PharmaEssentia strives to improve its corporate governance mechanisms and pursue sustainable operations. We continue to strengthen Board functions and governance structures, and actively optimize risk controls to prevent negative impacts from affecting corporate operations. We also attach great importance to information security and protection of personal information, and work to maintain corporate information security and personal information of patients. We actively protect drug patents and trademarks through comprehensive management of global intellectual property management, ensuring full and effective legal protections for our drugs around the world, and also implement sound supply chain management mechanisms by managing policy documents, appraisals, risk assessments, and other measures. We work with our suppliers to ensure that there no interruptions in our supply chain, and we hope to strengthen sustainability concepts along with our supply chain partners to exert positive influence on society, the economy, and the environment to enhance our corporate resilience and brand image as we jointly build stable business models and create outstanding operational achievements.


**Main Stakeholders**

- Patients
- Employees
- Medical Personnel
- Commissioned Research/Experiment Units
- Shareholders and Investors
- Suppliers and Business Partners
- Local Communities
- Government and Competent Authorities
- Media
- NPOs/NGOs

# 2.1 Corporate Governance Framework

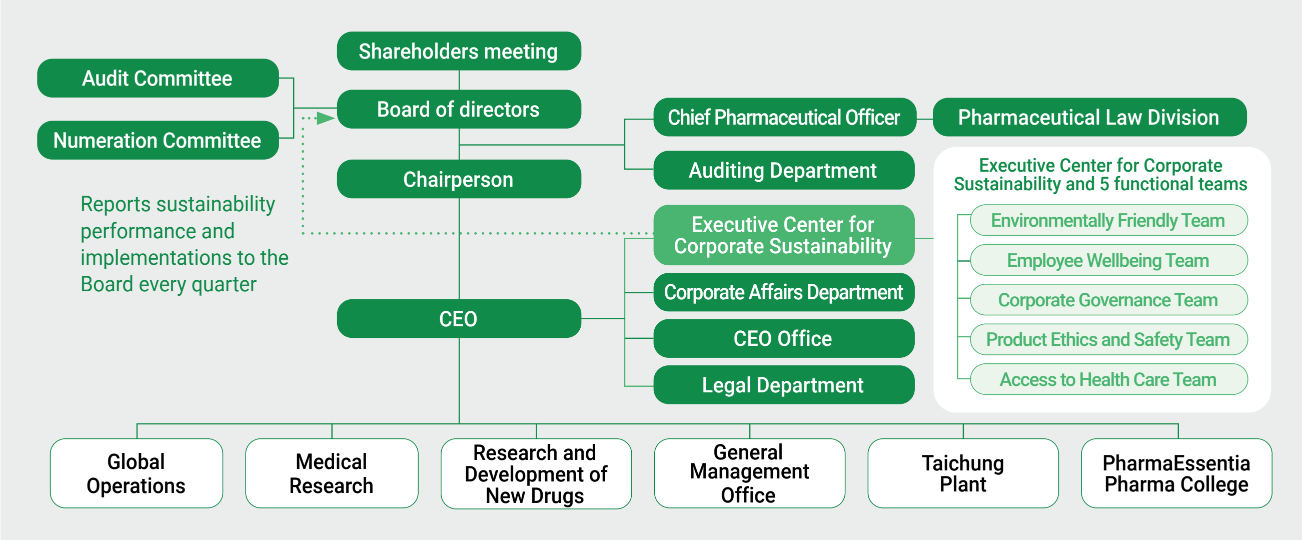
## Director Election and Responsibilities GRI 2-9 GRI 2-10

The Board of Directors is the highest governance unit at PharmaEssentia and adopts a single-track model with each term lasting for 3 years. Board directors are nominated and elected in accordance with the Regulations Governing Director Elections, which incorporate shareholder interests, diversity, independence, and director management capabilities.

The current Board directors were elected at the shareholders general meeting held on May 27, 2024. Following the election, the number of independent directors was increased from 3 to 4, including one female independent director. The number of independent directors exceeded one-third of all directors on the Board, and consecutive terms of office should not exceed 3 terms. The election was conducted in accordance with Financial Supervisory Commission requirements to strengthen Board function and independence. The Board was maintained at 11 directors, and the number of female directors increased from 2 to 3. The current Board will remain in office from May 27, 2024 to May 26, 2027. Board responsibilities include formulating corporate sustainability strategies, supervising managers, and playing an important role in responding to company and shareholder needs.

