

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

Dr.Reddy's 

**Beyond
compliance.**

**For a sustainable
future.**

Corporate Sustainability Report

2016 - 17

\$2 billion revenues

Commercial presence
is in **30 countries**

10 R&D facilities

25 manufacturing
facilities

22,000+ associates
worldwide



Our presence is widespread across 30 countries, with our global headquarters in Hyderabad, India. Our manufacturing facilities are supported with 10 R&D centers located in India, USA, UK and Netherlands.



Our Purpose

We accelerate access
to affordable and
innovative medicines

because

**Good Health
Can't Wait.**



Our Promises

Our five Promises clarify what we do, what we offer and the commitments we make to our customers. Our patients trust our medicines. We focus our energies on renewing this trust every day. As we keep the interests of our patients at the center of all that we do, our Promises drive us to reach higher levels of excellence.

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

Our Values

- Integrity and Transparency
- Safety
- Quality
- Productivity
- Respect for the individual
- Collaboration and Teamwork
- Sustainability



Contents



Sustainability roadmap

Our journey so far



Interaction with the CEO



What we are today

Organization profile, value proposition and corporate governance



About Sustainability Report FY 2016-17

Reporting approach, material aspects and boundary

Dr. Reddy's way

Sustainability governance





Integral, inclusive and innovative health today



Moving towards a responsible future



Our sustainability performance

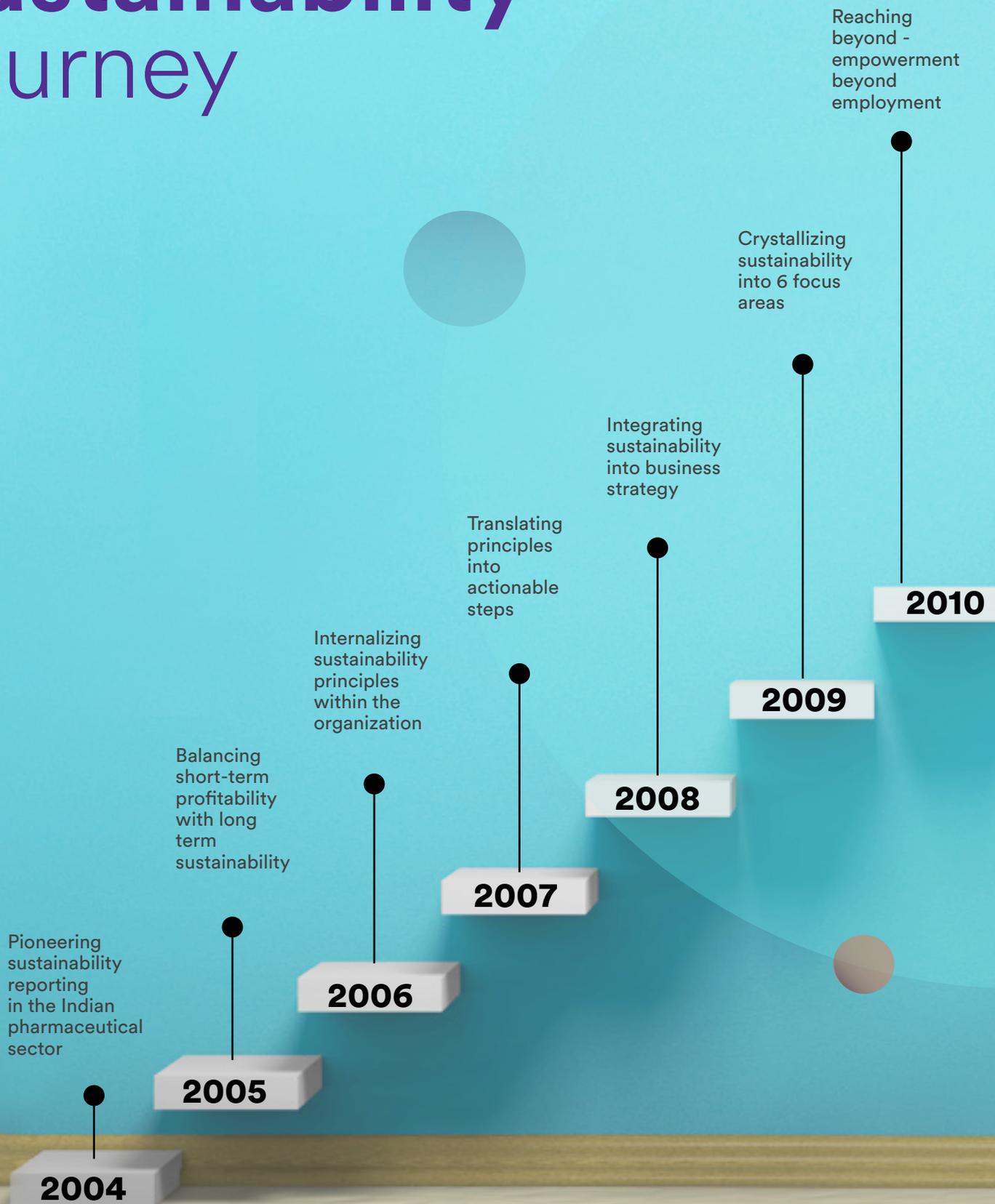


GRI content index

Independent assurance statement



Our sustainability journey



Delivering on our promises for a healthier today and into the future

2017

2016

2015

2014

2013

2012

2011

Benchmarking operational excellence with sustainability gold standards

Seeding a 'sustainability by design' approach across all operations

Delivering Good Health

Don't be patient because **Good Health Can't Wait.**

Triggering strategic actions and outcomes, evolving to 'sustainability in progress'

Introspecting on our performance across key sustainability indicators



Interaction with the CEO

Continuous improvement on our environment performance is a notable aspect of our sustainability journey. In 2004, Dr. Reddy's became one of the first companies in India to ensure “**zero liquid discharge**” by treating and recycling all waste water, leaving zero discharge at the end of the treatment cycle. This year we achieved another important milestone: **zero hazardous waste to landfill across all our API manufacturing units in India.**

This milestone is significant when viewed in the context of the public declaration we made in 2009 with six environmental performance targets, one of which pertained to hazardous solid waste:

“We aim to reduce our specific generation of hazardous waste and reduce the quantum of hazardous waste sent by us to landfills or incineration by about 5% every year over the next 10 years, so as to achieve a 40% reduction by 2020.”

We exceeded this goal in 2016 achieving a total reduction of 59% as against the target of 40% by 2020! Encouraged by our success, we set for ourselves another ambitious target: **to ensure zero hazardous waste to landfill by 2020.** I am delighted to state that during FY 2016-17, we achieved this across all our API manufacturing units in India. Currently only 19% of our total hazardous waste is sent to landfills.

In other areas too, we made steady progress towards reducing our environmental impact during FY 2016-17. We achieved a 6.7% reduction in our specific energy consumption over the previous year. With an approach of “**do no harm**” and applying principles of “**green chemistry**” we also witnessed success in reducing our impact on environment and climate change through our processes. This report highlights a few case studies.

This year we have started aligning our sustainability focus areas and Vision 2020 goals with the UN sustainable development goals (SDGs). We will identify areas where we can make progress towards the SDGs.



22% reduction
in hazardous
waste sent to
landfills

6.7% reduction
in our specific
energy
consumption

**Included in the
Dow Jones
Sustainability
Index 2016
for Emerging
Markets**

Focusing on quality and safety, beyond compliance

Over the past 12 to 18 months, our manufacturing and quality organization has undergone an intense period of scrutiny, but an important one. To strengthen our quality systems, we integrated all manufacturing processes and support functions under a unified 'Global Quality Management System' to drive the quality agenda at an enterprise level. We have been making significant investments in upgrading our manufacturing infrastructure and quality systems to the best in class for the industry. We are investing in structured capability building across all levels to keep pace with technological enhancements.

While we have made a lot of progress, we still have more work to do. Also, the loss of a contract worker in the utility section of one of our facilities during the year brought back the criticality of ensuring the safety of people in our workplace. Integrating safety and quality into the core of our manufacturing system continues to be a key priority for us.

Looking ahead

Dr. Reddy's has been an early adopter of sustainable practices, which have progressively matured over the years. Recent recognitions are a validation of our efforts. We became the first Indian pharmaceutical company to be included in the **Dow Jones Sustainability Index 2016** for

Emerging Markets. We also received the prestigious Golden Peacock Award for our efforts towards sustainability. These independent recognitions are a reiteration of the fact that we are headed in the right direction. But we still have a long way to go. We will continue to build on our efforts and aspire for the highest standards in sustainable operations anywhere in the world.

Best regards,

G. V. Prasad
Co-Chairman & CEO



What we are today

Our business footprint FY 2016-17

Over the years, bringing good health to the doorstep of our customers has shaped up as our core principle across the globe.

Our manufacturing, sales and marketing operations span

around 30 countries. We have our major manufacturing facilities in Hyderabad, Vishakhapatnam, Baddi (India), Tennessee, New York, Louisiana (USA), Mirfield (UK) and Mexico. Apart from that we have four R&D centres and two



technology development centres in India, one R&D centre in Princeton (USA), and three development centres in Princeton (USA), Cambridge (UK) and Leiden (The Netherlands). Our major markets include the United States of America (USA), India, Russia and CIS regions, and Europe.

We also reach out to patients in various other markets like South Africa, Australia, Jamaica, New Zealand, Brazil, China and the Association of South East Asian Nations (ASEAN) countries.

Our Businesses

We cater to the health needs of society through our three key business segments — Pharmaceutical Services and Active Ingredients, Global Generics, and Proprietary Products, that offer a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars, and differentiated formulations. The major areas of our therapeutic focus are gastrointestinal, cardiovascular, diabetology, oncology, pain management and dermatology.

Our three core business segments and our promises to achieve our goals are summarized in the illustration shown below.



Pharmaceutical Services and Active Ingredients (PSAI)

Includes active pharmaceutical ingredients (APIs) and custom pharmaceutical services (CPS).



Global Generics

Includes branded and unbranded prescription medicine and OTC drugs. Also includes our biologics portfolio.



Proprietary Products

Includes differentiated formulations businesses in dermatology and neurology.



Our Promises

1

Bringing expensive medicines within reach

2

Addressing unmet patient needs

3

Helping patients manage disease better

4

Enabling and helping our partners ensure that our medicines are available where needed

5

Working with partners to help them succeed

Pharmaceutical Services and Active Ingredients

Active pharmaceutical ingredients (APIs): Being one of the largest manufacturers of APIs, we specialize in collaborating with other generic formulation leaders to achieve first-mover advantage in bringing their molecules to the market. We believe in offering our customers the complex range of active ingredients that has world-class quality and yet is within affordable limits. Similarly, our own generics business also achieves a competitive advantage in terms of cost and market leadership.

Major components under this category include steroids, peptides, complex long chain synthesis and complex oncology APIs.

We deploy the best practices in quality management systems across all our manufacturing locations while enhancing our value propositions

and offerings across our key markets. We also strive to build up the filing profile of our drug master files to better serve internal as well as external clients.

Custom pharmaceutical services (CPS): Dr. Reddy's has one of the largest custom pharmaceutical services businesses in India. Our key clients for this segment are the innovator product companies to whom we offer end-to-end manufacturing services and solutions. Using our deep technical expertise and experience in formulations, technologically advanced interventions and a global delivery network, we are able to support lifecycle management and reduce the timespan for availability in the markets.

150+ API products in our portfolio



Global Generics

A leader in this market segment, Global Generics is the strongest value proposition of our business. With 200 high-quality yet affordable generic drugs in our portfolio, we focus on continual innovation to deliver best-in-class generic medicines to our customers. A thorough understanding of active ingredients, knowledge and exposure to regulatory requirements and intellectual property rights, product innovation skills, and an efficient supply chain together contribute to our market positioning in over 30 countries, including India, for this product segment.

Important components in this category include generic formulations in the form of tablets, capsules, injectables and topical creams. These pertain to major therapeutic areas across categories like gastrointestinal ailments, cardiovascular disease, pain management, oncology, anti-infective, paediatrics, and dermatology.

Over-the-counter (OTC) Drugs

We offer a wide range of OTC drugs for addressing patients' needs in therapeutic areas like pain management, dermatology, allergy management, and gynaecology. We are striving to expand our OTC drugs portfolio to include generic medicines as well, in the near future.

Biologics

Perceived globally as pioneer in one of the most important fields for research, a biosimilars portfolio is a crucial product segment for the pharmaceutical industry. We have already ventured into biosimilars by offering a high-quality and innovative, and yet affordable originator portfolio. Our commercial reach, alignment with our customers' requirements and product development expertise have helped us reach a pivotal position in the market for this segment.

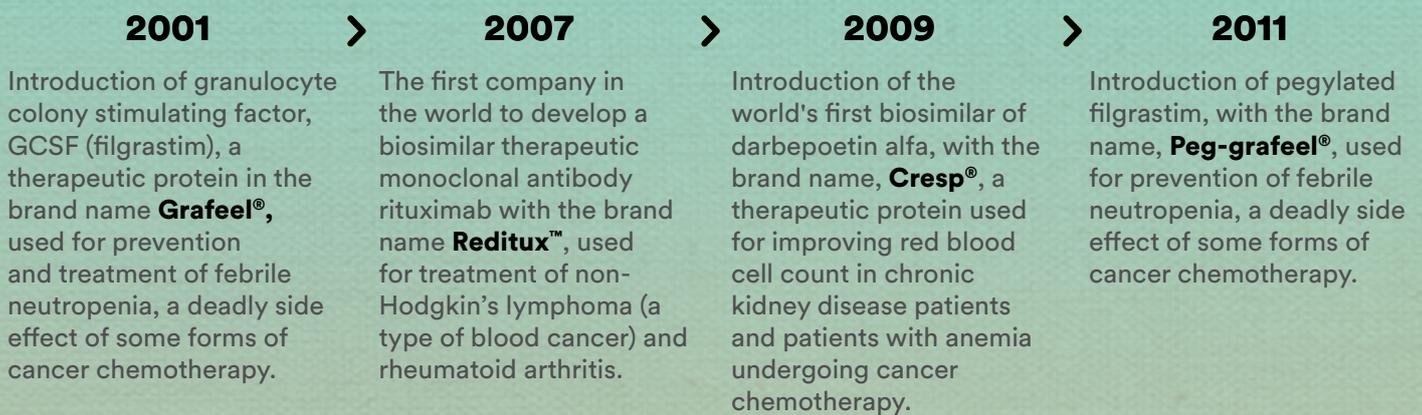
200 high-quality generic drugs in our portfolio





Impact of Dr. Reddy's Biosimilars Portfolio

The following illustration shows the business's journey to establish itself as a market leader in this segment.



The biosimilars were priced at lower price points as compared to the innovator drugs and thus were immensely successful in improving access to these critical medicines, especially for patients who needed financial support.

Proprietary products

Although still at a nascent stage, our range of proprietary products offers an overall enhanced experience to customers in terms of its benefits—efficacy, ease of use and strength to address complex medical needs. Through differentiated formulations, our proprietary products are able to improve the patient's relationship with our medicines. Our aim is

to reaffirm compliance to the therapeutic requirements and yet ensure a better experience for patients.

We are working to commercialize our newly launched products across our key markets. On the R&D front, the focus has been on advancing the development of in-licensed assets.



Our therapeutic focus

At Dr. Reddy's, one of the principal business enablers is the employment of a patient-centric approach while devising value propositions. Over the years of our existence, we have strived to respond to the ever-evolving medical needs of our consumers, not just through a diverse range of complex generics

and differentiated formulations but also by creating a unique range of therapeutic delivery mechanisms. Through these efforts, we aim at providing high-quality, affordable, convenient, and effective medical solutions that help in addressing the patient's needs.

Committed to delivering world-class health to all

Some of the most common areas of our therapeutic focus are detailed in the illustration below:

Oncology

Deep technical knowledge and technological interventions have been used to develop a wide range of high-quality, affordable and effective medications to combat cancer and its side effects. These include cytotoxics, targeted therapies, and supportive care.

Gastrointestinal

An extensive range of acid suppressive drugs have been developed to treat gastroesophageal reflux (heartburn), diarrhea, constipation etc. Cutting-edge research has already been employed to develop medications for hepatology disorders (B and C categories). Our portfolio consists of some of the leading brands, including our flagship brand **OMEZ®**.

Cardiovascular

A broad portfolio of medicines has been formulated to address hypertension, one of the most severe cardiovascular ailments affecting people as a result of changing lifestyles and habits. Our portfolio consists of a number of successful products including **Amlodipine**, **Amlodipine+Atenolol** combination, ACE inhibitors like **Enalapril** as well as angiotensin receptor blockers (ARBs) like **Telmisartan**.

Anti-diabetic

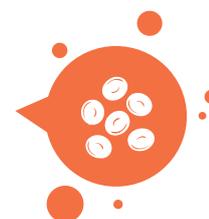
Another lifestyle aided health condition, diabetes has attributes to trigger multi-pronged health conditions. **Metformin**, **Glimepiride**, **Glicazide** and their combinations have been used to treat the severity of health issues caused by this disease.

Dermatology

We have developed a wide range of drugs (some of which are now market leaders in their respective segments) to treat skin disorders like seborrheic dermatitis, psoriasis, corticosteroid-responsive dermatoses, various types of dermatitis, actinic keratosis, rosacea, warts and acne.

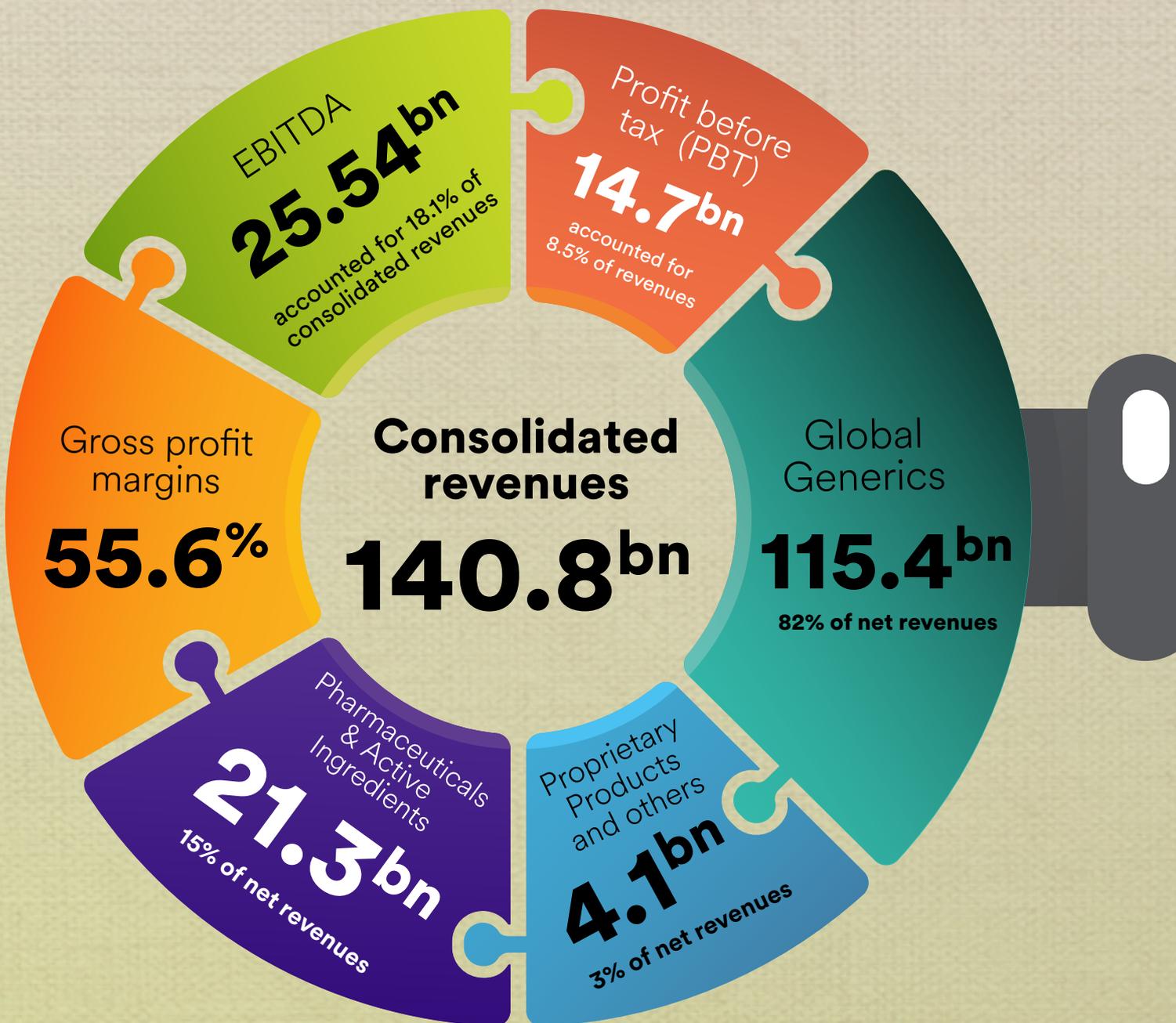
Pain Management

Both generics and branded generics have been developed to address a wide range of pain conditions. **Nise®** (our brand of Nimesulide) has been categorized as one of the top 300 brands in the Indian pharma sector. Some other products like **Ketorolac** and **Hyaluronic Acid** are other popular pain suppressive medicines from our portfolio.



Key business highlights

The business's financial performance from FY 2016-17 has been summarized in the illustration below:



Note: All figures are in Indian rupees and as per IFRS consolidated financial statements.

Filings and Launches


DMF Filings
82

DMF filings of which nine DMFs were filed in the US. As on 31 March 2017, there were 754 cumulative DMF filings.

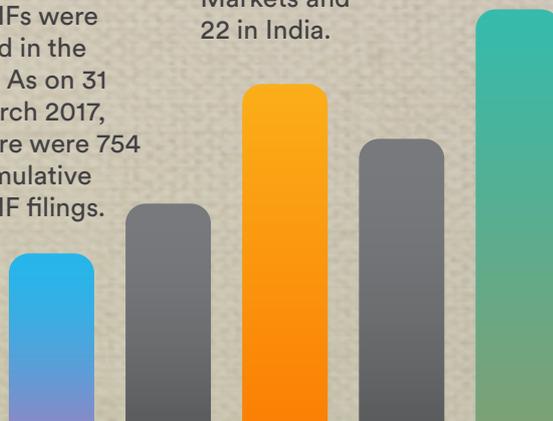

New Products
93

new products were launched in FY 2016-17 of which 10 are in NAG*, 22 in Europe, 39 in Emerging Markets and 22 in India.


General Filings

101

generic filings pending approval (99 ANDAs and two NDAs). Of these, 99 ANDAs, 62 are para IV filings and we believe 21 have 'first-to-file' status.



Changing market dynamics, an unprecedented increase in competition from generics companies, a shift in regulatory enforcement mechanisms (especially in the US markets), pricing pressures in emerging markets (India), economic slowdowns in some of our profitable markets (Venezuela), and lower offtake of some key molecules in our active pharmaceutical ingredients portfolio impacted our business' performance for the FY 2016-17.

*NAG - North America Generics

Value propositions: responding to emerging needs from evolving markets

India

Following the acquisition of select brand portfolios from UCB in April 2015, our business's therapy footprint in areas like dermatology, respiratory, ENT and pediatrics across India, Nepal, Sri Lanka and Maldives experienced good progress.

Collaboration with Amgen was expanded to market and distribute three of its products in India — XGEVA® (Denosumab),

Vectibix® (Panitumumab) and Prolia® (Denosumab) in the therapeutic areas of oncology and osteoporosis.

Signed an agreement with Integra Life Sciences to market and distribute DuraGen Plus and Suturable DuraGen dural generation matrices in India. Both these drugs are part of a leading family of dural (or cranial repair) products.

North America Generics

Gained significant market share in certain products like Esomeprazole DR and our OTC nicotine patch, Habitrol®. Also managed key accounts in the injectable portfolio in spite of extensive competition and price erosion.

Signed a strategic collaboration agreement with Gland Pharma to market and distribute a diverse range of 8 injectable ANDAs in the USA market. As per the IMS Health moving average data, the combined sales of the branded and generics versions of these products in the US market was approximately \$1 billion.

Filed 26 new ANDAs during FY 2016-17 that included key complex products across different dosage forms.

Launched Nitroglycerin sub-lingual tablets of various strengths, a therapeutic generic equivalent of Nitrostat which is used to treat or prevent angina. Also launched Omeprazole and Sodium Bicarbonate capsules, a therapeutic equivalent generic version of Zegerid®, which is used for treatment of heartburn and other symptoms of gastroesophageal reflux disease.

Acquired 8 ANDAs from Teva/Allergan across various dosage forms for \$350 million. We launched the first product, Vytorin, in April 2017 and have been working towards the commercialization of the remaining 7 ANDAs.

Acquired 6 well-known OTC brands in cough, cold, pain and dermatological categories from Ducere Pharma.

Revenue increased by **9%** to **Rs.23.1 billion**

Rs.63.6 billion revenue from North America generics market for FY 2016-17



Russia and CIS

Significant growth registered for key brands like Omez[®], Ciprolet[®], Cetrine[®] and Ibuclin[®]. Nise[®], Omex[®], Ketorol[®], Ciprolet[®], Senade and Nivigan are the brand leaders in their respective market segments.

We focused our efforts on establishing a network of relationships with key pharmacy chains and individual pharmacies across the OTC channel in Russia.

The OTC business grew by 17% year-on-year and accounted for 40% of our business growth in Russia. Significant institutional sales to hospitals also witnessed substantial traction. We expect this growth to further escalate with the introduction of Reditux[™], our Rituximab biosimilar.

**OTC business
grew by 17%
year-on-year**

Europe

Generics sales in Europe accounted for approximately 7% of the global generics business.

