

HIKMA PHARMACEUTICALS



UN Global Compact

COMMUNICATION ON
PROGRESS 2014

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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 2014 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



I am pleased to present to you Hikma Pharmaceuticals' 2014 Communication on Progress report.

Hikma Pharmaceuticals has been a dedicated member of the United Nations Global Compact since 2007. We continue to support the 10 principles and to align our operations with the Global Compact in all our locations as we continue to expand and grow. As CEO of Hikma, I am proud to reaffirm our ongoing commitment to this valuable initiative.

Hikma has maintained a strong growth in 2014. We now employ over 7,000 people with operations in Middle East and North Africa, US and Europe with sales in more than 50 countries worldwide. This year the company expanded further by acquiring assets of Bedford Laboratories from Boehringer Ingelheim, significantly strengthening our global Injectables business. As the company progresses, so does our responsibility towards our people, the communities in which we operate and the environment.

Our corporate values are aligned with the Compact's 10 principles, as is our mission of improving lives. Ever since the company's establishment, ethical conduct has been embedded in our culture and at the core of how we steer our business. We manage our multicultural team fairly and equally, and at the same time cater to our people's unique cultural norms. Our cultural understanding enables us to meet our patients' needs to better serve them wherever they may be.

Hikma's Communication on Progress clearly illustrates how we have embedded policies and procedures along our operations and are taking clear actions in human rights, labour, the environment and anti-corruption and improving our performance year on year.

Through the COP, our company showcases its commitment to employees, patients, community, environment and global welfare. We believe it is our responsibility as a market leader to take an active role in shaping the future, as well as positively contributing to society. We will remain diligent in moving towards a more sustainable business by maintaining our support for the UNGC.

Said Darwazah
CEO of Hikma Pharmaceuticals

GRI Indicators

Principles	GRI Indicators
1	LA7, LA10, HR2
2	LA7, LA10, HR2
3	EC1, LA7, LA10
4	SO3, HR2
5	SO3, HR2
6	EC1, LA7, LA10
7	EN3, EN8
8	EN3, EN8, EN22
9	EN3, EN8, EN22
10	SO3

