

HIKMA PHARMACEUTICALS



## UN GLOBAL COMPACT

COMMUNICATION ON  
PROGRESS 2013



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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 2013 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.**

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



It is my pleasure to present to you Hikma Pharmaceuticals' 2013 Communication on Progress report.

Hikma Pharmaceuticals has been an avid member of the United Nations Global Compact since 2007. We continue to support the ten principles and to align our operations with the Global Compact in all our locations. As Chairman and CEO of Hikma, I am proud to confirm our continued commitment and support to this paramount initiative.

Hikma has continued to grow strongly in 2013, as a multinational pharmaceutical group publicly listed in the LSE. I am proud to say that Hikma now has 27 manufacturing facilities in 11 countries across four continents. As Hikma progresses so does our responsibility towards our people, the communities where Hikma is, and the environment.

As we grow and expand our locations we also grow our personal culture. Our multi-cultural workforce enables us to experience rich and diverse cultures and understand their intricacies, which in return allows us to better understand the needs of our patients in differing communities.

Our locations are spread over different geographies, climates and environments. Our responsibility has had to deepen and develop to adapt to the needs and requirements of these various ecologies. As a pharmaceutical manufacturer we strive to reduce our impact on the environment and adopt environmentally friendly technologies.

Hikma's Communication on Progress shows how we are adopting the ten universally accepted principles into the foundations of our business, in the areas of human rights, labour, environment and anti-corruption.

Our mission, simply put, is improving people's lives. 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

Employee welfare and education are some of the main principles that have been guiding Hikma for the past 35 years; the preservation and respect of human rights is taken seriously in Hikma and embedded throughout the whole company, from the board of directors to the operational functions. Hikma has always been devoted to upholding high standards of ethical conduct. 'Improving lives' is the main mission of Hikma and is implemented by providing high quality affordable medication to patients and improving the lives of its local communities and its employees.

Hikma's corporate strategy centers around two themes – wellbeing and education, and four key platforms – Hikma's people, community, environment and global welfare and ethics. These platforms reflect Hikma's commitment to its employees and community, which in turn reflects Hikma's alignment with the Compact's principles.

The company has manufacturing facilities in 11 countries, sales in over 50 markets, more than 7,000 employees and worldwide offices. In each area Hikma endorses the internationally proclaimed human rights by applying uniform ethical standards in all its different locations, in compliance with local laws, thereby maintaining a unified global 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."*

The employees' right to health and safety is a fundamental part of the company's responsibility towards them. Hikma has a strong health and safety mandate with health and safety policies enforced in all levels, as seen in the Code of Conduct:

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

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

Hikma applies Human Rights standards along its **supply chain**. Hikma does not deal with any partner or supplier who does not honour international labour standards, as stated 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."*

The company's corporate values were also revisited in 2013. Hikma has been running on ethical pillars since the day of its establishment; the company's founder is a strong advocate of ethics in business, and has instilled a humanitarian approach in the way employees conduct their business at Hikma. This began with providing high quality affordable medications to patients in need, and had later spread to the company becoming

environmentally conscious as well as active members of the community wherever a branch of the company is.

In 2013 Hikma streamlined its corporate values by involving the stakeholders of the company. This started from top management in Hikma and was administered from the top level down. All the corporate values became unified. The values were communicated to all employees and posters were placed in all the offices in Hikma Corporate. In 2014 all the corporate values will be rolled out in all of Hikma's worldwide locations.

Four corporate values were identified:

- **Integrity** - Acting with honesty and honour without compromising the truth
- **Drive for Excellence-Quality** Holding people accountable to the highest standards of performance
- **Respect** - Showing consideration for one another, recognizing each other's differences, needs and expectations
- **Transparency** - Implying openness, communication and accountability. Operating clearly and openly, making it easy for others to observe performance

## Systems, Processes and Programs

### Administration Programs

Hikma recognizes that one of its most important assets is its employees, and therefore strives to provide the upmost care for its personnel and their families. Some of Hikma's advantages that make the company unique

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

are providing ample income and numerous benefits to its staff, as well as special child care assistance programs to working mothers and the employment of handicapped persons.

Education is also a key element in Hikma; there are numerous programs available for employees who are interested in advancing their education. Programmes such as Hikma's Continuing Education Scheme offer full funding for eligible qualified employees to pursue their higher education. There are also internal company programs which center on the theme of continuous education, such as management rotation plans, in which employees are encouraged to spend some time in other departments in order to become exposed to different parts of business and obtain a fresh thinking perspective, as well as the opportunity to build a diverse range of skills and experience.

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

## Actions

In Hikma Jordan a new employee committee known as **Zamaleh** (Arabic for colleagues) was established through transparent and democratic measures, to ensure that the company and the employees' best interests are served in a healthy and open way. Zamaleh serves as a gateway between operations and management, and was created in order to safeguard employees'

rights and for employees to have a strong voice.

The committee was created by election; employees voted for their preferred representative members in accordance to a set of guidelines. In order to ensure that communication was productive between employees and the company an initiative to educate the members of Zamaleh took place.

In order to ensure employee personal rights are being upheld and there is no dissatisfaction in the company, the Hikma CREC (Compliance, Responsibility and Ethics Committee) created a system in order to make sure employees have a confidential, anonymous outlet to report to, if the need ever arises. Anonymous reporting "speak-up" hotlines are currently in place in the U.S and Europe. These hotlines go directly to the compliance team, the VP of Corporate HR and the General Counsel. Hikma has plans to expand this system globally in the coming year. Hikma is also working on a web - based compliance reporting system where employees can report their concerns in a confidential and anonymous manner, which will be launched in January 2014.

