

2023

**SUSTAINABILITY
REPORT**



Environmental
Social
Governance



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Letter from the Chairman



Dear Stakeholders,

Lotus Pharmaceutical is committed to its mission of providing better, safer, and more affordable medicines to patients worldwide. In recent years, we have effectively implemented our 'Two by Two' strategy, focusing on two-way market expansion and two-way product development. This approach has facilitated our transformation into a global pharmaceutical platform, enabling us to develop a diverse product range that includes generics, brands, NCEs, and 505(b)(2) drugs. These endeavors specifically aim to address unmet medical needs on a global scale.

Beyond the continuous expansion of our core business, Lotus embraces the sustainable mission entrusted to us by our stakeholders. We integrate sustainable management into our operations, focusing on four key areas: 'access to medicines,' 'environmental sustainability,' 'employee development,' and 'corporate governance.' Through collective and dedicated endeavors, we remain committed to making significant contributions to both the environment and society.

In 2023, Lotus achieved significant advancements in access to medicines. Lotus expanded the outreach of Lenalidomide to new markets and successfully launched it as a first-wave generic in Brazil and Japan. Our R&D team submitted six drug applications, while the regulatory team made 113 filings worldwide and received 77 market authorization approvals,

launching 123 SKUs (27 INN) globally. Notably, the company obtained tentative Abbreviated New Drug Application (ANDA) approval in the U.S. for Nintedanib (generic of Ofev®) and Midostaurin (generic of Rydapt), as well as approval for Pomalidomide (generic of Pomalyst) in Canada.

In addition to in-house product development, Lotus' BD team supplemented the Company's portfolio with 25 deals including exclusive license for 505(b)(2) product VAZKEPA and ADLARITY in Asia. Moreover, Lotus signed 29 additional out-licensing agreements during the year, partnering with global leading pharmaceutical companies such as Sandoz and Teva. Currently, the Company's licensing agreements cover more than 160 markets globally, significantly improving drug accessibility to patients.

In the realm of "environmental sustainability," we have witnessed significant progress in 2023. Recognizing the considerable impact of climate change, we proactively implemented ISO 14064-1 to conduct GHG inventory and assurance, surpassing Taiwan's regulatory requirements. By analyzing emission trends, we developed targeted energy conservation and emission reduction policies, alongside plans for upcoming initiatives. Additionally, we organized our inaugural coastal cleanup event in collaboration with employee activities, advancing awareness of sustainability for a more promising future.

In the aspect of 'employee development,' Lotus has been actively recruiting professional talents from over 19 countries worldwide to ensure affordable medicines for patients globally. Particularly in Taiwan, Lotus is fostering the next generation of readily deployable pharmaceutical professions

through collaborations with Taiwan's Ministry of Labor and universities. In recognition of these efforts to create an inclusive, diverse, positive, and supportive work environment, we are honored to have received the HR Asia Best Companies to Work for in Asia award for two consecutive years.

In terms of corporate governance, Lotus continually enhances shareholder rights, strengthens the board's functions, respects stakeholders' interests, and promotes sustainable development. In early 2024, the company established the Sustainable and Risk Management Workforce, which leads functional teams in developing sustainability plans and gradually implementing strategies and goals. Regular monitoring of outcomes ensures effective sustainable management, integrating risk management into daily operations. Additionally, the 2023 Sustainability Report referenced SASB sustainability accounting standards for the first time and adopted the TCFD framework, underscoring our steadfast dedication to sustainable development.

Looking to the future, Lotus is committed to sustainable growth and achieving our four major sustainability goals. We aim to minimize our environmental impact, expand our innovative and diverse product portfolio, and foster an inclusive and equitable business culture. By providing affordable medicines, we strive to make a significant contribution to global healthcare and create optimal value for all our stakeholders.

Chairman
Vilhelm Róbert Wessman

About This Report

Report Overview and Issuance Frequency

Welcome, browsers of Lotus Pharmaceuticals (hereinafter referred to as Lotus, we, the company) to our Sustainability Report. This year's issuance speaks to stakeholders about our efforts and progress in 2023 concerning corporate governance, product safety, environmental sustainability, employee care, and society welfare. Additionally, it includes an adjustment to ensure we remain on the right track toward corporate sustainability. This August issue of 2024 covers the reporting period from January 1 to December 31, 2023 and will be issued once a year; the next issue is expected in August 2025. Restatements of information include recent investment in R&D, the number of employees on parental leaves, employee composition and disabling injury frequency rate.

Scope of Reporting

The financial data in this Report is sourced from our 2023 consolidated financial report for the disclosure of Taiwan HQ and its subsidiaries. The data in the Report also includes information from Taiwan HQ, Nantou RD Center, and factory, Alvogen Korea (a key subsidiary), and its two factories at Gongju and Hyangnam. The scope of the disclosure will be denoted in the paragraph if it differs from the previous statement. For more details regarding affiliated corporate information, please see our [2023 Annual Report](#). There were no significant changes in organizational size, structure, ownership, and supply chain during the reporting period.

Compilation Guidelines

This report is prepared following the most updated GRI Standards: 2021, and the GRI Index is enclosed in the appendix. We also adopted SASB for the disclosure of Sustainable Accounting Standards Indicators for the Biotechnology and Pharmaceutical Industry, FSB Climate-Related Financial Disclosures (TCFD), and the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies."

The main responsible units and quality management methods of the report

Operating procedure	Practice	Responsible Unit (or position)
Compilation	The report is planned by corporate governance, which then compiles and proofreads the disclosure, data, and performance index prepared by the responsible units.	Corporate Governance Division
Internal Review	Each unit shall confirm the completeness and accuracy of the report, and the highest unit officers will make the final approvals.	Relevant responsible departments and their senior executive
External Guarantee	To ensure the accuracy and credibility of the Report, we have <ul style="list-style-type: none"> • Obtained the ESG report limited assurance issued by Grant Thornton Taiwan in compliance with TWSAE3000. Please see P.124 of the appendix of the report for the assurance, assured scopes, and the Independent Opinion Statement. • The financial data has been audited and verified by KPMG in accordance with the International Financial Reporting Standards (IFRS) and the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as approved and issued by the Financial Supervisory Commission. The data is uniformly expressed in New Taiwan Dollars (NTD). 	Grant Thornton / KPMG
Finalization	The finalized Sustainability Report is confirmed by the responsible department heads and approved by the Board for publication.	Corporate Governance Division

Information

Should you have any suggestions or questions regarding the Lotus Sustainability Report 2023, we invite you to contact us through the following channels. To fulfill our responsibility for corporate information disclosure, we also publish this report on [our website](#) for reference.

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or [contact us online](#)

Lotus ESG Highlights 2023

Environmental



GHG Inventory and Assurance for major locations



Completed TCFD climate-related financial disclosure



The cost of new sewage treatment system totaled NT\$ 8.5 million



Social



2-Time Winner of Best Companies to Work for in Asia



77 approvals and 123 SKUs launched



91% RD Team Retention Rate



Governance



Record-High of NT\$ 16.96B the 5th Year in-a-Row with double-digit Growth Rate



NT\$ 4.106B Annual Net Profit, 36% YOY Growth



Board Diversity Members from 6 countries, 36% of the board consists of female directors



2-Time Winner of Best Companies to Work for in Asia



This is our 2nd recognition as one of the Best Companies to Work for in Asia, competing with 366 other companies, proving that we are on the right track with our business management, strongly supported by our colleagues. The award, hosted by HR Asia, is considered one of the most prestigious awards, with panel members favoring our multi-national team and diverse culture. In addition to objective evaluations, the selection process seeks insights into how employees view the company culture, their jobs, and how their teams brainstorm and innovate. In all three aspects, Lotus received high ratings from our employees.

“We are entering a fast-growing phase in recent years, and we are moving forward with every member of the organization. Though we are on the fast track, we observe teamwork and consensus among our colleagues. This second win boosts all of us - employees, the management team, and our shareholders. We are encouraged to continue providing an equal, friendly, and safe work environment that inspires colleagues to challenge themselves and advance with the brand,” says CEO PetarVazharov.

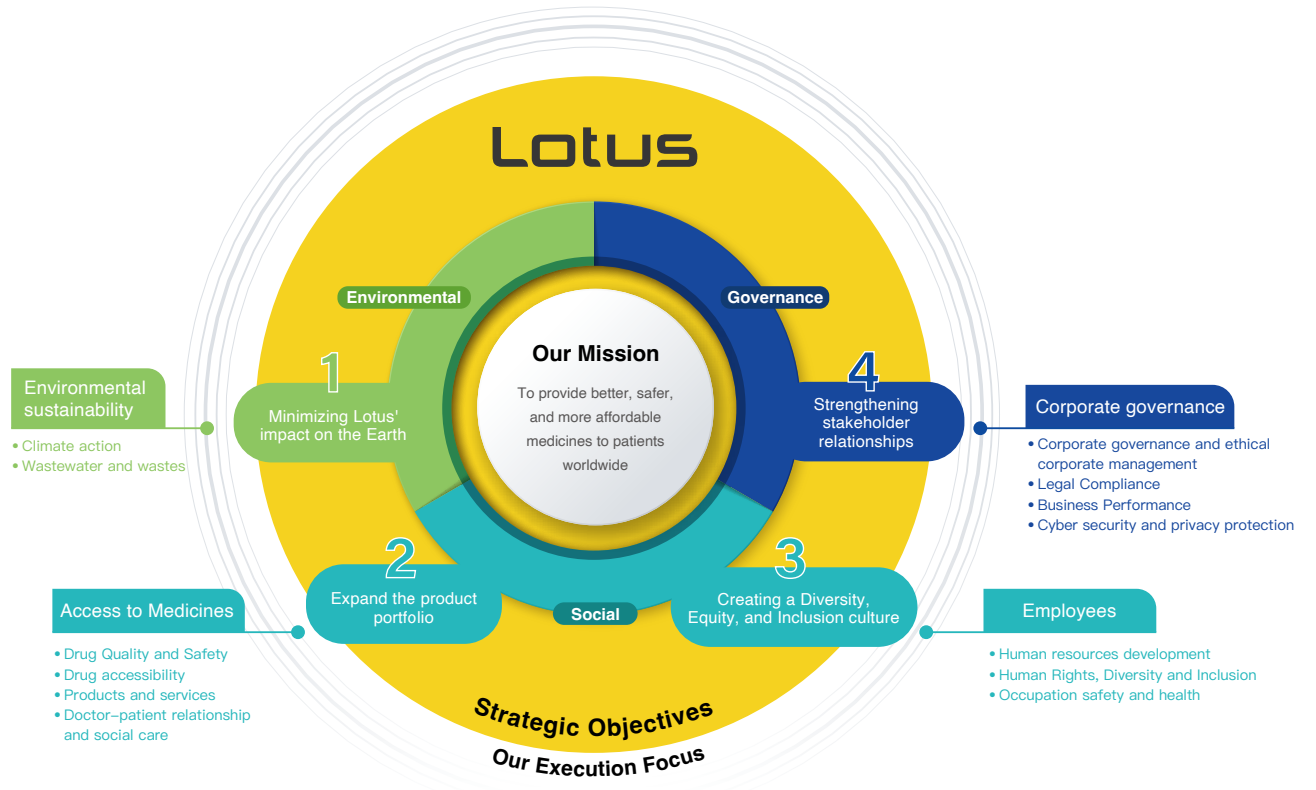
<p>Health initiatives at workplace</p>	<ul style="list-style-type: none"> • Pay attention to the physical and mental health of our employees, and provide special gymnasium appointments, annual health examinations, and flu vaccinations to ensure employee safety and health. • Launch the Yellow Friday event, offering various activities to help employees relax and unwind. • Offer childcare allowance to reduce financial pressure. • Encourages employees to report “Near miss events” to optimize workplace safety.
<p>Remuneration and benefits</p>	<ul style="list-style-type: none"> • Provide competitive remuneration, various bonus plans, and reward programs. • Dedicated spaces for rest and car parks at the Nantou plant to enhance work efficiency and comfort. • Arrange annual health check-ups and provide abundant meals and fruits for employees, demonstrating a commitment to their physical and mental well-being.
<p>Employee recognition</p>	<ul style="list-style-type: none"> • To attract and retain key talents, and to motivate employees to achieve the company’s medium and long-term goals, the company, with the approval of the board of directors and shareholders, issues restricted employee shares to relevant talent. This aims to actively ensure that key talents continue to contribute their expertise to the company. • Provide promotion and salary adjustment mechanisms to enhance employee recognition and satisfaction. • Provide team-building budget to foster team cohesion and collaboration.

<p>Communication</p>	<ul style="list-style-type: none"> • Hold quarterly Town Halls to update employees on the latest operational news and facilitate two-way communication. • Establish multiple communication channels, including Employee Information Portals (EIP) and employee grievance channels, to maintain two-way communication between the company and our employees. • Conducted employee engagement surveys through the Mercer system, achieved a 90% response rate (based on 2023 questionnaire statistics), and implemented improvements based on the results, demonstrating a commitment to valuing employee feedback.
<p>Learning, training, and development</p>	<ul style="list-style-type: none"> • Provide various types of training courses and development projects for key talents to help employees and managers continue to improve their professional and management capabilities. • Promote autonomous advancement in professional knowledge and skill sets through online classes.
<p>Diversity, equity, and inclusiveness in workplace</p>	<ul style="list-style-type: none"> • Lotus Pharmaceutical is committed to our mission of providing better, safer, and more affordable medicines to patients worldwide. We recruit professionals from 19 countries and value the importance of employee rights and interests. • With over 1,400 employees, our international workforce emphasizes ethnic diversity, gender equity, and mutual respect. • Assist foreign employees to adapt to life in Taiwan from a daily and spiritual level, including special meals, transportation and accommodation arrangements, and special festival planning etc., to promote cultural exchanges and collaboration. • We value gender equity and gender representation in our organization. • Support parental leave to allow employees to care for their infants at home with peace of mind, and then return to the workplace afterwards.
<p>Work-life balance</p>	<ul style="list-style-type: none"> • Encourage colleagues to participate in various activities such as running events, Mother’ s Day charity drawing competitions, and travel.



Sustainability Strategy

While pursuing our mission “To provide better, safer, and more affordable medicines to patients worldwide,” we remain proactive in aligning our operations with environmental and social sustainability. In early 2024, we formed a Sustainability and Risk Management Team and developed measures to guide sustainable development tasks into short-, medium-, and long-term goals with corresponding strategies. The Team directs the implementation across departments and oversees the results from within to minimize the potential impact of our products on society and the environment. The backbone of the company’s sustainable growth is supported by four sustainability strategies: “minimal impact on the Earth; extensive product portfolio; company culture that promotes diversity, equity, and inclusiveness; and strong stakeholder engagement.” These strategies are based on four key points: “environmental sustainability, drug accessibility, employee development, and corporate governance”. The goal is to ensure continuous growth and position Lotus as the global leader in oral administrating generic drugs for cancer treatment, as well as the front runner in drugs that require high skill-threshold capacity. This supports the development of brand drugs, SBMPs, and 505 (b)(2), establishing an international pharmaceutical platform that addresses unmet medical needs.



Stakeholder Identification and Communication

Stakeholder Identification

The company identifies, through the operations of various departments within the enterprise, the degree of impact from its activities, products, and services, based on the five identification principles of AA1000 SES: dependence, responsibility, attention, influence, and multiple perspectives. Based on the above, the company formulates main management policies and execution plans to respond to the needs and expectations of stakeholders.

Lotus continuously tracks market trends and reviews stakeholder groups annually. After conducting benchmark analysis and internal interviews in 2023, stakeholders remain unchanged compared to 2022.

This year, there were a total of eight major stakeholders, including government agencies, shareholders/ investors, employees, customers, suppliers and partners, patients and support groups, the local community, and the media.

▼ Lotus's stakeholders



Stakeholder Engagement

▼ Lotus points of contact and communication with stakeholders

Our engagement with stakeholders includes business practices, routine surveys, and interview analysis across all teams. While stakeholders’ concerns vary depending on the nature of our business, we identify their demands and expectations through several channels and implement adjustments to reflect their perspectives. We also provide corresponding answers to their points of concern.

Stakeholder	Concerned Topics	Engagement Method	Communication Frequency	Communication Performance
Government agencies (note)	<ul style="list-style-type: none"> • Corporate governance and ethical operations • Legal Compliance • Drug quality and safety • Waste and water resources management • Occupational Safety and Health • Information safety and privacy protection • Climate response action 	<ul style="list-style-type: none"> • Visits, phone calls, correspondence, information declaration, E-mail, earnings calls 	<ul style="list-style-type: none"> • Irregular 	<ul style="list-style-type: none"> • We have specialists to manage correspondence with authorities. In 2023, from January to December, we handled 1,202 exchanges. • 12 directors, including former directors, participated in a total of 30 trainings following the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”. The training sessions totaled 95 hours altogether. • We follow the FSC-listed company Sustainable Development Roadmap and will complete GHG inventory and assurance in 2023. Additionally, we adopted TCFD measures to address climate change.
Shareholders/ investors	<ul style="list-style-type: none"> • Business Performance • Corporate governance and ethical operations • Legal Compliance 	<ul style="list-style-type: none"> • Annual general meeting/annual report • Quarterly financial report • Announcement of operations overview • Announcement of material information/press release/ investor conference/ company website/phone/E-Mail 	<ul style="list-style-type: none"> • Every year • Every quarter • Monthly • Irregular 	<ul style="list-style-type: none"> • 1 shareholders’ meeting • Hosted four earnings calls for the company. • Attended nine external investor conferences/forums • Announced 63 pieces of material information on the MOPS from January to December 2023.
Employees	<ul style="list-style-type: none"> • Human resources development • Human Rights, Diversity and Inclusion • Occupational Safety and Health 	<ul style="list-style-type: none"> • Labor’s meeting • Employee satisfaction survey • Workforce announcement • HR Intranet • Two-way communication conference • Department meetings • E-learning • Internal and external education and E-learning training • Performance interview • Remuneration Committee • Emergency response drills • Unions (in Korea) 	<ul style="list-style-type: none"> • Every quarter • Every year • Irregular • Irregular • Irregular • Irregular • Irregular • Every year • Every quarter • Irregular • Irregular 	<ul style="list-style-type: none"> • Four labor meetings were held in Taiwan from January to December 2023. • We issued 1,342 copies of the satisfaction survey to global employees, and received 1,201 returns, with a 90% response rate. In comparison with last year, we see progress on Engagement, Leadership, and Employee experience from the 2023 employee survey. • 5 Townhalls from January to December 2023. • 34 meetings with the Korean Union from January to December 2023.

Note: Center for Drug Evaluation, Ministry of Health and Welfare, Environmental Protection Bureau, Environmental Protection Agency, Ministry of Labor, Fire Brigade, Industrial Development Bureau, Economic Development Bureau, Health Bureau, Securities and Futures Bureau, Stock Exchange, etc.

Stakeholder	Concerned Topics	Engagement Method	Communication Frequency	Communication Performance
Customer	<ul style="list-style-type: none"> • Drug quality and safety • Drug accessibility 	<ul style="list-style-type: none"> • Exhibition participation/product presentation/holding academic activities/holding education lectures to build academic platforms/clinical trial/factory visit/ inspection/visit/E-Mail/letter rug safety monitoring, reporting and speeches by institutes on drug quality topics 	<ul style="list-style-type: none"> • Irregular 	<ul style="list-style-type: none"> • In 2023 we received 5 audits in the Nantou plant by TFDA (Taiwan), EAEU (Belarus), EDA (Egypt), TMMDA (Turkey), and EMA-Dutch Authority (Europe).
Suppliers and partners	<ul style="list-style-type: none"> • Supplier Chain management 	<ul style="list-style-type: none"> • Supplier management and audit 	<ul style="list-style-type: none"> • Based on the contract 	<ul style="list-style-type: none"> • In 2023, we conducted 36 audits of 8 local and 28 overseas suppliers. ALVOGEN KOREA conducted 41 audits of 17 local and 24 overseas suppliers
Patients and support groups	<ul style="list-style-type: none"> • Drug quality and safety • Drug accessibility 	<ul style="list-style-type: none"> • Academic activities/educational Lectures/ phone/E-Mail 	<ul style="list-style-type: none"> • Irregular 	<ul style="list-style-type: none"> • 19 events in Taiwan in 2023 reached 908 audiences. • 9 Parkinson 's disease-related health cares reached 450 targets; 1 brain tumor topic speech reached 30 targets; Nine activities centered around osteoporosis reached 428 audiences.
Local community	<ul style="list-style-type: none"> • Waste and water resource management • Occupational Safety and Health • Doctor-patient relationship and social care 	<ul style="list-style-type: none"> • Letter / E-Mail/visit/phone/meeting/ company website 	<ul style="list-style-type: none"> • Anytime 	<ul style="list-style-type: none"> • NT\$1M donated to Turkey and Syria to support victims of a severe earthquake. • 254 Taiwan-based colleagues gathered 888kg of trash from the beaches of Wanggong, Zhanghua. • ALVOGEN KOREA worked with Good People International to forward KRW\$20M and female hygiene products to women of low income and juniors. • For 11 years in a row, ALVOGEN KOREA has volunteered in Kimchi and bread production, delivering KRW\$ 3.5 M worth of donations to low-income groups and Timota Community Children Center. • KRW\$10M was allocated to support drug prevention, education, and rehab for young people. The project partnered with the Korea Drug Abuse Prevention Association, National Policy Agencies, and Food and Drug Safety Administration.
Media	<ul style="list-style-type: none"> • Legal Compliance • Economic performance • Drug accessibility • Drug quality and safety • Doctor-patient relationship and social care 	<ul style="list-style-type: none"> • Press release • Media interview • Market Observation Post System • Company website • Spokesperson • Media contact mailbox 	<ul style="list-style-type: none"> • Irregular 	<ul style="list-style-type: none"> • There were 35 disclosures and news releases on the website from January to December 2023 relating to company operations.

Identification of Material Topics and Analysis Flow

To ensure corporate sustainable development, we stay informed about global trends, applicable standards, industrial benchmarks, and material topics to revise our material topics.

We adopted GRI Standards 2021 and re-identified material topics in 2023 following the directives and outlines of GRI3 Material Topics. For each topic, we scored their positive and negative sustainable impacts. We then conducted workshops, surveys, analysis, interviews with the management team, and exchanges with the Sustainability and Risk Management Team to identify 13 material topics, including 2 environments, 7 societies, and 4 economy/governance-related topics.

▼ Lotus procedure for the identification of material topics of 2023

Assessment of operational impact

After a thorough examination of international conditions and industrial updates, we gathered key sustainability-related issues and determined 18 sustainability topics, of which 13 were from last year, and 5 new topics. We then engaged 31 management positions to share detailed, standardized evaluations regarding the severity (scale and scopes), the likeliness of occurrence, and potential risks against human rights through “Lotus Sustainability Report Survey on Material Topics” (25 returns with 81% return rate)

Identification of material topics

We gave equal weighted analysis to the results of the “Lotus Sustainability Report Survey on Material Topics” and prioritized the numbers to assess and identify 13 material topics that reflect the operation of those strategic goals.

Examination of material topics

External consultants are engaged to examine the adaptability of the material topics and the thresholds, the thoroughness and adequacy of the topics, ensuring the integrity, and inclusiveness and that they represent a broad perspective as well as our sustainable development strategy.

Establishment of material topics

The 13 material topics are then forwarded by the Corporate Governance Division to Sustainability and Risk Management Team for approval. In the report, we disclose the impact of each topic, our related policies, commitments, management, action, indicators, and goals.



Explanation of Materiality Analysis Principle

Based on the principle of "GRI3: Material Topics", Lotus evaluates the severity of impacts using two factors: impact degree and likelihood of occurrence. Through a questionnaire survey, each unit is asked to rate the impact scale/scope, catastrophic nature, frequency, and probability of each sustainability issue. Simultaneously, the questionnaire results are collected, and adjustment factors are also included for calculation. The materiality of positive and negative impacts on each issue is evaluated by considering whether it affects multiple value chains' impacts, the emphasis of the new GRI version on enterprise disclosure of human rights impacts, and the alignment between corporate sustainability and business focus.

Items	Description																							
<p>Questionnaire universe</p>	<p>The universe for analysis comprised 25-unit questionnaires from Lotus, with the involvement of 8 major stakeholders and their respective responsible units as follows:</p> <table border="1" data-bbox="353 423 2033 597"> <thead> <tr> <th data-bbox="353 423 792 457">Stakeholder</th> <th data-bbox="792 423 1232 457">Responsible units</th> <th data-bbox="1232 423 1671 457">Stakeholder</th> <th data-bbox="1671 423 2033 457">Responsible units</th> </tr> </thead> <tbody> <tr> <td data-bbox="353 457 792 491">Government agencies</td> <td data-bbox="792 457 1232 491">Legal and Compliance; Internal Auditor Regulatory Affair; Corporate Governance</td> <td data-bbox="1232 457 1671 491">Local community</td> <td data-bbox="1671 457 2033 491">Operations and Supply Chain Management</td> </tr> <tr> <td data-bbox="353 491 792 525">Employees</td> <td data-bbox="792 491 1232 525">Human Resources; Operations and Supply Chain Management</td> <td data-bbox="1232 491 1671 525">Media</td> <td data-bbox="1671 491 2033 525">Corporate Communications</td> </tr> <tr> <td data-bbox="353 525 792 559">Shareholders/investors</td> <td data-bbox="792 525 1232 559">Corporate Communications</td> <td data-bbox="1232 525 1671 559">Customers</td> <td data-bbox="1671 525 2033 559">Sales and Marketing; Quality; Operations and Supply Chain Management</td> </tr> <tr> <td data-bbox="353 559 792 593">Patients and support groups</td> <td data-bbox="792 559 1232 593">Sales and Marketing</td> <td data-bbox="1232 559 1671 593">Suppliers and partners</td> <td data-bbox="1671 559 2033 593">Operations and Supply Chain Management; Procurement; Business Development</td> </tr> </tbody> </table>				Stakeholder	Responsible units	Stakeholder	Responsible units	Government agencies	Legal and Compliance; Internal Auditor Regulatory Affair; Corporate Governance	Local community	Operations and Supply Chain Management	Employees	Human Resources; Operations and Supply Chain Management	Media	Corporate Communications	Shareholders/investors	Corporate Communications	Customers	Sales and Marketing; Quality; Operations and Supply Chain Management	Patients and support groups	Sales and Marketing	Suppliers and partners	Operations and Supply Chain Management; Procurement; Business Development
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Patients and support groups	Sales and Marketing	Suppliers and partners	Operations and Supply Chain Management; Procurement; Business Development																					
<p>Survey for 18 sustainability related questions</p>	<p>After discussions with the Corporate Governance Division, we included 4 new sustainability topics in 2023 to conduct an impact evaluation.</p> <p>▼ The 18 Lotus Sustainability Topics</p> <table border="1" data-bbox="353 706 1989 866"> <thead> <tr> <th data-bbox="353 706 792 740">Economic / Governance</th> <th data-bbox="792 706 1232 740">Environmental</th> <th colspan="2" data-bbox="1232 706 1989 740">Social</th> </tr> </thead> <tbody> <tr> <td data-bbox="353 740 792 866"> 01.Legal Compliance 02.Information Safety and Privacy Protection 03.Corporate Governance and Ethical Operations 04.Economic Performance </td> <td data-bbox="792 740 1232 866"> 05.Climate Response Action 06.Water Resource Management 07.Waste Management 08.Toxic Chemical, Substance Management </td> <td data-bbox="1232 740 1599 866"> 09.Drug Quality and Safety 10.Process and Quality Control 11.Counterfeit Drugs 12.Human Rights, Diversity and Inclusion 13.Drug Accessibility </td> <td data-bbox="1599 740 1989 866"> 14.Products and Services 15.Marketing and Labeling 16.Human Resources Development 17.Occupational Safety and Health 18.Doctor-Patient Relationship and Social Care </td> </tr> </tbody> </table>				Economic / Governance	Environmental	Social		01.Legal Compliance 02.Information Safety and Privacy Protection 03.Corporate Governance and Ethical Operations 04.Economic Performance	05.Climate Response Action 06.Water Resource Management 07.Waste Management 08.Toxic Chemical, Substance Management	09.Drug Quality and Safety 10.Process and Quality Control 11.Counterfeit Drugs 12.Human Rights, Diversity and Inclusion 13.Drug Accessibility	14.Products and Services 15.Marketing and Labeling 16.Human Resources Development 17.Occupational Safety and Health 18.Doctor-Patient Relationship and Social Care												
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<p>Calculation of Materiality of Impact</p>	<ol style="list-style-type: none"> Each responsible unit scores the positive and negative sustainability impacts of the 18 topics. When calculating, the degree of impact and likelihood of occurrence filled in by each unit are summed and averaged, and the impact materiality of the issue is determined by multiplying the degree of impact by the likelihood of occurrence. When measuring the impact level, the following adjustment factors are included for calculation: <ul style="list-style-type: none"> Whether it affects multiple value chains' impacts The latest version of GRI emphasizes enterprise disclosure of human rights impact. Correspondence to the corporate sustainability and business focus. After the preliminary evaluation, corrections are made based on the opinions of internal and external stakeholders and the management. The analysis results of positive and negative sustainability impacts are then consolidated to summarize the materiality analysis of the 18 topics. Based on the analysis results and internal discussions, Lotus identified 13 material topics. 																							

Material Topic Analysis and Summary

Through the aforementioned impact evaluation and analysis, Lotus further comprehensively examined the positive and negative impacts and summarized 13 material topics that will impact the external environment, economy, and society: 2 environment-related, 7 society-related, and 4 economy/governance-related topics.

▼ Material topics, the impact range, and level of involvement

● Direct impact ○ Contributing impact ▲ Business impact

No.	Material topics	Positive and Negative impact	Corresponding GRI	The meaning and importance of Lotus	Value chain impact			Chapter
					Up-stream	Lotus Pharmaceutical	Down-stream	
1	Drug accessibility	(+): Better accessibility allows patients to reach medicines more efficiently, improving disease control through enhanced drug compliance. (-): Overly easy access to drugs can lead to abuse, misuse, and/or dependency, which enhances side effects, adverse reactions, and the problem of increasing drug abuse.	Self-established Topic	*Actual positive impact Drug accessibility timely provision of treatment medicines, facilitating rapid control of the condition, elevating life, and health levels.		▲	●	3-2 Improving Drug Accessibility
2	Drug quality and safety	(+): Quality and safety standards ensure safe and effective treatment, patients' trust in drugs, and positive treatment outcomes, boosting our reputation and market value. (-): Drugs of inferior quality can cause side effects or health risks, which lead to trust issues and legal liability, hindering our business.	GRI 416-1 GRI 416-2	*Actual positive impact The key is to control quality and safety. We have well-established standards and monitoring measures to ensure compliance and safety. At Lotus, quality is our core value, and every member is accountable for ensuring the highest quality of production.		▲	●	3-1 Product overview
3	Human Rights, Diversity and Inclusion	(+): Human rights and inclusiveness promote innovation, encouraging RD and manufacturing from all backgrounds. (-): Insufficient attention to human rights and diversity can lead to discrimination and unfair treatment, limiting variety and innovation.	GRI 405-1 GRI 406-1	*Actual positive impact We respect human rights and inclusiveness, which promise fair, reasonable, and sustainable development, benefit innovation, product coverage, accessibility, and adaptability.	○	●	○	2-1 Corporate Governance and Ethical Operations 5-3 Human rights and inclusiveness

No.	Material topics	Positive and Negative impact	Corresponding GRI	The meaning and importance of Lotus	Value chain impact			Chapter
					Up-stream	Lotus Pharmaceutical	Down-stream	
4	Legal Compliance	(+): Strict compliance with regulations ensures that Lamex's products meet safety standards, increasing public confidence in medicines, and maintaining reputation. (-): Ignoring regulations may lead to product safety and quality problems, resulting in patient health risks, as well as legal proceedings and a crisis of industry trust.	GRI 2-27	*Actual positive impact Legal compliance is of the utmost importance, as it ensures the safety and legality of production, patients' well-being and rights, as well as brand upholding and sustainable development.	○	▲	○	2-1 Corporate governance and ethical operations
5	Information safety and privacy protection	(+): Effective measures for information security and privacy protection ensure that sensitive data and medical records are in safe hands, boosting patients' trust and good patient relationships. (-): Failure in information security and privacy protection could lead to sensitive data breaches, damaging patient privacy, causing lawsuits and a negative image, and posing a severe threat to brand reputation.	GRI 418-1	*Potential negative impact Information security and privacy matter, as the privacy and sensitive data of our patients are treated with discretion to ensure medical data integrity and confidentiality, gaining customers' trust and brand image.	○	●	○	2-3 Information security and personal data risks
6	Corporate governance and ethical operations	(+): Healthy corporate governance and ethical operation benefit company transparency and trustworthiness, appealing to investment and partnerships, and contributing to constant business growth and sustainable development. (-): The missing of corporate governance and ethical operation can create problems in financial transparency, decision-making, and moral risks, which induce investors' and consumers' doubt and distrust of our brand, impeding the steadiness of operation.	GRI 205-2 GRI 205-3 GRI 206-1	*Actual positive impact Corporate governance and ethical operation are key to business sustainability and competitive advantages. Through a solid business foundation and compliant operation, we can win stakeholders' and customers' trust and support.	○	▲	○	2-1 Corporate governance and ethical operations
7	Economic performance	(+): Positive economic performance ensures consistent revenue, effective cost control, and fund allocation, contributing to sustainable development and ever-growing market share. (-): Looming performance may lead to fund shortages, operation drawbacks, and weak marketability, consequently impeding long-term growth and sustainability.	GRI 201-1	*Actual positive impact Healthy business performance status is of great importance, as it ensures consistent finance, growing business, strong and long-lasting position in the markets to enable the supply of quality medicinal products and services.	○	▲	○	1-1 Economic performance

No.	Material topics	Positive and Negative impact	Corresponding GRI	The meaning and importance of Lotus	Value chain impact			Chapter
					Up-stream	Lotus Pharmaceutical	Down-stream	
8	Waste water and waste	(+): Effective wastewater and waste treatment benefits a clean environment and ecology and ensures legal compliance and a positive brand image. (-): Failure to properly treat wastes and wastewater can bring adverse impacts to the environment and neighborhood health, linking the organization to legal liability and critiques from the society.	GRI 303-3 GRI 303-4 GRI 303-5 GRI 306-3 GRI 306-4 GRI 306-5	*Potential negative impact Pharmaceutical businesses must plan a comprehensive waste and wastewater treatment work, which processes so that the discharge and disposal are within compliance, and kind to the environment and to the public.	○	●	○	4-4 Water Resource Management 4-5 Waste management
9	Climate response action	(+): Climate change action plan mitigates emissions, promotes energy efficiency and discourages environmental risks. (-): Climate change can mean supply chain disruption, material price fluctuation, increasing operational risks, and difficulty in cost control.	GRI 302-1 GRI 302-3 GRI 302-4 GRI 305-1 GRI 305-2 GRI 305-4 GRI 305-5	*Potential negative impact We advocate climate actions to stay active to the challenges of climate change, reducing negative impact to the environment, while building strong competence in sustainable development and standing out in the crowd.	○	●	○	4-1 Task Force on the Climate-related Financial Disclosures 4-2 Greenhouse Gas Management 4-3 Energy management
10	Products and services	(+): Quality ensures drugs and services improve health, extend life expectancy, and good living, and inspire medical development and innovation. (-): Part of drugs can cause side effects or safety concerns; improper service may cause difficulty for patients to receive proper medical treatment, exposing them to drug risks, and further triggering public trust issues.	GRI 417-1 GRI 417-2	*Potential negative impact Our products and services are critical to people's health. Therefore, we are devoted to medicinal quality and service by providing effective treatment methods and health management plans as part of our responsibility, which supports sustainable development.	○	▲	●	3-3 Drug Quality

No.	Material topics	Positive and Negative impact	Corresponding GRI	The meaning and importance of Lotus	Value chain impact			Chapter
					Up-stream	Lotus Pharmaceutical	Down-stream	
11	Human resources development	(+): Effective manpower management nurtures professional knowledge and skill sets, stimulates teamwork and innovation, creates an environment that attracts talents, and therefore contributes to fruitful organizational development. (-): The lack of workforce management can be discouraging to talent growth, task progress, and teamwork, resulting in impassive market share and long-term development.	GRI 401-1 GRI 401-2 GRI 401-3 GRI 404-1 GRI 404-2 GRI 404-3	*Actual positive impact Good development of human resources is the key to staying in the game and staying innovative. Continual training and development ensure professionalism and team performance, which navigate top quantity, quality, and services, ensuring a long-term realization.	○	●		5-1 Remuneration, Benefits and Employee Care 5-2 Training and Development
12	Occupational Safety and Health	(+): Supportive OSH is beneficial to employee health and safety awareness as it helps minimize occupational incidents and disease rates, improving production numbers. (-): Neglect of occupational safety and health can be the cause of incident rate in the workplace, costing employee health, delay, and even disruption in production, affecting production efficiency and brand reputation.	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7	*Potential negative impact Good practice of OSH supports the foundation of the organization. A well-established work setting protects employees from injuries and promotes work performance and quality, production continuity, legal compliance, and a positive brand image.		●		5-4 Occupational Safety and Health
13	Doctor-patient relationship and social care (New addition)	+): Staying active in patient relationships and social engagement with the provision of good drugs and health articles can raise awareness among patients, our care and support to them, and benefit the management of brand reputation and image. (-):The absence of positive engagements with patients and/or in social care when pursuing for profit can lead to an overlook of patient needs and social responsibility, evoking people's distrust of our brand and even dispute and/or protest.	Self-established Topic	*Positive actual risks Active support of patient relationships and community care benefits the special value of the pharmaceutical industry and company reputation. A good brand image and strong consumer trust can further improve business development and sustainable operation.	○	●	○	6-1 Patient care 6-2 Social Engagement

*Note: Blue columns represent economy governance-related topics, green for the environment, and aqua for society topics.

