

# pharmaniaga

SUSTAINABILITY REPORT 2017



## A Sustainable Future

## Rationale

Our unwavering commitment towards delivering on our promises and maintaining the highest standards of excellence is ingrained in our motto, *Passion for Patients*, illustrates our inherent corporate philosophy.

The front cover depicts our efforts and dedication in reaching out far and wide, whilst enriching the lives of everyone, everywhere with quality products and exemplary services.



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**THERE'S NO DISTANCE  
BETWEEN US AND THE  
PLACES WE NEED  
TO REACH**

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# OVERVIEW

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# ABOUT THIS REPORT

Our motto of *Passion for Patients* has always propelled us forward. As a conscientious corporate citizen, we are mindful of our responsibility to ensure that we expand in a sustainable manner. We strive to achieve this by embedding sustainable business practices throughout Pharmaniaga. These encompass key economic, environmental and social considerations.

Through this Sustainability Report (Report), we aim to provide greater insight into our Group's sustainability practices. Our Report elaborates on the Group's efforts and initiatives undertaken in the financial year ended 31 December 2017 as a baseline for the Group to move forward.

As our inaugural stand-alone Report, the content of this Report details the material issues that are pertinent to Pharmaniaga's business operations. It also provides the key sustainability activities and initiatives that we conduct across the various aspects of our Group in Malaysia. We are confident that this Report will provide our stakeholders with a clearer understanding of the sustainable practices we have in place.



## SCOPE

Subsidiary companies within Pharmaniaga Group of Companies those located in Malaysia



## BASIS

Excludes the associate companies and minority investments as well as companies and properties operating outside Malaysia such as Indonesia.



CLINIC



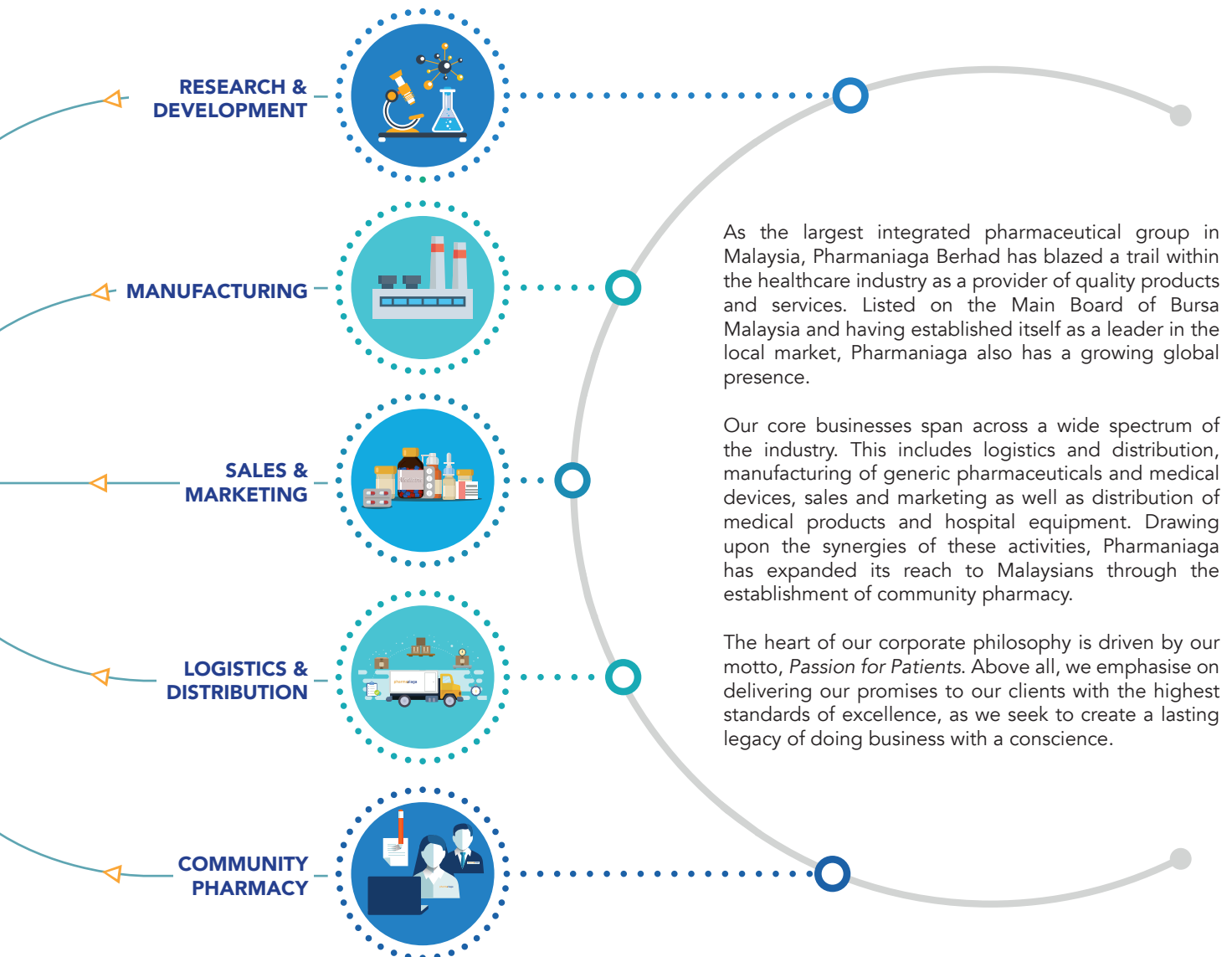
HOSPITAL



PHARMACY



# ABOUT US



# OUR VISION & MISSION



## Vision

**The preferred  
pharmaceutical brand  
in regional markets**



## Mission

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



# OUR CORE VALUES



# AWARDS & RECOGNITIONS

1. **Anugerah Majikan Berdaya Saing Glokal**  
Kementerian Sumber Manusia
2. **AON Best Employers Malaysia Awards 2017**  
Commitment to High Performance Culture  
(Pharmaniaga Logistics Sdn Bhd)  
AON
3. **AON Best Employers Malaysia Awards 2017**  
Commitment to Employer Brand  
(Pharmaniaga Research Centre Sdn Bhd)  
AON
4. **Anugerah Majikan 1Malaysia (Syarikat Besar/GLC)**  
Kementerian Sumber Manusia





**5. The BrandLaureate Best Brands Award**

Most Sustainable Brand-Integrated Healthcare Solutions  
2016-2017

**The BrandLaureate**

**6. Frost & Sullivan Malaysia Excellence Awards 2017**

Pharmaceutical Company of the Year

**Frost & Sullivan**

**7. Asia Corporate Excellence & Sustainability Awards 2017**

Top Companies in Asia

**MORS Group**

**8. Malaysia's 100 Leading Graduate Employers 2017**

Pharmaceutical Sector

**GTI Media**



# SUSTAINABILITY VISION

## SPEARHEADING ACCESSIBLE HEALTHCARE THROUGH DYNAMIC GROWTH

Our motto of Passion for Patients drives our approach to doing business and shapes our responsibility to our diverse stakeholders.

We truly believe that our sustainability priorities play a critical role in helping us achieve sustainable and profitable growth.

