

CH1

Ethical Governance



Target Formulation

Corporate Governance

Targets for 2024-2027

- In terms of corporate governance matters, we plan to maintain existing items and formulate methods for enhancement.
- We refer to external ESG evaluations to enhance transparency of information disclosures relating to corporate governance.

Targets for 2028 and beyond

- Ensure more than 50% of members for all corporate committees are experts.
- Continue to enhance corporate governance

Corresponding SDGs



1.1 Corporate Governance and Transparency

Chief Financial Officer &
Corporate Governance
Officer
Nick Hung



“
Grape King Bio firmly believes that sound corporate governance and strict adherence to related regulations can ensure sustainable operations and establish a brand that wins enduring trust from the public.
”

Management Approach	Key issue-Corporate governance and transparency	
Policies	To establish sound corporate governance mechanisms, risk controls, and sustainable business environments, Grape King Bio abides by operational philosophies based on honesty, transparency, and responsibility, and has formulated a number of fundamental policies, including the “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “The programs to forestall unethical conduct,” “Code of Ethical Conduct,” and “Procedures of Whistle-blowing and Complaints,” which have been approved by the Board.	
Commitments	Grape King Bio aims to achieve sustainable business operations, and we implement corporate governance and transparency by pledging to strengthen four cornerstone principles: “Board functions, protection of shareholder interests and respect for stakeholder interests, implement internal controls and internal audit systems, and enhance information transparency.” We continue to examine changes in external business environments and improve internal management procedures; we have also established a comprehensive shareholder and stakeholder communication platform to build an effective corporate governance framework.	
Targets	Short-term	<ul style="list-style-type: none"> We adhere to the “Corporate Governance Sustainable Development Roadmap” issued by the Financial Supervisory Commission in enhancing sustainable corporate developments and strengthening market competitiveness. We refer to domestic and overseas ESG evaluations to enhance information transparency.
	Mid-term	<ul style="list-style-type: none"> We continue to integrate ethical management and sustainability concepts into our corporate culture to create positive social influence.
	Long-term	<ul style="list-style-type: none"> We build sound corporate governance frameworks and implement ethical management to promote sustainable operations.
Responsibilities	<ul style="list-style-type: none"> Corporate Governance Team : The dedicated unit for corporate governance is responsible for understanding amendments and updating of regulations related to corporate governance, incorporating an assessment of the company's actual operational status, and providing improvement suggestions to the Board of Directors and the General Manager for reference, as well as assisting in implementation, to further enhance the quality of corporate governance. The dedicated ethical management unit: The dedicated unit for ethical management is responsible for corporate governance matters related to ethical management, anti-corruption, anti-bribery, and legal compliance. It reports annually to the Board of Directors on the status of its implementation and conducts promotional activities. 	
Resources	<ol style="list-style-type: none"> Appointment of lecturers to provide courses to all directors on the economic outlook of Taiwan and related topics such as artificial intelligence amidst the international landscape changes. Directors also engaged in training based on individual needs, covering topics such as ESG sustainable governance strategies, risk management, model shifts, CEO seminars, credit ratings, digital innovation, and sustainability transitions. Our 12 directors received 79 hours of training, and our corporate governance officer received 12 hours of training. Promotion of internal awareness for all employees through our internal website, employee mailbox, bulletin boards, training, and exams (for section managers and above, as well as sales personnel) Formulated annual audit plans and amended the Procedures for Handling Material Inside Information Supplier promotions through warnings on purchase orders and supplier policy promotion surveys 	

Management Approach	Key issue-Corporate governance and transparency
Specific performance	<ul style="list-style-type: none"> ✓ Corporate Governance Team: Our Corporate Governance Officer and corporate governance team are responsible for providing timely information to shareholders through the Market Observation Post System or our corporate website, keeping track of major shareholders, handling matters related to Board of Directors and shareholders meetings according to law, compiling minutes for Board of Directors and shareholders meetings, and regularly assessing CPA independence and competence. ✓ The dedicated ethical management unit: The dedicated unit for ethical management conducts regular training and promotion for directors and all employees on ethical management, and administers exams for section managers and above, as well as business related personnel, aiming to enhance the effectiveness of ethical management within the company. ✓ We completed periodic audits in accordance with our annual audit plan for 2023 on time and with quality and proposed specific improvement suggestions. The above audits incorporated considerations for Environmental, Social, and Governance (ESG) risk indicators. The internal control system covered operational procedures such as environmental aspects (7 factors), including production processes and product design and development; social aspects (16 factors), including procurement supplier management and wage management; and governance aspects (40 factors), including compliance requirements and risks of unethical conduct. ✓ Enhanced information transparency: <ol style="list-style-type: none"> Enhanced information transparency in accordance with the “Corporate Governance 3.0 Sustainable Development Roadmap.” We announced and filed our consolidated and individual financial reports for 2023 within 60 days after the end of the year, and also placed these reports on our corporate website (Investors/Financial Reports). Important resolutions of board and shareholders meetings are released on our corporate website in a timely manner. We prepare both Chinese and English versions of our material information, annual reports, shareholders meeting handbooks, and minutes of shareholders meetings.
Governance Mechanism	<p>Grape King Bio supports an open and transparent culture with morals and integrity. We encourage internal and external personnel to report any violations of legal regulations and our corporate policies through related grievance reporting channels. We have also established the “Procedures of Whistle-blowing and Complaints” to ensure that external and internal personnel have a smooth channel for communicating grievances. Stakeholders can report grievances to our dedicated mailbox or through our hotline, and we have measures in place to provide timely responses, thus ensuring protection of stakeholder interests.</p> <p>Our mailboxes and hotlines for complaints and grievances are as follows :</p> <ol style="list-style-type: none"> Mailboxes for complaints and grievances : <ul style="list-style-type: none"> Mailbox for reporting complaints: companyopinion@grapeking.com.tw Mailbox for reporting grievances: employeeopinion@grapeking.com.tw The points of contact for all grievances and complaints are the managers of relevant departments. Hotline for internal/external complaints and grievances : <ul style="list-style-type: none"> Hotline for reporting complaints: +886-4572121#1999 Hotline for reporting grievances: +886-4572121#1995 <p>Our Procedures of Whistle-blowing and Complaints stipulate that employees are protected from undue retaliation during the reporting and investigation process. All reports and complaints are compiled and submitted to the general manager; cases can only be closed following approval by the general manager.</p>



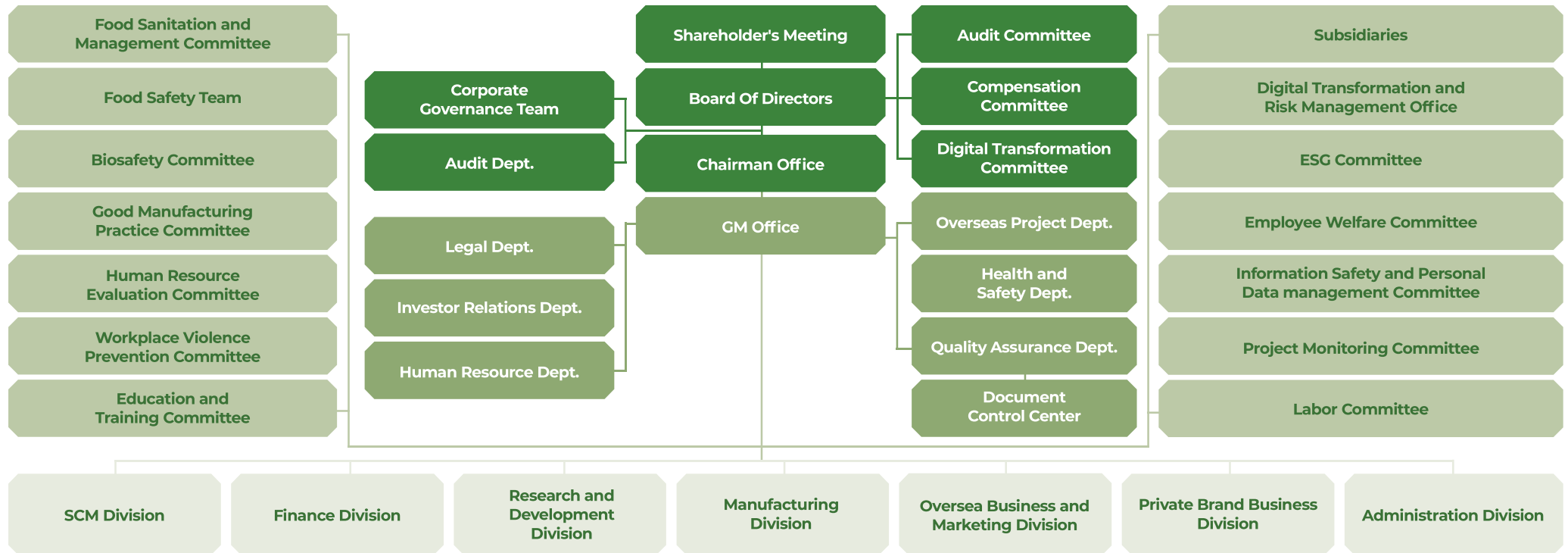
Corporate Governance Units and Operations

The Board of Directors is the highest governance unit of the company. We have established 12 directors in accordance with our Articles of Incorporation. Our directors carry out their duties according to the authority granted to them and help to determine our business policies and other important matters. Our CFO serves as the company's Corporate Governance Officer and works with a Corporate Governance Team to manage corporate governance matters, track and provide timely information to shareholders, provide directors and supervisors with necessary information for business needs, organize board and shareholders meetings, and conduct other corporate governance matters.

