



HETERO



**SUSTAINABILITY
REPORT 2020-21**

THE PROMISE OF
A HEALTHIER WORLD



"Committed to serve the world with affordable medicines."

Vamsi Krishna Bandi (left),
Managing Director of
Hetero Group of Companies
and
Bandi Parthasaradhi Reddy,
Founder and Chairman of
Hetero Group of Companies

Photo Courtesy: Forbes India, June 2021

MANAGING DIRECTOR'S MESSAGE

The financial year 2020-21 has been all about being more resilient and diligent to deliver more than ever in the most challenging times. The unflinching support of our people across all our manufacturing units and offices continued throughout the year, resulting in the business growth of ~ 25% and the ability to deliver the unprecedented demand of Covid-19 and other essential medicines. Our continued efforts in Sustainability in the areas of Product research, Manufacturing and strong stakeholder partnerships have also ensured that we were the first one to launch the Covid-19 drug Covifor (Remdesivir) in the Indian Pharmaceutical market. Today, we are among the largest suppliers of Remdesivir globally, having around 50-60% of production capacity.

While we were more agile in responding to the pandemic, we also have been strengthening our focus on sustainability. We endorsed and became a member of the United Nations Global Impact (UNGC), a global initiative on sustainable development. As a member of UNGC, we intend to broaden our goals and make conscious efforts to ensure that our strategies, policies, and procedures are accomplished in a right manner and at the right time. We strongly believe that our value system and mission will support us in fulfilling our long-term goals and commitment towards Sustainability.

The pharmaceutical sector played a crucial role in the pandemic by carrying out the production operations round the clock and ensuring adequate supplies of essential medicines to help the world fight against the pandemic. This year, we witnessed many modifications, adjustments and changes in our model of operations to make way for the new normal. Information Technology (IT) demonstrated a vital role in providing an opportunity for remote operations and flexible working without any disruption. In order to support the technology-enabled mode of working and safe practices, we strengthened the systems and ensured 100% of the employees received the required training to adjust to the new normal. Our Learning & Development activities were also aligned towards remote and IT-enabled learning, wherever possible.

Another significant achievement in COVID safety was the completion of more than 98% vaccination for our employees and workers, by ensuring a seamless process across the group. While we had progressed well in minimizing the impact of pandemic amongst our employees, we had few safety incidents at Hetero. It is a matter of extreme seriousness and priority for us. We thoroughly identified the reasons and took necessary corrective actions and subsequently implemented appropriate measures in order to avoid any such incidents in future.

I am glad that a constant increase in the Ecovadis sustainability rating scores of both Hetero Drugs Limited and Hetero Labs Limited is a testimony of our continuous performance and improvement in the sphere of sustainability. We aim to continue improving our efforts towards sustainability performance and achieve our long-term goals set for the future. We have also set out a Sustainable procurement policy to streamline the processes and way forward for sustainable procurement.

We will continue to remain alert and vigilant as Covid-19 remains an ever-present threat into 2021. However the way in which we navigated this crisis gives us confidence that we will emerge from it more resilient and stronger than ever.

Finally, I would like to acknowledge our employees, stakeholders, business partners and associates for their continued support in making the last financial year a year of accomplishment under such challenging circumstances.

Stay Safe. Stay Healthy.



Dr. Vamsi Krishna Bandi
Managing Director

LEADERSHIP TEAM

Working together to



A.V. Narsa Reddy
Executive Director



Dr. K. Rathnakara Reddy
Director



J. Sambhi Reddy
Director



Dr. C. Mohana Reddy
Director



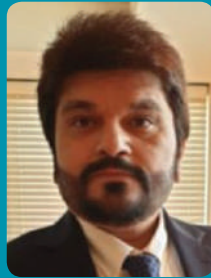
B. Murali Krishna Reddy
Director – Marketing

In the unprecedented times of COVID pandemic, our commitment to serve and deliver with sustainability did not get weaker even for a day. It has only grown stronger.

make sustainability flourish



A.V. Narsa Reddy
Executive Director



Bhavesh Shah
Director –
International Marketing



P. Bhaskar Reddy
Vice President & Head –
Operations (Jadcherla)



B. Bala Reddy
Associate Vice President
& Head Biologics



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Hetero at A Glance



Asia's
Largest

SEZ complex for APIs
manufacturing at
Visakhapatnam,
Andhra Pradesh



27+
years of
excellence



21,000+
employees globally



36
state-of-the-art
manufacturing
facilities



SHAPING A
HEALTHIER
WORLD



Largest

closely held
pharmaceutical
company in India



300+
APIs



Among the
Largest

of ARV APIs & FDFs
in the world



Presence in
126+
countries



200+
FDFs



Dr. B.P.S. Reddy
Chairman
Hetero Group of Companies



The greatest strength of Hetero has been the ability to handle challenges and perseverance, change with a flexible attitude, opportunities with diligence and success with humility.

We will continue this rich legacy of Hetero in all the future and will keep serving to the interests of customers, patients, communities and environment.



Making a difference to global public health

VISION

At Hetero, our vision has been to help improve the quality of life of people across the globe. We will continue to deepen our impact, supported by meaningful R&D, manufacturing excellence and global collaborative partnerships.

OUR PURPOSE

At Hetero, we come to work each day for one reason:

To put science to work for delivering affordable medicines that will help meet the health needs of every person on our planet.

OUR CORE VALUES

Our Core values guide us and serve as the pillars of our internal conduct as well as that of our relationship with customers, partners and shareholders.



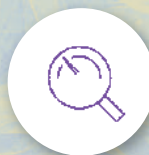
KNOWLEDGE

We value and respect Knowledge as the key enabler in our mission to develop affordable healthcare. We greatly cherish knowledge in our team members, associates, partners and the community at large.



DYNAMISM

We are agile, pro-active and passionate about each and everything that we do.



QUALITY FOCUS

We are committed to the highest standards of Quality in every aspect of our business, and work towards raising those standards through continuous improvement.



RESPONSIBILITY

We have deep-rooted sense of Responsibility towards all our stakeholders – customers, employees, shareholders and each and every associate who partners us. And we strive relentlessly towards delivering on those responsibilities.

ACTIVE PHARMACEUTICAL INGREDIENTS (APIS)

- Leading supplier to generics manufacturers
- 15 exclusive facilities for large scale production



Our Business

OUR STRATEGIC



FORMULATIONS

- A world leader in manufacturing of branded and non-branded generics
- Largest global supplier of Anti-Retroviral Drugs
- 21 dedicated facilities



BIOSIMILARS

- State-of-the-art single-use manufacturing facilities and dedicated R&D wing; designed to meet US FDA and EU standards
- Launched Darbapoetin alfa, Rituximab, Bevacizumab and Adalimumab globally
- 2 biosimilars under clinical trials and 4 in the pipeline

BRANDED GENERICS

- Significant economies-of- the-scale advantages and backward integration capabilities
- Contract manufacturing of APIs, Finished Dosages, Cytotoxic APIs and Injectables
- Technology transfer projects



BUSINESS VERTICALS



CUSTOM PHARMACEUTICAL SERVICES (CPS)

- Envisaged to make high quality medicines accessible worldwide
- Established presence in India
- Fast expanding across the world specifically in emerging markets

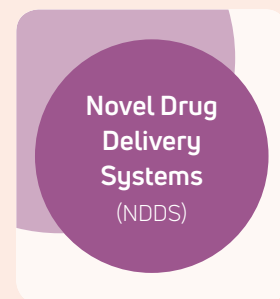
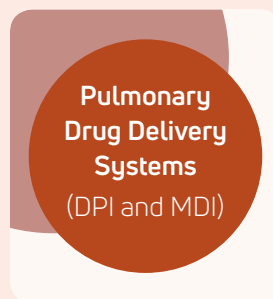
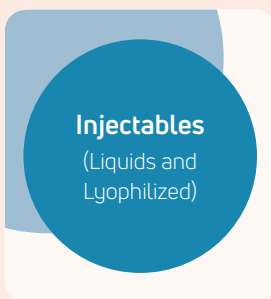
We Can Deliver

DIVERSE DOSAGE FORMS

**Solid Oral
Dosage Forms**
(IR and MR like
DR/SR/CR)

**Liquid Oral
Dosage Forms**
(Solutions and
Suspensions)

WIDE RANGING THERAPEUTICS



Our Presence Worldwide

We are present across the world

With an established presence in more than 178 countries, we are enabling access to affordable high-quality medicines around the world.

15
API facilities

21
Formulation facilities

3
R&D centres

The number of countries in each circle / region indicates the number of countries served as of March 2021. The markets served are dynamic and keep changing continuously. Africa (49); Europe (46); North America (2); CIS (13); LATAM (Latin America)(30); ME (Middle East) (16); SEA (Southeast Asia) (22); Grand Total (178)

NORTH AMERICA

- Canada 
- USA  



CENTRAL AMERICA

- Cost Rica 
- El Salvador 
- Guatemala 
- Honduras 
- Mexico  
- Nicaragua 
- Panama 



SOUTH AMERICA

- Brazil 
- Chile 
- Columbia 
- Equador 
- Paraguay 
- Peru 
- Venezuela 



CIS* COUNTRIES

- Kazakhstan 
- Kyrgyzstan 
- Russia  
- Ukraine 
- Uzbekistan 



EUROPE

- Germany 
- Netherlands 
- Poland 
- Spain 
- UK 



AFRICA

- Algeria 
- Egypt  
- Kenya 
- Nigeria 
- South Africa 



AUSTRALIA 



ASIA

- Cambodia 
- China  
- India  
- Indonesia  
- Malaysia 
- Myanmar 
- Philippines 
- Singapore 
- South Korea 
- Taiwan 
- Thailand 
- Vietnam 



CARIBBEAN 


Dominican Republic



MIDDLE-EAST

- UAE 
- Saudi Arabia 



 Manufacturing Facility  Branch Office / Subsidiary

World-Class Manufacturing Facilities

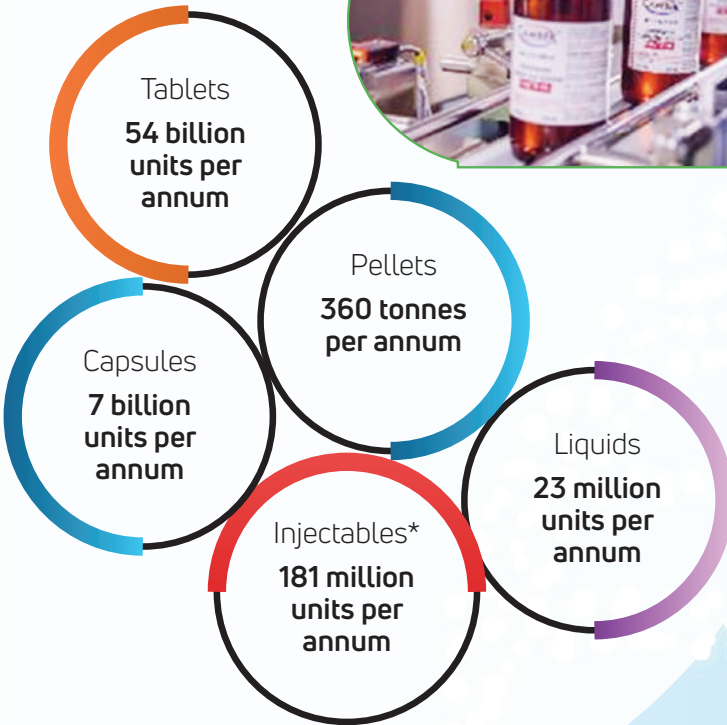


Our state-of-the-art production units enable us to deliver quality at scale, accelerating our growth.

- Largest manufacturing facilities ready to deliver on any scale in quick time
- Stringent operating procedures and compliance to current Good Manufacturing Practices (cGMP) and applicable regulatory requirements
- Continuous investments in upgradation of manufacturing facilities with emphasis on deploying advanced machinery and adopting latest technologies

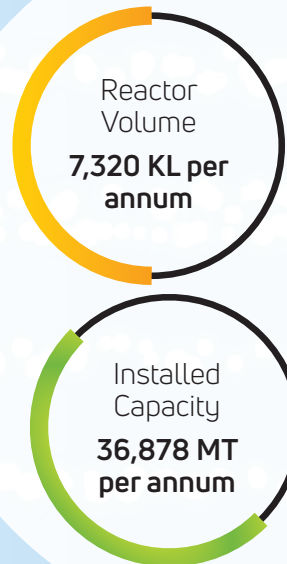
Large Capacities to Meet Global Demand

FORMULATIONS

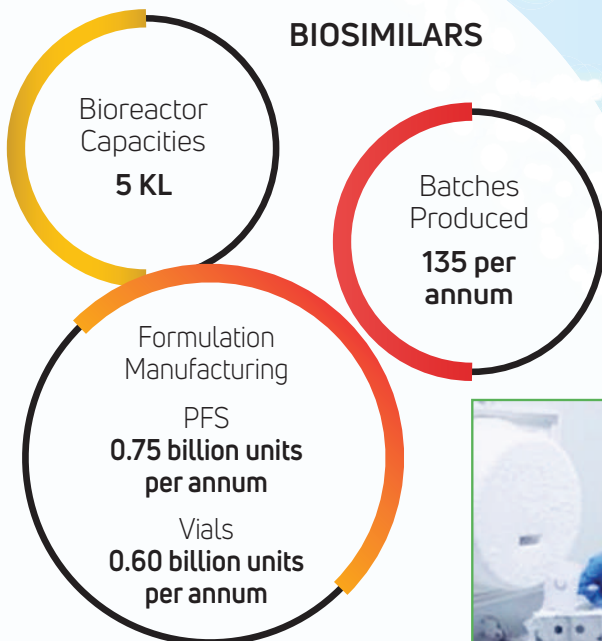


*Includes lyophilised, liquids and powder

APIs



BIOSIMILARS



Our Defining Moments

2019
2021

- Acquisition of Tarbis Farma in Spain. Making a remarkable contribution to the global battle against the COVID-19 pandemic.
- First Company in India to launch Covifor™ - licensed generic of Remdesivir in liquid & lyophilised form.
- Launched Favivi™ (Favipiravir) in a patient complaint pack.
- All set to manufacture 100 million doses of Sputnik V - World's first registered vaccine in partnership with RDIF.
- Collaboration with MSD (Merck) for enhancing access to 'Molnupiravir'.

2013
2018

- Launched the blockbuster - Hepatitis C drug 'Sofosbuvir' under in-licensing.
- Expanded our Hepatitis Portfolio
- First-to-launch te FDCs of 'Ledipasvir + Sofosbuvir' and Sofosbuvir + Velpatasvir' in India and several other markets.
- Advanced our ARV Expertise
- Launched the first ever FDCs 'Darunavir + Ritonavir' and 'Emtricitabine + Tenofovir Alafenamide' in India.
- Asserted our Place in Biosimilars
- Launched four biosimilar products 'Darbapoetin Alfa', 'Rituximab', 'Bevacizumab' and 'Adalimumab' in shortest time.

2007
2012

- Established Asia's largest APIs manufacturing complex at Vizag, India.
- Forayed into US generics market.
- Established World-Class Biologics Unit in Hyderabad, India.

2001
2006

One of the first companies to develop life-saving generic drug 'Oseltamivir' for Bird Flue and Swine Flue.

1994
2000

- Emergence as one of the first Indian companies to offer affordable ARV APIs.
- Hetero R&D acclaimed for developing about 20 APIs within 3 years.

Excellence in R&D

For us, investing in research means securing a healthy future for the world.

- Continuous investments for developing affordable APIs, Formulations and Biosimilars
- Emphasis on being the first-to-market and fast-to-market, benefiting our patients, partners and associates
- Leveraging our expertise to inspire cost-effective processes and sustainable technologies
- Focusing on unravelling complex and speciality therapeutics



Formulation Patents

201
Patents filed

21
Patents granted

API Patents

809
Patents filed

183
Patents granted

Awards, Accolades and Achievements

Dr. Vamsi Krishna Bandi,
Managing Director, Hetero Labs
Limited receives the 'Adam Smith
Awards Asia – Judges Choice'
in partnership with Standard

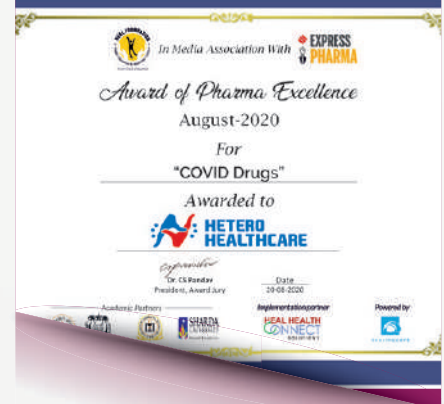
Chartered Bank from Treasury
Today Group.



 Adam Smith Awards 2020

Hetero Healthcare, our marketing
arm in India honoured with the
Best Product Launch Award for
Covifor (Remdesivir) by Express
Pharma Excellence Awards.

Hetero Biopharma bags India
Packaging Award (IPA) for
"Excellence in Enhanced User
Experience" from Informa Markets
(UBM India).



Hetero Nakappalli SEZ honoured with 'National Energy Leader Award and Excellent Energy Efficient Unit Award by CII



Hetero Labs Limited Unit-III, Jeedimetla was awarded with 5-STAR RATING for Excellence in EHS Practices in the CII-SR EXCELLENCE AWARDS 2020 and Sectorial Award in Pharma Manufacturing Sector (Second Place)



Hetero Labs Limited Unit-V, Jadcherla and Hetero Labs Limited Unit-VI, Jadcherla were awarded with 4-STAR RATING for Excellence in EHS Practices in the CII-SR EXCELLENCE AWARDS 2020



Hetero Labs Limited – Unit I Kazipally, Hyderabad

and

Hetero Nakkapalli, Visakhapatnam honoured with Energy Efficient Unit Award.



Memberships with Associations



United Nations
Global Compact



National Safety
Council



Confederation
of Indian
Industries



Bulk Drug
Manufacturers
Association



Himachal Drug
Manufacturers
Association



Telangana
State Industrial
Infrastructure
Corporation –
Industrial Area
Local Authority

Our Partners



Jeedimetla
Effluent
Treatment
Plant



Ramky Enviro
Engineers
Private
Limited



Medicare En-
vironmental
Management
Pvt Ltd.

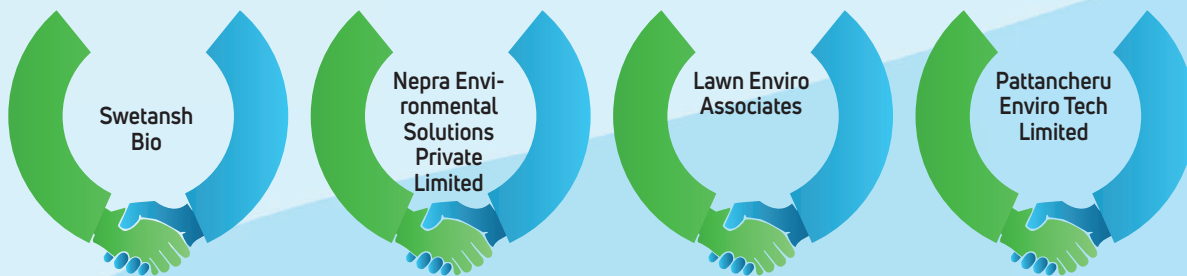


Z-Enviro
Industries
Pvt Limited

Our Certifiers and Trainers



in Sustainability



REPORTING APPROACH

A cleaner, greener, healthier future for all

Staying true to our mission of building a healthier world, we, at Hetero, emphasise on environmental and social sustainability.

- Reporting sustainability performance under the key pillars – Environmental, Social, Economic and Governance
- Making considerable progress in sustainability performance year-on-year in the domains of water conservation, waste management, occupational health and safety, and others
- Pledged support to the 10 Principles of United Nation's Global Compact (UNGC) Initiative on human rights, labour, environment, anti-corruption etc.
- Adopting green technologies in R&D and production

About this Report

This is our fifth-sustainability report. This report has been prepared in accordance with global reporting initiatives (GRI) standards (Core Options) and covers period from 1st April 2020 to 31st March 2021. The report follows the financial reporting cycle i.e., 1st April to 31st March. Our previous sustainability report was for the period of 1st April 2019 to 31st March 2020. Our sustainability reports are based on key reporting principles of inclusiveness, completeness and materiality. We have become signatories to United Nations Global Compact (UNGC) in FY20-21. This report attempts to align the reporting with UNGC principles as well.

This sustainability report is based on the GRIs reporting principles of stakeholder inclusiveness, sustainability context, materiality and completeness. The report provides the process of stakeholder engagement in the Sustainability Approach section. It also explains how stakeholder concerns are considered in materiality assessment and form a part of the report.

The sustainability context has been set out in the sustainability approach section. Further, sections on economic, environment and social aspects provide the national and sectoral context of sustainability for each area. Under the Sustainability Approach section of the report, Hetero has explained its process of assessing the most material sustainability topics for its business. It also lists the topics the report attempts to report. The principle of completeness is ensured in the preparation of this disclosure by providing a list of material topics covered, topic boundaries, and time-frame for which the information is being reported.

Report Boundary

Hetero Drugs Ltd., Hetero Labs Ltd, Hetero Biopharma Limited, and Corporate office, at Hyderabad are covered in the boundary of this report. Majority of our manufacturing operations for the aforementioned companies are in India. This report covers data of all 12 manufacturing locations in India and Corporate Office at Hyderabad, India. Sales and marketing offices are spread across the world and our products are supplied to different parts of the world. This report's boundary is limited to our India operations. All material topics covered in this report have same boundary as mentioned above, unless and until specified otherwise. The boundary of sustainability reporting has not changed between last year and this year. Hetero Labs Limited, Hetero Drugs Limited and Hetero Biopharma are a part of the Hetero Group of Companies. All are privately held companies, promoted by Mr. Bandi Parthasaradhi Reddy, Founder and Chairman of Hetero Group of Companies.

Assurance

We carry out third party assurance of our sustainability reports. The external assurance of report has been provided by BSI in accordance with the AA1000 assurance standards. The assurance statement is a part of this report.

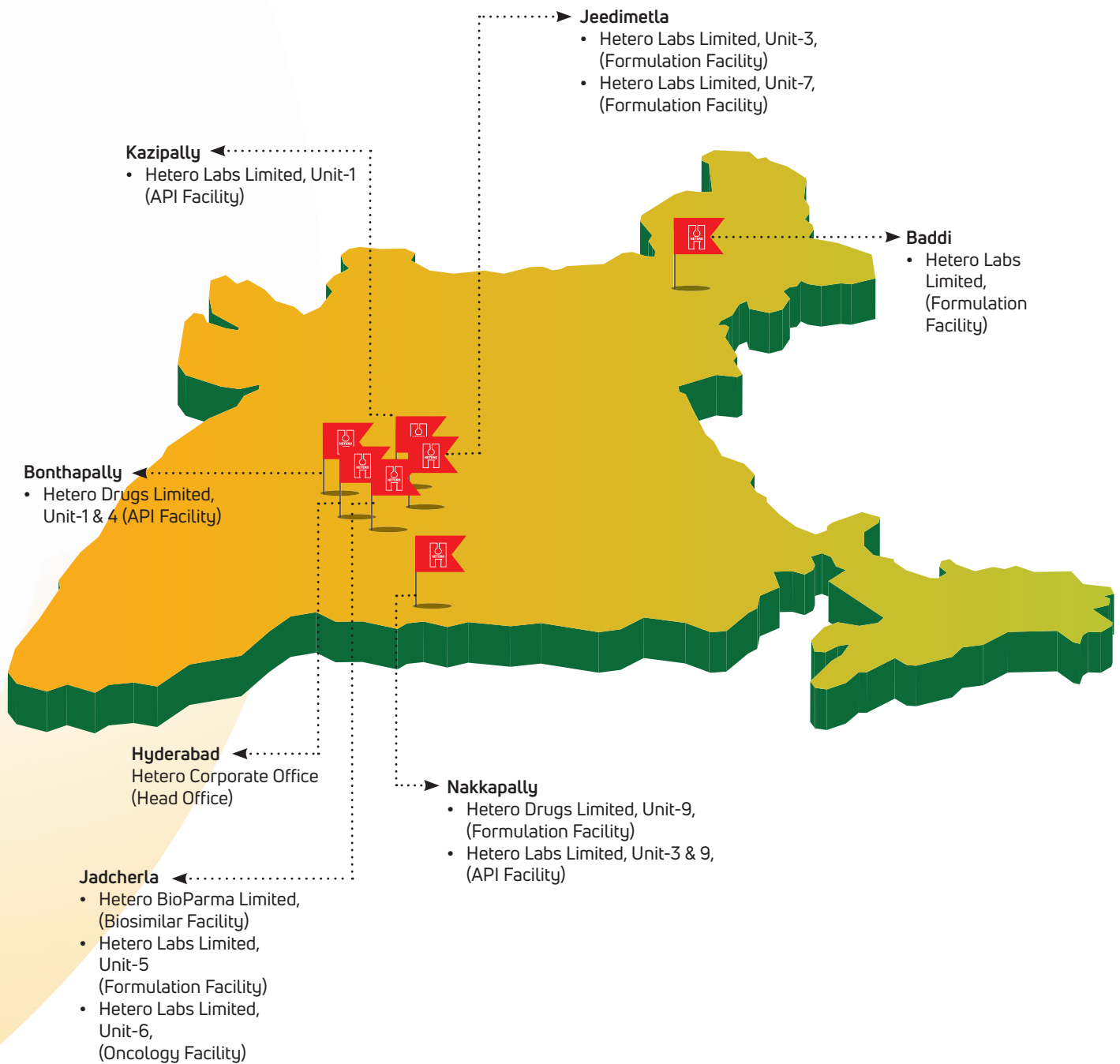
Corrections and Re-statements

There are no material re-statements and correction in this report as compared to last year's report. This year our sustainability priorities continued to be the same as in FY19-20, i.e., water and wastewater, climate change and energy, process safety. Owing to diverse product portfolio, category wise quantification of each product is challenging and hence, it has not been captured in this report. However, our production capacities for different types of products are provided below. Any product specific information can be provided on request.

