

UN Global Compact

COMMUNICATION ON PROGRESS 2016



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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 2016 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' 2016 Communication on Progress report (COP). As a committed member of the UNGC since 2007, Hikma continues to support the ten principles and align its operations with the UNGC in all its locations. Doing business ethically is embedded in our corporate culture, and our mission to improve the lives of patients across the globe by providing high quality affordable medications is our promise. Our communication on progress report demonstrates Hikma's commitment to bring about positive change in our local and global communities.

In 2016, we witnessed the completion of the Roxane Laboratories acquisition (now West-Ward Columbus), our largest and most significant acquisition to date, establishing us as a top ten US generics manufacturer. We formed new strategic partnerships and expanded our relationship with some of our existing partners. We also made investments through our venture capital arm, Hikma Ventures, in Propeller Health, the leading digital solution for respiratory medicine, and in Chrono Therapeutics for their wearable transdermal smoking cessation device.

As we develop and grow, our COP report reveals our continued commitment to the United Nations' Global Compact vital initiative and demonstrates our alignment with its principles in the areas of human rights, labour, environment and anti-corruption.

We employ over 8,600 people with operations in the Middle East and North Africa, US and Europe. We believe it is our duty as a growing multinational business to endorse the COP's principles and encourage our stakeholders to do so as well. We remain committed to conducting our business in an ethical manner and to being active partners in shaping a sustainable future.

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

As a global pharma company, top quality is of utmost importance in our business. At Hikma we provide quality through our actions and services for all our stakeholders including the public as well as our employees. Our company mission, improving lives, puts the concept of human rights at every level of the company. Since our establishment in 1978, Hikma has been dedicated to integrity, honesty, and quality in all that we do. The company is committed to the welfare and education of our personnel, dedicated to the societies in which we work and determined to preserve and protect the environment in which we operate. These values which are embedded in our culture have steered us for the past 39 years and will continue to do so.

Our company mission, improving lives, is imbedded in our business from the top down. The company provides a high quality of service in all our actions. Our philosophy teaches the concept of respect and protection of human rights in all our sites.

Our company's mission goes hand in hand with our Corporate Responsibility strategy - wellbeing and education. We endorse this through our platforms - our people, community, environment and global welfare and ethics.

The company is constantly growing. We currently have operations in the Middle East and North Africa, US and Europe, employing over 8600 people, selling in more than 50 countries

worldwide, with 29 state-of-the-art manufacturing facilities.

Policies and Procedures

As a multinational company that operates in many cultures, it is imperative that our ethical principles are unified across the Group. At Hikma we have many frameworks in place that continually measures and maintains our ethical practice. The company does not condone any bribery or corruption, we have a zero-tolerance policy on such matters.

Hikma's Code of Conduct¹ mirrors our ethical procedures in relation to labour and human rights, which is implemented through all businesses and company levels, from the board of directors and management to our employees, and our products.

The tenets of our Code apply to our company's external partners as well. To work with Hikma, a company must follow strict ethical standards and transparency. Hikma does not conduct business with any partner who does not maintain strong international labour standards. The company audits its partners on an annual basis relating to business employment practices through the **supplier audit procedure**. All our company partners, suppliers and contractors undergo human rights screening. Hikma also utilises Suppliers Audit Questionnaires that relate to the UNGC principles to aid in determining the suppliers'

practices while also increasing awareness for accountable procedures and ethical performances.

The most important asset in a company is its people. To succeed at a business, the employees must have a positive workplace environment. Hikma was founded as a family business, and continues to view its employees as such. We have several employee programmes in place in our locations, depending on the country's culture, that benefit employees.

Universally, we have programmes related to child care for working mothers which surpass governmental regulations. Mothers get time off and have a flexible schedule when it comes to a child's schooling or illness, as well as monetary compensation for when the child is home and in nurseries.

Other employee programmes include social committees that offer extra financial support to employees with specific conditions, free Hikma medicinal products for all employees, excellent health insurance for all employees and their families as well as free cancer insurance in some locations, free therapy in others, as well as music, language and sporting classes for employees.

At Hikma we have several policies and bylaws which are regularly updated and communicated to our employees to ensure employee rights are protected in all locations, such as the

Employee Human Resource Bylaws which encompass the whole workforce.

The company also protects employees' confidential information and their right to privacy with stringent legal and governing frameworks across the Group.

Health and Safety

As a company with manufacturing operations, employee health and safety is a fundamental part of the business. From the top down, the company has a strong health and safety programme in all its sites.

The company has a solid health and safety directive that is communicated from management to all levels of the company. We have a robust Health, Safety, Environment and Energy (HSEE) department which ensures that all segments of the company implement its policy, which is regularly studied and updated.

In our factories, our employees are thoroughly trained to operate in a safe environment. To guarantee all hazardous risks are eliminated, the company confirms that every available safety measure is present at our operations. This is achieved through extensive training, ensuring all safety relations are properly understood and providing employees with state of the art safety gear.

CREC

The Compliance, Responsibility and Ethics Committee ("CREC") was founded in 2010. The CREC oversees Hikma's approach to business integrity, social responsibility and ethics. Since its establishment, the focus of the Committee has been formalising, developing and applying an ABC (Anti Bribery and Corruption)

business integrity programme. Hikma's CR division works in parallel with the Committee. The Committee has addressed a wide range of ethical considerations and established procedures in place to ensure Hikma is ethically compliant in its business.

Some of the main functions of the CREC include administering the Group's ABC compliance programme, overseeing the policies on ethics and business conduct and developing the Code of Conduct. The CREC also manages Hikma's **Speak-Up System**, where employees can anonymously raise any ethical concerns.

