Remuneration Policy

Directors Remuneration Policy

Non-Executive Directors' fees

Non-Executives	2021 ($000)		2022 ($000)		2023 ($000) (estimate)
Non-Executive Directors' average total fee[1]	148	-37%	93.2	62%	151

1. NED fees: The average Non-Executive Director's fee includes basic fee, Committee membership fee, fees for specific additional responsibilities, and Committee Chair fees. A full breakdown of fees is shown on page 121. The average fee changes reflect the handover of Committee responsibilities and retirement and appointment of Non-Executive Directors

This section of the Report sets out our new Directors' Remuneration Policy (the 2023 Policy). The 2023 Policy will, subject to shareholder approval, become formally effective from the 2023 Annual General Meeting (AGM) on 28 April 2023 and apply to the remuneration of Directors for the 2023 financial year. It is intended that the 2023 Policy will apply for a period of three years from 1 January 2023.

Core Principles

The Remuneration Committee (the Committee) aims to ensure that the remuneration for the Executive Directors:

- Aligns rewards with the experience of shareholders
- Has sufficient flexibility to recruit, motivate and retain the high calibre executives needed to drive the business forward in all the markets in which it operates
- Focuses on long-term sustainable performance
- Rewards the successful delivery of Hikma's strategy in line with its core values

Rationale

The 2023 Policy is designed to:

- Incorporate an element of longer-term performance and investor focused metrics, aligning executive remuneration more closely with the shareholder experience and the successful delivery of Hikma's strategy
- Align Hikma's remuneration structure with peers
- Provide more flexibility to recruit US based executives if needed
- Focus on measures that are central to creating long-term shareholder value
- Include ESG specific measures
- Be bolstered with stretching targets and a robust target setting process

Changes

The changes are shown below:

Variable pay

We recognise the need to have an incentive structure that supports the developed business that Hikma is today, incentivises management to perform over the longer-term and achieve the stretching business plan and is a recognisable incentive structure externally that has the ability to attract and retain an appropriate calibre of executive in the competitive global pharmaceutical talent pool within which Hikma operates.

As a result, we are proposing to move away from the Executive Incentive Plan (EIP) and introduce a new incentive structure that supports our business going forward. The proposed 2023 Policy focuses on two separate incentive plans:

- Annual bonus – performance measured over one year with 50% of any earned bonus deferred into an award for shares for a period of 3 years. Maximum opportunity of 200% of base salary.
- LTIP – a performance share plan (PSP) with performance measured over 3 years. An additional holding period of two years will apply post vesting. Maximum opportunity of 300% of base salary.

The change increases the maximum incentive opportunity from 400% of salary under the EIP, to 500% of salary under the 2023 Policy. This increase in opportunity recognises the lengthened timescales and weightings on long-term performance compared to the current policy. The proposed quantum has been carefully considered to enable Hikma to attract and retain future Executive Directors in the context of the significantly higher incentive multiples found in the US market which particularly influences pay in the global pharmaceutical sector.

A summary table setting out the differences between our current remuneration policy and the 2023 Policy can be found in Appendix 2 of the AGM Notice of Meeting.

Malus and clawback triggers

In line with best practice, we are enhancing malus and clawback provisions to include:

- an unreasonable failure to protect the interests of employees and customers
- a breach of any restrictive, confidentiality or non disparagement covenants or other similar undertakings, whether contained in the employment contract and/or settlement agreement and/or any other agreement between the company and the Executive Director

