

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, while 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 while operating in the best interests of our other stakeholders.<sup>1</sup>

We have used a risk assessment to identify and prioritise the sustainability issues that are of the greatest significance to our business and that are of most importance and relevance to our stakeholders.

This process identified the following areas of focus: addressing patients' needs, managing the impact of our operations in all markets, promoting good business ethics, supporting our local communities and minimising our environmental impact.

This sustainability report focuses on these key areas and does not provide information on other sustainability initiatives we have undertaken across the Group. Additional information 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.

2014 HIGHLIGHTS

PATIENTS

TREATING MAJOR HEALTH ISSUES

DELIVERING HIGH QUALITY, AFFORDABLE PRODUCTS

ENHANCING DOCTOR AND PATIENT AWARENESS AND EDUCATION

ECONOMIC

BROADENING OUR ECONOMIC CONTRIBUTION

ETHICS

PROMOTING GOOD BUSINESS ETHICS

PEOPLE AND COMMUNITIES

SUPPORTING PEOPLE AND COMMUNITIES

ENVIRONMENT

MINIMISING OUR ENVIRONMENTAL IMPACT

WHAT WE'VE BEEN DOING

- ▶ Continued to address chronic diseases, such as heart disease, cancer and diabetes
- ▶ Maintained secure supply of critical medicines to patients in areas of strife in the MENA
- ▶ Launched 75 products across all our markets
- ▶ Received a total of 263 approvals
- ▶ Organised medical workshops for neuroscience, cancer, organ transplant, cardiovascular and diabetes
- ▶ Arranged awareness campaigns across different therapeutic areas to raise awareness and help improve the health of our patients
- ▶ Strengthened our Injectables business through the acquisition of the Bedford and Ben Venue assets
- ▶ Ensured strong ethical practices across the Group
- ▶ Management completed anti-bribery and anti-corruption training
- ▶ Awarded the 'Smoke-free Zone Certificate'
- ▶ Addressed various community needs across our geographies through employee participation in the Hikma Volunteering Campaigns
- ▶ Used our global sustainability software to streamline our reporting
- ▶ Received recognition for implementing Environmental Stewardship Initiatives at West-Ward Pharmaceuticals in the US

<sup>1</sup> Includes Hikma's employees, customers, suppliers and shareholders

## 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 licence and high quality, affordable generic alternatives across a broad range of therapeutic categories. Our focus on maintaining a secure supply of products in markets where demand is highest, will enable us to deliver sustainable long-term growth across our businesses.

### What we're doing

As the global population ages and lifestyles are changing, we are seeing a higher incidence of chronic and non-communicable diseases ('NCDs'). We are continuing to address the demand for treatment for conditions such as diabetes and cardiovascular disease, through new product launches and patient activities.

In 2014, we successfully launched Superstat® (rosuvastatin) and Torvast® 80mg (atorvastatin) in Tunisia and Algeria respectively, in line with our strategy to enrich our cardiovascular portfolio with leading treatments.

Hikma celebrated World Heart Day ('WHD') by organising activities focusing on the 2014 WHD global theme of creating healthy-heart environments. A number of our employees participated in a cycling event 'Cycling Towards a Healthier Heart' to generate awareness for a heart-healthy lifestyle and we distributed heart-healthy gifts to doctors and employees. We also raised awareness for World Diabetes Day through the distribution of vouchers to obtain free blood tests and by providing health advice from various credible sources.

Cancer is a major health issue worldwide and it is becoming increasingly prevalent across all of our markets. We continue to develop our global portfolio of high quality, affordable oncology products to increase patients' access to these critical medicines. As part of our focus on raising doctors' awareness and confidence in the quality and effectiveness of our oncology products, we undertook a clinical research programme in 2014 for our product Cemivil® (imatinib), completing the interim data analysis and study report. Eighty-seven patients were recruited and followed up for one full year from three haematology sites in Jordan. The study provides evidence to the medical community on the effectiveness and safety of our generic product, Imatinib. We are planning to publish the study results in 2015 and to conduct similar studies in other MENA countries.

