

# **PharmaEssentia Corporation**

## **Principles of Ethical Corporate Management**

### Article 1 Purpose and scope of application

Principles of Ethical Corporate Management (hereinafter “the Principles”) are enacted to foster a corporate culture of ethical management and sound development, thus enabling the establishment of a reference framework for good commercial practices.

The Principles apply to PharmaEssentia Corporation (hereinafter “the Corporation”), its subsidiaries, and business groups and organizations (hereinafter “Business groups and Organizations,”) that are either foundations and legal persons to which the Corporation’s cumulative direct and indirect contribution of funds exceeds 50% of their endowment, or institutions and legal persons that are effectively controlled by the Corporation.

### Article 2 Prohibition of unethical conduct

When engaging in commercial activities, directors, supervisors, managerial officers, employees, and mandataries of the Corporation or persons having substantive control over the Corporation (hereinafter “substantive controllers”) shall neither—directly or indirectly—offer, promise to offer, request, or accept any improper benefits nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (hereinafter “unethical conduct”) for the purposes of acquiring or maintaining benefits.

Counterparties of the unethical conduct specified in the preceding paragraph may include civil servants; political candidates; political parties or their members; and public or private businesses or institutions and their directors, supervisors, managerial officers, employees, mandataries, substantive controllers, or other stakeholders.

### Article 3 Forms of benefit

Benefits stated in the Principles refer to anything valuable, including money, endowments, commissions, positions, services, preferential

treatment, and rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

#### Article 4 Legal compliance

The Corporation shall adopt the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, and other laws or regulations regarding commercial activities as the basic premise to facilitate ethical corporate management.

#### Article 5 Policy

To create an operational environment for sustainable development, the Corporation shall abide by the operational philosophies of honesty, transparency, and responsibility, base policies on the principle of good faith, and establish good corporate governance and a risk control and management mechanism.

#### Article 6 Prevention program

To forestall unethical conduct, the Corporation is advised to, based on the operational philosophies and policies stated in the preceding article, prescribe a prevention program specifying all matters concerning ethical corporate management, including operational procedures, guidelines, and training.

When establishing the prevention program, the Corporation shall comply with relevant laws and regulations of the territory where the Corporation and associated Business Groups and Organizations are operating.

In the course of developing the prevention program, the Corporation is advised to negotiate with employees, labor unions, or members of other representative institutes, and communicate with related interest groups.

#### Article 7 Scope of the prevention program

When establishing the prevention program, the Corporation shall conduct analysis to identify business activities—within its business range—that are at a high risk of involving unethical conduct and strengthen the preventive measures accordingly.

The prevention programs adopted by the Corporation shall at least include preventive measures against the following:

1. Offering and accepting bribes
2. Illegal political donations
3. Improper charitable donations or sponsorship
4. Offering or accepting unreasonable gifts, hospitality, or other improper

benefits

#### Article 8 Commitment and implementation

The Corporation and its associated Business Groups and Organizations shall clearly specify in their rules and external documents the ethical corporate management policies as well as commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies and shall carry out the policies in internal management and in external commercial activities.

#### Article 9 Ethical commercial activities

The Corporation shall engage in commercial activities in a fair and transparent manner.

Prior to any commercial transactions, the Corporation shall consider the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them have been involved in unethical conduct and shall avoid any dealings with persons involved.

When entering into contracts with other trading counterparties, the Corporation shall include in such contracts terms requiring compliance with its ethical corporate management policy and the right to terminate or rescind such contracts at any time should the trading counterparties are involved in unethical conduct.

#### Article 10 Prohibition of giving and receiving bribery

When conducting business, the Corporation and its directors, supervisors,

managerial officers, employees, mandataries, and substantive controllers may not—directly or indirectly—offer, promise to offer, request, or accept improper benefits in any form.

#### Article 11 Prohibition of illegal political donations

The Corporation and its directors, supervisors, managerial officers, employees, and substantive controllers shall comply with the Political Donations Act and the Corporation's relevant internal operational procedures when directly or indirectly offering a donation to political parties, organizations, or individuals participating in political activities. Moreover, such donations may not be used in exchange for commercial gains or business advantages.

#### Article 12 Prohibition of improper charitable donations or sponsorship

The Corporation and its directors, supervisors, managerial officers, employees, and substantive controllers shall comply with relevant laws, regulations, and internal operating procedures when handling donations or sponsorship and shall not surreptitiously engage in bribery.

#### Article 13 Prohibition of unreasonable gifts, hospitality, or other improper benefits

The Corporation and its directors, supervisors, managerial officers, employees, and substantive controllers shall not—directly or indirectly—offer or accept any unreasonable gifts, hospitality, or other improper benefits to establish business relationships or influence commercial transactions.

#### Article 14 Organization and responsibility

The Board of Directors shall exercise due care of good administrators to urge the Corporation to prevent unethical conduct, always review the results of the preventive measures, and continually make adjustments to ensure thorough implementation of the Corporation's ethical corporate management policy.

To achieve sound ethical corporate management, the Personnel Department shall be responsible for establishing and supervising the implementation of ethical corporate management policies. Related

departments in charge of formulating the prevention program shall be responsible for the following matters and shall periodically report to the Board of Directors:

1. 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
2. Adopting programs to prevent unethical conduct, setting out in each program the standard operating procedures, and conducting guidelines with respect to the Corporation's operations and business
3. Planning the internal organization, structure, and allocation of responsibilities as well as setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct
4. Promoting and coordinating awareness and educational activities with respect to ethical corporate management policy
5. Developing a whistleblowing system and ensuring its operating effectiveness
6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for implementing ethical management are effective as well as preparing reports on the regular assessment of compliance with ethical management in operating procedures

#### Article 14-1

A responsible unit 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. In addition, said unit shall conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of the Corporation 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 nor may they inquire about or collect any trade secrets, trademarks, patents, works, and other intellectual properties of the Corporation unrelated to their individual duties.

