

# HIKMA PHARMACEUTICALS



## UN GLOBAL COMPACT

COMMUNICATION ON  
PROGRESS REPORT 2012



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This is Hikma Pharmaceuticals PLC's **Communication on Progress** in implementing the principles of the **United Nations Global Compact**. It covers January 1st until December 31st 2012 and includes a reiteration of commitment from Hikma's CEO to the principles and incorporates sections of Hikma's Corporate Responsibility Report, Hikma's policies, Code of Conduct, and GRI indicators. The report will demonstrate how Hikma is addressing each of the UNGC's 10 universally accepted principles and continues to actively engage in and improve these practices over the years.

**We welcome feedback on its contents.**

## CEO's statement of support for the UN Global Compact



It is my pleasure to present to you Hikma Pharmaceuticals' 2012 Communication on Progress report.

Hikma has been a member of the United Nations Global Compact since 2008. We continue to remain committed to its ten principles and to promoting the Global Compact wherever we operate. As CEO of Hikma, I am proud to reaffirm our continued commitment and support to this essential initiative.

Despite the challenging economic and geopolitical environment in 2012, we continued to grow strongly, surpassing the \$1 billion milestone in revenues. As Hikma's operations grow and evolve, so does its role as a UNGC member taking on greater responsibility for the development, implementation, and disclosure of environmental, social, and governance policies and practices.

The Communication on Progress report signifies Hikma's commitment to aligning its operations with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. It also demonstrates Hikma's business stewardship and dedication to bringing about positive change.

Our continued commitment to those principles is demonstrated in several initiatives which we undertook in 2012. We adopted and published our enhanced Code of Conduct to reflect the UN Guiding Principles and created new training programs to further promote ethical and responsible practices and sales.

Through our work with the International Finance Corporation, we received the *2012 IFC Client Leadership Award* for our sustainable development initiatives, excellence in corporate governance and commitment to local communities. Our mission is not only to ensure the vitality and growth of our business, but to also improve the health of our local and global communities while safeguarding our environment. We will remain diligent in moving towards a more sustainable business by continuously supporting the UNGC and implementing its principles in all aspects of our business.

*Said Darwazah*  
*CEO of Hikma Pharmaceuticals*

## **THE GLOBAL COMPACT**

### **10 UNIVERSALLY ACCEPTED PRINCIPLES**

## Principle One:

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

## Commitment

Hikma Pharmaceuticals has always been committed to maintaining high standards of ethical conduct. Hikma respects human rights as a core value and makes sure to instil high ethical standards in the way it does its business. 'Improving lives' is Hikma's main mission, through providing high quality affordable medication to patients and 'Improving lives' of its local communities and its employees.

The global pharmaceutical Group, which has manufacturing facilities in 11 countries, and offices worldwide, upholds internationally proclaimed human rights by applying uniform ethical standards across its different locations, in compliance with local laws, thereby maintaining a unified Hikma culture.

Hikma's support of Human Rights Protection is reflected on a strategic level through the **Code of Conduct**.<sup>1</sup>

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

*"Hikma respects the dignity and human rights of its employees and others... Hikma is not discriminatory and offers equal opportunities to all."*

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:

## Principle Two:

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

*"Hikma is committed to providing for its employees a safe and secure working environment."*

Proclaimed human rights are upheld across the Group and perpetrated to employees of different functions and levels in the Group's entities. It covers the entire workforce through the **Employees Human Resources Bylaws**.

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

### Code of Conduct

Hikma's Code of Conduct provides all Hikma employees, and others who act for it, with a clear understanding of the principles of business conduct, standards, and ethical behaviour that are expected of them. Every member

of our global team is entrusted to uphold and abide by the principles and standards the Code sets out.

### Implementation of the Code

The Compliance, Responsibility and Ethics Committee (CREC) is responsible for overseeing the development of the Group's Code. The CREC consists of several board members including the Executive Vice Chairman of the Board.

Each year Hikma employees are required to confirm that they have read the Code, have understood it and will abide by its terms.

**Improving  
lives  
is Hikma's  
mission**

Employees also confirm that they understand their obligations to report events of suspected non-compliance with the Code.

The Code falls within the responsibilities of the Head of Compliance, who reports directly

<sup>1</sup> The Code is available on the corporate website:  
<http://www.hikma.com/en/corporate-responsibility/code-of-conduct>



to the CREC on compliance matters and is supported by a group Compliance Manager.

The heads of each business division have taken responsibility to be the compliance champion for their division. They set the tone for business integrity in their operations. This aligns the ownership of good compliance behaviours with the day-to-day business operations.