List of Material Topics 2023

The 2022 topic “Natural Resources Management” has been replaced with “Climate Response Action” to define a broader range. Additionally, this year we have included our longstanding focus on “Doctor-patient relationship and social care” in the discussion. This topic successfully passed the identification as one of this year’s material topics. The remaining material topics are carried over from the previous year before with updated priorities for this year.

▼ Updates of Lotus Material Topics 2023

Material topics 2022		Material topics 2023		Updates
01	Corporate Governance and Ethical Operations	01	Drug Accessibility	Up
02	Legal Compliance	02	Drug Quality and Safety	Up
03	Drug Quality and Safety	03	Human Rights, Diversity and Inclusion	Up
04	Business Performance	04	Legal Compliance	Down
05	Information Safety and Privacy Protection	05	Information Safety and Privacy Protection	Unchanged
06	Human Rights, Diversity and Inclusion	06	Corporate Governance and Ethical Operations	Down
07	Drug Accessibility	07	Business Performance	Down
08	Products and Services	08	Waste Water and Waste	Up
09	Waste Water and Waste	09	Climate Response Action	Formerly known as climate action, it is revised to reflect international trends and included in Natural Resource Management.
10	Human Resources Development	10	Products and Services	Down
11	Workplace Environmental Health and Safety	11	Human Resources Development	Down
12	Natural Resources Management	12	Occupational Safety and Health	Workplace environmental health and safety. Renamed from Workplace environmental health and safety. Down.
13	Climate Action	13	Doctor-Patient Relationship and Social Care	New addition

Management of material topics

Drug Accessibility



Corresponding GRI Index

Self-established Topic

Commitments and Policies

To ensure that patients have proper access to required drugs for a better health status, we enhance the production, distribution, and administration of medicines to satisfy the needs for healthcare and better quality of life.

Metrics and Targets

Short-term goals

- Meeting patients' needs by pursuing better efficiency and shorter cycles of production.
- The expansion of the sales network and partnership, and the increase of sales and the variety of products allow wider access to drugs.

Mid-Long-term goals

- A consistent supply chain helps ensure sufficiency, especially in response to the increase in market demands.
- Increase investment to explore new drugs, product types, and better quality, meeting users' customized needs.
- Expansion of strategic partnerships; good variety of product portfolio.

Effectiveness Tracking Mechanism

- Supervision and tests are scheduled to ensure production efficiency and cycle. Action plans are adopted for improvement as well.
- Scheduled check of R&D progress ensures on-time launch of new products.
- Scheduled follow-up of strategic partnership progress helps ensure the local commercialization of drugs and better accessibility.
- Meetings and audits are adopted to verify the progress toward goals and help roll adjustment

Actions and Measures

- Acquired TFDA accelerated approval for ZEPZELCA®, Lotus' first NCE product to launch in Taiwan for small cell lung cancer (SCLC).
- The breast cancer drug Palbociclib has shown progress in clinical trials. The hormone medication Dydrogesterone, the lung cancer drug Afatinib, and Bosutinib for chronic myelogenous leukemia, have met clinical trial criteria and will proceed to the drug submission and application stage.
- Pomalidomide for blood cancer and Sunitinib for gastrointestinal stromal tumors have completed preparations for a new launch and mass production.
- The drug for the treatment of idiopathic interstitial pulmonary fibrosis is currently undergoing patent application in Taiwan and Europe. The drug certification application has been inspected and registered, and the relevant approvals have been obtained in the United States and Canada.
- In terms of oral soft capsules for particularly difficult diseases, the non-small cell lung cancer drug Vinorelbine has been launched in Taiwan and Vietnam, and the prostate cancer drug Enzalutamide is being sold on the global market.
- Midostaurin, a drug used to treat acute myeloid leukemia, has already been approved by the regulatory body of Taiwan and the FDA.
- Drugs used to treat transthyretin amyloidosis, lupus nephritis, etc. are currently in the R&D stage. However, Lotus has already obtained preliminary progress in the clinical trials of transthyretin amyloidosis in terms of drug development.



Drug Quality and Safety



Corresponding GRI Index

GRI 416-1、GRI 416-2

Commitments and Policies

Ensure top quality of products and assume responsibility for patients' and users' safety.

Metrics and Targets

Short-term goals

- Enhance QC throughout production to ensure top standards are met for every batch.
- Training and learning improve employees' priority and ability to high-quality output.
- Well established quality management system (QMS) ensures strict control and management over production and exam procedures.

Mid-Long-term goals

- Continuous improvement on QMS to satisfy the changing market demands and supervisory requirements, ensuring drug quality and safety.

Effectiveness Tracking Mechanism

- Scheduled quality reviews and assessments help ensure the effective function of QMS.
- Routine monitoring and inspection to ensure quality and safety in the production environment.
- Guest feedback systems can collect and respond to the opinions and suggestions made about product quality.
- Elevated supplier management to ensure the quality meets the raw material and auxiliary ingredient requirements.

Actions and Measures

- GMP training for all sites. 577 attended a total of 1,154 hours of training.
- 10 people attended Internal Auditor training. 80 total training hours are recorded.
- 86 attended the deviation reporting workshop. A total of 172 trading hours were recorded.
- 69 people took the class on root cause analysis. 138 training hours in total.
- 84 attended risk management classes. A total of 504 trading hours were recorded.
- In 2023, five inspections were completed for the Taiwan Nantou site, including Taiwan (TFDA), Belarus (EAEU), Turkey (TMMDA), Egypt (EDA), and the EU (EMA).
- 1,260 people completed training on how to make drug safety reports.

Human Rights, Diversity and Inclusion



Corresponding GRI Index GRI 405-1 、 GRI 406-1

Commitments and Policies

Create a work environment of respect, equity, and diversity, and respect and protect the basic human rights of all employees.

Metrics and Targets

Short-term goals

- Advocate cultural diversity to create an inclusive, understanding corporate background, raising employee awareness of mutual respect.
- Emphasize human rights awareness among colleagues by giving reminders and training, enhancing knowledge and priority over related subjects.
- Well-established mechanism to ensure human rights protection, and all actions from within the company are compliant with applicable laws and company policies.

Mid-Long-term goals

- Proactive on gender equity and plurality.
- Extend supervision to ensure observation by suppliers and partners in human rights standards and policies.
- Engagements in social welfare practices, improving and supporting social justice, equity, and plurality.

Effectiveness Tracking Mechanism

- A mechanism is established to ensure fellow workers have channels to report human rights violations in a safe, prompt way.
- Regular trainings are provided to raise awareness and understanding of human rights topics.
- Activities are organized to improve culture mix and exchange.

Actions and Measures

- We follow international and local regulations and have established policies to safeguard basic human rights, promoting an employee-friendly workplace.
- Our directors are from 6 countries, with 36% female members.
- 33% of high-level management teams are female, showing gender diversity efforts in management composition.
- Of new managerial position holders, 27% are female, reflecting our emphasis on gender equity in Lotus.
- We recorded 20 applications in 2023 for childcare leave in Taiwan and Korea; in the same year, we had an 83% return rate in Taiwan from childcare leaves and 56% in Korea.
- 6 trainings were organized to focus on human rights policies, sexual harassment prevention, and feedback management. A total of 752 people received training. Training hours recorded were 752 hours.



Legal Compliance



Corresponding GRI Index GRI 2-27

Commitments and Policies

Strict compliance to ensure business activities are in line with applicable laws and standards.

Metrics and Targets

Short-term goals

- Ensure that all production and business processes comply with local and international regulations and standards related to pharmaceutical manufacturing.
- Strengthen employee training and education to improve employees' awareness and execution capabilities of compliance with laws and regulations.

Mid-long-term goals

- Establish a complete internal monitoring mechanism to ensure that the company continues to comply with regulatory requirements in various business activities.
- Continue to pay attention to and adapt to new regulatory changes and standard updates, and promptly adjust and improve the company's business processes and management systems.

Effectiveness Tracking Mechanism

- Conduct regular internal reviews and self-examinations to assess whether all business activities comply with relevant regulatory requirements and early identification of potential problems.
- Strengthen communication and cooperation with regulatory agencies, actively cooperate with regulatory inspections and reviews, and actively respond to requirements and suggestions put forward by regulatory agencies.
- Establish a complaint and reporting system, encourage employees and stakeholders to provide information about regulatory violations, and promptly investigate and handle related incidents.

Actions and Measures

- No major violations.



Information Safety and Privacy Protection



Corresponding GRI Index GRI 418-1

Commitments and Policies

Ensure patient security and privacy through a strict policy that covers data encryption for sensitive content and the setup of clearances to grade users' accessibility.

Metrics and Targets

Short-term goals

- Internal information security plan to ensure the awareness and observation of safety policy among colleagues.
- Scans and patches to minimize loops and risks in cybersecurity systems.
- Extend coverage to ensure the minimization of internal and external security risks through information security awareness and training.
- Regular inspection and update of mechanism to keep time relevance and validity of policy.
- Elevate partnerships to establish information security standards and protection measures with suppliers and partners.

Effectiveness Tracking Mechanism

- Routine training and follow-up to ensure employee engagement in internal information security.
- Establish a monitoring system and schedule routine checks of the information system to locate security loops and exceptional activities.
- Information Security Team in place to take charge of routine review and update of the security policy and procedure.
- Scheduled training and tests can enhance employee safety awareness and skills.

Actions and Measures

- Drills can evaluate critical systems to ensure successful recovery of backup when facing disasters. Drills were conducted with a 100% success rate.
- Drills and tests are in place to minimize phishing emails. The rate has decreased from 32.80% in Q4 2022, to 13.87% in Q1 2024.
- Office and business operations have covered newly recruited with basic information security training upon reporting to duty.
- All existing employees have completed information security training emails every 6 months this year.
- All current employees have completed information security training every 6 months this year.



Corporate Governance and ethical Operations



Corresponding GRI Index GRI 205-2、GRI 205-3、GRI 206-1

Commitments and Policies

Establish a transparent and responsible corporate governance structure and adhere to the principle of integrity to ensure the legality and ethics of all business activities.

Metrics and Targets

Short-term goals

- Ensure a healthy corporate governance structure, including board member composition, terms, and internal control mechanisms, to enhance the company's transparency and responsibility.
- Good practice of honest operation through the adoption of ethical risk assessment, ensuring ethical business activities.
- Enhanced training to elevate the awareness and importance of corporate governance and ethical operation among colleagues.

Mid-long-term goals

- Strengthen corporate governance efficiency and transparency, realize proper rotation and plurality of board members, and ensure the company's long and consistent development.
- Improve internal monitor mechanisms, establish a risk management system, and foresee and counteract potential ethical risks and violations.

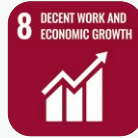
Effectiveness Tracking Mechanism

- Establish an independent internal supervision team to take charge of the review and assessment of corporate governance and business activities.
- Targeted training for corporate governance and ethical operation. Performance is graded regularly to ensure employees' understanding and observation of policy and commitment.
- Channels are established to encourage reports of violations and ethical risks, enabling timely follow-up and effective measures to be adopted.

Actions and Measures

- All newly recruited have received a briefing on "Business Conduct and Ethics Regulations," and "Ethical Corporate Management Best Practice and Code of Conduct Guidelines."
- Training is given in honest operation and business code of conduct 736 people completed 30-minute training per session on corruption awareness.
- No punishment is received in 2023 due to the transaction of unjust proceeds.
- 2 trainings are given to raise awareness of the Fair-Trade Act.

Economic Performance



Corresponding GRI Index GRI 201-1

Commitments and Policies

Effective cost control and enhancement of operation efficiency to ensure continual growth of economic performance.

Metrics and Targets

Short-term goals

- Continual improvement of operation efficiency to meet current goals.
- Minimize cost to control to maximize profit rates.

Mid-long-term goals

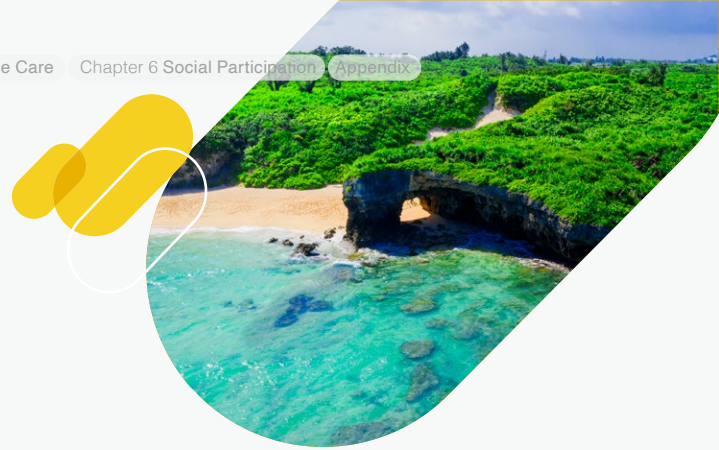
- Continual improvement of operation efficiency to meet current goal.
- Extend product lines and market skills to maximize income.

Effectiveness Tracking Mechanism

- Regular review and analysis of production cost structure to propose corresponsive measures to cost control.
- Regular assessment to propose improvement plans for supply chain efficiency and delivery time.
- Regular review of the status of the targets to ensure the rationality and effectiveness of investment.

Actions and Measures

- Revenue of the year reached NT\$16.96 billion, increasing by 16%, making 2023 the most successful fiscal year. Two-digit revenue growth for the fifth year in a row. Net income increased from NT\$3.02B in 2022, to NT\$4.1B in 2023, looking at 36% YOY growth with NT\$15.72 EPS.
- Business development: 25 authorizations are signed, including 9 high value targets: one new medicine (NCE), two Biosimilars, three 505 (b)(2), and three complex generics.
- 29 releases are signed in 2023 to partner with global leading companies, including Sandoz and Teva. Our authorized products have reached 160 markets worldwide.



Waste Water and Waste



Corresponding GRI Index

GRI 303-3 、 GRI 303-4 、 GRI 303-5 、
GRI 306-3 、 GRI 306-4 、 GRI 306-5

Commitments and Policies

Observation of environment-related regulations; devotion to the effective management and treatment of wastewater and wastes from drug production, to cut down negative impact on the environment.

Metrics and Targets

Short-term goals

- To ensure the classification and recycling of wastes reach target numbers.
- Regular review and update of wastewater and waste treatment facility to ensure compliance.

Mid-long-term goals

- Enhance the number of waste reuse.
- Continuous improvement in the efficiency and performance of wastewater and waste processes.

Effectiveness Tracking Mechanism

- Regular monitoring and assessment of the number of classifications and recycling of wastes.
- Regular inspection and assessment of discharge and waste treatment system. Improvement measures are recorded.
- Routine update and review of environment-related regulations to ensure the adequacy of company policy.
- Regular training and reminders to raise awareness of and importance of discharge and waste management.

Actions and Measures

- Discharge is processed through a new treatment plan launched in 2023. Treated discharge meets applicable standards.

Climate Response Action



Corresponding GRI Index

GRI 302-1、GRI 302-3、GRI 302-4、
GRI 305-1、GRI 305-2、GRI 305-4、GRI 305-5

Commitments and Policies

Devotion to minimize the impact of climate change; active participation in climate response action to ensure the company's sustainable development.

Metrics and Targets

Short-term goals

- Reduce energy consumption to continue to cut down emissions.
- Improve energy, efficiency, and consumption costs.

Mid-long-term goals

- Reduce the company's carbon footprint as a whole.
- Assess alternatives for renewable energy.
- Evaluate adoption of green supply chain management measures and encourage suppliers to participate in carbon reduction.

Effectiveness Tracking Mechanism

- Regular monitoring and recording of company emissions; comparison and analysis against short-term goals.
- Ensure we reach the goal through regular monitoring and assessment of energy consumption costs.
- Effective implementation of green supply chain management through close collaboration with suppliers and regular evaluation of their eco-policy and execution.

Actions and Measures

- 2023 GHG inventory and assurance in major locations.
- 37.41ton CO₂e reduction from the higher setting of water chiller temperature and the adoption of inverter air conditioners.

Products and Services



Corresponding GRI Index GRI 417-1、GRI 417-2

Commitments and Policies

Supply of top quality, safe, effective products and services to meet customer demands and ensure patient well-being.

Metrics and Targets

Short-term goals

- Continue product development; ensure the number of new products reaches the target.
- Enhance service quality.
- Enhance product quality control.

Mid-long-term goals

- Increase investment to explore new drugs, product types, and better quality, meeting users' customized needs.
- Continue to enhance the service quality and product quality control.
- Expansion of strategic partnerships; good variety of product portfolio.

Effectiveness Tracking Mechanism

- Regular evaluation of RD progress to control new product targets.
- Regular checks to ensure effective implementation of QC measures throughout production.

Actions and Measures

- 21% YOY growth in the Asian market comes from the shooting development of business in Taiwan and Vietnam, thanks to Alimta® and Cialis®, which explored new sales channels, allowing brand drugs, generic drugs, and innovative products to hit Thoracic Departments and pharmaceutical stores, as well the launch of Vinorelbine, the first soft capsule ever, in Vietnam.
- In markets outside Asia, Lenalidomide is coming up strongly, and, in 2023, landed a new market to sell as the first batch of generic drugs in Brazil and Japan. Buprenorphine/ Naloxone, the CNS medicines continued at a two-digit growth in 2023. Both products contributed 10% more revenue in global sales from 2022.
- 25 business development deals were signed in 2023, including high-value targets such as three 505 (b)(2), and two Biosimilars. For the three 505(b)(2): VAZKEPA is cardiovascular medicine to which we acquired sole license in ASEAN and South Korea; we are the exclusive partner in Asia to ADLARITY, an innovative product for Alzheimer's disease For the 2 Biosimilars, we obtained the right to sell Denosumab in Asia and Ustekinumab in South Korea.
- 29 licensing-out deals are signed in 2023 to work with global leading companies, including Sandoz and Teva. To date, our authorized products have hit 160 markets worldwide.



Human Resources Development



Corresponding GRI Index

GRI 401-1、**GRI 401-2**、**GRI 401-3**、
GRI 404-1、**GRI 404-2**、**GRI 404-3**

Commitments and Policies

Comprehensive programs covering training, career developments and benefits, are to be in place to enhance work satisfaction and efficiency.

Metrics and Targets

Short-term goals

- Improve training coverage to ensure a minimum of 90% satisfaction from employees.
- Adopt and raise employee satisfaction survey to target score.

Mid-long-term goals

- Promotion of horizontal job movement can be beneficial to the talent incubation.
- Well-organized performance evaluation system to be in place to ensure business goals.
- Leadership training to be in place to enable the capacity and execution of leading teams in the company.

Effectiveness Tracking Mechanism

- Follow-up with employee training programs to evaluate and adjust accordingly.
- Analysis of employee satisfaction survey results to help us pinpoint issues and determine action plans. Improvement should be followed as well.
- Schedules will be predetermined to review the progress of the workforce cultivation plan and ensure the goals and proper adjustment.
- Conduct an annual assessment of the effectiveness and make necessary adjustments to the performance evaluation system to elevate fairness and accuracy of evaluation.

Actions and Measures

- 6,505 people took a total of 21,825 hours of general knowledge-related professional courses (company introduction, EHS, and sexual harassment).
- 743 people took a total of 4,890 hours of management-related professional courses.
- 1,157 people took a total of 3,098 hours of courses to enhance drug-related professionalism.
- Project collaboration with CNU to expand research capacity as well as cultivate talents in chemical analysis.
- 10 internships were planned with related school departments. 1 intern continued to work in Lotus after the internship was completed.

Occupational Safety and Health



Corresponding GRI Index

GRI 403-1、GRI 403-2、GRI 403-3、GRI 403-4、GRI 403-5、GRI 403-6、GRI 403-7

Commitments and Policies

To ensure occupational safety and health, our priority is to establish a working environment and culture that is safe and healthy to work in.

Metrics and Targets

Short-term goals

- Regular safety training to enhance occupational safety awareness among colleagues.
- Regular workplace inspection to ensure legal compliance to safety and proper work environment.
- Flag Safety Awareness Day a routine schedule to inspire employees to propose improvements and timely solutions to safety issues.

Mid-long-term goals

- Minimization of occupational accident numbers.
- Enhance occupational health level to minimize related disease cases.
- Well-structured emergency reaction plan and risk management mechanism to escalate the ability and efficiency to manage incidents.

Effectiveness Tracking Mechanism

- Regular follow-up on safety training records to ensure attendance rate and the absence list.
- Routine check for safety facilities and assessment for work settings to log issues and explore action plans.
- Routine assessment of the changes in occupational incident number and occupational disease number to locate root causes and determine improvement measures.
- Regular drills to assess the effect of contingency plans, find weak spots and make timely improvements.

Actions and Measures

- Taiwan**
- Nantou plant continued to receive MOHW “Safety Location” certification.
 - 828 colleagues took part in safety-related training, a total of 1,991 training hours.
 - 55 colleagues took part in health-related training, a total of 54 training hours.
 - 1,194 colleagues took part in fire-related training, a total of 3,334 training hours.
 - 60 colleagues took part in environmentally related training, a total of 30 training hours.
 - 421 received employee body checks; 82 received special hazard body checks.
- Korea**
- 451 colleagues took part in safety-related training, a total of 10,123 training hours.
 - 56 colleagues took part in health-related training, a total of 168 training hours.
 - 1 colleague took part in fire-related training, a total of 6 training hours.
 - 3 colleagues took part in environment-related training, a total of 32 training hours.



Doctor-patient Relationship and Social Care



Corresponding GRI Index Self-established Topic

Commitments and Policies

Positive patient relations and social care can provide better medical experiences and value to society.

Metrics and Targets

Short-term goals

- Regular arrangement of medical-related health education to provide friendly and professional knowledge to patients, families, and neighbors.
- Routine Participation in community services and public welfare activities to benefit local neighborhoods.

Mid-long-term goals

- Health education continues to enhance patients, families, and the public's awareness and understanding of medical knowledge.
- Neighborhood caring and engagement in public services can bring a good brand image.

Effectiveness Tracking Mechanism

- Routine inspection to check the engagement number and result of community activities as a reference for the rollout adjustment of campaigns and events.
- Regular meetings with partner institutes to exchange results and future collaboration, ensuring smooth implementation.

Actions and Measures

- 9 speeches on the care points for Parkinson's disease reached 450 audiences.
- One seminar regarding brain tumors was organized and reached 30 audiences.
- 9 exercises were hosted on osteoporosis topics. A total of 428 people attended the exercises.
- 254 employees collected 888 kg of trash during beach cleaning.
- Alvogen Korea guided KRW\$20 million in 2023 to support around 200 low-income women and young people with hygienic products.
- Bread Share is a voluntary work hosted in 2023 by Alvogen Korea. 20 managers and colleagues shared 500 loaves of bread to glisten with financially challenged families.
- For the 11th year in a row, Alvogen Korea took voluntary partnership in kimchi making. There are 15 managers and colleagues who joined in 2023, sharing the gourmet with the neighborhood.
- In 2023, we made our first donation to fight drug abuse. Alvogen Korea directed KRW\$10 million to support drug prevention, education, and rehab work for young people.

Chapter 1 About Us



1-1 Introduction to the Company

Lotus Pharmaceutical Co., Ltd was established in 1966 and is a generic drug factory based in Taiwan with an international perspective. Currently, we are the largest pharmaceutical company in Taiwan in terms of revenue, specializing in the production of oral cancer drugs which are sold worldwide. Lotus supplies the global market from the base in Taiwan, with a high-value product line covering central nervous system, cardiovascular disease and cancer medicine, and women’s health care and weight reduction medicine, with tablets, capsules, and soft capsules as the main dosage forms. The operating headquarters of Lotus is located in Taiwan, with manufacturing and research and development centers in both Taiwan and South Korea. The company’s Asian operating bases are located in Taiwan, South Korea, Singapore, India, Thailand, Vietnam, the Philippines, Malaysia, China and Hong Kong, and the European bases are in Iceland, Germany, Malta, Greece, Bulgaria and Romania. Lotus continues working as a partner with leading global pharmaceutical companies, thus allowing its high-quality products to be sold to various countries in the world. The company is one of the few Taiwanese pharmaceutical companies that can enter all international markets.

▼ Lotus's basic information

Company name	Lotus Pharmaceutical Co., Ltd
Headquarter address	17F, No.277, Songren Rd., Xinyi Dist., Taipei City
Countries of operation	Taiwan, South Korea, Singapore, India, Thailand, Vietnam, The Philippines, Malaysia, China, Hong Kong, Iceland, Germany, Malta, Greece, Bulgaria and Romania, United Kingdom, Austria, Switzerland
Sector of affiliation	Private sector
Industry category	Biotechnology and medical industry
Stock code	1795:TT

Global Operating Base

Lotus conducts meticulous assessments of the pharmaceutical industry landscape in different regions, identifying promising market opportunities. The company proactively establishes affiliates in Asia and Europe, aiming to create mutually beneficial ventures that contribute to both the local regions and Lotus itself. In South Korea and India, Lotus combines the advantages of local pharmaceutical technology or clinical trial resources to improve the efficiency of drug development. In countries other than India, Lotus is engaged in investment, sales, consulting services, and other businesses to expand sales markets in various regions. While Lotus lacks a physical operating base in the Americas, it has successfully established partnerships through its affiliates, allowing the Company to gain a foothold in the American market. Lotus subsidiary's market locations:

▼ Lotus's subsidiaries information

Name of subsidiaries	Location	Primary Business
Alvogen Korea Holdings Ltd.	South Korea	Investment activities
Alvogen Korea Co., Ltd.	South Korea	Production and sales of pharmaceutical
Alvogen Pharma India Private Limited	India	Investment activities
Norwich Clinical Services Private Limited	India	Clinical trials and technical services
Lotus International Pte. Ltd.	Singapore	Investment activities and pharmaceutical sales
Alvogen (Thailand) Ltd	Thailand	Sales of medical and chemical pharmaceuticals
Lotus Support Services SRL	Romania	Pharmaceutical regulatory affairs services
Lotus Alvogen Malta Ltd.	Malta	Consulting services related to sales of medical and chemical pharmaceuticals
Lotus Pharmaceutical, HK Ltd.	Hong Kong	Base for collecting information and handling agency services in Hong Kong

Name of subsidiaries	Location	Primary Business
Aite (Shanghai) Health Management Consulting Co., Ltd	China	Health management consulting, pharmaceutical technology consulting, trade information consulting, market operation planning, and business consulting
Lotus Japan Holdings Co., Ltd.	Japan	Sales of pharmaceutical and medical equipment
Avos Pharma Science Co., Ltd	Taiwan	Biotechnology service, sales of medical equipment, and related consulting services
Lotus Healthcare Malaysia Sdn. Bhd.	Malaysia	Sales activities and health and wellness consulting
Lotus Healthcare Philippines Corp.	Philippines	Sales activities and health and wellness consulting
Lotus Pharma Bulgaria EOOD	Bulgaria	Sales activities and health and wellness consulting
Lotus Pharma ehf.	Iceland	Sales activities and health and wellness consulting
Meishi Pharma Services Private Limited	India	Management consulting services
Meishi Pharma Service Pte. Ltd.	Singapore	Management consulting services

Business Performance

The 2023 revenue reached NT\$16.96 billion, reflecting a 16% year-over-year (YoY) growth and marking the company's most successful financial year to date. This achievement includes five consecutive years of high double-digit revenue growth. Net profit increased by 36% YoY, rising from NT\$3.021 billion in 2022 to NT\$4.106 billion in 2023, with an EPS of NT\$15.72. The company also achieved its highest-ever gross margin of 55% and operating profit margin (OPM) of 29%.

▼ Lotus Yearly Performance 2019-2023 (unit: NT\$ million)

Year	2019	2020	2021	2022	2023
Revenue	9,611	10,729	12,649	14,633	16,958
Gross profit	46%	43%	45%	53%	55%
Operating profit	12%	15%	18%	28%	29%
Net Income	767	1,030	1,403	3,021	4,106

Market Expansion in the Pacific and Global Markets

Asian business



Asian business growth 21% YoY mainly contributed by Taiwan and Vietnam

- Taiwan and Vietnam revenue growth of 66% and 199% YoY respectively, driven by the successful strategy shift in Taiwan and first-to launch product vinorelbine in Vietnam.
- 63 SKUs launched in Asia in 2023.

Asian business shared 54% of total revenue

- South Korea 33.3%
- Taiwan 14.2%
- Southeast Asia 6.5%

Export business



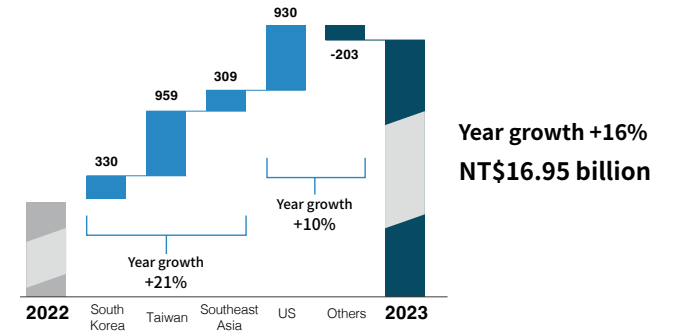
Export business grew 10% YoY

- Driven by the US launch of Lenalidomide and sustainable buprenorphine/naloxone sales.
- 60 SKUs launched in 2023.

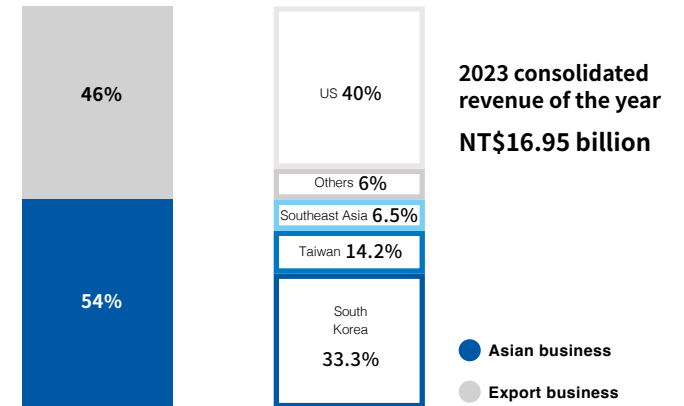
Global market shared 46% of total revenue

- US 40%
- Others 6%

▼ 2023 Consolidated revenue in comparison with the same period last year



▼ Lotus market composition



External Initiatives

▼ Active engagement to support international initiatives

ESG	<ol style="list-style-type: none"> Active support of 17 SDGs, sustainability indicators that advocate the integration of society, the economy, and the environment, to pursue global-wide sustainability. UN's Global Compact aims at sustainability governance starting from the attention to organizational development of human rights, labor, environment, and anti-corruption.
Environment	<ol style="list-style-type: none"> We use TCFD to assist investors and decision-makers in understanding climate-related risks, opportunities, and fiscal impact, supporting the organization to a successful transition.
Society	<ol style="list-style-type: none"> The adoption of the International Labour Organization (ILO) improves work and life conditions and ensures applicable rights. Social Accountability 8000 (SA8000) ensures supplier chain complies with international standards and codes of conduct regarding human rights, environment, and ethical manners. Responsible Business Alliance (RBA) ensures safe work settings are provided across the supply chain, and workers are treated with respect.
Governance	<ol style="list-style-type: none"> The United Nations Convention against Corruption (UNCAC) creates a total governance that shuts off corruption. The Principles for Responsible Investment (PRI) ensures investors the accessibility to and consideration of related information.

Participation in Public Associations

▼ Important engagement with key associations and initiatives

No.	Name of association	Qualification
1	Taiwan Parenteral Drug Association, PDA	Member
2	Taiwan Pharmaceutical Manufacturer's Association, TPMA	Member
3	Taipei Pharmaceutical Commercial Association of R.O.C.	Member
4	Taipei Pharmaceutical Agents and Distributors Association, TPADA	Member
5	Taiwan Bio Industry Organization	Member
6	Chinese Pharmaceutical Manufacture and Development Association, CPMDA	Director
7	Taiwan Pharmaceutical Marketing & Management Association, TPMMA	Director
8	Institute for Biotechnology and Medicine Industry, TRPMA	Member
9	Taiwan Generic Pharmaceutical Association	Member
10	Pharmaceutical Society of Taiwan	Member
11	Taipei Biotech Association	Member

1-2 Operational Results and Objectives

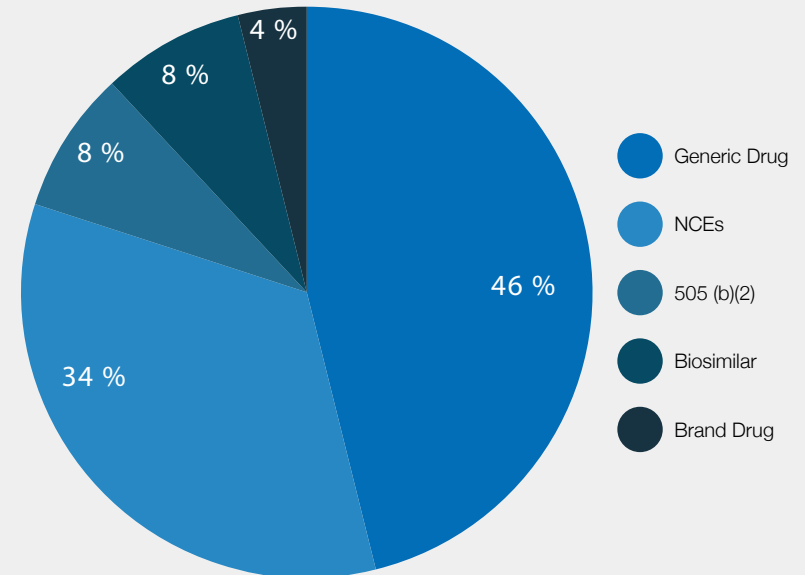
Diverse products strategy

Lotus possesses a strong research and development capability and upholds high manufacturing quality standards. Over half of our products are complex generic drugs, with a particular feature of cancer medications. In Taiwan, our product portfolio includes both locally manufactured and imported items, offering affordable cancer treatment options for Taiwanese patients, all aimed at enhancing their quality of life. At the same time, Lotus promotes self-protection awareness among women in Taiwan and provides essential care to women of all age groups through its range of health products for women.

▼ Product diversity through strong RD and business development capacity

Product category	Products under development	business development
Oncology & Immunology	20	10
Central Nervous System	0	5
Primary Care & Lifestyle	5	8
Women healthcare	0	3
Nephrology	1	1

▼ Product types in business development



Business Achievement of the Year

**77 drug licenses approved;
27 INN launched onto the market**

Key approvals of drug licenses and product launches

- Lenalidomide approved and launched in Japan, Brazil and the Philippines
- Nintedanib approved in Canada and tentatively approved in the US
- Pomalidomide approved in Canada
- Zepzelca approval by TFDA, first NCE product to launch in Taiwan
- Midostaurin approved by the TFDA and tentatively approved in the US
- Vinorelbine approved and first-to-launch in Vietnam

Major RD Progress

- 5 dossiers submitted
- 7 new projects initiated
- 22 ongoing projects

**25 business developments and
29 licensing-out deals**

Business developments

505 (b)(2)

- Alzheimer treatment ADLARITY for the Asian market
- First and only EPA omega3 prescription VAZKEPA for Asia

Biosimilar

- Commercial rights in Asia of biosimilar Denosumab (2 indications)
- Commercial rights of Ustekinumab in south KR

Complex injectables

- Leuprolide and Semaglutide

Key Licensing-out deals

- Nintedanib licensed out to EU global pharma
- Pomalidomide licensed out to a leading pharma

2024 Business Outlook

Growth in Export market by existing products and new area launch:

- Lenalidomide sustainable growth
- Buprenorphine / Naloxone will continue to be a major product
- Continue to rollout major products globally: Pomalidomide, Nintedanib and Enzalutimide

Asian market expansion

- Sustainable organic growth in Taiwan and Korea
- SEA cluster accelerated growth via the sales platform and product acquisitions

Strengthen co-development of high value products with the appropriate risk management:

- Partnership in complex generics, 505(b) (2) and even NCEs

Global Industry Trends

Global Pharmaceutical Market

As per the April 2023 research by IQVIA, with the aging society, rising number of chronic disease-affected patients, and the medical needs in developing countries where the population is increasing and medical development improving, the launch of high-value, breakthrough new drugs, and the rising of drug emerging markets, the global drug markets receive positive impact and are expanding at the rate of 5.4% CAGR in the next 5 years, and expected to reach \$1.8 Trillion in 2027, when North Americas, west Europe, and Japan will subside, and Asia Pacific, Latin America, India, and Africa/Middle East will emerge, benefiting from the up-climb of population. (Note: sourced from MOE’s “Biotechnology Industry in Taiwan 2023”)

The Field of Medical Treatment

As per a survey by IQVIA, the top three therapeutic drugs in the world in 2027 are estimated to be cancer drugs, immunosuppressive drugs, and hypoglycemic drugs. Cancer is a major and difficult-to-treat disease. Manufacturers have actively invested in the development of cancer drugs. Over the years, European and American countries have approved marketing. The majority of the products are cancer drugs. In addition, various countries have successively promoted precision medicine and encouraged early screening. Cancer-related innovative therapies have also been adopted, driving the continued growth of the use of cancer drugs. The market size is estimated to reach 377 billion in 2027. For US dollars, the compound annual growth rate from 2023 to 2027 is estimated to be 13~16%.

The Generic Drug Market

Governments are encouraging the use of generic drugs under the backdrop of the approaching expiration of brand drug patents, aging societies, and the increase of chronic diseases. The decision is benefiting the expansion of generic drug demands. In Research And Markets’ survey, the global market of generic drugs is expected to boost, at the speed of 8.3% CAGR, from \$361.7B in 2022 to \$682.9B in 2030.

