TCFD ALIGNED DISCLOSURES

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

At Pharmaniaga, we recognise the necessity of adapting to climate change. We are currently stepping up our climate action to implement more robust measures. For the year under review, we are transitioning from Task Force on Climate-related Financial Disclosures (TCFD) to International Financial Reporting Standards (IFRS), International Sustainability Standards Board (ISSB)/ S1&S2, and to comply with the National Sustainability Reporting Framework (NSRF). Our first step in preparing to mitigate climate-related risks was to conduct a climate risk assessment to identify the potential climate hazards at all our premises and their impact on our operations.

The disclosure below shows our initial actions and disclosure following the S1 and S2 guidelines. As we move forward, we will further develop our climate actions and deepen our mitigation measures.

1 GOVERNANCE

The Group has established clear structures, processes and roles to ensure that our climate commitments are relevant. The Board of Directors (the Board) is primarily responsible in providing oversight function and strategic direction for the Group's sustainability initiatives and programmes, approves sustainability targets and monitors its progress. The Board through Board Sustainability Committee (BSC), continuously enhance sustainability initiatives and programmes including the management of climate related risks. Decisions are approved at the Board level before cascaded down to the Sustainability Management Committee (SMC) for monitoring, Sustainability Working Group (SWG) for implementation as well as Sustainability Department for coordination.

For more information on our sustainability governance structure, please refer to our approach to sustainability governance section on pages 75 to 76.

2 STRATEGY

The Group recognised the risk related to climate change and therefore it is tracked as one of the Group's Corporate Risk and subjected to regular review and update to the Risk Management Committee (RMC), Board Risk Investment and Committee (BRIC) and the Board on quarterly basis. The Group embraces its roles to address climate change as a producer and distributor of pharmaceuticals products, assets owner and responsible business. This commitment is evident in our formulation and implementation of sustainability initiatives and programmes, track and monitors the sustainability targets as well as assessment on climate related hazards at our premises.

We are stepping up our climate action to implement more robust measures to identify the climate risks and opportunities that will impact our business in the long term. Please refer below on our 2-pronged approach on climate risk.

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CLIMATE RISKS AND OPPORTUNITIES

Climate risks are an important topic for our internal and external stakeholders, and classified into two categories; transition and physical risks.

TRANSITION RISKS AND OPPORTUNITIES

The potential financial and operational challenges that businesses face as the world shifts towards a more sustainable, low-carbon economy.

Potential Risks	Challenges	Opportunities
Policy and Regulation More stringent environmental emissions can make it more expensive for businesses to sustain.	**Stricter Regulations:** Stricter laws and regulations can increase compliance costs. **Compliance Failure:** Non-compliance can lead to fines, lawsuits and shutdowns.	**Sustainability Reporting Requirement:** Good, transparent reporting can enhance the Group's reputation. **Tax Incentives:** Receive tax breaks through eco-friendly purchasing.
Market Shift The Group must adapt when consumers demand green products, which could increase cost.	**Consumer Expectations:** Consumers' growing environmental consciousness necessitates increased transparency and sustainability, which presents a substantial operational burden. **Market Competition:** Market saturation in the green sector can make it more challenging to be noticed and compete.	**Green Finance:** Take advantage of green financing to help fund eco-friendly projects. **Carbon Markets:** The Group can trade carbon to reduce emissions or create new revenue streams.
Technology Advancement New green technologies can make current ones outdated, leading to more technology investments.	**Regulatory Pressures:** Stricter law and regulations will require investments in cleaner technologies and raise costs. **Technological Adaptation:** Staying updated with the latest eco-friendly technology can be challenging and costly.	**Green Investment Tax Allowance (GITA)** **GITA Asset:** Provides green technology purchase tax breaks. **GITA Project:** Provides green technology project tax breaks.
Reputation & Legal Ignorance and failure to comply with the new environmental rules may tarnish the Group's image and cause legal implications.	**Managing Public Perception and Trust:** It is crucial to identify and check risks that could bring negative attention to the Group.	**Community Engagement:** Collaboration with the local communities and NGOs can strengthen the Group's reputation.

