

RESHAPING
OUR FUTURE

A Step Towards SUSTAINABILITY



INSIDE THIS REPORT

ABOUT THIS REPORT	2
LEADERSHIP STATEMENT	5
ABOUT PHARMANIAGA	13
SUSTAINABILITY AT PHARMANIAGA	23
DELIVERING SUSTAINABLE VALUE	45
OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS	49
GOAL 1 Delivering Sustainable Value and Future-Proofing the Business	50
GOAL 2 Acting with Integrity	64
GOAL 3 Achieving Operational Eco-Efficiency	70
GOAL 4 Creating a Sustainable and High-Performance Workforce	92
GOAL 5 Building a Better Society	110
OTHER INFORMATION	121



NAVIGATION ICONS

6 CAPITALS

 Financial Capital

 Human Capital

 Manufactured Capital

 Intellectual Capital

 Natural Capital

 Social & Relationship Capital

KEY RISKS

 Business Risk

 Financial Risk

 Environmental Sustainability Risk

 Cybersecurity Risk

 Legal and Regulatory Risk

STAKEHOLDER GROUPS

 Government Agencies & Regulatory Authorities

 Customers

 Employees

 Supply Chain Partners

 Providers of Financial Capital

 Media

 Communities

MATERIAL MATTERS

 1 Business Continuity

 2 Technology & Innovation

 3 Customer Satisfaction

 4 Sustainable Products & Services

 5 Corporate Governance & Business Ethics

 6 Environmental Compliance

 7 Resource Efficiency

 8 Greenhouse Gas & Climate Change

 9 Talent Management

 10 Health & Safety

 11 Supporting Local Businesses

 12 Corporate Responsibility

7 STRATEGIC PILLARS

 Establishing the Premier Integrated Logistics & Distribution Dominance

 Research & Development in Healthcare for Sustainable Growth

 Develop Biopharmaceutical Capabilities

 Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing

 Strengthen Footprints in International Ventures via Focus Countries

 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation Reinforce Human Capital through

 Reinforce Human Capital through Capability Building for Superior Performance

UNSDGs

We continue to align our sustainability programmes with United Nations Sustainable Development Goals (UNSDGs) and prioritise the following goals to ensure our business is environmentally, socially and economically sustainable.



ABOUT THIS REPORT

Welcome to Pharmaniaga Berhad's 7th Sustainability Report (Report). This Report shares the sustainability journey of Pharmaniaga and its subsidiaries (Pharmaniaga).



This Report details how Pharmaniaga strove to embed sustainability in all its business activities and operations in 2022. It provides a detailed account on our sustainability initiatives and programmes, as well as disclosures on our sustainability performance in economic, environmental, social and governance contexts. To provide balanced reporting, this Report includes our achievements and challenges, as well as the key areas that needs further improvements.

This Report elaborates in detail the Sustainability Statement in Pharmaniaga's Integrated Report 2022. Stakeholders are encouraged to read this Report together with Pharmaniaga's Integrated Report 2022, Pharmaniaga's Corporate Governance Report 2022 and other publicly available resources such as corporate policies for a comprehensive understanding on our sustainability and value creation journey.

SCOPE AND BOUNDARIES

This Report covers the sustainability performance and progress of all our subsidiaries in Malaysia and Indonesia, except for the following companies due to their dormant state:

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

The reporting period for this Report is 1 January 2022 to 31 December 2022, consistent with Pharmaniaga's financial reporting year, unless otherwise stated. The last Sustainability Report was published in April 2022.

Where relevant and available, this Report includes a three-year performance quantitative data for comparison. All monetary values are reported in Ringgit Malaysia (RM), aligned with the Malaysian Financial Reporting Standards.

REPORTING STANDARDS

This Report has been benchmarked against best industry practices and aligned with national and global sustainability frameworks. This Report meets the requirements of Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements on Sustainability Reporting. This Report is prepared with close reference to:

- Bursa Malaysia Sustainability Reporting Guide (3rd Edition)
- Global Reporting Initiative (GRI) Standards 2021
- FTSE4Good ESG Indicators
- Task Force on Climate-related Financial Disclosures (TCFD)
- Sustainability Accounting Standards Board (SASB)

The disclosures in this Report are aligned with the United Nations Sustainable Development Goals (UNSDGs), where applicable, underlining our commitment and contribution to the 17 sustainable global goals.

Greenhouse Gas emissions data in this Report have been calculated according to the World Business Council for Sustainable Development and World Resources Institute's GHG Protocol. The calculation method included global warming potential values from the Intergovernmental Panel on Climate Change's Fifth Assessment Report. Conversion unit factor retrieved from Elementary Principles of Chemical Processes (3rd Edition) whereas for energy consumption conversion factor from Engineering Toolbox, (2008). Fossil and Alternative Fuels - Energy Content.

ASSURANCE

This Report is assured by SIRIM QAS International Sdn Bhd in accordance with Internal Standard on Assurance Engagements (ISAE) 3000. Internally, this Report has been reviewed by the Sustainability Working Group and deliberated by the Sustainability Management Committee before being reviewed and approved by the Board Sustainability Committee and the Board of Directors.



Please turn to page 139 for the full Assurance Statement.

ENHANCEMENTS IN 2022

We are committed to improving our Sustainability Report year after year to ensure the credibility of our reporting practices and to meet reporting disclosure requirements. This year, we enhanced and included several topics and sections to further bolster our Report and align with the latest reporting standards:

SECTION/ TOPIC	ENHANCEMENT/ REASON FOR INCLUSION	WHERE IT CAN BE FOUND
Task Force on Climate-Related Financial Disclosures (TCFD)	- To disclose climate-related risks and opportunities that may impact our business - To disclose the appropriate measures taken to mitigate climate risks - To strengthen our commitment to reduce our impacts on climate change - To comply with Bursa Malaysia Sustainability Guide (3rd edition) and Main Market Listing Requirements (MMLR) Paragraph 6.2, Practice Note 9	Pg. 88
Sustainability Performance Data	- To provide a comprehensive overview of our sustainability performance in the economic, environmental, social and governance areas - To comply with Bursa Malaysia Sustainability Guide (3rd edition) and MMLR Paragraph 6.2, Practice Note 9	Pg. 123
Energy and GHG Emission Calculation	Restatement of total energy consumption (GJ) and GHG emission (tCO₂e) from 2019 to 2022 due to the updates in energy content value (MJ/Volume) conversion unit to improve data accuracy	Pg. 82

ACCESSIBILITY AND FEEDBACK

This Report and other publicly available online resources are accessible via our corporate website at www.pharmaniaga.com

We welcome feedback, comments and suggestions for improvement on our Report. Please send your enquiries to:

NOOR FADZILAH ABU BAKAR

Head of Sustainability (ESG)
 Phone : +603-3342 9999
 Email : sustainability@pharmaniaga.com



Find more information online at:
<https://www.pharmaniaga.com>



For better understanding, this Report can be read together with our Integrated Report 2022





LEADERSHIP STATEMENTS

Message from Chairman of Board
Sustainability Committee 6

Message from Executive
Committee 8



MESSAGE FROM CHAIRMAN

of Board Sustainability Committee

DEAR SHAREHOLDER,

The year 2022 was one characterised by recovery with economies and societies largely getting back on track as the pandemic's effects waned. The global economy was, however, impacted by the Russia-Ukraine conflict which exacerbated inflationary pressures and further delayed the restoration of global supply chains that were still recovering from COVID-related impacts.

Despite these headwinds that affected our business to a certain extent, Pharmaniaga remained focused on advancing its sustainability journey this year, as we strengthened our business, made our operations more eco-efficient and achieved further progress in reducing our carbon emissions.

Over the next three years, we plan to increase the proportion of EVs in our transportation fleet to **30%, then 60% by 2028 and 100% by 2035.**

WHAT DRIVES US

Fundamentally, Pharmaniaga embraces the Environmental, Social and Governance (ESG) framework and every year, we focus more of our initiatives, even businesses, on ESG. This is crucial, as the decisions we make around ESG are significant contributors to financial and business resilience. For instance, ensuring accessibility and affordability of our products will help to ensure greater numbers of the population have access to affordable medicines. Meanwhile, supporting our people in enhancing their careers and embracing diversity & inclusion will set the stage for long-term success.

These are merely some examples of the positive impacts we strive for, and these aspirations and many more are encapsulated in our five sustainability goals. To achieve this, we are fully committed to realising these goals to achieve our Sustainability Vision of 'Spearheading accessible healthcare through dynamic growth'.

KEY ACHIEVEMENTS

During the year under review, we commenced a Decarbonisation Programme to support Malaysia's goal of achieving net zero carbon emissions by 2050 and the Paris Agreement's objective to minimise global warming. The programme will accelerate Pharmaniaga's transition to a low-carbon economy, reduce energy consumption and carbon emission, and implement sustainability initiatives such as energy efficiency, renewable energy and electric vehicles (EVs).

Over the next three years, we plan to increase the proportion of EVs in our transportation fleet to 30%, then 60% by 2028 and 100% by 2035. These initiatives will not only help the Group reduce its overall emissions, but also support the recently launched National Energy Policy 2022–2040 and the wider target of net zero by 2050.

In terms of governance and integrity, the Group has obtained Anti-Bribery Management Systems (ABMS) certifications for five of our subsidiaries. In addition, we have dedicated and committed significant resources to ensuring the entire organisation across all levels are aware of the ABMS and its implementation. In 2022, we organised a range of training and awareness sessions, including holding Integrity & Anti-Bribery roadshows and an Integrity Pledge with the Malaysian Anti-Corruption Commission.

Our efforts in upholding our sustainability practices have resulted in Pharmaniaga maintaining its place in the FTSE4Good Index. We also won the Best Performing Company in the Healthcare Sector award (Silver) at The Edge Malaysia ESG Awards 2021, which is significant as the award recognises those who have made positive contributions to business, society and the environment.

ACKNOWLEDGEMENTS

In closing, I would like to thank all our stakeholders, including government agencies, regulators, customers, investors, shareholders and the community, for their continued support and loyalty. I would also like to extend my appreciation to my fellow Board members and the Management team for their insights as we take this sustainability journey further together.

Most importantly, to our employees, a big thank you for your resilience, dedication and hard work. Collectively, we have navigated a challenging period with great success and we can only look forward towards a brighter future for Pharmaniaga.



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

MESSAGE FROM EXECUTIVE COMMITTEE



Mohamed Iqbal Abdul Rahman

Ahmad Shahredzuan Mohd Shariff

Zulkifli Jafar

Norai'ni Mohamed Ali

DEAR SHAREHOLDER,

As the demands for companies to place stronger emphasis on Environmental, Social and Governance (ESG) practices continue to increase, the sustainability landscape has also evolved in tandem to ensure that the mechanisms are in place to see through this process in a responsible way. Globally, sustainability standard providers, such as the Global Reporting Initiative (GRI), have revised and improved their indicators in response to calls for sustainability disclosure standards that are more transparent and comparable.

“

We make sure that climate change is discussed in the Board Risk and Investment Committee meetings quarterly.

”

Closer to home, Bursa Malaysia enhanced its sustainability requirements in its Main Market Listing Requirements (MMLR) in September 2022. The aim was to elevate the sustainability practices and disclosures of listed issuers. Besides including a set of 11 common sustainability matters that are deemed material for all listed issuers, the regulator has mandated climate change-related disclosures for Main Market listed issuers. These companies will be expected to disclose their climate action in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by 2025.

At Pharmaniaga, we have taken immediate action to comply with Bursa Malaysia's enhanced sustainability requirements by disclosing against the 11 common sustainability matters within this Report. Beyond compliance, we are committed to addressing ESG issues that are significant to our industry, business and stakeholders. We adopt the top-down approach to sustainability governance, whereby our Board of Directors has oversight of sustainability matters, including

climate-related risks and opportunities. We make sure that climate change is discussed in the Board Risk and Investment Committee meetings every quarter. This reflects our commitment to mitigating negative climate change impacts as we prepare to be climate-resilient and future-ready. We have also adopted the TCFD recommendations in our first climate report, which can be found in our climate and environmental disclosures¹ in this Report. Going forward, we will continue to enhance our sustainability governance from time to time to strengthen the governance and management of ESG issues and the embedding of sustainability in our organisation.

Entrenching ESG in Pharmaniaga

Our steadfast commitment to improving our ESG performance is demonstrated by our robust policies, various initiatives and accomplishments. In 2022, we stepped up our climate action, invested in community development and strengthened our integrity management.



¹Read about our TCFD report in Goal 3: Achieving Operational Eco-Efficiency on page 88.

MESSAGE FROM EXECUTIVE COMMITTEE

In supporting the nation's transition to a low-carbon economy, we have taken several tangible measures internally and across our value chain to reduce our carbon footprint. Our efforts are in support of the National Energy Policy 2022-2040, which consists of nine targets and a set of action plans that are in line with the nation's climate ambition of net zero greenhouse gas (GHG) emissions by 2050.

We embarked on a Decarbonisation Programme that focuses on the implementation of energy efficiency, renewable energy and the use of electric vehicles. During the year, we began using two electric vans for distribution within Klang Valley and generated more than 200 MWh of solar energy. Our energy-efficient initiatives led to a reduction of 17.1% in our greenhouse gas emissions compared to the 2019 baseline year.² We also avoided 2,267.11 tCO₂e and saved 12,687.04 GJ of energy, equivalent to RM1.3 million.

We continued to give back to society by reaching out to the communities in need. During the year, we invested RM3.1 million in our corporate responsibility (CR) programmes in welfare, education, health, environment and others, as well as zakat contribution. While giving back to society enables us to contribute to the United Nations Sustainable Development Goals, it requires collaborative

“

Our energy-efficient initiatives led to a **reduction of 17.1% in our GHG emissions** compared to the 2019 baseline year.

”

efforts with various stakeholders. Our CR programmes and initiatives are carried out through strategic collaborations and partnerships with local authorities, public universities and non-governmental organisations and entities such as local councils. We will continue to reach out to the communities in need to widen our CR and positive impacts to help develop an equitable future for our society.

For instance, we collaborated with the Jabatan Pendidikan Negeri Selangor to adopt 34 underprivileged students through the PharmaApprentice programme, which provided leadership and soft skills training. We also collaborated with the Malaysian Armed Forces (ATM) under the PharmaCare programme to support 3M School in Pulau Berhala, Sandakan, Sabah by providing elementary lessons

² The GHG emissions for 2019 baseline year is 37,503.58 tCO₂e.



MESSAGE FROM EXECUTIVE COMMITTEE



in reading, writing and arithmetic to local stateless children. These programmes are in addition to various other initiatives that promote access to education amongst underprivileged communities. We will continue to reach out to communities in need by increasing our CR initiatives to contribute to the creation of a just future for our society.

We maintain high standards of governance, ethics and integrity in our operations to ensure business sustainability. We believe in practising transparency to maintain the trust and support to our stakeholders. In line with that, we decided to provide the provision of our slow moving COVID-19 vaccines in our financial account, which triggered criteria that changed our classification into a Practice Note 17 (PN17) company. Our decision to include these provisions was based on our strong commitment to good governance and accounting practices resulting in the PN17 status.

Further, we are pleased to note that the Ministry of Health (MOH) had in April 2023 affirming its commitment to extend our concession for another 10 years for the provision of medicines and medical supplies to MOH facilities. We remain optimistic about future prospects as our core businesses are unaffected by the change in status, and we continue to see encouraging growth in the concession business and our overseas interests in Indonesia. We are also actively implementing our business continuity management plan to ensure business resiliency.

Our zero-tolerance approach towards bribery and corruption is upheld across our business activities. In 2022, we obtained the Anti-Bribery Management Systems (ABMS) certification for additional three manufacturing sites, namely Idaman Pharma Manufacturing Sdn Bhd Sungai Petani, Idaman Pharma Manufacturing Sdn Bhd Seri Iskandar and Pharmaniaga Manufacturing Berhad. The accreditation raises our standards in combatting bribery and corruption, reflecting our seriousness in preventing any integrity issues. To ingrain the culture of anti-bribery and corruption, we will continue to ensure that Pharmaniaga's Anti-Corruption Policies and Procedures are clearly communicated to all our employees and to the Board of Directors.

Challenges and Outlook

We faced various challenges in 2022, and this include supply chain security, advancements in digital transformation and the urgency to address climate change. The Company is addressing its supply chain security challenges by sourcing from more suppliers and implementing Business Continuity Management System. To accelerate digital transformation, we have a dedicated team to plan and execute the Company's initiatives, while ensuring our talent is updated with the latest technology. As for climate change, Pharmaniaga is responding to this challenge through its Sustainability Roadmap and by embarking on a Decarbonisation Programme.

Despite the challenges, we are confident that Pharmaniaga will improve from its current state, given the promising outlook of the pharmaceutical industry and global healthcare trends³. We will forge ahead to realise our aim of expanding our international footprint, in tandem with our sustainability vision of spearheading accessible healthcare through dynamic growth.



Ahmad Shahredzuan Mohd Shariff
Non-Independent Non-Executive Director/
Executive Committee Chairman



³For more information on the industry outlook and global trends, please refer to Pharmaniaga's Integrated Report 2022.





ABOUT PHARMANIAGA

Performance Highlights	14
Core Business and Product Portfolio	16
Operation Sites Footprint	18
Awards and Achievements	20

PERFORMANCE HIGHLIGHTS

Pharmaniaga's unwavering dedication to excellence is reflected in the superior quality of its healthcare products and services. As the largest integrated pharmaceutical group in Malaysia, we pave the way forward to make healthcare more accessible through sustainable and dynamic growth.



CORPORATE VISION

The preferred pharmaceutical brand in regional markets



CORPORATE MISSION

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



SUSTAINABILITY VISION

Spearheading accessible healthcare through dynamic growth



CORE BUSINESSES

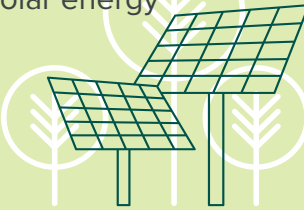
-  RESEARCH & DEVELOPMENT
-  MANUFACTURING
-  LOGISTICS & DISTRIBUTION
-  SALES & MARKETING
-  COMMUNITY PHARMACY



ENVIRONMENTAL

767.48 GJ generated from solar energy

17.1% Reduction in Greenhouse Gas Emissions against 2019 baseline



SOCIAL

Female composition:
Senior Management: **33.9%**
Executive: **60.5%**

196 individuals provided with graduate employment opportunities

Average of **32 training hours** per employee

Achieved **zero** non-compliance cases related to employment, labour practices or human rights violations



99.7% of employees are local



GOVERNANCE & ECONOMIC

Customer satisfaction scores:
MOH: 98% (maintained)
MOHE: 100% (increased by 4%)

15 new products successfully Halal-certified, bringing the total to **193 Halal-registered products**

Development of **Building Management System** for warehouse to improve compliance and for better record-keeping

PERFORMANCE HIGHLIGHTS

The Group operates across various segments of the pharmaceutical value chain, encompassing research & development, healthcare product manufacturing, logistics & distribution, sales & marketing and community pharmacy services. With a strong foothold in the Malaysian market, we are strategically expanding our global presence, particularly in the regional markets.



Established the **1st climate-related risk report** by adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



Implemented energy-saving initiatives resulting in **2,267.11 tCO₂e** of GHG emissions avoidance, enabling a cost savings of **RM1.3 million**

222.36 tonnes of recycled input material utilised in manufacturing facilities



Recycled **11.06 megalitres** of water, enabling savings of **RM25,270** at Bangi and Puchong plants

737.72 tonnes of non-hazardous waste recycled



Transformed **7.75 tonnes** of hazardous waste into alternative raw materials for cement industry



Received

84.4%

in Happy and Lively Organisation (HALO) survey

363 active RoyalePharma Alliance members



Three sustainable CR projects were successfully organised:

- **PharmaApprentice**
- **PharmaCare**
- **PharmaGreen**

70%

of procurement budget spent on local suppliers



Zero

major accidents recorded across all our operations



44

new products registered



Usage of **Machine Learning & Artificial Intelligence** for predictive demand forecasting in **Supply Chain Management System**

Development of a robust data recognition **Graphical User Interface** system for traceability purposes



Establishment of **BCM Policy**



Development of a **6-in-1** combination vaccine (Hexavalent vaccine) for childhood immunisation

Successful **ISO 37001: 2016 Anti-Bribery Management Systems (ABMS)** certification for our Bangi, Seri Iskandar and Sungai Petani plants

CORE BUSINESS AND PRODUCT PORTFOLIO

Our integrated pharmaceutical Company offers an extensive range of healthcare services as part of our core businesses. This includes research and development, manufacturing, logistics and distribution, sales and marketing and community pharmacies. Additionally in Indonesia, we operate a general pharmaceutical manufacturing plant and a pharmaceutical logistics and distribution company which is publicly listed and has 33 branches throughout the republic.

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.



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.



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 & Distribution subsidiary, PT Millennium Pharmacon International Tbk (MPI) and our manufacturing arm, PT Errita Pharma (Errita), continued to see growth.

CORE BUSINESS AND PRODUCT PORTFOLIO

Pharmaniaga is committed to delivering ground-breaking products with unparalleled quality to enhance and support human health. Our diverse range of products includes pharmaceuticals, biopharmaceuticals, medical equipment, topical medical devices, consumer healthcare and medical consumables.

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

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)

OUR KEY PRODUCTS & SERVICES

Pharmaceuticals & Biopharmaceuticals

Medical Equipment

Consumer Healthcare

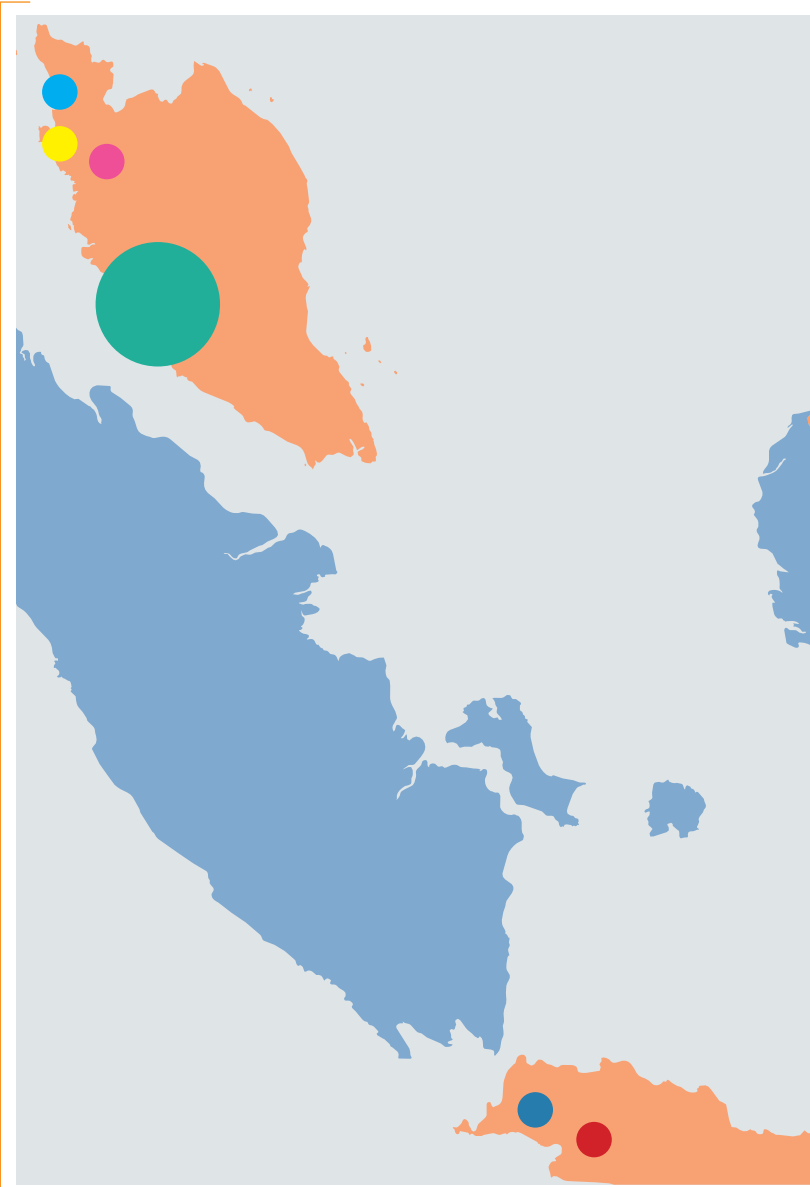
Medical Consumable Healthcare

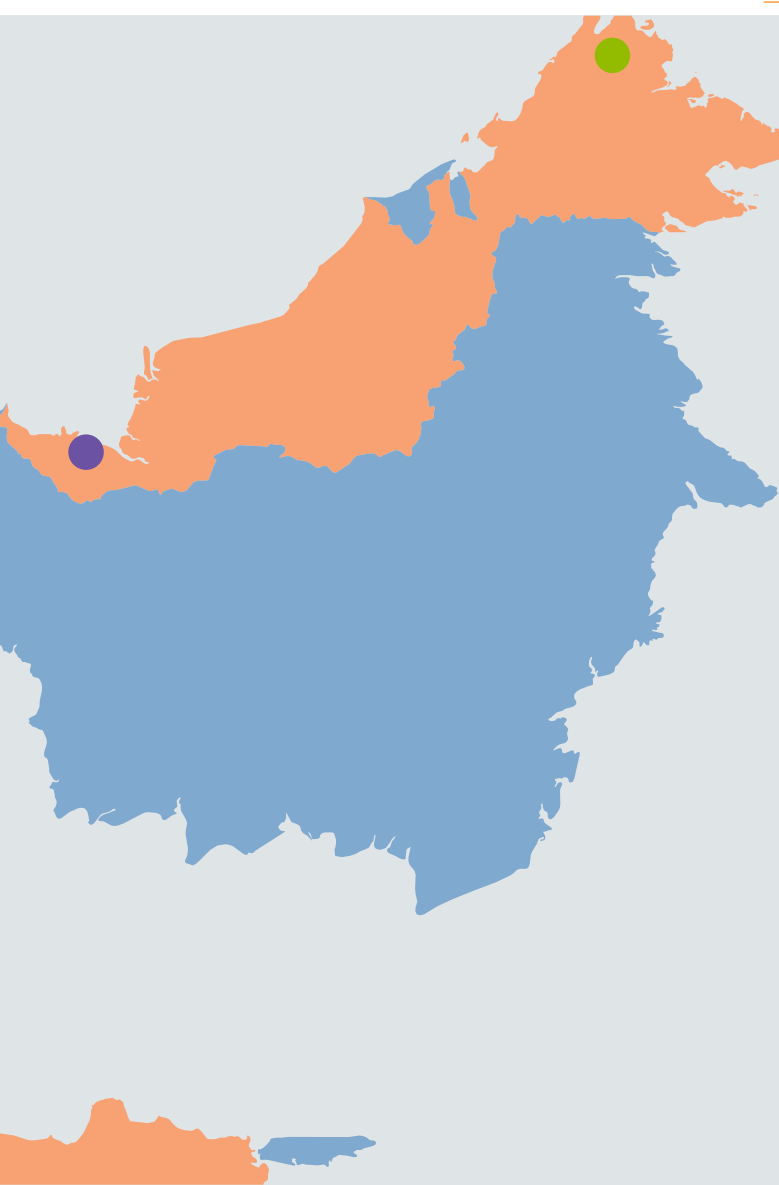
Approved Product Purchased List

OPERATION SITES FOOTPRINT

As a prominent integrated pharmaceutical group, Pharmaniaga maintains offices in multiple locations in Pulau Pinang, Kedah, Perak, Selangor, Sabah and Sarawak. Our presence also extends throughout 33 cities in Indonesia, and all the locations play a key role in carrying out the key activities mentioned above.