Connect

Any queries, suggestions and feedback about this sustainability report please write to us at sustainability@heterodrugs.com.

Location of Hetero's Manufacturing Facilities



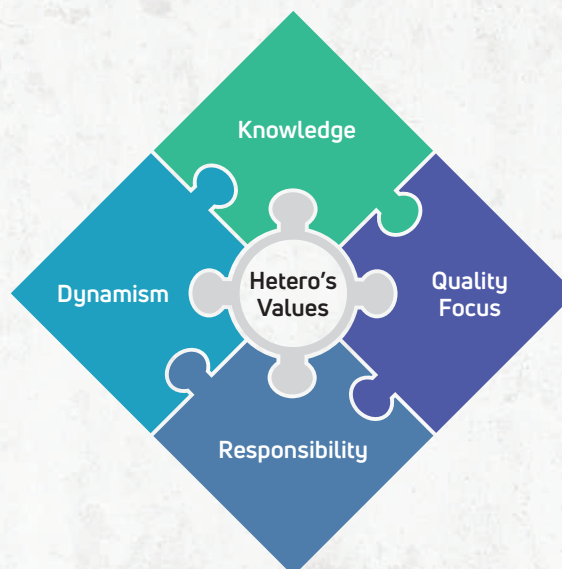
Sustainability Approach to What Matters the Most









Stakeholder Engagement

The outcome of our materiality assessment and sustainability performance has a profound impact on our employee's work environment, our customers supply chain commitments and practices, and our board's ability to decide on the direction for their investment in sustainability. Hence, while all stakeholders are relevant, we regard these as the critical stakeholders directly related to our business and sustainability performance. Other stakeholders relevant to Hetero are suppliers, Government and Regulators, local communities.

We have a systematic process of interacting with all these stakeholders at a defined frequency to receive, understand the expectations, evolving trends and areas of improvement, and performance by Hetero. Due to the pandemic's unprecedented situation, we had to revise and revisit some of the engagement practices and defer some of the regular engagement modes like suppliers meet. We intend to resume onsite engagements as the risk from the pandemic reduces. In all our stakeholder interactions and engagements, we always stay tuned to Hetero's values.



Stakeholders	Key stakeholder interest and concerns derived from stakeholder engagement	Mode of Engagement	Frequency of Engagement
Government Organizations State Pollution Control Board (SPCB), Ministry of Corporate Affairs 	Government – CSR spent, effluent and waste	Site Visits, Personnel interactions, Participation in Meetings, Feedback on Sustainability Report.	Annual
Customers Business to business customers 	Customer – Health and Safety, Compliance, product quality, reliability	Customer Meets Formal and informal Feedback from Customers /Health Professionals/ Medical Practitioners Customer Audits.	Annual
Employees Full time and contract employees 	Employees – Occupational health and safety, career progression, non-discrimination, learning	Online Surveys, Feedback forms, Employee Meets, Skills Development programmes, Open Floor Suggestions, Annual Performance Management system.	Regular Intervals
Society Local Communities 	Society – education, contribution to well-being and environmental performance	Village Meetings Community surveys Feedback from Community Participation in local activities.	Annual and also on need basis
Suppliers Contractors and Material Suppliers in India 	Suppliers – health and safety and ethical procurement practices	Vendor Audits, Facility Visit, Offsite Assessment Online Surveys, Agreements, Suppliers Trainings.	Annual and also on need basis with specific suppliers (with respect to supplier assessments)
Investors Board of Directors and Bankers 	Investors – Long term sustainability, transparency, compliance, economic value	Directors Meetings Annual Review Meetings Publish Annual Reports.	Once in 3 months

Materiality Assessment

Identification of material aspects for Hetero is guided by GRI standards materiality guidelines. In defining material Aspects as per GRI, a reasonable estimate of sustainability impacts, risks, or opportunities undertaken while keeping in mind the main sustainability interests and topics, and Indicators raised by stakeholders, challenges for the sector reported by peers and competitors. Hetero's values, policies, strategies, operational management systems, goals, and targets also influence material aspects. Additionally, relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the company may affect and add to the material aspects for Hetero.

We understand that the sustainability topics are dynamic and keeping moving in relevance with time. Also, new topics continue to emerge from changing external and internal priorities. To ensure that our topics are still the most relevant and material, we revisit our material topics once in three years. Due to the pandemic, the process got delayed, and the assessment concluded in the fourth year, i.e., FY21.

Thirty-two aspects mentioned below are considered in the materiality assessment. Due to the nature of our operations, the aspect related to the rights of indigenous people was not found to be relevant and removed from further analysis.

List of Aspects Considered in Materiality Assessment

Environment	Human Capital	Human Rights	Economic
Material	Employment	Freedom of association and collective bargain	Economic performance
Energy	Labor-management-relations	Child Labour	Market presence
Water	Occupational health and safety	Forced or compulsory labour	Indirect economic impact
Biodiversity	Training and education	Security Practices	Procurement practices
Effluents and Waste	Diversity and equal opportunity	Rights of Indigenous people	Anti-corruption
Emissions	Non-discrimination	Human rights assessment	Anti-competitive behaviour

Supply Chain	Community	Customer and Consumer	Regulatory & Legal
Supplier environmental assessment	Local communities	Marketing and communication	Public policy
Supplier social assessment		Customer health and safety	Socio-economic compliance
		Marketing and labelling	Environmental compliance

Materiality Assessment Process

Our materiality assessment process comprises of:

- **Identification of issues:** The sustainability committee identifies the top material issues based on their experience and understanding.
- **Internal stakeholder feedback:** A feedback is sought from the board and employees on the relative importance of topics for the company.
- **External feedback:** Customers are the primary stakeholders whose feedback is available through the rating agencies like ECOVADIS, audits.

A mix of qualitative and quantitative feedback from all three steps presents us with the high priority material topics for Hetero. The topics identified to be higher in the materiality assessment may not necessarily be the ones on which Hetero has achieved progress as per the requirement of stakeholders or best practices. Such topics provide direction in which Hetero's sustainability approach needs to steer in the coming years in sustainability.



The outcome of the materiality review

All the material topics identified earlier continued to be material. Supply chain, data security and compliance were added as three new material topics in our materiality list. No specific GRI indicators have been identified for data security & privacy, anti-corruption, marketing and corruption, and employee well-being. Hetero is evaluating the most appropriate indicators for measuring the same and intend to include it in future.

Material Topics

Environment	Social	Economic	Governance
<ul style="list-style-type: none"> • Energy and Emissions • Water and Effluent • Waste 	<ul style="list-style-type: none"> • Employee well being • Learning & Development • Health & Safety • Well Being – Customer Health & Safety • Community 	<ul style="list-style-type: none"> • Economic Value Creation • Supply Chain 	<ul style="list-style-type: none"> • Diversity & Equal Opportunity • Anti Corruption • Environmental Compliance • Marketing & Communication • Data Security & Privacy

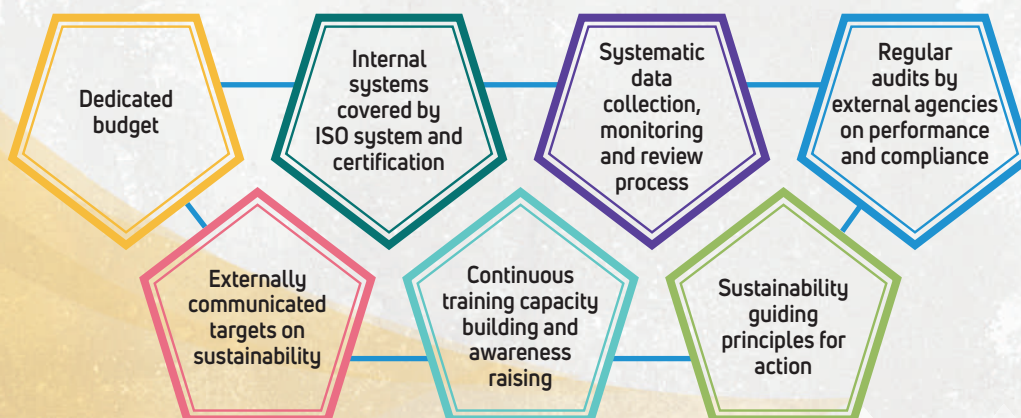
Sustainability Approach - Acting Responsibly

Our approach to sustainability continues to follow the theme of acting responsibly. Acting responsibly gets more profound and broader, based on the expectations from the sector during the pandemic and our eagerness to participate in fulfilling the same. Operating in the sector of pharmaceuticals, we have inherent sustainability risks relating to the environment and people. Being responsible and acting responsibly is a core value of Hetero. We extend this core value to our management of sustainability aspects of our business operations and extending it to the value chain. We are dedicated to conserving and protecting our planet's natural resources and providing safe work environment and safe health solutions. Complying with regulatory compliance and stretching beyond systematically helps us incorporate sound environmental practices in our operations and promote our supply chain to follow the same.

Signing to UNGC principles is one of the strategic sustainability initiatives that we have witnessed during the year. These principles will be guiding our approach to sustainability as we go further.

We have carefully carved out our sustainability approach for the three pillars of economic, environmental, and social responsibility by defining the five elements of Purpose, Approach, Effort / Action, Evaluation and Outcome.

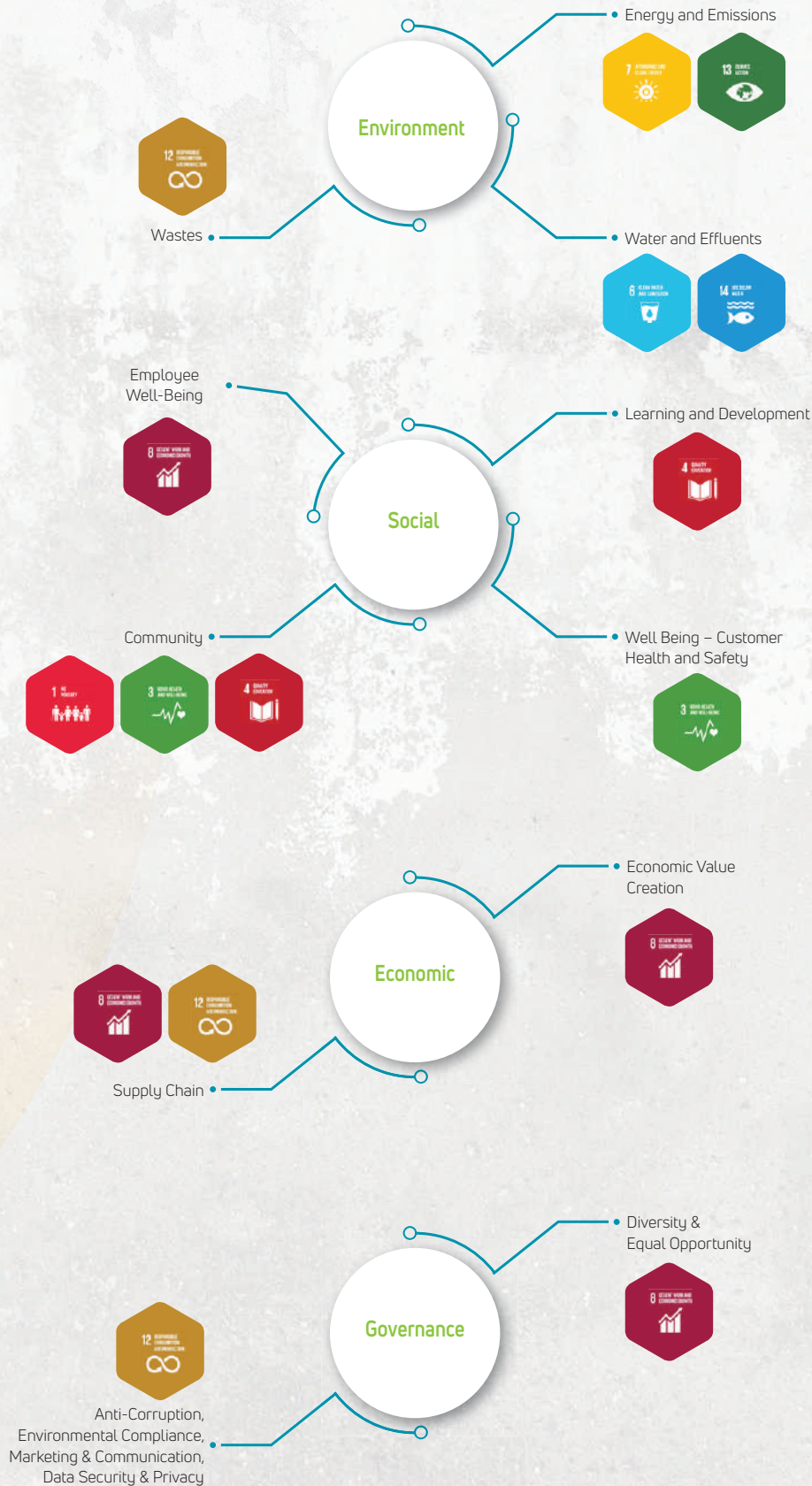
Overall Approach to Sustainability is An Array of Right Steps



Boundary of Material Topics and Contribution to SDG

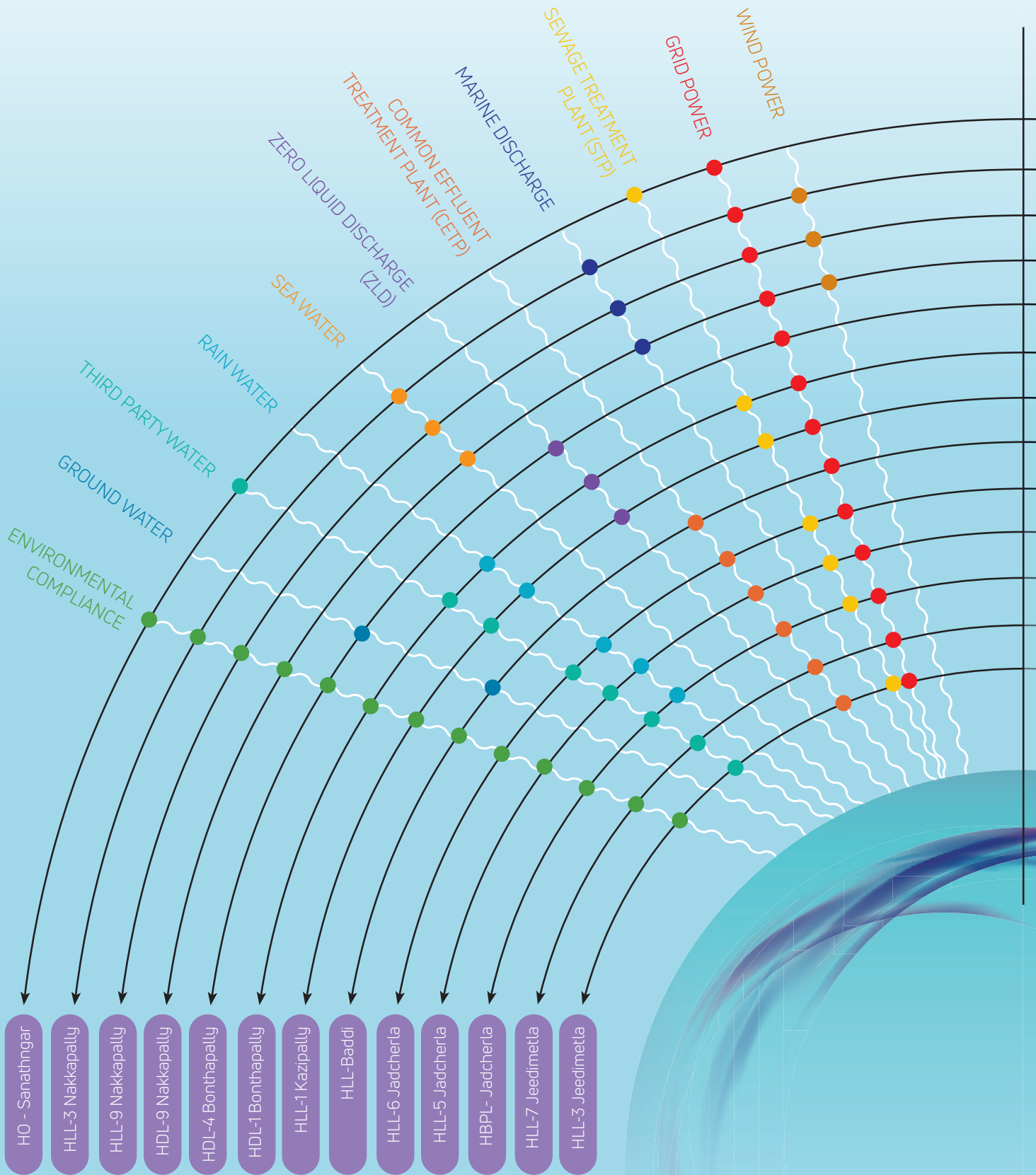
All the material topics except for supply chain and local community have the same data boundary, i.e. corporate office and 17 manufacturing units in India (mentioned in this report). Society action extends beyond the manufacturing units to nearby communities, whereas the supply chain is physically present outside the manufacturing units and extends globally. Thus, the boundary for these topics is beyond the manufacturing locations.

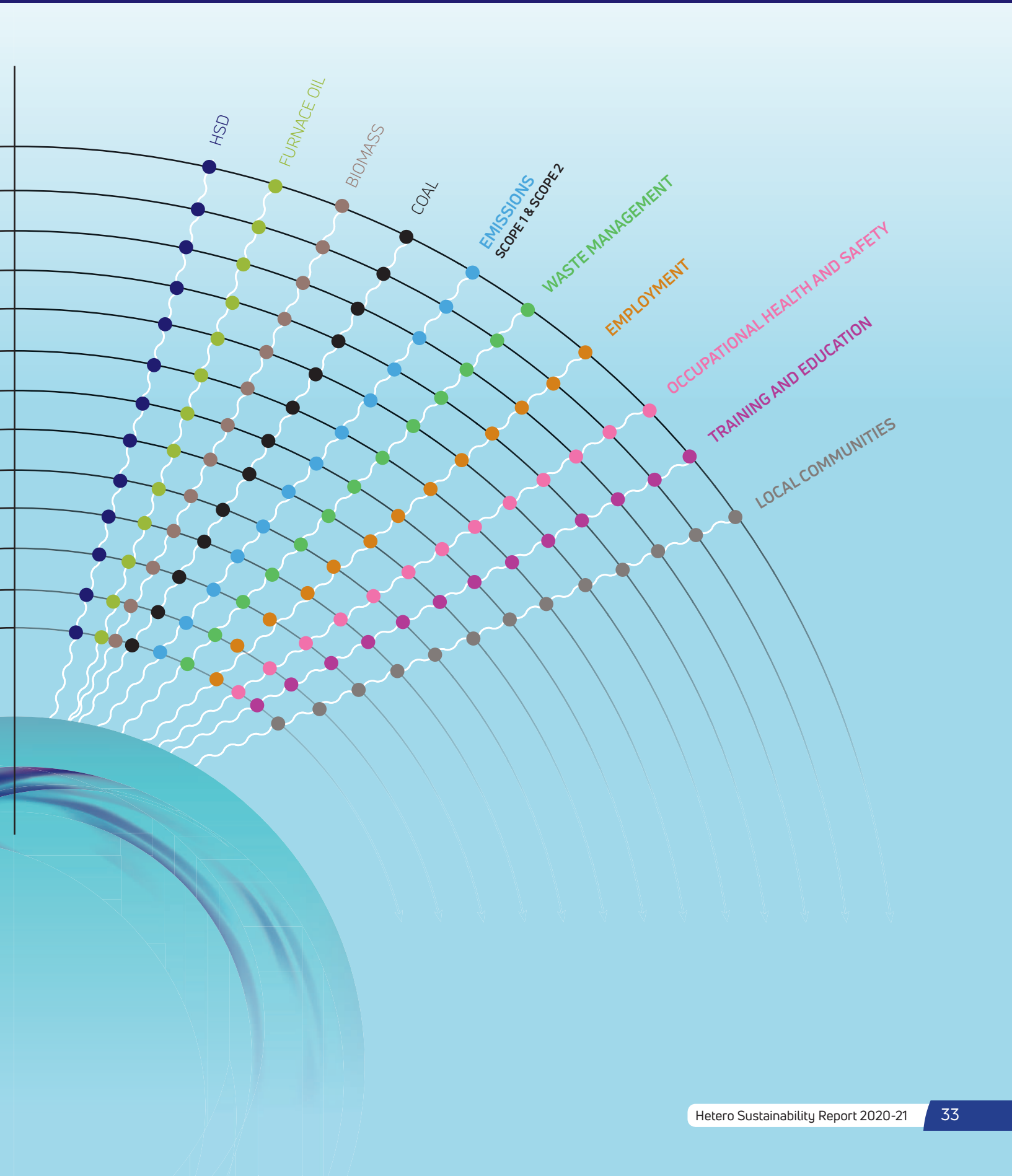
MATERIAL TOPICS AND ALIGNED UN SDGs



Material

Topics & Boundaries





HSD

FURNACE OIL

BIOMASS

COAL

EMISSIONS
SCOPE 1 & SCOPE 2

WASTE MANAGEMENT

EMPLOYMENT

OCCUPATIONAL HEALTH AND SAFETY

TRAINING AND EDUCATION

LOCAL COMMUNITIES

Governance and Risk Management



Building A Healthier Future for All



At Hetero, we are on an exciting journey of enabling affordable access to good health by leveraging our proven scientific expertise and deeply entrenched global presence. We are committed to growing our legacy of creating a healthier future for everyone, every day.

Governance

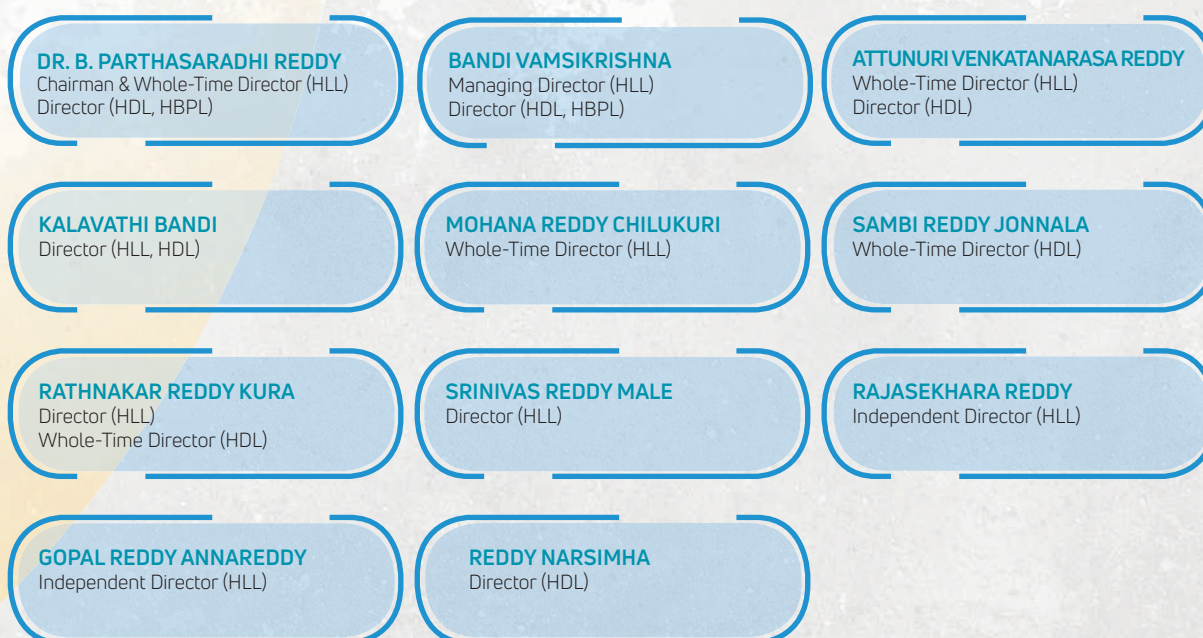
Hetero Group has always put its best efforts to maintain highest standards of governance in all its transactions. As we grow it becomes essential that we increase our emphasis on practices and systems essential to good governance. Quick and timely action at all levels is also inherent to good governance. At Hetero we act by our core values and amongst them Quality, Dynamism and Responsibility are the values which guide our governance system.

The Board of Directors is the highest governing body at Hetero. This body steers the company's strategic directions. Our Board of Directors comprises of Executive Chairman, Managing Director, Woman Director, Whole-Time Directors and Independent Directors. Out of 9 directors, we have two independent directors and one female director. Statutory committees which are constituted by the Board of Directors viz., audit committee, Nomination and remuneration committee and CSR committee under the chairmanship of independent directors, assist in providing implementation of strategies and drawing road maps. These committees are governed by the terms of reference as provided under the requirement of the Companies Act, 2013 and meet at least once in a year. The Company Secretary in consultation with the Chairman of the Board /Committees sets the agenda for relevant items / matters as required to discussed / approved by the Board / committees in the meetings as and when needed.

Sustainability Governance

To facilitate business, operate with sustainability, we have taken steps to enhance our sustainability governance systems through the "Sustainability Guiding Principles". Sustainability committee is responsible for sustainability governance overview. Our sustainability committee also formulates and drives sustainability initiatives. It also oversees transparent sustainability disclosures of the company like the sustainability report, Ecovadis disclosures. Sustainability committee is headed by the managing director. At each manufacturing unit level, we have an interdepartmental team to execute sustainability initiatives. We also have a unit level committee on sustainability, that are headed by the plant head. We have adopted this structure three years ago. The plant level committees met twice in FY20-21 whereas the corporate level sustainability committee met twice last year. All environment aspects are proposed from site, recommended by the sustainability committee to the board and the audit committee takes final decision.

