FORMOSA LABORATORIES, INC.

Formosa Laboratories, Inc.

2023 Sustainability Report

CONTENTS

A Message from the Chairman

Since our founding in 1995, Formosa Laboratories has not only grown into an internationally renowned API manufacturer, but also become a major source of supply for major pharmaceutical companies across the globe. Following our diversification into biopharmaceuticals and injectable pharmaceuticals in recent years, Formosa Laboratories' growth trajectory serves as a testament to our unrelenting belief in quality, innovation, and sustainable development.

With our unwavering commitment to quality, we not only play a critical role in the global supply chain, but have also been heeding calls for concerns from the public on various issues such as energy conservation, carbon reduction, and labor rights. In 2023, Formosa Laboratories was awarded the ISO 14064-1 and ISO 14067 certifications following our adoption of green electricity generated using solar energy.

Owing to our firm belief that outstanding talents are the most crucial resource for a company, we carried out a comprehensive optimization of our pay structure and job ranking system in collaboration with human resource consulting company WTW. On top of that, we have been able to attract and nurture a more diverse range of professional talents through industry-academia collaboration programs, which has become the bedrock for our growth.

In the future, we will also introduce a wide array of new technologies and techniques such as artificial intelligence (AI), microfluidic process, in hopes of effectively reducing the carbon footprint of our products, lowering our operating costs, and thus enhancing our competitiveness in the market.

In light of challenges during the post-pandemic era, our top-performing respiratory agents have met the needs of the global market at a critical moment. This accomplishment not only highlights our ability to respond to the market and demonstrates our success in refining and enhancing our production efficiency, but also reflects our significant contributions to the healthcare sector.

As a sustainably responsible company, we at Formosa Laboratories endeavor to maintain a balanced development of the economy, society, and the environment with a positive and proactive attitude. We would like to express our utmost gratitude to all our customers, vendors, and partners. In the face of challenges in the coming year, we will continue to provide excellent products services in the spirit of innovation and sustainability, with a view to building a better future with our employees.

Cheng, Chen-Yu

Chairman 程飞禹

Principles of Report Compilation

Report Overview

Welcome to the second sustainability report published by Formosa Laboratories, Inc. (hereinafter referred to as Formosa Laboratories). This report has been written in compliance with the 2021 GRI Sustainability Reporting Standards (GRI Standards), along with a GRI Index provided in the Appendix section. In the future, we will continue to publish this report, aimed at regularly disclosing our ESG performance to the outside world and realizing our corporate sustainability vision with concrete actions. This report was issued in August 2024, and the next report is scheduled for publication in August 2025.

Boundary and Scope of the Report

The reporting period of this report spans from January 1, 2023 to December 31, 2023. The scope of this report, which is similar to that issued in the previous year, covers Formosa Laboratories, Inc., including our Louchu Plant and Louchu No. 2 Plant. However, this report does not include information regarding our subsidiaries such as Formosa Pharmaceuticals Inc., Epione Pharmaceuticals, Inc, and Epione Investment Cayman Limited as our primary operating activities are directly managed by Formosa Laboratories, Inc.

The financial data in this report is sourced from Formosa Laboratories' standalone financial statements for 2023. The information boundary for the environmental and social categories also apply to Formosa Laboratories, Inc. For detailed information on other affiliated companies, please refer to Formosa Laboratories' official website > Investor > Financials > Shareholder Services > Shareholders' Meeting > Annual Reports to access the 2023 Annual Report. There were no significant changes in the organizational size, structure, ownership, and supply chain of Formosa Laboratories during the reporting period.

Main Responsible Units and Quality Management Method of the Report

In an effort to enhance the integrity and credibility of sustainability reporting at Formosa Laboratories, we have established the Procedures for the Preparation and Validation of Continuing Reports in accordance with the Taiwan Stock Ex change Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, aimed at ensuring the integrity and credibility of the sustainability report.

Operating procedure	Method	Responsible unit
Report compilation	This report is placed under the supervision of the Sustainable Development Committee, with the ESG Team engaged to oversee the planning of this report. The data, strategic objectives, performance indicators, and other information disclosed in this report are provided by the respective responsible units, and then integrated, compiled, and revised by the ESG Team.	**ESG Team**
Internal review	This report is verified upon completion for its completeness and accuracy by each department before it is submitted to the senior executives at the relevant departments for approval.	**Relevant responsible departments and their senior executives**
External assurance	In order to enhance the accuracy and credibility of this report, Formosa Laboratories: • Engaged third-party verification body AFNOR Asia Ltd. to carry out verification of our company based on the AA 1000 Assurance Standard Type 1 and The Moderate Assurance level as the verification criteria, with a view to ensuring that the content of this report complies with GRI guidelines and AA1000AP (2021) accountability principles. • Engaged PwC Taiwan to audit the financial data based on the International Financial Reporting Standards (IFRSs), where figures in the financial data are primarily expressed in New Taiwan dollars. • Engaged SGS Taiwan Ltd. to verify the greenhouse gas emissions data based on the ISO 14064-3 standards so as to ensure that the data complies with the ISO 14064-1:2018 Greenhouse Gas Inventory standards, with reasonable assurance required for Scope 1 (Category 1) and Scope 2 (Category 2) emissions data and limited assurance required for Scope 3 (Categories 3 to 6) emission data. While a verification statement for our company's carbon emissions data for 2022 has been issued in 2023, a verification statement or our company's carbon emissions data for 2023 is expected to be issued in August 2024.	**AFNOR Asia Ltd. PwC Taiwan SGS Taiwan Ltd.**
Approval and finalization	The final version of this report was first presented to the Sustainable Development for approval, and then submitted to the Board of Directors for approval by resolution before it was officially issued.	**Sustainable Development Committee and Board of Directors**

Contact Information

If you have any suggestions or questions about Formosa Laboratories' 2023 Sustainability Report, feel free to contact us via the following means. In order to fulfill our responsibility for corporate information disclosure, we have also uploaded this report onto our official website for easy access.

Formosa Laboratories, Inc.

Address: No. 36, Hoping Street, Louchu, Taoyuan 338002, Taiwan
Official website:https://www.formosalab.com/tw/
Contact person:Fang, Ting-Hsuan
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Email:info@formosalab.com

Stakeholders and Material Topics

Stakeholder Engagement

Formosa Laboratories evaluates the dependence, responsibility, tension, influence, and diverse perspectives of stakeholders based on the nature of operating activities and industry attributes in accordance with the five principles of the AA1000 Stakeholder Engagement Standard (SES) 2015 edition. Hence, six key stakeholders have been identified, namely (1) employees and workers; (2) customers, (3) investors and shareholders, (4) suppliers, (5) government agencies, and (6) local communities.

In order to fully understand the concerns of stakeholders and identify the actual or potential impacts of the issues of concern to them, Formosa Laboratories actively communicates with various stakeholders through various bilateral and continuous channels in its daily operations. At the same time, we collect and respond to the topics of concern to them. In addition, Formosa Laboratories has also set up the "Stakeholders" section on our official website, which enables us to maintain good interaction with stakeholders via our mailboxes if there is any question or suggestion about information related to major topics or other report contents.

▼ Status of stakeholder engagement

Stakeholder	Importance to Formosa Laboratories	Engagement method and frequency	Topic of concern	Communication performance in 2023
 **Employees and workers**	As employees are not only the most important asset to a company but also the key to operational success for a company, Formosa Laboratories endeavors to attract more outstanding talents to join us and help achieve our company great economic performance.	• Cross-departmental manager meeting / monthly • Labor-management meeting / quarterly • Occupational Safety and Health Committee meeting / quarterly • Employee health examination / annually • Annual performance review / annually • Employee Welfare Committee meeting / irregularly • Internal company announcement / irregularly • Multiple channels of communication with employees / irregularly	• Economic Performance • Talent Attraction and Retention • Occupational Safety and Health	• Set annual performance targets at the beginning of the year, carried out mid-term review or revisions, and conducted end-of-term evaluation. • Carried out an employee satisfaction survey, with 169 questionnaires successfully collected.
 **Customers**	With customers being the driving force behind a company's growth, Formosa Laboratories is committed to establishing good relationships with our business partners, thereby fostering common good in the industry.	• Customer visit / irregularly • Certification inspection / irregularly • Exhibition / irregularly • Official website, phone, and e-mail / Irregularly	• Economic Performance • Innovation and R&D • Safety of pharmaceuticals	• Received 64 customer visits in total. • Underwent official and customer inspection 36 times. • Participated in one exhibition event in Taiwan and five overseas exhibition events.

Stakeholder	Importance to Formosa Laboratories	Engagement method and frequency	Topic of concern	Communication performance in 2023
 **Investors and shareholders**	Investors serve as a source of capital for Formosa Laboratories, which not only stabilizes capital for our company, but also creates higher investment value.	• Shareholders section on the official website / Irregularly • Major announcements / irregularly • Annual report and financial statements / annually and quarterly • Annual general shareholders' meeting / annually • Extraordinary shareholders' meeting / irregularly • Investor conference / irregularly • Spokesperson's phone and mailbox / immediate	• Economic Performance • Occupational Safety and Health • Information Security	• Made real-time disclosure of financial information, major announcements, shareholders' meeting information, and information on various activities and events. • Held a shareholders' meeting. • Participated in four investor conferences. • Issued 25 major announcements in both Chinese and English.
 **Suppliers**	Formosa Laboratories relies on suppliers to provide a steady supply of top-quality raw materials to be used in our products, thereby achieving excellent economic performance through mutual trust and cooperation with them.	• On-site visit / irregularly • Assessment and certification audit / annually • Questionnaire survey / every three years	• Economic Performance • Supply Chain Management	• Completed on-site audits on 25 raw material suppliers and written audits on three raw material suppliers. • Completed on-site audits on two general affairs suppliers and written audits on 26 general affairs suppliers.
 **Government agencies**	With a commitment to complying with relevant laws and regulations promulgated by the government, Formosa Laboratories discloses important financial and ESG information in accordance with the law while adhering to various environmental and labor laws and regulations.	• Official document, e-mail, and briefing session / irregularly • Policy promotion by the competent authorities / irregularly	• Occupational Safety and Health • Water Stewardship • Safety of pharmaceuticals • Information Security • Waste Management	• Engaged in correspondence via official documents with the Taiwan Food and Drug Administration and the Department of Public Health under the Taoyuan City Government for a total of 162 times. • Participated in joint toxic chemical disaster prevention activities, involving correspondence via 35 official documents.
 **Local communities**	Formosa Laboratories maintains a friendly relationship with local communities and neighborhoods while giving back to local communities with a view to fulfilling corporate social responsibility.	• Official website / irregularly • Participation in community activities / irregularly • Phone and on-site communication / irregularly	• Occupational Safety and Health • Water Stewardship • Social Participation • Waste Management	• Sponsored 19 local communities activities and events in 2023. • Organized a beach cleaning event, which saw the participation of 171 people.

Identifying and Ranking Material Topics

Formosa Laboratories identifies material topics based on the four components of the AA1000 AccountAbility Principles 2018 (i.e., inclusivity, materiality, responsiveness, and impact) in addition to referencing the sustainability topics listed in the GRI Standards and the SASB Standards, and then ranks these topics based on the GRI Universal Standards 2021 before disclosing the impact, management strategies, and practical situations of each topic. Formosa Laboratories calibrates our sustainable development goals and strategies based on these results, in order to enhance the effectiveness of external communication while providing users of stakeholder information for effective assessment and decision-making.

▼ Process of identifying material topics for 2023 at Formosa Laboratories

Compile sustainability topics	• Compiled and assessed highly relevant sustainability topics based on national policy trends, various international standards, evaluations, and initiatives.
Engage with the six major stakeholders	• Engaged in real-time communication with stakeholders and collect topics of concern to stakeholders through multiple channels of communication. • Required each department to hold regular internal meetings so as to convey stakeholders' opinions and feedback.
Assess the impact of the 19 topics of concern to stakeholders	• Focused on the 19 sustainability topics based on the GRI and SASB standards and considerations regarding the relevance of the chemical industry to Formosa Laboratories. • Analyzed the impact of various topics of concern to stakeholder through the “Questionnaire on Assessing the Materiality of Sustainability Topics.” • Invited senior executives at or above the level of key business managers from each department to conduct a quantitative assessment of the positive and negative impacts of each topic in terms of severity (scale and scope), likelihood of occurrence, and risk of human rights infringement. • Successfully collected 42 questionnaires, representing a 91.3% response rate.
Identifying and Ranking Material Topics	• Ranked the topics according to the numerical values of positive/negative impact scores and the scores given to material topics by key executives after equalizing and weighting the results collected in the “Questionnaire on Assessing the Materiality of Sustainability Topics,” and set the threshold standards for material topics. • Preliminarily identified 12 material topics based on the analysis results.
Examine and verify material topics	• Examined and verified the appropriateness of the identified material topics and threshold standards by referencing trends in topics of concern to industry players, the views of not-for-profit organizations, and guidelines on sustainability from external consultants, while ensuring that there were no omissions or deficiencies in the material topics that should be prioritized for reporting, in order to ensure their completeness, inclusiveness, macroscopic nature, and alignment with Formosa Laboratories’ sustainable development strategy. • Removed two topics and added one after discussing the results obtained from the preliminary identification of major topics, resulting in a total of 11 major topics identified for 2023.
Confirm the 11 material topics identified	• Submitted the 11 material topics identified to the Sustainable Development Committee and the Board of Directors for deliberation and confirmation after conducting data collection via questionnaire and discussion by the ESG Team. • Disclosed the impact of each major topic, as well as Formosa Laboratories’ corresponding policy and commitments, management approaches, metrics and indicators, and related performance, in this report.
Make continuous improvement	• Each department set management policies for material topics and incorporated them into daily work plans and annual operational strategies. • Regularly reviewed and evaluated the effectiveness of the management policy, continuously improving sustainable management strategies.

▼ 19 sustainability topics of concern to Formosa Laboratories

Economy/Governance		Environment		Society	
1.Economic performance 2.Ethical corporate management 3.Supply chain management	4.Information security 5.Innovation and R&D 6.Reasonable pricing for mass appeal*	7.Response to climate change 8.Water stewardship	9.Waste management 10.Toxic and concerned chemical substances management	11.Employee diversity and equality 12.Talent attraction and retention 13.Occupational safety and health 14.Safety of pharmaceuticals 15.Safety of participants in clinical trials*	16.Counterfeit pharmaceuticals* 17.Marketing and labeling 18.Access to pharmaceuticals 19.Social participation

*Note: The list of material topics was expanded to include 19 material topics in 2023, up from 16 in the previous year, as three new material topics, namely “reasonable pricing for mass appeal,” “safety of participants in clinical trials,” and “counterfeit pharmaceuticals,” were added to the list.

▼ Rankings and changes in material topics identified by Formosa Laboratories in 2023

Sustainability topic	Ranking in 2023	Ranking in 2022	Description
Occupational Safety and Health	1	5	
Ethical corporate management			This topic was not included in the reporting of material topics due to the low risk of negative impact as this topic is a routine, regular management objective that is implemented in compliance with the law.
Economic Performance	2	1	
Safety of pharmaceuticals		7	This topic was not included in the reporting of material topics due to the low risk of negative impact as this topic is a routine, regular management objective that is implemented in compliance with the law.
Talent Attraction and Retention	3	3	
Innovation and R&D	4	2	
Waste Management	5	10	
Information Security	6	8	
Toxic and Concerned Chemical Substances Management	7		Newly added in 2023
Water Stewardship	8	6	
Supply Chain Management	9	4	
Response to climate change	10		Newly added in 2023
Counterfeit pharmaceuticals			
Safety of participants in clinical trials			
Marketing and labeling			
Employee diversity and equality			
Reasonable pricing for mass appeal			
Social Participation	11	9	Although this topic was found to be immaterial based on the analysis of results of the internal survey questionnaire, it was still included in the list of material topics for management after taking into consideration the views of local communities.
Access to pharmaceuticals			

▼ Assessments on the significance and impact of material topics in 2023

Material topic	Importance of material topic	Assessment on the impact of material topic	Impact on value chain			Chapter or subchapter corresponding to management approach
			Upstream Raw material suppliers	**Midstream** Formosa Laboratories	**Downstream** Pharmaceutical manufacturers	
Economy/Governance						
Economic Performance	As sound operation and economic growth are the foundation of a sustainable business, Formosa Laboratories pursues operational growth to foster employment opportunities and give back to shareholders.	⊕☐ Enhance our company's competitiveness and market presence. ⊕☐ Increase our company's revenue and profit. ⊕■ Create job opportunities. ⊕■ Promote industrial development. ⊖☐ Investment failures result in losses or operational difficulties.		●		1.4 Innovation and R&D
Innovation and R&D	As a company's innovation and R&D capabilities are crucial to its future success, Formosa Laboratories endeavors to open up new markets through continuous development of new products in order to generate profits and improve economic performance.	⊕☐ Increase our company's capital for sustainable operation. ⊕■ Improve people's health and well-being. ⊖☐ Risk of research failure and increased costs.	●	●	●	
Information Security	Formosa Laboratories has not only established information security measures to protect our intellectual property, research and development technology, and trade secrets, but also implemented personal data protection.	⊕☐ Stringent information security management system enables our company to operate in a stable manner. ⊖☐ Poor information security management may lead to system interruptions and damage to economic interests.		●	●	2.4 Information Security Management
Supply Chain Management	As the quality and stability of supplies from suppliers are critical to product quality, there is a need for Formosa Laboratories to keep a close eye on quality, cost, and delivery to ensure that suppliers comply with relevant regulations.	⊕■ Stable product quality ⊕■ Ensure the safety of raw materials. ⊖☐ Improper supplier management may result in abnormal product quality, delayed delivery, and increased operating costs.	●	●		2.6 Supply Chain Management
Environment						
Response to climate change	Following our proactive engagement in energy conservation and carbon reduction issues, Formosa Laboratories has invested heavily in upgrading hardware equipment and building solar power systems, with a view to laying the foundation for the sustainable development of our business.	⊕■ Reduce energy costs due to energy saving measures. ⊕☐ Receive subsidies for carbon reduction. ⊖■ Investment in low-carbon equipment leads to increased costs of carbon reduction. ⊖☐ Imposition of carbon fees and taxes lead to increased operating costs.	●	●	●	3.1 Response to Climate Change
Water Stewardship	Formosa Laboratories raises awareness of water conservation and strengthens water recycling and wastewater treatment mechanisms, so that the earth's water resources can be recycled and reused while minimizing the impact of wastewater on the environment.	⊕■ Enhance production efficiency. ⊕■ Reduce environmental impact. ⊖☐ Improper management may lead to increased environmental costs and result in environmental pollution.		●		3.4 Water Stewardship

Material topic	Importance of material topic	Assessment on the impact of material topic	Impact on value chain			Chapter or subchapter corresponding to management approach
			Upstream Raw material suppliers	**Midstream** Formosa Laboratories	**Downstream** Pharmaceutical manufacturers	
Waste Management	Aside from filing reports on our industrial waste, Formosa Laboratories also raises awareness of waste reduction and steps up waste clearance and disposal measures to minimize our impact on the environment and local communities.	⊕■ Promote waste reduction and reuse of resources. ⊕■ Reduce our impact on the environment and local communities. ⊕■ Improve the working environment and enhance production efficiency. ⊖□ Improper waste management may lead to penalties and fines due to violations of laws and regulations.	●	●		3.5 Waste Management
Toxic and Concerned Chemical Substances Management	In an effort to prevent toxic and concerned chemical substances from polluting the environment and endangering human health, Formosa Laboratories is obliged to keep track of information on all chemical substances and carry out identification and management of these substances while ensuring the safety of workers and the environment.	⊖□ Inadequate management of chemical substances may endanger employees' health. ⊖□ Chemical leaks may cause environmental pollution and residues.		●		4.4 A Safe Workplace Environment
Society						
Occupational Safety and Health	As it is a company's responsibility to provide a healthy and safe working environment, Formosa Laboratories ensures workers' health and safety through the continuous implementation and supervision of the Occupational Safety and Health Management System.	⊕■ A healthy and safe workplace environment can bolster efforts to retain talents. ⊕■ Reduce hazards to the environment and communities. ⊖□ Occupational accidents and risks may affect workers' health and safety.	●	●		4.4 A Safe Workplace Environment
Talent Attraction and Retention	Formosa Laboratories not only attaches great importance to talent recruitment and cultivation, as well as career development, but also offers employees a healthy and safe workplace environment with a view to retaining talents.	⊕■ Enhance the operational competitiveness of our company. ⊕■ Foster employee cohesion. ⊖□ Brain drain may cause stagnation of our company's development.		●		Chapter 4 Society
Social Participation	Following our ongoing effort to keep abreast of the needs of schools and communities in the vicinity of our factories, Formosa Laboratories organizes activities aimed at showing care for disadvantaged groups while engaging in river conservation programs hosted by local governments.	⊕■ Practice corporate social responsibility. ⊕■ Maintain a good relationship with local neighborhoods and communities. ⊕■ Foster the development of the local economy and local communities.		●		4.5 Social Participation

Note: Symbols for different types of impact:
⊕ denotes positive impact; ⊖ denotes negative impact;
■ denotes actual impact; and □ denotes potential impact.

Chapter 1

About Formosa Laboratories

1.1 Sustainability Performance Highlights

Environment

- Received the Product Environmental Footprint Exemplary Manufacturer Award from the Industrial Development Administration under the Ministry of Economic Affairs in 2023.
- Achieved a 44.02% waste recycling rate in 2023 (up 3.04% from the previous year).
- Recycled 124.411 million liters of water, representing a 29.09% water recycling rate based on the amount of water withdrawn in 2023.
- Completed the Phase I construction of solar power generation facilities, which can actually generate 385,982 kWh of electricity.
- Recorded an energy intensity of 337.76 MJ per kg of output (down 1.65% from the previous year).
- Recorded a carbon intensity of 8.17 metric tons of CO_2e per NT$ million in revenue (down 7.28% from the previous year).
- Rolled out and implemented four carbon conservation and carbon reduction programs, which are projected to achieve annual reduction performance as follows:
  - Saved 613,774 kWh of electricity.
  - Reduce 303.204 metric tons of CO_2e in carbon emissions.

Social

- Joined the “TALENT, in Taiwan” Taiwan Talent Sustainability Action Alliance and realized three indicators, namely incentive rewards, physical and mental health, and talent growth.
- Spent NT$1.82 million on training expenses in 2023, involving both internal and external education and training programs that were attended by 4,886 people in total.
- Sponsored 19 local community activities in 2023, which amounted to NT$267,000.
- Successfully enrolled 89 people in two blood donation drives in 2023, who donated 135 bags of blood in total.
- Awarded scholarships totaling NT$65,000 to 54 children of our employees.

Governance

- Generated an operating revenue of NT$4,346,290 thousand (up 14.25% from the previous year), setting a record high in revenue for our company.
- Board members received 66 hours of continuing education and training, equivalent to 7.3 hours of education and training per person on average.
- Accumulated 28 inventions, with 18 valid patents still in our company’s possession as of the end of 2023.
- 537 raw material suppliers scored 90 points or higher in the supplier evaluation, accounting for 92.7% of the total number of raw material suppliers at Formosa Laboratories.
- 100% of our primary raw material suppliers signed the Statement of Use of Hazardous Substances and did not use conflict minerals.

1.2 Company Profile

Following our foray into the area of Active Pharmaceutical Ingredient (API) manufacturing in 2000, Formosa Laboratories has become a world-renowned API manufacturer thanks to our strong R&D capabilities and sound quality system management. At present, we have dozens of API products and a market network covering the entire world. After crossing into the area of injectable formulations in 2018, Formosa Laboratories offers Contract Development and Manufacturing Organization (CDMO) / Contract Manufacturing Organizaiton (CMO) services while providing customers with efficient pharmaceutical solutions with our professional project management and technology transfer team.

