

Transforming for a Sustainable Future



Good
Health
Can't
Wait

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Co-Chairman's Message



Dear Stakeholders,

2020 will be remembered most as the year of unprecedented strain, disruption, and challenges, and the year we collectively fought the health, social, and economic crises due to the pandemic. COVID-19 highlighted the devastating impact of systemic inequalities and disparities, and taught humanity some crucial lessons. It made us deeply examine our practices, mindsets, and the urgent need to operate and grow sustainably.

Putting People First

We find science has the answer to most problems faced by humanity today. To ensure the safety of patients and their continued access to good health, Dr. Reddy's developed a comprehensive portfolio of COVID-19 medications, both preventive and curative, covering mild, moderate, severe, and critical conditions. Our colleagues worked tirelessly and helped us bring in some of the most effective COVID-19 therapeutics to patients including Favipiravir, Remdesivir, and 2-DG. We also partnered with the Russian Direct Investment Fund for the clinical trials and commercialization of the Sputnik V vaccine.

We responded quickly to the crisis with economic support, donating INR 360.8 million for community development and INR 50 million to the Andhra

Pradesh Chief Minister's Relief Fund, mobilizing essential resources including INR 50 million worth of N95 masks, and serving 2.5 million meals to communities including migrant workers, police personnel, and other front-line warriors. Our flagship Community Health Intervention programme (CHIP) continued to support the community throughout the pandemic, reaching out to 192,545 people in 155 villages.

Our teams worked with great resolve to ensure life-saving medicines reached employees and their families across India. I thank each of our 22,739 heroes at Dr. Reddy's that stood up and made a difference during the pandemic. We remain committed to helping the families of our colleagues who lost their lives due to COVID-19. Their families will continue receiving fixed salaries and medical insurance coverage for two years, and we will support the education of two children till they graduate. There is no replacement for the loss of life itself, but we hope that our bereavement support will help them cope.

Advancing Our Sustainability Agenda

As we address key global health challenges, we have always asked ourselves, where are we uniquely positioned to make positive change and impact?

As an integrated global pharmaceutical company, we have opportunities, capabilities, and resources to offer better preventive, resilient, and environmentally sustainable healthcare. Some of our focus areas are improving communities' health, helping build resilient health systems, and investing in digital healthcare solutions, resource efficient buildings and production processes. We are constantly exploring emerging resource-related risks and opportunities, focusing on local community needs, and identifying new equipment and innovative tools and technologies to create shared value for long-term resource security.

This year, we created 74% water neutrality potential, moving closer to our 2025 goal of 100% water neutrality. We recharged more than 1,300,000 kilolitres of water (the equivalent of 520 Olympic-sized swimming pools) through rainwater harvesting structures and partnering on community watershed projects with Watershed Organization Trust (WOTR). We reduced 27% in carbon emissions intensity (against the base year FY2018), and 21% of our power was through renewable sources. We are 100% plastic waste neutral in India, having met our 2023 goal two years early. 98.73% of our hazardous waste is sent as fuel to cement industries and recyclers. Over 70% of our global manufacturing sites are Zero Liquid Discharge facilities, helping stop the rise and spread of contamination (Antimicrobial Resistance) in water streams.

Leading and Collaborating for Good

We believe that multi-stakeholder partnerships with governments, international institutions, industry bodies, and academia on common ESG objectives will help advance global sustainable development. We are committed to sustainability stewardship and advancing the UN Sustainable Development Goals. We remain committed to support and align our operations and strategies to the UN Global Compact's Ten Principles on human rights, labour, environment, and anti-corruption.

As a signatory to the India CEO Forum on Climate Change, we have pledged to move towards carbon neutrality through industry-specific measures, including renewable energy projects, enhanced energy efficiency, water-efficient processes, planned afforestation, and sustainable waste management. This is our supporting move to India achieving its Nationally Determined Contributions (NDCs) under the Paris Agreement. As a strong reaffirmation of our commitment towards responsible supply chains, we became a full member of the Pharmaceutical Supply Chain Initiative (PSCI). This helps us embed their principles, sharing expertise, best practices, and our vision of better, social, environmental, and economic outcomes in the communities we buy from.

We are constantly working to develop an ethical, diverse, inclusive, and inspiring workplace; our workforce diversity efforts were featured in the global

Bloomberg Gender-Equality Index for the fourth consecutive year. We ranked 10th globally in Dow Jones Sustainability Indices (DJSI), retaining our position in the Emerging Markets Index for the fifth consecutive year. Dr. Reddy's is number 1 in pharmaceuticals as per CRISIL's ESG score rating of 225 Indian companies, and among the top 15% of the pharmaceutical industry as featured in S&P Global's The Sustainability Yearbook 2021.



Looking Ahead with Purpose

We see the coming year as a significant opportunity to integrate ESG into our organizational culture, using it to drive our daily decisions and work as we meet the needs of patients and create a net positive impact on our ecosystem. As we enter another year of uncertainty, I am convinced that we will emerge stronger from the crisis with collective action and a strong sustainability mindset.

Dr. Reddy's will keep working to lead on the ESG agenda and create greater value for our stakeholders, driving sustainability with technological progress and manufacturing excellence. Our efforts remain focused on expanding access and affordability to safe, effective, and high-quality medicines that the world can count on - **Because Good Health Can't Wait.**



Best Regards,

G.V. Prasad

Co-Chairman and Managing Director

The Year in Highlights



370Mn

Patients reached through our rural access programme in India

1.5Mn

Patient lives impacted through our COVID-19 portfolio

₹360Mn

Spent for community development and COVID-19 relief

2.5Mn

Meals served during COVID-19 (including dry monthly ration to 40,000+ families)

27%

Reduction in carbon intensity
(base year 2018)

74%

Water neutral globally

21.03%

Renewable power share

100%

Plastic waste neutral in India



The Year in Highlights



80%
Independent board directors

4th
Year in Bloomberg's
Gender-Equality Index

17.18%
Gender diversity

71
Training hours per employee

162
New filings for formulation products
(54% increase over last year)

₹16.5Bn
Invested in R&D (8.7% of revenue)

273
Products launched globally*

24%
Cost reduced per 1,000 tablets



*including the Wockhardt-acquired portfolio of 70 products

Our Business

People across the world need access to good quality and affordable healthcare - now more than ever. As an integrated global pharmaceutical company, we are constantly transforming our products, processes, and people, making innovative medicines accessible and affordable to more patients worldwide, playing a role in shaping better health for all and sustainable progress for tomorrow.

Our Purpose

We accelerate access to affordable and innovative medicines because

Good Health Can't Wait.

Good Health is always our goal and **Can't Wait** reflects our commitment to act with speed.

Our Key Business Segments

Understanding patient and partner needs, and developing products to meet those needs, is central to our purpose. Through our products and services, we cover a large part of the pharmaceutical business value chain.

This includes the development, manufacturing, and supply of both drug substance (APIs) and drug product (formulations). Our business comprises small molecules (chemistry based) and large molecules (biosimilars). We develop New Chemical Entities (NCEs), and also help innovator companies accelerate the development and scale up of new molecules.

Our primary focus is on therapies in oncology, gastroenterology, cardiovascular, anti-diabetic drugs, dermatology, pain management, nervous system, respiratory, and anti-infectives. We address key global health challenges through three business segments:

Global Generics (GG)

Pharmaceutical Services & Active Ingredients (PSAI)

Proprietary Products and Other businesses



Global Generics (GG)

Access to affordable medicines

Global Generics is our largest business segment. We offer more than 550 high-quality generic formulation drugs across multiple countries. This segment includes biosimilars, which are generic equivalents of the innovator's biologics. This year, we filed 20 new Abbreviated New Drug Applications (ANDAs) and one New Drug Application (NDA) under Section 505(b)(2) for the U.S. market. Our global filings were 162 including the US.

The Global Generics business achieved revenues of INR 154.4 billion in FY2021, an increase of 12% over last year.



Pharmaceutical Services and Active Ingredients (PSAI)

Partner of choice

Our PSAI business segment includes the Active Pharmaceuticals Ingredients (API) and the services business. We sell a range of API products to leading innovator and generic pharmaceutical companies, which are used to manufacture formulations. Our services business, which is branded as Aurigene Pharmaceutical Services, offers services to innovator companies for the discovery, development, scale up, and manufacturing of pharmaceutical products. We filed 149 Drug Master Files (DMFs) globally, of which 14 were in the United States.

PSAI recorded revenues of INR 32 billion in FY2021, an increase of 24% over last year.

Proprietary Products and Other Businesses

Fulfilling unmet patient needs

Our Proprietary Products business constituted differentiated formulations for global markets. We have out licensed most of these products to other companies. The other business comprises our wholly owned subsidiary, Aurigene Discovery Technologies Limited, a clinical-stage biotech company committed to bring novel therapeutics to treat cancer and inflammation.

Our Strategy

We are putting science, technology, and innovation into practice - For Health. For Life. We continue to strengthen our market presence and build leadership positions in each of the segments we operate in, focusing on operational excellence, continuous improvement, and patient-centric innovation. This helps us address the evolving needs of patients, physicians, and caregivers.



For more information on our strategy, please refer to Dr. Reddy's Annual Report for FY 2020-21.

Financial Performance

We had a challenging but good year with healthy growth in our markets and businesses, recording our highest revenue figures to date. Improved returns and a strong balance sheet provided us with opportunities to grow further.

Key Highlights

SUSTAINED GROWTH

₹189.7Bn Revenue (up 9% YoY)

SUCCESSFUL GROWTH

₹47.4Bn EBITDA (up 2% YoY)

EFFICIENCY

17.8% ROCE (up 5.6% YoY)

PROFITABILITY

₹26.4Bn PBT (up 46% YoY)

We improved productivity across operations, marketing, and R&D, and generated a healthy cash flow. We successfully integrated the acquired portfolios from Wockhardt and Glenmark, and continued to invest in capabilities, brands, and product pipeline to support future growth.



For more information on our financial performance, please refer to Dr. Reddy's Annual Report for FY 2020-21.

Intellectual Property

1200+ scientists at our two major research centres in Hyderabad, India, are working to solve key science and medicine challenges. This year, we engaged in the discovery of novel therapeutics in oncology and inflammation, and multiple drugs are under various stages of discovery and clinical trials.

Our API (Active Pharmaceutical Ingredient) and Formulation R&D teams adapted to new ways of working and used various digital platforms to collaborate remotely. All standalone GMP (Good Manufacturing Practice) labs were accessible from home to process data, ensuring core R&D processes could be remotely managed.



Operational Excellence

As we continue to grow, we are augmenting our capabilities in manufacturing by deploying lean six sigma methodology, digital technologies, and data analytics. Our operational excellence programme is committed to take our operations beyond global top quartile performance in every aspect of manufacturing and supply chain. 50% of our leaders have been certified in lean Six Sigma as Green Belts.

Last year, we successfully created manager model areas, showcasing the impact of TPM (Total Productive Maintenance) in driving sustained and steep improvement in productivity and quality. This year, we expanded our TPM methodology beyond select model areas, to cover almost half of our manufacturing operations. The TPM initiative also integrates our vision to create autonomous work environment where the operators would be made capable to own, operate, maintain, and manage their unit operations independently, while achieving zero failure outcomes. This year, we have also initiated the operational excellence model in quality control labs with the aim of improving Turnaround Time (TAT), error-free analysis and productivity, by around 30%.

The impact of our operational excellence efforts improved several key metrics in FY2021:

Productivity (in million pills/FTE)	+130%
Conversion Cost (in INR/1,000 pills)	-30%
Quality (in *RFT %)	+3%
Production Service Levels (in OTIF %)	+20%
Yield % (in absolute yield %)	+4%

Digital Transformation

We continued to transform, adapt, and optimize our existing processes through the year, driving deeper digital adoption through the entire R&D value chain.

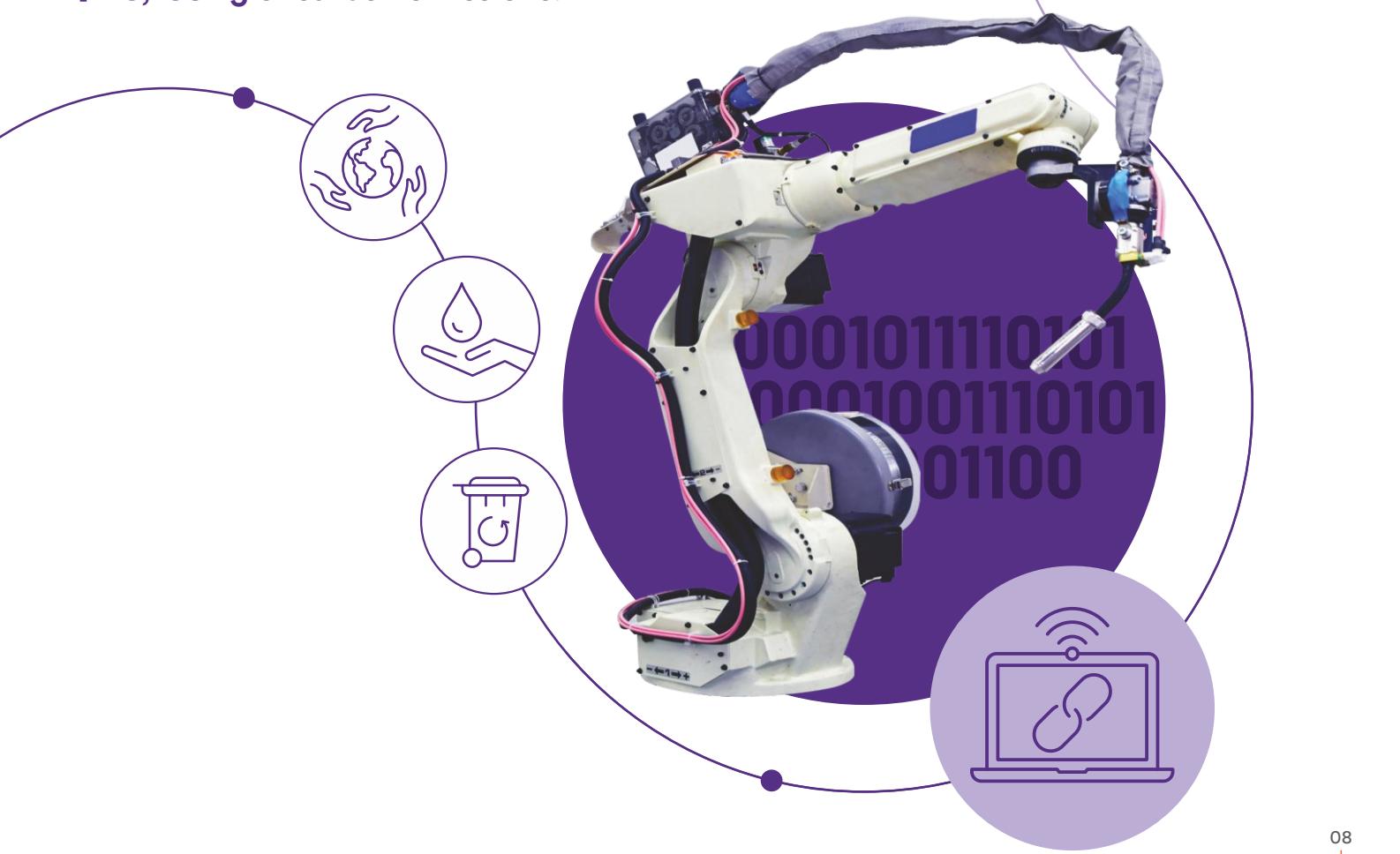
Since 2017, we have worked on enabling paperless operations on the shop floor and labs with key projects including our manufacturing execution system (MES), laboratory information management system (LIMS), quality management system (QMS), learning management system (LMS), and DocHub (online document management system), significantly improving compliance and creating process interlocks.

Since November 2020, using electronic signatures has helped us save 1,929,788 sheets of paper by protecting 232 trees, conserve 781,637 litres of water, reduce 5.164 kgs of waste, and avert 78,780 kg of carbon emissions.

Our digital initiatives and projects include data analytics to identify correlations that drive yield improvements, visibility, and orchestration to focus on a single value stream by cross functions, optimization models to improve capacity utilization, advanced analytics for machine setup and operations, sensors, and Industrial Internet of Things (IIoT) to move to condition-based maintenance.

We launched Ops NEXT, a Digital and Analytics (DnA) led programme, to help us enhance manufacturing operations, making them significantly more effective and efficient to ensure the availability of quality drugs at affordable prices.

Applying Industry 4.0 to our pharmaceutical operations, using artificial intelligence, robotic process automation, and IIoT (Industrial Internet of Things) tools and applications in our product lines is helping us better support patients and doctors and improve the overall outcome of disease management.



Stakeholder Engagement & Materiality

Effective engagement helps us connect stakeholder needs with organizational goals, creates the basis of an effective strategy development, and unlocks greater shared value for all stakeholders. We use multiple platforms to engage with a wide variety of stakeholders to understand their unique needs and concerns and chart out suitable strategies to address them.

Engaging with Our Stakeholders

Investors and Shareholders

Role and importance: Our investors and shareholders provide us with access to financial resources that support sustainable business growth. Ensuring transparent communication with them is essential to retain and strengthen our relationship of mutual trust.

Frequency of engagement: Annual, Quarterly, Need-based



Mode of engagement

- Investor and analyst meetings
- Presentations at industry forums
- Circulation of the Annual Report and Sustainability Report
- Communicating financial results to shareholders through email
- All official news releases and presentations made to institutional investors and analysts are posted on the corporate website
- Quarterly and annual results are published in widely circulated national newspapers and disseminated internationally.
- Earnings call with analysts and investors

Key topics of interest guiding our areas of action

- Economic performance
- Sustainable wealth creation
- Risk management
- Responsible investment practices
- Sustainability reporting and disclosures
- Investments in new products and processes
- Transparency and disclosure of performance

Stakeholder Engagement & Materiality

Patients, Customers and Healthcare Professionals

Role and importance: Our patients, customers, and healthcare professionals provide valuable input that helps us understand their requirements. This enables us to strengthen our product portfolio and serve them better.

Frequency of engagement: Half-yearly, and need-based

Mode of engagement

- Dr. Reddy's Foundation for Health Education (DRFHE) meets
- Dedicated programmes for doctors, healthcare professionals, and patients

Key topics of interest guiding our areas of action

- Affordable medicines
- Safety initiatives
- Access to healthcare
- Emergency medicines
- Cure for difficult diseases

Suppliers and Business Partners

Role and importance: We depend on our suppliers and business partners for critical business input. It is important for us to understand their challenges and expectations to ensure business continuity and encourage sustainable business practices.

Frequency of engagement: Half-yearly, need-based

Mode of engagement

- Face-to-face meetings
- Supplier meets
- Strategic business partner training and development
- Carrying and forwarding agent meets
- Supplier audit programmes and interviews
- Supplier awards

Key topics of interest guiding our areas of action

- Economic growth and financial stability
- Business ethics and transparency
- Status of compliance
- Training and development of partners and suppliers
- The environmental footprint of operations
- Social accountability
- Long-term sustainability targets and goals
- New initiatives and campaigns
- Incorporation of industry best practices



Stakeholder Engagement & Materiality

Employees

Role and importance: We believe that the collective efforts and passion of our employees determine our productivity and profitability. We are committed to meeting their aspirations and ensuring satisfaction and growth.

