

**Transforming health,
Transforming lives-
Creating a sustainable
future**

Sustainability Report 2018-19

**Good
Health
Can't
Wait.**

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About the Report

Through our annual sustainability performance review, we describe our value-creation story to all the stakeholders on our key financial and non-financial aspects.

Reporting guidelines

We followed Global Reporting Initiative (GRI) Standards – Core option for reporting the key non-financial information, and have also adopted some of the key guiding principles and content elements of the Integrated Reporting <IR> framework from the International Integrated Reporting Council (IIRC). By doing so, we aim to showcase our 'integrated thinking' process, along with how we create value for our stakeholders in the short, medium and long term, using both our financial and non-financial resources. All material sustainability information relevant to our operations has been included as part of our reporting on the six capitals. Please refer to GRI Content Index (Page 90) for a complete listing of GRI disclosures included in this report.

Reporting boundary

This report details our performance during the period 01 April 2018 through 31 March 2019. This year our internal boundary covers all our product manufacturing operations and R&D facilities (India and international locations). Our external boundary covers ingredient sourcing, patient management, product packaging and warehousing. In this reporting year, we sold¹ (a) the antibiotic formulations manufacturing facility and related assets in Bristol, (b) the API manufacturing business unit at Jeedimetla, Hyderabad, and (c) the rights to distribute and market the specialty derma brands portfolio. Apart from these, there has been no other significant change in our operations in FY 2018-19, in terms of locations or expansion.

Reporting principles

This report presents a balanced and fair disclosure on our commitments, policies, management systems and our performance. We have followed the principles of stakeholder inclusiveness, materiality, sustainability context and comprehensiveness for developing this report. This report presents the engagement process and key material issues identified by different stakeholder groups and the associated performance for the reporting year. GRI Standards set out principles for defining reporting quality and we have taken several actions to meet these principles:

- We safeguard the quality of information contained in this report through a robust assurance process leveraging our internal expertise and external assurance carried out by DNV GL Business Assurance India Private Limited ('DNV GL'), an independent third party assurance provider. Please find our Assurance Statement on page 95. The financial data and general information about the business presented in the organizational profile and economic performance sections of this report are audited for disclosure in our Annual Report 2018-19.
- We continue to improve the availability of timely information to internal leaders to facilitate informed decision-making and drive performance.

Forward-looking statements

This report contains not only past and present facts about Dr. Reddy's, but also forward-looking statements based on our upcoming plans, business strategies, prospects, and management policies as of the publication date. These forward-looking statements are assumptions or estimations based on the information available at the time the report was prepared. Due to a range of variables, however, the results or circumstances of future business activities may vary from the forecasts contained herein. The report has been developed under the guidance of the top management of our company, and by drawing inputs from various functions. The initiative has been primarily driven by the Global Head SHE & Sustainability. In addition, the external assurance process has been carried out. [Feedback or questions pertaining to the content of the report may be directed to: Thakur Pherwani, Global Head SHE & Sustainability, tpherwani@drreddys.com](#)

¹This report includes data for the Bristol unit till June 2018 and for the Jeedimetla unit till September 2018.

Who We Are

Dr. Reddy's Laboratories Ltd is an integrated global pharmaceutical enterprise with headquarters in Hyderabad, India and presence in 38 countries.

- ▶ Integrity and Transparency
- ▶ Safety
- ▶ Quality
- ▶ Productivity
- ▶ Respect for the individual
- ▶ Collaboration and Teamwork
- ▶ Sustainability

Our Values

Our Purpose

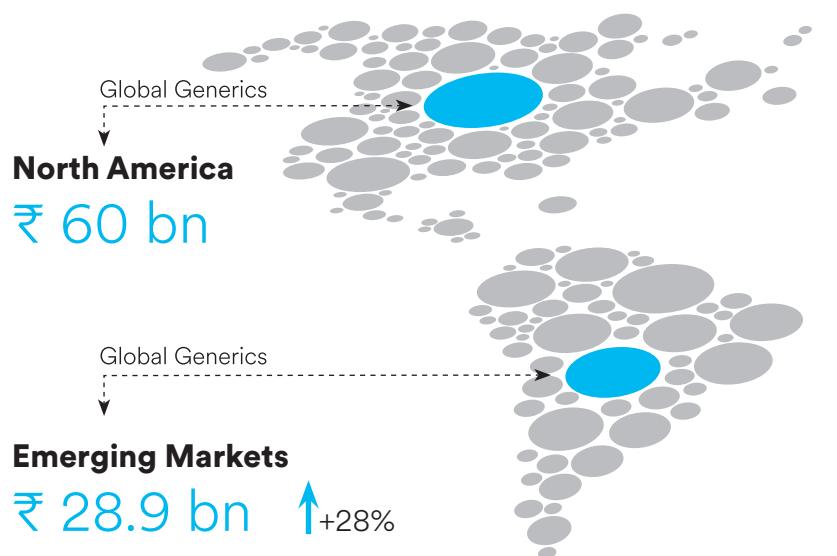
Our Promises

- ▶ Accelerate access to affordable and innovative medicines because 'Good Health Can't Wait'.

- ▶ Bringing expensive medicines within reach
- ▶ Addressing unmet patient needs
- ▶ Helping patients manage disease better
- ▶ Enabling and helping our partners ensure that our medicines are available where needed
- ▶ Working with partners to help them succeed

Our Key Business Segments

We cater to the health needs of society with our three key business segments – Pharmaceutical Services and Active Ingredients (PSAI), Global Generics (GG), and Proprietary Products – that offer a portfolio of products and services including active pharmaceutical ingredients (API), Custom Pharmaceutical Services (CPS), generics, biosimilars, and differentiated and non-differentiated formulations. The major areas of our therapeutic focus are gastrointestinal, cardiovascular, diabetology, oncology, pain management and dermatology. Our key products include Omeprazole, OTC Habitrol and Liposomal Doxorubicin. Further details on our products, markets, customers and brands are available in our Annual Report.



Global Generics

Global generics is our biggest business driver. We offer more than 350 high-quality generic drugs, keeping costs reasonable by leveraging our integrated operations. Our expertise in active ingredients, product development skills, a keen understanding of regulations and intellectual property rights, as well as our streamlined supply chain, make us leaders in this segment.

Biologics

Our biosimilars, generic equivalents of the innovator's biologics, offer affordable yet equally effective alternatives. Our product development capabilities and commercial reach have made us a global leader in this therapeutic area. We have five products in the market and an industry-leading pipeline spanning oncology and autoimmune diseases.

Pharmaceutical Services and Active Ingredients (PSAI)

We are one of the world's largest manufacturers of active pharmaceutical ingredients (APIs) and partner with several leading generic formulator companies in bringing their molecules first to the market. Our focus on innovation-led affordability gives our customers access to the most complex active ingredients, while maintaining a consistent global quality standard. Besides, our API development efforts enable our own generics business to be cost competitive and get to market faster.

Customer Pharmaceutical Services

We have one of the largest custom pharmaceutical services businesses in India. We offer end-to-end product development and manufacturing services and solutions to innovator companies. Further, our rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

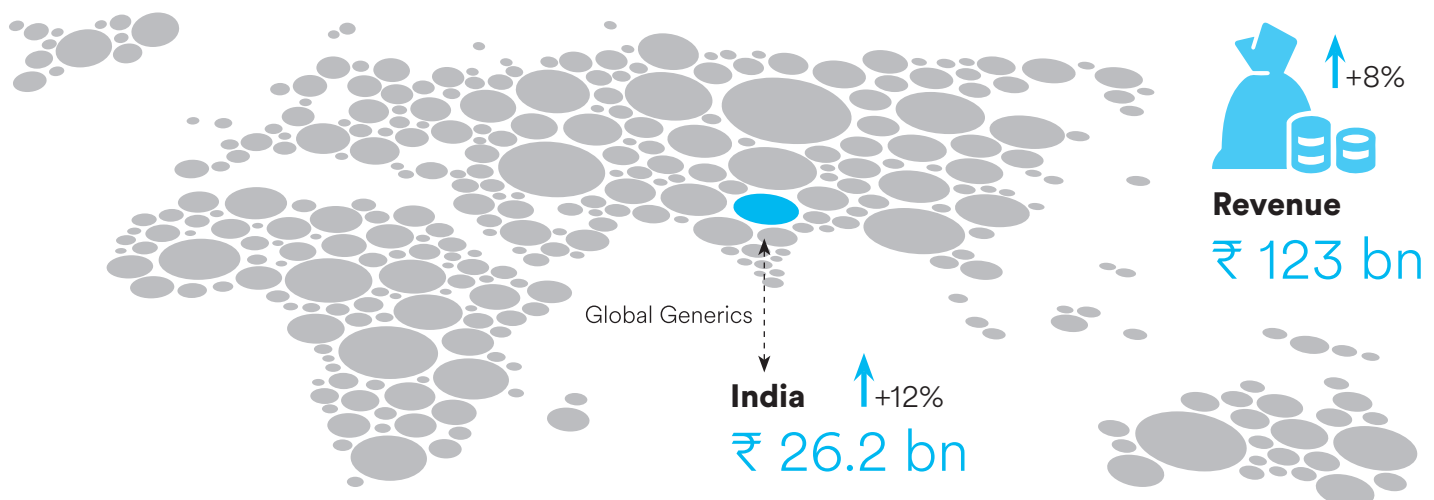
Proprietary Products

Our Proprietary Products business focuses on developing differentiated and non-differentiated formulations that present significantly enhanced benefits in terms of efficacy, ease of use, and the resolution of unmet and under-met patient needs. The aim is to improve the patient's holistic experience with our medicines, so as to strengthen compliance with the therapeutic regimen and ensure positive outcomes.

More than 350 high-quality generic drugs

One of the world's largest manufacturer of APIs

Differentiated and non-differentiated formulations that present enhanced benefits



Business segments

Global Generics	123 bn (increased by 8%) ↑
Pharmaceutical Services & Active Ingredients	24 bn (increased by 10%) ↑
Proprietary Products and others	7 bn (increased by 13%) ↑
Total Revenue	154 bn

Revenues (₹)

Global Generics	123 bn (increased by 8%) ↑
Pharmaceutical Services & Active Ingredients	24 bn (increased by 10%) ↑
Proprietary Products and others	7 bn (increased by 13%) ↑
Total Revenue	154 bn

Our Footprint

We have manufacturing, sales and marketing operations across 38 countries, with 23 manufacturing and nine R&D facilities. Our major manufacturing plants are located in India (Hyderabad, Vishakhapatnam and Baddi), the US (Middleburg and Shreveport), the UK (Mirfield, Beverley) and Mexico (Cuernavaca).

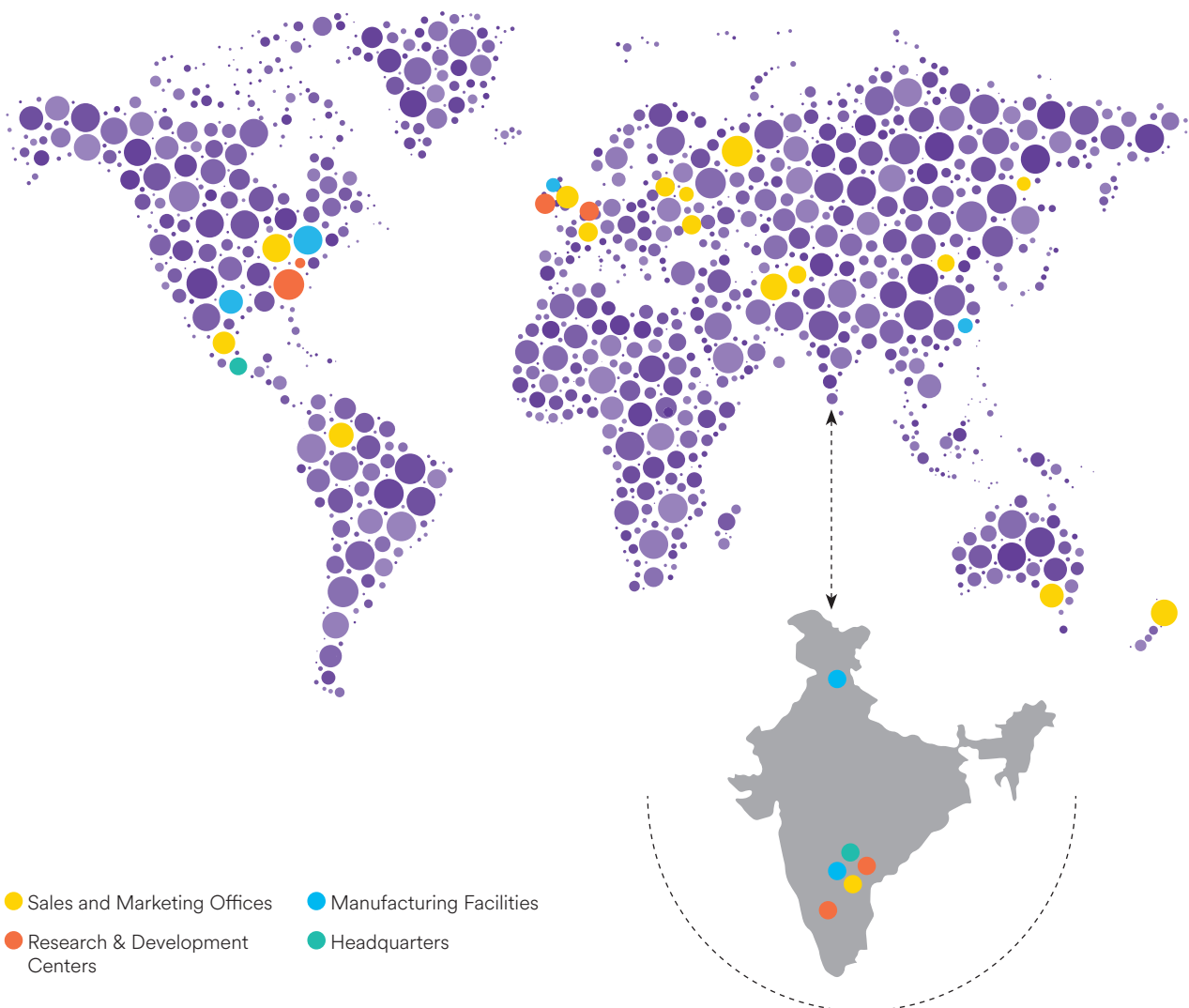
Our major markets include the US, India, Russia and Commonwealth of Independent States (CIS) regions and Europe. Our other markets include South Africa, Australia, Jamaica, New Zealand, Brazil, China and the Association of South East Asian Nations (ASEAN).

In over 38 countries around the world, we address the urgent needs of people by offering more than 350 high-quality generic versions of expensive innovator medicines. Our in-depth knowledge of regulation and intellectual property also helps us to bring high-quality, regulatory-compliant medicines within reach of millions throughout the world.

Global Presence

Nationalities
40

Countries
38





Co-Chairman and Managing Director's Message



and environmental indicators in every aspect of our business. Being a conscious leader, our sustainability efforts create lasting value for all our stakeholders –shareholders, employees, partners and society– without a trade-off on their mutual or individual interests.

Our sustainable growth path is based on the following approach

- **Leverage existing initiatives:** Continue our strategy to identify and implement sustainability projects that support existing business priorities and provide demonstrable pay-off.
- **Aligning the value chain:** We want to align our value chain around the vision of embedded sustainability to achieve scalable impact.
- **Transition from Incremental to Breakthrough:** Identify and apply innovative and disruptive solutions.

Dear Stakeholder,

Our mission is to bring expensive medicine within reach so that we address unmet patient needs. Our theory “Good Health Can’t Wait” accelerates patient access to affordable and innovative medicines. We realize our responsibility as a pharmaceutical company in delivering high quality healthcare to millions of patients across the globe, and help them to manage diseases better and lead a healthier life. Caring for our employees, society and our environment, while nurturing a culture of giving back, has been distinctive to Dr. Reddy’s culture throughout our longstanding history.

Pursue sustainable value

We believe that a company’s growth is not only limited to its economic performance but also to its social and environmental performance, thus we track key social

Preserving the Environment

Our commitment to the planet lies at the heart of all that we do. We continue to make notable progress in environmental management and climate change through several environmentally conscious actions, which include waste reduction, energy efficiency and green chemistry amongst others. The key highlights of our environmental performance are presented in the Chapter “Natural Capital- Improving Eco-balance”. As a responsible corporate citizen, we believe we have a significant role to play in meeting the Sustainable Development Goals and hence, we have attempted to map our GRI disclosure with the Sustainable Development Goals (SDGs), presented in Page 17.

Our people & our key stakeholders

Our responsibilities as a pharmaceutical company are to the patients and consumers we serve, our employees, the communities in which we operate, and our shareholders. We partner with NGOs and community organizations for our Corporate Social Responsibility (CSR) projects.

In FY19, our CSR initiatives have helped a number of communities. The key highlights are presented in the Section “Social Value Creation” of our social and relationship capital.

We endeavour to attract and retain the best talent, stimulate a safe and healthy work environment for all our employees and deal fairly and ethically with all our stakeholders. We invest in talents from diverse backgrounds and cultures, who believe in our purpose and commitment. To boost the productivity of employees, we understand that factors such as workplace atmosphere with mutual respect, recognition and appreciation of employees are of significant importance. We recognize and appreciate our employees and reward them on various internal platforms. In this reporting year, we have taken various initiatives towards enhancing the inclusion and diversity aspects. The key highlights of our initiatives for employees are presented in the Chapter “Human Capital- Empowering our people.



Business Sustainability and Growth

We continue to commit significant resources to Research & Development (R&D) with USD 226 million invested over the year. This is more than 10% of our revenue. This positions us for future growth. In this reporting year, we launched 140 new products across the globe and filed 20 new Abbreviated New Drug Applications (ANDAs) with the United States Food & Drug Administration (USFDA), which is a fine end-product of our sustained investment in R&D. As on 31 March 2019, we had 110 generic filings pending approval from the USFDA — comprising 107 ANDAs and three New Drug Applications (NDAs). Of the 107 ANDAs, 60 are Para IV applications, of which we believe 34 have ‘First-to-File’ status.

Additionally, during the year, we launched 15 brands in India, including Hervycta (the fifth biosimilar from our internal pipeline), which aided growth. Eight of our brands

ie. Omez, Omez D, Econorm, Atarax, Razo D, Stamlo, Nise, and Razo are in the top 300 brands of the Integrated Pain Management Medical Group Inc. In Russia, we launched OTC Nasivin during Q4 FY2018, an in-licensed product, which gained good traction in volumes in FY2019. The Proprietary Products (PP) business recorded a growth of 12% in FY2019. This improved our market ranking by three places. In FY2019, revenues from Pharmaceutical Services and Active Ingredients (PSAI) grew by 10% over FY2018. In FY2019, we scaled up our business in Turkey, Brazil, Algeria and selected ASEAN markets. We will remain focused on improving quality across all aspects of our operations.



Operational Excellence

Our ability to serve our stakeholders and provide them with new innovative medicine is unbeaten. Our Operational Excellence framework for manufacturing is based on the eight pillars of People, Safety, Quality, Availability, Productivity, Engineering Excellence, Environment & Community and Continuous Improvement. We have implemented a number of new interventions, and select projects are detailed in the Chapters “Manufacturing Capital” and “Intellectual Capital”.



Conclusion

As we reflect on our achievements, we can look to the future with confidence. We are not only committed to delivering strong financial performance but also being an employer that offers a safe and rewarding work environment whilst working in the most sustainable and ethical way with our communities and environment.

Our Value Creation and Growth Model

We continually strive to deliver on our purpose of accelerating access to affordable and innovative medicines to people around the world. Our multifaceted approach on this aspect includes increased supply of medicines especially in areas of high market demand, identifying market constraints, restructuring our processes around them, simplification of product portfolio, and reducing manufacturing complexities.

Core Purpose	Values	Principles	Promises
We are committed to accelerating access to affordable and innovative medicines because we believe that “Good Health Can’t Wait”	<ul style="list-style-type: none"> ● Integrity and Transparency ● Safety ● Quality ● Productivity ● Respect for the Individual ● Collaboration and Teamwork ● Sustainability 	<ul style="list-style-type: none"> ● Empathy ● Dynamism 	<ul style="list-style-type: none"> ● Bringing expensive medicine within reach ● Addressing unmet patient needs ● Helping patients manage disease better ● Working with partners to help them succeed ● Enabling and helping our partners ensure that our medicines are available where needed

Sectoral context

- Increased scrutiny related to pricing and reimbursement of products.
- A shift from treatment to prediction, prevention and complete cures
- Governments seek to slow the rise in healthcare costs.
- Heavy reliance on human capital for innovation and the continuous development of novel medicines.
- Extensive capital invested in R&D and a high risk of failure in product development, which makes attracting and retaining the most talented researchers and scientists essential and makes intellectual property management critical.
- Business ethics, competitive practices and product quality and safety remain important aspects.
- Violations have the potential to cause significant reputational and financial damage.
- Increased scrutiny from NGOs, funds, investors, global community.

Drivers

- Core capabilities- Industry expertise & experience
- Dr. Reddy’s Way
- Earning trust from patients and other stakeholders
- Long term value creation
- Generate funds to sustain growth and innovation
- Returns to shareholders

How we make it possible

- Code of Business Conduct & Ethics (COBE) & Supplier Code of Conduct (SCOC)
- Enterprise Risk Management Framework (ERM)
- 9 Pillars of sustainable operations (including operational & engineering excellence)
- Safety, Health and Environment (SHE) & CSR policy
- Sustainability Roadmap & commitments
- Robust quality systems
- Strong pharmacovigilance & Standard Operating Procedures (SOPs)
- External collaborations

Overall future outlook

- Culture and capability building: New technology, people and processes
- Infrastructure strengthening
- Drive cost leadership
- Drive safety and sustainability (front line ownership)



Our value chain

We understand the importance of each component of the value chain. Through this report, we profile the efforts being undertaken through long-term engagement and collaboration with our value chain partners.

Material sourcing: This step includes the transportation and handling of the raw materials and others, from the suppliers to our operations.

Medicine manufacturing: In order to produce a medicine, a number of steps are involved, from the initial research and development phase, to gaining regulatory approval which allows a medicine to be sold in a market to the final commercialization & production phase.

Distribution to the supply point: This step includes the transportation and handling of the medicine from the facility to the end user, whether this is a retail pharmacy (retailer), hospital or dispensing doctor. The complexity of this journey differs depending on manufacturing location, the need for importation of the medicine, the nature of special handling requirements, and the geographic location of the end user which may vary between large urban centres and remote rural villages.

Dispensing to the end user: Providing the correct medicine dosage and form, to the right patient, in a convenient and timely manner is the final step in the value chain.