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

EC1: direct economic value, including employee wages and benefits

SO3: percentage of employees trained in anti – corruption policies

EN3: direct energy consumption

EN8: total water withdrawal

EN22: total weight of waste

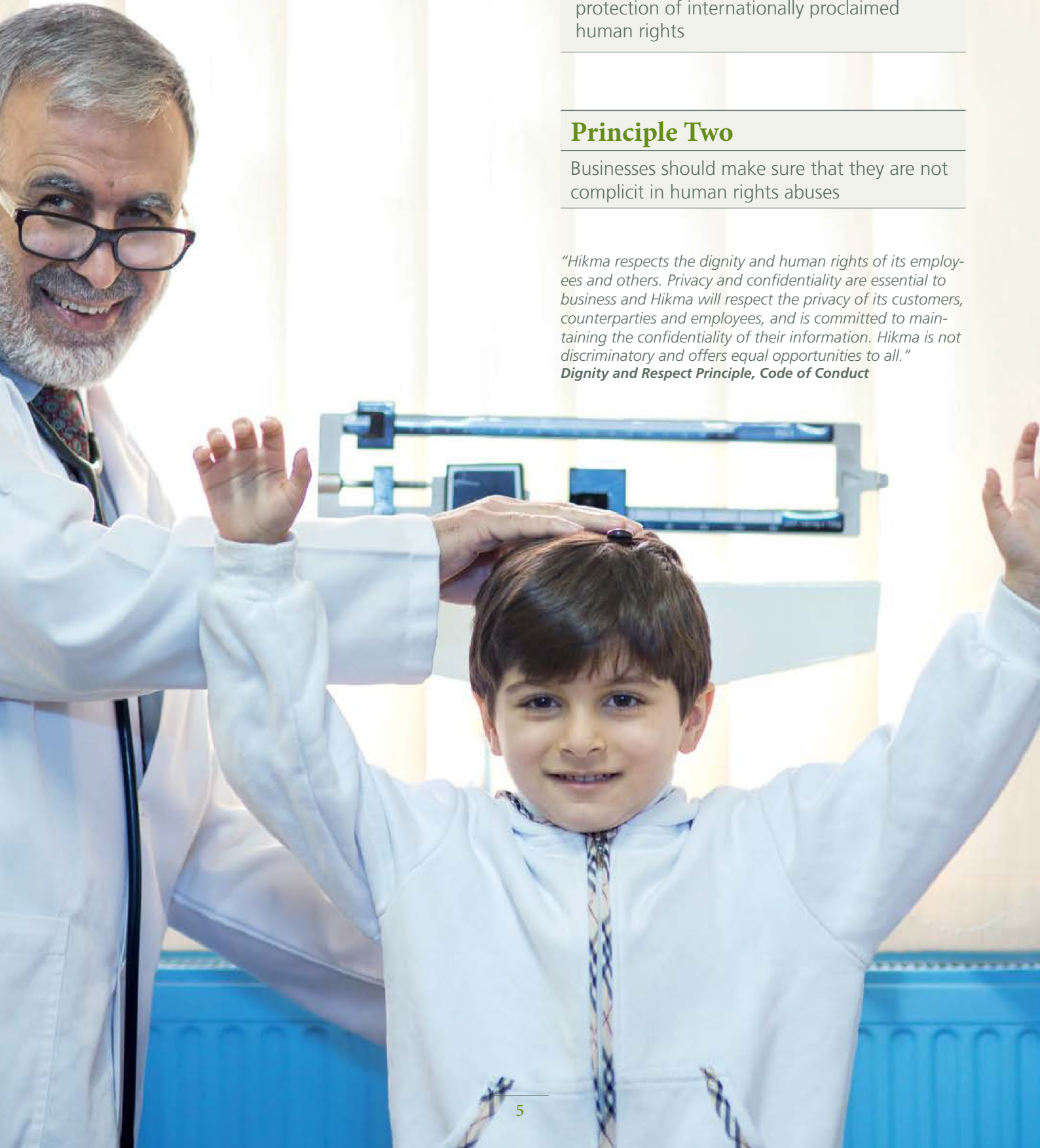
Principle One

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

Principle Two

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

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



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

Health and Safety Principle, 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."

Trading, Customers and Suppliers Standard, Code of Conduct

"Hikma expects all of its units to comply with the highest standards of Health, Safety, Environmental and Energy Management to ensure the well-being of its employees and business partners."

We ensure that Hikma complies with and exceeds, where possible, the relevant Health, Safety, Environmental and Energy legislations.

We also aim to prevent accidents and cases of work-related ill health at Hikma.

[We] work with our suppliers and contractors, to bring our Health, Safety, Environmental and Energy Management standards into alignment."

Health, Safety, Environment and Energy Policy



Human Rights

Hikma prides itself on being a high quality global healthcare provider, not only through its high quality products, but through implementing its high standards of respect and preservation of human rights in all domains. Hikma upholds its responsibility of care for employees, consumers and the community. Its Corporate Responsibility (CR) strategy focuses on wellbeing and education, pillars that have been embedded in its culture by the company's founder. The plan acts on several platforms – people, community, environment and global welfare and ethics, reflecting a strategy of commitment to employees and the community which aligns with the Global Compact's themes.

Hikma Pharmaceuticals has operations in Middle East and North Africa, US and Europe, employing over 7,000 people, with 27 state-of-the-art manufacturing facilities; several of which have US FDA/ MHRA approvals. In all company locations, Hikma applies the highest of ethical standards in relation to its employees, in compliance with local and universally proclaimed human rights.

Policies and Procedures

In 2014, Hikma's updated corporate values were rolled out and communicated to employees in its locations worldwide, following a 'values audit' in 2013.

Hikma streamlined its corporate values by involving the company's different stakeholders from the top down. Hikma's corporate values became unified and communicated to employees.

Hikma's Code of Conduct¹ reflects strong ethical practices in relation to labour and human rights, as does the company mission – improving lives, which is implemented across the business, from the board of directors to employees to the company products.

Contented employees are a company's most valuable assets. Hikma recognizes that its most important resource is its employees and therefore makes every effort to provide the topmost care for its staff and their families. It has several programs in place that protect and benefit the employee. These programs include: Special child care assistance programs for working mothers; fair and equal opportunity employment that encompasses handicapped persons among others.

The principles of the Code are sustained with its various stakeholders. When selecting other companies and entities to partner with, there are stringent standards by which they need to comply. Hikma would not work with an entity that does not uphold internationally accepted labour standards.

Every year, through the **supplier audit procedure**, Hikma audits the companies it works with in

regards to company employment practices. Hikma also utilises Suppliers Audit Questionnaires that relate to the UNGC principles to aid in measuring suppliers' practices. It respects employee rights in line with the UNGC human rights principle. Hikma upholds employees' right to privacy, and protects confidential employee information within a legal and regulatory framework.

Health and Safety

Employees' right to health and safety is taken seriously in the Hikma culture. Hikma applies a strong health and safety mandate with health and safety policies at all levels of the company.

The company is dedicated to implementing those health and safety policies on its employees. The health and safety function is governed by a corporate Health, Safety, Environment and Energy (HSEE) policy that is upheld from the top down and across the Group.

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

Every year, Hikma's Corporate Communication department

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

conducts an international initiative staged at Hikma locations worldwide 'You Are Hikma' that celebrates the company's core values by raising awareness among its staff on health, safety and environmental issues.

In addition, an in-house doctor conducts an annual physical examination on employees that includes an eyesight and blood pressure test to check on basic employee health.

Education

Continuous education is a company value embedded in the culture of Hikma by its founder. Over and above than mandatory annual trainings, management rotation plans, seminars and conferences for its employees, Hikma has a strong education programme entitled the Continuing Education Scheme that offers employees the chance of pursuing a higher education that is fully funded by the company. Since 2010 Hikma has funded a total of forty two employees for higher education with a total cost of USD 852,000.

Actions and Performance

In order to safeguard employee rights, Hikma's compliance division established a Compliance, Responsibility and Ethics Committee (CREC). A global system was created in order to ensure employees have access to a confidential and anonymous system that they can report to if needed, which is managed by a third party in order to ensure reporting confidentiality.

Anonymous reporting hotlines are currently enforced in US and Europe. These hotlines go directly to the compliance team, the VP

of Corporate HR and the General Counsel. The MENA locations utilise a web - based compliance reporting system called "Speak Up" where employees can report their concerns in a confidential and anonymous manner.

In 2015, the CREC will be focused on the on-going development and implementation of the compliance program, and further training for employees will be conducted in order to build a better understanding of compliance issues across the Group. This will be coupled with localizing policies and procedures to fit the specific needs and comply with laws and regulations of the different markets that the company operates in.