We are committed to fulfilling our sustainability practices across these three core areas of impact:



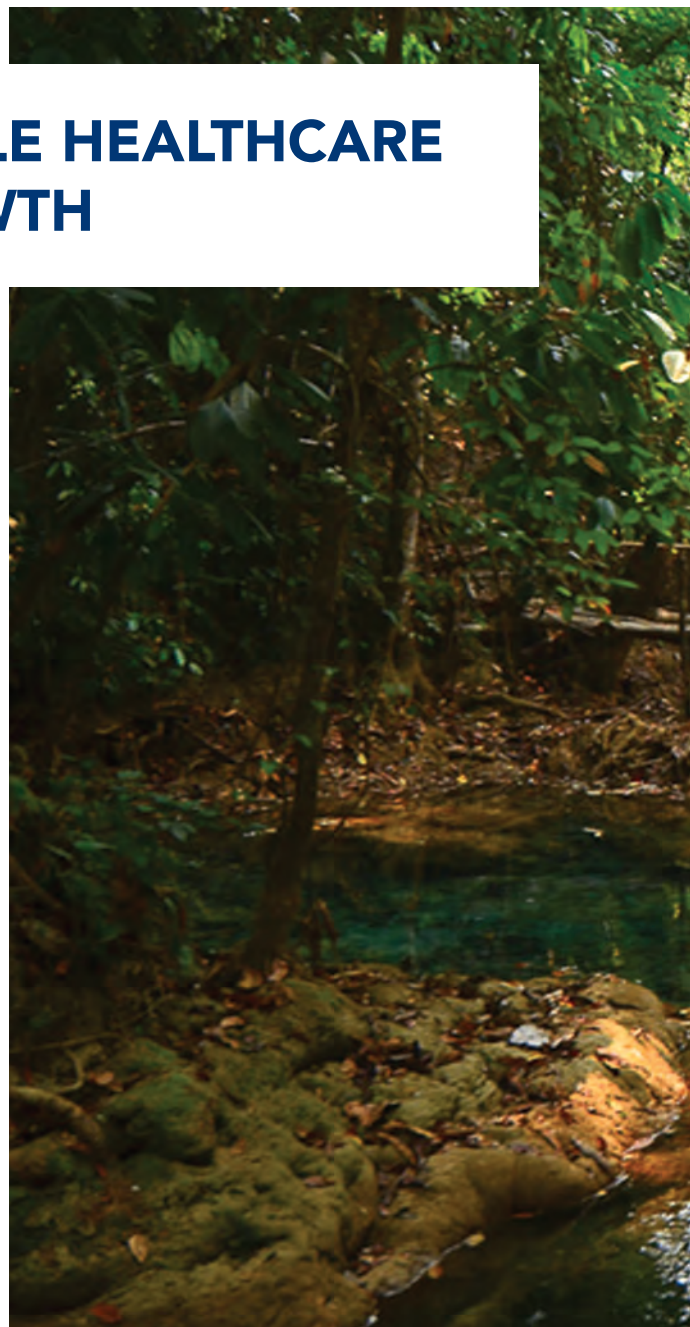
### ECONOMIC



### ENVIRONMENTAL



### SOCIAL







As Malaysia's largest listed integrated healthcare service provider, we are committed to:

- Ensuring that high-quality healthcare is accessible and affordable
- Extending the reach of our success to positively affect society
- Preserving the environment through best practices in logistics and manufacturing
- Creating a positive work environment for our employees
- Elevating the lives of those in need in the community

# STRATEGIC ROAD MAP

## Approved Sustainability Management Plan

The Board Sustainability Committee approved the implementation of the Sustainability Management Plan as follows:

- » Awareness sessions amongst Senior Management
- » Engagement with stakeholders
- » Report material issues with baseline indicators

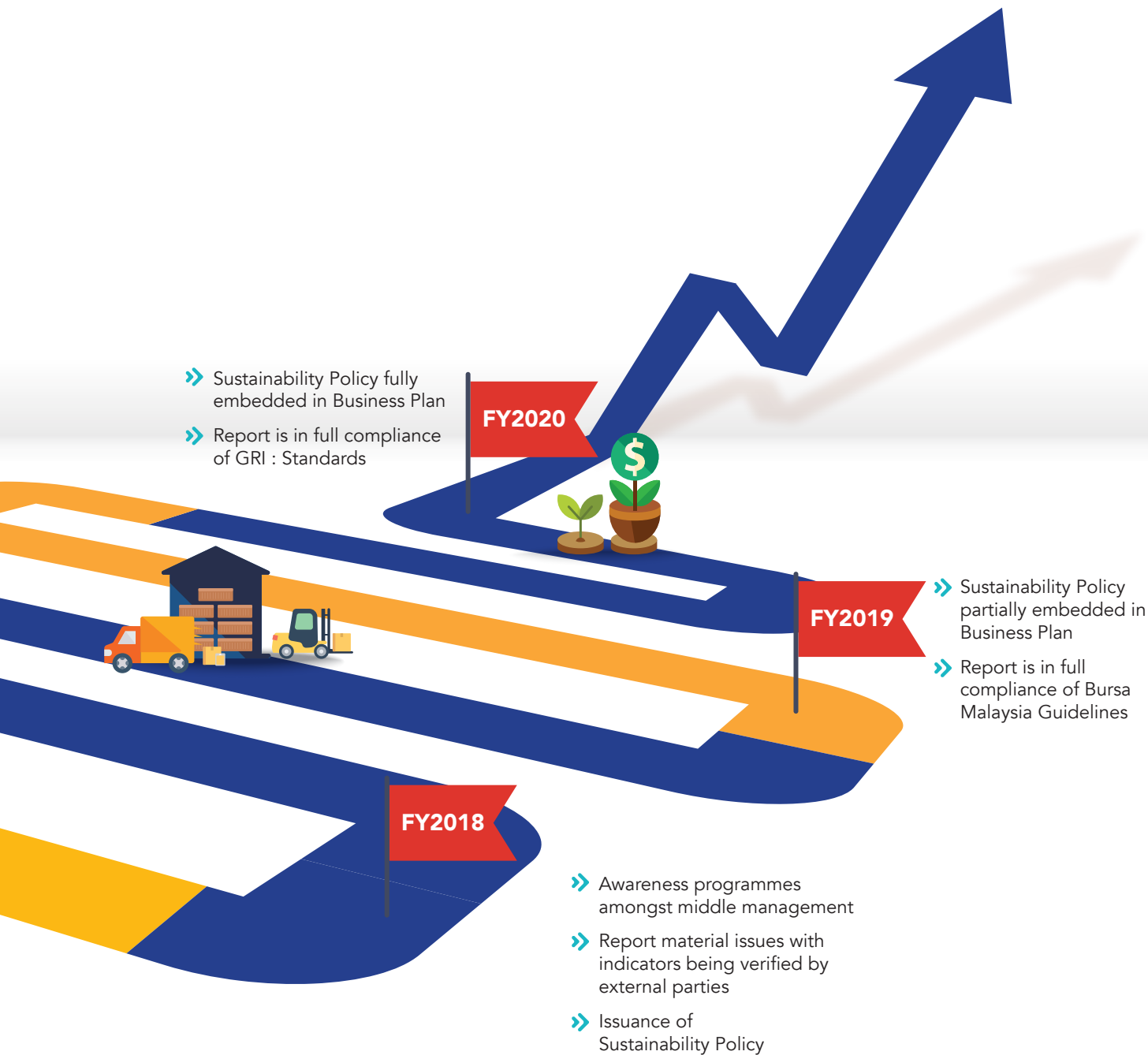
**FY2017**



**FY2016**

- » Setting the framework for sustainability
- » Reporting readily available information







# PHARMANIAGA OPERATION SITES

**1 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 : +604-4213 011, Fax : +604-4215 731

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

**3 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

**4 Pharmaniaga Research Centre Sdn Bhd**  
No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit  
Raja Selatan, Seksyen 7,  
40000 Shah Alam, Selangor  
Tel : +603-3342 9999, Fax : +603-3341 7777

**5 Pharmaniaga Logistics Sdn Bhd**  
No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit  
Raja Selatan, Seksyen 7,  
40000 Shah Alam, Selangor  
Tel : +603-3342 9999, Fax : +603-3341 7777

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

**7 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

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

**9 Bio-Collagen Technologies Sdn Bhd**  
No. 11, Jln Perindustrian Balakong Jaya 2/3,  
Taman Perindustrian Balakong Jaya 2,  
43300 Seri Kembangan Selangor Darul Ehsan  
Tel : +603-8959 9710 Fax : +603-8945 9910

