



REPLANTING  
THE SEEDS OF  
SUSTAINABILITY

SUSTAINABILITY REPORT 2020



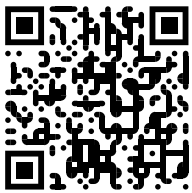
A member of Boustead Group



## REPLANTING THE SEEDS OF SUSTAINABILITY

This year's cover places the spotlight on Pharmed's focus in procuring, manufacturing and distributing COVID-19 vaccine in replanting the seeds of economic, environmental and social sustainability. National recovery from the massive impact of the pandemic can only be addressed by the smooth roll-out of vaccinations. As one of the key players in ensuring COVID-19 vaccine for the nation, Pharmed will play an instrumental role in revitalising Malaysia's economic and social progress.

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Muhammad Fandee Bin Rosni



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# ABOUT THIS REPORT

This year, Pharmed Berhad and its subsidiaries (Pharmed or the Group) is proud to publish its fifth annual Sustainability Report. Our Report this year further demonstrates our progressive commitments and efforts in managing sustainability risks and opportunities. Despite the turbulent year due to the COVID-19 pandemic, the Group has propelled to strengthen the business whilst managing the expectations and concerns of various stakeholders. Our progress and performance are encapsulated in this Report, which provides deeper insights into our sustainability initiatives, performance and achievements to manage key material sustainability issues, and subsequently creating values to our businesses and stakeholders.

## SCOPE AND BOUNDARY

Disclosures in the Report encompass our sustainability performance across all our subsidiaries in Malaysia and Indonesia for the reporting period commencing 1 January 2020 to 31 December 2020, unless stated otherwise. This Report provides updates of our progress and performances from previous Sustainability Report that was published in April 2020. All monetary values reported are expressed in Ringgit Malaysia (RM), consistent with the Malaysian Financial Reporting Standards.

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## REPORTING FRAMEWORK

This Sustainability Report has been prepared in accordance to Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements on Sustainability Reporting, with guidance from Bursa Malaysia's Sustainability Reporting Guide (2<sup>nd</sup> Edition). We have also prepared the Report in accordance with the Global Reporting Initiative (GRI) Standards – Core Option. By incorporating the GRI reporting principles of stakeholder inclusiveness, sustainability context, materiality, and completeness, we aim to provide a balanced account of our approach to manage our material matters.

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

## ASSURANCE

To safeguard the integrity of reporting, this report is prepared and validated by Sustainability Working Committee across the Group. As a precautionary measure, this Report and its components are meticulously reviewed during preparation by Pharmaniaga's Sustainability Management Committee, and further deliberated at the Board level to ensure the information is presented in a balanced, accurate and meaningful manner. Any improvement opportunities identified in the reporting practice are addressed internally for continuous improvement.

Moving forward, we will work towards strengthening our sustainability practices and disclosures prior to obtaining external assurance, which we aim to undertake in the future.

## ABOUT THIS REPORT



### ENHANCEMENT THIS YEAR

We are committed to transparency in reporting and using disclosures to provide a comprehensive view of our continuous efforts towards integrating sustainability into our businesses. The following enhancements have been made to the Report this year:

- Introduced Pharmaniaga's Sustainability Roadmap, Goals and Targets to guide and drive various functions and operations to deliver sustainability performance;
- Updated Materiality Matrix based on the reassessment of our material sustainability matters;
- Introduced new section of "Delivering Sustainable Value" to discuss the value and impacts we have created and imparted to our stakeholders throughout our operations; and
- Included SDG 1: No Poverty as a supporting goal to reinforce our commitment to the United Nations Sustainable Development Goals (UNSDGs).



### FORWARD-LOOKING STATEMENT

Any forward-looking statements in the Report reflect our expected future business, financial and non-financial performance, and are therefore uncertain in nature. As such, these or other uncertainties may differ from our actual future performance.



### ACCESSIBILITY

Our report is available online on our corporate website at [www.pharmaniaga.com](http://www.pharmaniaga.com)

This Report shall be read together with our other publicly available online resources at our corporate website.

- Pharmaniaga Berhad Annual Report 2020: Provides information on the Company's strategy and performances, corporate governance including ownership and legal form of the Company and corporate profile of our governance bodies, amongst others; and
- Corporate Policies: Provide details of our corporate policies that govern our business operations.



### FEEDBACK

If you would like to submit feedback or obtain further clarification, please contact:

Name : Dr. Badarulhisam Abdul Rahman

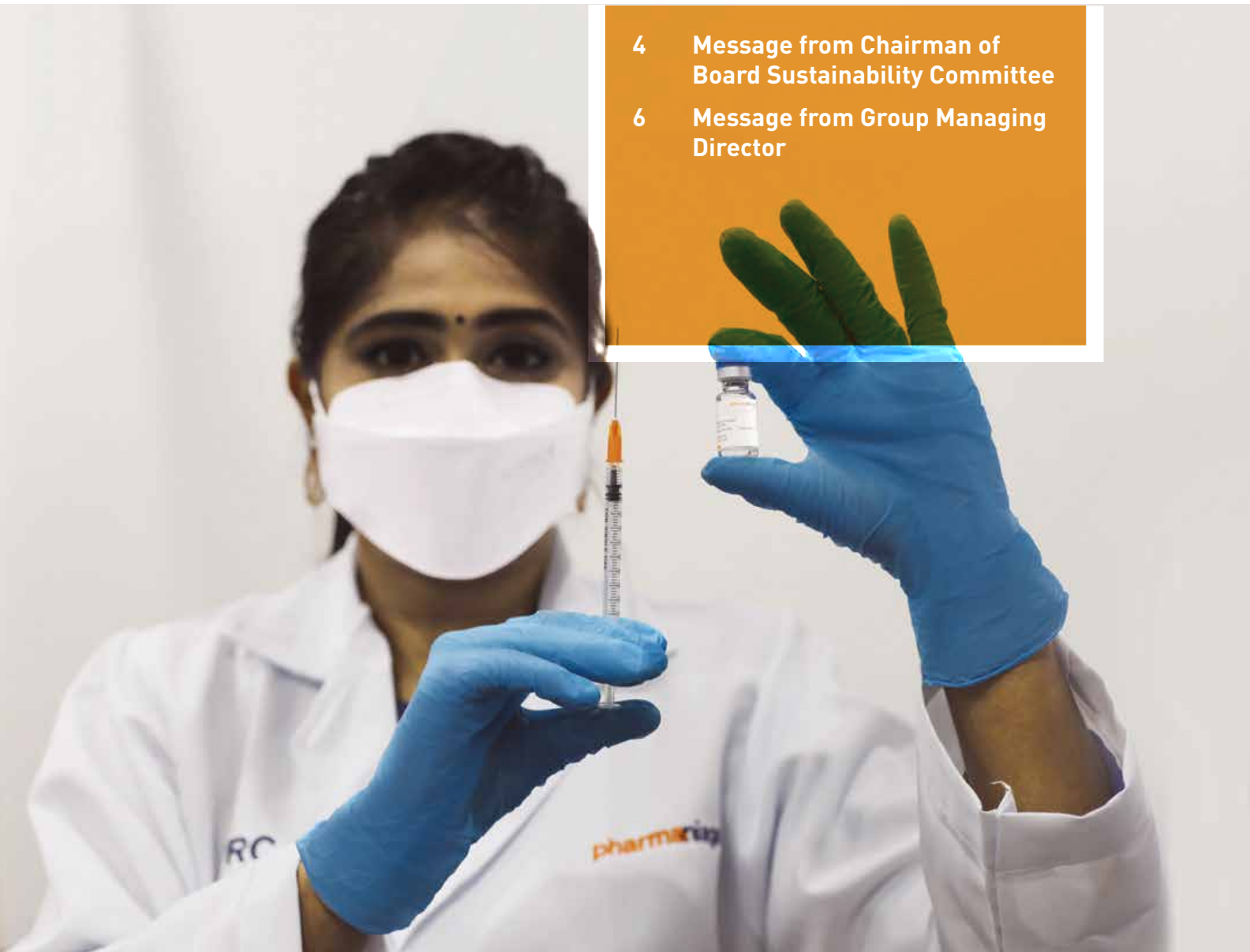
Designation : Head of Sustainability

Phone : +603-3342 9999

E-mail : [sustainability@pharmaniaga.com](mailto:sustainability@pharmaniaga.com)

# OVERVIEW

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## MESSAGE FROM CHAIRMAN OF BOARD SUSTAINABILITY COMMITTEE



**Datuk Dr. Azhar Ahmad**  
Chairman of Board  
Sustainability Committee

**Despite the extraordinary and unprecedented conditions we had to operate in, we are honoured to be given the opportunity by the Ministry of Science, Technology and Innovation to join the country's effort to control the COVID-19 pandemic**

Our mission since 1994 has always been pivotal in steering our direction to provide quality products and superior services to our customers. As we stand by our corporate values, we are committed to achieve our purpose by driving innovation through extensive research and development, whilst balancing the impacts of our operations on the environment and our society. We believe that good business means commitment to deliver values to all our stakeholders, environment and society at large whilst pursuing our business goals. It is a commitment that extends far beyond researching and developing products.

As one of the largest listed integrated pharmaceutical groups in Malaysia, we recognise our responsibility to improve the standards of affordable and accessible healthcare for the public without compromising on quality, safety and efficacy of the products. Driven by our motto *Passion for Patients*, we are passionate to deliver values to our customers and various stakeholders. We have devised strategy and programmes to enable the attainment of our mission, whilst ensuring everyone will have the accessibility to affordable healthcare products and services.

This year has been a challenging year for everyone, as the COVID-19 pandemic continue to disrupt lives and brings uncertainty to the business outlook. Despite the extraordinary and unprecedented conditions we had to operate in, we are honoured to be given the opportunity by the Ministry of Science, Technology and Innovation to join the country's effort to control the COVID-19 pandemic. Our main responsibility is to carry out the fill and finish manufacturing of the Sinovac COVID-19 vaccine in-house, and ensure smooth storage and distribution of the vaccine. Supported by our esteemed team that was resilient and remained committed throughout the process, we are able to meet the demands and urgent needs of the country.

Continuing our efforts from previous years, our fifth Sustainability Report highlights the milestones and initiatives we undertook this year across the economic, environmental and social aspects of our business. This year, we progressively took further key steps to integrate Environmental, Social and Governance (ESG) agenda into our business. The establishment of our sustainability roadmap, goals and targets will be the catalyst to drive our strategy to create a lasting





positive impact. As we progress on this journey to meet our sustainability goals, we look to build our performance by adapting to changes in healthcare, the business environment and consumer behaviour.

This journey towards achieving sustainability stewardships includes our commitment to the United Nations Sustainable Development Goals. Despite the challenges we faced this year, we remained to focus on delivering our purpose and continued to invest our efforts in reducing emissions, recycling waste, increasing energy efficiency, strengthening anti-corruption measures, providing opportunities for small and medium-sized enterprise (SME) growth and training our team to stay competitive and motivated.

Our immense gratitude goes to all stakeholders for their continued support as we progress in our sustainability journey to deliver impactful value. I would like to express my highest gratitude to Dr. Salmah Bahri, former Chairman of Board Sustainability Committee for her dedication and tireless efforts in her stewardship to spearheading accessible healthcare through dynamic

growth. Our great appreciation also to Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired) and Datuk Koo Hock Fee, the former members of Board Sustainability Committee for their commitment in institutionalising sustainability at Pharmaniaga.

With the pandemic continuing to impact the world, we look forward to collaborating with more partners and stakeholders for the betterment of our products and services quality. Our achievements would have been futile if it were not for the unwavering commitment of our employees and the cooperation of our partners. We deeply appreciate the continuous support from all our stakeholders.

**Datuk Dr. Azhar Ahmad**  
Independent Non-Executive Director  
Chairman of Board Sustainability Committee

## MESSAGE FROM GROUP MANAGING DIRECTOR



**Datuk Zulkarnain Md Eusope**  
Group Managing Director



**We managed to save RM2.7 million by decreasing operating costs and improving operational efficiency**



**Reduction of 11% in Greenhouse Gas emission**

As a responsible listed integrated pharmaceutical company, we are committed to delivering our products and services to the best of our capability. The COVID-19 pandemic presented us with opportunities to serve and support the needs of the nation. Experienced in effective crisis management, we deployed our team promptly to distribute personal protective equipment, medical equipment and healthcare products throughout the country. Despite the turbulent year, we proudly maintained our performance in meeting all 21 performance standards set by the Ministry of Health (MOH) under the Concession Agreement and achieved 99.6% rating.

With our extensive pharmaceutical product development's experience and well-equipped facilities, we were selected to be part of Malaysia's efforts to fight the COVID-19 pandemic. We were entrusted by the Ministry of Science, Technology and Innovation to execute the fill and finish manufacturing of the Sinovac COVID-19

vaccine in Malaysia. This has been a rewarding experience, collaborating with international partner for the technology transfer, knowledge and expertise between countries as part of our role in supporting government efforts towards the recovery of the nation.

Our quest to contribute to sustainable development continued this year, focusing on accelerating our operations to embed sustainability into the core of our business. This year, we conducted a materiality reassessment to consider the impact of the pandemic on our operations, our stakeholders' priorities and the pharmaceutical industry. The aggregated results of the prioritisation of matters enable us to focus on key issues with regard to its importance to the business and stakeholders. Further to this, we have established sustainability roadmap and concerted key focus areas, goals and targets that set to pave our way in achieving our sustainability vision. In this report, we have also demonstrated how the embodiment of sustainability throughout the business will enable us to deliver value to all our stakeholders and supports the global agenda.

The transparency and accountability of our operations and employees are important to us and our stakeholders. We have strengthened our governance practices and introduced programmes to reinforce the culture of integrity



throughout Pharmaniaga. Currently, five of our subsidiaries in the Manufacturing Division are in the process of obtaining MS ISO 37001:2016 Anti-Bribery Management Systems.

Despite the challenging year, we have managed to save RM2.7 million by decreasing operating costs and improving operational efficiency at selected sites. We also saw an increase in customer satisfaction scores from our customers in the public and private sectors, contributed by our continuous efforts to enhance our products and services quality. As we understand the impact of the pandemic on businesses, especially small and medium-sized enterprise (SME), we provided support to the local businesses via RoyalePharma Alliance and Vendor Development Programme in terms of training and capacity building.

At Pharmaniaga, we aspire to generate inclusive growth whilst reducing our ecological footprint along our value chain. To achieve this aspiration, we have coordinated key actions to reduce our impacts on the environment. A milestone in our endeavour to demonstrate environmental stewardship was 11% decrease in Greenhouse Gas emissions compared with last year, resulting from the implementation of energy reduction initiatives. Whilst energy reduction initiatives saved us approximately RM0.8 million, our water management programmes have achieved a total saving of approximately RM30,000, contributed by its reduction initiatives. Another initiative on the environmental front is the solar panels project, which generated a total of 834.03 GJ of energy in 2020, incrementally decreasing our dependency on non-renewable source.

Conscious of the need to continuously deliver our products and services during this pandemic, we implemented stringent measures across our value chains as recommended by the World Health Organisation and national guidelines. The establishment of Pharmaniaga Special COVID-19 Task Force and Crisis Action Plan has reinforced our commitment to protect our employees and provide a safe work environment.

Under this task force, we have established COVID-19 Standard Operating Procedures (SOPs) that guides our employees internally in terms of operating under the 'new normal', which were communicated effectively to all our employees. Precautionary safety measures were strictly implemented at all our operations through regular sanitisation of the workplace, temperature screening as well as ensuring availability of personal protective equipments and hand sanitisers. As part of our social distancing measures, we have allowed for work from home arrangement and introduced work rotations to our employees.

We recognise how this pandemic has disproportionately affected vulnerable groups of society. Cognisant of this, we carried out various programmes and made donations to help them during this difficult time. These efforts include distributing of financial aid, food, hygiene and healthcare products to the society at large.

The world continues to face the challenges brought on by the pandemic. We are dedicated to ensuring the needs of our nation are met by supporting the government's efforts, safeguarding employees and community health. Despite these challenges, Pharmaniaga reinforced its role as one of the largest listed integrated pharmaceutical groups in Malaysia and demonstrated its ability to deliver commitments. We are grateful to everyone at Pharmaniaga for making our accomplishments this year possible.



**Datuk Zulkarnain Md Eusope**  
Group Managing Director





# PHARMANIAGA AT A GLANCE



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# CORPORATE PROFILE

## WHO WE ARE

Pharmaniaga Berhad is one of the largest listed integrated pharmaceutical groups 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. The ambit of our business interests ranges from research and development; generic pharmaceuticals manufacturing; warehousing and distribution of pharmaceutical and medical products; marketing and sales; trading and installation of medical and hospital equipment.

## OUR CORE VALUES

### RESPECT

DIGNITY · TRUST · FAIR · OPEN · HONOUR

### INTEGRITY

HONEST · TRUTHFUL · CONSCIENCE ·  
SINCERE · ACCOUNTABILITY

### TEAMWORK

UNITY · HARMONY · CO-OPERATION ·  
COMMITMENT · COLLABORATION

### EXCELLENCE

PROFESSIONAL · COURAGE · PRIDE ·  
PROACTIVE · COMPETITIVE

## OUR STORY

Our Corporate Vision, Mission and Company Values shape the foundation of Pharmaniaga's operations.



### OUR CORPORATE VISION

The preferred pharmaceutical brand in regional markets.



### OUR CORPORATE MISSION

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



### OUR CORPORATE MOTTO

*Passion for Patients* is our philosophy in ensuring uninterrupted delivery of quality pharmaceutical products and accessible services to the *Rakyat*. Being in an industry where life matters, we cultivate a culture of compliance, integrity and professionalism to provide practical healthcare solutions whilst balancing business, technology investments and social responsibility.

## CORE VALUES

### RESPECT

#### ***DIGNITY · TRUST · FAIR · OPEN · HONOUR***

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

### INTEGRITY

#### ***HONEST · TRUTHFUL · CONSCIENCE · SINCERE · ACCOUNTABILITY***

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

### TEAMWORK

#### ***UNITY · HARMONY · CO-OPERATION · COMMITMENT · COLLABORATION***

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

### EXCELLENCE

#### ***PROFESSIONAL · COURAGE · PRIDE · PROACTIVE · COMPETITIVE***

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

## CORE BUSINESS

We provide diverse products and services to both public and private sectors whilst our core businesses comprise research & development, manufacturing, logistics & distribution, commercial and community pharmacy.

### 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), collagen-based medical devices for wound care, SweetRoyale Stevia as well as our latest venture in the fill and finish vaccine manufacturing.

#### Manufacturing plants:

- Pharmaniaga Manufacturing Berhad  
Products: General Pharma & Cephalosporin
- Pharmaniaga LifeScience Sdn Bhd  
Products: Small Volume Injectables & Vaccine
- Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar)  
Products: Sterile & Non-Sterile Penicillin
- Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani)  
Products: General Pharma
- PT Errita Pharma  
Products: General Pharma & Penicillin
- Paradigm Industry Sdn Bhd  
Products: Food supplement
- Bio-Collagen Technologies Sdn Bhd  
Products: Collagen-based medical devices

### Logistics & Distribution

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

#### 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)

### Commercial

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.





Research & Development activity at our research laboratory



Logistics activity at our warehouse



Utilities monitoring at Puchong plant



Pharmaniaga receives Sinovac COVID-19 bulk vaccine



Signing ceremony with the Malaysian Government to supply Sinovac COVID-19 vaccine to the Rakyat



Manufacturing activity at Bangi plant



Warehouse at Bukit Raja



Manufacturing activity at Sungai Petani plant

## OPERATION SITES FOOTPRINT

Our products and services are readily accessible across the region as our operations are strategically placed in Malaysia and Indonesia. By capitalising on our synergies, we persist in strengthening our market presence as one of the largest listed integrated pharmaceutical groups as well as amplify our reach by penetrating the untapped market.



### **Pharmaniaga Logistics Sdn Bhd (Juru Branch)**

1, 3 & 5 Lorong IKS Juru 8,  
Taman Perindustrian Ringan Juru,  
14100 Simpang Ampat, Seberang  
Perai,  
Pulau Pinang

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

### **Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani Branch)**

Lot No. 24 & 25, Jalan Perusahaan 8,  
Bakar Arang Industrial Estate,  
08000 Sungai Petani,  
Kedah Darul Aman

Tel : +604-421 3011  
Fax : +604-421 5731



### **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 (Headquarters) Pharmaniaga Logistics Sdn Bhd Pharmaniaga Marketing Sdn Bhd Pharmaniaga Research Centre Sdn Bhd Pristine Pharma Sdn Bhd Pharmaniaga Biomedical Sdn Bhd Pharmaniaga International Corporation Sdn Bhd**

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

Tel : +603-3342 9999  
Fax : +603-3341 7777

### **Pharmaniaga Manufacturing Berhad**

No. 11A, Jalan P/1,  
Kawasan Perindustrian Bangi,  
43650 Bandar Baru Bangi,  
Selangor Darul Ehsan

Tel : +603-8925 7880  
Fax : +603-8925 6177

### **Pharmaniaga LifeScience Sdn Bhd**

Lot 7, Jalan PPU 3,  
Taman Perindustrian Puchong Utama,  
47100 Puchong,  
Selangor Darul Ehsan

Tel : +603-8061 2006  
Fax : +603-8061 2875

### **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 : +603-8985 9710  
Fax : +603-8945 9910

### **Pharmaniaga Logistics Sdn Bhd (Section 15 Branch)**

Lot 49, No. 11, Jalan Ragum 15/17,  
Seksyen 15, 40200 Shah Alam,  
Selangor Darul Ehsan

Tel : +603-5512 0161  
Fax : +603-5512 0281

### **Paradigm Industry Sdn Bhd**

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

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



**PT Millennium Pharmacon International Tbk**

Crown Bungur Arteri 2-4<sup>th</sup> Floors,  
Jl. Sultan Iskandar Muda,  
No. 18, Jakarta,  
12220, Indonesia

Tel : +62-21 2708 5961  
Fax : +62-21 2708 5958



**PT Errita Pharma**

Jalan Peundeuy, RT/RW 04/07,  
Desa Bojong Salam,  
Kecamatan Rancaekek,  
Kabupaten Bandung,  
Indonesia

Tel : +62-22 7949 062/4  
Fax : +62-22 7949 063



**Pharmaniaga Logistics Sdn Bhd (Kota Kinabalu Branch)**

Lorong Kurma, Kolombong Industrial Centre,  
KM 9 Off Jalan Tuaran,  
88450 Kolombong,  
Kota Kinabalu, Sabah

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



**Pharmaniaga Logistics Sdn Bhd (Kuching Branch)**

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

Tel : +6082-432 800  
Fax : +6082-432 806



## MEMBERSHIP OF ASSOCIATIONS

Pharmaniaga is a member of various trade organisations and industry associations. By actively engaging experts and other industry players in these associations, we keep abreast of the latest developments and innovations within the healthcare industry, and extend our networks for potential collaborations and business opportunities.

