

Corporate Governance

Dr. Reddy's Laboratories Limited (Dr. Reddy's or the Company) believes that timely disclosures, transparent accounting policies and a strong and independent Board go a long way in maintaining good corporate governance, preserving shareholders' trust and maximizing long-term corporate value.

Given the Company's size and complexity in operations, Dr. Reddy's corporate governance framework is based on the following main principles:

- Appropriate composition and size of the Board, with each Director bringing in key expertise in different areas
- Proactive flow of accurate information to the members of the Board and Board Committees to enable effective discharge of fiduciary duties
- Ethical business conduct by the Board, management and employees
- Well-developed systems and processes for internal controls across all operations, risk management and financial reporting
- Protect and facilitate the exercise of shareholders' rights
- Adequate, timely and accurate disclosure of all material, operational and financial information to the stakeholders

In India, the Securities and Exchange Board of India (SEBI) regulates corporate

governance for listed companies through Clause 49 of the Listing Agreement. Dr. Reddy's is in full compliance with Clause 49. It is also in compliance with the applicable corporate governance standards of the New York Stock Exchange (NYSE).

This chapter of the annual report together with information given under the chapters entitled *Management Discussion and Analysis and Additional Shareholders' Information* constitute the compliance report of the Company on corporate governance during FY2015.

BOARD OF DIRECTORS COMPOSITION

As on 31 March 2015, the Board of Dr. Reddy's had 10 Directors, comprising (i) two Executive Directors, including the Chairman, and (ii) eight Independent Directors, including a woman Director, as defined under the Companies Act, 2013, the SEBI's Clause 49 of the Listing Agreement and the Corporate Governance Guidelines of the NYSE Listed Company Manual. Detailed profiles of the Directors have been put forth in this annual report.

The Directors have expertise in the fields of strategy, management, finance, operations, science, technology, human resource development and economics. The Board provides leadership, strategic guidance, objective and an independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

The Board continuously reviews the Company's governance, risk and compliance framework, business plans, and organization structure to align with the global standards and competitive benchmark.

Each Director informs the Company on an annual basis about the Board and Board Committee positions he/she occupies in other companies including Chairmanships, and notifies any changes during the term of their directorship in the Company. In addition, the Independent Directors provide a confirmation to the effect that they meet the criteria of independence as defined under Indian laws. **Table 1** gives

Notes: FY2015 represents fiscal year 2014-15, from 1 April 2014 to 31 March 2015, and analogously for FY2014 and previously such labeled years.

the composition of Dr. Reddy's Board, their positions, relationship with other Directors, date of joining the Board, other Directorships and memberships of Committees held by each of them.

TERM OF BOARD MEMBERSHIP

The Board, on the recommendations of the Nomination, Governance and Compensation Committee, considers the appointment and re-appointment of Directors.

Section 149 of the Companies Act, 2013, provides that an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and shall be eligible for re-appointment on passing of a special resolution by the shareholders of the Company. However, the Independent Directors shall not retire by rotation.

Accordingly, all the Independent Directors of the Company were appointed as Independent Directors under Section 149 of the Companies Act, 2013, for a term ranging from 1-5 years at the 30th Annual General Meeting. As a consequence, the term of Dr. J P Moreau

ends at the forthcoming 31st Annual General Meeting.

Section 152 of the Companies Act, 2013, states that one-third of the Board members other than Independent Directors who are subject to retire by rotation, shall retire every year and shall be eligible for re-appointment, if approved, by the shareholders at their meeting. Accordingly, at the 30th Annual General Meeting, the Company has amended the terms of appointment of Mr. G V Prasad and Mr. Satish Reddy, making them liable to retire by rotation.

In view of the above, Mr. G V Prasad, Whole-time Director, retires by rotation at the forthcoming Annual General Meeting, and being eligible, seeks reappointment.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

Induction of a new member on the Board of Directors is the responsibility of the Nomination, Governance and Compensation Committee, consisting entirely of Independent Directors. Considering the existing composition

of the Board and requirement of new domain expertise, if any, the Nomination, Governance and Compensation Committee reviews potential candidates. The assessment of members to the Board is based on a combination of criterion that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualification required for the position. The potential Board member is also assessed on the basis of independence criteria defined in Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement. The Committee then places the details of shortlisted candidate who meet these criteria to the Board for its consideration. If the Board approves, the person is appointed as an Additional Director, subject to the approval of shareholders in the Company's general meeting.

FAMILIARIZATION PROCESS FOR INDEPENDENT DIRECTORS

To familiarize a new Independent Director with the Company, a kit containing informative documents about the Company like Annual

TABLE 1 COMPOSITION OF DR. REDDY'S BOARD AND OTHER DIRECTORSHIPS HELD AS ON 31 MARCH 2015

NAME	POSITION	RELATIONSHIP WITH OTHER DIRECTORS	DATE OF JOINING	DIRECTORSHIPS U/S, 165 OF THE COMPANIES ACT, 2013		OTHER DIRECTORSHIPS ⁽¹⁾	COMMITTEE MEMBERSHIP ⁽²⁾	CHAIRMANSHIP IN COMMITTEES ⁽²⁾
				PUBLIC COMPANIES	PRIVATE COMPANIES			
Mr. Satish Reddy ⁽³⁾	Chairman	Brother-in-law of Mr. G V Prasad	18 January 1993	10	7	27	2	-
Mr. G V Prasad ⁽³⁾	Co-Chairman, Managing Director and CEO	Brother-in-law of Mr. Satish Reddy	8 April 1986	8	4	13	1	-
Dr. Omkar Goswami	Independent Director	None	30 October 2000	9	2	-	8	1
Mr. Ravi Bhoothalingam	Independent Director	None	30 October 2000	2	-	-	2	1
Mr. Anupam Puri	Independent Director	None	4 June 2002	4	-	1	2	-
Dr. J P Moreau	Independent Director	None	18 May 2007	1	-	2	-	-
Ms. Kalpana Morparia	Independent Director	None	5 June 2007	3	2	1	2	2
Dr. Bruce L A Carter	Independent Director	None	21 July 2008	2	-	4	1	-
Dr. Ashok S Ganguly	Independent Director	None	23 October 2009	2	2	-	-	-
Mr. Sridar Iyengar	Independent Director	None	22 August 2011	5	1	6	-	4

⁽¹⁾ Other Directorships are those, which are not covered under Section 165 of the Companies Act, 2013.

⁽²⁾ Membership/Chairmanship in Audit and Stakeholders Relationship Committees of all public limited companies, whether listed or not, including Dr. Reddy's are considered. Membership/Chairmanship of foreign companies, private limited companies and companies under Section 8 of the Companies Act, 2013 have been excluded.

⁽³⁾ Based on the recommendation of the Nomination, Governance and Compensation Committee, the Board of Directors has re-designated Mr. Satish Reddy as the "Chairman" and Mr. G V Prasad as "Co-Chairman, Managing Director and CEO", both effective 13 May 2014.

⁽⁴⁾ None of the Independent Directors serves as an Independent Director in more than seven listed companies.

Reports, Sustainability Reports, Investor Presentations, recent Press Releases, Memorandum and Articles of Association, etc. is handed over to him/her. A new Independent Director meets individually with each Board member and senior management personnel. Visits to various plant locations are also organized for the new Director to understand the Company's operations.

The Company believes that the Board be continuously empowered with the knowledge of latest developments in the Company's businesses, and the external environment affecting the Company and the industry as a whole. Apart from the periodic presentations on Company's business and performance updates, business strategy and risks involved, presentations are also made on topics covering the pharmaceutical industry and peer study on specialty pharma model. They also visit manufacturing and research locations of the Company.

Updates on relevant statutory changes and judicial pronouncements around important industry related laws are regularly circulated to the Directors. Each director of the Company has complete access to any Company's information and freedom to interact with the senior management.

LETTER OF APPOINTMENT

The Independent Directors on the Board of the Company, upon appointment, are given a formal appointment letter *inter alia* containing the term of appointment, roles, function, duties & responsibilities, code of conduct, disclosures, confidentiality, etc. The terms and conditions of the appointment of Independent Directors are available on the Company's website www.drreddys.com/investors/popups/terms-condition-directors.html.