Formosa Laboratories continuously updates and ensures our products comply with Current Good Manufacturing Practice (cGMP) standards, aimed at striving to manufacture medicines of the highest quality. We also market APIs, injectable drugs, and contract manufacturing services extensively across Europe, the US, Japan, and the rest of the world.

Formosa Laboratories continue to pass GMP inspection conducted by multiple international organizations

- The United States Food and Drug Administration, US FDA
- European Directorate for the Quality of Medicines and HealthCare, EDQM
- Bundesinstitut fur Arzneimittel und Medizinprodukte, BGV
- Pharmaceuticals and Medical Devices Agency, PMDA
- Taiwan Food and Drug Administration, TFDA

Formosa Laboratories (Stock Code: 4746), a corporate entity, was listed on the Taiwan Stock Exchange in 2011. For more details on the ownership of Formosa Laboratories, please refer to the section on ownership structure and the list of major shareholders in the Capital Overview chapter in Formosa Laboratories' 2023 Annual Report.

▼ Basic profile of Formosa Laboratories

Name of company	Formosa Laboratories, Inc.
Date of incorporation	December 29, 1995
Location of headquarters	No. 36, Hoping Street, Louchu, Taoyuan 338002, Taiwan
Floor area	45,508 square meters
Number of employees	902 people
Paid-in capital	NT$1,202,559,630
Primary products	APIs and CDMO services
Net sales in 2023	NT$4,346,290 thousand (standalone) NT$4,360,448 thousand (consolidated)
Sales volume of primary products in 2023	47,943.87 kg in domestic sales and 882,592.66 kg in export sales.

Note: Please refer to 1.5 Economic Performance for more details on Formosa Laboratories' operating and financial status for the past three years.

▼ Participation in industry associations and organizations of great importance to Formosa Laboratories

No.	Name of organization	Membership status
1	Taiwan Bio Industry Organization (Taiwan BIO)	Director
2	Taiwan Innovative Drug Alliance (TIDA)	Formosa Laboratories Chairman as consultant, along with heads of relevant departments as members
3	Taiwan Pharmaceutical Manufacturers Association (TPMA)	Member
4	Taiwan Parenteral Drug Association (TPDA)	Managing supervisor
5	Taiwan Research-based Biopharmaceutical Manufacturers Association (TRPMA)	Member

▼ Operating locations of Formosa Laboratories

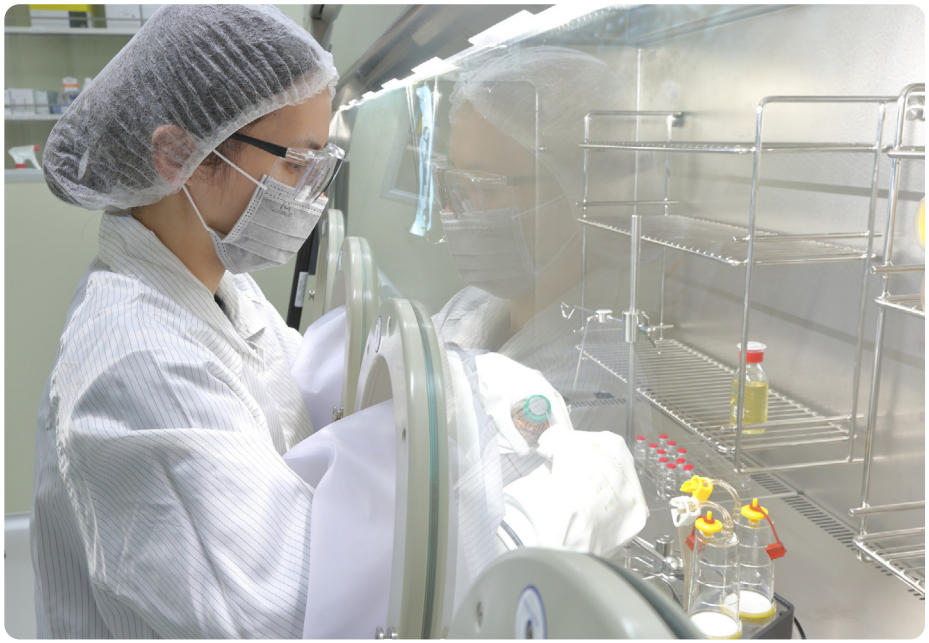
Name of operating location	Address	Phone number
Headquarters	No. 36, Hoping Street, Louchu, Taoyuan 338002, Taiwan	(03) 3240895
Louchu Plant	No. 36, 36-1 Hoping Street, Louchu, Taoyuan 338002,Taiwan No. 398, Sec. 2, Youguan Rd., Louchu, Taoyuan 33802, Taiwan	(03) 3240895
Louchu No. 2 Plant	No. 36, 36-1 Hoping Street, Louchu, Taoyuan 338002,Taiwan	(03) 3240895

▼ Affiliate companies of Formosa Laboratories

Name of company	Address	Primary business or production items
Formosa Pharmaceuticals, Inc.	8F.-6, No. 57, Fuxing N. Rd., Songshan Dist., Taipei City	R&D of biotech and new pharmaceuticals
Epione Pharmaceuticals, Inc.	No. 36, Hoping Street, Louchu, Taoyuan 338002,Taiwan	R&D of biotech and new pharmaceuticals
Epione Investment Cayman Limited	4rd Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Investment company
Epione Investment HK Limited	21/F, Central 88, No.88 Des Voeus Road Central, Hong Kong	Investment company
Activus Pharma Co., Ltd	1-17-25 Kitamoto-cho, Funabashi City, Chiba Pref., Japan	R&D of biotech and new pharmaceuticals
Shanghai Epione Enterprise Co., Ltd.	Room 1009, 10F, No. 1108, Caobao Road, Minhang District, Shanghai	Wholesale, import/export, and commission agent of chemical raw materials and products

1.3 Products and Services

Formosa Laboratories owns a variety of manufacturing facilities at our factories, encompassing general APIs, high potency APIs (HP APIs), antibody-drug conjugates (ADCs), fermentation, peptides, and injectables (INJs). Aside from setting up pilot plants for scaled-up production with a wide range of equipment aimed at meeting the needs of various process operations and providing batch reaction sequential process design, Formosa Laboratories also possesses various types of kilogram-level to ton-level reaction equipment to meet customers' production needs for various processes and capacities. In addition, Formosa Laboratories have also introduced new technologies as evidenced by the establishment of an independent peptide synthesis laboratory for product development and the introduction of continuous microfluidic reactors for API products and CDMO services, with a view to bolstering our production capacity and quality on an ongoing basis.



▼ Introduction to Formosa Laboratories' products and vital progress in 2023

Generic API	• Marketed dozens of API products across the globe, with our "cholesterol and phosphate binder" product maintaining a leading position in the market. • Expanded our efficiency and capacity with a stable supply chain and high-quality production standards to meet customer needs. • Obtained approval for the launch of Sevelamer, a polymer product, in China.
Injectable	• Expected to gradually complete domestic and overseas factory inspections between 2022 and 2025 as production lines for injectables are gradually in place. • Provided commercial production services for small- and large-molecule liquids for injection and lyophilized injectable drugs. • Obtained approval for the Eribulin injectable, an anti-cancer drug, from the TFDA and launched the products at the drug price under the NHI scheme. • Signed licensing contracts for the Eribulin injectable with our counterparts in Turkiye and Europe.
CDMO	• Set up overseas locations by means of strategic alliance as our customers span across the global pharmaceutical market. • Provided flexible and efficient one-stop service from APIs to formulation filling services. • Provided CDMO services for ADCs and peptides. • Provided Eribulin as a payload linker for screening on the ADC platform.

1.4 Innovation and R&D

▼ Management of material topics “economic performance” and “innovation and R&D” at Formosa Laboratories in 2023

Material topic	Economic Performance		Innovation and R&D
Corresponding disclosures under the GRI Standards	GRI 201-1 Direct economic value generated and distributed		Custom topic
Corresponding SDGs			
Policy or commitment	Formosa Laboratories focuses on one-step R&D and manufacturing in addition to manufacturing APIs, UV Filters, and injectable products using the most advanced process technology, in order to provide complete and efficient customized services while maintaining good relationships with our business partners. On top of that, Formosa Laboratories continues to engage in innovation and R&D with the intention of contributing to efforts in improving people’s health, which will not only foster social well-being, but also enhance our economic performance.		
Metrics and targets	Short-term targets ▶	• Continue to select suitable APIs annually for synthesis pathway research and develop patent response strategies. • Evaluate and screen products suitable for use in microfluidic processes. • Continue to expand our CDMO business by developing a one-stop model that integrates various processes ranging from API and pharmaceutical R&D and manufacturing to testing and registration.	
	Medium-term targets ▶	• Complete the development of manufacturing process for at least one target API and provide pilot samples for customers to conduct dosage form research. • Conduct planning and make preparations for the development of microfluidic process and mass production of corresponding products, as well as carry out production and regulatory filings. • Assist customers in entering Phase III clinical trials or planning for future mass production after product launch with CDMO services. • Continue to invest in the development of ADC biologics and sustained-release injectable platform.	
	Long-term targets ▶	• Assist CDMO customers in complete Phase III clinical trials and successfully launching their products, thereby becoming the main supplier of APIs and OEM partner for customers. • Commercialize microfluidic products based on market conditions. • Build a small-scale pilot plant for R&D and mass production to test the feasibility of process scale-up and improve the success rate of technology transfer.	
Tracking management mechanism	• Have the Accounting Department regularly report the status of tax-related management to financial supervisors. • Establish a new product development team, which is tasked with holding regular meetings to report the progress of each project, as well as compile annual summaries and achievements. • Continue to conduct various assessments and reporting, commercialization, and evaluation of economic benefits during the development of microfluidic processes, as well as keep a close eye on the filing and auditing of change of manufacturing processes by regulatory entities. • Conduct feasibility assessment, propose quotation, and confirm deliverables and schedules for CDMO-commissioned R&D projects based on the standardized form, as well as regularly report R&D outcomes to the President and the professional team for the purpose of setting R&D directions.		
Actions and outcomes in 2023	• Generated a net revenue of NT$4,346,290 thousand and a net income of NT$126,243 thousand in 2023. • Obtained approval for one patent in 2023, bringing the total of valid patents at Formosa Laboratories to 18. • Filed a review application with the Patent Cooperation Treaty (PCT) for the first time in the second half of 2023. • Reported a total of NT$577,774 thousand in R&D spending in 2023, which accounted for 13.29% of our operating revenue, up 22.62% from the previous year. • Granted a drug permit license for Eribulin Mesylate Injection by the Ministry of Health and Welfare. ◦		

R&D Outcomes

Formosa Laboratories carries out safety assessments in compliance with the relevant regulations and specifications based on all the R&D steps for three major areas, namely one-stop R&D and manufacturing, the development and application of microfluidic processes, and the selection of generic drug targets and development of corresponding manufacturing processes, in order to protect users' health and safety. On the other hand, Formosa Laboratories filed a review application with the Patent Cooperation Treaty (PCT) for the first time in the second half of 2023. Meanwhile, Formosa Laboratories reported a total of NT$577,774 thousand in R&D spending in 2023, which accounted for 13.29% of our operating revenue, up 22.62% from the previous year.

▼ R&D investment at Formosa Laboratories for the past three years (Unit: NT$ thousands)

Year	2021	2022	2023
Investment amount	351,327	471,194	577,774
Proportion to operating revenue	11.09%	12.39%	13.29%

Note:The data above is sourced from Formosa Laboratories' financial statements.

▼ Three major R&D areas at Formosa Laboratories

One-stop R&D and manufacturing	With regards to preparation R&D. Formosa Laboratories focuses on a customized R&D and CDMO service model for difficult-to-synthesize APIs, which encompasses formulation and process R&D, batch scale-up, and delivery batch production. At present, the proprietary products involved in our one-stop R&D and manufacturing include Eribulin and Gadoterate Meglumine, while Ferric Carboxymaltose (FCM) is currently under development. For CDMO-commissioned R&D projects, Formosa Laboratories conducts feasibility assessment, proposes quotation, and confirms deliverables and schedules based on the standardized form. As far as R&D projects are concerned, R&D outcomes or project milestones are regularly reported to the President and the project team with a view to making joint decisions on future R&D directions. The project team also regularly assesses the progress, execution efficiency, and cost of each R&D project, with the expectation to keep the overall average budget under control.
Development and application of microfluidic processes	Fluid miniaturization using microfluidic technology can enhance the efficiency of drug screening as it possesses several advantages such as low cost, reduced reagents and space, and rapidity. Initial and mass production module construction and testing are carried out every year to ensure product quality with rigorous processes and perfect mechanisms, thereby protecting customers' health and safety while using medicines. At present, Formosa Laboratories has basically completed the development of microfluidic processes and is now entering the intermediate stage as we are actively planning the mass production process with cost advantage in collaboration with our vendor partners.
Selection of generic drug targets and development of corresponding manufacturing processes	A generic drug is an approved drug that is manufactured by another pharmaceutical company using the same ingredients and processes after the original manufacturer's patent has expired. In an effort to achieve our targets, we assessed the option of setting up the New Product Development (NPD) Team, whose members consist of experts in various fields such as marketing, interpretation of patent claims, chemical synthesis, process technology, experimental analysis, and development of supply chain, in order to carry out comprehensive discussions and select targets, as well as convene meetings on a regular basis. The NPD Team uses annual summaries, in coordination with company operations and market developments, as a reference for future development.

Patent Portfolio

Formosa Laboratories has dedicated patent engineers who conduct a comprehensive review of the patent distribution in each country with respect to the markets in which a new product will be launched during new product development. Aside from actively developing our own technologies while emphasizing that our manufacturing processes do not conflict with our competitors' patents, Formosa Laboratories has also established the Freedom-to-Operate (FTO) Analysis Management Regulations. In addition, Formosa Laboratories encourages our employees to apply for patents in accordance with the Patent Application Management Regulations. As a result, Formosa Laboratories has so far produced a cumulative total of 28 inventions, with one patent approved as of the end of 2023 while continuously possessing a total of 18 valid patents.

▼ Status of patents acquired by Formosa Laboratories over the past three years

Country	Number of new patents			Cumulative number of valid patents as of 2023
	2021	2022	2023	
Taiwan	1	2	0	6
USA	1	0	1	8
China	0	0	0	1
Germany	0	0	0	1
Japan	0	0	0	2
Total	2	2	1	18

1.5 Economic Performance

Operations Overview

Formosa Laboratories is committed to not only upgrading API technologies and services and branching out into injectable R&D and manufacturing in the downstream sector with on R&D and manufacturing for existing APIs, but also offering customized R&D and OEM services with high efficiency and confidentiality while going all out to maintain good collaboration with our business partners. Formosa Laboratories experienced an increase in overall sales in 2023 from 2022, which was primarily resulted from increased shipments of cholesterol and phosphate binders, anti-cancer active ingredients, and respiratory agents, along with the soaring US dollar.

▼ Analysis of sales by region at Formosa Laboratories over the past three years

Sales region	2021		2022		2023	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
India	751,375	23.71	918,782	24.15	1,031,114	23.72
Netherlands	88,441	2.79	377,799	9.93	577,197	13.28
Japan	253,814	8.01	228,751	6.01	311,977	7.18
Germany	247,221	7.8	231,162	6.08	306,894	7.06
Taiwan	360,849	11.39	419,148	11.02	295,097	6.79
Switzerland	333,461	10.52	280,347	7.37	272,054	6.26
USA	116,200	3.67	190,339	5.00	269,315	6.20
China	109,257	3.45	220,018	5.78	241,396	5.55
Canada	269,292	8.5	208,519	5.48	138,024	3.18
Other countries	639,113	20.16	729,280	19.18	903,222	20.78
Total	3,169,023	100	3,804,145	100	4,346,290	100

▼ Analysis of sales market for Formosa Laboratories' primary products over the past three years

Product category	Primary sales market	Sales of primary products as a percentage of total sales		
		2021	2022	2023
Cholesterol and phosphate binders	India, Netherlands, Spain, and Japan	33.08%	33.98%	36.25%
Vitamin D derivatives	Germany, India, Canada, and Taiwan	19.12%	18.43%	18.61%
CDMO services	Japan, Taiwan, USA, and Spain	15.46%	13.54%	11%
Respiratory agents	China, USA, India, and Taiwan	6.27%	9.39%	10.97%
Anti-inflammatory and analgesic agents	Canada, South Korea, Taiwan, and Singapore	5.93%	5.94%	5.97%
Central nervous system agents	Italy, Bangladesh, USA, and Taiwan	3.00%	4.73%	4.79%
Others	USA, Taiwan, China, Israel, and India	17.14%	13.99%	12.41%

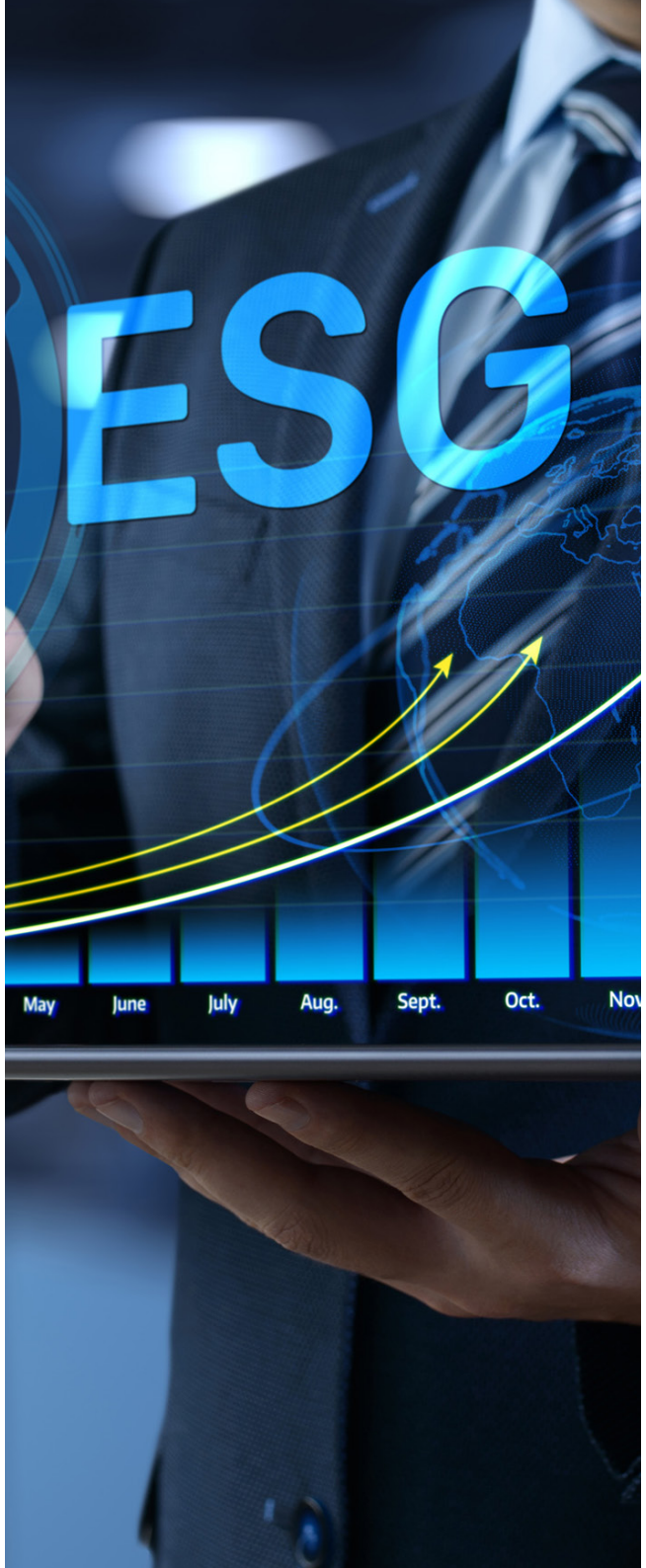
Financial Reporting

In 2023, Formosa Laboratories generated an operating revenue of NT$4,346,290 thousand, up 14.25% from 2022, thereby setting a record high in revenue since our founding, while posting a net income after tax of NT$126,243 thousand. As far as our core business is concerned, Formosa Laboratories experienced net income growth in 2023 from 2022 due to increased shipments of cholesterol and phosphate binders, anti-cancer active ingredients, and respiratory agents, coupled with higher gross profit margin driven by the strong US dollar, which in turn led to a significant higher profit generated from our core business than last year. However, Formosa Laboratories suffered a decline in net income before tax and net income after tax in 2023 from the previous year as a consequence of a substantial drop in non-operating income - gain on valuation of financial assets from 2022. Please visit the "Financial Reports" section on Formosa Laboratories' official website for more details.

▼ Economic value retained at Formosa Laboratories (Unit: NT$ thousands)

Item		2021	2022	2023
Direct economic value generated	Revenues[1]	3,169,023	3,804,145	4,346,290
Economic value distributed	Non-operating income[2]	168,141	144,486	18,665
	Operating costs[3]	2,179,057	2,419,812	2,626,111
	Employee wages and benefits[4]	962,252	951,949	995,415
	Payments to providers of capital[5]	272,796	147,611	276,124
	Payments to government[6]	36,701	25,369	204,621
	Community investments[7]	805	930	875
Economic value retained[8]		(114,447)	402,960	261,809

Note:
1. Revenues include net sales plus revenues from financial assets and sales of assets.
2. Non-operating income includes interest on financial loans, dividends from shareholdings, royalties, direct income generated from assets, and tangible/intangible assets.
3. Operating costs include property rental, license fees, facilitation payments, royalties, payments for contract workers, training costs, and personal protective clothing.
4. Employee wages and benefits include salaries, employee taxes, unemployment funds, pensions, insurance, company vehicles, private health, housing subsidies, interest-free loans, public transport assistance, educational grants, and redundancy payments.
5. Payments to providers of capital include payments of interests on all forms of debt and borrowings to the Board of Directors, shareholders, and providers of loans, as well as arrears of dividends due to preferred shareholders.
6. Payments to government include business tax, income tax, and property tax.
7. Community investments include donations made to charitable organizations or arts and educational activities as well as community recreational facilities.
8. Economic value retained = Direct economic value generated - Economic value distributed.