Business Philosophy, Strategy, and Market Layout of Lotus

In response to global industry trends, Lotus upholds the corporate philosophy of social responsibility and attentively observes market demand in the healthcare sector, with a core commitment to providing affordable medications to patients without compromising on quality. At the same time, in the context of the aforementioned global industry trends, Lotus strives for growth. The Company has achieved the brand positioning goal of transforming from a local pharmaceutical factory to a global pharmaceutical company. Drawing upon its accumulated pharmaceutical experience in Taiwan since 1966, Lotus has formed a diverse business team with extensive industry expertise from various countries. With all these developments, Lotus operates from its base in the Asia Pacific region and employs an international operating strategy, to expand into the global market.

Lotus’s overall business strategy is to concentrate on the field of oral anti-cancer drugs as its niche. The company aims to specialize in research and development, manufacturing, and sales of special generic drugs with relatively high gross profit margins and low competition. This strategy is based on the company’s manufacturing expertise in highly allergenic and cytotoxic molecules.

In terms of market expansion strategy, the company adopts a dual approach, focusing on the Asia Pacific market and other global export markets. It analyzes the unique market characteristics, and demands of each region, and formulates different operational strategies to maximize the company’s value. In the Asia Pacific market, Lotus adopts a bi-directional product strategy. On one hand, it focuses on in-house drug development, supply, and sales through the licensing of complex generic drugs. On the other hand, the company competes for market share with a diversified product portfolio. This includes introducing brand-name products from other companies targeting producing and selling generic drugs and collaborating with partners in emerging Southeast Asian markets to serve hospitals, clinics, and pharmacy customers, as well as actively expanding in local markets and product lines. In global export markets outside the Asia Pacific region, Lotus promotes its products for global export and develops regional partnerships tailored to the market demand of each specific region.

Chapter 2 Corporate Governance

2-1 Corporate Governance and Ethical Operations Corporate Governance Structure

The Spirit of Sustainable Development under the Leadership of the Board of Directors

In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, Lotus' board of directors has instituted the Lotus Code of Business Conduct and Ethics, Procedures for the Code of Business Conduct and Ethics, and Sustainable Development Best Practice Principles within the Company. Furthermore, Lotus has implemented internal controls to ensure the Company's adherence to relevant laws and regulations, as well as to oversee and steer the various departments' actions and responses to social and environmental concerns. To facilitate this, an Audit Committee has been established within the board to execute, scrutinize, and refine the internal control system, thus ensuring alignment with Lotus's commitment to sustainable development.

In pursuit of socially sustainable development, Lotus is dedicated to delivering healthcare services tailored to the needs of patients, with the ultimate goal of raising overall medical standards in society. The company is stringent in overseeing the quality of its offerings, while also complying with governmental and industry regulations to uphold product and service excellence, as well as ensuring the well-being, safety, and privacy of its clientele. Furthermore, Lotus is steadfast in its commitment to broadening its product range to meet the medical requirements of the Taiwanese populace, particularly in the field of cancer care.

In terms of the environment, Lotus' sustainable development goal is to reduce the impact of its overall operations on the environment. Besides the EHS Department which ensures the compliance of the factory operation with the requirements of environmental regulations, the Engineering Affairs Department has adopted an energy management policy, and continues to strengthen environmental protection work with the goal of increasing energy efficiency by 1-2% per year. Lotus has established an EHS Department, an "Environment Health and Hygiene Management Committee", and an "Environmental, Health, and Safety (EHS) Guidelines" to manage and oversee the environmental impact of waste produced by the pharmaceutical factory. Starting from 2021, Lotus has calculated and recorded greenhouse gas emissions, water consumption, and total weight of waste from the manufacturing facilities and R&D centers in accordance with the standards announced by the Bureau of Energy. At the same time, Lotus has already completed the greenhouse gas inventory and assurance of its main operating sites in 2023 in accordance with the Sustainable Development Roadmap launched by the Financial Supervisory Commission. The Sustainability and Risk Management Team established in the first quarter of 2024 will evaluate the risks and opportunities brought by climate change to the enterprise.

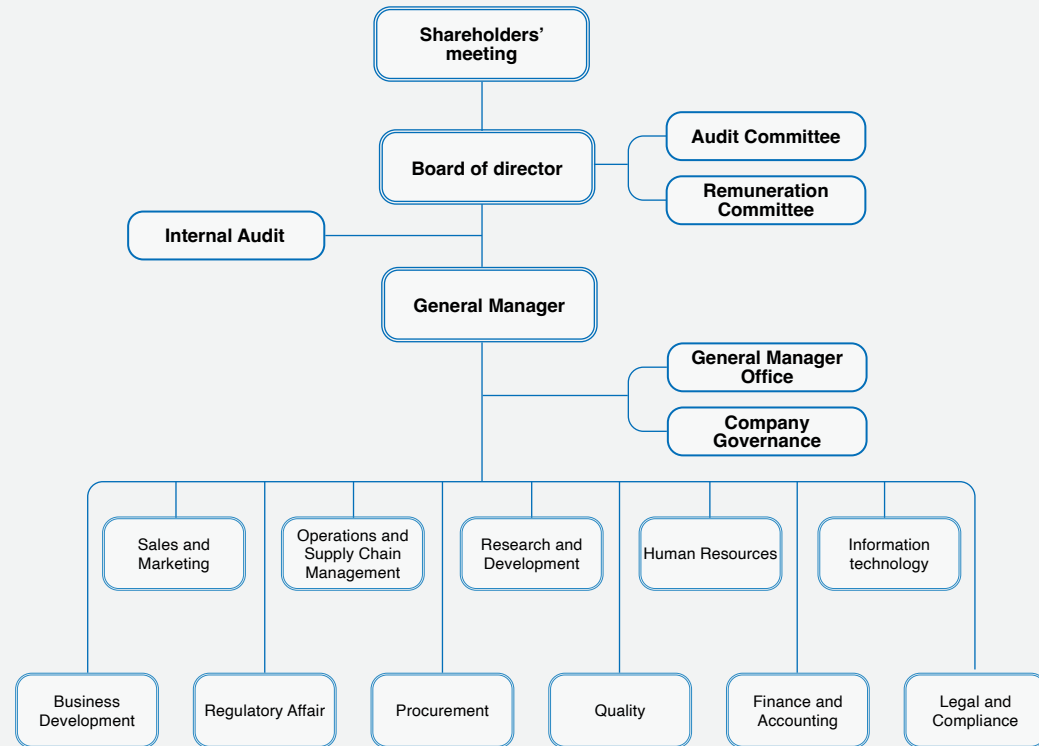


The Oversight and Management of Impact by the Board of Directors

Lotus adheres to both statutory regulations and its internal control framework. Its diverse departments, representing different stakeholders, determine materiality through a structured voting process. This approach, underpinned by the materiality principle, facilitates risk assessments of pertinent subjects, influencing the formulation of effective management policies and strategies. Furthermore, Lotus assigns dedicated personnel for the collection and dissemination of company information, ensuring effective communication with stakeholders. The internal audit unit at Lotus develops an annual internal audit plan based on the results of risk assessments, detailing the areas to be audited each month. Subsequently, the internal audit reports are presented to the Audit Committee and board of directors for review, while the annual internal audit plan undergoes scrutiny and approval from the same entities.

Currently, there is no specific department responsible for the sustainable development of Lotus. However, we are going to establish a dedicated or associated unit in the future in accordance with the recommendation in Article 11 of Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies and Article 9 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies. This unit will focus on formulating sustainable development goals and strategies, as well as overseeing their implementation process and results across various departments. One potential approach is to establish a functional committee for sustainable development within the board and provide regular reports to the board. Additionally, there are plans to establish an ESG and Risk Management Workforce under the Board of Directors, which will be required to provide regular reports to the Board of Directors.

▼ Organizational Structure of Lotus



Composition and Operation of the Board of Directors

Corporate Governance Best Practice Principles

Lotus has implemented Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. These principles serve to safeguard shareholders' rights and interests, reinforce the authority of the board of directors, uphold the responsibilities of independent directors, respect the rights and interests of stakeholders, and improve transparency in information dissemination. In accordance with this regulation, the composition of the Company's board of directors should take into account its business scale and the shareholdings of its major shareholders, while also considering operational needs. The appropriate number of directors, no fewer than five, should be determined, with attention given to diversity.

The number of independent director seats shall not be fewer than three and shall constitute at least one-fifth of the total directorship. The election and appointment of independent directors must guarantee their autonomy and expertise, and independent directors are prohibited from transitioning into non-independent roles during their term.

The company has formed an Audit Committee and a Remuneration Committee within the board. To enhance supervisory functions and bolster management mechanisms, the board of directors may institute additional functional committees based on the company's scope and nature of operations, as well as the size of the directorate. Board members are expected to diligently oversee corporate affairs, exercising their authority with a high degree of self-discipline and prudence. It is recommended that board members partake in specialized training programs related to corporate governance to continually augment their professional and legal expertise.

Corporate Governance Best Practice Principles



Election of Directors

Lotus' "Rules for the Election of Directors" clearly outlines the procedures and criteria for the nomination, qualification, and election of director candidates. Lotus operates a candidate nomination system and procedures for director elections, which are conducted at the shareholders' meeting. The election process utilizes cumulative voting, where each share will hold voting rights corresponding to the number of seats to be filled. These voting rights can be aggregated to support a single candidate or divided among multiple candidates. In election of directors, the voting rights for independent directors and non-independent directors shall be calculated separately, based on the voting rights for the number of seats set forth in the Articles of Incorporation of the Company. Candidates who acquire more votes, based on the number of votes received, shall win the seats. If two or more persons acquire the same number of votes, such persons acquiring the same votes shall draw lots to decide who shall win the seats; the chairman shall draw lots on behalf of the candidate who is not present.

Rules for the Election of Directors



Composition of Directors

The board of directors prioritizes professionalism, diversity, and independence in its composition.

- **Professionalism:** Lotus places particular emphasis on the financial expertise of its board members, with the current ratio of directors with financial expertise standing at 54%.
- **Diversity:** Lotus directors hail from six different countries, and female directors constitute 36% of the total board.
- **Independence:** Lotus adheres to relevant laws, ensuring that its directors do not fall under any of the situations outlined in Article 30 of the Company Act; additionally, neither they nor their spouses or underage children hold shares in the Company.

In 2023, Lotus convened a total of 12 board meetings, with an average attendance rate of 99% for all directors. The actual attendance rate, excluding proxy representation, was also notable at 95%. For detailed information pertaining to the attendance status of each director, please consult page 25 of the annual report.

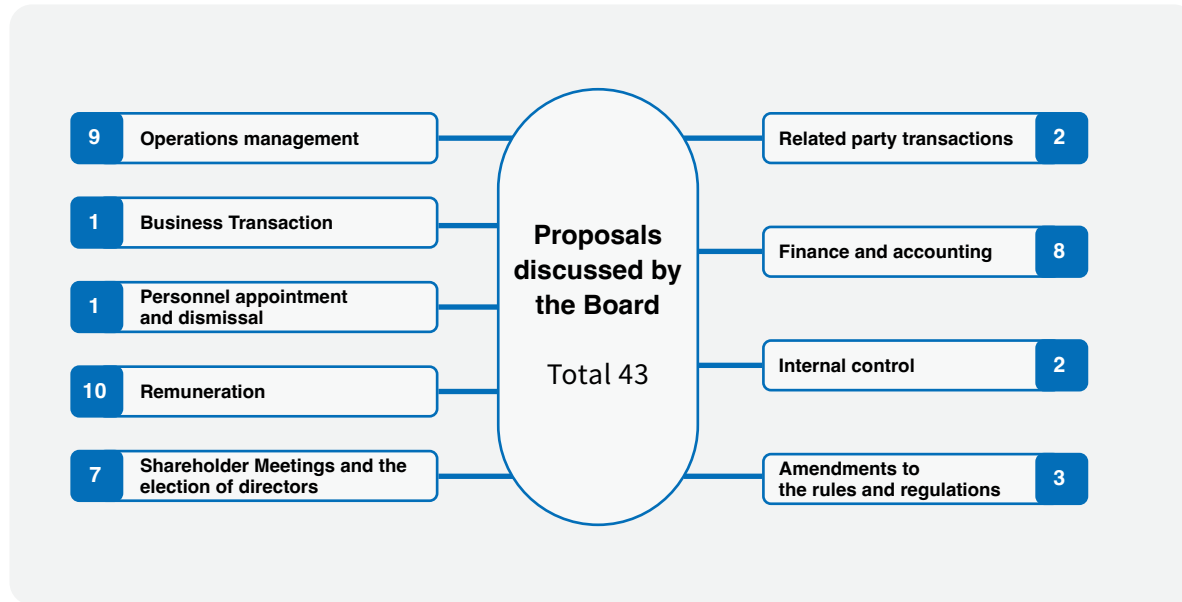
Lotus's 2023 Annual Report



Board Performance Evaluation

Lotus consistently provides transparent disclosures regarding the attendance status and attendance rate of its directors. Furthermore, the performance of the board of directors undergoes annual evaluation in adherence to the internal regulation titled [Procedures for the Performance Evaluation of the Board of Directors](#). The board's performance evaluation takes place once every year. In the year 2023, Lotus's Board of Directors held 12 board meetings, averaging one meeting per month. The overall attendance rate of all directors remained at 99% throughout the year. The [results of the Board Performance Evaluation for 2023](#) are accessible on the official website.

▼ Number of Proposals Discussed at the meeting of Lotus' Board of Directors in 2023



▼ List of Lotus Board Members

Title	Nationality or Place of Registration	Name	Gender	Age	Date Elected	Tenure (year)	Date First Elected	Major Work Experience and Education	Professional ability							Concurrent Positions at both the Company and Other Companies	Concurrent Positions of Directors at other TWSE/TPEX Listed Companies	
									Operational judgement	Finance and Accountin	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership			Decision-making ability
Chairman	Iceland	Vilhelm Róbert Wessman (Note 1)	Male	51~55	2023.06.15	3	2015.04.23	Bachelor's degree in Business Administration and Management, University of Iceland Founder, Alvotech ehf. CEO, Actavis Generics Group	V	V	V	V	V	V	V	V	Chairman and CEO, Alvogen Group Director, Alvogen Lux Holdings S.A.R.L. Director, Alvogen IPCo S.A.R.L. Director, Alvogen Pharma US, Inc. Director, Alvogen Iceland Ehf.	0
Director	Bulgaria	Petar Antonov Vazharov (Note 1)	Male	46~50	2023.06.15	3	2016.08.22	Medical Doctorate, Sofia University of Medicine MBA, University of Sofia St. Kliment Ohridski Senior Manager of Global Business Development, Actavis Generics	V		V	V	V	V	V	V	CEO, Lotus Pharmaceutical Co., Ltd. Director, Alvogen Korea Holdings Ltd. Director, Alvogen Korea Co., Ltd. Director, Lotus International Pte. Ltd. Director, Alvogen (Thailand) Ltd. Director, Lotus Pharmaceutical (Shanghai) Health Management Consulting Ltd. Director, Lotus Japan Holdings Co., Ltd. Director, Lotus Healthcare Malaysia Sdn. Bhd. Director, Lotus Healthcare Philippines Corp. Director, Lotus Pharma Bulgaria EOOD Director, Meishi Pharma Services Private Limited	0
Director	Iceland	Árni Hardarson (Note 1,4,5)	Male	56~60	2024.03.26	3	2014.09.29	Master's degree in law, University of Iceland Iceland Partner, Deloitte Iceland (responsible for heading the Tax and Legal departments) Vice President of Tax and Structure, Actavis Generics General Counsel of Alvogen Deputy CEO of Alvogen Teacher at Reykjavik University and Iceland University –International Tax Law and Corporate Law	V		V	V	V	V	V	V	Board Director, Alvogen US Supervisor, Alvogen Korea Holdings Ltd. Supervisor, Alvogen Korea Co., Ltd. Co Chairman, Aztiq Pharma Partners Board Director, Alvotech	0

Title	Nationality or Place of Registration	Name	Gender	Age	Date Elected	Tenure (year)	Date First Elected	Major Work Experience and Education	Professional ability								Concurrent Positions at both the Company and Other Companies	Concurrent Positions of Directors at other TWSE/TPEX Listed Companies
									Operational Judgement	Finance and Accountin	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision-making ability		
Director	Thailand	Nat Ativitavas (Note 1,4)	Male	46~50	2023.09.04	3	2023.09.04	Civil Engineering, Chulalongkorn University Master of Science in Civil Engineering and Ph.D. in Civil Engineering, the University of Texas at Austin Executive Vice President, PTT Public Co., Ltd. Managing Director, Innobic (Asia) Co., Ltd.	V	V	V	V	V	V	V	V	Managing Director, Innobic (Asia) Co., Ltd. Director, Inter Pharma Public Co., Ltd. Director, Alvogen Emerging Markets Holdings Ltd. Director, Alvogen Korea Holdings Ltd.	0
Director	Thailand	Krisana Winitthumkul (Note 1)	Female	61~65	2023.06.15	3	2022.11.23	Bachelor's degree in Pharmacy, Chiang Mai University, Thailand Director, Innobic (Asia) Co., Ltd.	V	V	V	V	V	V	V	V	Director, Innobic (Asia) Co., Ltd. Consultant, Regulatory Affairs Pharmacy Association (Thailand) Academic Sub-Committee, Thailand College of Industrial Pharmacy Special Instructor, Faculty of Pharmaceuticals, Chiang Mai University	0
Director	Thailand	Phannalin Mahawongtikul (Note 1)	Female	56~60	2023.06.15	3	2022.06.30	B.Acc., Thammasat University, Thailand MBA, Thammasat University, Thailand CFO, PTT Exploration and Production Public Co., Ltd. EVP – Corporate Finance, PTT Public Co., Ltd. Director, Energy Complex Co., Ltd.	V	V	V	V	V	V	V	V	CFO, PTT Public Co., Ltd. Director and Chairman of the Risk Management Committee, Thai Oil Public Co., Ltd. Director, Golbal Power Synergy Public Co., Ltd.	0
Director	USA	Oranee Tangphao Daniels (Note 1)	Female	56~60	2023.06.15	3	2022.06.30	Master of Science (Cardiovascular Pharmacology), McMaster University, Canada CMO, Antiva Biosciences Pty VP, Clinical Pharmacology and Experimental Medicine, Theravance	V	V	V	V	V	V	V	V	Director and Endowment Fund Administrator, Soroptimist International of San Francisco Independent Clinical Development Advisor for Pharma/Biotech industry	0

Title	Nationality or Place of Registration	Name	Gender	Age	Date Elected	Tenure (year)	Date First Elected	Major Work Experience and Education	Professional ability							Concurrent Positions at both the Company and Other Companies	Concurrent Positions of Directors at other TWSE/TPEX Listed Companies
									Operational Judgement	Finance and Accountin	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership		
Director	Switzerland	Yves Hermes (Note 1)	Male	56~60	2023.06.15	3	2022.06.30	Bachelor of Economics and Finance, University of Geneva, Switzerland Founder and Managing Director, Yves Hermes Healthcare Consultancy Area Director South East Asia, Zuellig Pharma Int'l Services	V	V	V	V	V	V	V	Managing Director, Yves Hermes Healthcare Consultancy Director, Jaloux SA	0
Independent Director	Iceland	Hjorleifur Pálsson	Male	60~65	2023.06.15	3	2015.04.23	Cand Oecon of Finance and Accounting, University of Iceland Chairman of the Board of Directors/ Chairman of the Board of Trustees, Reykjavik University Chairman of the Board, Vodafone Iceland VP/ CFO Ossur hf. (a globally listed Orthotic and Prosthetic company) State Authorized Public Accountant, Institute of State Authorized Public Accountants in Iceland, Partner and director, Deloitte & Touche Iceland	V	V	V	V	V	V	V	Director, Festi hf. Director, Ankra ehf. Director, Brunnur Ventures slhf. Director, Brandr Global ehf. Member, Audit Committee, Landsbankinn hf. Chairman, Nomination Committee, Icelandair Group hf. Member, Audit Committee, Harpa Concert Hall and Conference c. Director, UNICEF Iceland	0
Independent Director	Sweden	Karl Alexius Tiger Karlsson (Note 2, 3)	Male	46~50	2023.06.15	3	2023.06.15	BSc in Business – Marketing, George Mason University EMBA, Harvard Business School Founder, CEO and Director of Bluefish Pharmaceuticals	V	V	V	V	V	V	V	Founder, CEO, and Director of Newbury Pharmaceuticals Seed Investor of Alsakali Equity Director of One Genomics AI Labs	0
Independent Director	R.O.C.	Jennifer Wang (Note 2, 3)	Femal	51~55	2023.06.15	3	2023.06.15	LLM, Columbia University Master of Law, National Taiwan University Bachelor of Law, National Taiwan University	V		V	V	V	V	V	Partner, Chen & Lin Attorneys-at-Law Independent Director, O-Bank Co, Ltd. Independent Director, TXC Co. Ltd.	2

Note 1: Representative of the Hong Kong-based Alvogen Emerging Markets Holdings Ltd.

Note 2: Karl Alexius Tiger Karlsson and Jennifer Wang were newly appointed as independent directors on June 15th, 2023.

Note 3: Benjamin Ku and Han-Fei Lin resigned as independent directors on June 15th, 2023.

Note 4: Nat Ativitavas was appointed as a representative of Alvogen Emerging Markets Holdings Ltd., replacing Árni Hardarson, on September 4th, 2023.

Note 5: Árni Hardarson was appointed as a representative of Alvogen Emerging Markets Holdings Ltd., replacing Thor Kristjansson, on March 26th, 2024.

Note 6: Resigned on April 14th, 2024.

Directors' Education

In 2023, all 11 directors complied with the Directives for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. The particulars of the continuing education status of a total of 12 directors, encompassing one resigning director, are delineated in the Annual Report of 2023: [Attendance of Directors and Supervisors at Board of Directors Meetings](#).

▼ Continuing Education Courses Attended by the Board of Directors in 2023

Total No. of Education Sessions	30 times
Total No. of Education Hours	95 hours

Ethical Operations Systems and Strategies

Policy and Implementation of Ethical Operations

Regular reporting by the Internal Auditor to the Board of Directors

Lotus has implemented an internal control system in compliance with the Procedures for Code of Business Conduct and Ethics and the [Regulations Governing Establishment of Internal Control Systems by Public Companies](#), as approved and enacted by the Board of Directors. An audit department has been established to submit quarterly audit reports on ethical operational compliance and proposed enhancements to the Audit Committee and the Board of Directors.

Ethical Corporate Governance-related Standards Adopted by the Board

In an effort to reinforce a corporate culture of integrity and establish a robust framework for sound business operations, the board of directors at Lotus has formally endorsed a set of internal regulations that all company stakeholders are expected to adhere to. These standards encompass a range of guidelines such as the Corporate Governance Best Practice Principles, Code of Business Conduct and Ethics, Procedures for Code of Business Conduct and Ethics, Human Rights Policy, Procedures for Handling Inside Information and Prevention of Insider Trading, and Procurement Operation Management.

Specific Businesses Requiring Board Approval

According to the company's "Procedures for Loaning of Funds and Making Endorsements and Guarantees" and "Procedures for Acquisition or Disposal of Assets," major operational policies, investment cases, acquisition or disposal of assets, loaning of funds, provision of endorsements and guarantees, and bank financing must be evaluated and analyzed by the relevant responsible departments and subsequently approved by the Board of Directors and the Audit Committee before implementation.

Ethical Corporate Standards

Standard Name	Scope of Applicability	Policy Summary	Concrete Actions
Corporate Governance Best Practice Principles	Lotus Pharmaceutical	The Company shall comply with relevant laws and regulations and construct an effective corporate governance framework based on these five principles: safeguarding shareholders' rights and interests, strengthening the authority of the Board of Directors, fulfilling the functions of independent directors, respecting the rights and interests of stakeholders, and enhancing information transparency.	<ul style="list-style-type: none"> The Board of Directors and functional committees of the Company rigorously supervise the operations of the Company. The Company has established an audit unit to supervise compliance with internal control according to regulations which regularly reports to the Board of Directors. The Company has designated a spokesperson and deputy spokesperson and established external communication mailboxes to actively communicate with stakeholders and assure information transparency. Dedicated sections for news, investors, and corporate governance have been designed on the Company's official website, for stakeholders' reference.
Code of Business Conduct and Ethics	All Lotus employees, third-party consultants, contractors, vendors, and suppliers.	The Company is dedicated to upholding moral and ethical standards in every facet of its operations, including its mission, vision, values, and code of conduct. This dedication encompasses strict adherence to legal mandates, the nurturing of an ethical and harmonious workplace environment, the continual focus on product quality and support for sustainable development, the promotion of the Company's products with integrity and a positive attitude, responsible use of the Company's assets, protection of the accuracy and confidentiality of financial information and business-related data, avoidance of conflicts of interest, compliance with international trade laws, prohibition of insider trading, and unwavering commitment to the principles of morality and ethics in all business activities.	<ul style="list-style-type: none"> The human resources department provided all employees with education and training on the code of business conduct and ethics in 2023.
Procedures for Code of Business Conduct and Ethics	Lotus, its subsidiaries, any incorporated entity in which Lotus' accumulated contributions, directly or indirectly, exceed 50% of the total funds, and personnel of group enterprises and organizations substantially controlled by Lotus. Regulated personnel include directors, managers, employees, appointees, and persons having substantial control of the regulated entities.	Any regulated personnel who, in the course of any regulated personnel's duties, directly or indirectly provides, accepts, promises, or requests improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty to acquire or maintain benefits.	<p>New employees New employees must complete training on the Code of Business Conduct and Ethics, as well as the Procedures for Code of Business Conduct and Ethics, using the company's designated training platform within a specified timeframe after their start date. This requirement includes reviewing relevant standards and successfully completing associated assessments to demonstrate a comprehensive understanding of the content.</p> <p>In-service Employees</p> <ul style="list-style-type: none"> Lotus conducts regular scheduled and unscheduled training sessions for its employees to reinforce the Company's commitment to human rights policies, the prevention of sexual harassment and the formal procedure for lodging complaints, and ethical business practices. In a separate 30-minute session, a total of 736 employees received training focused specifically on ethical business practices to deter corrupt behavior. In 2023, no penalties were incurred due to improper benefits. Lotus provides education and training on fair competition, advocating the relevant regulatory requirements. The company organized two educational events on the Fair-Trade Act in 2023 to strengthen advocacy and publicity.

Standard Name	Scope of Applicability	Policy Summary	Concrete Actions
Procedures for Handling Inside Information and the Prevention of Insider Trading	Directors, managers, and all employees of Lotus.	The Company shall establish an effective mechanism for processing and disclosing information, avoid the improper disclosure of information, prevent insider trading, and ensure the consistency and accuracy of information released by the Company to the public.	Lotus shall provide guidance on the prevention of insider trading to new directors, managers, or employees and provide relevant guidance to directors, managers, and employees at least once a year.
Procurement Operation Management	Domestic and cross-national procurement operations through the Company's requisition process.	The Company's finance and accounting department, the procurement department's supply chain production planning unit, the demand/user department, the legal department responsible for reviewing and safeguarding procurement contracts, the procurement unit, the demand unit under the procurement department, and the quality management department are all required to fulfill their respective duties in accordance with specific operating procedures. This is essential for enhancing the Company's efficiency in handling purchase requests, price inquiries, price negotiation, purchasing, acceptance, and payment.	<ul style="list-style-type: none"> Our suppliers collectively adhere to "Procurement Operation Management regulations", ensuring compliance through contract reviews by our legal department and the inclusion of integrity clauses specified in formal business contracts. Suppliers with a history of unethical behavior will be subject to special evaluation, and trading relationships will be refused if any unethical behavior is confirmed.

Complaint and Suggestion Channel

Integrity and responsible business practices form the bedrock of sustainable corporate management. To this end, we have implemented various channels for lodging complaints, making reports, and offering suggestions. We aim to encourage stakeholders to report unethical or immoral behavior and provide relevant suggestions regarding the impact of our operational activities on the environment, economy, society, and human rights.

Lotus has established a dedicated [Contact Us](#) page on its official website. Internal and external personnel may communicate with Lotus by completing any relevant forms available on the official website, or by sending an email to info@lotuspharm.com should they have any suggestions, doubts, or data requirements for the Company. Additionally, the following approaches are established for communication:

- Complaint mailbox for the violation of professional ethics: lotus.speakup@lotuspharm.com; Tel.: (02) 2700-5908
- Dedicated mailbox for sexual harassment prevention: MyHR@lotuspharm.com; Tel.: (049) 2250611#2543

Instances of unlawful behavior or harassment should be promptly reported to the Company. We also offer the option of submitting anonymous reports. The unit responsible for receiving these reports will ensure the confidentiality of the whistleblower's identity and the details of the incidents disclosed. Information will not be disclosed to any unrelated third parties unless deemed necessary for investigation, thereby safeguarding individuals from unfair treatment. The Regulations for Establishing Measures of Prevention, Correction, Complaint, and Punishment of Sexual Harassment in the Workplace govern the protection system, case reception and processing procedures, and standards for handling violations. In the year 2023, Lotus did not receive any complaints or reports of such incidents.

Legal Compliance

Compliance with legal requirements is of utmost importance at Lotus. Given the intricate regulatory landscape of the pharmaceutical industry, practitioners within this sector are obligated to adhere to the laws, regulations, and industry standards specific to various countries and regions. This not only ensures the safety, efficacy, and quality of our products but also fosters public trust in the company and its brand image. Furthermore, legal compliance serves to mitigate risks, shielding the company from penalties, legal action, and reputational damage resulting from non-compliance, thus safeguarding its interests and fostering sustainable development.

The Company has implemented internal policies and processes to ensure compliance with relevant laws and regulations in all aspects of its operations, including product development, manufacturing, and marketing. Employees are required to undergo professional training and education to familiarize themselves with applicable laws and regulations and adhere to them. Moreover, the Company has established an effective monitoring system to regularly assess and evaluate compliance. Additionally, a compliance reporting mechanism has been put in place to allow for the anonymous reporting of any illegal activities. Importantly, the Company actively engages with regulatory authorities, coordinating with them on regulations and promptly addressing their requirements and suggestions in order to ensure proactive compliance.

In 2023, the company did not incur any penalties for material violations of regulations governing corporate governance, anti-corruption, or the Fair Trade Act (with a penalty amount of up to NT\$ 1 million or above). Moreover, no managers breached any regulations pertaining to insider trading, and no grievances were lodged by customers regarding privacy infringements. Our objective is to maintain a clean record by delivering continual training and fostering adherence to legal standards among our staff.

2-2 Risk Management and Internal Control

Risk Management

Lotus has constructed an organizational structure for risk management with its internal control system, and the Internal Auditor is responsible for strictly auditing the execution of risk management duties by the risk management implementing unit and the responsible unit. In terms of organizational structure, there are four major risk categories: finance, law, market and operations, and R&D control. Different executing units are accountable for first-line risk management and are expected to implement corresponding measures in compliance with laws and regulations following the analysis and assessment of potential risks. The second line of defense involves oversight by high-level management, specifically the General Manager, to ensure that each executing unit fulfills its duties. Lastly, the Internal Auditor conducts an audit of various risk items, and a report is subsequently submitted to the board of directors. The Audit Committee then carries out independent audits in conjunction with the board of directors, constituting the third line of defense.

Risk management measures

Risk Aspects	Risk categories	Risk description	Risk corresponding measures
Operations	Declining demand and prices and market competition	<ul style="list-style-type: none"> The pharmaceutical industry in Taiwan is mainly composed of small and medium-sized enterprises that largely produce generic drugs with expired patents, and price competition is fierce. Taiwan's national health insurance system adjusts drug prices, creating price pressure on the domestic pharmaceutical industry. Imported Products Saw an Increase in Competitiveness After Joining the WTO 	<ul style="list-style-type: none"> Focus on leveraging competitive advantages in the specialized drug market and optimizing the global export product layout. This will involve enhancing domestic sales performance for existing licensed drugs and products, consolidating fundamental performance, and maximizing cash inflows. These initiatives are aimed at supporting the sustainable growth momentum of the company. Import potential products through our global resource network of strategic partnerships, and search internationally for original or generic drug product lines to introduce them to Taiwan and international channels. Continuously integrate other Asian markets with the goal of becoming the Group's regional marketing headquarters and R&D center in Asia. Lotus is dedicated to enhancing the evaluation of newly developed products, allocating resources to product development with the highest ROI, actively refining R&D project management, enhancing the R&D success rate, streamlining the R&D process, and striving to be the first to file and first to market essential generic drugs. This pursuit aims to maximize the benefits of post-R&D market sales.
Operations	Changes in raw material prices	<ul style="list-style-type: none"> Fluctuation of raw material procurement costs 	<ul style="list-style-type: none"> Properly use the integration advantage and economy of scale principle to reduce raw material procurement costs. Purchase the same raw materials with strategic partners and propose full demand to suppliers in order to increase order quantity and obtain lower-priced raw materials. Establish a second supplier system to diversify any potential risks.
Finance	Interest rates and exchange rates	<ul style="list-style-type: none"> Interest expenses on financing loans 	<ul style="list-style-type: none"> Continuously adjust long-term borrowing and continue to negotiate borrowing conditions with banks, and use other ways of obtaining capital that may reduce future interest costs. The recognized exchange benefits of the Company in previous years have been lower than 1% of the annual operating income, so there is currently no significant impact from exchange rate fluctuations. If necessary, foreign exchange forwards or options will be used for exchange rate hedging.
Occupational Safety and Health	Water rationing	<ul style="list-style-type: none"> Force majeure such as safety maintenance, machinery failure, natural disasters, etc. may result in water rationing. 	<ul style="list-style-type: none"> Improve water storage and save water.
	Power rationing	<ul style="list-style-type: none"> In the event of inadequate power supply, uncontrollable variables such as safety maintenance, equipment malfunctions, and natural disasters may lead to power allocation issues, potentially impacting the risk associated with PIC/S GMP. 	<ul style="list-style-type: none"> Reduce the load when encountering power rationing.
Environment	Business waste	<ul style="list-style-type: none"> Improper treatment of production waste may have negative impacts on the environment. 	<ul style="list-style-type: none"> Recyclable waste should be disposed of according to the principles of the recycler. The remainder will be handled by the contracted clearing agent.
	Toxic substance spill	<ul style="list-style-type: none"> The risk of a highly toxic substance spill during pharmaceutical processing. 	<ul style="list-style-type: none"> Establish and practice emergency response procedures.

Functional Committee

To establish a comprehensive corporate governance framework, the Board of Directors of the company has endorsed the functions of independent directors and professionals, which includes the Audit Committee and Remuneration Committee. These functions are within the scope of their authority to supervise and review relevant activities. Moreover, an independent Internal Auditor unit has been instituted under the purview of the Board of Directors. This unit is tasked with examining, assessing, and advising on internal controls, supporting the Board of Directors and management in reviewing the company's internal control system and issuing pertinent audit reports. The contents of these reports are expected to be accurate and timely. The Internal Auditor is responsible for aiding each audited unit in enhancing compliance with pertinent laws and regulations, thereby promoting corporate governance and improving operational performance.

In the future, the Company plans to establish an ESG and Risk Management Workforce under the Board of Directors. Members of this workforce will take responsibility for studying and drafting the Company's targets and strategies related to sustainable development, supervising the cross-departmental execution process and results, and regularly reporting to the Board of Directors.

The company also discloses information with the principles of accuracy, timeliness, and fairness. Information related to operations, finance, Board of Directors, and Shareholders' Meetings is provided on the company's website and the open information network declaration system of the Securities & Futures Institute. This ensures that shareholders have access to up-to-date information about the company.

Audit Committee

Structure design	In order to enhance the supervisory function and strengthen the management role, the Board of Directors established the Audit Committee on April 23, 2015, replacing the supervisors.
Professionalism	The members of the Audit Committee demonstrate professional expertise, encompassing industry-specific knowledge, accounting proficiency, and financial analysis skills.
Responsibilities	The Audit Committee's responsibilities are wide-ranging and encompass various key areas. These include oversight of financial statements, audits, internal control systems, significant asset acquisitions or disposals, derivative transactions, substantial capital loans and endorsements, issuance of securities, compliance with relevant laws and regulations, transactions involving managers and directors with related parties and potential conflicts of interest, reports from fraud investigations, company risk management, and the appointment, dismissal, or certification of CPAs. Furthermore, the committee is responsible for overseeing the appointment and dismissal of finance, accounting, or internal audit supervisors.

In 2023, a total of 9 meetings were held with an actual attendance rate of 100%

Remuneration Committee

Structure design	In order to improve the salary and compensation structure for board members and executives, and to ensure the efficiency of directors and managers in economic, environmental, and social realms, as well as to guarantee that individual compensation is in line with the principle of equity, a Remuneration Committee was established within the board on September 29, 2014, with three committee members appointed to oversee this task.
Professionalism	The Remuneration Committee members possess professional capabilities, including industry knowledge, accounting, and financial analysis skills.
Responsibilities	The responsibilities of the Remuneration Committee involve strict adherence to the duty of care of a good administrator, faithful fulfillment of their duties and rights, and the presentation of recommendations regarding the compensation of directors and managers to the board for deliberation.

In 2023, a total of 4 meetings were held with an actual attendance rate of 100%

Remuneration Policy for Senior management

According to the Company's articles of association, the remuneration of all Lotus directors, including that of directors and independent directors, is determined by the Board of Directors based on the degree of their participation in the Company's operations and the value of their contributions, regardless of the Company's profit and loss situation, and determined based on the industry level.

Remuneration Policy for Directors

According to the Company's articles of association, the remuneration of the managers shall be handled in accordance with Article 29 of the Company Act and shall be determined by the board of directors with the consent of more than half of the directors present.

