

<b>Procedures for Ethical Management and Guidelines for Conduct</b>	Document No.	MP-039
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**Article 1 Purpose and scope of application**

1. Commercial activities of PharmaEssentia Corporation (hereinafter “the Corporation”) are based on fairness, honesty, faithfulness, and transparency. To fully implement a policy of ethical management and proactively prevent unethical conduct, the Procedures for Ethical Management and Guidelines for Conduct (hereinafter “the Procedures and Guidelines”) are enacted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and applicable laws and regulations of the places where the Corporation and its business groups and organizations operate with the objective of providing all Corporation personnel with clear directions for the performance of their duties.
2. The scope of application of the Procedures and Guidelines includes the subsidiaries of the Corporation, any foundation or legal person to which the Corporation’s cumulative direct or indirect contribution of funds exceeds 50% of its endowment, and other institutions or legal persons that are effectively controlled by the Corporation.

**Article 2 Applicable subjects**

1. The term “Corporation personnel” in the Procedures and Guidelines refers to any director, supervisor, managerial officer, employee, mandatary, or person having substantive control of the Corporation or its group enterprises and organizations.
2. Any provision, promise, request, or acceptance of improper benefits by any Corporation personnel through a third party will be presumed to be an act by Corporation personnel.

**Article 3 Unethical conduct**

1. The term “unethical conduct” in the Procedures and Guidelines is defined as any Corporation personnel, in the course of their duties, directly or indirectly providing, promising, requesting, or accepting improper benefits; committing a breach of ethics, an unlawful act, or a breach of fiduciary duty for purposes of acquiring or maintaining benefits.
2. The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staff, and government-owned or private enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantive control, or other stakeholders.

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**Article 4 Type of benefits**

The term “benefits” in the Procedures and Guidelines refers to any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in any form or of any name.

**Article 5 Responsible unit**

The Corporation shall designate the Department of Human Resource Management under the Board of Directors as the solely responsible unit (hereinafter “the Responsible Unit”) in charge of the amendment, implementation, interpretation, and advisory services with respect to the Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The Responsible Unit shall be in charge of the following matters and submit annual reports to the Board of Directors:

- i. Assisting in incorporating ethics and moral values into the Corporation’s business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations
- ii. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Corporation’s operations and businesses
- iii. Planning the internal organization, structure, and allocation of responsibilities as well as setting up check-and-balance mechanisms for mutual supervision of business activities—within the business scope—at a high risk of engaging in unethical conduct
- iv. Promoting and coordinating awareness and educational activities with respect to ethics policy
- v. Developing a whistleblowing system and ensuring effective operation
- vi. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

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**Article 6 Prohibition of providing or accepting improper benefits**

Except under one of the following circumstances, when providing, accepting, promising, or requesting—directly or indirectly—any benefits as specified in Article 4, the conduct of the Corporation personnel shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Procedures and Guidelines and ensure that relevant procedures have been carried out.

1. Conduct that is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic or foreign visits, reception of guests, promotion of business, and communication and coordination
2. Ordinary social activities that the personnel attend or others are invited to attend, which are held in line with accepted social customs, commercial purposes, or facilitating relationships
3. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the payment method, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance
4. Attendance at folk festivals that are open to and welcome participation of the general public
5. Rewards, emergency assistance, condolence payments, or honorariums from the management
6. Property, with a market value conforming to the accepted social custom, received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative
7. Other conduct that complies with the rules of the Corporation

**Article 7 Procedures for handling the acceptance of improper benefits**

1. Except under any of the circumstances set forth in the preceding article, Corporation personnel who are provided with or promised—directly or indirectly—any benefit as specified in Article 4 by a third party shall adopt the following procedures.

(a) Should there be no relationship of interest between the party providing or offering the benefit and the official duties of the Corporation's personnel, the personnel shall report to

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their immediate supervisor within three days following the acceptance of the benefit, and the Responsible Unit shall be notified if necessary.

(b) Should a relationship of interest subsists between the party providing or offering the benefit and the official duties of the Corporation’s personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the Responsible Unit. When the benefit cannot be returned, the personnel shall refer the matter to the Responsible Unit for handling within three days from the acceptance of the benefit.

2. “A relationship of interest between the party providing or offering the benefit and the official duties of the Corporation’s personnel” mentioned in the preceding paragraph refers to one of the following circumstances:

(a) When the two parties have commercial dealings, a relationship of direction with supervision, or subsidies or rewards for expense

(b) When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established

(c) Other circumstances in which a decision regarding the Corporation’s business, execution, or non-execution would lead to beneficial or adverse impact

3. The Responsible Unit shall make a proposal, based on the nature and value of the benefit under preceding Paragraph 1, such that the benefit is returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported to and approved by the general manager.

