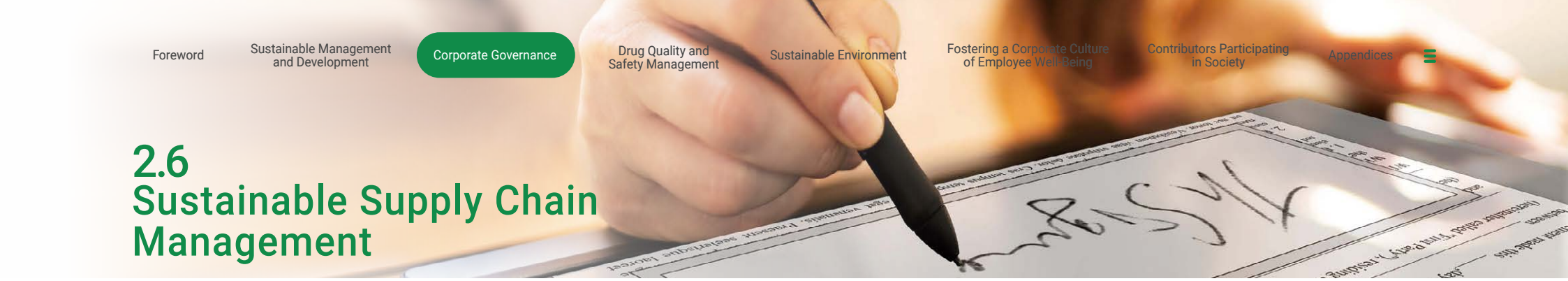

2.6 Sustainable Supply Chain Management

PharmaEssentia strengthens supply chain management through three aspects, working with suppliers/contractors to embody and practice sustainability principles, thereby creating long-term and stable value for the pharmaceutical industry and patients.

Supply chain management strategies
- Formulated Supplier Code of Conduct and Supplier Management Procedures
- Strengthened supply chain resilience

Supply chain management practices
- Supplier management by category
- Supplier risk level classification, management, and response measures for discrepancies
- Supplier/contractor screening and evaluation
- Supplier/contractor sustainability risk assessment
- Local procurement

Supplier engagement
- Engaged with suppliers through diverse channels
- Future supplier empowerment plans

1. Supply Chain Management Strategies

PharmaEssentia formulated the "Group Supplier Code of Conduct," which focuses on labor rights, workplace safety and health, environmental sustainability, and business ethics. The Group Supplier Code of Conduct was signed by our chairperson and published on our website, and we hope it can serve as an industry benchmark. Additionally, in order to make strides toward our paper-free goals, we actively introduced digital systems in 2024 for routine business requisition, procurement, and verification procedures that require large amounts of paper. PharmaEssentia also launched a globally synchronized digital procurement platform. As introducing digital systems requires large amounts of manpower and time, as well as rebuilding of operational processes, we postponed our "supplier code of conduct signing procedures" to prevent this from becoming a mere formality, and we plan to require our suppliers to sign the Supplier Code of Conduct in future to strengthen management of supplier responsibilities.

The quality assurance department formulated the "Outsourcing Activities Policy" and "Supplier Management Procedures" to serve as standard procedures and processes for approving suppliers and outsourcing service contractors, enabling strict monitoring of raw materials, production supplies, device/equipment supplier screening, assessment, and approval, ensuring that raw materials and equipment provided by suppliers comply with our quality, delivery time, and GMP requirements. The "Supplier Management Procedures" were amended twice in 2024 to add regulations and details on supplier categories, optimizing our management strategies. We also sign "Quality agreements" with our outsourcing service contractors to ensure that both parties understand product and quality requirements. In 2024, 55 vendors were required to sign quality agreements, and we achieved a signing rate of 98.18%. One supplier was a new vendor and their quality agreement is still pending; the remaining 54 vendors have signed their quality agreements.

In order to work with our supplier partners in jointly achieving moral and sustainable development goals, our procurement department adopted several proactive measures to promote and execute the Supplier Code of Conduct. Firstly, our procurement department added a link to the Supplier Code of Conduct in the signature line for all emails, inviting suppliers to jointly fulfill corporate social responsibilities during routine business transactions and when sending procurement orders. We also require suppliers to comply with the PharmaEssentia Code of Conduct as well as local laws and regulations, thereby ensuring transparency and adherence to ethical standards for both parties during collaborations.