Grape King Bio has formulated comprehensive corporate governance rules and regulations (please refer to the section on corporate governance regulations and supervisory mechanisms) to ensure sound corporate governance and continued improvement of operational quality according to the following four axes

1. Strengthen board functions 2. Emphasis on shareholder interests and stakeholder rights 3. Implementation of internal controls and audit systems 4. Strengthen information disclosures and transparency

Organizational Chart



Axis I. Strengthen board functions

Board Operations

The nomination and selection of all directors adhere to Article 20 of our Articles of Incorporation. We adopt a candidate nomination system. For the director elections held in 2021, we disclosed detailed review standards and operational procedures for nominating candidates in accordance with relevant regulations and enabled electronic voting to promote shareholder participation. A total of 12 directors (including 4 independent directors and 5 female directors) were elected. We adopted the cumulative voting system and the number of candidates adhered to the regulations of the Articles of Incorporation. Directors were elected sequentially based on the number of votes (and voting rights) received. Furthermore, directors took office immediately after the election held on the day of the shareholders meeting. There was no handover period, and the previous directors were released from office immediately upon the election.

The 20th Board will serve from July 15, 2021 to July 14, 2024. Three functional committees, the “Audit Committee”, “Remuneration Committee”, and “Digital Transformation Committee” have been established under the Board.

The Board of the company guides corporate strategies, supervises executive managers, is responsible to the company and corporate shareholders, and adheres to all legal regulations, the Articles of Incorporation, and all corporate governance operations to ensure that it can exercise Board responsibilities. Board members are required to possess the knowledge, capabilities, industrial decision-making, and management abilities to carry out their duties and to achieve Board functions and aims. The term of each Board lasts for three years, and Board meetings are held at least once every quarter. A total of 6 meetings were convened in 2023, with an average attendance rate of 94.4%. Independent directors attended all Board meetings in person (please refer to our 2022 and 2023 Annual Reports for further information).

Board Diversification

Our company's "Corporate Governance Practices Guidelines" stipulate a policy on diversity. It specifies that the composition of the board of directors should be diverse. Except for directors concurrently serving as company executives, who should not exceed one-third of the board seats, appropriate diversity policies should be formulated based on the operation, business model, and development needs of the company. This should include, but not be limited to, diversity in basic characteristics and values (such as gender, age, nationality, and culture) and professional knowledge and skills (such as legal, accounting, industry expertise, finance, marketing, or technology, as well as industry experience), and we have established the following diversity targets:

The Company's focus on the diversification of board members has an aim as follows:

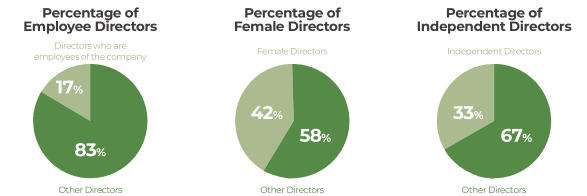
- Gender diversity : The number of seats for each gender should exceed 33%. A total of 4 female directors (including two independent directors) were elected for the current year.
- Domain diversity : Encompasses the four core domains of business management, leadership and decision-making, industrial knowledge, and law.

Please refer to the annual report for specific management goals and achievements regarding the diversity policy for the current year.

The company's Board members are diversified. The current 12 directors have educational backgrounds that encompass a Ph.D. in Business Management, as well as master's degrees in marketing management, law, economics, social studies, and other domains. Each director

also has a unique professional background. Shenglin Andrew Tseng, Mei-Ching Tseng, Kao Shioh Ling (representative of Uni-President Enterprises Corporation), Jue-Jia Chang, Chih-Wei Lai, Yen-Shiang Huang, Chih Sheng Chang, Hsing-Chun Chen specialize in business judgment, leadership and decision-making, business management, and crisis handling, and also possess industry knowledge and knowledge of international markets; Shenglin Andrew Tseng and Jue-Jia Chang have experience in marketing; Mei-Ching Tseng has relevant experience in media; Kao Shioh Ling specializes in business management; Chih-Wei Lai has experience

in designing; Yen-Shiang Huang has experience in auditing; Chih Sheng Chang worked as a professional manager; Hsing-Chun Chen specializes in early childhood education; and the four independent directors (Feng-I Lin, Ching-Pu Chen, I-Fan Miao, and Chen Jing Ning) respectively specialize in finance and accounting, business management, law, and social studies.



Directors who are employees of the company account for 17%, the five female directors account for 42%, and the four independent directors account for 33%. Of the four independent directors, one has served for less than three years, one has served between three to six years, and the remaining two have served between six to nine years, with no consecutive terms exceeding nine years (three terms). The average age of all directors is 58.3 years. Five directors are aged between 61 to 70 years, five are aged between 51 to 60 years, and two are aged between 41 to 50 years; encompassing a wide age range.



Conflicts of Interest Management

As part of their due diligence, the Board has formulated the “Rules of Procedure for Board of Directors Meetings” and stipulated an obligation to avoid conflicts of interest in Article 15 in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” to ensure sound and comprehensive governance. We periodically purchase “director and officer (D&O) liability insurance” for our directors to reduce and disperse the risk of major damages to the company or shareholders resulting from director error or negligence.

Grape King Bio conducts annual assessments of CPA independence and began conducting assessments of CPA competence using the Audit Quality Indicators (AQIs) starting in 2022; assessment results are submitted to the Board for approval. Our independent directors, internal audit managers, and CPAs meet periodically to ensure that our independent directors can fully exercise their functions and responsibilities, as well as gain a better understanding of financial reports, finances, and business conditions.

Board Functional Committees

The Board authorized the establishment of three functional committees, the “Audit Committee”, “Remuneration Committee”, and “Digital Transformation Committee”. These committees assist the Board in carrying out its supervisory and guidance duties, convene meetings in accordance with Board-approved organizational charters, exercise legal rights relating to reviews and discussions of relevant proposals, and submit conclusions and suggestions to the Board for approval.

Audit Committee Operations

Grape King Bio established the Audit Committee on July 15, 2021. Committee members encompass all independent directors, one of whom is a finance expert. The main responsibilities of the Committee include assisting the Board in effectively executing and supervising compliance with the Company Act, Securities and Exchange Act, and other related regulations, assisting the Board with enhancing and overseeing the quality of financial statements, CPA independence and competence, internal controls, and risk management. The Committee convenes at least once every quarter, and a total of 5 meetings were convened in 2023, with attendance rates of 100%.

Remuneration Committee Operations

We have established a Remuneration Committee composed of three independent directors to strengthen corporate governance and build sound remuneration systems for directors and managers. The Remuneration Committee faithfully performs its duties with the care of a good administrator and is responsible for formulating and periodically reviewing director and manager performance evaluations; assessing remuneration policies, systems, standards and structures; and submitting suggestions to the Board for discussion. The Committee convenes at least twice every year, and a total of 3 meetings were convened in 2023, with attendance rates of 100%.

Digital Transformation Committee Operations

Grape King Bio established a Digital Transformation Committee on November 3, 2021 to integrate digital technologies into operational strategies, optimize corporate efficiency and processes, and enhance corporate performance and profits. The Committee is composed of three directors (including two independent directors). Committee responsibilities include:

I. Reviewing the strategies, plans, and implementation results of the digital transformation implementation team, and submitting suggestions to the Board or implementation teams; II. Reviewing major expenditures for digital transformation in accordance with the company’s Regulations Governing the Acquisition and Disposal of Assets;

The Committee convenes at least once every half year, and a total of 2 meetings were convened in 2023 to report on the progress of digital transformation projects

Grape King Bio focuses on digital transformation, gradually improving operational workflows, reducing process time, leveraging system support to stabilize quality and exploring applications for further decision-making through data integration.

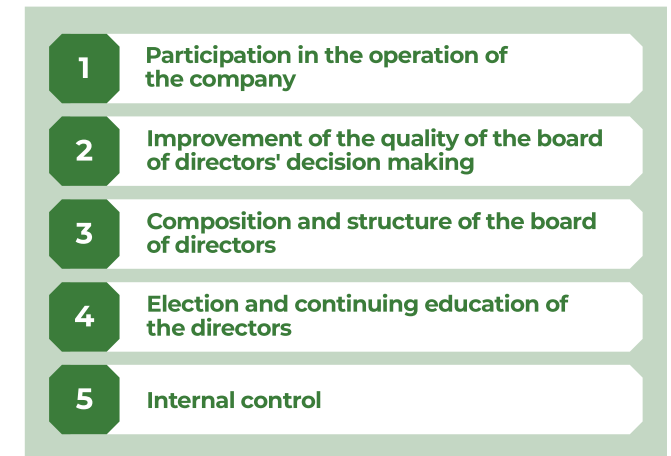
In 2023, we implemented and launched a new ERP system, initiating a reevaluation of corporate operational workflows for transformation. Concurrently, the implementation of a BPM system facilitates the digitalization of workflows, reduces time costs of internal communication,

and enhances data integrity, availability, as well as quality, thus laying the groundwork for “digital transformation”.

Meanwhile, the adoption of Sales Kit in business processes enhances business expansion and responsiveness, leading to an improved customer experience.

Evaluations of Board Performance

The Board established the “Rules for Performance Evaluation of Board of Directors and Remuneration Committee” on November 11, 2019, and began evaluating overall Board and Remuneration Committee operational performance each year starting from 2019. We established the Audit Committee on July 15, 2021, and renamed the above Rules as the “Rules for Performance Evaluation of Board of Directors and Functional Committees,” stipulating that the Board of Directors and each functional committee should conduct internal performance evaluations at least once a year.