The continued growth of our global Injectables business is helping us to address the growing needs of hospitalised patients and we made significant advancements in 2014. In the US, the acquisition of Bedford significantly enhances our R&D capabilities in generic injectable products and will accelerate our ability to develop a strong portfolio and pipeline. While our short-term focus is on making the Bedford products available to patients in the US, we plan to take these products to our MENA markets over time. In the MENA, we have recently restructured the way we manage the business and we have increased the resource we are dedicating to injectables in terms of sales and marketing and other business functions. This will position us to drive stronger future growth.

### STRATEGIC PRIORITY

## SUPPORTING LEUKAEMIA AND LYMPHOMA IN THE US

We partnered with the Leukaemia and Lymphoma Society ('LLS') in New Jersey, US to raise funds and generate awareness for LLS' work with cancer patients. Our employees participated in weekly fundraising events which were followed by Light the Night Walks, joined by hundreds of other enthusiasts walking to support the society's achievements

### STRATEGIC PRIORITY

## MAINTAINING SECURE SUPPLY OF CRITICAL MEDICINES THROUGH DONATIONS TO GAZA

Hikma made substantial donations of medicines to the people who are suffering in the Gaza Strip. Hikma collaborated with the Jordan Hashemite Charity Organisation and with the United Nations Relief and Works Agency for Palestine Refugees in the Near East ('UNRWA') to supply critical medicines including antibiotics and treatments for patients suffering from diabetes and hypertension

Secure supply of medications is essential for our patients. In 2014, we continued to address product shortages in areas facing conflict by donating antibiotics, immunosuppressants, cardiovascular products and other medicines to patients in markets such as Gaza, Syria, Libya and Algeria. We worked with reliable non-governmental organisations ('NGOs') to ensure a secure delivery.

In 2014, we started utilising new mediums to enhance our support for patients, such as social media and apps for mobile devices. Our recently developed 'Hikma Health' smartphone app offers helpful tools to enable patients to improve their adherence to medicines. We also supplemented our annual health campaigns, such as the obesity, diabetes and cardiovascular programmes, with social media awareness events, enabling health information to reach a global audience.

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## Delivering high quality, affordable products

### Why this is important

The challenge for governments and other customers across our global markets is how to meet the ever-increasing demand for healthcare with limited resources, particularly as populations are ageing and a growing number of patients require hospital care. Our aim is to offer customers a cost-effective solution to healthcare provision by developing a broad portfolio of high quality and affordable products. 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

In 2014, we increased our investment in R&D across the Group to support the continuous development of our pipeline and broaden our product offering to patients. Across our markets, we are successfully driving new product launches, adding new dosage forms and strengths, expanding into new therapeutic categories and developing new delivery systems. Our focused investment is enabling us to offer a greater number of products to patients.

As a provider of generic products, we are facilitating greater healthcare coverage through more affordable access to medicines. Particularly in MENA, we aim to focus our pipeline on the newer, fastest growing therapeutic categories and to accelerate the speed at which patients can access new treatments by targeting to launch the first or second generic on the market.

In the US in 2014, we provided around 13% of the total volume of generic injectable pharmaceutical products sold in the market. Our broad and growing portfolio of critical care injectable products is helping us to address the rapidly increasing demand for hospital products at more affordable prices than originator products. This is helping providers to reduce the cost of healthcare and is facilitating an increase in patient coverage. Following our acquisition of Bedford's product portfolio in 2014, we have begun the process of transferring those products to our facilities so that we can begin re-launching them to the market. We expect to have an initial tranche of 20 of the Bedford products back on the US market by 2017. By re-introducing the products, we are helping to address critical supply shortages in the US market.