Remuneration Policy
continued

The 2023 Policy is presented below

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fixed Remuneration			
Base salary			
Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy.	Base salaries for Executive Directors are reviewed annually by the Committee and changes, if any, normally take effect from 1 January. Salaries are set with reference to: – pay increases for the general workforce – salaries in peer companies from the global pharmaceutical sector and UK listed companies – company performance and affordability Salaries for individuals who are recruited or promoted to the Board may be (but are not required to be) set below market levels at the time of appointment, with the intention of bringing the base salary levels in line with the market as the individual becomes established in their role.	Whilst there is no maximum salary, any increase will generally be no higher than the average increase for the wider workforce. A higher increase may be made for example where there is a material change in role or responsibilities, promotion, where there needs to be an adjustment to reflect an individuals increased experience in the role, when pay is materially behind market competitive levels, or in exceptional circumstances, with the rationale clearly explained in the next report to shareholders.	Not applicable.
Benefits			
An appropriate package of market competitive benefits to ensure executives are rewarded and focused.	Benefits may include, but are not limited to: – healthcare – school fees – company cars/transport (or cash allowance) – life insurance – relocation: when relocation is required by the Company – tax equalisation: where the director becomes tax resident in a jurisdiction as a result of the role and to the extent that additional taxes are paid and related advisory fees. As the Company operates internationally it may be necessary for the Committee to provide special benefits or allowances, for example (but not limited to) benefits customarily included in the country where the Executive Director resides. These would be disclosed to shareholders in the annual report on remuneration for the year in which the benefit or allowances were paid.	The value of benefit is based on the cost to the Company and there is no predetermined maximum limit. The range and value of the benefits offered are reviewed periodically.	Not applicable.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pension (or cash allowance)			
An appropriate level of pension contribution to ensure executives are provided with a retirement standard commensurate with their role, whilst being in line with the wider workforce.	The Company operates defined contribution arrangements in its main operational jurisdictions and executives participate in these arrangements. A cash supplement in lieu of pension may be paid provided the total pension payment does not exceed the maximum opportunity.	The maximum pension cash allowance (or pension contribution as appropriate) in line with the predominant pension contribution made for the wider global workforce which is currently 10% of salary.	Not applicable.
Performance Related Variable Remuneration			
Short – Term Incentives			
To provide alignment between the successful delivery of the short-term annual strategic business priorities and reward.	Executive Directors are eligible to participate in an Annual Bonus Plan under which annual bonus is earned subject to the achievement of performance over the financial year against targets set by the Committee at the start of each financial year. No bonus is payable for performance below threshold level, 25% for threshold and up to 50% of maximum pays out for on-target performance. Half of any bonus will normally be deferred into an award over shares, typically for a period of three years. Dividend equivalents may be accrued on deferred shares based on dividends paid to shareholders during the vesting period. These may accrue either in cash or shares on a reinvestment basis. Malus and clawback provisions apply.	Maximum of 200% of salary	Performance measures and weightings are reviewed annually to ensure they continue to support the achievement of the Company's key strategic priorities. Annual bonus financial targets are set with reference to internal plans and analyst consensus forecasts. Details of the performance measures for 2023 are shown on page 123. The Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Group. Any adjustments applied will be explained in the relevant annual report on remuneration.

Remuneration Policy
continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan (LTIP)			
To incentivise and reward participants over the long-term for sustained delivery of the business strategy and shareholder value. Provides longer term alignment with the shareholder experience.	Performance share awards may be granted. In usual circumstances awards vest after a three-year period, subject to the achievement of performance targets measured over three financial years. Normally, vested shares are subject to a holding period of two years (shares may be sold at vesting to satisfy any tax-related liabilities). 25% of the award value will vest for threshold performance and 62.5% of the award value will vest for target performance. Dividend equivalents may be accrued on the shares earned from LTIP awards based on dividends paid to shareholders during the vesting period. In line with the LTIP rules, dividend equivalents may also accrue during any applicable post-vesting holding period. These may accrue either in cash or shares on a reinvestment basis. Malus and clawback provisions apply.	The maximum face value of awards relating to a financial year of the Company will be 300% of base salary.	Performance is measured over three financial years. Performance measures for the 2023 award are EPS, business development and portfolio expansion, TSR and ESG, applying 30%, 30%, 20% and 20% respectively. Further details are on page 124. The Committee will set appropriate performance measures for future years. LTIP targets are set with reference to a range of relevant reference points which may include internal plans and analysts' consensus forecasts. The Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Group. Any adjustments applied will be explained in the relevant annual report on remuneration.
Shareholding policy			
To provide alignment between the interests of Executive Directors and shareholders over the longer term.	*In-employment shareholding policy* Shareholding guidelines for all Executive Directors will be at least 300% of salary. Executive Directors are expected to build up their shareholding guideline within a 5-year period from their date of appointment to the Board. *Post-cessation shareholding policy* All Executive Directors will be required to hold the lower of (i) their shareholding at the date of termination of employment; or (ii) shares equivalent to the minimum share ownership guideline at that date, for a period of two years post-employment.	Not applicable.	Not applicable.