**10 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

**11 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

**12 PT Millennium Pharmacon International Tbk**  
(HQ)  
Panin Bank Centre, 9th Floor, Jl. Jenderal Sudirman,  
Senayan, Jakarta, 10270 Indonesia  
Tel : +62-21727 88906/7, Fax : +62-21 722 8090

**13 PT Errita Pharma**  
(Bandung)  
Jalan Peundeuy, RT/RW 04/07,  
Desa Bojongsalam, Kecamatan Rancaekek,  
Kabupaten Bandung, Indonesia  
Tel : +62-22 794 9062/4, Fax : +62-22 794 9063



MALAYSIA

INDONESIA

# CHAIRMAN'S STATEMENT

02

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**  
CHAIRMAN

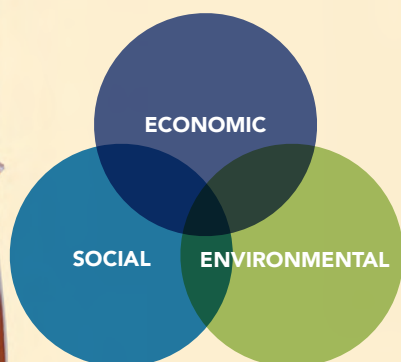




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## Inherent in our motto *Passion for Patients* is a promise to conduct our business sustainably

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### 3 KEYS OF SUSTAINABILITY

Sustainability is the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs. Pharmaniaga Berhad is the nation's largest integrated pharmaceutical group and we realise this is a position that comes with great responsibility towards the sustainability of not only our profits, but also our people and planet.

Inherent in our motto *Passion for Patients* is a promise to conduct our business sustainably, with the ultimate aim of improving the lives of patients and the medical practitioners who take care of them, while also creating a positive impact to the people we work with, the communities in which we operate and the environment we live in.

We are pleased to present our inaugural stand-alone Sustainability Report (Report), which provides a baseline snapshot of how we have integrated our sustainability philosophy into the way we conduct our business day-to-day.

In tandem with our Sustainability Vision of Spearheading Accessible Healthcare through Dynamic Growth, the Report summarises the Group's triple bottom line, namely sustainability commitments and practices across the three key areas of economic, environmental and social, undertaken by our key business units, excluding overseas operations.

# CHAIRMAN'S STATEMENT



## ECONOMIC

Beyond mere profit, we measure the success of our business by the economic multipliers it creates for the nation, particularly the extended ecosystem of businesses and communities associated with our operations.

Through successful programmes such as our Bumiputera Vendor Development Programme, Bumiputera Pharmacy Development Programme and RoyalePharma Alliance Programme, we provide excellent opportunities for growth and upskilling to local vendors and entrepreneurs, amongst others.

In tandem with our Halal drive, we provide people from all walks of life with access to affordable, high-quality products that conform to religious conventions as well as to strict pharmaceutical standards. In our bid to stay ahead of the curve and remain future-proof, we focus on Research and Development as a key growth driver for the Group.

### BUMIPUTERA VENDOR DEVELOPMENT PROGRAMME

### ROYALEPHARMA ALLIANCE PROGRAMME







# CHAIRMAN'S STATEMENT



## ENVIRONMENTAL



Larger than our role as business managers and employees at Pharmaniaga, we are first the parents and grandparents of future generations. Our desire to leave behind a thriving planet for our children and grandchildren involves our commitment to reducing the Group's environmental footprint. We address key environmental impact across our business enterprise, paying particular attention to the management of resources in our manufacturing process.

As part of the Group's drive to responsibly utilise resources and reduce waste, key environmental initiatives include our Recycling Packaging Material Programme, Environmental Monitoring Programme, Waste Reduction Programme and Energy Audit, amongst others. While we are proud of the tangible results achieved through these initiatives, we are doubly encouraged by how our employees have embraced the sustainability culture through these programmes.



### RECYCLING PACKAGING MATERIAL PROGRAMME

### ENVIRONMENTAL MONITORING PROGRAMME

### ENERGY AUDIT

# CHAIRMAN'S STATEMENT



## SOCIAL

No organisation exists within a social vacuum and we believe that our business should be a platform for the development of our most valuable asset: people. The ambit of Pharamniaga's people development initiatives goes beyond just our employees, it also extends to the communities in which we operate; and most importantly to the vibrant young talents of Malaysia.

As a caring and responsible employer, we strive to provide a safe and inclusive working environment for our employees, conducive to productivity and a world-class competitive workforce. We organise various initiatives such as nutrition talks, health checks and sports activities to inculcate healthier and more active lifestyles amongst our employees.

As a Group whose purpose is to help people live better, healthier lives, we actively engage with local communities to promote an active, healthy lifestyle, namely through programmes such as *Skuad Operasi Sihat Negaraku* as well as contributions to various beneficiaries. We help Malaysia nurture young talents in the pharmaceutical industry by helping them realise their potential through the Provisional Registered Pharmacists programme, on-the-job training for fresh graduates through *Skim Latihan 1Malaysia* and internship opportunities.

We are confident these initiatives have created intangible benefits for our employees and our community stakeholders, but we also know we can, and we will do much more to elevate the well-being of people whose lives we touch in our daily business.

KAMI SAYANG KAMU







# CHAIRMAN'S STATEMENT

## THE FUTURE

As we continue to operate in a fast-moving, ever-evolving business landscape, it is imperative that we maintain our strong focus on driving sustainable growth. Our commitment to enhancing our sustainability initiatives certainly bodes well for our business in the long-term, and we look forward to providing greater value to our stakeholders based on the triple bottom line of economic, environmental and social.

Moving forward, the Group intends to derive a strategic advantage by embracing sustainability as part of the business. These benefits will include new business opportunities through environmental friendly product innovations, enhanced brand value and reputation with customers and partners as well as strengthening risk management.

## ACKNOWLEDGEMENT

I would like to take this opportunity to express my deepest gratitude to the Board for their invaluable insight and leadership to the Group. To the management team and all members of the Pharmaniaga family, thank you for your unwavering commitment and dedication in driving Pharmaniaga forward as a sustainable business.

I would also like to thank the Group Sustainability Committee for their excellent work in producing this Report. Indeed, your dedication and hard work in setting tangible benchmarks for our Group's sustainable development is clearly demonstrated herein.

Last but not least, we would like to extend our heartfelt gratitude to the Ministry of Health as our key client, other customers, suppliers, partners, bankers as well as the relevant authorities in Malaysia and internationally for your steadfast support in our business over the years.



**TAN SRI DATO' SERI LODIN WOK  
KAMARUDDIN**

Chairman of the Board













# SUSTAINABILITY GOVERNANCE

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## 03

28 | Governance Structure

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# GOVERNANCE STRUCTURE

As part of our commitment towards sustainability, we established a clear governance structure for the Group, with the aim of protecting and enhancing the interests of our stakeholders and considering the interests of others such as our employees and the wider community. This structure ensures that the Group's sustainable development agenda is well-defined and relevant programmes are implemented throughout the year.