The Audit Committee and Numeration Committee have been established under the Board, and the Executive Center for Corporate Sustainability reports directly to the Chief Executive Officer. Board functions are shown in the image below.

**Corporate Governance Structure**



PharmaEssentia and all subsidiaries convene 1 board meeting every quarter. All managers and financial directors are required to be present at board meetings, and audit directors report audit results to the Board. For more information on subsidiary directors, please refer to the information on related enterprises in our annual report.

### Board Meetings in 2024

| | PharmaEssentia | Panco Healthcare | PharmaEssentia USA | PharmaEssentia Japan |
|---|---|---|---|---|
| Number of board meetings | 10 | 5 | 6 | 7 |
| Director attendance rates | 98% | 100% | 100% | 93.88% |

## Board Composition and Diversity

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

To strengthen corporate governance and promote stable developments in board structure, Paragraph 2, Article 20 of our "Corporate Governance Best Practice Principles" stipulates that board composition should consider corporate business developments and scale, shares held by major shareholders, and actual operational needs when establishing an appropriate number of directors. Director assessments should encompass a variety of aspects such as basic conditions and values (including gender, age, nationality, culture) as well as professional expertise and skills (such as expertise in law, accounting, industrial knowledge, finance, marketing, and technology).

### Board of Directors Responsibilities

The Board directs corporate strategies, supervises managers, and answers to shareholders. All operations and decisions are exercised in accordance with law, the Articles of Incorporation, and resolutions of shareholders meetings. Director candidates are nominated in accordance with related regulations, and are submitted to shareholders meetings for election after being approved by the Board.

In response to corporate business development needs, our Board is composed of experts and scholars with backgrounds in industrial expertise, finance and accounting, management, and law, with at least 1 director possessing skills respectively associated with operational judgment, accounting and analysis, business management, industrial knowledge, climate change responses, and international markets, to effectively supervise management and provide professional guidance.

### Diversity of Board Members

PharmaEssentia currently has 11 directors (7 directors and 4 independent directors), aged between 50-83 years old. We have 3 female directors and 3 directors who are concurrently serving as company employees. The average tenure of our directors is 7.91 years. Board members possess rich expertise and professional knowledge in biotechnology, finance, education, and other industries, and possess the knowledge, skills, and literacy required to carry out their duties. One of our directors is a representative from the National Development Fund and works to enhance industrial growth momentum. Of our 4 independent directors, 1 has served for more than 5 years; has experience encompassing industry, government, and academia fields; and has global biotechnology production and manufacturing expertise. We therefore continue to rely on their professional expertise, board supervision capabilities, and professional opinions. Additionally, 1 independent director (Jeffrey R. Williams) is from the US, and specializes in finance and education, so is able to guide the business operations of our US subsidiary. In future, PharmaEssentia plans to ensure that directors of each gender exceed one-third of total directors for continued achievement of board diversity.

| Title | Name | Nationality | Gender | Professional Background | | | | | | | | Age | | | Independent Director Tenure | | | Concurrently Serving as Senior Executive | Family Members Employed at the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Operational judgment capabilities | Accounting/ financial analysis capabilities | Business management capabilities | Crisis handling capabilities | Industrial knowledge | Global market perspectives | Leadership capabilities | Decision-making capabilities | Under 30 years | 31-50 years | Above 51 years | 1-3 years | 4-6 years | 7-9 years | | |
| **Chairperson** | ChingLeou Teng | R.O.C. | Female | V | | V | V | V | V | V | V | | | V | | | | V | |
| **Director** | KoChung Lin | R.O.C. | Male | V | | V | V | V | V | V | V | | | V | | | | V | V |
| **Director** | HsuehFang Hsu | R.O.C. | Female | V | | V | V | | V | V | V | | | V | | | | | |
| **Director** | ChanKou Hwang | R.O.C. | Male | V | | V | V | V | V | V | V | | | V | | | | V | |
| **Director** | ChenJung Hsiao | R.O.C. | Male | V | | V | V | | V | V | V | | | V | | | | | |
| **Director** | ShenYi Lee | R.O.C. | Male | V | | | | V | V | | V | | | V | | | | | |
| **Director** | JinnDer Chang | R.O.C. | Male | V | V | V | V | | V | V | V | | | V | | | V | | |
| **Independent director** | JienHeh Tien | R.O.C. | Male | V | | V | V | V | V | V | V | | | V | | V | | | |
| **Independent director** | MingChuan Hsieh | R.O.C. | Female | V | | V | V | | V | V | V | | | V | V | | | | |
| **Independent director** | ChingTsun Liu | R.O.C. | Male | V | V | V | V | | V | V | V | | | V | V | | | | |
| **Independent director** | Jeffrey R. Williams | US | Male | V | V | V | V | | V | V | V | | | V | V | | | | |

