

# Facilitating Access, Enabling Affordability

Sustainability Report  
Summary 2017-18

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

# Reporting Guidelines

This report has been prepared following the GRI Standards – Core option for reporting the key non-financial information, we adopted some of the key guiding principles and content elements of the Integrated Reporting <IR> framework from the International Integrated Reporting Council (IIRC).

## 2017-18 Highlights



### Financial Capital

**₹1,42,028 million**

Revenue  
(as per IFRS consolidated statements)

**₹18,265 million**

Invested in R&D  
(12.9% of the total revenue)

**Acquisition of Teva portfolio at \$350 million**



### Manufactured Capital

**25**

Manufacturing facilities

**Global Quality Management System** implemented across all our manufacturing facilities



### Human Capital

**22,981**

Associates worldwide

**4,044**

Women workforce

**0.89**

Total Recordable Injury Frequency Rate (TRIFR)



### Intellectual Capital

**10**

R&D centers

**139**

**Products Launched**

Generic filings (19 ANDA filings and 1 NDA filing)

**Major products launched in North America**

Liposomal Doxorubicin,  
Ezetimibe-Simvastatin,  
Palonosetron, Sevelamer Carbonate  
and Bivalirudin injection

**73**

Drug masters filed worldwide



### Social and Relationship Capital

**Successful partnerships**

With other pharma majors and research facilities

**₹328 million**

Total CSR spend



### Natural Capital

**8%**

Share of renewable energy in total energy mix

**46%**

Of our total freshwater consumption harvested through rain water harvesting and reuse

**91%**

Hazardous waste co-processed and recycled

**7,480 tons**

Of by-products upcycled

Implemented **193 energy** conservation projects thereby saving **₹314 million** and avoided GHG emission by **45,497 TCO<sub>2</sub> eq.**

# About Us

**Dr. Reddy's Laboratories Limited is an integrated pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. We are a patient-centric organization and leverage our experience and expertise to accelerate access to high-quality and affordable medicines.**

## Our Promises

We are driven by the purpose of accelerating access to affordable and innovative medicines and live by the promises we make, by fulfilling customer requirements and our commitments. Our promises are listed below:



## Our Footprint

We have manufacturing, sales and marketing operations across 25 countries, with 10 R&D facilities and 25 manufacturing units. Our major manufacturing plants are located in India (Hyderabad, Vishakhapatnam and Baddi), the US (Middleburg, Bristol and Shreveport), the UK (Mirfield, Beverley) and Mexico (Cuernavaca).

Our major markets include the US, India, Russia and Commonwealth of Independent States (CIS) regions and Europe. At the same time, we ensure our products are accessible in some of the markets where availability to desirable healthcare and medicines is still a challenge. These markets include South Africa, Australia, Jamaica, New Zealand, Brazil, China and the Association of South East Asian Nations (ASEAN).



# CEO's Message



Dear Stakeholders,

**The need for access to better healthcare is greater today than ever before. Patients require innovative and affordable medicines. They are also looking for services and solutions that go beyond medicines and help them manage their disease better.**

Over the past three decades, Dr. Reddy's has constantly challenged itself to meet the rapidly changing healthcare expectations around the globe. Across 80 countries, millions of patients have benefited from our medicines and count on Dr. Reddy's to keep them in "Good Health."

We are committed to accelerating access to affordable and innovative medicines because we believe that "Good Health Can't Wait."

This purpose represents all that we have stood for over the years, while also providing context for our future direction. Our business strategy and operating priorities are carefully chosen to enable us to deliver the maximum positive impact on the lives of patients around the world.

From our origins in deep science and a global workforce that believes in always doing what is right, Dr. Reddy's is characterized by the values our people live by:

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

## The Sustainability Imperative

At Dr. Reddy's, achieving our business goals while creating a positive impact on the environment and the community that we are a part of is a responsibility we take very seriously. Our sustainability efforts create lasting value for all our stakeholders - shareholders, employees, partners and society - without a trade-off on their mutual or individual interests. We approach this objective by making ourselves accountable for the Triple Ps - Planet. People. Profits.

