

SUSTAINABILITY

OUR APPROACH TO SUSTAINABILITY

USING A MATERIALITY ASSESSMENT, WE HAVE IDENTIFIED THE TOPICS AND KEY INITIATIVES THAT ARE OF MOST IMPORTANCE AND RELEVANCE TO THE LONG-TERM SUSTAINABILITY OF OUR BUSINESS MODEL, SUMMARISED IN THE MATRIX BELOW

WHAT IS IMPORTANT TO THE LONG-TERM SUSTAINABILITY OF HIKMA'S BUSINESS MODEL?

OUR APPROACH

As a pharmaceutical company, our primary objective is to provide patients with high quality, affordable medicines tailored to their needs. We aim to do this in a sustainable way, by working to ensure our products deliver the maximum benefit to patients in as many markets as possible whilst managing the impact of our operations. At the same time, we are continuously preparing for the future, so that we can strengthen and grow our business to create shareholder value whilst operating in the best interests of our other stakeholders.

This year, we have used a materiality assessment to identify and prioritise the sustainability issues that are of the greatest significance to our business and which are of most importance and relevance to our stakeholders. This process identified the following areas of focus: addressing patients' needs, managing our impact on the markets and economies in which we operate, promoting good business ethics, supporting our local communities and minimising our environmental impact.

This sustainability report focuses on these key areas and, therefore, does not provide information on the large number of other sustainability initiatives which we continuously manage across the Group. Additional information on other issues is provided on our website.

The matrix opposite provides a summary of the focus areas and examples of key initiatives that are covered within this report.

2013 HIGHLIGHTS

PATIENTS

TREATING MAJOR HEALTH ISSUES

WHAT WE'VE BEEN DOING

- ▶ Focusing on diabetes, heart disease, CNS and oncology
- ▶ Addressing market shortages with reliable supply of product

DELIVERING HIGH QUALITY, AFFORDABLE AND DIFFERENTIATED PRODUCTS

- ▶ Launching new products tailored to specific needs in local markets
- ▶ Establishing operations in new markets

ENHANCING DOCTOR AND PATIENT AWARENESS AND EDUCATION

- ▶ Hosting medical symposiums
- ▶ Sponsoring public awareness campaigns for heart disease, diabetes and obesity

ECONOMIC

BROADENING OUR ECONOMIC CONTRIBUTION

- ▶ Investing in facilities across our markets
- ▶ Spending \$319 million on wages and employee benefits globally

ETHICS

PROMOTING GOOD BUSINESS ETHICS

- ▶ Establishing new guidelines for ethical sales promotion
- ▶ Training new sales and marketing employees

PEOPLE AND COMMUNITIES

SUPPORTING PEOPLE AND COMMUNITIES

- ▶ Donating medicines
- ▶ Supporting local schools and universities

ENVIRONMENT

MINIMISING OUR ENVIRONMENTAL IMPACT

- ▶ Reducing water consumption
- ▶ Measuring our carbon footprint

TREATING MAJOR HEALTH ISSUES

Why this is important

The global pharmaceutical market continues to grow, driven by strong patient demand for medicines to treat major health issues. The sustainability of our business model depends on our ability to meet the needs of doctors and patients, adapting our portfolio and capabilities to address their changing requirements over time. We achieve this through continuous investment in the development of a relevant product portfolio for each of our markets, providing both innovative products under license and high quality, affordable generic alternatives across a broad range of therapeutic categories. Our focus on maintaining secure supply of products in markets where demand is highest, will enable us to deliver sustainable, long-term growth across our businesses.

LAUNCHED FIRST ONCOLOGY PRODUCTS IN US

In 2013, we launched irinotecan, for the treatment of metastatic colorectal cancers, and zoledronic acid, for the treatment of advanced cancers associated with bone metastases.

ADDRESSING PRODUCT SHORTAGES

In 2013, we invested over \$20 million to significantly increase production capacity for critical care injectable drugs. This will enable us to maintain secure supply and help to address the drug shortages in the US market.

What we're doing

In 2013, 47% of Group revenue was generated in the MENA region. In these markets, population demographics, combined with increasing affluence and changes in lifestyle, are driving strong growth in the overall pharmaceutical market. We are continuously expanding our product portfolio to meet changes in patient demand, particularly in newer, higher value therapeutic categories. In 2013, we launched 69 new products, with a focus on the treatment of heart disease and central nervous system disorders, such as Resova® for the treatment of cholesterol and Regab® for the treatment of neuropathic pain.

