

SUSTAINABILITY STATEMENT



Apex Healthcare Berhad ('AHB' or 'the Company'), with its mission of **'Restoring Health, Enhancing Life'** upholds sustainability in all aspects of its business operations and in a way which brings value to all stakeholders.

The Sustainability Statement of AHB ('Sustainability Statement') sets out its approach towards sustainable development and management of economic, environmental and social risks and opportunities, based on a foundation of considering the impact of its business endeavours on the economic conditions of its stakeholders ('Economic'), on living and non-living natural systems ('Environmental') and on the social system ('Social').

ECONOMIC



ENVIRONMENTAL



SOCIAL



GOVERNANCE STRUCTURE

Board of Directors



Risk and Sustainability Committee



Group Sustainability Management Committee (GSMC)



Group Sustainability Technical Committee (GSTC)

As there is no "one size fits all" approach, the Board of Directors ('the Board') of AHB adopts a sustainability governance approach that is fit for the AHB Group ('the Group') considering amongst others, its culture, needs, sustainability-related risks and opportunities and level of maturity of its sustainability thinking and readiness.

The Board is responsible for embedding sustainability into the Group to complement its business strategy. The Board reviews and approves AHB's sustainability strategies and ensures that adequate resources, systems and processes are in place for managing sustainability matters. The Board sets the tone from the top and assumes the highest governance body in setting the Group's purpose, values and

strategies which incorporate sustainability considerations. Ultimately, the Board is accountable for managing sustainability matters in AHB.

To strengthen risk oversight including sustainability risks, the Board has established a dedicated Board Committee, namely the Risk and Sustainability Committee with effect from 1st January 2022. The role of the Risk and Sustainability Committee is critical in integrating sustainability risks and opportunities into the Group's risk management framework for effectiveness. The Risk and Sustainability Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent with its duties specified in its Terms of Reference.

DUTIES AND FUNCTIONS OF RISK AND SUSTAINABILITY COMMITTEE



The ultimate responsibility for decisions and recommendations taken by the Risk and Sustainability Committee rests with the Board as a whole.

At the Management level, since 2018, a Group Sustainability Management Committee (formerly known as the Sustainability Committee or Sustainability Management Committee) comprising the Chief Executive Officer ('CEO') as Chairman, and members of the Executive Committee, namely the Chief Operating Officers and Financial Controller, has been established by the Company for purpose of supporting the Board in implementation of sustainability-related strategies. The Group Sustainability Management Committee ('GSMC') has been charged with the responsibility of implementing and monitoring sustainability-related strategies, measures and actions in achieving AHB's sustainability goals as approved by the Board.

With the establishment of the Risk and Sustainability Committee, the GSMC continues to discharge its duties and functions under the oversight of the Risk and Sustainability Committee. The GSMC is responsible and accountable to the Risk and Sustainability Committee in identifying, evaluating, monitoring and managing Economic, Environmental and Social ('EES') risks and opportunities and ensuring all material sustainability matters are being considered and managed by the Group through its business operations including stakeholder engagement and materiality assessment. The preparation of sustainability disclosures as required by the laws and regulations including the Sustainability Statement is undertaken by the GSMC. The Sustainability Statement for Annual Report 2022 is reviewed by the Risk and Sustainability Committee for recommendation to the Board for approval for inclusion in the Annual Report of the Company.

The ultimate responsibility for decisions and recommendations taken by the Risk and Sustainability Committee rests with the Board as a whole.



The Terms of Reference of the Risk and Sustainability Committee are available on the Company's website at www.apexhealthcare.com.my.

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To support the GSMC in implementing sustainability initiatives and to conduct technical studies and assessments and propose sustainability projects that are relevant and material to the business, a Group Sustainability Technical Committee ('GSTC') was formed in April 2022 comprising key managers from the main subsidiaries of the Group. The establishment of GSTC at the level of the Management duly reporting to the GSMC enhances the sustainability governance structure of the Group by providing technical expertise to support its sustainability endeavours.