Additionally, the procurement department has added clauses on corporate social responsibilities encompassing ethical management, labor rights, occupational health and safety, environmental sustainability, and other issues in all procurement contracts. We clearly stipulate that collaborating vendors should comply with ethical management principles as well as adhere to fundamental labor rights principles and local labor laws, and we strive to build healthy, safe, and comfortable work environments. Collaborating vendors also need to comply with related environmental regulations and establish specific environmental protection, energy conservation, and carbon reduction management measures. To strengthen policy implementations, our contract clauses clearly stipulate: "If collaborating vendors fail to correct violations of corporate social responsibilities, or if their actions cause significant environmental or social damage, resulting in harm to PharmaEssentia's corporate reputation or interests, the contract may be terminated or rescinded," emphasizing our determination toward ESG (environment, social, governance) compliance.

Before signing contracts with Japanese equipment manufacturers, PharmaEssentia Japan not only considers cost rationales, vendor credit report, and other corporate operational conditions, but also evaluates whether said vendors are capable of complying with PharmaEssentia Japan bylaws, GMP, and GQP regulations. PharmaEssentia Japan also assesses whether factory environments are suitable for medication preservation, and confirm whether there are appropriate response measures if emergency incidents generate negative quality impacts during production processes. Final products are ultimately prepared for commercialization (packaged) under strict conditions at factories that adhere to relevant standards.

▶ Supply Chain Resilience

PharmaEssentia strives to strengthen supply chain management and response capabilities, balance cost considerations and supply stability over the long term, and reduce negative supply chain impacts from emergency incidents. In 2024, we investigated inventory conditions of 4 significant high-risk suppliers, requiring them to fill out shipment delivery forms to reduce supply shortage risks.

We implement the following management measures to effectively enhance supply chain resilience:

1. Monitor factors that could potentially impact supply chains (diseases, climate change, and natural disasters)
2. Strengthen supplier management, adaptation, and response capabilities to enhance overall supply stability
3. Strengthen supplier communication and monitor material delivery conditions in real time to obtain complete transportation and logistics information
4. Update delivery times for raw materials procured from suppliers to ensure timely replenishments
5. Headquarters centralizes inventory management for special materials and determines safety stock levels based on delivery times
6. Increase safety stock levels and track changes in demand for front-end hospitals and patients
7. Keep track of conditions in material production countries, assess supply shortage risks, and formulate responses in advance
8. Introduce digital management mechanisms, enhance operational efficiency, and strengthen supply chain management resilience and flexibility

9. Establish alternate material sources to lower supply shortage risks and ensure supply chain stability

We have conducted comprehensive surveys of raw materials and determined priorities for introducing alternate materials based on internal SOPs to prevent risks from emergency incidents.

1 Inventory raw materials that require establishment of alternate material sources	2 Perform quality checks	3 Laboratory process development validation	4 Quality assurance and continuous monitoring
We identify raw materials that require activation of alternate material sources through continued monitoring of raw material inventory levels and delivery times, as well as through internal production and material meetings, focusing on two main areas: • Assessment of supply stability, including change notices from manufacturers and force majeure risks for delivery times • Continued quality and production improvements such as updates to pharmacopeia specifications and regulatory requirements	We assess material risks and scopes of impact from regulation changes based on the Criticality Assessment of Materials and Change Control Procedures	We carry out small-scale mass production trials; qualified raw materials enter GMP control procedures (supplier assessments, specification tests, and establishment of methodologies), and are added to backup lists after completing relevant procedures	Data and documentation at all stages of material source development are continually monitored by the quality assurance department to ensure that overall processes completely comply with regulatory standards

Additionally, PharmaEssentia USA adopted the following measures to stabilize material flows and optimize procurement processes:

- Added pre-filled injectables manufacturers and labeling and packaging suppliers
- Established global sales and operations planning (S&OP) processes to stabilize supply of active pharmaceutical ingredients and drug products
- Hosted global supply chain meetings with Taiwan headquarters once every two weeks for continued inventory tracking
- Submitted rolling forecast reports of active pharmaceutical ingredient and drug supplies to Taiwan headquarters each month
- Upgraded SAP system from B1 to S4, and connected procurement, material numbering, and invoicing processes to internal processes

PharmaEssentia USA is also planning to set up a second third-party logistics site in 2025 to store excess drugs at different geographical locations, ensuring stability of drug supplies.