The committees within our sustainability governance structure are also responsible for highlighting business sustainability risks and ensuring measures are in place to adequately manage those risks. The Group's sustainability governance structure are as follows:

Sustainability Governance	Roles	Key Responsibilities
Board of Directors	 <b>Setting the tone</b>	<ul style="list-style-type: none"> <li>➤ Ultimately accountable for managing sustainability matters for Pharmaniaga.</li> </ul>
Board Sustainability Committee	 <b>Strategy and stewardship</b>	<ul style="list-style-type: none"> <li>➤ Review and approve sustainability policies and frameworks to establish the Group's commitment towards sustainable development.</li> </ul>
Sustainability Management Committee	 <b>Management and monitoring</b>  <b>Accountability and performance</b>	<ul style="list-style-type: none"> <li>➤ Recommend sustainability policies and framework to the Board Sustainability Committee.</li> <li>➤ Upon approval from the Board Sustainability Committee, implement and monitor progress of the Group's sustainability initiatives.</li> </ul>

## Board of Directors



Chairman:

**Tan Sri Dato' Seri Lodin Wok Kamaruddin**

Managing Director:

**Dato' Farshila Emran**

Members:

- Mohd Suffian Haji Haron
- Daniel Ebinesan
- Izzat Othman
- Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

## Board Sustainability Committee



Chairman:

**Daniel Ebinesan**

Members:

- Mohd Suffian Haji Haron
- Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

## Sustainability Management Committee



Chairperson:

**Dato' Farshila Emran**

Secretariat:

**Dr. Badarulhisam Abdul Rahman**

Members:

- Mohamed Iqbal Abdul Rahman
- Norai'ni Mohamed Ali
- Datin Shamsinar Hj. Shaari
- Abdul Malik Mohamed





The background of the page features a photograph of several large, flat, paper-cut human figures in red and blue. They are arranged in a line, holding hands, with their arms raised. The figures are set against a light, neutral background. A dark blue vertical bar is positioned on the right side of the page, containing the main title and chapter number. The overall design is clean and modern, emphasizing community and engagement.

# STAKEHOLDER ENGAGEMENT

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## 04




32 | Key Stakeholder Group

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# KEY STAKEHOLDER GROUP

Good corporate governance is the foundation to sustainability; and the cornerstone of good governance is transparency on how we conduct our business. We believe fostering relationships with our key internal and external stakeholders strengthens our Group and we ensure communication channels are kept open as designated representatives from all divisions consistently engage with key stakeholders through various mechanisms, including dialogues and meetings.

These engagements are vital to keep us on track towards our sustainability goals – they provide us important feedback and inspiration as we work together to address material sustainability issues.

Key Stakeholder Group	Engagement Type	Material Sustainability Issues
 Government & Regulatory Authorities	<ul style="list-style-type: none"> <li>• Dialogue sessions</li> <li>• Meetings</li> <li>• Correspondences</li> <li>• On-site inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Domestic investment</li> <li>• Jobs creation</li> <li>• Labour productivity</li> <li>• Environmental standards compliance</li> <li>• Occupational health &amp; safety standards compliance</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>• Customer care (call centre)</li> <li>• Customer satisfaction surveys</li> <li>• Dialogue sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Financial stability</li> <li>• Environmental protection</li> <li>• Human rights</li> <li>• Product responsibility</li> <li>• Corporate Social Responsibility</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>• Employee surveys</li> <li>• Internal communications</li> <li>• Engagement sessions</li> <li>• Campaigns</li> <li>• Recreational activities</li> <li>• Volunteer programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Economic contribution</li> <li>• Financial stability</li> <li>• Jobs creation</li> <li>• Environmental protection</li> <li>• Human rights</li> <li>• Training &amp; development</li> <li>• Employee welfare</li> <li>• Occupational health &amp; safety standards compliance</li> </ul>



Key Stakeholder Group	Engagement Type	Material Sustainability Issues
 Communities	<ul style="list-style-type: none"> <li>• Community health awareness programmes</li> <li>• Charitable contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Economic contribution</li> <li>• Jobs creation</li> <li>• Environmental protection</li> <li>• Corporate Social Responsibility</li> </ul>
 Providers of Financial Capital	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Quarterly reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Economic contribution</li> <li>• Regulatory Compliance</li> </ul>
 Supply Chain Partners	<ul style="list-style-type: none"> <li>• Periodic meetings</li> <li>• Dialogue sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement practices</li> <li>• Financial stability</li> <li>• Environmental protection</li> <li>• Corporate Entrepreneurship Responsibility (CER)</li> </ul>

We also believe that it is imperative to interact with stakeholders within the industry to ensure sustainability of the business. Through our membership and active participation in relevant industry organisations, we share and exchange ideas on best practices as well as learn from each other. Pharmaniaga has representatives in the following bodies at executive levels:

- Malaysia Organisation of Pharmaceutical Industries (MOPI)
- International Society of Pharmaceutical Engineering (ISPE), Malaysia Affiliate
- Contact Centre Association of Malaysia (CCAM)
- Department of Standards Malaysia (Standards Malaysia)





# MATERIAL SUSTAINABILITY

## 05

36	Themes and Indicators
37	Materiality Matrix



# THEMES AND INDICATORS



## ECONOMIC

- Liquidity of the Group's Finances
- Branding of the Group
- Procurement Practice
- Backing local businesses
- Expansion and Growth
- Product and Service Innovation



## ENVIRONMENTAL

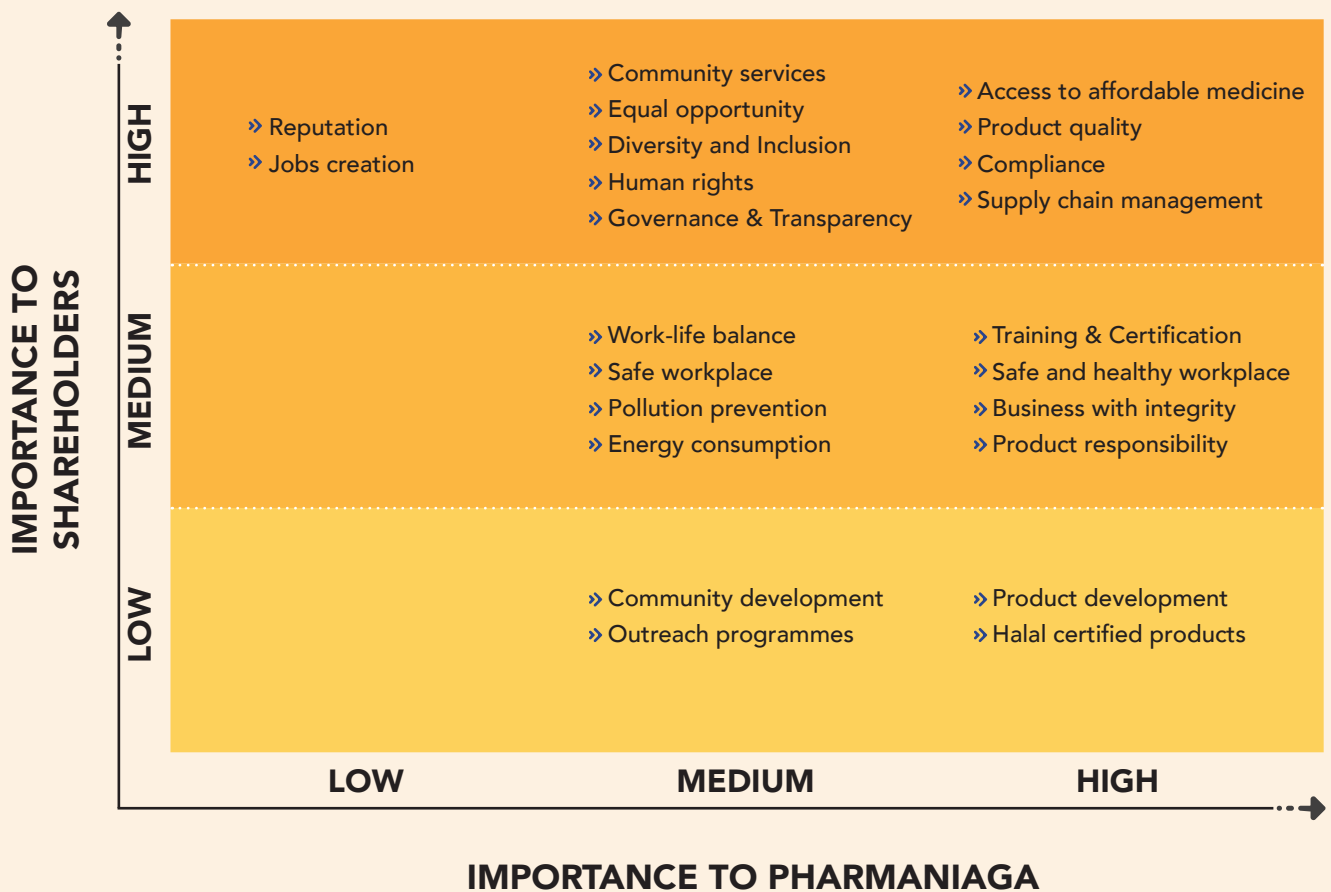
- Environmental Monitoring
  - Waste water
  - Gas emission
  - Scheduled waste
- Efficient use of electricity
- Recycling Reuse Reduce programme