In spite of competitive pricing pressures in Pregabalin and price pressures on Aripiprazole, the business growth was sustained by new product launches—Imatinib,

Voriconazole and Buprenorphine patch—and volume gains in Pregabalin.

Introduction of a select portfolio of generics across the oncology and anti-infective categories in France, Italy and Spain helped us maintain our business momentum in Europe.





Focus areas for our business in FY 2017-18



Enhancing the benefits of acquisitions and in-licensing deals.



New product launches to maintain market positioning and enrich portfolio in India.



Build a stronger OTC portfolio through frequent brand sensitization exercises.



Achieve continual market leadership across key business offerings by strengthening our quality systems and executing on our strong business pipeline.

Corporate governance

Dr. Reddy's strives to maximize shared value for all our stakeholders by adhering to the highest ethical conduct and sustainable governance practices. We believe in transparency and accountability through timely disclosures.

At Dr. Reddy's, a strong and independent board helps us uphold high corporate governance standards and stakeholder trust, and maximize long-term corporate values. Coming from diverse backgrounds such as strategy, finance, operations, science, human resources and economics, and having significant experience, the board provides leadership, strategic guidance, and objective and independent views to the company's management. The board regularly reviews the company's governance, risk and compliance framework, business plans, and organization

structure to align them with the highest global standards.

Dr. Reddy's corporate governance methodology and approach are in accordance with the five components and 17 principles of internal control as per the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Dr. Reddy's is in full compliance with all the applicable provisions of the Securities and Exchange Board of India (SEBI) corporate governance norms. It is also in compliance with the appropriate corporate governance standards of the New York Stock Exchange Inc. (NYSE).



Corporate governance is part of our Annual Report along with 'management discussion and analysis' and 'additional stakeholder information'.

Enterprise risk management

Dr. Reddy's risk appetite is defined per overall business strategy and includes emerging risks such as those reported by peers in the industry. It seeks to balance the risk profile against set returns to enhance shareholder value.

Dr. Reddy's has in place an enterprise risk management (ERM) system that connects with the company's business units and functions for risk identification. Risks are aggregated at the unit, function and organization level and categorized by risk groups. The company's response framework categorizes them into internal (preventable), strategic, and external.



Risk management

The ERM team with support from the Finance, Investment and Risk Management (FIRM) Council prioritizes the risks through a risk matrix as per the framework and puts management and mitigation procedures in place. Risk management matrices, systems, thresholds and mitigation measures are revised as per emerging risks for improving the framework.

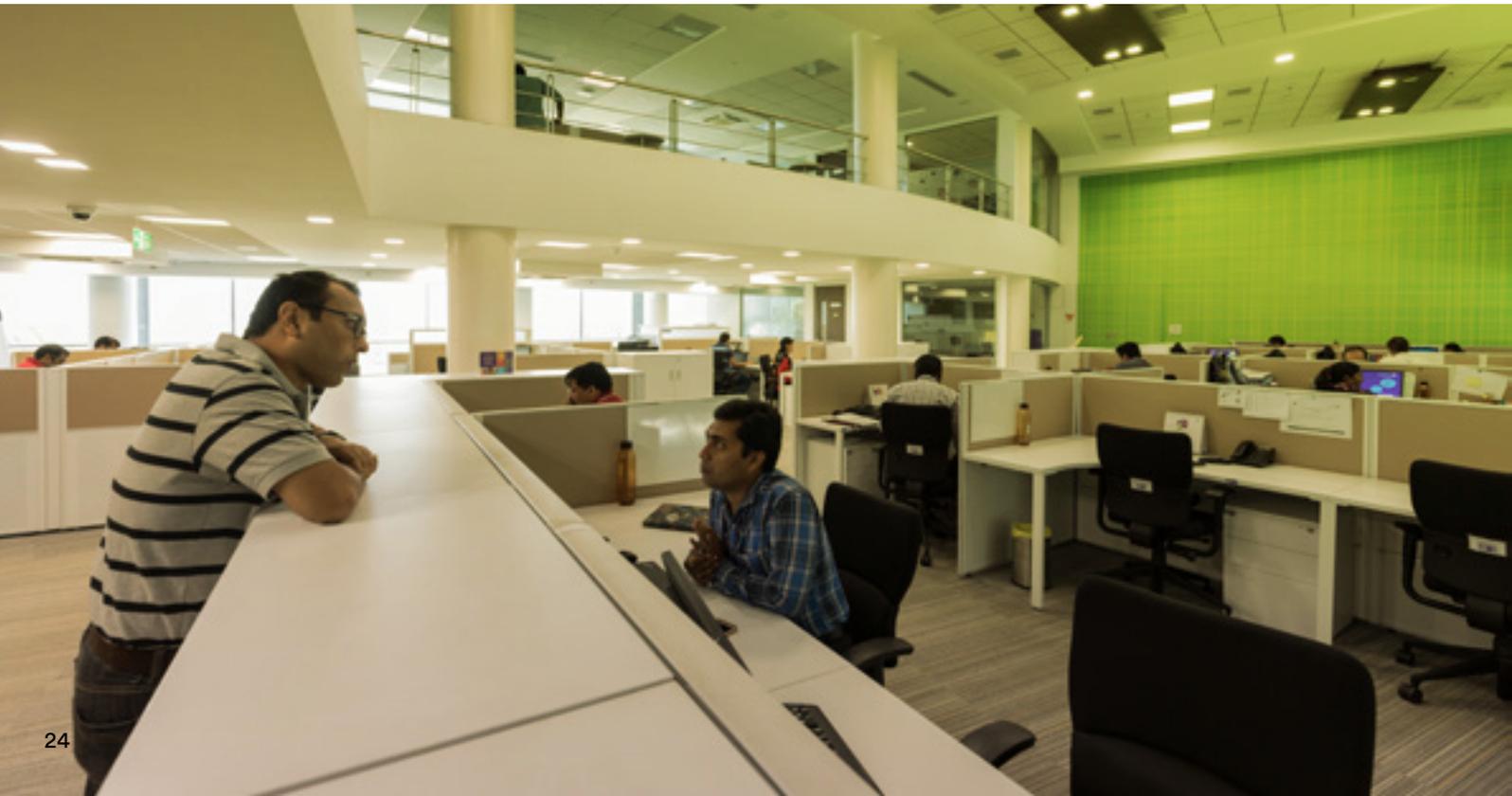
The Chief Risk Officer provides quarterly updates to the FIRM Council and the Risk Management Committee which includes members of the board of directors. The FIRM Council is a management level committee entrusted with review of risks associated with the company's business and investments. This includes matters pertaining to ethics and fraud, compliance and internal audit.

The responsibilities of the Risk Management Committee include:

- Update the senior management about the company's enterprise level risks and provide oversight as may be needed.
- Ensure it is apprised of the most significant risks and emerging issues, along with action the management is taking and how it is ensuring effective enterprise risk management (ERM).
- Review risk disclosure statements in any public documents or disclosures.

The Risk Management Committee reports its findings and observations to the Board.

A section on risk management practices of the Company under the ERM framework forms a part of the chapter on 'Management Discussion and Analysis' in Dr. Reddy's Annual Report.



Risk prioritization

Risk prioritization is done in a two-step process.

Step 1: Risk categorization - Risks are categorized into financial, reputational, regulatory, safety and environment risks and further they are prioritized on the basis of likelihood, severity and velocity.

Step 2: Risk evaluation - The risk order is evaluated against additional considerations including the potential for risk threshold breach.

Priorities for FY2016-17: During FY2016-17, focus areas of risk management included progress on strategy execution, quality and regulatory, geo-political, compliance and patent infringement risk exposures, and safety and health.

Risk appetite setting and monitoring

The ERM framework provides qualitative and quantitative thresholds for risk appetite and tolerance. Risk appetite setting as per pre-determined risk capacity and appetite includes environment, social and governance parameters. As per the assigned four categories, appropriate monitoring mechanisms and linkages are done.

Financial risks are linked with the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) whereas safety and environmental risks are linked to pre-determined lagging risk indicators.

Any event or exposure likely to exceed the threshold is swiftly brought to the attention of the Risk Management Committee and where relevant escalated to the board.





About sustainability report

FY 2016 - 17



Reporting approach

As required by the Global Reporting Initiative (GRI) standards, we hereby provide a summary of how we developed this report as well as indexes to help readers locate specific information about our policies, programs and performance.

The intent of these reporting elements is to provide a level of comfort among our stakeholders that the information we report is timely, accurate, reliable and complete.

As a GRI standards pioneer, we are among the first to adopt the new GRI standards: global best practice for sustainability reporting. This report has been prepared in accordance with the GRI Standards: Core option. We believe it is important to provide independent confirmation that the information in this report is reliable and accurate. The authenticity of data and systems disclosed in this report is externally assured by DNV GL Business Assurance India Private Limited ('DNV GL'), an independent third party assurance provider as per DNV GL's assurance methodology 'Verisustain'. Summaries of the assurance process and outcomes are provided in **Appendix 1**.



Report boundaries

This report details our performance during the period 1 April 2016 through 31 March 2017 in managing key focus areas and targets identified through our materiality assessment. **This year we have expanded the scope and have included data that covers our manufacturing operations and R&D facilities spanning 5 countries to describe our endeavors and the impact of our initiatives on environment and society.**

There has been no significant change in our operations and supply chain in FY 2016-2017 in terms of location, closure or expansion.

The key elements that we focused on in developing this report include:

- **Engagement with stakeholders:** This report responds to feedback from our stakeholders, which helped inform our materiality assessment and the report content.
- **Sustainability context and value chain:** We explain how we see the role of Dr. Reddy's in wider sustainability issues, the impact we have through our own operations, and the role that we have to play in developing products where affordable

alternatives don't exist, working with all stakeholders in the health care systems across different countries to enable market access, manufacturing medicines of highest quality and ensuring their availability at all times.

- **Materiality:** We identify and describe the material topics that are important to our stakeholders and the business, and set out our associated performance for the reporting year as well as key performance indicators (KPI's) and targets for the coming year and beyond.

Principles for defining reporting quality

The GRI standards set out principles for defining reporting quality and we have taken a number of actions to meet these principles:

- We safeguard the quality of information contained in this report through a robust assurance process leveraging our internal expertise and FY2016-17 external assurance.
- We continue to improve the availability of timely information to internal leaders in order to inform decision making and drive performance.

Determining what to include in this report begins with an understanding of our impacts throughout our value chain, which includes our contributions to environment and social activities. This report addresses those items with case studies that are of significant interest to our stakeholders and to Dr. Reddy's business strategy.

Each year, we conduct a materiality assessment in order for our business planning to include initiatives to respond to the key topics identified. We establish KPIs and targets to track the effectiveness of our management of these issues throughout the year. Our focus is on improving, year on year, the management of key sustainability issues for the business.

Value chain

By understanding our value chain, we continue to track and improve our sustainability performance and the outcomes we deliver.



Engaging with stakeholders

For Dr. Reddy's, the relationship with our stakeholders directly impacts our sustainable performance and the long term growth strategy. We understand that stakeholder interests evolve over time as new information becomes public, or as scientific knowledge grows, especially in the areas of sustainability. We continue to engage with our key stakeholders, as part of our reporting process and overall strategic planning. This engagement has helped us to refine and reconfirm our focus areas and drive decisions. Inputs from our stakeholders were influential in validating key areas of risk and opportunities, designing our sustainability programs, enhancing our overall business performance, and our communication strategies, including this report.

We applied the GRI standard reporting principles for defining report content and quality as follows:

- Conducted a comprehensive review of economic, governance, environmental and social topics relevant to our business operations through sector research and wider sustainability trends to

reconfirm the list of issues to be considered in the analysis.

- Engaged in face to face interactions with our senior management to reconfirm their views on the material issues.
- Interviewed our employees to understand internal company perspectives around the issues.
- Reached out to select stakeholders to understand their progressing expectations and to seek their input on prioritization of these issues as well as their perceptions about the impacts across our value chain.
- Engaged, through active dialogue, with our key stakeholders throughout the year and this is a key element of our business culture.

Stakeholders represented are our employees, patients, investors, government and regulators, business partners, suppliers, local communities and health professionals.

We also mapped our priority issues to related GRI topics to maintain consistency with the GRI standards.



| Stakeholder group | Modes of engagement | Topics and concerns |
|--|---|---|
| Employees (permanent and contractual) | <p>Organization Health Index</p> <p>In-house publications: Around Dr. Reddy's (monthly) Elixir (quarterly)</p> <p>Intranet (round-the-year)</p> <p>Chief Executive Officer (CEO), Chief Operating Officer (COO) Communications (quarterly)</p> <p>360° feedback</p> <p>Celebrations</p> <p>Sustainability focused interviews and focus groups</p> <p>Circulation of sustainability report</p> <p>Employee satisfaction surveys</p> <p>Team building workshops</p> <p>Capacity building and training</p> <p>Grievance redressal mechanisms</p> | <p>Occupational health and safety</p> <p>Career planning and development</p> <p>Market based compensation, benefits and amenities</p> <p>Employee welfare</p> <p>Collective bargaining/freedom of association</p> <p>Diversity at workplace (gender, ethnicity, disability)</p> <p>Contract labour management practices</p> <p>Sustainability performance: especially environment, health and safety</p> <p>Training and capacity building</p> <p>Code of conduct, corporate policies</p> |
| Business partners, suppliers | <p>Face to face interactions</p> <p>Supplier and vendor meets</p> <p>Strategic business partner training and development</p> <p>Carrying and forwarding agent meets</p> <p>Supplier audit programmes and interviews</p> <p>Supplier/vendor awards</p> | <p>Economic growth</p> <p>Business ethics</p> <p>Transparency</p> <p>Status of compliance</p> <p>Training and development of partners and suppliers</p> <p>Environmental footprint of operations</p> <p>Social accountability</p> <p>Long term sustainability targets and goals</p> <p>New initiatives and campaigns; Industry best practices</p> |
| Communities and NGOs | <p>Direct engagement at facility</p> <p>Dedicated Corporate Social Responsibility (CSR) team</p> <p>CSR initiatives and healthcare projects</p> <p>Visits and camps</p> <p>Dr. Reddy's Foundation (DRF): creating sustainable livelihoods</p> | <p>Infrastructure development</p> <p>Education and healthcare</p> <p>Environmental protection</p> <p>Employment opportunities and employability</p> <p>Human rights</p> |

| Stakeholder group | Modes of engagement | Topics and concerns |
|-------------------------------------|---|---|
| Communities and NGOs | DRFHE Roundtables, workshops with NGOs | Environmental footprint of operations |
| Investors and shareholders | Investor and analyst meets Presentations at industry forums Circulation of annual report, 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 also disseminated internationally through Business Wire Earning calls with analysts and investors | 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 |
| Government and regulators | Face to face meetings with ministries and regulators Structured engagements through audits Participation in forums/seminars | Compliance Resource conservation (energy, water, waste) Climate change impacts Socio-economic impacts Pollution prevention Upcoming regulations Industry best practices |
| Industry/Sector Associations | Conferences/seminars Industry association meets Policy advocacy | Economic and sustainability performance Industry and sector best practices Upcoming regulations Industry collaborations and sector benchmarking |
| Health Professionals | Programs arranged by DRFHE: Post Graduation Diploma in Health Management Case manager's program for cancer counselling Inner Circle: relationship building program Abhilasha: nursing efficiency program Sarathi: doctor's assistant program | Employability and employment opportunity Career planning and development |
| Patients | Dr. Reddy's Foundation for Health Education (DRFHE) meets Mobile Medical Van - life at your doorstep Living Well programs in association with Art of Living Sparsh | Affordable medicines; patient safety initiatives Access to healthcare Emergency medicines Cure of difficult diseases |

Materiality, focus areas and connect to global sustainability agenda

At Dr. Reddy's we are keen to involve our stakeholders in every step of our materiality process. Alongside our business risk management process, we also conduct material issue reviews every year to ensure that sustainability risks and opportunities are correctly prioritized. In FY 2015-16, we combined various insights from our internal and external stakeholders and identified materials topics that are relevant to us and to our key stakeholders, and with a significant economic, environmental or social impact.

Using a list of exhaustive material topics, we had engaged with our senior management to solicit their views on the key challenges facing our industry and scored them as high, medium or low for the business. These were further validated through engagement with our top management. We also referred to our sustainability pillars to identify other relevant material topics that are represented in the chart on the following page.

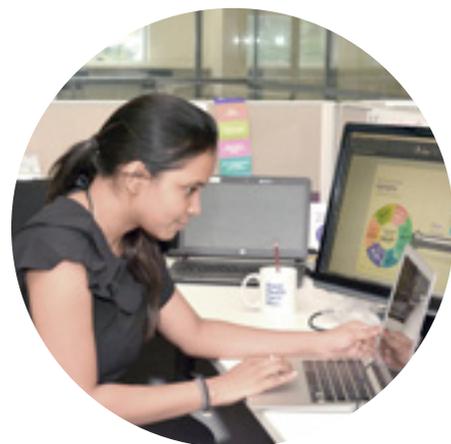
In FY 2016-17, we have reconfirmed the material issues and key focus areas based on the following:

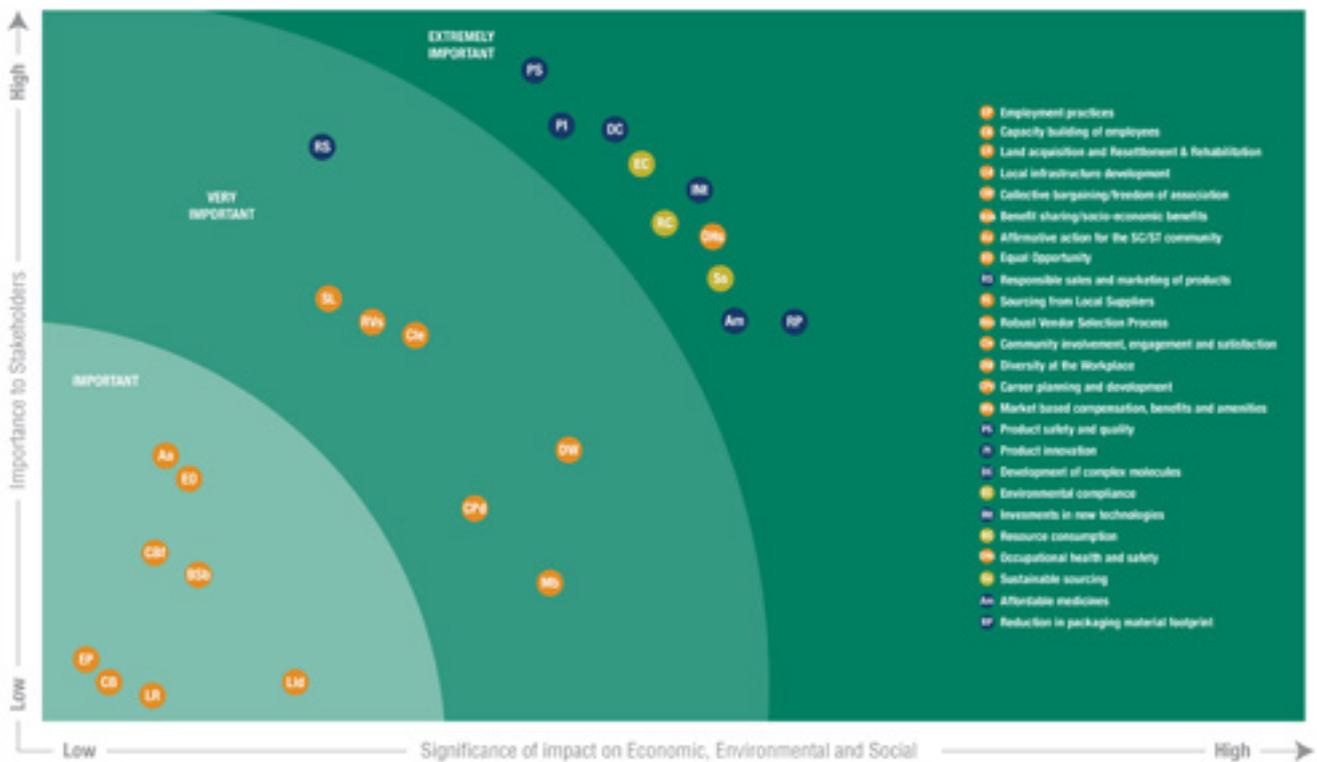
- Face to face interactions with senior management to gain insights on business priorities and reconfirm the material issues which were validated in FY 2015-16.
- Face to face interactions with plant or operation heads, representatives of Human Resources (HR), CSR, Finance, Investor Relations, Enterprise Risk Management, Quality, Engineering Excellence, Supply Chain teams at different plant locations (Integrated Product Development Organization, Chemical Technical Operation, Formulation Technical

Operation, Biologics, Custom Pharmaceutical Services to understand the material issues from day to day operations perspective, concerns raised by the local community, regulators, other relevant stakeholders and key expectations of the employees etc.

For each of the material topics, we defined the boundary of impact, and its relationship to the GRI standards. These material topics are very similar to the issues validated in last year's assessment, but reveal slight differences relating to our impact on the external world. We have developed targets, key performance indicators and metrics specifically to address each of our material topics for FY 2017-18 and beyond.

As indicated on the materiality map, topics such as product safety and quality, product innovation, including development of complex molecules through investments in new technologies, and bringing affordable medicines are extremely important to our stakeholders and for our overall business. We plan to work towards these topics by ensuring compliance with applicable local/ international environmental regulations, safeguarding health and safety of our employees, and through optimum use of resources. At Dr. Reddy's, we strive to go beyond compliance to maximize shared value for all our stakeholders. For other topics that are material for both our stakeholders and us, such as responsible sales and marketing, use of local suppliers, community involvement, workplace diversity, fair compensation, and career planning, we have put in place systems including resources over a period of time and are continuously striving towards improving our performance. Accordingly, we have moved these topics to the middle tier.





Environmental Aspects

- Environmental management beyond compliances (emissions, effluents, waste)
- Sustainable sourcing
- Emissions (GHG, SOx, NOx, dust, VOCs, Ozone depleting substances...)
- Environment performance management significantly beyond compliance (effluents, solid waste)
- Water consumption
- Energy consumption
- Promoting biodiversity/ecology protection
- Resource footprints (water, energy, carbon) during the entire product lifecycle
- Packaging material disposal

Social Aspects

- Employment practices (health & safety, human rights, wages, work conditions, child/forced labour etc.)
- Occupational health and safety
- Capacity building of employees
- Diversity at workplace (gender, ethnicity, disability)
- Affirmative action for the SC/ST community
- Contract labour management practices
- Collective bargaining/freedom of association
- Market based compensation, benefits and amenities
- Career planning and development
- Land acquisition and R&I
- Community involvement, engagement and satisfaction
- Benefit sharing/socio-economic benefits
- Local infrastructure development
- Difference in living standards between leasehold and non-leasehold areas (peripheral development)

Business Aspects

- Quality of raw materials
- Resource consumption (water, energy) during usage
- Investments in new products and processes
- Affordable medicines
- Product innovation/innovative medicines/intellectual property
- Responsible sales and marketing of products
- Product safety and quality/ responsible clinical trials
- Development of competing drugs
- R&D in neglected diseases

On 25 September 2015, United Nations published 17 sustainable development goals (SDGs), which are also known as the global goals. The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. These 17 Goals build on the successes of the millennium development goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities.