PHYSICAL RISKS AND OPPORTUNITIES

The physical risks are the controls in place across the business that build resilience against the impacts of physical climate risks. Due to the nature of our business, these risks are centred around potential damage to our infrastructure and disruption to services. The diagram below maps our physical risk in Malaysia and Indonesia operations. Addressing these risks requires a coordinated effort from the Government, private sector, and communities to build resilience and ensure sustainable development.

<table>
<tr><th>Physical Risks</th><th>Challenges</th><th>Opportunities</th></tr>
<tr><td colspan="3">Country Profile: Flood/Drought/Global Temperature Rising/Sea-level
(Asian Development Bank, 2021)</td></tr>
<tr><td>Actual events in Malaysia
Flood/Fallen Tree/Landslide-Sinkhole/Rising Sea Level/Rising Temperature/Strong Wind

Flooding and rising sea levels pose significant risks to product distribution, potentially cutting off access routes. If not addressed promptly, these issues could erode stakeholders’ trust. This risk is particularly acute in areas with limited routes and a heavy reliance on water transport.</td>
<td rowspan="2">• Disruption of raw material supply
• Destruction of assets
• Interruption in the distribution of products and services
• Health and safety of employees
• Increases in temperatures lead to a rise in energy consumption</td>
<td rowspan="2">• Innovation in Drug Development:
Pharmaceutical companies can improve medicines and therapies to treat new illnesses related to climate change.

• Market Expansion:
Pharmaceutical companies can create opportunities to expand their reach to areas affected by climate-related health issues.

• Implementation of Sustainability Initiatives:
Sustainability offers the opportunity to change for the better, helps us comply with new requirements, and attracts new investors.

• Enhancing Supply Chain Resilience:
This presents an opportunity for Pharmaniaga to invest in disaster-resistant infrastructure and diversified logistics.

Strengthening warehouses, optimising delivery routes, and integrating risk-mitigation technologies demonstrate the Group’s dependability as a pharmaceutical provider, particularly during crises.</td></tr>
<tr><td>Actual events in Indonesia
Flood-Tsunami/Drought-Wildfire/Landslide/Rising Sea Level/Earthquake-Tremors/Strong Wind

Indonesia is highly prone to natural calamities, and such hazards pose significant risks to transportation. They could potentially cause structural damage to our facilities, delivery delays, and higher operational costs.</td></tr>
</table>

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ADAPTATION PLANS

The Group's cold, warm, and hot strategy represents our readiness and resiliency in response to both current and future climate related hazards. These strategies will be progressively implemented in response to the specific challenges faced by key division according to the key impact indicator.

Business Continuity (BC) Strategies

Key Impact Indicator	Cold Strategy (Standby)	Warm Strategy (Replication)	Hot Strategy (Diversification)
Employee Business disruption due to loss of/inadequate crucial workforce.	Employee in another location that have been trained to do the same activity, but are not yet experienced and will require guidance.	Employee in another location that are experienced and able to undertake the same activity, but not yet doing so.	Employee in separate locations that are concurrently undertaking the same activity.
Work Area Business disruption due to loss of access to crucial work area.	Separate premises that have some of the facilities required to undertake an activity, but additional facilities will be required before the activity can be undertaken.	Separate premises that have all facilities required to undertake an activity, but it is not currently being used.	Separate premises where the same activity occurs in parallel.
Raw Material Business disruption due to loss of/lack of essential supply.	Replacement items held in a separate location that could be used with modification.	Duplicated items held in a separate location that is not currently being used.	Duplicated items held in separate locations with stock being supplied from both locations.
System Business disruption due to loss of critical system.	An operational copy of the system held in a separate location and a backup of its data that needs to be loaded and tested with manual switching to be made live.	An operational copy of a system and its data held in a separate location that is periodically synchronised with the live version and needs switching to be made live.	Two copies of a system and its data in separate locations that are kept synchronised and live.
Asset Business disruption due to loss of crucial asset/ technology.	Replacement equipment held in a separate location that needs to be made operational.	An exact non-operational copy of the equipment held in a separate location that can be rapidly made live.	Duplicated operational equipment held in a separate location, with an automatic transfer from one to the other.
Distribution Business disruption due to loss of primary distribution routes.	Pre-plan multiple alternative routes.	Diversify transportation modes by using a mix of road, rail, and air transport.	Maintain buffer stock at satellite office/warehouse to handle delays.