BOARD EVALUATION

The Board has carried out an annual evaluation of its own performance, as

well as the working of its Committees. The Board worked with the Nomination, Governance and Compensation Committee to lay down the criteria for the performance evaluation. In order to ensure objectivity, an independent expert was engaged to manage the process. The contribution and impact of individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation, flow of information, independence of judgment, conflicts resolution and their contribution in enhancing the Board's overall effectiveness. A 360 degrees feedback-cum-assessment of individual directors, the board as a whole and its committees was conducted. The feedback obtained from the interventions was discussed in detail and, where required, independent and collective action points for improvement put in place.

DIRECTORS' SHAREHOLDING IN THE COMPANY

Table 2 gives details of shares held by the Directors as on 31 March 2015.

TABLE 2 SHARES HELD BY THE DIRECTORS AS ON 31 MARCH 2015	
NAME	NO. OF SHARES/ADRS HELD
Mr. Satish Reddy ⁽¹⁾	1,205,832
Mr. G V Prasad ⁽¹⁾	1,365,840
Dr. Omkar Goswami	22,800
Mr. Ravi Bhoothalingam	22,800
Mr. Anupam Puri (ADRs)	21,300
Dr. J P Moreau	-
Ms. Kalpana Morparia	10,800
Dr. Bruce LA Carter (ADRs)	11,800
Dr. Ashok S Ganguly	4,800
Mr. Sridar Iyengar	-

⁽¹⁾ APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 39,729,284 shares of Dr. Reddy's Laboratories Limited. Mr. G V Prasad, Mr. Satish Reddy, Ms. G. Anuradha, Ms. Deepti Reddy and their bloodline descendants are the beneficiaries of APS Trust.

MEETINGS OF THE BOARD

The Company plans and prepares the schedule of the Board and Board Committee meetings in advance to assist the Directors in scheduling their program. The schedule of meetings and their agenda are finalized in consultation with the Chairman and Directors of Dr. Reddy's. The agenda of the Board and Committee meetings are pre-circulated with appropriate presentations, detailed notes, supporting documents and executive summaries.

Under Indian laws, the Board of Directors must meet at least four times a year, with a maximum gap of one hundred and twenty days between two Board meetings. Dr. Reddy's Board met four times during the financial year under review: on 13 May 2014, 30 July 2014, 29 October 2014 and 29 January 2015. Details of Directors and their attendance at Board meetings and Annual General Meeting are given in **Table 3**.

The Board and its Committee meetings at Dr. Reddy's typically comprise two-day sessions. In the course of these meetings, the business unit heads and key functional heads make presentations to the Board and its Committees. The Board is updated on the discussions at the Committee meetings and their recommendations through

TABLE 3 DIRECTORS' ATTENDANCE AT DR. REDDY'S BOARD MEETINGS AND AGM HELD DURING FY2015			
NAME	MEETINGS HELD IN DIRECTOR'S TENURE	NUMBER OF BOARD MEETINGS ATTENDED	ATTENDANCE IN LAST AGM ON 31 JULY 2014
Mr. Satish Reddy	4	4	Present
Mr. G V Prasad	4	4	Present
Dr. Omkar Goswami	4	3 ⁽¹⁾	Present
Mr. Ravi Bhoothalingam	4	4	Present
Mr. Anupam Puri	4	3 ⁽¹⁾⁽²⁾	Present
Dr. J P Moreau	4	4	Present
Ms. Kalpana Morparia	4	4	Present
Dr. Bruce LA Carter	4	4	Present
Dr. Ashok S Ganguly	4	3 ⁽¹⁾	Present
Mr. Sridar Iyengar	4	4	Present

⁽¹⁾ Were given leave of absence on request.

⁽²⁾ Attended through tele-conference.

the Chairpersons of the respective Committees.

INFORMATION GIVEN TO THE BOARD

The Company provides the following information *inter alia* to the Board and Board Committees, which are given either as part of the meetings or by way of presentations and discussion material during the meetings.

- Annual operating plans and budgets, capital budgets and other updates
- Quarterly, half-yearly and annual financial results of the Company and its operating divisions or business segments
- Detailed presentations on the progress in Research and Development (R&D) and new drug discoveries
- Minutes of meetings of the Audit Committee and other Committees of the Board
- Information on recruitment and remuneration of key executives below the Board level including appointment or removal of Chief Financial Officer and the Company Secretary
- Significant regulatory matters concerning Indian or foreign regulatory authorities
- Issues which involve possible public or product liability claims of a substantial nature, if any
- Risk analysis of various products, markets and businesses
- Detailed analysis of potential acquisition targets or possible divestments
- Details of any joint venture or collaboration agreements
- Transactions that involve substantial payment towards, or impairment of, goodwill, brand equity or intellectual property
- Significant sale of investments, subsidiaries or assets which are not in the normal course of business
- Contracts in which Director(s) are interested
- Materially important show cause, demand, prosecution and penalty notices, if any
- Fatal or serious accidents or dangerous occurrences, if any
- Significant effluent or pollution problems, if any
- Materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company, if any
- Significant labor problems and their

- proposed solutions, if any
- Significant developments in the human resources and industrial relations fronts
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement
- Non-compliance of any regulatory or statutory nature or listing requirements as well as shareholders' services such as non-payment of dividend and delays in share transfer, if any
- Subsidiary companies' minutes, financial statements and significant transactions & investments
- Significant transactions and arrangements

POST MEETING FOLLOW-UP MECHANISM

The important decisions taken at the Board/Board Committees' meetings are communicated to the concerned departments/divisions promptly. An action taken/status report on the decisions of the previous meeting(s) is placed at the next meeting of the Board/Board Committees for information and further recommended action(s), if any.

MEETINGS OF INDEPENDENT DIRECTORS

During FY2015, the Independent Directors of Dr. Reddy's met four times in executive sessions without the presence of Executive Directors and other members of management. In addition to these four, the Company is ready to facilitate such sessions as and when required by the Independent Directors.

During these sessions, the Independent Directors periodically review the performance of senior management, Independent and non-Independent Directors, including the Chairman and the Board as a whole. They also assess the quality and adequacy of the information between the Company's management and the Board.

The Independent Directors also discuss the performance of the Company, agenda of meetings, strategy, risks, competition and succession planning for the Board and the senior management.

The Lead Independent Director, with or without other Independent Directors,

provides structured feedback to the Board about the key elements that emerge out of these executive sessions.

ANNUAL BOARD RETREAT

During FY2015, the Annual Board Retreat was organized at Cambridge, UK on 18-20 August 2014. As a part of the retreat agenda, the Board conducted a strategy review of the Company's business segments, and also discussed various governance related matters. The Board also visited the Company's R&D facility at Leiden, Netherlands.

DIRECTOR'S REMUNERATION

The Company has a policy relating to the remuneration of Directors, Key Managerial Personnel (KMPs), Senior Management Personnel (SMPs) and other employees. The Remuneration Policy of the Company is enclosed as **Annexure A** to this chapter. The policy lays down remuneration principles and parameters to ensure that remuneration practices are competitive and reasonable, in line with corporate and individual performance.

The Executive Directors are appointed by shareholders' resolution for a period of five years. No severance fee is payable to the Executive Directors. Except the commission payable, all other components of remuneration to the Executive Directors are fixed and in line with the Company's policies.

The remuneration for the Executive Directors, including the commission based on net profits of the Company, is recommended by the Nomination, Governance and Compensation Committee to the Board for consideration. The commission to be paid to the Executive Directors is decided by the Board every year, within the limits approved by the shareholders.

The Independent Directors are entitled to receive sitting fees and reimbursement of any expenses for attending meetings of the Board and its Committees, as well as commission based on the net profits of the Company. The remuneration including commission payable to the Directors during the year under review is in conformity with the applicable provisions of the erstwhile Companies Act, 1956, and the Companies Act, 2013, and duly considered and approved by the Board and the shareholders, in their respective meetings.

The remuneration paid or payable to the Directors for FY2015 is given in **Table 4**.