In FY 2016-17, we analyzed how our sustainability activities support the UN SDGs. We linked our sustainability targets to relevant global sustainability agendas and cross-referenced to UN SDGs and our sustainability pillars to further help our employees and our operating businesses to understand materiality within their respective contexts. We will continue to examine the SDGs and their significance for our business in detail in coming years. We will take a further step to integrate them in our sustainability strategy and management processes.

| Material issues and sub-topics | Sustainability pillars | Management approach | Relevant GRI Standard topics |
|--|---|---|--|
| <p>Affordable and innovative medicines</p> <p>Am-Affordable medicines</p> <p>INt: Investment in new technologies</p> <p>PI: Product innovation</p> <p>DC: Development of complex molecules</p> | <ul style="list-style-type: none"> • Availability • Community • Continuous improvement • Engineering excellence | <p>One of the sustainability focus areas and dedicated resources are allocated to manage this aspect.</p> <p>Ensuring robust pipeline of complex generics as well as our new proprietary products for unmet medical needs.</p> <p>Custom pharmaceutical services.</p> <p>Patient centric interventions.</p> <p>Focus on reducing operating cost to achieve affordable medicines.</p> <p>Continued focus on acquisitions and strategic collaborations to accelerate affordable medicines.</p> <p>Collaborations in the R&D space.</p> | <ul style="list-style-type: none"> • Economic performance • Indirect economic impacts |
| <p>Environmental management and climate change</p> <p>EC: Environmental compliance</p> <p>RC: Resource consumption</p> <p>RP: Reduction in packaging material footprint</p> | <ul style="list-style-type: none"> • Continuous improvement • Environment • Productivity • Community | <p>One of the sustainability focus areas and dedicated resources are allocated to manage this aspect.</p> <p>Sustainability aspects are part of scorecards for the management and operational heads.</p> <p>Sustainability governance structure established.</p> <p>Environment performance subject to periodic senior management reviews.</p> <p>Detailed action plans for each aspect.</p> <p>Safety, Health and Environment Policy.</p> <p>Environmental commitment statement 2020.</p> <p>ISO 14001 certification.</p> <p>Efforts towards increasing proportion of renewable energy.</p> <p>Zero waste to landfill.</p> <p>Resource (water, energy, material) conservation and efficiency improvement projects.</p> <p>Yield improvement projects, lean and six sigma projects.</p> <p>Investment in digitization and automation initiatives.</p> | <ul style="list-style-type: none"> • Energy • Water • Emissions • Effluent and wastes • Materials |

| Topic impact and boundary | | Relevant GRI indicators/ initiatives | Interlinked UN SDGs |
|---------------------------|--|---|---|
| | <p>Within our entire operations and outside which includes the wider community</p> | <p>Initiatives:</p> <p>Continuous improvement projects, engineering improvements, green chemistry and product innovation initiatives.</p> <p>Digitization and automation initiatives.</p> | <p>Goal #3: Good health and well-being</p>  <p>Goal #9: Industry, innovation and infrastructure</p>  |
| | <p>For energy, water, emissions, it includes our entire operations.</p> <p>For materials, within our entire operations and outside as it is related to the suppliers of our materials.</p> <p>For waste, within our entire operations and outside as it is related to the companies and agencies that provide us with waste management services.</p> | <p>Initiatives:</p> <p>Continuous improvement projects, engineering improvements, green chemistry, resource conservation projects, supply chain optimization projects and product innovation initiatives.</p> <p>Indicator:</p> <p>Energy: 302-1, 302-3</p> <p>Water: 303-1, 303-3</p> <p>Emissions: 305-1, 305-2, 305-3, 305-4, 305-7</p> <p>Effluents and Waste: 306-1, 306-2</p> | <p>Goal #6: Clean water and sanitation</p>  <p>Goal #7: Affordable and clean energy</p>  <p>Goal #12: Responsible consumption and production</p>  <p>Goal #13: Climate action</p>  |

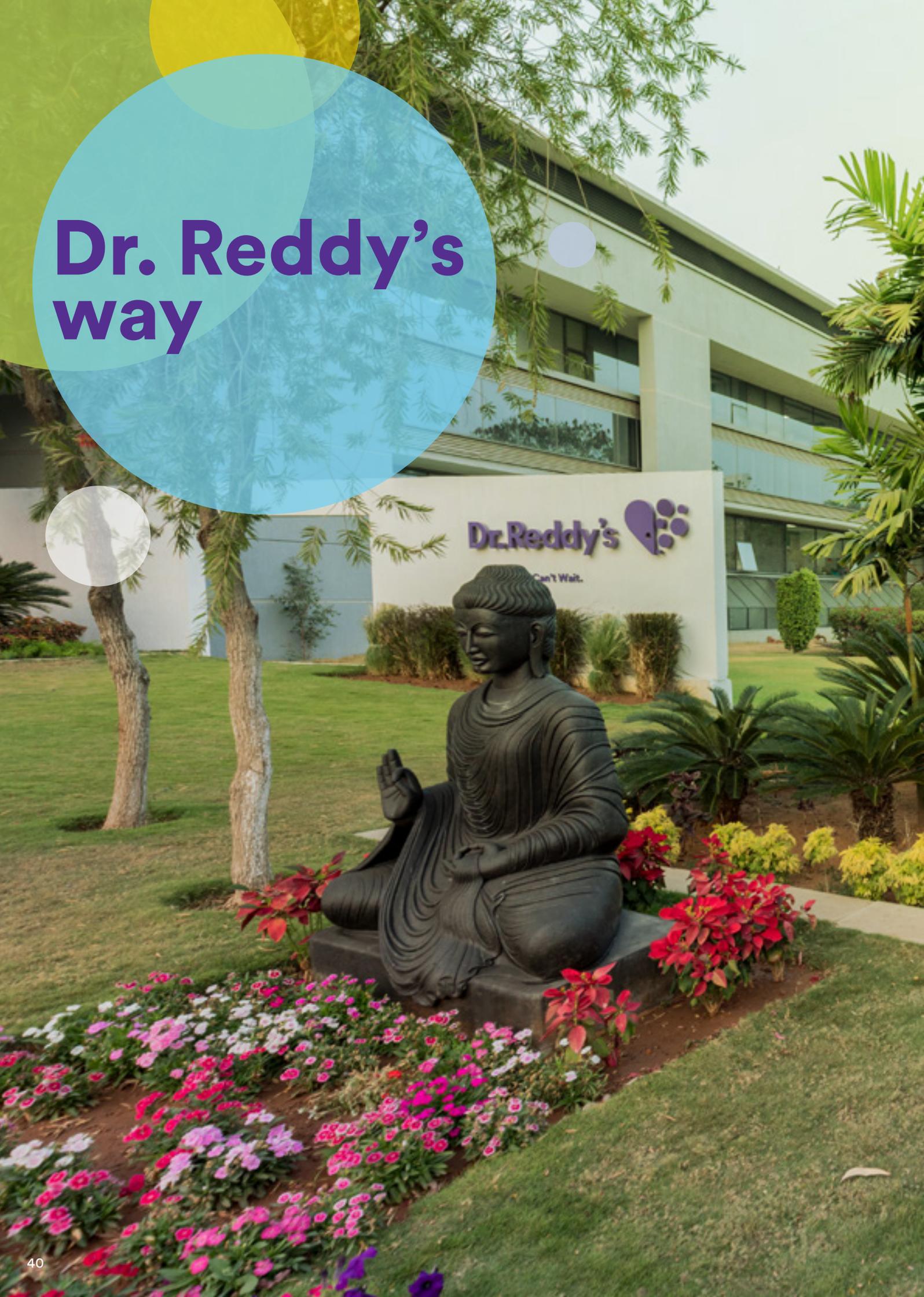
| Material issues and sub-topics | Sustainability pillars | Management approach | Relevant GRI Standard topics |
|---|---|---|---|
| <p>Being an employer of choice</p> <p>OHS: Occupational health and safety</p> | <ul style="list-style-type: none"> • Safety • People | <p>Driven by Code of Business Conduct and Ethics (COBE) and our core values.</p> <p>Focus on using technology that allows us to redeploy our human resources towards value added and more productive work.</p> <p>Expanding training and development initiatives.</p> <p>Occupational health, safety, well-being initiatives.</p> <p>Skill development: Leadership and managerial level programs.</p> <p>Employee benefits and policies.</p> | <ul style="list-style-type: none"> • Employment • Ethics and integrity • Occupational health and safety • Training and education • Diversity and equal opportunity • Freedom of association and collective bargaining • Child labour |
| <p>Product responsibility</p> <p>PS: Product safety and quality</p> | <ul style="list-style-type: none"> • Continuous improvement • Quality • Safety • Productivity | <p>One of the focus areas and dedicated resources are allocated to manage this aspect.</p> <p>Control tower approach for ensuring overall compliance with product quality requirements.</p> <p>Robust quality systems.</p> <p>Building an organization on the foundation of operational excellence to ensure product quality through structural changes across product life cycles by providing vital integration between product development, quality and manufacturing.</p> <p>Focus on digitization to improve productivity, boost quality and enhance safety.</p> <p>Digitization project structure in place comprising the plant teams, who report to the manufacturing execution system centre of excellence (MES CoE), which in turn reports to the Central Steering Committee of Digitization Project Management Office. These efforts are implemented through three significant projects: manufacturing execution system, laboratory information management system and learning management system.</p> | <ul style="list-style-type: none"> • Products and services • Customer health and safety |

| Topic impact and boundary | | Relevant GRI indicators/ initiatives | Interlinked UN SDGs |
|---------------------------|---|--|--|
| | <p>Within our entire operations and outside as it is also related to our supply chain</p> | <p>Indicator:</p> <p>Employment: 401-1, 401-2, 402-3</p> <p>Occupational health and safety: 403-2</p> <p>Training and education: 404-2, 404-3</p> <p>Diversity and equal opportunity: 405-1</p> <p>Freedom of association and collective bargaining: 407-1</p> <p>Child labour: 408-1</p> | <p>Goal #5: Gender diversity</p>  <p>Goal #8: Decent work and economic growth</p>  <p>Goal #10: Reduce inequalities</p>  |
| | <p>Within our entire operations and outside as it is also related to our stakeholders</p> | <p>Initiatives:</p> <p>Green chemistry, engineering improvements, continuous improvement projects, and quality initiatives.</p> <p>Dr. Reddy's Purple Health® -caring beyond the pill.</p> | <p>Goal #3: Good health and well-being.</p>  <p>Goal #12: Responsible consumption and production</p>  |

| Material issues and sub-topics | Sustainability pillars | Management approach | Relevant GRI Standard topics |
|--|--|--|--|
| <p>Sustainable sourcing</p> <p>RP: Reduction in packaging material footprint</p> <p>SS: Sustainable sourcing</p> | <ul style="list-style-type: none"> • Quality • Safety | <p>Supplier Code of Conduct based on recognized standards such as International Labour Organization Standards (ILO), Universal Declaration of Human Rights (UDHR), Social Accountability International (SAI), and the Ethical Trading Initiative (ETI) and Global Reporting Initiative (GRI). This covers aspects on ethics, labour and human rights, wages and benefits, health and safety, environment, management systems, bribery and corruption.</p> <p>Procedures in place to procure goods and services from local and small producers.</p> <p>Efforts to increase local sourcing and improving the capacity and capabilities of local suppliers.</p> <p>Supply chain excellence initiatives.</p> <p>Identifying innovative solutions.</p> <p>Due diligence and supplier monitoring through independent third party agency which includes sustainability aspects.</p> <p>Supplier engagement initiatives.</p> | <ul style="list-style-type: none"> • Procurement practices • Supplier environmental assessment • Freedom of association and collective bargaining • Child labour • Supplier human rights assessment |
| <p>Caring for communities</p> <p>Cle: Community involvement, engagement and satisfaction</p> | <ul style="list-style-type: none"> • Community • Environment | <p>Corporate Social Responsibility Policy and Guidelines.</p> <p>Continued focus on three broad areas: education, livelihood and health care.</p> <p>Other flagship projects include: Community Health Intervention Program (CHIP), GROW and GROW PwD; and School Improvement Program (SIP).</p> <p>Increased CSR spend.</p> <p>Systematic review and monitoring of our CSR projects.</p> | <ul style="list-style-type: none"> • Community investments • Indirect economic impacts |

| Topic impact and boundary | | Relevant GRI indicators/ initiatives | Interlinked UN SDGs |
|---------------------------|--|---|--|
| | Within our entire operations and outside as it is also related to our supply chain | <p>Initiatives:</p> <p>Sharing good practices via audits and workshops</p> <p>Mandatory supplier trainings for new vendors</p> <p>Relooked into packaging design to reduce carbon footprint</p> <p>Inculcating a culture of resource conservation among suppliers</p> <p>Supply chain excellence initiatives</p> <p>Indicator:</p> <p>Procurement practices: 204-1</p> <p>Supplier environmental assessment: 308-1</p> <p>Supplier social assessment: 414-1</p> | <p>Goal #12: Responsible production and consumption</p>  <p>Goal #13: Climate action</p>  |
| | Within our entire operations and outside as it is also related to our stakeholders | <p>Initiatives:</p> <p>School Improvement programmes (SIP)</p> <p>DRF foundation and CSR activities in focus areas of education, livelihood and healthcare.</p> <p>Infrastructure improvement projects for local communities</p> <p>Indicator:</p> <p>Indirect economic impacts: 203-2</p> <p>Community investments: 413-1</p> | <p>Goal #1: No poverty</p>  <p>Goal #4: Quality education</p>  <p>Goal #10: Reduce inequalities</p>  |

Dr. Reddy's way



Sustainability governance

Our Board bears overall responsibility for our sustainability strategy. The Operational Council (OC), comprising our Chief Executive Officer, Corporate SHE & Sustainability Head, and Global Manufacturing Operations Head, support the implementation and progress of Dr. Reddy's sustainability strategy. It is further supported by individual BU operations heads and subject matter experts as and when required.

The council's role is to revisit and realign our sustainability strategy based on our assessment of material and emerging issues and

opportunities. The OC provides leadership and momentum to the transformation journey towards operational excellence in manufacturing and new product launches, and ensures cross-learning and sharing of best practices. The business units are responsible for putting our sustainability strategy into operational action.

The governance structure presented below also lists the primary objectives of our OC and the overall governance structure we follow for "Sustainable Operations".



Our "Sustainable Operations": Governance Structure

Institutionalize the 8 blocks of sustainable operations across all the BUs for continuous improvement.

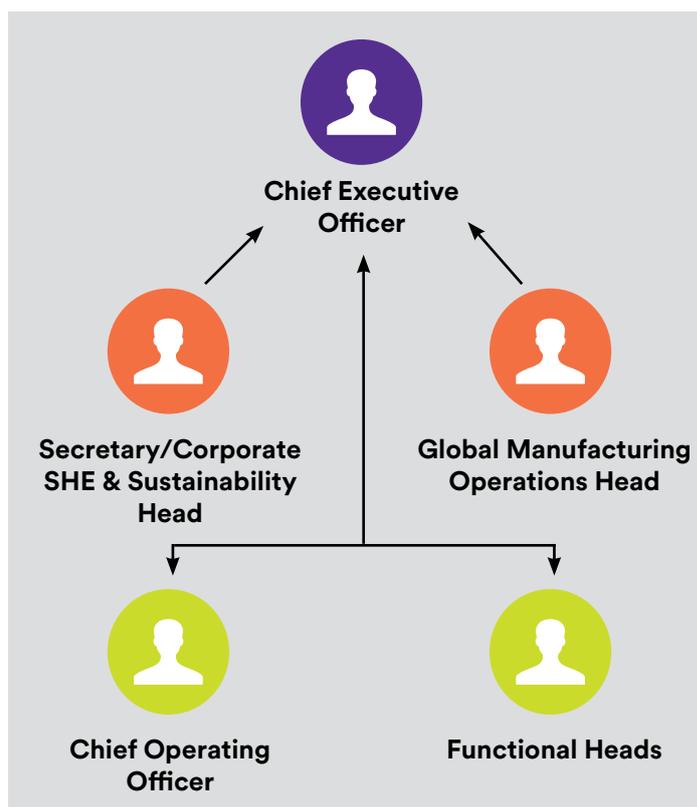
Design, and institutionalize specific initiatives (including cross implementation of successful projects in specific BUs) in the operations workspace.

Drive functional accountability of operations team on agreed KPIs on operations excellence.

Explore options of executing company wide operations initiatives that will build a sustainable competitive advantage for Dr. Reddy's.



Define and drive the various sustainability interventions and external commitments.



Serve as a platform for sharing IT practices across the BUs and work towards standardization of the practices.

Sharing of best practices (internal/ external, pharma and non-pharma) and facilitating the transfer of learnings.

Integrate the safety and quality transformation initiatives at the corporate level to drive their synergies with the other pillars.

Sustainability strategy

Our sustainability commitments are firmly anchored in our corporate values. We strive to maintain the right balance between business success and our environmental and social accountabilities. We abide by the precautionary principle and take precautionary measures. We are proactive in managing risks and address them through our ERM systems and this includes design of controls to effectively manage/mitigate the identified risks. Staying ahead of legislation and product innovation using green chemistry are good examples of how the principle is put into practice.

We continue to transform our manufacturing practices to make them more sustainable. Our sustainability strategy is derived from comprehensive research of the trends in our sector, the geographies we operate, and an understanding of emerging issues through regular stakeholder dialogues. All our long term sustainability initiatives are designed and implemented based on following approach.



- 1 Sustainability risk and opportunity identification.**
- 2 Conduct comprehensive market, sectoral and best practice research and analysis.**
- 3 Obtain insights from our senior management and subject matter experts (internal/external).**
- 4 Identify the strategic options and preparation of business case.**
- 5 Roadmap preparation, planning and implementation.**
- 6 Develop progress measurement systems (monitor, measure, review) and evaluate the onsite performance.**

Continue to enhance transparency and improve our disclosures

Sustainability focus areas

Our sustainability framework comprises 6 focus areas and these are closely mapped with our 8 pillars of sustainable operations so that our sustainability focus gets reflected in our day to day operational activities.

- The other three focus areas (product responsibility, environmental management and climate change, and sustainable sourcing) describe the ways in which we create positive enablers and strengthen our internal systems to make our products safer and quality compliant and at the same time reduce our environmental footprint and drive progress along the entire value chain.
- Three of our focus areas (affordability and innovative medicines, being an employer of choice, and caring for the communities) describe how we create “additional value” for our consumers, our employees and the communities where we operate.



Affordable and innovative medicines

By reducing costs through efficient use of scarce resources and processes we strive to push the price of pharmaceutical products down. We have broadened our generics footprint by introducing new products, entering new geographies and penetrating deeper in existing markets. We also work towards enhancing the efficiency and efficacy of medicine by developing differentiated formulations that facilitate easy and calibrated dosages, and enhance patient comfort.

Environmental management and climate change

We have institutionalized an 'Environmental Commitment Statement' that articulates measurable targets for each key environmental performance indicator: energy, emissions, water and waste. Our environment stewardship extends beyond our premises and we actively educate and encourage our vendors and partners to adopt environment friendly practices.

Sustainable sourcing

With growing demand for transparency of supply chain management, we are strengthening our approach by setting the right expectations, and strengthening the performance monitoring and engagements. We partner with our suppliers to find innovative solutions and continually improve performance.

Product responsibility

Patient-centricity is vital to our product responsibility approach. To monitor the efficacy, safety and stability of our medicines, we have in place a competent pharmacovigilance team responsible for detection and prevention of any adverse effects of our products. All our products meet regulatory and safety standards for approvals, ensuring consistent quality from development and dispatch to consumption.

Being an employer of choice

We recognize the contribution of our employees to our business growth. We take all efforts to map the changing expectations of our employees and explore ways to fulfill them. We continue to support them on their growth paths and invest in training and capacity building programs to cope up with the era of rapid technological change.

Caring for the communities

We pursue community care with the same efficiency and meticulousness, with which we pursue our healthcare business. We have built a community impact model based on our core competency: professionalism. Our holistic social responsibility begins right from community engagement, need assessment, intervention development, pilot run projects and SOP definition, to scale-up and collaborations. We go beyond episodic philanthropic assistance to create real opportunities, building capabilities and empowering those who do not have access to them.



Management systems

We have developed robust internal systems and processes to handle the quality, environmental, health and safety impacts. These are externally certified by recognized third party agencies.

As on FY 2016-17:

- Seven of our finished dosage facilities are certified to ISO 14001, the internationally recognized standard for environmental management systems.
- Seven of our finished dosage facilities are covered by the OHSAS occupational health and safety management standard.
- Eight of our formulation facilities and four of our API manufacturing facilities are certified to the SA8000 international standard for social accountability. This allows us to strengthen our internal systems to avoid and mitigate human rights issues (child/forced labor, health and safety, freedom of association and collective bargaining, disciplinary practices, working hours, discrimination issues etc).
- As a company, our facilities are certified with geography specific regulatory requirements like USFDA: US Food & Drug Administration, MHRA: Medicines and Healthcare products Regulatory Agency, EDQM: European Directorate for the Quality of Medicines, COFEPRIS: Comisión Federal para la Protección contra Riesgos Sanitarios (Spanish: Federal Commission for Protection against Health Risks; Mexico), TGA: Therapeutic Goods Administration, ANVISA: Agência Nacional de Vigilância Sanitária (The National Health Surveillance Agency, a regulatory body of the Brazilian government), WHO: World Health Organization etc.

Code of Business Conduct & Ethics (COBE)

Our organizational values have not only sustained our growth and evolution, but also earned us the trust of patients, doctors, customers and all the stakeholders that we serve. As we build our future in an even more demanding regulatory environment, we must continue to meet the highest ethical standards and all regulations applicable to us anywhere in the world. This is a necessary condition for everything we do. To guide us in this effort, we revised our Code of Business Conduct and Ethics (COBE) to reflect changing expectations of regulators as well as all our stakeholders.

This Code applies to all members of the Board of Directors, and full and part-time employees of Dr. Reddy's Laboratories Limited, its subsidiaries and affiliates. We expect our business partners to meet the same high standards when working with Dr. Reddy's, or on our behalf.

Our COBE ensures that our senior management and all our employees share Dr. Reddy's commitment to conducting business with transparency and integrity. It provides guidance on how to put this commitment into practice and helps to ensure that we adhere to the laws and regulations in our operating countries.

At Dr. Reddy's, we have formulated the Ombudsperson Policy to enable employees and others associated with our company to report any actual or perceived violations of the COBE, our policies and procedures, any applicable laws and regulations or any other unprofessional and inappropriate conduct. It provides all employees, vendors and business associates of Dr. Reddy's, the guidelines to report concerns without fear of reprisal, subsequent discrimination or disadvantage at the workplace.

In FY 2016-17, 48 reports on ethics concerns and 55 reports on non-ethics concerns were received and investigated by our Compliance Officer.

The Code of Business Conduct and Ethics (“COBE”) is an expression of our commitment to doing the right things, the right way.

All our employees are certified on COBE.

48 reports on ethics concerns and 55 reports on non-ethics concerns were received and investigated by our Compliance Officer.



Our code of conduct governs all of the following aspects:

| Industry, laws and regulations | Ethics and values | Employee and workplace behaviour | Information and asset protection |
|--|--|---|---|
| <ul style="list-style-type: none"> • Compliance with laws • Anti-Bribery and Anti-Corruption • Marketing practices • Insider trading • Clinical research • Product quality and safety • Accuracy and integrity of data, books and records • Fair competition • Global Trade | <ul style="list-style-type: none"> • Gifts and entertainment • Conflicts of interest • Interactions with business partners • Safety, health and environment • Corporate social responsibility and donations • Political activities | <ul style="list-style-type: none"> • Equal employment opportunity • Freedom from workplace harassment • Communicating with the public including social media | <ul style="list-style-type: none"> • Confidential information and intellectual property • Data privacy • Protecting our assets |





**Integral,
inclusive and
innovative
health today**



Affordability, accessibility and availability

At Dr. Reddy's, we continually strive to deliver on our purpose of accelerating access to affordable and innovative medicines for people around the world. Our multifaceted approach on this aspect includes, increased supply of medicines especially in areas of high market demand, identifying the market as a constraint and restructuring our processes around it, simplification of the product portfolio, reducing manufacturing complexities etc.

Success stories so far:

Expansion of business footprint in Columbia

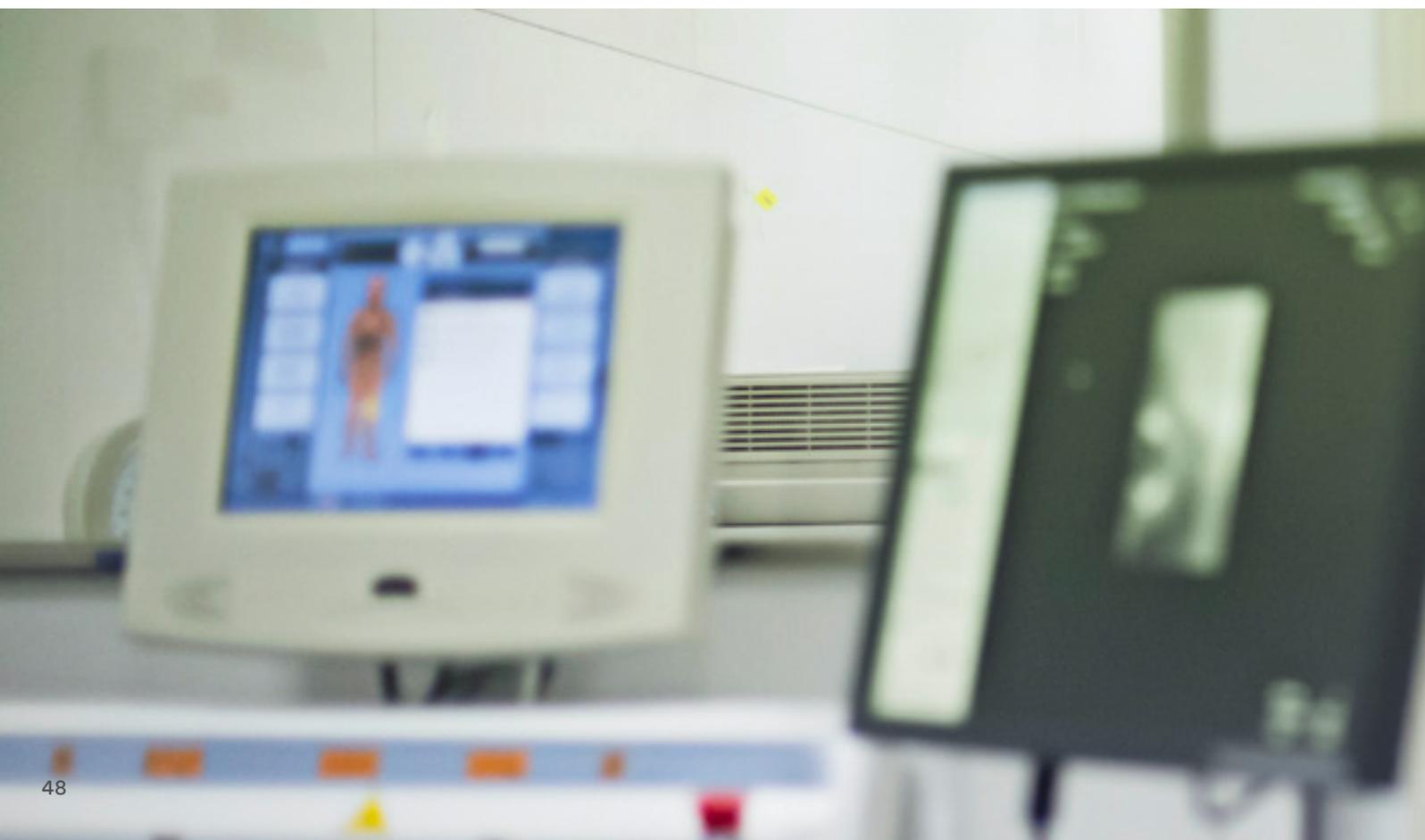
A market analysis of Columbia indicated that the demand for high-quality oncological drugs and treatments was considerably higher than the supply. In order to address these needs, Dr. Reddy's established a footprint in Columbia. The key objective was to provide high-quality oncological drugs and treatment at affordable prices to those in need.

Dr. Reddy's preliminarily entered in the Columbian markets in 2014. Within two years of inception, we observed that the number of patients receiving quality medication went up by three to four times when high-quality, affordable generics were introduced into the market. This was a great sense of achievement and value addition for us. It was also a source of inspiration for us to

consider the introduction of complex institutional products and biosimilars to Columbia either from our own portfolio or in collaboration with our strategic partners.