3 RISK MANAGEMENT

In 2024, the Board approved the revision of Enterprise Risk Management (ERM) Framework which amongst other the inclusion of climate change as part of our external risk category. In addition, risk related to climate change is recognised in the Corporate Risk Register and monitored on quarterly basis to ensure effective implementation of sustainability initiatives and programmes and tracked the sustainability targets.

Our Risk Management team also conducted climate risk assessment for the year under review, involving all subsidiaries in Malaysia and Indonesia operations to identify the likelihood of future climate hazards and their potential impacts to the Group operations. The climate risk assessment involves the following processes:

Climate Risk Assessment Process

STEP 1 Conduct climate risk workshop

STEP 2 Identify climate hazards at its premises

STEP 3 Evaluate the likelihood and severity of impact when the climate hazard occurs

STEP 4 Determine the business continuity strategy

STEP 5 Report preparation and sign off

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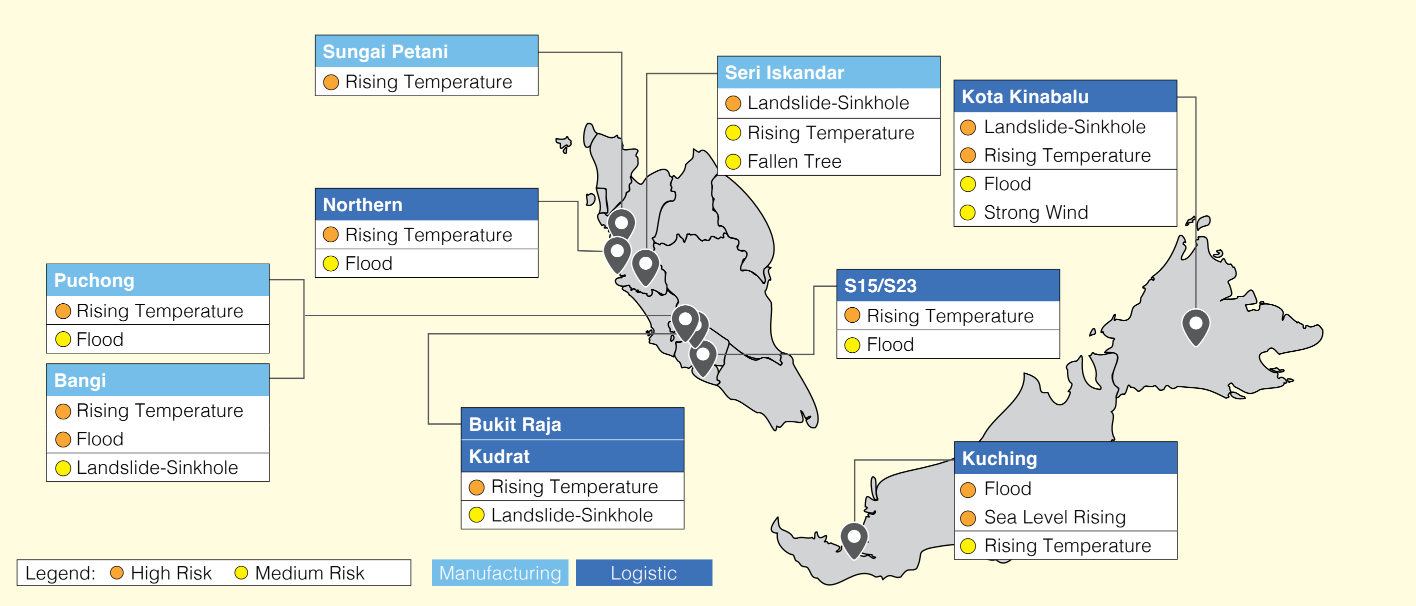
Based on the assessment, we noticed slightly different climate scenarios between Malaysia and Indonesia operations mainly due to different geographical locations. The identified climate scenarios are as follows:

