

Lotus

2022
SUSTAINABILITY
REPORT

Lotus Pharmaceutical Co., Ltd.



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About This Report

Lotus Pharmaceutical Co., Ltd. (hereinafter referred to as Lotus/the Company/We) upholds the concept of corporate sustainable development and continues publishing its sustainability reports.

Through this report, Lotus hopes to explain to stakeholders the efforts and achievements made by the Company in areas such as corporate governance, product safety, environmental sustainability, employee care, and social care in 2022, and to propose policies for future improvement, and actively perform the corporate sustainability responsibility.

Writing Principle

- This report is written in accordance with the "GRI Standards, 2021" published by the Global Reporting Initiative (GRI).

* The GRI Standards, 2021 index is provided in the appendix for reference.

- This report is prepared in accordance with the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" of the Taiwan Stock Exchange Corporation.

Reporting Period and Scope

- The scope of financial information disclosure of this report includes the Taiwan headquarters and subsidiaries, with the publicly disclosed 2022 consolidated financial report certified by CPAs as the main scope of disclosure. With others not included in the 2022 consolidated financial report, this report's scope covers the Taiwan headquarters, Nantou R&D Center and manufacturing plants, as well as the important subsidiary Alvogen Korea and its two plants in Gongju and Hyangnam, South Korea. If the scope of disclosure is different from that in the previous paragraph, it will be indicated in that paragraph.
- The disclosure period of this report is from January 1, 2022, to December 31, 2022, which is consistent with that of the publicly disclosed 2022 consolidated financial report certified by CPAs. To ensure that the content disclosed fully presents the Company's strategy for sustainable development, some of the content spans different years and will be noted in that paragraph.
- There were no significant changes in the Company's standards and structure during the reporting period.
- The Company will gradually expand the boundaries and scope covered by the sustainability report in the future, and strive to make the information disclosed more complete.

Writing Process, Basis and Verification

Internal Review

1. Planned by the Investor Relations Office.
2. Each responsible department is in charge of collecting, analyzing and providing information.
 - The financial information disclosed comes from the consolidated financial report audited and certified by KPMG in accordance with the International Financial Reporting Standards (IFRS), with New Taiwan dollar as the unit.
 - The environmental and social-related information disclosed is compiled by various responsible departments, presented in internationally recognized indicators and units. The information was confirmed by department heads to meet the requirements on the completeness, significance and responsiveness of information disclosure.
3. Compiled by the Investor Relations Office.

External Guarantee
Limited assurance on specific performance indicators of this report was executed by Grant Thornton in accordance with TWSAE3000.

* The assurance report and its scope, as well as the independent opinion declaration, are disclosed in the appendix of this report.

Content Finalization

- Content finalized after the review and approval by the Corporate Governance Officer.
- In order to plan the goals for the cross-departmental sustainable development policy, formulate relevant strategies and implement them, the board of directors of Lotus plans to establish a sustainable development-related committee. In the future, the sustainability report will be submitted by the committee to the board of directors for review and approval.

Frequency of Issuance and Contact Unit

Lotus promises to continue issuing a sustainability report annually in the future. Our last report was released in June 2022, and this report is publicly released in September 2023. You are welcome to download and read it on the Company's website and the Market Observation Post System.

If you have any questions or suggestions regarding this report, please feel free to contact the unit in Lotus responsible for sustainable development:

Investor Relations Office, Lotus Pharmaceutical Co., Ltd.
Tel.: +886-2-27005908 Email: investor@lotuspharm.com
Website: <https://www.lotuspharm.com.tw/>

Corporate Social Responsibility Best Practice Principles

Develop Environmental Sustainability

- Adhere to environmental regulations and international standards, properly protect the natural environment, and strive to achieve the goals of environmental sustainability when carrying out operating activities and internal management.
- Evaluate and establish a dedicated unit or personnel for environmental management to formulate, promote and maintain relevant environmental management systems and specific action plans, and regularly hold environmental education courses to the management and employees.
- Consider the impact of operations on ecological benefits, promote and advocate the concept of sustainable consumption, and conduct operating activities such as research and development, procurement, production, operations and service to reduce the impact of the Company's operations on the natural environment and humans by following the principles of reducing resource and energy consumption of products, reducing emissions of pollutants, toxic and waste substances, properly disposing of waste, increasing the recyclability and reuse of raw materials or products, maximizing the sustainable use of renewable resources, extending product durability, and increasing product efficiency.
- Pay attention to the impact of climate change on operating activities, and promote energy-saving, carbon reduction, and greenhouse gas reduction strategies to reduce the impact of the Company's operating activities on climate change.

Safeguard Social Welfare

- Adhere to basic human rights of labor, such as freedom of association, collective bargaining rights, care for disadvantaged groups, prohibition of child labor, elimination of various forms of forced labor, elimination of employment discrimination, etc., and confirm that the human resource utilization policy does not impose any discrimination based on factors such as gender, race, age, and marital and family status, in order to achieve equality in remuneration, employment terms, training and promotion opportunities.
- Provide employees with information to enable them to understand the labor laws and their rights in the country where they operate.
- Create a favorable environment for employees' career development, and establish an effective development and training program for career capabilities. The corporate business performance or results should be appropriately reflected in the employee compensation policy to ensure the recruitment, retention and encouragement of human resources, and achieve the goal of sustainable operation.
- Establish a regular communication channel for employees to have the right to receive information and express opinions on the business management activities and decisions of the Company.
- Ensure the quality of products and services are in compliance with government regulations and industry standards. Products labeling should comply with relevant regulations and international standards, with no deception, misleading information, fraud, or any other behavior that undermines consumer trust or rights.
- Provide transparent and effective consumer complaint procedures for products, and handle consumer complaints fairly and promptly.

Letter from the Chairman

Dear Stakeholders,

Greetings,

In the dynamic landscape of contemporary business and finance, the significance of Environmental, Social, and Governance (ESG) considerations has risen to prominence. Companies are now expected to establish transparent and measurable metrics across the environmental, social, and corporate governance spectrums, going beyond mere operational benchmarks. These metrics not only unveil a company's non-financial performance but also underscore its commitment and proficiency in sustainable operations.

In recent years, Lotus has proactively implemented a strategy that not only expands the global reach of Lotus products but also enhances the depth and diversity of the product portfolio, encompassing generics, brands, biosimilars, 505(b)(2), and NCEs. The company is undergoing a transformation from a traditional Taiwanese generic drug manufacturer to a diversified international pharmaceutical company. This strategic shift has propelled our operational performance in 2022, resulting in the best annual results in our history and sustaining double-digit revenue growth for four consecutive years.

At the heart of Lotus' values is the mission to provide high-quality and affordable drugs to patients globally. Guided by our Five Pillars—Best Product, Best Quality, Best Service, Best Cost, and Best Employees—the entire Lotus team is dedicated to addressing unmet needs on a global scale. In 2022, our R&D team achieved significant milestones, submitting six drug applications and making history with the first-ever (NCE-1)/(FTF) submission. This led to the tentative U.S. FDA's approval of Midostaurin (generic of Rydapt®) through the Abbreviated New Drug Application (ANDA) process. Additionally, Lotus received tentative approval from the U.S. FDA for Nintedanib (generic of Ofev®). With 37 projects at various stages of development in 2022, our R&D team remains at the forefront of sustainable business growth.

Our Business Development team, in collaboration with strategic partners globally, secured licensing for 19 generic drugs and three 505(b)(2) products, introducing new elements to diversify our portfolio. Globally, the Regulatory Affairs team submitted 75 applications, obtaining drug certification approvals in 72 markets. In 2022 alone, Lotus completed 20 out-licensing agreements, extending our reach now to over 160 markets globally, continuously improving drug accessibility around the world.

In addition to consistently enhancing our product portfolio and boosting operational performance, Lotus remains committed to ongoing efforts in environmental and social sustainability. We prioritize energy conservation and emission reduction at all operational sites, actively working to minimize our environmental footprint. At work, we embrace and respect all equally, irrespective of gender, race, nationality, social class, age, marital status, language, religion, or political views. Our goal is to establish a workplace where every team member can openly be themselves. Recognizing the efforts of our management team, we have been awarded the "HR Asia - Best Companies to Work for In Asia." We believe that within an open and equal work environment, our colleagues can collaborate more effectively to address the issues we face every day.

Moreover, Lotus aspires to extend its sustainability ethos to our supply chain and community. We eagerly anticipate close collaboration with partners to create sustainable benefits for the environment and society. Through timely support for non-profit organizations and local communities, we aim to leverage our corporate influence, mobilize public attention to women's rights, and provide assistance to disadvantaged families, thereby alleviating economic burdens.

As Lotus continues its impressive growth, we commit to deepening our focus on environmental, social, and governance aspects. Our step-by-step support for global sustainability initiatives will complement the ongoing execution of the business strategy. Our dedication to diversification and innovation will persist within a welcoming work environment, contributing to society while minimizing our environmental impact. Our ultimate goal is to create optimal value for both internal and external stakeholders.

Best Regards,

Vilhelm Róbert Wessman





1 Company Overview

The revenue performance in 2022 was outstanding, with a consolidated revenue growth of 16% compared to 2021. The net profit after tax increased by 115%, and the earnings after tax per share reached NT\$11.59, doubling from the previous year.

The management philosophy of Lotus is to provide affordable and high-quality drugs for patients. We have successfully implemented the "two-pronged expansion of the business in Asian and export markets with a complete layout and in-depth services, and have been recognized with various awards.

Performance highlights of the Company's global R&D centers: Our Nantou factory in Taiwan focuses on the development of oral anti-cancer drugs, and has achieved a leading position in the development of special dosage form drugs in Taiwan. Our R&D center in South Korea focuses on the development of new dosage form new drugs, and has successfully developed hundreds of products. The clinical research institution in India is expected to reduce drug development costs and accelerate project development timelines.

Lotus has a high level of research and development capability and high-quality manufacturing level, with over half of the products being complex generic drugs, and with cancer drugs being the feature. As of the end of 2022, the Company has been conducting research and development on over 10 oral anti-cancer drugs.

As of the end of 2022, Lotus has obtained over 100 registered trademarks in Taiwan, Europe, China, Hong Kong, Singapore, Thailand, Malaysia, Vietnam, the Philippines, Indonesia and Pakistan, and more than 50 trademarks are currently under application.

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.

Headquarters address	17F, No. 277, Songren Road, Xinyi District, Taipei 110, Taiwan
Countries of operation	Taiwan, South Korea, Singapore, India, Thailand, Vietnam, the Philippines, Malaysia, China, Hong Kong, Iceland, Germany, Malta, Greece, Bulgaria and Romania.
Sector of affiliation	Private sector
Industry category	Biotechnology and medical industry
Stock code	1795:TT



Company History

1966
to
2014

! A leading generic drug factory in Taiwan

- The new factory building was completed in Nangang Industrial Zone, Nantou.
- The Company actively researched and developed new drugs under surveillance based on its core capabilities in the central nervous system mechanism, slow release technology and hyper allergenic products, and launched items such as Apano (Mifepristone), Befon (Baclofen), Bensau (Benzonatate), Detosiv (Dextrorphan), Erdotin (Erdostein), Ichderm (Doxepin), Forflow SR (Pentoxifyline), Mesyrel (Trazodone), Muaction SR (Tramadol HCL), Musgud (Cyclobenzaprine HCL) and Nimed (Nimesulide) to benefit patients in Taiwan.
- The Company's stock was listed on the Emerging Market in 2004, and was listed on the TPEX in 2011.
- Since 2009, the Company's international quality has been established through GMP inspections in multiple countries such as TFDA (compliant with PIC/S specifications), US FDA, EU EMA, Japan PMDA, China FDA and Brazil ANVISA.

2014
to
2017

! A key player in generic drugs in the Asia-Pacific region

- In August 2014, Alvogen Group acquired 67% of the shares of Lotus through privately placed new shares from capital increase in cash, and became the major shareholder. Lotus then merged Alvogen's businesses in South Korea, Taiwan and India to form the new Lotus.
- The Company gradually expanded its reach overseas, and successfully launched the anti-inflammatory drug Mefenamic Acid 250mg, hormone product Levonorgestrel 1.5mg and 0.75mg, anti-epileptic drug Levetiracetam ER 500mg and 750mg, weight loss drug Orlistat 60mg and 120mg, brain cancer drug Temozolomide 5mg/20mg/100mg/140mg/180mg/250mg, and kidney disease drug Paricalcitol 1mcg/2mcg/4mcg in the US market. At the same time, in the Japan market, the Company collaborated with Japanese pharmaceutical companies such as Meiji, Niffo Pharma Corporation, Kyowa Pharmaceutical Co., Ltd. and Asoka Pharmaceutical Co., Ltd. to develop and launch the anti-cancer drug TS-1 (Tegafur/Gimeracil/Oteracil).
- The Company's business performance had significantly advanced since then, with the revenue from Asian market jumping to nearly NT\$6 billion. It then actively acquired the original factories' product lines. Starting from the demand of Taiwanese patients, it purchased Aclasta Injection from Novartis for the treatment and prevention of osteoporosis. The Company also imported multiple high-quality oral anti-cancer products from Europe and America, including Ixmpra (an original drug product of BMS), Capecitabine, Imatinib, and women's health products such as Diosmin and Cimidona.
- The Company had progressively expanded its services for the needs of Taiwan's pharmaceutical companies, which include prescription modification, manufacturing scale-up, outsourced manufacturing, and more. These work includes the research and development and production of Taiexyn Capsules (Nemonoxacin 250mg) for TaiGeng Biotechnology, and acting as a CMO for the coagulant Aminocaproic Acid for Xiang Yi Pharmaceutical for sale to the United States. The Company had contributed to the industry with its research and development and manufacturing capabilities.

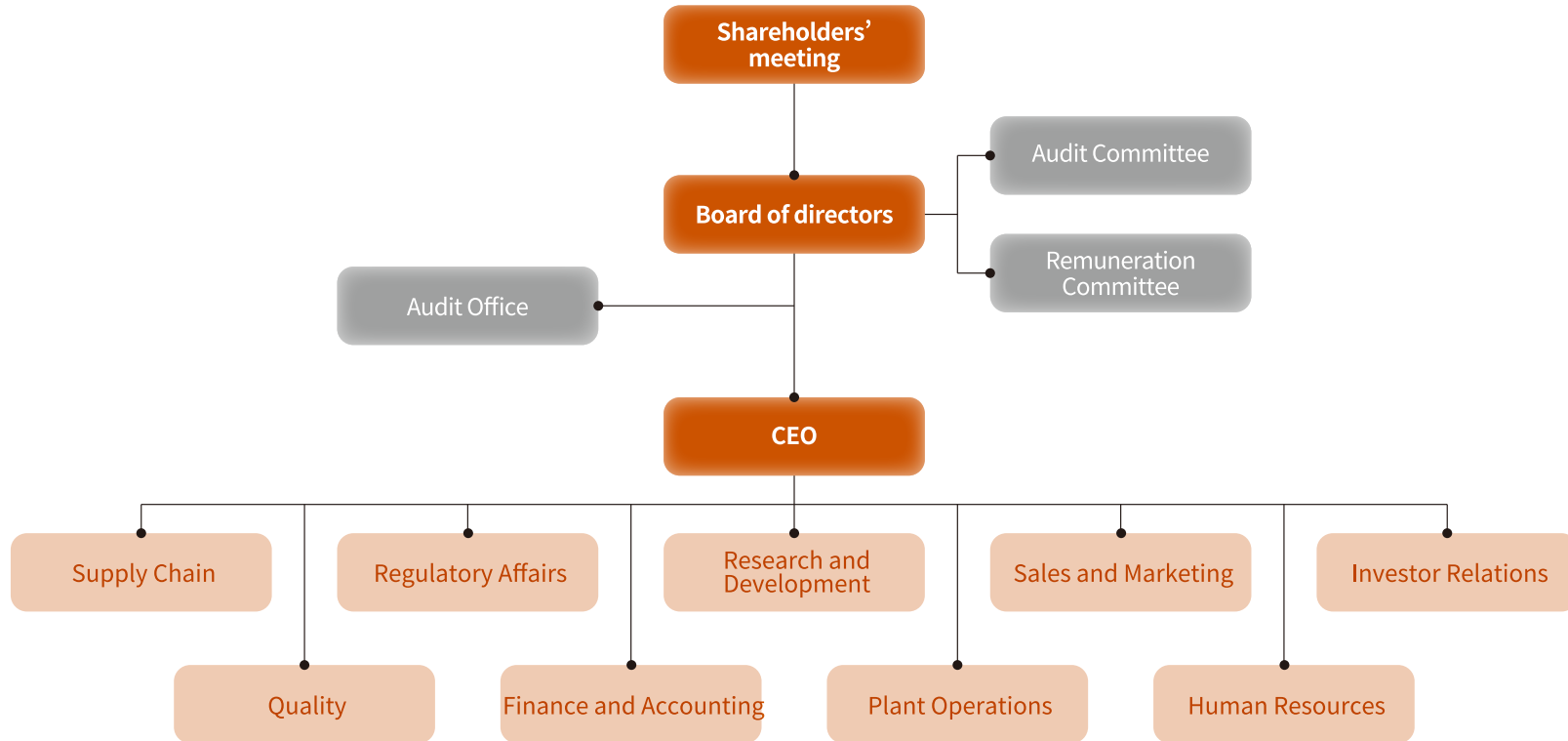
The Company was included in the Taiwan Biotechnology Index in July 2017.

since
2018

! Ascending to the international competitive arena

- In April 2018, the Company was included in the FTSE OTC 50 Index.
- In January 2019, the Company launched the first generic version of the leukemia drug Lenalidomide in Europe, reducing the economic burden on patients caused by expensive anti-cancer medicines.
- In February 2019, the Company collaborated with Alvogen USA to overcome various patent challenges, and launched the generic drug Buprenorphine/Naloxone sublingual tablets for the treatment of opium addiction (OUD) in the United States.
- In March 2019, the Company announced a cross-investment with Japan's Fuji Pharma Co., Ltd., expanding Lotus' operations and enhanced its presence in the world's third-largest pharmaceutical market. Fuji Pharma has expertise in the Japanese pharmaceutical industry, with an excellent women's health product line; Lotus, on the other, has a rich oral anti-cancer product line and extensive Asian business contacts. Both parties promise to invest in cross-development of product lines, with a focus on meeting the needs of patients in the Asia Pacific region.
- In December 2019, the Company was listed on the Taiwan Stock Exchange based on the government policy of diversified listing plan.
- The Company entered into a distribution agency agreement in various Asian countries with the largest pharmaceutical company in Finland for the original drugs Stalevo and Comtan which are used to treat Parkinson's disease. Lotus obtained the exclusive distribution agency right in important Asian markets such as Taiwan, South Korea, the Philippines, Vietnam, Indonesia and Bangladesh.
- In April 2021, the Company announced a partnership with PTT Public Co., Ltd., the largest state-owned listed enterprise group in Thailand, to expand the operating territory of Lotus, and work with the strongest strategic partners in the local area to accelerate the establishment of local market channels and business opportunities in Thailand and Southeast Asian countries.
- In May 2022, the Company announced that venture capital Aqtiz in the international pharmaceutical industry and Thailand's Innobic officially became the main shareholders of Lotus. This investment alliance of multinational pharmaceutical businesses has rich and diverse industrial knowledge and experience with a global business layout, and promises to promote the sustainable development of the pharmaceutical industry, which will help Lotus move towards the next stage of being a global leader of generic drugs.
- In August 2022, the Company announced successfully completing the submission of the drug license application for a high-value generic drug, jointly developed with Fuji Pharma, to the Ministry of Health, Labor and Welfare of Japan. This will enable patients across Japan to obtain timely access to the high-quality generic drug products.
- In September 2022, the Company announced the launch of the generic drug Lenalidomide Capsules 5mg, 10mg, 15mg, and 25mg in the United States. The product has been successfully launched in 42 countries, providing global patients with a more affordable anti-cancer drug.
- In December 2022, the Company announced the purchase of Alimta® (Pemetrexed), a brand product under Eli Lilly and Company, for its assets in the Taiwan market and the sales business of Alimta®. With large-scaled hospitals and medical centers in Taiwan as the key distribution channels, the Company commits to improving the life quality of cancer patients by providing more treatment options.

Organizational Structure of Lotus



Lotus management team



Vilhelm Róbert Wessman
Chairman



Petar Antonov Vazharov
Chief Executive Officer



Bjartur Shen
Vice President,
Strategies and Finance



Eeling Chan
Taiwan Chief Financial Officer



Manish Chawla
Vice President,
Research and Development



Ying-Ming Yue
Vice President, Operations and
Supply Chain Management



Edin Buljubasic
Vice President,
Legal and Compliance



Dennis Tan
Vice President, Quality



Fiona Lei
Head of Human Resources



Julia Lin
Head of Regulatory Affairs

Lotus management team



Stanley Gu
Country Manager of Taiwan



Justin Lee
Representative Director and
Country Manager of Korea



Gwen Hsieh
Chief Information Officer



Snaevar Vidisson
Director,
B2B and Export Markets



Ella Tsai
Head of Procurement



Bharath Jayaraman
Head of Southeast
Asia Markets



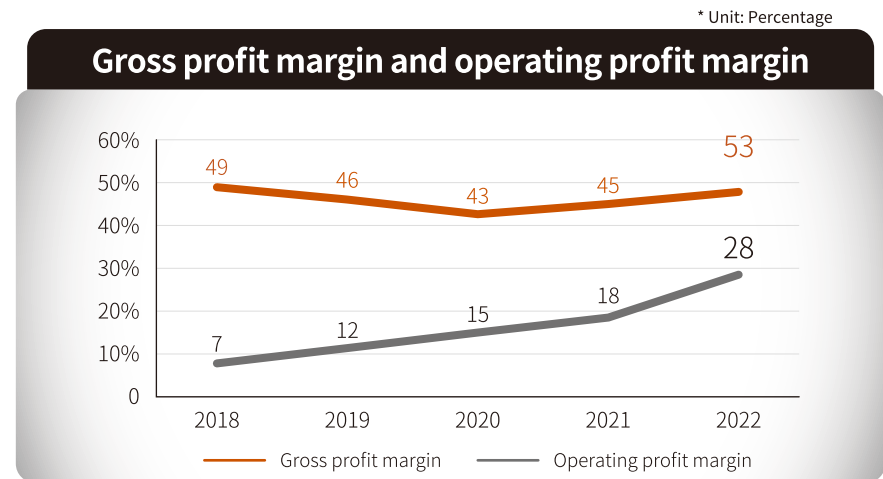
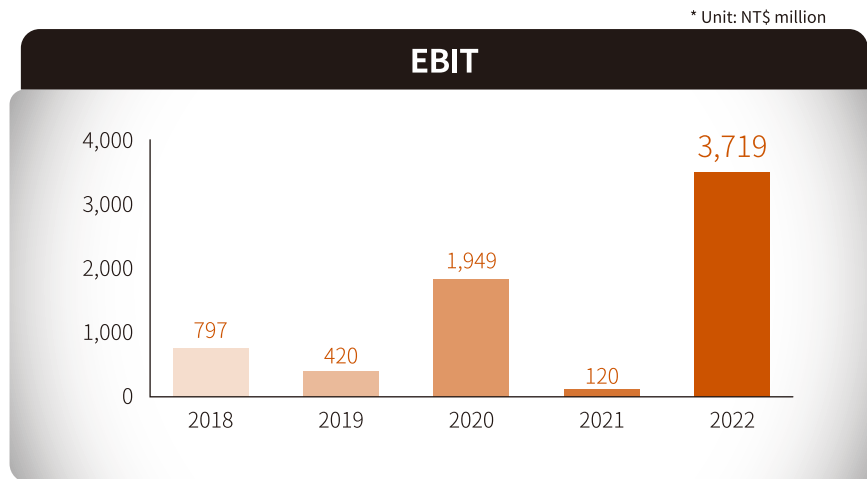
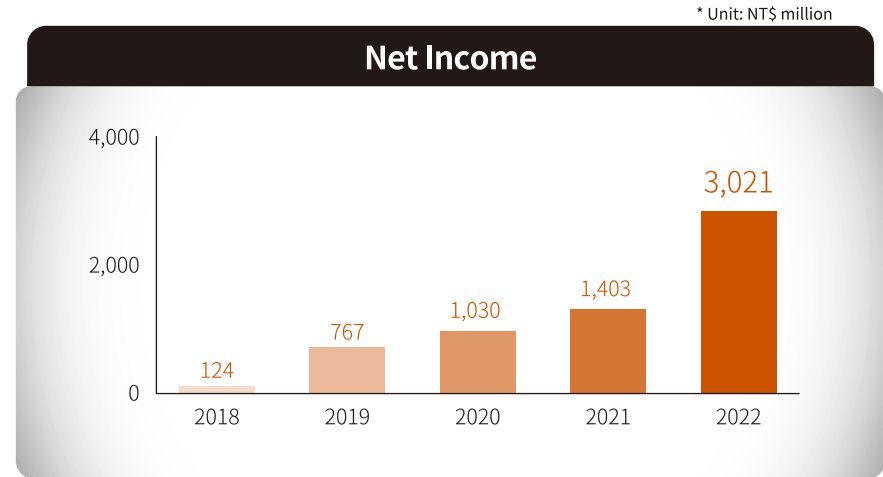
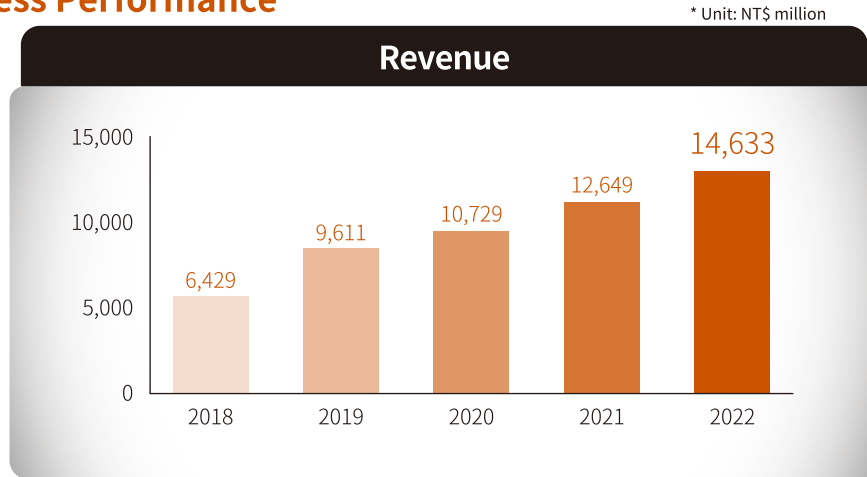
Prashant Godse
Head of Business Development



Zenon Zdunek
VP of Ops & SCM

* Retired on November 30, 2022

Business Performance



Awards and Recognitions

In recent years, Lotus has successfully implemented the "two-pronged expansion of the business in Asian and export markets," and its actual operating performance has won multiple awards and recognition.



1-2 Operational Objectives

Industry Trends and Strategy of Lotus

Global Industry Trends

Global Pharmaceutical Market

According to a statistic by IQVIA in 2020, the global pharmaceutical market continued growing due to factors such as the aging population, the rising medical demand resulting from the continuous increase in the number of chronic diseases, population growth in developing countries, and progress in healthcare, as well as the launch of high-price innovative medicines with breakthroughs and the rise of emerging medicine markets. In 2019, the global medicine market size was approximately USD1.25 trillion, a growth of nearly 4% from that in 2018. (note 1)

The Field of Medical Treatment

According to the industry research firm Evaluate Pharma, the top three categories of treatment medicines in 2018 were cancer medicines, hypoglycemic medicines and anti-rheumatoid medicines. Among them, the cancer medicine market was the largest, reaching USD123.8 billion. It is estimated that the size will reach USD236.6 billion by 2024, and the CAGR of 11.4% from 2018 to 2024. The market for immunosuppressant agent also experienced rapid growth, with a market size of USD14.2 billion in 2018. It is estimated to grow at a rate of 16.9%, and the market size is expected to reach USD36.1 billion by 2024. (note 2)

The Generic Drug Market

According to a report submitted by the International Genetics and Biosimilar Medicines Association (IGBA) in 2021, owing to the excellent production capacity performance of generic drug factories during the pandemic period and the increasing global demand for high-quality drugs at relatively low prices, generic drug factories and the recent biosimilar pharmaceutical industry have played a crucial role in the global healthcare system. Among them, generic drugs account for 60% to 80% of global drug sales. Focusing on several key markets in which Lotus also participates, in the United States, 92% of annual prescription drugs are generic, while it is 67% in Europe and 77% in Japan. (note 3)

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 provide 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, with the aim of expanding into the global market.

Lotus' overall business strategy is to **concentrate on the field of oral anti-cancer drugs as its niche**. It aims to specialize in the research and development, manufacturing and sales of special generic drugs with relatively high gross profit margins and low competition. This strategy is built upon 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 with the goal of maximizing 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 and targeting at producing and selling generic drugs, and collaborating with partners in emerging Southeast Asian markets to serve hospital, 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.

Note 1: 2020 Biotechnology Industry White Paper; The Global Medicine Spending and Usage Trends, Outlook to 2024, IQVIA, March 2020.

Note 2: Reference: 2020 Biotechnology Industry White Paper; World Preview 2019, Outlook to 2024, Evaluate Pharma, June 2019.

Note 3: White paper on the vision of the global generic drug and biosimilar medicine industry; A Vision for the Global General and Biosimilar Medicines Industry, IGBA, May 2021.

Business Development and Strategic Planning

Expanding the Asia Pacific Market

Considering the unique characteristics of the Taiwan market, such as the adjustment of drug prices by National Health Insurance and the preference for brand-name drugs in the Asian market, in addition to focusing on oral anti-cancer drugs, which offer a relatively high gross profit margin with fewer competitors, Lotus has expanded its market opportunities. This expansion includes diversifying its product portfolios by incorporating brand-name drugs. Lotus also continues to cultivate partnerships in emerging Southeast Asian markets to facilitate its expansion into more local markets.

Developing the Global Market

Multiple products of Lotus have undergone review and received approval for launch in Europe and the United States. In the United States, which represents the largest global market opportunity for generic drugs, currently, Lotus has successfully launched detox lozenges Buprenorphine/Naloxone, Lenalidomide for treating multiple myeloma, Gefitinib for treating non-small cell lung cancer, and Vinorelbine for treating breast cancer. With the United States as the Company's main target of overseas market for international sales of generic drugs, Lotus will continue to work diligently to secure more drug approvals.

Marketing and Operation

Short-term

R&D and Production

Enhancing the R&D and Manufacturing Efficiency of Cancer Treatments

Lotus will continue to invest funds to upgrade its Nantou factory and enhance efficiency in product research and development as well as production. This is to support the growing demand for export of oral anti-cancer drugs.

Business Development and Strategic Planning

Actively Pursuing Drug Certification and Marketing Authorization from Various Countries

Lotus is expanding into the cancer drug market in the Asia Pacific region with its expertise in oral anti-cancer drugs. In the future, it will seek market opportunities for specific drugs in individual markets. Lotus has also successfully developed and launched multiple global products, including anti-cancer drugs such as Lenalidomide, Gefitinib, and Vinorelbine. The Company will continue to actively submit applications for drug certificates.

Actively Exploring Opportunities for Product Licensing Partnerships

Lotus has strategically entered into 240 licensing agreements with multiple global industry leaders in over 160 countries, covering more than 30 products. The Company is responsible for research and development, verification registration, and large-scale commercial production, highlighting its recognized competence and quality in R&D and production by international partners. Building on this success, Lotus will further develop cooperative relationships based on regional market demand and expand globally.

Marketing and Operation

Mid-term

R&D and Production

Enhancing Product Quality

Since its Nantou factory passed the US FDA's facility inspection in 2010, Lotus has been one of the first three pharmaceutical manufacturers in Taiwan to import serialized packaging service systems. Looking ahead, Lotus will continue to adhere to its highest quality standards, which have been approved by the US FDA, EU EUA, Japan PDMA, China FDA, Brazil ANVISA, and Taiwan TFDA. The Company will uphold these high-quality standards from manufacturing to shipping.

Research and Development of Special Generic Drugs and 505(b)(2) New Drugs

Lotus will continue to focus on high-value oral oncology drugs and complex generic drugs, fully leveraging its team's manufacturing expertise in highly allergenic and cytotoxic molecules. In the area of 505(b)(2) new drugs, Lotus has gained recognition for several products, including the anti-obesity drug Qsymia, the hyperkalemia treatment drug Kalimate, the nasal spray for allergic rhinitis Ryaltris, the postherpetic neuralgia drug Gralise, and the kidney drug Renazorb. Lotus will continue to invest in the development of more 505(b)(2) new drugs.