STRATEGIC PRIORITY

## INCREASING PATIENT ACCESS

We aim to be the first to bring a more affordable version of innovative products to the market. In Algeria in 2014, we launched two central nervous system products, Arini® (aripiprazole) and Gabatrex® (gabapentin), which were the first generics on that market. In Egypt, we launched Durjoy® (dapoxetine), a selective serotonin reuptake inhibitor, and first generic. This demonstrates our ability to help improve patient access to new treatments and increase healthcare coverage at more affordable prices

STRATEGIC PRIORITY

## FOCUSING ON DOCTOR AND PATIENT SAFETY

In 2013, we signed a long-term supply agreement with Unilife to bring differentiated, advanced technology pre-filled syringes to the market. These products have been designed to greatly enhance the safety of both doctors and patients in the delivery of drugs. In 2014, we submitted our first product in a pre-filled syringe to the US FDA for approval and we have identified a total of 20 products to be manufactured in this form



It is critical to the safety of our patients that we operate high quality manufacturing facilities and can maintain secure supply of our products. We continuously invest in the maintenance of our facilities to ensure compliance with the appropriate regulatory standards. Our plants 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. The emphasis we place on quality ensures we invest in the long-term sustainability of our businesses.

## Enhancing patient and doctor awareness and education

### Why this is important

Providing holistic treatment for our patients is a key component of the way we do business. In the communities where we operate, we focus on raising public awareness of critical health issues and helping people to improve their lives by making healthy choices. In the MENA region, our sales representatives provide an important source of information for doctors, making them aware of new advancements in research and diagnosis to improve treatment. Our mission to improve lives depends on sharing knowledge and promoting healthy practices to improve the treatment and care available to our patients.

### What we're doing

This year, we continued to organise education programmes for doctors. These included a number of events for top physicians in critical therapeutic categories such as diabetes, cardiovascular disease, central nervous system conditions and transplant surgery.

As part of this programme, we held a Hikma Oriented Psychiatric Education ('HOPE') workshop in 2014 to support doctors in addressing the high level of unmet needs in neurological and psychiatric care. The meeting was accredited by the European bipolar forum, bringing together around 125 psychiatrists in Istanbul, Turkey to be taught by notable international speakers and discuss new findings in neuroscience.

In 2014, we held a Hikma Cardiovascular Forum in Portugal. Cardiologists were provided with new information and perspectives on effective strategies to help patients reach their treatment goals. The scientific programme was endorsed by the Jordanian Cardiac Society, the Saudi Heart Association and the Egyptian Society of Cardiology. Also in Portugal, more than 100 Ear, Nose and Throat ('ENT') specialists and pulmonologists attended the CURE symposium held by Hikma, which focused on new findings in the field of anti-infectives.

In 2014, we sponsored key doctors from the MENA region to participate in the European Association for the Study of Diabetes ('EASD') congress that was held in Vienna, Austria. The EASD is the world's leading international forum for diabetes research, not only for individual scientists but also for the pharmaceutical industry worldwide.

We care for our cancer patients' needs and work with NGOs to improve cancer care and critical knowledge. In the US, we co-operated with the Susan Komen Foundation which we have a long-standing relationship with. This year, our employees participated in the Race for the Cure Campaign.

The sustainability of our business relies upon an open dialogue with our stakeholders to achieve shared knowledge and education. We continuously work on advancing the efficacy and safety of our products. In 2014, Hikma signed a service agreement with PrimeVigilance, a leading international company that provides pharmacovigilance and medical information services. In June, our Global Pharmacovigilance System went live, marking the beginning of a new phase in the way we manage safety information and case reports from patients and doctors.

### STRATEGIC PRIORITY

## RAISING DIABETES AWARENESS

In recognition of World Diabetes Day, we conducted a series of health activities to benefit our people, doctors and communities. Internally, we educated our people with health advice to lead more active and healthy lifestyles. Our different businesses participated in various ways; for example, in Morocco, we provided continuous medical education for endocrinologists by organising a diabetes forum, bringing together diabetologists from all the MENA countries. The forum was sponsored by the Jordan Society of Endocrinologists, the American Association of Clinical Endocrinologists (Gulf chapter) and the Arabic diabetes forum. In Jordan, we also offered free public screening to serve the local community