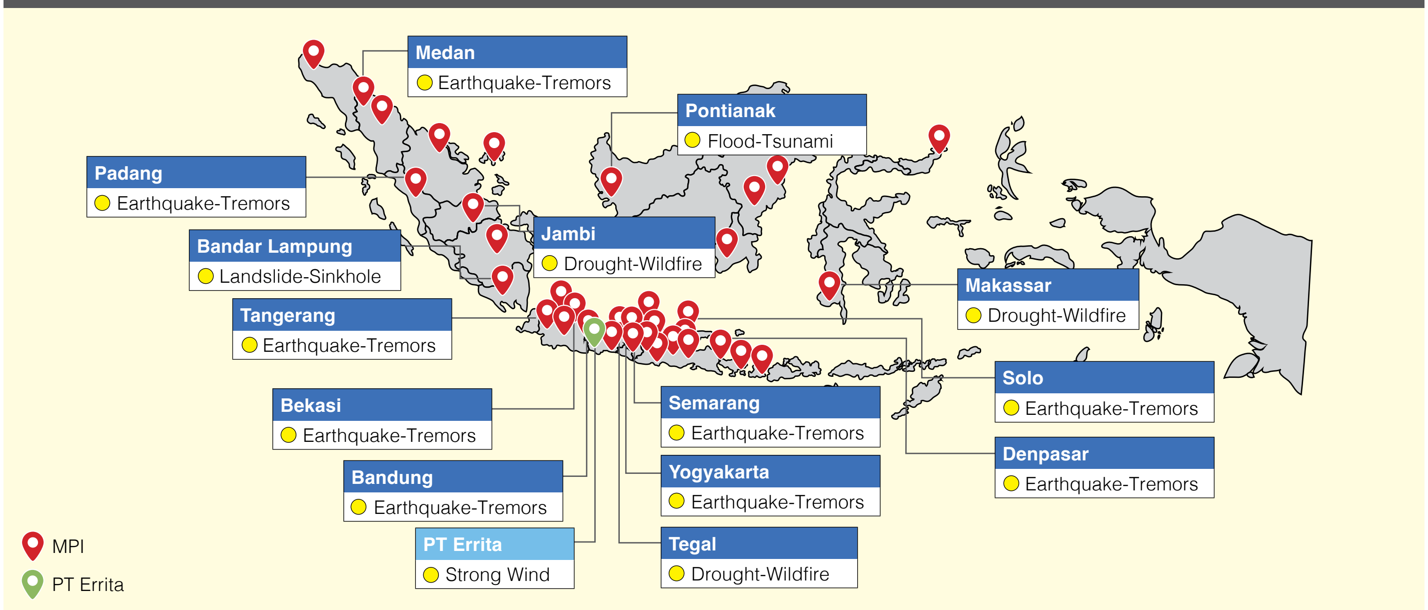
Malaysia Operations		
	1.	Flood
	2.	Fallen tree
	3.	Landslide-Sinkhole
	4.	Rising sea level
	5.	Rising temperature
	6.	Strong wind

Indonesia Operations		
	1.	Flood-Tsunami
	2.	Drought-Wildfire
	3.	Landslide-Sinkhole
	4.	Rising sea level
	5.	Earthquake-Tremors
	6.	Strong wind

MALAYSIA OPERATIONS



INDONESIA OPERATIONS



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Due to climate change, extreme weather events such as floods are becoming more common in Malaysia, while earthquakes, tremors, strong winds, and tropical storms pose significant risks in Indonesia. These hazards threaten manufacturing plants, and transportation, warehouses and distribution centres, potentially causing structural damage, delivery delays, and increased operational costs.