Financial Capital

Total operating cost:
₹ 134,937 Million
 Employee compensation:
₹ 33,562 Million
 Payments to Government:
₹ 4,841 Million

Human Capital

Total workforce:
21,966
 Total training man days:
86,027 days
 Average training
 hours per employee:
31.29 hours
315 dedicated
 SHE resources

Inputs

Manufacturing Capital

Manufacturing facilities-
23 (India & International
 Locations)
 State-of-the-art R&D
 facilities: **9** (includes
 two technology
 development centers
 in India)

Social and Relationship Capital

CSR project
 contribution:
₹ 262 Million
 (2.05% of Profit
 After Tax (PAT))
 Suppliers- spend
 (all categories):
₹ 20,350 Million

Patient management
 programs

Flagship Medical
 Education projects

Intellectual Capital

R&D expenditure:
₹ 15,607 million
 (10.1% of revenue)
 Scientists, Engineers
 & Technicians:
943 (domestic) &
69 (international)
 Key regulatory
 approvals &
 certifications

Natural Capital

Fuel consumption
 (non-renewable)-
3,318,534 GJ
 Fuel consumption
 (renewable sources)-
356,986 GJ
 Indirect energy
 consumption:
1,122,810 GJ
 Total water withdrawal-
1.71 Million KL
 Environmental expenditure:
₹ 605 Million

- Revenues: ₹ 154 Billion
- Gross Profit: ₹ 83 Billion
- EBITDA*: ₹ 34.2 Billion
- Profit After Tax (PAT): ₹ 18.8 Billion
- Earnings Per Share (EPS): ₹ 113.09
- Net Debt to Equity ratio: 0.09

*Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)

- 140 new products launched- NAG: 24, Europe: 35, Emerging Markets: 66, India: 15
- 20 ANDA filings
- 110 generic filings pending for approval (107 ANDAs and 3 NDAs)

- 80% domestic & 20% international suppliers
- 327,104 people from 1,305 villages of 13 Indian states were benefited from various community based initiatives
- Lives impacted through CSR programs:- Health (214,524), Education (73,149), Livelihood (39,431)
- 8 Flagship Medical Education programs with high Net Promoter Scores (NPS)
- Beneficiaries- LIV Positive (1,743), SPARSH (2,000), Jagruti- (148 new patients enrolment)

Outputs & Outcomes

- Regrettable attrition of entry level hires in 2nd year \leq 10%

Occupational Health and Safety (OHS)

- Total reportable injury frequency rate: 0.44
- Safety- Fatalities: 2 (1 employee, 1 contract workforce)
- Occupational disease rate: 0

Diversity & Inclusion (D&I)

- 18% female workforce
- Inclusion in the Bloomberg Gender-Equality Index for the second time in a row

- 188 energy efficiency/conservation projects- cost savings- ₹ 237.7 Million
- Total water recycled: 818,584 KL
- Hazardous waste reused/recycled (to cement plants & others)- 20,298 MT
- 77.7 MT reduction in plastic waste
- Avoided carbon emissions- 42,165 tCO₂e (air to sea shipment initiative)

Stakeholder Engagement

We are responsible to our stakeholders and engaging with them is of paramount importance to our business. We acknowledge the diversity of our stakeholders, be it our suppliers and external manufacturers who help us manufacture our products, the customers or patients whose medical needs are met by our products and services, or the shareholders, or our own employees. We ensure that we engage with each of these crucial

stakeholder groups at a periodic frequency as part of our reporting process and overall strategic planning.

Engagement occurs across different functions and levels of the company, from employees at our manufacturing sites to the senior management in our business segments and functional departments. Through this engagement, we identify the issues that matter most to them.

Stakeholders	Initiatives	Frequency
 <p>Employees (permanent and outsourced)</p>	<ul style="list-style-type: none"> ● In-house publications: Elixir (quarterly) and Intranet (round-the-year) ● Senior management communication (quarterly communication meet) and annual celebrations ● 360 degree feedback and employee satisfaction surveys ● Sustainability programs and circulation of the Sustainability Report ● Team building workshops and training and capacity building ● Grievance redressal mechanisms ● Spirit of giving 	<p>As and when</p>
 <p>Patients/ Customers/ Healthcare Professionals</p>	<ul style="list-style-type: none"> ● Dr. Reddy's Foundation for Health Education (DRFHE) meets ● Patient management programs ● Mobile medical van – life at your doorstep 	<p>Half yearly As and when</p>
 <p>Suppliers/ Business Partners</p>	<ul style="list-style-type: none"> ● Face-to-face interactions ● Supplier and vendor meets, supplier/vendor awards ● Strategic business partner training and development ● Carrying and forwarding agent (CFA) meets ● Supplier audit programs and interviews 	<p>Half yearly As and when</p>
 <p>Investors / Shareholders</p>	<ul style="list-style-type: none"> ● Investor and analyst meets ● Presentations at industry forums ● Circulation of the Annual Report and Sustainability Report ● All official news releases and presentations made to institutional investors and analysts posted on the corporate website ● Quarterly and annual results published in widely circulated national newspapers and also disseminated internationally through Business Wire ● Earning calls with analysts and investors 	<p>As and when</p>
 <p>Communities and Non-governmental organizations (NGOs)</p>	<ul style="list-style-type: none"> ● CSR initiatives and projects ● Visits and camps ● Dr. Reddy's Foundation (DRF) – creating sustainable livelihoods 	<p>Continuous</p>










Materiality

We live in a constantly changing world and everyday there is a new challenge in the field of healthcare. Therefore, identifying and responding to our stakeholders' changing needs is important to us. This insight underpins our responsible business practices and our efforts to strengthen them to further the cause of sustainability. We have been following 6 priority areas ([environmental management and climate change](#), [sustainable sourcing](#), [caring for communities](#), [being an employer of choice](#), [providing affordable and innovative medicines and product responsibility](#)) which continue to form core elements in our overall sustainability strategy. To reconfirm the material issues and the priorities, we used a range of methods to gather and understand stakeholder inputs, including:







- Review of internal and external stakeholder engagement information and data, global reputation research, employee feedback and comments from investors.

- Desk-based research on the prominence of issues across other external inputs including media scan results, NGO issue monitoring, GRI and Sustainability Accounting Standards Board (SASB) reporting guidelines, Sustainable Development Goals, Dow Jones Sustainability Index (DJSI), and Carbon Disclosure Project (CDP).

Our materiality reconfirmation exercise identified that material topics with the highest priority for stakeholders and the biggest estimated impact on our business, and in turn on society, remain the same from last year. For other topics such as responsible sales and marketing, use of local suppliers, community involvement, workplace diversity, fair compensation, and career planning, we have put in place systems including resources over a period of time and are continuously striving towards improving our performance. Our material issues, the impact boundary, and linkage with the ongoing initiatives and SDGs is presented below

Material Issues & Sustainability Pillars 	Management Approach	Linkage to GRI Topics & IIRC Capitals	Topic Impact Boundary	Select Initiatives	Interlinked UN SDGs
<p>Affordable and innovative medicines*</p> <ul style="list-style-type: none"> ● Availability, ● Community, ● Continuous Improvement, ● Engineering Excellence 	<ul style="list-style-type: none"> ● Ensuring a robust pipeline of complex generics as well as our new proprietary products for unmet medical needs ● Continued focus on R&D, operational excellence and supply chain 	<ul style="list-style-type: none"> ● Financial Capital (GRI Indicators on economic performance and indirect economic impact) ● Intellectual capital ● Manufacturing capital ● Social and relationship capital 	<ul style="list-style-type: none"> ● Internal – Product manufacturing R&D ● External– Ingredient sourcing, patient management and care 	<ul style="list-style-type: none"> ● Continuous improvement and operational excellence projects ● Green chemistry, productivity, and product innovation initiatives ● Patient management programs 	 
<p>Environmental Management**</p> <ul style="list-style-type: none"> ● Continuous Improvement, ● Environment, ● Productivity, ● Community 	<ul style="list-style-type: none"> ● Safety, Health and Environment Policy ● ISO 14001 certification ● Efforts towards increasing proportion of renewable energy ● Energy conservation and efficiency improvement projects ● Yield improvement projects, Lean and six sigma projects ● Investment in digitization and automation initiatives 	<ul style="list-style-type: none"> ● Natural Capital – (GRI indicators on energy, water, emissions, effluent and waste materials) 	<ul style="list-style-type: none"> ● Internal – Product manufacturing ● External – Ingredient sourcing, product packaging and warehousing 	<ul style="list-style-type: none"> ● Resource conservation projects (water, energy, materials) ● Energy efficiency projects ● Waste minimization projects ● Zero waste to landfill projects ● Sustainable packaging projects ● Air to sea shipment conversion ● Green chemistry projects 	   

Material Issues & Sustainability Pillars 	Management Approach	Linkage to GRI Topics & IIRC Capitals	Topic Impact Boundary	Select Initiatives	Interlinked UN SDGs
<p>Being an Employer of Choice (includes occupational health, safety and well-being of employees)</p> <ul style="list-style-type: none"> ● Safety ● People  	<ul style="list-style-type: none"> ● Code of Business Conduct and Ethics (COBE) ● Safety, Health and Environment Policy ● Training and skill development programs ● Occupational health, safety, and well-being initiatives ● Employee benefits and policies 	<ul style="list-style-type: none"> ● Human Capital- (GRI indicators on employment, code of conduct, occupational health and safety, training and education, diversity and equal opportunity, freedom of association and collective bargaining) 	<ul style="list-style-type: none"> ● Internal – Product manufacturing 	<ul style="list-style-type: none"> ● Employee development programs, ● My Safety Index (MSI) ● My Health Index (MHI) ● Electrical & process safety programs ● Driver management centre (DMC) ● Diversity and inclusion initiatives ● Self-managed teams (SMT) 	  
<p>Product Responsibility (safety and quality)</p> <ul style="list-style-type: none"> ● Continuous Improvement, ● Quality, ● Safety, ● Productivity  	<ul style="list-style-type: none"> ● Operational excellence to ensure product quality through structural changes across product life cycles by providing vital integration between product development, quality and manufacturing ● Robust quality systems ● Pharmacovigilance 	<ul style="list-style-type: none"> ● Manufacturing and Intellectual Capital- (GRI indicators on products and services) 	<ul style="list-style-type: none"> ● Internal – R&D, product manufacturing ● External – Ingredient sourcing, product packaging and warehousing, order management, patient management and care 	<ul style="list-style-type: none"> ● SuCCEED: Aims to achieve “every day quality improvement” through Quality Culture Transformation 	 
<p>Sustainable Sourcing (Reduction in packaging material footprint & supply chain management)</p> <ul style="list-style-type: none"> ● Quality, ● Safety, ● Environment  	<ul style="list-style-type: none"> ● Efforts to increase local sourcing and improving the capacity and capabilities of local suppliers ● Supply chain excellence initiatives, increase in sea shipments ● Due diligence and supplier monitoring through independent third party agency which includes sustainability aspects 	<ul style="list-style-type: none"> ● Procurement practices ● Supplier assessment 	<ul style="list-style-type: none"> ● Internal – Product manufacturing ● External – Ingredient sourcing, product packaging and warehousing 	<ul style="list-style-type: none"> ● Supplier assessments by independent third party and by internal Dr. Reddy's teams for key tier 1 critical suppliers 	 

Material Issues & Sustainability Pillars 	Management Approach	Linkage to GRI Topics & IIRC Capitals	Topic Impact Boundary	Select Initiatives	Interlinked UN SDGs
<p>Caring for Communities</p> <ul style="list-style-type: none"> Community Environment  	<ul style="list-style-type: none"> Continued focus on broad areas – education, livelihood and health care CSR spend higher than mandatory requirements 	<ul style="list-style-type: none"> Financial Capital (GRI indicators on Economic Performance, Indirect Economic Impacts) Intellectual Capital Manufacturing Capital Social and Relationship Capital 	<ul style="list-style-type: none"> Internal – Product manufacturing External – Patient management, CSR activities and the geographies covered 	<ul style="list-style-type: none"> Community Health Intervention Programme (CHIP), School Improvement Program (SIP) Dr. Reddy's Foundation Infrastructure improvement projects for local community Patient management programs MITRA and Spirit of Giving 	   

*Affordable and innovative medicines includes sub-topics 1- investment in new technologies, 2- product innovation, 3- development of complex molecules, and 4- responsible pricing and affordability.

**Environmental management includes sub-topics- environmental compliance, resource consumption and waste management

WE SUPPORT



Since 2010, Dr. Reddy's Laboratories Ltd has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.

Sustainability Governance and Sustainability Strategy

Sustainability Governance

Our Board provides the strategic direction, recommends opportunities and provides insights for the short term and long-term sustainability objectives and initiatives. The Corporate Safety & Sustainability Council (CSSC) has been established to provide direction, approve business level strategies, policies, SHE standards, and conduct periodic performance reviews.

Some of the responsibilities of the CSSC are to conduct quarterly reviews for sustainability program performance, review the investigation reports of serious incidents, take effective steps to remedy the situation and prevent such incidences, plan suitable interventions to promote a positive safety culture, and mandate specific responsibilities for individual functions or departments to contribute as part of SHE.

The CSSC comprises the Global Manufacturing Head (Chairman, Corporate Sustainability), SHE & Sustainability Head (Secretary), Chief Human Resources Officer, Heads of Global Quality, R&D, Biologics, PSAI, Business Unit SH&E Heads and special invitees.

“Environmental consciousness constitutes an integral part of everyday decision making and sustainability commitments are institutionalized with an objective to improve performance while working responsibly and generating a sustainable impact ².”

- G V Prasad

² Economic Times. “ We need a better definition of long term success says G.V Prasad of Dr. Reddys”, Oct 22, 2018
 Accessed at: <https://economictimes.indiatimes.com/blogs/ResponsibleFuture/we-need-a-better-definition-of-long-term-success-says-g-v-prasad-of-dr-reddys/>

Sustainability Operations Governance Structure



Strategy

Based on an ongoing dialogue with our stakeholders, and being aware of the potential social and environmental impact of our activities, we frame all our business activities within a sustainable development framework. We abide by the precautionary principle and this is evident from the precautionary and proactive approaches such as zero liquid discharge (ZLD) and zero hazardous waste to landfill initiatives, reducing packaging, green chemistry, and process innovation across our manufacturing units. Our forward looking sustainability strategy is based on the following key principles:

- Looking beyond the traditional path –**
 We understand the importance of looking beyond compliance and beyond our operations, and hence adopt a multifaceted approach to seek the most effective results. We thoroughly evaluate the existing operations and practices, and encourage collaborative and innovative solutions to create sustainable and scalable impact. Some of these collaborations and initiatives are discussed in the Natural Capital section of the report.
- Build on existing systems and processes –**
 We believe in improving the convergence, compatibility and coherence between existing systems and processes rather than creating additional ones. This leaner system approach reduces the procedural burden and builds on mechanisms to co-ordinate between different processes to achieve the desired sustainability results. For e.g. leveraging the operational excellence pillar activities to seek quality as well as environmental improvements.

“Minimising the environmental impact of our business operations is our top priority. To achieve this, we continue to build on our risk assessments to identify the hotspots and prioritize our action plans. We aim to be the front-runner in terms of resource productivity and this is evident from our forward looking initiatives on water, waste and energy.”

- Thakur Pherwani
Global Head SHE & Sustainability



Corporate Overview and Management

Corporate Governance

Integrity and transparency define corporate governance at Dr. Reddy's. A strong and independent Board helps us sustain high corporate governance standards, validate stakeholder trust and abide by enduring corporate values. Coming from diverse backgrounds such as strategy, finance, operations, science, human resource, the pharmaceutical sector and economics, and having significant experience – the Board provides leadership, strategic guidance, and objective and independent views to the company's management. Our Annual Report covers the details on our policies on Board diversity, selection and performance evaluation. The details on our seven Board level committees, including the structure, roles, responsibilities, members and positions, is also covered in our Annual Report. The Board regularly reviews the company's governance, risk and compliance framework, business plans, and organization structure.

We are in full compliance with all the applicable provisions of the Securities and Exchange Board of India (SEBI) corporate governance norms, and corporate governance standards of the New York Stock Exchange Inc. (NYSE). Corporate governance is part of our Annual Report along with 'Management Discussion and Analysis' and 'Additional Stakeholder Information'.

COBE & Vigil Mechanism

Our Code of Business Conduct and Ethics (COBE) sets clear and non-negotiable boundaries for acceptable behavior and actions. It applies to all directors, and employees, including those of wholly owned subsidiaries, of Dr. Reddy's. It covers corruption and bribery, discrimination, confidentiality of information, conflicts of interest, antitrust/anti competitive practices, money laundering and/or insider trading, environment, health and safety, and whistleblowing amongst others. The Board and employees across the globe annually affirm compliance with the code. Various third party agencies (statutory auditors/assurance providers/certification bodies) verify compliance with various applicable acts, legislation and standards. A robust governance structure and periodic internal audits support the implementation of our COBE. Details of various categories of complaints (investigated and resolved) are provided in our annual report.

Dr. Reddy's also has an ombudsperson policy, also called the vigil mechanism, to report concerns on actual or suspected violations of the code. The vigil mechanism consists of a hotline, namely, a dedicated e-mail ID and a phone number. The policy has safeguards from retaliation for those who use this mechanism.

Our Risk Management Approach

We operate in a very complex and dynamic environment and the attributes of our customers and society as a whole are changing very rapidly. In order to operate successfully, we need to anticipate developments at an early stage and systematically assess and manage the resulting risks. In addition to foreseeing risks, we need to explore available opportunities that augment our business growth and increase stakeholder benefits.

Enterprise Risk Management

Our comprehensive Enterprise Risk Management (ERM) system connects with the company's business units and functions for compilation of our risk universe and response strategy. Inputs from external research are also fed to the risk universe. The ERM function helps the management to periodically prioritize, review and measure business risks against a pre-determined risk appetite.

Risk Governance

We have a Risk Management and Audit Committee, consisting of Independent Directors. They have the required risk related experience that covers various aspects of process, product, technology and economic risks.

These Committees review the key elements such as finance, operations & compliance, and risk & mitigation strategies. The Audit Committee reviews issues around Ethics & Fraud, Internal Control over Financial Reporting (ICOFR), Internal Financial Controls (IFC) & process risks and mitigation. The Risk Management Committee (RMC) reviews key strategic, business, operational and compliance risks. We also have a management level committee 'Finance Investment and Risk Management Council' (FIRM Council) which focuses on risks associated with the company's business.

Risk Management

From time to time, Board members and non-executive directors are updated on specific risk subjects and emerging risk scenarios. Awareness to Board members is provided based on upcoming risks and specific requests by Board members on topics, for example cyber security, data privacy etc. In the reporting year, the Risk/Audit Committee members and all Board members have been oriented on matters related to geo-political / country risk management, cybersecurity, Food and Drug Administration (FDA) expectations as regards quality, treasury, internal controls, and compliance.

Our performance scorecard includes aspects on operational risks such as safety and quality. Achievements against agreed scorecard metrics are monitored periodically. We provide training on risk management principles and processes right from induction to annual learning for all our employees and senior management.

Hotlines (email and telephone) are available to all employees to address concerns about compliance, ethics, fraud and policy deviation matters. The hotlines are also used to capture and identify all types of environmental, health, safety and social risks. The connect of the Enterprise Risk Management (ERM) team members with various functional heads throughout the organization (Safety, Quality, Pharmacovigilance, Intellectual Property, Human Resources, Information Technology, Environment, Production, Supply Chain and Logistics etc.) allows risk information to move faster in a semi-formal manner.

Risk Monitoring & Focus Areas

Our ERM framework provides for qualitative/quantitative thresholds for risk appetite and tolerance. We categorise the risks in the broad categories of financial, reputational and legal, compliance and regulatory, and sustainability. We regularly monitor the identified key risk indicators, and our top 20 risks and mitigation plans for them. Any event or exposure likely to exceed the threshold is swiftly brought to the attention of the Risk Management Committee and, where relevant, escalated to the Board. Although we have not yet started to conduct detailed quantitative sensitive analysis on emerging risks like climate change and water, we have initiated the qualitative assessment for the same. We provide comprehensive risk disclosures in our Form 20 F filed annually for NYSE and the same is available on our website.



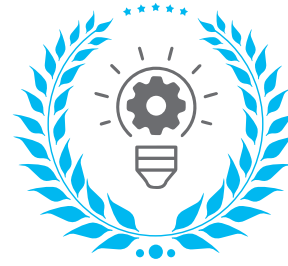
Awards and Accolades- 2018



- Dr. Reddy's won the Excellence in Sustainable Packaging –Packaging Team of the Year award at India Packaging Awards by UBM.
- The R&D team received a certificate of appreciation from ITC-Wow, a nationwide recycling initiative.



- Dr. Rakeshwar Bandichhor, Director, API-R&D, became one of the 19 young Indian researchers to receive the prestigious bronze medal for 2018 from the Chemical Research Society of India (CRSI).



- Dr. Reddy's received the 'Top 50 Pharma Innovation Award' at the Pharma Gorilla Conference in Singapore.
- Dr. Reddy's emerged winners in the the 'Excellence in Pharma: IT, eHealth & Digitization' at the Pharma Anti-Counterfeiting and Compliance Awards (PAC Awards-2019), an event sponsored by Government of Telangana.

Awards and Accolades- 2019



- Dr. Reddy's was conferred with the India Pharma Corporate Social Responsibility (CSR) Program of the Year award by the Ministry of Chemicals and Fertilizers, Govt. Of India on the occasion of India Pharma 2019 and India Medical Device 2019.



- Dr. Reddy's won the "Sustainable Organization of the Year 2019 – Pharma Sector" award at the India Sustainability Summit and Awards 2019.
- DIANA Awards 2019. We received recognition in 2 categories:
 - Merit Finalist: Consumer Product Manufacturer.
 - Second Merit Finalist: Generic Pharmaceutical Product Manufacturer With More Than \$100 Million in Sales to Healthcare Distributors.



- Dr. Reddy's confirmed as FTSE4 Good Index Series in June 2019 Index Review. 
- Dr. Reddy's has retained the position on the DJSI (Dow Jones Sustainability Index) Emerging Markets Index for four consecutive years. We are one of the 12 Indian companies that made it to Emerging Market Index in 2019. We have increased our CSA scores from 57 in year 2018 to 61 in year 2019. 
- Dr. Reddy's achieved a score band of B for climate change, A for supply chain and B for water security in Carbon Disclosure Project (CDP) 2018. 

Legend

-  SHE
-  CSR
-  Talent Recognition
-  Operational & Business Excellence
-  Innovation
-  SHE & Sustainability and business excellence
-  Human Resources
-  Sustainability Indices



- Dr. Reddy's wins "Sakshi Excellence awards 2017" for two of its CSR programs. 1. Excellence in Education – for School Improvement Program (SIP), 2. Excellence in Health Care – for Community Health Intervention Program (CHIP).
- Dr. Reddy's wins the Global Generics & Biosimilars Award 2018 for Corporate Social Responsibility.



- Dr. Reddy's wins award for Innovative Talent Management and Succession Planning at the JobBuzz New-Age Workplace Awards 2018.
- Saurabhi Kaul, Global Head, Learning and Development, wins the Talent Development Champion of the year award at India Perspectives 2018.
- Kunal Kirti, Head-HR, Biologics with the Great Manager Awards 2018.
- CMO Leadership Award 2019 – Dr. Reddy's CPS (Custom Pharma Services) won in the categories: Capabilities, Compatibility, Expertise, Quality, Accessibility of Senior Management, and Strength of Science for the first time.



- CPS wins the CMO Leadership Award 2018 at the DCAT conference 2018 in New York.
- Avinash Kumar Talwar honoured at Express Pharma PPL Leadership Awards 2018.
- Dr. Reddy's (Srikakulam units) received the "Best Management Award" from Sri Nara Chandrababu Naidu, Chief Minister of Andhra Pradesh, on the occasion of May Day, at Amaravathi, Vizag.
- Dr. Reddy's ranked among the top 10 in the Forbes China 2018 list of leading Indian Companies in China.
- G V Prasad conferred the Boundary Breaker Leader award by the CEO Awards.



- Environment Excellence Award from CII – Best Innovative Environmental Project: In recognition of our environmental commitment and efforts to optimize solvent usage at our API facilities thereby reducing waste water and hazardous waste. CII Environmental Best Practice Award at Greenco Summit 2019.
- SHE Excellence – Pharmaceutical Company of the Year: In recognition of our unique initiatives such as My Safety Index, theme-based monthly campaigns to reinforce safety, road safety ambassador and defensive driving program to promote road safety, and initiating new techniques to improve wastewater treatment efficiency and reduce freshwater consumption.
- Gold 4 Star – OHSSAI Award 2019 for Sustainability.
- API Manufacturing Unit-6 has won multiple Gold 4 Star Awards (OHSSAI Safety Management).

Key Associations

As a global player in the generics business, we believe we can play a significant role, as an influential voice in the pharmaceutical industry, to make healthcare more accessible and affordable. We represent ourselves in various leading capacities across national and international industry forums. We play an active role in terms of advocating the significant impact pharmaceutical companies may have in improving access to healthcare and making healthcare affordable in emerging markets.

- Bulk Drug Manufacturers' Association
- Indian Pharmaceutical Alliance (IPA)
- Indian Drug Manufacturers' Association (IDMA)
- India – Russia CEO Council of CII
- India-Spain CEO Forum for Economic Expansion
- India-Indonesia CEO Forum

We have advocated for economic reforms through these associations.