Business Development and Strategic Planning

Becoming a World-leading Hybrid Pharmaceutical Company

Building on the Company's sustained in hardware, Taiwan's human resource advantage in drug research, and the experienced talents pool in international-scale drug research and development as well as business development, Lotus aims to integrate its resource capabilities, such as formulation development, global registration, global licensing, and mass production, leveraging its base in Taiwan for global supply. Lotus' goal is to distribute products worldwide through diverse channels, including direct sales, strategic partnership and licensing agreements, to meet the diverse needs of external customers comprehensively.

Marketing and Operation

Long-term

R&D and Production

Meeting the Medical Needs of Patients

The business teams of Lotus in each region will continue to expand the service offering for hospitals, clinics and pharmaceutical customers. This will enable us to provide relatively affordable treatment services to a greater number of patients. The management and R&D teams of Lotus will maintain a focus on and analyze both global medical needs and the unique local medical requirements. This approach ensures that we can provide medical resources to address the diverse needs of patients.

Improving Medical Accessibility

Cancer, as the leading global cause of death, ranks highest in treatment costs within in the single treatment category; many anti-cancer drugs are also among the world's most expensive treatment options. Lotus' core goal is to continue offering affordable treatment options in specific treatment fields, with a commitment to reducing the cost of cancer treatment and enhancing patient medication accessibility worldwide in the future.

Introducing Mechanism for Sustainable Management

Lotus will consider establishing a full-time or part-time unit for sustainable development work. This unit will be responsible for deliberating on sustainable development-related goals and strategies, and monitoring the execution process and results across departments. Lotus' focus will be on introducing green solutions and systematically conducting internal management from an environmental protection perspective to reduce the potential negative impact of its products on society and the environment.

Organizational Value Chain of Lotus

Global Positioning of Taiwan's Biotechnology Industry

A Favorable Regulatory Environment

The pharmaceutical industry in Taiwan encompasses a wide spectrum, ranging from raw materials and Western pharmaceutical formulations to traditional Chinese medicines. In response to the necessity of bringing domestic pharmaceutical factories in line with international standards, the Taiwan government has devised a comprehensive plan for the full implementation of cGMP standards among Western pharmaceutical factories. The government also led the revision of various clinical trial and verification registration regulations. Additionally, the government has promoted industry-academia cooperation and introduced several incentive-based R&D and investment programs.

Post-pandemic Development of the Pharmaceutical Industry

Since the outbreak of the pandemic, the pharmaceutical industry has gained significant importance worldwide. The United States has invested hundreds of millions of dollars to support and maintain the localized production of the biotechnology industry and optimize the pharmaceutical industry supply chain. Taiwan has positioned itself as a global benchmark for precise health and disease prevention through relevant policies and regulations.

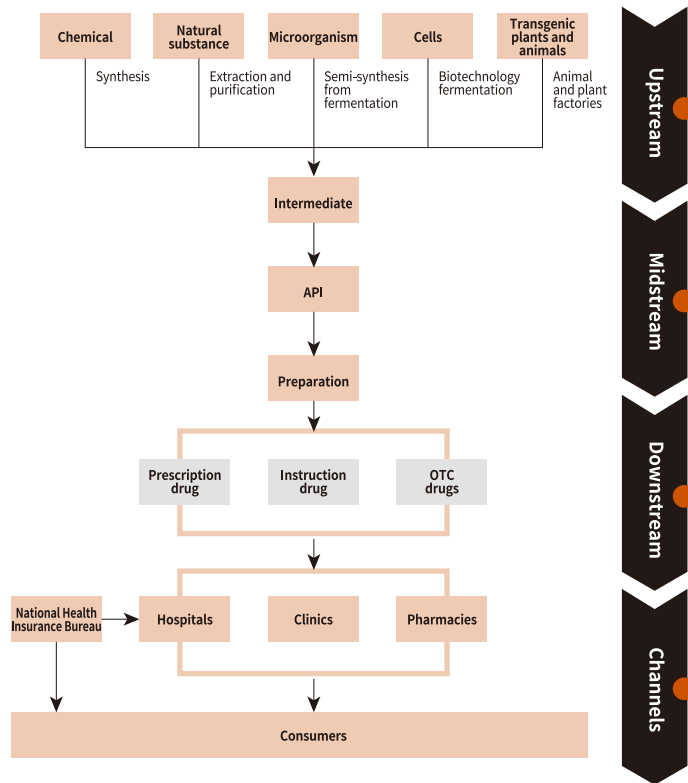
Market Development Driven by Innovative Products

The emerging of innovative drug technologies, such as nucleic acid drugs, antibody drugs and other novel treatments, holds great promise for the future development of the market.

With the rapid growth of the market, Taiwan's biotechnology industry holds promising potential of growth if it adopts strategies to expand its product portfolio and secure niche market position. Looking forward, Taiwan's biotechnology and pharmaceutical sector is poised to become the next industry attracting significant investments and talents, following the vigorous development of the country's technology industry.

Value Chain of Taiwan's Pharmaceutical Industry

The upstream of the pharmaceutical industry chain comprises suppliers of raw materials, which includes chemicals, natural plants, minerals, microbial species, and related tissue cells. The midstream consists of suppliers of Chinese and Western active pharmaceutical ingredients (APIs). The manufacturing process for these APIs includes fermentation cultivation, extraction, separation, and purification of natural substances, or organic synthesis, as well as the separation and purification of common chemicals. The downstream includes suppliers of Chinese and Western pharmaceutical preparations. The manufacturing process of these preparations involves the addition of binders, disintegrants, adhesive agents, and other excipients to APIs to create dosage forms for convenient use. At the bottom of the value chain are medicine agency sales and distributors.



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 them, 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 encompasses a range of processes, such as organic chemical synthesis, the extraction and purification of natural plant compounds, microbial fermentation, and semi-synthesis following fermentation. The core process technologies involve recovery, extraction, separation, purification and formulation. When preparing pharmaceuticals from common chemicals, the primary process technologies involved are complex organic synthesis as well as separation and purification. Taiwan's APIs are mainly for export. Amid heightened concerns about drug safety, the Food and Drug Administration takes proactive measures to oversee the utilization of APIs. It mandates that all preparations and drugs utilize APIs with GMP certification and undergo source registration to ensure the pharmaceutical raw materials maintain a standard of food-grade quality.

Production of Chinese and Western pharmaceutical preparations:

Incorporating excipients such as binders, disintegrants and adhesive agents into the APIs to create convenient 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.

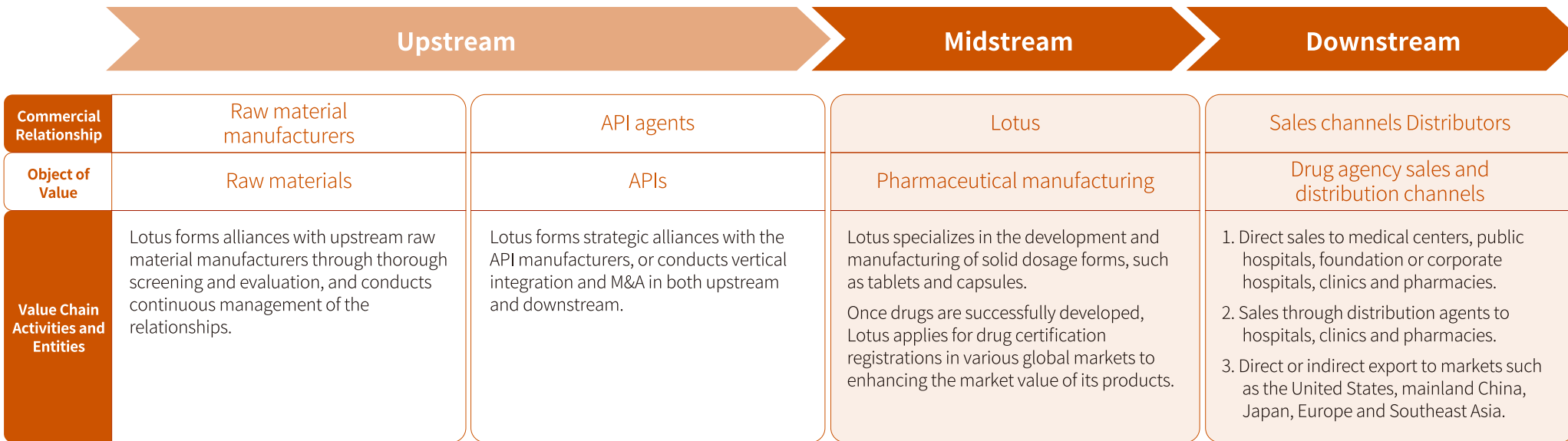
Operating pharmaceutical distribution channels:

Selling to consumers through marketing channels such as hospitals, clinics and pharmacies.

Value Chain of Lotus

Examining Lotus’ supply chain within the context of the pharmaceutical industry’s industrial structure, the upstream segment can be categorized as suppliers collaborating with Lotus, which encompasses raw material manufacturers and APIs agents; the downstream segment, on the other, encompasses Lotus’ customers, which consist of domestic distributors and a range of sales channels.

Lotus is committed to integrating upstream, midstream and downstream services. In the upstream phase, Lotus establishes stable partnership relationships to ensure the quality and consistency of raw material supply. This involves implementing supplier qualification reviews, 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 customer. This includes methods such as direct sales, strategic partnership and licensing agreements. By effectively managing both upstream and downstream operations, Lotus leverages the Company’s experienced internal resources capabilities, which include expertise in preparation development, global registration, global licensing, Taiwan-based mass 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.



* Compared with the previous reporting year, there were no significant changes in the value chain in the 2022

Key Performance of Products

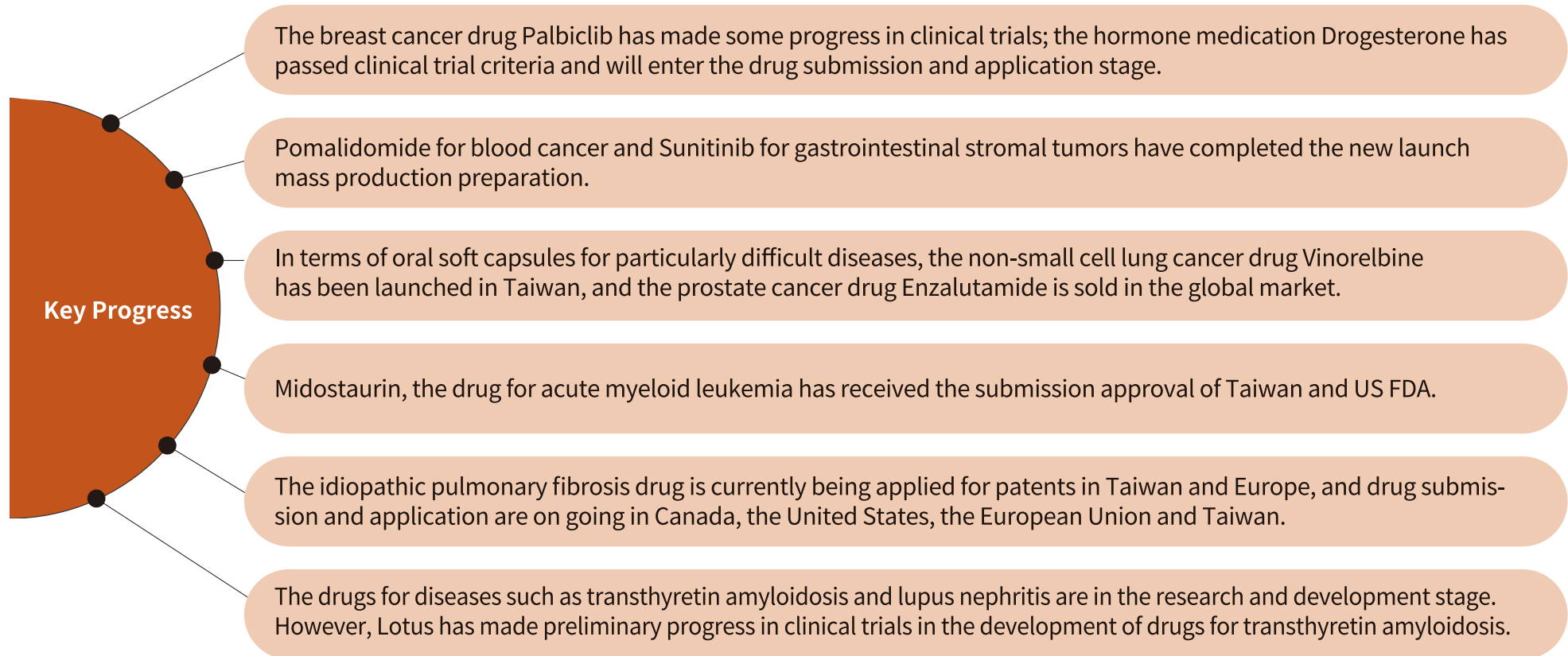
Lotus possesses a strong research and development capability and upholds high manufacturing quality standards. Over half of our products are complex generic drugs, with a particular feature of cancer medications.

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.



Patents and Research Achievements

Development of oral anti-cancer drugs As of the end of 2022, the Company has been conducting research and development on over 10 oral anti-cancer drugs.



List of oral anti-cancer drugs

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

Leadership in the consolidate 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, the Taiwan R&D team of Lotus has been investing in the development of high-tech soft capsule formulations since 2009. As the technology platform for highly active molecules can improve the bioavailability, it will contribute significantly to the development of cancer and hormone therapy, and once the formulation development is successful, it is difficult for imitators to break through, and a high market share is expected. Based on the foresight, Lotus has successively established the soft capsule R&D center at the Nantou factory. Currently, there is a factory with an annual production capacity of 100 million soft capsules. Moreover, the production equipment, factory building and R&D funds invested in the past decade have reached over NT\$1 billion. In 2015, Lotus became the only pharmaceutical company in Taiwan to obtain a US drug certificate for medicinal soft capsule formulations, and can be said to be the leader in the industry.

Lotus is investing in the development of several new drug soft capsule products that are expected to bring high production value, including drugs for the treatment of non-small cell lung cancer, prostate cancer, acute myeloid leukemia, idiopathic pulmonary fibrosis, transthyretin amyloidosis, and lupus nephritis. Lotus successfully combines the dual high threshold technology of highly toxic cancer drugs and soft capsule formulations, making it a unique generic drug company.

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
AK-R218	Type II diabetes	Global	In application
LP117	Rheumatoid arthritis	Global	Clinical stage
LP711	Women's health care	Global	In application
LP614	Hyperthyroidism	Global	US FDA approval
LP678	Transthyretin amyloidosis	Global	Development stage
LP679	Transthyretin amyloidosis	Global	Development stage
LP693	Lupus nephritis	Global	Development stage
LP751	Multiple sclerosis	Global	Development stage

Patent and trademark layout Over 100 registered trademarks have been obtained as of the end of 2022.



Region Distribution of Patent and Trademark Application Regions for Lotus

IP type	Progress	Taiwan	Europe	China	Hong Kong	Singapore	Thailand	Malaysia	Vietnam	Philippines	Indonesia	Pakistan
		Invention Patents	Certificate received	0	0	0	0	0	0	0	0	0
	In application	4	7	0	0	0	0	0	0	0	0	0
Trademark	Certificate received	80	0	5	12	1	0	0	0	17	0	0
	In application	1	0	0	2	9	8	11	14	3	2	2

Global Market Development Strategy

Global Business Development Rooted in Taiwan with an international perspective, we extensively reach into the Asia Pacific and global markets.

Diversifying the Product Portfolio

The operating headquarter of Lotus is situated in Taiwan. Historically, the Company primarily concentrated on research, development, production and sales of generic drugs. In recent years, it has undergone a successful transformation 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. In addition, Lotus has introduced specialty original patented drugs through product line M&A or exclusive agreements, further diversifying its product portfolio, and effectively increasing the visibility and brand strength of its specialized products.

Export of Generic Drugs to Overseas Markets

In recent years, Lotus has proactively ventured into the export market, placing its emphasis on the development of special generic drugs. With a core portfolio comprising high-value cytotoxic cancer drugs and hormonal medications that require a high entry threshold, Lotus has successfully penetrated international markets, including Japan, South Korea and Southeast Asia; it also has established its presence in the European market through the distribution networks of its strategic partners.

Actively Seeking Strategic Partners

Lotus has been focusing on its global business layout by building strategic partnerships around the world. Leveraging its strengths in research and development and business development, Lotus collaborates with leading pharmaceutical companies to offer a comprehensive range of complex generic drug products, including highly toxic, highly active, and highly allergenic difficult ones, to the global market. In countries with unique market characteristics, the Company cooperates with local or regional distributors to expedite the export of certified products into the local market.

A Wide Reach in the Asia Pacific Market

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 biosimilar; our services cater to hospitals, clinics and pharmacy customers as we work toward achieving a comprehensive presence in the Asia Pacific market.

One-for-all Service for the Global Market

Lotus is the pioneering pharmaceutical company in Taiwan to embark on the global production of special generic drugs with a "one-stop solution" approach. With the aim of offering a "one-for-all service" to customers in the global market, Lotus combines its experienced and extensive internal resources and capabilities, spanning formulation development, global registration, global licensing, Taiwan-based mass production, and worldwide supply, to form an all-encompassing system. Additionally, it distributes its products across the globe through diverse channels, including direct sales, strategic partnerships, and licensing agreements, to cater to the diverse needs of its international clientele. This approach facilitates collaboration with global business partners and mutual growth in the global landscape of oral anti-cancer and complex generic drugs.

Subsidiaries and Sub-subsidiaries of Lotus

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.

Overview of Subsidiaries and Sub-subsidiaries of Lotus

Name	Location	Primary business
Alvogen Korea Holdings Ltd.	South Korea	Investment activities
Alvogen Korea Co., Ltd.	South Korea	Production and sales of pharmaceuticals
Alvogen Pharma (India) Private Limited	India	Investment activities and pharmaceutical sales
Norwich Clinical Services Private Limited	India	Clinical trials and technical services
Lotus International Pte. Ltd.	Singapore	Investment activities
Alvogen (Thailand) Ltd.	Thailand	Sales of medical and chemical pharmaceuticals
Lotus Support Services SRL	Romania	Pharmaceutical regulatory affair 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
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 pharmaceuticals 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



Key Market for Development

Alvogen Korea Co. Ltd., a subsidiary of Lotus based in South Korea, placing a strong focus on the development of new combination and improved new drugs, with a particular expertise in the area of new incrementally modified drugs (IMDs). It has successfully conducted research and development for a diverse portfolio of over a hundred products. These include Ibandronate/Cholecalciferol for the treatment of osteoporosis, the antiplatelet drug Sarpogrelate, novel cardiovascular combination drugs such as Rosuvastatin/Ezetimibe and Rosuvastatin/Candesartan, and the weight loss drug Qsymia. These new dosage form products are developed and branded locally, providing expanded treatment options for both patients and clinical doctors.

Global R&D Centers

Taiwan R&D Center The R&D center of Lotus in Taiwan is integrated with its manufacturing facility in Nantou, which has successfully passed inspections conducted by drug regulatory authorities in the United States, the European Union, Brazil, Japan, China and Taiwan, solidifying its position as a world-class R&D center. The Nantou facility is equipped with extensive capabilities for the development and manufacturing of various formulations. It is particularly dedicated to the R&D of oral oncology drugs, complex generic drugs, and 505(b)(2) new drugs. Lotus fully capitalizes on the manufacturing expertise of its Nantou team, particularly in the areas of high allergenicity and cytotoxic molecules. The Company has defined the high-value oral anticancer drugs as its niche. Notably, Lotus is the sole pharmaceutical manufacturer in Taiwan that distributes cytotoxic cancer drugs to more than 160 global markets, including Japan, Southeast Asia, South Korea, the United States and Europe.

Recognizing the Nantou facility as a critical foundation for both the Company and its subsidiaries to continue expanding into the global market and achieve sustainable growth, Lotus is committed to continuous investments in its Nantou facility. These include upgrading production equipment, enhancing the quality management system, refining production process planning, and improving warehouse inventory management.

South Korea R&D Center Lotus' South Korea R&D Center of Lotus is a cGMP-qualified pharmaceutical factory equipped with advanced technologies for developing various solid dosage forms, including tablets, capsules and powders. It specializes in the development of incrementally modified drugs (IMDs) and has successfully developed over a hundred products, including cardiovascular drugs, weight loss drugs, osteoporosis drugs, among others. The R&D Center comprises distinct departments, including the preparation department, analysis department and clinical trial department, each with dedicated research teams devoted to product development.

Furthermore, Hyangnam site earned recognition as an "innovative pharmaceutical factory" from the South Korean Ministry of Health and Welfare (MOHW) in 2014.

India Clinical Research Institution Norwich Clinical Service (NCS), an Indian subsidiary of Lotus, is located in Bangalore and operates as a Clinical Research Organization (CRO) that specializes in offering professional bioequivalence testing, clinical trials, and pharmacovigilance services. The collaboration between this clinical research institution and the R&D centers in Taiwan and South Korea has provided Lotus with a more efficient and cost-effective vertical integration model, offering crucial support for the Company's global strategy.

NCS primarily focuses on conducting bioequivalence and bioavailability testing, phase one to four clinical trials, pharmacokinetic studies and biostatistics, and pharmacovigilance during the product development process within the Lotus Group. NCS is led by a professional team with extensive experience and has successfully passed factory inspections conducted by pharmaceutical companies from various nations, as well as official inspections by pharmaceutical regulatory authorities, including UK MHRA, US FDA and WHO. Moreover, it is equipped with comprehensive and well-maintained hospital hardware and analytical instruments, making it a globally compliant CRO capable of meeting internal needs while also providing services to third parties. This capability effectively reduces the trial time for high-value drugs, such as cancer medications, and results in cost savings. With access to these clinical research resources, Lotus anticipates reducing clinical trial costs and accelerating project development schedules in the future.

World-class R&D Centers and Production Facilities

Lotus specializes in the R&D technology related to the formulation of special generic drugs, with a commitment to developing complex generic drugs that face high entry barriers and difficulties in duplication.

The R&D team at Lotus is led by experienced scientific personnel from top global pharmaceutical companies, who possess a wide range of formulation R&D capabilities, spanning from laboratory research to end-customer applications. Additionally, the Company boasts a wealth of experience in concept validation and successfully launching products in both regional and international markets.

Global R&D staff

More than 200

Global R&D centers

2

Clinical research institutions

1

1-3 Sustainability Strategy

The corporate mission of Lotus is to **provide more affordable medicines to patients around the world**. To achieve this goal, Lotus supports its continuous growth through the five sustainable strategy star map (STARMAP) of "Best Portfolio", "Best Quality", "Best People", "Best Service" and "Best Cost", leading Lotus to become a global leader in oral cancer generic drugs. The Company also continuously develops branded drugs, biosimilar drugs and 505(b)(2) products to become an international pharmaceutical platform for unmet medical needs.

In order to pursue sustainable development in the environment and society while achieving its missions, in the future, Lotus will also **establish a management mechanism for sustainable development work**, develop goals and strategies related to sustainable development, and manage and supervise the execution process and results across departments, in order to reduce the potential negative impact on the society and the environment through systematic internal management.



Identification of Material Topics

In order to pursue corporate sustainable development, Lotus keeps paying attention to international trends in corporate sustainable development, refers to relevant sustainable disclosure standards and major discussion topics of international benchmark enterprises and domestic peers, and annually inspects and adjusts the major topics of the Company.

Lotus complies with the "GRI Standards: 2021 Edition" released by the Global Reporting Initiative (GRI), and followed the guidelines and spirit of "GRI 3: Major Topics " in the standards to conduct a new major topic identification in 2022, and evaluated each topic based on its positive and negative sustainability impact. After conducting workshops, collecting follow-up questionnaires, and conducting interviews with senior executives, Lotus identified a total of **13 major topics, of which 7 were key topics, 4 were important topics, and 2 were basic topics.**

Identification of Material Topics and Analysis Flow

項目	Define impact	Evaluate materiality	Sort and correct evaluation results	Management approval
Analysis flow	<ul style="list-style-type: none"> Based on the list of 45 sustainability topics identified by Lotus in 2021, external professional sustainability consultants were commissioned to redefine them based on the impact of the topics. Refocus is made based on the potential positive and negative economic, environmental, demographic and social impacts of each issue. For example, the original issue of "workplace environmental health and safety", based on its impact/influence, is redefined as "workplace health promotion" and "occupational disasters and employee health damage", which respectively refer to the positive/negative impact. After refocusing, the list of 45 topics converged to 13 sustainability topics, and 11 positive impacts and 14 negative impacts were defined. 	<ul style="list-style-type: none"> A total of 14 units at Lotus headquarters evaluated the impact of each issue on two axes: the degree of impact and the likelihood of its occurrence. The degree of impact is a comprehensive evaluation of the value chain links that impact the issue (such as whether multiple value chains are involved), the significance of the impact, and whether there is any mitigation or remedy through relevant management measures. The probability of occurrence was evaluated comprehensively based on the number and frequency of related impacts that have occurred over the past years. 	<ul style="list-style-type: none"> After preliminary evaluation, adjustments were made based on the suggestions made by KPMG regarding the reasonableness of issue distribution, and further consideration were given to the opinions of the management of Lotus for correction. Based on the impact defined and analysis results, the 13 topics were ranked in the order of materiality. 	<ul style="list-style-type: none"> After submitting the analysis results to the Corporate Governance Officer for approval, the major topics of this year's sustainability report were confirmed.
Consideration of Stakeholder and Expert Opinions	<p>External professional sustainability consultants were entrusted to provide recommendations on how to define the economic, environmental and social impacts of the topics.</p>	<ul style="list-style-type: none"> When evaluating the likelihood of occurrence of an issue, relevant units must fully consider the opinions of stakeholders from daily communication, such as: <ul style="list-style-type: none"> ✓ Customers: Check whether there are any incidents that infringe on customer privacy rights such as data leakage; confirm whether the drug is involved in adverse reactions or other events. ✓ Employees: Refer to their opinions and complaints to confirm whether there is any workplace safety/human rights violations. ✓ Suppliers: Refer to their opinions and evaluation results to confirm whether there is any corporate governance, environmental pollution and human rights violations. When determining the value chain impact to correct the evaluation results of relevant topics it is also appropriate to consider the opinions of stakeholders, for example: <ul style="list-style-type: none"> ✓ Investors: Make appropriate adjustments to matters of special concern based on daily communication with institutional investors. ✓ Regulatory authority: Make appropriate adjustments to issue materiality based on past audits and penalties, as well as policy intentions (such as commitment to 2050 net zero emissions and greenhouse gas inventory requirements). 		<ul style="list-style-type: none"> To be approved by the senior management of Lotus based on the evaluation results.

Explanation of Materiality Analysis Principle

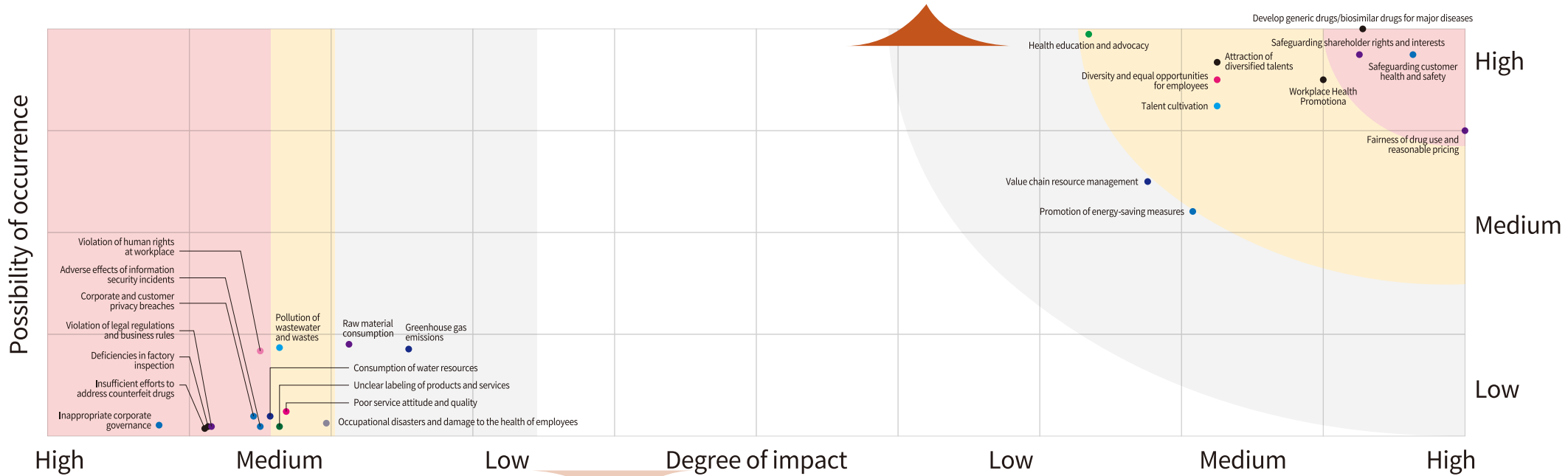
Based on the principle of "GRI 3: Material Topics ", Lotus evaluates the impact severity using two factors of impact degree and likelihood of occurrence. Through a questionnaire survey, each unit is asked to rate the impact scale/scope, catastrophic nature, frequency, and probability of each sustainability issue. At the same time the questionnaire results are collected, adjustment factors are also included for calculation. The materiality of positive and negative impacts on each issue is evaluated considering whether it affects multiple value chains' impacts, the emphasis of the new GRI version on the enterprise disclosure of human rights impact, and the correspondence between the corporate sustainability and business focus.

Item	Description																						
Questionnaire universe	<p>27-unit questionnaires of Lotus were used as the universe for analysis, and the 8 major stakeholders and their responsible units as follows:</p>																						
	<table border="1"> <thead> <tr> <th data-bbox="295 482 609 532">Stakeholders</th> <th data-bbox="609 482 1128 532">Responsible units</th> </tr> </thead> <tbody> <tr> <td data-bbox="295 532 609 583">Government agencies</td> <td data-bbox="609 532 1128 583">Legal Compliance, Audit Office, Regulatory Affairs</td> </tr> <tr> <td data-bbox="295 583 609 633">Employees</td> <td data-bbox="609 583 1128 633">Human Resources, Environmental Safety and Health</td> </tr> <tr> <td data-bbox="295 633 609 684">Shareholders/investors</td> <td data-bbox="609 633 1128 684">Finance and Accounting</td> </tr> <tr> <td data-bbox="295 684 609 734">Patients and support groups</td> <td data-bbox="609 684 1128 734">Sales and Marketing(including customer service).</td> </tr> </tbody> </table>	Stakeholders	Responsible units	Government agencies	Legal Compliance, Audit Office, Regulatory Affairs	Employees	Human Resources, Environmental Safety and Health	Shareholders/investors	Finance and Accounting	Patients and support groups	Sales and Marketing(including customer service).	<table border="1"> <thead> <tr> <th data-bbox="1128 482 1406 532">Stakeholders</th> <th data-bbox="1406 482 1971 532">Responsible units</th> </tr> </thead> <tbody> <tr> <td data-bbox="1128 532 1406 583">Local community</td> <td data-bbox="1406 532 1971 583">Environmental Safety and Health</td> </tr> <tr> <td data-bbox="1128 583 1406 633">Suppliers and partners</td> <td data-bbox="1406 583 1971 633">Operations and supply chain management, procurement, research and development</td> </tr> <tr> <td data-bbox="1128 633 1406 684">Media</td> <td data-bbox="1406 633 1971 684">Investor Relations Office</td> </tr> <tr> <td data-bbox="1128 684 1406 734">Customers</td> <td data-bbox="1406 684 1971 734">IT, Quality, Manufacturing</td> </tr> </tbody> </table>	Stakeholders	Responsible units	Local community	Environmental Safety and Health	Suppliers and partners	Operations and supply chain management, procurement, research and development	Media	Investor Relations Office	Customers	IT, Quality, Manufacturing	
Stakeholders	Responsible units																						
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Calculation of Materiality of Impact	<ol style="list-style-type: none"> Each responsible unit scores the positive and negative sustainability impacts of the 13 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 the degree of impact multiplied by the likelihood of occurrence. When measuring the impact level, the following adjustment factors are included for calculation: <ul style="list-style-type: none"> Does it affect multiple value chains impacts. The new version of GRI emphasizes enterprise disclosure of human rights impact. Correspondence to the corporate sustainability and business focus. After the preliminary evaluation, reference is made to the opinions of internal and external stakeholders and the management for correction, and the analysis results of positive and negative sustainability impacts are consolidated to summarize the materiality analysis results of the 13 topics. 																						