The CREC also ensured that employees confirmed that they understand and abide by the Code by signing it.

In 2013 Hikma continued to train its employees regularly. The company focuses on annual worldwide training in order to continuously advance and challenge its employees. Factory operators took mandatory technical training sessions in order to ensure their health and safety while at work.

## Performance

In 2013 the company streamlined its auditing procedure by identifying its major suppliers and doing a more extensive audit of their supply procedures. 70% of the significant suppliers have undergone screenings on human rights.

In 2013 employee training continued across the group, with 972 training sessions conducted in Hikma's main sites that include manufacturing operations: Hikma Corporate, Jordan, APM, Portugal, Morocco, Algeria, Sudan, Egypt and the US; with a budget of \$ 1,811,732 spent on training in these sites.

Our Code of Conduct was signed by 100% of senior management during the year.

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 Two:

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



## Commitment

Hikma has a very strict no tolerance policy when it comes to human rights abuse; Hikma will not work with any company that has any kind of negative relation in terms of abuse.

Hikma applies Human Rights standards along its **supply chain**. The company will not deal with any supplier or partner who does not honour the 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 applies Human Rights standards in all levels of the company and with all its businesses. Hikma does not deal with any partner or supplier who does not honour international labour standards.

## Health and Safety

One of Hikma's main priorities is its employees; in order to maintain a successful business the employees of the organization should be happy. Hikma is committed to its employees' health and safety.

The company has a comprehensive **Health, Safety and Environment (HSE) Policy** that is validated by upper management. The policy is on a global scale which applies to all Hikma 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 wellbeing 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

### Code of Conduct

Hikma's Code of Conduct clearly states the principles of business conduct, criteria and ethical behaviours that are expected of each employee as well as any related business party. Every employee has a clear understanding of the principles that are stated in the Code and abides as such.

### Implementation of the Code

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

Each year Hikma employees as well as new employees are required to confirm that they have read the Code, have understood it and will abide by its terms. New employees are required to sign that they have read and understood the Code and have agreed to fully comply with the standards contained in it. Hikma employees are obligated to report

any violations that may occur. If the employee does not wish to report to line management, he/she can report in a confidential manner to the Compliance Department, any member of the Hikma legal department, Hikma Corporate HR, or Hikma's speak-up reporting service.

## People

Human Resources Bylaws have always been a part of the employees' responsibility at Hikma and takes up a large portion of their work contract. The Bylaws and supporting policies meet and surpass labour laws and regulations in the countries where Hikma operates.

Hikma takes great precaution with employee's health and safety; employees are trained to operate in a safe and secure manner in their work environments. The company takes every available precaution in order to diminish if not eliminate all risks - this is done by ensuring that all health and safety regulations are both properly understood and complied in order to protect the employee.

At Hikma employees enjoy a work environment that is free from substance abuse, including smoking. Hikma has a strict no-smoking policy worldwide. Unofficially Hikma has advocated an anti-smoking environment since its establishment in 1978; officially Hikma became a completely smoke free company since 1994. Hikma is a member of the Global Smoke free Partnership in all its facilities, from the company offices to Hikma's transportation cars. Hikma is also certified as a non-smoking company from the King Hussein Cancer Center.

## Ethical Suppliers

Each year Hikma audits the companies it is in partnership with in regards to company employment practices, through the **supplier audit procedure**. The practice was initiated in 2007 whereby all suppliers and contractors that deal with the company underwent human rights screening. Hikma also utilises Suppliers Audit Questionnaires that relates to all the UNGC principles to help with measuring the suppliers' practices while also increasing awareness for responsible operations and ethics practices.

## Health and Safety

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

### Implementation of Hikma HSE Policy

The global HSE policy is further enhanced into comprehensive health and safety processes for each unit and function. The management of each unit is responsible for implementing these policies into their units. These policies are constantly updated and strongly enforced in order to protect employees from any unnecessary injuries.

### The health and safety processes are:

Employee Health:

- All Hikma employees will

be provided with Health Insurance for themselves and their immediate family, with the option of adding some members of the extended family for a small fee.

- Some additional health insurance benefits include adding on cancer insurance for the employee with the option of adding some immediate family members for a small fee, depending on the different countries in which the company is located.
- It is the responsibility of the employee to inform his or her superior of any health conditions or illnesses which may affect employee job performance.

Accident Prevention:

- In order to ensure continuous employee protection is maintained the safety rules and procedures are posted in all Hikma plants and administration buildings. Managers and supervisors are expected to administer those rules; employees who not comply with the safety procedures will be dealt with sternly.
- If any accident does occur Hikma has clear company exits for the employees to use; employees have been trained on how to respond to emergency situations.

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 necessitates using specific equipment.

Monitoring, Reporting and Communicating:

- If any injury occurs during working hours for employees the managers of the division

should immediately report the injury, where it should be forwarded to the Human Resource department, the HSE supervisor and General Manager and dealt with accordingly.

- Through collaboration with HR, CR responsibilities are a part of CR champions' KPIs. These responsibilities now represent 30% of their overall job responsibilities.

Learning and Development:

- Hikma is a company that believes in continuous learning and education. If an employee expresses a desire for higher education and fits the profile the company provides higher education scholarships.
- The company creates 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 VP of Operations sets the strategic goals for the group-wide overall Health and Safety functions of every company with assistance from the General Managers.

General Manager:

- The Health and Safety instruction 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 allotted in each manufacturing unit to take responsibility for confirming policy implementation in addition to compliance with the local regulations.