## People

The Employees Human Resources Bylaws are part of the employees' responsibilities and makes up part of their work contract. The Bylaws and supporting policies meet, and where possible, exceed labour laws and regulations in the countries in which Hikma operates.

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.

## Ethical Suppliers

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 a Supplier Audit Questionnaire 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

Our updated Code of Conduct was published in the fourth quarter of 2012. The Code and supporting policies require that Hikma's employees maintain the highest ethical standards of employment and reflect our commitment to human rights. The Code of Conduct was sent out across the Group and was translated into five main languages of Hikma's locations: English, Arabic, Portuguese, French and German and has been uploaded to the website.

In 2012 over 2000 significant suppliers and contractors were audited by Hikma, specifically in both manufacturing facilities in Jordan, the three company sites in the USA and in Hikma's company in Italy.

## Performance

Employees also confirm that they understand their obligations to report events of suspected non-compliance with the Code. This was performed in 2012 using the new Code, covering 64% of the employees of the business.

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. In 2012 throughout the group over 2000 significant suppliers and contractors were audited, reaching in the USA around 90% of the total 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 secures 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 government 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 light of the Arab Spring, matters of human rights, including workers' rights was at the forefront, and required special attention and effort to ensure that this sensitive current topic was dealt with throughout 2012 without incident. Hikma corporate HR, supervisors and union representatives have open channels of communication and work together to ensure that employees' benefits are comparable throughout Hikma companies in the MENA region. Notably Hikma works hard to ensure that employees' benefits and compensation are higher than the industry average, making Hikma an employer of choice in the region.

As for the Hikma sites in Europe and the US, labour unions abide by the labour laws which have clear and extensive union directives that 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 labour unions in Europe and the US.

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.

Hikma continues to find ways to deepen its ties further with the labour unions and encourage and assist workers, plus increase their awareness about their rights, the benefits of unionization and their roles.

The subjects covered by collective bargaining with trade unions and/or employee representatives include health and safety; remuneration, specifically, salary increases and bonuses; and medical insurance, in addition to undergoing if needed professional and negotiations training.

### Actions

In 2012, union matters were going smoothly. The changes that unions had undergone in 2011 at the wake of the Arab Spring were reaching maturity, especially with the labour unions that were established in 2011 in Arab Pharmaceutical Manufacturing company (APM) in Jordan, and in Hikma Egypt. There were further efforts in Tunisia and Morocco to develop the unions that were already at maturity.

The previous year, unions in Hikma's MENA companies were integrated and involved in the related policies made by the company. The union representatives and the company labour representatives underwent thorough negotiations specifically in the issue of the bonus scheme. In 2012, the channels of communications between Hikma's HR, operators and supervisors continued to be maintained and strengthened. Open dialogue was encouraged.



We fulfilled the planned meeting with International Labour Organization (ILO) for 2012. The ILO held a special meeting with representatives of the leading pharmaceutical manufacturers in Jordan. During the meeting they discussed matters of collective bargaining and trade union liberties of this sector's labourers.

Hikma was invited to join as the leading pharmaceutical company in Jordan. This study was on a national level and the ILO focused on Jordan, since it is a leader in the MENA region in the development of labour legislation and policies. As part of the international efforts in this regard, it was decided to host this meeting in Amman. It presented a platform for the achievements of Jordan and for the exchange of expertise on the latest developments. Participants discussed opportunities to raise the level of labour through pharmaceutical sector leaders' participation.

The ILO forum was done in collaboration with the Jordan Chamber of Industry. Through this forum, participating companies defined challenges and discussed the ILO methods to raise awareness among the labourers to the consequent development of the sector at the local, regional and international levels.

## Performance

There is labour 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, unions are 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.

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 Four:

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

Hikma's Code of Conduct specifically states that:

*"Employee rights are safeguarded and employment laws and regulations are complied with."*

Employment matters standard in the Code of Conduct states the following:

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

Hikma applies ethical labour standards along its supply chain. Hikma will not deal with any supplier who does not honor 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

#### 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.

### Actions

Human Resources ensured that 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 not abided by.

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.

Our updated Code of Conduct was published in the fourth quarter of 2012. The Code and supporting policies require that Hikma's employees uphold the highest ethical standards of employment and reflect our commitment to human rights. The Code of Conduct was sent out across the Group and was translated into five main languages of Hikma's locations: English, Arabic, Portuguese, French and German and has been uploaded to the website.

The supplier audit procedure continued and the results were processed back to the Corporate Responsibility department.

### Performance

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 Five:

Businesses should uphold the effective abolition of child labour

### Commitment

In line with international labour standards and ethical conduct, the employment of children is not tolerated at Hikma. 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 the countries Hikma operates in prohibit the employment of minors under the age of eighteen.