A pact of Good Health for cancer patients

- Entire business operations set up in two years.
 - Number of beneficiaries increased three to four times.
 - The performance of the Columbian business segment has inspired us to identify 15 new markets.
-



Transcending boundaries to save lives

As a responsible business entity driven to bring about a positive change in the health conditions of society, we believe in traversing the extra mile to live our promises.

One such example is from our US market where a cancer patient who was at a critical stage required quick supply of E7777 medication (an IL-2-diphtheria toxin-fusion protein drug meant to treat certain rare forms of skin cancer). We had acquired E7777 from a Japanese firm, Eisai. Although Eisai was legally entitled to respond to this request, they urged us to take a decision as E7777 was officially a Dr. Reddy's product by then and hence its extended use could only be administered by us. Driven by our core principles of empathy and dynamism, we took a prompt decision, along with Eisai, to help this single patient even though it brought with it a set of substantially difficult cross-boundary challenges.

We inventoried the clinical trial material (CTM) to ensure that we had adequate surplus vials of the product to account for a complete therapy cycle and additional eventualities in case there are any. We worked with our legal team to identify a feasible way of tackling the issue and, in collaboration with Catalent, a global drug delivery firm, we re-labelled the required number of vials and shipped them directly to the patient's location. We managed to speed up the process and delivered the vials ahead of stipulated timeframe.

Six weeks later, we received an update that the patient was out of critical condition.

In just two weeks we were able to gather our processes, operational procedures and resources to make the impossible possible. Good Health Can't Wait is what we believe and this was an excellent example to prove that we are living our dreams.



Responding to critical market demands

On the backdrop of rising clashes and military operations in East Ukraine in 2014, the sales team of most of the pharmaceutical companies ceased their operations in that region. Spearheaded by one of our regional managers, the Dr. Reddy's team continued its endeavour of working in that region with courage, optimism and empathy during the time of crisis. With two of our high-potential market segments, Lugansk and Donetsk gripped by the conflict, our team focused on re-organizing the focus markets and explored options in the neighbouring territories as well. Many of our team members worked closely with the pharmacy chain in order to ensure uninterrupted supply of our products to the conflict affected and politically turbulent areas. The safety of our team members was given utmost importance and was managed in the best possible way.

We managed to organize several continuing medical education (CMEs) programs for physicians and pharmacists in Mariopol and Kramatorsk even in those crisis hours. The fact that Dr. Reddy's, as a business, is always ready go the extra mile to service customers and make products accessible to patients was well established once again.

We have restructured our regional base in Eastern Ukraine of late and allowed all our team members to relocate to other areas of Ukraine as the ongoing conflict showed no signs of resolution. Presently, Dr. Reddy's is among the very few companies that continues to operate and make medicines accessible in eastern Ukraine.



Patient-centric approach and interventions

Empowering our consumers

The next generation of consumers has moved on from the role of passive recipient and is in search of better health information. They want their preferences and behaviours to be understood and acted upon. They want to know that the treatments they're taking are right for them. They are looking for better information, better ways to manage their medications and associated costs.

We understand these dynamics and are best placed to respond to the needs of our consumers. Our belief "Good Health Can't Wait" has given new meaning to us and we are no longer satisfied with just creating innovative or affordable products. We are diligently looking for avenues to bring good health to patients. Our aim is to engage patients at every stage of our product lifecycle and create longer-lasting patient relationships.



Purple Health®: Care beyond the pill

Purple Health® is Dr. Reddy's vibrant new platform that inspires and promotes patient-centric innovation, taking care beyond the pill. It is the organization's philosophy put into practice.

Four pillars of Purple Health®



Enhanced awareness and convenient diagnosis

Purple Health® will recognize any idea or innovation to enable disease awareness amongst patients, caregivers or doctors to facilitate early or convenient diagnosis.



Increased access to medication

Purple Health® encourages innovative partnerships to enable better access to medication through newer channels or to bring expensive medicines within reach through financing of treatment.



Better medicine experience

Purple Health® ensures that we innovate to provide easy-to-use medicines through smaller size, taste, or the delivery pattern.



Improved adherence to therapy

Purple Health® supports all initiatives—patient support, education programs—that aim to improve adherence by sharing regular health tips, lifestyle guidelines etc.

Purple Health® is a shift from a product-driven approach to a patient-centric one, where every brand touch point is potentially a start button to good health. We do not stop at just making world-class medicines, but go further and take care beyond the pill.

With an objective to meet unmet patient needs, Purple Health aims to innovate at every level of healthcare delivery: product, packaging and service.

Purple Star

Purple Star is a certification programme to recognize our product brands, which make a real difference to patients' lives. It is the recognition of a brand's empathetic engagement with its key stakeholder—the patient—as it delivers care beyond the pill.

We evaluate our journey as we provide this care through the collective feedback received from academia, medical practitioners and the industry to create a benchmark in patient care. We have developed the Purple Barometer to evaluate the applications we receive. The patient value score provided to each brand will be calibrated to the barometer. Any brand with a score of 26 and above qualifies to be a Purple Star.



The Purple Barometer

The Purple Barometer is an internal evaluation scale based on the patient value score which leads every Dr. Reddy's brand to a higher level of patient centricity.

It is a grading from zero to five which helps us view, discuss and judge objectively our brand belief of "Good Health Can't Wait." It acts as an enabler to help us strive towards patient centricity through our products.

The initial objective is to get at least 1 which denotes that we have started the journey towards good health while a 3+ means it is making a significant difference to the patient's life. It goes out into the external world as a Purple Star brand. A perfect 5 ensures that we have been able to deliver good health to the community.

0

A good pill.

1

Understands patient needs.

2

Trying to meet patient needs.

3

Cares beyond the pill.

4

Accelerates good health.

5

Good health delivered.

Our Purple Star journey: 29 applications were scrutinized to finalize the 5 Purple Star winners.



Our Purple Star winners



| Program | Performance highlights |
|---|--|
| SPARSH: An initiative by Reditux™ (Sparsh, a financial assistance program addresses this critical need of cancer patients in India by increasing access and affordability of medicines). | 3,600+ patients received access to Reditux per year. 25,000+ patients assisted. |
| MITR: An initiative by Reditux™ (MITR initiative is meant for patients who need care and support throughout their cancer treatment). | 2,400+ patients counseled and supported till date. 61% patients complied with the therapy and treatment. |
| CHEER: An initiative by Cresp® (patient assistance program for chronic kidney disease). | 5,800+ active patients. |
| Livpositive: An initiative by Entaliv™ (patient support and education program for diabetes management). | 900 physicians have enrolled their patients on the program. 50% patients on Entaliv have enrolled for this program. 4,800 patients benefited through regular counseling and health tips. |
| Ecocamp: An initiative by Econorm® (doctor assistance program to educate mothers on disease management and adherence to therapy for diarrhoea management). | 1,765 camps conducted through clinics. 35,000 patients screened through these camps. 25,000 mothers reached through Econorm's FB page daily. |
| Purple Pack® (Packaging initiative: taking a 'Human-centered design' approach to make packaging more user-centric). | <ul style="list-style-type: none"> Awarded the 'India star Award' In 2015 by the Indian Institute of Packaging. Based on its success, new packaging designs expanded to relevant focus brands. |

PHAP (Purple Health Adherence Program)

Adherence is the primary need for CV and diabetes patients. Patients drop off typically within three to four months of initiation of medication. Through an internal study, we got to know that these types of interventions give us an incremental adherence of 14%. This adherence results in better therapy outcomes. Apart from medicine-adherence, these patients need many small changes in their diet and lifestyle regime, and benefit from following features of our program.

- Health tips and refill reminders customized to the needs of each patient in 13 regional languages. Refill reminders are based on the dosage pattern of patients.
- Calls for counseling: where the patients can clarify their doubts and apprehensions related to their condition.
- Dashboards and reports: so that doctors can monitor the progress of their patients in between visits.



CliniEx

The CliniEx program is a collaborative, patient centric approach in healthcare professionals (HCP) education through Script Concordance Test (SCT) Methodology. It focuses on five chronic diseases.

It is an interaction forum for physicians, specialists and carefully identified “faculty” with the patient journey at the centre of the deliberations. The objective of the forum is to facilitate a common platform for active learning related to practical challenges in the diagnosis and management of diseases in the fields of cardiology, diabetology, endocrinology,

Neurology and Nephrology, in a structured manner. The “faculty” consists of 50 handpicked specialists who conduct and moderate these conferences.

- Outreach covered 4,000+ physicians with support from 400 specialists and is conducted across 80 locations per module.
- With the overwhelming response received for this program, we are now going digital with CliniEx. CliniEx is very soon going to launch a dedicated website and app for physicians and specialists to learn on the go.

4,000+ physicians trained by **400** CliniEx specialists



Awareness initiatives

Mintop™

Mintop™ has 50% Rx and 50% OTC buyers. This therapy for hairfall requires regular usage for six months, without stopping, post which results are visible. Which means buying five to six bottles of Mintop™. Unfortunately, neither the doctor nor the retailer tells the user that. The first month's usage actually results in hair-shedding because of which any user will become alarmed and render the product as useless. Hence, the primary need is educating the patients about their entire hair fall lifecycle. We are trying to do this through the following program features.

- Loyalty program: This incentivizes and encourages patients to continue therapy

based on the number of months they are using Mintop. Its expectation management module lets them know how the drug works and not to worry about the hair shedding stage. The ‘How to use Mintop™’ module is the most talked about and questioned topic till date. The ‘Loyalty Card’ is a pack insert which the patient uses to collect points.

- Counseling and expectation management.
- Website and SEO: Again for expectation management, to increase awareness about Mintop™ usage and drive traffic to the loyalty program.



EcoCamp

Diarrhea is the second leading cause of death in India. The most common causes of diarrhea amongst children are viral infections and bacterial infections which need medical attention. There is often a delay in initiating treatment as a majority of Indian mothers wait for 24 hours before taking the child to a doctor for treatment. The treatment is often incomplete as mothers stop medicines as soon as symptomatic relief has been achieved.

EcoCamp is a doctor assistance program to educate mothers on

disease management and adherence to therapy. A Dr. Reddy's executive assists the doctors in these camps conducted between April and June. On receiving the prescription, the Dr. Reddy's executive explains to the mother the procedure to make ORS at home and also educates her on diarrhea management.

- 1,765 camps conducted through clinics
- 35,000 patients screened through these camps
- 25,000 mothers reached through Econorm's FB page daily



Helping healthcare professional to help patients

Dr. Reddy's Foundation for Health and Education (DRFHE)

Dr. Reddy's Foundation for Health Education (DRFHE) was founded to bring patients and care providers closer. Through its various programs, DRFHE attempts to aid hospitals in improving their readiness to match the expectations of patients. The Foundation attains its aim through its work in two areas:

- **Training initiatives:** to enhance the interpersonal skills of the various healthcare stakeholders (such as nurses, physicians' assistants, front office staff, retailers, junior doctors, physicians and super specialists).

- **Awareness initiatives:** to create awareness and prevent lifestyle disorders amongst employees.



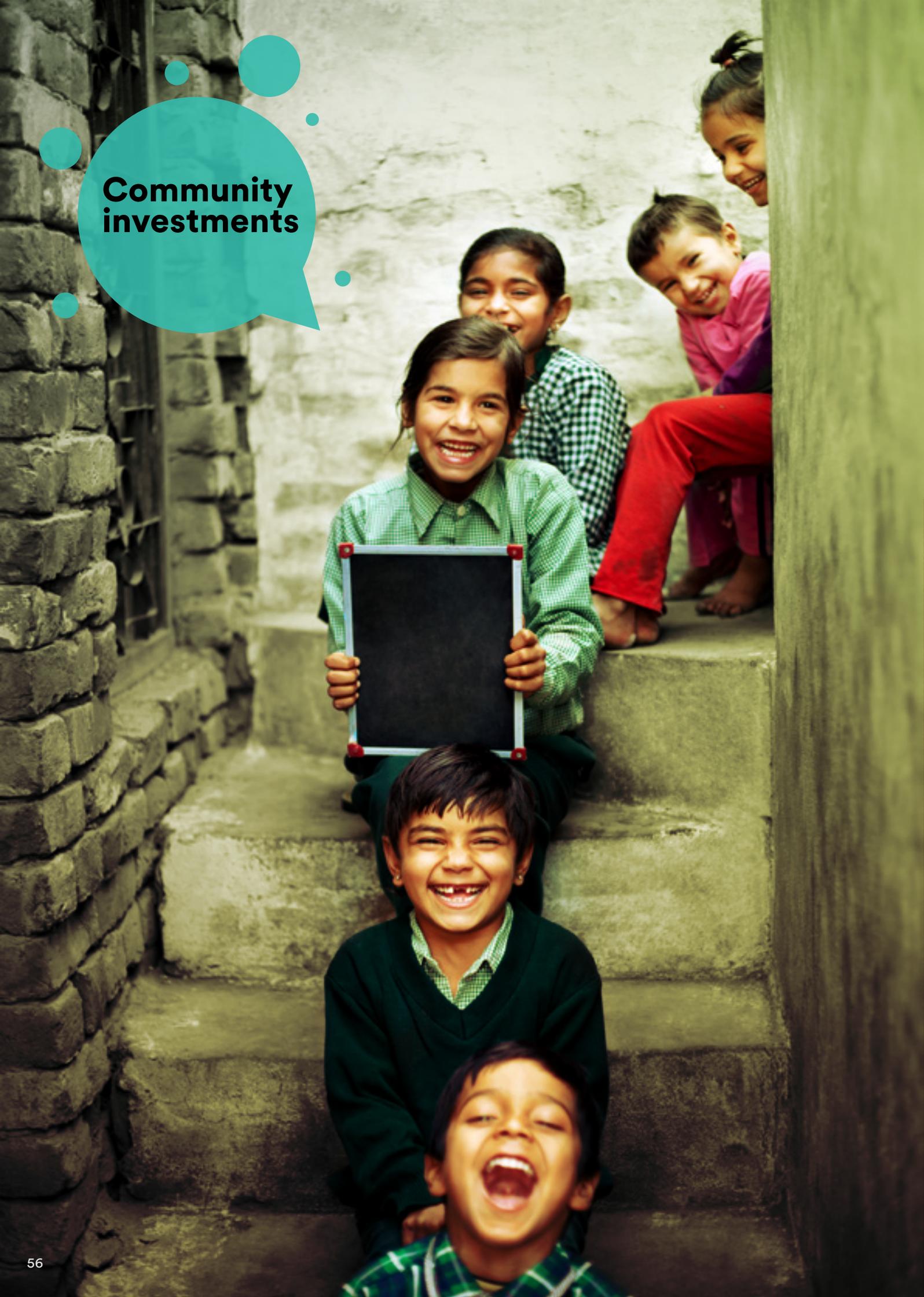
Since 2011, DRFHE has trained 41,000 nurses, 10,300 physician assistants, 6,500 pharmacists, 4,000 postgraduate doctors and 6,000 physicians with custom-made programs.

Conducted awareness initiatives that have touched over 98,000 people through 1,800 programs, making them aware of lifestyle diseases, their prevention and their management.

The BetaCare initiative:

Living with a disease goes far beyond physical destitution. Patients and their families also have to face the acid test of reorganizing their lives accordingly. To address this, our German subsidiary betapharm has been providing

educational patient guidebooks under its betaCare initiative for over 14 years. In 2016, betapharm distributed more than 44,000 betaCare guidebooks across different therapeutic areas to help patients manage their diseases better.



**Community
investments**

Building healthy communities

We care for the communities around our operations and encourage them to script our success story together.

Our approach and focus areas:

'Empathy' and 'dynamism' are the two guiding principles that underline all our intentions, actions and choices. While 'empathy' enables us to comprehend and act upon the necessities of the communities, 'dynamism' drives us

to seed community interventions with business-like speed, accuracy, and innovation. This two-faceted approach enables us to address core needs and expand outreach at a faster stride.

In FY 2016-17 we have created substantial impacts in all three of our broad focus areas:

- Education;
- Livelihood; and
- Healthcare.



FY 2016-17 Key performance highlights for our focus areas



Education

School Improvement Program works in

60

government schools

25,284

students benefited

520

scholarships awarded

23 Pudami schools are educating over 8,030 students.

144

mobile science lab visits in 14 schools, 4,475 students were supported

2,258

students screened in eye and dental camps



Livelihood

16,000

farmers benefited through the Mitra program.

1,484

young people

and

194

differently-abled youth trained through GROW: Youth and GROW: PwD respectively.

3.5 lakhs

youth supported.

Training 26,000 youth every year.



Healthcare



2.15 lakhs

We reached out to a population of around 2.15 lakhs under CHIP.

7,500

families have benefited from the reverse osmosis (RO) plant project.



**DRF
turns
20!**

Dr. Reddy's Foundation (DRF) is a not-for-profit organization devoted to enable economically and socially susceptible groups to take control of their lives. DRF started its journey in the year 1996 with a strong focus on three core areas of education, livelihood, and health and nutrition.

We successfully introduced and implemented several social initiatives since inception. DRF is TWENTY years young now (2016). The journey from year 1996 to 2016 witnessed several baby steps taken by DRF metamorphosing into giant strides, yielding rich outcomes on a year on year basis. A triumphant journey of two decades has been fueled by our great intentions, dedication, strong focus and value system. As the journey of DRF as a 'social catalyst for change' continues, we take pride and inspiration from the mosaic of memories and legacy of two long decades.

Education

Education is the universal enabler, not only in delivering good health, but also for the progress of any nation as a whole. 'Access to good education and schooling is every child's birthright': a philosophy that Dr. Reddy's nurtures conscientiously. Through Dr. Reddy's Foundation, Dr. Reddy's adopts a holistic approach to sustaining its programs in education, and collaborates with schools, communities and other key stakeholders.

Pudami Schools: Pudami schools were started in 2007 with an aim to make quality English medium education accessible to children from all walks of life, with special focus on children from low-income communities. In addition to the traditional academics, a number of co-curricular events and exciting inter-cluster and inter-school

competitions present the students a unique opportunity to showcase their talent and learning. This initiative has progressed steadily over the last one decade and has been producing great results ever since.

At present we're supporting 23 Pudami schools, educating over 8,030 students in and around Hyderabad city. Kallam Anji Reddy Vidyalaya (KARV), a model Pudami School in Hyderabad, itself caters to 2,190 students.

Additionally, Kallam Anji Reddy Vocational Junior College (KAR-VJR), Hyderabad trains students, who have completed the tenth grade, in two-year vocational courses. Every year it trains approximately 400 students.

DRF works with children, youth (including persons with disabilities), women and households in **20 states** across India.

DRF has touched lives of **5,00,000** socially marginalized people from all walks of life.



School Improvement Program (SIP)

School Improvement Programs (SIP) are designed to help schools and students in various academic and non-academic aspects such as remedial support, scholarships, computer skills, sports, water and sanitation. SIP also provides scholarships for meritorious students to pursue higher education. In the year 2011, SIP began its journey

on a pilot basis. Enthused by the response and the effected impact in the surrounding area, the SIP has continued its triumphant journey till today.

Presently we support 25,284 students in 60 government schools across six districts in Andhra Pradesh and Telangana through SIP.



A journey towards living the dream: the story of Nikitha.

Nikitha was introduced to the heaviness of family accountabilities very early in her life as her father deserted the family about eight years ago.

She trusted her dream of achieving excellence in her academics against all odds.

Through the “Dr. Reddy’s Scholarship” program, she was awarded Rs.10,000 for excelling in her Board exam, scoring 9.6 GPA on a scale of 10. She is now pursuing higher studies in Mathematics and Physics at St. Ann’s Jr. College where she scored 98% in her first year and is well poised to attain her goal of pursuing post-doctoral research work in magnetism.



Environment

Harita Haram

Flagship program of the Telangana government, envisaging increase in tree cover from 24% to 33% of the geographical area of the State.

5,000 saplings planted in 10 schools through participation of 500 stakeholders.

Van Mahostav Day

The drive was initiated by Sri. P. Lakshmi Narasimhan, IAS, Collector and Magistrate, Srikulam District.

1,000 saplings planted around our facility and in four schools.



Wellbeing

Eye and dental camp

2,258 students screened.

661 students identified with vision problems.

1,086 students identified with dental problems.

Health and hygiene

Counselling sessions conducted for adolescent girls in association with FPHAI.

Higher education in liberal arts

Dr. Reddy's has been supporting Ashoka University to enable high quality research and education in the domain of liberal arts. This creates an atmosphere of healthy and critical thinking and develops future leaders and thinkers.

Spreading scientific knowledge through the community

Dr. Reddy's has endeavoured to promote science education by reaching out to community, schools and students through mobile science vans (mobile science lab) and exhibiting various essential elements of science in our day to day life. This program was initiated in partnership with Agastya International Foundation. These mobile science vans reach out to schools and the community to cultivate scientific thinking and promote awareness.

In FY 2016-17 a total of 4,475 students in 14 schools were covered through 144 mobile science lab visits. A total of 15 community visits were undertaken reaching over 200 community members under this program.

Contribution for infrastructural improvement at schools at API manufacturing facility (Unit 5)

In FY 2016-17, Dr. Reddy's provided infrastructural support to Kasturba Gandhi Girls School at Babusaipeta, Telengana, India. The aim was to improve enrolment numbers in the school to help more students get access to quality education. Due to infrastructural constraints, the school could only accommodate 200 children and had to turn away many more who sought admission. To help overcome this challenge, one additional classroom was constructed by Dr. Reddy's and donated to the school authorities. The new school building at Babusaipeta was inaugurated in August 2016.

Dr. Reddy's also donated 325 school desks to 25 Government sponsored schools in a special program organized at Government Boys High School, Siddipet in June 2016. 1,300 students were benefitted by this initiative.



Impact of DRF

1,50,542
Children

3,51,385
Youth

10,128
PwD

77,448
Households





Livelihood

Dr. Reddy's has been working with the socially marginalized sections of society for a number of years. The livelihood programs administered by Dr. Reddy's Foundation are focused on making the Indian youth employable and enhancing their earning potential. Dr. Reddy's runs a number of programs in line with this objective.

Moving from LABS to GROW

The skilling initiative was started at Dr. Reddy's in 2000. The success of the Livelihood Advancement Business School (LABS) quickly made it the Foundation's flagship program and it was adopted by many agencies in India as well as in other countries such as Vietnam, Indonesia and Sri Lanka.

In total, DRF, with the support of its partners, has impacted 3.50 lakh youths through its flagship skilling program with an average placement rate of 70%.

With the rapidly evolving business environment, we recognize the need for continuously adapting so that our programs benefit the target populations. With this in mind, we moved to GROW last year, in order to remain relevant and to make sure that the beneficiaries continue to benefit from the programs in a wholesome way.

The focal point for all GROW activity is to ensure 'Better Skills & Better Jobs.' The program was formatted after an intensive market research and the content was vetted by the industry thereby making it more impactful, scalable and self-sustaining.

Key features of GROW:

- Competency assessment
- Industry vetted mandatory and modular courses.
- Certified trainers.
- End to end technology platform.
- Better learning environment.
- Better employer connect.
- Post-placement support.
- Mobile app for students.

Grow - PwD

In India, only one percent of the five million disabled youth between the ages of 15 and 35 years are employed. To compound the issue, many disabled youth do not have employable skill sets. The main impediments for employability continue to be infrastructural challenges at the workplace and poor implementation of Government policies, apart from misconceptions and biases towards the disabled population. These learnings, a result of our LABS PwD program, led to us refreshing our approach to skilling disabled youth. Therefore, despite LABS PwD being among the largest

skilling initiatives for the disabled in India, within a few years of its inception in 2010, we phased out LABS PwD to make space for GROW PwD.

Grow - Youth

The Grow: Youth program is crafted for youth, in the age group of 18 to 30 years, who have limited prospects and who have inadequate skill sets. 'Grow' prepares the participants with job specific skills, soft skills and computer skills to make them employable. In FY 2016-17, we provided training to 1,484 youth through our support centers.

**Training provided to
1,484 youth to make them
employable**



Mitra

With nearly 70% of India's population dependent on agriculture for their livelihood it is imperative to address the challenges that some of our farmers are struggling with: with regard to the quality and quantity of crop year on year. While the government offers several schemes for farmers, the reality is that most of these schemes do not penetrate down to the grass roots and farmers with small landholdings are often the ones who get the least support. Our 'Mitra' program enables farmers to leverage available technologies and the latest methodologies in farming, leading to increased crop productivity, and thereby an increased income. Our holistic and problem-solving approach gave birth to sustainable solutions as we created an impact in the lives of thousands of farmers.



Happy Story of a Farmer: Following the customs that had been handed down through the generations, Lankalapalli Satyanarayana tilled his 2.5 acre farmland to grow paddy and maize. Unfortunately, the yield never grew beyond 37 bags per acre per year.

Mitra conducted a series of awareness activities in his village that in turn motivated Satyanarayana to adopt zero tillage and drum seeding methodologies, as taught by scientists from the Krishi Vignyan Kendra at Amadalavalasa. His yield saw an increase of 10% (41 bags per acre per year) and his profits grew to Rs.18,720 in a small span of 4 months.

Mitra’s impact:

- Increased productivity per acre in the major crops
- Strengthened agriculture extension service delivery
- Ensured economic viability for the farmer



Healthcare

Access to adequate healthcare is largely reliant on the presence of a strong system capable of bringing good health to every member of the community. However, the healthcare systems in rural India are unable to meet the needs of the communities since the lack of infrastructure inhibits the access to adequate healthcare. Dr. Reddy’s runs a number of programs designed to make basic healthcare available to such communities.

Community Health Intervention Program (CHIP)

The Community Health Intervention Program (CHIP) is designed to deliver primary and preventive care at the doorstep of a large segment of rural population that does not have adequate awareness or access to safe and reliable

healthcare in Andhra Pradesh and Telengana. This project is implemented in partnership with the District Collector, the Health Department, ICDS, Government Health Infrastructures and NICE Foundation.



