**Taiwan Corporate Governance Association (TCGA)**

**Report for Performance Evaluation of Board of Directors**



**Organization: Adimmune Corporation**

**Date: March 10, 2023**

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# I. Prefix

The focus of corporate governance lies in the board of directors. Whether the board of directors can operate effectively and substantially perform its function of guiding and supervising the management depends on the board’s professional composition, clear division of labor, and the chairman’s effective leadership as well as the members’ continuous learning and appropriate time commitment.

It has been twenty years since the enactment of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies in October 2002 in Taiwan. The corporate governance ecosystem in Taiwan is gradually maturing. Regular review and continuous improvement of the proficiency of corporate boards of directors is a key factor in good corporate governance and a driving force towards sustainable corporate management. An external independent professional organization can assist individual companies in reviewing and evaluating board operations for further improvement.

Taiwan Corporate Governance Association (hereinafter referred to as TCGA) is an independent and professional evaluation and assessment organization on corporate governance and board performance. With reference to the corporate governance principles issued by the Organization for Economic Cooperation and Development (OECD) in 2015 and Taiwan’s legal system and corporate characteristics, TCGA has been promoting and implementing corporate governance evaluation, assessment, and board performance evaluation services since 2005, and has provided services to nearly 500 companies, spanning a wide range of industries and covering public corporations, TWSE/TPEx listed companies, public and non-publicly-traded companies, and companies with different shareholding structures and board member compositions.

Based on our rich experience and learning in the evaluation and assessment of corporate governance systems and board performance, we define the scope of our board performance evaluation services to include the following eight dimensions from the perspective of the planning, execution, supervision, and evaluation cycle of corporate operations and the division of labor between the board of directors and the management:

1. Composition of the Board of Directors.

2. Guidance from the Board of Directors.

3. Authorization of the Board of Directors.

4. Supervision by the Board of Directors.

5. Communication of the Board of Directors.

6. Internal control and risk management.

7. Self-discipline of the Board of Directors.

8. Others (e.g., board meetings, support systems, etc.).

Regularly evaluating the performance of the board of directors not only clarifies the roles and responsibilities of individual directors, functional committees, and the board of directors, but also examines whether the board of directors is appropriately focusing on key business issues, investing sufficient resources, and addressing issues related to corporate growth and sustainable management in an appropriate manner at different stages of corporate development. Regular external evaluations of board performance also demonstrate the commitment and visionary leadership of the corporate board to stakeholders, such as employees, customers, suppliers, investors, and other capital market participants.

# II. Evaluation Procedures and Information

**A. Evaluation procedures:**

|  |  |
| --- | --- |
| **Date** | **Main Procedure** |
| 2022.12.23 | The company completed the enrollment process. |
| 2023.01.04 | The company started the self-evaluation process. |
| 2023.01.19 | The company completed the self-evaluation process. |
| 2023.02.16 | TCGA’s evaluation committee members and the specialists jointly conducted a written review. |
| 2023.03.01 | TCGA’s evaluation committee members and the specialists jointly visited the company for on-site evaluation. |
| 2023.03.10 | TCGA issued the evaluation report |

**B. Period of the information being evaluated:**

January 1, 2022 to December 31, 2022.

**C. On-site evaluation team:**

Executive Committee Member and Convener: Lin, Huo-Teng

Executive Committee Member: Ho, Pei-Chu

Evaluation Specialist: Chiang, Chia-Jung

Evaluation Specialist: Chen, I-Ting

**D. Adimmune’s team for on-site evaluation:**

|  |  |
| --- | --- |
| Chairman | Chan, Chi-Hsien |
| President | Liu, Chung-Cheng |
| Independent Director (Convener of the Audit Committee and Renumeration Committee) | Hsu, Siao-Po |
| Independent Director | Hsu, Yung-Sheng |
| Vice President & Chief Counsel | Pan, Fei |
| Corporate Governance Director | Lin,Ching-Yao |
| Audit Director | Shih,Fei-Meng |

III. Summary of the Eight Dimensions and OverallObservation

**A. Summary of the eight dimensions**

**1. Composition of the Board of Directors**

The board of directors supervises the corporate operation in a collective manner. Therefore, the composition of the board of directors should be in line with the needs of the corporate’s operation and development to effectively fulfill its function of guidance and supervision. Corporates pursuing sustainable management should plan for the succession and development of the board of directors and regularly review the composition and division of labor of the existing board of directors as well as the selection, nomination, and appointment of its members to ensure that the process is rigorous and thorough.