Core Business	Association
Research & Development	Institut Kimia Malaysia International Society of Pharmaceutical Engineering Malaysian Organisation of Pharmaceutical Industries
Manufacturing	Federation of Malaysian Manufacturers Gabungan Perusahaan Farmasi Indonesia Institut Kimia Malaysia International Society of Pharmaceutical Engineering Malaysia Medical Devices Manufacturers Association Malaysian Organisation of Pharmaceutical Industries Malaysian Pharmaceutical Society National Institute for Occupational Safety and Health
Logistics & Distribution	Contact Centre Association of Malaysia Malaysian Pharmaceutical Society
Commercial	Asosiasi Emiten Indonesia Gabungan Pengusaha Farmasi Indonesia Kustodian Sentral Efek Indonesia Malaysian Organisation of Pharmaceutical Industries Otoritas Jasa Keuangan



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# OUR SUSTAINABILITY GOVERNANCE

## SUSTAINABILITY VISION AND MISSION

Pharmaniaga's approach to sustainability is driven by the Group's sustainability vision and mission. We aim to incorporate sustainability throughout our operations, and encourage our team to balance long term considerations with short term needs when making decisions for the business.



### SUSTAINABILITY VISION

Spearheading accessible healthcare through dynamic growth

We undertake the following as one of the largest integrated healthcare service providers in Malaysia:



Ensuring the accessibility and affordability of quality healthcare



Extending the reach of our success to positively affect society



Preserving the environment through best practices in logistics and manufacturing



Creating a positive and safe work environment for our employees



Elevating the lives of those underserved in the community



### SUSTAINABILITY MISSION



#### Economic

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



#### Environmental

Spearheading environmental stewardship through stringent compliance and regulations



#### Social

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



## SUSTAINABILITY POLICY

In 2019, we established a Group-wide Sustainability Policy to highlight our commitments in achieving our sustainability vision and mission. This Policy overarch our day-to-day operations, guiding us to continually review and refine our efforts to create values to our stakeholders, safeguard the health and safety of our employees, ensure the sustainability and quality of our products whilst reducing our environmental impact.

### 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



This Sustainability Policy serves to complement our Group-wide corporate policies which set to guide our divisions in their daily operations. Details of our corporate policies and guidelines are available at [www.pharmaniaga.com](http://www.pharmaniaga.com).

## OUR SUSTAINABILITY GOVERNANCE

### SUSTAINABILITY GOVERNANCE STRUCTURE

Pharmaniaga’s sustainability governance structure is helmed by the Board of Directors (the Board). The Board is responsible for providing direction to the Group on its sustainability approach and setting the overall sustainability strategy. All sustainability related matters, including the annual sustainability report are endorsed by the Board.

The Board Sustainability Committee (SC) supports the Board, and a Terms of Reference was developed for SC in 2019, outlining its role in managing the

sustainable development of the organisation. The SC reviews all sustainability related policies, frameworks and initiatives formulated by the Sustainability Management Committee for incorporation in the Group’s business strategies and plans.

The Sustainability Management Committee also plays a part in identifying the Group’s material sustainability matters, and monitors the performance of initiatives and measures implemented by the Sustainability Working Committee across Pharmaniaga’s operations.

	Roles	Key Responsibilities
Board of Directors	Setting the direction	<ul style="list-style-type: none"> <li>Establishes the Group’s overall sustainability strategy and direction</li> <li>Provides the final approval on all sustainability matters</li> </ul>
Board Sustainability Committee	Strategy and stewardship	<ul style="list-style-type: none"> <li>Reviews and deliberates on all sustainability policies, frameworks and initiatives for incorporation in the Group’s business approach and strategy</li> </ul>
Sustainability Management Committee	Management and Monitoring	<ul style="list-style-type: none"> <li>Formulates sustainability policies, frameworks and initiatives for implementation</li> <li>Monitors sustainability performance and initiatives</li> </ul>
Sustainability Working Committee	Accountability and performance	<ul style="list-style-type: none"> <li>Implements approved sustainability initiatives across operations</li> <li>Reports sustainability performance to the Sustainability Management Committee</li> </ul>

Throughout the reporting year, our Sustainability Committee and the Board have discussed the following matters, but not limited to:



### BOARD OF DIRECTORS

- **Dato' Sri Mohammed Shazalli Ramly**  
Non-Independent Non-Executive Chairman
- **Datuk Zulkarnain Md Eusope**  
Group Managing Director
- **Dato' Dr. Najmil Faiz Mohamed Aris**  
Independent Non-Executive Director
- **Datuk Dr. Azhar Ahmad**  
Independent Non-Executive Director
- **Zulkifli Jafar**  
Independent Non-Executive Director
- **Dr. Abdul Razak Ahmad**  
Independent Non-Executive Director
- **Izaddeen Daud**  
Non-Independent Non-Executive Director
- **Zainal Abidin Shariff**  
Independent Non-Executive Director



### BOARD SUSTAINABILITY COMMITTEE

- **Datuk Dr. Azhar Ahmad**  
Chairman
- Members:
- **Dato' Dr. Najmil Faiz Mohamed Aris**
- **Dr. Abdul Razak Ahmad**



### SUSTAINABILITY MANAGEMENT COMMITTEE

- **Datuk Zulkarnain Md Eusope**  
Chairman
- **Dr. Badarulhisam Abdul Rahman**  
Head of Sustainability
- Members:
- **Mohamed Iqbal Abdul Rahman**
- **Norai'ni Mohamed Ali**
- **Datin Shamsinar Haji Shaari**
- **Abdul Malik Mohamed**



### SUSTAINABILITY WORKING GROUP COMMITTEE

- **Dr. Badarulhisam Abdul Rahman**  
Head of Sustainability
- **Noor Fadzilah Abu Bakar**  
Secretariat
- **CFO's Office**
- **Sustainability**
- **Strategic Planning**
- **Admin & Procurement**
- **Engineering & Project Management**
- **Quality & Safety**
- **Community Pharmacy**
- **Commercial**
- **Regulatory Affairs**
- **Corporate Governance**
- **Corporate Communications**
- **Human Capital Management**
- **Vendor Development Programme**
- **Manufacturing**
- **Logistics & Distribution**

## OUR SUSTAINABILITY GOVERNANCE

Community Pharmacy	Designation
Ong Yee Wen	Deputy General Manager
Sharidzan Shamsuri	Manager

Admin & Procurement	Designation
Suzana Yahya	Senior General Manager

Engineering & Project Management	Designation
Rosli Hj Salehuddin	Deputy Senior Manager
Zakiah Kamaruddin	Executive

Quality & Safety	Designation
Mohd Supian Hassan	Manager
Ahmad Asyraf Deris	Executive

CF0's Office	Designation
Lim Cheng Chin	Deputy General Manager

Sustainability	Designation
Noor Fadzilah Abu Bakar	Executive
Anis Shahira Nor Effendi	Executive

Vendor Development Programme	Designation
Mohd Nurman Mohd Lazim	Executive

Strategic Planning	Designation
Nik Rahini Wan Ibrahim	Senior Manager

Regulatory Affairs	Designation
Norhana Nawawi Suri	Deputy Director
Zarinihasmuna Zakariya	Senior Executive

Commercial	Designation
Ranbir Singh	Deputy Senior Manager

Corporate Governance	Designation
Syaruzaimi Yusof	Assistant Manager

Human Capital Management	Designation
Hayat Al-Mazli	Senior General Manager
Roslaili Razlan	Executive
Izzarul Shazwan Khairul Azizan	Executive

Corporate Communications	Designation
Dato' Zuhri Iskandar Kamarzaman	Senior General Manager
Syarina Hj Mohd Idris	Manager
Nadhirah Naaim	Executive
Muhammad Fandee Rosni	Executive

## Logistics &amp; Distribution

## Designation

**Pharmaniaga Logistics Sdn Bhd**

Johan Jaafar	Senior Manager
Noor Sherry Yuneeza	Senior Manager
Eunice Gan	Senior Manager
Tsen Mei Fong	Senior Manager
Husnah Ismail	Deputy Senior Manager
Roslan Abd Rahman	Deputy Senior Manager

**PT Millennium Pharmacon International Tbk**

Ahmad Abu Bakar	Deputy General Manager
Gradesi Andajani	Senior Manager



## Manufacturing

## Designation

**Pharmaniaga Manufacturing Berhad**

Mohd Izwan Ishak	Head of Plant
Zulkifli Ahmad Shukri	Senior Executive
Dean Said	Executive

**Idaman Pharma Manufacturing Sdn Bhd Sungai Petani**

Abdullah Ismail	Head of Plant
Azaazwin Abd Aziz	Senior Executive

**Idaman Pharma Manufacturing Sdn Bhd Seri Iskandar**

Khairudin Othman	Head of Plant
Mohd Shahrizan Ahmad Fuat	Assistant Manager

**Pharmaniaga LifeScience Sdn Bhd**

Ahmad Syamsury Sulaiman	Head of Plant
Nurul Sa'adiah Abdul Multalib	Assistant Manager

**Pharmaniaga Research Centre Sdn Bhd**

Dr. Badarulhisam Abdul Rahman	Deputy Director
Siti Zanariah Saleh @ Saran	Assistant Manager

**Bio-Collagen Technologies Sdn Bhd**

Azleena AlJeffri	Head of Plant
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**Paradigm Industry Sdn Bhd**

Rohaizul Shaari	Head of Plant
Muhammad Syahmi Ibrahim	Executive

**PT Errita Pharma**

Zakaria Daud	Head of Plant
Ikhwan Fadhli Abd Rahim	Deputy Senior Manager

## OUR SUSTAINABILITY ROADMAP

Since our inaugural sustainability statement in 2016, we have worked proactively to embed sustainability throughout our business. As part of our efforts to catalyse this integration, this year we have developed a Sustainability Roadmap encompassing our targets in three key milestones. This Roadmap aims to guide strategic direction of the organisation, decision making processes and the management of sustainability in our daily operations, and ultimately support our long term vision of creating a sustainable future.

1

### Sustainability Roadmap 2016-2020

**What we have achieved:**

- Sustainability Policy rolled out to all subsidiaries
- Established sustainability governance structure
- Raised awareness on sustainability
- Established Pharmaniaga's 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

2

### Sustainability Roadmap 2021-2025

**What we want to achieve:**

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



## 3

### Sustainability Roadmap 2026-2030

**What we aspire to achieve:**



- Inculcate a culture of sustainability within the organisation
- Sustainability becomes integral to procurement process and supplier engagement
- Achieve 5-year sustainability targets set
- Work in collaborative partnerships with third parties to support the fulfilment of the United Nations Sustainability Development Goals




## Pharmaniaga as a sustainable and future-ready organisation

To drive us in achieving the vision and objectives set in the roadmap, we have identified five key goals that will support us in implementing sustainable related activities across the organisation. Details of these goals, focus areas and targets are discussed in 'Our Sustainability Goals and Key Focus Areas'.



## ENGAGING OUR STAKEHOLDERS

We value our dialogue with our stakeholders and utilise our engagement platform to obtain insights and perspectives of their key issues of interest or concerns. Input and feedback obtained from discussions, meetings and day-to-day interactions with our key stakeholder groups are used to continuously improve our business practices, manage their expectations and bolster our relationship with them.

Issues of Interest/ Key Concerns	Method of Engagement	Frequency of Engagement	Our Response in this Report
 <b>Government &amp; Regulatory Authorities</b> The Malaysian Federal and State Governments, regulators, federal and state agencies			
<ul style="list-style-type: none"> <li>• Access to affordable healthcare products</li> <li>• Regulatory compliance</li> <li>• Environmental standards compliance</li> <li>• Occupational safety and health standards compliance</li> <li>• Best practices and policies</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue sessions</li> <li>• Meetings</li> <li>• Correspondence through phone, emails, letters and fax</li> <li>• On-site inspections</li> <li>• Service representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Monthly</li> <li>• Daily</li> <li>• Daily</li> <li>• Daily</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility of Healthcare Products; page 57</li> <li>• Good Corporate Governance and Integrity; page 67</li> <li>• Hazardous Gas Emissions and Energy Management; page 72</li> <li>• Water and Effluent Discharge Management; page 75</li> <li>• Material and Waste Management; page 79</li> <li>• Occupational Health and Safety; page 92</li> </ul>
 <b>Customers</b> Public & private hospitals and clinics, pharmacies and international customers			
<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Product responsibility</li> <li>• Halal-certified products</li> <li>• Regulatory compliance</li> <li>• Corporate responsibility</li> <li>• Customer complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Customer care-site visits</li> <li>• Customer satisfaction surveys</li> <li>• Dialogue sessions</li> </ul>	<ul style="list-style-type: none"> <li>• As and when required</li> <li>• Biannually</li> <li>• Monthly</li> </ul>	<ul style="list-style-type: none"> <li>• Product and Service Quality; page 52</li> <li>• Product Responsibility; page 54</li> <li>• Accessibility of Halal Products; page 62</li> <li>• Managing Sustainability - Environmental Performance; page 70</li> <li>• Community Contribution and Development; page 97</li> <li>• Customer Satisfaction; page 56</li> </ul>

Issues of Interest/ Key Concerns	Method of Engagement	Frequency of Engagement	Our Response in this Report
 <b>Employees</b> Full-time and contract employees across Malaysia and Indonesia operations			
<ul style="list-style-type: none"> <li>• Training and development</li> <li>• Occupational health and safety standards compliance</li> <li>• Environmental conservation and preservation</li> <li>• Equal opportunity</li> <li>• Human rights</li> <li>• Job creation</li> <li>• Work-life balance</li> <li>• Employee welfare</li> <li>• Financial stability</li> <li>• Economic contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Internal communications</li> <li>• Engagement sessions - Assemblies</li> <li>• Engagement sessions - Religious activities</li> <li>• Engagement sessions</li> <li>• Volunteer programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Ongoing</li> <li>• Quarterly</li> <li>• Seasonal</li> <li>• Ongoing</li> <li>• Twice a month</li> </ul>	<ul style="list-style-type: none"> <li>• Training and Development; page 90</li> <li>• Occupational Health and Safety; page 92</li> <li>• Managing Sustainability - Environmental Performance; page 70</li> <li>• Equal Opportunity; page 87</li> <li>• Labour Practices; page 85</li> <li>• Employee Engagement; page 86</li> <li>• Economic &amp; Financial Sustainability; page 64</li> <li>• Job Opportunities; page 88</li> </ul>
 <b>Supply Chain Partners</b> Contractors and suppliers providing services and supplies			
<ul style="list-style-type: none"> <li>• Procurement practices and policies</li> <li>• Business integrity</li> <li>• Financial stability</li> <li>• Environmental conservation and preservation</li> <li>• Corporate entrepreneurship responsibility</li> <li>• Vendor performance</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic meetings</li> <li>• Assessments</li> <li>• Visits</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Annually</li> <li>• Annually</li> </ul>	<ul style="list-style-type: none"> <li>• Good Corporate Governance and Integrity; page 67</li> <li>• Economic &amp; Financial Sustainability; page 64</li> <li>• Managing Sustainability - Environmental Performance; page 70</li> <li>• Providing Business Opportunities; page 65</li> </ul>
 <b>Providers of Financial Capital</b> Local statutory body, corporate, institutional and retail investors, analysts and potential investors			
<ul style="list-style-type: none"> <li>• Economic contribution</li> <li>• Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual reporting</li> <li>• Analyst briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> <li>• Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>• Economic &amp; Financial Sustainability; page 64</li> <li>• Providing Business Opportunities; page 65</li> <li>• Good Corporate Governance and Integrity; page 67</li> <li>• Managing Sustainability - Environmental Performance; page 70</li> </ul>

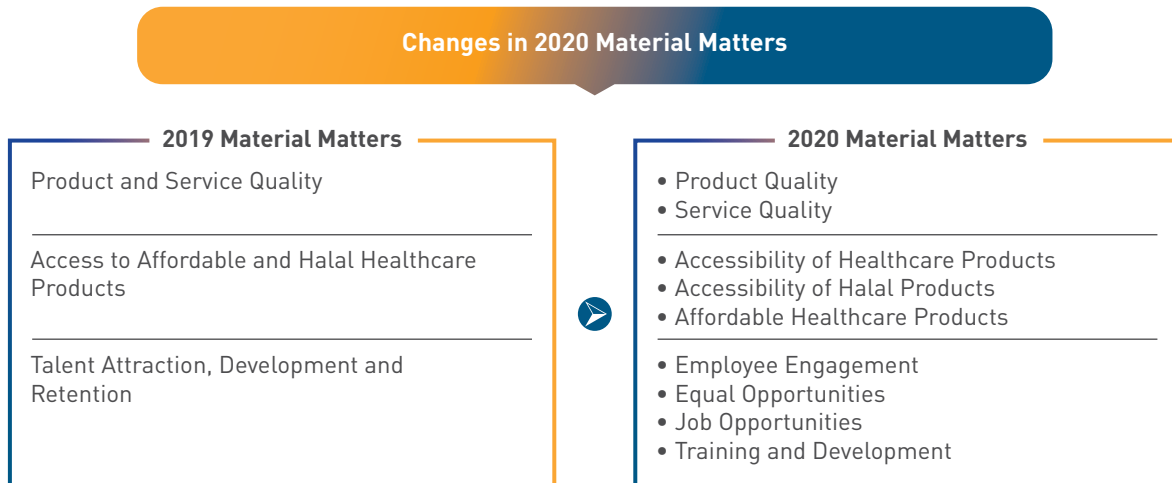
## ENGAGING OUR STAKEHOLDERS

Issues of Interest/ Key Concerns	Method of Engagement	Frequency of Engagement	Our Response in this Report
 <b>Media</b> Local media providers covering digital and print platforms			
<ul style="list-style-type: none"> <li>• Company reputation</li> <li>• Innovation</li> <li>• Consumer data and privacy</li> <li>• Complaints</li> <li>• Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Advertisements</li> <li>• Product placements</li> <li>• Media coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• As and when required</li> <li>• As and when required</li> </ul>	<ul style="list-style-type: none"> <li>• Economic &amp; Financial Sustainability; page 64</li> <li>• Product and Service Quality; page 52</li> <li>• Customer Satisfaction; page 56</li> </ul>
 <b>Communities</b> Local communities living or working in any areas that are economically, socially or environmentally impacted by our operations			
<ul style="list-style-type: none"> <li>• Community service</li> <li>• Product development and availability</li> <li>• Economic contribution</li> <li>• Job creation</li> <li>• Environmental conservation and preservation</li> <li>• Corporate responsibility</li> <li>• Community development</li> </ul>	<ul style="list-style-type: none"> <li>• Health awareness programmes</li> <li>• Charitable contributions</li> <li>• Professional bodies and association memberships</li> </ul>	<ul style="list-style-type: none"> <li>• Twice a month</li> <li>• As and when required</li> <li>• As and when required</li> </ul>	<ul style="list-style-type: none"> <li>• Community Contribution and Development; page 97</li> <li>• Accessibility of Halal Products; page 62</li> <li>• Affordable Healthcare Products; page 59</li> <li>• Accessibility of Healthcare Products; page 57</li> <li>• Economic &amp; Financial Sustainability; page 64</li> <li>• Managing Sustainability - Environmental Performance; page 70</li> <li>• Job Opportunities; page 88</li> </ul>

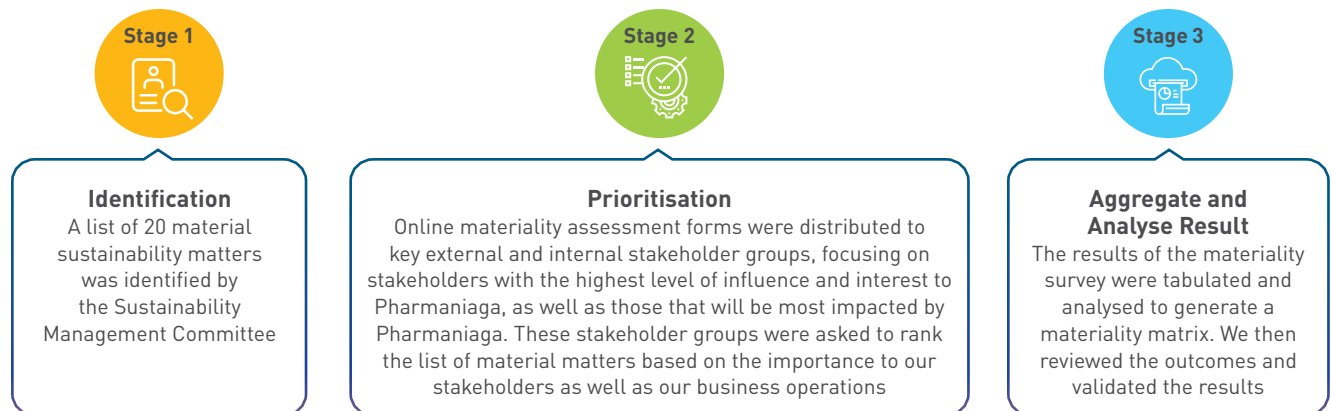
# OUR MATERIAL SUSTAINABILITY MATTERS

## MATERIALITY ASSESSMENT

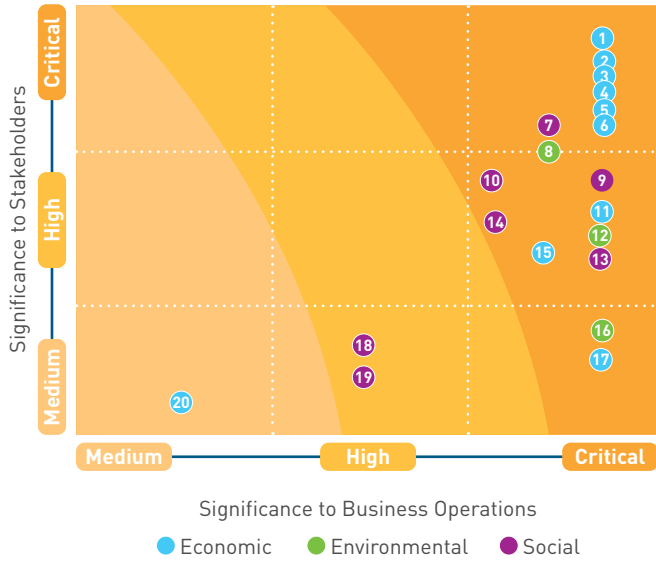
In moulding our business to cater risks and opportunities of the pharmaceutical industry, we continuously review the relevance and importance of our material sustainability matters to reflect the current expectations of our stakeholders and macro environment we operate in. Last year, the materiality assessment was conducted based on consolidated seven key material matters. However this year, we have reviewed the materiality matrix and reassessed the prioritisation of all 20 material sustainability matters to help us to understand their individual prioritisation. We have also redefined some of the material matters topics to allow for a more meaningful prioritisation in the matrix, as illustrated below:



The materiality assessment was conducted in three stages:



# OUR MATERIAL SUSTAINABILITY MATTERS



- ### Material Matters
- |  |  |
|--|--|
| 1 Accessibility of Healthcare Products     | 12 Water and Effluent Discharge Management       |
| 2 Product Quality                          | 13 Community Contribution and Development        |
| 3 Product Responsibility                   | 14 Equal Opportunity                             |
| 4 Service Quality                          | 15 Affordable Healthcare Products                |
| 5 Customer Satisfaction                    | 16 Hazardous Gas Emissions and Energy Management |
| 6 Economic and Financial Sustainability    | 17 Accessibility of Halal Products               |
| 7 Labour Practices                         | 18 Training and Development                      |
| 8 Material and Waste Management            | 19 Job Opportunities                             |
| 9 Occupational Health and Safety           | 20 Providing Business Opportunities              |
| 10 Employee Engagement                     |  |
| 11 Good Corporate Governance and Integrity |  |

Throughout this Report, we disclose the management of these 20 material matters through consolidated seven key material matters as follows:


Key Material Matters	Material Matters
Products and Services	<ul style="list-style-type: none"> <li>Product Quality</li> <li>Service Quality</li> <li>Product Responsibility</li> <li>Customer Satisfaction</li> <li>Accessibility of Healthcare Products</li> <li>Affordable Healthcare Products</li> <li>Accessibility of Halal Products</li> </ul>
Ethics and Integrity	<ul style="list-style-type: none"> <li>Good Corporate Governance and Integrity</li> </ul>
Mutual Growth	<ul style="list-style-type: none"> <li>Economic and Financial Sustainability</li> <li>Providing Business Opportunities</li> </ul>
Protecting the Environment	<ul style="list-style-type: none"> <li>Hazardous Gas Emissions and Energy Management</li> <li>Water and Effluent Discharge Management</li> <li>Material and Waste Management</li> </ul>
Human Capital	<ul style="list-style-type: none"> <li>Labour Practices</li> <li>Employee Engagement</li> <li>Equal Opportunity</li> <li>Job Opportunities</li> <li>Training and Development</li> </ul>
Occupational Health and Safety	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> </ul>
Reaching Out to Communities	<ul style="list-style-type: none"> <li>Community Contribution and Development</li> </ul>

Based on the reassessment of our material matters this year, we have concluded that matters related to Products and Services as the highly material issues, compared with Ethics and Integrity which was our highest importance last year. The changes in the prioritisation will prompt us to strategically identify key actions in addressing the issues or concerns, and subsequently managing stakeholders' expectations.



