## Planet

The processes that we deploy focus on eliminating waste and conserving natural resources such as energy and water. We work with the best expertise available to implement systems for recycling, zero discharge of effluent and zero waste to landfill. To drive environmental conservation, we have set ourselves six key performance targets to achieve by 2020, keeping 2010 as our base year:

### 40% reduction in specific consumption of energy:

Our consumption has come down by 16% and stands at 37.6 GJ/ ₹ million sales as of FY2018.

### 25% share of renewable energy in total consumption:

This has increased from a zero base in FY2010 to 8% in FY2018.

**40% reduction in specific water consumption:** We are ahead of target here, having achieved a 58% reduction by FY2018 itself. Our current consumption stands at 13.6 KL/ ₹ million sales.

**Become a water-neutral company:** As of FY2018, water is recharged through structures by 46% of the total freshwater consumed at sites.

### 40% reduction in specific generation of hazardous waste:

We have gone past this key performance target as well. Our hazardous waste generation stands at 0.19 metric tons/ ₹ million sales, a reduction of 47%.

### 40% reduction in hazardous waste sent to landfill:

We have achieved 82% reduction as of FY2018 and are now targeting to be a 'zero waste to landfill' company by 2020.

The full details of progress on these goals are available on Page 63-65 of this Report.

## People

At the heart of Dr. Reddy's people practices lies a leadership philosophy that inspires each person in the organization to be the best that he or she can be.

We are investing in talent from diverse backgrounds and cultures who are continuously seeking to learn and improve and are committed to our purpose of delivering affordable and innovative healthcare.

In FY2018, we won the Bengt Lindquist Inclusive Employer Award and the CII - Indian Women Network (IWN) Award for gender parity. We were also the only pharmaceutical company globally and the only Indian company to be featured in the Bloomberg Gender Index.

### Profits

Profitability is a natural outcome of doing all the above right! To deliver shareholder value, we manage risks responsibly, engage in prudent fiscal management and ensure sustained investment in research. This positions us for future growth.

We have consistently invested more than 10% of our revenues in R&D. To put this in perspective, during FY2018, we filed 20 Abbreviated New Drug Applications (ANDAs) with the US FDA and as of 31 March 2018, we have 110 generic filings pending for approval with the US FDA.

We operate on a lean philosophy and have identified several areas for creating leaner and flexible structures across the organization. Our efforts have begun yielding results and our operating expenditure in FY2018 has come down as compared to the previous year.

### Operational Excellence

A culture of excellence is essential to drive sustainable business operations. At Dr. Reddy's, our Operational Excellence framework for manufacturing is based on the eight pillars of People, Safety, Quality, Availability, Productivity, Engineering Excellence, Environment & Community and Continuous Improvement. We drive improvement across these pillars simultaneously to achieve excellence.

In several other areas too, we have established well-defined processes as well as Key Performance Indicators (KPIs) and extensively use digitalization to achieve and sustain excellence in them.

### Corporate Governance

At Dr. Reddy's, we are committed to high ethical standards in our operations and our behavior. Our Board of Directors consist of leaders from diverse fields and our Board processes are designed to ensure robust discussion and oversight. We go beyond the statute to implement good governance practices and leverage the expertise of our Board.

We have adopted a Code of Business Conduct and Ethics (COBE), which applies to every employee, regardless of their level or position, and lays down the principles that guide our conduct. Our success and reputation depend on the trust our stakeholders place in us. COBE helps us to build and sustain that trust.

We have also defined seven principles to guide our actions in securing a sustainable future growth for Dr. Reddy's:

- Aspire for market leadership in every business segment we choose to compete in
- Collaborate across functional, geographic and business boundaries to deliver value
- Ensure transparency and accountability for sustainable high performance
- Build cost competitiveness for sustainable advantage
- Take decisions rapidly
- Build excellence in delivery
- Invest in developing the next generation of leaders

### Conclusion

The healthcare industry is transforming rapidly and we are preparing for this change. We are driven by the belief that Good Health Can't Wait. In the pursuit of this belief, we will continue to innovate and develop products and services, always keeping the patient at the center of our actions.

Our purpose, values and principles have brought us this far. They will continue to be our strength, identity and the reasons for our success.

Yours sincerely,

**G V Prasad**  
Co-chairman and CEO

# Our Value Creation Model

Our five promises clarify what we do, what we offer and the commitments we make to our stakeholders.