Frequency of engagement: Ongoing and need-based

Mode of engagement

- Monthly and quarterly in-house publications
- Quarterly communication by the CEO and the Co-Chairman and MD
- Annual appraisals
- Sustainability programme-focused interviews and focus groups
- Employee satisfaction surveys
- Grievance redressal mechanisms
- Series of mailers on diversity and inclusion, employee stories, and pandemic-focused action, including features on the intranet portal and SHE Hub

Key topics of interest guiding our areas of action

- Occupational health and safety
- Career planning and development
- Market-based compensation, benefits, and amenities
- Employee welfare programmes
- Collective bargaining/freedom of association
- Diversity at the workplace (gender, ethnicity, and differently-abled)
- Sustainability performance, especially EHS (environment, health, and safety)
- Code of Conduct and corporate policies

Communities and Non-Governmental Organizations

Role and importance: Connecting with local communities gives us a better understanding of their needs. It helps us contribute meaningfully to sustainable community development. Our partnerships with NGOs and other organizations facilitate our efforts towards creating shared value.

Frequency of engagement: Continuous and need-based

Mode of engagement

- Direct engagement at facility and project site
- Dedicated Corporate Social Responsibility (CSR) team-led engagement
- CSR initiatives and healthcare projects
- Visits and camps

Key topics of interest guiding our areas of action

- Infrastructure development
- Education and healthcare
- Environmental protection
- Employment opportunities and employability
- Human rights
- The ecological footprint of operations

Stakeholder Engagement & Materiality

Engaging with Policymakers

We engage with the Bureau of Energy Efficiency in consultations to extend the PAT (Perform Achieve and Trade) scheme sectors to pharmaceuticals and guidelines on HVAC (Heating, Ventilation, and Air Conditioning) to maintain temperature for thermal comfort.

We provide information and openly explain our positions at public meetings and discussions, in conversations with individual political decision-makers, and in various media briefings. We also support the Pulse of Public Health-Indian Vaccine Industry: Drivers of Growth. This initiative focuses on the biggest opportunities for Indian vaccine makers in the next 5 years, challenges facing the industry, methods to facilitate collaboration between industry, academia, and government, and key policy shifts needed to enable full potential growth.

Engaging with Industry Alliances and Trade Associations

Our chairman served as the president of the Indian Pharmaceutical Alliance (IPA), an alliance of 23 leading research-based Indian pharma companies committed to patient care worldwide. IPA acts as a catalyst in shaping policy framework to unlock the potential of the Indian pharmaceutical industry in line with national priorities, also driving its growth and strengthening its innovation ecosystem.

Our co-chairman heads the Confederation of Indian Industry (CII) National Committee on Pharmaceuticals. Additionally, he is a trustee at the Wildlife Trust of India (WTI), and an advisory board member of the Andhra Pradesh and Telangana Chapter of the WWF-India (World Wide Fund for Nature India.)

We also support the Asia Business Council which is working towards the continued economic growth and competitiveness of Asia as a region, fostering dialogue and understanding among Asian and international business leaders.

Materiality

We consider materiality the first step to defining our ESG strategy and continue to follow a materiality-based approach to determining our strategic focus areas for the business. Our three most material issues today are climate and environment-related - energy and emissions management, water management, and waste management.

Materiality Assessment

In 2020, after a decade-long journey, we re-engaged our key stakeholders and reassessed our materiality to identify key issues for long-term value creation.

Our choice of material issues was guided by the Global Reporting Initiatives (GRI) suggested material topics as per sector relevance, and Sustainability Accounting Standards Board Materiality (SASB).

We engaged in a comprehensive materiality assessment with 100+ internal and external stakeholders to understand their expectations, prioritize our actions and inform our future strategy.

Our Materiality Matrix

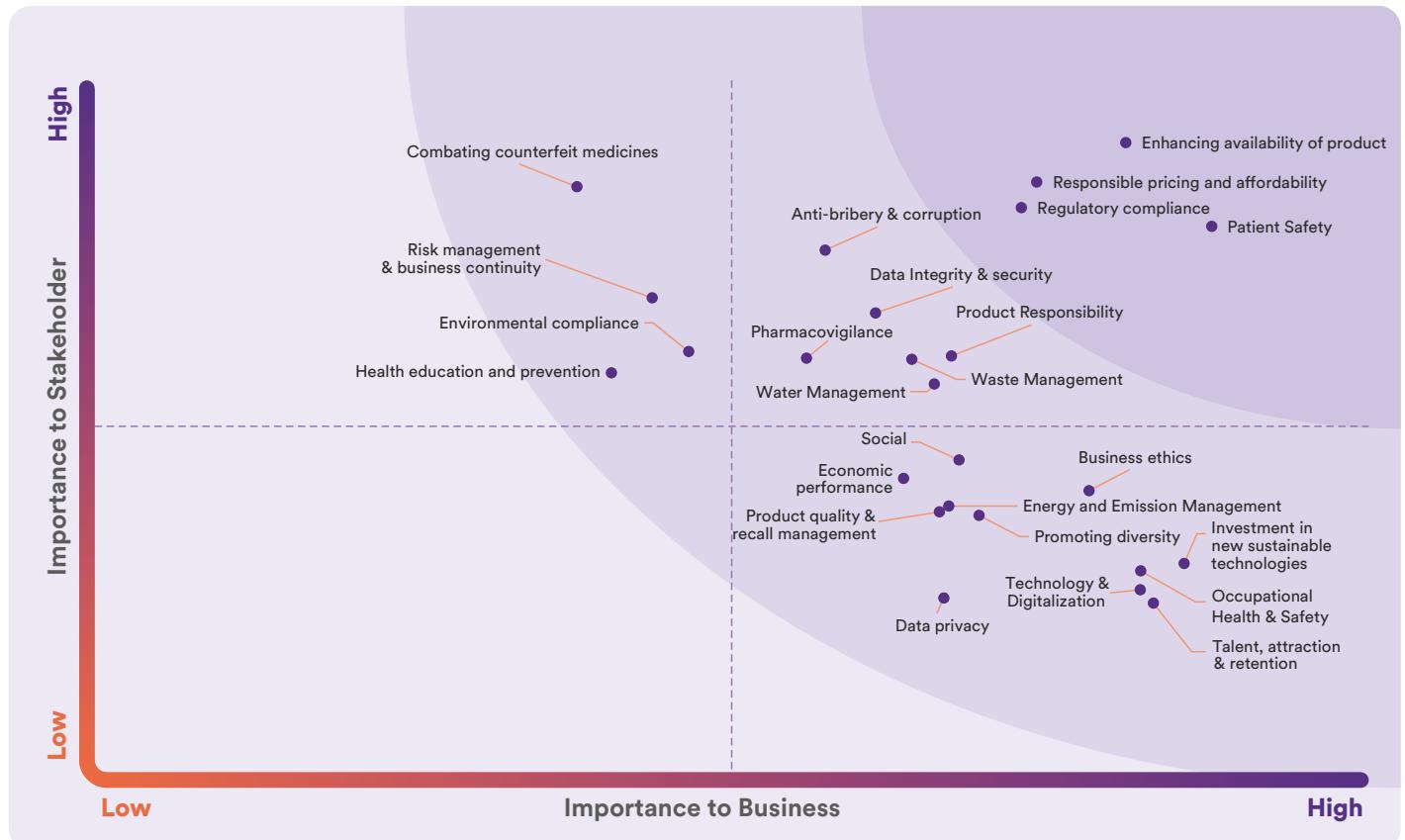
Our internal and external stakeholders identified several key areas as important to them, including product availability, responsible pricing and affordability, high-quality medicines, patient safety, anti-bribery, and corruption – indicating future focus areas for us.

These findings, along with additional research and discussions, are guiding our ESG reviews with the Board and shaping key processes, including input to our Enterprise Risk Management process.



Stakeholder Engagement & Materiality

Our Materiality Matrix



Our Sustainability Framework and Future Action

Looking at issues of maximum importance to our stakeholders and the business, we are in the process of identifying material issues and building our strategic sustainability framework.

We will be developing ambitious goals and management targets for each focus area, with multiple milestones, incorporating governance systems and processes, monitoring and disclosing our performance for each goal, and ensuring independent third-party assurance.



We are determined to play our part in upholding the larger global perspective, and will align ourselves with the UN SDGs, mapping them with our top material issues, allocating internal resources, taking relevant actions, and building technical capabilities.

We are also working on greater integration of ESG into our business and building stronger stakeholder relationships by intensifying dialogue and communicating our vision and progress around material issues.

Environment

At Dr. Reddy's, we are committed to taking meaningful action for a sustainable future. With our long-standing commitment to protecting the environment, we are working on solutions that help minimize the impact of our operations, driving improvements in multiple areas at various stages of the product life cycle.

Our environmental goals are focused on optimizing energy, making responsible use of our natural resources, and reducing waste to help shape sustainable progress. We will also maximize the usage of renewable energy while reducing rapidly the use of fossil fuels. We believe collaboration is an important step to environmental stewardship, and we are working closely with our value chain partners to assess and help reduce their environmental impact.



WATER

74%

Water Neutrality



WASTE

98.73%

Neutrality in Hazardous Waste



ENERGY

21.03%

Renewable Power Share



BIODIVERSITY

13,532

Total Trees Planted
(of which 12,000 planted under Miyawaki method)

Environment

Environmental Stewardship

Besides resource conservation, we are working on renewable energy projects, green chemistry, solvent recovery, air-to-sea shipment conversion, waste reduction at source, and energy audits. This year, we revised our Safety, Health, and Environmental (SHE) policy and principles to cover our subsidiaries, joint ventures, licensees, and suppliers. The company has both internal and external commitments to address climate change and global warming.

Our Goals

In FY2021, we formed climate-change-focused sustainability goals for the short, medium, and long term, defining them based on our sustainability priorities and aligned to international frameworks such as the UN Sustainable Development Goals (SDGs) and the Science-Based Target initiative (SBTi).

FY 2023



Waste Management

100% waste neutrality,
including plastic (in India)

FY 2025



Energy and Emissions Management

50% share of renewable energy
(power-to-power)

Water Management

100% water
neutrality



FY 2030



Waste Management

100% waste neutrality,
including plastic (globally)

Energy and Emissions Management

55% reduction in carbon emissions
(base year FY2018)

To structure our efforts towards achieving our targets, we adopted the SBTi, set up our Internal Carbon Pricing (ICP) and Internal Water Pricing (IWP), and assessed our climate-related risk exposures based on the Task Force on Climate-related Financial Disclosures (TCFD) guidelines.

Environment



Managing our Energy and Emissions

As per S&P Global, the healthcare sector overall contributes 4.4% of global emissions. As one of the fastest-growing industries in the world (in part due to the COVID-19 pandemic), that footprint is forecast to triple by 2050 if left unchecked.

Reducing our Energy Consumption

We implemented 161 energy conservation projects in FY2021, including onsite renewable energy installations that led to an emissions reduction of 23,033 tCO₂e (the equivalent of powering 3,800 U.S. homes for one year) and saved INR 154 million in costs.

Our projects involved optimizing steam network performance to increase overall plant operational efficiency, improving compressed air operational efficiency to lower emissions, and integration and optimization of HVAC systems for increased efficiency. Our DREAMS (Dr. Reddy's Energy Assessment and Management Systems) programme is designed specifically to improve energy efficiency across geographies.

Our formulations manufacturing plant FTO SEZ at Vizag, Andhra Pradesh (already **rated gold by IGBC's Green Factory Building**), won the gold award in pharma at SEEM National Energy Management Awards 2020 this year.

Increasing our use of Renewable Power

In FY2021, 21% of our total power consumed was generated through solar energy. Our solar energy generation was 352,338 kWp, helping us avoid 299.487 tCO₂e of carbon emissions. Solar energy consumption for FY2020-21 was more than 77 million kWh, up from 65.96 million kWh in FY2019-20. This renewable energy adoption has avoided carbon emissions of 54,309 tonnes of CO₂-e in FY2020-21.

21.03%

Renewable Power Share in FY2021

Our Mirfield manufacturing facility in the UK became the first plant to be 100% powered through renewable energy sources.

Making Fuel Changes

Our most recent analysis included considering the effect of the phase-out of high-carbon fuels in a few of our operations. We have now moved towards briquette-based boilers rather than fuel oil-based boilers to reduce emissions at select manufacturing locations. In FY2021, we generated 92.54 TJ of energy using biomass/rice husk briquettes, eliminating 11,478 tCO₂e of GHG emissions.

Overall, we reduced 88,820 tCO₂e of carbon emissions through our decarbonization efforts, including energy conservation projects, solar power generation, and switching to biofuel.

Our Water Neutrality Strategy

In January 2020, the World Economic Forum announced the water crisis is one of the top 5 global risks in terms of impact on society. The potential risks to water and sanitation services posed by climate change include damage to infrastructure, leading to the loss of services, and deterioration in water quality – impacts that all increase risks to health.

Environment

Every year, we respond to the CDP Water Security disclosure as a step towards greater transparency and accountability and benchmark our efforts, performance, and progress against our water goals. Our CDP water security score for 2020 is A-.

Our water strategy focuses on six key areas:

		
Monitoring and Risk Assessment	Water Efficiency Initiatives	Water Source Security
		
Rainwater Harvesting and Recharge	Wastewater Management	Capacity-Building for Water Efficiency

Monitoring and Risk Assessment

Due to the pandemic and the nationwide lockdowns, our dependence on third-party water supply reduced, although it increased for municipal water supply and groundwater. Overall, water withdrawal was marginally higher as production remained a high priority throughout the year. We reduced the water intensity of our operations by 5% this year.

In FY2020, we carried out detailed water risk and evaluation studies at all watersheds of Dr. Reddy's to determine alternate rich water resources using appropriate hydrogeological studies and thorough scientific assessment and tools such as WATSCAN (a water risk evaluation tool), and Ecolab's Water Risk Monetizer tool (based on WRI's Aqueduct risk indicator tool). WATSCAN helped us identify high/low water generation, water accumulation, and water loss pockets in the watersheds. This year the study has been completed for all the watersheds where we have operations, providing valuable insights into where we should focus our water conservation efforts.



Water Efficiency Initiatives

We installed equipment and design processes that help increase the efficiency of water usage in our operations. We have developed a detailed water process map to monitor the consumption of reused and recycled water for improved water availability and reduced dependence on freshwater and groundwater. We have collaborated with the Confederation of Indian Industries (CII) Water Triveni Institute on water, with a Memorandum of Understanding (MoU) to implement sustainable water management initiatives, both in India and worldwide.

As part of our water conservation initiatives within the fence, we carried out a systematic ***Water Pinch Analysis (WPA)** in FY2020, evaluating flows and quality of different streams to analyze water reuse opportunities at all our operations. We use RO (reverse osmosis) technology to reclaim external wastewater sources and reduce our freshwater consumption, mitigating our risk of water and turning waste into a resource. At select sites, we reuse purified water system rejects in raw water RO plants, and collect AHU (air handling unit) condensate water into sump tanks for reuse in collection tanks. We also commissioned a new 30 kL/d sewage treatment plant this year.

In FY2021, 49.6% of our total freshwater consumption was recycled and reused. We de-risked our water sourcing strategy by reducing our groundwater footprint from 78% to 63%.

*For more information on Water Pinch Analysis, please refer to page 48 of Dr. Reddy's sustainability report 2019-20.

Environment

Water Source Security

Dr. Reddy's is focused on creating alternative water sources to secure our water needs, reduce our overall dependency on groundwater, and make our operations water neutral. We are working to increase our consumption of surface or grey water to reduce pressure on groundwater sources. This year, we completed our 2020 alternate water projects for the Bachupally and Bollaram manufacturing plants in Hyderabad. We intend to replicate the model and introduce similar innovations at our other clusters.

CASE STUDY

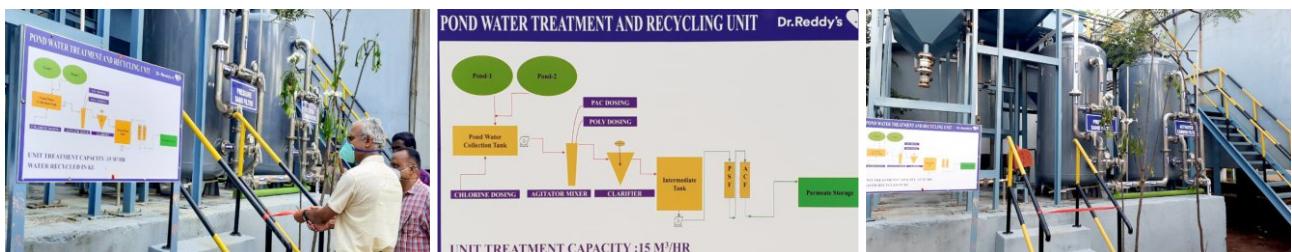
Reducing our Freshwater Footprint

ISSUE

We needed to increase alternatives to groundwater as a part of our water de-risking strategy for the Bachupally Campus at Hyderabad.

INITIATIVE

We completed one of our key projects at the formulations manufacturing plant in Hyderabad, creating a new localized rainwater treatment and recycling facility. We have now increased the capacity of rainwater utilization from 55 kL/d to 145 kL/d (an increase of 90 kL/d).



IMPACT

The freshwater saving potential of the project is approximately 11,000 kl/annum with a cost-benefit of approximately 3.7 million/annum.

Rainwater Harvesting and Recharge

We continue to build rainwater harvesting structures within and beyond the fence. In FY2021, we created additional rainwater harvesting structures at our formulations manufacturing facilities at Duvvada in Andhra Pradesh and localized treatment for rainwater utilization. Our rainwater harvesting infrastructures across our facilities have contributed to 9% of our efforts towards water neutrality. During the year, we collected 42,135 kl of rainwater, which was utilized in our manufacturing processes.

42,135 kl Rainwater Utilized

In the Hyderabad and Visakhapatnam community watershed programme, we created 15 rainwater harvesting structures in government schools, harvested rainwater through a sump and open well in individual houses.

Environment

CASE STUDY

Achieving Water Neutrality through Watershed Approach

ISSUE

IPCC (Intragovernmental Panel on Climate Change) predicts semi-arid regions will become drier and hotter - and the water crisis will only get worse. Some of the most important and heavily degraded ecosystems, including forests, freshwater, and wetlands, are embedded in the watershed.

INITIATIVE

In 2017, Dr. Reddy's began a pioneering project to achieve water neutrality through a Watershed Development (WSD) and management approach. This initiative is implemented at Budhera, at the Medak District in Telangana, with Watershed Organization Trust (WOTR) as our technical knowledge partner.

We focused on restoring ecological balance through 3 key actions:

- Conserving soil, rainwater, and vegetation
- Harvesting surplus water to create water sources in addition to groundwater recharge
- Covering non-arable area effectively through afforestation based on land capability class



IMPACT

The project began in FY2017 and was completed in FY2021. In the past year alone, the water levels in 11 borewells have improved by 62 feet in the vicinity of the Budhera project site. This has helped farmers take up two crop cycles in the lands adjacent to the Budhera site, with the cropping pattern having moved towards more cash crops. From FY2017 to FY2021, the project helped provide income to laborers from 228 households. Dr. Reddy's was recognized at the CPhI Pharma Awards 2020 as the winner in the category of 'Excellence in Pharma: Sustainability' for this initiative.