Across our global markets, cancer is a rapidly growing major health issue and we are developing a broad product portfolio to provide patients with high quality and affordable treatments. During 2013, we launched nine products for the treatment of cancer in Europe and three in the US.

We also signed licensing agreements for two innovative oncology products in MENA.

Ageing populations globally are creating greater demand for injectable products, which are typically used in hospital care. In recent years, we have been developing our global Injectables business to address this demand. In 2013, we made meaningful investments in injectables to add high-speed, more efficient lines and increase capacity.

The availability of spare capacity, combined with our strong quality track record, has enabled us to maintain secure supply during periods of acute shortages in the US, thereby improving patient access to much needed critical and affordable medicines.

In order to be able to continue to meet patient needs, as new therapies evolve and demand patterns change, we are continuously investing in new product development. In 2013, we invested \$76 million in R&D and product acquisitions across our business.



SUSTAINABILITY

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DELIVERING HIGH QUALITY, AFFORDABLE PRODUCTS

DELIVERING HIGH QUALITY, AFFORDABLE PRODUCTS

We aim to be the first to bring a more affordable alternative to the originator products to the market. In Egypt we launched Feburic®, a novel treatment for rheumatic hyperuricemia and the first generic.

EXPANDING INTO SUB-SAHARAN AFRICA

Countries in sub-Saharan Africa currently have large and growing populations with limited access to high quality, affordable medicines. We see excellent opportunities to replicate our unique business model in these markets, establishing strong local businesses, employing local people, providing patients with access to important medicines and helping to support the development of the overall pharmaceutical industry. In 2013, we entered into a JV in Ethiopia and we now have 11 products pending approval.

Why this is important

Across global healthcare markets, governments and other customers are under increasing pressure to meet the growing needs of patients while controlling their overall healthcare spend. Through our broad portfolio of high quality, affordable products, we are offering a solution to customers. This is particularly relevant in developing markets, including the MENA region and sub-Saharan Africa, where healthcare spend per capita is significantly lower than more developed markets and generic penetration is limited.

What we're doing

We are developing our product portfolio to address current and evolving requirements of doctors and patients in our markets by launching new products, adding new therapeutic categories, adding new dosage forms and strengths and developing new technologies and delivery systems to improve patient and doctor safety.

Particularly in MENA, our aim is to launch the first or second generic on the market, helping to accelerate the speed at which patients can access new treatments and facilitate greater healthcare coverage across the region.

For example, in Algeria we launched four products in 2013 to address the rapidly growing demand for cardiovascular and diabetes products. By launching products such as CORED XL®, a statin product that is the first generic on the Algerian market, we are helping to improve patient access to new treatments and increasing healthcare coverage at more affordable prices.

We are continuously assessing opportunities to introduce our products in new markets and, in 2013, made an excellent first step into sub-Saharan Africa through a joint venture in the Ethiopian market, where we will establish a local manufacturing and sales presence. Our ability to take high quality, affordable medicines into large and growing markets such as Ethiopia will benefit patients who currently have limited access to medicines and help to support the long-term growth of our business.

Across our markets we have high quality manufacturing facilities, which are subject to regular inspections by regional regulatory authorities (including the US FDA for a number of our global facilities), our licensing partners and our contract manufacturing customers. Particularly in the US, where we have 15% market share by volume of the generic injectables market, this emphasis on quality ensures we invest in the long-term sustainability of our businesses.

As the population is ageing globally, especially in developed markets such as the US, a growing number of patients are requiring hospital care. This is increasing the global focus on lowering healthcare costs. Our ability to supply generic versions of critical care injectable products to hospitals is helping to both reduce the cost of medicines and enable increased patient coverage through access to more affordable medicines.

A key component of our new product development is to improve doctor and patient safety. The long-term supply agreement we signed with Unilife in 2013 is an example of this, enabling us to bring differentiated, advanced technology pre-filled syringes to the market, which will improve safety and establish a more sustainable long-term competitive position in the US market.

ENHANCING PATIENT AND DOCTOR AWARENESS AND EDUCATION

WORLD HEART DAY

We took part in the International World Heart Day in 2013, with the aim of raising patients' and heart specialists' awareness to help prevent and treat heart disease. Hikma's global cardiovascular team held simultaneous campaigns in Jordan, Algeria and Saudi Arabia, focusing this year on developing heart-healthy life habits in women and children, who are traditionally overlooked in risk assessment of heart disease.