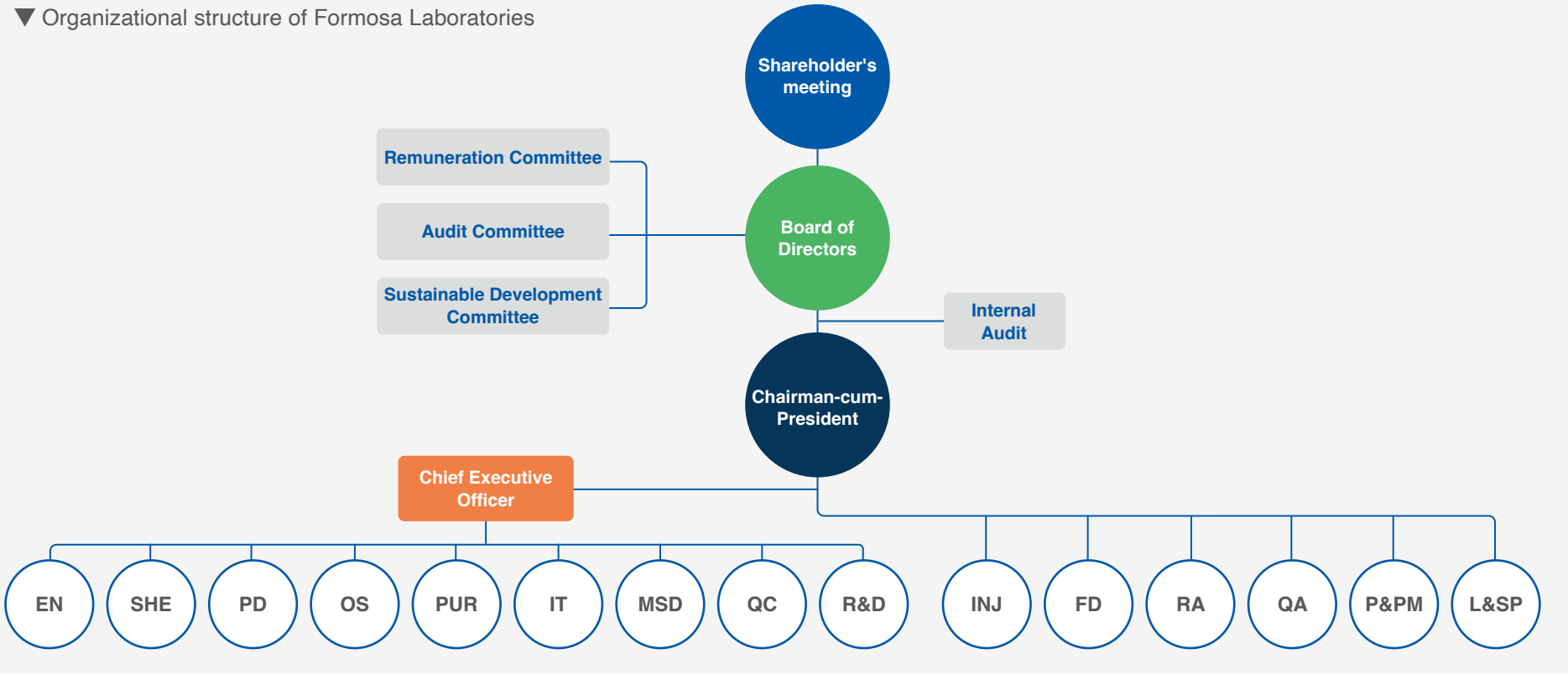
Chapter 2 Governance

2.1 Policy Commitments

In an effort to practice corporate social responsibility and achieve the goal of effective corporate governance, Formosa Laboratories has not only instituted the Sustainable Development Best Practice Principles in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, but also runs our operations based on various important rules and regulations, such as the Ethical Corporate Management Best Practice Principles, the Corporate Governance Best Practice Principles, and the Code of Ethical Conduct, with a view to fulfilling our responsibility towards business ethics. The aforesaid rules and regulations can be found on Formosa Laboratories' official website. We have also formulated the Human Rights Policy in line with our endeavor to treat all stakeholders with dignity, fairness, and respect. Furthermore, Formosa Laboratories has set up an internal audit unit, which is responsible for carrying out related operations based on the audit plan approved by the Board of Directors, in order to ensure the implementation of ethical corporate management and compliance with business ethics, thereby minimizing operational risks.

As a global citizen, Formosa Laboratories not only adheres to corporate governance strategies that revolve around truthfulness, transparency, and integrity, but also steps up our engagement in social and environment areas, such as talent development, energy conservation, and carbon reduction, to bolster the power of sustainability that keeps society moving forward, thereby becoming a corporate citizen with social influence that helps build a better future for future generations.

▼ Organizational structure of Formosa Laboratories



Note: Please refer to Formosa Laboratories' 2023 Annual Report for more details on the corporate governance structure of Formosa Laboratories and the duties and responsibilities of each department at Formosa Laboratories.

2.2 Governance Structure

Composition of the Board of Directors

In an effort to bolster the functions of the Board of Directors, two independent directors were elected in the shareholders' meeting convened in June 2023, which brought the number of members of the current Board of Directors to nine, including four independent directors. As the Board of Directors convenes at least once each quarter, a total of four meetings were convened by the Board of Directors in 2023, with an average attendance rate of 100% among all board members.

Formosa Laboratories has established the Corporate Governance Best Practice Principles and the Procedures for Election of Directors, which specify that the Board of Directors should not only consist of members with diverse industrial experiences and professional backgrounds and competencies, but also include the voices of different groups. Out of the nine members of the 10th Board of Directors, five (56%) have a background in medicine or chemistry, whereas four (44%) specialize in finance or business administration. At the same time, female directors take up two seats on the Board of Directors, accounting for 22% of the total number of directors, while the number of directors who concurrently serve as managers at Formosa Laboratories does not exceed one-third of the total number of directors. Please refer to Formosa Laboratories' 2023 Annual Report for more details on the core competency indicators concerning the diversity of the Board of Directors and functional committees. Detailed information on the operation of corporate governance at Formosa Laboratories can also be found on Formosa Laboratories' official website.

▼ Composition of the 10th Board of Directors at Formosa Laboratories

Title	Name	Gender	Age
Chairman	Cheng, Chen-Yu	Male	60~75
Director	Fang, Pei-Wei (Representative of Augusta Inc.)	Female	<50
Director	Shie, Hung-Min (Representative of Yuan Qing Investment Inc.)	Male	50~60
Director	Lee, Chien-Hung (Representative of Hygica Biotech Ltd.)	Male	50~60
Director	Hu, Yi-Kan (Representative of Heng Lang Limited Corporation)	Male	<50
Independent Director	Chen, Yi-Fen	Female	60~75
Independent Director	Lu, Ta-Jung	Male	60~75
Independent Director	Chaung, Tza-Zen	Male	60~75
Independent Director	Chang, Ting-Jung	Male	<50

Recusal Due to Conflict of Interest

Formosa Laboratories adopts a candidate nomination system for the election of directors, where the Chairman concurrently serves as the President of Formosa Laboratories, while some of the directors at Formosa Laboratories also serve on the boards of other companies. The Board of Directors established the Rules of Procedure for Board of Directors' Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, which stipulates the principles of director recusal due to conflict of interest and requires board members to exercise a high level of self-discipline and prudence when exercising due care of a good administrator and faithfully fulfilling their duties and responsibilities. At the same time, the rules also specify that directors shall be prohibited from not only joining in the discussion of and voting on any matter in which they have an interest or in which they represent a legal entity that is detrimental to the interests of our company, but also exercising their voting rights on behalf of other directors, and they shall abstain from the discussion of and voting on such matters. Please refer to Formosa Laboratories' annual report for more details on the implementation of director recusal from proposals due to conflict of interest.

Continuing Education and Training for the Board of Directors

With a view to keeping abreast of global trends in business management, Formosa Laboratories has put in place a continuing education and training mechanism for directors, where arrangements are made for directors to attend training courses on an annual basis to enhance the governance knowledge and skills required by the board members. In addition, we send out announcements of relevant laws and regulations from the competent authorities from time to time so that independent directors are able to keep track of information related to Formosa Laboratories at all times. We also continue to step up dissemination of information and education programs based on each director's needs ad feedback. In 2023, the Board of Directors underwent 66 hours of training in total, including 60 hours of governance-related courses and 6 hours of finance and accounting-related courses, which translates into an average of 7.3 hours of training per person. Please refer to Formosa Laboratories' annual report for more details on the status of continuing education and training for directors.

Performance Evaluation for the Board of Directors

In an effort to enhance the efficiency of board operation, Formosa Laboratories has established the Rules for Performance Evaluation of Board of Directors, where self-assessments shall be conducted on the Board of Directors, individual board members, and the functional committees on an annual basis. Specifically, the indicators for the performance evaluation of the Board of Directors encompass five areas, including "participation in the operation of the company," "improvement of the quality of the Board of Directors' decision-making," "composition and structure of the Board of Directors," "election of directors and continuing education and training for directors," and "internal control." The Audit Committee and the Remuneration Committee also review and make recommendations on the remuneration standards and the exact amount of remuneration to be allocated based on the evaluation results.

According to the results of self-assessments of the Board of Directors and functional committees for 2023, the Board of Directors had fulfilled its responsibilities of guiding and supervising the operations of our company, while the operation of the Board of Directors was sound on the whole. Moreover, Formosa Laboratories engages the Taiwan Investor Relations Institute, a professional and independent organization, to conduct an external evaluation of the performance of the Board of Directors at Formosa Laboratories every three years. The most recent external evaluation was conducted in 2023, where the Board of Directors have either made improvements in response to the recommendations proposed in the conclusions of the evaluation report or included the recommendations in its schedule to ensure that the Board of Directors comply with the governance requirements at Formosa Laboratories. The evaluation report, which is available on Formosa Laboratories' official website, has been submitted to the Board of Directors in the first quarter of 2024.

Sustainable Development Committee

In an effort to implement energy conservation and carbon reduction while fulfilling corporate social responsibility and enhancing corporate governance, Formosa Laboratories has established the Sustainable Development Committee in accordance with the Sustainable Development Best Practice Principles in 2022. On November 10, 2023, the Board of Directors passed a resolution to re-appoint three directors (including two independent directors) as members of the Sustainable Development Committee, which are not only responsible for integrating and promoting related ESG activities to achieve the annual targets set by Formosa Laboratories, but also required to report to the Board of Directors on a regular basis. The committee is chaired by Chairman Cheng, Chen-Yu, with the CEO serving as the steering committee member. There are three executive teams under the committee, namely the ESG Team, the Risk Management Team, and the Ethical Corporate Management Team, which are responsible for integrating and planning related activities, as well as implementing future target items.

In 2023, the Sustainable Development Committee held strategy promotion discussion meetings on three separate days, i.e., February 14, June 6, and September 1, and reported the planning of ESG targets and related work progress to the Board of Directors in the board meetings held on May 12, August 11, and November 11, with no material matters to be reported.

▼ Organization chart of the Sustainable Development Committee at Formosa Laboratories

2.3 Risk Management

At Formosa Laboratories, we learn about the risks facing our lines of business through the corresponding departments, and have the department heads analyze the aforesaid risks and implement response strategies. Formosa Laboratories has established the risk management organization structure in accordance with the Risk Management Policy and Procedure. In 2023, the Board of Directors approved the establishment of the Risk Management Team and placed it under the Sustainable Development Committee. The performance or achievements of the Risk Management Team, upon compilation, are reported to the Board of Directors on an annual basis. When the Risk Management Team announces a significant risk, the corresponding organizational management unit shall make preparations in advance for the risk by formulating response measures in accordance with the business continuity plan (BCP).

▼ Risk management organization structure at Formosa Laboratories

Board of Directors	The Board of Directors, which serves as the highest decision-making body for risk management, is responsible for promoting and implementing overall risk management at Formosa Laboratories in compliance with laws and regulations.
Sustainable Development Committee	The Sustainable Development Committee is the highest-level organization at Formosa Elaborates in charge of rolling out various initiatives such as promoting sustainable operation, enhancing corporate governance, realizing environmental protection, and fulfilling corporate social responsibility, while overseeing the implement of risk management by the Risk Management Team, which is under its purview, and proposing improvements and recommendations concerning risk management policies and procedures. The Sustainable Development Committee shall submit reports on the execution status or outcomes of the Risk Management Team to the Board of Directors at least once a year.
Risk Management Team	The Risk Management Team is a unit in charge of implementing risk management under the purview of the Sustainable Development Committee. The team is responsible for implementing and coordinating the implementation of relevant procedures such as cross-departmental risk assessment with top-level managers or various units in order to minimize the impact of risk events on the operations of Formosa Laboratories when such events occur. The Risk Management Team shall report the implementation status or outcomes of risk management to the Sustainability Committee on a regular basis.
Various risk management units (at various departments)	Each risk management unit at Formosa Laboratories shall gain a full understanding of the risks facing its line of business. The head of the unit assumes responsibility for risk management as he/she is in charge of analyzing and monitoring the risks within his/her unit to ensure the effective implementation of risk control mechanisms and procedures.

▼ Business continuity plan process flow at Formosa Laboratories

Risk Impact and Response Strategies

▼ Types of risk and corresponding response strategies at Formosa Laboratories

Type of risk	Risk factor	Response strategy and action	Responsible department
Strategic and operational risks	1. Margin compression due to competition from China and India in the API industry 2. Government demand to lower drug prices and cost compression due to aging society 3. The trend of environmental protection has resulted in higher costs for raw materials and production. 4. Procurement from third parties by customers due to possible supply chain disruptions or increased shipping costs as a consequence of political instability	1. Increase procurement volume and lower procurement price. 2. Set up the Project Management Department to control time and budget for new product development. 3. Procure raw materials from lower-priced regions or locally. 4. Identify multiple sources of suppliers or engage in transshipment through a third location.	**MSD** **PUR**
Market risk	Destructive price wars launched by competitors with a low price strategy result in poor sales of products.	1. Conduct negotiations with suppliers to obtain lower supply prices. 2. Improve manufacturing processes to reduce manufacturing costs.	**PUR** **R&D** **PD**
Financial risk	1. Interest rate risk arising from credit facilities 2. Exchange rate risk due to the fact that the currency used in payments and collections is US dollar 3. Risk of non-performance of contract by customers 4. Risk of tightened credit facilities	1. Keep abreast of economic trends and interest rate changes in a timely manner to secure preferential interest rates. 2. Keep track of changes in the international economy in a prompt manner and take hedging measures through exchange of foreign currency, forward foreign exchange transaction or funding currency swap in due course. 3. Keep close tabs on geopolitical changes in a timely manner and conduct credit risk management analysis on customers. 4. Respond promptly to bank inquiries and provide a comprehensive explanation of the Company's strengths to ensure that there is no risk of credit line tightening.	**FD**
Legal risk	1. Enactment of laws and regulations on air, water, waste gas, and greenhouse gases by the government. 2. Change of labor conditions by the government.	Regularly review relevant laws and regulations, and implement evaluation and checking.	**SHE** **HR**
Climate change risk	1. Risk of water shortage or floods 2. Failure of environmental protection equipment caused by strong typhoons 3. Risk of heat stroke among workers 4. Increased energy consumption in air conditioners due to rising temperatures 5. Rising temperatures affect the activity of biological strains in wastewater plants, causing water discharge to exceed standards 6. Regulatory and reputational risks that may arise from laws and regulations	Please refer to 3.1 Response to Climate Change for more details.	**SHE** **EN** **OS** **FD**
Supply chain management risk	1. Human rights and environmental risks among suppliers 2. Legal risks among suppliers 3. Environmental safety risk among suppliers	Please refer to 2.6 Supply Chain Management for more details.	**PUR** **OS**
Occupational safety risk	1. Lack of disaster prevention awareness and inadequate disaster relief 2. Change of use of building due to operational needs, which causes firefighting equipment does not comply with regulatory requirements 3. Occurrence of occupational accidents or occupational diseases among employees	Please refer to 4.4 A Safe Workplace Environment for more details.	**SHE**
Information security and personal data risks	1. Risk of personal data breaches 2. Risk of leakage of confidential documents 3. Hacking of intranet and extranet sites or theft of confidential information	Please refer to Information Security Management for more details.	**IT**

2.4 Information Security Management

▼ Management of material topic “information security” at Formosa Laboratories in 2023

Material topic	**Information Security**	
Corresponding disclosures under the GRI Standards	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.	
Corresponding SDGs		
Policy or commitment	To ensure the confidentiality, integrity, and availability of digital assets, the implementation of information security can ensure uninterrupted operations of Formosa Laboratories. In the future, we will continue to enhance employees’ awareness of information security and establish a security framework that complies with regulations and customer requirements.	
Metrics and targets	Short-term targets ▶	• Schedule the document management system to go online in 2024. • Assess the option of introducing next-generation firewalls, whose installation is scheduled for completion by the end of 2024. • Schedule the official introduction of information security network solution for 2024, which will provide immediate warning of network threats in the future. • Replace software and hardware for virtual platforms in laboratories. • Perform software upgrades for laboratory analyzers.
	Continuing targets ▶	• Enhance employees’ information security awareness and establish an information security framework that complies with laws and regulations as well as customer needs. • Regularly review the system computer validation status and perform revalidation if necessary. • Bolster the security of wireless network at Formosa Laboratories and regularly review permissions of critical systems at Formosa Laboratories. • Replace Windows computer systems that have reached the end of service.
Tracking management mechanism	• As Formosa Laboratories is a GMP-certified manufacturer, the security of information systems at Formosa Laboratories are subject to inspections by the US FDA (every three years), the TFDA (every year), and customers (from time to time). • Formosa Laboratories engages PwC Taiwan to conduct inspections of our information systems on an annual basis.	
Actions and outcomes in 2023	• In 2023, no major information security incidents took place at Formosa Laboratories, while no violations of customer privacy or loss of customer information were reported at Formosa Laboratories. • Formosa Laboratories established the Information Security Section and appointed an information security manager in the dedicated organization in August 2023, while the Board of Directors approved the information security policy in November 2023. • A social engineering drill was conducted in December 2023. • Formosa Laboratories participated in two interviews on free information security checks with the Industrial Technology Research Institute (ITRI). • Formosa Laboratories added two-factor authentication on the server side.	

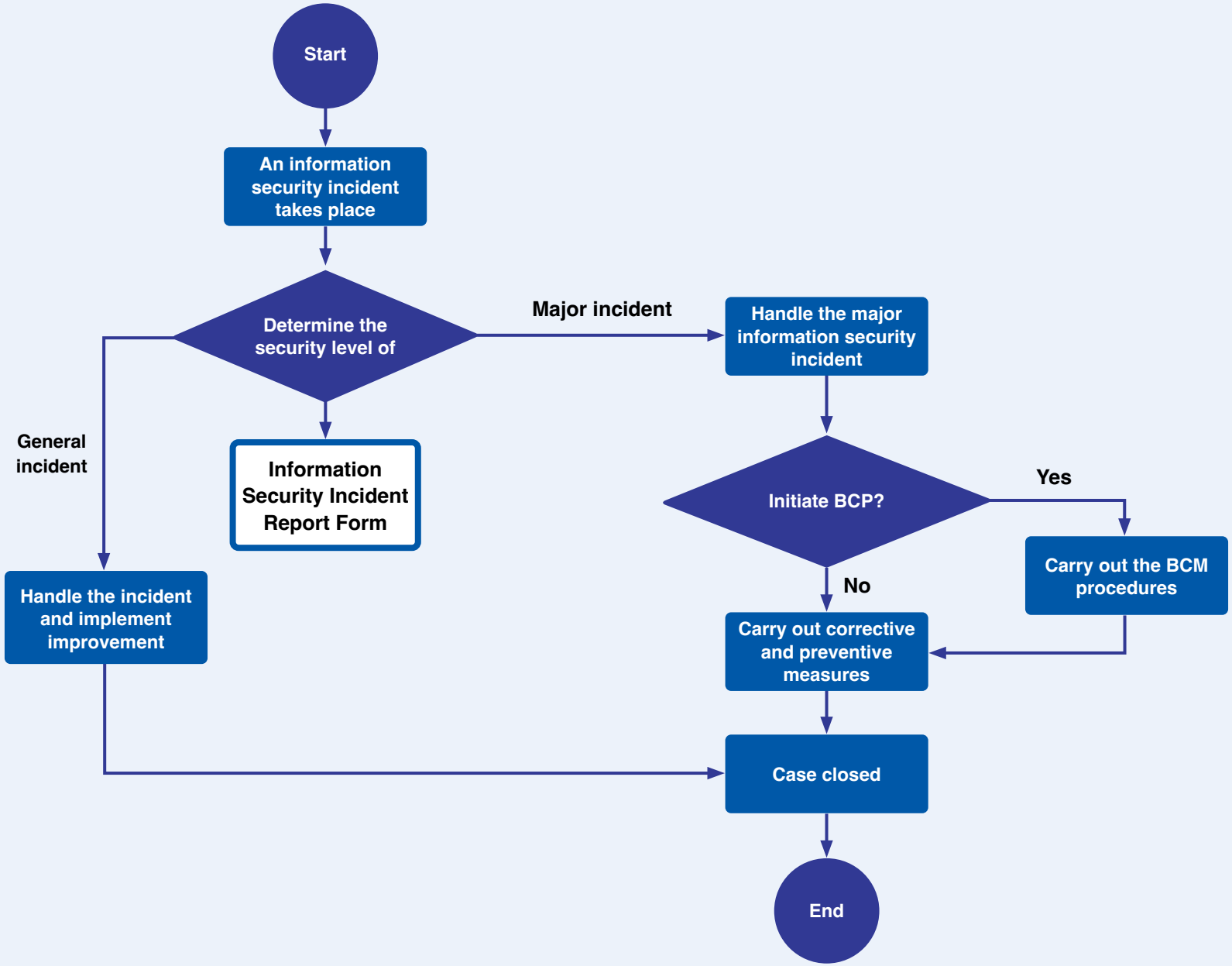
In an effort to bolster information security management, Formosa Laboratories established the Information Security Section and appointed an information security management in 2023. As stipulated in the Information Security Policy, the Information Technology Department is responsible for coordinating and managing information security-related work while regularly performing vulnerability scanning, effectiveness checking of protection system and other related tests, as well as assessing information security risks and reporting them to the IT manager. At the same time, Formosa Laboratories also conducts internal training in information security for employees on an annual basis, and organizes information security drills for specific departments, including email social engineering drills and remote recovery drills.

As Formosa Laboratories is a GMP-certified manufacturer, we carry out information security inspections in strict compliance with the cGMP system. For instance, Formosa Laboratories has put in place a comprehensive training mechanism for production automation, office automation, partial automatic control, quality management, research and development, and injectables, Moreover, Formosa Laboratories are subject to factory inspections conducted by the US FDA every three years and the TFDA every year, as well as aperiodic inspections of our information security systems by PwC Taiwan every year and our customers about 30 to 40 times each year.

▼ Information security measures and key digital technology programs in 2023

Information security management measures	• Added two-factor authentication on the server side. • Continued to step up system control for critical documents. • Established the Information Security Section and appointed an information security manager in the dedicated organization in August 2023, and established the Information Security Section and appointed an information security manager in the dedicated organization in August 2023 while the Information Security Policy was approved by the Board of Directors in November 2023. • Conducted a social engineering drill in December 2023. • Regularly review one-time permission for the GMP information system and computer validation status on an annual basis. • Continued to replace Windows computer systems that have reached the end of service. • Participated in two interviews on free information security checks with ITRI in 2023.
Introduction of digital technology	• Collaborated with the Ministry of Economic Affairs on process analytical technology (PAT). • Made improvements to the Laboratory Information Management System (LIMS) process. • Continued to assess the application of AI systems in the biotech industry.
Key projects in 2024	• Schedule the official introduction of information security network solution for 2024, which will provide immediate warning of network threats in the future. • Assess the option of introducing next-generation firewalls, whose installation is scheduled for completion by the end of 2024. • Schedule the document management system to go online in 2024 while engaging in digital transformation on an ongoing basis. • Conduct two sessions of social engineering seminars in January 2024. • Replace software and hardware for virtual platforms in laboratories and perform software upgrades for laboratory analyzers in 2024.

▼ Procedures for reporting and handling information security incidents



2.5 Compliance with laws and regulations

Formosa Laboratories strictly complies with the high-level controls and regulations imposed by the competent authorities on the pharmaceutical industry, be it in the areas of procurement and supply, sales, labor management and welfare, environmental protection, or corporate governance, where each department stays on top of and keeps updated with changes in laws and regulations at all times. Aside from establishing the Legal and Strategy Planning Department to provide immediate legal assistance and consultation to all departments, Formosa Laboratories also organizes training, and awareness programs on various laws and regulations from time to time. In 2023, no major violations of laws and regulations were reported at Formosa Laboratories[Note 1]. The administrative penalties imposed on Formosa Laboratories involved minor violations of various laws and regulations, such as the Fire Services Act, environmental laws and regulations, the Occupational Safety and Health Act, and the Labor Standards Act, or minor deficiencies committed in violation of these laws and regulations. Specifically, Formosa Laboratories received five penalties amounting to a total fine of NT$332,000, where improvements have been made or are currently in progress in response to all the deficiencies committed by our company.

