

Cherry SE Sustainability Report 2022



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1 Key group figures

€ million / as indicated	Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021	Change
Revenue	132.5	168.5	-21.4 %
EBITDA margin (adjusted) ¹	11.5 %	29.0 %	-17.5 pp.
Personnel expenses	34.0	36.5	-6.9 %
R&D expenses (incl. Capitalized development costs)	12.1	8.7	39.1 %

€ million / as indicated	Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021	Change
Total assets	379.1	411.0	-7.8%
Liquid funds	92.8	109.7	-15.4%
Equity ratio	66.4	71.3%	-4.9 pp.
Employees	490	554	-11.6%
Proportion of female employees	37.3%	41.5%	-4.2 pp.
Average age (in years)	42.5	42	1.2%

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.

¹ Adjusted for one-time and/or non-operating items.

2 Preface

DEAR READERS,

This separate condensed non-financial report 2022 represents our second statement on sustainability at Cherry SE pursuant to Sections 289c, 315c of the German Commercial Code (HGB). As a company that only recently went public, we have on the one hand a long tradition and history, but on the other hand we also have to establish new 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 and steadily internationalize it. 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 sustainability report should therefore also be seen in conjunction with the annual report.

For Cherry, sustainability is part of its corporate culture and part of its business model. With a history going back 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.

Due to our still young capital market experience, Cherry still has a simple sustainability management system and no consistent reporting processes yet. 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 for example the case when we replace plastic packaging with wrapping tissue. It also applies to health measures in production and to targeted training.

At the same time, 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 at the moment. This is due to the fact that we have not been a listed company for too 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 SDGs¹ and our contribution to them.

We thank you, dear readers, for your interest and trust. We would be delighted if you continued to follow our progress in the area of sustainability management with interest.

1 SDG: Sustainable Development Goals (<https://sdgs.un.org/goals>)

3 About the report

Cherry SE has been a European stock corporation (Societas Europaea) with its registered office in Munich since December 2022. The main production site is in 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 280912. Shares of the company have been listed in the Prime Standard of the Frankfurt Stock Exchange since June 29, 2021.

Cherry SE, including the subsidiaries it controls, (hereinafter also referred to as the “Cherry Group”, “the Company”, “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 2022, 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 SE is the fiscal year 2022, from January 1, 2022, to December 31, 2022. The non-financial statement of Cherry SE 2022 was reviewed by the company's Supervisory Board and approved for publication at its meeting on March 27, 2023.

The reporting in this publication always refers to the entire Cherry Group. This includes the production facilities in Germany, Austria and China (Zhuhai) as well as the sales offices in the USA, Great Britain, France, Hong Kong, Taiwan and China (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 SE was founded almost 70 years ago by Walter Lorain Cherry. Originally a family business, the medium-sized company is now one of the leading international companies for computer input devices. In the process, the company 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 restated in 2021 for the IPO as follows:

"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:

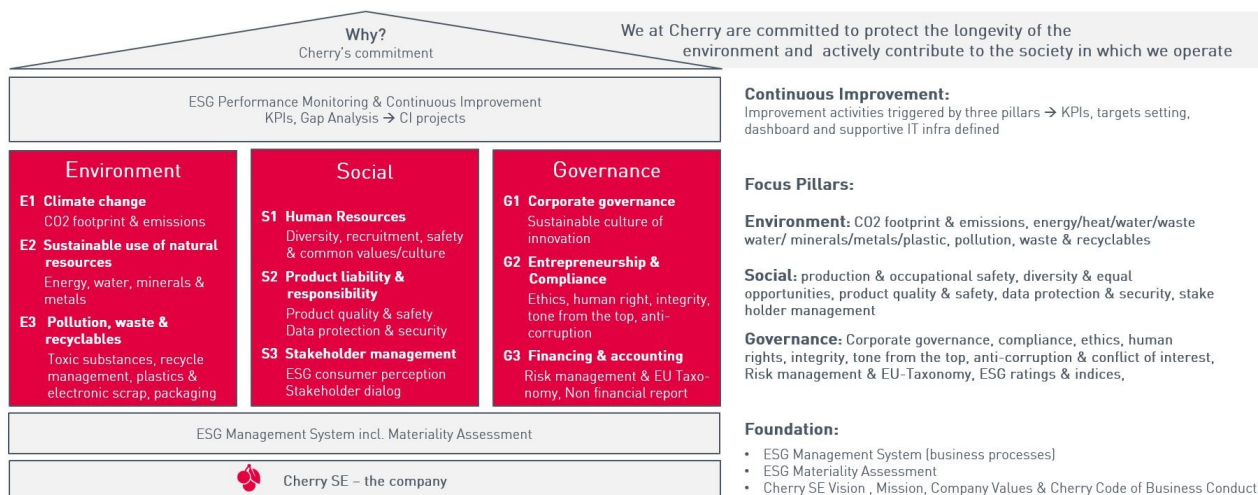
- Customer orientation and user focus
- Innovation and passion
- Self-responsibility and excellence
- Diversity and integrity
- Respect and loyalty