Code of Conduct

Hikma's Code is circulated to all new employees as soon as the hiring process begins in the company. All employees are required to annually confirm that they have read Hikma's Code of Conduct, have understood it and will abide by its terms. Employees also confirm in writing that they understand their obligations in reporting events of suspected non-compliance with the Code. In 2014, the company achieved 100% signatures from senior managers across Hikma worldwide.

In 2014, the company updated its Code of Conduct and translated it into the seven main languages of Hikma's locations: English, Arabic, Portuguese, French, German, Italian and Russian. The code was circulated to all of Hikma's employees and was published on the corporate website. In addition, mandatory occupational training took place for all manufacturing operators, as well as corporate training for all employees in order to ensure

their career advancement and individual growth.

Employee Training

Employee training is an essential undertaking in Hikma. The company annually trains its employees in all of its locations in order to constantly enrich and challenge its employees. In 2014, employee training continued across all of Hikma's locations, with 972 training sessions conducted in Hikma's main sites that include manufacturing operations: Hikma Corporate, Jordan, the Arab Pharmaceuticals Manufacturing Company in Jordan, The Arab Medical Containers in Jordan, Saudi Arabia, Portugal, Morocco, Algeria, Tunis, Sudan, Egypt and the US.

A total number of 2,645 employees - 36% of the total employee pool, attended training sessions in 2014. 68 different training modules were provided in 2014 across the group. The total training costs in 2014 at all of the Hikma locations amounted to USD 1.2 million.

In Jordan, a new personalized induction process was rolled out for new employees to rotate among major departments. This new plan was rolled out for new managers in 2014, with plans to expand to all of the new employees in 2015.

In addition, the human resources department constantly updates its bylaws. The bylaws are part of the induction training and a copy is handed out to the new employees.

In Portugal, Hikma Farmaceutica the employee manual was updated and feedback was encouraged by placing suggestion boxes. The induction process was updated to include a tour of both

the plants and facilities on the first day. In addition, the company applied for a Portuguese subsidy to cover soft skills training. A significant number of employees underwent English training, excel and time management and general soft skills training.

Health and Safety

In 2014 the company reorganized its auditing procedure by identifying its major suppliers and doing a widespread audit of their supply procedures. Seventy one percent of the significant suppliers underwent screenings on human rights.

All of Hikma's locations comply with accredited safety standards, such as OHSAS 18001, ISO 14001, ISO 9001 or their counterparts. Hikma's corporate Health and Safety department oversees the environmental management requirements from ISO 14001 and manages the minimizing of health and safety risks by continuing to fulfil the requirements for preserving the OHSAS 18001 certification and annually renewing it.

Hikma's Arab Manufacturing Facility received the ISO 9001:2008 certification from 2012 until April 2015, for meeting the requirements of the manufacturing of pharmaceuticals, cosmetics, infant plastic packaging products and related ancillaries.

In 2013 Hikma Jordan received the CH11/2016 certificate for the OHSAS 18001:2007 certification until December 2014, for meeting the requirements of the design and manufacturing of pharmaceutical products.

Hikma Jordan passed the last surveillance visit of the ISO 14001 with zero nonconformity; 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. The site also received the CH08/0686 certificate for the ISO 14001:2004 certification until May 2014, for meeting the requirements of the design and manufacturing of pharmaceutical products.

Hikma's Jazeera Pharmaceutical Industries (JPI) in Saudi Arabia and Hikma Egypt obtained renewal for OHSAS 18001 and ISO 14001.

Employees were trained on health and safety procedures through the 'You are Hikma' campaign. With more than 350 participants, the campaign this year included a range of activities such as medical testing for the employees, blood drive, awareness lectures on work-related injuries, proper use of antibiotics, safe use of drugs, safe handling of materials and forklift training.

In addition, Hikma Farmaceutica updated its safety policies in 2014. Employees received proper training for safe evacuation, first aid and emergency fire drills. A drill was conducted in December 2014 which was approved by the Portuguese Civil Protection Entity.

Employee Benefits

Hikma's full time employees are offered several benefits, including class A medical insurance, maternity leave, financial maternity compensation for the sites that don't have nurseries, retirement provisions through social security and a provident fund.

Different benefits are provided to employees of different countries according to local regulations and job requirements, such as cancer

insurance for the employee as well as his/her immediate family and therapy counselling.