MATERIALITY ASSESSMENT PROCESS



Objectives

Through the materiality assessment, AHB endeavours to optimize identification of material sustainability matters with a view to enhance the Group's strategic planning, operational management and business decision-making and enabling stakeholders to make better informed decisions.

The Group's context and scope

The context within which the Group operates is examined to gain a broad knowledge of the sustainability issues. The GSMC regularly identifies and categorizes issues which the Group should consider and assesses the impact of those issues on the business over the near, medium and long-term. Sustainability issues are identified from a combination of internal and external sources. The main internal sources are derived from internal analysis of trends that are relevant to AHB, its business strategies taking into account the Group's short, medium and long-term goals and risk management assessments of the Group as discussed during monthly Management Meetings, GSMC Meetings, Board Strategy Forum and Board Meetings. The external sources are obtained from concerns raised by business partners, customers and various stakeholders during stakeholder engagements including but not limited to Annual General Meeting and sessions with analysts and media, as well as assessment of emerging and development of relevant laws and regulations and business environment which impact on sustainability.







The scope within which materiality of sustainability issues would apply is then determined. As Xepa-Soul Pattinson (Malaysia) Sdn Bhd ('XEPA') and Apex Pharmacy Marketing Sdn Bhd ('APM') are key subsidiaries of AHB, the Board considers it appropriate to focus the scope of the materiality assessment and

by extension the sustainability disclosure to XEPA and APM. Nevertheless, as the Group endeavours to enhance socioeconomic benefits and create a positive social impact to the immediate communities surrounding its operations, the contributions made by any wholly owned subsidiaries of AHB are taken into account with regard to Community Investment. For Training and Development, the training hours of employees of AHB's wholly owned subsidiary, ABio Marketing Sdn Bhd ('ABIO') and its wholly owned subsidiary in Singapore, Apex Pharma Marketing Pte Ltd ('APS') are also taken into consideration. The geographical boundary of the materiality assessment is largely confined within Malaysia as XEPA and APM operate predominantly in Malaysia. The scope within which materiality applies as far as operations are concerned is limited to manufacturing and distribution as they are the core operations of the Group.

Stakeholder Engagement

In the overall objective of identifying and prioritizing material sustainability matters, AHB engages with different stakeholder groups as such interactions are crucial to identify, prioritize and address material sustainability matters. Engagements are carried out on a regular basis with various stakeholders as they are integral to the business development and commitment of the Group to sustainability. For effective engagement with its stakeholders, various platforms are employed including but not limited to the following:

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Stakeholder groups	Issues of Interest	Platforms of engagement
 Employees	<ul style="list-style-type: none"> • Training and development • Performance management • Career development • Company policies and procedures • Contribution of company to community 	<ul style="list-style-type: none"> • Training and Development programs • Staff performance appraisals • On-Board Inductions • Circulation of internal policies • Group Corporate Briefings • Community investment programs • CEO Engagement Sessions
 Shareholders & Investors	<ul style="list-style-type: none"> • Group financial performance • Group business strategies • Sustainability policies 	<ul style="list-style-type: none"> • Annual General Meeting • Website of the Company • Annual Report • Quarterly Reports • Analysts' Briefings • Announcements to Bursa Malaysia Securities Berhad ('Bursa') issued by the Company from time to time
 Communities	<ul style="list-style-type: none"> • Community investment • Social, health and environmental management of the Group • Impact of business operations • Ethical business conduct • Transparency and accountability 	<ul style="list-style-type: none"> • B2C e-commerce websites : www.apexpharmacy.com.my (Malaysia) https://shop.apexpharma.com.sg/ (Singapore) • Community investment programs • Health screenings • Public health talks • Website of the Company • Annual Report • Quarterly Reports • Announcements to Bursa issued by the Company from time to time
 Customers	<ul style="list-style-type: none"> • Product availability and price points • Product quality and efficacy • Delivery service • Competence of manufacturing and sales personnel 	<ul style="list-style-type: none"> • Instant messaging apps e.g. WhatsApp • Social media platforms e.g. Facebook, Instagram • B2C e-commerce websites : www.apexpharmacy.com.my (Malaysia) https://shop.apexpharma.com.sg/ (Singapore) • B2B e-commerce websites : http://online.apexpharma.com.my/ (Malaysia) http://online.apexpharma.com.sg/ (Singapore) • Meetings with sales personnel (online and/or face-to-face) • Advertisements • Promotional campaigns • Public health talks • Continuing medical education talks for medical professionals (webinars) • Health screenings • Website of the Company
 Government	<ul style="list-style-type: none"> • Compliance with laws and regulations • Social, health and environmental management of the Group • Community investment 	<ul style="list-style-type: none"> • Dialogues, seminars and meetings • Memberships in pharmaceutical-related organisations • Website of the Company
 Suppliers	<ul style="list-style-type: none"> • Compliance with laws and regulations • Delivery service • Competence of manufacturing and sales personnel 	<ul style="list-style-type: none"> • Meetings with suppliers (online and/or face-to-face) • Trade exhibitions • Website of the Company