Extensive watershed treatments at the site captured 803,000 m³ of water last year (with a rainfall of 973 mm), reviving defunct borewells inside the site and raising water levels in wells and borewells within a 2 km radius of the site.

Environment

Wastewater Management

We are committed to efficient and sustainable water management practices and comply with local regulations and compliance requirements. We carefully measure and assess the risks and impacts of the hazardous substances in wastewater at all our sites.

8 of our global formulations manufacturing sites have been certified ISO 14001 compliant. Our Environmental Management System (EMS) is verified through international standards (e.g., ISO 14001, JIS Q 14001, and EMAS certification). As part of EMS strengthening, 6 sites were assessed on wastewater treatment through third-party audits.

To avoid discharging untreated wastewater effluents, we use the Zero Liquid Discharge (ZLD) water treatment engineering approach at 15 of our 21 global manufacturing facilities. All water is recovered, contaminants are reduced to solids, and through ZLD, complete water is channelled back for usage in our utilities. In FY2021, 168,180 kl of treated wastewater was discharged to government-authorized treatment facilities.



In FY2021, through multiple wastewater reduction projects, we saved the generation of wastewater by 57,866 kl, saving INR 14.8 million in costs.

Capacity-building for Water Efficiency

We are committed to water stewardship, and water is one of the six focus areas of our Sustainability Ambassador programme. Our Water Ambassador programme was launched in February 2021 and focuses on creating water champions through a three-phased approach:

Activity	Outcome
Phase 1	Capacity-building workshops to spot potential water champions
Phase 2	Project identification and implementation
Phase 3	Project monitoring and verification of savings

Through our School Improvement programme (SIP) that supports the education of government school students, we also provide basic facilities such as sanitation and safe drinking water. We have installed Reverse Osmosis (RO) water plants in 182 schools.

Environment

Handling Our Waste

100% of our non-hazardous waste in FY2021, i.e., 18,450 tons, was upcycled as fuel for cement factories. With all our manufacturing facilities in India achieving zero waste to landfill in FY2021, 98.73% of our global hazardous waste was sent to cement industries and recyclers for co-processing and recycling.

We reduced 350.9 MT of hazardous waste through technological interventions and ongoing initiatives, saving INR 5.57 million. In our OTC (Over-the-Counter) drugs, we sourced 71.53 MT of **Forest Stewardship Council (FSC)** certified pulp and paper packaging, reducing GHG emissions by 3.6 MT of CO₂e.

98.73%

Neutrality in Hazardous Waste

Plastic Waste Management

SUSTAINABLE PACKAGING

We have been evaluating our plastic usage, identifying patterns of our plastic material consumption, and exploring how we can best minimize the use of packaging materials, reducing the environmental impact across all our manufacturing plants.

In plastic waste management, we focus on two areas - minimizing plastic waste generation at the source and maximizing plastic waste reuse and recyclability throughout our value chain. We formed

Sustainable Packaging Council (SPC) - a cross-functional team with members from R&D, Packaging Development, Sourcing, and Sustainability - that is responsible for minimizing our environmental footprint through redesigned packaging. Through SPC, we are working towards multiple initiatives for alternate packaging of plastic bottles, stretch/shrink/bundling films, cartons, liners recycling, pallets etc.



INITIATIVE

Launching CLOHEX-NS Interdental Brush

As a part of our sustainable packaging agenda and a proactive approach towards minimizing single-use plastic, we launched CLOHEX-NS interdental brush packed with recycled thermoforming blister card (made of r-PET and recycled paper board) as a zero-cost investment. Both recycled packaging materials are being successfully tested with relevant standards and regulatory compliance.



Environment

Neutrality

Dr. Reddy's aims to achieve 100% waste neutrality (including plastic waste) in India by 2023, and globally by 2025. All plastic waste generated within our fence is being safely sent to authorized recyclers ensuring responsible disposal.

1,270.5 MT

Post-consumer Plastic Waste in India
Collected back for Upcycling/Recycling

We work in compliance with India's Plastic Waste Management Rules, 2016 and the Extended Producer Responsibility (*EPR) guidelines. This year, we processed 1270.5 metric tons (MT) of post-consumer plastic waste across India under EPR which includes 1054 MT of Non Multi Layered Plastic (NMLP), and 216.5 MT of Multi Layered plastic (MLP). This post-consumer plastic waste collection helped us offset approximately 1000 MT of CO₂e.

The recycling process is only complete when recyclables are manufactured into new products, and the environmental benefits are realized by offsetting the use of virgin materials. To close the loop in a circular economy, our dedicated third-party waste management agency, provides us with the recycled product including chairs, tiles, recycled paper, and books, equivalent to 40% of our post-consumer waste. This not only helps upcycle waste, but also creates demand for recycled products.

Product Lifecycle Sustainability

Our material management is focused on two key actions - efficient use of resources and utilizing recycled materials wherever possible. Special emphasis is given to improving the consumption efficiency of solvents, as it is one of our primary raw materials.



In product design, we are working on the best formulation to simplify processes, optimize cycle time and life cycle extensions, and improve our overall productivity.

With reduced raw material, we cut costs by approximately 20%, enabling us to execute at a larger scale and cater to higher volumes.

In manufacturing, we have been working on continuous improvements such as increasing the yield, optimizing solvent usage to minimize wastage, scale-ups to increase overall capacity, and quality & compliance. Moving from solvent-based to water-based product design (for instance, pantoprazole & omeprazole) helped us reduce overall GHG emissions.

Green Chemistry

We have been working to develop efficient and sustainable processes that require fewer reagents, less solvents, and less energy while being safer and generating less waste. Considering that solvent and water contribute to 80% of the process mass intensity, through green chemistry, we aim to reduce or replace hazardous solvents with more green solvents. Using flow technology in production helps us minimize solvent usage, cycle times, capital costs for new capacity, and scale-up risk. We also get better lot-to-lot consistency, using less inventory, labour, overheads, costs, and smaller plants.

We have evaluated five existing processes as per our Green Chemistry Index[‡], which led to improvements in the manufacturing of our API products atorvastatin calcium, sitagliptin phosphate, pazopanib, empagliflozin, and voriconazole. We have adopted flow chemistry, green chemistry, and other relevant technologies, e.g., retrosynthetic ML-based tools to shorten the synthesis routes.

^{*}The commitment made by a producer to facilitate a reverse collection mechanism and recycling of end of life, post-consumer waste - to circle it back into the system to recover resources embedded in the waste.

[†]IPCC 2013 climate change feedback loops were used to calculate the avoided GHG impacts of the packages

[‡]Process Mass Intensity is a key mass-based metric to evaluate the green credentials of an individual or sequence of reactions during the process and chemical development.

Environment

Biodiversity

According to a 2018 study by the World Resources Institute, a tree cover of almost 1.6 million hectares was lost between 2001 and 2018 in India. At Dr. Reddy's, we always include projects that have a positive impact on the biodiversity at each of our sites, including using focused afforestation techniques, plantation of legume trees and nitrogen-fixing species, and block plantation to represent forests.

Our watershed projects in Budhera (Medak District in Telangana) have had positive impacts throughout the region, leading to a change in the vegetation, agricultural activity, crop mix, employment, and overall livelihood, along with water conservation. The emergence of local flora and fauna at the site and the surroundings indicate signs of ecosystem recovery and better health.

The programme, in partnership with Watershed Organization Trust (WOTR), is focused on harvesting surplus water to create water sources in addition to groundwater recharge. It also helps restore ecological balance by conserving soil, rainwater, and vegetation, and covers non-arable areas through afforestation based on land capability class.

An independent performance evaluation of biodiversity at Dr. Reddy's between 2015 and 2020 for our formulations facility at Hyderabad has indicated an increase in

The Shannon-Wiener diversity index (a measure of diversity that combines species richness and their relative abundances) from 3.56 in 2015 to 5.16 in 2020.

Supply Chain

Our supply chain process is based on a strategic model to ensure a practical, reliable, and sustainable supply of goods and services based on a segmented operation. A scorecard is generated for all the KPIs, and we monitor the progress towards each goal. A well-defined Supplier Code of Conduct (SCOC) governs our supply chain management. We also have a dedicated SCM (Supply Chain Management) team that addresses all sustainable sourcing elements with special emphasis on supply continuity, quality and compliance, supplier relationships, capacity and capability building, supplier and performance management, and aligning the partners with our vision of sustainability.

In FY2021, we audited 99 suppliers under Environmental, Social and Governance parameters.



Environment

We see great value in partnering with our suppliers and driving climate action through our sustainable sourcing strategy, working on multiple areas including:

Area of work	Key activities
Identifying critical suppliers and de-risking the supply chain	<ul style="list-style-type: none"> • Alternate supplier development with the aim of having two suppliers for all key materials and reducing dependency on any specific region or supplier • Buy versus make strategy (maximizing internal manufacturing) including backward integration of a few Key Starting Materials (KSMs) • All critical business partners contributing to 80% of sales value must undergo assessment and reassessment at a fixed frequency depending on the sourcing category • Collaboration with a third party for an independent assessment at suppliers' sites, categorizing them into high, medium, and low-risk suppliers
Supplier engagement, assessment, and capacity-building	<ul style="list-style-type: none"> • Volume consolidation • Including internal as well as third party assessments • Supporting suppliers in training as well as identification and implementation of resource conservation (energy, water, materials) projects
Decarbonizing the supply chain	<ul style="list-style-type: none"> • Encouraging the shift from air to sea shipments, which also helped mitigate risk from flight disruptions during the pandemic
Promoting local sourcing	<ul style="list-style-type: none"> • Enable better management of inventory and compliance control, leading to a significant reduction in lead time plus reduced carbon emissions
Digitalization	<ul style="list-style-type: none"> • Our dedicated digital P2P portal Vikreta Connect digitalizes the complete procure to pay process (P2P) • Integrated Business Planning (IBP) for end-to-end integration of supply chain with operations management, demand & revenue planning for improved visibility and collaboration to reduce demand and supply variability • Global Supply Chain Intelligence (GSCI) project to map the consolidated supply network and use AI to predict the impact of supply chain events on product availability, enabling us to take positions in terms of capacity, price, and inventory

We were named to CDP's 2020 Supplier Engagement Leaderboard and placed among the top 7% of more than 5,500 companies assessed by CDP for supplier engagement on climate change.

CDP's annual Supplier Engagement Rating (SER) evaluates and spurs action on company governance, targets, emissions, and value chain engagement to address climate change. Dr. Reddy's is a member of PSCI (Pharmaceutical Supply Chain Initiative), and our SCOC is modelled on the PSCI Principles for Responsible Supply Chain Management (The

Principles). The SCOC defines minimum non-negotiable standards that Dr. Reddy's asks its suppliers and service providers to respect and adhere to when conducting business with Dr. Reddy's. It is the suppliers' responsibility to disseminate, educate and exercise diligence to ensure compliance with this SCOC by its directors, employees, agents, and sub-tier suppliers. We are also using PSCI's audit template as a robust basis for auditing suppliers.

Our principles from our supplier code of conduct include ethics, labour and human rights, wages and benefits, health and safety, environment, management systems, bribery and corruption, international trade compliances and sanctions, and personal data protection.

*For more information on supplier risk management, please refer to the commentary under 'Third-party risk management' in the 'Our Governance' section of this report.

Social

Access and Affordability

With our credo of Good Health Can't Wait, our vision is to create a healthier world, positively impact the lives of people, and advance health equity for all. Dr. Reddy's has committed to improving access to high-quality, safe, effective, and affordable medicines for our patients worldwide. We are working on improving access for our medicines, while collaborating with governments and partners to strengthen health systems. The health of our business is linked to building good health for our patients, employees, and communities, and serving all our stakeholders, including frontline workers, healthcare practitioners, and partners. We consider it our responsibility to fight against rising inequalities, and take collective action for a stronger, more equitable, and inclusive society.



HEALTH & SAFETY

Zero

Fatalities



DIVERSITY & INCLUSION

17.18%

of Women Diversity



CSR INVESTMENTS & IMPACTS

₹360.80

million CSR Spend
(2.12% of average net profit)



COVID-19 RESPONSE

136,980

Benefitted through
Community support

Social

In the US, we sold 9.1 billion units of tablets, capsules, vials, and syringes, dispensing 106 million prescriptions. We launched 28 new products, 6 of which were first-wave generic launches (upon genericization.)

In India, we treated around 130 million patients this year, of which approximately 0.2 million were oncology patients, and 0.11 million were COVID-19 patients.

We increased access to healthcare in rural areas, reaching around 370 million people in 3700 *Tier 4 towns through our rural access programme, Vistara.

We began working on Vistara three years ago with a goal to increase the reach of medicines most consumed and needed by patients in remote geographies of India.

In Europe, we treated around 10 million patients through the year, launching 34 new generic products. We supplied 1 billion standard units of tablets and vials, 25 million packs, and 188 products across 6 countries (UK, Germany, France, Italy, Spain, and Austria).

We reach around 2.3 billion of the #Emerging Markets (EM) population through our medicines. This year, we met the healthcare needs of around 90 million patients, of which approximately 0.3 million were COVID-19 patients, and 0.19 million were oncology patients. On the whole, we sold around 4.7 billion pills in EM.

We continue to serve patient needs by developing our innovation capabilities and expanding our product portfolio to ensure sustainable access to medicines. We have filed 300+ patents over the last five years, and our total R&D investment this year was INR 16.5 billion, amounting to 8.7% of our revenues. Over the year, we adapted to new models of collaboration, simplifying development protocols, digitizing processes, using in silico modelling, data analytics, and virtual collaboration tools, and integrating physical R&D activities in multiple global locations.

*Tier 4 are classified as towns with less than 20,000 people

#Emerging Markets (EM) for Dr. Reddy's include Russia & CISR, China, Brazil, South Africa, Australia, and ASEAN countries

First Generic to Market

We strive to be the first to launch every product to create the maximum impact on affordability. Our portfolio consists of complex generics, differentiated formulations, biologics, and active ingredients. Our generics bring substantial savings to patients and healthcare systems, helping improve access to healthcare. We are also working towards finding solutions for unmet patient needs through our drug discovery efforts in our subsidiary Aurigene Discovery, differentiated formulations, and digital platforms.



Despite challenges imposed by COVID-19, we had 273 product launches globally.

(including the Wockhardt-acquired portfolio of 70 products.) Some of our key launches this year included COVID-19 focused medications, but we also effectively introduced new products in our core and emerging businesses.

We introduced **Vigabatrin Tablets USP**, a therapeutic equivalent generic version of Sabril® (vigabatrin) Tablets USP, in the U.S. in February 2020. Designated as a Competitive Generic Therapy (CGT) by the USFDA, the tablets help treat complex partial seizures (CPS) in adults and children, providing more treatment options to patients with complex, chronic conditions.

Social

In April 2020, we launched **Invista®** (a formulation of dasatinib that is bioequivalent to the innovator brand), indicated for the treatment of primarily Chronic Myeloid Leukemia (CML), a type of blood-cell cancer that begins in the bone marrow. The median age of the patients in India is a decade earlier than the West, and every year about 9,000 new patients are diagnosed in the country. The development and launch of Invista is a step forward in improving access to medicines at an affordable price for CML patients in India.

In May 2020, we launched **FXR™** (a therapeutic equivalent generic version of Ocaliva® (obeticholic acid), a therapeutic equivalent generic version of Ocaliva in India, to help treat Primary Biliary Cholangitis (PBC). PBC is a rare chronic autoimmune disease, characterised by progressive inflammation and destruction of the small bile ducts in the liver. The only approved treatment for PBC in India was UDCA (Ursodeoxycholic Acid), approved almost two decades ago. Considering that up to 40% of the patients do not respond to the UDCA treatment, this launch helped us meet an unmet need of patients. We are the first generic company to market this orphan drug in India.

We launched OTC **Nicotine Polacrilex Lozenges**, the store brand version of Nicorette® Lozenges in the U.S. market in July 2020. Nearly 40 million U.S. adults smoke cigarettes, and about 4.7 million middle and high school students use at least one tobacco product, including e-cigarettes, as per CDC. When used alongside a wider support programme to aid

quitting, Nicorette® Lozenge helps patients gradually reduce their dependence on nicotine. This is an important addition to our current offering of Nicotine Replacement Therapy including Nicotine Transdermal System Patches, sold as Habitrol® brand and various store brands. This launch demonstrates our ability to deliver on more complex dosage forms for the benefit of consumers who wish to quit smoking by reducing withdrawal symptoms, including nicotine cravings.

In August 2020, we announced our first-to-market launch of **Ciprofloxacin 0.3% and Dexamethasone 0.1% Otic Suspension, USP**, a therapeutic equivalent generic version of Ciprodex® (ciprofloxacin 0.3% and dexamethasone 0.1%) Otic Suspension. The drug is used to treat the symptoms of Acute Otitis Media (AOM) in pediatric and Acute Otitis Externa (AOE) in pediatric, adult and elderly patients. Despite COVID-19 challenges, we brought to market the generic version of a very complex suspension product, our first Otic suspension dosage form.

We marked our entry into the OTC eye care space by launching OTC **Olopatadine Hydrochloride Ophthalmic Solution USP**, the store-brand equivalent of Pataday®, in the U.S. market in September 2020. The launch, in collaboration with Gland Pharma, supports our deep capabilities in bringing store-brand equivalents of proven prescription drugs to non-prescription options. This will help increase access to the drug among the approximately 15% to 25% of Americans who suffer from seasonal allergic conjunctivitis and perennial allergic conjunctivitis.

In the same month, we announced the launch of OTC **Diclofenac Sodium Topical Gel 1%**, the store brand version of Voltaren® Arthritis Pain in the U.S. market, partnering with Encube Ethicals to bring the product to market. Osteoarthritis affects over 32.5 million U.S. adults, and the chronic, painful condition often leads to working limitations and reduced overall health. This is an important addition to our pain management products, and represents our continued commitment to provide broader access to patients in the U.S.



Social

Patient Assistance programmes and Counselling

Our patient assistance programmes (PAPs) help make Dr. Reddy's therapies more accessible for patients with financial need or inadequate or no insurance coverage.

In India, we run patient connect programmes for the cardiovascular therapy area, where patient compliance is supported for Repatha® (evolocumab). We also have a patient connect programme in osteoporosis care, where patient compliance is encouraged for Prolia® (denosumab). Through Sparsh, our financial assistance programme for underprivileged cancer patients, we provided access to oncology therapy for 6,172 patients this year.

In the US, we provide patient assistance programmes for 5 of our products including sapropterin tablets, sapropterin sachets, dimethyl fumarate, pyrimethamine, and vigabatrin. Co-pay assistance with a co-pay card for eligible patients is available for all 5 products. The support programme for sapropterin dihydrochloride also includes a 4-week free medication trial based on eligibility, a quick-enrollment programme for new patients, reimbursement and dietary product support, and a bridge programme to prevent therapy interruption due to a change in insurance.