A large graphic in the background of the page. It features a central Indian Rupee symbol (₹) inside a circle. Surrounding this are various financial and business icons: a shield with a padlock, a shield with three plus signs, a percentage sign, a dollar sign, a speech bubble with a checkmark, a magnifying glass, and several arrows pointing in different directions. The entire graphic is rendered in a light orange color against the darker orange background.

Financial Capital

We believe that there isn't a better investment than investing in our own personnel, our stakeholders and community, and the natural environment wherein we operate.

Financial Highlights

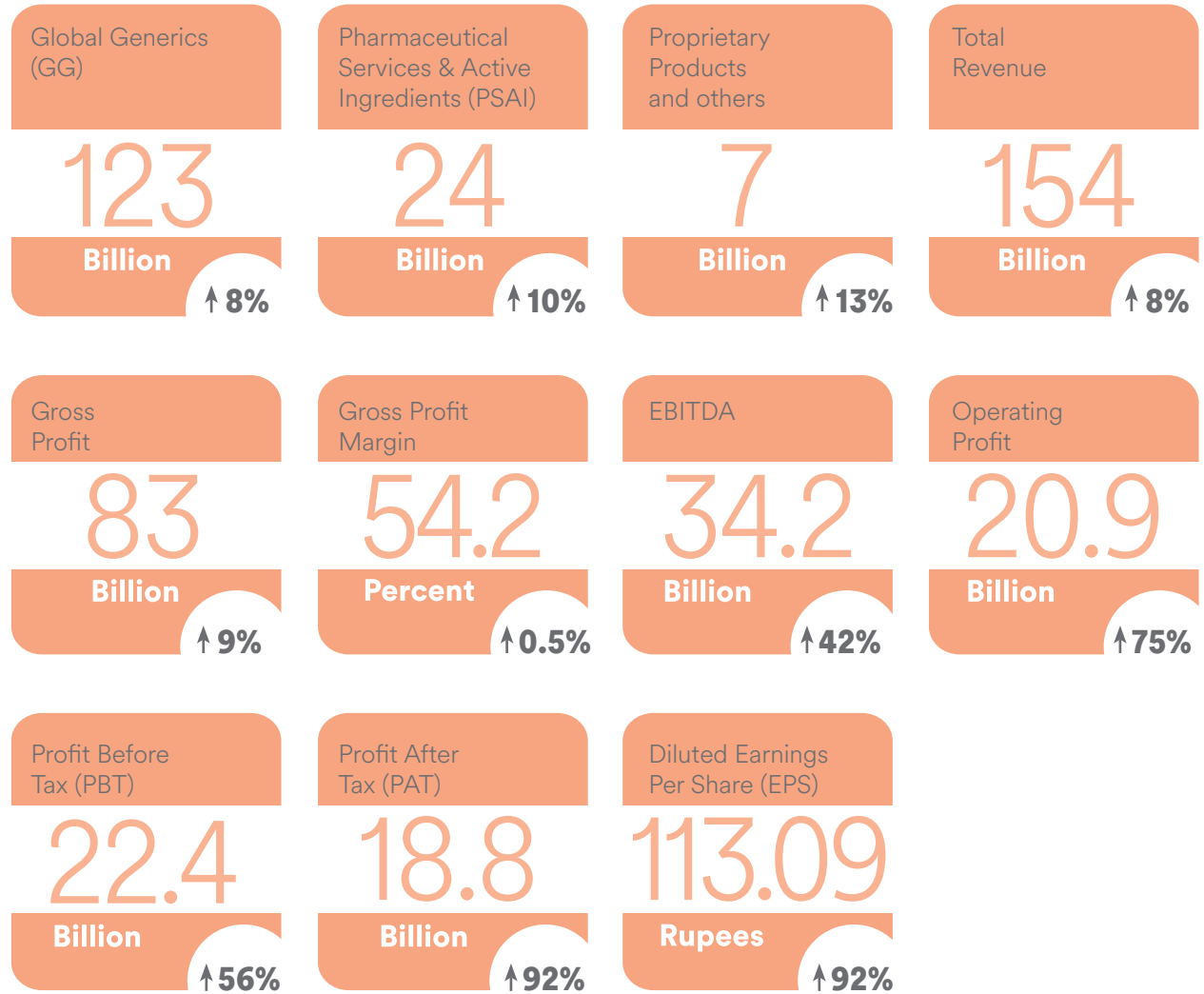
This year has witnessed a strong financial performance in comparison to lower than expected performance in FY2018 and FY2017, and this can be attributed to

- Impressive growth in branded generics markets, especially in India, Russia, China, Brazil and CIS* countries.
- Launch of several new products and scale up in new geographies like Brazil and Colombia.
- Cost optimization initiatives.

*Commonwealth of Independent States (CIS)

Financial Results


Revenues (₹)



- Our Return on Capital Employed (ROCE) stands at 14.7% higher than FY 18 and FY 17 and this symbolizes how efficiently we have utilized the capital and generated profits.
- Our Net Debt to Equity Ratio has reduced to 0.09 from 0.24 signifying the financial stability of our business.
- New markets entered in this reporting year – Thailand, Malaysia and Indonesia
- The 5 year trend on our key financial indicators (Revenues, Profit Before Tax (PBT), ROCE, Gross Profit, Profit After Tax (PAT), Earnings Per Share (EPS), and Debt to Equity ratio is provided in our Annual Report.

Future Outlook

- Continued focus on driving cost leadership and efficiencies
- 110 generic filings awaiting approval from the USFDA. We aim to succeed in delivering these products, molecule by molecule, to the US on the due dates
- Refocus some of our R&D resources to service the high potential branded generics markets such as China, Russia and other Emerging Markets. This is an important element of our geographical diversification and new market entry strategy — to lead with high value products and go-to-market partnerships.



Manufacturing Capital

We have a global footprint with operations (manufacturing, sales & marketing, and research & development) in 38 countries. This is the foundation on which we achieved impressive growth in branded generics markets, especially in India, Russia, China, Brazil and CIS countries. We also launched several new products and scaled up in new geographies like Brazil and Colombia.

We strive to embed a culture of innovation and operational excellence at all our facilities. Our facilities aim to incorporate the latest technology, state of the art equipment, efficient processes and strict quality control procedures. As part of our lean strategy, we divested our antibiotic formulations manufacturing facility in Bristol, US and our API manufacturing business unit at Jeedimetla, Hyderabad in FY 2019.



Our Strategy & Approach

- Cost efficiency by design
- Tap unconstrained factory potential
- Build capacity – new technology, people and processes
- Network footprint optimization
- Improve manpower throughput by delayering and eliminating needless overlaps
- Constructing a leaner business model to create profitable growth for each of the business segments
- Run operational excellence programs across all the Global Manufacturing Operations (GMO) plants and functions



Key Initiatives

- Quality culture transformation – SuCCeed
- Make Vs Buy
- Total Productive Maintenance (TPM)- centre of excellence in all plants
- Cost improvement programs to improve profitability
- Digitization



Future Outlook

- Compliance by design: De-risking and compliance by phasing out old infrastructure and building automated operations.

First Indian company to implement GE's FlexFactory™

The commissioning of new capacity, CCM4 for Biosimilars, was completed in 2.5 years from capex approval to commissioning. Being on time and on budget allows us to be more competitive and bring medicines to market faster.



Celebrating 10 years of success

API facility, Mirfield

The first of May marked the 10th anniversary of our API facility at Mirfield becoming part of Dr. Reddy's. The site supplies active pharmaceutical ingredients (API) for our drug products and also offers excellent business support to our Custom Pharma Services (CPS) customers. The history of the Mirfield site goes back to the 1950s and it has seen important milestones on an almost seven-decade journey from agrochemicals to specialized ingredients for Dr. Reddy's medicines. In 2011, Mirfield invested in computer controlled systems to manufacture mPEGs, and in 2016, shifted focus from chiral intermediates to API.

Gold Rated Green Factory, Formulation Production Unit-1, SEZ

We participated in the Indian Green Building Council (IGBC) Green Factory Building Rating System for our Formulation Production Unit-1, SEZ. **Key highlights of the green factory include the following:**

- Rainwater harvesting**
 - 100% run off rainwater being replenished back to the ground.
- Efficient water fixtures**
 - All fixtures in the premises are capable of efficient water savings 50% savings over the Indian Green Building Council (IGBC) benchmark in water consumption.
- Commitment to certified wood**
 - Forest Stewardship Council (FSC) certified wood has been used in the project 100% of the wood used in construction is certified.
- Commitment to locally sourced material**
 - 75% of the materials used in construction is sourced locally and we are committed to do the same in future.
- Encouraging green transportation**
 - 10 bicycles, 1 battery powered vehicle, 4 electric charging sockets for battery vehicles, shuttle service for 100% employees.
- Accessibility**
 - Visitors parking along with access provisions for differently abled groups.
- Water treatment**
 - 100% of water used in this site is recycled through a sewage treatment plant and is reused for landscaping, toilet flushing and cooling tower makeup.
- Waste management**
 - Waste segregation at source and central waste storage for easy pickup, ensuring that 100% waste is diverted from landfill.
- Energy quotient**
 - 21% of energy is saved over IGBC's benchmark without changing the usage pattern, just by changing the light fittings.
- Clean energy – green power sourcing**
 - Power purchase agreement is in place for sourcing clean energy.
- Indoor air quality**
 - All regularly occupied places in the site are provided with fresh air ventilation. Indoor air quality for the site is 30% more than The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 62.1 standards. Materials having low volatile organic compounds (VOCs) content are used during construction to maintain good indoor air quality.

SuCCEED Story:

SuCCEED (Sustained Compliance through Culture, Excellence, and Empowerment) at Dr. Reddy's is a program which aims to achieve "every day quality improvement" through quality culture transformation. We want to build a culture of excellence by involving every employee in the facility and developing a mind-set of quality ownership.

SuCCEED has four building blocks of change around which we have created a set of 8 interventions which has helped us achieve the desired cultural shift. The objective of all the initiatives is to reach the frontline employees and bring a shift in their mind-sets, which in turn achieves the end objective of All Time Quality Improvement. Quality culture transformation is done in three phases: diagnostics, design & implementation and sustenance. The initiatives are presented on the next page:

- **Building understanding and conviction**

Comprehensive communication on quality

A pivotal aspect of change management is establishing a communication channel between the management and frontline employees and ensuring that no confusion is created during the process. This initiative helps meet that objective and create an overall voice for quality on the ground.

Cross functional quality forum

Quality forums are a platform where cross-functional teams get together to generate quality focused ideas. The objective of this initiative is to make employees take quality ownership and empower them to drive continuous quality improvement by generating innovative ideas.

- **Role modelling by supervisors and managers**

Gemba Walks

Gemba walks are an important tool to better connect with shopfloor employees. As part of role modeling, our Heads of Department (HODs) and middle management undertake Gemba walks to connect with frontline employees, identify issues, coach people, and help in building quality ownership and confidence at the frontline level.

Middle management capability

To role model the right behaviours, this initiative helps to strengthen the middle management capability. It targets behavioral and some functional aspects. The skills covered are: Problem Solving, Work Planning, Communication, Influencing, Ownership & Accountability, and Coaching & Motivation.

- **Building capabilities of employees**

Technical capability building

Strengthen conceptual knowledge of employees by focusing on the "WHY" part of the operations and analysis.

- **Building reinforcement mechanisms through systems**

Robust shop floor management through Lean Daily Management (LDM)

Strengthen the existing LDM practice by improving problem solving and cross-function team (CFT) collaboration at the frontline level, identify issues, coach people, and help in building quality ownership and confidence at the frontline level.

Shop floor best practices campaigns

Shopfloor campaigns target specific issues and holistically address those issues by multiple interventions around trainings, communications, and discussions.

Structured quality recognition

Rewarding the right quality behaviors to encourage employees to take quality ownership.

Business Outcome

- Increased level of ownership towards quality
- Empowerment to drive quality outcomes across all levels of employees
- Improved investigation quality score, faster Turn Around Time (TAT) for closure of investigations, and increased productivity

Total Productive Maintenance (TPM)

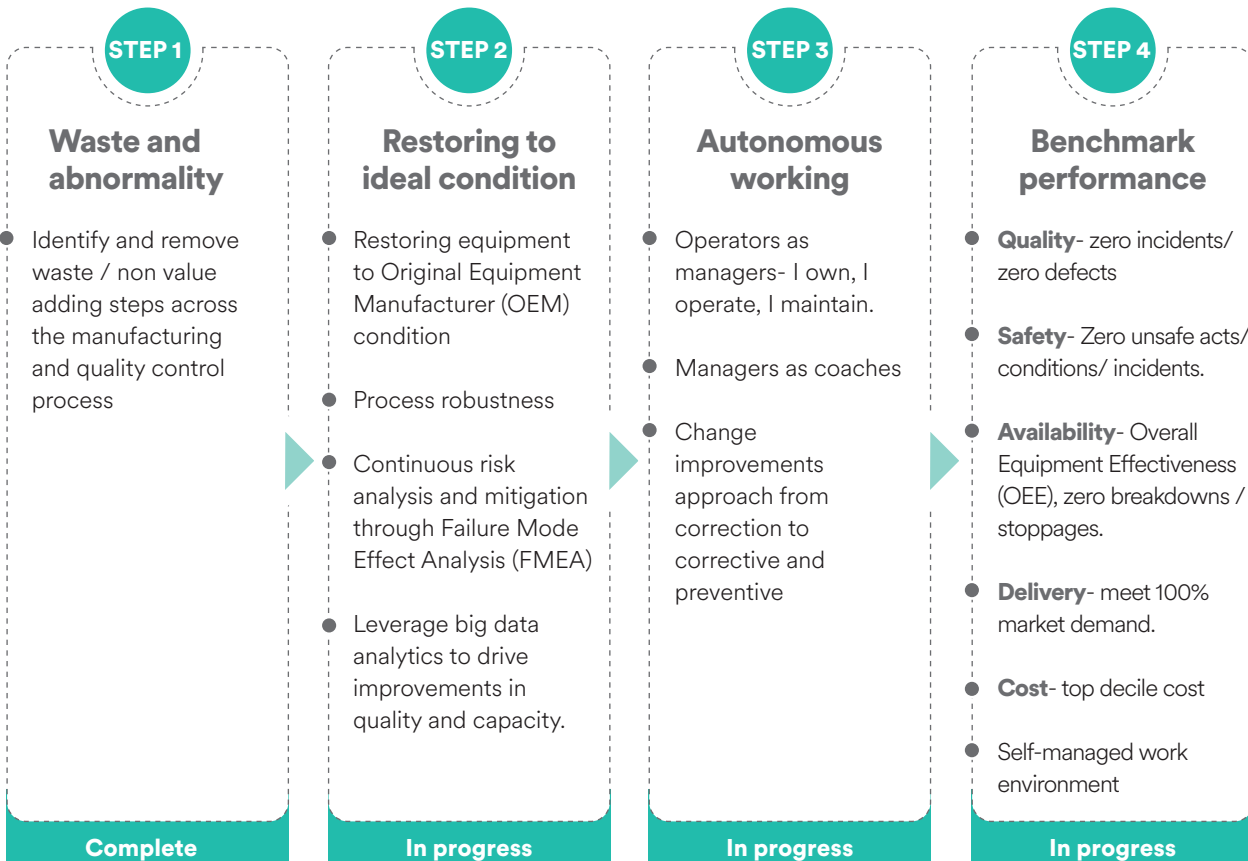


We believe that continuous improvement is not an option, but a need for our business operation to be agile. We have adopted TPM in a few product chains. Now after demonstrating success, we are in the process of rolling this initiative across the entire value chain (manufacturing and quality).

Business outcome

- Creating a culture of operational excellence and having an autonomous maintenance
- Achieving process excellence by shifting from correction to prevention, and defect resolution to zero defect
- Mistake proofing operations (8500 abnormalities identified and 70% closed with robust corrective and preventive actions)
- Engaged and empowered employees
- 20% improvement in equipment availability, reduced breakdowns
- Capacity enhancement achieved across 90 bottleneck operations and 60 priority products in Global Manufacturing Operations (GMO)
- Change over reduction initiated for 20+ operations
- 10 breakthrough improvement projects initiated through big data analytics

Conceptual flow of TPM







Our strong market position rests on our ability to provide high quality medicines and robust innovation capabilities. This requires sustained focus and effort to build and enhance R&D capabilities, and stringent quality and other systems to meet evolving regulatory requirements.



Our Strategy & Approach

- Management systems certified to international standards
- Leverage innovation and digitalization initiatives for competitive differentiation
- Best-in-class quality systems to embed quality aspects at all stages of the product life cycle
- Continued focus on R&D
- Hiring and retaining critical talent
- Strengthening critical technical elements- data reliability, good documentation practices, process validation and investigations
- External collaborations



Key Initiatives

- Control Tower, Observation Compliance Management System (OCMS)
- Product innovation through application of green chemistry principles (refer Natural Capital)
- Cost and productivity improvement projects
- Digitization- Document Management System, Laboratory Information Management System
- Use flow, automation, and data to improve process development



Future Outlook

- Compliance By Design: De-risking and compliance by phasing out old infrastructure and automating operations



Launches & Filings

- In total 140 new products launched- NAG: 24, Europe: 35, Emerging Markets: 66, India: 15
- 20 Abbreviated New Drug Applications (ANDAs) filings
- 110 generic filings pending for approval, 107 ANDAs and 3 New Drug Applications (NDAs)
- Out of 107 pending filings 60 are Para IV filings; we have "First-to-File" status for 34 of them.
- 9 Drug Master Files (DMFs) filed in USA
- **Product launches in international markets-** Launches in US and emerging markets- Being the first to market generic has the biggest impact on affordability
 - **Clopidogrel** approval in China
 - **Daptomycin** launch in Brazil
 - **Vigabratin** 8 month first cycle approval in the US

Our scientists, technicians and engineers

We believe that with the right policies in place, we can use our financial capital to benefit society and the environment. It is imperative for an enterprise to understand the importance of investing the money in the right places.

Our scientists and researchers are our most crucial assets. There exists quite a straightforward relation between investment in intellectual and human capital and a rise in financial capital. Talented resources, investments in process optimization and continuous improvement projects lead to improved operational efficiency, lesser expenditure, and ultimately help us to produce high quality medicines at optimized costs.



Domestic:

943



International:

69



Percentage of revenue spent on R&D:

>10%

Certifications

A majority of our manufacturing locations are certified as per ISO: 14001 Environment Management System and OSHAS 18001. This helps to integrate the life cycle thinking based approach to the design of our management systems. Further we have SA 8000 based Social Accountability Management System for a few of our facilities.

Certification	Units
ISO 14001	Formulation Units-2,3,6,7,8,9, Formulation Production Unit-1 and Biologics
OHSAS 18001	Formulation Units-2,3,6,7,8,9 and Formulation Production Unit-1
SA 8000	Formulation Units-2,3 and Formulation Production Unit-1



Pharmacovigilance

Our pharmacovigilance standards are in line with globally recognized safety benchmarks such as the International Conference on Harmonization (ICH) guidelines, and we maintain compliance with region/country-specific legislative requirements.

Through the pharmacovigilance process, we continuously monitor the benefit-risk profile of our products to ensure continued benefit to our patients and minimization of product-related safety risks. With a focus on the sustainability pillar of continuous improvement, we are introducing a new software system for the identification and evaluation of potential safety signals. The move to digitization will further enhance our safety surveillance and risk management activities, and support proactive safety decision making.

The control tower team maintains the overall process for the quality audit Corrective Action Preventive Action (CAPA) management program across all our sites globally.

All the audit observations and learnings are shared across sites and implementation of CAPA is ensured leading to harmonized quality compliance across the company.

We have the Observation Compliance Management System (OCMS), an online tool to track observations in real time and to ensure compliance with the quality systems proactively. It provides a platform for the quality observations to interbreed amongst the different units of the organization. This encompasses observations from regulatory and customer audits, and industry wide expectations, thus ensuring harmonization in the implementation of actions.

Details on the regulatory observations and the status of resolution and actions taken are covered in our Annual Report (page 43, 44). We have defined targets for reduction in product recalls/confirmed customer complaints, regulatory inspection compliance and warning letter commitment completion. Further, we aim to be part of advocacy and consumer awareness initiatives that address the issue of counterfeit drugs.

Case Studies

Harmonizing API plant design

Objective- Ingrain the same design philosophy for all our API manufacturing plants to improve efficiency, enable closer integration and alignment with the larger corporate systems and processes, and facilitate better application of learnings and best practices.

Actions taken- Project Management team prepared an ideal API plant design document to guide the set up of an

API plant from concept to commissioning. The document covers the manufacture of low, medium and high volume products, including intermediates.

A training session was organized at Hyderabad and Vishakhapatnam to share in-depth knowledge with the GMO projects team about the concept of an ideal API plant design. The session provided an overview of the quality system, ideal design concepts and learnings from past projects.

Digitizing change control

Change control is a key quality management process that impacts organizational agility and time to market. On an average, about 19000 change controls are raised across the organization in a year and about 4500 personnel are involved in these processes. The approval process of change control took an average of 25 days due to various system and process issues.



Challenges

- **150 categories** of change controls mainly oriented around documents as the change object
- **Too many approvers and** based on quality assurance team's/ individual's personal judgment
- **Inadequate information** while raising change control
- All change controls were treated equally and **manual follow-ups were required** for closure
- Change controls were not comprehensive – **multiple** notifications were raised **for the same change**
- **Did not include** partner manufacturing organizations in the change control cycle



Solution

- Implementing a digital lean solution using design thinking principles. It involved a combination of cross-functional process changes accompanied with a digital quality management platform. This involved implementation of the following steps
 - Extensive analytics-led study of the problem to clearly identify the challenges to focus upon.
 - Rolling out a design thinking led business engagement, including various workshops, observation sessions and interviews with key stakeholders.
 - An iterative, prototyping approach was utilized to freeze on a solution which was developed through the latest available stack of SAP, alongside open source components.



Business outcome

- **Overall process velocity-** ~70% increase from 25 days to 8 days
Man hours saving
- **Benefits to stakeholders-** User experience is significantly improved across interfaces with initiators, quality assurance personnel, and cross functional team members with features like
 - Contextual forms, personalized interfaces, simpler navigation architecture and system defined prompts - users can interact with information in a guided manner.
- **Quality process**
 - Quality impact assessment is made more robust and at least 15 ALCOA* points are addressed across the application
 - 7 interlocks or poke-yokes implemented
 - 5 actionable insights delivered
 - 29 touch points related to manual field entries removed

*Attributable, Legible, Contemporaneous and Accurate (ALCOA)

Cost improvement projects

Cost savings in **Manufacturing and Quality Control (QC) labs** allows us to reinvest our money into R&D, and empower our people with technology to ensure **we bring expensive medicine within reach of patients.**

Savings delivered:



₹ 2,890
Million

Idea pipeline improvement potential:



₹ 17,330
Million

Productivity & yield improvement projects

We internally developed high yield lines for two of our complex products which led to higher productivity.

For both of these products which are highly complex in nature, we have achieved higher productivity in comparison to the industry benchmark value for a fed-batch process. Higher productivity obtained in these products in the fed-batch process will help us to achieve higher yield at the drug production stage. For one of our products, which is a fusion protein and offers additional challenges in making a biosimilar, we have managed to develop a small scale manufacturing process with high degree of biosimilarity.

Business outcome - higher productivity translates to lower cost of production and thus increased affordability for patients.



Potent Pilot Plant for R&D facility

The R&D facility has got a new Potent Pilot Plant for potent molecules development. It has been created at API manufacturing Unit-2 central warehouse area, and is capable of manufacturing small scale Potent Pilot Bio Batches, and can be also used to test a few API, raw materials, packaging materials and finished dosage forms.

This facility was designed and executed by the GMO Projects team.