Overall performance evaluations for directors encompasses the following six aspects and include a total of 22 evaluation items :

1	Alignment of the goals and missions of the company
2	Awareness of the duties of a director
3	Participation in the operation of the company
4	Management of internal relationship and communication
5	The director's professionalism and continuing education
6	Internal control

Overall performance evaluations for the Remuneration Committee encompasses the following five aspects and include a total of 19 evaluation items :

1	Participation in the operation of the company
2	Awareness of the duties of the Remuneration Committee
3	Improvement of quality of decisions made by the Remuneration Committee
4	Makeup of the Remuneration Committee and election of its members
5	Internal control

Overall performance evaluations for the Audit Committee encompasses the following five aspects and include a total of 22 evaluation items :

1	Participation in the operation of the company
2	Awareness of the duties of the Audit Committee
3	Improvement of quality of decisions made by the Audit Committee
4	Makeup of the Audit Committee and election of its members
5	Internal control

Overall performance evaluations for the Digital Transformation Committee encompasses the following five aspects and include a total of 18 evaluation items :

1	Participation in the operation of the company
2	Awareness of the duties of the Digital Transformation Committee
3	Improvement of quality of decisions made by the Digital Transformation Committee
4	Makeup of the Digital Transformation Committee and election of its members
5	Internal control

The aforementioned performance evaluations are conducted by our corporate governance team, which is responsible for overall implementation of internal Board, Remuneration Committee, Audit Committee, and Digital Transformation Committee self-assessments. Director self-assessments are compiled by corporate governance implementation team and assessments are conducted using internal questionnaires.

Said performance evaluation results will be submitted to the Board for reference when making decisions relating to Board directors and members of the Remuneration Committee, Audit Committee, and Digital Transformation Committee; to enhance decision-making quality of the Board, Remuneration Committee, Audit Committee, and Digital Transformation Committee; and also to be used as a reference for nominating director or member candidates for the Remuneration Committee, Audit Committee, and Digital Transformation Committee.

Results of Board performance evaluations for 2023 were as follows:

- Overall Board performance received an average score of **4.65** out of 5.
- Remuneration Committee performance received an average score of **4.68** out of 5.
- Audit Committee performance received an average score of **4.68** out of 5.
- Digital Transformation Committee performance received an average score of **4.50** out of 5.
- Board directors and the corporate governance team did not put forward any other suggestions in 2023. Performance evaluation results for the Board, individual directors, and functional committees for 2023 were all "Excellent." Evaluation content and results were reported to the Board on January 19, 2024.

Axis II. Emphasis on shareholder interests and stakeholder rights

We have established a spokesperson, acting spokesperson, shareholder services, and legal personnel who are responsible for handling shareholder suggestions or disputes, as well as dedicated personnel who keep track of directors and major shareholders who hold more than 5% of shares, and report shareholdings each month. We have established regulations and internal controls for our subsidiaries and thoroughly implement risk controls. Our “Code of Ethical Conduct” specifically prohibits insiders from using undisclosed market information to buy and sell securities, and we organize training for insiders at least once a year. Insiders are prohibited from conducting transactions using undisclosed market information to protect shareholder interests.

We have implemented a shareholder e-voting system to facilitate shareholder mobility, make voting more convenient, ensure that shareholders are not restricted by time or place limitations placed by shareholders meetings, and provide diverse shareholder channels for voting on proposals. The results of all votes on proposals are disclosed in our meeting minutes. Our shareholders are allowed to fully exercise their rights to enhance our corporate governance performance.

This year, we were invited to participate in 7 (domestic and overseas) investor conferences which spanned a period of more than 3 months (the first investor conference took place in January and the last in December) and one of which provided audiovisual link information. We did not voluntarily initiate any investor conferences this year.

We have also established specific investor relations personnel as well as a “Contact Us” mailbox on our website, a customer service hotline, an internal “employee mailbox,” and a “stakeholder relations section” on our website which provides a communication channel for shareholders/investors, customers, and suppliers. Dedicated personnel are responsible for responding to issues of stakeholder concern.

Axis III. Implementation of internal controls and audit systems

Grape King Bio adheres to the Financial Supervisory Commission’s “Regulations Governing Establishment of Internal Control Systems by Public Companies” in considering overall corporate operations and activities, establishing internal control systems, and designing and executing internal control systems that have been approved by the Board. In accordance with law, we have established an audit office which assists the Board and our managers in inspecting and reviewing deficiencies in internal control systems, measuring operational performance and efficiency, and providing appropriate suggestions for improvement to ensure reasonable operational performance and efficiency, reliability of financial reporting, and compliance with related regulations.

The audit office formulates annual audit plans based on risk assessments and legal compliance, which are submitted to the Audit Committee for discussion and approval. We review procedures for handling risks from unethical conduct in combination with procurement and payment cycles as well as sales and collection cycles to ensure that all dedicated units are adhering to the regulations of the Ethical Corporate Management Best Practice Principles. Our internal audit officer also attends Board meetings and reports on implementations of internal audits.

The audit office formulates annual audit plans based on risk assessments and legal regulations. Generated audit reports must be reviewed by independent directors. Our internal audit officer is required to attend Board meetings and report on implementations of internal audits. No incidents related to corruption, bribery, conflict of interest, money laundering or insider trading occurred in 2023.

The audit office formulates annual audit plans based on risk assessments and legal regulations.

Audit reports must be reviewed by independent directors.

Our internal audit officer is required to attend board meetings and report on implementations of internal audits.

Axis IV. Strengthen information disclosures and transparency

We have established Chinese and English websites which disclose financial, business, and corporate governance information such as our “Ethical Corporate Management Best Practice Principles,” “Corporate Governance Best Practice Principles,” “Procedures of Whistle-blowing and Complaints,” and “Sustainable Development Best Practice Principles.” (For more information on Grape King Bio corporate governance regulations, please refer to <https://www.grapeking.com.tw/en/investor/governance/major-policies>).

We have established dedicated personnel who are responsible for collecting and disclosing information and have implemented a spokesperson system in accordance with regulations. When participating in investor conferences, we disclose information on the “Market Observation Post System” in advance and place the presentations on our corporate website so that our stakeholders can gain a timely understanding of Grape King Bio operations. (Investor conference section: <https://www.grapeking.com.tw/en/investor/conference>)



Remuneration Policy for General Manager

Remuneration policies for the Board, our highest governance unit, are disclosed every year in our shareholders meeting annual reports. For more information, please refer to our Annual Report. In terms of senior management, we have designed a specific remuneration system for our general manager, which integrates KPIs and short-to-medium term incentive systems that are used to determine salary levels for the general manager after review and confirmation by the Remuneration Committee.

The KPIs for 2023 include financial and sustainable metrics such as revenue growth, strengthening food safety, deepening digital transformation, accelerating production capacity and outsourcing operations, and leading sustainable development benchmarks.

Fixed and variable remuneration	The current remuneration structure for our general manager includes both fixed and variable salary elements. Our remuneration policies are mainly performance-oriented, so all fixed salaries are designed using the results of our salary surveys and are implemented according to the guidelines on P45-50. Variable remuneration is based on assessments of annual KPIs, achievement of production indicators, and EPS performance.
Signing bonuses or recruitment bonuses	We currently have no signing bonuses or recruitment bonuses.
Severance pay	Severance payments are implemented in accordance with legal regulations.
Clawback policy	Short-term and mid-term strategic target bonuses for the general manager come with a clawback provision. Paid bonuses that do not meet relevant criteria are subject to clawbacks.
Retirement benefits	All of our retirement benefits are implemented in accordance with legal regulations.
ESG links	The remuneration of the General Manager is linked to Key Performance Indicators (KPIs) associated with benchmarks for leading sustainable development. Governance aspects include the implementation of the ISO 37001 Anti-Bribery Management System and compliance with the Taiwan Intellectual Property Management Standards (TIPS); environmental aspects encompass the integration of the ISO 14064, among others.

In 2023, the ratio of the annual total remuneration of the general manager to the median annual total compensation of all other employees is 8.12 times and the ratio of the percentage increase in annual total compensation is 2.48%.

Process to Determine Remuneration

Remuneration Committee meetings are chaired and attended by our independent directors. Meetings are held periodically to discuss remuneration distributions.

Additionally, our human resources department also implements, reviews, and discusses remuneration and benefits. Our human resources managers have worked at human resource consultancy companies and implemented actual consultancy projects related to salary evaluations and remuneration systems. Apart from periodic reviews regarding the appropriateness of corporate salary structures and policies, our human resources units also review and fully discuss remuneration policies based on requests made by our Remuneration Committee and independent directors. Implementations of related projects may also be outsourced to external consultancy companies. Project execution is entrusted to external consultant teams following assessments of submitted proposals. Stakeholders are excluded from selection procedures for external consultants.