Impact Evaluation and Impact Matrix

Explanation of Positive Impact Matrix

The evaluation of positive impacts is based on a comprehensive examination of the impact scale/scope and likelihood of occurrence, and the **materiality score** obtained by multiplying the scores of these two axes is sorted. Topics with a materiality score greater than 20 (both the degree and likelihood of impact are high) are defined as positive material impacts.



Explanation of Negative Impact Matrix

Considering the characteristic that once a negative impact occurs, it may cause irreparable consequences, the evaluation of negative impacts is sorted based on the "degree of impact". Topics with a degree of impact greater than 3.5 points (moderate or above) are defined as material negative impacts.

Material Topic Analysis and Summary

Through the aforementioned impact evaluation and analysis, Lotus further comprehensively examined the positive and negative impacts, and summarized 13 major topics that will have an impact on the external environment, economy, and society. **The 7 key topics, 4 important topics and 2 basic topics were identified** as follows.

Item	Negative impact	Positive impact	Material topics	Corresponding GRI
Key topics	<ul style="list-style-type: none"> Inappropriate corporate governance 	-	Corporate governance and ethical corporate management	205 Anti-corruption
	<ul style="list-style-type: none"> Violation of legal regulations and business rules 	-	Legal Compliance	206 Anti-competitive
	<ul style="list-style-type: none"> Deficiencies in factory inspection Unclear labeling of products and services Insufficient efforts to address counterfeit drugs 	<ul style="list-style-type: none"> Safeguarding customer health and safety 	Drug quality and safety	416 Customer Health and Safety, 417 Marketing and Labeling
	-	<ul style="list-style-type: none"> Safeguarding shareholder rights and interests 	Business Performance	201 Economic Performance
	<ul style="list-style-type: none"> Adverse effects of information security incidents Corporate and customer privacy breaches 	-	Information security and privacy protection	-
	<ul style="list-style-type: none"> Violation of human rights at workplace 	<ul style="list-style-type: none"> Diversity and equal opportunities for employees 	Human rights and diversity and inclusiveness	405 Diversity and Equal Opportunities, 406 Non-Discrimination, 414 Supplier Social Assessment
	-	<ul style="list-style-type: none"> Fairness of drug use and reasonable pricing 	Drug accessibility	203 Indirect Economic Impact
Important topics	<ul style="list-style-type: none"> Poor service attitude and quality 	<ul style="list-style-type: none"> Develop generic drugs/biosimilar drugs for major diseases Health education and advocacy 	Products and services	203 Indirect Economic Impact
	<ul style="list-style-type: none"> Pollution of waste water and wastes 	-	Waste water and wastes	306 Waste
	-	<ul style="list-style-type: none"> Attraction of diversified talents Talent cultivation 	Human resources development	404 Training and Education
	<ul style="list-style-type: none"> Occupational disasters and damage to the health of employees 	<ul style="list-style-type: none"> Workplace Health Promotion 	Workplace environmental health and safety	403 Occupational Safety and Health
Basic topics	<ul style="list-style-type: none"> Consumption of water resources Raw material consumption 	-	Natural resource management	303 Water and Effluent
	<ul style="list-style-type: none"> Greenhouse gas emissions 	<ul style="list-style-type: none"> Promotion of energy-saving management Value chain management 	Climate action	201 Economic Performance, 204 Procurement Practices, 302 Energy, 305 Emissions, 306 Wastes, 308 Supplier Environmental Assessment

Explanation of Material Topic Changes in 2022

The analysis results of material topics for this year include **7 key topics, 4 important topics and 2 basic topics**. The material topics have been adjusted from 15 to 13, and their list and changes are as follows:

Material topics in 2021		Explanation of changes	Material topics in 2022	
Disclosure of material topics (5)	Customer health and safety	Name change	Key topics (7)	Corporate governance and ethical corporate management new
	Legal compliance <small>(product responsibility)</small>	Reorganization		Legal Compliance
	Product and service labeling	Reorganization		Drug quality and safety
	Legal compliance <small>(society)</small>	Reorganization		Business Performance
	Legal compliance <small>(environment)</small>	Reorganization		Information security and privacy protection new
Voluntary disclosure (3)	Wastewater and wastes			Human rights and diversity and inclusiveness new
	Emissions	Name change		Drug accessibility new
	Training and education	Name change	Important topics (4)	Products and services
Other material topics (7)	Customer privacy	Name change		Waste water and wastes
	Products and services			Human resources development
	Marketing and communication	Removal		Occupational Safety and Health new
	Market image	Removal	Basic topics (2)	Natural resource management
	Water	Reorganization		Climate action
	Raw materials	Reorganization		
	Overall situation	Name change		

Reason for change:

Name change: In response to the international sustainable development trend.

Reorganization: Considering the complexity of the topic, the importance of the topics are reorganized to make the content easier to focus on.

Promotion/addition/removal: Adjustments are made in response to the identification results of material topics.

List of Material Issues and Impacts

Original Topic name	Topic name after refocus	Impact	Description of impact (economy/environment/population)
Climate action	Greenhouse gas emissions	Negative impact	[Environment/Population] Failure to implement energy saving, carbon reduction, and renewable energy promotion within the enterprise and supply chain will result in an unavoidable environmental burden, causing environmental disasters such as global warming and an increase in extreme climate frequency to the overall environment, and impacting the human living environment.
	Promotion of energy-saving measures	Positive impact	[Environment/Population] The Energy Conservation Committee has been established to strengthen internal energy conservation and reduce greenhouse gas emissions, in order to meet the government's carbon reduction policy goals and slow down global warming.
	Supplier Sustainable Development	Positive impact	[Environment] The energy-saving measures implemented by suppliers and the proportion of environment-friendly materials used are regularly investigated, in order to encourage suppliers to reduce the use of chemical compounds and achieve sustainable development of the supply chain.
Wastewater and wastes	Pollution of wastewater and wastes	Negative impact	[Environment/Population] Failure to achieve reduction and proper management of waste and sewage, which will result in the leakage of chemicals and sewage due to improper storage and recycling, causing long-term pollution to the overall environment and impacting human health and living environment.
Natural resource management	Consumption of water resources	Negative impact	[Environment/Population] Failure to implement water conservation, sewage discharge control, and water resource management, which will not only cause environmental pollution, but also affect the Company's operations due to water shortages, and may also lead to drug shortages and affect the rights and interests of patients.
	Raw material consumption	Negative impact	[Environment/Population] Failure to implement the control and management of raw material consumption, which will not only result in a shortage of environmental resources, but may also affect the Company's operations due to a shortage of raw materials, leading to drug shortages and affecting the rights and interests of patients.
Human resources development	Attraction of diversified talents	Positive impact	[Environment/Population] Attracting workers with different capabilities and professional backgrounds, and providing people with diverse backgrounds with job opportunities in the pharmaceutical industry to improve the employment rate, and increase the stability of the pharmaceutical industry.
	Talent cultivation	Positive impact	[Economy] Promoting the growth of industry professionals' knowledge of the pharmaceutical industry, which is conducive to the overall development of the industry. [Population] Enhancing employees' functional competitiveness by providing comprehensive training programs, which is beneficial for the employees' future career development.
Drug accessibility	Fairness of drug use and reasonable pricing	Positive impact	[Population] Ensuring that patients of all ethnic groups have the right of fair access to medication, and reducing the economic burden of patients through reasonable pricing and the provision of cost-based medication assistance plans, thereby alleviating the problem of non-accessibility to medication due to high prices.
Human rights and diversity and inclusiveness	Violation of human rights at workplace	Negative impact	[Population] There are cases of employees, suppliers and customers suffering from improper treatment or discrimination, as well as overtime/forced labor.
	Diversity and equal opportunities for employees	Positive impact	[Population] The rights of disadvantaged groups such as women and people with physical or mental disabilities are protected, and a diverse, equal and fair competition workplace is created.
Corporate governance and ethical corporate management	Inappropriate corporate governance	Negative impact	[Economy/Population] There are incidents of dishonesty, corruption, cheating or fraud due to poor corporate governance, non-compliance with the code of conduct by employees, and failure to implement ethical corporate management, this affecting the Company's operations and infringing on the rights and interests of shareholders, customers and other stakeholders.
Legal Compliance	Violation of legal regulations and business rules	Negative impact	[Economy/Population] There are violations of external regulations that cause losses to customers or business partners. In addition to the regulatory authority's imposition of penalties on the Company, the Company may face topics such as litigation, which can also create industrial and social unrest.

List of Material Issues and Impacts

Original Topic name	Topic name after refocus	Impact	Description of impact (economy/environment/population)
Drug quality and safety	Deficiencies in factory inspection	Negative impact	[Economy/Population] If the regulatory authority discovers topics such as non-compliance with product safety regulations or negligence in factory management during factory inspections, it may result in negative impacts such as drug delisting, recall or disciplinary action from the regulatory authority. At the same time, there may also be concerns about the safety of drugs, which will endanger the health and safety of patients.
	Safeguarding customer health and safety	Positive impact	[Population] Ensure the quality and safety of our products by establishing a comprehensive quality management system, monitoring the production process, and using standardized raw materials and production equipment, thereby maintaining customer health and safety.
	Unclear labeling of products and services	Negative impact	[Population] The indication and side effects on the drug label are not clearly marked, and warning signs are not added, which may cause serious side effects and endanger health and safety.
	Insufficient efforts to address counterfeit drugs	Negative impact	[Population] Received reports from customers that counterfeit drugs are circulating in the market, making it difficult for customers to distinguish the authenticity of the products and raising doubts about their safety.
Products and services	Develop generic drugs/biosimilar drugs for major diseases	Positive impact	[Population] Jointly develop generic drugs/biosimilar drugs for major diseases through cooperation with other business partners, such as rare disease treatment drugs and cancer treatment drugs, in order to provide affordable drugs to patients.
	Poor service attitude and quality	Negative impact	[Population] The rights of customers were damaged or complaints occurred due to employees' operational negligence, poor service attitude, or insufficient explanation.
	Health education and advocacy	Positive impact	[Population] Providing health education to patients, doctors and pharmacists to assist patients in understanding how to use drugs correctly and improve treatment progress.
Occupational Safety and Health	Health promotion at workplace	Positive impact	[Population] Providing employees with good work and development opportunities by continuously optimizing the workplace and safety and health.
	Occupational disasters and damage to the health of employees	Negative impact	[Population] The work rights and interests of employees, suppliers, and other stakeholders are affected due to injuries or occupational disasters to workers.
Information security and privacy protection	Adverse effects of information security incidents	Negative impact	[Population] Information security vulnerabilities or hackers' network attacks are generated due to improper information security management or negligence of internal personnel in operations or processes, resulting in disclosure of customer personal data or corporate sensitive information, and also leading to business interruption and infringement of the rights and interests of relevant stakeholders such as customers.
	Corporate and customer privacy breaches	Negative impact	[Economy] The Company and its business partners (such as clinical laboratories) did not properly protect the collection and use of personal data (test subjects' biological data and health data), resulting in the disclosure of sensitive information from customers, employees, suppliers or enterprises, which infringes on the rights and interests of relevant stakeholders.
Business Performance	Safeguarding shareholder rights and interests	Positive impact	[Economy] The Company continues to implement innovative strategies, maintain high operational efficiency and profitability, enhance industrial competitiveness, and safeguard shareholder rights.

Material issues Value Chain Impact Management Position

Material issues	Sustainability impact types	Impact value	Value chain impact management position				Corresponding chapters and sections
			Direct occurrence	Occurrence through business relationships/activities			Corresponding action
			From its own operations	Suppliers	Customers	Local community	
Corporate governance and ethical corporate management	Inappropriate corporate governance	Negative impact	√				Corporate Governance
Legal Compliance	Violation of legal regulations and business rules	Negative impact	√				Corporate Governance
Drug quality and safety	Insufficient efforts to address counterfeit drugs	Negative impact	√		√		Product Overview and Safety
	Deficiencies in factory inspection	Negative impact	√				Product Overview and Safety
	Unclear labeling of products and services	Negative impact	√				Product Overview and Safety
	Safeguarding customer health and safety	Positive impact			√		Product Overview and Safety
Business Performance	Safeguarding shareholder rights and interests	Positive impact	√				Company Overview
Information security	Adverse effects of information security incidents	Negative impact	√				Corporate Governance
Customer privacy protection	Corporate and customer privacy breaches	Negative impact	√		√		Corporate Governance
Human rights and diversity and inclusiveness	Violation of human rights at workplace	Negative impact	√				Corporate Governance
	Diversity and equal opportunities for employees	Positive impact	√				Employee Care
Products and services	Poor service attitude and quality	Negative impact	√		√		Product Overview and Safety
	Develop generic drugs/biosimilar drugs for major diseases	Positive impact	√				Company Overview
	Health education and advocacy	Positive impact				√	Social Care and Engagement
Wastewater and wastes	Pollution of wastewater and wastes	Negative impact				√	Environmental sustainability
Human resources development	Attraction of diversified talents	Positive impact	√				Employee Care
	Talent cultivation	Positive impact	√				Employee Care
Climate action	Greenhouse gas emissions	Negative impact				√	Environmental sustainability
	Promotion of energy-saving management	Positive impact	√				Environmental sustainability
	Value chain management	Positive impact	√	√	√		Corporate Governance
Drug accessibility	Fairness of drug use and reasonable pricing	Positive impact			√		Product Overview and Safety
Natural resource management	Consumption of water resources	Negative impact				√	Environmental sustainability
	Raw material consumption	Negative impact				√	Environmental sustainability
Workplace environmental health and safety	Occupational disasters and damage to the health of employees	Negative impact	√				Employee Care
	Health promotion at workplace	Positive impact	√				Employee Care

Stakeholder identification and communication

Stakeholder identification

The Company identifies through the operations of various departments within the enterprise, based on the degree of impact from the Company's activities, products, and services, with reference to the six identification principles of AA1000 SES including responsibility, influence, affinity, policy and strategic intent, representativeness and dependence. 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 every year. After conducting benchmark analysis and internal interviews in 2022, four new categories of stakeholders were added to those in 2021: patients and support groups, media, local community, and suppliers and partners.

This year, there were totally **8 major stakeholders**, including government agencies, shareholders/investors, employees, customers, suppliers and partners, patients and support groups, local community and media.








Stakeholder Identification and Concerned Topic Identification Process

Each department communicates with stakeholders through regular business dealings, regular surveys, interviews and analysis. Depending on the nature of the business, the topics of concern to each stakeholder may vary. Therefore, through diversified communication channels, the Company firmly grasps the needs and expectations of stakeholders, adjusts operational management based on their points of view, and provide appropriate responses to the key concerns of stakeholders.

Stakeholders	Concerned topics	Communication channels	Communication frequency	Agreement result
 Government agencies (note)	Legal Compliance	Visit / phone / official letter E-Mail / investor conference	Irregular	<ul style="list-style-type: none"> All directors meet the standards of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The total number of training sessions for the 11 directors is 31, with a total of 93 hours. The Company holds a zero-tolerance attitude towards serious violations of professional ethics, and will proactively notify the competent authority and cooperate in the investigation.
	Business Performance			
	Corporate governance and ethical operations			
	Drug quality and safety			
	Drug accessibility			
	Wastewater and wastes			
	Natural resource management			
	Human resources development			
	Occupational Safety and Health			
Information security				
 Shareholders/investors	Business Performance	Annual general meeting / annual report	Every year	<ul style="list-style-type: none"> Held 1 annual general meeting Held 4 institutional investor conferences. 10 external Investor discussion meetings/ forum66 announcements of material information were made on the Market Observation Post System from January to December 2022.
	Corporate governance and ethical operations	Quarterly financial report	Every quarter	
	Legal Compliance	Announcement of operations overview	Every month	
		Announcement of material information / press release	Irregular	
		investor conference / company website / phone / E-Mail		
 Employees	Labor-management relationship	Labor-management meeting	Every year	<ul style="list-style-type: none"> 17 labor-management meetings were held from January to December 2022. In the 2022 employee satisfaction survey, a total of 1,236 questionnaires were sent to employees worldwide, and 1,075 were collected, with a response rate of 87%. Compared with the 2021 survey results, there was a significant progress in the 2022 survey results in three aspects: engagement, leadership and employee experience. 5 townhalls were held from January to December 2022.
		Employee satisfaction survey	Every quarter	
		HR announcement	Irregular	
		Intranet for employees		
		Townhalls		
	Talent cultivation	Department meeting	Irregular	
		Internal and external training and E-learning		
		Performance interview		
	Salary and benefits	Remuneration Committee	At least twice a year	
Occupational health and safety	Training and emergency response drills	Twice a year		

Stakeholder Communication Channels and Communication Effectiveness

Stakeholders	Concerned topics	Communication channels	Communication frequency	Agreement result
 Customers	Customer health and safety	Exhibition participation / product presentation / holding academic activities / holding education lectures to build academic platforms / clinical trial / factory visit / inspection / visit / E-Mail / letter / drug safety monitoring and reporting	Irregular	<ul style="list-style-type: none"> In 2022, a total of four factory inspections were conducted in ANVISA in Brazil, TFDA in Taiwan, and MFDS in South Korea.
	Products, services and customer relationships			
 Suppliers and partners	Supplier environmental management	Supplier management and audit	Based on the contract	<ul style="list-style-type: none"> In 2022, a total of 39 suppliers were audited, including 12 suppliers in Taiwan and 27 foreign suppliers.
 Patients and support groups	Drug quality and safety management	Academic activities / educational lectures / phone / E-Mail	Irregular	<ul style="list-style-type: none"> 8 Parkinson's health care lectures were jointly held from January to December 2022, with a total of 433 participants.
	Drug R&D and innovation			
	Drug accessibility			
 Local community	Waste and resource management	Letter / E-Mail / visit / phone / meeting / company website	Anytime	<ul style="list-style-type: none"> The Company donated 950 boxes of " PROBEAR Probiotic Candy" to non-profit organizations in Nantou and remote villages.
	Occupational Safety and Health			
	Talent attraction, cultivation and retention			
	Social participation			
 Media	Legal compliance and ethical operations	Press release	Irregular	<ul style="list-style-type: none"> There was a total of 33 press releases related to the Company's website disclosure and operations from January to December 2022.
	Corporate governance and operating performance	Media interview	Irregular	
	Drug quality and safety management	Company website	Anytime	
	Drug R&D and innovation	Spokesperson	Anytime	
	Drug accessibility	Market Observation Post System	Irregular	
	Doctor-patient relationship and social participation	Media contact mailbox	Anytime	

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.



2 Corporate Governance

Lotus rigorously monitors the Company's impact on the society and the environment with robust internal control systems. Lotus actively engages in philanthropic endeavors. On the environmental front, the Occupational Safety Department enforces environmental protection regulations, the Engineering Affairs Department formulates energy management policies, and the EHS Department, in collaboration with its "Environmental Health and Hygiene Management Committee," manages and oversees the environmental impact of waste generated by the pharmaceutical factory.

The board of directors at Lotus exhibits diversity, comprising a total of 11 members, which includes both directors and independent directors. These members come from a variety of backgrounds, representing five different nationalities, including Iceland, Bulgaria, Thailand, Switzerland, and Taiwan, from both European and Asian regions. Additionally, 27% of the directors are female. Lotus is a TWSE/TPEX-listed company with a sound financial system and stable operations. Notably, 54% of the board members have a background in financial professions.

The 2022 board performance evaluation of Lotus indicates that the board members effectively fulfilled their job responsibilities. In 2022, the members of the Audit Committee and Remuneration Committee in the board of Lotus carried out their duties with a 100% attendance rate and actual attendance rate.

Lotus' board of directors has adopted various standards aimed at promoting and ensuring the Company's ethical operations. These standards are effectively put into practice through training programs, supplier management procedures, the accounting system, a whistleblowing mechanism, and the internal control system. The entity responsible for internal control is the Audit Office, which is an independent unit under the board of directors. It conducts quarterly audits and submits reports to both the Audit Committee and the board of directors.

The Lotus supplier management system involves a comprehensive execution plan, implemented cross-departmentally. The execution plan covers a wide spectrum, encompassing tasks such as qualifying and evaluating new suppliers, inventory-related daily management and training, regular evaluation and audits of supplier performance. Lotus successfully implemented a supplier management plan which categorizes suppliers into three levels (A, B, and C). This categorization helps Lotus to determine its relationship with each supplier, manage associated risks, and offer support to facilitate the growth of these suppliers.

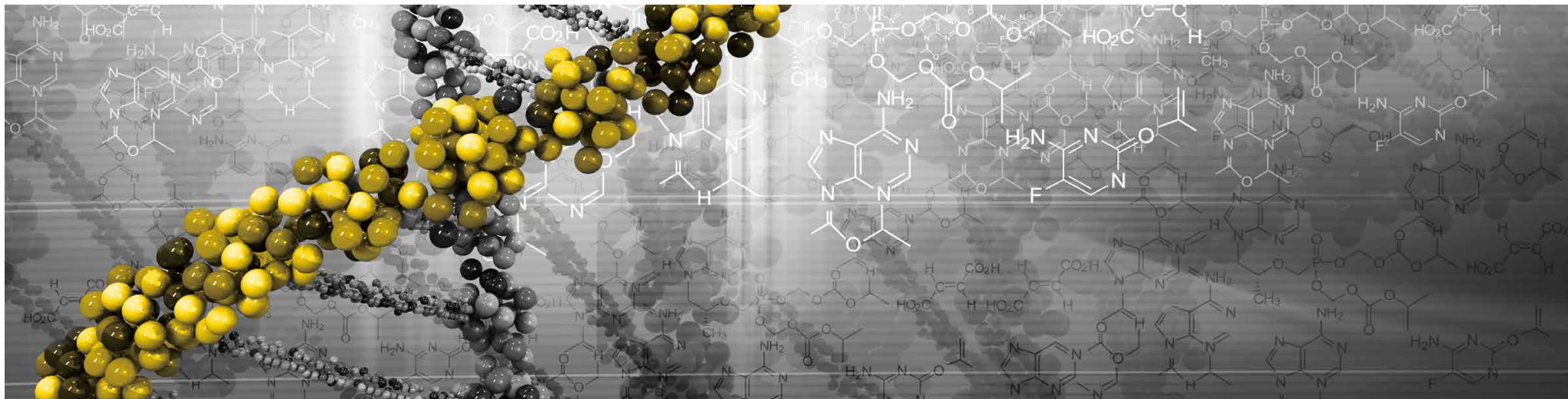
2-1 Corporate Governance and Ethical Operations

Corporate Governance Structure

Lotus regards ethics and integrity as the core principles of corporate governance. The highest governing body of the Company is the board of directors, and general shareholders' meetings are held on a regular basis in accordance with the Company Act. Lotus also has a "Corporate Governance Best Practice Principles" internally in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".

In terms of governance structure, the board of directors is responsible for planning and formulating business policies. Within the board, a Remuneration Committee and an Audit Committee have been established. The Remuneration Committee is responsible for reviewing and approving the compensation of managers, while the Audit Committee exercises review and oversight authority. The board of directors adheres to the principles of fairness, transparency and a clear separation of authority and responsibility, thereby promoting the effective implementation of the internal control audit system.

Please refer to Chapter 1 for the corporate governance structure diagram on page 8.



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

In line with the recommendations outlined in the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and relevant regulations, Lotus' board of directors has established the "Lotus Code of Business Conduct and Ethics" and "Procedures for Code of Business Conduct and Ethics" within the Company. Additionally, an internal control system has been established to ensure full compliance with applicable laws and regulations by the Company's personnel and operations, and to supervise and guide the various departments' impact and response to societal and environmental concerns. To facilitate this, an Audit Committee has been established within the board. This committee is responsible for implementing, reviewing, and revising the internal control system to ensure that both internal and external operations of Lotus align with the Company's commitment to sustainable development.

Managed by these systems, Lotus' central objective in the realm of social sustainable development is to provide services that address the needs of underprivileged patients, thereby elevating the overall healthcare standards in society. Lotus not only rigorously monitors the quality of its products and services but also adheres to government and industry regulations to ensure product and service quality and the well-being, safety, and privacy of its customers. Furthermore, the Company is committed to expanding its product portfolio to serve the medical needs of the Taiwanese society, especially in the field of cancer care. In addition, Lotus actively engages in philanthropic endeavors, such as community-driven initiatives to promote Patient Empowerment, sponsoring treatment programs for disadvantaged individuals dealing with alcohol addiction, and co-organizing charitable clinics in rural areas to address the gaps in the current social healthcare system's coverage.

In terms of the environment, Lotus' sustainable development goal is to reduce the impact of its overall operations on the environment. In addition, the Occupational Safety Department ensures that the operation of the factory complies with 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) Manual" to manage and oversee the environmental impact of waste produced by the factory. Starting from 2021, Lotus has calculated and recorded greenhouse gas emissions, water consumption, and total weight of waste collectively used by the manufacturing facilities and R&D centers. In the future, we plan to establish a committee designated for sustainable development-related efforts under the board of directors to assess the risks and opportunities of climate change on the enterprise.

The Oversight and Management of Impact by the Board of Directors

Lotus operates in accordance with both laws and its internal control system. The various departments, representing different stakeholders, assess and determine their materiality through voting. This process, guided by the principle of materiality, leads to risk assessments of pertinent topics, ultimately shaping the development of suitable management policies or strategies. Lotus also designates dedicated personnel for the collection and disclosure of the Company's information and communicate with stakeholders. The internal audit unit at Lotus formulates an annual internal audit plan by considering the risk assessment results and outlining the items to be audited for each month. The internal audit reports shall be submitted to the Audit Committee and board of directors for review; meanwhile, the annual internal audit plan shall be reviewed and approved by the Audit Committee and board of directors.

While there is not currently a department specifically responsible for the sustainable development of Lotus, we intend to establish a dedicated or part-time unit in the future, aligning with the recommendation in Article 9 of the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies." The role of this unit will be to develop sustainable development goals and strategies, as well as supervise their implementation process and results across various departments. One potential approach is to establish a functional committee for sustainable development in the board that provides regular reports to the board.

Composition and Operation of the Board of Directors

Corporate Governance Best Practice Principles

Referring to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," Lotus has established the "Corporate Governance Best Practice Principles" to protect shareholders' rights and interests, strengthen the authority of the board of directors, fulfill the functions of independent directors, respect the rights and interests of stakeholders, and enhance information transparency.

According to this regulation, the structure of the Company's board of directors shall consider its business scale, the shareholdings of its major shareholders, while taking into account the needs of practical operation; it shall be determined by choosing an appropriate number of directors, no less than five, and diversity shall be taken into consideration.

The number of seats of independent directors shall be no less than three and not less than one-fifth of the total number of directors. The election and appointment of independent directors shall ensure their independence and professionalism; independent directors shall not transition into non-independent directors during their tenure.

The Company has established an Audit Committee and a Remuneration Committee within the board. For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors may establish other functional committees in consideration of the Company's scale and type of operations and the number of directors. Board members shall faithfully conduct corporate affairs with the duty of care of a good administrator, and exercise authority with a high level of self-discipline and prudence. Board members are advised to participate in corporate governance-related training courses to continuously enhance their professional and legal knowledge.

Election of Directors

Lotus' "Rules for Election of Directors" clearly outlines the procedures and criteria for the nomination, qualification, and election of director candidates.

Lotus employs a candidate nomination system and procedures for the election of directors, with the election shall be held at the shareholders' meeting. The cumulative voting method shall be adopted in the election, where each share shall have voting rights equivalent to the number of seats to be elected, and such voting rights may be combined to vote for one person, or divided to vote for several persons.

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.

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 possessing financial expertise standing at 54%.
- Diversity: Lotus directors hail from five different countries, and female directors constitute 27% 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 2022, Lotus held a total of 10 board meetings, with an average attendance rate of 89% for all directors. The actual attendance rate, excluding the attendance by proxy, also stood at 89%. For detailed information on the attendance status of each director member, please refer to page 26 of the annual report.

"Corporate Governance Best Practice Principles"



"Rules for Election of Directors"



2022 Annual Report



Professionalism

As stipulated by the “Rules for Elections of Directors,” board members shall possess the necessary knowledge, skills and qualities to perform their duties. The capacity criteria shall include, but not limited to, the ability to make judgements about operations, accounting and financial analysis ability, business management ability, crisis management ability, industry knowledge, an international market perspective, leadership, and decision-making ability.

Lotus’ board consists of a total of eleven members, comprising eight directors and three independent directors, each with relevant background and rich experience in management, finance, taxation or law. The Company places particular emphasis on the financial expertise of its board members, aiming for a 40% representation of directors with financial expertise. Currently, six directors, including Directors Vilhelm Róbert Wessman, Thor Kristjansson, Phannalin Mahawongtikul, and Yves Hermes, as well as Independent Directors Hjordeifur Pálsson and Lin Gaofei, **possess financial expertise, constitute 54% of the board.**

Diversity

The composition of Lotus’ board, as stipulated by the “Rules for Elections of Directors,” shall be determined by considering diversity. This aims to formulate suitable diversification policies aligned with the functioning of the board, the Company’s operating model, and development requirements. The criteria for board member diversity shall include, but not be limited to, basic requirements and values such as gender, age, nationality, and culture, as well as professional knowledge and skills in law, accounting, manufacturing, finance, marketing or technology, or industry experience.

The eight directors and three independent directors of Lotus represent nationalities from Iceland, Bulgaria, Thailand, Switzerland, and Taiwan, comprising a significant **82% of the board as foreign directors.** Meanwhile, three of the board members are **female, constituting 27% of the overall board of directors.**

Independence

According to Lotus’ “Rules for Elections of Directors,” the relationships of spouse and familial relationships within the second degree of kinship shall exist no more than half of the Company’s directors. According to the “Rules and Procedure of Board of Directors Meetings,” if a director or the judicial person the director represents has a personal interest in a matter under discussion at the meeting, the relevant director shall disclose the nature of such personal interest. If such interest may impair the Company’s interests, the relevant director shall not join the discussion and voting of such matter, and shall rescue himself/herself/themselves from the discussion and voting of the matter; nor shall the relevant director exercise voting right on behalf of another director. Where the spouse or blood relatives within the second degree of a kinship of any director, or a company with which the director has a controlling or subordinate relation, is an interested party with respect to an agenda item, such director shall be deemed to be an interested party with respect to that agenda item.

Lotus consistently evaluates the independence of its directors, considering factors such as their ability to pose constructive questions and formulate policies, maintain objective and independent judgment, and exhibit appropriate behaviors both within and outside the boardroom. The directors of the Company demonstrate these characteristics when appropriate. In particular, Director Petar Antonov Vazharov, who also holds a high-level managerial position at Lotus, maintains his objective and independent judgment abilities, and adheres to the Company’s requirements regarding conflicts of interest. Noteworthy, his leadership in fostering the Company’s growth has been outstanding, receiving well-deserved recognition.