Note: The current Board was elected in May 2024, and newly elected directors are shown in the list above

## Functional Committees

Two functional committees, the Audit Committee and the Numeration Committee, have been established under the Board, and these committees are all composed of independent directors. To improve board functions and strengthen management mechanisms, the Numeration Committee hired an external expert (Professor MingChuan Hsieh) to serve as a committee member.

| | | Audit Committee | Numeration Committee |
|---|---|---|---|
| **Responsibilities** | | Assists directors in supervising accounting, auditing, financial reporting processes; monitoring quality and integrity of financial controls; and managing existing or potential corporate impacts to strengthen internal control mechanisms | Assists the Board in formulating and reviewing performance evaluations for directors, supervisors, and managers, as well as remuneration policies, systems, standards, and structures |
| **Composition** | **Prior to election in May** | Independent Director JienHeh Tien, Independent Director Patrick Y. Yang, Independent Director JinnDer Chang | Independent Director JienHeh Tien, Independent Director Patrick Y. Yang, Independent Director JinnDer Chang, Committee member MingChuan Hsieh |
| | **After election in May** | Independent Director JienHeh Tien, Independent Director MingChuan Hsieh, Independent Director ChingTsun Liu, Independent Director Jeffrey R. Williams | Independent Director JienHeh Tien, Independent Director MingChuan Hsieh, Independent Director ChingTsun Liu, Independent Director Jeffrey R. Williams |
| **Meetings in 2024** | | 6 | 3 |
| **Attendance Rate** | | 100% | 100% |

## Avoiding Conflicts of Interest

GRI 2-11 GRI 2-15

To build solid board governance systems as well as sound supervision and management functions, we established the "Rules of Procedure for Board of Directors Meetings," "Principles of Ethical Corporate Management," "Codes of Ethical Conduct," and other policies, which contain clear stipulations on avoiding conflicts of interest. Directors cannot discuss or vote on meeting items concerning conflicts of interest which may damage corporate interests relating to themselves or the entities which they represent, and cannot exercise voting rights on behalf of other directors. We also require directors and managers to handle their duties objectively and efficiently, and avoid using their positions at the company to obtain improper benefits.

Currently, there have been no conflicts of interest for Board members, and there are no shareholders who hold a controlling stake. Additionally, the company founder and family members hold less than 5% of shares. Government shareholders mainly include the National Development Fund and Yao-Hwa Glass Management Commission, who together hold 7.74% of shares, none of which are preferred shares. For more information on our directors/independent directors, as well as management measures for conflicts of interest, please refer to pages 11-15, 27, and 45 of our annual report.

## Highest Governance Unit and Remuneration Policies for Senior Executives

GRI 2-19 GRI 2-20

Director remuneration adheres to our Articles of Incorporation. If the Company's income before tax for the current year has a balance after the deduction of the amount for compensating accumulated deficits and before the deduction of employee and director compensation, the Company shall allocate no more than 5% for director compensation. Direction remuneration is submitted to the Board for approval following determination by the Remuneration Committee based on director participation in and contribution to corporate operations, and referencing domestic and foreign industry standards. The Remuneration Committee formulates director compensation distribution recommendations after considering overall board performance, corporate operational performance, future operations, risk appetite, and director participation in and contribution to corporate operations. Distribution recommendations are approved by more than half of attending directors at board meetings where more than two-thirds of directors are in attendance, following which the approved proposal is reported to the shareholders meeting. Please refer to our annual report for more information on compensation for directors and senior executives.