#### Article 14-2

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 14-3

The Corporation shall collect and understand applicable laws and regulations and international standards governing its products and services before publishing all guidelines to ensure that Corporation personnel achieve transparency of information about and safety of the products or services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

The Corporation shall adopt and publish, on its website, a policy on protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

In the event where effective media reports or sufficient facts have alleged the Corporation's products or services to be 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.

The responsible unit of the Corporation shall report the events mentioned in the preceding paragraph, corresponding actions taken, subsequent reviews, and corrective measures taken to the Board of Directors.

#### Article 14-4

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. In addition, 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.

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 to use such information without the prior consent of the Corporation.

#### Article 15 Regulatory compliance when conducting business

The Corporation's directors, supervisors, managerial officers, employees, and substantive controllers shall comply with laws and regulations and the prevention programs when conducting business.

#### Article 16 Recusal of directors, supervisors, and managerial officers

Policies should be established by the Corporation to prevent conflicts of interest, and an appropriate channel shall be offered to directors, supervisors, and managerial officers for them to voluntarily explain whether their interests would potentially conflict with those of the Corporation.

Corporation directors, supervisors, managerial officers, other stakeholders attending or present at a board 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 are likely to 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.

The Corporation's directors, supervisors, and managerial officers shall not take advantage of their positions or influence in the Corporation to obtain improper benefits for themselves, their spouses, parents, children, or any other person.

#### Article 17 Accounting and internal control

The Corporation shall establish effective accounting systems and internal control systems for business activities at a high risk of involving unethical conduct (e.g., activities involving derivative financial instruments, loaning of funds, and endorsement and guarantees). No under-the-table or secret accounts are allowed. In addition, the Corporation shall conduct reviews regularly to ensure that the design and enforcement of the systems stay effective.

The internal audit unit of the Corporation shall periodically examine the Corporation's compliance with the foregoing systems, compile the results into an auditing report, and submit it to the Board of Directors.

#### Article 18 Operational procedures and guidelines

The operational procedures and guidelines are established in accordance with Article 6 hereof aim to clearly and thoroughly guide directors, supervisors, managers, employees, and substantive controllers on business conduct in the course of their duties. The operational procedures and guidelines should at least address the following matters:

1. Standards for determining whether improper benefits have been offered or accepted
2. Procedures for offering legitimate political donations
3. Procedures and standard rates for offering charitable donations or sponsorship
4. Rules for avoiding work-related conflicts of interest and how they should be reported and handled
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business
6. Regulations and procedures for dealing with suppliers, clients, and business transaction counterparties suspected of unethical conduct



7. Handling procedures for violations of the Principles

8. Disciplinary measures on offenders

#### Article 18-1

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

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. A whistleblower shall at least furnish the following information:

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

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 of the Corporation shall comply with the following procedure to handle whistleblower reports:

1. Reports involving employees in general shall be filed to the department head, whereas complaints concerning directors or senior executives should be reported to independent directors or the supervisor.
2. The responsible unit and the department head or personnel being reported to should immediately verify the facts, where necessary, with the assistance of the legal compliance or other related departments.
3. 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 damage compensation to safeguard its reputation, rights, and interests.

4. 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.
5. 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.
6. The responsible unit of the Corporation shall submit to the Board of Directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.

#### Article 19 Training and performance appraisal

The Corporation shall regularly organize training and awareness program for its directors, supervisors, managerial officers, employees, and substantive controllers and invite its commercial transaction counterparties to participate. The objective is to showcase the Corporation's resolve to implement ethical corporate management, related policies, prevention programs, and the consequences of committing unethical conduct.

The Corporation shall incorporate policies of ethical corporate management into its employee performance appraisal system and human resource policies, thus establishing a clear and effective reward and discipline system.

#### Article 20 Grievance system and disciplinary

The Corporation shall develop a well-defined grievance system, where whistleblowers' identity and the reported content are kept confidential.

The Corporation shall establish a disciplinary and appeal system to handle violations of the Principles and make immediate disclosure on the

Corporation's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

#### Article 21 Information disclosure

The Corporation shall disclose its status of implementing the Principles on its official website, in its annual report, and in its prospectuses.

#### Article 22 Review and amendment

The Corporation shall at all times monitor the development of relevant domestic and international regulations on ethical corporate management as well as encourage its directors, supervisors, managerial officers, and employees to provide suggestions, based on which the adopted Principles may be reviewed and amended with a view to achieve greater implementation of ethical management.

#### Article 23 Implementation

The Principles and any amendments to them shall enter into force after they have been approved by the Board of Directors, delivered to a supervisor, and submitted to a shareholders' meeting.

The operating procedures and guidelines shall be submitted to the Board of Directors for discussion. All opinions, dissenting or having reservations, from independent directors during the discussion shall be adequately considered and noted in the minutes of the directors' meeting. If an independent director cannot attend the board meeting in person to voice his or her dissenting or reserved opinion, he or she should provide a written opinion before the board meeting, unless justifiable reasons exist for the failure to comply, and the opinion shall be noted in the minutes of the Board of Directors' meeting.