Education

Employee education is integral to our company values. As soon as new employees join Hikma they go through orientation at different departments and factories. Rotation plans are present for employees to expand their talents, which is encouraged by the company. Training sessions, both internal and external, are also conducted in all departments.

Hikma has a strong education programme - the **Continuing Education Scheme** which allows our employees to enhance their education by pursuing a higher degree. Founded in 2010, the company has currently aided fifty-three employees in pursuing their higher education with a total cost of USD 928,107.

Actions and Performance

Since its foundation, the company has always been dedicated to operating with the highest standards of integrity and ethics. The company has always communicated its zero-tolerance policy to bribery and corruption,

both internally and externally, across the Group.

In 2016 the compliance department continued to implement its medium-term global strategy for the delivery of the commitment to business integrity and ABC.

The company has a specific framework that demonstrates its leadership structure and delegates authority and proprietorship for the programme. Operational responsibility and oversight for ABC is assigned by the Board to the Executive Vice Chairman, who delegates responsibility to his management team. The Chief Compliance Officer (CCO) reports directly to the CREC on ABC matters. The CCO's leadership of ABC issues is directed by the CREC Chairman and the Executive Vice Chairman. The head of each business division is responsible to be the compliance champion for their division. The CCO is supported by group and regional compliance officers at the operational level. The legal, HR, financial and company secretarial departments also counsel and provide executional support to the compliance department.

As mentioned previously, the company has developed a confidential and anonymous international reporting platform which is available for all our employees and is supervised by an external third party. Anonymous, toll free reporting hotlines are available in the US and Europe, which after examination by an outsourced third party directly go to the compliance team, the VP of Corporate HR and the General Counsel. As for our locations in the MENA area, a web - based compliance reporting system is available, called "Speak Up" where employees can anonymously report any issues.

In 2016, the company engaged in a risk assessment and process enhancement exercise with Good Corporation to benchmark the company and improve its ABC (Anti Bribery and Corruption) programme. The assessment started on a group level in 2015 with an independent assessment of Hikma's sites and was completed in 2016. When the assessments were finalized the data was shared with the Chief Compliance Officer and senior team and a road map was made for the future.

Hikma's policies have been developed in parallel with its ongoing focus on education and the spreading of ABC compliance information across all Hikma locations. The company's induction programmes certify that all new employees understand Hikma's ethical values; awareness sessions have been conducted across the Group. In 2016 the Compliance Department established an online training tool for ABC issues, where all employees have undertaken the training. The company also developed, implemented and independently tested ABC procedures across all global operations.

The General Counsel supervises the Group's compliance within the anti-trust, anti-money laundering and trade sanctions legislation and reports to the Committee. The company has created extensive policies and procedures to confirm compliance which have been revised by the Committee in 2016.

Hikma is a founding member of the World Economic Forum's Partnering Against Corruption Initiative (PACI), the foremost business driven global anti-corruption initiative. Hikma continued to endorse business

integrity globally through the Partnering Against Corruption Initiative.

FTSE4Good Index Series

For 2016 we have maintained our membership in the FTSE4Good index series, which strengthens our strong ethical standards across the Group. The company is proud to uphold its promise to high corporate business standards and ethics.

Participants such as NGOs, governmental bodies, consultants, academics and the investment community help to outline the conditions for inclusion in the indices. The focus areas include; Anti-Corruption, Climate Change, Health and Safety, and Customer Responsibility. The presence of Hikma in the FTSE4Good Index Series showcases the company's good ESG, Environmental Social and Governance practices measured against internationally recognized standards and strong corporate social practices.

Code of Conduct

The company's Code is distributed to all members of staff. Currently the Code is available in all the major languages in which the company conducts its business: Arabic, English, French, German, Portuguese, Italian and Russian. Annually, all employees are obligated to state that they have read the Code of Conduct, understood it and will stand by its terms. Employees also confirm in writing that they recognise their duty in reporting any suspected events of non-compliance with the Code. In 2016, the company achieved 100% signatures from senior managers across Hikma world-wide. Top management undergoes face-to-face training for the Code and implement at a departmental level for their employees.

Health and Safety

Most of Hikma's entities have accredited safety standards, such as OHSAS 18001 for Occupational Health and Safety, ISO 14001 for Environmental management systems, ISO 9001 for quality management system or their equivalent. Our corporate Health and Safety department oversees our environmental management requirements from ISO 14001 and minimises the health and safety risks by continuing to satisfy the necessities for maintaining the OHSAS 18001 certification and annually renewing it.

Employee Benefits

Our employees at Hikma are offered extensive benefits, most importantly class A medical insurance for themselves and their immediate families for free, travel insurance, and specialised benefits modified to the company's location. Other benefits include paid maternity leave, financial maternity reimbursement for the locations that don't have nurseries, retirement provisions through social security and a provident fund. Differing benefits are offered to staff of different countries per local regulations and job requirements.

In 2016 a salary progression exercise programme was initiated which will take place annually. The salary progression of our employees was mapped out compared to their rank for the past three years. This has been applied for the first time in 2016 and will continue to be done on yearly basis.

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

The company aims to provide a positive, pleasant and enriching work space for its employees. The company does not condone any kind of favouritism or inequality; the workplace is a haven free from discrimination. At Hikma there is no forced or child labour in all its entities, the company is rigorous in operating at the highest ethical standards.

As stated in the Code of Conduct and the company principles, Hikma does not employ employee discrimination in any way. The company adheres to stringent moral standards that are aligned with universally accepted labour requirements.