- If needed, the HS supervisor allocates the appropriate resources at all levels of the organization to certify the required compliance. This may include roles for a Fire Officer and a First Aid officer.

#### HSE Committee

- All manufacturing units have a devoted HSE Committee to oversee that operations are in line with the HSE policy.

#### Corporate Responsibility Champions:

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

## Actions

Hikma's updated Code of Conduct was published in the fourth quarter of 2012. It has been translated into five main languages of Hikma's locations: English, Arabic, Portuguese, French and German. It was circulated to all of Hikma's employees and been published on the corporate website. In 2013 employees continued signing the Code in their respective languages.

In 2013, mandatory occupational training occurred for all manufacturing operators, as well as corporate training for all Hikma employees in order to ensure their career advancement and individual growth.

As part of the induction for new employees, the Health and Safety Policy was included in the induction process.

An awareness session on healthy living and stress reduction continues to be conducted to

Hikma employees periodically.

The CR Champions carried out several campaigns such as the "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. We now have 16 champions across the group, following the appointment of new champion in Morocco. The company holds annual HR and CR training workshops in October for employees globally to renew communication 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 that in some countries is stronger and more extended than the official government maternity leave regulations, retirement provisions through social security, and a provident fund. There are different benefits provided to employees of different countries according to local regulations and job requirements, such as cancer insurance for the employee as well as his immediate family.

The Health and Safety of our sales divisions are covered by training, the employees are provided with class A medical insurance. The company offers high quality safe cars to medical representatives, since the medical representative teams require a lot of trips to doctors.

## Performance

Employees also confirm that they understand their obligations to report events of suspected non-

compliance with the Code. The Code was signed by 100% of the senior management during the year.

In 2013 the company streamlined its auditing procedure by identifying its major suppliers and doing a more extensive audit of their supply procedures. 70% of the significant supplies have undergone screenings on human rights.

## Health and Safety

In 2013 Hikma JPI, KSA & Egypt were renewed for the OHSAS 18001 and the ISO 14001. Hikma Jordan remains valid till 2014. Hikma Jordan passed the last surveillance visit of the ISO14001 with zero nonconformity;

In 2013 Hikma Jordan received the CH11/2016 certificate for the OHSAS 18001: 2007 certification till December 2014, for meeting the requirements of the Design and Manufacturing of Pharmaceutical Products.

Hikma Jordan also received the CH08/0686 certificate for the ISO 14001: 2004 certification till May 2014, for meeting the requirements of the Design and Manufacturing of Pharmaceutical Products.

The company also passed the surveillance visit of the OHSAS with zero nonconformity as well. Both the OHSAS and the ISO were renewed to 2014.

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

The more the company expands the more effort Hikma puts to ensure that all employees' basic needs are met and enhanced as per requirements of the different country locations. Therefore it is vital that Hikma upholds the freedom of association needed 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

The company has always strived to have clear, concise and transparent means of communication, be it with its employees, stakeholders, or outside sources. Internally all the different levels of Hikma employees have clear communication channels. In the MENA region Hikma corporate HR, supervisors and union representatives have open means of communication to ensure that employee benefits are equivalent throughout Hikma. Externally the company works hard to ensure that employee benefits and compensation are higher than the industry average.

In every country where the company union is represented, employees are covered by collective negotiation agreements signed by the General Manager of that site and the Union Leader.

The management sector in the company constantly continues to improve its relationship with the unions by educating them on their rights, establishing fair negotiations and improving their benefits. The subjects covered by collective bargaining with trade unions and employee representatives include health and safety; payment compensation plans which include salary enhancements and bonuses; medical insurance in terms of increasing the scope of hospitals and doctors, making the insurance more readily available for family members and persons who are chronically ill and need constant visits, in addition to training sessions if required.

## Actions

In Jordan, some changes took

place with the unions in 2013. Lots of negotiations relating to labour rights occurred. Pursuant to these negotiations in Jordan, employees' reasonable demands were met, including:

Overall improvement of insurance benefits - a wider network of doctors and hospitals was introduced. Coverage was improved and treatments for additional diseases were included in the insurance plan as well as a larger circle of treatments. Further consideration was given for extended coverage if the employee's health required it so, or for family members.

Financial demands were reconciled by adding a 'cost of living' expense to employees' monthly salaries.

Hikma encourages unions work to provide a voice to employees. In Egypt, a lot of change was experienced by people after the revolution; this was reflected on the work force, and accordingly, some disturbances were felt. Hikma was in tune with these changes and in 2013 an official union was established after following a democratic and transparent election. Representatives were elected by voting as per constitutional laws. These representatives improved relations between management and labourers, and the union proved to be a beneficial tool to opening up channels of direct communication through the union.

The new union in Egypt absorbed the high demands of the employees, and built stronger ties and more favourable relations with the employees. A new agreement was set that had a stronger consideration for labourer rights, such as giving the temporary factory operators the

option of becoming permanent employees, which would in return cover more benefits and guarantee full employee rights. This led to the establishment of trust between employees, especially factory workers and management.

Improved employee education was also vital for the employees in Egypt to deepen their understanding of the benefits available to them; some employees were unaware of the full extent of their already available insurance. Orientations were given specifically in relation to the medical insurance to ensure that all employees were aware of their full rights and benefits. Awareness lectures in specific to the financial aspects were given to employees such as salary structures, overtime calculations and salary increase guidelines.

In 2011 Hikma entered the Moroccan market by acquiring the company Promopharm, shortly afterwards a formal agreement became established between management and the union. This agreement is annually revised to ensure smooth affiliations with the employees. In 2012, employee relations continued smoothly after enhancing the agreement that had been set. In 2013 the union agreement with Hikma became more formalised with significant improvements in the salary scale and an increase in employee benefits were added.