Document Management System (DMS)

Pharmaceutical companies create thousands of documents in a year for the purpose of quality record keeping and regulatory submissions. In the past, these activities resulted in millions of pages being printed in a year. With the introduction of DMS, these are done digitally which reduces printing, red lining, collating and reprinting. Over the last year, over 75,000 documents have been created, reviewed, shared and archived on the system. This has resulted in paper savings of over ₹ 4 Million/year. We are now expanding the system usage for more documents.

Laboratory Information Management System (LIMS)

We introduced LIMS, a software system developed to support laboratory operations. It aims to simplify, automate and harmonize workflows, integrate instruments, and manage samples and associated information more efficiently. It drives paperless execution and ensure compliance by storing valuable information in a secured environment. Implementation of this system at our various sites helped us in reducing about 10000 pages per day, and the system is poised to reduce this further with increase in landscape.





Natural Capital

Improving The Ecobalance

We are a responsible corporate committed to environmental conservation, both within and beyond our sphere of influence, to support the good health of present and future generations. We continuously work to streamline our processes and supply chain, to effectively conserve resources, and transition to clean and lean manufacturing to thereby minimize our environmental footprint.

We believe that this is not only good for the environment, but also helps us achieve significant improvements in plant and process operations. We constantly make efforts to make our business more sustainable: protect the environment, increase profitability, create healthier margins and enhance competitiveness. Over the years, we have prioritized our purpose before profits; and collaborated to transform challenges into sustainable business opportunities and sustainable strategies into measurable and fruitful outcomes.



Our Strategy & Approach

- Encourage life cycle approach, circular economy principles and integrated thinking
- Undertake within the fence and outside the fence initiatives for creating a scalable positive impact on the environment
- Certified environmental management systems
- Capacity building on the core sustainability concepts and initiatives
- Aligning our value chain in the sustainability efforts
- Dedicated expenditure budgets for environmental initiatives
- 315 dedicated and competent SHE resources for management of environmental and safety aspects



Key Initiatives

- Identification and implementation of resource conservation (energy, water, materials) projects
- Renewable energy projects
- Process, productivity and yield improvement projects
- Air to sea shipments
- Wastewater recycling, zero liquid discharge (ZLD) for our facilities
- Waste minimization and recycling/co-processing projects
- Application of green chemistry principles
- Robust measurement and monitoring controls for all environmental indicators



Future Outlook

- Strengthening the governance around sustainability projects – Sustainability Packaging Council, Green Chemistry Council
- Strengthening the infrastructure around health, safety and environment
- Aim towards water and plastic neutrality
- Strategic collaborations with partners and solution providers on sustainability initiatives
- Review of existing technical standards on environment management
- Enhancing of green power portfolio
- Energy Ambassador program for capability building and project identification and implementation

Key Highlights



Energy & Emissions

- **188** energy efficiency/conservation projects implemented
- **233.7** Million ₹ of cost savings and avoided carbon emissions of 96,364 tCO₂e
- **8.92%** reduction in indirect energy consumption values from our previous year (FY 2017-18)
- **7.7%** renewable in total energy mix; solar energy consumption stands at 49.4 million kwh which corresponds to avoided carbon emission of 46,473 tCO₂e
- **179.26** TJ of energy generated using biomass/rice husk briquettes, which corresponds to avoided carbon emissions of 18,323 tCO₂e
- **42,165** tCO₂e of carbon emission avoided from Air Vs Sea shipment initiative
- **21%** reduction in specific energy consumption (SEC) from our baseline year (2009-10)



Water

- **59%** reduction in our specific water consumption from our baseline (FY 2009-10)



Waste

- **20298** MT waste was co-processed and recycled during this reporting year
- **51%** reduction in hazardous waste generation from our baseline year (FY2009-10)

Raw Materials

We take efforts to increase the efficient use of raw materials and natural resources. We do our best to use recycled materials wherever possible. We favor raw materials with a smaller environmental footprint. If technically and economically feasible, we opt for materials from renewable sources. The majority of the solvents we use are recycled to a large extent within our operations.

Solvent Reduction Initiatives:

Solvents are one of our major raw materials. If we take up the 3-R approach (reduce, reuse or recycle) for solvents in our operations it will have both environmental as well as economic benefits.

- Recycling spent Methylene dichloride (MDC) from 0% to 60 % has resulted in reduced consumption of fresh MDC by 130 MT/Annum for Mementine products.
- Elimination of Batch to Batch Cleaning with Solvent initiative has improved solvent recovery through methodologies like elimination of wet cleaning.
- Periodic cleaning and solvent replacement with water/ other solutions/ mechanical cleaning has eliminated 45 stages of solvent cleaning across Dr. Reddy's operations resulting in annual cost saving of ₹ 61.6 Million.
- Conducted an assessment across 55 API stages to identify the opportunities for optimizing the consumption

of fresh solvents/ chemicals through telescoping of steps. Project outcome: 50% overall reduction in the consumption of solvents/ chemicals.

- By implementing lean manufacturing we have simplified processes at API manufacturing - Unit 2 by eliminating the purification step thereby reducing Acetonitrile consumption by 700 MT/annum and achieving cost savings of ₹ 90 Million/ annum.
- In API manufacturing- Unit-1, Reduction, Recovery and Recycle of solvent are the strategies used for control of emission losses. Products like Clopidogrel bisulfate, Fexofendine, Gemcitabine etc are focused on for the solvent reduction initiatives. In FY19, overall solvent recovery has been improved in these products from 24.11 KL to 31.6 KL (recovery increase by 7.5 KL). This is typical reduction of solvent loss/spent solvent by 2400 KL / Annum (Cost savings of ₹ 84.6 Million/Annum). This was achieved by a systematic study on solvent losses during processing, recovery and recyclability.

Water


Water use has been growing exponentially and its availability is getting limited day by day. We understand the importance of this valued and scarce resource and make concrete efforts towards its conservation.

Process Improvement Initiatives

We have implemented various initiatives to improve the efficiency of our utility systems such as steam strippers, effluent system, and reverse osmosis (RO) and bio-treatment plants. Some of the major process improvement changes are presented below.

Initiative	Outcome
Introducing nitric acid continuous improvement project (CIP) for Multiple Effect Evaporator (MEE) plants	➤ Reduction in tube cleaning frequency from 15 days to 25 days
Provision of high pressure reverse osmosis (RO)	➤ Reduction of MEE load and overall steam consumption, leading to annual savings of ₹ 125 lacs/annum
Modification of existing steam strippers into independent systems	➤ Improved throughput and MEE condensate
Planned initiatives	Expected outcome
Designing new zero liquid discharge stripper	➤ Enriching the solvent concentration from 40% to 70%
Upgradation of reverse osmosis systems for bio-treatment plant	➤ Improved cooling tower performance and reduced fouling

Select initiatives for reduction in fresh water consumption

Initiative	Outcome
Installation of water saver nozzles at our Formulation Unit-2 & 7	> 6600 KL Annual savings of freshwater and reduced domestic effluent by 6570 KL
Segregation of Multigrade Filter (MGF) and Ultrafiltration (UF) backwash units at our Formulation Unit-2	> 13120 KL Amount of fresh water consumption reduced annually ~ and savings of ₹ 3 million
Increased the boiler blowdown frequency at our Formulation Unit-2	> 96 KL Amount of fresh water conserved per annum
Water re-collection and rainwater harvesting systems at our API manufacturing Units- 1,2,3,5,6 & SEZ	> 45071 KL Amount of fresh water consumption reduced annually
Commencing ZLD systems at our Formulation Units- 6 & 7	> 55000 KL Amount of fresh water consumption reduced annually
Combining chiller plants and removal of four cooling towers (Biologics unit)	> 5475 KL Reduced burden on freshwater annually and reduced effluent stream by 1825 KL/annum
Utilize backwash waters of ultrafiltration and multigrade filters directly for makingup of cooling towers (Biologics unit)	>  Reduced load on RO plant

Rainwater harvesting



As one of our within the fence initiatives to conserve natural resources, we have installed rainwater harvesting structures for almost all our manufacturing facilities for the collection and reuse of rainwater. We undertake periodic maintenance of these structures so as to maintain their efficacy and to protect the water quality. In FY 2019, we have utilized 50,203 KL of rainwater and hence directly reduced an equivalent amount of fresh water consumption in our manufacturing operations. Apart from collection & reuse, we have also installed rainwater harvesting ponds and scientifically designed ground water recharge pits for select locations. More than 93,000 KL of ground water recharge potential has been created for future and community usage.

Water Shed management at Bhudhera, Hyderabad



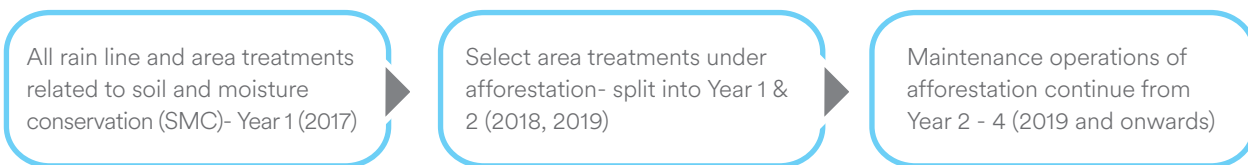
Extreme climate variability has added a new dimension of complexity to managing ecosystems sustainably. In view of projected climate impacts like increased droughts and dry spells, harvesting water and its sustainable management is critical in dryland/semi-arid regions. Dr. Reddy's has initiated the journey towards water neutrality in collaboration with Watershed Organisation Trust (WOTR). Through this initiative, our Bhudhera site will be developed with an ambitious aim of becoming water neutral as well as contributing to biodiversity conservation.

The water capture potential of the Bhudera site was initially estimated at 8,56,734 Cu.m. Based on the geo-hydrological survey and extent of green cover present the total estimated water will get impounded after year two.

Rainwater is captured by the soil and moisture conservation (SMC) structures, which helps restore soil cover/profile by stopping soil erosion and run off, and helps regenerate the biodiversity.

The Japanese technology known as Miyawaki was adopted for implementing dense plantation at the Bhudera site. Plantation done in this method has shown positive results within a year's time – with good plant growth and survival rate.

Step wise components and processes



Project outcome- Borewells witnessed significant increase in water levels. The water level in the borewells has shifted to <25 bgl and 25-35 bgl, thus showing a positive shift in the water level post the SMC work. **In addition, area under cultivation and number of crops cultivated has also increased.**



Trench Cum Bund after excavation and filled in Trenches during the monsoon. All this water captured would have gone out of the site as run off



Showing a clear rise in water level in a dug well post treatment work during the monsoon season compared to the water level before treatment

Future Water Initiatives

- We plan to utilize sewage treatment plant treated water for horticulture, meeting our compliance requirement and striving to be a zero liquid discharge (ZLD) facility for all our operations. By 2020, we plan to achieve ZLD status at all our Formulation operations
- We also plan to initiate a preliminary study for Water Pinch analysis through water scoping to identify new opportunities for optimization.
- Reverse osmosis (RO) upgradation has been planned at our API manufacturing Unit-2 which helps to treat the total bio treated water enabling us to send only RO permeate to our API manufacturing Unit-1 & 3. This shall improve the cooling tower process condenser's performance by minimizing fouling.
- The current Agitated Thin Film Dryer (ATFD) is of SS 316 make which is resulting in frequent corrosion and pitting issues. Hence, an additional ATFD of SS 316Ti make, which is superior to SS316 alloy, is planned for commissioning at our API manufacturing Unit-2 which helps ensure sustainable operations of the ZLD system.

Moving towards Water Neutrality

- We have formally established a holistic collaboration in the form of a Memorandum of Understanding (MoU) with the CII Water Triveni Institute to

implement sustainable water management initiatives across India and worldwide. The objective is to give us specialized advisory and technical expertise to enable us to realise our Water Neutrality goals.

- We aim to conduct Water Risk and Evaluation studies across all 6 watersheds of Dr. Reddy's to identify alternate rich water resources by using appropriate hydro geological studies and thorough scientific assessment.
- We also aim to conduct a rigorous Water Pinch analysis to reduce water consumption and waste water generation through integration of water using activities or processes. We plan to e-map our ongoing interventions such as within the fence - rain water harvesting, artificial ponds, and water recharge - along with off the fence, such as community RO, and sustainable irrigation practices. The institute will extend a specialised advisory to geo-reference the information, measure these water related programmatic interventions and certify our ongoing efforts that contribute to water neutrality goals.
- We will be exploring government based partnerships with State and Central Governments on ongoing water related schemes such as the Jal Shakti Abhiyan and others to leverage our efforts in sustainable water conservation and recharge efforts.

Effluents

The impact of effluents and waste discharge vary depending on the quantity, quality and destination of the discharge. Untreated effluents can affect aquatic habitats, the quality of an available water supply and degrade quality of land resources. We undertake initiatives and projects to produce less effluent and reduce the load on the effluent treatment plant stages to decrease environmental impact and achieve cost savings.

Select initiatives are provided below

- API manufacturing Unit-6 has segregated high Total Dissolved Solids (TDS) effluent streams at the source and eliminated the acid wash for these spent solvent aqueous layers. This has resulted in the reduction of MEE Load by 630 KL/Annum and chemical consumption reduction by 55.8 MT/annum. (Total cost savings ₹ 2.088 Million/annum).
- In Formulation Unit-3, the dispensing procedure was modified wherein the quantity of coating solution preparation is reduced, which in turn reduced the quantity of rejected solution by 35 MT/annum with

cost savings of ₹ 6.5 Million/annum. Replication possibility will be explored across other sites in FY20.

- In API Manufacturing Unit-2, sludge thickeners will be provided to increase the solids content in decanter centrifuge feed from 1.5% to 4-6% there by reducing the moisture content in sludge (from 85% to 50%) and Effluent Treatment Plant (ETP) sludge generation by 780 MT/annum (Net savings on disposal cost: ₹ 4.914 Million/annum).

Scale Ban Technology

At API Manufacturing Unit-2, around 25 KL/day of RO rejects are being evaporated in a Multiple Effect Evaporator (MEE). Scale ban technology was adopted to reduce the load on the MEE. This enabled us to use the RO reject in cooling tower make-up water.

The working principle of Scale Ban™ is

- It consists of a core which is sintered with electronegative elements for increasing the electro-negativity in the direction of water/fluid flow.

- It makes use of the galvanic principle based on chemical characteristics of water (through the usage of inhibitors/chemicals to avoid scaling/bio-fouling/foaming phenomena) and fluid dynamics by locally enhancing the pH value of feed water/fluid. During this process, the core attracts H+ ions thereby increasing the pH value.

Scale Ban precipitates out Calcium and Magnesium bicarbonates in the colloidal form of aragonite crystals. These are suspended in water, because of their very small size and light weight The water flowing through carries away these precipitated salts, so that hard scaling is prevented.

Benefits- Reduces 9,125 KL/Annum of effluent load on MEE evaporation and 2,737 Tonnes per annum (TPA) of steam consumption at MEE.

Future aspect- This system can be adopted in API Manufacturing Units-5 & 6 having a potential impact of reducing 25,550 KL/annum evaporation and 7,700 TPA of steam consumption at MEE.

Waste water reduction at Biologics Unit

At our Biologics Unit, the raw water treatment plant consists of a Multigrade Filter (MGF) followed by Ultrafiltration (UF) unit, softener and RO system. Regular operations of MGF and UF need a backwash and rinse cycle. It was analysed that the source water consistently had very low Total Hardness value (approximately 20 ppm). Further softening of the water was not required. As a result, the softening equipment has been bypassed, thereby reducing waste water generation.

A total of 18 Kilo Litres per day (KLD) load to waste water RO and 0.75KL of high TDS load to MME has been reduced.

Cost of treatment is ₹ 126 per KL in WWRO3; total estimated savings is ₹ 1,890 per day = ₹ 56,700 per month.

Cost of treatment in MEE is ₹ 1,700 per KL; estimated savings is ₹ 49,500 approximately.

Waste

At Dr. Reddy's, we strive to achieve responsible production and consumption. It is a common notion that production rate and waste generation are directly proportional.

All our API facilities have achieved zero waste to landfill. In the reporting year, 99.3% of our hazardous waste generated in India was co-processed / recycled, and globally we stand at 87.3%.

In CPS, ETP sludge is being sent to landfill, which we are aiming to send for co-processing by FY20 to achieve 100% of the ZERO waste to Landfill target.

Our Formulation Unit-1, in Hyderabad, India has

successfully disposed 2.76 MT of discarded ampoules waste through an alternative fuels and raw materials (AFR) process in February 2019.

Towards 'zero solid waste to landfill'

Since February 2017, our Shreveport, Louisiana manufacturing site has collaborated with Pratt Institute's Sustainable Environmental Systems program to reduce waste and recycle. The unit has recycled 61.68 MT of waste since their installation. This year Shreveport has created an aerosol can recycle system, in which cans are punctured, drained and recycled. In addition, plastic lids from fiber drums are now being recycled, with a projected 0.91 MT to be recycled each month. The site is currently working with Pratt Institute to find a way to start recycling the fiber drums used to carry the API product.

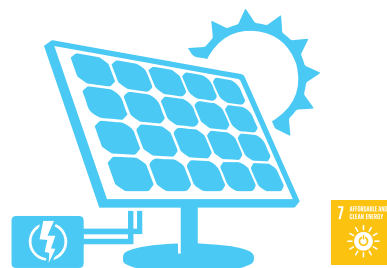
Energy & Emission Management

Energy

Through our operational excellence initiatives, we identify and implement energy conservation projects across our manufacturing facilities. We have implemented 188 energy conservation projects across various business units in the reporting year, accrued savings of ₹ 233.7 million, and thus avoided carbon emissions of 96,364 tCO₂e.

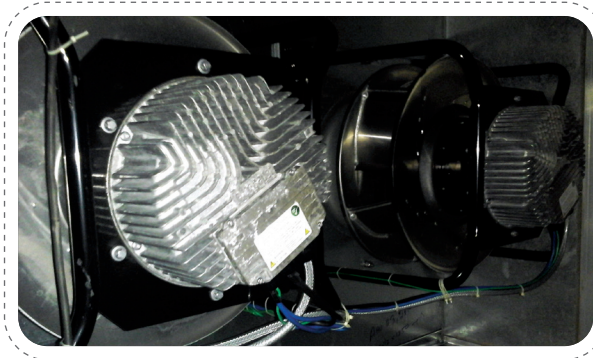
We understand the importance of investing in clean and renewable sources of energy. The share of renewable energy in our total energy consumption has also increased; solar energy consumption for FY2019 is around 49.4 million kwh, thereby we have avoided carbon emission by 46,473 tCO₂e. Most of our API manufacturing and Formulation units purchase solar power (31 MW) through long term power purchase agreements with renewable energy developers. We have also installed rooftop solar plants of 0.79 MW capacity at our R&D facility, Global Distribution Centre (GDC) and Formulation Unit-6. Further through our joint venture company (DRES Energy Pvt Ltd) we have started supplying power to a few of our API manufacturing and Formulation units this year. We plan to scale up this initiative in future and target to achieve 3 MW capacity of rooftop solar installations and 96 MW capacity through our joint venture company.

We have also generated 179.26 TJ of energy using biomass/ice husk briquettes, thus eliminating GHG emission.



HVAC retrofit project– replacement of centrifugal belt driven blowers with energy efficient blowers (EC Blower)- Coverage- Our Formulation Units- 2,3,6,7,8,9 & Formulation Production Unit-1

In our formulation and injectable units, heating, ventilation and air conditioning (HVAC) are among the major consumers of power. The project teams identified EC blower as an alternate to our HVAC belt driven blowers and estimated a power savings opportunity of about 25-35 % due to this replacement. The chosen solution (EC Motor Blower) was found to be a very effective energy efficient blower that met the required user and engineering parameters and also enhanced operational efficiency. Further it was easily integrated with our existing Building Management Systems (BMS) and Energy Management System (EMS). More than 500 blowers have been replaced with EC blowers across our Global Manufacturing Organization sites. Post implementation of this project, power factor has improved



and is close to unity. Thus annual energy consumption of HVAC has effectively reduced. It also provides other operational benefits, for e.g. better control on cubic feet per minute (CFM) ramp up and ramp down range, better control on pressure balance, lesser noise levels and maintenance free operations amongst others.

Business impact-

5028912 kWh of power savings corresponding to 4124 tCO₂e of emission reductions & cost savings of ₹ 32.68 Million



Efforts towards reduction of our Scope 3 emissions

We have a process in place to monitor the overall air versus sea shipments to maximize the export shipments by sea. We devise yearly plans and also assign market specific targets for the finished goods movement from air to sea and to effectively reduce carbon emissions from our supply chain. In the reporting period, we have avoided 42,165 tCO₂e with this initiative.

Air to sea shipment shift for the last two years

Year	FY18	FY19	FY20 Budget
Sea tonnage	3006	4216	6204
Sea shipment	30%	35%	50%

- Cost saving realized for FY19 due to increase in sea shipment - ₹ 144 Million.
- Cost saving budgeted for FY20 considering budgeted sea shipment - ₹ 340 Million.

Process Emission Management

For controlling process emissions, we have taken up initiatives like Nitrogen blanketing system for all bulk storage tanks; and connecting common vents to condenser to control VOC emissions. We also conduct leak detection and repair (LDAR) studies and VOC monitoring studies for a few of our plants. In future we plan to deploy internal capability within the teams for continuous VOC monitoring across all sites.

Our efforts towards applying Green Chemistry



We continue to apply and embed 12 principles of green chemistry in our research and development pursuits. This ensures that we do not focus our remediation efforts on end-of-life waste streams but practice proactive elimination of hazardous materials. Applying green chemistry principles is a checklist for us to identify ways to reduce both the environmental impact and the potential negative health effects of chemicals and chemical synthesis. In coming years, we aim to further expand this to many more processes and chemicals.

Following are a few examples of our efforts in this reporting year.

We developed an innovative, greener and cost effective route for one of our products by applying green chemistry principles. With these changes, we have been able to reduce the process mass intensity (PMI) substantially close to 90% of the innovator's route. This testifies to our efforts to meet business needs without compromising on environmental considerations. This also demonstrates our approach of integrating the principles of SDG 12 (Responsible consumption and production) at the design stage.

Transformation of batch process for one of our high volume APIs - Our API team has embarked upon the journey to gradually transition from batch process to continuous manufacturing and has made significant progress. They are working on transformation of the existing batch process for one of our high volume APIs, consisting of multiple chemical conversions and unit operations, to a completely integrated system starting from raw materials to dried API via flow processing. This has been successfully tested at a pilot scale and has huge potentials and benefits (shorter processing times, increased safety and efficiency, reduced footprint) when implemented at the commercial level. Select benefits of this transition are listed below

- Transformed leaner process using flow chemistry principles, i.e. isolations at all intermittent steps are eliminated, and has enabled us to explore the design space.

- Significant reduction in reaction time from hours to minutes for all chemical conversions
- Number of organic solvents is reduced and overall solvent consumption/kg. of API is reduced by ~50%.
- Overall cycle time of manufacturing API is reduced from days to a few hours.
- Reduction in manual intervention and overhead costs

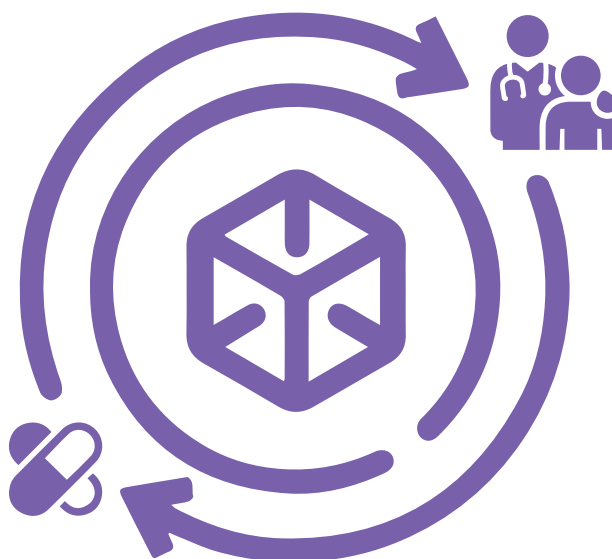
Enhancing the reaction control and inherent safety

API manufacturing Unit-2 - For one of our products, a highly exothermic and hazardous reaction involving use of n-Butyllithium has been designed and optimised in flow using Vapourtec flow reactor in the lab. The rig, which is designed for scale up to plant, is installed in our API manufacturing SEZ unit and a few trials have been taken to establish the flow process at plant scale. This has enabled us to have better control on the reaction and integrate safety by changing it from batch to flow.