**2. Guidance from the Board of Directors**

The board of directors is the corporate’s command center of decision-making. The board of directors should examine the company’s strengths and resources from a viewpoint of the external environment to set and adjust the company’s goals and response strategies, and effectively manage and ensure that the management implements the strategies to achieve the goals.

**3, Authorization of the Board of Directors**

Outside of the meeting time, the Board of Directors shall ensure that the corporate follows the established policies, systems, goals, and strategies through the division of responsibilities and authorization of the management. The board of directors shall establish an effective and immediate reporting mechanism for the authorized units as a reference for decision-making or management adjustment.

**4. Supervision by the Board of Directors**

Supervision by the Board of Directors shall be implemented through the establishment of an independent internal audit professional, the external professional accountants, and other effective mechanisms to reasonably ensure the compliance and effective operation of the corporate.

**5. Communication of the Board of Directors**

Effective communication is a core function of the board of directors in modern corporate leadership and management. The board’s function of effective guidance and supervision is based on a good communication, so that the board’s authorization and division of labor can be truly implemented. The board communicates with its own members, management, shareholders, and other stakeholders; it must also focus on communication topics, communication and feedback mechanisms, and the culture of board meetings.

**6. Internal Control and Risk Management**

Internal control system and risk management are the two major mechanisms to ensure the effective management of a corporate. The board of directors is the ultimate supervisory body for internal control and risk assessment. Based on the objectives of the corporate, the board should identify major risk issues, define risk tolerance levels, and establish a sound internal control system to ensure (and reasonably guarantee) the results of the corporate’s operations. In addition, the training and succession of senior managers is also an important issue to ensure the sound operation of the corporate and to reduce the risk of disruption.

**7. Self-Discipline of the Board of Directors**

The board of directors leads the direction of the corporate’s operation; its effectiveness is crucial to the success or failure of the corporate. Therefore, the board of directors is required to be highly self-disciplined to ensure the corporate’s business performance and the implementation of a culture of business ethics. The board of directors must regularly evaluate its own participation and performance, and ensure improvement in order to respond to changes in the business environment.

**8. Others Such As Board Meetings, Support Systems, Etc.**

The foundation of the board’s effectiveness lies in a professional and sound board meeting support system, including a clear definition of duties and responsibilities of corporate governance staff and regular reviews on the definition, agenda planning, information provision, meeting minutes and follow-ups, new director training, and director’s continuing education... etc.

**B. Overall observation**

The company established in 1965 was formerly known as Kuo Kwang Serum and Vaccine Manufacture Co., Ltd. to produce various vaccines, and was renamed Adimmune Corporation in 2001. Adimmune was officially listed on the Taiwan Stock Exchange in 2012. The company is committed to the research and development of biologics, manufacturing and filling services, and has obtained a number of international certifications, and continues to work with domestic and international academic and strategic partners to enhance the development of the vaccine industry and expand the international market.

In June 2022, the company held a board of directors election and elected 11 directors, including 5 representative directors, 2 natural person directors, 3 independent directors, and 1 corporate director; among them are 2 female directors. The Board of Directors specializes in the fields of biotechnology, accounting, law, and management.

The Company has a remuneration committee and an audit committee under the Board of Directors. The remuneration committee was established in August 2011 and the audit committee was established in June 2017. The remuneration committee and the audit committee were convened four times and five times, respectively, during the period under review.

The Company’s audit office is under the Board of Directors. The head of audit submits monthly audit reports (including audit deficiencies and deficiency tracking) to the independent directors, and reports on the status of audit and internal control to the audit committee on a quarterly basis. The audit committee communicates with the accountants on a quarterly basis regarding the results of the audit and review of the Company’s financial statements, key audit issues, and the latest changes in laws and regulations.

The Head of Corporate Governance was appointed by the Board of Directors in May 2021 and is responsible for the matters of the Board of Directors, the Shareholders’ Meeting and the functional committees and assists in providing the information necessary for the directors to assume office, fulfill their duties and comply with the laws.