2.Supply Chain Management Practices

Supplier Management by Category

To enhance supplier management efficiency, PharmaEssentia headquarters, Panco, and PharmaEssentia Japan categorized suppliers involved in direct transactions with PharmaEssentia as Tier 1 suppliers based on risks and procurement amounts. GMP suppliers that cannot be easily replaced are defined as significant suppliers. Suppliers are managed based on these two categories. PharmaEssentia headquarters worked with 362 suppliers in 2024, including 47 significant Tier 1 suppliers with procurement amounts making up 63.4% of total procurement in 2024.

All products and services from PharmaEssentia USA suppliers were categorized using a quality system, and routine inspections are conducted regularly on significant suppliers such as third-party logistics companies (3PL), CMOs, and transportation companies. New suppliers are also reviewed before contract signing. In 2024, we conducted an inspection of a secondary packaging solution provider (Cardinal Health Packaging Solutions). PharmaEssentia USA meets with Tier 1 suppliers once every two weeks to discuss all possible product supply chain risks, and also holds annual review meetings with third-party logistics companies to review pharmaceutical trading operations and mechanisms.

Supplier qualifications are determined in accordance with US SOP-QA-003 supplier qualification procedures (GMP) and SOP-QA-009 external audit results. In 2024, PharmaEssentia USA had 7 Tier 1 suppliers who all complied with GMP standards for significant Tier 1 suppliers. All suppliers have passed US and Taiwan quality inspections.

PharmaEssentia headquarters supplier categories for 2024 were as follows:

Supplier category	Tier 1 (number of suppliers)	Non-Tier 1 (number of suppliers)	Total
Significant suppliers	47	44	91
Non-significant suppliers	180	91	271
Total	227	135	362

PharmaEssentia Japan supplier categories for 2024:

Supplier category	Tier 1 (number of suppliers)	Non-Tier 1 (number of suppliers)	Total
Significant suppliers	3	7	10
Non-significant suppliers	2	0	2
Total	5	7	12

PharmaEssentia US supplier categories for 2024:

Supplier category	Number of suppliers	Ratio (%)
All Tier 1 suppliers	7	100%
Significant Tier 1 suppliers	7	100%

Supplier Risk Categories

In terms of supplier management, our Taiwan headquarters uses the following principles to determine supplier risks:

1. Whether they are significant suppliers, or if they provide materials or services directly related to patients or trial participants
2. Whether the materials or services provided are used in pilot production, clinical trials, or commercial production stages
3. Whether the materials or services provided have high impacts, such that changing suppliers could significantly impact research and development or manufacturing
4. Whether the materials or services provided have low substitutability encompassing factors such as single sourcing or patented technologies
5. Whether the annual procurement volumes or monetary values are high
6. Whether there are high impacts from environmental, governance, or social factors on the materials or services provided, which could affect supply continuity or regulatory compliance

In 2024, our Taiwan headquarters evaluated 362 suppliers; 9% were considered high risk, 28% were considered low risk, and 63% were considered moderate risk. The number of low-risk suppliers decreased by 46% and the number of moderate-risk suppliers rose by 41%, mainly as production demand increased significantly in 2024, affecting factory production processes and material needs while also posing significant challenges to delivery times compared to previous years. Therefore, we raised risk levels for associated suppliers to moderate risk to strengthen control measures.

