based on trust is possible in all business units and across all levels. Along with face-to-face discussions with managers in the departments, the human resources department, or with management, in Germany this is also the responsibility of the Works Council, which is consulted on all decisions relevant to employees. Cherry currently has no employee representation at international sites due to the size of these sites.

Information is regularly shared with employees during company meetings, by newsletters and by the Intranet, among other channels. The Auerbach site has also set up what is referred to as a 'suggestion box', which is used to address any concerns to the departments or to the HR department, as well as Cherry's management – and this anonymously, when relevant. The issues raised are first dealt with at management level within the departments, or by the HR department directly, with solutions developed being discussed with the Board of Management during management meetings, when relevant.

Promoting conscientiousness

Cherry would like to increase its employees' awareness of sustainable, conscientious activities to ensure that sustainability becomes an integral component of everyday professional life. To do so, we hold regular training courses on occupational safety and environmental protection in Germany. Along with measures available through our health services, continual improvement processes are being implemented in the Cherry Group.

Training and further education, professional development

Cherry makes sure it assigns its employees' tasks according to their strengths. At the same time, we ensure that our business is successful by building up expertise within the Cherry Group and developing the know-how of our employees.

On the one hand, training for its own new recruits is a key element of Cherry's human resources activities, with vocational training programs such as mechatronics engineer, toolmaker, industrial clerk and e-commerce salesperson being offered. As part of a key points paper, Cherry has made a commitment to the Works Council to hire at least five apprentices each year. Seven trainees started working at Cherry in the 2021 fiscal year.

The trainee ratio was 2.82% (ARB) and 4.76% (AK) in 2021. In addition, Cherry runs a 'Young Talents' project, in order to identify young talent at an early stage and promote them accordingly on the basis of their skills and goals. This project is about developing future leaders and retaining them at Cherry in the long term.

At the same time, Cherry advances its employees throughout the Group in order to retain them for the long term and allow them to develop professionally. Cherry implemented a human resources management tool made by Haufe in 2021. Among other things, it will be used to determine the need for training and to hold further education and training measures with the support of e-learning. Furthermore, future education and training measures will still be planned directly and individually with the respective manager responsible, and will be implemented within individual programs. Regular employee meetings and performance reviews will provide the main basis for this.



Moreover, along with specialist and managerial careers, overseas assignments to the USA or China, among other locations, will be made possible for employees.

KPIs:

Number of hours for further education and training of employees in 2021

1,976 (ARB) + 50 (AK) + 2,240 (ZHU) + 250 (TB) + 45 (Europe) = 4,561 Stunden
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(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai

In 2021, employee fluctuation at Cherry was as follows:

Departures	Absolute
Asia (China incl. Hong Kong, Taiwan)	29
Europe	35+3+5 (TB) +2 (AK) = 45
USA	2
Total	76

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai

The additions to the workforce were as follows:

New hires 2021	Absolute	Thereof female
Asia (China incl. Hong Kong, Taiwan)	31	5
Europe	61+1+23 (TB)	23 (ARB) + 15 (TB)
USA	3	0

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai

Goals and measures to increase attractiveness as an employer

– Cherry will be holding annual meetings and performance reviews for all employees in the fiscal year 2022, which are supervised by the HR department. The goal is to continue to improve teamwork, task performance and personnel development by means of a structured discussion, and to boost job satisfaction and employee motivation.

- Continuation and broadening of the 'Young Talent' project.
- Cherry remains committed to continually investing in employee training and development across all locations.

7.3 Equal opportunity, diversity and inclusivity

People with different skills, different origins and different cultural backgrounds, and of all age groups, work at Cherry. Cherry promotes a culture of equal opportunity and respects the different structures, customs and traditions of other cultures. We consider it important that all employees enjoy equal opportunities, regardless of their ethnic origin or social background, age, gender, skin color, religion and political views. A zero-tolerance policy toward discrimination therefore applies within the Cherry Group.

Diversity among our employees is something we consider a strength and an opportunity to achieve our corporate goals, and we intend to continue to promote it. Greater diversity and equality of opportunity also increase our attractiveness as an employer. At the same time, we consider diversity to be a major opportunity, because it can promote innovation, creativity and customer loyalty, factors that are key to the continued successful growth of Cherry.

Within the Cherry Group, employees from 17 countries (Africa, North and South America, Asia, Europe and the Pacific) were employed as of December 31, 2021.

The percentage of females across the individual continents in which Cherry operates was as follows in 2021:

	Percentage of females
Asia	58%
Europe	32.3% (ARB) + 50% (AK) + 42.6% (TB) + 80% (FR)
USA	17%

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai



Cherry employed 31 people with disabilities worldwide as of December 31, 2021, and the Company has appointed a Representative for Severely Disabled Persons.