The compensation package for managers comprises both fixed and variable components. The variable portion typically constitutes around 30% to 40% of an individual's annual salary. Consequently, the company assesses the specific managers' contributions to its operations, as well as its sustainable development and future operational risks, in line with Performance Evaluation Guidelines. Subsequent to the annual performance appraisals of managers, remuneration is allocated based on the evaluation outcomes for each senior manager.

Parameters for Salary Evaluation	
Financial indicators	The financial performance of the Company, such as ROE, budget achievement rate, total assets, revenue performance, etc.
Strategic indicators	Based on the main objectives of future mid- to long-term strategies, such as achieving key strategic targets in the product roadmap, digital transformation, and sustainable commitment.
Sustainability and internal control indicators	Emphasis on sustainable commitments, integrity, regulatory compliance, and risk management, along with the practical initiatives in various ESG focus areas.
Management indicators	Human resource indicators, talent development, and promotion of occupational health and safety.



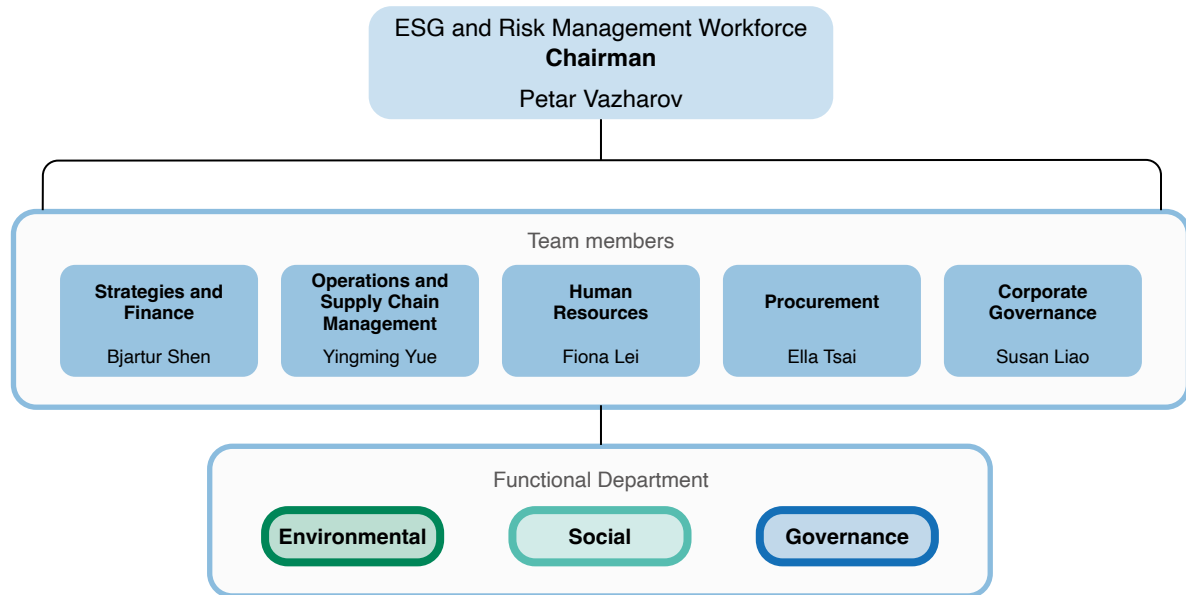
ESG and Risk Management Workforce

Lotus has implemented Sustainable Development Practice Principles aligned with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies to enhance sustainable development management. The company's initiative includes establishing an ESG and Risk Management Workforce in the first quarter of 2024. This specialized team, composed of cross-departmental senior executives, is tasked with formulating sustainability and risk strategies and setting short, medium and long-term objectives. Moreover, their responsibilities encompass coordinating internal departments in engaging with external stakeholders, overseeing reporting and disclosures, managing communications, and monitoring the progress of pertinent projects. To facilitate the attainment of ESG and Risk Management Workforce's annual plan objectives, each department is required to identify and evaluate risks in compliance with three dimensions of ESG and pertinent international standards and regulations. The ESG and Risk Management Workforce, as a conduit for interdepartmental communication, will guide functional units in formulating sustainable development plans, progressively executing strategies and objectives, and routinely monitoring the outcomes to achieve sustainable management. Additionally, the Company has integrated risk management into its day-to-day operations.

Annual Regular Report from the ESG and Risk Management Workforce to the Board of Directors:

1. The ESG and Risk Management Workforce will report ESG performance achievements, including climate change-related issues, to the Board of Directors annually.
2. Each functional department shall convene a meeting every quarter and report to the chairperson of the workforce.

▼ Organizational Structure of the ESG and Risk Management Workforce



2-3 Information Security and Personal Data Risks

Information Security Organizational Chart

The company has established an information security team with the Chief Information Officer concurrently serving as the Chief Information Security Officer. This team, which is led by a single information security engineer, is the highest responsible unit. The system framework of the Information Security Group comprises four primary components: cybersecurity, computer security, physical security, and security information and event management platform. The responsibilities of the information security team encompass the formulation of relevant policies and measures, the establishment and maintenance of systems, regular system testing, organization of training and drills, and the management of information security incidents. For instance, Lotus conducts quarterly phishing drills to assess and enhance employees' awareness of cybersecurity protection.

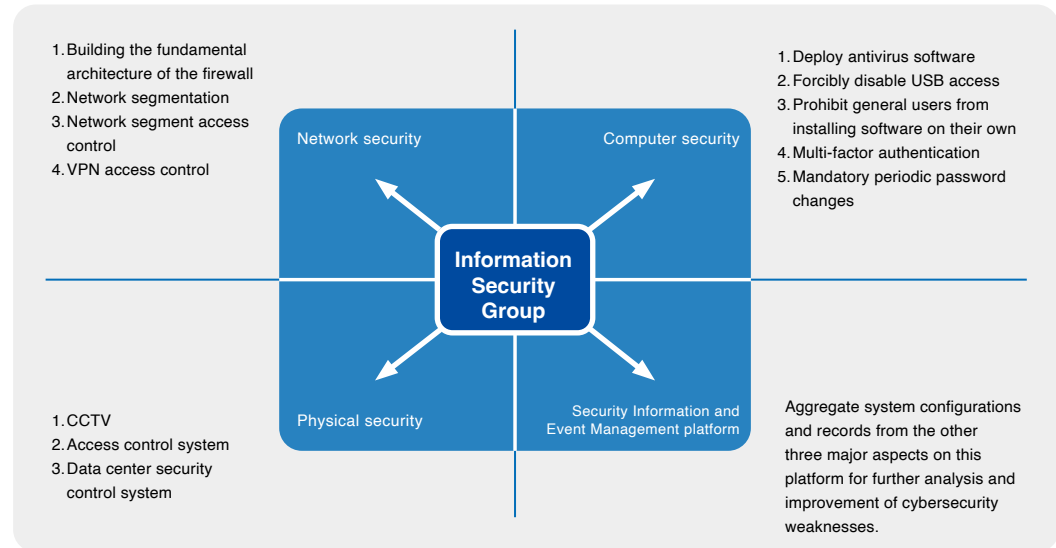
Composition

Chief Information Security Officer	The Chief Information Officer(CIO) concurrently serves as the Chief Information Security Officer, with an Information Security Group under her.
Information Security Engineer	1

Responsibilities

- Develop information security policies and standard operating procedures.
- Establish and maintain the corporate information security system.
- Conduct regular penetration testing and improvement of information security vulnerabilities.
- Conduct information security training and drills.
- Report and handle urgent information security incidents.

▼ Responsibilities





Information Security Management Policies and Measures

Five Major Information Security Policies

1. Ensure the security of the Company's data, systems, equipment, and network communication, and prevent external intrusion and damage.
 2. Ensure that access permissions to system information accounts and modifications to the system are authorized through the company's prescribed procedures.
 3. Implement the destruction process, media storage from decommissioned computers should be destroyed to avoid the accidental leakage of data.
 4. Monitor the security status and activity logs of information systems, effectively manage and respond to information security incidents.
 5. Maintain the availability and integrity of data and systems, and ensure the ability to restore normal operations in the event of disaster or damage.
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Examples of Specific Measures

The company's internal systems are all located within a virtual network that is isolated from external networks, thereby prohibiting direct access. Multiple network security defense systems are in place, including firewalls and intrusion prevention systems responsible for filtering network traffic in and out, effectively preventing external cyber-attacks. The email security management system can instantly block suspicious website URLs and spam. Internally, hosts and endpoints are equipped with antivirus software on the central console, which consistently updates virus codes and identifies malicious behavior characteristics in real-time. This proactive approach enables the interception of viruses, ransomware, and malicious programs, significantly minimizing the risk of damage from hacker attacks.

Develop Specific Management Plans and Invest Resources

Lotus regularly reviews internal information security standards and has established a framework for cyber security risk management. When planning the deployment of cyber security and allocating relevant resources, careful consideration is given to the cyber security policies and objectives. This ensures the provision of resources required to establish, implement, maintain, and continuously enhance the cybersecurity maintenance plan. For example, to achieve the goal of reducing risk losses caused by business interruption and seeking compensation, the information security team analyzes the degree of internal and external risks based on asset values, vulnerabilities, threats, and impacts. This risk assessment is subsequently used to formulate security enhancement initiatives to strengthen measures, ensuring and enhancing the overall information security environment.

▼ Information Security Management Measures and Related Results

Management Measures	Implementation and Results
Compliance with cGMP standards	<ul style="list-style-type: none"> Establish data security management practices and systems according to cGMP regulations, and undergo regular inspections by regulatory authorities such as the FDA and other government agencies overseeing food and drug safety. Lotus has joined with eCloudvalley to optimize the database access of the Company's ERP system and simplify the operational interfaces, thus effectively improving users' execution efficiency.
Formulation of management measures	The Information Security Management Measures are formulated to include SOP_02294 Information Management System Security Control Operations, SOP_02298 Information Management System Disaster Recovery Plan, SOP_02295 Management Procedure for Computer Data and System Backup of Information Management System and SOP_02300 Operating Procedure for Archives Recovery Test.
Periodic drills	Since the 4 th quarter of 2022, the company has been conducting phishing email drills and tests every quarter. The phishing rate decreased from 32.80% in the 4th quarter of 2022 to 13.87% in the 1st quarter of 2024, showing a consistent decline and indicating that the training has been effective.
Training	<ul style="list-style-type: none"> All new employees of major subsidiaries and operations are required to receive basic information security guidance training upon joining. In-service employees shall receive information security advocacy emails semi-annually. In-service employees receive online information security education and training semi-annually.
Construction, Maintenance, and Operation of Information Security Management System	<ul style="list-style-type: none"> Including a Fortigate firewall, Cisco network switch, Microsoft 365 Security Center, Microsoft sentinel SEIM, and Fortigate VPN. The company had sequentially replaced its outdated network firewall equipment in October and November of 2023, with relevant operations completed by February 2024. The new firewalls employ a redundant architecture consisting of primary and standby components. In the event of the primary equipment not able to provide services, network traffic will be automatically redirected to the standby firewall to ensure uninterrupted service. Monitoring objects can be configured on the firewall control panel to assist managers with network traffic monitoring and mitigate firewall administrator monitoring responsibilities.
Upgrade and Update of the Disaster Recovery Mechanism and System and its Operational Status	<ul style="list-style-type: none"> The Company has established a remote backup and storage facility that complies with the backup policy of 3-2-1, eliminated backup host hardware, upgraded the Veeam backup software, and improved the hardware facilities in the backup computer room in the plant area. The virtual machine (VM) platform experienced insufficient storage space and in 2023, the company upgraded its host machines to address this issue. The original setup consisted of two host machines that served as backups for each other. However, if one machine failed, the other would not be able to handle excessive performance. Consequently, the company proactively increased the number of host machines and expanded the storage space. Currently, three host machines are in operation, enhancing resilience in disaster recovery. In parallel, the company updated the system version and settings to align with the existing architecture. The Company organizes drills to test disaster recovery for important systems and confirm whether relevant backups are recoverable annually. In 2023, the success rate of these drills reached 100%.

On Security Incident Notification and Handling

Method Basis

Considering the persistent global prevalence of information security threats and attacks, Lotus has implemented a set of management measures for addressing information security incidents. These measures include regular phishing drills, maintenance of information security management systems, as well as the establishment of the SOP_02298 Information Management System Disaster Recovery Plan. Lotus has also introduced a process for reporting and managing information security risk incidents and has tasked the information unit with assessing incident severity and developing corresponding contingency measures. Although Lotus experienced one information security incident in 2023, it did not result in any significant impact. To mitigate the risks of information security breaches, the company is committed to continuously enhancing its information security capabilities in the future.

Levels of Impact of Information Security Incidents

Level A :

If the impact on the business exceeds four hours and affects the entire company, the highest responsible supervisor of the Company must be notified within 30 minutes, and a company-wide email notification issued.

Level B :

If the impact on the business exceeds four hours and affects a single department, the highest responsible supervisor of the factory should be notified within 30 minutes, and an email notification issued.

Level C :

If it affects the daily operation of IT, the highest responsible IT supervisor should be notified within 30 minutes, and an email notification issued.

Security Incident Risk Notification Procedures

Incidents reflected	Put under surveillance and control	Assessment and response	Relief from surveillance and control
In the event of a security incident for the information system users at each unit, IT system administrators should report the fact to the immediate supervisor of the company through the internet, phone, fax, or email within 30 minutes. If independent recovery is not feasible, IT system administrators should request assistance promptly.	IT department needs to establish internal records to manage abnormal events and evaluate possible factors based on the situation to seek solutions for immediate assistance in an emergency response.	In the event of an information security incident, IT should evaluate it according to the event level and impact scope specified in the "SOP_02298 Information Management System Disaster Recovery Plan" and report the incident to the immediate supervisor, including an evaluation of the potential losses, assessment of the support required, and contingency measures taken.	Once the system returns to normal operation, it is necessary to report to IT department to remove it from monitoring.

Information Security Incidents in 2023

1 Lotus employees received a warning from Microsoft 365 Defender indicating the sending of massive phishing emails to a Lotus domain colleague from a personal email account. The IT department was instructed to investigate.	0	0	0
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Personal Data Protection

Method Basis

According to the Personal Data Protection Act, Lotus established Personal Data Protection Management Measures in 2013.

Types of data and management and responsible units

Data nature	Data type	Responsible unit for case management
General case	HR data	Human Resources Department
Others	Personal Data Related to Litigation in Court/ Government Agency Proceedings	Legal and Compliance Department

▼ There were no complaints or related cases of personal data protection in 2023

Personal dataleakage	0
Personal data theft	0
Personal data loss	0
Others	0

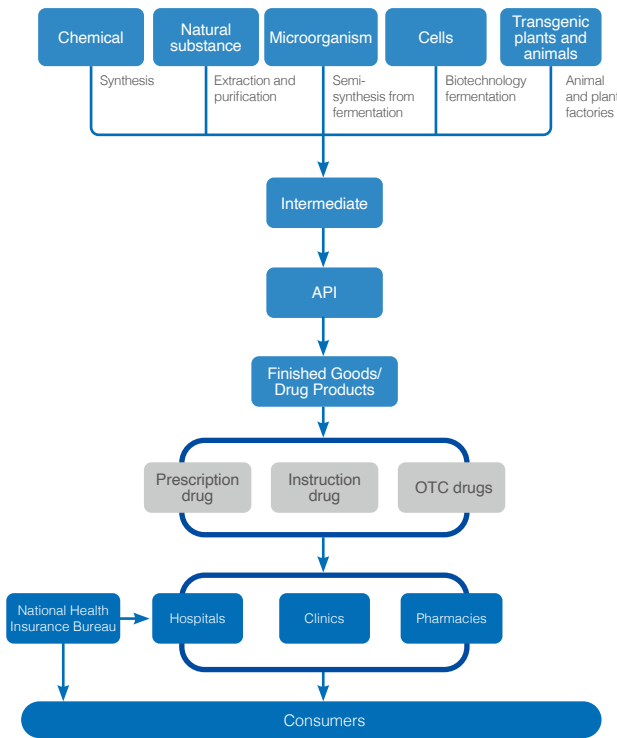
2-4 Supply Chain Management

Sustainability Value Chain

Value Chain of Taiwan's Pharmaceutical Industry

Upstream pharmaceutical supply chain including raw material suppliers who provide various substances such as chemicals, natural plants, minerals, microbial species, and tissue cells. Moving along the chain, there are API (active pharmaceutical ingredient) suppliers for both Western and Chinese herbal medicinal sources. The production process of these APIs involves fermentation cultivation, extraction, separation, purification of natural substances, organic synthesis, as well as the purification of common chemicals. Further downstream, there are suppliers of pharmaceutical preparations from both Chinese and Western sources. The manufacturing process for these preparations includes adding binders, disintegrants, adhesive agents, and other excipients to APIs to create patient user friendly dosage forms. Finally, at the end of the supply chain, there are medicine agencies and distributors responsible for sales.

▼ Value Chain of Taiwan's Pharmaceutical Industry



Upstream
Midstream
Downstream
Sales Channel

Manufacturing of pharmaceutical raw materials and development of new drugs:
Raw materials include general chemicals, natural animal and plant extracts, microbial species, fermentation, tissue cells related to proteins produced through genetic engineering or cell fusion, etc. Among these, general chemicals account for the majority of raw materials. The manufacturing of pharmaceutical raw materials includes processes such as synthesis, extraction, fermentation, and tissue culture.

API industry:
API manufacturing involves various processes, including organic chemical synthesis, extraction, and purification of natural plant compounds, microbial fermentation, and semi-synthesis after fermentation. The main technological process include recovery, extraction, separation, purification, and formulation. When producing API from common chemicals, the primary technological process involved are complex organic synthesis, as well as separation and purification. API produced in Taiwan mainly focus on exportation. In response to increased concerns about drug safety, the Food and Drug Administration takes proactive measures to supervise the use of APIs. It mandates that all pharmaceutical preparations and drugs must utilize APIs certified under Good Manufacturing Practices (GMP) and undergo source registration. This ensures that the APIs, as pharmaceutical raw materials, fully adhere to regulated cGMP quality standards and maintain a level of quality equivalent to pharmaceutical-grade standards.

Production of Chinese Herbal Medicinal and Western pharmaceutical preparations:
Incorporating excipients such as binders, disintegrants, and adhesive agents into the APIs to create patient user friendly dosage forms for use. During this production stage, adherence to Good Manufacturing Practice (GMP) specifications as per the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Cooperation Scheme (PIC/S) is essential and necessary.

Operating pharmaceutical distribution channels:
Selling to consumers through marketing channels such as hospitals, clinics, and pharmacies.

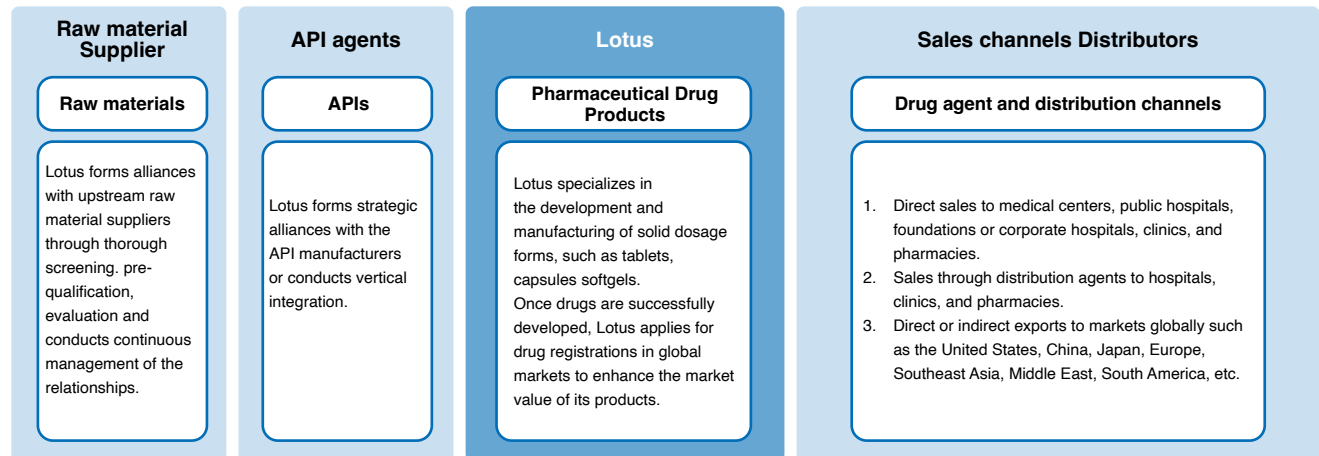
Value Chain of Lotus

Examining Lotus' supply chain based on the industrial structure of pharmaceutical industry, the upstream segment can be categorized as suppliers collaborating with Lotus, encompassing raw material manufacturers and APIs agents; while the downstream segment encompasses Lotus' customers that consist of domestic distributors and a variety of sales channels.

Lotus is dedicated to integrating upstream, midstream, and downstream services. In the upstream phase, Lotus builds stable partnerships to ensure the quality and consistency of raw material supply. This involves implementing supplier qualification, rigorously selecting trustworthy and reliable suppliers, maintaining smooth communication channels with these partners, and regularly assessing and evaluating their performance. In the downstream phase, Lotus is committed to developing various sales channels to meet the diverse needs of customers. This includes direct sales, strategic partnerships, and licensing agreements. By effectively managing both upstream and downstream operations, Lotus leverages the company's experienced internal resources and capabilities, which include expertise in development preparation, global registration, global licensing, Taiwan-based production, and global supply. This integrated approach allows Lotus to create a comprehensive system that provides tailored services to customers and enhances the company's value in the pharmaceutical value chain.



▼ Value Chain of Lotus



Supplier Management Program

Lotus strictly supervises the selection of its raw material suppliers and partners

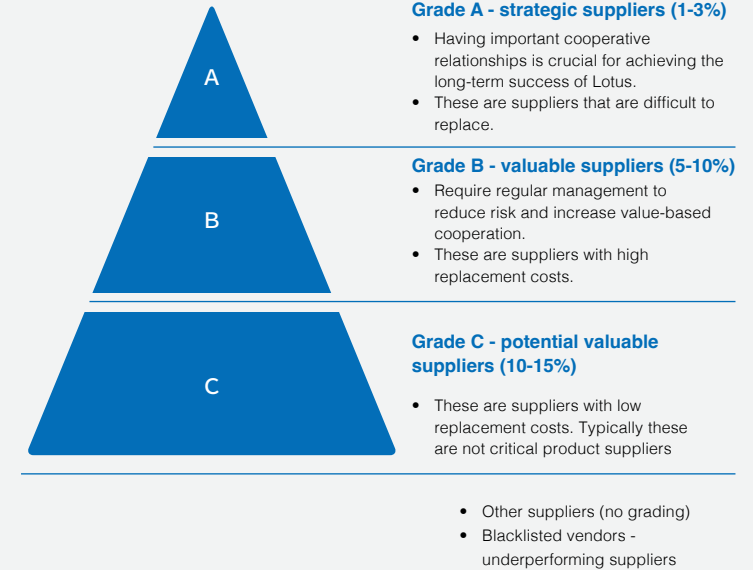
The company has been following the cGMP system and has always responded to government policies and international trends by implementing PIC/S GMP standards. Additionally, the company continues to carry out various vertical integration plans, from partnering with upstream raw material manufacturers to collaborating with downstream distributors/partners, and has achieved successful experiences with global partners. The company also has a supplier management program and implements it throughout the supply chain end to end process, from planning to delivery.

<p>Management Program</p>	<p>Supplier Management Program</p> <ul style="list-style-type: none"> • Cross-functional Execution: An annual performance review of relevant suppliers is conducted through cross-functional team throughout supplier visits or audits. The cross-functional collaboration has also expanded and strengthened the partnership between Lotus and its suppliers. • Categorized Supplier Grade: Suppliers of different types are evaluated as grades A, B, and C based on the Lotus suppliers management program. • Risk Mitigation: For suppliers of grades A, B, and C, different frequencies are defined and different risk management actions are implemented depending on the supplier type. For example, for direct raw material suppliers, short-, medium, and long-term material demand planning is implemented based on strategic purchasing; for dual sources / sites material supply, risk mitigation plans are implemented. • Feedback: Provide feedback to suppliers based on the review results to enhance communication and partnership to support suppliers improve their performances. • Supplier Management Program Database: According to the execution results of the supplier management program, develop a "Watchout of vendors" and a "preferred list of suppliers" for internal users for risk mitigations and Supply Risk Committee – "SRC" for reference and define strategic procurement strategy in the future procurement implementation.
<p>Management measures</p>	<p>1. Ensure that the manufacturer is informed about ESG-related information</p> <p>Provide relevant ESG information in accordance with the requirements of end customers to meet market operation and marketing needs. For instance, Lotus has furnished ESG management standards and information related to environmental protection and wastewater discharge to Vinorelbine API raw material suppliers. Additionally, the terms and conditions of the supplier's order are referred to as Standard Purchase Order Terms and Conditions.</p> <p>RESTRICTED SUBSTANCES: The seller's goods, materials, and processes must comply with all governmental and safety restrictions on restricted, toxic, and hazardous substances.</p> <p>2. Preliminary review of supplier qualification:</p> <p>The company conducts due diligence when suppliers fill out prequalification forms. Suppliers are required to propose relevant work safety regulations, regularly hold work safety meetings, and conduct work safety inspections. Additionally, the company will confirm whether major violations or litigation records exist in the suppliers' previous operations. If a specific supplier fails to pass the prequalification process, they will not be introduced as a new supplier. In 2023, Lotus plans to gradually complete the qualification review of its suppliers and aims to complete the qualification review of 100% of grade A suppliers by 2024. By 2025, the company aims to complete the qualification review of 80% of grade B suppliers.</p> <p>3. Sign the quality technical agreement:</p> <p>After the Procurement Department prequalifies new suppliers, the Lotus quality teams conduct a site audit of key direct material suppliers, and enter quality agreements. With quality agreements, the suppliers are required to ensure their operations fully comply with regulations, and follow registration, thus guaranteeing the suppliers' commitment and conformity to all quality related requirements.</p>
<p>2023 audit results</p>	<ul style="list-style-type: none"> • Lotus Taiwan: A total of 36 suppliers were audited, including 8 suppliers in Taiwan and 28 foreign suppliers. • Lotus South Korea: A total of 41 suppliers were audited, including 17 local suppliers and 24 foreign suppliers.

Supply Chain Management Flow and Methods

Management Flow and Methods			
Level	Selection: vendor qualification review	Daily management and training	Regular assessment and inspection
Plan	<p>Review whether the supplier qualifies for cGMP drugs according to the Manufacturer/ Vendor Qualification Operation Procedure.</p> <p>1.Preliminary review of supplier qualification: In addition to product and process quality requirements, it is also necessary to check the supplier's relevant work safety regulations, work safety meetings, and work safety inspections, and require the supplier to comply with the relevant environmental, occupational health, and safety regulations in the quality commitment letter.</p> <p>2.Detailed selection process: The cross- functional focus is on Total Cost Ownership (TCO) to select the most suitable suppliers via a comprehensive evaluation based on professional knowledge, and from the aspects of professional pharmaceutical processes, quality, delivery time, IP and cost.</p>	<p>1.Supplier delivery management: The procurement unit conducts quarterly evaluations and implements the follow-up management of procurement delivery condition statements through system vendors.</p> <p>2.Cost management: The Company understands market place demand / request situation, via regular communication with Supplier. And watch out the raw materials trends to manage Cost of materials. Reduced urgent requirements throughout MRP and Inventory management.</p> <p>3.Inventory forecast management: Import flexible safety stock levels and CS provided demand forecast to assume supply, using the ERP / MRP system for replenishment orders. This will ensure the smooth supply of goods to end customers and enable patients to obtain the required services. Lotus adheres to mutual trust with suppliers and is responsible to suppliers based on mutually committed inventory, all guided by business morals and ethics.</p> <p>4.Quality management: According to the "Quality Operation Management Measures", carry out relevant incoming inspections on raw materials at different levels, and provide regular feedback to suppliers to ensure a smooth dialogue. If quality issues occur, communicate with the vendor together with the quality unit.</p>	<p>1.Annual assessment: Evaluate the annual quality performance of suppliers, prepare statics of abnormal situations of various finished products, and discuss and decide on the subsequent disposal of suppliers. According to the supplier management program, we defined suppliers as three types as grades A, B, and C based on the aspects of their delivery, quality, service, cost, and innovation. Strategic procurement and relevant risk management plans are updated and implemented based on the results of the evaluation and risk identification.</p> <p>2.On-site audit: In accordance with the Manufacturer/ Vendor Qualification Approval Procedure, conduct regular on-site inspections of raw material suppliers and domestic outsourced manufacturers.</p> <p>3.Management:Conduct two-way communication with suppliers through internal supplier meetings, supply market communication meetings, and supplier performance feedback meetings.</p>
Responsible unit	Procurement Department, R&D department and Quality department	Procurement Department , Quality Department, Production Planning , Supply Chain and other Related departments	Procurement, Quality, Manufacturing, Plant Operations, TPP (Third Party Products Operation Dept.),and related Departments

▼ Supplier Management Program



New Supplier Screening and Evaluation

New supplier application

In 2023, added 3 suppliers for raw materials of Lotus Taiwan, and 6 applied for new raw material suppliers in South Korea. All these suppliers passed the supplier prequalification and have entered the review stage of detailed selection.

▼ Six performance aspects of new Lotus suppliers



New supplier screening

- Suppliers and raw materials qualifications procedures:** including criteria such as lead time, quality, customer complaints, and compatibility. Suppliers who meet these requirements will be listed as approved suppliers, and the company may then procure materials from them regularly. We have rigorously screened the qualifications of our new API suppliers. The review process includes evaluation of IP patent certificates, analysis, and supervision by the technical document review department (DMF), sample evaluation, development testing, supplier quality system review, production review, trial production, biological trial drug submission for review, and handling API-related regulatory requirements.
- Environmental and Social Sustainability Related Indicators:** If a new supplier imposes a significant negative impact on environmental and social sustainability, Lotus Pharmaceutical will mark this supplier as ineligible. In 2024, the Procurement Department included an ESG-related indicator system in the preliminary screening and qualification review of new suppliers.

Evaluation aspect	Evaluation indicator	Score proportion	Evaluation unit
Supply	<ul style="list-style-type: none"> Lead time Order confirmation Delivery performance 	20%	Procurement Department
Quality	<ul style="list-style-type: none"> Complaints Major deviation OOS, OOT, stability issue Audit observation Warning letter issue 	20%	Quality Department
Service	<ul style="list-style-type: none"> Filing Response time Pipeline 	15%	Regulatory Affairs Department/Plant Operation Department
Cost	<ul style="list-style-type: none"> Pricing Cost optimization initiatives 	20%	Procurement Department
Innovation	<ul style="list-style-type: none"> Technical capabilities Problem solving Management commitment 	15%	Plant Operation Dept. (including Technical Service Department)
ESG	<ul style="list-style-type: none"> ESG Report Availability ESG Questionnaire Completion Pre-Qualification Completion 	10%	Procurement Department

Supplier Risk Assessment

Regular management measures

▼ Regular communication with Grade A and B suppliers

Management Measures	Handling situation in 2023
Regular Supplier Internal Meeting	Based on their different attributes, regularly discuss with suppliers on their business expectations, new product status, and technical capabilities.
Supply Market Exchange Meeting	Confirm the short, medium-, and long-term market outlook through regular exchange with suppliers at least once a year, and collect other supply chain-related risk information.
Supplier Performance Feedback Meeting	Provide suppliers with performance evaluation results at least once a year, and require them to take corrective measures or make improvement plans.

▼ Regular assessment and inspection

Management Measures	Handling situation in 2023
Annual Assessment and Supplier Management Plan	<ol style="list-style-type: none"> 1. According to the annual Product Quality Review plan, the Quality Department verifies the quality performance of suppliers. The specific functions are to evaluate the annual quality status of GMP manufacturers and prepare statistics of the annual abnormal situations of various finished products. In 2023, the annual review process was completed within the planned timeline, and a report was presented at the most recent meeting of the Quality Review Committee to discuss the subsequent removal of specific suppliers. 2. According to the supplier management plan, suppliers of different types are evaluated as grades A, B, and C based on the aspects of their supply of goods, quality, service, cost, and innovation, and different levels of management are imposed accordingly. At the same time, the procurement strategy is updated based on the results of evaluation and risk identification, and relevant risk management plans are implemented.
On-site Audit	In accordance with the requirements of continuous inspection of Manufacturer/Vendor Qualification Review Procedure, manufacturers are required to conduct regular on-site inspections on raw material/finished product suppliers and domestic outsourced manufacturers (CMOs). 36 on-site audits were conducted in Taiwan while 40 on-site audits were conducted in Korea in 2023.
Supplier Performance Feedback Meeting	Lotus periodically evaluates supplier performance including delivery time, cost, quality, and service, and immediately gives feedback to suppliers on their performance evaluation results; when necessary, Lotus also requires suppliers to take immediate corrective measures and submit improvement plans.

2-5 Sustainable Procurement

Local procurement (including the import of foreign raw materials by agents in Taiwan) is adopted as much as possible at Lotus' important operating sites (including the operation boundary mentioned in this report), to reduce carbon emissions generated in long-distance transportation and support local business development. In 2023, local procurement accounted for approximately 30% of the total expenditure. In the future, Lotus will continually maintain this level, further evaluate the feasibility of enlarging the ratio of local procurement, and establish concrete targets.

▼ The ratio of local procurement of Lotus in Taiwan in the last 3 years (unit: NT\$ 1,000)

Year	2021	2022	2023
Local procurement amount of raw materials	134,997	215,901	260,920
Local general procurement amount	452,629	845,976	428,182
Total local procurement amount	587,626	1,061,877	689,102
Total procurement amount	1,978,172	2,391,974	2,301,639
Ratio of local procurement amount	30%	44%	30%



Chapter 3 Product Overview and Safety



3-1 Product Overview

Global Market Development Strategy

<p>Diversifying the Product Portfolio</p>	<p>The operating headquarters of Lotus is situated in Taiwan. Historically, the company primarily concentrated on the research, development, production, and sales of generic drugs. Over the past few years, it has successfully transformed into a diversified composite pharmaceutical company. In addition to its well-established expertise in special generic drugs, Lotus has expanded its product portfolio to include brand products, 505(b)(2) products, NCE drugs, and Biosimilar drugs. Furthermore, Lotus has introduced specialty original patented drugs through product line M&A or exclusive agreements, further diversifying its product portfolio and effectively increasing its specialized products' visibility and brand strength.</p>
<p>Export of Generic Drugs to Overseas Markets</p>	<p>Over the past few years, Lotus has proactively ventured into the export market, emphasizing the development of special generic drugs. With a core portfolio comprising high-value cancer drugs and central nervous system medications that require a high entry threshold, Lotus has successfully penetrated international markets, including Japan, South Korea, and Southeast Asia. Additionally, it has established its presence in the American and European markets through the distribution networks of its strategic partners.</p>
<p>Actively Seeking Strategic Partners</p>	<p>Lotus has been focusing on our global business strategy by building strategic partnerships worldwide. Leveraging our strengths in research and business development, Lotus collaborates with leading pharmaceutical companies to offer a comprehensive range of complex generic drug products to the global market. In countries with unique market characteristics, we cooperate with local or regional distributors to expedite the export of certified products into the local market.</p>
<p>A Wide Reach in the Asia Pacific Market</p>	<p>In addition to our key markets in Taiwan and South Korea, Lotus has established dedicated business teams in emerging Southeast Asian markets such as Vietnam, Malaysia, Indonesia, Thailand, the Philippines, and Singapore. We offer a range of products and services locally, including branded drugs, generic drugs, and biosimilars. Our services cater to hospitals, clinics, and pharmacy customers as we work toward achieving a comprehensive presence in the Asia-Pacific market.</p>

Global R&D Centers

World-class R&D Centers and Production Facilities

Lotus operates R&D centers in Taiwan and South Korea, specializing in the formulation development of special generic drugs. The company is committed to researching and developing complex generic drugs that are difficult to replicate and have a high entry threshold. Experienced scientists lead Lotus’s R&D team, bringing expertise from renowned pharmaceutical companies worldwide, and boast complete formulation R&D capabilities from laboratory to client. Additionally, the company has accumulated extensive experience in both local and international markets, from concept verification to successful marketing. In 2023, the R&D centers delivered remarkable performance: 7 projects were initiated, 6 dossiers were filed, and 22 projects were ongoing.

Global R&D staff	More than 300
Global R&D centers	2

Key Products of Lotus Pharmaceutical 2023

The key business activities include the manufacturing and sales of various drugs, and Lotus continues to transform into a composite international pharmaceutical factory. Our product portfolio covers branded drugs, new chemical entities (NCEs), 505(b)(2) products, biosimilar drugs, and complex generic drugs. The key products in 2023 include Buprenorphine/Naloxone for alcohol addiction, Lenalidomide for multiple myeloma, Goserelin for breast cancer, Pemetrexed for lung cancer and Phentermine/Topiramate for weight management, among others.

INN	Indications	Key Markets
Buprenorphine/Naloxone	Central Nervous System: Abstinence	USA
Lenalidomide	Oncology: Multiple myeloma	USA
Goserelin	Oncology: Breast cancer	South Korea
Pemetrexed	Oncology: Lung cancer	Taiwan
Phentermine/Topiramate	Anti-obesity	South Korea
Tadalafil	Urology: Male sexual dysfunction	Taiwan
Calcium Polystyrene Sulfonate	Nephrology: Kidney disease	South Korea
Orlistat	Anti-obesity	South Korea
Rosuvastatin Calcium/Ezetimibe	Cardiovascular & Hematology: Reduction of blood lipids and cholesterol	South Korea
Quetiapine Fumarate	Central Nervous System: Bipolar disorder	South Korea

3-2 Improving Drug Accessibility

Address Unmet Medical Needs

The mission of Lotus is to address the unmet medical needs of the world. In the past few years, we have actively promoted the operational strategy of "two by two: two-way market expansion and two-way product development" to enhance drug accessibility.