●	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
●	Pharmaniaga Manufacturing Berhad No. 11A, Jalan P/1, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan
●	Pharmaniaga LifeScience Sdn Bhd Lot 7, Jalan PPU 3, Taman Perindustrian Puchong Utama, 47100 Puchong, Selangor Darul Ehsan
●	Pharmaniaga Logistics Sdn Bhd (Section 15 Branch) Lot 49, No. 11, Jalan Ragum 15/17, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
●	Paradigm Industry Sdn Bhd No. 36-G, Jalan Klang, Sentral 2/KU5, Klang Sentral, 41050 Klang, Selangor Darul Ehsan
●	Pharmaniaga Logistics Sdn Bhd (Juru Branch) 1, 3 & 5 Lorong IKS Juru 8, Taman Perindustrian Ringan Juru, 14100 Simpang Ampat, Seberang Perai, Pulau Pinang





- Idaman Pharma Manufacturing Sdn Bhd**
(Seri Iskandar Branch)
Lot 120, Taman Farmaseutikal,
32610 Bandar Seri Iskandar, Perak Darul Ridzuan
- 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
- Pharmaniaga Logistics Sdn Bhd**
(Kuching Branch)
Lot 1024, Block 7,
Muara Tebas Land District,
Demak Laut Industrial Park,
93050 Kuching, Sarawak
- Pharmaniaga Logistics Sdn Bhd**
(Kota Kinabalu Branch)
Lorong Kurma, Kolombong Industrial Centre,
KM 9 Off Jalan Tuaran,
88450 Kolombong, Kota Kinabalu, Sabah
- PT Millennium Pharmacon International Tbk**
Crown Bungur Arteri 2-4th Floors,
Jl. Sultan Iskandar Muda,
No. 18, Jakarta, 12220, Indonesia
- PT Errita Pharma**
Jalan Peundeuy, RT/RW 04/07,
Desa Bojong Salam, Kecamatan Rancaekek,
Kabupaten Bandung, Indonesia

AWARDS AND ACHIEVEMENTS

Our awards and achievements are testaments to our unwavering commitment to sustainable practices, which are advantageous for our business. These include gaining recognition at national and international levels, winning the trust of our stakeholders and validating our decisions and actions. Moreover, these awards acknowledge the tireless efforts of our employees and contribute to our competitive advantage and credibility. Through receiving such recognitions, our employees feel inspired to uphold sustainable practices, ultimately contributing to the long-term success of our business.



AWARDS AND ACHIEVEMENTS



The EDGE Malaysia ESG Awards 2022

Best Performing Company by
Bursa Sector Classification,
Healthcare Sector (Silver)

HR Asia Awards 2022

Best Companies to Work for
2022

MSOSH Occupational Safety & Health Awards 2022

Logistics and Transportation
Sectors Category (Silver Award)

The BrandLaureate BestBrands Award

Nation's Pride Brand of the
Year: Integrated Pharmaceutical
Solutions 2022







SUSTAINABILITY AT PHARMANIAGA

Sustainability Framework	24
Sustainability Governance	28
Material Sustainability Matters	30
Sustainability Goals and Key Focus Areas	38

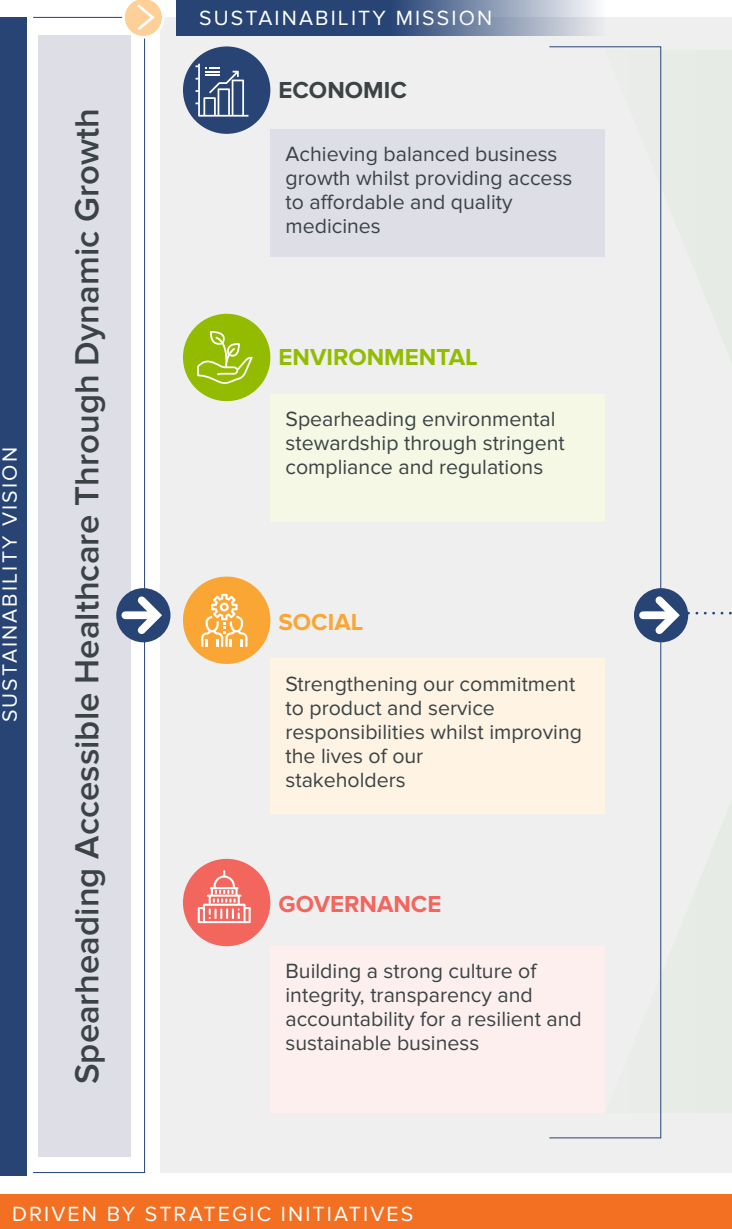
SUSTAINABILITY FRAMEWORK

In our pursuit to provide accessible healthcare through dynamic growth, we constantly uphold the principle of conducting business responsibly. While our ambition is to be the preferred pharmaceutical brand in regional markets, we want to grow sustainably and create value for our stakeholders and the industry. Our goal is to create positive impacts that will benefit all stakeholders and the future generations.

We are guided by a holistic sustainability framework that is supported by a robust Sustainability Roadmap. Established in 2019, the Sustainability Roadmap sets out the Group's aspirations from 2016 to 2030 with the aim to instil a culture of sustainability into the DNA of our organisation. Comprising key aspirations and ambitions, the Sustainability Roadmap lays out the path for the Group's sustainability approach and strategy. It will help to accelerate the Group's journey in achieving its five sustainability goals that encompass the economic, environmental, social and governance pillars.

In 2022, we enhanced our key focus areas under the five sustainability goals to better focus on the significant areas that can impact our business and stakeholders. The existing five focus areas under Goal 4 were consolidated into two goals to provide a more holistic approach towards creating value for our employees. Apart from that, we continued to embed sustainability practices into our business strategy and activities by enhancing the process of linking sustainability performance to our company's scorecard as well as Senior Management's remuneration. Our day-to-day operations remain guided by the Group's Sustainability Policy to ensure minimal environmental and social impacts.

GOVERNED BY:



SUSTAINABILITY FRAMEWORK

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

SUSTAINABILITY ROADMAP

2016

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

2020

2021

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

2025

2026

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

2030

SUSTAINABILITY GOALS

GOAL 1:

Delivering Sustainable Value and Future-Proofing the Business

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

GOAL 2:

Acting with Integrity

- Corporate Governance & Business Ethics

GOAL 3:

Achieving Operational Eco-efficiency

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

GOAL 4:

Creating a Sustainable and High-Performance Workforce

- Talent Management
- Health & Safety

GOAL 5:

Building a Better Society

- Supporting Local Businesses
- Corporate Responsibility

SUSTAINABILITY FRAMEWORK

GROUP POLICIES

Our daily operations and activities are guided by a set of Group policies that support our sustainability efforts to ensure sustainable business growth and responsible business conduct. The Group's Sustainability Policy serves as the main guide for our sustainability endeavours, while other corporate policies provide specific guidelines in the areas of economic, environmental, social and governance. We communicate our policies and guidelines via intranet and internal communication platforms, as well as our corporate website at www.pharmaniaga.com

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



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



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



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



www.pharmaniaga.com.

Some of the policies are communicated via intranet and internal communication platforms.

 ENVIRONMENTAL	 SOCIAL	 GOVERNANCE & ECONOMIC
POLICIES AND GUIDELINES • Environmental, Safety and Health Policy • Environmental-related Policy • Energy Policy	POLICIES AND GUIDELINES • Environmental, Safety and Health Policy • Contribution to External Party SOP • Donation Policy • Employment Policy	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 • Employment Policy



SUSTAINABILITY GOVERNANCE

Sustainability at Pharmaniaga is governed from the top, where the Board of Directors (the Board) is supported by the Board Sustainability Committee (BSC) and has oversight on sustainability matters including the management of climate-related risk. Decisions are approved at the Board level before they are cascaded down to the Sustainability Champions to implement the authorised sustainability initiatives and programmes. The roles and responsibilities of each level of our sustainability governance are illustrated in the following infographics:

GOVERNANCE STRUCTURE	ROLES AND RESPONSIBILITIES
BOARD OF DIRECTORS	• 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	• 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: Chief Executive Officer	• 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 (ESG)	• 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 (ESG)	• 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

The BSC is led by an Independent Non-Executive Director, which adds credibility to the BSC and allows it to provide constructive and impartial advice on sustainability matters to the Board. The BSC meets twice a year or more if needed to review and deliberate on the Group's sustainability performance. The BSC and the Board receive reports from the Sustainability Management Committee regularly on key sustainability issues such as health, safety and environmental matters including reports received from grievance mechanisms. The BSC is also responsible for reviewing and approving the sustainability reporting of Pharmaniaga.

SUSTAINABILITY GOVERNANCE

In 2022, the BSC met four times to deliberate on the following issues:

KEY DISCUSSION	DESCRIPTION	OUTCOME
Updates on Material Sustainability Matters	The Board reviewed and deliberated on the updated list of material matters	Approval of the revised sustainability matters
Sustainability reporting updates	- The Board discussed on the sustainability reporting development updates and approval - The Board and BSC are were involved in reviewing and approving all information disclosed in the sustainability report prior to its publication	- Approval of SR2021 - Direction for the next reporting cycle
Quarterly sustainability performance	The Board was presented with the progress of sustainability performances on quarterly basis	The Board proposed sustainability performances to be published in the quarterly dashboard and via email to all employees
Sustainable CR projects	The Board reviewed the progress of the long-term CR projects	Smooth execution of the 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 appointment of the BSC involves a formal, rigorous and transparent manner, as stated in our Corporate Governance Report. Key aspects such as diversity, knowledge, competency and experience related to sustainability were taken into consideration to ensure a credible group of leaders were appointed to drive the Group's sustainability. Regular assessments and reviews are conducted based on a set of predetermined criteria by the Board Nominating and Remuneration Committee.

For more information on Pharmaniaga's governance structure and composition, please refer to the Corporate Governance section in Pharmaniaga's Integrated Report 2022 and Pharmaniaga's Corporate Governance Report 2022.

MATERIAL SUSTAINABILITY MATTERS



It is our corporate responsibility to identify our key material sustainability issues from the economic, environmental and social pillars to mitigate and reduce the negative impacts of our operations. Determining the impacts of our material matters is crucial as they significantly influence the assessments and decisions of our stakeholders. As such, Pharmaniaga conducts a thorough materiality assessment with key internal and external stakeholder groups as and when necessary to identify the material matters that can significantly impact our Company and stakeholders. This has enabled us to understand our risks and opportunities, forecast the challenges ahead and align our strategies and actions plans with the current sustainability landscape to remain relevant.

MATERIALITY ASSESSMENT PROCESS

In our sustainability journey, it is pertinent for us to keep up with the rapidly evolving business landscape, regulatory rules and sustainability trends and risks to remain relevant. Our last in-depth materiality assessment was in 2021, whereby an online survey involving all stakeholder groups and a focus group discussion were conducted. In 2022, we reviewed the material matters internally to identify the risks and opportunities of each material issue that will impact our business and our stakeholders. The internal review was done using guidelines from Bursa Malaysia's Sustainability Reporting Guide and Toolkits and the GRI Standards. The process consisted of three steps, including identification, prioritisation and validation.

MATERIAL SUSTAINABILITY MATTERS

1 IDENTIFICATION

The 21 material sustainability matters identified in 2021 were reviewed for their relevance to the current sustainability risks and opportunities. The process included benchmarking the material matters against local and regional industry peers and taking into consideration the sustainability development within the industry. Feedback and insights from internal and external stakeholders were also included. Additionally, the material issues were determined based on key sustainability matters from various reporting frameworks and ESG indices. They included Bursa Malaysia's Sustainability Reporting Guide (3rd Edition), GRI Standards, FTSE4Good Bursa Malaysia ESG indicators and Dow Jones Sustainability Indices (DJSI).

2 PRIORITISATION

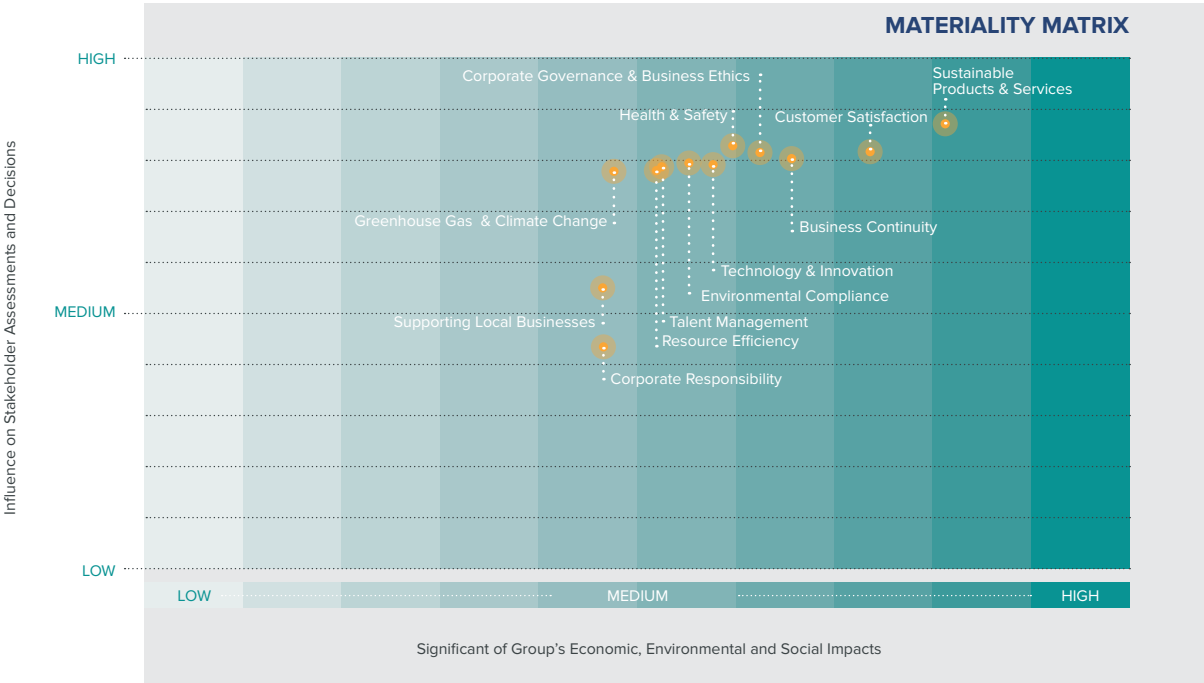
The material issues were prioritised after the SWG reassessed the significance and the impact of the matters to the business and stakeholders.

3 VALIDATION

The findings from the assessment process were plotted on a materiality matrix and deliberated on and validated by the SMC before they were presented to the Board for endorsement.

MATERIALITY MATRIX

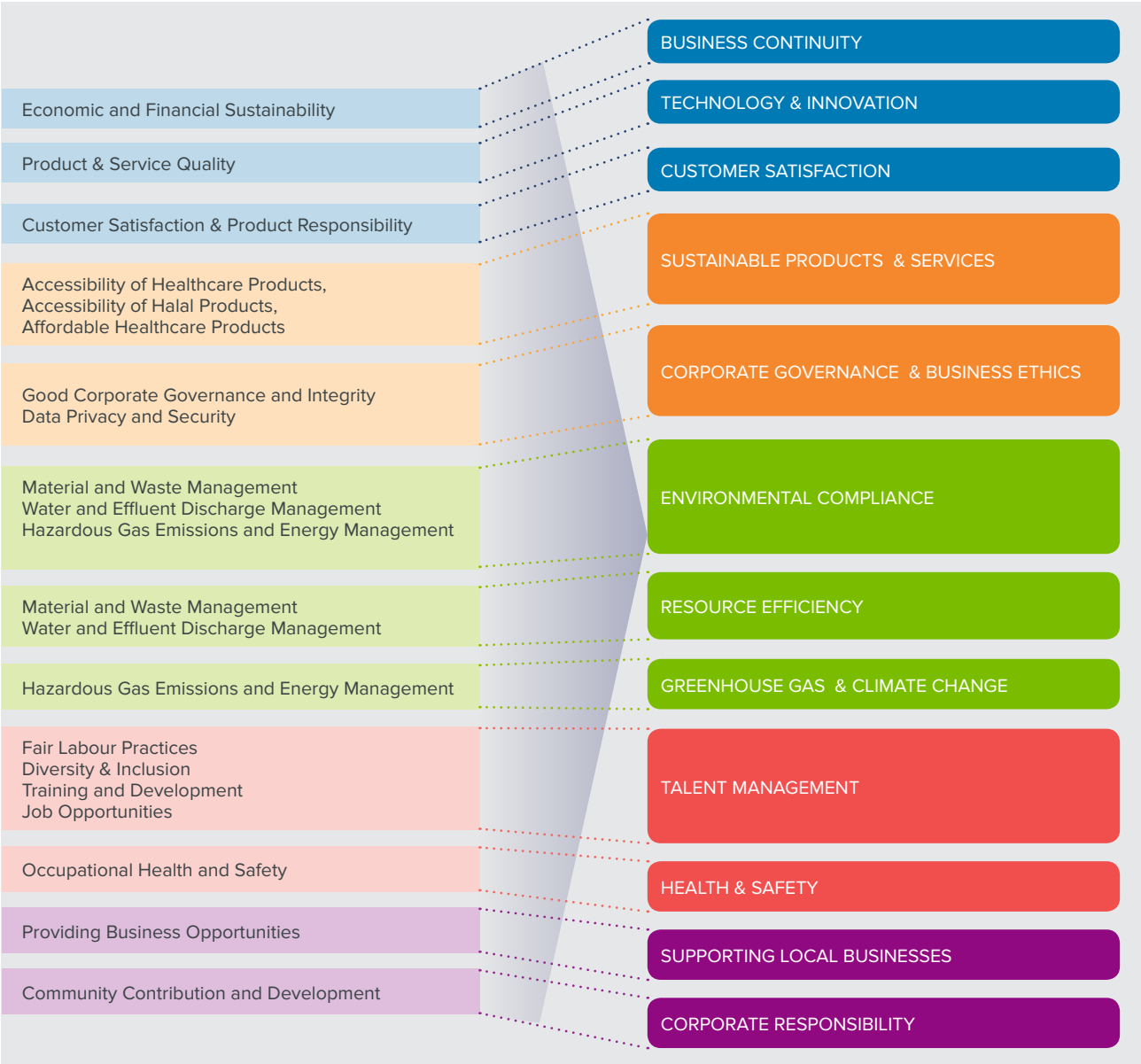
Following the internal review in 2022, we consolidated the 21 material matters into 12 sustainability issues to align with our key focus areas. The significance of the sustainability material matters to our business and our stakeholders is shown in the following materiality matrix:



MATERIAL SUSTAINABILITY MATTERS

Change in Material Sustainability Matters in 2022

The 12 material matters were aligned against our 12 key focus areas to provide a clearer focus and better management of our sustainability issues.



MATERIAL SUSTAINABILITY MATTERS



We manage our material sustainability matters by benchmarking our progress and achievements against our Sustainability Goals and Key Focus Areas that were established in 2020. We refer to sustainability standards and indicators from ESG indices such as the GRI Standards and FTSE4Good whenever necessary to meet our sustainability goals.

The Sustainability Goals and Key Focus Areas were developed through a thorough process before they were approved by the Board Sustainability Committee and the Board of Directors. These goals are aligned with the vision of our parent company, Boustead Holdings Berhad, which set the sustainability targets. To ensure alignment, we adopted Boustead's high-level targets and incorporated them into our business operations.

Our robust sustainability governance structure ensures that we are on the right track in achieving our sustainability targets. The Sustainability Department is responsible for ensuring the implementation of our key sustainability initiatives while the SWC and the SMC monitor and review our sustainability performance and report to the Management regularly.

MATERIAL SUSTAINABILITY MATTERS

MAPPING OUR MATERIAL MATTERS

Pharmaniaga adopts the materiality mapping approach to identify, prioritise and manage issues that are vital to us and our stakeholders. We have mapped our material sustainability matters for 2022 to relevant stakeholder groups and our Sustainability Goals. The table below also shows how each material matter is linked to the relevant key strategic risks.

Moving forward, we seek to align the prioritisation of sustainability matters process (Impact Assessment) with our risk assessment process to facilitate towards harmonising sustainability matters (i.e. sustainability risks) with business risks. We also plan to integrate the sustainability risks into the Company's Enterprise Risk Management.

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities	
Business Continuity	Ensuring business continuity throughout all challenging and unprecedented conditions to ensure continued value creation and resilient financial growth	●	●	●	●	●	●	●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business • Business Risk • FinancialRisk • Legal and Regulatory Risk
Technology & Innovation	Investing in technology and innovation to keep up with the evolving needs of the healthcare industry and the community at large to ensure we remain relevant	●	●			●		●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business • Financial Risk • Legal and Regulatory Risk
Customer Satisfaction	Maintaining trust and strong relationships with customers through ensuring accuracy and truthfulness of information of products and services, and advocating for a sustainable supply chain to minimise adverse environmental and social impacts and meet the current demand for sustainably sourced products	●	●			●	●	●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business • Legal and Regulatory Risk • Business Risk

MATERIAL SUSTAINABILITY MATTERS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns							How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities		
Sustainable Products & Services	Providing affordable quality medicines and medical devices to ensure accessibility of pharmaceutical products and meet the needs of all communities, including the Muslim community	●	●					●	GOAL 1: Delivering Sustainable Value and Future Proofing the Business	• Business Risk • Legal and Regulatory Risk • Financial Risk
Corporate Governance & Business Ethics	Upholding high standards of integrity and demonstrating our corporate values and principles,includingprotecting data privacy, to maintain the trust with stakeholders such as customers, suppliers, business partners and regulators	●	●	●	●				GOAL 2: Acting with Integrity	• Financial Risk • Legal and Regulatory Risk • Cybersecurity Risk
Environmental Compliance	Operating in a responsible and sustainable manner to minimise the negative environmental impacts of our operations and maintain our license to operate	●		●			●	●	GOAL 3: Achieving Operational Eco-Efficiency	• Environmental Sustainability Risk • Legal and Regulatory Risk
Resource Efficiency	Consuming resources responsibly by minimising waste, ensuring efficient waste management and complying with the necessary rules and regulations to mitigate environmental pollution	●		●			●	●	GOAL 3: Achieving Operational Eco-Efficiency	• Environmental Sustainability Risk • Legal and Regulatory Risk

MATERIAL SUSTAINABILITY MATTERS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities	
Greenhouse Gas & Climate Change	Minimising greenhouse gas emissions across our operations to address climate change and future-proof our business through our decarbonisation programme to develop climate resilience	●		●			●	●	• Environmental Sustainability Risk • Legal and Regulatory Risk
Talent Management	Upholding employee rights and human rights in compliance with labour laws, investing in employees' learning and development, promoting equal opportunities to shape future leadership and preventing discriminatory practices to meet the needs of our people and retain the best talent to continue to deliver excellence and grow sustainably	●		●			●		• Business Risk • Legal and Regulatory Risk



MATERIAL SUSTAINABILITY MATTERS

Material Matters	Why It Is Material to Pharmaniaga	Stakeholder Interest/ Concerns						How We Manage the Matter	Key Risks Addressed
		Government & Regulatory Authorities	Customers	Employees	Supply Chain Partners	Providers of Financial Capital	Media	Communities	
Health and Safety	Keeping our people and contractors safe at the workplace to keep up the morale of our workers and maintain our license to operate	●		●					GOAL 4: Creating a Sustainable and High-Performance Workforce • Legal and Regulatory Risk • Business Risk
Supporting Local Businesses	Providing business opportunities to local suppliers and vendors to contribute to local economic growth				●	●		●	GOAL 5: Building a Better Society • Business Risk
Corporate Responsibility	Engaging with the local communities in which we operate to empower the vulnerable and the underserved to meet their needs and contribute to the development of an equitable future for all						●	●	GOAL 5: Building a Better Society • Business Risk



SUSTAINABILITY GOALS AND KEY FOCUS AREA

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 2022, 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 UNSDGs:	
- Business Risk - Financial Risk - Legal and Regulatory Risk 				
LINK TO STRATEGIC PILLARS:				
- Establishing the Premier Integrated Logistics & Distribution Dominance - Research & Development in Healthcare for Sustainable Growth - Develop Biopharmaceutical Capabilities - Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing - Strengthen Footprints in International Ventures via Focus Countries - Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation				
Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Business Continuity	- Implement Business Continuity Management (BCM) for the Group - Managing climate change-related matters	- Establishment of BCM Policy with the Board of Directors' approval - Establishment of the Crisis Management Committee (CMC) to manage crises or disasters - Appointment of the Emergency Response Team at all subsidiaries as the focal point for BCM activities in relation to physical emergency - Establishment of multi-department Flood Task Force - Incorporation of environmental factors into ERM Framework to shape the Group's overall positioning of climate-related matters whilst enhancing the Group-wide strategy - Conducted climate risk assessment to identify and mitigate climate-related risks - Expanded the implementation of the Business Continuity Plan (BCP) to our Manufacturing Division	 	Page 51

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Technology & Innovation	- Expand digital product and service offerings - Increase automation of critical and support processes within operations	- Partial implementation of sample automation to handle annual tender and sampling procedure - Development of a robust data recognition Graphical User Interface system for traceability purposes - Usage of Machine Learning & Artificial Intelligence Cloud Based for predicting demand forecasting in Supply Chain Management System - Additional Robotic Process Automation for sample orders has facilitate 99.98% of the automation processes - Implementation of digital standard operating procedure at our Sungai Petani plant to reduce paper usage - Development of Building Management System for warehouse to improve compliance and better record keeping - Dry syrup automation at Seri Iskandar Plant to reduce the cycle time - Automation of end packaging process at Bangi plant as well as shipper sealing process at Sungai Petani to reduce manual process	 	Page 54
Customer Satisfaction	All business units, projects or products achieved targeted customer satisfaction ratings	Maintained customer satisfaction score of 98% for Ministry of Health (MOH) and increased the score by 4% from 96% for Ministry of Higher Education (MOHE) compared with the previous year	 	Page 56
Sustainable Products & Services	- Enhance sustainable product offerings - Achieving 2025 Product Development target - Compliance to Concession KPI	- Achieved 98.7% compliance to Concession KPI for all performance indicators stated under the Concession Agreement 44 new products registered - Received Halal certification for 193 registered products, of which 15 products were certified in 2022 - Embarked into technology transfer and local manufacturing of Enoxaparin product - Development of a 6-in-1 combination vaccine (Hexavalent vaccine) for childhood immunisation in line with the Malaysia National Immunisation Programme	 	Page 60

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

GOAL 2 : ACTING WITH INTEGRITY				
LINK TO KEY RISKS			LINK TO UNSDGs:	
- Legal and Regulatory Risk - Cybersecurity Risk			  	
LINK TO STRATEGIC PILLARS:				
- Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing - Strengthen Footprints in International Ventures via Focus Countries				
Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Corporate Governance & Business Ethics	- Uphold corporate governance - Zero ethics and integrity non-compliance cases - Enhance application of best practices as recommended by the Malaysian Code on Corporate Governance	- Successful Anti-Bribery Management Systems (ABMS) certification for our Bangi, Seri Iskandar and Sungai Petani plants - Achieved zero non-compliance cases of anti-corruption - Two additional personnel were trained as Certified Integrity Officers at the Malaysia Anti-Corruption Academy (MACA) in July 2022 - Conducted integrity pledge and signing ceremony by the Pharmaniaga's Board and Management team with Malaysian Anti-Corruption Commission - Eight out of 11 Board of Directors (73%) received training on anti-corruption - Maintained the ISO/IEC 27001:2013 Information Security Management Systems - Encrypted connection of RoyalePharma website via Secure Sockets Layer (SSL) - Achieved zero non-compliance involving breaches of customer privacy	  	Page 65