1.2 Corporate Integrity and Business Ethics

Management Approach	Key issue-Corporate integrity and ethics	
Policies	The ethical policies approved by the Board strengthen our corporate culture of ethical management and create an operating environment for sustainable development.	
Commitments	We implement ethical management policies and actively prevent unethical conduct, including offering and acceptance of bribes, providing illegal political donations, improper charitable donations or sponsorships, offering or acceptance of improper benefits, infringing upon trade secrets, engaging in unfair competitive practices, and direct or indirect damages to the interests, health, and safety of consumers or other stakeholders.	
Targets	Short-term	Implement and promote various Grape King Bio codes of conduct
	Mid-term	Implement internal control and internal audit systems, and improve our annual audit plans year by year
	Long-term	Ensure appropriateness and effectiveness of internal controls to become an enterprise with business ethics and integrity

Responsibilities	Corporate Governance Team: 1. Serves as our dedicated ethical management unit, which is responsible for promoting ethical management within the corporation, regularly reports implementations to the Board, and works with the audit office to execute internal controls to ensure effective implementation of various regulations. 2. Serve as the dedicated corporate governance unit, which is responsible for proposing suggestions related to corporate governance to the Board or General Manager for reference, assisting matters related to Board and shareholders meetings according to law, and reporting ethical management implementation to the Board each year to protect shareholder interests and to strengthen Board functions.
	Resources 3. Promotion of internal awareness for all employees through our internal website, employee mailbox, bulletin boards, training, and exams (for section managers and above, as well as sales personnel) 4. Drafts of annual audit plans and amended the Procedures of Whistle-blowing and Complaints 5. Supplier promotions through warnings on purchase orders and supplier policy promotion surveys
Specific performance	<ul style="list-style-type: none"> ✓ Obtained ISO 37001 certification for the anti-bribery management system upon review by an external certification body, the British Standards Institution (BSI). ✓ The Board of Directors passed the "Anti-Corruption and Anti-Bribery Policy", aiming to foster a corporate culture of ethical management through the implementation of this policy. ✓ All employees sign the "Employee Integrity Commitment Letter" ✓ We disseminate topics related to ethical management, prevention of insider trading, and material internal information to directors and all employees regularly. ✓ Our directors participated in courses on ethical management. The total number of participants was 27 and the total training hours were 79 hours. ✓ Administered tests related to ethical management, prevention of insider trading, and material internal information to section managers and above, as well as sales personnel. A total of 117 people took the tests and 100% received a passing grade (80 points and above). ✓ Our directors attended ethical management relevant courses (including courses on TIPS confidential information management, ISO 37001 anti-bribery and anti-corruption, intellectual property rights, authority formulation and risk control, audit practices on information security protection and cloud security, and ISO). The total number of participants was 2,014 and the total training hours were 5,093 hours. ✓ New employees are required to attend classes related to the Code of Ethical Conduct and anti-corruption when reporting for work, and have to take post-training tests. A total of 142 participants took the tests in 2023. ✓ In 2023, we did not receive any reports or complaints relating to ethical management. ✓ No instances involving corruption, bribery, conflicts of interest, money laundering, insider trading, or any similar misconduct occurred. Neither were any personnel penalized for bribery or corruption nor were there any ongoing lawsuits or settlements related to such matters.



1.2.1 Ethical Management and Moral Conduct

Grape King Bio established the “Corporate Governance Best Practice Principles” and appointed the chief financial officer to serve as the corporate governance officer.

Grape King Bio adheres to the “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” and “The programs to forestall unethical conduct.” Our corporate governance team keeps track of competent authority regulations, adding and revising codes of conduct and operational procedures related to competent authority and ethical management where appropriate to establish an ethical corporate culture and enable sound developments. Grape King Bio also implements ethical management through internal training and external agreements signed by suppliers.

On the first day of employment, employees are provided with training on ethics, trade secrets, regulations, and procedures, as well as whistleblowing policies. Additionally, they are required to sign a labor contract, which includes pledges of integrity and confidentiality, thereby clearly communicating the obligations expected of employees. In terms of internal measures, all our directors and managers have signed the

“Statement of Compliance with Ethical Management Policies” ; we organize training and tests related to the Ethical Corporate Management Best Practice Principles for our directors and employees each year, and we have established publicly accessible reporting channels for timely submission of suggestions to our managers.

In 2023, Grape King Biotechnology implemented the ISO 37001 Anti-Bribery Management System, requiring all employees, business partners, directors, and managers to adhere to the principles of integrity in conducting their duties. They are expected to comply with anti-corruption and anti-bribery policies and regulations. All employees are required to sign the “Employee Code of Conduct” and continuous optimization of the necessary management procedures for integrity management is emphasized.

All Grape King Bio employees from the highest level managers to entry-level staff operate in accordance with our ethical management principles. Statistics on corruption-related incidents in the last three years are as follows:

Corruption, Bribery, and Violations of the Fair Trade Act Related Incidents

Year	2021	2022	2023
Number of incidents	0	0	0

Ethical Corporate Management Best Practice Principles

We established the “Ethical Corporate Management Best Practice Principles” and revised the “The programs to forestall unethical conduct” in 2020 to stipulate: establishment of risk assessment mechanisms for unethical behaviors, inclusion of requirements to abide by ethical management policies in employment contracts, details related to formulation of ethical management policies and implementation processes, resources and personnel of concurrent ethical management units, frequency of reports to the board by concurrent ethical management units, formulation of audit plans based on risk assessments of unethical behavior, subsequent actions following investigation of reported grievances, and facilitation of anonymous reports.

Our Code of Ethical Conduct as well as our reporting and complaint system have been publicized to all employees through our corporate website and internal announcements. We also organize annual tests and require new employees to take tests as part of their anti-corruption training. During the training of new employees, anti-corruption courses are included, and all employees are required to pass the test. In 2023, a total of 142 employees passed the test. Additionally, our audit plans include audits for unethical behaviors and risky operations to ensure that responsible units are implementing our Ethical Corporate Management Best Practice Principles.



Supplier Ethical Management

Grape King Bio implements contracts for business activities in a fair and ethical manner and strictly abides by relevant laws, regulations, and contract terms. We also comply with our “Code of Ethical Conduct”, “Supplier Code of Conduct” and “Supplier Integrity Commitment Letter” to evaluate the ethical records of our transaction partners. To ensure compliance with anti-corruption regulations, all contracts signed with transaction partners include clauses related to ethical behaviors, prohibiting any bribery, corruption, extortion, and other inappropriate business activities.

For thorough implementation of anti-corruption and ethical management principles, we adhere to Article 9 of our “Ethical Corporate Management Best Practice Principles” (Business activities under ethical management) and include ethical management clauses in our supplier contracts that require our suppliers to comply with our ethical management policies.

Our supplier contracts clearly stipulate that if our suppliers are involved in violations of corporate social responsibility policies, including but not limited to employment of child labor, forced labor, illegal working condition, violation of human rights, discriminatory behaviors or remarks in any form, bribery, violation of environmental protection laws and policies, violations of health and safety laws and policies, or significant environmental or social impacts, Grape King Bio has the right to terminate or rescind said contracts at any time.



Our supplier contracts also stipulate that our suppliers are prohibited from engaging in commercial bribes, intimidation, kickbacks, acceptance or acquiescence of illegal means or inappropriate competition measures to obtain business; and cannot offer commissions, kickbacks, gratuities, hospitality, or other improper benefits to Grape King Bio personnel. Suppliers who violate the aforementioned agreements not only have to return all premiums and resulting benefits to Grape King Bio, but must also pay punitive damages for breach of contract. Grape King Bio has the right to terminate or rescind transactions without any liabilities, and may also take civil or criminal action. Additionally, if Grape King Bio personnel make explicit or implicit requests for bribes, we ask our suppliers to voluntarily report said behaviors and provide relevant proof through the grievance hotline and complaint mailbox in our contracts.

Suppliers are required to comply with the “Grape King Bio Supplier Code of Conduct.” We hope that we, along with suppliers in our supply chain and our downstream suppliers, can jointly bear social, environmental, and ethical responsibilities. Contractors are required to provide “Contractor Guarantee of Compliance with Environment, Health, and Safety Regulations” and abide by labor, health, and safety requirements.

Reporting hotline : (03)4572121 #1999
Reporting Mailbox : companyopinion@grapeking.com.tw

Code of Ethical Conduct

All business practices should adhere to our “Code of Ethical Conduct,” “Regulations Governing Trade Secrets,” and “Regulations Governing Gift Giving and Receiving.” All classified business and technical information of our company and clients must be kept confidential to maintain our corporate reputation, uphold moral values, and retain public order. Our Ethical Code of Conduct contains the following stipulations :

- Do not accept bribes and gifts
- Do not harm the rights and interests of the company
- Do not maliciously boycott company policies
- Do not disclose trade secrets
- Do not steal company property or public funds

- Do not seek personal gain by abusing one’s position
- Do not become involved in abnormal relationships with usiness-related third parties or other members of staff
- Do not spread false statements
- Do not commit any form of discrimination, sexual harassment, intimidation, threat, theft, corruption, dereliction of duty, or other illegal acts

For more information, please refer to our Code of Ethical Conduct.

The programs to forestall unethical conduct

In order to implement ethical management policies, build our corporate culture around ethical management, improve our business environments for sustainable development, and actively prevent unethical behaviors, Grape King Bio regularly evaluates the following business activities with higher risks of unethical behaviors in accordance with Article 7 of the “Ethical Corporate Management Best Practice Principles” :

- (1) Offering and acceptance of bribes.
- (2) Illegal political donations.
- (3) Improper charitable donations or sponsorship.
- (4) Offering or acceptance of unreasonable gifts or hospitality, or other improper benefits.
- (5) Infringement of intellectual property rights.
- (6) Engaging in unfair competitive practices.
- (7) Damage to stakeholders caused by products and services.

We implement Board participation and supervision, departmental division of functions, comprehensive and effective internal control structures, and public reporting mechanisms. Our audit office conducts internal audits in accordance with our corporate regulations, and non-compliances are reported to the Audit Committee and the Board. The audit office assists the Audit Committee and the Board in confirming implementations of matters related to anti-corruption, ethical management, and moral values. Our assessment results for 2023 revealed that our risks were low.

1.2.2 Avoiding Conflicts of Interest and Anti-Corruption

All personnel should avoid conflicts between personal and corporate interests and possible impacts arising from the same. Externally, we strengthened our regulations on all suppliers and have established diverse reporting and complaint systems for external stakeholders to report misconducts.

Our “Ethical Corporate Management Best Practice Principles” include clauses related to conflicts of interest which require our directors, managers, and all employees to avoid conflicts of interest and improper benefits. Our directors and managers all issued letters of commitment declaring that they will abide by the “Ethical Corporate Management Best Practice Principles” and avoid conflicts of interest.

Our transactions with related persons and related enterprises comply with Article 17 of the “Corporate Governance Best Practice Principles.” Our business transactions are based on principles of fairness and reasonableness. We have established written regulations for financial transactions between all parties, which contain clear stipulations of price and payment conditions, prohibition of unconventional transactions, and strict prohibition of pay-to-play situations. Transactions with significant related persons and related enterprises have to be approved by the Audit Committee before submission to the Board for deliberation.