## SOCIAL

- Employment Benefits
- Training & Development
- Work-life balance
- Human Rights Advocacy
- Safety & security
- Social and welfare contribution
- Diversity

# MATERIALITY MATRIX









# 3 KEYS OF SUSTAINABILITY

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## 06

40	Economic
46	Environmental
50	Social

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# ECONOMIC

Pharmaniaga strongly believes that business growth and sustainability are not mutually exclusive. We frame our business decisions based on the long-term benefits that our strategy will bring about, beyond simply remaining in the black. Our long-term plans strike a balance between profitability and the greater good that the Group is able to achieve, including providing affordable healthcare for patients, improving standards for generic pharmaceutical products and medical devices and generating wealth for others in our business eco-system.







## STRIKING A BALANCE BETWEEN PROFITABILITY AND PROVIDING AFFORDABLE HEALTHCARE TO PATIENTS

### PROVIDING AFFORDABLE & QUALITY HEALTHCARE

At Pharmaniaga, our core business is to provide quality, affordable pharmaceutical products and services to patients, making it easier for people across all segments of society to receive first-rate treatment and live their best lives.

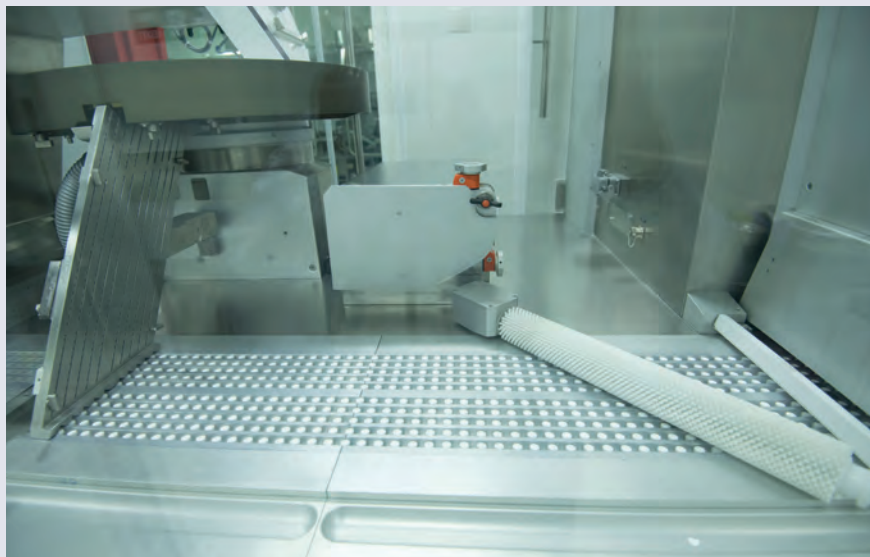
We are committed to improving the sustainability of our products through the lifecycle management process as well as ongoing collaborations with internal and external stakeholders. In the coming years, we are confident that the generic medicine market will expand as an increasing number of brand name medicines come off patent.

In our bid to provide more affordable medicine for Malaysians, we signed a collaboration agreement with one of the largest manufacturers of pharmaceutical products in Egypt and Drugs for Neglected Diseases Initiative, a Swiss-based non-profit drug research and development organisation, to supply new Hepatitis C treatment regimes. Fully supported by the Ministry of Health, this collaboration facilitates access to safe, effective and affordable treatment for patients in Malaysia.



## 3 KEYS OF SUSTAINABILITY

### - ECONOMIC



#### **COST OPTIMISATION**

To boost profitability, the Group implemented multiple ongoing cost optimisation initiatives. These comprise yield-enhancement activities through production process improvement and pricing reduction for selected raw and packaging materials.

Our capacity improvement initiatives involved the commissioning of three new machines that allowed for simultaneous improvements in production output and changeover time.

Various negotiations were undertaken with vendors and procurement methods were analysed and made more efficient.

As a result of initiatives such as these, we recorded cost savings of more than RM4 million during the year. In keeping with our motto of *Passion for Patients*, we strive to manufacture products of superior quality at competitive prices.

#### **VENDOR DEVELOPMENT**

In line with our commitment to invest in our nation's economy, we believe in contributing to vendor development as vendors play a significant role in our business. In tandem with this, we have established Vendor Development Programmes in collaboration with Ministry of International Trade & Industry (MITI) to ensure that our local vendors and entrepreneurs receive strong support.

In addition, we have various initiatives in place such as the Domestic Investment Strategic Fund, the Vendor Financing Programme and site visits.



Various training programmes were also organised, the costs of which were borne by the Group. The programmes covered topics ranging from Lean Manufacturing to Safety & Health and Sales & Marketing. Product diversification and research grant opportunities were also introduced in collaboration with SIRIM and MITI.

Our initiatives proved successful as four of our vendors were selected as Regional and National champions during MITI's Vendor Development Programme Awards. Only nine vendors under the programme received these awards.

#### **DRIVING INNOVATION**

Research and Development (R&D) is a key growth driver for Pharmaniaga and we are committed to ensuring the quality, safety and efficacy of our products through clinical trials. To date, there are more than 65 products



that meet the required bio-equivalent status with several more in progress across all sites.

Our R&D efforts continue to be a significant priority for the Group. Our impressive total of over 50 products under development was boosted with the approval of more than eight products by the National Pharmaceutical Regulatory Agency (NPRA) in 2017, ranging from various forms including injectables and solid dosage. We remain on-track to develop over 250 products by 2024.

Our plant in Puchong is the first pharmaceutical plant in Malaysia to install and commission freeze drying technology for the lyophilisation of small volume injectable pharmaceutical products. Due to our latest technological advancement, we will be adding more than five products including anti-ulcer, anti-bacterial, anti-fungal and analgesic products which will enhance our



current therapeutic range. Dossiers of key products were submitted to the NPRA in 2017, with commercialisation anticipated to begin in 2018.

We have also commercially introduced SweetRoyale Stevia, an anchor product of community pharmacy. This product is a natural sugar-based sweetener and low-calorie sugar substitute. We introduced this product in support of the Government's initiative to combat the rising prevalence of diabetes and obesity amongst Malaysians.

In line with the Government's objectives of developing high-value, quality herbal products, the Group is developing phytomedicines backed by scientifically-proven medicinal claims. Potential herbs are screened, identified, selected and then developed into products. To date,

we have two phytomedicine projects based on local herbs, namely Kacip Fatimah (KF) and Patawali.

The KF project, which began as a collaborative effort with the Ministry of Science, Technology and Innovation and Universiti Sains Malaysia, is also currently supported by Boustead Estates Agency Sdn Bhd and the University of Nottingham. Project activities include plant cultivation and propagation, development of standardised water extract, preclinical studies, product development, prototype manufacture, pre-clinical trials and the commercialisation of KF as a phytomedicine.

## 3 KEYS OF SUSTAINABILITY

### - ECONOMIC

In 2016, our KF extraction method, 'Optimised Extraction Process for Obtaining *Labisia Pumila* Extract', was granted a patent by the US Patent and Trademark Office, supporting our claim that the extraction method is unique and produces high-quality extracts. We plan to market our patented KF extract locally and internationally and to patent other aspects of this project, such as the formulation of the finished product, manufacturing processes and other key steps.

