

Section Three

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Delivering responsibly

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How we ensure that we act responsibly

Corporate responsibility report

Developing a long-term sustainable strategy that addresses the social issues affecting society today in a way that makes sense for our business and reflects the core Hikma values

Overview from Mazen Darwazah, Vice-Chairman

2009 has been a rewarding and productive period for our corporate responsibility ("CR") programme. Throughout the year, we have focused on developing a long-term, sustainable strategy, which not only addresses the very real social issues affecting society today but does so in a way that makes sense for our business and reflects the core Hikma values.

Since the Company was founded in 1978, we have been committed to honesty, integrity and the highest possible standards in everything we do. We are dedicated to the welfare and education of our employees, committed to the communities in which we work and determined to preserve and protect the environment in which we operate. These principles have guided us for the past 30 years and will continue to do so in the future.

To that end, we have designed a five-year plan taking us from 2010 to 2015. The plan revolves around two broad themes – wellbeing and education, and four key platforms – our people, our community, our environment and global welfare. These have been chosen specifically because they combine our very real commitment to stakeholders and society with a desire to embed CR into the heart of our business.

2009 achievements

Corporate responsibility is and always has been an essential part of the Hikma way. Strong commitments to our community and the environment have helped to make Hikma what it is today – a highly successful international pharmaceutical company with a reputation for integrity.

Over the last three years we have sought to formalise our approach to CR to ensure that it is increasingly embedded in the way we conduct business. We began this process in 2006 by creating a Group-wide CR programme and introducing an official Hikma Code of Conduct. The following year, we built on that progress and in 2008 established a Board-level steering committee and an expanded working committee.

In 2009, we increased the number of CR Champions across the Group. The champions are focused on raising awareness of social, health and environmental issues in our business. In employee and community matters, we gave particular emphasis to four events: the Hikma Global Volunteering Day, 'You are Hikma', Hikma's Day against Breast Cancer and Hikma's Day against Diabetes. Volunteering is an important part of Hikma's CR approach and the annual Global Volunteering Day focuses each year on a different healthcare theme. We also spent time in 2009 developing and refining the five-year strategy for CR, endorsed and supported by our executive and non-executive Board members.

Aligning business and CR

We believe we owe a duty of care towards our employees, our customers, our suppliers and the wider community. Our commitment to operating responsibly has and will continue to differentiate us from our competitors. It has helped us to build our strong brand and, ultimately, it will help us to drive sales and to operate more efficiently.

Number of CR Champions

Champions work to deliver initiatives and engage with employees to encourage and motivate.

10





At the end of 2008, we undertook a significant review of our CR governance structure in line with our ongoing aim of embedding CR throughout the Hikma Group and driving the CR programme from the Board and senior management to operational functions. This year was the first full year of operations for the Board-level CR Steering Committee and CR Working Committee.

The seniority and breadth of experience that the members bring to these committees ensures that CR remains focused and aligned to the business. Facilitated by the Corporate Communications and CR team, the Group is responsible for agreeing strategy, endorsing activities, reviewing activity reports and assessing progress. This approach provides coherence and economies of scale as well as a framework to share best practice across our markets.

On the ground, CR Champions work to implement our strategy across the Group. At the end of 2009, we had a team of ten CR Champions, each dedicated to one of our manufacturing facilities. During the course of 2010, we will build on this initiative, adding two new Champions to the existing team.

These Champions work to deliver initiatives, engage with and report to country managers and encourage and motivate employees to make CR part of their day-to-day operations. All our Champions are full time employees with a range of experience and expertise, which ensures that CR remains focused on business benefit and is embedded in employees' working lives.

Our Champions deliver monthly reports to the CR department and their country managers. These managers then report back to the Group on progress, encouraging diligence and continuity. We are now

establishing KPIs for senior management to deepen their support for CR in their respective markets.

Reporting

We have continued to use the Global Reporting Initiative's G3 guidelines as a benchmark tool. Building on our work in previous years, we have focused in particular on community investment, environmental impacts, employees and labour practices.