Principle Three

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

Principle Four

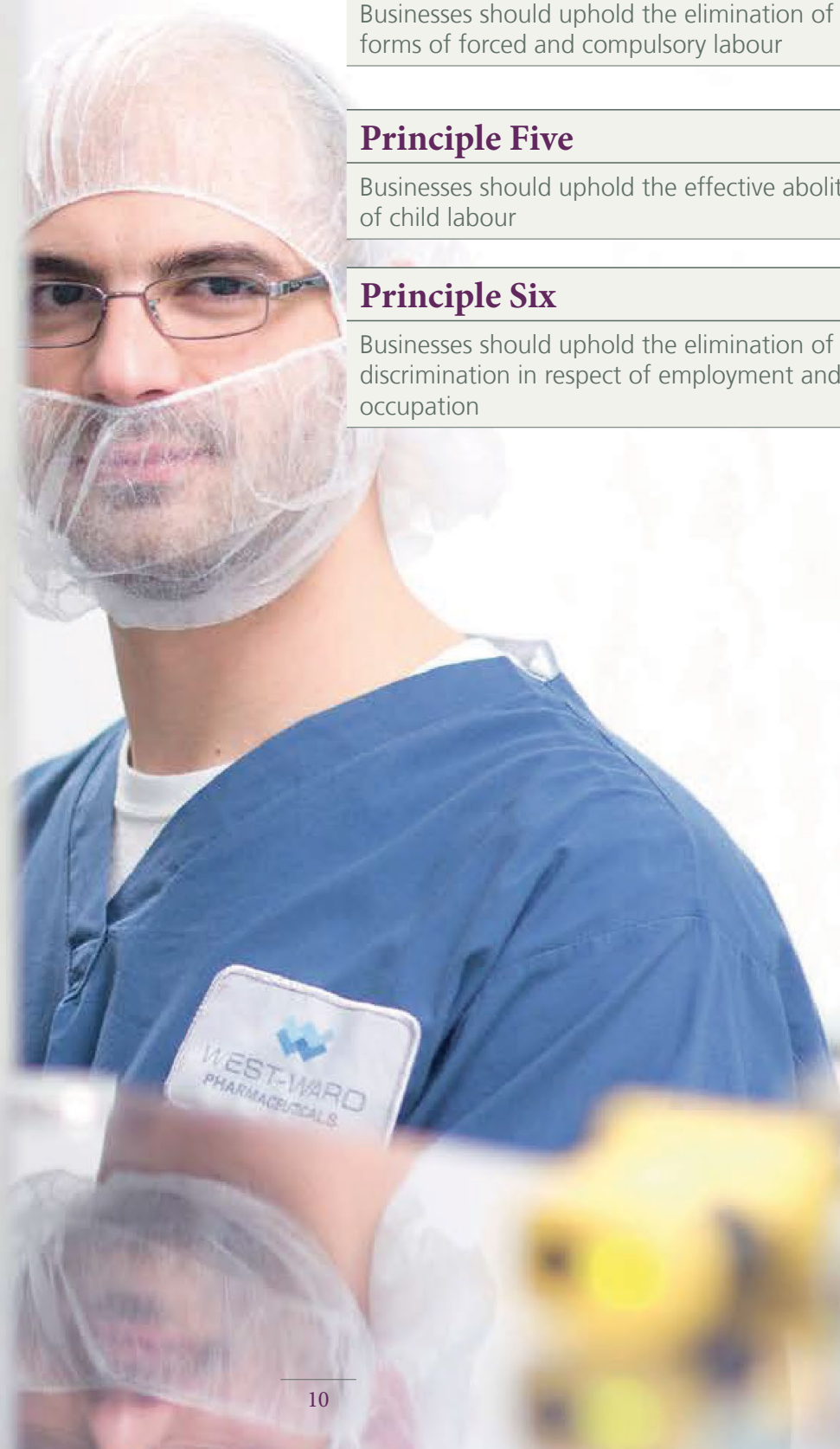
Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle Five

Businesses should uphold the effective abolition of child labour

Principle Six

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



"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."

Employment Matters Standard, Code of Conduct

"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."

Public Affairs and Governmental Interaction Standard, Code of Conduct

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

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

Employee Personal Information Standard, Code of Conduct

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

Employment Matters Standard, Code of Conduct

"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."

Employment Matters Standard, Code of Conduct

"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"

Employment Matters Standard, Code of Conduct



Labour Standards

Hikma seeks to promote a positive and enriching work environment, where employees are all treated equally and their well-being is taken care of. Its main priority is to maintain a work atmosphere that has no favouritism or inequality, no form of forced or child labour and strives to promote a discrimination-free work place and this is enforced in the company principles. As mentioned in the Code of Conduct, the company upholds itself to the highest ethical standards.

Policies and Procedures

As it continues to expand, the company dedicates the needed resources to ensure that all of its employees' basic needs and rights are met. Hikma ensures that its HR policies meet and exceed where possible the laws of the countries where its companies are located. Therefore it is vital that Hikma upholds the freedom of association needed for a fair representation of its employees wherever they may be. Employee representation is present at every Hikma location, whether as a labour union or community group. In every location where unions are present, employees are covered by collective negotiation agreements signed by the General Manager of that site and the head of the union.

Management are responsible for educating their employees on their rights as well as conducting negotiations with unions and improving their employees'

remunerations. 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, thereby rendering 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.

The human resources personnel in the various Hikma locations are required to confirm that employee bylaws, which abide with local labour laws, are well understood and followed by all employees. Orientation and training are conducted for new employees in regards to the company legalities. Employee bylaws are circulated to new employees and clarified during the training period.

The company applies an "Equal Treatment of Employees and Harassment" policy. In order to ensure that all of the employees are aware of this policy the company managers must circulate the policy to their employees and update their policy manual periodically. During the hiring process, recruiters are instructed to eradicate any kind of discrimination and abide by the equal treatment of employees policy. The company must confirm that employees are well-informed of the laws and regulations that protect them.

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

Hikma's Health and Safety Policy is applied across the Group. The policy is translated into health and safety processes for each unit and function. Management is in charge of applying these policies into each unit. These policies are regularly updated and stringently enforced in order to protect employees from any unnecessary injuries. The health and safety processes cover the following areas:

- ▶ Employee health
- ▶ Accident prevention
- ▶ Health and safety training
- ▶ Monitoring, reporting and communicating
- ▶ Training and development

Labour Standards

Hikma holds itself and the companies that it does business with, accountable to high labour standards that are in line with global labour requirements. The company abides by local labour laws of its various locations, and in some cases, exceeds them. Across the Group, there is no underage employment and its policies clearly prohibit the employment of minors under the age of eighteen. Hikma does not work with any company that has any kind of affiliation with child labour.