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

GOAL 3 : ACHIEVING OPERATIONAL ECO-EFFICIENCY

LINK TO KEY RISKS			LINK TO UNSDGs:	
- Environmental Sustainability Risk - Legal and Regulatory Risk			  	
LINK TO STRATEGIC PILLARS:			 	
- Strengthen Footprints in International Ventures via Focus Countries - Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation				
Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Environmental Compliance	Zero environmental non-compliance cases	Consistently maintained full environmental compliance, including ISO 14001: 2015 Environmental Management Systems at Manufacturing and Logistics & Distribution Divisions in Malaysia	  	Page 71
Resource Efficiency	Reduce waste generated, and increasing water use efficiency across the Group	- Increased the utilisation of grey back carton from 215.39 tonnes in 2021 to 222.36 tonnes in 2022 - Transformed 7.75 tonnes of hazardous waste use into alternative raw materials for cement industry (as additive in burning process) - Recycled 737.72 tonnes of non-hazardous waste across operations - Recycled 11.06 megalitres of water, enabling saving of RM25,270 at Bangi and Puchong plants via Reverse Osmosis (RO) Purified Water System	 	Page 74
Greenhouse Gas & Climate Change	- Increase the use of renewable energy sources 15% reduction in Greenhouse Gas (GHG) absolute emissions by 2025, against 2019 baseline	- Embarked on Decarbonisation Programme - Utilisation of two electric vans for last mile distribution resulted in approximately 70% and 45% of reduction in fuel cost and GHG emissions, respectively 8.5% reduction in energy consumption across operations against 2019 baseline 17.1% reduction in total emission across operations against 2019 baseline - Generated 767.48 GJ solar energy at our Sungai Petani plant - Implemented various energy saving initiatives resulting in 2,267.11 tCO₂e of GHG emissions avoidance, enabling a cost savings of RM1.3 million - Established the first climate-related risk report by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)	  	Page 82

SUSTAINABILITY GOALS AND KEY FOCUS AREA

GOAL 4 : CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE				
LINK TO KEY RISKS			LINK TO UNSDGs:	
- Business Risk - Legal and Regulatory Risk 			   	
LINK TO STRATEGIC PILLARS:				
Reinforce Human Capital through Capability Building for Superior Performance			 	
Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Talent Management	- To sustain employee attrition rate below 13% for Malaysia (60% weighting) and Indonesia (40% weighting) - Zero non-compliance cases related to employment and labour practices - Achieve 30% gender diversity target at Top, Senior, Middle Management and Executive level - To build capability for superior performance by 2025 through Succession Planning Programme (SPP), High Potential Programme (HiPo) and Career Path Programme (CPP)	- Received 84.4% from Happy and Lively Organisation (HALO) survey - Provided opportunities for higher education through our Continual Education Programme - Established Employment Policy - Achieved zero non-compliance cases related to employment, labour practices as well as violations on human rights - Achieved zero reported incidents of discrimination amongst employees 99.7% employees are local - Female composition achieved in 2022: - Senior Management: 33.9% - Executive: 60.5% 196 individuals provided with graduate employment opportunities - Provided an average of 32 training hours per employee (23% increase from 2021) - Provided medical support such as free COVID-19 test kits for employees, quarantine leave and allowing flexible work from home arrangement as we moved towards the endemic phase - Contributed RM268,950 to 150 employees and their families who were affected by the natural disaster	     	Page 93
Health & Safety	- Zero fatality - Year-on-year Lost Time Injury Frequency Rate (LTIFR) reduction of 10% - Provide safe, healthy and conducive working environment for all employees	- No major accidents recorded across all our operations in 2022 - Maintained the ISO 45001:2018 Occupational Health and Safety Management Systems for Manufacturing and Logistics & Distribution arms - Provided 227 counselling sessions throughout the year to provide social and mental support - Provided free COVID-19 test kits to all employees as and when required	 	Page 106

SUSTAINABILITY GOALS AND KEY FOCUS AREAS

GOAL 5 : BUILDING A BETTER SOCIETY

LINK TO KEY RISKS			LINK TO UNSDGs:	
Business Risk			   	
LINK TO STRATEGIC PILLARS:				
- Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing - Reinforce Human Capital through Capability Building for Superior Performance				
Related Material Matters	Objectives & Targets	Progress in FY2022	Linked UNSDGs	Discussion in this Report
Supporting Local Businesses	- Prioritise local vendors and suppliers - Enhance the quality of vendor development initiatives - Provide business opportunities to the local community through special projects	70% of procurement budget spent on local suppliers 363 active RoyalePharma Alliance members - Engaged with 23 vendors appointed by MOH through Vendor Development Programme (VDP) - Assisted a vendor under VDP in securing a grant amounting to RM1 million for manufacturing innovative medical equipment through VDP		Page 114
Corporate Responsibility	Establish and implement a strategic Corporate Responsibility (CR) policy at Group level	- Invested RM3.1 million in CR initiatives throughout Malaysia (inclusive of zakat contribution) - Three sustainable CR projects were successfully organised to provide long-term positive impacts to the community: - PharmaApprentice - PharmaGreen - PharmaCare	 	Page 116

In Collaboration With



An LSEG Business





DELIVERING SUSTAINABLE VALUE

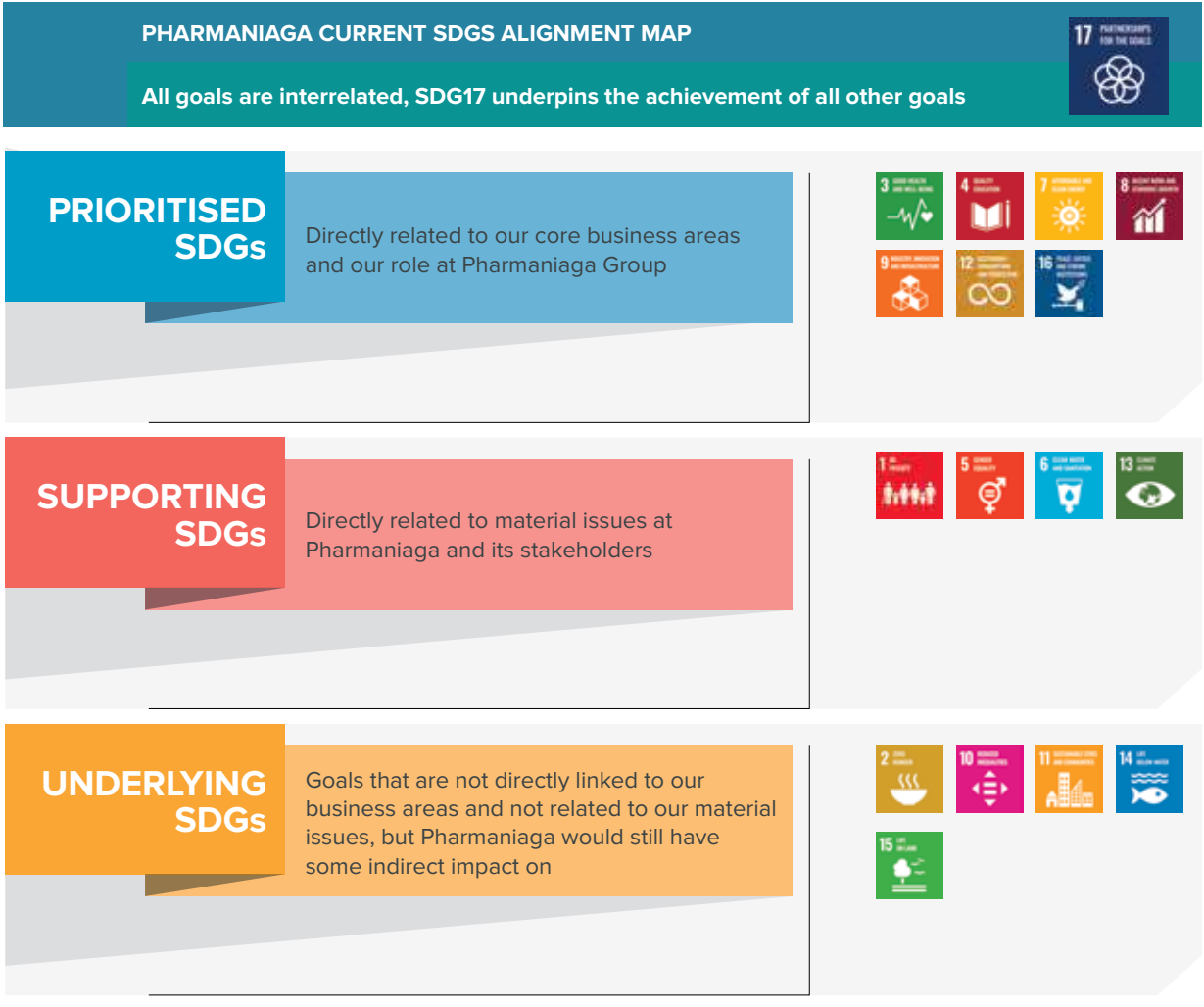
Our Contribution to Sustainable
Development Goals

46



DELIVERING SUSTAINABLE VALUE

In support of the global agenda, which aims to leave no one behind, we are fully committed to our sustainability goals. We have taken concrete steps to contribute to the development of a sustainable future and put an end to poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. Our contributions will have a positive effect on our business, our stakeholders, as well as communities around the world. To ensure the efficiency of our efforts, we focus on selected and prioritised UN SDGs, which have been deliberated and approved at the Management and Board Sustainability Committee levels. Aligning our initiatives with the prioritised SDGs enable us to deliver on our commitment and push for an equitable future for all.



DELIVERING SUSTAINABLE VALUE

HOW WE CONTRIBUTED TO UNSDGs

PRIORITISED SDGs		
UNSDGs	Sustainability Goals	Our Contribution to SDGs
	➔ GOALS 1, 3, 4 & 5	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.
	➔ GOAL 4	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 3	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.
	➔ GOALS 1, 2, 4 & 5	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	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.
	➔ GOAL 3	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.
	➔ GOALS 2 & 4	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.

SUPPORTING SDGs		
UNSDGs	Sustainability Goals	Our Contribution to SDGs
	➔ GOALS 4 & 5	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.
	➔ GOAL 4	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 3	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	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

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 SDGs are discussed in 'Our Sustainability Goals and Key Focus Area' segment in pages 38 to 43.



pharma niaga
passion for patients



LOOSE ITEMS

Pharma niaga Logistics Sdn Bhd (609657)

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OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Goal 1: Delivering Sustainable Value and Future-Proofing the Business	50
Goal 2: Acting with Integrity	64
Goal 3: Achieving Operational Eco-efficiency	70
Goal 4: Creating a Sustainable and High-Performance Workforce	92
Goal 5: Building a Better Society	110

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

GOAL 1

DELIVERING SUSTAINABLE VALUE AND FUTURE-PROOFING THE BUSINESS

PERFORMANCE HIGHLIGHTS

- ➔ Customer satisfaction scores:
MOH : 98% (maintained)
MOHE : 100% (increased by 4%)
- ➔ Development of a **6-in-1 combination vaccine** (Hexavalent vaccine) for childhood immunisation
- ➔ **15 new products** successfully Halal-certified, bringing the total to **193 Halal registered products**
- ➔ Establishment of **BCM Policy**
- ➔ **44 new products** registered
- ➔ Usage of **Machine Learning & Artificial Intelligence** for predicting demand forecasting in Supply Chain Management System

UNSDGs



MATERIAL MATTERS

- 1 Business Continuity
- 2 Technology & Innovation
- 3 Customer Satisfaction
- 4 Sustainable Products & Services

LINK TO

KEY RISKS:

- Business Risk
- Financial Risk
- Legal and Regulatory Risk

STRATEGIC PILLARS:

- Establishing the Premier Integrated Logistics & Distribution Dominance
- Research & Development in Healthcare for Sustainable Growth
- Develop Biopharmaceutical Capabilities
- Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing
- Strengthen Footprints in International Ventures via Focus Countries
- Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

CAPITALS:

- Financial
- Manufactured
- Intellectual
- Social & Relationship

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

1 MATERIAL MATTER: BUSINESS CONTINUITY

Pharmaniaga aims to maintain business continuity in the face of changing market demands and disruptions such as the pandemic and supply chain disruptions. We strive to have a robust continuity plan to minimise the impact of disruptions on critical business functions and services, to meet customer needs. We will strengthen our endeavours to identify and mitigate potential risks and gaps to increase the resilience of our business.

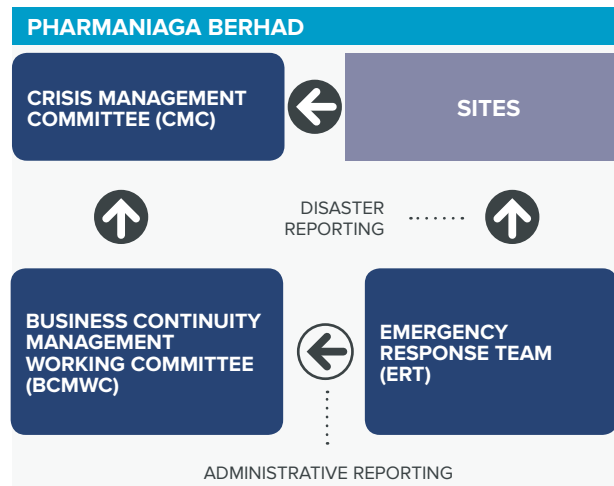
HOW WE MANAGE THE MATTER

Economic and financial stability is one of the key factors that determines the sustainable growth of any business organisation. At Pharmaniaga, managing the challenges and risks to our economic and financial stability involves various strategic measures. We employ an Enterprise Risk Management Framework and a Business Continuity Management Policy. We remain guided by our Pharmaniaga Strategic Pillars that ensure we work hand-in-hand with each subsidiary under the Pharmaniaga Group to implement strategies that will maintain business continuity. More importantly, we identify and mitigate business disruption risks related to environmental, social and governance (ESG) aspects to ensure long-term sustainable business growth.



BUSINESS CONTINUITY MANAGEMENT (BCM) POLICY

We recognise the need for a comprehensive plan to counteract interruptions to business activities during disruptive events in a controlled and structured manner and ensure the continuity of our critical business processes. In the year under review, we established our BCM Policy with the Board of Directors' approval, obtained in August 2022, to formalise a BCM Working Committee and Crisis Management Committee.



The three functions that have been established indicate the proper separation of duties for effective and efficient management of BCM at all times. The Crisis Management Committee (CMC) will function as the steering committee for crises or disasters affecting the Group of Companies and oversees the management as well as maintenance of the Group's BCM plan and communicates the BCM Policy to all employees. The BCM Working Committee provides updates to the CMC on BCM-related matters, risks and areas of concern as identified. The Emergency Response Team is the appointed team at site or branch level in Malaysia and is the focal point for BCM activities in relation to physical emergencies.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

A practical example of how this new setup operates was demonstrated through our preparations for the floods in 2022 with the establishment of a multi-departmental Flood Task Force. This Task Force would coordinate and execute flood relief initiatives for our employees who may be affected. Beyond this, we have also started to look at how climate risks could affect our business given the increasing number of extreme weather events that have occurred in recent years due to climate change.

In 2022, we expanded the implementation of the Business Continuity Plan (BCP) to our Manufacturing Division with the establishment of a BCM Working Committee following the successful implementation of the BCP in the Logistics & Distribution arm. All heads of plants and key functions, such as human resources, finance, quality assurance and engineering, underwent training with an accredited conformity assessment body to gain technical and practical knowledge as well as to ultimately implement the system to ensure business resilience and continuity. The following is a list of the training programmes:



Enterprise Risk Management (ERM) Framework

Environmental has been recognised as part of Pharmaniaga’s ERM Framework to illustrate our strong commitment to enhancing our management of climate change-related matters. The inclusion of environmental factors in the ERM Framework helps in shaping the Group’s overall positioning of climate-related matters whilst enhancing Group-wide strategy. The ISO 14001:2015 Environmental Management Systems sets the basis for the enhancement of environmental performance, fulfilment of compliance obligations and achievement of environmental objectives for our relevant subsidiaries.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

ECONOMIC VALUE AND DISTRIBUTION

In 2022, Pharmaniaga recorded:



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

Economic Value Generated	Economic Value Distributed (RM 'mil)	
Operating Revenue: RM3,510.68 million	Operating Costs	3,275.65
	Economic value distributed to employees	155.10
	Payment to Capital Providers	40.04
	Payment to Shareholders	82.63
	Payment to Government	39.52
	Investment in Community	3.11
	Economic Value Retained for Reinvestment	(85.22)

We are pleased to report that Pharmaniaga did not receive any financial assistance from the government or provided any political contribution throughout 2022.



CHALLENGES

Our business continuity challenges generally revolve around our ability to develop the right business strategy, competencies and culture to provide an accurate measure of what a potential disaster might cost in terms of monetary value. We also have to manage and mitigate policy changes that may occur within the business or due to external factors, such as changes in government policies.

OUTLOOK

Looking ahead, a clear strategic direction with regards to value creation, appropriate risk management and building more strategic partnerships to diversify our markets will help to ensure business continuity. With regards to our BCM Policy, we will continue to create awareness, provide training, prepare documentation and test our business continuity plans to ensure effectiveness and to close any identified gaps.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

2 MATERIAL MATTER: TECHNOLOGY & INNOVATION

Technology and innovation is essential for our business to maintain our competitive edge and accelerate operational performance to adapt to changing market trends. Wherever possible, we aim to automate our tasks and streamline processes to increase efficiency and productivity. Furthermore, technology and innovation opens up new business opportunities and facilitates data analytics to gain better insights into customer behaviour and market trends.

HOW WE MANAGE THE MATTER

Investing in technology and innovation gives us a competitive advantage and enables us to meet customer needs and demands as well as to remain relevant and competitive amid our rapidly evolving industry. As such, we are always leveraging technology in innovating products and services of the highest quality for our customers and the community at large. We are fully committed to expanding our digital product and service offerings as well as increasing the automation of critical and support processes to optimise operational efficiency.

Automation & Industry Revolution (IR) 4.0 Initiatives

Integrating automation and IR 4.0 into our products and services will not only transform our business, but will also generate a wide spectrum of advantages including efficient use of resources, accelerated manufacturing processes, enhancement of other services, reduced product quality issues and lower operating costs.

Accelerating Digital Transformation in Our Logistics & Distribution Arm

To accelerate our efficiencies and productivity, we continue adopting digitalisation in our supply chain operations, which include procurement data, inventory management,

warehousing and distribution. Digitalisation in Logistics & Distribution enables us to track the delivery of goods in real-time, allowing us to identify areas for improvement and to make informed decisions or adjustments.



In the year under review, we invested in the following projects in collaboration with a local university that will help drive greater efficiency:

Sample Automation Project

- The implementation of the project was to automate tender sampling and biannual product sampling processes via the use of artificial intelligence and computer vision. Both processes may involve thousands of products, whereby the product information, such as name of medicine, dosage and expiry date are manually recorded. This is very time-consuming and prone to error.
- To ease the process, we developed a fully robust photobooth and camera hardware rig, as well as an object and text recognition Graphical User Interface (GUI) software. The system automatically reads labels on cartons, extracting the required information directly onto a text file and cataloguing the files systematically into a folder directory on online platform.

Demand Forecasting: Machine Learning & Artificial Intelligence (AI) Cloud-Based Supply Chain Management System

- Use of AI to perform predictive stock forecasting, stock holding and pallet capacity planning, which will notify us of any significant changes in trends, sales or stock planning, provide recommendations on current orders or product quantity purchased from suppliers and improve accuracy of forecasting.
- The system also provides reports on information that might impact our supply chain or future risks related to stock management.
- **Achievements:** Completed stages of Algorithm Application Field Study and Software Development for Data Prep & Data Analysis on Demand Forecasting Model.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Robotic Process Automation (RPA) Development

- RPA is utilised for the distribution of items under the Approved Products Purchase List (APPL), where it automates almost 100% of the manual data entry processes.
- RPA is also used in the accounts payable section of our Finance Department, to input invoices into PIERS (Oracle) for Non-Trade Invoices, saving time and manpower.
- **Achievements:** Additional RPA (autobots) in 2022 to facilitate 99.98% of automation processes for sample orders.

Automated Storage And Retrieval Systems (ASRS)

- We plan to retrofit and expand the existing 21-year-old ASRS at Warehouse Bukit Raja to handle increased throughput and volume of orders as and when required. It will also increase pallet space capacity and allow carton picking to accommodate smaller orders.
- An evaluation of the proposals from solution providers was presented to and approved for implementation by Management and the Tender Board Committee.

Future-Proofing Our Manufacturing Arm with Digital Transformation and Automation

One of our key IR 4.0 initiatives is to move towards paperless processes. We have successfully implemented a digital Standard Operation Procedure (e-SOP) at our Sungai Petani plant, enabling the reduction of paper usage. With this initiative, users will refer to the e-SOP online when there is a need. This initiative will next be replicated in other manufacturing sites. We have also started to review our readiness to implement solutions such as electronic batch records (eBMR) to reduce the dependence on paper-based batch records.



In the year under review, we rolled out the following initiatives to automate our operations:

- Installation of Building Management System for stability chambers and in the warehouse at the Seri Iskandar plant, leading to improved compliance and better record-keeping.
- Dry syrup automation at Seri Iskandar plant, resulting in higher productivity and reduced cycle time, which efficiently delivered all the marketing requirements.
- Automation of end packing process at Bangi plant by refurbishing and relocating an unused end packing line, resulting in higher productivity.
- Use of automation for shipper sealing to reduce manual processes at Sungai Petani plant, resulting in more space due to better layout and higher productivity.

CHALLENGES

The journey of identifying processes that will benefit from increased automation as well as the improvement of efficiencies is an ongoing part of our business. The challenge lies in being able to deploy the most relevant and cost-effective technologies or innovations that are also long-lasting and will help us advance our sustainability journey.

OUTLOOK

Looking ahead, our mission will be to improve our current processes via a digitalisation improvement plan to enable us to stay ahead in the industry. We will continue to explore more IR 4.0 projects with the aim of going paperless while also implementing lean programmes to reduce waste and to simplify processes. In addition, we aim to apply green technologies to various parts of our business as well as new technologies, including the use of robotics in sterilisation and packing.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

3 MATERIAL MATTER: CUSTOMER SATISFACTION

As the largest pharmaceutical group in Malaysia, the satisfaction of our customers is of paramount importance as our products and services impact the health and well-being of our consumers. Thus, we make every effort to ensure our products and services are safe for our customers to consume and use by complying with regulations and guidelines. Furthermore, customer satisfaction is necessary for our business to succeed sustainably in the long term, while strengthening customer loyalty and elevating our reputation.

HOW WE MANAGE THE MATTER

Improving customer satisfaction will enable us to build trust and strong relationships with our customers, who are a key stakeholder group in ensuring the longevity of our business. We value the relationships we have with our customers and strive to offer excellent customer experiences through constant improvement of our services. We acknowledge that continuous engagement with customers through various reliable channels and platforms is vital in ensuring that our customers' needs are fully met. In the year under review, we implemented initiatives and engagement programmes to meet our goals for customer satisfaction.



DELIVERING EXCELLENCE IN CUSTOMER SATISFACTION

Pharmaniaga has a dedicated team that evaluates customer satisfaction through surveys conducted via email or through our competent Contact Centre Agents (CCAs). To facilitate the process, we collaborated with the Ministry of Health's Sales Representatives (MOHSR) to ensure a 100% response rate across all our facilities.

Upon the collection of survey findings, we hold inter-departmental post-mortem sessions to develop improvement plans that will be presented to the Management. These plans are strictly in compliance with ISO 9001:2015 Quality Management Systems and ISO 18295-1:2017 Customer Contact Centres.

We also conduct CCA service monitoring through Call Quality & Business Writing Evaluation to ensure that a consistent service is provided by all CCAs to customers. This allows us to improve our customer service and identify areas that require attention, including training and coaching gaps that need to be filled.

In ensuring excellence, we continuously improve the skills and technical capabilities of our CCAs and ensure that they remain competent through certification programmes. The following are additional certification programmes organised in 2022 for our CCAs:

- Certified Customer Experience Management Practitioner (CCXMP)
- Certified Contact Centre Interaction Quality (CCIQ) for Evaluators

Feedback is also obtained from customers regarding our products and services to ensure our business grows exponentially. Information gathered from surveys and feedback provide us with greater insight into the needs and interests of our customers.

Customer Engagement Programmes

Pharmaniaga seeks to strengthen customer loyalty through various effective customer engagement programmes. In 2022, we continued organising Dialogue Session with the

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Ministry of Health (MOH) and visits to Pusat Tanggungjawab (PTJ) as a platform to raise operational matters, share information and exchange ideas with the MOH, PTJ and Jabatan Kesihatan Negeri (JKN) across all states. Through these programmes, we were able to identify business areas which needed improvement and implemented mitigation measures to continue our support of the MOH. We also established meaningful connections with PTJ and identified areas for improvement. We will continue to foster and develop a mutually beneficial long-term relationship with PTJ.

Customer Satisfaction Survey

Pharmaniaga continues to deliver excellent customer service to fulfil customer needs and meet expectations. We are committed to ensuring our customer service fully adheres to the requirements of ISO 18295-1:2017 Customer Contact Centres by gathering feedback through a customer satisfaction survey. The following illustrates Pharmaniaga’s customer satisfaction survey results for 2022:

(%)	2021	2022
MOH	98	98
MOHE	96	100
Private Sector	94	N/A

ENSURING THE HEALTH AND SAFETY OF PRODUCTS

It is important to uphold the quality and safety aspects of our products given that they are prescription drugs for the treatment of diseases and medical devices, as well as nutraceuticals and over-the-counter products that are consumed by many. To maintain product quality, we develop and manufacture commercial products according to stringent guidelines in our licensed facilities with advanced technologies to ensure consistent quality control.

Apart from the measures taken to ensure product quality, Pharmaniaga monitors the health and safety impacts of our products on end consumers. Our pharmacovigilance system and team support us in the management of any adverse impacts and complaints, whilst responding to enquiries,

updating package inserts and providing regulatory updates and literature screening management. The processes include management of complaints about adverse events, medical enquiries, package insert updates, regulatory updates and literary screening. The health and safety impacts of our products and services are guided by the criteria of 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).

Pharmaniaga is also guided by additional local and international regulatory principles and practices. In 2022, we continued to maintain ISO 18295–1: 2017 Customer Contact Centres certification for customer satisfaction and product responsibility.

Pharmaniaga also takes preventive measures to minimise product recall incidents by observing well-established standard operating procedures to manage any issues arising. In any incident of a product recall, an investigation is conducted to determine its root cause, followed by consulting with subject matter experts, after which corrective and preventive actions (CAPA) are implemented. Mitigation measures are implemented immediately to prevent recurring cases.

Product Safety and Labelling

Drug safety is pertinent to the manufacturing of our products, as all product registration holders are responsible for detecting, assessing, understanding, minimising and preventing the adverse drug effects of their products.

We have in place a team of competent personnel responsible for implementing and coordinating measures for product safety and labelling. We continue to conduct internal audits to benchmark our performance and compliance against the guidelines provided in the GMP, Good Distribution Practice, Good Distribution Practice for Medical Devices, Pharmacist Type-A Licence and Good Clinical Practice, GLP and Regulatory Pharmacopoeias. Our Pharmacovigilance team continues to monitor product safety, adverse drug reactions, and adverse events following immunisation. Further assessment will be made and reported to the relevant regulatory body if necessary.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

We are pleased to report that the Group documented zero cases of non-compliance in 2022 with regards to information and labeling, as well as health and safety impacts related to the use of our products and services.

Operational Monitoring and Inspection

Workplace inspections and internal audits are regularly carried out across Pharmaniaga’s operations. These audits ensure that our work practices and business operations adhere to the mandated laws, regulations and standards.

Team leaders and managers from various departments, especially in our Manufacturing Division, go on Gemba Walks as and when necessary to observe work operational processes and ensure GMP requirements are met. This enables us to identify opportunities for improvement and empowers our production floor team members to be more aware and observant in their work.

Our commitment to product and service quality is entrenched in our employees across all segments. The Manufacturing entities are given internal Key Performance Indicators (KPIs) to uphold the highest standards of quality, safety and efficacy of our products. The progress of these KPIs is closely monitored and reported to the Management to ensure everyone is on track in meeting Pharmaniaga’s goals and business objectives.

Besides that, the Manufacturing Division regularly meets on a monthly basis to discuss quality issues that need to be addressed, as well as to share knowledge, lessons learned and exchange ideas on improving quality-related issues throughout its operations.

International Standards and Certifications

We strive to attain and maintain international standards and certifications to ensure that our products are safe for human consumption and do not pose any threat to consumers’ health as well as to uphold superior services to our customers. This initiative helps us to ensure consistency, quality control, consumer protection and regulatory compliance, which are all essential for maintaining public health and safety.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Upholding Ethical Marketing & Advertising Practices

Pharmaniaga is committed to practising responsible and ethical marketing as well as advertising strategies. We emphasise the values of honesty, integrity and transparency to help our consumers make better choices. We comply to relevant legal requirements with regards to the marketing and advertising of our products and services.

All advertisements for publications are reviewed and approved in a consistent manner by a dedicated team, which refers to standards, codes, quality control and documented procedures before allowing publication.

In 2022, we recorded two incidences of non-compliance with regards to product advertising. The Pharmacy Enforcement Division sent us two letters about the registered product advertisements, which were advertised on social media and on vending machines. In response to this, Pharmaniaga submitted letters explaining our mitigation actions to the Enforcement Division. No penalties or fines were imposed for these incidences. We are committed to strengthening and improving our practices to ensure we fully adhere to the marketing and advertising rules and regulations, moving forward.

