

4.5 Regulatory Compliance

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Regulatory compliance is the core requirement of business management. The relevant guidelines promulgated by the competent authorities enable companies to make decisions based on them. A company breaking the law will damage its long-established goodwill image, and a large fine or compensation will erode the profits of the company or even the interests of its shareholders. Based on this, the meaning for companies to comply with laws and regulations is to protect the rights and interests of shareholders and other stakeholders so that a company can continue to operate.

In 2024, Microbio and all subsidiaries did not experience any violations of laws and regulations, such as corruption or bribery, discrimination or harassment, endangerment of customer privacy, conflicts of interest, money laundering or insider trading.

Management Mechanism

Corporate Governance

Strengthen the competencies of the Board of Directors and functional committees, urge the Board of Directors to exercise the due care of a good manager, and monitor the Company's financial operations and internal control system. The Corporate Governance Best Practice Principles and the Rules for Performance Evaluation of the Board of Directors have been passed and information associated with governance practices is disclosed on the Company website to effectively improve information transparency. In the future, the Company's governance evaluation items will also be gradually strengthened to improve the ranking of the corporate governance evaluation

Human Resource

At Microbio, we create a corporate culture that abides by laws and regulations in order to build a trustworthy corporate reputation, and our core spirit is integrity and regulatory compliance. We have formulated relevant rules, established an internal control system, and constructed sound corporate governance through practical operations; we provide our colleagues with education and training in relation to corporate governance, biotechnology and pharmaceuticals, environmental protection, and labor rights according to the nature of their position to ensure all employees follow laws and regulations and company rules when carrying out their duties; new employees must sign a confidentiality contract, which includes the protection of the Company's trade secrets and information security to avoid leakage causing damage to the Company; legal reviews are conducted prior to entering into a contract to ensure the Company's interests; auditors perform audits according to major cycles and crucial operations to ensure the status of colleagues' business execution to effectively reduce the risk of illegal activities; and a communication channel for stakeholders has been set up on the Company website for employees to report any illegal conduct.

Evaluation Mechanism

Microbio and the subsidiaries continue implement the internal controls to ensure legal compliance. From 2021 to 2024, there were no significant violations with respect to corporate governance, production and sales of pharmaceuticals and healthcare products, environmental protection and labor and human rights. At the same time, no significant non-compliance was noted in the internal audits.

In 2024, compliance with regulations was fully implemented with no significant violations of regulations (including major penalties and disciplinary measures).

Definition of significant violations of regulations: Events that violate major information as specified by the Financial Supervisory Commission of Taiwan.

Incidents of corruption and bribery	0
Incidents of discrimination and harassment	0
Customer privacy data breaches	0
Conflicts of interest incidents	0
Fraud, money laundering, insider trading incidents	0
Anti-competitive practices, anti-trust and monopoly behaviors, market manipulation incidents	0
Other integrity-related events or any significant violations of regulations	0

The Company organizes training courses on ethical management and legal compliance on a yearly basis. In 2024, the training focused on corporate governance, prevention of sexual harassment and unlawful workplace infringement, employee intellectual property concepts and trade secret protection, and corporate risk management. The courses used case studies to reinforce concepts of legal compliance, ethical corporate management, prevention of unethical behavior, proper management, and the creation of a healthy workplace environment. Through ongoing advocacy, education, and training, we ensure that all employees are aware of and comply with applicable laws and regulations.

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Microbio Training Statistics on "Regulatory Compliance"

Year	Total number of employees subject for the training (A)	Number of classes (B)	Employee attendance at training courses (C)	Completion rate of employee training (%) $\{C \div (A \times B)\}$	Total training hours (D)	Average training hours per person $(D \div A)$
2024	137	6	504	61.3%	1247	9.1
2023	131	3	333	84.7%	501	3.8
2022	139	5	323	46.5%	490.5	3.5
2021	149	3	264	59.0%	398	2.7

Cotton Field Organic Training Statistics on "Regulatory Compliance"

Year	Total number of employees subject for the training (A)	Number of classes (B)	Employee attendance at training courses (C)	Completion rate of employee training (%) $\{C \div (A \times B)\}$	Total training hours (D)	Average training hours per person $(D \div A)$
2024	59	3	134	75.71%	182	3.1
2023	56	2	95	84.8%	190	3.4
2022	57	2	57	50.0%	114	2.0

Note: Total number of employees subject for the training are the employees of the headquarters of Cotton Field Organic.

Microbio (Shanghai) Training Statistics on "Regulatory Compliance"

Year	Total number of employees subject for the training (A)	Number of classes (B)	Employee attendance at training courses (C)	Completion rate of employee training (%) $\{C \div (A \times B)\}$	Total training hours (D)	Average training hours per person $(D \div A)$
2024	64	1	54	84 %	54	0.8
2023	10	1	9	90%	13.5	1.4
2022	57	1	53	93.0%	26.5	0.5

Note: In 2022, training was provided to all employees of Microbio (Shanghai). In 2023, integrity and compliance education and training were conducted for personnel involved in food safety, including employees from the Quality Assurance Center and Production Department. In 2024, training was provided to all employees on intellectual property awareness and trade secret protection.