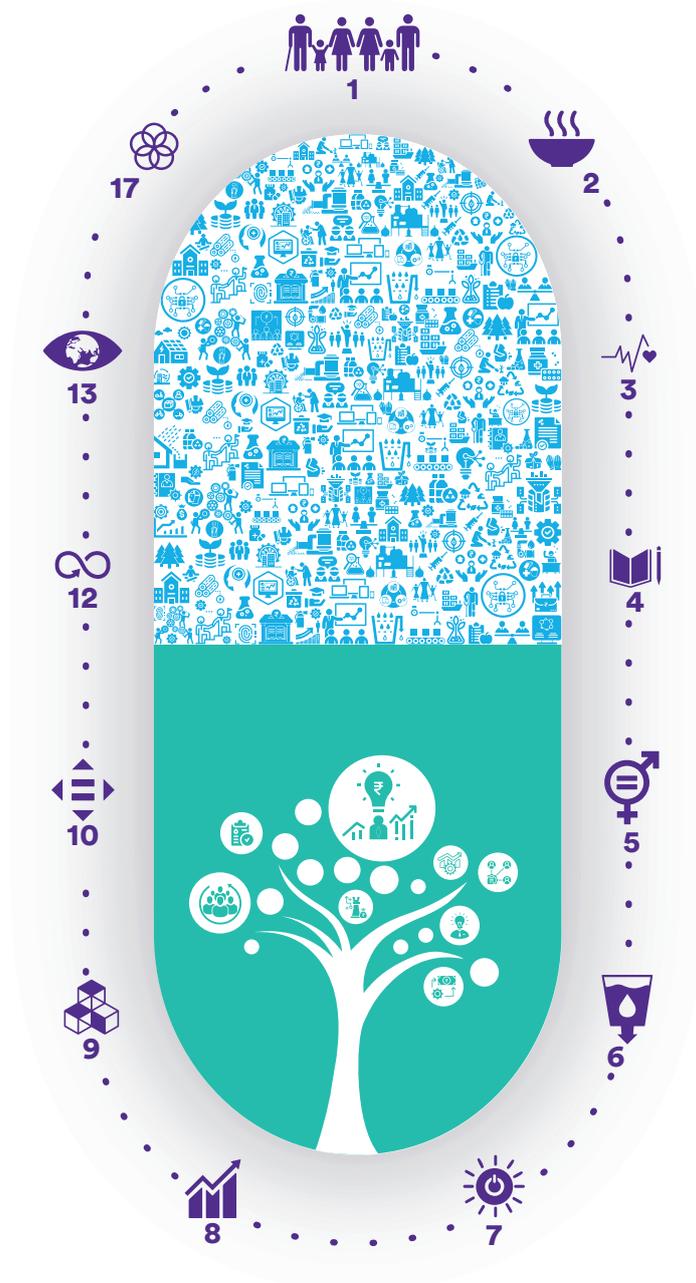


# ESG

## Overview and Performance

2019-20



**GOOD  
HEALTH  
CAN'T  
WAIT**

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## **About this report**

This ESG Snapshot encompasses an overview of our business performance across the Environment, Social and Governance parameters for FY2020. This snapshot covers our performance across all our product manufacturing operations and R&D facilities globally. Further details on governance, strategy, key initiatives and long-term outlook will be presented in our Annual Sustainability Report 2019-20, which is aligned to multiple national and international frameworks and guidelines.

# Who we are



## Values

- Integrity and Transparency
- Safety
- Quality
- Productivity
- Respect for the Individual
- Collaborations and Teamwork
- Sustainability



## Core Purpose

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



## Promises

- Bringing expensive medicines within reach
- Addressing unmet patient needs
- Helping patients manage disease better
- Working with partners to help them succeed
- Enabling and helping our partners ensure that our medicines are available where needed

## Our key business segments



### Biologics

Our biosimilars, generic equivalents of the innovator's biologics, offer affordable yet equally effective alternatives.



### Global Generics

Global generics is our biggest business driver. We offer more than 400 high-quality generic drugs.



### Proprietary Products

We focus on developing differentiated and non-differentiated formulations, presenting significantly enhanced efficiency and presenting ease of use.



### Pharmaceutical Services and Active Ingredients (PSAI)

We are one of the world's largest manufacturers of active pharmaceutical ingredients (APIs) and partner with leading generic formulator companies.



