

Reinventing for A Sustainable Future

SUSTAINABILITY REPORT 2021

www.pharmaniaga.com

PHARMANIAGA BERHAD

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Key Risks

- Business Risk
- Financial Risk
- Environmental Sustainability Risk
- Cybersecurity Risk
- Legal and Regulatory Risk

Sustainable Development Goals (SDGs)

As part of Pharmaniaga's strategy we have **prioritised** the following **SDGs** to ensure our business is **environmentally, socially** and **economically** sustainable.



About This Report

Pharmaniaga Berhad and its subsidiaries (Pharmaniaga) are honoured to present its 6th annual Sustainability Report, which describes in detail the headway it has made in conducting its businesses responsibly as well as its commitment to growing sustainably.

The year 2021 proved to be no less challenging than the year before as the world’s population and business community continued to come to grips with the impact brought on by the COVID-19 pandemic.

That said, we at Pharmaniaga have remained focused on instilling sustainability across all our business operations. As illustrated in this Report, we have taken progressive steps in elevating our sustainability strategies and commitments. Further, the points raised in this Report underscore those highlighted in the Sustainability Statement section of our Integrated Report, which demonstrates the connection between our sustainability and business performances.

SCOPE AND BOUNDARIES

The Report contains information on our sustainability performance and progress as well as our continued commitment to sustainable practices across all our subsidiaries in Malaysia and Indonesia, with the exception of the following companies due to their dormant state:

- o Pharmaniaga Pegasus Co. Ltd
- o PT Mega Pharmaniaga
- o Bio-Collagen Technologies Sdn Bhd

The disclosures in the Report are for the reporting period between 1 January 2021 and 31 December 2021, and consistent with our financial reporting period. The last Sustainability Report was published in May 2021 for the period beginning 1 January up to 31 December 2020. Where relevant, quantitative data are provided for a three-year performance period. All monetary values are expressed in Ringgit Malaysia (RM), consistent with the Malaysian Financial Reporting Standards.

ASSURANCE

During the preparation of this Report, we established appropriate reporting and review guidelines to protect its integrity and ensure that the information is presented in a balanced, accurate and meaningful manner.

This Report was meticulously reviewed by the Sustainability Working Group (SWG) and further deliberated on by the Sustainability Management Committee prior to a final review and approval by the Board Sustainability Committee and the Board of Directors.

Acknowledging the importance of independent verification in authenticating our disclosures, we engaged external assurance service provider SIRIM QAS International Sdn Bhd to offer limited assurance on the Environmental, Social, and Governance (ESG) contents for this year’s Sustainability Report.

Please refer to the full Assurance Statement on page 140 for assurance scope and observation details.

REPORTING FRAMEWORK



In preparing this Report, we have ensured compliance with Bursa Malaysia Securities Berhad’s (Bursa Malaysia) Main Market Listing Requirements on Sustainability Reporting, using Bursa Malaysia’s Sustainability Guide (2nd Edition) and FTSE4Good assessment criteria as reference.

Produced with reference to the Global Reporting Initiative (GRI) Standards 2021, a GRI Content Index – featuring an overview of reported information based on relevant GRI Standards and disclosures – is included in this Report.

Our unwavering support for the United Nations Sustainable Development Goals (UNSDGs) and contribution towards attaining their objectives are also well-documented in the Report.

All the Greenhouse Gas (GHG) emissions data disclosed are prepared in line with the World Business Council for Sustainable Development and World Resources Institute’s GHG Protocol. Additionally, global warming potential values utilised by the Group to calculate GHG emissions were sourced from the Intergovernmental Panel on Climate Change’s Fifth Assessment Report.

ENHANCEMENT THIS YEAR

The following are the key enhancements and improvements made to our sustainability disclosures for 2021:

Section	Enhancement
Sustainability at Pharmaniaga (Sustainability Framework)	The introduction of ‘Sustainability Framework’ to provide an overview of our sustainability management process and demonstrate the interdependency of our sustainability vision, mission, roadmap, goals and governance structure
Sustainability at Pharmaniaga (Our Material Sustainability Matters)	A review and update of the Materiality Matrix to reflect the changing needs of the business environment we operate in, the interests of our stakeholders, and emerging risks and opportunities
Our Progress in Achieving Sustainability Goals	• Mapped discussion of each sustainability goal to key risks and strategies, as well as capitals and UNSDGs to demonstrate the integration of sustainability into businesses • Restatement of 2019 (baseline) and 2020 data for both energy and GHG emissions due to updates in petrol data for Indonesian operations, and the emission factor for GHG emissions calculations to improve data accuracy • Restatement of 2019 (baseline) and 2020 data for health & safety due to the scope covering for operations in Malaysia only

ACCESSIBILITY AND FEEDBACK

This Report shall be read together with our Integrated Report 2021, and other publicly available online resources such as corporate policies on our corporate website at www.pharmaniaga.com.

As we strive to elevate our efforts in promoting sustainable practices within our organisation and improve on our disclosure reports, we welcome any enquiries and comments on this Report. To submit feedback or obtain further clarification about our sustainability initiatives, please contact:

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Designation : **Head of Sustainability**
Phone : **+603-3342 9999**
Email : **sustainability@pharmaniaga.com**



For better understanding, this Report can be read together with our Integrated Report 2021



Find more information online at:

www.pharmaniaga.com



KEY MESSAGES

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MESSAGE FROM CHAIRMAN OF BOARD SUSTAINABILITY COMMITTEE

*Dear
Shareholder,*

Ravaged by the effects of the COVID-19 pandemic, businesses everywhere continued to navigate through the crisis in 2021, working on strategies to strengthen their performance. As Chairman of Board Sustainability Committee, my mandate has been to continue to drive a balanced Environmental, Social and Governance (ESG) management, which significantly helps in strengthening our long-term capabilities, performance and business resilience. I am pleased to note that Pharmaniaga Berhad has made progressive efforts with our continued sustainable measures and initiatives.

BUILDING BUSINESS RESILIENCE

Pharmaniaga was certainly not spared from difficult times, but we swiftly responded at the outset of the crisis by establishing multiple safeguards to protect our business. By leveraging our strong governance and re-defining focus and strategy, we charted a distinct path for the Company's transformation towards achieving a higher value creation. The development of the Pharmaniaga Strategic Pillars, for one, has given us a clear direction in building our resilience and future-proofing our business.

Our five sustainability goals have also been pivotal in driving our efforts towards responsible business practices, enabling us to deliver value to all stakeholders while attaining our business goals. We institutionalise sustainability governance through our dedicated Board Sustainability Committee (BSC), management team and working groups. The BSC has also taken concerted efforts in 2021 to catalyse the integration of sustainability into the Group's business strategy and operations. Our efforts included the approval of the inclusion of climate change risks in the Group's existing Enterprise Risk Management (ERM) guidelines, a step up in our quest to internalise sustainability throughout the Group.

KEY HIGHLIGHTS AND ACHIEVEMENTS

We have to admit that the silver lining of the pandemic cloud for us was the roll-out of the Government's National COVID-19 Immunisation Programme (NIP) in 2021. The vaccination programme further strengthened our economic and financial sustainability as we were appointed as one of the key drivers of NIP. Our commendable results in 2021 were also driven by improved performance across all business segments particularly the fill-and-finish manufacturing of Sinovac COVID-19 vaccine, as well as the distribution of AstraZeneca COVID-19 vaccine to the Federal Government and private sector.

Pharmaniaga's second year journey in the fill-and-finish manufacturing of COVID-19 vaccines, in collaboration with Sinovac Life Sciences Co., Ltd. (Sinovac), was also carried out in 2021. We delivered 20.4 million doses of vaccine to the

“
Our efforts included the approval of the inclusion of climate change risks in the Group's existing Enterprise Risk Management (ERM) guidelines, a step up in our quest to internalise sustainability throughout the Group.
”

Malaysian Government by the end of August 2021, accounting for about 35% of the total number of Malaysians who were vaccinated. This was one of our key achievements that demonstrated our unwavering commitment as well as the capabilities of our people and facilities.

We are committed to the United Nations' Sustainability Development Goals (SDGs) and closely monitor and reassess our impact and contributions to the global agenda, especially those related to our Priority and Supporting SDGs. Pharmaniaga was successfully listed and received a four-star rating in the FTSE4Good Bursa Malaysia Index and the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index. The listing has placed us in the Top 25% by ESG Ratings amongst Public Listed Companies (PLCs) in FBM EMAS that have been assessed by FTSE Russell in December 2021 – a testament to our commitment in becoming a responsible organisation driven to create long-term value for all.

A NOTE OF THANKS

I would like to take this opportunity to express my utmost gratitude to all stakeholders – from our customers and

investors to the Government and regulators, as well as our shareholders and the community at large – for their continued support. My heartfelt appreciation also goes out to the Board for their trust in appointing me to continue to lead the Company on its sustainability journey. I would like to assure the Board and all our stakeholders that we will continue with our sustainability efforts to ensure organic growth in our core markets.

Last but not least, I would like to record my sincere appreciation to all our employees for their hard work, dedication and loyalty. A big thank you to everyone for staying united throughout this challenging period and I look forward to working together to steer Pharmaniaga towards a sturdy and sustainable future.

YB Senator Datuk Dr. Haji Azhar Ahmad
Independent Non-Executive Director
Chairman of Board Sustainability Committee



MESSAGE FROM GROUP MANAGING DIRECTOR

Dear Shareholder,

As the ongoing COVID-19 pandemic clouded over 2021, the continued uncertainty called for re-inventing our business with strategic building blocks. I am pleased to note that Pharmaniaga's commitment to responsible growth has delivered a year of progress despite the challenging circumstances.

MANAGING RISKS, REINVENTING PHARMANIAGA

As the world emerges from the pandemic and adjusts to the new normal, businesses realise that financial performance alone will not guarantee growth and continuity. Robust risk management and a re-focused strategy are no longer optional but imperative, due to the interdependency of business performance to environmental and social impacts. The urgency is further heightened by the increasing demand from investors and stakeholders that seek companies that are able to demonstrate resilience towards Environmental, Social and Governance (ESG) risks.

In view of the dynamics of the past year, Pharmaniaga managed to step up and reinvent itself through integration of climate change risks into the Group's existing Enterprise Risk Management (ERM) guidelines in 2021. This followed

the identification of environmental sustainability risk as one of the top risks for the Group, allowing us to redefine our focus and strategy, and ultimately safeguarding the business for long-term growth and business continuity.

Further, we strengthened our framework via risk assessments to identify key corruption risks and strategise mitigation measures to ensure ethical business practice. We prepared our key operations for MS ISO 37001:2016 Anti-Bribery Management Systems (ABMS) certification, and are pleased to note that Pharmaniaga Research Centre Sdn Bhd was successfully certified with ABMS in December 2021 while preparation for the certification is ongoing for other subsidiaries.

INTENSIFYING OUR SUSTAINABILITY EFFORTS

Over the past year, we have taken concerted efforts in our sustainability journey, guided by our sustainability roadmap and five goals as well as key focus areas. We also reviewed our sustainability matters against the changes in the business landscape, and included a new sustainability matter – Data Privacy and Security – which is expected to address stakeholders' concerns on Pharmaniaga's approach in ensuring data protection and privacy.

At Pharmaniaga, delivering value means leveraging our resources and capabilities to impart meaningful values to the stakeholders, including the provision of affordable healthcare products. Built upon Pharmaniaga's 10-year development programme, our products undergo extensive feasibility studies while we constantly explore new first-to-market products and affordable generic drugs.

We continuously innovate our processes to improve our operations and service efficiency, with the end goal of improving our product and service quality and accessibility. A key area of improvement saw the setting up of a fully-automated distribution centre through the Transport Management System, as well as the implementation of three Autobots through Robotic Process Automation (RPA) to handle order processing at all our warehouses. We also leveraged the e-commerce platform to extend our reach to our customer, which has greatly assisted in driving the sales of prescription drugs as well as over-the-counter products.

In terms of our environmental performance, one of our key focus areas was the management of Greenhouse Gas (GHG) emissions. We rolled out various carbon and energy-saving initiatives which gave us RM2.2 million in cost savings and a significant 15% reduction in GHG emissions against our 2019 baseline. In line with our commitment to transition towards a low-carbon economy, we are continuously working on minimising environmental impacts related to GHG emissions, waste, water and material as well as ensuring full compliance with environmental limits and guidelines as stipulated by the relevant regulatory bodies.

Our people are essential to the successful delivery of our business performance over the long term. Where our employees' health and safety are concerned, we have implemented various measures such as the COVID-19 Task Force since 2020, and a robust safety and health management system, which helped contribute zero workplace fatalities in 2021.

Being a responsible corporate citizen, we invested RM7 million into our community to bring positive value to the society. Our contributions range from assisting families impacted financially by the pandemic, to distribution of face masks and hand sanitisers in our COVID-19 care programme, as well as reaching out to underprivileged children by donating teaching aid materials for their online learning. We were equally aware of our responsibilities to give back to the local economy, and did so by procuring goods and services from local suppliers and assisting vendor growth

– which enhanced their competency and boosted their market presence.

POSITIONING FOR THE FUTURE

The testament of our dedication and commitment to institutionalise sustainability throughout our businesses was Pharmaniaga's listing on FTSE4Good Bursa Malaysia (F4GBM) Index and FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index. The listing has motivated us to continue managing our sustainability risks and growth opportunities, and continuously improve ourselves to reinforce our position as a responsible listed integrated pharmaceutical company.

On our business chapter, we plan to expand our international footprint by exploring our products' export potential. Meanwhile, at the national level, we will continue to assist the Government through the National Healthcare Stockpile programme, in ensuring the security of pharmaceutical products' supply in the event of global emergencies.

Pharmaniaga will continue to adapt and evolve in the way we work to keep our people safe, deliver shareholder and stakeholder value, and extend our support for the community. Together, let's build a better tomorrow.

Datuk Zulkarnain Md Eusope
Group Managing Director

The logo for Pharmaniaga, with 'pharma' in orange and 'niaga' in blue, mounted on a wall.

pharmaniaga



ABOUT PHARMANIAGA

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PHARMANIAGA AT A GLANCE

Pharmaniaga prides itself in offering healthcare products and services of high quality propelled by our passionate commitment to excellence. As Malaysia's largest listed integrated pharmaceutical group, we are focused on spearheading accessible healthcare through sustainable dynamic growth.

The Group is involved in various segments of the pharmaceutical value chain including research and development, manufacturing of healthcare products, logistics and distribution, sales and marketing, as well as community pharmacy. Established as one of the major players in the Malaysian market, we are strategically growing our international reach, especially in the regional markets.

CORPORATE MISSION

Provide quality products and superior services by professional, committed and caring employees



CORPORATE VISION

The preferred pharmaceutical brand in regional markets



SUSTAINABILITY VISION

Spearheading accessible healthcare through dynamic growth

ONE OF THE LARGEST LISTED INTEGRATED PHARMACEUTICAL GROUPS IN MALAYSIA



Research & Development



Manufacturing



Logistics & Distribution



Sales & Marketing



Community Pharmacy

ENVIRONMENTAL



Zero incidents of non-compliance to environmental regulations



15% reduction in Greenhouse Gas emissions from 2019 baseline



398.63 tonnes of general waste recycled (2020: 150 tonnes)



768.68 GJ generated from solar energy



215.39 tonnes of recycled input material utilised in manufacturing operations (2020: 245.18 tonnes)



RM2.2 million of cost savings achieved from energy-saving initiatives



About **RM15,000** of cost savings achieved from water recycling programmes

SOCIAL



19,340 number of COVID-19 vaccine doses administered at in-house PPV



Average of **26** training hours per employee



84 individuals provided with graduate employment opportunities



Zero recorded cases of discrimination and labour practices



Approximately **RM7 million** invested in corporate responsibility



Zero workplace fatalities



99.6% employees are local (2020: 99.8%)



31% of Senior and Middle Management positions are held by women

GOVERNANCE & ECONOMIC



Warehouse expansion to enhance national storage and reach capabilities



Pharmaniaga Research Centre Sdn Bhd successfully obtained the **ISO 37001:2016** Anti-Bribery Management Systems Certification

Extension of **ISO 14001:2015** Environmental Management Systems and **ISO 45001:2018** Occupational Health & Safety Management Systems certification to Pharmaniaga Logistics Sdn Bhd warehouse in Section 15, Selangor warehouse



Idaman Pharma Manufacturing Sdn Bhd successfully obtained the **ISO/IEC 17025** — Testing and Calibration Laboratories certification

CORPORATE PROFILE

Pharmaniaga is one of Malaysia's largest integrated pharmaceutical groups, listed on the Main Board of Bursa Malaysia. The Group has established a strong reputation as a provider of quality products and services for the healthcare industry, in line with our commitment to excellence.

Having firmly positioned Pharmaniaga as a leader in the Malaysian market, we also have a growing global presence. Amongst others, Pharmaniaga operates in Indonesia through its subsidiary PT Millennium Pharmacon International Tbk, a public-listed pharmaceutical logistics and distribution company with 33 branches throughout the republic and a central warehouse, as well as PT Errita Pharma plant in Bandung, which manufactures various generic pharmaceutical products.

Our corporate vision, mission and Company values set the foundation upon which the Company operates.



OUR VISION

The preferred pharmaceutical brand in regional markets



OUR MISSION

Provide quality products and superior services by professional, committed and caring employees



OUR CORE VALUES



RESPECT

DIGNITY • TRUST • FAIR • OPEN • HONOUR

- We believe in the inherent worth of our people and will honour relationships with our fellow employees, our customers, our shareholders and our community
- We measure respect for people by the way we treat each other, by the contributions that flow from our diversity, by the productivity of our relationships, and by a job well done, no matter what the job is

INTEGRITY

**HONEST • TRUTHFUL • CONSCIENCE
• SINCERE • ACCOUNTABILITY**

- We adopt open and honest attitudes in all aspects
- We adhere to all sets of rules, regulations and guidelines
- We perform to our best ability at a very high standard while continuously improving the quality of our products and services



TEAMWORK

**UNITY • HARMONY • CO-OPERATION •
COMMITMENT • COLLABORATION**

- We collaborate and work co-operatively across cultures and organisational boundaries to achieve shared goals and work towards solutions which generally benefit all parties involved
- We share our beliefs and agree to a common cause to show our commitment to each other's well-being

EXCELLENCE

**PROFESSIONAL • COURAGE • PRIDE •
PROACTIVE • COMPETITIVE**

- We show and keep our commitment to operate competitively, strive to acquire the relevant knowledge and skills and benchmark ourselves against world-class leaders in our effort for continuous improvement
- We demonstrate flexibility as well as courage that highlight our ability to keep ourselves aligned with a world in motion



CORE BUSINESS AND PRODUCT PORTFOLIO

As an integrated pharmaceutical company, our core business encompasses a spectrum of healthcare services. These include research and development, manufacturing, logistics and distribution, sales and marketing and community pharmacy. We also operate a general pharma manufacturing plant and a public-listed pharmaceutical logistics and distribution company with 33 branches in Indonesia.

We are steadfast in our commitment to deliver innovative products of unsurpassed quality for the betterment of human health. Our range of products include pharmaceuticals, biopharmaceuticals, nutraceuticals, medical equipment, medical devices (topical), consumer healthcare and medical consumable.

OUR CORE BUSINESSES



Research & Development

Pharmaniaga focuses on the development of generic pharmaceutical products based on innovator drugs in a quality and reproducible manner.



Manufacturing

We produce generic pharmaceutical products of various forms (tablets, capsules, injectables, syrup and topical prescription), nutraceutical as well as our latest venture in the fill and finish vaccine manufacturing.

Manufacturing plants:

- Pharmaniaga Manufacturing Berhad
Products: General Pharma & Cephalosporin
- Pharmaniaga LifeScience Sdn Bhd
Products: Small Volume Injectables/ COVID-19 Vaccine
- Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar)
Products: Penicillin

- Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani)
Products: General Pharma
- Paradigm Industry Sdn Bhd
Products: Nutraceuticals
- PT Errita Pharma
Products: General Pharma & Penicillin



Logistics & Distribution

The Division provides procurement, order management, warehousing and product distribution services. We serve both clinics and hospitals in public and private sectors in Malaysia and Indonesia.

Warehouses:

- Pharmaniaga Logistics Sdn Bhd (Selangor)
- Pharmaniaga Logistics Sdn Bhd (Pulau Pinang)
- Pharmaniaga Logistics Sdn Bhd (Sabah)
- Pharmaniaga Logistics Sdn Bhd (Sarawak)
- PT Millenium Pharmacon International Tbk (Jakarta, Indonesia)



Sales & Marketing

The nature of activities conducted by Pharmaniaga include the marketing and sales of pharmaceutical products and medical equipment.



Community Pharmacy

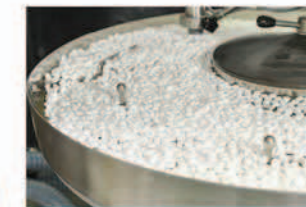
We provide quality healthcare products at competitive prices on multiple e-commerce platforms.



Indonesia Operations

Our Indonesian operations spearheaded by our logistics and distribution subsidiary, PT Millennium Pharmacon International Tbk (MPI) and our manufacturing arm, PT Errita Pharma (Errita), continued to see growth.

OUR KEY PRODUCTS & SERVICES



Pharmaceuticals & Biopharmaceuticals



Medical Equipment



Nutraceuticals & Consumer Healthcare



Medical Consumable



Approved Product Purchased List

pharmaniaga
APPL
Approved Product Purchased List
e tender Catalogue

OPERATION SITES FOOTPRINT

As a large integrated pharmaceutical group, Pharmaniaga has offices in Pulau Pinang, Kedah, Perak, Selangor, Sabah and Sarawak, with each location undertaking the key activities mentioned above. Its footprint also extends to Indonesia, in Jakarta and Bandung.

Pharmaniaga Logistics Sdn Bhd (Juru Branch)
1, 3 & 5 Lorong IKS Juru 8,
Taman Perindustrian Ringan Juru,
14100 Simpang Ampat,
Seberang Perai,
Pulau Pinang
Tel : +604-508 3330/1/2
Fax : +604-508 3111

Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar Branch)
Lot 120, Taman Farmaseutikal,
32610 Bandar Seri Iskandar,
Perak Darul Ridzuan
Tel : +605-371 2020
Fax : +605-371 1940/1950

Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani Branch)
Lot No. 24 & 25, Jalan Perusahaan 8,
Bakar Arang Industrial Estate,
08000 Sungai Petani,
Kedah Darul Aman
Tel : +604-421 3011
Fax : +604-421 5731

Pharmaniaga Berhad (Headquarters)
Pharmaniaga Logistics Sdn Bhd
Pharmaniaga Marketing Sdn Bhd
Pharmaniaga Research Centre Sdn Bhd
Pristine Pharma Sdn Bhd
Pharmaniaga Biomedical Sdn Bhd
Pharmaniaga International Corporation Sdn Bhd
No. 7, Lorong Keluli 1B,
Kawasan Perindustrian Bukit Raja
Selatan,
Seksyen 7, 40000 Shah Alam,
Selangor Darul Ehsan
Tel : +603-3342 9999
Fax : +603-3341 7777

Pharmaniaga Manufacturing Berhad
No. 11A, Jalan P/1,
Kawasan Perindustrian Bangi,
43650 Bandar Baru Bangi,
Selangor Darul Ehsan
Tel : +603-8925 7880
Fax : +603-8925 6177

Pharmaniaga LifeScience Sdn Bhd
Lot 7, Jalan PPU 3,
Taman Perindustrian Puchong Utama,
47100 Puchong,
Selangor Darul Ehsan
Tel : +603-8061 2006
Fax : +603-8061 2875

Pharmaniaga Logistics Sdn Bhd (Section 15 Branch)
Lot 49, No. 11, Jalan Ragum 15/17,
Seksyen 15, 40200 Shah Alam,
Selangor Darul Ehsan
Tel : +603-5512 0161
Fax : +603-5512 0281

Paradigm Industry Sdn Bhd
No. 36-G, Jalan Klang,
Sentral 2/KU5,
Klang Sentral,
41050 Klang,
Selangor Darul Ehsan
Tel : +603-3358 6760
Fax : +603-3362 6761

Pharmaniaga Logistics Sdn Bhd (Kota Kinabalu Branch)
Lorong Kurma, Kolombong Industrial Centre,
KM 9 Off Jalan Tuaran,
88450 Kolombong,
Kota Kinabalu, Sabah
Tel : +6088-439 188
Fax : +6088-437 288

Pharmaniaga Logistics Sdn Bhd (Kuching Branch)
Lot 1024, Block 7,
Muara Tebas Land District,
Demak Laut Industrial Park,
93050 Kuching,
Sarawak
Tel : +6082-432 800
Fax : +6082-432 806

PT Millennium Pharmacon International Tbk
Crown Bungur Arteri 2-4th Floors,
Jl. Sultan Iskandar Muda,
No. 18, Jakarta,
12220, Indonesia
Tel : +62-21 2708 5961
Fax : +62-21 2708 5958

PT Errita Pharma
Jalan Peundeuy, RT/RW 04/07,
Desa Bojong Salam,
Kecamatan Rancaekek,
Kabupaten Bandung,
Indonesia
Tel : +62-22 7949 062/4
Fax : +62-22 7949 063

INDUSTRY ASSOCIATIONS AND MEMBERSHIPS

Industry associations and memberships are known to pave ways for new opportunities. Networking with relevant associations not only helps companies learn about the latest developments in the industry but also provides an opportunity to forge cooperations and partnerships for growth. As we understand that continuous learning of emerging trends, new technologies and change in regulations are key to keeping abreast with developments within the industry, we are proud to note our affiliation with the following associations:



Research & Development

INDUSTRY ASSOCIATIONS	LEVEL	ROLE
Institut Kimia Malaysia	National	Member
International Society for Pharmaceutical Engineering (ISPE)	International	Member
Malaysian Organisation of Pharmaceutical Industries (MOPI)	National	Exco member



Manufacturing

INDUSTRY ASSOCIATIONS	LEVEL	ROLE
Malaysian Organisation of Pharmaceutical Industries	National	Member
Federation of Malaysian Manufacturers	National	Member
Malaysian Employers Federation	National	Member
Energy Commission	National	Member
International Society for Pharmaceutical Engineering	International	Member



Logistics & Distribution

INDUSTRY ASSOCIATIONS	LEVEL	ROLE
Contact Centre Association of Malaysia (CCAM)	National	Honorary Secretary
Malaysian Pharmacists Society	National	Member



Sales & Marketing

INDUSTRY ASSOCIATIONS	LEVEL	ROLE
Asosiasi Emiten Indonesia	National	Member
Gabungan Perusahaan Farmasi Indonesia	National	Member
Malaysian Organisation of Pharmaceutical Industries	National	Member

Moving forward, our plan is to register as corporate member with relevant associations for green technology and climate change in 2022 to demonstrate our commitment to addressing climate-related issues. By doing so, we hope to contribute significantly to the nation's green growth, in line with the Twelfth Malaysian Plan.

As Pharmaniaga equips itself with the necessary tools to enhance its knowledge of green technology and climate change, this endeavour will no doubt give the organisation an edge with investors.

SUSTAINABILITY AWARDS AND ACHIEVEMENTS

Winning sustainability awards does not only reinforce our commitment to sustainable practices but also enables us to reap other business benefits. Amongst them are recognition at national and global levels, winning the trust of stakeholders as well as rewarding the organisation's decisions and actions, in addition to acknowledging the efforts put in by employees. Awards and achievements go a long way in recognising the organisation's competitive advantage and credibility. Such recognitions also boost employee morale and commitment to continue their path forward on the right track.

1 NATIONAL ENERGY AWARDS 2021

Runner-Up in Category 1(A):
Energy Management in
Small & Medium Industries

2 ASEAN ENERGY AWARDS 2021

First Runner-Up in Energy Management
For Building and Industry Category:
Small & Medium Industry

3

MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS AWARDS 2021

Pharmaceutical Sector Category

4

SUSTAINABILITY & CSR MALAYSIA AWARDS 2021

Company of the Year Award (Pharmaceutical)
for Overall Excellence In COVID-19 &
Community Initiatives

5

HR ASIA BEST COMPANIES TO WORK FOR IN ASIA AWARD 2021

Employer of Choice

6

GRADUATES' CHOICE AWARDS 2021

First Runner-Up in Healthcare (Equipment)
Category

7

THE BRANDLAUREATE BUMIPUTERA ICONIC BRAND LEADERSHIP AWARD 2022

Brand of the Year in Integrated Pharmaceutical
Solutions

8

MALAYSIA TOP ACHIEVERS 2022

Company of the Year - Pharmaniaga Berhad

9

MALAYSIA TOP ACHIEVERS 2022

Visionary Leader of the Year

Datuk Zulkarnain Md Eusope
Group Managing Director
Pharmaniaga Berhad



A man wearing a red polo shirt with a 'Citrex' logo, a straw hat, and a black face mask is working with green leafy plants in a white hydroponic system. He is outdoors, with lush greenery in the background. A blue hexagonal graphic is overlaid on the right side of the image, containing the title and table of contents.

SUSTAINABILITY AT PHARMANIAGA

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SUSTAINABILITY FRAMEWORK

At Pharmaniaga, we are clear about our mission to conduct business responsibly. As our priorities are focused on health and healthcare, our sustainable efforts are conscientiously mapped out in our strategies. We are tirelessly working on creating a sustainable ecosystem for our employees, the community and the environment, as a whole.

We take cognisance of the fact that sustainable efforts lead to profitability and sustainable profitability will further fuel our expansion and growth. The basic tenets of our sustainability efforts are outlined in our Sustainability Policy, the foundation on which the Group's sustainability vision and mission were developed. This serves as a guide in our day-to-day operations while minimising the impact on our environment and the society.

Our sustainability framework sets the direction to the Group on its sustainability approach and the overall sustainability strategy. This framework guides the team to balance long term considerations with short term needs in its business decision making.

The overarching aim of our sustainability framework is to steer us towards achieving our sustainability vision and mission. To this end, a robust governance structure, one that oversees the management and decision-making process across all our operations, is crucial.

The creation of our sustainability roadmap in 2019 saw us identifying five goals and strategic key focus areas to manage the impacts and performances in the Economic, Environmental, Social, and Governance sectors.

Governed by:

Sustainability Governance Structure, Sustainability Policy and other related policies & internal guidelines

SUSTAINABILITY VISION

Spearheading accessible

healthcare through dynamic growth

SUSTAINABILITY MISSION

ECONOMIC

Achieving balanced business growth whilst providing access to affordable and quality medicines

ENVIRONMENTAL

Spearheading environmental stewardship through stringent compliance and regulations

SOCIAL

Strengthening our commitment to product and service responsibilities whilst improving the lives of our stakeholders

GOVERNANCE

Building a strong culture of integrity, transparency and accountability for a resilient and sustainable business

SUSTAINABILITY ROADMAP

(2016 – 2020)

What we have achieved:

- Sustainability Policy rolled out to all subsidiaries
- Established sustainability governance structure
- Raised awareness on sustainability
- Established first materiality Matrix
- Implemented the Pharmaniaga Sustainability Reporting Framework across the Group, based on the GRI Standards
- Enhanced transparency through publication of annual Sustainability Reports

(2021 – 2025)

What we want to achieve:

- Sustainability integrated in business strategy
- Sustainability performance is increasingly linked to executive remuneration
- Meet 5-year sustainability targets set to drive performance in material sustainability areas
- Enhance credibility of sustainability disclosure
- Produce annual Integrated Reports

(2026 – 2030)

What we aspire to achieve:

- Inculcate a culture of sustainability within the organisation
- Sustainability becomes integral to procurement process and supplier engagement
- Achieve 5-year sustainability targets set
- Work in collaborative partnerships with 3rd parties to support the fulfilment of the UNSDGs

SUSTAINABILITY GOAL

GOAL 1:

Delivering Sustainable Value and Future-Proofing the Business



- Business Continuity
- Technology & Innovation
- Customer Satisfaction
- Sustainable Products & Services

GOAL 2:

Acting With Integrity



- Business Ethics & Corporate Governance

GOAL 3:

Achieving Operational Eco-efficiency



- Environmental Compliance
- Resource Efficiency
- Greenhouse Gas & Climate Change

GOAL 4:

Creating a Sustainable and High-Performance Workforce



- Employee Engagement & Retention
- Fair Labour Practices
- Health & Safety
- Employee Training & Development
- Diversity & Inclusion

GOAL 5:

Building a Better Society



- Supporting Local Businesses
- Corporate Responsibility

DRIVEN BY STRATEGIC INITIATIVES

KEY FOCUS AREA

SUSTAINABILITY FRAMEWORK

We introduced a Group-wide Sustainability Policy in 2019, serving as a guide to ensure that we consider sustainable practices in our day-to-day operations. Over and above that, other Group-wide policies and guidelines are in place to support our efforts in managing the impacts of our operations and monitoring our performances. Details of our corporate policies and guidelines are available at www.pharmaniaga.com. Some of the policies are communicated via intranet and internal communication platforms.