Hikma's Code of Conduct states the following:

*"Hikma is opposed to all forms of forced or child labour."*

This is applied throughout the group by the HR policy of employment which covers full time and part time employees alike.

Hikma applies ethical labour standards along its supply chain. Hikma will not deal with any supplier who does not honor 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 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 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.

#### Suppliers

The supply chain process at Hikma's manufacturing facilities chooses significant suppliers that uphold ethical practices and do not break with internationally proclaimed integrity measures. Our suppliers follow Good Manufacturing Practices (GMP) and our significant suppliers are ISO 14001 and OHSAS 18001 certified or their equivalent.

To ensure all Hikma employees are aware of these standards and abide by them, working with preferred suppliers was incorporated in the Code. Hikma utilises the **Suppliers Audit procedure** to ensure that suppliers conform to international labour laws, including refraining from child, forced and compulsory labour.

#### 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.

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.

Our updated Code of Conduct was published in the fourth quarter of 2012. It was sent out across the Group and was translated into five main languages of Hikma's locations: English, Arabic, Portuguese, French and German and has been uploaded to the website.

The supplier audit procedure continued and in 2012 over 2000 significant suppliers and contractors were audited by Hikma mainly in Italy, Jordan and the US.

## Performance

Our updated Code of Conduct, which was published in the fourth quarter of 2012, was signed by 2913 employees worldwide in 2012, covering 64% of the employees of the business.

In 2012, the significant suppliers and contractors that were audited group-wide for human rights, labour and environmental issues was over 2000; respondents reached in Hikma's US operations to around 90% of the total pool of

suppliers and contractors.

## Recognition

Recognition was received in 2012 for Hikma's excellence in implementing ethical standards, transparency measures and high human rights and labour standards in its facilities in all its locations. Hikma was nominated for "Best Investor Communications Award." It was selected for the International Finance Corporation (IFC) Award for being an exemplary company in terms of CR,

female employment, community efforts and youth employment. We were chosen for the Arabian Business Healthcare company of 2012 Award for our leading position in the MENA.

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.

Hikma commits itself to ethical standards in the Code of Conduct 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.*

*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."*

### Equal opportunities

We believe in the equal treatment of employees, respect for labour standards, and a workplace free from discrimination, favouritism or inequality in any form. At Hikma,

it is a priority that employees are comfortable in their work environment.

Hikma prides itself on being an equal opportunity employer and is dedicated to eliminating discrimination with the company. The Equal Treatment of Employees and Harassments Policy and Procedure states the following:

[At Hikma we believe in] *"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, colour, 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."*

### Health & Safety

People are the single most important factor for a successful business. Appreciating and nurturing our employees is essential in every step of our work. Hikma is committed to its employees' health and safety.

In addition, there is a dedicated **Health, Safety and Environment (HSE) 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 labour 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.

### Systems, Processes and Programs

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.

We provide an outlet for employees to discuss their grievances with HR through a **Grievance Procedure** and have an open door policy that ensures that they are heard and that actions are taken to respect their human rights.

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. 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.

### Health & Safety

We comply with workplace safety standards - OHSAS 18001 standards or their equivalents – in our manufacturing facilities. OHSAS 18001 was aligned with ISO 14001 management systems. Hikma's corporate Healthy, Safety and Environment department manages the environment management requirements from ISO 14001 and manages health and safety risks by continuing to abide by the standard requirements for maintaining the OHSAS 18001 certification by renewing it annually.

### Implementation of Hikma HSE Policy

The global HSE policy is developed further into detailed health and safety processes 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 Health and Safety at Hikma*

Health and safety of employees are monitored at every level of Hikma across its businesses.

#### VP of Operations:

- ▶ The group-wide overall Health and Safety function at Hikma globally is overseen by the VP of Operations who sets annual strategic goals for the Hikma group with the General Managers of every company.

#### 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.

#### Health, Safety and Environment Committee:

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

#### Corporate Responsibility Champions:

- A CR champion in each unit will also work with the representatives appointed to ensure the day to day implementation and communication of the HSE policy is fulfilled.
- The requirements of health and safety such as GRI are reported by the HS supervisor to the CR champion.

To sustain a healthy work environment for our people, Hikma is a member of the Global Smoke-free Partnership (GSP), promoting effective smoke-free air environments since 1994.

We conduct our annual employee welfare week, the 'You Are Hikma' campaign. A global initiative staged at Hikma locations worldwide, 'You Are Hikma' celebrates the company's core values by raising awareness among its staff of health, safety and environmental issues. It emphasizes personal empowerment, encouraging responsible corporate citizenship among Hikma staff and improving their well being and quality of life through positive and valuable educational activities.