Our Rules of Procedure for Board of Directors Meetings and Charter of the Audit Committee both stipulate that directors should avoid conflicts of interest. When a director at a board meeting has a stake in a matter under discussion in the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director.

We have created independent directors who propose suggestions based on their professional expertise and experiences from a fair and objective perspective. The Board should fully consider independent director opinions when discussing any proposal, note their agreeing or dissenting opinions in meeting minutes, and avoid conflicts of interest to effectively

protect corporate interests. None of our board members hold shares in our major suppliers, and we have established a spokesperson and a corporate website to serve as our channel for transmitting and communicating various information. Shareholder suggestions and other issues can be reported through the stakeholder section on our website, and are handled by dedicated personnel.

Internal Anti-Corruption Measures

Anti-corruption, ethical management, and implementation of moral values are our core values and foundation. Our Board provides a guideline for employee compliance by formulating the “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct,” “The programs to forestall unethical conduct,” “Code of Ethical Conduct,” and “Supplier Code of Conduct.” “Anti-Corruption and Anti-Bribery Policy.”

The aforementioned anti-corruption and ethical management measures mainly regulate the following areas:

1. Employees (Including CEO) and Board of directors :

(1) New employees reporting for work are required to take anti-corruption courses and tests to verify their awareness of anti-corruption matters. All employees are required to undergo periodic education and training. Labor contracts signed upon hiring contain relevant clauses for ethical behaviors and anti-corruption preventions. In order to enhance business ethics knowledge in all colleagues, we arranged for all personnel to attend classes themed around “ethics and morals.” Our goal is for all employees to participate in training over the next three years, thereby demonstrating our core values centered around ethics and integrity.

(2) We have formulated regulations for accepting gratuity gifts, which stipulate that all employees are prohibited from accepting gifts (including improper meals, kickbacks, bribes, and hospitality) which are obviously more expensive or more frequent than market or business practices. All accepted gifts, regardless of value, should be reported to responsible supervisors.

(3) All employees have a responsibility to report improper behaviors that constitute ethical violations through appropriate channels. Our reporting and complaint channels include internal suggestion boxes, reporting and

complaint hotlines, as well as feedback channels via email or our website.

(4) We incurred zero complaints and reports (including anonymous reports) related to ethical management and no anti-corruption incident happened in 2023.

(5) All employees are required to sign an “Employee Code of Conduct.” We disseminate knowledge related to ethical management, reporting and complaint procedures, and our Code of Ethical Conduct to all employees from time to time; organize quizzes; publicize precautions our employees should be aware of when carrying out their duties; strengthen anti-corruption awareness, prevention measures, and implementations; and work to manage and prevent unethical behaviors from occurring.

(6) Each year, the company distributed an educational letter to all employees and managers, focusing on “Integrity in Operations, Prevention of Insider Trading, and Handling of Material Information” at least once. This included discussions on the importance of integrity, insider trading guidelines, legal responsibilities, and material information regulations. In 2023, 117 individuals comprising executives and relevant staff completed training and achieved a 100% pass rate. Additionally, directors participated in an integrity training course annually, with all directors completing the course in 2023.

2. Business partners:

(1) Before establishing business relations with distributors, suppliers, and other business parties, we first assess the legality and reasonableness of said business behaviors and check whether our transaction targets incurred any ethical management violations in the past. When engaging in business activities, we expressly refuse direct or indirect provision, promise, request, or acceptance of any improper benefits in any form or name, and will cease transactions immediately upon discovering unethical behaviors, and they are required to sign an “Supplier Code of Conduct”, which includes provisions related to integrity in business operations.

(2) Our distributor contracts contain clear and reasonable stipulations of payment terms, and prohibit bribery, commission fees, kickbacks, gifts, and other matters involving improper benefits.



(3) When making purchases, we require suppliers to strictly comply with the "Supplier Code of Conduct" and also add warnings on external purchase orders to strengthen dissemination of our trade secrets and anti-corruption policies. Suppliers that violate these policies are punished and removed from our supplier lists.

(4) No corruption incidents or violations of ethical management were incurred by our distributors or suppliers in 2023.

3. Anti-corruption and ethical management risk assessments:

(1) Our corporate governance team conducts annual evaluations of business activities that involve high-risk unethical behaviors to ensure that our current internal regulations can effectively reduce corruption and ethical management risks. We have also formulated a programs to forestall unethical conduct. Our evaluations for 2023 determined our risk levels to be low; evaluation results were submitted to internal audit units to serve as a reference for formulating audit plans.

(2) Donations related to politics can only be made in accordance with Political Donations Act and after the approval of company's "Verification Authority Form". Additionally, all donations are obtained with legal certificates and recorded in the accounting books for verification. The company has no internal accounts or secret accounts. In 2023 and 2022, political donations will be about NTD 200,000 and NTD 770,000, respectively, accounting for about 0.002% and 0.007% of revenue.

(3) Grape King Bio established the "Anti-Corruption and Anti-Bribery Promotion Task Force," led by the Legal Department , responsible for overseeing the promotion, planning, and consulting across departments.



They also evaluate system effectiveness, and reports to the board of directors annually.

Our company has implemented ISO 37001. Internally, we have conducted 12 training sessions, including 5 sessions on operational risk assessment, 4 sessions on employee role risk assessment, and 3 internal audits. We've designated personnel from 31 departments for these sessions. Basic educational videos are available on our internal network, and all employees must sign an "Employee Code of Conduct." Directors issue "Statement of Compliance with Ethical Management Policies " annually.

Externally, we communicate our anti-corruption and anti-bribery policies through our official website (in both Chinese and English versions) and announcements on supplier platforms. We conduct due diligence on suppliers to ensure they understand our corporate culture.

Regarding company procedure forms and documents, the totals are as follows:

New: 10 procedures/methods, 28 forms

Revised: 8 procedures/methods, 24 forms

4. Board oversight:

(1) Our corporate governance team regularly reports on anti-corruption and ethical management implementations to the board. Implementations and promotions for 2023 were reported to the board on January 19, 2024 to help the board monitor corporate implementations related to anti-corruption, ethical management, and moral values. Our corporate governance team conducts annual reviews of related regulations to determine whether additions or revisions are necessary; these changes are implemented following approval by the board. In 2023, the company established the "Anti-Corruption and Anti-Bribery Policy" and revised the "Ethical Corporate Management Best Practice Principles".

(2) We revised Article 10 of the "Corporate Governance Best Practice Principles" to stipulate that insiders who become aware of the contents of the Company's financial reports or relevant results, including but not limited to directors, should be prohibited from trading shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.



(3) The audit office conducts internal control audits in accordance with company regulations, reporting any identified non-compliance issues to the Audit Committee and the Board of Directors. It also assists both bodies in confirming the implementation of matters related to anti-corruption, ethical management, and moral values.

External Anti-Corruption Measures

In terms of supply chain management, if we discover personnel who accept improper benefits such as kickbacks during transactions and do not voluntarily report the same, suppliers involved in anti-corruption incidents will be penalized and removed from our supplier list. For serious violations, legal action will be brought against the employees and suppliers in question, who shall be jointly responsible for any penalties incurred under the Criminal Code of the Republic of China. We also add warnings on external purchase orders to strengthen dissemination of our human rights, environmental, and business ethics policies:

1. We manage suppliers with ongoing transactions based on procurement values. Raw material suppliers are ranked by procurement values from large to small, and the top 80% of raw material suppliers, as well as non-raw material suppliers with procurement values exceeding NT\$1 million for two consecutive years, are listed as our significant suppliers. We distributed a total of 78 policy dissemination surveys to our significant suppliers in 2023. All 78 of these suppliers responded to this survey, achieving a response rate of 100%.

- Survey results showed that 100% of our suppliers were aware of our trade secrets policy.

- Nearly 97.59% of suppliers were aware of our anti-corruption policy. Following our promotional efforts for individual suppliers, 100% of suppliers were made aware of our policies.

2. We also announce and promote our trade secrets and anti-corruption policies through our supplier intelligent management platform. No incidents of anti-corruption occurred in 2022. We have established a dedicated mailbox and hotline for anti-corruption to provide suppliers with a means to immediately report Grape King Bio employees who violate procurement guidelines, thereby ensuring protection of supplier interests.

Grievance Reporting and Whistleblower System

We have established “Procedures of Whistle-blowing and Complaints.” Stakeholders can report grievances to our dedicated mailbox or through our hotline, and we have measures in place to provide timely responses, thus ensuring protection of stakeholder interests. In consideration of our foreign colleagues, we have posted translations on our bulletin board to enhance effectiveness of awareness and communications.

(1) Mailboxes for complaints and grievances:

Mailbox for reporting complaints: companyopinion@grapeking.com.tw

Mailbox for reporting grievances: employeeopinion@grapeking.com.tw

The point of contact for all grievances and complaints are the managers of relevant departments.

(2) Hotline for internal complaints and grievances:

Hotline for reporting complaints: +886-4572121#1999

Hotline for reporting grievances: +886-4572121#1995

Procedures for reporting complaints and grievances: Company managers, informant departments, and higher authorities are not allowed to take inappropriate action or retaliation against informants or their close associates. To prevent intentional or malicious reporting and anonymous discrediting, reports verified to be unsubstantiated will not be accepted, and those seeking to discredit others will be punished in accordance with corporate regulations. All reports and complaints are compiled and submitted to the general manager; cases can only be closed following approval by the general manager.

We added a clause related to Article 74 of the Labor Standards Act (Whistleblower Protection Clause) to our internal “Management Procedures for Rewards and Punishments” to clearly convey and effectively protect employee rights to submit reports and complaints.

