

COMMUNICATION ON PROGRESS REPORT 2011

This report is a product of Hikma's Corporate Responsibility Report, policies, Code of Conduct, GRI data, and includes the UNGC's 10 universally accepted principles. The following report and links will demonstrate how Hikma is addressing each of these Principles and continues to reinstate its commitment to actively engage in and improve these practices over the years.

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CEO's letter,

It is my pleasure to present Hikma's 2011 Communication on Progress Report.

Hikma's Corporate Responsibility remains at the core of its business strategy and the way it conducts its operations. Our CR progress has been accelerated by our unwavering commitment to the Global Compact and its principles in the areas of human rights, labour, environment and anti corruption.

As a leading Healthcare company, we strive to overcome today's social and economic challenges by staying focused on upholding the highest ethical conduct in everything we do. Our responsible business practices have enabled us to deliver high quality affordable medicines, strengthen relationships with our stakeholders and contribute to raising healthcare standards across all of the countries in which we operate. This has been particularly pertinent in our operations in the MENA region where several countries have been undergoing social and economic turmoil. Being local in each country has many advantages, as this has enabled us to respond quickly and effectively to incidents such as the Arab Spring, minimizing any significant negative impact. Being committed to the people and communities in the countries we operate in, not only builds a solid reputation, of which we are very proud, but also substantiates the company's values. We believe that every healthcare company should be responsible to giving back to the community and its people.

As such, sustaining Hikma's active membership of the United Nations Global Compact (UNGC) remains a priority for us and reinforces our dedication to implementing its ten principles in the areas of human rights, labour, environment and anti-corruption. We will always advocate for changes that enhance people's access to higher quality medicine, a cleaner environment and ultimately advance human health and quality of life.

We will remain diligent in working towards a more sustainable business by continuously supporting the UNGC and implementing its principles in all aspects of our business. Our mission is not only to ensure the vitality and transparency of our business, but to also improve the health of our local and global communities while safeguarding our environment.

Said Darwazah

CEO of Hikma Pharmaceuticals PLC

The Global Compact 10 Universally Accepted Principles

Principle One:

Businesses should support and respect the protection of internationally proclaimed human rights

Principle Two:

Businesses should make sure that they are not complicit in human rights abuses



Commitment

Hikma supports and respects human rights as a core ethical value. Through its high ethical conduct, Hikma upholds that human rights protection is applied in every aspect of its business. The multinational Group, which has expanded into 11 countries by 2011, shares uniform ethical principles among its different cultures in diverse geographic locations, under the umbrella of internationally proclaimed human rights, in compliance with applicable laws of the country.

Hikma has articulated this support of Human Rights Protection through the **Code of Conduct**. The Code of Conduct applies to all Hikma employees and in all of Hikma's business dealings.

The Dignity and Respect Principle from Hikma's Code states the following:

"Hikma respects the dignity and human rights of its employees and others. Privacy and confidentiality are essential to business and Hikma will respect the privacy of its customers, counterparties and employees, and is committed to maintaining the confidentiality of their information. Hikma is not discriminatory and offers equal opportunities to all."

The employment matters standard in the Code of Conduct states the following:

"Hikma operates a discrimination-free working environment and is committed to promoting a culture of respect, dignity and equal opportunity in which employees' individual rights are protected. Hikma believes that the diversity of its workforce is highly valuable. Hikma is committed to providing an environment in which individuals can flourish based on talent, experience, and performance and where potential is recognised and encouraged."

At Hikma:

Discrimination is not tolerated and equal employment opportunities are provided to all.

No forms of violence, bullying or harassment are tolerated.

Employee rights are safeguarded and employment laws and regulations are complied with the need for training and development is recognised as central to the on-going development of our people, and their skills and knowledge."

As with any manufacturing company, the operators' right to health and safety is an integral part of the company's responsibility towards them. Hikma has a well developed health and safety mandate, and begins at the top level commitment through the Code of Conduct: *"Hikma is committed to providing for its employees a safe and secure working environment."*

Hikma applies Human Rights standards along its supply chain. Hikma will not deal with any supplier who does not honour international labour standards. As mentioned in the Code of Conduct, *"Hikma seeks to engage with customers and suppliers whose employment practices respect human rights and whose ethical standards meet the standards set by Hikma."*

Hikma's full-fledged and ongoing commitment to its employees' health and safety is demonstrated through being granted the **OHSAS 18001**. OHSAS 18001 specifies requirements for an occupational health and safety management system to help an organization develop and implement a policy and objectives, which take into account legal requirements and information about occupational health and safety risks.

In addition, there is a dedicated **Health, Safety and Environment Policy**, which is endorsed by top management. It is a global policy and applies to Hikma's units worldwide. The policy states the following in regards to Health and Safety:

- *Hikma expects all its units to comply with its high standards of Health and Safety to ensure the utmost well being of its employees.*
- *We ensure that Hikma complies with and exceeds, where possible... all the labor laws and regulations with regards to workplace Health and Safety.*
- *We aim to prevent accidents and cases of work-related ill health at Hikma.*
- *We require our contractors and visitors to also comply with all site health, safety requirements.*

Proclaimed human rights are perpetrated to employees of different functions and levels in the Group's entities. It covers the entire workforce through the **Employees Human Resources Bylaws**. It is part of the employees' responsibilities and makes up part of their work contract. The Bylaws and supporting policies meet, and where possible, exceed labor laws and regulations in the countries in which Hikma operates.

Systems, Processes and Programs

Implementation of Hikma Health and Safety Policy

The global **Health, Safety and Environment policy** is developed further into detailed health and safety policies for each unit and function. The responsibility of their implementation lies with the General Manager in each unit. These policies are consistently applied, enforced and updated to protect employees from avoidable injuries.

The health and safety processes are:

Employee Health:

- All employees of Hikma will be provided with Health Insurance for both them and their immediate family.
- It is the responsibility of the employee to inform his or her manager / supervisor of any health condition or illness which will affect the safe performance of his or her job.

Accident Prevention:

- Safety rules are posted throughout the plant and administration buildings, for the protection of all employees. Managers and supervisors are expected to enforce these rules. Employees who disregard safety rules will be warned and disciplined Health and Safety Training.
- Training is provided regularly to all employees. It is provided to new employees at the beginning of their employment. Specialized training for specific equipment is mandatory for operators whose work entails using this equipment.

