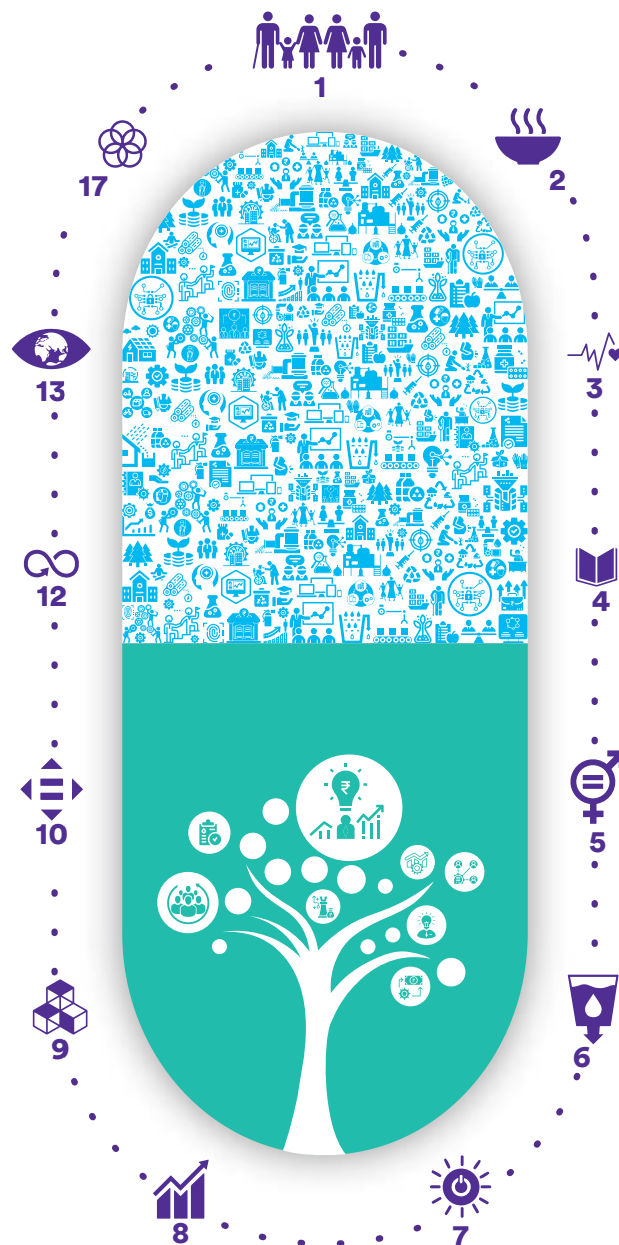


TRANSFORMING FOR A SUSTAINABLE FUTURE

SUSTAINABILITY REPORT 2019-20



**GOOD
HEALTH
CAN'T
WAIT**

Inside the Report

Co-Chairman's message	02	Response to COVID-19	32
Our business	08	Planet	40
Our purpose, promises and values	08	Targets and roadmap	42
Our footprint	10	Energy and emission management	43
Our key business segments	12	Water management	47
Our strategy	14	Material management	57
Our impact	20	Waste management	59
Sustainability at Dr. Reddy's	22	Biodiversity	61
Our sustainability journey	22		
Stakeholder engagement and materiality assessment	24		
Corporate governance	30		

Global sustainability frameworks we align to



FY2020 Sustainability Highlights



Planet

8.8%

Energy from renewable sources

72%

Water Neutral

17,984 tons

100% Non-Hazardous waste recycled / sold to third party



Read more on **page 40**

People	62	Awards and recognition	96
Our employees	62	About this report	98
Nurturing communities	76	Alignment with global sustainability frameworks	100
Profit	84	GRI index	101
Affordable and innovative medicines	84	GHG quantification methodology	105
Financial performance	88	Independent assurance statement	110
Operational excellence	89		
Digitalization	92		
Sustainable sourcing	93		



26.67


Average man-hours of training per employee

358,272

Lives touched through CSR initiatives

Zero

Fatalities and Occupational Illness Frequency Rate (OIFR)

 Read more on **page 62**



Profit

8.8%


Percentage of Revenue invested in R&D

168

Products launched

₹ 174,600 million

Revenue

 Read more on **page 84**

Co-Chairman's message^①



Dear Stakeholders,

Our credo of **Good Health Can't Wait** and our commitment to the triple bottom line philosophy of people, planet, and profit has shaped our journey to become a leading global pharmaceutical company.

Our approach to business is guided by three strategic principles: Leadership in Chosen Spaces and key markets, Operational Excellence and Continuous Improvement, and Patient-Focused Innovation. These principles also help us advance our sustainability agenda.

I have outlined below the themes of our sustainability journey and the progress and improvement opportunities of the past year.



The greatest impact we have on society is through our purpose - Accelerate access to affordable and innovative medicines because 'Good Health Can't Wait'.

^① GRI 102-14



Growth, sustainability, and a future-ready business

During FY2020, your company delivered a strong financial performance with 13% revenue growth and a 36% increase in EBITDA compared to the previous financial year. It was also a year in which we drove operational leverage, cost control and transformation in our operations and quality management system. Our efforts resulted in improved productivity as well as quality. We were also able to successfully resolve all USFDA observations and our sites worldwide are fully compliant with requirements of all regulatory agencies.

Our operational excellence initiatives are integrated with our sustainability goals and address reduction in raw material consumption and conservation and reduction in energy and water usage. We are replacing fossil fuel usage with renewable energy. Our process development also integrates sustainable manufacturing by emphasizing green chemistry and efficient processes that consume less raw materials, energy, and other scarce resources while minimizing cycle times.

Digitalization is another important focus area for us. Digitalization projects in manufacturing and R&D have helped achieve significant efficiencies and cost savings in FY2020. Integrating digital into every aspect of work is making us future-ready.



Environmental stewardship

In FY2010, we adopted our environmental commitment for FY2020 and I am happy to



We are the only Indian pharmaceutical company to have signed the SBTi (Science-Based Target initiative) commitment during the COP 25.

report that we have exceeded our targets on Specific Water consumption, Waste Reduction, and Hazardous Waste to Landfills. There were, however, a few areas where we fell short and will be the focus of our efforts in this year. While managing to reduce our specific energy consumption by 31%, we missed our target by 9%. We also missed our target on increasing the share of renewable energy by 16.2%, only managing an 8.8% increase. Additionally, while we had targeted 100% water neutrality, we attained 72%. Our renewed environmental sustainability roadmap sets out targets on emission, energy, water and waste management, which are discussed in the Planet section on Page 40.

We have also set aggressive targets for achieving both water and carbon neutrality and are the only Indian pharmaceutical company to have signed the SBTi (Science-Based Target initiative) commitment during the COP 25.

We have devised an internal carbon and water pricing mechanism to promote resource efficiency and establish a lower carbon footprint through the responsible use of energy and water. This internal pricing system will become part of all major activities from FY2021.

Co-Chairman's message

₹ 819 million

Investment towards environmental management.

In FY2020 we invested ₹ 819 million towards environmental management activities across the organization. I am happy to report that our solar energy consumption was ramped up to 65.96 million kWh in FY2020 from 49.4 million kWh in FY2019, thereby avoiding carbon emissions of 54,084 tons of carbon dioxide equivalent (tCO₂e). We also generated 127.15 TJ of energy using biomass/rice husk briquettes, eliminating 12,997 tCO₂e of GHG emissions.

We continue to support global initiatives such as the UN Sustainable Development Goals (UN SDGs), UN Global Compact (UNGC) Principles, Carbon Disclosure Project (CDP), and Dow Jones Sustainability Index (DJSI). We measure our performance using these frameworks and we are pleased to report steady progress across all the Sustainability Development Goals of the UNGC.

Supporting our communities

Our community development programs target 3 broad areas: education, livelihoods, and health, and we reached nearly 300,000 beneficiaries this year.

Our School Improvement Program (SIP) to enhance the quality of education in government schools covered 229 schools

in FY2020. The schools that we directly run continue to see excellent outcomes for students.

Our flagship livelihood-based community development program “MITRA”, which encourages the adoption of latest technologies and best farming practices among small farmers, delivered a net average benefit per farmer of ₹ 6,653 per acre for food crops and ₹ 38,508 in vegetable crops. In FY2020, 1,100 lead farmers were identified and nurtured in 446 villages, which, in turn, led to 8,087 fellow farmers adopting these practices for both Kharif and Rabi season.

Additionally, our livelihood initiative “GROW” – which takes forward the legacy of the LABS (Livelihoods Advancement Business School) initiative – trained nearly 8,000 youth in FY2020. Over the past months, we made over 1,200 learning videos, and shifted to online lessons delivered online to continue our efforts on up-skilling and community development.





Through our Community Health Intervention Program (CHIP), we delivered primary and preventive care at the doorstep of a large segment of the rural population in 145 villages in Andhra Pradesh with over 200,000 people.

Our strong foundations and Business Continuity Plans enabled us to meet our two priorities during the pandemic – ensuring the health and safety of our employees and the continued supply of medicines to our patients.

It also gives me great pride to recognize the spontaneous efforts of colleagues who helped those in distress during the lockdown and Covid-19. A group of us came together to coordinate the relief efforts and allocated a budget of ₹ 250 million to it.



In collaboration with the Akshay Patra Foundation, we made 25,000 freshly cooked hot meals available daily in Telangana through the lockdown.



We distributed dry rations to more than 22,000 families in Telangana and 10,000 families in Andhra Pradesh.



We pledged to supply ₹ 50 million worth of N95 masks to the Telangana state government and contributed ₹ 50 million to the Andhra CM Relief Fund.



In addition, we distributed sanitizers, gloves, masks, and other protective gear to police force, health care workers, and other front-line officials.



Our India business is distributing protective gear (3 ply masks, hand sanitizers, and latex gloves) to 65,000 healthcare providers across India in a phased manner. EM teams are also providing protective equipment and sanitizers to healthcare professionals across geographies.

Today, more than ever, businesses need to be part of the solution to society's pressing problems. We have the resources, expertise, and the will to drive the positive outcomes that our communities need.

Co-Chairman's message



Nurturing our people

We work towards enhancing employee capabilities and an inclusive work culture across the globe. We have created several growth bridges within the organization for developing young, mid-management, and women employees to reach their full potential – a few of these programs are detailed on Page 69. A good example of the reach of our learning interventions is the People Development Week, held in FY2020 with over 200 learning sessions and active participation of over 18,000 employees. We provided 26.67 man-hours of training per employee in FY2020.

While large-scale programs build our leadership pipeline, we take pride in fostering a diverse and inclusive workforce. Women are well represented in many of our global geographies

but we still have a distance to cover in our India operations. Our workforce diversity efforts have been featured in the global Bloomberg Gender-Equality Index for three consecutive years.

Employee wellbeing and safety matter to us. This year we upgraded our internal safety index, “My Safety Index 2.0”. We are happy to report zero fatalities in FY2020.

With the onset of the COVID-19 pandemic, we introduced the “Safety Circle” initiative with a 360-degree approach towards employee health and safety. The Safety Circle focuses on 11 vulnerability areas including behavior, process, and infrastructure as well as proactive, preventive, and reactive actions.



Our workforce diversity efforts have been featured in the global Bloomberg Gender-Equality Index for three consecutive years.



These include an employee helpline number, regular communication on COVID-19 awareness, mock drills and audits. We adapted to new processes which include work from home, staggered work/ lunch hours, and moved towards a digital workplace. We have doubled the capacity of our transport fleet and modified facility entrances to maintain social distancing. We also introduced daily sanitization of work stations and common areas and made masks and sanitizers readily available. Further details on the Safety Circle are available on Page 33.

We also introduced a 'Life after lockdown' manual for our employees to ensure a seamless transition to the new normal.



The Safety Circle focuses on 11 vulnerability areas including behavior, process, and infrastructure as well as proactive, preventive, and reactive actions.



Our way

We are committed to an integrated approach to Sustainability and Business. We operationalize this through capability building, a culture of going beyond statutory requirements, and a continuous improvement mindset.

This report details some of our achievements, opportunities, and our roadmap to implement our sustainability strategy.

Our Purpose, Values, Governance and focus to create increasing value for all our stakeholders remain constants on our sustainability journey, as we serve patients globally through our credo of **Good Health Can't Wait.**

Best Regards,

G.V. Prasad

Co-Chairman and Managing Director

Our business

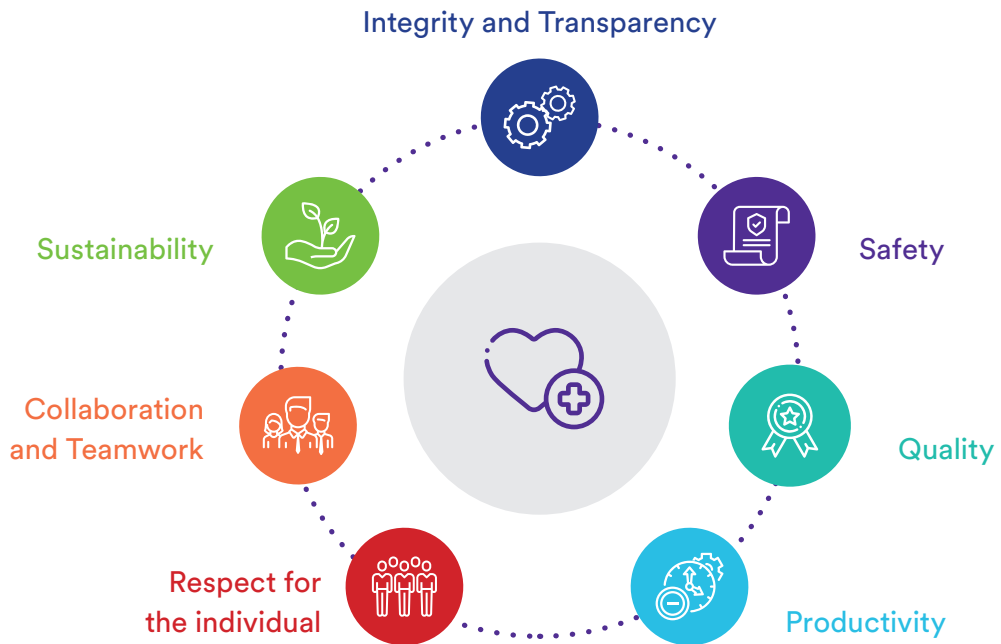
We are driven by our purpose, values, and promises to meet the health needs of society.

Our Purpose

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



Our Values²



Our Promises



² GRI 102-16

Our business

Our footprint³

Over the years, we have emerged as an integrated global pharmaceutical enterprise offering over 400 high-quality generic drugs to millions of people around the world. We have a presence in more than 42 countries, with 23 manufacturing and 9 R&D facilities. Our major markets include the U.S., India, Russia, China, and Europe. We also serve patients in other markets such as South Africa, Australia, Jamaica, New Zealand, Brazil, CIS, and Association of Southeast Asian Nations (ASEAN) countries.



Nationalities

48



Countries more than

42

Our manufacturing plants are located in India (Hyderabad, Vishakhapatnam and Baddi), the U.S. (Middleburg and Shreveport), the UK (Mirfield and Beverly) and Mexico (Cuernavaca) and Our R&D centers are in India (Hyderabad and Bangaluru) and Europe (Leiden and Cambridge).



Sales and Marketing Offices



Manufacturing Facilities

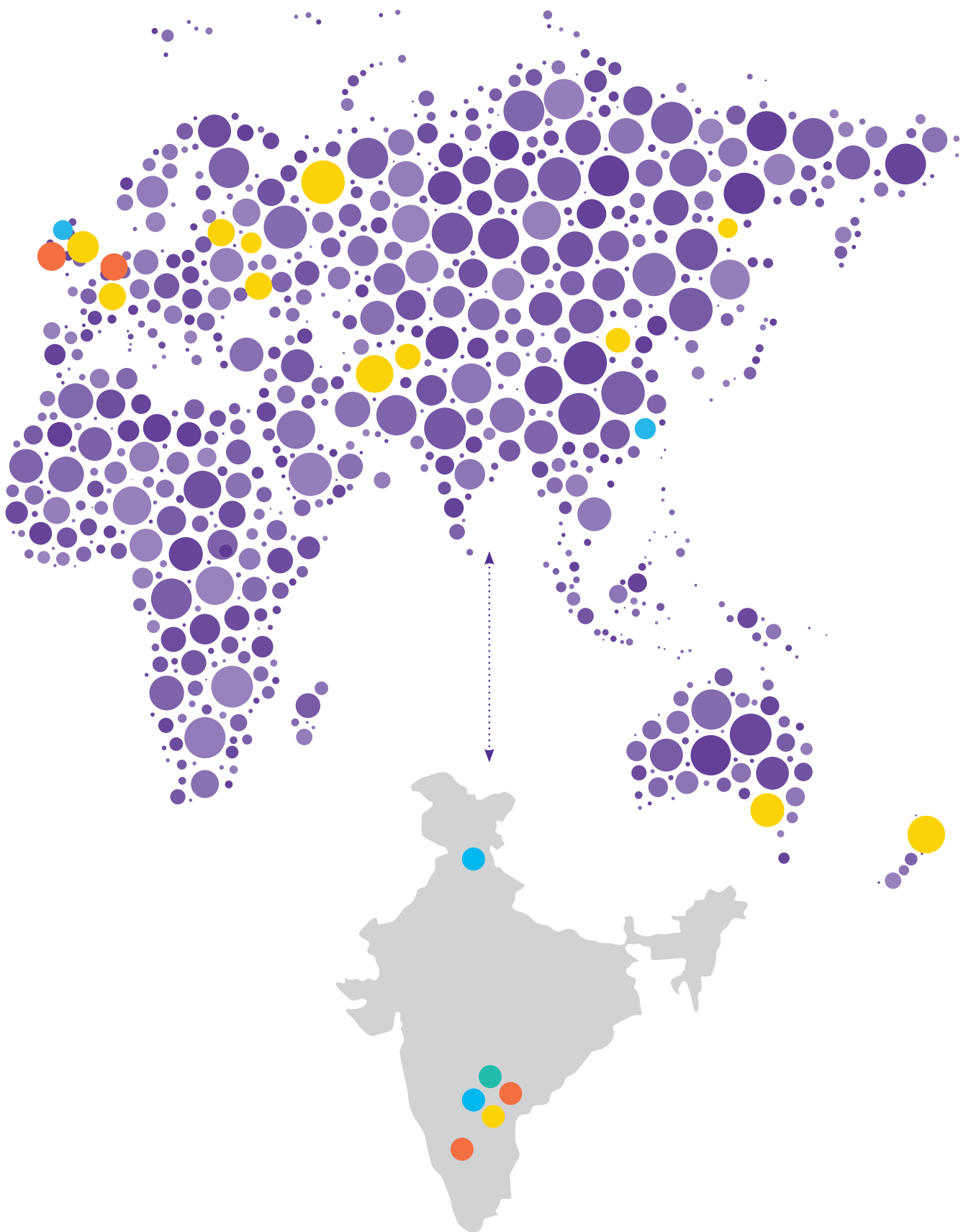


Research & Development Centers



Headquarters

³ GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-7



Our business

Our key business segments ^④

Our business is classified into three segments; Pharmaceutical Services and Active Ingredients (PSAI), Global Generics (GG), and Proprietary Products. Our major therapeutic areas are nervous system, gastrointestinal, cardiovascular, diabetology, oncology, pain management, respiratory and anti-infective.

Business segments



Pharmaceutical Services and Active Ingredients (PSAI)

What we do

- Our API (Active Pharmaceutical Ingredient) Business caters to leading innovator and generic companies across the U.S., Europe, Latin America, Japan, Korea and other emerging markets. With strong technical strengths in the development of complex APIs such as steroids, peptides, complex long chain synthesis and oncology we consistently deliver high-quality APIs.
- We also offer customized pharmaceutical services for research, development, scale up and manufacturing to innovator companies.

Highlights

- 7% increase in revenue compared to last year
- We filed 98 DMFs globally, of which 10 were in the U.S.



Global Generics

What we do

- Generic formulations, including tablets, capsules, and injectables are the largest part of our business portfolio.
- We offer more than 400 high-quality generic drugs.
- Our products include both small molecules and biosimilars.

Highlights

- 12% increase in revenue compared to last year.
- We filed eight new Abbreviated New Drug Applications (ANDAs) with the USFDA.
- We launched 164 products globally during FY2020.

④ GRI 102-2



Proprietary Products and Others

What we do

- Our Proprietary Products business focuses on developing differentiated formulations to fulfil unmet and under-met patient needs. These present significantly enhanced benefits in terms of efficacy and ease of use to offer a better patient experience.

Highlights

- We are advancing the development of our two in-license assets, in addition to the in-house pipeline to achieve an optimal balance between risks and costs.
- We sold the U.S. rights and select other territorial rights for two of our neurology brands — ZEMBRACE® SMYTOUCH® (sumatriptan injection 3mg) and TOSYMRA™ (sumatriptan nasal spray 10mg).

