2021 ESG Report

CHUNGHWA CHEMICAL SYNTHESIS & BIOTECH CO., LTD

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From the Chairman

To the partners concerned about the sustainable development of CCSB:

The Company is duty-bound to take actions in response to the tough challenges stemming from global climate change and environmental issues. Since the establishment of CCSB, we have been upholding the corporate culture and operating philosophy of “Honesty, Selflessness, Mutual Aid, and Friendliness” and seeking breakthroughs. In this ninth year after our first CSR report in 2014, it is our aim to let all the stakeholders know more about our specific efforts and achievements in the environmental, social and economic aspects and our determination for sustainability through the report. Meanwhile, we have also made use of the report to comprehensively review the corporate sustainability goals, constantly improve the sustainability performance, perform management and maintain robust operation, thereby securing the foundation for sustainability.

In the recent two years, COVID-19 has been rampant all over the world and impacted corporate operations as well as human life and health. The original human lifestyle has been changed, and enterprises have faced the test of maintaining operational development in a world full of uncertainty. In response to the threats and risks thereof, CCSB has developed pandemic prevention plans to protect the health of all employees and the safety at the workplace through a variety of pandemic control measures. Moreover, we work hand in hand with the suppliers for strategic material preparation and provide the customers with reasonable and appropriate response plans, ensuring that the impact of operation and production disruption can be minimized and effectively enhancing the operational response capability when facing the impacts of pandemic. We are grateful to all the employees, customers, suppliers, investors and other stakeholders. With your trust, support and assistance, CCSB continued to have a revenue growth in 2021 despite the impact of COVID-19. Our consolidated operating income of the year was NTD 1.93 billion, which is a historic high; the consolidated operating gross profit was 49%, and the EPS was NTD 5.17.

It is our belief that implementing a good corporate governance structure and effective internal control system during the process of pursuing corporate growth and creating corporate value is the real way to enhance our business quality and competitiveness. CCSB has developed the “Regulations Governing and Procedures for Self-evaluation or Peer Evaluation by the Board of Directors” to carry out the performance evaluation of the Board of Directors annually, and has appointed the Corporate Governance Head to proactively fulfill the corporate governance and social commitment by strengthening the functions of the Board, protecting the rights of the shareholders and stakeholders, and improving information transparency. As a result, we have been ranked among the top 20% of TWSE listed companies in the corporate governance evaluation for two consecutive years, and have been selected as one of the constituent stocks in the “Corporate Governance 100 Index” of TWSE for two consecutive years.

Employees are the most essential asset of a company. CCSB is committed to creating an inclusive, diversified and innovative work environment where the employees are encouraged to make the most of their talent. Through fair appointment, performance management and talent development, we offer competitive remuneration, devise multiple education and training courses, and support the employees to strike a work-life balance. In order to continuously attract and motivate talents and strengthen the remuneration and benefits system, we have launched the Employee Stock Ownership Trust to invite the employees to become the Company’s long-term shareholders who can enjoy the fruits of the business together. Under the COVID-19 pandemic in 2021, with a view to protecting the health and safety of employees, we enhanced the promotion of the pandemic prevention concept, provided the employees with necessary pandemic prevention supplies, kept track of the health conditions of employees, and implemented staggered shifts and distance working when the pandemic worsened. With the mutual support and cooperation between the employees and the Company, a healthy and safe work environment has been maintained.

For the purpose of creating a good living environment and pledging to ensure a sustainable, wonderful future for the earth, CCSB has turned to low-pollution natural gas to cut GHG emissions and actively promoted various environmental measures for energy saving. It is our hope that through these actions, the energy efficiency can be increased, the air pollution can be limited, and the waste emissions can be reduced. In 2021, the total environmental expenses were NTD 40.18 million; as for energy saving and carbon reduction, 390,530 kWh of power was saved while 199,170 kg of carbon emissions was decreased with the energy saving measures adopted in 2021.

As one of the largest API manufacturers in Taiwan, CCSB strictly implements the cGMP system officially recognized by the US, EU and Japan with our cGMP execution and the production and manufacturing regulations. Since our customers and foreign officials were not able to visit and conduct plant inspections due to the ongoing impact of COVID-19, we provided documents to carry out remote plant inspections. We passed the plant inspections of Europe, the US, Japan, etc., and the Taiwan TFDA plant inspection in 2021, which not only demonstrates that CCSB possesses international competitiveness, but also shows the recognition of our efforts to become “the most reliable health business in the Chinese community.”

Upholding the spirit of giving back to society what we take from it, CCSB spares no effort to contribute to the communities, neighborhoods and local organizations as well. The Company has adopted the Shulin Longevity

Parent-Child Park for 15 consecutive years since 2007, and has been devoted to the promotion of community care events. During the severe pandemic, we donated anti-pandemic supplies like hand soap and hand sanitizers to the local district office and fire department for joint anti-pandemic efforts, contributing to the land where CCSB has been rooted and growing.

In the future, we will continue to take on challenges with integrity and pragmatism. We expect ourselves to fulfill the responsibility of sustainable development by appropriately achieving employee care, social care and environmental protection when seeking business breakthroughs, strive for symbiosis and win-win situation with the stakeholders, and become the sound foundation of society as well as the promoter of goodness.

Cecilia Wang
Chairman

1 About the Report

1.1 Report Overview

This report is the ninth sustainability report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. (hereinafter referred to as CCSB or the Company). It discloses the active sustainability actions that CCSB has taken in the fields of environment, society and corporate governance. In the future, CCSB will publish such a report in an annual basis.

Scope and Boundaries of the Report

The information in this report is mainly based on CCSB and does not include those of reinvested companies (except for the data in some sections from the consolidated financial statements which include the reinvested companies). It is our aim to progressively incorporate the scope of CCSB's overseas operations into the report in the future to clearly present the complete ESG management information of CCSB. In addition, the reference of data and information and the boundaries of the report are the same as those in the 2020 report. During the reporting period, there were no significant changes regarding the Company's size, structure, or ownership.

The information disclosed hereinafter covers the period from January 1 to December 31, 2021. The management and performances in the financial, environmental and social aspects are presented, the financial information corresponds to the financial statement data certified by the CPAs, and some of the statistical data are from the information disclosed in the annual report, by the government and on the relevant websites.

Preparation Procedures of the Report

In reference to the core items in the GRI Standards issued by the Global Reporting Initiative (GRI), the Sustainable Development Committee disclosed relevant information and thereby prepared this report.
During the data collection of the report, related departments were invited to compile the information about the Company's performance in economic, social and environmental aspects based on the daily operation and management data, education and training, discussions on issues and interviews with different units in accordance with the GRI Standards and requirements of indicators. The collection, measurement and calculation of all the data and information for the indicators were subject to the requirements of local laws and regulations. Matters not specified in the local laws and regulations were then subject to international standards, or the standards or regular methods in the industry when no international standards were applicable.

Publication Time

Publication time of the first report: December 2014

Publication time of the most recent report: June 2021

Publication time of this report: June 2022

Publication time of the next report: June 2023 (expected)

Publication Channel and Contact Methods

With the paperless operations adopted to protect the environment, the whole report is presented in an electronic manner and available on CCSB's website for all the stakeholders to download for reference. The Company's website is http://www.ccsb.com.tw, and there is a link to the page where CCSB's corporate sustainability report can be downloaded. If you have any opinions, suggestions, or questions to the report, please feel free to contact us through the following channels:

Contact Points

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1.2 COVID-19 Prevention Management

In 2021, COVID-19 continued to ravage the world. To reduce the risk stemming from the pandemic, CCSB has taken actions for the health of the employees, the continuous operations of the Company, and the general public impacted by the pandemic, etc., making efforts to protect people's health internally and externally.

Employee Health and Corporate Operations

- The Company follows the regulatory measures of the local government and ensures that the protection measures correspond to the laws and regulations.
- All the people are required to wear a face mask when entering the offices and during their work.
- The Company has adopted staggered shifts or work-from-home model for the employees.
- The inventory management mechanism has been reinforced to ensure stable supply.
- We control the domestic and overseas business trips.
- Meetings not related to the production and quality assurance have been suspended. Necessary meetings take place in the form of video conferencing, or are strictly controlled to ensure that no more than 5 people are participating.
- We have stopped receiving visitors; those who are not the personnel of the Company are not allowed to enter for non-essential reasons.
- Except for the materials required by the production, all of the goods shall be unloaded in front of the gate of the Company instead of inside the Company.
- All the personnel of the Company shall measure their body temperature and use alcohol-based sanitizer when entering the Company.
- We have arranged the notifiable disease and medical health insurance for all the employees.

Donations of Supplies

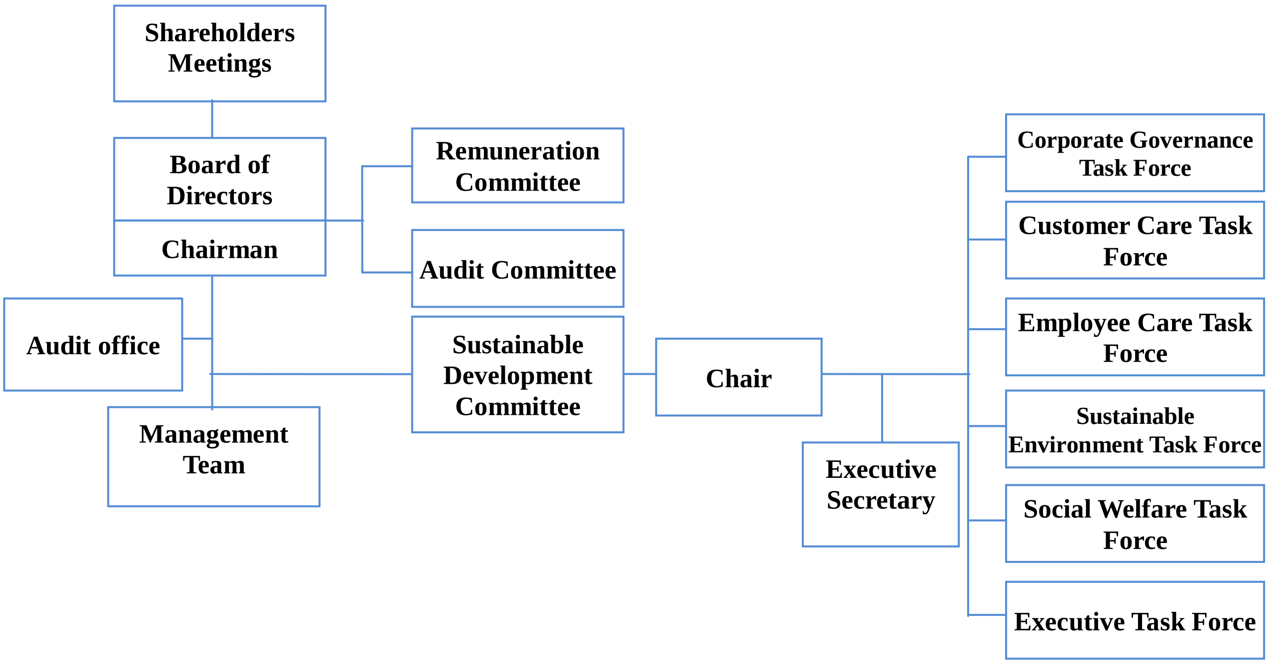
- Anti-pandemic supplies such as hand soap, medical soap, hand sanitizers and alcohol wipes have been donated to the Shulin District Office and fire department to help in the battle against the pandemic.


Partitions in the employee cafeteria


Donation of anti-pandemic supplies

1.3 Identification and Management of Material Issues of Stakeholders

Sustainable Development Committee



In order to promote sustainable development more systematically and efficiently, CCSB established the "CSR Committee" in 2014, which has been further renamed "Sustainable Development Committee" in December 2021 to conform with the amended laws and regulations. The committee serves as the top sustainable development decision-making center in the Company, implementing the matters related to sustainable development and fully disclosing the Company's major considerations, management approach, performance indicators and measurement methods of the indicators in the "economic," "social" and "environmental" aspects. The Sustainable Development Committee consists of the staff of the President Office, the Finance/Accounting Department, the Human Resources Department, the Management Department, the Sales Department, the Purchase Department, the Quality Assurance Department, the Manufacturing Department, the Safety and Health Department, and the Audit Department. This inter-departmental committee combines corporate resources, reviews the legal compliance and implementation effects of CSR at the corporate governance, product liability, sustainable environment, employee care, and public interest levels, and reports to the Board on a regular basis. The CSR performance has been enhanced through the professional talents of each task force. Furthermore, the committee continually issues the sustainability report based on the stakeholder engagement of the investors, employees, suppliers, customers, government agencies, banks, and nearby communities and social welfare groups.

Identification of Stakeholders and Material Issues

With a view to enhancing the stakeholder communication mechanism and responding accurately to the stakeholders' issues, the Company's Sustainable Development Committee and all the departments have, with the specific GRI issue disclosures as a reference, identified seven major stakeholders through discussions. We have taken part in the interaction, managed and maintained our relationships with the stakeholders based on the seven types identified.

Identification of stakeholders
The major stakeholders of CCSB were identified by the members of the task forces of the Sustainable Development Committee. The investors, employees, suppliers, customers, government agencies, banks, and nearby communities and social welfare groups were identified as the seven major stakeholders.

Collection of sustainable issues
The members of task forces of the Sustainable Development Committee collected the issues concerning the stakeholders according to the daily interaction with them, and determined 23 sustainability issues with the industrial character, the daily operating practices, etc., and the specific issue disclosures of GRI Standards considered as reference.

Identification of material issues
The stakeholders' level of concern to each sustainability issue was investigated through questionnaire survey, and the department heads in the Sustainable Development Committee assessed the level of impact of each issue on the Company's internal operations to analyze the materiality.

Implementation and disclosure of ESG
The Company fully and accurately disclosed the relevant information and responses to the material issues in the report based on the principles of disclosure of the GRI Standards to meet the stakeholders' expectation of us. In the future, we will keep on reviewing the material issues, taking the stakeholders' feedback on the report into account, and ensuring the transparency, rationality and equilibrium of the report.

Issues Concerning the Stakeholders and the Communication Methods

Stakeholder	Communication Channel/Format	Communication Frequency	Concerned Topics	Responding Chapters
Investors	1. Annual Shareholders' Meeting 2. Company Website and Market Observation Post System 3. Investor Hotline 4. Investor Conference	1. Once a Year 2. Irregularly, Anytime 3. Irregularly, Anytime 4. Two Times a Year	Business Performance Industrial Safety Emergency Response Mechanism	2. Corporate Overview 6.4 Healthy and Safe Workplace
Employees	1. Labor Conference 2. Employee Welfare Committee 3. President Mailbox 4. Company Bulletin Board 5. Company Website	1. Four Times a Year 2. At Least Once a Quarter 3. Irregularly 4. Irregularly 5. Irregularly	Business Performance Legal Compliance Industrial Safety Occupational Health and Hygiene	2. Corporate Overview 3.5 Legal Compliance 6. Employee Care
Suppliers	1. Supplier Visit and Certification Audit	1. Irregularly	Supply Chain Management	2. Corporate Overview

	2. Supplier Satisfaction Survey 3. Telephone or Email Communication	2. Irregularly 3. Irregularly	Risk Management Business Performance Raw Material Management	3.2 Risk Management 4.3 Supplier Management
Customers	1. Customer Visit and Certification Audit 2. Corporate Website, Telephone, and Email Communication	1. Irregularly 2. Irregularly	Legal Compliance Supply Chain Management Industrial Safety	3.5 Legal Compliance 4. Product Responsibility 6.4 Healthy and Safe Workplace
Government Agencies	1. Participation in the Various Policy and Regulation Related Seminars, Forums, Advocacies, and Training Courses 2. Market Observation Post System 3. On-site Plant Audit 4. Official Document and Telephone Communications	1. Irregularly 2. Released According to Regulations 3. Irregularly 4. Irregularly	Legal Compliance Risk Management Pollution Prevention and Discharge Industrial Safety Occupational Health and Hygiene	3. Corporate Governance 5. Environmental Sustainability 6.4 Healthy and Safe Workplace
Banks	1. Document Exchanges and Telephone Communications 2. Personal Visits 3. Company Website	1. Irregularly 2. Irregularly 3. Irregularly	Business Performance Risk Management Business Ethics	2. Corporate Overview 3. Corporate Governance
Nearby Communities and Social Welfare Groups	1. Visit the neighborhood or township chief nearby the plant, care for the community residents, and implement the community affinity work. 2. Charitable Event	1. Irregularly 2. Irregularly	Pollution Prevention and Discharge Legal Compliance Industrial Safety Occupational Health and Hygiene Emergency Response Mechanism	3.5 Legal Compliance 5. Environmental Sustainability 6.4 Healthy and Safe Workplace 7. Public Welfare

Analysis of and Responses to Material Issues

In order to cover all the aspects of issues the stakeholders were concerned about, the Company had the ESG Committee members establish the following materiality analysis process for the issues related to sustainable development based on the communication and information exchanges with stakeholders and with the GRI Standards issued by the Global Reporting Initiative (GRI) as the framework to follow. The materiality analysis process was intended to be the reference of the key disclosure items of the sustainability report to properly respond with the information the stakeholders were looking for. With "economy," "environment" and "society" as the indicators, the sustainable development issues concerning CCSB were listed. The issues were mainly from the topics specified by the GRI Standards; such topics were integrated with the issues they're similar to so that the survey participants wouldn't be confused. After the committee members carried out the analysis process based on their experience and professionalism regarding the daily operations, 23 issues were identified at last, and a questionnaire survey was conducted accordingly.