The "two-way market expansion" in our operational strategy signifies not only active expansion of the dual track layout of the Asian market and the European and US markets but also striving to promote operational transformation. Currently, Lotus has transformed from a local pharmaceutical company, focusing solely on the research and development, production, and sales of complex generic drugs to becoming an international composite pharmaceutical platform with a diversified portfolio. This portfolio includes branded drugs, new chemical entities (NCEs), biosimilar drugs, and complex generic drugs. The company expects to become a key provider of appropriate and affordable medical care for patients worldwide.

In terms of "two-way product development", the global population's aging trend has led to a significant rise in critical disease care and chronic diseases across various countries, accompanied by increasing medical expenses. Additionally, with cancer remaining the world's leading cause of death, we have decided to focus on the R&D and production of high-threshold oncology complex generic drugs to provide affordable and widely accessible drugs to patients worldwide, to ensure that every patient can receive proper treatment. On the other hand, we are also collaborating with international strategic partners

to introduce a variety of branded drugs, new chemical entities (NCEs), biosimilar drugs, and complex generic drugs from European and US markets to the Asian market. This initiative aims to bring more innovative medical solutions and enrich drug options in the Asian market, ensuring that Asian patients receive high-quality treatments that meet their needs.

In 2023, Lotus continued to expand into new markets. Our largest global product to date, Lenalidomide, successfully launched as a first-wave generic in Brazil and Japan, and Vinorelbine soft-gel was first-to-market in Vietnam, addressing unmet medical needs in these countries. During the year, Lotus allocated NT\$ 720 million to R&D expenses, initiated 7 R&D projects, and filed 6 dossiers. Currently, the Company has 22 ongoing projects. The Regulatory Affairs submitted a total of 113 drug certificate applications, obtained 77 market approvals, and launched 123 SKUs (27 INNs). Lotus achieved tentative Abbreviated New Drug Application (ANDA) approval in the U.S. for Nintedanib (generic of Ofev®) & Midostaurin (generic of Rydapt), and approval for Pomalidomide (generic of Pomalyst) in Canada.

In addition to in-house product development, Lotus' in-house licensing team supplemented the Company's portfolio with 25 deals including the exclusive licenses for 505(b)(2) product VAZKEPA and ADLARITY in Asia. Moreover, Lotus signed 29 additional out-licensing agreements during the year, partnering with global leading pharmaceutical companies such as Sandoz and Teva. Currently, the Company's licensing agreements cover more than 160 markets globally.



Patents and Research Achievements

2023 R&D Highlights and Special Projects

ZEPZELCA®, a New-generation Drug for the Second-line Treatment of Small Cell Lung Cancer (SCLC)

Through cooperation with PharmaMar S.A., a new drug manufacturer in Spain, Lotus obtained the drug certificate for ZEPZELCA®, a new-generation drug for the second-line treatment of SCLC, in Taiwan. This product selectively inhibits the transcription of oncogenic genes relied upon by various tumors, and controls the transcription process of tumor-associated macrophages, promoting tumor cell death and normalizing the tumor microenvironment. Currently, ZEPZELCA® has been successfully marketed in several major countries worldwide, including the United States, Canada, Australia, and Switzerland. SCLC constitutes approximately 15% of all lung cancer cases and is one of the most aggressive diseases with a relatively low survival rate. Due to its high recurrence rate, SCLC poses a significant challenge to existing clinical treatments. Therefore, innovative solutions to address this disease are urgently needed. ZEPZELCA represents the first new second-line treatment choice for metastatic SCLC in the last two decades. Compared with current standard therapies, ZEPZELCA® demonstrates a better tumor response rate and safety profile, offering improved treatment options for patients with SCLC.



▼ Investment in R&D Expenses (Unit: NT\$ Thousand)

Item/Year	2021	2022	2023
R&D Expenses	595,925	520,449	720,826
Net operating income	12,649,189	14,632,772	16,957,971
The ratio of R&D expenses in the net operating income	4.71%	3.56%	4.25%

Note 1: Information recompilation: Before 2022, R&D expenses incurred in Taiwan were primarily disclosed. Starting from 2023, consolidated R&D expenses are disclosed in the annual report, and the disclosed amount for previous years has been retroactively adjusted. As a result, relevant information from 2021 and 2022 has been recompiled.

Note 2: R&D expenses exclude capitalized R&D cost, amounted for 10% of net revenue.

Research and Development of Oral Anti-cancer Drugs

As of the end of 2023, the Company has been conducting research and development on over 10 oral anti-cancer drugs.

Key Progress

- The breast cancer drug Palbociclib has shown progress in clinical trials. Hormone medication Dydrogesterone, lung cancer drug Afatinib, and Bosutinib for chronic myelogenous leukemia have all met clinical trial criteria and will proceed to the drug submission and application stage.
- Pomalidomide for blood cancer and Sunitinib for gastrointestinal stromal tumors have completed preparations for new launch mass production.
- The drug for the treatment of idiopathic pulmonary fibrosis is currently undergoing patent application in Taiwan and Europe. The drug certification application has been inspected and registered, and relevant approvals have been obtained in the United States and Canada.
- In terms of oral soft capsules for particularly difficult diseases, the non-small cell lung cancer drug Vinorelbine has been launched in Taiwan and Vietnam, and the prostate cancer drug Enzalutamide is being sold in the global market.
- Midostaurin, a drug used to treat acute myeloid leukemia, has already been approved by the regulatory body of Taiwan and the FDA.
- Drugs used to treat transthyretin amyloidosis, lupus nephritis, etc. are currently under the R&D stage. However, Lotus has already obtained preliminary progress in the clinical trials of transthyretin amyloidosis in terms of drug development.

▼ List of research and development cases for oral anti-cancer drugs

INN	Indications	Target markets	Current progress
Vinorelbine Softgel	Non-small cell lung cancer	Global	Lotus has already obtained drug certificates in Taiwan, Southeast Asia, New Zealand, the European Union, and some Latin American countries, and is currently developing global markets simultaneously.
Enzalutamide Softgel	Prostatic cancer	Global	Lotus has already obtained drug certificates in Taiwan and some Latin American countries and is currently developing global markets simultaneously.
Lenalidomide	Blood cancer	Global	Has already been approved by the United States and launched in Taiwan, Europe, the United States, and Japan.
Pazopanib	Advanced hepatocellular carcinoma, advanced renal cell carcinoma, and differentiated thyroid carcinoma	Global	Have already obtained EU approval and obtained drug certificates in Taiwan and some European countries.
Sunitinib	Gastrointestinal stromal tumor	Global	Have already obtained EU approval, and obtained drug certificates in Taiwan, European, South American, and Southeast Asian countries.
Midostaurin	Acute myeloid leukemia	Global	Have already obtained Taiwan's approval and the US FDA's temporary approval and are currently applying for drug certificates from other countries.
Pomalidomide	Blood cancer (chronic myelogenous leukemia)	Global	Have already obtained a drug certificate in Taiwan and launched in Canada and are currently applying for drug certificates in other countries.
LP677	Liver cancer and thyroid cancer	Global	Clinical stage
LP715	Lung cancer	Global	Has already passed a clinical trial and is currently applying for drug certificates
LP120	Lymphatic leukemia	Global	Development stage
LP773	Breast cancer	Global	Development stage
LP723	Chronic myelogenous leukemia	Global	Has already passed clinical trials and are currently applying for drug certificates
LP745	Primary myelofibrosis	Global	Development stage
LP754	Myeloid leukemia	Global	Clinical stage
LP757	Kidney cancer, liver cancer and thyroid cancer	Global	Development stage
LP764	Primary myelofibrosis	Global	Development stage

Research and Development of Special Dosage Forms

Leadership in the consolidated special dosage form - The first pharmaceutical soft capsule formulation factory in Taiwan to obtain a US drug certificate

In addition to the research and development of small-molecule drug formulations such as tablets, hard capsules, and granules, Lotus's Taiwan R&D team has been investing in the development of high-tech soft capsule formulations since 2009. As the technology platform for highly active molecules can improve bioavailability, it will contribute significantly to the development of cancer and hormone therapy. Once formulation development succeeds, it is expected to establish a high market share, difficult for imitators to penetrate. Currently, Lotus is investing in the development of several new soft capsule products expected to generate high output value. These include drugs for treating non-small cell lung cancer, prostate cancer, acute myeloid leukemia, idiopathic pulmonary fibrosis, transthyretin amyloidosis, lupus nephritis, and autoimmune diseases of the central nervous system. Lotus has successfully combined the dual high-threshold technologies of high-toxicity cancer drugs and soft capsule dosage forms, making it a leading generic drug manufacturer in the Asia-Pacific region.

▼ List of research and development cases for special mechanism or special dosage form

INN	Indications	Target market	Current progress
LP654	Idiopathic pulmonary fibrosis	Global	In application, approved in the United States and Canada
AK-R218	Type II diabetes	Global	In application
LP117	Rheumatoid arthritis	Global	In application
LP711	Women's healthcare	Global	In application
LP614	Hyperthyroidism	Global	The US FDA's approval
LP678	Transthyretin amyloidosis	Global	Development stage
LP679	Transthyretin amyloidosis	Global	Development stage
LP693	Lupus nephritis	Global	Development stage
LP751	Multiple sclerosis	Global	Already passed clinical trials and is currently applying for drug certificates

Patent and Trademark Layout

By the end of 2023, the Company had a total of 10 invention patents applied for and still valid, 193 trademarks approved for registration, and 28 trademarks under application.

▼ Number of patents and trademarks applied for by Lotus

Items	Cases
Invention patents applied for and still valid	10
Trademarks approved	193
Trademarks under application	28

▼ Region distribution of patent and trademark applications for Lotus

IP type	Invention Patents		Trademarks	
	Certificate received	In application	Certificate received	In application
Taiwan	0	4	133	0
Europe	0	6	0	0
China	0	0	5	0
Hong Kong	0	0	14	2
Singapore	0	0	7	4
Thailand	0	0	5	2
Malaysia	0	0	11	0
Vietnam	0	0	0	15
Philippines	0	0	17	3
Indonesia	0	0	0	1
Pakistan	0	0	1	1

Safety of Participants in Clinical Trials

All clinical trials conducted by Lotus are reviewed and approved by its Institutional Review Board (IRB). Before submitting a clinical trial to IRB, we prepare and complete an informed consent form (ICF) per regulatory and ethical requirements. Once the ICF is approved, CRO provides it to the subjects and interacts with them individually, to explain and ensure their understanding of the study processes. A study is initiated only after relevant subjects agree to participate in the study. Our processes follow the standard operating procedure (SOP) for clinicals study sites.

Additionally, after a final report is submitted to the FDA, the agency reviews all documents related to subjects' safety. Periodically, the FDA conducts on-site inspections of CROs to evaluate whether the study data complies with the appropriate procedures established per GCP.

The important aspects of clinical trial management include:

- Preventing biases in the reporting.
- Maintaining the orderly conduct of the plans.
- Supervising the design of the plans and identifying errors.
- Ensuring that the trial is correctly recorded and evaluated.
- Cooperating with diversified teams.

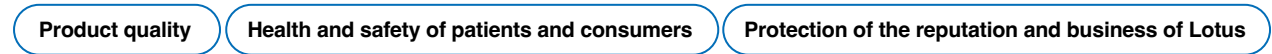
3-3 Drug Quality

Drug Quality Management Policy

Lotus is committed to upholding high-quality standards and adheres strictly to all applicable regulatory and industry standards, with "quality" as a core value and a responsibility for every Lotus employee. We firmly believe that only through the combined efforts of all relevant personnel as a team can we achieve the highest quality. To comply with the regulations of domestic and foreign authorities on drug manufacturing and sales, 100% of Lotus's branded drugs have been verified by health authorities in various countries for their therapeutic effects, quality, and safety. At the same time, the labels, instruction sheets, and packaging of drugs are confirmed and approved by various competent authorities. The regulatory department ensures that the content submitted for review and posting meets the requirements of relevant regulations. Additionally, to ensure continuous improvement in product quality, all changes to products post-launch undergo rigorous change management control procedures, including comprehensive risk assessment and relevant testing to validate product quality. Furthermore, as per the requirements of the respective national laws and regulations, the local health authorities' review and approval are required before implementing the changes. Regarding product use, to mitigate risks of drug misuse and improper storage, in addition to clearly stating medication precautions, ingredients, indications, and usage on the instruction sheet (i.e. drug instructions), the business personnel clearly explain the method of use and precautions of the drug during product sales. In terms of market channels, Lotus employs product appearance and batch number management, anti-counterfeit labels, anti-counterfeit unseal labels, product serial number management, etc., and collaborates with governments to enhance border inspections to prevent counterfeit drugs from entering the market. Moreover, Lotus did not incur any monetary losses due to legal litigations stemming from misleading marketing content in 2023.

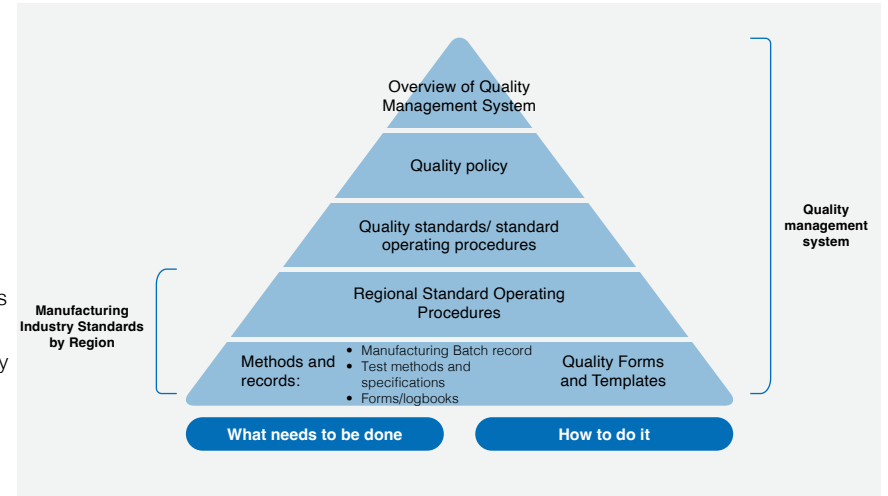
Quality Management Strategy and Objectives

Lotus is committed to establishing appropriate quality management systems and processes to uphold the company's operational quality culture. The company also focuses on maintaining quality and promoting specific maintenance and improvement actions to ensure that our decisions align with the three major aspects outlined in the diagram on the right:



Internal Quality and Safety Management Organization and Standard Operations

Lotus has a comprehensive quality management policy and has developed standard operations and procedures for each region, along with various protocols and reporting requirements. The Quality Department is responsible for managing and supervising the process to ensure that the manufacturing environment, raw materials, intermediate, and finished products comply with the GxP regulations of Good Manufacturing Practice for Medicines. The high manufacturing quality at Lotus is maintained through batch production records, specific analysis methods and specifications, as well as records and quality forms.



Continuous Improvement of Product Quality

1. Having sufficient resources and well-trained qualified personnel.
2. Establish and continuously improve the Lotus Quality Management System (QMS) to ensure the implementation of robust systems and processes that comply with applicable regulatory requirements of Lotus and various countries.
3. Continuously evaluate, monitor, and improve the quality system of Lotus.
4. Select appropriate suppliers and contractors and implement effective third-party management.

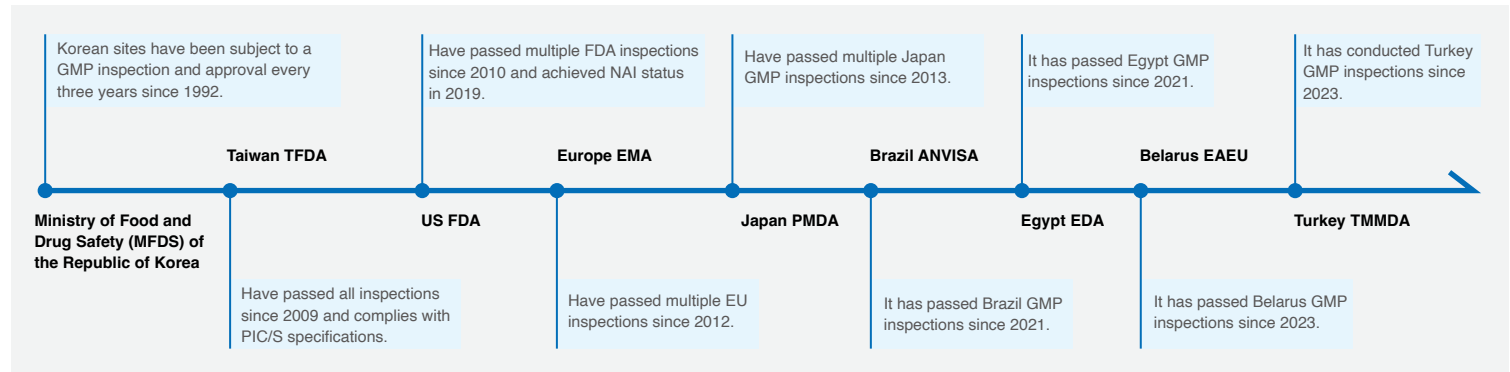
Training theme	Total participants	Training person-hours (hour)	Total hours
Site GMP training	577	2	1,154
Internal audit training	10	8	80
Deviation report writing practice	86	2	172
Analysis of underlying reasons	69	2	138
Risk management	84	6	504
Total	826	20	2,048

Reliable Process and Quality Control

Lotus operates three manufacturing factories: the Nantou site in Taiwan, the Gongju site and the Hyangnam site in South Korea. All sites adhere to the "PIC/S: Guide to Good Manufacturing Practice for Medical Products" (PIC/S GMP) and "Good Distribution Practice" (GDP) regulations established by the International Pharmaceutical Inspection Cooperation Scheme (PIC/S). These standards govern the manufacturing, import, export, storage, and transport of drugs, to provide customers with safe and effective medication. Furthermore, the Nantou site in Taiwan has undergone inspections by the Taiwan Food and Drug Administration since 2009 to ensure compliance with PIC/S standards. Additionally, it has obtained GMP approvals from the top ten advanced countries, including the EMA and US FDA.

In addition to implementing quality management, Lotus conducts an annual GMP internal audit. Furthermore, customer audits or inspections by domestic and foreign health authorities are conducted. In 2023, five inspections were completed for the Taiwan Nantou site. As per the inspection results, Lotus has not engaged in any activities related to manufacturing, import, or labeling that violated applicable regulations.

▼ Categories of Inspections Passed by Lotus



▼ 2023 Product Quality Inspection Time

Factory	Audit/factory inspection/verification date	Audit/factory inspection/verification unit	Audit/factory inspection/verification conclusion
Taiwan Nantou site	March 20, 2023	Egypt EDA	Approval
	July 17 to 20, 2023	Belarus EAEU	Approval
	September 13 to 14, 2023	Taiwan TFDA	Approval
	September 18 to 22, 2023	Turkey TMMDA	Awaiting the certificate
	December 11 to 13, 2023	Europe EMA	Approval

Drug Storage, Transportation and Supply Management

To ensure the quality of drugs from manufacturing completion to the customer, health authorities worldwide have expanded their requirements for drug quality beyond "Good Manufacturing Practice (GMP)" for production to include "Good Distribution Practice" (GDP) for transportation and supply chain. Lotus applied for GDP certification from the Ministry of Health and Welfare on September 30, 2016, and received approval in 2017. To prevent quality issues arising from improper management of drug storage and transportation processes, and to ensure the safety of users' medication, Lotus has implemented a comprehensive drug transportation and supply management policy. This includes selecting qualified logistics companies and customs brokers for transporting all raw materials, semi-finished products, and finished products, Lotus maintains a dedicated storage warehouse to safeguard product quality. Detailed records of batch numbers, dates, locations, and quantities of all delivered drugs are kept for traceability. This strengthens management and control across the drug transportation and supply chain, ensuring the quality and integrity of products during transportation, distribution, and storage.

Labeling	Product storage		Raw material distribution	Transportation and supply		
Labeling tags	Storage area management	Storage method	Raw material distribution	Transportation	Shipping principle	Documents and records
After receiving the goods into the system, labeling tags are printed and affixed to the materials, and the barcode reader can display the real-time status of all materials accordingly.	As per SOP specifications, perform cleaning and pest prevention-related operations at a predetermined frequency. In addition to regular cleaning and pest prevention operations, regularly perform temperature and humidity correction and confirmation operations in various storage areas (including cold room and freezers). All types of items in the warehouse should be neatly arranged according to their physical properties and demands, and stored separately on different shelves or levels.	To ensure quality, items must be placed on pallets and cannot be placed directly on the ground.	The material preparation group shall prepare materials according to production work orders or material requisitions for miscellaneous materials. After completing the material preparation, the materials will be provided to the manufacturing site for production or packaging.	A logistics company that passes the company's audit will handle the transportation of raw materials and drugs. For exports, it is necessary to verify if transportation verification is required for the transportation route. For the export of finished products, it must first be checked whether the transportation route of the finished products requires transportation verification. If there are any changes or deviations between the transportation route and the currently verified transportation route, a risk assessment is necessary. This includes but is not limited to whether the shipping study protocol and related contents need to be re-examined and modified. If necessary, a change control should be initiated to control and update the SOP.	The domestic market implements the principle of "First Expired, First Out" (FEFO). The export market is managed based on the principle of shipping the batches that have been produced and inspected first.	There are clear documents that can trace the batch number, date, location, and quantity of shipped drugs during transportation and shipping.

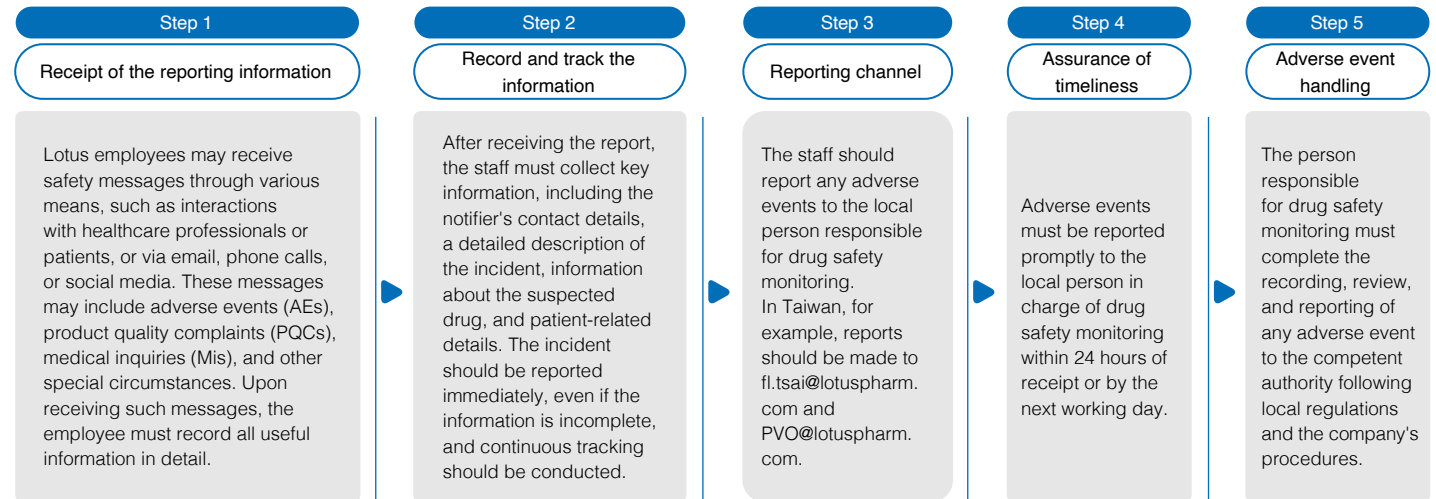
3-4 Drug Safety and Recall

Global Drug Safety Monitoring Mechanism and Reporting Mechanism

Monitoring Mechanism

Lotus established its Global Drug Safety Monitoring Center in Taiwan in 2021 and developed a series of drug safety monitoring standards in 2022 to ensure compliance with global drug safety monitoring regulations and monitor the safety of its produced drugs. To comply with the drug safety supervision and notification regulations in various countries or regions, Lotus has professional teams in Asia, Europe, and the United States. Furthermore, Lotus has completed the drug pharmacovigilance safety master file required for drug licenses in Europe and Asia. Within Lotus' drug safety monitoring system, any adverse events and special incidents related to Lotus products are recorded, compiled, and analyzed. Serious adverse events, including fatalities, are reported within the specified time frame. In 2023, Lotus reported a total of 42 product adverse events in Taiwan, with no reported deaths.

▼ Drug Safety Reporting Process



Reporting Mechanism

Lotus is committed to protecting public health by closely monitoring the drug safety of its products. To understand potential drug safety issues that may arise from large-scale clinical use after a drug's launch, and to ensure immediate action is taken in relevant situations, Lotus actively collects, evaluates and studies drug safety-related information. This effort fulfills its responsibility for reporting adverse reactions. Lotus utilizes various channels and methods to gather data on adverse drug reactions, providing the latest drug information and risk management tools to related agencies and patients to reduce the risk of adverse reactions. Our drug safety monitoring system identifies safety alerts associated with Lotus products from the pharmaceutical product registration list for further assessment and possible solutions. In 2023, we identified 7 safety alerts in Taiwan and implemented appropriate countermeasures. In addition, to ensure all employees are familiar with the reporting mechanism, Lotus regularly conducts training on employee drug safety reporting and maintains all training records. In 2023, a total of 1,260 employees completed the annual employee drug safety reporting training. These efforts reflect our commitment to and care for drug safety.

If patients or healthcare professionals have any concerns about their health and treatment methods, they should promptly consult a physician to seek better treatment options.

If patients or healthcare professionals discover adverse reactions to the Company's drugs and have concerns about the safety of the products, they are welcome to contact the Company through the following methods.

Tel.: +886-2-27005908 #1338

Email: info@lotuspharm.com

▼ Drug Safety Monitoring Training in 2023

Training theme	No. of participants	Training person-hours (hour)
Drug safety monitoring training	1,260	1

Counterfeit drug blocking mechanism

Lotus has an internal anti-counterfeit drug mechanism and investigation procedures to address suspected counterfeit and prohibited drugs related to the Company. If any customer complaints or reports are received regarding suspected counterfeit drugs, Lotus will initiate investigation measures within one working day, notify Quality Department personnel, suspend sales of the suspected counterfeit drug products, and initiate an investigation. Based on the investigation results, Lotus will propose corrective, preventive, and improvement measures.

Lotus did not receive any reports of counterfeit drugs in 2023 nor were there any litigation cases involving accusations of counterfeit drugs for products manufactured in-house. However, a total of 13 counterfeit drug cases were discovered for other drugs. These cases were reported and the counterfeit drugs were destroyed through the border inspection mechanism. To combat counterfeit drug crimes, Lotus initiated two criminal lawsuits, demonstrating its firm determination and achievements in blocking counterfeit drugs.

Anti-counterfeiting Education and Training

For product anti-counterfeiting design, we have affixed product codes on the outside of products, printed batch numbers, and added anti-counterfeit labels, tamper evident seals, and printed serial numbers, to improve the product recognition of Lotus. When selling products, we further label customer codes to facilitate traceability. We coordinate with law firms and aviation police units to strengthen border inspections. In 2023, we completed three education and training activities at the northern, central, and southern customs units, actively preventing counterfeit and inferior drugs from entering the market supply chain.

At the same time, Lotus has established a "Suspected Falsified and Counterfeit Medicinal Product Handling Procedure" for colleagues to review and follow, to raise employees' awareness of counterfeit drug blocking and enhance the vigilance of relevant operators. This procedure includes definitions of falsified and counterfeit medicinal products, identification methods, reporting procedures, handling processes, and other relevant contents, to ensure the Company can promptly and effectively address relevant issues in daily business operations. In 2023, this procedure was viewed a total of 27 times, demonstrating not only the Company's focus on improving employees' awareness of counterfeit drugs but also employees' commitment to their self-education and vigilance. As a result, Lotus can more effectively guarantee drug quality and safety.

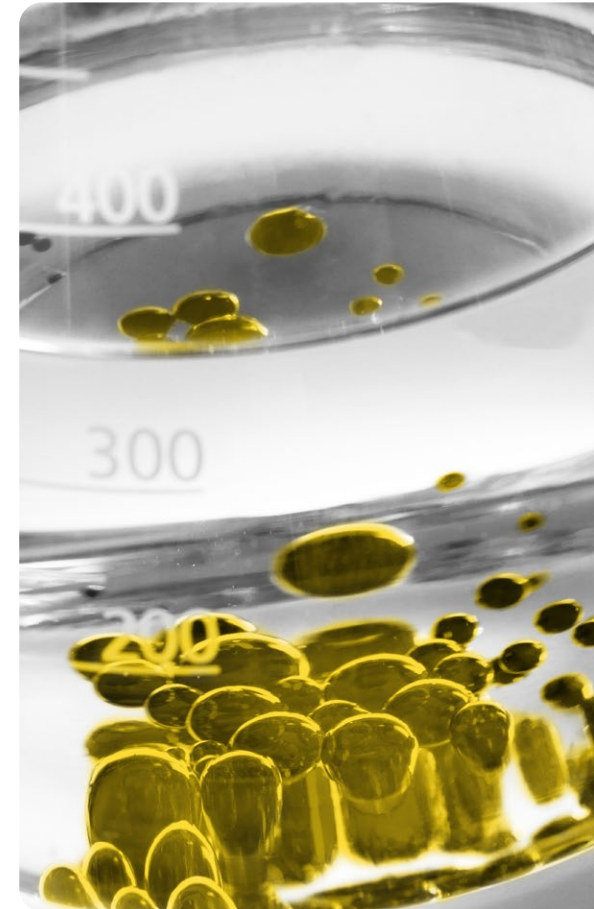
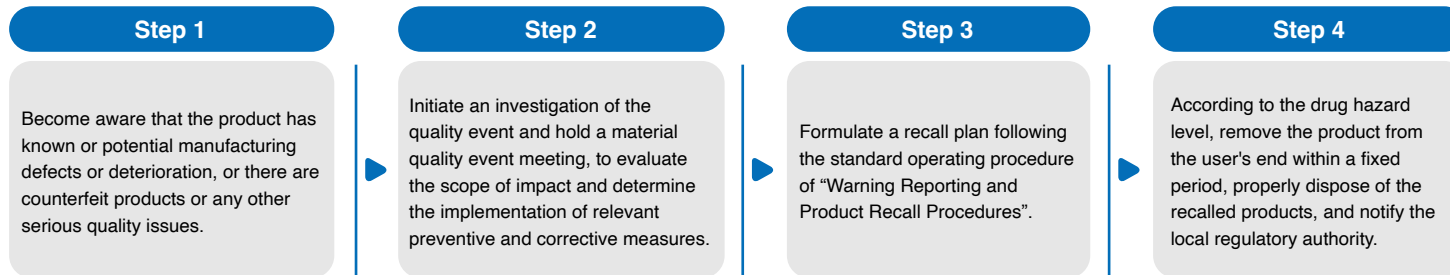
Drug Recall Mechanism

Lotus bears relevant responsibilities for the recall of drugs, adhering to the requirements of relevant regulatory authorities. The company follows a standard operating procedure titled “Warning Reporting and Product Recall Procedures.” As per this procedure, all drug recall reporting, tracking, and closure activities, as well as the execution of matters related to drug and medical device recall, must be conducted per the corresponding procedures.

Lotus has established a comprehensive swift and effective standard operating procedure guide for product recall operations. When it is confirmed that a specific product is defective affecting patient safety or that counterfeit or prohibited drugs are in circulation, the quality assurance unit is responsible for initiating a drug recall protocol. This involves investigating the event and holding a material quality event meeting to evaluate the scope of the impact and determine the corresponding measures. For the drugs involved, the business unit will recall the products and transfer them to the warehouse unit for destruction, in compliance with the requirements for defective product recall. If no actual recall is executed within the current year, a recall simulation must be performed once a year.

In 2023, Lotus voluntarily recalled a batch of Anamide Soft Capsule 40mg, totaling 3,348 capsules, in Taiwan. This voluntary recall was implemented because of a product complaint that the active ingredients of this batch of products were not fully dissolved inside the capsule, resulting in a non-conforming appearance. Adhering to the commitment to quality and patient safety, we took immediate action and proactively communicated with relevant customers in Latin America and Taiwan as well as their respective local health departments and medicine agencies. Customers in Latin America and their health departments believed that the efficacy of products and the safety of patients would not be therefore affected. Therefore, we didn’t take further action in these markets. After negotiating with the Taiwan Food and Drug Administration (TFDA), the company decided to recall the affected products voluntarily. This recall was not mandatorily required by the competent authority, for all related units concluded that the efficacy of this drug and the patient’s safety was not compromised. Lotus’ voluntary recall of its products in Taiwan demonstrated our unwavering commitment to the highest quality standards.

▼ Drug Recall Process



Chapter 4 Environmental Protection



4-1 Task Force on Climate-related Financial Disclosures, TCFD

The frequency of disasters caused by climate change has increased considerably. In response to the natural disaster and relevant financial loss associated with climate change, Lotus has implemented TCFD recommendations for climate-related financial disclosure established by FSB in 2015 to voluntarily provide information of our policies and preventions of climate-related financial risks. We provide details of relevant financial implications and identify business opportunities after appropriate climate adjustment and disaster recovery to enhance our overall climate resilience in responding future climate risks.

▼ The Four Pillars of the TCFD

Governance	The Corporate Governance Department convenes the ESG and Risk Management Workforce regularly to discuss, decide, evaluate, and supervise climate related issues and matters. After identifying climate-related impacts, meetings are held with senior executives to discuss the potential harms of risks and propose improvement suggestions and measures to adapt and mitigate climate-related financial risks. The Chairman of the ESG and Risk Management Workforce affirms the short-term, medium-term, and long-term objectives. The ESG and Risk Management Workforce reports ESG performance annually. Including climate change-related issues, to the board of directors.
Strategy	Lotus will actively promote green energy and environmental protection policies, reduce electricity consumption and carbon footprint throughout our operations, manufacturing and distribution process. In response to the impact of climate change and greenhouse effect on the environment, measures have been taken to conserve energy, carbon reduction, and implement green procurement, products with energy-saving and environmentally friendly labels are purchased, and energy conservation and carbon reduction are implemented in operations.
Risk Management	To identify and evaluate significant impacts or risks related to operation, our Corporate Governance Department regularly assess climate change risks, understand specific potential financial impact, and provide a basis for policy formulation and goals to establish comprehensive climate management procedures, including steps such as identification, assessment, management, recovery, adaptation, and continuous monitoring. For the process, please refer to "Climate risk verification and assessment and management flow chart" for more detail.
Metrics and Targets	<p>Short-term Goals</p> <ul style="list-style-type: none"> Reduces carbon emissions, electricity consumption, water consumption, and waste production by an average of 1% per person per year. Introduce the ISO 14064-1 greenhouse gas verification standard in 2024. At the beginning of 2024, we completed the greenhouse gas inventory for key operations in Taiwan and South Korea for 2023, and obtained assurance from an independent third-party organization. <p>Mid-term Goals</p> <ul style="list-style-type: none"> Gradually increase carbon emission reduction targets. Continuously purchase energy-efficient equipment to improve energy usage structure. <p>Long-term Goals</p> <ul style="list-style-type: none"> Achieve net zero emissions by 2050

Climate Risk Management

To identify and assess significant impacts or risks related to operations, the ESG and Risk Management Workforce holds regular meetings to evaluate climate change risks based on ESG factors to understand specific potential financial impacts to establish the foundation for formulating response strategies and relevant objectives. By establishing sound climate management procedures, we can review climate change-related response measures regularly.

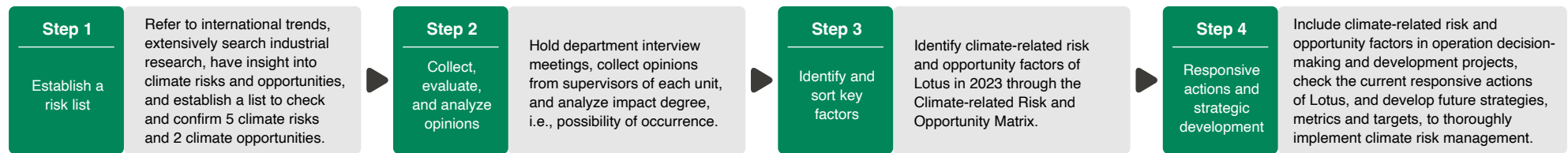
Lotus has launched a number of response plans, targeting the energy issues with the greatest impact. We continue to implement energy conservation and carbon reduction measures by assessing alternative renewable energy source. Since energy risk management is closely related to government policies, Lotus always pays attention to regulatory development trends to avoid and respond to operational risks and costs derived from regulations.

To enable the board of directors to understand the company's climate risk profile and continuously monitor the implementation of risk management and response measures, the "ESG and Risk Management Workforce" submit annual ESG performance report to the Board regularly, including climate change-related topics, greenhouse gas inventories, risk assessments and related response.

▼ 氣候風險管理流程

Risk Management	Process content
Risk Identification and Assessment	In accordance with TCFD framework, the Company identifies and evaluates climate risks and responsive measures in a cross-departmental way, invites representatives from each competent department and external experts to evaluate “physical risks”, “transition risks”, and “opportunities” in climate change issues, and generates “Climate Risk and Opportunity Matrix” as an evaluation tool to address the occurrence rate of climate risk incidents and the degree of impact on operations.
Risk Monitoring and Control	Each competent department shall determine the priority of risk control through “Climate Risk and Opportunity Matrix”, establish and execute corresponding climate risk control plans on this basis, and include the effectiveness of risk control in periodic self-evaluation. Relevant implementation results will be reviewed by the ESG and Risk Management Workforce and reported to the Board of Directors for verification.
Risk Communication	In accordance with TCFD framework, the Company evaluates the expected impact loss and possible benefits resulting from climate risks and opportunities, and regularly discloses them on its annual sustainability report, to maintain continual communication with stakeholders.