PHARMANIAGA'S SUSTAINABILITY POLICY TENETS



To continuously invest our resources in ensuring our products and services are relevant and meet the needs of our customers



To continuously create and sustain an engaged work culture that attracts, retains, and motivates our employees



To be fully committed to environmentally friendly business practices towards the conservation and preservation of the environment



To strengthen communities and contribute towards the enrichment of our society by:

- Prioritising opportunities given to local businesses and;
- Integrating corporate responsibility initiatives that encompass healthcare education and welfare of Malaysians throughout our business operations



To ensure that our employees operate in a safe and conducive work environment



ENVIRONMENTAL

Policies and guidelines

- Environmental, Safety and Health Policy
- Environmental-related Policy
- Energy Policy

SOCIAL

Policies and guidelines

- Environmental, Safety and Health Policy
- Contribution to External Party SOP
- Donation Policy

GOVERNANCE & ECONOMIC

Policies and guidelines

- Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Halal Policy
- Anti-Money Laundering Policy
- Donation Policy
- Gender Diversity Policy
- Gifting Policy
- Investor Relations Policy
- Sexual Harassment Policy
- Social Media Policy
- Workplace Bullying Policy
- Work from Home Policy
- Good Distribution Practice for Medical Devices
- Quality Policy
- Laboratory Policy

SUSTAINABILITY REPORT 2021 029

SUSTAINABILITY GOVERNANCE

This year, we enhanced our governance structure by including the roles and responsibilities of the Sustainability Department and Sustainability Champion to highlight their key functions in driving sustainability strategies and ensuring the implementation of relevant sustainability initiatives and programmes.

GOVERNANCE STRUCTURE	ROLES AND RESPONSIBILITIES
BOARD OF DIRECTORS Quarterly Reporting	• Sets the tone and direction to drive Pharmaniaga towards sustainable development • Validating and approving all key matters and decisions related to sustainability
BOARD SUSTAINABILITY COMMITTEE (BSC) Headed by: Independent Non-Executive Director Quarterly Reporting	• Provides strategic direction to catalyse the integration of sustainability into the Group's business strategies and operations • Oversees Pharmaniaga's due diligence and other processes to manage our sustainability impacts • Deliberates on related matters prior to the Board's final approval
SUSTAINABILITY MANAGEMENT COMMITTEE (SMC) Headed by: Group Managing Director Quarterly Reporting	• Reviews and deliberates the effectiveness of the management of ESG matters and their impact on stakeholders and the organisation • Acts as the mediator between the Board and working group
SUSTAINABILITY WORKING GROUP COMMITTEE (SWG) Headed by: Head of Sustainability Monthly Reporting	• Guides the deployment of sustainability strategies and monitors sustainability performance • Reports regularly to SMC on progress of the Group's sustainability initiatives
SUSTAINABILITY DEPARTMENT Headed by: Head of Sustainability Monthly Reporting	• Acts as key coordinator in driving the implementation of sustainability strategies and initiatives • Works closely with all subsidiaries and Sustainability Champions to track progress and performance, and provide support on corporate sustainability matters
ALL SUBSIDIARIES Led by: Sustainability Champions	• Adopt sustainability strategies, and implement sustainability initiatives and programmes • Report regularly on performance of respective subsidiaries to the Sustainability Departments and SWG

Legend: Reports to Headed or led by

SUSTAINABILITY GOVERNANCE

GOVERNANCE STRUCTURE AND PROCESS

Pharmaniaga’s sustainability governance structure is driven by a top-down approach, under the stewardship of the Board of Directors (The Board) and with the support of the Board Sustainability Committee (BSC). The roles and responsibilities of each level in the governance structure are clearly defined and in appointing the highest governance body members, we made sure the selection process was carried out in a formal, rigorous and transparent manner.

The BSC is chaired by the Company’s Independent Non-Executive Director which we believe is advantageous as the chair does not have a material or pecuniary relationship with the Company or related person. This helps the chair to provide independent and constructive views to the Executive Directors.

The appointments were made by taking into account such criteria as competency, experience, qualification and diversity

– in the context of sustainability – to ensure the governance structure is able to provide strategic direction as well as the right kind of support for the organisation’s sustainable development.

To ensure the BSC members fulfil their duties, regular assessments and reviews are conducted by the Board and Nominating and Remuneration Committee, based on a set of predetermined criteria.

COMMUNICATION IN SUSTAINABILITY

To ensure the effectiveness of Pharmaniaga’s sustainability and due diligence processes, the Board Sustainability Committee meets twice a year (or more, if needed) to review and deliberate on the Group’s performances.

The Board Sustainability Committee convened three times in 2021 to discuss the following key items:

Key discussion	Description	Outcome
Updates on Material Sustainability Matters	The Board reviewed and deliberated on the inclusion of ‘Data Privacy and Security’ as the newly-included sustainability matters	Approval of the inclusion of new sustainability matters
Sustainability reporting updates	- The Board discussed on the sustainability reporting development updates and approval - The Board and BSC were involved in reviewing and approving all information disclosed in the Sustainability Report prior to its publication	- Approval of SR2020 - Direction for the next reporting cycle
Quarterly sustainability performance	The Board was presented with the progress of sustainability performances by the sustainability team	The Board proposed sustainability performances to be published in the quarterly dashboard and via email to all employees
Sustainable Corporate Responsibility (CR) projects	The Board reviewed the proposed new long-term CR projects	Approval of the proposed projects
FTSE4Good Assessment	The Board was presented with FTSE4Good assessment gaps and proposed improvements initiatives to facilitate in the inclusion of FTSE4Good index	Approval of the implementation plan for the proposed initiatives

The Board and BSC are regularly updated by the Management on critical sustainability issues such as safety concerns and environmental non-compliance. Where necessary, special Board of Directors’ meetings are held to discuss mitigation measures.

The Board and BSC also provided oversight of the management of climate change risks. This is evidenced at the Board Sustainability Committee meeting in November 2021, where the Sustainability Working Committee (SWC) put forward a proposal to include climate change risks in the Group’s existing Enterprise Risk Management (ERM) guidelines to fulfil FTSE4Good Index requirements. The Management and the Board agreed with the proposal.

OUR MATERIAL SUSTAINABILITY MATTERS

In 2020, Pharmaniaga conducted an in-depth materiality assessment, involving key internal and external stakeholder groups, with a special focus on stakeholders with the highest level of influence and interest in the organisation.

This assessment has allowed Pharmaniaga to identify and prioritise 20 material sustainability matters that reflect the environmental, social, and governance issues of concern and interest to our stakeholders, which can significantly affect our business. By prioritising these material matters, we were able to anticipate potential risks and challenges, thus allowing us to align our strategies and action plans better. The 20 material sustainability matters identified in 2020 were continuously reviewed in 2021 by taking into consideration stakeholders’ interests and concerns, as well as current sustainability risks and opportunities.

RESPONDING TO OUR STAKEHOLDERS

Stakeholder engagement is one of the platforms we continuously utilise to gain insights and perspectives of our stakeholders’ key interests and concerns. The outcome of the stakeholder engagements facilitated us to identify urgent needs and concerns of the stakeholders that we should focus on – which are translated into a set of material sustainability matters that are managed strategically to deliver long-term value to our stakeholders.

Our Stakeholders	Issues of Interest/ Key Concerns	Method of Engagement	Frequency of Engagement
 Government & Regulatory Authorities The Malaysian Federal and State Governments, regulators, federal and state agencies	- Access to affordable healthcare products - Regulatory compliance - Environmental standards compliance - Occupational safety and health standards compliance - Best practices and policies	- Dialogue sessions - Meetings - Correspondence through phone, emails, letters and fax - On-site inspections - Service representatives	- Monthly - Monthly - Daily - Daily - Daily
 Customers Public & private hospitals and clinics, pharmacies and international customers	- Product quality - Product responsibility - Halal-certified products - Regulatory compliance - Corporate responsibility - Customer complaints	- Customer care-site visits - Customer satisfaction surveys - Dialogue sessions	- As and When Required - Biannually - Monthly
 Employees Full-time and contract employees across Malaysia and Indonesia operations	- Training and development - Occupational health and safety standards compliance - Environmental conservation and preservation - Equal opportunity - Human rights - Job creation - Work-life balance - Employee welfare - Financial stability - Economic contribution	- Internal communication - Engagement sessions – Assemblies - Religious activities - Engagement sessions - Volunteer programmes	- Daily - Ongoing – Quarterly - Seasonal - Ongoing - Bi-monthly

OUR MATERIAL SUSTAINABILITY MATTERS

Our Stakeholders	Issues of Interest/ Key Concerns	Method of Engagement	Frequency of Engagement
 Supply Chain Partners Contractors and suppliers providing services and supplies	- Procurement practices and policies - Business integrity - Financial stability - Environmental conservation and preservation - Corporate entrepreneurship responsibility - Vendor performance	- Periodic meetings - Annual Reporting - Visits	- Monthly - Annually - Annually
 Providers of Financial Capital Local statutory body, corporate, institutional and retail investors, analysts and potential investors	- Economic contribution - Regulatory compliance	- Annual General Meetings - One-to-one sessions - Fund Analyst briefings	- Annually - As and When Required - Quarterly
 Media Local media providers covering digital and print platforms	- Product development and availability - Economic contribution	- Advertisements - Product placements - Media coverage - Press conference - News release	- Daily - As and When Required - As and When Required - Quarterly - As and When Required
 Communities Local communities living or working in areas that are economically, socially or environmentally impacted by our operations	- Community service - Product development and availability - Economic contribution - Job creation - Environmental conservation and preservation - Corporate responsibility - Community development	- Health awareness programmes - Charitable contributions - Professional bodies and associations	- As and When Required - As and When Required - As and When Required

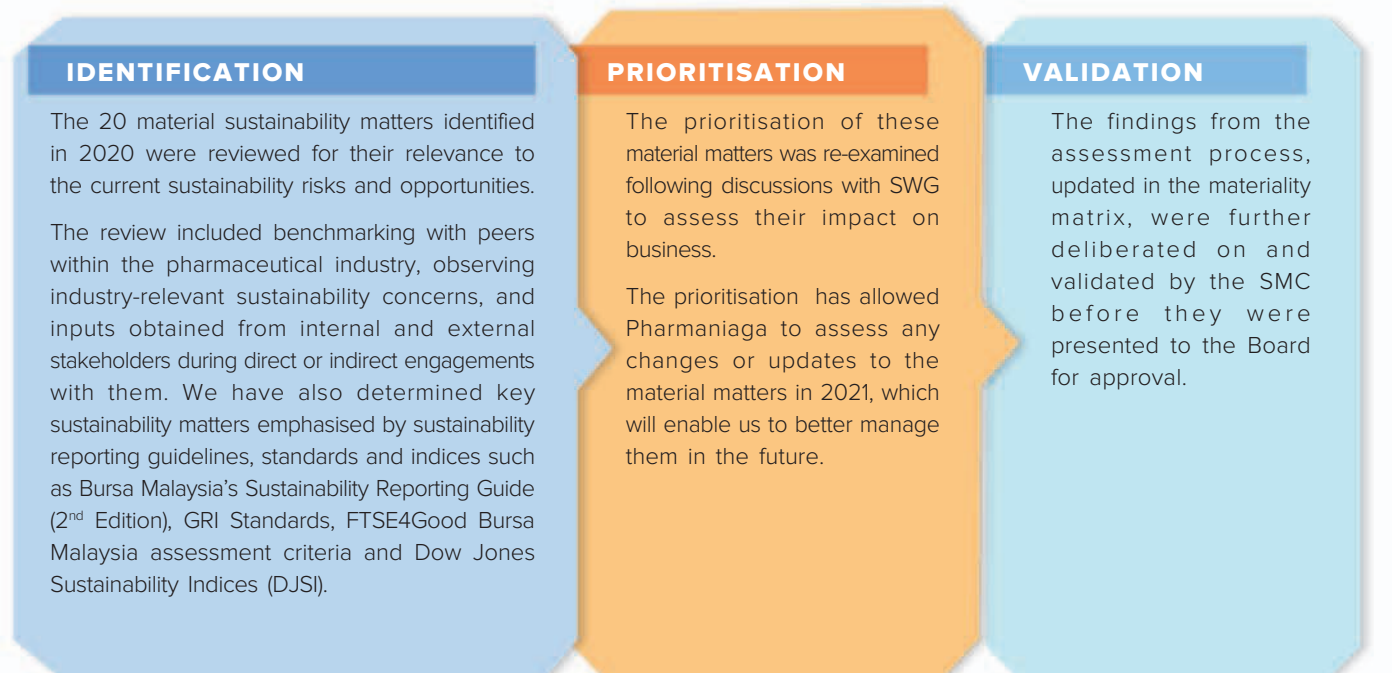
We also further mapped the link between stakeholders' interests and concerns to our material sustainability matters, and how we are addressing their needs in the 'Mapping Our Material Matters to Sustainability Goals' section – page 36 to 41.

MATERIALITY ASSESSMENT PROCESS

We continue to keep abreast of changes in the business landscape we operate in, as well as keep up with emerging sustainability trends and risks – i.e. climate-change threats and the unprecedented effects of COVID-19. As such, our materiality assessment for 2021 offers insights into these scenarios.

With the assessment, we were able to gauge the relevance of our material matters and gain a fresh perspective on the risks and opportunities that can impact our organisation.

The materiality assessment, guided by Bursa Malaysia's Sustainability Reporting Guidelines and Toolkits and GRI Standards, was conducted in three stages:

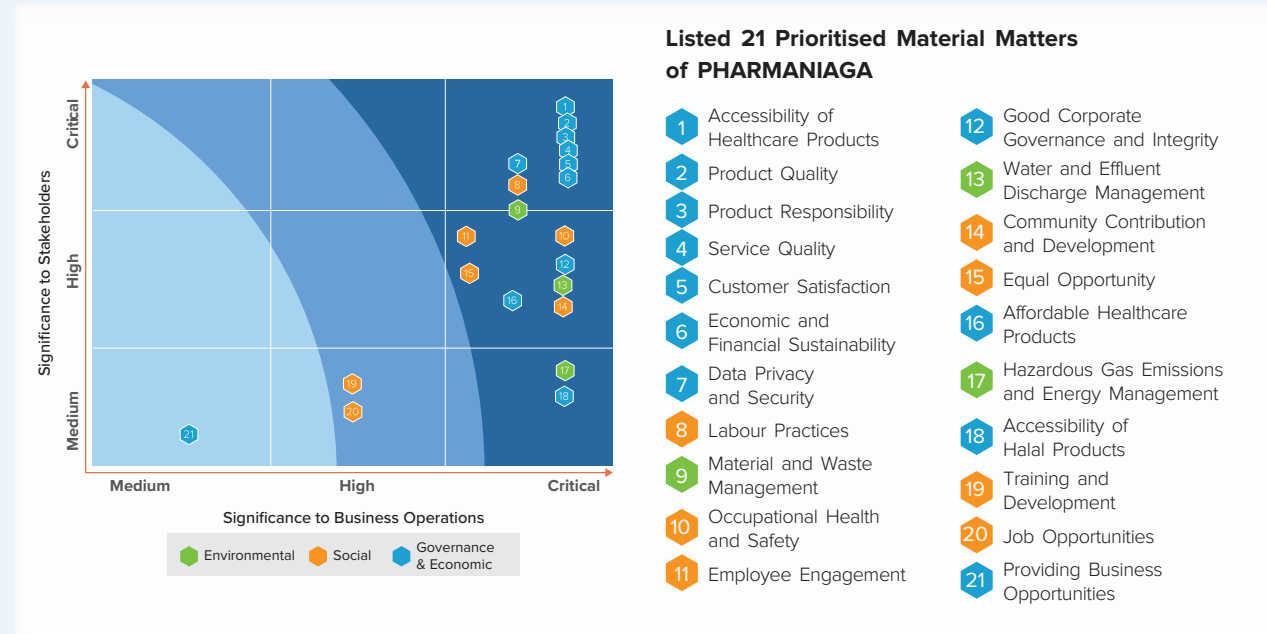


Following this year's materiality assessment, we have identified 21 material sustainability matters relevant to Pharmaniaga for 2021. We have also included a new sustainability matter this year – Data Privacy and Security.

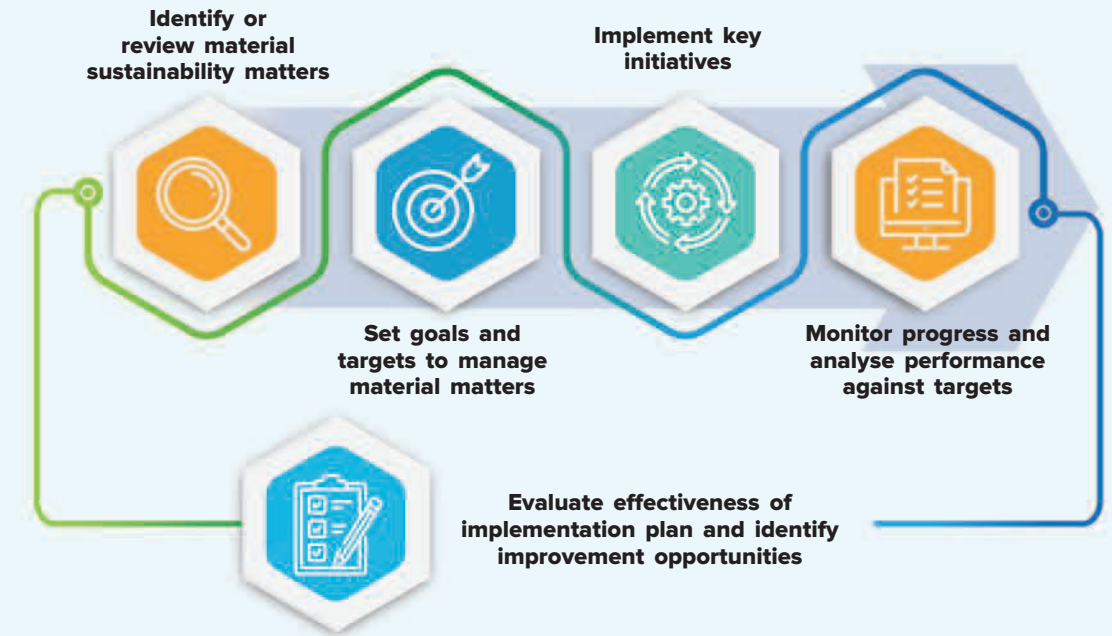
The new sustainability matter was incorporated not just to address concerns about Pharmaniaga's approach in ensuring data protection and privacy but also our efforts in guaranteeing that the data is free from internal and external threats.

OUR MATERIAL SUSTAINABILITY MATTERS

MATERIALITY MATRIX



SUSTAINABILITY GOALS AND KEY FOCUS AREAS



Change in Material Sustainability Matters in 2021



In 2021, Pharmaniaga took the initiative to include climate change risks in the Group's existing risk management guidelines. After discussions between the risk and sustainability teams, environmental sustainability risk was identified as one of the top risks for the Group.

Moving forward, we intend to align the prioritisation of our material sustainability matters (Impact Assessment) with the risk assessment process as a step towards harmonising sustainability matters with key risks. We also plan to integrate sustainability risks into the Company's ERM process.

We owe it to our stakeholders to show how well we are managing our material matters, and so we have formulated a material sustainability matters strategy for 2021 via Sustainability Goals.

The identified material sustainability matters reflect key areas that shall be meticulously managed and monitored by Pharmaniaga as they can significantly impact our stakeholders and the organisation. In managing these matters, we devised a plan that included the setting of targets and key initiatives, underpinned by our Sustainability Goals and Key Focus Areas created in 2020. They were established through a series of workshops with the SWC, and further examined by the SMC prior to a final review and approval by the Board Sustainability Committee and Board of Directors. Where relevant, we took into consideration requirements from sustainability standards and indices (i.e. GRI Standards and FTSE4Good) as a reference point in meeting the sustainability goals.

In setting the Sustainability Goals for Pharmaniaga, we worked closely with Boustead Holdings Berhad to ensure our goals aligned with our parent Company's vision. Boustead set the targets based on discussions with the Sustainability Management

Committee, which is made up of Heads of Sustainability across all business divisions under the Boustead Group. Pharmaniaga then adopted the high-level targets and matched them against our business operations.

We had the strong support of the sustainability governance structure to assist us in achieving these targets, and under the watchful eye of our Sustainability Department – which took on the role of custodian of all the subsidiaries under the Group – we were able to implement the key initiatives.

The SWG and SMC regularly reviewed the sustainability performance progress to make sure we were on track in attaining the goals. Progress and performance against targets were monitored, analysed and subsequently reported to Management.

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

MAPPING OUR MATERIAL MATTERS TO SUSTAINABILITY GOALS

Materiality refers to key issues which can bring about significant repercussions on a company, be it positive or negative. At Pharmaniaga, mapping our material matters helps us to identify, prioritise and manage issues that are most material

to us and our stakeholders. These are reflected in our Sustainability Goals – which also address our key risks – as demonstrated in the table below:

Material Matters	Why It Is Material to Pharmaniaga	Stakeholders' Interest and Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media		
1 Accessibility of Healthcare Products	To ensure consumers throughout Malaysia and Indonesia are able to access important medicines and medical devices	●	●					GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	• Business Risk
2 Product Quality	It is important to adhere to stringent rules and regulations set by the regulatory bodies in order to provide products of the highest quality, and maintain the Company's reputation	●	●			●		GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	• Legal and Regulatory Risk
3 Product Responsibility	To provide customers with accurate information on products and services, as well as ensure sustainability along the entire lifecycle, from the acquisition of raw materials to disposal, to minimise adverse impacts on people and the environment		●					GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	• Legal and Regulatory Risk
4 Service Quality	It is important to adhere to stringent rules and regulations imposed by regulatory bodies in order to provide service of the highest quality and maintain the Company's reputation	●	●			●		GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	• Legal and Regulatory Risk
5 Customer Satisfaction	To maintain good relationships with customers hence support sustainable growth of Pharmaniaga		●			●		GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	• Business Risk
6 Economic and Financial Sustainability	To ensure our continued sustainability and the ability to deliver sustained value to our stakeholders	●		●	●	●	●	GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	• Financial Risk

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholders' Interest and Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media		
7 Data Privacy and Security	To protect the data of our customers, business partners, suppliers and Pharmaniaga itself from internal and external threats	●	●	●	●			GOAL 2: Acting with Integrity	- Cybersecurity Risk - Legal and Regulatory Risk
8 Labour Practices	To protect the rights of all workers and not infringe on Human Rights, by ensuring full compliance with relevant acts in regards to labour laws	●		●	●	●		GOAL 4: Creating a Sustainable and High-Performance Workforce	Legal and Regulatory Risk
9 Material and Waste Management	To use materials (including natural resources) responsibly, to avoid unnecessary waste generation, and minimise environmental damage by adhering to best practices in waste disposal	●					●	GOAL 3: Achieving Operational Eco-Efficiency	- Environmental Sustainability Risk - Legal and Regulatory Risk
10 Occupational Health and Safety	To protect our people and assets and provide assurance to stakeholders, especially employees, that our workplaces are safe	●		●				GOAL 4: Creating a Sustainable and High-Performance Workforce	Legal and Regulatory Risk
11 Employee Engagement	To build an engaged, motivated and productive workforce that will contribute to a high-performance organisation			●				GOAL 4: Creating a Sustainable and High-Performance Workforce	Business Risk
12 Good Corporate Governance and Integrity	To maintain the trust of stakeholders and deliver on our commitments, by upholding high standards of integrity as we adhere to our values, principles, standards and norms of behaviour e.g. Code of Conduct			●	●			GOAL 2: Acting with Integrity	Legal and Regulatory Risk
13 Water and Effluent Discharge Management	To avoid water waste and ensure all effluents from our operations do not pollute surrounding water bodies	●					●	GOAL 3: Achieving Operational Eco-Efficiency	- Environmental Sustainability Risk - Legal and Regulatory Risk
14 Community Contribution and Development	To engage in a positive and meaningful manner with local communities, in line with Pharmaniaga's business operations and sustainability activities						●	GOAL 5: Building a Better Society	Business Risk

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholders' Interest and Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media		
15 Equal Opportunity	To motivate all employees and encourage them to perform to the best of their ability, recognising that every employee has equal opportunity for career enhancement			●				GOAL 4: Creating a Sustainable and High-Performance Workforce	- Business Risk - Legal and Regulatory Risk
16 Affordable Healthcare Products	To ensure everyone is able to afford high-quality medicines (generics) and medical devices		●					GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	Business Risk
17 Hazardous Gas Emissions and Energy Management	To minimise pollution around our operations and contribute to global efforts to manage and mitigate climate change	●		●			●	GOAL 3: Achieving Operational Eco-Efficiency	- Environmental Sustainability Risk - Legal and Regulatory Risk
18 Accessibility of Halal Products	To ensure we cater to the needs of the growing Muslim population in Malaysia and the region	●	●					GOAL 1: Delivering Sustainable Value and Future-Proofing the Business	- Business Risk - Legal and Regulatory Risk
19 Training and Development	To enhance our employees' capabilities and competencies as we build our organisational capacity in order to meet current and future business needs			●				GOAL 4: Creating a Sustainable and High-Performance Workforce	Business Risk
20 Job Opportunities	To provide employment opportunities to graduates from the local universities, and to meet our own human capital needs			●				GOAL 4: Creating a Sustainable and High-Performance Workforce	Business Risk
21 Providing Business Opportunities	To create business opportunities to local businesses through new markets, products and services				●	●		GOAL 5: Building a Better Society	Business Risk

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

OUR SUSTAINABILITY GOALS' PROGRESS

Our goals demonstrate a firm commitment to creating positive value for our stakeholders and businesses, not to mention delivering sustainable growth. We have outlined five key goals and key focus areas to help us realise our Sustainability Roadmap, Mission and Vision. Pharmaniaga's Sustainability Goal progress and key initiatives in 2021, which include the relation between our sustainability goals and key risks, strategic pillars as well as our efforts in contributing to UNSDGs, are illustrated in the table below:

GOAL 1: DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS					
Link to Key Risks:		Link to Strategic Pillars:		Link to UNSDGs:	
 Business Risk		 Establishing the Premier Integrated Logistics & Distribution Dominance		  	
 Financial Risk		 Research & Development in Healthcare and Nutraceutical for Sustainable Growth			
 Legal and Regulatory Risk		 Develop Biopharmaceutical and Traditional Complementary Medicine Capabilities			
 Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing		 Strengthen Footprints in International Ventures via Focus Countries			
		 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation			
Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021	UNSDG	Discussion in this Report
Business Continuity	Economic and Financial Sustainability	Implement Business Continuity Management (BCM) Framework in all business units	Implementation and roll-out of BCM to all manufacturing sites by Manufacturing Division		Page 57
Technology & Innovation	- Product Quality - Service Quality	- Expand digital product and service offerings - Increase automation of critical and support processes within operations	- Implementation of additional three Autobots (Robotics Process Automation) to handle order processing by all warehouses - Transport Management System went live at all Pharmaniaga Logistics Sdn Bhd branches		Page 61
Customer Satisfaction	- Customer Satisfaction - Product Responsibility - Product Quality - Service Quality	All business units, projects or products achieved targeted customer satisfaction ratings	Increased customer satisfaction scores by 1% for Ministry of Health (MOH), and maintained the score for Ministry of Higher Education (MOHE) compared with the previous years		Page 63
Sustainable Products & Services	- Accessibility of Healthcare Products - Accessibility of Halal Products - Affordable Healthcare Product	- Enhance sustainable product offerings - Achieving 2025 Product Development target - Compliance to Concession KPI	45 new products registered - Upgrading of equipment and facilities for biopharmaceutical manufacturing 23 products achieved Halal certification in 2021, with a cumulative total of 184 products with Halal certification - Achieved compliance to Concession KPI (99.3%) for all performance indicators stated under the Concession Agreement	 	Page 71

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

GOAL 2: ACTING WITH INTEGRITY						
Link to Key Risks:		Link to Strategic Pillars:		Link to UNSDGs:		
Legal and Regulatory Risk Cybersecurity Risk		Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing		Strengthen Footprints in International Ventures via Focus Countries 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS		
Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021	UNSDG	Discussion in this Report	
Business Ethics & Corporate Governance	• Good Corporate Governance and Integrity • Data Privacy and Security	• Uphold corporate governance • Zero ethics and integrity non-compliance cases • Enhance application of best practices as recommended by Malaysian Code on Corporate Governance	• Successful Anti-Bribery Management Systems (ABMS) certification for Pharmaniaga Research Centre Sdn Bhd • On-going audit preparation with external certification body for Pharmaniaga Manufacturing Berhad Bangi, Idaman Pharma Manufacturing Sdn Bhd Sungai Petani & Seri Iskandar and Pharmaniaga LifeScience Sdn Bhd Puchong • Maintained the ISO/IEC 27001:2013 Information Security Management Systems • Deployment of Intrusion Prevention System (IPS) and Distributed Denial of Service (DDoS) attack as well as Advance Threat Protection (ATP) solutions for email filtering	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Page 81	

GOAL 3: ACHIEVING OPERATIONAL ECO-EFFICIENCY						
Link to Key Risks:		Link to Strategic Pillars:		Link to UNSDGs:		
Environmental Sustainability Risk Legal and Regulatory Risk		Strengthen Footprints in International Ventures via Focus Countries Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation		3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION		
Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021	UNSDG	Discussion in this Report	
Environmental Compliance	• Hazardous Gas Emissions and Energy Management • Material and Waste Management • Water and Effluent Discharge Management	• Zero environmental non-compliance cases	• Consistently maintained full environmental compliance, including ISO 14001 at all sites	3 GOOD HEALTH AND WELL-BEING 13 CLIMATE ACTION	Page 89	
Resource Efficiency	• Material and Waste Management • Water and Effluent Discharge Management	• Increase the use of renewable energy sources, reducing waste generated, and increasing water use efficiency across the Group	• Achieved RM2.2 million cost savings from energy-saving initiatives • Generated 768.68 GJ solar energy • Recycled 398.63 tonnes of general waste across operations • Utilised 215.39 tonnes of recycled input material in manufacturing operations • Converted 6.99 tonnes of scheduled waste into alternative raw material	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Page 91	
GHG & Climate Change	• Hazardous Gas Emissions and Energy Management	• 15% reduction in Greenhouse Gas (GHG) absolute emissions by 2025, against 2019 baseline	• Achieved 15% reduction in GHG emissions in 2021, against 2019 baseline	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	Page 100	

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

Link to Key Risks:

-  Business Risk
-  Legal and Regulatory Risk

Link to Strategic Pillars:

-  Reinforce Human Capital through Capability Building for Superior Performance

Link to UNSDGs:



Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021	UNSDG	Discussion in this Report
Employee Engagement & Retention	- Job Opportunities - Employee Engagement	To sustain employee attrition rate at below 13% for Malaysia (60% weighting) and Indonesia (40% weighting)	Recorded employee attrition rate of 10% for Malaysia and 19% for Indonesia	  	Page 107
Fair Labour Practices	Labour Practices	Zero non-compliance cases related to employment and labour practices	Achieved zero non-compliance cases related to employment and labour practices	 	Page 113
Health & Safety	Occupational Health and Safety	- Zero fatality - Year-on-year Lost Time Injury Frequency Rate reduction of 10%	- Achieved zero fatality in 2021 - Number of COVID-19 swab tests conducted on employees: 23,957	 	Page 115
Employee Training & Development	Training and Development	To build capability for superior performance by 2025 through Succession Planning Programme (SPP), High Potential Programme (HiPo) and Career Path Programme (CPP)	- Provided an average of 26 training hours per employee (53% increase from 2020) - Provided graduate employment opportunities to 84 individuals		Page 119
Diversity & Inclusion	Equal Opportunity	Achieve 30% gender diversity target at Top, Senior, Middle Management and Executive level	99.6% employees are local - Female composition achieved in 2021: Senior Management: 31% Executive: 60%	 	Page 124

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

GOAL 5: BUILDING A BETTER SOCIETY					
Link to Key Risks:		Link to Strategic Pillars:		Link to UNSDGs:	
 Business Risk		 Grow Pharmaniaga Household Brand, Biomedical and Medical Devices through Integrated Branding and Marketing			
Key Focus Areas	Related Material Matters	Objectives & Targets	Progress in 2021	UNSDG	Discussion in this Report
Supporting Local Businesses	Providing Business Opportunities	- Prioritise local vendors and suppliers - Enhance the quality of vendor development initiatives - Provide business opportunities to the local community through special projects	413 RoyalePharma Alliance members 24 companies registered under Vendor Development Programme (VDP) - Launched Arnia product range for Madu Kelulut as part of our initiative to provide business opportunities to the local community		Page 129
Corporate Responsibility	Community Contribution and Development	Establish and implement a strategic Corporate Responsibility (CR) policy at Group level	- Invested RM7 million in CR initiatives throughout Malaysia - Established sustainable CR projects to provide long-term positive impacts to the community		Page 131



DELIVERING SUSTAINABLE VALUE

OUR CONTRIBUTION TO SUSTAINABLE
DEVELOPMENT GOALS

OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

We have intensified our efforts to contribute towards the international agenda of realising sustainable development. To reaffirm our commitment, we have taken tangible steps to be part of the solution-finding process to eradicate economic, environmental and social inequalities globally, which will not only impact our business and stakeholders but also communities worldwide.