#### **Implementation of Equal Treatment of Employees**

The CREC implements the principles of good corporate



governance and ensures the fulfilment of compliance requirements in all areas of the Group's business, which includes the elimination of discrimination in respect of employment and occupation.

As evidence of its commitment to providing a discrimination free environment, Hikma has in place an "Equal Treatment of Employees & Harassment" policy.

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.

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.

Orientation of the employees is the first measure that Hikma fulfils to ensure that its employees are knowledgeable of the rules and laws that protect them.

#### **Actions**

In Jordan, Hikma announced that it will be covering the costs of the government's monetary compensation of fuel, by providing cash payments to Hikma employees who meet the compensation requirements set forth by the

government's mandate to lift fuel subsidies.

In 2012, mandatory occupational training was conducted for all manufacturing operators.

New employees learned about Hikma's Health and Safety Policy as part of their induction.

Awareness sessions on healthy living and stress reduction continued to be conducted to Hikma employees periodically.

This year, Hikma played an active role in promoting smoke-free environments in the private sector by inviting major Jordanian businesses to a session with the King Hussein Cancer Centre's Cancer Control Office to discuss the dangers of smoking in the workplace. As a follow up to this event, an informal coalition of smoke-free Jordanian businesses was established.

In 2012 the induction process was rolled out formally throughout the Hikma Group's companies worldwide by standardizing the stage two of the employees' orientation process in order to be distributed and copied across the Group during the coming year. The process was modified and refined according to best practices and HR's experience, and has been adopted by the various companies in almost identical formats.



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. We sent seven employees last year to continue their education from Jordan, GCC and Egypt.

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 and the significant suppliers and contractors were audited group-wide for human rights, labour and environmental issues.

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.

Through collaboration with HR, CR responsibilities have been officially added to CR champions' KPIs. These responsibilities now represent 30% of their overall job responsibilities. We now have 15 champions across the group,



following the appointment of new champions in Sudan and Tunisia.

We held our annual HR and CR training workshops for employees globally in October to touch base on main issues and introduce the latest global trends in sustainable development and further train our CR champions in GRI.

#### Employee Benefits

Hikma's 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.

The health and safety of our 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.

#### IFC Client Leadership Award

This year, we hosted a team of fellows from Massachusetts Institute of Technology (MIT) Sloan Business School and the International Finance Corporation (IFC) at our headquarters in Jordan for an in-depth study of the company. They were

investigating how companies in emerging markets are investing in sustainability and how they are achieving business success, as a way of promoting good environment, social and governance practices in the private sector.

As a result of this study, Hikma was awarded the IFC Client Leadership Award announced during the World Bank-IMF Annual Meeting in Tokyo in October. Hikma was presented this award for its success in helping to treat patients in more than 50 countries through providing vital affordable medicines. It was also recognized for its commitment to local communities – as an employer of more than 6,500 people, for its support for female workers, for its commitment to applying high environmental standards in production and for its commitment to education and training, especially through the offering internships for young people.

#### Performance

We are an equal opportunity employer, promoting diversity and inclusion. In a region characterized by high unemployment, Hikma employs more than 6,500 employees, 83% of which are in the MENA countries. A quarter of our employees are female, which is double the regional average in the MENA. Females also make up 75%

of Portugal's workforce, and they occupy strategic top managerial positions across the Group.

We invest in the communities in which we are located, hiring local talent and developing the skills of the community's youth. 60% of employees were below the age of 30 in 2012.

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 Seven:

Businesses should support a precautionary approach to environmental challenges

### Commitment

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.*

### 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 process.
- ▶ 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.

Along these lines, Hikma is committed to fulfilling the International Organization of



Standardization (ISO) 14001 requirements or its equivalent in all the productions 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.

Hikma is also required to submit reports and data to environmental associations such as ministry of environment and ministry of labour and Civil Defence in Jordan.

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.

Procedures 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.

## Actions

We are increasingly working to monitor our environmental impact. In 2012, an ISO 14001 surveillance audit was conducted at the main plant in Jordan by SGS Jordan auditors.

This was successfully completed, resulting in re-certification. ISO 14001 certification was also renewed in our plant in Egypt.

This facility was also granted the ISO 9001 certificate for quality management, valid until 2015.

We also continued to monitor our performance against environmental Key Performance Indicators (KPIs). These KPIs are aligned with the Carbon Disclosure Project (CDP) and the global reporting Initiative (GRI) reporting guidelines, which we have been reporting against for three years. Carbon emissions were analyzed in our operations and this year we supplied information on the six greenhouse gases.