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The Board is cognizant of the fact that engaging with all issues and concerns expressed by all stakeholder groups are resource-intensive and inefficient. The Group therefore identifies and prioritizes issues which are most relevant to each of its stakeholder groups. Each stakeholder group is weighted by the GSMC based on their influence on AHB's achievement of strategic objectives and their dependence on AHB's operations. In the context of AHB, the prioritized stakeholder groups include Employees, Government, Shareholders & Investors and Communities.

Prioritization of Sustainability Matters

The various sustainability issues are identified and categorized taking into account stakeholders' input. These issues are further assessed and prioritized based on their materiality in the context of the Group.

MATERIAL SUSTAINABILITY MATTERS

Sustainability matters are considered material if they reflect AHB's significant sustainability impacts or substantively influence the assessments and decisions of stakeholders. With respect to the materiality

assessment conducted in 2022 by GSMC, the process and outcome of the exercise was reviewed by the Risk and Sustainability Committee and ultimately approved by the Board.

The GSMC employs a Materiality Matrix as a tool to determine the degree of materiality of each identified sustainability matter. This tool takes into consideration the significance of the Group's sustainability impacts (x-axis) and the influence of sustainability matters on stakeholder assessments and decisions (y-axis). The sustainability matters considered material to the Group are depicted in the Materiality Matrix.

For the purpose of the current Sustainability Statement, disclosures will be made on matters where the data are currently available, namely Labour Practices specifically Training and Development, Community and Energy. In respect of the new material sustainability matters identified and determined pursuant to the materiality assessment exercise in 2022, the Group will collate the pertinent data for disclosures to be made in future Sustainability Statements in compliance with Bursa's requirements.



MANAGEMENT OF MATERIAL SUSTAINABILITY MATTERS



Labour Practices specifically Training and Development

Policy

The Group believes that a strong culture of learning plays a vital role in enhancing sustainable growth. As a matter of policy, the training and development framework and approach of the Group focuses on programs that will enhance leadership skills, broaden professional knowledge and elevate productivity. The development of employees' skills and knowledge is part of sustainable labour practices.

Measures and Actions

The training and development framework of APM, ABIO and APS (collectively known as 'APM/ABIO/APS') aims to ensure new employees become effective as quickly as possible by providing requisite skills and knowledge needed for their jobs, assist existing employees to improve their performance and competencies in their current jobs and retrain and equip existing employees for future development and higher responsibilities to support APM/ABIO/APS's competitive strategy. The framework of APM/ABIO/APS's training and development for various categories of employees is as follows:

No	Training Focus	Types of Training	Categories
1	Acclimatize & Adapt to Work and Environment	Employee Induction Program	New employees
2	Skill Set Enhancement	Ad hoc On-the-Job Training	All employees
3	Knowledge Development	Product Training	All employees involved in sales, marketing and customer service
4	(i) Talent Development (ii) Competencies Development	Public Seminar/In-House Workshops/Webinars	(i) All employees (ii) Executives/Managers
5	Fostering Cordial Work relationship	Team Huddles	All employees
6	Leadership Development	One-to-One Sessions/ Mentorship/Assignments	High potential management level employees