The Patawali project, a collaborative effort with Forest Research Institute Malaysia and *Universiti Putra Malaysia*, has seen the successful completion of preliminary preclinical studies. Currently, the team is working towards further preclinical studies, product development, prototype manufacture, clinical trials and ultimately the commercialisation of Patawali as a phytomedicine with scientifically-proven medicinal claims. We will continue to work closely with local and international partners to develop our phytomedicines and plan to implement many more phytomedicine projects in the near future.

### OUR HALAL DRIVE

Our drive to be the premier 'Global Halal Pharmaceutical Provider' has become a major market advantage for the Group due to the growing demand for Halal certified products amongst Muslim consumers and increasingly, non-Muslim consumers alike.

The Halal certification of our products is a hallmark of quality and safety, as they must fulfil Halal requirements as well as stringent Good Manufacturing Practice guidelines. We work closely with the Department of Islamic Development Malaysia (JAKIM), the body issuing Halal certifications, to ensure our products are manufactured in hygienic working environments, using only Halal certified materials, in line with Islamic principles.

Pharmaniaga began its Halal journey in 2013, a voluntary initiative by the Group and reflected in our vision to become a Global Halal Pharmaceutical manufacturer. Through the setting up of a Halal Committee, the Group established a Halal Certification Programme and implemented a Halal Assurance Management System, which provides clear guidelines on Halal standards for employees.

#### *The Halal Certification Process: Locally-Manufactured Products*





## THE HALAL CERTIFICATION PROCESS: LOCALLY-MANUFACTURED PRODUCTS

Pharmaniaga's internal Halal Committee trains all employees to understand the requirements of the Halal Assurance Management System and conducts awareness training sessions as well as Internal Halal Audits and review processes to ensure full Halal compliance. To strengthen the competencies of our Halal Committee, 11 representatives from Pharmaniaga attended the 2017 Professional Halal Executive Training Programme organised by the Institute of Halal Research and Management.

We are pleased that as of December 2017, Pharmaniaga has more than 90 products which are Halal certified and another 150 products on course for certification by end-2019.

Building upon the success of our Halal certification programme, Pharmaniaga is now in next-level collaboration with JAKIM and Standards Malaysia to develop the Malaysian Standard for Halal Medical Devices – General Requirements. Once completed, the Standard will enable us to pursue Halal certification for the collagen medical devices for wound management application produced by our subsidiary, Bio-Collagen Technologies Sdn Bhd, opening up another platform for us to expand our Halal operations.

## COMMUNITY PHARMACY

We empower pharmacists through the Bumiputera Pharmacy Development Programme, which enables independent Bumiputera pharmacy owners to scale up their entrepreneurship skills and expand their business network. We also provide our pharmacists with the opportunity to manage all seven RoyalePharma outlets. These outlets offer health check-ups and have promotional booths at selected areas with the aim of boosting our brand and raising product awareness.

The Bumiputera Pharmacy Development Programme guides pharmacists to expand their role beyond the conventional dispensing function. Pharmacists are trained to practise patient-centred care, which includes medication management and health and wellness education. To fulfill the growing role of pharmacists today, they also receive training on managing people, inventory and expenses, as well as improving their quality of service, including personalised customer service.

Pharmaniaga conducts training sessions and provides opportunities to independent Bumiputera pharmacies to expand their business network through our Bumiputera Pharmacy Development Programme.

In a bid to reach out to more independent pharmacies, our RoyalePharma Alliance Programme has expanded to include more than 130 members across the nation. We offer Alliance members a wider range of products through central procurement at competitive prices.





# ENVIRONMENTAL

Responsible management of our environmental footprint is a key component of our sustainability philosophy. Pharmaniaga is fully committed to preventing or minimising our impact on the environment through innovation, efficient use of natural resources and reducing emissions and waste, in order to preserve our eco-system for future generations.



# WE PRACTISE THE RECYCLING OF PAPER, PACKAGING MATERIALS & WOODEN PALLET ACROSS ALL SITES



## **OPTIMAL USE OF RESOURCES**

The production of pharmaceutical products require resources such as electricity, water and other materials. We endeavour to use them as efficiently as possible.

We practise the recycling of paper, packaging materials and wooden pallets across all sites. All employees are encouraged to reduce everyday usage of paper and office appliances. We also place recycling bins at all our sites to encourage recycling across the Group.

## **COMPLIANCE**

Our manufacturing facilities are in full compliance with the Environmental Quality (Clean Air) Regulations 2014. Various Government authorities such as the Department of Environment (DOE) Malaysia and the Department of Occupational Safety and Health (DOSH) Malaysia inspect and certify our gensets, boilers and chimneys on a periodic basis.

Across all our manufacturing sites, trained and qualified personnel closely monitor all emissions such as air and water discharge. Further to this, we have Emission Management Competency training programmes in place to ensure our teams are fully aware of the requirements that need to be complied with.



## 3 KEYS OF SUSTAINABILITY - ENVIRONMENTAL

We performed energy audits at four of our manufacturing plants, Pharmaniaga Manufacturing Berhad in Bangi, Pharmaniaga LifeScience Sdn Bhd in Puchong, Idaman Pharma Manufacturing Bhd in Seri Iskandar and Sungai Petani. As a result of our energy efficiency efforts, the Group was awarded with an energy audit grant from Malaysia Green Technology Corporation.

In accordance with local regulations, we ensure that our sewage and waste water treatment processes are fully compliant with ISO 14001:2015 requirements.

Our internal and external transporters such as trucks and trailers are certified by the Malaysian computerised vehicle inspection company (PUSPAKOM) and emissions from these vehicles are within regulatory limits.

In order to minimise greenhouse gas emissions, we reduced unnecessary boiler operational time, utilised gas boilers with clean emissions and converted existing refrigerant systems to operate on non-CFC refrigerants.

### ENERGY-SAVING MEASURES

We implemented certain modifications and reconfigurations of critical utilities to enhance energy efficiency. To reduce energy consumption, we conducted various initiatives such as installation of LED lighting, planned plant shutdowns during low-demand periods, reviewing temperature requirements to optimise temperature settings, replacing existing equipment parts with newer energy-



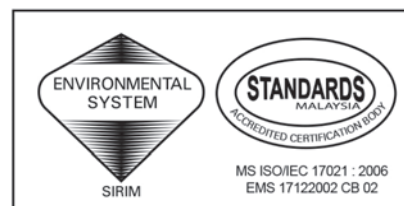
efficient parts and purchased hybrid vehicles. These initiatives enabled us to generate savings on energy costs during the year.

Future measures we will be undertaking include upgrading compressor dryers and installation of energy-efficient chillers.

### INCULCATING A GREEN CULTURE

To inspire an environmentally-conscious culture amongst our employees, we have implemented several green initiatives throughout the Group. This includes banning the usage of polystyrene across all sites. We also encourage our employees to reduce the use of disposable plastic bottles and plastic cups by installing water dispensers for them to fill their own reusable bottles.

We are currently looking into using biodegradable packaging materials and office appliances to create a greener work environment.



CERTIFIED ISO 14001 : 2015







OTHER MEASURES  
INCLUDED UPGRADING  
COMPRESSOR DRYERS,  
INSTALLATION OF  
LED LIGHTING AND  
INSTALLATION OF  
ENERGY-EFFICIENT  
CHILLERS



# SOCIAL

At Pharmaniaga, our social pillar of sustainability includes the equitable treatment of our employees, meaningful investment in communities, as well as ethical business operations and leadership. We recognise people, community and society as social capital, essential to the longevity of the Group. In particular, we strive to provide our employees with a dynamic, safe environment where they may realise their potential. We also invest in the health and well-being of local communities and lend a helping hand to young Malaysian talents. Above all, we conduct our business based on the highest ethical standards and in strict compliance with laws and regulations at all levels of our operations.