Generate health awareness



Improve access to healthcare



Behavioral change and improvement in performance indicators



Health awareness

A targeted population of 1,24,047 has received appropriate health information through IEC, BCC and PDG exclusive awareness programs.

One hundred percent of registered pregnant women (a total of 18,333) in the areas of concern have appropriate knowledge on potential risks associated with pregnancy, the new-born, and post-natal period.

Access to healthcare

- Mobile Medical units currently cover 145 villages in three districts (Nalgonda, Vizianagaram and Srikulam), reaching out to 2,15,000 individuals.
- 209 outpatient (OP) clinics provided treatment to 3,43,712 individuals.
- 19,337 prospective mothers attended to for healthy pregnancy and safe delivery.
- 13,615 patients received home based care.
- 2,543 patients referred to secondary healthcare treatment.
- Access to government health facilities increased to 72% by people across villages for treatment and care by a qualified service provider (CHIP + Govt. health facilities) as against 28% at the baseline.



Change agent and social catalyst

The campaign for instilling social change can rarely be shaped alone. Collaborative innovation transpires when like-minded people with varying skill-sets are nurtured, guided and equipped with precise tools. In order to impact the reconstitution of society for betterment, we identify and nurture these change makers, we ensure that our own efforts are multiplied and the effects of social transformation are wide-ranging, inclusive and enduring. We trained 39 budding social change agents on entrepreneurial and leadership skills through Centre for Social Initiatives and Management – Hyderabad (CSIM-H) in FY 2016-17.



39 budding social change agents were trained on entrepreneurial and leadership skills through CSIM.

Centre for Social Initiatives and Management (CSIM)

CSIM – H offers an excellent prospect to the talented and wishful individuals to transform their ideas and interests into the creativities of present. Currently, the CSIM graduates are crafting social benefits in varied fields such as rural development, education, livelihoods, health, water and sanitation, disability, child protection, old-age homes, and orphanages.

Social infrastructure:

Dr. Reddy's interventions on social infrastructure include laying village roads, promoting road safety,

implementing e-Panchayat, and promoting sound hygiene and sanitation facilities in and around Dr. Reddy's operations.

Drinking Water Project: The groundwater in Nalgonda district is affected by high fluorine content and it is used for drinking purposes, resulting in prevalence of fluorosis in the residents consuming this groundwater. Dr. Reddy's interventional measure involved the installation of six reverse osmosis (RO) plants in the six villages through public-private partnerships with the gram panchayats. Training sessions were organized to educate the local youths on the maintenance of the RO plants. The potable water quality has improved in the region resulting in better health and happiness amongst the villagers. Approximately, 7,500 families have benefitted from this project. This successful initiative is now being used as a model for similar interventions in other parts of the district by the district administration, in charge of approximately 700 villages.



Engineering Excellence: efficient and effective production line

Optimizing production and mitigating error are essential practices to maintain and sustain profitability. We believe that driving engineering efficiency is the strongest way to build consistency within systems, control cost and also reduce product defects without compromising the product quality.

A few of our focus areas to achieve engineering excellence include:

- A. Reliability centered maintenance**
- B. Mechanization**
- C. Automation**

A. Reliability centered maintenance (RCM)

With our continuous pursuit of excellence with efficiency, we transitioned to the reliability centred maintenance (RCM) approach in FY 2016-17 for our maintenance operations. This approach helps maintenance teams to focus on equipment that is critical to a unit's continued operations and business success.

The RCM approach was implemented in finished dosage facilities, Unit 6 and Unit 8 in FY 2016-17 beginning in the second quarter. The schematic illustrated here indicates the steps that were followed to prepare the foundation for RCM.

This assessment was simplified for the purpose of communication with the operations teams. Additionally, Failure Mode Effect Analysis (FMEA) of the critical components was undertaken wherein the effect of the failure of the respective critical components was discussed. The potential cause of the failure, and the corrective and preventive actions were identified as well.

Our team monitored two criteria—mean time to repair (MTTR) and mean time between failures (MTBF)—for evaluating the efficacy of the RCM approach. While MTTR indicates the amount of time taken to repair equipment, MTBF indicates the frequency of equipment failures. The target set by the team was to



reduce MTTR to less than two hours across all facilities, and to increase MTBF to greater than 30 days across all facilities. An overall trend of decreasing MTTR was observed from third quarter of FY 2016-17 in Unit 8, while MTBF increased. Overall, MTTR and MTBF at both the units were well ahead of their targets.

During FY 2017-18, we shall continue to monitor these criteria to evaluate the efficacy of the RCM approach at these two facilities. We also plan to roll out the approach in the other facilities, post formalization of a maintenance strategy with the RCM approach.

B. Mechanization initiatives

Robotic shipper palletizer and automatic guided vehicles (AGV):

At one of our finished dosage facilities (FTO PU1), we have fully automated the palletization process. This aids in online labelling, report generation and selection of shipment route. We have finished pallet transportation through AGVs. This initiative has helped us achieve manpower savings and error free compliance.

Automation of our packing lines:

We have fully automated packing lines in the secondary packing area. It aids in online pedigree (serialization and aggregation). We have also integrated our automated packing with the global serialization equipment and deployed a fully automated solution for the serialization of bottles.



C. Automation initiatives

To simplify, re-design and improve our utilities performance, we have invested in the following automation initiatives:

Power management systems (PMS):

This leads to automatic grid and DG power synchronization, maintaining uninterrupted power availability, power quality improvement, energy savings and enhanced supervisory control through SCADA.

Utilities management systems:

This provides a single window for real time data logging, central monitoring and controlling of critical utilities. It also helps in tracing the utility consumption and identifying efficiency improvement opportunities.





**Moving
towards a
responsible
future**



Sustainable product innovation

Product innovation goes beyond incremental improvements to the existing systems; it requires application of sustainable design principles and creation of innovative alternatives.

We understand the strategic externalities like emerging science and concepts in chemicals and health, stringent regulations evolving around protecting the consumers' interest and safety, and the growing demand for "cleaner" and "greener" products.

At Dr. Reddy's, we believe that green chemistry is a tool for product innovation. It provides the holistic approach to design environmentally benign and safe products that differentiates us in the marketplace. It offers strategic advantage and creates a resonating impact, and improves the triple bottom line by making it cost effective, safer for our employees and better for the environment.

Topline benefits of green chemistry initiatives

- **Risk reduction:** position us ahead of regulatory restrictions; includes legal, regulatory (e.g. new ban), and social risks.
- **Reduced operating and manufacturing expenses:** derived from reuse, waste reduction, and reduced resource consumption (materials, chemicals, energy etc).
- **Improved manufacturing capacity utilization** (more throughput per unit of time) and increased product yield.
- **Reduction in hazardous / toxic waste.**



In our journey of environmentally responsible pharmaceutical manufacturing, we continue to apply and embed the 12 principles of green chemistry and green engineering in our drug development and as well as in our manufacturing processes.

Prevent waste: Prioritize the prevention and minimization of waste.

Atom economy: Design synthesis so that the final product contains the maximum proportion of the starting materials. There should be few, if any, wasted atoms.

Benign solvents and auxiliaries: Avoid using solvents, separation agents, or other auxiliary chemicals. If these chemicals are necessary, use innocuous chemicals.

Design for energy efficiency:

Choose the least energy intensive chemical route. Run chemical reactions at ambient temperature and pressure whenever possible.

Use of renewable feedstock: Use raw materials and feedstocks that are renewable rather than depleting.

Reduce derivatives: Avoid using blocking or protecting groups or any temporary modifications if possible. Derivatives use additional reagents and generate waste.

Catalysis: Minimize waste by using catalytic reactions.

Design for degradation: Design chemical products to break down to innocuous substances after use so they do not accumulate in the environment.

Real-time analysis for pollution prevention: Include in-process real-

time monitoring and control during synthesis to minimize or eliminate the formation of byproducts.

Inherently benign chemistry for accident prevention: Design chemicals to minimize the potential for chemical accidents including explosions, fires, and releases to the environment.



Some of our recent initiatives include:

Shift from batch to continuous mode

Batch mode of operations requires large facilities and typically restricts many important types of chemistries. We are gearing up for transition from batch mode to continuous mode for some of our operations.

Hybridized application of green chemistry tools (six sigma and continuous improvement principles to green chemistry initiatives).

We implemented these concepts in our product development pipeline and the greenness indicators on a few of the molecules.

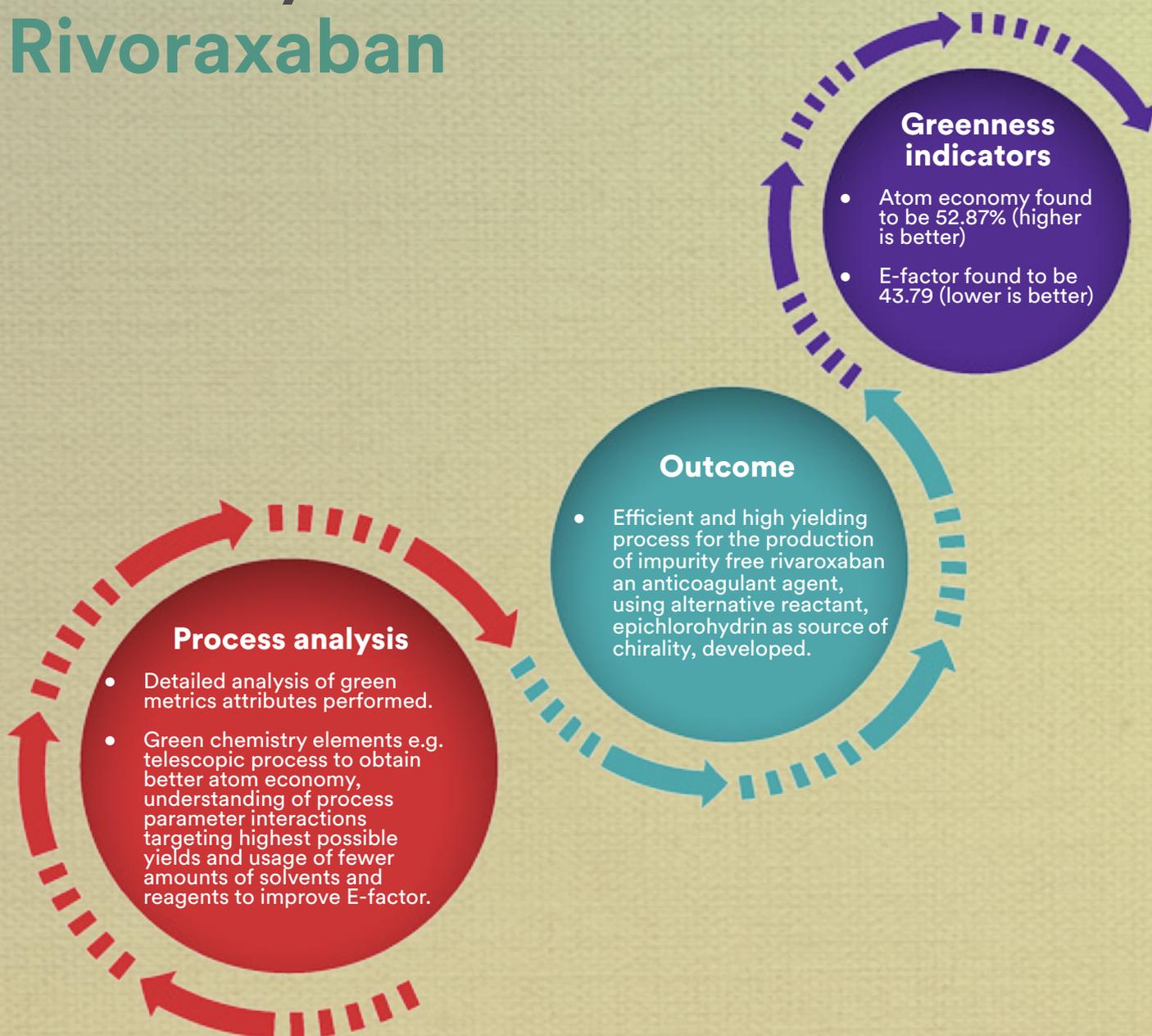
Sildenafil: In the commercial manufacturing process of Sildenafil, we have adopted the 1st principle of green chemistry which outlines 'prevention of waste generation'.

- 89% solvent waste reduction achieved in the current commercial route.
- 10 solvents reduced to just four solvents in the commercial route.
- Eliminated the use of a toxic and highly volatile solvent during the synthesis process.



Case study:

Application of **green chemistry** tools to **Rivoraxaban**



Step 1: Ring opening followed by amination

- We telescoped this process to enhance time cycle reduction, yield and quality.
- This production step does not require any organic solvents thereby contributing to the lower E-factor. The process was developed based on scientific understanding that there is no byproduct formation.

Step 2: Effective amidation

- We developed amidation reaction to avoid chemical waste generation and toxic byproducts associated with coupling reagents: EDC HCl, DCC, etc..
- N, N-carbonyldiimidazole (CDI) reagent was selected based on screening to effect amidation.
- The selected reagent saved costs as it was cheaper and readily available and also provided very high yields.
- It is environmentally benign and does not generate harmful byproducts. On the other hand it produced byproducts like imidazole which helps in promoting reaction by acting as a base.



Step 3: Oxazolidine ring formation

- Process involves carbonyl insertion by CDI. We succeeded in avoiding using any base as imidazole (byproduct in step 2) acted as a base. Such oxazoline ring formation is known as THF (Tetrahydrofuran) (~20 h) whereas we could perform the same reaction in DMF (Dimethyl formamide) (~3 h). This helped us to conduct steps 2 and 3 in a single solvent and minimum reagent combination to E-Factor.
- Methanol was used as an anti-solvent to precipitate maximum product leaving behind maximum impurities in the mother liquor.
- Moreover, we successfully employed acetic acid to produce the required polymorphic form. As a result, we developed a sustainable, commercially viable and scalable process.



Strategic collaborations with academia to propel capacity enhancement

Our product portfolio is getting more complex day by day and hence it is vital to build our in house talent to new generations of thoughts and approaches towards green chemistry implementation.

We are joining hands with various universities to institute fellowship programs that will allow highly motivated science professionals to pursue a PhD. These sponsored programs will build research linkages and provide opportunities to resolve highly complex scientific challenges. These employees will be enablers of product innovation and bring in the expertise required for product excellence within Dr. Reddy's.

Key objectives

To sensitize the importance and integration of green chemistry as the way of doing chemistry.

To create awareness of emerging tools and technologies in the field of green chemistry.

Other collaborations initiated in FY 2016-17

We collaborated with Integra Life Sciences Holdings Corporation, a leading global medical technology company, for an exclusive distribution agreement that allows us to market and distribute DuraGen Plus® and Suturable DuraGen® Dural regeneration matrices for use in patients in India. With this product launch, we look forward to build our presence in the segment of regenerative technologies and to make a difference to the lives of patients undergoing neurosurgery. This collaboration also allows us to continue to expand patient access globally and provide innovative regenerative technology solutions to neurosurgeons and patients in India.

We entered into a global licensing agreement with CHD Bioscience Inc., a privately-held biopharmaceutical company for the clinical development and commercialization of our phase three clinical trial candidate, DFA-02. It is intended to be used for the prevention of surgical site infections, following non-emergency, elective colorectal surgery. Phase two studies for DFA-02 have been successfully completed, and the product will be transitioning to pivotal phase three registration studies.



Safeguarding product excellence and responsibility

The legislative and regulatory environment that governs the pharmaceutical sector continues to evolve. Our repute and ongoing success depends on the quality of our products and hence uncompromising commitment in these areas is of primary focus in Dr. Reddy's culture. To ensure the continued efficacy of our quality management systems, we periodically review them to identify and update the ongoing changes in our processes that may affect the functioning of our facilities.

Our manufacturing facilities go through rigorous inspections and audits by various authorities throughout the year. Our facilities are evaluated for adequacy from a quality control, assurance and regulatory compliance perspective. We have adopted a control tower approach for achieving overarching compliance of our Quality Management. The Control Tower Team serves as an independent function to oversee a systemic improvement program covering pre-audit activities, audit readiness and an audit CAPA management program for all sites of Dr. Reddy's. The team provides a single point

of contact on real time basis of inspection compliance/ CAPA management through:

- Strong governance on the CAPA system
- Appropriateness of corrective and preventive actions and timelines
- Ensuring periodic management review and escalation.

The team follows a structured approach to the CAPA management process. It ensures timely closure of corrective and preventive measures and verifies outcome of the CAPA commensurating with the commitment, and establishes state of control on the effectiveness of company's QMS. This also helps us to adhere to stringent quality requirements, assessing and working on critical factors that may contribute to product recalls. We also have detailed product recall management procedures in place. During this reporting year, we did not have any Class 1* product recalls which further endorses our continuous efforts taken in this direction.



* Class 1- A situation in which there is reasonable probability that the use of or exposure to violative product will cause serious adverse consequences or death.

Key roles and responsibilities for control tower teams

- Ensure holistic implementation of CAPAs.
- Share the audit observations and learning across all sites and ensure harmonized quality compliance at all sites.
- Maintain tracker for regulatory observations coming out from external companies across the industry and ensure the learnings are implemented.
- Periodic monitoring of sector specific codes, standards and guidelines from regulatory agencies and timely implementation of these within our Quality Management System.
- Conduct periodic verification to ensure sustenance of CAPAs.



Quality Initiatives

- Enabled easy management of document lifecycle through workflow, by implementing a **Document Management System (DMS)** for our quality and manufacturing processes. We have linked it with our Learning Management and Quality Management System.
- Implemented **Manufacturing Execution System (MES)** at our finished dosage facilities (Unit 2 and 3).
- Implemented **paper reduction initiatives** that led to 70% to 80% resource conservation and cost savings of up to Rs.2 million per annum.
- Adopted **Observation Compliance Management System (OCMS)**, an online tool to track observations on a real time basis and to ensure compliance to the quality systems on a proactive basis. It provides a platform for the quality observations to interbreed amongst the different units of the organization. This encompasses observations from regulatory and customer audits, and industry wide expectations, thus ensuring harmonization in implementation of actions.
- Implemented **automation initiatives**, one of which includes implementation of an auto sample preparator cum analyzer instrument to minimize the errors during sampling. This also helps us to achieve consistent and precise results.



Case study: operational excellence with paperless manufacturing, finished dosage facility (Unit 2)

Successful implementation of the first phase of the manufacturing execution system (MES) at the FTO 2 plant is a significant step towards realizing our vision of achieving manufacturing execution excellence coupled with ‘paperless manufacturing’. Beyond increasing operational effectiveness and adherence to quality and compliance, the MES system significantly adds value in integrating ‘shop floor to top floor’ to provide the desired real time visibility into production processes. The powerful master recipe (MBR) authoring capabilities in the MES system enables guided execution of batch records (eBPR) with enforced rules in the paperless production environment.



We are adopting MES at most of our finished dosage facilities.

| Aspects of MES | Quantified benefits |
|---|---|
| <p>Assists in compliance: It reduces documentation and calculation errors. It aids in elimination of manual checks and log books. It ensures data integrity between batch records and logbooks. It has inbuilt process check/ automated system verification features and supports audit traceability.</p> | <ul style="list-style-type: none"> • Reduction of approximately 14,000 documentation errors. • Elimination of approximately 1,000 calculation errors. |
| <p>Electronic equipment management: It enables the efficient creation and automatic maintenance of electronic logbooks (e-logbook). Comprehensive status monitoring, usage details and cleaning details are collated and available electronically.</p> | <ul style="list-style-type: none"> • Reduction of approximately 10,400 hours in review and approval lead time. |
| <p>Reliable and secure data: MES verifies data parameters like input materials, equipment usage and process parameters by comparing them with the specifications in the batch record and detects deviations as they happen.</p> | <ul style="list-style-type: none"> • Reduction of 14,000 hours in data entry time. |
| <p>Shorter lead times: The electronic batch record contains the entire process documentation and the summary of exceptions. All departments involved are enabled to give a quick, secure and efficient assessment, and electronic release. Quality Assurance (QA) review can give complete focus to the assessment of individual deviations that are listed in batch manufacturing reports. Lead times are thus reduced significantly.</p> | <ul style="list-style-type: none"> • Annual savings of 46,400 number of pages due to elimination of log books. |

Continuous improvement

Consistent increase in number of continuous improvement projects year on year: **275 projects** implemented during the reporting period

Yield improvement projects implemented at our finished dosage facilities (Unit 3) and API manufacturing facilities

Savings of **Rs.31.8 million** have been realized.

We have rolled out our “**Lean QC Labs**” initiative for our finished product, raw material, packaging, stability and IP labs at our finished dosage facilities (Unit 2 and 3, FTO SEZ). In FY 2017-18, we plan to cover our API manufacturing facilities as well.

A MOST study was undertaken at a few of our API manufacturing facilities and standard manning for each block has been defined in concurrence with site leadership team. The additional manpower was redeployed by site HR.

Case study: Lean in QC labs

The quality control (QC) laboratory plays a critical role in our production, for both in-process and finished product testing. We recognize that maximizing both staff and machine time and standardizing work protocols is essential to improve the productivity of our labs.

Our teams have initiated efforts to apply Lean principles to our lab functioning environment to overcome various challenges around turnaround times (TAT), customer satisfaction and meeting the testing deadlines. We have rolled out this initiative for our finished products (FP), raw material (RM), packaging, stability and IP labs at our finished dosage facilities (Unit 2 and 3, FTO SEZ). We plan to cover our API manufacturing facilities in FY18.

Overall, applying Lean principles and techniques has led to in-depth process understanding for all the employees involved.

Case study: Applying Lean principles to the finished product lab, finished dosage facility Unit-3

| Key principles | Task | Outcome |
|--|--|---|
| Levelling and scheduling of samples | <ul style="list-style-type: none"> Classified the samples as runner, repeater and stranger. Implemented rhythm wheel concept for our runner product. Defined the campaigning size for repeater and stranger products. Started daily tracking for in and out samples in lab. Implemented Excel based tool for scheduling. | Consistent sample flow. |
| Work standardization | <ul style="list-style-type: none"> Used value stream mapping (VSM) technique to understand the macro processes and to identify opportunities for improvement in lead time. Used fish bone analysis (cause-effect diagram) to identify the root causes for low SPA (sample per analyst), lab errors. Full kitting for analyst to start core analysis from shift start and complete assigned task as per plan. 1S and 2S methodology implemented to remove items that are no longer needed, organize the items to optimize efficiency and flow, marking of trays and group-wise platforms. | <ul style="list-style-type: none"> Improvement in lead time. On time task completion. Improves productivity of analysts. |

Overall objectives:

- Improve sample per analyst (SPA)
 - Improve testing lead time (TAT)
 - Reduce lab errors
-

| | | |
|---|---|---|
| Effective resource allocation | <ul style="list-style-type: none"> Machine utilization was reassessed Competency map and improvement plan was prepared for the analysts | <ul style="list-style-type: none"> Better utilization of resources Average utilization increased from 11% to 22% Reduction in yearly maintenance costs |
| Optimized layout | <ul style="list-style-type: none"> We assessed the analyst workbench for ergonomic improvements and optimized the layout accordingly. | <ul style="list-style-type: none"> Improved analyst and sample flow Analyst movement reduced by 30% per shift (40 min./shift) |
| Inventory management | <ul style="list-style-type: none"> We defined the minimum/maximum level of glassware based on one month's actual consumption. | <ul style="list-style-type: none"> Cost optimization |
| Managing performance through Lean Daily Management (LDM) | <ul style="list-style-type: none"> We defined team-wise KPIs and targets We monitor the LDM Scoreboard and conduct daily huddles for reviewing performance | <ul style="list-style-type: none"> Data transparency and better decision making |
| Mistake-proofing | <ul style="list-style-type: none"> We analyzed six months' data and conducted fish bone, pareto and 5 WHY analysis to identify the mistakes. We planned and implemented mistake proofing (POKA YOKE) for identified areas of improvement. Examples include: <ul style="list-style-type: none"> Changed our analysis process. Vortex mixer was installed for homogenous mixing of sample and standard solutions. Colour coding was done for vial rows. | <ul style="list-style-type: none"> Reduction and prevention of errors. Reduction of incidents related to vial misplacement. |

-
- Cost savings of Rs.76 million realized.**
 - Won awards at NITIE, Frost & Sullivan, Dr. Anji Reddy Excellence Award 2017**
-

A positive environmental footprint

Moving towards a positive environmental footprint

At Dr. Reddy's, using a cross-functional and innovative approach, we are committed to work towards creating a positive environmental footprint. We aim to go beyond compliance in the regions where we are operating by setting higher standards.

We are making constant progress towards all our short term environmental goals in the areas of energy, emissions, water and waste. While maintaining the improved sustainability performance in previous years, our teams challenge their year on year achievements and continue to excel in each sustainability area. Our activities under other pillars of engineering excellence, continual improvement, productivity and quality help us further integrate environmental sustainability in our business model. We continue to strengthen our existing environmental initiatives and also are exploring new areas of improvement through our sustainability reviews.