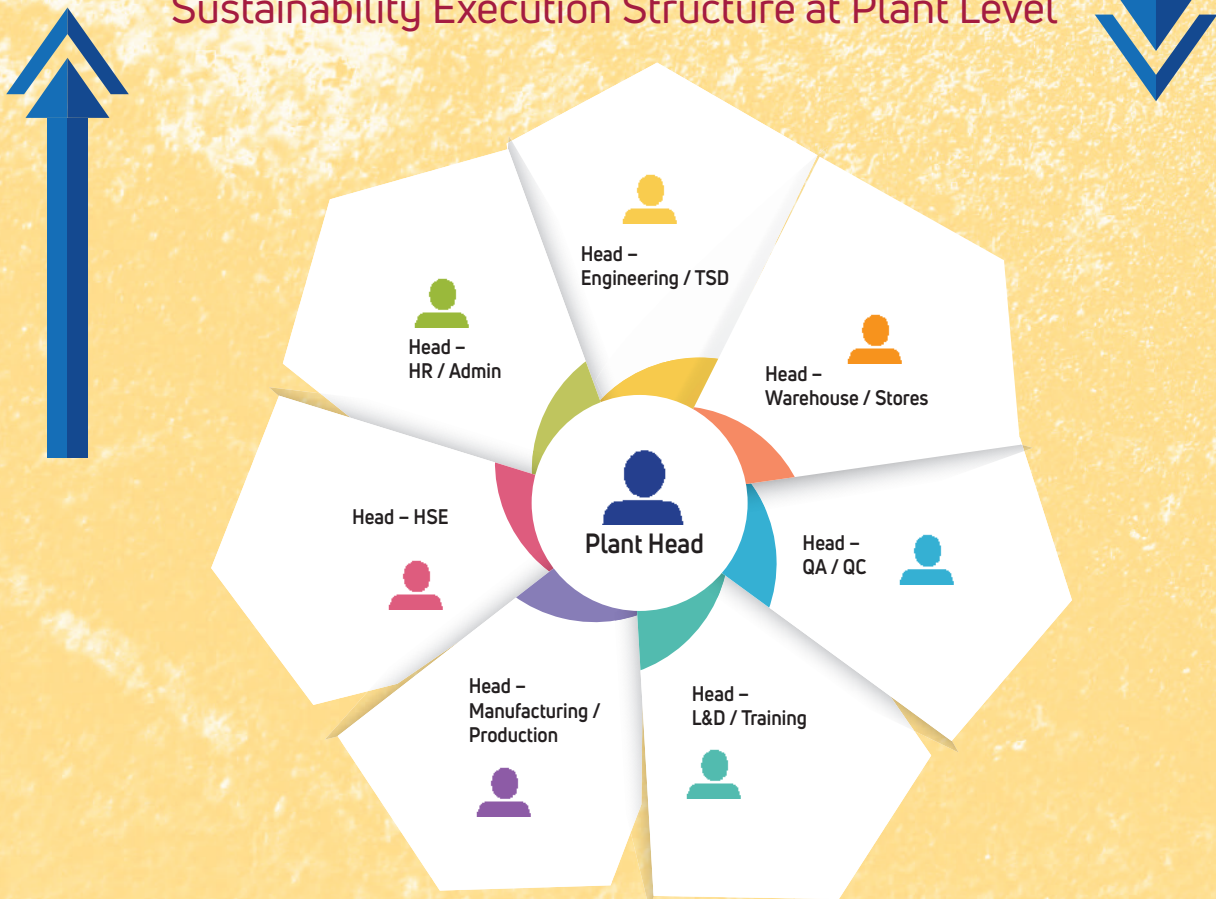
BOARD COMPOSITION



Sustainability Governance Structure at Group Level



Sustainability Execution Structure at Plant Level



Core Elements of Sustainability Guiding Principles

The "Hetero Sustainable Guiding Principles" have been prepared with an intention of setting out the requirements; including establishment, documentation, implementation, maintaining and continually improving the effectiveness on sustainability in line with the current applicable legal and other compliance obligations.





Intensifying the Sustainability Commitment

Sustainability committee and Board of Hetero together took the strategic decision to commit to the United Nations Global Compact (UNGC). By becoming a member of UNGC, we intensified our sustainability commitment in FY20-21. We support all the ten principles of UNGC under human rights, labour, anti-corruption and environment. Hetero is now steadfast, on its way to include these principles in business strategy and company culture.



Risk Management

Risk management is integral part of assisting the company to deliver consistently. Hetero has appropriate risk management framework which was designed for financial risks initially and has later been extended to other risks. It defines risk rating criteria, likelihood of risk, risk impact, and mitigation plan by the respective functional heads. The objective of risk management framework is to keep the build readiness to combat risks. Major risks identified by the business and functions are systematically addressed through mitigating actions on continuous basis, improving the effectiveness of risk management, and control processes.

As Hetero serves billions of people worldwide, aligned with a set of sustainable Guiding principles. Together with our values and Code of Business Conduct, our guiding principles sets the tone and values of our organization. Each employee is encouraged to be open and fact-based in discussing risk issues, making all relevant facts and information available so the Company can consider all possible options and make informed decisions. Risks are inherent in business activities and can relate to strategic goals, business performance, compliance with laws and regulations, and those critical to environmental, social and governance priorities.

Our Risk Management Approach

- Looks to promptly resolve internally identified risks to compliance with laws and regulations to maintain the provision of quality products, protect patient safety and ensure appropriate relationships with customers
- Supports strategies to ensure effective use of resources, enables an optimized, proactive approach to auditing and identifying / remediating compliance issues, and promotes reporting and monitoring across compliance functions
- Helps enable improved decision making, planning and prioritization through assessments of opportunities and threats
- Helps drive value creation by enabling management to respond in a prompt, efficient and effective manner to future events that create uncertainty and represent a significant threat or opportunity



Five Intertwined components of our ERM Framework

Risk Governance

Our Board of Directors provides oversight of senior leadership's management of the various risks the Company faces. The Board meets at regular intervals with EC members, other senior business leaders and leaders of risk management functions to discuss risk factors related to the Company. It also receives regular reports from senior representatives of the Company's independent auditor. The EC establishes over-arching strategic goals and oversees the business sectors as well as the risk functions.

Hetero business leaders are accountable for managing risks affecting their respective business segments and the overall enterprise. Risk management functions are responsible for identifying and assessing risks to business leaders and collaborating with them to find effective ways to manage identified risks.


Risk management professionals also strive to innovate and develop solutions to identify and mitigate risk. Each risk management function provides oversight and governance to help ensure standards are met and that risks are mitigated effectively. The leaders of these functions develop strategic plans and direction for their organization to effectively align the mitigation support to the objectives and priorities of the enterprise. Various committees serve as cross-functional governance mechanisms to share emerging risks and common practices – especially for cross-functional risks that require an integrated approach or may have complementary impact.



Risks Covered beyond the Financial and Operational Risk Covered by ERM

Policies, Conduct and Practice Guidelines that Support Sustainability

More details on our policies are available on the Hetero website at https://www.heteroworld.com/sustainability_policies.php



- Freedom of Association and the Right to Collective Bargaining
- Policy Against Discrimination
- Policy Against Forced or Compulsory Labour
- Disciplinary Policy
- Working Hours and Over Time Policy
- Remuneration Policy
- Whistle Blower Policy
- Employees Resignation and Discharge Policy
- Grievance Handling Policy
- Policy Against Harassment / Abuse
- Expectant Mothers Policy
- Fair business practices
- Anti-Bribery and Anti-Corruption Policy
- Employee Conflict of Interest Policy
- Anti-Money Laundering Policy
- Responsible Marketing Policy
- Information Security Policy
- Sensitive Transactions Policy
- Sustainable Procurement Policy
- Customer Safety Guidelines
- HSE Policy
- Energy Policy
- Biodiversity Policy

External Acknowledgements

EcoVadis is World's Most Trusted Business Sustainability Ratings provides holistic sustainability ratings service of companies, delivered via a global cloud-based SaaS platform.

The EcoVadis Rating covers a broad range of non-financial management systems including Environmental, Labor & Human Rights, Ethics and Sustainable Procurement impacts.



Hetero Labs Ltd

2021 - 60 (86 Percentile)
2019 - 53 (76 Percentile)
2017 - 47 (61 Percentile)



Hetero Drugs Ltd

2021 - 57 (79 Percentile)
2019 - 44 (53 Percentile)

Ethical Conduct

We at Hetero are committed to ethical conduct in all our business practices. Corruption, discrimination and unethical practices to achieve business growth and personal goals are strongly detested by Hetero and are not a part of the culture we foster at Hetero. Appropriate set of policies and practices for monitoring along with awareness sessions are used as tools for making the right cultural practices a part of who we are.

Code of Conduct, policy against discrimination, policy on fair business practices, anti-bribery and anti-corruption policy are some of the policies which guides each one at Hetero in the right behavior during the daily work and business conduct when interacting with external stakeholders.

To create awareness on all policies of Hetero including those related to ethical conduct, every employee undergoes a policy training once a year. It is an integral part of the induction programme for all new joiners as well.

An internal team, undertakes regular assessment on any non-compliance, and gaps in implementation of these policies. The internal team conducts regular audits for the same. We also undertake third party audits of manufacturing units. Each year two units undergo a third part audit on implementation of Hetero Sustainable Guiding Principles covering Labour Practices and Human Rights, Health & Safety, Fair Business Practices, Sustainable Procurement, Social Responsibility, Customer Safety and code of conduct. The audit is conducted as per ISO 17021 standards. In FY 21, we conducted the audit for manufacturing units at Bonthapally and Jedcharla.

Grievance Redressal

Grievance, if unattended and adequately resolved, leads to dissatisfied employees and teams. A grievance redressal committee constituted at Hetero plays the role of addressing the concerns of employees. To maintain fairness in the redressal of grievance, a six-member grievance redressal committee comprises an equal number of management members and employees. The Chairman of the committee is chosen alternatively from management and employees annually. A systematic process has been developed for the submission of a complaint and resolving the same.

Compliance – Legacy of Trust

Pharmaceutical sector is a highly regulated sector. Operating in this sector successfully and consistently requires strong regulatory and legal compliance practices. Hetero has from inception made it a priority. We always put our best foot forward, which has led to a legacy of trust with global regulatory authorities. The emphasis is following the law of the land with all honesty and diligence at every step, and in every day operations. Compliance risk assessment and addressing in a timely manner is well built into our risk management systems.

Our compliance and legal team supports tracking of regulatory and legal aspects globally. This ensures that we are abreast with the global developments in the legal and regulatory developments. For EHS compliance we have established a SHEEL legal compliance software which provides support in planning, updating and tracking the status of compliances and any new regulations that may emerge. Corporate EHS in collaboration with site team carries the responsibility of maintaining and managing the software. Central compliance tracking system for all functions is under planning. The corporate compliance and legal team will have the overall responsibility of implementing it.

The outcome is evident in the fact, that Hetero has not received any significant fines and penalties from regulatory authorities not only in FY20-21, but also in the previous years. The cordial relationship with community and no unrest or negative public reports are a testimony of the same.

Global Regulatory Approvals

**US FDA | EU GMP | TGA – Australia PMDA – Japan
MHRA – UK | MCC – South Africa | ANVISA – Brazil |
IDA | PIC/S INVIMA – Colombia | COFEPRIS – Mexico
GCC – DR | MFDS – South Korea
MOH – Russia | DIGEMID – Peru**

- Our manufacturing facilities adhere to rigorous quality framework and assurance procedures in line with regulatory standards
- Integrated risk-based quality management system in all product cycles
- Strong adherence to highest standards of health, safety and environment practices
- Major thrust on quality upgradation and product integrity

Information Security and Data Integrity

During the pandemic, the progress in information technology and digital medium supported business continuity immensely across sectors. The ease of data recording, record keeping, retrieving, and analyzing has multiplied several fold with the increase of digital data management. However, on the flip side, data and information security concerns also multiplied across sectors. At Hetero, by virtue of our business, data sensitivity has always been high. Therefore the efforts to maintain data systematically and keeping information secure has as well been a priority.

We have formalized these processes with policies on information security and data integrity. Information security policy aims to protect business-critical information from a wide range of threats to ensure business continuity, minimize business damage, maximize return on investments and business opportunities. We also commit to formalizing a policy on the security of Organizational Information Assets. We are putting in place the most appropriate technologies and processes in place for the same. The objective of technological intervention shall be to ensure information protection from threats to confidentiality, integrity and availability, thereby enhancing compliance and adding legal value to all its stakeholders. Information security monitoring systems are also in place and updated periodically to ensure compliance with regulatory and contractual obligations at all levels.

Information security policy applies to all employees of Hetero Group, Contractors, Third parties of Hetero Group as well. All the external partners, including suppliers, vendors, and third parties, either adopt our policy or follow their policy, which is equivalent to our policy.

Along with policy development and system strengthening, in FY20-21, we focused on disseminating the policy, its use, and associated facets will all employees of Hetero Group as a part of induction and training for existing employees, ensuring that 100% awareness creation. We are under the process of implementing ISO 27001 system for the same.

We undertook a third-party information security vulnerability and risk assessment exercise for our IT systems. The service assessment covered the critical information assets of our organization, determined the vulnerabilities that threaten the security of those assets provided recommendations to strengthen the security and help mitigate risk in IT resources.



Data Integrity Policy

Data integrity policy is developed by Hetero so that the data records are accurate, complete, intact and maintained within their original context, including their relationship to other data records. It guides everyone at Hetero on how to keep data records.

Progress Against Targets



Progress Against Targets

Environment

TARGETS	UNIT	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Progress / Achievement
Reduce specific fresh water consumption by 5% by 2022 (base year 2017)	ML/Mn Rs Revenue	0.0116	0.0114	0.0108	0.0099	0.0098	●
Reduction of Greenhouse gas (GHG) emissions by 2% by 2022* (base year of 2017)	tCO ₂ e/Revenue from sales in Mn Rs	4.9	4.88	4.65	4.50	3.40	●
Increase in waste water recycling by 5% by 2022 (base year 2017)	ML	107.48	167.96	212.26	199.95	179.06	●
Reduction of landfill waste disposal by 10% by 2022 (base year 2017)	MT	2213	6163	5533	6120	7161	●

Health & Safety

TARGETS	UNIT	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Progress / Achievement
Risk Assessment Review at least 75% of facilities 2022	%	Not compiled	Not compiled	36	52	60	●
2 Man day safety training per head per year 2022	Man days	Not compiled	Not compiled	1.39	1.16	1.08	●

Sustainable Procurement

TARGETS	UNIT	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Progress / Achievement
100% communication of requirements on sustainable practices to vendors 2022	%	0%	60%	90%	90%	90%	●
100% vendor qualification audits for raw materials 2022	%	-	Process Initiated	Under Trial	Initiated	Under Progress	●
100% assessment of vendor sustainability practices through Monkey Survey by 2022	%	-	90%	90%	90%	90%	●

● Achieved ● Under Progress

* Both scope 1 and scope 2 GHG emission are included in the GHG emissions intensity ration.

We track progress against the sustainability targets. Our targets are for a duration of five years. We will be revising them in the coming year and align them to larger goals.

Growing Together



Economic Performance

The Indian pharma industry supplies over 40% of the generics in the biggest pharma market – the US and about 25% of the prescription drugs in the UK; along with catering to over 60% of the global vaccine demand, India is one of the leading suppliers of pharmaceuticals in the world. (Source: ey-ficci-indian-pharma-report-2021) Our strive has always been to remain a part of this pharma growth story and deliver low-cost drugs worldwide. Effective and low-cost drugs provide a market advantage and support the economic well-being of customers and consumers.

Purpose

Create economic value for all in the society consistently

Approach

Economic value must be shared with the community from where it emerges is our philosophy and approach

Action

- Generating constant economic progress
- Providing fair share to employees
- Structured processes of adding value to the society where we operate
- Supporting local business by developing local supply chain
- Meeting all our legal financial obligations systematically

Management

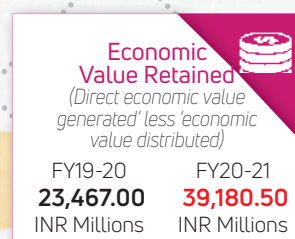
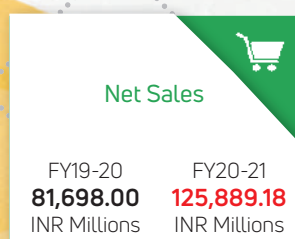
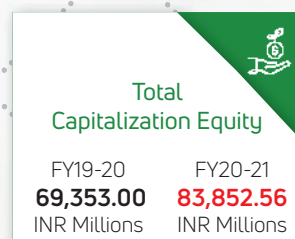
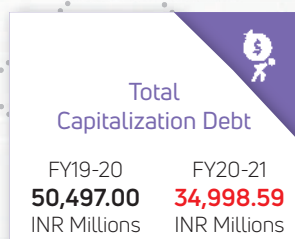
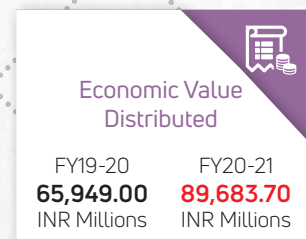
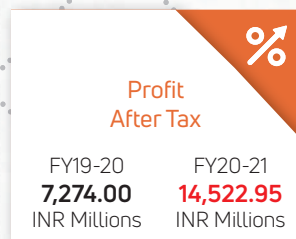
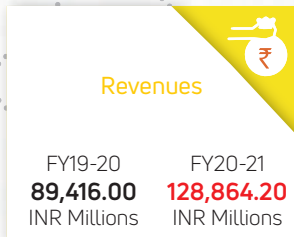
- Develop Sound business practices
- Development of appropriate policies, procedures to support business
- Adaptability to customer and market requirements
- Stability in performance in changing external and internal environment

Outcome

- During the pandemic, our agility and versatility helped address the pandemic through appropriate medicines and vaccine production, serving the society
- Economic value generated increased by 44%, and that distributed increased by 36 % in FY 21
- 75% of our monetary spent is on local suppliers

Beyond the customer and consumer, our quest is to ensure that all local stakeholders continue to gain economically through our business operations. We are closely committed to the national agenda of "Make in India" and Startup India. Our activities directly or indirectly contribute to these government initiatives creating value beyond the direct stakeholder and value chain. In our direct sphere of economic influence, we stay committed to developing one and all, constituting our employees, contract workers, suppliers and vendors, government authorities to whom we pay taxes, our lenders and nearby community from whom we draw natural resources for operations. As we grow, we pay back our debts, taxes, wages, loans in a fair and timely manner. While we contribute to societal development through consistent community spent, in proportion to our growth and society need, as spelt out in our CSR policy.

We are proud that in FY 21, the armour we had created in over 25 years could provide assistance in the timely delivery of life-saving drugs during the pandemic and stand up to the test of time to manufacture the vaccine of COVID-19. Other life-saving drugs also continued to be manufactured at the same time. Our revenues grew by 44% in FY 21. We made commensurate giving back and distributed 36% of the revenue through operational cost, employee, government tax. Our community investment more than tripled in FY 21, as we contributed to pandemic relief by supporting the government with a donation, conducting various relief programmes directly and through partner organizations.



Sustainable Supply Chain

Supply chains play an important role in supporting our sustainability goals. We have always interacted with our suppliers to understand their philosophy and performance on key sustainability agenda's. In FY20-21, we have formalized the process by developing a sustainable procurement policy. Our supplier code of conduct has as well been updated to include more dimensions of sustainable performance.

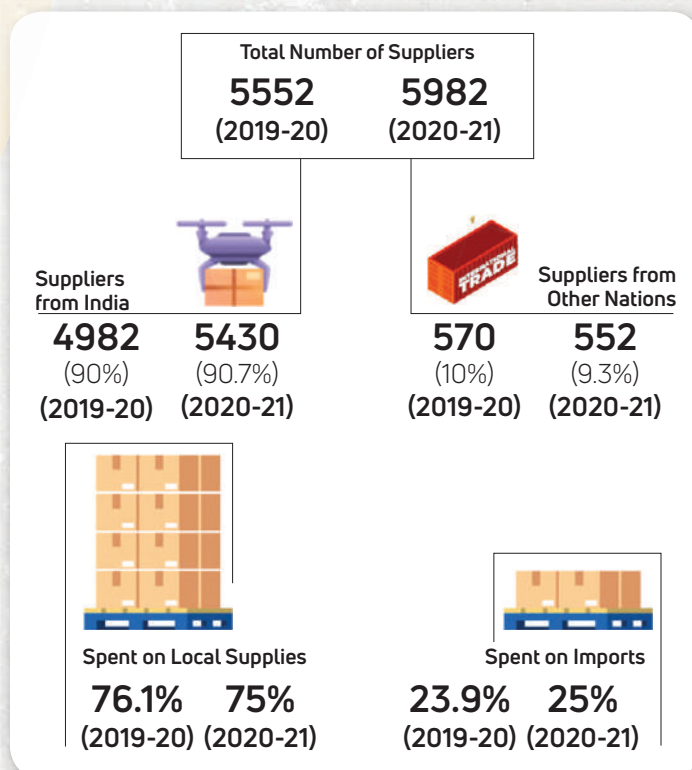
This Supplier Code of Conduct applies to all suppliers and contractors supplying goods or services to Hetero. 100% of our suppliers have accepted the code of conduct, and all-new suppliers continue to accept it. Due to the significance of compliance in the sector, all suppliers must sign and confirm compliance with all applicable laws through a "compliance certificate". We also undertake sustainable supplier audits to ensure that the on-site activities at suppliers' facilities are as described. Due to the pandemic, in FY 21, very few physical audits were conducted.

Bringing awareness in every dimension of sustainability has been one of our objectives. Hence, The sustainable procurement policy has also been communicated to all Employees, Suppliers, Contractors and other relevant stakeholders.

We at Hetero Promote Sustainable Procurement Policy by:

- Encouraging the purchase and use of materials, products and services that best align with the Hetero's environmental, climate change, Bio-Diversity, social, economic and performance goals.
- Reducing the spectrum of environmental impacts from Hetero use of products, including reduction of greenhouse gas emissions, reduction of landfill waste, health & safety risks and resource consumption.
- Incorporating sustainability standards into procurement decisions, purchasing from suppliers that follow sustainable labour practices.
- Purchasing from suppliers complying with all applicable compliance obligations but not limited to Environmental, social & health & safety legislation.
- Empowering Hetero's purchasing staff & user departments to be innovative and demonstrate leadership by incorporating progressive and best-practice sustainability specifications, strategies and practices in procurement decisions.
- Encouraging vendors to promote products and services that they offer which are most suited to the Hetero sustainability principles.
- Promote awareness among all employees and interested parties.
- Establish the process necessary to deliver the results following the requirements and implement the process to ensure Sustainable procurement practices.
- Monitor and measure the process against the requirement and take actions to continually improve the system.

Key starting materials, solvents, and other chemicals are the main raw materials for our operations. Our critical supply chain includes KSM suppliers, solvent and specialty chemical suppliers. Other suppliers and vendors provide fuel, packaging material and other supplies.



Working with the Environment



Environmental Performance

The Pharmaceutical industry is resource intensive. It requires abundant source of water supply as one of the inputs and also generates huge quantities of liquid, solid and air pollutants. (Source: ey-ficci-indian-pharma-report-2021) To deal with this scenario, there is a need for innovative technologies and processes to minimize the pollutants load on the environment. As we at Hetero grow our business, we are cognizant of this fact and take every possible step to minimize the negative impact and create positive impacts for the environment.

Purpose

To create a cleaner, greener and healthier future for all

Approach

Being responsible and acting responsibly is a core value of Hetero. We extend this core value to management of environmental impacts of our business operations.

Action

- Minimize natural resource use through alternate sources and improve process efficiency
- Increase our commitment
- Set goals and targets
- Become more transparent

Management

- Undertake international certifications for our environmental practices
- Became signatory to UNGC
- Develop EHS policy
- The standard operating process for each environmental function
- Report transparently to ECOVADIS, government agencies and through sustainability report

Outcome

- A well structured team of more than 200 EHS professionals
- EHS committee including plant head and management representatives
- A digital platform to track performance on environmental aspects
- 100% employee awareness and involvement in environment initiatives
- ISO 50001 and ISO 45000 certification on energy management for all units
- Dedicated budget for environmental management

Energy and Emissions

The IPCC fifth assessment report had warned that climate change needs to be controlled below 2 degree scenario. The recent, AR6 report "Global warming of 1.5°C and 2°C will be exceeded during the 21st century unless deep reductions in carbon dioxide (CO2) and other greenhouse gas emissions occur in the coming decades. With every increment of global warming, changes get larger in regional mean temperature, precipitation and soil moisture and projected changes in extremes are larger in frequency and intensity with every additional increment of global warming." Under these scenario's it becomes clear that the competitiveness of businesses will be threatened if they do not respect the global climate warnings. With this background, Hetero sees no reason for its business to ignore climate change and place its business practices in the right direction.

Energy consumption and source of energy have a direct relationship with the climate contribution of Hetero. Thus, greenhouse gas emissions and energy are inseparable for us. We look at them together.

It is the mission of Hetero to promote sound energy management practices while ensuring outstanding pharma manufacturing efficiency. We commit to tracking our energy use, reducing energy use and costs, and creating a culture of energy awareness and conservation. It forms the basic philosophy of Hetero's energy policy.

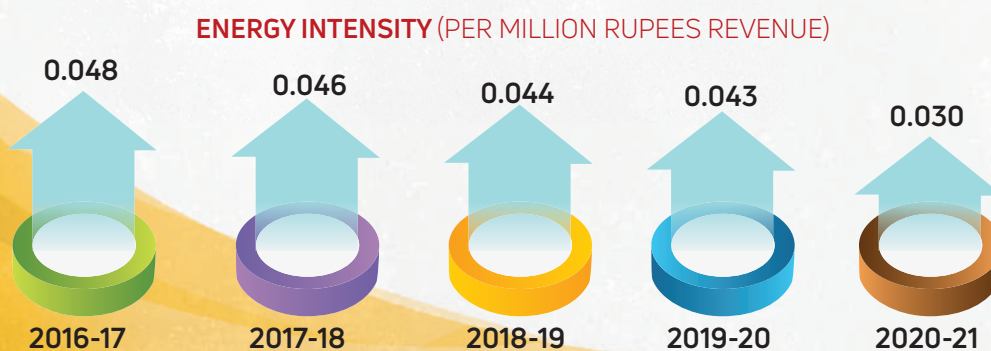
It clearly spells out the goals of Hetero on energy as stated below:

- Become one of the most energy-efficient Pharmaceutical companies in the sector.
- Engineering solutions for saving energy rather than rely solely on manual intervention.
- Benchmark energy use of all facilities within the sector in a specific period of time.
- Purchase energy at the most effective cost and reduce energy usage wherever possible
- Ensure that staff, customers and suppliers are made aware of energy management policy and encourage and motivate them to conserve energy.
- Comply with all applicable statutory and other requirements related to the organization's energy use, consumption and efficiency.