CHALLENGES

In 2022, the challenges we encountered in customer satisfaction were related specifically to timely delivery. As Malaysia transitioned to the endemic stage, Pharmaniaga faced supply disruptions while at the same time, we experienced an above-average increase in demand for products from PTJ facilities, especially for Upper Respiratory Tract Infection (URTI) disease products. The ongoing global conflict as and prolonged lockdown also affected the stocks of raw and packaging materials as well as finished products imported into Malaysia.

OUTLOOK

As we advance into 2023, we hope to overcome these challenges by monitoring suppliers' production and improving our planning to ensure demands can be fulfilled in a timely manner. We will continue to look for alternative suppliers and issue notifications prior to supply disruptions to healthcare facilities.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

4

MATERIAL MATTER: SUSTAINABLE PRODUCTS & SERVICES

We aspire to develop sustainable pharmaceutical products and services that have minimal impact on the environment and the communities we operate in. We acknowledge our role in making pharmaceutical products and services accessible and affordable. Aside from that, our efforts to make our products and services more sustainable will create more economic benefits for the industry, enhance our brand value and facilitate our regulatory compliance.

HOW WE MANAGE THE MATTER

At Pharmaniaga, we recognise that we shoulder an important responsibility in providing access to affordable and quality healthcare solutions for all communities. As such, our approach is focused on ensuring that production and distribution are uninterrupted, conducting research to create affordable products and enhancing customer accessibility.

PROVIDING ACCESSIBILITY TO AFFORDABLE HEALTHCARE PRODUCTS

Affordable healthcare products are a crucial component of a thriving society. With healthcare costs rising year after year, Pharmaniaga is well positioned to ensure that the costs of healthcare products are made affordable for the public without compromising on quality, safety and efficacy.

Pharmaniaga has robust end-to-end infrastructure to develop generic versions of innovator drugs that adhere to the highest quality, safety and efficacy standards. We constantly innovate to ensure customers have easy access to healthcare products. Our Research & Development

(R&D) Division explores the creation of new first-to-market affordable generic versions of various drugs.

Our venture into the biopharmaceutical segment will potentially drive economic growth in Malaysia, as it promotes technological advancements and creates high-skilled jobs. The production of vaccines domestically will also reduce costs for the government and ensure vaccine security for the nation. We collaborate with external companies and institutions to accelerate the pace of bringing these products to the market, as well as to ensure their affordability.

In collaboration with a Thai-based biopharmaceutical company, Pharmaniaga is currently developing a six-in-one hexavalent vaccine for children that protects against Diphtheria, Tetanus, Pertussis, Haemophilus influenzae type B, Hepatitis B and Poliomyelitis. Hexavalent vaccines are currently part of the Malaysia National Immunisation Programme and are fully imported. The formulation of the vaccine is scheduled to be completed by the end of 2023 with pre-clinical and clinical development, registration, manufacturing and commercialisation expected to be completed by 2026.

We also continue to implement cost and productivity optimisation initiatives within the Pharmaniaga Production System, achieving:

- Capacity and yield improvements of RM3.9 million
- Lead time, cycle time, inventory reduction and productivity improvements of RM0.75 million

Strategic Development Plan and Key Initiatives

Amid the further easing of COVID-19 restrictions in 2022, we saw a recovery in the pharmaceutical sector, leading to a spike in demand for several prescription drugs and demand stabilising for over-the-counter medicines. The number of patients in clinics and hospital, particularly tourist patients, also increased following the reopening of international borders.

In terms of R&D, we focused on developing and building bio-pharmaceutical products related to different vaccines, insulins, enoxaparin and monoclonal antibodies. For

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

pharmaceuticals, the emphasis was on developing products based on major therapeutical areas like the cardiovascular system and central nervous system, as well as anti-infective, anti-diabetic, pain management and gastro-intestinal drugs.

Over the longer term, we are guided by Pharmaniaga's 10-year development programme to provide affordable healthcare products to our customers. In this context, our key focus areas include:

- Sustaining and increasing the profitability of existing products and also to successfully develop key products for the government tender business
- Accelerating business growth by registering first-to-market products and venturing into biopharmaceutical development, technology transfer and the manufacturing of vaccines, enoxaparins, insulins and biosimilars.
- Penetrating international markets by developing niche, speciality and patent-driven products
- Strengthening the Indonesia business through technology transfer of existing high-value products to Indonesia

Despite the expected recession, inflationary pressures and higher interest rate environment, we expect positive growth in the coming year. We see some favourable trends, such as the larger proportion of elderly people, the increasing prevalence of chronic diseases and greater access to healthcare system.

Key Factors That Have Enabled Pharmaniaga to Offer Affordable Products to Customers:

From end to end, we strive to incorporate an optimised approach at every stage of the product life cycle to reduce cost, simplify processes and reduce our impact on the environment.

Reducing Cost to Market

- We conduct reverse engineering to understand the components within branded products to enable more cost-effective development of generic products
- We conduct thorough and exhaustive due diligence with respect to reducing the cost of conducting a bio-equivalence study, or avoiding it entirely by adopting a bio-waiver approach
- We continuously improve our manufacturing processes through Value Stream Mapping and Bottleneck Analysis. This includes improving efficiency and reviewing batch sizes to reduce overall production cost

Strategic Product Development

- From the initial stage, we utilise the most appropriate product development design and strategy, which will ensure the selection of high-quality and cost-effective materials
- We ensure that products are developed in compliance with global quality requirements to enable them to be distributed in all geographies

Simplifying Manufacturing

- We have simplified the manufacturing process and optimised our formulations, as well as batch sizes, to reduce overall production cost
- We leverage our supply chain to procure cost-effective ingredients without compromising on quality specifications

Advocating Sustainability

- We have implemented energy-saving initiatives to reduce electricity consumption and production cost, which has also helped to reduce the product cost per unit
- We use sustainable packaging material to reduce material cost

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

ENSURING UNINTERRUPTED SUPPLY AND PRODUCTION

To ensure sufficient stock in the marketplace in 2022, we continued to source for alternative suppliers and products, as well as ensuring that there was at least six months' worth of stock of Active Pharmaceutical Ingredients (APIs) in the plant or local supplier's warehouse. In addition, we kept up to date with the demand for COVID-19-related stocks and developments by the Ministry of Health by monitoring the ministry's social media and holding frequent discussions with the ministry.

Excellent Track Record in Logistics & Distribution of Healthcare Products

Pharmaniaga has set explicit targets to ensure on-time delivery of products to customers, which are closely tracked and reported using the Business Intelligence (BI) and Power BI Dashboard. In 2022, Pharmaniaga recorded an overall performance to concession agreement of 98.7%. This was made possible by the dedication and discipline of the Logistics & Distribution Division in ensuring enough buffer stock and close rapport with external transporters as well as the upgrade of our transportation fleet to ensure the smooth distribution of products to customers.

Reaching Our Customers

We believe that being both available (by offering a range of product portfolios) and accessible 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 was performed to manage our multichannel back-end operations. The tool facilitated inventory management, pricing and order management for multiple marketplaces, and resulted in increased efficiency for order processing as it reduced the lead time to process orders. This allowed for improved delivery of products to customers, reduced errors in order processing and increased the quality of services.

Accessibility of Halal Products

According to data published by the Halal Development Corporation, the estimated market size of Halal pharmaceuticals in Malaysia was valued at USD3.4 billion in 2018 and is projected to increase to USD4.8 billion by 2025. We strive to assure our consumers that our products are Halal-certified according to Halal requirements certified by Malaysian Halal-competent authorities. Our Halal initiatives and programmes are driven and coordinated by an internal Halal committee, that adheres to requirements outlined by the Halal-competent authorities. Our Halal policies and procedures safeguard the manufacturing processes of our Halal healthcare products and comply with the Halal Standards. We adhere to three requirements including the Malaysian Halal Certification Procedure Manual, Malaysian Halal Management Systems and MS 2424: 2019 Halal Pharmaceutical General Requirements, in order to maintain the Halal certification.

We conduct internal audits at least once a year to ensure compliance with Halal requirements. To date, we have received Halal certification for 193 registered products, of which 15 products were certified in 2022, whilst six inactive products were delisted from the Halal-certified products list.

Malaysia is a global leader in this space and Pharmaniaga remains well positioned to be a key stakeholder in driving the growth of the market with our Halal-certified healthcare products. Thus, we aspire to be the first local manufacturer of Halal vaccines and insulin, as well as to develop Halal alternatives for critical products.

Ensuring Certification and Compliance of Halal Healthcare Products

To ensure continuous compliance with the Halal certification of all our registered products, we have undergone internal and external Halal audits as well as awareness training to build competency in our internal team. Our concerted efforts also included ensuring three certified Halal executives and 15 certified internal Halal auditors received relevant training to enhance their competencies.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



One of our products from our Bandung plant (ETABION Kapsul) received Halal certification from Lembaga Pengkajian Pangan Obat-Obatan dan Kosmetika-Majelis Ulama Indonesia (LPPOM MUI). Apart from that, the on-desk appraisal and implementation audit of Halal Assurance System, assessment for food, drug and cosmetics by LPPOM MUI has deemed our Bandung plant as 'Excellent' in its successful implementation of its Halal Assurance System.

Collaborations and Engagements in the Halal Industry

As a reputable pharmaceutical group, we maintain our active involvement in Halal pharmaceutical initiatives, which include being a committee member of the Sectoral Working Group under Halal Development Corporation Berhad (HDC). Department of Standards Malaysia. In 2022, we were appointed as a panel member to develop National Occupational Skills Standards (NOSS) for Halal Audit.

CHALLENGES

To ensure a sustainable product pipeline, the selection of new products needs to be assessed and evaluated from multiple angles, balancing commercial aspirations against manufacturing realities and customer needs. The product development life cycle is also long, taking a minimum of three years; hence, being the first to market for generic products is critical.

It is crucial to ensure all the elements to create a sustainable product pipeline are in place, from having the right partners, talent and undisrupted raw material supply, to keeping production equipment up to date. Although complex and full of challenges, we believe that our strategies and clear vision will enable us to deliver high-quality and affordable medicines.

OUTLOOK

Pharmaniaga's aspiration is to become a leading biopharmaceutical manufacturing company that supports local and international needs. Accordingly, we have identified a vast and diverse product portfolio. To realise this aspiration, Pharmaniaga has established partnerships with foreign technology partners for development and technology transfers. We also work with local universities and research institutes to collaborate on new vaccine technologies, testing and pre-clinical and clinical studies.

Looking ahead, to better serve the community, the continuous introduction of newly off-patent, high-quality and price-competitive products is our utmost priority. It is crucial to ensure there is no disruption of supply in any situation. The recent pandemic has demonstrated the importance of partners, the need for alternative sources of raw materials and knowing when to seize new opportunities.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

GOAL 2

ACTING WITH INTEGRITY

PERFORMANCE HIGHLIGHTS

- ➔ Successful **ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) certification** for our Bangi, Seri Iskandar and Sungai Petani plants
- ➔ Conducted **integrity pledge and signing** ceremony by the Pharmaniaga's Board and Management team with Malaysian Anti-Corruption Commission
- ➔ Conducted a **Cybersecurity Vulnerability Assessment Penetration Test** exercise
- ➔ **Encrypted connection** of RoyalePharma website via Secure Sockets Layer (SSL)
- ➔ Achieved **zero** non-compliance cases involving anti-corruption and breaches of customer privacy

UNSDGs



MATERIAL MATTERS

- 5 Corporate Governance & Business Ethics

LINK TO

KEY RISKS:

-  Legal and Regulatory Risk
-  Cybersecurity Risk

STRATEGIC PILLARS:

-  Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing
-  Strengthen Footprints in International Ventures via Focus Countries

CAPITALS:

-  Financial
-  Social & Relationship

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

5

MATERIAL MATTER:
CORPORATE
GOVERNANCE &
BUSINESS ETHICS

Sound corporate governance and good business ethics are vital in ensuring the sustainability of any business organisation. Demonstrating ethical business practices helps us deliver value to all stakeholders and strengthens the relationships and trust we have built over the years with our customers, shareholders, employees, suppliers and partners.

Corporate Policies

Pharmaniaga adheres to the following policies, which are in line with the Malaysian Code on Corporate Governance (MCCG) principles and associated integrity standards, in managing our business ethics and corporate governance. These policies are accessible via our corporate website and intranet portal:



Anti-Bribery Policy



Whistleblowing Policy



Gifting Policy



Donation Policy



Anti-Money Laundering Policy



Vendor Code of Ethics



Code of Ethics and Conduct

HOW WE MANAGE THE MATTER

Business integrity is integral to our core strategy and operations. As such, we adhere to the highest standards of corporate governance and business ethics. In accordance with the Board Charter, our Board of Directors, Board Committees, Directors and Management team have specified tasks and responsibilities, along with fiduciary duties and leadership responsibilities. The policies, guidelines and terms of reference serve as a framework for the Board of Directors in its decision-making process.

Our corporate policies are reviewed from time to time and, if required, revised to ensure that they are in accordance with the most recent developments. This is overseen by the Human Capital and Integrity and Governance Units.

Our commitment to good ethics and integrity is enforced through the appointment of an internal Certified Integrity Officer (CeIO) who ensures accountability of ethical conduct throughout the Group. Any instances 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 approval.

ANTI-BRIBERY AND CORRUPTION

We are committed to complying with ISO 37001: 2016 Anti-Bribery Management Systems (ABMS). The Board has oversight of ensuring anti-corruption policies and procedures are entrenched in all our operations and activities.

As part of our ABMS implementation, all vendors are required to sign a Vendor's Letter of Declaration, which states that they understand and will adhere to the tenets of our policies and procedures. Anti-corruption clauses are also included in all Service Agreements to protect our business against corruption. Furthermore, we have conducted an integrity awareness programme for transporters and plan to conduct the same training for vendors.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

All operations under the Logistics & Distribution and Research & Development arms have implemented ABMS in the previous years. Meanwhile, our Manufacturing arm implemented ABMS in 60% of its operations, comprising our Bangi, Seri Iskandar and Sungai Petani plants, in 2022. Meanwhile, our Puchong plant completed the second stage of the external audit in December of the same year. To date, we have successfully obtained ABMS certification for 45% of our operations across Malaysia. Additionally, we continued to improve our internal management systems across other Divisions following the successful implementation of the system at our ABMS-certified operations.

Pharmaniaga also has a clear and transparent procurement process and standard operating procedures (SOPs) to ensure the impartiality of all parties. Any possible conflicts of interest must be disclosed by all the relevant vendors that are involved in the process, including assessors and suppliers. Our hiring, transfers and promotions must also follow appropriate SOPs to ensure transparency and all relevant personnel, such as panel members and candidates, must declare any potential conflicts of interest before proceeding.

Risk assessment and anti-corruption initiatives

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

Potential Risk	Significant Risk	Mitigation Measure
Lack of integrity due to absence of professional ethics	Business Risk	Two additional personnel were trained as Certified Integrity Officers at the Malaysia Anti-Corruption Academy (MACA) in July 2022
Lack of internal controls	Legal and Regulatory Risk	Internal audits of ABMS on a regular basis to identify gaps whilst improving our system
Personal interests due to financial pressure and personal pressure	Financial Risk	Employees received professional ethics and work integrity training and awareness as part of their ABMS accreditation

We are pleased to announce that the Group received no reports of personnel being disciplined or terminated due to non-compliance with anti-corruption policies, and no fines, penalties, or settlements were levied in relation to corruption. Our commitment to ensuring our employees are well aware of the relevant laws and regulations as well as the internal policies and SOPs pertaining to anti-bribery includes the provision of robust training and communication programmes. Throughout the year, we successfully carried out various programmes in our effort to bring everyone’s understanding of anti-bribery measures up to the same level. In 2022, 700 employees (31% of the total employees in Malaysia) were communicated with and trained on anti-corruption policies and procedures through an Integrity Roadshow.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



8 Directors

(73%) received training on anti-corruption

Note:
The composition of the Board of Directors is as of 31
December 2022



Anti-Corruption Training Programmes

- > Briefing on Section 17A of MACC Act 2009 for Board of Directors
- > ABMS & 17A Awareness Training for Top Management
- > Integrity Pledge with MACC
- > Briefing on ISO 37001: 2016 Anti-Bribery Management Systems
- > ABMS Preparation Review
- > ABMS Awareness Training
- > Integrity & Anti-Bribery Roadshow
- > Bribery Risk Management ABMS Internal Audit Training
- > Progress of ABMS Implementation in Malaysian subsidiaries in 2022: 56%

Whistleblowing

We have put in place a Whistleblowing Policy that establishes the framework for dealing with allegations of corruption, falsification of documents and abuse of power, as well as all types of misconduct and money laundering, amongst others. All grievances are reported through our whistleblowing channels, either via email to alert@pharmaniaga.com or the grievance hotline at 1-800-18-2082. The platform protects the confidentiality and identity of the whistleblower. In 2022, there were eight documented whistleblowing cases, of which seven cases have been resolved.

Whistleblowing

CHANNELS:



Email: alert@pharmaniaga.com



Hotline: 1-800-18-2082

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

DATA PRIVACY AND SECURITY

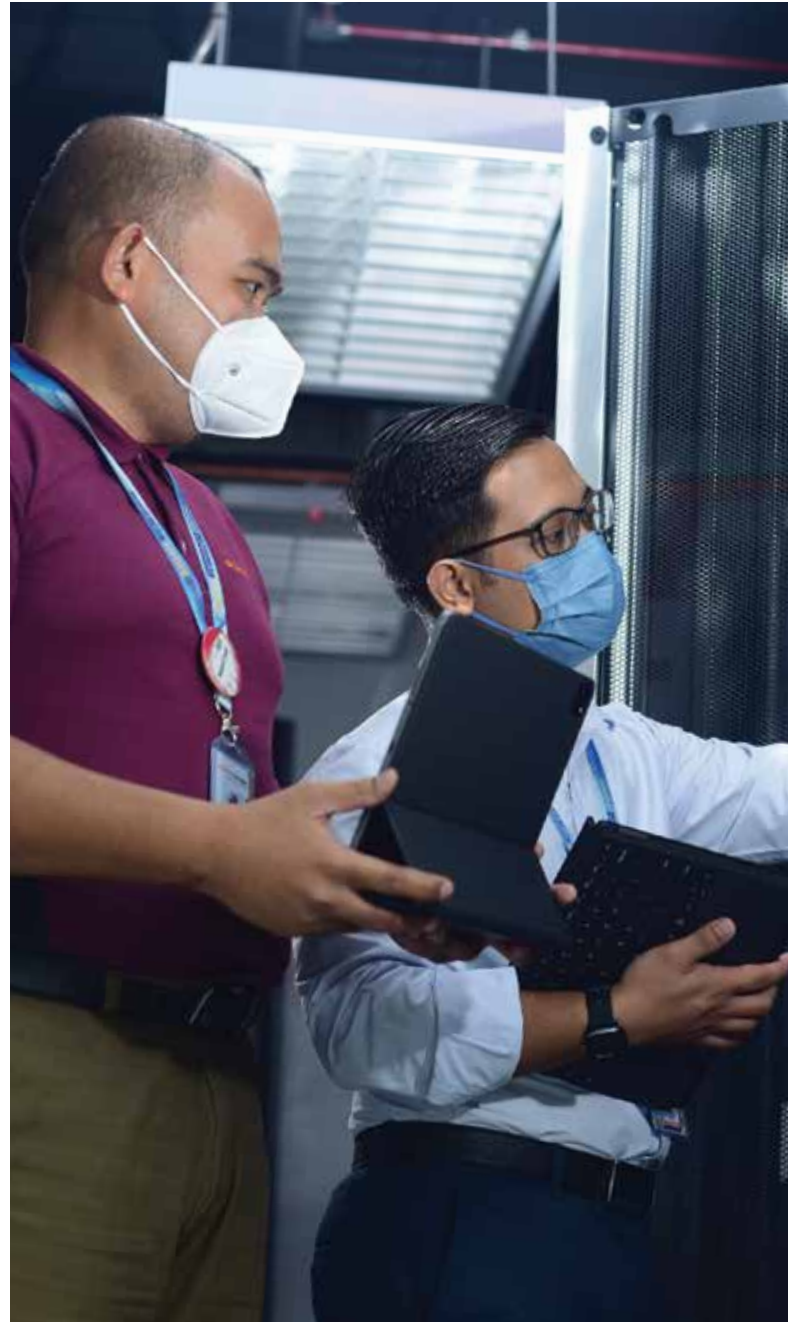
We strive to ensure that all personal information is managed in accordance with the Personal Data Protection Act 2010 in our commitment to protecting our internal data assets. We are guided by the Group's Information Security Policies and Standards, which consist of mechanisms such as the separation of duties, access logging and role-based access control. This allows us to track and retain records on who has accessed personal data to ensure controls are in place. We enforce the highest standards of data protection along with robust policies and procedures that are consistently implemented by our Information Technology and Information Security Coordinators.

The procedures involved in ensuring data privacy and security include but are not limited to the following:

- o Implementation and maintenance of ISO/IEC 27001 Information Security Management Systems (ISMS) through annual certification and surveillance audit activity by an external audit party and conducting ISMS activities to complement the whole ISMS implementation
- o Investigation of any security incidents or violations of the Information Security Policies and Standards
- o Continuous information security awareness programmes (e.g. training and campaigns) to educate employees on the importance of protecting personal periodic evaluations of the contents of the Information Security Policies and Standards with the assistance of the Information Security Coordinators
- o The implementation of appropriate controls (e.g. policies, standards and procedures) to mitigate the identified risk

Risk Mitigation

To effectively protect and manage our customers' personal data, we have taken a proactive approach and implemented various robust initiatives to strengthen our cybersecurity system and mitigate the risk of cyberattacks. Our initiatives include conducting internal audits on our systems and processes and deploying new technologies, as well as reviewing and updating internal policies.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



Our systems are equipped with a strong firewall that monitors all incoming and outgoing network traffic. Additionally, we have set policies restricting access to certain data and products. We have also established a policy that requires users to reset their password every two months and have in place software that will consistently monitor all computer activities to protect our systems from any cyber threat. In addition, we conduct a Cybersecurity Vulnerability Assessment Penetration Test exercise once every two years to identify and address security vulnerabilities in application, network, endpoint and cloud.

Our multi-pronged business requires us to adapt to the ever-changing technological landscape of the market. During the year, we expanded our business-to-consumer channels such as RoyalePharma Online at www.royalepharma.com and our RoyalePharma 24/7 vending machines. This led to an increased market reach and provided easy access to consumers. This website is secured by a digital certificate that authenticates the website's identity and enables an encrypted connection via Secure Sockets Layer (SSL).

However, we acknowledge that digitalising our business makes us vulnerable to potential cybersecurity threats. As such, we are committed to strengthening our cybersecurity through innovative data protection solutions and ensuring our partnerships with trusted and reputable e-commerce platforms remain risk-free.

We are pleased to report that in 2022, there were zero cases of non-compliance involving breaches of customer privacy. There were also no substantiated complaints concerning breaches of customer privacy from external parties or regulatory bodies.

CHALLENGES

Holding individuals accountable for their actions is crucial for promoting integrity. This requires a system of checks and balances that ensures that individuals are held responsible for their actions. Some ethical dilemmas may be complex and require individuals to make difficult choices.

As for data privacy, the human factor poses the most significant challenge for any organisation. Human error and insufficient awareness present the biggest challenge as employees are vulnerable to a variety of threats, including phishing and email scams, as well as other types of cybersecurity attacks, such as insecure websites. Employees may also use weak passwords in conjunction with having high-level account access, making them ideal targets for socially engineered attacks.

OUTLOOK

We will continue to uphold the highest standards of corporate governance and drive a culture of ethics and integrity in all our business operations and across our value chain. This will include continual review of our corporate governance policies and data practices, effectively communicating our policies and code of conduct, and providing training.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

GOAL 3

ACHIEVING OPERATIONAL ECO-EFFICIENCY

PERFORMANCE HIGHLIGHTS

- ➔ **17.1% reduction** in Greenhouse Gas Emissions against 2019 baseline
- ➔ Transformed **7.75 tonnes** of hazardous waste use into **alternative raw materials** for cement industry
- ➔ **767.48 GJ** generated from solar energy
- ➔ **737.72 tonnes** of non-hazardous waste recycled
- ➔ **222.36 tonnes** of recycled input material utilised in manufacturing facilities
- ➔ Established the **1st climate-related risk report** by adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

UNSDGs



MATERIAL MATTERS

- 6 Environmental Compliance
- 7 Resource Efficiency
- 8 Greenhouse Gas & Climate Change

LINK TO

KEY RISKS:

- 💡 Environmental Sustainability Risk
- ⚖️ Legal and Regulatory Risk

STRATEGIC PILLARS:

- 🌐 Strengthen Footprints in International Ventures via Focus Countries
- 📱 Accelerate Digitalisation, Green Energy & Fit for Purpose Innovation

CAPITALS:

- 🌳 Natural

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

6 MATERIAL MATTER: ENVIRONMENTAL COMPLIANCE

Environmental compliance is of paramount importance to any business today. As a responsible corporate citizen, we understand that our diverse range of business activities can have an impact on the environment. Therefore, we are committed to complying with all relevant rules and regulations that apply to our business activities, services, and products to minimise any negative impact on the environment. We recognise that it is our duty to protect the environment and take all necessary measures to ensure that our operations do not cause harm to the planet. By adhering to relevant laws, regulations and other standards, companies are demonstrating their commitment to safeguarding the environment through sustainable business practices.

HOW WE MANAGE THE MATTER

Proper environmental governance ensures that all our operational activities comply with the relevant environmental regulations. At Pharmaniaga, we have in place an Environmental Management System (EMS), which guides us in environmental compliance in all our business activities. The EMS consists of Environmental Management Representatives (EMR) from across our business divisions, who are responsible for monitoring and ensuring environmental compliance in all our operations.

The EMS committee oversees the development and maintenance of the EMS system in accordance with applicable local laws, regulations, policies and other standards. The committee tracks and monitors key environmental metrics, including electricity consumption, greenhouse gas (GHG) emissions and water consumption, as well as material and waste management, and identifies improvement opportunities.

The Environmental Monitoring Report is submitted monthly to the Sustainability (ESG) Department for continual monitoring and improvement at the Group level. Environmental performance, amongst others, is updated on a quarterly basis to the Management and Board Sustainability Committee (BSC).



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Compliance with Environmental Regulations

Pharmaniaga is committed to ensuring that our operations proceed in an environmentally responsible manner, with due consideration for the environment and other stakeholders. We shall abide by all applicable laws, regulations and international standards in our business practices.

Operations in Malaysia adhere to:

- Environmental Quality Act, 1974 (Act 127)
- Environmental Quality (Clean Air) Regulations, 2014
- Environmental Quality (Industrial Effluent) Regulations, 2009
- Environmental Quality (Sewage) Regulations, 2009
- Environmental Quality (Scheduled Wastes) Regulations, 2005
- Environmental Quality (Refrigerant Management) Regulation, 2020
- Environmental Quality (Control of Emission from Petrol Engines) Regulation, 1996
- Environmental Quality (Control of Emission from Diesel Engines) Regulation, 1996
- Environmental Quality (Motor Vehicle Noise) Regulation, 1987
- Guidelines for Environmental Noise Limits and Control, 2019

Operations in Indonesia adhere to:

- Peraturan Pemerintah Republik Indonesia Nomor 22 Tahun 2021 Tentang Penyelenggaraan Perlindungan dan Pengelolaan Lingkungan Hidup
- Peraturan Menteri Lingkungan Hidup Dan Kehutanan Republik Indonesia Nomor 5 Tahun 2021 Tentang Tata Cara Penerbitan Persetujuan Teknis dan Surat Kelayakan Operasional Bidang Pengendalian Pencemaran Lingkungan
- Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor 1 Tahun 2021 Tentang Program Penilaian Peringkat Kinerja Perusahaan Dalam Pengelolaan Lingkungan Hidup



Our Initiatives

Throughout 2022, we implemented various EMS initiatives to maintain our certification. These include:

Awareness training on EMS during Department Training Programme (DTP) and Induction Programme

Environmental Aspect Impact Assessment, Environmental Risk Assessment, internal and external issues

Certified Competent Person to monitor and report the data to the DOE (CePSwaM, CEPsO, CePIETSO,

Robust pollution control by implementing various systems, such as dust collector system, industrial effluent treatment system (IETS), sewage treatment plant and scheduled waste management system

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



All our activities are guided by Pharmaniaga's Environmental Health & Safety policy, which sets out the rules and guidelines on risk and impact management. Apart from regulatory compliance, we strive to uphold the highest standards by applying international benchmarks and management systems. To this end, we maintain ISO 14001:2015 Environmental Management Systems (EMS) certification for our Manufacturing and Logistics & Distribution subsidiaries in Malaysia.