1.3 Risk Management

Chief Auditor
Yi Chun Lee



“

Our internal control processes rigorously regulate sound corporate operations. Our board, management team, all employees, and corporate stakeholders familiarize themselves with anti-corruption concepts and monitor the Company to ensure implementation of moral values and ethical management

”

We have established risk management mechanisms; implement risk assessments, risk identification, and risk handling activities; conduct audits and verifications in line with standard international risk management frameworks; and have obtained Anti-bribery Management (ISO 37001), Information Security Management (ISO 27001), Environmental Management (ISO 14001), Occupational Health and Safety Management (ISO 45001), Energy Management (ISO 50001), Talent Quality-management System (TTQS) and Taiwan Intellectual Property Management System (TIPS) certifications.

Risk Item	Response Measures
Financial risk	<p>I. Interest rate risks: Interest rate risks stem mainly from changes in interest rates on bank loans. In 2023, our interest payments on bank loans accounted for 0.0003% of net profits before tax. Interest rate changes in 2023 had no significant impacts.</p> <p>II. Exchange rate risks : Exchange rate risks mainly encompass business receivables and payables in foreign currency. At present, we mainly focus on transactions and raw material purchases in local markets, and have few exports or imports, so impacts of exchange rate risks are relatively small.</p> <p>III. Credit risks : Credit risks mainly stem from inability to recover receivables. Grape King Bio categorizes clients according to financial conditions, past transactions, internal ratings and accounts receivable aging reports; where appropriate, collateral is collected to reduce credit risks from receivables.</p>
Operational risks	<p>I. Customer rights risks</p> <ol style="list-style-type: none"> 1. We established an Information Security and Personal Information Committee as well as standard operating procedures for major personal information incidents. We further conducted a comprehensive review of information security measures and a comprehensive inventory of all information security processes for virtual channels that come into contact with the personal information of customers. We extended the validity of our ISO/IEC 27001:2013 certification. 2. We have established comprehensive standard operating procedures targeted to food safety, quality control, and other issues relating to consumer interests. We also conduct comprehensive reviews of individual cases and retrain our customer service staff accordingly to strengthen responses to abnormal events. <p>II. Food safety risks</p> <ol style="list-style-type: none"> (1) Compliance with laws and regulations: We review raw materials and food additives to ensure that they adhere to legal regulations. Raw materials are inspected and undergo quality control processes after entering factories. The expiration dates of raw materials are tracked when they enter warehouses to prevent the use of expired materials. (2) Reduce external risks: We maintain basic information and related quality records for suppliers and manufacturers to serve as a reference when making procurements. If any food safety incidents occur, we can use the search function on our systems to enable clarification and handling at the first instance. (3) Enhance internal management: We maintain records of product manufacturing dates, expiry dates, production quality, and product inspections which can be used to track the quality of all raw materials used in relevant products. (4) Grape King Bio focuses on three main axes for food safety management and assurance: I. Hygiene regulations and training; II. Product tracking and management; III. Product quality and inspections. <p>III. Procurement risks</p> <p>Procurement regulations: Supply of high-quality products can increase consumer confidence and willingness to purchase. In practice, Grape King Bio's rigorous raw material management measures include:</p> <p>Our raw material suppliers are required to comply with the following regulations</p> <ol style="list-style-type: none"> (1) Raw materials must be legally registered in the government food manufacturer registry system. (2) Raw materials must be approved by our R&D and relevant departments. (3) Raw materials must provide comprehensive product information for analysis as well as comparison, and packaging and labels cannot be altered or replaced. (4) Raw materials imported from foreign countries must be equipped with licenses and imported in their original packaging. (5) Raw materials must be stored in accordance with regulations and relevant licenses must be procured. (6) Evaluation procedures must be reimplemented upon the revision of relevant information for raw materials.



Risk Item	Response Measures
Operational risks	<p>IV. Supply chain risks</p> <p>We track raw material traceability and have established supplier evaluation procedures that span from initial qualification reviews and sample selection, on-site supplier evaluations, and annual quality tracking of supplied goods. We not only inspect raw materials but also compile basic information and relevant quality records for suppliers and manufacturers to serve as a reference when making purchases.</p> <p>We implement a two-supplier policy to ensure that we can make timely adjustments if supply becomes unstable and to guarantee smooth delivery of supplies.</p> <p>V. Risks related to trade secrets, patent rights and trademarks</p> <p>We have established the “Code of Ethical Conduct” and formulated the “Procedures for Investigation of Grievance Reports” to regulate and appropriately handle grievance reports. Implemented action include the following:</p> <ol style="list-style-type: none"> 1. Formulated the Code of Ethical Conduct and Procedures of Whistle-blowing and Complaints 2. Periodically collect stakeholder feedback and provide an anti-corruption hotline and complaint mailbox 3. New employees are required to take anti-corruption courses and tests to verify their awareness of anti-corruption matters 4. In terms of supply chain management, if we discover personnel who accept improper benefits such as kickbacks during transactions and do not voluntarily report the same, suppliers involved in corruption incidents will be penalized and removed from our supplier list. For serious violations, legal action will be brought against the employees and suppliers in question, who shall be jointly responsible for any penalties incurred under the Criminal Code of the Republic of China, with no leniency. <p>VI. Talent recruitment and training risks</p> <p>To promote the flow of talent within our organization, we provide multiple channels for development (such as overseas job opportunities, opportunities to execute critical projects, training, and a variety of other opportunities and platforms) while respecting the career development plans of our employees and the business needs of our company. We encourage our employees to realize their potential, learn new knowledge and skills, develop a broader outlook, and build connections by giving them cross-cultural and cross-domain learning opportunities.</p> <p>Apart from deployments due to organizational needs, employees can also apply for transfers in accordance with our recruitment and selection procedures.</p> <p>Following full communication and confirmation of employee willingness, transfers take effect upon approval by responsible supervisors.</p> <p>During their first three months, new employees have exclusive mentors who help them adapt to corporate environments and duties.</p>
Strategic risks	<p>I. Legal compliance risks</p> <p>We have established the legal office and audit office to ensure the implementation of legal compliance and internal control systems, and our independent directors and Audit Committee are responsible for enhancing Board effectiveness and implementing supervisory actions. We have also established clear and appropriate processes in all departments, including regular tracking of regulatory updates, implementations of self-assessments, education and training, and audits.</p> <p>II. Product development and launch risks</p> <ul style="list-style-type: none"> • Internal : Product designs face risks of discrepancy or failure during on-site batch production trial runs. • (1) Purchased testing equipment (for example texture analyzers) and established a product parameter database to confirm product parameters. • (2) Conducted medium-scale trial runs in our laboratory to confirm product formulations, filling properties and applicability prior to on-site batch production trial runs. <p>External (sales related) :</p> <p>After products are launched, we take the following actions in collaboration with our sales units to reduce risks of poor sales performance and product recalls:</p> <ol style="list-style-type: none"> (1) Our sales units conduct comprehensive market surveys prior to product development to better understand market trends and consumer habits. (2) Our sales units continuously track market conditions upon product launches to understand changes in product trends and develop strategies for future product development. <p>III. Marketing and market risks :</p> <p>Assess risk levels → Convene related units → Formulate Q&As → Draft unified responses → Continue monitoring</p> <p>In terms of our image, we constantly monitor and compile monthly reports on all news, media, and feedback from social networks. We assess risks posed by negative news coverage, convene related units to clarify incident details, and issue unified statements in a question-and-answer format to provide information required by the public, thereby avoiding confusion from ambiguous information, following which we continue to monitor related information.</p> <p>IV. Advertisement risks:</p> <p>Review of advertising copy :</p> <p>Our legal office collaborated with our information office to set up the “Review of Advertising Copy” section on the EIP system. Apart from videos of training sessions for advertising copy, the section includes the “Violations Information List for Advertising Copy,” which encompasses information such as penalized entities, product names, violation details, and penalty amounts based on all advertising infractions and penalties issued by administrative authorities. Our legal office regularly updates the above advertising infractions and penalties in a database so that all units can keep abreast of inappropriate words and phrases identified by the administrative authorities when creating or reviewing advertising copy, thereby significantly reducing the risk of legal violations.</p> <p>In addition, the BPM system also includes the “OA011 Advertising Copy Review Request Form” to address problems relating to the previous procedures which use email to conduct reviews of advertising copy and to expedite the review process across all units. This system displays feedback from all reviewing units to avoid large discrepancies in appropriate phrasing proposed by each unit. The advertising review requesting unit then modifies the advertising copy by integrating the opinions from all reviewing units.</p>
Hazard risks	<p>We implemented specific projects for material environmental issues and occupational health and safety management risks. Grape King Bio adopts the following six strategies: (1) Reduce hazard risks, (2) Implement environmental protection, (3) Fulfill compliance obligations, (4) Improve sustainable cycles, (5) Promote full employee participation, (6) Build friendly workplace environments (Please refer to the Chapter 4.5 on occupational safety for details).</p>
Climate change risks	<p>Please refer to the Chapter 6.1 TCFD section for more information</p>

1.4 Financial Performance

Grape King Bio builds upon sustainable and steady developments; emphasizes integration with stakeholders; adheres to the four food safety policies of “continuous innovation, pursuit of excellence, fulfillment of social responsibilities, and customer assurance”; strengthens source management of raw materials from suppliers; implements rigorous management mechanisms and expanded quality management and inspections; and strengthens employee commitment to product health and safety to ensure customer satisfaction and safety. Due to the efforts of all employees, Grape King Bio has won the recognition and confidence of stakeholders. Our revenues and overall operational performance continue to grow. We achieved impressive consolidated revenues and profits over the past three years.