We have also identified specific United Nations Sustainability Development Goals (UNSDGs) and reassessed the prioritisation of these goals based on their level of importance and impact. The prioritisation was discussed and deliberated at Management and Board Sustainability Committee levels.

PHARMANIAGA CURRENT SDGS ALIGNMENT MAP



CHANGES IN 2021 UNSDGS ALIGNMENT MAP

Priority SDGs	Supporting SDGs	Underlying SDGs
Relocation of Goals 4, 7, 9, 12 from Supporting SDGs	- Relocation of Goal 5 from Priority SDGs - Relocation of Goal 13 from Underlying SDGs	Relocation of Goal 10 from Supporting SDGs

HOW WE CONTRIBUTED TO UNSDGS

UN SDGs	Our Contribution to SDGs	Mapping to Pharmaniaga Sustainability Goals
PRIORITY SDGs		
3 GOOD HEALTH AND WELL-BEING	We improve the accessibility to healthcare solutions by offering a portfolio of quality, affordable and Halal-certified products, while ensuring uninterrupted production and enhanced accessibility of products and services.	GOALS 1, 3, 4 & 5
4 QUALITY EDUCATION	We invest in the training and development for all levels of employees to develop their competencies, enhance their skills and build capability for superior performance.	GOAL 4
7 AFFORDABLE AND CLEAN ENERGY	We continuously seek opportunities to increase energy efficiency throughout operations and reduce dependency on non-renewable energy sources by exploring the potential of adopting sustainable and cleaner energy.	GOAL 3
8 DECENT WORK AND ECONOMIC GROWTH	We strive to deliver value to our shareholders and stakeholders through our growth strategies, supported by R&D and innovation to ensure economic and financial sustainability, while promoting inclusive and productive employment.	GOALS 1, 2, 4 & 5
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	We place great emphasis in the advancement of technological capabilities and continuously innovate our processes to improve our service and the efficiency of our operations, in our quest to deliver high-quality products and services.	GOALS 1 & 2
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	We undertake initiatives to efficiently use our material and resources, and practise effective waste management while complying with regulations and standards. Our efforts include adopting responsible procurement and vendor screening that embed ESG consideration into the process.	GOAL 3
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	We ensure ethical business practices through strong corporate governance framework and accountability, driven by policies and guidelines, assessment on corruption-related risk and training to instil ethical awareness and practices across the organisation.	GOALS 2 & 4
SUPPORTING SDGs		
1 NO POVERTY	We are committed to building an inclusive society by helping to improve their welfare, health, and wellbeing, as well as providing support and economic opportunities to local businesses.	GOALS 4 & 5
5 GENDER EQUALITY	We promote diversity and inclusion in the workplace and strive to eliminate gender disparities in all of our decisions across every level of operations.	GOAL 4
6 CLEAN WATER AND SANITATION	We implement integrated water resource management by ensuring sustainable water consumption, increase water-use efficiency, and effective wastewater recycling and discharge management system to minimise our impacts to surrounding water bodies.	GOAL 3
13 CLIMATE ACTION	We strive to minimise our impacts on climate change by managing and reducing our GHG emissions throughout operations, as well as incorporating climate-related risks in our risk assessment process to enhance climate resilience.	GOAL 3

Our progress and performance are closely monitored against our Priority and Supporting SDGs. Details of our initiatives and progress that contributed to each Priority and Supporting SDG are discussed in 'Our Sustainability Goals' Progress' table in pages 42 to 49.



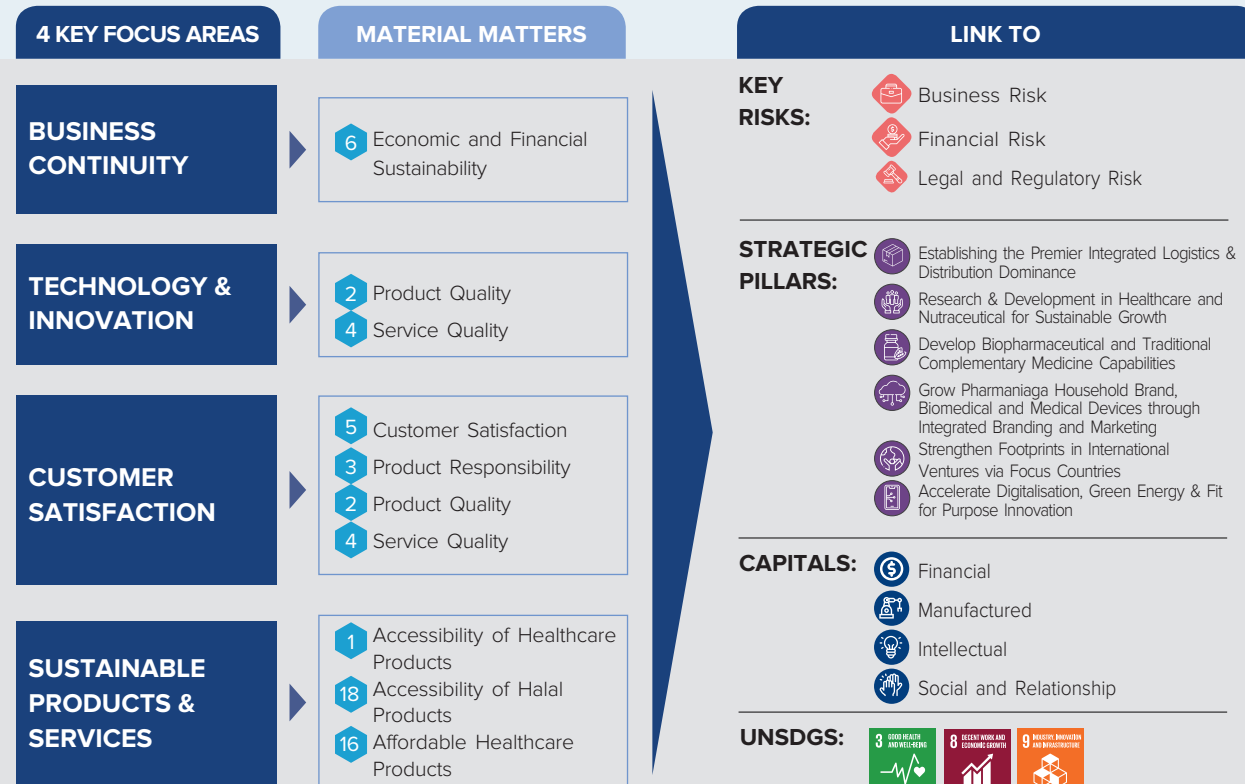
OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

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GOAL 1: DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS

Future-proofing our business is paramount as it helps Pharmaniaga to anticipate the future and develop solutions to minimise any negative impacts that the future may bring while taking advantage of positive effects. In doing so, we also strive to deliver sustainable value to our stakeholders through four key focus areas under this first goal of Business Continuity, Technology & Innovation, Customer Satisfaction and Sustainable Products & Services.

We rely on our business strategy in managing relevant material matters, which consequently facilitates in addressing our key risks and contributing positively to the UNSDGs.



PERFORMANCE HIGHLIGHTS

Increased customer satisfaction scores:
 MOH : **98%**
 MOHE : **96%**

23 products successfully Halal-certified in 2021, bringing the total to **184 Halal** registered products

45 new products successfully registered

Implementation of additional **3 Autobots (RPA)** to handle order processing by all warehouses

BUSINESS CONTINUITY

6 Economic and Financial Sustainability

By putting in place such measures as the Business Continuity Management Framework, Pharmaniaga is able to ensure economic and financial sustainability, which is crucial for the Group's growth. These two areas of sustainability help us in effectively deploying our resources.

HOW WE MANAGE THE MATTER

The COVID-19 pandemic has affected the majority of businesses locally and globally. It has forced them to be proactive in devising strategies and mitigation plans to ensure their economic and financial sustainability.

Pharmaniaga Strategic Pillars

We are working hand in hand with each subsidiary under the Pharmaniaga Group to ensure solid strategies are in place to maintain business continuity.

Through the development of the Pharmaniaga Strategic Pillars (Pillars), we have outlined the 7 Focus Strategies to ensure sustainable growth with the underlying key themes revolving around national security, security of supply, Halal and ESG.

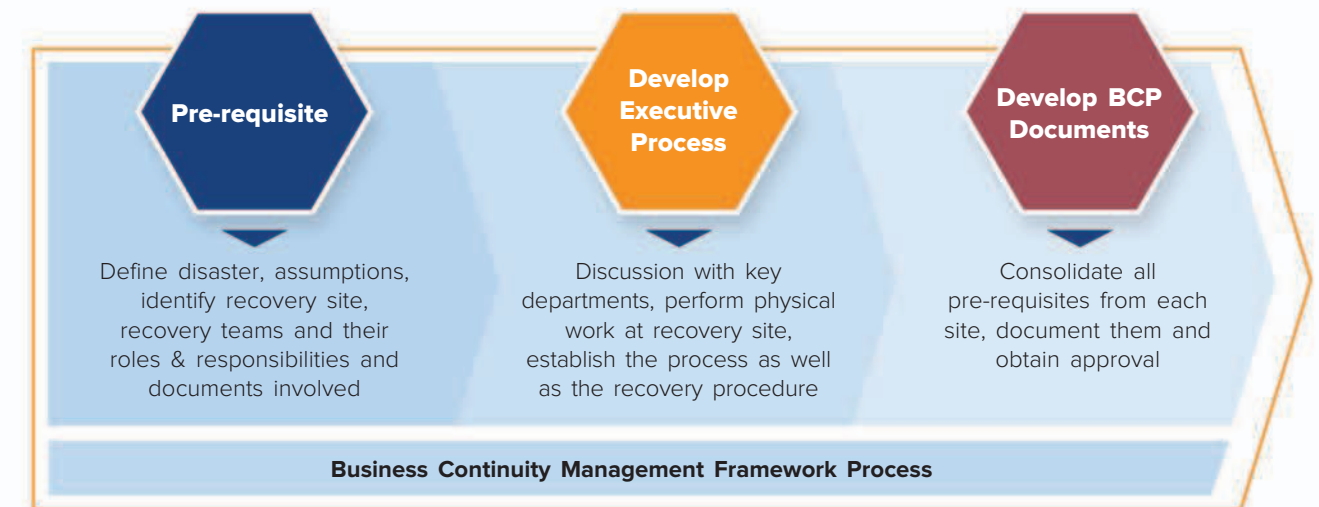
The Pillars are set to provide strategic direction to all subsidiaries, by recalibrating and reassessing our focus to help us navigate through the uncertainty of the pandemic's impacts and future-proof our business.

Business Continuity Management Framework (BCM)

In addition to strengthening our business strategy, we also recognise the need for a comprehensive plan to counteract interruptions to business activities during disruptive events in a controlled and structured manner, and ensure continuity of our critical business processes.

This year, we have taken further steps to firm up and roll out Business Continuity Management (BCM) framework to our operations. We are in the process of implementing the Business Continuity Plan (BCP) to our Manufacturing Division, whereas our Logistics & Distribution Division has finalised and received management endorsement on their BCP.

We have also conducted briefing on BCP to the Recovery & Alternate Recovery Team, and carried out execution testing (run-through) at selected sites.



Collaborations and Partnerships

We continuously seek out potential collaborations and partnerships that will create mutual growth and bring benefit to both the organisation as well as our partner. In 2021, we collaborated with the following partners:

Doctor On Call (DOC)

Objective

To serve customers under DOC in obtaining the required medicines.

Activity specifics:

Perform home delivery service for essential medicines to patients.

Outcome/Achievement:

Improvement in long-term-medication (LTM) business segment compared to pre-COVID-19.

Malaysia Healthcare Travel Council (MHTC)

Objective

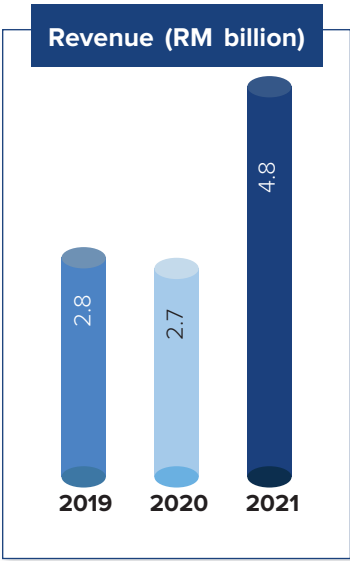
To explore strategic collaboration between the public and private sectors by creating new opportunities for companies in the healthcare supply chain.

Activity specifics:

From in-house research and development to local manufacturing expertise, as well as offering high quality affordable generic drugs and supplements for preventive healthcare, the collaboration encourages the production and consumption of Malaysian-made health products. Through this collaboration, Pharmaniaga has become the lead partner in propelling Malaysia as the Hepatitis C Treatment Hub of Asia, and exclusive partner for COVID-19 and other vaccination programmes.

Outcome/Achievement:

Signing of a Memorandum of Collaboration between Pharmaniaga Marketing Sdn Bhd and MHTC during the InsigHT 2021 event in November 2021.



Description	2019	2020	2021
Economic value (RM billion)	2.8	2.7	4.8
Operating costs (RM billion)	2.8	2.5	4.3
Economic value distributed to employees (RM million)	138.0	123.6	170.7
Payment to capital providers (RM million)	40.3	33.7	33.3
Payment to Government (RM million)	10.3	2.9	39.9
Investment in community (RM million)	3.4	8.8	30.7

For 2021, Pharmaniaga recorded:

- 77% increase in revenue, from RM2.7 billion in 2020 to RM4.8 billion
- 526% increase in profit, from RM27.5 million in 2020 to RM172.2 million

The economic value was distributed to employees, capital providers, the Government and community, as indicated in the table.

The year 2021 saw Pharmaniaga registering commendable results, driven by improved performance across all business segments particularly the fill and finish manufacturing of vaccines, as well as the distribution of Sinovac and AstraZeneca COVID-19 vaccine to the Federal Government and private sector.

The growth was primarily the result of an increase in vaccine sales to the public and private sectors in response to the pandemic. To date, Pharmaniaga has completed the delivery

of 20.4 million doses of Sinovac COVID-19 vaccine to the Malaysian Government and approximately 2.5 million doses of Sinovac COVID-19 vaccine to the private market.

Additionally, Pharmaniaga saw the sales volume for Citrex Vitamin C and Actimol grow as demand for these products increased. We have also become the key distributor for essential items for COVID-19 including face masks, personal protective equipment, gloves and test kits. Accessibility to our products remains one of our top priorities. At the height of the pandemic, when the Movement Control Order was in force, obtaining our products at the physical store was near impossible. However, by leveraging e-commerce platforms, we were able to reach out to our customers and drove both the sales of prescription drugs as well as over-the-counter products. RoyalePharma, the community pharmacy by Pristine Pharma Sdn Bhd, a wholly-owned subsidiary of Pharmaniaga, was in no small part instrumental to the success of our e-commerce activities.

Following its success of distributing vaccine in Malaysia, Pharmaniaga is currently looking at expanding its market presence in Southeast Asia and the African markets by supplying the Sinovac COVID-19 vaccine, manufactured by our high-tech Puchong plant.

All in all, we are pleased to report that Pharmaniaga did not receive any financial assistance from the Government nor provide any political contribution throughout 2021.



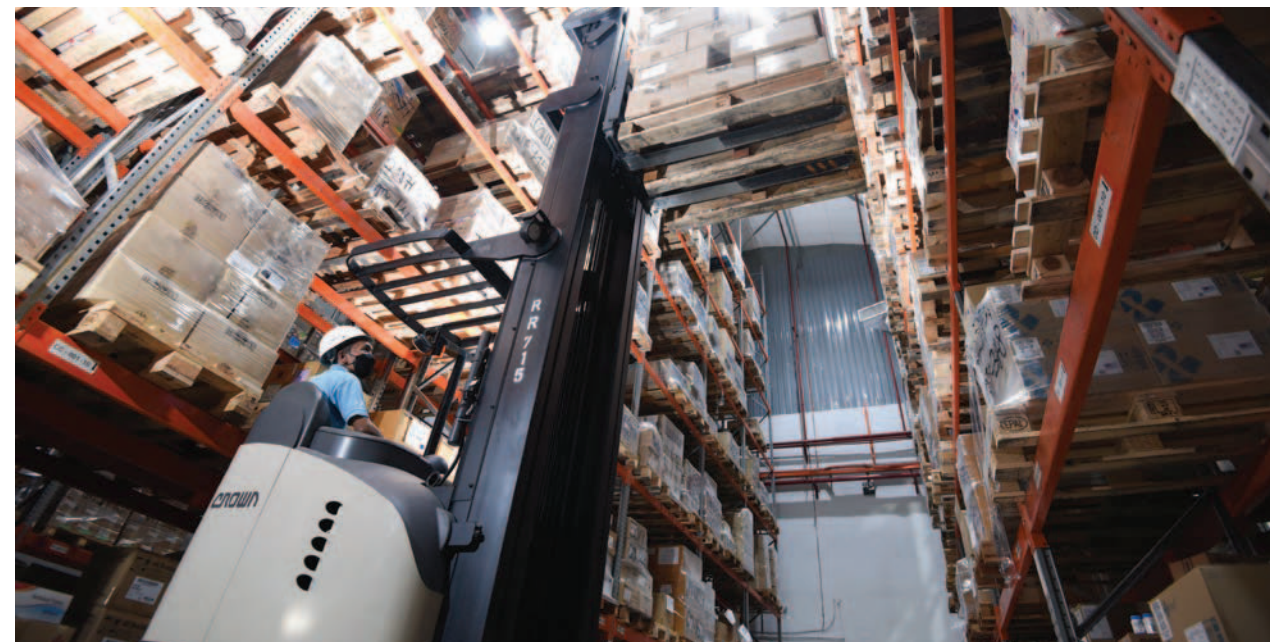
OUR CHALLENGES

Granted, 2021 was a year full of challenges, but it was also a year of opportunities. During the pandemic, there is a reduced demand for pharmaceutical products (ethical drugs). However, we were able to mitigate the challenge by focusing on COVID-19 related products, which were in high demand throughout the year.



OUTLOOK

As the world population becomes more health-conscious and realises the importance of leading a healthy lifestyle, Pharmaniaga anticipates a rise in the demand for healthcare products. The anticipation bodes well with our growth strategy to diversify our business segments and expand our international footprint. This will be done by focusing on high-value pharmaceutical products and services, as well as expanding our market presence in the vaccines segment in Southeast Asia and the African markets.



TECHNOLOGY & INNOVATION

2 Product Quality

4 Service Quality



advanced technology and continuous innovation, we are able to keep production cost low and enjoy higher returns on investment with high quality products and services.

HOW WE MANAGE THE MATTER

We understand the need to advance our technologies and continuously innovate our processes to improve our service and the efficiency of our operations, with the end goal of improving product and service quality.

In 2021, we invested in the following initiatives to enhance our service quality:

1 Robotic Process Automation (RPA)

Our order processing system in all our warehouses (including our branch offices) is handled by additional three Autobots, including orders related to tender, Continuous Ambulatory Peritoneal Dialysis (CAPD) and Social Security Organisation (SOCSO) items for the private market.

RPA is currently used for the distribution of items under the Approved Products Purchase List (APPL), where it performs almost 100% of the workload. Currently, we are at the stage of monitoring the efficiency of these Autobots and expect all warehouses to be highly-dependent on RPA in the future, thereby reducing manual workload and enhancing efficiency.

RPA is also being used in the accounts payable section of our Finance Department, to input invoices into PIERS (Oracle) for Non-Trade Invoices. The RPA reduces the time taken to input data especially for invoices that have multiple lines and/or need expenses allocation or multiple charging codes. This may improve further with Accounts Payable Automation targeted for the future.

2 Transport Management System

Pharmaniaga is looking into establishing a fully-automated distribution centre through the Transport Management System. The project, which kicked off in December 2020, went live in 19 April 2021.

With the adoption of the Oracle Fusion Cloud Supply Chain and Manufacturing, we further refined the automation of our operational processes. Amongst others, the Oracle Transportation Management (OTM), Internet of Things (IoT) for GPS Tracking & Mobile Apps technologies were put in place to facilitate planning and real-time decision-making.

The OTM system has been fully operational in our warehouses in Bukit Raja, Selangor, Pulau Pinang as well as Sarawak, and we are in the midst of implementing in Section 15, Selangor and Sabah. This will enable us to eliminate manual data entry, automate best routing, reduce transportation cost and improve operational efficiency.

Over time, we made improvements to the system integration issues following feedback from our stakeholders.

In addition to improving service quality, we invested in the following initiatives to enhance our product quality:

1 Automatic Visual Inspection & Leak Detector

Our manufacturing facilities commonly practise visual inspection and leak detection on finished products as part of essential requirements in parenteral drug production to ensure the drug product's safety in its container, such as a vial. This is to ensure there are no foreign matters in any filled containers that could lead to contamination and reject any units displaying defects, including leaks that could affect the overall product quality.

To mitigate the risk, one of our manufacturing facilities, Pharmaniaga LifeScience Sdn Bhd, has invested in one of the pharmaceutical industry's emerging technologies, the automatic visual inspection process, which is integrated with leak detection.

This results in significant reductions in inspection time. Both types of inspections can be carried out in a continuous sequence, maximising production efficiency while ensuring overall product quality and stability.

2 Sterility Test

We have adopted a new system and technology to shorten sterility test during the manufacturing of our vaccine. This has enabled us to reduce incubation time for sterility testing by nearly half which in turn expedites product delivery to patients. This rapid technology has reduced consumables used and waste generated in comparison with the conventional method. The technology uses advanced imaging and detection technology to spot growing colonies at a more rapid pace.

CUSTOMER SATISFACTION

- 5 Customer Satisfaction
- 3 Product Responsibility
- 2 Product Quality
- 4 Service Quality

At Pharmaniaga, we understand clearly that customer satisfaction is an important factor that determines customer loyalty as well as business growth and revenue. As customer satisfaction is an indicator of how well our products or services meet customer expectations, we implemented initiatives and engagement programmes to ensure our customer satisfaction targets are met.

HOW WE MANAGE THE MATTER

Improving Customer Satisfaction Levels

Pharmaniaga has a dedicated team to monitor customer satisfaction through online and manual survey forms submitted via email or through our sales representatives to customers.

The latter is conducted by Contact Centre Agents (CCA) and to ensure 100% response rate from all facilities, we collaborate with the Ministry of Health Sales Representatives (MOHSR) to facilitate the process.

This process is followed up with inter-departmental post-mortem sessions, resulting in the charting of improvement plans to be presented to the management to ensure fulfillment towards ISO 9001:2015 Quality Management Systems and ISO 18295-1:2017 Customer Contact Centres.

To improve our customer service, we conduct a CCA service monitoring through Call Quality & Business Writing Evaluation to ensure that a standardised service level is provided by all CCAs to customers. This initiative helps to identify areas for improvement and allows us to plan for proper training and coaching.

We also continuously enhance the skills and technical capabilities of our CCAs and their relevance through certification programmes. The certification programmes included are as follow:



Apart from obtaining customer feedback on our products and services, Pharmaniaga also utilised information gathered (e.g. customer satisfaction survey) to obtain an insight into their current needs and interests.



OUR CHALLENGES

Most industries have started to move toward Industry Revolution 4.0 (IR 4.0) which relies heavily on machineries, real-time data and cloud technology. While Pharmaniaga acknowledges the need to be updated with new technology, we also realise that transitioning to IR 4.0 is not an easy process as the production of medication and healthcare products cannot tolerate machine-related errors, and still requires human accountability during manufacturing.



OUTLOOK

As we keep up with technological advances, we are confident that we will continue to find innovative ways of improving our products and services.

Going forward, for our Logistics and Distribution arm, we plan to develop a Warehouse Management System as we expand our Automated Storage and Retrieval System and upgrade our facilities and equipment, while licensing or purchasing new technologies.

As for our Manufacturing arm, we aim to establish biopharmaceutical manufacturing facility by 2025 while amplifying the usage of all manufacturing plants by introducing various new products segment.

Customer Engagement Programmes

The customer engagement programmes undertaken in 2021 were as follows:

Dialogue Session (virtual meeting)

Objective

A platform to resolve operational matters, share information and exchange opinions amongst Jabatan Kesihatan Negeri (JKN), Ministry of Health (MOH) and Pharmaniaga Logistics Sdn Bhd (PLSB).

Activity specifics:

Dialogue sessions with relevant parties to discuss and deliberate on issues received from the customers, and identify resolutions.

Outcome/Achievement:

A total of eight virtual dialogues were successfully conducted throughout Malaysia to identify the root causes of issues faced by Pusat Tanggungjawab (PTJ) and MOH – i.e. hospitals, clinics and how to mitigate the problems.

Majlis Silaturahmi (MS) (face-to-face sessions)

Objective

To enhance networking and strengthen relationship between JKN and PLSB.

Activity specifics:

Informal events through casual and open discussions to build relationship and concurrently identify any issues faced by relevant parties.

Outcome/Achievement:

Identified the root cause of issues faced by hospitals or clinics and found ways to mitigate the problems.

As a result of good practices to maintain our superior service quality, we achieved:

- Zero Non-conformity in the recent recertification SIRIM audit ISO 18295-1 : 2017
- Increased customer satisfaction survey result (%) for 2021:

	2019	2020	2021
MOH	94	97	98
MOHE	92	96	96
Private Sector	92	94	N/A



OUR CHALLENGES

We faced a huge increase in demand from the public sector customers for products used in the management and treatment of COVID-19, especially Personal Protective Equipment (PPE). As a result, supplying, distributing and manufacturing companies had a tough time catering to the sudden and tremendous increase in demand, and this affected order fulfillment and customer satisfaction rating. Mitigation measures were put in place by the Ministry of Health for parallel suppliers to be appointed.

Apart from that, there was also a surge in demand for disposable products used in the National COVID-19 Immunisation Programme as a result of the expedited vaccine supply schedule which was changed to the period between June and August 2021 in line with efforts to increase vaccination rates. Additional vaccine procurement and vaccine donations received from Japan, the United States of America, and China also boosted the demand.



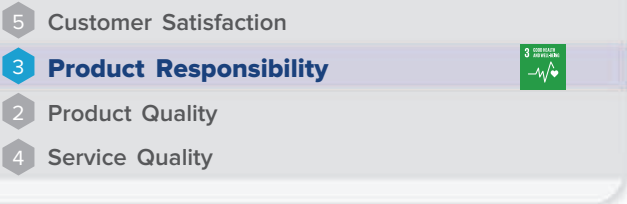
OUTLOOK

Pharmaniaga's aspiration for 2022 is geared towards digitalisation by way of providing enhanced services to and getting feedback from customers. One such measure is to fully utilise Omnichannel, a system for our Contact Centre to reach out to a wider market.

Through this platform, we are able to continue to provide excellent customer care services and engagements, strengthen our service force in the Government channels, expand coverage in Consumer Online Space and even integrate an online communication platform into the system.

Moving forward, Pharmaniaga intends to grow the private market through integrated branding and marketing in order to expand to a broader client base while leveraging digitalised and fit for purpose innovations.

CUSTOMER SATISFACTION



Our product responsibility gives our customers the assurance that they are given the best protection against potential risks as our products and services are of high quality. At Pharmaniaga, we employ holistic quality management to ensure maximum safety standards. We also have a pharmacovigilance unit that monitors product safety throughout its life cycle.

HOW WE MANAGE THE MATTER

Assessment of Health and Safety Impacts of Product

At Pharmaniaga, meeting the defined quality of our products is of utmost importance in order to ensure the health and safety of the patient. To ascertain product quality, we adhere to the following:

- **Quality Product Development:** Any product identified for development has been designed and conceptualised to meet the highest of standards with respect to all prescribed quality specifications.
- **Manufacturing of commercial products in a state-of-the-art and regulatory approved facility:** The commercial batches of products were manufactured for market supply in a highly regulated and state-of-the-art facilities where they underwent a rigorous validation process at every manufacturing step to ensure the desired quality and consistency are achieved.

• Continuous quality control testing and monitoring:

All the products manufactured in our state-of-the-art facilities underwent exhaustive quality tests designed to meet all the prescribed specifications before they are released to the market.

In addition to the measures taken to ascertain product quality, Pharmaniaga evaluates the health and safety impacts of our products on our customers. To this end, we have established a pharmacovigilance system and team to manage adverse event complaint management, medical inquiry management, package insert update management as well as regulatory updates and literature screening management. The details of these processes are as follows:

Adverse Event Complaint Management

Once a complaint has been received, it is evaluated and the details are collected from the person who made the complaint. After the analysis is completed, the validity of the case will be determined prior to submission to the regulatory authority using the standard reporting form (CIOMS form).

Medical Inquiry Management

Inquiries related to safety are attended swiftly and the feedback is provided to the inquirer in good time.

Package Insert Update Management

Package insert updates are collated from various sources including directives from regulatory authorities. Relevant information is retrieved from these sources and entered into the package inserts. Once completed, the package inserts are submitted for variation to regulatory authorities and implemented once approval is obtained.

Regulatory Updates and Literature Screening Management

Regulatory updates – published medical and scientific literature – are screened from regulatory authority websites and literature databases. All safety information is continuously monitored and necessary action is taken based on the internal procedure.

The criteria used to assess the health and safety impacts of our products and services are based on guidelines from Good Manufacturing Practices (GMP), Good Laboratory Practices (GLP) and Regulatory Pharmacopoeias, as well as the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). We are also guided by other local and international regulatory principles and practices.

As a result, we obtained the GMP approval from the National Pharmaceutical Regulatory Agency (NPRA) for a COVID-19 production line in PLS, the cold chain certification from NPRA for PLSB Section 15, the Pharmacist Type-A License (PTAL) from Selangor Enforcement for the RoyalePharma new outlet in Bangi. We have also received approval for the SIRIM Good Distribution Practice for Medical Devices (GDPMD) surveillance audit for Pristine Pharma Sdn Bhd.

We are proud to note that we have successfully maintained all ISO certifications related to customer satisfaction and product responsibility in 2021.

At Pharmaniaga, we ensure that all the products developed and manufactured on a commercial scale fulfil all the prescribed quality attributes. They are also thoroughly reviewed by quality experts before they are released in the market.

We have established many quality checks which are implemented in our daily work practices to ensure products manufactured are consistent and of the highest quality.

Pharmaniaga places great importance on developing and consistently producing quality products. We take serious measures to prevent product recall situations and observe a well-established standard operating procedure (SOP) to deal aptly with product recall incidents. In any such incident, a detailed investigation is carried out to ascertain its root cause. The investigation is then validated by subject experts followed by the implementation of corrective and prevention actions (CAPA). We ensure mitigation measures are implemented immediately to prevent recurring cases.

Product Safety and Labelling

Pharmacovigilance or drug safety is one of the key elements observed during the manufacturing of our products. All product registration holders are responsible for detecting, assessing, understanding and minimising or even preventing, if possible, adverse drug effects of their products.

We have key personnel tasked with driving and coordinating the implementation of measures with regards to product safety and labelling. To ensure this, we perform internal audits to ensure compliance to the GMP, GDP, GDPMD, PTAL and Good Clinical Practice (GCP) guidelines.

Pharmaniaga employees and affiliates undergo training to enhance effective communication and awareness to ensure efficient management of pharmacovigilance.

Additionally, Clinical Affairs and Pharmacovigilance (CAP) team has developed the PV e-Card which has been uploaded on the Phamily website and made available to Pharmaniaga employees. This is to facilitate communication during emergencies, as the PV e-card provides quick information to our employees, particularly those who interact with customers.

The card is to remind our employees to collect the four minimum information required when they come across any side effect reports from customers and provides contact details of the CAP team for medicine safety matters.



OUR CHALLENGES

Pharmaniaga is governed by strict compliance to pharmaceutical industry requirements, starting from procuring raw materials to consumer's safety. In ensuring full compliance, we have to be alert and updated at all times on any changes in product label regulatory requirements by local or global health authorities. This is to avoid inaccuracies, false and misleading information in our product labelling, consequently imposing significant risk to our customers and organisation.