**WE WILL CONTINUE TO  
EMBRACE HUMAN CAPITAL  
DEVELOPMENT INITIATIVES**

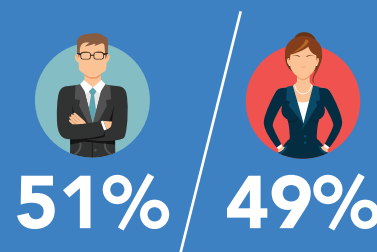
## OUR PEOPLE

Our human capital - the dedicated men and women who are part of our team at Pharmaniaga - is our greatest strength. We reward their passion towards building a sustainable business by nurturing their skills and capabilities. This enables them to adapt to a rapidly-evolving healthcare industry. Coupled with providing them with a safe and dynamic workplace, this allows our people to be the best that they can be.

We are pleased that active engagements with our close to 2,000-strong Malaysian workforce has resulted in our employees embracing our Group's philosophy, *Passion for Patients*. This affirmation is reflected in our team's clear commitment and dedication to our motto in their respective roles.

 **2,000**  
Strong Malaysian  
Workforce

### Gender Balance



## 3 KEYS OF SUSTAINABILITY

### - SOCIAL

Our organisational culture is driven by the values of equal opportunity, dignity and respect. We are committed to ensuring diversity and gender balance throughout the Group. In line with the Government's call to increase the involvement of women in the corporate field, we have achieved more than 60% total involvement of women in our Senior Management team.

#### DEVELOPING OUR TALENT POOL

As our most valuable asset, we believe that our employees should be given the opportunity to continuously enhance their capabilities. To encourage long-term career development, drive a top-performance work culture and improve retention rate amongst our employees, we offer a wide range of learning and development programmes, including certification training as well as workshops for our people to acquire the necessary tools and techniques to be effective managers and leaders.



**RM1.3** Million

**INVESTED INTO  
TALENT DEVELOPMENT  
PROGRAMMES**

Throughout the year, the Group invested over RM1.3 million in talent development programmes. As part of this, employees participated in in-house and external training sessions emphasising technical and soft skills, at an average of 96 training hours per employee. As a result of these programmes, our employees were able to improve their technical and leadership skills and ultimately deliver stronger results.



#### INSPIRING HEALTHIER LIFESTYLES

As a pharmaceutical company whose core purpose is to improve the lives of others, we believe our motto of *Passion for Patients* should start at home, namely amongst our own employees. Across the Group, we introduced *Program Komuniti Sihat Perkasa Negara (KOSPEN PLUS)*, an initiative launched by the Ministry of Health to address the worrying increase of non-communicable disease cases in Malaysia. Through this programme, we encouraged our employees to adopt a healthy and active lifestyle and maintain a productive work-life balance.

In 2017, we organised several nutrition talks aimed at driving home the importance of good nutrition amongst our employees. During these sessions, participants gained practical knowledge, including how to prepare wholesome meals and monitor their daily calorie intake. The programme is in line with the Government's MyNutri Diari initiative, an interactive application which helps employees keep a close watch on calorie count in their daily meals.



Weight management is a key enabler to leading a healthy lifestyle and preventing non-communicable diseases. Over the year, we provided our employees with professional health assessments, talks on weight management and easy access to exercise programmes including weekly Zumba, Fitness and Yoga classes as well as brisk walks.

Based on the positive feedback from our employee engagement survey, we were pleased to note that all these initiatives were well-received. We are confident that encouraging our employees to lead active and healthy lifestyles will ultimately result in a highly-engaged and motivated workforce.





## CARING FOR OUR PEOPLE

Apart from competitive remuneration packages and benefits, we provide our employees with attractive incentives, including financial support to those who wish to pursue post-graduate degrees or professional qualifications. Employees also enjoy other benefits such as birthday leaves, car loan subsidies, meal subsidies and RoyalePharma vouchers.

Pharmaniaga's strong commitment to human capital development has earned us several human resources awards, including Malaysia's 100 Leading Graduate Employers Awards (Winner of Pharmaceutical Sector Category), *Anugerah Majikan 1Malaysia* (Syarikat Besar/GLC) and *Anugerah Majikan Berdaya Saing Global*, as well as Commitment to High Performance Culture Award and Commitment to Employer Brand Award by AON Best Employer Award.

We are delighted that our strong people practices have made a positive impact on employees, graduates and even students. We will continue to embrace human capital development initiatives even as we operate in an increasingly competitive marketplace.



## 3 KEYS OF SUSTAINABILITY

### - SOCIAL

#### Cultivating a Safe and Healthy Workplace

Accident Rate in FY17

GRI	Sites	Bangi	Puchong	Sungai Petani	Seri Iskandar	Juru	Sabah	Sarawak	Bukit Raja
<b>Injury Rate</b> (Total staff x total injury/100)		-	2.07% (3 injury)	42.4% (1 injury)	4.96% (2 injury)	-	-	-	73.48% (11 injuries)
<b>Lost Days Injury</b>		-	21.5	25	31	-	-	-	-
<b>Fatalities</b>		-	-	-	-	-	-	-	-
<b>Report Unsafe Condition</b>		-	3	10	80	2	1	-	4

1 January 2017 – 31 December 2017

Our business cannot be sustainable without protecting the safety, health, and welfare of our most vital resource: our team. Occupational health and safety is a fundamental priority in our employee value proposition. To this end, we work very hard to cultivate a Safety-First culture at our workplace. Pharmaceutical manufacturing, laboratory activities, equipment maintenance and logistics carry inherent risks associated with chemicals and machinery.

We are committed to ensuring that our employees are not exposed to these risks. As a result of our occupational health and safety best practices, we are fully compliant with OHSAS 18001:2007.

To inculcate a safety mindset amongst our employees, we conduct various interactive activities including training sessions, workshops, safety briefings, health checks, workplace inspections, the implementation of a lockout-

tagout system, security best practices and many more. We also conduct regular campaigns and programmes such as Safety at Work Campaign, Quit Smoking Programme, Blood Donation Drive and *Jom Kurus 1Malaysia* (JK1M) Programme.

We collaborated with the Fire Department to organise fire drills, fire extinguisher trainings as well as Emergency Response Team exercises in 2017. These preparedness initiatives ensure that our employees can quickly and methodically respond to any crisis or emergency within our operations.

Ultimately, the Safety-First culture begins with safety leadership. As leaders in the Group, the Pharmaniaga management team is resolute in its promise to diligently maintain a healthy and safe workplace for our employees at all times.





## PRIORITISING COMPLIANCE

Pharmaniaga recognises that as a pharmaceutical company responsible for providing affordable medicines and healthcare devices, primarily to Government hospitals, we operate within a highly regulated environment that demands strict adherence to quality, safety and efficacy requirements, as well as Halal standards. Compliance to these regulations is non-negotiable within our production and logistics value chain. We ensure this through regular audits and cultivating a compliance culture amongst our employees.



Our Regulatory Compliance Team is responsible for monitoring and improving the compliance level of all manufacturing, logistics and pharmacy outlets (RoyalePharma) within the Group. In 2017, we conducted numerous audits as per the following:

Year / Type of audits	Good Manufacturing Practice (GMP)	Good Distribution Practice (GDP)	Good Distribution Practice for Medical Device (GDPMD)	Pharmacist Type A License (RoyalePharma)
2017	11 audits	8 audits	16 audits	16 audits

To instill a culture of compliance amongst our employees, we introduced the Do It Right Campaign (DIRC) in 2015, which involves all employees of Pharmaniaga at all sites.

As a follow-up to this, in January 2016 we launched the Do It Right First Time (DIRFT) campaign as a continuation of DIRC. This campaign, which ended in December 2017, promotes a quality-management concept where defect prevention is more advantageous and cost-effective than defect detection and associated work. In manufacturing and logistics, the DIRFT culture enhances product quality, reduces cycle time and improves supply chain management.