## 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.

Hikma measures the following GRI indicators:

- ▶ EN3: direct energy consumption
- ▶ EN8: total water withdrawal

## Principle Eight:

### Undertake initiatives to promote greater environmental responsibility

#### Commitment

Hikma upholds environmental and social consciousness by promoting sustainable development in areas where Hikma is present or has a commercial interest.

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 sustainable development in healthcare systems

As a leading healthcare company, Hikma is well placed to lead on important issues in the markets in which it operates and in turn strong leadership enables Hikma to differentiate itself from its peers.

These can be in the form of environmental awareness campaigns, disaster relief support, education campaigns 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 through a network of CR champions across the group.

##### The Supplier Audit Questionnaire

Hikma utilises 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.

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

##### Sustainability Reporting

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). It also produces an Annual Monitoring Report to the International Finance Corporation (IFC) as part of its long-standing partnership agreement. Hikma is committed to fulfilling the ISO 14001 requirements or its equivalent.

#### Actions

Since desertification is an issue in the MENA region, we try to focus on opportunities where we can enhance the local natural environment. This year we hosted an Arbour Day event, encouraging the local community to plant trees and become aware of their natural habitat. We also collaborated with several organizations that promote planting trees.

In 2011, we were invited to collaborate with the International Standards Organization (ISO), the Jordan Standards and Metrology Organization (JSMO) and the Swedish International Development Cooperation Agency (SIDA) on a project about the use and implementation of the ISO 26000 certification for Social responsibility within the MENA. In 2012, we took part in a related developing country workshop,

where we presented our experiences and joined a panel on social responsibility best practices.

Initiatives have been put in place to promote the recycling of old computers, printers and furniture. These are redistributed across business units or donated externally to charitable organizations.

## Performance

In 2012 over 2000 significant suppliers and contractors were audited by Hikma, reaching in some countries up to around 90% (in the USA).

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 strives to ensure the adaptation of environmentally friendly processes in all its plants across the Group whenever 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.*

#### 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.

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.



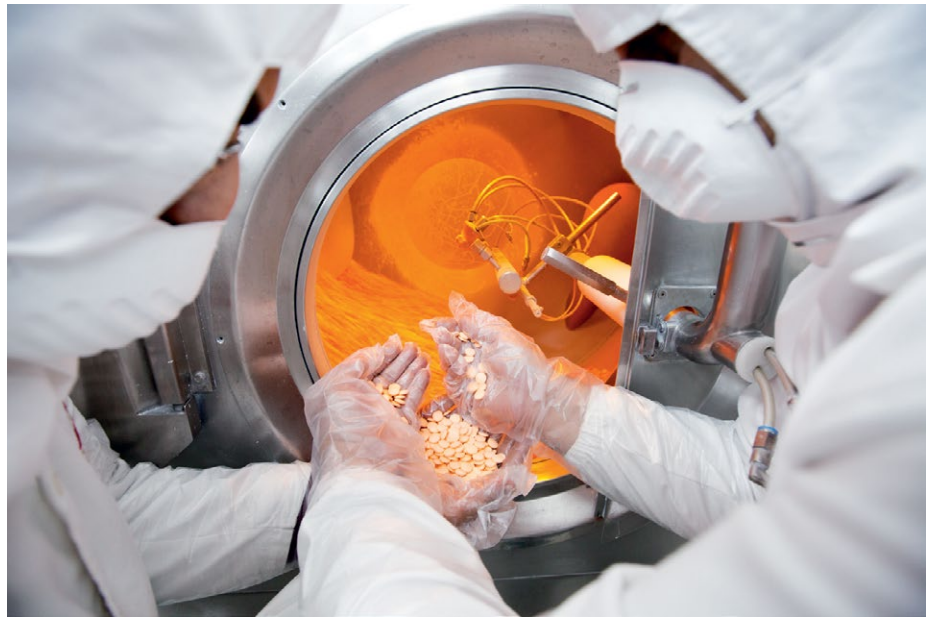
**Decentralised Energy technologies** enable energy to be produced at or near the point of use, generally from renewable energy sources. This is in contrast to the traditional, wasteful and increasingly costly method of buying energy that is generated in a centralised power station that may be many hundreds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

## Actions

Across the group, we aim to minimize our environmental impact by integrating environmental policies and activities into our day-to-day business. New machinery installed in two of our facilities in Jordan will help lower energy consumption and reduce carbon emissions. While providing a clear environmental benefit, this project will also drive cost savings, through reductions in electric, fuel and water consumption.

Hikma partnered with Self Energy and Nakhil Jordanian Investment and Trading Company to explore optimal ways to reduce energy costs, carbon emissions and our reliance on electricity. The project included energy and power utilization assessment of our facilities in six markets, including Jordan, Egypt, Saudi Arabia and Algeria.