In Germany, we work with the beta Institute, a non-profit founded by our German subsidiary, betapharm. The collaboration with the Institute enables betapharm to provide educational guidebooks to patients and healthcare professionals in Germany. As a result, in 2021, betapharm distributed more than 80,000 betaCare guidebooks across different therapeutic areas to help patients manage their diseases better. With about 12,000 visitors daily, our online platform www.betanet.de is the most comprehensive database on social law issues, enabling targeted professional research in Germany. When the initial COVID-19 cases reached Germany, the team quickly put together practical tips on social security, wellbeing and stress management, impact on home care, and advanced patient directive.

Digital Patient and Customer-focused Solutions



Our digital transformation and innovation efforts in the front-end are now structured around three core themes –

- 1** Driving operational efficiencies and customer experience
- 2** Enhancing the customer value proposition beyond the pill
- 3** Playing a larger role in the holistic condition management for patients as a part of the wider healthcare ecosystem.

Social



Our B2B customer service platform, **XCEED**, creates an exemplary service experience for our API customers and increases engagement. Customers worldwide can manage the whole business process in real-time – from ordering medicine samples to submitting and tracking orders – providing convenience and transparency. Similarly, our **Medznat** Health Care Professional (HCP) engagement platform in Russia, is ranked among the top 3 players for high-impact medical content for neurologists. **Alivius**, our patient-centric digital platform, is helping cancer patients in Columbia navigate their care-journey, empowering them during various stages of diagnosis and treatment. The solution helps hospital care teams provide holistic support by providing patients with access to knowledge and care as they plan consultations, track diet/side-effects, and have their queries answered.



Living up to our promise of Good Health Can't Wait, we are investing into innovations that help us play a more active role through internal efforts and strategic partnerships.

Launch Celevida Maxx in India

As a company, we made our first foray into the nutrition space in India with a clinically proven diabetic nutrition supplement, Celevida, in November 2019. Following this, we entered the hospital nutrition segment in July 2020 with Celevida Maxx in our endeavour to continue making a positive impact on patient lives. Celevida Maxx is a unique addition to the Dr. Reddy's nutrition portfolio, and is designed to help manage the nutritional needs of Cancer, Critical Care, and Chronic Obstructive Pulmonary Disease (COPD) patients in India.

Dr. Reddy's Celevida Maxx contains a unique triple action formula of high protein, high omega 3 fatty acids, and key nutrients such as Astaxanthin to support immunity and help tackle inflammation. With Celevida Maxx, we look forward to strengthening our presence in the nutrition segment in our pursuit to **Reimagine Nutrition. Reimagine Life.** to improve patient outcomes.



Social

Our Response to COVID-19

With an increased need and demand for healthcare solutions, our employees worked tirelessly to ensure patient safety and continued access to medicines. We prioritized our people and their wellbeing, as our teams worked with adaptability and resilience to ensure the business continuity for patient care.

We activated our Business Continuity Plan (BCP) across all functions to maintain operational readiness, assessing the situation and preparing for any unforeseen circumstances.

We recommended specific proactive, preventive, and reactive measures for all offices, manufacturing, and R&D buildings, in line with the evolving situation and scenarios. Our response to the pandemic included steps focused on three key areas:



Meeting the need of patients and COVID-19 therapeutics



Safeguarding our employees



Assistance to the government and helping our communities



Meeting the need of Patients

Our customer service teams ensured an uninterrupted supply of medicines across borders and went beyond the usual means to assure patient safety and accessibility to medical care, along with virtual meeting technology to continue collaborating with the global scientific community.

Social

COVID-19 Therapeutics

The need for high quality, efficacy, affordability, and better disease management was our key priority. India's prominence as a global supplier of vaccines is growing, and this year India collaborated on multiple vaccines, raising its role in global health security. We have brought in some of the most effective COVID therapeutics to India through partnerships with leading worldwide innovator firms, including FUJIFILM Toyama Chemical Co. for Favipiravir (Avigan), Gilead Sciences for Remdesivir (Redyx), and Eli Lilly for Baricitinib, supplying these drugs to government as well as private hospitals in India:

Virowash Sanitizer Family

In April 2020, we conceptualized, developed, manufactured, and brought ViroWash (a sanitizer with WHO-approved formulation) to the Indian market in a record 7 days to meet the increasing demand for sanitizers.



Favipiravir

We signed an agreement with Japan-based innovator firm FUJIFILM Toyama Chemical Co. in June 2020, launching Favipiravir in India in August 2020 to treat patients with mild to moderate COVID-19 symptoms. In the same month, to ensure accelerated access to the medicines, we began a free home delivery service in 42 cities in India with an accompanying helpline centre.



Remdesivir

As part of our voluntary licensing agreement with Gilead Sciences, in September 2020, we introduced the antiviral drug Remdesivir into our portfolio. It was launched for restricted emergency use in India to treat COVID-19 patients hospitalized with severe symptoms.



Sputnik V Vaccine

In September 2020, we partnered with the Russian Direct Investment Fund (RDIF) for clinical trials and distribution of Sputnik V vaccine in India. In May 2021, we launched the product in India after receiving an emergency use authorization from the DGCI.



2-deoxy-d-Glucose Oral Powder (2-DG)

We co-developed the 2-DG oral antiviral and anti-inflammatory drug, an adjunct therapy for Covid-19 discovered by the Institute of Nuclear Medicine & Allied Sciences, a department of the Defence Research and Development Organisation (DRDO), announcing the commercial launch in June 2021.



Social

Safeguarding our Employees

We worked to provide safe and nurturing workplaces for our employees, determine contingency plans, and re-prioritize projects. We supported our employees through rest and recovery, amplified our technological capabilities to keep our global workforce connected and provided secure virtual work environments to remote workers.



Emergency Control Center (ECC)

We set up ECC to address the pandemic risk and guide the crisis by drafting and executing a rapid response plan. ECC became our command centre, implementing tightly regulated quarantining and contact tracing policies in compliance with local policymakers' guidance, overseen and led by the Global head of SHE and Sustainability. The ECC team's proactive planning and management strategy helped the organization immensely.

For preventive care, we held daily thermal screenings for 12,000+ people coming to the site, tracking the health status of over 1,800 visitors daily, taking over 100 daily toolbox sessions. We installed HEPA filters, UV blasters and lights at all business units and made over 300 multilingual advisory mailers and 50 informative videos on COVID-19 preparedness and management.

As reactive care, we helped in contact tracing and onsite RT-PCR testing for 9,000+ employees and their dependents, deploying special COVID-19 ambulances and mobilized resources for 24*7 medical support and guidance. We provided isolation and quarantine support, distributing home isolation kits to employees and dependents.



*For more information on our community-centric COVID-19 responses and initiatives, please refer to the 'Our Community' section of this report.

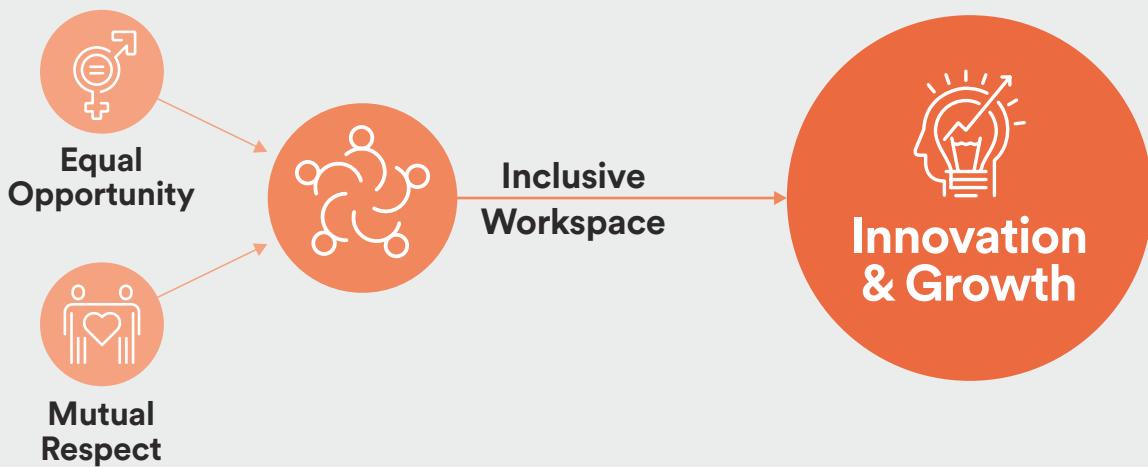
Social

Our Employees

Being an employer of choice is important to us, to attract and retain the best talent. Dr. Reddy's is known for its transparency and high-integrity culture where people feel safe and welcome to share their perspectives.

Our Vision

To create an inclusive workplace which doesn't discriminate based on gender, physical ability, economic background, religion, race, ethnicity, nationality and sexual orientation, and thereby foster a culture of mutual respect and equal opportunities for all, which fuels organizational growth and innovation.



Diversity and Inclusion

We value and respect individual differences, diverse backgrounds, different perspectives and experiences, and realize that these are fundamental to a future-fit business.

Promoting Gender Diversity

A 2017 report by Mercer India suggests that female representation in the pharma industry is just 11 percent of the 49.5-million-plus strong staff it employs.

Our efforts to support and implement gender equality through policy development, representation, and transparency have helped improve company-wide gender diversity, steadily increasing from **15% to 17.18%*** in the last 5 years. We have 11.6% women in management positions and are running multiple women-centric programmes to drive our diversity and inclusion strategy in the workforce.

17.18%
of Women Diversity

*Considering women in STEM roles only (who utilize Science, Technology, Engineering or Mathematics in their daily responsibilities)



Social

We ensure equal access to opportunity irrespective of gender across our business units and functions through our employee-first policies initiative - Enabling You.

Multiple initiatives such as mentoring, reverse mentoring, innovation boot camp, and celebrating sensei and community learning through Dr. Reddy's annual People Development Week are helping us extend support and drive learning while enabling gender, generational and cognitive diversity for our people.

In 2018, we were the only Indian firm out of the 104 global companies featured on **Bloomberg's Gender-Equality Index**. We continue to be featured on the index in 2021 as the only Indian pharmaceutical company to be included in the index out of the 380 global companies highlighted this year. The GEI tracks the financial performance of public companies committed to support gender equality through policy development, representation, and transparency. The reference index measures gender equality across five pillars: female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and a pro-women brand.

We were recognized for our strong company policies to promote gender equality amid the COVID-19 threat.

At the UN Women's WEPs (Women's Empowerment Principles) Awards, we were first runner-up in the Leadership Commitment category (2020), and second runner-up in the Gender-inclusive Workplace category (2021).



Chrysalis

The Talent Development Board for Women is our targeted development programme to prepare women employees in the middle management cadre for a leadership role. To encourage women to make a professional comeback and create more opportunities for them in sales and marketing roles, we launched the Comeback Careers programme hiring women returning from career breaks. With our voluntary, employee-led, leadership-sponsored initiative WIN (Women Inclusion Network), we continue to support the professional growth of women through education, engagement, and empowerment.

Since FY2019, we have been focussing on women-led manufacturing lines when two of our manufacturing lines at the Baddi plant were chosen to be a part of the prototype of production lines managed entirely by women. This year we continue to drive the initiative, helping create more women-managed lines of work at identified facilities.

Our women-friendly policies include extended maternity leave, flexible and reduced working hours for new mothers, childcare benefits including crèche facilities across sites, and a buddy programme to support mothers returning to work.

100%

of our employees (male and female) returned to Dr. Reddy's after taking parental leave this year



Social

Including Differently Abled People

We are committed to build an accessible, inclusive workplace, and welcome the skills and talent of differently abled people. Some of our supportive initiatives include finding and creating appropriate roles to bring onboard more differently abled team members through our hiring practices, making infrastructure provisions that are accessible, and sharing positive narratives involving our differently abled colleagues on platforms that can spread a culture of inclusion and empowerment. We ensure that our associates have opportunities to perform their best, and we are working to drive greater sensitization among our managers on inclusion and the role they play. In FY2021, we hired 55 differently abled persons at our sites.

As a part of the **Valuable 500**, the global movement putting disability inclusion on the business leadership agenda, we have committed to work together as a collective, to help drive systemic change and be more inclusive.

Employee Engagement

We have set up various channels that enable an active conversation encouraging interactions on employee aspirations and challenges. We ensure structured and periodic communications with employees on aspects related to business environment, company affairs, and recent developments, through open house and quarterly communications.



Fair Remuneration

We provide remuneration that is commensurate with our employees' role and responsibilities. To retain high-performing employees, we include a premium over the median pay-scale to incentivize high performance and unique skill sets, while meeting industry benchmarks. We also provide additional short- and long-term incentives based on performance, increasing overall remuneration.

Annual Appraisal

Our performance management process facilitates continuous dialogue between our associates and managers. Through this process, we are able to measure and reward the outcomes achieved and behaviours demonstrated by the employee. In FY2021, 100% of our employees were part of our performance appraisal process.

Self-managed Teams Technical Trainee Programme (SMT TTs)

Dr Reddy's is fully committed towards creating empowered communities and supporting youth employability since over two decades. This is with a clear mission to educate and create greater capability in young people, helping fast track them towards more livelihood options by increasing employability skills. As a programmatic approach, we reinforce these efforts in communities closest to our plants by providing two levels of capability building.

Recognizing our responsibility to empower every life, especially among communities close to our plants, we launched the Self-Managed Teams Technical Trainee programme in 2002. The programme creates employment opportunities and provides stronger employability to youth from rural areas who are eager to learn, and passionate to also earn, during the journey. This helps create autonomous teams at the grassroots level at our workplaces, helping deliver quicker turnarounds, and ensuring better problem-solving and decision-making once these team members are skilled, educated, and deployed at our manufacturing units.

Over the past 18 years, we have hired, educated, skilled, and groomed 4,240 youths under this programme. As of March 31, 2021, 1,562 of them are working with us in various roles.

Social

15 employees hired and groomed through the programme have risen through the hierarchy and are in managerial and leadership roles across GMO, IPDO (Integrated Product Development Organization) and SCM business units. Many who moved out of Dr. Reddy's, hold senior-level positions in well-regarded organizations, including our competitors in the pharmaceutical industry. As part of our steady commitment to our communities, we plan to continue hiring and skilling talented youth from rural areas, with an aim of 200 new hires in FY2022.

CASE STUDY

Project NoFever

ISSUE

Chikungunya and Dengue - both mosquito-borne diseases, continue to wreak havoc not just in India but in many developing countries across Asia and Africa. In 2019, there were 50,000+ cases of Chikungunya, and Dengue was far more prevalent with 150,000+ cases.

INITIATIVE

In 2019, Project NoFever was launched in Hyderabad to pilot community engagement through voluntary participation by Dr Reddy's employees and Indian Institute of Public Health (IIPH) personnel. The project had the following objectives:

- To improve awareness through innovative use of technology and social media platforms
- Surveillance and monitoring the disease occurrence, and facilitating control measures via engagements with key stakeholders and innovative use of information technology
- To devise and test containment strategy to prevent, intervene and control Dengue and Chikungunya in select geographies

Collaborating with the Greater Hyderabad Municipal Corporation (GHMC) Vector Control Team, we deployed general measures to prevent mosquito breeding as well as supporting and promoting the use of Indoor Residual Spray (IRS), insecticide-treated window nets and curtains, toxic sugar baits, and active vector surveillance (larvae and adults).



IMPACT

70 employees volunteered to participate in the programme, and we held webinars and contests for 236 employees and their children.

Over 900+ students from 2 schools participated. 12 RWAs (Resident Welfare Association) received the NoFever (mosquito control) kits, 3 RWAs facilitated training for the whole housekeeping staff, and we trained 100+ family physicians. We also created a Project NoFever website, Fever wiki, playbook, and a Fever Telemedicine platform, along with standardized protocols on **Acute Undifferentiated Febrile Illness (AUFI)**.

Social

Learning and Development

To help people work remotely, we launched virtual programmes and weekly learning sessions on leading during crisis, resilience, and performance management. We invited our associates to become digital ninjas, introducing free digital courses on artificial intelligence, design thinking for innovation, developing systems mindsets, and new technologies for business leaders.

With our New Horizons Leadership programme (NHLP), we focus on helping senior leaders build their

effectiveness and leadership ability through an 11-month programme. Our New Horizons Management programme (NHMP) is a 7-month customized programme to help mid-level managers enhance their managerial capabilities. This year, we trained 29 employees in NHLP and 87 in NHMP globally.

Besides corporate level learning and development programmes, Dr. Reddy's also runs separate role-based and business unit specific programmes that help our employees perform more effectively in their roles.

Training programme	Training goal
	Manager as Performance Coach (MAPC)
	SuCCEED
	iDevelop
	Surge
	Springboard Sales Managers Excellence
	Prarambh
	Supports site leadership teams at our Global Manufacturing Organisation (GMO) business unit by coaching and developing leadership competencies
	Capability building programme for employees at our manufacturing facilities helping both individual and business performance
	Focused on developing the capabilities of human resource professionals
	Helps employees build business development capabilities across geographies
	Helps sales managers achieve turnarounds of non-performing territories
	Intense certification programme helping technical trainees bridge the gap between campus learning and industry experience

This year, we held the largest festival of learning in the virtual reality space – **The People Development Week**, where 150 leaders and subject matter experts engaged in nearly 200 learning sessions reaching over 18,000 employees. 71 hours of training was provided per employee in FY2021. 9,735 employees were provided safety training, and 8,723 employees were provided skill upgradation training in various technical and related areas. Along with learning key skills this year, our employees ensured to give back to society, volunteering 266 hours in FY2021 through various volunteering activities.

Social

The Sustainability Ambassador Programme

Since FY2020, the platform engages our employees on the sustainable development agenda, enabling our water, waste, energy, safety, and health ambassadors to lead sustainability transformation within and outside the company through proactive collaboration.

As part of our targeted learning sessions, along with helping employees learn more about sustainability through case studies of best practices, we also bring in global linkages to the UN Sustainable Development Goals. Our ambassadors also visit schools to encourage sustainable thinking and living in young children, fostering a culture of reducing waste, recycling, using nature-friendly materials, conserving water and energy, leading healthier and safer lives, and inspiring them to be role models for others to bring positive change into the world. The programme has six key tracks – each focused on six different areas in environment, health, and safety.

Through our **Women Safety Ambassador** programme, we aim to empower our female employees and girl students with self-defence techniques. This year, 750+ women employees were trained through 30+ sessions across three waves in plants at Hyderabad and Visakhapatnam. 20+ Women Safety Ambassadors in the 'Train-the-trainer' programme started conducting sessions for our other employees, and 9 Women Safety Ambassadors were certified. We also initiated fireside chats with well-known women leaders to inspire employees.

Our **Road Safety Ambassador** programme is focused on creating awareness of road safety and driving behaviour. 240 Road Safety Ambassadors were certified this year and felicitated on National Safety Day.

The **Health Ambassador** programme certified 94 people this year, with a view to promote good health and well-being by creating awareness on the maintenance of a healthy lifestyle.