As for Europe and the U.S, no changes were made to the unions, and no incidents were reported. The unions are treated in a just manner and are reported satisfied with no complaints. The unions abide by labour laws which are presented in a coherent manner, and have clear union

directives that are fully enforced by specialized company staff.

## Performance

The company has union labour representations in all of Hikma's European sites: Portugal, Italy and Germany; as well as in the US facility. In the MENA, union representations are present in Morocco, Egypt, Tunisia and Jordan. This is a total of 8 locations out of 11 countries, equivalent to 73% of Hikma Pharmaceuticals worldwide. In the remaining sites, employees are represented by members of the HR department.

The average employee wages, salaries and bonuses in 2013 was 221 million, which is an increase of 11 million from 2012.

The total remuneration of staff in 2013 was 319 million, which is an increase of 25 million from 2012.

The company focuses on annual worldwide training in order to continuously advance and challenge its employees. In 2013 training continued across the group, with 972 training sessions conducted Hikma's main sites that include manufacturing operations: Hikma Corporate, Jordan, APM, Portugal, Morocco, Algeria, Sudan, Egypt and the US; with a budget of \$ 1,811,732 spent on training in these sites.

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

#### Principle Five:

Businesses should uphold the effective abolition of child labour





## Commitment

### Labour Standards

Hikma Pharmaceuticals prides itself on possessing high labour standards that are consistent with globally accepted labour requirements. Ensuring our employees are properly taken care of is one of the core values and principles that Hikma was built on; this is shown in all of Hikma's divisions as well as with all of the company that Hikma affiliates and does business with.

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 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."*

In line with international labour standards and the ethical conduct that the company is committed to, the employment of minors under the legal age is not

accepted by any means. Hikma prides itself in abiding by the local labour laws in each of its localities and in some cases, exceeding them. The company has zero tolerance policy in conducting any kind of business either with or in affiliation with companies that employ child labour. The labour laws in all the countries Hikma operates in clearly 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 strongly enforced in all Hikma companies through the HR departments for both full and part time employees. This is also ingrained in Hikma's guiding principles and its ethical conducts.

Hikma applies ethical labour standards along its supply chain. The company does not do business with any supplier who does not honour the 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

The company follows rigid accountability procedures that require immediate action of reporting to any labour neglect. These actions entail a **Grievance Procedure** that permits employees to notify HR of any labour grievances they experience;

HR then takes measurements to solve the issues in a timely and responsible manner. Hikma prides itself on having an 'open door policy' whereby employees can go up to upper management or the CEO of the company and inform them of their grievances; measurements have also been taken for employees who wish to anonymously report any complaints. The company created a system where employees can call a hotline anonymously if they ever need to report any grievances. The hotlines go directly to the CREC compliance team, the VP of Corporate HR and the General Counsel.

### Suppliers

The company, in specific the supply chain process at Hikma's manufacturing facilities goes to great lengths to ensure that it chooses suppliers that uphold high ethical practices and do not break with internationally proclaimed integrity measures. The supply companies that work with Hikma follow Good Manufacturing Practices (GMP) as well as being ISO 14001 and OHSAS 18001 certified or their equivalent.

In order to safeguard that all Hikma employees globally are aware of these standards and comply with them, working with preferred suppliers is incorporated in the company's Code. Hikma utilises the **Suppliers Audit procedure** to ensure that suppliers follow international labour laws, including the nonparticipation of child 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

The Human Resources department in all Hikma companies confirm that employee bylaws, which abide with local labour laws, are firmly followed by all Hikma employees. Orientation and training is also done for new employees in regards to the company legalities; new employees are also required to sign upon entrance that they have read and acknowledge the company's Code. Employee bylaws are circulated to the new employees and clarified 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. Any grievances received by managers were processed to HR and dealt with in a timely manner, and appropriate measures were taken.

Our updated Code of Conduct was published in the fourth quarter of 2013. 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 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

Our updated Code of Conduct, which was published in the fourth quarter of 2013, was signed by all Hikma employees. Every year employees are required to confirm that they have read the Code, have understood it and will abide by its terms. Employees also confirm in writing that they understand their obligations to report events of suspected non-compliance with Code. In 2013, we achieved 100% signatures from all senior managers across Hikma world-wide.

In 2013 the company streamlined its auditing procedure by identifying its major suppliers and doing a more extensive audit of their supply procedures. 70% of the significant supplies have undergone screenings on human rights.

### Recognition

In 2013 Hikma was nominated for "Transparency in Governance Award" by ICSA for the category "Best Board Disclosure" for the FTSE 250 companies, which relates to Hikma's governance disclosures in the annual report and accounts.

In 2013 Hikma was granted the "Building Public Trust Award" by PriceWaterhouseCoopers (PwC) for the category "Best Executive Remuneration Reporting" among the FTSE 250 companies for best practices in reporting.

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 strives to ensure a work environment that has no employee discrimination in any form; this is emphasized in the company principles. As mentioned in the Code of Conduct, the company upholds itself to certain ethical standards as stated below:

*"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

One of the company's main priorities is to ensure that its employees have a comfortable

work environment; Hikma seeks to maintain a work atmosphere that has no favouritism or inequality among the ranks of the staff, an environment that is free from discrimination or any kind of inequality.

The company believes in providing equal opportunities for all employees and potential candidates, as stated in The Equal Treatment of Employees and Harassments Policy and Procedure:

*[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."*

Hikma also verifies that the companies it partners, does business or affiliates with also upholds and enforces the anti-discrimination laws.