The criteria for making payments to the Executive Directors are:

- Salary, as recommended by the Nomination, Governance and Compensation Committee and approved by the Board and the shareholders. Perquisites and retirement benefits are also paid in accordance with the Company's compensation policies, as applicable to all employees
- Commission on profits, as recommended by the Nomination, Governance and Compensation Committee and approved by the Board and shareholders of the Company subject to (i) the percentage of net profit calculated in line with Section 198 of the Companies Act, 2013 and (ii) approval of the shareholders
- Remuneration paid to the Executive Directors is determined keeping in view their KPIs and industry benchmarks

The criteria for making payments to the Independent Directors are:

- The shareholders of the Company have approved the payment of commission up to 0.50 percent of net profits, calculated in accordance with the provisions of the Companies Act, collectively to all the Independent Directors, for each of the financial

years starting from FY2012 and ending with FY2016

- The Board decides the amount of commission payable to Independent Directors every year, within the overall limit of 0.50 percent of net profits and in line with the Company's performance. The compensation is also benchmarked with some top Indian companies
- Remuneration paid to Independent Directors is determined by keeping in view the industry benchmarks, and based on their memberships in various committees of the Board
- Shareholders of the Company approved granting of up to 200,000 stock options in aggregate at any point of time during the financial years starting from FY2012 and ending with FY2016 to all the Directors (except Promoter Directors). Of this, up to 60,000 stock options can be granted in a single financial year to the Directors, as previously mentioned, under any of the stock option plans, either existing or to be framed in future, on such terms and conditions as the Nomination, Governance and Compensation Committee/Board of Directors may think fit. The Company, in compliance with the provisions of Section 197 of the Companies Act, 2013 (effective 1 April, 2014) and revised Clause 49 of the Listing Agreement (effective 1 October, 2014), has not granted

stock options to Independent Directors since FY2013.

INDEPENDENT DIRECTORS

The Independent Directors of the Company head the following governance and/or Board Committee functions:

- Mr. Anupam Puri: Governance, corporate strategy and Lead Independent Director
- Dr. Bruce L A Carter: Science, Technology and Operations Committee
- Dr. Ashok S Ganguly: Nomination, Governance and Compensation Committee
- Mr. Sridar Iyengar: Audit Committee, and all financial and audit matters that fall under the remit of the Committee
- Ms. Kalpana Morparia: Stakeholders Relationship Committee
- Dr. Omkar Goswami: Risk Management Committee, financial risk management, subsidiary finances and compliance with Section 404 of the US Sarbanes-Oxley Act, 2002
- Mr. Ravi Bhoothalingam: Corporate Social Responsibility Committee, Compliance and Ombudsperson for the whistle blower policy of the Company
- Dr. J P Moreau: Pharmaceutical regulatory compliance

RISK MANAGEMENT

The Company has in place an enterprise-wide risk management

TABLE 4 REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2015				(₹ '000)
NAME	COMMISSION ⁽¹⁾	SALARIES	PERQUISITES ⁽²⁾	TOTAL
Mr. Satish Reddy	85,000	6,300	5,300	96,600
Mr. G V Prasad	120,000	6,300	3,043	129,343
Dr. Omkar Goswami	9,368	-	-	9,368
Mr. Ravi Bhoothalingam	9,993	-	-	9,993
Mr. Anupam Puri	10,898	-	-	10,898
Dr. J P Moreau	9,743	-	-	9,743
Ms. Kalpana Morparia	10,305	-	-	10,305
Dr. Bruce L A Carter	10,055	-	-	10,055
Dr. Ashok S Ganguly	9,368	-	-	9,368
Mr. Sridar Iyengar	10,367	-	-	10,367

Notes: ⁽¹⁾ Payment of commission is variable, and based on percentage of net profit calculated according to Section 198 of the Companies Act, 2013. The Board of Directors recommended for a fixed commission of ₹ 6,869,940 (US\$ 110,000) per Independent Director; a specific fee of ₹ 1,249,080 (US\$ 20,000) to the Chairperson of the Audit Committee; ₹ 936,810 (US\$ 15,000) to the Chairperson of Science, Technology and Operations Committee, Nomination, Governance and Compensation Committee, Risk Management Committee and Stakeholders Relationship Committee; ₹ 624,540 (US\$ 10,000) to the other members of the Committees; ₹ 1,249,080 (US\$ 20,000) to the Lead Independent Director; ₹ 312,270 (US\$ 5,000) variable fee per meeting based on the attendance at the Board meeting to every Non-executive Director. Other than the above, a specific amount of ₹ 93,681 (US\$ 1,500) per meeting was paid towards foreign travel to the Directors.

⁽²⁾ Perquisites include medical reimbursement for self and family according to the rules of the Company, leave travel assistance, personal accident insurance, Company's vehicle with driver for official use, telephone at residence and mobile phone, contribution to Provident Fund and Superannuation Scheme. All these benefits are fixed in nature.

⁽³⁾ Apart from receiving the above remuneration, the Non-executive Director do not have any pecuniary relationship or transaction with the Company.

(ERM) system. An independent Risk Management Committee of the Board oversees and reviews the risk management framework, assessment of risks, their management and minimization procedures. The Committee reports its findings and observations to the Board. A section on risk management practices of the Company under the ERM framework forms a part of the chapter on 'Management Discussion and Analysis' in this annual report.

COMPLIANCE REVIEWS

Dr. Reddy's has a dedicated team under an identified Chief Compliance Officer for overseeing compliance activities, and a defined framework to review and monitor compliances with all laws applicable to the Company. The compliance status is periodically updated to the senior management team including the CEO, the COO and the CFO. Presentations are scheduled in the quarterly Audit Committee and Risk Management Committee meetings regarding the status on compliance. These are also shared with all the Board members.

CODE OF BUSINESS CONDUCT AND ETHICS AND OMBUDSPERSON PROCEDURE (VIGIL MECHANISM)

The Company has adopted a Code of Business Conduct and Ethics (the 'Code'), which applies to all its Directors and employees, its subsidiaries and affiliates. It is the responsibility of all Directors and employees to familiarize themselves with this Code and comply with its standards. The Board and the senior management across the globe annually affirm compliance with the Code. A certificate of the Co-Chairman, Managing Director and CEO of the Company to this effect is enclosed as **Exhibit 1** to this chapter.

The Company has formulated an Ombudsperson procedure (Whistle-Blower or Vigil mechanism) under this Code to report concerns on, actual or suspected violations of the Code, which:

- a) describes the Ombudsperson framework
- b) takes into account procedures for investigation and communication of any report on any violation or suspected violation of the Code
- c) accepts appeal against any decision; and
- d) encourages the submission of complaint against any retaliation

The Code of Business Conduct and Ethics and Ombudsperson procedure (whistle blower policy) is available on the Company's website: www.drreddys.com.

An Independent Director is the Ombudsperson. The complaints and reports submitted to the Company and their resolution status are reported through the Ombudsperson to the Audit Committee and, where applicable, to the Board. During FY2015, no personnel has been denied access to the Audit Committee.

RELATED PARTY TRANSACTIONS

The Company has adequate procedures for purpose of identification and monitoring of related party transactions. All transactions entered into with related parties during the financial year were in the ordinary course of business and on arm's length pricing basis. There were no transactions with related parties during the financial year which were in conflict with the interest of the Company.

All related party transactions are periodically placed before the Audit Committee and the Board for review and approval, as appropriate. The details of related party transactions are discussed in page 140 of this annual report.

The Company has formulated a policy on materiality of related party transactions and dealing with related party transactions and it is available on the Company's website www.drreddys.com/investors/popups/policy-materiality-related-party-transactions.html.

SUBSIDIARY COMPANIES

The Audit Committee reviews the financial statements of the subsidiary companies. It also reviews the investments made by the subsidiary companies, statement of all significant transactions and arrangements entered into by the subsidiary companies and the status of compliances by the respective subsidiary companies, on a periodic basis.

The minutes of the Board meeting of the subsidiary companies are placed before the Board of the Company for its review.

The Company has formulated a policy for determining material subsidiaries and it is available on the Company's website www.drreddys.com/investors/popups/policy-determining-material-subsiaries.

html. None of the Indian subsidiaries of the Company comes under the purview of the term 'material non-listed Indian subsidiary' as defined under Clause 49 of the Listing Agreement.