* Includes revenue of ₹ 7.4 billion from sale of territorial rights for two of our neurology brands in the United States



We have made significant progress in building a product pipeline that enables inclusive and affordable healthcare. We are confident that our journey of sustainable growth will only accelerate in the years to come.

- Mr. Erez Israeli,

Chief Executive Officer



Autonomous way of working has been the focus area in our cultural transformation, leading to resource efficiency and encouraging a self-driven safety mindset. As we continue our journey of cultural transformation, we aim to achieve a net positive impact on our ecosystem.

- Mr. Sanjay Sharma,

Head – Global Manufacturing Operations

Our business

Our strategy

Our efforts at strengthening our capabilities have taken specific focus over the last few years. Historically we invested a large share of our resources (including for the development of complex generics, biosimilars, and specialty assets) in the U.S. market. However, over the past few years we chose to leverage our assets to target more markets and reach more patients.

Our strategy has two components



Where we compete:

We call the areas where we choose to compete our “spaces”.



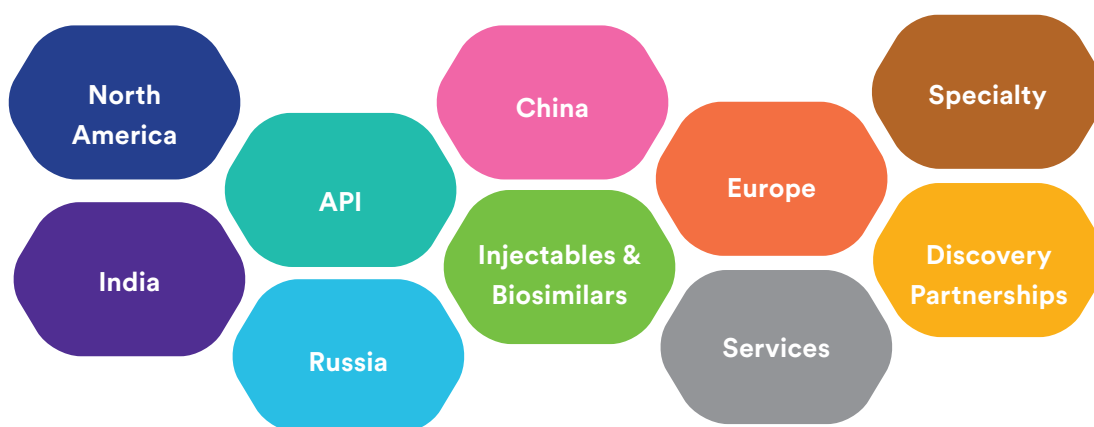
How we compete:

Defines how we aim to maximize our performance in our “spaces”



Where we compete - Our Spaces

Our current set of spaces comprise of three categories:



Focus growth & cash generation spaces



New growth drivers; leverage model



Future value creators

Some highlights for our spaces are detailed in the section below.

1. Focus growth and cash generation spaces

- **North America:** The North America business is our largest in terms of value and accounted for 37% of the revenues in FY2020. Our plan for North America is to strengthen the base business through a wide range of products launches, with a close control on risks and costs.
- **India and Russia:** India and Russia are at the core of our emerging markets strategy. Our objective in these markets

is to leverage our strong field force and relationships with health care professionals (HCPs) to create mega brands and win with IP-led differentiated formulations.

- **API:** Our priority in the API space is to build a portfolio of complex and differentiated products, backed by strong chemistry and synthesis skills. Going forward, our aspiration is to be the partner of choice for all our customers through cost leadership, backward integration, best-in-class customer service, and a strong compliance track record.

Our business

Our strategy

2. New growth drivers

- **China:** Evolving regulations and government interventions, such as centralized procurement, can enable an increase in access of our medicines to patients in China.
- **Europe and other emerging markets:** Our priority in Europe and other emerging markets is to leverage our assets to create multiple avenues of sustainable growth. Our approach is to grow in new markets with minimal investment and thus increase access to high-quality lifesaving medicines for patients who need them.
- **Biosimilars and injectables:** We have a strong pipeline of injectables and biosimilars and expect to build deep capabilities in both segments within branded and unbranded markets.

- **Services:** Through Aurigene Pharmaceutical Services Limited (APSL), our wholly owned subsidiary, we aim to offer world class Contract Development and Manufacturing services for innovators, using our differentiated capabilities in complex long-chain synthesis, peptides and oncology products.

3. Future value creators

- We aim to address unmet patient needs through our novel products and discovery partnerships value streams. We have multiple proprietary assets in the pipeline in various stages of development, and partnerships in place with innovator companies on early stage drug discovery.



70+ Products

Planned to be launched in the Chinese market in next few years.

How we compete:

In each of our chosen spaces, our top priorities are leadership, productivity and innovation. These interconnected themes form our strategy triangle.



1. Leadership in chosen spaces

We continue to strengthen our market presence and build leadership positions in each of our spaces through organic as well as inorganic growth opportunities.

Our strategy-to-win in our chosen spaces is centered around four aspects:

a) Portfolio strength

Build a diversified portfolio of difficult to make and difficult to commercialize oral, injectable, potent, biosimilar and proprietary products that can be leveraged across multiple markets.

b) Innovative go-to-market models

Create value for patients and other stakeholders through go-to-market partnerships such as out-licensing, distribution agreements, dossier sale and tech-transfers.

c) Best-in-class customer service

Ensure supply continuity, short order fulfillment cycles and a strong compliance track record.

Our business

Our strategy



Turn around underperforming businesses to make each business self-sustainable.



2. Operational excellence and continuous improvement

We seek to lead with a mindset of execution excellence and continuous improvement to better our EBITDA and ROCE on an ongoing basis.

We are on a journey to become more efficient through the following initiatives:

a) Streamlining global cost structures

Adopt philosophy of “do more with less”; eliminate waste across the system through better capacity utilization, and reducing R&D and SG&A expenses, while increasing productivity.

b) Digitalizing the core

Target digitization of our core processes to achieve better productivity across value sectors which include R&D, manufacturing, sales & marketing, partner management and analytics.

c) Dr. Reddy's execution system

Our execution system consists of strategy deployment process, lean daily management, kaizen principles, and digitalization for flawless execution.

d) Cost leadership

Drive efficiencies in manufacturing processes, overheads, procurement and vertical integration to have a better control on costs, and achieve cost leadership for our big-ticket molecules.



3. Patient-centric product innovation

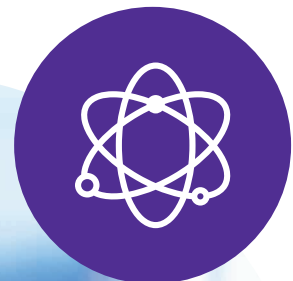
We have a strong focus on innovation using science, technology, and digital tools, to address the evolving needs of patients, physicians, and caregivers through the development of differentiated products, services and business models.

Our focus areas are as follows:

- Develop medicines to address unmet patient needs in disease areas of global relevance.
- Create value through services to help patients manage disease better, improve outcomes, and ensure patient well-being.
- Incubate experiments and programs that can improve access to healthcare.
- Develop partnerships to accelerate innovation and bring essential therapies to market with greater speed and agility, for e.g. we collaborated with Gilead and Japan's Fujifilm to bring COVID therapies such as Remdesivir and Favipiravir to India and the world.



Develop partnerships to accelerate innovation and bring essential therapies to market with greater speed and agility.



Our business

Our impact

We deliver on our promises and below are some instances of impact created by our teams for patients, customers and our partners.



Accelerating access to important drugs

Through a regulatory change in the U.S. pathway, competitive generic therapy (CGT) was designed. CGT expedites the development and review of certain abbreviated new drug applications (ANDA) with inadequate generic competition.

Our North America Generics (NAG) group pursued—and won—the CGT status for two key products.

The team's work cut across multiple activities, from on-time product filing, assurance of product shelf life, prompt execution of the launch, effective request for Pre-Launch Activities Importation Requests (PLAIR) and management of customer orders.

Promises Honoured - Bringing expensive medicine within reach | Working with our partners to help them succeed

Valsartan – Enabling access to safe Sartan APIs to customers worldwide

Sartans APIs are primarily used to treat blood pressure, kidney and heart related diseases. At the end of 2018, several Sartans from manufacturers across the globe were found to be contaminated with carcinogenic nitrosamine impurities.

These impurities were not detected during routine testing and resulted in recalls, causing inconvenience and additional financial burden on the patients.

Our regulatory and R&D teams proactively assessed the manufacturing processes of our sartan APIs and proved that the formation of nitrosamine impurities can be avoided by design through our manufacturing practices. To further avoid any potential of impurities through raw materials or key starting materials, we set up controls by backward integration and strategic sourcing partnerships, thus enabling access to ingredients worldwide.

Promises Honoured - Working with our partners to help them succeed | Helping patients manage disease better



We have significantly increased our manufacturing capacities for key sartan APIs such as Valsartan, Losartan K and are on track to further enhance these capacities by the end of FY2021.

Sustainability at Dr. Reddy's

Our sustainability journey

We have been progressing in our sustainability journey since 2004 and have been sharing our performance with our stakeholders ever since. Each of the milestones represented here shows the key sustainability theme on an annual basis for the last decade.

2010

Reaching beyond for **empowerment** beyond employment



2012

Inculcating a '**sustainability by design**' approach across all operations



2014

Benchmarking operational excellence with **sustainability gold standards**



2011

Introspecting on our performance across **key sustainability indicators**



2013

Triggering strategic actions and outcomes, evolving to '**sustainability in progress**'





2015

'Don't be patient because Good Health Can't Wait' - Embedding speed in our sustainability approach

2017

Going **beyond compliance** for a sustainable future

2019

Transforming health, transforming lives to **create a sustainable future**



2016

Weaving sustainability into all operations with the commitment of **Delivering Good Health**



2018

Creating lasting value for all stakeholders by **facilitating access and enabling affordability**



2020

The year of long-term commitments and **transforming for a sustainable future**

Sustainability at Dr. Reddy's

Stakeholder engagement⁵

Our efforts are directed at establishing direct and easy-to-access channels with different types of stakeholders. Our leaders regularly interact with various stakeholders to obtain insights on their concerns and the topics they consider important. These interactions provide valuable inputs for developing functional plans.

How do we engage with our stakeholders?



The subsequent table shows the role and importance of each stakeholder group, the modes of engagement, frequency and the key topics of interest.



Listening to our stakeholders and maintaining meaningful relationships with them helps us create shared value.






⁵ GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-40

Stakeholder group	Role and importance	Mode of engagement	Frequency of engagement	Key topics of interest that guide our areas of action
 <p>Employees</p>	<p>We recognize that the collective efforts and passion of our employees are what determine our productivity and profitability. We are committed to meeting their aspirations and ensuring satisfaction and growth.</p>	<ul style="list-style-type: none"> • Monthly and quarterly in-house publications • Intranet (round-the-year) • Chief Executive Officer (CEO) and Chief Operating Officer (COO) communications (quarterly) • Annual appraisals • Sustainability program-focused interviews and focus groups • Circulation of the public company disclosures • Employee satisfaction surveys • Team-building workshops • Capacity-building and training sessions • Grievance redressal mechanisms 	<p>Ongoing and need-based</p>	<ul style="list-style-type: none"> • Occupational health and safety • Career planning and development • Market-based compensation, benefits and amenities • Employee welfare programs • Collective bargaining/ freedom of association • Diversity at the workplace (gender, ethnicity and differently abled) • Contract labor management practices • Sustainability performance, especially environment, health and safety • Training and capacity-building • Code of Conduct and corporate policies
 <p>Patients, Customers and Healthcare Professionals</p>	<p>Our patients are at the heart of why we do business. Our patients, customers and healthcare professionals provide valuable inputs that help us understand their requirements, which enables us to strengthen our product portfolio and serve them better.</p>	<ul style="list-style-type: none"> • Dr. Reddy's Foundation for Health Education (DRFHE) meets Professionals • Dedicated programs for doctors, healthcare professionals, and patients 	<p>Half-yearly, need-based</p>	<ul style="list-style-type: none"> • Affordable medicines • Safety initiatives • Access to healthcare • Emergency medicines • Cure for difficult diseases

Sustainability at Dr. Reddy's

Stakeholder engagement

Stakeholder group	Role and importance	Mode of engagement	Frequency of engagement	Key topics of interest that guide our areas of action
 <p>Suppliers and Business Partners</p>	<p>We depend on our suppliers and business partners for critical business inputs. It is important for us to understand their challenges and expectations to ensure business continuity and encourage sustainable business practices.</p>	<ul style="list-style-type: none"> • Face-to-face meetings • Supplier and vendor meets • Strategic business partner training and development • Carrying and forwarding agent meets • Supplier audit programs and interviews • Supplier/vendor awards 	<p>Half-yearly, need-based</p>	<ul style="list-style-type: none"> • Economic growth and financial stability • Business ethics and transparency • Status of compliance • Training and development of partners and suppliers • Environmental footprint of operations • Social accountability • Long-term sustainability targets and goals • New initiatives and campaigns • Incorporation of industry best practices
 <p>Investors and Shareholders</p>	<p>Our investors and shareholders provide us access to financial resources that support sustainable business growth. Ensuring transparent communication with them is important to retain and strengthen our relationship of mutual trust.</p>	<ul style="list-style-type: none"> • Investor and analyst meets • Presentations at industry forums • Circulation of the Annual Report and Sustainability Report • Communicating financial results to shareholders through email • 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 disseminated internationally • Earnings calls with analysts and investors 	<p>Annual, need-based</p>	<ul style="list-style-type: none"> • Economic performance • Sustainable wealth creation • Risk management • Responsible investment practices • Sustainability reporting and disclosures • Investments in new products and processes • Transparency and disclosure of performance

Stakeholder group	Role and importance	Mode of engagement	Frequency of engagement	Key topics of interest that guide our areas of action
 <p>Communities and Non-Governmental Organizations (NGOs)</p>	<p>Connecting with local communities gives us a better understanding of their needs. This helps us contribute meaningfully to sustainable community development. Our partnerships with NGOs and other organizations facilitate our efforts towards creating shared value.</p>	<ul style="list-style-type: none"> • Direct engagement at facility and project site • Dedicated Corporate Social Responsibility (CSR) team-led engagement • CSR initiatives and healthcare projects • Visits and camps 	<p>Continuous and need-based</p>	<ul style="list-style-type: none"> • Infrastructure development • Education and healthcare • Environmental protection • Employment opportunities and employability • Human rights • Environmental footprint of operations

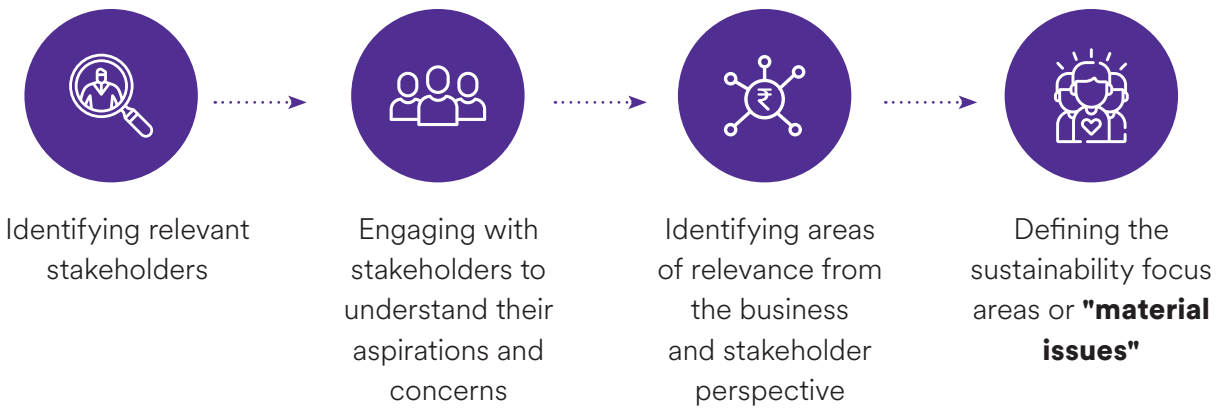


Our patients, customers and healthcare professionals provide valuable inputs that help us understand their requirements, which enables us to strengthen our product portfolio and serve them better.

Sustainability at Dr. Reddy's

Materiality assessment^⑥

Our current material issues are an outcome of the materiality assessment exercise conducted in FY2009. The materiality assessment encompassed four key phases, starting with stakeholder identification and culminating in the finalized sustainability focus areas. The process is elaborated below.



⑥ GRI 102-47

Every year, we internally review our material issues in the context of the business environment. Our review process confirmed the relevance and applicability of our six material issues, as listed below, for the current reporting period.

We are undertaking a dedicated stakeholder engagement and materiality assessment, the outcome of which will be presented in the next Sustainability Report. In subsequent sections of the report, we will discuss our performance and key initiatives undertaken across our material issues.

Material issues	Stakeholder in focus	SDGs in focus
Affordable and innovative medicines	Patients, customers, communities and healthcare professionals	 
Environmental management	Communities, employees, suppliers, business partners and NGOs	   
Being an employer of choice	Employees	  
Product responsibility	Employees, patients, customers and healthcare professionals	 
Sustainable sourcing	Suppliers and business partners	 
Caring for communities	Communities, NGOs and employees	   

Our governance framework guides and encourages balanced performance across these material issues.

Sustainability at Dr. Reddy's

Corporate governance⁷



Governance structure

Our Board of Directors lead the company's governance systems and provide strategic oversight to the company's performance. Our Board has expertise in the fields of strategy, finance, operations, science, human resources,

information technology and economics. This diversity helps us tap into varied leadership perspectives and provides an opportunity to benefit from their expertise. The Committees of the Board are mentioned below.



- Audit Committee
- Nomination, Governance and Compensation Committee
- Risk Management Committee
- Stakeholders' Relationship Committee
- Corporate Social Responsibility (CSR) Committee
- Science, Technology and Operations Committee

⁷ GRI 102-18



Business ethics and compliance

Our Code of Business Conduct and Ethics (COBE) establishes an environment for acceptable behaviour and actions and is applicable to all Directors and employees, including those of our wholly owned subsidiaries. It covers corruption and bribery, discrimination, confidentiality of information, conflicts of interest, anti-trust/anti-competitive practices, money laundering and/or insider trading, environment, health and safety, and whistleblowing, among other things. We ensure that the Board and all our employees across the globe conform to the COBE.⁸ In FY2020, no incidents of bribery or corruption were reported, and all our operations were assessed for risks related to corruption. However, there were two cases regarding anti-competitive behaviour that are under investigation.⁹ ¹⁰

The implementation of our COBE is supported by our governance structure and periodic internal audits. Our ombudsperson policy (Vigil Mechanism) also provides a platform to report concerns on actual or suspected violations of the Code¹¹. During FY2020, we received and resolved 165 stakeholder complaints after due investigation. Our Chief Compliance Officer (CCO) and Compliance team ensure that the company's compliance status is periodically updated and presented to the Senior Management and to the Audit and Risk Committee on a quarterly basis. Further details can be found in our Annual Report FY2020.

⁸ GRI 205-2

⁹ GRI 205-1, GRI 205-3

¹⁰ GRI 206-1

¹¹ GRI 102-17

¹² GRI 102-11, GRI 102-15



Sustainability governance

The Safety, Health, Environment (SHE) and Sustainability governance framework has the below components and review cycles -

- 01. Business Unit Level Reviews –**
Operational review (Monthly)
- 02. Finance, Investment and Risk Management (FIRM) Council –**
Risk review (Quarterly)
- 03. Integrated Assurance Forum (IAF) –**
Compliance review (Quarterly)
- 04. Board of Directors (BOD) –**
Performance reviews (Quarterly).

The SHE and Sustainability reviews and inputs help shape the overall planning and improve our execution.



Risk management

Our Enterprise Risk Management (ERM) team is responsible for the identification, prioritization and categorization of risks, and defining risk mitigation strategies. The ERM team is supported through cross-functional participation to make the risk management process all-encompassing. Moreover, our ERM framework employs qualitative and quantitative thresholds for risk management. This gives the senior management a clear view of risks that have progressed to high criticality, thereby requiring immediate action. Our Board of Directors monitors the identified risks and provides guidance on appropriate mitigation actions.¹²

Response to COVID-19

The novel coronavirus disease 2019 (COVID-19) was declared a global pandemic by the World Health Organization on 11th March, 2020. As an organization responsible for producing essential drugs, we have ensured operational continuity in order to serve patient needs, without compromising the health and safety of our employees and their families. This section of the report details our strategic response to COVID-19 induced challenges.

Our initial organizational response to the pandemic was across six fronts as seen below.



The Safety Circle

We are managing the COVID-19 challenge across eleven core areas that we think of as The Safety Circle.