To achieve sustainable governance, we linked performance indicators for our chairperson, CEO, and general manager with sustainable development; key performance indicators encompass R&D for innovative new drugs, critical global clinical trials, drug permit applications, global business operations, commercialization and mass production, process efficiency, global supply chains and logistical efficiency, and digital operational systems.

## Annual Total Compensation Ratio for 2024

GRI 2-21

Annual total compensation includes salaries, bonuses, and stock awards. The remuneration for the highest-paid individual (CEO) at PharmaEssentia (Taiwan) and all other employees increased compared to the previous year.

| Position | Remuneration (Unit: Thousand TWD) | Annual increase | Compensation ratio |
|---|---|---|---|
| Remuneration for highest-paid individual in the organization (CEO) | 12,612 | 8% | 0.87 |
| Median compensation for other employees | 936 | 2% | 0.96 |

## Evaluations of Board Performance

GRI 2-18

PharmaEssentia has established the "Rules for Performance Evaluations of the Board of Directors" and "Regulations for the Self-Appraisal or Peer Appraisal of the Board of Directors" to regulate board performance evaluation targets and appraisal systems. We conduct at least 1 internal board performance evaluation each year, and commission external professional institutes to conduct annual board performance evaluations once every 3 years.

### Internal evaluation

Results of internal Board and director performance evaluations for 2024 were reported to the Board in accordance with law on February 25, 2025. The Board unanimously approved all evaluation results and no suggestions were proposed.

### External evaluation

In 2024, we commissioned the Taipei Foundation of Finance to conduct Board performance evaluations for the period from January 1, 2024 to October 11, 2024. The evaluation mainly encompassed 7 aspects and 4 improvement suggestions were proposed. We have already implemented improvements based on these 4 suggestions, began focusing on overseas expansions and recruitment of senior management talent in 2024, and also initiated training for key talent at all levels. We further established functional committees under the Board based on operational needs to enhance corporate governance efficiency.

### 7 Evaluation Aspects

- Protection of shareholder interests
- Strengthening of board structure and operations
- Participation in corporate operations
- Improvement of board decision-making quality
- Enhancement of information transparency
- Internal controls
- Promotion of sustainable development

| | Suggested Improvements | Corrective Actions |
|---|---|---|
| 1 | Information disclosed in annual reports and on public-facing websites should be detailed and consistent | Our human resources department has formulated clear stipulations detailing senior executive (chairperson, CEO, general manager) duties, scope of management duties, and collaboration mechanisms to serve as a basis for corporate governance and internal management. We strive to ensure that related information (including a detailed organizational structure) is appropriately and fully disclosed in our annual reports and public-facing websites |
| 2 | It is recommended that closed-door meetings between independent directors and internal audit directors be organized each year to improve audit capabilities. Independent director suggestions proposed at Audit Committee meetings can be incorporated into annual appraisals to serve as a reference for internal audit directors | We organized the first closed-door meeting between our independent directors and the internal audit director on February 25, 2025, and plan to organize regular communication meetings each year in accordance with this recommendation to strengthen corporate governance and internal control mechanisms. We will consider incorporating independent director suggestions proposed at Audit Committee meetings into annual appraisals starting from the next year to serve as a reference for internal audit directors |
| 3 | It is recommended that a dedicated corporate governance officer be established. Additionally, the Executive Center for Corporate Sustainability should be raised to the level of a functional board committee when appropriate to improve corporate governance efficiency | Our human resources department will decide whether to establish dedicated personnel to manage corporate governance matters based on governance needs, business developments, and future growth needs. We will also conduct detailed assessments to determine whether the Executive Center for Corporate Sustainability should be raised to the level of a functional board committee based on corporate operations, sustainable development targets, and board needs, as well as formulate subsequent plans associated with related duties and resource deployments |
| 4 | It is recommended that training associated with sustainable development regulations and management practices be organized for directors and senior managers as appropriate, and succession plans for directors and senior management should be formulated | Related courses are currently organized by the auditing department in accordance with chairperson suggestions as well as company and board needs to improve the professional knowledge and practical application capabilities of our board members and senior executives. Successor plans are assessed by our human resources department in accordance with future corporate development needs and talent reserve conditions, following which successor selection plans are formulated to ensure stability and continued development of corporate leadership |