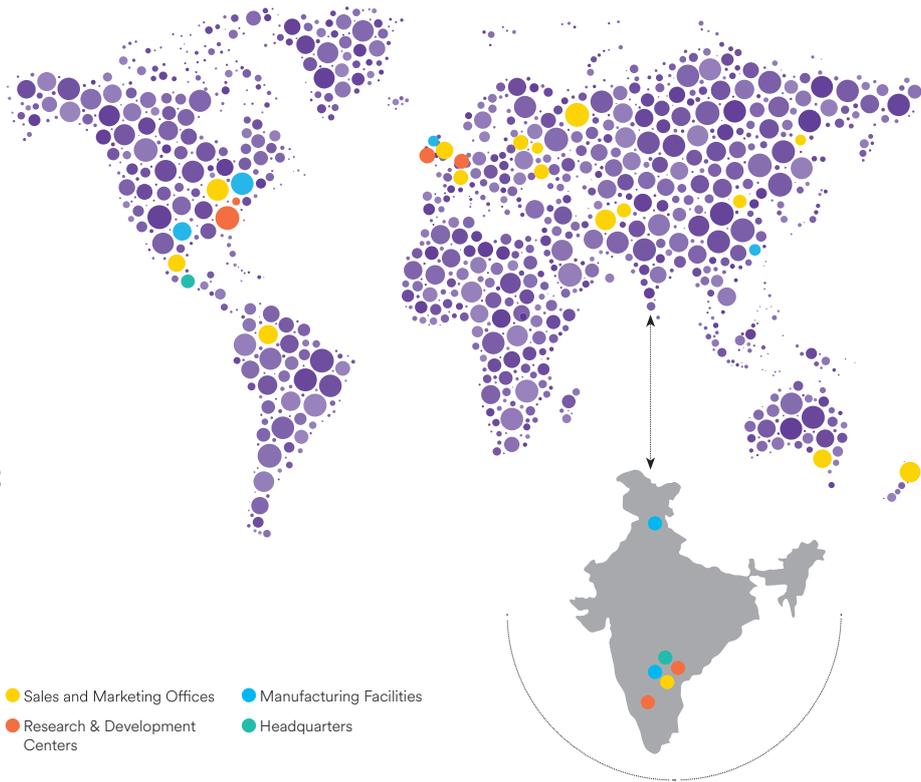
### Customer Pharmaceutical Services

We offer end-to-end product development and manufacturing services and solutions to innovator companies.

## Our Footprint

Nationalities  
48

Countries  
more than 42



Consolidated revenue for FY2020	PAT for FY2020	Net Debt to Equity Ratio
<b>174.6</b>	<b>19.5</b>	<b>-0.03</b>
INR billion ↑ <b>13%</b>	INR billion ↑ <b>4%</b>	Reduce from 0.09 in FY2019
Average training	Energy from renewable sources	Energy conserved
<b>26.67</b>	<b>8.8%</b>	<b>244,446</b>
Hours		GJ
Products launched in FY2020	Investment in R&D	No. of employess
<b>168</b>	<b>8.8%</b>	<b>21,000+</b>
80 launched in Emerging Markets	of revenue	

# Highlights of the year



# Awards



- **Sustainable organization of the year - Pharma Sector**  
India Sustainability Summit & Awards 2019
- **CII Environmental Best Practices award**  
Confederation of Indian Industries (CII)
- **Greentech Environment Award**  
Greentech Foundation
- **IGBC Green Factory Building 'Gold' rating for Formulation Manufacturing Unit SEZ PU 1**  
Green Building Congress
- **CII National Award for our Budhera Watershed Development Program**  
Confederation of Indian Industry (CII)
- **Energy Efficient Unit award to Formulation Manufacturing Unit 3**  
Confederation of Indian Industry (CII)
- **Golden Peacock Award for Sustainability**  
Institute of Directors (IOD)
- **Gold 4 Star – OHSSAI Award for Sustainability, Environment Management and Safety Management**  
OHSSAI Foundation
- **Dr. Reddy's Laboratories Inc. recognized for workplace health achievement**  
American Heart Association
- **EHS Excellence awards 2019**  
CII – SR (Confederation of Indian Industry – Southern Region)

- **PeopleStrong New Code of Work (NCOW) awards**  
PeopleStrong
- **Apex India Excellence Award**  
Apex India Foundation
- **Mr. G V Prasad has been named as one of the top 20 leaders on The Medicine Maker's Power List 2020**  
The Medicine Maker's
- **Top 50 Pharma Innovation award**  
Pharma Gorilla, Singapore
- **Pharma Anti-Counterfeiting & Compliance Awards (PAC Awards-2019)**  
Sponsored by Government of Telangana
- **DIANA Awards 2019**  
Distribution Industry Awards for Notable Achievements in Healthcare
- **V. Krishnamurthy Award for Excellence 2019 to Mr. G V Prasad**  
Centre for Organization Development