Many of our subsidiaries began reporting against GRI metrics for the first time in 2009, including Egypt, Germany, Italy, Jordan's APM facility and Saudi Arabia. We have also started to use dedicated reporting software, underlining our commitment to the GRI approach and enhancing comparative reporting in the future.

People

We value our people as our most important asset. To successfully grow our business, we need to develop and reward our people.

With our commitment to maintaining the highest quality standards and cGMP (current good manufacturing practices), technical training has always been a top priority across the Group. In 2008, analysis of GRI data helped us to identify areas of need for further training. On this basis, we targeted an increase in non-technical training for 2009. In line with these targets and in recognition of the important role CR plays within the Group, a two-day training workshop was held in 2009, focusing on developing the champions' knowledge and understanding of CR and discussing future strategic aims. Of course, we also maintained our Continuing Education Scheme, which supports employees in full funded further education programmes.

Corporate and social responsibility report *continued**Health and safety*

Health and safety lie at the core of our business. We cannot operate successfully and deliver quality products without ensuring the health and wellbeing of our employees.

Communication of Hikma's Health and Safety Policy – to meet and, where possible, exceed all the labour laws and regulations with regards to workplace health and safety in all the countries in which we operate – was prioritised during the year. We are committed to continuous improvements in health and safety and will be working towards the Group-wide implementation of OHSAS ISO 18001, the occupational health and safety management system, or its equivalents in 2010.

Our Health and Safety Policy is becoming more widely implemented across the Group. Developed in 2007 and launched in 2008, the policy involves the appointment of an HSE supervisor in each business unit. The appointment process continued during 2009. Health and safety training was offered to all employees across the Group in 2009. This was part of a commitment made in 2008 and we are proud to have achieved this goal. We have also made significant progress on absenteeism and occupational injury rates. Occupational injury rates were less than 1 per cent in 2009 and, in many countries, a zero rating was achieved. We hope to make further improvements in 2010, following the launch of an explicit programme targeting zero level occupational injuries.

Promoting the health and safety of our employees is clearly aligned with our key business objectives – to deliver better health to the markets we serve. In 2009, our businesses focused on developing a strong presence in the growing fields of heart disease,

diabetes and cancer. Sponsoring symposia and conferences for doctors, we have helped to build a strong knowledge base in the MENA region.

In 2009, two important events were organised to raise awareness of cancer and diabetes among our employees and our communities and to promote healthier lifestyles – Hikma's Day against Breast Cancer and Hikma's Day against Diabetes.

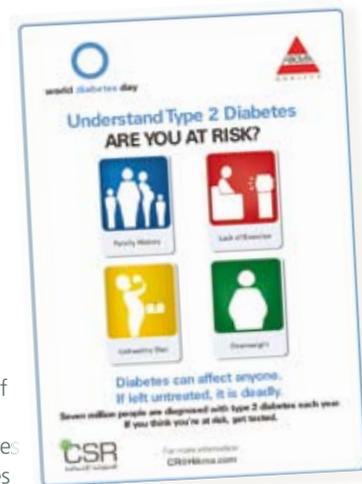
The Day against Breast Cancer was a Group-wide event with participation from all business units. Free breast examination and mammograms were offered to female employees in some business units. Other initiatives included poster and brochure campaigns, awareness e-mails, lectures on prevention and fundraising in support of cancer research.

A similar approach was taken with our Day against Diabetes. Awareness of the causes and risks of diabetes was heightened through lectures and poster campaigns at a number of Hikma business units. In others, blood sugar analysis tests were offered to employees and in the US, employees took part in the American Heart Foundation's Heart Walk campaign.

Ethics

Hikma is committed to the highest ethical principles and we endeavour to ensure that all our employees conform to the highest possible standards of integrity and honesty.

We are members of the Global Compact, a UN-sponsored initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Hikma remains committed to upholding these principles and embedding them into its operations. In 2009, further steps were taken to train existing staff and all new joiners now receive guidance on our commitment to the Global Compact as part of

**Occupational injury rates**

Occupational injury rates were less than 1% and in many countries zero.

< 1%



Community

The number of participants more than doubled for the Hikma Global Volunteering Day from 500 in 2008.