We do not partner with any entity that condones or conducts child labour. Company labour laws across the Group clearly forbid the employment of a minor under the age of eighteen. At Hikma we apply strong ethical labour standards in our supply chain. We do not associate with any partner, supplier, or third-party source that does not uphold international labour standards.

Policies and Procedures

As a multinational business that is constantly expanding, it is essential that company values and policies are uniform in all entities. Hikma employs the necessary resources to confirm all employee rights and needs are met and addressed. As a global business, the company ensures its policies meet and exceed the regulations of the areas in which the business is located.

Across the Group we maintain the freedom of association needed for a fair representation of our employees. In all our sites, employee concerns are heard. There are unions and community groups present that represent and state staff concerns. In our sites where unions are present employees are protected by collective negotiation agreements signed by the General Manager of that site and the head of the union.

One of management's key responsibilities is to ensure employees are aware of their rights, managers are also responsible for union discussions. The matters discussed by collective bargaining with trade unions and employee representatives comprise financial compensation such as salary expansions, bonuses, insurance expansion that is annually reviewed, the health and safety of employees, and employee training sessions.

The company administers an "Equal Treatment of Employees and Harassment" policy. Management shares the policy with employees and regularly update their policy manuals:

[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."

Upon hiring new employees, our human resources department are trained to view all candidates equally without any discrimination.

The company must confirm that all staff are knowledgeable about employee rights including laws and regulations that protect the employee. Hikma also confirms that the entities its partners or any company that is associated with Hikma supports and enacts the anti-discrimination laws.

Health and Safety

The company's Health and Safety Policy is administered across the Group. The policy is directed into health and safety processes for each unit and function. Management ensures the policies are applied into their divisions. These policies are regularly updated and thoroughly prohibit so employees can work in a safe environment. 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

Going forward, the company plans to **boost** its measurement of certain health and safety indicators which will enable Hikma to identify areas for

potential improvement to health and safety and further enhance our processes and procedures.

Grievance Procedure

The company has always had an open-door policy where employees can pass by and voice any concerns, and as the company grew official procedures were put in place in the human resource department that call for swift action for any labour negligence. Employees inform the HR department of their complaints and HR is legally obliged to take swift action. If an employee wishes to anonymously report any grievances there is a system in place called Speak Up which is overseen by the compliance department and a special board and administered by an external party.

Actions and Performance

At Hikma we believe in equality for all employees, and pride ourselves for being an equal opportunity employer. A third of the employees are female, a percentage that has been annually increasing. Females also make up 77% of Portugal's workforce, and they occupy strategic top managerial positions across the Group. In 2016 a significant increase in female management above the level of M4 (management) occurred, particularly in the United States (26%).

Women Empowerment Initiatives

Hikma has always supported women in the workplace and the communities where the company is present. In 2016, several initiatives under the theme of women's empowerment took place; such as sponsorship and participating in the Women's Entrepreneurship Day in the

MENA 2016 Conference. Our senior managers participated in various panel discussions, under the umbrella of supporting women in the workplace, gender equality, providing equal opportunities and inspiring women empowerment initiatives. Women Empowerment and Motivational Programme, entitled 'Dare to Dream Big', aims to empower and inspire our employees and the community at large. The 'Dare to Dream Big' motivational speaker sessions were founded in 2015 in Jordan, where successful female guest speakers from various academic and professional backgrounds spoke to our female employees in monthly workshop style sessions.

Hikma Young Professionals Excellence (HYPE) Programme

The company strives to enhance and advance the communities where the company is present, as well as invest in the population's youth. In 2016, 67% of our employees were below the age of 40.

In 2016 a programme called HYPE (Hikma Young Professionals Excellence) was created, developed for young high-potential and high-performing recent graduates. HYPE is a two-year rotational programme developed for talented individuals, where they are exposed to company leadership values, job rotation in operational, financial and commercial departments. The programme is currently being run in Jordan. For the next year the company is planning on expanding the rotational number and including programme participants in the US, EU and other MENA countries.

Innovation & Leadership Advisory Board (I-LAB)

In 2016, under our CEO's initiative, an advisory board was formed called the Innovation & Leadership Advisory Board (I-LAB), with the purpose of sustaining an inventive culture across the Group and nurturing young talent. The I-LAB is a committee of employees under the age of thirty-five who advise the CEO on cutting-edge technology ideas and initiatives that will introduce and inspire innovation in the workplace. The committee meets frequently and keeps our top management up-to-date with advances in digital health and proposals on how to implement these advancements within the company.

Unions

The company has union labour representations in most of its sites in Europe and the MENA region. In the remaining locations staff are represented by the HR department.

In the United States at Hikma West-Ward, the labour laws that are administered in Hikma are in line with the Americans with Disabilities Act (ADA) of 1990 which protects any discrimination against individuals with handicaps. For 2016, we continued our renewal with the Collective Bargaining Agreement with Teamsters Local 201, which came into effect in November 1, 2014 and will remain until October 31, 2019. In addition to the ADA, Hikma conforms with and works under the following Federal and State legalities:

- The Civil Rights Act of 1991, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000e et seq, the Civil Rights Act of 1870, 42 U.S.C. § 1981

- ▶ The Americans with Disabilities Act, 29 U.S.C. § 12101 *et seq*
- ▶ The Rehabilitation Act of 1972, as amended, 29 U.S.C. § 701, *et seq*
- ▶ The Age Discrimination in Employment Act, 29 U.S.C. § 621 *et seq*
- ▶ The New Jersey Law Against Discrimination, N.J.S.A. 10:5-1 *et seq.*, and/or under any other applicable federal, state or local antidiscrimination law
- ▶ The Employee Retirement Income Security Act, 29 U.S.C. § 1132(e) and 1140 *et seq*
- ▶ The Conscientious Employee Protection Act, N.J.S.A. 34:19-1 *et seq*
- ▶ The Family Medical Leave Act, 29 U.S.C. § 2611 *et seq* (and any other applicable federal or state leave statute)

In our Portugal location, Hikma Farmaceutica, our company surpasses the Portuguese labour laws, which calls for a lessening in the percentage of overtime payment. For overtime work the company pays a fixed amount monthly that represents roughly 15% of an employees' salary. Company profits are distributed to the employees as well.