**Article 8 Prohibition of facilitating payments and handling procedures**

1. The Corporation may neither provide nor promise any facilitating payment
2. Corporation personnel who provide or promise a facilitating payment under threat or intimidation shall submit a report to their immediate supervisor stating the process and shall notify the Responsible Unit.
3. On receiving a report mentioned in the preceding paragraph, the Responsible Unit shall take immediate action and undertake a review of relevant matters to minimize the risk of recurrence. In a case involving alleged illegality, the Responsible Unit shall also forthwith report to the relevant judicial agency.

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**Article 9 Procedures for handling political contributions**

The Corporation shall not provide any political contributions.

**Article 10 Procedures for handling charitable donations or sponsorships**

Charitable donations or sponsorships by the Corporation shall be provided in accordance with the following provisions and the Corporation’s internal decisions, and be reported to the Responsible Unit for approval beforehand:

1. The donation or sponsorship shall be in compliance with the laws and regulations of the country where the Corporation is operating.
2. A written record of the decision-making process shall be kept.
3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Corporation’s commercial dealings or a party with which any Corporation personnel has a relationship of interest.
5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

**Article 11 Recusal**

1. Corporation directors, supervisors, managerial officers, other stakeholders attending or present at a Board of Directors’ meeting, or the legal persons represented thereby, who have a stake in a proposal at the meeting, shall state the important aspects of the stake in the meeting. In the event that the interests of the Corporation would likely be prejudiced, the aforementioned persons may not participate in the discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves and may not support each other in an inappropriate manner.
2. If in the course of conducting Corporation business, any Corporation personnel discover that a potential conflict of interest exists involving themselves or the legal person that they represent or that they or their spouse, parents, children, or a person with whom they have a

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relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both their immediate supervisor and the Responsible Unit for the immediate supervisor to provide the personnel with proper instructions.

3. No Corporation personnel may use Corporation resources on commercial activities other than those of the Corporation, nor may any personnel’s job performance be affected by their involvement in commercial activities other than those of this Corporation.

**Article 12 Unit in charge of confidentiality regime and its responsibilities**

1. A unit of legal affairs shall be set up in the Corporation to formulate and implement procedures for managing, preserving, and maintaining the confidentiality of the Corporation’s trade secrets, trademarks, patents, works, and other intellectual properties. Additionally, said unit shall conduct regular reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.
2. All Corporation personnel shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party trade secrets, trademarks, patents, works, and other intellectual properties of the Corporation of which they have learned, and nor may they inquire about or collect any trade secrets, trademarks, patents, works, and other intellectual properties of this Corporation unrelated to their individual duties.

**Article 13 Prohibition of unfair competitions**

The Corporation shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

**Article 14 Protection of stakeholders’ rights**

1. The Corporation shall study and understand applicable laws and regulations and international standards governing its products and services before publishing all guidelines to caution Corporation personnel on ensuring the transparency of information about and safety of the products or services in the course of their research and development, procurement,

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manufacture, provision, or sale of products and services.

2. The Corporation shall adopt and publish, on its website, a policy on protection of the rights and interests of consumers and other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers and other stakeholders.
3. In the event where effective media reports or sufficient facts have alleged the Corporation's products or services posing hazard to the safety and health of consumers or other stakeholders, the Corporation shall immediately recall its products or suspend its services within an appropriate time limit and verify the facts to present a review and improvement plan.
4. The Responsible Unit of the Corporation shall report the event mentioned in the preceding paragraph, corresponding actions taken, subsequent reviews, and corrective measures taken to the Board of Directors.

#### **Article 15 Prohibition against insider trading and nondisclosure agreement**

1. Corporation personnel shall adhere to the provisions of the Securities and Exchange Act and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Additionally, Corporation personnel are prohibited from divulging undisclosed information to any other party, lest the other party should use such information to engage in insider trading.
2. Any organization or person outside of the Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Corporation shall be required to sign a nondisclosure agreement in which they undertake not to disclose to any other party trade secrets or other material information of the Corporation they have learned, and that they may not use such information without the prior consent of the Corporation.

#### **Article 16 Announcement of ethical management policies to outside parties**

The Corporation shall disclose its policy of ethical management in its internal rules and annual reports, on its websites, and in other promotional materials and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press

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conferences and thus make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

**Article 17 Ethical management evaluation prior to development of commercial relationships**

1. Before developing a commercial relationship with another party, such as an agent, supplier, client, or other counterparty in commercial dealings, the Corporation shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, thus ensuring that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.
2. When the Corporation carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures regarding the following matters for a review of the counterparty with which it will have commercial dealings to gain a comprehensive knowledge of its ethical management.
  - (a) The enterprise's nationality, location of business operations, organizational structure, business policy, and place of payment
  - (b) Whether the enterprise has established an ethical management policy, and the status of its implementation
  - (c) Whether the enterprise's business operations are located in a country at a high risk of corruption
  - (d) Whether the business operated by the enterprise is in an industry at a high risk of bribery
  - (e) Long-term business condition and reputation of the enterprise
  - (f) Consultation with the enterprise's business partners on their opinion of the enterprise
  - (g) Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions

**Article 18 Statement of ethical management policies to counterparties in commercial dealings**

Corporation personnel, when engaging in commercial activities, shall make a statement to the trading counterparty about the Corporation's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept—directly or indirectly—any improper benefit in any form or of any name.