Hikma's state-of-the-art lyophilised plant in Portugal that was inaugurated in 2011 became fully operational during this year. It is a fully environmentally friendly building, in accordance to international standards.

## Performance

Hikma's operations were able to reduce Diesel consumption by 14.6% and decrease hazardous waste by 10%.

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

#### BUSINESS ETHICS

**Our commitment to business integrity is crucial to sustain a trusted and responsible image among our stakeholders.**

**Our business ethics are central to the way we do business. 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.**

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 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 Hikma's Anti-Bribery and Corruption (ABC).

The ABC report in the corporate Annual Report states the following:

*Quality and excellence have been the heart of Hikma since its foundation, and Hikma has always been committed to the highest standards of integrity and ethics in the conduct of its business. Hikma has a zero tolerance of bribery and corruption. Hikma will not penalize any individual for complying with the principles enshrined in the Code or in our ABC policies, even at the cost of forgoing a business opportunity, losing revenue or profit or disobeying a superior's instructions. Hikma will discipline staff for ethical breaches in order to maintain its high standards of integrity.*

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 fifth consecutive year by submitting this Communication on Progress report.

## Systems, Processes and Programs

### The Compliance, Responsibility and Ethics Committee (CREC)

The Compliance, Responsibility and Ethics Committee (CREC) consists of several board members including the Executive Vice Chairman.

Within the Company, the Executive Vice Chairman champions Hikma's Anti-Bribery and Corruption (ABC) and Corporate responsibility (CR) programs.

The CREC sets the overall strategy for the group's response to bribery and corruption risks and is responsible for approving the contents of all of the business's policies in areas where ethical judgments are important.

The CREC therefore oversees the group's ABC Compliance Program and is responsible for the framework of the ABC compliance within the group and to ensure

that it operates adequately and effectively.

The CREC reviews group policy in the area of CR at a Board level and is supported in this work by the CR Committee.

The CREC is responsible for overseeing the development of the group's Code of Conduct.

The CREC also oversees Hikma's Speak-Up process for employees to raise ethical concerns, and, where relevant, oversees their investigation.

**Our business ethics are central to the way we do business**

### Compliance Architecture

The group has created a framework that sets out the structure of leadership, delegated authority and ownership for Hikma's ABC compliance program. Operational responsibility and oversight for compliance is assigned by the Board to the Executive vice Chairman, who then delegates responsibility to his management team. The Head of Compliance reports directly to the CREC on compliance matters and his leadership of ABC issues is overseen by the CREC Chairman and the Executive Vice Chairman.

He is supported by a group Compliance Manager.

The heads of each business division have taken responsibility to be the compliance champion for their division. They set the tone for business integrity in their operations. This aligns the ownership of good compliance behaviours with the day-to-day business operations.

### ABC Risk Assessment

As reported in last year's Annual report, in 2011 Hikma undertook a full ABC risk assessment. This was performed by the good Corporation, an independent body who have specialized in business ethics and integrity for over a decade. Good Corporation visited each of our major areas of operation to perform this risk assessment.

As reported, a significant conclusion from the exercise was that Hikma has a strong ethical culture that is deeply embedded within its operations.

### Code of Conduct

In conjunction with undertaking the development of our ABC policies, we undertook a full review of Hikma's existing code of conduct. We benchmarked this code against good industry practice and a peer group of international companies. We also undertook a full internal consultation, encompassing a broad cross-section of management – and benefitted from the input of our external Compliance Consultant.

The updated Code was reviewed by the CREC and proposed to the Board, where it was fully



supported. The new Code has now been translated into the major functional languages of Hikma: English, Arabic, French, German and Portuguese.

Each year Hikma employees are required to confirm that they have read the Code, have understood it and will abide by its terms.

Employees also confirm that they understand their obligations to report events of suspected non-compliance with the Code.

#### **ABC Policies and Procedures**

Using the information gained from the ABC risk assessment, our primary focus in 2012 has been the design and development of new ABC policies, aimed to link our ethical culture to more formal processes.

We engaged an external Compliance Consultant to assist with thought leadership for the development of our framework and policies.

During the year, the Compliance Consultant worked with the compliance function to produce a full suite of ABC policies, together with a framework for their operation and procedures for their implementation. A full consultation with executive management is on-going, encompassing the advice and support of the Compliance Champions, and senior functional and line management within each business division and each significant geography. This process has been undertaken in order to ensure that the policies can and will be applied consistently at every level throughout Hikma.

The focus of the Compliance



Department and the Compliance Champions for 2013 will be to finalize these policies and commence their implementation across the group.