As for the rest of the locations, no changes were made regarding unions, and no incidents were reported. All company unions abide by labour laws which are easily accessible along with union instructions that are imposed by specialised company staff.

Modern Slavery Act

In 2016, an internal Committee was initiated to assess and recommend how to best move forward and implement the MSA (Modern Slavery Act) within the company's business and supply chain across the Group.

The Modern Slavery provisions will be included our Code of Conduct in 2017. In addition, the communication department is planning on raising awareness on the MSA in all locations by conducting training sessions in 2017.

Recognition

- ▶ Hikma's Chairman & CEO received the "Leader of the Year" award, at the Third Global Generics & Biosimilars Awards 2016
- ▶ Hikma Egypt was awarded the best purchasing performance in the MENA region for 2016

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

Our purpose is to provide affordable high quality pharmaceutical products. We ensure that our products benefit people around the world, contribute to sustainable development, remain dedicated to improving global health standards and offer greater well-being to local communities and their environment. Hikma recognises its responsibility as a pharmaceutical manufacturer; an energy-intensive business, to assess and monitor its related environmental impact and ensure the adaptation of environmentally friendly processes throughout its business.

Human health is linked to the wider environment, and we believe that climate change is a global environmental challenge that requires mitigation actions in the form of reducing GHG emissions. Hikma thus incorporates environmentally responsible practices whenever possible across its operations, focusing on minimising waste, analysing carbon emissions, monitoring and reducing energy usage, and minimising demands for water consumption.

A preventive approach is also adopted within Hikma's operations towards the environment. We are committed to our employees, their families and the community at large. Accordingly, we undertake initiatives that protect the environment and seek sustainable development as key to our role as a responsible business.

Policies and Procedures

Health, Safety, Environment and Energy Management

The Health, Safety, Environment and Energy, (HSEE) is a group-wide corporate policy that is endorsed by the Vice President of Corporate Communication. This policy is periodically reviewed while training sessions and awareness material on the policy are communicated to the entire staff. The policy dictates that all our units comply with the most stringent industry applicable standards of health, safety, environment and energy (HSEE) management to ensure the well-being of our employees and business partners; and to maintain an operation that minimises all adverse environmental and climate change impacts associated with our undertakings. Going forward, we plan to update and recommunicate our health and safety policy for all locations for 2017, improve our measurement of health and safety indicators and identify areas for potential enhancement and further improve our methods and procedures.

We recognize that our operations affect the environment in which we exist and as such we actively encourage the engagement of our staff at all levels to ensure implementing and maintaining the standards we set.

We aim to set measurable goals and targets, which will be monitored and tracked to improve our impact on climate change, water pollution, land

contamination and energy use, and we strive to achieve our set goals and targets annually:

- ▶ Various resources and programmes are utilised to reduce carbon emissions due to business operations
- ▶ Hikma's environmental standards are reflected across its supply chain and we will maintain constructive engagement with our key stakeholders to resolve issues and help improve our performance
- ▶ Contractors and visitors on any of our sites are required to follow Hikma's environmental standards

Hikma ensures the continuous improvement of its Environmental Management System, through an active process including Standard Operating Procedures (SOPs), and implementing environmental programmes.

Moreover, as a manufacturing company, Hikma is keen to achieve the best possible results in preventing and managing environmental accidents. Standard Operating Procedures (SOPs) are strictly followed for the prevention and management of environmental accidents within the Health, Safety, Environment and Energy (HSEE) Management function. In addition, the environmental accidents due to production processes that may be harmful to operators are minimised and mitigated by the Health, Safety and Environment (HSE) department, and alternative

processes are implemented where possible.

Continuously seeking to reduce energy costs and increase sustainability throughout all its facilities, Hikma implements Energy Conservation Measures (ECMs). ECMs consist of two types of technologies that enable energy saving results:

- ▶ **Energy Efficiency technologies:** enables procured energy (both electrical and thermal) to be utilised more effectively within the facility. As a result, the user does not need to use as much energy to deliver the same tasks or processes
- ▶ **Decentralised Energy technologies:** enables energy to be produced at or near the point of use, generally from renewable energy sources. This contrasts with the traditional, wasteful and increasingly costly method of buying energy that is generated in a centralised power station that may be hundreds of kilometres away from the point at which the energy is needed

HSEE Architecture

The President and CEO of MENA and Emerging Markets oversees the responsibility of climate change and energy reduction. The HSE function is governed by the senior management in each unit and each business unit is responsible for implementing the company's HSE policy at its location. Management ripples down to the operational level and has controls and checks at every level as per the following procedures:

- ▶ **Executive-level CR committee** reports directly to the CEO and is accountable for governing ethical and environmentally sustainable activities

