



6.1 Corporate Operational Performance

Diverse Board Structure

GRI 2-9/2-10/2-11/2-15/405-1

The board of directors of PharmaEssentia, which includes all subsidiary boards, operates under a unitary system of governance with a term of **three** years. The board consists of **11** members, with their term beginning on August 5, 2021 and ending on August 4, 2024, have an average tenure of 8.3 years. The board chairman leads the meetings and has established **rules for board proceedings, as well as codes of conduct and operational procedures and Operational Procedures, Guidelines for Business Ethics and Behavioral Guidelines for Business Ethics for Integrity Management** to prevent and manage conflicts of interest among directors and staff. Currently, there are no significant conflicts of interest among board members, and there is no single shareholder with absolute control. Any dual roles or relationships between the company and related parties have been disclosed in the annual report. The board of directors is diverse in their professional backgrounds.

Based on the company's **Shareholder Meeting Rules**, as of the end of 2022, the total voting shares of PharmaEssentia with voting rights amounted to 302,455,641 shares, and in accordance with the provisions of the Company Act, a director will be automatically dismissed if they transfer more than half of the company's shares they held at the time of their appointment during their term. In addition, in accordance with the Regulations Governing the Shareholding Ratios of Directors and Supervisors of Public Companies and the Audit Implementation, the total shareholding of all directors' registered shares also complies with legal requirements. Information on senior management shareholding can be found in the annual report, and neither the company's founder nor the founder's family members hold individual stakes greater than 5%. Government agencies' shareholding is mainly sourced from the National Development Fund, with a shareholding ratio of 7.3%, and there are no special shares involved.

PharmaEssentia's board of directors meets at least once per quarter, and the management task forces as well as financial supervisors are required to attend and answer questions. The audit supervisor reports on the audit to the board of directors. In 2022, a total of **13** board meetings were held, with an average attendance rate of **97.2%** for the directors. As for Panco Healthcare, it has three directors and one supervisor. In 2022, it held five board meetings, with a 100% attendance rate. The US subsidiary has three directors and held four board meetings in 2022, with a 100% attendance rate. Information on subsidiary directors can be found in the annual report.

The board of directors plays an important role in formulating the company's sustainable strategy, overseeing management, and being accountable to the company and shareholders. **The selection of board members** is carried out by the shareholders' meeting in accordance with the director election procedures. In addition to considering the company's business development scale and major shareholder ownership, practical operational needs are considered, and a **diversity**