**MAPPING OUR MATERIAL MATTERS**

We are mindful on the importance of managing material sustainability matters to manage stakeholders' expectations, and subsequently deliver value towards sustainable development. This connectivity is mapped in the table below, which includes relevant Global Reporting Initiative (GRI) Standards and United Nations Sustainability Development Goals (UNSDGs) that set to guide the management of these matters.

Key Material Matters	Material Matters	Prioritisation based on Materiality Matrix	Stakeholders	GRI Indicator	UNSDGs
<b>Economic</b>					
Products and Services	Product Quality	2	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Providers of Financial Capital</li> <li>• Communities</li> </ul>	416: Customer Health and Safety	
	Service Quality	4	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Providers of Financial Capital</li> <li>• Communities</li> </ul>	416: Customer Health and Safety	
	Product Responsibility	3	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Communities</li> </ul>	416: Customer Health and Safety 417: Marketing and Labelling	
	Customer Satisfaction	5	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Providers of Financial Capital</li> <li>• Communities</li> </ul>	416: Customer Health and Safety 417: Marketing and Labelling	 
	Accessibility of Healthcare Products	1	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Communities</li> </ul>	203: Indirect Economic Impacts	 
	Affordable Healthcare Products	15	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Communities</li> </ul>	203: Indirect Economic Impacts	 
	Accessibility of Halal Products	17	<ul style="list-style-type: none"> <li>• Government and Regulatory Authorities</li> <li>• Customers</li> <li>• Communities</li> </ul>	416: Customer Health and Safety	 

## OUR MATERIAL SUSTAINABILITY MATTERS

Key Material Matters	Material Matters	Prioritisation based on Materiality Matrix	Stakeholders	GRI Indicator	UNSDGs
<b>Economic</b>					
Ethics and Integrity	Good Corporate Governance and Integrity	11	<ul style="list-style-type: none"> <li>Government and Regulatory Authorities</li> <li>Employees</li> <li>Supply Chain Partners</li> </ul>	205: Anti-corruption	
Mutual Growth	Economic and Financial Sustainability	6	<ul style="list-style-type: none"> <li>Employees</li> <li>Supply Chain Partners</li> <li>Providers of Financial Capital</li> <li>Media</li> </ul>	201: Economic Performance	
	Providing Business Opportunities	20	<ul style="list-style-type: none"> <li>Supply Chain Partners</li> <li>Providers of Financial Capital</li> </ul>	204: Procurement Practices	
<b>Environmental</b>					
Protecting the Environment	Hazardous Gas Emissions and Energy Management	16	<ul style="list-style-type: none"> <li>Government and Regulatory Authorities</li> <li>Communities</li> <li>Media</li> </ul>	302: Energy 305: Emissions 307: Environmental Compliance	
	Water and Effluent Discharge Management	12	<ul style="list-style-type: none"> <li>Government and Regulatory Authorities</li> <li>Communities</li> <li>Media</li> </ul>	303: Water and Effluents 307: Environmental Compliance	
	Material and Waste Management	8	<ul style="list-style-type: none"> <li>Government and Regulatory Authorities</li> <li>Communities</li> <li>Media</li> </ul>	301: Materials 306: Waste 307: Environmental Compliance	

Key Material Matters	Material Matters	Prioritisation based on Materiality Matrix	Stakeholders	GRI Indicator	UNSDGs
<b>Social</b>					
Human Capital	Labour Practices	7	<ul style="list-style-type: none"> <li>Government and Regulatory Authorities</li> <li>Employees</li> <li>Supply Chain Partners</li> <li>Providers of Financial Capital</li> </ul>	407: Freedom of Association and Collective Bargaining 408: Child Labor 409: Forced or Compulsory Labor	 
	Employee Engagement	10	<ul style="list-style-type: none"> <li>Employees</li> </ul>	401: Employment	 
	Equal Opportunity	14	<ul style="list-style-type: none"> <li>Employees</li> </ul>	405: Diversity and Equal Opportunity	 
	Job Opportunities	19	<ul style="list-style-type: none"> <li>Employees</li> <li>Communities</li> </ul>	401: Employment	  
	Training and Development	18	<ul style="list-style-type: none"> <li>Employees</li> </ul>	404: Training and Education	  
Occupational Health and Safety	Occupational Health and Safety	9	<ul style="list-style-type: none"> <li>Government and Regulatory Authorities</li> <li>Employees</li> </ul>	403: Occupational Health and Safety	 
Reaching Out to Communities	Community Contribution and Development	13	<ul style="list-style-type: none"> <li>Media</li> <li>Communities</li> </ul>	413: Local Communities	 

Our Research & Development team



Performance monitoring and preventive maintenance at Puchong plant



Recycling activity at Sungai Petani plant



Idaman's Orchard, an Eco Garden at Sungai Petani plant



# OUR SUSTAINABILITY GOALS AND KEY FOCUS AREAS



## OUR SUSTAINABILITY GOALS AND KEY FOCUS AREAS

Guided by the vision and objectives in our Sustainability Roadmap, this year we have formulated five key goals and key focus areas. These goals aim to drive and strengthen our efforts in managing our sustainability impacts. When crafting these goals and key focus areas, we have taken into consideration the material matters that are of our stakeholders' interest and concerns, as well as matters that bring significant impact to our business.



Further to this, we have also set qualitative and quantitative targets for each key focus areas to drive our operations in managing their sustainability performance, and facilitate towards the attainment of our sustainability goals. Our sustainability goals, key focus areas and targets have been deliberated and approved by the Board.



Key Focus Areas	Objectives & Targets	Key Initiatives	Progress in 2020	Related Material Matters	Detailed discussion in this Report
<b>Goal 1: Delivering sustainable value and future-proofing the business</b>					
Business Continuity	<ul style="list-style-type: none"> <li>Implementation of Business Continuity Management Framework in all business units</li> </ul>	<ul style="list-style-type: none"> <li>Disaster recovery plan</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive Business Continuity Management Framework implemented</li> </ul>	<ul style="list-style-type: none"> <li>Economic and Financial Sustainability</li> <li>Providing Business Opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Page 64</li> <li>Page 65</li> </ul>
Technology & Innovation	<ul style="list-style-type: none"> <li>Expand product and service offerings through digital platforms</li> <li>Enhance automation of critical and support processes within operations</li> </ul>	<ul style="list-style-type: none"> <li>Continuous efforts to implement advanced technology or automation for products and services quality enhancement</li> </ul>	<ul style="list-style-type: none"> <li>Equipped warehouses with Internet of Things (IoT) Technology to improve real-time temperature monitoring and enable GPS tracking during distribution</li> <li>Real-time temperature and humidity monitoring for production room at manufacturing facilities</li> <li>Implemented Robotics Process Automation (RPA) system for supplier payment processing, order processing and invoicing</li> </ul>	<ul style="list-style-type: none"> <li>Product Quality</li> <li>Service Quality</li> </ul>	<ul style="list-style-type: none"> <li>Page 52</li> <li>Page 52</li> </ul>
Sustainable Products & Services	<ul style="list-style-type: none"> <li>Enhance sustainable product offerings</li> <li>Achieve 2025 Product Development target</li> <li>Compliance to Concession KPI</li> </ul>	<ul style="list-style-type: none"> <li>Embarking on Halal vaccine project</li> <li>Continuous Research and Development (R&amp;D) activities with more than 200 products in the pipeline</li> <li>Continuous effort to ensure excellent performance in compliance to concession KPI for Logistics and Distribution activities</li> </ul>	<ul style="list-style-type: none"> <li>Submission of plant design and layout to National Pharmaceutical Regulatory Agency (NPRA) for approval &amp; compliance</li> <li>R&amp;D activities is on track as per 5 years' strategic business plan</li> <li>Achieved 99.6% for all performance indicators stated under the Concession Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Accessibility of Healthcare Products</li> <li>Affordable Healthcare Products</li> <li>Accessibility of Halal Products</li> </ul>	<ul style="list-style-type: none"> <li>Page 57</li> <li>Page 59</li> <li>Page 62</li> </ul>

## OUR SUSTAINABILITY GOALS AND KEY FOCUS AREAS

Key Focus Areas	Objectives & Targets	Key Initiatives	Progress in 2020	Related Material Matters	Detailed discussion in this Report
<b>Goal 1: Delivering sustainable value and future-proofing the business</b>					
Customer Satisfaction	<ul style="list-style-type: none"> <li>Achieve targeted customer satisfaction ratings</li> </ul>	<ul style="list-style-type: none"> <li>Ensure continuous excellent performance in providing services to all business sectors</li> <li>Expand digitilisation in line with the strategic pillars of the company</li> <li>Enhance communication through omnichannel platforms to improve satisfaction and customers' experience</li> </ul>	<ul style="list-style-type: none"> <li>Increased customer satisfaction scores by 3% and 4% for MOH and MOHE respectively, compared with the previous year</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Product Quality</li> <li>Service Quality</li> <li>Product Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Page 56</li> <li>Page 52</li> <li>Page 52</li> <li>Page 54</li> </ul>
<b>Goal 2: Acting with integrity</b>					
Business Ethics & Corporate Governance	<ul style="list-style-type: none"> <li>Uphold corporate governance</li> <li>Zero ethics and integrity non-compliance cases</li> <li>Enhance application of best practices as recommended by Malaysian Code on Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcement of awareness on Corporate Policies for all employees</li> <li>Technical trainings to key personnel for the preparation of Anti-Bribery Management System (ABMS) certification</li> </ul>	<ul style="list-style-type: none"> <li>Framework preparation by five subsidiaries within Manufacturing Division for the ABMS certification and implementation process</li> <li>Enforced ABMS policy and objectives to cover local subsidiaries under Pharmaniaga Group</li> </ul>	<ul style="list-style-type: none"> <li>Good Corporate Governance and Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Page 67</li> </ul>

Key Focus Areas	Objectives & Targets	Key Initiatives	Progress in 2020	Related Material Matters	Detailed discussion in this Report
<b>Goal 3: Achieving operational eco-efficiency</b>					
Environmental Compliance	<ul style="list-style-type: none"> <li>Zero environmental non-compliance cases</li> </ul>	<ul style="list-style-type: none"> <li>Continuous monitoring of operations to ensure the discharge of effluent, waste and air emission from the premise are in compliance with the law</li> </ul>	<ul style="list-style-type: none"> <li>Consistently maintained full environmental compliance</li> <li>Extended ISO 14001:2015 certification to warehouse Section 15, Shah Alam</li> </ul>	<ul style="list-style-type: none"> <li>Hazardous Gas Emissions and Energy Management</li> <li>Water and Effluent Discharge Management</li> <li>Material and Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>Page 72</li> <li>Page 75</li> <li>Page 79</li> </ul>
Greenhouse Gas (GHG) & Climate Change	<ul style="list-style-type: none"> <li>15% reduction in GHG emissions by 2025 against baseline</li> </ul>	<ul style="list-style-type: none"> <li>Continuous energy reduction initiatives throughout all operations</li> </ul>	<ul style="list-style-type: none"> <li>11% reduction for GHG emission</li> </ul>	<ul style="list-style-type: none"> <li>Hazardous Gas Emissions and Energy Management</li> </ul>	<ul style="list-style-type: none"> <li>Page 72</li> </ul>
Resource Efficiency	<ul style="list-style-type: none"> <li>Increase the use of renewable energy sources, reducing waste generated, and increasing water use efficiency across the Group</li> </ul>	<ul style="list-style-type: none"> <li>Solar panel project at our Sungai Petani plant</li> <li>Installation of solar street lights</li> <li>Monitoring of water recycling project</li> <li>Recycling initiative at all subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Generated 834.03 GJ energy using solar panel, 5% of total energy consumption at Sungai Petani plant</li> <li>250 tonnes of recycled input material utilised in manufacturing operations</li> <li>Recycled 12,000 m<sup>3</sup> of water, 4% of total water withdrawn in Malaysia</li> <li>Recycled 150 tonnes of non-hazardous waste across our operations</li> </ul>	<ul style="list-style-type: none"> <li>Water and Effluent Discharge Management</li> <li>Material and Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>Page 75</li> <li>Page 79</li> </ul>

## OUR SUSTAINABILITY GOALS AND KEY FOCUS AREAS

Key Focus Areas	Objectives & Targets	Key Initiatives	Progress in 2020	Related Material Matters	Detailed discussion in this Report
<b>Goal 4: Creating sustainable and high performance workforce</b>					
Health & Safety	<ul style="list-style-type: none"> <li>• Zero fatality</li> <li>• Year-on-year Lost Time Injury Frequency Rate reduction of 10%</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure compliance with OHSAS 18001:2007 and ISO 45001:2018 Occupational Health and Safety Management Systems</li> <li>• Continuous awareness campaign throughout our operations</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved zero fatality in 2020</li> <li>• Successfully migrated to ISO 45001:2018 from OHSAS 18001:2007 for Sungai Petani plant</li> <li>• Extended the ISO 45001:2018 certification to warehouse Section 15, Shah Alam</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Page 92</li> </ul>
Employee Training & Development	<ul style="list-style-type: none"> <li>• To build capability for superior performance by 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment for potential employees to be part of the programmes</li> <li>• Assessment for potential training providers for relevant training programmes</li> <li>• Succession Planning Program (SPP), High Potential Program (HiPo), Career Path Program (CPP)</li> </ul>	<ul style="list-style-type: none"> <li>• Completed assessing individual capability gap for SPP</li> <li>• Completed identifying training providers for CPP</li> <li>• 131 employees were identified to be part of SPP, HiPo and CPP</li> </ul>	<ul style="list-style-type: none"> <li>• Training and Development</li> </ul>	<ul style="list-style-type: none"> <li>• Page 90</li> </ul>
Employee Engagement & Retention	<ul style="list-style-type: none"> <li>• To sustain employee attrition rate at below 13% for Malaysia (60% weighting) and Indonesia (40% weighting)</li> </ul>	<ul style="list-style-type: none"> <li>• Provide benefits for all employees</li> <li>• Regular engagement activities with all employees</li> <li>• Arranged free COVID-19 swab tests for employees and families</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of attrition rate compared with 2019 Malaysia : 1.33% Indonesia : 0.97%</li> <li>• Established Work From Home Policy and Anti-Bullying Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Engagement</li> <li>• Job Opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Page 86</li> <li>• Page 88</li> </ul>

Key Focus Areas	Objectives & Targets	Key Initiatives	Progress in 2020	Related Material Matters	Detailed discussion in this Report
<b>Goal 4: Creating sustainable and high performance workforce</b>					
Diversity & Inclusion	<ul style="list-style-type: none"> <li>Achieve 30% gender diversity target at Top, Senior, Middle Management and Executive level</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance management system to provide equal opportunities to all employees regardless of gender</li> </ul>	<ul style="list-style-type: none"> <li>Female composition for:                             <ul style="list-style-type: none"> <li>Top management : 46%</li> <li>Senior and middle management : 30%</li> <li>Executive : 60%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Equal Opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Page 87</li> </ul>
Fair Labour Practices	<ul style="list-style-type: none"> <li>Zero non-compliance cases related to employment and labour practices</li> </ul>	<ul style="list-style-type: none"> <li>Continue to uphold all policies in place for the well-being of the employees</li> </ul>	<ul style="list-style-type: none"> <li>Achieved zero non-compliance cases related to employment and labour practices</li> </ul>	<ul style="list-style-type: none"> <li>Labour Practices</li> </ul>	<ul style="list-style-type: none"> <li>Page 85</li> </ul>
<b>Goal 5: Building a better society</b>					
Supporting Local Businesses	<ul style="list-style-type: none"> <li>Prioritising local vendors and suppliers</li> <li>Enhance the quality of vendor development initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Provide various training for companies under Vendor Development Programme (VDP)</li> <li>Special project to provide business opportunity to local communities</li> </ul>	<ul style="list-style-type: none"> <li>24 companies under VDP</li> <li>415 alliances registered with Pharmaniaga</li> </ul>	<ul style="list-style-type: none"> <li>Providing Business Opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Page 65</li> </ul>
Community Investment/ Corporate Responsibility (CR)	<ul style="list-style-type: none"> <li>Establish and implement a strategic CR policy at Group level</li> </ul>	<ul style="list-style-type: none"> <li>Various CR programmes with local communities during the year</li> </ul>	<ul style="list-style-type: none"> <li>Established targeted CR programmes focusing on welfare and retired service men</li> </ul>	<ul style="list-style-type: none"> <li>Community Contribution and Development</li> </ul>	<ul style="list-style-type: none"> <li>Page 97</li> </ul>

## OUR AWARDS & RECOGNITIONS



### Global Halal Excellence Awards (GHEA) 2020

Excellence in Pharmaceutical Award Category  
Pharmaniaga Manufacturing Berhad



### Halal Pharmaceutical Excellence Award 2020

Pharmaniaga Manufacturing Berhad



### Sustainability & CSR Awards 2020

Company of the Year - Integrated Pharmaceutical Group Category  
Pharmaniaga Berhad



### Malaysia's 100 Leading Graduate Employers Awards 2020

Pharmaceutical Category  
Pharmaniaga Berhad



### CXP Best Customer Experience Awards 2020

Pharmaniaga Logistics Sdn Bhd

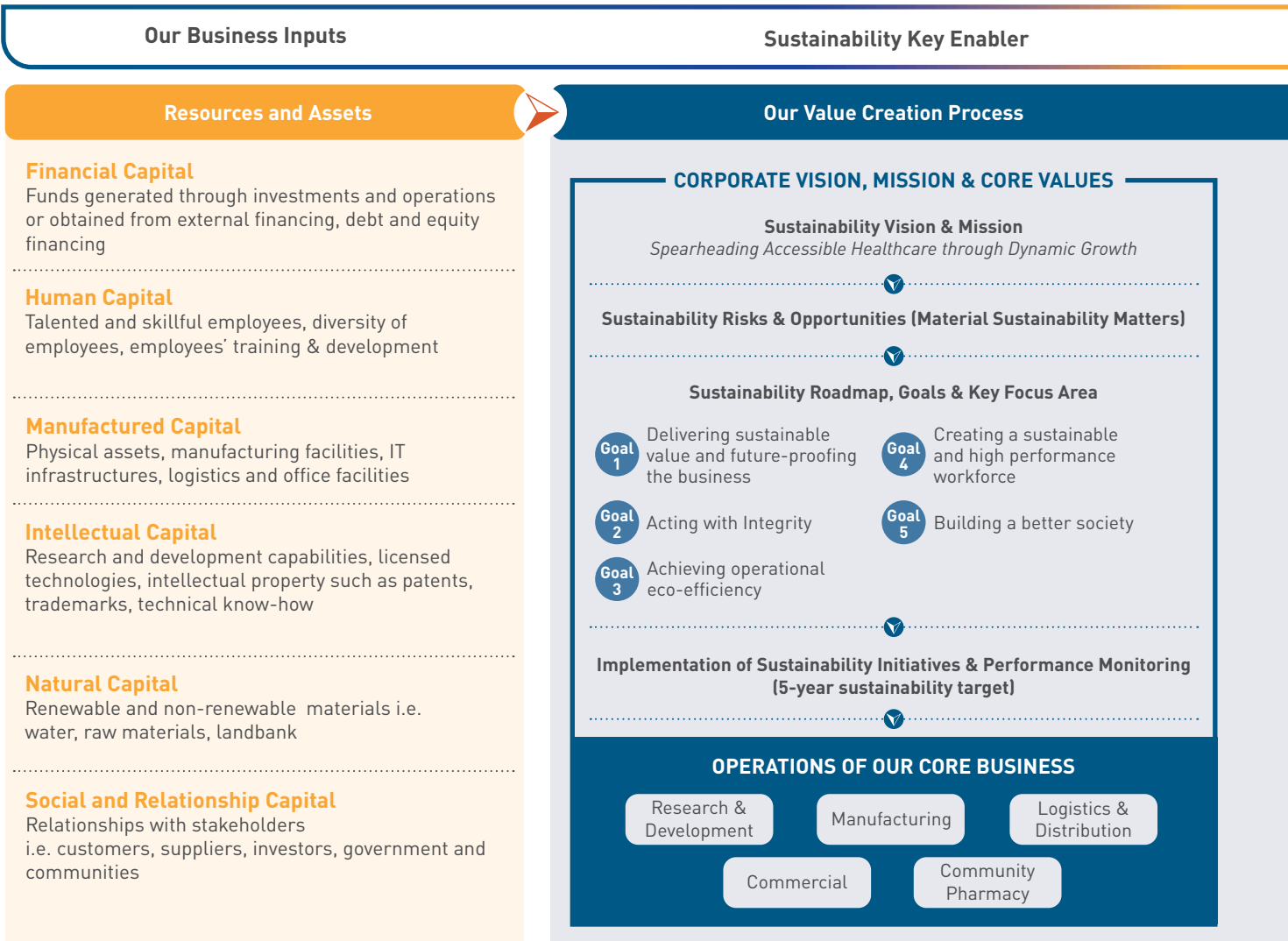


# DELIVERING SUSTAINABLE VALUE

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- 48 Case Study:  
Delivering Value during  
COVID-19 Pandemic

# THE VALUE WE CREATED

At Pharmaniaga, we continuously work towards delivering sustainable values to our stakeholders and society at large. The value creation model below articulates how we manage the impacts of our operations by leveraging various capitals in a balanced manner. Guided by our governance framework, strategy and performance monitoring, we ensure our sustainability risks and opportunities are managed effectively to drive sustainable business.