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.

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."

Sustainability is a strategically relevant topic at Cherry SE, which is to be integrated in the business model with the respective impacts on the economic, ecological, and social environment. An ongoing dialog with sustainability stakeholders is considered both relevant and important. On the one hand, this involves requirements, expectations, and information flowing into the Company from the outside and, on the other hand, the Company itself communicating information to the outside.

In fiscal year 2022, a sustainability strategy was adopted by the Management Board as part of the corporate strategy. In the area of the environment, the strategic sustainability goals include in particular the reduction of greenhouse gas emissions, the use of renewable energies, the use of sustainable materials and the promotion of a sustainable supply chain. In the social area, the sustainability strategy is intended to meet the needs and expectations of the most important stakeholders. The second focus here is a comprehensive consideration of people, taking into account human rights, diversity, occupational safety, and corporate values and culture. The governance area covers the focal points of compliance, risk management and corporate governance. Another focus is on product safety and product quality as well as data security and data protection.



4.1.2 Cherry SE: Organization and business model

Cherry SE 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 490 people at production facilities in Germany (Auerbach), China (Zhuhai) and Austria (Vienna), as well as in several sales offices in Germany (Auerbach, Pegnitz, Munich), France (Paris), USA (Kenosha), China (Shanghai and Hong Kong), and Taiwan (Taipei). Cherry is also represented by sales representatives in England and Sweden.

The company's activities can be divided into the GAMING and PROFESSIONAL business segments. 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.

The Cherry SE Board of Management currently consists of three persons

- Rolf Unterberger, CEO (from 2021 until December 31, 2022)
- Oliver Kaltner, CEO (since January 1, 2023; appointed until December 31, 2025)
- Bernd Wagner, CFO (since 2021; appointed until June 30, 2025)
- Dr. Udo Streller, COO (since April 1, 2022; appointed until March 30, 2025)

The Supervisory Board is made up of seven persons as of December 31, 2022:

- 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

Upon registration in the commercial register of the Company on December 13, 2022, the change of legal form of the parent company Cherry AG into a Societas Europaea (SE) was completed. As of December 31, 2022, Cherry SE held all shares in the following subsidiaries:

- Cherry Europe GmbH (Auerbach, Germany).
- Cherry Peripherals GmbH (Munich, Germany), newly registered under the name heptus 501. GmbH in the commercial register on November 24, 2022 and renamed on December 13, 2022. The corporate purpose of Cherry Peripherals GmbH is the development, manufacture and distribution of mechanical switches, IT peripherals, security systems, software, their import and export and trade with purchased IT peripherals, security systems, software as well as the provision of development and service activities in the field of IT
- Cherry Digital Health GmbH (Munich, Germany)