Year	2022		2023		2024	
Risk levels	Number of suppliers	Ratio	Number of suppliers	Ratio	Number of suppliers	Ratio
Low risk	148	74%	309	74%	102	28%
Moderate risk	41	20%	94	22%	228	63%
High risk	12	6%	16	4%	32	9%
Total	201	100%	419	100%	362	100%

Note 1: Risk level assessments included PharmaEssentia's Taipei and Taichung sites
Note 2: Risk level classifications: The Taichung Plant classified risks as Minor, Major, and Critical based on GMP quality management standards
Note 3: PharmaEssentia's Taipei and Taichung sites classified risks based on the following criteria: High risk (more than 3 items), moderate risk (1 or 2 items), and low risk (none)

PharmaEssentia USA has also established a risk management process and conducted gap analysis to identify supply chain management risks. Supplier risks are managed through US and Taiwan quality systems. We assess each supplier and the quality of provided materials and services to ensure GMP compliance, and periodically reassess supplier qualifications. We plan to implement response measures for high-risk supply chain management items in 2025 encompassing any services, components, or raw materials that cannot be easily replaced (such as sterile CMOs, drug warehousing, container sealing systems, active pharmaceutical ingredients, or other exclusive components), preventing impacts to drug distribution that may lower patient access to medicines.

Management Mechanisms by Risk Level

PharmaEssentia adopts the following management strategies for vendors/suppliers based on different risk levels:

Risk level	Supplier management mechanisms
High Risk	1. Strategic alliances: Build mutually beneficial alliances with suppliers 2. Maintain sound interactions with suppliers and establish solid collaborative relations 3. Evaluate total cost of ownership (TCO) encompassing service scope, quality, schedules, and other performance indicators 4. Sign contracts to ensure service quality, content, and material sources 5. Self-produce, self-manufacture, or re-refine 6. Ensure supply stability 7. Maintain sound interactions with suppliers and utilize service information provided by vendors 8. Develop new suppliers and Second Sources to prevent supply shortage risks
Moderate Risk	1. Require vendors to prepare additional inventory for recurring materials to enable timely supply 2. Integrate procurement items and departmental needs 3. Actively check and compare prices for exclusive or competitive materials 4. Analyze item prices and costs
Low Risk	1. Implement recurring purchasing processes that adhere to and maintain necessary procurement procedures 2. Number of orders and order frequency

Response Actions Adopted for Supplier Deficiencies at Different Risk Levels

PharmaEssentia adopted the following response actions for supplier/product deficiencies at different risk levels:

Risk levels	Appraisal frequency	Response actions
High Risk	Annually	• Conduct preventive monitoring processes and formulate response plans • Require suppliers to adopt immediate improvement measures • If major deficiencies are involved, PharmaEssentia will determine whether to immediately cease procurement or terminate contracts
Moderate Risk	Annually	• Require suppliers to adopt immediate improvement measures • If major deficiencies are involved, PharmaEssentia will determine whether to immediately cease procurement or terminate contracts
Low Risk	Annually	• Implement routine management based on annual appraisal standards

Screening of New Suppliers/Contractors

PharmaEssentia emphasizes supply chain environmental and social impacts. Our screening criteria for suppliers/contractors include 3 major indicators (quality systems, technical capabilities, and services and supporting capabilities). We have also incorporated environmental and social indicators in supplier screening mechanisms. If suppliers receive the same evaluation results on the 3 major indicators, PharmaEssentia prioritizes suppliers with better environmental and social performance. PharmaEssentia engages with oligopoly and monopoly suppliers that perform well on quality systems, technical capabilities, and services and supporting capabilities, but have weaker environmental and social impacts to gradually enhance their sustainability awareness and improve their environmental and social sustainability actions, thereby facilitating long-term and sustainable collaborative relations. In 2024, our Taiwan headquarters added 148 new suppliers and contractors, including 99 local suppliers.

Environmental indicators

1. Compliance with all applicable environmental laws, related regulations, and reporting components
2. Ensure that waste materials, exhaust gases, and wastewater are treated, delivered, stored, recycled, reused, and managed in accordance with regulations
3. Optimize resource usage and resource cycles to reduce resource consumption
4. Achieve biodiversity, no deforestation, land conservation, zero net deforestation targets
5. Achieve climate commitments to reduce greenhouse gas emissions and achieve carbon neutrality commitments

Social indicators

1. Pledge to provide workers with acceptable living (work) environments
2. Prohibit use of forced labor and do not restrain or restrict the personal freedoms of workers
3. Freedom of association and collective bargaining rights
4. Maintain employee health and safety
5. Guarantee minimum wages, overtime hours, and statutory benefits
6. Treat employees humanely and ensure that they are free from all forms of sexual harassment, physical punishment, physical persecution, and verbal violence
7. Anti-discrimination
8. Prohibition of child labor