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XEPA's training and development framework aspires to form a skilled workforce that is motivated, ready for challenges and able to adapt to an evolving environment. The framework is guided by the learning objectives for different categories of employees as illustrated below:

No	Learning Objectives	Training Programs	Categories
1	Orientation & On-boarding program	a. New Hire Introduction by Human Resource Department <ul style="list-style-type: none"> • Vision and core values of the company • Culture and company policies • Organizational structure • Relevant job skills, and address all the topics that employees need to do their job well. • Safety and Health • Quality Standards b. Tea Talk with Executive Director	All new hires
2	Technical, Functional Skills & Competency Programs To achieve continuous improvement <ul style="list-style-type: none"> • Be an expert • Mastering new ones • Enhancement of existing skills 	a. On-the-job training b. Public courses c. Competency Certification Programs	All employees
3	Soft Skills & Self Development <ul style="list-style-type: none"> • Essential for job growth. It is a combination of personality traits, behaviors, and social attitudes. • To help build corporate culture and improve work relationships allowing employees to communicate, collaborate, and manage conflict effectively. 	a. Development Program aligning to XEPA Core Values b. Lateral Development and "Best In Class" c. Cross functional learning d. Living Skills Program <ul style="list-style-type: none"> • Culture & Inclusion Program • Critical thinking, Analytical and Problems Solving Skills • Project Management Skills • People Skills • Communication Skills • Time Management Skills e. Teambuilding	Executives
4	Shopfloor Operations Training <ul style="list-style-type: none"> • On-going skills training to keep operations staff up-to-date on new products and process 	a. On-the-job training b. Refresher skill training program c. In-house Designated Operating Staff (DOS) d. Buddy system	Shopfloor employees
5	Compliance <ul style="list-style-type: none"> • To provide employees with the knowledge and experience to fulfill legal obligations as well as maintaining company's certification to run the business 	a. Public courses, webinar, seminar b. Internal process briefing c. Inhouse workshop	All employees
6	Managerial and Leadership training <ul style="list-style-type: none"> • To prepare potential employees to grow into managerial positions. • To prepare them for a job with leadership competencies - deeper insights into leadership 	a. Leadership Program i.e. Agile b. External coaching program c. Internal Mentoring d. Internal Resource Speaker - Sharing and Imparting Knowledge e. Project - Work with other managers f. Personalized Development Program	Executives & Managers

XEPA is also recognized by the Pharmacy Board Malaysia as one of the Training Premises for Provisionally Registered Pharmacist ('PRP'). The PRPs are exposed to various areas relevant to pharmacy practice; encompassing production and packaging, laboratory testing, quality assurance, innovation and development, regulatory affairs and marketing and distribution. This accreditation further consolidates the commitment of the Group to providing training and development of junior pharmacists in their pursuit of professional excellence. In 2022, XEPA provided training for 2 PRPs.

Indicators

a. Choice of Indicators


The number of training hours per annum by employee category is adopted by the Board as the indicator. The number of training hours of employees of XEPA and APM/ABIO/APS, are organized in different job grades, namely 'Manager to Senior Manager', 'Executive' and 'Non-Executive'.

b. Baseline

Year 2015 has been adopted as the baseline against which the data for training and development will be benchmarked to determine if the performance in this area has improved. The said year is adopted as the Board considers that a 2-year time period following the establishment of a formalized training and development platform in 2013 will be able to provide the Group reasonable experience in formalizing and structuring its training and development programs.

c. Measurement of Progress

The number of training hours of employees of XEPA and APM/ABIO/APS from 2015 to 2022 are as follows:

 YEAR	2015	2016	2017	2018	2019	2020	2021	2022
Category								
Manager to Senior Manager	5,080.00	3,787.50	3,333.00	3,860.00	2,892.50	3,528.00	6,524.00	7,662.75
Executive	5,885.50	6,258.50	5,580.50	5,452.00	6,364.50	7,445.00	9,695.00	14,566.25
Non-Executive	10,470.00	9,643.00	11,254.00	10,032.00	14,422.25	16,810.00	18,122.00	19,766.75
Total	21,435.50	19,689.00	20,167.50	19,344.00	23,679.25	27,783.00	34,341.00	41,995.75

The total training hours in 2022 translates to an average of 47 training hours per employee. Continuous monitoring is conducted to provide a quantitative gauge that measures the adequacy of training and development provided to the employees. The number of training hours is reported on a yearly basis to allow the Group to track its performance and determine if any change is required to attain learning objectives.