Grievance Procedure

Hikma adheres to strict liability procedures that call for direct action in reporting any labour neglect. Employees notify HR of any shortcomings that they experience and HR is required by law to act in a swift manner. The company has a universal **open door policy** where employees can go up to upper management or the CEO of the company and inform them of their grievances.

Actions and Performance

In 2014, Hikma's global headcount increased by 170 employees from last year. The company prides itself on being an equal opportunity employer. A quarter of the employees are female, a percentage that has been stable since 2012. Females also make up 77% of Portugal's workforce, and they occupy strategic top managerial positions across the Group. There was a total of 126 (20%) females above the level of M4 (management) in 2013. In 2014, the number of females in top management in M4 level or above increased to 147 (23%), with a total increase of 3% for females in upper management.

The company aims to enhance and advance the communities in which

it is located, as well as invest in the community's youth. In 2014, 73% of Hikma's employees were below the age of 40.

The company will focus on education and wellbeing as its corporate responsibility themes until 2020. Hikma grants scholarships for higher education to its employees, provided that they fit a certain criteria. In 2014, the company sent nine employees to continue their higher education, for both Bachelor's and Master's degrees.

Unions

The company has union labour representations in the majority of Hikma's sites in Europe and MENA. In the remaining sites, employees are represented by members of the HR department.

In the United States, the labour laws that are in place at Hikma's company, West-Ward, correspond with the Americans with Disabilities Act of 1990, which safeguards against discrimination in employing a qualified candidate with a disability. In our US locations, Hikma continued its renewal with the Collective Bargaining Agreement with Teamsters Local 201. The agreement comes into effect on November 1, 2014 and continues until October 31, 2019.

In 2013 and 2014 at Hikma Farmaceutica in Portugal, Hikma's main manufacturing facility in Europe, the company implemented a new "social plan." The plan entailed an increase to all salaries in order to compensate for increased national taxes that were imposed as part of the international economic support during the Portuguese financial crisis. From the months of July to December 2014, Hikma in Portugal paid its employees double in overtime and will continue

this approach in 2015. The company exceeds current labour laws in Portugal, which calls for a reduction in the percentage of overtime payment. In addition, company profits were distributed to all the employees as well.

As for the rest of the locations, no changes were made in relations to the unions, and no incidents were reported. All company unions abide by labour laws which are accessible in a clear and comprehensible manner with union instructions that are fully enforced by specialized company staff.

Recognition

Hikma won the *"Company of the Year, EMEA Award"* (Europe, Middle East and Africa) at the Global Generics and Biosimilars Awards in October 2014. The award recognizes excellent performance across a range of business activities and was won in strong competition against a number of leading EMEA pharmaceutical companies.

Principle Seven

Businesses should support a precautionary approach to environmental challenges

Principle Eight

Undertake initiatives to promote greater environmental responsibility

Principle Nine

Encourage development and diffusion of environmentally friendly technologies



"Hikma expects all of its units to comply with the highest standards of HSEE Management.

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 that we set. The purpose of this policy is... to minimize adverse impact on the environment where possible, through the reduction of greenhouse gases (GHG) inventory by reducing the consumption of energy. Hikma is committed to consider energy saving equipment and tools in any project in the future."

Environmental Principle, Code of Conduct

"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."

Hikma's Health, Safety and Environment Policy

"[Hikma is] committed to benefitting the communities in which it works through charitable donations, volunteering and the operation of its social and environmental policies."

Community Impact and Support Principle, Code of Conduct

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

Corporate Responsibility Strategy

Environment

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.

Within its operations, Hikma adopts a preventive approach towards the environment. Moreover, Hikma's commitment to environmental responsibility not only covers its employees, but reaches out to their families and the community at large, by undertaking initiatives that promote greater environmental responsibility.

Hikma stands by its mission of improving people's quality of life, including the environment which they live in. Hikma realises that environmental responsibility must be built in to its operations.

Pharmaceutical 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.

Policies and Procedures

Health, Safety, Environment and Energy Management

The Health, Safety, Environment and Energy (HSEE) policy commits the company to environmental standards from the top strategic level to the operational level at

every unit.

The HSEE policy is a group-wide corporate policy that is endorsed by the Vice President of Corporate Communication. Training sessions and awareness material on the policy are communicated to the entire staff. The policy dictates the need to comply with environmental legislation and regulation in every country in which Hikma operates.

The purpose of the policy is to ensure the protection of and the well-being of employees and business partners. Its goal is to minimize adverse impact on the environment where possible, through the reduction of greenhouse gases (GHG) inventory by reducing the consumption of energy:

- ▶ *We aim to minimize our impact on climate change, air and water pollution, land contamination and energy use etc. We also aim to prevent accidents and cases of work-related ill health at Hikma.*
- ▶ *We aim to provide resources and programs to reduce carbon emissions that are due to our operations.*

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

Hikma's HSEE management involves stakeholder engagement. Hikma interacts with its key stakeholders to resolve issues and help improve its performance. Open channels of communication maintain an effective dialogue. Transparency in reporting also improves performance.

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 HSEE management function. In addition, environmental risks due to production that may be harmful to operators are minimised and mitigated by the

Health and Safety Department and alternative processes are implemented where possible.