CHALLENGES

In the highly regulated pharmaceutical industry, we are required to follow stringent rules and regulations in order to maintain our licence to operate. As a responsible organisation, we are committed to maintaining stakeholder cooperation in employing best sustainable practices, and ensuring that they comply with all regulatory rules. Our operational challenges include the increasing amount of hazardous waste generated, energy consumption and having designated certified competent persons to monitor environmental compliance across our operations.

OUTLOOK

As a responsible organisation, we understand the importance of achieving full compliance with environmental regulations in our daily operations. By doing so, we not only fulfil our legal obligations, but also create opportunities to reduce our environmental footprint and make a positive impact on the planet. One of the challenges we face in achieving this goal is effectively managing our hazardous waste and minimising our environmental impact. To overcome this challenge, we are continuously seeking ways to develop or hire more competent personnel who are trained in waste management and environmental best practices. Going forward, we will continue to identify opportunities to ensure environmental compliance and create value for people and the planet.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

**7 MATERIAL MATTER:
RESOURCE
EFFICIENCY**

Natural resources are finite. Thus, effective resource management is crucial in our operations to mitigate and minimise the negative environmental and social impacts of our daily operations and products. Lack of resource management may disrupt our operations, while inefficient material and waste management may expose us to various risks, including operational, legal and reputational. As such, we are committed to managing our resources and waste to ensure operational and cost efficiency, as well as minimised adverse impacts.



HOW WE MANAGE THE MATTER

At Pharmaniaga, we are committed to using resources efficiently and sustainably to reduce our environmental impacts and operational cost by employing best sustainable practices and implementing efficient resource management. We ensure strict compliance with the following laws and regulations relating to material and waste management across our operations in Malaysia and Indonesia:

Operations in Malaysia adhere to:	Operations in Indonesia adhere to:
• Environmental Quality Act, 1974 (Act 127) • Environmental Quality (Scheduled Wastes) Regulations, 2005 • Environmental Quality (Industrial Effluent) Regulations, 2009	Peraturan Pemerintah Republik Indonesia Nomor 22 Tahun 2021 Tentang Penyelenggaraan Perlindungan dan Pengelolaan Lingkungan Hidup

In order to conserve natural resources and protect the environment, we continue to take various appropriate measures such as applying the concept of 3R (reduce, reuse, recycle) where possible and implementing effective water and waste management. We also take preventive measures such as conducting internal and external audits to ensure that our material and waste management practices meet the ISO 14001: 2015 Environmental Management Systems certification standards. The audits also ensure the efficiency of our Environmental Management System, which will continue to be relevant and effective in the future.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

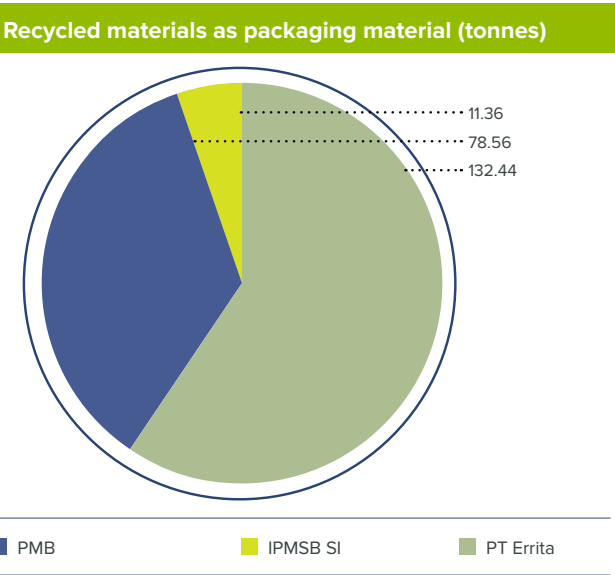
MATERIALS AND WASTE MANAGEMENT

Efficient Use of Materials

We are continuously working towards reducing the amount of waste produced across our operations. This is accomplished through measures that include the application of waste management systems and optimisation of material consumption. The Group implements measures to manage material consumption, ensure efficient use of raw materials closely monitor material inventory in each manufacturing facility. Beyond that, our manufacturing facilities are equipped with a resource management software that helps us to monitor and record material consumption.

In 2022, the Group continued to implement initiatives and control measures to manage material consumption and ensure efficient use of raw materials.

Managing Material-related Impacts



GREY BACK CARTONS

The use of grey back cartons, which are made of recycled input material, as packaging material increased from 215.39 tonnes in 2021 to 222.36 tonnes in 2022. The increase was attributed to the use of the grey back cartons for several high-demand products. The initiative has enabled us to utilise alternative resources in our efforts to reduce the usage of new natural resources and mitigate negative environmental impact.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Efficient Waste Management

Our business activities generate waste from both upstream and downstream through operational activities and the retail part of our value chain. We segregate our waste and employ a five-tier waste mitigation hierarchy, which prioritises waste prevention before resorting to sending waste to landfill. To this end, we implement an effective inventory planning system that allows us to plan for expected demand and avoid excessive usage, whilst recording rejected products and analysing variances in material consumption. We also recycle our packaging material and non-hazardous or domestic waste besides tracking our hazardous waste through an electronic hazardous waste information system (eSWIS).

Alternative Raw Material

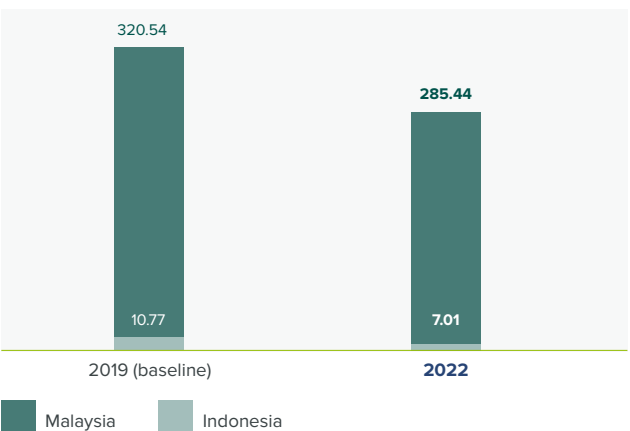
To reduce hazardous waste disposal, our Bangi plant transformed hazardous waste codes SW 204 (Sludge Industrial Effluent Treatment System) and SW 411 (Used Activated Carbon) into alternative raw material for the cement industry (as additives in the burning process). Through this initiative, we managed to transform 7.75 tonnes with a cost saving of RM16,825.40.

Hazardous Waste 	Amount of Waste Transformed into New Materials (tonnes)	
	2021	2022
Sludge Industrial Effluent Treatment System (IETS) – SW 204	4.49	6.07
Used Activated Carbon – SW 411	2.5	1.68
TOTAL	6.99	7.75

We are aware of the possible adverse impacts of our hazardous waste on the environment and the communities around us. Hence, we ensure that all relevant operations have a designated Competent Person certified by the Department of Environment to oversee the management of hazardous waste. We also regularly provide training on hazardous waste conduct to ensure our employees are kept abreast with the latest developments in regulatory rules and to create awareness on the importance of regulatory compliance and hazardous waste management.

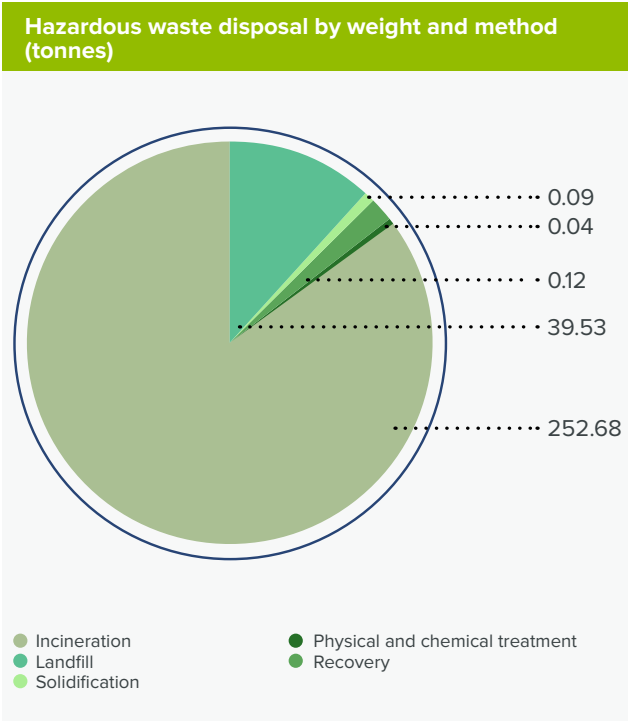
In our Logistics & Distribution business segment, hazardous waste mainly comes from expired drugs returned by customers. Meanwhile, the Manufacturing arm of our Company produces hazardous waste as a result of its manufacturing operations, which includes rejected raw materials and products, tested product samples and sludge from the integrated effluent treatment system, amongst others. All our hazardous waste is properly disposed of by licensed contractors, in compliance with the relevant laws and regulations.

Hazardous Waste Disposal (tonnes)



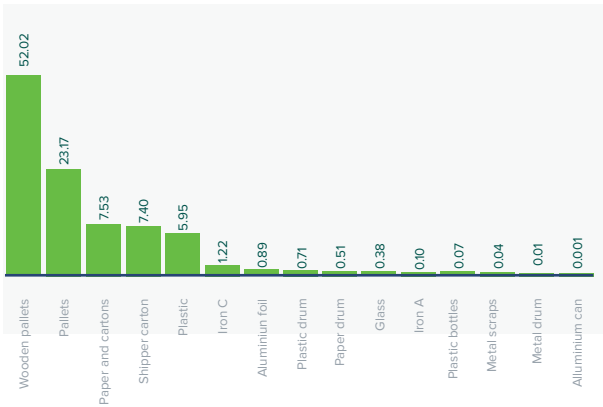
Most of the hazardous waste generated by Pharmaniaga in 2022 was disposed of by way of incineration and this accounted for 86.4% of the total hazardous waste disposed of.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



Weight of waste directed to disposal (tonnes) and diverted from disposal (tonnes)		
Hazardous waste directed to disposal		
Malaysia		285.44
Indonesia		7.01
Total		292.45
Waste diverted from disposal		
	Hazardous	Non-Hazardous
Malaysia	7.75	705.73
Indonesia	-	31.99
Total	7.75	737.72

Non-hazardous waste diverted from disposal (%)



In 2022, the majority of recycled non-hazardous waste (general waste) consisted of wooden pallets.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Water and Effluents Management

Water is a crucial natural resource in the manufacturing of our products. Any water disruption may affect our operations and impact our productivity. We are also aware of the negative impacts our operations may have on the surrounding water bodies. We strive to mitigate and minimise any negative impacts of our operations by complying with the required laws and regulations, particularly Standards A and B of the Environmental Quality (Industrial Effluents) Regulations 2009.

Whilst all our operations in Malaysia withdraw water from local municipal councils, one of our operations in Indonesia utilises groundwater and manages the water quality in-house. Several other operations in Malaysia also collect rainwater and recycle water where possible for non-essential purposes.

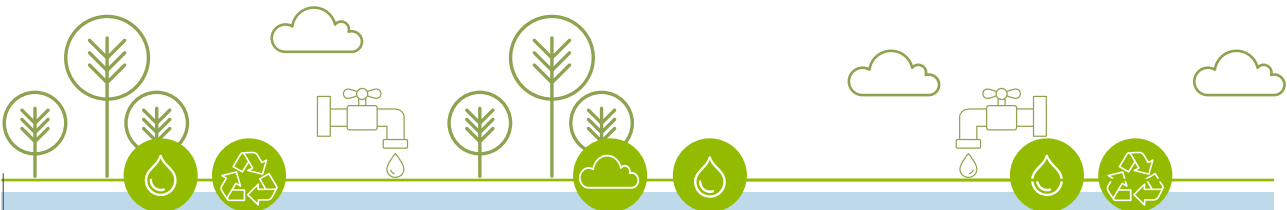


Operations in Malaysia adhere to:

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

Operations in Indonesia adhere to:

- Peraturan Pemerintah Republik Indonesia Nomor 22 Tahun 2021 Tentang Penyelenggaraan Perlindungan dan Pengelolaan Lingkungan Hidup
- Peraturan Menteri Lingkungan Hidup Dan Kehutanan Republik Indonesia Nomor 5 Tahun 2021 Tentang Tata Cara Penerbitan Persetujuan Teknis dan Surat Kelayakan Operasional Bidang Pengendalian Pencemaran Lingkungan



Water Recycling Project	Rainwater Harvesting Project	Repurpose Of Industrial Effluent Treatment System (IETS)
- Our Bangi and Puchong plants are equipped with a Reverse Osmosis (RO) Purified Water System to repurpose water for injection discharge as washroom flushing system feedwater 11.06 megalitres of water were recycled, enabling savings of RM25,270	- Our Seri Iskandar and Puchong plants collect rainwater for their eco-garden irrigation and scrubber system to reduce consumption of municipal water 0.13 megalitres of rainwater were harvested	We repurposed IETS effluent water at our Bangi plant for its eco-garden, enabling us to reduce the amount of purchased water withdrawn

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

We generally do not operate in water stress areas. However, one of our operations in Bandung, Indonesia, is located in an area with a medium to high-risk of water stress. To this end, we are closely monitoring the operation's water withdrawals and have implemented key mitigation measures such as compliance with the government's time limitations for water withdrawal and water quality reporting to the authority, in ensuring business continuity and minimising our impact on the local community. Our plant in Bandung utilises groundwater not only for its own operations, but also for the benefit of the surrounding community, as groundwater is routinely supplied to the locals. We will continue to monitor water-related impacts in the communities in which we operate and implement the necessary mitigation measures.

Our Manufacturing Division conducts a weekly water sample testing internally. In addition, we ensure that all effluents are treated before being discharged into nearby water bodies, as required by the relevant regulations.

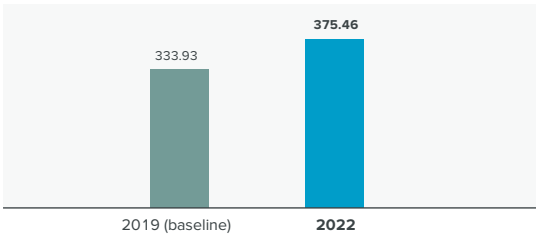


OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Water Performance

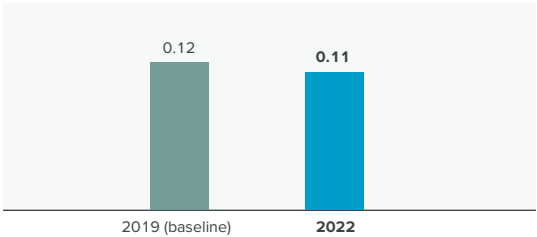


Water withdrawal (megalitres)

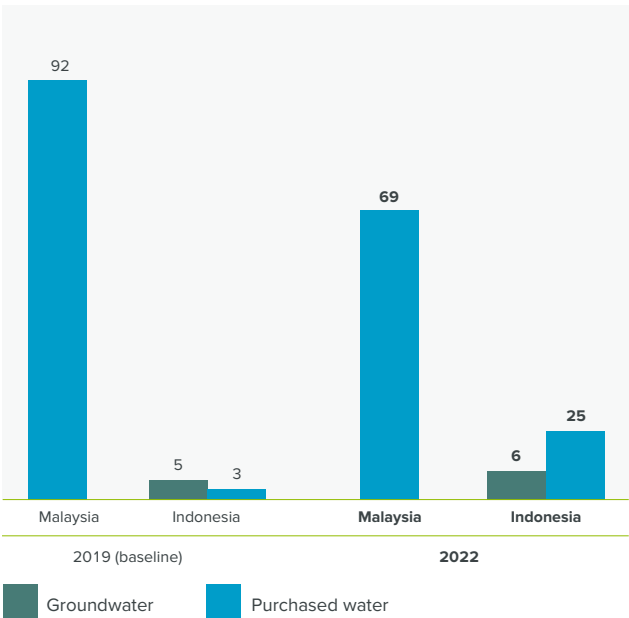


Note:
Water withdrawal has increased compared to the 2019 baseline as a result of data streamlining with our Indonesian operations.

Water withdrawal intensity (megalitres/RM million of revenue)



Source of water withdrawal (%)



Note:
One of our operations in Indonesia withdraws groundwater and manages the water quality in-house.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

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

Water withdrawal			All Areas		Areas with water stress	
			m³	megalitres	m³	megalitres
Source of water withdrawal	Groundwater	Freshwater	21,383.00	21.38	21,383.00	21.38
		Other water	-	-	-	-
	Purchased water	Freshwater	354,072.97	354.07	-	-
		Other water	-	-	-	-
Total water withdrawal			375,455.97	375.46	21,383.00	21.38

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



CHALLENGES

The challenges we face in pursuit of operational excellence are the tasks of educating stakeholders and increasing awareness regarding resource efficiency management. We remain dedicated to the goal of continuous improvement, and have taken measures such as managing customer over-ordering in order to reduce the number of returned expired products. We also promote efficient water usage and improve waste management practices. Despite these efforts, the challenges of stakeholder education and resource efficiency management persisted throughout the past year.

OUTLOOK

We will continue to engage with customers and advocate for the efficient management of material and stock to prevent over-ordering or overstocking. We will also strive to use Grey Back Cartons material as packaging material for other products to continue promoting recycled packaging material, whilst reducing packaging and manufacturing cost. As for water management, we are looking into expanding our rainwater harvesting project for use in scrubber systems and other purposes to reduce water consumption from municipal water and to lower operational cost.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

8

MATERIAL MATTER: GREENHOUSE GAS & CLIMATE CHANGE

Climate change is currently a global crisis facing humanity, threatening the lives and livelihoods of billions of people. Caused by human activities such as burning fossil fuels and cutting down forests, which contribute to carbon emissions, climate change effects have impacted daily lives as well as business activities and supply chains in the recent years. As such, corporate organisations and industries have been urged to transform to a low-carbon economy and contribute to lowering global temperature rise to below 2°C. At Pharmaniaga, we are aware of the pressing need to adopt and adapt to climate change. We are currently stepping up our climate action to implement more robust measures to identify our climate risks and opportunities to ensure the sustainability of our business.



This year, we embarked on a Decarbonisation Programme, which focuses on three main aspects:

HOW WE MANAGE THE MATTER

Our climate-related matters and management of greenhouse gas (GHG) emissions are overseen by the Board Sustainability Committee and Board Risk Management and Investment Committee which are responsible in providing strategic direction on climate-related matters and risk management.

We strictly comply with the Environmental Quality (Clean Air) Regulations, 2014 and continue to implement preventive maintenance and monitoring initiatives. These include monitoring air emissions of our generator sets and conducting periodical air emissions monitoring, as well as inspecting workplaces to ensure regulatory compliance and installing air pollution control systems.

Internally, we strive to reduce our carbon footprint by continuously implementing various energy efficient initiatives across our operations. Amongst the initiatives are installing LED lighting at warehouses, ensuring energy management in our chiller rooms and the utilisation of centralised air-conditioning system for office buildings, at specific operational times (8.00am to 6.00pm). In addition, we continue to raise awareness on energy conservation amongst employees, apply Energy Management Systems and Building Management Systems to reduce energy usage and GHG emissions. To ensure efficiency of our implementation, we monitor and report on our GHG emissions and energy usage every month.

Energy Efficiency



Electric Vehicle

Renewable Energy



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

CASE STUDY

In 2022, Pharmaniaga embarked on a Decarbonisation Programme with a solution provider to support the nation's aspiration towards net zero carbon emissions in 2050 and the Paris agreement to limit global warming to well below 2°C.

In our aim to accelerate Pharmaniaga's transition to a low-carbon economy, the initiative will form a joint-venture company to facilitate the implementation of Pharmaniaga's Decarbonisation Programme. It will enable both companies to leverage on each other's technical expertise and resources whilst allowing Pharmaniaga to adopt a more ESG-centric approach, in line with Boustead Holdings Berhad's ESG strategy, the Boustead Hijau (BIJAU) Agenda.

The Decarbonisation Programme is envisioned to significantly reduce the energy consumption and carbon emissions of Pharmaniaga's operations across Malaysia and Indonesia. This will be achieved through planning and implementing various sustainability initiatives on energy efficiency and renewable energy, along with the usage of electric vehicles (EV), amongst others. Pharmaniaga currently has two electric vans for last mile distribution in several areas of the Klang Valley in our support to the Group's Decarbonisation Programme. This proof-of-concept project is only the beginning of more intricate initiatives that will soon see all of Pharmaniaga's Logistics & Distribution business network embracing use of EV.

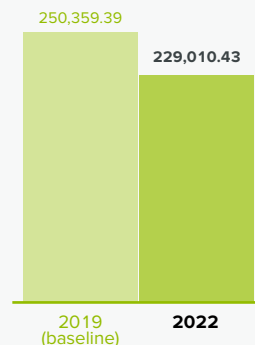


OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

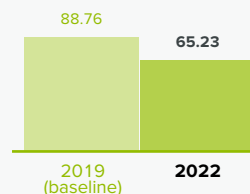
Energy Performance

Our Company mainly uses fossil fuel energy such as diesel, petrol, natural gas, and liquefied petroleum gas for our business operations. We are also implementing renewable energy by installing solar panels at one of our subsidiaries. We have reduced our energy consumption in recent years, resulting in a 8.5% reduction in energy consumption against our 2019 baseline. Additionally, our energy intensity has improved by 26.5% against the same baseline. These achievements are a direct result of our concerted efforts to minimise our energy consumption through various measures, demonstrating our commitment to sustainable business practices and reducing our carbon footprint.

Energy Consumption (GJ)



Energy intensity (GJ/RM million of revenue)



Note:
Total energy consumption (GJ) and Energy Intensity (GJ/RM million of revenue) from 2019 to 2022 has been restated due to the updates in energy content value (MJ/Volume) to improve data accuracy

Breakdown of energy consumption by non-renewable and renewable sources (%)

Country	Malaysia		Indonesia	
Year	2019	2022	2019	2022
Purchased energy	65.17	62.02	36.27	39.80
Diesel (Mobile combustion)	3.28	3.67	0.31	0.65
Diesel (Stationary combustion)	1.56	1.31	7.00	7.61
Petrol (Mobile combustion)	0.80	1.29	56.42	51.94
Petrol (Stationary combustion)	-	0.01	-	-
Solar (Renewable energy)	0.26	0.39	-	-
Natural gas (Stationary combustion)	28.79	31.19	-	-
LPG (Stationary combustion)	0.14	0.12	-	-



Type of renewable fuels	MWh	GJ	Purpose of fuel usage
Solar	213.19	767.48	Electricity generation



Type of energy purchased	MWh	GJ
Electricity	37,379.69	134,566.87

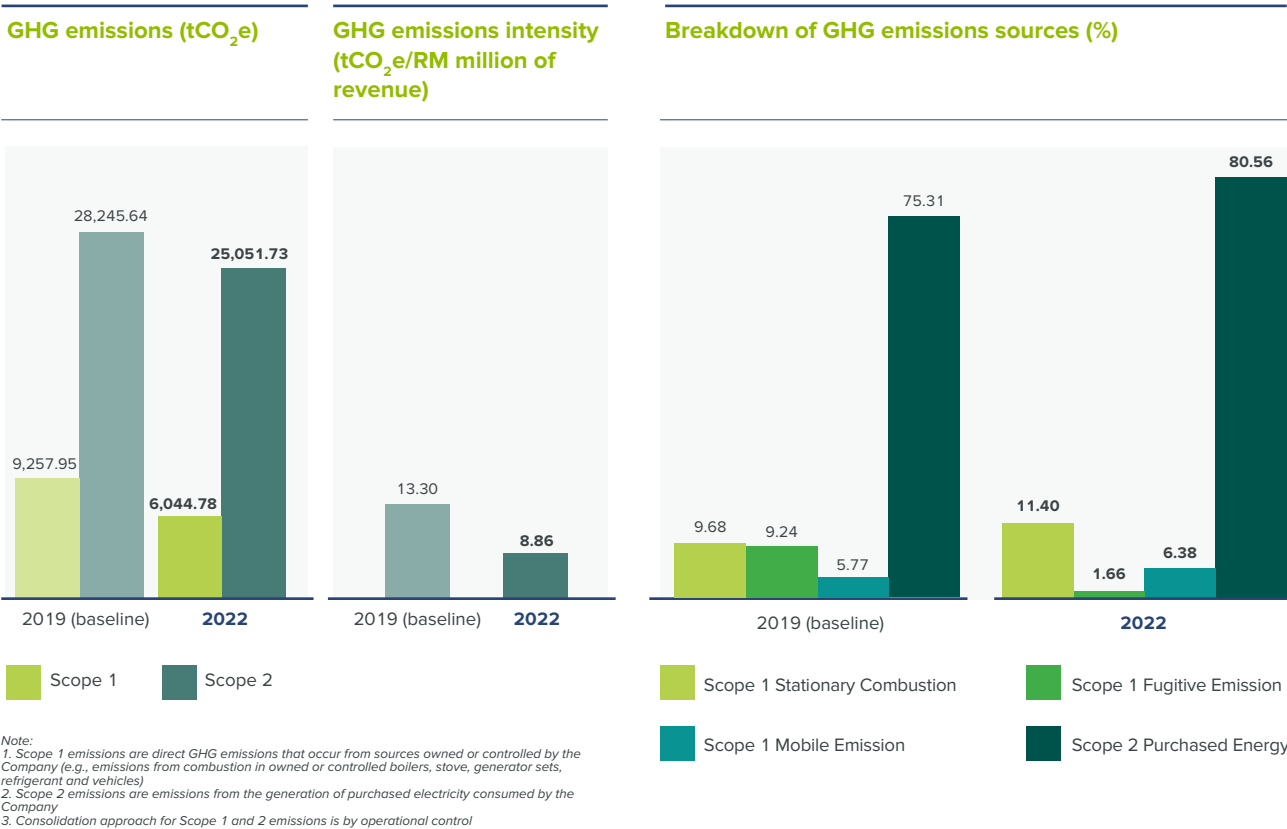
OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

GHG Performance

Our GHG performance data was calculated according to GHG Emissions Protocol Calculation Tools - Emission Factors from Cross Sector Tools (March 2017).

GHG emissions	GHG emissions intensity
Achieved reduction of 17.1% against 2019 baseline	Achieved reduction of 33.4% against 2019 baseline
Note: Our target set in 2020 is 15% reduction	

In 2022, our GHG emissions performance is 31,096.51 tCO₂e while GHG emissions intensity is recorded at 8.86 tCO₂e/RM million of revenue.



Our fugitive emissions have significantly reduced in comparison with the 2019 baseline due to our continuous efforts in implementing energy-saving initiatives, particularly in chiller retrofitting.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Energy Saving and Carbon-Reduction Initiatives

Consistent energy-saving and carbon reduction initiatives by all subsidiaries throughout the Group attributed to the overall good performance. The summary of energy saving and carbon-reduction initiatives that Pharmaniaga undertook in 2022 are as follows:

Sites	Initiatives	Cost saving (MYR)	Electricity Saved (MWh)	Energy Saved (GJ)	GHG Emissions Avoided (tCO ₂ e)
PLS	Chiller 1 retrofit	24,093.00	80.28	289.01	51.63
	QC HVAC retrofit	44,936.61	126.58	455.70	81.40
	Reduce sanitisation frequency for softener	1,405.80	3.96	14.26	2.55
PMB	Chiller retrofit: Installed new VSD York Chiller (400RT)	229,052.00	785.54	2,827.93	505.18
	Compressed Dry Air System (CDA), Installation of New Air Receiver Tank size, 5m ³	42,115.77	113.83	409.80	73.21
IPMSB SI	VSD installation for chiller plant (3 units)	30,729.00	91.19	328.27	58.64
	FCU chilled water for FG Outbond A & Sterile Inbound E (12 units)	130,648.00	355.39	1,279.42	228.55
	LED High bay for FG Outbound A (19 units)	11,984.00	34.08	122.67	21.91
IPMSB SP	Solar panels	75,581.83	213.19	767.48	137.10
BR	Replacement of Screw Type Chiller at chiller plant A and Adjusting the chilled water supply by increasing 5°F for Air-cooled chiller plant C	755,554.43	1,717.02	6,181.28	1,104.22
PT Errita	LED retrofit	1,015.67	3.12	11.25	2.72
Note: IDR1,000,000 = RM291.86 (exchange rate as on 16 March 2023)					
Total		1,347,116.11	3,524.18	12,687.04	2,267.11

Through these initiatives, we have achieved energy savings of 12,687.04 GJ and avoided 2,267.11 tCO₂e of GHG emissions from the reduction of purchased electricity. The reduction of energy and GHG emissions consequently contributed to cost savings of RM1.3 million.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

CHALLENGES

As we strive to achieve our objectives for climate-related risk matters, we acknowledge the challenges we face in the absence of clear guidelines from the government. The lack of comprehensive and specific guidance makes it difficult for us to create a sustainable plan of action, and presents a significant barrier to progress in this area. It is imperative that we receive clear and practical guidance from the government, as it will help us to establish a roadmap towards achieving our goals in a manner that is both efficient and effective. Despite these challenges, we remain steadfast in our commitment to reducing our carbon footprint and mitigating climate-related risks in our operations, and will continue to work towards our goals through our own initiative and efforts.