Our commitment to the environment 2020

| Performance target | Status | Progress |
|--|--------|--|
| Aim to reduce our specific consumption of energy by about 5% every year so as to achieve a 40% reduction by year 2020. | | Ahead of plan. As on FY 2016-17, we have reduced our specific energy consumption by 39% from the base year 2010. |
| Strive to increase the percentage share of renewable energy in our total energy consumption by 2.5% every year over the next ten years, such that renewable energy share reaches 25% by year 2020. | | 12% of total our energy requirement is met through renewable energy sources. We have plans in place to achieve our 2020 target. |
| Aim to reduce our specific water consumption by about 5% every year over the next ten years so as to achieve a 40% reduction by year 2020. | | Achieved. As on FY 2016-17, we have reduced our specific water consumption by 58% compared to the base year 2010 while our target was to reduce 40% by 2020. |
| Strive to become water neutral by year 2020 by replenishing the water table with an amount of water equal to what we consume, using means such as water harvesting. | | 44% of our total water consumption is harvested through rainwater harvesting. We have plans in place to achieve our 2020 target. |
| Attempt to reduce our specific generation of hazardous waste. | | Achieved. As on FY 2016-17, we have reduced specific generation of hazardous waste by 53% compared to the base year 2010. |
| Reduce the quantum of hazardous waste sent by us to landfills/incineration by about 5% every year over the next ten years so as to achieve a 40% reduction by year 2020. | | Achieved. As on FY 2016-17, 81% of the total hazardous waste is co-processed/recycled. |



2020 targets already achieved



Year-on-year target achieved



Plans are in place to achieve the target

Performance highlights

for the reporting year



Energy

175

energy efficiency/
conservation
projects.

Rs.
158
million

in cost savings.

12%

of our energy
consumption is
contributed from
renewable sources.

6.7%

reduction in specific
energy consumption values
from our previous year
(FY 2015-16).



Emissions

16%

reduction in
emission intensity
from FY 2015-16
levels.

22,260
TCO₂e

emissions eliminated using
biomass/rice husk
briquettes, thus generating
286.61 TJ of energy.

25,382
TCO₂e

emission savings by implementing energy conservation
initiatives.



Water

44%*

of our total fresh water consumption harvested through rain water harvesting and reuse.

* This value considers rain water harvesting and recharge quantity for five of our India locations. Rainfall data is sourced from IMD database, run off coefficients as applicable to the type of soils/surface area/drainage have been sourced from published literature.



Waste

81%

of hazardous waste sent for co-processing/recycling.

7250
MT

by-products (salts) upcycled during this reporting year.



Awards and Recognitions

- Dr. Reddy's was awarded the most precious and iconic **Golden Peacock Award for Sustainability** 2016.
- Dr. Reddy's is the only generic pharma company listed in the **Dow Jones Sustainability Indices** for emerging markets.
- Our Formulation Manufacturing Unit 3 at Bachupally has won the **Frost & Sullivan Green Manufacturing Excellence Award (GMEA)** for excellence in sustainability achievements.
- Our Chemical Technical Operations (CTO) Unit 2 was awarded with the **Innovative Project Award** by 4th Edition of CII Environmental best practices for achieving the goal of Zero Hazardous Waste to landfill.

Energy and emission management

Energy costs make up a significant proportion of our operational costs. We recognize the uncertainty of energy and carbon regulations in the regions where we operate and at the same time we see immense potential and value in investing in energy efficiency/conservation projects at our manufacturing facilities.

At Dr. Reddy's, we strongly believe that responsible and sustainable energy practices will not only benefit our business growth but will also help us improve our environmental performance and meet evolving stakeholder expectations. Our efforts in the direction of achieving energy and emission goals are leading our way to a resource-efficient and low carbon future. Our teams keep exploring opportunities to bring down our energy consumption in operating facilities and at the same time we are aiming to increase the

purchase and captive generation of renewable energy (solar, wind) to further reduce our carbon footprint.

Every year through our PACE program (Productivity and Commercial Excellence), we continue to identify, conceptualize, budget and implement energy conservation projects across our manufacturing facilities. These projects have fetched us additional gains in terms of fuel conservation, cost savings, emission reductions, improved process efficiency and productivity gains.

We are steadfast in our energy commitments. We have made good progress in reducing our energy consumption levels in line with our 2020 target of 40% reduction in specific energy consumption. Our specific consumption stands at 26.9 Gj/Rs. Million Sales which is approximately a 39% reduction from FY 2009-10 levels and we are well ahead of our yearly target.



Over the past year we took several important strides in our energy conservation efforts and directed them along several paths as given below:

Approach

Behavioral changes in our employees to impact the way they use energy.

Initiatives targeted at building/facility level reductions.

Select initiatives

- Sensitize and spread awareness about energy efficiency and its importance amongst our people.
- Create awareness about energy use, energy wastage and its impact on our operations, e.g., encourage monitoring and optimization of utilities based on atmospheric conditions and plant requirements.
- Installing energy efficient lighting and fixtures.
- Installation of occupancy sensors.
- Transparent sheeting for roofs.
- Installation of building management systems.
- Use of renewable energy (rooftop solar panels).



Approach

Initiatives aimed at process improvements and controls

Innovations, technology changes and improvements

Select initiatives

- Installation of energy efficient equipment, e.g., motors, compressors and energy efficient guns in packaging lines.
- Optimization of standby equipment: boiler, pumps.
- Comprehensive energy audits.
- Using variable frequency drives (VFDs) for pumps.
- Automatic tube cleaning systems for chillers which involves innovative mechanical condenser cleaning and also allows online descaling of condenser tubes.
- Brine chiller installations to eliminate standalone dehumidification units.
- Reverse osmosis membrane system for RO reject effluent recycle. It concentrates the RO rejects at considerably lower cost and reduces 50% energy load on the MEE (multiple effect evaporator).



Our aim is that 25% of our energy will come from renewable sources by year 2020 and currently 12% of our total energy demand is fulfilled through renewable energy sources. We have plans in place to meet our 2020 targets.

As a combination of efforts in energy conservation and increased renewable energy consumption, our overall target is to reduce the carbon intensity by 40% by 2020: the target considers the projected

business growth over the years. The combined scope 1, scope 2 and scope 3 emission intensity for our operations now stands at 5.9* tCO₂/Rs. Million sales in comparison to 10.7 tCO₂/INR Million sales in FY 2015-16. During this reporting year, we further increased the sea shipments by 8% and this contributed significantly in reduction of scope 3 emissions of our India operations by 34% from FY 2015-16 levels.

* This value considers scope 3 emissions calculated for only India operations.



Other air emissions

We are working towards reducing the fugitive VOC (volatile organic carbon) emissions at our facilities to improve our workplace safety, health and environment.

Reduction of drum usage for liquid hazardous residue disposal

The VOC containing residue generated at the solvent recovery system of our API manufacturing facilities is sent as alternate fuel for co-processing in cement plants. The entire quantity of residue was transferred through drums earlier. Drums would be filled manually and transferred to the cement plants. Our teams worked on identifying solutions towards reducing the risk of drum handling.

Thus we initiated the residue handling through pipeline and tankers. The project has been robustly operated since April 2016 and we are currently handling 90% of the total residue through closed pipeline and road tankers. We have been able to significantly reduce the risk of fugitive VOC emissions, enhance people safety and reduce leakages during transportation.



Safeguarding water

At Dr. Reddy's we are committed to do our bit in continually reducing our overall water footprint by decreased reliance on fresh water and increased usage of recycled wastewater and rainwater.

We have been bringing in the best water management practices into play and assigning high priority to water in our sustainability strategy over the years.

Starting in year 2010, we had taken an ambitious target to reduce the specific water consumption by 40 % by the end of 2020. During the year, we have achieved 58% reduction in our specific fresh water consumption from our baseline (FY 2010).

All our manufacturing facilities in India have a zero liquid discharge system where the effluent generated in the facility is treated through primary, secondary and tertiary treatment processes and reused/ recycled within the facility for various purposes in utility operations and domestic usage. For all other locations, we are discharging our wastewater as per the applicable local regulations.



At our API manufacturing facility (Unit-5) located at Miryalaguda, Andhra Pradesh, 18,357 KL of rainwater is harvested and recycled back for boiler operations; saving us Rs.3.4 million per year.

Water energy linkage

We recognize that resource conservation is an integrated approach, where conserving one resource also helps conserving another. We have installed PT-HP RO membrane system to reduce the effluent to be treated at the multiple effect evaporators (MEE) (part of our ZLD scheme) which has high energy requirement. With the newly installed system we have achieved 50% extra permeate recovery than the existing process and at the same time realized savings of 18,000 kWh units of electricity within two months of operation.

In another initiative we replaced the chilled water cooled compressor, with an air cooled one in one of our plants and eliminated the usage of recycled water. This helped us save water and at the same time we have realized electricity savings of 95,856 kWh in three months, and eventually avoided 100 MT CO₂e GHG emissions to the atmosphere.

Apart from overall improvement we have targeted some of our units for undertaking specific improvements towards improved water sustainability.

**Case study:
Water conservation initiatives,
finished dosage facility Unit-3**

Lack of reliable and consistent water supply especially during the months of January to June was a key challenge. Our water demand surges in these months as the utility consumption is higher due to higher temperatures. In the past, the unit had faced severe water shortages which led to halting of operations. Further, due to demand supply dynamics our water bills get inflated, hitting our bottom lines.

We realized that scarcity of water and dependency on groundwater poses a considerable risk towards our business continuity and profitability. Hence, we collectively strived to prioritize water management by discussing water performance in plant-wide meetings and setting ambitious targets for water conservation for each department. Our priority actions to resolve this concern include:

Rainwater harvesting and groundwater recharge

We have set up a 30 KL per hour of rainwater treatment and recycling facility, which lessens the fresh water requirement at the firefighting water reserve, and it is also sent as feed for Reverse Osmosis (RO) systems. Further, we have developed rooftop rainwater harvesting structures of capacity 30 KL recharge per hour; which has helped in improving the quantity and quality of groundwater of our bore wells.

Technology improvements

- Automatic wash in place (WIP) concept was introduced for cleaning the process equipment.
- ‘Hi-pressure Jets’/spray guns in practice for cleaning of process

areas resulting in 20% water savings than the previous year.

- Disc variant of Reverse Osmosis system introduced to reduce the volume of reject and increase the efficiency of filtration.

Effective monitoring and verification

- We started quarterly water audits, which were proven effective in standardizing the water flow and point-wise consumption.
- With all these measures we reduced fresh water consumption from 699 KLD in FY 2014-15 to 386 KLD in FY 2016-17, which is a 45% reduction and a positive impact on the water footprint.



Waste management

We continue to raise the bar on our efforts to reduce waste. In recent years, we have made substantial progress in reducing our waste to landfills by 2020. During our yearly sustainability review our senior management challenged the team to perform beyond the set goals, targets and expectations.

Dr. Reddy's has taken efforts towards upcycling of hazardous waste generated from our manufacturing facilities. Since December 2016, all our API manufacturing facilities have not sent any hazardous waste to landfills. 4136 MT of incinerable waste and 4251 MT of landfillable waste generated across our API manufacturing facilities were sent for co-processing. Our journey to zero waste to landfill for our API manufacturing facilities and the steps followed are illustrated below.

Since December 2016, all our API manufacturing facilities have not sent any hazardous waste to landfills.

Co-processing of less calorific waste



Conventionally the hazardous wastes with high calorific value will be co-processed. But we achieved 100% alternate disposal of all hazardous wastes even with lower calorific value by December 2016.

Sustainable co-processing



We partnered with different cement industries to achieve the goal of zero hazardous waste to landfill for sustainable waste disposal.

Environmental benefits



This eliminates the land acquisition due to landfill and avoids liability on landfill, as any leaks in terms of leachate and landfill gas (primarily methane, global warming potential = 34) will adversely affect the environment.

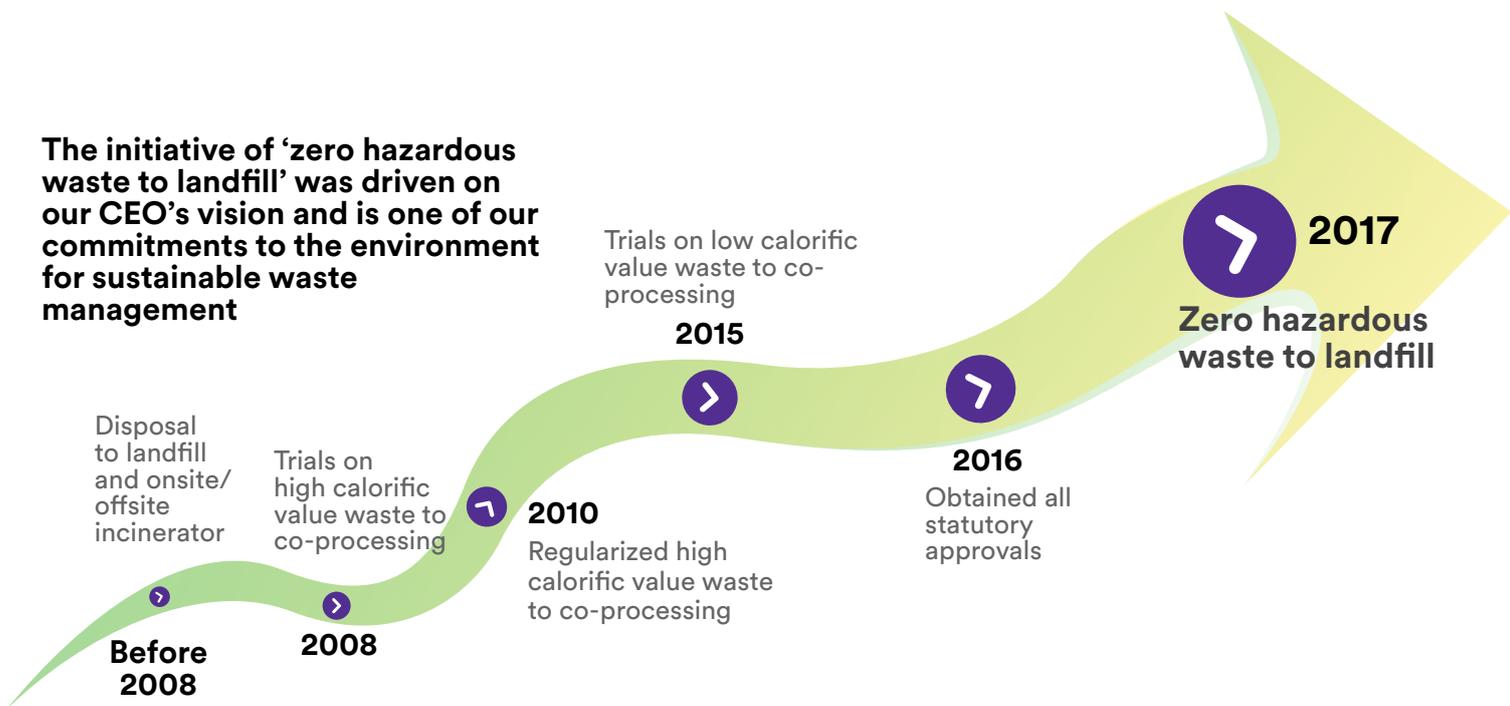
Replication of trial run



The trial run paves the way to obtain approvals for co-processing of similar wastes from the same sector.



The initiative of 'zero hazardous waste to landfill' was driven on our CEO's vision and is one of our commitments to the environment for sustainable waste management



In order to further improve our waste performance, we adopted a multidimensional approach as follows:

Linkage to existing Lean systems: We encourage our managers and employees to take up Six Sigma/lean projects on waste minimization. At our FTO 3 unit, we have reduced more than 50% of hazardous waste generation (from 12.83 MT/month to 5 MT/month) through implementation of a six sigma black belt project. The project brings in additional benefits through reduction in overall raw material consumption, energy usage, material storage, waste disposal costs and help achieve cost savings of Rs.20 million per annum.

Strengthening of internal controls: We have strengthened our controls for hazardous waste storage areas across our operations.

Training and capacity building: We have rolled out various training programs, interactions and other communication strategies to drive the waste segregation and waste minimization philosophy across our operations.



Safeguarding land, resource, and nature

Diverting waste from landfill to co-processing

Our CTO Unit 2 has installed an agitated thin film dryer (ATFD) for evaporation of the high COD effluent stream which consists of about 40 to 50% of CaCl_2 salt. This has reduced the quantity of hazardous waste by approximately 720 TPA by reducing the moisture content from 65% to 10%. Inherent design features of ATFD provide high evaporation rates, reduced need for maintenance, enhanced product recovery and safe operations. This has also reduced our annual hazardous waste disposal costs by Rs.3.6 million per annum.

Recycling initiatives at Shreveport facility

At the Dr. Reddy's manufacturing plant in Shreveport, Louisiana, U.S., employees began a new recycling program. In only two short months, the program prevented more than 30,000 pounds of waste from reaching the local landfill.

Prior to implementing the program, the plant was sending everything as solid waste through trash haulers to the local landfill. Earlier this year, managers at the plant worked with a local recycling company who provided nearly 30 recycling containers, a cardboard compactor, and the transportation—all at no cost to the plant. Employees now have an easy, convenient way to recycle nearly all types of waste generated at the plant. The main categories of recycled waste are cardboard containers used to ship raw materials and other components, as well as two main types of plastic, including polyethylene and polypropylene. Other things like bottles, caps, drum liners, and even boot covers and hair nets, which used to be thrown away, are now recycled.

Along with the environmental benefits, the program has benefited the bottom line by giving huge cost savings by reducing the waste transportation and disposal costs.





Sustainable packaging

Packaging is an integral part of our products, from conveying the brand value to listing important facts necessary for our customers. We recognize the importance of reducing our packaging footprint. Over the past few years, we have initiated several packaging waste reduction projects. We strive to avoid redundancies, use sustainable materials, and minimize expendable printing.

Sustainability approach in our packaging

Reducing packaging material or avoiding it completely is the best way to minimize waste and negative environmental effects.

We continually strive to:

- Explore opportunities to innovate our packaging methods and technology
- Identify improvements in packaging design
- Identify possibilities to reduce the quantity of packaging material in the entire product life cycle without impacting the quality, performance, or safety of our products.



The triumph of innovative packaging

The Dr. Reddy's packaging team won in four out of the ten award categories for Packaging Innovation at the India Packaging Awards 2016 in June, which was part of the Innopack Confex 2016.

The Awards were instituted by UBM to recognize high value, leading edge packaging innovations, executed and commercialized in the space of pharmaceutical packaging.

Our packaging team won awards for:

- Excellence in packaging design (liquid orals and injectables)
- Excellence in packaging machinery
- Excellence in R&D (cost improvement)



Case study: packaging material source reduction

The overall consumption of LDPE bags was crossing 140 tons every year at one of our finished dosage facilities, which was a growing environmental and cost concern for us. These LDPE bags also have a huge environmental impact in the manufacturing and disposal stage.

We undertook initiatives to reduce the LDPE related waste without impacting the product quality. In addition, we reduced the gauge size of LDPE bags from 400 to 200 and achieved a 40% weight reduction of the polybags being used. We have implemented this project idea in our production area for storage of intermediate stage materials and semi-finished goods, and we plan to roll this out for other operations/departments in the near future. As a result, we plan to achieve annual savings of Rs.5.8 million. Also 5513 kg of waste reduction has been achieved in FY17 with a carbon footprint reduction of 33078 kg of CO₂*.

* 6.0 kg of CO₂ per kg of plastic

5513 kg of waste reduction



Other initiatives: packaging, logistics

We encourage our supply chain teams to work towards process simplification and sustainable packaging; this covers the packaging material and our APIs and excipients.

Some of the achievements include:

Pack size optimization: We have worked towards pack size optimization for a few of our API and excipients (for easy handling and also to minimize the chances of spillage and contamination.

Eco-pallets: We are also in the process of testing eco-pallet usage for domestic transit routes and we will soon be able to implement it at our facilities. Eco-pallets usage allows for easier sanitization, improved spill containment, protection from pest infestation and enhanced durability and life.

Air to sea shipments: In this year, for our North America and Ukraine business units we have increased the sea shipments from FY 2015-16 levels.

We are also exploring opportunities to purchase our packing materials from domestic suppliers instead of importing them. This will also benefit us in decreasing our environmental footprint.

Sustainable packaging initiative: Omeprazole, Atorvastatin, Olanzapine

We have replaced the use of plastic drums with the use of paper fibre drums for Omeprazole Mg capsules OTC (US market) resulting in the reduction of approximately 490 tonnes of CO₂ emission per annum. We have introduced an electronic version of the medication guide thus eliminating the need for a physical copy of the medication guide for Atorvastatin tablets, Omeprazole capsules, and Olanzapine (US market), resulting in savings of approximately 250 tons of paper per annum.

The outer carton for Omeprazole capsules, Ketorolol™ tablets, Cetrine™ tablets, Nise® tablets, Ibuclin® tablets and Novigan® tablets has been removed for the emerging markets thereby eliminating the use of wooden boards. We have optimized the cubic utilization of containers by increasing the load ability for Omeprazole capsules OTC-US and Olanzapine-China resulting in a 10% to 20% reduction in export shipment containers by sea leading to fuel savings and a smaller CO₂ footprint.



Sustainable sourcing and supply chain excellence

We understand the impact of our value chain and its role in our sustainability strategy and hence we continue to engage with our suppliers on various sustainability aspects. Our ultimate goal for driving a sustainable supply chain is to drive affordability and innovation, and ensure availability of our products at the right time, at the right place and at the most efficient cost.

Our supply chain footprint:



Our supply chain approach



Set compliance requirements

Dr. Reddy's Supplier Code of Conduct



Supplier Screening and Audits

Independent third party audits



Supplier evaluation, corrective action and capacity building

One to one supplier dialogues and meetings, supplier trainings, follow up on action plans.



Drive impact through continuous engagement and collaboration

Supplier engagement, reward and recognition schemes, collaborate for innovative solutions.

Outcomes

- Improved controls and processes for managing product quality and safety.
- Improved speed to market and reduced risk of product recalls.
- Enhanced transparency and trust between us and our suppliers.
- Ability to demonstrate measurable outcomes.
- More informed decision making support based on real time performance metrics.
- Recognition through achievement awards for top performing suppliers.

Our purpose: Perform in alignment with the organization's core promises i.e. bringing expensive medicines within reach and ensuring on-shelf drug availability to help patients manage disease better.





All purchases, sourcing activities and supplier empanelment are carried out in accordance with our Supplier Code of Conduct. Vendors/suppliers are required to fill in the pre-qualification questionnaire which includes questions on systems, previous experience, organograms, certifications etc. These are then subjected to risk assessment by an independent agency before final selection and empanelment.

Our supplier assessment approach involves:

- Supplier assessment covers aspects such as business management, finance, quality and sustainability to identify and understand the risk exposures for Dr. Reddy's.
- In case of any red flag issues identified during the site assessment, our internal SCM teams will also undertake additional site visits for indepth assessment.
- Supplier evaluation and identifying the corrective actions. Supporting the suppliers to improve their performance. This involves shifting from risk mitigation to advancing opportunities.
- Supplier engagement and collaboration with our suppliers to find innovative solutions and deliver positive impact.



Key highlights of our supply chain assessment process:

- Development and implementation of the ‘Supplier Scorecard’.
- 40% weightage to sustainability aspects in our supplier assessment process. This covers ethics, labor, warehouse, health and safety, environment, CSR and management systems.
- Supplier assessment process has been improved further to cover the requirements of the Social Accountability (SA:8000) standard.
- All our critical suppliers, contributing to 80% of sales revenue, are re-assessed at a fixed frequency depending on the type of category (APIs, excipients, and packaging).
- 100% of our suppliers in the high risk category have corrective action plans. We work with our supply chain partners to elevate their performance by defining robust action plans for their areas of improvement.
- Site visits carried out by independent third party auditors.



We have procedures in place to procure goods and services from local and small producers. We also have dedicated resources that have been assigned the job of improving the capacity and capabilities of local producers. A few initiatives directed at local suppliers include: sharing good practices via audits and workshops, mandatory supplier training for new vendors, and inculcating a culture of resource conservation among local and small

producers with regard to improved solvent recovery efficiencies and eliminating the usage of hazardous solvents. We invest in both external and internal training to develop the capability of our supply chain teams. In recent years, we have invested a significant amount of effort and resources in our supply chain programs, supplier risk assessments, cost-reduction programs and digitization.





Some of the ‘key initiatives’ implemented by the Supply Chain team are listed below:

| SCM Initiative | Key features | Outcomes |
|---|--|---|
| <p>Business de-risking and Alternate Vendor Development (AVD).</p> <p>The process involves developing a sourcing and supply chain strategy, and developing risk mitigation plans in terms of criticality to business and wherever any potential risks are anticipated in the near future.</p> | <p>Involves identification/ selection of the products(FG/API/ excipients) to be de-risked</p> <p>Continuously track and monitor the progress, address bottlenecks, if any, and ensuring that the projects are executed and implemented as per the plans.</p> | <p>The overall timelines for qualifying a new/alternate source reduced to about 6 months to 8 months from the earlier timelines of 12 months to 15 months.</p> <p>During the FY 2016-17, the sourcing team has completed</p> <ul style="list-style-type: none"> • 10 API de-risking projects, • Commercialization/ Implementation of 14 API projects • 51 excipients projects (at SKU level) • Initiations of 18 API projects and 35 excipients projects. <p>For FY 2016-17, we initiated 75 projects for APIs and 105 projects for excipients.</p> |



| | | |
|--|--|---|
| <p>Slip sheet for air shipments</p> <p>Slip sheets are thin pallet-sized sheets made of polyethylene and heavy laminated Kraft paperboard used in commercial shipping.</p> <p>They replace the use of traditional wooden pallets. They are moisture resistant and have higher tensile strength.</p> <p>The top of the sheet has a high coefficient of friction to keep products motionless.</p> <p>The bottom of the sheet has a lower coefficient of friction to allow load to move freely.</p> | <ul style="list-style-type: none"> • Replacement of wooden pallets with light weight material. • Robust enough to withstand the hard conditions of long transit lead times, especially during international transportation by air. | <ul style="list-style-type: none"> • Better utilization of space: Slip sheets enable the transporter to unitize products without wasteful cubic space and weight of pallets • Intermodal containerized goods: Slip sheet packaging satisfies packaging requirements by container, rail and truck shipments. • Apt for international shipments: Slip sheets will eliminate the infestation concerns while sending products overseas. • Light weight: Savings in the weight of shipment which varies from 15 kg to 25 kg per pallet. • Batch integrity: As the load is unitized, there is no possibility of batch/product mix up. • Safety: No hazardous parts that are present in wooden pallets (E.g., nails). • Environment-friendly: Eliminate the use of wood hence preventing environmental damage. Less tonnage to be shipped, hence less fuel consumption. |
| <p>ISO tanks for handling Solvents</p> <p>We have introduced ISO tanks in place of drums in chemical sourcing and this has resulted in significant cost reduction.</p> <p>Through this initiative issues like movement of trucks, solvent handling losses, and storage risks/safety are addressed and also carbon footprints reduced significantly.</p> | <p>Enables safe handling of material due to reduction in touch points.</p> <p>Due to three-fold increase in the quantity that can be transported in a single lot, there will be a significant reduction in carbon footprint as well as the paperwork involved in the same.</p> | <ul style="list-style-type: none"> • A significant reduction in procurement cost per MT for various materials which have yearly volume requirement of 100 Mt to 150 MT approximately. • A considerable reduction in procurement costs for raw materials like solvents. • Lower carbon footprints and improved productivity. |

Collaborate. Appreciate. Grow.