OUTLOOK

Moving forward, we strive to achieve the goal of penetrating the international market. In order to do this, we aim to be well equipped with the knowledge of relevant regulatory requirements of the targeted countries especially on product responsibility. Attaining this is possible by establishing a documented regulatory entry strategy and improving our knowledge on international regulatory compliance.

Responsible Marketing

To ensure ethical marketing, Pharmaniaga adheres to the following legal requirements with regards to marketing and advertising our products and services:

- Medicine (Advertisement and Sales) Act 1956
- Medicine Advertisement Board Regulations 1976
- Guideline on Advertising of Medicines and Medicinal Products to General Public
- Medical Device (Advertising) Regulations 2019
- Guidance Document of Advertisement for Medical Device – Requirements
- Application for Medical Device Advertisement Approval – Requirements

We ensure that all publications of advertisements are reviewed and approved in a consistent manner by a dedicated team, in compliance with reference standards or codes, quality and documented procedures prior to their release to the public.

We are pleased to note that the Group recorded zero non-compliance cases concerning information and labelling and health and safety impacts related to the use of products and services in 2021.

However, we received one notification letter from the authority with regards to our campaign related to COVID-19 vaccine awareness with the public. In mitigating this issue, Regulatory Affairs Division (RAD) will strengthen their review process on advertisements to ensure all materials are as per the Medicines Advertisements Board (MAB) guidelines.



Our emphasis on product and service quality is well reflected in our vision and mission. At Pharmaniaga, we deliver the best quality products and services to meet customer satisfaction, empowering us to become the industry leader and set the standard for other businesses in the market to follow.



We have taken meticulous steps in ensuring our products and services are safe for consumption and do not pose a threat to the health and well-being of consumers. Our efforts include annual GXP Audit (GMP, GDP, GDPMD, PTAL, GCP) conducted once a year for each site.

HOW WE MANAGE THE MATTER

Standards and Certifications

Pharmaniaga is committed to providing high quality products and services to our customers, and ensure strict compliance with relevant standards and certifications.

All our product development processes are governed by various standards and certifications, which are set to guide the process starting from product development, registration, manufacturing and distribution. We ensure all our products and services reach our customers at the highest standard through the following standards and certifications.

This includes five manufacturing sites, five logistics sites, 10 GDPMD establishments and three Type-A License outlets. Audits are conducted based on the product registration dossiers and product specifications. The measures taken by our Research and Development arm are to ensure there are no critical issues that could impact the safety and quality of the products and services.

In 2021, some of our business operations went through the following audits:

- Wholesaler License-A audit by NPRA in March 2021
- Wholesaler License-A audit by Internal Auditor in September 2021
- Good Distribution Practice Medical Device Certification by MDA in November 2021

Internal Monitoring and Inspection

Pharmaniaga conducted regular workplace inspections and internal audits throughout our operations to check and observe work practices and ensure compliance to laws, regulations and standards.

We went on Gemba Walk every week to check on-site compliance with GMP requirements. Gemba Walk is performed by a team of leaders and managers (from various departments), who observe work processes throughout our operations and highlight any improvement opportunities. This exercise has helped create an awareness amongst the production floor team members to be vigilant in their work and promote the *Do It Right* culture.

Our dedication to product and service quality is ingrained with the commitment and support from all employees. We set high Key Performance Indicators (KPIs) internally to ensure everyone is responsible for upholding the high standards of quality, safety and efficacy of our products. The KPIs are monitored closely and reported to management.

Every month, all departments convene to discuss quality issues that should be addressed, rectified and improved. The meeting also provides a platform for all departments to share best practices, lessons learnt and brainstorm on improvements for quality-related issues throughout their operations.





Vendor Evaluation Process

Pharmaniaga ensures the quality of services provided by our suppliers and vendors by looking into their backgrounds and experiences (at pre-engagement stage), as well as assessing their performances (post-engagement).

Pre-engagement evaluation (due diligence)

We perform supplier due diligence on our potential suppliers and vendors prior to engaging with them. The assessment involves verifying the vendor's background on financial standing, directors' background, Company's experience and performance.

Our Manufacturing Division has set strict SOPs on New Manufacturer and Material Development to ensure new suppliers are assessed and selected on the basis of their capabilities, and are able to provide materials or services complying with Pharmaniaga's requirements. The Division pays close attention to the economic, environmental, and social criteria too as part of the due diligence exercise when assessing new as well as existing suppliers. This is to prevent unwanted issues from cropping up throughout the engagement, especially ones that could disrupt production. We issue a Vendor's Letter of Declaration on Anti-Bribery and conduct a due diligence process upon a vendor's appointment.

Post-engagement evaluation

Suppliers and vendors are evaluated through the Annual Vendor Performance Evaluation upon completion of projects. The objective of this evaluation exercise is to measure the vendor's performance and customer satisfaction.

Suppliers and vendors are rated based on their performances to determine if they have met the requirements and standards set by Pharmaniaga. This will also help us to carefully choose suppliers and vendors that we want to engage for future transactions and projects.

The evaluation is carried out yearly for contracted vendors (e.g. maintenance service providers) or upon completion of projects for one-off appointments e.g. renovation works. Our evaluation criteria include work or product quality, delivery, financial, customer service and management responsiveness.

The evaluation process contributes to a strong commitment from the suppliers to fulfil Pharmaniaga's requirements, thus ensuring the appointments of reliable vendors or suppliers.



OUR CHALLENGES

In ensuring our products and services are of the highest quality, we have started to progressively incorporate sustainability in our vendor evaluation process, where our existing and new suppliers are evaluated with ESG criteria. However inadequacy of robust ESG data and management by some of our important suppliers may hamper the process, and pose challenges for the Group as we still have to rely on their services.



OUTLOOK

We aim to safeguard the quality of our products and services through comprehensive product life-cycle management, i.e., from material sourcing, supplier selection plus internal control and monitoring, guided by relevant standards and certifications, which will ultimately increase customer satisfaction.

SUSTAINABLE PRODUCTS & SERVICES

1 Accessibility of Healthcare Products

18 Accessibility of Halal Products

16 Affordable Healthcare Products



Improving access to healthcare is crucial in assisting people to meet their healthcare needs. At Pharmaniaga, we recognise the critical role that we play in enabling our customers' and the public's accessibility to our healthcare solutions. Our efforts go beyond offering a portfolio of quality products, but extend to include ensuring uninterrupted production and distribution, as well as enhancing customer reach to our products and services.



HOW WE MANAGE THE MATTER

Expanded Product Portfolio

Pharmaniaga has taken the initiative to ensure accessibility of product to customers through our Research and Development (R&D) arm.

Our R&D department is constantly exploring new first-to-market generic products and has come up with affordable versions of drugs.

We are consistently looking to bring in new technological products by collaborating with external companies and institutions to increase their accessibility and affordability for our customers.

Having ventured into the biopharmaceutical segment, we have come up with affordable vaccines, insulins and many more biological products. We have also diversified our product portfolio in the consumer healthcare segments comprising over-the-counter and nutraceuticals products.

Prior to developing these products and commercialising them, our multi-disciplinary experts and teams conducted feasibility studies, assessed market needs, cost-effectiveness and future potential demand.

While we strive to accelerate our product availability, we are also mindful of our objectives to provide products of high quality which meet safety requirements and standards.

Ensuring Uninterrupted Supply and Production

Pharmaniaga also took the following initiatives in 2021 to ensure secured and sufficient stock, in order to avoid disruption in the distribution of products to customers:

Inventory management to ensure continuous supply and production

Objective

To ensure sufficient stock for the continuously high demand COVID-19-related products i.e. personal protective equipment (PPE), masks, sanitisers, paracetamol and cough syrup.

Activity specifics:

- To conduct Request for Quotation and Tenders in the sourcing of alternative suppliers and products.
- To have one-year stock of Active Pharmaceutical Ingredients in the plant or local supplier's warehouse, as well as keep updated of stock level at PLSB on a weekly basis to ensure sustainable production.

Outcome/Achievement:

Secure several one-off purchase suppliers.

Monitoring of purchase and demand related to COVID-19 cases

Objective

To be alert on the changes in demand for COVID-19-related stock and any alteration to purchasing demand which have an impact on supply.

Activity specifics:

Keep track of information shared by MOH in social media and ensure frequent discussions with the Ministry.

Outcome/Achievement:

Efficient stock planning to ensure continuous supply.

Logistics and Distribution of Healthcare Products

Pharmaniaga set clear targets for the delivery of products to customers, which were closely tracked and reported using Business Intelligence (BI) and Power BI Dashboard. Pharmaniaga has successfully recorded an overall performance to concession agreement of 99.3% in 2021.

This performance was reported to our stakeholder at the liaison meeting; there were also quarterly updates to Boustead Group.

Initiatives and programmes were implemented by the Logistics and Distribution Division in 2021 to ensure the smooth distribution of products to customers.

Warehouse Expansion

This is the implementation of the Central Distribution Centre for private and retail markets, which also serves as a rental warehouse. While long-term plans are underway to establish new warehouses, we secured a rented warehouse in Pulau Pinang, which has greater stock-holding capacity and allows us to cover more delivery areas in the Northern region. To date, PLSB successfully operated its Northern rental warehouse with optimised efficiency in serving the northern region customers.



Cold Room Expansion in Section 15, Selangor and Pulau Pinang

We have expanded our cold room facility at our Section 15, Selangor Warehouse to cater for the new APPL products with cold chain requirements and COVID-19 vaccine distribution. We are currently in the midst of expanding our cold room in Pulau Pinang. We have successfully utilised Section 15, Selangor Warehouse by providing Cold Chain facilities for overflow COVID-19 vaccine, new cold chain products and a range of cold chain products from the private market.

Enhance products accessibility

We believe that being both available (by offering a range of product portfolio) and reachable to customers is vital to ensure business sustainability. The latter was enhanced by improving digitalisation through a multichannel e-commerce management tool – to widen our customer reach and enhance brand visibility.

This e-commerce integration is performed to manage our multichannel back-end operations. The tool facilitated in inventory management, pricing and order management for multiple marketplaces, and resulted in increased efficiency for order processing as it reduces the lead time to process orders. This has allowed for improved delivery of products to customers, reduced error in order processing and increased quality of services.

We also implemented other technological and innovative projects to enhance customer reach and improve the efficiency of our processes, such as the establishment of a Transport Management System and Automation, all of which were discussed in the earlier section of this Report.



OUR CHALLENGES

As COVID-19 raged across the world, it was inevitable that the pandemic would gravely hurt the global economy. Industries everywhere were hit hard and the pharmaceutical industry was not spared. Amongst the challenges were disruptions to the supply chain, mainly due to the dependence on raw materials from China and India, not to mention the changes in business processes and customers' needs.

Between 2020 and 2021, the reduced number of patients seeking treatment at hospitals and clinics resulted in a decline in demand for prescription drugs, which affected the generic drugs market as a whole.



OUTLOOK

Pharmaniaga intends to grow its business in the private sector through integrated branding and marketing to broaden its client base. This includes strengthening its international footprint via focus countries, while leveraging digitalisation and fit for purpose innovations.

SUSTAINABLE PRODUCTS & SERVICES

- 1 Accessibility of Healthcare Products
- 18 Accessibility of Halal Products
- 16 Affordable Healthcare Products



As the use of animal-based gelatins and animal derivatives in pharmaceutical products has made Muslims worldwide apprehensive about the content of these products, the demand for Halal pharmaceuticals has grown sharply. Pharmaniaga is pleased to be part of the solution and accelerated the process in catering this demand with our Halal certified healthcare products.

HOW WE MANAGE THE MATTER

Our Halal initiatives and programmes are driven and coordinated by an internal Halal committee, which makes sure we abide by the Department of Islamic Development Malaysia (JAKIM) Halal requirements.

The Halal policies and procedures we established are to safeguard the manufacturing processes of our Halal healthcare products while holding fast to the Halal Standards outlined in the Malaysian Halal Certification Procedure Manual. This includes our Halal Policy which outlines the Halal Requirements and Shariah Compliance criteria.

Internal audits are conducted at least once a year to ensure compliance with MS 2424: 2019 Halal pharmaceutical standards.

To date, we have received Halal certification for 184 registered products, 23 of which were successfully certified in 2021.

Our Halal Vaccine Journey

Pharmaniaga's Halal vaccine manufacturing project is progressing well and on track. Our Halal vaccine fill and finish products will be rolled out by 2023.

With the continuous production of the COVID-19 vaccine and introduction of new ones, this new revenue stream for Pharmaniaga will provide the country with the security of a steady supply of affordable and high-quality vaccines while addressing vaccine hesitancy. On top of that, it will secure Malaysia's place firmly in the global vaccine landscape.

To facilitate the Halal registration process, our Research and Development team conducted knowledge-sharing sessions to further explain vaccine technology to the Pharmaniaga LifeScience (PLS) Halal team.

Meanwhile discussions with JAKIM on the process flow of vaccine manufacturing and application process for Halal certification are ongoing.

As we work towards registering vaccines under our Halal vaccine production programme, the PLS Halal team is actively compiling supporting documents based on JAKIM requirements for Halal certification.

Ensuring Certification and Compliance of Halal Healthcare Products

To ensure continuous compliance with Halal certification of all our registered products, we have taken the following initiatives to build competency in our internal team and suppliers:

Halal and Quality Suppliers Awareness Programme 2021

Objective

To ensure participants understand Pharmaniaga's expectations and are able to comply with Halal and quality requirements set by Pharmaniaga at all times.

Activity specifics:

Knowledge-sharing and Q&A sessions on Halal and quality requirements with Pharmaniaga Halal & Quality team.

Halal Competency Training

Objective

To ensure internal Halal committee members are kept abreast of new standards and regulations on Halal pharmaceuticals, based on the Malaysian Halal Certification Procedure Manual and the MS 2424:2019 Halal pharmaceutical standard.

Activity specifics:

Halal competency training was conducted for our internal Halal committee with training provider recognised by JAKIM.

Professional Certified Halal Executive

Objective

To ensure our Halal executives are certified by the Halal Professional Board (HPB) as required by Malaysian Halal Certification Procedure Manual.

Activity specifics:

Halal executive programmes were held under training provider certified by the HPB.

Outcome/Achievement:

Six members of our employees received Halal executive certification through this programme.

Having put in place Halal policies and procedures that adhere to the Malaysian Halal Certification Procedure Manual, we continue to evaluate new materials through annual internal Halal auditing.

In 2021, our over-the-counter (OTC) products received Halal certification. We have also submitted the necessary documentation to obtain the Halal Assurance System 2300 Certification for our manufacturing plant in Indonesia. The application was done via Indonesia's Halal Product Assurance Agency (BPJPH) and as at January 2022 it was still under review. The approval was estimated to be received by March 2022.

Collaborations and Engagement in Halal Industry

The demand for Halal pharmaceuticals has been growing globally not only because they cater to the growing Muslim population but also because they are setting new standards on safety. The potential for Halal pharmaceutical market is significant and is estimated to reach US\$174.59 billion by 2025.

As the nation's largest integrated pharmaceutical group, Pharmaniaga is paving the way in the Halal pharmaceutical market. It has thus far received Halal certification for 184 registered products. An internal Halal audit committee in its manufacturing plants coordinates and drives the Company's Halal initiatives.

Pharmaniaga's manufacturing plants operate under strictly regulated Shariah-compliant practices set out by JAKIM. Amongst Pharmaniaga's notable involvement in Halal pharma initiatives include:

Committee member of the Sectoral Working Group for Halal pharmaceuticals under Halal Development Corporation Bhd (HDC). With the appointment, Pharmaniaga was actively involved in discussions pertaining to Halal pharmaceutical certification in Malaysia. Issues and challenges in obtaining Halal certification were acknowledged by HDC and JAKIM.

Alternative member to represent Malaysian Organisation of Pharmaceutical Industries' (MOPI) as the technical committee for Halal cosmetics, pharmaceutical and medical devices under Department of Standards Malaysia.

Panel member in developing Written Instructional Material (WIM) for Halal Supervision and Operations (Levels 3 & 4, Phase II) under HDC.

Panel member to review module training for Halal pharmaceuticals by HDC.



OUR CHALLENGES

As most of our raw materials are acquired abroad via local agents, we face challenges in obtaining documents to verify their Halal status from suppliers and manufacturers.

Building an understanding of Halal requirements amongst our suppliers and manufacturers proves to be challenging too, as is finding Halal alternatives to raw materials, especially if they have a single source.



OUTLOOK

Pharmaniaga aspires to produce products that are in full compliance with Halal requirements. As the generic drugs market's growth is driven by the rise of non-communicable diseases (NCDs) – with diabetes being one of the top five causes of death in Malaysia – Pharmaniaga's fill and finish Halal insulin venture is progressing well.

Currently at the stage of partner selection and technology transfer, we expect to make it available commercially by 2025. Both the Halal vaccine and insulin projects are set to be marketed for domestic as well as international markets.

SUSTAINABLE PRODUCTS & SERVICES

1 Accessibility of Healthcare Products

18 Accessibility of Halal Products

16 Affordable Healthcare Products



Access to affordable healthcare products is crucial in ensuring one's health and well-being. Understanding that rising healthcare costs can have detrimental effects on society, Pharmaniaga plays a conscientious role in ensuring that our healthcare products are kept affordable for the public.

HOW WE MANAGE THE MATTER

We strive to make our products as affordable as possible, without compromising on quality, safety and efficacy. At Pharmaniaga, the process of developing generic versions of innovator drugs and off-patent products begins with the selection of cost-effective materials while maintaining standards in the manufacturing process by using state-of-the-art tools and equipment. An efficient logistics management system completes the process, significantly contributing to the successful development and commercialisation of these products.

We did an extensive feasibility study to ensure all our products are accessible and affordable; we expect these efforts will put us in good stead in our bid to become a primary generic drugs player in the region.

To support manufacturing sites' profit and loss, we conducted improvements under the Pharmaniaga Production System (PPS) and the following results were achieved in 2021:

- Capacity and Yield improvements of RM2.8 million
- Lead time, cycle time, inventory reduction and productivity improvements of RM3.0 million

Strategic Development Plan and Key Initiatives

Our product development strategies are built upon Pharmaniaga's 10-year development programme that supports the provision of affordable healthcare products to our customers.

We took cost-effectiveness and quality improvement initiatives aggressively in 2021 and filed a few products to NPRA for variation or improvement approvals.

We have an extensive and ambitious product pipeline covering different segments including pharmaceutical, biopharmaceutical, over-the-counter (OTC) and nutraceutical products. They have been carefully selected to cater to short and long-term market needs and demand based on upcoming therapeutic areas and technological advancements. All this with the primary objective of providing affordable products to patients.

Precautionary measures were taken to avoid infringements on the intellectual property rights of the products.

In the pharmaceutical segment, we plan to launch over 75 products in the next 10 years, with particular emphasis on niche items in the sustained-release and complex generic categories, amongst others.

In biopharmaceuticals, our long-term vision is to venture into affordable recombinant insulin and various types of vaccines. To date, we have commenced renovation and purchase of utilities and equipment for our Halal vaccine manufacturing facility. Meanwhile, for our insulin manufacturing facility, a Technology Transfer Agreement was signed with our strategic partner and approval was granted by the Board of Directors for the renovation.

In the OTC segments, we will introduce a range of effervescent products for adults and children, along with complementary supplement medicines to major therapeutic areas.

With regards to our product submissions, approvals and launchings, we submitted product dossiers for 18 new products for marketing authorisation and received approval for 45. These affordable products will be made available in the market. Also launched were a couple of new products in the pain management segment.

Key factors that have enabled Pharmaniaga to offer affordable products to customers:

- **Product development strategy** based on the selection of high-quality and cost-effective materials by selecting appropriate product development design and strategy right from the initial stage. In some controlled released formulations, an expensive polymer was replaced with another cost-effective material by establishing similar quality attributes both in-vitro and in-vivo. In addition, we conduct in-house nitrosamine content analysis to ensure our products are of utmost safety and quality.
- **Thorough and exhaustive due diligence** with respect to cost-competitive marketing strategy and bio-equivalence studies. Our efforts in exploring other bio-equivalence centres in South Asia are ongoing, to further find ways to reduce cost in the studies.
- **Utilising supply chain management** attributes in procuring cost-effective ingredients without compromising on the quality specifications.
- **Manufacturing process simplification and optimisation** for the production of consistent quality products. We have simplified the manufacturing steps and brought analytical method changes in a few formulations on commercial shop in our quest to bring down the overall production cost. We also optimised the commercial batch size to reduce overall Cost of Goods Sold for better profitability and market sustainability. In addition, we are selecting the bio-waiver approach to lower drug strengths as a development strategy to avoid any repeat of bio-equivalence studies.
- **Product development based on global quality requirements** so that products, once developed, can cater to all geographics.
- **Reverse engineering** to understand the technical know-how of the branded products and mapping the internal development approach with cost-effective measures.
- **Energy saving initiatives** (e.g. installation of motion sensor, replacement of HVAC system modulating valves, amongst others) to reduce electric consumption and production cost, as part of the overall overhead cost reduction to reduce the product cost per unit.
- **Usage of sustainable packaging material** to reduce material cost.



SPECIAL CASE STUDY

Supporting the National COVID-19 Immunisation Programme

Since 2020, Pharmaniaga has taken on the role of facilitating and supporting the National COVID-19 Immunisation Programme through the provision of affordable vaccines.

Key challenges encountered throughout the process and mitigation measures implemented

When COVID-19 was declared a pandemic in March 2020, Pharmaniaga was unprepared for the unprecedented scale and nature at which it was spreading and affecting Malaysia. However, we were determined to face the challenge head-on.

The primary challenge was getting hold of safe and effective vaccines, to support the Government's National Immunisation Programme. Being a conventional generic drug manufacturing company, we had to select best-suited technology partner and repurpose the existing Small Volume Injectable (SVI) facility to be capable of manufacturing vaccines. We also had to train the

scientists and fully equip the facility as well as labs to allow for a smooth transfer of technology.

Other hurdles included conducting animal and stability studies, compiling and submitting dossiers to NPRA in record time. Another major obstacle was misinformation and concerns about the Halal status of the vaccines.

Despite the odds, we are pleased to report that Pharmaniaga was able to deliver its first batch of vaccines to the Government in May 2021, just a little over a year after the pandemic was declared. This was possible only by the sheer strong will and impeccable leadership demonstrated by Pharmaniaga's top management.

Meticulous planning and execution by establishing necessary SOPs, using effective risk assessment tools, establishing robust network between various suppliers and partners were also the key driving forces.

Key achievements and accomplishments

We managed to supply 20.4 million doses of Sinovac COVID-19 vaccine to the Government of Malaysia four and a half months ahead of time. Supplying to urban and remote areas in record time helped to contain the second wave to a great extent. As a result, Pharmaniaga is now well-prepared and equipped to handle pandemics and other national emergencies.

Lesson learnt and experiences gained

There were many takeaways and lessons learnt from the NPRA's engagement throughout the process. Scientists and technicians are now more experienced and better trained. This would certainly help us to expand the vaccine portfolio beyond COVID-19. We also gained experience in engaging with the media, educating the public and creating public awareness.



OUR CHALLENGES

One of the major challenges we constantly face is pricing. Regulatory barriers may slow down efforts to implement certain innovations which could provide affordable products to end users. The challenge is to get competitive prices for raw materials as some products are produced in low volume. In addition, frequent changes in market dynamics and switching to different drugs for treatment periodically also pose challenges to the Group. However, we mitigated the risk with our 10-year strategic development plan.



OUTLOOK

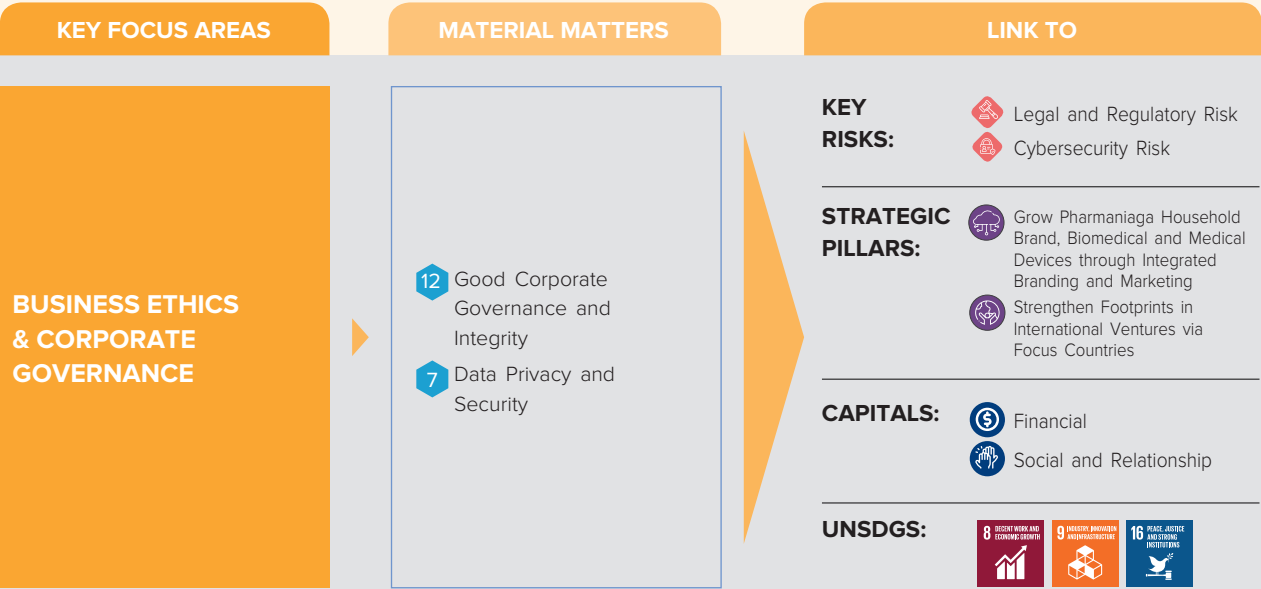
Pharmaniaga intends to leverage technology and embrace digitalisation as much as possible in order to optimise cost and be able to provide affordable healthcare products to customers. By strategically developing high-value and a broad range of complex generic pharmaceutical products, we expect to accelerate business growth in the Government, private and international sectors.

To stay ahead as the leading biopharmaceutical manufacturer in Malaysia, we aim to accelerate our biopharmaceutical product development programme and develop, first-to-launch products while ensuring high quality at competitive prices.

We also plan to conduct regular R&D collaborations with universities, local and international partners in product development and perform clinical studies related to COVID-19 vaccine and nutraceuticals.

GOAL 2: ACTING WITH INTEGRITY

Integrity in business is a key factor in ensuring sustainable business growth and success for the long-term. With this in mind, we have outlined Business Ethics and Corporate Governance as its key focus area. The material matters for this focus area are Good Corporate Governance and Integrity as well as Data Privacy and Security which provide for ethical business practices and keep proprietary data secure. In the long run, this will assist Pharmaniaga in addressing key risks related to legal and regulatory, as well as cybersecurity risks.



PERFORMANCE HIGHLIGHTS



Pharmaniaga Research Centre Sdn Bhd has successfully obtained the certification of **MS ISO 37001:2016** Anti-Bribery Management Systems (ABMS)



Data Centre at Bukit Raja certified with **ISO/IEC 27001:2013** Information Security Management Systems (ISMS)



Zero reported cases of data leakage or cyberattacks

BUSINESS ETHICS & CORPORATE GOVERNANCE

- 12 Good Corporate Governance and Integrity
- 7 Data Privacy and Security

Good corporate governance and integrity are vital in ensuring that the interests of the business are always prioritised. At Pharmaniaga, our good governance and integrity have helped us maintain stakeholders’ trust in us and deliver on our commitments towards responsible business practices.

HOW WE MANAGE THE MATTER

Corporate Governance and Policy Commitment

Pharmaniaga is committed to ethical business practices that are underpinned by a strong corporate governance foundation and framework.

Our corporate governance is overseen by a Board of Directors, which bears responsibility for the Group’s leadership and is backed by a highly-qualified management team and employees of the Company.

According to the Board Charter, the Board, Board Committees, Directors and Management team have certain tasks and responsibilities, as well as fiduciary duties and leadership responsibilities. The policies, guidelines and terms of reference of the Company serve as a guide for the Board of Directors in making decisions. The business integrity of the Company is integrated into the Company’s core strategy and operations.

For the purpose of ensuring ethical conduct throughout the Group, appointment to the Board is carried out through a meticulous and transparent process that takes into account their competencies, experiences, professionalism and integrity.

Information on the appointment process and criteria for the Board and Board Committees is analysed in detail in Section Corporate Governance Overview Statement of the Integrated Report, which also includes information on the role of the Nominating and Remuneration Committee in deliberating on the appointment and selection process.

Pharmaniaga is governed by the following policies to safeguard the management of our business ethics and corporate governance, which are aligned to the Malaysian Code on Corporate Governance (MCCG) principles and related integrity requirements. These policies can be found on our website and intranet portal:

Code of Ethics and Conduct

Whistleblowing Policy

Anti-Bribery Policy

Gifting Policy

Anti-Money Laundering Policy

Anti-Bribery Management System Policy and Objective

Vendor Code of Ethics

All our policies were established to demonstrate Pharmaniaga’s commitment and accountability when it comes to upholding ethical business practices, which include due diligence and respect for human rights.

These policies are reviewed and updated, if necessary, to ensure they are in line with the latest developments. The Human Capital and Integrity and Governance Unit are responsible for reviewing and updating policies relating to business ethics that have been approved by the Board and Board Committees.

Our commitment to ethics and integrity is demonstrated through the appointment of an internal Certified Integrity Officer (CeIO) who will ensure accountability of ethical conduct throughout the Group. Any situations involving bribery and other misconduct can be reported to the Integrity Officer, who will subsequently bring the case before the Board (as and when necessary) for deliberation and endorsement.

Communications and Trainings

We disseminate the policies and procedures to our internal stakeholders via online communication platforms from time to time. We monitor and ensure that these policies and procedures are clearly conveyed to the relevant internal stakeholders, as well as assisting employees who seek advice on implementing the organisation’s policies and practices for responsible business conduct.

We also ensure that all policies and relevant procedures are conveyed to external stakeholders such as business

partners, vendors, and suppliers. The communications are carried out each time new vendors come on board, or when their agreement is renewed. As part of our Anti-Bribery Management Systems (ABMS) implementation, we inform all vendors of our plans and make it mandatory for them to sign a Vendor’s Letter of Declaration stating that they understand and adhere to the tenets of our policies and procedures. Anti-corruption clauses are also included in all Service Agreements to protect against corruption.

Where procurement process is concerned, operating procedures (SOPs), such as payment and assessment procedures, are made transparent. All relevant personnel, such as the assessors and vendors, are obligated to disclose any potential conflicts of interest.

In terms of human capital management, all hirings, transfers and promotions must be guided by relevant SOPs, where the processes are made transparent and all relevant personnel, such as panels and candidates, must declare any potential conflicts of interest before proceeding.

Initiatives undertaken in 2021 with regard to communicating Company’s policies and Code of Ethics and Conduct to our employees are as follows:

 Induction to New Employees	Activity specifics New employee orientation which involves a briefing session on Company’s policies, procedures and guidelines.	Outcome/Achievement 173 new employees were communicated on the Company’s policies, and the Code of Ethics and Conduct.
 ABMS Roadshow	Activity specifics Activities include a refresher briefing or training session for employees on the Company’s policies, and the Code of Ethics and Conduct.	Outcome/Achievement 272 employees were briefed on the policies, and the Code of Ethics and Conduct.
 Internal communication on integrity	Activity specifics Communication through email to drive home the importance of integrity to employees.	Outcome/Achievement All employees are kept up to date on news as well as rules and regulations concerning bribery.

As a means of communicating about unethical or unlawful behaviour, we have established a Whistleblowing channel that allows employees to report instances of improper conduct involving safety and health, business integrity, environmental management, human rights and the workplace environment while also protecting the party who is disclosing the information.

We have a Whistleblowing policy that sets the framework for dealing with allegations of misconduct, including all types of corruption such as bribery, money laundering, amongst others. Any cases involving unethical or unlawful behaviour can be reported to the Whistleblowing channel (email or hotline), or our CeIO.

Throughout 2021, only one case of whistleblowing was documented. Following the allegation, we took the necessary action including conducting a thorough investigation. However, the case was closed due to insufficient evidence provided.

Risk Assessment and Anti-Corruption Initiatives

The Anti-Bribery Management Systems (ABMS) establishes the Board of Directors as the highest governing body responsible for overseeing the Company’s anti-corruption policies and procedures.

In terms of progress in risk assessment at the Group, Pharmaniaga Research Centre Sdn Bhd (PRC) has been successfully certified with MS ISO 37001:2016 ABMS in December 2021. Other subsidiaries under the Manufacturing Division are also preparing for the external audit with SIRIM, and is expected to obtain the certification by the third quarter (Q3) of 2022.