#### **Training**

The development of our policies has been undertaken in conjunction with our on-going focus on education and dissemination of ABC compliance information across the business.

During the year, our employee induction programs have been updated to ensure that each new employee can clearly understand the group's ethical expectations. In addition, increasing awareness has been built within the business for the processes and issues of ABC compliance, with training given to functional and geographical teams across the group, with a particular focus on the MENA region. Formal board training on ABC compliance issues was also performed during the year. This training and communication continues to enhance employees' understanding of bribery and corruption risks, and increases the penetration of compliance issues into the decision-making process for business departments as they consider existing and new business structures.

#### **Speak-up**

The Board understands that it is critical for employees to be

able to raise concerns on issues of integrity without retribution and that appropriate methods of voicing such concerns be available to them.

Hikma has always encouraged an environment in which full, free, and frank discussions can be held on issues that concern its employees.

Therefore, Hikma has an open door policy regarding communication so that it can hear from those who have any questions or concerns about the ethics and integrity of the business.

As part of their commitment to the Code employees understand that they have a duty to report any suspected violations of the Code, of Hikma's policies or any applicable law or regulations.

Hikma encourages employees to report these concerns, and where employees believe that it is not possible or appropriate to report to line management, they may make reports confidentially to any senior manager within the business.

Hikma investigates all reports of non-compliance and takes appropriate action. We continue to encourage all our employees to improve our business by taking advantage of our desire for an open and constructive dialogue.

#### **Corporate Responsibility**

The Executive vice Chairman champions Hikma's Corporate Responsibility program within the Company and is Chairman of Hikma's Corporate Responsibility Committee. The Director of Communications is responsible for CR at an operational level.

The CREC Chairman, Director of Communications, divisional and functional heads, and Company Secretary are members of the CR Committee. The CR Committee reviews, supports and promotes Hikma's CR activities and reports directly to the CREC.

The CR team, led by the Director of Communications, regularly presents developments to the CREC.

#### **Partnering against Corruption Initiatives (PACI)**

Hikma's commitment is also evidenced by being a founding member of Partnering against Corruption Initiatives (PACI), 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.

#### **Responsible Sales**

We actively seek to ensure that responsible sales are maintained. In addition to being an integral part of our code of conduct which is regularly communicated to all Hikma's employees, we are currently finalizing a set of compliance policies and procedures covering all sales and marketing aspects. These policies and procedures are expected to

be launched before the end of the year upon which all sales and marketing teams in the MENA region will be adequately trained to comply with to be integrated in their induction training program.

The program focuses on the MENA sales team where pharmaceutical sales mainly depend on direct contact between the business and doctors through the medical representatives. Hikma boasts a strong sales force of over 1700 medical representative in the region.

### **Actions**

#### **Compliance, Responsibility and Ethics**

This has been the second full year of operation for the Compliance, Responsibility and Ethics Committee. Over the year we have continued to develop our program for Anti-Bribery and Anti-Corruption (ABC) compliance and formalized our oversight of Hikma's Corporate Responsibility (CR) program. The CREC met seven times during the year. The CREC first met in November 2010.

Progress has made towards linking Hikma's strong culture of ethics with formal processes and procedures to help ensure ABC compliance and strengthen our marketplace activities. Our ABC Program moved on significantly during the year, following the completion of the risk assessment in 2011.

A full suite of ABC policies has been drafted that are designed to meet the requirements identified by our risk assessment. This was undertaken with the assistance

of an external consultant with significant industry experience in this area.

Further steps were taken in the training and education of our employees enhancing both their understanding of ABC matters and our processes for the discussion of concerns.

Our oversight of and input into Hikma's CR program has moved to another level over the course of the year.

We formalized the reporting relationship for the Corporate Responsibility Committee to the CREC.

The Corporate responsibility team's undergoes regular presentation of developments in Corporate Responsibility initiatives to the CREC.

In 2013, the CREC will be focused on the on-going development of our compliance program, and further training and education of our employees to build understanding of compliance issues across the group.

This will continue to give our people the tools and information they need to make good decisions when they are faced with ethical issues.

#### **Speak Up**

In 2012 we implemented a dedicated and anonymous telephone reporting line in the US, and added to this with additional telephone and online reporting processes in the EU at the beginning of 2013. We also tested a MENA region reporting line, which we are assessing for roll out over the course of this year. Reports coming through

these lines are reviewed by a management Compliance Committee established for this purpose and by the Chairman of CREC for potential consideration by the full Committee.