Packaging

Purple Pack – Intelligent packaging for effective treatment

As a pharmaceutical company, the best way we can make a major impact in the treatment process is by making effective medicines and presenting it to the patients in a 'smart' and 'intelligent' way/packaging. It is crucial for a patient to take the right dose at the right hour. With our Purple Pack program, we strive to design customer-centric packaging that helps improve compliance with treatment and convenience for the customer. We improve the patient's experience by identifying and solving apparently minor issues that hindered the adherence to, or efficacy of, treatment.





Steps taken:

- Communication intensity enhanced in clinic while we initiated the work on pharmacist and patient education
- Initial marketing efforts were designed to get higher brand recall and Rx share from the doctors through Professional Service Representatives (PSRs)-driven in-clinic communications
- Marketing teams across brands designed catchy communications and activities to ensure high noise levels in the doctor's clinic through PSRs.
- Central team ensured harmonization and consistency in messages across the various brand teams.



Outcomes:

- With strong cross-functional support, we have achieved substantial scale with Purple Packs.
- 23 brands; 60% of blister sales and 10% of bottle sales are in Purple Packs.
- Operational challenges resolved ensuring consistency of supplies and reduced productivity losses.
- For Purple Pack related activations, PSRs showed a strong spontaneous uptake and were also able to get good attention from the doctors. ~80% PSRs believed Purple Packs helped increase in-clinic discussion time.
- Purple packs have improved doctors' perception of Dr. Reddy's as a patient-friendly company
- Purple Packs have led to improvement in performance for more than 70% of the enabled brands



Future Steps:

- We will pilot the pharmacist-driven approach to increase Purple Pack awareness among patients.

Achievements:

23
Brands



60%
of blister sales in
Purple Packs



A large majority of launches (60% of total) are in the chronic portfolio and executed in H2 FY17 and FY18.



10%
of bottle sales in
Purple Packs

Upstream

Within the Fence





Packaging innovation projects

- **Optimization of tertiary pack configuration for the US market by improving the functionality of inner case pack and eliminating the outer case pack**

▶ Before	▶ After	▶ Benefits
Bottles/blisters were packed into the inner case pack and a few such inner packs were further packed into the outer case pack	Now bottles/blisters are packed directly into the inner case pack eliminating the outer case packs	Reduction in Kraft paper usage, which helps in reduction in equivalent emissions from paper manufacturing

- **Replacement of plastic high-density polyethylene (HDPE) drums by biodegradable paper fiber board drums for packing of Omeprazole MG Caps 20.6mg bulk pack, for the US market**

▶ Before	▶ After	▶ Benefits
Foil pouches were packed into plastic HDPE drums	Foil pouches are packed into paper fiber board drums	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <div style="border: 2px solid white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <div style="font-size: 24px; font-weight: bold; color: white;">70</div> <div style="font-size: 10px; color: white; margin-top: 2px;">MT</div> </div> <p>Reduction of plastic consumption per annum</p> </div> <div style="text-align: center;"> <div style="border: 2px solid white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <div style="font-size: 24px; font-weight: bold; color: white;">36</div> <div style="font-size: 10px; color: white; margin-top: 2px;">Containers /annum</div> </div> <p>Container usage for sea transport reduced.</p> </div> </div>

- **Digitization of medication guide (elimination of physical copy of the guide)**

▶ Before	▶ After	▶ Benefits
Physical copy of required medication guides were supplied along with the consignment	Physical copies of medication guide are eliminated and now converted into electronic med guides	Reduction in Kraft paper usage, which helps in reduction in equivalent emissions from paper manufacturing

- **Reduction in plastic usage (by replacing 2 piece closure with single piece closure for South Africa (SA) market)**

▶ Before	▶ After	▶ Benefits
2 piece closures were used for SA bottle pack products	Single piece closures are used	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <div style="border: 2px solid white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <div style="font-size: 24px; font-weight: bold; color: white;">7.7</div> <div style="font-size: 10px; color: white; margin-top: 2px;">MT</div> </div> <p>Approximate reduction in plastic usage annually and environmental benefits by reducing plastic waste and a smaller carbon footprint.</p> </div> </div>

Plastic Neutrality

Packaging plays a critical role in preserving products, informing consumers and thereby ensuring the safety and efficacy of a vast range of products. Our research revealed that cement kilns provide the most viable way of processing flexible packaging waste. The packaging waste burns cleanly and efficiently in cement kilns given the very high temperature and excess of oxygen. Cement kilns are present across large parts of India and the capital assets required are already in place. This makes the route the cheapest way of dealing with the problem. We have facilitated processing of 20 tons (four truckloads) of flexible packaging in Hyderabad by diverting it to cement kilns. Having proven that the concept works, we now want to extend this model to the entirety of our flexible waste footprint in India, which is over 1000 tons per year.

We aspire to become India's first 'flexibles-neutral' company. We will leverage our position in the industry to get other companies to adopt this model. We will engage the government and industry associations in supporting this cause. We have established and institutionalized the Sustainability Packaging Council and one of the critical priorities of the council is to bring in critical innovations in the ongoing primary, secondary and tertiary packaging processes. We will be looking out for packaging solutions that are emerging in the global and national contexts.

Future initiatives

- Establish a dedicated taskforce comprising leading experts from the packaging, supply chain, research and innovation units of Dr. Reddy's to identify innovative solutions and collaborate with organizations working in the realm of sustainable packaging

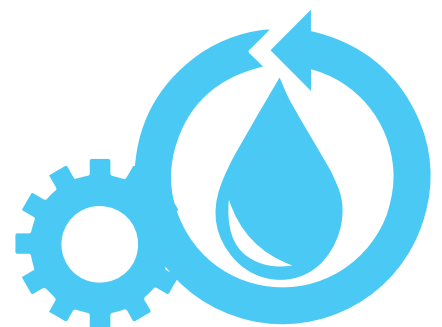
- Explore waste to value projects (such as construction of roads from plastic waste, and plastic waste to fuel and energy)
- Explore solutions pertaining to double layer sustainable packaging bottles, in secondary packaging
- Exploring Forest Stewardship Council (FSC) certification for our cartons, in tertiary packaging

Environment compliance

Further, in this reporting year, we did not have any major environmental non-compliances and violations and were not subject to any financial penalties. Only Formulation Unit-6 received a clarification letter asking for consent copy & address for Bio Medical Waste authorization purposes and this was successfully resolved. Only one notice received from Central Pollution Control Board (CPCB) is pending as on end of FY2019.



Dr. Reddy's won the "Sustainable Organization of the Year 2019 – Pharma Sector" award at the India Sustainability Summit and Awards 2019.





Human Capital

Empowering our people

In order to create a great workplace, we understand the need to keep in step with

employee expectations, societal changes, career responsibilities and technological developments. We have instilled a sense of belonging and ownership in our employees over the years, which has been one of the key factors to drive and sustain growth.

Our Assets-Our Employees

▶ 21,966
employees world wide

▶ 4.4%
of permanent employees are
members of a recognized
employee association



Human Capital Investment Cycle



Employee Engagement media

- Surveys and disclosure and analysis of results thereof
- Performance appraisals – as a continuous improvement system to refine the talent
- Open house with senior management
- Department level weekly and monthly meets
- Newsletters, such as Elixir

We believe that, like other long-term assets, investing in human capital adds to a company's intrinsic value and, in fact, the return of investment for human capital is exponential.

The employees and their skills are an obvious and a major factor that contributes towards the financial growth of a company. We believe that trained and satisfied employees mean higher productivity, which

further leads to greater efficiency in our operations. It is a well-accepted 'fact' that an increase in efficiency leads to higher profits. Apart from this obvious benefit of investing in human capital, some additional advantages include, improved retention rate, lower absenteeism and better customer engagement among others. We are able to recruit some of the best talent because of our employee centric internal policies.



Our Strategy & Approach

- Equal employment opportunity, diversity & inclusion, prevention of discrimination and sexual harassment, encouraging collaboration and team work, freedom for association and collective bargaining amongst others
- Employee centric policies and benefits
- **Cadre Building**- strong pipeline of internally groomed talent capable of taking on more complex roles
- **Training and capability building**- To ensure every role holder has (knowledge) and displays (application) desired levels of competence. Integrate accelerated learning approaches in our learning initiatives
- Enable a culture of high performance and growth through: cost leadership, deep excellence, rigor & discipline in execution, and speed & agility in decision making
- **Manpower productivity & efficiency** (higher individual productivity & lower costs)



Future Outlook

- Committed to a net increase of 10% in the number of differently abled people across Dr. Reddy's & strengthening our efforts towards inclusion & enabling infrastructure build capability in functional areas of Business Development, Marketing and Digital
- 2 manufacturing lines (Baddi plant) have been identified to be managed entirely by women. One line is expected to be formally launched by Jan 2020. **This is one of a kind initiative in the Pharma industry.**
- Increase women in sales. 50 women returning from career breaks were given part time contract roles as Special Hospital Executives (SHEs). We plan to expand this opportunity.
- 27 women across BUs to be groomed to take up senior roles through a 9 month leadership program



Key Initiatives

- Employee development programs at various levels (leadership, managerial and executives)
- Employee engagement surveys & diversity and inclusion initiatives
- Rewards and recognitions on various performance aspects
- PURL (Personalized URL)- dedicated webpage to celebrate employee's success & well done initiative

Key Highlights



<= 10%- Regrettable attrition of entry level hires in 2nd year



Gender Equality- Recognised on external forums like Bloomberg Gender Equality Index 2018 and Avtar-2018 100 Best Companies for Women in India



86,027 man days- Total training man days in 2019 (Safety, GMP, technical capability building and behavioral training)



149 members- Successfully completed New Horizons Management Program (NHMP)



40 members- Successfully completed New Horizons Leadership Program (NHLP)

Risks and Opportunities associated with Human Capital

All business enterprises encounter risks and opportunities, but the way they mitigate the risks and encash the opportunities is what determines their excellence. There are several risks and opportunities associated with Human Capital. Some of these are:

Dissatisfaction and attrition



If employees are not satisfied with the remuneration, work environment, or potential for career advancement, there is a high risk of losing them to competition. With our proficient performance appraisal systems and constructive on-the-job training programs, we ensure that our employees are content and inspired to perform better.

Risks

Opportunities

Accelerate growth

By continuously investing in human capital through training and career development programs, we can enhance our brand image and reputation thus attracting more talented and efficient employees and contributing to business growth and incremental value creation.



War for Talent



There is limited availability of high calibre, future ready talent in the pharma industry.

Risks

Opportunities

Built to Last

Continuously refreshing our talent pool, skills & management systems in line with the organization's strategy, while retaining our core brand ethos.

We take efforts to build cadre & capability within the organization, for example YLP (Young Leaders Program).

Cost leadership is an important area of focus. We are moving towards higher individual productivity and lower costs as compared to industry benchmarks. This includes looking for more efficient ways of working, simplification and using innovation to drive productivity



Rapid technological change



Technology has advanced by a great extent over the past few years. The speed at which it is advancing can be both a boon and a bane. A certain degree of risk is always involved when retaining the existing talent or hiring new talent – of whether the employee will be able to adapt to the dynamic technological environment or not. If not, it could lead to excess costs for the company.

Risks

Opportunities

Upskilling of existing talent pool

We make it our priority to invest in the brightest of minds in this age of technological revolution. With our upskilling initiatives and comprehensive training needs analysis, we identify the changing training needs and enroll our employees for upskilling programs.



Attracting, Engaging & Retaining Talent

Our human resources structure is primarily divided into the following three groups

 <p>Business Partners</p> <p>HR teams that front end & work with businesses to align people strategy with business objectives, including teams across various geographies</p>	 <p>Centres of Excellence</p> <p>Teams that design policies, systems & processes that drive org-wide people strategy. We have the following CoEs (Rewards & Performance, Organization Development & Change, Learning & Development, Talent Management, Talent Acquisition & HR-IT)</p>	 <p>Shared Services</p> <p>The backbone of all HR processes, this team primarily handles the operational/ transactional HR work like Payroll, Leave Management, and such.</p>
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Employee policies

We design our policies to provide our employees pleasant and productive work experiences with us. They are need based and have a strong linkage to the employee roles.

Employees with the right skills can be rewarded with promotion to higher roles immediately, rather than waiting for the annual cycle.

1- Fair remuneration:

- “Role” forms the cornerstone for market benchmarking. While we maintain an overall median positioning, for critical roles or niche skills, the positioning would be higher. Within the defined salary ranges, high performing employees would be positioned higher.
- In addition to well positioned base salaries, our short & long term incentives provide significantly higher earning potential relative to performance.

3- Retention policies:

- We offer a unique employee value proposition including culture, values, early development exposures and growth opportunities which go far beyond compensation.
- Role rotations are encouraged to enable employees to diversify their skills. Skill or milestone linked retention bonuses for critical skill / role / function are deployed on a need basis.

2- Compensation & Benefits (C&B) processes:

- Compensation & Benefits is a part of an integrated talent management strategy to attract, motivate, and retain talent. We place employee “role” and “performance” at the core of all C&B processes. The C&B at all roles and levels are periodically reviewed to ensure that the company remains competitive and is able to attract and retain desirable talent. Further details on short term and long term employee benefits, employee stock option schemes (ESOS) and employee benefit expenses are covered in our Annual Report (Page 84, 97, 113 and 126)
- Processes are designed to encourage and reward employees for consistently displaying right behavior that leads to organization success. For example, continuous skill enhancement is a desired behavior.
- To encourage employees to embrace new skills or deepen existing skills, the promotions process is

4- Rewards & recognition:

- We believe that employees are key players in the success and achievements of Dr. Reddy's.
- We recognize and appreciate our employees and reward them on various internal platforms. We give out Dr. Anji Reddy Excellence Awards to individual employees, leaders and teams.

Complaints & grievance management:

- We track complaints under three categories 1- Child labor/Forced labor/Involuntary labor, 2- Sexual harassment and 3- Discriminatory employment. Details on the complaints received during this reporting year are provided in our Annual Report (page 29)³.

³The increased awareness on sexual harassment through trainings and other initiatives has led to increased reporting of such cases. This is an indication that the process is being trusted by our women employees.

Learning and Development

With numerous pharmaceutical companies producing similar product lines, the key differentiating factor is our workforce. To keep our employees in line with fluid markets and make our organization more globally aligned and agile, we strive to train our employees in a well-rounded manner.

In today's dynamic technological and economic business environment, knowledge upgradation and exposure to the latest trends is valued equally, if not more, than remuneration benefits. Our training programs are designed to deliver the right skills and address the challenges of an evolving external environment.

In FY19, we embarked on an organizational transformation journey taking up several new initiatives directed towards excellence and growth. This involved bringing in best in class talent in key roles, defining cross-functional processes and building the right culture for the growth ahead. In addition, we have shifted the focus of our employee learning & development strategy to becoming future ready with an objective to enable business objectives.

Key highlights of our employee development programs

Our Learning & Development team works closely with the businesses as their internal consultants to get the true flavor of the problems they face and the interventions they seek which can be in various forms, including behavioral shifts, discovering potential, mindset change, making the organization future ready, deep excellence, etc.

- Employee development programs are created in close consultation with our business leaders to solve specific business problems, for e.g. achieving all time audit readiness, improving quality & safety, and using digital to drive business efficiency.
- Use of the 6D approach (Define business outcome, Design the complete experience, Deliver for application, Drive transfer of learning, Deploy performance support & Document for effectiveness) in the program design stage to ensure maximum impact in both behavioral shift as well as business impact.
- Equipped with special training tools and methodologies and delivered by SMEs (subject matter experts)
- Inbuilt design for application of learning in business projects for e.g. Breakthrough Projects (BTPs) in NHLP, Individual Learning Agreement (ILA) for NHMP, and Outcome Linked Projects (OLP) for SuCCEED. These projects have tangible and measurable business impact targets which are tracked as part of learning journeys and reviewed. Return on investment (ROI) is calculated through behavioral shifts made as well as business impact created.
- Aid to become future ready and promote a culture of self-development where employees own their learning and growth.

The training programs cover wide levels of employees and are designed meticulously to factor-in feedback from various channels. Our feedback channels measure the effectiveness of training programs in the following ways-

- Through feedback from trainees, we measure the L1 of training evaluation.
- In each program through an assessment we evaluate the learning of trainees (L2 of training evaluation)
- The changes in behavior of participants at the workplace post training is observed and measured by line managers in dashboards. (L3 of training evaluation)

Young Leaders Program (YLP)-

We have completed one year of the Young Leaders Program which has already started creating an impact. Young leaders comprising campus hires from the top business schools and engineering colleges of the country, graduate after undergoing stints in different business units across the value chain. They work on impactful projects while being closely mentored by our senior management so as to give them cross functional experience across the company that will help them develop into general managers in the future.

Manager development programs-

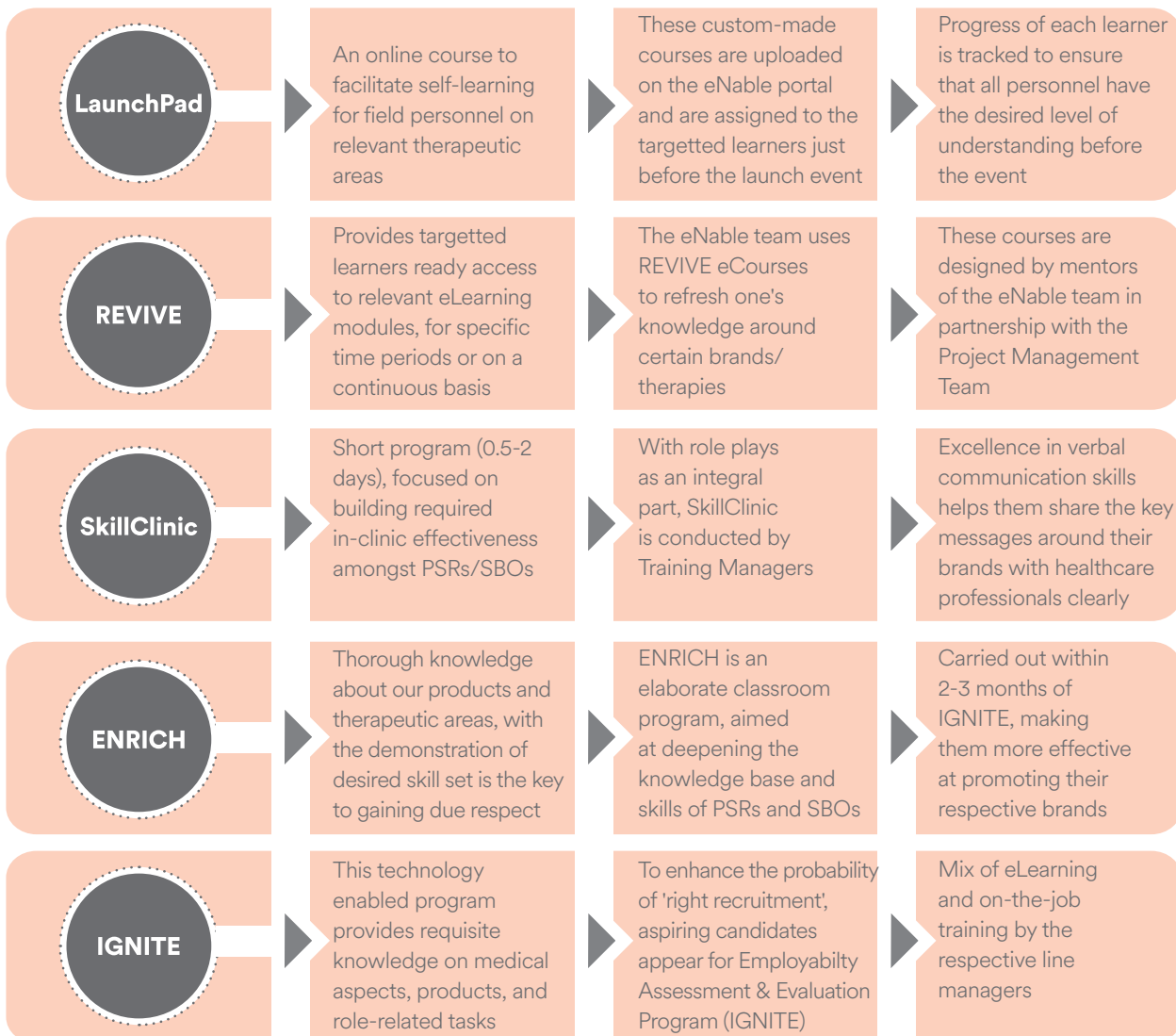
We have taken several initiatives to train our managers as well, as we believe that a good leader inspires greatness in all others. With the Breakthrough Projects (BTP) they undertake, we have gained substantial direct and indirect savings. Apart from this, there have been significant improvements in the areas of quality, manufacturing, research, productivity and robust processes, ultimately helping us build capabilities in core functional areas.

eNabling You!

The eNable team has been created specifically to manage the changes taking place in the healthcare sector. The team constantly deploys varied methodologies and initiatives such as classroom training, eLearning, distance learning and coaching on-the-job through joint field work.

We have the following training programs:

Regional Managers	Think Tank, Field Assist, Coach Camp, Catalyst and eCatalyst
Area Managers	Conclave, Coach Camp, Light house and eLight house
Scientific Business Officers (SBO)/ Professional Service Representatives (PSR)	Launchpad, REVIVE, Skill Clinic, ENRICH, IGNITE



New Horizons Management Program (NHMP)

NHMP is our flagship managerial development program that aims to create a consistent 'One Dr. Reddy's approach' to equipping middle management across the organization with the right skills. It focuses on instilling the mind-set and the skillset required to be a successful manager, enhancing personal effectiveness, and strengthening the ability to drive business impact and change. Topics such as ROAD (Responsibility, Ownership, Accountability and Determination) for Performing, How Managers become Leaders, etc. are covered under the program. In FY19, 149 employees went through NHMP, resulting in cost efficiency and cycle time reduction leading to speedy delivery, execution of better processes through increased collaboration amongst cross-functional teams (CFTs), timely submission of dossiers and cost savings.



New Horizons Leadership Program (NHLP)

New Horizons Leadership Program (NHLP), our flagship leadership development program, takes senior leaders across the organization on a personal transformation journey that helps them operate from their full leadership potential and thereby create significant business impact. Around 40 employees were part of NHLP in FY19.

The developmental agenda in NHLP has 2 closely interlinked levers: 1- Focus on personal shifts that a participant wishes to make in order to be an effective leader of business. These shifts are a combination of being (mindset) and doing (skills) and also include reflections, actions and practices. 2- Breakthrough projects (BTP) that provide the ground on which the impact of one's personal transformation is tested.



Digital transformation

Digital transformation is the current trend in innovation. Recognising its significance, a group of our senior leaders met at the Digital and Analytics Day with the theme- “ExpoTENTial – 10X growth through Digital”. The conference featured eminent guest speakers to showcase the technologies that can drive change and growth by ten times, helping us to drive our digital journey.

In addition, XCEED- enhancing engagement with customers and prospects, is a program that highlights how Dr. Reddy's is moving in the right direction using digital transformation as its apparatus. XCEED is a customer service platform and was launched in April 2018. It is one of our steps towards improving the customer experience and satisfaction. With XCEED, customers can now manage various operations

with ease, including ordering samples, submitting them, and tracking orders, amongst others, thus enhancing their overall experience and providing them with proper convenience.