Notes to the Remuneration Policy table

Malus and clawback

Annual bonus and LTIP awards are subject to malus and clawback provisions that protect the Company and shareholders. Under these provisions (including a deferred element) the Committee can reduce or cancel awards under the annual bonus and LTIP that have not yet vested (malus) and recover the value of an award that has vested or been paid (clawback). Malus can be applied to an alternative unvested award to satisfy the clawback of a vested award.

The Committee may apply malus and/or clawback to annual bonus and LTIP awards in circumstances which include (without limitation):

- a material misstatement in the published results of the Group or one of its members
- an error in assessing any applicable performance condition or target and/or the number of shares subject to an award
- the assessment of any applicable performance condition or target and/or the number of shares subject to an award being based on inaccurate or misleading information
- gross misconduct on the part of the Executive Director concerned
- an unreasonable failure to protect the interests of employees or customers of the Group
- a breach by the Executive Director concerned of any restrictive, confidentiality or non-disparagement covenants or other similar undertakings contained in any agreement between the Company and the Executive Director
- where, as a result of an appropriate review of accountability, the Committee determines that the Executive Director has caused wholly or in part a material loss for the Group as a result of (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate values or behaviour
- a Group member being censured by a regulatory body or suffers, in the Committee's opinion, a significant detrimental impact on its reputation
- the Company or entities representing a material proportion of the Group becomes insolvent or otherwise suffers a corporate failure
- participant having deliberately misled management, the Board, or the investor community

All of these malus and clawback provisions are applicable to annual bonus and LTIP awards. The following table summarises the normal application of malus and clawback in respect of the incentive plans:

Application to annual bonus	Cash bonus	Clawback available for three years from date of payment
	Deferred share award	Malus/clawback available for five years from date of award
Application to LTIP	Three-year vesting period	Malus/clawback available for six years from date of award
	Two-year holding period	

Service contracts

The Committee's policy for service contracts is:

- a maximum 12-month notice period applies. The Committee may in exceptional circumstances arising on recruitment allow a longer notice period, which would in any event reduce to 12 months following the first year of employment
- there are no contractual arrangements that would:
  - constitute liquidated damages clauses
  - guarantee a pension with limited or no abatement on severance or early retirement
  - provide for compensation for loss of office or employment that occurs because of a takeover bid

Service contracts can be viewed by shareholders either at the AGM or at the Company's offices. The Company Secretary will make arrangements upon request.

Recruitment remuneration

The Committee's normal approach to internal and external recruitment is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the international market in which the Company competes.

The Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The table below summarises the adjustments to the 2023 Policy with respect to recruitment of Executive Directors. Other than these potential adjustments, other package elements would be in accordance with the main 2023 Policy elements.

Component	Policy
Maximum level of variable remuneration	In exceptional circumstances, solely for the year of recruitment, the maximum level of variable remuneration available may be increased by 150% of salary to 650%.
Share buy-outs/ replacement awards	The Committee's policy is to not provide share buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justify the provision of a buy-out, any awards will have regard to the terms and value of the arrangements that will be forfeited on cessation of a Director's previous employment and will be calculated taking into account the following: – the proportion of the performance period completed on the date of the Director's cessation of employment – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied – any other terms and conditions having a material effect on their value (lapsed value) Any such compensation will be subject to clawback if the Director leaves the Company voluntarily within a fixed time period determined by the Committee. Where possible, the Committee will use existing share-based plans to grant such awards. However, in the event that these are not appropriate, the Committee retains the discretion to use the exception in Listing Rule 9.4.2 for the purpose of making an award to compensate the individual for amounts forfeited upon leaving a previous employer.