### STRATEGIC PRIORITY

## SUPPORTING IMPROVED TRANSPLANT OUTCOMES

Our focus on working more closely with transplant surgeons across our markets is increasing, fuelled by the higher demand in Syria, Libya and other countries in MENA. In 2014, we organised group meetings for surgeons in Egypt and Algeria to discuss the optimisation of transplant treatments. In Saudi Arabia, we addressed the risk of non-adherence of immunosuppressant regimens to transplant patients. We also sponsored a kidney transplant workshop and symposium in Sudan. A clinical study began for Myora® (mycophenolate mofetil), an immunosuppressant used for renal transplants. The study was funded by Hikma based on a request from the Jordan Food and Drug Administration as part of the Myora risk management plan to assess the safety and efficacy of the product, covering 25 patients from two hospitals over a one-year period

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## Broadening our economic contribution

### Why this is important

Hikma's business model of developing strong local businesses in each of our markets ensures that we bring significant economic benefits to the countries in which we operate. The investments we make to recruit and train a skilled local workforce, build local manufacturing facilities and transfer technology and knowledge between our different geographies help to grow successful local businesses, while at the same time contributing to the sustainable growth of the local pharmaceutical markets and economies where we operate.

### What we're doing

Within Hikma, we believe that our employees are our most important and valuable asset. Hikma now employs around 7,250 people in over 45 countries. Across the Group, we continuously invest in our employee benefits, including providing quality healthcare, supporting personal growth through training, and consistent reviews of remuneration packages and salaries. In 2014, we spent around \$338 million on salaries and employee benefits across our businesses.

We ensure that we enhance the skills and capabilities of all our employees through training and we are also continuously identifying and developing future managers across our businesses. In 2014, we continued with our middle management training programme in co-operation with the American University of Beirut ('AUB'). The programme focused on various topics such as strategic thinking, change and innovation management, developing and empowering people, decision making and leadership. Additionally, Hikma organised a mass training programme for its managers in Jordan on Efficient Meetings Training, which addressed crucial steps in planning and conducting business meetings. As part of this initiative, we established a Global Management Committee in 2014, comprising senior managers from across our three businesses and key corporate functions.

The GMC will support the Executive Committee in implementing and monitoring the Group's strategic plan.

In 2014, we continued to invest in maintaining, upgrading and expanding our facilities to support future growth. We invested a total of \$91 million across our multiple locations. This investment is strengthening our businesses, improving the quality of our products and ensuring that our facilities are capable of meeting the growth in demand for our products. In MENA, the key investment projects were in Sudan and Egypt. In Sudan, we invested \$7 million in 2014 to upgrade the local facility we purchased in 2011 to be compliant with current Good Manufacturing Practices ('cGMP'). Once completed, this plant will significantly increase the number of products we are able to supply to the Sudanese market and will enable us to export to our other markets in the region. In Egypt, we completed the build of a state-of-the-art finished product warehouse which can accommodate 3,200 pallets and completed the renovation of the packaging area. These investments will increase the annual production output of our Egyptian plant.

Since entering the field of oncology, Hikma has invested more than \$50 million in developing capabilities for the manufacturing of oncology products. These investments include the acquisition of Thymoorgan in Germany, the joint venture with Haosun in China and the recent establishment of the new oncology chemicals plant in Jordan. This plant has been designed and built to meet local and international regulatory requirements and operates under strict safety regulations.

We have strengthened our global footprint in the Injectables business with the recent installation of the pre-filled syringe line in the US, thus offering patients access to more innovative products. In 2014, we completed the acquisition of Bedford and the Ben Venue manufacturing facility. The Ben Venue site has a state-of-the-art QDC which will significantly strengthen our existing R&D capabilities and support the development of a strong product pipeline.

## Promoting good business ethics

### Why this is important

Since Hikma's inception, it has been embedded in our culture to promote good business ethics across our businesses and geographies. We believe that a solid reputation for ethical values such as integrity and honesty in how we conduct our business are vital to our company's reputation and success. Hikma has a zero tolerance policy for bribery and corruption and does not conduct business with any company that fails to meet its standards.