WORKING WITH REGULATORS AND DOCTORS

We co-operated with the Jordanian Oncology Society to present a "Hikma Award" for the best published medical scholarly paper on cancer in Jordan. The papers were published in 2011 and 2012 by researchers from Jordanian universities, the King Hussein Cancer Centre and other public and private hospitals. They tackled many cancer-related topics such as causes, diagnosis and various treatment options. Some of these articles also addressed the role of nursing and palliative therapy for cancer patients.

Why this is important

As part of our sustainable approach to improving healthcare, we are active in raising public awareness of major health issues to help improve lifestyles, facilitate increased diagnosis and enable better patient care. In a number of markets where we operate, doctors and patients have limited access to healthcare information, such as advancements in drugs and diagnostic practices. By raising health awareness, supporting doctor and patient education and bringing together healthcare professionals to share knowledge, we are helping to increase the diagnosis and treatment of health issues to improve our patients' quality of life.

What we're doing

As in previous years, we held a large number of events across our markets during 2013, to provide information to doctors, including doctors symposiums, lectures, workshops, marketing campaigns and health awareness days.

These events help to bring doctors and specialists together to discuss the latest techniques, advancements and treatments in critical therapeutic categories. For example, in Algeria, we hosted a lecture for 130 psychiatrists and a workshop for 30 neurologists. In Jordan, we organised the SUN workshop (Scientific Update in Neurology) bringing together 100 neurologists from MENA and world-renowned professors as expert speakers.

We also continued with initiatives to support our patients through improved education and by raising public awareness

of increasingly common health risks, such as diabetes and obesity. Across the Group, we undertook health campaigns in various locations, including World Diabetes Day, World Heart Day, World Hypertension Day, the annual Breast Cancer campaign and the Purple Day against Epilepsy. Hikma co-operated with a local partner to promote Patient Safety Day. We have also disseminated health information through our social media channels.

Our patients rely on us to provide safe and effective medicines. Our Medical Affairs department is actively engaged in Pharmacovigilance practices, relating to the detection, assessment, understanding and prevention of the adverse effects or any drug-related problems. We launched a Group-wide Good Pharmacovigilance Practice policy in 2013, which provides all users with the rules and guidelines for good pharmacovigilance practice to continuously monitor drug safety and evaluate the risk/benefit balance of our products.

In 2013, we organised a pharmacovigilance symposium, "Drug Safety Monitoring for Better Healthcare" to raise pharmacovigilance awareness among healthcare professionals in the GCC countries. More than 30 senior pharmacists working in hospitals, chain pharmacies and regulatory authorities from different GCC countries attended the event, strengthening Hikma's relations with healthcare professionals and demonstrating Hikma's emphasis on quality and drug safety.

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BROADENING OUR ECONOMIC CONTRIBUTION

Why this is important

Hikma has a unique business model, building strong local businesses in each of our markets, employing local people, investing to establish high quality local manufacturing facilities, working with regulatory bodies, building export sales and helping to support the growth of the overall pharmaceutical market in the countries where we operate. This business model ensures that we bring significant economic benefits to the countries where we are present, improve the development of healthcare systems and support the long-term sustainability of our businesses.

What we're doing

In 2013, we invested \$59 million in capex across our geographies to enhance and expand our facilities to increase our production output in both existing and new markets.

We now employ over 7,067 people globally. We have a Group-wide strategy to invest in salaries and employee benefits and support the healthcare, families and personal growth of our people, which has made Hikma an employer of choice. In 2013, we spent \$319 million on salaries and employee benefits across our businesses.

We also provide continuous training and development for our employees. We focus on developing our people to be strong future managers.

We continued with our middle management training programme in cooperation with the American University of Beirut ("AUB") this year. The programme aims to enable middle management takes on more responsibility and authority.

Continuing on the path of advancing the economy and health sector in the region, Hikma partnered with the World Economic Forum as a Regional Associate, aligning our shared vision of advancing growth and resilience in the region. Over the past 30 years, Hikma has focused on advancing and building communities through developing and investing in the healthcare sector in the MENA region. Job creation, female employment, youth empowerment and their enrolment in the work force have been our priorities.

