

# INSIDETHIS

- 03 2018 Key Developments
- About This Report
- About Us
- Our Vision & Mission
- Our Core Values
- Awards & Recognitions
- 10 Sustainability Vision
- Sustainability Mission
- Sustainability Policy
- Sustainable Development Goals (SDGs) Agenda

- 14 Strategic Road Map
- Pharmaniaga Operation Sites
- Message From The Sustainability Committee Chairman
- Sustainability Governance
- Stakeholder Engagement
- Material Sustainability
- 3 Keys of Sustainability
  - Economic
  - Environmental
  - Social
- Overseas Operations

# RATIONALE

As the largest integrated pharmaceutical group in Malaysia, we at Pharmaniaga are committed to uphold and deliver our promise in maintaining and exceeding standards while ensuring our motto *Passion for Patients* which embodies our constitutional corporate philosophy is integrated in whatever we do.

The theme "Value Chain of Life" illustrates our efforts and unmatched dedication to create and add value to the lives of our stakeholders through our quality products and exceptional services.





# KEY DEVELOPMENTS

### **COMPLETION OF** SAP S/4HANA **IMPLEMENTATION**

AT ALL LOCAL MANUFACTURING SITES

CERTIFIED ISO 18295-1 : 2017

**CUSTOMER CONTACT CENTRE** 

> 30 PRODUCTS

HALAL CERTIFIED

**ALMOST 40 PRODUCTS** 

**NEWLY REGISTERED** 

**REVENUE** 

RM2.4 BILLION

**PROFIT BEFORE** TAXATION

RM70.2

**R&D EXPENSES AGAINST MANUFACTURING** REVENUE

DIVIDEND

16 SEN

**EARNINGS** PER SHARE

16.3 SEN

**COST SAVINGS INITIATIVES** 

RM5 MILLION

**CORPORATE RESPONSIBILITY INITIATIVES** 

**APPROXIMATELY** 

MILLION

**EMPLOYEES** 3,500

**CLOSE TO** 

ROYAL FPHARMA **ALLIANCE MEMBERS NATIONWIDE** 

# A B O U T THIS REPORT

As a conscientious corporate citizen, the Pharmaniaga Group is committed to growing sustainably.

Inspired by our motto of Passion for Patients. our sustainable business practices are embedded throughout the Group's operations, comprising key economic, environmental and social considerations.

Group's sustainability practices in the financial year ended 31 December 2018.



Subsidiary companies within Pharmaniaga Companies located in Malaysia and

Pharmaniaga Berhad is proud to be the largest integrated pharmaceutical group in Malaysia. In line with our commitment to excellence, we have established a strong reputation as a provider of quality products and services within the healthcare industry.

Our corporate philosophy is grounded in our motto, *Passion for Patients*. Above all, we are committed to delivering on our promise of high standards of excellence to our clients as part of our aim of creating a lasting legacy of doing business with a conscience.

# ABOUT US

The ambit of our business interests ranges from research and development, manufacturing of generic pharmaceutical products, sales and marketing as well as logistics and distribution of pharmaceutical products and medical equipment. The Group has also successfully harnessed the synergies of our businesses to expand into the community pharmacy segment.

As an entity listed on the Main Board of Bursa Malaysia Securities Berhad with a strong domestic presence, we have been steadily growing our global presence through our expansion initiatives.







**PHARMACY** 

**HOSPITAL** 

# 0 U R V I S I O N

The preferred pharmaceutical brand in regional markets

# OUR MISSION

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



# **AWARDS & RECOGNITIONS**

Received in 2018



MALAYSIA TOP ACHIEVER AWARDS 2017

INDUSTRY EXCELLENCE IN PHARMACEUTICAL



### GHP PHARMACEUTICAL MANUFACTURING & PACKAGING AWARDS 2018

- BEST CONTRACT PHARMACEUTICAL MANUFACTURER
   MALAYSIA
- AWARD FOR EXCELLENCE IN PRODUCT DEVELOPMENT



MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS: MOST POPULAR GRADUATE EMPLOYER OF THE YEAR 2018 PHARMACEUTICAL



**CUSTOMER CONTACT CENTRE** ISO 18295-1: 2017



FOCUS MALAYSIA
BEST UNDER BILLION
AWARDS 2018
BEST SUSTAINABILITY
REPORTING

# SUSTAINABILITY VISION -

# SPEARHEADING ACCESSIBLE HEALTHCARE THROUGH DYNAMIC GROWTH



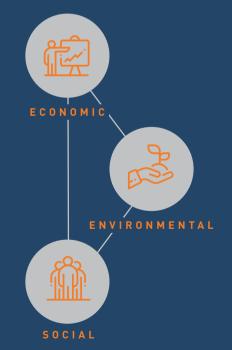
As Malaysia's largest listed integrated healthcare service provider, we are committed to :

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

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

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

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



# SUSTAINABILITY MISSION







following three areas of impact:





SOCIAL

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

Spearheading environmental stewardship through stringent compliance and regulations

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

### SUSTAINABILITY POLICY—

### BOUSTEAD SUSTAINABILITY POLICY

As part of the Boustead Group, Pharmaniaga is committed to promoting sustainability in line with the Boustead Group Sustainability Policy.

We believe sustainability is not only a way to secure the future of our business but also our planet. We aspire to observe as well as promote good sustainability practices within the Group by entrenching sustainability values in our daily operations and to help our customers and vendors to do the same

Pharmaniaga looks to achieve sustainable growth through a strong focus on economic, environmental and social responsibilities. The following policy statements define our commitment to sustainability.



# SDGs AGENDA

In 2015, the United Nations (UN) countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, which attempts to manage some of the world's most pressing challenges involving social, environmental and economic development issues.

The SDGs were developed on the back of the UN's successful Millennium Development Goals and are an urgent and universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

The interlinked nature of the SDGs signifies that the success of each goal is connected to and influenced by other goals. Moreover, reaching these goals necessitates collaboration between governments, civil society, private sector as well as citizens to ensure that we are able to safeguard our planet for the sake of future generations.

The SDGs provide all of us with a chance to shift the world onto a more sustainable path. For businesses, these SDGs are an important tool to highlight our impact on society in a transparent manner.

In the subsequent pages, we will highlight the Group's specific sustainability initiatives during the year as we work towards contributing to a more sustainable future.