Note:Any single incident or the same incident for which a cumulative amount of fine totaling of NT$1 million or more, or any incident that seriously affects the operations of Formosa Laboratories shall be disclosed in our company's sustainability report.

Complaint and Suggestions Channels

Formosa Laboratories has set up a complaint channel on our official website in compliance with the Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct, which enables stakeholders to report any improper conduct. In 2023, Formosa Laboratories added the CO-198 Ethical Corporate Management Whistleblowing Management Regulations and set up the Ethical Corporate Management Team under the Sustainable Development Committee, with the intention of encouraging anyone to file a report should concerns regarding crimes or other violations of laws and regulations at our company arise. We have also clearly set out the whistleblowing channels and methods, whistleblower's obligations, the mechanism for handling whistleblowing cases, and measures to protect whistleblowers, in hopes that all our employees strictly adhere to the code of professional ethics.

Internal and external personnel can directly file reports on any illegal activities with Formosa Laboratories and send them to our public whistleblowing mailbox (ethic@formosalab.com). The unit responsible for handling a whistleblowing report must keep the whistleblower's identity and the incident confidential, and shall not provide such information to any third party unrelated to the investigation, unless it is necessary for the investigation, in order to avoid unfair and unfavorable treatment of the whistleblower. Aside from the whistleblowing mailbox, other matters related to employee assistance can be communicated through internal channels within our company. In 2023, Formosa Laboratories received a total of four opinion proposals with recommendations to improve the work environment, all of which were accepted for evaluation and eventually closed. No whistleblowing reports related to violation of business ethics were received by Formosa Laboratories over the past three years.

▼ Statistics on complaints and suggestions at Formosa Laboratories over the past three years

Year		2021		2022		2023	
Type of case	Recommended channel of communication	Number of cases	Closure rate	Number of cases	Closure rate	Number of cases	Closure rate
Employee assistance (e.g., workplace violence, sexual harassment, job safety, physical and mental health, etc.)	1. Head of department/unit 2. Personnel unit 3. Workplace safety unit	2	100%	1	100%	0	N/A
Opinions and proposals (e.g., improvement proposals, employee opinions, creative proposals, employee behavior management, labor relations, etc.)	1. Head of department/unit 2. Creative idea mailbox 3. communication zone, and proposals 4. Employee satisfaction survey 5. Labor-management meeting	1	100%	8	100%	4	100%
Malpractice elimination cases (e.g., specific matters involving fraud, violations of laws and regulations or other major breaches of professional ethics)	Whistleblowing mailbox ethic@formosalab.com	0	N/A	0	N/A	0	N/A

2.6 Supply Chain Management

Formosa Laboratories primarily engages in the development of manufacturing processes for APIs, and the production and sale of APIs. In the biopharmaceutical industry, Formosa Laboratories is a specialized API manufacturer in the midstream sector, which purchases chemical raw materials and natural substances from chemical raw material suppliers and sell them to downstream pharmaceutical companies. With a commitment to implementing supply chain management, Formosa Laboratories carries out quality screening on new suppliers and conducts supplier risk assessments, evaluation, and audits on a regular basis to ensure the safety of raw materials.

▼ Management of material topic “supply chain management” at Formosa Laboratories in 2023

Material topic	**Supply Chain Management**	
Corresponding disclosures under the GRI Standards	GRI 308-1 New suppliers that were screened using environmental criteria, and GRI 414-1 New suppliers that were screened using social criteria	
Corresponding SDGs		
Policy or commitment	In an effort to strengthen sustainability management in the supply chain, Formosa Laboratories conducts evaluation and aperiodic audits on suppliers and contractors in accordance with our company’s Qualification Certification Procedure for Raw Materials and Materials Suppliers and the Contractor Safety and Health Management Measures, while the Evaluation Team is tasked with conducting written or on-site evaluation.	
Metrics and targets	Continuing targets ▶	• Have 100% of our primary raw material suppliers sign the Statement of Use of Hazardous Substances and the Declaration of Non-Use of Conflict Minerals. • Conduct annual evaluation and audits of specific suppliers to perform due diligence and assist suppliers in correcting deficiencies. • Conduct annual supplier evaluation to increase the percentage of suppliers with scores of 90 points or higher, and require suppliers with scores of less than 60 points to make improvements within the prescribed time period.
	Medium- and long-term targets ▶	• Introduce a more comprehensive supplier screening and evaluation mechanism based on environmental and social criteria.
Tracking management mechanism	• Collect suppliers’ qualification information and select suppliers, as well as update the primary raw material supplier every three years. • Conduct supplier evaluation and audit management, where an audit plan for the following year is formulated in the fourth quarter of each year, and then implemented upon approval by the head of the Quality Assurance Department by the end of January of the following year. • Provide suppliers that fail to meet the requirements with guidance and assist them in making the required improvements. If the supplier violates the relevant regulations and fails to make improvements as scheduled, Formosa Laboratories may assess the option of terminating or canceling our contract with the supplier in order to minimize supply chain risk.	
Actions and outcomes in 2023	• 537 raw material suppliers scored 90 points or higher in the supplier evaluation, accounting for 92.7% of the total number of raw material suppliers at Formosa Laboratories. • Completed on-site audits on 25 raw material suppliers and written audits on three raw material suppliers. • Completed on-site audits on two general affairs suppliers and written audits on 26 general affairs suppliers, with no major deficiencies found among these suppliers. • 100% of our primary raw material suppliers signed the Statement of Use of Hazardous Substances and did not use conflict minerals. • Required new suppliers to sign the relevant statements and declarations to ensure that the quality and source of raw materials meet safety standards, where 13.9% of our new suppliers met this criteria.	

Supplier Risk Assessment

Aside from requiring raw material suppliers to sign the Statement of Use of Hazardous Substances and the Declaration of Non-Use of Conflict Minerals, Formosa Laboratories conducts the Supplier Qualification and Assessment Certification Procedures through our internal SOP. At the same time, this policy is included in the list of items required in supplier procurement management as primary raw material suppliers are required to commit that the products or components they supply, along with their implementation of corporate governance and human rights protection for workers are in line with the ESG management philosophy at Formosa Laboratories. We also actively assist suppliers that do not meet the requirements in the implementation of improvement programs. In the event of any violation of the relevant rules and regulations, Formosa Laboratories has the right to terminate or cancel our contract with the supplier in order to minimize supply chain risk.

In addition, Formosa Laboratories continues to require new suppliers to sign the relevant declarations and statements to ensure that the quality and source of raw materials meet safety standards, and that they do not use unregulated hazardous substances. In 2023, 15 new suppliers have signed the statement and declaration, accounting for 13.9% of the total number of new suppliers for the year. Apart from requiring suppliers to sign the relevant statements and declarations, Formosa Laboratories will conduct questionnaire surveys among suppliers in the future, in which relevant topics such as environmental protection, labor conditions, occupational safety and health, and human rights will be included for assessment, with a view to establishing a more complete supplier assessment system.

- 100% of our primary raw material suppliers have signed the Statement of Use of Hazardous Substances.
- Suppliers have signed the Halal Declaration, the Allergen Declaration, the Melamine Declaration, and the Genotoxic Impurity Declaration,
- 100% of our primary raw material suppliers do not use conflict minerals.

Note:Primary raw materials refer to raw materials that can form the main structure of a product (API).

Supplier Evaluation

The Procurement Department conducts supplier evaluation in accordance with the Raw Material and Material Supplier Evaluation Procedures. A supplier evaluation form is created on a regular basis in the first quarter of the following year based on the transaction status in the previous year. Weighting is assigned to each item in the evaluation form based on the level of impact on operations. Suppliers with scores of less than 60 points are required to make improvements within the prescribed time period. Suppliers that fail to make the required improvements will be disqualified. Furthermore, Formosa Laboratories established the CO-202 General Affairs Supplier Management Regulations in 2023, aimed at effectively managing the general affairs suppliers at Formosa Laboratories while ensuring that the quality, quantity and price of supplies are stable and reasonable.

▼ Results of raw material supplier evaluation at Formosa Laboratories over the past three years

Vendor category	Score	2021	2022	2023
Suppliers	Above 90 points	78.4%	94.1%	92.7%
	76 to 90 points	21.1%	4.9%	5.8%
	60 to 75 points	0.4%	1.0%	1.1%
	Below 60 points	0.1%	0.1%	0.4%
Number of suppliers evaluated		544	526	537

Note:There could be some errors in the data presented in the table above as the percentages have been rounded to one decimal place.

Supplier Audit

In order to ensure that all suppliers comply with our company's requirements related to labor rights, occupational safety and health, and environmental protection measures, Formosa Laboratories not only conducts supplier evaluation, but also has the Procurement Department and the General Affairs Section to formulate an on-site audit plan each year, as well as designates the Quality Assurance Department to carry out audits to verify the status of management among raw material suppliers and general affairs suppliers. Any suppliers found to commit deficiencies are required to submit their deficiency correction and improvement measures within one month after the audit.

Supplier category	Raw material suppliers	General affairs suppliers
Audit system	Schedule a supplier audit plan each year based on Supplier Audit Management, and perform auditing of the relevant operations according to the audit plan.	Conduct on-site audits on two general affairs suppliers at random each year.
Audit results in 2023	• 25 raw material suppliers were included in the audit plan for 2023. However, only 20 of these suppliers were audited as audit was postponed to the following year for five suppliers due to the fact that they were either suspended (or disqualified), unable to cooperate with the audit, or yet to complete process validation. • Outside the 2023 audit plan, five suppliers were added to the raw material supplier audit, where on-site and written audits were conducted on 25 and three raw material suppliers, respectively throughout the year. • According to the audit results, one major deficiency in quality systems was identified, which has been communicated and is pending confirmation from the supplier after completing the corrective measures.	• Completed on-site audits on two general affairs suppliers. • Completed written audits on 26 general affairs suppliers. • No major deficiencies and risks were reported in the audit results.

▼ Status of raw material supplier audits at Formosa Laboratories over the past three years

Vendor category		Suppliers		
Audit method (Note)		**2021**	**2022**	**2023**
On-site audit	Estimated number of suppliers audited	28	14	17
	Actual number of suppliers audited	28	14	17
	Achievement rate	100%	100%	100%
Written audit	Estimated number of suppliers audited	2	2	3
	Actual number of suppliers audited	2	2	3
	Achievement rate	100%	100%	100%

Note:The table above does not include suppliers that were initially listed in the audit plan but had their audit postponed to the following year due to the fact that they were either suspended (or disqualified), unable to cooperate with the audit, or yet to complete process validation.

2.7 Value Chain Management

Pharmaceutical Quality Management

In order to ensure stable product quality and protect users' health and safety, Formosa Laboratories has not only invested an abundance of resources from R&D, production, storage, transportation, and sales to the end-use stage in building a quality management system for our own products, but also recorded our quality commitments in our quality manual. All our production processes have gone through stringent validation to ensure the safety of our pharmaceutical products.

Raw material supplier management

Formosa Laboratories requires all raw material suppliers to complete verification before engaging in procurement with them, and conducts on-site audits of primary raw material suppliers to confirm that their quality management systems and production management meet the relevant requirements. In order to continuously track the level of supply and stability of each supplier, Formosa Laboratories not only performs annual audits of key suppliers, but also provides guidance or carry out re-audits when necessary.

Production management

Formosa Laboratories has developed a quality management system and a production management system in compliance with GMP regulations across various countries and regions including Taiwan, Europe, the US, Japan, and South Korea. At the same time, Formosa Laboratories assesses the option of banning hazardous substances and implements control of hazardous substances in accordance with regulatory requirements, as well as conducts stringent stability tests and annual reviews before launching our products into the market in order to ensure that our products are not only safe, consistent, and effective, but also do not pose any risk to users' health and environment safety. In 2023, Formosa Laboratories underwent official and customer audits 36 times, all of which yielded positive reviews, as well as passed the GMP compliance certification process in Taiwan, the US, and Japan. No violations of health and safety laws and regulations related to products and services were reported at Formosa Laboratories.

Product labeling

All our products are not only subject to their own safety controls, but also labeled with detailed and specific information in accordance with the law. Labeling for all materials are subject to strict control to prevent labeling errors and eliminate the possibility of counterfeit and substandard drugs while complying with local laws and regulations on product information and labeling. No violations of laws and regulations concerning product and service information and labeling were reported at Formosa Laboratories during the reporting period.

Sales and distribution management

Our factories are equipped with a high-standard quality management system. In addition, some of our employees have obtained the GDP Pharmaceutical and Medical Device Distribution Manager License. Strict control regulations have been put in place for product tracking, shipping conditions, temperature control, and anti-counterfeit labels. At the same time, vehicles and equipment used for distribution, storage or handling of pharmaceutical products are equipped appropriately to prevent damage to pharmaceutical products or other risks of hazardous substances. All our distribution activities have passed the Good Distribution Practice (GDP) inspection conducted by the TFDA under the Ministry of Health and Welfare, with a view to ensuring the quality of pharmaceutical products in the distribution process.

Customer Service

Formosa Laboratories regards customer feedback as an important foundation for improving customer relationship development. We learn about customer needs through multiple channels, including video conferences, business visits, and participation in exhibitions. During customer visits, we first survey customers' needs. In the event of a service deficiency, we will learn about the problems customers encounter and investigate them with the relevant department, and then provide corrective and preventive actions (CAPA) to explain the situation to customers. As regards customer suggestions, we regularly review and analyze them in meetings, and propose appropriate improvement plans to establish a complete procedure in response to customer needs.

To provide excellent customer service and maintain good product quality, Formosa Laboratories implements a two-stage investigation plan and draws investigation conclusions from these results, clarifying issues at each stage to establish subsequent preventive measures, stabilize product quality, and reduce the risk of problems occurring. If a complaint is filed by the customer due to an abnormal situation in the relevant activities carried out by Formosa Laboratories in accordance with the GMP SOP, the activities shall then be carried out in accordance with the customer's operating procedures.

▼ Number of customer complaints received by Formosa Laboratories over the past three years

Year	2021	2022	2023
Number of customer complaints	8	7	7

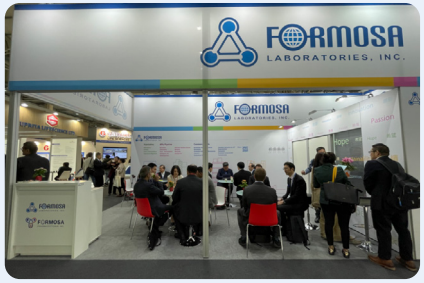
Exchanges through International Exhibitions

By participating in international exhibitions, Formosa Laboratories has been able to maintain active communication and interaction with customers, suppliers, and industry peers, which not only helps us learn about the latest trends and technological developments in the global pharmaceutical industry, but also enables us to keep abreast of changes in market demand and consumer preferences. In 2023, Formosa Laboratories participated in a total of six international exhibitions, allowing us to gain a wealth of valuable experience in the process. We endeavor to turn such experience into “nutrients” for our product development and operation strategies, with a view to continuously increasing the value of our product and maintaining our core competitive advantage in an intensely competitive market.

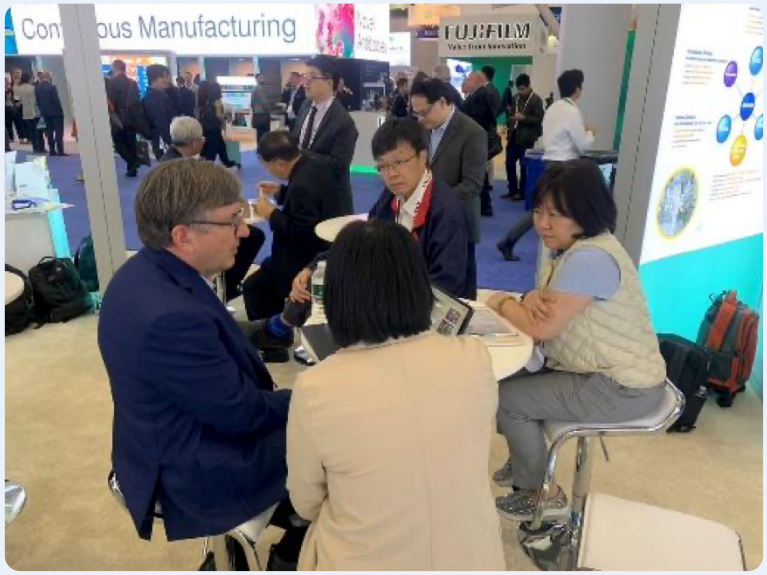
▼ List of international exhibitions participated by Formosa Laboratories in 2023

Location	Exhibition event	Event period
USA	DCAT week	2023/03/20~03/23
	Bio US	2023/06/05~06/08
Japan	CPhI Japan	2023/04/19~04/21
China	CPhI China	2023/06/19~06/21
Taiwan	Bio Asia	2023/07/27~07/30
Europe	CPhI Barcelona 2023	2023/10/24~ 10/26

▼ Formosa Laboratories’ participation in CPhI exhibitions in Japan, Shanghai, and Spain



▼ Formosa Laboratories’ participation in BIO International Convention in the US and Taiwan



Chapter 3 Environment

3.1 Response to climate change

▼ Management of material topic “response to climate change” at Formosa Laboratories in 2023

Material topic	**Response to climate change**
Corresponding disclosures under the GRI Standards	GRI 201-2 Financial implications and other risks and opportunities due to climate change GRI 302: Energy 2016 (302-1, 302-3, and 302-4) GRI 305: Emissions 2016 (305-1 to 305-5)
Corresponding SDGs	
Policy or commitment	Formosa Laboratories rolls out and implements greenhouse gas inventories and external assurance in conjunction with the policies and initiatives promulgated by government agencies, with a view to achieving energy conservation and carbon reduction targets while bolstering our resilience to climate change.
Metrics and targets	Continuing targets ▶ • Continue to conduct greenhouse gas inventories and pass the ISO 14064-1 verification process.
	Short-term target (2023 to 2025) ▶ 1. Reduce energy intensity by 1% to 3%. 2. Roll out and implement product carbon footprint and pass the ISO 14067 verification process.
	Medium- and long-term targets ▶ 1. Obtain the ISAE 3410 Assurance Engagements on Greenhouse Gas Statement. 2. Roll out and implement greenhouse gas inventories at the subsidiaries listed in our consolidated financial statements. 3. Complete the ISAE 3410 Assurance Engagements on Greenhouse Gas at the subsidiaries listed in our consolidated financial statements.
Tracking management mechanism	Formosa Laboratories draws up response policies and preventive actions in compliance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), aimed at making preparations for climate disasters in advance and preventing corresponding financial losses.
Actions and outcomes in 2023	• Received the Product Environmental Footprint Exemplary Manufacturer Award from the Industrial Development Administration under the Ministry of Economic Affairs in 2023. • Carried out various energy conservation measures such as replacing energy-consuming equipment and changing equipment operation behavior in 2023, which are estimated to save 613,774 kWh of electricity and reduce approximately 303.205 metric tons of CO_2e in carbon emissions each year in the future. • Completed Phase I of the solar power plant, which generated 385,982 kWh of electricity between July and December. • Reported a 1.65% decline in energy intensity compared to the previous year while renewable energy accounted for 0.43% of energy consumption at Formosa Laboratories.

Four Pillars of TCFD Recommendations

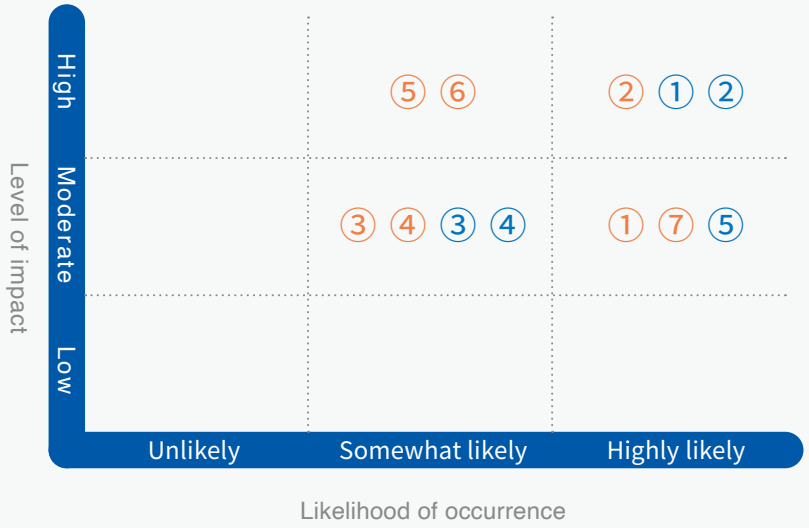
▼Components of climate-related financial disclosures

Component	Action plan
 **Governance**	• The Sustainability Committee convenes members of the relevant teams to conduct regular discussions on the potential impacts of various issues on the organization. After identifying climate-related impacts, the committee meets with senior executives to discuss the relevant risks and opportunities, and then proposes recommendations and improvement measures in light of the potential harm caused by these risks. • The Sustainability Committee reports the overall ESG performance for the current year to the Board ESG performance on an annual basis, while the Board of Directors deliberates on and verifies the short-, medium-, and long-term implementation plans, which include climate change-related issues.
 **Strategy**	• Formosa Laboratories not only takes into account the potential impacts of climate change in our operations, but has also drawn up risk response and mitigation measures, including actively promoting green energy and environmental protection policies, expanding the use of renewable energy, and developing innovative carbon reduction technologies. Meanwhile, Formosa Laboratories has also formulated energy conservation and carbon reduction measures while stepping up efforts in waste reduction and green procurement. • Please refer to the "Financial Impacts of Climate-related Risks and Opportunities" section for more details on the primary short-, medium-, and long-term risks and opportunities facing Formosa Laboratories.
 **Risk Management**	The Sustainability Committee conducts regular assessments on climate change risks and their potential financial impacts as the basis for policy formulation and targets while developing a sound climate management process. With the Board of Directors in charge of overseeing the operation of risk management and making related decisions, the Sustainable Development Committee carries out risk identification, whereas the Risk Management Team conducts risk assessments and presents related reports while guiding the relevant units in implementing risk management.
 **Metrics and targets**	• Introduce the ISO 14064-1 Greenhouse Gas Inventory and ISO 14067 Carbon Footprint standards, and pass the third-party verification process. Please refer to the “Net-zero Vision and Phased Targets”section for more details. • Continue to promote various measures such as energy conservation, carbon reduction, reduction of resource consumption. Please refer to the corresponding subchapters under Chapter 3 Environment.

Financial Impacts of Climate-related Risks and Opportunities

Formosa Laboratories conducts assessments of climate risks and opportunities, which are analyzed according to level of impact and likelihood of occurrence. Specifically, level of impact is divided into three levels, namely high, moderate, and low, whereas likelihood of occurrence is divided into three levels, namely unlikely, somewhat likely, and highly likely, aimed at identifying and analyzing moderate- and high-risk items, and eventually formulating appropriate response measures to deal with such risks.