We launched our **Water Ambassador** programme in February 2021 to build awareness on water conservation, reuse, recycle, and water harvesting interventions. We held 6 trainings and 10 sessions in wave 1, training 270 participants across business units.

In March 2021, we launched the **Waste Ambassador** programme to sensitize participants about waste management and its underlying concepts such as the 3R principles of Reduce, Reuse, and Recycle, and had 90+ attendees from 6 manufacturing plants at Visakhapatnam.

43 employees were certified at multiple locations under our **Energy Ambassador** programme that builds awareness on energy conservation and helps create agents who can proactively identify opportunities to enhance energy efficiency.



<p>Women Safety Ambassador</p> <p>SDG GOAL 5 8 11</p>	<p>Road Safety Ambassador</p> <p>SDG GOAL 3 11</p>	<p>Health Ambassador</p> <p>SDG GOAL 3 8</p>
<p>Water Ambassador</p> <p>SDG GOAL 6 8 12</p>	<p>Waste Ambassador</p> <p>SDG GOAL 3 6 8 12 14 15</p>	<p>Energy Ambassador</p> <p>SDG GOAL 7 8 12 13</p>



Social

Health and Safety

While making the world a healthier place, we remain committed to the safety and well-being of our core stakeholders, our employees.

Through My Health Index (MHI), we encourage our employees to take a pre-emptive approach to health management. MHI is a quantitative index we use to monitor the health status of our employees and is implemented through multiple phases. An annual health check-up is organized to determine the progress made by the employee. 3,500 employees are covered under the My Health Index programme. All employees moving from red to green status are recognized as health ambassadors to encourage better health for others. Though the programme was limited to a few key sites initially, it has helped create value for the employees as well as the organization:



62%

employees have reported that MHI has contributed to **a more positive working climate** (based on the feedback survey)

37%

employees reported that the activities increased their knowledge or helped them with **healthy lifestyle behaviours** (based on the feedback survey)



11.6%

employees have **shown improvement** on their chronic lifestyle disease status (HbA1c, BP, LDL, stress, BMI - as per YoY annual medical examination health data)

35%

employees reported to have benefited from the programme on their existing ailments (gastric/gut issues, mobility, ergonomics, work-life balance)

To support the mental health of our employees, the YourDOST wellness platform was available globally to all our employees and their families. The platform provides unlimited 24x7 support including confidential personalised chat sessions with certified clinical psychologists, psychotherapists, counsellors, life and career coaches, for the emotional wellness of our employees.

We are committed to create a zero-incident and zero-illness work environment. My Safety Index (MSI) is a quantitative index to monitor our progress in safety-linked thrust areas. The index assesses performance over 10 parameters in cultural management and safety systems management, forms a part of the company scorecard, and has a direct impact on the performance evaluation of a site.

We introduced the MSI in all staff scorecards this year. We had zero fatalities and Occupational Illness Frequency Rate (OIFR) in FY2021.

Social

Our Community

We have always considered it our responsibility to work for social good, drive social equity, promote inclusive growth, and create a positive impact in the communities we live and operate in. Solving complex social problems, developmental progress and change requires commitment over the long term, often decades. To make a sustainable impact through our efforts, Dr. Reddy's has been working on systemic changes with multiple long-term projects.

We focus on social initiatives and programmes promoting education, improving health and well-being, and enhancing the livelihood of underserved communities. Through our programmes, we are helping transform the lives of thousands of children, young men and women, differently abled persons, and farmers. Our corporate social responsibility projects are in collaboration with our NGO partners including Dr. Reddy's Foundation (DRF), Pudami Educational Society, Naandi Foundation, NICE Foundation, and Roshni Trust.



Our Corporate Social Responsibility Efforts

	Investing in Education
	Improving Community Health
	Building Future Leaders
	Enabling Small and Marginal Farmers

Investing in Education

Since 2001, our **Kallam Anji Reddy Vidyalaya (KARV)** school has offered accessible quality education for children from marginalized communities, helping nearly 2,300 students every year build creativity, entrepreneurship, and leadership. **The Pudami Schools** began with a view to bringing quality education to disadvantaged children unable to afford public school education. There are 11 Pudami Schools today, with more than 4,000 children from all walks of life coming together to learn and play. **Kallam Anji Reddy Vocational Junior College (KARV-VJC)** was set up in 2003 and offers two-year vocational courses training 500 students every year in diverse areas including automobile engineering, computer science and graphics, multi-purpose healthcare, accounting and taxation, and pharmaceutical technology.

Social

Our School Improvement Programme (SIP) is being implemented in 229 schools in partnership with the Andhra Pradesh Sarva Shiksha Abhiyan (APSSA), helping 21,888 children from tribal communities and 66,543 students overall.

This year, we awarded the Dr. Reddy's scholarship for deserving students to 319 students. We also provided study material to 59 schools in Andhra Pradesh and Telangana.

Supporting the Andhra Pradesh government's Nadu-Nedu renovation scheme to improve basic infrastructure in schools, we replaced 13 RO water plants and helped with 140 minor repairs and replacements across schools.



COVID-19 Impact

Apart from education systems, prolonged lockdowns also affected the menstrual hygiene of young women from the communities. Through the School Health programmes such as Gift a Pad and **Make your Pad**, we provided menstrual hygiene products to 8,000 girls and taught 235 girls in 11 schools to take care of their health even without the availability of sanitary napkins. We reached 13,453 students through 89 health awareness workshops on personal hygiene.



and attend to basic health issues on predetermined days, twice every week in each village. CHIP also conducts health awareness sessions in communities and schools. It provides a home-based treatment that is critical for older people, bedridden or those with limited mobility, and at-risk pregnant women.

This year CHIP improved healthcare outcomes and the quality of life for 81,953 people through 138,701 consultations and 5,631 FDHS sessions.

605 home-based consultations were provided to injured and critically ill patients, 40% of whose beneficiaries were geriatric patients. 32,536 people were screened for non-communicable diseases such as hypertension and diabetes and provided lifestyle modification counselling. Antenatal care was provided to 3,331 women at home, while postnatal care was provided to 583 women at home and extended beyond 45 days to prevent the risk of anaemia. On International Women's Day, 7 women empowerment programmes were held for 112 participants to generate awareness on the role of women in society, with special emphasis on their role in the health and wellness of families. 24 adolescent-focused campaigns were organized in 8 fishermen communities to address teenage marriages and pregnancies.

Overall, CHIP's intervention has reduced the financial burden and disease burden on the supported families and villages, improved adherence to the treatment, reduced maternal and neonatal mortality rate, and adoption of healthy lifestyles and behaviour by the community.

Improving Community Health

Community Health Intervention Programme (CHIP) is our flagship social programme focused on quality healthcare for rural communities. The initiative focuses on delivering primary preventive healthcare, including antenatal and postnatal care, safe delivery and infant care, and safe motherhood. CHIP, implemented in partnership with NICE Foundation, reached out to 205,000 people in 155 villages of Andhra Pradesh. The programme involves a Fixed Day Health Service (FDHS), where doctors screen

Social

Building Future Leaders

Our **GROW** programme was launched in 2016 to address the complex problem of youth unemployment and match the present and future market needs for skilled workers. It is focused on the 18-30 age group, providing high-quality, impactful skill training to improve core employability skills in young people and help place them in jobs that match their aspirations. **GROW** also offers a placement linked 60-day skilling programme for young people with physical challenges, including orthopaedic disability, and vision, speech, or hearing impairments. The programme offers training (with an in house residential facility) for youth aged 18-35. Our skilling hubs have accessible infrastructure and employ sign language experts to enable rightly paced learning.



COVID-19 Impact

Digital training models were designed and offered in place of all classroom-led sessions for GROW. With the pandemic in full force, **GROW Digital** became an additional delivery model for all programmes, along with the classroom model. The programme offered similar training modules virtually and was shown to have a similar impact on skill shift and placements. Through a Learning Management System (LMS), more than 1,500 videos in different regional languages were made available to supplement virtual learning and enhance learning outcomes. LMS also helped with online evaluation and assessments of the course.

We worked through the technology implementation challenges, helping tutors deliver online classes effectively and modifying content to suit online delivery. We held virtual sensitization workshops and led social media campaigns to encourage enrolments, provided longer residential stays, holding job fairs at our centres for increased placements. Online training directly helped differently abled persons that were earlier restricted due to limited mobility. To improve employment opportunities for our differently abled students, we partnered with the Skill Council for People with Disability (SCPWD), holding sensitization drives with other industry leaders.

Enabling Small and Marginal Farmers

Apart from production risks such as drought, flood, lack of adequate use of inputs, poor extension leading to large yield gap, crop failure, etc., farmers face market risks such as the absence of a market, imperfect price realization, high transaction costs, and poor bargaining power.

Social



MITRA (Making Integrated Transformation through Resourceful Agriculture), our programme focused on small and marginal farmers, is helping enhance their productivity, reduce input costs, and result in increased incomes for farmer households. The initiative bridges the lack of last-mile delivery of agriculture extension services at the grassroots by helping marginal farmers access existing public extension facilities, engage with agricultural scientists, and pick up best farming practices.

MITRA helps farmers through peer learning and sharing using a sustainable and scalable community platform. The Lead Farmers Platform (LFP) uses public, private, and digital extension systems to promote new, improved crop and non-farm practices, water management, government schemes, financial and digital literacy, offering modern agricultural practices and technologies to fellow farmers through existing community and social networks.

For improved access to new information and advisory services, MITRA connects lead farmers to services such as Kisan Call Center, mobile applications, and government digital services. For greater access to the market, MITRA helps farmers negotiate better prices with buyers by aggregating farm produce from multiple farmers. MITRA also helps farmers cultivate crops in demand by institutional buyers through constant feedback.

The MITRA project is implemented in partnership with Dr. Reddy's Foundation (DRF) in more than 700 villages in 8 states in India.



COVID-19 Impact

The pandemic significantly affected field operations, particularly activities such as identifying new lead farmers. Considering that not all farmers had access to a smartphone or data connectivity, a combination of the physical and digital (phygital) models was used. 1,050 farmers were trained in Kharif and Rabi seasons on different crop management practices, helping avoid trips to Krishi Vigyan Kendras (agricultural extension centres). Based on positive feedback from farmers, the phygital model has now been mainstreamed into the programme.

We set up our first private marketplace for processed grade potato in Bihar, with a view to add more vegetables in upcoming seasons. Collaborating with ICRISAT (International Crops Research Institute for the Semi-Arid Tropics), Hyderabad, we developed a dynamic crop monitoring system to track crops in real-time, analyzing satellite images of different crops and fields. In the first year of our project with knowledge partners CIMMYT (Spanish acronym for the Spanish International Maize and Wheat Improvement Center), we covered 10,000 acres in Andhra Pradesh and Telangana under different climate-smart agriculture interventions. We worked with IRRI (International Rice Research Institute) on Direct-Seeded Rice (DSR); DSR systems are more rapidly and easily planted, less labour-intensive, consume less irrigation water, mature earlier, are more conducive to mechanization, and have fewer methane emissions.

MITRA has helped 30,603 farmers this year, helping achieve a 20% increase in paddy yield and 15% decrease in the cost of cultivation, raising their overall incomes by 20%.

Social

Dr. K Anji Reddy's Spirit of Giving

Dr. Anji Reddy was driven by the need to give back, and the Spirit of Giving programme is our way of carrying our founder's legacy forward. This year we introduced a virtual volunteering platform for employees to contribute meaningfully during the pandemic, even while at home.

In India, our volunteers engaged in multiple virtual volunteering activities, including audio and podcast recordings, notebook upcycling, and online mentoring programmes through the platform.

In the United States, our associates volunteered for food distribution, toy collection drives, and hurricane relief efforts. Our Shreveport Plant employees distributed toys to community children on Christmas with support from local social welfare agencies, church groups, and other local community agencies. In Princeton, our employees raised funds to support the Trenton Area Soup Kitchen that serves more than 7,000 meals to the hungry each week. Working with the Salvation Army for hurricane relief in Louisiana, our employees gathered non-perishable foods and clothing for families displaced by the destruction. Our teams also helped the Food Bank of Northwest Louisiana in providing food supplies to over 150 non-profit organizations, shelters, and churches in the area.

343,019

Lives impacted this year through our CSR efforts

We will continue to work for a just and sustainable society, creating opportunities for our underserved and vulnerable communities, pushing on education and employability, and taking greater care of our people in building better health and wellbeing. With collective action, we imagine a more equitable, diverse, inclusive, and humane future world and a stronger, more progressive India.

Our COVID-19 Relief Efforts

Given the global crises and the urgent action it needed, we stepped up our focus and efforts, committing our capabilities, expertise, and philanthropic support to communities, patients, healthcare providers, and our associates. We joined forces with partners to scale up our impact and used technology to help us work with the challenges and maximize our reach and efforts.

Assistance to the Government

To assist in state-wide COVID-19 relief efforts and ensure economic recovery:

We provided the Telangana Government with N95 masks worth INR 50 million and contributed INR 50 million to the Andhra Pradesh Chief Minister's Relief Fund.

We provided 1 million COVID-19 related Personal Protective Equipment (PPE) including masks, gloves and sanitizers to the Andhra Pradesh and Telangana governments, and extended similar PPE support to government departments such as Revenue, Excise, the Pollution Control Board, the state police, Gram Panchayats, and other volunteers.



Social

Food and Rations for Communities

To support migrant agricultural and construction workers, we provided meals and dry ration to over 10,000 worker families in Pydibheemavaram and Vizianagaram, reaching approximately 26,000 people in the migrant worker community. Focusing on the communities near our worksites, we also offered meals to police stations in Hyderabad and Miryalaguda, offering 400 meals every day to drivers, police, and commuters in Visakhapatnam, sending dry ration to 7,250 people in Baddi and the Peddadavulapally village near Miryalaguda. To widen our reach, we supplied 25,000 meals per day through the Akshay Patra Foundation, and dry ration to 28,000 people through the Surge Impact Foundation. Overall, our COVID-19 relief efforts throughout the year helped serve 2.5 million meals, including monthly dry ration support to 40,000+ families in the states of Andhra Pradesh, Telangana, and Himachal Pradesh in India.

Access to Quality Healthcare

To contain the reach of COVID-19, 12 outreach teams from our Community Health Intervention Programme (CHIP) reached approximately 120,000 people by working on the field to limit cases, holding large health awareness programmes including announcements, rallies, and door-to-door campaigns. These included prevention messages via public address systems across villages, handwashing demonstrations at MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme) work sites, street corners and village congregation points, and awareness on social distancing, home sanitation, hygiene, and open defecation. The teams reached 5,714 students in 124 primary schools to create awareness on COVID-19 prevention.

We formed Village Arogya Samities (health committees) in each of our 32 priority villages focusing on high risk pregnant medical emergency planning, referrals to Government hospitals, isolation and home quarantine, disease surveillance and testing, ensuring essential medicines to patients with NCDs (Non-communicable diseases), geriatric cases, antenatal and postnatal care mothers, coordination with frontline workers, sanitization measures at FDHS

(Fixed Day Health Service) venues, health information and communications, and pregnancy planning. We also collaborated with the PHCs (Primary Health Centres) and CHCs (Community Health Centres) for effective COVID management, participating in 61 strategic meetings with health officials of Srikakulam and Vizianagaram in Andhra Pradesh.

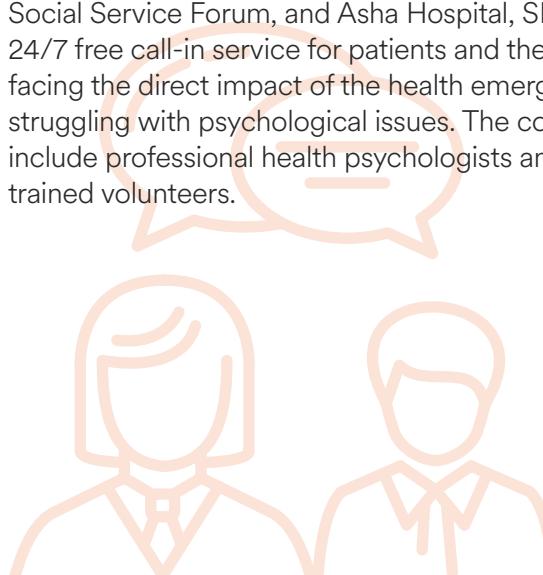
To ensure continued access to the patients needing regular medical care (those with hypertension and diabetes), and those enrolled in home-based treatments during the lockdown, the CHIP teams supplied essential medications at the patients' doorstep through ASHAs (Accredited Social Health Activists). Pregnant women, new mothers, and children were also provided timely medicines.

Awareness and Counselling

Considering the rapid spread of the disease, multiple lockdowns, rising cases, and fatalities.

We launched Project Samhita, training 7,510 COVID-19 warriors to raise awareness of the pandemic in the communities and help stop the spread of the virus.

To reduce the negative mental health consequences of uncertainty, isolation, stress, and emotional suffering, we set up helplines in Telangana and Karnataka through SERV (Support for Emotional Rehabilitation of Virus Victims), helping approximately 864 people. A joint initiative with UNICEF, Action Aid, the Association of Health Psychologists (AHP), APTS Social Service Forum, and Asha Hospital, SERV is a 24/7 free call-in service for patients and their families facing the direct impact of the health emergency and struggling with psychological issues. The counselors include professional health psychologists and 130 trained volunteers.



Governance

We believe in building trust and creating sustainable long term value for all our stakeholders. Strong governance helps us establish structures to help drive our sustainability strategies, and the effectiveness of our policies and decision-making. We are building an ethical, diverse, and inclusive company. Our conduct, guided by our purpose, values, and culture, helps us develop lasting relationships with our stakeholders.

We believe timely disclosures, transparent accounting policies, and a strong and independent board help us preserve our shareholders' trust. We conduct our operations in accordance with recognized principles of good governance and best practices, ensuring compliance with the requirements applicable in the countries in which we operate.



Board of Directors

Our Board of Directors is a diverse group of thought leaders with extensive experience, each providing a unique business perspective and valuable skills to the company. The Directors have expertise in strategy, management and governance, finance, operations, science and technology, and human resources. Besides our two Executive Directors, including the Chairman of the Board, 8 out of our 10 Directors are Independent Directors, and 2 out of our 10 Directors are women.



The Co-Chairman and Managing Director

Drives the sustainability agenda in the company, pushing for strong action, and has the ultimate responsibility to approve the ESG strategy and goals. He reports to the Board, and drives the review of climate risks and opportunities as part of the business performance review.



The Science, Technology and Operations (STO) Committee

The STO committee of the Board also discusses and reviews key ESG issues, and evaluates climate change-related business opportunities and risks in its review of scientific, medical, and technical operations.



Risk Committee

The Committee identifies and assesses potential environmental and other climate-related risks, and tracks them through the enterprise risk management (ERM) initiative. These are updated to the Board's risk management committee periodically.



*For more information on the Board of Directors, committees, and corporate governance, please refer to Dr. Reddy's Annual Report for FY2020-21.

Governance

ESG Governance

Our Board provides the strategic direction, recommends opportunities, and offers insights for our short, medium, and long-term sustainability objectives and initiatives. Senior leadership at the Management Council level provides direction and reviews performance on our sustainability and business strategies, policies, and Safety, Health, and Environment (SHE) standards. They also help embed sustainability principles into our organizational culture and business activities.