No cases of discrimination were reported in the Cherry Group in the reporting year.

As required under anti-discrimination law, Cherry started introducing a gender-neutral form of address in 2021, thereby avoiding the titles 'Herr' and 'Frau' in German and 'Mr.' and 'Mrs./Ms.' in English. Cherry will use first and last names in salutations in the future. Around 80% of templates have already been modified.

Women in management positions

The supervisory board of Cherry AG is currently comprised of six male and one female member. The percentage of females in Cherry's supervisory board was 14.3% at the end of 2021.

Pursuant to Section 76 (4) of the German Stock Corporation Act (AktG), the Management Board of Cherry AG has set a target for the proportion of women in the first executive level below the Management Board at a minimum of 10% (this currently corresponds to 2 women), which must be achieved by the yearend 2026. Cherry AG does not have a second executive level below the Management Board.

Moreover, when it comes to the issue of women in management positions, we refer to the annual Declaration on Corporate Governance in accordance with Article 289a of the German Commercial Code (HGB), which the Board of Management of Cherry AG and the supervisory board of Cherry AG submitted on March 30, 2022. The Declaration on Corporate Governance was published on the company's website at <https://ir.cherry.de/de/home/corporate-governance/>.

Fair, performance-based pay

Cherry maintains a transparent, fair, clearly structured and performance-based payment system. Payments and other benefits are expected to be commensurate with the respective national and local legal standards at the least, or exhibit the same level as the national economic sectors/industries and regions. Payment of employees in Germany is, in part, based on the collective agreement of the Bavarian metal and electrical industry. Payment includes paid vacation time and a Christmas bonus, and the company pension scheme, among other things.

Flexible working hours and mobile working

To promote equal opportunities at the Cherry Group, Cherry has implemented flexible working time models and concluded a company agreement on mobile working with the works council in Germany.

Within the agreed framework, this makes it possible for employees to modify their working hours and their place of work in a way that suits their living situation, thereby allowing them to find the best possible balance between their private and professional life.

- Flexible working hours in all departments without core working hours (except production)
- Mobile working in consultation with managers is possible for a majority of employees.
- Three-shift model in production

7.4 Occupational health and safety

Cherry promotes a working atmosphere conducive to good health and its professional occupational health and safety management system contributes to protecting all employees from health risks at work. We have developed measures to increase safety at the workplace, along with measures for health and prevention, according to the area of work. In Germany, this includes regular instruction and training courses on occupational health and safety, along with a risk assessment by outside partners.

The company health management system at Cherry includes, among other things

- Mandatory and optional medical checkups, along with patient-specific checkups, provided by the company physician (e.g. mandatory noise and hazardous substance checkups, and optional workstation employee checkups)
- Ergonomics at the workplace – including height-adjustable desks for all office workplaces
- Rubber matting for industrial flooring the production hall to cushion footsteps
- Company sport – running event



In addition, the specialist for occupational health and safety performs on-site occupational safety assessments every month with employees from production, the Quality department and logistics. There are also on-site assessments and workplace inspections carried out together with the company physician in all areas every three months. Issues such as workplaces in logistics, production and office are discussed on these occasions.

Cherry also works closely with AOK Bavaria. Four times a year, it advises Cherry on the issue of how physical movement should be carried out in production and logistics.

Over the course of the coronavirus pandemic, Cherry formed a coronavirus taskforce. During the year under review, free self-tests and FFP2 masks were distributed and vaccination offers were organized, among other activities.

20 work-related injuries were recorded at Cherry in 2021. Of these, three were work injuries subject to mandatory reporting and involving more than three days' leave, as well as one accident on the way to work that was subject to mandatory reporting and involved more than three days' leave.

KPIs:

Number of trained first aiders	100 (ARB) + 2 (AK) + 2 (TB) + 4 (ZHU)
Number of defibrillators	1 (ARB)

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Vienna (Theobroma), (ZHU) = Zhuhai

Organization and responsibility for human resources

All employees of the Cherry Group in Germany, Austria, France and the USA are supervised by the Human Resources department in Auerbach. There are points of contact on site for our employees in the USA and Zhuhai respectively.

At Board of Management level, the CFO Cherry AG is responsible for human resources, and regularly involved in this area as part of the management system as well as within works agreements. In 2021, the head of the Human Resources department held regular discussions with the CEO and the CFO on developments over the course of management meetings. Risks for Cherry and the potential impact of Cherry's business activities, its business relationships and its products on employee concerns are regularly analyzed as part of the risk management system operated by Cherry. The focus of human resources, objectives, KPIs and measures are developed together with the Board of Management and introduced within the Cherry Group. Concepts, achievement of goals or anomalies are reviewed in regular audits.