HSEE Architecture

The highest level of climate change and energy reduction responsibility rests with the President and CEO of MENA and Emerging Markets. Management ripples down to the operational level and has controls and checks at every level. The management procedure is as follows:

- ▶ Executive-level CR committee: Reporting directly to the CEO as a part of the group's ethics related to the environment. It is accountable for sustainability activities
- ▶ Senior Management: Committed to reducing harmful emissions, optimizing energy usage and minimizing risk, through setting a dedicated budget program to achieve required targets
- ▶ MENA Operation VP: MENA Operation VP has a savings objective that includes savings on energy. They are accountable to the board
- ▶ Business Unit Managers (GM): In each business unit the GM is responsible for reviewing all HSEE activities including the setting of emissions reduction target and the method of implementation. They are responsible for setting up and ensuring the execution of new energy saving projects
- ▶ Plant Managers: Oversee the processes to meet reduction targets at every manufacturing site
- ▶ Engineering Manager: Sets plans and processes for meeting targets
- ▶ CR Manager: As part of the CR Manager's performance the appraisal that determines their annual salary raise, the communications on sustainable matters such as climate change, energy efficient manufacturing processes, and a Hikma policy statement on energy and climate change were included
- ▶ Health and Safety Manager: His performance includes advising the GM and senior management on HSEE strategies, maintaining HSEE certifications (ISO 14001, OHSAS18001) and technical implementation of environmental plans (ISO14001, Energy conservation plan, waste management plan), in accordance with regulations and codes; and developing risk management policy
- ▶ All employees: Participate in global CR campaigns that entail volunteering in communities to clean up or in environmental campaigns. They can attend awareness sessions on environmental issues that the company hosts. All employees are also encouraged to submit new ideas to safeguard the environment

Greenhouse Gases

As a company listed in the London Stock Exchange, Hikma has a regulatory obligation to report GHG emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The GHG sources that constitute our operational boundary for the 2014 reporting period are as follows:

- ▶ Scope 1: Facility diesel combustion, facility natural gas combustion, facility LPG combustion, fugitive refrigerants from air-conditioning equipment and vehicle fuel combustion
- ▶ Scope 2: Purchased electricity consumption for our own use

Hikma reports according to the Defra Environmental Reporting Guidelines 2013. Results are reported in tCO₂e emissions, as UK Government emission factors for overseas electricity currently account for carbon dioxide emissions only.

Water Usage

Pharmaceutical manufacturing is a water-intensive industry. Hikma monitors, sets percentage targets for reductions and oversees that sites achieve them. Our ability to reduce this impact through reduced water consumption will also enable us to deliver significant cost savings. Hikma has installed a number of systems in its production processes that have increased the efficiency of water usage in its manufacturing facilities in Jordan and Portugal.

Moreover, the company carefully assesses and monitors the impact of its water withdrawal on the environment. Hikma avoids instances where the impact of a specific withdrawal can significantly affect the environment and have wider impacts on the quality of life in the area.

Energy Saving Procurement

Hikma is committed to the environment as an integral part of its corporate strategy and core business. Thus it considers energy saving equipment and tools in any new projects, whether it was an expansion project, a greenfield project or an acquisition.

Ethical Suppliers

Hikma's supply chain integrates environmental and social elements guided by the framework of the HSEE 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. Hikma works with suppliers and contractors to bring their HSEE management standards into alignment. It cooperates with them to ensure that they are providing optimum efficiency equipment as well as environmentally-friendly apparatus and machines in order to reduce energy consumption.

We make sure that our strategic suppliers are aware of and conform to the environmental provision of our policies. Hikma utilises suppliers audit questionnaire that relate to the environment to help assess 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*

Certified Management Systems

Hikma reduces negative externalities through green investment and focus on reducing the energy usage across the group. This on-going process resulted in the achievement of certifications for the environmental management system (ISO 14001), occupational health and safety management systems (OHSAS 18001) and energy management system (ISO 50001).

The ISO 14001 management systems are steered by Hikma's Health and Safety or Engineering departments of each Hikma subsidiary, which fulfil the environmental requirements from ISO 14001 in addition to managing health and safety risks according to the OHSAS 18001. 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.

Healthy Workplaces

We promote anti-smoking and healthy workplaces. Hikma is completely smoke-free in all of its premises, and penalties are strictly

enforced upon 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), a global partnership dedicated to promoting effective smoke-free air policies worldwide.

Engaging the Community

Hikma undertakes a variety of public initiatives related to the environment. These come in many forms, including:

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

Transparent Reporting

Hikma deploys transparent reporting systems that aim to show progress in energy, waste, greenhouse gas emissions and water consumption. Some of these are mandatory while others are self-reporting standards that Hikma has chosen to report upon in order to ensure that processes are in line with Hikma's quality standards. These include:

- ▶ Global Reporting Initiative
- ▶ CDP (formerly the Carbon Disclosure Project) Global Climate Change Report
- ▶ Corporate Responsibility report as part of the company's annual report²
- ▶ Reports to 3rd party financial entities as part of our loan agreements

² The CR report is available on Hikma's website: <http://www.hikma.com/~media/Files/H/Hikma/Attachments/pdf/reports/cr-reports/cr-report-2014.pdf>

Actions and Performance

Green Buildings

All of Hikma's new buildings will be built in an environmentally friendly manner; a state-of-the-art lyophilised plant in Portugal that is a fully environmentally friendly building and operates in accordance with international standards is our latest addition in Hikma Farmaceutica.