“Rules and Procedures of Board of Directors Meetings”



List of Board Members of Lotus

Title	Nationality of Place of Registration	Name	Gender	Age	Date First Elected	Tenure (year)	Date 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 Accounting	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision-making ability		
Chairman	Iceland	Vilhelm Róbert Wessman (Note 1)	M	51~55	2020.06.30	3	2015.04.23	Founder of Alvotech ehf CEO of Actavis Generics Group University of Iceland	V	V	V	V	V	V	V	V	Chairman and CEO, Alvogen Group Director, Alvogen Lux Holding 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)	M	46~50	2020.06.30	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	Thor Kristjánsson (Note 1)	M	56~60	2020.06.30	3	2014.09.29	Bachelor's degree in Business Administration and Management, University of Iceland Deputy CEO, Actavis Generics	V	V	V		V	V	V	V	Director, Alvogen Korea Co., Ltd.	0

List of Board Members of Lotus

Title	Nationality of Place of Registration	Name	Gender	Age	Date First Elected	Tenure (year)	Date 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 Accounting	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision-making ability		
Director	Iceland	Árni Hardarson (Note 1, 2)	M	56~60	2020.06.30	3	2014.09.29	University of Iceland Iceland Partner, Deloitte Iceland (responsible for the Tax and Legal departments) Vice President, Tax and Structure, Actavis Generics	V		V	V	V	V	V	V	Deputy CEO, Alvogen Group Supervisor, Alvogen Korea Holdings Ltd. Supervisor, Alvogen Korea Co., Ltd.	0
Director	USA	Joel Morales (Note 1, 2)	M	46~50	2020.06.30	3	2019.03.11	Accountant, Society of Rutgers University Licensed certified public accountant in the State of New Jersey KPMG LLP Endo International plc SVP of the Generics Business Segment and Global Finance Operations	V	V	V	V	V		V	V	CFO, Alvogen Group	0
Director	Thailand	Amporn Charoensomsak (Note 1. 3)	F	56~60	2021.04.22	3	2021.04.22	MBA, Thammasat University, Thailand Managing Director, Innobic (Aisa) Co., Ltd.	V	V	V		V	V	V	V	Managing Director, Innobic (Aisa) Co., Ltd	0
Director	Thailand	Krisana Winitthumkul (Note 1, 3)	F	61~65	2022.11.23	3	2022.11.23	Bachelor's degree in Pharmacy, Chiang Mai University, Thailand Director, Innobic (Asia) Co., Ltd.	V		V		V	V	V	V	Director, Innobic (Asia) Co., Ltd. Consultant, Regulatory Affairs Pharmacy Association (Thailand) Academic Sub-Committee, the College of Industrial Pharmacy of Thailand Special Instructor, Faculty of Pharmaceuticals, Chiang Mai University	0

List of Board Members of Lotus

Title	Nationality of Place of Registration	Name	Gender	Age	Date First Elected	Tenure (year)	Date 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 Accounting	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision-making ability		
Director	Thailand	Phannalin Mahawongtikul (Note 1)	F	56~60	2022.06.30	1	2022.06.30	MBA, Thammasat University, Thailand CFO, PTT Public Company Limited Director, PTTEP Energy Holding (Thailand) Company Limited	V	V	V	V	V	V		V	CFO, PTT Public Company Limited Director/ Member of the Risk Management Committee, Thai Oil Public Company Limited	0
Director	USA	Oranee Tangphao (Note 1)	F	56~60	2022.06.30	1	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	CMO, Antiva Biosciences Pty Director, Antiva Biosciences Pty Director, Soroptimist International of San Francisco	0
Director	Switzerland	Yves Hermes (Note 1)	M	56~60	2020.06.30	1	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, Yves Hermes Healthcare Consultancy LLC Director, Jaloux SA	0
Director	Japan	Hirofumi Imai (Note 4)	M	56~60	2020.06.30	3	2019.06.24	Reitaku University, Japan	V		V	V	V	V	V	V	Chairman, Fuji Pharma Co., Ltd.	0

List of Board Members of Lotus

Title	Nationality of Place of Registration	Name	Gender	Age	Date First Elected	Tenure (year)	Date 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 Accounting	Operation and management	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision-making ability			
Independent Director	R.O.C.	Benjamin Ku	M	51~55	2020.06.30	3	2014.09.29	Master of Laws in Intellectual Property Rights, Franklin Pierce Law Center, USA Bachelor of Laws, Department of Law, National Chengchi University Partner, Cheng & Ku Law Firm Head of Legal Affairs, TECO Electric & Machinery Co., Ltd. Associate, Winkler Partners Attorneys at Law of Taiwan and Foreign Legal Affairs Intern, Massachusetts Institute of Technology Associate, Dong & Chiu Law Firm	V		V				V	V	V	Partner, Cheng & Ku Law Firm Independent Director, Crystalwise technology Inc. Representative of Director, Creative Sensor Inc.	1
Independent Director	Iceland	Hjorleifur Palsson	M	56~60	2020.06.30	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 Óssur hf. (a global 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	Member, Investment Committee, Akur fjárfestingar slhf. Director, Ankra ehf. Director, Brunnur ventures slhf. Member, Audit Committee, Landsbankinn hf. Chairman, Nomination Committee, Icelandair Group hf. Member, Audit Committee, Harpa Concert Hall and Conference c. Director, UNICEF Iceland Director, Festi hf.	0	
Independent Director	R.O.C.	Han-Fei Lin	M	56~60	2020.06.30	3	2016.06.27	Bachelor of Science in Chemical Engineering, National Taiwan University MBA, Wharton School of Business, University of Pennsylvania Director of Investment, Foxconn (San Jose) Vice President, Salomon Smith Barney, Citigroup (New York) Partner, CID Group	V	V	V			V	V	V	Partner, CID Group Chairman, Easywell Biomedicals, Inc. Representative of Director, Tai-Ling Biotech., Inc. Independent Director, P-Two Industries Inc. Independent Director, Elitegroup Computer Systems Co. Ltd. Independent Director, eCloudvalley Digital Technology Co., Ltd.	3	

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

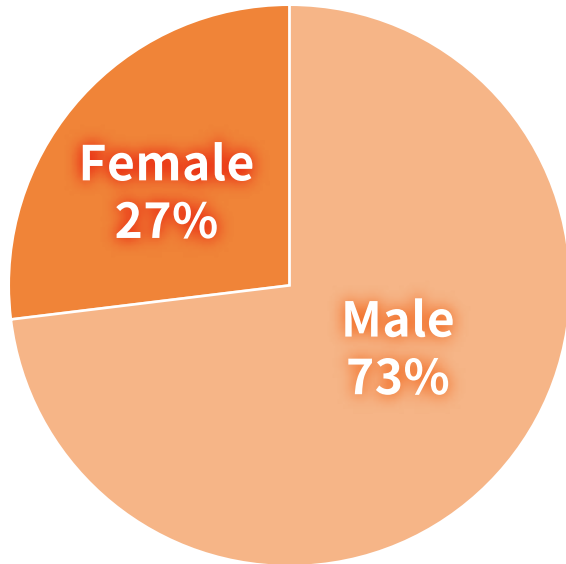
Note 2: Árni Hardarson was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Joel Morales, on January 27th, 2022.

Note 3: Krisana Winitthumkul was appointed as representative of Alvogen Emerging Markets Holdings Ltd., replacing Amporn Charoensomsak, on November 23rd, 2022.

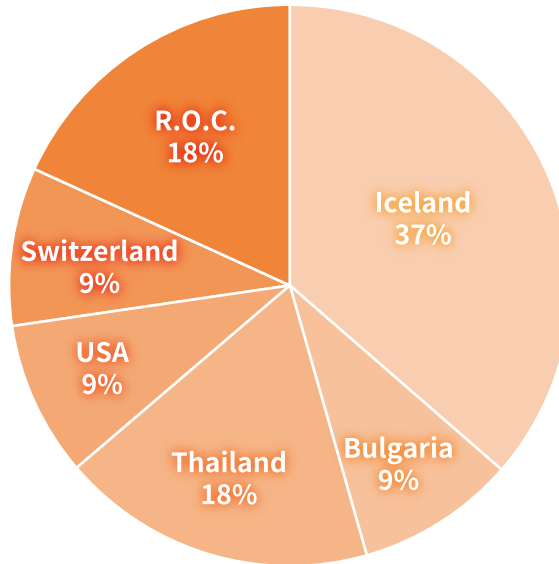
Note 4: Resigned on June 30th, 2022.

Analysis of the Lotus Board of Directors Composition

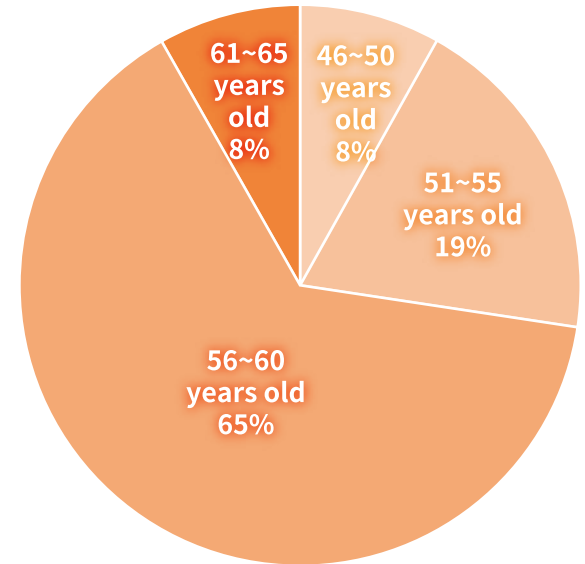
Board of Directors' Gender



Board of Directors' Nationality



Board of Directors' Age



Board Performance Evaluation

Board Performance Evaluation System

Lotus regularly discloses the attendance status and attendance rate of directors. Additionally, the board of directors' performance is evaluated annually in accordance with the internal regulation "Procedures for Performance Evaluation of the Board of Directors."

Evaluation Scope	The evaluation may cover the evaluation of the board of directors as a whole, individual directors and each functional committee.
Evaluation Methods	Methods of evaluation may include internal self-evaluation of the board of directors, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.
Responsible Unit	The secretary of the board of directors is responsible for managing the performance evaluation of the Company's board. The secretary unit is tasked with collecting information on the board activities, administering self-evaluation questionnaires concerning the board, individual board members, and functional committees. Subsequently, the secretary compiles and submits a board report for discussion and improvement.
Evaluation Frequency	The annual internal performance evaluation of the board of directors shall be conducted and completed before the end of the first quarter of the subsequent year.
Performance Linkage	The results of the board directors' performance evaluation shall be submitted to the board meeting, serving as a reference for determining individual directors' salary, remuneration, and nomination for a continued term.

2022 Evaluation Results

In 2022, Lotus conducted a high frequency of board meetings, totaling 10 sessions. The overall average attendance rate and actual attendance rate of directors were both impressive at 89%. The self-evaluation feedback from each director, along with the performance evaluation results of the board of directors and each functional committee, underscored the active engagement of board members.

All members of the Company's board of directors demonstrated exemplary performance in their duties in 2022, resulting in no instances of salary reductions or compensation claims.

To further enhance the quality of board decisions, in the upcoming year, the focus will be on fostering communication between the board of directors and the Audit Committee. Additionally, plans will be drafted for further education and development of directors.

"Procedures for Performance Evaluation of the Board of Directors"



Director Self-evaluation and Peer Evaluation

1. **Mastery of company vision and strategies:** Understanding of the Company's core values, the grasp of the strategic goals set by the board of directors, and directors' familiarity with the characteristics and risks of the industry the Company is in.
2. **Responsibilities awareness:** A complete comprehension of statutory obligations and responsibilities, the understanding of the Company's operation, and adherence to the confidentiality obligation.
3. **Involvement in company operations:** Actual attendance at board meetings, the extent of pre-meeting material review and comprehension, understanding of the Company, its management team, and the industry it operates in, as well as the evaluation and supervision of the internal control system and other corporate governance matters.
4. **Internal relationship management and communication:** Communication and interaction levels with the management team, fellow board members, and certifying CPAs.
5. **Continuous professional development:** Possession of requisite expertise for decision-making, and participation in diverse courses beyond one's professional skills.
6. **Internal control:** Abstention from discussions and decisions related to proposals involving conflicts of interest, effectiveness in supervising internal control systems and risk management, understanding of the Company's financial status and audit reports, and supervisory proficiency.



Self-evaluation

Board Self-evaluation

1. **Involvement in company operations:** Actual attendance at board meetings and shareholders' meetings, the extent of pre-meeting material review and comprehension, board members' interaction with the management team and the certifying CPAs, board members' understanding of the Company, the management team, and the industry in which the Company operates, directors' assessment and oversight of the internal control system and other corporate governance affairs, as well as the board's mastery of the Company's operational performance report and the performance of the management team.
2. **Improving decision/resolution quality:** Understanding of the Company's core values, adherence to proper processes, engagement in thorough discussion and strategic goal-setting for the Company's annual budget, assessment of the appropriateness of the frequency of board meetings, coupled with a comprehensive review and in-depth discussion of each proposal, the board of directors' communication level with independent directors, verification of directors' avoidance of conflicts of interest, and regular and efficient evaluation of the execution performance by the board of directors, board members, and functional committees.
3. **Board composition:** Professionalism and independence of each director, professionalism and independence of each independent director, and whether the board of directors has established appropriate and sufficient functional committees.
4. **Election and continuous training:** The rigor, transparency, and diversity in director selection, and whether directors have pursued diverse courses beyond their respective professional capacities for further development.
5. **Internal control:** The effectiveness of the decision-making process and board's oversight of the management, various internal control systems, and risk management.

Functional Committee Self-evaluation

1. **Involvement in company operations:** Whether each functional committee holds regular meetings, the actual attendance of committee members at committee meetings, and the effectiveness of their contributions.
2. **Responsibility awareness:** Whether the scope of authority is clearly defined and appropriate, and whether the functional committee can accurately evaluate and supervise various risks that exist or may exist in the Company, and provide professional and objective suggestions for the board's decision-making reference.
3. **Improving decision/resolution quality:** Whether the Company has provided comprehensive, timely and high-quality information to enable the functional committee to effectively fulfill its responsibilities and whether the functional committee has genuinely avoided conflicts of interest, and whether it has appropriately executed and followed up on its decisions.
4. **Composition and member selection of functional committees:** Professionalism and independence of each functional committee member.
5. **Internal control:** For the Audit Committee, assess its effectiveness in evaluating and supervising various internal control systems and risk management, whether the internal control systems it approved comprehensively encompass the five key elements/principles, as well as the committee's understanding and supervision of the Company's accounting system, financial condition, financial reports, audit reports, and their tracking situation.

Directors' Further Education

In 2022, all 11 directors met the requirement of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."

Total No. of Education Sessions **31 sessions**
Total No. of Education Hours **93 hours**

List of Lotus Directors' Further Education in 2022

Organizer	Training Title	No. of Training Hours	No. of Participants
Taiwan Corporate Governance Association	Obligations and Responsibilities of Companies and Directors under the Securities and Exchange Act	3.0	11
Taiwan Corporate Governance Association	Corporate Governance and Securities-related Regulations	3.0	11
Corporate Operating and Sustainable Development Association	Case Analysis of Material Corporate Information Disclosure and Director Responsibility	3.0	1
Corporate Operating and Sustainable Development Association	Practices and Case Studies of Corporate Governance, Board of Directors, and Remuneration Committees	3.0	2
Corporate Operating and Sustainable Development Association	Legal Effectiveness between Directors and the Company	3.0	1
Corporate Operating and Sustainable Development Association	Introduction to the New Development of Taiwan's Corporate Governance Roadmap 3.0	3.0	1
Securities and Futures Institute	Insider Trading-related Legal Compliance Guidance	3.0	2
Taiwan Stock Exchange Corporation	2022 Cathay Sustainable Finance and Climate Change Forum	3.0	2

Functional Committee Operations

Sustainable Development Planning

Lotus plans to establish a sustainable development-related functional committee within the board of directors in the future. The committee will be responsible for studying and formulating the Company's goals and strategies related to sustainable development, overseeing the execution process and results across departments, and regularly submitting reports to the board of directors.

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 Audit Committee members possess professional capabilities, including industry knowledge, accounting, and financial analysis.

Responsibilities The responsibilities of the Audit Committee encompass a range of areas, including financial statements, audits, internal control system, acquisition or disposal of significant assets or derivative transactions, significant capital loans and endorsements or guarantees, raising or issuing securities, compliance with relevant laws and regulations, transactions between managers and directors with related parties and potential conflicts of interest, fraud investigation reports, company risk management, appointment, dismissal, or certifying CPAs, as well as the appointment and dismissal of finance, accounting, or internal audit supervisors.

In 2022, a total of 10 meetings were conducted, and the actual attendance rate was 100%.

List of Audit Committee Members' Attendance Status

Position Title	Name	No. of Times of Actual Attendance	No. of Times of Proxy Attendance	Actual Attendance Rate (%)
Independent Director	Hjorleifur Palsson	10	0	100
Independent Director	Benjamin Ku	10	0	100
Independent Director	Han-Fei Lin	10	0	100

Remuneration Committee

Structure design In order to enhance the salary and compensation system for board members and managers, ensure the effectiveness of directors and managers in economic, environmental, and social aspects, and ensure that their individual remuneration aligns with the principle of fairness, a Remuneration Committee was established within the board on September 29, 2014, consisting of three committee members.

Professionalism The Remuneration Committee members possess professional capabilities, including industry knowledge, accounting and financial analysis.

Responsibilities The responsibilities of the Remuneration Committee encompass strictly adhering to the duty of care of good administrator, faithfully fulfilling their duties and rights, and presenting recommendations related to the compensation of directors and managers to the board for discussion.

In 2022, a total of 3 meetings were conducted, and the actual attendance rate was 100%.

List of Remuneration Committee Members' Attendance Status

Position Title	Name	No. of Times of Actual Attendance	No. of Times of Proxy Attendance	Actual Attendance Rate (%)
Independent Director	Hjorleifur Palsson	3	0	100
Independent Director	Benjamin Ku	3	0	100
Independent Director	Han-Fei Lin	3	0	100

Remuneration policy for senior management

Remuneration policy for directors

According to the Company's articles of association, the remuneration of all directors of Lotus, including the remuneration 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 managers

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 salary of the managers consists of fixed and variable remuneration. The variable salary accounts for approximately 30% to 40% of an individual's annual salary. Therefore, the Company considers the contribution of specific managers to the Company's operations, as well as the sustainable development and future operational risks of the Company in accordance with the "Performance Evaluation Guideline". After evaluating the annual performance of managers, the remuneration is distributed according to the evaluation results of each senior manager.



Aspects 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 major goals of future mid to long term strategies, such as the achievement of major strategic goals of product roadmap, digital transformation and sustainable commitment.

Sustainability and internal control indicators

Emphasis on sustainable commitments, integrity in operations, 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 safety and health.

Senior management remuneration ratio

Total senior management remuneration

The total amount of various remuneration paid to senior managers by Lotus in 2022 accounts for 5.02% of the net profit after tax, with a total amount of NT\$151,597 thousand..

Compared with the total remuneration of NT\$123,944 thousand paid to senior managers by Lotus in 2021, although the amount of the remuneration increased by NT\$27,653 thousand, the ratio of it to net profit after tax actually decreased by 3.81%.

Ratio of CEO’s remuneration to employee compensation in 2022

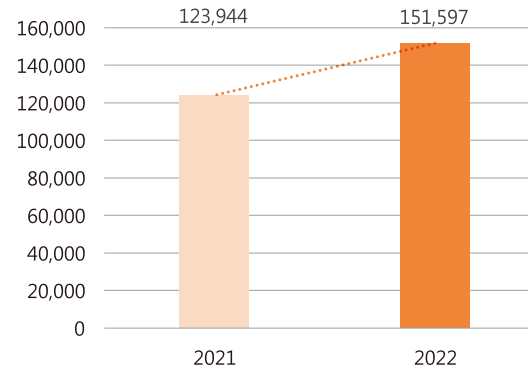
Item	Performance
Average employee (excluding the highest paid one) remuneration	NT\$1,257,536
Median employee (excluding the highest paid one) remuneration	NT\$1,236,058
CEO’s total annual remuneration	NT\$52,302,460 (note 1)
Ratio of CEO’s remuneration to average employee remuneration	2.40% (note 2)
Ratio of CEO’s remuneration to median employee remuneration	2.36% (note 3)

Note 1: The total remuneration of the CEO for 2022 is the sum of the salary, bonus, special expense, and employee remuneration amounts.

Note 2: The ratio between the CEO’s remuneration and the average remuneration of employees is the average remuneration of employees (excluding the one with the highest average salary) /the CEO’s annual total remuneration.

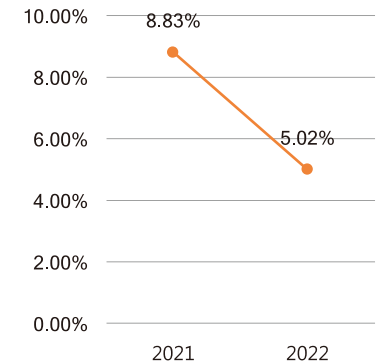
Note 3: The ratio between the CEO’s remuneration and the medium remuneration of employees is the medium remuneration of employees (excluding the one with the highest salary) /the CEO’s annual total remuneration.

Total senior management remuneration



* Unit: NT\$ thousand

Ratio of total senior management remuneration to net profit after tax,



Policy and Implementation of Ethical Operations

Ethical Corporate Governance-related Standards Adopted by the Board

In order to deepen the corporate culture of integrity and establish a framework for sound business operations, Lotus' board of directors has approved a series of internal regulations for adherence by the legal entity, directors, executives, and all employees of the Company. These standards include "Corporate Governance Best Practice Principles," "Code of Business Conduct and Ethics," "Procedures for Code of Business Conduct and Ethics," "Human Rights Policy," "Prevention, Correction, Grievance and Punishment of Sexual Harassment at Workplace," "Procedures for Handling Material Inside Information and Prevention from Insider Trading," and "Procurement Operation Management."

Specific Businesses shall be Approved by the Board

According to the "Procedures for Loaning of Funds and Making of 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 responsible departments, and approved by the board of directors before implementation.

Regular Reports of the Audit Office to the Board

Lotus has established an Audit Office and implemented an internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies." The Audit Office submits audit reports to the Audit Committee and the board of directors on a regular basis, to ensure that all aspects of the business operations comply with regulatory requirements

System
Strategy

Respect Human Rights

Lotus adheres to both international and domestic norms, having established “Human Rights Policies” aimed at safeguarding the fundamental human rights of our employees with a commitment to create a friendly environment for all.

- Adherence to Universal Human Rights Standards: Lotus is dedicated to upholding international human rights standards and complies with key documents such as the “Universal Declaration of Human Rights,” the “International Covenant on Civil and Political Rights,” the “Covenant on Economic, Social and Cultural Rights,” and the “International Labour Organization Declaration on Fundamental Principles and Rights at Work.”
- Promoting Workplace Human Rights: Lotus actively implement diversity initiatives, ensuring a workplace free from any form of unfair treatment or discrimination based on gender, race, nationality, social class, age, marital status, language, religion, political affiliation or place of birth. Our goal is to establish a dignified, equal and harassment-free work environment.
- Prohibition of Forced Labor: Lotus prohibits the use or engagement in all forms of forced labor, slavery, and human trafficking activities.
- Prohibition of Child Labor: Lotus prohibits the employment of workers below the minimum age stipulated by applicable statutes.
- Ensuring a Safe and Healthy Workplace: Lotus is committed to providing a safe and healthy workplace and complies with all relevant laws and regulations, as well as internal requirements.
- Working hours, Wages and Benefits: Lotus is dedicated to providing employees with competitive compensation compared with industry standards and local labor market rates. We ensure compliance with all relevant labor laws pertaining to wages, working hours, overtime, and benefits.



**Lotus'
Commitment**

Prevention of Sexual Harassment in Workplace

According to the “Act of Gender Equality in Employment” and the “Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace,” Lotus established the “Prevention, Correction, Grievance and Punishment of Sexual Harassment at Workplace” in 2005, and has revised this policy twice in recent years to ensure its ongoing effectiveness.

Sexual Harassment Prevention Declaration

1. Prevent departmental or direct supervisors from sexually harassing employees or job seekers, or tolerating others’ sexual harassment of employees or job seekers.
2. Prevent employees from sexually harassing colleagues.
3. Prevent departmental or direct supervisors from improper handling of the two situations above.
4. Prevent employees from experiencing sexual harassment while performing their duties in workplaces not under the control and management of Lotus.

Complaint Channels and Handling Process

- Employees may file complaint with the Human Resources Department, and the Company provides a dedicated phone line and email for complaints. Complaint cases will be handled in a confidential manner by the Sexual Harassment Complaint Handling Committee.
- The composition of the committee takes into account conflicts of interest and gender balance.

Recusal from Conflicts of Interest

Management personnel’s non-compete obligation.

Lotus adheres to Article 32 of the Company Act, prohibiting management personnel from engaging in activities conflicting with the Company’s interests. Non-compete restrictions for specific managers may be subject to the approval of the board of directors.



Prohibition of Unfair Competition

Participate in market competition in a reasonable manner.

Lotus adheres to the provisions of the "Fair Trade Act," ensuring it refrains from employing unfair methods to directly or indirectly obstruct others from participating in competition, avoids improper pricing of goods or services, refrains from showing undue favoritism to specific trading counterparties without justifiable reasons, and abstains from any other form of market position abuse.

Prohibition of Offering or Accepting Improper Benefits

Lotus prohibits its personnel from offering or accepting improper benefits in accordance with the "Procedures for Code of Business Conduct and Ethics," and actively prevents corrupt practices through training and the establishment of a complaint mechanism.

Scope of Regulated Personnel

- The regulation is applicable to 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, managerial officers, employees, appointees, and persons having substantial control of the regulated entities.

Prohibited Conduct

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 for purposes of acquiring or maintaining benefits.

Scope of Counterparty of Unethical Conduct

- Public officials, political candidates, political parties or their staffs.
- Any public or private enterprise or institution and their directors or committee members, managerial officers, employees, persons having substantial control, or other interested parties.

Prohibition of Insider Trading

Lotus manages material information in accordance with its "Procedures for Handling Material Inside Information and Prevention from Insider Trading."

Lotus adheres to all relevant laws, regulations, and rules promulgated by the Taiwan Stock Exchange Corporation, maintaining a robust mechanism for processing and disclosing material information in accordance with the internal regulation. A Stock Affairs Unit is designated to handle material inside information to avoid improper information disclosures, prevent from insider trading, and ensure the consistency and accuracy of information released by the Company to the public.

Taking Moral and Ethics as the Business Principle

According to Lotus' "Code of Business Conduct and Ethics," the Company's purpose, vision, values and code of conduct are founded on moral and ethical principles, guiding all its business activities.

- Comply with laws, rules and regulations.
- Promote a culture of integrity, respect and trust in the workplace.
- Maintain product quality, safety and integrity, as well as supporting the environment, health, and safety.
- Promote the Company's products truthfully and maintain positive interactions with healthcare professionals.
- Act responsibly in the use of Lotus' assets.
- Ensure the integrity of Lotus' books and records.
- Safeguard Lotus' confidential information and individuals' personal information.
- Prevent conflicts of interest.
- Comply with international trade laws.
- Prohibit insider trading.
- Act with integrity and ethically in all business dealings.

List of Ethical Corporate Governance-related Standards of Lotus

Standard Name	Scope of Applicability	Link	Policy Summary
Corporate Governance Best Practice Principles	Lotus Pharmaceutical	https://www.lotuspharm.com.tw/investors/corporate-governance	The Company shall comply with relevant laws and regulations, and construct an effective corporate governance framework based on 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.
Code of Business Conduct and Ethics	All employees, third-party consultants, contractors, vendors and suppliers of Lotus.	-	The Company's purpose, vision, values and code of conduct are rooted in moral and ethical principles. This includes a strict commitment to legal compliance, the creation of a culture of ethics and friendliness in the workplace, the maintenance of product quality and support for sustainable development, the honesty and positive attitudes when carrying out the Company's product promotion business, responsible use of the Company's assets, safeguarding the integrity of financial information and the security of business confidentiality and personal data, avoiding conflicts of interests, compliance with international trade laws, prohibition of insider trading, and adherence to the principle of morality and ethics in all business activities.
Procedures for Code of Business 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, managerial officers, employees, appointees, and persons having substantial control of the regulated entities.	-	Any regulated personnel, in the course of any regulated personnel's duties, directly or indirectly provides, accepts, promises, or requests improper benefits or commit a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.
Human Rights Policy	Lotus Pharmaceutical and its affiliates. The term "affiliated companies" refers to companies in which Lotus directly or indirectly invests more than 50% of its legally authorized capital and legal entities over which Lotus exercises substantive control.	https://www.lotuspharm.com.tw/investors/corporate-governance	Lotus is committed to compliance with international human rights standards, respecting human rights in the workplace, prohibiting forced labor and child labor, maintaining a safe and healthy work environment, and ensuring that working hours, wages, and benefits meet or exceed regulatory requirements.
Prevention, Correction, Grievance and Punishment of Sexual Harassment at Workplace	All employees of Lotus.	https://www.lotuspharm.com.tw/investors/corporate-governance	To prevent employees from experiencing sexual harassment, the Company shall proactively address and control relevant situations, establish complaint channels and handling systems, and provide relevant information and knowledge.
Procedures for Handling Material Inside Information and Prevention from Insider Trading	Directors, managerial officers and all employees of Lotus.	https://www.lotuspharm.com.tw/investors/corporate-governance	The Company shall establish an effective mechanism for processing and disclosing material information, avoid improper information disclosures, prevent insider trading, and ensure the consistency and accuracy of information released by the Company to the public.
Procurement Operation Management	Domestic and cross-national procurement operations through the Company's requisition process.	https://www.lotuspharm.com.tw/investors/corporate-governance	The Company's finance and accounting department, the supply chain production planning unit of the procurement department and the demand or user department, the legal department responsible for reviewing and safeguarding procurement contracts, the procurement unit and demand unit under the procurement department, and the quality management department shall all carry out their respective responsibilities in accordance with specific operating procedures to enhance the efficiency of the Company in purchase requests, price inquiries, price negotiation, purchasing, acceptance, and payment.

Training

Conduct training in accordance with the “Employee Handbook” and the “Code of Conduct for In-service Training.”

New Employees

- New employees are obligated to undergo guidance based on the “Code of Business Conduct and Ethics” and “Procedures for Code of Business Conduct and Ethics” on the Company’s training course platform within a specified timeframe upon their arrival. They are required to read the relevant standards and undergo tests to ensure a comprehensive understanding of the content.
- All new employees must sign agreements regarding ethics, integrity, and confidentiality. Additionally, they are required to undergo training on sexual harassment prevention.

In-service Employees

- Lotus conducts regular and irregular training sessions for employees to promote the Company’s human rights policies, sexual harassment prevention and complaint mechanism, and ethical business conducts.
- In 2022, Lotus conducted three training sessions in Taiwan covering human rights policies, sexual harassment prevention and complaint mechanism. The sessions had a total of 452 participants and 226 hours. Additionally, a single 30-minute session was dedicated specifically to ethical business conducts, with a total of 397 employees completing the training to prevent corrupt conducts. Notably, there were no incidents resulting in sanctions or penalties for improper interests in 2022.

Action
Implementation

Conduct preventive education in accordance with the “Procedures for Handling Material Inside Information and Prevention from Insider Trading.”

Lotus shall offer guidance on insider trading prevention to new directors, managerial officers, or employees and provide relevant guidance to directors, managerial officers, and employees at least once a year.

Policy Communication

Preventive education against marketing practices that violate the principles of morality and ethics.

The Company’s management and employees adhere to the principles of morality and ethics. We not only strive to integrate the drug quality management policy into daily operations but also consider honest promotion as a core requirement in formulating and executing product and marketing strategies. Despite these efforts, internal and external inspections have revealed some shortcomings requiring improvement. In 2022, one penalty case related to advertising procedures and content emerged, violating paragraph 1, Article 66 of the “Pharmaceutical Affairs Act” and paragraph 1, Article 28 of the “Act Governing Food Safety and Sanitation.” Upon receiving the notice, the Company promptly paid the fine and proactively proposed improvement actions. The Legal Affairs Department and the Human Resources Department jointly conducted advertising-related training for the Marketing Department, emphasizing relevant regulatory requirements to prevent a recurrence of similar situations.

Preventive education against business practices that may constitute unfair competition.

The Company upholds the principle of participating in and promoting fair competition in the market as a fundamental business principle. It strictly adheres to the regulatory requirements outlined in the “Fair Trade Act” to prevent involvement in unfair competition. No instances of engaging in unfair competition were found in 2022. However, in 2021, the licensing agreement between the Company and TTY Biopharm Company Limited for “Lotus’ Recovery Capsules” for colorectal cancer medication was considered a joint action by the Fair-Trade Council. Although the Company promptly paid the fine upon receiving the notice that year, we assert that the mentioned business activity complied with regulatory requirements and have pursued legal remedies to safeguard our rights and interests. Additionally, the Company plans to organize training sessions on fair competition in the future to promote awareness of relevant regulatory requirements.

Supplier Management

Ensure suppliers' compliance with integrity through the "Procedures for Code of Business Conduct and Ethics."