OUTLOOK

Our organisation is fully committed to supporting the Government's ambitious target, which seeks to achieve net-zero carbon emissions by 2050. As part of this commitment, we initiated the development of a comprehensive strategy that seeks to minimise our carbon footprint and mitigate the environmental impact of our operations. We are fully cognisant of the challenges involved in achieving this objective, and we recognise that a collaborative and concerted effort is required from all stakeholders in order to succeed. Nevertheless, we remain optimistic about the future and are dedicated to working towards a more sustainable and environmentally friendly way of doing business. With our ongoing efforts and the support of like-minded organisations and individuals, we are confident that we can make significant progress towards achieving our shared goals and aspirations for a better future.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

CLIMATE RISK ASSESSMENT

Extreme weather events such as floods are becoming more rampant in Malaysia, as climate change continues to threaten our lives and business activities. Thus, it is crucial for Pharmaniaga to identify climate-related risks and take tangible mitigating measures to ensure business sustainability. The need to address and disclose climate-related risks is even more important now, as the investing community demands for more transparency in climate-related financial disclosures.

This year, we embarked on our first climate-related risk report by adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). We conducted a climate risk assessment to identify the physical and transition risks, which was our first step in preparing to mitigate climate-related risks.

The table below shows the alignment of our disclosures against the four pillars of the TCFD. Going forward, we will intensify our climate action and deepen our mitigation measures, such as conducting a climate scenario analysis, to increase the transparency of our climate-related disclosures.

GOVERNANCE The Board Sustainability Committee has oversight of climate-related matters and GHG emissions. This includes driving the Group in its climate change strategy and GHG emissions reduction.  For more information about our Sustainability Governance, please refer to page 28. For more information about our climate action, please refer to Greenhouse Gas & Climate Change from pages 82 to 87.	STRATEGY We are currently stepping up our climate action to implement more robust measures to identify the climate risks and opportunities that will impact our business in the long term. We aspire to embark on science-based emissions reduction targets and conduct a climate scenario analysis in the near future.
RISK MANAGEMENT In 2022, our risk management team conducted a climate-related risk assessment, which enabled us to identify the climate-related risks and opportunities that are most pertinent to our business activities. The assessment was conducted based on TCFD's recommendations, which consist of: Transition Risks Risks related to the transition to a low-carbon economy. Physical Risks Risks related to the physical impacts of climate change, which will affect the value of our assets.	METRICS & TARGETS We have been collecting data and disclosing our Scope 1 and Scope 2 GHG emissions since 2019. As part of our transition to a low-carbon economy, we are looking into disclosing Scope 3 GHG emissions to reduce the carbon emissions of our value chain. This will be accelerated by our Decarbonisation Programme, which seeks to significantly reduce the energy consumption and carbon emissions of our operations across Malaysia and Indonesia. In 2022, our GHG emissions reduced by 17.1% from 37,503.58 tCO₂e in 2019. Scope 1 : 6,044.78tCO₂e Scope 2 : 25,051.73tCO₂e  For more information about our GHG emissions and energy consumption, please refer to page 82.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

CLIMATE-RELATED RISKS, OPPORTUNITIES AND POTENTIAL FINANCIAL IMPACTS

We undertook a climate-related risk assessment to evaluate and identify the climate-related risks and opportunities that will most likely impact our business in the long term. The climate related risks are divided into two major categories while the opportunities are categorised into five different types. Our climate-related risk assessment and disclosures are in accordance with the recommendations of the TCFD.

RISKS		OPPORTUNITIES
Transition Risks	Physical Risks	
- Policy and Legal - Technology - Market - Reputation	- Acute - Chronic	- Resource Efficiency - Energy Source - Products and Services - Markets - Resilience

RISKS

Type	Transition Risks	
Climate-Related Risks	Potential Financial Impacts	
Policy and Legal		
• Increased pricing of GHG emissions • Exposure to litigation	• Increased operating expenditure due to compliance cost to climate risk requirement and penalty of breaching act or requirement • Write-offs, asset devaluation and asset impairment e.g. damaged building due to flood	
Technology		
• Low Substitution Cost – customers preferences for products and services with lower emissions • Costs to transition to lower emissions with technology	• Reduced demand for products and services • R&D expenditures in new and alternative and low emission technologies	
Market		
• Changes in customer behaviour due to rising awareness	• Reduced demand for goods and services due to shift in consumer preferences • Increased production costs due to changing input prices such as energy and water and output requirements such as waste treatment	
Reputation		
• Increases stakeholder concern on green initiative and sustainability	• Increased cost of implementing green initiatives • Limited access to financing if unable to meet banks' green initiative requirement	

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Type	Physical Risks	
Climate-Related Risks		Potential Financial Impacts
Acute		
Increases severity of extreme weather events such as droughts and floods		- Reduced revenue and higher costs from negative impacts on workforce such as health and safety - Additional operating cost due to increased air-conditioning consumption during extreme heat wave
Chronic		
- Changes in rainfall patterns and extreme variability in weather patterns - Rising mean temperatures - Rising sea level		- Increased operating costs due to: - Spike in monthly energy consumption, which causes overhead to increase - Breach of contracts which may lead to penalties been - Increase in capital costs such as damage to facilities due to flood and rising sea level - Increased insurance premiums and/or limited insurance coverage on assets in “high-risk” locations

OPPORTUNITIES

Type	Resource Efficiency	
Climate-Related Opportunities		Potential Financial Impacts
- Utilise greener modes of transportation to reduce carbon emission - Adopt more efficient production as well as distribution processes and technologies - Increase employees’ competencies in Risk Management (RM) and Business Continuity Management (BCM) to strengthen the implementation of RM/BCM in the organisation - Eligible for Green Investment Tax Allowance (GITA) and/or Green Income Tax Exemption (GITE) - Increase production capacity and revenues		- CAPEX and OPEX incurred for implementing green initiatives - More penalties due to business disruption/breach of contract
Type	Energy Source	
Climate-Related Opportunities		Potential Financial Impacts
- Increase the usage of renewal energy - Utilise electrical vehicles to reduce carbon emissions - Eligible for GITA and/or GITE		CAPEX incurred for the installation of solar panels

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Type	Products and Services
Climate-Related Opportunities	Potential Financial Impacts
• Retrofit old machineries with energy efficient parts • Repurposing materials e.g. for packaging • Usage of recyclable and biodegradable materials	• Reduce cost by using recyclable materials

Type	Markets
Climate-Related Opportunities	Potential Financial Impacts
• Potential access to new markets through good ESG rating obtained • Leveraging on introduced public-sector incentives • Increase revenues through access to new and emerging markets such as partnerships with government and development banks	• Additional cost to meet potential climate-related requirements from authorities

Type	Resilience
Climate-Related Opportunities	Potential Financial Impacts
• Conduct comprehensive business impact analysis (BIA) and risk assessment (RA) when exploring new business sites	• Insurance premium increased for coverage of climate change risks

CHALLENGES

Adopting the TCFD recommendations for the first time proved to be challenging, as we navigated hurdles such as data collection to fulfil all the 11 recommendations. However, we are proud to have started the TCFD journey and will strengthen our disclosures against the TCFD recommendations going forward. This will include intensifying our climate action and deepening our mitigation measures, such as conducting a climate scenario analysis to increase the transparency of our climate-related disclosures.

OUTLOOK

Overall, while there are challenges to climate change and TCFD reporting, the trend towards greater transparency and standardisation is positive, and this will be crucial in helping Pharmaniaga to manage the risks and opportunities associated with climate change to maintain business resilience.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

GOAL 4

CREATING A SUSTAINABLE AND HIGH-PERFORMANCE WORKFORCE

PERFORMANCE HIGHLIGHTS

- ➔ Received **84.4%** from Happy and Lively Organisation (HALO) survey
- ➔ **99.7%** employees are local
- ➔ Female composition:
Senior Management : **33.9%**
Executive : **60.5%**
- ➔ **196** individuals provided with graduate employment opportunities
- ➔ Provided **227 counselling sessions** to provide social and mental support
- ➔ Achieved **zero** non-compliance cases related to employment, labour practices as well as violations on human rights

UNSDGs



MATERIAL MATTERS

- 9 Talent Management
- 10 Health & Safety

LINK TO

KEY RISKS:

- 📁 Business Risk
- ⚖️ Legal and Regulatory Risk

STRATEGIC PILLARS:

- 🔄 Reinforce Human Capital through Capability Building for Superior Performance

CAPITALS:

- 👥 Human
- 🤝 Social & Relationship
- 🧠 Intellectual

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

9

MATERIAL MATTER: Talent Management

Talent management is vital for us to retain our talent and shape a high-performing workforce to contribute to the sustainable growth of the business. Effective talent management will enable us to attract and retain the best talents in the industry, thus allowing us to deliver excellence in our products and services.

HOW WE MANAGE THE MATTER

We manage our talents by ensuring that our people are equipped with the latest industry knowledge and are provided with a holistic capability development. They are also highly engaged in order for us to identify and meet their needs and provide job satisfaction.

We seek to provide more job opportunities for local talents to ensure financial security and to contribute to the economic growth of the nation. We are also venturing into biopharmaceuticals which requires us to equip our talents to specialise in this area.

EMPLOYEE ENGAGEMENT

We strive to keep our employees fully engaged and meet their needs through maintaining positive relationships to nurture an empowered, motivated and dedicated workforce. In the reporting year, we increased our employee engagement efforts to encourage the sharing of ideas, support employees' well-being and foster teamwork across our organisation. We also revised the Employee Handbook and established a new remuneration and benefits package which includes new job grading, a structure based on Hay Reference Level for Executives and standardised benefits based on employee groups.

In addition, we provided support to our employees as we moved towards the endemic phase, and this included providing free COVID-19 test kits for employees, quarantine leave and allowing flexible work from home arrangement. We also provided support to our employees during the unprecedented flood disasters, whereby we reached out to 150 affected employees and their families and contributed RM268,950 to them.

We value the dedication of our employees and ensure that they are given a competitive remuneration package relevant to their skill set and work experience. We provide further education through our Continual Education Programme (CEP), which sponsors employees who have the desire to continue their studies in their area of expertise. In 2022, five employees have successfully applied for CEP and are currently undergoing their studies.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Employee Benefits at Pharmaniaga 2022

Financial Assistance

- Car loan interest subsidy
- Medical benefits and employee insurance
- Meal subsidy
- Attendance allowance
- Tuition subsidy (dependent children)
- Higher education entrance subsidy (dependent children)
- Retirement gift
- Additional 2% for Employer contribution in EPF after 2 years of service
- Donation upon death of employee and immediate family members
- Group Term Life and Group Personal Accident Insurance Coverage



Leave Support

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



Well-Being Support

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



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Employee Engagement Activities



Awards/Achievements

- HR Asia Best Companies to Work for in Asia 2022

Festivals/Celebrations



- Ramadan Gift Distribution



- Hari Raya Gift Distribution



- Hari Malaysia 2022



- Birthday & Festival Wish



Religious Activities

- Majlis Berbuka Puasa
- Majlis Rumah Terbuka Aidilfitri Pharmaniaga

Health & Well-being Activities



- Mental Health Awareness (nine series)



- DASS-21 Survey (Depression, Anxiety, Stress Scale)



- Sports and Recreational Club Activities



- Post-Flood Psychological First Aid

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

CASE STUDY

HALO Survey

Employee Engagement and Happiness is an important factor as it ensures employee retention, engagement and happiness enabling our employees to realise their full potential. In 2022, we conducted our first Happy and Lively Organisation (HALO) survey to measure the engagement and happiness of employees across Pharmaniaga, ensuring their needs and expectations are met:



92%

RESPONDENT RATE



84%

OVERALL HAPPY RESPONSES



7.6/10

AVERAGE RATING FOR HAPPY RESPONSES

7.4/10

MY EXCITEMENT FOR THE ORGANISATION

AVERAGE RATING



89%

THE BASIC



86%

THE WORK



83%

PERFORMANCE

Feel happy with :

- Being part of the company
- Welfare assistance
- Work-life balance
- Medical benefits
- Safe work place
- Job security
- Happy workplace

- Job description
- Empowerment
- Departmental collaboration
- Departmental recognition
- Idea contribution

- Career development opportunity
- Training opportunity
- Conflict resolution management



87%

THE BRAND



80%

LEADERSHIP



81%

PRACTISES

Feel happy with :

- To protect and defend company brand
- Recommended the company as an employer of choice
- Brand presence in the market
- Contribution to company
- Company CR initiative

- Sharing constructive comment and criticism
- Treat others with respect
- Two way communication
- Performance recognition
- Happy and fun workplace

- Dedication to customers
- Communication on strategy
- Communication on KPI
- Diversity and inclusion
- Sufficient number of employees
- Quality of talent recruited

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

In addition to this, 198 employees benefitted from our parental leave entitlement in 2022, and 100% of these employees returned to work after their parental leave ended.

Description	Gender	Total
Employees that were entitled for parental leave	Male	1,203
	Female	1,098
Total number of employees		2,301
Employees that took parental leave	Male	121
	Female	77
Total number of employees		198
Employees that returned to work in the reporting period after parental leave ended	Male	121
	Female	77
Total number of employees		198
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Male	118
	Female	73
Total number of employees		191
Return to work rates of employees that took parental leave (%)	Male	100
	Female	100
Retention rates of employees that took parental leave (%)	Male	98
	Female	95



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Safeguarding Human Rights

We believe in upholding human rights, and we expect our employees, suppliers and stakeholders to follow the same standards, as outlined in our Employee Handbook and Code of Ethics and Conduct. Our recruitment process includes a comprehensive standard operational procedure that requires profile screening and original documentation of potential recruits submitted in the application process. This is to establish a transparent and ethical recruitment process to mitigate any potential cases of child labour or modern slavery. We hire individuals who have reached the age of 18 years and above as we see it as part of our contribution towards the abolishment of child labour in the country. Our recruitment practises are in line with the local laws in Malaysia and Indonesia, which reflect our zero tolerance for all forms of forced and compulsory labour. In the year under review, there were zero cases of violations on human rights recorded.

Fair Labour Practices

We are committed to complying with all the relevant labour laws, as we strive to embed fair labour practices across our business operations. The relevant laws include Employment Act 1955, Industrial Relations Act 1967 and the Trade Unions Act 1959, which are integrated into labour practices across our operations. Our operations in Indonesia comply with Labour Law (13/2003), Industrial Relations Dispute Settlement (2/2004) and the Law on Labour Unions (21/2009).

Aside from that, our whistleblowing channel enables us to improve our compliance to labour practises and our management approach. Complaints and grievances can be directed to our whistleblowing hotline at [1-800-18-2082](tel:1-800-18-2082) or emailed to alert@pharmaniaga.com.

CASE STUDY

Employment Policy

In 2022, Pharmaniaga established a Employment Policy to protect employees, eradicate discrimination, promote equality and employee wellbeing, and defend employees' rights. The policy addresses the following key issues:

- Elimination of excessive working hours
- Minimum wage
- Employment of underprivileged groups
- Supporting workforce diversity
- Providing equal opportunities
- Preventing discrimination



Collective bargaining agreements covered

6%
of our total employees

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Freedom of Association & Collective Bargaining

Pharmaniaga supports the rights of all its employees in the freedom of association and collective bargaining as covered in the Employee Handbook and company policies. Their rights include getting overtime rates for union employees, payment of allowances, salary adjustments, contract execution, salary structure and increments, amongst others.

In 2022, 6% of our employees were covered by collective bargaining agreements. We review and revise the collective agreement every three years. The latest collective agreement was signed in August 2022 to establish a harmonious long-term working relationship through our role in the Union, which meets quarterly to discuss key outcomes and advocate the welfare of union members. For employees who are not covered by Collective Bargaining Agreements, reasonable working conditions and terms of employment are provided according to the Employee Handbook.

	2021	2022
Total no. of Union members	252	228
% of Union members out of total no. of Non-executives	10	9
% of Union members out of total no. of Employees	7	6

Performance Reviews

Pharmaniaga continues to make improvements on the overall performance of its employees to step up its business by regularly reviewing the Key Performance Index and Key Result Areas through its Performance Monitoring System exercise. Every individual's performance review is conducted through one-to-one sessions with line managers to discuss career advancement and essential training needed to fill skill gaps. In 2022, 100% of our confirmed employees completed annual performance and career development reviews.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



Talent Recruitment

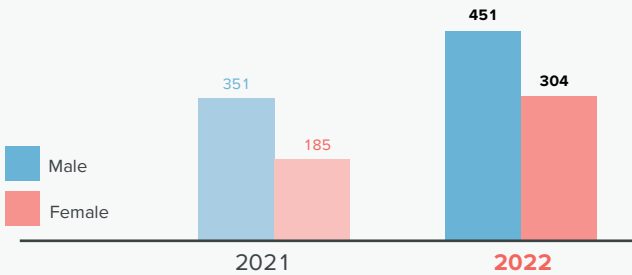
Finding and hiring the right talents are crucial to our organisation's business plan and directly impacts the long-term success of our business and our ability to meet our objectives. We strive to employ talented individuals to improve efficiency, reduce risks, increase diversity and experience of our talents as well as establish a talent pipeline for future succession. To this end, we provided work experience for fresh graduates via the Professional Training and Education for Graduating Entrepreneurs (PROTÉGÉ), Provisionally Registered Pharmacist and internship programmes. These programmes allow them to gain practical experience and soft skills training.

PROGRAMME	2022
PROTÉGÉ	79
Provisionally Registered Pharmacist	6
Pharmaniaga Internship	111

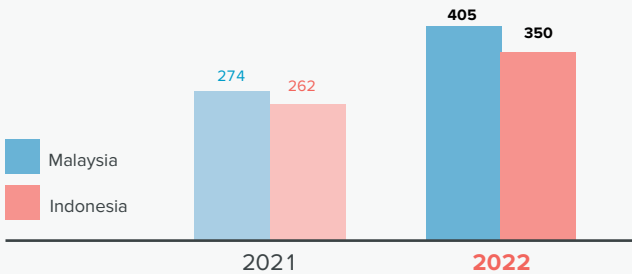
New Hires

During the year 2022, Pharmaniaga employed 755 new employees from diverse backgrounds to strengthen its workforce and enhance overall productivity of its operations.

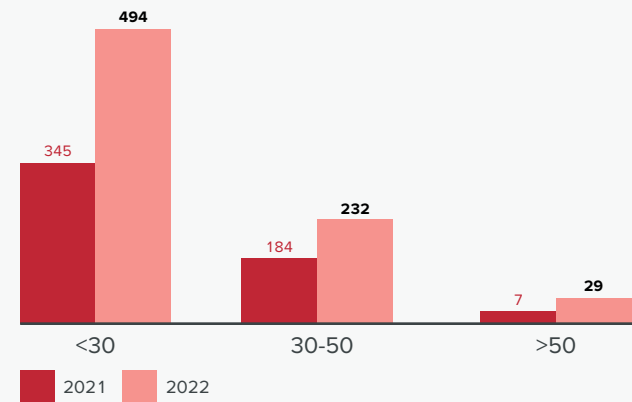
New Hires by Gender



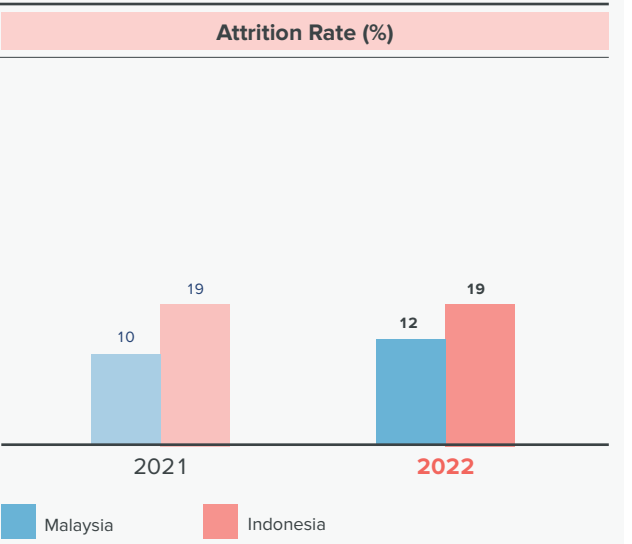
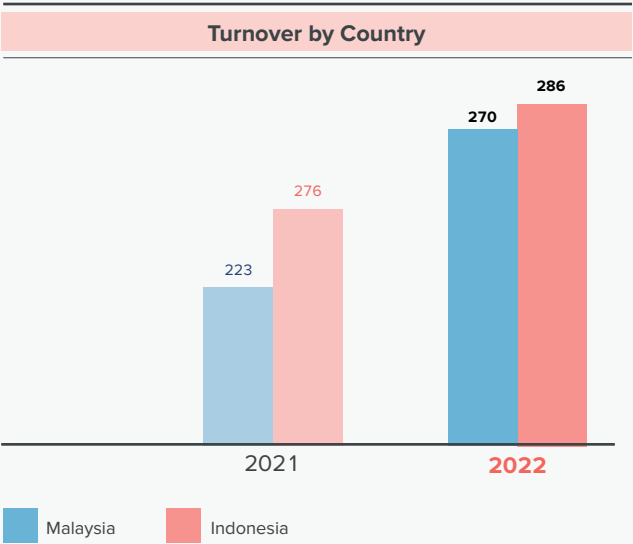
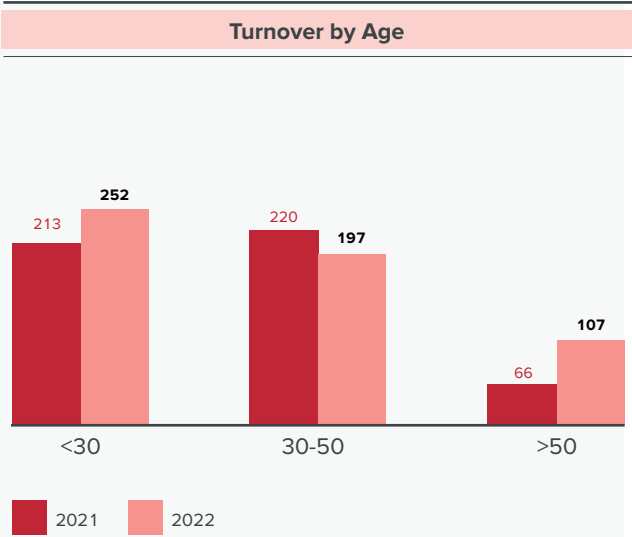
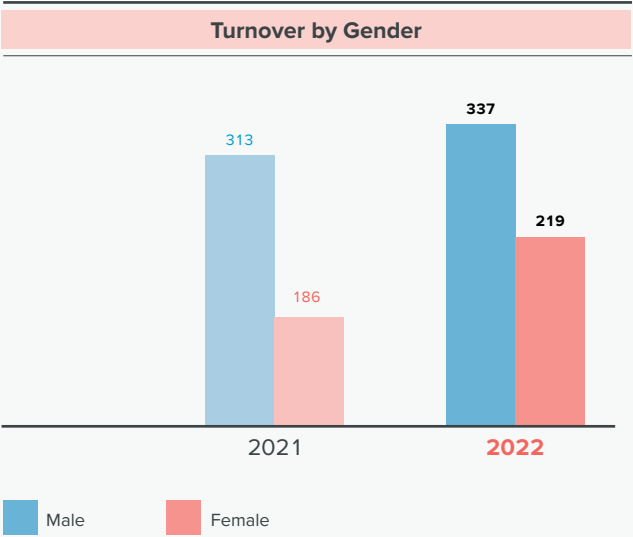
New Hires by Country



New Hires by Age



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



In 2022, our operations in Indonesia recorded a higher attrition rate compared to Malaysia due to non-renewal of contract workers in our Indonesian operations.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

EMPLOYEE TRAINING AND DEVELOPMENT

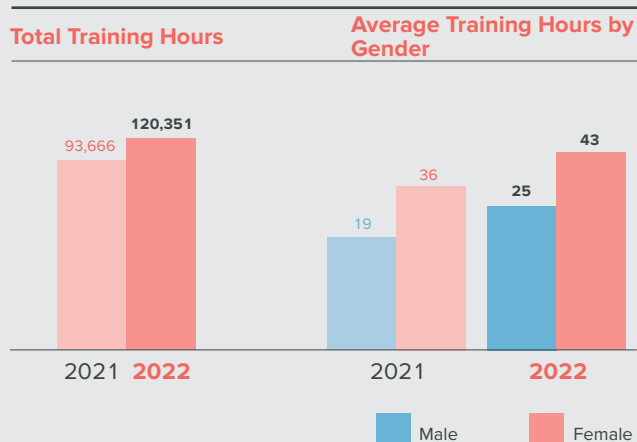
We enhance the skills and abilities of our workforce through continuous training and upskilling programmes to enable them to thrive in their respective roles within Pharamaniaga. Our employees' performance are monitored to ensure they are progressing in their competencies and meeting their goals. Additionally, we engaged internal and external trainers who shared their expertise in several significant training programmes to expand employees' capabilities and to fill skill gaps.

The following chart shows the training programmes organised in 2022:

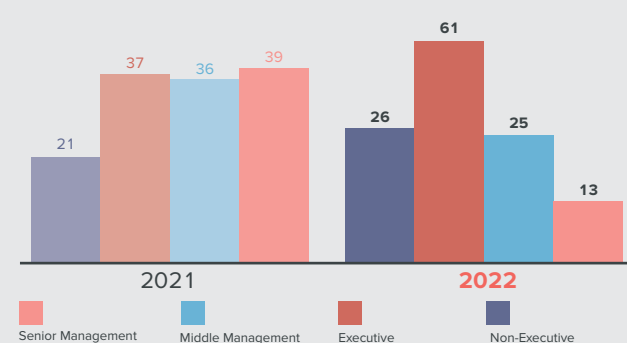
Functional, Technical, Compliance and Development Skills		
Objective	Activity Details	Outcome/Achievement
To increase, enhance and develop the capability of employees to perform their current and future work activities.	1. Technical and compliance training: 214 programmes 2. Development programme: Project Management Professional and Business Continuity Management Systems	- Fulfilled all the compliance regulatory training requirements - Provided ever-ready capabilities to adapt to new changes in work systems, processes, and equipment
Soft Skills		
Objective	Activity Details	Outcome/Achievement
To increase, enhance, and develop the behaviours, attitudes and aptitudes of employees to fulfil their current roles, embed accountability as well as increase leadership potential.	1. Soft skills: 31 programmes 2. Leadership/Supervisory: Eight programmes	- Equipped our talent pool for succession planning and promotion
Continuing Education Programmes (CEP)		
Objective	Activity Details	Outcome/Achievement
The objective of CEP is to provide educational support to employees who wish to pursue tertiary education. In 2022, five employees successfully registered and were maintained in this programme.	1. The company is sponsoring the tuition fees for five successful CEP participants	- We managed to promote self upskilling awareness amongst the employees in our effort to build superior talent pool

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

In 2022, we invested RM2.2 million in employee training and development.



Average Training Hours by Employee Category



Note: Senior Management is defined as Senior Manager and above

Types of Training		Total (RM)
In-house training	Soft Skills Training	545,076
	Technical/Functional/IT Training	368,901
External training	Soft Skills Training	108,389
	Technical/Functional/IT Training	1,216,868
Total amount spent for training and development (RM)		2,239,234

DIVERSITY & INCLUSION

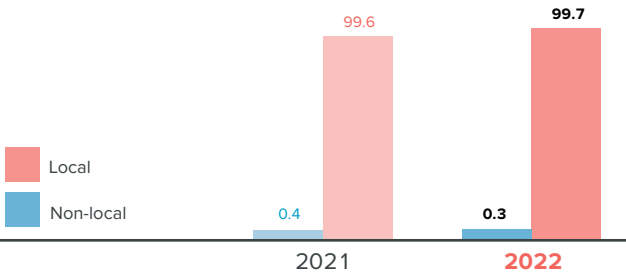
Diversity and inclusion are keys to cultivating a creative and innovative thinking workforce. As a progressive organisation, we believe in diversity and inclusion, and strive to provide equal opportunity in career growth. We hire and promote based on merit and we do not discriminate against employees regardless of age, gender, ethnicity, religion, disability and nationality. In 2022, there were zero reported incidents of discrimination among employees.