INVESTING IN SUDAN

In 2011, we invested \$18 million to acquire a local manufacturing facility in Sudan and we have since invested over \$8 million in capex. We are raising the quality standards of the facility and significantly increasing our supply of products for patients in Sudan. We now employ around 220 local people in Sudan and we have been investing in their training and development. We are the leading pharmaceutical company, with around 22% market share and we sell a portfolio of around 73 products, bringing high quality, affordable medicines to patients in Sudan. Over time, we are registering our products in neighbouring East African markets, supporting Sudan's export industry and broadening patient access in East Africa to important medicines.



PROMOTING GOOD BUSINESS ETHICS

Why this is important

It is embedded in the culture of Hikma to promote good business ethics across our businesses and geographies. Ensuring the integrity of our people and business practices is critical to maintaining our long-term success. In particular we focus on marketing responsibly. Hikma has a strong reputation for business ethics and quality. Our culture of ethical behaviour has established a stable work environment which employees are proud of and a name our stakeholders can trust.

What we're doing

In 2013, we launched an induction programme for our MENA sales teams. Our aim is to create a quality standard that will ensure a visible and strong image of our sales professionalism, enhance the confidence and abilities of our sales people and motivate them to grow in their roles and responsibilities within Hikma. Across our sales force, we endeavour to provide our patients with accurate, comprehensive and relevant medical information about our products. These practices ensure ethical and credible promotion of our products.

Through corporate compliance, we ensure responsible marketing and anti-corruption practices and in 2013, this was communicated through training of our sales and marketing team in an induction programme for new joiners.

In 2013, we issued an updated Code of Conduct. In our role as a responsible and ethical company with no tolerance for corruption and bribery, we will train the top management in anti-corruption practices in accordance with the Code of Conduct and cascade the training to reach all employees of Hikma worldwide.

Being a signatory of the United Nations Global Compact ("UNGC") has been vital for aligning our operations with the pillars of business ethics. We sustain our membership in the UNGC annually, demonstrating how Hikma aligns its strategies and operations with the ten universally accepted principles of the UNGC that cover four key ethical areas: human rights, labour, environment and anti-corruption. In doing so, we demonstrate how we respect and protect internationally proclaimed human rights, and are not complicit in matters of human rights abuses, child, forced and compulsory labour and take proactive measures to eliminate them. In addition, we perpetuate environmental responsibility throughout our business and manufacturing processes and use environmentally friendly technologies. We also work against corruption in all its forms, including extortion and bribery.

YOU ARE HIKMA

We actively instil ethical behaviour across the organisation. The Board has received a number of awards in transparency, openness and good governance over the years. In 2013, Hikma received the Building Public Trust Award for Executive Remuneration Reporting in the FTSE 250.

Our annual employee welfare week, "You Are Hikma", was held across our global locations. The campaign reflects Hikma's dedication to improving its employees' quality of life through personal empowerment, encouraging corporate citizenship among Hikma employees and improving their well-being and quality of life through positive and valuable educational activities to raise awareness on health, safety and environmental issues.

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SUPPORTING PEOPLE AND COMMUNITIES

SUPPORTING LOCAL COMMUNITY PROJECTS

A significant school rehabilitation project took place in the impoverished Sudanese Al-Bagair area, surrounding our manufacturing plant. The Hikma team helped in providing vital assistance to the school, including building a new classroom and installing water supply units.

Why this is important

We believe that the ultimate goal of any business is to improve the community and advance society, and we instil this belief across our operations. As a core element of our sustainable approach to business, we invest in supporting the people and communities in the markets where we operate. This enables us to build sustainable local businesses, which can deliver strong growth over time and help to improve the lives of patients through improved health. Within Hikma, our people are our most valuable asset. The investment we make to continuously develop the skills, talents and motivation of our people is what moves our business forward.

What we're doing

Across our businesses we work closely with local schools and universities and we offer internship placements in a number of our markets. Educating the youth and youth employment are high on Hikma's sustainability priorities. For example, in the

US we have a long history of engaging with a number of universities to provide college students with supervised, practical work experience in areas directly related to their education and career goals. In Jordan, we continue to offer local students the opportunity for internships to meet their graduation requirements and gain critical work experience. By engaging with students and universities in programmes such as these in Algeria, Germany, Italy, Jordan, Portugal and the US, we help to develop a candidate pool of qualified and highly motivated individuals.