Our Business Outputs

Our Business Outcomes

Key Products & Services

**Research & Development (R&D)**

- R&D of generic pharmaceutical products - design products & develop manufacturing processes

**Manufacturing**

- Manufacturing of generic pharmaceutical products & medical devices

**Logistics & Distribution**

- Procurement, inventory & vendor management, processing & order management, warehousing and distribution services

**Commercial**

- Marketing & sales of generic pharmaceutical products and medical equipment

**Community Pharmacy**

- Trading & wholesaling of consumer & pharmaceutical products
- One stop centre solution for Alliances

The Value We Created

The value created from our operations directly and indirectly contribute to the progress of United Nations Sustainable Development Goals (UNSDGs)



## OUR CONTRIBUTION TO THE GLOBAL AGENDA


In 2015, the United Nations General Assembly adopted Agenda 2030 and introduced 17 goals to eradicate economic, environmental and social inequalities globally. As part of Member State, Malaysia is committed to the Agenda and has embedded the Sustainable Development Goals (SDGs) in the country's development plans.

We strongly believe that by incorporating the SDGs in our business development strategies, we contribute to global endeavours in realising sustainable development. Therefore, the Group has adopted all 17 SDGs and prioritised them based on our nature of business.

As illustrated below, our priority SDGs are SDG 3, 5, 8 and 16. These SDGs are considered priority as they are strongly linked to existing business targets and strategies. Following the priority SDGs, the supporting SDGs are SDG 1, 4, 6, 7, 9, 10 and 12 which contributes to the Group but on a smaller scale. The underlying SDGs are not directly related to our primary operations and strategies, but are influenced by our operations. Encompassing the priority, supporting and underlying SDGs is SDG 17: Partnership for the Goals, as we believe that partnership is crucial for the fulfilment of all SDGs.

### OUR PROGRESS IN SUPPORTING SDGS


#### Priority SDGs



**3** GOOD HEALTH AND WELL-BEING

- Fill and finish manufacturing of Sinovac COVID-19 vaccine
- Facilitated the COVID-19 swab tests for our high risk employees and their families
- Installed face recognition system to record attendance and temperature of employees
- Registered 44 new products
- Obtained Halal certification for 163 registered products, of which 23 products successfully certified in 2020

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**5** GENDER EQUALITY

- 46% of Top Management positions are held by women
- 30% of Senior and Middle Management positions are held by women
- 60% of Executive positions are held by women
- Continue to uphold our Gender Diversity and Sexual Harassment Policy



**8** DECENT WORK AND ECONOMIC GROWTH

- Investing more than RM100 million on Halal vaccine manufacturing facility and product development
- Invested in digitilisation of supply chain management towards IR 4.0
- Multiple e-commerce platforms to capture evolving consumer trends and market dynamic
- Spent 82% of procurement budget on local vendors and suppliers
- Recorded 415 Alliances across Malaysia
- Established Work From Home Policy and Anti-Bullying Policy

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**16** PEACE, JUSTICE AND STRONG INSTITUTIONS

- Zero graft incidents recorded
- Continue to abide by Anti-Bribery, Anti-Money Laundering, Donation and Gifting Policy
- Revised Anti-Bribery Management Systems Policy and Objectives
- Conducted risk assessment for corruption
- Five manufacturing subsidiaries embarked on a journey towards obtaining the MS ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) certification
- Logistics & Distribution division maintained ABMS certification

### Supporting SDGs



- Invested RM8.8 million in corporate responsibility programmes focused on alleviating socioeconomic issues within underprivileged groups
- Only 0.2% are expatriates
- Meal subsidy implemented since 2015



- Invested almost RM1 million on training during COVID-19 pandemic
- Average of 17 training hours per employee
- Provided talent development opportunities to 166 PROTÉGÉ, Provisionally Registered Pharmacist and Pharmaniaga Internships
- Employees' education programme



- Installed rainwater harvesting systems at Sungai Petani and Seri Iskandar plants
- Achieved cost savings of approximately RM30,000 as a result of water recycling programmes at our Bangi and Puchong plants
- Recorded zero incidents of non-compliance with regulatory discharge limits



- Implemented energy reduction initiatives across subsidiaries
- Installed motion sensor lights at warehouse, Seri Iskandar plant
- Achieved cost savings of approximately RM0.8 million as a result of energy reduction initiatives
- 834.03 GJ energy generated using solar panel, 5% of total energy consumption at Sungai Petani plant



- Invested approximately RM3 million for equipment and technology to enable the production of Sinovac COVID-19 vaccine fill and finish manufacturing
- Equipped cold chain at our warehouses with Internet of Things (IoT) Technology to improve real-time temperature monitoring
- Utilised Robotics Process Automation for order processing, invoicing and payments



- Established Anti-Bullying Policy
- Provided staple food packs for Orang Asli and Rohingya refugee families for Hari Raya celebrations
- Zero recorded cases of discrimination



- Recycled 150 tonnes of general waste
- Utilised 250 tonnes of recycled input material across four of our manufacturing operations

## CASE STUDY: DELIVERING VALUE DURING COVID-19 PANDEMIC

The outbreak of the COVID-19 pandemic had impacted businesses globally, driving companies to make significant changes to sustain their businesses. At Pharmaniaga, we have crafted a strategic response to mitigate any potential impacts that resulted from this global pandemic and deliver sustainable value to our stakeholders.



### Supporting the needs of the nation

- As one of the largest listed integrated pharmaceutical groups in Malaysia, Pharmaniaga was given the opportunity to support the Ministry of Science, Technology and Innovation (MOSTI) in the Sinovac COVID-19 vaccine manufacturing for Malaysia.
- Our roles were to conduct fill and finish manufacturing for the Sinovac COVID-19 vaccine at our manufacturing facility, Pharmaniaga LifeScience Sdn Bhd.
- Our Logistics and Distribution arm ensures vaccine are stored in cold chain storage conditions and provide last mile distribution according to the requirements stipulated in Good Distribution Practice.
- Our efforts have supported the government in manufacturing the vaccine in-house and provide accessibility to Sinovac COVID-19 vaccine for the *Rakyat*.



### Assisting accessibility to healthcare products

- The Movement Control Order (MCO) has restrained our customers from accessing the physical store. Pharmaniaga has taken the initiative to leverage multiple e-commerce platforms and assisted customers in accessing over the counter healthcare products conveniently, amongst others.
- Our pharmacy, RoyalePharma has amplified the need for an adoption of digital technologies and through Pristine Pharma, we have extended our reach with digital solutions to allow our customers to purchase our products through our website [www.royalepharma.com](http://www.royalepharma.com) easily.



Please scan me

- Pharmaniaga was also responsible to handle the logistics and mass distribution of essential medicines and medical supplies to designated Government healthcare facilities throughout Malaysia.





### Protecting our employees

- We have established Pharmaniaga Special COVID-19 Task Force and Crisis Action Plan to guide employees during the pandemic, highlighting procedures and workplace SOPs for the case of pandemic outbreak and preventive measures. These SOPs were communicated to employees via various platforms such as online training, briefing and e-mails.
- To prevent the spread of contagion at the workplace, we allowed our employees to work from home and introduced work rotations. Our support included covering expenses of COVID-19 screening to our employees. For employees who needed to be on-site, we ensure their safety by regularly sanitising the workplace and provided them with relevant PPE.
- We provided mental health screening and assessment to our employees, allowing them to manage their emotions and psychological well-being especially during this challenging time due to the pandemic.



### Contributing to the communities

- We actively supported the frontliners and patients by contributing meals, food and other healthcare products to quarantine centre and designated hospitals. Our subsidiaries in Indonesia also took part by contributing healthcare products to hospitals.
- We reached out to the larger community such as orphanages and underprivileged people by donating hand sanitisers, face masks and daily necessities to ease their burden.



MANAGING SUSTAINABILITY  
**ECONOMIC**  
PERFORMANCE

# ECONOMIC SUSTAINABILITY HIGHLIGHTS

## Key Material Matters



### Products and Services

## Material Matters

- Product Quality
- Service Quality
- Product Responsibility
- Customer Satisfaction
- Accessibility of Halal Products
- Affordable Healthcare Products
- Accessibility of Healthcare Products

## Performance Highlights

Increased customer satisfaction scores:

MOH : **97%**,

MOHE : **96%**

Obtained Halal certification for **163** registered products, of which 23 products successfully certified in 2020

Investing more than **RM100** million on Halal vaccines manufacturing facility and product development

Invested approximately **RM3** million for equipment and technology to enable production of Sinovac COVID-19 vaccine fill and finish manufacturing



### Mutual Growth

- Economic and Financial Sustainability
- Providing Business Opportunities

One out of **5 companies** chosen by Malaysian government to supply COVID-19 vaccine

**82%** of procurement budget was spent on local suppliers



### Ethics and Integrity

- Good Corporate Governance and Integrity

**Enforced** ABMS policy and objectives to cover local subsidiaries under Pharmaniaga Group



# PRODUCTS AND SERVICES

## PRODUCT AND SERVICE QUALITY

GOAL  
1

**Delivering Sustainable Value and Future-Proofing the Business**

**Key Focus Area:**

- Technology & Innovation
- Customer Satisfaction



As a responsible pharmaceutical company, we are committed to providing high standards of products and services quality to our customers from product development, registration to manufacturing and distribution. By implementing best practices, we cultivate a culture that aims to achieve superior standards of quality. We are governed by various standards and certifications, in which requiring us to stringently adhere to all rules and regulations set out by the relevant authorities. This will thereby ensuring our products and services are safe and reliable.

Our Research & Development (R&D) is in accordance with the standards and recommendations set out by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). These standards provide guidance and recommendations for product development, stability studies, bioequivalence studies, pharmacovigilance, dossier preparation, process validation and commercial launch to ensure that high standards of quality, safety and efficacy of our healthcare products are upheld.

Our 10-year product pipeline covers an extensive range of therapeutic categories and functions. We develop a wide range of products in various dosage forms, from tablets, capsules, injectables (liquid and lyophilised or freeze-dried formulation), syrup, topical preparation to drops, all of which are produced at one of our seven manufacturing

facilities. To ensure that our healthcare products are developed, manufactured, stored and distributed at the highest standards, we remain compliant with all requirements listed in the Pharmaniaga's Standards and Certifications below:

### Pharmaniaga's Standards and Certification

- ✓ MS ISO 37001: 2016 Anti-Bribery Management Systems
- ✓ ISO 45001: 2018 Occupational Health and Safety Management Systems
- ✓ OHSAS 18001: 2007 Occupational Health and Safety Management Systems
- ✓ ISO 27001: 2013 Information Security Management Systems
- ✓ ISO 9001: 2015 Quality Management Systems
- ✓ ISO 14001: 2015 Environmental Management Systems
- ✓ ISO/IEC 17025: 2017 Laboratory Quality Management Systems
- ✓ ISO/IEC 17025: 2005 Laboratory Quality Management Systems
- ✓ Good Manufacturing Practice Certification (Malaysia & Indonesia)
- ✓ EU Good Manufacturing Practice Certification (Portugal)
- ✓ ISO 13485: 2016 Medical Devices Quality Management Systems
- ✓ Malaysia Halal Certification
- ✓ MESTI Certification
- ✓ Good Distribution Practice Certification
- ✓ Good Distribution Practice Medical Device Certification
- ✓ ISO 18295-1: 2017 Customer Contact Centres

Regular workplace inspections, internal and external audits as well as walkabouts are conducted to ensure compliance to laws, regulations and standards. One of our initiatives includes Gemba Walks, which involve work site inspection by leaders and managers. By presently observing the execution of various work operations, leaders can highlight inefficiencies and potential improvement opportunities to improve our process. This stand-up style meeting is more efficient as decisions are often made and implemented immediately thereafter. We employ Gemba Walks as part of our *Do It Right* campaign to promote open and honest dialogue between management and employees to optimise quality of work.

Our efforts span across all our operations including that in Indonesia of which we are in complete accordance with the Badan Pengawasan Obat dan Makanan (BPOM). Through our dedication towards quality, we have successfully retained Good Distribution Practices certification for all 33 branches throughout Indonesia, as well as our Central Warehouse in Jakarta.

The 5S practices are also implemented at our operations to evaluate and improve our processes to maximise efficiency and profit. The steps of the 5S practices are outlined below:

#### Sort

Inspect equipment and identify items that are critical to the success of the function performed. Eliminate any duplicates or unnecessary equipment.



#### Set in Order

Assign positions for essential equipment and materials, ensuring they are within reach for identification and use.



#### Shine

Keep everything clean so that things are ready to be used when needed. Ensure work stations are well organised and items are returned to their designated place.



#### Standardise

Make the previous three steps as standard procedures. Keep work stations organised. Make sure all employees understand their responsibilities and are empowered to perform.



#### Sustain

Follow the correct procedures to avoid backsliding. Commit to performing these steps on every shift and work to alleviate problem as quickly as they are created.



## PRODUCTS & SERVICES



### Automation

With the advent of the Industrial Revolution 4.0, (IR 4.0), Pharmaniaga has capitalised on technologies and innovations to enhance the efficiency of our operations.

We implemented Robotics Process Automation (RPA) system that combines artificial intelligence and machine learning, to optimise our processes and eliminate human error. The RPA is utilised for supplier payment processing, order processing and invoicing. The order processing and invoicing are done via the Government's e-procurement system. This RPA system has progressively decreased our dependency on human intervention and enhance our level of efficiency. Processes such as acknowledgement of purchased order submission of delivery order and invoice, have been automated with over 70% of the workload completed by RPA.

In addition, cold chain at our warehouses in Selangor, Sabah and Sarawak have been equipped with Internet of Things (IoT) Technology to improve real-time temperature monitoring. This IoT technology has also been extended to our transportation fleet both internal and external party to enable GPS tracking during distribution.

In line with IR 4.0, our Indonesia operation has commissioned three automatic strip cartoning machines for solid line at our general plant to increase packing speed efficiency and reduce costs.



### Moving Forward:

To improve our services and better serve our customers, we target to further enhance the automation of the operational processes to our logistics and distribution arm, focusing on Oracle Transport Management (OTM) system, Warehouse Management system and Cloud Computing, amongst others.

## PRODUCT RESPONSIBILITY

GOAL  
1

**Delivering Sustainable Value and Future-Proofing the Business**

**Key Focus Area:**

- Customer Satisfaction



### Customer Responsibility

As a responsible pharmaceutical company, we endeavour to ensure that all our products meet the needs and expectations of our consumers with their health and safety in mind. We set customer responsibility as one of the key principles in our business operations, which applies throughout the life cycle of our products. This allows for safe and quality products to be delivered to our customers, whilst delivering exceptional customer experience.

Testament to our commitment to best practices, we ensure our products comply with the quality standards of Pharmaceutical Inspection Co-operation Scheme (PIC/S), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP) and International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) guidelines. These quality systems guide us to consistently monitor the manufacturing of our healthcare products for all aspects of production, from starting materials, premises and equipment to the training and personal hygiene of employees. In addition, the system also guides us to ensure the quality and integrity of our products are upheld throughout the supply chain.



In accordance with guidelines published by National Pharmaceutical Regulatory Agency (NPRA), Pharmaniaga has adopted a robust risk assessment programme that complies with the requirement of the Agency as well as the ICH Guidelines. NPRA has instructed all pharmaceutical manufacturers to conduct risk assessment for product containing metformin, angiotension II receptor blockers and ranitidine, which could potentially contain nitrosamine impurities.

Throughout the year, we have undertaken all possible stringent measures to ensure the safety of these products by conducting risk assessments and confirmatory test for Active Pharmaceutical Ingredients (API) and finished products of these products, as required by NPRA. Additionally, we have also adapted risk assessment approach pro-actively for the injectable products submitted to Europe. We have generated risk assessment reports for two products to comply with European Medicines Agency (EMA). The results on confirmatory tests are satisfactory and showed that our products are safe.



### Pharmacovigilance

Pharmacovigilance is also known as drug safety. All product registration holders are responsible for detecting, assessing, understanding and minimising or if possible, preventing adverse drug effects of their products. Communication is a key aspect in ensuring effective management of pharmacovigilance. As such, pharmacovigilance awareness has commenced since 2017 for all subsidiaries and business affiliates of the Group. The training is a continuous effort to promote awareness and knowledge, with the primary objective to ensure all personnel and affiliates are aware of their

responsibilities to report any safety concerns regarding Pharmaniaga's products without delay. This enables the pharmacovigilance team to address drug safety issue quickly whilst ensuring customer safety.

Accurate product labelling of medicines is vital during the development of our products, to ensure the safety of customers. We adhere to the current Drug Registration Guidance Document (DRGD) for product labelling requirement.



### Responsible Marketing

When marketing and advertising our products, we are mindful of the messages conveyed to the community and ensure that we communicate our content responsibly.


Our established procedures assure that all advertisements comply with the relevant standards and guidelines, thus aligned with the relevant laws and regulations. Procedures which include reviewing of all marketing materials by our internal regulatory compliance department prior to publication and circulation. This process applies to all advertisements and campaigns of pharmaceutical products, medical devices, cosmetics and food products under the Pharmaniaga Group. These measures include strict adherence to anti-competition laws to ensure ethical marketing within the industry. We are committed to building long-term trust with our stakeholders by upholding every word we iterate.

We are pleased to note that in 2020, the Group recorded zero non-compliance case concerning to information and labelling, marketing communications as well as health and safety impacts related to the use of products.

## PRODUCTS & SERVICES

### CUSTOMER SATISFACTION

**GOAL 1**  
**Delivering Sustainable Value and Future-Proofing the Business**  
**Key Focus Area:**  
 • Customer Satisfaction



In a fast-changing healthcare environment, it is vital to understand what our customers value most in order to develop solutions that meet their health needs. As such, we utilise customer satisfaction surveys to gather feedback on our products and services, which allow us to analyse areas for improvement. We conduct our customer satisfaction surveys twice a year for

customers in the public sector, and once a year for those in the private sector. Amongst the scopes considered in our customer satisfaction surveys include order system, supply deliver service, product quality and customer care service.



The Head of Customer Care, Norhana Nawawi Suri, receiving the CXP Best Customer Experience Awards on behalf of Pharmaniaga Logistics Sdn Bhd

We consistently comply with standards specified in ISO 18295-1:2017 Customer Contact Centres to provide our customers with high quality services that continuously and proactively meet or exceed their needs. The testament to our commitment to producing high quality products and providing exceptional customer service is demonstrated by an increase in customer satisfaction amongst customers across public sector in 2020.

Despite the challenging year, we continue providing excellent services to our clientele which saw Pharmedia being awarded the CXP Best Customer Experience Awards.

**Moving Forward:**

As part of our commitment in providing high standard of products and services for our customers, we strive to continuously improve our services and excel further in our customer satisfaction survey.

**ACCESSIBILITY OF HEALTHCARE PRODUCTS**



As a responsible pharmaceutical company, we understand that improving access to healthcare is imperative to allow people meeting their healthcare needs, and live a quality life. Whilst we continuously strive to enhance our product quality and portfolio, we also recognise the critical role that we play in enabling

our customers' and public's accessibility to healthcare solutions. It is one of the fundamental elements that we closely consider whilst performing our business.



**Logistics and Distribution of Healthcare Products**

Our Logistics and Distribution Division sets as the key enabler to help us deliver our commitment. They are vital in ensuring smooth distributions of our healthcare products to all our customers, including those in the rural areas. Building on a strong distributions network that is strategically located across Malaysia, our warehouse facilities enable us to efficiently reach out to all of our customers throughout Malaysia. Our aspiration to tap on the global market is demonstrated by our presence in Indonesia market, where PT Millennium Pharmedia International Tbk plays a key role to support the logistics and distributions of our products to 33 branches throughout Indonesia. This allows us to scale up our capabilities, and build strong market presence by reaching out to larger customers' network.

Furthermore, we uphold quality services to our customers by adhering to strict standard operating procedures and best practices. This includes our commitment to providing timely door-to-door services, where we ensure delivery of products within seven working days for Peninsular Malaysia, and ten working days for East Malaysia.

We equipped our warehouse facilities with sufficient buffer stocks to comply to performance standard set by MOH whilst ensuring uninterrupted supply and distributions to customers. These practices aim to safeguard the quality of our services and ensure continuous accessibility of our products to customers, in case of disruption to our supply or other unforeseen circumstances.

## PRODUCTS & SERVICES



### Provision of Healthcare Products

We define accessibility to healthcare beyond ensuring smooth delivery of products, but to also include offering wide range of products to the customers. Through our Research and Development (R&D) arm, our team continuously innovating to formulate products that meets customers' needs and market demand at affordable price, whilst ensuring the safety, quality and efficacy of the products are not compromised. To enable us to reach larger customer base and to assist them in meeting their healthcare needs, we expanded our product portfolio to include over the counter (OTC) products range.

On the digital front, our continued efforts in enabling customers' access to our products include leveraging on various e-commerce platforms. These initiatives were further propelled during the Movement Control Order (MCO) imposed by the government due to COVID-19 pandemic. The movement restrictions have restrained our customers' accessibility to our products at physical store – hence driving us to further strengthen our digitalisation efforts. To overcome these challenges, our pharmacy RoyalePharma has leveraged their online website to boost their sales as it enables customers to conveniently purchase our OTC products. This effort has also allowed us to reduce the accessibility gaps caused by geographic barriers, and help us to reach out to more customers at various locations.

Additionally, we have also geared up our marketing initiatives to enhance our brand presence to the public and expand our customer base. Our efforts to intensify brand visibility have enabled us to attract more potential customers by building brand trust and allowing them to

become familiar with our products. Some of our efforts to expand our reach to existing and future customers include leveraging on digital marketing, Citrex and Actimol truck advertisement and utilising highway billboards, amongst others.