## Systems, Processes and Programs

Hikma enforces a worldwide recruitment policy that states the necessity for *"equal employment opportunity in hiring"* in the globally recognised standards of equal opportunity.

The Human Resource department has an outlet for the staff to confer any grievances that they may have through a **Grievance Procedure**, which has an open door policy where it is ensured that the employees' issues are heard and the appropriate actions

are taken, with the understanding that there are no repercussions whatsoever to the employee in question.

The labour laws that are in place in the Hikma US facility are in agreement with the Americans with Disabilities Act of 1990 (ADA). This act ensures that it is against the law to discriminate in employing 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 law is enforced by the U.S. Equal Employment Opportunity Commission and State and the local civil rights enforcement agencies that work with the Commission.

### Implementation of Equal Treatment of Employees

The CREC committee implements the principles of good corporate governance and ensures the completion of compliance requirements in all areas of the Group's business, including eliminating discrimination in terms of employment and occupation.

Hikma strives to enforce an *"Equal Treatment of Employees & Harassment"* policy. In order to confirm that all employees are aware of this policy the company enforces management to circulate the policy to their staff and update their policies manual.

During the hiring process, recruiters are instructed and trained to eradicate any kind of discrimination and abide by the equal treatment of employees policy. The company also affirms

that employees are well-informed of the laws and rules that protect them.

## Actions

In 2013 some changes in orientation were made in Hikma Corporate, where the orientation was completely redrafted and became more systemized, taking place every two months.

In 2012 Hikma Corporate systemized the training system in the company by creating the Hikma Training and development department. In 2013 the **Hikma Induction Program for medical representatives** was developed and launched. The program entails the framework in which all the activities involved in the initial training for any new medical representatives to join Hikma are organized, which include the best delivery of the company basic information, required basic selling skills, medical and product knowledge. The training program is aimed at medical representatives as well as field managers, which are conducted on a four year basis.

The company focuses on education and wellbeing in its corporate responsibility themes. Hikma grants scholarships for higher education to its employees, providing they fit a certain criteria. In 2013 the company sent eight employees from different departments to different universities to continue their higher education, in both BA and MA degrees.

All new employees before entering the company take a medical exam which is covered by the company in order to enhance employees' health. Additional periodic examinations may be

required from time to time, which are also provided by the company. Hikma also gives out annual flu shots to all employees who choose to take the shot also at the expense of the company.

## Performance

The company prides itself on being an equal opportunity provider. In a politically unstable region that is characterized by high unemployment, Hikma employs more than 7,067 employees, 78% of which are in the MENA countries. A quarter of our employees are female. Females also make up 77% of Portugal's workforce, and they occupy strategic top managerial positions across the Group.

The company strives to boost and improve the communities in which it is located, as well as invest in the community's youth. In 2013 60% of employees were below the age of 30.

The average employee wages, salaries and bonuses in 2013 was 221 million, which is an increase of 11 million from 2012.

The total remuneration of staff in 2013 was 319 million, which is an increase of 25 million from 2012.

The company focuses on annual worldwide training in order to continuously advance and challenge its employees. In 2013 training continued across the group, with over 972 training sessions were conducted in Hikma's main sites that include manufacturing operations: Hikma Corporate, Jordan, APM, Portugal, Morocco, Algeria, Sudan, Egypt and the US; with a budget of \$ 1,811,732 spent on training in these sites.

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

As our role in the community develops and we become further integrated in society, Hikma recognizes its role as an agent of change. In the Code, the Citizenship Principle 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 adopts a preventive approach towards the environment within its operations, as stated in the Code's environmental principle:

*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

Hikma's Health, Safety and Environment policy ("HSE") commits us to environmental standards from the top strategic level to the operational level at every unit:

*Hikma expects all its units to ... maintain an operation that minimizes all adverse 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 actively encourage the engagement of our staff at all levels to ensure implementing and maintaining the standards we set.*

## Systems, Processes and Programs

Our supply chain integrates environmental and social elements guided by the framework of Hikma's HSE policy. The management of Hikma's supply chain ensures that manufacturing processes comply with and exceed where possible, the relevant local and international environmental legislations.

The HSE policy is endorsed by the Vice Chairman of Hikma Pharmaceuticals, Mr. Mazen Darwazah. The HSE function is governed by the General Manager in each unit and each business unit is responsible for implementing the company's HSE policy at its location. Training sessions and awareness material are given about the policy to communicate it to the entire staff.

Hikma monitors, sets goals and targets, and strives to achieve them annually; pertaining to our impact on climate change, water pollution, land contamination and energy use. Resources and programs are provided to reduce carbon emissions due to our operations. Our environmental standards are reflected across our supply chain and we will interact with our key stakeholders to resolve issues and help improve our performance and open

channels of communication for an effective dialogue. Contractors and visitors on any of Hikma's sites are required to follow our environmental standards.

Moreover, this is an active process whereby Hikma ensures the continuous improvement of its Environmental Management System, including all the related Standard Operating Procedures (SOPs), and environmental programs.

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

The ISO 14001 management systems are steered by Hikma's Health, Safety and Environment department, which fulfil the environmental requirements from ISO 14001 in addition to managing health and safety risks according to the OHSAS 18001 (the international standard for Occupational Health and Safety management systems). The 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.

As a manufacturing company, 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. In addition the Environmental accidents due to production that may be harmful to operators are minimised and mitigated by the HSE department.