1,200



their induction programme. In November 2009, we issued a Communication on Progress report underlining our actions to date.

We now audit all our main suppliers with regard to their employment practices. The practice was initiated two years ago and we constantly seek to improve communication with suppliers and gain more feedback from them.

We are also making progress with our Code of Conduct. In 2009, more than 65% of all employees signed the code and it was incorporated into the induction process for new employees. In 2010 our Code of Conduct will be included in performance appraisals.

In 2009, we also updated our "Equal Treatment of Employees & Harassment" policy, which states that we do not condone favouritism or inequality in any shape or form.

In 2009, Hikma Pharmaceuticals was awarded the Best Company in an Emerging Market Award at the annual Scrip Awards. This award is testament to the continued progress the Company is making to be a leader in the MENA region across all areas of its business including CR.

Community

Active and effective engagement with the community is an essential part of our CR strategy.

The Hikma Global Volunteering Day, held in April each year, aims to encourage employees across the Group to invest time in their local communities. The number of participants more than doubled this year – from 500 in 2008 to 1,200 in 2009. Aligned with our business objectives, the Volunteering Day aims to support better health in our local communities.

This year, staff worldwide participated in a variety of charitable activities, including donating blood, cleaning hospitals, kindergartens and orphanages and spending time with the children, and raising money for research.

Of course, we are active in our communities throughout the year through a number of other initiatives, including providing funding for students in the fields of Technical Pharmacy and Applied Medical Sciences. The time, interest and funding that we provide to local students is a real indication of our ongoing commitment to the communities in which we work. Over the long term, these efforts should also help to ensure that we can continue to attract well-trained employees in each of the markets in which we are operating.

Across the MENA region, Hikma volunteers also supported poor local communities, providing financial and practical assistance to those in need. In the United States, fundraising was undertaken and support was given to local homeless groups, disadvantaged families and the elderly.

Hikma has also partnered with the Global Fund to fight Aids, TB and Malaria. In 2009, the Company and the Samih Darwazah Foundation donated the seed money to establish the MENA Chapter of the Global Fund. This is located in Amman Jordan, and will operate across the Middle East and North Africa. A board of directors has been selected, an executive director has been hired and in 2010, the Chapter will launch its first awareness and advocacy campaigns.

Across the Group, we continued through 2009 to give generously to local causes, donating medicines to NGOs and communities in crisis. Our employees also volunteered their time to many NGOs worldwide.

Charitable donations in 2009

\$1.2m



Corporate and social responsibility report *continued***Environment**

Hikma, like every business, has an impact on the environment, both locally and globally. We are working towards limiting that impact by educating our staff and encouraging them to think about their effect on the environment in everything they do. We are also actively exploring ways in which we can reduce carbon emissions across the Group and reduce waste, particularly harmful waste.

Hikma's Environmental Policy five key pledges:

1. to integrate our environmental policy across the Group;
2. to reduce our impact on climate change;
3. to comply with environmental legislation and regulation in every country in which we operate;
4. to strive for continuous improvement in our environmental protection; and
5. to implement and develop ISO 14001 or its equivalent at every production site across the Company.

In 2008, we made good progress in this area, obtaining the ISO 14001 certification at our AMC facility and our Hikma Jordan facility. In 2009, both facilities gained the continuity certificate. In 2010, we are committed to continuing our work on ISO 14001 and exploring more international accreditations.

GRI data collection continued to heighten awareness of energy usage in 2009 and helped to identify ways to drive a reduction in energy consumption across our business units. The collection and analysis of data improved considerably in 2009 and we expect to report further progress in 2010.

In many units, real advances have been made in energy and water consumption since 2008. In Algeria, electricity consumption fell 11% year on year from 1.5 million KWh to 1.3 million KWh while diesel consumption was 21% lower at 57,000 litres over the same period. The business also intends to drive forward a more aggressive recycling programme and incinerate hazardous waste in a more effective manner.

Hikma Jordan and AMC reduced diesel consumption by at least 10%, thanks to a concerted effort to be more energy efficient.

