

PharmaEngine, Inc.

Succession Planning for Board Members and Key Management Personnel

In the succession planning of PharmaEngine Inc., the successor’s personality traits must align with the Company’s corporate culture and core values. These personality traits should include sense of urgency, critical thinking, diversity, continuous learning and growth, teamwork and work and life balance.

1. Succession Planning and Operation of Board Members

- 1 The “Articles of Incorporation” of the Company stipulate that the candidate nomination system is adopted for all the election of directors. The “Corporate Governance Practices” and the “Director Election Rules” specify that the composition of the Board of Directors should consider diversification. The Company formulates a diversification policy based on its own operation, business models, and development needs. This policy includes, but is not limited to, standards related to fundamental qualifications and values, as well as professional knowledge and skills.
- 2 The appointment of directors in the Company follows a candidate nomination system and is conducted in accordance with the “Director Election Rules.” Currently, there are nine directors in the Company, including three independent directors. Each director possesses managerial expertise in business, legal affairs, finance and accounting, or the necessary skills for company operation. On March 19, 2015, the Company established the “Board Performance Evaluation Guidelines” to assess the performance of the Board of Directors. The evaluation criteria include the control of company goals and missions, awareness of responsibilities, participation in operation, management of internal relationships and communication, professional competence and continuous learning, internal control, and ability to express specific opinions. This evaluation process ensures the effective functioning of the Board of Directors and serves as a reference for selecting directors in the future based on their performance. The operational performance of the Board of Directors and functional committees is evaluated annually. The evaluation results for the year 2022 have been submitted to the Board of Directors on March 2, 2023 for the reference of all directors.
- 3 The Company has an ongoing director succession plan and has established a director candidate database based on the following criteria:
 - 3.1 Integrity, accountability, innovation, and decisiveness, with professional knowledge and skills, aligning with the core values of the Company and conducive to corporate management.
 - 3.2 Having industry experience relevant to the business operation of the Company.
 - 3.3 The expected addition of this member is intended to contribute to the creation of an effective, collaborative, and diverse board that aligns with the needs of the Company. Furthermore, at least one seat will be designated for a female director, and the overall expertise of the Board should encompass corporate strategy, accounting and taxation, finance and banking, law, administrative management, and production management. The selection process for the establishment of the

- director candidate list in the Company must perform qualification checks and comply with relevant regulations. This ensures that when a director position becomes vacant or when there is a planned increase in the number of directors, suitable new director candidates can be effectively identified and selected.
- 3.4 Regarding the succession planning of the Board of Directors in the Company, there are currently several senior managerial officers within the Company who possess the managerial and professional capabilities required to serve as directors. Additionally, the Company will also seek external professionals to prepare for the succession planning of the Board of Directors. As for independent directors, according to the law, they are required to have work experience in business, legal affairs, finance, accounting, or company operation. The Company will appoint independent directors based on the actual operational needs of the Company and in accordance with the “Qualifications Examination Guidelines for Independent Directors,” aiming to further enhance the effectiveness of corporate governance.
4. The 8th term Board of Directors consists of nine board members (including three independent directors). Among the nine board members, one is female, hence the female board member ratio is 11%. The board members have backgrounds in statistics, medicine, pharmacology, biotech, accounting, legal, and business management, which are applicable to the long-term development of the Company.

2. Succession Planning and Operational Status of Key Management Positions

- 1 PharmaEngine, Inc. was established in 2002. It adopts the approach of international strategic alliance for new drug development, initially NRDO model and currently Virtual Pharmaceutical Company Business Model. The Company evaluates and develops new drugs through licensed introduction, which ranges from preclinical trials to human clinical trials. As a result, since its establishment, the Company has mostly maintained a workforce of around 35 employees. However, as the key management personnel have been aging over the years, succession planning schedules have been developed for important positions and talented individuals.
- 2 The Company has established a talent development mechanism, which is coordinated by the Human Resources Department to ensure succession planning. For key positions, there are designated substitutes. However, given the fact that the Company has a relatively lean workforce, although the substitute can temporarily take over the job when an employee in a key position retires or leaves. Therefore, for the long-term sustainability of the Company, in addition to internal training, the Company also recruits outstanding senior managerial officers externally. On November 16, 2020, and April 19, 2021, the Board of Directors passed resolutions regarding the transition of leadership positions that Dr. Hu, Yu-Fang handing over the position of President to Dr. Wang, Hong-Ren, and Mr. Chang, Chi-Hsing handing over the position of Finance and Accounting Director to Ms. Tsao, Yu-Hsuan. On September 1, 2022, the board of directors of the Company passed a resolution regarding the transition of the chairperson position that Mr. Du, De Cheng, who was previously assigned as the legal representative of TTY Biopharm Company Limited, handing over the chairperson position to Mr. Hsu, Jan-Yau.
- 3 To cultivate key management personnel and their substitutes, the Company’s Human Resources Department takes charge of coordinating, planning, and organizing internal and external training programs on an irregular basis. These training programs aim to



develop not only professional skills but also judgment, managerial abilities, and problem-solving skills. The goal is to enhance the decision-making quality of the management level and prepare high-quality human resources for the long-term development of the Company. Based on the strengths and potential of individuals in relevant positions, training and development efforts are focused by allocating resources accordingly. By aligning with the Company and departmental objectives, the training programs aim to strengthen the existing competencies, improve succession readiness, and enhance the capabilities required for future roles.