- ▶ **Senior Management** is committed to reducing harmful emissions, optimizing energy usage and minimising risk by setting a dedicated budget program to achieve required targets
- ▶ **MENA Operation VP's** have a savings objective that includes savings on energy. They are accountable to the board
- ▶ **Business Unit Managers (GM)** in each business unit managers are responsible for reviewing all HSEE activities including the setting of emissions reduction target and the implementation strategy. 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 Managers** set plans and processes for meeting targets
- ▶ **CR Manager** is responsible of the communication on sustainable matters such as climate change, energy efficient manufacturing processes, and a Hikma policy statement on energy and climate change
- ▶ **Health and Safety Manager** advises the GM and senior management on HSEE strategies, maintaining HSEE certifications (ISO 14001, OHSAS 18001) 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** take part in global CR and environmental

campaigns, volunteer in their communities, can attend awareness sessions on environmental issues that the company hosts, and 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 Greenhouse Gases GHG sources that constitute our operational boundary for the 2016 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

As a pharmaceutical manufacturing business, we recognize that we have an important role in identifying and responding to the risks of water resource scarcity. Hikma aims to promote a greater water usage responsibility by continuously measuring and reporting the company's impact on water resources and annually improving the company's performance,

while continually searching for new innovative ways to reduce, recycle, and reuse water supplies. Hikma has installed several systems in its production processes that have increased the efficiency of water usage in its manufacturing facilities in Jordan and Portugal. Our ability to reduce water consumption also enables us to deliver significant cost savings.

Over the past two years, Hikma has developed action plans to assess and monitor the influence of its water withdrawal on the environment. The company 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 where it operates.

Efficient Energy Management

We behave in a sustainable manner in all aspects of our operations; it is an integral part of our corporate strategy and core business. Hikma is committed to minimising its environmental impact by promoting and adopting energy saving solutions. Before administering a new project, the company considers energy saving equipment and tools, whether it was an expansion project, a greenfield project or an acquisition.

Ethical Suppliers

The supply chain process at Hikma integrates environmental and social elements guided by the framework of the HSEE policy. Hikma chooses suppliers that uphold ethical practices and do not break with internationally proclaimed integrity measures. Hikma utilises the Suppliers Audit procedure to ensure that suppliers are environmentally responsible, abide by international labour laws, including refraining from child, forced and compulsory

labour. 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 health, safety, environmental and energy management standards into alignment.

We make sure that our strategic suppliers are aware of and conform to the environmental provision of our policies. Hikma utilises a supplier audit questionnaire that includes questions pertaining to environmental and ethical standards to help assess the suppliers' practices and increase their awareness of responsible operations and business ethics.

Below are the issues questioned with regards to ethical and environmental matters in the supplier audit:

- ▶ *Published Corporate Responsibility CR policies and involvement in community or charitable work and examples*
- ▶ *Environmental policies and implemented environmental measures and waste management procedures*
- ▶ *Obtained certification for environmental, social and or health and safety management system(s)*
- ▶ *Controls and measures related to emissions of greenhouse gases (GHG)*
- ▶ *Human Rights policies and Anti Bribery laws*
- ▶ *Code of Conduct*
- ▶ *Non-discrimination (equal treatment of employees) policy*
- ▶ *Animal testing policies*

Certified Management Systems

We strive to reduce negative environmental impacts, due to our operations, through green investment and focus on reducing the energy usage across our business. Our consistent efforts 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).

Hikma's Health and Safety and Engineering departments for each Hikma subsidiary, are responsible for steering the ISO 14001 management system, which fulfil the environmental requirements from ISO 14001 in addition to managing health and safety risks in accordance with the OHSAS 18001. The standards related to environmental management help Hikma (a) minimise any negative environmental impact related to operations (i.e. adverse changes to air, water, or land); (b) comply with applicable laws, regulations, and other required environmental standards, and (c) continually improve its practices to achieve annual re-certification.

Healthy Workplaces

We support and promote healthy workplaces for our employees. The "You Are Hikma" campaign, an annual employee welfare week, is held across our global locations to ensure the health and workplace safety of our employees. It is aimed at raising awareness of health, workplace safety and environmental conservation.

Since 1994 Hikma has been completely smoke-free in all of its premises and its offices and factories worldwide. 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

We believe we have a role to play in helping the communities in which we live and work. Hikma therefore undertakes a variety of public initiatives related to the environment. These initiatives include:

- ▶ Promoting responsible environmental practices and advancing community wellness through education and awareness campaigns
- ▶ Disaster relief support
- ▶ Contributing to policy developments
- ▶ Partnering with government agencies, non-governmental organisations, academia, and other stakeholders
- ▶ Philanthropic programmes 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. The company measures its direct energy consumption and total water withdrawal, and aims to publicly disclose these figures. 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 (GRI)
- ▶ CDP (Carbon Disclosure Project) Global Climate Change Report
- ▶ Sustainability report as part of the company's annual report²

- ▶ Reports to 3rd party financial entities as part of our loan agreements

Actions and Performance

Climate Change Strategy

We developed a five-year Climate Change strategy in 2015. The strategy focuses on developing effective techniques through measuring GHG and setting plans to reduce emissions. The strategy guidelines include monitoring and setting goals and targets that adhere to environmental issues that involve climate change, water pollution, land contamination and energy use. In 2016, Hikma scored (C) in the CDP climate change report. We aim to provide resources and programmes to improve our score for the years to come. The (C) rating corresponds to management points awarded for evidence of actions associated with good environmental management, as determined by CDP and its partner organisations. The management score rewards action taken in risk mitigation, risk assessments, and the implementation of an environmental policy that integrates environmental issues into business strategy.

Water Policy

In 2016, Hikma incorporated a water policy into its Global Climate Change Report (CDP) for the second year and filled out the (CDP) water programme questionnaire to ensure the protection of the environment and to minimise adverse impacts, by monitoring reporting on and reducing waste emissions in water. Hikma scored 'B' on the CDP's water programme questionnaire for 2016, an improvement from its first reporting year score of 'B-' for 2015.