Bringing expensive medicines within reach

Addressing unmet patient needs

## ● Capitals

### Financial Capital

- ₹8,894 million invested for manufacturing, R&D facilities and other assets
- ₹3,788 million invested for contractual commitments

### Manufactured Capital

- Right quality raw materials sourced from approved suppliers (more details on Page 32-37)
- 25 world-class manufacturing facilities with latest technologies
- External manufacturing network, comprising 60 external manufacturers

### Intellectual Capital

- R&D expenses for FY2018 were ₹18,265 million, or 12.9% of revenue
- Around 1,200 scientists engaged in R&D activities

### Human Capital

- 4,264 new recruits in FY2018
- 22,981 employees worldwide
- ₹160 million+ spent on employee training and development

### Social and Relationship Capital

- Community care programs in the realms of education, health, livelihood generation, rural development and capacity development
- 5,220 employee volunteering hours
- Enduring supplier relationship with a network of 900+ suppliers and distributors
- Adhering to the applicable regulations and norms

### Natural Capital

- 1.68 million KL water consumed
- 4.64 million GJ energy consumed
- ₹249.34 million invested in energy conservation projects

## ● Business Processes

Salient features of our business processes are:

- Investing in R&D to meet the unmet needs of patients
- Developing product pipeline that is aligned to major therapeutic focus areas
- Creating world-class manufacturing infrastructure
- Setting up a robust supply and distribution network
- Focusing on Continuous Improvement (CI) projects to optimize use of resources
- Developing and maintaining of efficient and compliant regulatory, pharmacovigilance systems
- Handling products as per label requirement in the distribution chain
- Collaborating with different institutions to facilitate accessibility and enable affordability

## Growth Enablers

Industry know-how and consistent focus on innovation

State-of-the-art manufacturing sites

Helping patients manage disease better

Working with partners to help them succeed

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

## ● Outputs

**Revenue**  
₹142 billion

**EBITDA**  
₹24.1 billion

**150+**  
API products

**200+**  
Branded high-quality generic drugs

**4**  
Biosimilars launched

Extensive pipeline of differentiated formulations that present enhanced benefits

→ Please refer Page 5-6 of the Annual Report for details

## ● Outcomes

- 1% increase in consolidated revenue over FY2017
- Strong cash generation enabling reinvestment into the business - total cash reserves of ₹2,542 million

- We implement Global Manufacturing Practices (GMP) at all our manufacturing facilities
- Achieving greater efficiency with reduced cycle time, reduced solvent consumption and smaller footprint with continuous manufacturing process

- We filed 19 new ANDAs and one NDA.
- A total of 139 new products launched in different markets

- Our employee engagement scores are among the top quartile globally
- Recognized by sector-neutral Bloomberg Gender-Equality Index I

- 2.7 million CSR beneficiaries
- 38 suppliers/ external manufactures audited on Sustainability aspects
- Approval granted to sell our products in 25 countries

- 91% hazardous waste co-processed and recycled
- 0.97 million KL waste water recycled
- 46% of our total freshwater consumption harvested through rain water harvesting and reuse\*
- Saved ₹314 million through energy conservation projects and avoided GHG emission by 45,497 TCO<sub>2</sub> eq.
- 8% share of renewable energy in total energy mix

\* This value considers rain water harvesting and recharge quantity at four of our India locations following the theoretical approach. Rainfall data is sourced from IMD database and runoff coefficients as applicable to the type of soil/ surface area/ drainage have been sourced from published literature.

Talent development and retention

Robust R&D capabilities and quality assurances

Robust risk management

# Material Matters

**We believe that it is important for us to identify our material issues that impact our value-creation process and matter the most to our stakeholders as well. The process through which we identify our material issues involves identifying and prioritizing issues according to the expectations of Dr. Reddy's stakeholders and then assessing their impacts on Dr. Reddy's value-creation activities. Our methodology for materiality assessment is aligned with internationally recognized sustainability standards.**