We believe that women's representation is crucial in our leadership. Hence, our Nominating and Remuneration Committee (NRC) is working hard to meet the objective of the Malaysian Code on Corporate Governance to encourage more women in prominent roles. In addition, we are guided by our Gender Diversity Policy, which ensures female employees are recognised by the Nomination Committee (NC) as part of its recruitment initiative for the Group's Board of Directors. This is to provide a check and balance in ensuring that the Board consists of a diverse group of talents, experiences and backgrounds.

Further to that, we continue to offer equal entry-level basic salary to both male and female employees. The entry-level pay for non-executive diploma holders is higher than the national minimum wage. As for our operations in Indonesia, employees are compensated according to the Indonesian Government's minimum wage regulations.

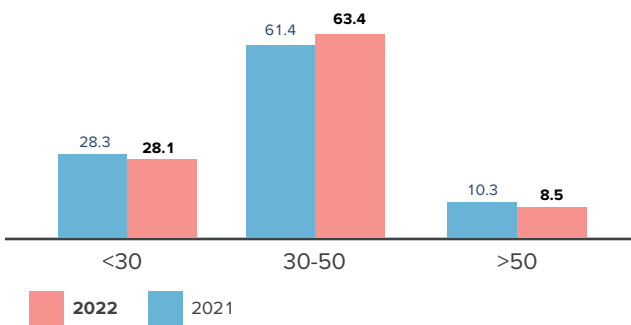
OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Employee Distribution by Nationality (%)

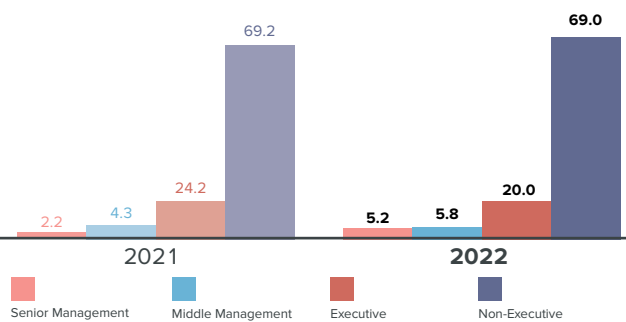


Note: Local is defined as Malaysians working in our Malaysian operations and Indonesians working in our Indonesian operations.

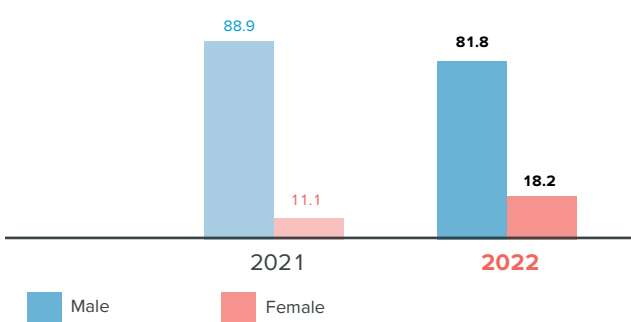
Employee Distribution by Age (%)



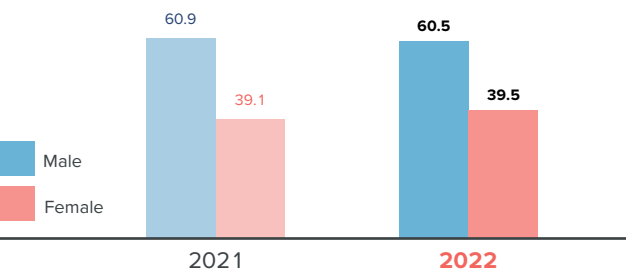
Employee Distribution by Employee Category (%)



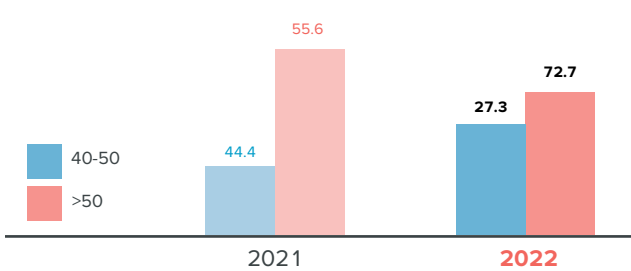
Diversity of Highest Governance Body by Gender (%)



Employee Distribution by Gender (%)



Diversity of Highest Governance Body by Age (%)



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



0.1%
employees with disabilities



18.2%
of our Board members are represented by women



100%
Malaysian in the highest governance body

Note:
The composition of the Board of Directors is as of 31 December 2022.

CHALLENGES

Retaining and attracting the best talent is one of our biggest challenges amid the strong competition in the industry. Selecting the best candidates remains an uphill task as we seek to overcome all forms of discrimination and strive to be objective in our decision-making.

OUTLOOK

Despite having a difficult time retaining the best talent, we are committed to providing continuous training to ensure our internal talents achieve a high-performing culture. Going forward, we will continue to keep our employees highly engaged and identify their needs to ensure job satisfaction and retain our talent. We will continue to monitor individual performance in developing the capabilities of each employee. This includes upskilling, providing opportunities in career growth and succession plan and supporting employees' personal aspirations.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

10 MATERIAL MATTER: HEALTH & SAFETY

Providing our employees with a safe and conducive working environment is our utmost priority, as their well-being is vital in ensuring smooth daily operations and spurring the long-term growth of our business.

HOW WE MANAGE THE MATTER

We are committed to safeguarding health and safety for all our employees, as well as those who work within our operations. We make every effort to comply with the relevant laws, regulations and other standards while remaining guided by our Environmental, Health and Safety (EHS) Policy.

We continue to keep up with the latest regulatory changes and industry health and safety developments. We strive to embed a culture of health and safety into our DNA by emphasising the importance of employees' well-being, putting in place mitigation measures to minimise work-related accidents, enforcing regulatory compliance and providing occupational health and safety training.

Regulatory Compliance

We are committed to ensuring that our operations fully comply with the Occupational Safety and Health Act 1994 (Act 514), as well as other relevant legislations. Internally, our operations are governed by the overarching EHS Policy, which ensures that all hazards, risks and negative impacts are identified and mitigated accordingly.

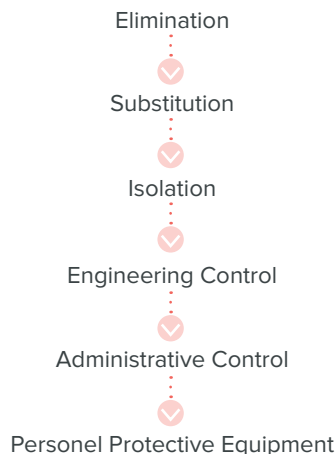


OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Occupational Health & Safety Management

Pharmaniaga is certified with ISO 45001:2018 Occupational Health and Safety Management Systems (OHSMS) across our Manufacturing and Logistics & Distribution arms, which sets out the guidelines for us to manage health and safety risks at the workplace. Our OHSMS applies to all of our employees and those who work within our workplace. The international standard is adopted to enable the business units to set high standards in its procurement, manufacturing, storage and distribution services of products to both hospitals and clinics in public and private sectors.

We conduct Hazard Identification, Risk Assessment, and Risk Control (HIRARC)/Hazard Identification, Risk Assessment, and Determining Control (HIRADC) prior to commencement of work at all operational processes to assess and control any potential risks. When a hazard is identified, employees are expected to immediately report to the EHS committee for further assessment. The EHS committee will manage the hazard according to the hierarchy control to ensure the risk is addressed in our effort to provide a safe and conducive workplace for our employees.



Control hierarchy in managing hazards and risks

In 2022, various hazards were identified, reported and rated from low to high risk in our operations. However, some hazards are rated from medium to high, which includes inefficient machine operators, awkward posture in handling of goods, heavy loads, inadequate space to maneuver machinery and slippery surfaces, amongst others.

Health & Safety Governance

In our steadfast commitment to protect our employees, the established EHS Committee sustains its stewardship by organising quarterly meetings to discuss health and safety issues. All issues including incidents and accidents raised by employer and employee representatives to the EHS Chairman are to be discussed thoroughly.

The infographics below explain our accident or incident reporting and investigation processes:



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Once there is a directive for an action to be executed, the EHS Committee will begin planning and investigating all related issues. This will be followed up by corrective and preventive measures, which will be deliberated and integrated into the management system. In order to sustain our OHSMS certification, we are committed to adhere to the relevant established standard operating procedure and work instruction (WI) and continue providing training with regards to operations, health and safety such as workplace inspection, policy, emergency response, machine handling, amongst others. The appropriate provision of personal protective equipment and resources also allows our employees to carry out their duties safely.

To this end, we have established a mitigation plan by providing training to support specific operations such as forklift handling, internal training for EHS and increasing awareness regarding health and safety matters. In addition, legal evaluations are conducted annually to fulfill process requirements and proper equipment are provided to support our employees in the workplace. We evaluate the effectiveness of actions taken by interviewing employees and inspecting working areas to determine whether EHS matters have been resolved.

Health & Safety Training and Programmes

Pharmaniaga ensures all its employees participate in EHS training and programmes throughout the year, to keep them updated with the latest practices on health and safety at work.

List of Trainings and Programmes

 General Safety	 Management and Reporting of Incidents	 Working in Confined Spaces	 Emergency Preparedness and Response
 QESH Week	 Correct Usage of PPE	 Hazard Identification and Risk Assessment	 Machineries and Equipment Training
 ISO 45001: 2018 Occupational Health and Safety Management Systems	 Management of Chemicals	 EHS Policy	

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Promotion of Employees’ Health

Pharmaniaga strives to comprehensively promote the overall health of employees, through a provision of voluntary health promotion services. As we are now in the endemic phase, we continue to monitor the spread of COVID-19 amongst employees by communicating via emails and memos. In addition, we also provided COVID-19 test kits to employees as and when required, to curb the spread of COVID-19 and ensure no cases in the workplace. We also provided various health examinations for occupational related conditions, including medical surveillance and audiometric tests.

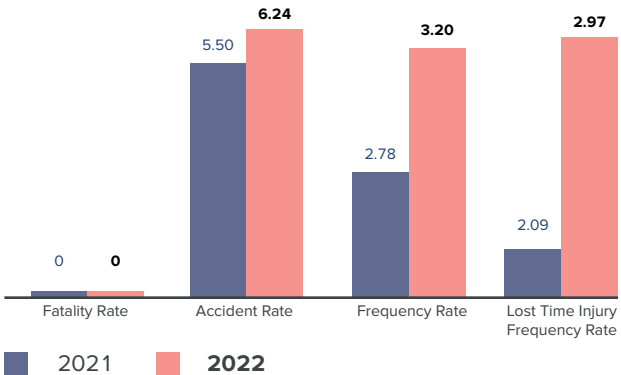
Our People and Administration Division also focused on mental health and carried out significant initiatives to increase the awareness and understanding of employees on mental health issues. With the assistance of our in-house registered counsellor, 85 affected employees were provided with 227 counselling sessions throughout the year focusing on social and mental support.

Health and Safety Performance

We are dedicated in our efforts to minimise work-related injuries as we continuously monitor, inspect and assess the workplace in. These injuries refer to accidents related to physical hazards across the Group such as striking against stationary object, falls on the same level and other unclassified accidents. We are pleased to report that there are no major accidents recorded across all our operations in 2022.



Pharmaniaga’s OHS Performance Data



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

CHALLENGES

The biggest challenge in inculcating a culture of health and safety is to find ways to involve employees at every stage of the process and for the workforce to demonstrate their commitment in adopting best practices into their day-to-day operations.

OUTLOOK

Going forward, Pharmaniaga will reinforce its management system on health and safety in compliance with relevant laws. We believe that a robust system will accelerate our productivity and efficiency besides strengthening our reputation to meet the requirements of our investors and stakeholders. We will also establish a policy to provide guidance, support and resources to improve the mental health of our employees.

GOAL 5

BUILDING A BETTER SOCIETY

PERFORMANCE HIGHLIGHTS

- ➔ **70%** of procurement budget spent on local suppliers
- ➔ **363** active RoyalePharma Alliance members
- ➔ Invested **RM3.1 million** in CR initiatives throughout Malaysia (inclusive of zakat contribution)
- ➔ **Three** sustainable CR projects were successfully organised:
 - **PharmaApprentice**
 - **PharmaCare**
 - **PharmaGreen**

UNSDGs



MATERIAL MATTERS

- 11 Supporting Local Businesses
- 12 Corporate Responsibility

LINK TO

KEY RISKS:

-  Business Risk

STRATEGIC PILLARS:

-  Grow Pharmaniaga Household Brand and Medical Devices through Integrated Branding and Marketing
-  Reinforce Human Capital through Capability Building for Superior Performance

CAPITALS:

-  Social & Relationship

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Our contributions to society support both local industries and community development. As the economy gained momentum post-pandemic in 2022, we continued to procure services and products from local SMEs and provide educational, health sustenance and welfare support to our communities. This section underscores our commitment towards Supporting Local Businesses and fulfilling our Corporate Responsibility (CR).



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

OUR SUPPLY CHAIN MANAGEMENT

Pharmaniaga’s core business span across Research & Development, Manufacturing, Logistics & Distribution as well as Sales & Marketing. Our local and overseas suppliers are on long-term contracts. In 2022, we engaged 2,046 suppliers of which 1,723 are for non-trade procurement and 323 are for trade procurement.

Activities, products, services and markets served:

- Pharmaceutical & biopharmaceutical products research & development
- Pharmaceutical & biopharmaceutical products manufacturing
- Logistics & distribution of pharmaceutical & medical device products
- Exports of pharmaceutical & medical device products for overseas market
- Marketing of pharmaceutical, medical device & healthcare products

Markets Served:



Pharmaceutical products:
Government healthcare facilities, private general healthcare, clinics, pharmacy, online (for over-the-counter products)

Non-Trade Procurement

We shifted our focus to non-trade procurement across Pharmaniaga Group of Companies in Malaysia to standardise non-trade purchases, maximise cost savings, consolidate purchases and allow transparency of processes, in compliance with the Group’s Anti-Bribery Management System. A total of 1,723 vendors were engaged to manufacture and distribute our products as well as serve as our contractors.

Trade Procurement

We source for raw materials and packaging materials that are required in the production of pharmaceutical products from trade procurement. These materials are sourced directly from the manufacturer or through local agents. A total of 323 vendors consisting of suppliers and agents were engaged to obtain our materials.

Vendor Evaluation Process

Our commitment to delivering excellent products and services is not limited within our operations but is extended across our value chain. As such, our vendors are assessed based on their background, experience (at pre-engagement stage) and performance (post-engagement) to meet our high standards.

Pre-engagement Evaluation (due diligence)

Before engaging potential suppliers and vendors, due diligence is carried out to verify the vendor’s background,

Activities carried out by suppliers:

- Providing raw and packaging materials of our products for local and international markets
- Products trading
- Contract manufacturing of pharmaceutical products

UPSTREAM PROCESS

➤ Planning for Supply and Demand



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

based on their financial stability, directors’ background, as well as Company’s experience and performance. To this end, we have established stringent standard operating procedures on new manufacturer and material development. New suppliers are selected based on their capabilities and the ability to supply materials and services according to Pharmaniaga’s requirements. We also take into consideration the Environmental, Social and Governance criteria when performing due diligence on new suppliers, by identifying any red flags that may cause disruptions to production. In Pharmaniaga, due diligence is performed prior to the appointment which includes the issuance of Vendor’s Letter of Declaration on Anti-Bribery.

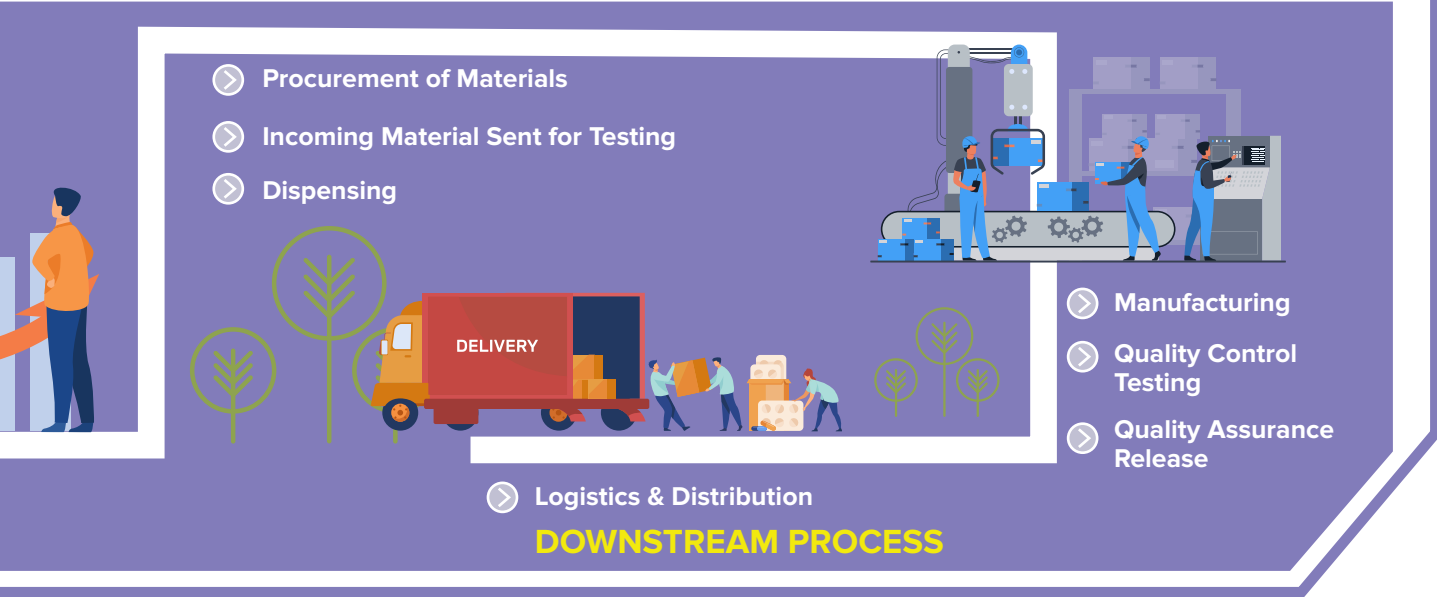
Post-engagement Evaluation

Once projects are completed, suppliers and vendors go through a performance evaluation as an accurate measure to the vendor’s performance and customer satisfaction. These include contracted vendors (e.g. maintenance service providers) or those engaged for one-off jobs (e.g. renovation works), who are evaluated based on work or product quality,

delivery, financial stability, customer service and management responsiveness.

Our suppliers and vendors are rated based on their performance and their ability to meet Pharmaniaga’s requirements and standards. This rating system also enables us to fine-tune our selection process in identifying potential vendors for future contracts and projects.

We will continue to implement this evaluation process as it presents us with a sustainable pool of reliable and competent vendors and suppliers who are fully committed to meeting the needs of Pharmaniaga.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

**11 MATERIAL MATTER:
SUPPORTING LOCAL
BUSINESSES**

Supporting local businesses is a crucial way to strengthen the economic vitality and community well-being of a region. Local businesses are essential drivers of job creation, innovation, and cultural diversity, and they often contribute significantly to the character and unique identity of a community. Local small and medium enterprises (SMEs) contribute to the growth of national Gross Domestic Income and is an essential aspect of building thriving and resilient communities.

HOW WE MANAGE THE MATTER

Pharmaniaga supports the local industries through various programmes such as the Vendor Development Programme and RoyalePharma Alliances, which aim to upskill local vendors and suppliers as well as increase the business opportunities of local businesses.

We are guided by the Group’s Procurement (Trade and Non-Trade) Guidelines and Procedure, which prioritises local vendors, suppliers and business partners. However, due to certain materials and ingredients that are not available locally such as excipients (inactive ingredients that bind active pharmaceutical ingredients) and vaccines, we engage the services of foreign suppliers.

Percentage of Procurement Budget Spent on Local Suppliers

Year	%
2021	43
2022	70



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Vendor Development Programme (VDP)

Our VDP aims to provide the necessary skills and training to improve the industry knowledge of our vendors and suppliers. The programme also assists them to secure grants from the relevant ministries for their businesses.

During the year, we provided various assistance such as grant application consultation which resulted in one vendor securing RM1 million for the manufacture of innovative medical equipment. Under this programme, vendors are selected by the Ministry of Health (MOH) whereby, we continued to engage with 23 vendors appointed by MOH.

RoyalePharma Alliances Programme

The RoyalePharma Alliances Programme is a Pharmaniaga initiative that serves to stimulate business growth by enabling businesses to form strategic partnerships and gain more opportunities. The programme, which supports registered local Independent Pharmacy (IP) businesses, allows Alliances to enjoy multiple benefits including better credit terms, improved inventory and the option to make small but frequent orders. In 2022, we offered extensive range of products (more than 1,000 products) under this programme to enhance their procurement efficiency whilst increasing competitiveness through product availability.

We aim to leverage on the programme to provide various support to local IP such as low minimum order quantity and credit term extensions to enable them to overcome stiff competition from big chain pharmacies.

Number of Members of RoyalePharma Alliances Programme

Year	No.
2021	347
2022	363

Note:
The number of Alliances for 2020 and 2021 were revised as the scope for data above is only for active vendors.



We are proud to announce our partnership with the Majlis Amanah Rakyat (MARA), which began in April 2021. The primary objective of this collaboration is to develop more bumiputera entrepreneurs whilst creating new job opportunities for the local community. This initiative involves selection and training of candidates, the provision of resources and relevant support for start-ups. Through this initiative, we aim to leverage on our experiences as well as capabilities and we are optimistic that more *bumiputera* entrepreneurs will be empowered and benefit from this collaboration.

CHALLENGES

As the nation moved into the endemic stage from April 2022 onwards, consumers’ shopping behaviour changed and there was a marked decline in footfalls to pharmacies, which resulted in less purchases made for healthcare and nutritional supplements.

OUTLOOK

We will continue to develop our business growth through the provision of accessible healthcare in Malaysia and better manage our supply chain to penetrate into the local and international markets. We will also look to expand into the potential digital health segment, which was developed during the pandemic and is currently focused on teleconsultation and e-pharmacy. The segment is expected to rapidly grow in the near future.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

12 MATERIAL MATTER: CORPORATE RESPONSIBILITY

To create positive impact and value for all our stakeholders, Pharmaniaga invests in Corporate Responsibility (CR) to not only support local communities but also promote environmental sustainability and improve social and economic factors. Our initiatives will also help us engage with our workforce, increase brand reputation and promote long-term sustainability of our business, which will bolster our financial performance and improve our connections with our stakeholders.

HOW WE MANAGE THE MATTER

When it comes to CR, Pharmaniaga's objective, strategies and action plans are designed for the long-term. For the next five years, our roadmap's objective is to identify strategic CR programmes that will guide Pharmaniaga towards meaningful contributions to society.

SPECIAL CASE STUDY – OWNERSHIP OF A MILESTONE EDUCATION PROJECT

Pharmaniaga's PharmaApprentice Programme



Enhancing Lives through Education

The month of June 2022 marks a milestone for Pharmaniaga with the launch of a very special initiative – the PharmaApprentice programme. The project is about enhancing and empowering the lives of unfortunate students who lost their parents to COVID-19. In collaboration with Jabatan Pendidikan Negeri Selangor (JPN), students under the programme go through a potential and well-being assessment before being provided with leadership and team building programmes, soft skills training, financial assistance, and continuous performance monitoring. The first batch of PharmaApprentice kicked off with 34 orphans and B40 students, aged 14-17 from seven secondary schools.



OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



Key Achievements and Accomplishments

Financial Assistance

- a. Pharmaniaga collaborated with one of the local banks to assist the Apprentices to open bank accounts and to facilitate reimbursement processes of vouchers for school uniforms, festival and monthly meal allowances
- b. Students were also presented with meal cards valid at respective school cafeterias or cooperatives as a token of financial aid
- c. Book vouchers were given to the students where they can spend on books and other necessities

Designated Programmes

- a. The Motivational Talk equipped students with career and learning skills, guided by our registered counsellor. We also invited a reputable speaker to teach the students how to boost their motivation so that they could pursue excellence and maintain resilience whilst also providing themselves with a clear view of career options that fit their interests and aptitudes
- b. Motivational & Leadership Camp was conducted to enhance the academic performances of the Apprentices at school through a comprehensive training module which included communications and social skills. The session began with a motivational speech from a Certified Human Resource and Development Fund (HRDF) Trainer, and was followed by a group discussion. The engagement session with the Apprentices was concluded with a heart-warming birthday celebration as well as an appreciation gesture for the school counsellors



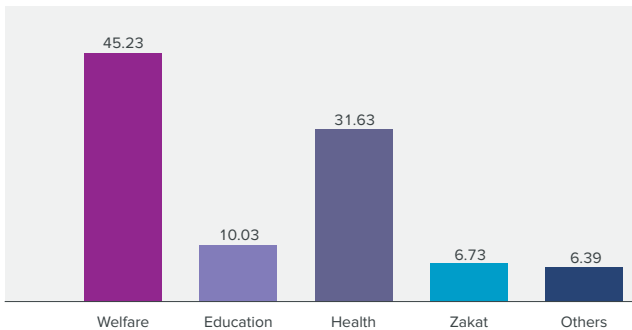
Experiences Gained and What the Future Holds:

Pharmaniaga invested RM97,993 to see the smooth execution of this inspiring education initiative. Due to its success, Pharmaniaga is planning to replicate the programme in the coming year to further improve the Apprentices' personal growth and academic performance

Contributing to Communities

During the year, we invested RM3.1 million in our CR programmes related to the main pillars such as welfare, education, health and others as well as zakat contribution.

Breakdown of Contributions to Society (%)



Enhancing and Elevating Lives through Holistic Welfare and Education Initiatives

Apart from the PharmaApprentice Project, the organisation also invested in another programme under PharmaCare which incorporates the education and welfare elements of our CR category. In collaboration with the Malaysian Armed Forces (ATM), the project was conducted in Pulau Berhala, Sandakan, Sabah in August 2022. The initiative aims to support ATM's noble initiatives in combating illiteracy amongst Pulau Berhala's stateless children through 3M School by providing basic knowledge such as reading, arithmetic and writing, as well as improving the children's patriotism and spiritual aspects.

The Company's fifth sustainability goal of "Building A Better Society" also sees Pharmaniaga supporting ATM's efforts by providing schooling assistance to students such as school uniforms, school bags, stationery sets, sports equipment, furniture and nutritional supplements. Basic medicines and medicine racks were also donated to Klinik Markas Taktikal Pulau Berhala. The programme was made more engaging with a sports event organised by ATM members for students at 3M School. We invested more than RM30,000 in this initiative.

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS

Elevating Lives of Our Stakeholders

Elevating the community also includes the environment that we live in and is the reason of Pharmaniaga's collaboration with a local university. Taking a step further, Pharmaniaga also sponsored Kelulut colonies to the local community in Setiu Wetlands. This is aided by local university's expertise who will help low-income families to elevate their lives through Kelulut honey farming.

Philanthropic CR contribution

With health and well-being as the core of our business, we strive to ensure that our health-centred initiatives are distributed as equally as possible. In 2022, our philanthropic CR contributions covering mainly health, welfare and education issues involved numerous partners and communities. Some of the examples of the contributions made throughout the year are as follows:



Health

- Medical equipment and necessities contribution to Hospital Putrajaya
- Platinum package booth at the MOPI Conference 2022 to promote health and well-being
- Personal protective equipment contribution for non-governmental organisation (NGO), surau, Malaysian Armed Forces (ATM) and a university
- Medicines to Klinik Kesihatan Mansiat



Welfare

- Contributed medicines to the Ministry of Defence Malaysia's (MINDEF) Pasca Banjir programme and donations for Aidilfitri programme
- Contributed to various parties during the holy month of Ramadan and Hari Raya festive season. Under the Pharmaniaga Hero Ramadan 6 programme, we packed food items for Iftar and distributed to Ibu Pejabat Polis Daerah (IPD) in Lembah Klang Area, Hospital Kuala Lumpur (HKL), Hospital Sungai Buloh (HSB), Hospital Tengku Ampuan Rahimah Klang and Hospital Angkatan Tentera Tuanku Mizan (HATTM)
- Donated various medical and rehabilitation equipment to Hospital Putrajaya and Persatuan Penduduk Kg Semangat, Segari Perak



Education

- Citrex school bag and stationery sets to Persatuan Kebajikan Prihatin Pantai Remis and Persatuan Rekreasi Bagan Serai, Perak
- Al-Quran and staple food for flood victims at four schools, given to Kelab Kecemerlangan Insaniah KL
- Donated basic necessities and conducted repair works caused by the flood for SK Taman Sri Muda, Shah Alam
- Back-to-school programme items to Pusat Khidmat Masyarakat Bukit Bintang KL
- Replacement of chairs and tables for SPM candidates at PIBG SMK Tiara Permai
- Monetary contributions for the Uniszapreneur Competition 2022 by Universiti Sultan Zainal Abidin (UnisZA), Terengganu

OUR PROGRESS IN ACHIEVING SUSTAINABILITY GOALS



CHALLENGES

The challenges we faced in accomplishing our initiatives included inadequate information of the communication channels for collaboration with external parties and unprecedented conditions causing delays in project timelines. This was most likely due to the wide range of projects covering many welfare aspects and the fact that many parties were just beginning to recover from the multiple consequences of COVID-19. As businesses were navigating their own progress, it was difficult to coordinate and involve all parties at the same time. However, we are grateful that the relevant parties were ultimately able to contribute to our projects, making them successful.