Waste Reduction and Recycling

We continuously seek to minimise our impact on the environment through pollution prevention, resource conservation and waste reduction initiatives.

This year our various sites have proactively taken steps towards preserving the environment by working with waste disposal partners, launching awareness campaigns with our employees and participating in local level environmental sustainability programmes. An emphasis on recycling and beneficial use programmes has become a standard within Hikma and future expansion of these programmes will remain a focus in the years to come.

Drug Take Back

In 2016, our site in Columbus Ohio participated in "Drug Disposal Day" as they do each fall and spring of every year, an event allowing residents of the community to safely dispose of expired and unwanted drugs. They partnered with Kroger, Cardinal Health and NBC4, working together to increase awareness of the teen prescription drug abuse epidemic through a multimedia community campaign, 'Prevent Teen Prescription Drug Abuse'. The event collected 3,056 pounds of expired or unwanted medications. This is about 4.5 million tablets.

HSEE Management

Environmental impacts are recorded through effective measurement, monitoring and reporting wherever and whenever possible across Hikma's operations. We disclose our greenhouse gas ("GHG") emissions, which helps us 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. Throughout the year, operators are trained periodically on Standard Operating Procedures (SOP) to ensure that environmental procedures and hazards are mitigated in manufacturing processes.

In 2016, Hikma continued to achieve the targets of the ISO 50001 for Energy Management System (EnMS) for its main manufacturing site in Jordan. Hikma was the first pharmaceutical company in the Middle East and the first Jordanian manufacturing plant to achieve this certification in 2014. This resulted from several years' work in energy improvement and energy management. In 2016 Hikma included all its three manufacturing facilities in Jordan and its manufacturing facility in Saudi Arabia; Jazeera Manufacturing Industry (JPI) in its (CDP) climate change report and will gradually incorporate the reporting processes to its locations worldwide.

Energy Efficiency

We are keen to adopt green and sustainable solutions. A budget is dedicated for increasing energy efficiency and for the energy management system certificate renewal. It is part of the energy management strategy at Hikma. In 2016 the process of installing LED lighting and energy saving tools continued across Hikma's facilities.

Since 2014 in Jordan, two photovoltaic systems were introduced to supply usable solar power, converting sunlight directly into electricity. In 2016, a new operational concept was introduced to the wastewater treatment plant that allowed us to achieve daily reduction in the plant's electricity consumption of

612 kWh, which is equivalent to a reduction in our carbon footprint of more than 300Kg of CO₂ emissions per day.

This new operational concept is implemented by utilizing a DO (dissolved oxygen) sensor and controller in the aeration tank. The DO controller sends a signal based on the DO level in the aeration tank to the air blowers' control panel. This action keeps the DO level within a specified range by automatically switching the blower on and off as required. As a result, the active air blower of 30KW motor capacity is off 85% of the time.

In 2017, we will engage with our electricity suppliers to further understand how we can purchase cleaner energy, reduce our climate impact through our purchasing power, and support the necessary shift to a low carbon economy.

GHG

During the year ended 31 December 2016, Hikma Pharmaceuticals PLC emitted 24,114 tCO₂e from the combustion of fuel and operation of facilities (Scope 1) and 78,279 tCO₂ from (location-based)-Electricity (Scope 2) and 81,140 tCO₂ from (market-based) Electricity. This is equal to 102,393 tCO₂e total Scope 1 and 2 emissions (location-based) and 16,17 tCO₂e per full time equivalent ("FTE") employee (Scope 1 & 2 location based).

Performance

Between 2015 and 2016 we have seen an overall absolute decrease in emissions by 2.9% and a decrease in emissions per full time equivalent employee of 5.5%. This is in part due to the divestment of Bedford in the US during the reporting year.

Methodology

We quantify and report our

organisational greenhouse gas emissions using the WRI's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. This year, we have reported in accordance with the GHG Protocol's new Scope 2 Guidance, which requires that we dual report our Scope 2 emissions using two different methodologies: the location-based method and the market-based method.

For the majority of our operations outside the United States and Europe there are fewer options to purchase electricity generated from renewable sources, and therefore our market-based Scope 2 figure is higher than our location-based figure. However, there is significant progress being made in the renewable energy sector in the MENA region as demand is shifting to a preference for clean energy and governments are looking to decarbonise their economies and meet commitments set out in the United Nations Convention on Climate Change (UNFCCC) Paris Agreement to avoid dangerous climate change.

Supplier Practices

In 2016, Hikma continued and expanded its auditing procedure by identifying its significant suppliers and conducting a widespread audit on environmental issues in Europe, the US, and the MENA region. Hikma will incorporate the Modern Slavery Act related questions to the Supplier Audit Questionnaire in 2017.

Certifications

In 2016 Hikma in Jordan maintained its **ISO 50001** certification for energy management, the first site in Jordan to receive this certificate and the first pharmaceutical company in the Middle East. Hikma is upholding ISO 14001

for sustaining an Environment Management System as we passed the surveillance visit with zero nonconformity in addition to the OHSAS 18001 for Occupational Health and Safety Management Systems. Hikma's main operations in Jordan, the Jazeera Pharmaceuticals Industries (JPI) facility in Saudi Arabia, Hikma Egypt and more recently the EPCI facility are ISO 14001 and OHSAS 18001 certified.

Corporate Initiatives

2016, Hikma continued to raise awareness and engage with its employees on issues related to health, workplace safety and the environment, through its annual 'You Are Hikma' global campaign. The campaign includes several activities in its MENA and US locations such as, medical testing, blood drives, awareness lectures on occupational health and safety issues, administering first aid, cleaning up and conserving natural parks, and sorting and recycling waste.