**We align with**



FTSE4Good



DISCLOSURE INSIGHT ACTION



UN GLOBAL COMPACT



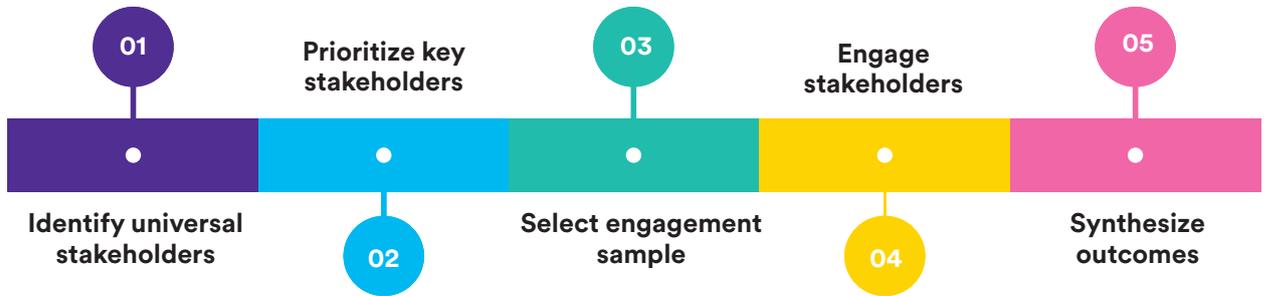
In collaboration with



SCIENCE BASED TARGETS  
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

# Stakeholder engagement and materiality<sup>1</sup>

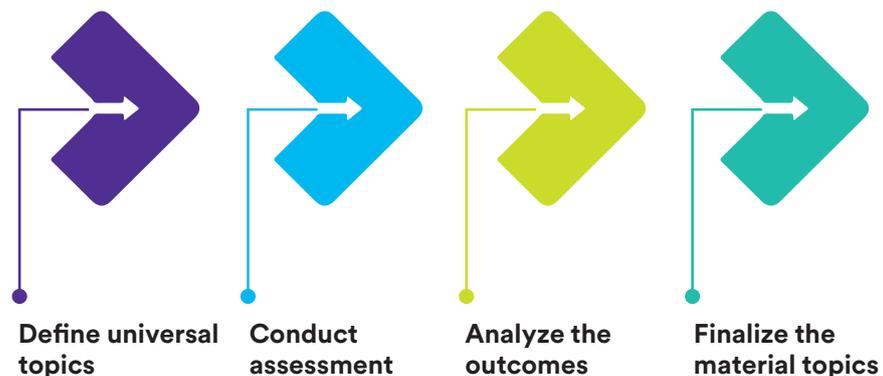
## Approach to stakeholder engagement



## Results of the stakeholder engagement exercise

Stakeholder group	Key risks from business perspective linked to the stakeholder group
Employees	Workforce attrition Workforce productivity
Suppliers	Third-party risks Logistic disruptions
Regulators	Compliance risk
Investors	Investment risk
Patients/customers	Quality and safety risk
NGOs & communities	Business continuity

## Approach to prioritize material topics



<sup>1</sup> We had conducted a Stakeholder Engagement and Materiality Assessment in 2010. We have initiated the exercise in 2020, which is underway. The results will be published in our Annual Sustainability Report 2019-20.

### Results of the materiality exercise



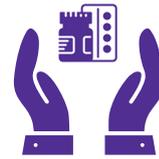
#### Affordable and innovative medicines