- **Create appetite for 10X thinking**

- **Pick the biggest pain or highest value problem**

- **Design for long term multiplier impacts**

- **No constraints imagination**

- **Execute iteratively and celebrate failures**

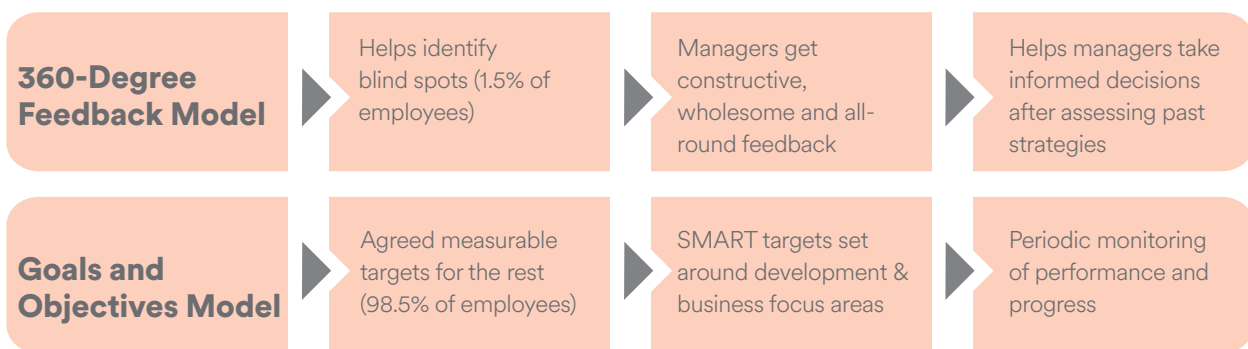
Achieving Performance Excellence

Our dynamic environment requires our employees to be adaptable, result-driven, self-motivated, decisive and responsive team players. All employees are provided with equal opportunities for development, advancement and promotion on merit and without prejudice.

The parameter for performance management is both backward and forward looking as it helps managers see who has had a positive trajectory and take intelligent decisions accordingly. All our employees are evaluated through the annual performance reviews.

Strengthening our Performance Management Process-

In line with creating a high performance culture, we revamped our performance management process. For senior leaders in the organization, the new system expands the scope of evaluation to include assessment of necessary leadership behaviors based on 360 degree feedback. It promotes higher transparency and ownership of shared outcomes. Our multidimensional performance appraisal systems are designed to ensure that employee aspirations are weaved in with appropriate company targets to ensure a greater employee engagement.



Diversity and Inclusion (D&I)

Diversity and Inclusion are a driving force for new perspectives and breakthrough ideas.

Our diverse talent may have diverse backgrounds with different nationalities, castes, creeds, religions, genders, and age among others. However, all these differences are embraced across our operations through various countries. Along with respecting the diversity of our employees, we

work actively to create an environment wherein all these teams work homogeneously- with a sense of inclusion- towards a common goal of organizational success.

We believe that diversity and inclusion are the source of competitiveness for the organization. With that in mind, we have undertaken several projects to promote inclusion and diversity.

Diversity & Inclusion Initiatives

Outreach to a selection of our employees with special abilities from across Business Units led to the propagation of inspiring stories about the difficulties faced and overcome. This helped sensitize the organization to the needs and struggles of our specially-abled colleagues.

- In terms of PwD (person with disability)-friendliness, all but two of the administrative offices in our facilities are disabled-friendly, with access ramps and separately designated washrooms.
- Business Units have begun identifying roles to which persons with certain disabilities can be hired and we have partnered with organizations like Jobability.com to find suitable PwD profiles for these roles.

Talent Development Board for women- A 9-month leadership development program for high-potential mid-management women through a blend of premier classroom training, mentorship, case studies and field visits.

Leading from Within- The Diversity Council organized a series of workshops to mark International Women's Day that focused on key principles for succeeding as a leader: success thinking, fostering grit and achieving breakthroughs.

GLOWRIA-

We have set up GLOWRIA, the all-women team of medical representatives in the cosmetic and aesthetic division.

GLOWRIA serves as a platform for women employees at Dr. Reddy's to work homogeneously and to strengthen our footprint in cosmetology.



Bloomberg GEI

We are proud of our inclusion in the Bloomberg Gender-Equality Index for the second time in a row.



Occupational Health and Safety (OHS)

Our objective is that our products are safe and do not present health risks to our customers, our employees, the community, and the environment. Our philosophy is prevention, zero work related safety incidents and zero illness. We have corporate standards, procedures for occupational health and a safety governance system in place to monitor them.

Throughout the year, we have been working on improving various aspects of process safety, electrical safety, industrial hygiene and driver safety.





Our Strategy & Approach

- 315 dedicated and competent SHE resources to manage environmental and safety aspects
- Corporate safety standards, procedures covering specific topics, auditing guidance & protocols
- Internal and external OHS audits



Key Initiatives

- My Safety Index (MSI), My Health Index (MHI)
- Driver management centre (DMC)
- Capacity building on process hazard analysis (PHA)
- Electrical safety trainings
- External trainings on crucial OHS topics



Future Outlook

- Roll out of Industrial Hygiene program, Master Train the Trainer initiative
- MSI & MHI Roll out and monitoring progress through established set of indicators
- Infrastructure strengthening for health and safety – this includes fire prevention and protection

During this reporting year, we had two unfortunate safety accidents (fatalities) at our Formulation Unit-2 and API manufacturing Unit-1. For a deeper understanding of the risks associated with the work activities where these accidents occurred, we carried out a thorough investigation to identify the systemic deficiencies. We have engaged industry experts to carry out a comprehensive SHE audit at all our manufacturing sites to ascertain our strengths and weaknesses and evaluate our safety management systems against national/international standards. The audit covered evaluation of our safety management system, safety in operation and maintenance, electrical installations, campus road safety assessment, fire prevention and protection and hazardous material handling, and emergency management. We are now implementing the audit recommendations across our manufacturing sites.

We are also implementing select OHS initiatives that will take us one step further in strengthening the occupational health and safety culture.

- Establishing a robust Industrial Hygiene Program for measurements of exposures at the workplace through qualitative & quantitative work exposure assessment.
- Launching and rolling out a proactive health & wellness initiative to reduce the risk of lifestyle diseases called “My Health Index”; similarly “My Safety Index” to reduce the safety risk.

Industrial Hygiene Program- The objective of the Industrial Hygiene program involves anticipation and recognition of health hazards arising out of work operations and processes, evaluation and measurement of the magnitude of the hazards – based on past experience or study, and control of hazards. This shall result in reducing

the exposure of chemical or any other hazard to an acceptable level, so as to prevent any occupational illness and/or disease.

Program Elements

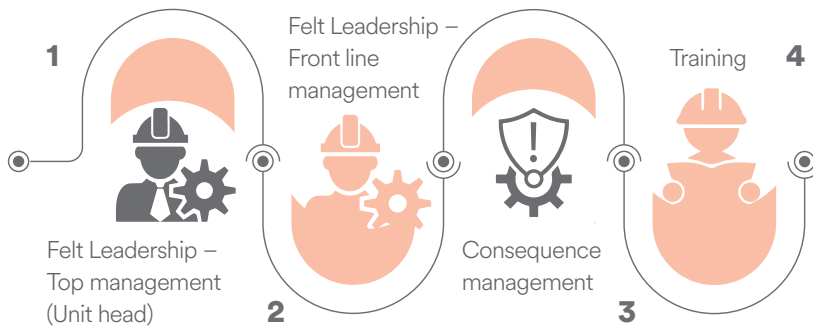
- Identification & capability development of resources across all units on industrial hygiene
- Qualitative Risk Assessments
- Quantitative Exposure Assessments
- Tracking of the closure of the recommendation
- Integration of the Industrial Hygiene Program with the Occupational Health Management Program

The implementation of the Industrial Hygiene Program has been initiated at the R&D facility, CPS, Formulation Unit-3 and API manufacturing Unit-6. After successful completion it shall be implemented across all sites.

My Safety Index (MSI) program

MSI is a single score card, strategized for FY19-20 safety performance monitoring, which will have 10 parameters, each having a maximum weightage score of 10, accounting for 100% at the end (overall score card). Cultural elements for safety are driven by the Unit head and Unit leadership team. Management System elements will be driven by a cross-functional team and the safety head of the locations. The management system parameters keep changing over time but cultural parameters will remain same throughout.

Cultural elements of MSI



Management system elements of MSI



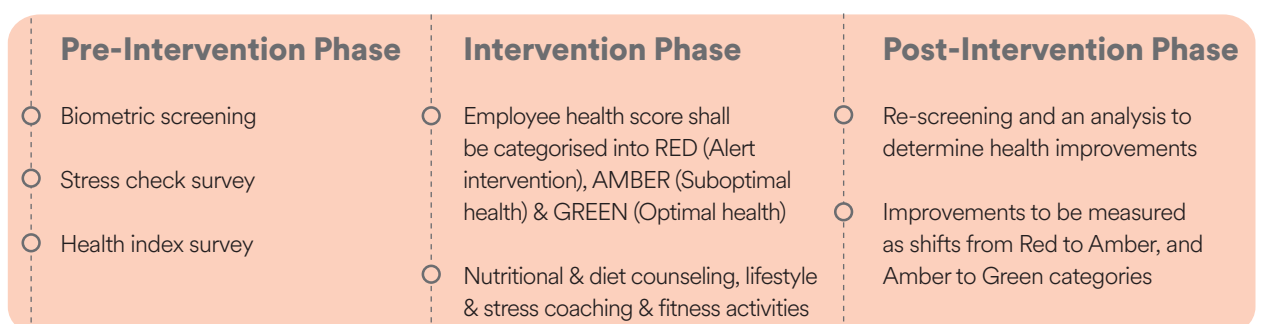
MSI Governance- A robust four tier governance mechanism shall be established to ensure the assessment is done impartially and correctly. MSI will be integrated into the goals of all line managers of sites irrespective of the functions, so that safety is driven by every function and all functions work together to achieve the site MSI goals.

The progressive MSI target for the year FY 2020 is as follows:

Regional Managers	Q2	Q2	Q3	Q4
MSI Score (Max 100)	60	70	80	90

My Health Index (MHI) Program

For long-term business continuity and management, ensuring the health and wellness of employees is crucial. MHI is a flagship program built to consult, access, recommend, and improve the physical, mental, and emotional health of our employees. This program is executed in 3 phases- Pre-intervention, Intervention, and Post-intervention.



Capability building on process hazard analysis (PHA)

Capability building on PHA takes a rigorous and systematic approach to identify, evaluate, and control the hazards in individual processes. PHA is one of the most important elements of the process safety management program and we have developed an elaborate model to select and train a few leaders as master trainers. They will be trained by external experts (on process safety management) and, in turn, will be tasked to train the larger teams throughout the calendar year.

This program is built meticulously to ensure quality, and effective hazard analysis is done for every stage of all the processes. This system is expected to develop a safety culture in employees and make our processes hazard safe.

Driver Management Centre (DMC)

We have planned to establish a dedicated setup called Driver Management Centre (DMC) at our Bachupally Campus, Hyderabad, manned by trained counsellors to monitor and train/influence the driver, vehicle and journey.

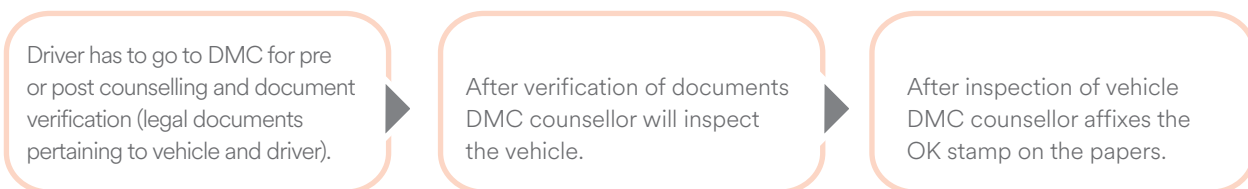
The primary objective is to

- To establish in-house inspection of vehicles
- Promote safe vehicular operations and ensure good vehicle condition
- Impart defensive driver methods to all the drivers and operators in order to influence driver behavior
- To have incident free, on time deliveries of all material and vehicular movement.

Classroom training on defensive driving will be imparted by road safety experts to the drivers. This training will involve comprehensive defensive driving skills, accident prevention techniques, traffic rules, signs, signals, driving in adverse conditions, loading-unloading, behavioral aspects, over speeding, alcohol effects etc.

Through DMC, we will bring about behavioral change in drivers associated directly (Employee Transport Vehicle) or indirectly (Transporter's Vehicles) with Dr. Reddy's by involving them in counselling, tool box talks, meetings, and reward and recognition.

Process flow of Driver Management Centre



Two wheeler and four-wheeler Master Train the Trainer

With increasing road accidents in the country and many employees in our GG India business using 2-wheelers and 4-wheelers, we plan to ensure their safety on the roads through regular and comprehensive trainings by internal Master Trainers, trained under this Train the Trainer program.

Training methodology

- Animations/ Videos and Presentations followed by practical demo by the training agency to train the Master Trainers.
- Resource kit is provided to Master Trainers for imparting trainings to co-employees.
- Master Trainers are evaluated and graded for

efficiency at the end of the 3-day session.

- Feedback system (on a scale of 1 to 5) from users to Master Trainers for improvement.

Way Forward:- Pool of 350 Master Trainers, who will further train all our employees pan India.

Electrical capability building program

The objective is to achieve electrical safety compliance across all sites and to establish better electrical safety systems at the workplace in terms of capability building and infrastructure development.

The program will be conducted for all electrical managers/ engineers in scheduled batches by third party expert teams.

- Post the training, evaluation/examination and certification process will be carried out to determine the ratings (Bronze, Silver and Gold)
- Post certification expectations and activities to be carried out on the shop floor are shared with the electrical managers.
- Quarterly internal validation and monthly external validation for effectiveness, on the basis of external evaluation, and recertification will be carried out.
- At the end of fourth quarter, the manager will be certified and issued with license to operate on electrical systems and the officers not meeting criteria will not be allowed to operate on electrical systems.

Highlights

- 412 electrical managers and electricians trained across Dr. Reddy's sites.
- Site gap assessment action plan compliance is being reviewed on a monthly basis with the electrical experts team.
- Certificates (Gold, Silver, Bronze) will be awarded to electricians and electrical managers upon completion of actions by March 2020.

Other Initiatives:

- Health awareness sessions were conducted internally and in hospitals to cover 650+ beneficiaries on diverse issues like stress management, eye disorders management, and awareness sessions on kidneys, digestive system and sinusitis. Specialists, including nephrologists, gynecologists, gastroenterologists, ophthalmologists and psychiatrists, conducted the sessions.
- A blood donation camp was organized on a large scale, with excellent participation
- An awareness session on hygiene and nutrition was conducted specifically for women employees
- HIV AIDS awareness sessions are conducted for the contractor employees on a regular basis
- Internal refresher training on First Aid is conducted at regular intervals



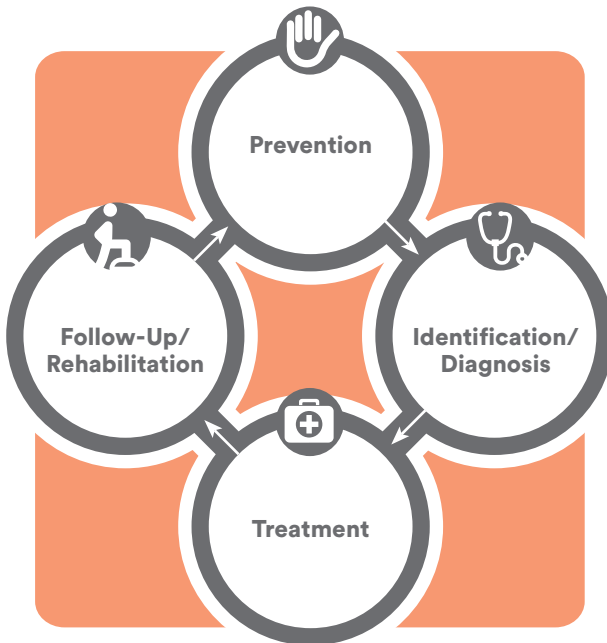
Social and Relationship Capital

Right medicines & management -
the key to helping our patients

Patients are at the center of everything we do and we believe that developing a healthy relationship with our patient base is one of the most significant components of our social and relationship capital. Our responsibility does not end with diagnosis and treatment, and we invest our efforts in the overall patient management life cycle. Pairing our customer-centric approach with our technical expertise, we devise solutions that cater to the present and future needs of our patients.

Lifecycle of Patient Management

Evolving patient needs



Key Highlights



Beneficiaries of our patient management programs

LIV Positive (1743), SPARSH (2000), Jagruti- (148 new patients enrolment).



8 Flagship Medical Education programs with high Net Promoter Scores (NPS)



17 divisions of Global Generics India participated by voluntarily involving 741 subject matter experts as speakers from multiple therapies across 117 towns of India.



Prevention

We believe that prevention is the first step to wellness and good health. We regularly conduct programs to spread awareness on prevention of diseases and disorders.

Health Talk

We brought in several distinguished medical experts and doctors to share knowledge on lifestyle diseases including, but not limited to, diabetes, musculo-skeletal disorders, eye diseases, thyroid disorders and the like, and the precautionary steps one can take to avoid them.

World Obesity Day

With obesity being one of the most prevalent disorders amongst the youth today, we held a campaign to educate people on how to prevent it.

Indian Bone Academy

Dr. Reddy's Indian Bone Academy – we invite medical practitioners and specialists to deliver interactive sessions on Bone Health. Through this platform, we strive to encourage clinicians to bridge the knowledge-gap on osteoporosis management.



E-Stroke Academy- Sharing insights on stroke management with physicians and neurologists

The e-Stroke Academy is a joint academic initiative of Dr. Reddy's and Association of Physicians of India (API). It is aimed at building a sustainable relationship and upgrading the knowledge of consulting physicians in stroke management. The program was conducted in three different modules and each module was discussed by eminent neurologists and reviewed by an elite group of panelists from different parts of India. This was also facilitated by our field colleagues through regular visits and follow ups.

Women's Health- At all stages

In healthcare, it is important to understand that women have unique needs and that they differ from those of men. Recently, our team in the United States launched a new corporate ad campaign to promote women's health in all ages and aspects of life.

Our flagship medical education programs

All our flagship medical education programs are developed with an objective of achieving scientific leadership in the respective disease and therapy area. They are based on the unique principles of "Bench (Clinical Studies in controlled environment) to Bedside (Real world experience through experience sharing or case studies) and have best of the faculty from India and overseas on the particular topics.

The agenda is designed in a way that the Health Care Practitioners (HCPs) will be able to gain more practical knowledge so as to improve patient outcomes. These programs are being recognized as Dr. Reddy's flagship programs and have garnered appreciation as well as acknowledgement for following a holistic disease management approach. They help in building our image among HCPs as their scientific partner of choice in optimizing patient care to improve outcomes.



Flagship Program	Focus Area	Objectives	Key Highlights
Axis Conclave	Platform for physicians/ endocrinologists/ diabetologists on scientific sessions focusing on diabetes, hypertension, obesity, hyperlipidemia and other common cardio-metabolic disorders	Understanding the newer aspects and clinical cases in the related field for improving management of patients with diabetes and/or cardiology diseases through a common platform	<ul style="list-style-type: none"> ● Comprises didactic lectures & case based discussions ● Unique format and an accredited, engaging knowledge exchange platform amalgamating “bench to bedside” through key note lectures, plenary session, panel discussion & quizzes ● Attended by 350 practicing physicians/ endocrinologists/diabetologists with top 14 thought leaders as faculty including 2 international faculties ● Highly appreciated by participants, the program recorded Net Promoter Score (NPS) of 75.4%
E-Hypertension academy	Brand agnostic educational platform in the field of hypertension, conducted in collaboration with Association of Physicians of India, and running for more than 5 years	Help physicians improve diagnosis and understand latest updates in hypertension management to develop a pragmatic approach in managing the patient to improve treatment outcomes	<ul style="list-style-type: none"> ● Physicians learn the importance of 24 hour blood pressure control, understand various diagnostic aspects like ABPM and HBPM* and prescribe drugs which are long acting, evidence based and control various aspects of 24 hour blood pressure ● 30,000 general practitioners updated on hypertension management over a period of >5 years ● Online examination to test the knowledge of physicians on the modules ● Collaboration with largest physician (API – Association of Physicians of India) society in the country ● NPS has been consistently 40% and above over the years <p>*Ambulating Blood Pressure Monitoring and Home Blood Pressure Monitoring</p>
INSIGHTS	Interventional cardiology aimed at training interventional cardiologists on cardiovascular disorders	Aims to bring interventional cardiologists across geographies together to further enhance and share their knowledge, experience and expertise	<ul style="list-style-type: none"> ● Conducted in collaboration with FACTs Foundation (Cardiology Foundation) and CRF –TCT (world’s largest and most important educational body specializing in interventional cardiovascular medicine). ● Program was conducted in Hyderabad with 280 interventional cardiologists participating and 18 thought leaders in the capacity of faculty including 2 international thought leaders ● Net Promoter Score (NPS) of 68%

Flagship Program	Focus Area	Objectives	Key Highlights
<p>Epilepsy conclave</p>	<p>Once a year academic platform for neurosciences and epilepsy related scientific sessions under the aegis of Indian Epilepsy Society (IES)</p>	<p>Discuss the recent advances and clinical management in epilepsy</p>	<ul style="list-style-type: none"> ● Establish the concept of personalized care in epilepsy by discussing specific challenges like management of epilepsy in a woman ● Involves comprehensive learning by involving adult, pediatric and surgical management in epilepsy ● 70 thought leaders as faculty and 230 trainee delegates attended the FY'19 epilepsy conclave held in Delhi ● It is a train the trainer program under the aegis of Indian Epilepsy Society the flagship epilepsy association of neurologists and epileptologists ● NPS score of Epilepsy Conclave was 57%
<p>CliniEX Standalone program of Dr. Reddy's</p>	<p>Looks at the journey of the patient involving diagnosis/ missed diagnosis and management/ mismanagement at a general/consultant physician level with an aim to discuss "What could have been done better in the face of uncertainties and comorbidities"</p>	<p>Discusses the patient journey in terms of diagnosis and treatment from the perspective of a general/consultant physician</p>	<ul style="list-style-type: none"> ● CliniEX is held at over 40+ locations involving 160+ faculty and 1000+ delegates ● Offers the scope to inform a larger audience about what due diligence is missing from their practice which can help patients reach experts earlier to avoid complications
<p>PRISM Standalone program of Dr. Reddy's</p>	<p>Unique and possibly the only multispecialty medical education activity engaging urologists, uro-oncologists and medical oncologists</p>	<p>Aimed at discussing latest and critical advances in prostate cancer, right from diagnosis till metastatic castration resistant prostate cancer (CRPC)</p>	<ul style="list-style-type: none"> ● National level meeting that engages, as faculty, the senior most thought leader urologists, uro-oncologists and medical oncologists from all over India. In addition, international speakers are also engaged to provide a wider perspective ● More and more clinicians are choosing Enzalutamide in elderly patients with cardiac comorbidities. Similarly in the subset of patients with pre-existing seizures/epileptiform disorders, clinicians are choosing Abiraterone. ● Clinicians have started to intervene early with newer agents in non metastatic CRPC (patients with biochemical relapse but no symptoms or radiographic progression). ● NPS score of 50 to 60%

Flagship Program	Focus Area	Objectives	Key Highlights
Indian Microbiota Forum (IMF)	To increase the awareness of the impact of microbiota on health & disease by providing medical education for physicians	Break the myths around probiotics and share updates in gut microbiota through renowned faculty from across the world	<ul style="list-style-type: none"> ● IMF international speaker programs were conducted twice in the year across 7 locations with around 20+ thought leaders as faculty including 2 international faculties and around 300+ trainee delegates ● Average net promoter score of > 50%
LEADD	Learning with Experts to Advance Diabetic Dyslipidemia (LEADD) Management is a flagship medical project conducted by the Dr. Reddy's India team in collaboration with Diabetes Care India and Chellaram Diabetes Institute	Understand the current practices of diabetes dyslipidemia management & the adoption of lipid guidelines through a cross-sectional study	<ul style="list-style-type: none"> ● Cross-sectional study conducted with data collected across around 200 centers and involving 4002 patients with diabetes ● Study revealed significant gaps, across the country, in the knowledge, practice and management of diabetic dyslipidemia, especially with reference to investigating patients, including risk stratification, treatment, and usage of statins in the right dose for patients ● The major finding in this study was that 'treat to goal' is not being practiced in alignment with American Diabetic Association (ADA) and American Association of Clinical Endocrinologists (AACE) guidelines ● Knowledge gap modules were created with the help of thought leader experts; two LEADD Summits were conducted in which around 100 faculties were trained; they further disseminated the knowledge to fellow physicians through LEADD Forums



Identification/Diagnosis

The next step in the patient management life cycle is diagnosis and it needs to be effective and efficient. We recognize this significance and have introduced the following initiatives:-

LIV Positive

We believe that the most effective way of achieving early and proper diagnosis is through educating the stakeholders about the diseases and thus, bridging the knowledge gap. The LIV Positive program aims to bridge this gap for Hepatitis B, also known as the silent disease. Due to the difficulty of recognizing its symptoms, many people are unable to diagnose themselves and this creates complications due to delayed treatment. With LIV Positive, we have taken a step toward disease management as it provides counselling services, health tips and economized medical assistance. In FY19, 1743 patients were benefited from this initiative.