## Strengthen Board Knowledge

GRI 2-17

PharmaEssentia offers directors diverse educational courses to strengthen board functions, and provides written information and oral reports on related businesses and operations to new directors. In 2024, the training hours for all 11 directors complied with regulations. There were a total of 4 training sessions and total training time was 132 person-hours. The courses included:

| Course Topic | Number of Sessions | Training Person-Hours | Course Content |
|---|---|---|---|
| Global management strategies and multinational operations | 1 | 33 | In response to continued growth in global Group operations, we continue to organize related courses for all directors so they can gain a better understanding of strategic adjustments, risk management, and response measures in global operations. This enables them to effectively face rapidly changing global business environments, thereby achieving sustainable management and stable growth |
| A look at fast-growing companies from the perspective of century-old enterprises | 1 | 33 | Use operational strategies, crisis management, and corporate governance information from century-old enterprises to improve routine corporate operations and future development strategies |
| Observations on cross-strait political and economic risks under US-Sino rivalries | 1 | 33 | Enhance understanding and planning for future management and development at Chinese subsidiary |
| Corporate responses to global changes | 1 | 33 | Explain how international affairs affect the company's global development strategies |

## Participation in Public Associations GRI 2-28

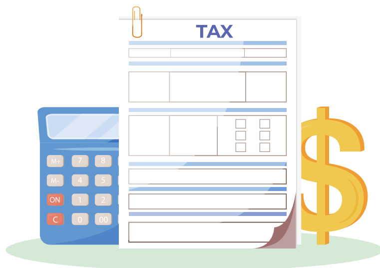
PharmaEssentia has joined external institutions associated with the biopharmaceutical industry, and is a fee-paying member of all these associations. We hope to promote industrial information exchanges and grasp industry dynamics in real time so we can jointly exert our influence and boost industrial development. Additionally, we also joined external institutions associated with corporate governance to strengthen governance effectiveness and enhance competitiveness.

| External Associations | Benefits to PharmaEssentia and the Industry |
|---|---|
| Taiwan Parenteral Drug Association | This association enables us to communicate and interact with industry, government, and academic units related to the domestic pharmaceutical industry so we can jointly boost Taiwan's pharmaceutical GMP standards and align with international standards |
| The Allied Association for Science Park Industries | Support from this association and compliance with government policies, initiatives, and communications allows us to jointly pursue stable business developments for the entire science park |
| Development Center for Biotechnology | We utilize pharmaceutical industry research resources from the Development Center for Biotechnology to improve industry standards and introduce outstanding products |
| The Hematology Society of Taiwan | Allows us to conduct academic exchanges with other HCPs to improve domestic hematology research standards |
| Chinese Association for Pharmaceutical Agents | Assist promotion of medical and healthcare policies, and provide recommendations based on actual needs |
| Taiwan Pharmaceutical Manufacture and Development Association | Brings together industry, government, academic, and research institutes to jointly promote research developments in the biopharmaceutical industry |
| Taipei Pharmaceutical Business Association | Strengthen communication with the government and align with policies to promote new opportunities in the pharmaceutical industry |
| Taiwan Research-Based Biopharmaceutical Manufacturers Association | Align with government policies to improve domestic biopharmaceutical innovation & research capabilities and industry profitability |
| Taiwan Myeloproliferative Neoplasms Association | Enhance public understanding of MPN to enable effective medical support |
| Taiwan Clinical Research Association | Improve domestic clinical trial standards through experience sharing |
| Taiwan Bio Industry Organization | Incorporate government and academic units for joint promotion of bio-industries |
| Institute for Biotechnology and Medicine Industry | Promote biopharmaceutical upgrading strategies to enhance public health and well-being |
| Taiwan Corporate Governance Association | Improve corporate transparency, promote effective operations, and uphold investor rights |

## Management and Communication of Tax Policies

GRI 207-2 GRI 207-3

PharmaEssentia has established a Tax Policy that strictly adheres to domestic and overseas tax regulations. We ensure information transparency in accordance with regulations to strengthen corporate tax compliance and commitments, and the finance and accounting departments at our headquarters serve as the responsible units for tax management, working with the finance and accounting departments of our subsidiaries to coordinate, plan, and file taxes in accordance with law. Additionally, we actively participate in external engagement involving tax issues to communicate changes in international tax systems and important domestic tax issues through meetings with tax consultants and tax authorities so we can jointly create a sound tax environment.