Economy

- Business Performance
- Supply Chain Management
- Legal Compliance
- Ethics and Morality
- Risk Management
- R&D Innovation

Environment

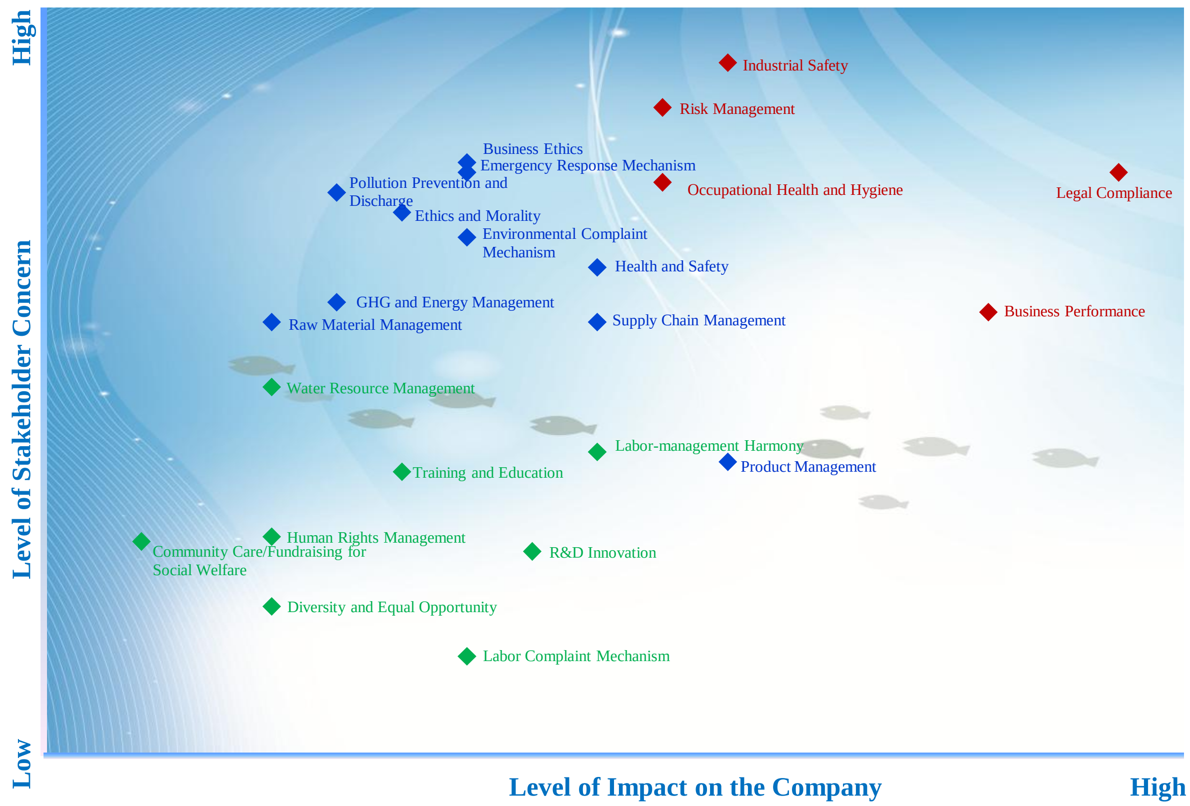
- Raw Material Management
- GHG and Energy Management
- Water Resource Management
- Pollution Prevention and Discharge
- Environmental Complaint Mechanism

Society

- Industrial Safety
- Occupational Health and Hygiene
- Emergency Response Mechanism
- Labor-management Harmony
- Training and Education
- Diversity and Equal Opportunity
- Labor Complaint Mechanism
- Human Rights Management
- Community Care/Fundraising for Social Welfare
- Product Management
- Health and Safety
- Business Ethics

The concerned material issues above were categorized as high, medium and low and prioritized based on the "level of concern" of stakeholders for the issues and the "level of impact" of the issues on the Company's operations, which are shown in the analysis matrix below. The issues in red are of high materiality, while those in blue are of medium materiality and those in green are of low materiality.

Analysis of Material Issues



To meet the requirements of the stakeholders, the following five highly material issues are the main focus of this report. Appropriate responses have also been given to the issues of medium and low materiality to show how we value the stakeholders. All the information is provided in the chapters of this report in detail, except for the financial information which is thoroughly disclosed on the Company's website (http://www.ccsb.com.tw).

Material Issues and Description of Boundaries (GRI 103-02; GRI 103-03)

Category	Material Issue Concerning the Stakeholders	Corresponding GRI Standard	Management Approach Disclosures (Corresponding Chapter)	Boundaries of the Issue	
				Internal	External
Economy	Legal Compliance	GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance	3.5 Legal Compliance	CCSB	Investors, employees, customers, government agencies, banks
	Business Performance	GRI 201: Economic Performance	2.1.3 Business Strategies and Financial Performances	CCSB, reinvested companies in the consolidated financial statements	Investors, banks
	Risk Management	GRI 102-15: Key impacts, risks, and opportunities	3.2 Risk Management	CCSB	Investors, suppliers, customers, government agencies, banks
Society	Industrial Safety	GRI 403: Occupational Health and Safety	6.4 Healthy and Safe Workplace	CCSB	Customers, nearby communities and social welfare groups
	Occupational Health and Hygiene	GRI 403: Occupational Health and Safety	6.4 Healthy and Safe Workplace	CCSB	Employees, nearby communities and social welfare groups

Material Issues for 2021 and Changes Compared to 2020 (GRI 102-49)

There is no significant difference in the identification and scope of major stakeholders between this time and last time.

Category	Material Issues		Description of Change
	2020	2021	
Economy	Legal Compliance	Legal Compliance	Remain the same
	-	Business Performance	Changed from medium materiality to high materiality
	-	Risk Management	Changed from medium materiality to high materiality
Society	Industrial Safety	Industrial Safety	Remain the same
	Business Ethics	-	Changed into an issue of medium materiality
	Product Management	-	Changed into an issue of medium materiality
	Health and Safety	-	Changed into an issue of medium materiality
	-	Occupational Health and Hygiene	Changed from medium materiality to high materiality

Key Communication Points and Performance Regarding the Material Issues of Stakeholders (GRI103-3)

Category	Material Issue Concerning the Stakeholders	Corresponding GRI Standard	Management Approach Disclosures (Corresponding Chapter)	Implementation Status in 2021
Economy	Legal Compliance	GRI 419: Socioeconomic Compliance	3.5 Legal Compliance	1. The Company upholds the business philosophy of honesty, selflessness, mutual aid, and friendliness. We will incorporate the business philosophy with the business strategies to contribute to people's health. 2. CCSB has established the "Code of Conduct for Employee Work Practices," "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" in accordance with the government laws to specify the matters to be noticed when the Company, the Group, and the directors, managers, employees and suppliers of the organization perform duties. These are the guidelines for ethical conduct that strictly prohibit briberies or corrupt behaviors such as kickbacks, commissions, and facilitating payment to fulfill the ethical management policy of the Company. 3. In 2021, there was one case of non-compliance with the Controlled Drugs Act. Please refer to "3.5 Legal Compliance" of this report for details.
		GRI 307: Environmental Compliance	3.5 Legal Compliance	1. CCSB believes that environmental protection is as important as the industrial development, and that sustainable coexistence with the environment is the only path to the sustainable development of economy and society. Thus, the Company has proactively adopted different environmental measures. We have continuously promoted energy saving and carbon reduction programs, purchased new equipment for replacement and carried out education and training, thereby increasing the employees' awareness and capability of environmental protection to conform with environmental protection laws and pertinent regulations. 2. In 2021, there was no non-compliance with the environmental protection laws and regulations.
	Business Performance	GRI Universal Standards	3 Corporate Governance	1. With the philosophy of ethical management, CCSB places emphasis on the equity of shareholders. The Audit Committee and Remuneration Committee have been established under

				this principle to support the Board of Directors to perform the duty of supervision. A Corporate Governance Head in charge of the matters related to corporate governance has also been appointed to improve the information transparency and legal compliance. 2. Through the shareholders' meetings, investor conferences and Market Observation Post System (MOPS), the Company proactively reports to the shareholders and investors about the updates regarding the Company's business performance and financial condition. In 2021, the shareholders' meeting was convened on July 1, while the investor conferences took place on March 19 and August 27.
		GRI 201: Economic Performance	2.1.3 Business Strategies and Financial Performances	In 2021, the turnover was NTD 1.93 billion, the net profit after tax was NTD 400 million, and the EPS was NTD 5.17.
	Risk Management	GRI 102-15: Key impacts, risks, and opportunities	3.2 Risk Management	The Company has developed and implemented a variety of strategies for the financial risks, market risks, regulatory risks and environmental risks to minimize the risks.
Society	Industrial Safety	GRI 403: Occupational Health and Safety	6.4 Healthy and Safe Workplace	1. The Company has established the Department of Safety and Health for which occupational safety and health administrators are prepared to handle occupational safety and health affairs. 2. Emergency response plans have been developed. Every year, the Company performs regular emergency response drills with specific topics to boost the experience in response practices. We also correct and review the deficiencies year after year to make the emergency response plans more complete and practical for the current state so that the crises arising in the plants can be tackled at once and the damage and subsequent impacts caused by the crises can be mitigated. 3. Drills on fire protection, prevention of toxic chemical-induced disasters, and unexpected air emergencies are conducted yearly. In 2021, there was one session of the drills on December 17.
	Occupational Health and Hygiene	GRI 403: Occupational Health and Safety	6.4 Healthy and Safe Workplace	1. In 2021, Lianan Wellness Center and Pojen General Hospital rendered health examinations, specific operations-oriented health examinations, on-the-job health examinations for a total of 253 employees, and specific health examinations (oriented to employees as users of specific chemicals) for a total of 62 employees.

				2. A nurse and a contract physician dedicated to periodic in-factory services have been appointed in accordance with Article 3 of the “Rules for Labor Health Protection.” 3. In order to maintain the workplace health and safety of all employees, the Company’s Department of Safety and Health periodically conducts education, training and drills related to safety and health every year. These include fire protection, public safety facilities, general review of public safety, etc. Employees are also requested to carry out undertakings according to the safety and health work guidelines in order to prevent occurrences of disasters. In accordance with “Fire Services Act” and regulations for environmental protection, the Company assigns emergency response teams, install emergency and rescue equipment and perform firefighting and toxin control exercises every year.

2 Corporate Overview

The Company upholds the business philosophy of honesty, selflessness, mutual aid, and friendliness. We will incorporate the business philosophy with the business strategies to contribute to people's health.

2.1 Company Profile

2.1.1 Company Overview

Chunghwa Chemical Synthesis & Biotech Co. Ltd. (CCSB) was founded in 1964, with its headquarters located in New Taipei City. It is one of the largest manufacturers of active pharmaceutical ingredients (API) in Taiwan. At the end of 2021, the amount of its capital was NTD 775,600,000, and the number of employees was 330.

CCSB has developed more than 30 APIs. In the future, the Company will focus on the development of unique techniques and special products, such as anticancer, immunosuppressive or high-potency products and peptide APIs with high gross profit, to facilitate new customer development and achieve the goal of product differentiation. Currently, the Company has 9 plants for synthetic products and 2 plants for biotechnology products that are correspondent with the cGMP regulations.

In 1984, we were the first API manufacturer in Taiwan that passed the US FDA inspection. Later on, the Company has also been certified by the drug certification units of German, France and Japan through their official plant inspections, and has been inspected and recognized by many drugmakers in Europe, the US, Japan and India. So far, we have had 25 drugs registered under FDA. With a view to expanding the business in North America and providing better services for the locals, we established the sales office, Pharmaports LLC, in the US in 1999.

2.1.2 Main Products and Markets

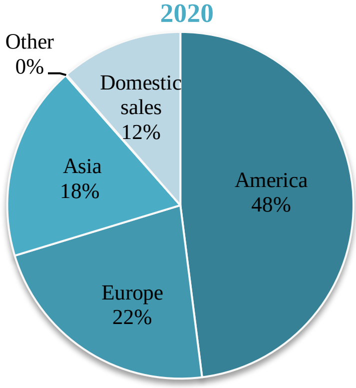
Biotechnology Products

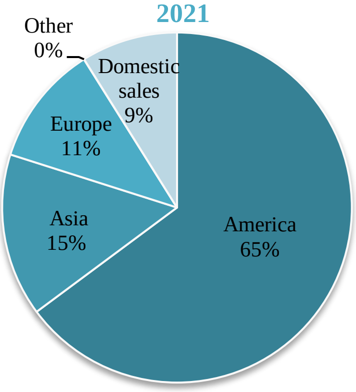
- Immunosuppressant: Everolimus (EVE), Mycophenolate Mofetil HCl (MMF-HCI), Mycophenolate Mofetil (MMF), Mycophenolate Sodium (MPA-NA), Rapamycin (Sirolimus, RAPA), Tacrolimus (FK506)
- Anticancer drug: Everolimus (EVE)
- Drug for treating acute myeloid leukemia: Midostaurin (MID)
- Antifungal medication: Caspofungin Acetate (CAS)
- Antifungal intermediate: Pneumocandin B0 (PNB0)

Non-biotechnology Products

- Muscle relaxant: Methocarbamol (MCB), Metaxalone (MTAX)
- Aantitussive: Guaifenesin (GGE)
- Antihypertensive medication: Trandolapril (TDP)
- Antifungal medication: Fluconazole (FCZ)
- Anti-triglyceride drug: Ethyl Icosapentate (EPAE), Omega-3 Carboxylic Acids (OMA)
- Multiple myeloma drug: Carfilzomib (CFZM)
- Anesthesia recovery medication: Sugammadex (SGM)
- Rheumatoid arthritis medication: Baricitinib (BA), Tofacitinib (TOF)
- Influenza antiviral medication: Favipiravir (FVP)
- Breast cancer medication: Palbociclib (PB), Ribociclib (RIB)

The major market of CCSB's main products is America, followed by Asia and Europe. The Company's major customers include the manufacturers of patented brand drugs and generic drugs. Aiming at becoming the major supplier in the world with the most competitive prices and best quality, we continuously pursue higher product and service quality and develop personnel with greater ability.





2.1.3 Business Strategies and Financial Performances

Business Strategies

Short-term Business Focuses

- With our incessant efforts, we shall continuously enhance the Company's unique fermentation and chemical synthesis technology to distinguish ourselves from other peers that have only chemical synthesis or fermentation technology-related products, to boost our multiple choices of new product development items, and to enhance our competitive edge in the global market. We shall also strengthen our niche products including notably Everolimus, Tacrolimus, Ethyl Icosapentate (EPAE) and Caspofungin. Through process optimization to surge production capacity amidst our advantageous position to minimize costs, we shall significantly increase our market share in the entire world market.
- The Company will ensure the compliance with regulations, strengthen the inspection of raw materials and API intermediate suppliers, ensure the legal compliance of the upstream suppliers, and make sure that the raw materials correspond with the latest requirements of the official drug regulatory authorities of all countries and the supply is intact, thereby ensuring that the quality of the products of the Company and the domestic validation of the cGMP factory continuously pass the inspection of the US FDA, Japan PMDA and EU EMA.
- To develop CDMO/CMO business, the Company will rally to the participation in domestic and foreign major drug makers' new drug R&D plans, through which to enter into early-stage joint R&D relations, such as pre-clinical and various clinical stages' intermediary, products' trial, manufacturing process development and related work, in anticipation to form a strategic alliance with major pharmaceutical plants for joint growth.
- For purchase of major raw materials, we have duly established a second supplier mechanism and tried hard to promote the outsourcing of fermented intermediates, releasing the production capacity of fermented intermediates to increase the production of fermented APIs and, in turn, reduce unit costs and enhance market share.
- The Company will develop solvent recovery technology and continuously introduce various management systems and mechanisms in response to the increasingly strict environmental protection requirements. We will also implement waste and discharge reduction practices to reduce the operating cost and fulfill our green social responsibility.