We organized the Dr. Reddy's Business Partner Excellence Awards 2016 on 27 December 2016. The global event was graciously hosted at the Leadership Academy of our Bachupally campus in which selected 58 awardee business partners spanning across 100+ attendees were invited to be recognized.

The theme of the event was Collaborate. Appreciate. Grow. It was well appreciated and discussed across the participants and speakers. The day was insightful for our suppliers as they listened to our leaders on various topics — business and innovation overview, supply chain outlook, regulatory, quality, our goals and promises, and sustainability — in addition to the awards event and interactions to strengthen our relationships with our business partners and working together to help people lead healthier lives.

It was a great opportunity for the 200+ participating supply chain members and top industry leaders to exchange views and ideas during the event. Our suppliers expressed interest to be involved in such forums and understand emerging quality, regulatory and sustainability landscapes in the pharma industry. The event saw an overwhelming response and feedback from the partners for the way it was organized, conducted and closed, with happy and further motivated business partners on receiving the recognition from the leadership of Dr. Reddy's. It couldn't have been possible without the meticulous efforts and eye for detail by the volunteering team and the guidance of the leadership in making the event a great success.



Empowering workforce

The sustenance of a healthy ecosystem depends on its diversity. We at Dr. Reddy's form a diverse, yet inclusive unit, glued together with a unified purpose and value system. Together, we make our dreams come true and we live it together.

Our people form the core of our organization. We believe that a healthy work environment, adequate opportunities and support allow an individual to scale heights in both personal and professional spaces. The values that define us—'empathy and dynamism' in approach, ethical and resolute in our actions, and caring towards each other—are deeply entrenched in Dr. Reddy's culture. Our growth and success are driven by the knowledge, expertise

and contributions of our people. Therefore we believe in empowering our diverse workforce, providing a safe working environment, and ensuring inclusivity and equality of all. This is critical to seeing our vision become a reality, since our people are the engines of our movement towards achieving excellence.

We embed a sense of empathy for patients in our people's mindset by continuously focusing on delivering good health. This in turn, creates a congenial environment that encourages individual talent and teamwork. We also take pride in being innovative and agile in all of our endeavors, which is the result of an engaged and empowered workforce capable of responding proactively to changing market dynamics and the business world.



Promoting health and wellness for all

Occupational health and safety

We at Dr. Reddy's emphasize strongly on the health, safety and well-being of our people. We understand the importance of identification and management of material health and safety risks. Hence, we continuously strive to create a work environment that is free from any occupational hazards, regardless of where our people are located or what type of work they carry out.

Our primary focus is centered on ensuring that the products we produce are safe for the patients, our employees, the environment and the community we operate in. We undertake detailed toxicological risk assessment (beginning at the pilot stage itself) of any proposed manufacturing process and identify the potential risks the process may pose to those who will be involved in the manufacturing process as well

as to the environment. Appropriate risk mitigation measures are developed and put in place before the process is allowed to operate at a commercial scale.

We are committed to ensuring zero work related illness and continually strive towards achieving and sustaining the best in class safety culture at all our facilities.

We have developed and implemented strong Health and Safety systems at all our plants to ensure that all our employees are safe and secure at the workplace. These systems are guided and driven by our established policies and procedures. Periodic assessments are conducted to evaluate the effectiveness of the systems implemented and appropriate measures are taken to further improve our H&S performance continually.



Employee wellbeing

We encourage all our employees to develop healthy lifestyles. We believe that the wellbeing of our employees has significantly influenced our overall success. Driven by our mission, “Good Health Can’t Wait”, we design and run several fitness campaigns across the organization and motivate the employees to participate in such initiatives. For example, regular medical examinations are a well-established practice in our organization and help mitigate the onset of potentially serious ailments. We provide medical insurance schemes to our employees in addition to medical support.

Highlights from FY 2016-17

Events

- Diabetes screening camp by Apollo Sagar Clinic at API manufacturing units.
- Hairfall screening program by Dr. Reddy’s Foundation at API manufacturing units.

Awareness initiatives

Women's health:

- Counselling by lady medical officer (LMO).
- Pre-Menstrual Syndrome by LMO for female employees.
- Specialist consultations by gynecologists.
- Regular interactive sessions by lady medical officer with female employees during baby showers and other welfare program organized by HR.

Prevention of diabetes:

- Diabetes by Site Medical Officer on World Health Day.
- Diabetes by general physician at Bollaram cluster, India on World Diabetes Day.

Musculo-skeletal disorders

- Sessions on musculoskeletal disorders by an orthopedist.
- Specialist consultations by an orthopedist, health talk by doctors on Women’s Day at Bollaram and Jeedimetla cluster, India.



Enabling safer work environments

We recognize that human life is irreplaceable and hence the safety of our employees is of utmost importance to us.

Integrating safety in everything we do

We are committed to nurture a culture where health and safety is integrated in our day to day activities. We ensure that our health and safety professionals and our employees cohesively work together to achieve the goals and transform our work environment.

We have designed our health and safety systems to systematically identify, understand, prioritize and manage our health and safety risks. Our voyage from compliance to

culture, in regard to safety, began in the year 2011 through “Project Parivartan” and we have improved significantly since then. We place a high priority on safety and have zero tolerance towards violations. We continue to drive awareness about all our safety initiatives at the shop floor.

Strengthening our H&S systems

We continuously strengthen and improvise our internal operating procedures on safety. Given below is a snapshot of our safety procedures applicable to all our operating facilities.



SHE Training and Capability building highlights for FY 2016-17

Strengthening the training processes in collaboration with Technical Training Organization (TTO)

Developing personnel on SHE auditing skills

- 68 participants (IPDO) were trained on First Party Auditing skills.
- 31 participants drawn for PSM, fire safety, electrical and labs (QC) expertise trained on Second Party Auditing.

Development of training modules and training programs on corporate SHE standards

- 21 training modules
- 50 training programs carried out
- 1,288 personnel trained

Safety Audits

We recognize that audits are the most effective way to check the effectiveness of our safety, health and environment programs. First and second party safety audits allow us to monitor our compliance and performance improvements against the requirements set in our corporate policies and applicable health and safety regulations. Most importantly, our second party safety audits, conducted by the corporate team at all facilities, serve to ensure the integrity of the data reported on injuries, illnesses and incidents. They also assess the quality of first-party audits. Our second party audits are not only invaluable tools for independent evaluations of our facilities but also ensure consistency in auditing practices, analyzing the

findings and recommending actions. We use the outcomes of these audits to feed into improving the workspace for our employees, planning for safety trainings, conceptualizing safety programs to engage with all our employees, and monitoring progress towards our target of zero injuries, illnesses and incidents.

Repository of robust internal safety standards and procedures

- 40+ health and safety standards covering our industry specific health and safety risks (covers laboratories, warehouses, manufacturing facilities, office environment and others).
- 10+ health and safety auditing standards.
- 40+ audit protocols developed to assist our internal auditors assess the H&S performance aspects.

5 new standards introduced in FY 2016-17 which broadly covers aspects on occupational health, workplace and process safety.

Focus on leading indicators

We believe in adopting a proactive approach in managing the safety of our employees and contract workforce and hence we continuously work towards preventing incidents and injuries. We encourage our employees to share and report details of any unsafe condition or behavior. This helps us to identify any weaknesses in our safety systems and issues before they lead to adverse consequences. This provides us an excellent opportunity to control workplace hazards. We have seen increased reporting of near misses in FY 2016-17 which is an encouraging sign. This indicates that our employees are engaged and committed to sharing their learnings from experiencing or observing hazardous conditions and behaviors.

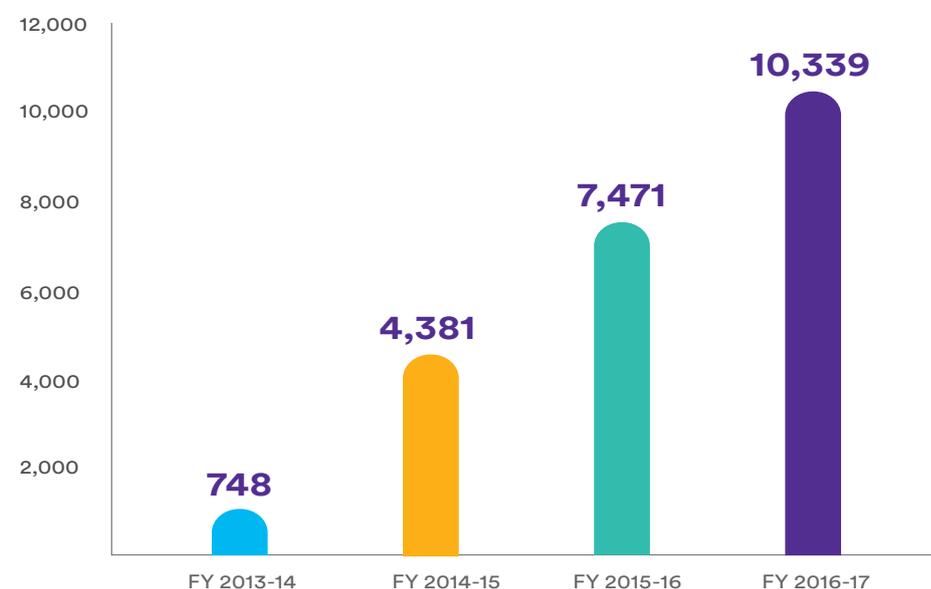
Despite our efforts, during this financial year, in one of our Chemical Technical Operation, SEZ facilities at Vishakhapatnam, we had an unfortunate incident, resulting in a fatality.

A thorough internal investigation of the incident was done to arrive at the root cause. A set of corrective and preventive actions:

- i) Management of change practices;
 - ii) Robust governance mechanism on all SLA activities;
 - iii) Machine guarding (guards and interlocks);
 - iv) Periodic inspections by line management,
- were recommended that have been acted upon in a time-bound manner.



Near Miss Reporting (Numbers)



Safety programs and initiatives

During FY17, our Bristol Packaging team undertook a workspace safety improvement project and our teams at Shreveport USA, had organized Safety Slogan Contests, Safety Word Find Puzzles, OSHA Safety Courses and Fire Extinguisher Trainings.

Process safety case studies

Safe distillation process for Acryloyl Chloride (AC)

Distillation of acryloyl chloride (AC), as a step in the manufacture of Ibrutinib (IBT-7), was introduced to meet quality requirements. However, based on literature survey it was known that AC was highly unstable and polymerizes dangerously with explosion potential. The team was tasked to deliver a safe AC distillation process.

Root cause analysis: Our teams conducted various tests to understand the cause of thermal instability and control on the same. From various challenge studies, rust was identified as the chief cause to accelerate decomposition of AC during distillation, leading to production of potentially explosive by-products.

Safer Solutions: The control measures was identified as the addition of a stabilizer which pushed decomposition temperature far beyond boiling point, carrying out the distillation in a glass facility to avoid contact with any metal rust and precise control of jacket temperature of the reactor to avoid decomposition.

Applying process safety principles of substitution for development of inherently safe processes

Production of Eliglustat tartrate (EGS-4A) involves using sodium borohydride. Sodium borohydride liberates hydrogen gas. This production also involved a series of risky exothermic reactions. A need was felt to modify the process to make it safer.

Root cause analysis: Our teams conducted process safety studies and it was noted that TFA (trifluoroacetic acid) was being added in the production step which is extremely exothermic and causes adiabatic temperature rise as high as 200°C, making it a very risky reaction

Safer Solutions: The reagents in these reactions were replaced by weak acids (such as acetic acid) in dilution with solvent, leading to reduced temperatures of approximately 65 °C, and lower production of the combustible hydrogen gas.



Diversity and inclusion at our workforce

We firmly believe in the value of each individual. As an employer we represent and influence a diverse group of people. Our most direct area of influence is job creation. Jobs are the basis for individuals to generate livelihoods, for communities to develop and for economies to grow. However, prejudice and discrimination prevent people from accessing opportunities for growth. As an organization with a global platform, we promote inclusion by demonstrating everybody's equal value. Our vision is that the jobs created through our business activities are accessible to all, and reflect the diverse mix of people in the world around us.

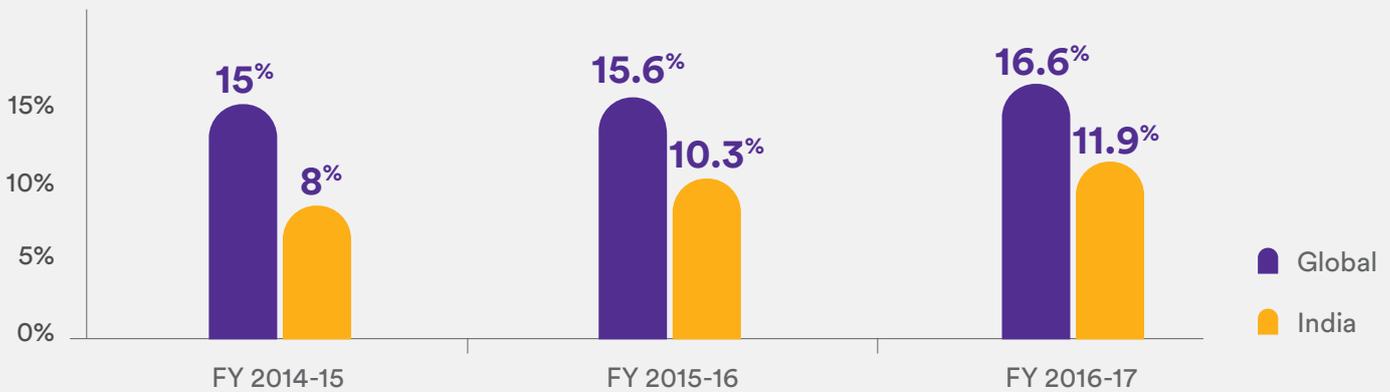
Over the last few years, we have made concerted efforts to improve our

gender diversity and the outcomes have been very promising. The number of women in our workplace has increased significantly, even in the non-conventional areas of manufacturing.

We recently ranked first in the "Diversity in Asia" report by 'Carnstone'. Our women employees have welcomed the policy measures that we have introduced on maternity, work hour flexibility, and safety. All these have been possible due to the focus provided by the Apex Diversity Council (ADC) and the Local Diversity councils of Dr. Reddy's. The ADC has designed several policies and programs aimed at making Dr. Reddy's a more supportive workplace for new and returning mothers.



Diversity Performance



The SHE Impact

A team of Special Hospital Executives (SHEs) was formed at Dr. Reddy's comprising women returning from maternity and career breaks seeking a second innings. This team was a special sales force that was given the flexibility to focus on a single or a limited number of locations so as to build long term relationships. This flexibility was important keeping in mind the priorities of the SHEs. Based on their performance, more than 30 of the original SHE team were retained and some were offered

permanent positions as well. After the initial success of the pilot program, 100+ SHEs are currently deployed in the country. They have contributed to generating business of over Rs.45 Million in FY2016-17 alone. Approximately Rs.1.08 Million additional revenue was generated by each SHE on an annual basis. The business success of this program has led to an enthusiastic adoption among other teams as well, expanding the program to three divisions in FY 2017-18.

At Dr. Reddy's, a recruitment drive familiar as "**Comeback Careers for Women**" presents a unique platform where we provide career opportunities to women (on merit basis) who have taken breaks from professional work to accommodate more time and energy for their personal lives.

Support for new and returning mothers

- Our women employees get 26 weeks of Paid Maternity Leave and three months of unpaid Extended Maternity leave for childcare.
- Mothers adopting a child less than three years old can take up to four months of paid leave and if the child is older than three years, they may take up to two months of paid leave.
- Commissioning mothers who use surrogates to bear a child are also eligible for the regular maternity benefit.
- New mothers transitioning back to work can take two hours off work every day for a year.
- Post maternity, women are also eligible to take family care leave which ranges from three to 12 months.
- We enable our men to share the responsibility of child care by offering new fathers 15 days of Paternity Leave and two hours off every day for six months.
- Women employees returning from Maternity leave are exempt from Bell Curve during that year's appraisal.
- **Comeback Career for Women:** An opportunity for returning mothers to re-join the company in full time employee roles in Manufacturing, R&D and Sales.
- Women also have various part-time work options available to them.



Inclusion of differently abled people

Recruitment of differently abled people is an essential aspect of Dr. Reddy's talent acquisition strategy. We recruited 21 employees in FY2016-17 and increased our count of differently abled employees to 44 in India. The pharmaceutical industry being a highly regulated industry, we had to ensure that this initiative was taken up with a realistic approach towards hiring, engaging and retaining people with disabilities.

With the goal of enhancing inclusivity and accessibility, we embarked on the journey to employ differently abled people. For successful and sustained inclusion of differently abled professionals, the HR team assessed the different roles available in manufacturing, sales and R&D, in consultation with business leaders of all the units. As a result of these consultations, 21 roles were identified, and select senior leaders were also designated as disability champions.

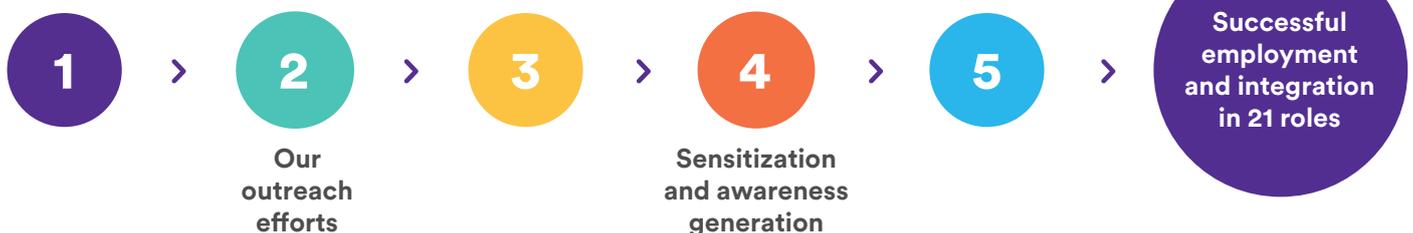
Aim for 2017-18:

Employment of differently abled up to 1% at the plant level

Mapping disabilities to specific roles

Getting the workplace ready

Providing support



to provide leadership oversight and encouragement for the program. In order to reach the qualified professionals for the opportunities available for differently abled professionals, Dr. Reddy's sought support from not only Dr. Reddy's Foundation, but also from the Government of India's Vocational Rehabilitation Centre and several NGOs working in this space. This helped expand the outreach efforts, thereby reaching a wider talent base.

Introduction of the Buddy Program was the key to help the selected, qualified differently abled employees feel included and welcomed in the organization. Each employee was connected with a buddy who inducted them into the workplace and the team. Meanwhile, it was also recognized that the employees within the organization also needed knowledge and awareness in order to interact with differently abled professionals with sensitivity. Dr. Reddy's partnered with several NGOs to organize workshops for the differently abled employees and their teams, including sign language workshops for the hearing impaired employees and their teams. Additionally, several infrastructural upgrades were undertaken with the help of Access Deeds to get the workplace ready and comfortable for all employees. This work is in progress and will continue in FY 2017-18. Today, Dr. Reddy's employs professionals

with three kinds of disabilities: orthopedic, hearing impairment and cerebral palsy. Considering the success of the program, more roles for such professionals are being identified as well.

Talent retention

Our people are our greatest asset. Dr. Reddy's commitment to employees is to provide a harmonious work environment, where everyone is treated with respect and where they have an opportunity to develop and maximize their potential. We strive to promote an organizational culture where our employees feel highly motivated and valued for their contributions.

Recognizing the central role of our employees, we address their need to achieve their individual dreams by providing avenues for professional growth and development. Employees at all stages in their careers are exposed to relevant skill and knowledge upgrade programs from time to time. This has allowed our employees to expand their capabilities and climb the career ladder, taking on greater responsibilities and roles. As a result, a major share of our managerial vacancies is filled internally. We have achieved significant reduction in the attrition rate in the recent years.



Talent retention at Miryalaguda plant (API manufacturing facility Unit-5) India

Recruiting and retaining talent at the Miryalaguda plant has always been a challenge; primarily because of its remoteness. In FY 2016-17 the overall attrition rate of the API Manufacturing Facility Unit 5 was above 13% (total of 94 employees). A sizeable contribution to the increasing attrition rate was from entry level hires (10+2 trainees through the SMT model). The attrition rate of entry level trainees (through SMT model) was also above 16%. A proactive approach was adopted to contain attrition for FY 17 based on attrition data, exit interviews, feedback of existing trainees pool in open houses and feedback from line managers and functional heads.



Rigorous review of flight risk candidates:

The HR team along with Functional Heads conducted a diligent review of employees at flight risk from their respective functions/areas and the reasons for the same.

Role enhancement / redeployment to other locations:

Based on retention risk assessment, employee expectation and organization requirement, roles were changed and employees were redeployed to other plants in India.

Continuous engagement:

Regular open houses were conducted with diligent tracking and resolution of raised issues to enhance trust and engagement among employees. Managers continuously engaged with employees in high performance category (A+ rated candidate) with continuous facilitation from the HR team, resulting in timely identification and resolution of issues.

Involvement of trainees (SMT Model) in various literary & cultural committees was encouraged to establish and enhance a sense of community, relationships and trust levels.

Outcome:

Overall attrition at API manufacturing facility Unit 5 came down from 13.31% in FY 2015-16 to 9.63% in FY 2016-17.

Attrition in SMT trainees came down from 16.30% in FY 2015-16 to 3.89% in FY 2016-17.

A+ (high performing employees) attrition came down from 10.81% in FY 2015-16 to 4.65% in FY 2016-17.



New Horizons Leadership Program (NHLP)

Over the years, **NHLP** has grown to be Dr. Reddy's flagship leadership development program. In FY 2016-17, we had **7047 man-hours** of training under this initiative. So far over 120 leaders have been through NHLP. Recently, the fourth batch of leaders completed the program and had their graduation ceremony.

New Horizons Management Program (NHMP)

“Poorly managed work groups are on average 50% less productive and 44% less profitable than well-managed groups”(As reported by a Gallup Poll of one million US workers).

This advanced management development program was initiated in FY 2016-17. It was designed for experienced managers who aspire to unlock their potential to lead in dynamic environments, to enhance their personal effectiveness and to strengthen their ability to drive business impact and change. The 24-week program is aptly aligned to the needs of today's managers, covers contemporary concepts and enables effective comprehension through participative and application based learning.



The successful graduates of this program are expected to be more effective in coping with change, to be more appreciative of varied views of peer groups and to be influencers without authority. The program also helps in building a mindset that fosters a culture of collaboration, accountability and mindfulness.

In FY 2016-17, **eight batches** comprising **207 managers** from all over the country were identified and trained under the NHMP. A positive change in behavior was observed in 20% of the participants during the course of the program. Additionally, 78% of the participants scored 100% on their Individual Learning Agreements (ILAs) that were pre-defined prior to the commencement of the program.

Training and development

We believe learning is the key for the development of people and the subsequent achievement of business results in line with our Vision. We strongly value inhouse advancement, and strive to build a high performance organization that has a model that provides fair compensation and acknowledgement for all our employees. We strengthen the skills and abilities of our employees through regular performance reviews, combined with training and growth programs.

These training programs are designed and implemented as per the developmental needs of our employees and per our business requirements. Trainings include ongoing trainings on several key aspects such as, occupational health and safety, good manufacturing practices, technical training with respect to formulation, procedural training, training on lean daily management and continuous improvement. In addition, as part of the induction process, all employees and contractors must demonstrate that they have received training in health and safety. The training programs are organized through classroom and web-enabled platforms (learning management system/LMS). In FY 2016-17, we conducted 21,08,387 manhours of classroom training and 3,53,897 manhours of training through web-enabled platforms (i.e. LMS).



Training man-days increased by 24,130 in FY 2016-17 compared to FY 2015-16.

The SMT way

We take pride in the Self-Managed Teams (SMT) that drive significant change while nurturing responsible empowerment.

The 'SMT way of work' cultivates employability in rural and semi-urban areas through its 'learn while you earn' model. Many members of our early batches of SMTs are post graduates today as a result of the

supportive environment created by the 'SMT way'. Our current focus is on the following:

- Organization design (work-teams on shop-floor)
- Continuous learning
- Skill based progression system
- Communication



SMT update: FY 2016-17

SMT focus on organizational design

Deployment of Self-Managed Teams at API manufacturing units. We identified and formed 180 work teams at API manufacturing units. The intent was to engage

team members proactively towards performance improvement and problem solving across every inch of the shop floor.

Revamping the team size: In our finished dosage facilities, we reformed the teams with a manageable size of approximately 20. This has resulted in effective communication, better team work and focus on continuous improvement.

Empowering team members: Along with the regular work, a few high

performing team members took up larger roles such as Safety and Quality Starcap. Last year, we also introduced Engineering Starcap at FTO 2, 3, 7 and Special Economic Zone (SEZ). This role helps in higher levels of engagement at the shop floor with each Starcap responsible for closely monitoring and improving Safety, Quality and Engineering aspects for their team area.