HSEE Management

In 2014, Hikma obtained the ISO 50001 for Energy Management System (EnMS) for a main manufacturing site in Jordan. Thus Hikma became the first pharmaceutical company in the Middle East and the first Jordanian manufacturing plant to achieve this certification. This resulted from three years' work in energy improvement and energy management.

In 2014, Hikma added energy to its policy and issued a new Health, Safety, Environment and Energy (HSEE) policy.

Hikma aims to reduce emissions and this is a factor in the performance indicator, with an absolute reduction objective of 15% scope 1 and 10% scope 2 in CO2 emissions.

Hikma received a high score on its CDP Global Climate Change Report 2015, which covers the year 2014. Hikma scored 90 'B' in the rating of healthcare sector responding companies, marking a steady improvement over the 2014 score of 82 'B' and the 2013 score of 72 'C'.

Throughout the year, operators were trained periodically on Standard Operating Procedures (SOP) to ensure that environmental procedures and hazards are mitigated in manufacturing processes.

Solar Energy

In 2014, Hikma began operating its second photovoltaic system in a Hikma site in Jordan.

Hikma is keen to adopt green and sustainable solutions. As part of its energy management strategy, Hikma introduced its photovoltaic system in Jordan's facilities, to produce electricity from solar energy.

The primary tests of the system were conducted in 2013. This project will be one of a series of renewable energy projects to be implemented across the Group. Substantial savings of up to 15% were achieved.

GHG

During the year ended 31 December 2014, Hikma Pharmaceuticals PLC emitted 18,931 tCO₂e from the combustion of fuel (Scope 1 direct) and 58,435 tCO₂ from electricity purchased for our own use (Scope 2 indirect). This is equal to 3.42 tCO₂e per full-time equivalent ('FTE') employee and 10.56 tCO₂ per FTE employee respectively. Compared with 2013, our total Scope 1 emissions have decreased almost 10%. This is due to greater awareness of our climate change impact as a result of improved measurement and monitoring of organisational greenhouse gases since last year. Emissions from Scope 2 electricity usage increased by 13%, largely due to increased production at certain sites, including Algeria and Eatontown, New Jersey.

Supplier Practices

In 2014, the company reorganized its auditing procedure by identifying its major suppliers and conducting a widespread audit of their supply procedures. 71% of significant suppliers have undergone screenings on environmental issues.

Certifications

Hikma is upholding 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 OHSAS 18001 certified.

Corporate Initiatives

In 2014, Hikma's subsidiary in the US, West-Ward, received the Environmental Stewardship Award from the New Jersey Department of Environmental Protection. This was granted for taking voluntary and proactive steps that exceeded compliance guidelines.

Hikma continued to conduct its employee welfare week "You Are Hikma" across its global locations. The 2014 campaign organized numerous activities for employees to raise awareness on health, safety and environmental issues.

Several CR campaigns took place across the group such as Earth Hour. These encourage employees to get involved in their communities.

Reporting

To meet its reporting needs, Hikma signed a service agreement with Credit 360 for global sustainability software in 2014. The software will assist in collecting reliable and complex data across the entire group in a consistent manner. This will serve its increasing internal and external reporting requirements and help in engaging various stakeholders.

Principle Ten

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



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

Integrity Principle, Code of Conduct

"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."

Speaking Up Standard, Code of Conduct

"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 judgment 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."

Anti-Bribery and Corruption Standard, Code of Conduct



Anti – Corruption

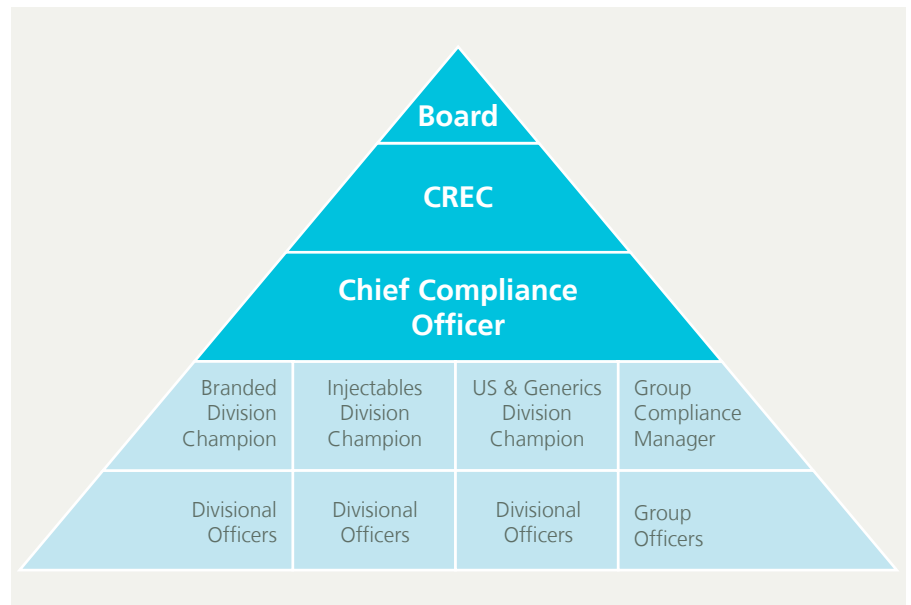
Since Hikma's inception, good business ethics was embedded in our culture to ensure ethical behaviour across our businesses and geographies. We believe that a solid reputation for ethical values such as integrity and honesty in how we conduct our business are vital to our company's reputation and success. Hikma has a zero tolerance policy for bribery and corruption and does not conduct business with any company that fails to meet its standards.