Long-term Business Focuses

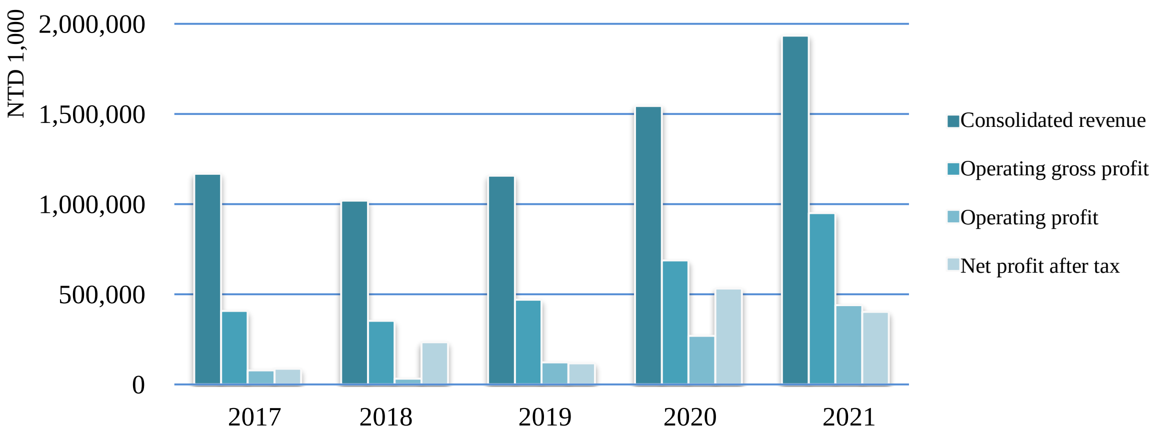
- We shall continually boost our R&D momentum and adjust R&D strategies to further develop products at high prices, with high technical threshold, with few competitors but of high profitability. Through such efforts, we could successfully enhance the productivity and operating benefits at the current business premises.
- The Company will develop unique key technologies to develop special products, such as high gross margin products like anticancer drugs, high-potency drugs and peptide APIs, to support the development of new customers and enhance the niche and appeal of product differentiation.
- We will develop key technologies such as hydrogenation, optical splitting, asymmetric synthesis and organometallic reactions.
- The Company will integrate chemical synthesis and microbial fermentation technology to develop biotechnology and semi-synthetic products in the fields of cancer, immunosuppression and antifungals, and strengthen product features to facilitate market competition.
- By increasing our long-term investment into China Chemical and Pharmaceutical Co., Ltd., we shall constantly strengthen the strategic alliance between the business undertakings of both parties. Taking Tacrolimus SD20 as the very blueprint, we shall expand the scope to cover other new products on the existent grounds to lay out the market over the entire world.

Financial Performance

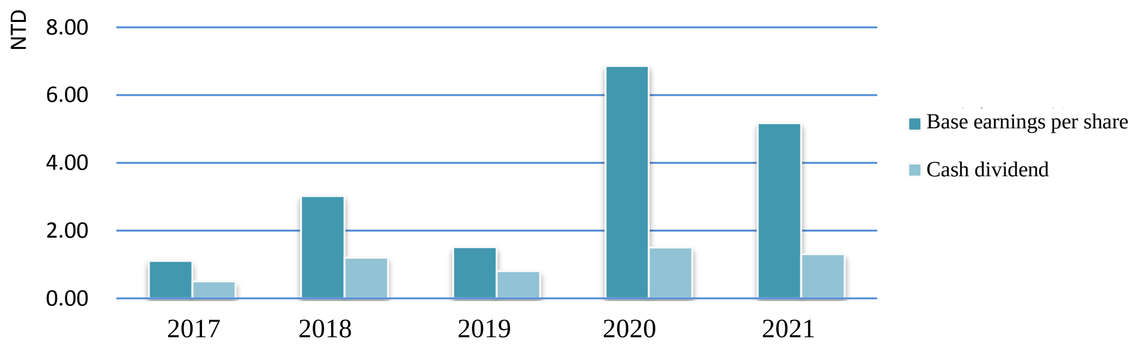
CCSB believes that continuous and steady profit growth is a key to corporate sustainable management and demonstrates the fulfillment of sustainable development. In order to let the stakeholders know the overall operations of the Company, we hold a shareholders' meeting annually, and update the financial information audited by a third party in the investors section of the Company's website regularly; such financial information includes the consolidated financial statements which have the disclosed boundaries that include all the subsidiaries under CCSB. In addition, we communicate with the stakeholders through investor conferences as well to ensure that the investors clearly know or operation policies. In face of the challenges in the global industrial environment, CCSB upholds the business philosophy of honesty, selflessness, mutual aid, and friendliness to create competitive advantages and business efficiency and thereby drive the continuous profit growth of the Company.

In 2021, the Company's turnover was NTD 1.93 billion and the net profit after tax was NTD 400 million. Please refer to the Company's financial statements on the Market Observation Post System for the details of our operational and financial performances.

Financial Performance



Comparison of Dividends



2.1.4 Shareholder Structure

March 27, 2022

Share / Name of main shareholder	Number of shares held	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	21,575,064	27.82%
Hsun-Sheng Wang	2,456,179	3.17%
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%

Share / Name of main shareholder	Number of shares held	Shareholding percentage
Hontai Life Insurance Co. Ltd.	1,400,000	1.81%
Shanshui Biotech Venture Capital Limited Partnership	1,196,000	1.54%
Hou-Jie Wang	1,006,600	1.30%
Xun-Wei Wang	1,003,066	1.29%
Gui-Mei Ling	990,000	1.28%
Ching-Hui Ke	836,000	1.08%
Hou-Che Wang	793,758	0.95%

2.2 Awards

November, 2015	Received the certificate of appreciation given by the New Taipei City Government for the "Clean Energy Conservation and Carbon Reduction Plan."
December, 2016	Won the Annual Pharmaceutical Science and Technology R&D Award from the Ministry of Health and Welfare and the Ministry of Economic Affairs, with Mycophenolate Mofetil and Everolimus as the award-winning products.
July, 2018	Won the Annual Pharmaceutical Science and Technology R&D Award from the Ministry of Health and Welfare and the Ministry of Economic Affairs, with Caspofungin Acetate as the award-winning product.
April, 2020	Ranked top 20% among the listed companies in the 6th corporate governance evaluation for TWSE/TPEx listed companies of Taiwan Stock Exchange.
July, 2020	Received the honor of being selected as a constituent stock of Taiwan Stock Exchange's "Corporate Governance 100 Index."
April, 2021	Ranked top 20% among the listed companies in the 7th corporate governance evaluation for TWSE/TPEx listed companies of Taiwan Stock Exchange.
July, 2021	Received the honor of being selected as a constituent stock of Taiwan Stock Exchange's "Corporate Governance 100 Index" again.

2.3 Participation in Associations

CCSB actively takes part in relevant associations and the activities thereof and express opinions, developing the Company's professional leadership in the aspects of R&D, manufacturing and operations with all the Company's senior managers as the important opinion leaders in the industry.

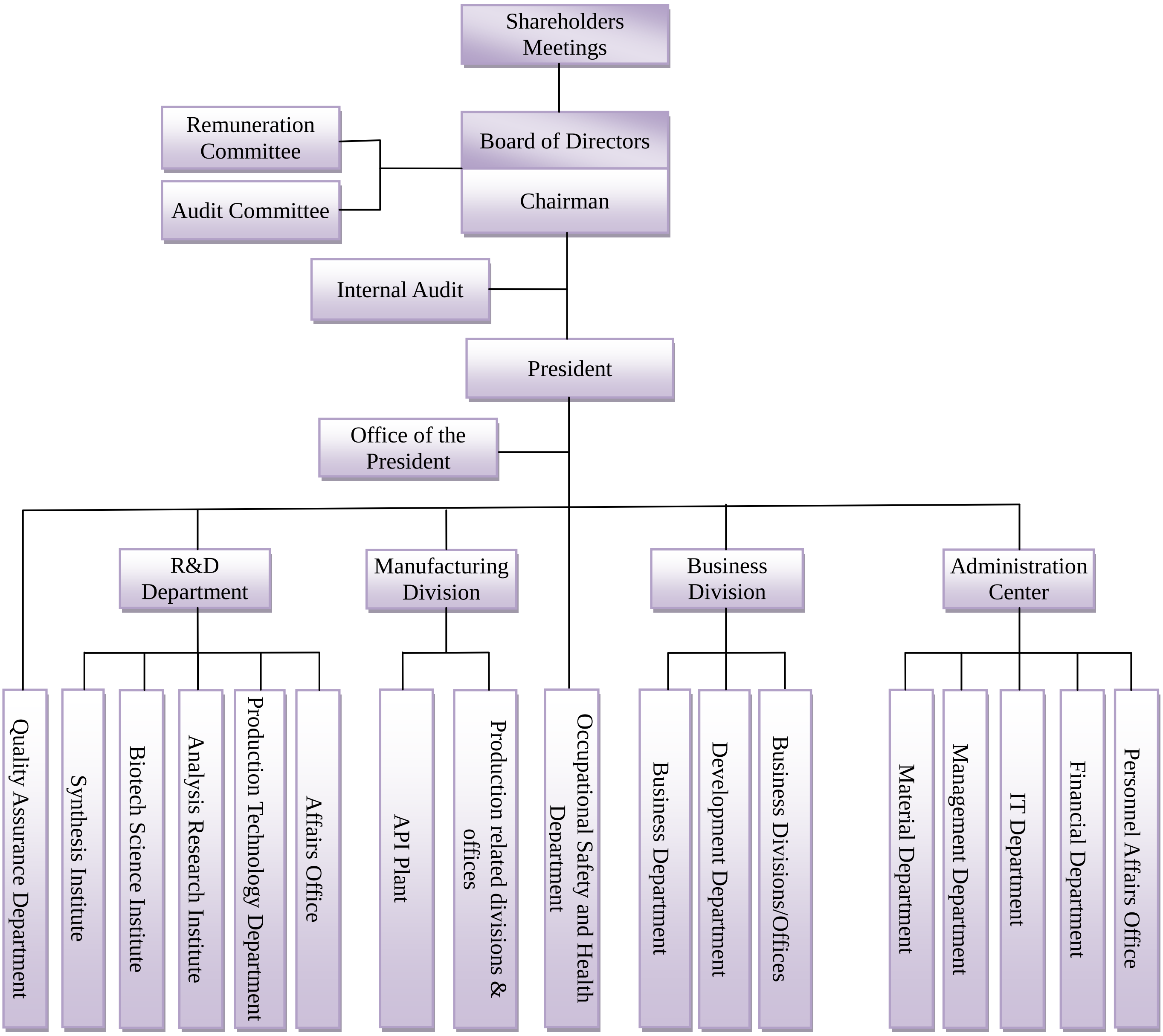
Organizations Where CCSB Has Membership

- Taiwan Pharmaceutical Manufacturer's Association
- Taiwan Pharmaceutical Manufacture and Development Association
- Taiwan Parenteral Drug Association
- Institute of Internal Auditors - Taiwan

3 Corporate Governance

With the philosophy of integrity management, CCSB has developed the structure and practices of corporate governance in accordance with the Company Act, Securities and Exchange Act, and other related laws and regulations. We actively promote the transparency of operations, and manage our business with protecting the rights of stakeholders as the principle.

3.1 Corporate Governance Structure



Regarding corporate governance, we espouse the philosophy of integrity management, actively promoting the transparency of operations and managing our business with protecting the rights of stakeholders as the principle. As the Company considers adequate information disclosure an essential element of corporate governance, material information is disclosed in compliance with the Guidelines for Online Filing of Public Information by Public Companies to fully achieve the information transparency. Furthermore, the Company also discloses related information through CCSB website, investor conferences, shareholder service hotline and spokesperson, so that all the stakeholders can get the information for reference.

In April 2021, Taiwan Stock Exchange announced the result of 2020 (7^{th}) corporate governance evaluation. According to the result, CCSB has won the honor for ranking top 20% among the listed companies and being selected as a constituent stock of Taiwan Stock Exchange's "Corporate Governance 100 Index" again. These achievements show the recognition for CCSB's promotion of corporate governance and sustainable development.

3.1.1 Board of Directors

March 27, 2022

Name of Director	Title in the Board	Gender
China Chemical & Pharmaceutical Co., Ltd. Representative: Yi-Zhen Xie Wang	Chairman	Female

China Chemical & Pharmaceutical Co., Ltd. Representative: Yin-Nan Sun	Director	Male
Wang Ming-Ning Memorial Foundation Representative: Chung-Hsin Huang	Director	Male
Wang Ming-Ning Memorial Foundation Representative: Hou-Jie Wang	Director	Male
Kuo-Chiang Wang	Independent Director	Male
Cheng-Hsien Tsai	Independent Director	Male
Chih-Hsien Chang	Independent Director	Female

The Company has appointed seven directors pursuant to the Articles of Incorporation. Three of them are independent directors, and the members of the Board have a diverse range of backgrounds covering biotechnology and finance, etc. Two of the members are female directors, accounting for 29% of the Board. The diversity of and gender equality in the composition of the Board of Directors have thus been promoted. In order to fulfill the responsibility of supervision, the Board of Directors has established the "Rules of Procedures Governing Board of Directors Meeting" according to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies." The principle of the directors' recusal of conflict of interest has also been specified and properly implemented according to the laws and regulations to ensure the thoroughness of robust governance mechanism. Moreover, complete handling regulations and control mechanism with respect to the other operational functions have been developed as well.

The Chairperson of the Company doesn't concurrently serve as the member of the management team, and is only responsible for supervising the management team in the Board. In addition, the internal auditors are subordinate to the Board. They can be present in the Board of Directors meetings and report to the Board directly to ensure the correspondence between the Company's operations and the Board's resolutions. For the detailed background information about our Board members, please refer to our 2021 Annual Report, which can be accessed on the website (http://www.ccsb.com.tw).

3.1.2 Remuneration Committee

In 2011, the Company established the Remuneration Committee responsible for the suggestion, assessment and supervision of the Company's remuneration for the directors, supervisors and managers and related policies, to assist the Board in managing the remuneration. The Remuneration Committee will, based on its professionalism, evaluate the top governance personnel and high-level managers' remuneration according to the Company's operating performances. The Remuneration Committee consists of three members who are the current three independent directors. In 2021, a total of three Remuneration Committee meetings were held, with a 100% attendance rate of the convener and the members.

3.1.3 Audit Committee

In May 2016, the Company established the Audit Committee to take over the responsibilities of supervisors. The committee aims to support the Board to exercise its functions and powers to supervise the Company's compliance with the Company Act, Securities and Exchange Act and other pertinent laws and regulations. Meanwhile, the Company's internal audit reports are also provided to the Audit Committee to strengthen the internal supervising function. In 2021, the Audit Committee did not raise any objections to the internal audit reports. A total of four Audit Committee meetings were held in 2021, with the actual attendance rate of independent directors reaching 100%.

3.1.4 Internal Audit

The Company has set up an internal audit unit subordinate to the Board of Directors to be in charge of the internal audits. A dedicated internal audit supervisor and a dedicated internal audit person have been appointed based on the Company's scale, operations, management requirements and relevant regulations. The internal audit person acts independently and performs the duties properly from an objective and fair position, while the audit supervisor needs to be present in the Board meetings to deliver reports.

The internal audit unit draws up the annual audit plans according to the risk assessment results, defines the items to be audited for each month/quarter to check the effectiveness of the Company's internal control system, and makes audit reports with the working papers and relevant materials attached. Besides performing regular audits, the unit also urges all the internal units in the Company and the subsidiaries to periodically make self-assessments on the effectiveness of the internal control system. The internal audit unit will then review the self-assessment reports submitted by the units and the subsidiaries and provide timely suggestions for improvement, in order to support the Board of Directors and the managers to assess and review the effectiveness of the internal control system, and measure the operating performances and efficiency. It is hoped that the potential risks can thereby be avoided and the reasonable and robust operating results can be ensured.