#### Environmental management



#### Being an employer of choice



#### Product responsibility



#### Sustainable sourcing

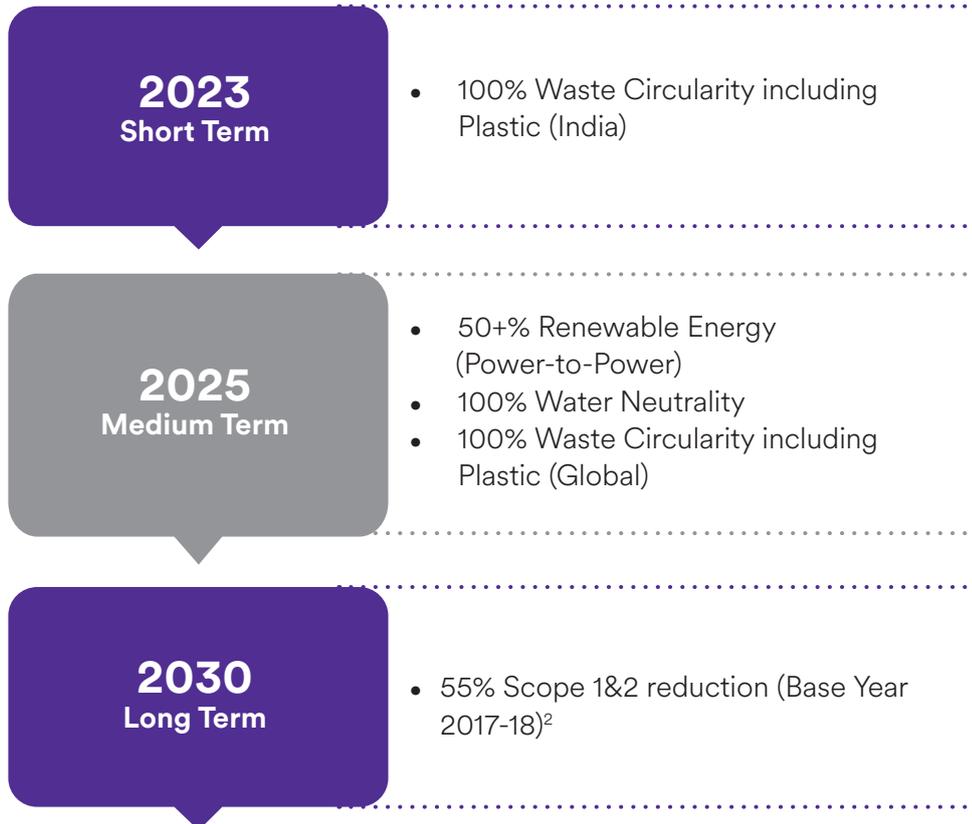


#### Caring for communities

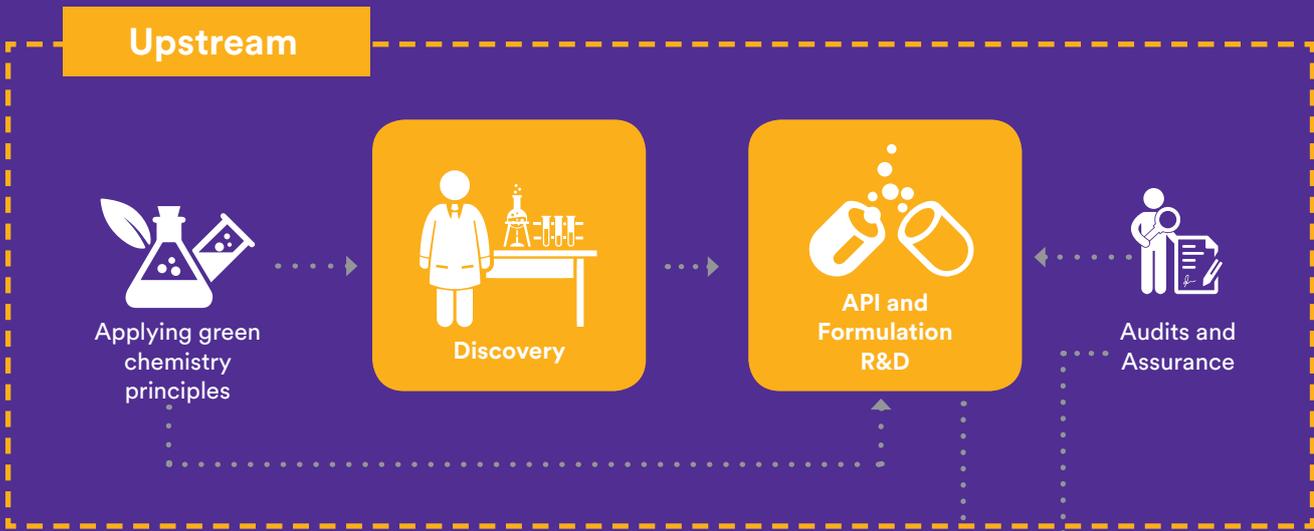


# Targets and roadmap

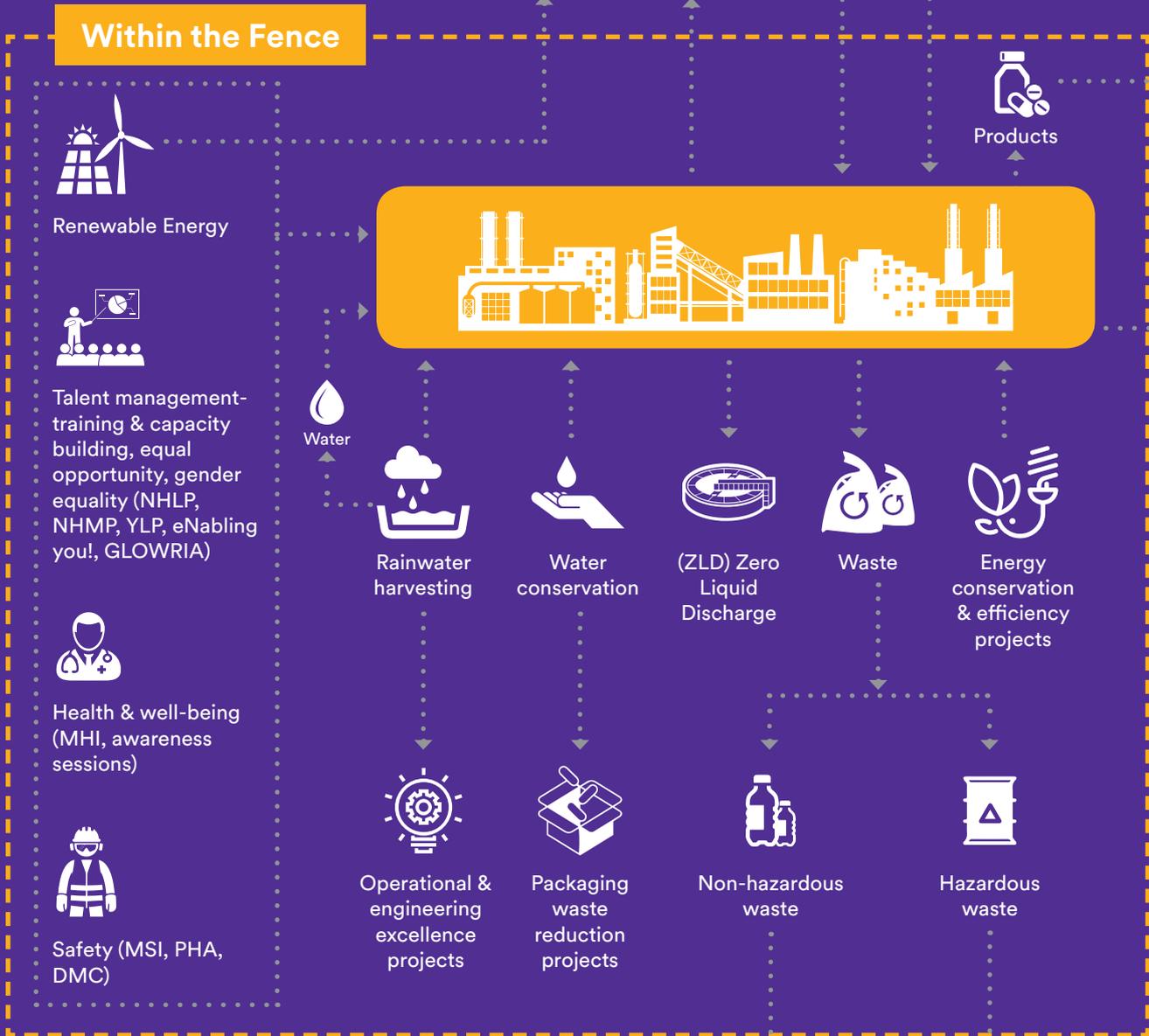
We adopted our Environmental Commitment Statement in 2010, with targets for 2020 across 6 environmental aspects. Our performance against the targets will be discussed in our Annual Sustainability Report 2019-20. With the conclusion of our Environmental Commitment Statement, we have renewed our commitment by adopting our strategy roadmap with short, medium- and long-term environmental targets, as presented below.