Research & Development activity at our research laboratory



### Accessibility to COVID-19 Vaccine

As part of Malaysian government's efforts to reduce the transmission of COVID-19, Pharmaniaga has been entrusted to provide supply of Sinovac COVID-19 vaccine and ensure its accessibility to the whole nation. We secured strategic partnership with Sinovac Life Sciences Co Ltd, China for technology transfer to operate fill and finish manufacturing at Pharmaniaga LifeScience in Puchong. In delivering this mission, we recognised the imperative responsibilities that we uphold to help community to achieve herd immunity against the COVID-19.



Pharmaniaga LifeScience received a visit from the Ministry of Science, Technology and Innovation (MOSTI) for fill and finish manufacturing of Sinovac COVID-19 vaccine

We play critical role as part of the solutions in combating this pandemic. This includes supporting the government’s effort in providing accessibility to Sinovac COVID-19 vaccine, where we have repurposed the production line in our existing sterile plant to handle fill and finish manufacturing. To ensure smooth and efficient process, we have empowered our skilled professionals, including scientists and engineers that are specialised in sterile manufacturing to handle and support the manufacturing processes.

Conscious of the need and importance of smooth operations for this process, we invested in upgrading the equipment and technology to ensure our facilities are able to run at full capacity. We have also successfully equipped our cold rooms at our warehouses in Selangor as well as Sabah and Sarawak with Internet of Things (IoT) technology to improve real-time temperature monitoring, allowing us to comply with the temperature requirement for the Sinovac COVID-19 vaccine. With a total of 26 years of experience in the last mile distribution, our Logistics and Distribution arm, which

is a Good Distribution Practice (GDP) certified company is responsible for the storage and delivery of the vaccine to the Government’s facilities.

Capitalising on our strategically-located facilities, we mobilised the storage and delivery of the vaccine throughout Malaysia.

## AFFORDABLE HEALTHCARE PRODUCTS

**GOAL 1**  
**Delivering Sustainable Value and Future-Proofing the Business**  
**Key Focus Area:**  
 • Sustainable Products & Services



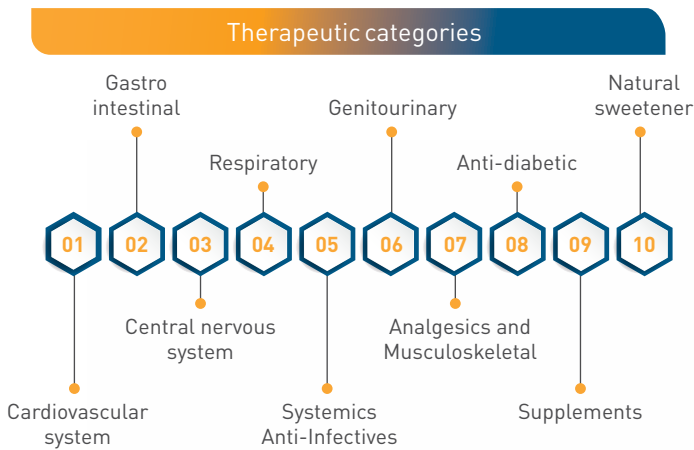
**Generic Pharmaceutical Products**

Affordable medicines play an essential role in promoting accessibility to healthcare. We produce generic and affordable pharmaceutical products to contribute towards the betterment of public health. We believe it is important that the communities we serve are able to afford the medicines they need. Supported by our 10-Year Development Programme, we have more than 200 new products to be developed with 44 new products successfully registered during the year. Our business entails local market which include government and private sectors, as well as international market.

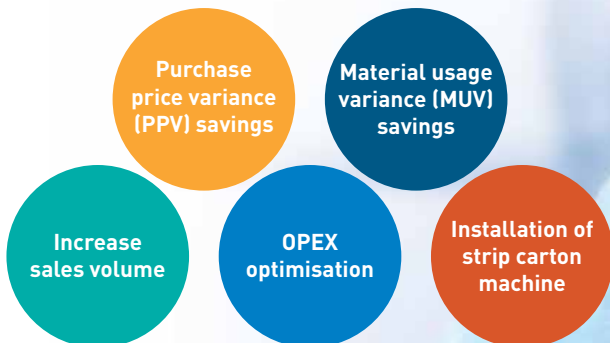


## PRODUCTS & SERVICES

In tandem with providing access to affordable healthcare products, we developed various therapeutic categories to demonstrate similar characteristics of existing approved-brand name drugs in term of dosage form, safety, strength, route of administration, quality and performance.



Leveraging our strengths in research and development, we conduct in-house generic product development at a much affordable cost as an alternative to expensive innovator drugs. To enable the provision of affordable medicines at Pharmaniaga, we continuously undertake various saving and operational excellence initiatives. This is demonstrated through our cost savings of RM2.7 million that were achieved at our Manufacturing Division.



Adopting these methods, we were able to reduce the cost of medicines considerably in comparison to innovator drugs.



### Sinovac COVID-19 vaccine

The COVID-19 pandemic has changed the way companies do business. The challenges that the pandemic brings have propelled us to strengthen our strategy to mitigate any potential impacts to the business. The pandemic has presented us with risks, as well as business opportunities to support national programme and deliver values to the whole nation.

During the pandemic, we have been recognised by the Ministry of Science, Technology and Innovation (MOSTI) in view of our capacity and capability to conduct fill and finish manufacturing of Sinovac COVID-19 vaccine.





We have extensive experience to carry out the work according to Good Manufacturing Practice (GMP), as per standard of the Pharmaceutical Inspection Co-operation Scheme (PIC/S). As such, Pharmaniaga has been working in collaboration with Sinovac Life Sciences Co Ltd to support the vaccine manufacturing for Malaysia. This partnership has benefitted us through technology and knowledge transfer.

Our capabilities were also supported by our infrastructure capacity, where we repurposed and retrofitted our existing small volume injection plant for the production of Sinovac COVID-19 vaccine. To ensure smooth and efficient production of the vaccine, we invested approximately RM3 million in equipment and technology. Consistent with this, a series of validation processes were done in-house by competent personnel who are specialised in sterile liquid manufacturing to ensure its quality.

Throughout this process, we are conscious of the critical role and value that we imparted – as the key enabler to facilitate the manufacturing of affordable vaccine for the country. Our robust infrastructure capabilities have enabled us to conduct in-house fill and finish manufacturing process, which has contributed to a significant reduction in overall spending of Government's procurement on the vaccine. In line with our motto *Passion for Patients*, we are committed to facilitate and support the National COVID-19 Immunisation Programme.



## PRODUCTS & SERVICES

### ACCESSIBILITY OF HALAL PRODUCTS



#### Halal Vaccine Project

Pharmaniaga has embarked on its journey in the provision of Halal vaccines for various diseases throughout Malaysia. In line with Malaysia's National Health Reform Agenda, Pharmaniaga aims to be internationally recognised as a trusted leader in the global Halal pharmaceutical market. To achieve this aspiration, we are investing more than RM100 million to establish an integrated Halal vaccine manufacturing facility at Puchong. This investment ensures the facility is well-equipped with the appropriate infrastructure to support the production of the Halal vaccines.

We are working with international partners from various countries for technology transfer and knowledge sharing. To further strengthen our presence in the Halal pharmaceutical market, we have concurrently conducted capability assessments and work towards obtaining Halal certification. This project started with the trading of vaccines from our partners, and will continue to manufacture the vaccines upon the completion of the plant. To avoid any setback that could hinder our progress during the establishment of manufacturing facility, we have been working closely with authorities and other regulatory bodies to ensure our facility comply with regulations.

We have successfully obtained registration approval for the Pneumococcal Conjugate Vaccine (PCV) for trading as part of our Halal vaccines production programme, and we are currently working on registering five other vaccines.

We will conduct technology transfer for local manufacturing after our facility is ready. Following that, we will submit application for Halal certification.

**PCV** is used to combat diseases, such as ear infections, pneumonia and meningitis, caused by the bacterium *Streptococcus pneumoniae* (pneumococcus) in infants and young children

#### Moving Forward:

Through our efforts, we strive to be the first Halal vaccine manufacturer in Malaysia by 2024.

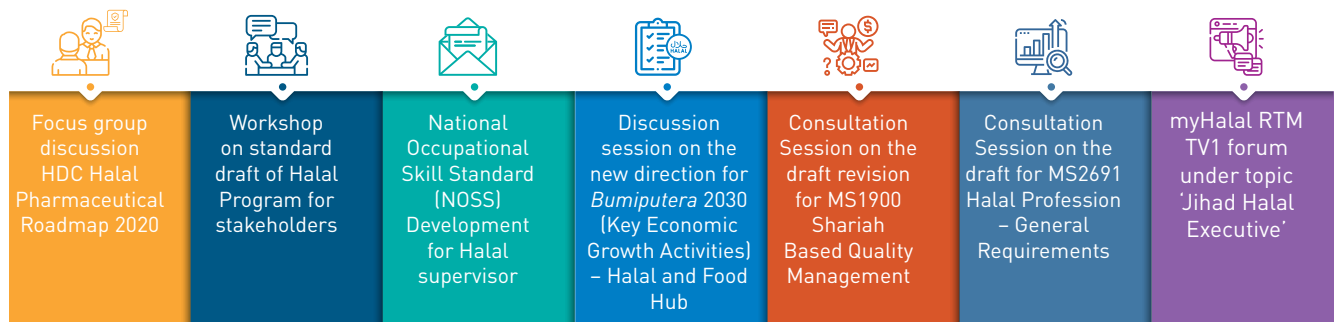
#### Halal Healthcare Products

The Halal Committee at our manufacturing plants is responsible to ensure that we stringently adhere to the Halal requirements outlined by the Department of Islamic Development Malaysia (JAKIM). Pharmaniaga currently has a total of 163 Halal certified products, of which 23 have been certified whilst there are seven products undergoing the review process by JAKIM in the reporting period.

To safeguard our processes during the manufacturing of the Halal healthcare products, we have established Halal policies and procedures, which allow us to adhere and align ourselves to the Halal Standard and Manual Procedure for Malaysia Halal Certification.

Our Halal Policy was established and implemented in 2013 to outline for Halal Requirements and Syariah Compliance criteria. Internal audits are conducted at least once a year to ensure that all activities continuously comply with the MS2424:2019 Halal Pharmaceutical Standards.

To keep abreast with the latest updates and best practices, Pharmaniaga actively participates in Halal training sessions, collaborative projects and knowledge sharing programmes at the national level. Internally, we have conducted workshops for all executives under Halal project to familiarise themselves with the newly published guidelines, throughout the year. In order to continue improving our practices, we have participated in the following programmes:



As part of our ambition to become a global Halal Pharmaceutical provider, our manufacturing plant in Indonesia is currently underway to obtain the Halal Assurance System 2300 certification. We are in the midst to secure Halal-accreditation for over the counter (OTC) products by 2022.

As a testament to our commitment, we have been awarded with Halal Healthcare products - Excellence in Pharmaceutical Award at the Global Halal Excellence Awards (GHEA) 2020 and Halal Pharmaceutical Excellence Award 2020 organised by Halal Development Corporation. These awards recognised Pharmaniaga as an exemplar Halal Pharmaceutical Business leader, acknowledging our comprehensive efforts to empower our business and ultimately enhancing the Halal ecosystem for new and existing market needs.



#### Moving Forward:

We aim to obtain Halal-accreditation for our OTC products in Indonesia by 2022.

## MUTUAL GROWTH

Pharmaniaga ensures accessibility of healthcare products throughout Malaysia



### ECONOMIC AND FINANCIAL SUSTAINABILITY

GOAL  
1

**Delivering Sustainable Value and Future-Proofing the Business**

**Key Focus Area:**

- Business Continuity



The COVID-19 pandemic has impacted most businesses, urging everyone including the Group to adapt rapidly to protect the health and safety of the *Rakyat*, as well as sustaining the business. As such, movement restrictions imposed by the Government to impede the spread of the contagion created various challenges for businesses. The impact of the pandemic is reflected in our economic performance in 2020, where we generated economic value of RM 2.7 billion - a slight decrease than previous year.

The distribution of our economic value is demonstrated below:

Description	2019	2020
Economic value (RM)	2.8 billion	2.7 billion
Operating costs (RM)	2.8 billion	2.5 billion
Economic value distributed to employees (RM)	138.0 million	123.6 million
Payment to capital providers (RM)	40.3 million	33.7 million
Payment to Government (RM)	10.3 million	2.9 million
Investment in Community (RM)	3.4 million	8.8 million

This challenging period has propelled us to strengthen our strategies, enabling us to embark on several initiatives to build business resilience and navigate through these difficult times. Despite the unprecedented conditions we have to operate in, the pandemic has also presented us with business opportunities. During the pandemic, we secured supply of critically-needed personal protective equipment (PPE), and deployed special teams to handle PPE supply and distribution to ensure the demand is met. We have also commenced our partnership to support the National COVID-19 Immunisation Programme.

We expanded our reach to the consumers by establishing e-commerce and digitalisation which have been pivotal in overcoming social distancing requirements and limited physical interaction. To capture the evolving consumers' purchasing trends and market dynamic, our digital marketing initiatives have amplified the need for an adoption of digital technologies and through RoyalePharma, we have extended our reach with digital solutions to increase accessibility, especially during the movement control order period.

## PROVIDING BUSINESS OPPORTUNITIES

GOAL  
1

**Delivering Sustainable Value and Future-Proofing the Business**

**Key Focus Area:**

- Business Continuity



The Group aims to contribute positively to the local economy and create mutual growth with all our stakeholders, including suppliers. To support this, we encourage procuring goods and services from local suppliers and vendors as we believe the collaborations will open up opportunities for them to expand their business and stimulate the growth of our local economy. This includes provision of support during the pandemic to help the local businesses overcome fiscal challenges they faced. In 2020, 82% of our procurement budget was spent on local suppliers and vendors. This is a slight decrease compared with last year's 85%, as the PPE supply had to be sourced internationally due to shortage in the local supply - attributed by the high demand in the market.



**82%**

of procurement budget spent on local suppliers

Our utmost priority is to provide high quality products and services. To maintain this, we conducted thorough due diligence process prior to the vendors' appointment. Annual Vendor Performance Evaluation is also carried out based on the listed criteria:

### Vendor Performance Evaluation Criteria

- |                         |                 |                |
|-------------------------|-----------------|----------------|
| Cost                    | Commitment      | Response Times |
| Communication/ Customer | Product Quality | Delivery       |



### RoyalePharma Alliances Programme

The RoyalePharma Alliances Programme (Alliances) is one of our efforts to create business opportunities to the local businesses, through identification of potential new Alliances. This programme provides its members competitive pricing, training and extended credit term to support them in managing their working capital. Through this programme, we have grown our membership to 415 companies.

This year, we partnered with local healthcare associations and businesses to execute various programmes to diversify our revenue stream, as well as to enhance our brand recognition and reputation.

#### In Collaboration with:

- Health Digital Technologies Sdn Bhd (DoctorOnCall)
- KOOP Malaysian Medical Association (KOOP MMA)
- Malaysian Dental Association (MDA)
- Malaysian Private Dental Practitioner's Association (MPDPA)
- Malaysia Medical Association (MMA)

#### Activity:

Ensure PPE and pharmaceutical products such as face masks, hand sanitisers and gloves are available and accessible to the partners (especially during COVID-19 pandemic), which were provided on a digital platform.

#### In Collaboration with:

Yayasan Persona

#### Activity:

Conducted sales activities in conjunction with "PAK 21 2.9 to be a STAR" at various participating schools.

## MUTUAL GROWTH



### Vendor Development Programme

Through Vendor Development Programme (VDP), we support the development of small and medium-sized enterprise (SME) by conducting capacity building training sessions and other activities that enhance vendors' competency in delivering products. Through the Quarterly Vendor Excellence Monitoring Programme, we assess vendors under the VDP programme in terms of their delivery performance and product quality which is then reported to the Ministry of Health.

As part of VDP, we assisted one of the vendors with their application for the Geran Penyelidikan dan Pengkomersilan Vendor, from the Ministry of Entrepreneur Development and Cooperatives until they successfully obtained the grant. We have also conducted training for vendors on IR 4.0 to educate them on the manufacturing technologies. Through VDP, we continue to support and provide vendors with opportunities to grow and improve themselves.

Discussion activity with one of the companies under VDP





# ETHICS AND INTEGRITY

## GOOD CORPORATE GOVERNANCE AND INTEGRITY



We practice and uphold ethical business conduct to encourage business transparency and accountability. We believe that a robust corporate governance will reflect a strong corporate foundation and value, thus securing the confidence and trust of our stakeholders.

Our corporate governance practices are built on a well-structured framework of responsible and responsive decision making by the Group. The Board assumes responsibility of the Group’s leadership and provides strategic direction by setting the “tone from the top”. The Board Charter identifies the roles and responsibilities of the Board, Board committees, Directors and Management, including their fiduciary and leadership functions.

Appointment to the Board involves a rigorous and transparent process, premised on meritocracy that takes into consideration their qualifications, skills, experiences, professionalism, integrity and diversity. In the case of Independent Directors, the Nominating and Remuneration Committee assesses candidates’ abilities to bring an element of detached impartiality and objective judgement to boardroom deliberations.

Aligned to the Malaysian Code on Corporate Governance (MCCG) principles and related integrity requirements, we have established corporate policies to ensure accountability and ethical conduct throughout the Group. Pharmaniaga’s corporate policies are available on our website and intranet portal. Policies to address corruption issues include, but are not limited to the following:



During the year, we conducted continuous awareness sessions to reinforce the company’s corporate policies to ensure all employees are familiar and responsible in upholding the values of good corporate governance and integrity.

## ETHICS AND INTEGRITY



### Anti-Corruption

Anti-corruption is a key component of conducting business ethically. As we do not condone any act or activities related to corruption, we determine areas most susceptible to the risk of corruption by conducting risk assessment annually. Pharmaniaga Logistics Sdn Bhd has conducted in-depth risk assessment following to their certification for MS ISO 37001: 2016 Anti-Bribery Management Systems (ABMS). In 2020, 14 out of 23 operations (60.9%) have been assessed for risks related to corruption. These risk assessments process have enabled us to identify three significant risks related to corruption, namely accepting bribe for project pricing determination, soliciting for gift from contractor for single source project and transferring or promoting problematic employee to critical position. Through this process, we are able to promptly develop prevention measures to appropriately address these risks that might occur and impose a threat to the organisation.

We also continue to reinforce our commitment against corruption through certification of ABMS to our other subsidiaries. Currently, five subsidiary companies within our Manufacturing Division are in the process of obtaining the certification, which also involves performing in-depth risk assessment and internal audit of the ABMS, amongst others.

To amplify our measures on anti-corruption, this year we conducted a training session on Section 17(A) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 and anti-corruption pledge for the Board of Directors. Further to this, we are also in the process of

communicating the Group's updated corruption-related policies and procedures to the Board members, and anticipate completing the process in the near future.

To ensure effective communication on these policies and procedures particularly to our employees, our respective divisions will take responsibility to conduct training, along with sending out e-mail blasts and organising formal briefings to instill the awareness and accountability. We are cognisant of the need to ensure all employees are engaged and understand the requirements of the policies and procedures, and have geared up extensive communication plan in the future to reach out to all employees in the organisation, including our Indonesian operations.

### Whistleblowing Channel



[alert@pharmaniaga.com](mailto:alert@pharmaniaga.com)



1-800-18-2082



Training programmes conducted on anti-corruption this year included:

- Awareness Programme – Anti Bribery Management System (ABMS)
- ABMS Workshop – Manual & Policy Review, Risk Assessment
- Integrity Briefing for Business Partner Associates
  - Vendors of Transported & Delivery Services
- Start Right Induction Programme 2020 - collaboration with Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) Selangor
- Integrity & Anti-Bribery Roadshow - Biomedical Team
- Awareness Briefing on 17(A) MACC Act 2009 by Integrity Officer Pharmaniaga
- Dialogue on 17(A) MACC Act 2009 with SPRM for Commercial Division (Video Conference)
- Internal Audit Refresher Training
- Anti-Bribery Awareness Briefing at PLSB Sabah
- ABMS Risk Assessment Refresher Training
- Corruption Risk Management Training at Menara Boustead

We reinforce our culture of integrity to business associates by conducting briefing sessions on our anti-corruption policies. In addition to this, business associates are required to sign a Vendor's Letter of Declaration stating that they understand and adhere to the tenets of our anti-corruption policies and procedures. These anti-corruption clauses are also incorporated in all Service Agreements with stakeholders and employees, to ensure compliance with our policies.

In February 2020, we reviewed our Whistleblowing Policy to ensure that it is up-to-date with the current regulations. The policy provides a channel for employees and stakeholders to raise concerns regarding improper conduct occurring within the organisation. Reports can be made via e-mail, our whistleblowing hotline, or to the Integrity Governance Unit. Once filed, the necessary investigations are carried out and concluded with the appropriate corrective action. The policy clearly states that whistleblowers should be allowed to raise concerns without fear of victimisation, recrimination, discrimination or other forms of reprisal.

#### Moving Forward:

In instil a culture of integrity throughout our organisation, we are currently working towards obtaining the MS ISO 37001:2016 ABMS certification for five of our subsidiaries under the Manufacturing Division. We aim to get all five of our subsidiaries accredited by end of 2021.



**MANAGING SUSTAINABILITY**  
**ENVIRONMENTAL**  
**PERFORMANCE**



# ENVIRONMENTAL SUSTAINABILITY HIGHLIGHTS

## Key Material Matters



### Protecting the Environment

## Material Matters

- Hazardous Gas Emissions and Energy Management
- Water and Effluent Discharge Management
- Material and Waste Management

## Performance Highlights

**Zero** incidents of non-compliance to environmental regulations

**11%** reduction in Greenhouse Gas emissions

Approximately **RM0.8** million of cost savings achieved from energy-saving initiatives

**834.03 GJ** generated from solar energy

About **RM30,000** of cost savings achieved from water recycling programmes

**150 tonnes** of general waste recycled

**250 tonnes** of recycled input material utilised in manufacturing operations

## PROTECTING THE ENVIRONMENT

Managing our environmental impacts is one of the key principal that we uphold when doing our business. We follow stringent rules and regulations in order to ensure our operations operate efficiently without having negative impacts on the environment. To further strengthen our commitment towards sustaining the environment, we monitor and mitigate all risks and opportunities, whilst being mindful of our decision and the impact it could impinge on the environment. With the aim to properly manage our risks and impacts, we have implemented Safety, Health and Environmental Policy and maintain the certification ISO 14001:2015 Environmental Management Systems throughout our subsidiaries.