The goals set out by Hetero through its energy policy is supported by a team of energy managers, other EHS team members and plant head. The chairman approves the energy policy, thus providing a Board level oversight and endorsement of energy initiatives. The systems and processes for energy management is governed by ISO 50000 standards implemented at all sites. Power sourcing is planned at the corporate for all operations of Hetero. Thus renewable energy sourcing is as well decided by a central team. At the same time, the fuel sourcing is managed by plant-level teams.

Each site identifies the possible energy efficiency improvement at the location. Usually, this exercise is carried out once a year so that appropriate financial and non-financial resources can be allocated for the same. Periodically third party energy audits are also conducted.

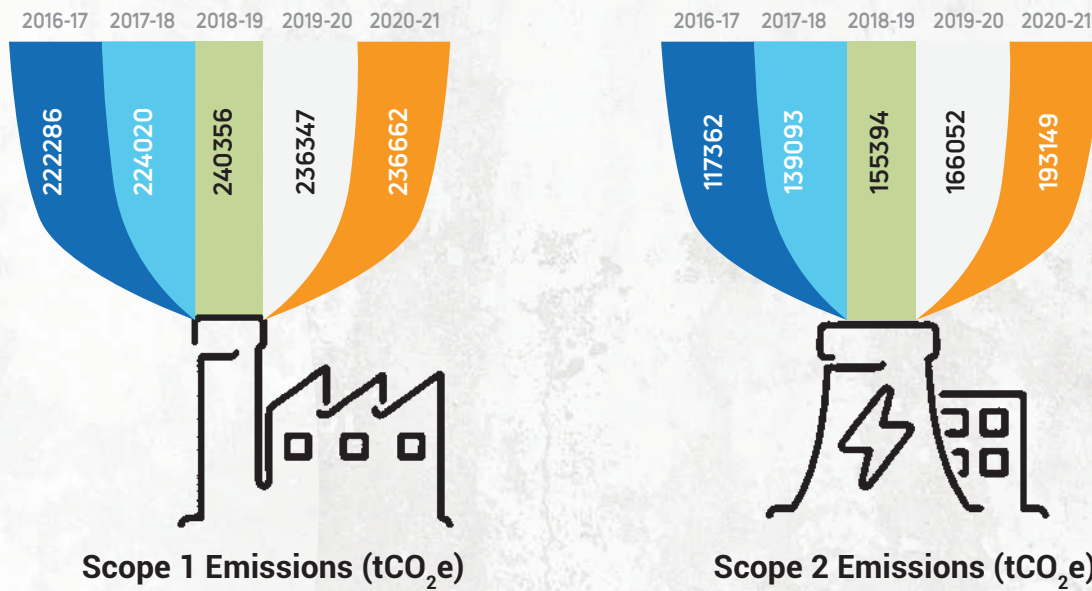
In FY 21, 15 energy efficiency activities were identified with an estimated investment of INR 120 million and the project saving of electric saving of 5 million KWh and thermal energy saving of 1243 Million Kcal.



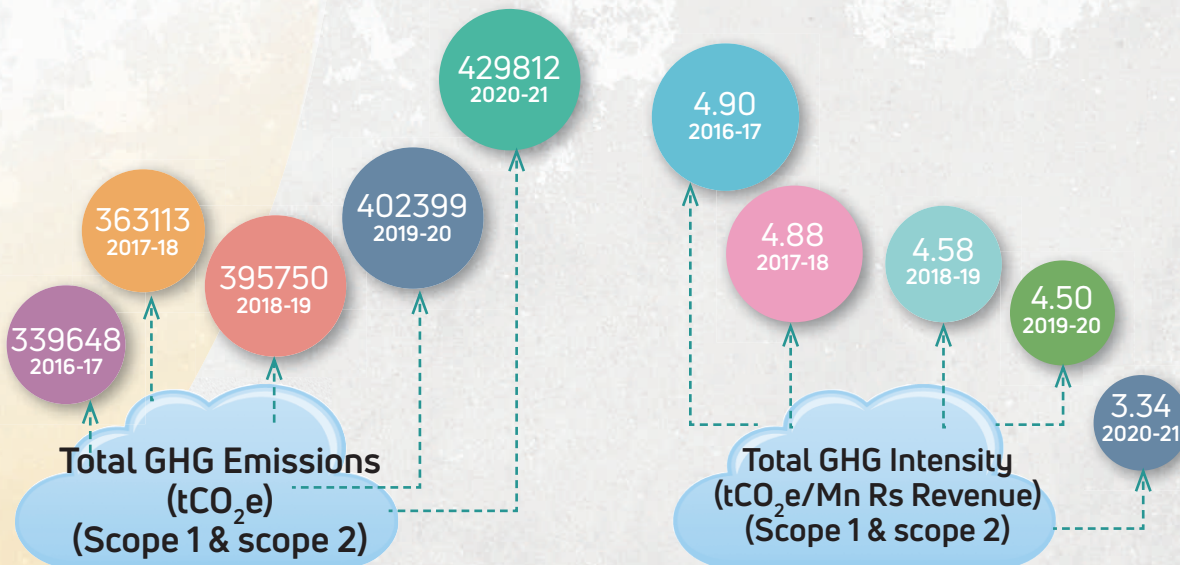
Performance

So, far we have estimated our GHG Emissions as per The GHG Protocol for direct fuel consumption in our operations and the indirect emissions due to the purchase of electricity. In the coming year, we will include other emissions occurring under scope 1 emissions as well like those from refrigeration. We had planned to expand the indirect emissions sphere by including upstream and downstream emissions and employee travel-related emissions. We intend to expand the GHG inventory to include emission estimation for gases other than Carbon dioxide. However, due to the prevailing pandemic situation, we have deferred this activity to the coming year.

In FY 21, we have achieved a reduction in GHG intensity. It has decreased from 4.5 tCO₂e/million INR revenue to 3.34 tCO₂e/ Million INR Revenue. We have completed our target to reduce GHG intensity by 2% over the base year of 2017 and have been able to maintain it over the years. In FY 21, direct biogenic emission due to use of biomass as fuel is 26043 tCO₂.



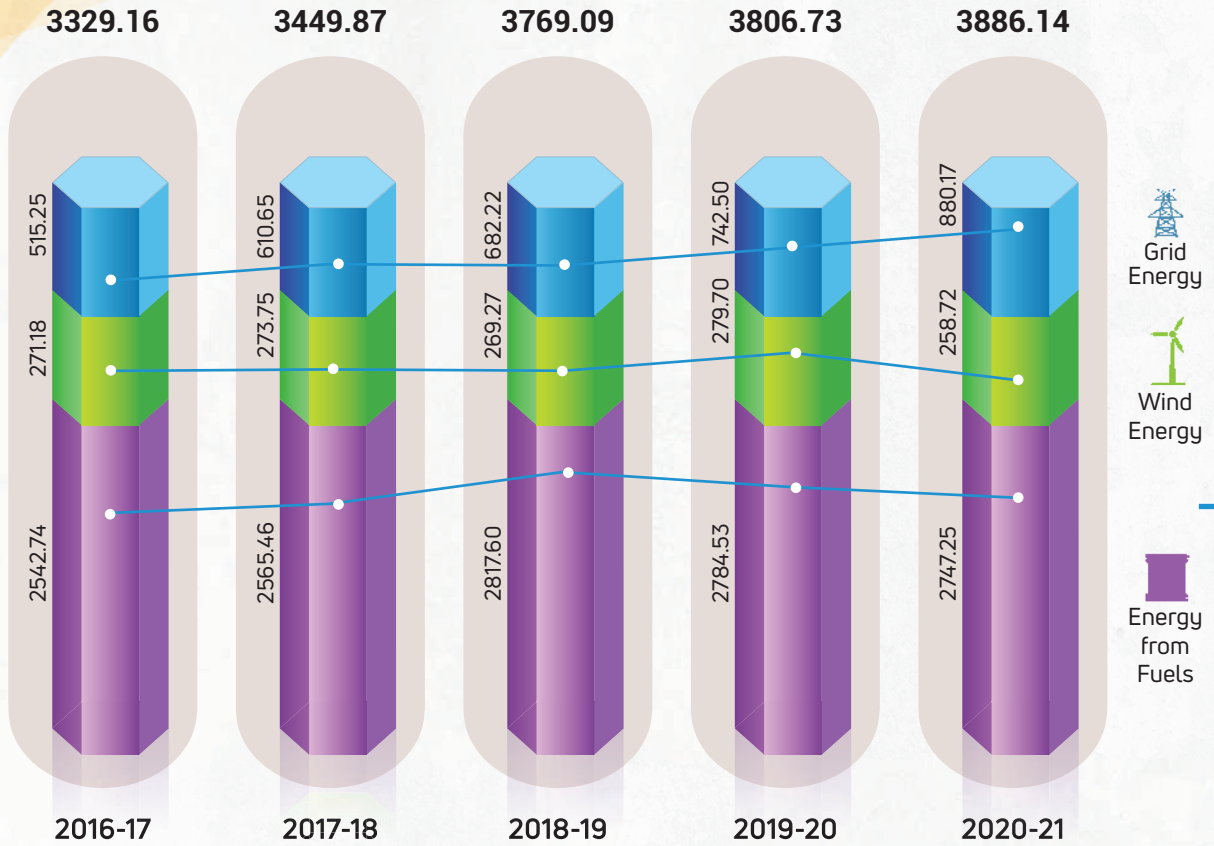
GHG EMISSIONS



In our operations, we consume fuel at the site for producing steam and operating diesel generators. Diesel generators serve as a source of backup power for uninterrupted operations during power failure. We primarily use High-speed diesel (HSD), Coal and biomass as a source of fuel. Over the years, we have significantly reduced our use of furnace oil. Its consumption has declined from 23.18TJ to 0.08 TJ. We have thereby nearly phased it out in our operations. The consumption of biomass, the renewable fuel used at our site, is about 8.5% of our total fuel consumption on an energy basis. In FY 21, the biomass use was slightly lower than that in the earlier years. It results from disruption in the biomass supply chain during the lockdown and other restrictions during the pandemic.

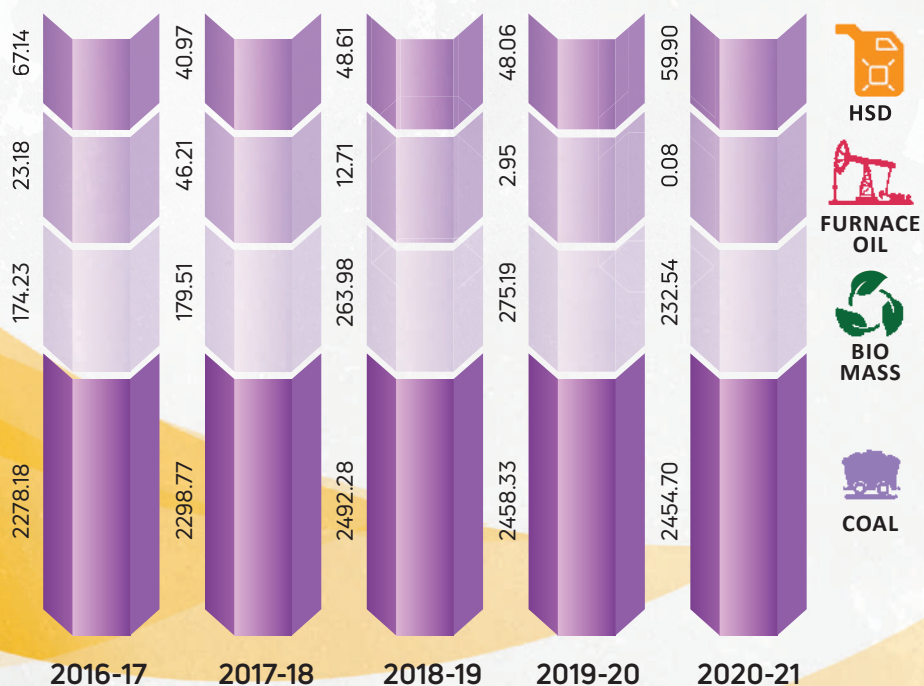
We source electricity from the grid and do not generate any electricity at our operations. The Hetero group has installed wind and solar energy plants. We wheel wind power from these units. This year, 258.72TJ of wind power was wheeled and utilized in the operations. It constitutes about 22% of the total electric energy consumed and 6.2% of the total energy consumed at Hetero.

ENERGY CONSUMPTION (TJ) BY SOURCE



Our electricity consumption data is based on KVAH and not KWh

ENERGY FROM FUELS (TJ)





Water and Effluent

By the very nature API and bulk drugs demand clean water and a large quantity of water for the chemical synthesis. We are well aware of the pressure on water resources in India and the competing uses for water. Hence, when we think of water at Hetero, we look at it as a resource that needs to be conserved through judicious use and a resource that must be sourced from the least competing source.

Based on the Aquaduct water atlas, we have screened and found that all our manufacturing locations are in water-stressed areas. The climate stress and evolving water regulations have further intensified our belief on water conservation and sourcing.

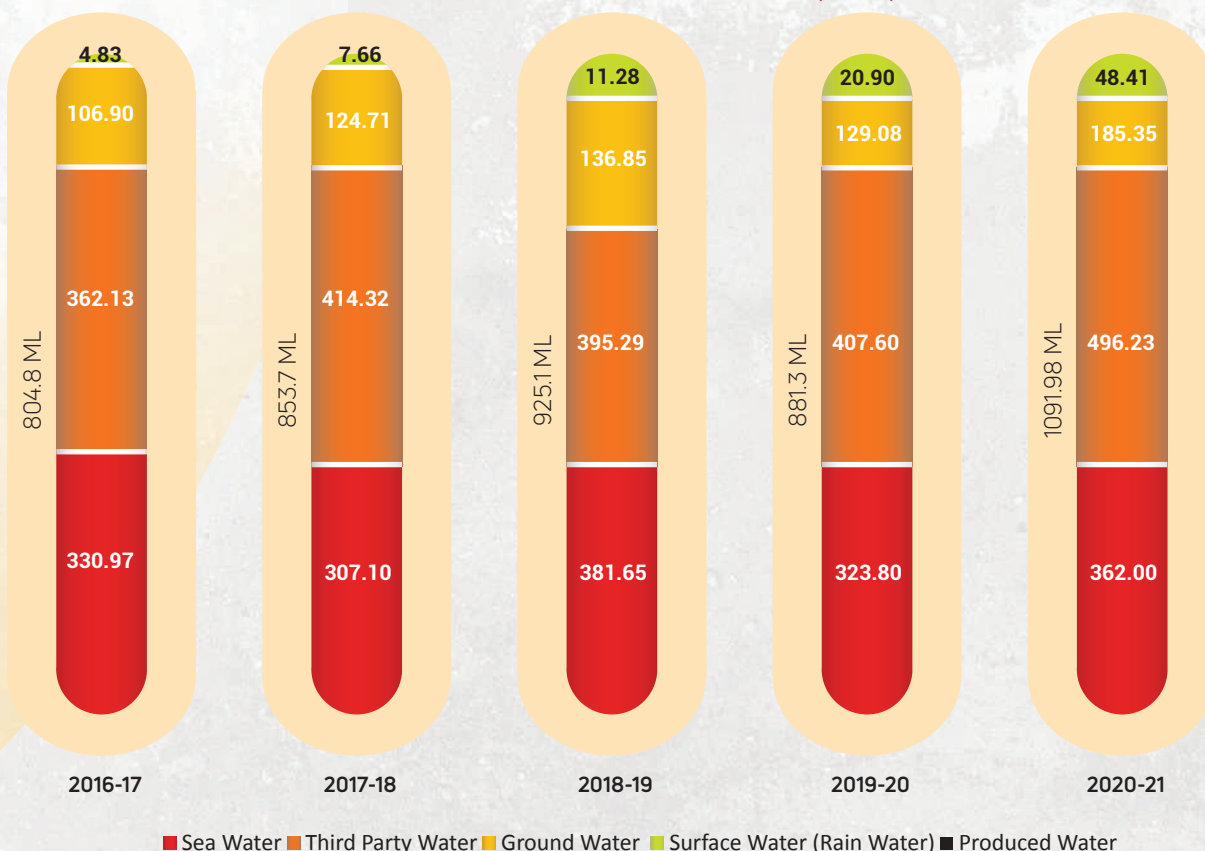
Our water management process follows the ISO standards. We have SOP on environmental management, which defines the process for water management i.e., team composition, data collating, recording, reporting procedures, review and audit process, frequency etc.

In FY 21, as the production increased, the water requirement of our operations grew by 27%. All tanker water is sourced from groundwater. We do not receive any municipal water supply for our operations. All our third-party water supply is through water tankers. We have been invested in increasing the rainwater harvesting potential to facilitate using a non-shared freshwater source. With the increase in capacity in the last few years, the share of rainwater (i.e., freshwater) in our water use has increased significantly. It was 48 million Litre in FY 21, i.e., 4% of the total water used. This ratio was only 2% in FY 19-20. Except for sea water all other sources of water are fresh water sources: 67% of the water sourced is freshwater.

Based on the nature of products manufactured, the water loss through evaporation and water trapped in the product continues to vary in our operations, impacting the effluent generation. Though the water consumption was higher last year, only 36% of the total water consumed resulted in effluent. On the other hand, in FY 19-20, the wastewater generated was 43% of the total water consumption.

Similarly, the percentage of fresh water that could be recycled and reused also decreased to 15%. However, we observe that our specific water consumption continues to fall every year. In FY 21, it was only 9%. We have set a target to reduce the specific water consumption by 5% by FY 22 over the base year of FY 17. So far, we have been able to achieve a reduction of 2.62% only. We continue to strive towards this target.

TOTAL WATER WITHDRAWAL BY SOURCE (IN ML)#



To quantify water withdrawal from different sources, appropriate measurement techniques like volumetric meter readings in case of piped water supply and counting the number of tankers are applied. Appropriate conversion and multiplication factors are used to arrive at the total volume of water consumed.

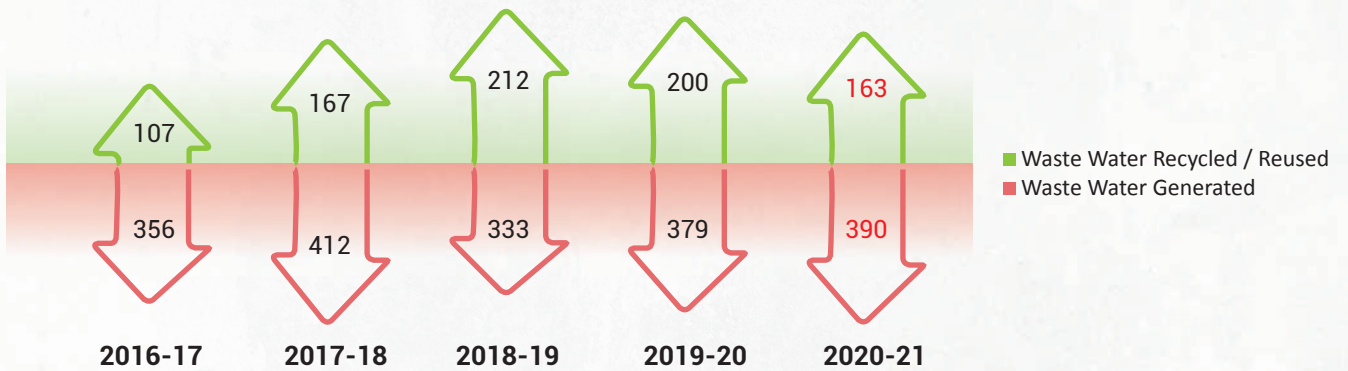
SPECIFIC FRESH WATER CONSUMPTION
(ML PER MILLION RUPEES REVENUE)



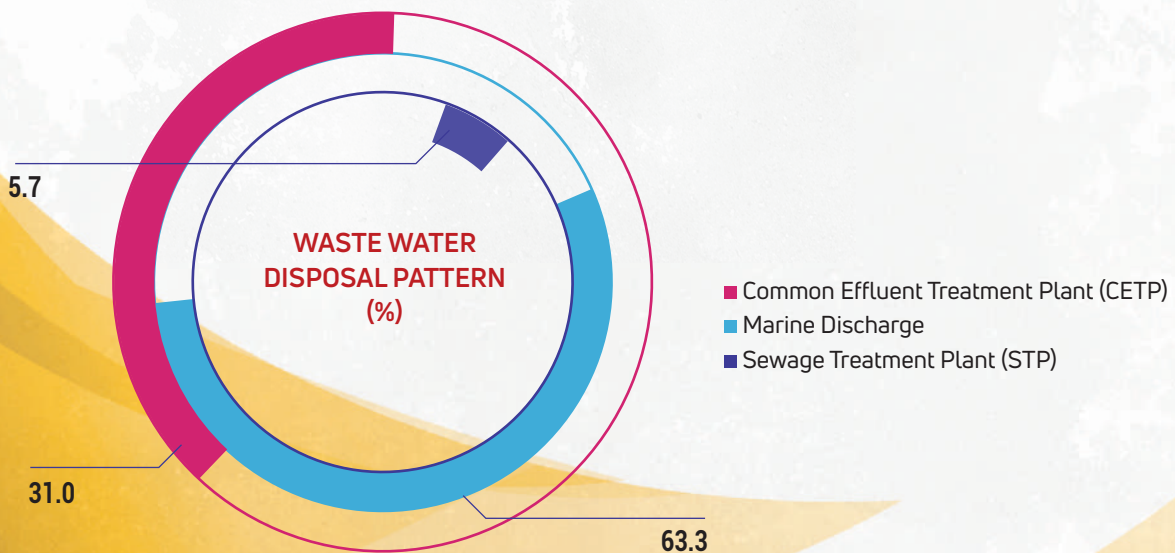
Responsible Disposal of Effluent

Pharmaceutical effluent is hazardous, needing appropriate treatment before disposal. The effluent disposal methods get influenced by the regulatory conditions applied by the pollution control boards (PCB) and the Ministry of Environment, Forest and Climate Change (MoEFCC). We follow four modes for all effluent treatment and disposal: Zero liquid discharge, marine discharge, common effluent treatment plant and sewerage treatment plant. After treatment at STP, water is disposed into the municipal sewers. We do not dispose or use any untreated effluent water for a land based application like gardening. Effluent quantity and quality are measured and monitored pre-treatment and post-treatment before discharging outside our premises. Quality monitoring parameters follow a minimum of all regulatory requirements set out by relevant agencies. These are regularly monitored at an in-house monitoring laboratory and pre-defined frequency through a third party as well.

EFFLUENT GENERATION AND RECYCLE (IN ML)



WASTE WATER DISPOSAL PATTERN##



Our current practices of effluent measurement do not have a provision for measuring and bifurcating effluent and domestic waste water. Thus, the values reported here are combined values.

Waste Management

Our approach to waste management is guided by the principle of 3R – reduce, reuse and recycle. Based on this approach, our efforts focus on reducing waste generation, waste reaching landfill, and support in contributing to the circular economy. All the processes of waste handling and management are guided by the SOPs developed for the same. Documentation, audit and disposal practices are spelt out in the SOP.

The main hazardous waste generated in our operations are process rejects/residues, distillation residue, spent carbon, evaporationsalts, ETP sludge, and bio-medical waste. Non-hazardous waste constitutes mainly HDPE drums / carboys, MS drums,packaging material, metal scrap, plastic, paper, rubber and glass. A small quantity of biomedical waste is also generated.

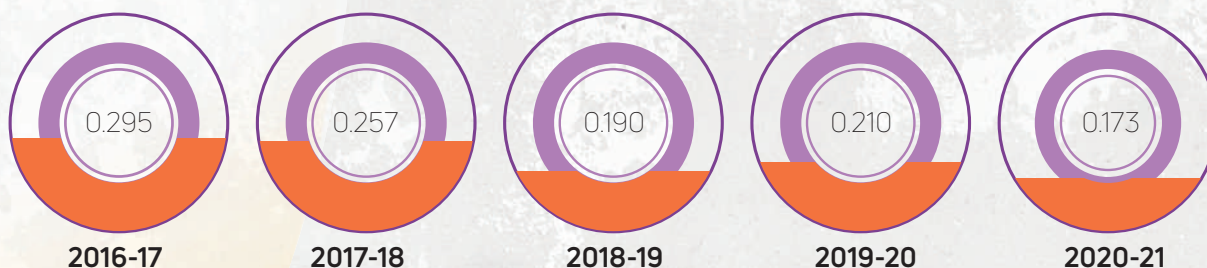
With better waste accounting practices, we have recorded and disclosed the hazardous waste generated under various categories. We make co-processing arrangements in advance, ensuring that we can maximize the co-processing potential of the hazardous waste as the waste quantity grows. This strategy has facilitated maintaining the percentage of waste reaching the landfill to remain near 50%. As we advance, we intend to intensify efforts in this direction.

The overall waste disposed increased by 18% in FY21 due to increased production. However, the share of hazardous waste in total waste decreased by 2%. Non-hazardous waste disposed increased by 24%. All non-hazardous waste is disposed to authorized recyclers, mainly as scrap material. All our hazardous and non-hazardous waste recycling and disposal takes place outside the operational premise i.e., off-site.