Other Divisions including our Sales & Marketing, Pristine Pharma and Indonesia operations are now implementing best practices that have been cascaded down from the PLSB and PRC, in order to strengthen their internal management systems before embarking on an external certification process.

The following are the key corruption risks that were identified as a result of the assessment, as well as the mitigating actions that were implemented:

Potential of Risk	Significant Risk	Mitigation Measures
Lacking of integrity due to absence of professional ethics	• Reputational Risk • Operational Risk	A CeIO is responsible to monitor potential risk exposure that might occur during any process or events in the organisation
Lacking internal controls	• Legal • Compliance Risk	Regular internal audits on the ABMS to detect the gaps and to improve the system
Personal interests due to financial pressure and personal pressure	• Fiduciary Risk	Training and awareness under ABMS certification are conducted to induce professional ethics and work integrity amongst employees

We are pleased to report that the Group received no cases of employees being disciplined or dismissed due to non-compliance with anti-corruption policies, and no cost of fines, penalties or settlements has been imposed in relation to corruption.

Anti-corruption training is vital in any organisation to instil ethical practices in its employees. As anti-corruption training educates employees of behaviours that are not acceptable within the normal course of business, this helps the business to maintain its ethical standards and keep negative impacts at bay.



Anti-Corruption Training Programmes



Whistleblowing Channel:

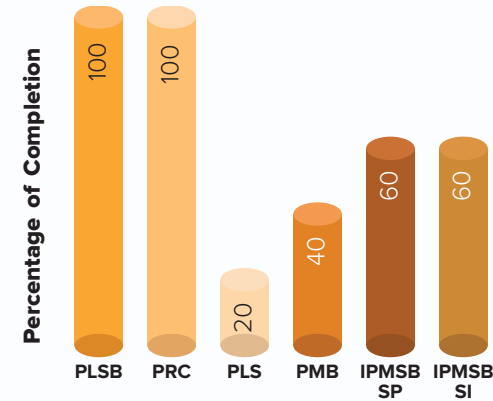


alert@pharmaniaga.com



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Progress of ABMS implementation (%) at all six subsidiaries in 2021



20% - Completed documentation
40% - Completed internal audit
60% - Completed first stage audit with SIRIM
80% - Completed second stage audit with SIRIM
100% - Obtained certification



OUR CHALLENGES

Pharmaniaga has faced or is expected to experience the following challenges in executing its strategy and approach to ensure sound corporate governance and integrity:

- Conflict of interest
- Oversight issues
- Accountability issues
- Transparency
- Ethics violation



OUTLOOK

Pharmaniaga is in the process of extending ABMS certification to its Manufacturing Division, with the goal of having four companies under the Division accredited by Q3 2022.

BUSINESS ETHICS & CORPORATE GOVERNANCE

12 Good Corporate Governance and Integrity

7 Data Privacy and Security



We are steadfast in keeping our stakeholders' data private at all times. Pharmaniaga recognises that keeping data safe is important not only to abide by the Personal Data Protection Act (2010), but to also safeguard us from data breach threats and violations. Ensuring a robust data security and privacy within the organisation ultimately showcases our ability as a trustworthy company, and builds stakeholders' trust.

HOW WE MANAGE THE MATTER

Policy Commitment and Responsibilities

In order to govern and protect the privacy and security of data, information and intellectual property belonging to the organisation and our stakeholders, Pharmaniaga has put in place Information Security Policies and Standards.

Pharmaniaga's Information Technology Department and Information Security Coordinators are responsible for the management of data privacy and information security. Their key roles and responsibilities for safeguarding data privacy and security at Pharmaniaga include:

- Overseeing the investigation of any security incidents or violations of the Information Security Policies and Standards.
- Implementing a continuous information security awareness programme (e.g. training and campaigns) for Pharmaniaga employees in collaboration with the Human Resources Department, the Corporate Communications Department, and the respective Information Security Coordinators.
- Conducting evaluation of the contents of the Information Security Policies and Standards with the help of the Information Security Coordinators as and when required.
- Working with the risk management coordinator to ensure that identified security risks are mitigated by appropriate measures (e.g. policies, standards and procedures).



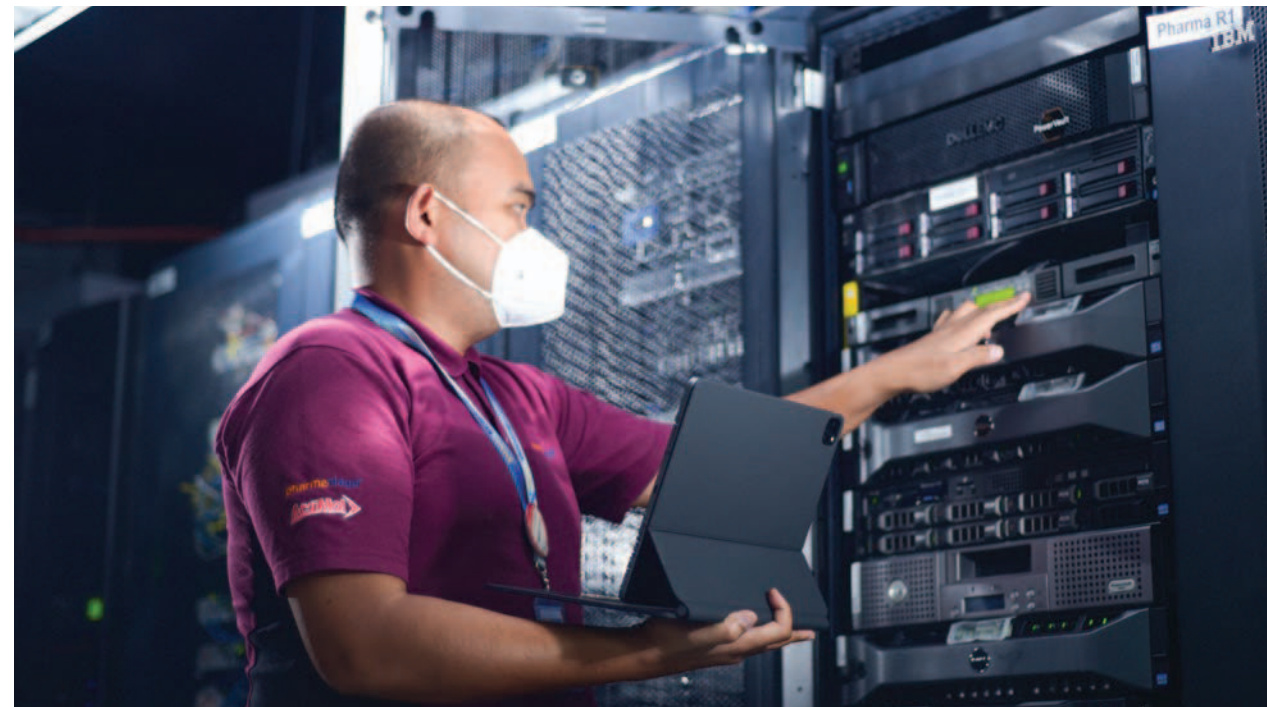
RISK MITIGATION INITIATIVES

In 2021, Pharmaniaga conducted various initiatives to ensure that existing practices adhere to internal policies and procedures and to strengthen our data protection.

Amongst the key initiatives are the implementation of ISO/IEC 27001:2013 Information Security Management Systems. The management system is set to safeguard the confidentiality, integrity, and availability of information assets throughout our operations.

To ensure continuous compliance with the management system, we conduct IT audit and inspections annually, which revolve around physical security, infrastructure readiness and utilities support at the Bukit Raja Data Centre, as well as the operating systems and database. The audit includes observation of commitment from all levels throughout the Group in adhering to data privacy and security policies and procedures. The audit findings concluded that the Information Security Management System was consistently implemented and maintained, and we have made good efforts to ensure its continuous improvement.

Additionally, we have established a new Disaster Recovery Centre (DRC) to support data recovery and restoration, technology infrastructure and operations when our primary data centre is unavailable. To further support DRC, we also implemented offsite storage data backup using a licensed backup appliance. The implementation of these measures have enabled us to improve cybersecurity across the Group, avoiding serious downtime and ensuring business continuity in the event of unprecedented conditions or cyberattacks.



Our mitigation initiatives extend to include the use of software and technology to prevent data threats and cyberattacks. This system has facilitated to detect and filter out sophisticated malware or hacker attacks, as well as preventing intrusion of threats and malicious network disruption attempts. Intrusion Prevention System (IPS) deployment and Distributed Denial of Service (DDoS) attack email filtering using Advance Threat Protection (ATP) solutions.

Data Backup

Objective

To avoid serious downtime, data loss and financial loss.

Activity specifics:

Backup data is stored on a tape using a licenced backup appliance. We engaged an external company to manage offsite storage backup.

Outcome/Achievement:

Through this initiative, we succeeded in safeguarding data during unprecedented conditions.

We are pleased to report that the Group had zero non-compliance cases involving breaches of customer privacy in 2021. The Group also received no substantiated complaints concerning breaches of customer privacy from external parties or regulatory bodies.



OUR CHALLENGES

As our Group's operations continuously see growth, our dedicated team needs to be cognisant and vigilant on the latest data and cyber threats to enable us to prepare relevant mitigation measures and safeguard our data privacy and security. This includes ensuring the competency and expertise levels of our IT employees by equipping them with the latest knowledge and technology.



OUTLOOK

As we keep growing, we will expand the scope of our Information Security Management System to include Enterprise Resource Planning (ERP), Manufacturing Resource Planning (MRP) and eventually upgrade our e-Procurement applications and the number of its users.

Our IT Security Team will be trained continuously to address more complex cybersecurity incidents such as phishing emails, malware, and DDoS.

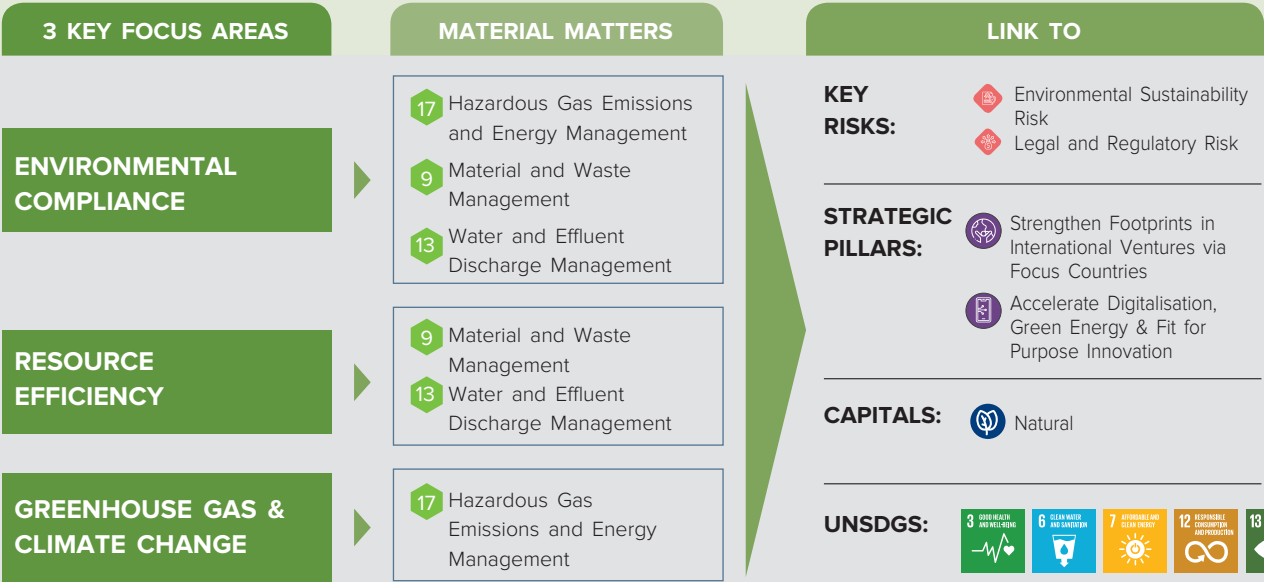
Conducting frequent training sessions for employees on cybersecurity awareness remains our priority as it will help them recognise external threats. Through the awareness programme, we expect our employees to be better educated on the strategies to apply to minimise the risk of being compromised.

On top of that, we will carry out a Vulnerability Assessment and Network Penetration Test (VAPT) exercise every two years.

GOAL 3: ACHIEVING OPERATIONAL ECO-EFFICIENCY

Companies play a central role in tackling climate change. Uncontrolled actions can lead to an increase in resource scarcity, amplifying climate-related risks, impacting business and damaging economies. Implementing eco-efficiency measures allow companies to produce goods and services using fewer resources, while minimising waste and reducing emissions. Companies that derive business value through better management of resources will strengthen their business resilience and are well poised to meet future challenges.

We have identified Achieving Operational Eco-Efficiency as our third goal as we recognise that our sustainable operations can be improved by achieving harmony between ecology and economy. The three key focus areas under this goal include Environmental Compliance, Resource Efficiency as well as GHG & Climate Change, which revolve around the management of hazardous gas emissions, energy, water, effluent discharge, material and waste.



PERFORMANCE HIGHLIGHTS

Zero incidents of non-compliance to environmental regulations

15% reduction in Greenhouse Gas Emission against 2019 baseline

RM2.2 million of cost savings achieved from energy-saving initiatives

About RM15,000 of cost savings achieved from water recycling programmes

768.68 GJ generated from solar energy

215.39 tonnes of recycled input material utilised in manufacturing operations

398.63 tonnes of general waste recycled

ENVIRONMENTAL COMPLIANCE

- 17

Hazardous Gas Emissions and Energy Management

3

GOOD HEALTH AND WELL-BEING

13

CLIMATE ACTION
- 13

Material and Waste Management

3

GOOD HEALTH AND WELL-BEING

13

CLIMATE ACTION
- 9

Water and Effluent Discharge Management

3

GOOD HEALTH AND WELL-BEING

13

CLIMATE ACTION

Abiding by all environmental regulatory requirements which apply to the organisation’s activities, services and products is crucial to safeguard the business from legal repercussions. Compliance not only demonstrates that the company is law-abiding, but also shows that it has ethical and moral responsibility towards the environment.

Compliance with Environmental Regulations

Pharmaniaga strictly complies with the environmental regulations relevant to our operations to ensure that everything runs efficiently without any adverse impacts on the environment, as well as our businesses:

Operations in Malaysia

- i.

Environmental Quality Act 1974
- ii.

Environmental Quality (Clean Air) Regulations 2014
- iii.

Environmental Quality (Industrial Effluent) Regulations 2009
- iv.

Environmental Quality (Sewage) Regulations 2009
- v.

Environmental Quality (Scheduled Wastes) Regulations 2005

- vi.

Environmental Quality (Refrigerant Management) Regulation 1999
- vii.

Environmental Quality (Control of Emission from Petrol Engines) Regulation 1996
- viii.

Environmental Quality (Control of Emission from Diesel Engines) Regulation 1996
- ix.

Environmental Quality (Motor Vehicle Noise) Regulation 1987
- x.

Guidelines for Environmental Noise Limits and Control 2019

Operations in Indonesia

- i.

Regulation of the Environment and Forestry Minister Number 5 of 2014 (on wastewater quality standards for the pharmaceutical industry)
- ii.

Government Regulation Number 101 of 2014



All environmental performances are governed by the Environmental Health & Safety policy, under the ISO 14001:2015 Environmental Management Systems (EMS), which sets the rules and guidelines on risk and impact management.

In addition, all our subsidiaries in Malaysia are certified under the ISO 14001:2015 Environmental Management Systems (EMS).

In order to maintain our EMS certification, we conducted the following initiatives throughout 2021:

- Annual internal audit and annual Environmental Aspect Impact Assessment
- Quarterly Work Place Inspection (WPI)
- Ensured good documentation control i.e. Standard Operating Procedure (SOP), Work Instruction (WI), check sheets/checklists

- Held internal communications and meetings through assembly, QESH Week, quarterly ESH meetings, Management Review (once a year)
- Held internal and external training programmes including competency training such as CePSwaM, CEPISO, CePIETSO and CePBFO
- Held close engagements and reporting the outcome to Department of Environment
- Continued the implementation of improvement projects/initiatives to enhance environmental management and performance
- Annual legal review on environmental laws

We are pleased to note that the Group recorded zero non-compliance with environmental laws and regulations in 2021.



OUR CHALLENGES

Due to the heightened scrutiny on environmental management by various stakeholders including the Government and regulatory bodies, there was an increased urgency for businesses to manage and mitigate climate-related risks and pressing global issues such as global warming. Such scrutiny may result in stringent environmental laws and tighter regulations, as well as demand for in-depth disclosures, such as Task Force on Climate-Related Financial Disclosures (TCFD) which inquire disclosures on climate-related risk and greater transparency from businesses. In view of this, Pharmaniaga has continued to maintain vigilance to ensure compliance with environmental laws.



OUTLOOK

Pharmaniaga is fully aware of the pressing need for robust environmental management and compliance, which is why we will continue to closely monitor our operations and activities. To further demonstrate our commitment, we always ensure the availability of highly skilled and competent personnel to monitor and manage the process smoothly.

Over and above that, Pharmaniaga continues to keep abreast of current and potential requirements on environmental compliance and disclosures.



RESOURCE EFFICIENCY

9 Material and Waste Management

13 Water and Effluent Discharge Management

A well-managed organisation continuously undertakes initiatives to reuse and recycle materials, not only to reduce the amount of waste that ends up in landfills but also to meet its environmental obligations. Waste management should begin at the materials planning stage to help a company achieve a great outcome in cost-efficiency. Effective material and waste management is fast gaining recognition as a green initiative that positively impacts a Company's reputation.

HOW WE MANAGE THE MATTER

Compliance to Environmental Regulations

Pharmaniaga is governed by the following laws and regulations with regards to material and waste management:

Operations in Malaysia

- Environment Quality Act. 1974 (Scheduled Waste Regulation 2005)

Operations in Indonesia

- Government Regulation Number 101 of 2014

Our material and waste management practices underwent internal and external audits to comply with the ISO 14001:2015 Environmental Management Systems certification criteria.

In 2021, Pharmaniaga implemented some initiatives and control measures to ensure compliance with the regulations. Amongst these were adhering to SOPs on waste management, ensuring the EMR or person-in-charge's (PIC) competency is maintained with the mandatory 40 Continuing Professional Development (CPD) hours per year, and continuing our efforts in improving materials and waste management.

Efficient Use of Materials

The inventory stock and waste generation throughout our operations are closely supervised in order to manage our material consumption efficiently and reduce unnecessary usage. This includes utilising a resource planning software at our manufacturing facilities to track and monitor material consumption as well as identify the best initiatives and measures to improve competency.

Initiatives and control measures implemented in 2021 to manage material consumption and ensure efficient use of raw materials included:

Use of grey back carton as packaging material

Objective

To reduce packaging material cost.

Activity specifics:

Used recycled Grey Back Boxes as packaging input material (recycled input material) for product Citrex Vitamin C Tab 1000mg.

Outcome/Achievement:

The use of 4.9 tonnes of recycled packaging material resulted in cost savings of RM7,040 for the Bangi plant.

Management of packaging material orders based on batch not bulk purchase

Objective

To avoid packing material write-offs.

Activity specifics:

Monitored closely the variation submission and aligned the quantity when placing order for packaging material accordingly.

Outcome/Achievement:

Reduction of write-off quantity.

Additionally, we were circumspect about our inventory planning to ensure we did not overstock and indirectly contribute to the scheduled wastes due to the disposal of drugs.

We also took the initiative to monitor expiry dates of products and ensured we returned stock with suppliers' letters of undertaking before expiry. On top of that, we made certain our customers did not over-order stock they may not be able to use before the expiration dates.

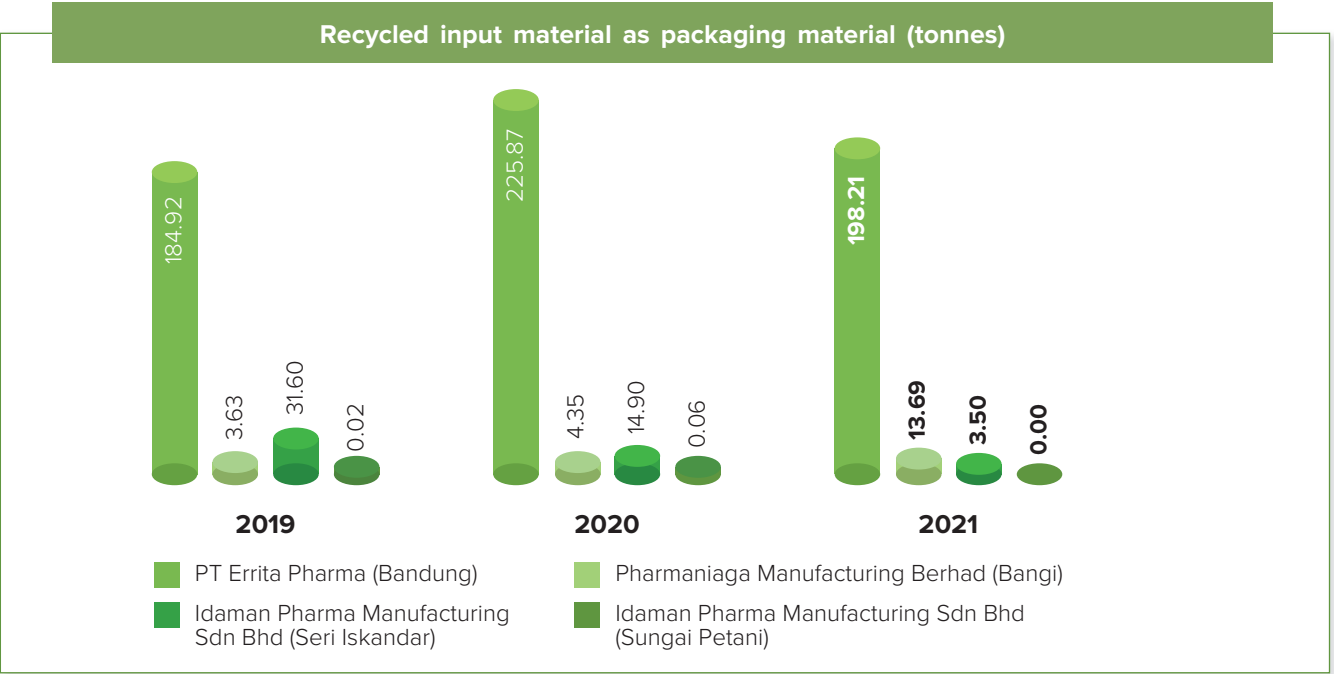
Managing Material-related Impact

Pharmaniaga observes a waste mitigation hierarchy in its daily operations, involving a thorough inventory planning which is vital for the management of material consumption and reduction of non-essential materials usage. Amongst others, it encompasses analysing and recording material usage variance and the percentage of rejected products. In addition, we use a resource planning software to enable us to effectively monitor and record material consumption at our manufacturing facilities.

The incorporation of recycled input material into our product packaging has amply demonstrated our commitment to material stewardship. It has contributed significantly towards minimising our dependence on new materials when manufacturing our pharmaceutical products.

We have also taken the initiative to use grey back cartons for our packaging, as part of our material management programme. Overall, we registered 215.39 tonnes of recycled input material for packaging across our manufacturing operations. They were largely used in our Bandung plant, accounting for 92% of the total recycled input material utilised.

To further allow us to identify improvement opportunities as well as the potential of extending the use of recycled material in our processes, we plan to refine our data monitoring and tracking for input materials in due course.



The use of recycled material for packaging at our Bandung and Seri Iskandar plants decreased in 2021 as a result of the COVID-19 pandemic. The reduced consumption was due to fluctuating material prices, which resulted in higher prices, as well as low production of the said material. As for our Bangi plant, the consumption of this material increased by 75% as a result of the increase in demand for Citrex Vitamin C, one of the products that uses the recycled material in its packaging.

Managing Waste-related Impact

The manufacturing of pharmaceutical products will inevitably result in the emission of hazardous and non-hazardous waste, and pharmaceutical dust. In this aspect, we managed to resolve the issue by carefully monitoring and discharging the material in line with the requirements of the law and local authorities as stipulated above.

The hazardous waste generated are stored and labelled in a designated storage area, where it is collected by appointed third-party contractors for treatment and disposal according to the law. Upon successful completion of the job, they are issued with the Consignment Note (for Malaysian operations) or Hazardous Waste Manifest (for Indonesian operations), providing assurance that the hazardous waste has been properly disposed. As for non-hazardous waste, we have implemented a waste mitigation procedure to reduce our consumption at the source. We also ensured that the appointed third-party contractors are approved by Malaysian and Indonesian regulators, for both hazardous and non-hazardous waste. Initiatives undertaken in 2021 to minimise waste-related impacts and reduce the amount of waste generated included:

Transformation of Scheduled Waste to Alternative Raw Material (for re-use)

Objective

To reduce scheduled waste disposal.

Activity specifics:

Transformation of scheduled waste code SW 204 (Sludge Industrial Effluent Treatment System (IETS)) and SW 411 (Used Activated Carbon Filter) into raw material for construction usage.

Outcome/Achievement:

Scheduled waste recycled to alternative raw material was at 6.99 tonnes and cost saving was RM14,957 for the Bangi plant.

Initiatives	Amount of Waste Reduced (tonnes)	Achieved Cost Saving (RM)
Sludge (SW 204) have been processed to alternative raw material	4.49	9,957
Used Activated Carbon (SW 411) have been processed to alternative raw material	2.50	5,000
TOTAL	6.99	14,957

Reduce, reuse, recycle

Objective

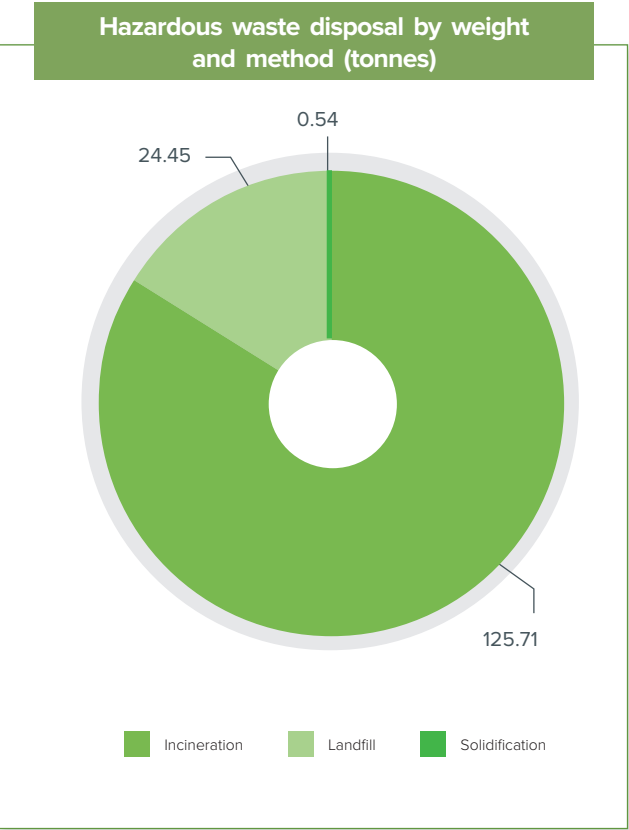
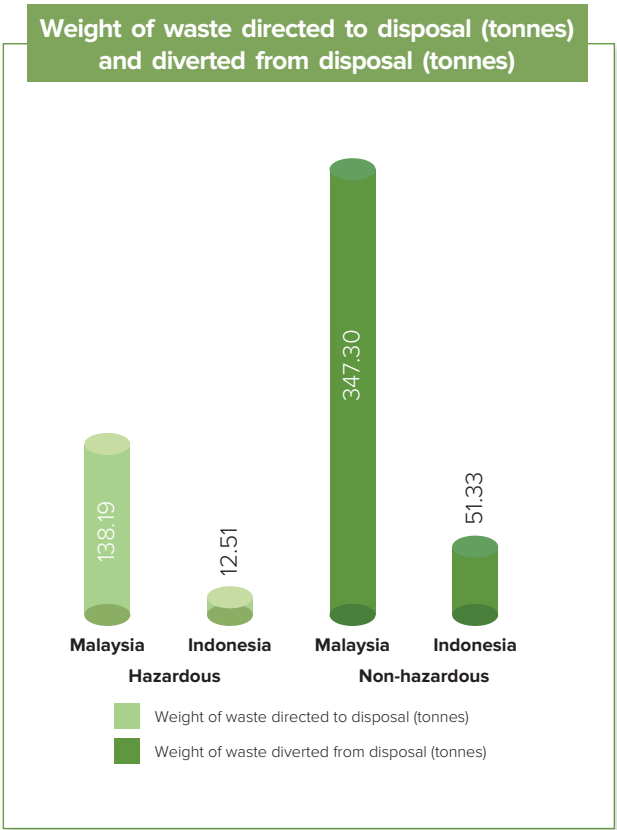
To inculcate an awareness and the culture of reducing, re-using and recycling amongst the employees.

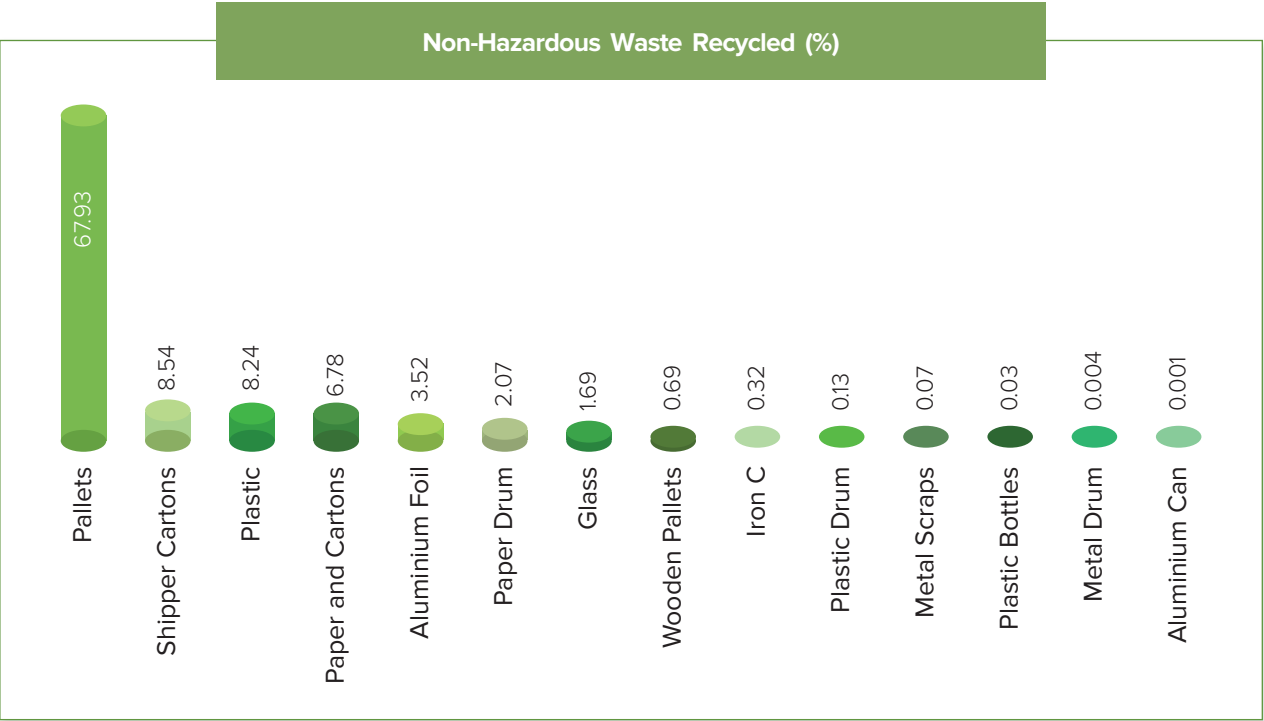
Activity specifics:

Placed 3R bins all over our premises as well as at Operations, where we segregated the waste according to categories before sending them to a third-party for disposal.

Total weight of waste directed to disposal and diverted from disposal in 2021:

Most of the hazardous waste generated by Pharmaniaga in 2021 were disposed of by way of incineration and it accounted for 83% of the total hazardous waste disposed of.





Whereas for non-hazardous waste (general waste), pallets contributed to the most recycled waste in 2021.



OUR CHALLENGES

While we strived to educate our customers on the efficient management of material – to prevent them from over-ordering and returning expired products – convincing them against doing so continued to be one of our biggest challenges.

We also had issues with the handling and managing of variation changes on packaging materials. For instance, our attempt at changing our packaging material from PVC to carton (renewable source) proved to be unpopular as we received complaints regarding its quality.



OUTLOOK

We will continue to engage with customers and advocate for efficient management of material and stock to avoid over-order or overstock. Apart from that, we strive to expand the use of Grey Back Box Material as packaging material to other products, moving forward.