▼ Identification Process for Climate Change Risks and Opportunities



Climate-Related Risks, Opportunities, and Financial Impacts

We have assessed climate risks and opportunities, and ranked them based on the 3 degree of impact and chance of occurrence, where the former is categorized into low, medium and high, and the latter not likely, likely, and very likely. Each risk is mapped and issued with a response or measure to build our resilience toward the positive as well as undesirable impacts of climate change.

▼ Climate-related risks and opportunities lists

Climate change risks

- ① Policy and Legal Risks (Carbon Reduction Regulations)
- ② Market Changes (Increase in operating costs)
- ③ Reputation Risk (Goodwill impairment)
- ④ Climate abnormalities (Typhoon and flooding)
- ⑤ Climate abnormalities (increase in average temperature)

Climate change opportunities

- ① Improving Energy Efficiency
- ② Improving Resource Efficiency

▼ Climate-related risk and Opportunity Matrix



* Criticality: High criticality/dark green background; medium criticality/medium green background; low criticality/light green.

Climate-Related Risks, Opportunities, and Financial Impacts

After examining risks, the company has analyzed the impact of climate change on its financial condition and has prepared annual adjustment responses. The disclosures for "Climate-related risks and financial impacts" and "Climate-related opportunities and financial impacts" are as follows:

▼ Climate-related risks and financial impact

Type	No.	Risk Factor	Impact Period	Risk Impact	Response Measures and Potential Financial Implications
Transition Risks	①	Policy and Legal Risks	Long-term	The Taiwan «Climate Change Response Act» is expected to increase operational costs for companies by implementing additional carbon pricing measures.	<ul style="list-style-type: none"> Gradually replace energy consuming equipment to achieve energy-saving and carbon reduction goals; additionally, carbon emissions reduction measures are implemented at the source such as in manufacturing processes and transportation, to minimize environmental impact. If other renewable energy sources (such as purchasing green electricity) are used instead of the current energy source (imported electricity), it will increase the operational costs of the company.
	②	Market Risk	Medium term	Difficulty in obtaining raw materials, coupled with insufficient control over upstream resources, may lead to supply chain disruptions and drug shortages.	<ul style="list-style-type: none"> The annual increase in raw material and labor costs for importing pharmaceuticals and products globally has raised the threshold for accessing raw materials. During the pandemic, adjustments have been made to product portfolios, and diverse supply chains for raw materials have been expanded to mitigate risks appropriately.
Physical risk	④	Typhoon and flooding	Short term	Water usage is regulated.	<ul style="list-style-type: none"> Enhance the management of water resources related to buildings and production lines, and regularly update and ensure the proper functioning of factory equipment to prevent interruptions in production lines due to climate-related issues.
				Floods can cause power and internet blackouts, alongside escalated expenses for upgrading information equipment.	<ul style="list-style-type: none"> Ensuring network reliability became a significant concern. In 2022, several backup lines were set up from various telecommunications providers, leading to increased costs due to renting lines from multiple providers. Upgrade the firewall from manual operation to automatic operation.
				Transportation interruption, cargo loss Supplier's raw materials abnormality due to temperature control.	<ul style="list-style-type: none"> The typhoon prevented the experiment analysts from conducting their analysis, leading to a delay in releasing the batch of goods. Suppliers will provide temperature records for the main API ingredients to facilitate management and tracking of relevant information, with no incidents exceeding the threshold in 2023.
				Typhoon disaster day-off.	<ul style="list-style-type: none"> To sustain the operations of production units during typhoon days, transportation expenses and overtime pay are provided. In 2023, the impact of typhoons for 2 days resulted in an average daily cost increase of NT\$107,688. In 2023, heavy rainfall from two typhoons led to basement flooding due to poor drainage, necessitating subsequent cleanup measures despite no financial losses incurred : <ul style="list-style-type: none"> Insufficient drainage requires cleaning afterward, with no resulting financial loss or additional cost for purchasing cleaning supplies. The flooding overflowed into the septic tank pipes of a certain building, causing toilets and other facilities to overflow in the opposite direction. No adjustments were made, only clearing the blockage.

Note: Short term/occurrence time is 1~3 years; medium term/occurrence time is 3~5 years; long term/occurrence time is above 5 years.

▼ Climate related risks and financial impact

Type	No.	Climate related opportunities	Response Measures and Potential Financial Implications
Energy Efficiency	①	Adopting low-carbon energy usage, reducing greenhouse gas emissions, and switching to energy-efficient appliances, while also evaluating the feasibility of energy substitution/diversification.	Reduce carbon emissions to lower decarbonization costs and operational expenses, while also evaluating the utilization of diverse energy sources to bolster energy supply resilience.
Resource Efficiency	②	Utilize more efficient production and processes to reduce operational costs and achieve carbon reduction effects.	Developing high-performance production processes to reduce carbon emissions and seeking alternative lower-cost raw material

Climate Risk Assessment and Scenario Analysis

Physical Scenario-Rainfall Change

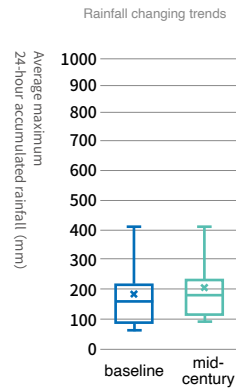
The ESG and Risk Management Workforce uses the "RCP 8.5 mid-century" climate scenario to simulate the impact of possible climate disasters, and then based on the "The [Taiwan Climate Change Projection Information and Adaptation Knowledge Platform \(TCCIP\)](#)" and "[3D Disaster Potential Map](#)" and other disclosure climate model/chart websites to analyze possible physical climate disasters.

▼ Climate Scenarios and related indicator adopted by Lotus base on the IPCC RCP framework

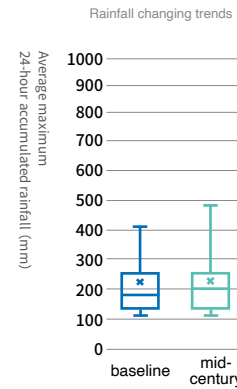
Estimated scenario	RCP 8.5
Estimated period	Mid-century 2050
Base period	1976-2005 (Average maximum 24-hour accumulated rainfall in the base period: 200mm)
Climate-related data and metrics	<ul style="list-style-type: none"> Rainfall change: Average maximum 24-hour accumulated rainfall <ul style="list-style-type: none"> Taipei office: Around 240mm. Nantou Plant: Around 192mm

Note: The references of this estimated climate scenario are obtained from "[Taiwan Climate Change Projection Information and Adaptation Knowledge Platform \(TCCIP\)](#)".

▼ Estimated maximum daily rainfall change in the Taipei Headquarters office of Lotus



▼ Estimated maximum daily rainfall change in the Nantou Plant of Lotus



Based on rainfall trends, the average maximum 24-hour accumulated rainfall of our Taipei Headquarters is approximately 225mm and will reach approximately 240mm in the middle of the century, displaying a slightly increasing trend. Our Taipei offices do not face an immediate risk of flooding, however there is still the potential impact of natural disasters such as typhoons to consider, which may require personnel to work from home and cause delays in product transportation. However, overall operational impact is minimal.

The average baseline in Nantou plant is 184 mm and that in the mid-century fell around 192mm. The Nantou plant does not face an immediate risk of flooding, but there is still the possibility of disruptions such as production halts, transportation difficulties, supply chain interruptions, and absenteeism due to typhoons or other natural disasters. Specific financial impacts include increased costs for renting backup network equipment and transportation expenses for personnel on typhoon days, including overtime costs (an average daily increase of NT\$107,688).

Transition Scenario-Power Cost

In response to the scenario analysis of relevant international and domestic regulations, Lotus estimates that the unit price of electricity of Taipower will continue to increase, resulting in the rising cost of purchased electricity. In the future, power cost will become the most critical transition risk, and this scenario will be adopted for estimation of financial impact. In 2023, the electricity consumption of Lotus reached 17,724,001kWh, and the average power cost was approximately NT\$ 3.07 per kWh. The Company was not a major power consumer. It is estimated that the average electricity price will be increased by 10% in 2024. In consideration of the annualized impact of the production scheduling time, the expenditure of power cost is expected to increase by approximately NT\$ 7 million.

Environmental Management Objectives

In the process of enterprise development, the impact of commercial manufacturing activities on the environment cannot be ignored. In this context, Lotus also comprehensively examines the acts of the management on the Company's environmental impacts and influence. In addition, external climate change and ecological environment changes also pose potential risks as well as provide corresponding opportunities and effects for the operation of Lotus, for example, extreme weather causes an increase in raw material prices, an increase in greenhouse gas emission costs, and impact on production due to unstable water and electricity supply. In response to relevant risks and impacts, Lotus has also developed corresponding management and response measures, and set goals and strategies for greenhouse gas emission management, Energy Management, water resource management and waste management in order to enhance the Company's management and coordination capabilities on climate change, energy resource utilization and other related issues.

In 2023, Lotus did not face significant sanctions or penalties for violating environmental regulations. At the same time, it required each operating site to, while carrying out operating activities and internal management, strive to achieve environmental management goals, and continue implementing relevant action plans. In the future, Lotus will continue assessing the method of establishing a dedicated responsible unit for environmental related risks, in order to further improve the responsibilities on environmental governance and the ability to respond to external risks.

Period	Short-term (2023-2024)	Mid-term (2025-2030)	Long-term (2050)
Greenhouse Gas	<ul style="list-style-type: none"> Reduce greenhouse gas emissions per capita by 1% annually. The Company has introduced ISO 14064-1. At the beginning of 2024, completed the greenhouse gas inventory for key operations in Taiwan and South Korea for 2023, and obtained assurance from an independent third-party organization. Establish carbon reduction targets with the year 2022 as the base year. 	<ul style="list-style-type: none"> Reduce carbon emissions by 30%. Improve the target of carbon emission reduction year by year. Evaluate the operating efficiency of boilers. It is expected that the existing diesel-fired boilers will be replace with natural gas boilers. 	<ul style="list-style-type: none"> Achieve Net-Zero emissions by 2050.
Energy (power consumption)	<ul style="list-style-type: none"> Reduce power consumption per capita by 1% annually. 	<ul style="list-style-type: none"> Purchase energy-saving equipment to improve the energy consumption structure. Continually promote energy-saving and carbon reduction measures. 	<ul style="list-style-type: none"> Plan the use of an energy monitoring system.
Water Resource	<ul style="list-style-type: none"> Reduce water consumption per capita by 1% annually. 	<ul style="list-style-type: none"> Confirm process water consumption and optimize water consumption procedures to lower water consumption. 	<ul style="list-style-type: none"> Plan a water recovery system.
Waste	<ul style="list-style-type: none"> Reduce waste generation per capita by 1% annually. 	<ul style="list-style-type: none"> Improve the waste recovery rate. 	<ul style="list-style-type: none"> Circular economy with waste.

4-2 Greenhouse Gas Management

Lotus has introduced ISO 14064-1:2018 carbon emission inventory in 2024, checked the greenhouse gas emission for its main operating sites in 2023, and obtained a third-party assurance report in 2024. The Company's internal energy consumption and carbon emissions will be identified through standardization process to further control bulk energy consumption and carbon emission projects.

The production process and temperature and humidity control of the clean room air conditioning of the Company require the use of boiler equipment. The main fuels for the boiler equipment are natural gas and diesel, and diesel generators are used for emergency power generation. Therefore, electricity, premium diesel and natural gas are indispensable energy resources in the production and operation of the Company.

[Greenhouse gas management target]
Reduce greenhouse gas emissions per capita
by 1% annually

Reduce the annual greenhouse gas emissions by 1%. Evaluate the operating efficiency of boilers. It is expected that the existing diesel-fired boilers will be replaced with natural gas boilers to reduce greenhouse gas emissions.

Carbon Emission Analysis

The statistical range for the year 2023 included emission data from

- Taiwan: Nantou Plant, Taipei Headquarters Office, Taichung Office, and Kaohsiung Office;
- South Korea: Kongju Plant, Hsiangnan Plant, South Korea Headquarters Office, Seoul Office, Wonju Office, Busan Office, Daegu Office, Jeonju Office, Gwangju Office, Daejeon Office, and Jeju Office

▼ 2023 Scope 1 + Scope 2 GHG emissions (Unit: ton CO₂e)

Scope	Description	Taiwan	South Korea	Total
Scope 1 (Direct GHG emission)	Stationary Combustion	761.6106	835.1859	1,596.7965
	Mobile Combustion	9.8644	26.8766	36.7410
	Direct Fugitive Emissions	1,183.8480	492.9314	1,676.7794
Scope 1 emissions (ton CO₂e) in Total		1,955.3230	1,354.9939	3,310.3169
Scope 2 (Indirect Energy Emissions)	Input Energy	8,773.3805	3,356.1956	12,129.5761
Total carbon emission (ton CO₂e)		10,728.7035	4,711.1895	15,439.8930
GHG intensity (ton CO₂e / revenue)				0.91

Note 1. Scope 1: the main emission sources are the combustion of natural gas, diesel, and gasoline, as well as energy consumption generated due to the diffusion of sewage septic tanks and refrigerant equipment.

Note 2. Scope 2: the main source of emission is the externally purchased electricity.

Note 3. The Global Warming Potential (GWP) ratio is cited for the greenhouse gas emission coefficient of carbon dioxide equivalent, mainly based on the "Greenhouse Gas Emission Coefficient Management Table 6.0.4 Edition" announced by the Environmental Protection Agency of the Executive Yuan.

Note 4. GHG intensity (ton CO₂e / revenue) = Scope 1 + Scope 2 / Operating revenue NT\$ 16,958 million in 2023.



Energy Conservation and Carbon Reduction

In 2023, the Company introduced relevant energy conservation and carbon reduction plans, including improvement of cooling temperature of water chilling units and variable frequency control of air-conditioning motors. A total of 37.41tCO₂e was reduced.

▼ Implementation performance of energy conservation and carbon reduction action plans of Lotus in 2023

Action plan	Type of energy with reduced consumption	Reduce energy consumption (GJ)	Reduce carbon emissions (tCO ₂ e)
Increase the ice water outlet temperature of building F by 1°C.	Electric energy	The ice water outlet temperature of original water chilling units was set up at 6°C, and it is now adjusted to 7°C. As a result, approximately 2% of electric energy can be saved. Electricity annually saved = 1,468,800*2% = 29,376kWh = 105.75GJ	Reduction of the carbon emissions by 14.54tCO ₂ e
Variable frequency control of motors of M035 and M036 air handling units: Frequency of M035 reduced from 60Hz to 58Hz; frequency of M036 reduced from 60Hz to 52Hz;	Electric energy	Electricity annually saved: 33,734.88+12,467.52=46,202.4kWh = 166.32 GJ	Reduction of the carbon emissions by 22.87tCO ₂ e

Note 1. 1kWh=3.6MJ

Note 2. Calculation formula of carbon reduction = kWh of electricity * electricity carbon emission coefficient in 2022, i.e., 0.495kgCO₂e/ kWh

4-3 Energy Management

The domestic and international orders of Lotus continue to grow, and the energy consumption also changes with the increase of production capacity.

The statistical range for the year 2023 included emission data from Taiwan: Nantou Plant, Taipei Headquarters Office, Taichung Office, and Kaohsiung Office;

South Korea: Kongju Plant, Hsiangnan Plant, South Korea Headquarters Office, Seoul Office, Wonju Office, Busan Office, Daegu Office, Jeonju Office, Gwangju Office, Daejeon Office, and Jeju Office.

[Energy management target] Reduce power consumption per capital by 1% annually

It is expected that the public facilities and equipment in the plants will be subsequently replaced, e.g., air-conditioning equipment, air pressure equipment, lighting equipment, etc. Furthermore, the Company will gradually plan the replacement of these facilities and equipment with energy-saving and variable-frequency equipment and LED lighting. The Company will plan an energy monitoring system for a long term, review the power consumption in the plant, and conduct energy adjustment within an allowable scope, to achieve the effect of energy conservation.

The total externally purchased electricity in 2023 was 91,245,600,000 (kilojoules e), diesel consumption was 754,810,959 (kilojoules), liquefied petroleum gas consumption was 26,489,637,555 (kilojoules), and total energy consumption was 118,490,048,515 (kilojoules). Looking back at the energy consumption data in the past, although adjusted due to production capacity, Lotus still strives to implement energy-saving measures in the factories to effectively reduce energy consumption intensity. In the future, Lotus will continue implementing energy-saving measures and improve energy efficiency.

In terms of resource management, the Company has established an EHS Department in charge of management and supervision of the factories' compliance with environmental protection regulations; besides, the Engineering Affairs Department has formulated energy management policies to continuously strengthen environmental protection work, and aim to improve energy efficiency by 1% ~ 2% annually on the standard production capacity benchmark.

▼ Use of energy (Scope 1 + Scope 2) inside the organization of Lotus (unit: kilojoules KJ)

Type of energy		2023
Non-renewable energy	Externally purchased electricity (Note 1)	91,245,600,000
	Diesel (Note 2)	754,810,959
	Natural gas (Note 3)	26,489,637,555
	Total	118,490,048,515
Energy consumption intensity	Average energy consumption per person (Note 4) (kilojoule/person)	84,274,572
	Energy consumption per unit operating income (Note 5) (kilojoule/NT\$ million)	6,987,266

Note 1. Formula: kWh of externally purchased electricity = 3,600 kilojoules.

Note 2. Formula: 1 liter of diesel =40,197.627985 kilojoules.

Note 3. Formula: 1 m3 of liquefied petroleum gas = 1,055.06 kilojoules.

Note 4. Total number of employees involved in carbon emissions per capita:1,406 in 2023.

Note 5. Energy consumption intensity = Total Energy consumption/Annual operating revenue of NT\$ 16,958 million.

4-4 Water Resource Management

During the operation process, the Company effectively monitors the use of water resources in strict accordance with procedures for water resource control and waste management. The sewage generated in the process activities is disposed of and declared according to the requirements of relevant environmental protection regulations, and complies with the national environmental protection standards. Our wastewater is treated at our dedicated treatment system first, and then discharged to the sewage treatment station in Nangang Industrial Zone, to assure the compliance of the water discharge quality with relevant standards. Emphasis on sewage prevention and control, reduction of environmental pollution, and assurance of environmental safety have always been adopted as our criteria for production and R&D. For Lotus, water resources are indispensable key resources, and we need stable and clean water sources from planting of raw materials to process water consumption and R&D experiments. After inventory taking, the factories of Lotus are all located in areas with a low water supply risk, and there is no immediate risk of water shortage; the sources of water intake come from local water plants, and there is no use of underground water, or any impact on water sources due to water intake; the quality of discharge water also meets the local discharge water standards.

[Water resource management target]: Reduce water consumption per capita by 1% annually

Confirm process water consumption and optimize water consumption procedures to lower water consumption. It is estimated that a water recovery system will be subsequently planned.

▼ Total water withdrawal from all areas in megaliters in the past 3 years (Unit: megaliters)

	2021	2022	2023
Total water withdrawal (million liters)	74.915	58.122	111.572
Average water consumption per person (million liters/person)	0.06	0.04	0.079
Data coverage rate%	86%	81%	80%

Note 1. The statistical range included Nantou Plant in Taiwan and Kongju Plant and Hsiangnan Plant in South Korea.

Note 2. The water consumption is based on the monthly water bill of the water company.

Note 3. The number of employees for the calculation of average water consumption per person is 1,162 in 2021, 1,315 in 2022 and 1,406 in 2023.

▼ Total water discharge and water consumption of Lotus in water resource regions in the last 3 years (unit: 1,000,000L)

Year	2021	2022	2023
Total water discharge	43.319	30.822	86.66
Water consumption	31.596	27.3	24.912

*Water consumption=Total water withdrawal-Total water discharge

Sewage Treatment and Sustainable Development

In the modern industrial society, the development of the pharmaceutical industry is closely related to people's health. However, this kind of development is also accompanied with environmental issues like sewage discharge. The sewage generated in the production process of the pharmaceutical industry may contain various kinds of hazardous substances like chemical substances, heavy metals, organic compounds, etc. If such sewage is directly discharged to the natural water bodies without any treatment, water quality will be contaminated, and the ecosystems and the living environment of surrounding communities will be endangered. In addition to the impact on the natural environment, untreated sewage may also contain hazardous bacteria, viruses, and other microorganisms which will threaten human health and may lead to spreading of diseases and public health issues. To assure the environmental safety and public health, and comply with relevant regulations and standards, pharmaceutical enterprises must effectively treat the sewage. Otherwise, they may face the consequences like penalties, lawsuits, and reputation losses. In addition to the abidance by regulations, effective sewage treatment also helps realize the enterprises' sustainable development goals. Through the adoption of environmental-friendly techniques and innovative treatment methods, we cannot only lower negative environmental impacts, but also improve our competitiveness and satisfy the needs of the market and consumers for environment-friendly products.

Lotus shoulders the environmental responsibility as a part of the pharmaceutical industry. Since the treatment capacity of the original sewage treatment facilities was no longer sufficient to cope with the increasing water discharge, we decided to build a new sewage treatment plant to assure that the water quality reaches the standards. Thanks to the efforts and planning by multiple parties, we received an approval document from the Nantou County Government indicating the approval of change and use of the treatment facility in November 2023. The total construction cost of this sewage treatment plant reached NT\$ 8,500,000. This amount was used to install advanced facilities to assure that Lotus was able to effectively treat the sewage and assure standard water quality. The new sewage treatment plant will increase our water discharge by 23.96%, i.e., from daily 96.485 CMD to 119.6 CMD, which will help treat our sewage better and assure environmental protection. Currently, this sewage treatment plant has already been put into operation, and the water quality after treatment completely fulfills the standard for pipe network inclusion. It has not only witnessed our efforts and achievements, but also demonstrated our commitment to environmental protection. Lotus will give continual efforts to ensure favorable operation of our sewage treatment plant and make more contributions to the environmental protection of Nantou County.

4-5 Waste Management

Randomly and regularly inspect the quantity and content of classified waste on a monthly basis, and adjust the waste management mechanism in a rolling manner.

The manufacturing of the Company's drugs involves multiple processes, including raw material extraction, drug packaging and product disposal after use. There are risks of waste accumulation and environmental pollution during the process. To effectively manage the Company's waste, we examine the different stages of waste production, removal, treatment, recycling and incineration from the perspective of product lifecycle, review the detailed processes, and manage them with systematic policies. We inspect the quantity and content of classified waste on a monthly random and regular basis, and adjust the waste management mechanism in a rolling manner.

In terms of waste management, the Company's waste is divided into the two categories of general business waste and hazardous business waste. General business waste includes waste paper, waste empty cans, and waste plastics which are handed over to approved cleaning, transportation and treatment operators for removal; hazardous waste is mainly composed of waste solvents, waste drugs and waste glass which are handed over to qualified operators for physical treatment or incineration.

At the same time, we also noticed an upward trend in the total amount of waste and waste output density in 2023, with 110.90 tons of hazardous business waste and 302.27 tons of general business waste. Lotus has accordingly proposed an improvement management plan internally for improvement, while paying special attention to the issue of waste generation, hoping to effectively manage and control the amount of waste.

[Waste reduction target] Reduce waste generation per capita by 1% annually

Continually optimize classification through in-house education and training, strengthen the implementation of classification, and implement rolling review of the waste management effect.

▼ 2021-2023 Total Waste Statistics

Item		2021	2022	2023
Hazardous business waste (ton)		58.38	128.40	110.90
General business waste (ton)	General waste	177.18	210.90	302.27
Waste output intensity	Average waste output per person (ton/person)	0.203	0.258	0.294
Data coverage rate%		86%	81%	80%

Note 1. The number of employees for the calculation of average waste generations per person is 1,162 in 2021; 1,315 in 2022 and 1,406 in 2023.

Note 2. Currently, there is no statistics on the quantity of general business waste already recycled and treated.

Note 3. The statistical range included Nantou Plant in Taiwan and Kongju Plant and Hsiangnan Plant in South Korea.

▼ Treatment of waste of Lotus in the last 3 years

Year			2021		2022		2023	
Classification	Disposal site (note 1)	Treatment methods (note 2)	Output (t)	Ratio (%)	Output (t)	Ratio (%)	Output (t)	Ratio (%)
Hazardous business waste	Off-site	Recycling	N/A	N/A	N/A	N/A	1.77	2%
		Incineration (including energy recovery)	58.38	100%	128.40	100%	109.13	98%
General business waste	Off-site	Recycling	N/A	N/A	N/A	N/A	37.82	13%
		Incineration (including energy recovery)	177.18	100%	210.90	100%	264.45	87%
Total waste			235.56		339.30		413.17	

Note 1. Treatment site: Off-site (outsourced treatment).

Note 2. Treatment methods: Reutilization (reutilized for the same original purposes), recycling (production of new materials through retreatment process), incineration (including energy recovery), incineration (not including energy recovery), burial, and others.

Note 3. Hazardous industrial waste and general industrial waste are recognized according to Waste Disposal Act and Standards for Defining Hazardous Industrial Waste.

Note 4. There is no data on recycling waste in 2021 and 2022.

Note 5. The statistical range included Nantou Plant in Taiwan and Kongju Plant and Hsiangnan Plant in South Korea.

Chapter 5 Employee Care



5-1 Remuneration, Benefits and Employee Care Employee Composition

<p>Diversity and gender equity in the workplace</p>	<p>All recruitment, promoting to higher position or managerial role, and remuneration decision shall be based on personal competencies, potential, and performance, which are not affected by gender, race, nationality, social class, age, marital status, language, religion, political affiliation or place of birth. 33% of our senior managers are women, demonstrating our efforts towards gender equity in senior management level. 27% of newly promoted managers are women in 2023. There are four indigenous employees in Taiwan and total eleven employees with physical disabilities in Taiwan and South Korea in 2023.</p>
<p>Overview of manpower</p>	<p>As of 2023, the total number of employees at Lotus Taiwan and Korea reached 1,131. These employees are primarily divided into four categories: research and development, administration, manufacturing, and sales. Among them, the number of employees in the manufacturing category constitutes the majority. In terms of age distribution, employees aged between 30 and 50 represent the highest proportion, reaching 76%.</p>
<p>Recruitment of overseas professionals</p>	<p>To meet unmet global medical needs, Lotus actively invites professionals from various fields in the overseas pharmaceutical industry to join our team. As of 2023, approximately 7% of our employees in Taiwan are professionals from overseas, coming from a total of 11 different countries. These diverse backgrounds and expertise enhances the quality of our team, improves innovation capabilities, and injects more vitality into solving medical challenges.</p>
<p>Development of R&D personnel</p>	<p>The R&D unit is a crucial developmental force for the company. In 2023, Lotus invested approximately NT\$ 720 million in R&D and has gradually increased the number of R&D personnel year by year. In 2023, the retention rate of R&D personnel reached 91%.</p>
<p>Prospects</p>	<p>Lotus will continue striving for diversity, equity and inclusion. The company is committed to creating a fair work environment where every employee can fully demonstrate their abilities and values. This will be a workplace where everyone has the opportunities and space to showcase their full potential.</p>

▼ Total number of Lotus employees in the past three years

Category		2021	2022	2023	2023 Male/Female (ratio)
No. of employees	R&D	111	150	163	1:1.23
	Administration	146	111	116	1:1.15
	Manufacturing	418	439	480	1:0.77
	Sales	323	358	372	1:0.43
	Total	998	1,058	1,131	1:0.72

Note 1: The statistical range includes Lotus employees in Taiwan and South Korea.

Note 2: The classification of employees is unified globally. Relevant information was recompiled in 2022 and 2023.

Category	Taiwan		South Korea		Total		Total
	Male	Female	Male	Female	Male	Female	
Number of Indigenous people	2	2	0	0	2	2	4

Note 1: The statistical range includes Lotus employees in Taiwan and South Korea.

Category		2021	2022	2023	Percentage
Employee Age	Under 30 years old	122	141	178	16%
	30 to 50 years old	804	832	861	76%
	Over 50 years old	72	85	92	8%
Average age		38.75	38.82	39.34	
Average years of service		7.23	7.09	7.91	
Education distribution	PhD	10	11	14	1%
	Master	219	241	266	24%
	University/College	621	660	746	66%
	High school	101	94	103	9%
	Below high school	47	52	2	0%

Note 1: The statistical range includes Lotus employees in Taiwan and South Korea.

Note 2: The number of employees is the number of in-service employees at the end of the year.

Total Number of Lotus Employees - by Contract Type

All Lotus employees comply with the regulatory requirements of the "Labor Standards Act" or equivalent legal rules in their place of operation. In Taiwan, there are a total of 683 domestic employees who work as permanent contract employees, with over 50% being female. Among the new employees in 2023, 47% are female. The South Korean factories have 434 permanent contract employees, with approximately 26.5% being female.

Item	Taiwan		South Korea		Total		Total
	Male	Female	Male	Female	Male	Female	
Total employees	335	348	324	124	659	472	1,131
Permanent employees	335	348	319	115	654	463	1,117
Temporary employees	0	0	5	9	5	9	14
Employees without guaranteed working hours	0	0	0	0	0	0	0
Full-time employees	335	346	324	124	659	470	1,129
Part-time employees	0	2	0	0	0	2	2

Note 1: The statistical range includes Lotus employees in Taiwan and South Korea.

Note 2: The number of employees is the number of in-service employees at the end of the year.

Note 3: Temporary employees are defined as employees who sign fixed-term contracts.

Note 4: Part-time employees are defined as non-full-time employees who work less than eight hours a day.

Non-employee workers

To address the manpower needs in employee restaurants, security, and sanitation, Lotus collaborates with third parties to introduce dispatched workers. The company also partners with universities to offer internship opportunities for young talents. As of the end of 2023, Lotus employed a total of 16 non-employee workers in Taiwan and 20 in South Korea.

	Taiwan		South Korea		Total		Total
	Male	Female	Male	Female	Male	Female	
Total number of non-employee workers	8	8	6	14	14	22	36

Note 1: Non-employee workers in Taiwan include dispatched manufacturing workers, dispatched information workers, interns, and employee restaurant workers

Note 2: Non-employee workers in South Korea include security guards, employee restaurant workers, and sanitation workers.

Personnel Turnover

New and resigned employees

Given the aging population globally, improved quality of life, and the continuous increase in demand for biotech drugs, Lotus is actively pursuing both revenue and profit growth in the highly changing and competitive pharmaceutical industry and is continuously recruiting talented individuals with expertise in drug development and innovation. In 2023, through diversified recruitment channels, Lotus hired a total of 184 new employees in Taiwan and 28 in South Korea, a total of 212 employees accounting for 19% of all employees. Additionally, there were 118 resignations in Taiwan and 26 in South Korea, a total of 144 employees accounting for 13% of all employees. Lotus assists new employees in quickly adapting to the company and their job responsibilities through a comprehensive new employee training and orientation training system.

▼ Statistics of distribution of new and resigned employees per gender and age

Category		Resigned employees		Resigned employees	
		2023 Total	Ratio	2023 Total	Resignation rate
Age	≤ 30 years old	74	35%	25	14%
	30 to 50 years old	134	63%	108	13%
	≥ 50 years old	4	2%	11	12%
Gender	Male	113	53%	85	13%
	Female	99	47%	59	13%
Area	Taiwan	184	87%	118	17%
	South Korea	28	13%	26	6%

Notes:

1. Data statistics up to December 31, 2023. Resignation rate = Number of resigned employees of each category / (Number of employees at the beginning of the period + Number of employees at the end of the period) / 2.

2. The total statistical number of new and resigned employees does not include non-voluntary resigned employees, such as those resulting from factors like death, retirement, severance, dismissal, appointment, or expiration of contract or internship term, or new employees who resigned within less than 90 days' work.

▼ Resignation rates of voluntary and non-voluntary resignation of all employees in 2023

Grade	Total number of employees of this grade	Number of employees who resigned voluntarily	Number of employees who resigned non-voluntarily.	Voluntary resignation rate	Non-voluntary resignation rate
Senior management personnel	43	5	0	12%	0%
Middle management personnel	104	12	0	12%	0%
Professionals	110	7	0	6%	0%
Others	874	120	12	14%	1%

Note: The statistical range includes Lotus employees in Taiwan and South Korea.



Remuneration Policy

Lotus references industry salary trends every year, and regularly provides competitive salary adjustments based on the performance evaluation results of each employee. It balances salaries with consistent salary adjustment standards to enable employees to work with peace of mind and focus on displaying their strengths. In addition to a basic salary, we provide various bonus and incentive plans to outstanding employees. To attract and retain key talent, and to motivate employees to achieve the company's medium and long-term goals, the board of directors and shareholders has approved the issuance of restricted stock options to relevant talent. This initiative actively supports the goal of retaining critical talent who continue to contribute to the company's success. Through these competitive compensation systems, we not only retain top talent but also attract more exceptional individuals, thereby fostering a high-performance corporate culture. As of the year 2023, the average salary of non-management employees reached NT\$ 1,142,951, with the median at NT\$ 839,723.

▼ Remuneration of employees of Lotus Taiwan in the last three years (unit: NT\$)

Year	Number of full-time non-management employees	Total salary of full-time non-management employees	Average salary of full-time non-management employees	Median salary of full-time non-management employees
2021	458	471,941,829	1,030,628	754,151
2022	546	598,404,324	1,095,143	773,710
2023	591	675,483,861	1,142,951	839,723

Employee Benefits

Lotus firmly believes that talents are important assets. In addition to providing fair and competitive remuneration, a good workplace environment and diverse benefits are important ways to retain talents. In addition to legal compliance, Lotus strives to enhance employees' workplace experience and take care of their workplace life at Lotus from multiple perspectives. In addition to remuneration, the Company provides employees with accident and medical group insurance, as well as vacation and health check schemes that are superior to statutory requirements to comprehensively safeguard employee health. The various benefits enjoyed by Taiwanese employees are as follows:



▼ Employee benefits provided for Lotus employees

Category	Description	
Remuneration and benefits	<ul style="list-style-type: none"> Highly competitive salary level within the industry Annual merit increase policy Year-end bonus and performance bonus Group insurance, including life insurance, accident insurance, major illness insurance, injury medical insurance, hospitalization medical insurance, and cancer insurance 	<ul style="list-style-type: none"> Annual leave policy that exceeds statutory requirements Health check scheme that exceeds statutory requirements Various subsidies: <ul style="list-style-type: none"> General subsidies for birthdays, key festivals, and employee travel Family-related subsidies: marriage, childbirth, childcare, hospitalization, injury and illness, funeral, and family emergency subsidies
Team building	<ul style="list-style-type: none"> Lotus Day Team building subsidy Yellow Friday 	<ul style="list-style-type: none"> Company milestone achievement celebration Hold various important religious/nationality festivals and celebrations to promote interaction and mutual understanding among employees of different nationalities
Other benefits	<ul style="list-style-type: none"> Flexible working hours Rich benefits and activities arranged by the Employee Welfare Committee Free nutritious and delicious lunch (Nantou plant) Free coffee and beverages 	<ul style="list-style-type: none"> Company product discounts to the employees Parking lot (Nantou plant) Nursing room Labor union in South Korea
Birth bonus	Already included in Remuneration and benefits-Variou subsidies-Family related subsidies	
Benefits for migrant workers	<ul style="list-style-type: none"> Plan to hire migrant workers from 2024, offering salaries and benefits exceeding statutory requirements, and covering the domestic intermediary service fees typically borne by migrant workers to reduce their financial burden. 	

Parental Leave

Considering the continuous decline in birth rates in Taiwan and South Korea in recent years, Lotus actively improves the childcare environment at the workplace, provides childbirth bonuses, childcare subsidies, and encourages employees to return to work after unpaid parental leave. These efforts aim to alleviate the pressure on employees in childbirth and childcare and fulfill social responsibilities. In 2023, a total of 19 employees of Lotus Taiwan and South Korea applied for parental leave, with 83% applying for reinstatement Taiwan and 56% in South Korea.

▼ 2023 Parental Leave Statistics

Year Item	2023 Taiwan			2023 South Korea		
	Male	Female	Total	Male	Female	Total
Number of employees qualified for parental leave applications in 2023(a)	20	12	32	108	24	132
Number of parental leave applications in 2023(b)	4	3	7	3	9	12
Parental leave applications rate(b/a)	20%	25%	22%	3%	38%	9%
Expected number of employees reinstated in 2023(c)	4	2	6	4	5	9
Actual number of employees reinstated from parental leave in 2023(d)	3	2	5	1	4	5
Reinstated rate from parental leave (d/c)	75%	100%	83%	25%	80%	56%
Actual number of employees reinstated from parental leave in 2022(e)	2	7	9	2	6	8
Actual number of employees reinstated from parental leave in 2022 and have worked continuously for at least one year (f)	1	4	5	2	6	8
Retention rate after parental leave (f/e)	50%	57%	56%	100%	100%	100%

Note 1: The application rate of parental leave is calculated as the actual number of employees applying for parental leave in the year/the number of employees eligible for parental leave in the year*100%.

Note 2: The reinstatement rate after parental leave is determined by the number of employees reinstated in the year after parental leave /the number of people expected to apply for reinstatement in the year after parental leave *100%.