We also established the *Kenali Saya* programme as part of the DIRFT campaign to strengthen *esprit de corps* amongst teams and encourage a harmonious working environment. Through the programme, we introduced initiatives such as email blasts for birthdays and new hires, as well as teambuilding activities.

DIRFT initiatives executed on a weekly and monthly basis included internal communications, trainings and workshops, webinars, talks, briefings, dialogues, competitions, health programmes and awards.



## 3 KEYS OF SUSTAINABILITY - SOCIAL

### BUSINESS WITH INTEGRITY

Pharmaniaga is committed to conducting business with integrity and we adopt a zero-tolerance policy against corruption at all levels. Our commitment to anti-corruption is clearly stated in our Group's Code of Conduct as well as in agreements with third parties. We strictly adhere to all relevant laws and regulations. During townhall meetings with our employees, we strongly emphasise our anti-corruption and anti-bribery policies.

We have a whistleblowing policy in place which enables employees and other stakeholders to raise any concerns regarding suspected breaches, illegal behaviour or non-compliance without risk of reprisal. All reports of wrongdoings and similar information received are treated with strict confidentiality in order to protect the identity of the individual reporting. An individual who raises a concern under the policy shall not be at risk of losing their job or suffer any form of retribution, provided that:

- The disclosure is made in good faith;
- The reporting individual believes that the information and any allegations contained in it are substantially true; and
- The reporting individual is not acting for personal gain.

As part of our continuous improvement for our anti-corruption policies, we ensure that all employees undergo an induction session that includes a briefing on our Code of Conduct.

### PROTECTING HUMAN RIGHTS

Everyone should be treated with dignity and respect and Pharmaniaga conducts our business in a manner consistent with this principle. The Group complies with all relevant employment and human rights laws and regulations. We fully acknowledge our responsibility to respect our employees' rights in accordance with the Government's Declaration of Human Rights.

All employees have access to the Employee Handbook and Code of Conduct which clearly define the scope of the Group's ethical responsibilities. Our suppliers are expected to do the same, as stated in our agreements with them.





### CULTIVATING HEALTHIER, HAPPIER COMMUNITIES

Pharmaniaga recognises that as the nation's leading pharmaceutical company, we are uniquely positioned to positively impact society, especially in our contributions towards healthier and more vibrant local communities.

To this end, we established a community health programme known as *Skuad Operasi Sihat Negaraku* (SOSN). The programme provides accessible healthcare to the public through complimentary health education, counselling services and basic medical screenings. SOSN offers three types of health checks, namely Body Mass Index (BMI), blood pressure and blood glucose reading as well as body weight and height measurement.

In 2017, SOSN actively mobilised volunteers and participated in road shows as part of the Ministry of Health's *Kenali Ubat Anda* campaign. This campaign aimed to educate the public about responsible consumption of medicines and over-the-counter products available in the market.

Through SOSN, the Group invested over RM800,000 into 48 programmes involving close to 7,000 participants nationwide.

Year	No. of Programmes	No. of Participants	Investment
 2017	 <b>48</b>	 <b>7,000</b>	 <b>Over RM800,000</b>







During the year, Pharmaniaga contributed close to RM3 million to charitable causes supporting underprivileged individuals, orphanages and schools.

**Year 2017** **Total charitable investment RM3 Million**

The Group also contributed donations in kind towards various institutions and communities in need, such as the Orang Asli Community in Pahang and flood victims in Penang, Kedah, Kelantan and Sabah, amongst others. Donations included apparels, cleaning equipment for flood victims, medical supplies and many more.

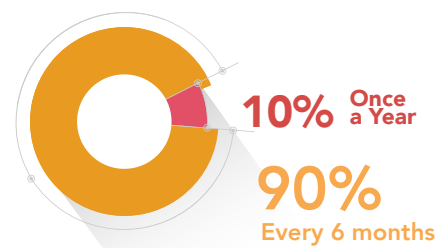
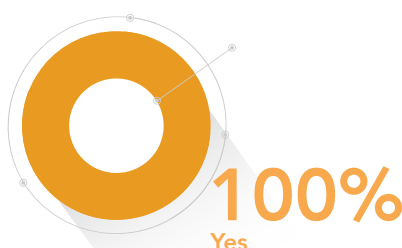


We also conducted a survey amongst the beneficiaries of SOSN to measure the impact of our programme on selected communities and gain feedback for continuous improvement. A total of 682 respondents participated in the survey, which produced highly positive results.

Pharmaniaga will continue to organise programmes and initiatives that help Malaysians lead better, healthier lives, as part of our commitment as a responsible corporate citizen.

Would you like us to continue organising this programme?

If Yes, how frequently?



## 3 KEYS OF SUSTAINABILITY

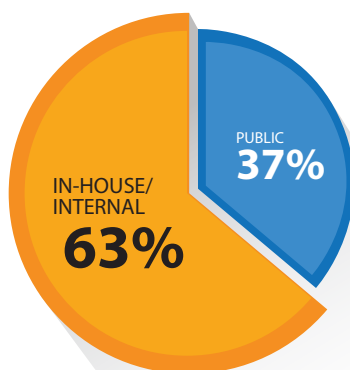
### - SOCIAL

#### NURTURING YOUNG MALAYSIANS

The oft-repeated proverb, "today's youth are our future world leaders" remains true at Pharmaniaga. We ensure that our social investment programme includes efforts to nurture talents in the pharmaceutical industry. In line with our Government's objective to build a capable talent pipeline for the future, we offer training for Provisional Registered Pharmacists (PRP). We take pride in the fact that Pharmaniaga is amongst the selected few companies in Malaysia approved by the Pharmacy Board Malaysia to recruit PRPs.

To enable young pharmacy students to learn more about their career prospects, we participated in career talks and fairs throughout the year, both locally and internationally. In addition, we provided on-the-job training for 56 fresh graduates through *Skim Latihan 1Malaysia* (SL1M). Through our internship placement programme, as many as 137 undergraduate students from various universities were able to gain exposure to the workplace environment. Ultimately, these training opportunities equip fresh graduates and undergraduate students with invaluable experience to kick-start their careers.

We continued our efforts to encourage academic excellence by recognising the achievements of top students in the fields of pharmacy and medical sciences. In 2017, we provided monetary aid to local universities through Convocation Awards, Book Prize Awards and other educational sponsorships in recognition of outstanding academic achievements in these fields.



PERCENTAGE OF  
COURSE FEES BY  
TRAINING SESSIONS

NO. OF  
SL1M TRAINEES

# 56



NO. OF  
INTERNS

# 166









## 3 KEYS OF SUSTAINABILITY

### - SOCIAL





Our support for academic excellence also extended to the families of our employees. As many as 210 children, whose parents are Pharmaniaga employees, achieved outstanding results in *Ujian Pencapaian Sekolah Rendah (UPSR)*, *Pentaksiran Tingkatan 3 (PT3)* and *Sijil Pelajaran Malaysia (SPM)* examinations and were recognised during our Excellent Academic Achievement Awards ceremony in 2017.

## PRODUCT RESPONSIBILITY

As a leading pharmaceutical company, we are committed to the health and safety of our customers. We ensure that our customers receive accurate information for our products and services. Our marketing communications materials observe all regulations set by the relevant authorities. We also adhere to the principles of the Malaysian Organisation of Pharmaceutical Industries and the Code of Pharmaceutical Marketing Practices on Prescription (Ethical) Products.

As a clear demonstration of our commitment to customer service, Pharmaniaga's Customer Care was amongst the finalists for 'Best In-House Inbound Contact Centre' in the 18th National Contact Centre Awards 2017. This recognition highlights our dedication towards providing the best service possible for our customers.

## Stay In Touch



pharmaniaga.com



pharmaniagaberhad



@pharmaniagaberhad



pharmaniaga berhad (official)

## WHISTLEBLOWING

Our whistleblowing channel is as below:-



Email : **alert@pharmaniaga.com**



Please scan







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