▼ Climate-related risk and opportunity matrix



▼ List of climate-related risks and opportunities

Climate risks	Climate opportunities
① Renewable energy-related legal risk ② Carbon reduction-related legal risk ③ Technology risk ④ Reputational risk ⑤ Acute physical risk ⑥ Physical risk arising from changes in precipitation patterns ⑦ Physical risk arising from rising mean temperatures	① Enhanced resource efficiency ② Use of diverse energy sources for carbon reduction ③ Product and service opportunities ④ Market opportunities ⑤ Enhanced resilience

▼Financial impacts of climate-related risks and corresponding response actions

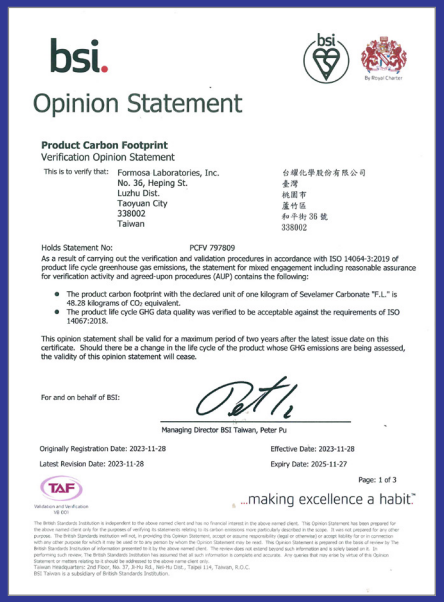
Type	Climate-related risk	Impact period	Potential financial impact	Adaptation and response action
Transition risk	**Policy and legal**			
	Renewable energy-related laws and regulations	**Short-to-medium term**	• In light with the Renewable Energy Development Act, Formosa Laboratories is required to set up green electricity that either makes up 10% of our total electricity consumption within five years or 8% of total our electricity consumption in 2023. Failure to comply with the relevant laws and regulations could lead to penalties and fines. • In an effort to build renewable energy power generation system, Formosa Laboratories has to invest NT$40 million in the construction of Phase I and II solar power generation facilities.	• Introduce solar power generation systems as soon as possible so as to comply with the relevant laws and regulations in conjunction with energy transition and carbon reduction policies. • Phase I of the solar power generation facility has been completed and put into operation in June 2023, whereas Phase II of the solar power generation facility is scheduled for completion in October 2024. These facilities has a total installed capacity of 796.875 kW.
	Local carbon reduction-related laws and regulations	**Medium term**	• Increased costs of carbon reduction due to the need to comply with the Climate Change Response Act in Taiwan. • Increased operating costs due to the imposition of carbon fees. • Increased counseling and manpower costs due to the implementation of carbon inventory, where the annual guidance and verification fees are NT$300,000 and NT$230,000, respectively.	• Roll out and implement carbon inventories and the ISO 14064-1 verification process while clarifying the direction of carbon reduction and set carbon reduction targets. • In 2023, Formosa Laboratories took part in the Industrial Product Environmental Footprint Counseling Program hosted by the Industrial Development Administration, Ministry of Economic Affairs, and was granted the ISO 14067 verification statement. • Carry out greenhouse gas inventory data collection and assessment by electronic means to improve efficiency.
	Overseas carbon reduction-related laws and regulations	**Medium term**	• Increased costs and expenses due to the implementation of carbon reduction-related laws and regulations abroad such as the Carbon Border Adjustment Mechanism (CABM) in the EU and the Clean Competition Act (CCA) in the US. • In light with product exports and customer needs, Formosa Laboratories collaborated with the Industrial Technology Research Institute (ITRI) on the introduction of product carbon footprint (ISO 14067), which lead to an increase of NT$260,000 in verification cost.	
	Technology			
	R&D in low-carbon products or services	**Medium-to-long term**	Increased costs of R&D in low-carbon technologies in response to the international carbon reduction trend, or investment losses due to R&D failures.	• Control R&D costs, set R&D targets and review their progress, and evaluate whether to stop losses based on the assessment of R&D outcomes. • Minimize the risk of R&D failure through various methods with a focus on process improvement, such as increasing yield and reducing solvent or energy consumption, which also helps to reduce the carbon footprint of the organization. • Develop new products in collaboration with other companies to minimize the risk of investment loss.
	Reputation			
	Reputational damage	**Medium term**	Failure to meet stakeholder expectations of energy conservation and carbon reduction at Formosa Laboratories may affect our company's brand image and goodwill.	bolster resilience to climate change through internal controls.

Type	Climate-related risk	Impact period	Potential financial impact	Adaptation and response action
Physical risk	**Acute**			
	Extreme weather events such as typhoons and floods	**Short term**	• Disaster losses: Loss of assets or materials due to malfunction or damage of environmental protection equipment and machinery, disruption of personnel attendance, interruption of supply chain transportation, etc., which could also affect production operations and capacity. • Damage prevention: Formosa Laboratories is required to set aside an insurance budget (amounting to NT$24 million per year) based on annual losses due to risk. Purchase of sandbags, pumps, and other equipment also results in increased costs of disaster prevention equipment and facility construction.	• Establish a spare parts mechanism and carry out repairs immediately in the event of equipment failure. • Establish a multi-skilled worker mechanism to prevent production disruption due to employee attendance issues. • Engage with a wide array of material suppliers to prevent disruption of material supply. • Dredge ditches regularly to ensure smooth drainage and minimize the probability of flooding.
	Chronic			
	Changes in precipitation patterns	**Short term**	• Increased manufacturing costs due to the need to purchase tap water in the event of droughts or water shortages. • The estimated cost involved in the purchase of water is NT$900,000 per day (NT$900 × Estimated water consumption of 1,000 tons per day).	• Step up water conservation measures and adopt water recycling systems to enhance water efficiency. • At present, Formosa Laboratories has invested NT$766,334 in installing jacketed water recycling devices, with other water recycling measures to be evaluated and assessed on an ongoing basis in the future.
	Rising mean temperatures	**Long term**	• The high-temperature work environment on the production line affects employees' health, resulting in greater difficulty in manpower recruitment and increased employee turnover. • Increased electricity bills due to the use of air-conditioning and refrigeration systems in the office and operation areas. • Increased costs of warehouse air-conditioning equipment (including insulation works, increased procurement of refrigeration and air-conditioning equipment, and corresponding energy consumption). • Increased R&D costs due to higher measured temperatures in light of rising temperatures. • Return of goods caused by failure to control temperature during transportation could lead to increased costs and losses arising from the return of goods. • The activity of biological strains in wastewater plants is susceptible to temperature rise, which may cause effluents to exceed the statutory standards.	• Add the stability test and increase the test temperature to 70 degrees Celsius as rising temperatures could affect product quality during transportation, in order to ensure that product quality is not affected under high temperatures. • In an effort to lower the temperature of our warehouses, approximately NT$1.6 million has been spent on the installation of thermal insulation blankets at our warehouses. In addition, air-conditioning equipment is being installed in the dock area to keep the temperature below 25 degrees Celsius, which is estimated to cost NT$5 million in total. • Employ refrigerated transportation to minimize the risk of product damage, which in turn leads to a 50% rise in transportation costs. • Prevent high temperatures caused by direct sunlight, use heat shields when the outdoor temperature exceeds 35 degrees Celsius, and record temperatures during transportation.

▼ Financial impacts of climate-related opportunities and corresponding response actions

Type	Climate-related opportunity	Potential financial impact	Response action
Resource efficiency	• Recycling and reuse of paper and waste • Switching to more efficient electrical equipment • Reduced water consumption	• Reduced purchase of consumables • Reduced electricity consumption and carbon emissions • Reduced costs of water consumption	• Introduce the BPM digital signature system to reduce the use of paper on an ongoing basis. • Implement energy conservation programs, including replacing old and inefficient electrical appliances, purchasing equipment with energy-saving labels or adopting variable frequency processing, which are estimated to save NT$1,988,800 per year, i.e., estimated electricity consumption × NT$3.24 per kWh of electricity, based on energy conservation measures in 2023. • Continue to assess the introduction of recycling equipment or efficiency enhancement measures, such as diversifying recycling of reclaimed water.
Energy sources	• Use of low-carbon energy sources • Self-generated low-carbon energy sources and renewable energy sources • Adopting energy conservation measures	• Saving on energy costs • Reduced operating costs	• Our solar power generation system is estimated to generate 771,964 kWh of electricity each year for our own use, which can save approximately NT$2.5 million each year compared to purchasing electricity directly from Taipower.
Products and services	• Development or addition of low-carbon products and services	• Gradually developing or adding low-carbon products and services can help Formosa Laboratories gain an edge in collaboration with international pharmaceutical companies and enhance our competitiveness	• Implement carbon footprint verification for representative products based on strategy, with the aim of enhancing product competitiveness and cope with product export demand. • In 2023, Formosa Laboratories was awarded the ISO 14067:2018 verification statement for our product Sevelamer Carbonate “F.L.” with a carbon footprint of 48.275 kgCO_2e/kg.
Market	• Receiving incentives from public sector	• Receiving grants can help Formosa Laboratories increase our revenue	• Keep a close eye on and apply for relevant energy conservation incentives and grants.
Resilience	• Compiling climate change risks and handling methods to enhance our company’s adaptability to climate change	• Reduced losses due to climate change	• Continue to keep abreast of developments related to climate change issues, so as to plan and implement response measures.

▼ ISO 14067:2018 verification statement for Sevelamer Carbonate “F.L.”



bsi.

Opinion Statement

Product Carbon Footprint
Verification Opinion Statement

This is to verify that: Formosa Laboratories, Inc.
No. 36, Heping St.
Luzhu Dist.
Taoyuan City
338002
Taiwan

台曜化學股份有限公司
臺灣
桃園市
蘆竹區
和平街 36 號
338002

Holds Statement No: PCFV 797809

As a result of carrying out the verification and validation procedures in accordance with ISO 14064-3:2019 of product life cycle greenhouse gas emissions, the statement for mixed engagement including reasonable assurance for verification activity and agreed-upon procedures (AUP) contains the following:

- The product carbon footprint with the declared unit of one kilogram of Sevelamer Carbonate "F.L." is 48.28 kilograms of CO_2 equivalent.
- The product life cycle GHG data quality was verified to be acceptable against the requirements of ISO 14067:2018.

This opinion statement shall be valid for a maximum period of two years after the latest issue date on this certificate. Should there be a change in the life cycle of the product whose GHG emissions are being assessed, the validity of this opinion statement will cease.

For and on behalf of BSI:

Managing Director BSI Taiwan, Pieter Pu

Originally Registration Date: 2023-11-28
Effective Date: 2023-11-28
Latest Revision Date: 2023-11-28
Expiry Date: 2025-11-27

Page: 1 of 3

...making excellence a habit.™

▼ Product Environmental Footprint Exemplary Manufacturer Award from the Industrial Development Administration under the Ministry of Economic Affairs

Net-zero and Low-carbon Transition Vision

Formosa Laboratories has been conducting greenhouse gas inventories since 2021 in conjunction with the government's 2050 net-zero transition policy and global trends in carbon reduction. After collecting information on the organization's carbon emissions using the methodology stipulated in the latest ISO 14064-1:2018 standards in 2022, Formosa Laboratories has gradually developed our sustainable development pathway and set short-, medium-, and long-term targets in response to climate risks, so that we can continue to review energy policies and formulate relevant rules and regulations.

Introduce carbon inventory 01

Clarify carbon emissions at Formosa Laboratories

- Greenhouse gas inventory (ISO 14064)
- Product carbon footprint inventory (ISO 14067)
- Pass third-party verification

Set reduction targets 02

Set short-, medium-, and long-term targets

- Determine reduction targets and scope
- Enhance employee awareness

Implement reduction strategies 03

Implement carbon reduction strategies and track progress

- Purchase green electricity for use at Formosa Laboratories
- Set up renewable energy sources
- Replace equipment with energy-saving ones
- Innovate and optimize manufacturing processes
- Adopt low-carbon supply chain strategies

Achieve carbon neutrality 04

Declaration of achievement to carbon neutrality

- Purchase carbon credits
- Verify reduction outcomes

Sustainability Development Pathway

3.2 Energy Management

The intensive use of air-conditioning systems in factories and storage spaces across the biopharmaceutical industry for the purpose of maintaining temperature and humidity control for raw materials and products has resulted in high electricity consumption. Therefore, how to reduce energy consumption and increase the percentage of green energy in our energy structure becomes a critical development strategy for us. With the goal of setting up green electricity that reaches at least 10% of Taipower's contract capacity of 7,500 kW at Formosa Laboratories in 2024, we not only assess the setup of renewable energy and the installation of energy storage systems, but also continue to draw up our annual electricity saving measures in hopes of bolstering our resilience to climate change and minimizing operational risks.

In 2023, Formosa Laboratories consumed 324,316,215 MJ of energy in total, where renewable energy accounted for 0.43%. Formosa Laboratories reported an energy intensity of 337.76 MJ per kg, which was calculated based on production volume (expressed in kg), where this figure was still lower than that in the previous despite the higher amount of electricity consumed due to plant expansion and increased production capacity.

Energy intensity compared to the previous year

↓ 1.65%

Renewable energy as a percentage of energy consumption

0.43 %

Continue to optimize resource efficiency in addition to expanding production capacity and growing revenue

▼ Use of energy sources within the organization (Unit: megajoules or MJ)

Type of energy source		2022	2023
Non-renewable	Purchased electricity	187,542,720	197,069,760
	Diesel	140,640	158,220
	Natural gas	105,575,022	114,393,799.8
	Heavy oil (eco-friendly RTO)	10,295,883	11,304,900
Renewable energy	Solar power	-	1,389,535.2
Total energy consumption (MJ)		303,554,265	324,316,215
Production volume (kg)		883,911.25	960,190.30
Energy intensity (MJ per kg)		343.42	337.76
Annual energy intensity growth or reduction rate (%)		-	-1.65%

Note:
1. The boundary of energy survey includes the entire area of office premise at Formosa Laboratories' headquarters, Louchu Plant, and Louchu No. 2 Plant.
2. The energy conversion factors were taken from the Greenhouse Gas Emission Factor Management Table Version 6.0.4 published by the Ministry of Environment, where 1 cubic meter of natural gas - 10.5 kWh of electricity; 1 liter of diesel = 8,400 kCal = 35.16 MJ; 1 kWh of electricity = 3.6 MJ; 1 liter of heavy oil = 41.87 MJ.
3. There was no data regarding solar power in 2022 as electricity generation using solar energy only began at the end of June 2023.
4. Restatement of information: The 2022 data regarding all types of energy sources, except for purchased electricity, was adjusted due to incorrect insertion of the aforesaid data and the change of unit of denominator in the formula for calculating energy intensity from NT$ million in revenue to production volume (kg).

3.3 Greenhouse Gas Emissions

Formosa Laboratories has been conducting greenhouse gas inventories in accordance with the ISO 14064-1:2018 standards since 2022. Furthermore, Formosa Laboratories conducts a greenhouse gas inventory each year, with 2022 as the base year, and passes the third-party verification process, in order to observe our carbon emission hotspots and reduction outcomes. In 2023, the total greenhouse gas emissions at Formosa Laboratories was 56,549.3102 metric tons of CO_2e. The increase in carbon emissions was mainly due to the procurement of equipment and instruments for plant expansion and the rise in overall electricity consumption. However, the Scope 1 and 2 greenhouse gas emission intensity was 8.16 metric tons of CO_2e per NT$ million, which was still lower than that in the previous year.

▼ Greenhouse gas emissions at Formosa Laboratories over the past two years (Unit: metric tons of CO_2e)

Type of greenhouse gas				2022(Base Year)	2023
Scope 1	Category 1		Diesel, natural gas, and heavy oil	7,744.8849	8,421.5202
Scope 2	Category 2		Purchased electricity	25,787.1240	27,042.3504
Total Scope 1 and 2 greenhouse gas emissions				33,532.0089	35,463.8706
Greenhouse gas emission intensity (metric tons of CO_2e per NT$ million in revenue)				8.81	8.16
Scope 3	Category 3.5	Upstream	Business travel	60.0650	58.7915
	Category 3.1		Transportation and distribution	90.5594	77.3076
	Category 4.1		Purchased goods and services	3,039.3764	11,757.2569
	Category 4.1		Fuel- and energy-related activities (excluding activities in Scope 1 or Scope 2)	6,379.6527	7,241.6595
	Category 4.3		Waste generated in operations	996.8719	207.9325
	Category 3.2	Downstream	Transportation and distribution	685.3870	1,801.2831
Total greenhouse gas emissions				44,783.9213	56,549.3102

Note：
1. Greenhouse gas emissions were compiled using the operational control method. With the entire area of Formosa Laboratories as the boundary (including Louchu Plant and Louchu No. 2 Plant), greenhouse gas inventories were conducted using the methodology stipulated in the ISO 14064-1:2018 standards. Only some of the items in Categories 3 and 4 were surveyed in the inventory of Scope 3 (Categories 3 to 6) greenhouse gas emissions.
2. The data varied as the global warming potential (GWP) for each type of greenhouse gas was estimated using the GWP values in the IPCC Sixth Assessment Report, which were different from those in the IPCC Fourth Assessment report as adopted by the Ministry of Environment.
3. The electricity carbon emission factors published by the Energy Administration were adopted in the data above, where the electricity carbon emission factors in 2022 and 2023 were 0.495 and 0.494 kg of CO_2e per kWh of electricity, respectively.
4. Greenhouse gas emission intensity = Scope 1 and 2 greenhouse gas emissions (tons of CO_2e) per unit of revenue (NT$ million). The source of revenue data was Formosa Laboratories' standalone financial statements, where Formosa Laboratories generated a revenue of NT$3,804.145 million in 2022 and NT$4,346.290 million in 2023, which were rounded to two decimal places.
5. Formosa Laboratories was awarded the ISO 14064-1 Greenhouse Gas Verification Statement as the greenhouse gas inventory data for 2022 and 2023 were verified by third-party organization SGS Taiwan.
6. Restatement of information: The 2022 data for greenhouse gas emission intensity was adjusted as a result of adjustments to the formula for calculating greenhouse gas emission intensity (which excluded Scope 3 greenhouse gas inventory data and involved the change of unit of denominator from NT$ thousand to NT$ million in revenue).

Energy Conservation and Carbon Reduction

In 2023, Formosa Laboratories continued to replace energy-consuming equipment, which was estimated to save 613,774 kWh of electricity and reduce up to 303.205 metric tons of CO e throughout the year. With the completion of the construction of Phase I solar power generation facility, 385,982 kWh of electricity were generated from July to December, which can ensure the continuation of our annual carbon reduction outcomes. In the future, we will also continue to implement electricity saving programs and promote environmental protection and green living in daily office activities. Furthermore, we will plan the construction of Phase II solar power generation facility in addition to assessing and purchasing renewable energy sources, with a view to reducing electricity consumption year by year, thereby achieving the goal of energy saving and carbon reduction.

▼ Estimated performance of energy conservation and carbon reduction action plans at Formosa Laboratories in 2023

No.	Action plan	Explanation on reduction	Reduction in energy consumption(MJ)	Reduction in carbon emissions (metric tons of CO_2e)
1	Raise the temperature of chilled water in air-conditioning systems at Building C	Estimated to save approximately 57,875 kWh of electricity each year	208,350.0	28.590
2	Switch to variable frequency temperature control for cooling towers	Estimated to save approximately 283,566 kWh of electricity each year	1,020,837.6	140.082
3	Replace old chillers with new ones	Estimated to save approximately 91,734 kWh of electricity each year based on power change	330,242.4	45.317
4	Replace old chillers (RG-0901) with new ones	Estimated to save approximately 180,599 kWh of electricity each year based on power change	650,156.4	89.216
	Total		2,209,586.4	303.205

Note：
1. The energy conservation action plans listed in the table above primarily involve electricity saving, while the scope of carbon reduction covers Scope 2 greenhouse gas emissions.
2. The amount of energy conserved was estimated based on the difference in the amount of electricity used before and after the implementation of each action plan, which was then converted into megajoules using the following formula: 1 kWh = 3.6 MJ.
3. Reduction amounts were calculated based on the following formula: Amount of electricity saved (kWh) × Electricity carbon emission factor published by the Energy Administration, Ministry of Economic Affairs (0.494 kg of CO2e per kWh of electricity), which were rounded to three decimal places.

3.4 Water Stewardship

▼ Management of material topic “water stewardship” at Formosa Laboratories in 2023

Material topic	**Water Stewardship**
Corresponding disclosures under the GRI Standards	GRI 303: Water and Effluents 2018
SDGs Corresponding SDGs	
Policy or commitment	Formosa Laboratories not only complies with laws and regulations, but also conducts regular testing and monitoring, with a view to implementing water stewardship on a daily basis as we treasure natural resources.
Metrics and targets	Continuing targets ▶ • Committed to source reduction and recycling. • Assess the use of recycled and reclaimed water to conserve water and improve water efficiency on an ongoing basis. • Ensure that the quality of effluents meets the rules and regulations promulgated by the Ministry of Environment.
Tracking management mechanism	**Water withdrawal:** • Conduct water consumption surveys. • Install flow meters to monitor, track, and record the amount of water withdrawn. • Carry out regular maintenance of monitoring devices. **Water discharge:** • Monitor the quality and quantity of effluents. In the event of any anomalies, channel effluents back to the wastewater treatment unit for further treatment before discharging them once more. • Review the performance of wastewater treatment units and strengthen their treatment capacity. • Conduct education and training to enhance employees’ operation, maintenance, and response capabilities.
Actions and outcomes in 2023	• Recycled 124.4 megaliters of water, representing a 29.09% recycling rate based on the amount of water withdrawn in 2023. • Recorded an 8.17% increase in the amount of water recycled and a 3.08% increase in recycling rate in 2023 compared to 2022. • Consumed 427 megaliters of water in 2023, down 14.6 megaliters of water from 2022. • The water quality test conducted in 2023 showed that the quality of water discharge from Formosa Laboratories met the effluent standards stipulated in the environmental laws and regulations.

Enhancing Water Efficiency

At Formosa Laboratories' factories, manufacturing processes consume a higher amount of water, whereas domestic purposes make up the remaining proportion of water consumption. As the primary source of water at Formosa Laboratories is tap water, we also install flow meters to monitor, track, and record the amount of water withdrawn. Regular maintenance of monitoring devices is carried out to ensure correct and effective use of such information. Thanks to our ongoing efforts to conserve water and promote the use of recycled water over the past three years, Formosa Laboratories has experienced a gradual decline in water consumption, where the amount of water consumed by Formosa Laboratories dropped to 427 megaliters in 2023.

Following the introduction of a water recycling system since 2015, Formosa Laboratories has established a mechanism for recycling treated water for use in cooling waters, scrubbers, and vacuum systems. In 2023, Formosa Laboratories recycled 124.4 megaliters of water, representing a 29.09% recycling rate based on the amount of water withdrawn throughout the year. Formosa Laboratories recorded a 8.17% increase in the amount of water recycled and a 3.08% increase in water recycling rate in 2023 compared to 2022, indicating a significant and sustained improvement in water efficiency. In the future, we will continue to assess the water recycling system and its performance with a view to enhancing water efficiency.

▼ Statistics on water consumption at Formosa Laboratories over the past three years (Unit: megaliters)

Water consumption statistics	2021	2022	2023
Total amount of water withdrawn (A)	464.941	442.254	427.639
Total amount of water discharged (B)	363.178	331.540	306.714
Total amount of water consumed (A - B)	101.763	110.714	120.925

Note：1. Information on water withdrawal was taken from water bills, whereas water discharge was determined based on water meter records.
2. The type of water withdrawn was fresh water, while the source of water withdrawal includes tap water from a third party. No surface water, groundwater, seawater or produced water was involved in water withdrawal at Formosa Laboratories.