- Prior to establishing a business relationship, Lotus shall evaluate the legality of agents, suppliers, customers, or other business partners to ensure the fairness and transparency of their operations.
- In practice, Lotus mandates all suppliers to adhere to Lotus' "Procurement Operation Management." The Legal Affairs Department reviews contracts, and the Procurement Department incorporates provisions for ethical behavior into formal business contracts. This ensures that suppliers align with our ethical standards.
- Suppliers with a history of unethical behavior will undergo special evaluation, and trading will be rejected if any unethical behavior is confirmed.



Accounting System

Ensure the accuracy and transparency of financial information.

Lotus maintains an accounting system with dedicated finance and accounting units. All financial statements undergo auditing or review by certifying CPAs in compliance with regulations and are subsequently disclosed in accordance with regulatory requirements.

Whistleblowing System

Complaint and whistleblowing channels are provided in accordance with the "Procedures for Code of Business Conduct and Ethics."

- The Company promotes a proactive approach among employees to report relevant situations to their supervisors or the auditing unit.
- The severity of the situation will determine the escalation of the complaint by the superior or audit supervisor.
- The whistleblower's identity and the content of the report are maintained in confidence throughout the process, ensuring that the whistleblower is safeguarded against any improper treatment arising from their disclosure.

Internal Control System

Basis for the Establishment

In adherence to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the board of directors of Lotus approved the "Procedures for Code of Business Conduct and Ethics." Following this procedural rule, the Company is mandated to establish an internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies." Consequently, Lotus established the Audit Office.

System Design and Revision

The Audit Office is tasked with the design, establishment, and implementation of relevant internal control systems, guided by the assessment of the overall operational activities of the Company and its subsidiaries. The Audit Office consistently reviews and regularly inspects these systems to adapt to changes in the Company's internal and external environment. The Audit Office also holds the responsibility of revising the design and implementation of the systems to ensure their continued effectiveness. The establishment or amendments to internal control systems necessitate approved from the Audit Committee and the board of directors.

Regular Assessment and Reporting

The Audit Office is tasked with executing the annual internal audit plan, which is structured upon risk assessment. The Audit Office consistently provides regular reports to the board of directors. In the routine reporting, the Audit Office is obligated to submit audit reports to the Audit Committee and the board of directors on a quarterly basis, focusing on compliance and improvement related to ethical business conduct. Concurrently, the Audit Committee and the board of directors shall conduct regular assessments on the effectiveness of the internal control system.

Participation in Public Associations

In order to grasp the industry trends in drug R&D, manufacturing and marketing, follow the latest developments in the biotechnology and medical industry, and comply with the latest laws and regulations of the government, Lotus increases positive exchanges and interactions with peers and academic research units, and actively participates in major associations related to the pharmaceutical industry.

Taiwan Parenteral Drug Association (PDA)

Taiwan Pharmaceutical Manufacturer's Association (TPMA)

Taipei Pharmaceutical Business Association Taipei Pharmaceutical Agents and Distributors Association (TPADA)

Taiwan Bio Industry Organization

Taiwan Pharmaceutical Manufacture and Development Association (CPMDA)

Taiwan Pharmaceutical Marketing & Management Association (TPMMA)

Institute for Biotechnology and Medicine Industry (IBMI)

Taiwan Generic Pharmaceutical Association

The Pharmaceutical Society of Taiwan

Taipei Biotech Association



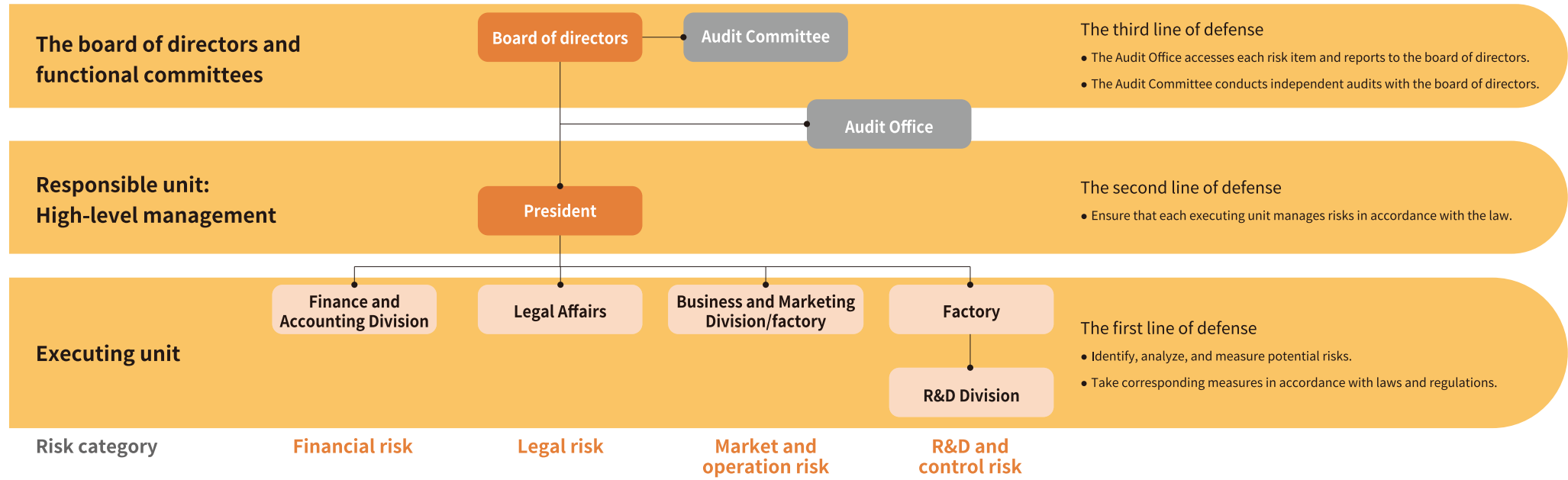
2-2 Risk Management and Internal Control

Lotus constructs an organizational structure for risk management with its internal control system, and the Audit Office is responsible for strictly auditing the execution of risk management duties by the risk management implementing unit and the responsible unit.

In terms of structure, there are the four major risk categories of finance, law, market and operations, and R&D control. Different executing units are responsible for the first-line risk management and take corresponding measures according to laws and regulations after execution and analysis and measurement of potential risks. The second line of defense is the supervision by the President of the high-level management to ensure the execution of duties by each executing unit. Finally, a report will be submitted to the board of directors after the audit of various risk items by the Audit Office, and the Audit Committee will conduct independent audits with the board of directors. This is the third line of defense.



Risk Management Organization Chart



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 which mainly produce generic drugs with expired patents, and the price competition is fierce among each other. Taiwan's national health insurance system adjusts drug prices, causing price pressure on the domestic pharmaceutical industry. Imported Products Enhanced Their Competitiveness After Joining the WTO 	<ul style="list-style-type: none"> Focus on the specialized drug market with competitive advantages and the global export product layout, enhance the domestic sales performance of existing licensed drugs and products already on the market, consolidate the fundamental performance, and maximize cash inflows, in order to back up the Company's long-term growth momentum and lay a solid foundation of financial support. Import potential products through the global resource network of strategic partnerships, and search for original or generic drug product lines internationally 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 will be committed to strengthening the screening of newly developed products, concentrate resources on product development with the best return rate, actively improve R&D project management, improve the R&D success rate, shorten the R&D process, and aim for the first to file and first to market of important generic drugs, in order to achieve the maximum 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 low-priced raw materials. Establish a second supplier system to diversify 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 negotiating borrowing conditions with banks and use other methods of obtaining capital that may reduce interest expenses in the future. The recognized exchange benefits of the Company in past years have been lower than 1% of the annual operating income, so there is currently no significant impact of exchange rate fluctuations. If necessary, foreign exchange forwards or options will be used in the future 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 case of insufficient power supply, some uncontrollable factors such as safety maintenance, machinery failures and natural disasters may cause power rationing issues, which may affect the risk of PIC/S GMP. 	<ul style="list-style-type: none"> Unload whenever 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 principle of the recycler. The rest will be handled by the clearing agent who has signed a cooperation contract.
	Toxic substance leakage	<ul style="list-style-type: none"> Risk of leakage of highly toxic substances during pharmaceutical processing. 	<ul style="list-style-type: none"> Establish and drill emergency response procedures.

Remedies for Negative Impacts

(if there is no impact, mark “-”)

Stakeholders	Important Issues/Related Impacts	Company responsibility	Communication and response measures	Impact compensation results in 2022
Government agencies	<ul style="list-style-type: none"> Legal Compliance Business Performance Corporate governance and ethical corporate management Drug quality and safety Deficiencies in factory inspection Drug accessibility Waste water and wastes Natural resource management Human resources development Workplace environmental health and safety Information security 	<ul style="list-style-type: none"> The business operations of each department should comply with the latest legal norms and revisions of the competent authority. 	<ul style="list-style-type: none"> All departments should pay attention to the updates of their business-related legal norms. If the Company is punished for non-compliance with laws and regulations, the Investor Relations Office will inform the Legal Affairs Department upon receiving the official document and report the relevant situation to the Corporate Governance Director, who will request relevant departments to make improvements. Use official letters as the basic communication channel with government agencies. Establish an information security team to set up information security and privacy protection mechanisms. 	Actively cooperating with regulatory authorities in investigating and addressing any instances of non-compliance and implementing improvements.
Shareholders/ investors	<ul style="list-style-type: none"> Business Performance Legal Compliance Corporate governance and ethical corporate management 	<ul style="list-style-type: none"> Comply with the latest legal norms and revisions of the competent authority, and promptly respond and adjust the form and content of company information disclosure. Provide timely and accurate company information to ensure that investment information is publicly disclosed. Adopt stable financial and operational strategies to maintain the Company's credit and operating performance. 	<ul style="list-style-type: none"> Established the Investor Relations Office, with the Investor Relations Director serving as the liaison. Hold general shareholders' meetings. Periodically hold briefings to institutional investors. Announce quarterly financial statements on the company website and provide briefing and video materials for the quarterly online briefing to institutional investors. Promote insider trading prevention for newly appointed directors, managers or employees, and regularly provide guidance on insider trading prevention for directors, managers and employees at least once a year. Announce material information on the Market Observation Post System according to laws and regulations. Publish on the company website the email addresses info@lotuspharm.com and the contact number (02) 2700-5908. 	-
Employees	<ul style="list-style-type: none"> Workplace Environmental Health and Safety Talent cultivation 	<ul style="list-style-type: none"> Comply with the latest legal norms and revisions of the competent authorities, while respecting international human rights conventions, ensuring the rights enjoyed by workers in accordance with the law, and preventing situations such as unfair treatment or discrimination. 	<ul style="list-style-type: none"> Provide a vacation system that is superior to the Labor Standards Act and emphasize the work-life balance of employees. Provide employee benefits such as lunch, regular free health checks, employee travel subsidy, group insurance, various bonuses, company product purchases, childcare subsidy, departmental meal subsidy and three-festival gifts. 	-

Remedies for Negative Impacts

(if there is no impact, mark “-”)

Stakeholders	Important Issues/Related Impacts	Company responsibility	Communication and response measures	Impact compensation results in 2022
Employees	<ul style="list-style-type: none"> Attraction of diversified talents Violation of human rights at workplace Diversity and equal opportunities for employees Labor-management relationship 	<ul style="list-style-type: none"> Protect the rights of disadvantaged groups such as women and people with physical or mental disabilities, and create a diverse, equal and fair competition workplace. Prevent sexual harassment in the workplace. Provide sufficient training and on-the-job training resources. Establish transparent and immediate communication channels between labor and management and pursue good interactive labor relations. 	<ul style="list-style-type: none"> Publish new measures or welfare items and methods on the HR bulletin, and internal and cloud corporate websites. Conduct training for new employees, provide irregular training for in-service employees, and provide various e-learning resources. Full occupational training promoted by Engineering Affair and EHS Departments. Communicate with employees on job responsibilities through departmental meetings. Use a performance goal setting and evaluation system to ensure consistency between both parties' goals and communicate performance and related expectations and outcomes through face-to-face discussions on performance. Elect labor representatives and hold labor meetings. Conduct employee satisfaction surveys. Hold two-way communication meetings and townhalls. Establish a compensation committee under the board of directors. Set up a dedicated mailbox for sexual harassment prevention: MyHR@lotuspharm.com and contact number: (049)2250611#2543. 	-
Customers	<ul style="list-style-type: none"> Legal Compliance Customer health and safety Products, services and customer relationships Fairness of drug use and reasonable pricing 	<ul style="list-style-type: none"> Comply with the latest legal norms and revisions of the competent authorities to ensure the quality and safety of products. Provide high-quality products and services to enhance customer satisfaction. Comply with the requirements of the "Fair Trade Act" and ensure that the Company does not create unequal treatment due to price setting. 	<ul style="list-style-type: none"> Ensure the quality and safety of products by establishing a comprehensive quality management system, monitoring the production process, and using standardized raw materials and production equipment, thereby maintaining customer health and safety. Actively block fraudulent medicine. Irregularly participate in exhibitions. Irregularly hold seminars and explanation sessions. Drug Safety Monitoring and Reporting Establishing a customer service unit. Conduct customer satisfaction surveys. Customers may provide feedback through phone calls to business personnel. 	-
Suppliers and business partners	<ul style="list-style-type: none"> Supplier Sustainable Development 	<ul style="list-style-type: none"> Ensure that suppliers comply with all quality and ESG related requirements. 	<ul style="list-style-type: none"> Establish a supplier selection system. Develop and implement an annual supplier management plan. Regularly and irregularly communicate with suppliers in various types of meetings. Suppliers can provide feedback through the email address info@lotuspharm.com. 	-

System design

The Audit Office of Lotus is an independent unit under the board of directors, which is responsible for the inspection, evaluation and consulting of internal control, assists the board of directors and managers in inspecting and verifying the company's internal control system and issues auditing reports with the report content being reliable and real-time, and assists each audited unit in improving its compliance with relevant laws and regulations, in order to promote corporate governance and improve operating performance.

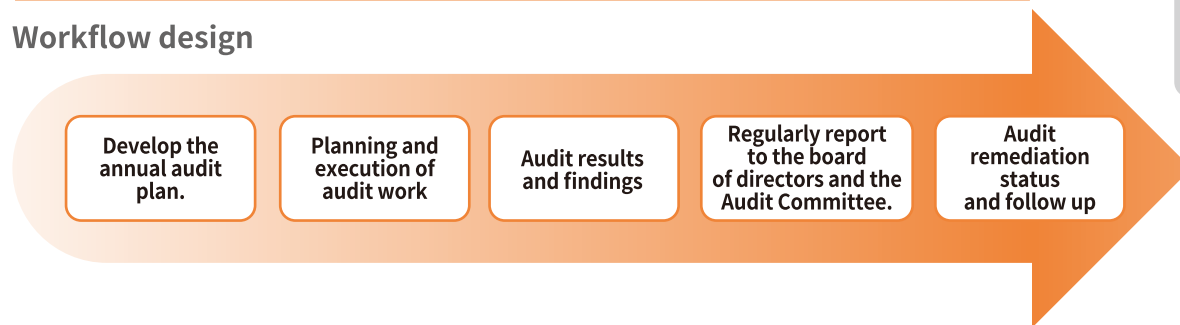
Responsibilities

According to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" released by the FSC, Lotus has established an internal control system based on the operational model for the biotechnology pharmaceutical industry, and set nine types of operating cycles and other management tasks, including the sales and collection cycle, procurement and payment cycle, production cycle, payroll cycle, financing cycle, property, plant and equipment cycle, investment cycle, R&D cycle and electronic computer processing cycle.

The Audit Office formulates an annual audit plan based on the risk assessment results every year, and after careful review by the Audit Committee, it is submitted to the board of directors to inspect and evaluate the internal control situation and promptly give suggestions and assist in effective improvements.

The Audit Office checks the self-evaluation report of each unit and subsidiary of the Company according to regulations every year, and submits the reports to the board of directors together with the aforementioned internal audit results and improvement situation, in order to evaluate the effectiveness of the overall internal control system and serve as a basis for issuing a detailed internal control declaration.

Workflow design



Personnel Qualification

The Audit Office is functioning with internal audit supervisor and specialist; all the employees in the Audit Office have appropriate qualifications as required by the FSC, and continuously participate in the internal audit professional courses every year.



2022 audit results

In the year 2022, the audit conducted a total of 36 audit projects, with no significant non-compliance issues identified. Minor non-compliance issues have been actively addressed, and further improvement plans are currently being implemented in conjunction with the migration of the new ERP system.

Execution	Special audit projects.	36
Findings	Material non-conformance items	0

List of Audit Office's Audit Items

Audit item	Audit object	Item content
Sales and collection cycle	Business, customer service, finance and accounting, quality audit, etc.	Sales forecast, customer management, sales price setting and quotation verification, sales, salesperson management, accounts receivable and collection management, sales return and discount processing, customer complaint handling, personnel incentive bonus management and export operations.
Procurement and payment cycle	Procurement, finance and accounting, factory technology, etc	Purchase operations, supplier management, procurement operations, import and export operations, acceptance and return operations, Accounts payable operations, payment operations, distributor and promoter management, and outsourcing management.
Production cycle	Supply chain and manufacturing related departments, quality audits, etc	Demand planning, capacity & production planning, BOM management, manufacturing, quality operations, warehouse control operations, production cost operations, and variance analysis.
Payroll cycle	Human resources	Human resource planning, recruitment and selection, appointment, education and training, evaluation, attendance, welfare, salary, reward and punishment and personnel change.
Financing cycle	Finance and accounting	Shareholders' equity operations, stock affairs operations, corporate bonds operations, borrowing, cashier cash receipts and payments, petty cash, accounting processing, financial statement verification and accounting data storage.
Property, plant and equipment cycle	Finance and accounting	Acquisition, inventory, change, disposal, repair of property, plant and equipment, as well as their leasing, lending, leasing, mortgage, insurance and impairment operations.
Investment cycle	Finance and accounting	Investment evaluation, investment acquisition, investment custody, inventory and mortgage operations, recognition and accounting of investment gains and losses, investment effectiveness evaluation, investment disposal and derivative product trading.
R&D cycle	R&D, legal norms and legal affairs	R&D project management, technical development, drug certificate management and intellectual property right management.
Electronic computer processing cycle	Information technology	Division of functions and responsibilities of the Information Department, preparation of system document control, program modification, system development and program modification and control, program and data storage and management, data output and input management, data processing control, system restoration original plan and restoration test control, security control of files and equipment, hardware and system software procurement control, cyber security inspection control, and filing of public information on the designated website of the competent authority.
Other administrative matters	Human resources, finance and accounting, investor relationship management and legal affairs	Seal management, bill management, budgeting, property management, endorsements and guarantees, liability commitment and contingency management, job authorization deputy system, management of loans to others, financial and non-financial information management, related party transaction management, financial statement preparation process management, supervision and management of subsidiaries, management of board operations, material internal information processing and prevention of insider trading, management of the operations of the Compensation Committee, management of the application of international accounting standards, management of the operations of the Audit Committee, and contract management.

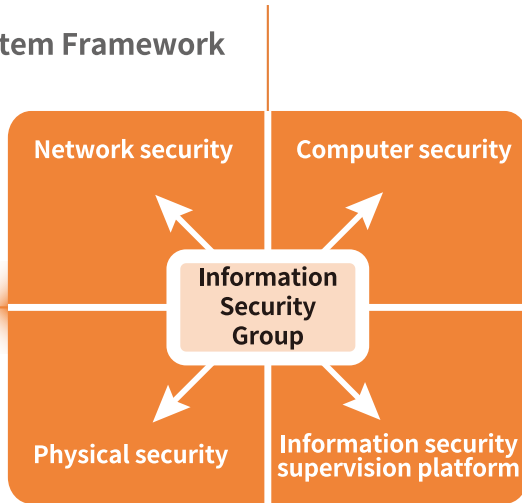
2-3 Information Security and Privacy Protection

Information Security Organization Chart

The Company has established an Information Security Group dedicated to information security, with the CIO concurrently serving as the Chief Information Security Officer. It is the highest responsible unit with one information security engineer. The system framework of the Information Security Group consists of four major parts: network security, computer security, physical security, and information security supervision platform. The responsibilities of the Information Security Group include formulating relevant policies and measures, establishing and maintaining systems, regularly testing the systems, holding training and drills, and handling information security incidents. For example, Lotus holds a phishing letter drill every quarter to check and train employees' sensitivity to financial security protection.

Composition of System Framework

- 1. Firewall installation
- 2. Network segmentation
- 3. Network segment access control
- 4. VPN access control



- 1. CCTV
- 2. Access system
- 3. Computer room security control system

- 1. Deploy antivirus software.
- 2. Forcibly disable USB access.
- 3. Prohibit general users' self-installation of software.
- 4. Multiple account verification.
- 5. Mandatory passwords change periodically.

The other three major systems' settings and records are consolidated for further analysis on this platform and improvement of information security vulnerabilities.



Composition

Chief Information Security Officer

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

Information Security Engineer

The member is one information security engineer.

Responsibilities

- 1 Develop information security policies and standard operating procedures
- 2 Establish and maintain the corporate information security system
- 3 Regular penetration testing and improvement of information security vulnerabilities
- 4 Hold information security training and drills
- 5 Notify and handle emergency information security incidents

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 system information account access rights and system changes are authorized and processed in accordance with the Company's prescribed procedures.
- 3 Implement the destruction process, and scrapped computer storage media should be destroyed to avoid accidental leakage of data.
- 4 Monitor the security status and activity records of information systems, and effectively grasp and handle information security incidents.
- 5 Maintain the availability and integrity of data and systems, and normal operations can be resumed in the event of disasters or damage.

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 promotion of cyber security and allocating relevant resources, we consider the cyber security policies and objectives to provide the necessary resources for establishing, implementing, maintaining, and continuously improving the cyber security maintenance plan.

For example, in order to achieve the goals of reducing risk losses caused by business interruption and seeking compensation, the Information Security Group analyzes the degree of internal and external risks based on asset value, weaknesses, threats and impact, and uses the results of this risk assessment to develop security measures and strengthening items to ensure and improve the overall information security environment.

Examples of Specific Measures

The internal systems of the Company are all located on a virtual network. External networks are isolated and cannot directly access them, and multiple network security defense systems have been adopted. The firewall, intrusion prevention connection screening system, and email content security control system located are responsible for filtering network connection content to effectively prevent external network attacks and immediately block malicious software, harmful website connection and spam emails. The hosts and endpoints located internally are deployed with antivirus software on the central console to constantly update virus codes and identify malicious behavior characteristics at any time, and can intercept viruses, ransomware, and folders containing malicious programs in real-time to effectively reduce the risk of being damaged by hacker attacks.

List of Information Security Management Measures

Management Measures	Description
Compliance with cGMP standards	Safety management measures and systems are established according to the cGMP regulations, with regular inspections and verifications from government food and drug management units such as FDA.
Formulation of management measures	The Information Security Management Measures are formulated, mainly including "SOP_02294 Information Management System Security Control Operations" and "SOP_02298 Information Management System Disaster Recovery Plan".
Periodic drills	Phishing letter drills and tests are conducted every quarter.
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 entry. • Other in-service employees are required to receive information security guidance emails every year.
Construction, Maintenance and Operation of Information Security Management System	Including Fortigate firewall, Cisco network switch, Microsoft 365 Security Center, and Veeam for backup.

Information Security Incident Notification and Handling

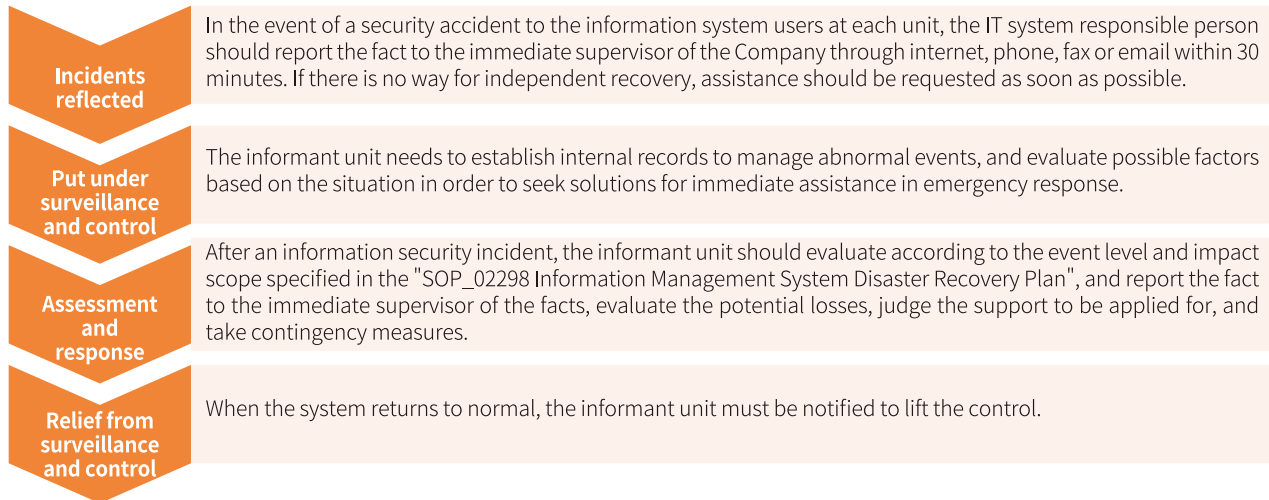
Basis for the measures

In view of the continuous global occurrence of information security threats and attacks, in addition to conducting regular phishing letter drills and maintaining information security management systems, Lotus has established a series of management measures for information security incidents. It has internally formulated the "SOP_02298 Information Management System Disaster Recovery Plan", proposed a process for reporting and managing information security risk incidents, and requested the information unit to assess the level of the incident and develop corresponding contingency measures. There were no incidents related to information security deficiencies at Lotus in 2022, and the Company will continue maintaining information security in the future.

Level of Impacts of Information Security Incidents

- Level A: If the impact on the business exceeds 4 hours and affects the entire company, the highest responsible supervisor of the Company should be notified within 30 minutes, and a company-wide email notification should be issued.
- Level B: If the impact on the business exceeds 4 hours and affects a single department, the highest responsible supervisor of the factory should be notified within 30 minutes, and an email notification should be issued.
- Level C: If it affects the daily operation of IT, the IT highest IT responsible supervisor should be notified within 30 minutes, and an email notification should be issued.

Information Security Incident Risk Notification Procedures



Information Security Incidents from 2020 to 2022

Violation of information security or other network security incidents.	0
Data leakage	0
Customers and employees affected by company data leakage.	0

Legal basis

According to the “Personal Data Protection Act”, Lotus established the “Personal Data Protection Management Measures” in 2013 (SOP number: AD-0011) which covers Lotus and its affiliates with control rights.

**Personal
Data
Protection**

Types of data and management and responsible units

Data nature	Data type	Responsible unit for case management
General case	HR data	Human Resources Department
Specific purpose	Personal data from clinical trials	Clinical Trial Department
Others	Personal Data Related to Litigation in Court/Government Agency Proceedings	Legal Affairs Department

There were no complaints or related cases of personal data protection in 2022.

Personal data leakage	0
Personal data theft	0
Personal data loss	0
Others	0



2-4 Supplier Sustainability Management

Supplier management and audit

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

The Company has implemented the cGMP system for many years, and has long responded to government policies and international trends by implementing PIC/S GMP standards. In addition, the Company keeps carrying out multiple vertical integration plans from cooperation with upstream raw material factories to cooperation with downstream distributors, and there have been successful experience and cases. The Company also has a preliminary supplier management plan and implements it in the entire process of managing suppliers from planning to delivery.

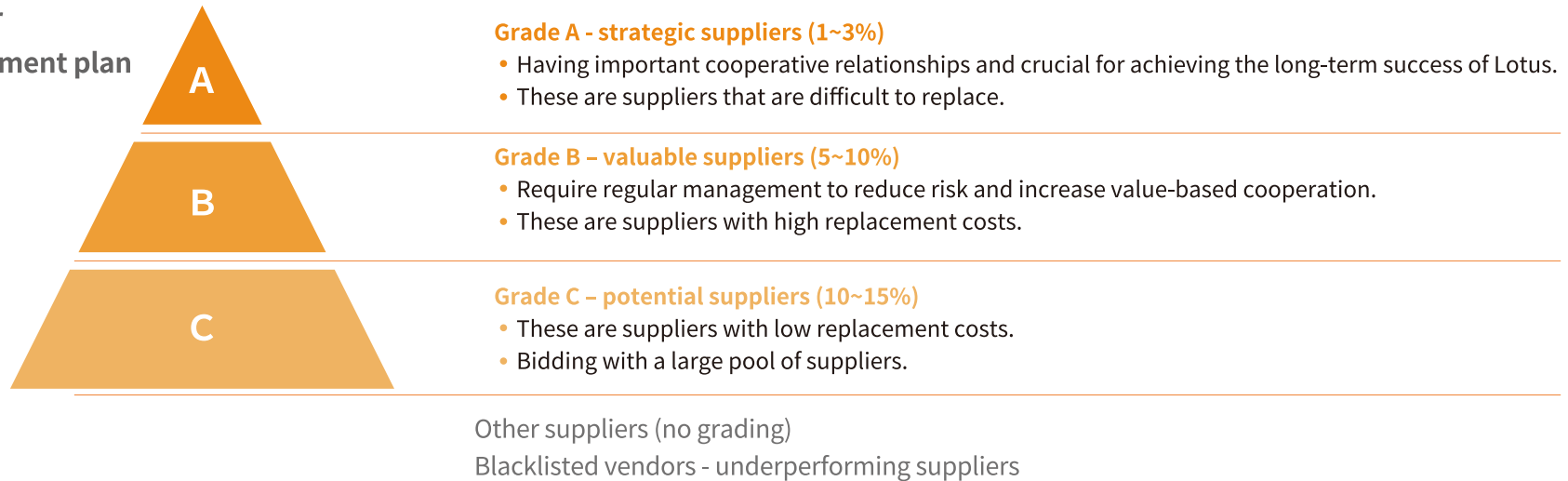
Supplier Management Related Internal Regulations

Management Measures	Procurement Operation Management Measures	Supplier QTA
<p>Management Aspects</p>	<p>1. Ensure that the manufacturer is aware of ESG related information: Provide relevant ESG information according to the requirements of end customers to meet market operation and marketing needs. For example, Lotus has provided ESG management standards and information related to environmental protection and wastewater discharge to Vinorelbine API raw material suppliers.</p> <p>2. Preliminary review of supplier qualification: When the supplier fills out the supplier qualification preliminary review form, Lotus conducts due diligence on the supplier to check if there have been any significant violations of rules or lawsuits in its past operations. If a specific supplier fails the preliminary review process, Lotus will not introduce the new supplier.</p> <p>3. Quality review: After the preliminary qualification review of the new supplier by the Procurement Department, the quality team of Lotus will conduct on-site audits of key direct materials, and the supplier must sign a quality agreement to ensure that the supplier promises and complies with all quality and ESG related requirements.</p>	<p>1. Preliminary review of supplier qualification: Suppliers are required to propose relevant work safety measures, hold regular work safety meetings, and conduct engineering safety inspections.</p> <p>2. Sign the quality management agreement: The supplier quality management agreement also requires the supplier to promise to operate in compliance with its relevant environment, occupational health and safety regulations.</p>
<p>Execution Results</p>	<p>Supplier Management Program</p> <ul style="list-style-type: none"> • Cross-department execution: An annual performance review of relevant suppliers is conducted through cross-departmental supplier visit and review. The cross-departmental collaboration has also expanded and strengthened the partnership between Lotus and suppliers. • Grade evaluation: Suppliers of different types are evaluated as grades A, B and C based on the internal supplier performance evaluation card of Lotus. 	<p>In 2022, a total of 39 suppliers were audited, including 12 suppliers in Taiwan and 27 foreign suppliers.</p>

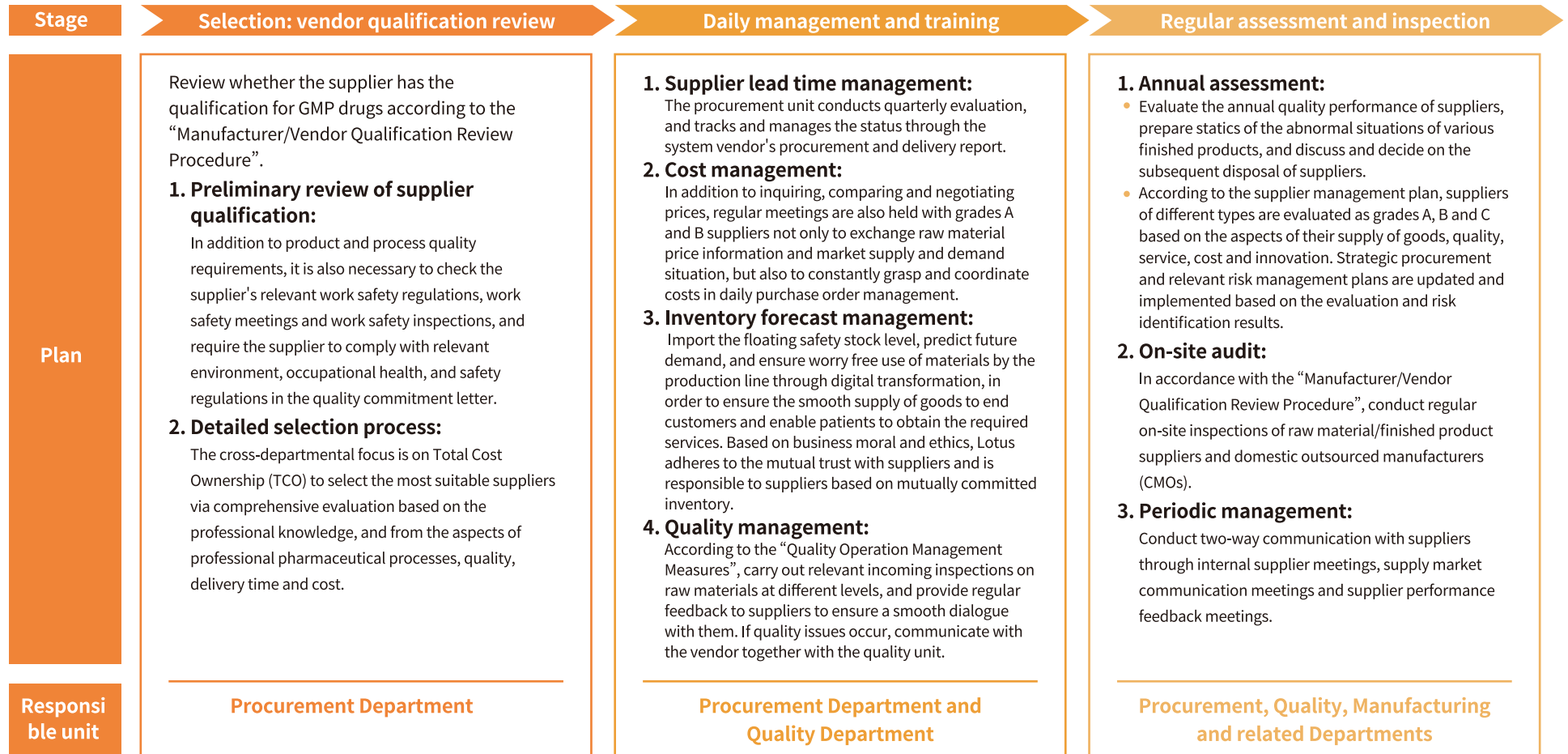
Supplier Management Related Internal Regulations

Management Measures	Procurement Operation Management Measures	Supplier QTA
Execution Results	<ul style="list-style-type: none"> • Risk management measures: For suppliers of grades A, B and C, different frequencies are defined and different risk management measures are implemented depending on the supplier type. For example, for direct raw material suppliers, short, medium, and long-term material demand planning is implemented with them based on strategic purchase; for dual source material suppliers, risk mitigation plans are implemented. • Feedbacks: Provide feedback to suppliers based on the review results to assist in their improvement. As a reference for subsequent procurement: • procurement: According to the execution results of the supplier management plan, develop a "blacklist of vendors" and a "preferred list of vendors" as reference indicators for subsequent procurement implementation. 	