Our Board of Directors meets every quarter to review performance. The Integrated Assurance Forum (IAF) holds quarterly compliance and risk-related reviews. At the business unit (BU) level, SHE Heads meet to discuss and review operational performance and strategy every month. All business units are routinely reviewed on their sustainability performance. The BU site managers present the performance of their respective units based on which the SHE Heads assess concerned areas and provides consultation for improvement.

Business Ethics

Our Code of Business Conduct and Ethics (COBE) applies to the Board of Directors and all employees, regardless of level or position, and lays down the principles that guide our conduct. COBE helps us strengthen our decision-making, build and sustain the trust of our stakeholders, and safeguard our reputation. COBE has been designed to comply with the requirements of Companies Act, 2013, and the Sarbanes-Oxley Act of 2002 and its implementing regulations. It sets expectations for individual employees, their business conduct, and the duties of independent directors, defining our commitments to stakeholders.

We conduct our business as per our Anti-Bribery and Anti-Corruption policies, and all applicable laws. While contracts with our suppliers, contractors, and business partners include adherence to our principles concerning ethics, there is a separate code of conduct required to be followed by our suppliers and service providers.

A safe speak-up culture is encouraged through reporting channels under the Ombudsperson process that include an independent hotline, a web-based reporting site (drreddys.ethicspoint.com), and a dedicated email to the Chief Compliance Officer. 167 concerns were received during the year through various channels of Ombudsperson reporting, and all concerns were investigated and acted upon. Out of these, 65 concerns were substantiated, 48 employees were separated, and a warning was issued to 46 employees. As of 31st March 2021, investigations are in progress on 23 concerns.

Human Rights

Dr. Reddy's is committed to respect human rights throughout the operations. Our human rights policy protects and respects human rights, as set out in the Universal Declaration of Human Rights and the International Labour Organization core conventions. Our human rights approach is steered by the UN Guiding Principles on Business and Human Rights and applies to all our employees, contractors, and suppliers. We embed this into our existing policies, systems, and practices. Our organization is committed to adhere to the International Labour Organization (ILO) Conventions, ILO Code of Practice, Universal Declaration of Human Rights, The International Covenant of Economic, Social, Cultural, Civil and Political Rights, and UN Guiding Principles on Business and Human Rights.



Governance

We have set up a due diligence process to address any human rights impacts that may have been present in our business operations and the value chain. We have identified potential issues which carry human rights risks, and we work continuously to mitigate these risks from our operations and supply chain. The potential issues are child labor, forced labor, discrimination, harassment, collective bargaining, and freedom to associate freely.

We scrutinize all such issues while taking any major business decisions of getting into any association in a joint venture, and in case of any mergers and acquisitions. We conduct a disciplined and regular review of the risk mapping of potential human rights identified during the due diligence process.

Human Rights and Grievance Redressal

In alignment with the UN Guiding Principles on Business and Human Rights, we shall keep exploring opportunities to identify and mitigate risks for our employees, women, children, migrant workers, third party contract labor, indigenous people, local communities, and Tier-1 suppliers. We assess our facilities' related human rights risks using the SA8000 standard and other internal protocols. We ensure to adhere to eight clauses - Child Employee, Forced or Compulsory Employee, Health and Safety, Freedom of Association and Right to Collective Bargaining, Discrimination, Disciplinary Practices, Working Hours and Remuneration of the SA 8000 standard. We have developed a comprehensive SAMP (Social Accountability Management Procedure) in our facilities in line with the requirement of the SA 8000 standard to ensure compliance with the standard.

To access the human rights elements for our suppliers, we conduct external assessments by a third party which includes key indicators such as ethics, labor welfare (child/forced labour, working hours, remuneration, compensation), health and safety, and management systems.

We provide safe working conditions for all, including employees, customers, business partners, and visitors, and encourage them to report any unsafe conditions to the management. We ensure compliance with all applicable local and global laws in the countries of our

operations related to wage, work hours, overtime, and employee benefits.

*For details on policy principles, please refer to our Human Rights policy on Dr. Reddy's website.

Risk Management

Our enterprise-wide risk management (ERM) function operates with the objective of proactively identifying risks, facilitating discussions around risk prioritization and mitigation, providing a framework to assess appetite, and providing an analysis of residual risk. Risks are aggregated at the unit, function, and organization levels, and are categorized by risk groups. Key risks and their mitigations are discussed with the senior management, as well as at the Risk Management Committee of the Board of Directors on a periodic basis. The ERM function helps the management and the Board to prioritize, review and measure business risks and their suitable response, depending on whether such risks are internal, strategic, or external.

Risk Governance

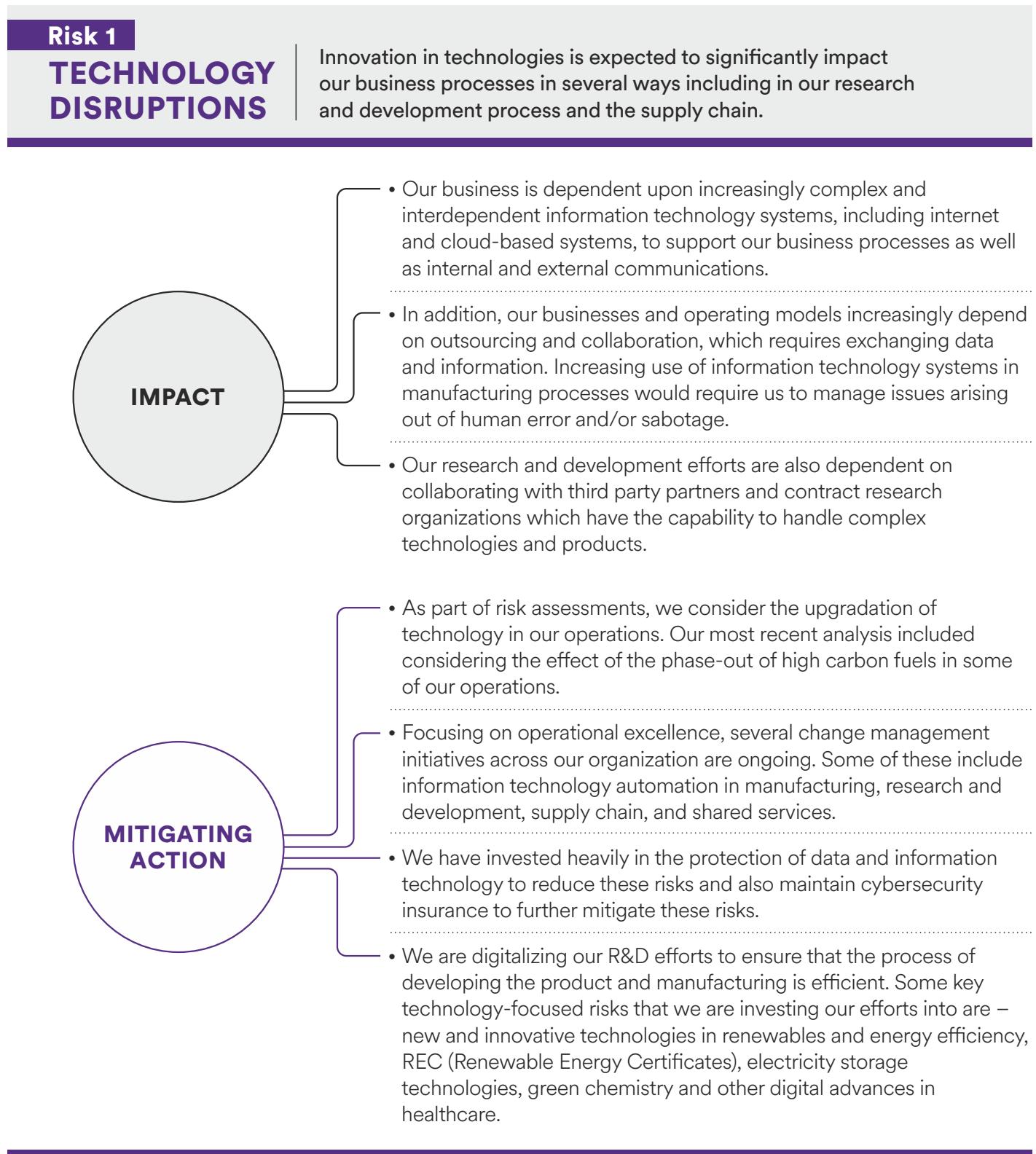
Our CFO officiates as the Secretary of the Risk Management Committee, reporting collectively to the Board of Directors. The Risk Management Committee oversees and reviews the risk management framework and the assessment of risks, their management, and mitigation procedures. The committee reports to the Board. It reviews strategic, business, compliance, and operational risks and their mitigation. Our Chief Compliance Officer (CCO) is responsible for overseeing Dr. Reddy's compliance processes and ensuring that this code is communicated to and understood by all employees. Our Chief Internal Auditor leads the global internal audit function, with the primary objective of enhancing and protecting Corporate Governance.

Our internal audit team is an independent assurance and advisory function responsible for evaluating the effectiveness of risk management, controls, and governance processes. The internal audit team helps to enhance and protect organizational value by providing objective assurance and oversight. The team prepares annual risk-based audit plans and conducts extensive reviews covering financial, operational, and compliance controls.

Governance

Emerging Risks

We have prepared a risk impact matrix on safety, water, environment, business interruption and grouped them based on their risk severity - minor, moderate, major, severe, and catastrophic. We have identified two key emerging risks that we believe will have the most significant impact on our business in the next 3-to-5 years:

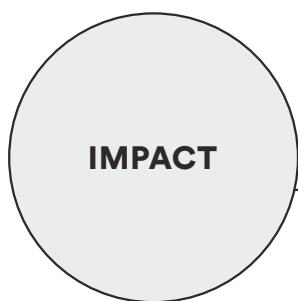


Governance

Risk 2

CLIMATE-RELATED RISKS

We have performed a detailed risk analysis using recommendations from the Task Force on Climate-related Financial Disclosures (*TCFD) and identified major physical risks for our business.



- Climate change is causing a rise in sea level that increases the risk of flooding around India's coastline and threatens people, ecosystems, and infrastructure directly, also magnifying the impacts of coastal storms. Six of our facilities are in Visakhapatnam, one of the 12 Indian coastal cities highlighted by the IPCC as 'code red'. A significant number of our manufacturing facilities are situated around Hyderabad and Visakhapatnam, regions that have experienced earthquakes, floods, and droughts in the past.
- Acute physical risks to our operations would cause logistical disruptions to damage the property and assets, impacting our revenues due to business disruption, increased costs due to repairs or restoring damaged locations, etc. The mitigation measures could have a long-term financial impact on inventory and insurance costs for the organization. The physical risks could also significantly impact all our stakeholders' perceptions.



- We have assessed the risk for each location using available global models and are in the process of implementing location-specific responsive mitigation plans.
- We plan to continue conducting detailed quantitative, sensitive analyses of emerging risks, including climate change and water.

*The Financial Stability Board (an international body that monitors and makes recommendations about the global financial system) formed the TCFD in 2015 to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the financial system's exposures to climate-related risks.

Governance

Third-party Risk Management

We conduct supplier risk assessments to ensure the sustainability and stability of our suppliers. Our supplier risk assessment framework is aligned to PSCI (Pharmaceutical Supply Chain Initiative) Principles, covers organizational and supplier sustainability risks, and is carried out by an independent external agency that includes a physical inspection of the selected supplier.

All critical suppliers contributing to 80% of the revenue are reassessed at a fixed frequency depending on the type of category (APIs, Excipients, Packaging). The frequency of assessment is once every two years for APIs/Excipients, three years for primary packaging, and four years for secondary packaging.

All critical business partners contributing to 80% of the sales value must undergo assessment and reassessment at a fixed frequency depending on the sourcing category. A supplier may be classified as high risk depending on their sustainability, and/or the severity of observations during on-site quality audits.

They are categorized as high, medium, and low risk based on their assessment score. This helps us prioritize our efforts and support the suppliers in making improvement plans. If through such audits, red flag issues (e.g., compliance, health, safety, systems, etc.) are identified, the results are communicated to Dr. Reddy's sourcing team and the sourcing team further carries out the site visits.

Based on an ESG audit ranking of 99 suppliers assessed, no supplier has been tagged to the high-risk category from FY2018 to FY2021.

Pharmacovigilance

As a part of our commitment to patient safety and well-being, our pharmacovigilance standards are in line with globally recognized safety benchmarks such as the International Conference on Harmonization (ICH) guidelines and we maintain compliance with region/country-specific legislative requirements.

Through the pharmacovigilance process, we continuously monitor the benefit-risk profile of our products to ensure continued benefit to our patients and the minimization of product-related safety risks.

With a focus on the sustainability pillar of continuous improvement, we have implemented a new software system to identify and evaluate potential safety signals. The move to digitalization will enhance our safety surveillance and risk management activities, and facilitate proactive safety decision-making.



Our Credentials

Several global and national organizations including ESG rating agencies, research analysts, and disclosure and standards organizations evaluate our work through in-depth analysis of our sustainability efforts. These include reviews of our publicly available documents, and independent quantitative and qualitative assessments, often involving discussions with our management and employees. We welcome their feedback on our ESG performance and appreciate any positive recognition of our work.

Memberships and Publications

India CEO Forum on Climate Change

Became a signatory and pledged to be carbon neutral through nine mitigation measures

PSCI (Pharmaceutical Supply Chain Initiative)

Became a full member of PSCI

TCFD (Task Force on Climate-related Financial Disclosures)

Released our TCFD Report

SBTi (Science Based Targets initiative)

First Indian pharmaceutical company to have approved science based GHG emissions reduction targets

CDP's 2020 Supplier Engagement Rating (SER) Leaderboard

Joined CDP's SER, which evaluates corporate supply chain engagement on climate issues

World Benchmarking Alliance's SDG2000 list

Recognized for our progress and capabilities towards meeting the UN Sustainable Development Goals, one of 37 pharma companies globally on the list.



Our Credentials

Positioning and Benchmarking

DJSI (Dow Jones Sustainability Indices)

Ranked 10th globally, retaining our position in the Emerging Markets Index for the 5th consecutive year

CDP (Carbon Disclosure Project)

- Climate Change 2021 rating: B
- Water Security 2020 rating: A- (Leadership rating)
- Supply Chain 2021 rating: A (Leadership rating)

CRISIL's ESG Score

Ranked number 1 in pharmaceuticals

Macquarie ESG Analytics

Placed in the top quartile (Q1) for global healthcare, with the highest sustainability score for India healthcare

Argüden Governance Academy's Sustainability Governance Scorecard

Placed in tier 1 for sustainability governance, in top 3 performers from India and top 4 performers in pharmaceuticals

Ambit Capital ESG Score

Ranked 9th in NSE top 100 and the only pharma company in the top 10

ET Edge-Futurescape Responsible Business Rankings

Featured in the 7th edition of the Responsible Business Rankings 2020

Bloomberg Gender-Equality Index

Featured in the global list for the 4th year in a row

FTSE4Good Index

Remained a constituent of the index series measuring strong ESG practices against globally recognized standards, a market-leading sustainability tool for investors to benchmark their investment performance

S&P BSE 100 ESG Index

Remained a constituent of the index highlighting BSE 100 companies with strong ESG scores based on the S&P Global Corporate Sustainability Assessment

S&P BSE Carbonex

Remained a constituent of India's first carbon-based thematic index rating BSE 100 companies on their relative carbon emission levels, efficiency, and policies

S&P BSE Greenex

Remained a constituent of India's first carbon-efficient live index, tracking the GHG emissions of the top 25 green companies in BSE 100

NIFTY100 ESG Index

Remained a constituent of the index measuring performance of NIFTY 100 companies with strong ESG scores based on Sustainalytics' analytics

NIFTY100 Enhanced ESG Index

Remained a constituent of the index measuring performance of NIFTY 100 companies with an ESG score of at least 50% based on Sustainalytics' analysis

NIFTY100 ESG Sector Leaders

Remained a constituent of the index that highlights select NIFTY 100 companies from each sector with superior ESG risk management

Our Credentials

Awards and Recognition

CPhI Pharma Awards 2020

Winner, Excellence in Pharma: Sustainability

15th CII-ITC Sustainability Awards 2020

Commendation for significant achievement in Corporate Excellence

CMO Leadership Awards 2020

Dr. Reddy's Custom Pharma Services recognized by Life Science Leader in 6 categories: Capabilities, Compatibility, Expertise, Quality, Reliability and Service

2020 North American CandE Awards

North America HR team awarded at the 2020 Global Candidate Experience (CandE) awards

UN Women 2020 WEPs (Women's Empowerment Principles) Awards

Won the 1st runner-up position in the Leadership Commitment category (Individual)

CII SCALE (Supply Chain And Logistics Excellence) Award 2020

Won the award for the 6th consecutive year

Global Generics & Biosimilars Awards 2020

API Supplier of the Year award for the 2nd consecutive year

28th Inflection Pharma Supply Chain & Cold Chain e-Expo & Awards

Best Supply Chain Team of the Year award for the 2nd consecutive year

SEEM National Energy Management Awards 2020

Won the gold award in pharma for our formulations manufacturing plant FTO SEZ in Visakhapatnam, Andhra Pradesh



About This Report

This is our 16th annual sustainability report since we began reporting on our triple bottom line performance in 2004. The report looks closely at our sustainability priorities and performance and how we create long-term sustainable value for our stakeholders through our business activities and investments. Continuing to report on our strategic theme 'Transforming for a sustainable future', this year we share how we are transforming our people, products, and processes to deepen our sustainability impact and lead on environmental, social, and governance (ESG) performance.

The data in this report covers all our worldwide product manufacturing operations and R&D facilities, and includes all ingredient sourcing, patient management, product packaging, and warehousing facilities. All data presented is for the reporting period FY2021 (1st April 2020 to 31st March 2021), unless otherwise specified, and no change has been made with respect to the previous reporting periods in the list of material topics and topic boundaries.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and serves as our annual United Nations Global Compact Communication on Progress. We also map our initiatives with the UN Sustainable Development Goals (SDGs).

We have restated our GHG emissions data for the reporting period FY2020, in line with our inventory methodology. No other restatements of information

disclosed in previous years, including the most recent report published in FY2020, have been made in this report.

DNV has provided independent external review and assurance on the sustainability data provided in this report. The detailed assurance statement can be found on page 70-76.

The report is guided by priority sustainability topics identified through our comprehensive stakeholder engagement and materiality assessment. It is intended to provide transparent and effective communications to investors and other audiences interested in our ESG outlook, impact, and performance.