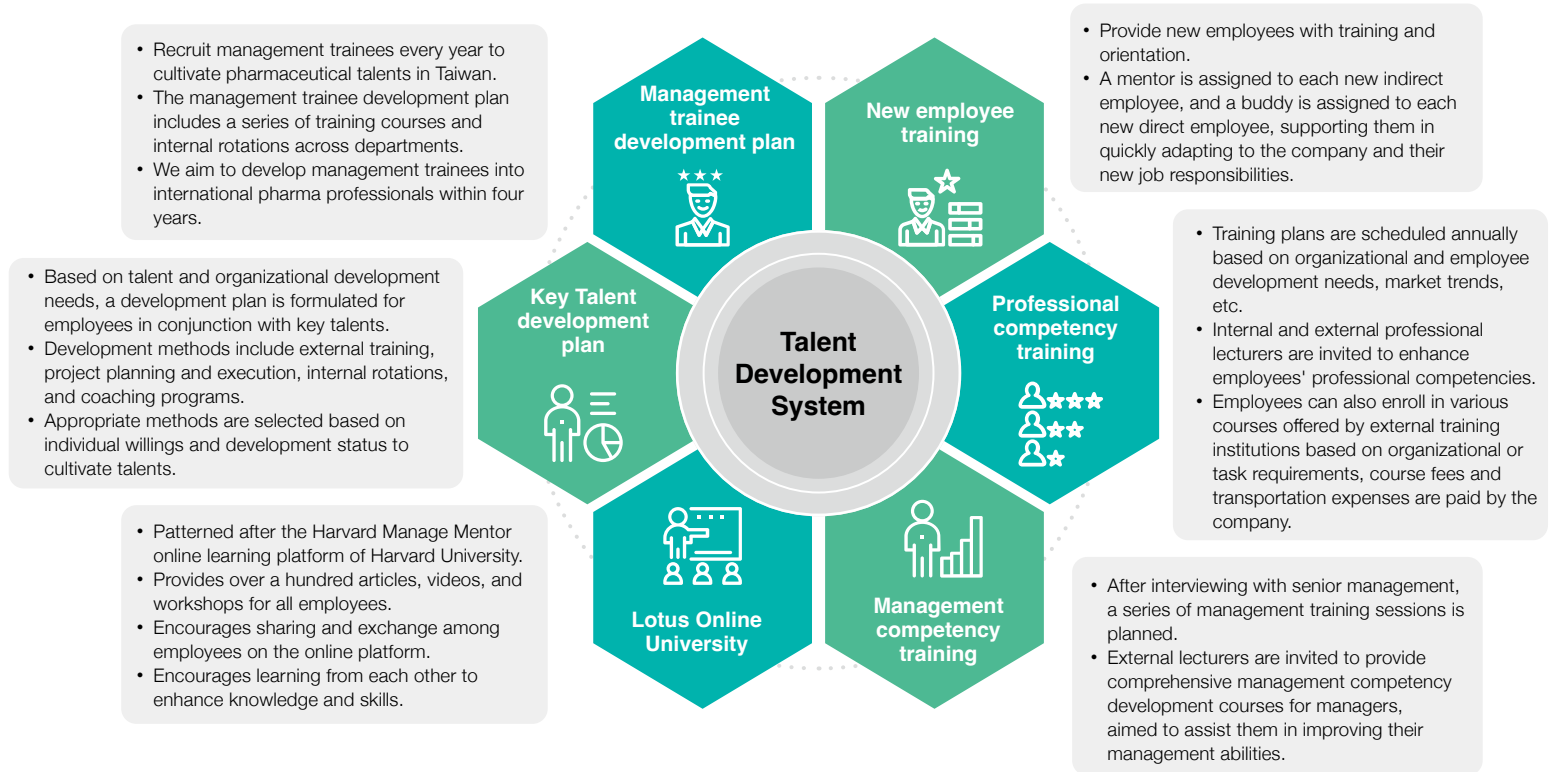
Note 3: The retention rate after parental leave is determined by the number of employees reinstated in the previous year after parental leave and continuing working for a year/the number of people reinstated in the previous year after parental leave *100%.

Note 4: As for the actual number of employees reinstated from parental leave in South Korea in 2022, the corresponding information for 2022 was recompiled after Human Resources reconfirmed the dates of reinstatement.

5-2 Training and Development

Talent Development System

To improve employee retention, we are committed to establishing a diversified talent pool and adopting a sound talent cultivation system to achieve sustainable development. We have designed a comprehensive training structure aligned with the career and talent development training blueprint for all employees, including new employees, professional competency, key talents, Management Trainee, management competency, etc.



▼ 2023 Implementation of Employee Continuing Education and Training

Item		Number of sessions	Total Participants	Total hours	Total Expense (NT\$)
General knowledge	General knowledge	134	703	2,205	410,750
	Compulsory knowledge	67	5,802	19,620	1,063,327
Management related	General knowledge	185	513	3,529	1,718,832
	Leadership professional	10	230	1,361	1,749,331
Drug related	Process course	43	472	1,257	385,530
	Product Knowledge Course	61	685	1,841	682,884
Total		500	8,405	29,813	6,010,654

Note: The survey encompasses employees in Taiwan and Korea.

▼ Average number of training hours received by employees of different grades and genders in 2023 (Unit: Hour)

Classification	Definition of management at all levels	Lotus - Taiwan		Lotus - South Korea		Total
		Male	Female	Male	Female	
Senior management	Division lead and above	12.53	16.36	38.63	33.25	20.56
Middle management	Department lead	23.03	21.47	41.14	46.70	32.60
First-line management	Section lead	18.58	34.21	68.00	56.00	26.11
Regular employees		12.08	10.85	44.85	52.46	25.94
Total average		13.77	12.90	44.26	51.40	26.36

Note: The survey encompasses employees in Taiwan and Korea.

Employee performance evaluation and promotion Policy

The performance evaluation policy of Lotus Pharmaceutical follows the Lotus DNA and Star Map performance management indicators to encourage employees to demonstrate a culture and values that meet the Company’s expectations in the process of achieving goals, and better understand and respond to the Group’s operational goals in the process of performance evaluation. Meanwhile, Lotus also provides fair promotion opportunities to employees with excellent annual performance evaluation results. In 2023, 9% of female and 9% of male employees in Taiwan and South Korea were promoted, while the promotion rate of female managers above the director level reached 17%.

▼ 2023 Taiwan and South Korea Performance Evaluation and Promotion Statistics

Classification	Definition of supervisors at all levels	Regular performance evaluation (proportion)		Promotion (proportion)	
		Male	Female	Male	Female
Senior management	Division lead and above	100%	94%	4%	17%
Middle management	Department lead	100%	100%	12%	4%
First-line management	Section lead	100%	100%	13%	9%
Regular employees		98%	96%	8%	9%
Total		98%	96%	9%	9%

Notes:

1.The survey encompasses employees in Taiwan and Korea.

2.As per the company’s system, new employees who were onboarded after October 1, 2023, were not included in the 2023 performance evaluation. Therefore, the proportion of employees completing regular performance evaluations is not 100%.

Cooperation of Industry-Government-University

Lotus has deeply developed the Taiwan market for many years. As the largest pharmaceutical company in Taiwan, our core technology is rooted here. Our investment in Taiwan is not limited to the introduction of the latest R&D and manufacturing equipment, and we have spared no effort in cultivating talents in Taiwan's pharmaceutical industry. Lotus collaborates with multiple universities and colleges in Taiwan through industry-academia cooperation, internship programs, corporate mentoring, and corporate seminars, to attract the active participation of elite students, enabling them to apply their knowledge to practical workplace scenarios and plan their careers in advance.

Cooperation of Industry-Government-University Plan	Description	Achievements
Industry-University Cooperation	The company collaborates with the Food, Drug, and Cosmetics Laboratory of Chia Nan University of Pharmacy & Science on special chemical analysis projects.	Every year, we collaborate with Chia Nan University of Pharmacy & Science on special laboratory analysis projects. In 2023, we executed 2 projects to not only expand our team's R&D capabilities but also cultivate chemical analysis talents.
	Industry-university Cooperation with Chang Gung University College of Medicine.	<ol style="list-style-type: none"> 1. Lotus Pharmaceutical partnered with the Master & PhD Program in Biotechnology Industry at Chang Gung University College of Medicine to propose a joint talent development plan, provides students in this program with summer internship courses. At the same time, the company jointly guided paper research to support the aforesaid program. As a result, students had the chance to actually participate in the product R&D of biosimilars at pharmaceutical manufacturers and contact different parts of the industrial environment, thus enhancing their soft strength other than professional knowledge. 2. Currently, students are being recruited in relevant programs.
	The company collaborates with well-known domestic medical and pharmaceutical departments (China Medical University, National Taiwan University, and National Yang-Ming Chiao Tung University) to provide internship programs, allowing students to have an early understanding of technologies, pharmaceutical manufacturing processes, and GMP standards used in the industry. In addition to improving students' knowledge and skills, the company cultivates pharmaceutical professionals with international pharmaceutical company literacy in advance.	Through cooperation with the PhD Program in Biotechnology Industry of Taipei Medical University, School of Medical Laboratory Science and Biotechnology, Lotus Pharmaceutical is dedicated to developing biotechnology talents. In the last 1-2 years of the PhD Program, we provide relevant opportunities for outstanding students to join the company and secure full-time positions.
Internship Program and Corporate Mentor	The company holds a corporate introduction at well-known domestic pharmaceutical universities (including National Taiwan University, Taipei Medical University, Kaohsiung Medical University, China Medical University, and Chung Shan Medical University) to recruit freshmen to enhance the team's manpower. Also, through the sharing of career selection and planning by senior employees, students can understand the ecology of the pharmaceutical industry and career development and prepare in advance for courses and employment.	<ol style="list-style-type: none"> 1. The actual number of interns is 10, distributed across research and development, regulatory affairs, quality, and manufacturing. 2. Corporate mentors from various departments selflessly share the challenges they face in the workplace and the knowledge they have gained, to cultivate interns' professional skills and proactive attitude, serving as a reference for their career planning. 3. One intern was retained after completion of their internship.
Corporate Introduction	The company holds a corporate introduction at well-known domestic pharmaceutical universities (including National Taiwan University, Taipei Medical University, Kaohsiung Medical University, China Medical University, and Chung Shan Medical University) to recruit freshmen to enhance the team's manpower. Also, through the sharing of career selection and planning by senior employees, students can understand the ecology of the pharmaceutical industry and career development and prepare in advance for courses and employment.	The company organized five corporate introduction sessions to help students understand the pharmaceutical manufacturing process and career development of pharmaceutical talents and guide them in thinking about how to connect with what they have learned in class.
Workforce Development Agency (Government)	Signed "Memorandum of Understanding for Biopharmaceutical Industry Talent Development" with Ministry of Labor's Workforce Development Agency.	Lotus Pharmaceutical collaborates with WDA, underscoring the company's steadfast commitment to nurturing talent within the pharmaceutical domain. This initiative is poised to cultivate a new generation of highly skilled pharmaceutical professionals in Taiwan.

5-3 Human Rights, Diversity and Inclusion

Human Rights Policy and Commitment

We have established HR policies and regulations that comply with the provisions of the "Labor Standards Act". Dedicated personnel handle employee-related affairs. We maintain a good work environment per laws and regulations including "The International Human Rights Conventions", the "Gender Equity in Employment Act", the "Sexual Harassment Prevention Act", the "Personal Data Protection Act", and the "Maternal Labor Health Protection Plan" to protect employees' work rights.

<p>Respect human rights</p>	<p>As a globally operating and responsible company,, we are committed to respecting and comply the "Universal Declaration of Human Rights", "The International Covenant on Civil and Political Rights", "The International Covenant on Economic, Social, and Cultural Rights" and "The International Labour Organization' s Declaration on Fundamental Principles and Rights at Work" .</p> <p>We abide by relevant international and domestic regulations and have a "Human Rights Policy" to safeguard employees' basic human rights and create a friendly environment.</p>
<p>No sexual harassment in the workplace</p>	<p>We established the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" in 2005 according to the "Gender Equity in Employment Act" and "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace", and underwent four revisions.</p>



Due Diligence

Lotus conducts an employee engagement survey annually to understand employee opinions and identify potential high-risk issues. We hold various forms of employee discussions to listen to their voices and assist in solving related problems. We also provide a channel for employees to report inappropriate workplace behavior. Our human resources team compiles employee-related information, including working hours, monthly for analysis and discussion, and implements appropriate countermeasures as needed. There were no incidents of discrimination at Lotus in 2023.

▼ Mitigation and Management Measures or Action Plans

Topics of Concern	Mitigation and Management Measures or Action Plans
Respect for human rights in the workplace	<ol style="list-style-type: none"> 1. In recruitment, staffing, promotion, becoming a manager, and salary are all based on competencies, potential, and performance, and are not affected by gender, race, nationality, social class, age, marital status, language, religion, political affiliation, and place of birth. 2. In 2023, we held 6 training sessions for Human Rights Policy, Sexual Harassment Prevention, and Employee Complaint Management, with 752 trainees and 752 hours of training. 3. A complaint channel and investigation procedures for illegal infringement at the workplace have been established: MyHR@lotuspharm.com
Prohibition of Forced Labor and Child Labor	<ol style="list-style-type: none"> 1. Prohibition of any form of forced labor, slavery, or human trafficking activities. 2. Prohibition of the employment of child labor, and confirmation of age information at recruitment and staffing.
Provision of a safe and healthy workplace	<ol style="list-style-type: none"> 1. The company complies with the laws and regulations on labor safety and health, and has successfully established a designated unit responsible for occupational safety health, hired full-time occupational health nurses, provided employee healthcare-related services and information, planned and promoted various health promotion activities and pandemic prevention policies, and prevented the occurrence of occupational injuries and diseases, including the implementation of four major prevention and protection plans in the workplace: the human hazard prevention plan, the prevention plan for diseases due to abnormal workload, the prevention plan for illegal infringement during the performance of duties, and the maternal health protection plan. 2. The construction of a corporate safety culture requires not only the attention and investment of the management at all levels but also the participation and practice of all employees. We encourage employees to report any concerns or incidents that may affect safety and health at any time and provide rewards to establish a safer work environment. 3. Promoting employee health: The company arranges annual health checks for all employees and provides free physical examination items that are superior to regulatory requirements. When planning the health check items, the major causes of death are referred to, in the hope of early discovery and treatment through regular screening to reduce the impact of these diseases on employees. The company also cooperates with Changhua Christian Hospital to arrange regular on-site services by the Director of the Occupational Medicine Department to provide abnormal health check result tracking management and health guidance and consultation, mother's health hazard assessment, occupational injury disease prevention, assessment and management of labors with high occupational health risks, health education, physical and mental health protection, health promotion measures, emergency rescue, and emergency response.
Remuneration and Benefits	<ol style="list-style-type: none"> 1. The company complies with all remuneration-related laws, including minimum wage and statutory benefit requirements. 2. The company hires temporary workers, dispatches workers, and outsources labor services following local laws. 3. The company conducts monthly statistics on employees' working hours, and other information, discusses these with department managers, and implements corresponding measures to reduce overtime hours for employees.

Human Rights Protection Communication and Measures

Internal Communication and Management Measures	<p>1. The DNA of Lotus embodies the spirit of "respecting and valuing cultural differences" and "welcoming diverse thinking," which are included in the annual performance evaluation to encourage employees to demonstrate the spirit of our DNA.</p> <p>2. The company implements training on "Lotus Human Rights Policy, Sexual Harassment Prevention, and Employee Complaint Management" to all employees in Taiwan to reaffirm policies on human rights, safeguard employees' basic human rights, and foster a work environment of equity, mutual understanding, and respect for all.</p>																						
External Communication and Management Measures (Business Partners, Suppliers and Other Relevant Groups)	<p>1. The contractor must sign the "Agreement for Contract Notice". Personnel entering the company for operation must be legally employed workers who comply with regulations to ensure the safety and health of the contracted business personnel and our employees, as well as facility safety.</p> <p>2. The company conducts inspections during the contractor's contract period to ensure compliance with the agreement and to maintain a healthy and safe workplace.</p>																						
Association (Korea)	<p>1. Percentage of total number of employees in South Korea</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th></th> <th>Number of employees</th> <th>Number of trade union members</th> <th>Ratio of trade union members</th> </tr> </thead> <tbody> <tr> <td>Plant</td> <td>148</td> <td>111</td> <td>75%</td> </tr> <tr> <td>Headquarters</td> <td>104</td> <td>35</td> <td>34%</td> </tr> <tr> <td>Business</td> <td>194</td> <td>163</td> <td>84%</td> </tr> <tr> <td>Total</td> <td>446</td> <td>309</td> <td>69%</td> </tr> </tbody> </table> <p>*Only employees of Alvogen Korea Ltd established a trade association.</p> <p>2. Targets for establishment and communication issue</p> <p>The company aims to stabilize the labor union and employee relations. In fact, the company conducts collective bargaining agreements (CBA) or salary negotiations with the labor union annually in accordance with the law. Every quarter, the company discusses various employee-related issues with the Labor Committee and the Safety and Health Committee.</p> <p>Issues</p> <ul style="list-style-type: none"> - CBA: Employee welfare, rules for labor union activities, etc. - Remuneration negotiation: Discuss and confirm annual merit salary adjustment rate - Labor Committee: Any agenda related to employees (training, employment, welfare, facilities, etc.) - Safety and Health Committee: Check any issues related to employees' work safety and health. 				Number of employees	Number of trade union members	Ratio of trade union members	Plant	148	111	75%	Headquarters	104	35	34%	Business	194	163	84%	Total	446	309	69%
	Number of employees	Number of trade union members	Ratio of trade union members																				
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Headquarters	104	35	34%																				
Business	194	163	84%																				
Total	446	309	69%																				

▼ 2023 Human Rights Training

Human Rights-Related Training Courses	Objects	No. of participants	Training hours
Human Rights Policy, Sexual Harassment Prevention and Complaint Management of Lotus	All employees in Taiwan	752	752
Sexual harassment prevention	All employees in South Korea	438	1,314
Personal Data Protection Act	All employees in South Korea	438	5,256
Physical challenge cognition improvement	All employees in South Korea	438	1,314
Workplace bullying prevention training	All employees in South Korea	438	1,314

5-4 Occupational Safety and Health

Occupational Safety and Health Management Structure and Policy

Our company adheres to relevant occupational safety and health management regulations and follows the PDCA (Plan-Do-Check-Act) continuous improvement cycle. We have established management procedures and related documents in compliance with these regulations. Additionally, we regularly conduct compliance assessments of regulations, hazard risk evaluations, and operational controls to ensure strict adherence to the latest regulations and requirements. Moreover, we plan to gradually introduce the ISO 45001 occupational health and safety management system.

▼ Lotus' Environmental Health and Safety Policy

Regulatory compliance	Comply with local environmental and occupational safety and health regulations, customer requirements, and other related international regulations.
Created EHS Management System	Through EHS risk assessment, target management, continuous improvement, and regular management review, we aim to prevent and manage the factory environment, operation safety, and employee health, improve the effectiveness of EHS management, and ensure the effectiveness of system operation.
Employee Training	Improve and implement daily environmental/energy/occupational safety and health management, education, and communication for all employees and outsiders.
Energy and Natural Resource Management	Through the participation of all staff, we aim to cherish the energy and natural resources together to achieve the goals of energy saving, carbon reduction, and zero incidents.

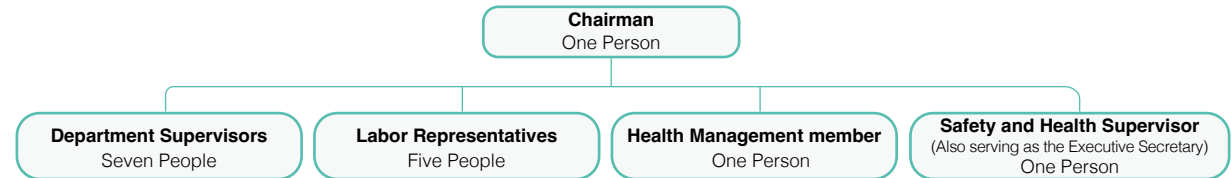
Overview of the Composition and Operation of the Workplace Safety Committee

There is an Occupational Safety and Health Committee established at the Nantou plant of Lotus. The committee members include supervisors for decision-making, as well as labor representatives selected from all departments. The members and organizational structure of the Committee are shown below. The Occupational Safety and Health Committee convenes quarterly meetings to report and discuss relevant items of the annual occupational safety and health management plan, including: "Coordination and Suggestion of Occupational Safety and Health Management Plan", "Review of Countermeasures for Labor job site Monitoring Results"

"Review of Health Management and Health Promotion Matters", "Review of Various Safety and Health Proposals", "Review of Autonomous Inspection and Safety and Health Assessment Items of Business Units", "Review of Preventive Measures Against Hazards Caused by Machinery, Equipment and Raw Materials", "Review of the Occupational Disaster Investigation Report", "Assessment of On-site Safety and Health Management Performance" and "Review of Safety and Health Management Items of Contracted Business". Each committee member, including labor representatives from various departments, can raise issues related to occupational safety and health during the meeting. The occupational safety unit will lead in tracking the progress of improvement and report it in the regular meeting.

A regular meeting is held every quarter. The themes discussed in such meetings include how to identify and eliminate hazards, risk assessment, accident investigation and auditing, establishment and management of auditing standards for contractors and suppliers, etc.

▼ Occupational Safety and Health Committee in Nantou plant



▼ Composition of Occupational Safety Committee

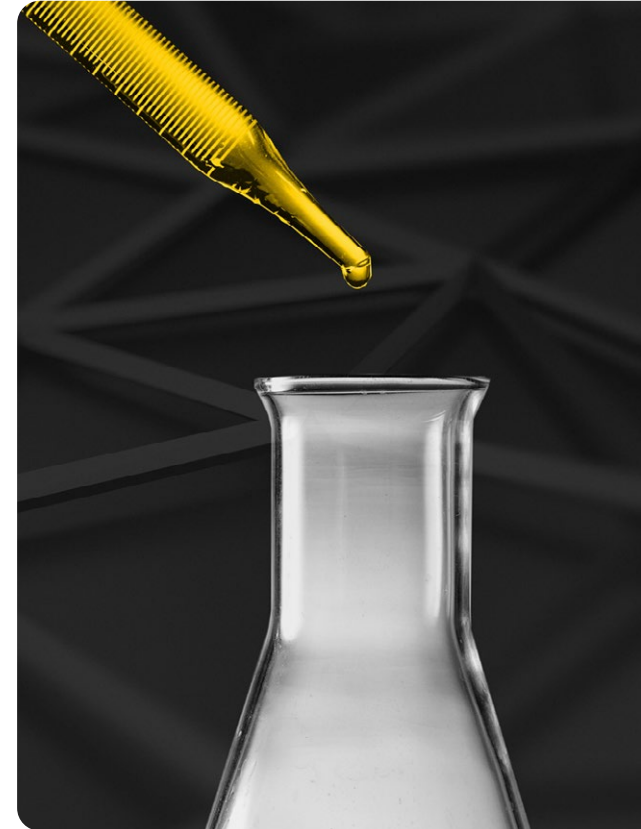
Area	Employer (number of people)	Employees (number of people)	Occupational safety and health personnel	Number of meetings in 2023
Nantou Plant	7	5	3	4
South Korea Plants	5	5	0	4

Operations Related to the Management of Listed Chemical Drugs

Units using chemicals in the Nantou Plant of Lotus, the main usages of these chemicals, and GHS hazard graphical types are shown in the table below. Personnel using chemicals in the plant have received necessary training according to statutory and regulatory provisions. During operations, necessary protective equipment is provided to relevant personnel, and the operating environment is regularly monitored. Furthermore, EHS personnel are assigned to conduct regular patrolling based on the actual execution status.

▼ List of Chemical Use and Hazards

Chemical using/warehousing unit	Main usage	GHS hazard graphical types
QC/AR LAB	For experiment/R&D	
MN	Manufacturing	
WH	Warehousing	
EHS	Wastewater treatment	
ENG	Generator/Cooling tower	



Workplace Safety and Accident Prevention Mechanism

The handling status of occupational safety and health training courses in 2023 is as follows: The course scope includes three categories, namely safety, health, and fire prevention. Apart from the regular on-the-job training for occupational safety, as well as fire prevention training required by law, additional courses were organized based on the specific on-site occupational risks. Environmental safety and health training for new employees has already been incorporated into Lotus's talent cultivation system. While fire drills are legally mandated, Lotus ensures these training activities are diligently scheduled to avoid unnecessary repetition and to ensure the effective implementation of each step.

▼ OSH training of employees in Taiwan in 2023

Total Participants	Course	Objects	Total Participants	Total hours
Safety	In-service training for licensed occupational safety personnel	Licensed occupational safety personnel	16	81
	Training for technical/operational-level professional response personnel	QC/AR/EHS personnel	4	88
	Training for operating environment monitoring personnel	Seeded personnel of the chemical operation department	22	22
	CPR+AED education and training	Personnel at the Nantou Plant	384	192
	In-service occupational safety training	Personnel at the Nantou Plant	402	1,608
Health	Overload education and training	Personnel at the Nantou Plant	2	1
	2023 Lotus workplace health promotion activity	Personnel at the Nantou Plant	53	53
Fire Fighting	Fire prevention organization and training in the first half of the year	Personnel at the Nantou Plant	380	1,520
	Fire prevention organization and training in the second half of the year	Personnel at the Nantou Plant	402	1,608
	Evacuation drill for all staff for fire fighting	Personnel at the Nantou Plant	412	206
Environment	Waste education and training	Manufacturing Department	60	30

Note 1: The operating site of the statistics is in Taiwan

▼ Firefighting training-Training course on the use of indoor fire hydrants



▼ Firefighting training-Fire extinguisher training course



▼ Comprehensive training (drill)-Counting of people after evacuation and reporting to the commander



▼ OSH training for employees in South Korea in 2023

Classification	Course	Objects	Total Participants	Total hours
Safety	Regular safety and health training for workers	Workers	407	9,768
	Safety and health training when hiring	New Employee	20	177
	Training of Safety and Health Management Director	Head of the plant	2	12
	Management supervisor training	Team (or Part) Leader	16	98
	Safety controller refresher training	Safety controller	1	24
	Safety and health manager training	Safety and health manager	1	8
	Training for Dangerous Goods Safety Manager	Dangerous Goods Safety Manager	1	4
	Training for Electrical Safety Manager	Electrical Safety Manager	1	21
	Training for Boiler Safety Manager	Boiler Safety Manager	1	7
	Training for gas safety manager	Gas safety manager	1	4
Health	Workers health training	Workers	56	168
Fire control	Fire safety manager training	Plant fire safety management	1	6
Environment	Training for Environmental engineer (Atmospheric)	Environmental engineer (Atmospheric)	1	14
	Training for Environmental Engineer (Water)	Environmental engineer (Water)	1	14
	Training for Environmental engineer (Waste)	Environmental engineer (Waste)	1	4



Occupational safety hazard identification and risk assessment mechanism

Lotus regularly conducts various operations in the plant and is committed to improving high-risk items. To prevent risks from escalating, we promote the Work Safety Express card activity in the factory. Employees who observe any unsafe behavior or environment can use their mobile phones to scan a QR code and report the issue they see. After review by the Work Safety Unit, a reward of NT\$50 will be granted for each reported item. The Work Safety Unit will then monitor the responsible unit's progress in implementing improvements and maintain confidentiality regarding the reporting personnel's information. If occupation-related injuries or accidents occur, the Occupational Safety Unit will immediately take necessary emergency rescue measures upon receiving notification of the accident. The Accident Unit and relevant personnel will be convened for investigation based on the circumstances, to prevent the accident from reoccurring. The accident investigation process is as follows:



Work-related injuries Statistics

▼ Occupational safety and health accidents in the past three years

Year	Objects	Total working hours	Number of people		Ratio	
			The number of recordable work-related injuries	The number of high-consequence work-related injuries	The rate of recordable work-related injuries	The rate of high-consequence work-related injuries
2021	Employees	1,049,627	2	0	1.90	0
2022	Employees	1,217,264	1	0	0.82	0
2023	Employees	1,293,968	2	0	1.54	0

Notes:

- The statistical boundary focuses on sites in Taiwan, including the Taipei office and Nantou Plant.
- The statistical benchmark for occupational disasters does not include "commuting disasters" that occur during commuting hours.
- Recordable work-related injuries refer to work-related injuries that prevent workers from continuing their normal work, requiring them to leave the workplace for more than 1 day. This category also includes fatalities resulting from work-related injuries.
- Total Recordable Injury Frequency Rate (TRIFR) = Number of recordable work-related injuries × 1,000,000/Total working hours (calculated to 2 decimal places, not rounded off).
- High-consequence work-related injuries refer to injuries that cause death or prevent workers from fully recovering to their pre-injury health status within 6 months.
- Rate of high-consequence work-related injuries = Number of high-consequence work-related injuries × 1,000,000/Total working hours (calculated to 2 decimal places, not rounded off).
- In the last 3 years, non-employee workers of Lotus were not involved in any occupational accidents.

▼ Statistics of occupational safety and health accidents occurring at Lotus Taiwan in the last 3 years


Year	Objects	Disabling Accident	Work Days Lost	Disabling Injury Frequency Rate	Disabling Injury Severity Rate	Frequency-Severity Indicator	Category of injury
2021	Employee	2	16	1.90	15.24	0.17	<ol style="list-style-type: none"> When the wheel-shaped shelf was moved, the wheel broke and injured the operator's hand(s). The working days lost due to work-related injuries reached 14 days, reflecting the injury severity rate is relatively high. The wheel-type shelf used in this accident has been replaced with fixed floor-standing shelf. An employee twisted their ankle when stepping into a gap in the stairs. During the construction period, the supplier's temporary material compartment blocked the lighting. A member of our staff suffered from a sprain and took a rest for 2 days. We have asked the supplier to immediately install extra temporary lightings and need to switch on the lightings at night.
2022	Employee	1	2	0.82	1.64	0.03	<p>After finishing work, an employee stood up and hit their head on the control box, causing a laceration injury. A member of our staff hit his head on the control box and suffered a tear when standing up from his floor work. The staff took a rest for 2 days. We have posted signs on similar electrical control boxes to remind fellow staff members.</p>
2023	Employee	2	55	1.54	42.50	0.25	<ol style="list-style-type: none"> When moving materials with a cart, the operator couldn't pass through the ramp construction area, and subsequently pulled the cart up the stairs, resulting in a wrist injury. After the accident occurred, the company immediately set up a temporary ramp to transport the materials and speed up construction with a shortened construction period. Meanwhile, the company notified employees to report to their supervisors route blockages and to avoid attempting to pass forcefully. During cleaning, a staff member sustained a cutting injury from equipment burrs at the manufacturing site. After the accident occurred, all equipment and cabinets were inspected, and the engineering department was assigned to assist with the deburring. Moreover, vendors were instructed to ensure deburring upon acceptance of new equipment and cabinets.

Notes:

- Due to differences in national conditions, the severity of OSH accidents in South Korea differs from that recognized in Taiwan regulations. Therefore, statistics on accidents occurring in South Korea were not included in the data.
- Number of working days lost: Number of days of absence from work (number of rest days); the calculation benchmark includes work-related injury leave due to occupational disaster but does not include sick leave and menstrual leave).
- Disabling Frequency Rate (FR) = Number of person-times with disabling injury × 1,000,000/Total experienced working hours (calculated to 2 decimal places, not rounded off).
- Disabling Severity Rate (SR) = (Number of days lost due to disabling injury × 1,000,000)/Total experienced working hours (rounded number, not rounded off).
- Frequency-Severity Indicator (FSI) = $\sqrt{[(FR \times SR) \div 1,000]}$.
- The statistical benchmark of disabling accidents does not include "commuting disasters" occurring during commuting hours.
- In the last 3 years, non-employee workers of Lotus were not involved in any work-related injuries.
- The 2021 disabling injury frequency rate was a typo and the information was restated.

Workplace Health Promotion Action

To maintain a safe working environment, the company has appointed three occupational safety and health management persons in Taiwan per the law to conduct regular workplace safety inspections and has allocated occupational health medical personnel at the Nantou plant. Every month, occupational medical doctors conduct on-site diagnoses with one dedicated nurse and hold health activities and training. The following six health promotion actions were conducted in 2023.

Action plan	Description	Achievement	No. of participants
<p>Scheme 1 Health Management and Occupational Disease Prevention</p>	<p>The company provides various occupational health services per the "Labor Health Protection Rules" and the "Occupational Safety and Health Act", hires occupational health monitoring nurses, provides employee healthcare-related services and information, and plans implements, and promotes various health promotion activities and pandemic prevention policies to prevent occupational injuries and diseases, including the promotion of the four major prevention and protection plans in the workplace. The company cooperates with Changhua Christian Hospital to arrange regular on-site services by the physician of the Occupational Medicine Department to provide abnormal health check result tracking management and health guidance and consultation, mother's health hazard assessment, occupational injury disease prevention, assessment and management of labors with high occupational health risks, health education, physical and mental health protection, health promotion measures, emergency rescue, and emergency response.</p>	<ul style="list-style-type: none"> • On-site services by factory physicians and nurses. • Exclusive space in the medical room. • Promotion of the four major plans for workplace health. • Setting up a breastfeeding room for maternal health protection in the workplace. • Enhance maternity protection at the workplace, provide joyful gifts to employees who are expecting a baby to extend our care to all staff members. 	<ul style="list-style-type: none"> • Five people underwork overload management. • Five people under the prevention of human hazards. • Twelve people under the Motherhood Protection project. • Provision of 5 birthday gifts.
<p>Scheme 2 Ministry of Health and Welfare's Safe Workplace Certification</p> 	<p>The Nantou Plant enhances employees' autonomous emergency rescue skills through CPR and AED training every year and sets up AED to provide a secure working environment. On July 22, 2020, it passed the "Safe Workplace" certification of the Ministry of Health and Welfare which is still valid today, demonstrating its dedication to a safe environment. In July 2023, it passed the "Safe Workplace" certification again.</p>	<ul style="list-style-type: none"> • The Nantou plant is equipped with an automatic external defibrillator. • Cardiopulmonary resuscitation and automatic external defibrillator training are conducted every year (including practical exercises). • The factory hired qualified management personnel for maintenance and regularly checks and uploads the information. • It obtained certification and passed the extension of qualification in 2023. 	<p>Nantou Plant conducted Cardiopulmonary resuscitation and automatic external defibrillator training every year (including practical exercises); the training completion rate is 71% in 2022 and 75% in 2023.</p>
<p>Scheme 3 Employee Health Check</p>	<p>The company arranges free health checks for all employees every year, with health check items that exceed those required by law. When health check-up programs are planned, the major causes of death are considered in the hope of early detection and early treatment through regular screening, reducing the impact of these diseases on employees. After the health checks, the results of all employees' health checks and special health checks are collected and organized, and interviews with the factory doctor will be arranged for employees with abnormal results to receive health advice and suggestions. Occupational health monitoring nurses will regularly track and manage individual cases, and a health cloud will be used to establish an employee health tracking system.</p>	<ul style="list-style-type: none"> • An employee health check that exceeds regulatory requirements is conducted every year. • Screening of high occupational health risk employees for special health examinations for hazards. • On-site assessment of health management grading and suspected work-related diseases. • The factory doctor and occupational health monitoring nurses conduct regular case tracking and management. • The establishment of a cloud-based health cloud tracking system is expected. • Trend analysis of results of health checkup. 	<ul style="list-style-type: none"> • Number of employees undergoing health checks: 368 in 2022 and 421 in 2023. • Number of special hazard health examinations: 115 in 2022 and 82 in 2023. • For employees who are comprehensively determined to be abnormal, the physician conducted on-site evaluations and determined that there was no relevance to their work; medical consultation and health education have been completed for all of them. • Top three abnormalities in health checkup rankings were mild fatty liver, overweight, and hypercholesterolemia.

Action plan	Description	Achievement	No. of participants														
Scheme 4 National Health Administration's Healthy Workplace Certification/Health Promotion Logo	<p>In 2021, the company earned the National Health Administration's Health Workplace Certification/Health Promotion Logo. To improve the physical health of all employees, the medical room plans health promotion activities based on the abnormal ranking results of annual health checks. At least two health promotion activities are held each year, with gym coaches specially invited to demonstrate and lead health exercises.</p> <p>In 2023, the Welfare Committee will provide employee sports fund subsidies and organize a one-day walking activity to encourage employees to develop good exercise habits and cultivate an interest in sports. Additionally, HR will plan the Yellow Friday event and hold multiple activities at the employee restaurant every month to promote psychological stress relief and foster cooperation and connection among various units, thereby protecting the health of employees.</p>	<ul style="list-style-type: none"> • 2021 National Health Administration's Healthy Workplace Certification/Health Promotion Logo and the company obtained renewal of certification again in December 2023. • A total of three workplace health promotion events have been held from 2022 to the present. • A NT\$2,000 employee sports fund subsidy was provided in 2023. • Shamao Mountain One-day Walking Activity in 2023. • On Yellow Friday every month, a diverse psychological stress relief activity is held at the employee restaurant. • 2023 Beach Cleanup Activity. • Provision of regular tests of clean drinking water/water dispensers. • Provision of toilet paper and cushion sanitizer at toilets. 	<ul style="list-style-type: none"> • In 2023, a total of 102 employees applied for sports fund subsidy. • In 2023, a total of 130 employees and their family members participated in the walking activity. • Over 254 employees participated in the beach cleanup activity. 														
Scheme 5 Influenza vaccination	<p>In response to the pandemic period, the company encouraged employees to get vaccinated to coordinate with the COVID-19 and influenza vaccines held by the health bureau.</p>	<ul style="list-style-type: none"> • In 2022, influenza vaccination was held in Nangang Service Center and the plant once for each. • In 2023, influenza vaccination was held in Nangang Service Center once. 	<p>The number of vaccinated employees was recorded by the health bureau.</p>														
Scheme 6 Near miss	<p>Fill out and report near-miss incidents by taking photos of the Near Miss QR code, including unsafe behaviors (e.g., violation of operating processes, disabling safety protection measures, and using the wrong tools) or unsafe environments (e.g., tangled wires, insufficient lighting, lack of protection), etc.</p>	<p>For each incident reported by employees and confirmed as a near-miss incident, a gift card worth NT\$ 50 was provided as a reward. Each incident was investigated and then submitted to the relevant problem-related department for further evaluation of improvement measures. Additionally, the conditions submitted by each unit and the progress of problem improvements are summarized every quarter.</p>	<p>In 2023, 122 cases were notified and all of them were improved.</p> <table border="1"> <thead> <tr> <th>Event classification</th> <th>Number of cases</th> </tr> </thead> <tbody> <tr> <td>Environmental protection</td> <td>2</td> </tr> <tr> <td>Fire protection</td> <td>5</td> </tr> <tr> <td>Health</td> <td>9</td> </tr> <tr> <td>Prevention of insects and rats</td> <td>7</td> </tr> <tr> <td>Safety</td> <td>99</td> </tr> <tr> <td>Total</td> <td>122</td> </tr> </tbody> </table>	Event classification	Number of cases	Environmental protection	2	Fire protection	5	Health	9	Prevention of insects and rats	7	Safety	99	Total	122
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Chapter 6 Social Participation



6-1 Patient Care

In 2023, we actively participated in numerous health promotion events, providing valuable information and support to patients and their families. These initiatives covered Parkinson's disease, brain tumors, and osteoporosis, aiming to improve public awareness and understanding of these conditions. We held nine Parkinson's health care seminars, one brain tumor medical lecture, and nine osteoporosis patient activities, reaching a total of 908 participants. These participants gained essential insights into treatment, medication, and exercise. We are committed to continuing these efforts, providing support, knowledge, and care to collaboratively build a healthier and more compassionate community.