Response to COVID-19

Business response to COVID-19

The pandemic propelled us to strengthen our health and safety systems and adopt stringent review and monitoring mechanisms. We also replicated the safety best practices that we follow at our manufacturing plants across all our locations and offices.

We introduced Business Continuity Plans (BCPs) in two phases to enable a smooth transition to working and living with 'the new normal'.



Business Continuity Plan 1.0 (BCP 1.0)

Pro-active and preventive measures taken

- Introduced a pattern of 12-hour shifts, 4 days a week instead of the regular 8-hour shifts to maintain social distancing.
- Regulated remote working to safeguard our employees and comply with Government regulations.
- Established a zoning strategy across our plants and offices, designating our employees to specific zones.
- Bifurcated transport according to the plant allocations for all our employees.
- Maintained availability of mandatory PPEs for our maintenance or facility management employees across zones.
- Segregated lunch timings at our cafeterias across plants and offices.
- Initiated the KeepSafe app by our IT team with Bluetooth and GPS enabled features to facilitate easy tracking of COVID-19 positive cases across our plants and offices. We also introduced a mandatory self-health declaration for all employees through this app.
- Established a list of vulnerable employees to COVID-19, whilst ensuring weekly check-ups on their health with our doctors across Business Units.
- Regularized monitoring mechanisms for the health of all our employees for 14 days if they come into contact with external one-time contractors/drivers.
- Ensured regular communication of flash reports with our management to monitor the effectiveness of our business continuity planning and safety initiatives.
- Established an emergency control centre for daily communication of precautionary measures to our employees.
- Implemented scenario analysis and drills across our plants and offices to respond to an emergency on identification of a positive COVID-19 case.



With the onset of pandemic, we came across significant disruption and uncertainty. But our primary focus was to ensure all preventive measures are implemented and our employees are able to adapt to the situation. We redefined the processes, operated at optimized staffing level and brought new innovations to the system ensuring continuous running of our plants.

- Sreenivasa Reddy Battula,

Plant Head – Formulations Plant 2



Business Continuity Plan 2.0 (BCP 2.0)

Stringent review mechanisms in place

- Stringent review of progress on BCP 1.0.
- Implementation of strategic inputs from our senior management and leadership to target areas of improvement and ensure efficacious application of monitoring mechanisms.
- Established mandates and pledges to ensure stringent adherence to COVID-19 precautionary measures.
- Introduced the COVID-19 Index, similar to our My Safety Index (MSI) to monitor the health and safety status of our sites and offices.
- Established a cross-functional team for internal safety validation or audits of COVID-19 parameters and precautionary measures introduced in BCP 1.0.
- Incorporated night vigilance parameters as part of BCP 2.0 to ensure zero violations of mandatory COVID-19 rules and regulations.
- Prefaced a set of disciplinary actions to be taken against any employee in case of any violation of the rules and regulations.



Response to COVID-19

Our support for employees

As an essential services provider, we continued to work throughout the lockdown period with a limited workforce across our business units and plants.



A brief overview of the organisation's initiatives to support employees have been provided below.

- Our Information Technology team ensured seamless support to operations across our global locations.
- Employees who reported to office premises were provided a 'hardship allowance'.
- We established work from home norms to support a healthy work-life balance.
- We provided "Your Dost", an online emotional wellness platform to our employees as an additional enabler of mental and emotional health during the lockdown. The wellness platform is accessible 24x7 for our employees and their families with support services such as 1-1 personalized chat sessions with certified clinical psychologists, telephonic helpline, appointment-based audio/ video sessions and online webinars.
- We promoted deeper communication with our employees and visited manufacturing sites during the lockdown to support our frontline workers and applaud their dedication. Our CEO also interacted with employees every fortnight to keep them abreast of company highlights and address any queries raised.
- Our AI Chatbot 'Amy' offered a knowledge pool for COVID-19 resources and precautionary measures. Additionally, it caters to IT, HR, Safety and Health related employee queries.
- Our facilities team continued with seamless operations during the lockdown with strict measures and protocols in place. We ensured sites are regularly sanitized, with mandatory PPEs being provided to each of our employees.
- We extended our health insurance coverage to an additional ₹ 0.3 million per person (including pre-covered family members) for COVID-19.

- We celebrated our brave workforce and front-line workers across geographies through 'Humans of Dr Reddy's and 'Braving Corona Times'. Our management council members regularly appreciated our teams for going beyond the call of duty and ensuring access to critical medicines without delays.
- The 'Life After Lockdown' manual was introduced for our employees, to provide safety and health related measures to be followed during work-from-home, employee transit, once at the workplace and when at home. The manual also offers guidelines to be followed for field work.
- We introduced a 360-degree approach to employee health and safety on World Day for Safety and Health at Work. It covers eleven core aspects that provide rules and regulations, precautionary measures, COVID-19 knowledge resources and emergency planning for all our employees across business units.



I have witnessed both Dr. Reddy's empathy and dynamism in these tough times. The proactive ways of reaching out to every employee to ensure their wellbeing through technological solutions, digitalizing work flow in no time and assuring safety of every individual, has instilled immense pride in my heart.

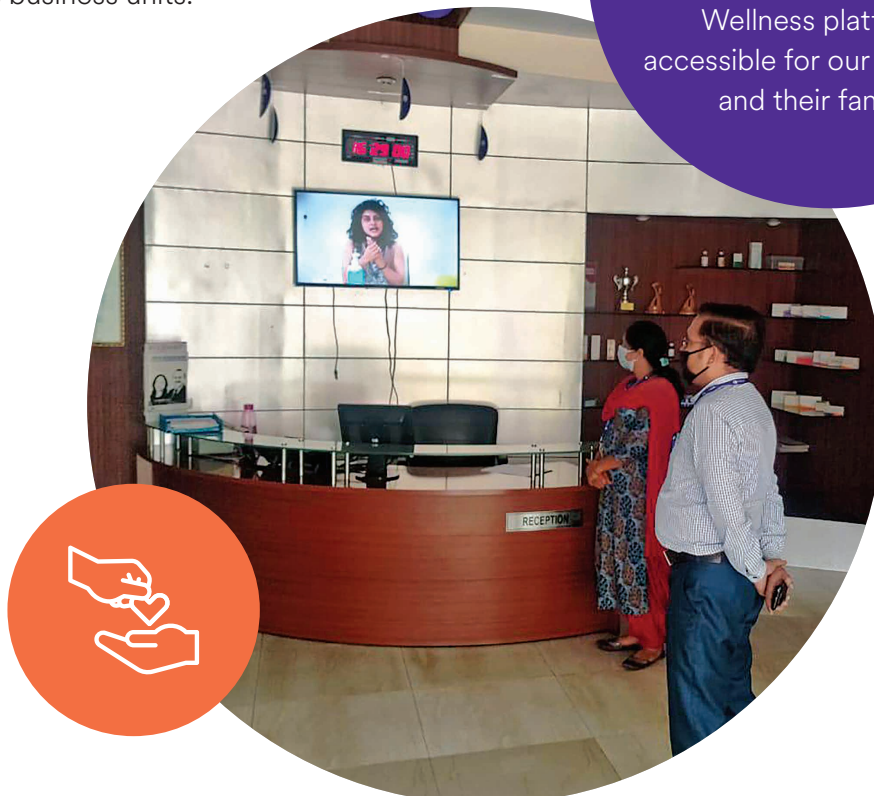
- Bonita Borges,

Formulation Scientist - Integrated Product Development Organization (IPDO)



24x7

Wellness platform is accessible for our employees and their families.



Response to COVID-19

Our response for patients and community needs

Here are a few initiatives that characterize our efforts to meet the needs of patients and the community:



● ● ●
Ensuring availability of critical drugs whenever needed during the peak of COVID-19 in Italy: When Italy became the epicenter of COVID-19, the healthcare system was stretched beyond its limits. The sudden lockdown, implemented to curb the spread of the virus, had also impacted the supply of medicines and other supplies. Recognizing the crucial nature of our services, our team in Italy was quick to adapt to the new conditions of working from home. We pivoted to partner with several logistics companies that specialized in drug deliveries and this made it possible for us to collect drugs from

our warehouses and deliver them to hospitals across the country within 24 hours. We were able to meet our patient needs at this time without attaching any extra charges to this urgent and necessary effort.

- Our response to COVID-19 is also aimed at developing treatment. For this we partnered with Tokyo-based Fujifilm Corporation and Dubai-based Global Response Aid for the development, manufacture and sales of Avigan Tablets (favipiravir), a potential treatment of COVID-19. The licensing agreement with Gilead Sciences Inc grants us rights to register, manufacture and sell Remdesivir in 127 countries, including India. We have also received regulatory approval for phase 2 and 3 testing of Russian COVID-19 vaccine Sputnik V. We have several other products under development and trial phase for COVID-19 treatment.

- Our Betapharm team in Germany stood true to its reputation of going above and beyond the usual requirements by providing up-to-date information on COVID-19 through well-established communication channels with healthcare professionals and pharmacists. The team also collated practical tips on a range of aspects related to health, like social security information, well-being and stress management and home care among others.
- When there was a spike in the demand for our products in the United Kingdom, our customer service team ensured it collaborated as required to meet these urgencies and provided pharmacies and patients with our medication with minimal disruption.
- In the U.S., we ensured regular supplies of hydroxychloroquine and propofol to hospitals who were hit hard by the pandemic, particularly in New York and New Jersey.
- Our manufacturing facilities in Shreveport Louisiana USA, used excess capacity to produce hand sanitizers and donate them to area hospitals and health systems.
- In addition, our employees volunteered to support the Government of Telangana Social Initiative Forum and the Akshay Patra Foundation towards the distribution of food at their designated centres.
- We made monetary donations of ₹ 50 million to the Government of Telangana to enable access to N95 masks for frontline health workers in the state, along with a contribution of ₹ 50 million towards the Andhra Pradesh CM Relief Fund.
- We donated 300,000+ N-95 masks, 100,000+ pairs of gloves, 10,000+ bottles of sanitizers and Hydroxychloroquine tablets to medical professionals, public servants and healthcare institutions across India.

Understanding the needs of community in these times of crisis, we extended support as follows:

- In collaboration with The Akshay Patra Foundation, we sponsored 25,000 meals a day for people facing the adverse impacts of the pandemic. We also donated dry provisions to 20,000 families in need across Telangana and Andhra Pradesh.



Planet

Our performance in FY2020

61%

specific water consumption reduced against the target of 40%*

100%

of our non-hazardous waste in FY2020, i.e. 17,984 tons, was recycled / sold to third party

31%

specific energy consumption reduced against the target of 40%*

48%

specific hazardous waste generation reduced against the target of 40%*

8.8%

achieved renewable energy share against the target of 25%*



SDGs in focus



We are committed to achieve our ambitious goals for climate change by adopting tools like Task Force on Climate-related Financial Disclosures (TCFD), Internal Carbon Price (ICP), Science Based Targets (SBTi). Our Sustainability Ambassador program is designed to spread awareness among the employees about our sustainability initiatives and motivate them to become Sustainability Ambassadors to achieve our Sustainability Goal for the next decade. I strongly believe with proactive collaboration and partnership, we can achieve sustainable transformation.

* These targets were part of our Environmental Commitment Statement adopted in 2010, for the year 2020.

- Mr. Thakur Pherwani,
Global Head - SHE & Sustainability

Our approach to environmental management

We realize that addressing environmental challenges is the need of the hour. We are conscious of our environmental footprint and are committed to make our business sustainable. We do so by evaluating our operation's environmental impact, implementing eco-friendly technologies and investing in impact mitigation measures. Our key focus areas are - emission management, energy efficiency, water resource management, resource conservation, hazardous waste management and biodiversity conservation.

Since 2009, we have prioritized the integration of environmental aspects into our long-term business strategy and activities, along with dedicated budgets for our environmental initiatives. We undertake environmental initiatives and capacity-building programs, both within our organization and as part of our community development programs.¹³

In FY2020, we revised our Safety, Health and Environment (SHE) Policy to cover our subsidiaries, joint ventures, licensees and suppliers.



Since 2009, we have prioritized the integration of environmental aspects into our long-term business strategy and activities, along with dedicated budgets for our environmental initiatives.

¹³ GRI 103-1, GRI 103-2, GRI 103-3

Planet

1. Our environmental targets and roadmap

We had adopted an Environmental Commitment Statement (ECS) in FY2010, with clear targets set out for FY2020. We have achieved three of the six targets and have identified areas of improvement. For instance, while our decision to install a coal-based co-generation plant in 2017 helped ensure reliable power supply, it impeded progress on our targets pertaining to specific energy consumption and renewable energy. Water neutrality is another area where we seek to improve our performance; towards this end, we have undertaken various initiatives which are presented in detail in the water management section.

Our progress on the targets outlined in the Environmental Commitment Statement:

AREA	ACHIEVEMENT AGAINST OUR ECS 2010 BY FY2020
Specific water consumption	Reduction of 61% against the target of 40%
Specific waste reduction	Reduction by 48% against the target of 40%
Stop hazardous waste to landfill globally	Achieved 99% against the target of 40%
Water neutrality	Achieved 72% against the target of 100%
Specific energy consumption	Reduced 31% against the target of 40%
Renewable energy share	Achieved 8.8% against the target of 25%

We have renewed our commitment by adopting short-, medium-, and long-term environmental targets. To structure our efforts towards achieving these targets, we have undertaken a number of initiatives, which include –

1. Adopting Science-Based Targets initiative (SBTi)
2. Setting our internal carbon and water price
3. Adopting the recommendations of Task Force on Climate-related Financial Disclosures (TCFD)*

Further details of these initiatives can be found in subsequent sections.

2023 Short Term	2025 Medium Term	2030 Long Term
100% waste circularity, including plastic (India)	50%+ renewable energy (Power-to-Power)	55% Scope 1 & 2 emission reduction (Base year 2017-18)
	100% water neutrality	
	100% waste circularity, including plastic (Global)	

* Developed by G20 Financial Stability Board

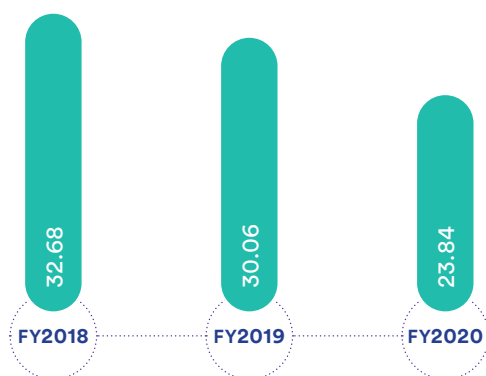
2. Energy and emission management

2.1 Energy and GHG emission management

The investments we have made in improving our energy management practices have started yielding results. Our energy and GHG emission intensity per unit revenue has consistently declined over the years. Also, there is reduction in the absolute GHG emission (Scope 1 & 2) by close to 13% from FY2018. We have achieved this even as our absolute energy consumption is maintained at the same level. This signifies that we have moved to cleaner energy options and our energy efficiency projects are delivering results.⁽¹⁴⁾ With this focus in mind, we have undertaken further measures to reduce our energy consumption, increase our use of renewable energy and offset GHG emissions.

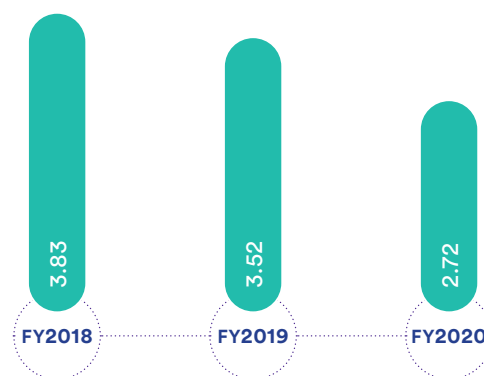
Energy Intensity

(GJ/₹ Mn of Revenue)



GHG Emission Intensity

(tCO₂e/₹ Mn of Revenue)



GHG Emissions (in tCO₂e)^{(15) (16)}

	FY2018	FY2019	FY2020
Total Scope 1 emissions	349,108	364,283	319,190
Total Scope 2 emissions	195,287	176,480	154,836
Total Scope 3 emissions	345,407	331,501	324,723

Energy consumption within the organization (in GJ)⁽¹⁷⁾

	FY2018	FY2019	FY2020
Fuel consumption – Non-renewable sources	3,222,184	3,318,534	2,968,984
Fuel consumption – Renewable sources	369,659	356,986	364,594
Direct energy consumption	3,408,424	3,501,260	3,096,138
Indirect energy consumption	1,232,775	1,122,810	1,066,051

⁽¹⁴⁾ GRI 302-3, GRI 305-4

⁽¹⁵⁾ GRI 305-1, GRI 305-2, GRI 305-3

⁽¹⁶⁾ The emission figures from FY 2017-18 onward have been recalculated in line with the revised methodology as per SBTi.

⁽¹⁷⁾ GRI 302-1

Planet

In FY2020, we implemented 182 energy conservation projects across various business units. This led to savings of ₹ 196 million and total energy savings of 244,446 GJ.

In order to achieve our environmental targets, we are consciously taking steps to increase our investments in clean and renewable sources of energy. In FY2020, our solar energy consumption was around 65.96 million kWh, thereby avoiding 54,084 tCO₂e of carbon emissions. In addition to this, we have also

generated 127.15 TJ of energy using biomass or rice husk briquettes, contributing to an elimination of 12,997 tCO₂e of GHG emissions¹⁸. Additionally, an increased share of shipments by sea this year has also enabled an effective reduction of our carbon emissions by 60,977 tCO₂e.

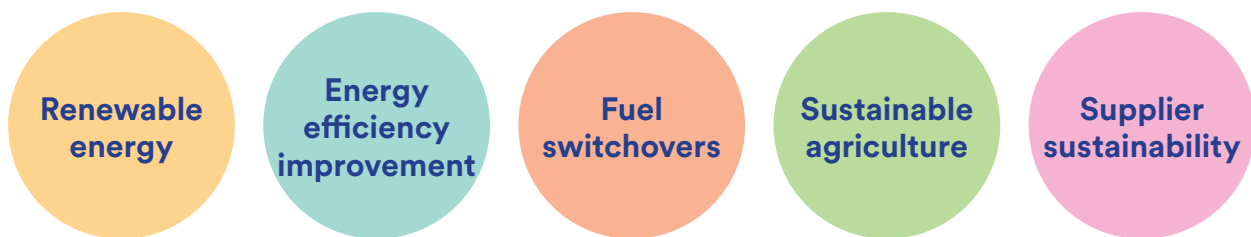


Our energy conservation initiatives have led to:

- 4,450 metric tons of coal saved
- 578.92 kl furnace oil saved
- Achieved 10,112 tCO₂e Scope 1 emission reduction

2.2. Our approach to energy and GHG emission management

Along with our strategy to achieve a 55% reduction in Scope 1 and 2 emissions by 2030, we have identified five focus areas to save costs, conserve energy and reduce our CO₂ footprint.



We are the first Indian pharmaceutical company to commit and receive approval for Science-Based Targets initiative (SBTi) for a 1.5-degree Celsius scenario in COP25 and set an Internal Carbon Price (ICP).

For driving financial investments towards our emission reduction initiatives, it was important for us to link our GHG emissions to financial matrices. We initiated the exercise to set the internal price of carbon (ICP) to help us estimate the financial impact of our future investments. For developing our ICP, we conducted an analysis of major carbon

reduction projects across our operations. We used project-specific capital cost, project lifetime, Operations & Management cost, cost of energy-saving and the emission reductions as inputs for our study to understand key areas of improvement. We also analyzed over 150 projects using the Marginal Abatement Cost Curve (MACC) to prioritize projects in

¹⁸ GRI 302-4, GRI 305-5

alignment with our SBTi declaration. Based on the outcomes of multi-department engagement (Central CapEx, Engineering, O&M, Finance), the ICP has been set at ₹ 937 / tCO₂e (i.e. \$ 12.54 / tCO₂e). This approach has helped us prioritize emission reduction projects with a clear financial advantage.

Also, in FY2020, we initiated the Task Force on Climate-Related Financial Disclosures (TCFD) assessment. TCFD provides guidance on disclosure of climate change-related risks and opportunities, governance, as well as setting targets and mitigation measures.

We conducted the transition and physical climate change¹⁹ risk assessment across the short-, medium-, and long-term for our manufacturing locations, supplier manufacturing locations as well as raw material and product logistics. Subsequently, mitigation measures will be developed for the identified risks and opportunities.

The key aspects of TCFD framework are governance, strategy, risk management and metrics and targets. These will be covered in detailed TCFD report, which will be released subsequently.



¹⁹ Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns, Transition risks are risks arising from the transition to a lower carbon economy and may pose varying levels of financial and reputational risk to organizations

Planet

2.3 Other air emissions ²⁰

In addition to regularly monitoring and reducing our GHG emissions, we also undertake initiatives to minimize other air emissions at our facilities. We have recorded a consistent decline in our SOx and NOx emissions, and made significant progress towards reducing other air emission intensity over the past few years. The performance details are presented below.