Payment for loss of office

When considering termination payments, the Remuneration Committee takes account of the best interests of Hikma and the individual's circumstances, including the reasons for termination, contractual obligations and the rules governing certain items of remuneration (e.g., incentive plan rules). The Remuneration Committee will ensure that there are no unjustifiable payments for failure on termination of employment. On an Executive Director ceasing to hold office, the Company will announce an out-going Executive Director's remuneration arrangements in accordance with applicable legal requirements.

Component	Approach	Application of Remuneration Committee discretion
General	The Committee's policy in relation to leavers can be summarised as follows: – the Committee will honour Executive Directors' contractual entitlements – if a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case – If, in the normal course of events, the Executive Director works their notice period (12 months for existing Executive Directors) they will receive contractual compensation payments and benefits during this time – in the event of the termination of an executive's contract and Hikma requesting the executive to cease working immediately, the Company may make a payment in lieu of notice equivalent to salary, pension entitlements and value of other benefits and, on a discretionary basis and only where it is in Hikma's interest, a pro-rated performance related bonus – in the event of termination for gross misconduct, neither notice nor payment in lieu of notice will be given and the executive will cease to perform services immediately	The Company may make additional payments where such payments are made in good faith in discharge of an existing legal obligation (including statutory payments that are required in any relevant jurisdiction) or by way of damages for breach of such an obligation; by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment; for agreeing to non-compete, non-solicitation and confidentiality clauses; for insurance cover for a specified period following the termination date, outplacement services, legal fees or repatriation assistance. Discretion to make payments in lieu of notice.

Component	Approach	Application of Remuneration Committee discretion
Annual bonus	Under the rules of the Annual Bonus Plan there is no entitlement to a bonus payment if termination occurs before the normal bonus payment date but the Committee may exercise its discretion to pay a bonus depending on the circumstances of the departure. If any bonus is payable it will be made in such proportions of cash and shares, and subject to such deferral arrangements, as the Committee may determine and will usually be time pro-rated to take account of the proportion of the financial year that has elapsed on the date the Executive Director ceases active service.	The Committee may use its discretion to: – determine an entitlement to a bonus payment – determine that an Executive Director is treated as ceasing employment on the day they give or receive notice – disapply time pro-rating for a good leaver when determining any bonus payment – determine any applicable deferral arrangements. An explanation will be provided to shareholders of the basis of any application of discretion.
Annual bonus (deferred shares)	The treatment of unvested deferred bonus awards on the cessation of employment is governed by the rules of the Deferred Bonus Plan: – Unvested deferred bonus awards held by a 'good leaver'[1] will vest on the normal vesting date unless the Committee exercises its discretion to allow vesting to be accelerated to the date of cessation of employment or another date – If the relevant individual ceases employment by reason of limb b) or c) of the definition of 'good leaver'[1], the Committee may decide that their deferred bonus awards will, instead of vesting, be exchanged for equivalent awards over another company's shares – If an individual is not a 'good leaver', any unvested deferred bonus awards will lapse – Special rules apply in the case of death – Save as summarised above, awards will continue to be subject to their original terms, including malus, clawback and holding periods, but the Committee has discretion to accelerate the release of awards for leavers.	Deferred bonus awards held by a 'good leaver'[1] will normally vest and be released at the usual time, but the Committee may use its discretion to accelerate vesting and release of awards. An explanation will be provided to shareholders of the basis of any application of discretion.
LTIP	The treatment of LTIP awards on the cessation of employment is governed by the rules of the Long Term Incentive Plan: – Awards held by a 'good leaver'[1] will normally vest, to the extent determined by the Committee under the rules and time pro-rated to take account of the proportion of the performance period that has elapsed, on the normal vesting date, unless the Committee exercises its discretion to allow vesting to be accelerated to the date of cessation of employment or another date and/or to disapply time pro-rating – If the relevant individual ceases employment by reason of limb b) or c) of the definition of 'good leaver'[1], the Committee may decide that their LTIP awards will, instead of vesting, be exchanged for equivalent awards over another company's shares – If an individual is not a 'good leaver', any unvested LTIP awards will lapse – Special rules apply in the case of death. – Save as summarised above awards will continue to be subject to their original terms, including malus, clawback and holding periods, but the Committee has discretion to accelerate the release of awards for leavers.	Where an Executive Director is determined to be a 'good leaver'[1] awards will normally vest and be released at the usual time, subject to the relevant performance targets, and pro-rated for time served during the performance period. However, the Committee may use its discretion to disapply time pro-rating. An explanation will be provided to shareholders on the basis of any application of discretion.