10 REDUCED INEQUALITIES











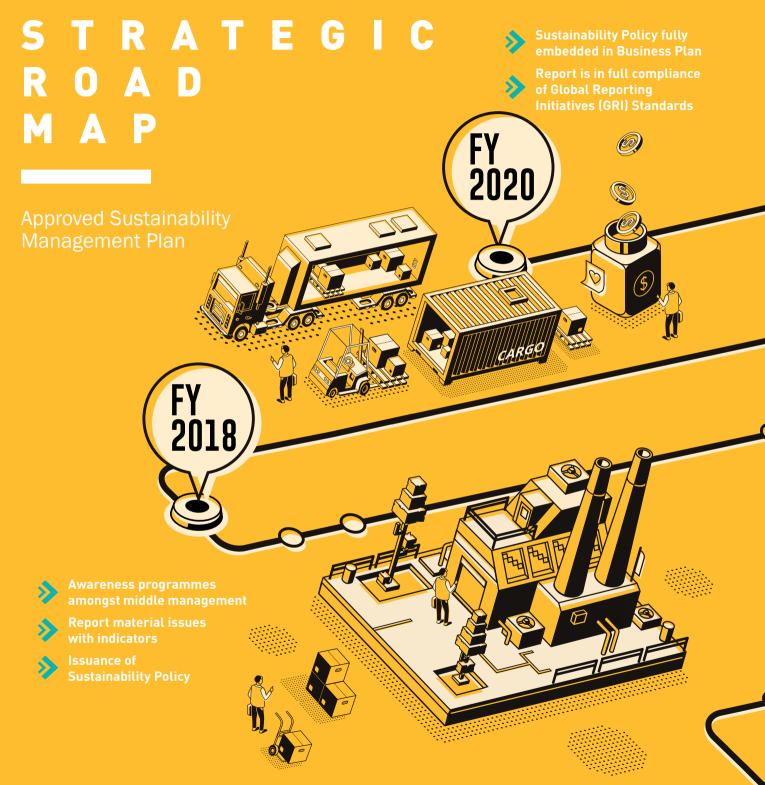


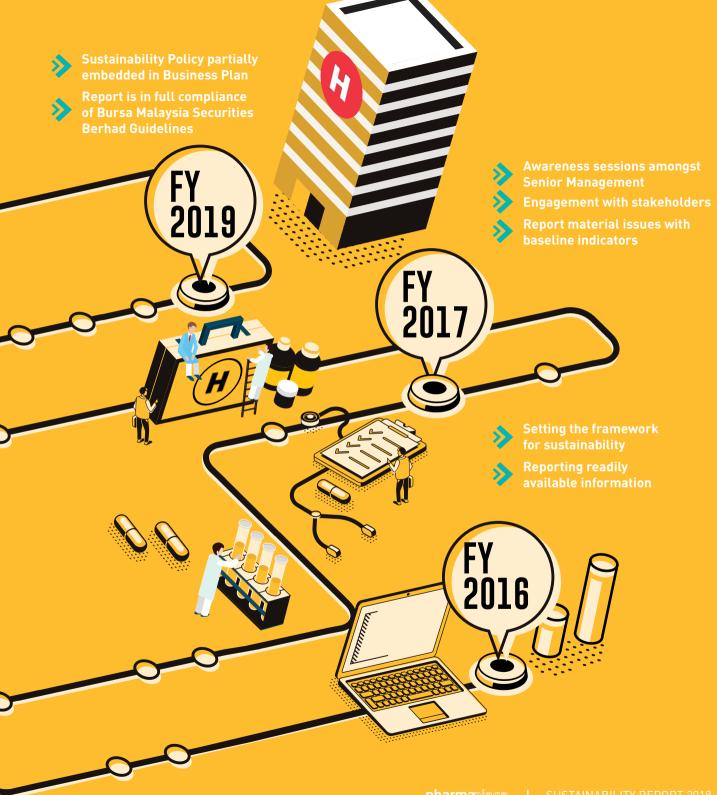












# PHARMANIAGA OPERATION SITES

1 Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani Branch) Lot No. 24 & 25, Jalan Perusahaan 8, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman

Tel: +604-4213 011 Fax: +604-4215 731

Pharmaniaga Logistics Sdn Bhd
(Juru Branch)
1, 3 & 5, Lorong IKS Juru 8,
Taman Perindustrian Ringan Juru.

14100 Simpang Ampat, Seberang Prai, Pulau Pinang

Tel: +604-508 3330/1/2 Fax: +604-508 3111

Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar Branch) Lot 120, Taman Farmaseutikal,

32610 Bandar Seri Iskandar, Perak Darul Ridzuan

Tel: +605-371 2020 Fax: +605-371 1940/1950

Pharmaniaga Berhad
Pharmaniaga Research Centre Sdn Bhd
Pharmaniaga Logistics Sdn Bhd
Pharmaniaga Marketing Sdn Bhd
Pharmaniaga Pristine Sdn Bhd
Pharmaniaga Biomedical Sdn Bhd
Pharmaniaga International Corporation
Sdn Bhd

No. 7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan

Tel: +603-3342 9999 Fax: +603-3341 7777 Paradigm Industry Sdn Bhd

No. 36-G Jalan Klang, Sentral 2/KU5, Klang Sentral, 41050 Klang, Selangor Darul Ehsan

Tel: +603-3358 6760 Fax: +603-3362 6761

6 Pharmaniaga LifeScience Sdn Bhd

Lot 7, Jalan PPU 3, Taman Perindustrian Puchong Utama, 47100 Puchong,

Selangor Darul Ehsan Tel: +603-8061 2006 Fax: +603-8061 2875

Pharmaniaga Manufacturing Berhad

No. 11A, Jalan P/1, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan Tel: +603-8925 7880

Fax: +603-8925 6177

Bio-Collagen Technologies Sdn Bhd

No. 11, Jln Perindustrian Balakong Jaya 2/3, Taman Perindustrian Balakong Jaya 2, 43300 Seri Kembangan, Selangor Darul Ehsan

Tel: +603-8959 9710 Fax: +603-8945 9910

Pharmaniaga Logistics Sdn Bhd

(Kuching Branch) Lot 1024, Block 7, Muara Tebas Land District, Demak Laut Industrial Park, 93050 Kuching, Sarawak

Tel: +6082-432800 Fax: +6082-432806 10 Pharmaniaga Logistics Sdn Bhd

(Kota Kinabalu Branch)
Lorong Kurma, Kolombong Industrial
Centre, KM 9 Off Jalan Tuaran,
88450 Kolombong,
Kota Kinabalu,

Sabah

Tel: +6088-439 188 Fax: +6088-437 288

PT Millennium Pharmacon International Tbk

Panin Bank Centre, 9th Floor, Jl. Jenderal Sudirman, Senayan, Jakarta, 10270 Indonesia

Tel: +62-21727 88906/7 Fax: +62-21 722 8090

17 PT Errita Pharma

Jalan Peundeuy, RT/RW 04/07, Desa Bojongsalam, Kecamatan Rancaekek, Kabupaten Bandung,

Indonesia

Tel: +62-22 794 9062/4 Fax: +62-22 794 9063





# MESSAGE FROM THE SUSTAINABILITY COMMITTEE CHAIRMAN

OUR SUSTAINABILITY EFFORTS ARE FOCUSED ON ACHIEVING AN EQUILIBRIUM BETWEEN ECONOMIC PROSPERITY, ENVIRONMENTAL STEWARDSHIP AND SOCIAL RESPONSIBILITY

As a leading integrated healthcare service provider, sustainability considerations shape our decision making, be it in designing our policies, defining our goals or allocating our resources. Our sustainability efforts are focused on achieving an equilibrium between economic prosperity, environmental stewardship and social responsibility.