DISCLOSURE ON ACCOUNTING TREATMENT

In the preparation of financial statements for FY2015, there is no treatment of any transaction different from that prescribed in the Accounting Standards notified by the Government of India under the Companies (Accounts) Rules, 2014, prescribed under Section 133 of the Companies Act, 2013; guidelines issued by the Securities and Exchange Board of India; and other accounting principles generally accepted in India.

COMMITTEES OF THE BOARD

The Board Committees focus on specific areas and make informed decisions within the authority delegated. Each Committee is guided by its Charter, which defines the composition, scope and powers. The Committees also make specific recommendations to the Board on various matters whenever required. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval.

Dr. Reddy's has eight Board-level Committees, namely:

- Audit Committee
- Nomination, Governance and Compensation Committee
- Science, Technology and Operations Committee
- Risk Management Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Investment Committee
- Management Committee

AUDIT COMMITTEE

The management is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits.

The Board of Directors has entrusted the Audit Committee with the responsibility to supervise these

processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The primary responsibilities of the Audit Committee are to:

- Supervise the financial reporting process
- Review the quarterly and annual financial results before placing them to the Board along with related disclosures and filing requirements
- Review the adequacy of internal controls in the Company, including the plan, scope and performance of the internal audit function
- Discuss with management, the Company's major policies with respect to risk assessment and risk management
- Hold discussions with statutory auditors on the nature, scope and process of audits and any views that they have about the financial control and reporting processes
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements
- Recommend the appointment and removal of external auditors and their remuneration
- Recommend the appointment of cost auditors
- Review the independence of auditors
- Ensure that adequate safeguards have been taken for legal compliance for both the Company and its other Indian as well as foreign subsidiaries
- Review the financial statements, in particular, investments made by all the subsidiary companies
- Review and approval of related party transactions
- Review the functioning of whistle blower mechanism
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002
- Scrutiny of inter-corporate loans and investments
- Valuation of undertakings or assets of the Company, wherever it is necessary
- Evaluation of internal financial controls
- Review the suspected fraud as committed against the Company

The Audit Committee entirely comprises of Independent Directors. All members are financially literate and bring in expertise in the fields

of finance, economics, human resource development, strategy and management. Presently the Committee comprises Mr. Sridar Iyengar (Chairman), Mr. Ravi Bhoothalingam, Ms. Kalpana Morparia and Dr. Omkar Goswami.

The Audit Committee met five times during the year: on 2 April 2014, 12 May 2014, 30 July 2014, 28 October 2014, and 28 January 2015. It also met the key members of finance team and internal audit team along with the Chairman and the CFO to discuss matters relating to audit, assurance and accounting.

During the year, the Committee also met statutory auditors without the presence of the management. In addition, the Chairman of the Audit Committee and other members met to review other processes, particularly the internal control mechanisms to prepare for certification under Section 404 of the Sarbanes-Oxley Act, 2002, and subsidiary governance oversight.

The Company is in compliance with the provisions of the Clause 49 of the Listing Agreement, as amended, on the time gap between any two Audit Committee meetings. **Table 5** gives the composition and attendance record of the Audit Committee.

The Chairman, the CFO and the Chief Internal Auditor are permanent invitees to all the Audit Committee meetings. The statutory auditors of the Company are also present in the Audit Committee meetings during the year. The Company Secretary officiates as the Secretary of the Committee.

Audit Committee meetings are generally preceded by pre-Audit Committee conference calls with the Committee members, the CFO, the internal audit and compliance teams, the external auditors and other key finance personnel from the Company. These calls discuss major audit related matters and identify items that need further face-to-face discussion at the Audit Committee meetings.

The internal and statutory auditors of the Company discuss their audit findings and submit their views directly to the Committee. Separate discussions are held with the internal auditors to focus on compliance issues and to conduct

detailed reviews of the processes and internal controls in the Company. The permissible non-audit related services undertaken by the statutory auditors are also pre-approved by the Committee.

The report of the Audit Committee is enclosed as **Exhibit 2** to this chapter.

NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

The Nomination, Governance and Compensation Committee entirely comprises of Independent Directors. The primary functions of the Committee are to:

- Examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board's effectiveness
- Formulate policies on remuneration of Directors, KMPs and other employees and on Board diversity
- Formulate criteria for evaluation of Independent Directors and the Board
- Assess the Company's policies and processes in key areas of corporate governance, other than those explicitly assigned to other Board Committees, with a view to ensure that the Company is at the forefront of good governance practices
- Regularly examine ways to strengthen the Company's organizational health, by improving the hiring, retention, motivation, development, deployment and behavior of management and other employees. In this context, the Committee also reviews the framework and processes for motivating and rewarding performance at all levels of the organization, reviews the resulting compensation awards, and makes appropriate proposals for Board approval. In particular, it recommends all forms of compensation to be granted to the Executive Directors, KMPs and senior management of the Company

The head of Human Resources (HR) makes periodic presentations to the Committee on organization structure, talent management, leadership, performance appraisals, increments, performance bonus recommendations and other HR matters.

The Nomination, Governance and Compensation Committee met three times during the year: on 12 May 2014, 28 October 2014 and 28 January 2015.

The Co-Chairman, Managing Director and CEO is a permanent invitee to all Nomination, Governance and Compensation Committee meetings. The head of HR is the Secretary of the Committee.

Table 6 gives the composition and attendance record of the Nomination, Governance and Compensation Committee. The report of this Committee is enclosed as **Exhibit 3** to this chapter.

SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

The Science, Technology and Operations Committee of the Board entirely comprises of Independent Directors. Its primary functions are to:

- Advise the Board and management on scientific, medical and technical matters and operations involving the Company’s development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other outside research organizations
- Assist the Board and management to stay abreast of novel scientific and technological developments and innovations and anticipate emerging concepts and trends in therapeutic research and development, and be assured that the Company makes well-informed choices in committing its resources

- Assist the Board and the management in creation of valuable Intellectual Property (IP)
- Review the status of non-infringement patent challenges
- Assist the Board and the management in building and nurturing science in the organization in line with the Company’s business strategy

The Co-Chairman, Managing Director and CEO is a permanent invitee to all Science, Technology and Operations Committee meetings. Officials heading IPDO, Proprietary Products and Biologics are secretaries of the Committee with regard to their respective business.

The Committee met four times during the year: on 12 May 2014, 30 July 2014, 28 October 2014 and 28 January 2015.

Table 7 gives the composition and attendance record of the Committee. The report of the Committee is enclosed as **Exhibit 4** to this chapter.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee of the Board entirely comprises of Independent Directors. Its primary functions are to:

- Discuss with senior management the Company’s Enterprise Risk Management (ERM) and provide oversight as may be needed
- Ensure that it is apprised of the more significant risks along with the action, management is taking and how it is ensuring effective ERM

- Review risk disclosure statements in any public documents or disclosures, where applicable

The Chairman is a permanent invitee to all Risk Management Committee meetings. The CFO acts as Secretary of the Committee. The Committee met thrice during the year: on 12 May 2014, 28 October 2014 and 28 January 2015.

Table 8 gives the composition and attendance record of the Committee. The report of the Committee is enclosed as **Exhibit 5** to this chapter.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Board of Directors in their meeting held on 13 May 2014 has changed the nomenclature of the ‘Shareholders Grievance Committee’ as the ‘Stakeholders Relationship Committee’, in terms of the provisions of Section 178 of the Companies Act, 2013 and the Clause 49 of the Listing Agreement.

The Stakeholders Relationship Committee is empowered to perform the functions of the Board relating to handling of security holders queries and grievances. It primarily focuses on:

- Investor complaints and their redressal
- Review of queries received from investors
- Review of work done by the share transfer agent
- Review of corporate actions related to security holders

The Stakeholders Relationship Committee consists of four Directors, including two Executive Directors. The Chairperson of the Committee is an Independent Director. The Committee met four times during the year: on 12 May 2014, 30 July 2014, 28 October 2014 and 28 January 2015. The report of the Committee is enclosed as **Exhibit 6** to this chapter.

Table 9 gives the composition and attendance record of the Committee.

The Company Secretary officiates as the Secretary of the Committee and is also designated as Compliance Officer in terms of the Listing Agreement with the Stock Exchanges. An analysis of investor queries and complaints received during the year and disposed is given in this annual report in the chapter on Additional Shareholders’ Information.