1. An individual will be treated as a 'good leaver' under the rules of the Deferred Bonus Plan and the Long-Term Incentive Plan if the termination of their employment is because of
a. ill-health, injury or disability to satisfaction of Committee;
b. the employing company ceasing to be under the control of the Company;
c. a transfer of the undertaking, or part of the undertaking, in which the participant works to a person which is neither under the control of the Company nor a Group company; or
d. any other reason at the discretion of the Committee.

Change in control

Component	Approach	Application of Remuneration Committee discretion
Annual bonus	The treatment of bonus is governed by the rules of the Annual Bonus Plan and the Deferred Bonus Plan. The Committee may determine that bonus awards for the year during which the change of control occurs may either continue to be determined on the basis of the whole year or may be pro-rated to the date of the change of control. Any unvested deferred bonus awards will normally vest early on the relevant corporate event.	The Committee will use its discretion to treat the calculation of bonuses differently if there are good reasons for doing so.
LTIP	The treatment of unvested LTIP awards is governed by the rules of the Long Term Incentive Plan. Any unvested LTIP awards will normally vest early on the relevant corporate event to the extent determined by the Committee in accordance with the rules of the LTIP, having regard to performance assessed on such basis as the Committee considers appropriate in the circumstances and (unless the Committee decides otherwise) time pro-rating. Vested awards subject to a holding period will be released early.	The Committee will use its discretion to treat the calculation of unvested share awards differently if there are good reasons for doing so.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office, including the exercise of any discretions available to it in connection with such payments (notwithstanding that they are not in line with this policy), where the terms of payment were agreed:

- before the date the Company's first Remuneration Policy came into effect
- before this policy was approved and implemented, provided that the terms of the payment were consistent with the Remuneration Policy in force at the time they were agreed
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director of the Company

Details of any such payments will be set out in the applicable annual report on remuneration as they arise.

For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Remuneration Committee discretion

The Committee retains discretion in the operation and administration of the Remuneration Policy, noting that no material changes will be made to the advantage of the Executive Directors without obtaining shareholder approval. Any use of discretion and how it was exercised will be disclosed, where relevant, in the annual report on remuneration.

This includes (but is not limited to) the following:

- the Executive Directors' participation in the Company's incentive plans
- the timing of awards including grant, vesting and release dates
- the form and size of awards and vesting levels within the limits set out in this policy
- the performance measures and weighting for annual bonus and LTIP awards within the terms set out in this policy
- the adjustment of formulaic outcomes of incentive awards where the outcomes are not reflective of overall Company performance or aligned with shareholder and/or wider stakeholder experience
- the settlement of any share awards in cash in exceptional circumstances where permitted by the relevant share plan rules
- the determination of good leaver status and treatment of unvested awards in line with this policy and incentive plan rules
- the extent to which malus and clawback should apply to any award
- the treatment of awards in the case of a change of control, including the vesting level of LTIP awards or if awards will, instead of vesting early, be exchanged for, or replaced with, equivalent awards over shares in another company
- the treatment of awards in the case of a demerger or certain other corporate events including a rights issue, corporate restructuring or the issue of special dividends, in which circumstances the Committee may, if it considers that the relevant event would materially affect the value of the Company's shares, adjust deferred bonus and LTIP awards or decide that they will vest and be released early
- the amendment or replacement of performance measures and targets where it reasonably considers it appropriate to do so, provided that the amended conditions are not materially less challenging