We invite your feedback on this report

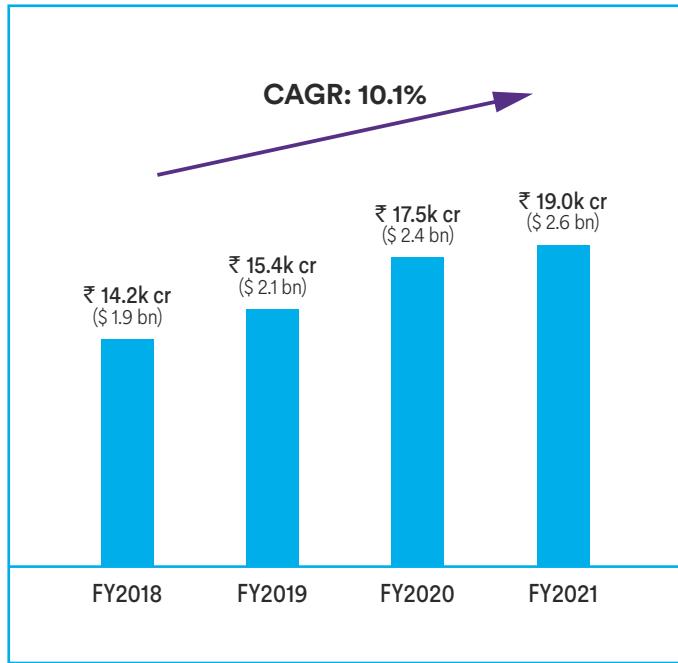
You may write to

Thakur Pherwani,
Global Head SHE & Sustainability,
at **tpherwani@drreddys.com**
with your comments or questions.

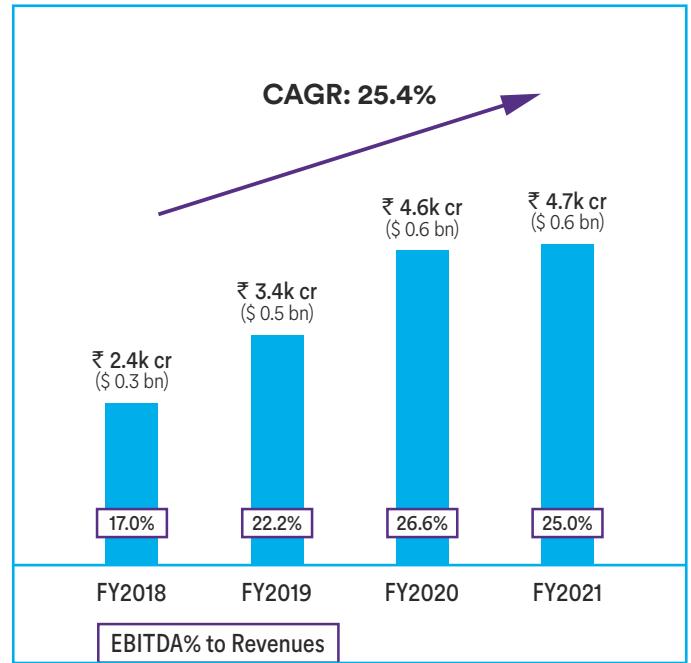
Appendix

Economic Indicators

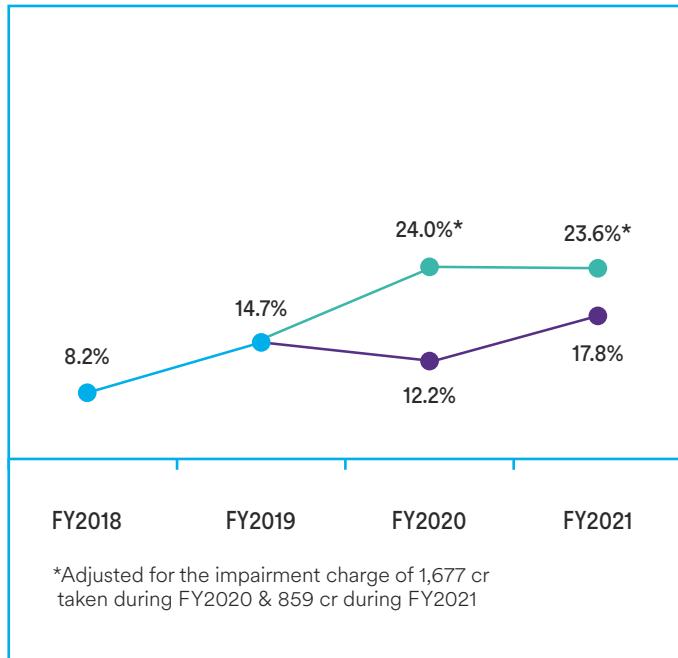
Revenues



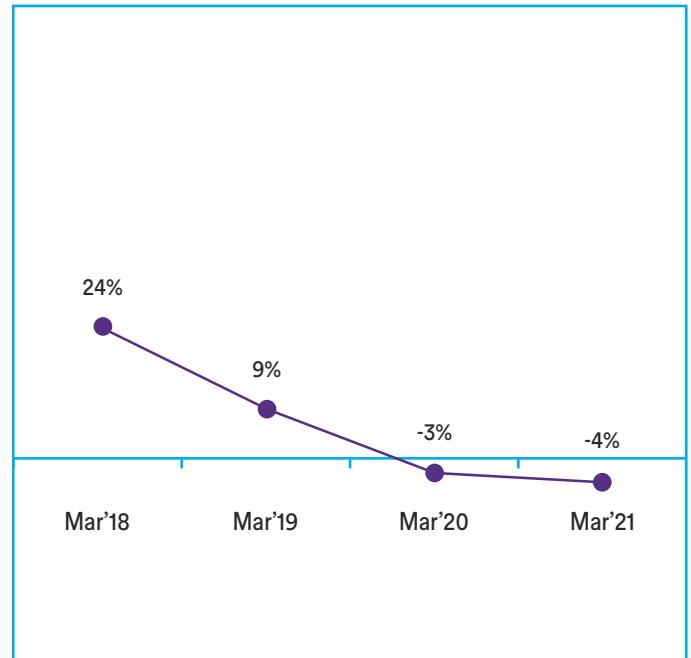
EBITDA



Return on Capital Employed



Net Debt/Equity



Appendix

Environmental Indicators

ENERGY AND EMISSIONS

Energy intensity

Year	Energy Intensity (GJ/INR million of revenue)
FY2018	32.68
FY2019	30.06
FY2020	25.47
FY2021	24.43

GHG emissions intensity

Year	GHG Emissions Intensity (tCO ₂ e/INR million of revenue)
FY2018	3.83
FY2019	3.52
FY2020	2.90
FY2021	2.78

GHG emissions

GHG Emissions (in tCO ₂ e)	FY2018	FY2019	FY2020*	FY2021
Total Scope 1 emissions	349,108	364,283	330,207	349,974
Total Scope 2 emissions	195,287	176,480	176,277	177,457
Total Scope 3 emissions	345,407	331,501	324,723	471,580

Energy consumption

Energy consumption (in GJ)	FY2018	FY2019	FY2020*	FY2021
Fuel consumption - Non-renewable sources	3,222,184	3,318,534	3,109,030	3,314,309
Fuel consumption - Renewable sources	369,659	356,986	403,746	390,305
Direct energy consumption (GJ)	3,408,424	3,501,260	3,265,443	3,413,482
Indirect energy consumption (GJ)	1,232,775	1,122,810	1,181,982	1,221,136

*The Energy & Emission management data in the table above (regarding FY2020) differs from our FY2020 publicly reported figures as recalculated with all exclusions which were declared earlier and in line with our inventory methodology

Other air emissions from processes

Air Quality (MT)	FY2018	FY2019	FY2020	FY2021
Sulfur Oxides (SOx)	440	380	289	364
Nitrogen Oxides (NOx)	251	217	151	169
Suspended Particulate Matter (SPM)	163	133	97	117

*The data reported is from the monitoring report by a certified third party, NABL (National Accreditation Board for Testing and Calibration)

Appendix

WATER

Water intensity

(kl/INR million of revenue)

Year	Water Intensity
FY2018	11.8
FY2019	11.6
FY2020	10.1
FY2021	9.6

Water withdrawal

(in kl)

Water withdrawal by source	FY2018	FY2019	FY2020	FY2021
Municipal water supply	288,758	272,693	391,288	666,106
Other third-party supply	695,454	656,042	452,727	175,470
Groundwater	691,080	788,825	917,407	979,080
Total water withdrawal	1,675,292	1,717,560	1,761,422	*1,820,656

*Total water withdrawal from water stressed areas is 673,388 kl (municipal water - 303,920 kl; other third-party water - 175,470 kl, and groundwater - 193,998 kl).

Note: Total water consumption in FY2021 was 1,775,831 kl.

MATERIAL MANAGEMENT

Raw material consumption (API and excipients)

(in kg)

(in kg)

Year	API
FY2018	507,314
FY2019	479,892
FY2020	478,260
FY2021	566,650

Year	Excipients
FY2018	6,289,306
FY2019	4,257,859
FY2020	4,454,464
FY2021	4,922,463

Appendix

WASTE

Total global hazardous waste generated

(in MT)

Hazardous waste	Quantity disposed
Landfill	53.3
Incineration	254.6
Co-Processing and Recycling	23,909.6
Total hazardous waste	24,217.5

Hazardous waste intensity

(kg/INR million)

Year	Hazardous Waste Intensity to revenue
FY2018	16,690
FY2019	15,120
FY2020	14,520
FY2021	12,765

Social Indicators

EMPLOYEES

Total employees (FY2021)

Employee Category	<30 years		30-50 years		>50 years		Total
	Female	Male	Female	Male	Female	Male	
Junior Management	45	105	508	3,073	62	149	3,942
Middle Management	1	2	181	947	42	168	1,341
Non-management	1,240	5,173	1,555	8,049	150	462	16,629
Senior Management	0	0	16	116	12	81	225
Contractual	30	303	45	215	1	8	602
Total	1,316	5,583	2,305	12,400	267	868	22,739

Appendix

Employee turnover (FY2021)

Employee Category	<30 years		30-50 years		>50 years		Total
	Female	Male	Female	Male	Female	Male	
Junior Management	2	50	3	26	1	2	84
Middle Management	10	15	105	493	14	23	660
Non-management	1	0	19	121	4	25	170
Senior Management	186	1,217	222	1,151	12	177	2,965
Contractual	0	0	1	16	3	20	40
Total	199	1,282	350	1,807	34	247	3,919

*3% reduction in employee turnover rate as compared to FY2020 (employee turnover rate was 17.5%, and voluntary employee turnover was 11%)

Employee hired (FY2021)

Employee Category	<30 years		30-50 years		>50 years		Total
	Female	Male	Female	Male	Female	Male	
Junior Management	17	326	6	210	2	7	568
Middle Management	22	38	76	229	3	10	378
Non-management	0	1	14	118	1	7	141
Senior Management	227	1,626	190	602	17	8	2,670
Contractual	0	0	3	18	0	8	29
Total	266	1,991	289	1,177	23	40	3,786

Employees hired by nationality

Employees	FY2020	FY2021
Indian	3,290	3,231
Non-Indian	718	555

Employees hired by educational background

Employees	FY2020	FY2021
Pharma base	1,410	2,269
Non-pharma base	2,598	1,517

*New employees hired in FY2021: 3,786 and 41% of open positions filled by internal candidates.

Appendix

Parental leaves for employees (FY2021)

Parental leave overview	Male	Female
Number of employees eligible for parental leave	18,851	3,888
Number of employees who availed parental leave	1,434	1,042
Number of employees who returned to work after completion of parental leave	1,434	1,042
Number of employees who returned to work after parental leave ended and were still employed twelve months after their return to work	1,301	987

*100% of our employees (male and female) returned to Dr. Reddy's after taking parental leave.

Safety performance

Type of incident	FY2017	FY2018	FY2019	FY2020	FY2021
Fatalities	0	1	1	0	0
Lost Time Injury Frequency Rate (LTIFR)	0.2	0.23	0.15	0.18	0.18
Occupational Illness Frequency Rate (OIFR) - Employees	0	0	0	0	0

*We had zero fatalities and Occupational Illness Frequency Rate (OIFR) in FY2021.

COMMUNITY

School Improvement Programme (SIP) reach (FY2021)

States	Type	Number of schools	Number of Boys	Number of Girls	Total
Andhra Pradesh	ITDA	99	9,796	12,092	21,888
	Plain Area	101	16,608	16,538	33,146
Telangana	Plain Area	29	5,284	6,225	11,509
Total		229	31,688	34,855	66,543

GRI Content Index

GRI Standard	Disclosure Number and Title	Reference
GENERAL DISCLOSURES		
Organizational Profile		
GRI 102: General Disclosures 2016	102-1 Name of the organization	Dr. Reddy's Laboratories Ltd.
	102-2 Activities, brands, products, and services	Page 05, 06, 26, 27
	102-3 Location of headquarters	Annual Report FY2021, page 6-7
	102-4 Location of operations	Annual Report FY2021, page 6
	102-5 Ownership and legal form	Annual Report FY2021, page 85-86
	102-6 Markets served	Annual Report FY2021, page 6-7
	102-7 Scale of the organization	Page 6 Annual Report FY2021, page 41-51
	102-8 Information on employees and other workers	Page 33-35
	102-9 Supply chain	Pages 23, 24
	102-10 Significant changes to the organization and its supply chain	Page 24
	102-11 Precautionary principle or approach	Page 48-51
	102-12 External initiatives	Page 52-54
	102-13 Membership of associations	Page 12
	102-14 Statement from senior decision-maker	Page 1
	102-15 Key impacts, risks, and opportunities	Page 48-51
	102-16 Values, principles, standards, and norms of behaviour	Annual Report FY2021, page 2-3
	102-17 Mechanisms for advice and concerns about ethics	Annual Report FY2021, page 60
	102-18 Governance structure	Page 46
	102-40 List of stakeholder groups	Page 9-11
	102-41 Collective bargaining agreements	Page 48
	102-42 Identifying and selecting stakeholders	Page 9-11
	102-43 Approach to stakeholder engagement	Page 9
	102-44 Key topics and concerns raised	Page 9
	102-45 Entities included in the consolidated financial statements	Annual Report FY2021, page 85
	102-46 Defining report content and topic boundaries	Page 55
	102-47 List of material topics	Page 12, 13
	102-48 Restatements of information	Page 55
	102-49 Changes in reporting	Page 55

GRI Content Index

GRI Standard	Disclosure Number and Title	Reference
GRI 102: General Disclosures 2016	102-50 Reporting period	Page 55
	102-51 Date of most recent report	Page 55
	102-52 Reporting cycle	Page 55
	102-53 Contact point for questions regarding the report	Page 55
	102-54 Claims of reporting in accordance with the GRI Standards	Page 55
	102-55 GRI content index	Page 62-65
	102-56 External assurance	Page 55

TOPIC SPECIFIC DISCLOSURES

Access & Affordability (including Patient Care)

GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 25 Page 26 Page 26
Non-GRI	Pharmacovigilance & Operational excellence	Page 51
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 51 Page 51 Page 51
Non-GRI	Affordable and Innovative medicine	Page 25-29

Employees

GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 33 Page 33 Page 34
GRI 401: Employment 2016	401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave	Page 59-61 Page 33, 34, 35 Page 34, 60
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities	Page 39, 61

GRI Content Index

GRI Standard	Disclosure Number and Title	Reference
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 37
	404-2 programmes for upgrading employee skills and transition assistance programmes	Annual Report FY2021, page 119
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 35
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Annual Report FY2021, page 36
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 48
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Page 33
Third-party Risk Management		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	Page 48, 49
	103-2 The management approach and its components	Page 49
	103-3 Evaluation of the management approach	Page 49
GRI 204: Procurement Practices 2018	204-1 Proportion of spending on local suppliers	Annual Report FY2021, page 36
Community		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 40
	103-2 The management approach and its components	Page 40
	103-3 Evaluation of the management approach	Page 40
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	Page 41-45
	413-2 Operations with significant actual and potential negative impacts on local communities	Page 40

GRI Content Index

GRI Standard	Disclosure Number and Title	Reference
Environment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 14 Page 14 Page 15
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 14
GRI 302: Energy 2016	302-1 Energy consumption within the organization 302-3 Energy intensity 302-4 Reduction of energy consumption	Page 16, 57 Page 16, 57 Page 15, 57
GRI 303: Water and Effluents 2018	303-1 Water withdrawal by source 303-3 Water recycled and reused	Page 58 Page 17
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-4 GHG emissions intensity 305-5 Reduction of GHG emissions 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Page 08, 16, 57 Page 16, 57 Page 16, 57 Page 57 Page 57 Page 57
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination 306-2 Waste by type and disposal method	Page 20 Page 59
Others		
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption 205-3 Confirmed incidents of corruption and actions taken	Page 47 Page 47
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 6 Annual Report FY2021, page 41-51

GHG Quantification Methodology

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

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

SCOPE 1

For calculating scope 1 emissions, we have included data pertaining to three categories:

1. Fugitive emissions from refrigerants

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

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

2. Stationary combustion

The key fuel sources considered for arriving at the activity data are furnace oil, coal, HSD, Bagasse briquettes consumption, CNG and LPG. To quantify emissions, the relevant guidelines from Department for Environment, Food and Rural Affairs (DEFRA, 2021) have been referenced for emission factors.

Exclusions: Units of measurement (UoM) other than weight and volume for which conversion rates are not available are excluded or show error in the calculations.

3. Wastewater

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

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

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

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

GHG Quantification Methodology

SCOPE 2

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

Table 1: Scope 2 emission factors

Country	Grid Average EF	UoM	Reference Source
India	0.705	tCO ₂ -e/MWh	International Energy Agency (IEA), 2018
UK	0.2556		DEFRA, 2021
Mexico	0.505		Mexico Ambiente
USA	0.4322		United States Environmental Protection Agency (EPA) 2020, "Emissions & Generation Resource Integrated Database (eGRID), 2018."
Netherlands	0.077		Ministry of Economic Affairs and Climate Netherlands, Connekt network, Milieu Centraal, The Foundation for Climate Friendly Procurement and Business (SKAO), Stimular

SCOPE 3

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

1. Purchased goods and services

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

The average density of products is taken as 0.8 kg/L after a review of major products whose quantity is measured in volume. The emission factors have been sourced from the below mentioned guidelines:

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

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

- Emission source unit on monetary basis for each raw material (producer price basis)
- Carbon Footprint Communications programme Basic Database, Ver. 1.01 (Domestic Data)
- Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain, Ver. 2.0

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

Exclusions: UoM other than weight and volume for which conversion rates are not available are excluded.

GHG Quantification Methodology

2. Capital goods

This category encompasses manufactured capital goods and equipment purchased, which includes blowers, filters, Air Handling Units (AHU), pipes and sensors, among others. Due to unavailability of specific emission factors for each product type, spend-based method is used. The emission factors are sourced from the database of Japan's Ministry of Environment based on the relevant industry-related table (as detailed under subpoint 1. purchased goods and services).

3. Fuel and energy related activities

We have used the DEFRA, 2019 guidelines for emission factors to account for the upstream emissions related to fuel and electricity consumption. These upstream activities comprise of extraction, refining and transportation of fuel consumed by us and extraction, refining and transportation of fuel used for generation of Electricity consumed by us.

4. Purchased goods and services

- Domestic inbound:** The mode of transportation is majorly by road. The average density of products is taken as 0.8 kg/l after review of major products whose quantity is measured in volume.
- International inbound:** The mode of transportation is by air and sea.
- When calculating the distance between the source and the destination an additional road transit distance is calculated to account for transport related emissions from Port of Clearance (POC) to Plant Location (PL). For each shipment via air/sea, where Plant Location (PL) is not recorded an additional 500 Kms (avg.) of road travel is added to account for transport related emissions from Port of Clearance (POC) to Plant Location (PL).