Our second stand-alone Sustainability Report offers a summary of the Group's sustainability commitments and practices as embarked on by our key business units. This will also be the first year we are including our overseas operations.



3 Keys of Sustainability

# ECONOMIC



Promoting sustainability and profitability hand-in-hand



Alliances, which grew to almost 300 in 2018. VDP channelled assistance to enhance the performance of our vendors through training and performance monitoring.

With products that adhere to stringent current Good Manufacturing Practice guidelines, the Group is firmly on track to becoming a premier 'Global Halal Pharmaceutical Provider'. More than 30 products were certified to the MS2424: 2012 Halal Pharmaceuticals - General Guidelines in 2018

Our value as a leader in the pharmaceutical sector is not only derived based on our financial results but more importantly, through how we are able to add value to the environmental as well as social ecosystem.

We see our supply chain as not just central to our economic success, but it is also fundamental to our impact on the environment as well as communities. As we strive for excellence, we seek to facilitate

economic opportunity and sustainable market growth.

Through our RoyalePharma Alliance Programme and Bumiputera Vendor Development Programme (VDP), we are able to provide more value to our business communities. Our community pharmacy, RoyalePharma saw steady growth during the financial year. With improved utilisation of capacity from existing warehouses, RoyalePharma was able to strengthen its strategic partnerships with its



# ENVIRONMENTAL



Helping our future generations meet their needs by driving efficiency in resource utilisation today







**ENERGY AUDIT** 

A healthy environment is an indispensable need as it has a great impact on our health and well-being. Investing in environmental sustainability provides opportunities for individuals and communities to enjoy better health and lead more fulfilling lives. Any degradation of the environment will impact our lives, from the air we breathe, to the food we eat, the water we drink, and the ecosystems that sustain us.

The Group is committed to safeguarding a healthy environment for all by reducing the environmental impact from our business.

Various efforts have been undertaken to aid in conserving the ecosystem during the year including efficient use of resources, utilisation of energy-saving equipment and the review of compliance obligations.



# SOCIAL



Committed to improving and providing quality life for future generations



With over 3,500 dedicated employees in Malaysia and Indonesia, we leveraged on their strengths to exceed customer expectations and achieve our growth targets. As such, it only makes sense that we provide our employees with opportunities to pursue fulfilling careers, while having the option to be recognised through a performance management system that rewards results, volunteerism and ethical behaviour.

Our human resource approach emphasises safe working conditions, competitive wages, ethical work practices, diversity, inclusion and work-life balance.

The Group's commitment to people development continues beyond the limits of our facilities as we also play an active role in the communities where we operate. We firmly believe that promoting good health goes beyond treating illnesses or managing medical conditions, it is about empowering people to live their best lives.

Our flagship *Skuad Operasi Sihat* (SOS) programme aims to provide accessible healthcare while promoting a healthier lifestyle. A team of volunteers from the Group not only perform health screening, but also provides resources and establish education and awareness for rural and marginalised members of society.

The Group continues to facilitate access to quality education for all, regardless of social standing, race, religion or gender through our various initiatives including on-the-job training, internship opportunities and awards.

#### MESSAGE FROM THE SUSTAINABILITY COMMITTEE CHAIRMAN

#### THE FUTURE

We firmly believe that a balanced approach to economic, environmental and social pillars will result in long-term benefits for our employees, customers, shareholders as well as society at large.

As we move forward, we will continue focusing on areas where opportunities lie for our business growth to intersect with optimal environmental and social impact allowing us to attain sustainable growth and create sustainable value.

#### **ACKNOWLEDGEMENT**

I would like to thank the Board for their invaluable contributions to the Group. To all members of the Pharmaniaga family, thank you for being an integral part in our sustainability journey. Congratulations to Pharmaniaga for clinching the BEST SUSTAINABILITY REPORTING AWARD from Focus Malaysia Best Under Billion Awards 2018 for our inaugural stand-alone sustainability report in 2017. Thank you to the Group Sustainability Committee for a job well done in producing this Sustainability Report.

Our heartfelt gratitude to our key client, the Ministry of Health, other clientele, suppliers, partners, bankers and the relevant authorities in Malaysia as well as internationally for your much-appreciated support over the years.

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

INDEPENDENT NON-EXECUTIVE DIRECTOR
THE CHAIRMAN OF BOARD SUSTAINABILITY COMMITTEE

THEMENON







## SUSTAINABILITY GOVERNANCE —

### GOVERNANCE STRUCTURE

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

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

Sustainability Governance	Roles	Key Responsibilities
Board of Directors	Setting the direction	Ultimately accountable for managing sustainability matters for the Group.
Board Sustainability Committee	Strategy and stewardship	Review and approve sustainability policies and frameworks to establish the Group's commitment towards sustainable development.
Sustainability Management Committee	Management and monitoring	Recommend sustainability policies and framework to the Board Sustainability Committee.
	Accountability and performance	Upon approval from the Board Sustainability Committee, implement and monitor progress of the Group's sustainability initiatives.

### **BOARD OF DIRECTORS**

Chairman.