TABLE 5 AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2015				
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED	
Mr. Sridar Iyengar	Chairman	5	5	
Mr. Ravi Bhoothalingam	Member	5	5	
Ms. Kalpana Morparia	Member	5	5	
Dr. Omkar Goswami	Member	5	4 ⁽¹⁾	

⁽¹⁾ Was given leave of absence on request.

TABLE 6 NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2015				
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED	
Dr. Ashok S Ganguly*	Chairman	3	2 ⁽¹⁾	
Mr. Anupam Puri**	Member	3	2 ⁽¹⁾⁽²⁾	
Mr. Ravi Bhoothalingam	Member	3	3	
Ms. Kalpana Morparia	Member	3	3	

⁽¹⁾ Was given leave of absence on request.

⁽²⁾ Attended through tele-conference.

* Dr. Ashok S Ganguly was appointed as Chairman effective 1 August 2014.

** Mr. Anupam Puri was Chairman up to 31 July 2014.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Committee consists of three Directors, including two Executive Directors. The Chairman of the Committee is an Independent Director. The CSR Committee is empowered to perform the functions of the Board relating to handling the social initiatives.

Its primary functions are to:

- Formulate, review and recommend to the Board, a CSR policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy
- Provide guidance on various CSR initiatives undertaken by the Company and monitoring their progress
- Monitor implementation and adherence to the CSR Policy of the Company from time to time

The CSR Committee formulated and recommended the CSR policy to the Board, during the year. The Committee met four times during the year: on 2 April 2014, 31 July 2014, 9 December 2014 and 28 January 2015. The report of the Committee is enclosed as **Exhibit 7** to this chapter.

Table 10 gives the composition and attendance record of the Committee.

TABLE 7 SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2015			
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED
Dr. Bruce L A Carter*	Chairman	4	4
Dr. Ashok S Ganguly**	Member	4	3 ⁽¹⁾
Mr. Anupam Puri	Member	4	3 ⁽¹⁾⁽²⁾
Dr. J P Moreau	Member	4	4

⁽¹⁾ Was given leave of absence on request.

⁽²⁾ Attended through tele-conference.

* Dr. Bruce L A Carter was appointed as Chairman effective 1 August 2014.

** Dr. Ashok S Ganguly was Chairman up to 31 July 2014.

TABLE 8 RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2015			
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED
Dr. Omkar Goswami*	Chairman	3	3
Dr. Bruce L A Carter**	Member	3	3
Dr. J P Moreau	Member	3	3
Mr. Sridar Iyengar	Member	3	3

* Dr. Omkar Goswami was appointed as Chairman, effective 1 August 2014.

** Dr. Bruce L A Carter was Chairman up to 31 July 2014.

The Head of Sustainability officiates as the Secretary of the Committee.

INVESTMENT COMMITTEE

The Investment Committee reviews the Company's capital investment proposals and ongoing projects. It approves loans to subsidiaries or other entities/persons up to an overall limit of ₹ 250 million; and borrowings from any person up to an overall limit of ₹ 250 million. It comprises of three Directors, including two Executive Directors. The Company Secretary officiates as the Secretary of the Committee.

The Committee met four times during the year: on 2 April 2014, 30 July 2014, 9 December 2014, 29 January 2015. All the members of the Committee participated in all the meetings.

MANAGEMENT COMMITTEE

The role of Management Committee is to authorize Directors and officers of the Company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government/non-government authorities. The Committee consists of three Directors including one Independent Director, with the Chairman being an Executive Director. The Committee met four times during the year: on 13 May 2014, 30 July 2014, 28

October 2014 and 29 January 2015. The Company Secretary officiates as the Secretary of the Committee.

MANAGEMENT

The management of Dr. Reddy's develops and implements policies, procedures and practices that attempt to translate the Company's core purpose and mission into reality. It also identifies, measures, monitors and minimizes risk factors in the business and ensures safe, sound and efficient operation. These are internally supervised and monitored through the Management Council.

MANAGEMENT COUNCIL

Dr. Reddy's Management Council consists of senior management members from the business and corporate functions. Page nos. 24-25 of this annual report gives details of the members of the Management Council.

The Council meets once in a quarter for two-days sessions. Background notes for the meetings are circulated in advance to facilitate decision-making. Listed below are some of the key issues that were considered by the Management Council during the year under review:

- Company's long term strategy, growth initiatives and priorities
- Overall Company performance, including those of various business units
- Decision on major corporate policies
- Discussion and sign-off on annual plans, budgets, investments and other major initiatives
- Discussion on business alliances, proposals and organizational design

MANAGEMENT DISCUSSION AND ANALYSIS

This chapter of the annual report constitutes the Company's *Management Discussion and Analysis*.

MANAGEMENT DISCLOSURES

Senior management of the Company (Senior Director level and above, as well as certain identified key employees) make annual disclosures to the Board relating to all material financial and commercial transactions in which they may have personal interest, if any, and which may have a potential conflict with

the interest of the Company. Transactions with key managerial personnel are listed in the financial section of this annual report under Related Party Transactions.

PROHIBITION OF INSIDER TRADING

The Company has a policy prohibiting Insider Trading in conformity with applicable regulations of the SEBI in India and the Securities and Exchange Commission (SEC) of the USA. Necessary procedures have been laid down for Directors, officers and employees for trading in the securities of the Company. The policy and procedures are periodically communicated to the employees who are considered as insiders of the Company. Trading window closure/blackouts/quiet periods, when the Directors and employees are not permitted to trade in the securities of the Company, are intimated to all Directors and employees, in advance, whenever required.

INTERNAL CONTROL SYSTEMS

Dr. Reddy's has both external and internal audit systems in place. Auditors have access to all records and information of the Company. The Board recognizes the work of the auditors as an independent check on the information received from the management on the operations and performance of the Company. The Board and the management periodically review the findings and

recommendations of the statutory and internal auditors and takes corrective actions whenever necessary.

INTERNAL CONTROLS

The Company maintains a system of internal controls designed to provide reasonable assurance regarding:

- Effectiveness and efficiency of operations
- Adequacy of safeguards for assets
- Reliability of financial controls
- Compliance with applicable laws and regulations

The integrity and reliability of the internal control systems are achieved through clear policies and procedures, process automation, careful selection, training and development of employees and an organization structure that segregates responsibilities. Internal Audit at Dr. Reddy's is an independent and objective assurance function, responsible for evaluating and improving the effectiveness of risk management, control and governance processes. The internal audit department prepares annual audit plans based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Areas requiring specialized knowledge are reviewed in partnership with external experts. Suggested improvements in processes are identified during reviews, and communicated to the management on an on-going basis.

The Audit Committee of the Board monitors the performance of internal

audit department on a periodic basis through review of audit plans, audit findings and speed of issue resolution through follow-ups. Each year, there are at least four meetings in which the Audit Committee reviews internal audit findings, in addition to special meetings and teleconference calls.

CEO AND CFO CERTIFICATION

A certificate of the Co-Chairman, Managing Director and Chief Executive Officer as well as the Chief Financial Officer of the Company on financial statements and applicable internal controls as stipulated under Clause 49 of the Listing Agreement is enclosed as **Exhibit 8** to this chapter.

STATUTORY AND IFRS AUDITS

For FY2015, B S R & Co. LLP, Chartered Accountants, audited the financial statements prepared under the Indian GAAP. The Company had appointed KPMG as independent auditors for issuing opinion on the financial statements prepared under IFRS.

The independent statutory and IFRS auditors render an opinion regarding the fair presentation in the financial statements of the Company's financial condition and operating results. Their audits are made in accordance with generally accepted auditing standards and include a review of the internal controls, to the extent necessary, to determine the audit procedures required to support their opinion.

While auditing the operations of the Company, the external auditors recorded their observations and findings with the management. These were then discussed by the management and the auditors at the Audit Committee meetings as well as through conference calls with members of the Audit Committee. Remedial measures suggested by the auditors and the Audit Committee have been either implemented or taken up for implementation by the management.

AUDITORS' FEES

During FY2015, the Company paid ₹ 10.46 million to B S R & Co. LLP, Chartered Accountants, the statutory auditors as audit fees. The Company also paid ₹ 1.60 million to B S R & Co. LLP, Chartered Accountants as fees for non-audit services performed by them.