<sup>2</sup> Aligned to our SBTi targets. Our Scope 3 emission targets will be elaborated in our Sustainability Report 2019-20.



## Climate Protection



Products

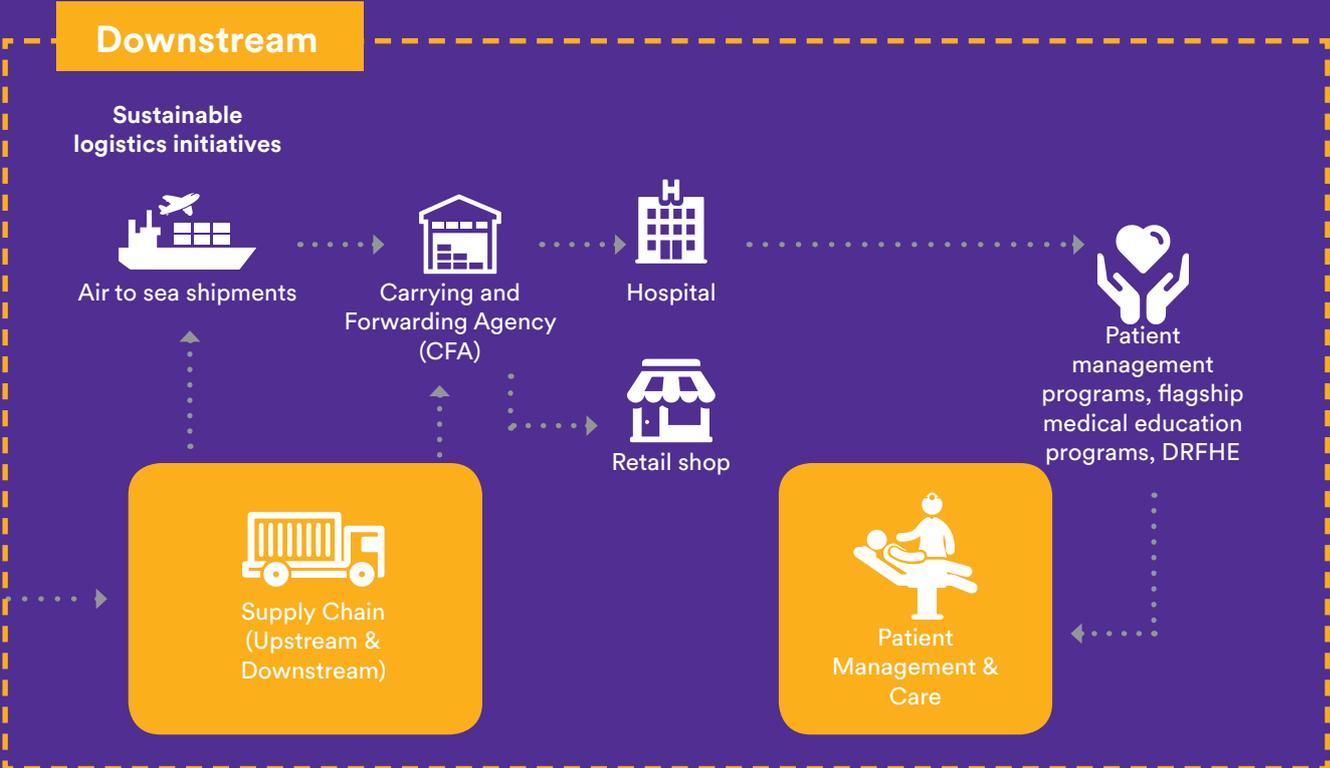


Recycling



Cement kiln  
Circular Economy

# Our Sustainable Value Chain



# Environment

At Dr. Reddy's, we recognize the positive and negative impacts of our operations on the environment. We consistently strive to improve resource conservation and energy efficiency through the implementation of eco-friendly technologies and cutting-edge manufacturing processes. The outcomes and performance highlights for FY2020 are presented below.