RESOURCE EFFICIENCY

9 Material and Waste Management

13 Water and Effluent Discharge Management



Water is one of the critical inputs in our operations, especially during the manufacturing of our products. Water management – be it in terms of water-use efficiency, or effective wastewater discharge management system – is imperative to minimise our impacts to surrounding water bodies. With advances in technology, we enhance the efficiency of our water consumption and wastewater recycling. Industries are also governed by environmental laws and regulations to manage its wastewater and effluent discharge.

HOW WE MANAGE THE MATTER

Compliance with Environmental Regulations

Pharmaniaga is governed by the following laws and regulations with regards to water and effluent discharge management:

Operations in Malaysia

- i. Standards A and B of the Environmental Quality (Industrial Effluents) Regulations 2009
- ii. Environmental Quality (Sewage) Regulations 2009
- iii. Technical Guidance Document on Effluent Treatment Systems by DOE
- iv. Environmental Quality (Waste Water Discharge) Act 1978 (Section 21)

Operations in Indonesia

- i. Regulation of the Environment and Forestry Minister Number 5 of 2014

Our water and effluent discharge management practices are subject to internal and external audits to comply with the ISO 14001:2015 Environmental Management Systems certification criteria.

To ensure compliance with regulations, we undertook a few initiatives and control measures in 2021 and these included daily performance monitoring by a competent person (CePIETSO), preventive maintenance by IETS technicians with competent executive personnel and weekly discharge water quality sampling by a third-party lab. Other initiatives were monthly preventive maintenance of the system, and annual effluent test analysis by an external contractor.

Pharmaniaga was in full compliance with all relevant laws and regulations (as stipulated above) throughout 2021.

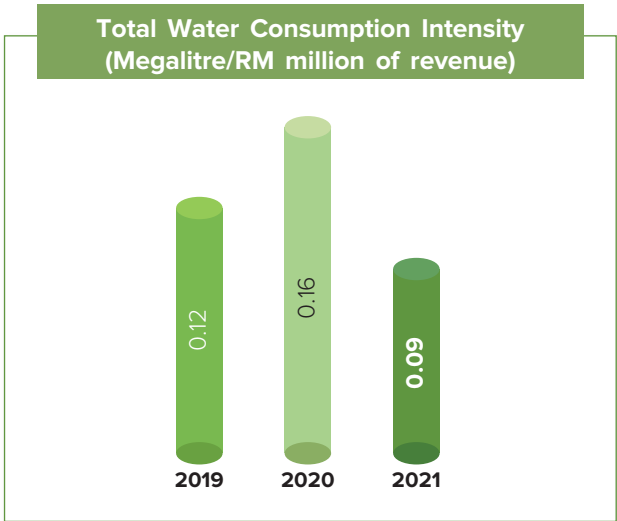
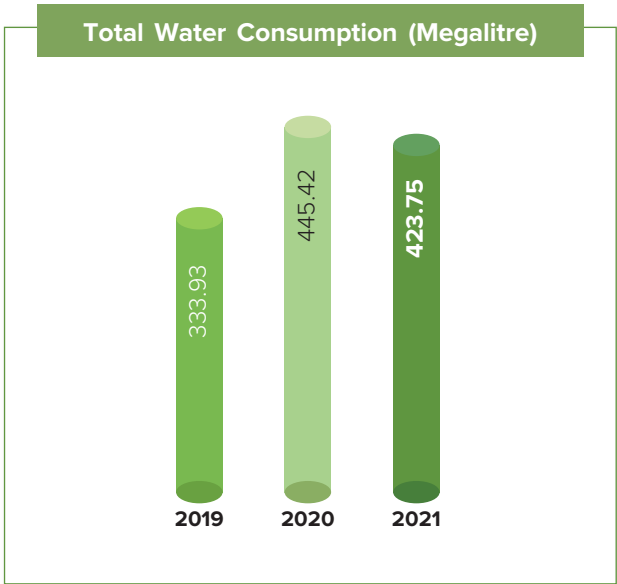
Minimising Water-related Impact

Our operations in Malaysia relies on municipal water supply, used primarily for manufacturing processes and domestic purposes. On the other hand, one of our operations in Indonesia withdraws groundwater and manages the water quality in-house.

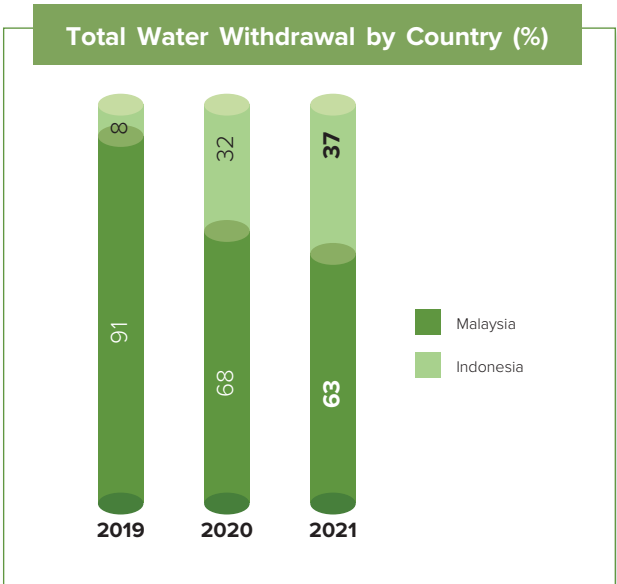
The goals and targets set for water and effluent management have been tailored to ensure efficient water consumption yearly and to see that effluent disposals meet the requirements of laws and regulations.

Pharmaniaga has identified water-related impacts and control measures to address these factors through the monitoring of daily usage and annual effluent analysis. This includes one of our operations in Bandung, Indonesia that is located in an area with medium to high risk of water stress issue. Cognisant of the impact of our water withdrawal to the surrounding community as well as the risk of water scarcity to our operations, we are closely monitoring the water withdrawals and implemented key mitigation measures to ensure business continuity.

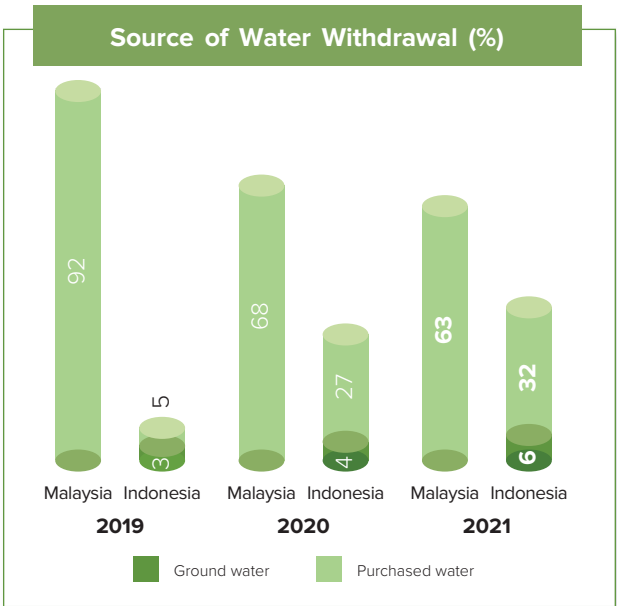
We consumed 423.75 Megalitre of water, and achieved water intensity of 0.09 Megalitre per RM million of revenue in 2021. The performance trends for 2021 has shown a slight decrease of 5% for total water consumption, and a decrease of 46% for total water intensity than the previous year. The reduced total water consumption was due to the initiative done for water management including water recycling and rainwater harvesting projects. As for the huge decline in water intensity, it was the result of tremendous revenue growth in 2021.



Most of the water withdrawal are concentrated in Malaysia, where majority of our operations take place. However, over the years, Indonesia has progressively increased its water withdrawal. The increase of 12% for water withdrawal at our Indonesian operations can be attributed to the improved understanding on reporting data as per the guidelines.



Purchased water remained the largest water source withdrawn in our domestic operations, whereas our Indonesian operations largely depended on ground water in 2021.



Note: One of our operations in Indonesia withdrew groundwater and managed the water quality in-house

The following is the list of water withdrawal sources according to source and area types in 2021:

Water withdrawal			All Areas		Areas with water stress	
			m³	Megalitre	m³	Megalitre
Source of water withdrawal	Groundwater	Freshwater	25,011.00	25.01	25,011.00	25.01
		Other water	–	–	–	–
	Purchased water	Freshwater	398,735.57	398.74	–	–
		Other water	–	–	–	–
Total water withdrawal			423,746.57	423.75	25,011.00	25.01

Note: It is assumed that groundwater and purchased water are categorised as freshwater as they are withdrawn from natural water sources

The initiatives undertaken by Pharmaniaga to reduce water consumption as well as dependence on purchased water withdrawal across our operations in 2021 were:

Water Recycling Project

Objective

To reduce purchased water withdrawal.

Activity specifics:

Recycled water at Reverse Osmosis (RO) Purified Water System 3000L at the Bangi plant and repurpose the water for injection (WFI) discharge as washroom flushing system feedwater at our Puchong plant.

Outcome/Achievement:

Cost-saving of approximately RM15,000.

Industrial Effluent Treatment System (IETS) Effluent Water Recycled for Eco-Garden

Objective

To repurpose effluent water.

Activity specifics:

Collected IETS effluent water for our Bangi plant.

Outcome/Achievement:

Reduced water withdrawal from water service provider.

Rain Water Harvesting Project

Objective

To reduce water consumption.

Activity specifics:

Repurposed rain water for PLS eco-garden irrigation and scrubber system at our Seri Iskandar plant.

Outcome/Achievement:

Reduced purchased water withdrawal.



OUR CHALLENGES

We found there was a need to increase awareness as well as improve attitudes and habits on the efficient use of water. Seriously working towards reducing water consumption remains our top priority.

Elsewhere, the central equipment such as cooling tower, boiler and purified water system ran at a normal pace during the COVID-19 pandemic despite the low production output. However, the system was not fully utilised, resulting in an unchanged water trend.



OUTLOOK

Water is one of the most crucial resources needed to support life. As it is pertinent to industries, high consumption leads to high water purchase costs. To manage the use of this resource more efficiently, organisations have begun implementing sustainable water utilisation practices. These include, amongst others, recycling wastewater and rainwater harvesting initiatives.

We are committed to strengthening our water and IETS effluent recycling projects by amplifying the use of recycled water for domestic purposes. Meanwhile, for our rainwater harvesting project, we aim to enlarge the scale of the project for scrubber system and other purposes. There is also a need to improve the technology and design of the rainwater harvesting system to enable the collection of more rainwater.

GREENHOUSE GAS & CLIMATE CHANGE

17 Hazardous Gas Emissions and Energy Management



Discussions on global climate change over the past decades have helped the passing of laws and regulations to govern businesses in addressing their hazardous gas emissions and energy management. Today, industries need to comply with permissible air emissions as determined by relevant authorities, as well as reducing their GHG emissions to minimise their environmental footprint. Efforts include efficient management of energy and exploring the use of renewable energy to minimise their dependence on fossil fuels, in a move towards net-zero emissions and low carbon economy.

HOW WE MANAGE THE MATTER

Compliance with Environmental Regulations

Where hazardous gas emissions and energy management are concerned, Pharmaniaga is governed by the Environmental Quality (Clean Air) Regulations 2014.

We implemented various control measures to ensure the emissions generated from our manufacturing plants and other operations were within the permissible limits outlined by the Department of Environment (DOE).

The preventive maintenance and monitoring initiatives implemented in 2021 included air emission monitoring for the generator set, periodical air emission monitoring, workplace inspection and installation of air pollution control systems, amongst others. The environmental performance was closely supervised by our EMR, while the preventive maintenance and monitoring were conducted by the internal competent person, CePSO and CePBFO.

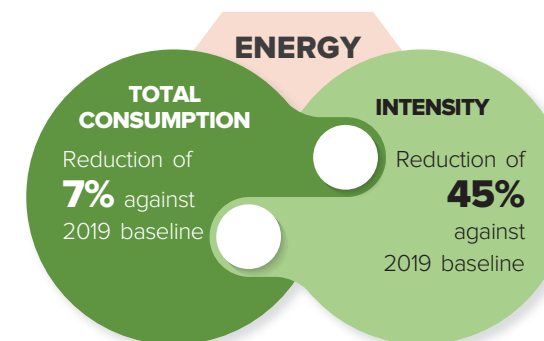
For our Logistics and Distribution arm, we received a written consent from the DOE stating that due to a low generation of smoke (below 0.33kg/hour), we were no longer required to conduct smoke monitoring. However, as per best practice by the Company, we still conduct smoke monitoring every two years as outlined by the Clean Air Regulations 2014.

Efficient Management of Energy and Reduction of GHG Emissions

The Board and Board Sustainability Committee oversaw the management of GHG emissions quarterly, and provided insight and direction in the management of GHG emissions and climate-related risks.

Our sustainability programmes are embedded in the Group's sustainability goals, which set out our direction and target to ensure efficient management of energy and consequently contribute to the reduction in GHG emissions. This year we have revised our 2019 and 2020 data as we updated the petrol data for our Indonesian operations, and also the emission factor for GHG emissions calculations to improve data accuracy. These changes have led to restatement of 2019 baseline data for both energy and GHG emissions.

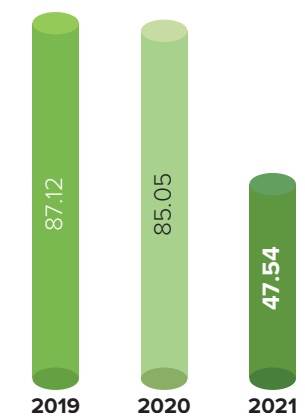
For this reporting period, our energy performance recorded reductions in both total consumption and intensity from the 2019 baseline.



Total Energy Consumption (GJ)



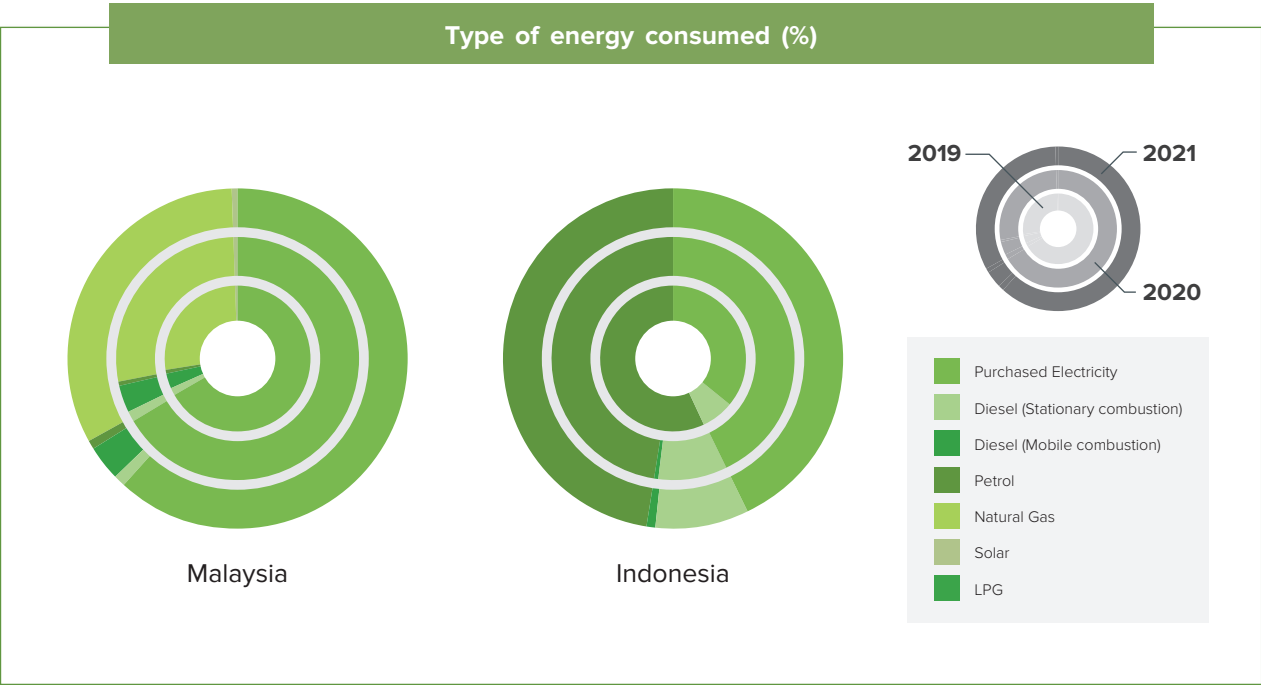
Energy Intensity (GJ/RM million of revenue)



The total energy consumption showed a decreasing trend in 2021, compared with the previous year due to our energy saving initiatives. However, the reduction in energy intensity is amplified due to additional revenue derived from COVID-19 vaccine.

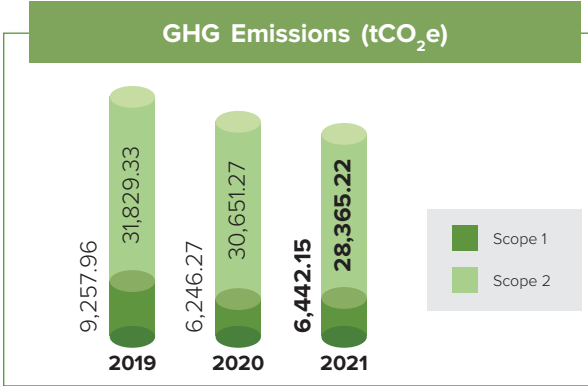
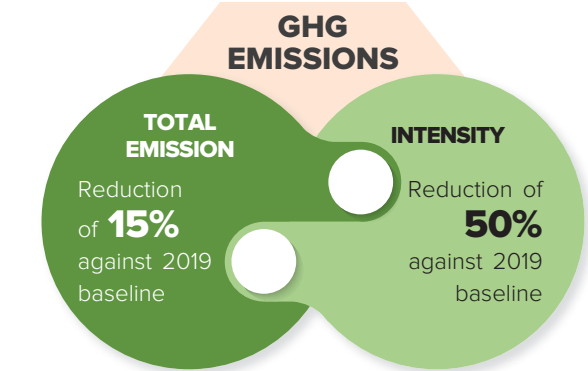
Where energy sources were concerned, purchased electricity remained the largest energy source for the Group, both for our Malaysian and Indonesian operations.

Energy Source	Amount Consumed (%)					
	Malaysia			Indonesia		
	2019	2020	2021	2019	2020	2021
Solar	0.3	0.4	0.4	–	–	–
Purchased Electricity	66.7	66.6	61.8	36.1	43.0	43.0
Liquefied Petroleum Gas	0.2	0.1	0.1	–	–	–
Natural Gas	27.0	27.4	32.4	–	–	–
Petrol	0.8	0.8	0.8	56.7	47.4	47.4
Diesel (Stationary Combustion)	1.6	1.3	1.0	7.0	9.1	8.8
Diesel (Mobile Combustion)	3.4	3.5	3.5	0.3	0.5	0.8



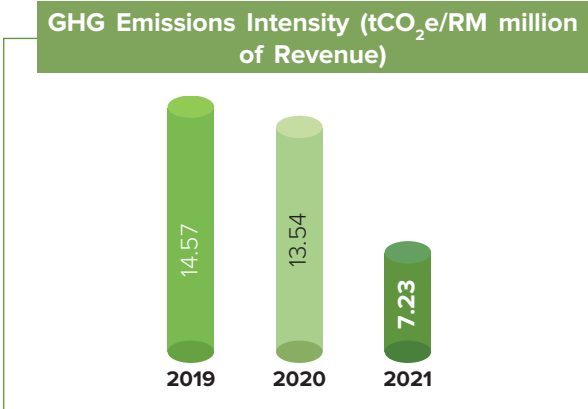
Note: Energy data for 2019 and 2020 were revised as we updated the petrol data for our Indonesian operations. This has led to changes in the baseline data of 2019

In tandem with our energy performance, our GHG emissions performance too recorded reductions in both total consumption and intensity – with total GHG emissions of 34,807.37 tCO₂e and GHG emissions intensity of 7.23 tCO₂e/RM million of revenue – in 2021. This performance is on track with our GHG emissions reduction target that was set in 2020 – a 15% reduction in GHG absolute emissions by 2025, against 2019 baseline. Our absolute emissions that was set in the target cover all GHG emissions for the Group – Scope 1 and 2 emissions.



Note:

- Scope 1 emissions are direct GHG emissions that occur from sources owned or controlled by the Company (e.g. emissions from combustion in owned or controlled boilers, stove, generator sets, refrigerant and vehicles)
- Scope 2 emissions are emissions from the generation of purchased electricity consumed by the Company



Consistent with previous years' reporting, our GHG emissions accounted for 81.5% of total GHG emissions for 2021, largely attributable to Scope 2 emissions (purchased energy).

Type of GHG emissions sources	GHG emissions sources breakdown (%)		
	2019	2020	2021
Scope 1: Stationary combustion	8.8	9.5	11.4
Scope 1: Fugitive emission	8.4	2.8	2.3
Scope 1: Mobile emission	5.2	4.7	4.8
Scope 2: Purchased energy	77.5	83.1	81.5



Steadfast energy-saving and carbon reduction initiatives by all subsidiaries throughout the Group attributed to the overall good performances.

The summary of energy saving and carbon-reduction initiatives that Pharmaniaga undertook in 2021 are as follows:

Sites	Initiatives	Cost saving (RM)	Electricity Saved (kWh)	Energy Saved (GJ)	Emissions Avoided (tCO ₂ e)
BR	Replacement of Screw Type Chiller at chiller plant A & adjusting the chilled water supply by increasing 5°F for Air-cooled chiller plant C	673,444.42	1,124,331.00	4,047.59	833.13
PLS	Installation of motion sensors in corridors (186 pcs of lighting)	2,795.71	7,875.24	28.35	5.84
	To replace all the malfunctioned modulating valves to optimise the operation of HVAC system chilled water circulation	102,061.08	287,496.00	1,034.99	213.03
	Retrofit lighting in factory to LED lights for cleanroom area (260 pcs of lighting, 55W to 50W)	27,415.32	77,726.24	279.81	57.60
	Solar lighting for perimeter	1,166.18	3,285.00	11.83	2.43
PMB	VSD (Variable Speed Drive) Implementation at Carrier Chiller Pump	33,061.00	89,352.00	321.67	66.21
	Metal Halide 150W to LED 100W – Ceph Building Prod area (60 pcs)	9,724.00	26,280.00	94.61	19.47
	FL tube 36W at North wing Offline Packing (30 pcs)	2,091.00	5,650.00	20.34	4.19
	Installing a new VSD York Chiller 400RT (Chiller Retrofit Project)	596,089.00	1,611,051.00	5,799.78	1,193.79
IPMSB SI	Critical facilities system shutdown – 12 hrs (weekdays) & 24 hrs (weekend)	537,060.00	812,710.00	2,925.76	602.22
IPMSB SP	Motion Sensor at surau and toilet	267.81	933.00	3.36	0.69
	Solar Panel project	193,460.31	213,522.00	768.68	158.22
	Led Solar Light retrofit for car park	2,977.20	12,096.00	43.55	8.96
Total		2,181,613.03	4,272,307.48	15,380.32	3,165.78

Through these initiatives, we have achieved energy savings of 15,380.32 GJ and avoided 3,165.78 tCO₂e of GHG emissions from the reduction of purchased electricity. The reduction of energy and GHG emissions consequently contributed to cost savings of RM2.2 million.

In addition to these dedicated initiatives, we continuously carried out daily inspections to record and monitor energy consumption and GHG emissions, promote awareness amongst all employees, conduct internal and external audits, implement energy management systems and build management systems to efficiently manage energy consumption and reduce GHG emissions.

By leveraging advanced technology, we have taken the next step to implement a Group-wide solar panel project. The implementation of this project is forecasted to help Pharmaniaga reduce its dependence on purchased electricity, which is the largest energy and GHG source in 2021 – attributing to 59.3% of total energy and 81.5% of GHG emissions source.



OUR CHALLENGES

As climate change concerns come to the fore year after year, businesses are under constant scrutiny as stakeholders call for climate actions and disclosures. These demands apply to many organisations, with no exception to Pharmaniaga. One of the areas we strive to do better in is the Task Force on Climate-Related Financial Disclosures (TCFD) framework, which demands greater transparency and a more robust management of climate risks. In view of this, the Company intends to initiate greater endeavours in the coming years.

Another key challenge is to raise awareness amongst the management team and employees that climate risks are genuine and our efforts are not attempts at greenwashing. They must be conscious of climate risks and their negative impacts on the business if the risks are not mitigated effectively. The other area that requires urgent attention is improvement in data tracking and monitoring, which require the use of sub-metering system and devices to ensure accuracy.



OUTLOOK

Pharmaniaga's outlook in terms of carbon strategy is to incorporate climate risks into the overall key risks as we understand the magnitude of risks brought on by climate change, as well as to strengthen our climate resilience.

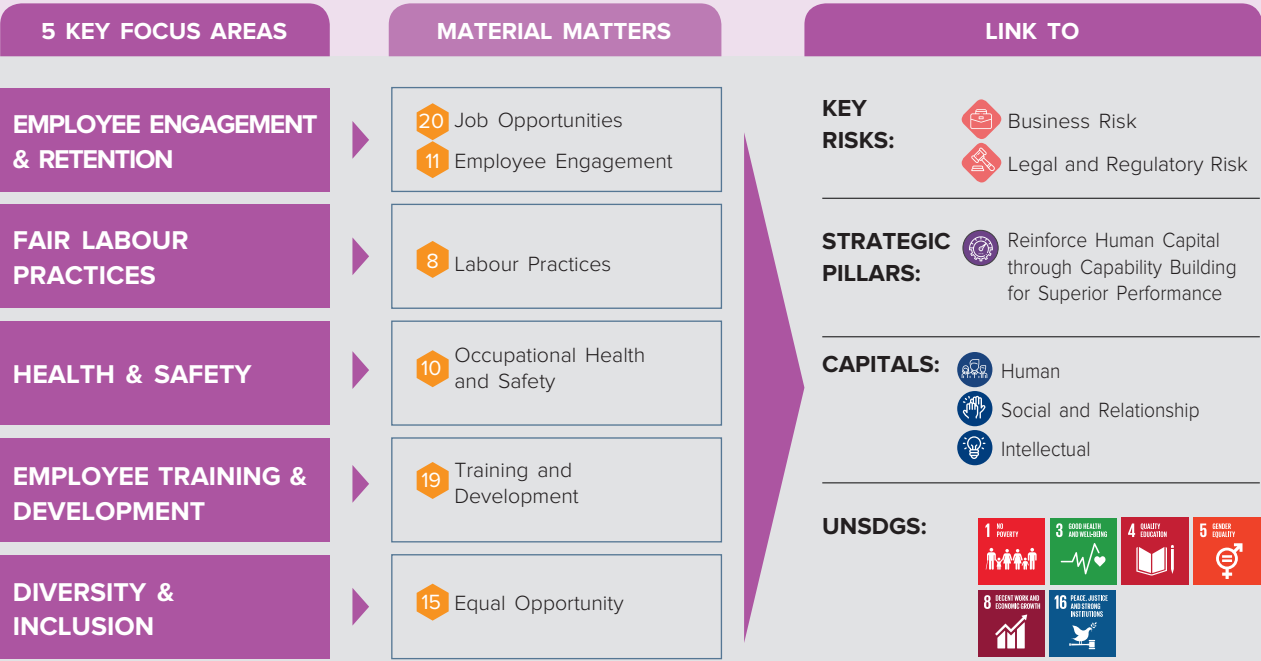
As the management of carbon is of critical importance, we are exploring the possibility of becoming members of national and international climate action organisations to stay abreast with climate change developments such as new laws and regulations.

In terms of operationalising carbon management, Pharmaniaga plans to implement a Group-wide solar panel project, electric vehicle for our Logistics and Distribution arm, LED retrofit to reduce GHG emissions and energy consumptions. In addition to that we are exploring the boiler heat recovery system in our bid to boost boiler efficiency, which will contribute significantly to the reduction in cost and fuel consumption.

GOAL 4: CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

As all sustainability efforts start with people, creating a sustainable and high-performance workforce is essential in any organisation to ensure the longevity of a business. High-performing teams are adaptable to new initiatives and are able to contribute to organisational goals. They are also able to tackle daily challenges to solve problems.

The five key focus areas that drive the attainment of this goal are Employee Engagement & Retention, Fair Labour Practices, Health & Safety, Employee Training & Development and Diversity & Inclusion.



EMPLOYEE ENGAGEMENT & RETENTION

- 20 Job Opportunities
- 11 Employee Engagement



Companies that grow create more job opportunities – consequently helping the economy and society. We create job opportunities at all levels, helping the people in our society to uplift and raise their living standards. Once employed, we further develop our people with training to make them better skilled, care for their safety and welfare and ensure good labour practices which goes beyond business purpose.



HOW WE MANAGE THE MATTER

Talent Recruitment

Pharmaniaga’s workforce consists of both permanent and temporary employees. We also engage with non-employees including contractors, sub-contractors, general workers and security guards, who are hired through registered service provider agencies.

With regards to talent recruitment, Pharmaniaga has a competitive advantage over our peers due to our positive public image.

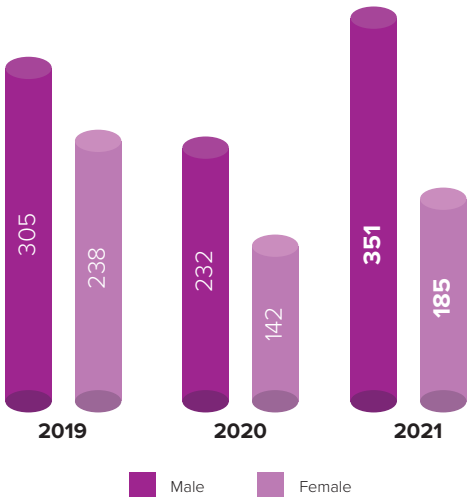
Pharmaniaga is very much a people-oriented organisation with strong employee engagement. The various accolades we have received for recruiting fresh graduates, including the Malaysia’s 100 Leading Graduate Employers Award 2021 Pharmaceutical Sector Category are a testament to this. Amongst the approaches we use to recruit new talent are social media platforms especially when advertising job vacancies.

In 2021, we provided work experience for 29 fresh graduates via the Professional Training and Education for Graduating Entrepreneurs (PROTÉGÉ). This ongoing internal initiative prepares young Malaysians for the workforce by offering them an internship of eight months, during which they gain not only practical experience but also receive soft skills training. Additionally, we also provided work experience in the pharmaceutical industry through internship programme and Provisionally Registered Pharmacist Programme.

Programme	2019	2020	2021
PROTÉGÉ	65	42	29
Provisionally Registered Pharmacist	2	2	4
Pharmaniaga Internship	216	122	51

To support our operations in 2021, Pharmaniaga employed 536 new employees – a significant increase from 2020 in response to increased demand for vaccines and other pharmaceutical products.