3.2 Risk Management

The Company has always adopted the preventive risk management policies. A strict internal control system has been established in accordance with the laws, and is regularly and irregularly audited by the internal audit unit, which further prepares the reports. The material proposals regarding the important operating policies, investment, bank financing, acquisition or disposal of assets, etc., are all submitted to the Board for resolution and implemented as per the regulations. The Company has also adopted reasonable financial risk aversion measures for the exchange rates, etc., in order to reduce risks, review the financial structure at all times, and avoid excessive financial risks.

The types of potential risks currently identified and the responsible units as well as implementation status thereof are described below:

Type of Risk	Responsible Unit	Assessment and Implementation
Financial risk	Financial units	1. The financial units observe the related government laws and regulations to ensure the sustainable management and security for assets of the Company. They are also responsible for assessing the mid- and long-term investment profits, financial operations and coordination, establishing the hedging mechanism, and achieving the reliability of financial reporting and the objectives of legal compliance, in order to lower the financial risks. 2. After the timely analyses and assessments are made based on the changes in the financial market, fund planning and management, etc. and the strategies are developed accordingly, the appropriate response measures will be adopted.
Market risk	Sales units and relevant units	These units assess the risks beforehand according to the laws and regulations, policies and market trends for the operating strategies. They also follow up the performances after the strategies are adopted, and make adjustment to conform with the changes in the market if necessary. Through these actions, they make the Company’s strategies correspond to the development direction and achieve the operational objectives of the Company.
Regulatory risk	Legal affairs units	1. Timely analyses and assessments are made based on the laws and regulations, policies and changes in the market; appropriate response measures are adopted accordingly. 2. The education, training and internal GMP audits ensure that the Company’s production process and product quality meet the requirements of the pertinent regulations and external audits.
Environmental risk	Safety and health units and production units	1. The equipment related to the discharge of wastewater and waste gas and the environmental protection has been properly set up as per the regulations. The changes in the data are monitored at all times to take suitable actions for the compliance with laws and regulations. 2. All the employees’ awareness of industrial safety maintenance and environmental protection is continuously raised through a variety of education, training and regular drills.

Task Force on Climate-related Financial Disclosures (TCFD)

Fully aware of the impacts on and importance to the Company’s sustainable management that climate change issues have, CCSB has identified the potential material risks and opportunities to the Company through the four core elements of “governance,” “strategy,” “risk management” and “indicator and goal,” with the Task

Force on Climate-related Financial Disclosures (TCFD) as reference. Climate change mitigation and adjustment measures have been taken to constantly reduce risks, enhance resilience and create opportunities for sustainable development.

Governance	Strategy	Risk Management	Indicator and Goal
• CCSB has established the Sustainable Development Committee, which sets the corporate sustainability strategies and vision for further promotion and management of the actions related to sustainable development. • The Chairperson serves as the chair of the Sustainable Development Committee. The committee members devise and carry out plans according to their respective functions and regularly report to the Board of Directors every year. The Board then reviews the implementation status, and urges the management team to make adjustments if necessary.	Identify the material items based on the possibility of occurrence and impact level of the risks and opportunities with the TCFD framework as reference, and make assessments on the potential financial impacts of the identified material risks and opportunities.	The Company comprehensively considers the level of impacts of the relevant risks and opportunities on the operations, products and services, employee safety and the Company's goodwill. Subsequently, the climate-related risks and opportunities having considerable influence on CCSB's operations are sorted out with their possibility of occurrence being assessed, and appropriate measures are taken based on the risk level.	• Investment in the optimization of R&D and manufacturing process, and enhancement of the resource use efficiency • Additional circular economy items for the reuse of resources • Implementation of energy conservation and carbon reduction • Proactive GHG inventory Energy saving and carbon reduction – With an annual reduction of more than 1% in power consumption as the energy objective

Management of the Climate Change-related Risks and Opportunities

CCSB refers to the TCFD recommendations to assess the potential climate-related risks and opportunities and the attitude of stakeholders, and thereby identify the transition risks and physical risks for the operations. Five climate-related risks and five climate-related opportunities have been identified, with their respective possibility of occurrence and level of impact assessed and analyzed. The climate change strategies, policies and response measures have been developed accordingly.

Climate Change-related Risks

Type	Climate-related Risk	Period of Impact	Potential Financial Impact	Response Measures
Transition risks	Higher pricing of GHG emissions	Mid-term (3–5 years)	Higher operating cost	Keep track of the legal changes, promote energy saving and carbon reduction measures, enhance the resource use efficiency, and perform the GHG inventory. •Reduce the GHG emissions per product unit.
	Increase in raw material cost	Long-term (5–10 years)	Higher operating cost	Reduce the percentage of single supplier, strengthen the raw material supplier management, and boost operational resilience.
Physical risks	Increased severity of the extreme weather events like typhoons and floods	Mid-term (3–5 years)	Decrease in revenue	Enhance the typhoon response measures to ensure the steady production of process during the natural disasters.
	Changes in precipitation types, and extreme changes in climate models	Long-term (5–10 years)	Decrease in revenue Higher operating cost	Increase the patrol inspection during heavy rainfall, clean the water drainage system, and make sure the drainage system works normally.
	Rising average temperature	Long-term (5–10 years)	Higher operating cost	Carry out various energy saving plans, and replace the old and energy consuming equipment.

Climate Change-related Opportunities

Type	Climate-related Opportunity	Period of Impact	Potential Financial Impact	Response Measures
Resource efficiency	Application of the production and distribution process with higher efficiency	Long-term (5–10 years)	Lower operating cost and higher revenue	Increase the resource use efficiency, reduce the GHG emissions per product unit, assist the customers in cutting the carbon footprint of products, and enhance the customer stickiness.
	Reduction in the amount of water usage and water consumption	Short-term (1–3 years)	Lower operating cost	Implement water and energy saving measures, promote water conservation, and adopt water-saving toilets.
	Recycling and reuse	Mid-term (3–5 years)	Lower operating cost	Improve the circular economy of reuse, and cut the waste disposal expenses.
Energy sources	Utilization of low-carbon energy	Long-term (5–10 years)	Higher revenue	Purchase renewable energy (wind power, green power, etc.) to cut the carbon footprint of products and magnify the competitiveness of products in the market.
Resilience	Engagement in renewable energy and adoption of energy saving measures	Mid-term (3–5 years)	Lower operating cost	Carry out a variety of energy conservation plans, such as phasing out and renewing outdated equipment, and replacing into energy conserving equipment and devices with low energy and heat consumption.

3.3 R&D Innovation

E&D Team

Having a strong R&D team, we are an API manufacturer with bio-fermentation and chemical synthesis technologies and equipment that enters the part of market in which small-batches of API are used for R&D. To suit the requirements of different technology fields, CCSB's R&D team covers the units of bioscience, synthesis and analysis institutes and Production Technology Department.

New Product Development

The main core business of CCSB is to supply high-quality new APIs required by global development that challenges for patented new products and generic manufacturers whose patents are about to expire or have expired. The Company also uses the core advantages of chemical synthesis and microbial fermentation technology process development to continuously develop new products such as immune preparations, anti-cancer drugs, cardiovascular drugs and rheumatoid arthritis medication.

Contract Manufacturing Business

CCSB also provides R&D and contract manufacturing (CDMO/CMO) services to new drug developers and generic drug companies at home and abroad, striving to become the provider of active pharmaceutical ingredients to those new drug developers when they successfully launch their drugs.

R&D Performance

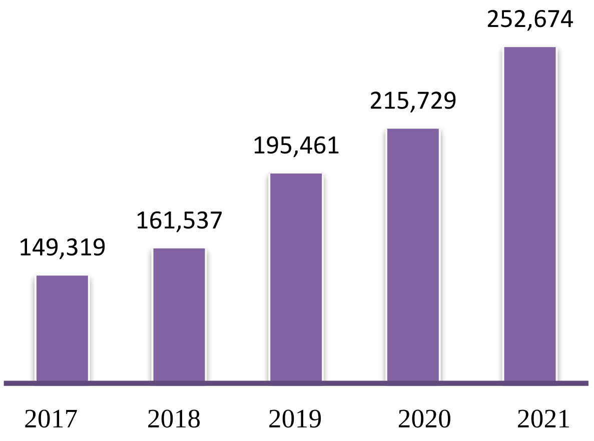
Synthesis Institute

- Completion of the experiment in the development of the process for the multiple myeloma API Ixazomib Citrate.
- Completion of the experiment in the development and maximization of the process for the JAK kinase inhibitor API Tofacitinib Citrate
- Completion of the experiment in the development of the process for the anti-epileptic API Eslicarbazepine Acetate
- Completion of the development of the process for the laboratory of inherited obesity API Setmelanotide
- Completion of the development of the process for the laboratory of API Difelikefalin, which is used to treat moderate to severe pruritus.

Biotech Science Institute

- Completion of maximization of the new process for the immunosuppressant API Tacrolimus, which will effectively contribute to the fermentation throughput and bring down the cost.
- Completion of validation of the process for the oral anti-breast cancer API Ribociclib whose new crystal formulation has been patented in Taiwan and the US.
- Completion of validation of the process for the blood cancer API Midostaurin
- Completion of maximization of the process for the oral anti-breast cancer API Palbociclib
- Completion of development of the maximization process for the laboratory of multiple sclerosis API Ozanimod
- Completion of development of the process for the laboratory of anti-epilepsy API Brivaracetam

R&D Expenses (NTD 1,000)



3.4 Culture of Integrity and Ethics

Integrity and ethics are the core values and attitude that CCSB employees must have. In order to stick to the Company’s policy of integrity management, the “Code of Conduct for Employee Work Practices,” “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethical Conduct” have been established to specify the matters to be noticed when the Company, the Group, and the directors, managers, employees and suppliers of the organization perform duties. These are the guidelines for ethical conduct that strictly prohibit briberies or corrupt behaviors such as kickbacks, commissions, and facilitating payment to fulfill the ethical management policy of the Company. Related announcement and dissemination have been conducted so that the importance of ethical behaviors is fully understood. All the relevant behaviors shall be aligned with the business regulations and be approved by the senior supervisors in the Company beforehand; such behaviors shall not impose negative impact on the customers, distributors and suppliers, or conflict with their laws and regulations. In addition, the Company has established a customer evaluation mechanism, engaged in fair business activities, and fulfilled and complied with the contracts in a transparent manner in order to provide fair and reasonable results to each customer and vendor.

3.5 Legal Compliance

Corporate operations strictly in line with laws and regulations are not only the fulfillment of social responsibility but also one of the keys to sustainable management. With a view to ensuring that the pertinent laws and regulations are observed, the Company has paid close attention to the establishment and development of the laws and regulations that might affect us. The internal control system that corresponds to the laws, policies and regulations has also been set up for all the units to adhere to different regulations.

In 2021, the Company had one case of non-compliance with a related law, incurring a loss and being punished. The detail is shown as below.

No.	Violated Law	Punishment	Corrective Method
1	Paragraph 2, Article 28 of the Controlled Drugs Act	Punitive fine of NTD 30,000	The corrective action has been satisfactorily completed. The Company declares the status of controlled pharmaceuticals on a monthly basis.

4 Product Responsibility

CCSB keeps the products in line with international standards, and applies modern technologies with innovation, flexibility and attentiveness as the foundation. More than 30 APIs have been successfully developed. Setting the concept of "from single person to a group" as the starting point and upholding the philosophy of "passion, innovation, care, and health," the Company looks forward to becoming "the most reliable health business in the Chinese community" to bring benefits to people.

4.1 Product Management

Founded in 1964, CCSB has been actively promoted product exports since 1997. The Company has successively completed the construction for cGMP API plants, cGMP biotech plants and cGMP pioneering plants, and passed the FDA plant inspection in 2002. The cGMP plants and facilities have been audited and recognized by many manufacturers in North America, and the products correspond with the international standards. Applying modern technologies with innovation, flexibility and attentiveness as the foundation, the Company produces products through the combination of "chemical synthesis" and "biotech fermentation" technologies. More than 30 APIs have been successfully developed, including the products that fall into the pharmacological categories of anxiolytics, antidiabetic drugs, gastrointestinal drugs, antifungal agents, antihistamine drugs, antibacterial agents, cardiovascular agents, ulcer drugs, skeletal muscle relaxants, hypolipidemic drugs, anticancer drugs, and immunosuppressants.

According to the "API Operation Standards (Including Biologics) and Interim Incentives" announced by the Ministry of Health and Welfare on April 22, 2005, the hospitals are suggested to adopt preparations with GMP APIs as their prior option and first review those inspected and registered, which are the incentives to encourage API manufacturers to implement GMP. Therefore, the products of CCSB have successively passed the GMP API plant inspection performed by the Food and Drug Administration (FDA), Ministry of Health and Welfare since 2002; a total of 25 products have been approved.

CCSB passed the full cGMP plant inspection for Pravastatin (PRAVA) based biotech plant in December 2005, and passed the full cGMP plant inspections for MMF and Tacrolimus based biotech plant and Dexbromopheniramine Maleate based synthesis plant in May 2011; the inspections were performed by the US FDA. Further, the products have been registered in the DMF Available for Reference on the US FDA's website for the drugmakers to make inquiries. In March, July and November of 2021, the Company satisfactorily passed the plant inspection by the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. In 2021, as the customers and foreign authorities were not able to visit for plant inspections due to the ongoing impact of COVID-19, we offered documents for remote plant inspections and successfully passed the inspections of the customers in Europe, the US, Japan, etc. The Company strictly implements the cGMP system officially recognized by the US, EU and Japan with our cGMP execution and the production and manufacturing regulations. The cGMP requirements for APIs have become increasingly stringent. The Company's cGMP implementation and manufacturing specifications have been recognized and confirmed by our customers and the officials in the US, EU and Japan, which demonstrates that the cGMP level of the Company's manufacturing plant is in line with the standards required by various pharmaceutical companies in the world.

The sales of APIs require DMF registration with the US FDA (including the manufacturing processes, product stability experiments, product specifications, and product impurity analyses). When downstream drugmakers prepare medicine and apply to the health agencies for the drug licenses, the health agencies will review the DMF information of their API manufacturers to make sure the APIs meet the local requirements. So far, CCSB has registered 25 products in the Drug Master File (DMF) of the US FDA, fully showing that the Company is an outstanding API manufacturer. The official plant inspections that the Company has passed are shown below:

Year	Title of Authority	Nation
2002	US Food and Drug Administration (FDA)	The US
2005	US Food and Drug Administration (FDA)	The US
2006	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2007	Korea Food & Drug Administration (KFDA)	Korea
2008	NIP	Hungary
2008	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2009	Koln	Germany
2009	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2011	US Food and Drug Administration (FDA)	The US

2012	Koln	Germany
2013	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2013	PMDA	Japan
2013	Korea Food & Drug Administration (KFDA)	Korea
2014	US Food and Drug Administration (FDA)	The US
2015	Koln	Germany
2015	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2015	COFEPRIS	Mexico
2017	US Food and Drug Administration (FDA)	The US
2017	PMDA	Japan
2018	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2018	US Food and Drug Administration (FDA)	The US
2019	ANSM	France
2020	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan
2021	Taiwan Food and Drug Administration, Ministry of Health and Welfare	Taiwan

4.2 Customer Health and Safety

As a midstream manufacturer in the drug supply chain, CCSB is committed to ensuring the overall drug quality and customer health and safety. In addition to the cautious sample retention control during the internal operations, the Company has also received the “pharmaceutical licenses” for all the drugs externally sold, making sure that the drugs are not incompliant with any regulations or voluntary principles regarding the impacts on health and safety during their life cycle.

4.2.1 Customer Health

CCSB is an API manufacturer in the midstream of the industry. Different drug characteristics require different manufacturing methods, which include biological fermentation, chemical synthesis and extraction and purification or a mixture of these processes. The Company purchases raw chemical materials or intermediates from upstream suppliers based on product requirements, and manufactures APIs to be sold to downstream drugmakers who add in the related excipients to manufacture convenient dosage forms. As APIs possess curative effects, they directly impact the health and safety of medicine users. To ensure the effectiveness and safety of drugs, drug manufacturers in all aspects of the pharmaceutical industry (APIs and formulation) demand strict requirements on the quality of raw materials.