Performance Indicator	FY2017-18	FY2018-19	FY2019-20
Raw materials – API (kg)	507,314	479,892	478,260
Raw materials – Excipients (kg)	6,289,306	4,257,859	4,454,464
Water withdrawal – Municipal supply (kl)	288,758	272,693	391,288
Water withdrawal – Other 3 <sup>rd</sup> party supply (kl)	695,454	656,042	452,727
Water withdrawal – Ground water (kl)	691,080	788,825	917,407
Fuel consumption – Non-renewable sources (GJ)	3,222,184	3,318,534	2,968,984
Fuel consumption – Renewable sources (GJ)	369,659	356,986	364,594
Direct energy consumption (GJ)	3,408,424	3,501,260	3,096,138
Indirect energy consumption (GJ)	1,232,775	1,122,810	1,066,051
GHG emissions – Scope 1 (tCO <sub>2</sub> e)	349,108	364,283	319,190
GHG emissions – Scope 2 (tCO <sub>2</sub> e)	195,287	176,480	154,836
GHG emissions – Scope 3 (tCO <sub>2</sub> e)	345,407	331,501	324,723
Other air emissions – SO <sub>x</sub> (tons)	440	380	289
Other air emissions – NO <sub>x</sub> (tons)	251	217	151
Other air emissions – SPM (tons)	163	133	97

### Performance on water conservation (Quantity: kl)



**121,194**

Wastewater discharged



**851,494**

Wastewater recycled/reused



**50,789**

Rainwater captured

### Hazardous Waste (Quantity: tons)



**186**

Incineration



**133**

Landfill



**17,577**

Co-processing



**7,464**

Recycle/reuse



Reduced **61%** specific water consumption against the target of 40%\*



**100%** of our Non-Hazardous waste in FY2020, 17,984 tons, was recycled / sold to third party



Reduced **31%** specific energy consumption against the target of 40%\*



Reduced **48%** specific hazardous waste generation against the target of 40%\*



**48%** of our total freshwater consumption was recycled / reused in FY2020, with **9 ZLD** facilities for our 16 manufacturing plants in India



Achieved **8.8%** renewable energy share against target of 25%\*

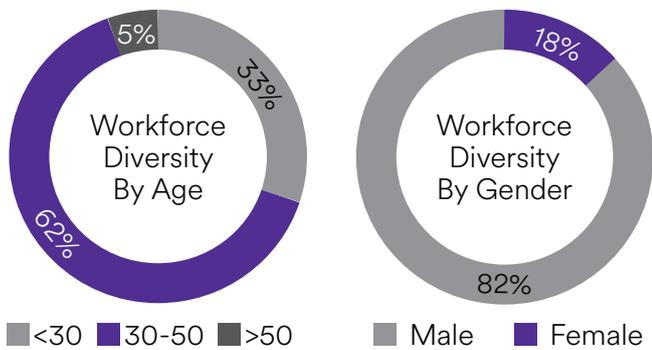
\*These targets were part of our Environmental Commitment Statement adopted in 2010, for the year 2020.

# Social

Our employees are our biggest assets and a key stakeholder for ensuring our success as a responsible business. We have well-defined employee-centric policies and procedures, which enable a conducive work place and help employees voice their concerns and aspirations. On the social front, we are working closely with the community to understand their concerns and support them through our various programs, focused on education, health and livelihood. A quick snapshot of FY2020 is presented below.

## Our KPI's

**Diversity**  With an overall diversity of 18%, we have 14.82 % women in all management positions, including junior, middle and senior management (as % of total management workforce)