PharmaEssentia pledges to adhere to the following tax management guidelines while ensuring that routine operations adhere to regulations to lower tax risks, optimize post-tax operational performance, and uphold shareholder interests:

1. All operations are handled in accordance with related tax laws and regulations
2. Transactions between related enterprises adhere to conventional trading principles and comply with the internationally recognized transfer pricing guidelines issued by the OECD
3. Enhance information transparency of financial reports, and ensure that tax disclosures are handled in accordance with related rules and regulatory requirements
4. Do not conduct transactions for the sole purpose of avoiding tax
5. Establish mutually respecting relationships with tax authorities based on mutual trust and information transparency
6. All important corporate decisions consider impacts from taxes
7. Analyze operational environments and use management mechanisms to assess tax risks
8. Strengthen professional tax capabilities through continued talent cultivation

**Income tax reconciliation table for past three years**

| (Unit: NT$'000) | 2022 | 2023 | 2024 |
|---|---|---|---|
| Profit Before Tax from Continuing Operations | (1,841,871) | (986,934) | 2,994,652 |
| Income Tax Calculated at the Parent Company's Statutory Rate | (368,374) | (197,388) | 598,929 |
| Tax Impact of Deferred Tax Assets/ Liabilities | (68,107) | (168,670) | (1,057,414) |
| Other | (30,580) | 2,959 | 487,634 |
| Total Income Tax Expense Recognized in Profits or Losses | (467,061) | (363,099) | 29,149 |

## Internal Controls and Internal Audits

We have established an auditing department under the Board to implement ethical management, fulfill supervisory responsibilities, and further optimize internal control and audit processes. The auditing department is headed by a chief auditor who supervises 1 to 2 auditors. The appointment and dismissal of the chief auditor must be approved by the Audit Committee and passed by the Board. The auditing department formulates annual audit plans each year based on current or potential corporate risk issues, and conducts internal audits through general audits, project audits, and subsidiary supervision operations. The chief auditor reports on audit implementations to the Audit Committee and the Board every quarter, and organizes regular independent communications between internal auditors and independent directors to strengthen director supervisor of corporate audits. We also continue to track and re-examine all deficiencies discovered during audits to confirm that related units have adopted timely and appropriate improvement measures. In 2024, the auditing department completed a total of 56 audit reports and discovered no major deficiencies.

The auditing department also reviews appropriateness and implementations of internal controls based on our "Internal Audit System" through audits encompassing all corporate financial, business, operational processes, as well as subsidiaries that comply with regulatory requirements.

Audit management of subsidiaries:

01

The auditing department encourages all subsidiaries to formulate necessary supervision and management control processes and regulations in accordance with local regulatory requirements and actual operational conditions. Internal control regulations should adhere to local laws and regulations for effective management of operational risks

02

We incorporate subsidiaries in internal audits, formulate annual audit plans, and implement subsidiary audits each year based on risk assessments results. In 2024, we issued 10 audit reports for Panco, PharmEssentia USA, and PharmaEssentia Japan; 1 audit report is still being processed. Audited subsidiaries are notified of discoveries and recommendations in all audit reports, and corrections are tracked on a quarterly basis

03

Important subsidiaries undergo at least one on-site audit each year, and subsidiary internal controls and corporate governance are comprehensively assessed through meetings, document reviews, and observations. A total of 4 on-site visits were completed in 2024

04

PharmaEssentia and all subsidiaries conduct at least one self-assessment of internal control systems each year. The auditing department reviews the self-assessment reports of all units and subsidiaries, as well as improvements of internal control deficiencies and abnormalities discovered by the auditing department, to provide a reference for the Board when evaluating the effectiveness of internal control systems and when issuing statements on internal controls

# 2.2 Business Integrity and Legal Compliance

GRI 2-23

PharmaEssentia has designated the general management office as the sole responsible unit (hereinafter "dedicated unit") under the Board and has also provided sufficient resources and appropriate personnel to amend, implement, and interpret the Procedures for Ethical Management and Guidelines for Conduct; provide advisory services; record and file reports; and conduct other monitoring and implementation procedures. The dedicated unit is responsible for the following matters and makes regular reports to the Board each year (at least one report a year):

A Assisting in incorporating ethics and moral values into the Company'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

B Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, accordingly adopting programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business