Energy

Policy

Energy efficiency plays an essential role in climate strategy. Reduction of energy consumed is important to the Group as a cost-saving measure and vital to reduction of greenhouse gas emissions. AHB's environmental policy is foremost to improve energy efficiency and minimize energy consumption ultimately reducing its carbon footprint as far as possible while ensuring that the relevant regulations and standards are met.

Measures and Actions

In APM's main warehouse in Subang Jaya, environmentally-responsible and efficient technologies and systems are adopted to reduce energy emission including the use of energy-saving LED lights. APS's warehouse in Loyang, Singapore has also started a project to use energy-saving LED lights in 2022. In XEPA, the replacement of air-cooled chiller with water-cooled chiller in Heating, Ventilation and Air-Conditioning (HVAC) system at the Liquids Production Plant and the new chiller installation at SPP NOVO, the new Oral Solid Dosage manufacturing plant in Melaka, have led to optimization of energy consumption while providing effective cooling for the production plants. The chiller at the existing Solid Production Plant has been upgraded to water-cooled chiller system and operationalized in 2021.

XEPA fully operationalized its Solar Renewable Energy Project at its manufacturing site in Melaka in late June 2021. XEPA's Solar Renewable Energy Project is part of the business sustainability efforts in promoting the use of renewable energy to minimize environmental harm, reduce greenhouse gas emissions, minimize cost impact and ultimately improve the environment. Rated at 729 kWp, the system supplies an estimated 7% - 8% of the total electricity consumption at the site. Meanwhile in Singapore, APS is in the process of instituting its solar panels at its office in Loyang as part of its sustainability endeavours. Plans have also been made to construct solar panels at APM main office in Subang in its efforts to reduce carbon footprint. Further information will be provided upon operationalization of these projects.

Information on average amount of energy consumption in kWh per million RM revenue by XEPA and APM from 2016 to 2022 is found in the section on 'Indicators' described below. In addition, the total savings and carbon dioxide avoidance contributed by the Solar Renewable Energy Project of XEPA are also set out in the said section.

Indicators

a. Choice of Indicators


The Group's indicator for energy consumption, as measured by the total energy consumed in terms of kilowatt hour ('kWh') per million Ringgit ('RM') revenue of XEPA and APM, both entities being the key subsidiaries of AHB, is monitored monthly and reviewed regularly. The measures and actions taken are poised to improve energy efficiency and minimize energy consumption.

b. Baseline

The Group formalized the collection of data pertaining to energy management from XEPA and APM with effect from 2016 in accordance with Bursa's emphasis on a robust sustainability framework. Thus, year 2016 is adopted as the baseline.

c. Measurement of Progress

Average amount of energy consumption in kWh per million RM revenue by XEPA and APM from 2016 to 2022 are shown as follows:

 YEAR	2016	2017	2018	2019	2020	2021	2022	2022 vs 2021
Subsidiary								
XEPA	72,692	61,635	59,773	81,684	95,094	77,877	61,756	-20.7%
APM	4,155	3,808	3,777	3,718	4,042	4,292	4,303	0.3%

The Solar Renewable Energy Project in XEPA has played a pivotal role in reducing the average amount of energy consumption in kWh per million RM revenue in 2022 by 20.7% as compared with 2021. This Project has also enabled a savings of RM 510,646 since its commencement in late June 2021 to December 2022 while achieving carbon dioxide avoidance amounting to an aggregate of 914.38 tonnes during this period. This amount of carbon dioxide avoidance translates to fossil fuel avoidance and trees equivalent of 130.30 toe (tonnes of oil equivalent) and 22,861 trees respectively.

Meanwhile in APM, its energy consumption in kWh per million RM revenue in 2022 has increased by only 0.3% as compared with 2021 despite installation of new air conditioning units and expansion of storage areas and cold rooms to support storage and distribution capabilities. Overall system optimization has been implemented by APM as part of its electricity saving initiative to control energy consumption.