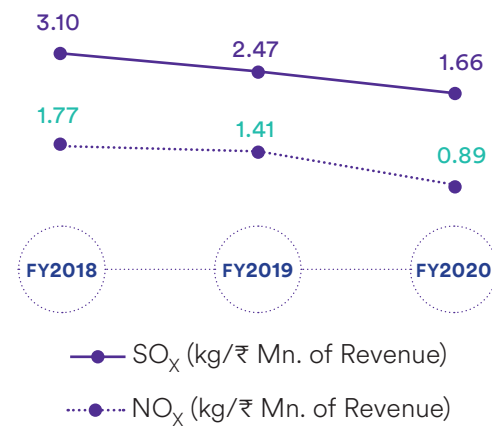
Other Air Quality

(tons)

	FY2018	FY2019	FY2020
SOx	440	380	289
NOx	251	217	151
SPM	163	133	97

SOX & NOX emission intensity

(kg/₹ Mn. of revenue)



²⁰ GRI 305-7

3. Water management ⁽²¹⁾

Increased water consumption and constrained water supply are among the most critical global risks. The pharmaceutical industry, with its requirement of consistent access to supplies of water is not immune to this risk. To mitigate water security risk, we continue to undertake water conservation initiatives in line with our target to achieve 100% water neutrality by 2025.

Our water consumption-related performance is presented as follows

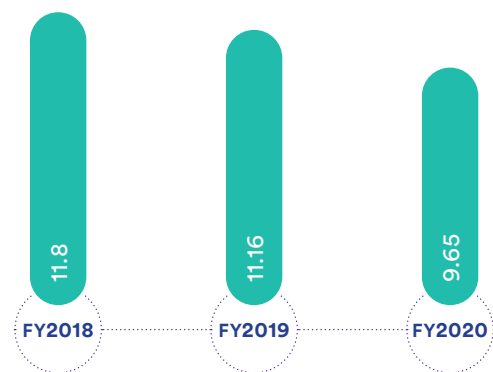
Water withdrawal by source

(in kl)

	FY2018	FY2019	FY2020
Municipal water supply	288,758	272,693	391,288
Other third party supply	695,454	656,042	452,727
Ground water	691,080	788,825	917,407
Total water withdrawal	1,675,292	1,717,560	1,761,422

Water intensity

(kl/₹ Mn of Revenue)



18%
reduction in water intensity
between FY2018 and FY2020.

⁽²¹⁾ GRI 303-1

Planet

3.1 Our approach to water management

The following initiatives indicate our approach to water management.

1. Water Pinch Study
2. Water Risk Assessment
3. Water Source Security
 - a. Alternate Water
 - b. Rainwater Harvesting
4. Wastewater Management
5. Internal Water Price

3.2 Water Pinch Study

Water Pinch Analysis is a systematic technique to reduce water consumption and wastewater generation. It considers water reuse and recycle opportunities by analysing flow and quality of different streams, while matching individual water demand. This also enables the preservation of ecosystem health.

We have employed the Water Pinch Analysis (WPA) tool to ensure implementation of water efficiency initiatives through a five-step process.



The water saving initiatives implemented in FY2020 led to a total freshwater savings potential of 216,816 kl/annum.

In FY2020, we completed the water pinch study for the Duvvada cluster, identifying potential water savings of 50,000 kl / annum and a cost improvement of ₹ 15 million / annum. Further to the encouraging project outcome, we initiated a similar project for Pydi, with other clusters to follow. We commissioned the new Zero Liquid Discharge (ZLD) system for Baddi and Duvvada, leading to water savings of 50,000 kl/annum.

3.3 Water risk assessment

For water risk assessment, we have employed the water risk evaluation tool (WATSCAN) for the identification of high / low water generation, water accumulation and water loss pockets in the watersheds where we have operations. This tool also supports the identification of high / low rate of groundwater fluctuation, and has applicability across scales, right from villages to river basins. The site survey and

final assessment for the three watersheds are still in progress, and we are taking dedicated steps towards the final proposal and cost estimation for initiating the water conservation efforts.



In FY2020, the WATSCAN study was completed for six watersheds where we have operations.



For water risk assessment, we have employed the water risk evaluation tool (WATSCAN).

Planet

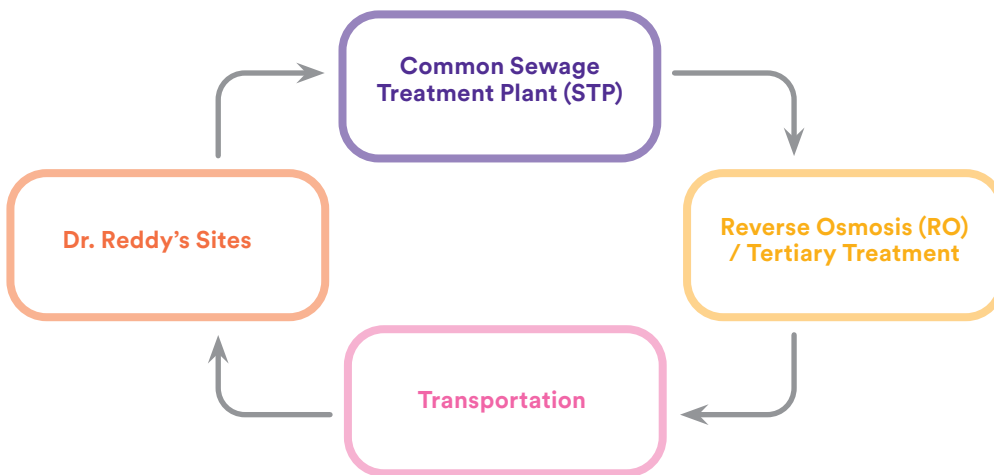
3.4 Water source security

In our efforts to ensure continued water availability in the locations where we operate, we have implemented initiatives with two focus areas: creating alternate water sources and rainwater harvesting (within and beyond the fence).

3.4 (a) Alternate water

We aim to increase our consumption of surface water, thus replacing and relieving pressure on groundwater sources. In FY2020, we initiated alternate water projects for the Bachupally and Bollaram plants. We have also executed a four-step model to ensure progress on and achievement of our targets. We intend to replicate these models and introduce similar innovations across our clusters – Bachupally, Vizag and Baddi.

Four-step model to increase consumption of surface water



The way forward on creating alternate water sources

- Build piezometric wells for groundwater monitoring and groundwater-dependent plants.
- Ensure groundwater quality monitoring for all Rainwater Harvesting (RWH) sites.
- Conduct borewell condition surveys and videography.

3.4 (b) Rainwater Harvesting

Within the fence

We continue to build rainwater harvesting structures across our manufacturing facilities. In FY2020, we developed a rainwater harvesting ponds at our Pydibheemavaram manufacturing site. The pond was built

adjacent to the medicinal plants and the guava garden, with a storage capacity of 5,500 kl and 888 kl, respectively. Our rainwater harvesting infrastructure across our manufacturing sites has contributed to 7% of our efforts towards water neutrality.



Planet

Beyond the fence

We have undertaken beyond-the-fence initiatives in the village of Devunipalavalasa. This involved the construction of a pond to harvest rainwater in about 40 acres of land. The total storage capacity of the pond is 320,000 kl, contributing to approximately

120,000 kl of recharge. We also undertook the revival of a 35-acre lake at Gundlapally, Nalganda. 100 villagers along with District Police Authorities expressed their support for this initiative through voluntarily participation.



8%
Contributed towards our
water neutrality.

Case study

Bringing water harvesting to Budhera

In partnership with Watershed Organisation Trust (WOTR), we embarked on a four-year project to build water harvesting structures within our site in Budhera to capture rainwater, reduce soil erosion and increase the infiltration of water into the aquifer below. Additionally, the project aims to develop a green cover within the site to improve biodiversity. Starting off in FY2017, we established drain lines and area treatments related to soil and moisture conservation. FY2017 and FY2018 saw select area treatments in progress to address afforestation. From FY2018 to FY2020, we

made provisions to maintain afforestation-related operations. Through this process, rainwater was captured by the soil moisture containment structures, which helped restore the soil profile and halted soil erosion and runoff, thus offering an opportunity for regenerating biodiversity.

Our trench-cum-bund with filled-in trenches has captured a significant amount of water during the monsoons.



2017



2019



2020

Over the project period, there has been a significant change in the water level during the monsoon season.



2017



2019



2020

Planet

The water captured in the Percolation Tank (top) and Farm Pond (FP) (bottom) not only increased the moisture content in the soil, but also resulted in increased bore well water levels located near the recharge structures.



Case study

De-risking ground water security in Bachupally

At our Bachupally site in Hyderabad, we are working towards the de-risking of ground water for FY2021. We plan to incorporate multiple water sources, such as surface water (Hyderabad Metropolitan Water Supply and Sewerage Board – HMWSSB pipeline and tanker) and reclaimed non-portable water

(external STP-treated water). In this manner, we plan to reduce our dependency on groundwater (RO tanker) supply, ensuring that the water is conserved and used only as a backup during peak demand. We estimate cost-savings from this initiative to be approximately ₹ 7 million.

3.5 Wastewater management ⁽²²⁾

While we ensure the judicious use of water in our business activities, wastewater management practices are also important. These help us mitigate the risks posed to the environment by harmful effluents and waste discharge, as well as reduce our water footprint through recycling.

Our journey towards Zero Liquid Discharge (ZLD) was initiated in 2004, with dedicated treatment facilities for process and non-process effluents. In FY2020, we successfully commissioned two more ZLDs, with capacities of 300 kld and 200 kld, at our Duvvada and Baddi formulation facilities, respectively.

We now have nine ZLDs across our manufacturing facilities in India, which provide 100% wastewater recycling for 16

out of our 17 facilities. Looking ahead, we seek to transform our manufacturing facility at Baddi into a Zero Liquid Discharge plant, to ensure 100% recycling facilities in India. Moreover, we aim to implement initiatives to reduce wastewater generation by 27,000 kl.

Apart from ZLD, we implement multiple projects for waste water management across our plants. For example, reutilization of the RO reject and condensate, Segregation of Multigrade Filter (MGF) backwash for reutilization. These projects also help us in savings costs.

These strategies and projects have helped us reduce our waste water discharge over the years.

Water cost

(₹/KL)



In FY2020, we achieved a wastewater reduction potential of 22,939 kl / per annum, with cost-savings of ₹ 11 million.

⁽²²⁾ GRI 306-1

Planet

The total wastewater discharged in FY2020 was 121,194 kl, while the total wastewater recycled / reused was 851,494 kl.⁽²³⁾

The total wastewater discharge across our Indian operations was 2,740 kl, comprising domestic effluents that are treated before discharge to meet regulatory requirements. The total wastewater discharge in Mexico, meanwhile, consisted of API effluent and stood at 114,922 kl. This effluent was treated internally to meet regulatory requirements before being discharged to a treatment facility in the Industrial Park.

3.6 Internal Water Price

To structure and further quantify our efforts towards water management, we have set the Internal Water Price (IWP). In the process of setting the IWP, we calculated water and cost savings across our water conservation projects,



In FY2020, 48% of our total fresh water consumption was recycled/reused.

over a period of eight years. This helped us determine the range for Internal Water Price, with calculations from our production plants across different watersheds. As a conclusion to the process, the incoming risk-adjusted water price ranges from ₹ 67 to ₹ 449 per kl (i.e. \$ 0.88 to \$ 5.91 per kl). The analysis of the difference between the water prices is derived from the willingness to pay and the actual incoming water price. This will help us prioritize water-saving initiatives and identify conservation projects that reduce our water risk.



851,494 kl

Total wastewater recycled / reused

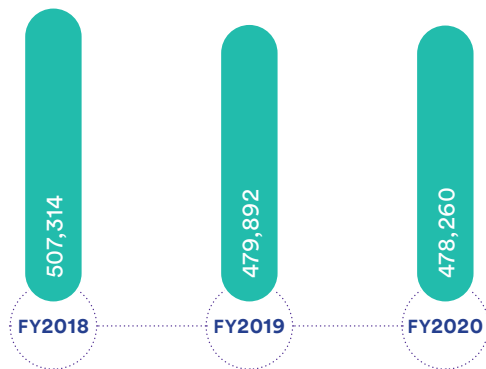
⁽²³⁾ GRI 303-3

4. Material management⁽²⁴⁾

Beyond energy and water, raw materials also play an important role in our core manufacturing processes. We ensure efficient use of resources and introduce recycled materials wherever possible. An overview of our raw material consumption over the past three years has been provided below. Our consumption levels for API and Excipients in FY2020 are similar to FY2019, and we have maintained the significant decrease we achieved in FY 2019 as compared to FY2018.

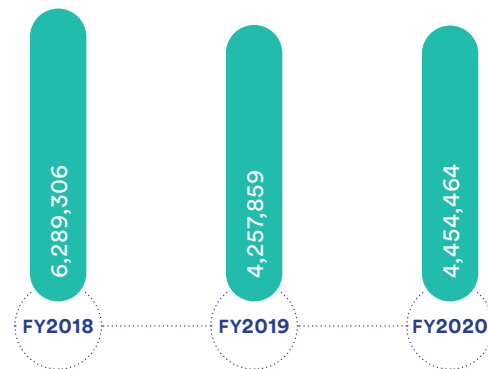
API

(in kgs)



Excipients

(in kgs)



Case study

Toluene residue reduction

In FY2020, we researched toluene recovery from residue. Through this study, we found an increase in toluene loss as they are carried over in residue, with significant vapour losses. We then focused on preventing the loss due to vaporization by employing condensers. The condensate from this process was then reused. This was implemented at API Plant 5 by line modification, with an existing decanter. We also provided vent condensers at various locations and observed that the solvent recovery improved to 96%, which also resulted in a reduction of residue generation by approximately 200 MT/annum.

Toluene recovery before and after project



⁽²⁴⁾ GRI 301-1

Planet

Green Chemistry

The application of green chemistry principles helps us identify ways to reduce both the environmental impact of our business and the potential negative health effects of chemicals. This has enabled us to choose proactive elimination of hazardous materials and improve efficiency.

We have adopted green chemistry principles in three areas.



People

In FY2020, we conducted five programs that trained 136 scientists and MSAT engineers on the green chemistry principles.



Process

We have evaluated five existing processes as per our Green Chemistry Index, which led to improvements for our products Atorvastatin Ca, Ziprasidone HCl, Clopidogrel Bisulphate, Irbesartan and Sumatriptan Succinate.



Technology

In order to minimize carbon footprint in product development, we have adopted flow chemistry, green chemistry and other relevant technologies.

Through the implementation of green chemistry principals, we have been able to achieve higher yields and reduction in steps. For instance, in FY2020, we identified a synthesis of elagolix sodium, which improved the overall yield from 16% innovator to 31%. Further, we also identified a synthesis of ROXADUSTAT which substantially reduced the Process Mass Intensity (PMI) with an innovator overall yield of 11% and an inhouse overall yield of 15%. The yield improvements have resulted in enhanced process efficiency, thereby helping us meet business needs aligned with environmental considerations.



5. Waste management²⁵

Hazardous and non-hazardous waste management

With all our API facilities achieving zero waste to landfill in FY2020, 98.7% of our global hazardous waste was co-processed and recycled. Our initiatives to reduce hazardous waste over the last few years have culminated in a 13% waste intensity reduction from FY2018 to FY2020. **100% of our non-hazardous waste in FY2020, i.e. 17,984 tons, was recycled or sold to a third-party.**

A breakdown of the total global hazardous waste disposed in FY2020 is provided below

Hazardous waste	Quantity disposed (in tons)
Landfill	133
Incineration	186
Recycle/Reuse	7,464
Co-Processing	17,577
Total hazardous waste	25,360

We have introduced technologies with a high replication potential in a bid to maximize their outreach and applicability. Along with a 657 MT reduction of hazardous waste, we also achieved ₹ 3.1 million of cost-savings.

As part of our push to reduce the hazardous waste generated, we have introduced the following new initiatives in FY2020.

Initiatives	Waste reduction (MT/annum)	Cost savings (₹ Million/annum)
Installation of a new thickening equipment and chemical agent which reduced the ETP chemical sludge volume by moisture reduction.	260	1
Removal of material by azeotropic distillation in DL acid, leading to reduced solid waste (organic residue) generated	250	1.5
Installation of paddle dryer, which reduced moisture content in ETP sludge	118	0.33
High TDS effluent segregation, which led to a reduction in process waste generated	23	0.15
CCM 4 process technology, leading to reduced ETP sludge generated	6	0.05

²⁵ GRI 306-2

Planet

Plastic neutrality and circularity

Our roadmap to achieve plastic neutrality aims to minimize plastic waste generation at source and maximize plastic waste reuse and recyclability throughout the value chain. We have constituted a Sustainable Packaging Council (SPC), a cross-functional team that draws members from R&D, Packaging Development, Sourcing and Sustainability. This team is tasked with minimizing our environmental footprint through redesigned packaging. The SPC identifies opportunities for reducing plastic packaging, evaluates alternatives, facilitates trials, undertakes cost-benefit analyses, and drives adoption of sustainable alternatives. In FY2020, the SPC considered more than four sustainable packaging alternatives, leading up to the ongoing trial phase.

Also, to fulfill our compliance under Extended Producers Responsibility (EPR), under the Plastic Waste Management Rules, we have adopted a waste circularity-based model, where close to 40% of our post-consumer waste will be recycled and offset by us in the form of recycled products like chairs, tiles, recycled paper, and books, among others. This approach supports waste circularity by ensuring recycling as well as creating a demand for recycled products. To support our efforts towards 100% waste neutrality, we are also exploring waste-to-oil projects, which leverage the opportunity of energy extraction from waste.



We aim to achieve plastic neutrality by FY2023 for our India operations and by FY2025 for our global operations.

6. Biodiversity

We nurture biodiversity as a part of our environmental responsibility. As a result of which, alongside the various initiatives focused on energy, water and other environmental parameters, we also include projects that have a positive impact on the biodiversity at each of our sites. A few of the biodiversity initiatives that were carried out in the Pydibhimavaram SEZ site during the year have been described below.

Projects	Description	Benefits
Medicinal plant garden	This garden consists of 123 species of various plants that hold medicinal value.	These plants are used in Ayurveda, siddha and folk systems of medicine. The garden also contributes towards reducing air pollution and is useful to students of botany and ayurvedic medicine. Farmers interested in the cultivation of medicinal plants have benefited from the variety of species made available to them in the garden.
Prasanthavanam	An afforestation-treatment program that cultivates 1,000 plants belonging to 55 different species.	The project was implemented across 3 acres of land within SEZ premises, consisting of forest plants and a small pond. This also contributes towards ground water recharge and conservation of water scarce resources.
Vanam Manam	The program comprises of 5,000 plants of various species, including fruit-bearing plants.	We leveled and planted saplings of several species over 20 acres of land with a survival rate of more than 90%. Our guava plantation is across 3 acres of this land and has started yielding fruits.
Miyawaki Dense Forest	We implemented the Japanese model of dense forests across 1.25 acres of land, which houses 7,000 plants belonging to varied species.	The method minimizes the requirement of land and accommodates 30 times more plants compared to traditional afforestation projects. Along with ten times faster growth, the three-tier plantation method also increased the density of plants per unit area.

Our afforestation initiatives at the Budhera site have also contributed to enhanced biodiversity. Some of our initiatives for FY2020 are as follows.

- Plantation of legume trees and nitrogen-fixing species
- Block plantation to represent forests
- Adoption of the Miyawaki technique, leading to strong plant growth and survival rate
- Utilization of bio-fertilizer as an additional application for enhanced plant growth
- Focused afforestation techniques

People

Our performance in FY2020

14.82%

women in management positions

26.67 hours

of training per employee

ZERO

fatalities and Occupational Illness Frequency Rate (OIFR)

2.25%

of profit (after tax) spent on CSR

358,272

lives touched through CSR initiatives

SDGs in focus

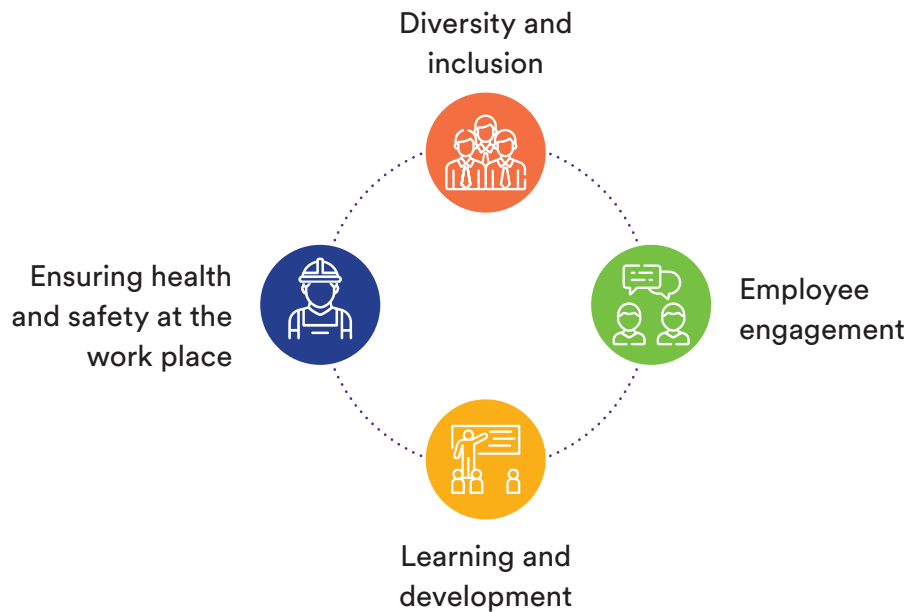


Being an employer of choice

Our growth comes from the collective effort of employees. Attracting the right talent is important to us and we strive to create an environment that supports our employees' growth and contributions. Our commitment to the development and wellbeing of our employees also helps us retain talent and improve productivity.⁽²⁶⁾

⁽²⁶⁾ GRI 103-1, GRI 103-2, GRI 103-3

There are four major parts to our employee management strategy.