## Actions

We monitor, set percentage targets and encourage sites to achieve them. Actions are taken in the relevant areas of the EMS, which are:

### I. Energy Consumption and Reduction:

- To minimize our impact on Climate Change, we will commit to reducing the amount of energy we use, in relation to sales, and will develop monitors for energy usage. We will set specific percentage target reductions.
- We will report regularly on our energy usage and incorporate figures in public reporting

### II. Water Usage:

- We will carefully assess and look to monitor the impact of our water withdrawal on the environment. We will take care to avoid cases where the impact of a specific withdrawal can significantly affect the environment and have wider impacts on the quality of life in the area.

We are upholding the ISO14001 as we passed the surveillance visit with zero nonconformity in addition to the OHSAS 18001. Hikma's main operations in Jordan, the Jazeera Pharmaceuticals Industries (JPI) facility in Saudi Arabia and Hikma Egypt facility are ISO 14001 and OHSAS18001 certified.

As part of local legislative requirements, Hikma is required to submit reports and data to environmental associations such as ministry of environment and ministry of labour and Civil Defence in Jordan.

Actions taken to ensure the optimal results for Hikma's environmental standards and policies 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.

A precautionary approach is taken towards environmental accidents due to production through awareness and training of employees, especially of operators.

## Performance

Hikma measures its direct energy consumption and total water withdrawal through the Global Reporting Initiative, and aims to publicly disclose these figures in the coming year. Internally we have assessed and monitored our environmental performance and seen considerable improvements and reduction in our negative externalities.

We have continued to achieve the targets of ISO 14001 that are required for re-certification, or its equivalent, to reduce the environmental impact produced by energy consumption, hazardous waste, water usage and electrical consumption.

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

Hikma measures the following GRI indicators:

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

## Principle Eight:

Undertake initiatives to promote greater environmental responsibility





## Commitment

We recognise that human health is linked to the wider environment in which we live and that climate change is one of the greatest challenges facing nations, governments, businesses and citizens over future decades.

Hikma's commitment to environmental responsibility surpasses its employees and reaches their families and the community at large, by undertaking initiatives that promote greater environmental responsibility.

*"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,"* is stated in the Environmental Principle of the Code of Conduct.

Hikma's environmental efforts within the community are the indicated in the Community Impact and Support principle of 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.*"

The Environmental Management System at Hikma vows to promote greater environmental responsibility, beginning with employees:

*We will spread the message that every employee can play a role in reducing energy usage. We will establish a high profile employee energy conservation awareness scheme, giving guidance on minimizing energy use for operating purposes, whilst at the same time maintaining a high quality product.*

Hikma's Corporate Responsibility Strategy states that, *"We are*

*committed to doing business in an environmentally responsible manner. We continuously monitor and review our performance to meet current environmental legislation."*

## Systems, Processes and Programs

As a pharmaceutical company, our primary objective is to provide patients with high quality, affordable medicines tailored to their needs. We aim to do this in a sustainable way, by working to ensure our products deliver the maximum benefit to patients in as many markets as possible whilst managing the impact of our operations. At the same time, we are continuously preparing for the future, and work hard to maintain a healthy environment. Our manufacturing facilities are found in 11 countries in 4 continents with unique environments and ecologies. We need to cater for these diverse environments and this is within our responsibility as a multinational pharmaceutical group.

Hikma is a leading healthcare company in the MENA, and therefore we take a leading role in environmental issues in the communities in which we operate. As a key industry player, we influence the communities and do promote environmental responsibility in the industry when we undertake initiatives.

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, and the implementation takes place through a network of CR champions across the group.

The Health, Safety and Environment department are also involved with employee and public initiatives.

Public initiatives which we undertake come in many forms such as:

- Advancing communities wellness through environmental education
- Disaster relief support
- Contributing to scientific and policy developments
- Partnering with government agencies, academia and other stakeholders
- Philanthropic programs with environmentally related outcomes

## The Supplier Audit Questionnaire

We make sure that our strategic suppliers are aware of and conform to the environmental provision of our policies. 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*
- *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

We have certain systems in place to ensure transparency in 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. Moreover, Hikma is committed to fulfilling the ISO 14001 requirements or its equivalent.

Hikma has quantified and reported emissions according to the Defra Environmental Reporting Guidelines 2013. We have used the latest UK Government Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data. Results are reported in tCO<sub>2</sub>e for Scope 1 emissions and tCO<sub>2</sub> for Scope 2 emissions, as UK Government emission factors for overseas electricity currently account for carbon dioxide emissions only. A materiality threshold of 10% has been applied for emissions reporting purposes.

We consolidate our organisational boundary according to the operational control approach and the requirements of Section 7 of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

## Healthy Workplaces

We promote anti-smoking and healthy workplaces. Hikma is completely smoke-free in all of its premises, and have placed strong repercussions for anyone who smokes in the buildings. Hikma's offices and factories worldwide have been smoke-free since 1994.

Hikma is a proud member of the Global Smoke-free Partnership (GSP). It is a global partnership dedicated to promoting effective smoke-free air policies worldwide. It brings together civil society and nongovernmental organizations, universities, intergovernmental organizations, ministries of health, corporations, and individuals active in international smoke-free air policy.

## Actions

The CREC overseas Hikma's CR programme, where the major achievements have been:

- The full implementation of an environmental data-capture system, including carbon disclosure, across all our territories
- The expansion of CR champions in each jurisdiction who are responsible for local community involvement and environmental issues
- Introduction of and training on new sustainability software relating to quality, health, safety and environmental management, allowing Hikma to better manage its risks. This will streamline our reporting across the Group. In 2013 we began implementing software which will improve our ability to monitor and reduce emissions, waste, energy consumption and water usage. This programme will be implemented across the Group during 2014.