Tan Sri Dato' Seri Lodin Wok Kamaruddin\*

Managing Director:

Dato' Farshila Emran

Members:

- Mohd Suffian Haji Haron Senior Independent Non-Executive Director
- Daniel Ebinesan\* Non-Independent Non-Executive Director
- Izzat Othman Independent Non-Executive Director

- Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) Independent Non-Executive Director
- Fahmy Ismail\*\* Non-Independent Non-Executive Director

### **BOARD SUSTAINABILITY COMMITTEE**

Chairman:

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

Members:

- Mohd Suffian Haji Haron
- Daniel Ebinesan\*
- Fahmy Ismail (Appointed as Board Committee Member on 1 February 2019)

### SUSTAINABILITY MANAGEMENT COMMITTEE

Chairman:

Dato' Farshila Emran

Secretariat:

Dr Badarulhisam Abdul Rahman

Members:

- Mohamed Igbal Abdul Rahman
- Norai'ni Mohamed Ali
- Datin Shamsinar Haji Shaari
- Abdul Malik Mohamed

<sup>\*</sup> Board Member until 31 December 2018

<sup>\*\*</sup> Appointed as Board Member on 1 January 2019

# STAKEHOLDER ENGAGEMENT —

## KEY STAKEHOLDER GROUP



### **ENGAGEMENT TYPE**

- Dialogue sessions
- Meetings
- Correspondences
- On-site inspections



- Customer care
- Customer satisfaction surveys
- Dialogue sessions



- Internal communications
- Engagement sessions
- Campaigns
- Recreational activities
- Volunteer programmes

### MATERIAL SUSTAINABILITY ISSUES

- Access to affordable medicines
- Regulatory compliance
- Environmental standards compliance
- Occupational safety and health standards compliance
- Best practices and policies
- Product quality
- Product responsibility
- Halal certified products
- Regulatory compliances
- Corporate Responsibility
- Customer complaints
- Training and Development
- Occupational safety and health standards compliance
- Equal opportunity
- Human Rights
- Job creation
- Work-life balance

- Employee welfare
- Code of Conduct
- Environmental conservation and preservation
- Financial stability
- Economic contribution





































### STAKEHOLDER ENGAGEMENT



### **ENGAGEMENT TYPE**

- Community health awareness programmes
- Charitable contributions
- Professional bodies and association memberships
- Awards and recognitions

PROVIDERS OF FINANCIAL CAPITAL



- Annual General Meeting
- Quarterly reporting
- Analyst briefings

#### CHIDDLY CHAIN DADTNEDS



- Periodic meetings
- Dialogue sessions
- Assessments
- Visits

### **MEDIA**



- Advertisements
- Product placements
- Media coverage
- Press releases
- Press conferences
- Social Media

#### MATERIAL SUSTAINABILITY ISSUES

- Community service
- Product development and availability
- Economic contribution
- Job creation
- Environmental conservation and preservation
- Corporate Responsibility
- Community development
- Economic contribution
- Regulatory compliance

- Procurement practices and policy
- Business with integrity
- Financial stability
- Environmental conservation and preservation
- Corporate Entrepreneurship Responsibility
- Vendors performances
- Reputation
- Innovation
- Consumer data and privacy
- Complaints
- Customer satisfaction





























### MATERIAL SUSTAINABILITY——

## THEMES AND INDICATORS



#### **ECONOMIC**

- Liquidity of the Group's finances
- Branding of the Group
- Procurement practice
- Support local businesses
- Expansion and growth
- Product and service innovation



#### **ENVIRONMENTAL**

- Environmental monitoring
  - Waste water
  - Gas emission
  - Scheduled waste
- Efficient use of electricity
- Recycle, Reuse & Reduce programme



#### **SOCIAL**

- Employment benefits
- Training and Development
- Work-life balance
- Human Rights advocation
- Safety and security
- Social and welfare contribution
- Diversity

MATERIALITY

MATRIX

HIGH

#### Work-life balance Access to affordable medicines Jobs creation Product quality Equal opportunity Regulatory compliance Product responsibility Business with integrity **Human Rights** Training and Development Occupational safety and health standards compliance Environmental conservation and preservation Reputation Halal certified products Best practices and policies Environmental standard compliance Community development Corporate Responsibility Product development Community service and availability LOW MEDIUM HIGH

IMPORTANCE TO PHARMANIAGA







OVER THE PAST YEAR,
THE GROUP HAS FURTHER
STRENGTHENED ITS
COMMITMENT TO ACHIEVING
LONG-TERM BUSINESS
SUSTAINABILITY WHILE
PLAYING A SIGNIFICANT PART
IN ENHANCING THE ECONOMIC
FUTURE OF THE COMMUNITY

# ECONOMIC



#### **VENDOR DEVELOPMENT**

At Pharmaniaga, we are committed to helping our vendors improve both their business and sustainability performances. During the year, the Group provided various training programmes for our vendors to further improve their service and product quality. Focusing on integrated quality improvement, they were trained on various disciplines including Total Quality Management, Lean Management as well as Occupational Safety and Health, amongst others.

In addition, we have put in place stringent processes and controls to ensure our vendors as well as employees hold to good governance practices.



#### **3 KEYS OF SUSTAINABILITY**

#### - ECONOMIC



The Group conducts annual site visits to vendors' facilities where we hold discussions and find ways to help them expand their network and increase market share. We also facilitate vendors' engagements with various government agencies to obtain operational support, incentives and grants, amongst others.

The performance of our vendors is monitored through the Quarterly Vendor Excellence Monitoring Programme that emphasises product quality and delivery.

#### **OUR HALAL DRIVE**

Working hand in hand with Jabatan Kemajuan Islam Malaysia (JAKIM), we are able to ensure that our products are manufactured in accordance to the Halal standards and requirements.

Continuing on our Halal journey, which commenced as a voluntary initiative back in 2013, Pharmaniaga was appointed as a member of the Working Group Committee under the Department of Standards Malaysia to revise MS 2424: 2012 Halal Pharmaceuticals – General Guidelines.

In addition, during the year, Pharmaniaga was appointed as a member of the Working Group Committee under the Department of Standards Malaysia to develop a new standard regarding Halal Medical Devices. We were also appointed as a member of the Working Group Committee under JAKIM to revise the Manual Procedure for Malaysia Halal Certification.

Discussions were also held between the Group and Halal Industry Development Corporation to develop a Halal Occupational Framework involving cosmetics, pharmaceuticals, research and development, tourism, retail, Islamic Finance, Halal Park and restaurant subsectors during the year.

Pharmaniaga's internal Halal Committee is involved in training employees on the requirements of the Group's Halal Assurance Management System. Apart from training sessions, Internal Halal Audits and process review were also conducted to ensure full Halal compliance. To strengthen the competencies of our Halal operations and in compliance with JAKIM requirements, our team also attended the Professional Halal Executive Training programme organised by JAKIM during the year.