In FY2020, we launched ASPIRE, a framework that articulates the leadership behaviours we consider essential to the success of the organization. We have been working closely with our employees to imbibe ASPIRE into our culture and make it a way of life. The details of ASPIRE are as follows.

ASPIRE

Leadership Behaviours

Dr.Reddy's 

A	Aspirational Growth Mind-set	We target industry-leading growth and cost leadership, thinking big and taking risks to reach our aspiration
S	Speed & Rigour in Execution	We act with agility; we are disciplined and rigorous in execution
P	People Leadership	We inspire people to reach their full potential through work and continuous learning
I	Innovation	We drive patient and customer-focused innovation in all areas using cutting edge science, technology & digital tools
R	Results Driven	We take responsibility for outcomes and own end results
E	Excellence Focus	We excel by combining deep professional expertise and disciplined execution

People

Diversity and inclusion

Diversity is a key element for newer ideas, perspectives and solutions which can help us grow as an organization. Our initiatives and actions towards this are as follows:

a. Supporting employees with disabilities

- Making disabled friendly infrastructure provisions
- Identifying job roles to improve employment opportunities
- Partnering with specialized hiring firms
- Sharing positive stories to promote a culture of inclusivity

In FY2020, we achieved our target of increasing the number of differently abled employees by 10%.

b. Promoting gender diversity

- Nurturing talent: We have taken steps to develop our women employees for leadership. The initiatives include Chrysalis, which is a 9-month leadership development program for women employees. We also have our all-women team of medical representatives, working in the cosmetic and aesthetic division – GLOWRIA. Apart from this we have initiated the process of identifying manufacturing lines that can be managed entirely by women, with two lines already operated by women employees in our Baddi plant.

- Women Friendly Policies – We have several women friendly policies which cover extended maternity leave, flexible and or reduced working hours for new mothers, creche facilities across sites, and a Buddy program to support mothers returning-to-work.

Taking such initiatives forward has helped us retain and support the growth of our women employees. It has resulted in improved gender diversity, steadily increasing from 15% to 18% in the last 5 years.



100% of our employees (male and female) returned to work after taking parental leave.

We understand the needs of new parents and extend our support through policies which go beyond the regulatory requirements. These include extended maternity leave, buddy program for new mothers, reduced working hours etc. Parental leave details for our employees in FY2020 is as follows.

Parental leave overview ⁽²⁷⁾	Male	Female
Number of employees eligible for parental leave	17,657	3,993
Number of employees who availed parental leave	808	212
Number of employees who returned to work after completion of parental leave	808	212
Number of employees who returned to work after parental leave ended, and were still employed twelve months after their return to work	718	191

c. Human rights and non-discrimination ⁽²⁸⁾

We take a zero-tolerance approach to child labour, forced labour, discrimination and harassment of any sort. In FY2020, we recorded 20 cases of sexual harassment,

and one of them is still under investigation. We have adopted best practices on occupational health and safety, working hours and fair remuneration. We also respect the right to freedom of association, with 4.4% of our workforce being covered by collective bargaining agreements. ⁽²⁹⁾

Our workforce at a glance

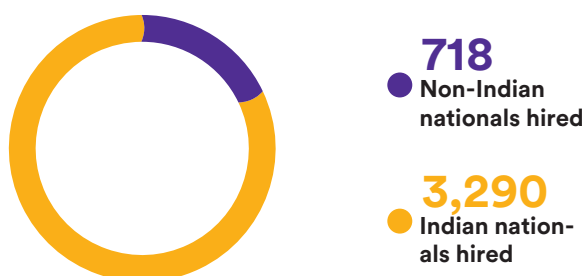
Workforce diversity by age



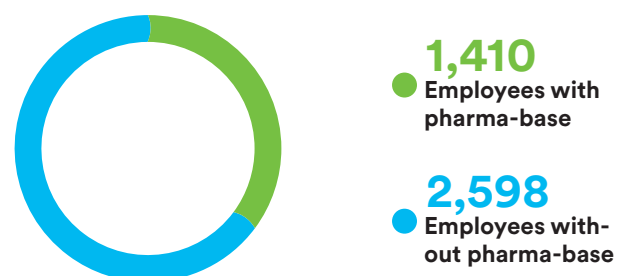
Workforce diversity by gender



Number of employees hired by nationality in FY2020



Number of employees hired by educational background in FY2020



⁽²⁷⁾ GRI 401-3 ⁽²⁸⁾ GRI 406-1, GRI 407-1 ⁽²⁹⁾ GRI 102-41

People

Employee diversity (in Nos.) ⁽³⁰⁾

Employee category	<30 years		30-50 years		>50 years		Total
	Female	Male	Female	Male	Female	Male	
Senior Management	-	-	12	124	14	85	235
Middle Management	3	3	222	992	45	160	1,425
Junior Management	48	121	734	3,105	68	119	4,195
Non-management	1,438	5,412	1,274	6,426	88	208	14,846
Workmen	-	28	26	577	21	297	949
Grand Total	1,489	5,564	2,268	11,224	236	869	21,650

Employee turnover (in Nos.) ⁽³¹⁾

Employee category	<30 years		30-50 years		>50 years		Total
	Female	Male	Female	Male	Female	Male	
Senior Management	-	-	2	6	1	17	26
Middle Management	1	-	8	42	48	203	302
Junior Management	52	96	11	35	188	903	1,285
Non-management	202	1,159	8	38	200	701	2,308
Contract	10	41	1	6	9	72	139
Grand Total	265	1,296	30	127	446	1,896	4,060

New joiner diversity (in Nos.) ⁽³²⁾

Employee category	<30 years		30-50 years		>50 years		Total
	Female	Male	Female	Male	Female	Male	
Senior Management	-	-	1	16	1	6	24
Middle Management	5	10	49	262	2	13	341
Junior Management	56	177	158	525	4	8	928
Non-management	332	1,596	198	461	19	12	2,618
Contract	6	33	3	25	1	2	70
Grand Total	399	1,816	409	1,289	27	41	3,981

⁽³⁰⁾ GRI 102-7, 102-8

⁽³¹⁾ GRI 401-1

⁽³²⁾ GRI 401-1

d. Self-Managed Teams

As a country we face a skills gap in manufacturing, which is coupled with lack of opportunities for rural youth. Recognising our responsibility in this space, we launched the Self-Managed Teams (SMT) program. It was an attempt to empower rural youth with relevant skills and also provide them with employment opportunity. Since its inception 2002, it has become an important focus area for us, drawing talented youth from rural parts of Andhra Pradesh, Telangana, and Himachal Pradesh and providing them with a platform to realize their potential through training and well-defined career paths.

The SMT program candidates are 10+2 year students from rural background who show the aptitude to benefit from the program. They undergo six months of Pharma Foundational courses, Business Induction, Personal Development, Good Manufacturing Practices (GMP) and Safety Training, Area Specific Skill Building and On-the-job training. On completing this training, they are placed in different API and Formulation units across our locations. At the end of six months, they also get certified by the Life Sciences Sector Skill Development Council (LSSSDC). This exposure equips them to apply to top technical educational institutes such as BITS Pilani and GITAM University and pursue higher education.

The candidate also undergo a Community Living experience, in an environment that builds a spirit of team work and self-management. Engagement and mentoring initiatives are undertaken to set them up for future careers as confident and valued contributors.



Program results: In the past 17 years we have hired, educated, skilled, and groomed 4,240 young people (22% Female and 78% Male) under this Program. As on 31st March 2020, 2,072 of them (30% Female and 70% Male) are working with us in various roles. In terms of deployment, 904 work in API, 970 in OSD, 187 in Sterile and the rest 11 in central units.

Program mobility: 15 Employees hired and groomed though this cadre have risen through the hierarchy and are in managerial or higher roles in GMO, IPDO and Biologics. Many of those who moved on from Dr. Reddy's hold senior level positions in well-regarded organizations like Novartis, Novo Nordisk and Fresenius Kabi.

People

Employee engagement

Though employee engagement is a continuous process, we have set up various channels that enable an active conversation regarding employee aspirations and challenges. We have structured and periodic communications with employees on aspects related to business environment, company affairs and recent developments through open house and quarterly communications. We also address employee concerns

through these forums, where employee feedback and queries are addressed by the Senior Management directly. Apart from this, employees have several other channels for expressing their feedback and concerns like the grievance handling by HR, satisfaction surveys, departmental reviews and meetings, mid-year reviews and annual performance appraisal.

We recognize that fair remuneration, career growth and recognition are important aspects of employee satisfaction.

Employee engagement channels



An overview of our efforts in this direction has been provided below.³³

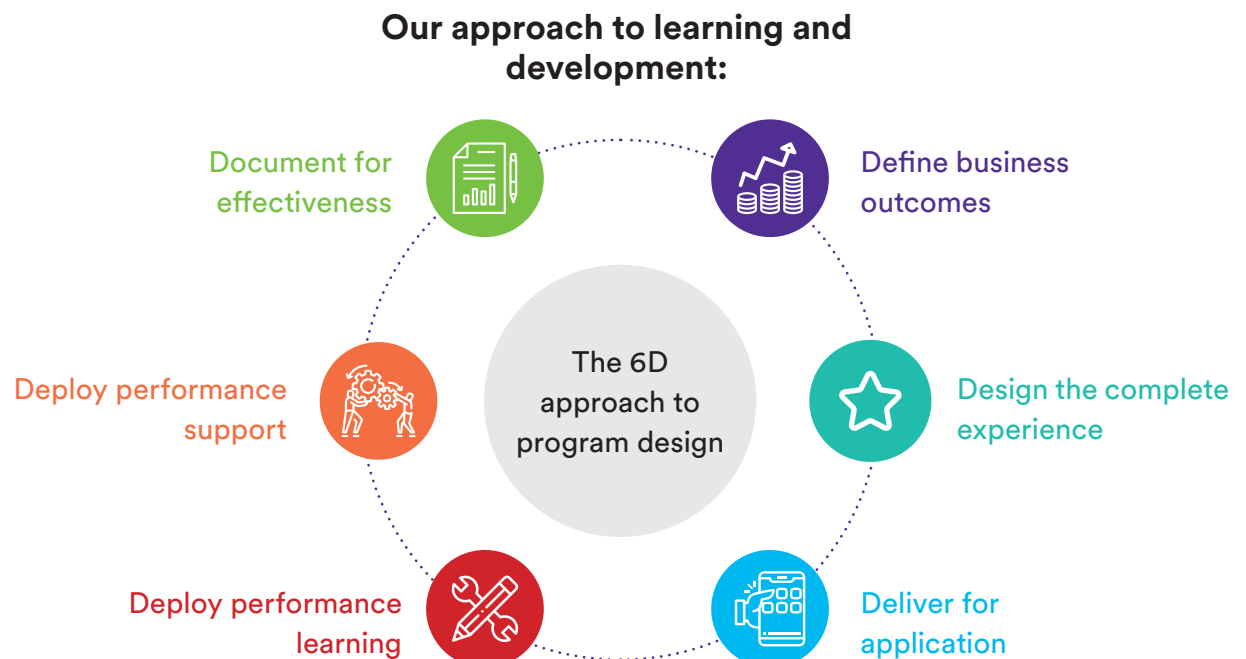
- **Fair remuneration:** We provide remuneration that is commensurate with our employees’ role and responsibilities. In order to retain high-performing employees, we have incorporated a premium over the median pay-scale. In this way, we incentivize high performance and unique skill sets, while meeting industry benchmarks. We also provide additional short- and long-term incentives based on performance, thereby increasing overall remuneration.
- **Annual appraisal:** Our performance management process facilitates

continuous dialogue between employees and managers. Through this process we are able to measure and reward the outcomes achieved as well as the behaviours exhibited by the employee. In FY2020, 100% of our employees were part of our performance appraisal process.³⁴

- **Employee recognition program:** Recognizing employees who showcase exemplary commitment and excellence is important to inspire a performance-oriented work environment. We have rolled out various internal award programs, of which the Dr. Anji Reddy Excellence Awards is the most sought after.

Learning and development ³⁵ ³⁶

We believe that employees must have the opportunity to learn and grow as they progress in their career. Our learning and development programs are designed to help our employees realise their potential and learn new skills. Our approach to learning and development is as follows.



³³ GRI 401-2

³⁵ GRI 404-2

³⁴ GRI 404-3

³⁶ GRI 404-1

People

- Learning need identification: We select training needs based on:
 - Industry trends, market dynamics and emerging skill requirements.
 - Active consultation with business leaders to identify thrust areas to align the learning agenda with business objectives.
- Program design and implementation: We employ a 6D approach to design programs and maximize effectiveness in terms of a behavioural shift and positive business impact.
- Monitoring program success: We calculate Return on Investment (ROI) through observed behavioural shifts as well as generated business impact.

The details of the training programs undertaken are as below -

Mode of training	FY2019 (hours)	FY2020 (hours)
Classroom	460,742	326,587
Computer-based training	223,802	239,897
External	3,672	10,820

Some highlights of the programs that address crucial business learning needs in FY2020 include:

Program name	Program objective
ASCEND (API) 32 Participants	Enhance personal excellence through a nine-month learning program for our API employees in the product management, sales and customer service cells
SHARPEN (IPDO) 5 batches with ~90 participants underway	Enhance technical writing skills of writers and reviewers of technical documents at IPDO
Strategic Business Orientation 30 participants	Equip corporate finance team employees with requisite skills
Cultural Transformation 4 newly crafted teams	Support assimilation of the culture, team, and product-linked aspects
SuCCEED	Support our quality culture transformation program
New Horizons Management Program (NHMP)	Build managerial capability in identified areas

*Further details of these programs can be found in our sustainability report FY2019

Nurturing leadership through the New Horizons Leadership Program (NHLP)

NHLP is our flagship leadership development program for senior management. The training focuses on personal transformation to

encourage participants to acquire critical skills needed to become successful leaders. Around 40 employees were part of the NHLP in FY2020, with the projects undertaken as part of the program generating a profit and loss impact of ₹ 110 million.

3,000+ man-hours of training imparted through the New Horizons Leadership Program.



“NHLP enabled me to commit to a larger cause than myself. It empowered me to think big and bring rigor and excellence in my execution of various self-driven initiatives, with an eye to unit’s profitability.”

- Krishna Rao Yarramshetty,

Head – Plant 5, Chemical Technical Operations



“Dr. Reddy’s most novel and transformative program in the industry, NHLP, gives wings to the individual to become an agent of change, in line with our ASPIRE framework. The metamorphosed individuals become the alchemist of transformative ideas needed to catapult the organization into the next orbit.”

- Birendra Kumar David,

Lead PE Formulations - Integrated Product Development Organization

Digitally empowering our workforce

Even before the pandemic made digitalization a broader norm and necessity, we were on the path of a digital transformation. Towards this, we have created a dedicated team called eNable that works towards building capability and culture for new technology and processes. The team conducts employee development initiatives through e-learning, distance learning and on-the-job training through joint field work. We also have digital enablement training programs tailored to specific employee cadres and functionalities.

Reimagining offices through our digital workplace program

Remote working: We embarked on our digital workplace program three years ago to bring our employees the freedom and space to work anytime and anywhere. Investments in this program equipped our workforce to adapt more quickly to the new way of working during the COVID-19 pandemic. The program supported our employees to seamlessly transition to remote working.

Enhanced processes and productivity: We have seen enhanced transparency, and faster decision-making even as we have reduced the need for employee commute across multiple offices. Quick and easy access to information has resulted in faster execution times.

Paperless processes: Solutions like workflow automation and electronic signature have significantly brought down paper-printing requirements. Notably, we were able to save approximately 63,500 sheets of A4-sized paper in FY2020, as electronic signatures obviated the need for hard copies.

People

Health and safety

Ensuring the health and safety of employees is our primary responsibility. In the last few years we have taken significant steps to improve health and safety practices within the organization. We have done so through adopting structured and measurable processes, which have a high rate of replication.

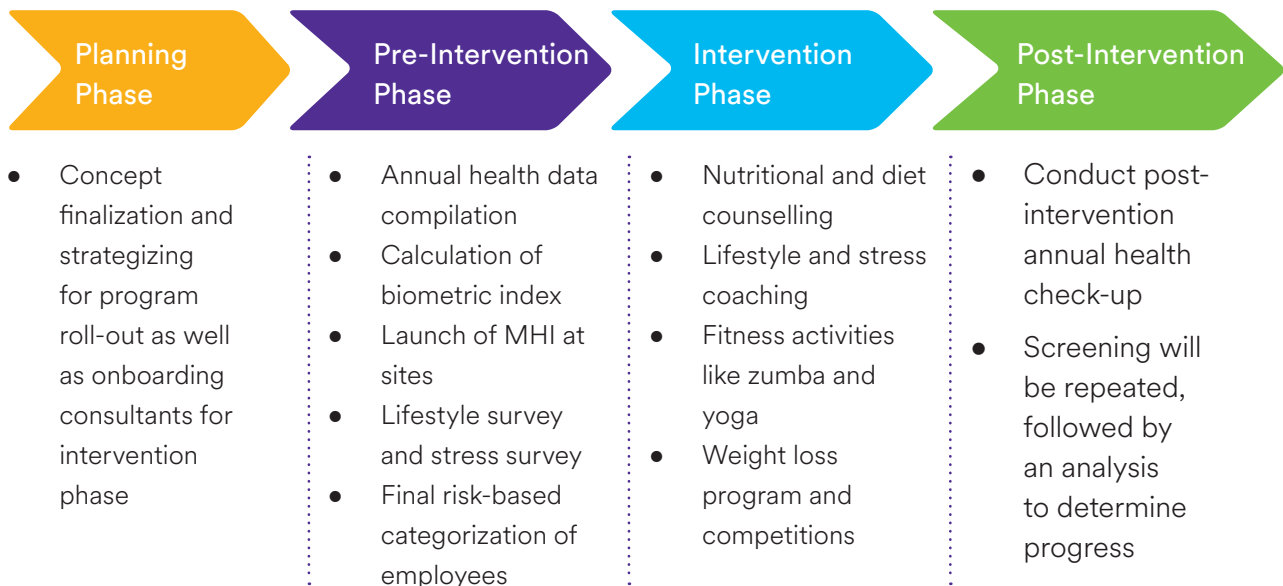
In the below sections we have covered our My Health Index and My Safety Index programs, with an overview of our safety performance.

My Health Index (MHI)

We have a launched a health and wellness program for our employees - My Health Index (MHI). It is a quantitative index to monitor the health status of our employees. MHI is implemented through 4 phases as presented below -



Phases of My Health Index (MHI) initiative

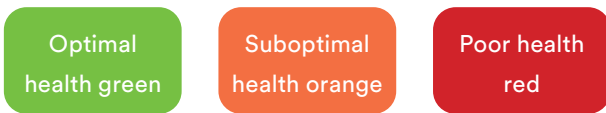


In the pre-intervention phase, we classify our employees into three categories, based on their test reports across four health parameters:

- Body Mass Index (BMI)

- Blood Pressure (BP)
- Glycosylated Haemoglobin (Hb1AC)
- Low-Density Lipoproteins (LDL)

Risk categorization based on health parameters



The employee-specific intervention is personalized in accordance with the advice of various experts. Post-intervention, an annual health check-up is conducted to determine the progress made by the employee. The goal is for an employee to move from a higher risk category to a lower risk category and enjoy better health outcomes. Follow-ups maintain the course to better health.

My Safety Index

MSI is a quantitative index to monitor our progress across safety-linked performance. It is designed to assess how we are doing across 10 parameters that are classified into two categories: cultural management and safety systems management. The Index forms a part of the company scorecard and has a direct impact on the performance evaluation of a site.