▼ 2023 Disease Health Education Advocacy

Name of activity	Theme and content of activity	Results and benefits
Care Giving for Parkinson's Disease	Through the "Care Giving for Parkinson's Disease" lecture series, we aim to provide patients and their families with essential information about Parkinson's disease and home care guidelines. We have invited experts, including neurologists, physical therapists, speech therapists, and professors, from the Institute of Physical Education, Health and Leisure Studies at National Cheng Kung University to offer health education and exercise and daily living advice. The goal is to equip patients and their caregivers with the knowledge and skills needed to better manage the condition.	This series of lectures held a total of 9 events, covering various topics related to Parkinson's disease. These included discussions on the relationship between oxidative stress and Parkinson's disease, patient forums for those with Parkinson's, and sessions on understanding and caregiving for Parkinson's disease. These seminars attracted approximately 450 participants who collectively explored and shared their knowledge and experiences related to Parkinson's disease. Through these activities, we are dedicated to raising public awareness of Parkinson's disease and providing corresponding care and support.
Brain Tumor Medical Lectures	Through educational activities, we share information about surgical and drug treatments for brain tumors. We provide basic knowledge about the disease, treatment options, surgical procedures, and the preparations doctors undergo before surgery. These sessions offer patients the opportunity to ask doctors questions directly and get answers that they may not receive during regular consultations.	On September 22, 2023, we held a brain tumor medical lecture titled "Leave It Behind," for a total of 30 participants. The event received enthusiastic response, and attendees expressed a desire for more activities like this to better understand brain tumors and how to cope with them.
Osteoporosis Patient Activities	Lotus has organized several osteoporosis patient activities at medical institutions and fitness centers across northern, central, and southern Taiwan. These activities aim to enhance patients' understanding of osteoporosis through health education and bone density screenings. We provide professional medical information to help participants gain a deeper understanding of the causes of and preventive measures for osteoporosis.	This series of 9 events has seen a total of 428 participants actively engaging in the discussions and activities.

6-2 Social Engagement

Region	Event Name	Event Details	Participation/Outcomes
Taiwan	Lotus Donated Millions to Aid Earthquake Victims in Turkey and Syria	Lotus announced a donation of NTD 1 million to assist earthquake victims in Turkey and Syria. This initiative is part of the company's commitment to corporate social responsibility. Lotus will also launch a global employee fundraising campaign to further support the cause. CEO of Lotus , Petar Vazharov expressed empathy for the affected people and extended support and prayers for their recovery.	Lotus Pharmaceutical donated NTD 1 million to aid earthquake victims in Turkey and Syria.
	Employee Beach Cleanup Activity	Lotus employees teamed up in Changhua to participate in the company's first coastal cleanup activity. The team was divided into two groups to clean up Wanggong Beach and sweep the streets of Fangyuan Community. The cleanup followed the standards of the International Coastal Cleanup (ICC) and lasted over two hours.	A total of 254 employees participated in the event, collecting 888 kg of trash, including 2,180 PET bottles, 416 plastic bottle caps, 605 glass bottles, and 213 fishing nets and ropes, contributing to the protection of Taiwan's marine environment.
Korea	Donation of Sanitary Products for Low-Income Women and Adolescents	Since 2020, Lotus Korea has been collaborating with the NGO Good People International to support low-income female adolescents, ensuring their healthy growth. In 2023, the initiative marked its fourth year. Lotus Korea prepared approximately KRW 20 million worth of women's daily necessities, including sanitary pads, small bags, lip balm, hand cream, feminine cleansers, warm socks, and school uniform undergarments, for distribution at children's centers nationwide. This initiative is part of Korea's "Hello Campaign" CSR program, which aims to promote healthy lifestyles in local communities, particularly safeguarding the health rights of low-income women and adolescents.	<ul style="list-style-type: none"> • Approximately 200 women benefit annually from this initiative. • Lotus Korea employees voluntarily contribute a portion of their monthly salary as a donation. About 270 employees participate in the donation program each year.
	Bread Sharing Volunteer Activity with Underprivileged Children	Lotus Korea, in partnership with the Yeongdeungpo Branch of the International Committee of the Red Cross, Republic of Korea, organized a "Bread Sharing Volunteer" event. Twenty senior executives and employees, assisted by baking experts, made 500 loaves of bread, which were distributed to the underprivileged.	<ul style="list-style-type: none"> • A donation of KRW 500,000 was made per event to cover the cost of ingredients. • Twenty executives and employees participated. • 500 loaves of bread were distributed to neighbors unable to afford regular meals.
	Kimchi Making Volunteer Activity for 11 Consecutive Years	Lotus Korea relocated from Yeouido to Gangnam in September but continued to host a "Kimchi Making" volunteer activity at Timothy Community Children's Center in Yeongdeungpo. Executives and employees participated, reinforcing ties with the local community. This kimchi-sharing activity has been ongoing for 11 years, even during the COVID-19 pandemic, and aims to help those struggling to afford basic food due to rising prices. The activity resulted in a donation of 150 heads of kimchi, handmade by executives and employees, to support local community centers, basic welfare recipients, and nursing homes.	<ul style="list-style-type: none"> • Approximately 15 executives and employees participated. • The cost of making kimchi was about KRW 3 million, covered entirely by employees. • The kimchi was distributed to guardians of children and adolescents in the community who cannot afford nutritious food, especially those preferring fast food and without much nutrition. Kimchi helps to prevent obesity and promote balanced growth.
	First Donation in 2023 to Combat Drug Abuse	Lotus Korea announced a donation to the Korea Association Against Drug Abuse (KAADA) to strengthen programs preventing drug abuse among teenagers. Lotus Korea also participated in the anti-drug relay event organized by the National Police Agency, Ministry of Food and Drug Safety, and KAADA to raise awareness of the dangers of illegal drug trafficking and addiction.	Donated KRW 10 million to support drug prevention, education, and rehabilitation for teenagers.

Appendix

- GRI Standard Index
- Index of Sustainability Accounting Standards Board (SASB)
- The four pillars of the TCFD
- CPA's Limited Assurance Report
- Greenhouse Gas Verification Statement

GRI Standard Index

Usage Statement	Lotus Pharmaceutical Co., Ltd. has followed the GRI guidelines for the period from January 1, 2023 to December 31, 2023.
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Industry Standards	None

General Disclosures

GRI Standard	Disclosure Item	Corresponding Chapter	Page
General Disclosures			
GRI 2 : General Disclosures 2021			
1. The organization and its reporting practices			
GRI 2-1	Organizational details	1-1 Introduction to the Company	P. 33
GRI 2-2	Entities included in the organization's sustainability reporting	About this Report	P. 04
		1-1 Introduction to the Company	P. 33
GRI 2-3	Reporting period, frequency, and point of contact	About this Report	P. 04
GRI 2-4	Restatements of information	Recent investment in R&D	P. 69
		Parental Leave Statistics	P. 97
		Employee composition	P. 92
		Disabling Injury Frequency Rate	P. 110
GRI 2-5	External assurance	About this Report	P. 05
		CPA's Limited Assurance Report	P. 124
		ISO 14064 Greenhouse Gas Verification Statement	P. 125
2. Activities and Workers			
GRI 2-6	Activities, value chain and other business relationships	1-1 Introduction to the Company	P. 33
		1.2 Operational Results and Objectives	P. 38
		2-4 Supply chain management	P. 59
GRI 2-7	Employee	5-1 Remuneration, Benefits and Employee Care	P. 92
GRI 2-8	Workers who are not employees	5-1 Remuneration, Benefits and Employee Care	P. 93

GRI Standard	Disclosure Item	Corresponding Chapter	Page
3. Governance			
GRI 2-9	Governance structure and composition	1-1 Introduction to the Company	P. 33
		2-1 Composition and Operation of the Board of Directors	P. 43
		2-2 Functional Committee	P. 52
GRI 2-10	Nomination and selection of the highest governance body	2-1 Composition and Operation of the Board of Directors	P. 43
GRI 2-11	Chair of the highest governance body	2-1 Composition and Operation of the Board of Directors	P. 43
GRI 2-12	Role of the highest governance body in overseeing operations	2-1 The Oversight and Management of Impact by the Board of Directors 2-2 Functional Committee	P. 42 P. 52
GRI 2-13	Delegation of responsibility for managing impact	2-2 ESG and Risk Management Workforce	P. 54
GRI 2-14	Role of the highest governance body in sustainability reporting	About Lotus's Sustainability Report	P. 04
		2-2 ESG and Risk Management Workforce	P. 54
GRI 2-15	Conflicts of interest	2-1 Composition and Operation of the Board of Directors	P. 43
		2-2 Audit Committee	P. 52
GRI 2-16	Communication of critical concerns	2-2 ESG and Risk Management Workforce	P. 54
GRI 2-17	Collective knowledge of the highest governance body	2-1 Directors' Education	P. 48
GRI 2-18	Evaluation of the performance of the highest governance body	2-1 Composition and Operation of the Board of Directors	P. 44
GRI 2-19	Remuneration policies	2-2 Remuneration policy for senior management	P. 53
GRI 2-20	Process to determine remuneration	2-2 Remuneration Committee	P. 52
GRI 2-21	Annual total compensation ratio	Wage Disclosure Protection	-

GRI Standard	Disclosure Item	Corresponding Chapter	Page
4. Strategy, policies and practices			
GRI 2-22	Statement on the sustainable development strategy	Letter from the Chairman	P. 03
		Sustainability Strategy	P. 09
GRI 2-23	Policy commitments	2-1 Corporate Governance and Ethical Operations	P. 41
GRI 2-24	Embedding policy commitments	2-1 Corporate Governance and Ethical Operations	P. 41
GRI 2-25	Processes to remediate negative impacts	Complaint and Suggestion Channel	P. 50
GRI 2-26	Mechanisms for seeking advice and raising concerns	2-2 Risk Management and Internal Control	P. 50
		5-3 Human Rights, Diversity and Inclusion	P. 102
GRI 2-27	Compliance with laws and regulations	2-1 Legal Compliance	P. 50
GRI 2-28	Membership associations	Participation in Public Associations	P. 37
5. Stakeholder Engagement			
GRI 2-29	Approach to stakeholder engagement	Stakeholder Engagement	P. 11
		5-3 Human Rights Protection Communication and Measures (Lotus Taiwan does not currently have a labor union but conducts regular labor-management meetings. Alvogen Korea Ltd has a labor union.)	P. 104
GRI 3: Material Topics 2021			
GRI 3-1	Process to determine material topics	Identification of Material Topics and Analysis Flow	P. 13
GRI 3-2	List of material topics	List of material topics	P. 19
GRI 3-3	Management of material topics	Approach to management of material topics	P. 20

Material Topics

GRI Standard	Disclosure Item	Corresponding Chapter	Page
1. Drug Accessibility (Self-established Topic)			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 20
2. Drug Quality and Safety			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 21
GRI 416-1	Assessment of the health and safety impacts of product and service categories	3-3 Drug Quality	P. 73
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3-3 Drug Quality	P. 73
3. Human Rights, Diversity and Inclusion			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 22
GRI 405-1	Diversity of governance bodies and employees	2-1 Composition and Operation of the Board of Directors 5-3 Human Rights, Diversity and Inclusion	P. 43 P. 102
GRI 406-1	Incidents of discrimination and corrective actions taken	5-3 Human Rights, Diversity and Inclusion	P. 102
4. Legal Compliance			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 23
GRI 2-27	Compliance with laws and regulations	2-1 Legal Compliance	P. 50
5. Information Safety and Privacy Protection			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 24
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2-3 Information Security and Privacy Protection	P. 55

GRI Standard	Disclosure Item	Corresponding Chapter	Page
6. Corporate Governance and Ethical Operations			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 25
GRI 205-1	Operations assessed for risks related to corruption	Anti-corruption evaluation hasn't been conducted for the operating sites. The company plans to conduct anti-corruption evaluations for operating sites in the future.	-
GRI 205-2	Communication and training about anti-corruption policies and procedures	Statistics of relevant communication, education and training activities per employee category and region have not been collated. The Company plans to record training information per classification in the future.	-
GRI 205-3	Confirmed incidents of corruption and actions taken	2-1 Corporate Governance and Ethical Operations	P. 41
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2-1 Corporate Governance and Ethical Operations	P. 41
7. Economic Performance			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 26
GRI 201-1	Direct economic value generated and distributed	1-1 Introduction to the Company	P. 33
8. Waste Water and Wastes			
GRI 3-3	Approach to management of material topics	Management of material topics	P. 27
GRI 303-3	Water withdrawal	4-4 Water Resource Management	P. 88
GRI 303-4	Water discharge	4-4 Water Resource Management	P. 88
GRI 303-5	Water consumption	4-4 Water Resource Management	P. 88
GRI 306-3	Waste generated	4-5 Waste Management	P. 89
GRI 306-4	Waste diverted from disposal	4-5 Waste Management	P. 89
GRI 306-5	Waste directed to disposal	4-5 Waste Management	P. 89

GRI Standard	Disclosure Item	Corresponding Chapter	Page
9.Climate Response Action			
GRI3-3	Approach to management of material topics	Approach to management of material topics	P. 28
GRI 302-1	Energy consumption within the organization	4-3 Energy Management	P. 87
GRI 302-3	Energy intensity	4-3 Energy Management	P. 87
GRI 302-4	Reduction of energy consumption	4-3 Energy Management	P. 87
GRI 305-1	Direct (Scope 1) GHG emissions	4-2 Greenhouse Gas Management	P. 85
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4-2 Greenhouse Gas Management	P. 85
GRI 305-4	GHG emissions intensity	4-2 Greenhouse Gas Management	P. 85
GRI 305-5	Reduction of GHG emissions	4-2 Greenhouse Gas Management	P. 85
10.Products and Services			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 29
GRI 417-1	Requirements for product and service information and labeling	2-1 Corporate Governance and Ethical Operations	P. 41
		3-3 Drug Quality	P. 73
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	3-3 Drug Quality	P. 73
11.Human Resources Development			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 30
GRI 401-1	New employee hires and employee turnover	5-1 Remuneration, Benefits and Employee Care	P. 94
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5-1 Remuneration, Benefits and Employee Care	P. 91
GRI 401-3	Parental leave	5-1 Remuneration, Benefits and Employee Care	P. 97

GRI Standard	Disclosure Item	Corresponding Chapter	Page
GRI 404-1	Average hours of training per year per employee	3-3 Drug Quality	P. 74
		3-4 Drug Safety and Recall	P. 77
		5-2 Training and Development	P. 99
		5-4 Workplace safety and health	P. 107
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	5-2 Training and Development	P. 98
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	5-2 Training and Development	P. 100
12.Occupational Safety and Health			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 31
GRI 403-1	Occupational health and safety management system	5-4 Workplace safety and health	P. 105
GRI 403-2	Hazard identification, risk assessment, and incident investigation	5-4 Workplace safety and health	P. 109
GRI 403-3	Occupational health services	5-4 Workplace safety and health	P. 111
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	5-4 Workplace safety and health	P. 105
GRI 403-5	Worker training on occupational health and safety	5-4 Workplace safety and health	P. 107
GRI 403-6	Promotion of worker health	5-4 Workplace safety and health	P. 111
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5-4 Workplace safety and health	P. 105
13.Doctor-patient Relationship and Social Care (Self-established Topic)			
GRI 3-3	Approach to management of material topics	Approach to management of material topics	P. 32

Index of Sustainability Accounting Standards Board (SASB)

Code	Accounting Metric	Category	Disclosure Item	Relevant chapters
Topic: Safety of Clinical Trial Participants				
HC-BP-210a.1	Discussion, by world region, of management process for ensuring quality and patient safety during clinical trials	Discussion and Analysis	The monitoring of risk assessment in clinical trials is overseen by the Contract Research Organization (CRO). The standard operating procedure employed in these trials includes the execution of necessary quality assurance and quality monitoring at the clinical study sites. To date, all trials conducted through the CRO have been compliant with Good Clinical Practice (GCP) standards.	3-2 Improving Drug Accessibility
HC-BP-210a.2	Number of FDA Sponsor Inspections related to clinical trial management and pharmacovigilance that resulted in: (1) Voluntary Action Indicated (VAI) and (2) Official Action Indicated (OAI)	Quantitative	N/A (No relevant measures were taken during the report preparation period.)	-
HC-BP-210a.3	Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries	Quantitative	N/A	-
Topic: Access to Medicines				
HC-BP-240a.1	Description of actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index	Discussion and Analysis	<ul style="list-style-type: none"> Lotus is dedicated to developing high-quality and reasonably priced drugs, with a particular focus on diseases requiring prevention and control. It is estimated that Lotus' anti-tumor drugs will be utilized by at least 110,000 patients by 2023. Additionally, Lotus has made efforts to provide drugs to countries prioritizing medical treatment and healthcare. As of 2023, the company has successfully sold or registered drug licenses in 36 developing/underdeveloped countries. 	3-2 Improving Drug Accessibility
HC-BP-240a.2	List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)	Discussion and Analysis	No related data.	-

Code	Accounting Metric	Category	Disclosure Item	Relevant chapters
Topic: Affordability & Pricing				
HC-BP-240b.1	Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period	Quantitative	No related lawsuits.	Legal Compliance
HC-BP-240b.2	Percentage change in: (1) average list price and (2) average net price across U.S. product portfolio compared to previous year	Quantitative	In the United States, two of the drug varieties provided by Lotus are generic drugs. Information related to these drugs is unavailable due to confidentiality agreements with the original manufacturers.	-
HC-BP-240b.3	Percentage change in: (1) list price and (2) net price of product with largest increase compared to previous year	Quantitative	In Taiwan, 90% of drugs are covered by the NHIA, while only 10% are non-NHIA covered drugs. Drug prices have not changed much.	-
Topic: Drug Safety				
HC-BP-250a.1	List of products listed in the Food and Drug Administration's (FDA) MedWatch Safety Alerts for Human Medical Products database	Discussion and Analysis	No related matters.	-
HC-BP-250a.2	Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System	Quantitative	No related matters.	-
HC-BP-250a.3	Number of recalls issued; total units recalled	Quantitative	No related matters.	-
HC-BP-250a.4	Total amount of product accepted for takeback, reuse, or disposal	Quantitative	No drugs have been recycled.	-
HC-BP-250a.5	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type	Quantitative	N/A, 0	-
Topic: Counterfeit Drugs				
HC-BP-260a.1	Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting	Discussion and Analysis	For product design, Lotus has implemented various measures to ensure product integrity, such as affixing product codes, printing batch numbers, applying anti-counterfeit labels and unseal labels, and printing serial numbers. When selling products, we label customer codes to assist in traceability.	Counterfeit drug blocking mechanism
HC-BP-260a.2	Discussion of the process for alerting customers and business partners of potential or known risks associated with counterfeit products	Discussion and Analysis	Continually reinforce medication safety guidelines and provide instructions for anti-counterfeiting identification features. Provide a toll-free service hotline for reporting counterfeit drugs.	Counterfeit drug blocking mechanism
HC-BP-260a.3	Number of actions that led to raids, seizure, arrests, and/or filing of criminal charges related to counterfeit products	Quantitative	Lotus was not involved in any lawsuits in which it was accused of producing counterfeit drugs.	Counterfeit drug blocking mechanism

Code	Accounting Metric	Category	Disclosure Item	Relevant chapters
Topic: Ethical Marketing				
HC-BP-270a.1	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims	Quantitative	No related matters.	-
HC-BP-270a.2	Description of code of ethics governing promotion of off-label use of products	Discussion and Analysis	When engaging with medical professionals, Lotus is obligated to adhere strictly to legal and ethical standards. This entails ensuring that all promotional activities and product labels are accurate, comprehensive, fair, objective, and clear, thereby preventing any form of misinformation directed at the public. In its interactions with medical personnel and institutions, the Company is committed to upholding all activities in alignment with legal and moral guidelines. It is mandated not to advocate for the use of products in a manner inconsistent with their registered usage or for unregistered purposes, which includes refraining from discussing personal experiences related to the unregistered therapeutic use of products.	-
Topic: Employee Recruitment, Developing & Retention				
HC-BP-330a.1	Discussion of talent recruitment and retention efforts for scientists and research and development personnel	Discussion and Analysis	The Company recruits key talents globally through diverse channels to enhance its R&D capabilities. It also offers a range of comprehensive support programs and R&D incentives to attract talent and bolster their retention. In 2023, the Company achieved a 91% retention rate for its R&D personnel.	5-1 Remuneration, Benefits and Employee Care
HC-BP-330a.2	(1) Voluntary and (2) involuntary turnover rate for: (a) executives/senior managers, (b) midlevel managers, (c) professionals, and (d) all others	Quantitative	For relevant contents, refer to > 5-1 Remuneration, Benefits and Employee Care	5-1 Remuneration, Benefits and Employee Care
Topic: Supply Chain Management				
HC-BP-430a.1	Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in the Rx-360 International Pharmaceutical Supply Chain Consortium audit program or equivalent third-party audit programs for integrity of supply chain and ingredients	Quantitative	Lotus does not participate in the Rx-360 organization but regularly conducts supplier reviews every year, as per relevant SOP, to ensure the quality of the supply chain and the legitimacy of drug components.	2-4 Supply Chain Management

Code	Accounting Metric	Category	Disclosure Item	Relevant chapters
Topic: Business Ethics				
HC-BP-510a.1	Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery	Quantitative	No related matters.	-
HC-BP-510a.2	Description of code of ethics governing interactions with health care professionals	Discussion and Analysis	Lotus places great emphasis on upholding quality, effectiveness, safety, and value in its sales practices. When collaborating with medical professionals, Lotus strictly adheres to legal and ethical standards, ensuring that all promotional activities and product labels are accurate, comprehensive, fair, objective, and clear to prevent any misleading information. Engaging with medical staff and institutions is a vital aspect of Lotus' business operations, encompassing support for medical research, education, and specialized development, all while observing and complying with applicable laws and Lotus' internal policies. Whether involved in research or business partnerships with medical professionals, the Company is obligated to ensure that all its undertakings align with legal and ethical norms. Lotus aligns itself with industry guidelines, regulations, and its own policies by providing meals and entertainment, thus adhering to applicable laws. Additionally, the Company dutifully collects, reports, and discloses payments and any other compensation provided to medical professionals in accordance with legal obligations. All employees are required to adhere to Lotus' policies and relevant procedures, guaranteeing that their interactions with individuals or institutions regarding Lotus products meet high ethical standards.	-
Activity Metrics				
HC-BP-000.A	Activity Metrics	Quantitative	In 2023, the number of patients being treated with Lotus anti-tumor drugs reached approximately 113,313.	-
HC-BP-000.B	Number of drugs (1) in portfolio and (2) in research and development (Phases 1-3)	Quantitative	The product portfolios contain a total of 246 drugs marketed and sold globally. 22 R&D projects are ongoing.	-

The four pillars of the TCFD

Core Elements	Recommended Disclosures	Chapter	Page
Governance	Describe the board's oversight of climate related risks and opportunities	4-1 Task Force on Climate-related Financial Disclosure>Four core> Governance	P. 79
	Describe management's role in assessing and managing climate-related risks and opportunities.	4-1 Task Force on Climate-related Financial Disclosure> Four core> Governance	P. 79
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	4-1 Task Force on Climate-related Financial Disclosure>Climate-Related Risks, Opportunities, and Financial Impacts	P. 82
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	4-1 Task Force on Climate-related Financial Disclosure>Climate-Related Risks, Opportunities, and Financial Impacts	P. 82
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios	4-1 Task Force on Climate-related Financial Disclosure>Climate Risk Assessment and Scenario Analysis	P. 83
Risk Management	organization's processes for identifying and assessing climate-related risks	4-1 Task Force on Climate-related Financial Disclosure>Climate risk management	P. 80
	organization's processes for managing climate-related risks	4-1 Task Force on Climate-related Financial Disclosure>Climate risk management	P. 80
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	4-1 Task Force on Climate-related Financial Disclosure>Climate risk management	P. 80
Metric and Target	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	4-1 Task Force on Climate-related Financial Disclosure>Environmental Management Objectives	P. 84
	Disclose greenhouse gas (GHG) emissions, and the related risks.	4-1 Task Force on Climate-related Financial Disclosure>Environmental Management Objectives	P. 84
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	4-2 Greenhouse Gas Management	P. 85

CPA's Limited Assurance Report

正大聯合會計師事務所
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會計師有限確信報告

美時化學製藥股份有限公司 公鑒：
本會計師接受美時化學製藥股份有限公司(以下簡稱「美時公司」)之委託，對美時公司民國 112 年度(2023 年度)永續報告書中，以風險定之特定績效指標(以下簡稱「確信標的資訊」)執行有限確信程序並出具報告。

確信標的資訊與報導基準
美時公司係依據全球永續性標準理事會(Global Sustainability Standards Board, 「GSSB」)發布之GRI永續性報導準則(GRI Standards)所揭露之特定績效指標資訊及其報導基準詳列於附件一「確信標的資訊彙整表」。

公司之責任
美時公司應設定其永續績效和報導目標，包括辨識利害關係人及重大性議題，並依前述報導基準編製及允當表達民國 112 年度(2023 年度)永續報告書內所涵蓋之確信標的資訊，且負責建立及維持與永續報告編製有關之必要內部控制，以確保永續報告書所報導之特定績效指標未存有等因於舞弊或錯誤之重大不實表達。

會計師對永續報告書執行確信程序之責任
本會計師係依據財團法人會計研究基金會(以下簡稱「基金會」)所發布之確信準則 3000 號「非屬歷史性財務資訊審核或核閱之確信程序」規劃並執行工作，以對第二段所述之確信標的資訊在所有重大方面是否未存有重大不實表達取得確信，並出具有限確信報告。另，本會計師執行有限確信時，對與有限確信相關之內部控制取得必要之瞭解，以設計當時情況下適當之有限確信程序，惟其目的並非對美時公司民國 112 年度(2023 年度)永續報告書之相關內部控制設計或執行之有效性提供任何確信。

獨立性與品質管理選擇聲明
本會計師及所隸屬會計師事務所已遵循會計師職業道德規範中有關獨立性及其他道德規範之規定，該規範之基本原則為正直、公正客觀、專業能力及專業上應有之注意、保密及專業態度。此外，本會計師所隸屬會計師事務所遵選品質管理準則 1 號「會計師事務所之品質管理」，該品質管理準則規定會計師事務所設計、付梓實行及執行品質管理制度，包含與遵循職業道德規範、專業準則及適用之法令法規相關之政策及程序。

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所執行之確信程序彙整說明
本會計師係針對確信標的資訊執行有限確信工作，主要執行之確信程序包括：
- 取得美時公司民國 112 年度(2023 年度)永續報告書，並閱讀其內容；
- 訪談美時公司管理階層及相關人員，以瞭解用以蒐集及產出確信標的資訊之相關作業流程與資訊系統；
- 基於對上述事項所取得之瞭解，就永續報告書之特定資訊執行分析性程序，或於必要時檢視核對相關文件，以獲取及產出適切之有限確信證據。

上述確信程序係基於本會計師之專業判斷，包括辨識確信標的資訊可能存有重大錯誤或不實表達之範圍並評估其潛在風險，設計及產出適切之確信程序暨評估確信標的資訊之表達。本會計師相信此確信程序工作可對本確信報告之結論提供合理之依據，惟本會計師對於有限確信條件風險之瞭解及考量低於對合理確信條件者，所執行之性質及時間與適用於合理確信條件者不同，其範圍亦較小，因此有限確信條件中取得之確信程度明顯低於合理確信條件中取得者。

先天限制
美時公司民國 112 年度(2023 年度)永續報告書內容涵蓋非財務資訊，對於該等資訊之揭露內容可能涉及美時公司管理階層之重大判斷、假設與解釋，故不同利害關係人可能對該等資訊有不同之瞭解。

有限確信結論
依據所執行之程序及所獲取之證據，本會計師並未發現第二段所述確信標的資訊有未依適用之報導基準編製及允當表達重大修正之情事。

其他事項
本確信報告出具後，美時公司對任何確信標的或適用基準之變更，本會計師將不負責該等資訊重新執行確信工作之責任。

正大聯合會計師事務所
會計師：羅裕
會計師：曾煥
事務所地址：
台北市 116608 忠孝東路六段 21 號 5 樓

中華民國 113 年 8 月 8 日

附件一：確信標的資訊彙整表

編號	委任項目	對應章節	確信標的資訊	報導基準
1	育嬰留停員工留存率	5-1 薪酬福利 員工照護	美時公司為促進員工在生育、育兒方面之壓力，並盡社會責任，美時積極完善職場育兒環境，提供生育獎金與育兒津貼，並鼓勵同仁申請育嬰留停後復職人員名單，依 GRI 所適用之留存率公式計算： ● 台灣總公司：56% ● Alvogem Korea：100%	◆ 依公司所訂之截至 2023 年 12 月 31 日中請留職停薪人員名單，及復職人員數，依 GRI 所適用之留存率公式計算： 為前一年度育嬰留停復職後持續工作一年人數 / 前一年度育嬰留職人員數 * 100
2	員工失能傷害頻率	5-4 職場安全 衛生與健康	美時公司若發生職業相關傷害或事故，職安專任將立即採取必要之急救措施，並召集相關人員進行事故調查。美時公司 112 年度職業災害各項統計數據如下： ● 員工失能傷害頻率：1.54 ● 職業災害人數：2 人 ● 職業災害比率： (1) 可記錄職業傷害率：1.54 (2) 嚴重職業傷害率：0 精確度與安全裝置重要程度因國別差異而由法規規定不同，故數據資料不含精確率統計。	◆ 依據職業安全衛生法統計之各項數據
3	說明職業災害人數及比率	5-4 職場安全 衛生與健康	美時公司 112 年度職業災害各項統計數據如下： ● 員工失能傷害頻率：1.54 ● 職業災害人數：2 人 ● 職業災害比率： (1) 可記錄職業傷害率：1.54 (2) 嚴重職業傷害率：0 精確度與安全裝置重要程度因國別差異而由法規規定不同，故數據資料不含精確率統計。	◆ 依據職業安全衛生法統計之各項數據
4	研發人員留存率	5-1 薪酬福利 員工照護	美時公司之研發人員留存率為 91%	◆ 參照 SASB 準則之 HC-BP-330a.1 依美時公司薪資

編號	委任項目	對應章節	確信標的資訊	報導基準
5	與虛假行銷聲明有關之訴訟所造成之總金額損失	3-3 藥品品質	美時公司於 112 年度與虛假行銷聲明有關之訴訟所造成之總金額損失為新台幣 0 元。	◆ 系統之統計數據 ◆ 美時公司是否發生與虛假行銷聲明有關之訴訟
6	資訊外洩事件數量、與個資相關的資訊外洩事件占比、因資訊外洩事件而受影響的顧客數	2-3 資安與個資風險	美時依據「個人資料保護法」於 2013 年訂定「個人資料保護管理辦法」，個人資料有關一般性人事資料由人事部門管理，其他法院或機關程序聲案件中之涉及訴訟層面之個人資料由業務部門管理。 民國 112 年之資訊外洩情況如下： ● 資訊外洩事件數量：0 件 ● 與個資相關的資訊外洩事件占比：0% ● 因資訊外洩事件而受影響的顧客數：0 位	◆ 美時公司發生之資安事件紀錄

ISO 14064 Greenhouse Gas Assurance Statement



溫室氣體聲明確信報告

美時化學製藥股份有限公司 公鑒：

本執業人員受託執行美時化學製藥股份有限公司(以下簡稱「美時公司」)及 Alvogen Korea Co., Ltd. (以下簡稱「Alvogen Korea」)西元 2023 年 1 月 1 日至 12 月 31 日溫室氣體聲明之有限確信案件，該溫室氣體聲明包含溫室氣體盤查報告書(以下簡稱「溫室氣體聲明」)之類別 1 直接溫室氣體排放及類別 2 能源間接溫室氣體排放，請詳附件一「確信標的資訊彙總表」。

公司對溫室氣體聲明之責任

美時公司及 Alvogen Korea 之責任係依照國際標準組織(International Organization for Standardization, ISO)發布之「ISO 14064-1:2018 組織層級溫室氣體排放與移除之量化及報告附指引之規範」(以下稱「ISO 14064-1:2018」)編製溫室氣體聲明，且設計、付諸實行及維持與溫室氣體聲明編製有關之內部控制，以確保溫室氣體聲明未存有導因於舞弊或錯誤之重大不實表達。

如美時公司及 Alvogen Korea 溫室氣體聲明所述，溫室氣體之量化受先天不確定性之影響，此主要係因用以決定排放係數之科學知識並不完整，以及報導之數值須彙總不同氣體之排放。

執業人員之獨立性及品質管理

本執業人員已遵循會計師職業道德規範有關獨立性及其他道德規範之規定，該規範之基本原則為正直、公正客觀、專業能力及專業上應有之注意、保密與專業行為。

本事務所適用品質管理準則 1 號「會計師事務所之品質管理」，該品質管理準則規定會計師事務所設計、付諸實行及執行品質管理制度，包含與連續職業道德規範、專業準則及所適用法令有關之政策或程序。

執業人員之責任

本執業人員之責任係依照確信準則 3410 號「溫室氣體聲明之確信案件」規劃及執行有限確信案件，基於所執行之程序及所獲取之證據，對第一段所述美時公司及 Alvogen Korea 之溫室氣體聲明是否未存有重大不實表達取得有限確信，並作成有限確信之結論。

依確信準則 3410 號之規定，本有限確信案件工作包括評估美時公司及 Alvogen Korea 採用 ISO 14064-1:2018 編製溫室氣體聲明之妥適性、評估溫室氣體聲明導因於舞弊或錯誤之重大不實表達風險、依情況對所評估風險作出必要之因應，以及評估溫室氣體聲明之整體表達。有關風險評估程序(包括對內部控制之瞭解)及因應所評估風險之程序，有限確信案件之範圍明顯小於合理確信案件。

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本執業人員對第一段所述美時公司及 Alvogen Korea 溫室氣體聲明所執行之程序係基於專業判斷，該等程序包括查詢、對流程之觀察、文件之檢查、分析性程序、對量化方法與報導政策是否適當之評估，以及與相關紀錄之核對或調節。基於本案件情況，本會計師於執行上述程序時：

1. 已透過查詢，取得對美時公司及 Alvogen Korea 與排放量及報導收關之控制環境及資訊系統之瞭解，但並未評估特定控制作業之設計、取得該等控制作業付諸實行之證據或測試其執行有效性。
2. 已評估美時公司及 Alvogen Korea 建立估計方法之適當性及一致性。然而，所執行程序並未包含測試估計所依據之資料或單獨建立會計師之估計，以評估美時公司及 Alvogen Korea 所作之估計。
3. 已實地訪查 8 個據點，以評估排放源之完整性、資料蒐集方法、排放源資料及該等據點所適用之依賴假設。對於執行實地訪查據點之選擇，已考量該等據點之排放對總排放之貢獻及排放源性質。

相較於合理確信案件，有限確信案件所執行程序之性質及時間不同，其範圍亦較小，故於有限確信案件所取得之確信程度亦明顯低於合理確信案件中取得者。因此，本執業人員不對美時公司及 Alvogen Korea 溫室氣體聲明在所有重大方面，是否依照 ISO 14064-1:2018 編製，表示合理確信之意見。

有限確信之結論

依據所執行之程序與所獲取之證據，本執業人員並未發現第一段所述美時公司及 Alvogen Korea 西元 2023 年 1 月 1 日至 12 月 31 日溫室氣體聲明在所有重大方面有未依照 ISO 14064-1:2018 編製之情事。

其他事項

對於本確信報告出具後，美時公司及 Alvogen Korea 對任何確信標的資訊或適用標準之變更，本會計師將不負責該等資訊重新執行確信工作之責任。

正大聯合會計師事務所

會計師：羅福民

會計師：曾雅婷

事務所之地址：台北市南港區忠孝東路六段 21 號 5 樓

2024 年 8 月 8 日

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附件一：確信標的資訊彙總表

報告邊界		排放量(二氧化碳噸當量/年)			
類別	內容說明	美時公司	Alvogen Korea	合計	
類別 1	直接溫室氣體排放	固定排放	761,6106	835,1859	1,596,7965
		移動排放	9,8644	28,8766	38,7410
類別 2	能源間接溫室氣體排放	逸散排放	1183,8480	492,9314	1,676,7794
		輸入電力	8773,3805	3356,1956	12,129,5761
合計		10728,7035	4711,1895	15,439,8930	