Safety sessions were conducted for our employees who work in factories such as the safe handling of materials and forklift training. Employees were also able to conduct physical exams internally such as blood pressure tests and eyesight exams to check on the basic health of our employees.

Hikma sponsored the 2016 Earth Hour Campaign, a global annual campaign to counter global warming, which is organized by the Royal Society for the Conservation of Nature (RCSN) in Jordan. The campaign aims to raise awareness of environmental threats as a result of wasteful use of energy.

As part of our efforts to protect the local environment, in the MENA region, Hikma's new headquarters will be one of Jordan's few green buildings,

boasting innovative green technology that will minimise negative environmental effects and increase its reliance on renewable energy. Meanwhile we will continue to recycle our paper and plastic waste in most of our Jordan locations through our partnership with a certified local company that collaborates with the Ministry of Health. In this manner, we plan to reduce our carbon footprint and safeguard our natural resources.

Reporting

We report climate change data to the CDP as part of our adherence to sustainability and to increase transparency to our stakeholders and manage both risks and opportunities arising from climate change. Hikma has been actively committed to reporting to the CDP, in an effort to minimise environmental impact and global carbon footprint. The CDP expertly scrutinises a company's carbon emissions and provides analysis for better operational functions.

We started using the Credit 360 global sustainability software in 2015 and expanded its use in 2016 for all our locations in MENA, Portugal and the US. The software facilitated collecting reliable and complex data across the entire group in a consistent manner. In 2016, Hikma started incorporating the Modern Slavery Act into its reporting to ensure that human rights are maintained in its own business and in its supply chains.

Recognition

In 2016 Hikma maintained its membership in the FTSE4GOOD index series; an index designed to identify companies that demonstrate strong Environmental, Social and Governance (ESG) practices.

Principle Ten

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

"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

"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

Anti – Corruption

At Hikma we are committed to maintaining high standards of ethical conduct in our business and our dealings with people and entities. We understand that any failure of integrity puts our long-term success at risk. The company continuously promotes its core values of transparency, respect, trust and quality.

Good business ethics is embedded in our culture to ensure ethical behavior across our businesses and geographies. We believe that a solid reputation for ethical values, in how we conduct our business is vital to our company's reputation and success and ensures our business remains relevant and sustainable.

Hikma has a zero-tolerance policy for bribery and corruption and does not conduct business with any company that fails to meet its standards. 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.

We are constantly seeking to develop and strengthen our global partnerships and initiatives to stay at the forefront of combating corruption and advancing healthcare and human wellbeing. In addition to being a signatory of the UN Global Compact, Hikma is a founding member of Partnering against Corruption Initiative (PACI).

Anti-Bribery and Corruption (ABC) Architecture



As participants of this global initiative, we commit to zero tolerance of bribery and to the successful implementation of an anti-corruption and bribery programme.

Policies and Procedures

Hikma follows the UK Anti-Bribery Act 2010 and the Share Dealing Code and Disclosure policies, which prohibits the use of internal information for personal gain or insider trading. Hikma has zero tolerance of bribery and corruption. This has been clearly communicated to its employees.

Our staff is aware that the company 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 implements strict disciplinary measures on staff for ethical breaches in order to maintain its high standards of integrity.

Compliance, Responsibility and Ethics Committee (CREC)

The Compliance, Responsibility and Ethics Committee (CREC) drives the Company's commitment to business integrity and human dignity. At Hikma, we pride ourselves on our ethical approach in business.

The CREC is a board-level committee that is chaired by one of four board members; Dr Ronald Goode, Chair Compliance Responsibility and Ethics Committee. The CREC sets the overall strategy for the Group's response to anti-money laundering, bribery, corruption and trade sanctions risks and is responsible for approving the contents of all of Hikma's policies in areas where ethical judgements

are important. The CREC oversees the Group's ABC compliance programme, policies on ethics and business conduct and the development of the Code of Conduct. The CREC also oversees Hikma's speak-up process for employees to raise ethical concerns, and, where relevant, oversees their investigation.

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

The CREC has a long-established relationship with the CR Committee, which oversees the Company's work on charitable and humanitarian issues, environmental initiatives, community involvement and societal development.

As an organisation, Hikma is committed to clear and open communication. The company remains open to direct discussion with shareholders.

Code of Conduct

Hikma's Code of Conduct is reviewed by the CREC and supported by the Board. It is benchmarked against good industry practice and a peer group of international companies. The Code is available in all of the major languages in which the Company conducts business: Arabic, English, French, German, Portuguese, Italian and Russian. Each year all 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. The training plan for the Code includes face-to-face

training for top managers, and training and discussion sessions at department level for employees and lower management. The Code is available on our website: www.hikma.com/en/sustainability/Code-of-conduct.html

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 has an open-door policy regarding communication, questions or concerns about the ethics and integrity of the business. If, for any reason, employees cannot report to line management, they may make reports confidentially to any senior manager within the business. In addition, Hikma has anonymous web and telephone reporting lines in place across all operations, which report directly to the compliance department and Chair of the CREC. The Company has established a committee of senior group employees representing the compliance, legal and human resources functions. This committee is responsible for investigating and approving appropriate action in relation to all speak-up incidents. As part of the employees' commitment to the Code, they have a duty to report any suspected violations. Hikma remains satisfied that the policy and procedures enable proportionate and independent investigation of matters raised including non-compliance and that appropriate follow-up action is taken.