Monitoring, Reporting and Communicating:

- Any injury that occurs during working hours should be reported immediately by managers. A report should be completed as soon as possible and forwarded to Human Resources, the HSE Supervisor and General Manager.

Learning and Development:

- Assist employees in developing skills and knowledge. This encompasses a continuing education scheme for Hikma employees, which entails providing scholarships to employees who qualify.

- Create employment opportunities that enhance human development.

Monitoring the Health and Safety Policy at Hikma

The process for monitoring the Health and Safety Policy and procedures is:

General Manager:

- The HS directive is overseen by the General Manager of each unit, who takes responsibility for ensuring the implementation of the Health and Safety Policy.

Health and Safety Supervisor:

- An HS Supervisor is appointed in each manufacturing unit to take responsibility for ensuring the implementation of the policy and compliance with local regulations.
- If so required, the HS supervisor may allocate appropriate resources at each level of the organization to ensure the necessary compliance. This may include roles for a Fire Officer and a First Aid officer.

CR Champion:

- A champion in each unit will also work with the representatives appointed to ensure the day to day implementation and communication of the Policy is fulfilled.

HSE Committee:

- Each manufacturing unit also has a dedicated HSE Committee to oversee that operations are in line with the HSE policy.

Employees' well-being at work is looked after. Individuals are trained to understand the hazards associated with their work, so that risks can be appropriately managed. Health and safety laws and regulations are understood and complied with to protect both workers and visitors in various facilities.

Employees enjoy a work environment that is free from substance abuse, and benefit from a worldwide "no smoking" policy across all factories and office buildings.

OHSAS 18001 was aligned with ISO 14001 management systems. Hikma's corporate Healthy, Safety and Environment department added

the environment management requirements from ISO 14001 and also managed their health and safety risks by adding OHSAS 18001. The department manages health and safety risks by continuing to abide by the standard requirements for maintaining the OHSAS 18001 certification by renewing it annually.

Monitoring the Code of Conduct at Hikma

The process for monitoring the implementation of the Code of Conduct is as follows:

The Corporate Communication Department developed the Code.

The CEO approved the Code.

The Corporate Communication Department distributed the Code to all corporate employees and collected the signed authorisation forms.

Managers Worldwide understand the Code and explain it to their employees.

In 2010 the Compliance, Responsibility and Ethics Committee "CREC" was formed, which reports to the Board of Directors. The CREC Committee is chaired by an independent Non-Executive Director, consists of three independent Non-Executive Directors and Hikma's Vice Chairman who champions Hikma's Corporate Responsibility program (further information about the CREC is found under Principle 10).

The year 2011 marked the first full year of operation of Hikma's Compliance, Responsibility and Ethics Committee, which focused on formalising Hikma's strong ethical commitment to business integrity.

In 2011 the CREC hired a Head of Compliance to handle the Compliance function Group-wide; and be responsible for the Code of Conduct along with a group of "compliance champions" from other departments, which is endorsed by the Vice Chairman.

The Corporate Communication Department will be responsible for collecting the signed authorisation forms, and to annually distribute the Code to all corporate employees and collect the signed forms.

Administration Programs

The cornerstone of Hikma's social responsibility is that it cares for its employees and their families. Hikma provides decent income and benefits

including but not limited to special child care assistance programs to working mothers and employment of handicapped persons.

Hikma believes and invests in educating its people and supporting them in their continued professional growth. Programmes such as Hikma's Continuing Education Scheme offer full funding for eligible qualified employees to pursue higher education. Through management rotation plans, employees are offered exposure to different parts of business and the opportunity to build a diverse range of skills and experience.

The administration respects employees' rights in line with the UNGC human rights principle. It upholds the employees' right to privacy, and protects confidential employee information within legal and regulatory frameworks. Employment security is also protected through safeguarding employment and employability.

Hikma audits all its main suppliers in regards to their employment practices, through a corporate responsibility **supplier audit procedure**. The practice was initiated in 2007 whereby the significant suppliers in addition to the contractors

that have dealings with Hikma were identified, and underwent human rights screening. We also utilise Suppliers Audit Questionnaires that pertains to all the UNGC principles as it relates to the environment, Human Rights, child labour, anti-bribery measures and other relevant issues to help with assessing the suppliers' practices and increase their awareness of responsible operations and business ethics.



Actions

- Signing of the Code in 2011 by current and new Hikma employees.
- In 2011, expansion began of the corporate health, safety and environment function which started by adding an HS&E manager of the department.
- The Health, Safety and Environment policy was revised in 2011 and the new version was signed by the CEO of MENA - Vice Chairman.
- The new version of the HS&E Policy was circulated to all the employees and translated to the local language and printed on posters that were hung throughout the sites.
- All new employees learned about Hikma's Health and Safety Policy as part of their induction.
- All employees received training in Health and Safety on a regular basis.
- Each unit completed an annual Health and Safety review.
- In February 2011 a series of specialized Health and Safety training sessions took place at Hikma corporate entitled "Standard Operating Procedures (SOPs) for Emergency Response Plan for Building (X)." The training was taken by 189 factory employees.
- Orientation of the employees is the first measure that Hikma fulfills to ensure that its employees are knowledgeable of the rules and laws that protect them. In 2011 stage 1 of the induction process was copied throughout the Hikma Group's companies worldwide. The first stage was modified and refined according to best practices and HR's experience, and has been adopted by the various companies in almost identical formats. In the pipeline is standardizing the stage two of the employees' orientation process in order to be distributed and copied across the Group during the coming year.
- Hikma full time employees are offered several benefits, including class A medical insurance, maternity leave, retirement provision through social security, and a provident fund. There are different benefits provided to employees of different countries according to local regulations and job requirements.
- Health and Safety of sales force is covered by training and they are provided with class A medical insurance. Hikma provides high quality safe cars to medical representatives, as medical representatives require a lot of trips to doctors. Medical representatives are closely monitored by their supervisors who need to be informed of any health and safety risks or accidents and required to take preventive action.
- Awareness sessions on healthy living and stress reduction are conducted to all Hikma employees periodically.
- Under its continuing development and education scheme, Hikma held around 180 specialized training sessions in 2011, for the employees at Hikma corporate in Jordan. This includes training in technical matters such as oncology and biosimilars, soft skills such as leadership empowerment, and quality assurance such as Pharmacovigilance.
- Hikma provides scholarships for continuing education under its continuing development and education scheme. The number of people covered by scholarships in 2011 was 27 employees, including but not limited to employees from Portugal, Sudan and Algeria.
- All new employees took a medical examination covered by the company. Additional periodic examinations may be required from time to time, also at the expense of the company.
- The supplier audit procedure continued with the Corporate API and Strategic Sourcing department auditing the significant suppliers that they deal with and processing the results back to the Corporate Responsibility department.
- The CR Champions carried out several campaigns: "You are Hikma" general employee health day, first aid training, fire drill practice, anti-obesity campaign within the company and in the local community, breast cancer day in line with the world breast cancer initiative, and world heart day.