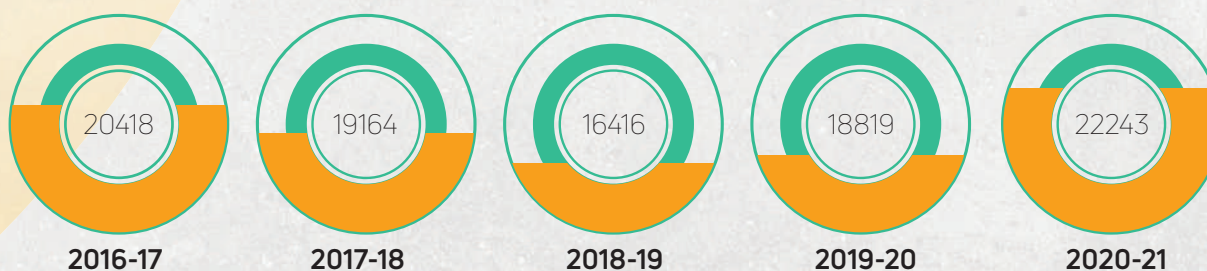
Efforts to reduce, reuse and recycle waste:

- To reduce waste due to packaging in raw material. We have increased the size of the solvent container.
- Organic Waste Converter (OWC) machine installed converts canteen waste to compost used as manure to maintain the greenery at our units.

SPECIFIC WASTE DISPOSED (MT PER MILLION RUPEES REVENUE)

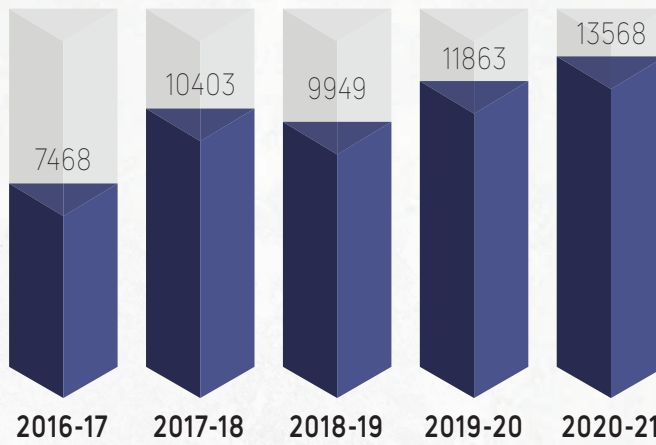


TOTAL WASTE DISPOSED, MT (HAZARDOUS AND NON-HAZARDOUS)

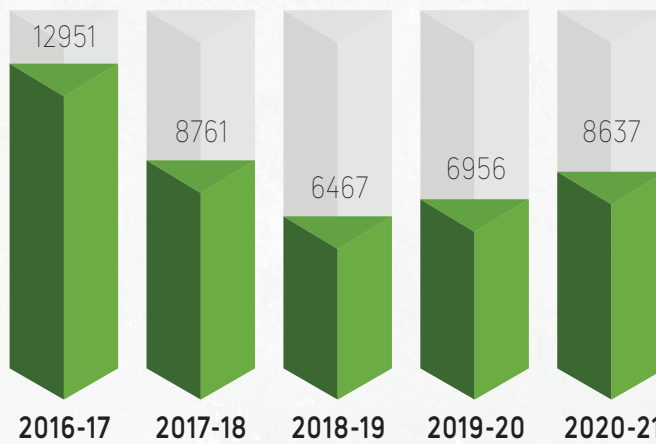


WASTE DISPOSED

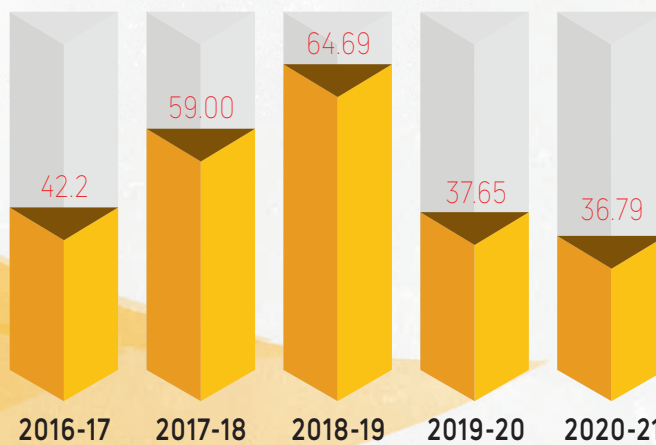
Hazardous Waste (MT)



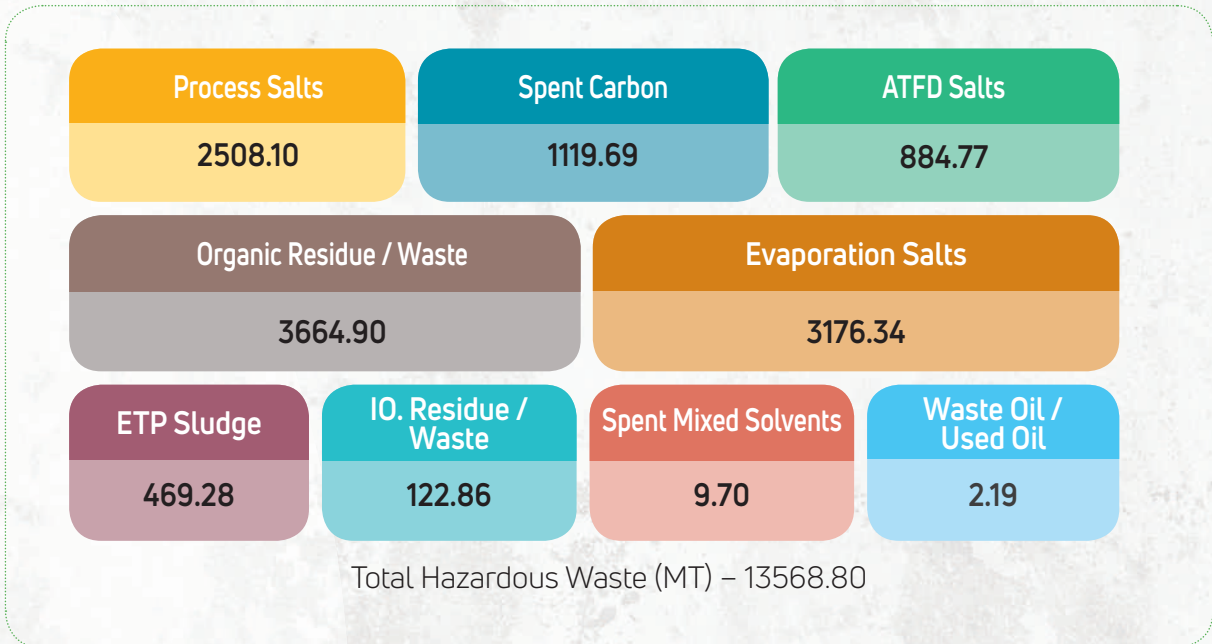
Non-Hazardous Waste (MT)



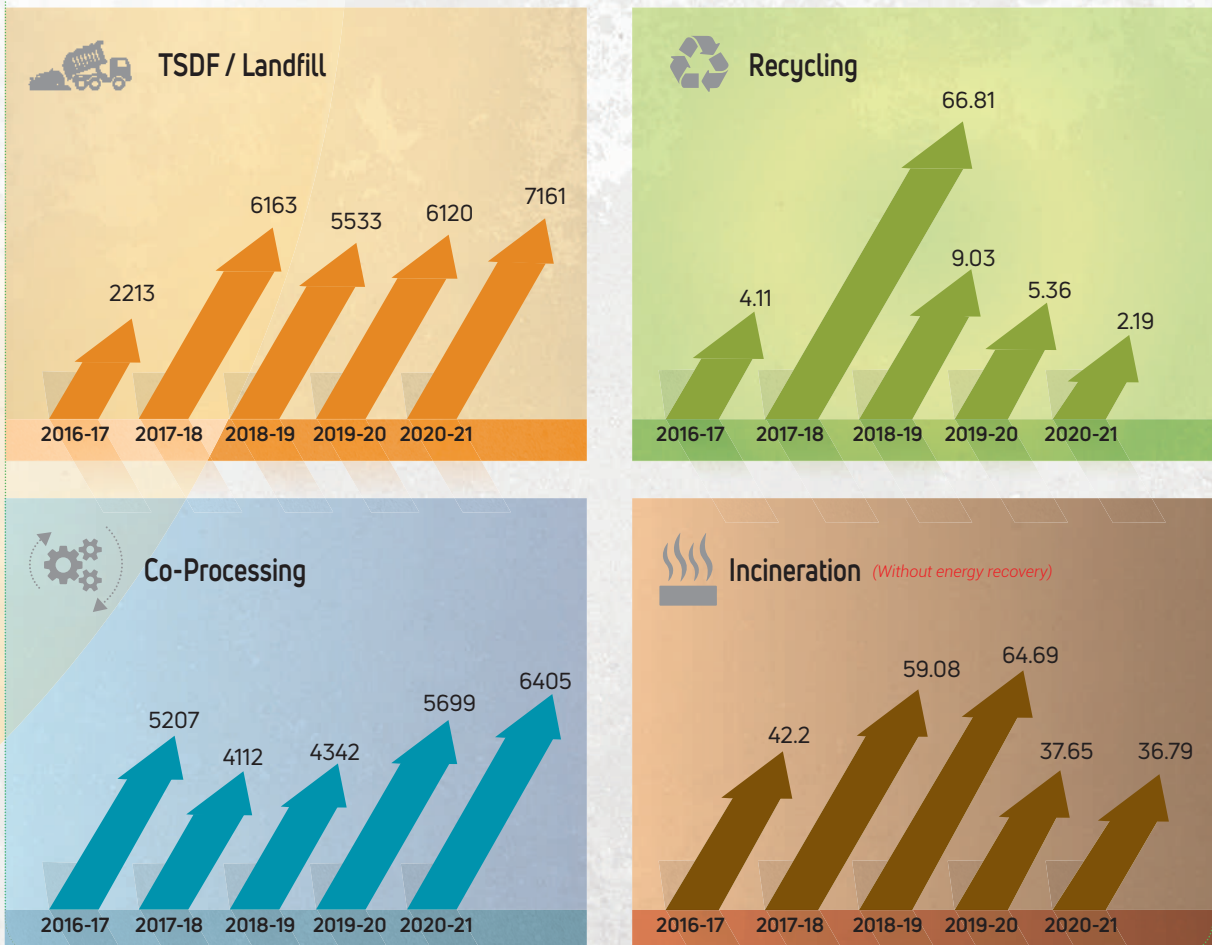
Biomedical Waste (MT)



CATEGORY WISE HAZARDOUS WASTE (MT)



HAZARDOUS WASTE DISPOSAL PROFILE (MT)



Our **People**
Our Most Valued Resource



Human Resource

At Hetero, each employee is part of a collaborative team, united by a greater purpose of shaping a healthier world. We strive continuously to empower our colleagues towards professional growth by enabling them to consistently improve their skills.

Purpose

Growth of people by enabling them with the right skills

Approach

- Every person coming to Hetero for work is a part of the family and needs to be nurtured and have a sense of fulfilment to work dedicatedly and stay motivated for long-term association providing a safe atmosphere to work and working towards well-being

Action

- Continuous knowledge and skill enhancement
- Systems and processes to provide a safe and secure work environment
- Respect diversity and provide equal opportunity
- Systems and processes for continuous assessment and improvement
- Engaging and encouraging workforce at all levels

Management

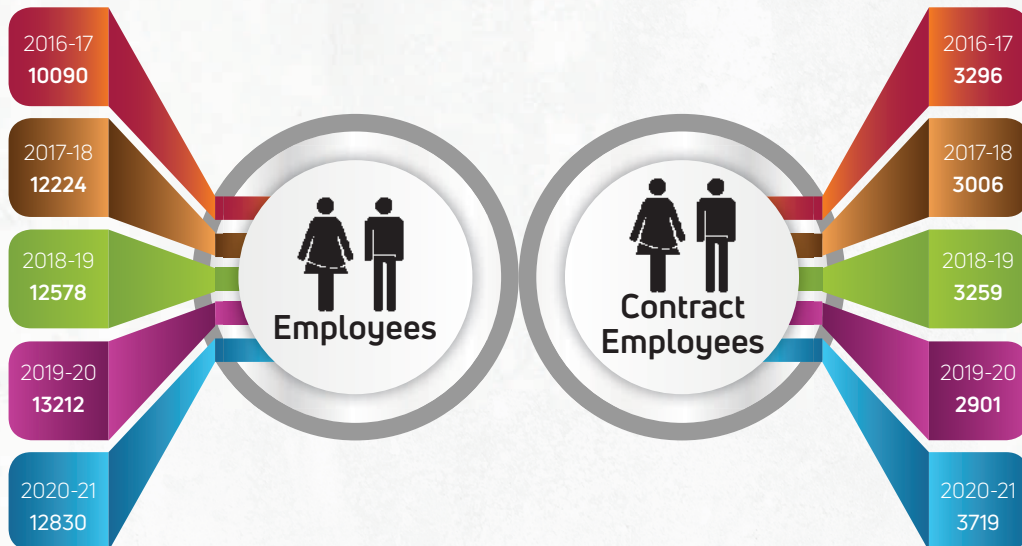
- Learning and Development team to provide need-based training programmes through the aptest delivery methods
- Safety management system i.e. ISO systems, safety committee, training etc.
- Policy on gender equality and diversity, committee and process for recording and addressing concerns pertaining to the topic.
- Performance management and employee recognition programme

Outcome

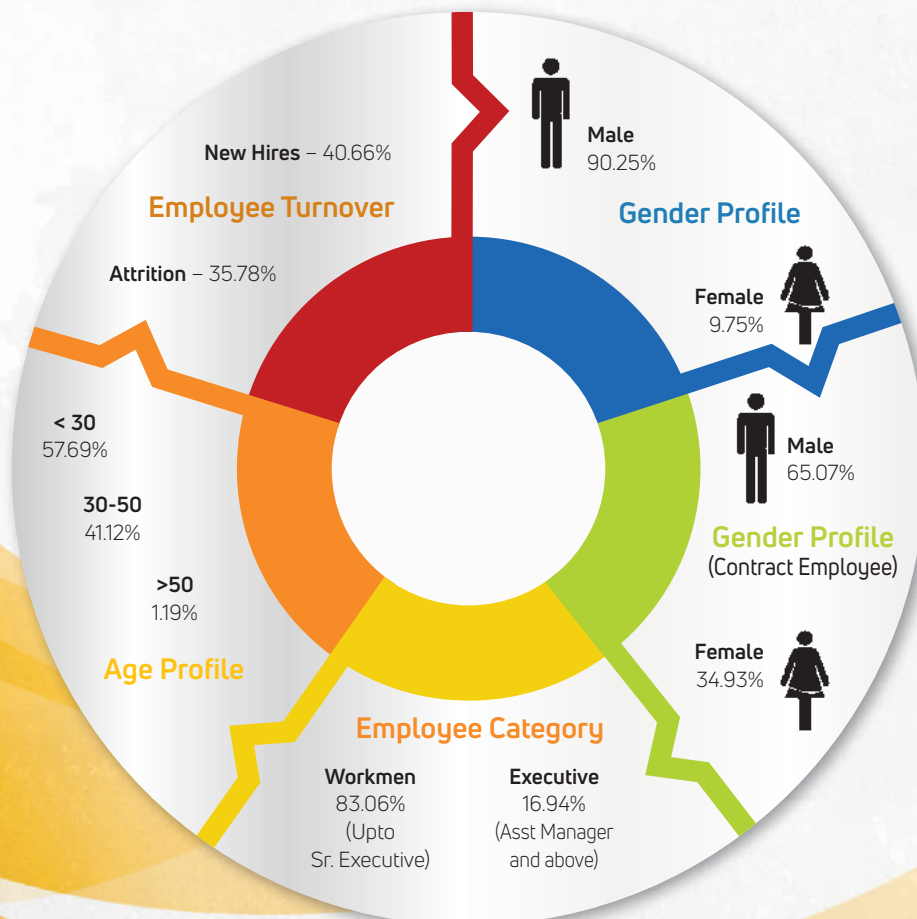
- All facilities are certified by ISO 45000
- Consistently, women employees have been 10% of total employee strength
- Amongst contract workers as well the ratio of women employees continues between 30 to 40%
- Performance management system for all employees
- Increase in our Ecovadis score under labour practices.
- Rated by an external agency or through people survey

People Landscape

Our people landscape consists of employees and contract workers. Contract workers generally are 25 to 30% of our total employees for the year. Based on the nature of our work majority of our employees are from science and engineering backgrounds. They are employed for research and development and other technical plant operations. Contract workers support our operations in activities like cleaning, housekeeping, canteen services, gardening, support staff, some of the maintenance activity, and during specific project execution and installations. Our activities are continuous and not seasonal; thus, the contract employee population does not change constantly. We do not have temporary employees at Hetero.



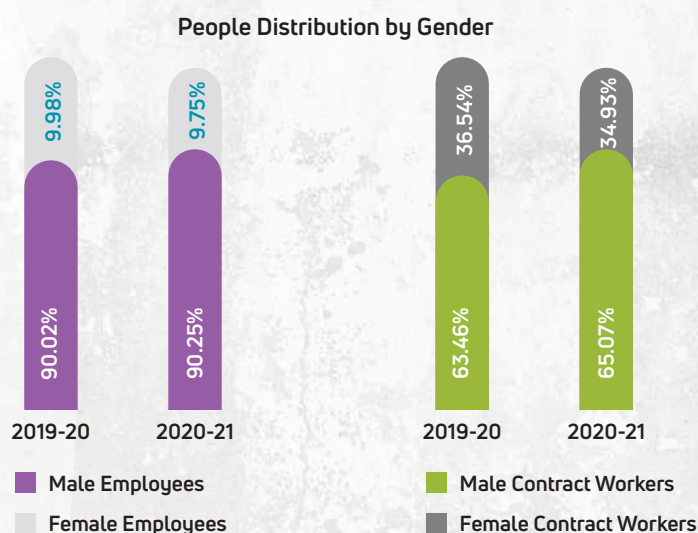
Our employee age is tilted towards the younger generation i.e. less than 30 years, followed by the middle age group of 30 to 50 and a tiny portion of those above 50 years of age. Our organization culture reflects the people demographics that we share – Dynamic and Young but responsible.



Gender Equality and Diversity

To encourage gender equality and diversity, women must experience and feel equal at all times in our work premises. It is also a must that the conduct of one and all supports their presence without any discrimination, unfair and disrespectful behaviour. Our policy against discrimination and that against harassment and abuse are the two policies that support the implementation of gender equality. The POSH Committee exists at each manufacturing unit to address any incident, concern and complaint on sexual harassment. Further, the POSH committee is always chaired by a female from the senior management. All meetings to address the concerns must have the presence of a female representative from senior management. We place consistent efforts, ensure adequate training and awareness programmes on the topic and POSH compliance for keeping Hetero free from incidents of sexual harassment. In FY 21, we did not experience any incidents of sexual harassment.

All our efforts towards gender parity have provided a consistent and stable ratio among men and women workers. Women have formed around 10% of our total workforce. Women in contract work have been in the range of 35-40% for few years. Last year, due to the pandemic, we experienced a marginal drop in the number of women in contract employees.



Employee Retention

The Indian pharma industry has grown at a compounded growth rate of (CAGR) of ~11% in the domestic market and ~16% in exports over the last two decades (Source: Indian Pharmaceutical Industry 2021: future is now). The sector needs a skilled workforce who can understand the intricate and sophisticated methods of pharmaceutical operations. Due to this growth pace, there is a gap in the availability of human resources trained and equipped to serve it. This scenario has been leading to a high attrition rate in pharmaceutical companies. It is a concern and priority for Hetero as well.



In FY 21, Hetero hired 5217 employees and experienced an attrition rate of 35%. The attrition rate increased between FY 20 and FY 21 by about 8% i.e., from 27% to 35%. This increase can be partly attributed to the scenario's presented by the pandemic as well. Usually, the highest attrition experienced is with employees less than 30 years age group and specifically apprentice in the pharmaceutical sector.

As part of our efforts to retain people and reduce attrition, several steps have been formulated:

- Comprehensive HR Induction Programme to connect with new employees
- Regularly interaction between the key stakeholders and new joiners to ensure continuous connect
- Employee engagement and feedback discussion with all new joiners after completion of six months with the company
- Regular interaction and engagement with employees to gather feedback and understand the viewpoint
- Regular training programmes to enhance employees skills and keep them engaged in workplace
- Revisiting the remuneration to ensure that it is at par and above industry standards
- Focus towards infrastructure for employee comfort and well-being in the work environment
- Focus on activities and programmes for employee well-being

Growth from Within

Our philosophy of people growth is "Growth from within", as a unique people dynamics poise the sector. Our employee growth philosophy and actions are also aligned and continue to get realigned to absorb the trends. Our employee policy aims to attract people of the highest competencies appropriate to job requirements and organization requirements. We want to make the right choice right at the start, so that employee settles comfortably into the culture of Hetero and comes to work with the same philosophy as well all do. Thus, we regard the recruitment and selection process to be pivotal while hiring talent. Our recruitment policy provides direction for the same.

We intend to honour and satisfy the personal growth aspirations of our employees. Amongst others, we have created processes and opportunities for employees to grow through movement in various roles within the organization and participate in employee exchange programmes.

Award and recognition processes have been developed to recognize an employee for their contribution to the company in any way possible. Some of the awards are:

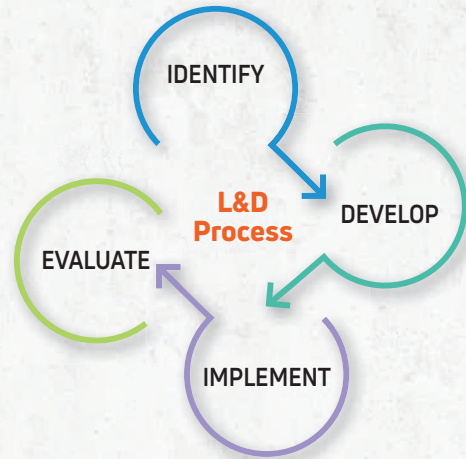
Performance Management is another critical tool to identify individual performance and potential. We have a streamlined process that is well articulated in the procedures for performance management. We use an online platform to set the key performance criteria for the employees, evaluate the performance, and provide feedback. The KRAs are selected based on SMART Criteria of Hetero. We have a two-level evaluation process. Our performance appraisal system is based on 360° feedback system. This performance management process applies to all our employees.



Learning and Development

The mission of L&D at Hetero is to continuously improve all employees' knowledge, skills, and abilities so that they can perform in the best way possible, think critically and communicate effectively, adjust to a changing environment, and enhance the quality of their work.

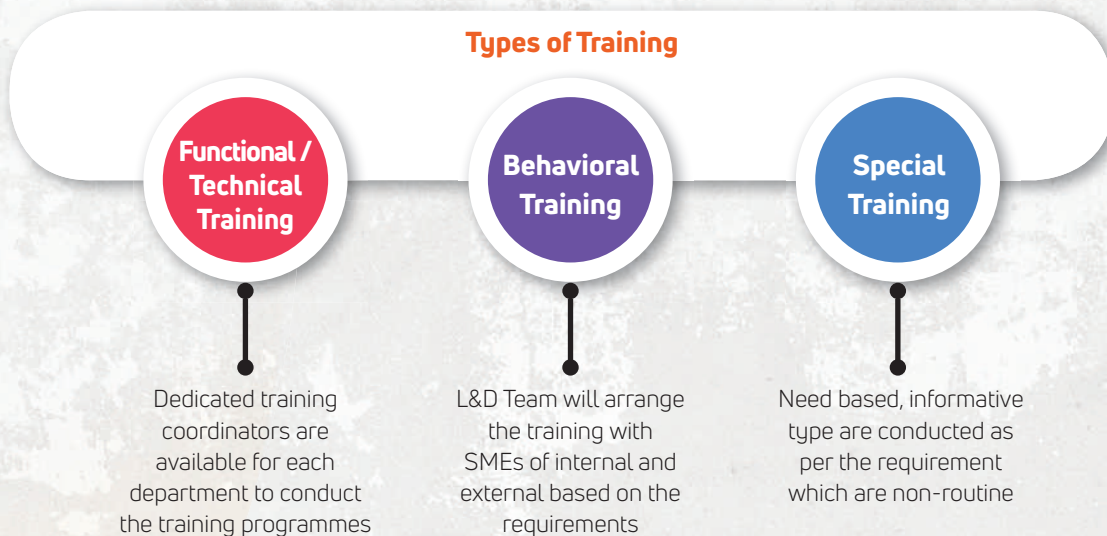
The L&D process at Hetero includes four elements of identifying the training need, develop modules, impart training, evaluate the effectiveness of the programme and realign the need.



Our training need identification takes place through skill mapping:

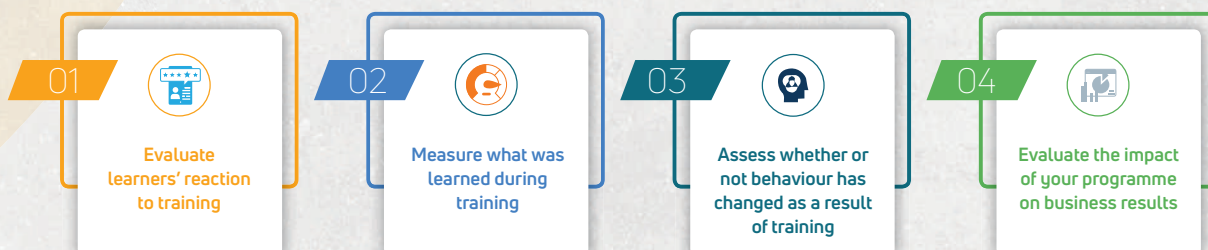
Training needs of every employee will be identified through the PMS Process, determined in line with the business requirement and consultation with respective managers.

We categorize training as functional training and behavioural training primarily. In addition, we also have special training to address specific training needs. The trainings may be delivered through classroom training, demonstration and web-based interface. Specific training, especially those for new joiners, are provided on job as well. Few of the training are self-learning modules. We use Nichelon Software to plan the training calendar. The learning and Development department will facilitate all the behavioural training programmes. Respective functions like safety provide training for their areas.