180 work teams formed in API manufacturing

Increased number of teams from 160 to 183, across finished dosage facilities

Reforming Community Living: The moment an SMT joins, “Community Living” becomes their “first home”. In FY 2016-17, we focussed on cultivating the desired Dr. Reddy’s values of greater engagement and socialization through various engagement activities at Community Living. To enable this standardization, we started on the journey of reforming Community Living around three critical aspects as follows:

Infrastructure: A lot of standardization has taken place on the facilities and services front. Basic requirements such as room size per person, sanitation and common place ambience were enhanced. Hostel facilities, health, safety and security have been given disproportionate attention.

Discipline: Common “Code of conduct” was introduced for all locations to strengthen and bring rigor on the discipline front; this Code of Conduct is binding on all residents.

Engagement: Various committees were formed at each site with the intent of creating wholesome involvement at the Community Living. Committees with captains were formed for sports, cultural, safety, health and environment, canteen, learning and development, 5S and discipline. These committees plan various engagement activities pertaining to their area of focus. These committees also proactively plan, organize and conduct the Quarterly JOSH at Community Living.

A staggering 2,999 number of students were enrolled in universities that Dr. Reddy’s collaborates with as on 31 March 2017. Number of pass-outs are 263; another 242 TMs have completed final year/semester exams and await their results. The SMT way keeps scaling higher altitudes in terms of number of students enrolled and the quality of students it nurtures.

Dr. Reddy’s received the **“Most Effective Talent Acquisition Award”** for its SMT recruitment practices.



Our sustainability performance

All data as of March 31 of the respective financial year. (Please note, we have increased the boundary of reporting this year as mentioned in the scope.)

| Indicator | Unit | 2014-15 | 2015-16 | 2016-17* |
|---|---------------------|-----------|-----------|-----------|
| Economic performance | | | | |
| Revenue ¹ | Rs. Million | 1,50,233 | 1,55,683 | 1,41,961 |
| Operating cost ² | Rs. Million | 1,23,978 | 1,30,045 | 1,28,139 |
| Employee compensation | Rs. Million | 29,446 | 31,174 | 31,068 |
| Payments to provider of capital ³ | Rs. Million | 4,677 | 5,022 | 20,007 |
| Payment to Govt. (tax) | Rs. Million | 5,464 | 7,014 | 5,770 |
| Community investment | Rs. Million | 291.6 | 412 | 426.7 |
| Economic value retained (PAT) | Rs. Million | 23,364 | 21,306 | 12,921 |
| Financial assistance received from Government | Rs. Million | 0 | 0 | 0 |
| Materials | | | | |
| API: raw materials (Top 10 used for formulations) | KG | 3,54,786 | 4,76,978 | 5,07,313 |
| Excipients raw materials: (Top 10) | KG | 39,82,699 | 42,40,126 | 62,89,305 |
| Energy use and efficiency | | | | |
| Fuel consumption: non-renewable sources | GJ | 16,66,006 | 14,24,248 | 17,60,870 |
| Fuel consumption: renewable sources | GJ | 3,39,716 | 2,50,386 | 3,88,642 |
| Direct energy consumption | GJ | 20,05,721 | 17,52,639 | 19,61,034 |
| Indirect energy consumption | GJ | 11,07,857 | 11,22,647 | 14,01,939 |
| GHG emissions | | | | |
| Scope 1 emissions | tCO ₂ -e | 1,77,841 | 1,35,140 | 1,54,808 |
| Scope 2 emissions | tCO ₂ -e | 2,54,563 | 3,35,254 | 3,06,000 |

(¹) We have reclassified our economic performance following the IND-AS Framework

(²) Includes material costs and employee compensation

(³) Includes dividend paid, net interest and buyback of equity shares

| Indicator | Unit | 2014-15 | 2015-16 | 2016-17* |
|---|-------------|-----------|-----------|-----------|
| Water | | | | |
| Total water withdrawal | KL | 13,60,106 | 12,66,609 | 16,89,330 |
| Municipality | KL | 2,81,260 | 2,74,240 | 4,68,764 |
| Surface water | KL | 5,99,518 | 5,42,047 | 5,05,667 |
| Ground water | KL | 4,79,327 | 4,50,322 | 7,14,900 |
| Total water recycled | KL | 8,28,200 | 8,48,367 | 8,50,960 |
| Waste | | | | |
| Hazardous waste generated | MT | 22,277 | 26,247 | 21,241 |
| Hazardous waste disposed (to landfill/TSDF/incineration) | MT | 15,572 | 11,639 | 4,043 |
| Hazardous waste reused/recycled (to cement plants and others) | MT | 6,705 | 6,657 | 17,198 |
| Non-Hazardous waste generated (Eg: Food waste, PPE waste etc.) | MT | 21,861 | 22,750 | 24,827 |
| Air Quality | | | | |
| Suspended particulate matter | Tons/yr. | 61 | 81 | 176 |
| NOx | Tons/yr. | 2,674 | 2,646 | 630 |
| SOx | Tons/yr. | 1,221 | 1,191 | 360 |
| Environmental expenditure | | | | |
| Environmental expenditure | Rs. Million | 621 | 559 | 840 |
| Total workforce-gender type | | | | |
| Male | %age | 91.7% | 91% | 83% |
| Female | %age | 8.3% | 9% | 17% |
| Total workforce-age type | | | | |
| <30 | %age | 54% | 45% | 45% |
| 30-50 | %age | 44% | 53% | 52% |
| >50 | %age | 2% | 2% | 3% |

| Indicator | Unit | 2014-15 | 2015-16 | 2016-17* |
|--|---------|--------------------------|-------------------------|--------------------------|
| Total workforce-employment type | | | | |
| Management | Numbers | 15,847 | 17,913 | 21,728 |
| Workers | Numbers | 809 | 790 | 953 |
| Contractual | Numbers | 686 | 493 | 658 |
| New employee hire: genderwise | | | | |
| Male | Numbers | 4,316 | 4,563 | 3,923 |
| Female | Numbers | | | 1,152 |
| New employee hire – age wise | | | | |
| <30 | Numbers | - | - | 3,458 |
| 30-50 | Numbers | - | - | 1,547 |
| >50 | Numbers | - | - | 70 |
| Employee turnover rate | | | | |
| Employee turnover | %age | 17.7 | 17.3 | 16.7 |
| Parental leave | | | | |
| Employees availing parental leave | Numbers | Male: 653 Female: 103 | Male: 722 Female: 95 | Male: 883 Female: 159 |
| Employees returning to work after the leave period | Numbers | - | Male: 722 Female: 71 | Male: 883 Female: 159 |
| Employees who returned to work after parental leave ended and were still employed for twelve months after their return to work | Numbers | - | - | Male: 751 Female: 129 |

| Indicator | Unit | 2014-15 | 2015-16 | 2016-17* |
|--|---------|-------------|---------|----------|
| Safety performance | | | | |
| Reportable injuries (employees) (LTI+MTI+RWI) | Numbers | 26 | 26 | 27 |
| Lost days (Employees) | Numbers | Not tracked | | |
| Fatalities (Employees) | Numbers | 0 | 0 | 0 |
| Reportable injuries (contractual workforce) (LTI+MTI+RWI) | Numbers | 19 | 19 | 31 |
| Lost days (contractual workforce) | Numbers | Not tracked | | |
| Fatalities (contractual workforce) | Numbers | 0 | 0 | 0 |
| Total reportable injury frequency rate (employee+ contractual) | Numbers | - | - | 1.04 |
| Occupational disease rate (employee+ contractual) | Numbers | - | - | 0 |

LTI: When an accident causes bodily injury to any person as it prevents the person injured from working for a period of 48 hours or more immediately after following the accident, such injury is classified as an LTI.

MTI: A MTI is a work-related injury for which medical treatment is indicated but that does not result in lost work or work restrictions.

RWI: A RWI is an injury in which a work-related injury or illness prevents the employee from working a complete shift (or from doing any tasks that are part of his or her routine job functions that may be performed or assigned in a one-week period), but does not result in lost workdays.

Injury frequency rate is calculated on the basis of number of injuries per million man-hours worked.

Note: Excludes first aid cases

| Total hours of training | | | | |
|--------------------------------|-------|---|---|-----------|
| Classroom | Hours | - | - | 2,10,8387 |
| Skill-based | Hours | - | - | 33,890 |
| External | Hours | - | - | 3,366 |

* Note: The data on performance indicators provided in the table above for FY 2014-15 and FY 2015-16 represents our India operations. FY 2016-17 values represent our global operations. We have started tracking data for our global operations, and the data collection, monitoring and reporting systems are still evolving.

GRI Content Index

| GENERAL STANDARD DISCLOSURES | | |
|---|--|--------------------|
| General Standard Disclosures | Reference or Page Number or Link | External Assurance |
| STRATEGY AND ANALYSIS | | |
| 102-14 | Refer interaction with CEO section | Yes |
| ORGANIZATIONAL PROFILE | | |
| 102-1 | Refer introduction to Dr. Reddy's section | Yes |
| 102-2 | Refer page 4, 5, 24 of annual report | Yes |
| 102-3 | Refer introduction to Dr. Reddy's section | Yes |
| 102-4 | Refer Introduction to Dr. Reddy's section | Yes |
| 102-5 | Refer Introduction to Dr. Reddy's section | Yes |
| 102-6 | Refer page 24 of annual report Refer our businesses section | Yes |
| 102-7 | Refer our sustainability performance section | Yes |
| 102-8 | Page 28 of annual report | Yes |
| 102-9 | Refer value chain section | Yes |
| 102-10 | Refer Dr. Reddy's way section | Yes |
| 102-11 | Refer Dr. Reddy's way section | Yes |
| 102-12 | Refer page 25 of annual report section | Yes |
| 102-13 | Refer page 31 of annual report section | Yes |
| IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES | | |
| 102-45 | Refer page 81, 82, and 88 of annual report | Yes |
| 102-46 | Refer materiality, focus areas and connect to global sustainability agenda section | Yes |
| 102-47 | Refer materiality, focus areas and connect to global sustainability agenda section | Yes |
| 103-1 | Refer materiality, focus areas and connect to global sustainability agenda section | Yes |
| 102-48 | Refer about the report section | Yes |
| 102-49 | Refer about the report section | Yes |

| GENERAL STANDARD DISCLOSURES | | |
|-------------------------------------|--|--------------------|
| General Standard Disclosures | Reference or Page Number or Link | External Assurance |
| STAKEHOLDER ENGAGEMENT | | |
| 102-40 | Refer engaging with stakeholders Section | Yes |
| 102-41 | Page 29 of annual report | Yes |
| 102-42 | Refer engaging with stakeholders section | Yes |
| 102-43 | Refer engaging with stakeholders section | Yes |
| 102-44 | Refer engaging with stakeholders section | Yes |
| REPORT PROFILE | | |
| 102-50 | Refer about the report section | Yes |
| 102-51 | Refer about the report section | Yes |
| 102-52 | Refer about the report section | Yes |
| 102-53 | Refer about the report section | Yes |
| 102-54 | Refer about the report section | Yes |
| 102-55 | Refer about the report section | Yes |
| 102-56 | Refer about the report section | Yes |
| GOVERNANCE | | |
| 102-18 | Refer Dr. Reddy's way section | Yes |
| ETHICS AND INTEGRITY | | |
| 102-16 | Refer Dr. Reddy's way section | Yes |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|---|--|------------------------|---------------------------|--------------------|
| DMA and indicators | Reference or Page Number or Link | Identified Omission(s) | Reason(s) for Omission(s) | External Assurance |
| CATEGORY: ECONOMIC | | | | |
| MATERIAL ASPECT: ECONOMIC PERFORMANCE | | | | |
| 103 | Refer page 5, 6, and 43 of annual report | | | Yes |
| 201-1 | Refer page 5, 6 of annual report | | | Yes |
| MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS | | | | |
| 103 | Refer Community Investments Section Refer page 33, 85 of annual report | | | Yes |
| 203-2 | Refer page 33, 85 of annual report | | | Yes |
| MATERIAL ASPECT: PROCUREMENT PRACTICES | | | | |
| 103 | Refer sustainable sourcing and supply chain excellence section | | | Yes |
| 204-1 | Refer sustainable sourcing and supply chain excellence section Refer page 28 of annual report | | | Yes |
| CATEGORY: ENVIRONMENTAL | | | | |
| MATERIAL ASPECT: MATERIALS | | | | |
| 301-1 | Refer our sustainability performance section | | | Yes |
| MATERIAL ASPECT: ENERGY | | | | |
| 103 | Refer energy and emission management section | | | Yes |
| 302-1 | Refer our sustainability performance section | | | Yes |
| 302-3 | Refer our sustainability performance section | | | Yes |
| MATERIAL ASPECT: WATER | | | | |
| 103 | Refer safeguarding water section | | | Yes |
| 303-1 | Refer our sustainability performance section | | | Yes |
| 303-3 | Refer our sustainability performance section | | | Yes |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|---|--|---------------------------------------|---|--------------------|
| DMA and indicators | Reference or Page Number or Link | Identified Omission(s) | Reason(s) for Omission(s) | External Assurance |
| MATERIAL ASPECT: EMISSIONS | | | | |
| 103 | Refer energy and emission management section | | | Yes |
| 305-1 | Refer our sustainability performance section | | | Yes |
| 305-2 | Refer our sustainability performance section | | | Yes |
| 305-3 | Refer energy and emission management section | Calculated only for Indian operations | We don't have data tracking mechanism for Scope 3 emission for our overseas units. This will be reported from next year | Yes |
| 305-4 | Refer energy and emission management section | | | Yes |
| 305-7 | Refer our sustainability performance section | | | Yes |
| MATERIAL ASPECT: EFFLUENTS AND WASTE | | | | |
| 103 | Refer Safeguarding water and waste management section | | | Yes |
| 306-1 | Refer our sustainability performance section | | | Yes |
| 306-2 | Refer our sustainability performance section | | | Yes |
| MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT | | | | |
| 103 | Refer sustainable sourcing and supply chain excellence section | | | Yes |
| 308-1 | Refer sustainable sourcing and supply chain excellence section | | | Yes |
| CATEGORY: SOCIAL | | | | |
| SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK | | | | |
| MATERIAL ASPECT: EMPLOYMENT | | | | |
| 103 | Refer talent retention section | | | Yes |
| 401-1 | Refer our sustainability performance section | | | Yes |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|--|--|---|--|--------------------|
| DMA and indicators | Reference or Page Number or Link | Identified Omission(s) | Reason(s) for Omission(s) | External Assurance |
| 401-2 | Refer page 131, 147 and 149 of annual report | | | Yes |
| 401-3 | Refer our sustainability performance section | | | Yes |
| MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY | | | | |
| 103 | Refer enabling safer work environments section | | | Yes |
| 403-2 | Refer our sustainability performance section | Lost days and absenteeism for employees and contractual labour is not tracked | This is tracked absenteeism for at unit level employees and but not contractual consolidated labour is not at corporate tracked level as on date. This will be reported from next year | Yes |
| MATERIAL ASPECT: TRAINING AND EDUCATION | | | | |
| 103 | Refer enabling safer work environments section | | | Yes |
| 404-2 | Refer training and development section | Transitional assistance programmes are not tracked | This data was not tracked at corporate. However, we plan to do it from next year | Yes |
| 404-3 | Refer training and development section | | | Yes |
| MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY | | | | |
| 103 | Refer diversity and inclusion of our workforce section | | | Yes |
| 405-1 | Refer page 60 of annual report Refer enabling safer work environments section | | | Yes |
| SUB-CATEGORY: HUMAN RIGHTS | | | | |
| MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING | | | | |
| 103 | Refer page 29 of annual report | | | Yes |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|--|---|--|--|--------------------|
| DMA and indicators | Reference or Page Number or Link | Identified Omission(s) | Reason(s) for Omission(s) | External Assurance |
| 405-1 | Refer page 60 of annual report Refer enabling safer work environments section | | | Yes |
| SUB-CATEGORY: HUMAN RIGHTS | | | | |
| MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING | | | | |
| 103 | Refer page 29 of annual report | | | Yes |
| 407-1 | Refer page 29 of annual report | | | Yes |
| MATERIAL ASPECT: CHILD LABOR | | | | |
| 103 | Refer page 29 of annual report | | | Yes |
| 408-1 | Refer page 29 of annual report | | | Yes |
| MATERIAL ASPECT: HUMAN RIGHTS ASSESSMENT | | | | |
| 412-1 | Refer page 25, 30 of annual report | The information presented pertains to only Indian operation | This data was not tracked at corporate level. However, we plan to do it from next year | Yes |
| MATERIAL ASPECT: SUPPLIER SOCIAL ASSESSMENT | | | | |
| 103 | Refer sustainable sourcing and supply chain excellence section | | | Yes |
| 414-1 | Refer sustainable sourcing and supply chain excellence section | All our new Tier 1-suppliers get screened for environment criteria | This data was not tracked at corporate level. However, we plan to do it from next year | Yes |
| SUB-CATEGORY: SOCIETY | | | | |
| MATERIAL ASPECT: LOCAL COMMUNITIES | | | | |
| 103 | Refer community investments section | | | Yes |
| 413-1 | Refer page 33, 85 of annual report Refer our sustainability performance section Refer community investments section | | | Yes |

Independent Assurance Statement

Scope and Approach

DNV GL Business Assurance India Private Limited ('DNV GL') has been commissioned by the Management of Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the Company') to undertake independent assurance of the Company's Sustainability Report 2016 -17 in its printed format (the 'Report') for the financial year ending 31 March 2017. The sustainability disclosures in this Report are prepared by the Company in accordance with the GRI Standards: Core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards'). Our responsibility in performing this work is regarding verification of Sustainability performance disclosed in the Report and in accordance with the agreed scope of work with the management of the Company. The intended users of this assurance statement are the management of the Company.

We performed our work using DNV GL's assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and reporting principles of the GRI Standards. Our assurance engagement was planned and carried out between June 2017 and September 2017.

The scope of work included evaluation of the qualitative and quantitative information on sustainability performance disclosed in the Report prepared by Dr. Reddy's based on the GRI Standards: Core option of reporting and information referenced to the Company's Annual Report 2016-17, using the reliability principle.

The reporting topic boundaries of sustainability performance is based on a process of materiality assessment covering the Company's operations across five countries where Dr. Reddy's has its own manufacturing and Research and Development (R&D) facilities and has direct control, as set out in the Report in the section "About This Report" and covers the sustainability performance of significant locations under of its operation and direct control, i.e., manufacturing and R&D facilities located in Andhra Pradesh, Telangana and Himanchal Pradesh in India, and in the United Kingdom, United States of America, The Netherlands and Mexico outside India. The boundary excludes the performance of subsidiaries and joint ventures, which are primarily related to marketing activities.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a moderate level of assurance based on VeriSustain. No external stakeholders were interviewed as part of this assurance engagement.

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

The Management team of Dr. Reddy's have the sole responsibility for the preparation of the Report and responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information presented in the printed Report.

In performing our assurance work, our responsibility is to the management of Dr. Reddy's; however, our statement represents our independent opinion and is intended to inform outcome of our assurance to the stakeholders of the Company.

DNV GL provides a range of other services to Dr. Reddy's, none of which constitute a conflict of Interest with this assurance work. This is the third year that we have provided assurance of the Report.

DNV GL's assurance engagements are based on the assumption that the data and information provided by Dr. Reddy's to us as part of our review have been provided in good faith and free from material misstatement. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

¹ The VeriSustain protocol is available on www.dnvgl.com

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

Basis of our Opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at Dr. Reddy's operations in India, ie. Chemical Technical Operations (CTOs), Formulations Technical Operations (FTOs) and Integrated Product Development Organization (IPDO). We undertook the following activities:

- Review of Dr. Reddy's approach to stakeholder engagement and recent outputs. We did not have any direct engagement with external stakeholders;
- Review of information provided to us by Dr. Reddy's on its reporting and management processes relating to the GRI's Principles for Defining Report Content and Report Quality;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed at the sites we visited. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to the CTOs, FTOs and IPDO in Hyderabad and Visakhapatnam (CTO-SEZ and FTO9 in Visakhapatnam and FTO-3, CTO-4, CTO-3, IPDO, Corporate office) in India, to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites we visited and it was selected on the basis of their materiality;
- Remote audits of sustainability data related to the API Cuernevace Plant located at Cuernevace, Mexico and the Formulations Shreveport Plant at Shreveport, Louisiana, USA;
- Desk review of the estimates of rainwater harvested and recharged per Dr. Reddy's methodology – no site visits were carried out to validate the source data;
- Review of supporting evidence for key claims and data in the Report. Our verification processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated corporate level;
- Review of the processes for gathering and consolidating the specified performance disclosures and data, and for a sample, checking the data consolidation. The reported data on economic performance and other financial data are based on audited financial statements issued by the Company's statutory auditors;
- An independent assessment of the Company's reporting against the requirements of the GRI Standards: Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement, except the reported data on economic performance, expenditure towards community engagement activities and other financial data based on data from Dr. Reddy's Annual Report and Accounts 2016-17, which are based on audited financial statements issued by the Company's statutory auditors and were subject to a separate independent audit process. The review of financial data from the Annual Report and Accounts is not within the scope of our work.

Opinion

On the basis of the verification undertaken, nothing came to our attention to suggest that the Report does not properly describe the sustainability performance of Dr. Reddy's Limited including adherence to the requirements of the GRI Standards: Core option of reporting covering GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016, and disclosures related to the following topic-specific standards for the material topics:

Economic

- GRI 201: Economic Performance 2016 – 201-1;
- GRI 203: Indirect Economic Impacts 2016 – 203-2;
- GRI 204: Procurement Practices 2016 – 204-1;

Environment

- GRI 301: Materials 2016 – 301-1;
- GRI 302: Energy 2016 – 302-1, 302-3;
- GRI 303: Water 2016 – 303-1, 303-3;
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-3*, 305-4, 305-7;

- GRI 306: Effluents and Waste 2016 – 306-1, 306-2;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1*;

Social

- 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 – 404-2*, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 407: Freedom of Association and Collective Bargaining – 407-1;
- GRI 408: Child Labour 2016 – 408-1;
- GRI 412: Human Rights Assessment 2016 – 412-1*;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 414: Supplier Social Assessment 2016 – 414-1*.

**Certain information/data points as per GRI Standards are currently not aggregated and reported, and the reasons for these omissions has been brought out within the Report i.e. systems are being developed for full reporting.*

Observations

Without affecting our assurance opinion we also provide the following observations. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Stakeholder Inclusiveness

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

The Report brings out the process of stakeholder engagement and its outcomes based on engagement with its significant stakeholders and its outcomes. The key concerns are well articulated within the Report, including the frequency of engagement and modes of engagement including key stakeholders in its value chain. In our opinion, the level at which the Report adheres to this principle is '**Good**'.

Materiality

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

The Report brings out material issues and topics and is based on senior management's and key internal stakeholders' views of key industry challenges, topics identified as relevant and material to stakeholders, and Dr. Reddy's sustainability pillars, as part of its risk management process. Nothing has come to our attention to suggest that the Company has missed out any significant material issues based on its selected reporting boundary and in our opinion, the level at which the Report adheres to this principle is '**Good**'.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The outcomes from stakeholder engagement are fairly brought into the Report, along with Dr. Reddy's responses. The Company has processes in place to incorporate key stakeholder concerns into its process of strategic planning and sustainability reporting. Further, the Report has brought out key impacts and issues identified by its materiality determination process through management systems, strategies, policies and governance mechanisms. In our opinion, the level at which the Report adheres to this principle is '**Good**'.

Reliability

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

The Company has robust data management and aggregation systems in place to monitor, record and report on topic-specific disclosures and related information. Nothing has come to our attention to suggest that reported data and information verified at CTOs and FTOs has not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been communicated for correction. In our opinion, the level at which the Report adheres to this principle is '**Good**'.

Completeness

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

The Report has fairly brought out economic, environmental and social disclosures against GRI Standards: Core option of reporting and in the current reporting period, has expanded its boundary of reporting to cover the impacts from the Company's significant operations (manufacturing locations and R&D centres) across five countries, as well as key supply chain impacts. In our opinion, the level at which the Report adheres to this principle is '**Acceptable**'.

Neutrality

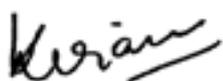
The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures related to sustainability issues and performances are reported in a neutral tone, in terms of content and presentation. The Report generally brings out its responses and the Company's overall approach to key challenges during the reporting period. In our opinion, the level at which the Report adheres to the principle of Neutrality is '**Acceptable**'.

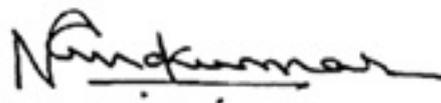
Opportunities for Improvement

The following is an excerpt from the observations and opportunities for improvement reported to the management of the Company and are not considered for drawing our conclusions on the Report; however they are generally consistent with the management's objectives:

- The Company is in the process of defining short, medium and long term targets for its identified material topics across its supply chain, and has committed to bringing these out in future reporting periods.
- A process of review and periodic validation of sustainability related performance and data may be carried out to further improve on the quality and reliability of reported sustainability data.

For and on behalf of DNV GL Business Assurance India Private Limited


KIRAN RADHAKRISHNAN
Lead Verifier
DNV GL Business Assurance India Private
Limited, India



VADAKEPATTH NANDKUMAR
Assurance Reviewer
Head - Regional Sustainability Operations -
Region India & Middle East
DNV GL Business Assurance India Private
Limited, India

Bengaluru, India, 20th September 2017

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

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Feedback or questions pertaining to content
of the report may be directed to:

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To view the interactive report, please visit: **www.drreddys.com/our-citizenship/sustainability**

Dr. Reddy's Corporate Sustainability Report 2016-17 is based on the internationally recognized Global Reporting Initiative's (GRI) Sustainability Reporting Standard - the first global standard for sustainability reporting and adheres to the core requirements.

Printed on environment friendly paper.