The Group has identified six (6) key impact indicators based on the climate risk assessment, as follows:

No.	Indicators	Descriptions
1	**Employee**	Business operations can be significantly impacted by the absence of key personnel due to natural disasters or the effects of extreme weather event. For instance, there might be a rise in absenteeism caused by health problems or injuries.
2	**Work Area**	Warehouse, manufacturing plants, office premise and research & development (R&D) facilities may be at risk due to natural disasters or the effects of extreme weather event, and infrastructure damage that could prolong operational downtime.
3	**Raw Material**	Natural disasters or the effects of extreme weather event can disrupt the supply of raw materials and delay production and distribution, leading to supply chain bottlenecks. Whereas, climate-induced migration and resource scarcity can lead to geopolitical tensions, affecting global supply chains.
4	**System**	Business operations can be impacted when critical systems infrastructure are disrupted due to natural disasters or the effects of extreme weather event. For example, flood submerges data centers leading to the loss of application systems, databases, and network connectivity.
5	**Asset**	Natural disasters or the effects of extreme weather event can cause significant damage to facilities and equipment, leading to long-term disruptions.
6	**Distribution**	Natural disasters or the effects of extreme weather event can disrupt transportation routes, leading to the delays in distribution time, inability to supply and higher fuel consumption.

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Based on the climate scenario, we have listed probable events and threats that could impact our business and operations. Such scenarios can have significant consequences for the Group, potentially leading to operational disruption, financial loss, reputational damage, and a loss of stakeholders' trust, as shown below.

OPERATIONAL DISRUPTION

Extreme weather events can disrupt day-to-day operations by damaging infrastructure and production facilities. Climate change can affect the availability of raw materials and the efficiency of transportation networks. These can halt production and cause significant downtime, which can lead to delays and penalty imposition.

REPUTATIONAL DAMAGE

Companies that fail to address or mitigate their environmental impact may be perceived as irresponsible or negligent. This can tarnish a brand's reputation, especially among customers and financial institutions that prioritise sustainability. A company involved in environmental destruction or seen as contributing to climate change can face backlash from stakeholders.

FINANCIAL LOSS

Climate-related events can cause direct financial loss by damaging assets and halting operations, thereby increasing operational costs. The Group may also experience increased insurance premiums or find it harder to secure insurance if premises classified as high climate risk areas. Additionally, prolonged extreme heat would increase energy costs to maintain the required temperature.

Investors may unwill to invest in companies exposed to high climate risks, which could affect the Group's ability to raise capital. In addition, the Government may impose stricter environmental regulations through carbon tax on carbon-intensive companies.

LOSS OF STAKEHOLDERS' TRUST

If a company is unable to effectively manage climate risks or causes environmental harm, customers may lose trust in the brand. Investors are becoming more discerning about climate-related risks and if a company fails or takes insufficient action to mitigate them, investors might pull their funds or choose not to invest.

BCM ROLES

BCM plays crucial role in the climate risk assessment by helping the Group prepares for and respond to climate-related disruptions. Some of the BCM contributions are:

Identify climate related hazards such as extreme weather events, rising sea levels, and temperature fluctuations. This helps the Company to understand specific climate risk they potentially may face.

Conduct Business Impact Analysis (BIA) to assess potential impact of climate related disruptions on critical business functions. This analysis helps prioritise resources and develop strategies to mitigate these impacts.

Develop BC strategies to address climate risks. This can include measures like relocating facilities, investing in resilient infrastructure, and diversifying supply chains to reduce vulnerability.

Continuous monitoring on climate related hazards and regular reviews of the BCM plan to ensure it remains relevant and effective. This helps organisations stay alert on evolving climate conditions and emerging risks.

By integrating climate risk assessment into BCM, the Group can better anticipate, prepare for, and respond to climate related disruptions, ensuring business continuity and long-term sustainability.