Evaluation of Training Effectiveness

Evaluation of training effectiveness is carried out through different mediums — one of them is the requirement for 80% score by trainee in training. Unless the score is achieved in the learning module, the employee will have to undergo training multiple times or be employed in a suitable position for training. Feedback on training programmes is another method employed for receiving feedback.



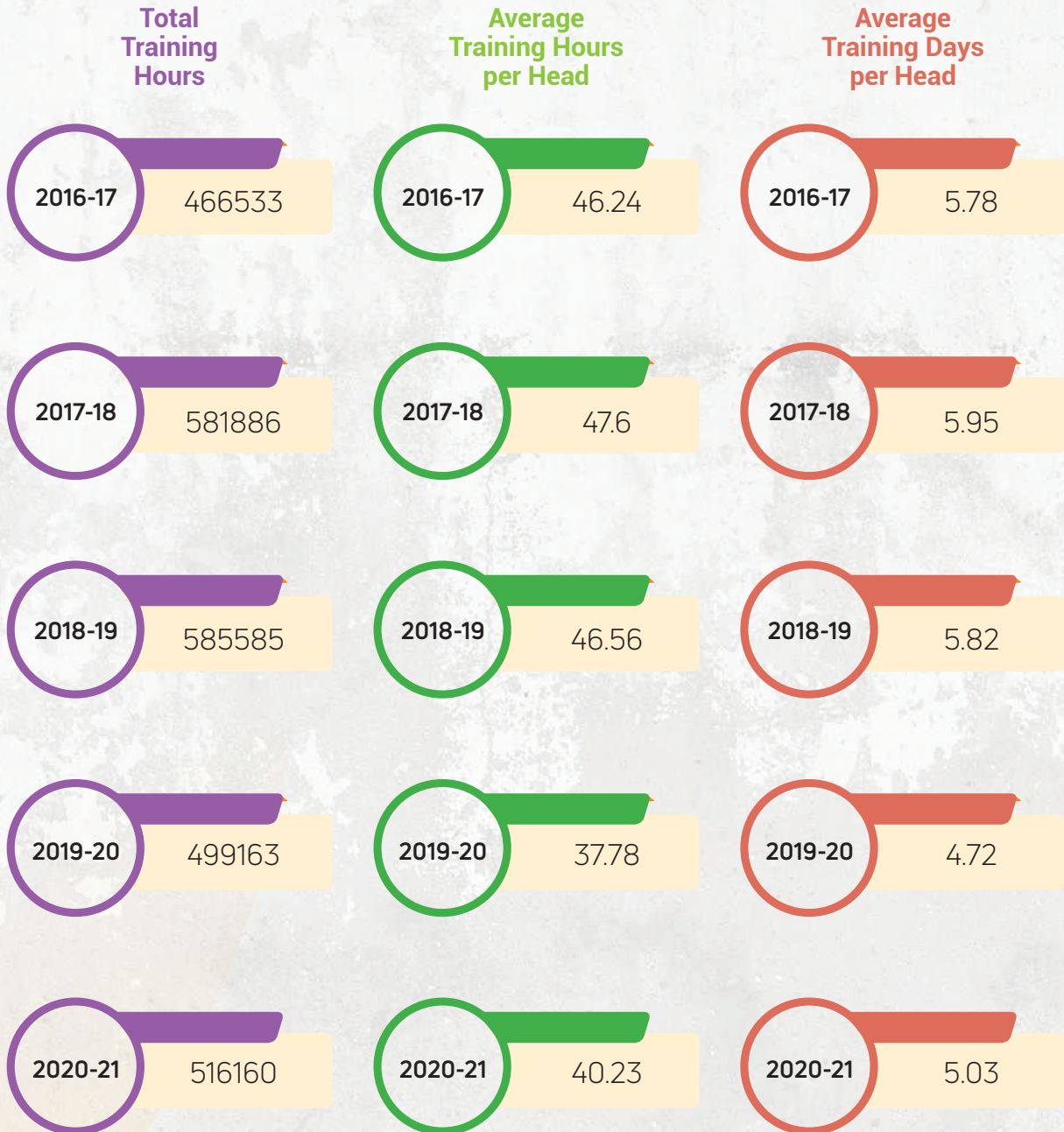
Induction Programme

- In order to acclimatize new joiners with our culture, policies and procedures, a comprehensive HR Induction programme is planned.
- In all Induction programmes senior leadership team will be involved.
- The following will be covered in the Induction programme.
 - Corporate Video
 - Brief History of the Organization
 - Corporate and Plant Management detail
 - Vision, Mission and Core values of the organization
 - Key Highlights or achievements of the organization
 - Plant leadership team details
 - HR Policies, procedures, Employee benefits, Welfare amenities
 - Performance Management process
 - Data Integrity
 - Do's and Don'ts at workplace
 - L & D and HSE Department operations
 - Employee Engagement activities.
- Apart from the above HR induction programme, induction and orientation training will be facilitated by HR in coordination with Quality Department, at their respective locations and Training SOP.



In FY 21, average training hour increased marginally despite the challenging situation posed by pandemic. We took pandemic as a challenge to revamp the way we conducted training, making several training modules IT enabled available remotely through desktop and laptop. This increased the ease of attending training programmes, saving precious resources like time for travel, venue arrangements etc.

Training Statistics



Employee training details are not tracked based on gender and employee level in the organisation.

Freedom of association

We do not restrict employees in creating associations or unions of any nature. Hetero's policy on freedom of association and collective bargain puts this forth in spirit and practice. All employees of Hetero have the freedom of association and collective bargain. Despite this no recognized trade unions have been formed as yet. (GRI 102-41)

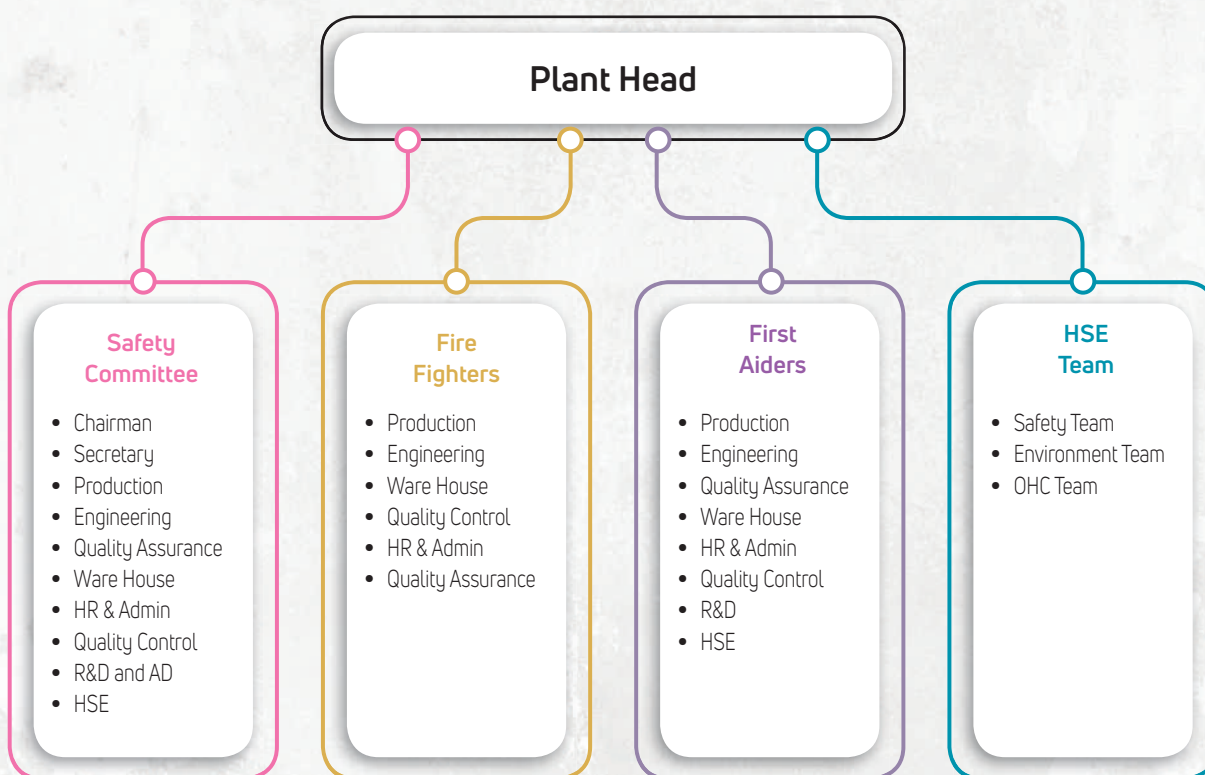
Safety

Safety Governance Architecture

Hetero is committed to the onsite health, safety and security of its employees, service providers and visitors. We have adopted a 360° health and safety risk assessment process under which we carry out Process Safety Risk Assessment (PHC), Industrial Hygiene Risk Assessment (IH), activity-based Risk Assessment (HIRA) and Machinery Safety Risk Assessment. We have a systematic process of addressing safety risks. A documented procedure for the Health and Safety Committee's periodic occupational health and safety risk assessments is available. The risk assessment covers current and potential health and safety hazards, including ergonomic risks and geographic risks and threats, such as a hurricane, seismic activity, flood and landslide. The Committee is trained on incident investigation and health and safety inspection and hazard recognition. The Committee is involved in all incident investigations.

A health and safety policy approved by chairman and managing director has been developed and is applicable to all operations of Hetero. All operational sites are covered by ISO 45001 management system. All recommendations of internal and external audits are tracked through Universal CAPA Tracker part of HSE Management System Portal.

Plant Level Health and Safety Responsibility Structure



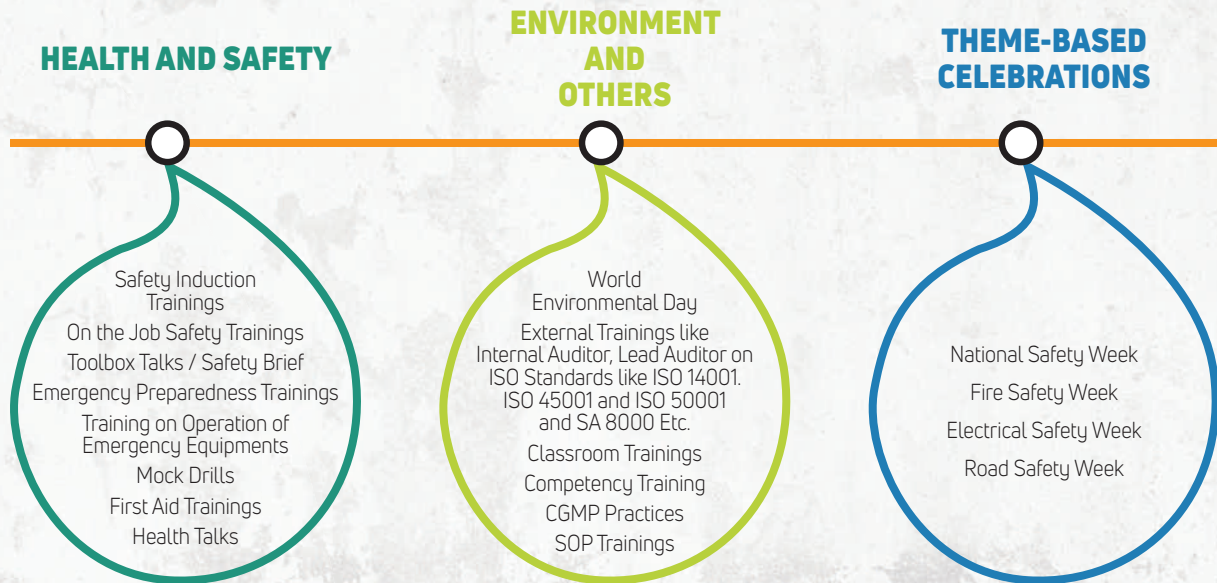
Safety Guide

The Safety Guide, is a documentation to help comply with our safety and Security standards by providing the information needed in dealing with possible emergencies to all relevant stakeholders. It provides recommended steps on safety for several situations.

Safety Awareness and Training

Safety awareness and training is provided to each and every person who performs any work at our site. We have a general safety training that is undertaken by all. We also have job specific training applicable to the area of work. Not only employees but contract workers as well have to undergo safety training. The responsibility of training is split between EHS department, and the department of work. Completion of required training and issuance of training completion certificate is mandatory before contract worker can start their work.

ENVIRONMENT, HEALTH AND SAFETY RELATED TRAINING AND ENGAGEMENTS



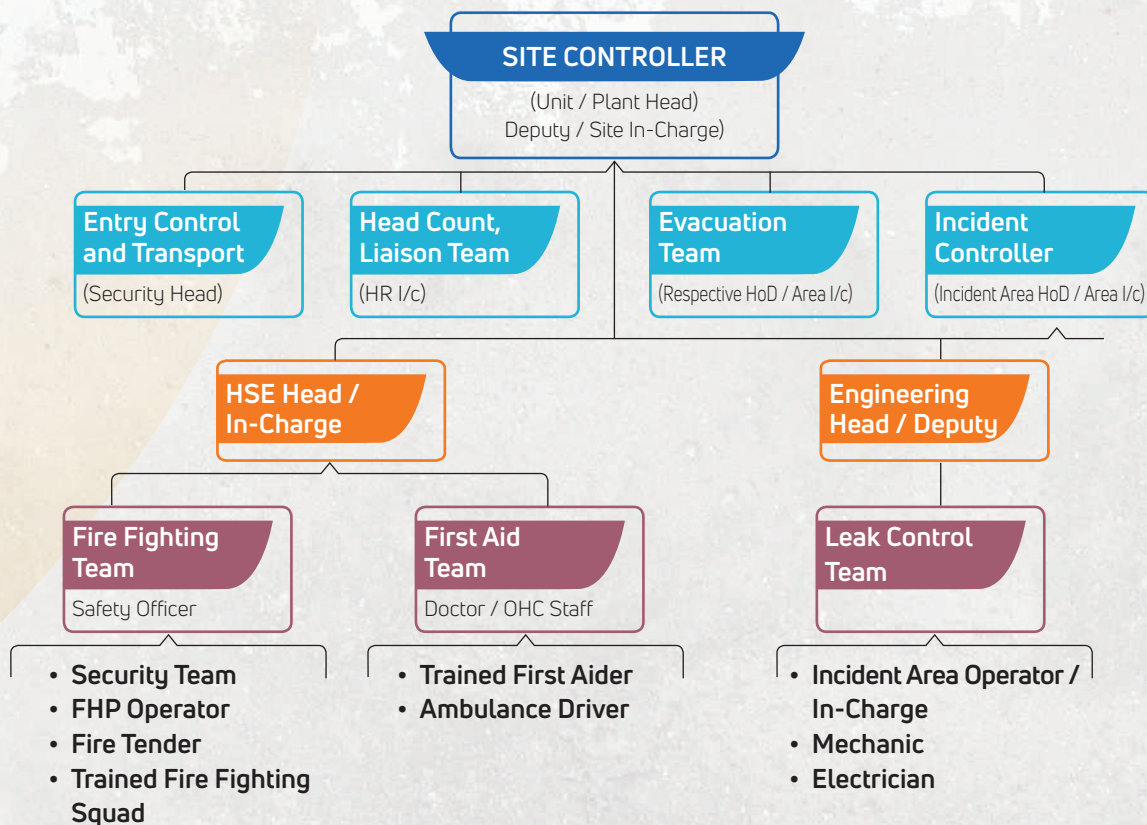
Some of the safety related training conducted are Emergency evacuation, recognition of hazards and emergencies and appropriate action, the proper operation and storage of personal protective equipment (PPE), tools, machinery and equipment, Chemical handlers training on the safe use and handling of chemicals, as well as any relevant medical treatment if needed. All new joiners are trained as part of their orientation within one month of joining the organisations.

Average safety training hours were between FY19-20 and FY20-21 were nearly the same i.e., 9.3 and 8.7 hours/employee respectively. In the coming years we intend to increase the average safety training hours to 16 hours/employee.

Emergency Preparedness

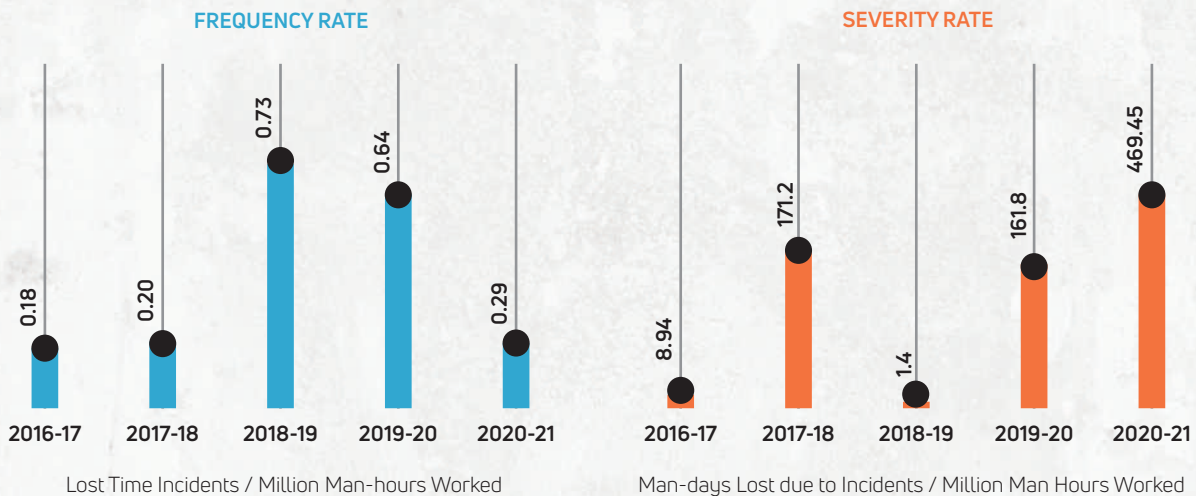
A well structured and well-informed emergency system is as essential as risk identification and mitigation. Emergency preparedness action plan is available at each site and at prominent locations for easy access.

EMERGENCY PREPAREDNESS AND RESPONSE ORGANOGRAM



Safety Performance

Most common types of injuries experienced in our operations pertain to cuts and bruises while handling equipment. Despite best efforts, three fatalities took place in our operations resulting in loss of two employees and one contract worker. The incidents took place at manufacturing units at Kazipalli and Nakapalli in Telangana. The fatalities occurred non-compliance with some of the process safety measures adequately. It is a process safety procedural gap. To avoid such cases from occurring in the future, Hetero has conducted the incident investigation and taken appropriate measures to avoid recurrence of similar incident. We did not have any recordable injuries and high consequence work related injury amongst workers during the year. However, amongst employees one high consequence work related injury and 11 recordable injuries were noted. We experienced a sharp fall in the total number of first aid cases reported in FY 21. They reduced from 384 first aid cases in FY 20 to 260 cases in FY 21. The fall in first aid cases is attributed to increased awareness and compliance with the safety measures at work.



Note: We apply IS3786 standard for calculation of severity rate. Total hours worked includes employees and contractors. The total hours worked is calculated by multiplying number of workers plus employees multiplied by 290 days X 8 hours of work per day.



Safety Performance	Employee	Contract Employee	Total
Rate of Fatalities as a result of work related injury = (Number of Fatalities/Number of hours worked) *10 ⁶	0.070	0.136	0.084
Rate of high-consequence work related injuries (Excluding Fatalities) =(Number of Reportable injuries/Number of hours worked) *10 ⁶	0.035	0	0.028
Rate of recordable Work related injuries = (Number of Medical treatment cases/Number of hours worked) *10 ⁶	0.39	0	0.307

Steps taken to ensure that the working at our operations becomes safer with every year.

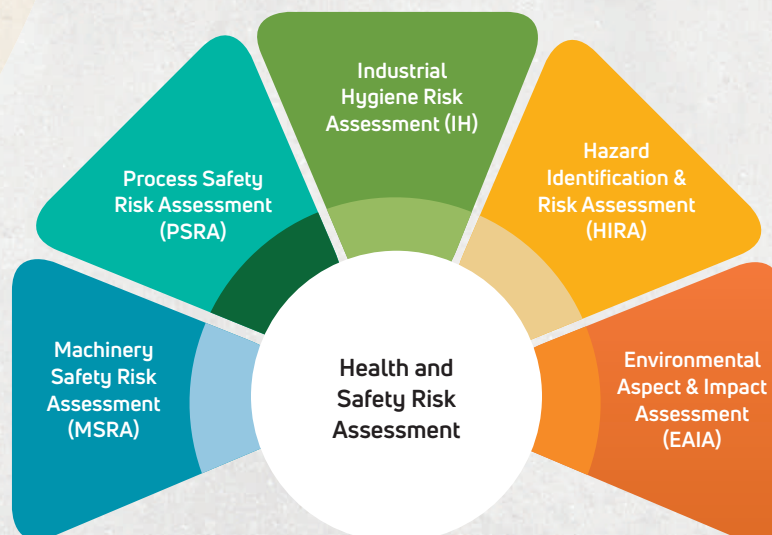
- Installation of DSPA Fire suppression system at critical process areas
- Auto earth monitoring system for critical equipment
- Fire alarm installation at CWH, RR Nagar
- Fall arrester system for chimney up to 30 meters in height
- Hydrogen gas monitoring system
- Ceiling Mounted Modular fire Extinguishers for all Critical areas
- Upgradation of Occupational Health Centre
- Flame proof cabinet for chemical storage
- VOC meter and oxygen sensors
- Upgradation & renovation of Fire alarm Systems

Process Safety through digital tools

We have adopted digital tools to make process safety less dependent on human intervention. An online central repository was created for all process safety /power safety information database. This ensures that the information is readily accessible and available to all concerned. We realized that as a result of process safety initiative, we could avoid, the duplication analysis of products at various units. It is also a cost-effective measure, as the central repository of Powder Safety Data reduces cost of repeated testing by various units across Hetero Group Companies.

360° Health and Safety Risk Assessment

Hetero wanted to proactively invest cost and efforts in implementing the risk management and assessment programme instead of building retrospective system to respond post occurrence of incidents. Our objective is to achieve 'Zero incidents', boost employee morale and awareness on Risk Assessment Process which would also help our objectives of safe delivery of affordable medicines, minimize regulatory non-compliances and augment customer trust.



Customer Health and Safety

As a core part of its business, Hetero has put processes in place for the continuous and systematic review of the benefit-risk profile of all products in its portfolio, including those that are on the market as well as those that are still in development. These processes are designed to ensure the best possible safety and therapeutic benefit for patients. We follow health and safety testing procedures for all our products.

The Hetero safety risk management process begins early in the development of new products. For new molecules pharmacovigilance team develop safety monitoring and risk management plans. The routine, continuous monitoring of the benefit-risk profile of each compound in the Hetero portfolio based on all the safety data collected is the primary responsibility of cross-functional safety management teams under the leadership of a dedicated safety physician.

Confirmed changes in the safety profile of any marketed product are then incorporated in the product label. Safety data are closely scrutinized both internally and by regulators when assessing whether the benefits of a drug are expected to outweigh the potential risks, which is a pre-requisite for gaining marketing approval. Post-marketing pharmacovigilance activities play an important role in our ability to gain a deeper understanding of the safety profile of a specific product.

Consumer health and safety is paramount in the pharmaceutical products. Hetero has well-structured process in place which starts at Research and Development and extends till post-marketing pharmacovigilance activities. Product safety data is collected at each stage, reviewed and scrutinized and actions taken to minimize risks in all forms. In FY 21, there were no incidents concerning health and safety aspect of the product.

Approach

We are committed to provide world-class products and services to customers with a concern for the safety of customers.

The overall aim is to ensure that the health benefits of a particular medicinal product exceed the risks of use of product by the greatest achievable margin.

Efforts / Actions

Setting up of systems and procedures for development of products with:

- Robust Quality assurance system
- Safety procedure applied across product life cycle
- Use safe ingredients

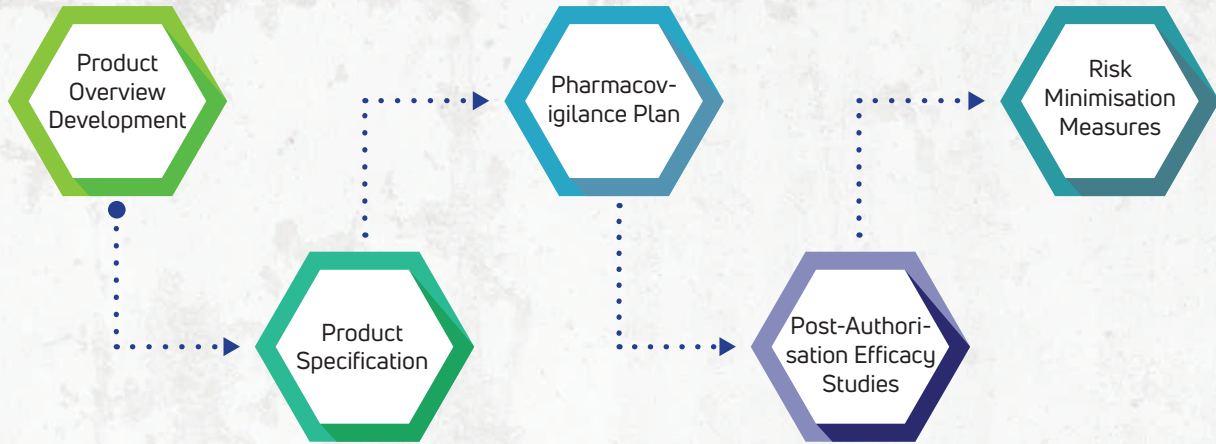
Outcome

- Policy on customer safety
- Good manufacturing practices.
- Third party certification under IS14001, ISO 18001 etc.
- Most of our products use only internationally recognized safe ingredients.
- Establish procedure for product risk review.