### What we're doing

Our Code of Conduct was reviewed, updated and approved for 2014. The Code has now been translated into seven languages to support Hikma's broad operating footprint: Arabic, English, French, German, Portuguese, Russian and Slovakian.

In 2014, we renewed our membership of the United Nations Global Compact ('UNGC') for the seventh consecutive year. This required Hikma to demonstrate that its strategies and operations continue to be aligned with the ten principles of the UNGC across four key ethical areas, in all of our locations. This year we focused on raising internal awareness and further educating employees about the importance of human rights, labour laws, the environment and anti-corruption.

Across the Group this year, we placed a strong emphasis on increasing awareness of our employees' rights by educating them on the available policies and schemes associated with potential claims and benefits. Several labour unions were established and developed across the Group's geographies, enhancing communication channels between these unions and employees to ensure transparency and fairness.



STRATEGIC PRIORITY

## INVESTING IN CONTINUOUS EXPANSION ACROSS OUR GLOBAL MARKETS

In 2014, we invested around \$91 million of capital expenditure across our global markets.

Our continuous investment to maintain, expand and upgrade our manufacturing plants across the MENA, Europe and US will support sustainable long-term growth and benefit the markets in which we are located. By expanding our geographic reach we are providing access to affordable medicines for a greater number of patients

Over the past few years, Hikma has operated a web-based compliance reporting system called 'Speak-Up' through which employees can voice their concerns in a confidential manner. Hikma has an open door policy in regards to communication with its employees and when employees are seeking a more discrete or anonymous method of reporting, they can use the Speak-Up system.

Hikma has previously installed anonymous reporting platforms across the US and European operations, and in 2014 Hikma introduced a web-reporting system for the MENA region. All Speak-Up reports are received by the compliance team, the VP of Corporate HR as well as the General Counsel.

### Hikma's corporate values

- ▶ **Integrity:** acting honestly and truthfully
- ▶ **Drive for Excellence:** achieving the highest standards
- ▶ **Respect:** recognising differences, needs and expectations

- ▶ **Transparency:** being accountable and open
- ▶ **Quality:** maintaining best-in-class manufacturing standards

### Anti-bribery and anti-corruption training

In 2014, all managers in all Hikma locations underwent face-to-face roll-out training sessions on compliance and conduct, with over 600 managers receiving the training. After completing the training courses, the managers in turn trained their teams and support staff, with over 1,600 employees receiving the training from their managers. The Sales and Marketing session covered the policy for gifts, hospitality and entertainment as well as interaction with healthcare professionals ('HCPs'). The training sessions covered the following:

- ▶ Code of Conduct
- ▶ Compliance Overview
- ▶ Sales and Marketing Policy
- ▶ Speak-Up
- ▶ Conflict of Interest

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## Supporting people and communities

### Why this is important

Our focus at Hikma is on improving lives, not just through the products we sell, but by investing in our people and by advancing and building communities through developing and investing in the healthcare sectors across our global markets. We support our global team of around 7,250 employees and their families and seek to instil in them a spirit of responsibility and altruism to benefit their communities. We also work directly with organisations in the communities where we are located through corporate responsibility events and medical donations, with a focus on initiatives related to education and welfare. A positive and healthy relationship between our people and our communities results in a synergy that ensures the sustainability of our business.

### What we're doing

Over the years, Hikma has found that raising community awareness about health issues has had a significant impact. From 2013 through to 2015, Hikma committed to supporting the Jordanian Royal Health Society ('RHAS') through establishing Healthy Community Clinics in two comprehensive health centres in Jordan to provide medical attention and promote preventative measures to patients suffering from chronic diseases. The patients are offered a special diet, physical activity training and awareness sessions on related diseases, alongside continuous follow-up on the progression of their treatment programme.

Hikma believes in the promotion of education across the region as a key sustainability priority. Across our businesses we work closely with local schools and universities and we offer internship placements in a number of our markets.