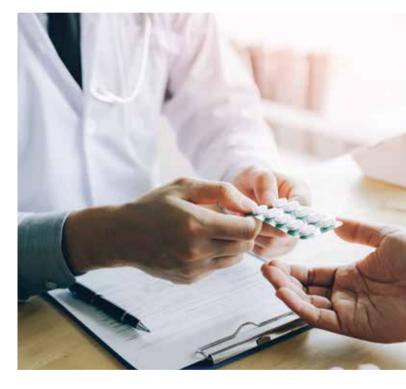
In 2018, Pharmaniaga succeeded in attaining Halal certification for more than 30 products with an additional 45 products in the process of obtaining certification.

### PROVIDING AFFORDABLE & QUALITY HEALTHCARE

Pharmaniaga is committed to providing affordable and high quality medicines as well as services to patients thereby allowing them to have better access to healthcare that enhances lives.

Our partnership with one of the largest international manufacturers of pharmaceutical products and Drugs for Neglected Diseases Initiative (DNDi), a Swiss-based non-profit drug research and development organisation has allowed us to expand our product range to include Hepatitis C treatment regimes. More importantly, with this latest achievement we are able to provide affordable treatment options to patients in Malaysia. There are an estimated 500,000 patients in the country infected with





Hepatitis C and about 2,000 new cases are reported every year. Hepatitis C has become a major public health concern in Malaysia. Thus, it is crucial to increase access to its treatment. The key objective of the collaboration between the three parties is to make the treatment accessible and affordable.

### 3 KEYS OF SUSTAINABILITY - FCONOMIC

We are pleased to inform that the Group has made significant strides in our product pipeline for the therapeutic segments of oncology as well as vaccine. We have engaged a regional partner to collaborate



in the trading and technology transfer of selected oncology and vaccine products.

In addition, we are also playing a role in the fight against rising levels of diabetes in Malaysia. Following through from our launch of SweetRoyale Natural Stevia, a natural sweetener, we released new variants for the consumer market including SweetRoyale Brown Stevia as well as SweetRoyale White Stevia.

#### **DRIVING INNOVATION**

The Group is committed to continuous innovation through research and development (R&D). Through R&D, we are able to develop high quality and cost-competitive pharmaceutical products of various dosage forms for our many therapeutic segments. In addition, the sustainability of our products is enhanced through efficient lifecycle management. Our R&D department is responsible for spearheading product development across all our manufacturing sites. We are committed to the development









of over 250 new products of various dosage forms as part of a 10-year development programme. Our clinical trials allow us to safeguard the quality, safety as well as efficacy of our product range.

We also expanded our product range to include 10 new registered products in 2018. To date, we have developed close to 70 bioequivalent products.

As of 2018, we have marketed our Bio Collagen skin product range which consists of Bio Coll-Skin Wet Skin, Bio Coll-Skin Wet Skin (Meshed) and Bio Coll-Skin Dry Skin. Categorised under Advance Wound Care Management, these products are used for the treatment of non-infected wounds.

Our two herb-based phytomedicine projects, namely Kacip Fatimah (KF) and Patawali are progressing well.

A collaborative venture with the Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC), Universiti Sains Malaysia, Boustead Estates Agency Sdn Bhd and the University of Nottingham, the KF project involves plant cultivation and propagation,



#### **3 KEYS OF SUSTAINABILITY**

#### - ECONOMIC



development of standardised water extract, preclinical studies, product development, prototype manufacture, pre-clinical trials as well as the commercialisation of KF as a phytomedicine.

Developed in partnership with Forest Research Institute Malaysia and Universiti Putra Malaysia, the Patawali project has completed the first phase of preclinical studies. The project is now in Phase 2 of preclinical testing.

The Group looks to continue undertaking many other phytomedicine projects in the near future in collaboration with experts in the field.

#### **COMMUNITY PHARMACY**

As part of our commitment to provide opportunities for growth and upskilling of entrepreneurs, RoyalePharma Alliance Programme has assisted almost 300 Alliances across the nation.









Through the programme, Alliances have access to a wider range of products and are able to enjoy various benefits to be more competitive in the market

#### **COST OPTIMISATION**

We generated cost savings of RM5 million during the year through cost optimisation measures, which include processes as well as formulation improvements.

We also successfully negotiated prices for raw materials as well as packaging materials, which allowed us to further reduce costs.

Apart from this, we continued to undertake negotiations with vendors and assess procurement methods to enhance efficiencies.





THE GROUP'S ENVIRONMENTAL
STEWARDSHIP IS CENTRED ON
A PHILOSOPHY OF SUSTAINABILITY
THAT SPANS ACROSS OUR
ENTIRE VALUE CHAIN. OVER THE
PAST YEAR, THE GROUP HAS
FORTIFIED ITS ENVIRONMENTAL
SUSTAINABILITY EFFORTS
ENCOMPASSING RESOURCE
OPTIMISATION AND STRINGENT
COMPLIANCE WITH REGULATIONS,
SUPPORTED BY A STRONG
CORPORATE CULTURE

### ENVIRONMENTAL



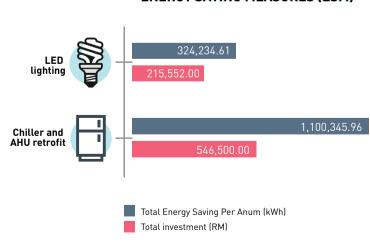
#### **OPTIMAL USE OF RESOURCES**

The Group is focused on the efficient utilisation of resources to minimise our impact on the environment. Our energy reduction initiatives have been executed based on our energy audit commitment for 2018. These initiatives represent the Group's long-term commitment to energy conservation.

Following through from our previous efforts, we have installed more energy-saving LED lights, energy-efficient chillers and energy-efficient cooling towers. In addition, we have replaced existing machinery parts with energy efficient parts while upgrading our compressor dryers to maximise efficiencies.

As a result of our efforts during the year, we were able to contribute in reducing our carbon footprint, and reduced energy costs.

#### **ENERGY SAVING MEASURES (ESM)**





#### **3 KEYS OF SUSTAINABILITY**

#### - ENVIRONMENTAL





The Group is committed to investing in solution that will allow us to reduce our environmental impact. We are focused to minimise the use of water through reuse and recycle initiatives. Used water in our manufacturing process is redirected to our recycling tanks to be reused in the flushing system of our washrooms and cooling towers. This optimises the use of water while significantly reduces costs.

As part of our efforts in effective waste management and minimisation, we have implemented strategies to reduce the amount of waste we generate and ensure that our waste materials are reused or recycled across all our operations.



#### **ENVIRONMENTAL COMPLIANCE**

The Group acknowledges the importance of complying to all regulatory requirements. We ensure compliance with ISO 14001 : 2015 to achieve sustainable environmental management levels.

