COMMUNICATION ON PROGRESS (COP)

Period covered by the Communication on Progress (COP)
From: December 2017
To: November 2018

STATEMENT OF CONTINUED SUPPORT
BY THE CHIEF EXECUTIVE OFFICER

December 6, 2018

To our stakeholders,

I am pleased to confirm that Malia Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

We have incorporated the Ten Principles in our revised Code of Ethics and published it on our website for free consultation, and to assure our stakeholders of our long term commitment to said principles.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

Sincerely yours,

Joanne Chehab
Chief Executive Officer
Malia Group

DESCRIPTION OF ACTIONS

Human Rights

Ensure workers are provided safe, suitable and sanitary work facilities

- Availability of company doctor and mandatory pre-recruitment and continuous medical tests
- List of legal documents required to be submitted by all employees
- Availability of adequate number of cleaners to handle facility cleaning as per set schedule / cleaning plan
- Availability of workmen compensation to cover work accidents
- Training for new comers to ensure familiarization with duties
- Availability of Firefighting and Fire Alarm system

Protect workers from workplace harassment, including physical, verbal, sexual or psychological harassment, abuse or threats

- Awareness sessions during on boarding period
- Availability of Business Conduct Committee per subsidiary
- HR open door policy

Take measures to eliminate ingredients, designs, defects or side-effects that could harm or threaten human life and health during manufacturing, usage or disposal of products

- Filters are installed where needed
- Employees put masks, goggles, gloves and protective outfits

Labour

Ensure that the company does not participate in any form of forced or bonded labour

The Group Internal Regulation is approved by the Ministry of Labour compliant with Lebanese labor law and applicable international conventions

Comply with minimum wage standards

All employees are registered in social security and their full wages are declared

Ensure that employment-related decisions are based on relevant and objective criteria

- Competency based interviews and assessment for the selection of suitable candidates
- Application of performance management system as a base for career development and salary reviews / bonus distribution
- Application of job evaluation / job classification system for compensation and benefits related matters
- Conducting leadership potential assessments in collaboration with an external psychometric testing provider, and setting of Career Planning and Succession Planning systems to ensure business development and the retention and motivation of our employees

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Comply with labour laws and regulations

The Lebanese Ministry of Labor will start implementing the law which requires companies to hire people with special needs, 3% of the total workforce. Malia Group started the efforts to incorporate this into its culture by conducting an awareness session titled "Inclusion Training for Companies", in collaboration with a local reputable NGO with the purpose of:

- Raising awareness about People with Disabilities (PwDs) where employees will get to know better the differences between physical, visual, hearing, intellectual and mental impairment;
- Emphasizing the importance of hiring people with disabilities and their impact on the company in terms of increasing diversity in the workplace, ensuring higher job retention rate, reporting higher productivity and quality of work, etc.;
- Ensuring and securing the right integration of PwDs in the company so they can show their real potential.

Environment

Avoid environmental damage via regular maintenance of production processes and environmental protection system (air pollution control, waste, water treatment systems, etc.)

Air Pollution Control:

1- Plants and generators are equipped with suitable filters
2- Regular preventive maintenance and checks for filters, machines and generators
3- HEPA filters on exhausts
4- Checks of the generators emissions
5- Implementation of BMS (Building Management System) to optimize the use of electricity

Waste is monitored:

1- Recycle bins installed in all premises: nylon, cartons and plastic are recycled
2- Domestic waste sent to the municipality and its quantity is approximately stable for the last 3 years
3- Waste water is treated by biodegradable enzymes and water consumption is optimized by the installation of water taps
4- Bags in Cosmaline (A subsidiary of Malia Holding) are replaced with biodegradable bags
5- Double-sided photocopying is installed on all photocopiers

Ensure emergency procedures to prevent and address accidents affecting the environment and human health

- Emergency procedures are available for Cosmaline and Pharmaline as part of the ISO 14001
- Main Procedures are for fire, spills, accidents and first aid measures

Minimize the use and ensure safe handling and storage of chemical and other dangerous substances

- Materials are handled according to their Material Safety Data Sheets (MSDS)
- Procedure for storage and handling materials is available as part of the ISO 14001 system

Anti-Corruption

Assess the risk of corruption when doing business + Mention "anti-corruption" and/or "ethical behavior" in contracts with business partners

Malia Group Complies with international standards and regulations when doing business. The main standards and regulations applicable to all entities of the Group are the UNGC principles and designated persons by OFAC. We comply with their requirements.

On the other hand, Malia Group enters in partnership with international Groups as a licensee, distributor, manufacturer, or other. Such Groups have their ethics and anti-corruption standards that they incorporate into contract, and with which we comply. In 2018, the Pharmaceutical arm of the Group received the "Compliance in the Pharmaceutical Industry" training delivered between June and July 2018, on 4 sessions, to the Management Team (19 participants), the Manufacturing Team (21 participants), the Sales Team (11 participants) and the Scientific Office Team (30 participants), and which covered the latest principles and practices in compliance on the local and international level, the Malia Group Code of Ethics, the UK Bribery Act, the US Foreign Corrupt Practices Act, and the Code of Ethics of the Lebanese Pharmaceutical Industry.

Additionally, we have launched in 2018 an "Ethics and Compliance" campaign with our suppliers encouraging them to adopt the international principles of compliance, transparency, disclosure, ethics and fairness. This was done through a signed declaration by the suppliers on said principles.

Ensure that internal procedures support the company's anti-corruption commitment

The Ten Principles of the UNGC are incorporated into our Code of Ethics. Whenever employees are newly recruited, they sign on the Code of Ethics and Internal Regulations.

We have as well systems implemented to ensure quality and transparency to eliminate corruption. For instance, it is by system that for purchasing matters, three or more quotations from different vendors are requested, and then audited by the procurement auditor, to ensure non-bias and eliminate the risk of corruption.

Additionally, the Audit function is present at all levels: an internal audit function audits the financials and procedures of the businesses. Said function reports to the Audit, Risk and Compliance Committee, constituted of the independent members of the Board of Directors; in addition, Deloitte audits the financials of the Group at standalone and consolidated level; a third audit happens where needed, for instance principals who audit our facilities.

MEASUREMENT OF OUTCOMES

Demographics of management and employees broken down by diversity factors (e.g., gender, ethnicity, age, etc.)

20 Nationalities; Gender equality is respected.

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Age Bracket	Percentage
20 to 25 years	14.41%
26 to 30 years	23.22%
31 to 35 years	16.95%
36 to 40 years	12.03%
41 to 45 years	9.66%
46 to 50 years	8.47%
51 to 55 years	8.64%
56 to 60 years	4.24%
60 + years	2.37%

Rate of occupational diseases, injuries, and absenteeism
- Availability of sick leave database with obligation of the employee to submit a medical report with 24 hours of sickness
- Availability of work accident database to store the reason and take suitable corrective action after a work accident
- Availability of annual and exit leave policy and procedure and database system that stores employees absence

Percentage of recycled materials
Around 10%

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