Performance

In 2011 the Code of Conduct was signed by 2260 employees worldwide including managers and non-managers. It is incorporated in the induction process for all employees. It has consistency and continuity since it was updated in 2008. This is the last year that this version will be circulated and as of 2012, the Code will be updated to include more

of an emphasis on anti bribery and corruption and will be adopted more actively through awareness sessions and e-training.

In 2011, 58% of our workforce was under the age of 30. In 2011, women comprised 28% of Hikma's total workforce. In certain jurisdictions however, women made up a much larger percentage of the workforce. In Portugal, for example, we employed 235 women, or 75% of total employees.

The total coverage of the OHSAS 18001 certifications for the Hikma Pharmaceuticals company facilities worldwide was around 35% by the end of 2011.

The percentage of significant suppliers and contractors that have undergone screening on human rights in 2010 was 27%. In 2011 the audited increased to 43% of the significant suppliers and contractors.

Hikma measures the following GRI indicators:

- LA7: rates of injury, disease, lost days, absenteeism
- LA10: average hours of training per employee per category
- HR2: percentage of suppliers/contractors undergone human rights screening



Principle Three:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Commitment

As a fast growing multinational company, Hikma Pharmaceuticals is required to meet employees' needs and requirements in different countries and cultures. Hence it is imperative that Hikma upholds the freedom of association necessary for a fair representation of its employees wherever they may be.

The employment matters standard in the Code of Conduct states the following:

"Employees' right to free association and collective bargaining are recognised and respected. There is a clear, transparent process for receiving employee suggestions, requests and complaints."

Effective communication with employees is promoted, so that issues arising from business decisions are addressed appropriately and in a timely fashion."

The Code of Conduct includes a Public Affairs and governmental interaction policy which covers lobbying practices:

All public affairs activities undertaken by or on behalf of Hikma must be conducted ethically; must align with relevant local law requirements and applicable industry codes of practice and be approved in accordance with internal policies.

Hikma employees will:

Have the right to be involved in political and lobbying processes in their own time as private citizens, but must be clear at all times that these activities are not undertaken on behalf of Hikma.

Systems, Processes and Programs

In 2011, union rights were a major focus. In the MENA region the unions were integrated and involved in the policies made by the company that related to them before implementation. The union representatives and the company labor representatives negotiated the viability and appropriateness of the decisions and clauses of several policies that were being introduced or updated. In particular, the bonus scheme underwent negotiations with the unions and their interests were given priority, and the details were explained and discussed, with the laborers advice taken into consideration. The channels of communications between Hikma's HR, operators and supervisors were strengthened and maintained during the course of the year. This step came in light of the Arab Spring that



was sweeping through the region, which in its wake placed matters of human rights, including workers' rights, at the forefront. Thus it was necessary for Hikma to find ways to deepen its ties further with the labor unions and encourage and assist workers, plus increase their awareness about their rights, the benefits of unionization and their roles. Hikma joined the unions in adding services, and supported training to increase union members' awareness about relevant issues, such as proper professional negotiation methods and the rights that they are entitled to, and increasing their awareness about freedom of speech that is fair, non violent and productive. In every country where a Hikma union is found, employees are covered by collective negotiation agreements signed by the General Manager of that site and the Union leader.

Actions

Labor unions were established in Arab Pharmaceutical Manufacturing Co. (APM) in Jordan, and in Hikma Egypt. In Tunisia and Morocco the unions were already at maturity, but venues were looked into for further development.

As for the Hikma sites in Europe and US the labor unions abide by the labor laws which have clear and extensive union directives which are implemented in full and overseen by specialized Hikma personnel. Unions are treated fairly and are reported as being satisfied with the treatment and provisions given to them and there weren't any incidents reported this year with the labor unions in Europe and the US.

The subjects covered by collective bargaining with trade unions and/or employee representatives over the past year included health and safety; remuneration, specifically, salary increases and bonus; medical insurance. They were also considered for professional training in addition to negotiation training.

A visit is planned for 2012 from the International Labor Organization (ILO), which is conducting an independent pharmaceutical study for the Jordanian Ministry of Health which assesses the ties between unions, businesses and employees and will be highlighting Hikma in its study as a model pharmaceutical company in Jordan.

Performance

There is labor employee representation in the form of Unions in all our European sites: Portugal, Italy and Germany; as well as in the US facility. In the MENA employee representation is found

in Morocco, Tunisia and Jordan. This is a total of 7 locations out of 11 countries, equivalent to 63% of Hikma Pharmaceuticals worldwide. In the remaining sites, employees are represented by members of the HR department.

In every country where a Hikma union is found, employees are covered by collective negotiation agreements signed by the General Manager of that site and the Union leader. By the end of 2011, there were 4,220 employees covered by collective negotiation agreements about working conditions of a total workforce of 6,430 employees in Hikma Pharmaceuticals, which is equivalent to 66% of the employees.

Hikma measures the following GRI indicators:

- EC1: direct economic value, including employee wages and benefits
- LA7: rates of injury, disease, lost days, absenteeism
- LA10: average hours of training per employee per category

Principle Five:

Businesses should uphold the effective abolition of child labour

Commitment

Labour Standards

Hikma Pharmaceuticals has always adopted standards that are consistent with established and globally accepted labour requirements and this is evident in all of Hikma's subsidiaries. Ensuring our employees are properly taken care of is one of the core values and principles that Hikma was built on.