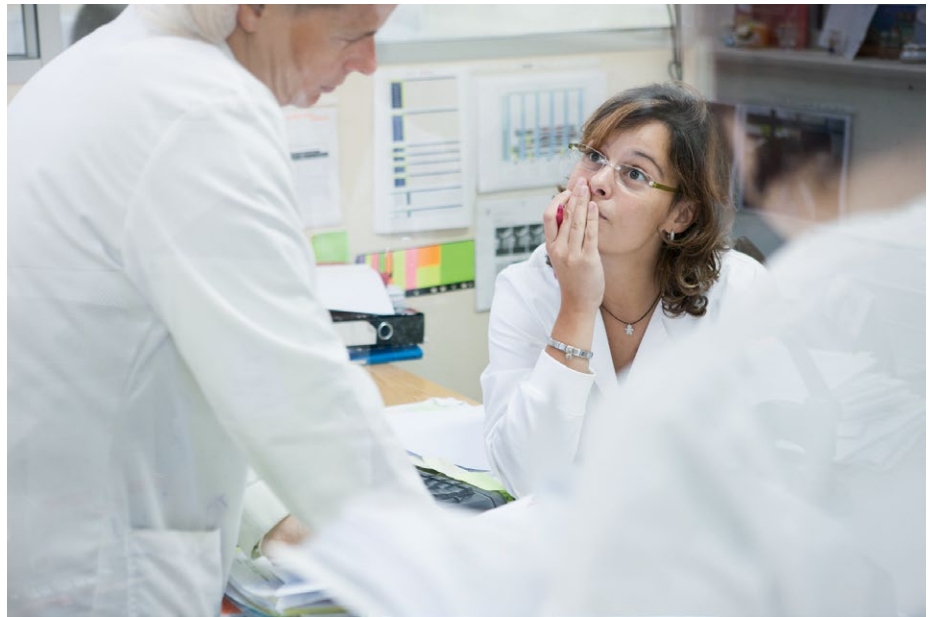
### Transparency Measures

Our image as a responsible and trusted organization is important to us. Communication standards were formalized in 2012 to maintain a unified image across our platforms, which encompass the virtual online platform as well. An extensive social media policy was distributed to Hikma's employees worldwide and has become part of their employment contract to ensure responsible and ethical participation in both Hikma endorsed and other social media platforms. We also created formal Hikma accounts in the main and relevant social media outlets.

We welcome external stakeholder engagement and are transparent in our business activities. Our sense of responsibility and transparency was displayed in our cooperation and openly responding to ethical audit organizations, which in turn helped our ethical investment opportunities making Hikma a more attractive prospect for 'green' investors.

As a founding member of PACI, we continued to work with businesses around the globe to combat bribery and corruption, as this initiative requires a commitment to zero tolerance of bribery in all its forms.

In April 2012, the CR Department of Hikma's Saudi Arabian facility, JPI, was registered in the Chamber of Commerce in Riyadh as one of the pioneers in this field.



### Ethical Suppliers

The supply chain process at Hikma's manufacturing facilities chooses significant suppliers that uphold ethical practices and do not break with internationally proclaimed integrity measures. Our suppliers follow Good Manufacturing Practices (GMP) and our significant suppliers are ISO 14001 and OHSAS 18001 certified or their equivalent.

### Responsible Sales

Training of the employees is the first measure that Hikma fulfils to ensure that its employees are knowledgeable of the rules and laws that protect them. 2012 saw the formalization of the sales training program refined according to best practices and HR's experience. A complete assessment was done to the sales force comprising medical representatives and supervisors. The HAP assessment measured their technical and sales abilities as well as the coaching and supervisory skills of supervisors.

The training program was established in 80% Hikma's companies in the MENA region. The program focuses on the MENA sales team where Hikma has a strong sales force of over 1700 medical representative in the region.

### Performance

Our updated Code of Conduct, which was published in the fourth quarter of 2012, was signed by 2913 employees worldwide in 2012, covering 64% of the employees of the business including managers and non-managers.

In 2012 throughout the group over 2000 significant suppliers and contractors were audited with varying degrees of responsiveness in each country, at the most the response rate in the US operations reached around 90%.

### Recognition

Recognition was received in 2012 for Hikma's excellence in implementing ethical standards, transparency measures and high human rights and labour standards in its facilities in all its locations. Hikma nominated for "Best Investor Communications Award." It was selected for the International Finance Corporation (IFC) Award for being an exemplary company in terms of CR, female employment, community efforts and youth employment. We were chosen for the Arabian Business Healthcare company of 2012 Award for our leading position in the MENA.

Hikma measures the following GRI indicators:

► SO3: percentage of employees



For further information please contact:

**Hikma Pharmaceuticals**

P. O. Box 182400

11118 Amman - Jordan

Telephone: +962 6 5802900

Facsimile: +962 6 5827102

[www.hikma.com](http://www.hikma.com)