Adequate trainings were given to the relevant personnel to manage scheduled waste at respective sites in compliance with Scheduled Waste Regulations under the Environmental Quality Act 1974.

Our team has also been well trained via competency programmes and seminars to handle the Industrial Effluent Treatment System, ensuring compliance with the Industrial Effluent Regulations 2009 and to comply with Clean Air Regulations 2014.

GHG EMISSIONS		Carbon Emission (tCO <sub>2</sub> , GWP)	
		2018	2017
DIESEL (transport		395.0	468.9
DIESEL (machiner		230.3	N/A
LPG		29.8	24.9
PETRO	L	105.5	54.8
NATUR	AL GAS	14,649.4	N/A
- ELECTI	RICITY	28,691.4	27,685.4

\*Data for sites in Malaysia only



#### 3 KEYS OF SUSTAINABILITY

#### - ENVIRONMENTAL



pharmaGREEN

### INCULCATING A GREEN CULTURE

The Group is committed to instilling sustainable workplace practices throughout all our facilities. In line with this, we organised a Sustainability Day during the year to promote a heightened sense of awareness on the importance of sustainability. In addition, our very own PharmaGREEN Eco Garden was launched to inculcate a better understanding of environmental conservation and its significance.

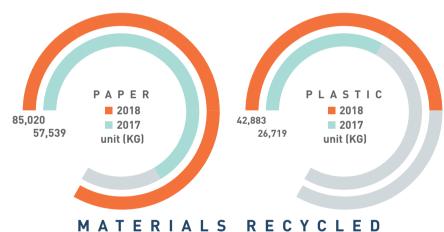
We are conscious of the importance of seemingly small feats of sustainability and how these deeds can translate into a strong and committed culture of sustainability. Via our Choose To Reuse Campaign, we introduced a plasticfree and polystyrene-free environment at all our cafeterias while the usage of reusable containers as well as metal straws were encouraged throughout the Group. Metal straws were distributed to all employees. We also made it a point to install several water dispensers at our facilities to reduce the need for the use of disposable plastic bottles and cups.

We collaborated with the Malaysian Prisons Department for the SecondChance Project. This programme aims to equip inmates with vocational skills for a second chance in life, providing training to create reusable bags out of recycled materials.











Our environmental conservation activity at Taman Eko Rimba Kanching in Rawang, Selangor saw nearly 60 volunteers carrying out various activities such as garbage collection and painting of nearby bridges and handrails.

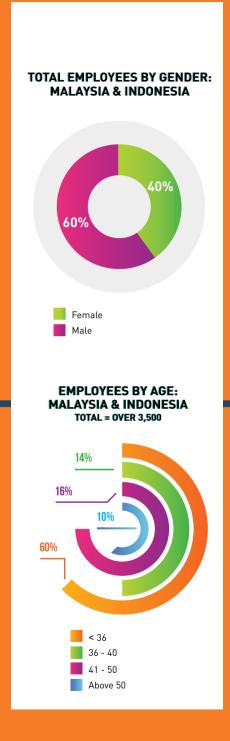
Other sustainability related activities carried out during the year including the Xchange Recycling Campaign which was held to raise awareness on recycling by creating a campaign where the public can get one bottle of hand sanitiser in exchange of 20 used plastic bottles.





**OUR CONTRIBUTION TO THE** SOCIAL WELFARE OF OUR EMPLOYEES, PATIENTS AND SURROUNDING COMMUNITIES PLAYS AN INTEGRAL PART IN **OUR OVERALL SUSTAINABILITY** JOURNEY, ENGAGING THESE STAKEHOLDERS AND TOGETHER **BUILDING HEALTHIER COMMUNITIES IS A VITAL** PRIORITY FOR THE GROUP

# SOCIAL





### DEVELOPING OUR TALENT POOL

The Group is committed to instilling a safe and nurturing high performance corporate culture that rewards while encouraging our employees to pursue their professional growth.

Our employees are exposed to various learning and development programmes during the year including the *Do It Right Always* (DIRA) Leadership Programme, which focused on building strong leadership skills. We enhanced our *Do It Right* Campaign by taking it to the next phase in 2018 with DIRA.

The Group's DIRA activities raise awareness levels amongst employees on the importance of 'Doing the Right Thing' every time. This increases the level of productivity and work efficiency by eliminating the need for rework. DIRA Week was conducted during the year to boost awareness amongst employees.





### 3 KEYS OF SUSTAINABILITY - SOCIAL





We also cultivate the overall development of DIRA culture by ensuring induction programmes for new comers.

Other training programmes that took place included competency certification, management and leadership as well as data integrity training. Employees also participated in industry related external training and seminars. Selected employees

# >RM1.5 million invested in Training and Development



attended Big Tulip Summit which gathered inspirational women leaders who shared their experience to inspire future leaders in Pharmaniaga.

More than 170 soft skills and 140 technical skills courses were undertaken throughout the year with an investment of over RM1.5 million.

### INSPIRING HEALTHIER LIFESTYLES

A healthy workforce is imperative in the long-term sustainability of our operations. We organised various programmes to encourage healthier lifestyles by initiating the Pharmaniaga Internal



Fitness Instructor Programme, which involved developing the competency of 30 Pharmaniaga employees to become fitness instructors and internally conduct fitness activities for fellow employees.

Our Active Lifestyle and Healthy Eating under the Komuniti Sihat Pembina Negara (KOSPEN) Plus programme aims to encourage healthy lifestyles. As part of the programme, weekly zumba and yoga fitness classes were organised as well as regular healthy cooking demonstrations.

Various sports activities were organised during the year such as futsal, football, hiking, paintball, bowling, badminton tournaments, jungle trekking and whitewater rafting. These activities were organised not only to improve employees' health and well-being, but also enhances the teamwork spirit.





#### 3 KEYS OF SUSTAINABILITY

#### - SOCIAL



#### **CARING FOR OUR PEOPLE**

In addition to an attractive performancebased incentive programme, exceptional employees were recognised and rewarded through our Employee Appreciation Day, which encourages overall excellence in the workplace, diligence and long service.

Benefits including the provision of meal subsidies, monthly Royale Pharma vouchers, vaccinations, high-risk allowances, travel insurance, tuition subsidies, and higher education subsidies are provided for employees.



The Group places great emphasis on the safety and health of its employees. We strive to ensure the welfare of our employees through the establishment of a productive and safe working environment. We are fully compliant with OHSAS 18001: 2007 and applicable legislations in Occupational Safety and Health as a testament to our commitment to workplace safety.