Principle Four:

Businesses should uphold the elimination of all forms of forced and compulsory labour

Hikma's Code of Conduct specifically states that "Hikma is opposed to all forms of forced or child labour," which falls within employee rights within Hikma "employee rights are safeguarded and employment laws and regulations are complied with."

Hikma applies Human Rights standards along its supply chain. Hikma will not deal with any supplier who does not honour international labour standards. As mentioned in the Code of Conduct,



“Hikma seeks to engage with customers and suppliers whose employment practices respect human rights and whose ethical standards meet the standards set by Hikma.”

Systems, Processes and Programs

Hikma commits itself, at a minimum, to abiding by the local labour laws in each of its locations and in some cases, exceeding them. The labour laws in all the countries Hikma operates in prohibit the employment of minors under the age of eighteen.

Hikma follows strict accountability procedures that entail actions for rapid reporting of any labour mistreatments. The actions entail a Grievance Procedure that allows employees to notify HR instantly of any labour grievances they experience and HR immediately take measures to remedy the issues in a responsible manner. These procedures maintain Hikma's high ethical standards and cover any mistreatments that might occur between employees. Hikma applies accountability throughout all its operations and has very open communication whereby any employee can communicate the grievance to the CEO personally and expect that steps will be taken to rectify it. Any grievance is treated with utmost confidentiality. Employment matters standard in the Code of Conduct states that *“effective communication with employees is promoted, so that issues arising from business decisions are addressed appropriately and in a timely fashion.”*

Furthermore, Hikma utilises the Suppliers Audit procedure to ensure that suppliers conform to international labour laws, including refraining from child, forced and compulsory labour. The significant suppliers in addition to the contractors that have dealings with Hikma were identified and have undergone human rights screening as part of the supplier audit procedure.

Actions

- Human Resources ensured that the employee bylaws, which comply with local labour laws, are strictly followed by every employee and necessary disciplinary action would take place if any of these laws were broken.
- Employee bylaws are distributed to new employees and explained during the induction process.
- Any grievances received by managers were processed to HR and dealt with in a timely

manner, and appropriate measures were taken.

- The labour laws of the countries that Hikma facilities are located in are put into effect and communicated to managers within their anti-corruption training to ensure fair dealings among employees.
- Signing of the Code in 2011 by current and new Hikma employees.
- The supplier audit procedure continued with the Corporate API and Strategic Sourcing department auditing the significant suppliers that they deal with and processing the results back to the Corporate Responsibility department.

Performance

In 2011 the Code of Conduct was signed by 2260 employees worldwide including managers and non-managers. It is incorporated in the induction process for all employees. It has seen consistency and continuity since it was updated in 2008. This is the last year that this version will be circulated and as of 2012, the Code will be updated to include more of an emphasis on anti bribery and corruption and will be adopted more actively through awareness sessions and e-training about anti-corruption policies, and the inception of the online training plan started during 2011.

To ensure all Hikma employees are aware of these standards and abide by them, working with preferred suppliers was incorporated in the Code which has been in effect since 2006. In 2011, further efforts were taken during the supplier audit and the number of responding suppliers increased by approximately 16%.

Hikma measures the following GRI indicators:

- SO3: percentage of employees trained in anti-corruption policies
- HR2: percentage of suppliers/contractors undergone human rights screening.

Principle Six:

Businesses should uphold the elimination of discrimination in respect of employment and occupation



Commitment

Hikma is committed to providing employees with an environment free of all sorts of discrimination and this is within Hikma's overarching principles. The Dignity and Respect Principle from the Hikma Code of Conduct states that:

"Hikma respects the dignity and human rights of its employees and others. Privacy and confidentiality are essential to business and Hikma will respect the privacy of its customers, counterparties and employees, and is committed to maintaining the confidentiality of their information. Hikma is not discriminatory and offers equal opportunities to all."

Hikma commits itself to ethical standards in employment matters as follows:

"Hikma operates a discrimination-free working environment and is committed to promoting a culture of respect, dignity and equal opportunity in which employees' individual rights are protected. Hikma believes that the diversity of its workforce is highly valuable. Hikma is committed to providing an environment in which individuals can flourish based on talent, experience, and performance and where potential is recognised and encouraged."

At Hikma:

Discrimination is not tolerated and equal employment opportunities are provided to all. No forms of violence, bullying or harassment are tolerated. There is a clear, transparent process for receiving employee suggestions, requests and complaints. Effective communication with employees is promoted, so that issues arising from business decisions are addressed appropriately and in a timely fashion. Employee rights are safeguarded and employment laws and regulations are complied with."

Systems, Processes and Programs

Hikma prides itself on being an Equal opportunity employer and is dedicated to eliminating discrimination with the company. Matters pertaining to discrimination in respect of employment and occupation are covered in Hikma's **Recruitment Policy** worldwide. The Policy states the necessity for "equal employment opportunity in hiring" in the globally acknowledged standards of equal opportunity.

The Equal Treatment of Employees and Harassments Policy and Procedure states that

Hikma applies *“equal treatment of employees and do not condone favouritism or inequality in any shape or form. Hikma does not discriminate based on a person’s race, color, religious creed, age, sex, marital status, national origin, present or past history of mental or physical disability and any other factors not related to a person’s ability to perform a job.”*

This statement is also stated in Hikma’s Sustainability Report 2011 (pg. 5/7). <http://ar2011.hikma.com/index.php/sustainability/sustainable-quality?start=4>

This is an active process which is made clear to all managers. Any mistreatment or harassment is covered by the Grievance Procedure. Hikma’s open door policy translates into a completely transparent process whereby employees can express their grievance even to the CEO. However there are in place many HR personnel who handle these situations quickly and professionally, all the while ensuring the employee’s privacy and secrecy to ensure that there aren’t any repercussions from voicing their concern.

The labour laws in place in the US facility are in accordance with the Americans with Disabilities Act of 1990 (ADA). It makes it unlawful to discriminate in employment against a qualified individual with a disability. The ADA also outlaws discrimination against individuals with disabilities in State and local government services, public accommodations, transportation and telecommunications. This booklet explains the part of the ADA that prohibits job discrimination. This part of the law is enforced by the U.S. Equal Employment Opportunity Commission and State and local civil rights enforcement agencies that work with the Commission.