Differences between the policies for Executive Directors and employees, consideration of shareholder views and consideration of conditions elsewhere in the Group
Employees were not directly consulted on the executive remuneration policy. All employees receive a salary, pension, and medical insurance on a similar basis to the Executive Directors. Additionally, all employees participate in a cash bonus scheme, which is similar to the cash element of the annual bonus. The Committee reviews detailed internal and summary benchmarking data and is satisfied that the level of remuneration is proportionate across the HR grades. Further information is available on page 95 regarding how the Committee takes account of shareholder views when developing and implementing the remuneration policy, with further information on page 23.

Remuneration Policy table for the Chair and Non-Executive Directors
Non-Executive Directors' (NEDs) fees are set by the Board under the direction of the Executive Directors having considered the:

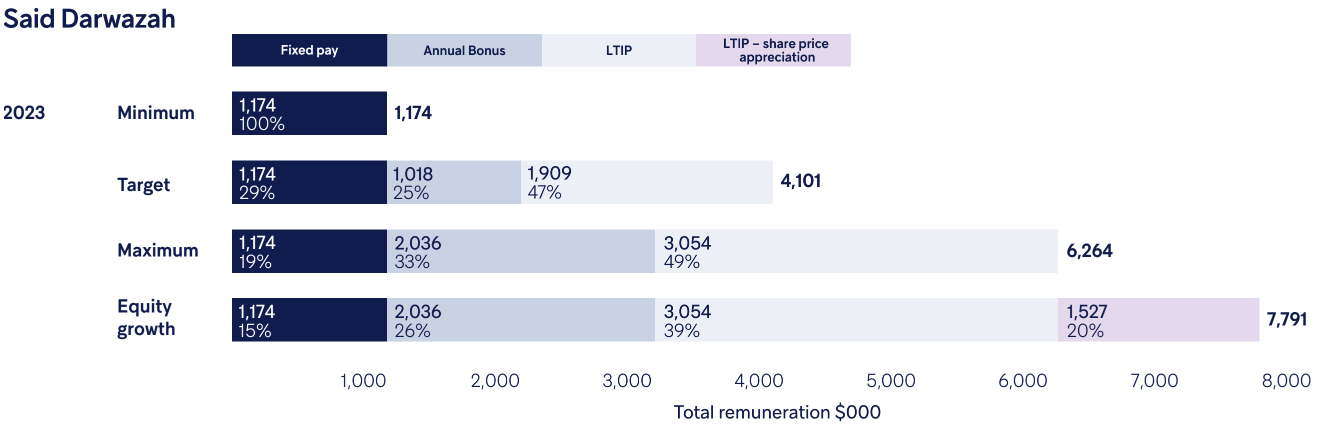
- pay practice in FTSE and sector peers
- extensive travel required to undertake the role
- significant guidance and support required from the NEDs