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**Article 19 Avoidance of commercial dealings with unethical operators**

Corporation personnel shall avoid business transactions with an agent, supplier, customer, or other counterparty with unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction to effectively implement the Corporation's ethical management policy.

**Article 20 Incorporation of ethical management terms in contracts**

Before entering into a contract with another party, the Corporation shall gain a thorough knowledge of the status of the other party's ethical management and shall make observance of the ethical management policy of the terms and conditions regulating the Corporation in the contract, where at the least the following matters shall be stipulated:

1. When a party to the contract becomes aware that any personnel have violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity; the manner in which the provision, promise, request, or acceptance was made; and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim damages from the other party and may also deduct the full amount of the damages from the contract price payable.
2. In the event that a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations, must be stated.

**Article 21 Handling Corporation personnel's unethical conduct**

1. As an incentive to insiders and outsiders for reporting unethical or unseemly conduct, the Corporation will grant a reward depending on the seriousness of the matter reported. Insiders having made a false report or malicious accusation shall be subject to disciplinary

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action and be removed from office if the circumstance concerned is material.

2. The Corporation shall internally establish and publicly announce on its website and the intranet or provide through an independent external institution, an independent mailbox or hotline for Corporation insiders and outsiders to submit reports of unethical conduct.

3. A whistleblower shall at least furnish the following information:

- (a) The whistleblower's name and ID number as well as address, telephone number, and e-mail through which the whistleblower may be reached
- (b) The offender's name or other information sufficient to distinguish the offender's identifying features
- (c) Specific facts available for investigation

4. Corporation personnel handling whistleblowing matters shall present in writing that they will keep the whistleblowers' identity and reporting content confidential. The Corporation also undertakes to protect the whistleblowers from improper treatment due to their report. The Responsible Unit shall comply with the following procedure to handle whistleblower reports:

- (a) Reports involving employees in general shall be filed to the department head, whereas complaints concerning directors or senior executives shall be reported to independent directors or supervisors.
- (b) The Responsible Unit and the department heads or personnel being reported to should immediately verify the facts, where necessary, with the assistance of the legal compliance or other related departments.
- (c) If a person or party being reported is confirmed to have violated the applicable laws or the Principles of Ethical Corporate Management, the Corporation shall immediately request the violator to cease the conduct and make appropriate disposition. When necessary, the Corporation may institute legal proceedings and seek damages to safeguard its reputation, rights, and interests.
- (d) Written documentation of case acceptance, investigation processes, and investigation results shall be retained for five years and may be retained electronically. In the event of a suit with respect to the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.

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- (e) With respect to a confirmed report, the Corporation shall charge relevant units with the task of reviewing the internal control system and relevant procedures and propose corrective measures to prevent recurrence.
- (f) The Responsible Unit shall submit to the Board of Directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.

#### **Article 22 Actions on event of unethical conduct by others toward the Corporation**

If any Corporation personnel discover another party has engaged in unethical conduct toward the Corporation and such unethical conduct involves alleged illegality, the Corporation shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Corporation shall additionally notify the responsible anti-corruption agency.

#### **Article 23 Establishment of a system for rewards, penalties, complaints, and disciplinary actions**

1. The Responsible Unit shall organize internal awareness sessions regularly and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.
2. The Corporation shall include ethical management in employee performance evaluations and human resources policy and establish clear and effective systems for rewards, penalties, and complaints
3. If any Corporation personnel seriously violate the Codes of Ethical Conduct, the Corporation shall dismiss the personnel from their positions or terminate their employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Corporation.
4. The Corporation shall disclose on its intranet information such as the name and title of the violator, the date and details of the violation, and actions taken in response.

#### **Article 24 Enforcement**

1. Before implementation, the Procedures and Guidelines shall be approved by the Board of Directors, delivered to the Audit Committee, and reported to the shareholder meeting. The

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same shall apply to all amendments to the Procedures and Guidelines.

2. When the Procedures and Guidelines are submitted to the Board of Directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the Board of Directors meeting. Independent directors who are unable to attend a Board of Directors' meeting in person to express objection or reservation shall provide a written opinion before the Board of Directors' meeting unless there is a legitimate reason to do otherwise, and their opinions shall be recorded in the minutes of the Board of Directors meeting.