CCSB is engaged in the sales of pure APIs (pure substances) and only sells them after the “pharmaceutical licenses” for such APIs have been obtained to ensure the quality of all products.

4.2.2 Sample Retention Control

For all the products of CCSB, the samples of finished products and important semi-finished products are retained and controlled in batches according to the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), in order to guarantee drug use safety. Through the careful sample retention control and assay procedures, we make sure that the drugs are not incompliant with any regulations or voluntary principles concerning the impacts on health and safety during their life cycle.

4.3 Supplier Management

The suppliers of CCSB are mainly raw material suppliers. As the Company's policy is to purchase raw materials from trustworthy suppliers, specific procedures are adopted to seek and purchase materials as well as managing the raw material suppliers. Such suppliers shall be reviewed and properly audited, with their raw materials tested in the laboratory before being applied to the production.

Regarding the supplier management, the Company implements the supplier evaluation and audit mechanism, producing statistics on the disqualification rate of materials annually to continuously evaluate the quality stability of qualified suppliers and thereby make sure these suppliers provide long-term and steady supply of raw materials that meet the regulations and have high quality in the safety and health aspects. Moreover, it is specified in our "Sustainable Development Best Practice Principles" that when the Company enters into a contract with a major supplier, the contract should set forth the sustainable development policies of both parties to be followed; when the supplier is not in line with the policies, the terms of the contract may be terminated or rescinded at any time. These actions enable the Company to promote sustainable development with the suppliers and achieve the common good between companies and society.

Supplier Evaluation

The supplier evaluation items include the review of the questionnaire completed by the suppliers, sample testing, plant audits and so forth. Those reviewed to be qualified suppliers based on the evaluation are registered on the qualified manufacturer list.

Supplier Audit

To make certain that the suppliers comply with and satisfy the Company's requirements for quality system, etc., the Quality Assurance Department annually arranges the supplier audit plan based on the product risk, data completeness and usual supply quality. On-site audits through which key guidance is given are carried out according to the plan; when any deficiency is found, we immediately request the supplier to provide reasonable goals and a timeframe for improvement.

5 Environmental Sustainability

CCSB believes that environmental protection is as important as the industrial development, and that sustainable coexistence with the environment is the only path to the sustainable development of economy and society. Thus, the Company has proactively adopted different environmental measures to contribute to the environmental sustainability.

5.1 Environmental Investments and Expenditures

CCSB has paid the regular air pollution prevention fees according to competent authority's regulations and submitted online reports on time. For the removal and disposal of waste, the waste is cleaned and recycled based on the industrial waste disposal plan. In addition, dealing with the relevant public affairs in compliance with the competent authority's environmental regulations, we have commissioned qualified removal and disposal companies to clean up the waste and paid the removal and disposal fee. The total expenditure on air pollution, waste disposal, water pollution prevention and toxic chemical disposal in 2021 was NTD 40.18 million.

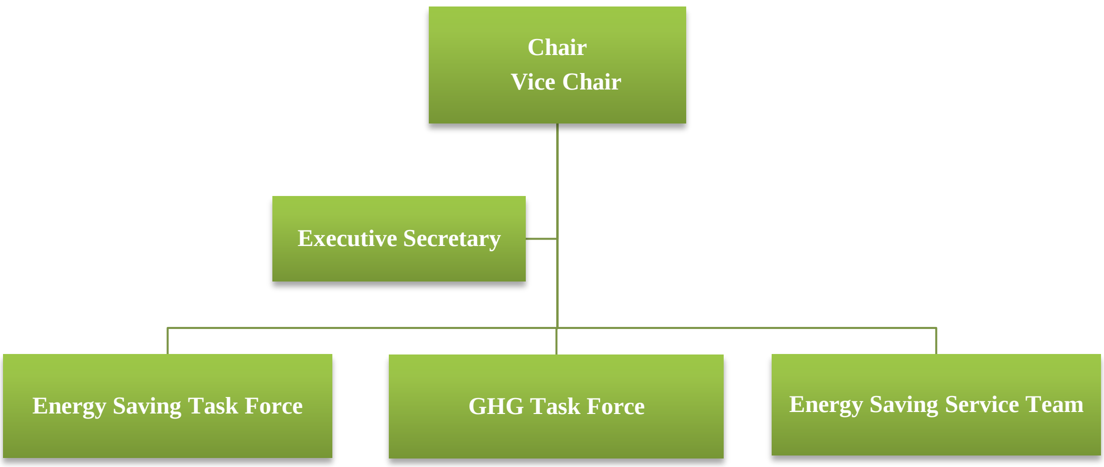
Environmental Expenditures and Expenditures on Environmental Investments in Equipment

Item	Amount of Expenditure (NTD 10,000)	
	2020	2021
Waste	2,867	3,429
Water	506	537
Air	3	38
Toxic Chemicals	3	14
Total Environmental Expenditure	3,379	4,018

5.2 Energy Environmental Management

Climate change is not only likely to cause direct impacts on the business activities through natural disasters, but also likely to bring indirect impacts such as higher raw material prices or disruption of supply. In an attempt to effectively minimize energy costs and further show our determination to stay environmentally friendly, the Company established an "Energy Management System Promotion Committee" in 2016 to promote the work related to energy saving and carbon reduction in the plants. Through the implementation of the Energy Management System Promotion Committee, the Company successfully achieves energy conservation, carbon reduction and continuous improvement.

Energy Management System Promotion Committee



5.2.1 Environmental Protection Mechanism

Environmental Protection Measures

Energy Saving and Carbon Reduction

- Control AC temperature in summer
- Print on both sides to reduce the use of paper
- Unplug the appliances or equipment that will not be used for a long while
- Replace the original oil boilers with gas boilers
- Replace into energy conserving equipment and devices that require low water, energy and heat consumption
- Install inverters in equipment

Water Conservation

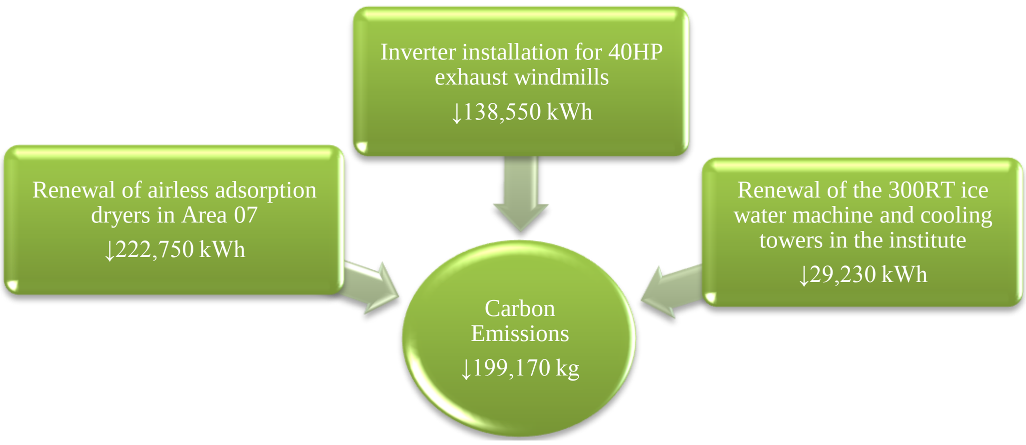
- Promote water conservation
- Adopt water-saving toilets

Waste Reduction

- Implement garbage sorting and set up the recycling area
- Recycle the toner cartridges of photocopiers and printers
- Use environmentally friendly toners
- Print on both sides to reduce the use of paper

Energy Saving and Carbon Reduction

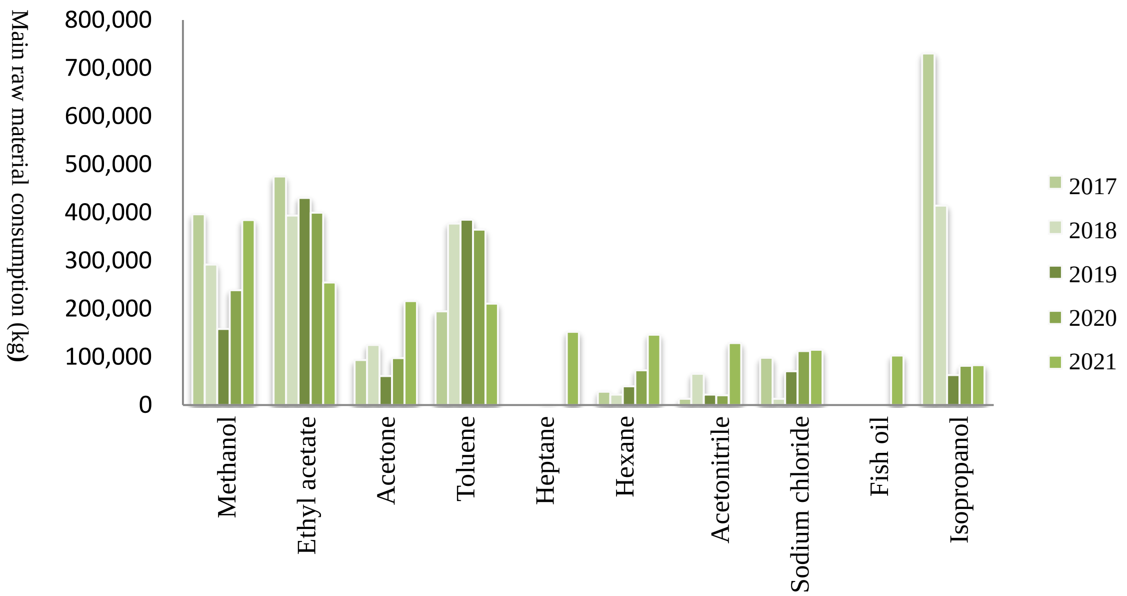
With energy conservation as the method for carbon reduction, CCSB has actively promoted various energy saving plans. The goal is to reduce power consumption by more than 1% every year. The energy saving measures promoted in 2021 have led to a decrease in electricity use by 390,530 kWh and a decrease in carbon emissions by 199,170 kg.

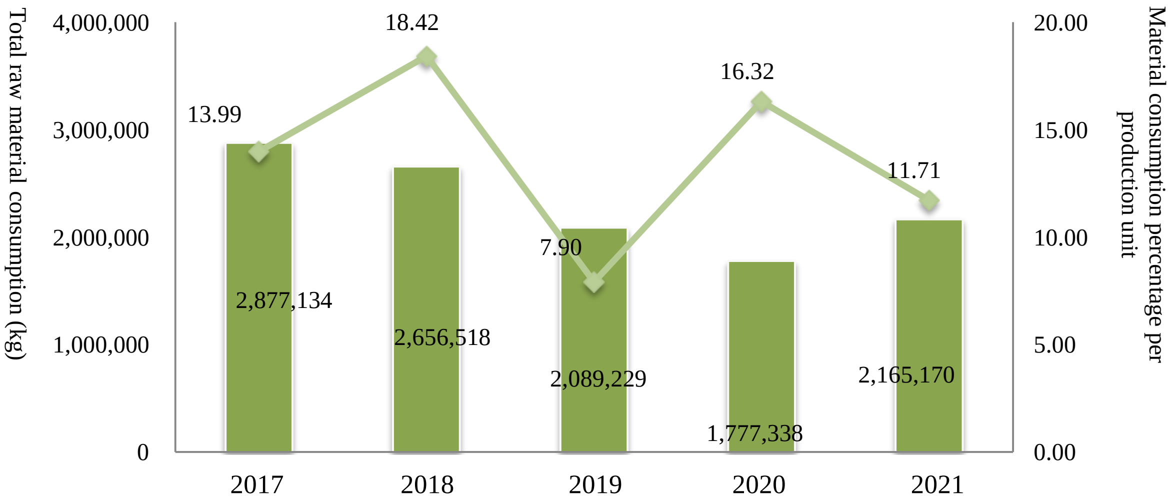


5.2.2 Utilization of Raw Materials

CCSB, a midstream API manufacturer in the industry, makes changes to the API manufacturing processes based on the requirements of the customers' orders. The main processes include the reaction, filtration, crystallization, centrifugation, drying and packaging. Each product requires different order and number of the necessary process facilities according to the process characteristic, and accordingly, the categories and numbers of raw materials used change drastically. There are up to 70 kinds of raw materials and auxiliary materials used by the Company, including ethyl acetate, toluene, methanol and sodium chloride, etc.

With the aim of lowering the material consumption per production unit, the Company has improved the processes and replaced old equipment to reduce the use of raw materials. In 2021, the total use of raw materials reached 2,165 metric tons; the raw material consumption per production unit was about 11.71.



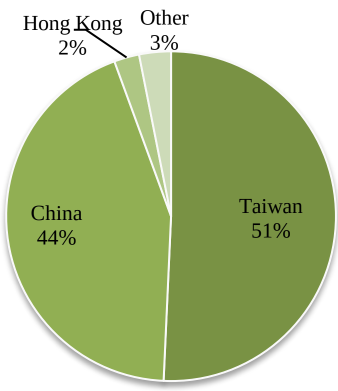


Procurement Management

The raw materials of the Company are all purchased from the manufacturers that have long-term and steady relationship with us and cause no concern about supply shortage. In recent years, no suppliers have run into supply shortage, and the Company has worked with two or more suppliers for each major material to ensure the stability of supply and significantly reduce the risk of purchase.

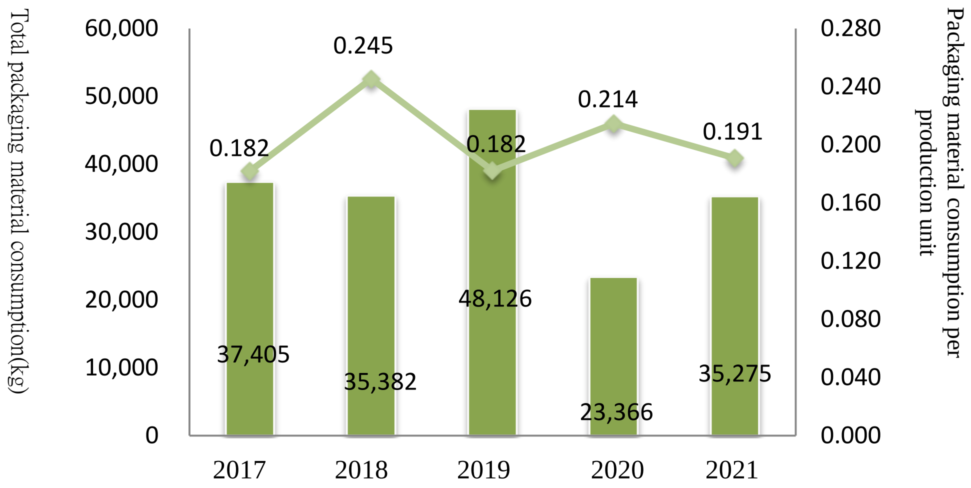
"Local procurement and local supply" is the principle of the Company. However, as there are only few basic chemical materials produced in Taiwan, the imported materials purchased by the Company have accounted for 49%. In addition, the Company is committed to the carbon reduction in the supply chain. To cut GHG emissions by shortening the travel distance of material transportation, our main suppliers are mostly located in the nearby countries in Asia, including China and Hong Kong. Regarding the proportion of the Company's procurement in these countries calculated based on the purchase amount in 2021, Taiwan had the highest proportion (51%), followed by China (44%). Please refer to the figure on the right side.

Regions Where the Suppliers are Located



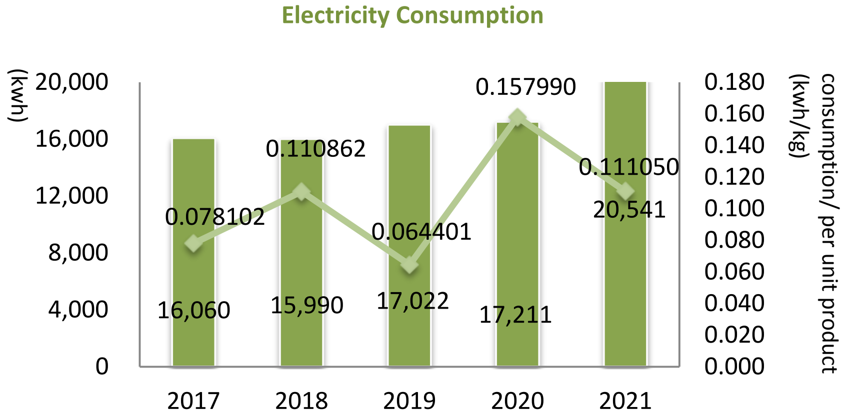
5.2.3 Utilization of Packaging Materials

As an API manufacturer in the midstream of the industry, CCSB packages the APIs after producing them, and sells them to the downstream medicine preparation plants for processing. As a result, the bulk packaging materials used include different kinds of cardboard boxes, cardboard drums, anti-static plastic bags, HDPE plastic drums and iron drums, etc. In 2021, the total packaging material consumption was 35.3 metric tons. If calculated based on the total production amount of 184,974 kg in 2021, the packaging material consumption per production unit would be around 0.191.