OUTLOOK

As a prudent organisation, we study the effectiveness of our initiatives to ensure that establishment of key performance indicators (KPIs) are met in assuring that contributions truly are beneficial to recipients. We aim to expand the programmes to include other underprivileged groups in our effort to assist the nation in building a better society.





OTHER INFORMATION

Membership Association	122
Sustainability Data Performance	123
GRI Content Index	132
SASB Content Index	138
Assurance Statement	139

MEMBERSHIP ASSOCIATION

Memberships and associations in the industry are known to open doors to new possibilities. Networking with pertinent associations gives businesses the chance to create partnerships and collaborations that will help them grow while also educating them on the most recent developments in the sector. As we comprehend that emerging technologies undergo constant learning. We are pleased to note our affiliation with the following associations. Trends, new technologies, and changes in regulations are essential to staying current with developments within the industry.

Core Business	Industry/ Associations	Level	Role
RESEARCH & DEVELOPMENT	1. Institut Kimia Malaysia	National	Member
	2. International Society for Pharmaceutical Engineering (ISPE)	International	Member
	3. Malaysian Organisation of Pharmaceutical Industries (MOPI)	National	Exco member
MANUFACTURING	1. Malaysian Organisation of Pharmaceutical Industries	National	Member
	2. Federation of Malaysian Manufacturers	National	Member
	3. Malaysian Employers Federation	National	Member
	4. Energy Commission	National	Member
	5. International Society for Pharmaceutical Engineering	International	Member
LOGISTICS & DISTRIBUTION	1. Contact Centre Association of Malaysia (CCAM)	National	Honorary Secretary
	2. Malaysian Pharmacists Society	National	Member
COMMERCIAL	1. Asosiasi Emiten Indonesia	National	Member
	2. Gabungan Perusahaan Farmasi Indonesia	National	Member
	3. Malaysian Organisation of Pharmaceutical Industries	International	Member

SUSTAINABILITY DATA PERFORMANCE

ENVIRONMENTAL					
Indicator	Unit of Measurement	2019	2020	2021	2022
EMISSIONS					
I. GHG EMISSIONS					
SCOPE 1					
Stationary Combustion					
Diesel - Gen set	tCO ₂ e	11.18	7.53	20.14	19.88
Diesel - Boiler		435.43	403.50	331.65	365.58
Petrol - Forklift		-	-	-	1.66
Natural Gas - Boiler		3,164.84	3,067.97	3,609.36	3,142.31
Liquefied petroleum gas (LPG) - Stoves		20.20	14.80	15.51	15.51
Total Stationary Combustion		3,631.64	3,493.81	3,976.67	3,544.94
Fugitive Emission					
Refrigerant	tCO ₂ e	3,463.82	1,024.79	788.81	515.21
Total Fugitive Emission		3,463.82	1,024.79	788.81	515.21
Mobile Combustion					
Diesel - Heavy good vehicle	tCO ₂ e	117.30	87.86	87.25	112.55
Diesel - Light good vehicle		266.48	348.08	395.77	403.08
Diesel - Car		148.16	87.88	50.97	37.04
Petrol - Light good vehicle		8.08	8.63	9.63	75.90
Petrol - Car		141.13	120.36	117.50	295.38
Petrol - Motorcyle		1,481.34	1,074.83	1,015.55	1,060.67
Total Mobile Combustion		2,162.48	1,727.65	1,676.66	1,984.63
Sub-total Scope 1		9,257.95	6,246.25	6,442.14	6,044.78
SCOPE 2					
Purchased electricity	tCO ₂ e	28,245.64	27,259.79	25,242.26	25,051.73
Sub-total Scope 2		28,245.64	27,259.79	25,242.26	25,051.73
Overall GHG emissions (Scope 1 & 2)		37,503.58	33,506.05	31,684.39	31,096.51
II. GHG EMISSIONS AVOIDANCE					
SCOPE 2					
Renewable energy - Solar	tCO ₂ e	100.29	148.99	137.32	137.10
Overall GHG emissions avoidance		100.29	148.99	137.32	137.10

SUSTAINABILITY DATA PERFORMANCE

ENVIRONMENTAL					
Indicator	Unit of Measurement	2019	2020	2021	2022
III. GHG EMISSIONS INTENSITY					
Intensity	tCO ₂ e/RM million	13.30	12.30	6.58	8.84
Overall GHG Emissions Intensity		13.30	12.30	6.58	8.84
ENERGY					
I. ENERGY SOURCE					
Company facilities					
Diesel	GJ	5,931.32	5,458.99	4,672.18	5,119.26
Petrol		-	-	-	23.47
Natural Gas		61,353.19	59,475.16	69,970.54	60,916.25
Liquefied petroleum gas (LPG)		295.55	216.62	227.02	227.02
Total energy for company facilities		67,580.05	65,150.77	74,869.73	66,286.01
Company vehicle					
Diesel	GJ	7,102.05	6,993.78	7,129.33	7,378.85
Petrol		22,726.62	16,783.06	15,931.62	20,011.23
Total energy for company vehicles		29,828.67	23,776.85	23,060.95	27,390.08
Renewable energy					
Solar energy	GJ	561.42	834.03	768.68	767.48
Total renewable energy		561.42	834.03	768.68	767.48
Purchased Energy					
Electricity	GJ	152,389.25	146,578.41	135,656.12	134,566.87
Total purchased energy		152,389.25	146,578.41	135,656.12	134,566.87
Total Energy		250,359.39	236,340.06	234,355.48	229,010.43
II. ENERGY INTENSITY					
Intensity	GJ/ RM million	88.76	86.73	48.67	65.23
Total energy intensity		88.76	86.73	48.67	65.23

SUSTAINABILITY DATA PERFORMANCE

ENVIRONMENTAL					
Indicator	Unit of Measurement	2019	2020	2021	2022
WATER					
I. WATER WITHDRAWAL					
Water withdrawal by source					
Ground water	megalitres	16.95	19.78	25.01	21.38
Purchased water		316.99	425.64	398.74	354.07
Total water withdrawal by source		333.94	445.42	423.75	375.46
Water withdrawal by country					
Malaysia	megalitres	306.91	303.20	265.16	259.35
Indonesia		27.03	142.22	158.58	116.10
Total water withdrawal by country		333.94	445.42	423.75	375.46
Total water withdrawal		333.94	445.42	423.75	375.46
II. WATER RECYCLING					
Water recycled from process	megalitres	-	12.00	4.13	11.06
Total water recycled		-	12.00	4.13	11.06
III. RAINWATER HARVESTING					
Rainwater harvested	megalitres	-	-	0.14	0.15
Total rainwater harvested		-	-	0.14	0.15
IV. WATER WITHDRAWAL INTENSITY					
Intensity	megalitres/RM million	0.12	0.16	0.09	0.11
Total water withdrawal intensity		0.12	0.16	0.09	0.11
MATERIAL					
Recycled input material as packaging material	tonnes	220.18	245.18	215.39	222.36
Total recycled input material		220.18	245.18	215.39	222.36
WASTE					
I. DIRECTED TO DISPOSAL					
Hazardous waste					
Malaysia	tonnes	320.54	318.85	138.19	293.19
Indonesia		10.77	12.35	12.51	7.01
Total hazardous waste directed to disposal		331.31	331.20	150.70	300.20

SUSTAINABILITY DATA PERFORMANCE

ENVIRONMENTAL									
Indicator	Unit of Measurement		2019		2020		2021		2022
WASTE									
II. DIVERTED FROM DISPOSAL									
Recycling of non-hazardous waste									
Malaysia	tonnes		225.99		130.94		347.30		705.73
0.17			17.72		51.33		31.99		
226.16			148.66		398.63		737.72		
-			-		-		750.39		
226.16			148.66		398.63		1,488.11		
SOCIAL									
Indicator	2019		2020		2021		2022		
	Number	%	Number	%	Number	%	Number	%	
EMPLOYEE DISTRIBUTION									
i. Employee distribution by gender									
Male	2,166	60.0	2,306	64.0	2,218	60.0	2,284	60.5	
Female	1,441	40.0	1,297	36.0	1,424	40.0	1,494	39.5	
Total	3,607	100	3,603	100	3,642	100	3,778	100	
ii. Employee distribution by age									
Under 30 years old	948	26.3	1,077	29.9	1,030	28.3	1,062	28.1	
30-50 years old	2,229	61.8	2,150	59.7	2,236	61.4	2,397	63.5	
More than 50 years old	430	11.9	376	10.4	376	10.3	319	8.4	
Total	3,607	100	3,603	100	3,642	100	3,778	100	
iii. Employee distribution by category									
Senior Management	64	1.8	66	1.8	80	2.2	195	5.2	
Middle Management	152	4.2	158	4.4	157	4.3	221	5.8	
Executive	797	22.1	813	22.6	883	24.2	757	20.0	
Non-Executive	2,594	71.9	2,566	71.2	2,522	69.2	2,605	69.0	
Total	3,607	100	3,603	100	3,642	99.9	3,778	100	
iv. Employee distribution by nationality									
Local	3,595	99.7	3,592	99.7	3,629	99.6	3,767	99.7	
Non-local	12	0.3	11	0.3	13	0.4	11	0.3	
Total	3,607	100	3,603	100	3,642	100	3,778	100	

SUSTAINABILITY DATA PERFORMANCE

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
v. Employee distribution by country								
Malaysia	2,142	59.4	2,131	59.1	2,185	60.0	2,301	60.9
Indonesia	1,465	40.6	1,472	40.9	1,457	40.0	1,477	39.1
Total	3,607	100	3,603	100	3,642	100	3,778	100
vi. Union members								
Number of Union members	230	6.4	243	6.7	252	6.9	228	6.0
Total of Union members	230	6.4	243	6.7	252	6.9	228	6.0
NEW HIRES								
i. New hires by gender								
Male	305	56.2	232	62.0	351	65.5	451	59.7
Female	238	43.8	142	38.0	185	34.5	304	40.3
Total	543	100	374	100	536	100	755	100
ii. New hires by age								
Under 30 years old	397	73.1	261	69.8	345	64.4	494	65.4
30-50 years old	140	25.8	109	29.1	184	34.3	232	30.7
More than 50 years old	6	1.1	4	1.1	7	1.3	29	3.8
Total	543	100	374	100	536	100	755	100
iii. New hires by country								
Malaysia	245	45.1	153	40.9	274	51.1	405	53.6
Indonesia	298	54.9	221	59.1	262	48.9	350	46.4
Total	543	100	374	100	536	100	755	100
EMPLOYEE TURNOVER								
i. Turnover by gender								
Male	277	65.2	223	60.3	313	62.7	337	60.6
Female	148	34.8	147	39.7	186	37.3	219	39.4
Total	425	100	370	100	499	100	556	100
ii. Turnover by age								
Under 30 years old	322	75.8	193	52.2	213	42.7	252	45.3
30-50 years old	80	18.8	135	36.5	220	44.1	197	35.4
More than 50 years old	23	5.4	42	11.4	66	13.2	107	19.2
Total	425	100	370	100	499	100	556	100

SUSTAINABILITY DATA PERFORMANCE

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
iii. Turnover by country								
Malaysia	195	45.9	164	44.3	223	44.7	270	48.6
Indonesia	230	54.1	206	55.7	276	55.3	286	51.4
Total	425	100	370	100	499	100	556	100
iv. Attrition rate								
Malaysia	-	9	-	8	-	10	-	12
Indonesia	-	16	-	14	-	19	-	19
TRAINING AND DEVELOPMENT								
i. Training hours								
Total	62,094	-	59,252	-	93,666	-	120,351	-
Average training hours by gender								
Male	15	-	14	-	19	-	25	-
Female	21	-	24	-	36	-	43	-
Total	36	0	38	0	55	0	68	0
Average training hours by category								
Senior Management	41	-	31	-	39	-	13	-
Middle Management	61	-	42	-	36	-	25	-
Executive	60	-	46	-	37	-	61	-
Non-Executive	26	-	31	-	21	-	26	-
Total	188	0	150	0	133	0	125	0
ii. Training expenditures (RM)								
External Training								
Technical/Functional/IT Training	-	-	243,459.53	61.3	771,769.29	91.2	1,216,868.29	91.8
Soft Skills Training	-	-	153,399.06	38.7	74,832.22	8.8	108,388.59	8.2
Total	0	0	396,858.59	100	846,601.52	100	1,325,256.88	100
In-house Training								
Technical/Functional/IT Training	-	-	103,056	65.7	257,536	34.7	368,900.86	40.4
Soft Skills Training	-	-	53,701	34.3	485,578	65.3	545,076.07	59.6
Total	0	0	156,756.84	100	743,113.63	100	913,976.93	100
Amount spent by category								
Senior Management	-	-	46,251.14	8.4	238,733.37	15.0	216,979.30	9.7
Middle Management	-	-	58,678.46	10.6	219,487.24	13.8	308,319.35	13.8
Executive	-	-	349,437.56	63.1	869,659.93	54.7	1,126,244.97	50.3
Non-Executive	-	-	99,248.04	17.9	261,834.46	16.5	587,691.82	26.2
Total	0	0	553,615.21	100	1,589,715.00	100	2,239,235.43	100

SUSTAINABILITY DATA PERFORMANCE

SOCIAL								
Indicator	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
BOARD DIVERSITY								
i. Board Diversity by gender								
Male Directors	4	66.7	8	100	8	88.9	9	81.8
Female Directors	2	33.3	0	0	1	11.1	2	18.2
Total	6	100	8	100	9	100	11	100
ii. Board Diversity by age								
40-50 years old	1	16.7	3	37.5	4	44.4	3	27.3
More than 50 years old	5	83.3	5	62.5	5	55.6	8	72.7
Total	6	100	8	100	9	100	11	100
GRADUATE EMPLOYEMENT OPPORTUNITIES								
PROTEGE	65	23.0	42	25.3	29	34.5	79	40.3
Provisionally Registered Pharmacist	2	0.7	2	1.2	4	4.8	6	3.1
Pharmaniaga Internship	216	76.3	122	73.5	51	60.7	111	56.6
Total	283	100	166	100	84	100	196	100
PERFORMANCE REVIEW								
Completion of Performance Review - Gender								
Male	-	100	-	100	-	100	-	100
Female	-	100	-	100	-	100	-	100
HEALTH AND SAFETY								
Occupational Health and Safety Performance								
Hours worked	4,130,514	-	4,225,333	-	43,008,833	-	4,376,547	-
Fatality rate	0	-	0	-	0	-	0	-
Accident rate	3.29	-	5.21	-	5.5	-	6.24	-
Frequency rate	1.69	-	2.6	-	2.78	-	3.2	-
Lost time injury frequency rate	1.45	-	2.13	-	2.09	-	2.97	-
SUPPORTING LOCAL BUSINESSES								
Procurement budget spent on local suppliers								
Budget spent on local suppliers	-	84	-	82	-	43	-	70
Vendor Development Programme								
Number of vendors	-	-	24	-	24	-	23	-
RoyalePharma Alliances								
Number of Alliances	310	-	319	-	347	-	363	-

SUSTAINABILITY DATA PERFORMANCE

GOVERNANCE/ECONOMIC					
Indicator	Unit of Measurement	2019	2020	2021	2022
Economic Value					
Revenue	RM million	2,800.0	2,725.0	4,815.0	3,510.7
Profit/Loss	RM million	(149.2)	27.5	172.1	(605.1)
Investment in Community	RM million	3.4	8.8	30.7	3.1
Customer Satisfaction					
Ministry of Health (MOH)	Percentage	94	97	98	98
Ministry of Higher Education (MOHE)	Percentage	92	96	96	100
Private sector	Percentage	92	94	94	N/A
Compliance to Concession Agreement					
Overall performance to concession agreement	Percentage	99.6	99.6	99.3	98.7
Integrity and Anti-Corruption					
Operations assessed for corruption risks	Percentage	9	9	18	45

GRI CONTENT INDEX

Statement of Use	Pharmaniaga Berhad has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.		
GRI 1 Used	GRI 1: Foundation 2021		
GRI Content Index		Disclosure	Page Reference
GRI 2: General Disclosures 2021	2-1	Organisational details	18 – 19; Pharmaniaga Berhad Integrated Report 2022 (page 6 - 15)
	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, 84
	2-5	External assurance	2, 139
Activities and workers			
	2-6	Activities, value chain, and other business relationships	16 - 19
	2-7	Employees	103 - 105
Governance			
	2-9	Governance structure and composition	24 - 29
	2-10	Nomination and selection of the highest governance body	28, 65
	2-11	Chair of the highest governance body	28
	2-12	Role of the highest governance body in overseeing the management of impacts	28 - 29
	2-13	Delegation of responsibility for managing impacts	28
	2-14	Role of the highest governance body in sustainability reporting	2, 28 - 29
	2-16	Communication of critical concerns	29
Strategy, policies and practices			
	2-22	Statement on sustainable development strategy	6 - 11
	2-23	Policy commitments	26
	2-24	Embedding policy commitments	65 - 67
	2-26	Mechanisms for seeking advice and raising concerns	65, 67
	2-27	Compliance with laws and regulations	56, 57 - 58, 62, 72, 98
	2-28	Membership associations	122

GRI Content Index		Disclosure	Page Reference
Stakeholder engagement			
GRI 2: General Disclosures 2021	2-29	Approach to stakeholder engagement	Pharmaniaga Berhad Integrated Report 2022 (page 46 - 51)
	2-30	Collective bargaining agreements	
Material Topics			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	30 - 35
	3-2	List of material topics	31 - 32
Economic and Financial Sustainability			
GRI 3: Material Topics 2021	3-3	Management of material topics	51 -53
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	53
	201-4	Financial assistance received from government	53
GRI 415: Public Policy	415-1	Political contributions	53
Products Quality			
GRI 3: Material Topics 2021	3-3	Management of material topics	60 – 63
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	57
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	57 - 58
Services Quality			
GRI 3: Material Topics 2021	3-3	Management of material topics	60 - 63
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	57
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	57 - 58
Customer Satisfaction			
GRI 3: Material Topics 2021	3-3	Management of material topics	56 - 57
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	57
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	67

GRI CONTENT INDEX

GRI Content Index		Disclosure	Page Reference
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	57 - 59
	417-2	Incidents of non-compliance concerning product and service information and labeling	59
	417-3	Incidents of non-compliance concerning marketing communications	59
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	69
Product Responsibility			
GRI 3: Material Topics 2021	3-3	Management of material topics	57 - 59
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	57 - 59
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	58
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	57
	417-2	Incidents of non-compliance concerning product and service information and labeling	58
	417-3	Incidents of non-compliance concerning marketing communications	59
Accessibility of Healthcare Products			
GRI 3: Material Topics 2021	3-3	Management of material topics	60 - 63
GRI 203: Indirect Economic Impacts	203-2	Significant indirect economic impacts	60 - 63
Accessibility of Halal Products			
GRI 3: Material Topics 2021	3-3	Management of material topics	62 - 63
GRI 203: Indirect Economic Impacts	203-2	Significant indirect economic impacts	62 - 63
Affordable Healthcare Product			
GRI 3: Material Topics 2021	3-3	Management of material topics	60 - 63

GRI Content Index		Disclosure	Page Reference
GRI 203: Indirect Economic Impacts	203-2	Significant indirect economic impacts	60 - 63
Good Corporate Governance and Integrity			
GRI 3: Material Topics 2021	3-3	Management of material topics	65 - 67
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	66
	205-2	Communication and training about anti-corruption policies and procedures	66 - 67
	205-3	Confirmed incidents of corruption and actions taken	66
Data Privacy and Security			
GRI 3: Material Topics 2021	3-3	Management of material topics	68 - 69
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	69
Hazardous Gas Emissions and Energy Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	71 - 72, 82 - 87
GRI 302: Energy	302-1	Energy consumption within the organization	84
	302-3	Energy intensity	84
	302-4	Reduction of energy consumption	86
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	85
	305-2	Energy indirect (Scope 2) GHG emissions	85
	305-4	GHG emissions intensity	85
	305-5	Reduction of GHG emissions	86
Water and Effluent Discharge Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	71 - 72, 78 - 79
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	78 - 81
	303-2	Management of water discharge related impacts	78 - 81
	303-3	Water withdrawal	80 - 81
	303-5	Water consumption	Not reported

GRI CONTENT INDEX

GRI Content Index		Disclosure	Page Reference
Material and Waste Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	71 - 77
GRI 306: Waste 2020	301-2	Recycled input materials used	75 - 76
	306-1	Waste generation and significant waste-related impacts	76 - 77
	306-2	Management of significant waste-related impacts	71 - 72, 76 - 77
	306-4	Waste diverted from disposal	77
	306-5	Waste directed to disposal	77
Occupational Safety and Health			
GRI 3: Material Topics 2021	3-3	Management of material topics	106 - 109
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	107
	403-2	Hazard identification, risk assessment, and incident investigation	107 - 108
	403-4	Worker participation, consultation, and communication on occupational health and safety	108 - 109
	403-5	Worker training on occupational health and safety	108 - 109
	403-6	Promotion of worker health	108 - 109
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	107 - 108
	403-8	Workers covered by an occupational health and safety management system	107
	403-9	Work-related injuries	109
Training and Development			
GRI 3: Material Topics 2021	3-3	Management of material topics	102 - 103
GRI 404: Training and Education	404-1	Average hours of training per year per employee	103
	404-2	Programs for upgrading employee skills and transition assistance programs	102 - 103
	404-3	Percentage of employees receiving regular performance and career development reviews	99

GRI CONTENT INDEX

GRI Content Index		Disclosure	Page Reference
Employee Engagement			
GRI 3: Material Topics 2021	3-3	Management of material topics	93 - 95
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	94
	401-3	Parental leave	97
Job Opportunities			
GRI 3: Material Topics 2021	3-3	Management of material topics	100 - 101
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	100 - 101
Equal Opportunity			
GRI 3: Material Topics 2021	3-3	Management of material topics	103 - 105
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	103
	202-2	Proportion of senior management hired from the local community	105
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	104 - 105
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	103
Labour Practices			
GRI 3: Material Topics 2021	3-3	Management of material topics	98 - 99
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	99
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labour	98
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	98
Providing Business Opportunities			
GRI 3: Material Topics 2021	3-3	Management of material topics	111 - 115
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	114

GRI CONTENT INDEX

GRI Content Index		Disclosure	Page Reference
Community Contribution and Development			
GRI 3: Material Topics 2021	3-3	Management of material topics	116 - 119
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	117 - 119

SASB CONTENT INDEX

Code	Accounting Metric	Page Reference
Fleet Fuel Management		
HC-DI-110a.	Payload fuel economy	Not reported
HC-DI-110a.2	Description of efforts to reduce the environmental impact of logistics	84 - 86
Product Safety		
HC-DI-250a.1	Total amount of monetary losses as a result of legal proceedings associated with product safety	58
HC-DI-250a.2	Description of efforts to minimize health and safety risks of products sold associated with toxicity/chemical safety, high abuse potential, or delivery	57 - 58
Counterfeit Drugs		
HC-DI-260a.1	Description of methods and technologies used to maintain traceability of products throughout the distribution chain and prevent counterfeiting	Not reported
HC-DI-260a.2	Discussion of due diligence process to qualify suppliers of drug products and medical equipment and devices	112 - 113
HC-DI-260a.3	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products	Not reported
Product Lifecycle Management		
HC-DI-410a.1	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	75
HC-DI-410a.2	Amount (by weight) of products accepted for take-back and reused, recycled, or donated	Not reported
HC-DI-510a.1	Description of efforts to minimize conflicts of interest and unethical business practices	65 - 67
HC-DI-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices	66
Activity Metrics		
HC-DI-000.A	Number of pharmaceutical units sold by product category	Not reported
HC-DI-000.B	Number of medical devices sold by product category	Not reported

ASSURANCE STATEMENT



SIRIM QAS INTERNATIONAL SDN BHD INDEPENDENT ASSURANCE STATEMENT

To Board of Directors, Stakeholders, and Interested Parties,

SIRIM QAS International Sdn. Bhd. was engaged by Pharmaniaga Berhad (hereafter referred to as Pharmaniaga) to perform an independent verification and provide assurance of Pharmaniaga Sustainability Report 2022. The main objective of the verification process is to provide assurance to Pharmaniaga and its stakeholders on the accuracy and reliability of the information as presented in this report. The verification by SIRIM QAS International applied to all sustainability performance information (subject matter) within the assurance scope which is included in Pharmaniaga Sustainability Report 2022.

The management of Pharmaniaga was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this report 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 Pharmaniaga Sustainability Report and Integrated Annual Report 2022.

The assurance engagement was designed to provide limited assurance in reference to International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and BURSA Sustainability Reporting Guide, irrespective of the organization's ability to achieve its objectives, targets or expectations on their subject matter and sustainability-related issues. The assurance activity evaluates the adequacy of Pharmaniaga Sustainability Report and its overall presentation against respective framework such as UN-SDGs, GRI Standards requirement, SASB, and other relevant frameworks. The assurance process involves verification of applicable subject matter. Details provided in Appendix 1 of this statement.

The verification was carried out by SIRIM QAS International in March to April 2023, with the following methodologies:

- Reviewing and verifying the traceability, consistency and accuracy of information collected from various sources; internal and external documentation which are made available during the conduct of assessment.
- Verification of data presented in the Sustainability Report includes a detailed review of the sampled data.
- Interviewing key personnel responsible for collating information and writing various parts of the report in order to substantiate the veracity of the claims.

Enhancements in 2022

In recognizing possible shifts in stakeholders' priorities that may have taken place over the past two years, Pharmaniaga has internally reviewed and validated their material issues and consolidated the existing 21 material matters into 12 sustainability issues, aligned with their key focus areas.

This year, Pharmaniaga embarked on their Decarbonisation Programme with the intention to accelerate Pharmaniaga's transition to a low-carbon economy, reduce energy consumption and carbon emissions through the implementation of sustainability initiatives focusing on energy efficiency, renewable energy, and electric vehicles. In terms of governance and integrity, Pharmaniaga has obtained Anti-Bribery Management System (ABMS) certifications for five of their subsidiaries.



The verification process was subjected to the following limitations:

- The scope of work did not involve verification of other information reported in Pharmaniaga's Integrated Annual Report 2022.
- Pharmaniaga's corporate office at Kawasan Perindustrian Bukit Raja Selatan, Shah Alam, was visited as part of this assurance engagement. The verification process did not include physical inspections of any of Pharmaniaga's operations and assets; and,
- The verification team did not verify any contractor or third-party data.

Conclusion

SIRIM QAS International, a Conformity Assessment Body in Malaysia, is accredited to both ISO 17021-1:2015 and ISO 17065:2012 covering all our operational activities. The appointed assessors performing the assurance engagement were selected appropriately based on our internal qualifications, training and experience. The verification process is reviewed by management to ensure that the approach and assurance are strictly followed and operated transparently. During the verification process, issues were raised, and clarifications were sought from the management of Pharmaniaga relating to the accuracy of some of the information contained in the report. In response to the raised findings, the Sustainability Report was subsequently reviewed and revised by Pharmaniaga. It is confirmed that changes that have been incorporated into the final version of the report have satisfactorily addressed all issues. Based on the scope of the assessment process and evidence obtained, the following represents SIRIM QAS International's opinion:

- The level of data accuracy included in Pharmaniaga Sustainability Report 2022 is fairly stated;
- The level of disclosure of the specific sustainability performance information presented in the report was found to be properly prepared;
- The personnel responsible were able to demonstrate the origin(s) and interpretation of data contained in the report;
- The Sustainability Report provides a reasonable and balanced presentation of the sustainability performance of Pharmaniaga Berhad.

List of Assessors.

- | | | | |
|----|--------------------------|---|-------------|
| 1) | Ms. Aernida Abdul Kadir | : | Team Leader |
| 2) | Ms. Kamini Sooriamoorthy | : | Team Member |
| 3) | Ms. Farhanah Ahmad Shah | : | Team Member |

Statement Prepared by:


AERNIDA BINTI ABDUL KADIR
Team Leader
Management System Certification Department
SIRIM QAS International Sdn. Bhd.
Date: 14 April 2023

Statement Approved by:


MOHD HAMIM BIN IMAM MUSTAIN
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Date: 19 April 2023



PHARMANIAGA BERHAD

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