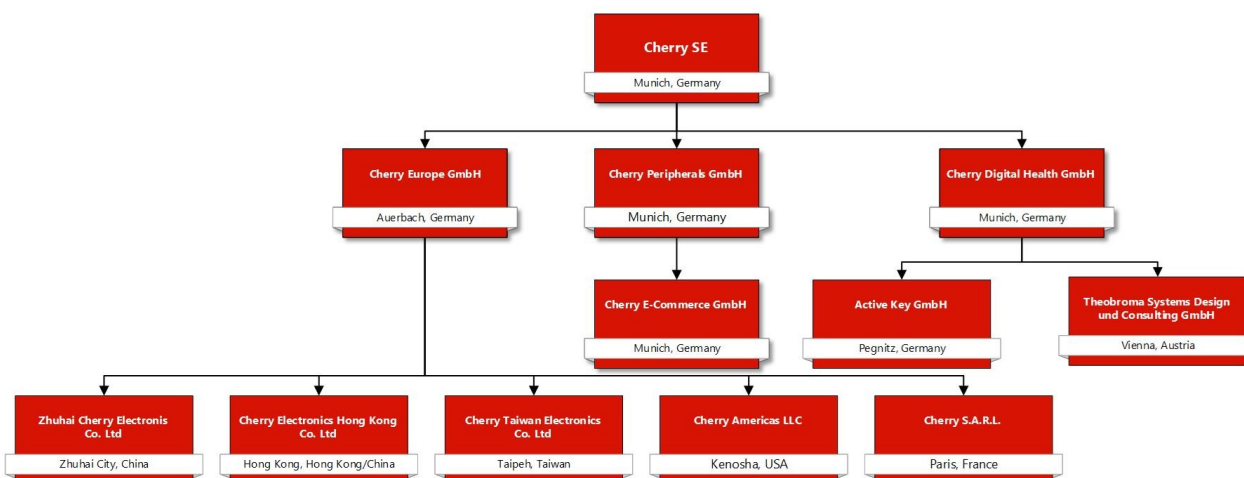
Cherry Europe GmbH held the following wholly owned subsidiaries as of December 31, 2022:

- Zhuhai Cherry Electronics Co. Ltd., Zhuhai, China
- Cherry Electronics Hong Kong Co. Ltd., Hong Kong, China
- Cherry Taiwan Electronics Co. Ltd., Taipeh, Taiwan
- Cherry Americas LLC, Kenosha, USA
- Cherry S.A.R.L., Paris, France

As of December 31, 2022, Cherry Peripherals GmbH held all shares in Cherry E-Commerce GmbH (Munich, Germany), which was newly entered in the commercial register on June 9, 2022. The corporate purpose of Cherry E-Commerce GmbH is international trading, also via online channels, of computer input devices, mechanical switches and hardware as well as IT-based and IT-supporting products and peripheral devices, including all related transactions and services.

As of December 31, 2022, Cherry Digital Health GmbH held all shares in Active Key GmbH (Munich, Germany) and in Theobroma Systems Design und Consulting GmbH (Vienna, Austria).

Our Group can be presented as follows:



Cherry SE 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.

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 design 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 Digital Health 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.

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 a 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:

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.

A key criterion for customer satisfaction is that we process more than 95% of all enquiries in less than 4 hours. The low average processing time also shows that a very well-trained and motivated team quickly answers all customer enquiries satisfactorily or helps them further. This is also reflected very positively in external ratings on Amazon or Google.

KPI:

	Measurement	2022	2021	Target
Number of calls answered	Evaluation of T-Systems reports (ACD)	87%	90%	>=90%
Customer inquiries in process after 4 hours	Sales force report	97,5%	98%	>=95%
Average processing time in hours	Salesforce-Bericht	2,7	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.

4.1.5 Value chain / process flow

As an international high-tech company with two 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 ensure 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 Third-party components & Intermediate products Semi-finished goods Finished goods	Finished goods ¹ Final assembly	Direct B2B B2C Indirect Distributor System house	Secure supply chain Delivery Customer service Product issues Complaints Technical support

¹ Only for Theobroma and Components

Supporting activities would be

- Human resources
- Technology development
- Manufacturing
- Engineering
- Finance & Controlling
- Buildings & Infrastructure

Goods purchased from external suppliers include merchandise, plastics, metals (strips, wires, copper alloys), electronic components, machines and equipment 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. 500
Purchasing volume of production material/merchandise	approx. 102 million €
Purchasing volume of operating supplies/service providers incl. leasing	approx. 20 million €

The regional distribution of suppliers is as follows:

Asia/Pacific	52.5%
Western Europe	45.0%
Eastern Europe	1.5%
North America	1.0%

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

From 1 January 2023, the German Supply Chain Compliance Act (Lieferkettensorgfaltspflichtengesetz LkSG) will apply to companies with more than 3000 employees, and from 2024 to companies with more than 1000 employees. Cherry is already voluntarily 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 an 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.