Treatment

This is the most important step in the lifecycle of a patient. Even if the diagnosis is accurate, the ultimate treatment has to be spot on. For this, the medicines have to be efficacious, reasonably priced and, of course, available to all the buyers. Our aim, as an organization, has always been to provide our customer with products they can trust and afford.

Sparsh

This program aims to provide customers with the much-needed accessibility to the high cost cancer medicines. By distributing our medicines to physicians across India, we strive to remove the hurdle of accessibility from the lives of our patients, thereby making the treatment process more efficient. This is a fine example of delivering on our purpose of bringing expensive medicines within reach to address unmet patient needs. In FY19 around 2000 patients have been benefited by the Sparsh patient assistance program with Reditux.

MINTOP

MINTOP has faced patient negligence challenges often, when patients discontinue the treatment upon noticing slight hair growth. By partnering with dermatologists, Dr. Reddy's came up with a solution to help patients by educating and engaging them on the side effects of an alternative therapy or discontinuing with the therapy, and the importance of adherence to the treatment tenure.

Through this program, patients are provided with animated videos to ensure that they apply the product correctly, and diet and lifestyle information is also provided during the treatment cycle. Further consultation reminders and feedback calls at regular intervals of the treatment cycle are carried out to address any patient enquires.

InfuZe Program

Sponsored by Dr. Reddy's Laboratories in Canada, this helps the patients to enrol in infusion services by a proper consultation with the pharmacist. The pharmacist will provide Dr. Reddy's Zoledronic Acid Injection 5mg/ 100 ml to patients. Later the InfuZe representative will setup an infusion appointment and patients will be given no-charge infusion services.

Jagruti Patient Support Program

This program helps patients prescribed with Repatha Therapy by providing LDL* management counselling, nursing and nutritional counselling. In addition, Jagruti offers other benefits to patients including complementary lipid profiling, medicine reminders, administrative guide, customized diet counselling and exercise regime. Around 148 new patients have enrolled in Jagruti.

*Low density lipo-protein (LDL)

Follow-Up/Rehabilitation

In contrast to the popular opinion, the patient cycle doesn't really end at the treatment stage. The follow up activities and post-treatment services after the actual treatment are of great significance. We understand that we have a significant role to play in this step. It is critical that we analyze the information/ data we collect after treatment of a patient and take right steps.

E-connect with patients- Purple Health Challenge

We make it our priority to instill customer-centric values in the hearts and minds of our employees. The Purple Health Challenge does exactly that. This idea-thon involves teams

competing against each other to propose the most creative and innovative solutions that can make a real difference in the lives of the patients. The teams present their ideas to the jury that assesses them on grounds such as feasibility, size of target market, and the importance of fulfilling unmet needs. The winning team's idea is then promoted and sometimes even funded to make it a reality.

Adherence App

The idea was to develop an online application that fulfills the needs of both the patients and the doctors. For patients, the app will provide supplementary counselling services irrespective of their location. Moreover, it will educate the patients about chronic care and encourage and motivate them to remain compliant on medication. This compliance, in turn, will provide assurance to the doctors and assist them with the treatment procedure. If the patients are more compliant with their visits and medications, the doctors will be better able to deliver positive results.

- Pill reminders
- Health and diet tips
- Quizzes
- Home delivery of medicines

DIS-EASY

This idea is about bridging the communication gap between patients and doctors. Dis-Easy provides doctors with an interactive and effective visual counselling tool that aids them in addressing patient-centric queries and other such information in the most convenient way possible. This means that doctors can now better explain the condition to the patient and provide take away information to refer to after the appointment.

- Pre-defined line diagrams for multiple conditions
- Ease of explanation
- Freedom to draw while explaining
- Over 8 medical conditions to pick from
- Ease in handling
- Better visual representation of disease

Protecting patients through serialization

Ensuring proper serialization and categorization of deliverables enables multiple partners to easily track drug shipments and drug distribution. This leads to an increase in the overall safety of the drug supply chain and further prevents counterfeiting.

Epilepsy drug availability in India

There are more than 12 million epilepsy patients in India. Although they lead fairly normal lives, the threat of recurrent seizures imposes a lot of restrictions on their daily activities – from being dissuaded from driving a vehicle to participating in sports. At times, seizures leave them with a sense of embarrassment, especially in public places.

We are always looking for opportunities to bring medicines within the reach of patients. Here was another opportunity. UCB, the Belgium based biopharmaceutical company, whom we have been collaborating with since 2015, developed the Brivaracetam (branded as Briviact®) drug with anticonvulsant properties. In phase 3 trials, patients treated with Brivaracetam as an adjunctive medication had better seizure control than the placebo control group. Moreover, Briviact® has potential to provide additional value for patients – both today and in future.

We collaborated with UCB to market Briviact® in India and launched the drug in July 2018. Since the launch, we have seen excellent responses with 500 healthcare practitioners and 5000 patients benefiting from the therapy so far. We still hear heartwarming stories of the impact Briviact® has had on patients' lives, almost every day.

Hervycta® – accelerating access to innovative and affordable medicines

In India, a majority of cancer patients cannot afford its treatment costs and do not have access to the most advanced drugs. The biologic drug, trastuzumab, is one of the few approved and effective treatment options for HER2+ breast cancer, but the cost of treatment is high and drug accessibility is low in India.

Dr. Reddy's launched the trastuzumab biosimilar, Hervycta®, in 2018. This initiative increased access to breast cancer treatment at affordable costs to all patients in India. In addition, Hervycta® Pluspack was launched to facilitate proper storage and drug protection, and communicate proper handling instructions for the drug.

The Hervycta® website was launched to provide comprehensive information on the symptoms, risk factors, diagnosis, treatment and answers to questions that patients and caregivers frequently have. The website uses infographics for clarity and is easy to navigate.

As Hervycta® continues to enable thousands of women to fight HER2+ breast cancer, we remain committed to using science to address the unmet needs of patients.

The anticonvulsant drug Briviact® demonstrates Dr. Reddy's commitment to identifying unmet patient needs, examining them through research and creating an environment of healthy and mutually beneficial patient-doctor collaboration. Hervycta® is an example of a case study in wisely discovering our own competencies and scientific acuity to serve our patients more effectively.

Select Unique Products

Senquel-F

One of the sensitivity toothpastes prescribed by doctors all over India, Senquel-F has less abrasive silica compared to other toothpastes available in the market. This is one more example of how we integrate patient-centric thinking in designing our products.

After launching Senquel-F in the market, our next objective is to expand its sales in Maharashtra. With our brand-new digital campaign in place, we hope to spread Senquel-F's name efficiently and effectively across the state.

We believe that through unified and cooperative teamwork and making full use of the latest communication technologies, we can help more and more patients with this product.

Suboxone®- Accelerating access to generics to treat opioid addiction

Opioid addiction can disrupt the normal, healthy functioning of the brain. To fight against opioid addiction a generic version of Suboxone® was launched by Dr. Reddy's in June 2018. We became the first company to launch a generic buprenorphine and naloxone sublingual film product in the US and it demonstrated our ability to successfully manufacture complex generics.

Supply Chain

We believe that in order to achieve maximum operational efficiency, it is important to have a sturdy and vigorous supply chain. An important first step in supply chain management is to try and understand supply chain risks and dependencies from an economic and sustainability point of view. We make it our top priority to manage these risks, and invest in the entire process surrounding supply chain management.



Our Strategy & Approach

- Supply chain code of conduct and detailed procurement manual
- Vendor risk assessment framework
- Detailed spend analysis and supply chain mapping
- Emphasis on local procurement
- Strengthen supplier engagement
- Integration of sustainability criteria in supply chain management (from supplier identification, selection, contracting, monitoring and review)
- Trained supply chain professionals on sustainability aspects and close working with Safety, Health and Environment (SHE) and sustainability teams for supplier performance monitoring and review



Key Initiatives

- Independent third party assessments of suppliers
- Air Vs Sea shipments
- Alternate vendor development for key materials



Future Outlook

- Further enhancement of air to sea shipments for reduction in our scope 3 emissions
- Continue our focus on de-risking the supply chain and continue alternate vendor development for key materials
- Initiatives for reducing imports and pack size optimization

Our Supply Chain at a Glance


In this reporting period, spend with our suppliers was approximately ₹ 20,350 Million. The break-up across the supply categories is provided below

Material Type	Spend Value- In Million (₹)
Raw Material (API)	4630
Packaging Material	3190
Raw Material (Excipient)	3320
Raw Material (Key starting material/Intermediate)	9210

Supply chain mapping

As per the records available on the Digital P2P portal, our total suppliers stand at 737. Many vendors became inactive in FY17-18 in the KSM (key starting material) category and a few vendors in FY15-17 in the PM (packaging materials) category.

Type of supplier	Absolute number of suppliers	Share of total procurement spent (%)
Critical tier 1 suppliers	257	81%
Critical non-tier 1 suppliers	480	19%
Total suppliers	737	100%



Risk Assessment and Mitigation

We understand that monitoring the functioning of certain suppliers holds precedence over others. We term such suppliers as critical suppliers. Some of the characteristics that make them 'critical' for us are enlisted below:-

- Suppliers contributing to the sales revenue of >80% (Geography wise)
- Materials having single supplier/source
- Suppliers located in specific regions like China
- Critical component suppliers or similar
- Have significant impact on a business, including the risk of loss if the services provided are disrupted

Formal risk identification process

We conduct supplier risk assessment, in association with a risk assessment agency (D&B), to ensure the sustainability and stability of our suppliers. Our

supplier risk assessment framework comprises two different aspects- "Organizational Risks" and "Supplier Sustainability Risks". Our internal teams also conduct supplier performance assessments.

Our vendor and supply chain risk assessment process covers six major elements - business, financials, sustainability (covers Safety, Health and Environment (SHE), and social and human rights aspects), reputation risk, compliance risk, and management practices. Sustainability carries a 40% weightage in the overall assessment process. Typical sustainability risk types found or expected to be found in our supply chain include ethics, labor, employee welfare, environment, health, safety and social responsibility. Sustainability is one of the important criteria, and any deviations/non-conformances on these parameters may escalate the risk profile of a supplier and put him in a high sustainability risk category. We also influence our suppliers to audit their own supply chain.

Audit frequency:

All critical Tier 1 suppliers have to undergo assessment and re-assessment at a fixed frequency depending on the sourcing category.

Material Type	Audit Frequency
APIs/Excipients	Once every two years
Primary packaging	Once every three years
Secondary packaging	Once every four years

Risk Management Measures-

In 2018, D&B identified 13 suppliers as high risk. We initiated the necessary steps to mitigate the risk by developing alternate sources for 6 suppliers. Against the other 7 suppliers, since the materials sourced were non-critical in nature and of low value, we have managed the risk by integrating additional controls. Continuous and consistent implementation of risk mitigation plans resulted in no high risk suppliers being identified in 2019.

Supply chain strategy & interlinkage with environmental, social and governance (ESG) aspects

Top 5 priorities are as follows:

Availability

>95% OTIF (on time, in full), inventory within prescribed levels, supplier derisking & alternate vendor development, formulation back orders below the desired level, no miss on new product launches.

Quality

Vendor's compliance to cGMP* requirements, USFDA guidelines, 100% adherence to audit schedules, ensuring material rejections are within permissible limits, no open deviations.

People management

Succession planning, training & development on new skills, talent management process for identified pivotal roles and key capabilities.

Productivity and continuous improvement


Achieve savings as per operational excellence projects, implementation of simplification initiatives like Air-Sea shipments ratio, planning project i^2 roll out and stabilization,

* Current Good Manufacturing Practice

(end to end API manufacturing and Formulation planning), Supplier performance scorecard, VikretaConnect (P2P digitization and mobile app roll out).

Environment, Safety and Community



Act on our commitments to environment protection, selection of suppliers based on their commitment to ISO:14000/OHSAS:18001), social accountability, CSR initiatives such as reduction in usage of paper, shift to recycled paper and avoiding usage of wooden pallets including re-usage.



Key monitoring indicators

- Percentage of audited suppliers
- KPIs related to the outcome of capacity-building activities
- Percentage of procurement spent with preferred suppliers (according to sustainability criteria)
- Number of suppliers rejected for sustainability reasons

Key performance indicators and targets

KPI	Target for 2020
 Affordable and innovative medicines	
<ul style="list-style-type: none"> ○ Implementation and stabilization to achieve end-to-end integration of supply chain and operations management to make the process from “market demand to availability of medicines at Point Of Sale (POS)” smoother and faster 	<ul style="list-style-type: none"> ○ To be more self-independent, major KSM are manufactured by SBPs (strategic business partner)
<ul style="list-style-type: none"> ○ Ensuring availability of raw material/packing material/excipients On Time, In Full and Quality (OTIFQ) 	<ul style="list-style-type: none"> ○ To achieve OTIFQ >95% for all businesses
 Sustainable Sourcing Productivity and Continuous Improvement	
<ul style="list-style-type: none"> ○ De-risking of single source suppliers 	<ul style="list-style-type: none"> ○ Single-source reduction for KSM: >30 APIs: >10 Excipients:>20

Case Study- Converting risks to opportunities

After the launch of Doxorubicin Hydrochloride Liposome Injection (a therapeutic equivalent generic version of Doxil) in the United States market, its demand has been rising rapidly. To meet this rising demand, we have to manufacture complex depot injectables in a very short span of time. We took several initiatives to promote optimization, reduce TATs, and strengthen product availability. With teamwork and partnership with our suppliers, we were successful in meeting the timeline for project completion whilst readily responding to a sudden two-fold increase in the demand (\$60 million) of the product. We were able to achieve all this without losing out on any business opportunity and showed the significance of working with suppliers.

Case Study- De-risking the supply chain

There had been closure of factories due to changes in China's environmental policies targeted at suppressing violating polluters. The penalties ranged from three months to permanent and potential imprisonment. Since a lot of raw material for Dr. Reddy's is shipped from China, these disturbances, in turn, had a grave impact on our supply chain. Supply shortages became a problem, with factories getting shut down and thousands of workers losing their jobs. As a result, there was a rise in the prices of raw materials and industrial products. In response to this, we took a long-term sustainable action and made a significant change by de-risking single sources out of China and looking into India's domestic market.

Against a plan of de-risking 15 key KSMs from Chinese single sources, six are under active implementation and the other nine are under initial phase of development. Our de-risking operation has led to a smooth continuity of supplies without any disruptions in the manufacturing process. The timely initiative has helped us retain our reputation and commitment with our global stakeholders.

Sustainable Logistics Initiatives

Indigenization of supplies:

Apart from having a lot of environmental benefits in the form of reduced carbon footprint and reduced consumption of non-renewable resources, localising has created other socio-economic advantages like lower procurement and logistics costs, shorter lead-times for material delivery, and complete compliance control (especially temperature sensitive RMS).

Transportation Load Builder (TLB):

The TLB tracks stock status of materials at warehouses facilitating finished goods distribution in India. Its advantages include:

- Maintains required stock level and prompts for stock transfer to replenish any deficits
- Minimizes transportation costs (by creating transfer proposals and optimizing the Full Truck Load)
- Helps identify Stock Keeping Unit (SKU) sales warehouse combinations, where business is at risk of losing sales due to stock outs or low coverage
- Reduces manual intervention in the process

Air vs Sea shipment:

Thorough yearly plans are laid down for the movement of finished goods from air to sea, and to enable us to maximize

export shipments by sea and effectively reduce the carbon footprint in our supply chain. We focus on local sourcing of goods and services, and this is evident from the fact that ~80% of our sourcing is through domestic producers and ~20% from international producers.

We have deployed a dedicated team to improve the capacity and capabilities of our local producers.

The team undertakes following measures

- Encourage local producers to develop and manufacture materials that have 100% import dependency
- Provide long-term commitments on business continuity
- Encourage packaging material suppliers to set-up units close to our manufacturing sites e.g. Baddi, Himachal Pradesh
- Sharing good practices via audits and workshops
- Mandatory supplier trainings for new vendors
- Ensuring supplier payment terms for small producers is not more than 45 days
- Inculcating a culture of resource conservation among local producers
- Nurturing small entrepreneurs with both financial and technical support to raise their competency levels.

Supplier Quality Audits

The pharmaceutical industry operates in a highly regulated environment, which emphasizes on quality. This makes it essential for us to source quality raw materials as they impact our final products. We obtain the highest standards of raw materials that helps us deliver best-in-class final products. Moreover, our continual supplier audits form a critical part of assuring the quality of our raw materials. These help us shortlist the right suppliers for our products who adhere to all relevant regulations and our quality framework. The following table shows the baseline frequency for conducting vendor audits for a given material type:

Types of material	Base Line Frequency (Months)
APIs / Medical Device	24
Key raw materials	36
Primary packaging materials	36
Secondary packaging materials	48

- Additionally, we have the risk based audit system to assign a requalification period based on the criticality of the observations noted during onsite audit.
- In FY 2019, we have also established a Vendor KPI evaluation system to identify the high-risk vendors based on their performance during regulatory audits, vendor quality management audits, material quality issues and CAPA effectiveness.
- With an effective mitigation plan for high risk vendors, we have reduced the number of high-risk vendors to zero in FY19 to ensure business continuity.

The Global Supply Chain Team from UBM India Private Limited awarded Dr. Reddy's with the **‘Operational Excellence in Supply Chain’** award for the third time in a row. We were given the award at the CPHI India Pharma Awards 2018 held at New Delhi.



Social Value Creation

Communities are the roots of a nation's economic and social progress. The empowerment and the improvement of their social, economic and health status is crucial for the achievement of sustainable development. We believe that well designed and planned community initiatives deliver long term benefits.



Our Strategy & Approach

- Our CSR Policy, Foundations and Partnerships
- Collaborating and building capabilities of social change agents
- Nurturing institutions that demonstrate new pathways of human development
- Inclusion of low income communities into mainstream quality education
- Being sensitive to the community situations as well as to the constraints of social development systems
- We take effort to understand the need for CSR support, and its projected outcome. We discuss the local development priorities with village heads and associated government officials.
- Our broad themes are education, livelihood and skilling, and health. We also work on rural development and capacity building
- Partnership with seven NGOs and community organizations including Dr. Reddy's Foundation, Centre for Social Initiatives and Management, Pudami Educational Society, Agastya International Foundation, Naandi Foundation, NICE Foundation and Roshni Trust
- Spirit of Giving program



Key Initiatives

- **Key projects-** Community Health Intervention Program (CHIP), School Improvement Programs (SIP), School Health Program (SHP), Making Integrated Transformation for Resourceful Agriculture (MITRA), The Pudami Schools, Kallam Anji Reddy Vocational Junior College (KAR-VJR), Kallam Anji Reddy Vidyalaya (KARV), Project Prerna, GROW program, Spirit of Giving.
- **Coverage-** Education, livelihood and healthcare programs mainly cover locations in Telangana and Andhra Pradesh, however employee volunteering is extended to Himachal Pradesh as well. In addition, Dr. Reddy's partner NGOs are spread across 11 states of India. In collaboration with partner NGOs, Dr. Reddy's reaches out to vast rural communities for the MITRA and GROW program.
- **Beneficiaries-**
 - 15 Pudami schools are educating over 7,199 students
 - Kallam Anji Reddy Vidyalaya (KARV), a model Pudami school caters to 2,300 students
 - The Community Health Intervention Program (CHIP) covers 145 villages and 0.215 Million people
 - School Improvement Program (SIP) is implemented in 129 government schools covered 59,000 students
 - School Health Program (SHP) covered 126 schools; 39890 students were examined and 258 houses were covered for awareness and counselling.
 - Kallam Anji Reddy Vocational Junior College (KAR-VJR) covered 733 students
 - Project Prerna covered 3,366 students in 14 schools through 191 mobile science lab visits
 - GROW program reached 1,791 youth
 - Through MITRA, we reached out to 1,640 lead farmers and 20,000 fellow farmers in FY19



Future Outlook

- Strengthen the impact assessment of our CSR projects
- Continued focus on improvement of the CSR project outcomes

Key Highlights



○ ₹ **262 million-**

Total contribution towards community development

○ **2.05%-** Total spending on CSR as percentage of profit after tax (%)



○ **327,104-** People from 1305 villages of 13 Indian states who benefited from various community based initiatives



○ **Dr. Reddy's Foundation**

was recognized by the National Centre for Promotion of Employment for Disabled People (NCPEDP)-Mindtree Helen Keller National Disability Award

Category	Number of Beneficiaries
Education	73149
Livelihood	39431
Healthcare	214524
Rural Development	Community at large



Community Health Intervention Program (CHIP)

The CHIP Program is targeted towards improving the rate of survival of infants and children in more than 54 villages throughout rural India. This program provides well-trained auxiliary nurse midwives (ANM), general nurse midwives (GNM), nursing midwives and two mobile ambulances. Additionally, the program also entails a Fixed Day Health Care Service (FDHS), where doctors conduct regular screening and attend to basic health issues on fixed days, twice each week in each village.

The specific goals of the program are:

- Improve basic support for ante and post-natal care
- Ensure safe delivery and infant care
- Primary immunization of children by the age of one
- Promote safe motherhood through guidance/counselling

An impact assessment was carried out to measure the impact generated across 145 intervention villages and the patients provided "excellent" ratings for the home based treatment, geriatric care, RMNCH+A and Regular Medical Care (RMC).

CHIP also comprises various awareness programs. In FY19 we organized awareness sessions on sunstroke, health impacts of tobacco consumption and the importance of handwashing. **In FY19, around 0.215 Million people benefited from CHIP initiatives.**



Community Partnership

" We aim to provide Primary, Promotive and Preventive healthcare services to the vulnerable communities across India "

Dr. Reddy's has been working on CHIP, in partnership with NICE foundation, since 2014. We conducted a Health Camp for victims of Titli Cyclone in Srikakulam district. Fifty of our employees volunteered over 6 days to support the medical camps.

Responsiveness to community needs

Health Promotion and Disease Prevention in Community Settings

Dr. Reddy's works to bring quality healthcare closer and make it more accessible to the communities through its health interventions.

- Health services through mobile medical units
- Services include counselling & facilitating immunization, management of common illnesses, hypertension & geriatric care

- Awareness programs on hand washing, precautionary measures to heat stroke, the risks of tobacco usage

Nurturing the next generation

We firmly believe that education is a key enabler of social change and the creator of a healthy society.

- School Improvement Programs (SIP) are implemented in 129 schools in Telangana and Andhra Pradesh state
- Remedial education, computers skills, spoken English classes, safe water and sanitation, libraries and other support is provided on need-basis to schools
- 59,000 talented yet vulnerable students were benefited from SIP this year, which signifies a tremendous increase in comparison to 33056 student beneficiaries for the previous year.