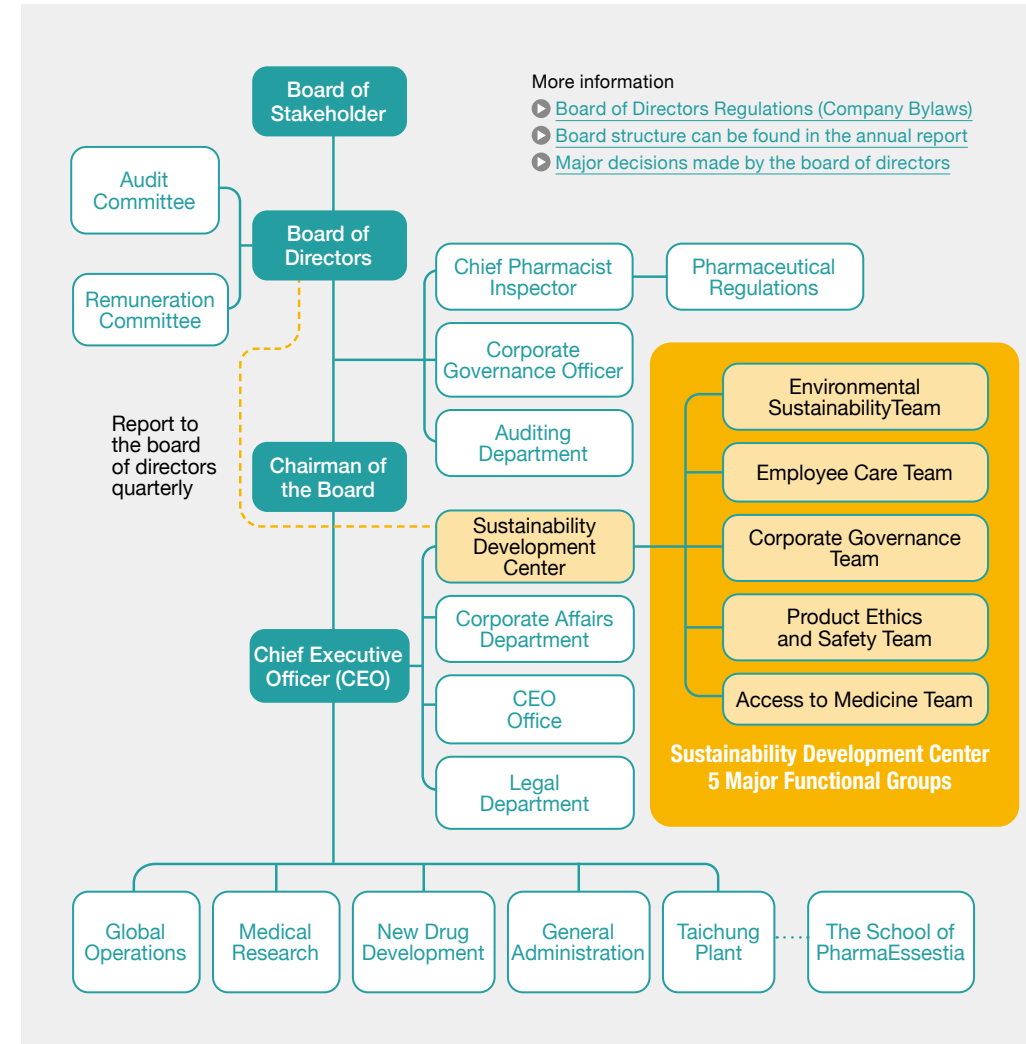
2
Female directors



3
Executive directors



3
Independent directors



of board members policy has been established. The goal is to have board members from different professional and industry backgrounds, providing professional advice on operations, accounting and analysis, business management, industry affairs, and the international market. The diversity policy is continuously implemented, and multiple diversified training courses are arranged for board members to enhance their functions. Of the 11 directors in our company, three are independent directors, accounting for 27.2% of the entire board of directors. In the future, the number of independent director seats will be increased to more than one-third according to the company's operational needs. In 2022, all directors and independent directors met the required training hours, which can be found on the website.

Functional Committees

GRI2-20



97.2%

Attendance rate of Audit Committee



100%

Attendance rate of Remuneration Committee

PharmaEssentia has two functional committees under its board of directors, namely the Audit Committee and the Remuneration Committee. The members of these committees are all independent directors, effectively exerting the supervision and checks and balances mechanism of independent directors. The Remuneration Committee includes an external expert (Professor Ming-Chuan Hsieh) as a member, to strengthen the functionality of the board of directors and enhance the management mechanism.

Committee	Audit Committee	Remuneration Committee
Responsibilities	Assist the Board of Directors in fulfilling its oversight responsibilities regarding the quality and integrity of the accounting, auditing, financial reporting processes, and financial controls	Assist the Board of Directors in establishing and reviewing policies, systems, standards, and structures for the evaluation of the performance and remuneration of directors, supervisors, and managers
Composition	Independent Director JinnDer Chang, Independent Director Patrick Y. Yang, and Independent Director JienHeh Tien	JinnDer Chang (Independent Director), Patrick Y. Yang (Independent Director), JienHeh Tien (Independent Director) and Ming-Chuan Hsieh (Professor)
Number of meetings	13	2
Attendance	97.2%	100%

Board Effectiveness

GRI2-18

The company has established Board Performance Evaluation Guidelines and the Board Self-Evaluation or Peer Evaluation to implement corporate governance and enhance the functions of the board of directors. The guidelines aim to establish performance goals and evaluation systems. At least one internal board performance evaluation is conducted annually, and every three years, an external and independent professional organization is commissioned to conduct an annual board performance evaluation. Regular evaluations are also conducted for functional committees, and evaluation reports and specific improvement proposals are submitted to the board of directors. Items for evaluation include at least five aspects: participation in company operations, improvement in board decision-making quality, board composition and structure, selection and continuing education of directors, and internal control. The results of the internal board and director performance evaluation for 2022 were reported to the board of directors on February 24, 2023, in accordance with the law. The evaluation results were unanimously approved, and there were no other suggested improvements. Please refer to the company's website for more information.

The directors of PharmaEssentia commissioned the Taiwan Corporate Governance Association, a third-party organization, to conduct a board performance evaluation for the period from November 1, 2020, to October 31, 2021. The evaluation report (please refer to the website for details) made four recommendations for improvement: strengthening the director nomination mechanism, developing a plan to cultivate important management talent, establishing a sound whistleblowing mechanism and communication channel, and setting up a corporate governance section on the company's website. The company has already set up a corporate governance section and a grievance channel on its website, and the other recommendations will be implemented gradually as needed in the future.

Linking Director Remuneration Policy with Sustainable Performance

GRI2-19

The director remuneration policy of our company is governed by the internal bylaws and is based on allocating up to 5% of the net profit after offsetting the accumulated losses for the year as director compensation. We also consider the level of participation, performance contributions and results of the director's board performance evaluation in determining the reasonable salary compensation for each director. Information on director and senior executive compensation can be found in the annual report. Currently, our HR department is actively developing related operational procedures for linking director remuneration policy with sustainable performance in line with our company's sustainable development process with the aim to reflect the directors' efforts in supervising and executing sustainable development goals and strategies.