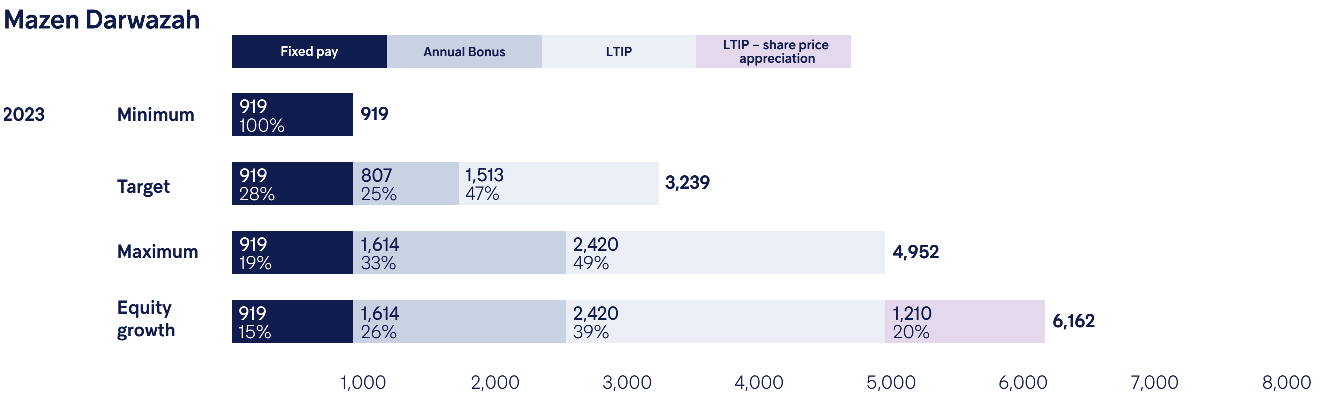
NEDs do not participate in the Group's pension or incentive arrangements. The annual fees payable to newly recruited NEDs will follow the policy for fees payable to existing NEDs, whose fees comprise:

Component	Approach	Application of Remuneration Committee discretion
Basic fee	An underlying fee for undertaking the duties of a Director of Hikma, chiefly relating to Board, strategy, and shareholder meetings. Provides a level of fees to support recruitment and retention of NEDs with the necessary experience.	Whilst there is no maximum, the practice is to remain within the parameters of FTSE peers.
Committee membership fee	A composite fee for taking additional responsibilities in relation to Committee membership. Usually, NEDs are members of at least three committees.	
Committee Chair/employee engagement fee	The Committee Chairs undertake additional responsibilities in leading a committee and are expected to act as a sounding board for the executive that reports to the relevant committee. The Director responsible for employee engagement receives a similar fee due to the additional requirements of that role. The chairmanship fee is paid in addition to the membership fee.	
Expenses	The Company pays expenses incurred wholly in relation to the position of NEDs and ensures that Directors do not incur a tax liability as a result. The Company retains discretion to provide for an allowance structure as an alternative to the latter payment.	

Illustrations of application of Remuneration Policy

The following charts show the potential available for 2023 (dependent upon performance) for Executive Directors under the new policy.





The scenarios in the graphs are as follows:

- fixed pay includes salary, benefits, and pension. The numbers are based on the base salary for 2022, the cost of transportation and medical benefits provided and a pension contribution of 10% of base salary.
- annual bonus is shown as a maximum percentage of base salary, with minimum, target and maximum performance shown as 0%, 50% and 100% respectively.
- LTIP is shown as a maximum of base salary, with minimum, target and maximum performance shown as 0%, 62.5% and 100% respectively.
- share price appreciation has been calculated as a 50% increase in the value of the LTIP between the date of grant and vesting
- no dividend accrual has been incorporated in the values relating to the LTIP

Shareholders were consulted during the process and details of the consultation and points considered are included in the Chair letter on page 95 and the engagement with shareholders found on page 23.

The Committee considered the operation of the remuneration policy in terms of the Corporate Governance Code as follows:

Clarity: the Committee regularly engages with shareholders, their representative bodies and management to explain the approach to executive pay.

Simplicity: the rationale, structure and strategic alignment of each element of pay has been explained in the remuneration policy.

Risk: there is an appropriate balance between fixed and variable pay together with objectives that ensure there is alignment with long-term shareholder interests. This alignment is further strengthened under the new 2023 Policy.

Predictability: the pay opportunity under different performance scenarios is set out in the illustration above.

Proportionality: executives are incentivised under the EIP to achieve stretching annual targets. Additionally, the new 2023 Policy builds in stretching targets over three-year performance periods. The Committee assess performance holistically and the end of each performance period against underlying business results together with internal and external context.

Alignment with culture: Hikma's purpose and values can be reinforced under the strategic objectives under the EIP and under both the annual bonus and LTIP of the new 2023 Policy.