Responsible Sales

Hikma ensures that responsible sales are maintained through the Code of Conduct and the induction training for new employees.

Medical representatives undergo extensive induction training when they join the company. The Induction program focuses on the MENA region where pharmaceutical sales mainly depend on direct contact between the business and doctors through medical and sales representatives. Hikma boasts a strong team of over 2000 sales and marketing professionals for its branded segment in the region.

Transparency Measures

Hikma's reputation as a responsible and trusted organisation is of great importance. We encourage external stakeholder engagement and we are transparent in our business activities.

Social media platforms are part of Hikma's communication channels, our online presence includes Facebook, Instagram, Twitter, LinkedIn and YouTube. An internal social media policy was distributed to all Hikma employees globally and has become part of the employment contract to ensure responsible and ethical participation in both Hikma endorsed and non-Hikma social media platforms.

Ethical Suppliers

Hikma's suppliers follow Good Manufacturing Practices (GMP) and our significant suppliers are ISO 14001 and OHSAS 18001 certified or their equivalent. Our supply chain management teams implement auditing procedures by identifying significant suppliers and conducting a widespread audit to ensure that

they uphold ethical practices and internationally proclaimed integrity measures, in addition to environmentally responsible practices.

Actions and Performance

Code of Conduct

In 2016 employees continued signing the Code of Conduct, confirming that they have understood it and will abide by its terms. Employees also confirm in writing that they understand their obligations to report events of suspected noncompliance with the Code. In 2016, we achieved 100% signatures from all senior managers across Hikma worldwide.

In 2015, Hikma updated its Code of Conduct and translated it into seven main languages in which it operates: English, Arabic, Portuguese, French, German, Italian and Russian. It was circulated to all Hikma employees and is available online on Hikma's corporate website.

CREC

In 2016, the CREC continued focusing on the on-going development and implementation of Hikma's compliance programme through training and education of employees to strengthen their understanding of compliance issues across the group. A localized ABC programme was developed and implemented to fit the specific needs of each location and to comply with laws and regulations of the different markets in which Hikma operates. Local manuals were produced for the US operations and training sessions were conducted to guide employees in using the manuals. Hikma also completed the re-assessment of ABC risk and verified procedural

implementation, developed the human dignity programme and advanced an anti-trust, anti-money laundering ("AML") and trade sanctions programme.

Responsible Business Initiatives

We are constantly seeking to develop and strengthen our global partnerships and initiatives to stay at the forefront of advancing healthcare and human wellbeing. In 2016, Hikma became one of the World Economic Forum's WEF's Health Industry Partners, with the objective of exploring new and improved ways of developing the standard of healthcare offered to patients around the world.

Hikma also joined the B20 (Business 20) Anti-corruption Working Group (ACWG), which operates under the umbrella of the G20 international forum of governments. The ACWG focuses on different work streams related to projects tailored to assist companies improve their ethical conduct. Hikma is actively involved in the procurement work stream that aims to promote ethical practices across governmental and private sectors. In 2016, the B20 was hosted by China and will be held in Germany in 2017, where we plan to continue our involvement.

Hikma remains a founding member of the Partnering Against Corruption Initiative (PACI), an off-shoot of the WEF. PACI undertakes initiatives to address global issues in anti-corruption and compliance. We renewed our commitment in 2016 for zero tolerance of corruption or bribery across any and all of our operations.

On a regional level, Hikma took lead in the Beneficial Ownership Workshops tailored for entities in the Middle East and promoted

the establishment of a regional registry for all companies operating in the region.

Supporting Local Communities

As part of our commitment toward local communities, Hikma distributed 1,000 blankets to 450 families across Jordan. In Egypt, where the country experienced its coldest weather in decades, Hikma Egypt distributed around 150 blankets among 150 families from the underprivileged area of Giza. In Portugal, the company works with a charity called the Santa Casa da Misericordia, where the staff in Portugal donated toys for children and volunteers aided in helping the elderly population by organizing baskets of basic goods needs. The company is also hiring more refugees and aiding their families in community integration.

These campaigns took place with the participation of Hikma employees, who are equally committed to giving back to the community. By encouraging our employees to partake in these initiatives, we are also spreading the values of charity and compassion within the company, promoting strong community ties and instilling a sense of responsibility towards the local community.

Modern Slavery Act (MSA)

Hikma is committed to ensuring that modern slavery in the form of forced or compulsory labour and human trafficking does not take place in any of its businesses or supply chains across the globe.

In 2016, Hikma established an internal committee comprising members of Communication, Legal and Compliance teams to assess and make a recommendation on how to best move forward and implement the MSA within our business

and our supply chain on a group level. In 2017, we will include MSA provisions in our Code of Conduct by updating our COC in coordination with the Compliance department, in addition to raising awareness of the MSA in the group by training Hikma staff on labour standards and how to recognize and respond to any incidences of modern slavery.

Employee Training

Hikma managers in different locations undergo mandatory training sessions on compliance and conduct. After completing the training courses, the managers in turn train their teams and support employees.

In 2016, training sessions were held for all Hikma employees covering the following:

- ▶ Code of Conduct
- ▶ Compliance Overview
- ▶ Sales and Marketing Policy
- ▶ Speak Up
- ▶ Conflict of Interest
- ▶ Interacting with 3rd parties
- ▶ Interacting with governmental entities

Hikma is in the process of developing a compliance online training tool for all employees, covering these topics. It will be launched in 2017.

In 2016, Hikma continued conducting due diligence on any new 3rd parties they intend to deal with. In addition, a wide scale audit was conducted on its major suppliers and their procedures, ensuring that they do not participate in bribery or corrupt practices.



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