**Occupational health & safety**  
For Employees and Contractors (FY2020)

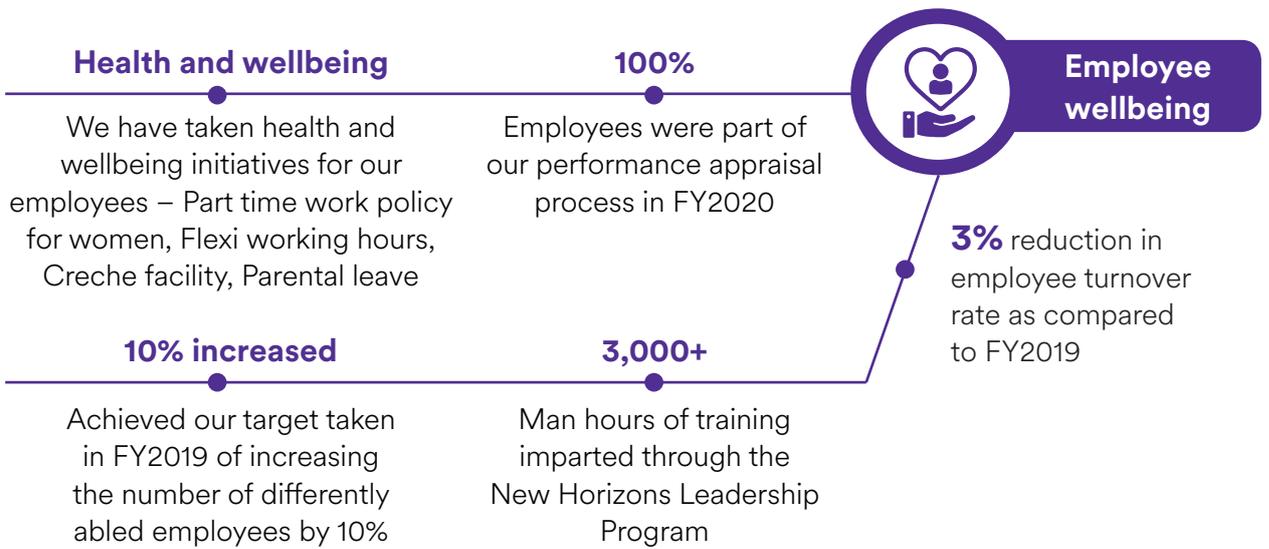
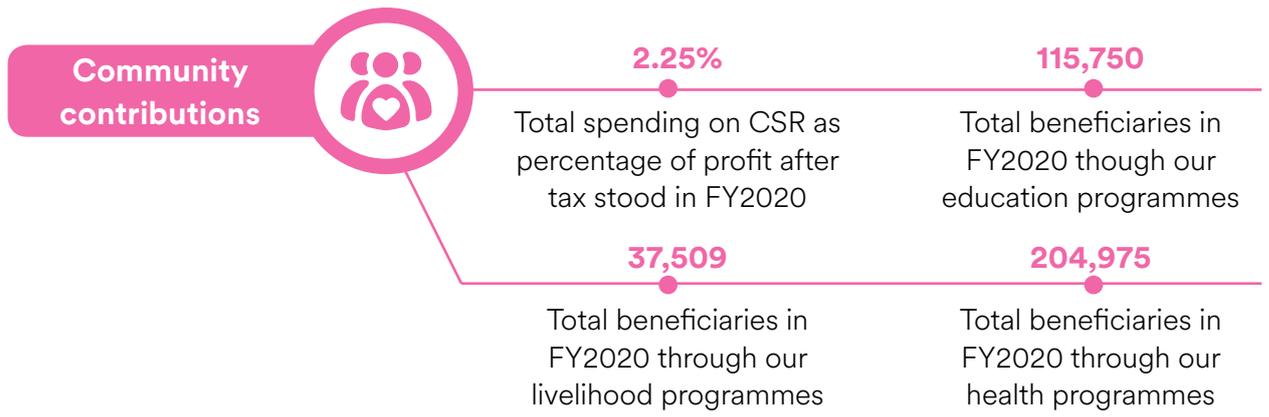
- 0 Fatalities
- 0.18 Lost-Time Injury Frequency Rate (LTIFR)
- 0 Occupational Illness Frequency Rate (OIFR) - Employees

**Human Rights** 

Human Rights Policy adopted

**SA 8000: 2014** Most of our facilities have undergone human rights due diligence and have been certified to be in conformance to SA 8000: 2014.

**SA 8000** Our comprehensive SAMS (Social Accountability Management Procedure) facilitates compliance to the requirements of SA 8000.



**Sustainable Supply chain**

At DRL, we have a well-defined governance system and strategy for a sustainable supply chain. In FY2020, based on our spend analysis 67.9% of our procurement budget was spent locally\*

Key Performance Indicator (KPI)	Target
Affordable and innovative medicines	Robust supply to the market by developing capacities and KPI's
Make vs. Buy	In-housing journey from 50 to 61%.
Cost Leadership	Improving Total Variable Cost to reflect in the Profit and Loss statement

\*We define local as suppliers within the bounds of the Indian territory which can be classified into global-local, referring to all entities within national boundaries and 'local-local' which refers to entities located within the radius of ~100 km from our manufacturing operations.

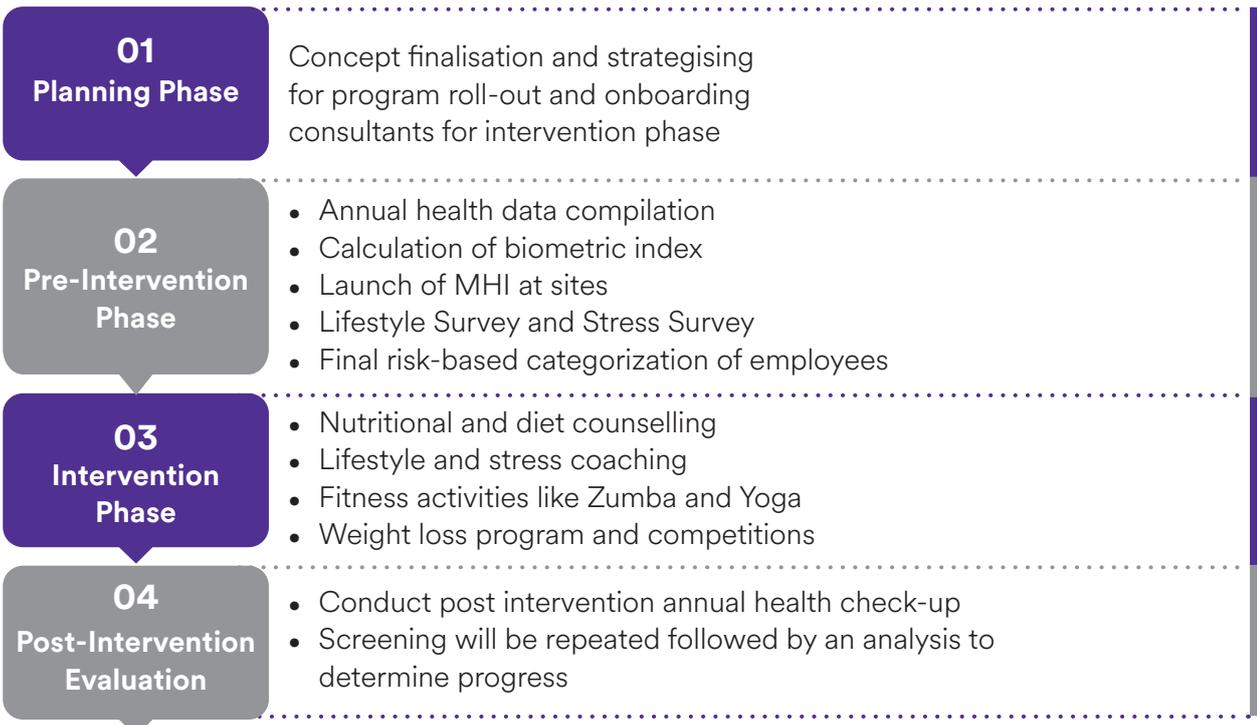


MSI is a quantitative and objective tool to monitor safety culture and management across our sites. MSI 1.0 was adopted in FY2019, learnings from which lead us to adopt MSI 2.0 at the end of FY2020. Sites are audited, scored and given feedback for improvement on MSI on a regular basis, which is also shared with senior leadership. The MSI parameters are broadly classified into two categories:

1. Cultural parameters: There are 4 cultural parameters with a 40% weightage in the index
  - Felt Leadership – Top management (Unit head)
  - Felt Leadership – Front line management
  - Consequence management
  - Training

2. Safety management systems: There are 6 safety management linked parameters with a 60% weightage in the index
  - Fire index
  - Electrical index
  - LOTO index
  - Contractor Safety Management (CSM) index
  - Road safety index
  - Operational discipline

Our proactive focus on employee health is driven by our My Health Index (MHI) program. This comprises of 4 phases, as presented below. Post site wise planning, as a part of pre-intervention, employees are able to understand their current health status – Optimal / Suboptimal / Poor. This is followed up with interventions for improvement and post intervention evaluation to ensure traction and success.



# Governance

Corporate governance at Dr. Reddy's is defined by transparency and integrity. The major pillars of our corporate governance are board structure and effectiveness, ethics and compliance, and risk management, amongst others. All the pillars have governance practices, which help streamline the organization's efforts towards achieving our long-term objectives. These governance practices, adopted at the leadership level, cascade down to the operational and functional level. Further details on corporate governance are a part of our Annual Report along with 'Management Discussion and Analysis' and 'Additional Stakeholder Information'. An overview of our Corporate Governance is presented below.



## Governance structure

Our Board of Directors comprise of our leaders, who provide strategic direction, capitalize on sustainable opportunities and provide keen insights into the company's management systems. Our Board has deep expertise in the fields of strategy, finance, operations, science, human resources, information technology and economics. The diversity in perspectives supports us in understanding varied stakeholder concerns and offers insights from a multi-sectoral angle.



## Business ethics and compliance

Our Code of Business Conduct and Ethics (COBE) establishes an environment for acceptable behavior and actions, applicable to all Directors and employees, including those of our wholly owned subsidiaries. Additionally, the code also covers corruption and bribery, discrimination, confidentiality of information, conflicts of interest, anti-trust/anti-competitive practices, money laundering and/or insider trading, environment, health and safety, and whistleblowing amongst others.



For FY2020, there were no incidents of bribery or corruption, whilst all our operations were assessed for risks related to corruption. However, there were 2 cases regarding anti-competitive behavior which are under investigation.\*\*

\*\*Further details are available in our Annual Report 2019-20 on page #35



### **Risk Management**

Our Enterprise Risk Management (ERM) enables efficient execution of our business strategies. The ERM team is responsible for all activities spanning from risk identification, prioritization, categorization and defining risk mitigation strategies. We ensure cross-functional engagement in the risk dialogue of the firm to ensure the risk identification process is exhaustive.

In FY2020, we initiated a regulatory and physical climate risk assessment as part of our TCFD for all the company’s manufacturing sites, 28 manufacturing sites of critical suppliers and some critical logistics infrastructure



### **Trade and Industry Associations**

We actively support causes and policies for stimulating inclusive and sustainable growth. We participate in various trade associations and collaboratively work with industry bodies, the government and peer group members. In FY2020, we contributed approximately INR 10 million towards trade and industry memberships.



# COVID-19 Response

As we share our ESG Overview & Performance 2019-20, the world is responding to the challenge of COVID-19 pandemic. This global crisis has put forth problem statements which were not faced in a century - especially complex for the pharmaceutical sector. As a producer of essential and life-saving drugs, we had to ensure our operations were unaffected, without any compromise to the health and safety of our employees. We are braving the challenge by adopting preventive, proactive and reactive responses across 11 core areas. The Safety Circle below represents our holistic approach towards COVID-19. Further details will be presented in our Annual Sustainability Report 2019-20.





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