In addition to this, we strictly comply with the regulations of the Environmental Quality Act 1974 that include Environmental Quality (Clean Air) Regulations 2014, Environmental Quality (Industrial Effluent) Regulations 2009, Environmental Quality (Sewage) Regulations 2009 and Environmental Quality (Scheduled Wastes) Regulations 2005. As for our Indonesia operations, we adhere to Peraturan Menteri Lingkungan Hidup No. 5 Tahun 2014 Lampiran XXXIX and Peraturan Pemerintah No. 101 Tahun 2014. The Group recorded zero incident of non-compliance in this reporting period as a result of strict environmental management practices.

Our progress and performance in managing environmental impacts are further discussed in the latter part of this report which covers all our operations in Malaysia and Indonesia, unless stated otherwise. We have set 2019 as the baseline year to track our progress against target for energy and GHG emissions, whereas 2020 was set as the baseline year for water performance. The selection was made on a basis of comprehensive data performance monitoring and tracking were implemented in those years onwards.

To improve our data quality, this year we have revised our baseline for energy and GHG emissions to include performance data from our Indonesian subsidiaries,

allowing for a more representative baseline covering all our operations across the Group.

### HAZARDOUS GAS EMISSIONS AND ENERGY MANAGEMENT



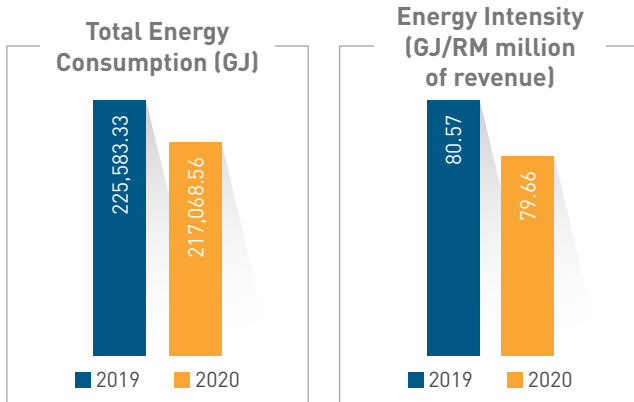
#### Environmental Compliance on Air Quality Management

In line with the Environmental Quality (Clean Air) Regulations 2014, we conduct regular air monitoring. We installed various air pollution control systems such as dust collectors, scrubbers and chimneys to ensure the emissions generated from our manufacturing plants are within the permissible limit set out by the Department of Environment. True to this, regular preventive maintenance and performance monitoring are conducted by our internal competent personnel (CePBFO). We are pleased to inform that our air emissions were within the permissible limit in this reporting period.

#### Energy Management

This reporting period, we recorded a total consumption of 217,068.56 GJ and energy intensity of 79.66 GJ per RM million of revenue – a reduction of 3.8% and 1.1% from 2019<sup>1</sup>, respectively. This is a consequence of the energy-saving measures implemented across our operations.

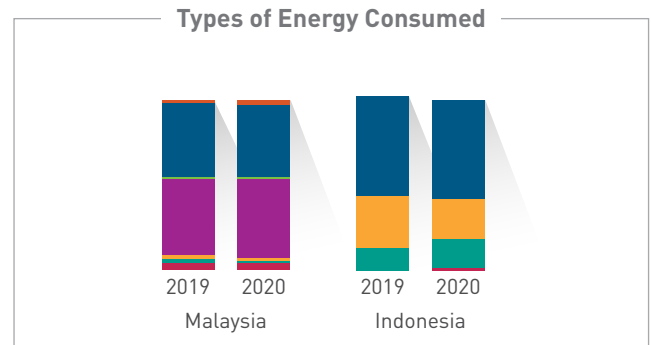




Non-renewable energy consumed by Pharmaniaga in 2020 includes purchased electricity comprising 67.8% of our total energy consumption, followed by natural gas 25.2%, diesel for machineries 2.5%, diesel for transportation 3.3%, petrol 1.1%, and liquefied petroleum gas 0.1%.

We have commenced utilising solar panels to power our manufacturing site at Sungai Petani since 2019. Our consumption of renewable energy in 2020 accounts for 5% (834.03 GJ) of total energy consumption at Sungai Petani plant, contributed solely by the solar energy.

Energy Source	Amount Consumed (%)			
	Malaysia		Indonesia	
	2019	2020	2019	2020
Solar	0.3	0.4	-	-
Purchased Electricity	66.7	66.5	78.0	78.3
Liquefied Petroleum Gas	0.1	0.1	-	-
Natural Gas	27.0	27.4	-	-
Petrol	0.9	0.8	6.1	4.3
Diesel (Machineries)	1.6	1.3	15.2	16.5
Diesel (Transportation)	3.4	3.5	0.7	0.9



<sup>1</sup> Energy consumption data for 2019 was revised as we have included performance data from our Indonesian subsidiaries. This has led to changes of the energy intensity value for 2019.

In our concerted efforts to reduce energy consumptions and minimise our footprint on the natural environment, we take deliberate steps to practice efficient energy management. These steps include recording and monitoring our buildings’ monthly energy consumption, carrying out daily inspections of the main systems, conducting internal and external energy audits, and maintaining a power log to monitor the energy efficiency of systems and equipment. By recording our energy consumption patterns, it allows us develop and implement effective energy reduction initiatives across the Group. We strive to improve our energy efficiency while reducing our environmental footprint by staying current on emerging technology. Initiatives undertaken this year include:

- 

Maintaining solar panels
- 

Switching off equipment and systems during break times and non-peak hours
- 

Implementing energy management systems and building management systems to efficiently operate chiller units
- 

Mounting LED retrofits in our offices and warehouses
- 

Replacing existing equipment with energy efficient equipment
- 

Standardising temperature of air-conditioning units and chiller systems

## PROTECTING THE ENVIRONMENT

Entity	Initiative	Cost Saved	Energy Saved (GJ)	Emission Avoided (tCO <sub>2e</sub> -)
Pharmaniaga Manufacturing Berhad	<ul style="list-style-type: none"> <li>• LED retrofits in main office building</li> <li>• Fitted LED flood lights in warehouse loading area and in front of main building</li> </ul>	RM78,000	899.68	185.18
Pharmaniaga Logistics Sdn Bhd	<ul style="list-style-type: none"> <li>• Standardised room temperature setting at 23±1°C in office and warehouse areas at Bukit Raja entity</li> <li>• Increased temperature of chilled water supply for air-cooled chiller system from 7°C to 9°C (44°F to 49°F) at Bukit Raja branch</li> <li>• LED retrofits in office and warehouse areas at Bukit Raja</li> <li>• Replaced existing chiller systems with new energy efficient chiller system (inverter system) at Bukit Raja</li> <li>• LED High Bay retrofitting at Sabah, Sarawak and Selangor branches</li> </ul>	RM315,000	2297.09	472.82
Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar)	<ul style="list-style-type: none"> <li>• Air Condition Split Unit shutdown at finished goods &amp; Raw Material Quarantine Store, Warehouse Sterile</li> <li>• Chilled Water Fan Coil Unit installation at Raw Material Warehouse</li> <li>• LED High Bay retrofitting at Raw Material Warehouse</li> <li>• Operational control for facility system 12 hours daily shutdown</li> <li>• LED retrofits at Quality Control laboratories</li> </ul>	RM185,000	1153.45	237.42
Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani)	<ul style="list-style-type: none"> <li>• Generated solar energy from solar panels</li> <li>• Production Planning Optimization (shut down utilities and facilities during non-peak hours)</li> <li>• LED retrofits in public areas, production, warehouses and Quality Control laboratories</li> <li>• Installation of solar powered street light</li> </ul>	RM153,000	719.15	148.02
Pharmaniaga LifeScience Sdn Bhd	<ul style="list-style-type: none"> <li>• LED retrofits at the main building exclude the clean room</li> <li>• Shut down heating, ventilation and air-conditioning systems in non-production areas during non-peak hours</li> <li>• Installed motion sensors in washrooms and changing rooms</li> </ul>	RM33,000	330.35	68.00

We have achieved energy saving of 5399.72 GJ through reduction in purchased electricity, which contributed to the reduction approximately RM0.8 million for operating costs in 2020.



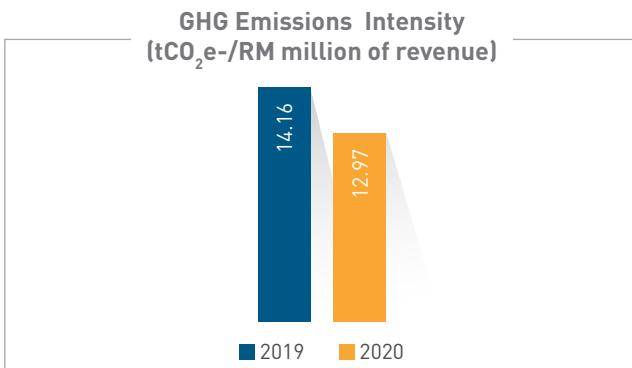
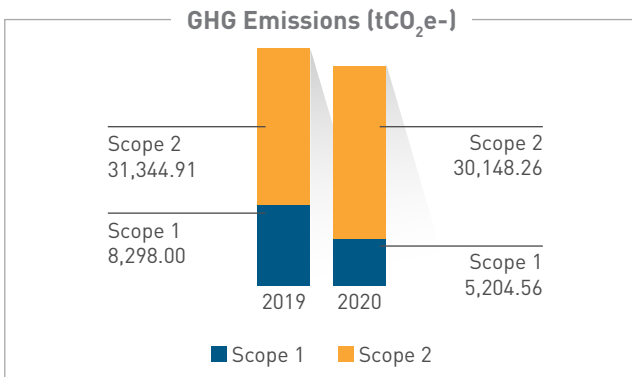
### Moving Forward:

We aim to continue our efforts for energy reduction initiatives to reduce our impact on the environment.

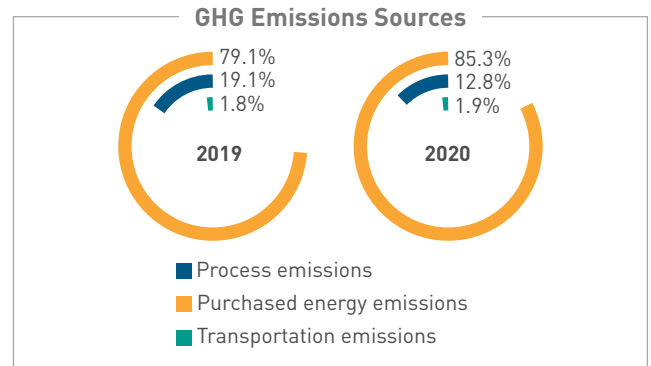


### Greenhouse Gas Emissions

Anthropogenic Greenhouse Gas (GHG) emissions have led to the acceleration of global warming, and as a conscientious company, Pharmedia aims to minimise GHG emissions through conservative energy consumption, and monitoring its Scope 1 (process and transportation) and Scope 2 (purchased energy) emissions. This year, we observed an 11% reduction of GHG emission for both scopes (4,290.10 tCO<sub>2</sub>e-) and 8.4% reduction in intensity across our operations compared with 2019, which can be attributed by the energy saving initiatives disclosed previously.



In 2020, 85% of our GHG emissions was contributed by our consumption of purchased electricity, followed by emissions from industrial processes and transportation.



### WATER AND EFFLUENT DISCHARGE MANAGEMENT

**GOAL 3** Achieving operational eco-efficiency

**Key Focus Area:**

- Resource Efficiency



### Environmental Compliance on Effluent Management

We undertake measures to ensure the effluent generated as a result of our manufacturing processes and domestic usage is within the permissible limits stipulated by the regulatory authorities. Our operations in Malaysia are governed by Standards A and B of the Environmental Quality (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009, whereas our operations in Indonesia is under purview

## PROTECTING THE ENVIRONMENT

of the Peraturan Menteri Lingkungan Hidup No. 5 Tahun 2014 Lampiran XXXIX concerning quality standards for pharmaceutical industrial effluents.

The effluents generated from our business activities are treated using an Industrial Effluent Treatment System (IETS) and Sewage Treatment Plant (STP), which is designed according to Biological and Chemical Treatment System. The IETS is operated by qualified personnel to treat industrial effluents to permissible limits under applicable laws, prior to being discharged into water bodies. To ensure standardised procedures are practised across the organisation, we have established internal standard operating procedure (SOP) to govern the operation and maintenance of our IETS. The SOP stipulates the roles and responsibilities of the qualified personnel in managing the effluents discharge, the frequency of monitoring and maintenance, discharge quality parameters as well as relevant checklist to guide the process.

We also ensure the effluent is discharged to Type A and B water body as per the requirements by Department of Environment (DOE) to minimise the impact of our operations to the environment. In developing this SOP, we have taken into consideration relevant key standards and regulations such as Industrial Effluent Regulation 2009 and Sewage Regulation 2009, Technical Guidance Document on Effluent Treatment Systems by DOE.

In compliance with regulatory requirements, our IETS and STP are subjected to daily monitoring by our internal competent personnel (CePIETSO) and monthly effluent discharge monitoring by an external laboratory to ensure we continue to operate within the limits. This step is important to ensure the discharged effluent will not affect the receiving water body, and consequently impacting the environment and ecosystem.



### Water Management

In recent years, water scarcity issues have been amplified as a result of irresponsible management of water resources. Pharmaniaga seeks to be part of the solution by practicing prudent water management. We monitor our water usage regularly to record the consumption trend and to effectively manage it. Whilst cautiously managing our water consumption, we also assessed our operations for water-related impacts that may be contributed by our business activities. This was identified through annual Environmental Aspect and Impact Assessment performed by our internal qualified personnel. This assessment was conducted for all processes starting from the requisition of raw material until the end of life treatment of products, helping us to evaluate the possible adverse environmental impact of our business activities.



Water analysis for IETS prior to discharge of our treated water to the water body

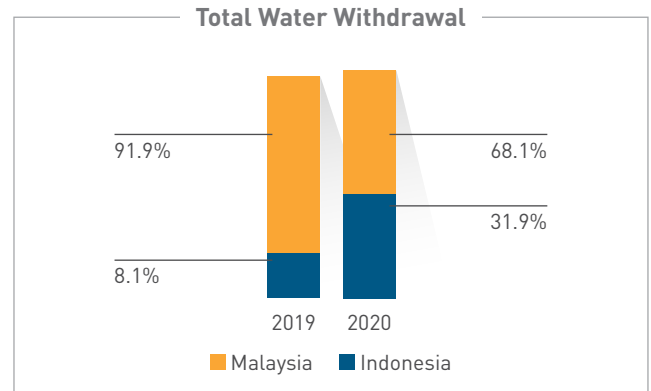
Guided by regulatory requirements from local authorities, ISO 14001: 2015 Environmental Management Systems (EMS) and Failure Mode and Effects Analysis (FMEA), the assessment has allowed us to analyse the potential consequences of our activities to the environment, especially on water such as water pollution and water scarcity (particularly for operations in water stress area). The outcome of the assessment was used to identify potential control measures and water management initiatives that could help to ensure our business activities are sustained with minimal environmental degradation.

We use water primarily for manufacturing processes and domestic purposes. In Malaysia, all operations are fully reliant on treated piped water, whereas one of our Indonesian operations withdraws groundwater and manages the water quality in-house. Malaysia, where majority of our operations take place, constitutes 68.1% of our total water withdrawal. In this reporting period, 96% of water withdrawn was purchased piped water, amounting to 425,642.07 m<sup>3</sup> of water utilised.

For our manufacturing facilities, we comply to specifications of United States Pharmacopoeia and Europe Pharmacopoeia, amongst others.

We have also identified one of our operations in Bandung, Indonesia which located in area with medium to high risk of water stress issue, which contributed to 4% of our overall water withdrawal. As we are cautious of the impact of our water withdrawal especially for

operations located in water stress areas, we are closely monitoring these water withdrawals through monthly reporting and monitoring to the Group.



## PROTECTING THE ENVIRONMENT

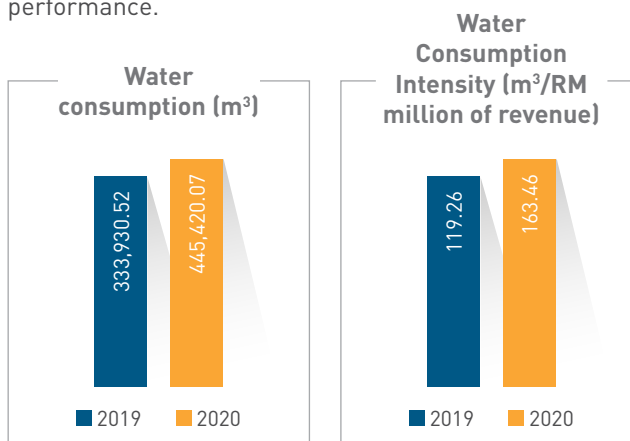
Water withdrawal			All Areas		Areas with water stress	
			m <sup>3</sup>	Megalitre	m <sup>3</sup>	Megalitre
Water withdrawal by source	Groundwater (total)	Freshwater <sup>2</sup>	19,778.00	19.78	19,778.00	19.78
		Other water	-	-	-	-
	Purchased water (total)	Freshwater	425,642.07	425.64	-	-
		Other water	-	-	-	-
Total water withdrawal			<b>445,420.07</b>	<b>445.42</b>	<b>19,778.00</b>	<b>19.78</b>

<sup>2</sup> It is assumed that groundwater and purchased water are categorised as freshwater, as these water are withdrawn from natural water sources

In 2020, we consumed 445,420.07 m<sup>3</sup> of water and recorded a water intensity of 163.46 m<sup>3</sup> per RM million of revenue. This represents a 33% and 37% increase in overall water withdrawal and water intensity in 2020, compared with the previous year. The drastic increase is a result of the inclusion of water withdrawal data from all 33 Indonesian branches and the implementation of more accurate methodology to record water withdrawal at our Indonesian operations. Therefore, moving forward our water performance will be benchmarked against 2020 data, compared with energy and GHG emissions which are using 2019 as baseline year.

Following to the establishment of our Sustainability Goals and key focus areas, this year we have set water-related goals to enable effective monitoring of our water performance. As we are still in the preliminary phase of data monitoring, we have set a qualitative target of increasing the efficiency of our water usage across the Group as a measure to our water performance. As we progressively enhance our data monitoring, we anticipate

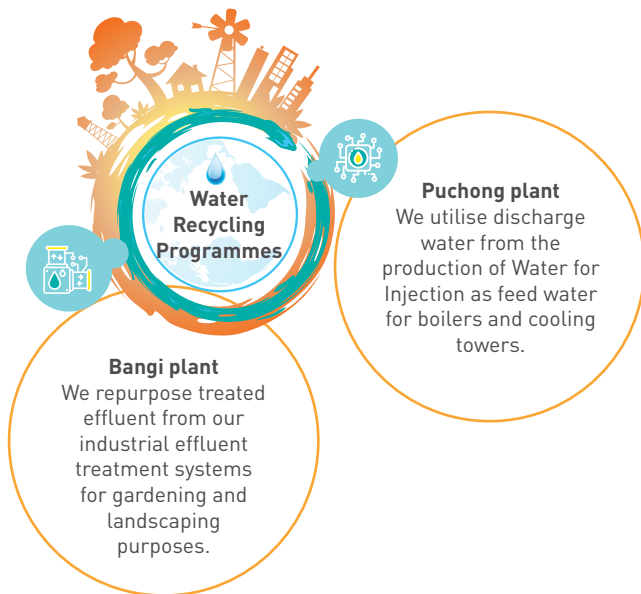
to include a quantitative target to accurately measure our performance.



To increase the efficiency of water management across our operations, we implemented measures to reduce purchased water withdrawal. These measures include the installation of rainwater harvesting systems at



Seri Iskandar and Sungai Petani plants. Furthermore, we continue to monitor the progress of water recycling programmes at Bangi and Puchong plants to ensure we minimise unwarranted consumption of water resources.



The Group has recycled 12,000 m<sup>3</sup> of water through these programmes, saving approximately RM30,000 in costs.

**Moving Forward:**

We intend to initiate a pilot project for the monitoring of water discharge at our Bangi plant. With the success of this project, we anticipate to implement water discharge monitoring at all our operations, moving forward.

**MATERIAL AND WASTE MANAGEMENT**

**Achieving operational eco-efficiency**

**GOAL 3**  
**Key Focus Area:**  
• Resource Efficiency



**Environmental Compliance on Waste Management**

We carefully executed the necessary waste management practices to ensure the hazardous and non-hazardous wastes we generate do not adversely impact the environment. Our waste management practices are subjected to internal and external audits to comply with the ISO 14001:2015 Environmental Management Systems certification criteria.

**Waste Management**

As a pharmaceutical company, our main activities include manufacturing of pharmaceutical products which involves milling, grinding, granulations, compression and coating of our input materials such as active pharmaceutical ingredients and excipients. Hazardous waste and pharmaceutical dust that resulted from our production are carefully monitored and discharged according to the law and local authorities' requirements as stated in Scheduled Waste Regulations 2009 (Malaysia) and Peraturan Pemerintah No. 101 Tahun 2014 (Indonesia). Our waste management practices are also subject to internal and external audits to ensure full compliance with the certification requirements.

These hazardous waste are stored and labelled in an assigned storage area prior to collection by third party contractors (approved by the Malaysian and Indonesian

## PROTECTING THE ENVIRONMENT

regulators) for treatment and disposal according to the law. The waste management processes throughout our operations in Malaysia were closely monitored by our internal competent personnel (CePSWAM).

In Indonesia, we receive *Lembar 7* (Sheet 7) upon successful treatment and disposal of hazardous waste, enabling us to monitor and record hazardous waste are properly disposed.

The main types of hazardous waste produced by the Group include:



**SW410**

Rags, plastics, papers or filters contaminated with scheduled wastes



**SW405**

Waste arising from the preparation and production of pharmaceutical product



**SW429**

Chemicals that are discarded or off-specification



**SW302**

Flux waste containing mixture of organic acids, solvents or compounds of ammonium chloride



**SW417**

Waste of inks, paints, pigments, lacquer, dye or varnish



**SW403**

Discarded drugs containing psychotropic substances or containing substances that are toxic, harmful, carcinogenic, mutagenic or teratogenic



**SW110**

Waste from electrical and electronic assemblies



**SW204**

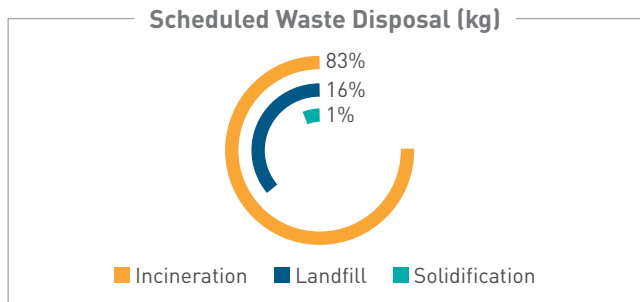
Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium



**SW404**

Pathogenic wastes, clinical wastes or quarantined materials

This year, we generated a total of 331 tonnes of hazardous waste. A total of 83% from the hazardous waste was incinerated whilst the remaining of 17% was landfilled and solidified.