In fiscal year 2022, a sustainability strategy was adopted by the Management Board as part of the corporate strategy. In the area of environment, the strategic sustainability goals include in particular the reduction of greenhouse gas emissions, the use of renewable energies, the use of sustainable materials and the promotion of a sustainable supply chain. In the social area, the sustainability strategy aims to meet the needs and expectations of key stakeholders. The second focus here is on a comprehensive consideration of people, taking into account human rights, diversity, occupational safety and corporate values and culture. Another focus is on product safety and product quality as well as data security and data protection. The area of governance includes the focal points of compliance, risk management and corporate governance.

In the area of human resources, our attractiveness as an employer and the health of our employees are essential. Compliance and Governance, compliance with human rights as well as IT security and data protection are fields of action from Governance. With the key topics of process and plant safety, product and process innovations, sustainable products, product safety and the importance of functioning supply chains, we also address topics that have overarching significance and effects.

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. From 2023 onwards, an established third-party Sustainability Manager will be used as a control system for the strategies and goals developed, with the help of which progress will be monitored, analysed and documented at all times, making it easier to adjust corresponding measures if 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.

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, human rights
Science/universities	Coburg University of Applied Sciences, Amberg-Weiden	Design
Media/press	Press releases, press events	Company relevant topics
Associations	-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.

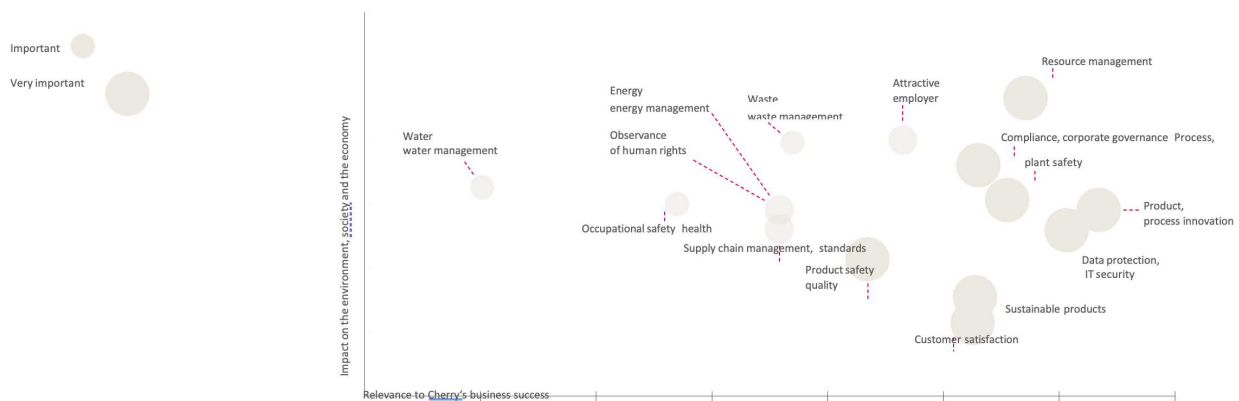
4.2.3 Materiality

In order to determine how we as Cherry are already positioned in the area of materiality after the IPO, we conducted a materiality analysis for the first time together with an external consulting firm in the winter of 2021/2022. 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 SE. 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 SE 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.



5 Products

Cherry is internationally known for high-quality, innovative products with high design value. These products are the foundation of our business success. As a technology, innovation and quality leader, we stand for relevance 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.

5.2 Product safety and quality

For us, the topics of product safety and product quality are closely linked with customer satisfaction and are presented 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.

Eleven 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:

	2022	2021
Number of products with "Blauer Engel" (Blue Angel) certification in Peripherals	11 (9 Office and 2 Security products)	9 (7 Office and 2 Security products)
Products with "Blauer Engel" certification as a percentage of Peripherals sales	43 %	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 REACH¹ and RoHS² 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. In 2022, the equivalent of 3.5 million plastic bags could be saved.