Supplier/Contractor Assessments

We conduct regular annual supplier/contractor audits that combine both internal appraisals and reviews with on-site audits in accordance with Supplier Audit Procedures. We shorten re-audit frequencies for high-risk vendors and require improvement actions. If major deficiencies are discovered, we immediately cease procurement processes. PharmaEssentia prioritizes procurement and collaboration with suppliers that perform well on assessments, and increases procurement ratios as appropriate. In future, we plan to publicize assessment information internally for reference by various demand units to promote collaboration opportunities with suppliers that demonstrate good ESG performance. Additionally, we prioritize assessments of suppliers that have expanded into new businesses to strengthen collaboration relations and expand our business scope.

Internal review and on-site audit items include quality management, delivery capabilities, production and technological capabilities, client services and response capabilities, compliance, and ESG implementations:

- **Quality management:** Review whether suppliers comply with product or service quality requirements, and assess the effectiveness of quality control processes
- **Delivery capabilities:** Focus on whether suppliers can deliver products complying with specifications in a timely manner while ensuring accuracy of distribution processes
- **Production and technological capabilities:** Review supplier production facilities, equipment technological levels, and R&D capabilities to ensure that suppliers possess required capabilities
- **Client services and response capabilities:** Assess supplier handling efficiency of client needs, complaints, and service issues, and associated satisfaction levels
- **Compliance and ESG implementations:** Check whether suppliers comply with related regulations and adhere to environmental, social, and governance (ESG) standards. For more information, please refer to our Supplier/Contractor Sustainable Risk Assessment

Of these, delivery of raw materials is the most important consideration for PharmaEssentia, as shortages in raw materials affect related production processes and R&D progress. Therefore, PharmaEssentia requires suppliers to ensure product supply and quality.

Number of Suppliers Included in PharmaEssentia Internal Reviews and On-Site Audits in 2024

Type of evaluation	Number of suppliers that should be reviewed/audited		Number of suppliers that completed reviews/audits		Review/audit results
	Domestic	Overseas	Domestic	Overseas	
Internal reviews	164	19	164	19	• All 183 suppliers passed reviews • Including 7 significant Tier 1 suppliers, 103 non- significant Tier 1 suppliers, 11 significant non-Tier 1 suppliers, and 62 non- significant non-Tier 1 suppliers
On-site audits	5	9	3	4	• 14 suppliers were scheduled for audits in 2024, including: · 2 domestic significant Tier 1 suppliers · 6 foreign significant Tier 1 suppliers · 1 domestic non- significant Tier 1 supplier · 5 non-Tier 1 suppliers • Audits were conducted on 7 suppliers (including 1 supplier that underwent a remote audit and 1 supplier that underwent a desktop audit) • Reasons for not auditing the remaining 7 suppliers: Audits for 3 suppliers were moved to 2025 due to scheduling delays and audits on 4 suppliers were cancelled due to incorporation of new materials

PharmaEssentia USA conducted on-site audits on US manufacturers and Tier 2 suppliers to determine their capabilities and production capacities, and also adopted a weighted decision matrix incorporating weights for five priority items (supply continuity, compliance, quality, delivery time, and cost assessments) to conduct quantitative comparisons, ensuring fair assessment of new suppliers/vendors. PharmaEssentia USA also conducted on-site due diligence procedures to align the business strategies of both parties.

In 2024, PharmaEssentia Japan evaluated 2 vendors, a logistics company and a testing company. No major deficiencies were discovered during these audits.

Supplier/Contractor Sustainability Risk Assessment

In 2024, PharmaEssentia incorporated supplier understanding and execution of the Supplier Code of Conduct in supplier sustainability risk self-assessment surveys to ensure that our global supply chain is fulfilling social responsibilities while enhancing the corporate brand image and market competitiveness of our supply chain. PharmaEssentia headquarters conducts an annual supplier environmental and social regulation audit each year. If any supplier violations are discovered, we work with related units to understand and investigate the situation. PharmaEssentia adopts a friendly approach when engaging with suppliers, and only terminates contracts following careful evaluation when consensus cannot be reached following multiple rounds of communications.