## Materiality Issues

| Material Topic   | Relation to Our Sustainability Pillar                                   | Internal Boundary            | External Boundary   |
|--|---|------------------------------|---|
| Affordable and Innovative Medicines<br><b>AM:</b> Affordable medicines<br><b>INT:</b> Investment in new technologies<br><b>PI:</b> Product innovation<br><b>DC:</b> Development of complex molecules | Availability, Community, Continuous Improvement, Engineering Excellence | Product manufacturing<br>R&D | Ingredient sourcing<br>Patient management and care  |
| Product Responsibility<br><b>PS:</b> Product safety and quality  | Continuous Improvement, Quality, Safety, Productivity                   | R&D<br>Product manufacturing | Ingredient sourcing<br>Product packaging and warehousing<br>Order management<br>Patient management and care |
| Sustainable Sourcing<br><b>RP:</b> Reduction in packaging material footprint<br><b>SS:</b> Sustainable sourcing  | Quality, Safety   | Product manufacturing        | Ingredient sourcing<br>Product packaging and warehousing  |
| Environmental Management and Climate Change<br><b>EC:</b> Environmental compliance<br><b>RC:</b> Resource consumption<br><b>RP:</b> Reduction in packaging material footprint                        | Continuous Improvement, Environment, Productivity, Community            | Product manufacturing        | Ingredient sourcing<br>Product packaging and warehousing  |
| Being an Employer of Choice<br><b>OHS:</b> Occupational health and safety  | Safety, People  | Product manufacturing        | Ingredient sourcing   |
| Caring for Communities<br><b>Cle:</b> Community involvement, engagement and satisfaction   | Community, Environment  | Product manufacturing        | Patient care and management   |

| Material Issues                           | Sustainability Pillars  | Our Actions in these Focus Areas Address the Material Issues   | Relevant GRI Standard Topic   | SDGs Linked  | Key Capitals Impacted to Address the Relevant Material Issues  |
|---|---|--|---|--|--|
| Affordable and innovative medicine        | <ul style="list-style-type: none"> <li>Availability</li> <li>Community</li> <li>Continuous improvement</li> <li>Engineering excellence</li> </ul> | <ul style="list-style-type: none"> <li>Underserved markets - Emerging markets</li> <li>Affordable BGx</li> </ul>                                     | <ul style="list-style-type: none"> <li>Economic performance</li> <li>Indirect economic impacts</li> </ul>   | <br>   |  <br>          |
| Environment management and climate change | <ul style="list-style-type: none"> <li>Continuous improvement</li> <li>Environment</li> <li>Productivity</li> <li>Community</li> </ul>            | <ul style="list-style-type: none"> <li>Integrating sustainability</li> </ul>   | <ul style="list-style-type: none"> <li>Energy</li> <li>Water</li> <li>Emissions</li> <li>Effluent and wastes</li> <li>Materials</li> </ul>  |  <br>  |  <br>   |
| Being an employer of choice               | <ul style="list-style-type: none"> <li>Safety</li> <li>People</li> </ul>  | <ul style="list-style-type: none"> <li>People practices</li> <li>Integrating sustainability</li> </ul>   | <ul style="list-style-type: none"> <li>Employment</li> <li>Anti-corruption</li> <li>Occupational health and safety</li> <li>Training and education</li> <li>Diversity and equal opportunity</li> <li>Labor or management relations</li> </ul> |  <br>   |    |
| Product responsibility                    | <ul style="list-style-type: none"> <li>Continuous improvement</li> <li>Quality</li> <li>Safety</li> <li>Productivity</li> </ul>                   | <ul style="list-style-type: none"> <li>Underserved markets - Emerging markets</li> <li>Affordable BGx</li> <li>Integrating sustainability</li> </ul> | <ul style="list-style-type: none"> <li>Customer health and safety</li> </ul>  | <br>   |  <br>  |
| Sustainable sourcing                      | <ul style="list-style-type: none"> <li>Quality</li> <li>Safety</li> </ul>   | <ul style="list-style-type: none"> <li>Integrating sustainability</li> </ul>   | <ul style="list-style-type: none"> <li>Procurement practices</li> <li>Supplier environmental assessment</li> </ul>  | <br>   |  <br>   |
| Caring for communities                    | <ul style="list-style-type: none"> <li>Community</li> <li>Environment</li> </ul>  | <ul style="list-style-type: none"> <li>Integrating sustainability</li> </ul>   | <ul style="list-style-type: none"> <li>Local communities</li> <li>Indirect economic impacts</li> </ul>  |  <br>   |    |