Hikma Jordan's water consumption fell dramatically, from 44,674 cubic metres to 27,168 cubic metres, Portugal reduced water consumption by 15% to 74,431 cubic metres and Saudi Arabia cut water consumption by 16% to 47,430 cubic metres.

Across the Group, Company vehicles have been upgraded to more environmentally efficient options. In addition, there is an ongoing and regularly reinforced awareness campaign, which stresses Hikma's desire to reduce its environmental impact and stresses the part that each and every employee can play in this endeavour. We will be reporting back on our progress to all our stakeholders.

Following initial work in 2009, Hikma will be assessing its carbon emissions in Jordan during 2010. This analysis is based on the Carbon Disclosure Project framework and will provide valuable insights across the Group on how to measure our emissions and take steps to reduce our emissions as a Group in the coming years.

Moving forward – our five-year plan

We have designed a five-year plan taking us from 2010 to 2015. This revolves around two broad themes, wellbeing and education. Wellbeing is intrinsically linked to our role in the pharmaceutical industry and our core duty of care to those around us. Education is integral to the effective development of the Company and the communities we serve.

These themes will be a reference point for our CR efforts over the next five years and within this framework, we have created four key areas of focus: our people, our community, our environment and global welfare, which reflects our awareness of the need to enhance health and wellbeing wherever we operate and wherever we do business. While we have implicitly recognised these areas as being of crucial importance in the past, explicit recognition will, we believe, allow us to reinforce our efforts to drive CR internally and on the world stage.

Energy consumption

Diesel consumption decreased in Algeria

-21%





OUR PLATFORMS

Community

Hikma does not exist in isolation. It wishes to engage in its local communities, recognising the importance of establishing a strong community footprint in all countries of operation

Aim

Building our brand

People

Our people are our greatest asset. They are ambassadors for the Company and we aim to support them as fully as possible, in terms of training, welfare, recognition and supporting diversity

Aim

Making us stronger

Environment

Mitigating our environmental impact should be offered as standard by Hikma as a company. We should promote a sustainable presence in our communities through recycling, waste reduction and energy efficiency

Aim

Efficient use of resources

Ethics

Hikma should encourage all counterparties to adopt the policies and behaviours of Hikma, and to support the high levels of ethical business practice undertaken by Hikma

Aim

Preferred partner for business

ACTING RESPONSIBLY

- Partnership with the Jordan River Foundation
- Global Volunteering Day
- Fundraising for local homeless groups, disadvantaged families and the elderly

- Professional and technical training and development
- Transparent remuneration structure with job grading and levelling
- Compliance with health and safety regulation

- “You are Hikma”
- Energy and water conservation, recycling and waste management
- Solvency recovery pilot

- Member of UN Global Compact
- Member of PACI
- Audit of main suppliers’ employment practices

WELLBEING

- Partnering with the Global Fund to fight AIDS, TB and Malaria
- Distribution of free medicines
- Local fundraising for research and treatment of chronic diseases

- Hikma’s Day against Breast Cancer
- Hikma’s Day against Diabetes
- Free breast exams and mammograms for all employees

- Local clean water initiatives
- Focus on hazardous waste reduction

- Stakeholder engagement
- Adherence to highest quality standards across our global business

EDUCATION

- Funding students in the fields of Technical Pharmacy and Applied Medical Sciences
- Educational bursaries
- Community open days at Hikma
- Internships and work experience

- Staff education seminars
- Awareness sessions on key diseases
- Health and safety training for all employees

- Environmental awareness lectures
- Awareness campaigns
- Staff training

- Staff training on Global Compact principles
- Incorporating Code of Conduct in induction training

GRI REPORTING

- EC1 – Direct economic value generated (including revenues, costs, donations, investments)
- EC8 – Development and impact of infrastructure investments for public benefit

- LA7 – Rates of injury, disease, lost days, absenteeism
- LA10 – Average hours of training per employee per category
- SO3 – Percentage of employees trained in anti-corruption policies

- EN3 – Direct energy consumption
- EN8 – Total water withdrawal
- EN22 – Total weight of waste

- PR1 – Life cycle stages in which H&S impact of products are measured for improvements
- HR2 – Percentage of suppliers/contractors undergone human rights screening