▼ Statistics on the amount of water recycled at Formosa Laboratories over the past three years (Unit: megaliters)

Water consumption statistics	2021	2022	2023
Total amount of water withdrawn (A)	464.941	442.254	427.639
Total amount of water recycled (B)	97.598	115.014	124.411
Water recycling rate (B/A)	20.99%	26.01%	29.09%

Minimizing the Impact of Water Discharge

Formosa Laboratories has set up wastewater treatment units to monitor and control the quality and quantity of effluents in accordance with the water quality items and limit values stipulated in the Effluents Standards promulgated by the Ministry of Environment. All the treated effluents are fresh water, which is discharged into the sea or lake ditches (surface water). Formosa Laboratories discharged 306.714 megaliters of water in 2023.

In 2023, Formosa Laboratories renovated the 600-metric-ton wastewater treatment plant. In an effort to accommodate growing water consumption due to increased production capacity, Formosa Laboratories has invested in improving the biological pool aeration system to enhance chemical oxygen demand (COD) reduction capabilities. As we regularly engage third-party organizations to conduct effluent quality testing, the water quality test conducted in 2023 showed that effluents discharged from Formosa Laboratories comply with the regulatory requirements.

3.5 Waste Management

▼ Management of material topic “waste management” at Formosa Laboratories in 2023

Material topic	**Waste Management**	
Corresponding disclosures under the GRI Standards	GRI 306: Waste 2020	
Corresponding SDGs		
Policy or commitment	Formosa Laboratories carries out waste reduction and resource recycling on an ongoing basis through end-of-pipe treatment and process management. In the future, Formosa Laboratories will continue to assess the feasibility of source and resource consumption reduction based on the 4Rs of environmental protection in the concept of circular economy.	
Metrics and targets	Short- and medium-term targets ▶	• Properly carry out the end-of-pipe treatment process and continue to develop comprehensive manufacturing processes aimed at reducing waste.
	Long-term targets ▶	• Continue to promote waste reduction based on the 4Rs of environmental protection in circular economy, as well as keep track of the flow of waste and ensure compliance with laws and regulations and proper treatment or recycling of waste. • Require suppliers to set waste reduction and recycling targets to minimize waste output along the value chain.
Tracking management mechanism	• Evaluate the implementation of waste management based on the performance management of the ISO 14001 environmental management system. In the event of any deficiencies, propose improvement plans in accordance with the rules and regulations, and implement preventive or remedial measures. • Select waste treatment service providers carefully, make on-site visits on a regular basis to gauge the actual status of waste treatment and recycling at their facilities, as well as carry out regular assessments on the efficiency of these service providers and conduct audits. • Track the status of waste clearance and disposal by waste treatment service providers from time to time, as well as use the Ministry of Environment’s reporting platform and obtain the certificate of appropriate treatment to carry out effective tracking. • Conduct external audits through vehicle tracking from time to time.	
Actions and outcomes in 2023	• Produced 1,616.1596 metric tons of waste in 2023, with a 44.02% recycling rate. • Made a total of seven visits to waste treatment facilities in 2023, in which no anomalies were identified, and the waste clearance and disposal procedures were found to be in compliance with the relevant standards.	

Waste Impact Management

All the industrial waste generated from pharmaceutical manufacturing activities at Formosa Laboratories is sorted, cleared, and disposed of in accordance with the Waste Disposal Act, with the intention of preventing the risks of leaks during the production, storage, transportation, and disposal processes. In addition, we also carefully select waste clearance and disposal service providers and carry out on-site audits on a regular basis. In 2023, Formosa Laboratories made a total of seven visits to the waste treatment facilities of these service providers, in which no anomalies were found, and the waste clearance and disposal procedures were found to be in compliance with the relevant standards. Please visit Formosa Laboratories' official website for more details on waste impact analysis and management practices.

▼ Waste production process at Formosa Laboratories

Input: Raw materials	Pharmaceutical manufacturing activities	Output: Waste
Common organic solvents, halogen-containing organic solvents, toxic chemicals, and highly active raw materials	→	Hazardous industrial waste, general industrial waste, and highly active industrial waste

Waste Statistics

▼ Total amount of waste at Formosa Laboratories in 2023 (Unit: metric tons)

Composition of waste	Amount of waste	Total amount of waste diverted from disposal(recycling and reuse)	Total amount of waste directly disposed of (incineration and landfilling)
Hazardous waste	508.1696	271.44	236.7296
General industrial waste	1,107.99	439.97	668.02
Total amount of waste	1,616.1596	711.41	904.7496

Note：1. No waste was used in Formosa Laboratories' factories as 711.41 metric tons of waste diverted from disposal were recycled and reused.
2. Of the waste directly disposed of from Formosa Laboratories, 772.2796 metric tons were treated by means of incineration, while 132.47 metric tons were treated by means of landfilling.

▼ Status of waste treatment at Formosa Laboratories over the past three years (Unit: metric tons)

Type	Treatment site	Treatment method	2021	2022	2023
Hazardous industrial waste	Off-site	Recycling and reuse	-	1.32	271.44
		Incineration	21.37	12.54	193.3596
		Landfilling	76.96	47.18	43.37
		Others (final disposal)	101.03	-	-
General industrial waste	Off-site	Recycling and reuse	656.22	471.91	439.97
		Incineration	300.22	168.35	578.92
		Landfilling	369.27	453.36	89.1
Total amount of waste			1,525.07	1,154.66	1,616.1596
Recycling rate[Note 3]			43.03%	40.98%	44.02%

Note：1. Treatment site: Off-site (outsourced treatment).
2. Treatment method: Recycling and reuse (made into new materials through reprocessing), incineration, landfilling, and other disposal operations.
3. Recycling rate (%) = Total amount of waste recycled/Total amount of waste ∗ 100%.
4. Hazardous industrial waste and general industrial waste are determined in accordance with the Waste Disposal Act and the Standards for Defining Hazardous Industrial Waste in Taiwan.
5. Restatement of information: Due to incorrect insertion of data, the recycling rate for 2021 has been revised from 42.96% to 43.03%.

Chapter 4 Social

Formosa Laboratories has joined the “TALENT, in Taiwan” Taiwan Talent Sustainability Action Alliance in response to the six talent sustainability indicators, with a commitment to realizing three of these indicators, namely “incentive rewards,” “physical and mental health,” and “talent development.” Participating in this alliance demonstrates our determination to foster talent sustainability while enhancing employee well-being and creating a diverse, inclusive, and health workplace environment to retain key talents and build corporate competitiveness.

1 **Meaning and value**

2 **Diversity and inclusion**

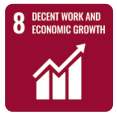
3 **Organizational communication**

4 **Incentive Rewards**

5 **Physical and mental health**

6 **Talent Development**

▼ Management of material topic “talent attraction and retention” at Formosa Laboratories in 2023

Material topic	**Talent Attraction and Retention**	
Corresponding disclosures under the GRI Standards	GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage GRI 401-1 New employee hires and employee turnover GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
Corresponding SDGs		
Policy or commitment	Attaching great importance to talent attraction and retention, Formosa Laboratories has not only instituted the Human Rights Policy, but is also committed to creating a friendly workplace culture that supports diversity and equality while enhancing the competitiveness of our talents through a variety of communication channels, physical and mental health promotion measures, education and training systems, and compensation and incentive policies.	
Metrics and targets	**Short-term targets (2023 to 2024) ▶**	• Introduce employee assistance programs (EAPs) in 2023, aimed at understanding employees’ work adaptation and organizational relationships and the emotional and stress-related issues they encounter, assisting employees in solving problems, and creating a caring and supportive work environment. • Promote continuing education and training and a promotion system for migrant workers, maintain the ratio of standard entry level wage to local minimum wage, and providing equal employee opportunities to people of different genders or age groups.
	Medium- and long-term targets (2025 and beyond) ▶	• Develop a diversified incentive system that is linked to market salary rates, as well as improve performance and various management systems.
Tracking management mechanism	• Track turnover rates on an annual basis to verify the status of employee retention and abnormal situations. • Develop a talent development mechanism based on the Talent Quality Management System (TTQS) to track the status of employee training and evaluate the performance of employees in external training (e.g., certifications obtained, sharing and transfer of knowledge within the organization, etc.). • Require employees who have worked at Formosa Laboratories for three months to have their qualifications evaluated by their supervisors, such as work performance and learning status, in order to determine whether to convert them into full-time employees, extend their probation period or terminate their employment due to their unsuitability for the position. • Review the competitiveness of salaries offered by Formosa Laboratories on a regular basis, and make adjustments to our pay levels based on industry pay rates. • Set up complaint channels to address workplace violence and sexual harassment, and convene labor-management coordination meetings on a regular basis to facilitate two-way communication between Formosa Laboratories and our employees.	
Actions and outcomes in 2023	• Recorded a new hire rate of 28.82% (up 3.62% from the previous year) and a turnover rate of 21.62% (down 2.88% from the previous year). • Recruited a total of 28 interns between 2022 and 2023, where seven of them stayed on after their internships to join our team while three more are expected to join Formosa Laboratories after graduation. • Spent NT$1.82 million on training expenses in 2023, involving both internal and external education and training programs that were attended by 4,886 people in total. • No significant risks or incidents of discrimination, child labor, forced labor or other violations of labor rights were reported at Formosa Laboratories.	

4.1 Workforce Overview

Statistics on Human Resources

Formosa Laboratories is dedicated to developing a diverse and rich talent pool and promoting diversity and co-prosperity, but prohibits differential treatment based on employees' diverse identities. As of the end of 2023, Formosa Laboratories employed 902 people in total, up 66 people from the previous year. Gender-wise, Formosa Laboratories has 624 male employees (69.2%) and 278 female employees (30.8%), with a male-to-female supervisor/manager ratio of 2.075:1. At the same time, Formosa Laboratories also employs people with disabilities in accordance with the law. In 2023, six employees with disabilities, five employees with indigenous status, and 98 foreign employees (from seven countries, namely Canada, India, Vietnam, Malaysia, the Philippines, Indonesia, and Thailand) were employed at Formosa Laboratories.

▼ Types of employees hired by Formosa Laboratories in 2023

Employee category (Unit: persons)	Male	Female	Total
Full-time employees (indefinite contracts)	621	273	894
Contract employees (fixed-term contracts)	3	5	8
Total by gender	624	278	902

Note：1. All our employees are full-time employees who work 40 hours a week. There are no part-time and temporary workers at Formosa Laboratories.
2. Contract employees in this table are on fixed-term contracts, whereas foreign employees are on indefinite contracts.

▼ Changes in the number of workers at Formosa Laboratories over the past three years

Worker category	2021	2022	2023
Employees	830	836	902
Non-employee workers	26	23	17
Total	856	859	919

Note：1. Number of people is calculated based on the number of people on December 31 of each year.
2. Non-employee workers refer to workers who are not directly employed by Formosa Laboratories, but whose work is directly managed by Formosa Laboratories. In 2023, Formosa Laboratories employed a total of 17 non-employee workers (excluding contract construction workers), i.e., seven environment cleaners, three catering workers, and seven security guards.

▼ Distribution of employee diversity by job category at Formosa Laboratories in 2023

Job category \ Diversity category	Gender		Age		
	Male	Female	30 years old and below	31 to 50 years old	51 years old and above
Management level	62.5%	37.5%	0.0%	6.3%	93.8%
Management positions	68.2%	31.8%	0.0%	82.2%	17.8%
Professional positions	69.4%	30.6%	35.8%	61.0%	3.2%
Number of employees for each diversity category	624	278	279	564	59
Number of people in each diversity category as a percentage of total number of employees	69.2%	30.8%	30.9%	62.5%	6.5%

Note：1. At Formosa Laboratories, 16 employees are top-level executives at the management level; 107 employees hold management positions ranging from the deputy director level up to the level before top-level executive; while 779 employees hold professional positions.
2. Percentage of employees in each job category for each diversity category = Number of employees in each job category for each diversity category ÷ Total number of employees in each job category, which is rounded to one decimal place. There were slight errors in the figures presented in the table due to rounding to one decimal place.
3. The statistics presented in the table above are as of December 31, 2023.

Employee Turnover

New Hires and Departures

In 2023, Formosa Laboratories hired 260 new employees, representing a 28.82% new hire rate, with a male-to-female new employee ratio of 1.55:1, while young employees aged 30 years old and below accounted for 35.16% of the total number of new employees at Formosa Laboratories. As regards employee retention, a total of 195 employees exited Formosa Laboratories, representing a 21.62% turnover rate and a 11.22% progressive turnover rate, with a male-to-female ratio of 2.15:1. In addition, Formosa Laboratories invites talents to join our team with early employment offers and onboard rewards following the rollout and implementation of an internship program since 2022. Formosa Laboratories recruited nine interns in 2022 and 19 interns in 2023, where seven of them stayed on after their internships to join our team while three more are expected to join us in July 2024 after graduation.

We will not only step up efforts to ensure work-life balance, but also continue to bolster the competencies of our supervisors and managers, provide employees with career development opportunities, and establish a comprehensive incentive and reward system. Furthermore, we endeavor to listen to the voices of our employees through satisfaction surveys and two-way communication on a daily basis, with a view to facilitating employee retention.

▼ New hire and turnover rates at Formosa Laboratories over the past two years

Year	2022	2023	Description
New hire rate	25.2%	28.82%	Number of new employees in the current year/ Total number of employees at the end of the year ∗ 100%
Turnover rate	24.5%	21.62%	Number of departed employees in the current year/Total number of employees at the end of the year ∗ 100%
Progressive turnover rate	19.6 %	11.22%	Number of departed employees in the current year/(Number of employees at the beginning of the year + Progressive number of new employees) ∗ 100%

▼ Distribution of new employees and departed employees by gender and age at Formosa Laboratories in 2023

Category		Male		Female		Subtotal	
		Number of people	Percentage	Number of people	Percentage	Number of people	Percentage
New employees	30 years old and below	84	32.31%	76	29.23%	160	35.16%
	31 to 50 years old	72	27.69%	25	9.62%	97	21.32%
	51 years old and above	2	0.77%	1	0.38%	3	0.66%
	Subtotal	158	60.77%	102	39.23%	260	57.14%
Departed employees	30 years old and below	43	22.05%	37	18.97%	80	17.58%
	31 to 50 years old	85	43.59%	25	12.82%	110	24.18%
	51 years old and above	5	2.56%	0	0.00%	5	1.10%
	Subtotal	133	51.15%	62	23.85%	195	42.86%

Note：
1. The percentage of new employees for each category (i.e., number of new employees for each category/total number of new employees ×100%) is rounded to one decimal place.
2. The percentage of departed employees for each category (i.e., number of departed employees for each category/total number of departed employees ×100%) is rounded to one decimal place.
3. The statistics on new employees include 91 migrant workers.
4. Departed employees refer to employees who exited Formosa Laboratories on a voluntary basis or due to termination of employment, retirement or death on duty. Specifically, the number of departed employees includes 21 migrant workers and eight short-term contract workers whose contract has expired, 21 interns, and 10 employees on parental leave or general leave.

Parental Leave

At Formosa Laboratories, all employees who have been employed for at least six months may apply for unpaid parental leave before each of their children reaches three years old, but not for a period of no more than two years. Employees on unpaid parental leave may continue to participate in social insurance. At the same time, Formosa Laboratories will continue to care for employees and protect their jobs when they are on unpaid parental leave. These employees will also be a gentle reminder on their return to work one month before their parental leave ends.

▼ Statistics on employees on unpaid parental leave at Formosa Laboratories in 2023

	Male	Female	Total
Number of employees who were eligible to apply for parental leave in 2023[1] (a)	21	14	35
Actual number of people who appliedfor parental leave in 2023 (b)	3	6	9
Parental leave application rate (b/a)	14.29%	42.86%	25.71%
Number of employees on parental leave to be reinstated in 2023 (c)	4	4	8
Actual number of employees on parental leave who were reinstated in 2023 (d)	2	4	6
Reinstatement rate among employees on parental leave (d/c)	50.00%	100.00%	75.00%
Actual number of employees on parental leave who were reinstated in 2022 (e)	2	2	4
Number of employees on parental leave who continued to work at Formosa Laboratories after reinstatement in 2022[2] (f)	0	1	1
Retention rate among employees on parental leave (f/e)	0.00%	50.00%	25.00%

Note：1. These figures were determined based on the number of employees who have previously applied for maternity or paternity leave over the past three years (2021 to 2023).

2. The actual reinstatement date falls in 2022 and within a period of one year after returning to work at Formosa Laboratories.

4.2 Talent Development

In-depth Empowerment through On-the-job Training

Formosa Laboratories draws up a complete on-the-job training (OJT) mechanism through the development of a OJT learning roadmap, aimed at enhancing the competence of new employees and ensuring that employees understand their personal development and growth direction. We have specialists designing empowerment programs encompassing new employee training, professional skills required for various positions, leadership training for middle and top managers, quality training, and environment, safety and health training. These programs are conducted through a variety of learning channels such as offline teaching, online learning videos, and digital learning platforms, which are supplemented by a teaching and learning feedback mechanism, with a view to continuously improving the management of training programs at Formosa Laboratories.

In 2023, a total of 253 employee education and training courses were attended by 4,886 participants at Formosa Laboratories. Specifically, each employee underwent 10.8 hours of training on average, including 11.36 and 9.88 hours of training on average for male and female employees, respectively. Formosa Laboratories spent a total of NT$1.827 million on training programs throughout the year. In addition, a self-learning subsidy program was established to subsidize employees in language and degree studies, where the total amount of subsidies provided by Formosa Laboratories between 2021 and 2023 was NT$41,532.

▼ Status of employee training at Formosa Laboratories over the past two years

Item	2022	2023
Number of training courses1	182	253
Number of participants	2,782	4,886
Total number of employees in training2 (A)	816	920
Total training hours (B)	9,390.7	9,978.84
Average training hours per person (B/A)	11.5	10.85
Training expenses (NT$)	1,741,499	1,827,927

Note：1. Training courses refer education and training courses that were conducted at Formosa Laboratories and applied by employees outside Formosa Laboratories. The types of training courses include core, professional, general knowledge, and labor safety and health management programs.
2. Statistics on the number of employees in training were compiled using information on all employees who attended education and training courses (regardless of whether they have left Formosa Laboratories or not). Hence, these figures were different from the number of employees at the end of the year.

Performance and Career Development

Every year, Formosa Laboratories evaluates salary adjustments, rewards, and transfers for employees based on their job performance, learning status, and personal career or study plans, with the intention of facilitating the organization's human capital development. In 2023, Formosa Laboratories promoted a total of 133 employees, who eventually received a pay rise.

4.3 Talent Retention

Welfare Measures

The welfare system put in place by Formosa Laboratories for full-time employees not covers basic rights guaranteed by laws and regulations such as labor and health insurance, special leave, maternity leave, and parental leave, but also includes the provision of life insurance, medical insurance, disability insurance, pension, wedding and childbirth gifts, funeral subsidies, employee dormitories, and free meals. Please refer to the table below for more details on Formosa Laboratories' welfare measures. On the other hand, foreign employees are also entitled to various bonuses and benefits provided to local employees. Formosa Laboratories also protects promotion and continuing education channels for migrant workers while respecting their multicultural needs.

Scholarships for Employees'

Scholarships are awarded to employees' children during annual dinner events, with a view to encouraging them to study hard and pursue their dreams. Specifically, Formosa Laboratories provides a scholarship amount of NT$5,000 for each university student, NT$3,000 for each high school and college students, NT$2,000 for each middle school student, and NT$1,000 for each elementary school student. In 2023, a total of 45 employees applied for scholarships for their children, where NT$65,000 worth of scholarships were awarded to 54 children.

▼ Welfare measures for full-time employees

Basic benefits	Insurance	• Labor and health insurance, as well as group insurance services for employees and their dependents
	Pension system	• Employees subject to the old pension system under the Labor Standards Act: Monthly contributions totaling 2% of employees' total salary made to the pension fund. • Employees subject to the new pension system under the Labor Standards Act: Monthly contributions made at 6% of employees' monthly salary and based on the Table of Monthly Contribution Wages of Labor Pension approved by the Executive Yuan to the labor pension fund, which are deposited into employees' individual pension account.
Incentives and bonuses	Incentive system	• Incentive bonuses for employees after completing operations and projects or passing FDA inspections. • NT$1,500 in commendation bonus, NT$3,000 in minor merit bonus, and NT$6,000 in major merit bonus.
	Employee share ownership trust	• Employees may withdraw shares or receive shares they obtain from company awards upon termination of contract after joining the trust for five years.
	Periodic bonuses	• Year-end and performance bonuses, dividends, holiday bonuses, birthday cash gifts, dinner party subsidies, annual dinner participation bonus, and scholarships for employees' children.
	Aperiodic bonuses	• Referral bonus, annual dinner raffles, and birthday raffles.
Health promotion	Meals	• Complimentary milk and coffee on a daily basis, and employee cafeteria
	Health examination	• Free annual health examinations for employees and on-site consultation with doctors, and free blood pressure measurement with tunnel-type blood pressure machine.
Comprehensive facilities	Hardware facilities	• Dormitories for employees who live far from the Company, parking lot for cars and scooters, breastfeeding rooms, fitness equipment, and library for reading and borrowing books.
Employee Welfare Committee	Welfare fund	• Source of funding: Contributions amounting to 0.5% of employees' monthly salary and 0.05% of Formosa Laboratories' total monthly operating income, which are deposited into a dedicated account and managed by the Employee Welfare Committee established by both Formosa Laboratories and our employees. • Use of funds: Allowances and subsidies for various purposes such as wedding, funerals, and childbirth, insurance premiums, funds and subsidies for club activities, as well as funds and subsidies for company and department activities and events.
	Annual activities and events	• Quarterly birthday parties, annual dinners, and various activities organized by Formosa Laboratories from time to time. • Formosa Laboratories invited our employees and their dependents, as well as our customers to watch a local film titled "Free Beats : The Musical Journey of CHEN Ming Chang" in December 2023.

▼Continuing education and training and welfare system for migrant workers

Welfare measure	Specific implementation details
Continuing education and promotion	• In 2023, a total of six migrant workers were transferred to intermediate skilled work, aimed at facilitating promotion among migrant workers and retaining them at Formosa Laboratories. • Encourage migrant workers to pass the forklift examination by offering a bonus of NT$6,000 and NT$3,000 for passing the examination in the first and second attempts, respectively. A total of six and four migrant workers passed the forklift examination after undergoing training in 2022 and 2023, where the total amount of bonuses awarded to them in both years were NT$36,000 and NT$12,000, respectively.
Compensation and benefits	• Provide salaries, bonuses, year-end lucky draws, and benefits that are similar to those of local employees. • Provided fix deposit services to migrant workers in 2023, where they can choose to automatically transfer NT$3,000 from their monthly salary to a fixed deposit account for the purpose of saving money.
Culture and living	• Conduct training on interpretation and document translation involving various languages such as Indonesian, Thai, and English for new migrant workers. • Provide dedicated dormitories for migrant workers that are equipped with a good environment, good facilities, and comprehensive management. • Offer a wide variety of food and beverages at the employee cafeteria while taking into consideration the food culture of foreign employees in the preparation of meals. • Prepare gifts for migrant workers together with manpower agencies during major festivals in Taiwan and invite migrant workers to share the festive atmosphere.

Incentive Rewards

In 2023, Formosa Laboratories redesigned our job grade structure based on job position and responsibilities from the standpoint of a career roadmap, with the intention of providing employees with a variety of pathways for career development, promotion, and rotation. At the same time, Formosa Laboratories has also linked the fixed salary system in the market to our job grade structure, aimed at putting in place a diverse salary scale. Our salary standards are set based on job responsibilities, specialization, as well as individual performance and competencies, whereas employee salaries are adjusted with reference to the latest industry pay levels.

In an effort to boost employee morale at work, Formosa Laboratories also offers various bonuses such as performance bonus and project achievement bonus. Furthermore, Formosa Laboratories has established the Employee Share Ownership Committee, which provides employees with membership incentives for making contributions equivalent to 3% of their salary to the employee share ownership trust on a monthly basis so as to share the benefits of share price appreciation.