Supplier management plan



Management Flow and Methods



New supplier screening and evaluation

New supplier application

In 2022, a total of 17 new raw material suppliers applied, all of which have passed the supplier qualification preliminary review and entered the review stage of detailed selection.

New supplier screening

New suppliers must pass the supplier and raw material qualification verification process, which includes the review of delivery time, quality, customer complaints and compatibility. Only after passing the evaluation, can they become qualified suppliers and engage in daily procurement with Lotus.

The qualifications of new API suppliers have been strictly screened, and the review projects include IP patent certificate evaluation, analysis and supervision management department (DMF) technical document review, sample evaluation, development testing, supplier quality system review, production review, trial production and biological trial drug submission for review, and submission and resolution of API related regulatory requirements.

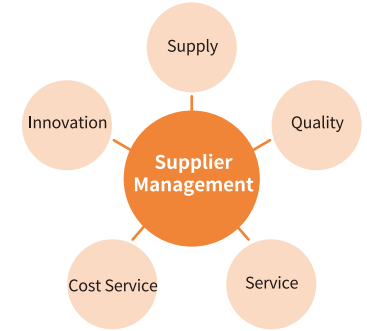
Environmental and Social Sustainability Related Indicators

Lotus Pharmaceutical will terminate its cooperation with a supplier if it has a significant negative impact on environmental and social sustainability.

In the future, the Procurement Department will develop a method for systematically incorporating ESG related indicators into the preliminary qualification review and performance of new suppliers.

New supplier performance evaluation

Each relevant department evaluates the performance of suppliers with specific indicators based on the five aspects of supply of goods, quality, service, cost and innovation.



Supplier performance score card

Evaluation aspect	Evaluation indicator	Score proportion	Evaluation unit
Supply	<ul style="list-style-type: none"> Lead time Order confirmation Delivery performance 	25%	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 	20%	Legal Affairs 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%	Technical System Integration Department

Regular management measures

Regular communication with Grades A and B suppliers.

Management Measures	Handling situation in 2022
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 2022
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 acts are to evaluate the annual quality status of GMP manufacturers and prepare statistics of the annual abnormal situations of various finished products. In 2022, 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 disposal 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 “Manufacturer/Vendor Qualification Review Procedure”, conduct regular on-site inspections of raw material/finished product suppliers and domestic outsourced manufacturers (CMOs). A total of 114 on-site audits were conducted in 2022.
Supplier Performance Feedback Meeting	Lotus periodically evaluates suppliers’ aspects 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 make improvement plans.

Supplier Risk Assessment

Supplier management plan

According to the current supplier management plan of Lotus, suppliers of different types are evaluated as grades A, B and C based on the five aspects of supply of goods, quality, service, cost and innovation, and an annual performance review of relevant suppliers is conducted through cross-departmental supplier visit and review.

For suppliers of grades A, B and C, different frequencies are defined and different risk management measures are implemented depending on the supplier type. For example, for direct raw material suppliers, short, medium, and long-term material demand planning is implemented with them based on strategic purchase; for dual source material suppliers, risk mitigation plans are implemented.

According to the execution results of the supplier management plan, Lotus has developed a "blacklist of vendors" and a "preferred list of vendors" as reference indicators for subsequent procurement implementation.

Environmental and Social Sustainability Related Indicators

At present, the risk assessment mechanism of Lotus for suppliers does not include indicators related to environmental and social sustainable development. In the future, the Procurement Department will develop a method for systematically incorporating ESG related indicators into the preliminary qualification review and performance of new suppliers.

2022 audit results

Domestic suppliers	12
Foreign suppliers	27
Total	39





3 Product Overview and Safety

● **100%** The efficacy, quality and safety of the drugs have been approved by health authorities in various countries.

● In 2022, a total of **4** Health Authority inspections were conducted by ANVISA in Brazil, TFDA in Taiwan, and MFDS in South Korea, with a compliance rate of **100%**.

● Lotus has established a global drug safety monitoring center in Taiwan in 2021, and developed a series of drug safety monitoring standards in 2022. At the same time, the Company has completed the pharmacovigilance safety master file for the European and Asian drug certificates.

● In 2022, the total R&D expenditure exceeded NT\$ **376** million.

3-1 Product Overview

Key Products of Lotus Pharmaceutical in 2022

The key business items include the manufacturing and sales of various drugs, and Lotus continues to transform into a composite international pharmaceutical factory that covers a diverse product portfolio of branded drugs, new chemical entities (NCEs), 505(b)2, biosimilar drugs, and difficult generic drugs. The key products in 2022 include Lenalidomide for multiple myeloma, Buprenorphine/Naloxone for alcohol addiction, Goserelin for breast cancer, and Phentermine/Topiramate for weight management.



INN	Indications	Key Markets
Lenalidomide	Oncology: Multiple myeloma	USA
Buprenorphine/Naloxone	Central Nervous System: Abstinence	USA
Goserelin	Oncology: Breast cancer	South Korea
Phentermine/Topiramate	Anti-obesity	South Korea
Calcium Polystyrene Sulfonate	Nephrology: Kidney disease	South Korea
Tadalafil	Urology: Male sexual dysfunction	Taiwan
Rosuvastatin Calcium/Ezetimibe	Cardiovascular & Hematology: Reduction of blood lipids and cholesterol	South Korea
Quetiapine Fumarate	Central Nervous System: Bipolar disorder	South Korea
Levodopa/Carbidopa/Entacapone	Central Nervous System: Parkinson's disease	South Korea
Orlistat	Anti-obesity	South Korea
Sarpogrelate Hydrochloride	Cardiovascular & Hematology	South Korea
Recombinant human erythropoietin (EPOETIN ALFA)	Nephrology: Anemia caused by chronic kidney disease or cancer	South Korea
Desogestrel/Ethinylestradiol	Women healthcare: Oral contraceptive	South Korea
Zoledronic Acid	Osteoporosis	Taiwan
Anastrozole	Oncology: Breast cancer	South Korea

3-2 Drug Quality

Drug Quality Management Policy

Lotus is committed to high quality standards and adheres to all regulatory and industry standards applicable, with "quality" as the core value and every Lotus employee's responsibility. We firmly believe that only the joint efforts of all relevant personnel as a team can achieve the best quality. To comply with the regulations of domestic and foreign authorities on drug manufacturing and sales, 100% of the branded drugs of Lotus have been verified by health authorities in various countries on their therapeutic effects, quality and safety. At the same time, the labels, instruction sheets and packaging labels of drugs are also confirmed and approved by various competent authorities. The license is specifically confirmed by the regulation department that the content to be submitted for review and posted meets the requirements of various relevant regulations. In addition, to ensure the continuous improvement of the quality of products, all changes to products after launch must go through rigorous change management control procedures, including a complete risk assessment and relevant tests to prove product quality; in addition, in accordance with the requirements of the respective national laws and regulations, the local health authorities' review and approval are required before implementing the changes. In terms of product use, in order to reduce the 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.

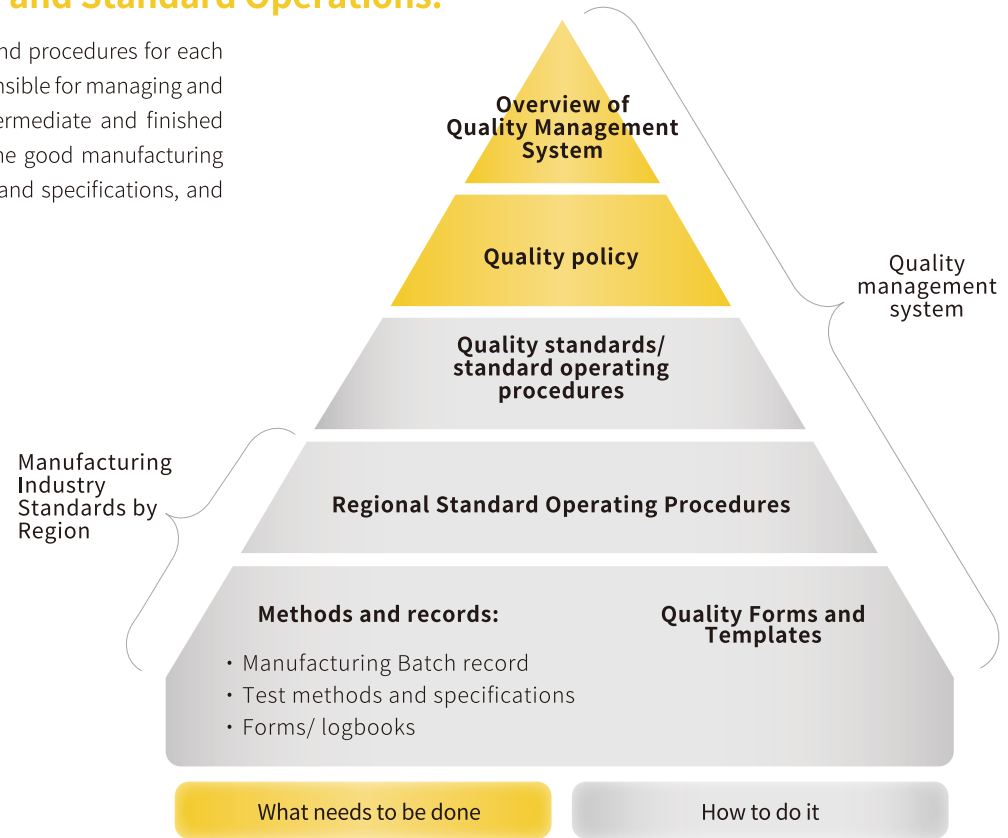
Quality Management Strategy and Objectives

Lotus is committed to establishing appropriate quality management systems and processes, in order to maintain the operational quality culture of the Company. The company also focuses on maintaining quality, and promotes specific maintenance and improvement actions to ensure that our decisions comply with the three major aspects in the diagram on the right.:



Internal Quality and Safety Management Organization and Standard Operations:

Lotus has a complete quality management policy, and has developed standard operations and procedures for each region, as well as various protocols and reports 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 good manufacturing quality of Lotus is maintained through batch production records, specific analysis methods and specifications, and records and quality forms.



Continuous Improvement of Product Quality:

1. Having sufficient resources and well-trained qualified personnel.

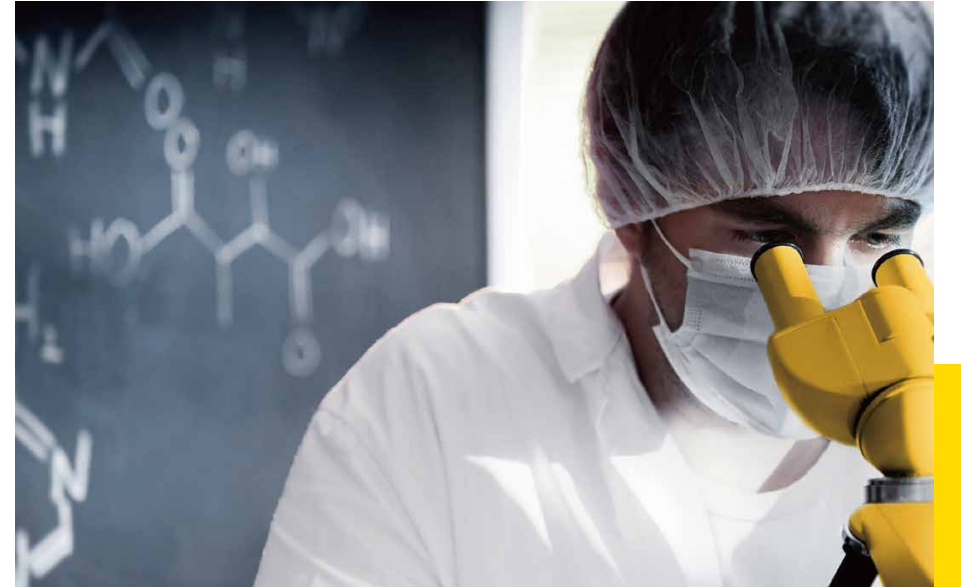
Statistics of Quality Management Training in 2022

Training theme	Total participants	Training person-hours (hour)	Total hours
Site GMP training	601	2 hours	1,202 hours
ISO 9001: 2015 Lead auditor	2	40 hours	80 hours
Internal audit training	10	4 hours	40 hours
Total	613	46 hours	1,322 hours

Note: The internal audit training hours have been included in section 5-2 Talent Cultivation - Employee Training and Implementation Status.

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.

All employees have completed GxP related quality training, and have been audited and tested to meet the criteria. In addition, a re-training is conducted annually according to the training plan.



Reliable Process and Quality Control

Lotus has three manufacturing factories, namely the Nantou site in Taiwan, Gongju site in South Korea, and Hyangnam site in South Korea. All sites follow the "PIC/S: Guide to Good Manufacturing Practice for Medical Products" (PIC/S GMP) and "Good Distribution Practice" (GDP) regulations published by the International Pharmaceutical Inspection Cooperation Scheme (PIC/S) to Drug manufacture, import, export, storage and transport, in order to provide customers with safe and effective medication. In addition, the Nantou site in Taiwan has not only been inspected by the Taiwan Food and Drug Administration since 2009 to ensure compliance with PIC/S standards, but also received the GMP approval from the top ten advanced countries, including EMA and USFDA.

In addition to external verification, Lotus conducts an annual GMP internal audit. Furthermore, there are customer audits or other health authority inspections conducted by domestic and foreign authorities. Two inspections were respectively completed for the Taiwan Nantou site and the Korean site in 2022. According to the results of inspections, Lotus has not engaged in any activities in manufacturing, import or labeling that violated applicable regulations.



Have been passed all inspections since 2009, and is in compliance with PIC/S specifications.

Taiwan TFDA

Have been passed multiple EU inspections since 2012.

Europe EMA

Have been passed multiple Japan GMP inspections since 2013.

Japan PMDA

Have been passed multiple FDA inspections since 2010, and reached the NAI grade in 2019.

US FDA

It has passed Brazil GMP inspections since 2020.

Brazil ANVISA

Subject to a GMP inspection and approval every three years since 1992.

Korea Food and Drug Safety Agency MFDS

2022 Product Quality Inspection

Factory	Audit/factory inspection/verification date	Audit/factory inspection/verification unit	Audit/factory inspection/verification conclusion
Taiwan Nantou site	April 10, 2022	Brazil ANVISA	Certificate update
	May 30 to 31, 2022	Taiwan TFDA	Approval
South Korea Gongju site	April 19 to 21, 2022	South Korea MFDS	Approval
South Korea Hyangnam site	January 26 to 28, 2022	South Korea MFDS	Approval



Certificate of GMP Drugs of Taiwan Nantou site



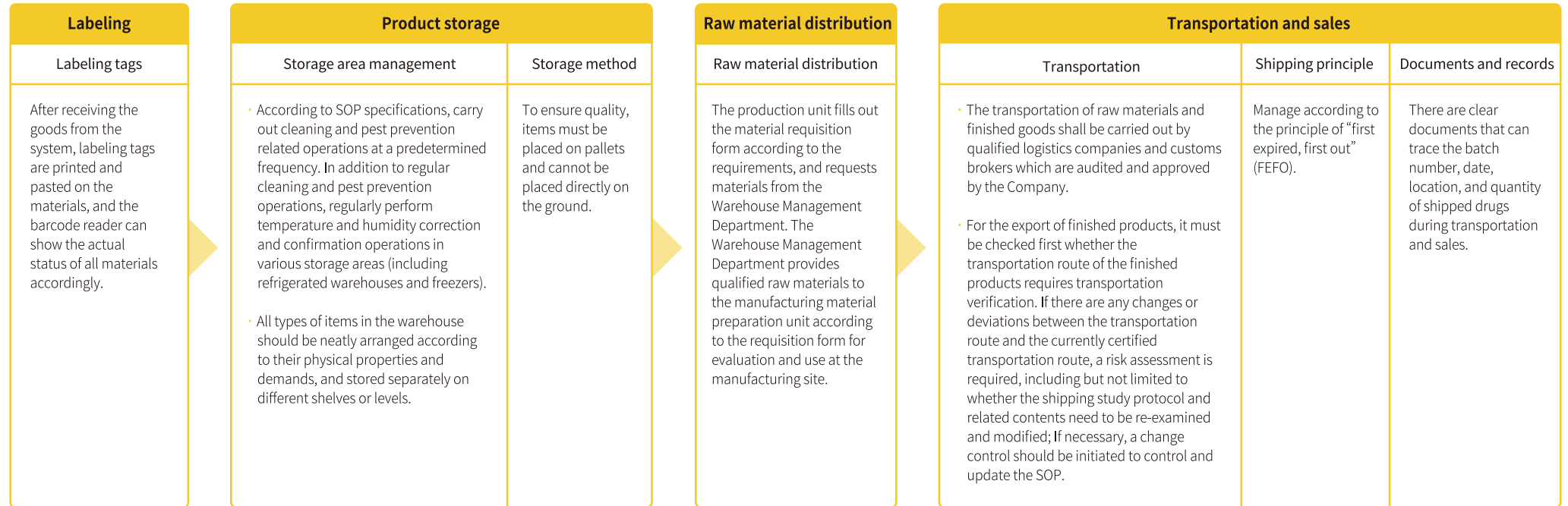
Certificate of GMP Drugs of South Korea Gongju site



Certificate of GMP Drugs of South Korea Hyangnam site

Drug Storage and Transportation and Sales Management

To ensure the quality of drugs from the factory to customer, health authorities around the world have extended their requirements for drug quality from the previous emphasis on the "Good Manufacturing Practice (GMP)" for production to the "Good Distribution Practice" (GDP) for transportation and sales. Lotus applied for GDP from the Ministry of Health and Welfare on September 30, 2016, and received the approval in 2017. To avoid quality issues caused by improper management of drug storage and transportation processes, and to ensure the safety of users' medication, Lotus has a complete drug transportation and sales management policy. In addition to selecting qualified logistics companies and customs brokers for transportation of all raw materials, semi-finished products and finished products, Lotus has a dedicated storage warehouse to ensure their quality. The batch number, date, location and quantity of all drugs delivered are clearly documented for traceability, in order to strengthen the management and control of the drug transportation and sales chain, and to ensure the quality and packaging integrity of products during transportation, distribution and storage.



3-3 Drug Safety and Recall

Drug Safety Reporting Mechanism

To understand potential drug safety issues that may arise from large-scale clinical use after a drug's launched, and to ensure immediately action is taken in case of relevant situations to reduce harm and maintain public health, Lotus actively collects, evaluates and studying drug safety related information to fulfill its responsibility for reporting adverse reactions. Lotus utilizes various channels and methods to collect data on adverse drug reactions, and after collecting and analyzing relevant data, provides the latest drug information and risk management tools to the central health management agency, medical institutions and patients to strive to reduce the risk of adverse reactions.

To ensure all employees are familiar with the notification mechanism, Lotus regularly conducts employee drug safety reporting training and maintains all training records. In 2022, a total of 1,165 employees completed the annual employee drug safety reporting training, with all participants meeting the qualification requirement.

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

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

Email: info@lotuspharm.com

Tel.: +886-2-27005908 #1338



Global Drug Safety 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, ensure compliance with global drug safety monitoring regulations, and to monitor the safety of the drugs produced. To comply with the drug safety supervision and notification regulations of their respective countries or regions, Lotus also 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.

Drug Safety Reporting Process



Drug Safety Monitoring Training in 2022

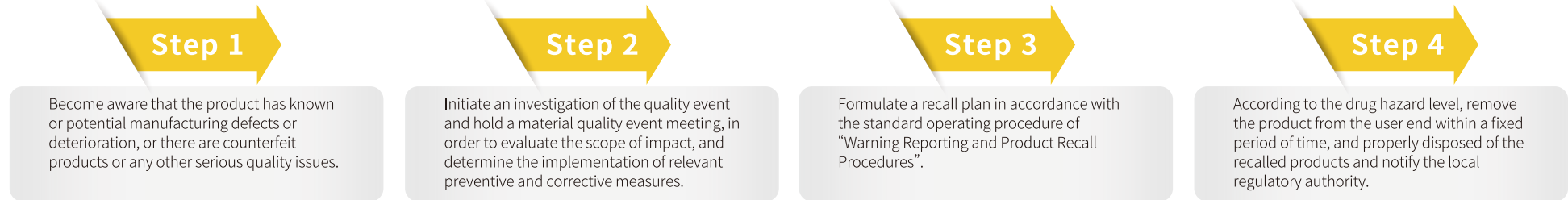
Training theme	No. of participants	Training person-hours (hour)
Drug safety monitoring training	1,165	1
Total		1,165

Drug Recall Mechanism

Lotus bears relevant responsibilities for the recall of drugs, which follows the requirements from relevant regulatory authorities. There is standard operating procedure of “Warning Reporting and Product Recall Procedures.” According to this requirement, all drug recall reporting, tracking and closure procedures, as well as the execution of matters related to drug and medical device recall must be carried out in accordance with the corresponding procedures.

Lotus has established a complete, swift, and effective standard operating procedure guide for recall operations. When it is confirmed that a specific product is defective or there are counterfeit or prohibited drugs in circulation, the quality assurance unit will be responsible for initiating a drug recall protocol, investigate the event, and hold a material quality event meeting to evaluate the scope of impact of the specific event and corresponding measures. For the drugs involved, the business unit will recall the products and transfer them to the warehouse unit for destruction, in order to meet the requirements for defective product recall. If there is no actual recall executed in the current year, it is necessary to perform a recall simulation once a year. There were no related recall incidents in 2022, and a factory-wide recall simulation drill was conducted.

Drug Recall Process



Counterfeit drug blocking mechanism

Lotus has an internal anti-counterfeit drug mechanism and investigation and handling 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 suspected counterfeit drug products, and initiate an investigation. Lotus will also propose corrective, preventive and improvement measures based on the survey results. Lotus did not receive any reporting of counterfeit drugs in 2022.

At the same time, in order to enhance employees' awareness of counterfeit drug prevention and the vigilance of relevant professionals, Lotus also regularly holds annual training every year. The training related to counterfeit drug prevention and blocking in 2022 were implemented for all employees as part of the annual GMP training.

3-4 Improving Drug Accessibility

R&D Results

Lotus is committed to the development of oral cancer difficult generic drugs to provide affordable medical options for cancer patients and improve their quality of life.

In addition to the research and development of small-molecule drug formulations such as lozenges, hard capsules and granules, the Taiwan R&D team of Lotus has been investing in the development of high-tech soft capsule formulations since 2009. As the technology platform for highly active molecules can improve the availability of biont, it will contribute significantly to the development of cancer and hormone therapy, and once the formulation development is successful, it is difficult for imitators to break through, and a high market share is expected. Based on the foresight, Lotus has successively established a soft capsule R&D and trial production center at the Nantou factory, and currently there is a factory area with an annual production capacity of 100 million soft capsules. In the past decade, with a NT\$1 billion investment in production equipment, factory building and research and development, Lotus has become Taiwan's first pharmaceutical company of pharmaceutical soft capsule formulation in 2015, and the only pharmaceutical company to obtain a US drug certificate. The Company can be said to have the most advantageous leading position in the industry.

In India, Norwich Clinical Services is a CRO (Clinical Research Organization) company under the Lotus Group, mainly responsible for conducting bioequivalence and bioavailability trials, phase one to four clinical trials, pharmacokinetic studies and biological data statistics, and active monitoring of drugs during the product development process of the Lotus Group. CRO is carried out by a professional team with rich experience, and has successfully passed the factory inspection of many countries' pharmaceutical factories as well as FDA of the United States and WHO. It has well-established hospital hardware and analytical instruments. With such clinical research resources, Lotus expects to reduce clinical trial costs and accelerate the R&D project schedule in the future.

In 2022, the R&D team of Lotus completed six drug certificate applications and the first ever (NCE-1)/(FTF) submission, and obtained the simplified new drug launch procedure (ANDA) approval for Midostaurin (generic drug of Rydapt®) in the United States. In addition, Lotus obtained the temporary approval of Nintedanib (generic drug of Ofev®) from the US FDA. In 2022, the research and development cost invested by Lotus is as high as NT\$3.76 million. At present, our R&D team has a total of 37 R&D projects at different stages. In addition, in 2022, the business development team of Lotus obtained the authorization for 19 generic drugs and three 505b(2) products through collaboration with global partners, and continuously injected new blood into different product portfolios. In 2022, the legal team submitted 75 applications worldwide and obtained drug certification approvals in 72 markets. As of the release of this report, the clinical trial team of Lotus in India has completed 33 bioanalytic studies and 22 clinical studies. In terms of authorization agreements, Lotus completed a total of 20 external authorizations in 2022; As of the issuance of this report, the authorization agreements of Lotus have covered over 160 markets worldwide.

Investment in R&D Expenses

Year	2019	2020	2021	2022
Amount (NT\$)	367 million	255 million	419 million	376 million

2022 R&D Highlights and Special Projects

New-generation Oral Contraceptive Drug ALYSSA®

Lotus collaborated with Mithra, a Belgian women's health drug giant, to obtain the drug certificates for the new-generation oral contraceptive drug ALYSSA® in Taiwan and Hong Kong. ALYSSA® is the first oral contraceptive drug in the world to use the natural estrogen synthesis analogue estestrol (E4) and the latest generation of luteinizing hormone drospirenone (DRSP) for oral contraception. It has been successfully launched in several major countries around the world, including the United States, Canada, Australia and multiple European markets. Estestrol E4 is an estrogen that is naturally produced by the human body during pregnancy, while in ALYSSA®, estestrol E4 is extracted from plants and then transformed and synthesized. Due to the unique pharmacological properties and action mechanism of estestrol E4, it is considered to have a lower treatment risk compared with existing composite oral contraceptives. ALYSSA® not only has the best contraceptive effect, but also has safety and tolerability.



Alcohol Cessation Drug ALGLUTOL®

Lotus obtained the marketing license for the alcohol cessation drug ALGLUTOL in Taiwan. The ingredient of this drug is acamprosate, which although has been approved for the US market for many years, no manufacturer has introduced it to Taiwan. Therefore, it belongs to a new chemical entity in Taiwan. At present, there are limited options for alcohol cessation drugs. The pharmacological mechanism of acamprosate is different from that of existing drugs; it has good safety and tolerability, and is recommended as the first-line medication for alcohol cessation maintenance treatment in foreign medical guidelines. The launch of ALGLUTOL can provide more clinical drug treatment options to help patients break free from alcohol addiction.

Address Unmet Medical Needs

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

The "two-way market expansion" in the operational strategy means not only actively expanding the dual track layout of the Asian market and the European and US markets, but also striving to promote operational transformation. At present, Lotus has transformed from a local pharmaceutical factory focusing on the research and development, production and sales of complex generic drugs in the past to an international composite pharmaceutical factory of multiple product portfolios, including branded drugs, new chemical entities (NCEs), biosimilar drugs, and difficult generic drugs. The Company expects to become the key for patients worldwide to receive appropriate and affordable medical care.

In terms of "two-way product development", with the aging trend of the global population, the population of critical disease care and chronic diseases in various countries has significantly increased, and medical expenses are rising; in addition, as cancer continues to be the world's leading cause of death, we have decided to focus on the R&D and production of high-threshold oncology difficult generic drugs to provide affordable and highly accessible drugs to patients worldwide, in order to ensure that every patient can receive proper treatment. On the other hand, we are also working together with international strategic partners to introduce various branded drugs, new chemical entities (NCEs), biosimilar drugs, and difficult generic drugs from the European and US markets to the Asian market. This not only brings more innovative medical solutions, but also enriches drug options in the Asian market to ensure that Asian patients can receive high-quality treatments that meet their needs.





4 Environmental Sustainability

- The average carbon emission per person in 2022 decreased by 1.97 CO₂e/person from that in 2021.
- The total water consumption in 2022 decreased by 16.793 million liters from that in 2021.
- There was **no** penalty and no environmental violation in 2022.

4-1 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 waste management, water resource management and greenhouse gas emission management, in order to enhance the Company's management and coordination capabilities on climate change, energy resource utilization and other related issues. In 2022, 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.

The average annual waste generation per person decreased

by **1%**

Through internal training within the factories, we continuously optimize classification, strengthen the implementation of classification, and continuously review the effectiveness of waste management.

The Company expects to gradually replace public facilities and equipment in the factories, such as air conditioning equipment, air compression equipment, lighting equipment, etc., and gradually plans to phase them out and replace them with energy saving inverter equipment and LED lighting.

Plan an energy monitoring system on a long-term basis, check the electricity consumption status in the factory, and adjust energy consumption within an allowable range to achieve the effect of energy conservation.

The average annual electricity consumption per person decreased

by **1%**

The average annual water consumption per person decreased

by **1%**

Confirm water usage for the process and optimize water usage procedures to reduce usage. The planning of a water recovery system is expected in the future.