Our consolidated revenues in 2023 were NT\$10,635,464,000. Grape King Bio continues to uphold shareholder interests by maintaining after-tax profits of NT\$9.81 per share, rewarding our shareholders with a stable dividend policy. Consolidated financial information for the past three years are as follows :

Consolidated financial information for 2023

Unit: Thousand NTD

Item	Basic Elements	2021	2022	2023
Direct Economic Value Generated	Income*	9,798,246	10,391,231	10,635,464
Distributed Economic Value	Operating costs*	1,942,319	1,909,186	2,099,450
	Employee salaries and benefits* (Note 1)	1,135,765	1,215,309	1,262,422
	Payment made to investors*(Dividends of the current year)	1,508,468	1,486,415	1,663,814
	Payments made to the government* (Note 2)	262,288	423,456	469,813
	Community investment (Note 3)	13,817	18,822	19,778
Retained Economic Value (Generated-Distributed)* (Note 4)		1,947,989	2,169,687	2,141,511

Note 1: Including bonuses, pensions, payments deducted from salaries on behalf of employees, and other personnel costs.

Note 2: Paid income tax.

Note 3: Expenditures for donations to government institutions as well as other club and community charity expenses. The amount includes the expenses of Tseng Shui Chao Welfare Charitable Foundation.

Note 4: Profits after tax for the current year.

*Values for 2021-2023 were audited by Deloitte.

Item	2021	2022	2023
Net profit after tax (thousand NTD)	1,947,989	2,169,687	2,141,511
Consolidated net profit margins	19.88%	20.88%	20.14%
R&D investment (thousand NTD)	292,228	289,884	289,545
Return on shareholder equity	21.16%	20.12%	18.81%
Distribution ratio for cash dividends	69.24%	70.12%	70.36%
Earnings per share	8.81	9.84	9.81

Tax Policies

Grape King Bio specifically established the "Tax Policy" and related tax management responsibilities, approved by the Board of Directors, to effectively implement tax governance in response to international trends, adhering to tax regulations, and ensuring corporate sustainable development. The Board of Directors is the highest authority for tax policies, responsible for approving tax policies to ensure their effective implementation.

I. Legal Compliance

Adhere to the tax laws and regulations of the respective countries where each operational site is located, timely settle tax obligations, and fulfill the social responsibility of taxpayers.

II. Avoidance of Inappropriate Tax Planning

Carefully evaluate various investment structures and transaction models to align with economic substance and legitimate business purposes, refraining from engaging in improper tax arrangements.

III. Related Party Transactions

Adhere to the transfer pricing regulations published by the Organization for Economic Co-operation and Development (OECD) to ensure that related party transactions comply with standard practices and transfer pricing legal requirements.

IV. Tax Risk Assessment

Consider tax implications for significant transaction decisions and day-to-day operational activities. Prudently evaluate and apply various tax regulations, tax incentives, and agreements for tax planning in compliance with regulations.

V. Information Transparency

Comply with relevant regulations and guidelines for tax disclosure, and regularly disclose tax information through public channels to ensure tax transparency.

VI. Relationship with Tax Authorities

Establish a relationship of mutual respect and good interaction with tax authorities based on the principles of mutual trust and legal compliance.

VII. Professional Development

Tax dedicated personnel should continuously enhance their professional competence through education, training, specialized research, or participation in tax seminars.

The income tax expenses for the past three years are as follows:

Our company and its subsidiaries adhere to local regulations when paying various taxes annually. Given that over 90 percent of the group's overall profits are derived from Taiwan, the effective tax rate for both our company and its subsidiaries (as reflected in the consolidated financial statements of the group) closely approximates Taiwan's statutory tax rate of 20%.

Item	2021	2022	2023
Net profit before tax	2,414,906	2,687,878	2,660,620
Income tax expense	466,917	518,191	519,109
Effective tax rate%	19.33%	19.27%	19.51%

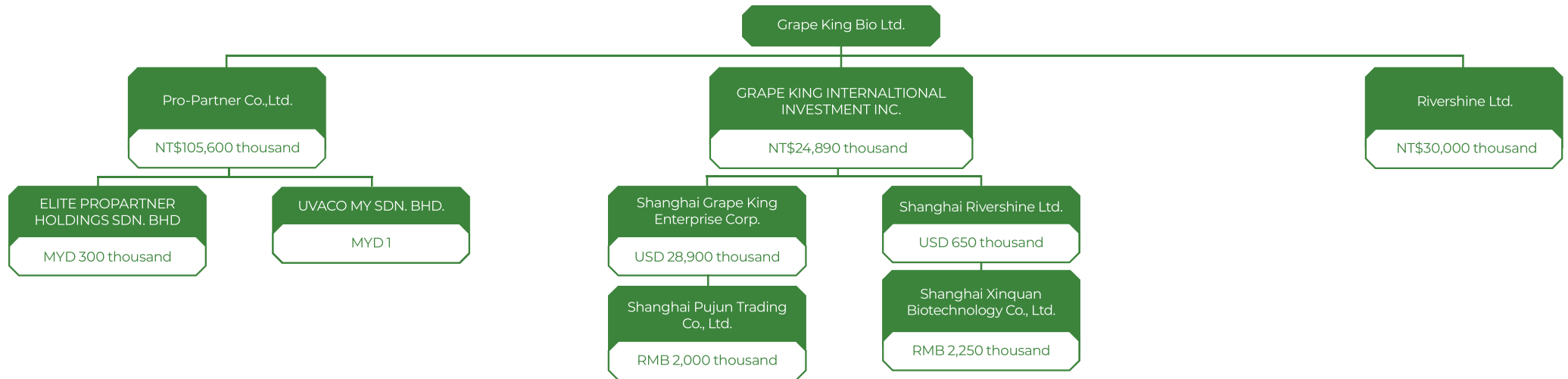
Unit: Thousand NTD



Subsidiaries

Grape King Bio and its subsidiaries are mainly engaged in the manufacturing and sales of beverages and health foods. Our comprehensive industry value chain encompasses upstream development of key raw materials (such as lactic acid bacteria, Ganoderma, and Antrodia cinnamomea mycelia); midstream formulations and packaging; to downstream sales through private channels and brand stores, as well as domestic and overseas OEM services.

In terms of operational models, Grape King Bio uses diverse distribution and direct marketing channels to promote high-quality products to a wider range of users and to achieve our corporate mission of being “A health expert for the entire family.” Of our NT\$10,635,464,000 revenues in 2023, NT\$8,570,951,000 were sourced from direct sales channels.



Governmental subsidies

Item	Subsidy Item	Amounts
1	SME on-site health subsidy	NT\$139,000
2	Taoyuan City Government-Subsidy to redesign jobs for middle-aged and aged people in 2022	NT\$63,000
3	Subsidy for work-life balance	NT\$40,000
4	Subsidy from Precision Health Industry Cross-domain Promotion Plan by Hsinchu Science Park Bureau	NT\$1,322,000
5	Subsidy from Industry Energy Saving Guidance and Energy Efficiency Enhancement Promotion Program by Ministry of Economic Affairs Industrial Development Bureau	NT\$1,500,000
6	Subsidy from Industrial Upgrading Innovation Platform Guidance Program by Ministry of Economic Affairs Industrial Development Bureau	NT\$4,430,000

1.5 Legal Compliance

Chief Legal Officer
Bing-Jyun Cui



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Grape King Bio strictly complies with the regulatory requirements of markets where we operate, adopting the most rigorous attitude to requirements from competent authorities to ensure smooth business activities.

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Management Approach	Key issue-Legal compliance	
Policies	Grape King Bio reviews all company operating procedures based on the highest standards available and implements corporate governance and food safety standards verified by third parties. We constantly pay attention to the latest legal trends and adjust our actions accordingly.	
Commitments	“Ethics and integrity” are our commitment to society. We maintain a good corporate image, ensure smooth business activities, and reduce our violation risks to avoid affecting normal operations.	
Targets	Short-term	Implement legal compliance control system and reduce risk of legal violations. We incorporated third-party verifications to ensure compliance with national standards.
	Mid-term	Promote relevant laws and regulations and help relevant personnel understand legal requirements
	Long-term	Continue to conduct in-depth understanding of other national laws and regulations to perform risk control according to company size and business needs
Responsibilities	Cooperative entities: Quality Assurance Department-Food safety incidents Marketing Division-Media events Business Unit-Consumers and channels Human Resource Department-Labor-management disputes	
Resources	1. Worked with our information office to establish the trade secrets registration system; additionally, organized seminar tours across various factory sites. 2. Hired an intellectual property consultant to implement and verify compliance with the Taiwan Intellectual Property Management (TIPS). 3. Hired a consulting firm to assist with personal data inventory and risk assessment tasks.	
Specific performance	1. Worked with our information office to establish the “trade secrets registration system” that is scheduled to launch in 2023. 2. Obtained the Taiwan Intellectual Property Management (TIPS) A-Class Certification in 2023. 3. Organized the seminar on “Confidential Information Management System” and conducted training related to intellectual property rights 4. Conducted an inventory and risk assessment of critical and substantial personal data stored across a total of 8 units.	

All documents related to legal disputes are managed by our legal department, which works with all departments to establish clear and appropriate regulations, regularly update regulations, conduct self-assessments of implementations, audit training and execute other action plans. We actively implement our Code of Ethical Conduct. The employment contract signed by our employees upon joining Grape King Bio has stipulated ethical conduct as well as prevention of anti-corruption behaviors and prohibition of actions that may be detrimental to the company. These provisions are also reiterated on employee termination forms. Apart from employment contracts, all our employees are also required to sign a confidentiality contract to reinforce the importance of trade secrets and ensure that our employees understand their obligations. Additionally, our colleagues in the legal department continue to attend legal compliance courses. We organized training sessions on “Introduction to Intellectual Property Rights and Corporate Intellectual Property Regulations” for new employees; courses on “TIPS System Implementation” and “Basic Intellectual Property Education” for our dedicated TIPS units; courses on “Trademark Usage and Trademark Infringement Patterns” and “Trademark Application Procedures and Forms” for our marketing planning, OEM as well as overseas business and direct marketing departments; and a course on “Basic Understanding of Personal Data Protection Act and Personal Data Inventory Operations” and a training session on “Personal Data Risk Assessment” for units storing substantial and critical personal data.