In 2014, we provided internship roles for students across a number of our businesses, including Jordan, the UK and Germany, enabling these individuals to gain practical and relevant experience for their future career goals. We regularly partner with entities that invest in educating young people across the globe and in 2014 we supported a pan-Arab initiative to offer a not-for-profit platform for massive open online courses ('MOOCs') from Harvard, MIT and UC Berkeley. Hikma's support for such initiatives will help to ensure that the Arab world is at the forefront of educational innovation.

To encourage our people to be active members of their communities and to instil the spirit of volunteerism, Hikma held its annual global volunteering day across the Group in 2014. The activities varied across our global markets. For example, in Jordan, we partnered in an 'Earth Hour' campaign to raise awareness for climate change alongside participants in over 150 countries. Employees also volunteered in the preparation and distribution of food packages for over 250 underprivileged families consisting of more than 2,000 family members. In Tunisia, our employees volunteered in the renovation of school classrooms in a rural village near our manufacturing plant and in Algeria, our employees volunteered in a 'Clean up the Environment Campaign', participating in various activities in the neighbourhood of our facilities. In Portugal, our employees hosted an educational event for children in foster homes. In New Jersey, US, our employees collected a significant amount of clothing and raised funds which were matched by West-Ward Pharmaceuticals. Proceeds went to the Lanoka Harbor Emergency Medical Services to help with repairs and damages caused by Hurricane Sandy.

### STRATEGIC PRIORITY

## RAISING BREAST CANCER AWARENESS

In 2014, we organised a breast cancer campaign to support cancer patients in Jordan. Our employees hosted cancer survivors to speak at an awareness discussion about their personal experiences and how to deal with the disease in a positive and healthy manner. The discussion was also directed towards the family members of patients with the disease to help them in providing patient support

We believe that investing in our employees' wellbeing and happiness is the key to building a successful and sustainable business. Since its founding, Hikma has strived to ensure a positive and healthy work environment. In 2014, our annual employee welfare week, 'You are Hikma', was held across our global locations. The campaign reflects Hikma's dedication to improving the quality of life of its employees through personal empowerment, encouraging corporate citizenship and improving wellbeing through educational activities. The focus of this year's campaign was on health and safety and the environment. Over 500 employees participated in activities, including medical testing, blood donations and awareness lectures on topics such as work-related injuries and the safe use of drugs.

In 1994, Hikma officially enforced a smoke-free policy across all of its premises. Since then, Hikma has expanded its initiatives in fighting tobacco use by holding several sessions for companies located in Jordan about the hazards of smoking, offering practical guidance for corporations on how to become smoke-free and on how to expand their smoke-free experience beyond their workplace. In June 2014, Hikma was awarded the 'Smoke-free Zone Certificate' by the King Hussein Cancer Center and Foundation for its efforts in implementing a strict anti-smoking policy in all of its premises, cafeterias, vehicles and meetings.

## Minimising our environmental impact

### Why this is important

Our role as a healthcare provider is not limited to providing medications for patients. We recognise that the environment that people live in is as much a part of our care as is treating illness. As a pharmaceutical manufacturing company, we take an active role towards limiting our impact on the various elements of the environment including GHG emissions, water and energy use. Through closely monitoring, reporting and improving our operations, we follow a systematic approach that ensures the sustainability of our business and the continued health of our communities.

### What we're doing

Across the Group we are conscious of our global footprint and are continuously assessing ways to minimise our environmental impact. We promote good practices of responsible use of energy and electricity consumption.

As part of our reporting practices, we have been actively committed to the Carbon Disclosure Project ('CDP'), which provides valuable insight into our greenhouse gas emissions and climate change strategy. The CDP holds the largest collection globally of climate change data and aims to use the power of information disclosure to improve the management of environmental risk. This year, Hikma scored 82 'B' in the rating of healthcare sector responding companies in the CDP 2013 report, a great improvement over our previous scores.