¹ REACH: registration, evaluation, authorisation and restriction of chemicals, EC 1907/2006 directive to improve protection of human health and the environment

² RoHS: Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment

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 energyefficient 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

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 Auerbach (Germany), we moved into a new building for production and administration at the end of 2019. 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)	2022	2021	Change
Asia	499 (ZHU)	530 (ZHU)	-5.9 %
Europe	2,134 (ARB) + 122 (TB) + 19 (AK) = 2,275	2,962 (ARB) + 151 (TB) + 17 (AK) = 3,130	-27.3 %
Total	2,774	3,660	-24.2 %

(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 2022 was 11,97 MWh/million € (2021: 39.94 MWh/million €).

Gas consumption in (MWh)	2022	2021	Change
Asia	-	-	-
Europe	1,520 (ARB) + 80 (AK) = 1,600	2,049 (ARB) + 105 (AK) = 2,154	-25.7 %
Total	1,600	2,154	-25.7 %

(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 operating company, 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 2021/2022. 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 chain 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, which will be reported from 2023 onwards.

Cherry has 23 company vehicles in use worldwide, 20 with diesel engines, and there are three hybrid vehicles as well. Total CO₂ emissions by company vehicles totaled 72 kg in 2022; of this, 64 kg was emitted in Europe and 8 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, electrical 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 regranulate (MX switches in average 70%).

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 (tin, tungsten, tantalum and gold) raw materials from conflict-affected and high-risk areas.

Other materials are needed for packaging, preferably cardboard boxes and tissue paper.

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 non-recyclable waste is released for disposal. Cherry follows a fundamentally 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 attaches great importance to ensuring that employees are sensitized to this issue and that all legal and statutory requirements are complied with.

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“ ecolabel, which is currently awarded to 9 of our office products and 2 of our security products, back in 1994. These products account for around 43 % of sales in the Peripherals business unit (2021: 41 %).

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 continuously reduce the amount of residual waste created during the production. In addition, the company constantly and consistently checks where recyclable materials can be used. Groupwide objectives are expected to be defined that are consistent with Cherry's sustainability strategy.

KPIs:

Waste in t	2022	2021	Change
Asia			
Electronics scrap	2,5 (ZHU)	3,8 (ZHU)	-34.2 %
Hazardous waste	0,164 (ZHU)	0,18 (ZHU)	-8.9 %
Non-hazardous waste	-	-	-
Europe			
Electronics scrap	3 (ARB) + 2 (TB) = 5	13 (ARB) + 1 (TB) = 14	-64.3 %
Hazardous waste	20 (ARB)	19 (ARB)	5.3 %
Non-hazardous waste	34 (ARB) + 2,1 (TB) + 7,2 (AK) = 43,3	50 (ARB) + 4,8 (AK) + 2,3 (AK) = 57,1	-24.2 %
Total	68,3	94,1	-27.4 %

(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.

At our site in Auerbach (Germany), we moved into a newly constructed building at the end of 2019. 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	2022	2021	Change
Asia	1,844 (ZHU)	1,535 (ZHU)	20.1 %
Europe	4,096 (ARB) + 780 (TB) + 66 (AK)	3,455 (ARB) + 800 (TB) + 74 (AK)	-10.8 %
Total	6,786	5,864	15.7 %

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Due to a change in the air conditioning of our production, water consumption at the Auerbach site increased slightly in the reporting period.

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 energyefficient 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 (substances of very high concern) list, CP65 (California Proposition 65) list, RoHS (Restriction of Hazardous Substances in Electrical and Electronic Equipment) 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:

	2022	2021
Incidents involving hazardous substances	0	0
Incidents involving hazardous substances subject to mandatory reporting	0	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

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, internationally operating and growth-oriented company. 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 selfreliance. Short decisionmaking 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, 2022, the Cherry Group employed a workforce of 490 people (December 31, 2021: 554 people), 371 of whom were working in the Europe region (December 31, 2021: 443 employees), 16 in the North America region (December 31, 2021: 19 employees), and 103 in the Asia region (December 31, 2021: 92 employees).

During the 2022 fiscal year, 57 new employees were recruited across the Group (December 31, 2021: 90 employees). No new employees were added through company acquisitions in 2022 (December 31, 2021: 23 employees). Over the 12-month reporting period, the Cherry Group employed an average number of 521 people (2021: 553 people).

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 worklife 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/wysivyg/PDF/0401G002EN_CherryCodeofBusinessConduct.pdf](https://www.cherry.de/media/wysivyg/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 again (with a focus on China) 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: In 2022, 15 young people (previous year: 12) were doing an apprenticeship to become e. g. industrial clerks or mechatronics technicians.

The apprenticeship ratio in 2022 was 2.30% at Cherry Europe GmbH (ARB), 6.58% at Cherry SE (ARB) and 1.55% (AK). 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:

	2022	2021	Change
Number of hours for further education and training of employees	1,618.5 (ARB) + 170.5 (AK) + 808.5 (ZHU) + 250 (TB) + 42 (Europe) = 2,889.5 hours	1,976 (ARB) + 50 (AK) + 2,240 (ZHU) + 250 (TB) + 45 (Europe) = 4,561 hours	-36.7 %

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

In 2022, employee fluctuation at Cherry was as follows:

Attrition	2022	2021	Change
Asia (China incl. Hong Kong, Taiwan)	5	29	-82.8 %
Europe	27 (ARB) + 4 (TB) + 8 (AK) = 39	35 (ARB) + 3 (TB) + 2 (AK) = 45	-13.3 %
USA	4	2	100.0 %
Total	48	76	-36.8 %

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The additions to the workforce were as follows:

New hires	2022		2021	
	Absolute	Thereof female	Absolute	Thereof female
Asien (China incl. Hongkong, Taiwan)	25	7	31	5
Europa	25 (ARB) + 3 (AK) + 4 (TB) = 32	7 (ARB) + 2 (TB) = 9	61 (ARB) + 1 (AK) + 23 (TB) = 45	23 (ARB) + 15 (TB) = 38
USA	1	0	3	
Total	58	16	119	43

(AK) = Pegnitz (Active Key), (ARB) = Auerbach, (TB) = Wien (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 18 countries (Africa, North and South America, Asia, Europe and the Pacific) were employed as of December 31, 2022.

The percentage of females across the individual continents in which Cherry operates was as follows in 2022:

Percentage of females	2022	2021
Asia	52.4 %	58.0 %
Europe	33.5 % (ARB) + 38.9 % (AK) + 29 % (TB) + 50 % (FR)	32.3 % (ARB) + 50 % (AK) + 42.6 % (TB) + 80 % (FR)
USA	31.3 %	17.0 %

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

Cherry employed 32 people with disabilities worldwide as of December 31, 2022 (2021: 31), 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 antidiscrimination law, Cherry started introducing a genderneutral 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 96% 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 2022.

Pursuant to Section 76 (4) of the German Stock Corporation Act (AktG), the Management Board of Cherry SE 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.

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 SE 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 performancebased 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 patientspecific 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 onsite occupational safety assessments every month with employees from production, the Quality department and logistics. There are also onsite 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 selftests and FFP2 masks were distributed and vaccination offers were organized, among other activities.

In 2022, there were three occupational accidents and two commuting accidents at Active Key, of which one occupational accident and one commuting accident were reportable (2021: none). In Auerbach there were a total of six occupational accidents and one commuting accident, two of which were reportable (2021: thre reportable occupational accodents and one reportable commuting accident).

KPIs:

	2022	2021
Number of trained first aiders	89(ARB) + 2 (AK) + 2 (TB) + 4 (ZHU)	100 (ARB) + 2 (AK) + 2 (TB) + 4 (ZHU)
Number of defibrillators	1 (ARB)	1 (ARB)

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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 SE is responsible for human resources, and regularly involved in this area as part of the management system as well as within works agreements. In 2022, the head of the Human Resources department held regular discussions with the CEO, CFO and COO 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 (e. g. University Coburg, Amberg-Weiden) allow us to pass on our specialist knowledge. We also aim to inspire young people for business and technology.

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 2023, 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 inhouse 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 a clear corporate structure for this purpose - from the Supervisory Board to the Board of Management to the managing directors and authorized signatories of the affiliated companies and responsible employees throughout the Group, regulated by the structural and procedural organization and documented in guidelines and procedural instructions.

One key component is our opportunity and risk management system. This is described in detail in the management report in the 2022 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 contractual obligations, voluntary commitments we have entered, and conformity with standards. This involves a regular monthly Compliance board meeting to discuss legal provisions, at which the specialist areas such as HR, Purchasing, Logistics, etc. share information on legal developments under the leadership of the Compliance Officer. 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 to a review and to revisions within our ISO-certified management system. The aim was to ensure relevance and timeliness. 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. Also in 2022, numerous documents were revised, newly created or removed.

Another component is our Code of Conduct, which can also be viewed on our website. This was most recently updated end of 2022. All employees learn about the key points of the compliance requirements such as bribery, corruption or violations of competition rules 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.

The EU Whistleblower Directive already came into force on 16 December, 2021. Although Germany did not adopt the whistleblower protection system in the Bundestag until December 2022, we at Cherry have already implemented this directive ahead of time due to its importance. This law regulates the protection of natural persons who have obtained information about violations in the course of their professional activities and pass this information on to internal or external reporting bodies. The link to our reporting system can be found on our web pages in the footer area and is available in either German or English.

In 2021 we introduced an IT-based personnel management system. 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. Annual training is provided for all employees in the company.

KPIs:

	2022	2021
Share of employees trained on issues related to compliance in the reporting year	100 %	100%
Share of employees instructed in compliance in the company	100 %	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:

	2022	2021
Reported compliance proceedings	1	0
Confirmed compliance incidents	0	0

No instances of corruption were reported or confirmed over the reporting period from January 1, 2022 to December 31, 2022. 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 2022.

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. Using an automated online training system (SoSafe), users were continuously trained in 2022 on current threats such as spam and scammails as well as fishing mails, among others. The system also records staff participation in the training.

At a technical level, firewalls and virus scanners protect us from Internetbased 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 inhouse 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 2022, there was no official request regarding the General Data Protection Regulation (GDPR).

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.

KPIs:

	2022	2021
Reports data protection proceedings	0	1
Incidents data protection proceedings	0	1

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.

10 EU Taxonomy

10.1 Background and objectives of the regulation

On June 22, 2020, the EU Taxonomy Regulation was published in the Official Journal of The European Union (EU). It entered into force on July 12, 2020. The basis for this is the Sustainable Finance Action Plan, which is one of the four pillars of the European Green Deal. To achieve the EU's 2050 climate and energy targets, it is necessary to redirect capital flows toward a more sustainable economy.

The EU Taxonomy is a classification system for environmentally sustainable economic activities. The intention is to create greater transparency with regard to the degree of sustainability of corporate activities, investments, and operating expenditures.

10.2 Reporting for the 2022 financial year

According to article 8 EU Taxonomy Regulation, all companies that are required to prepare a non-financial group report pursuant to Section 315b HGB, one must provide information on the share of their group turnover, capital expenditure (CapEx), and operating expenditure (OpEx) for the 2022 reporting period that is associated with Taxonomy-eligible and Taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation).

10.3 Identification of Taxonomy-eligible and Taxonomy-aligned activities

For the identification of Taxonomy-eligible and Taxonomy-aligned activities, Cherry reviewed the activity descriptions of the Climate Act for consistency with our business activities, taking into account the NACE (nomenclature statistique des activités économiques dans la Communauté) codes. As the Cherry SE business model is to develop and commercialize innovative computer input devices and mechanical switches, we have not identified any Taxonomy-eligible and Taxonomy-aligned economic activities based on our business model. Cherry is therefore not covered by the Climate Delegated Act and not identified as a relevant source of greenhouse gas emissions.

10.4 KPIs

As we have not identified any Taxonomy-eligible and Taxonomy-aligned activities for the 2022 financial year, this results in a share of Taxonomy-eligible revenue, capital expenditure (CapEx) and operating expenditure (OpEx) of 0 % each for the 2022 reporting period.

10.5 Summary

In summary, Cherry SE is committed to sustainability, however, according to the current EU Taxonomy framework, we do not have Taxonomy-eligible and Taxonomy-aligned economic activities.

11 NFE-Index

For Cherry, sustainability is part of its corporate culture and part of its business model. 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.

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. It contains the following five non-financial aspects:

Sustainability factor	Page
Employee concerns	18 et seq.
Environmental concerns	14 et seq.
Human rights	23
Measures to counter corruption and bribery	25
Materiality	11

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