Our risk assessment at the end of FY2019 helped us identify further areas of improvement, which led to the initiation

of MSI 2. We have increased our focus on identified risk areas in relation to targeted outcomes. Under the new rating system, a negative score of 10% (MSI Score Minus 10%) will be applied in the event of a fatality at the site and invite immediate scrutiny and action.

The parameters are as follows:

- 1. Cultural parameters:**
With a 40% weightage on the Index
 - a. Felt Leadership – Top management (Unit head)
 - b. Felt Leadership – Frontline management
 - c. Consequence management
 - d. Training

- 2. Safety management systems:**
With a 60% weightage on the Index
 - a. Fire safety
 - b. Electrical safety
 - c. Lock-Out-Tag-Out (LOTO)
 - d. Contractor safety management (CSM)
 - e. Road safety
 - f. Operational discipline

Safety performance at a glance³⁷

The safety related performance is presented below.

	FY2017	FY2018	FY2019	FY2020
Fatalities	0	1	1	0
Lost-Time Injury Frequency Rate (LTIFR)	0.2	0.23	0.15	0.18
Occupational Illness Frequency Rate (OIFR) - Employees	0	0	0	0



³⁷ GRI 403-2

People

Sustainability Ambassador Program

We developed the Sustainability Ambassador Program in FY2020 to engage our employees on the sustainable development agenda. The objective is to empower our employees to become change makers and lead the change with and outside the organization.

Our model focuses on identifying employees who are passionate about sustainability.



Create ambassadors

To develop change agents for embedding sustainability principles in their lifestyles.

Collaborate with stakeholders

To strengthen partnerships for all principles in line with SDG 17.

Commitment for volunteering







To encourage and drive collective ambassadorship within the society.

Train-the-trainer programs give these employees the skills to conduct awareness-building programs for their colleagues so that there is an impetus to drive strategies in keeping with our sustainability agenda. To create a social impact beyond our operational boundaries, we encourage our ambassadors to volunteer and conduct sustainability-themed capacity-building programs at neighbouring schools.

Sustainability Ambassador program implementation model



There are 6 initiatives currently associated with the Sustainability Ambassador program

Program	Key objective	SDGs impacted
Women Safety Ambassador	To empower our female employees and girl students with self-defence techniques	
Road Safety Ambassador	To create awareness on various facets of road safety and driving behaviour	
Energy Ambassador	To build awareness on energy conservation, and create agents who can proactively identify avenues of enhancing energy efficiency	
Health Ambassador	To promote good health and well-being by creating awareness on the maintenance of a healthy lifestyle	
Water Ambassador	To build awareness on water conservation, reuse, recycle and water harvesting interventions	
Waste Ambassador	To sensitize participants about waste management and its underlying concepts, such as 3R principles of reduce, reuse and recycle	

Women Safety Ambassador

Launched in FY2020, the Women's Safety Ambassador Program equips our women employees and girl students with safety training. We rolled out a Train-the-Trainer program focusing on self-defence, self-awareness, child safety, as well as mental and emotional capacity building. The program, which is currently in progress, blends digital and in person training to maximize its reach.

11 women employees have been identified as ambassadors.

138 women employees have participated in the awareness sessions.

People

Caring for communities

We understand that our business responsibilities are not limited to the activities undertaken within the company, and we go beyond that to support the marginalized and disadvantaged sections of society. Our CSR focus areas were identified by understanding the needs of the community. We support projects in the area of education, livelihood and access to healthcare. We implement our CSR activities in partnership with NGOs, the Dr. Reddy's Foundation, Centre for Social Initiative and Management, Pudami Educational Society, Agastya International Foundation,



Naandi Foundation, NICE Foundation and Roshni Trust, among others. We also involve the gram panchayat or local government as needed in project development discussions. In our efforts to increase the outreach and impact of our initiatives, we conduct periodic reviews of our projects. Each of our projects has specific performance indicators, against which progress is measured and monitored.³⁸

Education

Education is the universal enabler for the progress of an individual and the nation as a whole. 'Access to good education and schooling is every child's birth right,' is a philosophy that we follow. We have adopted a holistic approach to sustain our programs in education, collaborating with schools, communities and other key stakeholders.



Pudami neighborhood schools

Since it was established in 2007, this initiative has been bringing good English-medium education to children from marginalized sections of society. There is also an emphasis within the schools to support interesting co-curricular activities and opportunities for students to develop talents through inter-cluster and inter-school competitions. The Kallam Anji Reddy Vidyalaya (KARV) is a model Pudami School that caters to 2,500 students. We currently have 11 such schools with over 5,278 students.

Our three CSR focus areas ³⁹



Education



Livelihood



Health

³⁸ GRI 103-1, GRI 103-2, GRI 103-3

³⁹ GRI 413-1, GRI 413-2

Kallam Anji Reddy Vocational Junior College (KAR-VJR)

The Kallam Anji Reddy Vocational Junior College trains students who have completed Class X in two-year vocational courses preparing them for employment. The KAR-VJR offers courses on computer science, computer graphics animation, accounting and taxation, as well as training for medical lab technicians. Since its inception in 2002, the college has successfully put thousands of low-income youths on promising career paths. In FY2020, 800 students benefited from this initiative.

Enabling government school students with a holistic education: School Improvement Program (SIP)

The SIP supports government schools around our manufacturing operations to achieve better educational results. In partnership with the Dr. Reddy's Foundation, SIP was initiated as a pilot project in 11 schools in FY2011. Every year, we have gradually expanded its reach to cover more government schools. Students at these schools have better opportunities to learn, and resources such as science labs and books are made available to them. Recognizing the interconnectedness of developmental challenges, the program also provides basic facilities like sanitation and safe drinking water.

In FY2020, SIP was implemented in 229 government schools, benefiting around 0.1 million students in the states of Telangana and Andhra Pradesh.



115,750 youth and children benefited from our education-focused CSR activities in FY2020.

SIP uses a three-pronged approach to ensure the all-round development of students, focusing on academic outcomes, sports, and infrastructure related to health and schooling



Create a positive and child-friendly learning environment



Recognize the students' talents and facilitate growth



Empower students by providing them with opportunities and resources to learn

People

Supporting initiatives that made the SIP a success:

- **Language transition module:** SIP initiated a Language Transition Program in Andhra Pradesh and Telangana with a successful pilot across 50 schools. The program facilitated a smooth language transition in class VI and onwards, as children changed the medium of academic instruction from regional to English language, in keeping with the State policy.
- **Dr Reddy's Scholarship:** The scholarship is awarded to meritorious students who are eager to pursue higher education. In FY2020, Dr Reddy's Scholarship was awarded to 511 meritorious students, who scored a 9.6+ GPA. Out of these 511 students, over 50% were girls.
- **Digital education:** All SIP-sponsored schools have a classroom with a projector, along with digital learning content offered in all subjects. A specialized classroom has been made available for digital learning.
- **Mobile Science Labs:** A customized and mobile table-sized laboratory, equipped with 152 different items with which to conduct hands-on experiments, is made available to all 229 SIP schools. This is especially useful for schools that may not have the provision for fixed laboratories.
- **School Health Program:** This program concentrates on early identification and referral of health problems such as eye, dental and skin infections. The process is initiated with a health screening and is followed by referrals to relevant specialists. Health education sessions on subjects including menstruation and personal hygiene are also conducted under this program, resulting in a proactive approach to health and higher attendance in schools. We have observed that, on participating in these sessions girls display more confidence and are less hesitant to speak up about menstrual health.
- **Sports training:** Students are encouraged to participate in training sessions and competitions that help build their confidence and showcase their talents. Sports programs are implemented in 189 schools, reaching more than 21,943 students. Training is also provided for four popular games – kho-kho, kabaddi, volleyball and throw ball. This year, our students have displayed excellence and won medals at various national-level sport competitions.
- **Drinking water and sanitation support:** To overcome the challenge of safe drinking water availability, we have installed Reverse Osmosis (RO) water plants in 182 schools.
- **Provision of learning resources and school infrastructure:** In order to build a supportive academic environment, students are provided with school stationery, learning resources like workbooks, and improved school infrastructure.

Livelihood

We have been working to improve the livelihood opportunities for marginalized sections of society over a number of years. The livelihood programs administered by Dr. Reddy's Foundation are focused on making the youth employable and enhancing their earning potential. We also work with farmers to improve their agricultural practices, leading to an increase in income. The details of our programs, in-line with these objectives, are discussed below.



Advancing job mobility through skill development: GROW

We built the Livelihood Advancement Business School (LABS) program in 1996 to help young people from disadvantaged backgrounds realize a better quality of life through enhancing their employability. This program developed into GROW in 2016, an initiative that focuses on helping youth acquire in-demand employable skills and face job interviews with confidence. In FY2020, Dr Reddy's Foundation trained more than 8,000 youth out of which 520 youth were supported by Dr Reddy's.

Beneficiary Voices

"I am from a small town in Maharashtra. My family moved to Bengaluru in search of employment opportunities years ago. Soon after, my father suffered from severe health issues and could no longer work. My mother took up a job at a tailoring factory to support the family. However, she earned a meagre salary. Given this predicament, after completing 12th standard schooling, I had to leave my studies and find a job to support my family. The GROW program helped me achieve fluency in English and enabled me to overcome my fear of public speaking. The training sessions helped me secure a job with a monthly salary of over ₹ 18,000. I wish to continue my further studies online and aspire to become a Team Leader at my workplace someday."

- Ramya

People

GROW for People with Disability (PwD)

Modelled on the lines of the GROW program, GROW PwD is a skill development initiative that focuses on training people with orthopaedic challenges as well as hearing, speech and visual impairments. Centres are equipped with accessible infrastructure, and trained coaches and sign-language experts. Beneficiaries develop their aptitude for employment through training in communication skills, computer skills, and interview skills.



MITRA focuses on improving irrigation and water management as well as digital and financial literacy.

Marking Integrated Transformation for Resourceful Agriculture (MITRA)

This initiative, a partnership between farmers and Dr. Reddy's Foundation, empowers small and marginalized farmers to adopt the latest technologies and best farming practices. MITRA stands for 'Marking Integrated Transformation for Resourceful Agriculture'

and focuses on improving irrigation and water management as well as digital and financial literacy. It provides a sustainable and scalable community platform that connects farmers with agri-scientists. The platform attempts to bridge the lack of last-mile delivery of agriculture extension services at the grassroots level, by providing marginal farmers access

to existing public extension facilities. The community platform's 'Access to Market' feature allows farmers to sell produce and buy inputs through various channels. MITRA is currently operational in four Indian states. It goes beyond conventional farming support with its Lead Farmer Platform model, making investments in value-added agri-extension facilities like technology dissemination, input services, irrigation and agriculture marketing. The MITRA model offers farmers sustainable agriculture initiatives along with environmental, social and economic benefits. Initiatives under this program have also contributed towards our goals of carbon and water neutrality.



Health - Community Health Intervention Program (CHIP)

We understand the challenges of access to quality healthcare in rural India and to address this, we have undertaken our Community Health Intervention Program - CHIP.

Through this program, we reach a large segment of the rural population in 155 villages in Andhra Pradesh. Implemented in partnership with the NICE Foundation, CHIP focuses on the delivery of primary, maternal and neo-natal healthcare as well as the dissemination of health-related information.

People

Objectives of the program

- Increase healthcare access within rural communities
- Reduce maternal and neo-natal mortality rate
- Improve health-seeking behaviors and community perception towards health
- Improve health awareness and reduce reliance on myths
- Reduce community financial and disease burden

Key activities under CHIP

- Bi-weekly Fixed Day Health Services (FDHS) offered at anganwadi centers, panchayat buildings or community halls, where ASHA, anganwadi workers, Auxiliary Nurse Midwifery (ANM) and the CHIP team work collaboratively
- Home-based treatment for those with limited mobility such as the elderly and those with high-risk pregnancies
- Walks and door-to-door visits for identification of health issues and dissemination of health information
- Special focus on maternal and neo-natal healthcare
- Community-wide health education through discussion groups and awareness programs
- Awareness sessions for school children
- Regular convergence meetings with the relevant stakeholders



Key highlights of CHIP

- The Community Health Intervention Program (CHIP) covers 145 villages in the Srikakulam and Vizianagaram districts
- In FY2020, we were able to reach out to a population of 0.2 million

204,975 total beneficiaries of our health-focused CSR programs in FY2020.

Key benefits of CHIP

- The cost of medical care has reduced for registered patients with access to healthcare now at their doorstep, and FDHS has resulted in early detection and treatment of ailments
- CHIP also provides free primary and secondary care to an extent, as well as appropriate and timely referrals
- Improved adherence to the treatment, with monitored medication intake to ensure speedy recovery
- Achieved reduction in morbidity through home-based treatment for the bedridden, the immobile and women with high-risk pregnancies

Observed a reduction in maternal and neo-natal mortality rate through weekly iron and folic supplements to maintain normal levels of hemoglobin, in addition to group and individual discussions on

behavioural changes, early identification of high-risk pregnancies and the provision of appropriate postpartum care

- Increased adoption of a healthy lifestyle following group discussions and health education sessions
- Increased awareness around available government health schemes as well as Accredited Social Health Activist (ASHA) and Auxiliary Nurse Midwife (ANMs) have led to better health outcomes



Beneficiary Voices

“I am 70 years old. I’ve been suffering from hypertension for many years and used to travel nearly 12 km from my village to the Laveru Mandal Headquarters, to get help and treatment. This was difficult journey due to lack of transport facility and bad roads. Once the CHIP program arrived at my village things really changed for me. The team comes to my home to check my BP and gives me the medicines I need. It is a relief to receive this kind of help right at my doorstep.”

- Adapaka Suramma

Profit

Our performance in FY2020

₹ 174,600 million

Revenue generated

67.9%

of procurement budget was spent locally

10 (DMFs)

Drug Master Files filed in the U.S.

8.8%

Of revenue invested in R&D

168

Products launched

SDGs in focus



1. Affordable and innovative medicines

Our ability to serve patient needs rests on developing innovation capabilities and expanding our product portfolio. This requires sustained focus and effort to build and enhance R&D capabilities, and stringent quality and other systems to meet evolving regulatory requirements.⁴⁰

⁴⁰ GRI 103-1

Successful closure of the USFDA audits at our three plants reiterates our commitment to quality.

In order to monitor the effectiveness of our strategy and initiatives, every quarter, we evaluate our portfolio to identify areas of improvement for the products in our pipeline, accounting for unmet patient needs and market demand⁽⁴¹⁾.

We have put into place monthly, quarterly and annual monitoring mechanisms to ensure that our projects are on track to meet their objectives. In this process, we also identify internal capabilities and processes that need to be improved in order to deliver the desired performance⁽⁴²⁾.

Our R&D efforts reflect our commitment to increasing manufacturing efficiency, improving technological capabilities and strengthening cost leadership. In FY2020, we invested ₹ 15,410 million (or 8.8% of our revenue) in R&D, against 10.1% in FY2019. The decrease observed is in line with the productivity improvements, which focus on cost optimization, productivity gains and prioritization of projects. As of FY2020, we have 97 Abbreviated New Drug Applications (ANDAs) and two New Drug Applications (NDAs) pending for approval.

We launched 168 new products in FY2020- NAG:27, Europe: 40, Emerging Markets: 80 and India: 21.

In FY2020, we filed 10 Drug Master Files (DMFs) in the U.S.

Our intellectual property

252
USPTO⁽⁴³⁾
(Filed)

132
USPTO
(Granted)

152
PCT⁽⁴⁴⁾
(Filed)

304
India
(Filed)

83
India
(Granted)

⁽⁴¹⁾ GRI 103-2 ⁽⁴²⁾ Patent Cooperation Treaty ⁽⁴³⁾ GRI 103-3 ⁽⁴⁴⁾ United States Patent and Trademark Office

Profit

Our product-linked milestones in FY2020

April 2019

Our wholly-owned subsidiary, Promius Pharma, LLC. announced the sale and assignment of the U.S. rights for its marketed dermatology brands to Encore Dermatology.

May 2019

Announced the launch of Testosterone Gel and Daptomycin for Injection single-dose vial in the U.S. Market.

June 2019

- Re-launch of Zenatane® in the U.S. Market.
- Dr. Reddy's Laboratories SA announced positive topline results from Phase 2b study of PPC-06 in patients with moderate to severe plaque psoriasis.
- Entered a definitive agreement to sell our neurology branded products to Upsher-Smith Laboratories.
- Announced the launch of Phytonadione Injectable Emulsion USP, Single-Dose Ampules and Tobramycin Inhalation Solution, USP in the U.S. Market.

August 2019

- Announced the launch of Versavo® (bevacizumab biosimilar) in India.
- Launched Vigabatrin Powder for Oral Solution, USP in the U.S. Market.

July 2019

- Announced first-to-market launch of Carboprost Tromethamine Injection USP, Single-Dose Vial in the U.S. Market.
- Launched over-the-counter store-brand equivalent of Mucinex® D Extended Release Tablets in two strengths and store-brand equivalent of Allegra-D® 12HR Allergy and Congestion Extended-Release Tablets in the U.S. Market.
- Announced closure of the transaction to divest ZEMBRACE® SYMTOUCH® and TOSYMRATM to Upsher-Smith Laboratories, LLC.

February 2020

- Launched Trientine Hydrochloride Capsules USP, in the U.S. Market.
- Announced the first generic launch of Naproxen and Esomeprazole Magnesium Delayed-Release Tablets in the U.S. Market.
- Curis and Aurigene announced amendment of collaboration for the development and commercialization of CA-170.

March 2020

- Announced the launch of Ziprasidone Mesylate for Injection in the U.S. Market.
- Announced first-to-market launch of Naloxone Hydrochloride Injection USP, Single-Dose Prefilled Syringe in the U.S. Market.
- Launched Pyrimethamine Tablets USP, first-wave generic version of Daraprim® in the U.S. Market.

September 2019

- Launched Bupropion Hydrochloride Extended-Release Tablets, USP (SR), over-the-counter store-brand equivalent of Prevacid® 24HR Capsules and Fosaprepitant for Injection in the U.S. Market.
- Became the first Indian Pharma Company to win the national tender for supply of one of the generic drugs (Olanzapine) in China.

December 2019

- Launched Bortezomib for Injection (for Intravenous use only), Deferasirox Film-Coated Tablets and Deferasirox Tablets (for Oral Suspension), in the U.S. Market.
- Announced the launch of Sodium Nitroprusside Injection, Single-Dose Vial in the U.S. Market.

November 2019

- Entered the nutrition segment with Celevida in India.
- Announced the launch of Doxercaliferol Injection in the U.S. Market.

Profit



2. Financial performance ⁽⁴⁵⁾

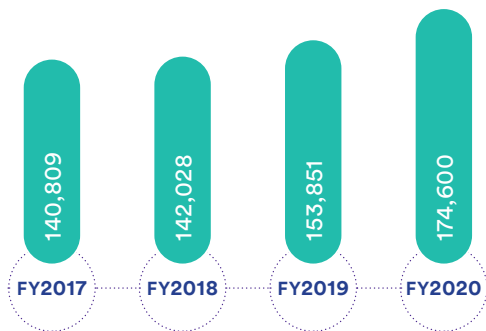
FY2020 witnessed pricing pressure challenges for the pharmaceutical sector in the U.S., Europe and certain emerging markets, in addition to the disruptions of the COVID-19 pandemic. Despite these unprecedented conditions, we recorded

robust operational and financial performance, with a significant turnaround in Europe, and healthy growth in the branded markets of India, Russia and several other emerging economies.

Our revenue for FY2020 stood at ₹ 174,600 million, which was a 13% increase from FY2019. The financial stability of our business has been further strengthened by a reduction in our net debt to equity ratio, which stood at -0.03 in FY2020, as opposed to 0.09 at the end of the last financial year.

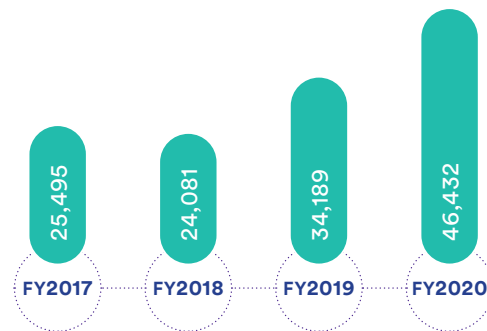
Total revenue

(in Million)



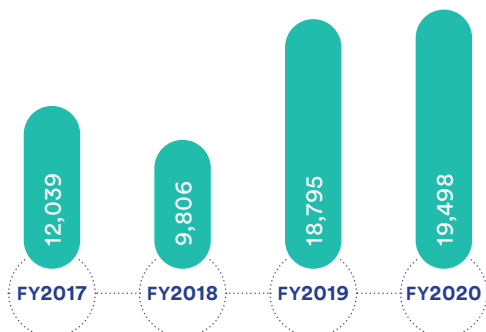
Total EBITDA

(in Million)

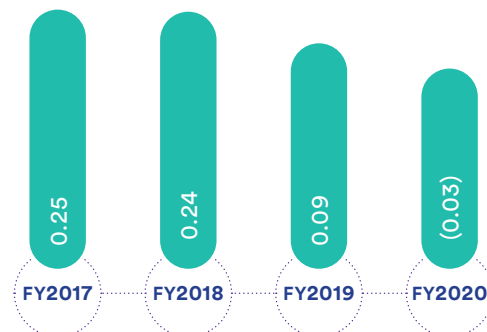


Profit After Tax

(in Million)



Net Debt to Equity ratio



We continue to invest in cleaner technologies and capability improvements for better environmental management across our operations. In this regard, our environmental expenditure for FY2020 stood at ₹ 819.6 million, as compared to ₹ 605 million in FY2019. Meanwhile, in keeping with our

commitment to our employees, we continue to invest in their holistic development, and have spent more than ₹ 8 million on employees' training and development in FY2020.