TABLE 9 STAKEHOLDERS RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2015				
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED	
Ms. Kalpana Morparia*	Chairperson	2	2	
Mr. Ravi Bhoothalingam**	Member	4	4	
Mr. G V Prasad	Member	4	4	
Mr. Satish Reddy	Member	4	4	

* Ms. Kalpana Morparia was appointed on the Committee as member and Chairperson effective 1 August 2014.

** Mr. Ravi Bhoothalingam was Chairman up to 31 July 2014.

TABLE 10 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2015				
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED	
Mr. Ravi Bhoothalingam	Chairman	4	4	
Mr. Satish Reddy	Member	4	4	
Mr. G V Prasad	Member	4	3 ⁽¹⁾	

⁽¹⁾ Was given leave of absence on request.

SHAREHOLDERS

MEANS OF COMMUNICATION

1. QUARTERLY AND ANNUAL RESULTS:

Quarterly and annual results of the Company are published in widely circulated national newspapers such as Business Standard and the local vernacular daily, Andhra Prabha. These are also disseminated internationally through Business Wire and made available on the corporate website: www.drreddys.com. The financial results are also communicated to the shareholders through their registered email addresses.

2. NEWS RELEASES, PRESENTATIONS, ETC.:

The Company has established systems and procedures to disseminate relevant information to its stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large. It also conducts earning calls with analysts and investors. An analysis of the various means of dissemination of information during the year under review is produced in **Table 11**.

3. WEBSITE:

The primary source of information regarding the operations of the Company is the corporate website: www.drreddys.com. All official news, releases and presentations made to institutional investors and analysts are posted here. It contains a separate dedicated Investors' section, where the information for shareholders are available. The webcast of the proceedings of the Annual General Meeting is also made available on the website. In addition, the Company maintains various portals such as www.customer2drl.com and www.vikreta2drl.com which have proved to be effective and widely appreciated tools for information dissemination.

4. ANNUAL REPORT:

The Company's

annual report containing, *inter alia*, the Boards' Report, Corporate Governance Report, Business Responsibility Report, Management's Discussion and Analysis (MD&A) Report, Audited Standalone and Consolidated Financial Statements, Auditors' Report and other important information is circulated to members and others so entitled. The annual report is also available on the website in a user-friendly and downloadable form.

5. CHAIRMAN'S SPEECH: Webcast of the speech is made available on the Company's website.

6. REMINDER TO INVESTORS: Reminders to encash the unclaimed dividend on shares or on account of debenture redemption/interest are sent to the relevant shareholders and debenture holders.

7. COMPLIANCES WITH STOCK EXCHANGES: The National Stock Exchange (NSE) and BSE Ltd. maintain separate online portals for electronic submission of information by listed companies. Various communications such as notices, press releases and the regular quarterly, half-yearly and annual compliances and disclosures are filed electronically on these online portals. In addition, such disclosures and communications are also sent to the NYSE.

8. DESIGNATED EXCLUSIVE EMAIL-ID: In terms of Clause 47(f) of the Listing Agreement, Dr. Reddy's has designated an email exclusively for investor service: shares@drreddys.com.

9. REGISTER TO RECEIVE ELECTRONIC COMMUNICATIONS: The Company has provided an option to the shareholders to register their email online through the Company's website to receive electronic communications. Shareholders who wish to receive

electronic communications from Dr. Reddy's may register at www.drreddys.com/investors/shareholder-information.html.

ADDITIONAL INFORMATION IN TERMS OF CLAUSE 49-VIII-E OF THE LISTING AGREEMENT, ON DIRECTOR SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

MR. G V PRASAD

Mr. G V Prasad (aged 55 years) leads the core team at Dr. Reddy's that has contributed significantly to its transformation from a mid-sized domestic operation into a worldwide pharmaceutical conglomerate. He is the architect of Dr. Reddy's successful Global Generics and Active Pharmaceutical Ingredient (API) strategies, as well as our foray into Biosimilars and Differentiated Formulations.

Mr. Prasad joined our Board in 1986 and became Vice-Chairman & CEO in 2001, when Cheminor Drugs Ltd., the company of which he was then Managing Director, merged with Dr. Reddy's. Following the demise of Dr. K Anji Reddy, he was appointed as Chairman and CEO effective 30 March 2013 and has been subsequently re-designated as the Co-Chairman, Managing Director and CEO of the Company effective 13 May 2014.

He has a Bachelor degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the United States of America, and an M.S. in Industrial Administration from Purdue University, Indiana in the United States of America.

He is also a Director on the Boards of: Green Park Hotels and Resorts Limited, Stamlo Hotels Limited, Dr. Reddy's Holdings Limited, Molecular Connections Private Limited, Vijaya Productions Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Research Foundation, Dr. Reddy's Institute of Life Sciences, Indian School of Business and our wholly owned subsidiaries, Aurigene Discovery Technologies Limited and Idea2Enterprises (India) Private Limited.

In addition to the Committees of the Board of Dr. Reddy's he also holds membership of two committees i.e.

TABLE 11 DETAILS OF COMMUNICATION MADE DURING FY2015	
MEANS OF COMMUNICATION	FREQUENCY
Press releases statements	14
Earnings calls	4
Publication of results	4

Nomination & Remuneration Committee and Corporate Social Responsibility Committee of Aurigene Discovery Technologies Limited.

Mr. G V Prasad holds 1,365,840 equity shares in the Company.

Except Mr. G V Prasad and Mr. Satish Reddy, none of the other Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Prasad's re-appointment (retiring by rotation) at the ensuing Annual General Meeting.

COMPLIANCE REPORT ON THE NYSE CORPORATE GOVERNANCE GUIDELINES

Pursuant to Section 303A.11 of the NYSE Listed Company Manual, Dr. Reddy's which is a foreign private issuer as defined by SEC, must make its US investors aware of the significant ways in which the corporate governance practices differ from those required of domestic companies under NYSE listing standards. A detailed analysis of this is posted on the Company's website www.drreddys.com.

COMPLIANCE REPORT ON NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49

- 1. THE BOARD:** The Chairman of Dr. Reddy's is an Executive Director and maintains the Chairman's office at the Company's expenses.
- 2. SHAREHOLDERS RIGHTS:** The Company did not send half-yearly results to each household of the shareholders in FY2015. However, in addition to displaying its quarterly and half-yearly results on its website www.drreddys.com and publishing in widely circulated newspapers, the quarterly financial results are sent to the registered e-mail addresses of the shareholders.
- 3. AUDIT QUALIFICATIONS:** The auditors have not qualified the financial statements of the Company.
- 4. SEPARATE POST OF CHAIRMAN AND CEO:** Dr. Reddy's is having separate post of Chairman and CEO,

Mr. Satish Reddy is the Chairman of the Company and Mr. G V Prasad is the Co-Chairman, Managing Director and CEO of the Company.

- 5. REPORTING OF INTERNAL AUDIT:** The Chief Internal Auditor regularly updates the Audit Committee on internal audit findings at the Audit Committee meetings.

ADDITIONAL SHAREHOLDERS' INFORMATION

The chapter on *Additional Shareholders' Information* forms a part of this annual report.

ANNEXURE A REMUNERATION POLICY

I. CONTEXT

The purpose of this Policy is to set over principles, parameters and Governance framework of the remuneration for Directors, KMPs, Senior Management Personnel and employees. This policy will assist the Board to fulfill its responsibility towards attracting, retaining and motivating the Directors, KMPs, Senior Management Personnel and employees through competitive and reasonable remuneration in line with the corporate and individual performance. This document outlines following policies/guidelines:

- A. Performance Evaluation of Directors
- B. Remuneration principles
- C. Board Diversity

II. DEFINITIONS

"Board" means Board of Directors of the Company.

"Committee" means Nomination, Governance and Compensation Committee of the Company as constituted or reconstituted by the Board, from time to time.

"Company" means Dr. Reddy's Laboratories Limited.

"Director" means Directors of the Company.

"Employee" means any person, including officers who are in the permanent employment of the Company.