The Company conducts an annual self-evaluation of the board of directors, board members and functional committees and submits the results of the evaluation to the board of directors in the first quarter of next year. With the results of the most recent evaluation being submitted to the board of directors on March 29, 2022, this year, for the first time, the Company has commissioned an external independent professional organization to conduct a board performance evaluation.

# IV. Overall Comments and Recommendations

The TCGA’s Board of Directors Evaluation Team is composed of independent and experienced executive committee members and specialists. Based on the spirit of the eight evaluation dimensions, the team has read the open-ended questionnaires completed by your company, the information provided (minutes of board meetings and functional committees held during the evaluation period), and public information as well as conducted on-site interviews with the relevant members.

After reviewing the information, on-site interviews, communications and interactive observations by the evaluation team, we have compiled and organized our overall comments and recommendations for your company’s internal use as a reference for subsequent planning, establishment and strengthening of the functions of the board of directors.

**Overall Comments:**

1. The members of your Company’s board of directors each possesses the background and experience necessary for the Company’s management and development at this stage. The independent directors’ expertise covers finance, accounting, legal, and industry, and the composition of the board of directors takes into account the principles of professional division of labor and diversity, which enables the directors to give full play to their strengths and is conducive to the development of the overall business. It is worthy of recognition.

2. The Company supports and respects the professionalism of its board members and actively interacts with them during board meetings. In the face of major issues or projects, the management team will meet with the individual directors beforehand for explanation and consultation, so that the directors can fully understand the overall operation and the direction of its future development, thus enhancing the effectiveness of the decision-making process of the motions, and forming a good culture of board meetings.

3. Your Company focuses on the vaccine industry development, and its business strategy is proposed by the management team and presented to the board of directors for discussion. The Company has a clear vision of internationalization in its long-term strategy. By obtaining certificates from multiple countries to enter the international market, expanding its economic scale and enhancing the utilization of its production capacity, the Company is gradually achieving its business objectives. It is evident that the leadership of the board of directors has been effectively carried out.

4. In terms of promoting sustainable management, your company followed the GMP and GDP inspection mechanism for drug management at an early stage, laying the foundation for ESG development, and has now set up an ESG team, with the President’s office promoting the implementation of related businesses and reporting to the board of directors on a regular basis. While taking into account the operation scale and law compliance, your company has long been cooperating with the government’s public health policy, demonstrating the practical action of fulfilling corporate social responsibility and creating shared social value.

**Recommendations:**

1. Your company has an internal audit and management team to perform risk management for daily operations and major investments. It is recommended that your company further review the company’s various risks and formulate risk management policies and related management procedures, and regularly report to the board of directors on the implementation of risk management so that the board of directors can have a better understanding of the company’s overall risks.

2. The annual performance of your audit supervisor is evaluated by the President and submitted to the Chairman of the board of directors for approval. It is recommended that the audit committee of the Company participate in the goal-setting and performance evaluation of the head of internal audit in order to fulfill the responsibility of the audit committee in guiding the internal audit. In addition, in order to strengthen the articulation between the internal and external auditors, it is recommended that the Company arrange for the internal auditors and the external certified public accountants to communicate with the audit committee separately and leave written records of the meetings, so as to further fulfill the Audit Committee’s supervisory function over the internal control system and the financial statements.

3. The Company has an internal whistle-blower system and the whistle-blowing cases are received and handled by the audit office. It is recommended that the Company further strengthen the whistle-blower mechanism by specifying the relevant methods to be followed for the handling procedures of receiving and investigating the reported cases and strengthening the direct link between the whistle-blower and the independent directors. For example, setting up a dedicated communication channel with independent directors on the Company’s website; or allowing independent directors to receive unscreened or forwarded reports simultaneously in order to fulfill the monitoring function of independent directors.

4. It is recommended that your company take the “Corporate Governance 3.0 - Blueprint for Sustainable Development” issued by the Financial Supervisory Commission and the results of the previous corporate governance evaluations as the basis, and referencing to your company’s stage-by-stage development strategy, to formulate an action plan for the improvement of corporate governance to be presented to the board of directors, in order to fully demonstrate your company’s determination to improve corporate governance.



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