In 2023, we submitted trademark applications for our raw materials following interdepartmental communications with our Biotech Research Institute, legal office, marketing planning section, and product planning section. Trademarks were reviewed for labeling errors and to determine whether product labels violated food regulations. We aim to implement active improvements and incur zero violations.

We formulated the “Trademark Management Procedures” based on this trademark application process. These Procedures were amended in 2023, approved and released by our document control center on May 26, 2023, and stipulated that:

- Before submitting applications: Requesting units should ask the legal office to provide suggestions after conducting searches and analyses to ensure compliance with trademark identification standards.

- When submitting applications :

(1) Domestic trademarks: Our electronic application system enables the legal office to submit applications for Taiwanese trademarks directly to the Intellectual Property Office. In 2023, our legal office submitted a total of 5 trademark applications. Subsequent payments, corrections, and certificate collection procedures are also handled by the legal office, which greatly reduced service fees paid to commissioned firms.

(2) Overseas trademarks: Applications, payments, corrections, and certificate collection procedures are all handled by commissioned firms.

- After submitting applications: Apart from management of established lists, we incorporated trademark status of use information in our databases starting from 2021 to comply with the provisions of the Trademark Act, which state that trademarks should be used for marketing purposes. In 2022, we included status of use information for all registered product trademarks in our database to prevent third parties from filing claims to cancel our trademarks due to more than three years of non-usage. In 2023, We implemented the filling out and record-keeping of relevant forms for procedures prior to trademark, authorization applications, and infringement reporting to reduce the risk of trademark infringement and to protect our trademark rights.

In terms of intellectual property rights, our legal office conducts routine searches, analyses, defenses, registrations and applications, maintenance, management, and strategic positioning of domestic and foreign trademarks and patents, as well as periodic internal dissemination or

training sessions on trade secrets. In 2023, we officially implemented Taiwan Intellectual Property Management (TIPS). Apart from providing training sessions to the dedicated units, we reviewed and supplemented the procedures and forms related to intellectual property, completing an inventory of a total of 27 procedure documents (of which 1 was added and 15 were amended). Additionally, we successfully obtained Taiwan Intellectual Property Management (TIPS) A-Class Certification in the same year. Externally, we request our sales and marketing personnel to provide image sources, patent information, and trademark authorization basis when submitting copies for review to prevent infringement upon others' intellectual property rights and portrait rights.

For protection of personal data and privacy rights, we formulated and released the “Personal Data Protection Policy,” and used the EIP system to publicize these policies to all employees. We also update our corporate website, Health and Vitality Power Center, and the privacy rights policies on our Grape King online store according to the changes in the laws and regulations. The “Contact Us” page on our website includes categories related to privacy rights policies so we can properly handle the concerns of our consumers or website users. In 2023, for units holding substantial and critical personal data, we conducted a comprehensive inventory and risk assessment of personal data to improve the protection of personal data.

For Notices issued by health authorities, the legal department is responsible for gathering relevant information and drafting a statement of opinion, and then evaluating them to determine whether to file an appeal, administrative litigation or propose improvement measures; the legal department is also responsible for notifying relevant departments. If the authorities request a hearing, this is attended by members of our legal department and personnel from relevant departments.

Corresponding departments determine whether the legal department should submit appeals for other types of regulatory documents. All incidents are discussed at manager meetings and improvement processes are implemented, following which final reports are compiled.

We gradually promoted awareness of legal concepts. As of the end of 2023, we incurred one violation of the Act Governing Food Safety and Sanitation, two violations of the Health Food Control Act, two violations of the Occupational Safety and Health Act and one violation of the Waste Disposal Act but incurred no major penalties from administrative authorities exceeding NT\$1 million.

Handling process for legal cases :

Administration Department
receives the letter

Reviewed by the Legal Office

Discussion between related
responsible units

Discussion in the supervisor
meeting and proposals for
improvement solutions



Legal Compliance Status in 2023

Category	Number of Incidents	Amount of Fine(NT\$)	Legal Basis	Violation Incidents 2023	Subsequent Improvements
Marketing and Labeling	1	40,000	In violation of Article 28 of the Governing Food Safety and Sanitation Act	The advertisements for Sliim Turmeric Complex Essence Drink™ and ™ Night Slim Turmeric Complex™ are implicated in false, exaggerated or misleading.	<ol style="list-style-type: none"> 1. We immediately notified our business units upon receipt of this violation notice. 2. We presented opinions along with attached relevant research reports to the Department of Health. 3. Relevant units were requested to adjust advertising copy. 4. The legal office inventoried all Turmeric advertisements and Antrodia King on the Grape King online store as well as other shopping websites and requested comprehensive revisions by our business units to prevent further fines for different ad combinations. 5. The company is contesting the fines related to Antrodia King and Sliim Probiotics King, as the challenged text stems from the " Summary of Application Form for Health Food Registration," and administrative litigation is presently underway.
	2	400,000	In violation of Paragraph 1, Article 14 of the Health Food Control Act	The labeling or advertisement of health foods such as " Health mark number-Antrodia King " and " Health mark number-Sliim Probiotics King" involve false, exaggerated, or misleading content.	
Human rights	5	950,000	In violation of Paragraph 1, Article 24, Paragraph 2, Article 24 and Paragraph 2, Article 32 of the Labor Standards Act	Failing to provide overtime pay in accordance with regulations for extended work hours and failing to compensate for work on rest days as required by regulations.	<p>Corrective measures :</p> <ol style="list-style-type: none"> 1. Compliance with regulations on extended working hours: Hired foreign employees to share current increases in workloads and shift scheduling needs. Utilized the reminder function of our human resources system for anomaly control and resolution. 2. Insufficient salary payments for extended working hours and rest days: The basic standards of salary payments for extended working hours have included meal allowances incurred during overtime as per regulations, and the payment formula has been established in compliance with the regulations of payment standards for extended working hours. <p>Prevention mechanisms :</p> <ol style="list-style-type: none"> 1. Utilize the management mechanisms on our new human resources system and generate analysis reports that provide reminders for shift scheduling as a prevention measure. 2. Regularly conduct inspections on legal compliance and legality of the system and adjust accordingly.
Occupational health and safety	1	100,000	In violation of Paragraph 1, Article 6 of Occupational Safety and Health Act	<ul style="list-style-type: none"> • Failing to effectively prevent the risks of injuries posed by items such as machinery, equipment, and tools. • Failing to properly install safety devices for elevator operation and failure to provide emergency eye wash and shower facilities in workplaces handling specific chemicals. 	<ol style="list-style-type: none"> 1. The hazard of pinch points occurs during the operation of the labeling machine. <ul style="list-style-type: none"> ➢ Improvement Method: Safeguards with safety interlocks have been installed to prevent the hazard of pinch points. 2. The material hoist lacks sturdy doors and safety interlock devices. <ul style="list-style-type: none"> ➢ Improvement Method: Sturdy doors and safety interlock devices have been installed. 3. No emergency shower equipment is present in locations where certain chemicals are used. <ul style="list-style-type: none"> ➢ Improvement Method: The emergency shower and eyewash equipment have been installed on site.
Management of Water Resources	1	60,000	In violation of Paragraph 1, Article 14 of Water Pollution Control Act	During the audit of the water discharge permit for Zhongli Plant, it was found that four manholes are in use, but they are not listed in the water discharge permit.	The water discharge permit has been updated to include all data on catch basins, and the new water discharge permit is expected to be obtained by February 28, 2024.

	Commercial Dispute Incidents in 2023
Misappropriation of our trademark and copyrighted works to produce "Grape King Activate Tea"	<ol style="list-style-type: none"> 1. In January 2023, we were informed by consumers of the sale of the "Grape King Activate Tea" products on the YouTube website, which were not produced or sold by us, and the materials thereof used included our trademark and photographic as well as compilation works. Our legal office filed a complaint with the Taoyuan Police Department Pingzhen Precinct in the same month, which was later transferred to the Taiwan Taoyuan District Prosecutors Office for investigation. Meanwhile, instances have also occurred, such as the creation of a one-page sales website as well as the establishment of a Facebook fan page for the allegedly infringing products, and their listing on the Shopee shopping website. 2. The allegedly infringing videos on YouTube have been reported and taken down. We subsequently uploaded a clarification video on YouTube and released a clarification message on our official website. 3. As for the one-page website, the police informed us that the IP address of the webpage is in China and cannot be tracked. Therefore, the prosecutor decided to close the case. The Facebook fan page cannot provide relevant information such as IP and registration data because this case does not fall under the category of cases for which official assistance can be provided. However, it has been reported and taken down.
Counterfeiting incident of "Grape King Bio Slim Probiotic King capsules"	<ol style="list-style-type: none"> 1. In April 2023, colleagues from the business division discovered that a certain store on the Shopee shopping website sold our "Slim Probiotic King capsules" product at a significantly lower price than the market price. Upon purchasing and inspecting the product, it was confirmed to be counterfeit. 2. Following the above, the marketing and business units have issued relevant anti-counterfeiting statements to remind consumers and have sent letters to the shopping website. The legal office has also used this incident to formulate the procedure for handling fraud cases and publicized it to all employees. 3. Upon collecting relevant evidence, the legal office has engaged a lawyer to file a lawsuit against the store owner with the Taiwan Taoyuan District Prosecutor's Office. The case is currently under investigation.