Actions

- As evidence of its commitment to providing a discrimination free environment, Hikma introduced an “Equal Treatment of Employees & Harassment” policy in 2004. The policy was updated in 2009.
- During the hiring process, recruiters are instructed and expected to eliminate any kind of discrimination and abide by the equal treatment of employees stated within the policy.
- Hikma’s Compliance, Responsibility and Ethics Committee (CREC) implements the principles of good corporate governance and ensures the fulfillment of compliance

requirements in all areas of the Group’s business, which includes the elimination of discrimination in respect of employment and occupation.

- The programme of meetings of the CREC expanded over the course of 2011.
- Also in 2011, a dedicated compliance officer was hired in Hikma’s corporate office to coordinate the matters of compliance to health, safety, environmental and labor policies as well as anti bribery and corruption.
- The plan the coming year, 2012 is to move forward the sexual harassment laws within Hikma’s by-laws and explain them in detail within the Code of Conduct, which are applicable in all its companies globally.

Performance

The Equal Treatment of Employees and Harassments policy was sent to all managers across the Group who in turn were asked to circulate the policy to their employees and update their policies manual.

Hikma measures the following GRI indicators:

- SO3: percentage of employees trained in anti-corruption policies
- HR2: percentage of suppliers/contractors undergone human rights screening

Principle Seven:

Businesses should support a precautionary approach to environmental challenges

Commitment

Hikma strives to ensure the adaptation of environmentally friendly processes in all its plants across the Group whenever possible. This commitment is reflected in the Code of Conduct within the Citizenship Principle which states the following:

"Hikma recognises the role it can play in its communities and believes in giving back to those communities. Hikma will promote economic and social development, environmental responsibility, and supports diversity and social integration."

Hikma stands by its environmental principle, which is mentioned in the Code of Conduct as follows:

Hikma strives to protect the natural environment in which it operates, and sees sustainable development as a key element of its role as a responsible business.

Hikma continues to work to reduce its impact on the environment, focusing in particular on minimising waste, analysing carbon emissions, monitoring and reducing energy usage, and minimising demands for water consumption.

Along these lines, Hikma is committed to fulfilling the International Organization of Standardization (ISO) 14001 requirements or its equivalent in all the production facilities worldwide.

ISO 14001 management systems were aligned with the OHSAS 18001. Hikma's Health, Safety and Environment department added the environment management requirements from ISO 14001 in addition to managing health and safety risks from OHSAS 18001. These standards related to environmental management help Hikma (a) minimize how the operations (processes etc.) negatively affect the environment (i.e. cause adverse changes to air, water, or land); (b) comply with applicable laws, regulations, and other environmentally oriented requirements, and (c) continually improve its practices to achieve annual re-certification.

Health, Safety and Environment policy

The clauses that relate to environmental matters in the HSE policy are as follows:

We are working towards limiting that impact by educating our staff and encouraging them to think about their effect on the environment in everything they do. We are also actively exploring

ways in which we can reduce carbon emissions across the group and reduce waste, particularly harmful waste.

Hikma expects all its units to maintain an operation that minimizes all negative environmental and climate change impacts associated with our activities.

As a Pharmaceutical Company, we recognize that our operations have an effect on the local and global environment and we seek the engagement of our staff at all levels to ensure implementing and maintaining the standards we set.

- Hikma recognizes and accepts its environmental responsibilities and has established the following policy to minimize its impact on the environment where possible.
- We ensure that Hikma complies with and exceeds, where possible, the relevant environmental legislation.
- We aim to minimize our impact on climate change, water pollution, land contamination, energy use, etc.
- We commit to the continuous improvement of our... environmental performance and will be setting targets and goals to ensure that we make progress on our performance in these areas and will transparently report our performance goals and metrics.
- We will listen to the environmental concerns of our stakeholders and we will openly communicate on our policies and management processes.
- We require our contractors and visitors to also comply with all site environmental requirements and will work with our suppliers and contractors, to bring our environmental standards into alignment.
- We will ensure that this policy is periodically reviewed and applied to all of our processes and operations.

Systems, Processes and Programs

The Hikma environmental policy is a framework for integrating environmental and social factors into the management of Hikma's supply chain. It includes compliance with the environmental legislations, prevention of pollution, and the continuous improvement of the Environmental Management System, all the related Standard

Operating Procedures (SOPs), and environmental programs.

Hikma is applying the environmental policy in every unit in order to improve operations from an environmental point of view. Hikma is keen on improving on all fronts including minimizing our impact on climate change, water pollution, land contamination, and energy use, by setting goals specific to the environment and working hard to achieve them. Responsibility for Environment is held by the General Manager in each unit and each business unit is responsible for implementing the company's Health, Safety and Environment policy at its location.

Hikma is keen to do its utmost for the prevention and management of environmental accidents. There are Standards Operating Procedures (SOPs) for prevention and management of environmental accidents within the Health, Safety and Environment Management function.

Actions

In 2011 the HSE policy was a revised and circulated in October, signed and endorsed by Hikma's Vice Chairman.

Actions taken to ensure the optimal results for Hikma's environmental policy include:

- Communicating the HSE policy to employees through awareness sessions, team meetings, newsletters and posters.
- Encouraging employees to participate in Hikma's environmental activities.
- Training employees on the environmental policies and all the related SOPs, to demonstrate the impact of the business on the environment and ways to minimise this impact.
- Periodic internal audits
- Management review meetings
- Promoting sustainable development through on-going initiatives to reduce waste, increase recycling and reduce energy consumption.
- Continuity for the ISO 14001 certification or its equivalent
- Interacting with key stakeholders to resolve issues and help improve environmental performance.

Performance

Our environmental impact is assessed on yearly basis through our Global Reporting Initiative. We have continued with our commitment to achieve the target and goals of ISO 14001 or its equivalent to reduce the environmental impact produced by energy consumption, hazardous waste, water usage and electrical consumption.

By the end of 2011 the coverage of the ISO 14001 certifications was around 25% for Hikma Pharmaceuticals.

Hikma measures the following GRI indicators:

- EN3: direct energy consumption
- EN8: total water withdrawal
- EN22: total weight of waste



Principle Eight:

Undertake initiatives to promote greater environmental responsibility



Commitment

Hikma is committed to promoting environmental responsibility and utilizing environment-friendly processes in all its plants across the Group whenever possible. This commitment can be seen in several official documents such as the Code, Environmental Policy, and the company's Annual Report.