Also we have successfully passed the audit of SGS for: ISO14001 and OHSAS 18001 at Hikma-Jordan facility. In addition,

the Jazeera Pharmaceuticals Industries (JPI) facility in Saudi Arabia and Hikma Egypt facility are ISO 14001 and OHSAS18001 certified.

Our annual employee welfare week, "You Are Hikma", was held across our global locations. It provides positive and valuable educational activities to raise awareness on health, safety and environmental issues.

As a member of the Global Smoke-free Partnership, we actively promote anti-smoking practices and smoke-free workplaces. In 2013, Hikma hosted representatives of the key players in the industry in Jordan for a session titled "Towards a Smoke-free Environment". It was organized with the help of the King Hussein Cancer Centre's Cancer Control Office.

## Performance

The results of the CDP 2013 report were published, and Hikma scored 72 "C" in the rating of Healthcare sector of the FTSE 250 responding companies. This is a great improvement over our previous scores.

During the period 1 January to 31 December 2013, Hikma emitted 16,817 tCO<sub>2</sub>e from the combustion of fuel (Scope 1 direct) and 49,779 tCO<sub>2</sub> from electricity purchased for our own use (Scope 2 indirect). This is equal to 2.92 tCO<sub>2</sub>e per full time equivalent FTE employee and 8.65 tCO<sub>2</sub> per FTE employee respectively.

Hikma's full results are on page 32 of the published CDP report. Hikma measures the following GRI indicators:<sup>1</sup>

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

<sup>1</sup> The report is available on the CDP website.  
<https://www.cdproject.net/CDPResults/CDP-FTSE-350-Climate-Change-Report-2013.pdf>

### Principle Nine:

Encourage development and diffusion of environmentally friendly technologies





## Commitment

Hikma stands by its mission of improving people's quality of life, including the environments that they live in. Hikma realises that environmental responsibility must be translated into its operations.

Pharmaceuticals manufacturing can be an energy-intensive business and it is therefore our responsibility to understand our related environmental impacts. We strive to ensure the adaptation of environmentally friendly processes in all its plants across the Group whenever possible.

Our commitment stems from our corporate strategy. It is evident in that all of Hikma's new buildings are constructed in an environmentally conscious manner.

Hikma upholds 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.***

Our unwavering and proactive commitment towards the environment is seen in the key pledge of our Environment Policy: to reduce our impact on climate change.

## Systems, Processes and Programs

Hikma strives to record related environmental impacts through effective measurement, monitoring and reporting over time. Disclosing the greenhouse gas ("GHG") emissions of our organisation helps us to reduce our negative impact on climate change.

We continuously develop energy conservation and efficiency in our operations; improve employee engagement and product/process innovations throughout our business.

### 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. Hikma's state-of-the-art lyophilised plant in Portugal that was inaugurated in 2011 became fully operational during 2012. It is a fully environmentally friendly building, in accordance to international standards.

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 by an approved third-party 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 as per Jordanian 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

**Hikma's Energy Management System conducts actions in the following key areas:**

### Energy Consumption and Reduction:

- We will start by focusing on areas of key energy consumption, covering manufacturing and office sites, but also look to make significant reductions in other areas including the transport we use.
- Where it proves fuel efficient, we will move to the use of gas to replace the combustion of diesel
- We will continue to implement studies to identify areas where Hikma can switch to the use of renewable energy sources
- We will invest in energy saving equipment, in particular for all replacement material. Energy usage will also be a strong consideration in the design of new buildings and plants

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 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.

### Reducing Water Consumption

We are continuously assessing ways to reduce our environmental impact in our operations, the most significant of which as a pharmaceutical manufacturer, is

water usage. Our ability to reduce this impact through reduced water consumption will also enable us to deliver meaningful costs savings. In 2013, we installed a number of systems in our production processes that increased the efficiency of our water usage in Jordan and Portugal.

### Utilising Solar Energy

In Jordan, we have begun introducing our first photovoltaic system, converting sunlight directly into electricity. This is one of a series of renewable energy projects in the Group, expected to deliver substantial cost savings.

## Performance

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

During the period 1 January 2013 to 31 December 2013, Hikma emitted 16,817 tCO<sub>2</sub>e from the combustion of fuel (Scope 1 direct) and 49,779 tCO<sub>2</sub> from electricity purchased for our own use (Scope 2 indirect). This is equal to 2.92 tCO<sub>2</sub>e per full time equivalent FTE employee and 8.65 tCO<sub>2</sub> per FTE employee respectively.

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

At Hikma we conduct our business with high ethical values and in compliance with all applicable laws. The company has a strong ethical culture that is deeply embedded within its operations. Corruption is not tolerated at Hikma and we have applied strict processes to ensure that all of our employees do not take part in any form of corrupt practices.

Our commitment is both ethical and practical in nature. Hikma is publicly listed in the London Stock Exchange and thus abides by the UK Anti-Bribery Act 2010 and the Share Dealing Code and Disclosure policies.

Our Code of Conduct sets the tone for our activities. 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 outlines the work ethics that employees should adopt:

*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*

We enjoy a culture of transparent communications, reflected in the Code's Speaking Up standard:

*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.*

Our commitment is cemented through our engagement in global initiatives that combat corruption. In addition to being a signatory of the UN Global Compact, Hikma is a founding member of Partnering against Corruption Initiative (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.

## Systems, Processes and Programs

Hikma follows the guidelines regarding share dealing that prohibit the use of internal information for personal gain or insider trading, as per the UK Anti-Bribery Act 2010 and the Share Dealing Code and Disclosure policies.