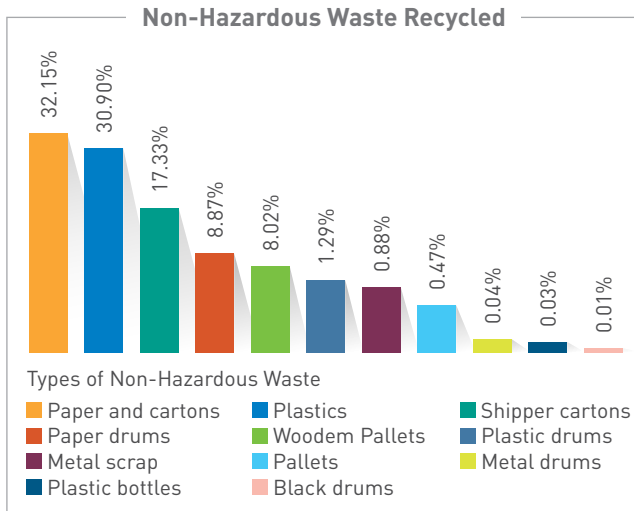


When managing our non-hazardous waste, we implement the waste mitigation hierarchy and look for opportunity to reduce consumption at source. This includes the implementation of 3R (Reduce, Reuse and Recycle) practices across our operations. Through this initiative, we sent our recyclables to recycling companies and reusing used materials for alternative purposes.

We recycled 150 tonnes of non-hazardous waste across our operations in 2020. Paper, cartons, plastics, and shipper cartons accounted for 80.4% of the non-hazardous waste that was recycled.



Recycling activity at one of Sungai Petani plant

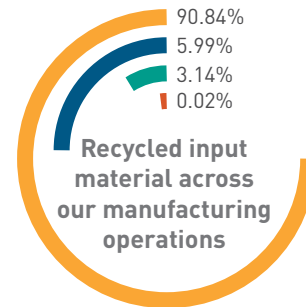


Committed to material stewardship, our operations incorporate recycled input materials for our products' packaging. This initiative is to minimise our dependency on new materials when manufacturing our pharmaceutical products. As part of our material management programme, we also have taken the initiative to use grey back carton as our packaging. We have recorded an approximate of 250 tonnes of recycled input material for our packaging across the manufacturing operations, contributing to 7% of total input materials used for packaging. These recycled input materials were utilised largely at our Bandung plant, encompassing of 90.84% from the total recycled input material. In the future we will improve our data monitoring and tracking for input materials, to allow us identifying further improvement opportunities and the potential of extending the use of recycled material in our processes.



### Material Management

Pharmaniaga implements waste mitigation hierarchy in our day-to-day operations, which involves meticulous inventory planning to efficiently manage material consumption and reduce the unnecessary use of materials. This includes analysing and recording material usage variance and percentage of rejected products. We also utilise a resource planning software to assist in monitoring and recording material consumption at our manufacturing facilities.



- PT Errita Pharma (Bandung)
- Idaman Pharma Manufacturing Sdn Bhd (Seri Iskandar)
- Pharmaniaga Manufacturing Berhad (Bangi)
- Idaman Pharma Manufacturing Sdn Bhd (Sungai Petani)



MANAGING SUSTAINABILITY

# SOCIAL

PERFORMANCE

pharmaniaga



# SOCIAL SUSTAINABILITY HIGHLIGHTS

## Key Material Matters



### Human Capital

## Material Matters

- Labour Practices
- Employee Engagement
- Equal Opportunity
- Job Opportunities
- Training and Development

## Performance Highlights

**46%** of Top Management positions are held by women

**30%** of Senior and Middle Management positions are held by women

**60%** of Executive positions are held by women

Invested approximately **RM1** million in employees' training programmes

Average of **17** training hours per employee

**166** individuals provided with talent development opportunities

**Zero** recorded cases of discrimination and labour practices



### Occupational Health and Safety

- Occupational Health and Safety

**Zero** workplace fatalities

**Established** Pharmaniaga Special COVID-19 Task Force and Crisis Action Plan



### Reaching Out to Communities

- Community Contribution and Development

Approximately **RM8.8** million invested in corporate responsibility

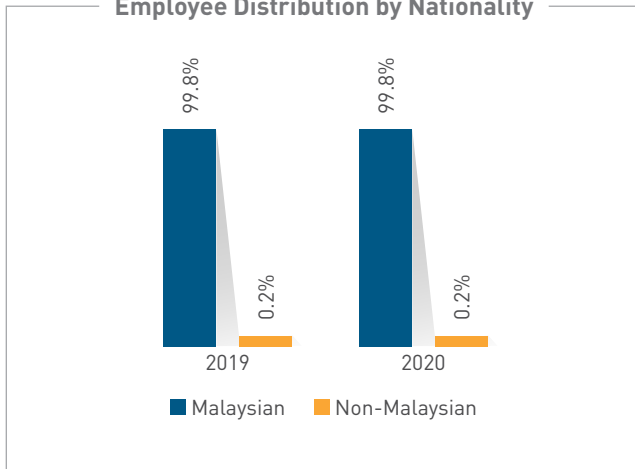
Initiated a national donation drive for distribution of approximately **Six million** units of PPE and critical care products to MOH facilities throughout the country

Distributed 228 ventilators, procured by the Government, Yayasan Hasanah and GLC Disaster Relief Network (GDRN) worth more than **RM36** million to MOH facilities

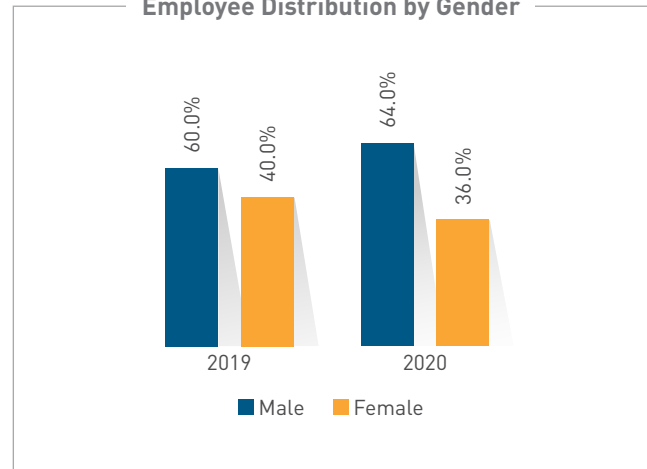
## HUMAN CAPITAL

The success of our organisation depends on the talent we hire. We believe that our workforce is the key foundation that empowers us to operate effectively and sustaining our business. Supported by a diverse team, we are able to approach challenges and opportunities with varying perspectives and business experience, giving us a competitive edge. For this reporting period, our total workforce in Malaysia and Indonesia comprised 3,603 employees, of which 99.8% was hired locally.

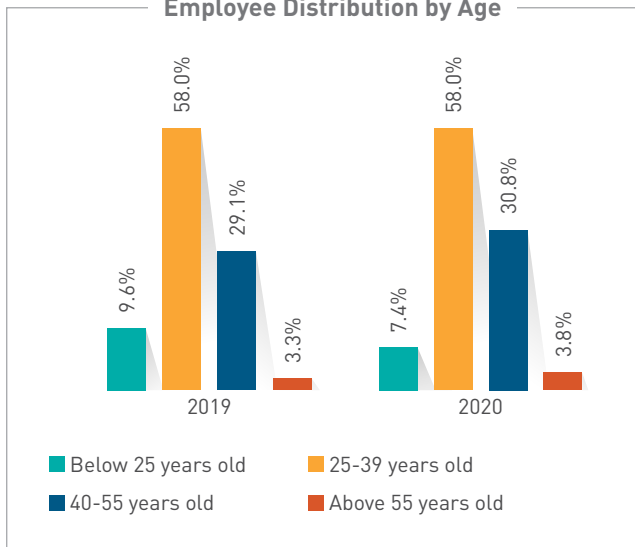
### Employee Distribution by Nationality



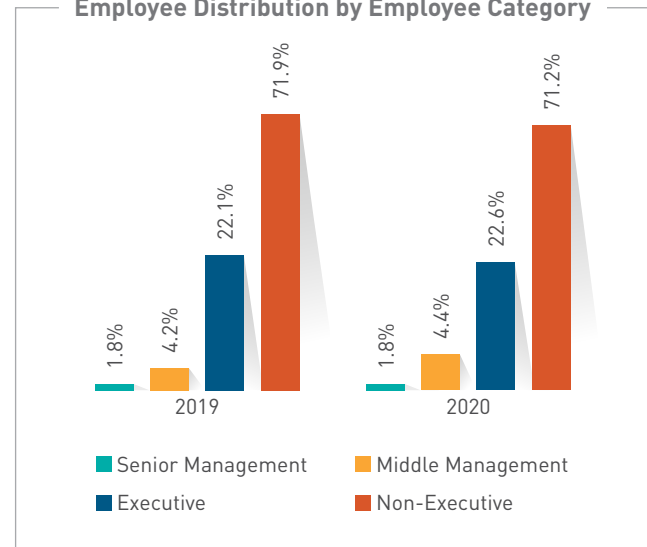
### Employee Distribution by Gender



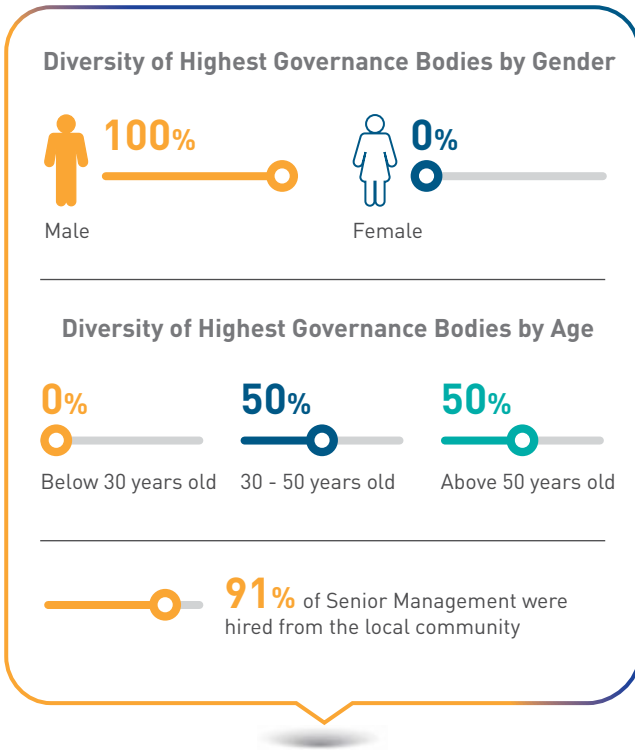
### Employee Distribution by Age



### Employee Distribution by Employee Category





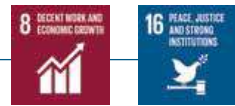


## LABOUR PRACTICES

**GOAL 4** Creating a Sustainable and High Performance Workforce

**Key Focus Area:**

- Fair Labour Practices



Across our operations, we comply with the relevant labour laws and regulations. At Pharmaniaga, we do not condone any act that violate human rights, and establish measures to protect employees' human rights. We recognise trade unions and enter into collective agreements mutually agreed upon by employees and the Management.

We have zero tolerance for slavery, forced or child labour within our operations as well as our supply chain. To safeguard our operations from forced or child labour, we have established a Standard Operating Procedure (SOP) on recruitment selection for our operations in Malaysia, which includes requirement for employees to be 18 years old and above on the date of joining. As for our operations in Indonesia, the requirements are outlined in the 'Peraturan Perusahaan' which stated minimal working age of 18 years old.

To further aid us in safeguarding our operations, we implemented workers' profile screening through application form and original documentary evidence of candidate's personal particulars during recruitment process. For our Indonesian operations, the candidates are also required to provide Certificate of Good Conduct: Indonesian Police Certificates (Surat Keterangan Polisi) to support that the candidate is fit to work and at the same time does not have any criminal records. We also implemented direct and centralised recruitment process. This is to mitigate any potential incidents of modern slavery and to ensure ethical recruitment process.




# HUMAN CAPITAL




Further to this, our business partners are also screened for their practices to protect human rights, and we expect them to adhere to the Group’s Code of Conduct with regard to labour practices.

## EMPLOYEE ENGAGEMENT

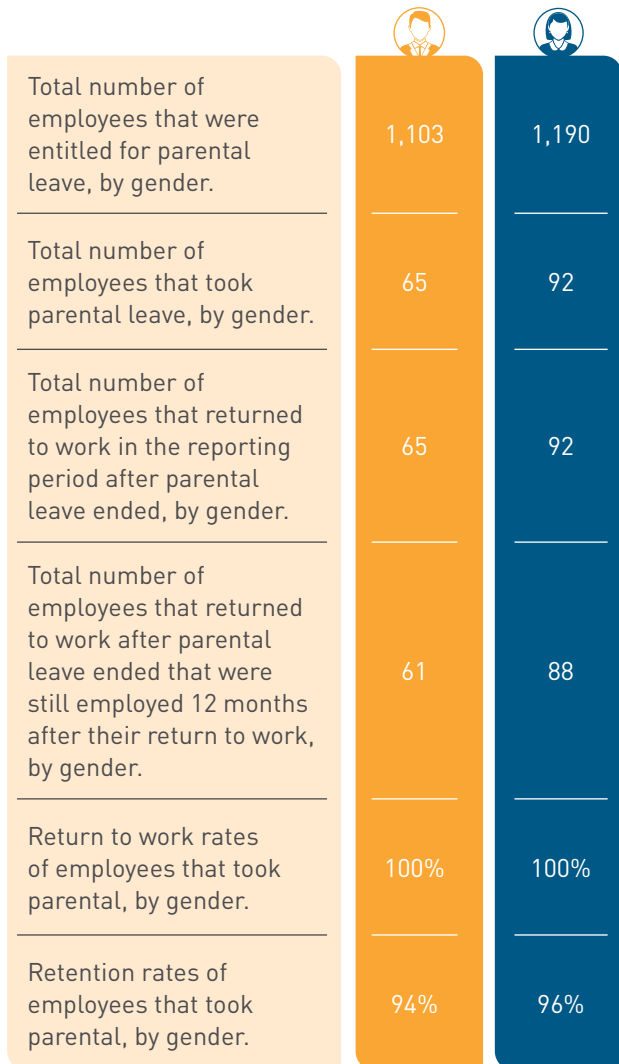
**GOAL 4** **Creating a Sustainable and High Performance Workforce**  
**Key Focus Area:**  
 • Employee Engagement & Retention



We acknowledge the importance of supporting our employees’ health and well-being, as we believe motivated and healthy employees will boost business productivity. Recognising their key role to the success of the company, we committed to providing our workforce with a wide range of benefits and programmes to encourage healthy lifestyle. These benefits are reviewed periodically to cater for changes and improvements.

Employee Benefits at Pharmaniaga	
<b>Financial Assistance</b> 	<ul style="list-style-type: none"> <li>• Car interest subsidy</li> <li>• Medical benefits &amp; employee insurance</li> <li>• Meal subsidy</li> <li>• Attendance allowance</li> <li>• Tuition subsidy</li> <li>• Higher education subsidy</li> </ul>
<b>Leave</b> 	<ul style="list-style-type: none"> <li>• Birthday leave</li> <li>• Marriage leave</li> <li>• Paternity leave</li> <li>• Compassionate leave</li> <li>• Hajj leave</li> <li>• Umrah leave</li> <li>• Study leave</li> </ul>
<b>Others</b> 	<ul style="list-style-type: none"> <li>• Birthday gift voucher</li> <li>• RoyalePharma voucher</li> <li>• Back-To-School token</li> </ul>

In 2020, 63.6% of our total employees were entitled to paternity leave which was given to all married employees. 157 employees have benefited from the paternity leave across the reporting period, of which 100% employees continue to work after their parental leave ended.



Apart from benefits and leave entitlement, we regularly engaged our employees throughout the year through various platforms, which enable us to maintain positive relationships and obtain feedback on the issues of employees' concern and interest. Some of the employee engagement programmes held this year include:

- KOSPEN Booth – basic health check up
- Vitamin C made available to employees at the reception area and cafeteria
- Weekly briefings and information sharing using banners, posters, buntings and online communication platforms
- Medical Surveillance and Health Counselling
- Blood Donation Programmes
- Merdeka and Malaysia Day celebration
- Long Service Award
- Academic Achievement Award
- Weekly class on taddabur AL-Quran for female employees

## EQUAL OPPORTUNITY

GOAL  
4

**Creating a Sustainable and High Performance Workforce**

**Key Focus Area:**

- Diversity & Inclusion



### Talent Recruitment and Retention

Pharmaniaga considers diversity as a strength to the company, where employees with different views and experiences work together with a common vision to drive the business to success. We do not condone discrimination on the grounds of gender, race and ethnicity. Decisions are made strictly based on employees' performance and merit.

We aim to reduce the gender gap and support women to advance in their careers. The basic entry level salary we offer employees is the same for both men and women. The comparative entry level salary for non-executive against the national minimum wage as below:

**1.21 : 1**

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



## HUMAN CAPITAL

As employees progress in the organisation, we seek to create equal opportunity for all employees to perform and participate to the best of their ability. Currently, our top management team consist of 46% women and this builds an inclusive environment, motivating younger female employees to aspire and work towards such positions in the Group.

### ➔ Moving Forward:

As part of our talent retention programmes, we aim to build capability for superior performance by executing identified training programmes including Succession Planning Programmes (SPP), High Potential Programme (HiPo) and Career Path Programme (CPP) for selected employees based on their function.

## JOB OPPORTUNITIES

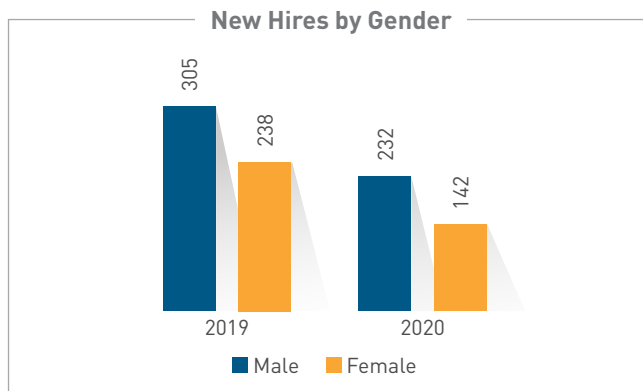


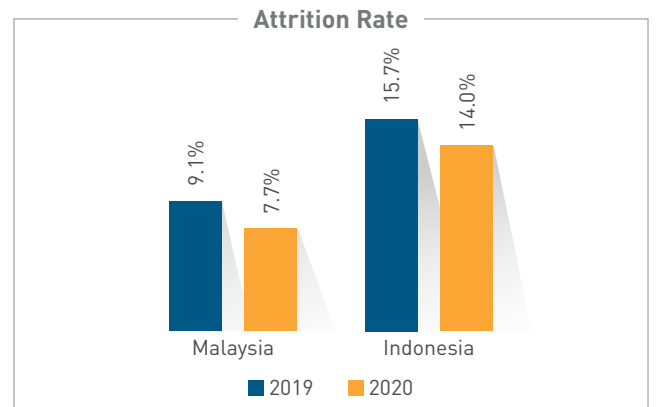
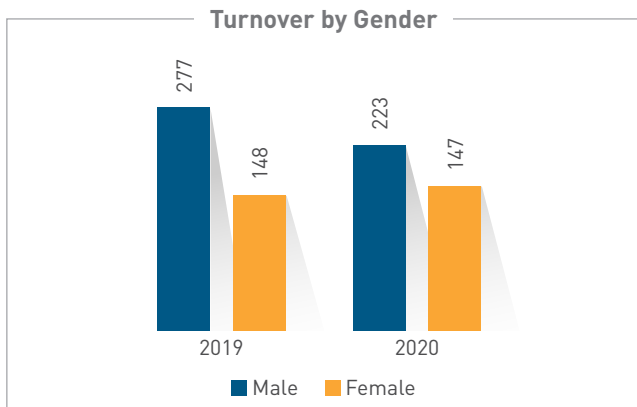
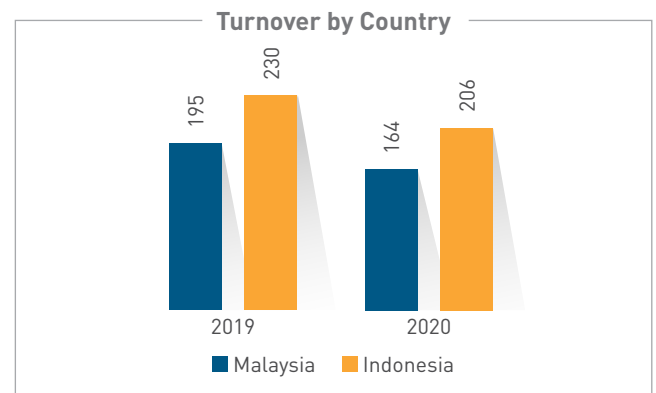
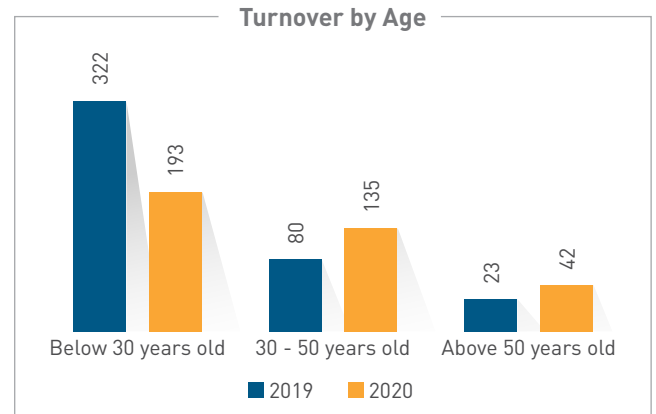
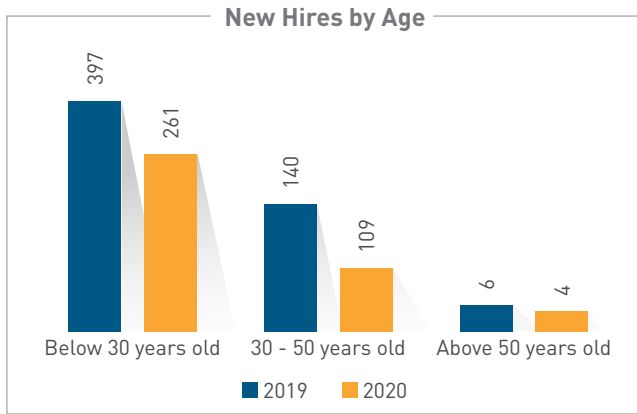
At Pharmaniaga, we attract new talents and provide employment opportunities for the local community by organising talent development and recruitment programmes, namely the Provisionally Registered Pharmacist programme, Pharmaniaga internships and the PROTÉGÉ programme. These programmes provide participants an opportunity to experience working in the pharmaceutical industry, to learn and develop on-the-job skills.