The average annual greenhouse gas emission will decrease by 1%. Evaluate the operational efficiency of boilers, and it is expected that the existing diesel boilers will be replaced with natural gas boilers to reduce greenhouse gas emissions.

The average annual greenhouse gas emission per person decreased

by **1%**

4-2 Greenhouse Gas Management

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.

Carbon Emission Analysis

2020 ~ 2022 Scope 1 Emissions

	2020	2021	2022
Scope 1 emissions (ton CO2e)	8,993	10,784	10,662
Data coverage rate	84 %	86 %	81 %

Note 1: The statistical range covers the emission data of the Nantou site in Taiwan, Gongju site in South Korea, and Hyangnam site in South Korea.

Note 2: The calculation of emission sources mainly covers the energy consumption generated by the combustion of diesel generators, diesel boilers, septic tanks and natural gas boilers.

Note 3: The greenhouse gases generated by burning natural gas and diesel, including CO2 and CH4, have been included in the calculation.

Note 4: 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 5: The data coverage rate is based on the number of employees at the operating site/total number of employees at Lotus Group. In 2022, the total number of employees at Lotus Group was 1,315, while the total number of employees in Taiwan and South Korea was 1,058.

Note 6: As the Company's business development is currently in a the high growth period, the related pharmaceutical production capacity significantly grew in 2022, thus causing an increase in carbon emission.

Scope 2: Indirect Energy Emissions

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. The range of operating sites includes the Nantou site in Taiwan and South Korean sites.

In 2022, Lotus purchased electricity externally and emitted totally 10,647 tons of CO₂, of which the Nantou site in Taiwan emitted 7,351 tons of CO₂, accounting for 69%, whereas South Korean sites emitted 3,295 tons of CO₂, accounting for 31%. In the future, Lotus will do its best to plan and implement power saving measures.

	Nantou site	Korean sites	Total greenhouse gas emission
Scope 2 emissions (ton CO ₂ e/year)	7,351.18	3,295.82	10,647
Scope 2 emission ratio	69 %	31%	100 %

2020 ~ 2022 Scope 2 emissions

	2020	2021	2022
Scope 2 emissions (ton CO ₂ e)	9,033	10,324	10,647
Data coverage rate	84 %	86 %	81 %

Note 1: The statistical range covers the emission data of the Nantou site in Taiwan, Gongju site in South Korea, and Hyangnam site in South Korea.

Note 2: The main source of emission is the externally purchase of 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: The data coverage rate is based on the number of employees at the operating site/total number of employees at Lotus Group. In 2022, the total number of employees at Lotus Group was 1,315, while the total number of employees in Taiwan and South Korea was 1,058.

The total direct energy emission in 2022 was 10,662 tons (CO₂e), and the indirect energy emission was 10,784 tons (CO₂e); The total direct energy emission in 2021 was 10,324 tons (CO₂e), and the indirect energy emission was 10,341 tons (CO₂e). The average carbon emission per person in 2022 was 16.2, a decrease of 1.92 from that in 2021.

As the Company's business development is currently in the high growth period, the related pharmaceutical production capacity significantly grew in 2022, thus neither carbon emission nor total basic electricity consumption could have significantly decreased. We will formulate multiple energy-saving actions, regularly review and replace equipment and appliances, and achieve energy-saving results through purchasing energy-saving instruments, and strive to reduce the impact of operations on the environment.

Total of 2020 ~ 2022 Scopes 1 and 2 emissions

	2020	2021	2022
Scope 1 emissions (ton CO ₂ e)	8,993	10,784	10,662
Scope 2 emissions (ton CO ₂ e)	9,033	10,324	10,647
Total carbon emission (ton CO ₂ e)	18,026	21,108	21,309
Average carbon emission per person (ton CO ₂ e/number of persons)	15.61	18.17	16.20

Note 1: The number of employees for the calculation of average carbon emission per person is 1,155 in 2020, 1,162 in 2021 and 1,315 in 2022.

4-3 Waste and Resource Management

Natural Resource Management Policy

During the operation of the Company, effective monitoring is carried out on the use of water resources and the disposal of waste in accordance with the Company's documents related to water resource management and waste management procedures. The Company disposes of and reports the wastewater and waste generated during the manufacturing process in accordance with relevant environmental regulations, and meets national environmental protection requirements. The wastewater generated is treated by the Company's wastewater treatment system and meets the inlet water standards of the Nangang Industrial Zone Wastewater Treatment Station before being discharged; all types of waste are handed over to institutions with environmental protection clearance and treatment qualifications for cleaning, transportation and disposal. The prevention and control of heavily polluted water, the reduction of environmental pollution, and the assurance of environmental safety have always been the standards for the production and R&D of Lotus.

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 total externally purchased electricity in 2022 was 25,908,184,800 (kilojoules e), diesel consumption was 329,621 (kilojoules), liquefied petroleum gas consumption was 861,298,010 (kilojoules), and total energy consumption was 26,769,812,431 (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 2022, the average energy consumption per person decreased by 2,079,903.24 (kilojoules/person), and the energy consumption per unit operating income also decreased by 382.6 (kilojoules/NT\$ million). In the future, Lotus will continue implementing energy-saving measures and improve energy efficiency.

In terms of resource management, the Company has established an Engineering Safety 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.

2020-2022 Energy Consumption Analysis

		2020	2021	2022
Fuel	Diesel (kilojoule)	687,379	719,538	329,621
	Liquefied petroleum gas (LPG) (kilojoule)	723,865,380	805,311,471	861,298,010
Externally purchased electricity	Non-renewable energy (kilojoule)	22,647,438,000	25,265,966,400	25,908,184,800
Total energy consumption (kilojoule)		23,371,990,759	26,071,997,409	26,769,812,431
Energy consumption intensity	Average energy consumption per person (kilojoule/person)	20,235,489.8	2,243,7175.1	20,357,271.8
	Energy consumption per unit operating income (kilojoule/NT\$ million)	1,886.1	1,773.8	1,391.2

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

Note 2: Formula: 1kWh of externally purchased electricity = 3,600 kilojoules.

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

Note 4: The statistical range covers the externally purchased electricity data of Nantou site in Taiwan, Gongju site in South Korea, and Hyangnam site in South Korea.

Note 5: The number of employees for the calculation of average carbon emission per person is 1,155 in 2020, 1,162 in 2021 and 1,315 in 2022.

Water Resource Management

Water resources are indispensable key resources for drug manufacturing and operation of Lotus, and stable and clean water resources are required for upstream raw material cultivation, water consumption for processing, and R&D and 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.

2020 ~ 2022 water resources consumption

	2020	2021	2022
Water consumption (million liters)	77.227	74.915	58.122
Average water consumption per person (million liters/person)	0.07	0.06	0.04
Data coverage rate%	84%	86%	81%

Note 1: The data range in this table covers the Nantou site and South Korean sites.

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 1,155 in 2020, 1,162 in 2021 and 1,315 in 2022.

Waste Management Policy

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 2022, with 128.4 tons of hazardous business waste and 210.9 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.

2021-2022 Total Waste Statistics

		2021	2022
Hazardous business waste (ton)		58.38	128.4
General business waste (ton)	General waste	177.2	210.9
Waste output intensity	Average waste output per person (ton/person)	0.20	0.26
Data coverage rate%		86%	81%

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

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

Note 3: The data range in this table covers the Nantou site and South Korean sites.



5 Employee Care

- 36% of middle management and executives in Taiwan are female.
- 8.4% of employees in Taiwan are foreign white-collar workers.
- 2 consecutive years
Won HR Asia's "Best Companies to Work for In Asia" in 2022 and 2023.
- 0 complaint case against human rights.
- Rate of returned to work after parental leave in Taiwan is 90%.

5-1 Remuneration, Benefits and Employee Care

Employee Composition

Lotus is committed to implementing workplace diversity. In recruitment, staffing, promotion, acting as a manager and salary, all aspects are based on competencies, potential and performance, not affected by gender, race, nationality, social class, age, marital status, language, religion, political affiliation and place of birth.

As of 2022, the total number of employees at Lotus Taiwan and Korea reached 1,058. Employees are mainly divided into the four categories of research and development, administration, manufacturing and sales. Among them, the number of employees in the manufacturing category accounts for the majority. In terms of employee age distribution, employees aged between 30 and 50 account for the highest proportion, reaching 78%.

Lotus has always been actively promoting equality in the workplace. In Taiwan, as of 2022, 36% of the Company's middle management and executives are female, indicating the Company's efforts to diversify gender on the management level; Among the newly hired managers in 2022, 39% were female, demonstrating the importance that Lotus places on gender equality.

In addition, in order to meet the unmet global medical needs, Lotus actively invites professionals from various fields in the overseas pharmaceutical industry to join our team. As of 2022, approximately 8.4% of our employees in Taiwan are professionals from overseas, covering positions such as researchers, engineers and vice presidents, from a total of 13 different countries. These diverse backgrounds and professional knowledge not only strengthen the quality of our team, but also further enhance our innovation ability. Such a diverse and inclusive culture will inject more vitality into our mission, and achieve greater breakthroughs and attainments on the path of addressing medical challenges.

In the future, Lotus will keep striving for diversified, equal and inclusive development. The Company is committed to creating a fair work environment where every employee can truly demonstrate their abilities and values. This will be a workplace where everyone has the opportunities and space to fully show themselves.

Total number of Lotus employees in the past three years

Category	2020	2021	2022	2023	2022 male/female (ratio)	
No. of employees	R&D	117	111	120	125	1:1.05
	Administration	139	146	141	147	1:1.06
	Manufacturing	372	418	439	462	1:0.83
	Sales	337	323	358	364	1:0.36
	Total	965	998	1,058	1,098	1:0.68

Category	2020	2021	2022	2023	Percentage	
Employee Age	Under 30 years old	113	122	141	157	14%
	30 to 50 years old	783	804	832	854	78%
	Over 50 years old	69	72	85	87	8%
Average age	38.77	38.75	38.82	39.05		
Average years of service	7.64	7.23	7.09	7.16		
Education distribution	PhD	9	10	11	12	1%
	Master	217	219	241	256	23%
	Bachelor/college degree	605	621	660	682	62%
	High school	95	101	94	96	9%
	Below high school	39	47	52	52	5%

Note 1: The statistical range is 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: The number of people in 2023 as of July 21, 2023.

Divers and Inclusive Workplace

Total Number of Lotus Employees in 2022 - by Contract Type

All employments of Lotus comply with the regulatory requirements of the "Labor Standards Act" or equivalent legal rules in the place of operation. In Taiwan, there are a total of 613 domestic employees who work as permanent contract employees, of whom over 50% are female. Among the new employees in 2022, 44% are female. The South Korean factories have 434 permanent contract employees, of whom approximately 27% are female.



Item	Taiwan		South Korea		Total		Total
	Male	Female	Male	Female	Male	Female	
Total employees	304	309	324	121	628	430	1,058
Permanent employees	304	309	320	114	624	423	1,047
Temporary employees	0	0	4	7	4	7	11
Employees without working hour guarantee	0	0	0	0	0	0	0
Full-time employees	304	307	324	121	628	428	1,056
Part-time employees	0	2	0	0	0	2	2

Note 1: The statistical range is 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 restaurant, security and sanitation, Lotus works with third-parties to introduce dispatched workers. The company also works with universities to provide internship opportunities for young talents. As of the end of 2022, Lotus had a total of 17 non-employee workers in Taiwan and 19 in South Korea.

Total number of non-employee workers (including dispatched workers and workers hired directly or indirectly by the organization through a third party, etc.)

Taiwan		South Korea		Subtotal		Total
Female	Male	Female	Male	Female	Male	
7	10	10	9	17	19	36

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

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

New and resigned employees

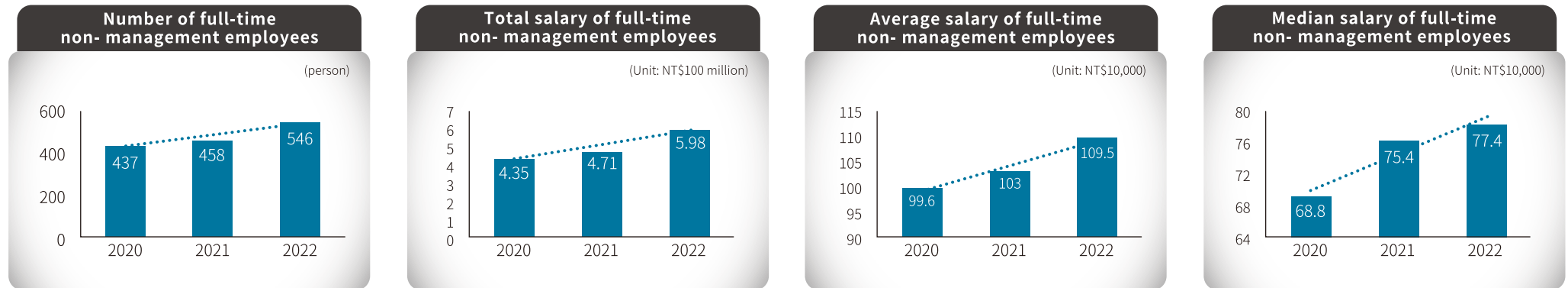
In view of the aging population globally, improved quality of life, and a continuous increase in demand for biotech drugs, Lotus is pursuing both revenue and profit growth in the highly changing and competitive pharmaceutical industry, and continuously recruiting talents with expertise in drug development and innovation. In 2022, through diversified recruitment channels, there were a total of 197 new employees in Taiwan and 56 in South Korea, accounting for 24% of the total number of employees; there were 124 resigned employees in Taiwan and 29 in South Korea, accounting for 14% of all employees. Lotus assists new employees in quickly adapting to the Company and job responsibilities through a comprehensive new employee orientation and training system.

Category		New Employees		Resigned employees	
		2022 total	Ratio	2022 total	Resignation rate
Age	Under 30 years old	75	29.64%	27	19.85%
	30 to 50 years old	168	66.40%	118	14.39%
	Over 50 years old	10	3.95%	8	10.19%
Gender	Male	141	55.73%	82	13.33%
	Female	112	44.27%	71	16.92%
Area	Taiwan	197	77.87%	124	20.91%
	South Korea	56	22.13%	29	6.57%

Note 1: Data statistics up to December 31, 2022.

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 the basic salary, we provide various bonus and incentive plans to outstanding employees with competitive remuneration, in order to achieve talent retention and attraction, and shape a high-performance culture. In 2022, the average salary for non-management employees was NT\$1,09,5143, with a median of NT\$773,710.



Year	Number of full-time non-management employees (person)	Total salary of full-time non-management employees (NT\$)	Average salary of full-time non-management employees (NT\$)	Median salary of full-time non-management employees (NT\$)
2020	437	435,285,517	996,077	688,250
2021	458	471,941,829	1,030,628	754,151
2022	546	598,404,324	1,095,143	773,710

Note 1: The statistical range is Taiwanese employees.

Employee Engagement Survey

Lotus has been conducting annual employee engagement surveys since 2017. Starting from 2022, we have collaborated with the human resource management consulting company, Mercer, to collect each employee's responses into a third-party system to ensure absolute confidentiality. This approach allows our employees to express their true thoughts without reservation, and demonstrates our commitment to transparent communication. In 2022, a total of 1,236 questionnaires were sent to employees worldwide, and 1,075 were collected, with a response rate of 87%. The engagement survey is mainly surveyed in three aspects of engagement, leadership and employee experience. Compared with the 2021 survey results, the 2022 survey results show a significant progress in all the three aspects of engagement, leadership and employee experience. We conducted multiple roundtables based on the survey results to understand the feelings, difficulties and suggestions faced by employees in various departments. We also held workshops on complex issues, discussed appropriate solutions through cross-department brainstorming, developed improvement plans, and regularly tracked the progress of implementation to enhance employee engagement through continuous improvement.

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:

Remuneration and benefits

- Highly competitive salary level in 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
- Annual leave policy superior to statutory requirements
- Health check scheme that is superior to statutory requirements.
- Various subsidies:
 - ✓ General subsidies for birthday, key festivals and employee travel.
 - ✓ Family related subsidies: marriage, childbirth, childcare, hospitalization, injury and illness, funeral, and family emergency subsidies.

Team building.

- Lotus Day
- Team building subsidy
- Yellow Friday
- Company milestone achievement celebration

Other benefits

- Flexible working hours
- Rich benefits and activities arranged by the Employee Welfare Committee
- Free nutritious and delicious lunch (Nantou factory)
- Free coffee and beverages
- Company product discounts to the employees
- Parking lot (Nantou factory)
- Nursing room

Employee Care- Parental Leave

Considering the continuous decline in birth rates in Taiwan and South Korea in recent years, in order to alleviate the pressure on employees in childbirth and childcare and to fulfill the social responsibilities, Lotus actively improves the childcare environment at the workplace, provides childbirth bonuses and childcare subsidies, and encourages employees to return to the workplace after parental leave without pay. In 2022, a total of 25 employees of Lotus Taiwan and South Korea applied for parental leave, with 90% of those in Taiwan applying for reinstatement, and 83% in South Korea applying for reinstatement.

Year	Taiwan 2022			South Korea 2022		
Item	Male	Female	Total	Male	Female	Total
Number of people eligible for parental leave without pay in the year	21	19	40	111	17	128
Number of people actually applying for parental leave without pay in the year	3	7	10	4	11	15
Application rate of parental leave without pay	14%	37%	25%	4%	65%	12%
Number of people expected to apply for reinstatement in the year after parental leave without pay	3	7	10	4	8	12
Number of people reinstated in the year after parental leave without pay	2	7	9	3	7	10
Reinstatement rate after parental leave without pay	67%	100%	90%	75%	88%	83%
Number of people reinstated in the previous year after parental leave without pay	0	6	6	2	8	10
Number of people reinstated in the previous year after parental leave without pay and continuing working for a year	0	3	3	2	5	7
Retention rate after parental leave without pay	-	50%	50%	100%	63%	70%

Note 1: The application rate of parental leave without pay is the actual number of people actually applying for parental leave without pay in the year/the number of people eligible for parental leave without pay in the year*100%.

Note 2: The reinstatement rate after parental leave without pay is the number of people reinstated in the year after parental leave without pay/the number of people expected to apply for reinstatement in the year after parental leave without pay*100%.

Note 3: The retention rate after parental leave without pay is the number of people reinstated in the previous year after parental leave without pay and continuing working for a year/the number of people reinstated in the previous year after parental leave without pay*100%.

5-2 Training and Development

Talent Development System in Lotus

Professional competency training: Training plans are scheduled annually based on organizational and employee development needs, market trends, etc., and internal and external professional lecturers are invited to enhance employees' professional competencies. Employees can also register for various courses offered by external training institutions according to organizational or task requirements.

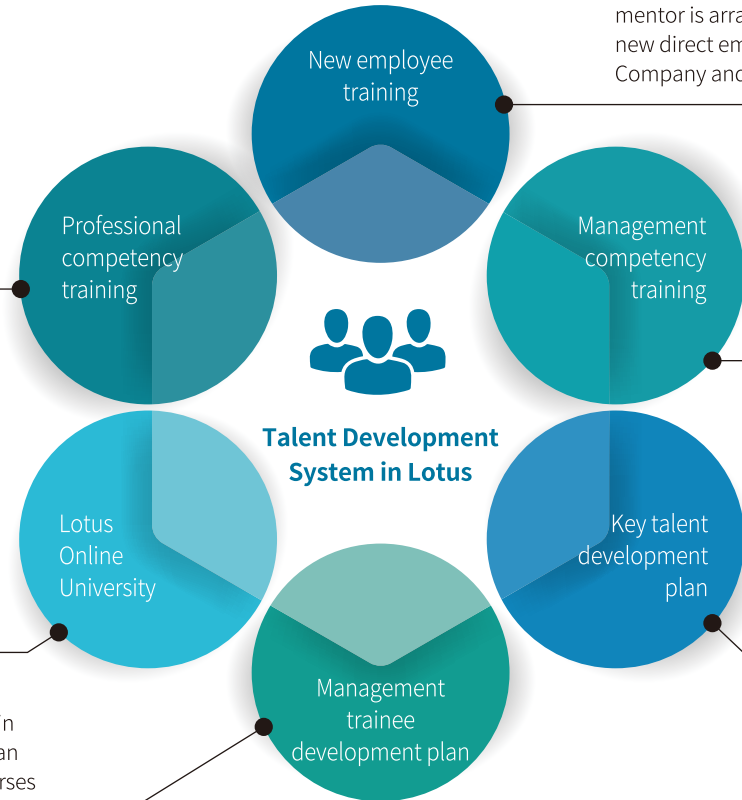
Lotus Online University: In cooperation with the Harvard ManageMentor online learning platform of Harvard University, the Company provides online resources for the Group's global employees. The platform contains over a hundred articles, videos and workshops available to employees at any time. The employees learn from the platform and continuously seek new knowledge to establish and enhance their skills. Our employees are up-to-date with the industry trend, creative, physically healthy and mentally agility.

Management trainee development plan: We recruit management trainees every year to develop and cultivate pharmaceutical talents in Taiwan. After the management trainee are onboarded, we implement an individual development plan, which includes a series of training courses and internal rotations. We expect to train the management trainee as an asset in a global pharma company within some specific years.

New employee training: Training and orientation for new employees is provided, a mentor is arranged for each new indirect employee, a buddy is arranged for each new direct employee, and support new employees to quickly adapt to the Company and new job responsibilities.

Management competency training: After interviewing with senior management, a series of management trainings is planned, and external lecturers are invited to provide complete management competency development courses for managers, to assist managers in improving their management abilities.

Key talent development plan: Based on talent and organizational development needs, a development plan is planned for employees together with key talents. The development methods include external training, project planning and execution, internal rotation and coaching program. Appropriate methods are selected according to individual willing and development status to cultivate talents.



Implementation of Employee Continuing Education and Training

Item	Course outline	Number of sessions	Total participants	Total hours	Total Expense (NT\$)
New employee training	Including an introduction to the Company's various systems and environmental security and health training	83	429	5,077	78,917
Professional competency training	Training of professional competencies in various fields	236	2,593	10,460	2,497,298
Management competency training	Training for improving manager management skills	13	145	1,015	1,227,942
Self-development training	Non-professional ability self growth training	191	74	1,545	1,640,863
Total		523	3,241	18,097	5,445,020

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

Average number of training hours received by employees of different grades and genders in 2022 (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	8.6	18.0	21.8	10.0	14.21
Middle management	Department lead	18.0	17.4	21.5	15.9	19.10
First-line management	Section lead	14.5	19.6	20.0	20.0	16.18
Regular employees		12.6	9.8	23.3	31.3	17.35
Total average		13.2	11.1	23.0	29.0	17.34

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

Employee performance evaluation and promotion Policy

The performance evaluation policy of Lotus Pharmaceuticals 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 2022, 12% of female employees in Taiwan and South Korea were promoted, while 10% of male employees were promoted.

2022 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%	15%	19%
Middle management	Department lead	99%	90%	8%	13%
First-line management	Section lead	100%	100%	13%	12%
Regular employees		95%	96%	10%	12%
Total		96%	95%	10%	12%

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

Note 2: According to the Company's system, new employees who are onboard after October 1, 2022 are not included in the 2022 performance evaluation, so the proportion of employees completing regular performance evaluations is not 100%.

Industry-academia Cooperation


Lotus has been deeply developing the Taiwan market for many years. As the largest pharmaceutical company in Taiwan, our core technology is rooted in Taiwan. 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 has collaborated with multiple universities and colleges in Taiwan through industry-academia cooperation, internship programs, corporate mentors, and corporate seminars to attract the active participation of elite students to apply their knowledge to practical cases in the workplace, and plan their careers in advance.

Industry-academia Cooperation Plan	Description	Achievements
Industry-academia 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 project. In 2022, we executed two projects to not only expand our team's R&D capabilities, but also cultivate chemical analysis talents.
Internship Program and Corporate Mentor	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 cultivate pharmaceutical professionals with international pharmaceutical company literacy in advance.	<ol style="list-style-type: none"> The actual number of interns is 14, distributed in research and development, regulatory affairs, quality and manufacturing. Corporate mentors of various departments selflessly share the problems they face in the workplace and the knowledge they have gained, in order to cultivate interns' professional skills and proactive attitude, and have them serve as a reference for career planning.
Corporate Introduction	The Company holds a corporate introduction at well-known domestic pharmaceutical universities (including China Medical University, Chung Shan Medical University, National Taiwan University, Taipei Medical University, and National Yang Ming Chiao Tung University) to recruit freshman 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.

5-3 Human Rights, Diversity and Inclusion

Human Rights Policy and Commitment

The Company has established relevant HR policies and regulations, which comply with the provisions of the "Labor Standards Act", with dedicated personnel handling employee related affairs. Moreover, the Company maintains a good work environment in accordance with laws and regulations such as the "International Convention on Human Rights", the "Act of Gender Equality in Employment", the "Sexual Harassment Prevention Act", the "Personal Data Protection Act", and the "Maternal Labor Health Protection Plan" to ensure employees' work rights.

<p>Human Rights Commitment</p>	<p>As a globally operating and responsible company, Lotus respects and complies with 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>The Human Rights Policy of Lotus applies to the Company and its subsidiaries. The affiliated companies include companies in which the Company directly or indirectly invests in more than 50% of its legally authorized capital, as well as legal persons in which the Company has substantial control over; the Company expects that our business partners (including suppliers) adopt and comply with similar human rights values.</p> <p>Lotus is committed to implementing diversity in the workplace without any form of unfair treatment or discrimination based on gender, race, nationality, social class, age, marital status, language, religion, political affiliation or place of birth, in order to establish a dignified, equal and non harassing work environment.</p> <ol style="list-style-type: none"> 1. Respect for human rights in the workplace. 2. Prohibition of forced labor. 3. Prohibition of child labor. 4. Provision of a safe and healthy workplace, 5. Ensure compliance with labor laws related to wages, working hours, overtime and benefits.
<p>Human Rights Governance Strategies and Policy</p>	<p>The "Human Rights Policy" and "Code of Business Conduct and Ethics" of Lotus are approved by the President before implementation, and the same applies to their revisions.</p>
<p>Human Rights Related Policy</p>	 <p>https://prismic-io.s3.amazonaws.com/lotus/454e146e-f03e-43f3-bfe3-3a4e67f9d95b_lotus-corporation-human-rights-policy2018.04.13.pdf</p>

Due Diligence

Lotus conducts an employee engagement survey every year to understand what all employees think, and identify potential high-risk issues. We also hold various forms of employee symposiums irregularly to listen to employees' voices and assist in solving related problems. At the same time, we provide a channel for employees to complain about inappropriate workplace behavior. Our human resources team also monthly compiles employee related information, including working hours, for analysis and discussion, and implements appropriate countermeasures based on the situation. There were no incidents of discrimination at Lotus in 2022.

Mitigation and Management Measures or Action Plans Formulated for High Human Rights Risks

Concerned issues	Mitigation and Management Measures or Action Plans
Respect for human rights in the workplace	<ol style="list-style-type: none"> In terms of recruitment, staffing, promotion, assignment as management positions and salary, the standards are based on competencies, potential and performance, and are not affected by factors such as gender, race, nationality, social class, age, marital status, language, religion, political affiliation or place of birth. Training on "Lotus Human Rights Policy, Sexual Harassment Prevention and Employee Complaint Management" is held. A complaint channel and investigation procedures for illegal infringement at the workplace are established: MyHR@lotuspharm.com
Prohibition of Forced Labor and Child Labor	<ol style="list-style-type: none"> Prohibition of any form of forced labor, slavery or human trafficking activities. 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"> The Company complies with the laws and regulations on labor safety and health, and has successfully established a designated unit responsible for occupational safety and health, hired full-time occupational health nurses, provided employee health care 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 work load, the prevention plan for illegal infringement during the performance of duties, and the maternal health protection plan. 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 raise any doubts or incidents that may affect safety and health at any time, and provide rewards in order to establish a safer work environment. 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"> The Company complies with all remuneration related laws, including minimum wage and statutory benefit requirements. The Company hires temporary workers, dispatched workers and outsourced labor services in accordance with local laws. The Company conducts monthly statistics on employees, working hours and other information, discusses with department managers, and implements corresponding measures to reduce employee overtime hours.

Human Rights Protection Communication and Measures

Internal Communication and Management Measures	<ol style="list-style-type: none"> 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, in order to encourage employees to demonstrate the spirit of our DNA. 2. The Company implements training on "Lotus Human Rights Policy, Sexual Harassment Prevention, and Employee Complaint Management" to all employees in Taiwan to reaffirm the policies on human rights, in order to safeguard employees' basic human rights and shape a work environment of equality, mutual understanding and respect for all.
External Communication and Management Measures (Business Partners, Suppliers and Other Relevant Groups)	<ol style="list-style-type: none"> 1. The contractor must sign the "Agreement for Contract Notice". Personnel entering the Company for operation must be legally employed workers and comply with regulations to ensure the safety and health of the contracted business personnel and our employees, as well as facility safety. 2. The Company conducts inspections during the contractor's contract period to ensure that the contractor complies with the agreement and maintains a healthy and safe workplace.

2022 Lotus Pharmaceutical's 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	452	226
Sexual harassment prevention	All employees in South Korea	434	868
Personal Data Protection Act	All employees in South Korea	433	866
Physical challenge cognition improvement	All employees in South Korea	434	868
Workplace bullying prevention training	All employees in South Korea	433	866

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 regulations compliance assessments, hazard risk evaluations, and operational controls to ensure strict adherence to the latest regulations requirements. We are planning to gradually implement the ISO 45001 Occupational Safety and Health Management System by 2024.

- Comply with local environmental and occupational safety and health regulations, customer requirements and other related international regulations.
- Establish an environmental safety and health (EHS) management system, through EHS risk assessment, target management, continuous improvement and regular management review, to prevent and manage the factory environmental, operation safety and employee health, improve the effectiveness of EHS management, and ensure the effectiveness of system operation.
- Improve and implement daily environmental/energy/occupational safety and health management, education, and communication for all employees and outsiders. Through the participation of all staffs, and to cherish the energy and natural resources together for achieved the goals of energy saving, carbon reduction and zero incidents.
- Through the participation of all staffs, and to cherish the energy and natural resources together for achieved the goals of energy saving, carbon reduction and zero incidents.

環境、安全與健康政策 Environmental Health and Safety Policy

本公司(Lotus)一直以來將員工視為公司最重要的資產，透過持續改善，提升環境、安全與衛生(EHS)文化及管理績效。節能減碳善盡環境保護責任並提供給員工及外部人員一個良好的安全及健康的作業環境。 Lotus has always regarded employees as the most important assets of the company, and through continuous improvement, enhances the environment, safety and health (EHS) culture and management performance. Energy saving and carbon reduction fulfill environmental protection responsibilities and provide to employees and outsiders with a good safety and health working place .

我們承諾致力實踐以下事項：

We are committed to the following:

- 遵行當地環保及職業安全衛生法規、客戶要求及其他相關的國際規範。
Comply with local environmental and occupational safety and health regulations, customer requirements and other related international regulations.
- 建立環安衛(EHS)管理系統，透過EHS風險評估、目標管理、持續改善及定期審查作業，對廠區環境、作業安全及員工健康，進行預防及管理，提升EHS管理成效，確保系統運作的有效性。
Establish an environmental safety and health (EHS) management system, through EHS risk assessment, target management, continuous improvement and regular management review, to prevent and manage the factory environmental, operation safety and employee health, improve the effectiveness of EHS management, and ensure the effectiveness of system operation .
- 對全體員工、外來人員完善並落實日常環境/能源/職安衛管理、教育訓練，及溝通宣導。
Improve and implement daily environmental/energy/occupational safety and health management, education, and communication for all employees and outsiders.
- 透過全員參與共同珍惜能源與自然資源，達成節能減碳及安全零事故的目標。
Through the participation of all staffs, and to cherish the energy and natural resources together for achieved the goals of energy saving, carbon reduction and zero incidents.