New Hires by Gender



PERFORMANCE HIGHLIGHTS



99.6% employees are local (2020: 99.8%)

31% of Senior Management positions held by women

60% of Executive positions are held by women

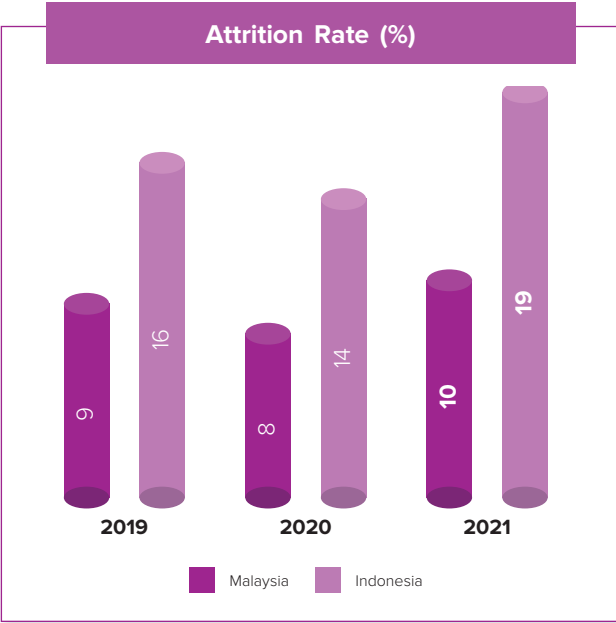
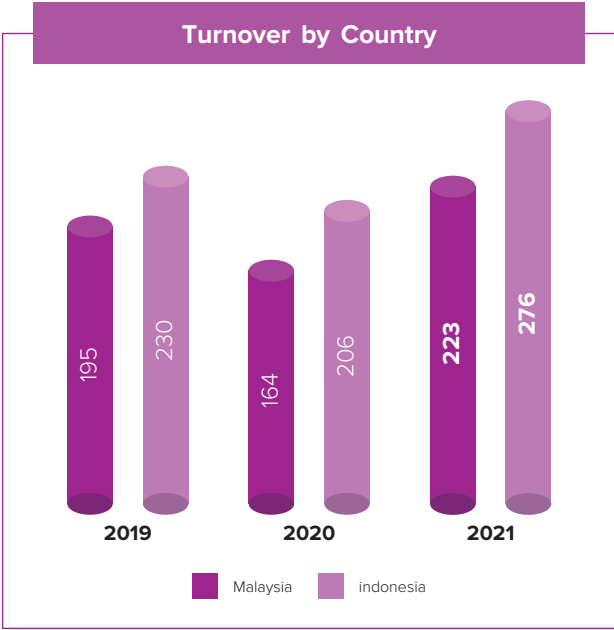
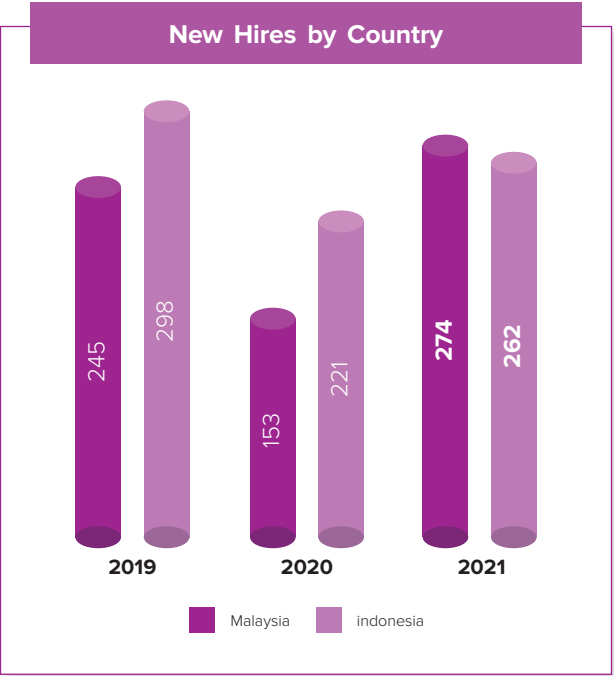
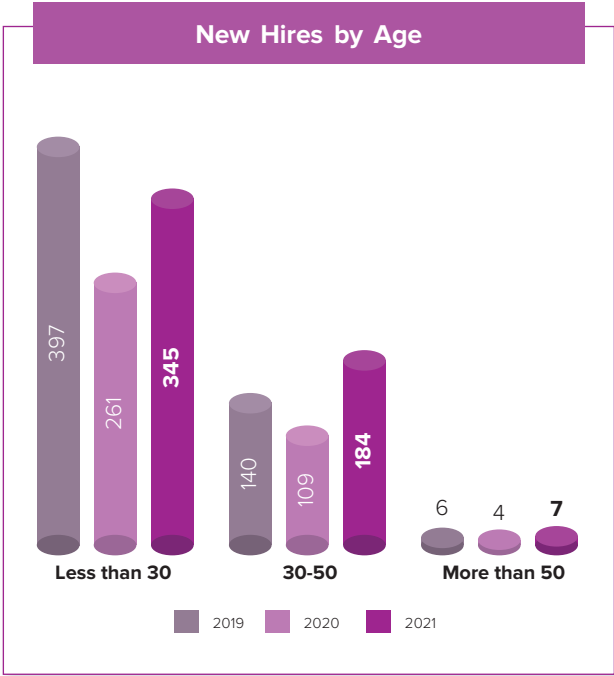
Average of 26 training hours per employee



Zero recorded cases of discrimination and labour practices

Zero workplace fatalities

84 individuals provided with graduate employment opportunities



Pharmaniaga recorded higher attrition rate for 2021 compared to 2020, mainly due to non-renewal of contract workers in our Indonesian operations.

We recognise the inherent value of our employees and their contribution to the success of the Company. True to this, we continuously build close relationships with our employees as well as offer attractive benefits to attract and retain high-quality talents.



OUR CHALLENGES

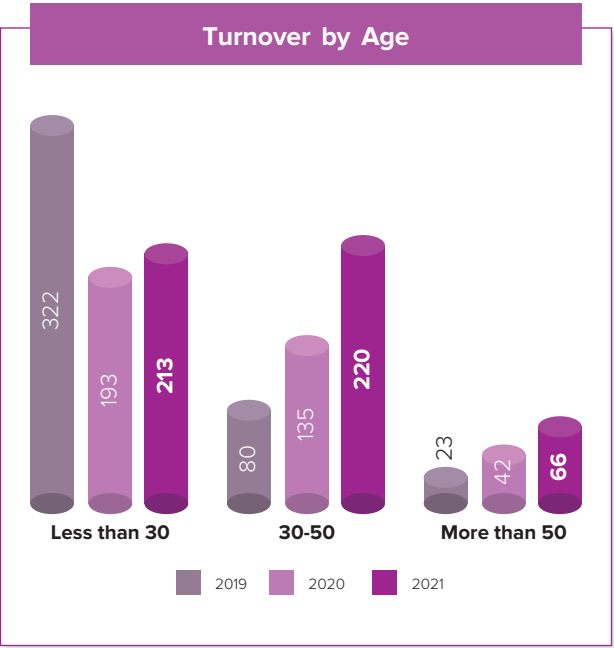
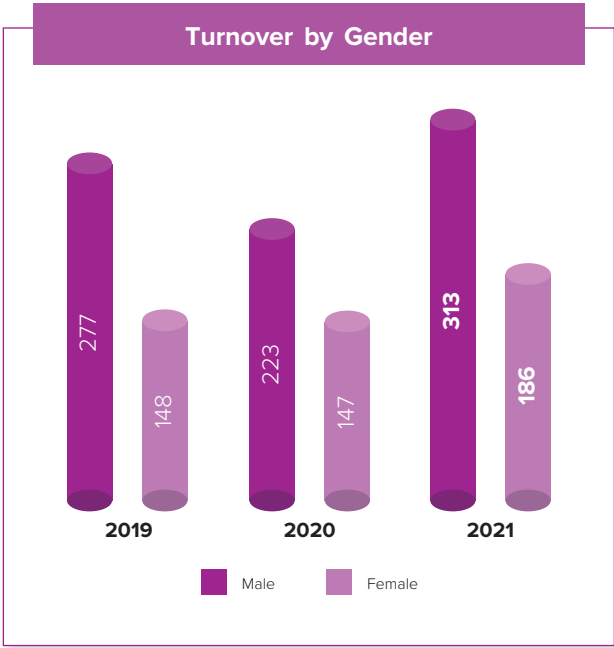
As there is a surplus of job seekers during the pandemic, Pharmaniaga consistently selects the most suitable candidates to match the job vacancies. In addition, we have to be vigilant in choosing applicants who possess the right knowledge, skills and attitude that best suit our field and business strategies.



OUTLOOK

Pharmaniaga's future plans and objectives for employment creation for 2022 onwards are to support the expansion of the business outside of Malaysia, catering to Southeast Asia and neighbouring regions for future business opportunities.

To ensure Pharmaniaga remains competitive as an organisation, we keep abreast with current technology, manufacturing processes, and logistics warehouse operations, thereby indirectly creating job opportunities in areas such as analysis and data systems, information technology, and production specialists. In the science field, we place emphasis on new jobs within the organisation, such as nutritionists and dietitians. Additionally, we seek to strengthen the biopharmaceutical industry's capacity.



EMPLOYEE ENGAGEMENT & RETENTION

20 Job Opportunities

11 Employee Engagement



Engaging with employees help companies to get the best out of their people, as it provides a platform to support employees' health and well-being. An engaged workforce yields higher

productivity for the organisation, which translates into better bottom lines.

HOW WE MANAGE THE MATTER

In 2021, Pharmaniaga maintained its benefits and focused on assisting employees and their families affected by COVID-19 and the devastating flood in Selangor.

We implemented COVID-19-related benefits, such as immunisation for employees and family members, free bi-weekly COVID-19 swab tests, quarantine leave, work from home and fruit baskets for hospitalised employees, amongst others.

Employee Benefits at Pharmaniaga in 2021

Financial Assistance

- Car loan interest subsidy
- Medical benefits & employee insurance
- Meal subsidy
- Attendance allowance
- Tuition subsidy
- Higher education subsidy (employee)
- Higher education token (employees' children)
- Tuition subsidy (employees' children)
- Retirement gift
- Additional 2% for Employer contribution in EPF after 2 years of service
- Donation for death of immediate family members

Leave Support

- Birthday leave
- Marriage leave
- Paternity leave
- Maternity leave
- Compassionate leave
- Hajj leave
- Umrah leave
- Quarantine leave

Well-being Support

- Birthday gift vouchers
- RoyalePharma vouchers
- Back-to-school tokens
- Gift for employees' first marriages
- Flood relief assistance
- Gift for birth of children
- Flexible working hours
- Work from home
- Fruit baskets for hospitalised employees

Apart from offering attractive and competitive employee benefits, Pharmaniaga also places importance on employee engagement. We regularly interact with employees through various activities and platforms to maintain a positive relationship. Below are some of the employee engagement activities we conducted throughout 2021:

Employee Engagement Activities

Awards/Achievements Event

- Long-Service Award 2021
- Academic Achievement Award 2021 (Employees' children)

Festival/Celebration

- Ramadan Gift Distribution
- Hari Raya Gift Distribution
- Hari Malaysia 2021
- Birthday and Festival Wish

Religious Activities

- Kelas Tadabbur Al-Quran
- Ramadan Tadarus Al-Quran
- Online religious engagement programme
- Program Pelupusan Al-Quran 2021

Health and Well-being Activities

- Football Matches
- Badminton Matches
- Ping Pong Matches
- Weekly Tabata Training
- Bakul COVID-19 (Supplement)
- Program Santai Warehouse
- COVID-19 Patient Fund
- JCC Monthly Fund

Over and above this, 182 employees enjoyed our parental leave benefits in 2021, with 100% of these employees returning to work after their parental leave ended.

Description	Gender	Total
Employees who were entitled to parental leave	Male	13,843
	Female	12,389
Total number of employees		26,232
Employees who took parental leave	Male	100
	Female	82
Total number of employees		182
Employees who returned to work in the reporting period after parental leave ended	Male	100
	Female	82

Description	Gender	Total
Total number of employees		182
Employees who returned to work after parental leave ended and who were still employed 12 months after their return to work	Male	100
	Female	82
Total number of employees		182
Return to work rates of employees that took parental (%)	Male	100
	Female	100
Retention rates of employees that took parental (%)	Male	100
	Female	100

We are pleased to note that our employee engagement initiatives and programmes have earned us the Employer of Choice award at HR Asia’s Best Companies to Work for in Asia 2021. Several elements were taken into consideration during the nomination process, including good workplace culture, leadership, benefits, initiatives and team dynamics at the Pharmaniaga Group.



OUR CHALLENGES

The pandemic has hampered many physical engagement programmes and affected our employees’ well-being. Owing to this, Pharmaniaga established online initiatives for employees to participate. When we did hold physical events such as the Long-Service Award and Company Iftar Programme, we made sure they were held in accordance with strict Standard Operating Procedures (SOPs). With the ever changing working conditions due to the pandemic, Pharmaniaga acknowledges the importance of protecting its employees’ physical and mental well-being.



OUTLOOK

Our goal for 2022 and beyond is to intensify our employee engagement programme through more idea exchange forums and visits, including confidential counselling sessions and structured well-being programmes, which foster teamwork and industrial harmony. We plan to conduct employee engagement surveys in 2022 to assess employee satisfaction levels and prepare the Company in achieving industrial harmony and improve our best practices based on the results obtained.

In addition, we plan to review job descriptions and individual rewards based on performance through the Job and Rewards Management Project and revisions to the Employee Handbook, as well as establish a new remuneration and benefits package.

FAIR LABOUR PRACTICES

8 Labour Practices



Every employee has the right to be treated fairly. This means fair pay, safe work conditions, equal opportunity to promotions and remunerations, career growth and skills development, amongst others. Having good labour practices shows that companies treat their employees as assets who contribute significantly towards the Company’s growth.

HOW WE MANAGE THE MATTER

Compliance with Laws and Regulations

With regards to labour practices, Pharmaniaga adheres to the Employment Act 1955 and Industrial Relations Act 1967, and recognises the Trade Unions Act 1959 for all our operations in Malaysia.

As we are committed to ensuring employee fairness across all our operations, we also abide by the local laws of Indonesia including its Labour Law (13/2003), Industrial Relations Dispute Settlement (2/2004) and the Law on Labour Unions (21/2009).

Upholding Human Rights

Pharmaniaga has always been committed to upholding human rights when conducting our business, as reflected in the Employee Handbook and Code of Ethics and Conduct. Similarly, we expect our employees, suppliers, and stakeholders to hold fast to the same principles.

In terms of labour practices and human rights, our business partners can refer to the Group’s Code of Conduct through our website.

Where recruitment is concerned, we hire only those who have reached the age of 18 years and above as we see it as our contribution towards the abolishment of child labour in the country.

Our efforts are supported by SOPs for recruitment selection, as well as worker profile screening from their application form and original documentation evidence submitted throughout the recruitment process. These steps were taken to ensure a transparent and ethical recruitment process, as well as to mitigate the possibility of modern slavery.

In order to eliminate all forms of forced or compulsory labour, the Group guarantees that the hiring practice in Malaysia and Indonesia complies with local laws.

For the year 2021, Pharmaniaga was not subject to any human rights reviews or impact assessments.

Freedom of Association and Collective Bargaining

Pharmaniaga respects employees’ rights to association and collective bargaining and does not prohibit them from exercising those rights. In 2021, 7% of Pharmaniaga’s total employees were covered by collective bargaining agreements. Additionally, our Employee Handbook clearly states overtime rates for union employees, payment of related allowances, salary adjustments, contract execution, salary structure and increments, amongst others.

The Management’s role in the Union, in collaboration with the employees, is to develop a harmonious relationship between the employees and the employer.

Meetings and discussions with the union are held quarterly, and the key outcomes are generally related to employee engagement programmes and the welfare of union members.

Employees who are not covered by the Collective Bargaining Agreements have their working conditions and terms of employment defined in the Employee Handbook.

In terms of Union and Collective Bargaining, the Company’s engagement activities in 2021 included the annual Business Plan roll-out, sports and recreational activities under the Sports & Recreation Club and weekly employees assembly to share Company information, as well as obtain feedback from the employees.

	2019	2020	2021
No. of Union members	230	243	252
% of Union members out of total no. of employees	6	7	7
% of Union members out of total no. of Non-Executive	9	10	10



OUR CHALLENGES

As we develop the strategies and approaches to carry out best labour practices, we occasionally encounter challenges such as a lack of awareness of human rights issues amongst vendors, as well as indifference towards these issues in countries we wish to venture into.



OUTLOOK

Pharmaniaga is committed to ensuring that its labour practices adhere to local laws and Human Rights standards. We strive to consistently demonstrate our commitment to ethical business practices in the areas of human rights and labour practices.



HEALTH & SAFETY

10 Occupational Health and Safety



Keeping employees safe at the workplace is one of the key responsibilities of an employer. Employees are likely to become more productive at work if they feel they are in a secure environment. While it is the moral obligation of an organisation to ensure safe working conditions, unsafe workplaces can bring about legal and financial repercussions for employers. Ensuring health and safety means companies enjoy better employee retention and satisfaction, less employee downtime and fewer occupational health costs.

HOW WE MANAGE THE MATTER

Compliance with Legal Requirements and Management Systems

Pharmaniaga abides by the Occupational Safety and Health Act 1994 (Act 514) and related legislation.

Our operations are governed by a Safety and Health Policy, and we have implemented the Occupational Health and Safety (OHS) regulations and best practices in accordance with ISO 45001:2018 Occupational Health and Safety Management Systems.

To enhance our safety and health practices, all subsidiaries have successfully upgraded to ISO 45001:2018. Following the successful migration of our manufacturing plant in Sungai Petani and Logistics and Distribution branches in 2020, three of our operations completed their journey and received the ISO 45001:2018 certification this year, including Seri Iskandar, Bangi and Puchong plants.

Our occupational health and safety management system applies to all of our employees and workers, including contractors and sub-contractors, whose work is enforced by Pharmaniaga. The management of Environment, Health and Safety (EHS) practices in our subsidiaries is governed by EHS committees established in each subsidiary.

The committees are made up of management and employee representatives that convene every quarter to address strategies, performance updates, as well as OHS issues and concerns. The Manufacturing Division’s safety and health performance is reported to the plant manager and discussed at the Management level. For the Logistics and Distribution Division, the EHS committees report on their performance to the Management on a quarterly basis.

As part of the OHS management system requirements, we have produced an EHS Manual and established SOPs to guide employees through OHS processes and procedures such as accident and incident reporting and investigation, emergency planning and response, and evacuation protocols, amongst others. To guarantee their effectiveness, these SOPs and manual are regularly reviewed and updated.

Health and Safety Risk Assessment

Pharmaniaga performed Hazard Identification, Risk Assessment, and Risk Control (HIRARC)/Hazard Identification, Risk Assessment, and Determining Control (HIRADC) on all of our subsidiaries to identify and mitigate health and safety risks in our work operations.

HIRARC/HIRADC is carried out to identify potential hazards and risks so that the organisation can outline measures to minimise or prevent them altogether. As a result, HIRARC/HIRADC enables the organisation to plan, implement, and monitor preventative measures against occupational injuries and illnesses.

The HIRARC/HIRADC is updated if an accident occurs at the workplace or if there are modifications to the process and activity (for example the installation of a new machine), in which case a new HIRARC/HIRADC is to be developed. If there are no modifications, HIRARC/HIRADC is reviewed regularly.

HIRARC/HIRADC is reviewed and updated by departmental representatives and risk owners, evaluated by the Safety Officer, and approved by the respective Heads of Department.

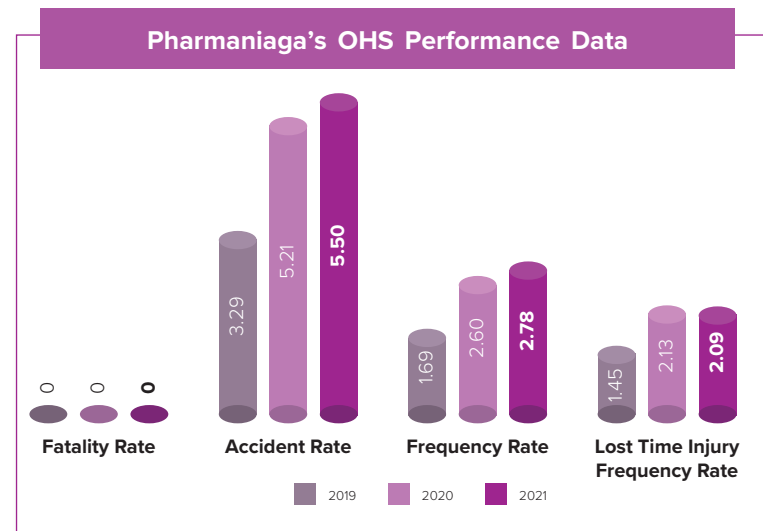
We ensure the competency of the person performing the HIRARC/HIRADC assessment by conducting a training gap analysis and a competency matrix, followed by necessary training to the persons-in-charge of each work section.

The results of the HIRARC/HIRADC evaluation are addressed in the Safety, Health and Environment (SHE) Committee meeting and presented at the Yearly Management Review Meeting to determine whether the action taken is sufficient or whether additional actions/improvements are required. The outcome of the evaluation is also included in the Risk and Opportunity Register.

Occupational Health and Safety Measures

We took a holistic approach in strategising and implementing occupational health and safety measures, by considering the physical safety and health of our employees and external parties, as well as mental well-being of our employees. We are pleased to report that we recorded zero fatality cases across all our operations in 2021.

At Pharmaniaga, we closely monitor and assess the work-related injuries reported across the Group, to allow us to strategise mitigation actions to prevent repetitive accidents. Throughout 2021, work-related injuries reported across the Group were mainly sprains and superficial wounds, while the most common types of accident reported were falls, striking against stationary objects (except impacts caused by a previous fall), being struck by a falling object while handling, and other unclassified accidents.



The total number of hours worked in 2021: 4,308,833 hours

Source: The rates above were calculated based on 1,000,000 hours worked using the formulae provided by Department of Occupational Safety and Health (DOSH), under the Ministry of Human Resources Malaysia

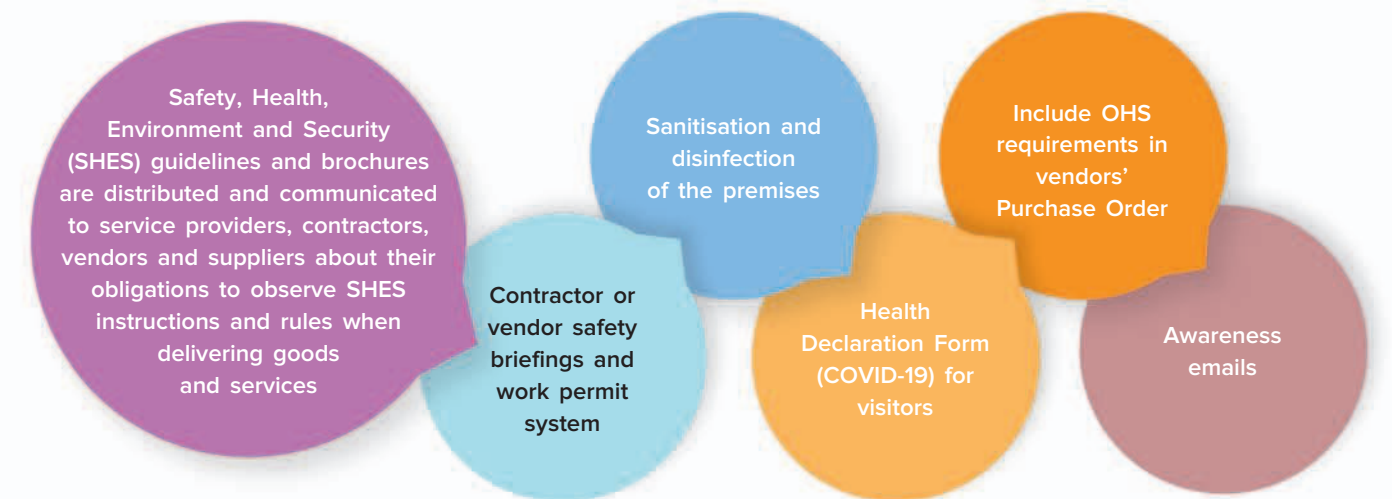
Note: The OHS performance data for 2019 and 2020 were revised as the scope for data above is for operations in Malaysia only. This has led to changes in the baseline data of 2019.



To address workplace health and safety concerns that have caused or contributed to high-consequence injuries, we undertake regular inspections and maintenance of our facilities as well as improve safety precautions in work processes. In addition to the above, we conduct regular safety and awareness briefings and training for new and existing employees to raise their awareness on safety related matters.

Pharmaniaga believes that safety and health management extends beyond our workers to include our external parties such as contractors, sub-contractors and visitors, amongst others.

The following are some of the health and safety precautions we have taken to ensure that nothing untoward happens to an external party during our operations:



Health and Safety Training Programme

Health and safety training is vital to instil safe practices amongst employees. Keeping employees regularly reminded about health and safety goes a long way to help reduce complacency which can lead to accidents. Throughout 2021, Pharmaniaga held many safety trainings and safety campaigns to help keep our employees on their toes on this subject. Where necessary, we involved contractors such as cleaners and security employees in our OSH training and campaigns. Below is the list of training and awareness programmes we conducted in 2021:

List of safety trainings and campaigns conducted in 2021



Enhancing Employees' Health and Well-being

Employees' health and well-being are more than just providing them insurance coverage. Health and well-being cover both their physical and mental conditions. Stress and burnouts, for example, lead to sick leaves and absenteeism which ultimately means diminished productivity. Initiatives to enhance employees' health and well-being are even more important during this COVID-19 pandemic.

Realising its importance, Pharmaniaga implemented varied programmes and activities to boost the health and well-being of employees. Amongst them were well-being counseling sessions by our internal certified counselor, regular awareness emails to remind them to be mindful of their well-being, RTK-Ag mandatory swab tests as and when required and also applicable to all vendors and visitors, sanitisation and disinfection of all facilities, a self-care information corner (Sudut Kendiri Komuniti Sihat Pembina Negara) and regular EHS board updates.

We conducted regular swab tests on employees at our premises as part of our commitment to maintaining their well-being, and in 2021, we performed 23,957 swab tests on employees.



OUR CHALLENGES

One of the biggest challenges we faced was the awareness and commitment by employees to report incidents, near-misses and work-related health issues. Employees need to be educated on the importance of incident reporting, and not dismiss them as it helps to prevent more serious accidents and improve workplace health and safety procedures.

The COVID-19 pandemic in itself posed a challenge to us as we had to establish a comprehensive response plan and put measures in place to safeguard the health and well-being of not only our employees but also for external parties such as visitors, while ensuring the smooth running of our operations.



OUTLOOK

Moving forward, Pharmaniaga will continue to inculcate a strong safety culture through education, training and other EHS practices, while maintaining zero fatality.

EMPLOYEE TRAINING & DEVELOPMENT

19 Training and Development

The key to employees' upskilling is training and development. Organisations that invest in capacity building for their employees will reap the benefits of having a more skilled workforce. In addition to this, training and development help companies gain and retain top talent, increase the employees' job satisfaction and productivity, and subsequently lead to improved business performance.

HOW WE MANAGE THE MATTER

Policy and Framework

Our training programme is based on a structured talent development framework with the ultimate goal of building capability for superior performance.

The framework entails assessing each employee's skill gap in order to identify appropriate programmes and development opportunities to close the gaps. Employees are continuously monitored to ensure they are developing their competencies and eventually fulfilling the strategic goals.

In 2021, we conducted annual performance and career development reviews for every employee across the Group (100% employees).

Build Capability for Superior Performance

Step 1



Assess Individual Capability Gap

2020

Step 2



Attend Suitable Programme

2021-2022

Step 3



Monitor & Measure

Step 4



Continuous Improvement

2023-2024

Step 5



Manage Performance

Step 6



Strategic Goals – Centre of Excellence

2025

- **Leadership Development Programme**
 - Succession Planning Programme
 - High Potential Programme
- **Development of Career Path**
 - Soft Skill
 - Technical Skill
- **Cross-Functional Team**
 - Shared Objectives

- **Monitor and measure**
- **Improve continuously**

- **Train change leader**
- **Manage performance**

Through internal and external training providers, we provided our employees with soft skills, technical, functional, and information technology training. Some of the training and development programmes that took place in 2021 were:

Performance Management System (PMS)

Objective

A tool for managers and employees to identify, assess, and evaluate work processes that contribute to the organisation fulfilling its business objectives.

Activity specifics:

Based on the Company's direction for the year, managers and employees determined the work processes/projects to be implemented. The status is reviewed on the sixth and 12th month. At which point, the managers and employees revisited the work process and the employees' accomplishments for the year were assessed. The list of achievements was submitted to the management for promotion consideration.

Outcome/Achievement:

In 2021, eligible employees who met the promotion criteria were promoted as part of their career progression.

Soft Skills Development Programme

Objective

Part of our employees' capability development plan, the objective of this programme is to develop all identified skill improvements from PMS 2020. This is a way for Pharmaniaga to provide our employees with the necessary skills so they are poised to execute our business strategies. All soft skills programme recommendations were done at departmental and Company levels and submitted to the Training and Development (T&D) unit. The T&D unit calibrated all the recommended developments from PMS into a programme-mapping exercise and produced an Annual Training Calendar for each department and Company within Pharmaniaga.

Activity specifics:

The programme was designed to improve on the following competencies:

1 Professionalism

2 Planning & Execution

3 Leading & Developing Others

4 Communication

5 Customer Focus Orientation

6 Problem Solving & Decision Making

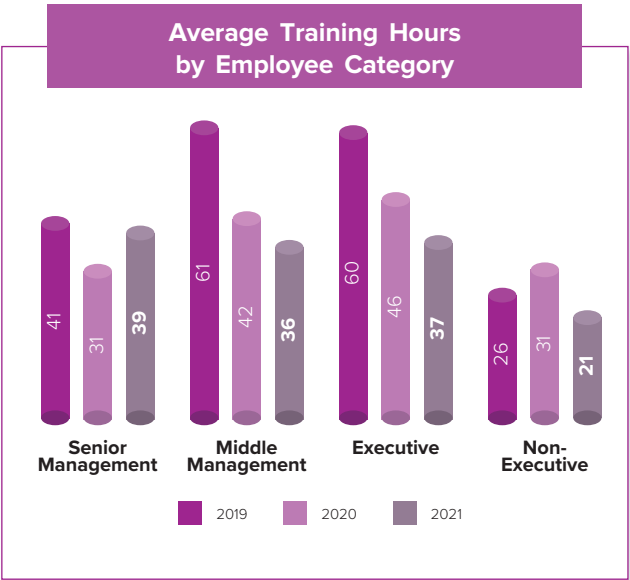
7 Innovation & Change Management

8 Business Acumen

Outcome/Achievement:

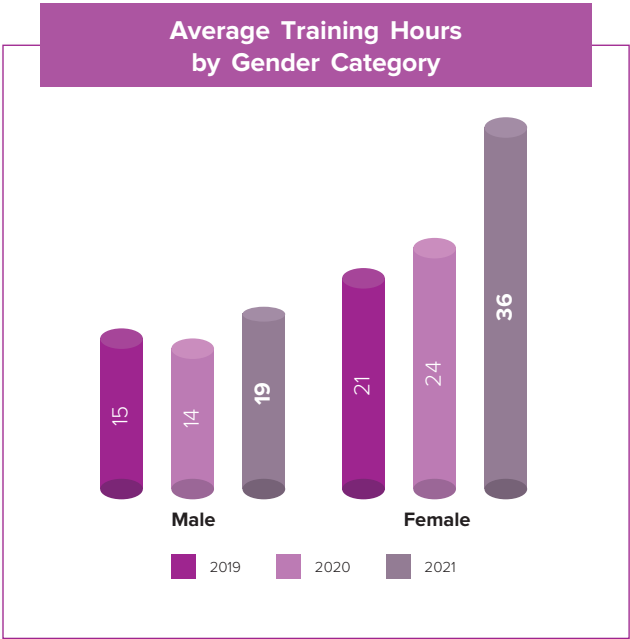
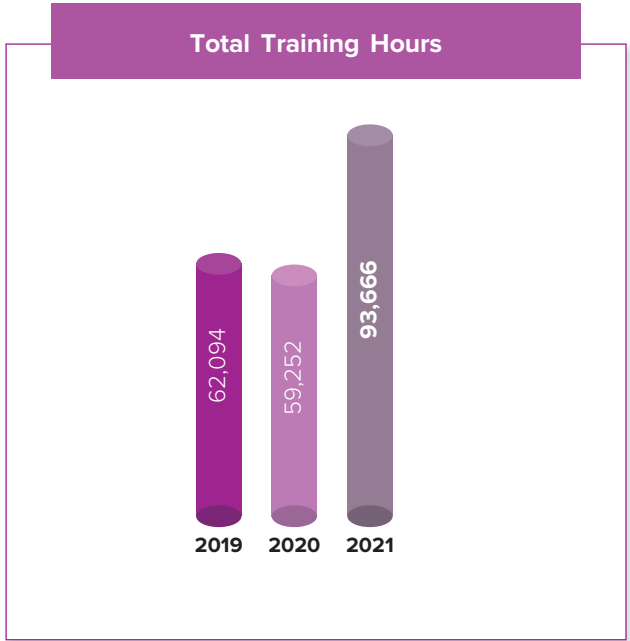
All in, 32 soft skills programme were conducted virtually in 2021.

Pharmaniaga also offered a Retirement Programme for employees nearing retirement, with the aim of preparing them for retirement. We also equipped them with the essential knowledge of managing themselves post-retirement via training sessions in Retirement Preparation, Financial Management, Health Management and Entrepreneurship Exposure.