Some of the activities carried out for all our products to ensure consumer health and safety are:

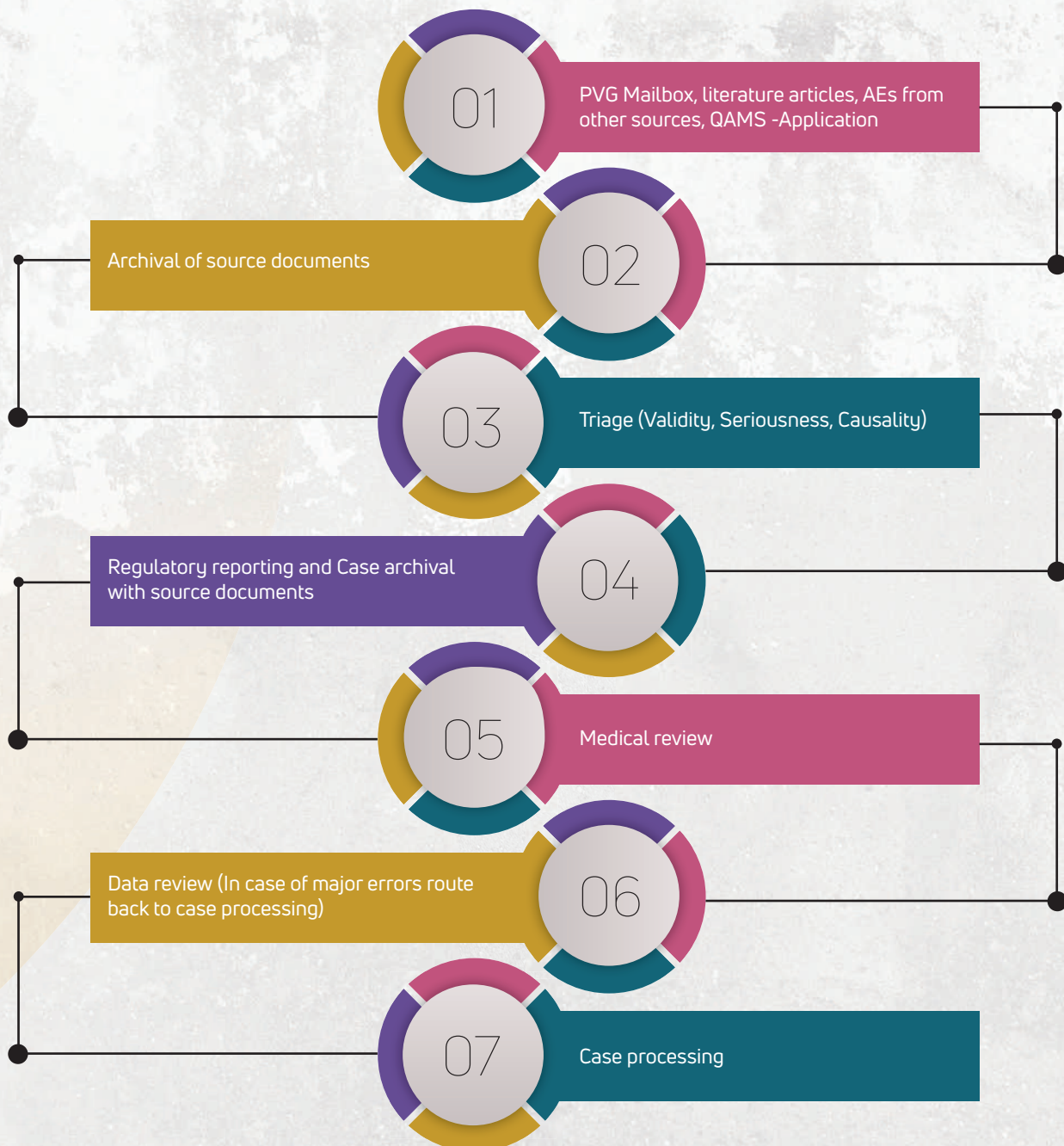
- Awareness Programme on Customer Health & Safety
- Product Leaflet and Patient Information
- Product Recall Process
- Safety Data Sheet (SDS)
- Standard Operating Procedures on Risk related to Customer Health & Safety
- Global ICSR receipt and data processing
- Generation and Submission of Risk management plan
- Pharmacovigilance Audit
- Deviation Management
- Corrective and Preventive action management

Activities for Risk Management Plan



ICSR Process Flow

Case processing is an important task and base to the Pharmacovigilance.



Responsive and Responsible Action for
Societal Well-Being



The pandemic has been a catalyst, not a deterrent to our actions towards the society at large. Our approach towards society has always been futuristic, whereas actions are timely and need based. Due to the unprecedented situation in FY21, community health became top most priority in our CSR activities. The pandemic also impacted physical education. We took the adversity as an opportunity to prepare the schools for post-pandemic scenario when students return to school, by continuing to invest in infrastructure upgradation. Simultaneously, we supported the immediate need for online school as well. Our other initiatives as well continued unabated during the year. The unexpected situations of FY21, tested our ability to remain committed, respond appropriately and stay responsible for the community. Our actions are a testimony of the implementation of CSR policy and philosophy.

Our CSR expenditure during the year increased by more than 300%. We could not engage with the stakeholders to gather feedback on our efforts. We will conduct a formal assessment in FY 22, if the pandemic situation remains under control.

Approach

We have been futuristic in our approach and have been designing activities to ensure that they are inherently sustainable and consistent with the spirit of Hetero and continue to provide benefits to the community in time to come.

Efforts / Actions

- Improve and improvise our outreach initiatives to ensure effective and efficient delivery to communities.
- Community Need assessment.

Outcome

- Scale and outreach of our CSR activities has increased year-on-year.
- Programmes designed deliver benefit for longer time frame.
- They impact every house-hold in the community.



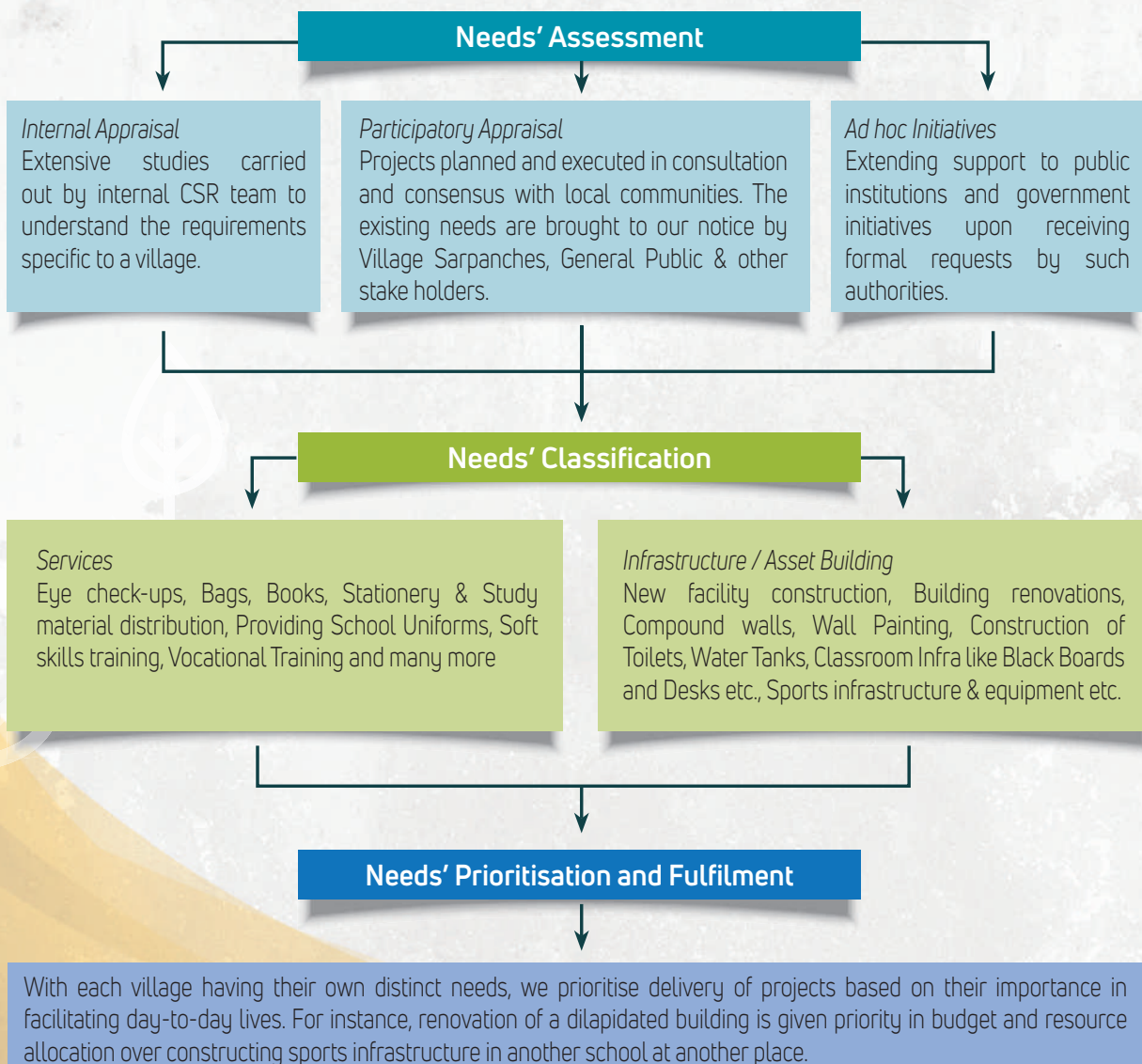
CSR Process Blueprint

CSR is a constantly evolving feature at Hetero. We have been futuristic in our approach and have been designing our activities to ensure that they are inherently sustainable and consistent with the spirit of Hetero. We continue to improve and improvise our outreach initiatives to ensure effective and efficient delivery to communities. The scope and scale of our CSR interventions activities have also increased in proportion to our organisation's growth as we progressed with time.

We continue to assess the diverse needs of the communities carefully and implement initiatives which benefit communities for all the times to come. The uniqueness of our outreach efforts is that they touch every family and every member of a family in the communities we work with and bring about a perceptible change in their lives. Also, we are deeply conscious of our environmental responsibility and take into account the impact our actions we have on the communities and world in our decision-making process. As we fully understand that a healthy environment is equally crucial to inspire sustainable social development.

100% operations are covered under community activities. Gender-wise impact assessment is not conducted, environmental impact assessment is a part of plant assessment. Grievance mechanism is a part of engagement.

How we do it?














IN LINE WITH



SUSTAINABLE DEVELOPMENT GOALS

We at Hetero besides being responsive to the challenges affecting communities also strive to align our our CSR objectives to meet the UNDP Sustainability Development Goals (SDGs) which aim to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Of the 17 identified SDGs, Hetero's CSR initiatives span across 11 areas which are playing a huge role in steering communities on the path of progress and sustainable development.

<p>1 NO POVERTY</p>  <ul style="list-style-type: none"> • A major employment provider for both skilled and unskilled resources locally and globally with about 21,000 employees worldwide 	<p>2 ZERO HUNGER</p>  <ul style="list-style-type: none"> • Support for supplementary nutrition for school children
<p>3 GOOD HEALTH AND WELL-BEING</p>  <ul style="list-style-type: none"> • Ensuring healthy lives for all ages through health education, free medical check-ups, and supply of free medicines in villages • Catering to healthy vision of all age groups including check-ups, surgeries and spectacles distribution. 	<p>4 QUALITY EDUCATION</p>  <ul style="list-style-type: none"> • Promote child education with particular focus on girl child education through parent sensitisation, improvement of amenities at schools and merit scholarships etc. • Supporting coaching initiatives and helping graduates prepare for competitive exams
<p>5 CLEAN WATER AND SANITATION</p>  <ul style="list-style-type: none"> • Ensuring community access to safe drinking water through RO Plants • Bringing water supply to the doorstep for domestic purposes • Basic sanitation through construction of toilets & drainage systems etc. 	<p>6 AFFORDABLE AND CLEAN ENERGY</p>  <ul style="list-style-type: none"> • Besides making conscious efforts in conserving energy, Hetero group has a marked presence in solar and wind power generation.
<p>7 DECENT WORK AND ECONOMIC GROWTH</p>  <ul style="list-style-type: none"> • Capacity building initiatives like vocational training for employable unskilled youth • Softskills training and hands-on pharma training followed by absorbing the qualified resources 	<p>8 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>Catering to the infrastructural needs of communities including:</p> <ul style="list-style-type: none"> • CC roads • Community libraries • Community centres • Educational infrastructure • Solar street lighting • LED lights • CC cameras for better security etc.
<p>9 CLIMATE ACTION</p>  <ul style="list-style-type: none"> • Pro-active measures like extensive plantation drives, greenbelt maintenance and Hetero Group's marked presence in renewable energy sector. 	<p>10 LIFE ON LAND</p>  <ul style="list-style-type: none"> • Active support to afforestation, land reclamation and lake restoration initiatives of Government of Telangana apart from adoption of wild animals.
<p>11 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>  <ul style="list-style-type: none"> • Ensure responsive and participatory decisions at community level. Equipping community based institutions with technology and enhance swiftness of action for local issues • Promote and strengthen women empowerment through education and skill development • Addressing to women atrocities and providing social protection 	

Participating in the UNGC Young Leaders Programme

The UN Global Compact has introduced the Young SDG Innovators Programme, a development programme designed to accelerate business innovation to achieve the Sustainable Development Goals (SDGs). The program is aimed at activating future business leaders and changemakers and challenges them to rethink traditional business models and unlock new business opportunities. We at Hetero are proud to be participating in this program.

The objective of our participation in this program is to provide a platform for our people to grow and bring in expertise on SDG Innovation. This we firmly believe will in turn support us in delivering better value to customers and society.

During the nine months of this programme, our professional have been connecting with other young professionals in the country and from around the world. It brings in professionals from Bangladesh, Brazil, Canada, India, Kenya, Lebanon, Mexico, Nigeria, Norway, Philippines, South Africa, Turkey, Ukraine, United Kingdom. Together, they have been working to leverage the Sustainable Development Goals as a catalyst for the development of new products and services relevant to the business. They have been collaborating with thought leaders through team exercises and interactive learning opportunities involving real-world challenges, peer feedback and sparring, and mentoring and coaching. It will also facilitate in building organizational learning skills that will enable employees across different functions to develop innovative solutions to achieve the Sustainable Development Goals through new technologies, initiatives and business models.


The program will end in October 2021. We look forward to integrating the learnings of this program in the organization and sharing more insights in the next year.

YSIP Lead




Srinivasu Metlapalli
Sr. GM – HSE & Sustainability


YSIP Members



Ganesh BN
Manager – MIS



Ashwin Kumar Anumula
Asst Manager – CSR



Jyothi S
Executive – EHS

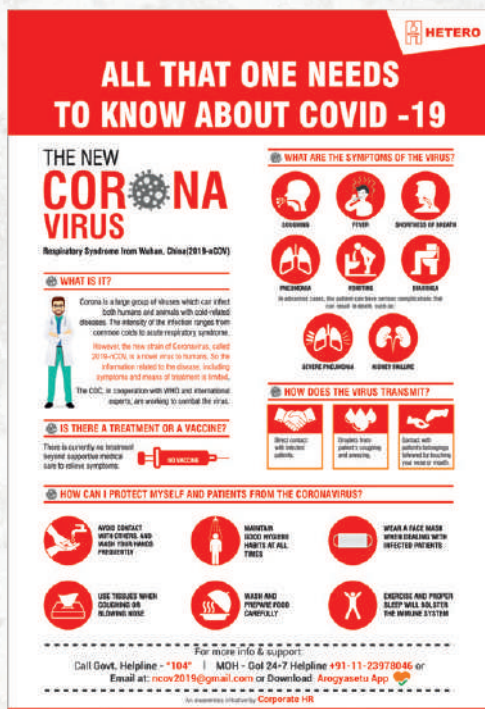


STEPPING UP TO THE CHALLENGES SURROUNDING COVID-19 PANDEMIC

Hetero has had a deep-rooted commitment to community reasserted itself in the wake of the COVID-19 pandemic. We have executed a range of CSR initiatives since the onset of the pandemic to ensure that communities are supported and cared on a holistic level. They included:

Driving Awareness

A situation of chaos and fear prevailed when the pandemic first descended on our nation. The conflicting views and opinions of the scientific community on the nature of the pandemic added to the confusion. So, it became incumbent on us as a leading pharma organization engaged in scientific endeavours to ensure that only trusted information reached the masses. In addition, the sudden and unanticipated nationwide lockdown announced by Government of India on 24 March 2020 began to take a toll on the mental health & well-being of the people. We at Hetero took a five-fold approach to help people tide over the uncertain times which encompassed:



- **Awareness on the Disease**

We have executed mass awareness drives to educate communities on various nuances of the pandemic bordering our facilities in Andhra Pradesh and Telangana states. The objective was create awareness on the symptoms, transmission routes and the remedies available for them.

Our efforts primarily were to dispel the myths surrounding the disease and free people from the grip of its fear.

- **Sensitization on Personal Hygiene & COVID-19 Prevention Measures**

The most crucial aspect of our awareness efforts was to educate the significance of personal hygiene and encourage people to follow the established COVID-19 preventive measures like masking, frequent hand sanitization and social distancing etc. to curtail the pandemics spread.

- **Encouraging People to Stay at Home**

With people-to-people interaction directly linked to the rate of COVID-19 infections, the Government of India duly supported by various State Governments gave a call to people to stay at home to put the brakes on its spread. In solidarity with the Governments' decision, we at Hetero promoted 'Stay Home. Stay Healthy' information campaigns to encourage people to stay at home and save themselves and their families from falling prey to COVID-19.

- **Helping People Combat Isolation Fatigue**

The strictly imposed and long lockdown – though well-intentioned on the part of Governments given the serious health risk to the population – pushed considerable numbers in the society towards isolation fatigue affecting their psychological and emotional balance.

Appreciating the imminent need to help people come out of the stress and fear complex arising from the lockdown, Hetero initiated a wide range of online mental health support programmes.

We in association with yoga professionals & medical experts have conducted a series of online webinars on meditation, yoga and physical exercises. We have initiated dedicated counselling cells at every unit to not only to spread awareness on the disease but also to offer counselling for those who felt emotionally down or fearful of the pandemic.

- **Digital Awareness Campaigns**

Leveraging our Social Media presence, we at Hetero have unleashed an extensive COVID-19 awareness campaign titled "United by Staying Divided" to spread awareness among external stakeholders. Cautionary, informative, instructive and insightful, this initiative aimed at providing a holistic overview on the pandemic, was successful in creating awareness in people across the world.



To the Rescue of Migrant and Daily Wage Labourers

Migrant and daily wage labourer community was one of the worst hit cross sections of the society due to the pandemic. The unannounced lockdown threw their lives into disarray. Stuck and stagnated, with no means to leave for their hometowns and no means of employment to earn their livelihood, this had all the makings of a major humanitarian crisis of recent times. Except, that we had proactive Governments, socially conscious business houses, caring institutions and large-hearted citizens who did their bit to help these distraught communities.

We at Hetero have stepped up to the situation and ensured that the families of migrant & daily wage labourers living in villages surrounding our facilities across India are identified and supplied with essential provisions adequate to sustain them for a couple of months.

At some places we organized community kitchens with the help of our employees and community where nutritiously cooked food was served throughout the lockdown phase.

Our timely effort has helped ease the anxieties of the labourer community, aided them in staying put, thus mitigating the risk of COVID-19 transmission to other areas.

Care for the Frontline Warriors

Hetero, since the beginning of the pandemic, rallied behind all those on the frontlines working relentlessly to care and contain the disease spread risking their health and lives. If not for their selfless efforts and commitment, the pandemic would have raged like an uncontrolled forest fire. From sanitation workers to police personnel, from ASHA health worker to medical professionals, from ensuring smooth implementation of lockdown to caring for the afflicted, the frontline teams across the country worked on a mission mode to save precious lives.

Appreciating the critical role of frontline workers and the need to safeguard their health, Hetero supplied modern PPE equipment, N-95 masks, life-saving medicines and Sanitisers etc. in adequate quantities. We also have replenished the stocks whenever there was a shortage brought to our notice. Primary Healthcare Centres, Government Hospitals, Government Revenue Offices and Police Stations neighbouring our facilities in AP & Telangana were the touch points of this activity.

Reaching Out to the Communities

We have always treated the communities living in villages and towns bordering our manufacturing facilities as an extension of Hetero Family. Since our inception, we have strived ensure prosperous and healthy communities through a range of outreach measures like education, drinking water, infrastructure healthcare, eye care, sanitation and women empowerment among others.

Our expertise, capabilities, scale and scope of our CSR activities have grown steadily, reaching out to newer communities and inspiring new initiatives with each passing year.

With a majority of the population among the communities we work with, hailing from the unorganized sector and most living from hand-to-mouth, the arrival of the pandemic and subsequent lockdown could have pushed their lives into abject penury and starvation.

But we at Hetero took the onus was on us to safeguard the communities we have carefully nurtured over the years. With food and health security being the need of the hour, we have served the underprivileged communities by providing them with food grains, dry rations and other essentials besides distributing free medicines, masks and sanitisers etc.

In addition, we undertook extensive sanitization drives covering every nook and corner of villages bordering our manufacturing facilities.



Dry ration distribution at Domadugu village, Jinnaram Mandal, Sangareddy district of Telangana State



Dry ration distribution at Gaddapotharam village, Jinnaram Mandal, Sangareddy district of Telangana State



Dry ration distribution at Nakkapally mandal, Vishakhapatnam district of Andhra Pradesh state

Hope for the Pandemic Afflicted

The steep surge in COVID-19 cases in the initial months started to burden the medical infrastructure of the Government hospitals to its brink. To reduce the burden and tend to critically ill COVID-19 patients, the Government has authorized home isolation and telemedicine regimes for people suffering from mild-to-moderate symptoms.

Though this came as a huge relief, the underprivileged living in one-two room settings could neither properly isolate nor afford dedicated isolation room, thus presenting the risk of spreading the disease. Not to mention, their inability to afford quality medical treatment.

In light of the above, Hetero has taken the initiative to have suitable dwellings on rent and offer it for free to underprivileged COVID-19 patients during their 14-days mandatory isolation. In addition to the free lodging, Hetero has provided them with free medicines, quality food and expert medical treatment throughout their stay, and till they completely recovered.

Extending Support to Governments of Telangana & Andhra Pradesh

Showcasing our solidarity with the efforts of Telangana & Andhra Pradesh State Governments in battling the pandemic, we at Hetero have contributed to a tune of INR 10 crores and 8 crores to the respective CM Relief Funds. The company extended its support in the form of cash donations, providing essential medicines such as Hydroxychloroquine Sulphate, Osetamivir and Lopinavir / Ritonavir and by supplying protective gear like PPE kits, masks, gloves and sanitisers etc.

Ensuring Employees' Health & Safety

While containing and supporting the combat against COVID-19 remained our utmost priority, there are other life-threatening diseases like Cancer, HIV / AIDS and Hepatitis etc. which require access to affordable medicines. Being one of the largest generics manufacturer, we had to carry out our production operations to meet the needs of patients suffering



from such critical illnesses. With 40%* of identified HIV / AIDS patients depending on our drugs, we had a heightened responsibility on our shoulders.

It became a challenge for us to protect the health interests of our employees without disrupting the production operations.

So, we have aligned our operations strictly in accordance with local government and health authority guidelines to protect the health and well-being of our employees across the world. We have put in place adequate safeguards and measures like thermal screening, split shifts, allowing remote operations (wherever feasible), provision of masks & sanitizers, implementing social distancing norms and frequent disinfection drives at all our facilities and offices to minimize the risk of transmission.

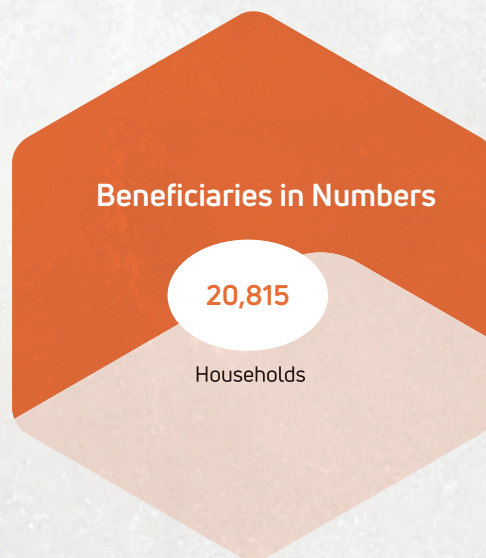
We have formed a dedicated task force comprising of Senior Management Members, EHS, HR and Security at respective places for overseeing strict implementation of the guidelines.

We also have on-boarded a team of specialist doctors for rendering their tele-consultation services to our employees affected by COVID-19. Available on a call 24x7, they have helped our employees with their expert advices and by being with them at every step of the recovery process.

Despite the overwhelming challenges, our employees, through their committed efforts, have enabled Hetero to deliver life-saving medicines to the world.

Continuing Commitment

We at Hetero remain steadfast to our commitment to support all our stakeholders, including partners, patients, employees and community at large during this ongoing crisis. We are still working on the ground to support communities coping with the adverse impact of the COVID-19 pandemic and usher back normalcy in their lives.



Hetero is proud to be a key sponsor of this majestic event!



Guinness World Record Alert!

73,918 seed balls used to form the largest seed ball sentence in the world.

Hetero is pleased to have participated as a key sponsor to raise awareness on Green Plantation and support environmental conservation. The event, which is a part of the Green India Challenge, was held in Mahabubnagar, Telangana. Women from self-help groups in urban & rural areas came together to form the largest sentence using 73,918 seed balls, making their way into the Guinness World Records. The sentence framed was "Two crore seed balls made and planted by SHG women transform Mahabubnagar into Hetero Green Belt."



Beneficiaries in Numbers

Students

47,539

Vidya Volunteers



EDUCATION

Inspiring a wholesome environment for education

Education has been a key constituent of Hetero's CSR efforts. Besides being an enabler of breaking the cycle of poverty by inducing necessary competencies, education has the potential to shape the destiny of societies and nations by empowering people with knowledge and driving them towards achieving a sustainable future.