For further information on our financial performance, **please refer to our Annual Report 2019-20.**

⁽⁴⁵⁾ GRI 102-7, GRI 201-1



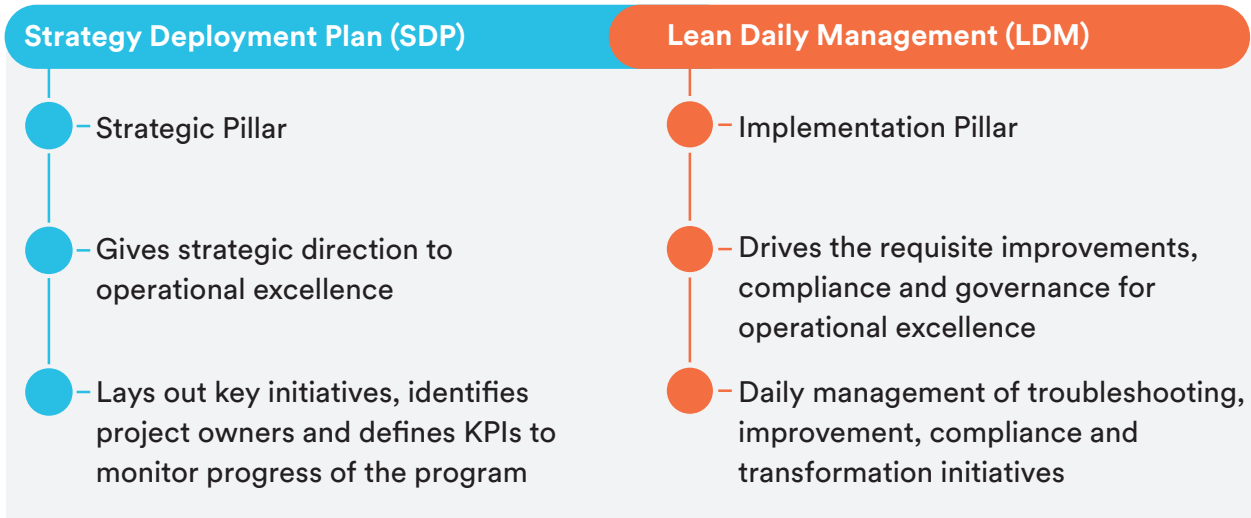
3. Operational excellence

Over the years, we have invested in building systems that lead to leaner and more efficient operational processes. This approach has enabled us to realize cost leadership and enhance resource efficiency⁴⁶.

We conduct cross-functional strategy sessions on various themes to develop our plan in this regard. These exercises help us identify initiatives that can be undertaken under each thematic area. Together, they form a part of our Strategy Deployment Plan (SDP). In order to implement the SDP, we employ a project-based approach, known as the Lean Daily Management (LDM) system. Our operational excellence⁴⁷ strategy and its implementation processes are periodically appraised and reviewed from the site to apex level⁴⁸.



 We conduct cross-functional strategy sessions on various themes to develop our operational excellence plan.



⁴⁶ GRI 103-1 ⁴⁷ GRI 103-2 ⁴⁸ GRI 103-3

Profit

Our efforts to achieve the objectives of SDP and effectively implement LDM are concentrated in three directions:

3.1 Efforts to retain a position of cost leadership

To retain our cost competitive position, we rely on enhancing operational excellence and process efficiency.

OUR APPROACH

Our initiatives towards strengthening our cost leadership are focused on improvements in the following areas:

- a. Make versus buy
- b. Manpower productivity
- c. Reducing material consumption
- d. Optimizing overheads
- e. Variable cost reduction: procurement and logistics costs
- f. Reducing rejections

KEY INITIATIVES

- We conducted an operational excellence diagnostic exercise covering 1,000+ employees, which resulted in the generation of ideas with a ₹ 11,700 million profit and loss impact potential over the next 3+ years
- We have improved our make vs buy program by manufacturing the product in house to enable savings of ₹ 3,000 million over the next three years

3.2 Culture and capability-building

We believe that investing in developing employee capabilities can help us meet our goals of operational efficiency and innovation. We have been empowering our workforce to identify operational bottlenecks, devise innovative solutions to address them, as well as eliminate unwanted layers from our operations. We have a collection of programs that aim to build the right culture and capability mix to encourage operational excellence in every aspect of our functioning, as described below:

- a) **Creating a zero-failure environment:** Our employees are encouraged to imbibe the “I operate, I own, I maintain, I manage, and I comply” mindset. Consequently,

operational efficiency becomes the responsibility of front-line executors, who are empowered with decision-making skills. We have observed that this minimal supervision culture resulted in five-to-ten-fold improvements at the operational level. The autonomous way of work is a key aspect of our Total Productive Maintenance (TPM) program, which aims to create a zero-failure environment.

- b) **Manager model areas:** Under this program, one chronic area was chosen as the area of action and improvement for each site. We created 14 manager model areas across our sites in FY2020. This program has resulted in the implementation of over 10,000 improvements during the reporting period.

c. SuCCEED (Sustained Compliance through Culture, Excellence, and Empowerment) story:

Our quality transformation program, which aims at achieving “everyday quality improvements”, gained further traction within the company this year. We continued making progress on the four key aspects of the program, namely:

- Building understanding and conviction: This is achieved through effective communication of various themes on cross-functional quality forums.
- Gemba walks are a vital aspect of this program. These walks help middle management executives and HODs identify operational challenges, and provide frontline workers with insights and mentorship to overcome them.

- Building capabilities of employees: Training initiatives are directed at sharpening our personnel’s technical expertise. We strive to equip our employees with the knowhow they need to drive their personal and professional growth and consequently, that of our organization.
- Building reinforcement mechanisms through systems: This aspect encompasses robust shop floor management and seeks to encourage best practices at each of our sites. We also recognize high-quality behaviour through structured quality recognition programs.

3.3 Building capabilities towards supply assurance

We aim to build operational capabilities to be in a better position to capitalize on demand with agility.

SUPPLY ASSURANCE

We work towards tapping unconstrained demand potential by

- a. Planning and optimizing supply chain function for material procurement and availability. Some focus areas in this regard include:
 - De-risking top products by having back-up supply sites and partners
 - Enhanced focus on insourcing and backward integration of Key Supplier Manager (KSM) and intermediates for better value chain control
 - Inventory optimization for balancing sales and supply chain costs
- b. Increasing asset availability and asset productivity

KEY INITIATIVES

- Tap the factory potential: Products with a gap between demand and supply were selected and prioritized for this initiative. Bottlenecks were identified and a decongestion exercise was undertaken with the help of various tools such as Lean Six Sigma

HIGHLIGHTS

- 50% productivity gain recorded in one of our manufacturing facilities
- 12% to 25% improvement across formulation manufacturing facilities

Profit



4. Digitalization

We continue to maximize our operational efficiency through digital transformation and target 100% digitalization across the organization. In FY2020, we defined our digital strategy to strengthen our processes and improve productivity by focusing across three areas:

1. Digitalize the core

- Reimagine, simplify and digitalize all core business processes across the organization.
- Initiated upgradation of our ERP system, SAP, to the latest version S/4 HANA.
- Implement technologies, like robotic process automation, to automate repeatable processes across the value chain.

Insight into the benefits

We successfully used advanced analytics in our core manufacturing area. This helped with yield optimization and a digital dashboard that enables faster execution.

2. Data as an asset

- Aim to 'Collect' all internal and external data, 'Connect' data across processes and systems to make information more meaningful, and then 'Analyze' the data to create insights that help us generate business value.

- Successfully used our Artificial Intelligence (AI)-based insights to facilitate faster drug development. These insights helped us with improvements in productivity, manufacturing processes, and also in creating a personalized connect with our customers.

Insight into the benefits

We extended Digitalization in functional processes through e-lab Notebook in R&D, manufacturing execution systems (MES), laboratory information management systems (LIMS), document management systems (DMS) and customer relationship management (CRM), among others.

3. Platforms to transform

- Consciously reimagine Dr. Reddy's as a platform-based organization that combines the capabilities of an entire ecosystem, thereby creating positive business outcomes for our partners, customers and patients.

Insight into the benefits

Our Vikreta Connect platform offers enhanced collaboration with our suppliers as well as financial incentives to create a win-win partnership.



5. Sustainable sourcing




A well-defined governance system supports our sustainable sourcing strategy. The Supplier Code of Conduct defines our expectations from our suppliers to uphold our values in this regard. We have a dedicated team which periodically assesses our suppliers on various aspects of sustainability in their business activities, encompassing environmental, social and governance-related criteria. Following these assessments, we share feedback and action plans with our suppliers to help them improve their sustainability practices and embed resilience in their processes.⁽⁴⁹⁾

Our sustainable sourcing strategy

We work closely with our suppliers and partners to implement our sustainable sourcing strategy, which has four components.⁽⁵⁰⁾

a) Identification of critical suppliers and de-risking the supply chain

We define suppliers' value to us based on their contribution to sales revenue (>80%, geographically-determined), those who are a single-source supplier of materials, and suppliers who provide critical components. In the event of a supplier being identified as the sole source of a raw material or posing significant risks of supply disruption, we look to develop alternate supply sources to meet our business requirements. In FY2020, there have been no significant changes in our supply chain from last year ⁽⁵¹⁾.

Type of supplier ⁽⁵²⁾	Absolute number of suppliers	Share of total procurement spend (%)
Tier-1 suppliers	375	 85%
Critical suppliers	824	 100%
Critical non-tier-1 supplier	32	 4.9%

⁽⁴⁹⁾ GRI 103-2

⁽⁵⁰⁾ GRI 103-1, GRI 103-2, GRI 103-3

⁽⁵¹⁾ GRI 102-10

⁽⁵²⁾ GRI 102-9

Profit

b) Supplier engagement on sustainability

We engage with our suppliers on the sustainability agenda through screening, audits and capacity building programs.

- **Supplier screening:** We screen each of our suppliers on environmental, social and governance-linked issues prior to their onboarding. Our supplier screening methodology prioritizes suppliers having globally recognized certifications like OSHAS and ISO, which solidify their commitment to sustainability.
- **Supplier audit:** In addition to the inspections conducted by our internal team, we have collaborated with a third party to conduct an independent assessment at suppliers' sites to enable their categorization into high-, medium- and low-risk categories. In FY2020, no supplier has been tagged to the high-risk category. For suppliers posing sustainability-linked risks, we develop a risk mitigation plan and identify an alternate source of the supply.

- **Supplier engagement and capacity-building:** We support our suppliers in the identification and implementation of resource conservation (energy, water, materials) projects. They are also encouraged to adopt collaborative and innovative solutions to ensure a sustainable and scalable impact.

- c) Encouraging the shift from air to sea shipments:** We have devised a system that closely monitors air versus sea shipments, with the aim of maximizing the latter.

 In FY2020, sea shipments accounted for 45% of our total export shipments, marking a 10% increase in their share from FY2019. This, in turn, has helped reduce our carbon emissions by 60,977 tons of CO₂e.

- d) Promoting local sourcing:** Localization of suppliers enables better management of inventory and compliance control, leading to significant reduction in lead time. We also proactively engage with our local suppliers and provide avenues for capacity-building. In FY2020, 67.9% of our procurement budget was spent locally.

Material type	Audit frequency
APIs/Excipients	Every two years
Primary packaging	Every three years
Secondary packaging	Every four years

Parameter ⁵³	Total amount in ₹ million (FY2020)
Procurement budget used for significant locations of operation that is spent on suppliers local to that operation (products and services purchased within Indian territory)*	26,600
Total procurement budget (Direct materials)	39,160

*We define local as suppliers within the bounds of the Indian territory. This is further classified into 'global-local', which includes all entities within national boundaries, and 'local-local', which refers to entities located within a radius of ~100 km of our manufacturing operations.



Case study

Building self-reliance through local sourcing

The excipient category was identified as an import-reliant category, with about 64.6% material being imported. Our supply chain and sourcing team initiated a project to reduce the dependency on imports. As part of this process, efforts were taken to establish the product equivalency between the existing and proposed sources. We extended technical support to local suppliers to customize their existing materials to meet our quality requirements. As an outcome of this initiative, we have developed reliable domestic sources, providing us both easy availability of materials and significant reduction in procurement cost. It has improved our inventory management and avoided inconsistency in pricing caused by exchange rate fluctuation.

Awards and recognition



Award Name	Category of Award	Awarding Body
AWARDS RECEIVED BY THE ORGANIZATION		
Sustainable Organization of the Year 2019 – “Pharma Sector” Award	Sustainability	India Sustainability Summit & Awards 2019
Golden Peacock Award for Sustainability	Sustainability	Institute of Directors (IOD)
India Packaging Awards 2019	1. Excellence in Sustainable Packaging – Others, 2. Packaging Team of the Year	UBM
Gold 4 Star – OHSSAI Award for Sustainability, Environment Management and Safety Management	Sustainability, Environment Management and Safety Management	OHSSAI Foundation
CII Environmental Best Practices Award	Environment Management	Confederation of Indian Industries (CII)
Greentech Environment Award	Environment Management	Greentech Foundation
Dr. Reddy's Laboratories Inc. recognized for workplace health achievement	Workplace Health	American Heart Association
Pharmaceutical Company of the Year Award	Safety Management	HSE Summit 2019
PeopleStrong New Code of Work (NCOW) Award	Leadership	PeopleStrong
Ranked as one of the Top 10 of the S&P BSE 100 companies	Indian Corporate Governance Scorecard	BSE Limited, the International Finance Corporation (IFC) and Institutional Investor Advisory Services India Limited (IIAS)
IP Elite Awards	1. Asia IP Elite 2019 (from Asia-Pacific region), for demonstrating excellence in IP value creation 2. Asia IP Elite 2019 - Healthcare and Biotechnology Team of the Year	IPBC (IP Business Congress), Asia
API Supplier of the Year	Customer Service, Regulatory and Scientific Excellence, and Supply of High-Quality APIs	Global Generics & Biosimilars Awards



Award Name	Category of Award	Awarding Body
AWARDS RECEIVED BY FACILITIES/UNITS/PROJECTS		
Apex India Excellence Award	<ol style="list-style-type: none"> 1. Platinum' Category for Sustainability Initiatives 2. 'Gold' Category in Environment Excellence 3. Gold' Category for Occupational Health & Safety for Formulations Srikakulam Plant 4. 'Silver' Category for Occupational Health & Safety for API Hyderabad Plant 	Apex India Foundation
EHS Excellence Awards 2019	<ol style="list-style-type: none"> 1. API Nalgonda Plant received the 'Certificate of Excellence' - "5 Star Rating for Excellence in EHS practices" and "Best Practices in Health" 2. Biologics accorded with 'Certificate of Excellence' - "5 Star Rating of Excellence in EHS practices" 3. API Srikakulam Plant, Formulations Hyderabad Plant & Formulations Srikakulam Plant received "3 Star Rating of Excellence in EHS" 	CII – SR (Confederation of Indian Industry – Southern Region)
CII National Award for the Budhera Watershed Development Program	Noteworthy Project	Confederation of Indian Industry (CII)
SCM Team bagged the CII SCALE 2019 Award	Supply Chain and Logistics Excellence	Confederation of Indian Industry (CII)
AWARDS RECEIVED BY INDIVIDUALS		
G V Prasad has been named as one of the top 20 leaders on The Medicine Maker's Power List 2020	Top 20 inspirational medicine makers – Small Molecules	The Medicine Maker's
V. Krishnamurthy Award for Excellence 2019 to G V Prasad	Exceptional Standards of Excellence in Respective Professions	Centre for Organization Development
Best Performing CFO 2019 in Pharma (Large Cap) to Mr. Saumen Chakraborty	Best Performing CFO 2019 in Pharma (Large Cap) Category	Dalal Street Investment Journal

About this report

We are conscious of the impact Dr. Reddy's has on the economy, society and environment. We constantly strive to improve our performance along these dimensions, for which we find that transparent disclosures are crucial. To this purpose since 2004⁽⁵⁴⁾ we have been sharing details of our sustainability performance with stakeholders through our annual sustainability report. These reports have documented the evolution of our sustainability management systems and practices since inception. The disclosures found in our present 15th annual sustainability report are recommended to be read in conjunction with our corporate annual report.

Report theme

This year, we have chosen the theme of 'Transforming for a Sustainable Future', as part of our endeavour to integrate the "sustainability way" into our decision-making and into every aspect of business operations. We have joined sustainability principles with our efforts towards building capability, integrating digitalization, and strengthening stakeholder relationships. We see this transformation as a key enabler of business resilience.

Report boundary, scope and coverage⁽⁵⁵⁾

The data and content represented in this report pertain to the reporting period FY2020 (1st April 2019 to 31st March 2020). In view of

the material impact of the COVID-19 pandemic, we have incorporated insights on our organizational response, contributions to relief measures, business performance and resilience during this challenging time beyond the scope of the reporting period⁽⁵⁶⁾. The report boundary is as follows:

- 1. Internal boundary:** All our product manufacturing operations and R&D facilities (within India and at international locations)
- 2. External boundary:** All our ingredient sourcing, patient management, product packaging and warehousing facilities

We have restated our GHG emission data for the reporting periods FY2018 and FY2019, in line with our improved GHG inventory methodology. No other restatements of information disclosed in previous years, including the most recent report published in FY2019, have been made in this report⁽⁵⁷⁾.

Reporting Principles

We have adhered to the reporting principles of Global Reporting Initiative by aligning our content on them. All relevant stakeholders and their expectations have been covered in the report, keeping in mind the context and materiality. The report is complete from the reporting boundary perspective.

⁽⁵⁴⁾ GRI 102-52

⁽⁵⁵⁾ GRI 102-46

⁽⁵⁶⁾ GRI 102-49, 102-50

⁽⁵⁷⁾ GRI 102-48, 102-51

We have provided accurate information, which is balanced in bringing out our successes and misses. We have ensured that the information is conveyed with clarity, comparability over a time period, with reliable references and timelines which are for the reporting period.

Frameworks used in report development

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.⁵⁸ The Planet chapter of the report covers our first ever disclosure aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have also mapped our initiatives with the global Sustainable Development Goals (SDGs).

External assurance

This report has undergone independent external assurance by DNV-GL. The assurance statement can be found on page 110⁵⁹.

Feedback

Over the years, valuable feedback from our stakeholders has motivated us to improve our capabilities, performance and disclosures, and to emerge as an industry leader in sustainability. We encourage you to share your feedback on this report to Thakur Pherwani, Global Head SHE & Sustainability, at tpherwani@drreddys.com⁶⁰.