## Sustainable Development Goals (SDGs)

|  |   |
|--|---|
|  <b>No Poverty</b>                              |  <b>Affordable and Clean Energy</b>            |
|  <b>Good Health and Well-being</b>              |  <b>Reduced Inequalities</b>                   |
|  <b>Quality Education</b>                       |  <b>Clean Water and Sanitation</b>             |
|  <b>Gender Equality</b>                         |  <b>Responsible Consumption and Production</b> |
|  <b>Decent Work and Economic Growth</b>         |  <b>Climate Action</b>                         |
|  <b>Industry, Innovation and Infrastructure</b> |   |

## Key Capitals

|  |  |
|--|--|
|  <b>Intellectual</b> |  <b>Natural</b>                 |
|  <b>Financial</b>    |  <b>Human</b>                   |
|  <b>Manufactured</b> |  <b>Social and Relationship</b> |

# Making Healthcare Accessible

Over 70 years ago, the World Health Organization (WHO) acknowledged that “the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition.”

|                          |  |
|--------------------------|--|
| <b>Capitals Impacted</b> | Financial, Manufactured, and Social and Relationship |
| <b>Material Issues</b>   | Affordable and Innovative Medicine                   |

‘Access to healthcare’ is more than delivering the right drugs and products to patients. It also includes offering choices that are both accessible and affordable. At Dr. Reddy’s, identifying diseases and incidences helps us discern and prioritize region-wise healthcare needs. Our explicit objective is to develop, implement and increase access to medicine where it is needed.



We adopt a wide variety of innovative approaches that generate lasting outcomes. We work with various stakeholder groups to find affordable alternatives, facilitating market access and availability of high-quality medicines. Our best-in-class manufacturing practices and robust supply chain reinforce our commitments to our patients worldwide.

**We currently offer more than 200 branded generic drugs in 25 countries.**

## Responsible Healthcare Offerings

Our patients are at the heart of everything we do. At Dr. Reddy’s, we have a patient-centric approach that enables us to cater to their needs by supplying high-quality, affordable medicines. This underpins our strategy on both a global and local scale.

|                          |   |
|--------------------------|---|
| <b>Capitals Impacted</b> | Financial, Manufactured, Intellectual and Social and Relationship |
| <b>Material Issues</b>   | Affordable and Innovative Medicine and Product Responsibility     |
| <b>GRI Indicators</b>    | GRI 416-2, 417-2  |

### Quality - A Way of Life at Dr. Reddy’s

Our patient-centric approach extends to our quality policy as well. Our quality strategy is focused on ensuring reliable, compliant supply to our customers, assuring that our products are available when required.

We have the following four-step procedure to help decrease inconsistency in procedures and product quality characteristics:

- Adopt the Quality by Design (QbD) approach in manufacturing and clearly identify sources of variability and minimize them on an ongoing basis
- Be first-time right; identify and eliminate defects and improve efficiency
- Undertake risk-based approach to manufacturing and mitigate risks wherever they are likely to impact quality
- Develop transparency in all areas of operations and build a robust quality culture across the organization

# Product Responsibility

At Dr. Reddy's, we want our customers to trust the products we introduce for their high-quality, safety and effectiveness. We have set up the following rigorous processes that focus on building this trust:

1. Pharmacovigilance across the product development cycle
2. Proactive stand on product recalls

The key aspects of our product safety assurance process include:

|                            |   |
|----------------------------|---|
| <b>Product Development</b> | <ul style="list-style-type: none"> <li>• QbD</li> <li>• Pharmacovigilance: For evaluation of drug safety during clinical trials</li> </ul>                                |
| <b>Manufacturing</b>       | <ul style="list-style-type: none"> <li>• Quality control and assurance, whereby stability is tested under various environmental conditions</li> </ul>                     |
| <b>Post Launch</b>         | <ul style="list-style-type: none"> <li>• Post marketing surveillance</li> <li>• Stability testing to ensure products meet the specification for the shelf life</li> </ul> |

| Classification | Product                          | