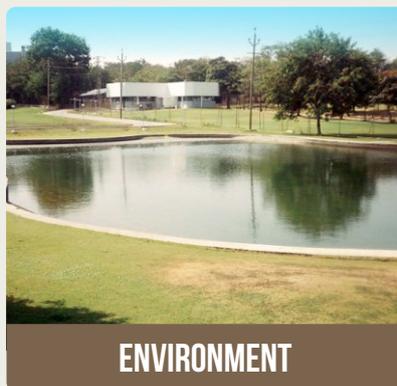


SIP

SUSTAINABILITY IN PROGRESS



Sustainability is responsible and proactive decision-making, and innovation that minimizes negative impact and maintains a balance between social, environmental and economic growth to ensure a desirable planet for all species, now and in the future.

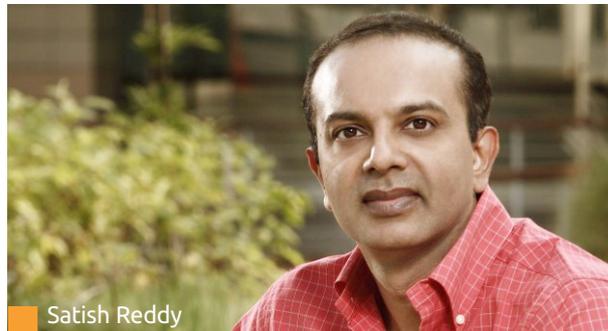


Transforming sustainability plans into practice, from the boardroom to the shopfloor.

EXECUTIVE SPEAK



G.V. Prasad



Satish Reddy

The last few years were marked by two opposing trends in the pharmaceutical industry. While increased demand drove growth, calls for accountability in our impact on patients and the environment brought the industry under pressure.

We recognize that these are critical issues in our effort to provide affordable and innovative medicines to patients all over the world. We responded by raising productivity through more efficient use of resources, ensuring availability through streamlined and sustainable sourcing, meeting quality and safety requirements through a transformation program and pursuing operational excellence for continual and sustainable improvement. An intense focus on safety and quality in particular helped us meet our obligations to patients and partners and will continue to do so in the future.

At Dr. Reddy's, sustainability means a thriving organization working towards one purpose: accelerating access to affordable and innovative medicines, in ways that are economically, socially and environmentally sustainable. The financial year 2012-13 has been a year of progress for us. We made headway on several key fronts including safety, quality, affordability, eco-efficiency, and social impact.

ENHANCED SAFETY AND QUALITY

Our drive to enhance safety and quality through our transformation program, 'Parivartan', has had a substantial impact. Injury and accident frequency rates have come down and quality audits have had satisfactory results. The biggest impact of Parivartan is that safety and quality are no longer seen as the responsibility of the Quality Control or Safety Health and Environment teams but as the responsibility of each one of us at Dr. Reddy's.

AFFORDABILITY

Two ways in which we make our drugs affordable are raising productivity and reducing costs. Our ongoing 'Program to Achieve Cost and Capabilities Excellence' or PACE has had a substantial impact on these fronts. With USD 50 million in savings accrued in FY13, we are well on course to achieving our targeted savings of over USD 100 million by FY14.

In FY13, we launched PACE 2 with a successful pilot in our Formulations Hyderabad Plant 3. While PACE 1 focused more on procurement excellence, PACE 2 focuses on operational excellence. The combined impact of PACE 1 and 2 will be highly productive and sustainable operations, right from development to distribution.

COMMUNITY CARE

We conducted a detailed analysis of community needs in the villages neighbouring our Vishakhapatnam and Miryalguda plants. Based on the study's suggestions, we have launched a pilot 'mobile clinic' covering 12 villages. In addition to basic healthcare, our programs support quality healthcare for women and children.

On the educational front, we focused on our School Improvement Program meeting the infrastructural, academic, health and safety needs of students. Flagged off in 2011, the program now covers 22 schools, benefiting 7,300 underprivileged children.

ECO-EFFICIENCY

In FY13, we invested ₹ 251 million in various areas including green chemistry, solvent recovery, waste reduction, and water & energy management.

All our new facilities are built according to green principles and existing ones are adopting eco-efficient features. In FY13 we reduced our fresh water usage per unit sale by 15% over FY12 – three times the yearly target of 5%, and reduced our energy consumption per unit sale by 8% over FY12, against a target of 5%.

The future belongs to sustainable organizations and we are ready to meet the demands placed on us by patients, partners, regulators, investors and the community, in line with the values and vision set for us by our founder.

ORGANIZATION PROFILE



A thriving organization working towards one purpose

Dr. Reddy's Laboratories Limited is an integrated global pharmaceutical company committed to providing affordable and innovative medicines for healthier lives, as defined in our purpose and values, and achieved through our organization and processes.

Purpose

Providing affordable and innovative medicines for healthier lives

Values

Integrity and Transparency | Safety | Quality | Productivity
Respect for the Individual | Collaboration and Teamwork | Sustainability

Corporate Governance

Dr. Reddy's Laboratories Limited has a strong and independent Board and practices transparent accounting policies and timely disclosures, to ensure good corporate governance and preserve the trust of all stakeholders – patients, partners, the community, shareholders and investors.

GOVERNANCE COMPASS

Dr. Reddy's corporate governance framework is based on the following main principles:

- Appropriate composition and size of the Board, with each Director contributing key expertise in different areas.
- Proactive flow of information to the members of the Board and Board Committees to enable effective discharge of fiduciary duties.
- Ethical conduct by the Board, management and employees.
- Well-developed systems and processes for internal controls on all operations, risk management and financial reporting.
- Timely and accurate disclosure of all material, operational and financial information to stakeholders.

SUSTAINABILITY AT THE HEART

Sustainability principles are a key part of our business decisions and have been integrated into Dr. Reddy's core business processes at two levels:

- The corporate level, where overall policies and strategic directions are set and capital is allocated.
- The business group level, where revenue is generated and where the impact on communities and the environment is most immediate.

COMPLIANCE FIRST

Dr. Reddy's is in full compliance with Clause 49 of the Listing Agreement with Indian Stock Exchanges and with the applicable corporate governance standards of the New York Stock Exchange (NYSE).

Our Stakeholders

Sustainability involves meeting our responsibilities towards all stakeholders, without compromising on the interests of one group to serve another. This means that we must have a clear understanding of our stakeholders and their needs, and ensure that our organization and operations meet these needs.



Patients & Partners



Employees



Community



Investors & Shareholders

SUSTAINABILITY APPROACH

Introduction

For us at Dr. Reddy's, sustainability means a thriving organization working to accelerate access to affordable and innovative medicines, in economically, socially and environmentally sustainable ways. To achieve this, we have:

- 1 Identified our stakeholders and defined how we can serve them.
- 2 Taken steps to make our operations both productive and sustainable to assure patients and partners of safe, efficacious, affordable and quality medicines; secure supply and consistent services; keep streamlining our manufacturing processes and supply chain to effectively use and conserve resources; and ensure clean manufacturing that minimizes our environmental impact.
- 3 Ensured that our performance is in line with our economic, social and environmental goals.

Sustainability Journey

Over the years, we have consistently put purpose before profits; turned business challenges into sustainable growth; and converted sustainability strategies into measurable outcomes.



OUR SUSTAINABILITY FOCUS AREAS



ENVIRONMENTAL MANAGEMENT & CLIMATE CHANGE



CARING FOR COMMUNITIES



BEING AN EMPLOYER OF CHOICE



AFFORDABLE & INNOVATIVE MEDICINES



SUSTAINABLE SOURCING



PRODUCT RESPONSIBILITY

NINE PILLARS OF SUSTAINABLE OPERATIONS

Our operations are geared towards providing affordable and innovative medicines globally, using in-built measures to ensure safety, quality, availability and ultimately, sustainability.

Last year, we identified nine pillars of sustainable operations which correspond with our six sustainability focus areas to keep our operations sustainable. This year, there has been considerable progress on all nine fronts, including strategic interventions such as 'Parivartan - Safety Culture Transformation'. This page provides some highlights of our performance.



SAFETY

- Project Parivartan completed the second year of its three-year journey with much success
- Of the 5-top risk areas, initiatives in 4 are progressing well and the target has been met in one area
- Improved safety standards were noted across all units
- The lost-time injury frequency rate reduced to 0.37 from 0.41 in the previous year
- A Process Safety Lab was set up at Integrated Product Development Organization (IPDO)
- Leaders increased their involvement in safety practices across all levels



ENGINEERING EXCELLENCE

- Flagged off a comprehensive 'Transformation' program to enhance performance at Formulations plants
- Identified major automation opportunities
- Built 'Lean Manufacturing' capability
- Designed a robust and long-term capital equipment strategy
- Enhanced engineering capabilities and predictive maintenance technologies



ENVIRONMENT

- Invested ₹ 444 million in various environmental measures
- Initiated 29 energy conservation projects
- Reduced energy consumption per unit sale by 8%, surpassing the 5% yearly target
- Upgraded effluent treatment facilities at Formulations Hyderabad Plants 1 & 2
- Enhanced solvent recovery with ₹ 500 million savings
- Developed 90% of current products without using hazardous dichloromethane, acetone and acetonitrile



QUALITY

- Devised a Quality Culture Transformation model to safeguard quality through processes and people
- Trained our employees in safeguarding quality
- Ensured supply chain quality standards through vendor meets
- Developed products worth over USD 310 million based on the principles of Quality by Design
- Replaced laboratory notebooks with the 'Electronic Laboratory Notebook' (ELN) technology



AVAILABILITY

- Continued to move to vendors near SEZ facility in Vishakhapatnam for enhanced responsiveness, lower inventory costs and reduced carbon footprint
- Selected 43 alternative and new vendors to ensure a constant stream of supplies for our products
- Simplified our product portfolio and reduced manufacturing complexities



PEOPLE

- Recorded one of the lowest attrition rates (12.3%) among pharma companies
- Set up 1,000 self-managed teams in various units in the last two years
- Mapped over 11,000 employees to suitable roles across the businesses
- Empowered managers to recognize team members' performance more frequently and spontaneously
- Piloted a new approach to leadership development comprising three modules: 'lead self, lead others, lead business'



COMMUNITY

- Conducted a series of cancer awareness, support and treatment programs for underprivileged communities
- Provided diabetes screening for over 450,000 people through 20,000 camps in various small towns and cities
- Held health, blood donation and eye care camps at many villages
- Organized over 100 Continuing Medical Education programs addressing Osteoarthritis and Rheumatoid arthritis
- Extended financial support to 215 meritorious students and upgraded infrastructure for many schools



PRODUCTIVITY

- Program to Achieve Cost and Capabilities Excellence (PACE) initiatives generated USD 50 million accrued savings
- PACE institutionalized into a Business Unit-led effort from a management-led initiative
- Six hundred ideas generated in areas ranging from energy management to vendor management, solvent recovery to process simplification
- Successful implementation of 'PACE 2 - the Operations Transformation journey' with a pilot in Formulations Hyderabad Plant 3



CONTINUOUS IMPROVEMENT

- Dedicated CI teams comprising 8-10 members, across business units
- Emphasis on improvement approaches such as Kaizen and Corrective and Preventive Action
- A plethora of improvements in products, systems and processes - first implemented on a small scale, analyzed for effectiveness and then replicated on a wider scale

ENVIRONMENTAL MANAGEMENT & CLIMATE CHANGE

For us, environmental sustainability is a responsibility we owe to patients, partners and the community, ensuring a safe environment for the good health of present and future generations.

During the year, we invested ₹ 444 million in various environmental measures including green chemistry, solvent recovery, waste reduction at source, water and energy audits, water harvesting and recycling.

Water

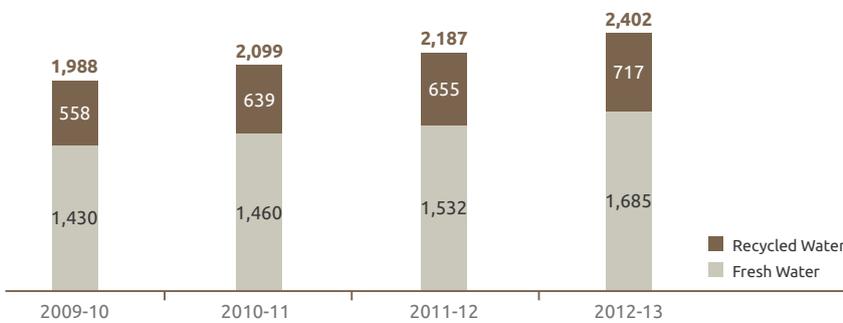
In 2004-05, we set up a wastewater recycling plant, the first of its kind in the Indian pharmaceutical industry. Since then, we have been amplifying our efforts and constantly exploring new ways to reduce the use of, reuse and recycle water.



Even though the nature of our products limits how much recycled water we can use, today, it meets 30% of our total water requirement.

Gross Water Consumption

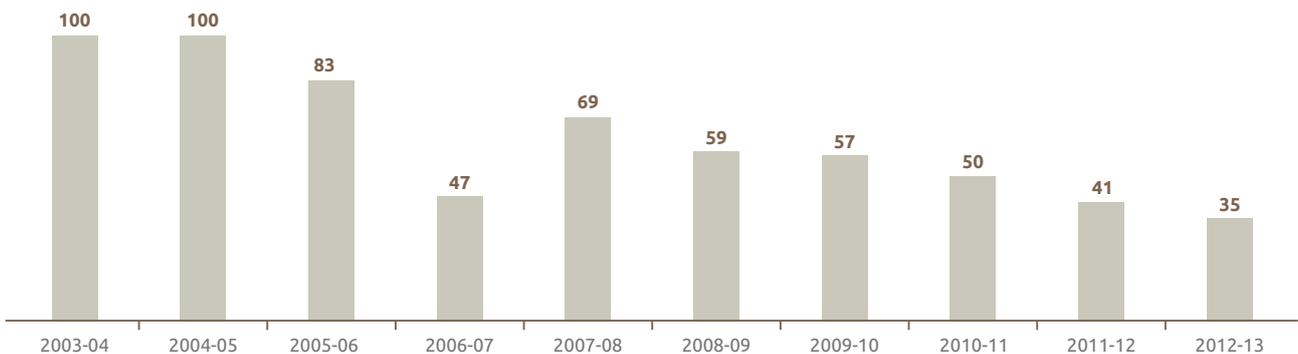
(x1,000 kl)



In the reporting year, our gross water consumption increased by 10% over the previous year mainly due to the increased scale of operations. While the absolute consumption of water has risen, our recycling and conservation measures helped us reduce our specific freshwater usage by 14%. Our recycled water consumption too rose by 9%. When compared to FY10, consumption increased by 28% in the reporting period.

Freshwater Usage Per Unit Sale

Base Year - FY 03-04 = 100



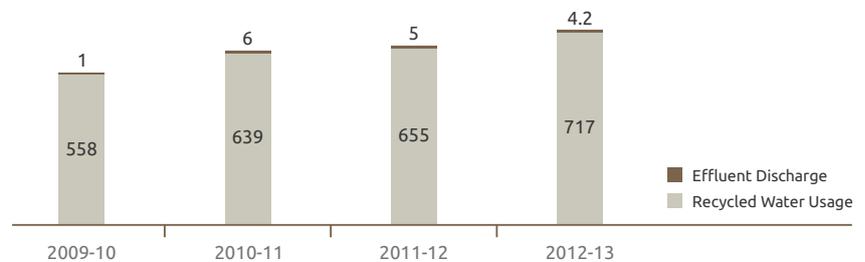
Wastewater Discharge

In 17 of our 19 facilities, 100% of treated effluents are recycled within the facilities for use in utilities and/or gardening. For the remaining two facilities, primary treated effluent is sent to the authorized common effluent treatment plant for further treatment and disposal.

In FY13, 717,000 kl of effluent were recycled and only 4,210 kl of primary treated effluent were discharged into the common effluent treatment facility.

Recycled Water Usage & Effluent Discharge

(x1,000 kl)



Energy

At Dr. Reddy's, we strive to use energy efficiently in all parts of our work and particularly in the crucial areas of development, manufacturing and sourcing.

1 DEVELOPMENT
Energy-optimization by design via green chemistry

2 MANUFACTURING
Large-scale, end-to-end energy conservation drives at several manufacturing units

3 SOURCING
Reduced transportation through vendor proximity and virtual transactions

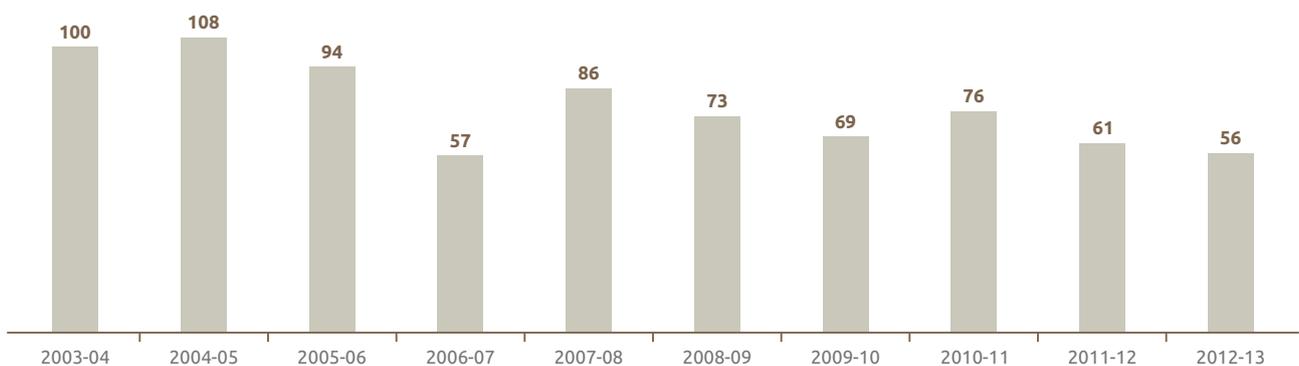
During the reporting period, we initiated 29 energy conservation projects with a total investment of ₹ 156 million and potential annual savings of ₹ 77 million. These projects are in various stages of implementation and are expected to be completed by the middle of FY14.

Our strategic green initiatives continue to yield significant results. A case in point is a comprehensive energy savings drive spearheaded at API Hyderabad Plant 3 in FY12, which alone led to power and fuel savings of 179,7360 kWh and 759 T respectively. Buoyed by this successful initiative, we implemented the same initiatives on a larger scale at API Srikakulam and Nalgonda Plants.



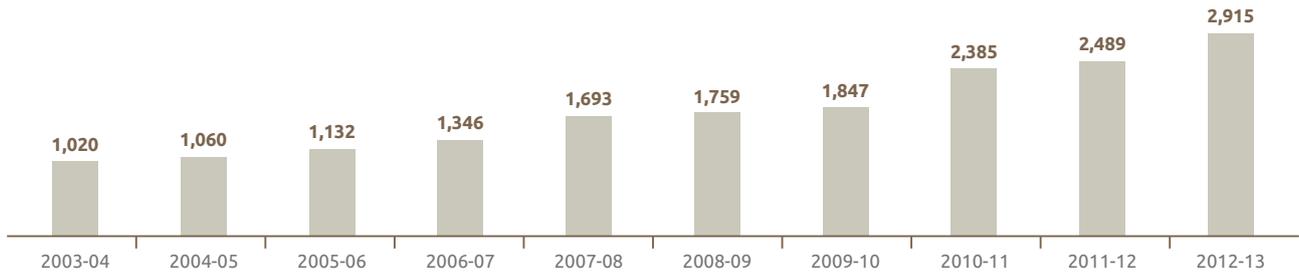
Energy Usage Per Unit Sale

Base Year - FY 03-04 = 100



Absolute Energy Usage

'000 GJ



In the reporting year, we reduced our energy consumption per unit sale by 8% over the previous year, surpassing the yearly target of a 5% reduction in specific energy usage.

In absolute terms, energy use rose by 17% as two of our plants commenced operations in the reporting year.



Our energy consumption per unit sale decreased by 44% in FY13 as compared to the base year.

Future Plans

1 MW rooftop solar power plant at API, Formulations SEZ, Pydibhimavaram



Formulations SEZ CDM Project validated; final validator's report awaited



More energy audits and large-scale conservation drives across other manufacturing facilities

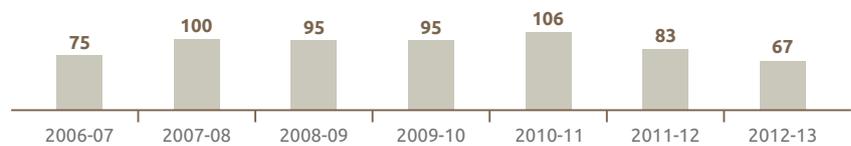


Greenhouse Gas Inventorization

In the reporting year, our specific emissions reduced by an encouraging 19% while our absolute emissions increased by a marginal 3% over the previous year.

GHG Emissions Per Unit Sale

Base Year - FY 07-08 = 100



Waste

As with our energy management program, our waste management effort spans the entire product development and manufacturing process - including using green chemistry in design, eliminating waste at source, reducing waste and encouraging recycling during manufacturing, and disposing of unavoidable waste responsibly.



PREVENT | MINIMIZE | REUSE | RECYCLE | RESPONSIBLE DISPOSAL

WASTE MANAGEMENT HIGHLIGHTS

33.6% of the total waste generated was recycled and the rest was sent to secured landfills

3,161.2 tons of recovered high purity salts were sent to micronutrient manufacturers

80% of organic waste was sent to cement plants for upcycling

70% of washed solvents were distilled at API Srikakulam Plant and sold to cement factories

Solvent recovery was enhanced under our Program to Achieve Cost and Capabilities Excellence (PACE), and has resulted in saving of ₹ 500 million

The use of hazardous MDC & chloroform in products such as Ticagrelor, Rivaroxaban and Voriconazole was eliminated through the use of green chemistry

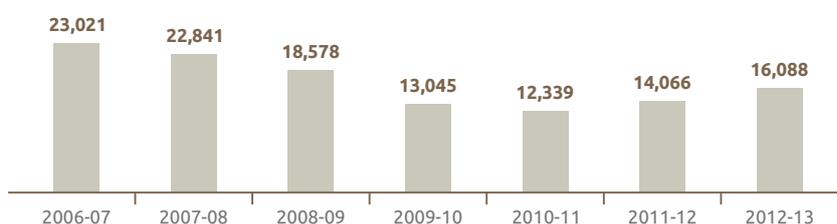
Existing effluent treatment facilities at Formulations Hyderabad Plant 1 and Formulations Hyderabad Plant 2 were upgraded for enhanced efficiency

The total disposal of hazardous waste increased by 14% this year over the previous year due to the larger scale of operations. But the specific disposal of hazardous waste dropped by 35% and the total disposal of non-hazardous waste declined by 5%.



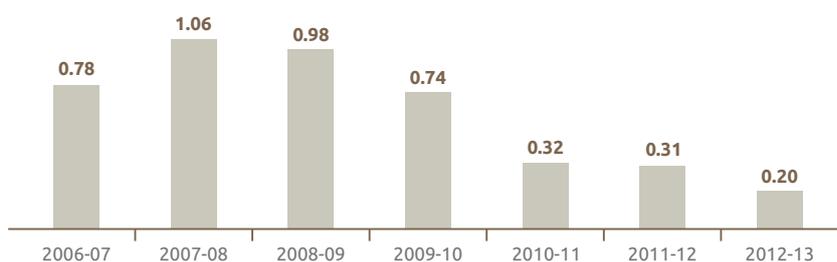
Total Hazardous Waste Generated

MT



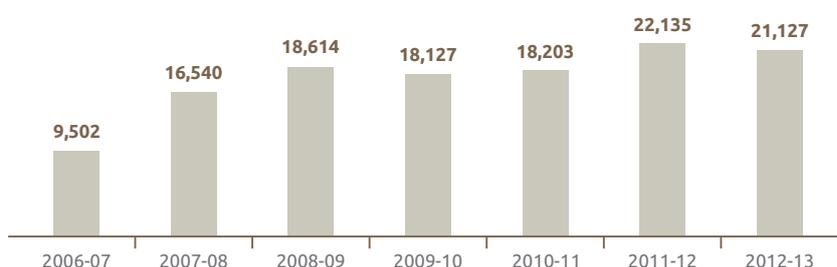
Specific Hazardous Waste

MT | unit sale Mn



Total Non-Hazardous Waste Generated

MT



Green Chemistry

Dr. Reddy's was one of the first in the pharmaceutical industry to adopt green chemistry and actively promote its adoption in the industry. We apply green chemistry principles to improve safety, health and environmental performance, and to optimize resources, conserve energy and excel in operations.

In the last reporting period, our Integrated Product Development Organization (IPDO) developed green chemistry metrics in association with American Chemical Society Green Chemistry Institute, to monitor and manage various aspects of sustainability such as atom efficiency, e-factor, reaction mass intensity and energy efficiency. We are consistently implementing these metrics and the outcomes are positive.



Key Highlights

INITIATIVES	IMPACT
Use of green solvents during synthesis such as water, methanol, ethanol, toluene and IPA	Elimination of volatile solvents in the development of several APIs
Replacement of resolution process with enzymatic disymmetrization	Minimizing waste generation
Reactions performed in moderate conditions	Minimizing energy consumption

Progress on our Environment Roadmap

GOALS	MILESTONES ACHIEVED	WORK IN PROGRESS
Minimize our carbon footprint by reducing our specific energy consumption by about 5% every year over the next 10 years, to achieve a 40% reduction by 2020.	Honeywell Energy Contracting initiative undertaken at Formulations manufacturing plants has started yielding results. Similar initiative was started at API manufacturing plants too.	29 energy conservation projects were initiated this year with a total investment of ₹ 156 million, which will significantly bring down carbon emissions.
Strive to increase the percentage share of renewable energy in our total energy consumption by about 2.5% every year over the next 10 years, such that renewable energy share reaches 25% by 2020.	4 MW of solar power being drawn from the grid through open access.	A further 20 MW of renewable power will be drawn from the grid through open access. 1 MW solar power plant is being planned at API Srikakulam Plant (SEZ), followed by similar sized solar power plant at the Bachupally campus.
Reduction in total use of water through wastewater recycling.	Installation of wastewater recycling facility at Formulations Hyderabad Plant 3 reduced freshwater consumption.	Installation of wastewater recycling facility at Formulations Hyderabad Plant 1 and Sewage Treatment Plant at Formulations Hyderabad Plant 2 will be commissioned shortly.
Aim to reduce our specific water consumption by about 5% every year over the next 10 years, to achieve a 40% reduction by 2020.	RO units commissioned in API Hyderabad Plant 4.	Plant 1 and API Nalgonda Plant to increase recycling. Additional reverse osmosis (RO) plants are being planned to treat utility RO rejects at API Nalgonda Plant.
Wastewater management that goes beyond environmental compliance.	3 sites: API Hyderabad Plant 1, API Hyderabad Plant 4 & API Srikakulam Plant-SEZ use renewable feedstock for their boilers.	Electro coagulation unit is being commissioned to improve efficiency of ultrafiltration / nanofiltration at wastewater recycling facility, API Nalgonda Plant.
Strive to become water neutral by 2020 by replenishing the water table with an equal amount of water consumed, using means such as water harvesting.	Implemented rainwater harvesting at Formulations Hyderabad Plant 1 and Plant 3 with a sequestering capacity of 30,000 kl/annum.	API Nalgonda Plant conducted survey to estimate rainwater harvesting potential; to be implemented in next financial year.
Reduce the quantum of hazardous waste sent to landfill/incineration by about 5% every year over next 10 years, to achieve a 40% reduction by 2020.	More than 80% of total organic hazardous waste generated is sent for recycling and use in the cement industry as auxiliary fuel.	Procurement of belt press to dewater the sludge at Formulations Hyderabad Plant 3 is underway.

CARING FOR COMMUNITIES

All our CSR initiatives are undertaken by Dr. Reddy's Foundation (DRF), Dr. Reddy's Foundation for Health Education (DRFHE) and the teams at our individual facilities.

“Everyone has a purpose in life and a unique talent to give to others. And when we blend this unique talent with service to others, we experience the ecstasy and exultation of our own spirit, which is the ultimate goal of all goals.” *Late Dr. K. Anji Reddy*

Patient Care Initiatives

CANCER CARE

Our patient care initiatives encompass access to quality medication, emotional support, treatment interventions, sensitization through awareness programs and free check-up camps.

Treatment Interventions



Sparsh

Aims to make cancer treatment more accessible to the underprivileged. Sparsh has assisted more than 25,000 patients since its inception in 2006.

Disha

A diagnostic support program that makes Reditux™ therapy accessible for lymphoma patients. Over 400 patients were benefited in the reporting period.

LIFESTYLE DISEASES

Roshni

A diabetes awareness and screening program; over 450,000 people were screened in FY13 through 20,000 camps in various small towns and cities.

Healthy Beats

An initiative to identify patients in rural areas with chronic diseases such as blood pressure, diabetes and anemia, and counsel them to seek proper treatment.



Awareness & Support Programs



PromOTE India

An early-diagnosis awareness program for oncologists, primary care physicians and specialists, this year it was extended to medical students.



'Rang Day'

Children's Day Celebration for cancer-affected children, which includes various fun activities, and presence of noted celebrities such as Ranbir Kapoor.



Aashayein

A one-of-its-kind initiative for dialysis patients, helps those suffering from CKD have a carefree day filled with fun.

CHEER (Committed to Help Educate and Encourage Renal patients)

Providing CKD prevention and patient support beyond medicines, the program focuses on reducing the treatment dropout rate and has had a remarkable impact with non-compliance plunging from 32% to 4%.



Eye Check-up

Free vision screening camps at Ilapuram & Peddaveulapally villages and for children at Zilla Parishad High School, Pydibheemavaram.

Blood Donation

Multiple blood donation camps held by various units to support Thalassemia-affected children.

General Check-up

Free health camps providing diagnosis and cure in areas ranging from gynecology, ophthalmology, dentistry and diabetes to pediatrics; over 3,500 people benefited.

Powering Patient Care by Empowering Healthcare Professionals

In FY13, we conducted over 100 Continuing Medical Education (CME) programs addressing Osteoarthritis and Rheumatoid arthritis, with Rheumatologists reaching out to general physicians and educating them about the disease and its symptoms.

We organized a conference for 700 doctors including endocrinologists, diabetologists, cardiologists & consultant physicians, and invited leaders in the field of Cardiology and Endocrinology to share best practices on managing hypertension.

We have been supporting the Urological Society of India (USI) and American Urology Association (AUI) in conducting an instructional course, benefiting over 800 postgraduate students so far.

DR. REDDY'S FOUNDATION (DRF)

At Dr. Reddy's Foundation, we focus on two key areas that promote social progress and economic growth – Livelihoods and Education. Programs we develop in these areas are tested for sustained growth, scalability and long-term results.



Livelihoods

LABS

Set up in 1999, the Livelihood Advancement Business School (LABS) program of Dr. Reddy's Foundation strives to create sustainable livelihoods for underprivileged youth. Started in Andhra Pradesh, LABS has gradually reached 18 states and two union territories across India with 106 centres. Over 2.8 lakh youth have been successfully trained and placed in their desired job sectors so far.

PwD - Special LABS Centers for Persons with Disabilities



The PwD LABS - a special training initiative for people with disabilities, which trains them in IT and communication skills, and how to deal with workplace challenges. In the reporting period, the program grew from 2 to 11 locations and around 200 youth across the country have benefited from this added scope.

F-LABS (LABS for Farmers)



LABS for Farmers helps small and marginal farmers and the underprivileged in villages gain access to valuable agricultural technologies, government programs and employment opportunities. In 2012-13, five ongoing projects under F-LABS benefited 1,415 farmers.

The year 2012-13 saw significant growth, with 10,804 male and 7,305 female beneficiaries.

SKILLING RURAL INDIA (SRI)

With the aim of upgrading the skills of rural youth, DRF launched SRI in 2011. This program for rural youth helps them gain skills for employment within the rural milieu. Over and above technical training, SRI also provides life skills training. Taking a cue from LAB-S, a new sustainable model, SRI too transformed into SRI-S in 2013, to become self-sustaining. In FY13, 6,168 underprivileged youths benefited from the program.



Education

Our programs focus on providing educational opportunities for disadvantaged groups. A few are described below.

Pudami Neighbourhood Schools and English Primaries



A total of 29 Primary and 4 Neighbourhood Schools have been set up in Hyderabad and Ranga Reddy Districts providing quality English-medium education for underprivileged children.

Education Resource Center (ERC)

A schooling-related and capacity-building research center that enables sharing of best practices between government, civil agencies and sector specialists.

Kallam Anji Reddy Vidyalaya (KARV)



A co-educational school with an activity-based teaching methodology which takes into account the specific needs of each student.

Yuva Youth Learning Centers

Introduced with a focus on preparing out-of-school children for the formal education system before entry into mainstream education.

Early Childhood Care & Education Center (ECCE)



Takes care of migrant 0-5 year old children who reside on construction sites in urban Hyderabad, India.

Juvenile Home For Girls and Boys at Hyderabad

Host to juvenile delinquents, under-trials and children who need care and protection.

Non-Residential Bridge Centers (NRBCS) & Residential Bridge Centers (RBCS)

Home to numerous children who have run away from home, been forced into child labor or have been rescued from neglectful parents.

Meeting the Needs

INITIATIVE

Following a social needs study which helped us identify education and healthcare as key areas of action, we implemented key interventions in both these areas.

Healthcare

In healthcare, we set up the Community Health Intervention Program (CHIP) in partnership with NICE foundation. It is a five-year project to bring better healthcare facilities to 55 villages and 30 Gram Panchayats of Ranastalam Mandal, Srikakulam District, touching 86,000 beneficiaries.

The program aims to:

- Increase basic support for ante and post natal care, safe delivery and infant care.
- Promote primary immunization of children by the age of one, against ten vaccine-preventable diseases.
- Increase awareness in communities, with an emphasis on health and

nutrition for safe motherhood and increasing the child survival rate.

Education

We spearheaded a School Improvement Program with an integrated approach towards improving the standards of education in government schools in rural areas. Currently in its second phase, it supports 11 Government Schools at Pydibheemavaram, Tripuraram, Duvvada and Bollaram, reaching 7,300 underprivileged children.

Right from appointing qualified teaching staff to conducting special classes, from establishing libraries to embedding reading habit in students and conducting science exhibitions, from meeting with parents of school children to ensuring clean water access and medical well-being – our assistance covers infrastructural, academic, consultation and health & safety needs of the students.

During the academic year 2012-13, 113 students from six government high schools

from Bachupally, Mallampet, Bowrampet, Naruva, Kanimella and Pydibheemavaram, were selected for scholarships. The amounts ranged from 5,000 to 8,000.

Our CSR wing built 15 school libraries in the rural areas surrounding API Nalgonda Plant, Bollaram unit and Pydibheemavaram. Each library is equipped with 800 books, cupboards and accessories.



DR. REDDY'S FOUNDATION FOR HEALTH EDUCATION (DRFHE)

We believe in providing healthcare with compassion and hence Dr. Reddy's Foundation for Health Education focuses on two fronts:



DR. REDDY'S
FOUNDATION FOR
HEALTH EDUCATION

Better health through better understanding.

1 Enhancing interpersonal skills of various healthcare professionals towards better patient care.

During the reporting year, we reached out to 40,178 beneficiaries via 972 programs.

2 Running disease awareness programs for corporate employees with a view to preventing lifestyle disorders.

From FY07 to FY13, we have assisted a total of 118,288 beneficiaries via 3,568 programs.

Education & Training Programs

NEW INITIATIVES

Aadhaar

Designed to enable improved patient care, 47 programs for 1,335 General Practitioners were held in FY13 addressing aspects such as trust building, empathetic communication and interpersonal skills.

Sutradhar

To instil service orientation and etiquette in Class IV employees of corporate hospitals such as ward boys, sweepers, security staff and ayahs, half-day training programs were initiated during FY13 for 258 beneficiaries.

1,613 participants benefited through 55 programs

ONGOING INTERVENTIONS

Abhilasha



A program to help nurses understand the importance of their work, how they can perform more effectively and gain self-confidence and motivation. In FY13, 203 programs were conducted covering 5,445 nurses.

Sarathi



A comprehensive training program that enables a doctor's assistant to emerge as a sharper, smarter and motivated individual. In FY13, 59 programs were held for 1,490 participants.

Leadership Program for Senior Doctors



A platform to bring decision makers across medical specialties together to contribute best practices in management and hone personal leadership skills. During FY13, six such programs were held for 150 doctors.

Inner Circle

A program for young doctors, aiming to help them develop patient-handling skills such as listening and effective communication for successful assistance to patients. In FY13, 24 programs were conducted with 751 participants.

Sanjeevani

A program for pharmacists to develop self-confidence and empathy towards their customers, and overall improve their skills for effective prescription dispensation. During the reporting period, 20 such programs were held for 555 pharmacists.

10,233 professionals participated in 402 training programs

AWARENESS PROGRAMS

Awareness for Life



Aimed at spreading awareness about lifestyle diseases among corporate employees in India, this program was also run at schools this year to sensitize students in government schools. Students between the ages of 9 and 13 were counselled on issues such as nutrition, personal hygiene, safe Internet browsing and importance of being physically active. They were further counselled on dangerous habits such as smoking and teen alcohol consumption.

A total of 517 programs were conducted in FY13, covering 28,332 participants.

BEING AN EMPLOYER OF CHOICE

Our focus is on helping our employees realize their potential and become high-impact leaders.

We aim to provide our people with a stimulating work environment, where ability leads and actions talk; where genuine mistakes open doors to genius ideas; where employee safety is not a regulatory requirement but a core value; where team-spirit is championed and diversity is celebrated.

Parivartan - A Safety Culture Transformation Journey

In FY13 we improved safety standards across all units. We saw a steep rise in awareness levels and ownership of safety among the workforce at every level.

In the second year of its three-year journey, Project Parivartan continued to transform the safety culture at Dr. Reddy's. All phases of our roadmap charted last year are witnessing simultaneous action, enabling us to move the organization to ever higher levels of safety.

We registered a drop in lost-time injury frequency rate, down to 0.37 from 0.41 the previous year.

Roadmap Update

SAFETY PHASE	AIM	ACTION
Containment Phase and Quick Wins	Identify immediate high risk activities and contain the risk and level of exposure to hazards through urgent actions.	Safety Field Audits (SFAs) introduced during the Risk Containment Phase in FY12. 5 top risks identified and mitigation plans designed for the same.
Engaging Leadership & Line Organization	Obtain the leadership team's insights on safety.	Executive Leadership Workshop, Leadership Alignment Workshop and Safety Perception Survey conducted in FY12.
Implementing the Transformation through Integrated Safety Organization	Set up an Integrated Safety Organization for consistent implementation of the Roadmap through 7 prioritized work streams.	FY12 - Formed Integrated Organization Structure; identified 7 work streams. FY13 - Implementation of all 7 work streams through skill building and SOPs.
Upgrading Safety Management Systems and Enhancing Competency	Strengthen safety systems and practices across the organization. Build knowledge and skills through regular, structured coaching.	FY13 - Process Safety Lab at IPDO. FY13 - Model site at API Hyderabad Plant 2. FY13 - Extensive coaching including Training the Trainers.
Operational Discipline for Sustained Performance	Develop systems and tools for effective implementation and monitoring of operating discipline right from the leadership level.	FY13 - Deployment of Safety Tools such as Job Safety Analysis (JSA) & Lock Out-Tag Out (LOTO). Enhanced Leadership involvement in safety practices across all levels.



Key Enablers of Empowering Work Culture

We foster an atmosphere of encouragement, empowerment and team spirit in many ways.

High Performance Teams (HPT)

Enables employees to work without hierarchical boundaries. HPTs are small cross-functional teams which focus on one or two products at a time, and have complete responsibility for product development. After effective implementation in the API & EMIN markets, all product development teams in IPDO will be transitioned into HPTs in a phased manner.

Leadership Development

As a part of institutionalizing Leadership Development, we have set up an in-house 'Leadership Academy' equipped with world-class infrastructure and faculties. A leadership competency framework allows each employee to understand the expected leadership behavior at each level in the organization.

Self-Managed Teams

The Self-Managed Teams (SMT) culture, which began in 2001 at Dr. Reddy's, has now been adopted at all our operations.

This is enabling the young workforce of rural and semi-urban communities to learn, grow and lead more fulfilled lives. It has created an agile and energetic workforce, enhancing the productivity, safety and quality of our operations.

Role Based Organization

To improve the role-to-person fit, we implemented the Role Based Organization in 2011. The RBO model is being comprehensively implemented and institutionalized throughout the organization. Around 9,546 employees have already been mapped to roles.

Skill Based Progression System (SBPS)

Our Technical Training Centre (TTC) anchors a Skill Based Progression System, which is a systematic, process-oriented long-term approach to multi-skilling employees with a definitive link to career progression. In the reporting year, the TTC conducted 55,500 hours of training for 800 employees.



Sustaining Talent

Talent Management at Dr. Reddy's extends beyond recruiting the right people to retaining them by providing the right work environment, right remuneration, right benefits and right training. A comprehensive talent management process ensures that employees continuously grow, learn and innovate.

Attracting Talent

At Dr. Reddy's, we don't confine ourselves to recruiting employees only when positions are vacant; we continually welcome into our team talented minds and craft roles for them that best suit their skills.

Our employee strength increased to 16,504 in the reporting year from 15,200 previously.



Developing Talent

Employee development at Dr. Reddy's is a continuous process and spans various developmental disciplines. Training modules are custom-designed for different employees depending on their training needs, potential competencies and skills gaps. In the reporting year, over 5,250 working days of training were conducted and employees also attended over 450 external programs.



Beyond Work

To help our employees balance their personal lives and professional commitments, we provide work flexibility, supportive work policy, rejuvenation programs and leave benefits in addition to tangible and intangible incentives.

Motivating Performers

Our reward system is applicable to employees irrespective of their area of operation: sales, research & development, project management or human resources. Rewards and recognitions are given out on a weekly, monthly, quarterly and annual basis.

Nurturing Leadership

We believe that leadership is a competency and not a designation, and hence foster leadership development across organization levels through a series of leadership programs. The aim is to help leaders build the necessary skills and mindsets to succeed in more demanding roles.



Diversity Management



Our global workforce comprises over 16,500 employees of more than 23 nationalities.

We ensure diversity through an effective, informed, and efficient recruitment process, which helps expand our global talent pool, employ differently-abled individuals and improve the gender ratio. To encourage diversity, we pay higher referral bonuses for referring talented women candidates and differently-abled candidates for a given vacancy.

We also have ongoing tie-ups with agencies and NGOs to attract the differently-abled. We are a member of the Forum for Women in Leadership (WIL), which is committed to sharing best practices for women in the workplace.

This diversity is also reflected at the highest level, where 30% of the members of our Board of Directors are foreign nationals.

As part of our continual focus on enhancing gender diversity, women comprised 33% of our campus recruits in FY13.

Human Rights

Compliance with HR principles is ensured by conducting regular HR audits and monthly meeting of HR heads from respective departments to raise concerns, if any, and collectively propose and execute refinements.

In every area of operations, there is freedom of association for all employees, including contract employees. To ensure a safe workplace for our women employees, we have set up a procedure for the resolution and settlement of all harassment charges.

AFFORDABLE & INNOVATIVE MEDICINES

The reporting period was a good year for Dr. Reddy's. Consolidated revenue for FY13 was ₹ 116,266 million, a year-on-year growth of 20%. Research & Development expenses grew by 30% to ₹ 7,674 million, i.e., 6.6% of FY13 revenues, compared to 6.1% in FY12. The increase is in line with the Company's efforts to focus on the development of complex formulations, differentiated formulations and biosimilar compounds.

In FY13, we entered into a partnership with Merck Serono, a division of Merck KGaA, Darmstadt, Germany, to co-develop, manufacture and commercialize a portfolio of biosimilar compounds in oncology, primarily focused on monoclonal antibodies.

L A U N C H T I M E L I N E

MAY 2012

Clopidogrel tablets, USP (75 mg and 300 mg), a bioequivalent generic version of Plavix® in the United States. We were among the first applicants to submit a substantially complete ANDA to the US FDA for Clopidogrel tablets USP (300 mg) following a Paragraph IV certification. Clopidogrel is used to inhibit blood clots in coronary artery disease, peripheral vascular disease and cerebrovascular disease.

Introduced over-the-counter (OTC) **Lansoprazole** delayed-release capsules in the United States. The product is the bioequivalent version of Novartis Consumer Health's Prevacid® 24 HR capsule.

Lansoprazole is used to treat and prevent stomach and intestinal ulcers, erosive esophagitis (damage to the esophagus from stomach acid) and other conditions involving excessive stomach acid, such as Zollinger-Ellison syndrome.



JUN 2012

Ropinirole Hydrochloride XR extended-release tablets (2 mg, 4 mg, 6 mg, 8 mg, and 12 mg), a bioequivalent generic version of REQUIP XL® tablets in the United States.

Ibandronate Sodium tablets (150 mg), a bioequivalent generic version of Boniva® tablets in the United States, used to treat or prevent osteoporosis in women after menopause.



JUL 2012

Atorvastatin Calcium tablets (10 mg, 20 mg, 40 mg and 80 mg), a bioequivalent generic version of Lipitor® in the United States. Atorvastatin is used to treat high cholesterol and to lower the risk of stroke, heart attack or other heart complications in people with type 2 diabetes, coronary heart disease or other risks.



AUG 2012

Montelukast Sodium tablets (10 mg), and Montelukast Sodium chewable tablets (4 mg and 5 mg), bioequivalent generic versions of Singulair®. Montelukast Sodium is used for the maintenance treatment of asthma and to relieve symptoms of seasonal allergies.



SEP 2012

Metoprolol Succinate extended release tablets (25 mg, 50 mg, 100 mg and 200 mg), a bioequivalent generic version of Toprol-XL® in the United States. Metoprolol Succinate is used in the treatment of several diseases of the cardiovascular system, especially hypertension.

Amoxicillin tablets (500 mg and 875 mg), capsules (250 mg and 500 mg) and oral suspension (125 mg/5 ml, 200 mg/5 ml, 250 mg/5 ml and 400 mg/5 ml), which are bioequivalent generic versions of Amoxil®, in the United States. Amoxicillin is used to treat different types of infections caused by bacteria, such as ear infections, bladder infections, pneumonia, gonorrhea and e.coli or salmonella infection.

Montelukast Sodium oral granules in the United States, a bioequivalent generic version of Singulair®.



NOV 2012

Sildenafil Tablets (20 mg), a bioequivalent generic version of REVATIO® (Sildenafil) tablets in the United States. Sildenafil tablets are used to treat erectile dysfunction.

JAN 2013

Finasteride tablets (1 mg), a bioequivalent generic version of Propecia® (Finasteride) tablets in the United States. Finasteride (Propecia) is used for the treatment of male pattern hair loss.



MAR 2013

Zoledronic Acid injection (4 mg/5 ml), a bioequivalent generic version of Zometa® (Zoledronic acid) 4 mg/5 ml injection in the United States. Zometa is used to prevent skeletal fractures in patients with cancers, such as multiple myeloma and prostate cancer, as well as for treating osteoporosis. It can also be used to treat hypercalcemia of malignancy and can be helpful for treating pain from bone metastases.

Isotretinoin capsules USP (20 mg and 40 mg) under the brand name Zenatane™, a therapeutically equivalent generic version of Accutane®, in the United States. Isotretinoin is used to treat severe nodular cystic acne.



SUSTAINABLE SOURCING

Accelerating access for patients and helping our partners bring their drugs quickly to the market requires a highly efficient and responsive supply chain. To this end, we strive to keep our supply chain streamlined, flexible, and sustainable in all respects.

Last year, we identified three key ways to achieve this. This year, we continued to focus on these actions.

Mentoring and Knowledge Sharing

We regularly share knowledge with our Suppliers and Strategic Business Partners (SBP), so that together we can meet the demands of our business in a responsible and sustainable way. This continued process has seen more suppliers sign up for our Supplier Code of Conduct this year.

During the reporting period, 56 SBP representatives took part in the Vendor Meets. All new vendors underwent a mandatory Supplier Induction Training.



Sustainable Logistics

A streamlined supply chain means a significant cut in our scope 3 emission and a sizable saving in transportation cost for our suppliers and vendors. We also help spread safety management practices among contractors and confirm that they are adhering to them.

Moving products by sea rather than air reduces emissions and fuel usage per product shipped. Hence, we continued to schedule our manufacturing and dispatch in order to shift more cargo from air to ocean freight.

During the reporting period, we transported 24% of our shipments by sea. We also conducted risk assessment audits for major service providers. Further, we used sustainable slip sheets in air shipments instead of wooden pallets for the US market.



Conservation of Resources

To ensure that all our resources are procured and used in a sustainable way, we manage inventory to cut out waste; reduce solvent use and enhance its recovery; and cut down on repeated testing of raw materials where credible and consistent suppliers are concerned.

As far as possible, we focus on salvaging raw material by returning it to the supplier. If the material has been supplied to our specifications and cannot be returned, it's disposed of responsibly.



Optimization in Progress

INITIATIVE

Reduced Testing

Previously, raw materials, especially APIs and excipients, were being tested first at API plants and then again at Formulations plants. We have endeavored to cut down repeated analysis of raw materials that have demonstrated stable results and no record of failure.

We follow two-pronged approach:

- Reduce duplicate testing at Formulations plants for raw materials from API plants
- Reduce testing parameters for excipients

This approach has shortened turnaround time and saved costs by reducing consumables use. As of September 2013, we have covered 88.5% and 89.4% of APIs and excipients respectively under this initiative, with a cost benefit of ₹ 12.9 million.

Green IT

We regularly conduct Green IT initiatives that promote enviro-friendly technology such as:

- Consolidating printers into a network instead of using standalone printers
- Using VOIP, VC, messaging and other telecommunication solutions to improve communication within the workplace and across geographies
- Optimizing data centers by shifting from standalone servers to blade servers, which occupy less space, require 80% less cabling, enable clustering and save energy
- Upgrading desktop computers & laptops to more energy-efficient models every 4-5 years

PRODUCT RESPONSIBILITY

To ensure that our medicines are safe and efficacious, we consistently comply with some of the most stringent regulations and standards in the industry. This involves ensuring product safety in development and manufacturing, in clinical trials, and in marketing and promotion.

Product Safety

Our medicines are monitored throughout their lifecycle - from early development to manufacturing and sales. We adhere to global safety benchmarks such as International Conference on Harmonization (ICH) guidelines for maintaining the efficacy of our products.

OUR SAFETY ASSURANCE MODEL		
 <p>PRODUCT DEVELOPMENT</p>	 <p>MANUFACTURING</p>	 <p>POST LAUNCH</p>
<p>1 Bioequivalence Pharmacovigilance - Clinical Trials</p> <p>Drug safety is evaluated and monitored during bioequivalence studies and clinical trials. In this stage, we determine the efficacy and safety profiles of our generics and biosimilars vis-à-vis their original drugs.</p>	<p>2 Stability Quality Control & Assurance</p> <p>Stability testing is undertaken to determine how the formulation will behave under various environmental conditions.</p>	<p>3 Pharmacovigilance Post Marketing Surveillance</p> <p>Once the drug has been launched, its safety is monitored through post marketing surveillance under the supervision of our clinical development and pharmacovigilance department.</p>

Addressing Counterfeits

Some of the key systems and initiatives we have set up to prevent counterfeiting are:

Use of specific sequence for batch numbering, manufacturing and expiry date	
Implementation of a coin reactive zone	
Use of hologram stickers	
Employment of specialized printing techniques to safeguard products from cheap counterfeits	

Responsible Marketing & Promotion

During the reporting period, we reinforced our focus on strengthening the sales force and making its members more conscious of the importance of sustainability.



Grooming Our Product Ambassadors

TRAINING THE TRAINEES

20,000 man-days of training provided to Trainee Professional Sales Representatives (PSRs)

TRAINING THE MANAGERS

400 man-days of training to Training Managers for on-job training with select PSRs

TRAINING THE PSRS

250 hours of training provided to sales team on medical related information in the current year

Strengthening India and Emerging Markets

We have stepped up our focus on India and other emerging markets. A dedicated Medical Affairs team has been formed for emerging markets including Russia, South Africa and Venezuela. In addition, a medical support person has been appointed in Ukraine.

In the reporting year, an annual Emerging Markets meet was held for the professionals of various countries providing intensive training on brand management, sales force excellence and performance management.

Enhancing Engagement with Doctors

Our marketing teams seek feedback from doctors, and share the scientific knowledge built up in Dr. Reddy's with them. In the reporting year, we conducted various conferences and symposiums with doctors for continuing medical education and to introduce our products to them.



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F E E D B A C K

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