▼Comparison between standard entry level wages and employee compensation levels at Formosa Laboratories over the past three years

Year	Standard entry level wage/ Local minimum wage		Ratio of the total compensation of the highest paid employee to the median of the total compensation of other employees	
	Male	Female	Total annual compensation	Ratio of percent change in total compensation
2021	1.4	1.6	-	-
2022	1.4	1.5	12：1	1.15：1
2023	1.4	1.5	10：1	-9：1

Note：
1. Entry-level employees include including direct labor in Level 1 to 3 positions at Formosa Laboratories, such as technician, mechanic, and dispatch operator.
2. Standard salary includes base salary, perfect attendance bonus, job allowance, certificate allowance, and other regular salaries.
3. The minimum wages in Taiwan from 2021 to 2023 were NT$24,000, NT$25,250, and NT$27,470, respectively.
4. The calculation of annual compensation include base salary, overtime pay, various bonuses, meal allowances, job or transportation allowances, and employee remuneration for the current year.
5. Ratio of percent change in total compensation: Percent change in the total compensation of the highest paid employees/Percent change in the medial of the total compensation of the remaining employees, as compared to the total compensation in the previous year.

4.4 A Safe Workplace Environment

▼ Management of material topics “toxic and concerned chemical substances management” and “occupational safety and health” at Formosa Laboratories in 2023

Material topic	**Occupational safety and health, and toxic and concerned chemical substances management**	
Corresponding disclosures under the GRI Standards	GRI 403: Occupational Safety and Health 2018	
Corresponding SDGs		
Policy or commitment	Following our commitment to strictly abiding by occupational safety and health-related laws and regulations, Formosa Laboratories ensure that our work processes comply with safety standards based on the ISO 45001 occupational safety and health management system and the hazardous substance process management system. Based on the results of hazard identification and risk assessment at each unit, our employees are required to use personal protective equipment and other measures, with the intention of minimizing the risk of occupational accidents, and thus ensuring that our employees are safe and healthy.	
Metrics and targets	**Short-term targets (2024) ▶**	• Zero serious workplace safety accidents. • Number of occupational accidents ≦ 15 (Number of days off due to any type of injury < 1 day.) • Plan the management mechanism for exhaust system installations and the storage tank inspection management system. • Schedule safety inspections and improvement works on hazardous materials and buildings for completion by the end of 2024. • Schedule the high-speed water mist automatic fire extinguishing system in the manufacturing process area for completion by the end of 2024.
	Medium-term targets (2025 to 2026) ▶	• Bolster our employees’ emergency response capabilities and improve firefighting facilities. • Number of occupational accidents in 2025 ≦ 11; number of occupational accidents in 2026 ≦ 8.
	Long-term targets (2027 and beyond) ▶	• Zero accident in manufacturing processes. • Number of occupational accidents ≦ 5; frequency-severity indicator (FSI) ≦ 1.
Tracking management mechanism	• Continue to pass internal audits on the ISO 45001 occupational safety and health management system and high-performance APIs. • Comply with PSCI requirements and audits.	
Actions and outcomes in 2023	• Reported a total of 12 recordable occupational accidents and zero fatal occupational accidents in 2023. • Achieved a 100% completion rate among new employees in general labor safety and health training. • Introduce BBS and BCP management, and job suitability assessments for middle-aged employees. • Establish a regional joint defense mechanism, with an emergency response plan that includes a regional joint defense mechanism and the establishment of the Formosa Laboratories self-rescue team. • Review and improve solvent barrier facilities in each building, and install gates to ditches surrounding our factories. • Store an additional 20 tons of water for firefighting purposes in the hazardous material warehouse. • Prepare and put in place 20 sets of Diphoterine in high-risk areas where employees can come into contact with chemicals, such as production units and laboratories.	

Occupational Safety and Health Management

Formosa Laboratories has rolled out various occupational safety programs and put in place the ISO occupational safety and health management standards and requirements to regulate all workers, customized synthesis and mass production of APIs, and specialty chemicals production activities at our Louchu Plant and Louchu No.2 Plant, under which 100% of our workers are covered. Furthermore, a total of 16 occupational safety and health management programs have been formulated in accordance with the relevant laws and regulations, which are detailed on Formosa Laboratories' official website.

Formosa Laboratories has set up the Occupational Safety and Health Committee in accordance with the Regulations Governing Occupational Safety and Health Management, which is composed of the workplace safety unit and top-level managers at various departments, as well as labor representatives in labor-management meetings. The committee consists of 20 members, including one medical professional, one occupational safety and health personnel, 11 heads of departments, and seven labor representatives, who make up more than one-third of the total number of committee members. The committee, which is responsible for improving the occupational safety and health environment through planning and implementation. Convenes once every quarter. In 2023, the committee passed several resolutions, including rolling out the hazardous material improvement program across all our factories, introducing risk management policies and procedures, improving shower facilities, and conducting risk assessment for reactive heat in existing products.

Contractor Occupational Safety and Health Management

According to the contractor management program at Formosa Laboratories, we not only hold contractor toolbox meetings from time to time, but also implement pre-entry safety and health training, audit, and penalties for violations. Formosa Laboratories implements the following measures to control contractors and provide them with the relevant guidance:

1. Evaluation and classification managemen	Contractors are required to obtain at least Grade B in the safety and health evaluation in order to become a qualified contractor at Formosa Laboratories, and undergo re-evaluation on a regular basis. (Grade A: once every two years; Grade B: once a year; Grade C: unqualified vendor)
2. Signing of declaration	The contract signed with the winning contractor must include in-plant safety and health regulations and the contractor safety and health declaration.
3. Pre-entry qualification review	Personnel entering the factory must present their labor insurance, health examination, and education and training records before they are issued an entry ID card.
4. Education and training programs	Formosa Laboratories conduct education and training for contractors from time to time, where personnel entering the factory are required to undergo retraining at least once a year.

Hazardous Substances Management

The operation of Formosa Laboratories' hazardous substances process management system includes verifying the storage of raw materials, reviewing the part number of finished products, assessing whether the chemicals are regulated by law and classify them, and establishing a chemical inventory while implementing systematic management and control according to the hazards and risks of different chemicals and relevant regulatory requirements. In an effort to minimize the risk of direct contact with chemicals or hazards to our personnel, Formosa Laboratories has not only installed local exhaust ventilation devices, but also established a time schedule for the use of personal protective equipment based on the results of the hazard identification and risk assessment of each unit while stepping up the implementation of personal protective equipment.

In addition, Formosa Laboratories regularly updates the List of Chemicals Hazardous to Pregnant Workers at All Factories, and identifies the types and quantities of substances that pose health hazards or those that are carcinogenic, mutagenic, or toxic to reproduction (CMRs). At the same time, we also engage factory nurse and unit supervisors to carry out fitness-for-duty assessments, and conduct refresher training on hazard awareness to ensure that our personnel are equipped with safety knowledge and emergency response capabilities.

▼ Types of hazardous substances regulated by Formosa Laboratories in 2023

Regulated characteristic	Type of hazardous substances
Chemicals that are hazardous to female workers under 18 years old and who are pregnant or have given birth within the past year.	**7**
Substances that are carcinogenic, mutagenic, or toxic to reproduction (CMRs)	**42**

Hazard Identification and Risk Prevention

Formosa Laboratories assists various units in carrying out hazard identification and risk assessments and setting risk levels based on occupational accident records. At present, the types of hazards with higher potential risk are physical hazards caused by noisy operations and hazards caused by improper contact with hazardous substances. Therefore, we not only provide protective equipment, but also step up education and training and organize health examinations on a regular basis. For other occupational safety hazards, Formosa Laboratories intensifies special education and training for dedicated operation units and engineering personnel while setting management objectives and tracking them on a regular basis. We also review and update the time schedule for the use of protective equipment every year, require the relevant personnel to put on the appropriate protective equipment according to the schedule, and carry out automatic inspections of machinery and equipment to ensure the effective of protective measures on an ongoing basis. Please visit Formosa Laboratories' official website for more details on hazard identification, risk assessment, and improvement measures.

Occupational Safety and Health Education and Training

Aside from implementing emergency response measures, Formosa Laboratories also conducts workplace safety training for new employees and contracted workers and refresher training for existing employees while formulating an emergency response plan once a year. In 2023, Formosa Laboratories completed special training for various units and personnel engaging in operations with higher potential risks and involving the use of chemicals, as well as implemented and strengthened team-based response drills, in which regional joint defense was carried out by each team.

▼ Occupational safety and health training for employees at Formosa Laboratories in 2023

Worker category	Type of training	Training programs in 2023
New employees	General training	General labor safety training, hands-on fire extinguisher training, and AED training
	Special training	Forklift driving safety training, hazard awareness, truck operation during chemical spills, wearing of protective equipment, and construction management process training
Existing employees	Special training	Forklift safety and defensive driving training
	Emergency response drills	Factory-wide evacuation, fire extinguisher and hydrant drills (once a year), and advanced fire reporting and communication course
	Advanced emergency response training	Emergency response command course, fire extinguisher courses, broadcast and reporting course, safety protection course, first aid course, and evacuation and evacuee guidance course
General affairs contractors	General training	Safety and health training for contractors in the factory (before entering the factory, along with refresher training once a year)

Formosa Laboratories Self-rescue Team Operation and Training

Formosa Laboratories has set up a self-rescue team with the intention of enhancing the response capabilities of all our employees during emergencies. The purpose of the self-rescue team is to protect the lives of our employees, minimize disaster losses, and ensure that Formosa Laboratories is capable of making swift response during emergencies. We not only conduct relevant training and meetings on a monthly basis, but also take part in no-warning mission training organized by government agencies. We are committed to elevating the level of professionalism and collaboration in our self-rescue team through continuous training and practical exercises, in order to ensure that we are capable of providing effective emergency response support while safeguarding the safety of all our employees and the stability of our operations.

Accident Response Management

In order to effectively prevent occupational accidents and reduce the risk of recurrence, Formosa Laboratories has established the accident reporting and investigation process. Furthermore, Formosa Laboratories protects workers' right to withdraw in accordance with Article 18 of the Occupational Safety and Health Act. Specifically, workers have the right to leave the work site if they believe that their workplace environment may pose a personal safety hazard. In the event of an uncontrollable accident or an acute injury, each building shall implement contingency measures, and, if necessary, implement the factory evacuation plan to ensure safety first for workers.

During an accident investigation, the Occupational Safety Department shall carry out a site investigation together with the unit at which the accident took place. A review of the whole story, time, and cause of the accident, along with the handling status and results shall be conducted based on the Accident Investigation Procedure before presenting a report on the accident. The improvements mentioned in the report must be placed under continuous monitoring and tracking until they are completed, so that similar accidents do not occur again.

▼ Accident reporting and handling process

Reporting and respons	Site investigation	Report writing	Tracking for recurrence prevention	Effective implementation of recurrence prevention measures	Case closed
In the event of an accident, personnel or witnesses at the scene of the accident shall immediately report the accident to the relevant unit and immediate supervisor, and take appropriates measures right away.	After receiving a notification on the accident, the Occupational Safety Department shall conduct a site investigation together with the unit at which the accident took place. Then, the Occupational Safety Department shall prepare a site investigation report and mail it to all supervisors in the factory to immediately check whether the same.	The unit involved shall submit an accident investigation report within five working days.	1. Short-term recurrence prevention measures. 2. Long-term recurrence prevention measures.		

Health Examination

Formosa Laboratories organizes regular health examinations for all our employees each year, including general health examinations and special health examinations for personnel involved in operations with special hazards, and also provides hormone testing for employees involved in the HPAPI manufacturing process once every six months while implementing classification of health management in accordance with the law. Factory nurses and medical specialists use physical examination results for health education and tracking purposes, and may carry out on-site assessments of suspected work-related illnesses when necessary. Employees who are categorized under Level 3 health management or above based on special health examination results shall be placed under continuous tracking and reclassification. Employees placed under Level 4 health management shall carry out work hazard control and related management measures while seeking advice and guidance from doctors.

In 2023, two employees were placed under Level 4 health management at Formosa Laboratories based on special health examination results, all of whom have gone through operational hazard control (hearing protection program) and control measures (control of exposure hours or transfer out of the operation).

Statistics on Work-related Injuries and Illnesses

In 2023, Formosa Laboratories employees worked a total of 1,769,704 hours. A total of 12 recordable work-related injuries were reported at Formosa Laboratories, with “contact with hazardous materials” being the most common type of accident at seven cases. However, no fatal accidents due to work-related injuries took place at Formosa Laboratories. Statistics on work-related illnesses are compiled according to the number of employees placed under Level 4 health management based on special health examination results at Formosa Laboratories. Specifically, two cases of health anomalies caused by noise were reported at Formosa Laboratories, where hazard control measures have been taken to address these cases.

▼ Statistics on work-related injuries and illnesses among workers at Formosa Laboratories over the past three years

Year		2021		2022		2023	
Worker information	Worker category	Employees	Non-employee	Employees	Non-employee	Employees	Non-employee
	Number of people	823	50	850	50	891	50
	Total hours worked	1,632,704	99,200	1,685,056	99,200	1,769,704	99,200
Work-related injuries	Number of fatalities	0	0	0	0	0	0
	Fatality rate	0	0	0	0	0	0
	Number of severe work-related injuries	0	0	0	0	1	0
	Severe injury frequency rate	0	0	0	0	0.12%	0
	Number of recordable work-related injuries	14	0	14	0	12	0
	Total recordable injury frequency rate	8.57	0	13.5	0	6.78	0
	Major type of work-related injuries	Contact with hazardous materials, burns, and falls	-	Cuts and abrasions, contact with hazardous materials, falls, and collapse of objects	-	Contact with hazardous materials, burns or scalds, and abrasions	-
Work-related illnesses	Number of recordable work-related illnesses	1	-	4	-	2	-
	Major type of work-related illnesses	Noise	-	Noise	-	Noise	-

Note：
1. Work-related injuries refer to accidental injuries that occurred when workers perform their duties or in the workplace. Statistics on work-related injuries do not include “commuting accidents” that took place when traveling to work and returning home.
2. The number of employees is the average of the reported number of occupational accidents each month in that year; the number of non-employee workers is the sum of the number of dispatched and resident contract workers and an average of 10 to 30 general construction contract workers, which amounts to an average of 50 people each month.
3. Total hours worked refers to the total number of hours worked by all workers for the entire year. Specifically, the number of hours worked by employees is determined based on the number of actual hours worked and the number of hours worked overtime, whereas the number of hours worked by non-employee workers is estimated using the following formula: 8 hours per day × 50 people per day × Number of working days throughout the year.
4. Severe work-related injuries refer to injuries (other than fatalities) that result in disability or the inability to return to pre-injury state of health within six months.
5. Other recordable work-related injuries refer to injuries (excluding commuting injuries) whether or not work-related injury leave. On the other hand, the number of recordable work-related illnesses is determined based on the number of workers under Level 4 health management based on special health examination results. However, no fatal cases were reported at Formosa Laboratories. Details on work-related injuries among non-employee workers were omitted from this report as related information was difficult to obtain.
6. Fatality rate = Number of fatalities caused by work-related injuries × 1,000,000 ÷ Total hours worked.
7. Severe work-related injury rate = Number of severe work-related injuries × 1,000,000 ÷ Total hours worked.
8. Total recordable injury frequency rate (TFIFR) = Number of recordable work-related injuries (including the number of severe work-related injuries, the number of fatalities, and the number of other recordable work-related injuries) × 1,000,000 ÷ Total hours worked.
9. Method for calculating rates in Items 6 to 8: Calculated to two decimal places.
10. The 1,000,000-hour-worked rate refers to the number of work-related injuries per 500 full-time workers within one year, based on the assumption that full-time workers work 2,000 hours a year.

▼ Statistics on disabling injury frequency and severity rates among workers at Formosa Laboratories over the past three years

Year	Worker category	Number of workdays lost due to disabling injuries	Disabling injury frequency rate (FR)	Disabling injury severity rate (SR)	Frequency-severity indicator (FSI)
2021	Employees	61.69	8.57	37.78	0.57
	Non-employee	0	0	0	0
2022	Employees	13.50	8.31	8.01	0.26
	Non-employee	0	0	0	0
2023	Employees	68.85	6.78	38.90	0.51
	Non-employee	0	0	0	0

Note：1. The number of workdays lost is calculated by dividing the number of hours workers are unable to work by 8 hours, on the basis of work-related accident or injury leave (≦ 1 hour) taken by workers, excluding sick leave and menstrual leave.
2. Disabling injury frequency rate (FR) - Number of disabling injuries × 1,000,000 ÷ Total hours worked (calculated to two decimal places without rounding).
3. Disabling injury severity rate (SR) = Number of workdays lost due to disabling injuries × 1,000,000 ÷ Total hours worked (calculated to two decimal places without rounding).
4. Frequency-severity indicator (FSI) = √[(FR × SR) ÷ 1,000] (calculated to two decimal places, with the third decimal place rounded up).

A Healthy Workplace

In order for employees to achieve a balance between work, health, and life, Formosa Laboratories joined forces with professional consulting firms or counseling service centers in 2023 to assist employees in resolving issues related to job adaptation, organizational relationships, and their personal emotional stress while introducing employee assistance programs (EAPs). In addition, Formosa Laboratories has set up a health center that integrates internal and external professional service resources to help employees solve their problems, with a view to establishing a caring and supportive work environment, as evidenced by the awarding of the Badge of Accredited Healthy Workplace to Formosa Laboratories by the Health Promotion Administration under the Ministry of Health and Welfare.

▼ Health promotion activities and resources at Formosa Laboratories

Service resources	Set up a medical office with factory nurses, engage doctor to be stationed in the factory once a month, provide consultation services on group insurance and life insurance, and introduce EAPs.
Psychological counseling	Provide counseling services at discounted rates in collaboration with professional counseling clinics.
Information sharing	Publish the latest health information and knowledge regularly on bulletin boards and company intranet.
Blood donation	Organize two blood donation drives each year, aimed at calling on our employees to donate blood for public good.
Weight reduction activities	Called on our employees to team up with the goal of losing weight, which saw the formation of 19 teams comprising 81 participants who reduced a total of 310.5 kilograms. Organized an fat loss competition, for which a total of 48 employees signed up, yielding a total fat loss rate of 88.1%. Conducted a total of 12 aerobic classes, which saw the participation of 240 people.
Prevention and treatment of chronic diseases	Formosa Laboratories organized high blood pressure prevention and control activities, including daily blood pressure uploads, health talks, one-on-one factory nurse interviews, in which a total of 53 people participated, 24 interviews were conducted, and 714 sets of blood pressure data were uploaded. Thanks to these activities, some of our employees managed to discover health problems and eventually sought medical treatment.
Mountaineering and hiking	Organized a total of eight psychological counseling seminars and mountaineering and hiking activities in 2023, which saw the participation of 235 people.

▼ The Formosa Laboratories Mountaineering Team - Conquering Yushan Mountain

4.5 Social Participation

At Formosa Laboratories, employees are proactively invited to take part in social welfare activities and events concerning social care, environmental protection and education promotion while maintaining a friendly relationship with local communities and neighborhoods. Aside from organizing various activities and events to show our care for disadvantaged groups, Formosa Laboratories also ramps up industry-academia collaboration and exchanges to develop industrial talents, with a view to fulfilling corporate social responsibility and exerting our influence on an ongoing basis.

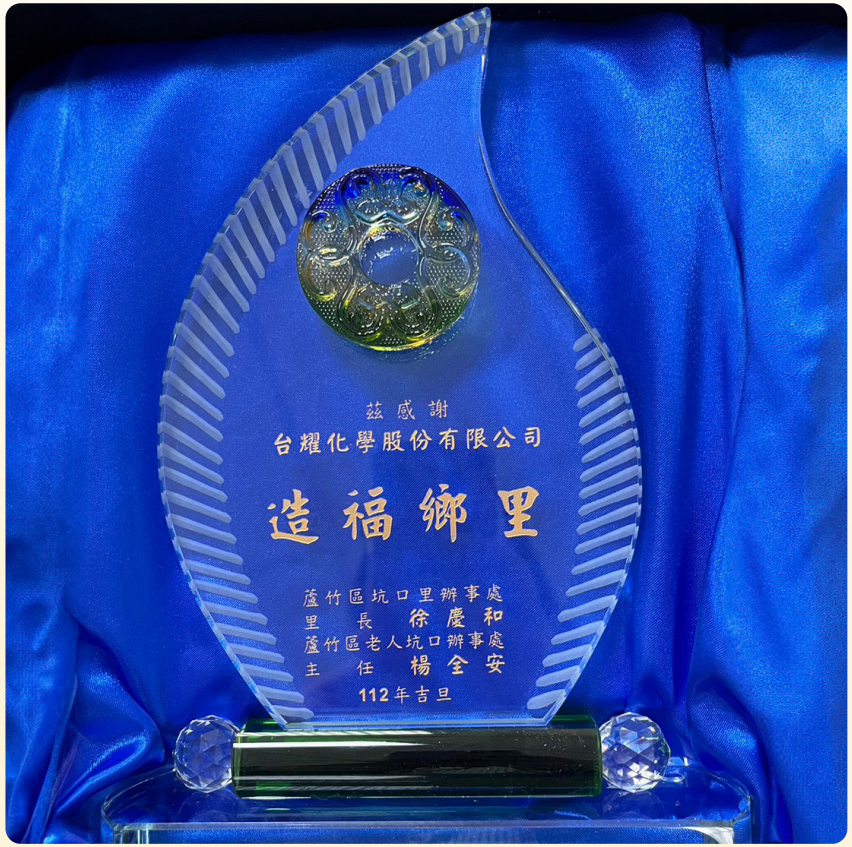
▼ Management of material topic “social participation” at Formosa Laboratories in 2023

Material topic	**Social Participation**	
Corresponding disclosures under the GRI Standards	GRI 203-1 Infrastructure investments and services supported	
Corresponding SDGs		
Policy or commitment	Formosa Laboratories actively participates in community development and related activities and events organized by social welfare organizations through business activities, in-kind donations, corporate volunteering, and other social welfare services, with the aim of promoting community development.	
Metrics and targets	Continuing targets ▶	• Participate in (including donations to) local activities and events at least 10 times each year (190% achievement rate in 2023). • Contribute at least NT$100,000 in actual charitable donations each year (267% achievement rate in 2023).
	Medium- and long-term targets (three to five years) ▶	• Enhance public perception of the image and social influence of Formosa Laboratories.
Tracking management mechanism	Keep track of donation records at Formosa Laboratories and our company’s participation in annual community activities and events on a regular basis.	
Actions and outcomes in 2023	• Sponsored 19 local community activities in 2023, which amounted to NT$267,000. • Conducted company visits for students from two schools, which saw the participation of 61 students and teachers who toured Formosa Laboratories factories. • Offer NT$200,000 worth of scholarship for each student on an annual basis in collaboration with the Doctoral Program in Pharmaceutical Sciences at National Taiwan University, with the aim of fostering industrial talents.	

Local Community Care and Interaction

Formosa Laboratories maintains a longstanding commitment to sponsoring local neighborhood and village activities, temple events, and school activities while supporting various local community development activities and environmental protection promotion. We also send gifts and souvenirs to local officials, neighborhood and village chiefs, nearby police stations, and fire stations during the three major festivals in Taiwan (i.e., Lunar New Year, Dragon Boat Festival, and Mid-autumn Festival) to express our gratitude to them for their diligence and dedication to local communities throughout the year while maintaining a good relationship with local communities and neighborhoods.