⁵⁸ GRI 102-54

⁵⁹ GRI 102-56

⁶⁰ GRI 102-53

Alignment with global sustainability frameworks

We have developed sustainability-linked measures that draw from a variety of global development and sustainability initiative such as the UN Sustainable Development Goals (SDGs). Since 2010 we have also aligned our practices with the UN Global Compact Principles through our corporate responsibility initiatives in the areas of human rights, labor, the environment and anti-corruption. In FY2020, we conducted a dedicated climate risk study for our very first Task Force on Climate-related Financial Disclosures (TCFD). This year, we also became the first Indian pharmaceutical company to commit to the Science Based Targets Initiative (SBTi) for corporate climate action. In sum, we have drawn upon these frameworks to implement management systems and establish targets to strengthen our sustainability impact across our business. ⁶¹



SDG Goals	Targets/initiatives
SDG 1	Supporting holistic development of marginalized communities
SDG 2	Supporting marginalized farmers through MITRA
SDG 3	Enabling access to affordable and quality medicines through our core product portfolio, patient management and practitioner programs, Community Health Intervention Program (CHIP) and Dr. Reddy's Foundation for Health Education Programs: <ul style="list-style-type: none"> • Awareness for Life • Soft Skills Training • United Manthan and Mantra • Activation Services
SDG 4	Increased outreach for affordable quality education through collaborative efforts such as: <ul style="list-style-type: none"> • School Improvement Program • Pudami Neighborhood Schools • Kallam Anji Reddy Vocational Junior College (KAR-VJR)
SDG 5	Promoting gender diversity across employee cadres through organizational initiatives such as: <ul style="list-style-type: none"> • Women in sales • Women's Safety Ambassador program • Chrysalis • GLOWRIA Led by Women
SDG 6	100% water neutrality by FY2025
SDG 7	50+% Renewable Energy (Power-to-Power) by FY2025 Internal Water Price set ranging from ₹ 66 to ₹ 467 per kl (i.e. \$ 0.88 to \$ 5.91 per kl)
SDG 8	Continuous improvement and operational excellence initiatives
SDG 9	Digitalization and innovation-centric approach to product development
SDG 10	Equitable labor practices
SDG 12	100% waste circularity including plastic (global) by FY2025 100% waste circularity including plastic (India) by FY2023
SDG 13	Internal carbon price set at ₹ 937 per tCO ₂ e (i.e. \$ 12.54 per tCO ₂ e)
SDG 17	Sustainability Ambassador Program

GRI index⁶²

GRI Standard	Disclosure Title	Page Number	Comments and references
GENERAL DISCLOSURES			
Organizational Profile			
GRI 102: General Disclosures 2016	102-1 Name of the organization	-	The registered company name is Dr. Reddy's Laboratories Ltd.
	102-2 Activities, brands, products, and services	12	Please also refer to our FY2020 Annual Report Pg. 26 and Pg. 42 for further details
	102-3 Location of headquarters	10	Please refer to our FY2020 Annual Report Pg. 117 for further details
	102-4 Location of operations	10	Please refer to our FY2020 Annual Report Pg. 26 and Pg. 78-79 for further details
	102-5 Ownership and legal form	-	Please refer to our FY2020 Annual Report Pg. 72 and Pg.94 for further details
	102-6 Markets served	10	
	102-7 Scale of the organization	10,66,88	Please also refer to our FY2020 Annual Report Pg. 31 and Pg. 113 for further details
	102-8 Information on employees and other workers	66	
	102-9 Supply Chain	93	
	102-10 Significant changes to the organization and its supply chain	93	
	102-11 Precautionary principle or approach	31	
	102-12 External initiatives	100	
	102-13 Membership of associations	-	Please refer to our FY2020 Annual Report Pg. 33 for further details
	102-14 Statement from senior decision-maker	2	
	102-15 Key impacts, risks, and opportunities	31	
	102-16 Values, principles, standards, and norms of behaviour	9	
	102-17 Mechanisms for advice and concerns about ethics	31	
	102-18 Governance structure	30	
	102-40 List of stakeholder groups	24	
	102-41 Collective bargaining agreements	65	
	102-42 Identifying and selecting stakeholders	24	
	102-43 Approach to stakeholder engagement	24	
	102-44 Key topics and concerns raised	24	

GRI Index

GRI Standard	Disclosure Title	Page Number	Comments and references
	102-45 Entities included in the consolidated financial statements	-	Please refer to our FY2020 Annual Report Pg.94 for further details
	102-46 Defining report content and topic Boundaries	98	
	102-47 List of material topics	28	
	102-48 Restatements of information	98	
	102-49 Changes in reporting	98	
	102-50 Reporting period	98	
	102-51 Date of most recent report	98	
	102-52 Reporting cycle	98	
	102-53 Contact point for questions regarding the report	99	
	102-54 Claims of reporting in accordance with the GRI Standards	99	
	102-55 GRI content index	101	
	102-56 External assurance	99	

TOPIC SPECIFIC DISCLOSURES

Affordable and innovative medicines (includes Product Responsibility)

GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	84	
	103-2 The management approach and its components	85	
	103-3 Evaluation of the management approach	85	
Non-GRI	Operational Excellence	89	
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	89	
	103-2 The management approach and its components	89	
	103-3 Evaluation of the management approach	89	
Non-GRI	Affordable and Innovative Medicine	84	

Being an employer of Choice

GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	62	
	103-2 The management approach and its components	62	
	103-3 Evaluation of the management approach	62	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	66	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	69	
	401-3 Parental leave	65	

GRI Standard	Disclosure Title	Page Number	Comments and references
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	73	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	69	
	404-2 Programs for upgrading employee skills and transition assistance programs	69	
	404-3 Percentage of employees receiving regular performance and career development reviews	69	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	65	
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	65	
GRI 405: Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employees	-	Please refer to our FY2020 Annual Report Pg. 18-19 for further details
Sustainable Sourcing			
GRI 103: Management Approach	103-1: Explanation of the material topic and its boundary	93	
	103-2: The management approach and its components	93	
	103-3: Evaluation of the management approach	93	
GRI 204: Procurement Practices 2016	204-1: Proportion of spending on local suppliers	95	
Caring for communities			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary	76	
	103-2: The management approach and its components	76	
	103-3: Evaluation of the management approach	76	
GRI 413: Local Communities 2016	413-1: Operations with local community engagement, impact assessments, and development programs	76	
	413-2: Operations with significant actual and potential negative impacts on local communities	76	

GRI Index

GRI Standard	Disclosure Title	Page Number	Comments and references
Environmental Management			
GRI 103: Management Approach	103-1: Explanation of the material topic and its boundary	41	
	103-2: The management approach and its components	41	
	103-3: Evaluation of the management approach	41	
GRI 301: Materials 2016	301-1: Materials used by weight or volume	57	
GRI 302: Energy 2016	302-1: Energy consumption within the organization	43	
	302-3: Energy intensity	43	
	302-4: Reduction of energy consumption	44	
GRI 303: Water and Effluents 2016	303-1: Water withdrawal by source	47	
	303-3: Water recycled and reused	56	
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	43	
	305-2: Energy indirect (Scope 2) GHG emissions	43	
	305-3: Other indirect (Scope 3) GHG emissions	43	
	305-4: GHG emissions intensity	43	
	305-5: Reduction of GHG emissions	44	
	305-7: Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	46	
GRI 306: Effluents and Waste 2016	306-1: Water discharge by quality and destination	55	
	306-2: Waste by type and disposal method	59	
Others			
GRI 205: Anti-Corruption	205-1: Operations assessed for risks related to corruption	31	
	205-3: Confirmed incidents of corruption and actions taken	31	
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	88	

Annexure: GHG quantification methodology

In the year under review, we further aligned and strengthened our GHG inventory methodology based on the 'GHG Protocol Corporate Accounting & Reporting Standard' and industry best practice.

In accordance with the GHG protocol, we have employed an 'operational control' approach which includes data from 23 sites (100% of our manufacturing facilities) and all our corporate offices. Data from every source is collected on a monthly basis and collated at a central level on quarterly basis. Data validation is conducted by our Corporate Safety, Health, Environment and Sustainability team on a quarterly basis.

SCOPE 1

For the purpose of calculating scope 1 emissions we have included data pertaining to three categories:

1. Fugitive emissions from refrigerants:

A 'purchase-based approach' has been used to arrive at the activity data for consumption of refrigerants. To calculate fugitive GHG emissions the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report (2014) and ASHRAE Standard 34 emission factors have been referenced.

Exclusions: Gases that do not form a part of the Kyoto Protocol Gases have been excluded.

2. Stationary combustion:

The key fuel sources considered for arriving at the activity data are furnace oil, coal, HSD, Bagasse briquettes consumption, CNG and LPG. To quantify emissions the relevant guidelines from Department for Environment, Food and Rural Affairs (DEFRA, 2019) have been referenced for emission factors.

Exclusions: UoMs other than weight & volume for which conversion rates are not available are excluded or show error in the calculations.

3. Wastewater:

None of our plants discharge wastewater except the Custom Pharmaceutical Services (CPS) plant where the effluent is sent to PETL for treatment. At other locations, wastewater discharge means that the effluent is being discharged to other DRL plants for treatment.

For Indian sites, it is assumed that of the total amount of wastewater (Industrial or Domestic) discharged, 50% is treated by authorities & rest untreated waste water mixes into various water streams. For overseas sites, it is assumed that all the wastewater discharged is treated by the authorities; further, the industrial and domestic wastewater has been bifurcated using the 80:20 rule. The density of sludge is taken as 0.721 kg/l.

The emission factors for methane and nitrous oxide have been calculated by referring to IPCC Guidelines, Vol. 5, Chapter 6: Wastewater Treatment and Discharge. Emissions in CO₂e have been calculated taking the Global Warming Potential (GWP) of methane as 28 and nitrous oxide as 265.

Exclusions: Units other than kgs for which conversion rates are not available are excluded.

Annexure: GHG quantification methodology

SCOPE 2

Scope 2 emission data encompasses activity data from grid electricity consumption. We have adopted a location-based approach for selecting the emission factors, due to unavailability of source-specific emission factors. Table 1 provides an overview of the various emission factors chosen based on the geography of operations.

Table 1: Scope 2 emission factors

Country	Grid Average EF	UoM	Reference source
India	0.705	tCO ₂ -e/ MWh	International Energy Agency (IEA), 2018
UK	0.2556	tCO ₂ -e/ MWh	DEFRA, 2019
Mexico	0.505	tCO ₂ -e/ MWh	Government of Mexico, Energy Regulatory Commission
USA	0.4322	tCO ₂ -e/ MWh	United States Environmental Protection Agency (EPA) 2020. "Emissions & Generation Resource Integrated Database (eGRID), 2018."
Netherlands	0.077	tCO ₂ -e/ MWh	Ministry of Economic Affairs and Climate Netherlands, Connekt network, Milieu Centraal, The Foundation for Climate Friendly Procurement and Business (SKAO), Stimular

SCOPE 3

We monitor and quantify our scope 3 emissions in the following 8 categories:

1. Purchased goods and services: This category includes Raw Materials (RM), Active Pharmaceutical Ingredients (API), Packaging Materials (PM) and 3rd party products (3P products). A hybrid approach (Quantity Based + Spend Based) for consolidation of emissions has been chosen due unavailability of specific emission factors for all RMs, APIs, PMs & 3P products. Emission factors for some of the RMs and APIs have been extracted from open source LCA Databases. For some RMs and APIs, emission factors of alternative RM and API has been selected. For others, spend based approach has been used.

The average density of products is taken as 0.8 kg/L after review of major products whose quantity is measured in volume. The

emission factors have been sourced from the below mentioned guidelines:

- Environmental Design of Industrial Products (EDIP) Life cycle Impact Assessment (LCIA) Methods
- IPCC -2013

For Spend based approach, the emission factors are sourced from the database of Japan's Ministry of Environment based on the relevant industry-related table as detailed below:

- Emission source unit on monetary basis for each raw material (producer price basis)
- Carbon Footprint Communications Program Basic Database, Ver. 1.01 (Domestic Data)

- Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain, Ver. 2.0

The Calculated original emission factor is 2.28068 tCO₂-e/Million Yen, 2018-19 Average Exchange Rate used is 1 JPY = ₹ 0.63043325.

Exclusions: UoMs other than weight & volume for which conversion rates are not available are excluded.

- 2. Capital goods:** This category encompasses manufactured capital goods and equipment purchased, which includes blowers, filters, Air Handling Units (AHU), pipes and sensors, among others. Due to unavailability of specific emission factors for each product type, spend-based method is used. The emission factors are sourced from the database of Japan's Ministry of Environment based on the relevant industry-related table (as detailed under subpoint 1. purchased goods and services).
- 3. Fuel and energy related activities:** We have used the DEFRA, 2019 guidelines for emission factors to account for the upstream emissions related to fuel and electricity consumption. These upstream activities comprise of extraction, refining and transportation of fuel consumed by us and extraction, refining & transportation of fuel used for generation of Electricity consumed by us.
- 4. Upstream transportation and distribution:**
 - a. Domestic inbound:** The mode of transportation is majorly by road. The average density of products is taken as

0.8 kg/l after review of major products whose quantity is measured in volume.

- b. International inbound:** The mode of transportation is by air and sea.
- c.** When calculating the distance between the source and the destination an additional road transit distance is calculated to account for transport related emissions from Port of Clearance (POC) to Plant Location (PL). For each shipment via air/sea, where Plant Location (PL) is not recorded an additional 500 Kms (Avg.) of road travel is added to account for transport related emissions from Port of Clearance (POC) to Plant Location (PL).

World Resources Institute (2015) - GHG Protocol tool for mobile combustion Version 2.6. emission factors have been used for quantifying GHG emissions for this category.

Exclusions: The RM, PM and Project materials which are not measured in mass or volume and for which conversion rates are not available are excluded.

- 5. Waste generated in operations:** The activity data includes all the waste generated in our operations globally. Since waste bifurcation of overseas sites is not available, it is assumed that emission intensity of overseas locations by waste type is similar to India. For CTOs where waste disposal method was not provided, inferences from other business units and professional judgement has been used to map disposal methods by waste type.

Annexure: GHG quantification methodology

For drums the underlying assumption used is that weight of each drum equals 10% of total Volume/Capacity. If volume is not given, weight is assumed to be 5 kgs.

We have used the DEFRA, 2019 guidelines for emission factors considering end-of-life disposal of different waste materials and the various disposal methods used for each waste material type.

6. Business travel: This category includes two modes of transport: air and taxi (rental cabs). Where the unit cost per distance travelled is not available for commute by taxi, a standard assumption of INR 12/km is considered for calculations. For air travel, World Resources Institute (2015) - GHG Protocol tool for mobile combustion, Version 2.6. emission factors have been used.

For road travel - IPCC, 2014 guidelines have been referred for the emission factors.

7. Employee commute: The activity data encompasses employee commute by company leased transport, personal vehicle, public transport and non-fuel based transport. To arrive at GHG emission figures a survey was conducted to quantify the number of employees using various modes of transport, type of fuel and the daily distance travelled. Total working days in a year was assumed to be 300 days.

The ratio of employees using 2-wheelers and 4-wheelers for personal commute is taken as 1:1 for overseas locations. The assumptions, proportions and emission calculations does not consider the difference in technology and preferred

mode of transportation between Indian and overseas locations. The emissions from non-fuel transport is assumed to be zero. Since vehicle pass data and company transport data is not available for overseas locations, the proportion of overseas employees using a particular mode of transport is assumed to be similar to India.

To select appropriate emission factors for each subcategory of employee commute the below mentioned sources have been referenced based on relevance:

- India Specific Road Transport Emission Factors, 2015 - WRI - India GHG Program
- | World Resources Institute (2015) - GHG Protocol tool for mobile combustion, Version 2.6
- | IPCC 2006 guidelines
- | IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2: Energy

The Assumptions, Proportions & Emission Calculations does not consider the difference in Technology & preferred mode of transportation between India & Overseas locations.

8. Downstream transportation and distribution:

a. Domestic outbound: activity data under this category includes the transport required for shipping the products from the plant to consumers by air/road within India. For each

shipment via air, an additional road travel distance of 100 km is added to account for transport-related emissions from our plant to the airport and from destination airport to the respective distributor/customer's location

- b. International outbound:** activity data under this category includes the transport required for shipping the products from the plant to the consumers by air/sea to overseas locations. The nearest seaport is taken as Chennai or Mumbai JNPT as per the business unit's location and the road transit distance is calculated

accordingly. For each shipment via air/sea an additional road distance of 100 Kms (Avg) is added to account for transport related emissions from destination airport to customer location.

World Resources Institute (2015)
- GHG Protocol tool for mobile combustion Version 2.6. emission factors have been used for quantifying GHG emissions for this category.

Exclusions: The and for which conversion rates are not available are excluded.

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 to as 'the Company') to carry out an independent assurance of the Company's disclosures in its Sustainability Report 2019-20 ('the Report') in its web and printed formats, including references made to its Annual report 2019-20.

The sustainability performance disclosures presented in the Report, have been prepared by the Company based on the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards') and its Core option of reporting.

The scope and boundaries of disclosures are as described in the Report in the sections 'About the Report' and 'Materiality'. The agreed scope of work included verification of the qualitative and quantitative information on sustainability performance which have been disclosed in the Report based on GRI Standards for the activities undertaken by the Company over the reporting period 1st April 2019 to 31st March 2020. The reporting boundary includes 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™^①, 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. The intended user of this Assurance Statement is the Management of the Company ('the Management'). Our assurance engagement was planned and carried out during May 2020 – October 2020.

Responsibilities of the Management of Dr. Reddy's Laboratories Limited and of the Assurance Provider

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 within the Report and references in the Company's website. The Company is also responsible for the maintenance and integrity of its website containing the referenced sustainability-related disclosures 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 outcomes of our assurance to the stakeholders of the Company.

We provided a range of other services in 2019-20 to the Company, none of which in our opinion, constitutes a conflict of interest with this assurance work. Our assurance

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

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

engagement is based on the assumption that the Company has provided us data and information during our review in good faith and is free from material misstatements. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement and Management Report highlighting our assessment findings for future reporting. We expressly disclaim any liability or co-responsibility for any decision a person or an entity may make based on 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 opinion towards providing a limited level of assurance. Due to the outbreak of the COVID- 19 pandemic and associated travel restrictions, we carried out remote assessments in line with DNV GL's remote audit methodology, as one-to-one discussions and onsite assessments were not feasible.

We adopted a risk-based approach, i.e. we concentrated our efforts on the issues of high material relevance to Dr. Reddy's Laboratories Limited. As part of the process, a multi-disciplinary team of sustainability and assurance specialists reviewed sustainability disclosures related to the Company's operations with the managements at the Company's Corporate Office in Hyderabad and sample facilities for a limited level of assurance based on DNV GL's remote audit methodology. 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;
- 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;
- Remote verification and assessment exercises with sample sites i.e., selected Chemical Technical Operations (CTOs), Formulations Technical Operations (FTOs) ie. FTO-3 in Hyderabad, FTO-7 in Duvada, FTO-9 in Duvada and CTO-3 in Hyderabad, CTO-6 in Pydibhimavaram and CTO- SEZ in Pydibhimavaram (India) and manufacturing units at Cuernavaca (Mexico), and Mirfield (England) to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting our assessments on the basis of their materiality;
- 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.

We did not come across limitations to the scope of the agreed assurance engagement. However, during the assurance process,

primary data could not be accessed during the remote verification in a few cases due to limitations and restrictions related to the COVID-19 pandemic. However, secondary data has been reviewed in these cases, except where disclosures have been considered to be confidential in nature.

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 2019-20, which is subject to a separate audit process, and was not included in our scope of work.

Opinion

On the basis of the limited level of assurance 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 204: Procurement Practices 2016 – 204-1;
- GRI 205: Anti-Corruption 2016 – 205-1, 205-3;
- 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 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, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 406: Non-discrimination 2016- 406-1;
- GRI 407: Freedom of Association and Collective Bargaining – 407-1;
- GRI 413: Local Communities 2016 – 413-1, 413-2.

*Scope 3 material emissions includes from Purchased Goods and Services, Capital Goods, Waste generated in Operations, Employee Commuting, Business travel, Fuel and energy related emissions, Upstream transportation and distribution and Downstream Transportation and Distribution.

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 Report brings out the list of material topics, its prioritization based on review of existing material topics identified in 2009 and its impact

the Company and its stakeholders considering the GRI principle of Materiality. Further, the Company has initiated a detailed materiality assessment in FY 2020, the results of which will be addressed in the next reporting period.

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 brings out employees, business partners, investors, communities and non-governmental organisations (NGOs), patients, customers and healthcare professionals as the Company's most significant stakeholders. The Report also articulates the frequencies of engagement, engagement modes and key outcomes including concerns based on stakeholder engagement process undertaken during the reporting period.

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 Report brings out responses to identified material topics of interest to its key stakeholders, based on requirements of GRI standards covering general disclosures and economic, environment and social topics including policies, strategies, management

systems and governance mechanisms and trends of performance indicators for the reporting period.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

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 through our interactions with the management teams and data owners during the remote verification and assessment exercises conducted for the Corporate Office and sample sites chosen 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.

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 may establish a formal process to incorporate processes of periodic reviews and validation into 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 the Company's economic, environmental and social performance for its identified material topics including management approach considering the chosen reporting boundaries for the current reporting period, however, the company should strengthen the process and its systems to record and report this information reliably in future reporting periods

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.

Neutrality

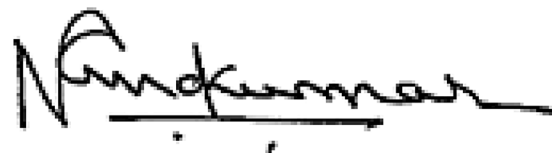
For DNV GL Business Assurance India Private Limited



Bhargav Lankalapalli

Lead Verifier

DNV GL Business Assurance India Private Limited, India



Vadakepathi Nandkumar

Assurance Reviewer

Head – Regional Sustainability Services
DNV GL Business Assurance India Private Limited, India.

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.

23rd October 2020, Mumbai, India.

DNV GL Business Assurance India (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com



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Feedback or questions pertaining to content of the report may be directed to:
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tpherwani@drreddys.com