The Group is cognizant that the metric employed for the measurement of progress of this material sustainability matter is dependent on several factors including sales mix, logistics and warehousing required and geographical distribution of products. XEPA and APM will continue to monitor and measure the progress of their energy consumption on a monthly basis to provide a good point of reference for the Group to maximize operational efficiencies and ultimately to attain its sustainable energy efficiency objectives. As and when there are new proposals for measures and actions including the solar panel projects at APS and APM, they are reviewed by the Risk and Sustainability Committee for recommendation of approval by the Board.



Community Investment

Policy

To enhance socioeconomic benefits and to create a positive social impact, the Group's strategic sustainability direction as far as community investment is concerned involves voluntary contributions in the form of donations and sponsorships.

Measures and Actions

The Group provides cash and/or non-cash contributions to the following causes as determined by the GSMC, namely Education and Arts, Disadvantaged, and General.

Indicators

a. Choice of Indicators

The GSMC assesses and determines the quantum of contributions made by the Group taking into account its philanthropic responsibility while considering the needs of the communities within which the Group operates.

b. Baseline

The Group formalized its endeavours towards community investment with effect from 2017 and as a result, year 2017 is adopted as the baseline.

c. Measurement of Progress

Overall, the contributions made by the Group to the community in 2022 amounted to RM 329,300. To assist victims of natural disasters, the Group supported the Malaysian Red Crescent Society as it provides aid and relief to flood victims. Donation was also made to the Parent Teacher Association of Mun Choong National Chinese School to assist the parents, teachers and families affected by the landslide in Batang Kali, Selangor in December 2022. In response to the Covid-19 pandemic, XEPA Hand Sanitizers were contributed to clinics and hospitals, namely Institut Jantung Negara, Mediviron Group of clinics, Qualitas Medical Health Group, Klinik Segara and Klinik Kita.

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To support educational causes, sponsorships were made to various institutions for their activities including Universiti Teknologi Mara's 17th MyPSA National Gathering of Pharmacy Students [NoGAPS] 2022 (Gold Sponsor) and World Anaesthesia Day 2022, Hospital Canselor Tuanku Muhriz, University Kebangsaan Malaysia Department of Otorhinolaryngology's Program KPT Prihatin Komuniti Sejahtera in collaboration with Allergic Rhinitis Association of Malaysia, Malaysian Association of Education in the Medical & Health Sciences (MAEMHS) for its Silver Sponsorship for MAEMHS Conference 2023 "Flexible Learning Pathways for Health Professions Education" scheduled in February to March 2023, Taylor's University Student Council for its Giveback Project, Universiti Kebangsaan Malaysia's V(We) Project 2022, Malaysian Pharmacists Society for its MyPSA Accredited CPD & First-aid Training Workshop and Segi University's "All Mind Matters" campaign. In support of the arts, contribution was made to Universiti Pahang Malaysia Chinese Cultural Night and Resonance of Singapore, a non-profit organization which engages the community in the form of school programmes and scholarships for students from low-income backgrounds to join a selective youth choir.

Other contributions in 2022 include contributions to Handicapped & Mentally Disabled Children Center Melaka, Hospis Melaka, Pertubuhan Kebajikan Skizofrenia Malaysia, Persatuan Barah Melaka, Diabetes Malaysia, Persatuan Orang Cacat Penglihatan Malaysia, Ibu Pejabat Jabatan Bomba Dan Penyelamat Malaysia, St John's Ambulance, Wings Melaka (a centre which provides care and support to special needs children, Kasih Hospice Foundation and ElShaddai Community Healthcare Centre, which supports the welfare of ElShaddai Refugee Learning Centre's students as well as the refugees and migrants. The Group also supports learning and well-being of needy students of New Town Primary School, Project Sa'bai, an annual overseas community involvement which strives to improve health, well-being, and social welfare of the village and children in Cambodia, Singapore Association of the Visually Handicapped and Home Nursing Foundation and Orange Valley Nursing Homes.