"Hikma strives to protect the natural environment in which it operates, and sees sustainable development as a key element of its role as a responsible business." (Environmental Principle, Code of Conduct).

Through the Community Impact and Support principle in the Code of Conduct, Hikma is *"committed to benefitting the communities in which it works through charitable donations, volunteering and the operation of its social and environmental policies."*

Systems, Processes and Programs

Promotion of the sustainable development of healthcare systems

Hikma joins environmental and social consciousness by promoting the sustainable development of health care systems in areas where Hikma is present or has a commercial interest falls.

Global Welfare

- As a healthcare leader, Hikma is well placed to lead on important health and welfare related issues in the markets in which it operates.
- It can play a valuable role in Jordan on leading on health areas such as TB and cancer care as desired. Equally, it can drive health issues at a global level and/or at a local market level.
- Strong leadership on health and welfare issues relevant to the business and the markets it operates in and strives to operate in will enable Hikma to differentiate itself from its peers.
- These can be health awareness campaigns, provision of free drugs, disaster relief support, education campaign and partnerships with national health bodies.

The oversight of these initiatives lays with the CREC committee which reports to the Board

of Directors and is responsible for sustainable development of healthcare systems within its Corporate Responsibility function (CR), and the implementation takes place with a dedicated CR department.

The Supplier Audit Questionnaire

With regards to environmental matters, the questionnaire asks whether suppliers have:

- ☐ *Obtained certification for environmental, social and or health and safety management system(s).*
- ☐ *Published an environment/sustainability or a corporate social responsibility report (please send copy or provide web link)*
- ☐ *Established formal and regular consultation with local community and other stakeholders*
- ☐ *Decreased use of resources, increased emission controls, or increased by-product recycling*
- ☐ *Marketing of products or services that are specifically environmentally friendly*
- ☐ *Worked to improve local supplier relationships or provided technical assistance to suppliers*
- ☐ *Programs to benefit the local community*
- ☐ *Employee programs - training, health, safety*

Actions

- Hikma deployed reporting systems that aim to reduce energy consumption, waste, greenhouse gas emissions and water consumption: Global Reporting Initiative, the Carbon Disclosure Project (CDP), and the International Finance Corporation (IFC) audits.
- Hikma's Jordan facility continued to improve its operations and achieved a re-certification of the ISO 14001 and AMC obtained re-certification of the ISO 14001 as well as Occupational Health and Safety Standard OHSAS 18001 certification. Hikma facilities worldwide improved their standards as required to be compliant with the ISO re-certification or its equivalent in the country in which they operate. Hikma deploys periodic monitoring for direct and indirect emissions by direct measurement and indirect measurement through KPIs (key performance

indicators) as well as water testing.

- Hikma utilised Suppliers Audit Questionnaires that relate to the environment to help with assessing the suppliers' practices and increase their awareness of responsible operations and business ethics.

Performance

By the end of 2011 the coverage of the ISO 14001 certifications was around 25% for Hikma Pharmaceuticals.

In 2011, further efforts were taken during the supplier audit and the significant suppliers and contractors that were audited increased to 43%.

Hikma measures the following GRI indicators:

- EN3: direct energy consumption
- EN8: total water withdrawal
- EN22: total weight of waste

Principle Nine:

Encourage development and diffusion of environmentally friendly technologies



Commitment

Hikma is committed to promoting environmental responsibility and utilizing environment-friendly processes when possible.

All of Hikma's new buildings will be built in an environmentally friendly manner. Hikma is serious in its commitment to the environment as an integral part of its corporate strategy.

This commitment is stated in several official documents such as the Code, the Environmental Policy, and the company's Annual Report.

Hikma stands by its environmental principle, which is mentioned in the Code of Conduct as follows:

Hikma strives to protect the natural environment in which it operates, and sees sustainable development as a key element of its role as a responsible business.

Hikma continues to work to reduce its impact on the environment, focusing in particular on minimising waste, analysing carbon emissions, monitoring and reducing energy usage, and minimising demands for water consumption

Green Buildings

All of Hikma's new buildings will be built in an environmentally friendly manner. Hikma is serious in its commitment to the environment as an integral part of its corporate responsibility strategy.

Systems, Processes and Programs

The information system for reporting environmental impact, which inevitably leads to improving on technologies and processes, is a standard that is mentioned in the Code of Conduct as follows:

COMMUNICATIONS, DISCLOSURES AND RECORDS

Maintain information management systems to ensure that our records are maintained in compliance with applicable legal, regulatory, environmental, tax, employment, and trade requirements.

Hikma submits reports and data to environmental associations such as ministry of environment and ministry of labor and Civil Defense in Jordan, as well as international organizations. Hikma is committed to fulfilling the ISO 14001 requirements

or its equivalent. It is also dedicated to being an active member of the Carbon Disclosure Project (CDP). It also produces an Annual Monitoring Report to the International Finance Corporation (IFC) as part of its long-standing partnership agreement.

ENVIRONMENTAL AND SOCIAL PERFORMANCE, ANNUAL MONITORING REPORT (AMR)

Hikma prepares a comprehensive Annual Monitoring Report (AMR) for Hikma's facilities and operations for the IFC - part of the World Bank Group. This document displays the environmental and social state and enables Hikma to ensure that its operations meet all the requirements of the local regulatory agencies and applicable World Bank Group (WBG)/IFC policies and Environmental, Health and Safety Guidelines. Systems must be put in place to ensure that environmental externalities stay beneath WBG/IFC maximum levels and host country maximum levels.

Hikma personnel are required to monitor, record, and report environmental monitoring data throughout the reporting period.

As a part of its environmental efforts Hikma initiated a procedure to measure, monitor and record the all environment impact and aspects in our facilities such as air emission, dust, disposal water, electrical consumption, diesel consumption, pharmaceutical waste (hazardous and non hazardous) and used oil by third approved party as per Jordan and international regulations.

Hikma's consideration of the environment is reflected throughout its processes, and this is evident in its purchasing policy, which was updated to state that Hikma is required to install environmentally conscious equipment in its production units.

The improvement on the environmental front for all processes is an ongoing effort.