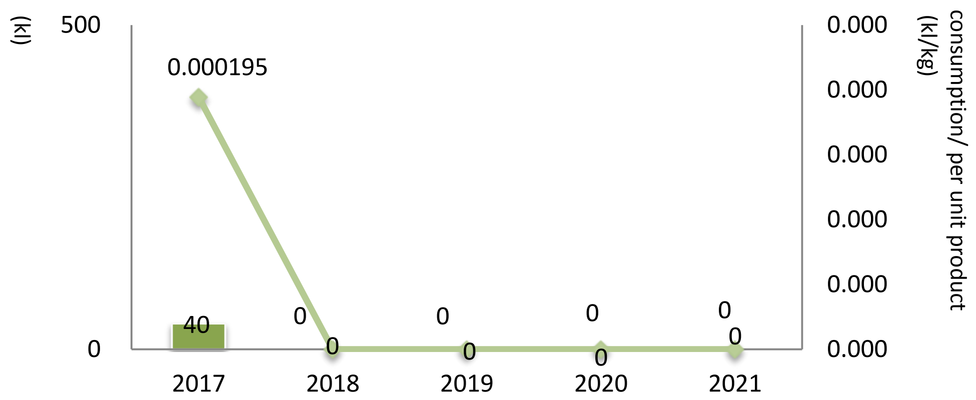
5.2.4 Utilization of Energy

CCSB produces generic drugs (non-patented drugs) of "chemical synthesis" and "biotechnology" types. The dedicated plant covers 10,000 *ping*. In 2021, the total electricity consumption reached 20,541 MWh.

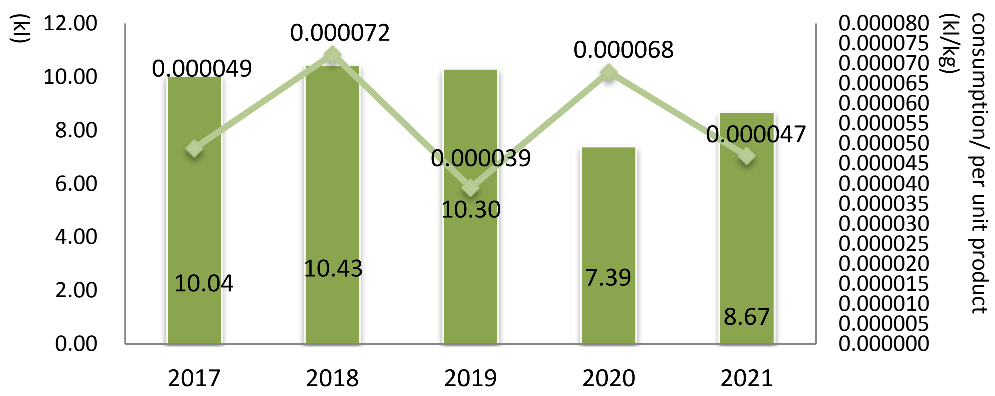


The Company uses boilers to produce steam for the manufacturing processes. We have progressively replaced the heavy oil-fueled boilers with natural gas boilers that cause less pollution since 2016. Hence, since 2016, our total use of heavy oil has significantly dropped, and since 2018, we have fully stopped the use of heavy oil. Our total natural gas consumption in 2021 was approximately 1,904,000 cubic meters. Diesel fuel is mainly used for the equipment like emergency generators and forklifts; the emergency generators are only operated during power outage, regular maintenance, or emergencies. In 2021, the total diesel fuel consumption was around 8.67 kL.

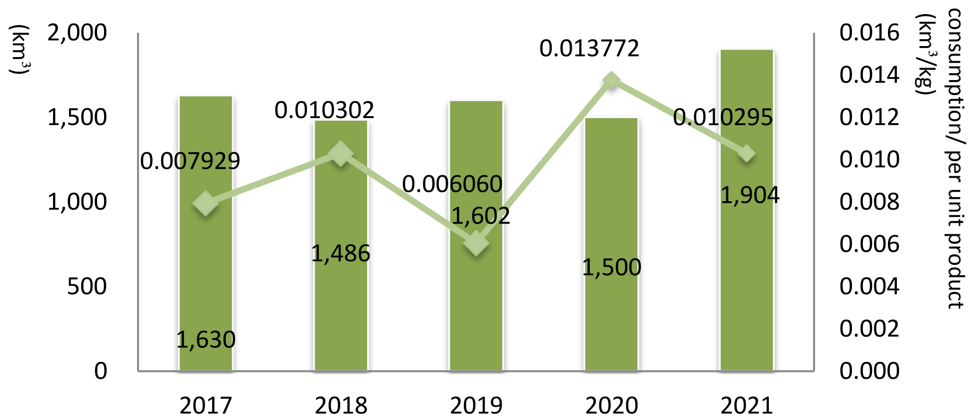
Heavy Oil Consumption



Diesel Oil Consumption



Liquefied Natural Gas Consumption
(Starting in 2016, we use LNG for our direct energy)



5.3 Pollutant Discharge and Prevention

5.3.1 GHG Emissions

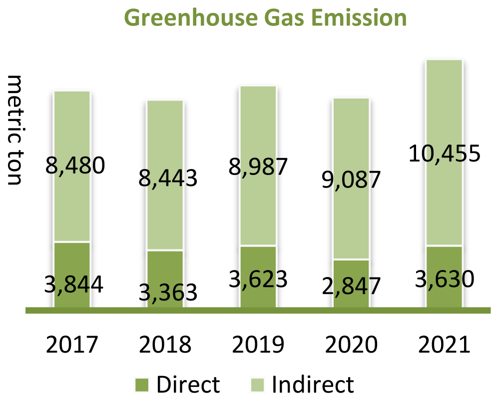
The increasing global warming and greenhouse effect have made considerable impacts on the ecological environment and human survival. As people at home and abroad have placed more and more emphasis on the issue of regulating GHG emission control, the Company, though not included in the regulated implementation and thus having no need to disclose relevant information on a regular basis, still proactively conducts its own greenhouse gas inventory for Category 1 and Category 2 and continues to pay attention to changes in domestic and foreign laws and regulations to make sure of the trends and respond accordingly before it becomes too late. In 2021, the GHG emissions of the Company totaled 14,085 metric tons.

Category 1
Direct Emissions

- Stationary combustion: Liquefied natural gas, fuel oil
- Mobile combustion: Diesel fuel
- Emissions from the process: None
- Fugitive emissions: Septic tank

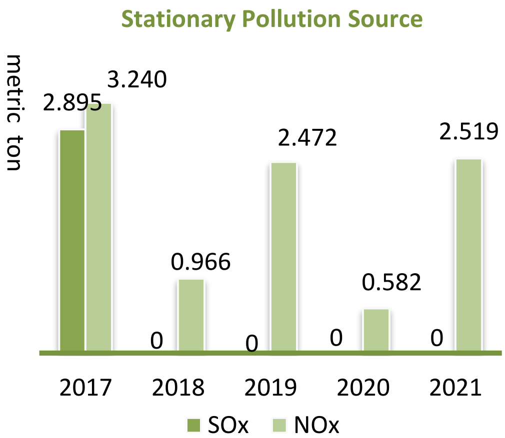
Category 2
Indirect Emissions of Energy

- Purchased power



5.3.2 Disposal of Air Pollutant

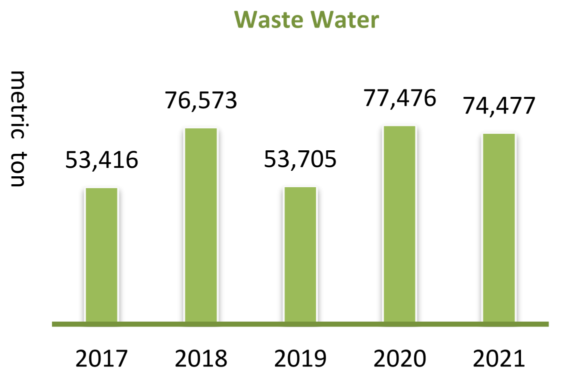
CCSB operates and maintains the equipment for stationary pollution source prevention in accordance with the stationary pollution source operating permit, and performs regular inspection pursuant to the regulations, so that the concentration of air pollutants can be minimized and the regulatory standards can be met. For the purpose of effectively reducing the air pollutant emissions, we have progressively replaced the oil-fueled boilers with natural gas ones since 2016. Therefore, no sulfur oxides (SOx) and particulate matters are produced in the combustion process, and the emission of nitrogen oxides (NOx) is greatly reduced as well. The Company's emissions from the stationary pollution sources in 2021 totaled 2.519 metric tons. To continuously reduce air pollutant emissions, we will keep on improving the machines and equipment in the future so as to cut the emissions of air pollutants.

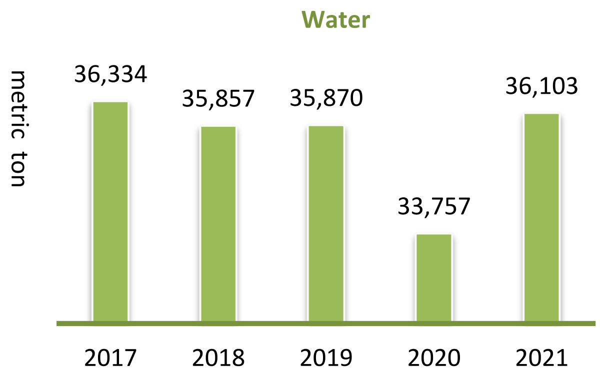


5.3.3 Water Resource Management and Wastewater Treatment

Regarding the API production of the Company, the manufacturing processes are changed based on the requirements of the customers' orders. Each product requires different order and number of the necessary process facilities according to the process characteristic. The categories and numbers of raw materials used also change drastically, that is, the solvents and API starting materials used vary from product to product due to the response characteristics. Consequently, the categories and amount of wastewater greatly change. The wastewater is mainly the process wastewater produced when the aqueous phase and the organic phase are extracted and separated after organic synthesis. Such wastewater is likely to contain organic solvents in amounts of 20–40%, including the chemical substances such as acetone, ethanol, ethyl acetate, methanol, butanol, toluene, tetrahydrofuran, etc. During the manufacturing processes, mineral salts like sodium chloride, acids, bases, metals, salts, and catalyst might be added as well. In addition, the wastewater also contains a variety of organic compound materials, intermediates and finished products, etc.

The wastewater treatment equipment has been set up in the plants. The wastewater and sewage produced during the process will be guided to the treatment tank in a plant for precipitation; later, the water will be discharged out of the plant when it meets the national water quality control standards. Qualified inspection companies are commissioned for related inspections to ensure that the wastewater discharge standards are met. In 2021, the total amount of treated wastewater was 74,477 metric tons.

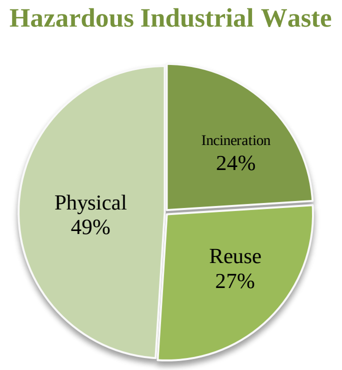


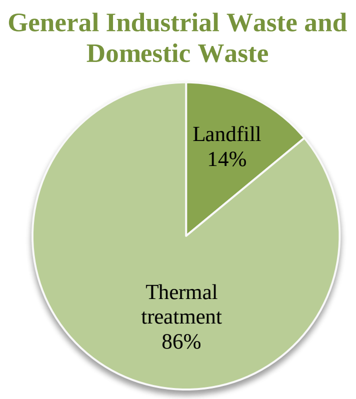


5.3.4 Waste Disposal

Since the solvents and API starting materials used by the Company for API production vary due to the response characteristics, the categories and amount of produced liquid waste may greatly change. The hazardous industrial waste discharged by the manufacturing plants is mainly composed of organic liquid waste and inorganic liquid waste. The liquid waste storage areas have been set up in the plants, and we have commissioned professional and legally recognized cleanup companies to deal with the waste. 49% of the waste was disposed of through physical treatment, 27% was reused, and 24% was incinerated.

The general industrial waste includes the domestic waste, organic sludge, mixtures of general waste chemical substances, waste iron, waste paper, waste activated carbon, etc. We have commissioned qualified and professional environmental companies to dispose of such waste by landfill and thermal treatment.



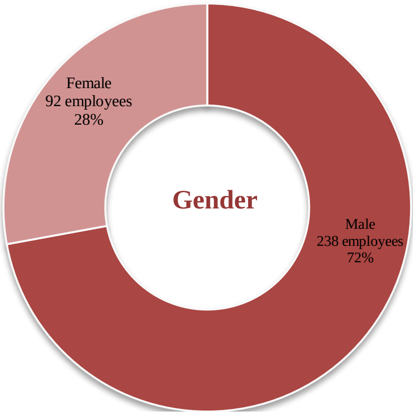


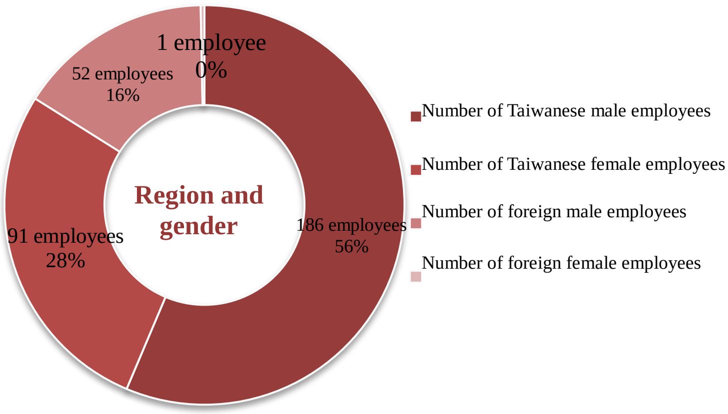
6 Employee Care

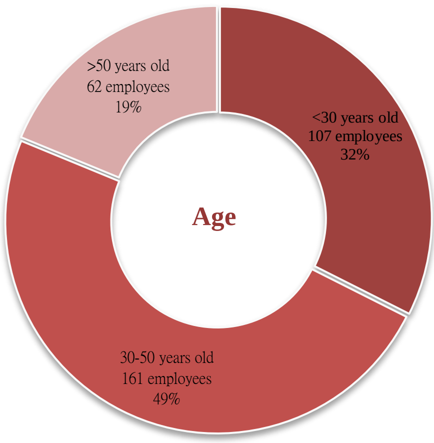
"Employee care" is an absolutely essential element that CCSB is duty-bound to ensure for sustainable development. Regarding the employees as the most important asset that worth the Company's greatest attention, we have created a safe work environment with equal opportunities and rights guaranteed and thorough training, salary and welfare systems adopted, providing the employees with channels for career development and self-fulfillment.