Petar Vazharov
CEO Lotus Group



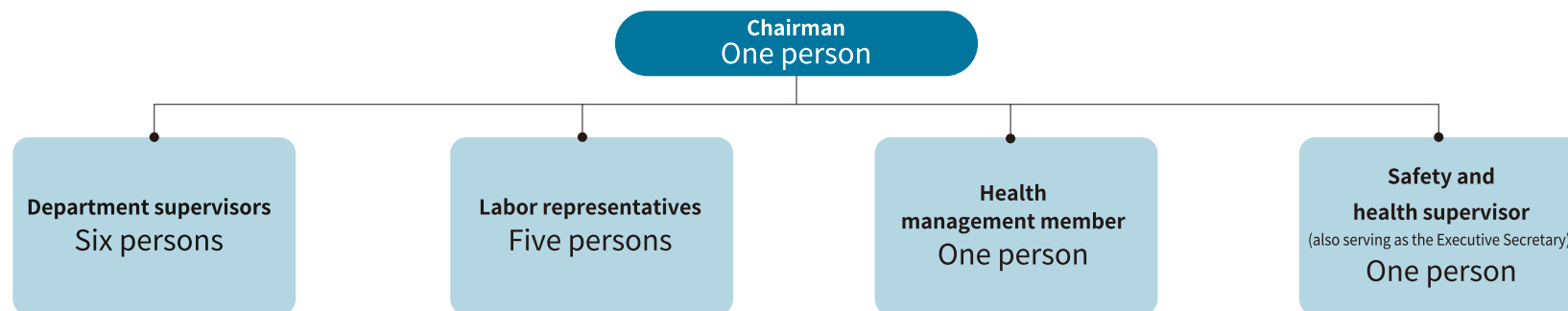
Lotus

Overview of the Composition and Operation of the Workplace Safety Committee

There is an Occupational Safety and Health Committee set up in the Nantou factory 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 holds a meeting every quarter 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"
- "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.



Composition of Occupational Safety Committee

Area	Employer (number of people)	Employees (number of people)	Occupational safety and health personnel	Number of meetings in 2022
Nantou site	7	5	2	4
South Korea sites	5	5	0	4

Workplace Safety and Accident Prevention Mechanism

The handling status of occupational safety and health training courses in 2022 is as follows. The course scope includes three categories, namely safety, health and fire prevention. In addition to regular occupational safety and health on-the-job training and fire prevention training required by law, advocacy courses were planned based on the actual needs of on-site occupational risks. The environmental safety and health training for new employees has already been incorporated in the talent cultivation system of Lotus.

Classification	Course	Objects	Total participants	Total hours
Safety	Supervision unit safety training on contractor construction	Engineering personnel	24	12
	Instruction meeting for autonomous inspection implementation	Seed personnel from all departments	13	13
	Operational safety training for New Product Development Department	New Product Development Department personnel	22	22
	Safety training in mechanical operation	Manufacturing Department personnel	72	36
	Chemical hazard general training	Seed personnel from the chemical using departments	8	8
Health	Health Promotion Activities at the Workplace	No. of people enrolled	46	46
	Maternal health protection training	Breastfeeding employees during pregnancy and within 1 year after child delivery	6	3
	Hearing protection training	Engineering and Manufacturing Department noise work seed personnel	14	7
Fire Fighting	Fire prevention organization and on-the-job training on occupational safety and hygiene in the first half of the year	Nantou factory personnel	315	1,260
	Fire prevention organization and training in the second half of the year	Nantou factory personnel	334	1,336
	Evacuation drill for all staff for fire fighting	Nantou factory personnel	309	155
	Training on the use of fire-fighting facilities	Manufacturing Department personnel	108	54

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

Occupational safety hazard identification and risk assessment mechanism

Lotus regularly conducts hazard identification and risk assessment for various operations in the factory, and requires improvement in high-risk items. In order to prevent risks from escalating, we promote the work safety express card activity in the factory. Employees who discover any unsafe behavior or unsafe environment may pick up the mobile phone and scan the QR code to report the problem they see. After the review by the work safety unit, a reward of NT\$50 will be granted for each item. The work safety unit will also track the completion of improvement by the responsible unit, and keep the information of the reporting personnel confidential.

If occupation-related injuries or accidents occur, the occupational safety unit will immediately take necessary emergency rescue measures upon receiving the accident notification. The accident unit and relevant personnel will be convened for investigation according to the situation, in order to prevent the accident from happening again. The accident investigation process is as follows:



The following table shows the statistics of occupational safety and health accidents over the years:

Year	Fatal Accident	Disabling Accident	Injury Frequency	Injury severity rate	Frequency-Severity Indicator
2018	0	0	0	0	0
2019	0	0	0	0	0
2020	0	0	0	0	0
2021	0	2	1.19	15.24	0.17
2022	0	1	0.82	1.64	0.04

Note 1: In 2021, the injury severity rate reached 15.24%. The personnel were injured in one of the cases, resulting in a loss of work time of 14 days, causing the injury severity rate to be relatively high in the year. In response to this accident, the material of the same type of wheel rack has been fully replaced with a fixed floor type material rack.

Workplace Health Promotion Action

In order to maintain a safe working environment, the Company has appointed three occupational safety and health management persons in Taiwan in accordance with the law to conduct regular workplace safety inspections, and has allocated occupational health medical personnel at the Nantou factory. Every month, occupational medical doctors will conduct on-site diagnose with one dedicated nurse, and holds health activities and training. In addition, during the pandemic period, a pandemic prevention team was established to regularly report the number of confirmed cases and master the pandemic development status, and carry out working hour adjustment and diversion of operations in the office area; offer free PCR test when necessary, and pandemic prevention and care leave was available for employees in need. The following five health promotion actions were conducted in 2022.

Lotus Pharmaceutical's Workplace Health Promotion Action

Action plan	Description	Achievement	No. of participants
Scheme 1 Health Management and Occupational Disease Prevention	The Company provides various occupational health services in accordance with the "Labor Health Protection Rules" and the "Occupational Safety and Health Act", hires occupational health monitoring nurses, provides employee health care 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.	<ul style="list-style-type: none"> On-site services by factory physician and nurses Exclusive space in the medical room Promotion of the four major plans for workplace health Setting up breastfeeding room for maternal health protection in the workplace 	<p>Ten people under the motherhood protection project</p> <p>Five people under work overload management</p> <p>Three people under the prevention of human hazards</p>
Scheme 2 Ministry of Health and Welfare's Safe Workplace Certification	The Nantou factory enhances employees' autonomous emergency rescue skills through CPR and AED training every year, and set 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.	<ul style="list-style-type: none"> The Nantou factory is equipped with an automatic external defibrillator. The factory hired qualified management personnel for maintenance, and regularly checks and upload the information. Cardiopulmonary resuscitation and automatic external defibrillator training is conducted every year (including practical exercises). It obtained certification and passed the extension of qualification in 2023. 	Cardiopulmonary resuscitation and automatic external defibrillator training is conducted every year (including practical exercises); the training completion rate is 71% in 2022 and 75% in 2023.

<p>Scheme 3 Employee Health Check</p>	<p>The Company arranges free health checks for all employees every year, and the health check items are superior to those required by law. When health check up programs are planned, the major causes of death are referred to in the hope of early detection and early treatment through regular screening, in order to reduce the impact of these diseases on employees. After the health check, the results of all employees' health checks and special health checks will be collected and organized, and interviews with the factory doctor will be arranged for employees with abnormal results to provide health advice and suggestions. The 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 is superior to 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. 	<p>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.</p>
<p>Scheme 4 National Health Administration's Healthy Workplace Certification/ Health Promotion Logo</p>	<p>In 2021, the Company passed the National Health Administration's Health Workplace Certification/Health Promotion Logo. In order 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, with at least two health promotion activities held each year, with gym coaches specially invited to demonstrate and lead health exercises. 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 interest in sports. In addition, HR will plan the Yellow Friday event, and hold multiple activities at the employee restaurant every month to promote psychological stress relief and make good use of cooperation and connection among various units to protect the health of employees.</p>	<ul style="list-style-type: none"> • 2021 National Health Administration's Healthy Workplace Certification/Health Promotion Logo • Totally three workplace health promotion events have been held from 2022 to present. • 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. 	<p>About 102 people applied for the sports fund subsidy. About 53 people participated in the walking activity, and invited their family members together.</p>
<p>Scheme 5 Implementation of COVID-19 Pandemic Prevention Policy</p>	<p>In response to the COVID-19 pandemic situation and following the instructions of the Central Pandemic Command Center, the Company developed multi-dimensional pandemic prevention measures and a contingency plan for pandemic prevention to provide free rapid test and assist employees in participating in vaccination appointments, and implement online care for the physical and mental health of employees, in order to provide a safe and reassuring work environment for them.</p>	<ul style="list-style-type: none"> • Conduct various negotiations through video conferencing to avoid interactive communication. • Provide free screening agents for those suspected of having or having symptoms. • Dedicated personnel for regular monitoring and reporting. • Establish a daily employee health reporting system. • Comply with policies and provide pandemic prevention and care leave. • Those with abnormal screening results are required to work from home. • Alcohol disinfectants are set up at the entrance of each building and on dining tables. • Public areas (elevators, tea rooms and water dispensers) within the factory are disinfected twice a day. • Employees are encouraged to take COVID-19 and influenza vaccines. • Organize influenza vaccination in the factory. • Irregular advocacy on pandemic prevention information. 	<p>All staff</p>

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



6 Social Care and Participation

The Company donated **950** boxes of "Probear Probiotic Candy" to non-profit organizations in Nantou and remote villages.

8 Parkinson's health care lectures were jointly held, with a total of **433** participants.

6-1 Patient Care

As a continuously innovative pharmaceutical company, Lotus always values the health and well-being of its patients and the community. Through various community care and patient health education lectures, we provide health education and disease management guidance to ensure that patients can better understand diseases. Furthermore, we actively participate in community activities to provide support and resources. We are committed to not only addressing the medication needs of patients, also focus on their overall health and well-being to ensure they can experience the best possible quality of life.

In 2022, we actively participated in many Parkinson's disease communication activities to promote health and education, providing valuable information and support to patients and their families. These activities cover multiple aspects of Parkinson's disease, and are expected to increase public awareness and understanding of this disease. A series of 8 lectures on Parkinson's health care was held, with a total of 433 person-times of participation through physical or online means, to learn valuable information about treatment, medication and exercise. We will continue holding more such activities to provide support, knowledge and care, and jointly build a healthier and warmer community.

2022 Disease and Health Education Advocacy

Name of advocacy activity	Theme and content of advocacy	Results and benefits
January 15 - Parkinson's health care online education lecture	Parkinson's disease and pain and how to relieve back pain	Approximately 50 people participated online
February 19 - Parkinson's health care online education lecture	Parkinson's disease and sleep and social resource applications	Approximately 43 people participated online
March 6 - South region Parkinson's disease health care education lecture	Parkinson's disease treatment, Parkinson's medication treasure book APP and exercise	43 people attended the physical session and 31 people attended the online session
March 26 - Donggang Area Parkinson's Disease Patient Association	Surgical treatment of Parkinson's disease	Approximately 35 people participated
August 27 - The challenge of non-stage Parkinson's disease	The Challenge of non-stage Parkinson's disease: movement disorders and autonomous function disorder	Approximately 63 people participated
October 1 - Medication and daily exercise for Parkinson's disease	Medication for Parkinson's disease and notes and daily exercise	Approximately 65 people participated
December 10 - Central region Parkinson's disease health care education lecture	Parkinson's disease daily exercise and Divine Wave Knife	Approximately 35 people participated
December 24 - Common cognitive disorders and psychiatric symptoms of Parkinson's disease	Common cognitive disorders and psychiatric symptoms of Parkinson's disease	Approximately 68 people participated



6-2 Social Engagement

Investing in Corporate Social Responsibility from Daily Operations

The main site area of Lotus in Taiwan is located in Nantou; therefore, the central region of Taiwan is a highly valued area for its community friendly activities. In the past years, Lotus has not only invested money and efforts, but also hopes to drive "Patient Empowerment" through corporate social responsibility.

Lotus takes the Nantou site as the center, and provides community care services for surrounding communities. In 2022, we support the "Taiwan Girls' Day Girls' Night Run" jointly organized by the Garden of Hope Foundation and the Nantou County Government in Nantou, our production base in Taiwan, calling on the people to pay attention to the rights and interests of women together. In addition, in 2022, we donated a total of 950 boxes of "Probear Probiotic Candy" to the Taiwan World Vision Foundation, the Taitung, Hualien and Nantou branch offices of the Taiwan Fund for Children and Families, as well as the Dongji Public Welfare Organization to care for the health of children in rural areas. In the same year in South Korea, we provided hygiene products for the health of women and adolescents of low-income families to reduce their economic burden on families.



Assisting Vulnerable Alcoholics in Getting Back on Track in Life

According to the current national health insurance compensation regulations, alcohol addiction treatment drugs require full self-payment, which puts huge economic pressure on vulnerable patients who need long-term alcohol withdrawal treatment. Lotus has accepted an invitation from the Taiwan Society of Addiction to sponsor for free ten designated alcohol addiction treatment medical institutions in Taiwan, including the Tri-Service General Hospital, Taipei City Hospital, and Hualien Tzu Chi Hospital. They use the alcohol addiction treatment drug Acamprosate to assist nearly 100 vulnerable alcohol addiction patients in their three-month alcohol withdrawal treatment. With this, we hope to reduce the financial burden on patients, help them safely go through the process of alcohol withdrawal treatment, and reduce the personal health and social problems that may be caused by alcohol addiction.

Assistance in Free Clinics for Remote Rural Residents

In 2019, Lotus donated NT\$200,000 to co organize the diagnostic services for the medical service team of Chung Shan Medical University. The medical service team has mobilized over 20 physicians, physical therapists and nursing staff to visit Wanfeng Village in Nantou County to provide care for the elderly and patients with mobility difficulties and providing home-visit clinic services.

In addition to the activities above, Lotus employees have also led students from Taichung to experience the fun of outdoor barbecue and playing paintballs. It was the first time for the students to participate in such exciting activities, and their enthusiasm was high. The Taipei office of Lotus has also spared no effort to give back to neighboring communities. In addition to inviting Down syndrome patients of "Born to Win Da'an Workshop", a member of the "Down Syndrome Foundation", to have afternoon tea in the office and play group games; we also mobilized large hospital business personnel to search for homeless people selling non-profit magazines such as "Big Issue" within their respective areas, and buy their sales quota of the month, so that homeless people can live a "big month" and use their self-reliant income to improve life.

Appendix

Reference to GRI Standards

Declaration | Lotus Pharmaceutical follows the GRI Standards for the disclosure of information dated January 1 to December 31, 2022.

Use of GRI 1 | GRI 1: Foundation 2021

Applicable GRI Industry Standards | None

GRI Standard	Disclosures	Chapter of the report	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	6
GRI 2-2	Entities included in the organization's sustainability reporting	About This Report	2
		1-1 Introduction to the Company	6
GRI 2-3	Reporting period, frequency and contact point	About This Report	2
GRI 2-4	Restatements of information	About This Report	2
GRI 2-5	External assurance	About This Report	2
2. Activities and workers			
GRI 2-6	Activities, value chain and other business relationships	1-1 Introduction to the Company	6
		1-2 Operational Objectives	13
		2-4 Supplier Sustainable Management	74
GRI 2-7	Employees	5-1 Remuneration, Benefits and Employee Care	103
GRI 2-8	Workers who are not employees	5-1 Remuneration, Benefits and Employee Care	105
3. Governance			
GRI 2-9	Governance structure and composition	1-1 Introduction to the Company	8
		2-1 Corporate Governance and Ethical Operations	42
GRI 2-10	Nomination and selection of the highest governance body	2-1 Corporate Governance and Ethical Operations	44
GRI 2-11	Chair of the highest governance body	2-1 Corporate Governance and Ethical Operations	46
GRI 2-12	Role of the highest governance body in overseeing the management of impact	2-1 Corporate Governance and Ethical Operations	43

GRI Standard	Disclosures	Chapter of the report	Page
GRI 2-13	Delegation of responsibility for managing impacts	Not applicable this year. The Company will assemble a sustainability committee to manage impacts in the future, refer to details:	-
		2-1 Corporate Governance and Ethical Operations	43
GRI 2-14	Role of the highest governance body in sustainability reporting	Not applicable this year. The Corporate Governance Supervisor currently handles sustainability reporting. A Sustainability Committee will be formed to manage impacts in the future, refer to details:	- / 2
		About This Report	30
		1-3 Sustainability Strategy	43
GRI 2-15	Conflicts of interest	2-1 Corporate Governance and Ethical Operations	45
GRI 2-16	Communication of critical concerns	2-1 Corporate Governance and Ethical Operations	-
		Not applicable this year. The Corporate Governance Supervisor currently handles sustainability reporting. A Sustainability Committee will be formed to manage impacts in the future, refer to details:	30
		1-3 Sustainability Strategy	43
GRI 2-17	Collective knowledge of the highest governance body	2-1 Corporate Governance and Ethical Operations	53
GRI 2-18	Evaluation of the performance of the highest governance body	2-1 Corporate Governance and Ethical Operations	51
GRI 2-19	Remuneration Policy	2-1 Corporate Governance and Ethical Operations	55
GRI 2-20	Process to determine remuneration	2-1 Corporate Governance and Ethical Operations	54
GRI 2-21	Annual total compensation ratio	2-1 Corporate Governance and Ethical Operations	56
		5-1 Remuneration, Benefits and Employee Care	107
4. Strategy, policies and practices			
GRI 2-22	Statement on sustainable development strategy	Corporate Social Responsibility Best Practice Principles	3
		Letter from the Chairman	4
		1-2 Operational Objectives	13
		1-1 Sustainability Strategy	28
		2-1 Corporate Governance and Ethical Operations	43
GRI 2-23	Policy commitments	2-1 Corporate Governance and Ethical Operations	58
GRI 2-24	Embedding policy commitments	2-1 Corporate Governance and Ethical Operations	61
		5-3 Human Rights, Diversity and Inclusion	113
GRI 2-25	Processes to remediate negative impacts	2-2 Risk Management and Internal Control	62
		5-3 Human Rights and Diversity and Inclusiveness	113
GRI 2-26	Mechanisms for seeking advice and raising concerns	1-3 Sustainability Strategy	39
		2-2 Risk Management and Internal Control	65
GRI 2-27	Compliance with laws and regulations	2-1 Corporate Governance and Ethical Operations	61
GRI 2-28	Membership associations	2-1 Corporate Governance and Ethical Operations	63

GRI Standard	Disclosures	Chapter of the report	Page	
5. Stakeholder engagement				
GRI 2-29	Approach to stakeholder engagement	1-3 Sustainability Strategy	39	
GRI 2-30	Collective bargaining agreements	The Taiwan office has yet to assemble a union, therefore the disclosure is not applicable	-	
Material Topics				
GRI 3: Material Topics 2021				
GRI 3-1	Process to determine material topics	1-3 Sustainability Strategy	30	
GRI 3-2	List of material topics	1-3 Sustainability Strategy	35	
GRI 3-3	Management of material topics	Corporate Governance and Ethical Operations	2-1 Corporate Governance and Ethical Operations	59
		Legal Compliance	2-1 Corporate Governance and Ethical Operations	61
		Drug quality and safety	3-2 Drug Quality	82
			3-3 Drug Safety and Recall	88
		Business Performance	2-1 Corporate Governance and Ethical Operations	11
		Information security and privacy protection	2-3 Information Security and Privacy Protection	70
		Human rights and diversity and inclusiveness	2-1 Corporate Governance and Ethical Operations	57
			5-3 Human Rights, Diversity and Inclusion	113
		Drug accessibility	3-4 Improving Drug Accessibility	91
		Products and services	1-2 Operational Objectives	13
			3-1 Product Overview	81
			6-1 Patient Care	123
			6-2 Social Engagement	124
		Wastewater and wastes	4-3 Waste and Resource Management	99
		Human resources development	5-1 Remuneration, Benefits and Employee Care	103
			5-2 Talent Development	110
		Occupational Safety and Health	5-4 Occupational Safety and Health	116
Natural resource management	4-3 Waste and Resource Management	99		
Climate action	2-4 Supplier Sustainability Management	76		
	4-1 Environmental Management Objectives	95		
	4-2 Greenhouse Gas Management	96		

GRI 3 Specific Standards

Economic

GRI 200: Specific disclosures - Economic 2016

GRI Standard		Disclosures	Chapter of the report	Page
Economic performance	201-1	Direct economic value generated and distributed	1-2 Operational Objectives	19
Indirect economic impact	203-2	Significant indirect economic impacts	3-4 Improving Drug Accessibility	91
Anti-corruption	205-1	Operations assessed for risks related to corruption	No corruption audit was conducted this year; relevant audit exercises will be planned in the future	-
	205-2	Communication and training about anti-corruption policies and procedures	2-1 Corporate Governance and Ethical Operations	61
	205-3	Confirmed incidents of corruption and actions taken	2-1 Corporate Governance and Ethical Operations	61
Anti-competition	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2-1 Corporate Governance and Ethical Operations	61

Environment

GRI 300: Specific disclosures - Environmental 2016

GRI Standard		Disclosures	Chapter of the report	Page
Energy	302-1	Energy consumption within the organization	4-2 Greenhouse Gas Management	96
Water and effluents (2018)	303-5	Water consumption	4-3 Waste and Resource Management	100
Emissions	305-1	Direct (Scope 1) GHG emissions	4-2 Greenhouse Gas Management	96
	305-2	Energy indirect (Scope 2) GHG emissions	4-2 Greenhouse Gas Management	97
Waste	306-1	Waste generation and significant waste-related impacts	4-3 Waste and Resource Management	99
	306-2	Management of significant waste-related impacts	4-3 Waste and Resource Management	101
	306-3	Waste generated	4-3 Waste and Resource Management	101

Social

GRI 400: Specific disclosures - Social 2016

GRI Standard		Disclosures	Chapter of the report	Page
Employment	401-1	New employee hires and employee turnover	5-1 Remuneration, Benefits and Employee Care	106
	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	108
	401-3	Parental leave	5-1 Remuneration, Benefits and Employee Care	109
Occupational safety and health	403-1	Occupational health and safety management system	5-4 Occupational Safety and Health	116
	403-2	Hazard identification, risk assessment, and incident investigation	5-4 Occupational Safety and Health	119
	403-3	Occupational health services	5-4 Occupational Safety and Health	120
	403-4	Worker participation, consultation, and communication on occupational health and safety	5-4 Occupational Safety and Health	117
	403-5	Worker training on occupational health and safety	5-4 Occupational Safety and Health	118
	403-6	Promotion of worker health	5-4 Occupational Safety and Health	120
Training and education	404-1	Average hours of training per year per employee	3-2 Drug Quality / 3-3 Drug Safety and Recall / 5-2 Talent Development / 5-4 Occupational Safety and Health	84 、 88 、 111 、 118
	404-2	Programs for upgrading employee skills and transition assistance programs	5-2 Talent Development	110
	404-3	Percentage of employees receiving regular performance and career development reviews	5-2 Talent Development	112
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	2-1 Corporate Governance and Ethical Operations / 5-1 Remuneration, Benefits and Employee Care	42 、 104
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	5-3 Human Rights, Diversity and Inclusion	114
Supplier social assessment	414-1	New suppliers that were screened using social criteria	At present, the risk assessment mechanism of Lotus for suppliers does not include indicators related to environmental and social sustainable development. In the future, the Company will develop a method for systematically incorporating ESG related indicators into the preliminary qualification review and performance of new suppliers.	-
Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	3-2 Drug Quality	82
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3-2 Drug Quality	85
Marketing and Labeling	417-1	Requirements for product and service information and labeling	2-1 Corporate Governance and Ethical Operations	61
	417-2	Incidents of non-compliance concerning product and service information and labeling	2-1 Corporate Governance and Ethical Operations	61
	417-3	Incidents of non-compliance concerning marketing communications	2-1 Corporate Governance and Ethical Operations	61
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2-3 Information Security and Privacy Protection	73

Climate Related Information of TWSE and TPEX Listed Companies

Risks and Opportunities Posed by Climate Change to the Company and Relevant Countermeasures Taken by the Company

Indicators	Implementation status
1. Explain the board and the management's oversight and governance of climate related risks and opportunities.	<p>1. The importance of the Company's professional knowledge background in sustainable operation is considered for the composition of the Company's board of directors. Therefore, in addition to considering professional abilities such as financial institution management and business practices, financial management, accounting, law and corporate governance for the selection of independent directors, we will also strengthen practical work experience and knowledge and skills in climate change related issues in the future.</p> <p>2. In the future, a sustainable development committee will be established, and senior executives will be designated to regularly hold sustainable development meetings to supervise and guide the implementation of the Company's sustainable development policies and annual goals. At the same time, various functional groups will be established to promote businesses in aspects such as environmental sustainability, employee care, corporate governance and climate risk.</p>
2. Explain how the identified climate risks and opportunities affect the Company's business, strategy and finances (short-term, medium-term and long-term).	The Company will assess climate related risks and identify opportunities in the future.
3. Explain the financial impact of extreme climate events and transformation actions.	The Company will include the identification of physical and transformation risks in the future, and calculate the relevant financial impact.
4. Describe how the identification, assessment and management process of climate risks are integrated into the overall risk management system.	The Company has a complete risk management organizational structure, policies and management standards. It is expected that environmental risks will be included in the future, and future climate change will also be considered.
5. If scenario analysis is used to assess the resilience to climate change risks, explain the scenarios, parameters, assumptions, analysis factors and major financial impacts.	In calculating the financial impact of climate risk in the future, the Company will refer to well-known domestic and foreign institutions' reports of industrial risk assessments and economic situation analysis. The environmental and social risk factors of each industry will be included in the consideration of each industry's risk level, including the impact of emerging environmental or social factors on industry trends, climate transformation risk costs and industry entry barriers.
6. If there is a transformation plan for managing climate related risks, explain the content of the plan and the indicators and objectives used to identify and manage physical and transformation risks.	The Company has set targets and strategies for energy conservation and low-carbon operation management, including waste management, water resource management, and greenhouse gas emissions management. The average annual waste per person, average annual electricity consumption per person, average annual water consumption per person, and average annual greenhouse gas emissions per person must all be reduced by 1%.
7. If internal carbon pricing is used as a planning tool, explain the basis for pricing.	The Company has not yet launched "Internal Carbon Pricing (ICP)", and will discuss relevant issues in the future sustainability committee after its establishment.
8. If there are climate related goals set, explain the activities covered, greenhouse gas emission scopes, planning period, and annual progress achieved; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, explain the source and quantity of carbon credits offset, or the number of renewable energy certificates (RECs).	The Company currently sets a short-term goal of reducing greenhouse gas emissions per capita by 1%, and will also set medium and long-term goals in the future for gradual promotion.
9. Greenhouse Gas Inventory and Assurance Status	The Company has not yet completed greenhouse gas inventory and assurance. It is expected to complete an individual company assurance in 2028, and a consolidated company assurance in 2029.

CPA's Limited Assurance Report



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 111 年度(2022 年度)永續報告書中，業經選定之標的資訊(以下簡稱「所選定之標的資訊」)執行有限確信程序並出具有限確信報告。

確信標的資訊與報導基準

美時公司係依台灣證券交易所「上市公司編製與申報永續報告書作業辦法」(以下簡稱「作業辦法」)第二條第一項第三款規定屬最近一會計年度財務報告，實收資本額達新台幣二十億元以上者應依作業辦法之規定編製與申報中文版之永續報告書。

美時公司依行業特性與其所選定之確信標的資訊參採或自行設計其他基準詳列於附件一「確信標的資訊彙總表」。

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主題，並依前述報導基準編製及允當表達民國 111 年度(2022 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書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導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

本會計師係依照確信準則 3000 號「非屬歷史性財務資訊查核或核閱之確信案件」規劃及執行有限確信工作，對上開永續報告書所選定之標的資訊(詳附件一)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，對與確信標的攸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 111 年度(2022 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。

獨立性與品質管理遵循聲明

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循品質管理準則 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，包含與遵循職業道德規範、專業準則及適用之法令規範相關之政策及程序。

5F, No.21, Sec. 6, Zhongxiao E. Rd.,
Nangang Dist., Taipei 11576, Taiwan
T +886 2 2789 0887 F +886 2 2789 1005
www.grantthornton.tw

總 所：115608 台北市南港區忠孝東路六段21號5樓 電話：(02) 2789-0887 傳真：(02) 2789-1005
新竹所：300196 新竹市東區慈雲路118號7樓之3 電話：(03) 563-1919 傳真：(03) 666-1980
台中所：403923 台中市西區華樂路117號3樓 電話：(04) 2323-2448 傳真：(04) 2323-2353
高雄所：805616 高雄市前鎮區民權二路8號16樓之1 電話：(07) 223-5556 傳真：(07) 330-2989



所執行之確信程序彙總說明

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 111 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，以獲取足夠及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，設計足夠且適切之確信程序暨評估確信標的資訊之表達。本會計師相信此項確信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案件風險之瞭解及考量低於對合理確信案件者，所執行之性質及時間與適用於合理確信案件者不同，其範圍亦較小，因此有限確信案件中取得之確信程度明顯低於合理確信案件中取得者。

先天限制

美時公司民國 111 年度(2022 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解讀。

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而須做重大修正之情形。

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，本會計師將不負就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：羅裕民



曾雅婷

事務所地址：

台北市 115608 忠孝東路六段 21 號 5 樓

中 華 民 國 1 1 2 年 9 月 1 5 日

附件一：確信標的資訊彙總表

編號	委任項目	對應章節	確信標的資訊	報導基準
1	民國 111 年美時公司是否違反有關產品和服務責任的健康安全和法規事件	2-1 公司治理與誠信	美時公司之南投廠為確信標的資訊： ●美時公司每年均執行 GMP 內部稽核，此外，另有客戶稽核或其他國內外官方定期或不定期之查核。2022 年美時公司之南投廠共完成 2 次查核，歷次查核結果，在製造、輸入及標示上均無任何違法或違規之情事發生。 ●美時公司於 2022 年共有 1 件因違反「藥事法」第 66 條第 1 項、「食品安全衛生管理法」第 28 條第 1 項規定，其與廣告刊登程序與內容相關之裁罰案。	◆美時公司是否違反有關產品和服務責任的健康安全和法規之事件
2	審計委員會、薪酬委員會、董事會出席率	2-1 公司治理與誠信	美時公司之公司治理運作情形： ●審計委員會出席率：100% ●薪酬委員會出席率：100% ●董事會出席率：89%	◆美時公司之董事、審計委員及薪酬委員出席會議狀況統計數據
3	員工教育訓練人次及時數	2-1 公司治理與誠信	●誠信經營及商業行為道德：397 人次，課程時間 30 分鐘	◆美時公司之各項教育訓練時數及人數統計數據
		3-2 藥品品質	●品質管理教育訓練：613 人次，共 1,322 小時	
		3-3 藥品安全與回收	●藥品安全監視訓練：1,165 人次，共 1,165 小時	
		5-2 人才培育	●新進人員訓練：429 人次，共 5,077 小時 ●專業職能訓練：2,593 人次，共 10,460 小時 ●主管才能訓練：145 人次，共 1,015 小時 ●自我啟發訓練：74 人次，共 1,545 小時	

編號	委任項目	對應章節	確信標的資訊	報導基準
		5-3 人權與多元包容	●美時人權政策、性騷擾防治及申訴管理：452 人次，共 226 小時 ●性騷擾防治：434 人次，共 868 小時 ●個人資料保護法：433 人次，共 866 小時 ●身障認知改善：434 人次，共 868 小時 ●工作場所霸凌預防訓練：433 人次，共 866 小時	
		5-4 職場安全衛生與健康	●監工單位承攬商施工安全訓練：24 人次，共 12 小時 ●自動檢查實施說明會議：13 人次，共 13 小時 ●新產品開發部門作業安全訓練：22 人次，共 22 小時 ●機械作業安全訓練：72 人次，共 36 小時 ●化學品危害通識訓練：8 人次，共 8 小時 ●美時職場健康促進活動：46 人次，共 46 小時 ●母性健康保護教育訓練：6 人次，共 3 小時 ●聽力保護教育訓練：14 人次，共 7 小時 ●上半年自衛消防編組及職安衛在職訓練：315 人次，共 1,260 小時 ●下半年自衛消防編組訓練：334 人次，共 1,336 小時 ●消防全員疏散演練：309 人次，共 155 小時	

編號	委任項目	對應章節	確信標的資訊	報導基準
			●消防設施使用訓練：108 人次，共 54 小時 ●心肺復甦術暨自動體外去顫器教育訓練（含實務演練）南投廠完訓比例 75%	



Lotus

Headquarters:

17F., No. 277 Songren Road, Xinyi District, Taipei City 11046
TEL : +886 2 2700 5908

Manufacturing and R&D Center:

No. 30, Chenggong 1st Road, Nantou City, Nantou County 54066
TEL : +886 2 2700 5908