Participation in Industry Associations

GRI2-28

Participation in industry associations is based on the selection of the biotech and pharmaceutical associations, and membership is obtained by paying membership fees to each association. By working together with these associations, we aim to increase our influence and promote industry development.

External Association Participation

- Taiwan R&D-based Biopharmaceutical Association
- Pharmaceutical Agents Association, Republic of China
- Pharmaceuticals Development Association, Republic of China
- Science Park Industries Association, Taiwan
- Taiwan Association of Clinical Trials and Research
- Pharmaceutical Agents Association, Republic of China
- Taiwan Society of Hematology
- National Biotechnology and Medical Care Industry
- Taiwan Myelodysplastic Syndrome Care Association

Tax Strategy and Governance

GRI207-1/207-2/207-3/207-4

Our company's tax management unit is coordinated and managed by the accounting departments of PharmaEssentia Headquarters and subsidiaries. If there are any important decisions, professional tax consultants may be consulted or appointed according to the situation. We strictly comply with the commercial laws and tax regulations of Taiwan and the local jurisdictions where we operate, and is transparent in disclosing information in accordance with regulations to strengthen the group's compliance with tax laws and commitment to fulfill its corporate social responsibility. We are committed to the following tax management policy to reduce tax risks, optimize post-tax operating results, and protect shareholder interests.



- All operations are carried out in accordance with relevant tax laws and regulations.
- Transactions between related parties are conducted in accordance with normal market terms and follow the internationally recognized transfer pricing guidelines published by the Organization for Economic Cooperation and Development (OECD).
- Financial reporting information is transparent, and tax disclosures are handled in accordance with relevant regulations and standards.
- No transactions are conducted for the sole purpose of tax avoidance.
- Based on mutual trust and information transparency, a respectful relationship is established with tax authorities.
- The company's important decisions take into account the impact of taxes.
- Tax risks are evaluated through management mechanisms that analyze the operating environment.
- Ongoing talent development is used to strengthen tax expertise.

Income Tax Expense and Adjustments for Accounting Profit Multiplied by the Applicable Income Tax Rate

(Unit: NTD Thousand)

	2020	2021	2022
Accounting loss before tax from continuing operations	\$(1,948,016)	\$(2,810,988)	\$(1,841,871)
Income tax expense at the statutory income tax rate	\$(389,603)	\$(562,198)	\$(368,374)
Tax effect of deferred tax assets/liabilities	389,629	562,198	(72,399)
Others	100	-	(26,288)
Total income tax expense	\$126	\$0	\$(467,061)

Internal Control and Internal Audit

The company has established an Internal Auditing Office that reports to the Board of Directors, and it is staffed with two full-time auditors and a deputy. When internal control deficiencies and abnormal matters are discovered during audits, the auditors are required to record them truthfully and report them to the Audit Committee and the Board of Directors. The head of the audit department reports on the execution of audit activities to the Audit Committee and the Board of Directors on a quarterly basis, strengthening the Board's supervision of the company's audit system and arranging regular communication between the internal auditors and the independent directors. In addition, for deficiencies discovered in the internal control inspection during the annual audit plan, the company continues to track and review them to ensure that relevant units have taken appropriate improvement measures in a timely manner. Through routine and project-based audits as well as subsidiary supervision operations, the company gains an understanding of its operating status and the potential risks in its internal controls, assists the Board of Directors and management in fulfilling their responsibilities, and implements corporate governance systems. In 2022, the audit department completed 55 audit reports, discovered one deficiency, and achieved 100% improvement.



Annual Operating Performance GRI 201-1/201-4/415-1

Operating Results of the Group in the Past 3 Years

(Unit: NTD\$ Thousands)

		2020	2021	2022
Direct Economic Value	Generated Revenue	557,257	656,506	2,882,042
	Operating Costs	373,323	378,856	812,288
Economic Value Distributed	Employees' Compensation and Benefits	670,560	1,489,430	1,600,415
	Payment of Government Taxes	664	957	4,772
	Payment to Capital Providers	1,269	1,720	1,704
	Community Investments	4	3	250
	Total	1,045,820	1,870,965	2,442,086
	Retained Economic Value	-488,563	-1,214,459	439,955

Note 1: The data in this table is from consolidated financial statements
 Note 2: In 2022, NT\$16,263,000 in government subsidies and NT\$22,154 in maternity leave subsidies from the Ministry of Labor are included
 Note 3: In 2022, no direct or indirect political contributions were made to any country or individual
 Note 4: Community investments mainly refer to donations to charitable projects
 Note 5: For more information on the performance and operating results of the board of directors, including CEO compensation structure, government shareholding status, family shareholding status and disclosure of voting rights, please refer to PharmaEssentia's annual report