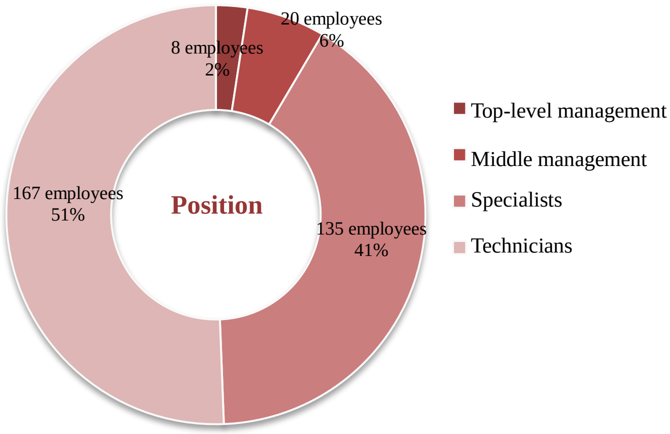
6.1 Composition of Employees

CCSB complies with labor-related laws for the employee recruitment and employment. We mainly hire local people, and recruit through transparent selection procedures with equal opportunities as the principle; the race, religion, skin color, nationality, age, gender, gender orientation or disability are not taken into account. Child labor is prohibited, and the Company hires people based on their ability and matches them to appropriate positions. The Company also protects minority groups such as foreign workers, female staff, vegetarians and the underprivileged, respecting their needs in daily activities and religions. These codes of conduct are clearly displayed in the Company's policies and regulations and the relationship between supervisors and subordinates. As of the end of 2021, there were 330 employees in the Company, including 277 local employees and 53 foreign employees. They were all full-time employees; aside from the Taiwanese, we had employees from India, Indonesia, Malaysia, etc. Regarding the on-site operators, the male employees accounted for a higher ratio due to the industrial characteristics and on-site operational processing requirements. The male employees made up 72% of the total number employees, while the female employees made up 28%. The female supervisors accounted for 22%. All of them were full-time employees.









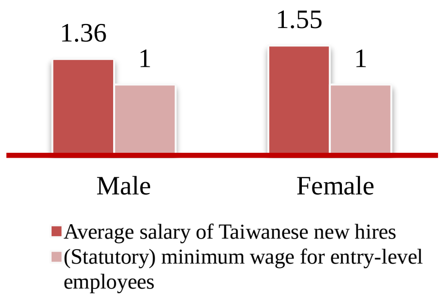
Through performance management, CCSB takes the performance evaluation results as the basis for bonus distribution and remuneration adjustment, and implements a fair promotion system to provide the employees with channels for career development as well as self-fulfillment and further boost employee retention. In 2021, 37 employees resigned; if the foreign employees returning to their countries due to the completion of employment period are excluded, it would be 30 employees resigning. The turnover rate was 9.7%, with males accounting for 83% and females accounting for 17%. To keep in line with the requirements of the Company's business and organizational development, 60 new hires were employed in 2021, with males making up 82% and females making up 18%.

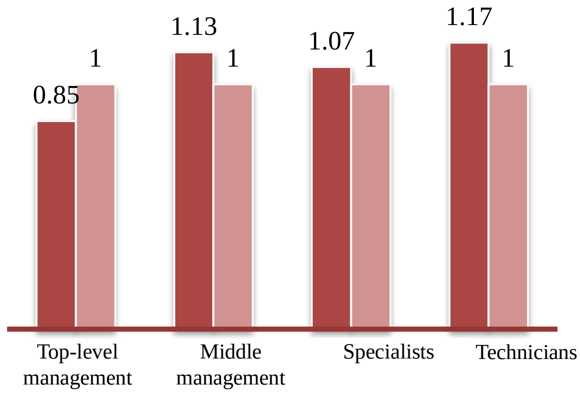
6.2 Labor-management Harmony

6.2.1 Thorough Remuneration System

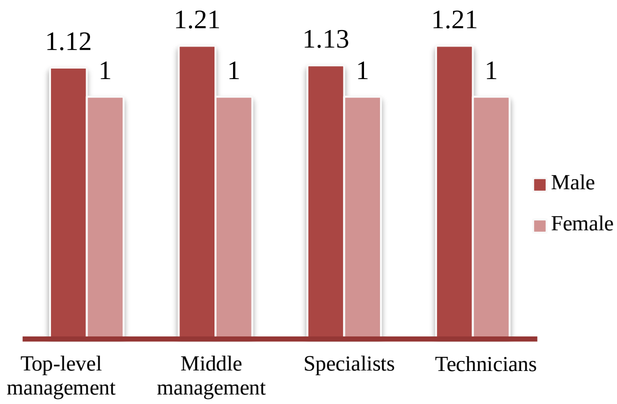
The Company recruits newly hired employees by offering wages that are more than the minimum wage level promulgated by the Ministry of Labor, and attracts superior talents to join the Company with a competitive overall salary system (with the ratio of the average salary of our Taiwanese new employees to the minimum wage specified in the Labor Standards Act being 1.36–1.55:1 in 2021) to stay competitive in the overall aspects. Employee remunerations are based on education, experience, job position held, market standards, and personal performance. There shall be no differential treatment with regard to gender, race, religion, political stance, place of birth, registered residency, disabilities, marital status, etc. The ratio of the starting salaries for male and female newcomers with the same conditions is 1:1; there is never any bias due to gender.

Ratio of Salary





Ratio of Average Basic Salary of Taiwanese Employees



Ratio of Average Remuneration of Taiwanese Employees

The year-end bonus and remuneration adjustment of the same standards are annually determined for all the full-time employees based on the Company's overall operations. This helps encourage the entry-level employees to be continuously dedicated to their work and specialties and enhance the Company's business performance. The means and medians of the salary for full-time employees in non-managerial positions in 2020 and 2021 are shown below:

Item	2020	2021
Number of full-time employees in non-managerial positions (person)	279	307
Mean of salary for full-time employees in non-managerial positions (NTD)	962,678	961,044
Median of salary for full-time employees in non-managerial positions (NTD)	859,294	848,172

6.2.2 Comprehensive Benefits

Being a great family with human-centered values, CCSB places considerable importance on the employees' work environment, treatment and benefits. Thus, we have developed the employee dividend system and various incentive mechanisms to enhance the management and operation efficiency and further achieve the goal of profit sharing. In order to build up a quality work environment, the Company provides the employee cafeteria, dormitories, free parking lot, and other convenient facilities. In terms of the recreation and leisure activities, the Company has jointly held the sports games and family days with affiliates since 2009. Aimed at the employees and their family members, these events facilitate the employees' rapports with their family members and promote their recognition as well as understanding of the Company.

In addition to the matters specified by the Labor Standards Act and relevant laws and regulations, CCSB has also organized health checks for the employees, established the Employee Welfare Committee, planned for the annual employee benefits and managed the benefit payment balance. The Employee Welfare Committee, consisting of passionate employees recommended by different units, develops generous benefit measures for the employees. The following are some examples:

Benefit Measures of the Employee Welfare Committee

- Company trips and recreation activities
- Gifts for four main national holidays (Lunar New Year, Labor Day, Dragon Boat Festival and Mid-Autumn Festival)
- Birthday gifts
- Gifts for weddings
- Gifts for newborn babies
- Gifts for retirement
- Consolation for medical care
- Funeral consolation
- Scholarships for employees’ children
- Diversified clubs with activity subsidies provided

Benefit Measures of the Company

- Incentive of 100% ESOP (Employee Stock Ownership Plan) for employees having served for one year
- Basic guarantees of labor insurance, national health insurance and pension
- Free health checks: Regular general health examinations and special operation health checks each year for existing employees
- Free group insurance
- Paid holidays according to law
- Staff dormitories for employees living far from work
- Meals: Meals ordered by the Company; NTD 42 subsidized by the Company for each person while NTD 28 paid per employee
- Summer and winter uniforms, work safety shoes and sportswear distributed annually
- Free employee parking lot
- Breastfeeding rooms for female employees
- A dedicated nurse, a contract physician, and a nursing room

Club Activities

Yoga Club, Slow Softball Club, Table Tennis Club, Golf Club, and Soft Fire Makes Sweet Malt Club

Trips

Arrangement of Maternity Workplace

We have set up breastfeeding rooms with comprehensive functions to provide the employees who are also mothers with safe and reassuring environment for breast milk collection and storage.

Unpaid Parental Leave

Applications for Parental Leave in 2021	Male	Female	Total
Number of employees qualified for applying for unpaid parental leave in 2021	2	3	5
Number of employees who actually applied for unpaid parental leave in 2021	2	2	4
Number of employees expected to be reinstated in 2021 after unpaid parental leave	2	2	4
Number of employees reinstated in 2021 after unpaid parental leave	2	2	4
Number of employees reinstated and continuously working for one year after unpaid parental leave in 2020	1	0	1
Number of employees reinstated in 2020 after parental leave	1	0	1
Unpaid parental leave application rate (%)	100%	67%	80%
Reinstatement rate after unpaid parental leave (%)	100%	100%	100%
Retention rate after unpaid parental leave (%)	100%	-	100%

6.2.3 Labor-management Communication

The Company values the employees' opinions, and makes efforts to build an environment for open communication, maintain good communication methods and ensure harmonious labor-management relations. On September 8, 2004, we established the Labor-management Committee consisting of five elected labor representatives and five appointed management representatives. The labor and management representatives hold labor-management conferences every three months to encourage the employees to voice their opinions in an open and transparent manner at any time. The matters discussed in the meetings include the review of the implementation status of the resolutions in the last meeting, labor dynamics, production plans, operation overview, other matters to be reported, extempore motions, etc. The supervisors and related departments are required to give prompt responses in order to achieve the goal of two-way communication and labor right protection. In 2021, the Company convened four labor-management conferences on March 30, June 28, September 30 and December 16, respectively. Whenever the Company has made any major business decisions, briefings are also held to explain such matters to the employees. There were no labor disputes in 2021.

New Recruit Symposiums

In order to help the new hires get used to the Company's environment and culture better, new recruit symposiums are organized. Aside from responding to the questions and understanding their requirements, the Company also allows the new hires from different departments to interact and share opinions with each other through the symposiums so that they are able to adapt themselves to the workplace faster and carry out their work more smoothly. In 2021, the Company convened two new recruit symposiums on November 11 and November 12, respectively.

Number of Labor Disputes

Item	2017	2018	2019	2020	2021
Number of employee complaints notified by the government letters and labor dispute mediation cases	3	0	0	0	0
Number of cases solved and closed	3	0	0	0	0

Note: The labor dispute mediation refers to the mechanism of intervention by an impartial third party that the employee applies to the Labor Affairs Bureau for to deal with the matter through external mediation.

6.2.4 Smooth Complaint Channels

The Company attaches great importance to the smooth flow of the Company's internal communication channels. In addition to holding various meetings that can strengthen adequate communication among the different departments, the Company also encourages the employees to share various opinions or suggestions to their direct supervisors or department heads. A "President Mailbox" is also available in the employee public space for the employees to report any problems with the Company's operations and current status or provide improvement suggestions. This mailbox can be used anonymously or by name, and the President personally handles the complaints. To ensure that all the employees are aware of this communication channel, related information is provided in the job descriptions of newcomers so that they may speak freely at all times. There were no internal complaints in 2021.

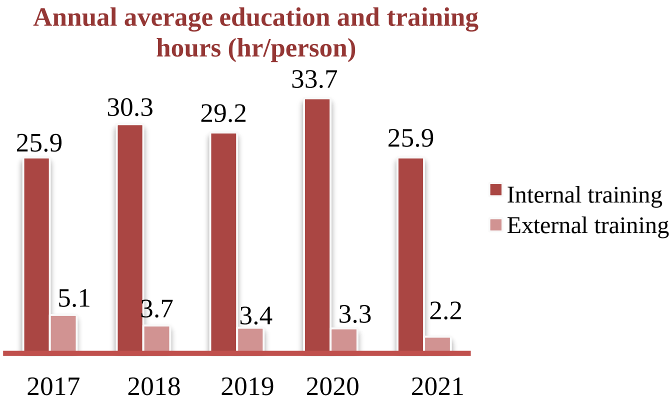
For the online communication channels, the "CCSB Employee Discussion Forum" has been established in the Notes system. It serves as a platform for announcements and for employees to voice their opinions and concerns. In addition, the employees can file complaints via "Stakeholders' Area" of the Company's website. The management will conduct investigation and handle issues in accordance with the relevant regulations to protect the interests of the Company and employees.

6.3 Training and Education

Item	2020		2021	
	Hours of Training	Average Man-hour	Hours of Training	Average Man-hour
Male	8,986	40.7	7,233	30.4
Female	2,377	27.6	2,037	22.1
Total	11,363	37.0	9,270	28.1

Universal Education and Training

To enhance the employees' professional and technical capabilities and improve work efficiency and product quality, the Company provides an Annual Education and Training Plan according to the work requirements. In addition to conducting the employee training based on the plan, internal courses on management and professional skills are provided from time to time. The employees are also sent to external organizations to receive training to strengthen their professional capabilities. In 2021, the total expenditure for the training and education for new hires and existing employees was NTD 224,000. The types and details of the Company's education and training are described below:



Education and Training for New Hires

We help new hires learn about the work environment, understand the Company's regulations and history, pay attention to work safety and know the work of every department, environmental management substances, professional capabilities and requirements, labor laws, safety and health training and cGMP training, so that they can understand and evaluate the environment and policies better. In 2021, a total 6 education and training sessions on general safety and health were held, with a total of 39 participants. A total of 6 education and training sessions on chemical hazards were held, with a total of 39 participants.

Education and Training for Existing Employees

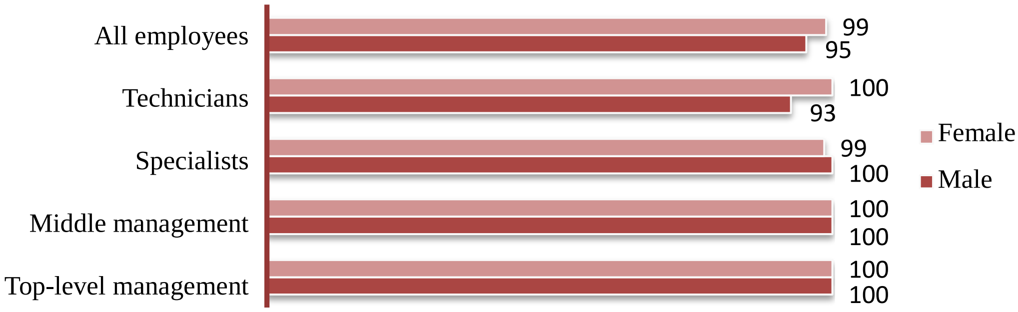
The Company conducts training based on the education and training program every year, providing education on the existing task and position and knowledge and skills needed for additional specialty so that they can perform better in their positions. The Company's professional licenses in the safety and health category include: organic solvent supervisor, specific chemical operation supervisor, anoxic operation supervisor, forklift operator, stationary crane operator, boiler operator, specific high-pressure equipment operator, fire protection management personnel, security personnel, first aid personnel, and so on. In 2021, 12 people received in-service training, 8 received training for new trainees, 79 received in-service education training on confined space, 19 received education training on site supervisor safety and health, 65 received education training on general safety and health, 9 received education training on hazard identification and safety and health, and 22 received rescue drills on confined space operational accidents.

Education and Training for Contractors

In conjunction with the provisions in the Occupational Safety and Health Act, the "Contractor Operation Management Guidelines" have been set up. In 2021, 68 people received education training implemented for contractors entering the factory for operation. They were also informed of the hazards to prevent the occurrences of work hazards and maintain work environment safety.

Regular Performance Evaluation

The Company determines the remuneration for the Taiwanese employees through the remuneration system structure of “high performance, high contribution, high remuneration.” Therefore, the remuneration of an employee is determined based on the employee’s experience, contribution, etc.; there is never differential treatment due to the age, gender, race, and religion.



Regular Performance Evaluation Rate (%)

6.4 Healthy and Safe Workplace

Employee Health Management

Since the employees are the essential asset of CCSB, while striving for a higher corporate value, we attach importance to the employee health management and promotion. With taking care of the employees’ health as a starting point, we look forward to creating a sustainable corporate culture of health, thereby fulfilling the corporate social responsibility. We provide the current employees with free regular health checks annually, which is better than the requirements of the regulations related to occupational health and safety. Also, we have devised appropriate health check plans according to the operational environment characteristics, including the special operation health checks, to discover potential and existing health problems early. By providing thorough health care as well as creating friendly workplace, we aim to establish the structure of a corporate with well-being. A total of 253 people took the health checks in 2021, including 62 people who took special operation health checks (for those who handle specific chemicals).

Nursing Room

Employee Healthcare

In order to strengthen workplace health services and enhance the quality of employee health, a nurse and a contract physician have been appointed to regularly provide in-factory services, including health consultation, healthcare, occupational disease prevention, exceptional workload, human-induced hazard prevention, work resumption assessment, and other health management and health promotion work. Meanwhile, in-factory nursing room has been established. There are health measurement instruments such as height and weight scale, forehead thermometer and blood pressure monitor, and first aid kit for primary treatment when any slight accident takes place.

Operation of Safety and Health Organization

According to the “Occupational Safety and Health Act,” to let the employees know the importance of occupational safety and health, overview on work environment, hazardous factors behind occupational disasters, regulations pertinent to labor safety and health, and the correct way to use various related protective gears, lectures and training courses about labor safety and health are necessary so that the disasters can be avoided and labor safety and health can be ensured.



