

California Transparency in Supply Chain Act Disclosure

I. Verification

Hikma Pharmaceuticals engages in certain verification processes to evaluate and address risks of human trafficking and slavery. We have established internal controls to identify and eliminate forced and child labour risks in our own business operations and supply chains whilst recognising that these issues can be difficult to detect, particularly in the lower tiers of our supply chain. We therefore continue to advance our measures to ensure that forced and child labour are not taking place in any part of our business or in those of our partners and suppliers.

Based on our risk assessment and the nature of our operations, we continue to believe that the risk of forced and child labour in our directly employed workforce is low, mainly due to our strict adherence to relevant labour laws and regulations, the rigorous enforcement of our policies and procedures, the highly skilled nature of our workforce, and the heavily regulated nature of the pharmaceutical industry. However, we acknowledge that the risk of forced and child labour in our supply chain increases when we deal with third parties, particularly suppliers who operate in jurisdictions where weak enforcement of international human rights standards may be prevalent.

To assess these risks, we conduct a risk assessment of our suppliers, taking into account various internal and external factors. These factors include the type of products or services being sourced, the geographical location of the supplier, their compliance history, and the nature of the business relationship. As part of our standard engagement process, each prospective supplier is issued a standard questionnaire to assess the nature and extent of the risks inherent in the contemplated transaction with us. Depending on their responses and other risk criteria, they may then be subject to a more comprehensive assessment, which includes enhanced questions and requirements. Our questionnaire process was evaluated and updated in 2023 to include additional details about specific risks and evaluates relevant internal controls, including those related to forced and child labour.

As part of that effort, we also initiated a comprehensive review of our risk assessment criteria to better evaluate potential risks within our supply chains. We are enhancing our focus on the assessments of risks related to exploitative, unsafe, or abusive work conditions, which are often indicative of forced and child labour. This evaluation process considers various factors, including the geographic location of prospective suppliers, the nature of products or services involved, and the supplier's internal controls and standards. Additionally, we scrutinize each supplier's enforcement history, existing sanctions, and any related adverse information during the pre-qualification phase.

II. Audits

While the Company does not currently conduct audits of suppliers to evaluate compliance with standards for preventing trafficking and slavery in our supply chains, certain audits are conducted on suppliers who manufacture active pharmaceutical ingredients. Such audits are conducted to ensure compliance with regulatory requirements that are applicable to our operations. This approach helps us identify and address potential risks effectively, safeguarding against unethical practices across our supply chain. Audits specifically relating to modern slavery issues and exploitative labour practices are planned areas for enhanced due diligence.

III. Certification

Our Company Code of Conduct is supplemented by our Supplier Code of Conduct, which reinforces our commitment to integrity and emphasizes our values and the importance of human rights, equitable labour, and the protection of worker and employee health and safety. Our Supplier Code of Conduct applies to all our suppliers, partners and third parties providing goods and services to or working with us. Through the Supplier Code, we require all our suppliers to operate in line with internationally recognised human rights and promote and maintain a culture that reflects our values. Our Supplier Code of Conduct also imposes a responsibility on our suppliers to ensure that their own suppliers and contractors are subject to the same standards, restrictions, and expectations. Additionally, it requires our suppliers to demonstrate that they have undertaken reasonable enquiry into, and are not aware of, any instances of modern slavery directly or indirectly linked to their business operations, products, or services. Information on our Speak-Up and Reporting Channels are also embedded in the Code, enabling suppliers or third parties to report instances of misconduct, modern slavery, or forced labour conditions that they become aware of during our engagement.

In addition to our Supplier Code of Conduct we collaborate with external partner EcoVadis for the assessment and rating of supplier sustainability efforts. In 2023, we have assessed suppliers who make up around 49% of our procurement spend on EcoVadis, where they undergo assessment across four key areas, with a specific focus on sub-topics related to anti-exploitation and anti-slavery within the Labour and Human Rights area. Suppliers flagged with risks undergo regular monitoring and are required to undergo a corrective action plan with ongoing engagement from us.

In 2023, less than 1% of our rated suppliers on EcoVadis were flagged with high-risk scores under the Labour & Human Rights screening factor. Further investigation revealed inadequate disclosure, as opposed to actual noncompliance risks, as the primary reason for the risk factor. These suppliers have been engaged with and required to provide necessary documentation to address the identified gaps and verify that the required standards have been met.

Our Employee and Supplier Codes of Conduct and internal policies are reviewed at regular intervals to ensure they remain effective and relevant in addressing the various contemporary issues and risks that they aim to address. This entails active participation from all stakeholders, including our Board of Director's oversight, to provide valuable insights and ensure alignment with our organisational goals and values. By fostering a culture of continuous improvement and accountability, we can better address issues such as modern slavery and uphold our commitment to ethical and responsible business practices.

IV. Internal Accountability

The Company maintains internal accountability for ensuring anti-slavery and anti-exploitation through our Code of Conduct as well as other relevant policies, procedures, and labour practices. Our Code of Conduct provides guidance to our employees and partners on the ethics of Hikma's business activities through the identification and discussion of various risks associated with our business. Our employees, officers, and directors are trained on the Company Code of Conduct as part of their orientation and are provided refresher training annually. In 2023, our Code of Conduct training, which raises awareness of the risks of slavery and human trafficking and how to recognise and respond to any incidences of modern slavery, had a completion rate of 98%.

V. Training

In 2023, we provided additional updates regarding the Supplier Code of Conduct in our Group Procurement Policy and ensured all local sites received relevant training. In 2023, we conducted comprehensive training sessions on supplier risk assessment and due diligence processes for employees involved in supplier onboarding. This initiative was part of our transition to a new tool, aimed at ensuring complete compliance with our supplier onboarding processes and requirements.

We are committed to ensuring our approach and processes to identify and address forced and child labour and human trafficking risks are effective. We have reviewed and updated our risk-based compliance due diligence and risk assessment questionnaires, and we will continue to update the process to allow us to better assess these risks in our direct and indirect supply chains.

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