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.

Anti-bribery is at the core of Hikma's ethical conduct as can be seen in its corporate values of integrity and transparency.

Policies and Procedures

As it is listed in the LSE, Hikma complies with guidelines regarding share dealings 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.



ABC Architecture

Compliance, Responsibility and Ethics Committee (CREC)

The CREC is a board-level committee that is chaired by Mazen Darwazeh, the President and CEO of MENA and Emerging Markets. It 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.

The CREC oversees the Group's anti-bribery and corruption (ABC) together with Group policies on ethics and business conduct. The CREC reviews Group policy in the area of CR 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, on behalf of the Board.

The Committee also oversees Hikma's speak-up reporting systems for employees to raise ethical concerns, and, where relevant, oversees their investigation. As an organization, Hikma is committed to clear and open communication. The company remains open to direct discussion with shareholders.

The Chief Compliance Officer (CCO) reports to the CREC. He is supported by local compliance departments in each major operational jurisdiction and local representatives at the smaller sites.

Code of Conduct

Hikma's Code of Conduct has been benchmarked against good industry practice and a peer group of international companies. It was reviewed by the CREC and supported by the Board. It is available in the various languages of Hikma's locations and can

be found on the company's corporate website.

Each year, Hikma employees are required to confirm that they have read the Code, have understood it and will abide by its terms. They confirm in writing that they understand their obligations to report events of suspected non-compliance with Code. All new employees are also trained on the Code of Conduct as part of their induction training.

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. 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.

Speak Up

Hikma has an open door policy in regards to communication with its employees. When employees are seeking a more discrete or anonymous method of reporting, they can use the Speak Up system. Hikma operates a web-based compliance reporting system. The reports are reviewed by the compliance team, VP of Corporate HR and the General Counsel. Hikma investigates all reports of non-compliance and takes appropriate action.

Responsible Sales

Hikma ensures that responsible sales are maintained. Responsible sales practices are endorsed by the Code and perpetuated through the Code training.

Additionally, medical reps

undergo extensive induction training when they join Hikma. 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 around 2000 medical reps for its branded segment in the region.

Transparency Measures

Hikma maintains an image of responsible and trusted organization, welcoming external stakeholder engagement and transparency in its business activities.

A key method of communication is social media. Hikma has online presence on Facebook, Twitter, LinkedIn and YouTube. These are managed by a Marketing Communications Specialist, led by the VP of Corporate Communication and steered through a multi-functional Social Media Committee.

An extensive social media policy was distributed to Hikma employees worldwide and has become part of their employment contract to ensure responsible and ethical participation in both Hikma endorsed and non-Hikma social media platforms.

Ethical Suppliers

In addition to environmental aspects, Hikma's supply chain management selects significant suppliers that uphold ethical practices and internationally proclaimed integrity measures. It verifies that its strategic suppliers are aware of and conform to the provisions of the company's ABC policies. Hikma's suppliers follow Good Manufacturing Practices (GMP) and our significant suppliers are ISO 14001 and OHSAS 18001 certified or their equivalent.

Hikma's Suppliers Audit Questionnaire, which is used to audit environmental matters, also assesses the suppliers' business practices and attempts to increase their awareness of responsible operations and business ethics.

Actions and Performance

Code of Conduct

In 2014, the Code of Conduct was reviewed, updated and approved. The Code has now been translated into seven languages to support Hikma's broad operating footprint: Arabic, English, French, German, Portuguese, Russian and Slovakian.

This year we focused on raising internal awareness and further educating employees on the importance of human rights, labour laws, the environment and anti-corruption, in line with the Global Compact's principles.

Hikma has previously installed anonymous reporting platforms across the US and European operations, and in 2014 Hikma introduced a web-reporting system for the MENA region.

CREC

In 2014 the Compliance Department was resourced. A new Chief Compliance Officer was assigned, who has significant operational experience leading different markets across MENA. His goal is to implement ABC procedures in each jurisdiction, delivering the medium-term ABC strategy that was set by the Committee during the year.

In December 2014, a new board member joined the CREC. She has led the development and oversight of ABC programs

for major pharmaceutical corporations.

Employee Training

All managers in all of the Hikma locations underwent face-to-face roll-out training sessions on compliance and conduct, with over 600 managers receiving the training. After completing the training courses, the managers in turn trained their teams and support staff, with over 1,600 employees receiving the training from their managers. The Sales and Marketing session covered the policy for gifts, hospitality and entertainment as well as proper interaction with healthcare professionals.

The training sessions covered the following:

- ▶ Code of Conduct
- ▶ Compliance Overview
- ▶ Sales and Marketing Policy
- ▶ Speak Up
- ▶ Conflict of Interest

Suppliers

As aforementioned, the company reorganized its auditing procedure in 2014. It conducted a wide scale audit on its major suppliers' procedures, ensuring that they do not participate in or condone bribery or corrupt practices. In total, 71% of the significant suppliers have undergone ethical screenings.

Recognition

Our ethical conduct and transparency continued to be recognised in 2014 and Hikma was shortlisted for the Building Public Trust Award by PriceWaterhouseCoopers (PwC)

for the category **Best Executive Remuneration Reporting** in the FTSE 250 companies for the best practices in reporting following a review of the Annual Reports and External Communications.



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