CCSB believes that maintaining good safety and health management is not only what a company should do to take care of the employees and their families, but also the direct feedback we promised to give to the neighborhoods, communities and society. In order to maintain the safety and health of employees, the Department of Safety and Health has been established, and two occupational safety and health administrators are prepared to handle occupational safety and health affairs. With a view to protecting the health and safety of all the employees at the workplace, the Company has taken the following protection measures:

Environmental Safety and Health

- The Company maintains strict access control day and night and is in contract with a security firm to provide office and plant security.
- Smoking is prohibited within the factory floor. Full-time cleaners are hired to clean the office space, factory and warehouses.
- In accordance with the occupational safety and health guidelines, the Company commissions professional inspection agency to check the industrial lifts and elevators every six months and issue certificates. Industrial lift vendors are hired to perform professional inspections and maintenance of lifts on a monthly basis.
- Professional inspection agency is commissioned to handle the inspections and maintenance of boilers, high-pressure equipment and Class 1 pressure vessels once a year and issue certificates.
- In accordance with the occupational safety and health guidelines, all the responsible departments conduct daily, monthly, quarterly, semi-annual or annual inspections of forklifts, lifts, ventilation system, storage tanks, high- and low-voltage electrical equipment, firefighting equipment, etc., and carry out maintenance and checks based on the inspection plans.
- In accordance with the requirements of the “Occupational Safety and Health Act,” specialized testing organizations are invited to perform chemical exposure assessment in the production areas every six months to ensure the employees’ health.
- The employees are given personal protective gears which include goggles, protective clothing and gloves, work safety shoes, respiratory protection equipment and others, and they are required to wear the gears in their daily work.

Fire Safety

- The Company has set up sound fire protection system in accordance with the provisions of the Fire Services Act, including an alarm system, fire protection water system, escape system, fire extinguisher and the like.
- In accordance with "Fire Services Act" and regulations for environmental protection, the Company has organized emergency response teams and installed emergency and rescue equipment. Drills related to firefighting, toxin control and air emergencies are performed every six months so that the employees can be familiar with the use of fire protection system and escape system.
- Every year, we commission professional fire protection inspectors to carry out the fire safety inspection.

Education and Training

- Education and training for new hires: We provide general safety and health training for new hires, explaining the harmful and hazardous substances and related matters to be noticed so as to prevent the occurrence of occupational accidents.
- Education and training for existing employees: These include education training on confined space, education training on site supervisor safety and health, education training on general safety and health, education training on hazard identification and safety and health, and rescue drills on confined space operational accidents. Furthermore, the operation supervisor for handling organic solvents, operation supervisor for specific chemicals, operation supervisor for anoxic treatment, forklift operator, stationary crane operator, boiler operator, high-pressure equipment operator, fire protection manager, security and safety monitoring staff, first-aid personnel and others have been assigned. They have been granted with specialized licenses and retrained in accordance with the regulations.
- Education and training for contractors: In accordance with the "Occupational Safety and Health Act," the "Contractor Operation Management Guidelines" is formulated to perform education and training with and to notify contractors when they come to the factory so as to prevent potential disasters from occurring and to maintain work environment safety.

Health Checks

- Health checks for the employees responsible for special operations are provided every year.
- Health checks for all the employees are provided every year.

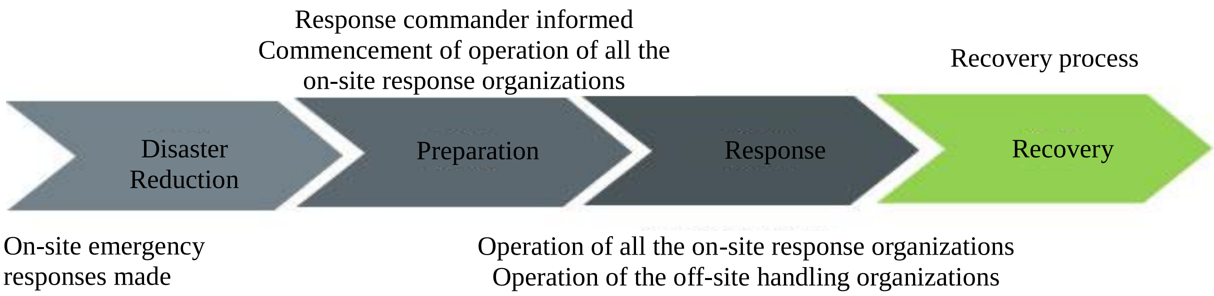
Statistics on Occupational Disasters

The Company had one occupational disaster case in 2021. It was a traffic accident during commute to work, and one employee was injured. In response to the traffic accident during commute to work, we have enhanced the promotion of traffic safety to increase employees' awareness of daily safety and emphasize the importance of driving safety, in order to reduce the incidences of occupational accidents.

Year	2017	2018	2019	2020	2021
Disabling injury (person)	5	3	8	5	1
Disabling injury (case)	5	3	8	5	1
Death toll	0	0	0	1	0
Average days lost due to a disabling injury (days)	8.9	1.4	4	6000	-
Disabling injury frequency rate	7.88	4.79	1.79	1.80	-
Disabling injury severity rate	70.17	11.17	7.17	10,770.87	-

Note: The work hours lost due to the traffic accidents during commutes to and from work are not included in the statistics of work hours related to the disabling injury.

Emergency Response Mechanism



Emergency response is the last line of defense for safety and security. The response mechanism includes four stages, which are disaster reduction, preparation, response, and recovery. To enhance our employees' emergency response capability for emergencies, emergency response plans have been developed. Every year, the Company performs regular emergency response drills with specific topics to boost the experience in response practices. We also correct and review the deficiencies year after year to make the emergency response plans more complete and practical for the current state so that the crises arising in the plants can be tackled at once and the damage and subsequent impacts caused by the crises can be mitigated. On December 17, 2021, the drills on fire protection, prevention of toxic chemical-induced disasters, and unexpected air emergencies were conducted with a total of 36 people participating.

Disaster Prevention Drills

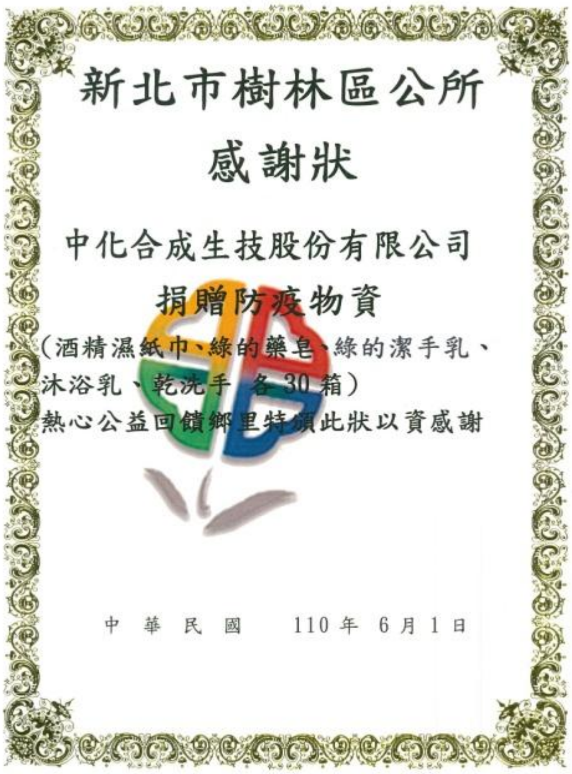
7 Public Welfare

To stick to the philosophy of giving back to society what we take from it, CCSB establishes friendly relationships with neighborhoods and communities in an active manner. Engaging in the long-term development of relationships with the neighborhoods, promoting community care events continuously and taking part in charity donation events, we contribute to and show our care for the place and society.

7.1 Community Participation

In order to build good relationships with neighborhoods and communities, CCSB engages in the long-term development of relationships with the neighborhoods and sponsors community workshops. Committed to continuous promotion of relevant community care events in the future, we contribute to and show our care for the place. With the continued COVID-19 threat all over the world in 2021, the Company donated anti-pandemic supplies such as hand soap and hand sanitizers to the local district office and fire department and dispatched relevant personnel for epidemic prevention based on the altruism, offering support to the epidemic prevention and people's health in Taiwan.

Donation of Anti-pandemic Supplies


新北市樹林區公所

感謝狀

中化合成生技股份有限公司

捐贈防疫物資

(酒精濕紙巾、綠的藥皂、綠的潔手乳、沐浴乳、乾洗手 各30箱)

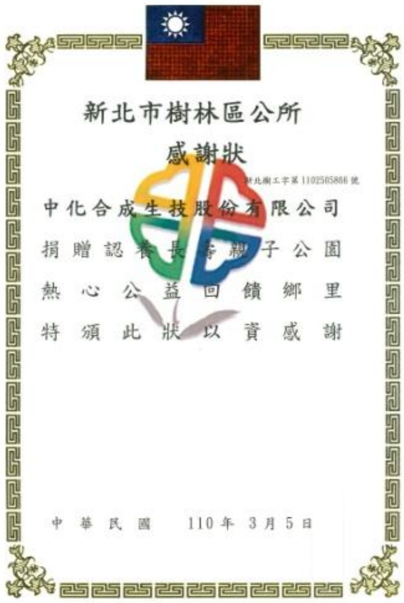
熱心公益回饋鄉里特頒此狀以資感謝

中 華 民 國 110 年 6 月 1 日

7.2 Public Welfare

Long-term Park Adoption

Aside from being devoted to the business operations, CCSB also makes plans for assisting communities and puts such plans into practice to enhance the health and safety of communities. In 2003, the Group's affiliate, CCPC, turned its old factory with an area of 11,049 m^2 in Shulin into a community park in response to the changes in the industrial park. The community park was donated to the government of Taipei County (now New Taipei City), and in order to extend the affiliate's contribution to the place, the Company has adopted the "Longevity Parent-Child Park" for 15 consecutive years since 2007. NTD 500,000 is donated every year to maintain the life and environmental quality of communities.


新北市樹林區公所
感謝狀
新北樹工字第1102505888號
中化合成生技股份有限公司
捐贈認養長壽親子公園
熱心公益回饋鄉里
特頒此狀以資感謝
中華民國 110年 3月5日

Charity Donation

- NTD 2 million was donated to the Wang Ming-Ning Memorial Foundation.
- NTD 100 thousand was donated to the China Chemical and Pharmaceutical Concern Society.

Appendix: GRI Standard Index

GRI Standard		Disclosure		Chapter in the Report	Page	Note
Universal Standards						
GRI 102: General Disclosures 2016	Organizational profile	102-1	Name of the organization	1.1 Report Overview	4	
		102-2	Activities, brands, products, and services	2.1.2 Main Products and Markets	15	
		102-3	Location of headquarters	2.1.1 Company Overview	15	
		102-4	Operational sites	2.1.1 Company Overview	15	
		102-5	Ownership and legal form	2.1.1 Company Overview	15	
		102-6	Markets served	2.1.1 Company Overview	15	
		102-7	Scale of the organization	2.1.1 Company Overview 2.1.2 Main Products and Markets 2.1.4 Shareholder Structure	15 15 17	
		102-8	Information on employees and other workers	6.1 Composition of Employees	40	
		102-9	Supply chain	5.2.2 Utilization of Raw Materials	33	
		102-10	Significant changes to the organization and its supply chain	-		No significant difference
		102-11	Precautionary principle or approach	3.2 Risk Management	22	
		102-12	External initiatives	2.3 Participation in Associations	18	
		102-13	Membership of associations	2.3 Participation in Associations	18	
GRI 102: General Disclosures 2016	Strategy	102-14	Statement from senior decision-maker	From the Chairman	2	
		102-15	Key impacts, risks, and opportunities	3.2 Risk Management	22	
	Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	3.4 Culture of Integrity and Ethics	25	
	Governance	102-18	Governance structure	3.1.1 Board of Directors 3.1.2 Remuneration Committee 3.1.3 Audit Committee	20 21 21	
	Stakeholder engagement	102-40	List of stakeholder groups	1.2 Identification and Management of Material Issues of Stakeholders	5	
		102-41	Collective bargaining agreements	6.2.3 Labor-management Communication	44	
		102-42	Identifying and	1.3 Identification and	6	

GRI Standard			Disclosure	Chapter in the Report	Page	Note
			selecting stakeholders	Management of Material Issues of Stakeholders		
		102-43	Approach to stakeholder engagement	1.3 Identification and Management of Material Issues of Stakeholders	6	
	Reporting practice	102-44	Key topics and concerns raised	1.3 Identification and Management of Material Issues of Stakeholders	6	
		102-45	Entities included in the consolidated financial statements	1.3 Identification and Management of Material Issues of Stakeholders	6	
		102-46	Defining report content and topic boundaries	1.1 Report Overview	4	
		102-47	List of material issues	1.3 Identification and Management of Material Issues of Stakeholders	6	
		102-48	Restatements of information	---		No restatement of information
		102-49	Changes in reporting	---		No significant changes in the issues and boundaries
		102-50	Reporting period	1.1 Report Overview	4	
		102-51	Date of most recent report	1.1 Report Overview	4	
		102-52	Reporting cycle	1.1 Report Overview	4	
		102-53	Contact point for questions regarding the report	1.1 Report Overview	4	
		102-54	Claims of reporting in accordance with the GRI Standards	1.1 Report Overview	4	
		102-55	GRI content index	Appendix: GRI Standard Index	53	
		102-56	External assurance	N/A	-	
GRI 103: Management Approach		103-1	Explanation of the material issues and their boundaries	1.3 Identification and Management of Material Issues of Stakeholders	6	
		103-2	The management approach and its components	1.3 Identification and Management of Material Issues of Stakeholders	6	
		103-3	Evaluation of the management approach	1.3 Identification and Management of Material Issues of Stakeholders	6	

GRI Standard		Disclosure	Chapter in the Report	Page	Note
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	201-3	Defined benefit plan obligations and other retirement plans	6.2.2 Comprehensive Benefits	41	
	201-4	Financial assistance received from government	---		
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.2.1 Thorough Remuneration System	41	
	202-2	Proportion of senior management hired from the local community	---		
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	5.2.2 Utilization of Raw Materials	33	
GRI 205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	3.4 Culture of Integrity and Ethics	25	
GRI 300 Environment					
GRI 301: Materials	301-1	Materials used by weight or volume	5.2.2 Utilization of Raw Materials 5.2.3 Utilization of Packaging Materials	33 35	
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	302-4	Reduction of energy consumption	5.2.1 Environmental Protection Mechanism	33	
GRI 303: Water	303-1	Water withdrawal by sources	5.3.3 Water Resource Management and Wastewater Treatment	37	
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	5.3.1 GHG Emissions	37	
	305-2	Energy indirect (Scope 2) GHG emissions	5.3.1 GHG Emissions	37	
	305-4	GHG emissions intensity	5.3.1 GHG Emissions	37	
	305-5	Reduction of GHG emissions	5.2.4 Utilization of Energy	35	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	5.3.2 Disposal of Air Pollutant	37	
GRI 306: Effluents and Waste	306-1	Water discharge by quality and destination	5.3.3 Water Resource Management and Wastewater Treatment	37	

GRI Standard		Disclosure	Chapter in the Report	Page	Note
	306-2	Waste by type and disposal method	5.3.4 Waste Disposal	38	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	3.5 Legal Compliance	26	
GRI 400 Society					
GRI 401: Employment	401-1	New employee hires and employee turnover	6.1 Composition of Employees	40	
	401-2	Minimum notice periods regarding operational changes	6.2.2 Comprehensive Benefits	41	
	401-3	Parental leave	6.2.2 Comprehensive Benefits	41	
GRI 403: Occupational Health and Safety	403-1	Official committee for safety and health consisting of labor representatives and management representatives	6.2.3 Labor-management Communication	44	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.4 Healthy and Safe Workplace	47	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	6.4 Healthy and Safe Workplace	47	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	6.3 Training and Education	45	
	404-3	Percentage of employees receiving regular performance and career development reviews	6.3 Training and Education	45	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	6.1 Composition of Employees	40	
	405-2	Ratios of basic salary and remuneration of women to men	6.2.1 Thorough Remuneration System	41	
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The full electronic version of this report can be downloaded from the CCSB website.
Please feel free to contact us if you have any suggestions or concerns regarding this report.

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