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

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

5. Waste generated in operations

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

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

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

6. Business travel

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

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

GHG Quantification Methodology

7. Employee commute

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

The ratio of employees using 2-wheelers and 4-wheelers for personal commute is taken as 1:1 for overseas locations. The assumptions, proportions and emission calculations does not consider the difference in technology and preferred mode of transportation between Indian and overseas locations. The emissions from non-fuel transport is assumed to be zero. Since vehicle pass data and company transport data is not available for overseas locations, the proportion of overseas employees using a particular mode of transport is assumed to be similar to India.

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

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

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

8. Downstream transportation and distribution

- **Domestic outbound:** Activity data under this category includes the transport required for shipping the products from the plant to consumers by air/road within India. For each shipment via air, an additional road travel distance of 100 km is added to account for transport-related emissions from our plant to the airport and from destination airport to the respective distributor/customer's location
- **International outbound:** Activity data under this category includes the transport required for shipping the products from the plant to the consumers by air/sea to overseas locations. The nearest seaport is taken as Chennai or Mumbai JNPT as per the business unit's location and the road transit distance is calculated accordingly. For each shipment via air/sea an additional road distance of 100 Kms (avg.) is added to account for transport related emissions from destination airport to customer location.

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

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

Independent Assurance Statement



Independent Assurance Statement

Introduction

DNV represented by DNV Business Assurance India Private Limited ('DNV'), has been commissioned by Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the Company', Corporate Identity Number (CIN) L85195TG1984PLC004507) to undertake an independent assurance of the Company's Sustainability Report 2020-21 including references to the Annual Report 2020-21 in its printed format ('the Report') for the financial year ending 31st March 2021. The sustainability disclosures in this Report have been prepared based on the material topics identified by the Company and related performance disclosures based on the Global Reporting Initiative ('GRI') Sustainability Reporting Standards ('GRI Standards') and its Core option of reporting. The intended user of this assurance statement is the Management of Dr. Reddy's ('the Management'). Our assurance engagement was planned and carried out during May 2021 – January 2022.

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

The Management of the Company has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report as well as the processes for collecting, analyzing and reporting the information presented in the printed Report. Dr. Reddy's is also responsible for ensuring the maintenance and integrity of its website and referenced disclosures on sustainability performance. In performing this assurance work, DNV's responsibility is to the Management of the Company; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of Dr. Reddy's.

We provide a range of other services to the Company, none of which in our opinion, constitute a conflict of interest with this assurance work. Our assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith and are free from misstatements.

Scope, Boundary and Limitations

The reporting scope and boundary encompasses economic, social and governance performance of Dr. Reddy's operations where the company exercises operational control (product manufacturing operations and research and development facilities) located in India, the United Kingdom, Mexico, the Netherlands, and the United States of America, and is as brought out in the Report in the section '*About the Report*' for the activities undertaken by the Company during the financial year 1st April 2020 – 31st March 2021. The boundary excludes the performance of subsidiaries and joint ventures, which are primarily related to marketing activities.

We performed a limited level of assurance based on our assurance methodology VeriSustain^{TM1}. The assurance engagement considers an uncertainty of ±5% based on materiality threshold for estimation/measurement errors and omissions. We did not engage with any external stakeholders as part of this assurance engagement.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. However, during the assurance process, primary data could not be accessed during the remote verification in a few cases due to limitations and restrictions related to the COVID-19 pandemic. Secondary data has been reviewed in these cases, except where disclosures have been considered to be confidential in nature. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) activities, and other financial data are based on audited financial statements issued by the Company's statutory auditors which is subject to a separate audit process. We were not involved in the review of financial information within the Report.

¹ The VeriSustain protocol is based on the principles of various assurance standards including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the GRI Principles for Defining Report Content and Quality, international best practices in verification and our professional experience; and is available on request from www.dnv.com

Independent Assurance Statement



Basis of our Opinion

As part of the assurance process, a multi-disciplinary team of sustainability specialists performed assurance work for selected sample sites of Dr. Reddy's. We adopted a risk-based approach, that is, we concentrated our assurance efforts on the issues of high material relevance to the Company's business and its key stakeholders. Due to the COVID-19 pandemic and associated travel restrictions, we undertook remote audits with sampled operations and the Company's Corporate Office in Hyderabad, India in line with DNV's remote assessment methodology. We carried out the following activities:

- Reviewed the approach to stakeholder engagement and materiality determination process and its outcomes as brought out in the Report.
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support topics disclosed in the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives.
- Site visit at Integrated Product Development Organisation (IPDO) in Bachupally and remote verification at sample Chemical Technical Operations (CTOs), Formulations Technical Operations (FTOs), IPDO and Research and Development (R&D) Centres, that is, FTO-2 in Bachupally, FTO-6 and FTO-8 in Baddi, CTO-5 at Peddadevulapally, in India, the manufacturing unit at Middleburgh, USA, and the R&D Centre in Cambridge, United Kingdom, to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting our assessments on the basis of their materiality.
- Reviewed the process of reporting on Organizational Profile, Strategy, Ethics and Integrity, Governance, Stakeholder Engagement and Reporting Practices based on GRI Standard 102: General Disclosures 2016.
- Reviewed the performance disclosure of identified material topics and related GRI Standards; that is, carried out an assessment of the processes for gathering and consolidating performance data related to identified material topics and, for a sample, checked the processes of data consolidation to assess the Reliability and Accuracy of performance disclosures reported based on GRI's Topic-specific Standards.
- Verification of the data consolidation of reported performance disclosures in context to the Principle of Completeness as per VeriSustain for a limited level of verification.
- An independent assessment of the Report against the requirements of the GRI Standards: Core option of reporting.

Opinion and Observations

Based on the verification undertaken, nothing has come to our attention to suggest that the Report together with referenced information does not properly describe Dr. Reddy's Laboratories Limited's adherence to the GRI Standards: Core option of reporting, including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and the disclosures related to the following GRI Standards:

- GRI 201: Economic Performance 2016 – 201-1;
- GRI 204: Procurement Practices 2016 – 204-1;
- GRI 205: Anti-Corruption 2016 – 205-1, 205-3;
- GRI 301: Materials 2016 – 301-1;
- GRI 302: Energy 2016 – 302-1, 302-3, 302-4;
- GRI 303: Water 2016 – 303-1, 303-3;
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-3*, 305-4, 305-5, 305-7;
- GRI 306: Effluents and Waste 2016 – 306-1, 306-2;
- GRI 401: Employment 2016 – 401-1, 401-2, 401-3;
- GRI 403: Occupational Health and Safety 2016 – 403-2;
- GRI 404: Training and Education 2016 – 404-1, 404-2, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 406: Non-discrimination 2016- 406-1;
- GRI 407: Freedom of Association and Collective Bargaining – 407-1;
- GRI 413: Local Communities 2016 – 413-1, 413-2.

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

Independent Assurance Statement



Observations

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

Materiality

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

The Report presents the materiality assessment process carried out by the Company which included a re-engagement of key stakeholders and reassessment of its key issues towards long-term value creation and determination of strategic focus areas for its business. The process has considered the GRI Standards, Sustainability Accounting Standards Board Materiality (SASB) standards and topics identified by peers, as well as the expectations of internal and external stakeholders.

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

Stakeholder Inclusiveness

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

The Report brings out Dr. Reddy's ongoing processes and modes to effectively engage with its identified stakeholder groups, that is, investors and stakeholders, patients, customers and healthcare professionals, suppliers and business partners, employees, communities and non-governmental organisations, policy makers, and industry alliances, in the section 'Stakeholders Engagement & Materiality' of the Report. The key topics of interest which have come out of these engagement mechanisms are brought out within the Report.

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

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out the process through which internal and external stakeholders are engaged to understand their key expectations, and to gain inputs towards prioritizing the Company's actions, procedures and strategies, guiding ESG reviews with the Board. The Report articulates the policies, strategies and management systems including key performance indicators for the identified material topics using selected GRI Standards.

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

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The Company has developed bespoke systems to capture and report its performance related to identified material topics across its reporting boundary. The majority of data and information verified through our remote assessments with Dr. Reddy's management teams and data owners at the Corporate Office and sampled sites were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors. These data inaccuracies have been communicated for correction and the related disclosures were reviewed for correctness.

Nothing has come to our attention to believe that the Report does not meet the principle of Reliability and Accuracy.

Completeness

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

The Report brings out the Company's performance related to the economic, social and governance topics it has identified as material for the reporting period 2020-21, and covering its boundary of operations across India, the UK, the USA, Mexico and the Netherlands over which it has operational control, and considering the Principle of Completeness as defined in GRI 101: Foundation 2016.

Nothing has come to our attention to suggest that the Report does not meet the Principle of Completeness with respect to scope, boundary and time.

Independent Assurance Statement



Neutrality

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

The Report brings out disclosures related to Dr. Reddy's performance including key concerns and challenges faced during the reporting period in a neutral tone in terms of content and presentation, while considering the overall macroeconomic environment.

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

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV Code of Conduct² during the assurance engagement and maintain independence as required by relevant ethical requirements relevant ethical requirements including the ISAE 3000 (Revised) Code of Ethics. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement and Management Report. DNV maintains complete impartiality toward stakeholders interviewed during the assurance process.

For DNV Business Assurance India Private Limited

Lankalapalli, Bhargav  Digitally signed by Lankalapalli, Bhargav Date: 2022.01.25 12:03:15 +05'30' Bhargav Lankalapalli Lead Verifier DNV Business Assurance India Private Limited, India	Radhakrishnan, Kiran  Digitally signed by Radhakrishnan, Kiran Date: 2022.01.25 11:50:11 +05'30' Kiran Radhakrishnan Technical Reviewer DNV Business Assurance India Private Limited, India
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25th January 2022, Mumbai, India.

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

² The DNV Code of Conduct is available on request from www.dnv.com

Independent Assurance Statement



INDEPENDENT GREENHOUSE GAS VERIFICATION STATEMENT

Introduction

DNV Business Assurance India Private Limited ('DNV') has been commissioned by the management of Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the Company', Corporate Identity Number L85195TG1984PLC004507) to carry out a verification of its Greenhouse Gas ('GHG') assertions, which shall form part of its non-financial disclosures under the sections '*Environment*' and '*Appendix: Environmental Indicators*' of its Sustainability Report 2020-21. Our verification engagement has been carried out in accordance with DNV's assurance methodology VeriSustain™¹ by a team of qualified sustainability and GHG assessors during May 2021 – January 2022.

The Company uses the World Business Council for Sustainable Development's (WBCSD's) and World Resources Institute's GHG Protocol, Intergovernmental Panel on Climate Change's Emission Factors, GRI 305: Emissions 2016 and ISO14064-1 to arrive at its GHG emissions data, and adopts 'operational control' as a consolidation approach.

Scope, Boundary and Limitations of Verification

The scope of work agreed includes the following:

- The verification of GHG (Scope 1, Scope 2 and Scope 3) emissions covering the period 1st April 2020 to 31st March 2021.
- Verification of emissions from the Company's operations in India, Mexico, the Netherlands, United Kingdom (UK) and the United States of America (USA) comprising of:
 - a) Scope 1 emissions due to burning of fossil fuels, fugitive emissions and biogenic emissions; such as a) Coal consumption b) Diesel generators, c) furnace oil used in boilers, d) fuel consumed company owned vehicles, e) CO₂ release due to use of fire extinguishers and f) Fugitive emissions released due to refrigerants releases from air conditioners, chillers and other cooling equipment's; g) Fugitive emissions from Wastewater treatment; h) Liquified petroleum gas for boiler operations etc.; i) Biogenic emissions from combustion of biofuels and/or biomass feedstocks - Stationary Combustion - Bagasse Briquette
 - Scope 2 emissions due to purchased grid electricity from respective national grids;
 - Scope 3 emissions currently monitored and reported by the company for India and international locations, comprising emissions from a) Upstream transportation and distribution; b) Downstream transportation and distribution; c) Business Travel (limited to air and cab travel); d) Employee Commute; e) Fuel and Energy related emissions; f) Purchased goods and services; g) Capital goods; and h) Waste generated in operations.
- Remote verification at sample Chemical Technical Operations (CTOs), Formulations Technical Operations (FTOs), Integrated Product Development Organisations (IPDOs) and Research and Development (R&D) Centres, that is, FTO-2 and IPDO in Bachupally, FTO-6 and FTO-8 in Baddi, CTO-5 at Peddadevulapally, in India, the manufacturing unit at Middleburgh, USA, and the R&D Centre in Cambridge, United Kingdom, to verify the Company's internal protocols, processes, and controls related to the collection and collation of its GHG emissions data.

The reporting boundary as set out by the Company covers its operations in India, Mexico, the Netherlands, the UK and the USA:

- a. CTOs (CTO-1, CTO-2 and CTO-3 in Bollaram, CTO-5 at Peddadevulapally, CTO-6 and CTO-SEZ at Pydibheemavaram);

¹The VeriSustain protocol is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and the Global Reporting Initiative ('GRI') Principles for Defining Report Content and Quality; the protocol is available on request from www.dnv.com

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

Independent Assurance Statement



- b. FTOs (FTO-1 at Bollaram, FTO-2 and FTO-3 at Bachupally, FTO-6, FTO-8 and FTO-12 at Baddi, FTO-7 and FTO-9 Duvvada, Visakhapatnam, FTO-SEZ, FTO-SEZ-2 and FTO-11 located at Pydibheemavaram);
- c. IPDO at Bachupally and IPDO2 at Bengaluru, and TDC-2 (Technical Development Center) at Jeedimetla;
- d. Biologics Development Center (BDC) at Bachupally;
- e. Aurigene Pharmaceutical Services Limited (APSL) at Hyderabad and Bengaluru;
- f. Dr. Reddy's offices at Hyderabad (5 offices), Mumbai (2 office) and Delhi (1 office);
- g. Warehouses owned by Dr. Reddy's, that is, Central Warehouse at its Global Distribution Centres (GDCs) in Hyderabad and Ghaziabad;
- h. Manufacturing locations and Research and Development facilities located outside India, that is, Cuernavaca, Shreveport, Beverly, Mirfield, Cambridge, Middleburgh and Leiden.
- i. Manufacturing locations like East Yorkshire (UK), Jiangsu (China) and Kuala Lumpur (Malaysia) are excluded from the boundary.

Our engagement provides a limited level of verification and applies a $\pm 5\%$ materiality threshold for errors and omissions. We did not engage with any external stakeholders as part of this verification engagement. The Company is responsible for the collection, analysis, aggregation and presentation of data and information related to its GHG emissions.

Our responsibility of performing this work is to the management of the Company only and in accordance with the scope of work agreed with the Company. The verification engagement is based on the assumption that the data and information provided to us is complete, sufficient and true. We disclaim any liability or co-responsibility for any decision a person or entity would make based on this verification statement. During the verification process, we did not come across limitations to the scope of the agreed verification engagement.

Verification Methodology

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our limited verification opinion using a risk-based approach and using DNV's remote assessment methodology. As part of the verification process, we

- Obtained an understanding of the systems used to generate, aggregate and report GHG emissions data at the sites sampled by us;
- Obtained an understanding of GHG data management systems and evaluated the completeness, accuracy and reliability of the data including company's methodology on data analysis, aggregation, measurement and reporting;
- Interacted with key managers and data owners to review data consolidation systems of the Company and sampled operations including reviews of emission factors and assumptions used for calculations;
- Examined and verified the following:
 - Data related to fuel consumption in the process at various sites on a sampling basis.
 - Data related to purchased electricity consumption at various sites on a sampling basis.
 - Data related to estimation of reported Scope 3 emissions.
- Reviewed procedures and practices for GHG, energy and fuel consumption, measurement, monitoring.

Conclusions

On the basis of our verification methodology and scope of work agreed upon, nothing has come to our attention to suggest that the GHG emissions as brought out below are not materially correct and is not a fair representation of the Scope 1, Scope 2 and Scope 3 GHG emissions of Dr. Reddy's Laboratories Limited for the reporting period. Some data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected.

Independent Assurance Statement

Scope*	Source	FY 2020-21 in tCO ₂ e
Scope 1	Fossil fuels and Fugitive emissions	3,49,974
	Biogenic emissions	11,478
Scope 2**	Purchased electricity from grid	1,77,457
Scope 3	Scope 3 emissions comprising emissions from a) Upstream transportation and distribution; b) Downstream transportation and distribution; c) Business Travel (limited to air and cab travel); d) Employee Commute; e) Fuel and Energy related emissions; f) Purchased goods and services; g) Capital goods; and h) Waste generated in operations.	4,71,580

Note 1: Calculation methodology, exclusions and assumptions are brought out in the Section "GHG Quantification Methodology" of the Company's Sustainability Report 2020-21.

Note 2: The Company has restated its GHG emissions data for the previous reporting periods in line with its latest inventory methodology.

Note 3: Scope 2 emissions are based on the grid average emission factors of 0.705 tCO₂e/MWh for India as per International Energy Agency (IEA), 2018; 0.2556 tCO₂e/MWh for the United Kingdom as per DEFR, 2021; 0.505 tCO₂e/MWh for Mexico as per Mexico Ambiente; 0.4322 tCO₂e/MWh for the USA as per United States Environmental Protection Agency (EPA) 2020, "Emissions & Generation Resource Integrated Database (eGRID), 2018", and 0.572 tCO₂e/MWh for the Netherlands as per Ministry of Economic Affairs and Climate Netherlands, Connekt network, Milieu Centraal, The Foundation for Climate Friendly Procurement and Business (SKAO), Stimular. Emissions due to Refrigerants are calculated considering the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report (2014) and ASHRAE Standard 34 emission factors

DNV's Competence and Independence

We are a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. The team involved in the verification were qualified to carry out the GHG verification. This work was carried out by an independent team and does not compromise the independence or impartiality of our verification engagement or associated findings, conclusions and recommendations. We were not involved in the preparation of any statements or data related to GHG emissions except for this verification statement, assurance statement and management report. DNV maintains complete impartiality toward internal stakeholders interviewed during the verification process. While we did conduct other certification and assessment work with the Company in 2020-21, in our judgment, this does not compromise the independence or impartiality of our engagement or associated findings, conclusions and recommendations.

For DNV Business Assurance India Private Limited,

 Lankalapalli, Bhargav Digitally signed by Lankalapalli, Bhargav Date: 2022.01.25 14:19:44 +05'30'	 Radhakrishnan, Kiran Digitally signed by Radhakrishnan, Kiran Date: 2022.01.25 14:07:12 +05'30'
Bhargav Lankalapalli Lead Verifier DNV Business Assurance India Private Limited, India	Kiran Radhakrishnan Assurance Reviewer DNV Business Assurance India Private Limited, India

Mumbai, India, 25th January 2022.

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



Dr. Reddy's Laboratories Ltd.
8-2-337, Road No.3, Banjara Hills
Hyderabad 500 034, India

www.drreddys.com

For more information on our ESG performance
across multiple parameters and frameworks,
view our [ESG profile](#).