▼ An appreciation trophy awarded by Kengkou Village in Louchu District



▼ The “Tea Garden Treasure Hunt” parent-child activity organized by the Taoyuan City Coastal Leisure Association

▼ An activity organized by the Kengkou Village Neighborhood Watch Team

Supporting Social Welfare Organizations

Formosa Laboratories organizes charity bazaars and charity group buys to raise donations or sponsors and donates to social welfare activities and events every year. In 2023, we not only continued to take part in the “Helping the Elderly in Cold Winter” charity bazaar event organized by Hondao Senior Citizen's Welfare Foundation, but also hosted two movie appreciation events, aimed at supporting local Taiwanese movies and rewarding our employees for their hard work. In one of these movie appreciation events, we invited families of children with Down syndrome from the Taoyuan Parents of Children with Down Syndrome Association to watch a movie together, with the intention of encouraging society to see minority groups in a new light while advocating care, acceptance, growth and learning.

The “Free Beats: The Musical Journey of Chen Ming Chang” Film Appreciation Event

- Event date: December 11 to 22, 2023
- Details: Formosa Laboratories called on our employees to collect goods and donate them for charity sale, whose proceeds were donated to Hondao Senior Citizen's Welfare Foundation, which provides assistance to more than 10,000 elderly people across Taiwan.
- Amount of donation raised: NT$21,919 (with a certificate of appreciation awarded to Formosa Laboratories in January 2024)


感謝狀

台耀化學股份有限公司

感謝 貴單位 一起為高齡社會持續努力，因您的支持與愛護，讓更多社會大眾了解長輩的生活環境及需要，進而付諸行動，提供長輩照顧服務不間斷，有您與我們共同努力，高齡友善城市已在你我眼前展開！

A Movie Appreciation Session with Kids with Down Syndrome and Their Families

- Event date: January 2023
- Participants: 97 people comprising 29 families and social workers from the Taoyuan Parents of Children with Down Syndrome Association.
  183 people comprising Formosa Laboratories employees and their dependents.
  A total of 280 people attended the movie appreciation event.


感謝狀

感謝 台耀化學股份有限公司

The “Free Beats: The Musical Journey of Chen Ming Chang” Film Appreciation Event

- Event date: November 2023
- Participants: 169 people comprising Formosa Laboratories employees and their dependents
- Film profile: “Free Beats: The Musical Journey of Chen Ming Chang” was shortlisted for the Golden Horse Award for Best Documentary Feature in 2023. Director Lin, Cheng-Sheng spent four years documenting the legendary life story of Taiwan's music maestro Chen, Ming-Chang.

Calling for Blood Donation to Help People in Need

Donating blood is not only a kind act of showing love, helping each other and saving lives, but also an important pillar for many people to extend their lives. Donating blood regularly can not only promote metabolism and ensure smoother blood flow, but also help others. Hence, it is an act that fosters health and create a win-win situation. With our long-standing commitment to the belief that “donating a bag of blood helps save a life,” we at Formosa Laboratories organize two blood donation drives each year, aimed at calling on our employees to donate blood and love in the spirit of mutual help. We encourage our employees to roll up their sleeves and donate blood, with a view to meeting demand for blood used for medical purposes and making preparations for critical moments while injecting greater positive energy into society.

▼ Outcomes of blood donation drives organized by Formosa Laboratories over the past three years

Year	2021	2022	2023
Number of participants	84	76	89
Outcome (number of bags of blood collected)	126	113	135

Safeguarding the Beauty of the Ocean

In an effort to showcase our passion and determination to safeguard marine resources, Formosa Laboratories continues to call on our employees each year to maintain the local water-friendly environments across Taoyuan and Louchu districts by participating in various activities such as river remediation and coastal protection and cleaning while advocating environmental education to ensure sustainable management of ecological resources.

In 2023, we initiated the “Marine Conservation and Beach Cleaning at Zhuwei Fishing Harbor” event, which took place on August 26 under the Rainbow Bridge at Zhuwei Fishing Harbor, so that our employees could not only experience the problem of marine litter, but also learn about the severity of pollution and think about how to reduce waste. This event, which saw the participation of 171 people, also fostered interaction between the public and private sectors, environmental organizations, and the general public while enhancing society’s environmental awareness.

▼ Photographs of Formosa Laboratories’ beach cleaning event at Zhuwei Fishing Harbor

Nurturing Industrial Talents

Following our dedication to nurturing talents, nurturing and developing talents in the biopharmaceutical industry has always been an operational development goal to which Formosa Laboratories attaches great importance. In an effort to bolster the talent competitiveness of Taiwanese society, Formosa Laboratories organizes a series of programs and activities associated with promoting pharmaceutical knowledge and education on doctor-patient relationship and nurturing talents.

▼ Signing of the Memorandum of Understanding on Joint Development of Talents for the Biopharmaceutical Industry with the Work Development Agency under the Ministry of Labor in September 2023

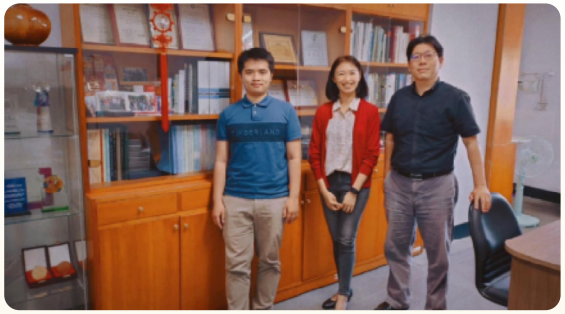
Campus Empowerment and Industry-Academia Exchanges

Formosa Laboratories actively participates in industry-university exchange opportunities and shares industry and internship information through campus talks. In addition, we also organize student visits to our company, in which faculty members and students are given an introduction to the operation of our factories, industry trends, core competencies in the industry, and the workplace environment. These activities give students the opportunity to come into close contact with production process equipment, understand the process of each operation, and have a clearer direction for future study, so that both students and faculty members alike can benefit greatly from these activities. In 2023, Formosa Laboratories conducted industrial knowledge sharing sessions at four universities in Taiwan, including National Cheng Kung University, Lunghwa University of Science and Technology, Yuanpei University of Medical Technology, and National United University, and invited 61 teachers and students from two universities, namely Chung Yuan Christian University and National Yang Ming Chiao Tung University to visit our factories.

▼ Internship information session at Yuanpei University of Medical Technology

▼ Internship information session at National United University

▼ Industry information sharing session at the Department of Chemistry, National Cheng Kung University

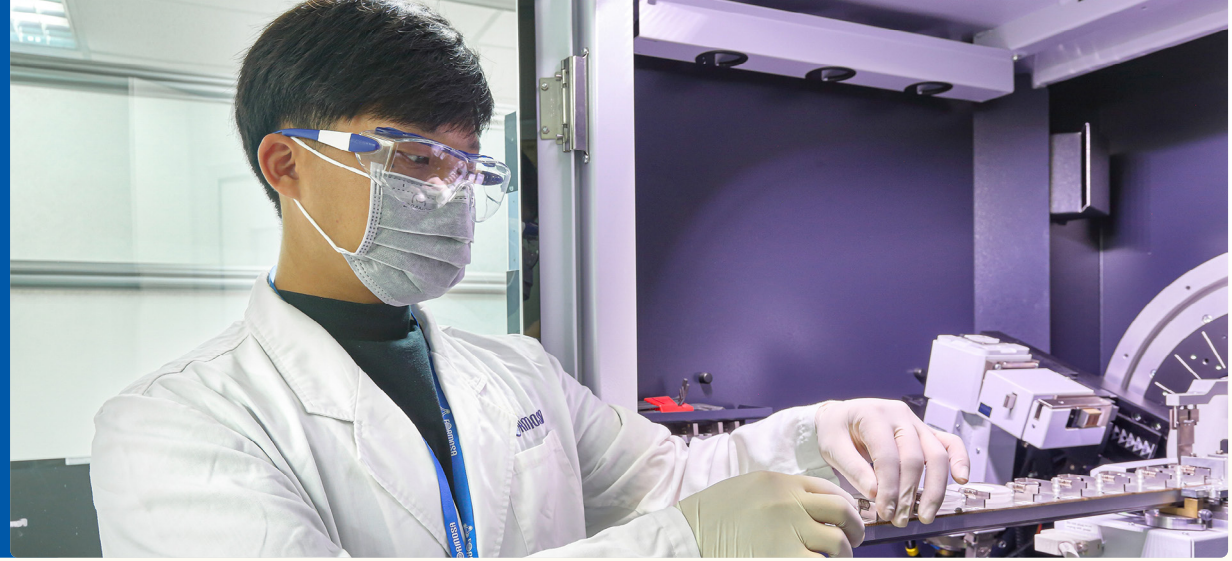


▼ Internship information session at Lunghwa University of Science and Technology

▼ Visit to Formosa Laboratories from faculty members and students of the Department of Chemistry at Chung Yuan Christian University

Providing Scholarships

At present, Formosa Laboratories offers scholarships totaling NT$1 million for up to five years. We provide NT$200,000 worth of scholarship for each student on an annual basis in collaboration with the Doctoral Program in Pharmaceutical Sciences at National Taiwan University. We are currently nurturing our second doctoral student, which is in the third year of the doctoral program, through this scholarship initiative.



Sponsoring Industry Activities and Events

- **Sponsoring the National Taiwan University Journal of Pharmacy**

  Formosa Laboratories has been sponsoring the National Taiwan University Journal of Pharmacy for seven consecutive years since 2016, with the intention of not only giving back to the alma mater of Formosa Laboratories President Cheng, Chen-Yu, who was previously a professor at the Department of Pharmacy at National Taiwan University, but also doing our part in promoting the biopharmaceutical industry and related activities and events.

- **Other related sponsorships**

  - ○ Sponsor the Pharmaceutical Society of Taiwan Medicinal Chemistry Symposium every year, and various events such as the BioGroup Symposium from time to time.
  - ○ Provided NT$100,000 worth of sponsorship to the Biopharmaceutical Research Center Development Fund under the College of Pharmacy, Taipei Medical University in 2023.

▼ Certificate of appreciation from Taipei Medical University

感 謝 狀

台耀化學股份有限公司捐資藥學院生技製藥研究中心發展基金新台幣壹拾萬元整，謹代表全體師生致誠摯謝忱

特頒此狀，以資表彰

臺北醫學大學 校長 吳麥斯

中華民國 一一二 年 十二 月 八 日

Appendix

GRI Index

General Disclosures

GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
GRI 1: Content spanning the period from January 1, 2023 to December 31, 2023 as reported by Formosa Laboratories, Inc. in compliance with the GRI Standards.			
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GRI 2-3	Reporting period, frequency and contact point	Principles of Report Compilation	P. 04
GRI 2-4	Restatements of information	3.2 Energy Management 3.3 Greenhouse Gas Emissions Waste Statistics	P. 46 P. 47 P. 53
GRI 2-5	External assurance	Principles of Report Compilation	P. 04
GRI 2-6	Activities, value chain and other business relationships	1.3 Products and Services 2.6 Supply Chain Management	P. 16 P. 33
GRI 2-7	Employees	4.1 Workforce Overview	P. 57
GRI 2-8	Non-employee workers	4.1 Workforce Overview	P. 57
GRI 2-9	Governance structure and composition	2.2 Governance Structure; Please refer to Formosa Laboratories' 2023 Annual Report for more details.	P. 24
GRI 2-10	Nomination and selection of the highest governance body	Procedures for Election of Directors	-
GRI 2-11	Chair of the highest governance body	Composition of the Board of Directors	P. 24
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Sustainable Development Committee	P. 26
GRI 2-13	Delegation of responsibility for managing impacts	Sustainable Development Committee 2.3 Risk Management	P. 26 P. 27
GRI 2-14	Role of highest governance body in sustainability reporting	Principles of Report Compilation Identifying and Ranking Material Topics	P. 04 P. 08
GRI 2-15	Conflicts of interest	Recusal Due to Conflict of Interest	P. 25

GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
GRI 2-16	Communication of critical concerns	Sustainable Development Committee (No events of critical concerns reported at Formosa Laboratories)	P. 26
GRI 2-17	Collective knowledge of the highest governance body	Continuing Education and Training for the Board of Directors	P. 25
GRI 2-18	Evaluation of the performance of the highest governance body	Performance Evaluation for the Board of Directors	P. 25
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GRI 2-20	Process to determine remuneration	Remuneration Committee Charter	-
GRI 2-21	Annual total compensation ratio	Incentive Rewards	P. 62
GRI 2-22	Statement on sustainable development strategy	A Message from the Chairman	P. 03
GRI 2-23	Policy Commitments	2.1 Policy Commitments	P. 23
GRI 2-24	Embedding policy commitments	2.1 Policy Commitments Sustainable Development Committee	P. 23 P. 26
GRI 2-25	Processes to remediate negative impacts	Complaint and Suggestions Channels	P. 32
GRI 2-26	Mechanisms for seeking advice and raising concerns	Complaint and Suggestions Channels	P. 32
GRI 2-27	Compliance with laws and regulations	1.2 Company Profile	P. 32
GRI 2-28	Membership associations	1.2 Company Profile	P. 14
GRI 2-29	Approach to stakeholder engagement	Stakeholder Engagement	P. 06
GRI 2-30	Collective bargaining agreements	No collective bargaining agreements have been signed as no labor union has been formed.	-

Disclosure of Material Topics

GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
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GRI 3-1	Process to determine material topics	Identifying and Ranking Material Topics	P. 08
GRI 3-2	List of material topics	Identifying and Ranking Material Topics	P. 08
GRI 3-3	Management of material topics	Identifying and Ranking Material Topics	P. 08

GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
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GRI 3-3	Management of material topics	1.4 Innovation and R&D	P. 17
GRI 201: Economic Performance 2016			
GRI 201-1	Direct economic value generated and distributed	1.4 Innovation and R&D	P. 17
Innovation and R&D			
GRI 3-3	Management of material topics	1.4 Innovation and R&D	P. 17
Custom topic	-	-	-
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GRI 3-3	Management of material topics	2.4 Information Security Management	P. 29
GRI 418: Customer Privacy 2016			
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GRI: 308 Supplier Environmental Assessment 2016			
GRI 308-1	New suppliers that were screened using environmental criteria	Supplier Risk Assessment	P. 34
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GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
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GRI 201: Economic Performance 2016			
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Financial Impacts of Climate-related Risks and Opportunities	P. 41
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GRI 302-3	Energy intensity	3.2 Energy Management	P. 46
GRI 302-4	Reduction of energy consumption	Energy Conservation and Carbon Reduction	P. 48

GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
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GRI 305-4	GHG emissions intensity	3.3 Greenhouse Gas emissions	P. 47
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GRI 303-2	Management of water discharge-related impacts	Enhancing Water Efficiency	P. 50
GRI 303-3	Water withdrawal	Enhancing Water Efficiency	P. 50
GRI 303-4	Water withdrawal	Minimizing the Impact of Water Discharge	P. 50
GRI 303-5	Water consumption	Enhancing Water Efficiency	P. 50
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GRI 306: Waste 2020			
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GRI 306-2	Management of significant waste-related impacts	3.5 Waste Management	P. 51
GRI 306-3	Waste generated	Waste Statistics	P. 53
GRI 306-4	Waste diverted from disposal	Waste Statistics	P. 53
GRI 306-5	Wasted directed to disposal	Waste Statistics	P. 53
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GRI 403: Occupational Safety and Health 2018			
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GRI code	Disclosure item	Corresponding chapter or subchapter	Page number
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GRI 3-3	Management of material topics	4.4 A Safe Workplace Environment	P. 63
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GRI 403-3	Occupational health services	Health Examination	P. 66
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health Management	P. 64
GRI 403-5	Worker training on occupational health and safety	Occupational Safety and Health Education and Training	P. 65
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GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Hazardous Substances Management	P. 64
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GRI 203-1	Infrastructure investments and services supported	4.5 Social Participation	P. 70

Climate-related Information of TWSE/TPEx-listed Companies

▼Risk and opportunities caused by climate change to Formosa Laboratories and corresponding response measures

No.	Item	Corresponding chapter/ subchapter or description
1	Describe the board's and management's oversight and governance of climate-related risks and opportunities.	Response to Climate Change > Four Pillars of TCFD Recommendations
2	Describe how the identified climate risks and opportunities affect the business, strategy and finances of the organization (short, medium and long term).	Response to Climate Change > Financial Impacts of Climate-related Risks and Opportunities
3	Describe the financial impacts of extreme climate events and transition actions.	Response to Climate Change > Financial Impacts of Climate-related Risks and Opportunities
4	Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	Response to Climate Change > Four Pillars of TCFD Recommendations
5	If scenario analysis is employed to assess resilience to climate change risks, describe the scenarios, parameters, assumptions, analytical factors, and key financial impacts used in the analysis.	Scenario analysis has not been employed to assess resilience to climate change risk.
6	If a transition plan for managing climate-related risks is in place, describe the content of the plan and the metrics and targets used to identify and manage physical and transition risks.	Response to Climate Change > Financial Impacts of Climate-related Risks and Opportunities
7	If internal carbon pricing is used as a planning tool, specify the basis for price setting.	No plan has been drawn up as of now.
8	If climate-related targets are set, specify the activities covered, the scope of greenhouse gas emissions, the planning schedule, the annual achievement progress, and other related information. If carbon offsets or renewable energy certificates (RECs) are used to achieve the aforesaid targets, specify the source and amount of carbon credits or the number of RECs used for carbon offsetting.	Please refer to the "Net-zero and Low-carbon Transition Vision" section for more details on climate-related targets. Carbon offsets or RECs have not been used to achieve climate-related targets.
9	Specify greenhouse gas inventory and assurance, reduction targets, strategies, and specific action plans.	Greenhouse gas inventory and assurance are conducted on an annual basis based on the ISO 14064-1:2018 standards. • Please refer to 3.3 Greenhouse Gas Emissions for more details on the inventory results. • Please refer to Principles of Report Compilation for more details on the assurance status. • Please refer to the "Low-carbon Transition Vision" and "Energy Conservation and Carbon Reduction" sections for more details on reduction targets, strategies, and specific action plans.

Independent Third-party Verification Statement

Independent Assurance Statement

FORMOSA LABORATORIES, INC.'s 2023 SUSTAINABLITY REPORT

AFNOR GROUP was established in 1926. We are the National Standardization Body of France, a permanent council member in ISO and one of the leading certification bodies in the world. This verification work was carried out by AFNOR ASIA LTD., a subsidiary of AFNOR GROUP. All the members of the verification team have professional backgrounds and have accepted AA1000 AS, AFAQ 26000, ISO 9001, ISO 14001, ISO 14064, ISO 45001, ISO 50001, and other sustainability-related international standard trainings. All assigned verifiers have been approved as the lead auditors or verifiers. AFNOR GROUP hereby provides a summary of Formosa Laboratories, Inc.'s Sustainability Report of 2023 (hereinafter referred to as "the Report") but was not involved in any way in its preparation.

AFNOR GROUP and Formosa Laboratories, Inc. (hereinafter referred to as "Formosa Laboratories") are independent entities. AFNOR ASIA LTD., was commissioned by Formosa Laboratories to conduct the assessment and assure the Sustainability Report of 2023 was in accordance with AA1000 Assurance Standard (v3) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

SCOPE

Formosa Laboratories, Inc. is responsible for reporting fairly on the economic, environmental and social aspects of operating activities and performance of various operating sites in Taiwan in sustainability reports in accordance with the declared sustainability reporting standards.

AFNOR Asia is responsible for:

1. Evaluating the accordance of the Report with the Type 1 of AA1000 Assurance Standard (v3) based on the AA1000 Accountability Principles (2018). The reliability verification of the revealed sustainability performance information and data was not included. The verification scopes include sustainability issues, response mechanism, performance information, management systems of information, and the processes of materiality evaluation and stakeholder participation.
2. In accordance with the GRI Standards, we verified the statement options and material topics disclosed in the report compiled by Formosa Laboratories.

REFERENCES

The scope of the assurance includes an assessment of the source adequacy of specific performance information and an assessment of adherence to the following reporting criteria :

- AA1000 Accountability Principles (2018)
- GRI Standards

METHODOLOGY

- The inclusivity, materiality, responsiveness, and impact in the Report were assessed according to the principles of management process against AA1000 Assurance Standard (v3).
- The report is reported in accordance with the GRI Standards, and the content of the report is reviewed for general disclosures and specific topic disclosures that comply with the GRI Standards.
- The mechanism of communication and response to the interest of stakeholders was verified through discussion and interview with the management team, however, the assessment team did not make any direct contact with external stakeholders.
- The qualitative and quantitative information produced, collected, and disclosed by the Report was reviewed through a validated sampling plan.
- The documents, materials and information related to the report were examined and reviewed by interviewing the responsible persons of each group of Formosa Laboratories.
- Interviews with members of the organization related to sustainable development management and report writing, including representatives of all levels and departments.
- All documents, data and information related to the preparation of this report were checked by the verification team through interviews with relevant personnel.
- Check the sufficiency and completeness of supporting materials and evidence for the content of the report.

CONCLUSION

◆ **AA1000 Accountability Principles**

Inclusivity

Formosa Laboratories has identified stakeholders and maintained communication channels with stakeholders on different important topics to understand the important information that stakeholders are concerned about and to receive feedback from all parties on the company's sustainable development.

The environmental, social and governance information disclosed in the report covers the expectations of stakeholders and supports the achievement of the company's strategies, goals, standards and performance.

Materiality

Formosa Laboratories has published information on relevant sustainable development issues, allowing stakeholders to judge the company's governance and performance. The report has presented the decision-making mechanism for materiality issues implemented by the company, effectively focusing on sustainable issues of concern to all stakeholders.

Responsiveness

Formosa Laboratories has developed and implemented a stakeholder response mechanism through communication channels to provide timely responses to issues of concern to stakeholders. Through continuous engagement with stakeholders, the organization will develop various policies, norms, codes and goals that meet the expectations of stakeholders.

Impact

Formosa Laboratories has adopted the monitoring and measurement of risks and opportunities for the impact of its operations on the overall environment; identified various risks and opportunities to formulate action plans, and responsibly demonstrated its management, communication and improvement of its sustainable performance. In the future, the organization will continue to provide resources to support the identification, measurement, assessment and management of impacts.

◆ **Global Reporting Initiative Sustainability Reporting Standards**

Based on the results of the review, we confirmed that the general disclosure and specific disclosure content of the report and the necessary management policy disclosure of major topics have complied with the requirements of GRI Standards. In the future, the organization can continue to compile the management content of major themes and the disclosure of relevant information of each base according to reporting requirements, and provide sufficient and comparative information to stakeholders.

ASSURANCE OPINION

AFNOR GROUP has developed a complete sustainability reporting assurance standard based on the verification guidelines of the AA1000 Assurance Standard (v3) and the GRI Standards. Based on the sufficient evidence provided by Formosa Laboratories and the facts seen during on-site verification, we adhere to the principle of fairness and issue a statement on the global sustainability reporting standards followed by the organization.

In our opinion, the information and data presented in the Report by Formosa Laboratories provides a fair and balanced representation. We believe the focuses on economic, social, and environmental matters in Formosa Laboratories in 2023 are well represented.

ASSURANCE LEVEL

In accordance with the AA1000 Assurance Standard (v3), we verified this assurance statement corresponding to a moderate level. The scope and methods are as described in this statement.

LIABILITY

This assurance statement is intended for the use of Formosa Laboratories, Inc. only. AFNOR is not responsible for any other uses. Our responsibility is only based on the scope and methodology described, and to provide stakeholders an independent assurance statement.

For and on behalf of AFNOR :

Patrick Ni

Patrick Ni
The Director for Certification and Assessment
Jun.26.2024

AA1000
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