This year, 166 candidates had participated in our talent recruitment and development programmes. We are committed to continuously improving the programme to deliver more value to the community.

Programme	2019	2020
Provisionally Registered Pharmacist	2	2
PROTÉGÉ	65	42
Pharmaniaga Internships	216	122

Our unwavering commitment to be an employer of choice focuses our efforts on attracting and retaining talent. We hired 374 new employees in 2020, despite the turbulent economic conditions. During such difficult times, we are fortunate to steer clear of any retrenchments due to the pandemic.





# HUMAN CAPITAL



## TRAINING AND DEVELOPMENT

**GOAL**  
4

**Creating a Sustainable and High Performance Workforce**

**Key Focus Area:**

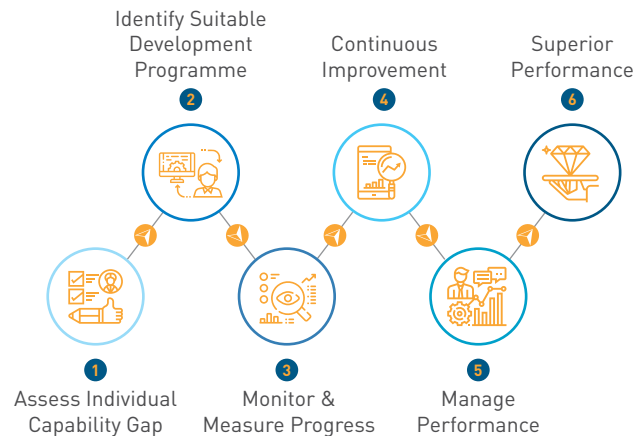
- Employee Training & Development



By providing opportunities for growth and learning, we support employees to reach their career potential, which in turn benefits productivity and strengthens Group performance.

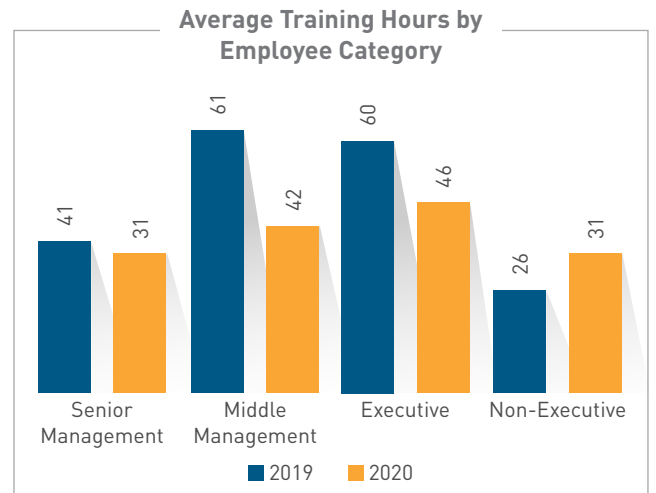
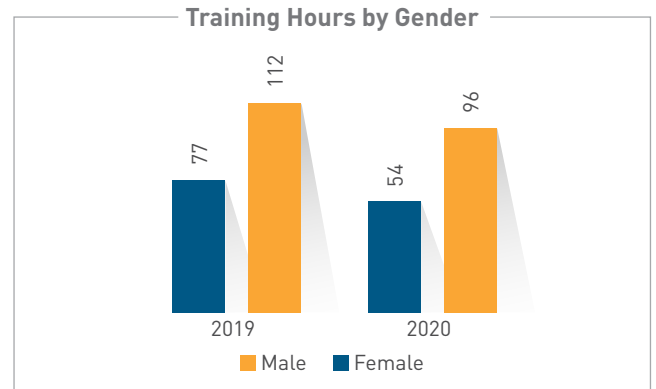
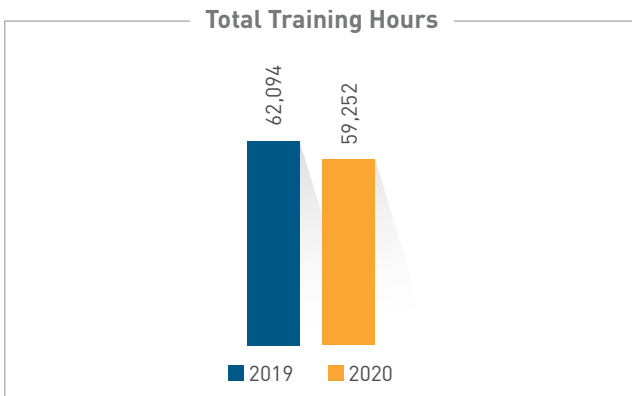
Our talent development framework involves conducting performance appraisals to evaluate each employee’s performance gaps, which were conducted to all employees across the Group (100%). Based on the assessments, we identify and develop suitable training and development

programmes to address these gaps. For successors of senior positions within the Group, we have Leadership Development Programmes. Other training programmes include enhancing technical and soft skills of employees.





For this reporting period, we committed 59,252 hours to training our employees across the Group, which equates to 17 hours average per employee. Approximately RM1 million was invested on training development programmes in 2020, which makes up 1.2% of the basic salary. Training sessions were conducted both in-house and externally, and covered soft skill, technical, functional, and IT training.



## 2019

Average training hours : 17  
 Male average training hours : 15  
 Female average training hours : 21

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## 2020

Average training hours : 17  
 Male average training hours : 14  
 Female average training hours : 24

This year, the number of training hours has decreased due to difficulties in conducting face-to-face training sessions, which is limited due to the COVID-19 pandemic. However, we are persistent to provide the team with training and development programmes to address knowledge gaps, and keeps them updated with the latest industry practices.

## OCCUPATIONAL HEALTH AND SAFETY



### OCCUPATIONAL HEALTH AND SAFETY

GOAL  
4

**Creating a Sustainable and High Performance Workforce**

**Key Focus Area:**

- Safety & Health



The health and safety of our employees is of utmost importance to the Group. We strive to provide a safe and healthy workplace for our employees by governing our operations to Safety and Health Policy, adopting occupational health and safety (OHS) best practices and adhering to legal requirements set out by Occupational Safety and Health Act 1994 (Act 514) and supporting legislation.

All Pharmaniaga subsidiaries in Malaysia are certified according to internationally recognised management standards, OHSAS 18001:2007 and ISO 45001:2018 Occupational Health and Safety Management Systems which covered 100% of our employees. In line with our commitment to implement best practices and improve health and safety at the workplace, we embarked on the journey of upgrading our current OHSAS 18001:2007 management systems to ISO 45001:2018 in 2019. With this transition, we expect to enhance employees' health and safety whilst facilitating sustainable growth.

This year, we have successfully migrated to ISO 45001:2018 certification of manufacturing plant at Sungai Petani and all Logistics and Distribution branches throughout Malaysia.

Since 2005, the Group has established Environment, Health and Safety (EHS) committees across all subsidiaries. These committees comprise management and employee representatives who meet every quarter to discuss concerns raised pertaining to OHS matters.

We continue to implement our EHS Manual to provide employees guidance on OHS procedures and processes at the workplace. The manual is reviewed and updated regularly to safeguard effectiveness.

Pharmaniaga conducts Hazard Identification, Risk Assessment and Determining Control (HIRADC) across our subsidiaries to identify and mitigate health and safety risks at the workplace. As a result, we have identified physical hazard and ergonomic as the work-related hazards that contributed to high-consequence injuries throughout the reporting period. HIRADC results are used to develop standard operating procedures (SOPs) and enhance the Group's OHS management approach,

moving forward. Workplace inspections are carried out quarterly to address any existing and potential safety risks at the workplace.

OHS training programmes are also conducted throughout the year to mitigate unwanted safety incidents, address knowledge gaps, and create awareness amongst employees on workplace safety practices.

Our commitment to ensure the health and safety of our employees extends to include various health programmes to promote healthy lifestyle and well-being. In the reporting period, we have conducted mental health screening and assessment to our employees. The initiative was conducted to provide our employees a channel to manage their emotional and psychological well-being, especially during the pandemic. We have also provided full body check-up for our employees at manufacturing and product development, to promote employees' health and wellness.

#### OHS Training Programmes 2020

01 Fire Safety Awareness

04 EHS Induction Training

07 EHS Refresher Training

10 First Aid Training

13 Transition from OHSAS 18001:2007 to ISO 45001:2018

16 Hearing Conservation Training

02 EHS Policy, Objective, Planning and Target

05 Management and Reporting of Accident

08 ISO 45001:2018 Standard of Interpretation on OH&S

11 Emergency Preparedness and Response

14 Safety Data Sheet Training

17 Chemical & Hazardous Material Handling

03 Operation and Maintenance of Emergency Eyewash and Emergency Shower

06 COVID-19 Mock Drill

09 Site Safety, Health and Security at Work Seminar: Threat, Risk & Vulnerability Assessment & Effective Mitigation Measures

12 Chemical Spillage Training

15 Basic Chemical Spillage and Leakage Control

## OCCUPATIONAL HEALTH AND SAFETY

Apart from safeguarding our employees' health and safety, we also acknowledge our responsibilities in mitigating negative safety and health impacts of external parties directly linked to our operations. We understand the challenges that might be imposed to our operations due to these negative impacts, and have implemented various measures to prevent such occurrence.





External Party	Health and Safety Measures
Visitors	<ol style="list-style-type: none"> <li>i. Record attendance via 'Visitor Management System' to track external parties within the premises;</li> <li>ii. Safety briefing outlining general and specific safety rules according to area of visit as well as emergency procedures during emergency; and</li> <li>iii. Appoint a Safety person-in-charge to ensure that all safety and security policies as well as SOPs are adhered</li> </ol>
Contractors, vendors and suppliers	<p>In addition to item (i) to (iii) above;</p> <ol style="list-style-type: none"> <li>iv. Incorporate health and safety elements in agreement contract, outlining safety, health, environment and security responsibility of contractors, vendors and suppliers;</li> <li>v. Provide Pharmaniaga's Safety, Health, Environmental and Security (SHES) Guideline prior to start of work to guide and familiarise with the general requirements at Pharmaniaga and its subsidiaries' premises;</li> <li>vi. Safety briefing and issuance of work permit prior to commencement of work:               <ul style="list-style-type: none"> <li>• Pharmaniaga's safety and security policy;</li> <li>• OHS procedures and requirements; and</li> <li>• Process of hazard and incident reporting</li> </ul> </li> <li>vii. Report and investigate any incident involving activities as outlined in the SHES Guideline</li> </ol>



### Special COVID-19 Task Force

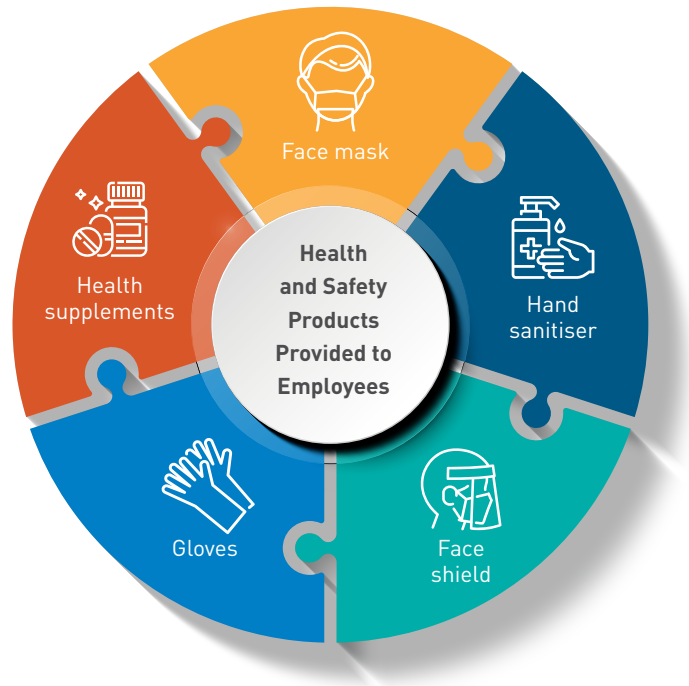
Pharmaniaga plays a significant role in supplying healthcare products to the *Rakyat*. Therefore, it is imperative that we mitigate the impacts of the COVID-19 pandemic to avoid unnecessary disruptions to our operations. The Pharmaniaga Special COVID-19 Task Force and Crisis Action Plan were developed to provide guidance during the pandemic, outlining novel SOPs that were developed under the 'new normal'. All COVID-19 SOPs are established in line with national guidelines issued by respective government agencies and recommendations from the World Health Organization (WHO). The SOPs and plans are communicated to employees via online trainings, e-mails, briefings, noticeboards and online communication platforms.

#### COVID-19 Procedures Established

-   COVID-19 Management Procedure for Workplace
-   Pandemic Outbreak Procedure
-   Prevention Measures for Communicable Diseases at Workplace
-   Emergency Preparedness

The Government of Malaysia has mandated all companies to take preventative measures to operate during the pandemic. In addition to workplace SOPs, we have implemented work from home arrangements and work rotations to further prevent the spread of the contagion at the workplace and protect our employees. For meetings and team discussions, we use online video conferencing platforms.

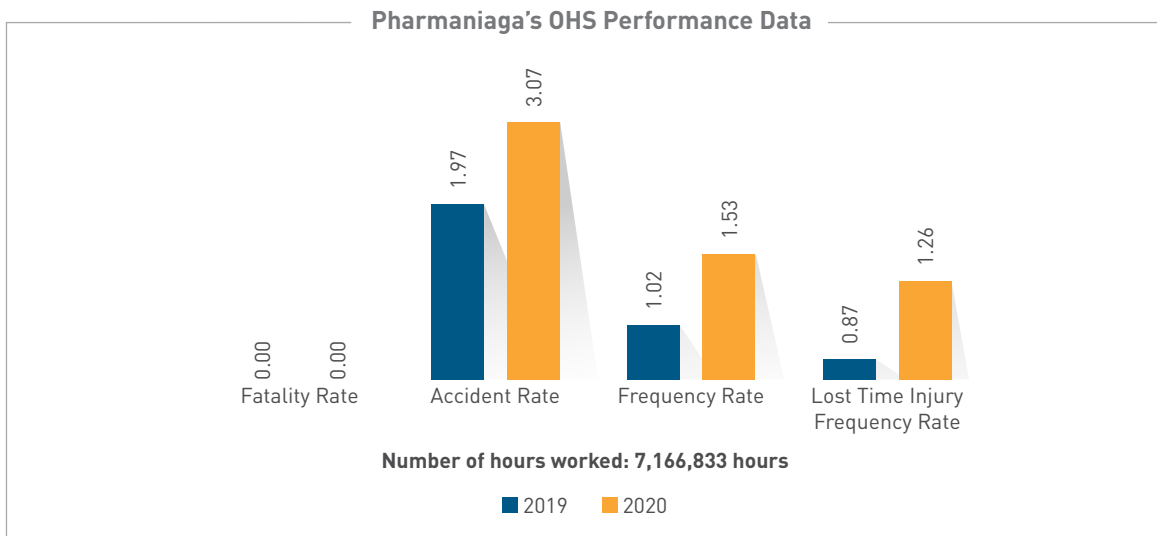
We sanitise the workplace regularly and provide PPE to all employees to combat the spread of contagion. Upon entering the Pharmaniaga premises, all employees are required to check body temperature and scan the QR code for contact tracing purposes. Personnel who are traced to be at high risk of exposure are required to undergo COVID-19 screening. All employees are also required to wear face masks at all times whilst at the workplace.



We arranged COVID-19 swab tests for our employees as precautionary measure. The tests were also extended and covered to employees' family who were suspected of having close contact with COVID-19 patients. In 2020, there were a total of 58 COVID-19 positive cases recorded, with 14 cases in Malaysia operations and 44 cases in

## OCCUPATIONAL HEALTH AND SAFETY

Indonesia operations. However, we have successfully halted the spread of the contagion at our workplace as we took immediate action to contain the spread by instructing quarantine for all close contacts and conducting Rapid Test Kit (RTK)-Antigen screening for all employees on a regular basis.



*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.*

With regard to the OHS injuries, our overall number of injuries in the reporting period increased compared with the previous year due to the increasing of awareness amongst the employees to immediately report for accident cases. The main types of injuries reported in 2020 were related to sprains and strains injuries, such as ruptures, tears and laceration of muscles, tendons, ligaments and joints. To address this problem, we are taking immediate steps to determine source of accidents and subsequently prevent the recurrence of such accidents. We further intensified our efforts to ensure employees' safety at workplace by enforcing regular inspections, conducting awareness and competencies training.



### Moving Forward:

We aim to maintain zero fatality.

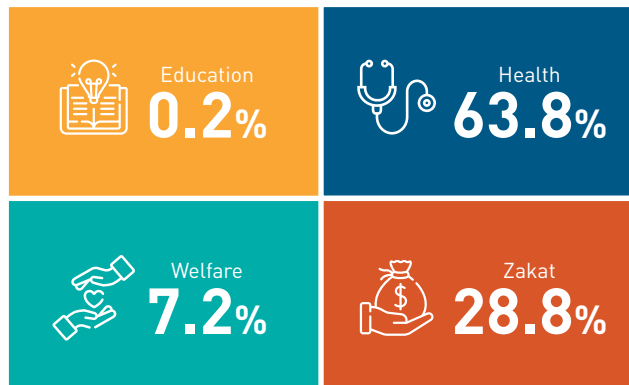


# REACHING OUT TO COMMUNITIES

## COMMUNITY CONTRIBUTION AND DEVELOPMENT



Despite the challenges brought on by the pandemic this year, we continue to serve and support the local community surrounding our operations, as well as the community at large. We invested approximately RM8.8 million in our corporate responsibility (CR) efforts including donation in kind amounted to RM5.5 million for distribution of donated items during the pandemic period. Our CR efforts can be grouped into four main categories such as education, health, welfare and zakat.



Our efforts include providing donations, supporting the cost of medical treatment or supplies, and distributing food, amongst others. Our initiatives and programmes that help to support community are listed as below:



## REACHING OUT TO COMMUNITIES

### WHEELCHAIR CONTRIBUTIONS

65 wheelchairs were donated to individuals and organisations.



### CASH CONTRIBUTION FOR OPERATION

Adik Nur Ardhania Firha, who suffers from Apert Syndrome, received a donation of RM10,000 to cover the cost of her operation.

### RAMADHAN CHARITY EVENT FOR ROHINGYA MUSLIMS 2.0

In collaboration with Al-Ikhlash School, staple food packs and pre-loved clothing were distributed.





**NECESSITIES FOR WELFARE HOME**

In conjunction with the Deepavali celebration, Pharmaniaga purchased mattresses, blankets, and cupboard storage for Persatuan Kebajikan Jagaan Sri Sai.



**STAPLE FOOD PACKS FOR FISHERMAN FAMILIES**

150 staple food packs were donated to villagers in Kampung Sungai Batu, Pantai Remis, Perak.



**ZAKAT CONTRIBUTION**

Contributed to various organisations to assist those in need.



**RIVER CLEAN-UP**

Gotong-royong for river clean-up throughout Selangor.



**PROSTHETICS LEG DONATION**

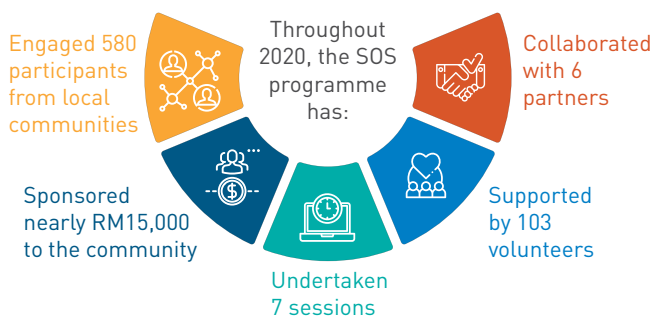
Donated prosthetics leg to Armed Forces Personnel.



## REACHING OUT TO COMMUNITIES

Apart from supporting community at large, we have also taken the initiatives to engage local communities that lived nearby or surrounding our operations through Skuad Operasi Sihat (SOS) Programme. Commencing in 2007, this programme has been implemented at 85% of our operations. Consistent with the nature of our businesses that focusing on healthcare products and services, this programme aims to raise awareness on contagious and non-contagious diseases as well as prevention through medication, and ultimately promote healthy communities.

Through the SOS programme, we provided free basic health checks and counselling sessions to the local communities. Our programme is supported by various partners such as Ministry of Health Malaysia, universities, non-governmental organisation (NGO), and resident association, amongst others which have collaborated with us in organising the event.



### Moving Forward:

In line with the UNSDGs, we are committed to contributing to the community through various CR programmes.



### Contribution to National Efforts to address COVID-19

MOH entrusted us with the responsibility to handle the logistics and mass distribution of essential medicines and medical supplies needed to combat the impact of the pandemic.

Altogether, Pharmaniaga initiated a national donation drive for distribution of approximately six million units of PPE and critical care products to MOH facilities throughout the country. We also distributed 228 ventilators, procured by the Government, Yayasan Hasanah and GLC Disaster Relief Network (GDRN) worth more than RM36 million and bore cost amounted to RM5.5 million in relation to the distribution of donated products for the MOH were incorporated as part of our corporate responsibility.

Our subsidiaries in Indonesia also took part in supporting Government's efforts to fight against this pandemic by contributing healthcare products to COVID-19 hospital amounting to approximately RM100,000.



### AID FOR COVID-19 PATIENTS

Meals and Vitamin C were provided for the COVID-19 quarantine centre at Akademi Kepimpinan Pendidikan Tinggi.



**DONATION IN KIND**

The distribution of donated items to the Government's healthcare facilities amounted to approximately RM5.5 million.



**COVID-19 KITS FOR HOSPITALS**

As part of the GLC Disaster Response Network (GDRN), we collaborated with TM Reaching Out Volunteers (TM ROvers) to deliver COVID-19 kits to eight government hospitals in Lembah Klang. Food and other supplies were included in the kits.



**HAND SANITISERS FOR SCHOOLS**

Hand sanitisers were distributed to primary and secondary schools.

**PHARMANIAGA PRIHATIN**

Contributed staple food packs to alleviate the burden of employees affected during the Movement Control Order.



## REACHING OUT TO COMMUNITIES



### GENGIGEL SPRAY DISTRIBUTION

Donated Gengigel Spray to the employees of Wisma Atlet Indonesia by PT Millennium Pharmacon International (MPI), Jakarta.

### COVID-19 SWAB TEST FOR EMPLOYEES

Arranged scheduled swab test for employees as a precautionary measure.





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