We have incorporated all safety awareness and training programmes into our *Do It Right* campaign to instil safety and health as part of our culture. This will also help in sustaining all efforts to meet the OHSAS 18001: 2007 standards and applicable Occupational Safety and Health legislations. Compliance activities included quarterly workplace inspections, audits and fire drills. Safety and health meetings were also carried out on a regular basis throughout the year.

The Group also focused on preventive measures programmes to avoid accidents and ill health at the workplace. This included enhancement of Personal Protective Equipment Management for critical processes such as handling dangerous chemicals.





believe We that mandatory occupational safety and health monitoring activities will also help to identify potential hazards at the workplace. Hence, audiometry and spirometry tests were conducted for employees during the year. Both tests are required under relevant Safety and Health legislations to monitor employee health status and their exposure to noise and contamination hazards air the workplace.

### PRIORITISING COMPLIANCE

The Group is committed to the highest standards of corporate governance and transparency in line with global standards. In addition, the relevant internal and external audits are undertaken to ensure that the Group meets all applicable standards and requirements.

Through our pharmacovigilance system, we are able to ensure patient safety and well-being by continuously monitoring, collecting and assessing all aspects of drug safety for licensed medicinal products. Furthermore, diligent monitoring of updates and directives from relevant authorities provide up-to-date information of drug safety profiles and safety-related clinical practises. This information will be utilised to model drug safety profiles, update package inserts and other informative materials as well as develop effective patient safety management plans in line with regulatory requirements. All patients safety information is reported to the health authorities and are subject to stringent audits and inspections accordance with regulatory requirements.

WORKPLACE INJURY, ILLNESS AND FATALITY	2018	2017
PHARMANIAGA GROUP INJURY RATE (PER 1000 EMPLOYEES) *	0.99	1.61
PHARMANIAGA GROUP FATALITY RATE	NIL	NIL
TOTAL LOSS TIME INJURY HOURS (LTI) "	464	808

<sup>\*</sup> The injury-rate is based on reported serious injuries which required hospitalization

This data is updated as of 12 March 2019

<sup>\*\*</sup> The LTI assumes standard working hours of 8 hours per day

### 3 KEYS OF SUSTAINABILITY - SOCIAL

### BUSINESS WITH INTEGRITY

The Group is committed to the highest standards of integrity and professionalism. We maintain this through compliance with a stringent Code of Conduct as well as relevant policies including our Whistleblowing Policy, Anti-Bribery Policy, Gifting Policy and Anti-Money Laundering Policy, amongst others.

We are also a signatory to the Malaysian Anti-Corruption Commission's Corruption-Free Pledge. Employees are provided various avenues to report misconduct including corruption with regularly scheduled anti-corruption and prevention inititatives. We are also embarking on the Anti-Bribery Management System (ABMS) ISO 37001:2016 certification which covers procurement processes including trade or non-trade transactions of products and services for one of our subsidiaries

The ABMS provides us with a framework to comply with relevant legislations. The implementation also includes all procurement transactions

involving business associates, vendors and suppliers of the Group. The activities include, but are not limited to awareness and sharing sessions incorporating the anti-corruption clauses in business agreements and introducing a new Standard Operating Procedure on handling vendors and suppliers.





### PROTECTING HUMAN RIGHTS

Our Employee Handbook and Code of Conduct defines our overall management approach in relation to human rights. We are committed to the implementation of equal opportunity and no harassment policies in accordance with the relevant laws and regulations. During the year, we



### 3 KEYS OF SUSTAINABILITY - SOCIAL



updated our Employee Handbook and Code of Conduct to include a Sexual Harassment and Gender Diversity Policy. The Whistleblowing Protection section of the Whistleblowing Policy also ensures that employees' rights are protected as per relevant laws and regulations. Our suppliers are also required to adhere to the Group's ethical responsibilities.



### CULTIVATING HEALTHIER, HAPPIER COMMUNITIES

Our community health programme, *Skuad Operasi Sihat* (SOS) facilitates the provision of accessible healthcare to the general public in suburban and rural areas, including the Orang Asli communities. This is undertaken through health education, counselling services and basic medical screening. All services under SOS are offered to the public on a complimentary basis. During the year, the Group reached out to more than 5,000 people nationwide through SOS activities.

In line with our SOS "Earthquake and Tsunami Disaster Awareness Programme for Schools and Communities 2018", our SOS volunteers conducted basic health checks at SMK Kota Kuala Muda, Kedah in collaboration with the National Disaster Management Agency. The programme was undertaken to educate the



local community on preparing for natural disasters such as earthquakes and tsunamis and was officiated by YAB Dato' Seri Dr Wan Azizah Wan Ismail, Deputy Prime Minister of Malaysia.

In addition to SOS, we launched our #PerangiHFMD campaign, with almost 12,000 bottles of hand sanitisers provided to registered kindergartens as well as primary schools to curb the spread of Hand, Foot and Mouth Disease in Malaysia.



In view of the floods in Pahang, we were able to provide logistics support and donate flood relief items including emergency kits, children's kits, vitamins and medicines courtesy of the Government Linked Company Disaster Response Network. Additionally, Pharmaniaga employees also volunteered to offer basic health checks to residents while also assisting to clean the homes of those affected.

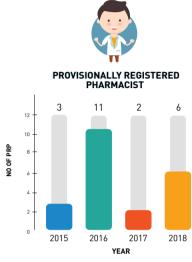
As part of the Group's Jalinan Kasih Syawal programme, we also channelled contributions to the Orang Asli communities of Ulu Melaka, Melaka and Jelebu, Negeri Sembilan.

The Orang Asli children of SK Lemoi, Cameron Highlands, Pahang were treated to a fun-filled day at KidZania. The educational trip exposed them to various career-role plays.

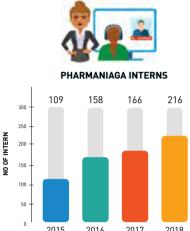
SPONSORSHIP	2018	2017
HEALTH	12.8%	8.9%
EDUCAT	TION 17.6%	23.6%
WELFAR	<b>RE</b> 37.0%	42.6%
MEDIA	1.1%	0.4%
SPORTS	3.2%	3.6%
ZAKAT	28.2%	20.9%

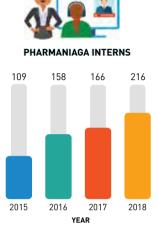
<sup>\*</sup>Total charitable investment approximately RM4 million

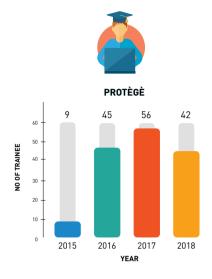
#### **3 KEYS OF SUSTAINABILITY** - SOCIAL



\*Number of PRPs depends on the availability of preceptor (trainer)







#### **NURTURING YOUNG MALAYSIANS**





Today's youths are the future leaders of our society. Providing them with access to quality education is crucial to enable them to develop the level of knowledge and competency required for national progress while leading fuller and healthier lives. Quality education also has a positive effect in allowing our youth to empower their communities.