Actions

Hikma Group is seeking to reduce energy costs and increase sustainability throughout all of its facilities by implementing Energy Conservation Measures (ECMs).

There are three specific objectives surrounding this vision:

- 1) Minimize energy costs

- 2) Maximize sustainability through reduction of carbon emissions
- 3) Reduce reliance on the electricity supply from the public supply network

ECMs consist of two groups of technologies that enable the above objectives to be achieved:

Energy Efficiency technologies enable the energy (both electrical and thermal energy) that is procured to be utilised more effectively within the facility. By improving energy efficiency, the user does not need to use as much energy to deliver the same tasks or processes.

Decentralised Energy technologies enable energy to be produced at or near the point of use, generally from renewable energy sources. This is in contrast to the traditional, wasteful and increasingly costly method of buying energy that is generated in a centralised power station that may be many hundreds of kilometres from the point at which the energy is needed.

We strive to protect the natural environment focusing in particular on minimising waste, analysing carbon emissions, monitoring and reducing energy usage and minimising demands for water consumption.

Energy, Waste and Water

Hikma streamlined its operations during 2011 by introducing energy saving, waste reduction and water use efficiency systems in some of our manufacturing facilities. Employees received training for reducing waste and managing resources more effectively. The Workplace Hazardous Materials Information System (WHMIS) was also introduced to better monitor and manage hazardous waste output. Hikma encouraged employees across the Group to recycle paper in line with the company's commitment to establish an environmentally conscious work force. In addition, minimising water consumption was done by implementing new manufacturing processes that treat water waste for re-use in irrigation, efficient utilisation of water was implemented in manufacturing processes through the installation of a new stage for purification in order make the water re-usable for irrigation.

Moreover, Hikma's state-of-the-art lyophilised plant in Portugal that was inaugurated in 2011 is officially environmentally friendly, according to international standards.

Performance

As a measure of its performance in applying environmentally conscious principles, Hikma continues to improve its operations in all locations. The production facilities have achieved re-certification of ISO 14001 and the OHSAS 18001 or their relevant equivalents worldwide. Hikma is committed to the highest manufacturing standards with multiple FDA approvals.

Protection of water resources

- In the USA the water from utilities was reduced by a third (33.5%).
- Hikma Jordan's well water consumption was reduced by 21.8%
- A decrease of 8.8% in well water consumption was witnessed in AMC Jordan

Minimising environmental impacts from energy use

- In Hikma Portugal facility the energy consumption in the form of electricity was reduced by 14.1%
- In Hikma US facility there was a substantial reduction in electrical energy consumption of 39%
- Hikma Jordan was able to reduce its energy consumption in the form of diesel by 4.7%

- Hikma AMC in Jordan dropped its gas energy consumption significantly, by 41%
- Hikma Portugal was also successful in reducing its gas energy consumption significantly by 43%
- In Saudi Arabia, there was also a decrease by 29.1% in gas consumption.

Waste management (non-hazardous and hazardous waste levels)

- There was a decrease of 42.6% of hazardous waste in Hikma Jordan.
- Hikma Portugal witnessed a decrease of 21.3%
- Hikma USA experienced a reduction of 39.4%
- There was a reduction of non-hazardous waste from utilization for administration work of 62% in the Hikma USA facility.

Hikma measures the following GRI indicators:

- EN3: direct energy consumption
- EN8: total water withdrawal
- EN22: total weight of waste



Principle Ten:

Businesses should work against corruption in all its forms, including extortion and bribery.

Commitment

Hikma does not tolerate corruption in any shape or form and has undertaken strict measures to ensure the compliance of all employees with these standards. As Hikma is a public listed company in the London Stock Exchange, it must abide by the UK Anti-Bribery Act 2010 and implement the Share Dealing Code and Disclosure policies that follow strict guidelines regarding share dealing and prohibit the use of internal information for personal gain or insider trading.

Hikma's core Integrity Principle in the Code of Conduct explicitly states:

Hikma does not condone or participate in any form of corruption and refrains from doing business with those who do not meet its standards.

The Code of Conduct discusses anti-bribery and corruption in detail. Employees are expected to abide by the following standards of behaviour in the way that they conduct business:

Hikma has a zero tolerance of bribery and corruption.

All directors, officers employees, and other individuals working for Hikma and joint ventures in which it has an equity control are prohibited from offering or giving, either directly or indirectly, money or anything else of value, as a bribe or inducement: to make, (or as a reward for making or not making), a decision that is favourable to Hikma's interests; or to seek to gain an unfair business advantage or otherwise influence business activities; or which compromises their judgement or their ability to act objectively.

This standard applies to interactions with to all individuals and corporate bodies with whom Hikma does business – healthcare professionals, customers, suppliers, professional bodies, regulatory authorities, and NGOs – regardless of where they are located geographically.

At Hikma we will:

Act honestly, ethically and with integrity in all company interactions

Not engage in or condone bribery or any other form(s) of corruption

Not give or receive gifts or hospitality where this could give rise to a perception of a corrupt purpose



Compliance, Responsibility and Ethics Committee “CREC”

In light of the UK Bribery Act, there is a Compliance, Responsibility and Ethics Committee “CREC” that reports to the Board of Directors whose main focus has been on formalising Hikma’s existing strong commitment to business integrity, in accordance with the principles of good corporate governance and in compliance with the Combined Code and Markets Law.

The key functions of the Committee are to oversee the Group’s approach to compliance-related issues including the Group compliance function, anti-corruption, whistle-blowing, statements and policies on ethics, conduct, values and principles and at Board level to set and review Group policy in the area of Corporate Responsibility (CR), which is supported by the CR Steering Committee.

The CREC oversaw the updating of the Code of Conduct and that its procedures are in place. In effect, Hikma is committed to engage employees in transparent communications. The Code of Conduct has a Speaking Up standard as follows:

Hikma wishes to encourage an environment in which full, free, and frank discussions can be held on issues that concern our employees. Therefore, Hikma has always had an open door policy regarding communication.

Furthermore, we must hear from those who have any concerns about the ethics and integrity of our business. As part of your commitment to this Code, you have a duty to report to the Company as soon as possible any suspected violations of the Code, its supporting policies or any applicable law or regulations of which you become aware.