"Independent Director" As provided under Clause 49 of the Listing Agreement and/or under the Companies Act, 2013, 'Independent Director'

shall mean a Non-Executive Director, other than a Nominee Director of the Company:

- a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoter of the Company or its holding, subsidiary or associate company; (ii) who is not related to promoters or directors in the Company, its holding, subsidiary or associate company;
- c) apart from receiving Director's remuneration, has or had no pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives –
 - i. holds or has held the position of a key managerial personnel or is or has been employee of the Company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of a firm of auditors or company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or

- had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - iii. holds together with his relatives two per cent or more of the total voting power of the Company; or
 - iv. is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives twenty five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the Company;
 - v. is a material supplier, service provider or customer or a lessor or lessee of the Company;
- f) who is not less than 21 years of age.

"Key Managerial Personnel" is as defined under the Companies Act, 2013 and means-

- a) the Chief Executive Officer or the Managing Director or the Manager [having ultimate controls over affairs of the Company];
- b) the Company Secretary;
- c) the Whole-Time Director;
- d) the Chief Financial Officer; and
- e) such other officer as may be prescribed under the applicable statutory provisions/regulations from time to time.

"Senior Management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

III. APPLICABILITY

This policy is applicable to the following:

- Directors (Executive and Non-Executive)

- Key Managerial Personnel (KMPs)
- Senior Management Personnel
- Other Employees

IV. EVALUATION OF DIRECTORS

For the purpose of determining remuneration (based on profitability of the Company), the evaluation criteria of the Executive and Non-Executive Directors are as outlined below:

1) Executive Directors:

- a) Financial metrics covering growth in Return on Capital Employed (RoCE) and Profitability.
- b) Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the Company.

2) Non-Executive Directors:

- a) Level of engagement, independence of judgment, etc., and their contribution in enhancing the Board's overall effectiveness.
- b) The Non-Executive Directors remuneration shall be globally benchmarked with similar organizations.
- c) Participation in the Committees (either as Chairperson or member) and the Board meetings.

V. REMUNERATION OF DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

The Committee shall recommend to the Board for their approval, any remuneration to be paid to the Executive Directors. The Committee will separately review and approve the remuneration to be paid to KMPs and Senior Management Personnel.

The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient required to attract, retain and motivate Directors, KMPs and Senior Management in order to run the Company successfully. There shall be a clear linkage of remuneration to performance and health targets. The remuneration shall be a mix of fixed and variable pay/long-term pay reflecting short and long-term performance objectives appropriate to the working of

the company and its strategic goals.

The key principles for each of the positions are outlined below:

- 1) Executive Directors - The Executive Directors shall be paid remuneration by way of monthly compensation and profit based commission. The total remuneration to be paid to the Executive Directors shall be within the limits prescribed under the provisions of the Companies Act, 2013 and rules made thereunder.
- 2) Non-Executive Directors - The Non-Executive Directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of Board or Committee thereof. In addition, the Non-Executive Independent Directors shall also be eligible to receive profit related commission, as may be approved by the shareholders of the Company. They shall not be entitled to any stock options.

The Chairman of the Company shall propose remuneration to be paid to Non-Executive Directors. The proposal for the remuneration shall be benchmarked with global pharmaceutical companies and the contribution made and time dedicated by each Director.

- 3) KMPs and Senior Management Personnel - Dr. Reddy's recognizes that those chosen to lead the organization are vital to its ongoing success and growth. Thus, these executives should be offered competitive and reasonable compensation so that Dr. Reddy's can attract, retain and encourage critical talent to meet important organizational goals and strategies. The compensation will be the mix of fixed pay, variable pay, performance based incentive plans or stock options. The executive total compensation program will be flexible to differentiate pay to recognize an individual incumbents' critical skills, contributions, and future potential to impact the organization's success.
- 4) Other employees - The compensation program for employees is designed to help

drive performance culture and align employees for the creation of sustainable value through behaviors like execution excellence, innovation and leadership. In line with the organization principles of managing the long term and meritocracy, there are four principles of pay which have been enumerated – ability to pay, position-linked pay, person-specific pay and performance-linked pay. The Company may periodically review the compensation and benefits at all levels to ensure that the company remains competitive and is able to attract and retain desirable talent. The Committee may review the overall compensation approach for employees and on any changes done for the entire organization.

VI. BOARD DIVERSITY

Building a diverse and inclusive workplace is an integral part of Dr. Reddy's culture. These principles are also applied to the composition of our Board.

The Board of Directors shall have the optimum combination of Directors from different areas/fields of expertise and experience like Operations, Management, Quality Assurance, Finance, Sales and Marketing, Supply Chain, Research and Development, Human Resources etc., or as may be considered appropriate. The Board shall have at least one member who has accounting or related financial management expertise and at least three members who are financially literate.

At least one member of the Board should be a woman.

VII. CONFIDENTIALITY

The members of the Committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions. They shall also ensure that any employees appointed to support them likewise comply with this rule.

VIII. REVIEW

This policy will be reviewed at appropriate time, as decided by the Committee. The utility and interpretation of this policy will be at the sole discretion of the Committee.

EXHIBIT 1 DECLARATION OF THE CHIEF EXECUTIVE OFFICER ON COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

Dr. Reddy's Laboratories Limited has adopted a Code of Business Conduct and Ethics ('the Code') which applies to all employees and Directors of the Company, its subsidiaries and affiliates. Under the Code, it is the responsibility of all employees and Directors to familiarize themselves with the Code and comply with its standards.

I hereby certify that the Board members and senior management personnel of Dr. Reddy's have affirmed compliance with the Code of the Company for the financial year 2014-15.

G V Prasad

Co-Chairman, Managing Director and Chief Executive Officer

Place Hyderabad
Date 12 May 2015

EXHIBIT 2 REPORT OF THE AUDIT COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The Audit Committee of the Board of Directors consists of four Directors. Each member is an Independent Director as defined under Indian laws, Clause 49 of the Listing Agreement and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

Dr. Reddy's management has primary responsibility for the financial statements and reporting process, including the systems of internal controls. During 2014-15, the Audit Committee met five times. It discussed with the Company's internal auditors and statutory auditors the scope and plans for their respective audits. It also discussed the results of their examination, their evaluation of the Company's internal controls, and overall quality of the Company's financial reporting.

In fulfilling its oversight responsibilities, the Committee reviewed and discussed

the Company's quarterly unaudited and annual audited financial statements with the management. B S R & Co. LLP, Chartered Accountants, the Company's independent auditors for Indian GAAP, and KPMG, the Company's independent auditors for IFRS financial statements, are responsible for expressing their opinion on the conformity of the Company's audited financial statements with Generally Accepted Accounting Principles.

Relying on the review and discussions with the management and the Independent auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles and the IFRS in all material aspects.

To ensure that the accounts of the Company are properly maintained and that accounting transactions are in accordance with the prevailing laws and regulations, the Committee reviewed the internal controls put in place by the Company and in conducting such reviews, the Committee found no material discrepancy or weakness in the Company's internal control systems.

In 2005-06, the Company became the first Indian manufacturing company to comply with Section 404 of the US Sarbanes-Oxley Act (SOX), in advance of the mandatory deadline of 31 March 2007, which was applicable to foreign private issuers.

During the year, the Committee also reviewed the following:

- a) Non-audited services being provided by the Statutory Auditors and concluded that such services were not in conflict with the independence of the Statutory Auditors
- b) Structure of Internal Audit function and Chief Internal Auditor's remuneration
- c) Related party transaction, as applicable

The Committee ensures that the Company's Code of Business Conduct and Ethics has a mechanism such that no personnel intending to make a complaint relating to securities and financial reporting shall be denied access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors:

1. That the audited Standalone and Consolidated financial statements prepared as per Indian GAAP of Dr. Reddy's Laboratories Limited for the year ended 31 March 2015, be accepted by the Board as a true and fair statement of the financial status of the Company.
2. That the financial statements prepared as per IFRS as issued by International Accounting Standards Board for the year ended 31 March 2015, be accepted by the Board and included in the Company's annual report on Form 20-F, to be filed with the US Securities and Exchange Commission.