In line with our support for the Government's efforts to increase the number of registered pharmacists locally. we trained pharmacy graduates as part of our Provisionally

Registered Pharmacist (PRP) programme. In addition, we trained university graduates through the newly renamed government initiative, the Professional Training and Education for Graduating Entrepreneurs (PROTÉGÉ) programme.

During the year, we undertook a student outreach programme to encourage young bright minds to consider a future in the pharmaceutical sector. Plant tours were organised at Pharmaniaga Manufacturing Berhad in Bangi for school students. They were exposed to the processes involved in medicine manufacturing, and also briefed on the different career prospects available within the pharmaceutical industry.



Collaborating with pharmacy faculties at local universities, we supported excellence in education with our sponsorship of 17 awards comprising Book Prize Awards and Convocation Awards. In addition, we took in over 200 internship students during the year. We also recognised academic distinction of top students in the fields of pharmacy and medical sciences through other educational sponsorships.

In addition, employees with children entering higher education were granted assistance amounting up to RM1,000 for Certificate, Pre-University, Diploma or Degree programmes.

#### PRODUCT RESPONSIBILITY

We take product responsibility very seriously and committed to ensure that our customers are provided with accurate information on our products and services.

We received the ISO 18295-1: 2017 Customer Contact Centre certification during the year. This certification specifies a framework for customer contact centres to provide customers with services that continuously and proactively meet or exceed their needs, covering the key areas of customers, human resources, operational processes and service delivery infrastructure.

We are pleased to be recognised as the first pharmaceutical company in Malaysia to implement international Customer Contact Centre standards, which is a reflection of our readiness to be assessed against best practices. This certification also signifies our commitment to continuously improve our services and proactively meet or exceed customer expectations.

We continue to deliver operational excellence by providing the highest quality of services to our clients. 92% of our clientele rated us as 'Good' and 'Excellent' in the Customer Satisfaction Survey.



# OVERSEAS OPERATIONS

Indonesia







THE GROUP CONTINUES TO FOCUS ON GROWING OUR INTERNATIONAL OPERATIONS, BOTH IN THE ASEAN **REGION AND BEYOND** 



# INDONESIA

Research and development (R&D) plays a crucial role in Pharmaniaga's expansion, providing us with a strong competitive edge while our clinical trials allow us to ensure the quality, safety as well as efficacy of our products.

As part of our efforts to widen our regional footprint, we expanded our product portfolio in Indonesia as we commercialised 11 new products in 2018 for the Indonesia market.

In line with our focus on compliance, we undertook the Group's *Do It Right First Time* (DIRFT) Campaign to raise awareness on *Do It Right* culture. Additionally, the Group also undertook a Corruption-Free Pledge during the year.







As a company engaged in the distribution of pharmaceutical products, we are committed to comply with the regulations issued by the local product authority, Badan Pengawas Obat dan Makanan, including the importance of implementing rules for Cara Distribusi Obat yang Baik (CDOB). We are currently in the midst of acquiring CDOB certification for all our branches with various improvements that support operational achievement in accordance with CDOB requirements. In 2018, more than 25 branches successfully obtained CDOB certification.

### OVERSEAS OPERATIONS - INDONESIA

We have implemented the ISO 9001 Quality Management System since 2012 and are now in compliance with the latest Quality Management System, ISO 9001 : 2015. Internal Quality Audits have been undertaken throughout 2018 to ensure that all ISO 9001 : 2015 provisions are implemented consistently. The appointed Certification Body conducted a surveillance audit with satisfactory results.



As a responsible pharmaceutical company, we are committed to improving the environmental performance οf regional our operations. We strongly emphasise on the importance of efficient waste management. In line with this, our Indonesian operations invested in scheduled waste management. We also collaborated with the local community to promote recycling efforts. As a result, we were able to assist the community in recycling close to 100 tonnes of waste during the year.

We are also focused on energy reduction in our manufacturing plant through the installation of more LED lights, which will contribute to the reduction of our carbon footprint. Our manufacturing plant has also been certified with ISO 9001: 2015 and 14001: 2015 which focus on quality management and environmental management respectively.

We are pleased to note that our manufacturing plant in Bandung received a Recognition of Excellence (Blue Level) on Environmental Sustainability by Dinas Lingkungan Hidup Provinsi Jawa Barat.

Safety and health is our priority. Our long-term aspiration is to eliminate work-related injuries and illnesses. To this end, we have a clear and consistent standard for managing employee safety and health.

Understanding the importance of first aid and how it can sometimes mean the difference between life and death, we have set up medical treatment rooms at all our facilities. Additionally, all employees are provided free annual medical check-ups.

As part of our efforts to provide our employees with the opportunity





to grow through strong career development opportunities, training and development sessions were undertaken during the year on areas including communication skills, certification, compliance, tax systems and licensing.

We are committed to promoting worklife balance for employees. In line with this, we conducted various initiatives throughout the year including organising religious programmes, festive celebrations, monthly award programmes as well as competitions for employees.

As part of the *Hari Raya Aidilfitri* festive celebrations, we also reached out to less fortunate members of the community through handing

out necessities for the festivities. In addition, the Group also distributed meat to the needy in conjunction with *Hari Raya Aidiladha*.

As a responsible corporate citizen, we are dedicated to improving the lives of our surrounding communities. During the year, we participated in donation activities for regions affected by natural disasters such as Lombok, Palu, Donggala and Serang. We also distributed food every Friday to the communities around our Malang and Jember branches.

As part of our efforts to facilitate the provision of accessible healthcare to the general public, cervical cancer counselling and vaccination were offered at our Jakarta branch. We also

conducted dental health activities for kindergarten students. In addition, the Group organised health examinations in collaboration with the Embassy of Malaysia and Maybank in Indonesia.

Providing youth with access to quality education has a far-reaching positive impact on the global community. Over the past year, the Group contributed to empowering young people through various initiatives including providing internship opportunities at our Indonesian operations where they were able to learn real-world skills in preparation for their entry into the workforce.





### CONNECT WITH US





pharmaniaga.com



Pharmaniaga Berhad



@pharmaniagaberhad



pharmaniaga berhad (official)