8 COMMUNITY

8.1 Community involvement / local communities

Cherry has only been an independent company for about one and a half years. Its community involvement was previously organized at overall Group level in the past, and the related goals and measures have been formulated in detail.

Cherry is aware of its responsibility as a member of the community and a corporate citizen. Accordingly, we also intend to develop a concept for the community involvement of our company. In doing so, relevance to our business model and our products is important to us on the one hand, accompanied by systematic support for projects that have benefits and added value for the community on the other hand.

8.2 Cooperation with universities and research institutes

Cherry also works closely with universities within partnerships. The partnerships with different educational institutions such as schools and universities allow us to pass on our specialist knowledge.

8.3 Human rights, no child labor or forced labor

Observing human rights has utmost importance for the Cherry Group. We condemn all forms of discrimination and harassment, for example due to ethnic origin, gender or sexual identity, race, age, religious beliefs or worldviews, and toward people who are disadvantaged. For us, upholding human rights also involves compliance with internationally recognized core labor standards issued by the ILO (International Labor Organization), the rejection of any form of forced labor or child labor, and establishing good, fair and healthy working conditions.

We comply with the legally specified standards at all our sites worldwide.

We also place great value on human rights being upheld at our suppliers. When entering into a supplier relationship with Cherry, one basic prerequisite is a commitment to upholding human rights, along with a successful compliance audit, a healthy financial status and reliability in the supplier relationship.

The corresponding review is carried out during audits. Due to Corona, no social audits were possible in recent years and recourse was made to the voluntary commitment. Therefore, only the financial status, reliability, etc. were checked during the audits. However, we will check compliance with human rights, child labor and the Modern Slavery Act 2015 as part of social audits in 2022, if this is possible again.

Violations against human rights can have a negative impact on the reputation of the Cherry Group, along with its financial, asset and earnings situation. This is why we have a keen interest in ensuring compliance with the applicable legal regulations and our own specific regulations in the Code of Conduct, and ensuring no violations of human rights occur within the Group.



9 CORPORATE GOVERNANCE / COMPLIANCE / IT SECURITY

Responsible corporate governance is the basis for all daily activities at Cherry. A fully developed opportunity and risk management system provides the basis for this, and is supplemented by an in-house monitoring system and our compliance management system. This has created the structures for activities by our employees and for dealing with external business partners, suppliers, customers and other relevant stakeholders.

9.1 Corporate governance

Corporate governance has a great importance for Cherry. As a listed company, Cherry has defined clear structures and processes for this area.

One key component is our opportunity and risk management system. This is described in detail in the management report in the 2021 annual report. The goal is for Cherry to identify opportunities for sustainable continued development of the business model, and when evaluated positively, to implement them. At the same time, the aim is to identify risks by, or for, the business activities at an early stage, and avert or minimize them. Risk management is the direct responsibility of the Board of Management at Cherry.

9.2 Compliance

Responsible conduct towards employees, customers, business partners and other stakeholders is integral to Cherry's value system. This includes acting with integrity within the framework defined by laws and guidelines. We act in accordance with our corporate values and hold the conviction that sustainable, profitable growth needs to be accompanied by the highest ethical standards.

Cherry, as an internationally active supplier of IT components, maintains its own production facilities and offices in many countries. Our customers can be found in even more nations. As a company with such an international orientation, we have very high expectations of effective compliance management.

Our compliance management system, which applies across the company, aims to ensure observance of and compliance with laws, regulations and directives, of con-

tractual obligations, voluntary commitments we have entered, and conformity with standards. This involves a regular meeting to discuss legal provisions, at which the specialist areas share information on legal developments. All changes and reforms to laws are evaluated with regard to their significance for Cherry, and compliance management involved when relevant. In 2021, a compliance audit was carried out by an external service provider.

In the reporting year, all documents and corporate guidelines relevant to compliance were subject a review and to revisions within our ISO-certified management system. The aim was to ensure relevance and up-to-dateness. The update was completed in the 2nd quarter of 2021. Over the course of this revision, the number of relevant documents was reduced from more than 230 to 170.

Another component is our Code of Conduct, which can also be viewed on our website. This was most recently updated in 2021. All employees learn about the key points of the compliance requirements in regular training courses. An induction process with regard to compliance is also mandatory for new employees. The Code of Conduct therefore provides clear guidelines for activities by managers and employees.

We introduced an IT-based personnel management system in the reporting year. The goal is to make relevant issues available as online training courses and e-learning programs to employees worldwide. Compliance training courses will also be integrated into this system in the future. The IT-based system can also be used for tests, and can provide automated proof of participation in a training course or further education measure.

Upon joining the company, all employees are required to familiarize themselves with Cherry's compliance requirements, and to accept them. There are regular training courses for employees in the company.