In addition, the Committee has also recommended the following to the Board:

- Continuation of appointment of B S R & Co. LLP, Chartered Accountants as Statutory Independent auditors under Indian GAAP for the fiscal year ending 31 March 2016;
- Re-Appointment of KPMG, India as Statutory Independent auditors for IFRS for the fiscal year ending 31 March 2016; and
- Appointment of Secretarial auditor and Cost auditor.

Sridar Iyengar

Chairman, Audit Committee

Place Hyderabad

Date 11 May 2015

EXHIBIT 3 REPORT OF THE NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The Nomination, Governance and Compensation Committee of the Board of Directors consists of four Directors. Each member is an Independent Director as defined under Indian laws, Clause 49 of the Listing Agreement and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee's primary responsibilities are to:

- Periodically examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board's effectiveness and evaluation, including formulation of criteria for such evaluation
- Formulate policies on remuneration of Directors, KMPs and other employees and on Board diversity
- Assess the Company's policies and processes in key areas of corporate governance and the impact of related significant regulatory and statutory changes, if any, with a view to the Company is at the forefront of good corporate governance
- Examine major aspects of the Company's organizational health, and recommend changes as necessary
- Review and recommend the compensation and variable pay for Executive Directors to the Board
- Establish, in consultation with the management, the compensation program for the Company, and recommend it to the Board for approval

In that context:

- Establish annual Key Result Areas (KRAs) for the Executive Directors and oversee the evaluation of their achievement
- Review, discuss and provide guidance to the management, on the KRAs for members of the Management Council, KMPs and their remuneration
- Review the Company's ESOP Schemes and oversees administration of the ESOP Schemes

As on 31 March 2015, the Company had 683,804 outstanding stock options, which amounts to 0.40% of total equity capital. These stock options are held by 806 employees of the Company and its subsidiaries under Dr. Reddy's Employees Stock Options Scheme, 2002 and Dr. Reddy's Employees ADR Stock Options Scheme, 2007. The total stock options are exercisable at par value, i.e. ₹ 5.

During the year, the Committee formulated the policy on remuneration of directors, KMPs and other employees and Board diversity.

The Committee also devoted considerable time discussing the organization health, design, gender diversity and succession planning for critical positions within the Company. It also monitors the Company's system for hiring, developing and retaining talent.

The Nomination, Governance and Compensation Committee also recommends to the Board, changes in committee structure and membership and other steps that would improve the Board's effectiveness in overseeing the Company.

Dr. Ashok S Ganguly

Chairman, Nomination, Governance and Compensation Committee

Place Hyderabad

Date 11 May 2015

EXHIBIT 4 REPORT OF THE SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The Science, Technology and Operations Committee of the Board of Directors consists of four Directors. Each member is an Independent Director as defined under Indian laws, Clause 49 of the Listing Agreement and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee primary responsibilities are to:

- Advise the Board and management on scientific, medical and technical matters and operations involving the Company's development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other outside research organizations
- Assist the Board and management to stay abreast of novel scientific and technology developments and innovations and anticipate emerging concepts and trends in therapeutic research and development, to help assure the Company makes well-informed choices in committing its resources

- Assist the Board and the management in creation of valuable Intellectual Property (IP)
- Review the status of non-infringement patent challenges
- Assist the Board and the management in building and nurturing science in the organization in tune with its business strategy

The Committee met four times during the financial year. The Science, Technology and Operations Committee appraised the Board on key discussions and recommendations made at the Committee meetings.

Dr. Bruce L A Carter

Chairman, Science, Technology and Operations Committee

Place Hyderabad
Date 11 May 2015

**EXHIBIT 5
REPORT OF THE RISK MANAGEMENT
COMMITTEE**

*To the shareholders of Dr. Reddy's
Laboratories Limited*

The Risk Management Committee of the Board of Directors consists of four Directors. Each member is an Independent Director as defined under Indian laws, Clause 49 of the Listing Agreement and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee believes that its primary responsibilities are to:

- Discuss with senior management, the Company's Enterprise Level Risks and provide oversight as may be needed
- Ensure it is apprised of the most significant risks and emerging issues, along with the action the management is taking and how it is ensuring effective Enterprise Risk Management (ERM)
- Reviewing risk disclosure statements in any public documents or disclosures

The Committee met thrice during the financial year to review the status of mitigation of the key business and financial risks, risk management initiatives, evaluate

residual risk thereof and recommend interventions from time to time.

The Risk Management Committee also appraised the Board on key discussions and recommendations made at the Committee meetings and shared information on enterprise wide risks.

Dr. Omkar Goswami

Chairman, Risk Management Committee

Place Hyderabad
Date 11 May 2015

**EXHIBIT 6
REPORT OF THE STAKEHOLDERS
RELATIONSHIP COMMITTEE**

*To the shareholders of Dr. Reddy's
Laboratories Limited*

The Stakeholders Relationship Committee of the Board of Directors consists of four Directors, out of them two members are Independent Directors as defined under Indian laws, Clause 49 of the Listing Agreement and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee believes that its primary responsibilities are to :

- Review investor complaints and their redressal
- Review of queries received from investors
- Review of work done by the share transfer agent
- Review of corporate actions related to security holders

The Committee met four times during the financial year to review the status of investor grievance. The Committee also reviewed the functioning of the Company's Investor Relations function.

The Stakeholders Relationship Committee also appraised the Board on key discussions and recommendations made at the Committee meetings.

Kalpna Morparia

Chairperson, Stakeholders Relationship Committee

Place Hyderabad
Date 11 May 2015

**EXHIBIT 7
REPORT OF THE CORPORATE SOCIAL
RESPONSIBILITY COMMITTEE**

*To the shareholders of Dr. Reddy's
Laboratories Limited*

The Corporate Social Responsibility (CSR) Committee of the Board of Directors consists of three Directors, including two Executive Directors. The Chairman of the Committee is an Independent Director as defined under Indian laws, Clause 49 of the Listing Agreement and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee believes that its primary responsibilities are to:

- Formulate, review and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy
- Provide guidance on various CSR initiatives undertaken by the Company and to monitor their progress
- Monitor implementation and adherence to the CSR Policy of the Company from time to time

During the financial year, the Committee has formulated and recommended the CSR Policy to the Board. The Committee met four times during the financial year to review and monitor the projects undertaken under the CSR policy.

The Corporate Social Responsibility Committee also appraised the Board on key discussions and recommendations made at the Committee meetings and shared information on the overall CSR initiatives undertaken by the Company.

Ravi Bhoothalingam

Chairman, Corporate Social Responsibility Committee

Place Hyderabad
Date 27 April 2015

EXHIBIT 8
CEO AND CFO CERTIFICATE TO THE
BOARD PURSUANT TO CLAUSE 49 OF
THE LISTING AGREEMENT OF THE SEBI

We, G V Prasad, Co-Chairman, Managing Director and Chief Executive Officer, and Saumen Chakraborty, President and Chief Financial Officer, to the best of our knowledge and belief, certify that:

- A. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31 March 2015 and that these statements:
- i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are no transactions entered into by the Company during the year, which are fraudulent, illegal or violate the Company's Code of Business Conduct and Ethics.
- C. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- D. We have disclosed, wherever applicable, to the auditors and the Audit Committee:
- i. that there were no deficiencies in the design or operations of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data including any corrective actions;
 - ii. that there are no material weaknesses in the internal controls over financial reporting;
 - iii. that there are no significant changes in internal control

- over financial reporting during the year;
- iv. all significant changes in the accounting policies during the year, if any, and the same have been disclosed in the notes to the financial statements; and
 - v. that there are no instances of significant fraud of which we have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

G V Prasad

Co-Chairman, Managing Director
& Chief Executive Officer

Saumen Chakraborty

President & Chief Financial Officer

Place Hyderabad
Date 12 May 2015

AUDITORS' CERTIFICATE ON
CORPORATE GOVERNANCE

*To the members of Dr. Reddy's
Laboratories Limited*

We have examined the compliance of conditions of Corporate Governance by Dr. Reddy's Laboratories Limited ("the Company"), for the year ended on 31 March 2015, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges in India and amendments thereof.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **B S R & Co. LLP**

Chartered Accountants
Firm Registration No.: 101248W/W-100022

Supreet Sachdev

Partner
Membership No.: 205385

Place Hyderabad
Date 12 May 2015