School Health Program

SHP Coverage:	Objectives:	Services:
○ 126 Schools covered	○ Early diagnosis	○ Screening, healthcare and referral
○ 39,890 Students examined	○ Early intervention and remediation	○ Nutrition management
○ 15,286 Students referred to PHC	○ Health education and counselling	○ Deworming
○ 258 Home visits		○ Awareness and Counselling

Marking Integrated Transformation for Resourceful Agriculture (MITRA)

MITRA is a core program of Dr. Reddy's, which aims to develop an impactful, scalable and sustainable agro-extension delivery platform to empower small and marginal farmers. It tries to resolve agro-based challenges faced by small-scale farmers and train them in technology transfer, irrigation and digital and financial literacy.

Mandala Ramakrishna, a farmer from Thirupathipalem village was struggling to get a profitable paddy yield for years. The MITRA program identified the cause of low productivity in paddy cultivation and facilitated Mandala with effective resources, trainings and experiments to tackle the problem.



“After the experiment I saw that yield of the demo and control plots are substantially different. Now I am able to get an additional amount of ₹27,953 in the same crop cycle by saving ₹8,753 in the investment cost and getting additional yield with the support of MITRA. Through this experiment, I decided to expand my paddy growing area in the coming Kharif season. I hope I will get more and more income in the coming season,”- **Ramakrishna**

The Pudami Schools

It started as a novel initiative in 2007 to bring quality education to the children from the less privileged sections of society. The schools were set up when the government schools did not pay too much attention towards teaching English and children from disadvantaged backgrounds could not afford to pay for public schools. There are 15 Pudami Schools located in Hyderabad that provide quality education to 7199 students. These schools aim to encourage students to explore and expand their interests, reach their fullest potential, and develop the skills necessary for being successful and engaged members of the community. Kallam Anji Reddy Vidyalaya (KARV), a model Pudami School caters to 2,300 students.

Kallam Anji Reddy Vocational Junior College (KAR-VJC)

KAR-VJC was established in 2003 to be an institution of excellence not only in management based vocational courses but also in other professional and conventional courses. The college brings into focus the vocational and practical aspect of higher education to students particularly those from low income groups. The college offers two year vocational courses in subjects like Computer Science, Computer Graphics Animation, Accounting and Taxation, Medical Lab Technician and the like. The strength of the college in FY19 is 733 students.

Prerna

We implemented the Prerna project in partnership with Agastya International Foundation, to focus particularly on

science education. A mobile science lab reaches out to schools to improve science education. Reading clubs have been formed in schools, and science camps and fairs are conducted. In FY 19, 3366 students in 14 schools were covered through 191 mobile science lab visits. Additionally, the mobile science lab conducted 71 community visits covering both the children and the adults in the community.

Better Skills & Better Jobs

Our GROW program captures the aspirations of youth, and builds and enhances their competencies, making them highly motivated and effective professionals. In FY19, Dr. Reddy's supported 10 GROW training centers in which 1791 candidates were trained on core employability skills.

Dr. Reddy's Foundation for Health Education (DRFHE)

DRFHE has two components, which includes awareness for life (AFL) and soft skills training programs. Soft skills training programs target hospital staff including nurses, dialysis technicians, receptionists, junior doctors and pharmacists, and provide training on enhanced personal effectiveness, patient management, and improved team work and collaboration within and outside the hospital.

Some of the awareness sessions organized under our AFL program include Liver Disorder, GI Disorder, World Hypertension Day, World No Tobacco Day, World Thyroid Day, Managing Cholesterol, Hepatitis, Stroke, Heart Disease, Breast Cancer, Arthritis, Osteoporosis, Back Pain, World Stroke Day, Skin & Hair fall Awareness, Ergonomics, Kidney Awareness, Oral Hygiene and General Cancer.

DRHFE Training Programs

Initiatives	FY 18 Programs	FY 18 Beneficiaries	FY 19 Programs	FY 19 Beneficiaries
Awareness for Life	673	24744	1182	46963
Soft Skills Training	1097	29712	1634	39568

Dr. Reddy's recognized on Global Platform



Dr. Reddy's has been awarded with the Global Generics and Biosimilar Awards 2018 in the CSR category.

**Dr. Reddy's Spirit Of Giving Program
Engages Employees In Community Service**



Performance Table

Our Sustainability Performance

All data as of 31st March of the respective financial year

Indicator	Unit	2014-15	2015-16	2016-17	2017-18	2018-19
Economic Performance						
Revenue ⁴	Million (₹)	150,233	155,683	141,961	142,810	154,482
Operating cost ⁵	Million (₹)	123,978	130,045	128,139	130,858	134,937
Employee compensation	Million (₹)	29,446	31,174	31,068	32,149	33,562
Payments to provider of capital ⁶	Million (₹)	4,677	5,022	20,007	5,323	5,609
Payment to Govt. (tax)	Million (₹)	5,464	7,014	5,770	2,761	4,841
Community investment	Million (₹)	291.6	412	426.7	328	262
Economic Value Retained (PAT)	Million (₹)	23,364	21,306	12,921	9,468	19,500
Financial assistance received from Govt.	Million (₹)	0	0	0	0	0
Materials						
API Raw materials- Top 10	Kgs	354,786	476,978	507,313	545,272	451,894
Excipients Raw materials – Top 10	Kgs	3,982,699	4,240,126	6,289,305	5,746,708	4,257,859
Energy use & efficiency						
Fuel consumption- Non-renewable sources	GJ	1,666,006	1,424,248	1,760,870	3,222,184	3,318,534
Fuel consumption- Renewable sources	GJ	339,716	250,386	388,642	369,659	356,986
Direct energy consumption	GJ	2,005,721	1,752,639	1,961,034	3,408,424	3,501,260
Indirect energy consumption	GJ	1,107,857	1,122,647	1,590,417	1,232,775	1,122,810
GHG emissions						
Scope 1 emissions	tCO ₂ -e	177,841	135,140	154,808	298,791	305,159
Scope 2 emissions	tCO ₂ -e	254,563	335,254	306,000	259,822	204,550
Water						
Total water withdrawal	KL	1,360,106	1,266,609	1,689,330	1,675,292	1,717,560
Municipality	KL	281,260	274,240	468,764	288,758	272,693

⁽⁴⁾ We have reclassified our economic performance following the IND-AS Framework | ⁽⁵⁾ Includes material costs and employee compensation

⁽⁶⁾ Includes dividend paid, net interest and buyback of equity shares

Indicator	Unit	2014-15	2015-16	2016-17	2017-18	2018-19
Surface water	KL	599,518	542,047	505,667	695,454	656,042
Ground water	KL	479,327	450,322	714,900	691,080	788,825
Total water recycled	KL	828,200	848,367	850,960	968,176	818,584
Waste						
Hazardous waste generated	MT	22,277	26,247	21,241	23,710	23,259
Hazardous waste disposed (to landfill/TSD/ incineration)	MT	15,572	11,639	4,043	2,115	2,961
Hazardous waste reused/recycle (to cement plants & others)	MT	6,705	6,657	17,198	21,595	20,298
Non-Hazardous waste generated (Eg: Food waste, PPE waste etc)	MT	21,861	22,750	24,827	28,571	20,052
Air Quality						
Suspended Particulate Matter	Tons/yr	61	81	176	163	133
NOx	Tons/yr	2,674	2,646	630	251	217
SOx	Tons/yr	1,221	1,191	360	440	380
Environmental expenditure						
Environmental expenditure	Million (₹)	621	559	840	728	605
Total workforce-gender type						
Male	%age	91.7%	91%	83%	82%	82%
Female	%age	8.3%	9%	17%	18%	18%
Total workforce-age type						
<30	%age	54%	45%	45%	38%	35%
30-50	%age	44%	53%	52%	58%	61%
>50	%age	2%	2%	3%	4%	5%
Total workforce-employment type						
Management	Nos.	15,847	17,913	21,728	22,005	21,003
Workers	Nos.	809	790	953	976	963
Contractual	Nos.	686	493	658	904	119
New employee hire-gender wise						
Male	Nos.	4,316	4,563	3,923	3,431	2,753
Female	Nos.			1,152	833	596
New employee hire-age wise						
<30	Nos.	--	--	3,458	2,777	2,096
30-50	Nos.	--	--	1,547	1,477	1,199

Indicator	Unit	2014-15	2015-16	2016-17	2017-18	2018-19
>50	%age	--	--	70	60	54
Employee turnover rate						
Employee turnover	%age	17.7	17.3	16.7	16	Overall 21.6% Voluntary 14.8% Involuntary 6.8%
Parental leave						
Employees availing parental leave	Nos.	Male- 653 Female- 103	Male- 722 Female- 95	Male- 883 Female- 159	Male- 990 Female- 146	Male- 962 Female- 164
Employees returning to work after the leave period	Nos.	--	Male- 722 Female- 71	Male- 883 Female- 159	Male- 990 Female- 146	Male- 962 Female- 164
Employees who returned to work after parental leave ended and were still employed for twelve months after their return to work	Nos.	--	--	Male- 751 Female- 129	Male- 857 Female- 138	Male- 869 Female- 149
Safety performance						
Reportable Injuries (Employees) (LTI+MTI+RWI)	Nos.	26	26	27	26	16
Lost days (Employees)	Nos.	Not tracked			6,222	6,493
Fatalities (Employees)	Nos.	0	0	0	1	1
Reportable Injuries (Contractual workforce) (LTI+MTI+RWI)	Nos.	19	19	31	23*	5
Lost days (Contractual workforce)	Nos.	Not tracked			6,885	6,419
Fatalities (Contractual workforce)	Nos.	0	0	0	1	1
Total reportable injury frequency rate (Employee + Contractor)	Nos.	--	--	1.04	0.89	0.44
Occupational disease rate (Employee + Contractor)	Nos.			0	0	0
<p>LTI- When an accident causes bodily injury to any person and it prevents the person injured from working for a period of 48 hours or more immediately after following the accident, such injury is classified as an LTI.</p> <p>MTI- An MTI is a work-related injury for which medical treatment is indicated but that does not result in lost work or work restrictions.</p> <p>RWI- A RWI is a work-related injury or illness that prevents the employee from working a complete shift (or from doing any tasks that are part of his or her routine job functions that may be performed or assigned in a one-week period), but does not result in lost workdays.</p> <p>Injury frequency rate is calculated on the basis of number of injuries per million man-hours worked</p> <p>Note: Excludes first aid cases</p> <p>* Including 3 apprentice persons</p>						

Indicator	Unit	2014-15	2015-16	2016-17	2017-18	2018-19
Total hours of Training						
Classroom	Hours	--	--	2,108,387	2,284,379*	454,862
Computer based training	Hours			353,897	564,199*	223,802
Skill-based	Hours	--	--	33,890	48,406	5,880
External	Hours	--	--	3,366	2,664	3,672

*Included training hours for sales and marketing team

Note- The data on performance indicators provided in the table above for FY 15 and FY16 represents our India operations. FY17, FY18 & FY19 values represent our global operations. We have started tracking data for our global operations and the data collection, monitoring and reporting systems are still evolving.

GRI Index

General Standard Disclosures		
General Standard Disclosures	Page Number (or Link)	External Assurance
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	Indicate if the Standard Disclosure has been externally assured.
Strategy and Analysis		
102-14	Refer Message from Co-Chairman and Managing Director	
Organizational Profile		
102-1	Refer Chapter Who we are	
102-2	Page, 15, 30, 31, 36, 39, 40, 41 of Annual Report	
102-3	Refer Chapter Who we are	
102-4	Refer Chapter Who we are	
102-5	Refer Chapter Who we are	
102-6	Refer Chapter Who we are and Chapter Financial Capital	
102-7	Sustainability Performance Table	
102-8	Sustainability Performance Table, Refer Chapter Human capital	
102-9	Refer Chapter Supply chain	
102-10	Refer Chapter Supply chain	
102-11	Refer Sustainability Governance and Strategy Refer Natural capital	
102-12	Refer Corporate Overview and Management	
102-13	Refer Corporate Overview and Management	
Identified Material Aspects and Boundaries		
102-45	Page 81, 82, 83, and 88 of Annual Report	
102-46	Refer Materiality, focus areas and connect to global sustainability agenda section	
102-47	Refer Materiality, focus areas and connect to global sustainability agenda section	
103-1	Refer Materiality, focus areas and connect to global sustainability agenda section	
102-48	Refer About the Report section	
102-49	Refer About the Report section	
Stakeholder Engagement		
102-40	Refer Engaging with Stakeholders Section	
102-41	Page 29 of Annual Report	
102-43	Refer Engaging with Stakeholders Section	
102-44	Refer Engaging with Stakeholders Section	
Report Profile		
102-50	Refer About the Report section	
102-51	Refer About the Report section	
102-52	Refer About the Report section	
102-53	Refer About the Report section	
102-54	Refer About the Report section	
102-55	Refer About the Report section	
102-56	Refer About the Report section	

Governance				
102-18	Refer Corporate Overview and Management Refer Sustainability Governance and Strategy Refer page 52-55 of Annual Report			
Ethics and Integrity				
102-16	Refer Corporate Overview and Management Page 27 of Annual Report			
Specific Standard Disclosures				
DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	External Assurance
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	Indicate if the Standard Disclosure has been externally assured.
Category: Economic				
Material Aspect: Economic Performance				
103 201-1	Refer Financial Capital Page 2, 3, 4, 5, 6 of Annual Report			
Material Aspect: Indirect Economic Impacts				
103 203-2	Refer Social Value Creation Chapter Page 31,32, 33 of Annual Report Refer Social Value Creation Chapter Page 31,32, 33 of Annual Report			
Material Aspect: Procurement Practices				
103 204-1	Refer Chapter Supply Chain Page 28 of Annual Report Refer Chapter Supply Chain Page 28 of Annual Report			
Material Aspect: Anti-Corruption				
103 204-1 204-2	Refer Corporate Overview and Management Refer page 27, 28 of Annual Report Refer Corporate Overview and Management Refer page 27, 28 of Annual Report Refer Corporate Overview and Management Refer page 27, 28 of Annual Report			
Category: Environmental				
Material Aspect: Materials				
103	Refer Chapter Natural Capital Page 27 of Annual Report			

Material Aspect: Effluents and Waste				
103 306-1	Refer Chapter Improving Eco-balance Refer Sustainability Performance Table Page 29, 30 and 31 of Annual Report We are also disclosing our water footprint through CDP's water disclosure			
306-2	Refer Sustainability Performance Table Page 29, 30 and 31 of Annual Report We are also disclosing our water footprint through CDP's water disclosure			
Material Aspect: Supplier Environmental Assessment				
103	Refer Chapter Supply chain			
308-1	Refer Chapter Supply chain Page 28 and 30 of Annual Report	This information is not currently consolidated at the global level	Since this is not tracked at the Corporate Level, it is not consolidated and reported	
Category: Social				
Sub-Category: Labor Practices and Decent Work				
Material Aspect: Employment				
103	Refer Chapter Human capital Refer page 44, 45 of Annual Report			
401-1 401-2	Refer Sustainability Performance Table Refer Sustainability Performance Table Refer Chapter Human Capital			
401-3	Refer Sustainability Performance Table	Parental leave data included in the performance table covers India locations only, as we cannot disclose the same for our international locations due to General Data Protection Regulation (GDPR).		
Material Aspect: Occupational Health and Safety				
103	Refer Occupational Health and Safety section			
403-2	Refer Sustainability Performance Table Refer Occupational Health and Safety section	Absenteeism not tracked as a central corporate indicator		
Material Aspect: Training and Education				
103	Refer Human capital			
404-1	Refer Human capital			
404-2	Refer Human capital Refer Sustainability Performance Table Refer page 28, 29 of Annual Report			

Material Aspect: Diversity and Equal Opportunity				
103	Refer Corporate Overview and Management Refer Human capital			
405-1	Refer Corporate Overview and Management Refer Human capital Refer Sustainability Performance Table Refer 52-55 of Annual Report	We do not disclose on the age group and other indicators of diversity (minority/vulnerable groups) for the governance bodies. However the position on committee, roles and responsibilities are disclosed in Annual Report	Our COBE outlines the principles of non-discrimination and hence we do not track the diversity indicators on minority/vulnerable groups.	
Sub-Category: Human Rights				
Material Aspect: Freedom of Association and Collective Bargaining				
103	Page 29 of Annual Report Refer Human capital			
103	Page 29 of Annual Report	Consolidated data for all facilities was not available at the Corporate Level	Since this is not tracked at the Corporate Level, it is not consolidated and reported	
Material Aspect: Supplier Social Assessment				
103	Refer Chapter Supply chain			
414-1	As above Page 28 and 30 of Annual Report	This information is not currently consolidated at the global level	Since this is not tracked at the Corporate Level, it is not consolidated and reported	
414-2	As above Page 28 and 30 of Annual Report	This information is not currently consolidated at the global level	Since this is not tracked at the Corporate Level, it is not consolidated and reported	
Sub-Category: Society				
Material Aspect: Local Communities				
103 413-1	Refer Chapter Social Value Creation Page 28, 30 to 33 of Annual Report Refer Chapter Social Value Creation Refer Sustainability Performance Table	This information is not currently consolidated at the global level	Since this is not tracked at the Corporate Level, it is not consolidated and reported	
Material Aspect: Customer Health and Safety				
103 416-2	Refer Chapter Intellectual Capital Page 41, 42, 43, of Annual Report Refer Chapter Intellectual Capital			

Independent Assurance Statement

Scope and Approach

DNV GL Business Assurance India Private Limited has been commissioned by the Management of Dr. Reddy's Laboratories Limited (Corporate Identity Number L85195TG1984PLC004507, hereafter referred as 'the Company') to carry out an independent assurance of the qualitative and quantitative information related to sustainability performance and references to its Annual Report 2018-19 in its Sustainability Report 2018-19 ('the Report'), for the financial year ending 31st March 2019.

The sustainability performance disclosures presented in the Report has been prepared by the Company based on the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards') and its Core option of reporting, and considering key guiding principles and elements of the International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> framework ('the <IR> framework').

The scope and boundaries of disclosures are as described in the Report in the sections '*About the Report*' and '*Materiality*', and includes performance related to operations in India, Mexico, the Netherlands, the United Kingdom (UK) and the United States of America (USA) where the Company exercises operational control. The boundary excludes the performance of subsidiaries and joint ventures, which are primarily related to marketing activities.

We performed a limited level of assurance based on our assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practices including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI Reporting Principles. Our assurance engagement was planned and carried out during June 2019 – October 2019.

The intended user of this Assurance Statement is the Management of the Company ('the Management').

Responsibilities of the Management and of the Assurance Providers

The Management has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing this assurance work, our responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

We provided a range of other services in 2018-19 to the Company none of which in our opinion, constitute a conflict of interest with this assurance work. Our assurance engagement is based on the assumption that the Company has provided us data and information during our review in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion, and as part of the assurance, a multi-disciplinary team of sustainability

¹ The VeriSustain protocol is available on www.dnvgl.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

and assurance specialists performed work at the Company's Corporate Office in Hyderabad and sample facilities in Baddi and Hyderabad, in India. We undertook the following activities:

- Review of the approach to materiality determination and stakeholder engagement, and the outcomes as stated in this Report. We did not have any direct engagement with external stakeholders;
- Review of supporting evidence for key claims and data in the Report;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support topics disclosed in the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Sample site visits to selected Chemical Technical Operations (CTOs), Formulations Technical Operations (FTOs) and Integrated Product Development Organization (IPDO) in India ie. FTO-6 and FTO-8 in Baddi and CTO-1 in Hyderabad, CTO-5 in Miriyalguda, Biologics and IPDO at Hyderabad, to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting assessments on the basis of their materiality;
- Remote audits were conducted via teleconference for operations at Dr. Reddy's manufacturing units at Cuernavaca (Mexico), and Shreveport (USA) to review the systems in place for data management related to environmental and occupational health and safety topics at these sites;
- Review of the processes for gathering and consolidating the performance data related to the chosen GRI Standards presented within this Report;
- Verification of the data consolidation of reported performance disclosures in context to the Principle of Completeness as per VeriSustain for a limited level of verification; and,
- An independent assessment of the Report against the requirements of the GRI Standards: Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) and other financial data are based on audited financial statements issued by the Company's statutory auditors, and presented in its Annual Report 2018-19, which is subject to a separate audit process, and was not included in our scope of work.

Opinion

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe the Report's adherence to the GRI Standards: Core option of reporting including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and disclosures related to the following GRI Standards which have been chosen by the Company to bring out its performance against its identified material topics:

- GRI 201: Economic Performance 2016 – 201-1;
- GRI 203: Indirect Economic Impacts 2016 – 203-2;
- GRI 204: Procurement Practices 2016 – 204-1;
- GRI 205: Anti-Corruption 2016 – 205-1;
- GRI 301: Materials 2016 – 301-1*;
- GRI 302: Energy 2016 – 302-1, 302-3, 302-4;
- GRI 303: Water 2016 – 303-1, 303-3;
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-3, 305-4, 305-5, 305-7;
- GRI 306: Effluents and Waste 2016 – 306-1, 306-2;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1;

- GRI 401: Employment 2016 – 401-1*, 401-2, 401-3;
- GRI 403: Occupational Health and Safety 2016 – 403-2*;
- GRI 404: Training and Education 2016 – 404-1, 404-2;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1*;
- GRI 407: Freedom of Association and Collective Bargaining – 407-1*;
- GRI 408: Child Labor 2016 – 408-1;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 414: Supplier Social Assessment 2016 – 414-1;
- GRI 416: Customer Health and Safety 2016– 416-2.

**Certain information/data points on these performance indicators are currently not aggregated and reported as per the requirements of GRI standards, and the reasons for these omissions has been brought out within the Report i.e. systems are being developed for reporting these standards completely in future reporting periods.*

Observations

Without affecting our assurance opinion, we provide the following observations against the principles of VeriSustain:

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

The Company carried out materiality determination exercise in June 2009 and this year, the material topics which impact the Company's value-creation process and matters most to its stakeholders were reviewed by the Company, and aligned to its sustainability pillars. Key issues which have been identified from interactions and engagement with internal and external stakeholders have been prioritized through consultation with the Company's senior management personnel. The prioritized list of material topics were further validated through consultations with management personnel across various levels of the Company. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report indicates employees, business partners, investors, communities and non-governmental organisations (NGOs), patients, customers and healthcare professionals as being the Company's most significant stakeholders. The key outcomes of the Company's stakeholder engagement processes that are brought about within the Report and inform decisions for evaluating the Company's sustainability strategy are generally consistent with the material topics included in the Report. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The outcomes from stakeholder engagement and the Company's processes of creating value for each stakeholder group are adequately brought out in the Report, through its policies, strategies, management systems and governance mechanisms. The Company's sustainability management systems include processes for monitoring and reviewing performance against targets, key performance indicators and metrics to address identified material issues. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness, however, the Company may further define and disclose short, medium and long-term targets for all identified material topics.



Reliability

The system for maintaining the quality of underlying sustainability disclosures and performance management systems including the accuracy and comparability of information presented in the Report

The majority of data and information verified at the sample locations visited by us were found to be fairly accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected. The Company has also established an internal audit mechanism for managing and reviewing its sustainability performance data. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability, however, the Company needs to incorporate processes of periodic reviews and validation in its existing processes and tools for sustainability data management to further strengthen the Report's adherence to this Principle.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported?


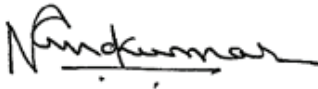
The Report fairly brings out Dr. Reddy's economic, environmental and social performance for its selected material topics and reporting boundaries through appropriate GRI Standards and through descriptions of value creation strategies across identified capitals. Nothing has come to our attention to suggest that the Report does not meet the Principle of Completeness with respect to scope, boundary and time. However, certain disclosures related to the identified GRI Standards are currently not aggregated and brought out in the Report as the Company is in the process of strengthening its systems to record and report this information reliably in future reporting periods.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures related to sustainability performance and issues are presented in a neutral tone, in terms of content and presentation, along with key challenges faced during the period. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

For DNV GL Business Assurance India Private Limited

	
Bhargav Lankalapalli Lead Verifier DNV GL Business Assurance India Private Limited, India	Vadakepatth Nandkumar Assurance Reviewer Head – Regional Sustainability Services DNV GL Business Assurance India Private Limited, India.

30th October 2019, Mumbai, India.

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