As in previous years, Hikma made a number of medicine donations during 2013 to help people in the countries where we operate. As well as providing medicine for patients in dire need of care during times of crisis, we want to ensure that patients suffering from chronic conditions do not lose access to critical medications. For example, in 2013 we gave medicine donations following a severe flood in the East Nile area.

VOLUNTEERING DAY

In the spirit of team building and instilling the spirit of volunteerism in our employees, Hikma held its annual global volunteering campaign. This year saw an active participation of employee volunteers in Jordan, Egypt, Portugal, Saudi Arabia, UK and the US. Volunteers teamed up with underprivileged school children, coaching them in community service and educating them on health and safety, while others focused on the environment, school renovations and fundraising.



MINIMISING OUR ENVIRONMENTAL IMPACT

Greenhouse gas inventory

Category	Emissions	Intensity
Combustion of fuel (Scope 1 direct)	16,817 tCO ₂ e	2.92 tCO ₂ e/ FTE employee
Electricity purchased for our own use (Scope 2 indirect)	49,779 tCO ₂	8.65 tCO ₂ / FTE employee

Segment	Scope 1	Scope 2
MENA	8,059 tCO ₂ e	32,266 tCO ₂
United States	7,697 tCO ₂ e	12,761 tCO ₂
Europe	1,061 tCO ₂ e	4,752 tCO ₂

Reporting boundaries and exclusions

Segment	GHG source	2013 disclosure
Scope 1 direct	Facility diesel combustion	Included
	Facility natural gas combustion	Included
	Facility LPG combustion	Included
	Vehicle fuel combustion	Excluded, due to data collection issues
	Facility wastewater treatment	Excluded, due to data collection issues
Scope 2 indirect	Fugitive emissions from RAC equipment	Excluded, due to data collection issues
	Purchased electricity for own consumption	Included

UTILISING SOLAR ENERGY

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

Why this is important

We recognise that human health is linked to the wider environment in which we live and that climate change is one of the greatest challenges facing nations, governments, businesses and citizens over future decades. Pharmaceuticals manufacturing can be an energy-intensive business and it is therefore our responsibility to understand our related environmental impacts through effective measurement, monitoring and reporting over time.

Disclosing the greenhouse gas ("GHG") emissions of our organisation helps us to address a key pledge of our Environment Policy: to reduce our impact on climate change. We aim to uphold this through continuous development and improvement of energy conservation and efficiency initiatives, as well as employee engagement and product/process innovations throughout our business.

What we're doing

During the period 1 January 2013 to 31 December 2013, Hikma emitted 16,817 tCO₂e from the combustion of fuel (Scope 1 direct) and 49,779 tCO₂ from electricity purchased for our own use (Scope 2 indirect). This is equal to 2.92 tCO₂e per full time equivalent ("FTE") employee and 8.65 tCO₂ per FTE employee respectively.

Hikma has quantified and reported emissions according to the Defra Environmental Reporting Guidelines 2013. We have used the latest UK Government Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data. Results are reported in tCO₂e for Scope 1 emissions and tCO₂ for Scope 2 emissions, as UK Government emission factors for overseas electricity currently account for carbon dioxide emissions only. A materiality threshold of 10% has been applied for emissions reporting purposes.

We consolidate our organisational boundary according to the operational control approach and the requirements of Section 7 of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This approach includes all Hikma subsidiaries and corresponding facilities/assets. JVs with less than 50% holding, however, have been excluded from our GHG disclosure as it is considered that we do not have operational control over these emissions sources. In addition, non-manufacturing facilities with less than 100 staff at the end of the reporting period are not included within our emissions disclosure on the grounds of materiality. Emissions from our manufacturing facility in Morocco have also been excluded due to lack of any established process for data capture in this reporting year. It is our intention to report on material emissions from this location next year. Furthermore, we are implementing processes in order to be able to capture data from GHG sources excluded from this year's disclosure in future reporting years.

To streamline our reporting across the Group, in 2013 we began implementing software which will improve our ability to monitor and reduce emissions, waste, energy consumption and water usage. This programme will be implemented across the Group during 2014.

Across our businesses we are assessing ways to reduce our environmental impact, the most significant of which as a pharmaceutical manufacturer, is water usage. Our ability to reduce this impact through reduced water consumption will also enable us to deliver meaningful costs savings. In 2013, we installed a number of systems in our production processes that increased the efficiency of our water usage in Jordan and Portugal.