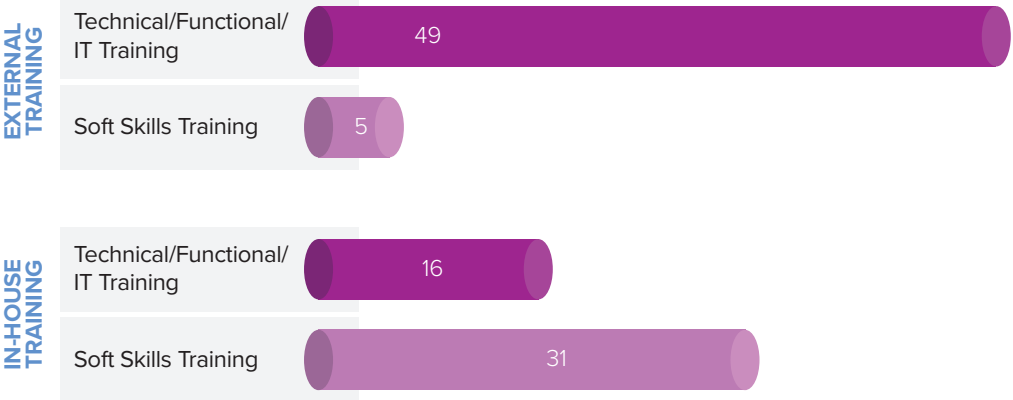
Note: Senior Management is defined as Senior Manager and above

In 2021, we provided 93,666 training hours to develop the capacity and build the knowledge of our employees – equivalent to an average of 26 hours (1.1 days) of training per employee. The increase in training hours in 2021 was mostly contributed by online training sessions.

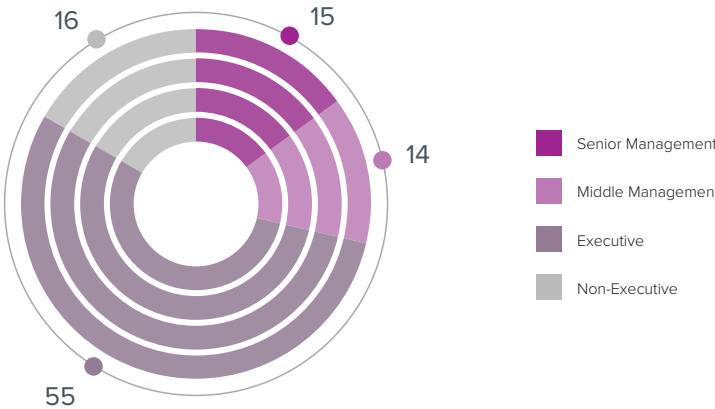


In 2021, we invested RM1.6 million in training, an increase of nearly 60% from the year before. This is due to the adaptation of online platforms for all relevant training sessions. Training providers switched their approach to cater to the new conditions brought on by the COVID-19 pandemic.

Training expenditures (%) in 2021 according to types of training



Training expenditures (%) in 2021 according to employee category



OUR CHALLENGES

The COVID-19 pandemic brought about multiple Movement Control Orders (MCOs), which resulted in many employees being assigned to Work From Home (WFH). This greatly affected our training programme as we couldn't conduct physical classes as regularly as we had hoped. When training providers established their training methodologies to online interaction, we were able to resume our training programme. This approach, however, presented its own set of challenges, especially with regards to obtaining 100% commitment from employees.



OUTLOOK

Developing our people is our top priority as we fully understand that a company's success depends on its skilled, motivated and high-performing teams. As our future plans are to expand our business internationally, enhancing our people's skills and their technical capabilities is crucial to ensure that we succeed in our plans.

Our ultimate goal is to establish a Centre of Excellence to ensure that we continue to equip our employees with the necessary skills so they are well-prepared to assist us in growing and sustaining the business.



DIVERSITY & INCLUSION

15 Equal Opportunity



Progressive organisations promote diversity and inclusion by employing people of different races and genders and providing them with equal opportunities for career growth. Research shows that diverse companies are 35% more likely to outperform their peers, as employees are happier in their inclusive workplace.

HOW WE MANAGE THE MATTER

Throughout the Group, Pharmaniaga is committed to promoting diversity and equal opportunity.

During the recruitment process, we assess candidates on their knowledge, skills, and experience in managing work processes. Positive attitude is one of the most important characteristics we look for in a prospective employee.

As a company that focuses on meritocracy, we celebrate our family members regardless of race, gender, age or disability.

We support our employees on an equal footing and strive to eliminate gender disparities in all of our decisions, as is evidenced by our senior leadership teams, almost half of which are led by women. Our executive positions are also dominated by female personnel.

The Board recognises the importance of having more women representation on the Board. In this respect, the Nominating and Remuneration Committee (NRC) is working hard to meet the objective of the Malaysian Code on Corporate Governance, which requires organisations to have more women in senior and decision-making positions.

Female Representation in Pharmaniaga



There are numerous advantages to having gender diversity and equal opportunity in the workplace; amongst others, it promotes a healthy and productive environment in the organisation.

At Pharmaniaga, gender diversity and equal opportunity are not mere catchwords. We walk the talk when it comes to addressing this subject. One of our initiatives to demonstrate this commitment was the continuous practice of our Gender Diversity Policy, with the objective of ensuring that female candidates are sought by the Nomination Committee (NC) as part of its recruitment exercise for the Group's Board of Directors.

When examining the Board's composition, the NRC is to weigh the benefits of all diversity factors to ensure the Board maintains an acceptable range and balance of talent, experience, and background. Candidates are evaluated on their merits against objective criteria, with fair consideration for the benefits of having a diverse Board of Directors.

We are pleased to report that Ms Sarah Azreen Abdul Samat was appointed as Pharmaniaga's new Independent Non-Executive Director, effective August 2021.

In addition, the basic entry-level salary we offer our employees is the same for both men and women. The comparative entry-level salary for our non-executive (diploma holder) is also higher than Malaysia's national minimum wage.

Pharmaniaga's entry level salary for non-executive	National minimum wage
1.33	1

For our operations in Indonesia, employees are compensated in accordance with the Government's minimum wage regulations.

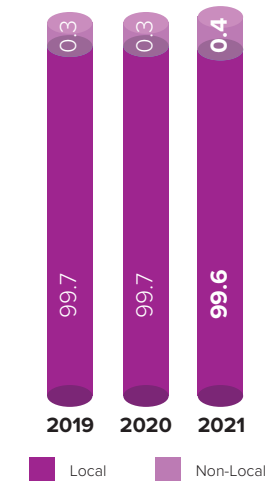
Through the initiatives to promote equal opportunity in 2021, Pharmaniaga has demonstrated that merit is the most important factor in selecting and employing new members of the Pharmaniaga family.

We value all types of talents that drive the business forward, regardless of their age, gender, race, or nationality. Pharmaniaga's new business segment of biopharmaceutical has allowed us to welcome talents from all over the world.

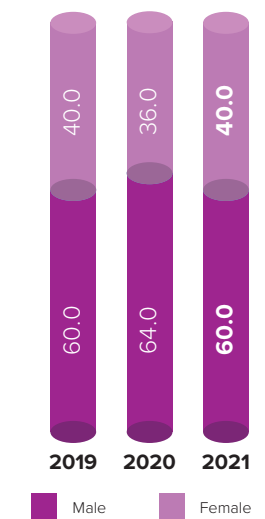
We are pleased to report that Pharmaniaga did not record any incidents or complaints of discrimination in 2021.

For this reporting period, the Company grew with a 3,642-strong total workforce in Malaysia and other countries, of which 99.6% were hired locally. We define local as Malaysians who work in our Malaysian operations and Indonesians who work in our Indonesian operations. Meanwhile, employees with disabilities account for 0.05% of the total workforce.

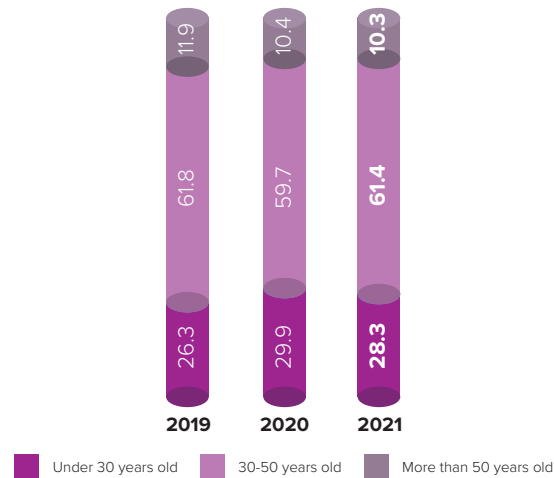
Employee Distribution by Nationality (%)



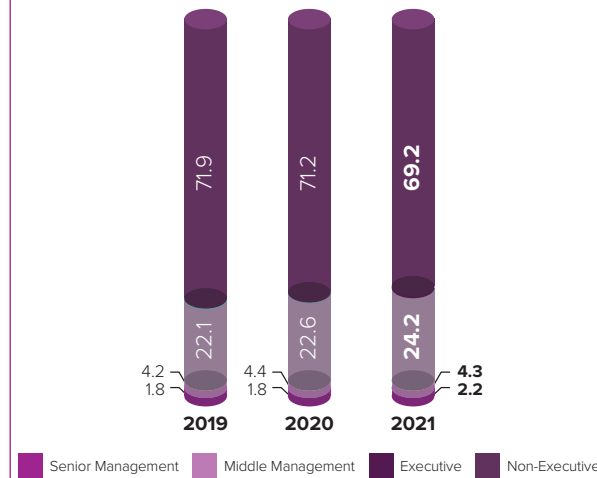
Employee Distribution by Gender (%)



Employee Distribution by Age (%)

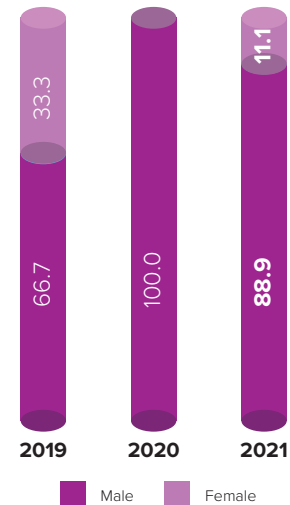


Employee Distribution by Employee Category (%)

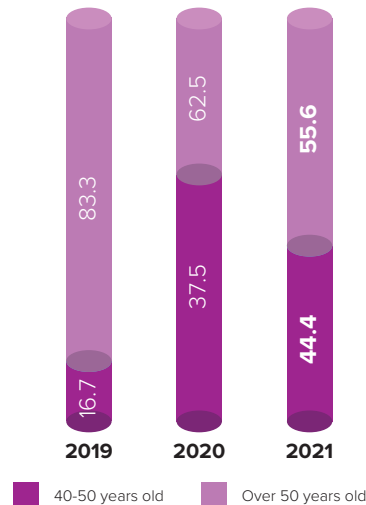


Our commitment to improving gender equality in the highest governance body is depicted in our 2021 performance, where 11% of our Board members are represented by women. We will continue to work hard at enhancing the diversity of our workforce and governance bodies so as to bring value to the organisation.

Diversity of Highest Governance Body by Gender (%)



Diversity of Highest Governance Body by Age Group (%)



0.05%
employees
with
disabilities



100%
Malaysian in
the highest
governance body



OUR CHALLENGES

Pharmaniaga may face challenges such as cultural clashes and language barriers between locals and international talents as we pursue our goal and commitment to create fair opportunity.



OUTLOOK

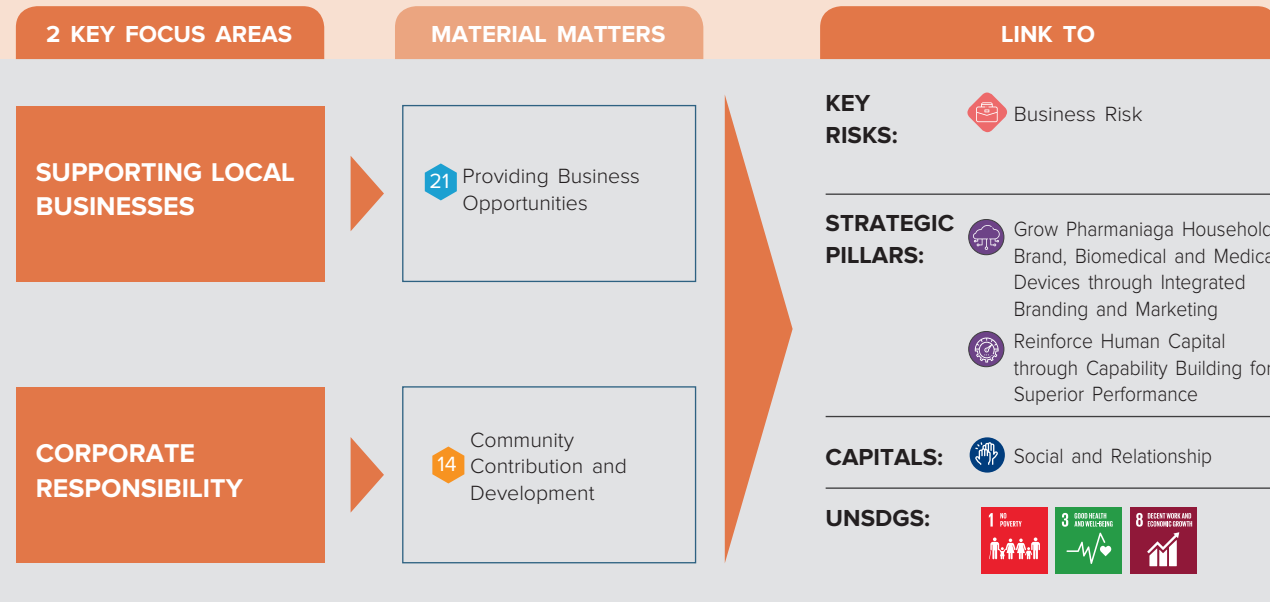
To promote diversity and equal opportunity throughout the Group, Pharmaniaga will continue to explore the best approach to managing employees from diverse backgrounds, as well as propose attractive employment packages in order to retain talents within the organisation.



GOAL 5: BUILDING A BETTER SOCIETY

Capitalism of today works towards providing value for society and not just maximising value for its shareholders as seen in the past. Such is the transformational power of a business that it can create jobs for people and lift people out of poverty. And transformational businesses which strive for a positive impact on society are the ones which will continue to thrive for decades to come.

Pharmaniaga's fifth goal on Building a Better Society is centred on two key areas namely Supporting Local Businesses and Corporate Responsibility. The material matters for this goal are Providing Business Opportunities and Community Contribution and Development.



PERFORMANCE HIGHLIGHTS



Approximately
RM7 million
invested in corporate
responsibility

413 of members
in **RoyalePharma**
Alliances
Programme



Distributed
RM24.1
million in zakat
(alms-giving) to
Majlis Agama Islam
throughout Malaysia



SUPPORTING LOCAL BUSINESSES

21 Providing Business Opportunities



Operating within a local economy helps companies to not only boost employment but also create business opportunities for local suppliers and vendors to support their needs. This further spurs the economy as more employment opportunities are created. At Pharmaniaga, we give priority to local suppliers and vendors to partner with us.

HOW WE MANAGE THE MATTER

Supporting Local Suppliers, Vendors and Business Owners

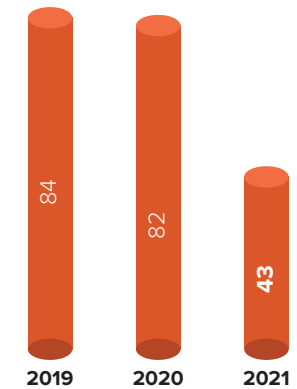
Pharmaniaga continues to contribute to the domestic economy by procuring goods and services from local suppliers and vendors.

As specified in our Procurement (Non-Trade) Guidelines and Procedure, as well as New Supplier Assessment process, local suppliers and vendors remain our top preference for cost-effectiveness and better lead-time.

That said, we still rely on imported sources and suppliers for specialty material such as Active Pharmaceutical Ingredient (API), excipients and vaccine bulk.

In 2021, 43% of our procurement budget was spent on local suppliers and vendors, which was half of our 2020 performance. The decrease was largely due to the purchase of COVID-19 vaccine from foreign companies as we were still relying on imported sources and suppliers.

Percentage of Procurement Budget Spent on Local Suppliers (%)



Over and above that, Pharmaniaga has taken the initiative to support local business owners. In 2021, our first nutraceutical product – *madu kelulut* (stingless bee honey) – made its debut under the brand Arnia. This is part of our ongoing effort to explore new revenue streams and showcase the country's natural resources. A collaboration with a local university, we aim to support local bee farmers through sustainable corporate responsibility initiatives via this project. The product is now available both in domestic and international markets.

Vendor Development Programme (VDP)

We realise the significant role we play in the community, and on that account, we are committed to giving back to the local economy. Our support for the development of small and medium-sized enterprises (SME) has been unceasing as we continue to engage with 24 vendors appointed by MOH and assist them in enhancing their skills and competencies.

In 2021, we conducted training on Warehouse Management for our vendors under the Vendor Development Programme (VDP), with the objective of increasing vendor capacity in handling their warehouse facilities and management. More than 10 vendors participated and benefitted from the training.

Apart from capacity building, we also provided assistance for our vendors to grow their businesses and enhance their market presence. In 2021, four vendors were sponsored by Pharmaniaga to participate in the Selangor Research & Development and Innovation Expo (SRIE) – held in conjunction with the Selangor International Business Summit 2021 – where they were given the opportunity to exhibit their products.

RoyalePharma Alliances Programme

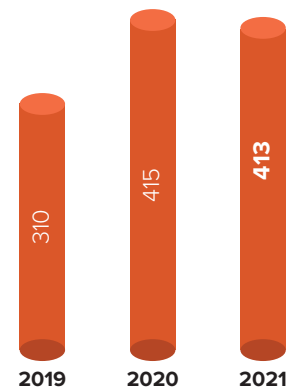
The RoyalePharma Alliances Programme is another Pharmaniaga initiative to encourage business growth amongst entrepreneurs through strategic alliances.

In 2021, we further strengthened RoyalePharma Alliance by entering into a new partnership with Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA), which sees us becoming the procurement partner for ANGKASA.

In addition, this collaboration sees us supporting procurement activities for its existing and new pharmacy outlets under the brand COOP Farmasi, managed by MyANGKASA (a subsidiary of ANGKASA). The alliance has facilitated the opening of eight new COOP Farmasi stores since its inception.

We continuously engage with our Alliances and act as their distribution centre. With this, Alliances can enjoy better credit term, improve inventory and credit control by implementing just in time system with small but frequent ordering.

Total Members of RoyalePharma Alliances Programme



OUR CHALLENGES

While we made every effort to procure goods and services from local suppliers, we were held back by the selection of suppliers we could engage for selected raw materials due to limited sources locally.



OUTLOOK

For the year ahead, we will remain steadfast in our commitment to contributing positively to the local economy as well as creating value for our stakeholders and community at large. Therefore, procuring goods and services from local suppliers and vendors continues to be our focus as we intensify our efforts in supporting local businesses and helping them grow.

CORPORATE RESPONSIBILITY

14 Community Contribution and Development



For companies, community development means building an inclusive society by helping to improve the well-being of the community. A sustainable organisation proactively manages its business impacts and relationships with stakeholders, including communities at large, not only to build a good reputation, but most importantly to create values and ensure businesses' social license to operate.

HOW WE MANAGE THE MATTER

Policy and Framework

We are currently refining the process flow and improving the existing Contribution to External Parties SOP to be in line with our donation policy. This time around we are expanding the scope to include all companies under Pharmaniaga Berhad.

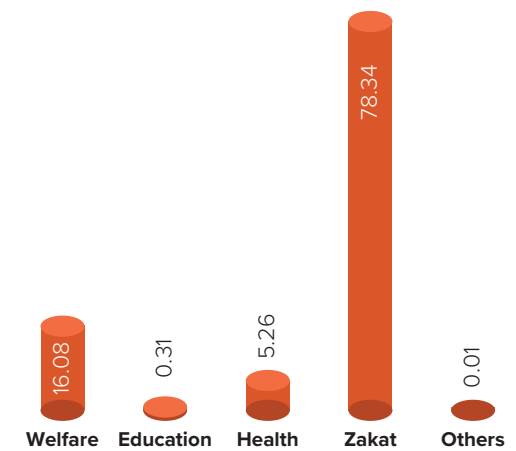
We have also developed a five-year roadmap related to a long-term community contribution and development. The objective is to identify strategic corporate responsibility (CR) programmes that will guide Pharmaniaga towards meaningful contributions to society.

The roadmap focuses on four main pillars namely welfare, education, health and the environment. The programme will run for five years, with specific key performance indicators (KPIs) in place. The KPIs will be monitored annually and improvised, as and when needed.

Contributing to Communities

During the year, we put in concerted efforts to continue supporting the communities around us. We invested RM7 million in our CR efforts across five main categories including welfare, health, education, and others. In addition we have distributed RM24.1 million in zakat (alms-giving) to Majlis Agama Islam throughout Malaysia.

Pharmaniaga's Donation Breakdown (%)



Our CR initiatives throughout 2021 focused on four key areas:

1. COVID-19 Pandemic Contributions

- Staple food packs for families affected by COVID-19
- PPE, face masks and hand sanitisers distributed to the public including the Orang Asli community as well as orphanages, homes for the elderly, schools, kindergartens and hospitals
- Healthcare products such as Citrex Vitamin C distributed to, amongst others, orphanages, schools and universities throughout Malaysia
- Cash and other necessities sent to community members who were severely impacted by COVID-19 (e.g. those who lost their parents)
- Free PCR screenings at orphanages prior to their visit to our sites as part of the safety measures for the orphans
- Allocated full vaccination slot for 278 employees of vendors under Vendor Development Programme

2. Natural Disaster and Accident Relief

- Provided financial aid and staple food packs for Pharmaniaga employees who were affected by the 2021 floods
- Contributed hygiene kits for flood victims throughout Malaysia
- Provided COVID-19 test kits to flood victims at temporary relief centres (PPS)



SPECIAL CASE STUDY

Unprecedented Flood Disaster

In December 2021, a massive flood hit several states in Malaysia, affecting 164 Pharmaniaga employees in the Klang Valley. Pharmaniaga took the initiative to come to the aid of the affected employees and their families.

Key challenges encountered

- A lack of readily-available flood disaster preparation
- Difficulty in tracing affected employees' whereabouts

Key achievements and accomplishments achieved

- Established a Flood Disaster Relief team
- Held "gotong royong" (communal labour), whereby Pharmaniaga employees volunteered to come to the aid of fellow employees who were affected by the flood. The team went to the homes of the flood victims and assisted with cleaning and other tasks. The flood victims were provided with basic essentials such as mattresses, blankets, staple foods, and so on. Monetary help was also given to ease their burden
- Conducted post-disaster survey, whereby victims were closely observed for possible insomnia and post-traumatic stress disorder (PTSD) symptoms
- Established a programme to provide social and moral support to the victims

Lessons learnt and experiences gained:

- This unprecedented event did not have an immediate impact on our daily operations, but it could put our Company at risk in the future. Therefore, we are working towards improving our business continuity plan (BCP) framework in order to address the issue
- We have an existing Emergency Response Team (ERT) to deal with internal emergencies, but the team's function and responsibilities will be expanded to include natural disasters

3. Education Contributions

- Organised back-to-school programme for B40 students by providing them with school uniforms, schoolbags and stationery
- Donated desktop computers and laptops to B40 students to assist them with online learning

4. Festival Contributions

- Sponsored basic necessities including hand sanitisers and face masks for old folks and orphans
- Donated to asnaf group (those eligible for tithes according to Islamic law) during the Ramadhan care programme to ensure less fortunate families got to celebrate Hari Raya
- Distributed *bakul keceriaan* (baskets of cheer) and *duit raya* (money given out during Eid celebration) at orphanages

Additionally, Pharmaniaga gave a donation to build ablution rooms in mosques and distributed Zakat Wakalah (for mosque food banks) to ensure low-income families have access to basic sustenance for survival.

To encourage and provide our employees with the opportunity to participate in our community development programme, we set up Skwad Operasi Sihat (SOS) in 2007. This is a Basic Health Screening programme that is run by a group of volunteers who are also Pharmaniaga employees. The programme's primary target audience are communities in rural and suburban areas nationwide. The programme aims to raise awareness about infectious and non-infectious diseases, with the goal of creating healthy communities.

We have continued to roll out the SOS programme to communities living near or surrounding our operations, as we have done in past years, to assist us in managing any consequences of our operations on these communities. SOS programmes were implemented in 11 of our 13 sites through 2021.



OUR CHALLENGES

The prolonged Movement Control Order,- enforced over several phases between 2020 and the most part of 2021, hindered our engagement with the community. Granted, we were forced to rethink our strategies and approaches but on a positive note, it allowed us to explore new ways of conducting our CR.



OUTLOOK

Pharmaniaga plans to keep contributing to society's welfare, health, and well-being and intend to centralise all our CR-related programmes. Our intention is to attain sustainable growth and create sustainable value for all stakeholders, including the community at large. This includes helping to alleviate the burden of the B40 group, whose livelihoods have been badly affected by the extended MCO.

We also pledge to continue providing accessible healthcare while encouraging people to live healthy lifestyles. This involves increasing community awareness of the COVID-19 pandemic, such as the importance of vaccination, face masks and social distancing.

GRI CONTENT INDEX

Statement of Use	Pharmaniaga Berhad has reported the information cited in this GRI content index for the period 1 January 2021 to 31 December 2021 with reference to the GRI Standards.
GRI 1 Used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page Reference
GENERAL DISCLOSURES		
The organisation and its reporting practices		
2-1	Organisational details	18 – 19; Pharmaniaga Integrated Report 2021 (page 10, 122, 292)
2-2	Entities included in the organisation's sustainability reporting	2
2-3	Reporting period, frequency and contact point	2 – 3
2-4	Restatements of information	3, 101
2-5	External assurance	2, 140
Activities and workers		
2-6	Activities, value chain, and other business relationships	16 – 19
2-7	Employees	125 – 126
Governance		
2-9	Governance structure and composition	29 – 30
2-10	Nomination and selection of the highest governance body	30, 81
2-11	Chair of the highest governance body	30
2-12	Role of the highest governance body in overseeing the management of impacts	29 – 30
2-13	Delegation of responsibility for managing impacts	29
2-14	Role of the highest governance body in sustainability reporting	2, 29 – 30
2-16	Communication of critical concerns	30
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	6 – 9
2-23	Policy commitments	28
2-24	Embedding policy commitments	81 – 84
2-26	Mechanisms for seeking advice and raising concerns	82 – 84
2-27	Compliance with laws and regulations	67, 83, 87, 89, 90, 97, 113, 125
2-28	Membership associations	20 – 21
Stakeholder engagement		
2-29	Approach to stakeholder engagement	31 – 32
2-30	Collective bargaining agreements	113 – 114

GRI 2:
General Disclosures 2021

GRI Standard		Disclosure	Page Reference
MATERIAL TOPICS			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	31 – 34
	3-2	List of material topics	34
Economic and Financial Sustainability			
GRI 3: Material Topics 2021	3-3	Management of material topics	57 – 60
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	59
	201-4	Financial assistance received from government	60
GRI 415: Public Policy	415-1	Political contributions	60
Products Quality			
GRI 3: Material Topics 2021	3-3	Management of material topics	61 – 62, 68 – 70
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	65 – 66
GRI 417: Marketing and Labelling	417-1	Requirements for product and service information and labelling	67
Services Quality			
GRI 3: Material Topics 2021	3-3	Management of material topics	61 – 62, 68 – 70
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	65 – 66
GRI 417: Marketing and Labelling	417-1	Requirements for product and service information and labelling	67
Customer Satisfaction			
GRI 3: Material Topics 2021	3-3	Management of material topics	63 – 65
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	65 – 66
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	67
	417-1	Requirements for product and service information and labelling	67
GRI 417: Marketing and Labelling	417-2	Incidents of non-compliance concerning product and service information and labelling	67
	417-3	Incidents of non-compliance concerning marketing communications	67
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	87

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GRI Standard	Disclosure	Page Reference
Product Responsibility		
GRI 3: Material Topics 2021	3-3 Management of material topics	65 – 67
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	65 – 66
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	67
GRI 417: Marketing and Labelling	417-1 Requirements for product and service information and labelling	67
	417-2 Incidents of non-compliance concerning product and service information and labelling	67
	417-3 Incidents of non-compliance concerning marketing communications	67
Accessibility of Healthcare Products		
GRI 3: Material Topics 2021	3-3 Management of material topics	71 – 73
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	71 – 73
Accessibility of Halal Products		
GRI 3: Material Topics 2021	3-3 Management of material topics	74 – 76
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	74 – 75
Affordable Healthcare Product		
GRI 3: Material Topics 2021	3-3 Management of material topics	76 – 79
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	76 – 78
Good Corporate Governance and Integrity		
GRI 3: Material Topics 2021	3-3 Management of material topics	81 – 84
	205-1 Operations assessed for risks related to corruption	83
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	82 – 84
	205-3 Confirmed incidents of corruption and actions taken	83
Data Privacy and Security		
GRI 3: Material Topics 2021	3-3 Management of material topics	85 – 87
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	87

GRI Standard	Disclosure	Page Reference
Hazardous Gas Emissions and Energy Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	89 – 90, 100 – 105
GRI 302: Energy	302-1 Energy consumption within the organisation	101 – 102
	302-3 Energy intensity	101
	302-4 Reduction of energy consumption	104
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	103
	305-2 Energy indirect (Scope 2) GHG emissions	103
	305-4 GHG emissions intensity	103
	305-5 Reduction of GHG emissions	104
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GRI 3: Material Topics 2021	3-3 Management of material topics	89 – 90, 97 – 100
GRI 303: Water and Effluents	303-1 Interactions with water as a shared resource	97
	303-2 Management of water discharge related impacts	97, 99
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Material and Waste Management		
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GRI 301: Materials	301-2 Recycled input materials used	92 – 93
	306-1 Waste generation and significant waste-related impacts	94 – 96
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	92 – 95
	306-4 Waste diverted from disposal	95
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Occupational Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	115 – 118
	403-1 Occupational health and safety management system	115
	403-2 Hazard identification, risk assessment, and incident investigation	115 – 116
	403-4 Worker participation, consultation, and communication on occupational health and safety	115, 117
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	118
	403-6 Promotion of worker health	118
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	117
	403-8 Workers covered by an occupational health and safety management system	115
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Training and Development			
GRI 3: Material Topics 2021	3-3	Management of material topics	119 – 123
GRI 404: Training and Education	404-1	Average hours of training per year per employee	121
	404-2	Programmes for upgrading employee skills and transition assistance programmes	119 – 120
	404-3	Percentage of employees receiving regular performance and career development reviews	119
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GRI 3: Material Topics 2021	3-3	Management of material topics	110 – 112
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees	110
	401-3	Parental leave	111 – 112
Job Opportunities			
GRI 3: Material Topics 2021	3-3	Management of material topics	107 – 109
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	107 – 109
Equal Opportunity			
GRI 3: Material Topics 2021	3-3	Management of material topics	124 – 127
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	125
	202-2	Proportion of senior management hired from the local community	126
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	125 – 126
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	125
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GRI 3: Material Topics 2021	3-3	Management of material topics	113 – 114
GRI 407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	113 – 114
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	113
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	113

GRI Standard		Disclosure	Page Reference
Providing Business Opportunities			
GRI 3: Material Topics 2021	3-3	Management of material topics	129 – 131
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	129
Community Contribution and Development			
GRI 3: Material Topics 2021	3-3	Management of material topics	131 – 133
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programmes	132 – 133

ASSURANCE STATEMENT



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INDEPENDENT ASSURANCE STATEMENT

Scope and Objective

SIRIM QAS International Sdn. Bhd., a Conformity Assessment Body in Malaysia, with extensive expertise and experience in the provision of sustainability-related assurance services, was engaged by Pharmaniaga Berhad (hereafter referred to as Pharmaniaga) to perform an independent verification and provide assurance of Pharmaniaga Sustainability Report 2021. The main objective of the verification process is to provide assurance to Pharmaniaga, and its stakeholders of the accuracy and reliability of the information presented in this statement. This was established through checking and verifying claims made in the report. The verification by SIRIM QAS International covered all sustainability-related activities which had been included in Pharmaniaga Sustainability Report 2021. Further details provided in Appendix 1 of this statement.

The management of Pharmaniaga was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this assurance statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the Pharmaniaga Sustainability Report and Integrated Report 2021.

Verification team

The verification team from SIRIM QAS International consists of:

- | | | |
|-----------------------------|---|-------------|
| 1) Ms. Aernida Abdul Kadir | : | Team Leader |
| 2) Ms. Kamini Sooriamoorthy | : | Team Member |

Methodology

The verification process was carried out by SIRIM QAS International in March 2022. It involved the following activities:

- Reviewing and verifying the accuracy of data collected from various sources and that are presented in the statement;
- Reviewing of internal and external documentation and displays such as awards, press releases, media publications, internal newsletters, internal systems, etc.;
- Interviewing of key personnel responsible for collating information and writing various parts of the report in order to substantiate the veracity of the claims;
- Evaluating the adequacy of the Pharmaniaga Sustainability Report and its overall presentation against the BURSA Sustainability Reporting Guide, and other relevant frameworks such as UN-SDGs and GRI Standards requirements.