In 2023, a contractor was found to be in violation of the Waste Disposal Act and was fined NT$3,600. We tracked improvements for this violation incident to ensure compliance with PharmaEssentia bylaws and implemented corrective actions for said violation incident. Tracking results indicated that the contractor had read and complied with PharmaEssentia's Supplier Code of Conduct. In order to avoid subsequent violation incidents, we review supplier qualifications (such as whether they possess legal licenses) and other response measures prior to collaboration.

In 2023, before Ropeg received marketing authorization, PharmaEssentia Japan rated suppliers using the Supplier Code of Conduct and required compliance from all vendors. In 2024, PharmaEssentia Japan also adopted the Supplier Code of Conduct for evaluations, and implemented regular visits to the websites of outsourcing companies to check their ESG activities. No violations were discovered during the evaluation process.

PharmaEssentia USA conducts irregular on-site supplier audits every year. Even though no routine audits were conducted in 2024, PharmaEssentia conducts non-periodic audits based on US political environments and market conditions to fulfill sustainable management principles.

Sustainability Risk Evaluation Channels

PharmaEssentia uses diverse sustainability risk evaluation channels for timely identification of supply chain risks and to help managers formulate efficient risk management policies:

Regular self-assessment surveys

Distribute surveys each year to investigate collaborating partner risks on five aspects: corporate governance, labor rights, regulatory compliance (environmental and labor regulations), and environmental impacts. We calculate weighted scores and use cross-check questionnaires to accurately determine the reliability of survey responses.

Irregular interviews

Conduct irregular interviews with significant suppliers to understand their thoughts on sustainable management and associated risks when responding to dynamic changes in market and risk conditions.

Public information audits

Regularly review public information, including government regulations, industry reports, and media reports to track possible risks and opportunities associated with sustainable management of suppliers.

Sustainability Risk Self-Assessment Questionnaire

Sustainability risk self-assessment questionnaire items receive different weighted scores based on risk levels, and total scores are used to determine supplier risk levels. As there are differences in supplier types and associated issues, we compare supplier scores following proper calibration, and separate suppliers into three levels:

	Description	Subsequent management actions
Class A **Above 80 points** low sustainability risk, good performance	High scores on sustainability risk self-assessment questionnaire indicate that supplier labor rights, occupational safety, management systems, and environmental management aspects all comply with our standards.	• **Continued monitoring and support:** Continue to maintain good collaborative relations with suppliers, regularly review sustainable development performance, and provide necessary support and resources to promote sustainable growth • **Incentives and commendations:** Provide recognition or awards to outstanding suppliers and list them as first-choice suppliers while maintaining sound interactions and collaborations • **Experience sharing:** Encourage Class A suppliers to share their successful experiences related to sustainable management to help other suppliers enhance their performance
Class B **60-80 points** moderate sustainability risk and requires some improvement	Suppliers have specific risks or room for improvement on some issues, and need to formulate long-term improvement plans.	• **Improvement plans:** Work with suppliers to jointly formulate specific improvement plans, set quantitative indicators and targets, and require suppliers to correct related issues within specified time limits • **Regular review and tracking:** Establish regular evaluation mechanisms to track and assess supplier progress. If suppliers fail to meet our expectations, we provide more resources and support, or strengthen collaborations • **Risk management guidance:** Provide professional advice and training to help suppliers enhance their sustainability risk management capabilities, and encourage suppliers to establish comprehensive sustainable development mechanisms
Class C **Below 60 points** high sustainability risk and potential major problems	Suppliers with high risks who fail to comply with our sustainability requirements or local regulations, and need immediate improvement.	• **Immediate improvement:** Require suppliers to implement improvements quickly, and provide improvement plans and necessary guidance for specific issues. Specific time limits may need to be set for improvements involving serious issues • **Risk assessments and adjustments in collaborative relations:** Conduct comprehensive risk assessments on high-risk suppliers and determine whether to continue collaborations based on improvement results. If suppliers do not complete improvements according to schedule, we will consider terminating collaborations

PharmaEssentia regularly updates risk assessment standards in accordance with changes in market environments, laws and regulations, and supplier business strategies, and also implements dynamic adjustments and rolling amendments of evaluation standards based on supplier business strategy changes. We have established smooth communication and management mechanisms that allow us to maintain regular communications and interactions with suppliers, enabling them to understand PharmaEssentia assessment standards. We also require suppliers to update us on improvements made to strategies, methodologies, and conditions, as well as relevant challenges, thereby creating virtuous two-way collaborative relationships.