After successfully passing the audit, our site in Amman is now the first Jordanian site to achieve such certification and among the first in the MENA region. This achievement will help improve our management and consumption of energy.

West-Ward Pharmaceuticals received the Environmental Stewardship Award from the New Jersey Department of Environmental Protection for taking voluntary and proactive steps that exceeded compliance guidelines. These included installing light sensors in warehouses and offices to reduce energy costs and energy consumption. Moreover, new raw material purchasing systems were installed to mitigate the environmental impact of extraction, processing and transportation of raw materials to help minimise West-Ward's carbon footprint.

Hikma signed a service agreement with Credit 360, a global sustainability software company. This was an important step for us as it facilitates the move to the next level in our data gathering capabilities in order to collect and process complex and important information across the Group.

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### Greenhouse gas inventory

Category	2014	2013
<b>Scope 1</b> – Combustion of fuel and operation of facilities (tCO <sub>2</sub> e)	<b>18,931</b>	20,831
tCO <sub>2</sub> e per FTE employee	<b>3.42</b>	3.76
<b>Scope 2</b> – Electricity purchased for our own use (tCO <sub>2</sub> )	<b>58,435</b>	51,424
tCO <sub>2</sub> per FTE employee	<b>10.56</b>	9.29
Segment	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> )
MENA	8,182	39,212
US	6,525	13,582
Europe	4,224	5,640

### Reporting boundaries and exclusions

Category	GHG source	2014 disclosure
Scope 1 direct	Facility diesel combustion	Included
	Facility natural gas combustion	Included
	Facility LPG combustion	Included
	Vehicle fuel combustion	Included
	Fugitive emissions from RAC equipment	Included
Scope 2 indirect	Facility wastewater treatment	Excluded, due to data collection issues
	Purchased electricity for own consumption	Included

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

During the year ended 31 December 2014, Hikma Pharmaceuticals PLC emitted 18,931 tCO<sub>2</sub>e from the combustion of fuel (Scope 1 direct) and 58,435 tCO<sub>2</sub> from electricity purchased for our own use (Scope 2 indirect). This is equal to 3.42 tCO<sub>2</sub>e per full-time equivalent ('FTE') employee and 10.56 tCO<sub>2</sub> per FTE employee respectively.

Compared with 2013, our total Scope 1 emissions have decreased almost 10%. This is due to greater awareness of our climate change impact as a result of improved measurement and monitoring of organisational greenhouse gases since last year. Emissions from Scope 2 electricity usage increased 13%, largely due to increased production at certain sites, including Algeria and Eatontown, New Jersey.

### Methodology

We quantify and report our organisational greenhouse gas emissions according to the Defra Environmental Reporting Guidelines 2013 and have utilised the UK Government 2014 Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data. Results are reported in tCO<sub>2</sub>e for Scope 1 emissions and tCO<sub>2</sub> for Scope 2 emissions, as UK Government emission factors for overseas electricity currently account for carbon dioxide emissions only.

In order to improve monitoring and management of our carbon impact, we have also begun to implement a global sustainability data programme during 2014. This has improved oversight around our energy consumption and increased the quality and availability of performance information for decision making.

### Reporting boundaries and exclusions

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 10% for GHG reporting purposes. This approach includes all Hikma subsidiaries and corresponding facilities/assets.

JVs with a less than 50% holding have been excluded from our GHG disclosure as it is considered that we do not have operational control over these emission 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 Morocco and Sudan locations are excluded due to an absence of available data.

The GHG sources that constitute our operational boundary for the 2014 reporting period are as follows:

- ▶ Scope 1: Facility diesel combustion, facility natural gas combustion, facility LPG combustion, fugitive refrigerants from air-conditioning equipment and vehicle fuel combustion
- ▶ Scope 2: Purchased electricity consumption for our own use

### Assumptions and estimations

In some cases, missing information has been estimated using data from the nearest reporting period as a proxy. Furthermore, due to the inclusion of additional emission sources this year, we have decided to restate last year's emissions figures. This allows us to make a more accurate performance comparison between 2013 and 2014.