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

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' policies in areas where ethical judgments are important. It oversees the Group's ABC compliance programme, together with Group policies on ethics and business conduct. The committee reviews Group policy in the area of CR at Board level and is supported in this work by the CR Committee. It is responsible for overseeing the development of the Group's Code of Conduct, on behalf of the Board. It is the CREC's responsibility to own the framework for ABC compliance within the Group and to ensure that it operates adequately and effectively.

The CREC also oversees Hikma's speak-up process for employees to raise ethical concerns, and, where relevant, oversees their investigation. As an organisation Hikma is committed to clear and open communication. The members of the committee remains open to direct discussion with shareholders.

### **Anti-Bribery and Anti-Corruption (ABC)**

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 communicated its zero tolerance of bribery and corruption to its employees and made sure they are aware that Hikma will not penalise any individual for complying with the principles enshrined in the Code or in our ABC policies, even at the cost of foregoing 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.

### **Code of Conduct**

Hikma's current Code of Conduct has been benchmarked against good industry practice and a peer group of international companies. It also underwent a full internal consultation, encompassing a broad cross-section of management and benefitting from the input of an 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: Arabic, English, 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 in writing that they understand their obligations to report events of suspected non-compliance with Code.

The training plan for the Code includes face-to-face training for top managers, training and discussion sessions at department level for employees and lower management.

Training and communication on ABC policies and the Code 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**

Hikma 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.

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. 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. Additionally, Hikma has anonymous reporting lines in place across the US and European operations, and an online system for the rest of the locations, which report directly to the compliance team, VP of Corporate HR and the General Counsel.

As part of their commitment to the Code employees understand that they have a duty to report any suspected violations. Hikma investigates all reports of non-compliance and takes appropriate action.

### **Corporate Responsibility**

The Executive Vice Chairman champions Hikma's corporate responsibility programme within the Company and is Chairman of Hikma's Corporate Responsibility Committee. The VP of Communications is responsible for CR at an operational level.

The CREC Chairman, VP 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 VP of Communications, regularly presents developments to the CREC. The CR team is made up of a CR manager and CR champions from Hikma's different company locations.

### **Responsible Sales**

Hikma ensures that responsible sales are maintained, be it through our Code and or induction training for our Medical Reps team.

The Induction program focuses on the MENA where pharmaceutical sales mainly depend on direct contact between the business and doctors through medical reps. Hikma boasts a strong team of over 1800 medical reps in the region.

### **Transparency Measures**

Our image as a responsible and trusted organization is important to us. We welcome external stakeholder engagement and are transparent in our business

activities. Our communication channels include social media platforms, which are managed by a communications specialist, led by the VP Corporate Communication, and steered through a multi-functional Social Media Committee.

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.

### 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.

### Actions

This has been the third full year of operation for the Compliance, Responsibility and Ethics Committee. Over the year we have continued to develop our programme for anti-bribery and anti-corruption ("ABC") compliance and formalized our oversight of Hikma's CR programme.

In 2013 a new, full time Chief Compliance Officer ("CCO") was assigned.

Hikma has always prided itself on its ethical approach to business. Significant progress we have made in implementing our ABC processes and procedures to ensure ABC compliance and strengthen our marketplace activities.

The major developments on the ABC programme have been the:

- Enhancement of the Code of Conduct communication exercise with a goal of ensuring that all employees have read and understood the Code of Conduct. As with each year, Hikma employees continued to confirm in writing that they understand their obligations to report events of suspected non-compliance with the Code.

- Further development of our ABC policies and procedures to ensure that they are fully adapted to our business. During 2012 we created the ABC policies as a result of the work for the risk assessment exercise. During 2013, the compliance department undertook a full review of compliance policies and procedures with the support of our external adviser, PwC. The review also included an extensive consultation with executive management, 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 2014 will be to finalize the implementation across the Group.

- Continuing with our on-going focus on employee education and dissemination of ABC compliance information across the business. Our employee induction programs have been updated during the year 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 awareness

sessions given to functional and geographical teams, with a particular focus on the MENA region.

- Launching a dedicated web-based Compliance Speak-up reporting system that is managed by an independent outside company. It gives all employees, regardless of location and position, a way to communicate their concerns confidentially and anonymously. The system is available in English and French, via the internet.

In 2014, the CREC will be focused on the on-going development and implementation of our compliance programme, 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.

### Performance

In 2013, we achieved 100% signatures of the Code of Conduct from all of the senior managers of Hikma worldwide.

Training continued across the group, with 972 training sessions were conducted in Hikma's main sites that include manufacturing operations: Hikma Corporate, Jordan, APM, Portugal, Morocco, Algeria, Sudan, Egypt and the US; with a budget of \$ 1,811,732 spent on training in these sites.

In 2013 the company streamlined its auditing procedure by identifying its major suppliers and doing a more extensive audit of their supply procedures. 70% of the significant supplies have undergone screenings on human rights.



## Recognition

Our ethical conduct and transparency continued to be recognised in 2013 and Hikma was granted the “Building Public Trust Award” by PriceWaterhouseCoopers (PwC) for the category “Best Executive Remuneration Reporting” among the FTSE 250 companies for the best practices in reporting.

We were nominated for the “Transparency in Governance Award” by ICSA for the category “Best Board Disclosure” for the FTSE 250 companies, which relates to Hikma’s governance disclosures in the annual report and accounts.

Hikma measures the following GRI indicators:

- **S03:** percentage of employees trained in anti-corruption policies
-



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