Implementations in 2024

In 2024, PharmaEssentia headquarters conducted online sustainability self-assessment surveys on 43 priority suppliers who complied with GMP requirements and supplied services/products closely linked to environmental protection issues:

- **Encompassed five aspects**

1. Compliance with labor and environmental regulations
2. Labor rights
3. Occupational safety
4. Corporate governance
5. Environmental protection

- 45 survey items
- Survey response rate: 84%
- Investigated 43 suppliers, and 36 suppliers completed self-assessments:

Class A	Class B	Class C
Low Sustainability Risk	Moderate Sustainability Risk	High Sustainability Risk
11 suppliers	24 suppliers	1 supplier
30.6%	66.7%	2.7%

- Assessment results:

Aspect	Results	Subsequent tracking
Ethical management	Adhered to PharmaEssentia standards	Tracked all issues and required corrective actions
Compliance with labor laws	7 suppliers had violated legal regulations with no penalties (appropriation of employee benefits and regular hosting of labor-management meetings) and 2 suppliers had been penalized by competent authorities due to violations of the Labor Standards Act	
Compliance with environmental laws	1 supplier was penalized by competent authorities due to violations of environmental regulations	

Local Procurement

PharmaEssentia seeks to generate mutual prosperity for the biotechnology industry. Apart from considering price and quality conditions, we also continue to actively seek opportunities for collaboration with local companies based on procurement needs to increase local procurement ratios in Taiwan. When purchasing new products, we start by evaluating the feasibility of working with local suppliers. For existing products, we analyze related markets and select appropriate and reliable local suppliers based on past experiences and diverse selection criteria to ensure supply chain stability. We established sound and long-term collaborative relations with suppliers that uphold similar principles and sustainable management aims. Apart from increasing business opportunities with outstanding suppliers that facilitate sustainable management, we also ensure mutual benefits on sustainability issues to effectively lower transaction, social, and business risks for both parties and to promote sustainable local procurement plans.

In 2024, PharmaEssentia adopted the same unified electronic laboratory records systems around the globe, increasing procurement expenditures for the US region. Additionally, in line with global depositary receipt (GDR) and competent authority requirements, procurements for some projects need to be purchased using US dollars. Therefore, local procurement amounts for 2024 decreased compared to 2023, but still accounted for 64% of all procurement amounts.

	Region	2022	2023	2024
Local procurement	Taiwan	79.6%	89.0%	64.0%
Non-local procurement	US	20.4%	11.0%	35.0%
	Other regions in Asia	0%	0%	1%
Total		100%	100%	100%

Supplier Engagement

PharmaEssentia regularly distributes self-assessment surveys and conducts irregular supplier interviews. We engage with suppliers and look forward to working with our business partners in implementing sustainable management concepts. We continue to track supplier technologies, operational conditions, and sustainable performance to expand our industrial influence. In future, PharmaEssentia plans to promote supplier guidance plans, training, and other specific projects to empower suppliers, working together to enable sustainable growth in our partnerships.

Enhancing Sustainability Awareness in Procurement Personnel

To strengthen procurement personnel knowledge of sustainable supply chains, we organized diverse ESG competency training, including:

- **Annual ESG training and consultant guidance:** Collaborated with professional ESG consultants and hosted annual training encompassing sustainability governance, carbon management, supply chain risk controls, and other themes, assisting our colleagues to keep informed of the latest sustainable development trends and practical applications
- **Internal training and interdepartmental discussions on ESG topics:** Discussions on supplier sustainability risk assessment methods and meetings to compile data on supply chain carbon emissions
- **Industrial ESG experience sharing and exchanges:** We invited industry experts to share practical ESG experiences such as corporate promotion of internal carbon pricing, supply chain carbon inventories, and sustainability management strategies and achievements to promote internal learning and external exchanges, and to enhance overall sustainable development performance
- **External organization lectures, courses, and seminars:** Non-periodic participation in external activities (such as the "Viewing sustainable investment from supply chain management" seminar and the "EcoVadis global supply chain sustainability evaluation courses") to obtain the latest ESG knowledge and international regulations