Hikma commits to a number of Global Initiatives pertaining to anti-corruption. Being a signatory to the United Nations Global Compact signifies Hikma’s commitment to aligning operations with the UNGC’s ten universally accepted principles, including anti-corruption, and Hikma continues to propagate its commitment for the fourth consecutive year by submitting this Communication on Progress report.

Hikma’s commitment is also evidenced by being a founding member of PACI (Partnering against Corruption Initiatives), an off-shoot of the World Economic Forum. PACI is a business driven global initiative that seeks to fight bribery and corruption. Participants commit to zero tolerance of bribery and the successful implementation of a program to fight bribery and corruption.

Systems, Processes and Programs

The year 2011 marked the first full year of operation of Hikma’s Compliance, Responsibility and Ethics Committee, which focused on formalising Hikma’s strong ethical commitment to business integrity. Full details of the work of the Committee are set out on pages 73 to 75 of Hikma’s Annual Report 2011.

A Head of Compliance and a department has been hired in the Hikma Corporate office, reporting directly to the CREC on compliance issues. Her job is to coordinate the matters of compliance to business ethics and corruption labor policies group-wide and in lieu the practices in the 11 countries that Hikma is located in.

Subcategories have been created with global and corporate functions that will be involved with the Compliance department, in several directions, such as training, audits and investigations.

Hikma’s three divisional business heads have taken responsibility for championing anti-bribery and anti-corruption compliance in their businesses.

Audits and other reporting mechanisms are in place to monitor corruption and anti-competitive behaviour within the group. A full account can be found in the audit committee report. <http://ar2011.hikma.com/images/stories/pdfs/Governance/Committee%20reports.pdf>

Audit Committee

There is an **Audit Committee** which reports to the Board of Directors. The Committee has an annual cycle of work relating to reviewing financial performance and forecasting, results announcements, internal control, risk management and internal and external audit. The Audit Committee consists of five Independent Non-Executive Directors. No members of the Committee have links with the Company’s external auditors.

Internal Audit

Ernst & Young continued its management and execution of the Group’s internal audit function on a global basis under a three year contract which commenced in 2009. The internal audit process focuses on reviewing areas of business risk, internal controls, and financial reporting across the Group’s systems. The internal auditors report directly to the Chairman of the Audit Committee, with regular reports of its findings made to the Audit Committee.

Internal Control

The Board reviewed the effectiveness of the Group's systems of internal controls and risk management during the year and confirms that it accords with the relevant guidance. The Board has overall responsibility for the Group's systems of internal control and has established a continuous process for identifying, evaluating and managing the risks the Group faces. This draws on the on-going output of the finance department on Group performance, the work of the internal auditors and issues identified by the external auditors to the extent covered by their audit work. The Board is responsible for monitoring the ongoing effectiveness of these systems and for conducting a formal annual review of the Group's policies on internal control.

External Audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit, which is undertaken by Deloitte LLP and for monitoring the independence and objectivity of the external auditors.

Speak-up

Speak-up is a whistle blowing practice which is incorporated in the Code of Conduct due to its integral part in Hikma's communications, and states the following:

"Issues are best resolved early on, so that the potential for harm to Hikma, our employees or our counterparties, partners and communities is reduced.

Wherever possible and appropriate, such reports will be kept confidential and the information provided will only be shared with those individuals who need to know it.

Hikma management will not tolerate any form of harassment or retaliation against persons making such reports.

Any reprisals or retaliation taken or threatened because of a report made under this Code would themselves be a violation of this Code.

In most cases, such reports should be made directly to a line manager or supervisor. In cases



in which this is not possible or is inappropriate, the group's compliance officers are eligible and qualified to receive such reports.

Where permitted, confidential reporting lines are also available. Details of other contacts are set out in our Guide to Speaking Up."

Speaking up is a firmly held standard and non-compliance, including a failure to report a suspected or known breach, "can represent serious misconduct, and may result in disciplinary action being taken."

A dedicated "speak-up" hotline is being implemented across the Group. It will be an anonymous hotline run by third-party operators to ensure complete secrecy for all employees.

As part of Hikma's commitment to work against corruption, it makes sure that the stakeholders it works *with* are also fair, ethical and do not engage in nor tolerate any forms of corruption. To understand suppliers' ethical policies and practices, an audit questionnaire is sent out to all suppliers. This measure of performance ensures compliance with international standards in ethical standards as well as environmental and human right standards. This practice is always implemented and new suppliers are always audited, researched and scrutinised.

Actions

- Employees are encouraged to report any suspicious activities.
- There is ongoing education underway on the Share Dealing Code and Disclosure policies to ensure all employees are aware and in compliant with them. Currently, to ensure no insider information is used in share dealings.
- Hikma issues a closed period for employee share dealing two times a year, usually 3 months prior to disclosing company results, and this is communicated clearly to all employees across the Group.
- Training on healthy business practices is conducted to relevant personnel led by the Legal Department, and includes the API department, Finance, Corporate Communications and Medical Affairs divisional heads and senior members.
- The programme of meetings of the CREC expanded over the course of 2011 to oversee the formalization of Hikma's ethical compliance and supervision.

- The CREC administered the compliance function by hiring a Head of Compliance.
- The Head of Compliance networked among different companies and department functions to create awareness of the compliance responsibility within Hikma. Managers were expected to educate their teams.
- Head of Compliance selected a team of people to become the "compliance champions" to assist in the formation and implementation of policies and procedures.
- Compliance Department began updating the policies and procedures, including the Code of Conduct, gift giving policy and speak-up hotline, which will be in effect in 2012 and 2013.
- The "speak up" hotline was set in motion; it is supposed to be functional in the US and in some parts of Europe by 2012 and should be implemented in the MENA during 2013.

Performance

The Code of Conduct was signed by 2260 employees worldwide during year 2011, including managers and non-managers. It is incorporated in the induction process for all employees. It has seen consistency and continuity since it was updated in 2008.

In 2011, further efforts were taken during the supplier audit and the number of responding suppliers increased by approximately 16%. According to the supplier audits carried for environmental and social factors, there weren't any non-conformities uncovered.

Hikma was awarded the 2011 ICSA/Hermes Transparency in Governance Award for the best audit disclosure for a FTSE 250 company. The award is given for clear communication which aides shareholder understanding.

Hikma measures the following GRI indicators:

- SO3: percentage of employees trained in anti-corruption policies





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