KPIs:

Share of employees trained on issues related to compliance in the reporting year	100 %
Share of employees instructed in compliance in the company	100 %



Our Code of Conduct covers the following areas, among others, with the aim of protecting the reputation of the Cherry brand:

Principles of legally compliant conduct

- Conduct in the event of conflicts of interest
- Handling of information, in particular with insider knowledge, and data protection and information security
- Prohibition of money laundering
- Business relationships with customers, business partners and competitors
- Anti-corruption
- Sponsorship and donations
- Dealing with media and publicity
- Mutual respect, practicing fairness and integrity
- Child labor and human rights
- Product quality and safety
- Job security and responsibility to care for the environment

Persons who are covered by Cherry's Code of Conduct are called on to report any violations of this code.

Responsibility for adherence to the compliance rules with regard to internal conduct and when dealing with third parties has been assigned to the respective business units.

Compliance management extends right along the entire value creation chain for Cherry. Our worldwide suppliers are also required to fulfill our requirements with regard to compliance standards. Accordingly, only those companies that adhere to our compliance principles are allowed to become suppliers to Cherry. Adherence to the principles is monitored by audits and personal reviews.

A description of potential compliance risks can be found in the management report in the annual report. By principle, confirmed cases of corruption could in fact impact Cherry's financial, asset and earnings situation significantly. This is the reason why we take our responsibility very seriously, and use extensive reviews to ensure that any such violations do not occur, or come to our attention as early as possible.

In addition, Cherry regularly reviews the effectiveness of the Code of Conduct, and identifies measures to modify and improve it. Regular training courses are used to ensure employees' awareness of the issue.

There were no incidents subject to mandatory reporting in the reporting period.

KPIs:

Reported compliance proceedings	0
Confirmed compliance incidents Bestätigte Compliance Vorfälle	0

No instances of corruption were reported or confirmed over the reporting period from January 1, 2021 to December 31, 2021. Accordingly, no measures in this regard needed to be taken. Management and those persons responsible for compliance were not aware of any violations of or non-compliance with laws and regulations either.

9.3 IT security and data protection

The issues of IT security and data protection were identified as very important ones for Cherry within the materiality analysis. This importance results from their relevance for Cherry's business success and the potential impact they could have on Cherry's business activities.

The issue of IT security is equally relevant for Cherry at both Group and production level, as well as with regard to the IT security of its products. Our standards are correspondingly high. In order to ensure the quality of the preventive and protective measures, Cherry had itself certified in accordance with DIN ISO 9001. The last certification was carried out in 2021.

The function of the data protection officer is the responsibility of the Human Resources department at Cherry. An external service provider assumes this role as a specialist, and receives support with this activity by a data protection coordinator at the company itself.



Our concept for IT security and data protection not only aims to ensure compliance with legal requirements, but also to implement measures to achieve higher security standards. We implement IT security measures and guidelines on the basis of the IT Baseline Protection Manual issued by the Federal Office for Information Security (BSI). Our IT security systems are continually updated and adapted to new threats. The key component of this is regular training courses for all employees in the organization. These training courses were optimized in 2021, superseding classroom courses with an automated online training system (SoSafe). Users receive ongoing training on current threats, such as spam and scam mails, in this system. The system also records employee participation in the training courses.

At a technical level, firewalls and virus scanners protect us from Internet-based threats. Virus scanners examine all files when they are opened. The additional, automated monitoring of web links and attachments in e-mails using a tool called Proof-Point also represents a key contribution to increasing cyber security. Authorizations are only issued sparingly, and all users are only allowed to view what they 'need to' view. Multifactor authentication is used. Moreover, all non-company computer devices continue to be excluded from physical in-house access to the company network using NAC (Network Access Control). Furthermore, our public IP addresses (Internet access points, websites etc.) are checked for any vulnerabilities twice a year.

There were no successful cyber attacks in the reporting period. In 2021, there was an official request regarding the General Data Protection Regulation (GDPR), which was answered by Cherry.

Detailed information about the risks in the IT security and data protection area can be found in the risk and opportunity report in the management report. We have rated the risk as moderate, and are using systematic protective and preventive measures to reduce the risks further.

KPIs:

Reports data protection proceedings	1
Incidents data protection proceedings	1

10 NON-FINANCIAL REPORTING INDEX

The CSR implementing regulation requires the companies concerned to report on sustainability factors, in particular employee concerns, environmental concerns, human rights, measures to counter corruption and bribery, and the issues identified by companies as material.

The NFE Index provides an overview of the pages of the non-financial report on which this content can be found:

Sustainability factor	Page
Employee concerns	20 et seq.
Environmental concerns	15 et seq.
Human rights	25
Measures to counter corruption and bribery	27
Materiality	11 et seq.

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