Hetero has made pioneering strides to spread the light of education among the children of underprivileged communities since inception. The scope of our initiatives has incrementally expanded from primary education to post-graduation over these years. And every academic year we were carrying out our characteristic activities like distribution of books, uniforms & stationery to children, which came to a complete halt with the disastrous onset of the COVID-19 pandemic.

Though the unprecedented calamity forced the closure of educational institutions and disrupted the education system, it couldn't hamper our spirit to facilitate quality education to the underserved communities.

S. No.	Initiative	No. of Schools
1.	Modernization of classrooms - modern classrooms built and furnished with high-end tiles, wall mounting boards and electricity	180
2.	Compound walls - more than 25 compound walls were newly constructed in addition to repair and maintenance work in 187 schools	212
3.	Ceiling repairs and water proofing works	187
4.	Flooring work	120
5.	Construction of toilets and installation of about 300 units of sanitaryware	187
6.	Tiling work at wash areas and drinking water zones	187
7.	Installation of fans and green boards	187
8.	Painting of classrooms and compound walls	190



ZPHS Himakuntla (Vil), Simhadripuram Mandal, YSR Kadapa District of Andhra Pradesh



ZPHS, Achavelli, Pulivendula Mandal, YSR Kadapa District of Andhra Pradesh

We at Hetero have turned this adversity into opportunity and have focused on modernizing Government and aided schools by ramping up the infrastructure on par with corporate schools. A wide variety of initiatives have been successfully implemented in about 190 schools spread across the states of Andhra Pradesh and Telangana as a part of this mission.

Aiding Vidya Volunteers & Support staff

The closure of schools, in the wake of the pandemic, brought about great economic suffering on the teaching and non-teaching staff of many private schools. The inability of managements to pay salaries and the looming unemployment prospects added to their woes.

But Hetero has ensured that the 40 Vidya Volunteers on our rolls were happily employed and duly paid. Our team of Vidya Volunteers were tasked to take online classes to the students and constantly reviewing their progress through regular assessments. This has significantly benefited the students as they had access to regular education from the safety of their homes while fulfilling the academic year's learning requirements.

We also have provided monthly income support to a few housekeeping staff and sweepers for catering to the regular upkeep of school premises.

Beneficiaries in Numbers



Households

DRINKING WATER

Ensuring access to safe drinking water

The scarce availability of water and high incidence of water-borne diseases are the two main challenges faced by communities neighbouring our manufacturing facilities. Following a two-pronged approach, we at Hetero ensure a steady supply of water to the deprived communities and consequently scale it up to provide safe and clean drinking water to them.

Over the two and a half decades of our existence, we have inspired a range of initiatives like community borewells, community RO plants, overhead tanks and laying of pipelines etc., which not only are quenching the thirst of people but also are safeguarding their health.

This financial year, due to COVID-19 pandemic, we have confined our efforts extensively to repairs, maintenance and upgradation of the existing water infrastructure created by US.



Boyapadu Village, Nakkapally Mandal, Vishakhapatnam District of Andhra Pradesh

Beneficiaries in Numbers



Individuals

HEALTH

Delivering healthcare at doorsteps

Healthcare has been an essential part of our CSR interventions. With a majority of villages having little or no access to basic healthcare services, we have designed a wide variety of initiatives for enhancing access and support to primary healthcare systems as they play a vital role in prevention and mitigation of diseases.

According to WHO, PHC is an important component of Sustainability Development Goals (SDGs) which ensures that people receive quality comprehensive care – ranging from promotion and prevention to treatment, rehabilitation and palliative care – as close as feasible to people's everyday environment.

The range of initiatives we have implemented over the years include:

- Healthcare Camps
- Mobile Medical Van
- Preventive health check-ups
- Free medicine distribution
- Health awareness drives
- Infrastructure support
- Equipment donation

This year, with the frequent lockdowns limiting people's movements and gatherings due to the COVID-19 pandemic, we have extensively focussed on reaching out directly to the doorsteps of people. Through our mobile medical van, we have made visits to 30 villages surrounding Nakkapally with greater frequency for carrying out medical check-ups and distributing free medicines to the patients.

The above initiative was carried out in addition to the extensive and ongoing COVID-19 healthcare efforts which included creation of isolation centres, distribution of free COVID-19 medicines in villages, facilitating free consultations with doctors, supply of hygienic food and hospitalisation support in a few cases.



Nakkapally Mandal, Vishakhapatnam District of Andhra Pradesh

Beneficiaries in Numbers



Individuals

EYE CARE

Enabling a healthy vision for life

Vision disabilities in the ageing population are widely prevalent across the world. For the elderly population living in communities bordering our manufacturing facilities, having good eyesight goes beyond the need for carrying out day-to-day activities and leading a life of dignity. It becomes a matter of sustenance for most, as their economic conditions compel them to work for their survival.

Appreciating this, Hetero has made Eye Care intervention as one of its distinct CSR outreach initiatives. Over the years, we have continually expanded the scope of our operations for helping the world see the brighter side of life.

As a part of our mission to evolve with lasting solutions with larger reach, we have partnered and supported expert institutions like LV Prasad Eye Institute and Sri Kiran Eye Institute to establish state-of-the-art eye care centres in Siddipet District (Telangana), and Nakkapally Mandal (Andhra Pradesh) respectively.

With the commencement of these fully equipped vision centres, access to world-class eye care has become a reality for about 80 villages within their vicinities by inspiring end-to-end services ranging from basic consultancies to complex surgeries.



Vision Centre at Nakkapally Mandal, Vishakhapatnam District of Andhra Pradesh

In addition to the above, Hetero also extends its support to the economically weak by facilitating completely free-of-charge services which include:

- Free eye check-ups
- Providing free spectacles
- Supply of free medicines
- Transportation to hospital and back from doorstep to patients undergoing surgeries
- Food and accommodation facilities during patients' stay at hospital
- Transportation for post-op care consultations etc.

Beneficiaries in Numbers



Individuals

INFRASTRUCTURE

Facilitating a better future
with infrastructure

The role of infrastructure is vital for inspiring sustainable development. An essential component of the universal Sustainability Development Goals, infrastructure provides the impetus for development by promoting equitable access to social, health and economic opportunities for people. At Hetero, we continue to invest in building infrastructures for facilitating overall health and economic well-being of communities touched by us. From improving connectivity to facilitating hygiene and beyond, all our endeavours on this front are conceived to ensure a better quality of life for the underserved.

This year, we have accomplished a closed drainage project at Bonthapally, Hyderabad and built a CC access road at Veeranagudem, Nakkapally Mandal. While the closed drainage project is intended to promote hygienic surroundings and help in lessening the population of disease vectors like mosquitoes and other insects, the newly built access road will reduce the commuting time to the highway for the villagers besides preventing accidents.



Underground drainage works at Domadugu Village, Jinnaram Mandal, Sangareddy District of Telangana





Beneficiaries in Numbers



Individuals

PLANTATION

Committed to environmental sustainability

Hetero's commitment to environmental sustainability is immutable. In addition to being an intrinsic part of our corporate governance endeavours, environmental sustainability happens to be a shining feature of our CSR activities.

Protection of green cover is a continuous and consistent endeavour at Hetero where extensive plantation activities are undertaken within and outside of our facilities around the year. Also, to make our activities sustainable, we sensitise local populations on the importance of preserving trees besides shaping our employees as environmentally conscious citizens.

Adoption 2,543 acres in Mumbapur-Nallavelli urban forest block in Telangana

This financial year, however, our journey towards environmental sustainability took a giant green leap. We have adopted 2,543 acres of Mumbapur-Nallavelli urban forest tract in Telangana. Hetero contributed five crore rupees to the cause which will be utilised for fencing and stabilising the forest land, thereby aiding the conservation of rare species of flora and fauna of the area.



We took the initiative to support the ongoing forest conservation efforts of Telangana Government led by Hon'ble Chief Minister, Sri K. Chandrasekhar Rao and in response to the 'Green Challenge' call given by Rajya Sabha MP, Sri J. Santosh Kumar.

This effort, led by our Chairman Dr. B.P.S Reddy from the front, reaffirms Hetero's commitment to a greener and healthier planet.

World Environment Day 2021

Hetero Group's APIs & Formulation facilities commemorated the World Environment Day 2021 to enhance awareness and to highlight the importance of #healthyecosystems to inspire economic growth, sustainable development, and human well-being. Various programmes such as special address by Plant Heads, Site Leadership teams & Plantation were initiated to commemorate the World Environment Day. In addition to this, displaying of banners, posters, screen savers, and distribution of jute bags were initiated to raise awareness among employees on the significance of #EcosystemRestoration

Nakkapally



HLL, Baddi



HLL-V, Jadcherla



HLL-VI, Jadcherla



Hetero Biopharma, Jadcherla



HLL-III, Jeedimetla



HLL-VII, Jeedimetla



INDEPENDENT ASSURANCE

OPINION STATEMENT

Statement No: SRA-IND-722144-1

Hetero Group Sustainability Report 2020-21

The British Standards Institution is independent to Hetero Group and has no financial interest in the operation of Hetero other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for Hetero only for the purposes of assuring its statements relating to its Sustainability report, more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read. This statement is intended to be used by stakeholders & management of Hetero. Owing to the prevailing extraordinary situation due to the outbreak of the COVID-19 pandemic, the stage 1 assurance was completed using immersive techniques. A remote assurance was conducted over Microsoft Teams video-conferencing tool, where the assessor and the assessee client connected through the computer systems and internet.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Hetero. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Hetero only

Scope

The scope of engagement agreed upon with Hetero includes the following:

1. The assurance covers the Sustainability Report 2020-21 of the Hetero, prepared "In accordance" with GRI Standards – Core option, and focuses on systems and activities of Hetero covering the twelve manufacturing units in India and their corporate office located at Hyderabad, India during the period from 1st April 2020 to 31st March 2021.
2. The AA1000 Assurance Standard, AA1000AS v3, Type 1 moderate level engagement evaluates the nature and extent of Hetero's adherence to all four AA1000 AccountAbility Principles: Inclusivity, Materiality, Responsiveness and Impact. The specified sustainability performance information/data disclosed in the report has been evaluated.

Opinion Statement

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000 Assurance standard, AA1000AS v3 and GRI Standards 2020. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Hetero's description of their self-declaration of compliance with the GRI Standards were fairly stated.

We conclude that the Hetero's Sustainability Report 2020-21 review provides a fair view of the Hetero's CSR programmes and performances during FY 2020-21. We believe that the 2020-21 economic, social and environment performance disclosures are fairly represented. The sustainability performance disclosures disclosed in the report demonstrate Hetero's efforts recognized by its stakeholders.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top level review of issues raised by external parties that could be relevant to Hetero's policies to provide a check on the appropriateness of statements made in the report,
- Discussion with senior executives and their external consultant on Hetero's approach and methodology of collection and evaluation of stakeholder engagement. We had no direct contact with external stakeholders.
- Interview with staff and authorities involved in sustainability management, report preparation and provision of report information were carried out,
- Review of key organizational developments,
- Review of supporting evidence for claims made in the reports,
- An assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 AccountAbility Principles Standard v3.

ASSURANCE STATEMENT



- A sample-based assessment of the reliability and quality of information as company's performance provided in the Sustainability report

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact and the GRI Standards is set out below:

Inclusivity

This report has reflected a fact that Hetero is seeking the engagement of its stakeholders through various channels. This year being a year of Pandemic, face to face interaction has been reduced and supplier meets were not conducted. However, feedback collection has continued and in all 32 topics were compiled for materiality assessment. Employees were given special importance this year. Adopting the GRI principles, the materiality assessment was conducted that yielded three new material topics to the current list of material topics.

This report focuses on the activities undertaken by Hetero drugs Ltd., Hetero Labs Ltd., Hetero Biopharma Limited covering the twelve manufacturing locations in India and the corporate office at Hyderabad, India. This report covers the fair reporting and disclosures for economic, social and environmental information. Hetero is also planning and implementing a more robust feedback process in 2021. In our professional opinion, the report covers the Hetero Group's inclusivity issues that demonstrates participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality

Hetero publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance.

The material topics identified are: Energy and Emissions, Water and Effluent, Waste, Employee Well-being, Health & Safety, Learning and Development, Customer Health and Safety, Community, Economic Value creation, Supply chain, Diversity - equal opportunity, Anti-corruption, Environmental compliance, Marketing and communication, Data Security and Data privacy. The adequacy of currently identified material topics for future is being re-assessed by Hetero. The organization adopted a stakeholder consultation process to identify their material issue, which was specifically organized for the Sustainability reporting.

In our professional opinion the report covers the Hetero's material issues by using Hetero materiality matrix, internal and external stakeholder consultation and boundary mapping, however, the future report should be further enhanced by including suitable performance indicators for the newly identified material aspects for which GRI indicators are not available.

Responsiveness

Hetero has implemented the practice to respond to the expectations and perceptions of its stakeholders. Feedback from all the internal stakeholder representatives were collected along with few selected external stakeholders.

In our professional opinion nothing has come to our attention to suggest that the responses related to identified material topics are not adequately represented in the Report.

Impact

Hetero has also demonstrated that adequate systems are in place to monitor, measure and be accountable for their actions that affect the economy, the environment, society, stakeholders and the organization itself.

GRI-reporting

Hetero Group provided us with their self-declaration of compliance GRI Standard and the classification to align with "In accordance" - Core.

Based on our verification review, we are able to confirm that social responsibility and sustainable development disclosures in all 3 categories (Environmental, Social and Economic) are reported with reference to "In accordance" with the GRI Standard - Core option.

In our professional opinion the self-declaration covers Hetero Corporate's social responsibility and sustainability issues. On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe the following sustainability disclosures as stipulated in the GRI Standards.

- **GRI 201: Economic performance, 2016 – 201-1.**
- GRI 204: Spending on local suppliers 2016 - 204-1;
- GRI 302: Energy 2016 - 302-1, 302-2, 302-3;
- GRI 303: Water & Effluent 2018 - 303-3, 303-4;
- GRI 305: Emissions 2016 - 305-1, 305-2, 305-4;
- GRI 306: Waste 2020 - 306-4, 306-5

...making excellence a habit.™

ASSURANCE STATEMENT



- GRI 307: Environmental Compliance 2016 – 307-1;
- GRI 401: Employment 2016 – 401-1;
- GRI 403: Occupational Health and Safety 2018– 403-1, 403-9;
- GRI 404: Training & Education 2016 – 404-1, 404-2, 404-3;
- GRI 405: Diversity and equal opportunity 2016 - 405-1;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 416: Customer Health and Safety 2016 - 416-1, 416-2;

Competency and Independence

The assurance team was composed of Lead auditors experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including GRI-G4 and GRI Standard, AA1000, ISO10002, ISO 14001, OHSAS 18001, ISO 14064, ISO 50001 and ISO 9001, etc. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

Assurance Level

The type 1 moderate level of assurance provided is in accordance with AA1000 Assurance standard, AA1000AS, v3 in our review as defined by the scope and methodology described in this statement.

Responsibility

It is the responsibility of Hetero's senior management to ensure the information presented in the Sustainability Report is accurate. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Reliability

The assurance statement on the performance was issued based on the evidence collected from ground level provided by the employees of Hetero. The sample selection was on random basis and selection is done by BSI auditor. The sampled sites covered 3 manufacturing units out of 12 units included in the reporting boundary. The assurance team was convinced that the performance information presented in the report are reliable and representative.

Quality

The quality of information was checked through cross verification of data. Field level measurement and records were verified with the procurement and supply chain invoices/bills. Interview with the responsible persons detailed the activities, maintenance, and process performance. The fitness of the measuring devices, frequency of measurement and recording, competency of the person concerned, and review & approval of information were checked and found in conformance.

Performance Information

Hetero Sustainability report has addressed their Environment, Social and Governance performance through GRI indicators. The assurance team has evaluated the requirements of the GRI indicators for general disclosures and those relevant to the material topics only.

For the specific data presented in the report, minimal technical/compilation errors were identified during the sampling process which were corrected for the final report.

Based on the processes and procedures conducted with a moderate assurance, there is no evidence that the Environmental and Social data and information are not materially correct and are not a fair representation of their Environmental and Social performance.

For and on behalf of BSI:

Kumaraswamy Chandrashekara
Head – System Certification Operations.
BSI Group India New Delhi, India
14 September 2021



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GRI INDEX

GRI Standard	Disclosure Number	Disclosure	Page No (s).	External Assurance	Comment/Omissions
GRI 102: General Disclosures 2016					
GRI 102: Organizational Profile	102-1	Name of the organization	24	Yes	Provided in the cover page as well
	102-2	Activities, brands, products, and services	7, 10-13, 17-19	Yes	
	102-3	Location of headquarters	24-25	Yes	Back cover of the report also provides full address of the headquarters
	102-4	Location of operations	14-16, 24-25	Yes	
	102-5	Ownership and legal form	24	Yes	
	102-6	Markets served	14-16	Yes	
	102-7	Scale of the organization	7, 14, 16-17, 19, 48	Yes	
	102-8	Information on employees and other workers	62-64	Yes	
	102-9	Supply chain	49	Yes	
	102-10	Significant changes to the organization and its supply chain	35-36, 49	Yes	There has been no significant change in organization's size, structure, ownership, or supply chain
	102-11	Precautionary Principle or approach	38-41	Yes	
	102-12	External initiatives	38, 41, 42	Yes	
	102-13	Membership of associations	22-23	Yes	
GRI 102: Strategy	102-14	Statement from senior decision-maker	2-3	Yes	
GRI 102: Ethics & Integrity	102-16	Values, principles, standards, and norms of behaviour	9, 35-41	Yes	
GRI 102: Governance	102-18	Governance structure	35-37	Yes	
	102-20	Executive-level responsibility for economic, environmental, and social topics	35-37	Yes	
	102-22	Composition of the highest governance body and its committees	35-37	Yes	Partially reported. Items omitted: 'Tenure of governance body, membership of under represented social group and stakeholder representation'.
	102-32	Highest governance body's role in sustainability reporting	35-37	Yes	

GRI INDEX

GRI Standard	Disclosure Number	Disclosure	Page No (s).	External Assurance	Comment/Omissions
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	27	Yes	
	102-41	Collective bargaining agreements	40, 67	Yes	
	102-42	Identifying and selecting stakeholders	27	Yes	
	102-43	Approach to stakeholder engagement	27-28	Yes	We had engaged with the stakeholders on materiality but not specifically as a part of preparation of this report.
	102-44	Key topics and concerns raised	27-29	Yes	
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	24, 47	Yes	
	102-46	Defining report content and topic Boundaries	24, 28-33	Yes	
	102-47	List of material topics	31	Yes	GRI Material indicators have not been identified for data security & privacy, anti-corruption, marketing and corruption, and employee well-being. Hetero is evaluating the most appropriate indicators for measuring the same.
	102-48	Restatements of information	24	Yes	
	102-49	Changes in reporting	24	Yes	
	102-50	Reporting period	24	Yes	
	102-51	Date of most recent report	24	Yes	
	102-52	Reporting cycle	24	Yes	
	102-53	Contact point for questions regarding the report	24	Yes	
	102-54	Claims of reporting in accordance with the GRI Standards	24	Yes	
	102-55	GRI content index	93-97	Yes	
	102-56	External assurance	24,89-92	Yes	
Topic Specific Standard: Economic					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 47	Yes	
	103-2	The management approach and its components	28-33, 47	Yes	
	103-3	Evaluation of the management approach	38-33, 47	Yes	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	48	Yes	

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GRI Standard	Disclosure Number	Disclosure	Page No (s).	External Assurance	Comment/ Omissions
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 47, 49	Yes	
	103-2	The management approach and its components	28-33, 47, 49	Yes	
	103-3	Evaluation of the management approach	38-33, 47, 49	Yes	
GRI 204-1: Procurement Practices	204-1	Proportion of spending on local suppliers	49	Yes	
Topic Specific Standard: Environment					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 51-53	Yes	
	103-2	The management approach and its components	28-33, 51-53	Yes	
	103-3	Evaluation of the management approach	38-33, 51-53	Yes	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	51-53	Yes	
	302-2	Renewable energy consumption within the organization	54	Yes	
	302-3	Energy intensity	51- 53	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 51, 55-56	Yes	
	103-2	The management approach and its components	28-33, 51, 55-56	Yes	
	103-3	Evaluation of the management approach	28-33, 51, 55-56	Yes	
GRI 303: Water and Effluents 2018	303-3	Water withdrawal	55-56	Yes	
	303-4	Water Discharge	56	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 51-53	Yes	
	103-2	The management approach and its components	28-33, 51-53	Yes	
	103-3	Evaluation of the management approach	38-33, 51-53	Yes	
GRI 305: GHG Emissions 2016	305-1	Direct (Scope 1) GHG emissions	51-53	Yes	Currently, our GHG scope 1 emissions are based on fuel consumption only.
	305-2	Energy indirect (Scope 2) GHG emissions	51- 53	Yes	The electricity consumption is based on KVAH.
	305-4	GHG emissions intensity	51-53	Yes	

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GRI Standard	Disclosure Number	Disclosure	Page No (s).	External Assurance	Comment/Omissions
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 51, 55-59	Yes	
	103-2	The management approach and its components	28-33, 51, 55-59	Yes	
	103-3	Evaluation of the management approach	28-33, 51, 55-59	Yes	
GRI 306: Waste 2020	306-4	Waste diverted from disposal	57-59	Yes	
	306-5	Waste directed to disposal	57-59	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 35-42	Yes	
	103-2	The management approach and its components	28-33, 35-42	Yes	
	103-3	Evaluation of the management approach	28-33, 35-42	Yes	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	42	Yes	
Topic Specific Standard: Social					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 61	Yes	
	103-2	The management approach and its components	28-33, 61	Yes	
	103-3	Evaluation of the management approach	28-33, 61	Yes	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	63-64	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 61, 68	Yes	
	103-2	The management approach and its components	28-33, 61, 68	Yes	
	103-3	Evaluation of the management approach	28-33, 61, 68	Yes	
GRI 403: Occupational Health & Safety 2018	Disclosure 403-1	Occupational health and safety management system	68-69	Yes	
	Disclosure 403-9	Work-related injuries	70-71	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 61	Yes	
	103-2	The management approach and its components	28-33, 61, 65	Yes	
	103-3	Evaluation of the management approach	28-33, 61, 65	Yes	

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GRI Standard	Disclosure Number	Disclosure	Page No (s).	External Assurance	Comment/ Omissions
GRI 404: Training & Education 2016	404-1	Average hours of training per year per employee	65-67	Yes	Employee training details are not tracked based on gender and employee level in the organisation.
	404-2	Programs for upgrading employee skills and transition assistance programs	64-66	Yes	
	404-3	Percentage of employees receiving regular performance and career development reviews	64	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33, 61	Yes	
	103-2	The management approach and its components	28-33, 61, 65	Yes	
	103-3	Evaluation of the management approach	28-33, 61, 65	Yes	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	62-63, 35	Yes	Age wise gender breakup is not provided
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33	Yes	
	103-2	The management approach and its components	28-33, 74-76	Yes	
	103-3	Evaluation of the management approach	32,33, 74-76	Yes	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	74-89	Yes	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	28-33	Yes	
	103-2	The management approach and its components	30,32, 72-73	Yes	
	103-3	Evaluation of the management approach	32,33, 72-73	Yes	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of products and service categories	72-73	Yes	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	72-73	Yes	

ANNEXURE

Energy and GHG Emission Quantification

GHG calculation and inventorization is based on The Greenhouse Gas Protocol developed by the World Resource Institute (WRI) and World Business Council and Standards Board (WBCSD). The GHG Protocol for Corporate Accounting and Reporting Standard has been applied at Hetero.

Global warming potential has been taken as provided by Inter-governmental Panel on Climate Change (IPCC). Only two types of emissions have been considered:

1. Due to consumption of fuel at site for stationary consumption
2. Due to purchase of electricity from the grid

Emission due to stationary consumption

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 have been used to calculate GHG emissions from stationary combustion source. (Source: https://www.ipccnggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf). Quantity of various fuel consumed has been multiplied by density and calorific value. The calorific value of coal is based on the GCV provided by the supplier of coal, whereas, the calorific value of other fuels is determined based on the data published by Bureau of energy efficiency (BEE) on its website or by the respective fuel provider on their website. BEE being the preferred source. All energy figures are converted into TJ before multiplying with the emission factor.

Emission due to purchase of electricity (Scope 2 or indirect emission)

The grid emission factor is multiplied with the electricity consumed to arrive at the emission due to purchased electricity. The grid emission factor is provided by Central Electricity Authority of India. For this years calculation, emission factors specified in the "CO₂ Baseline Database for the Indian Power Sector User Guide, Version 16.0, MARCH 2021" has been applied (Source: https://cea.nic.in/wp-content/uploads/baseline/2021/06/User_Guide_ver_16_2021-1.pdf)

Limitations

Other sources of direct i.e. scope 1 emissions are not considered in our emission inventory currently. Refrigerants, and LPG gas are other probable sources of minor emissions. However, estimation of the emissions due to these sources has not been undertaken so far. Indirect emissions other than energy purchase i.e. scope 3 emission have as well not been considered in our GHG inventory and reporting.



ABBREVIATIONS

CSR	Corporate Social Responsibility
L&D	Learning & Development
R&D	Research and Development
USFDA	United States Food and Drug Administration
EU	European Union
API	Active Pharmaceutical Ingredients
ARV	Anti-Retroviral
HRF	Hetero Research Foundation
GMP	Good Manufacturing Practices
PIC	Pharmaceutical Inspection Co-operation
OECD	Organisation for Economic Co-operation and Development
GCP	Good Clinical Practice
GRI	global reporting initiatives
ML	Mega Litres
JV	Joint Venture
EU	European Union
SDG	Sustainable development goals
KL	Kilo Litre
PEPFAR-SCMS	President's Emergency Plan for AIDS Relief - Supply Chain Management System
UNDP	United Nations Development Programme
PAHO	Pan American Health Organization
MSF	Médecins Sans Frontières
UNOPs	United Nations Office for Project Services
UNICEF	United Nations Children's Fund
INR	Indian Rupee





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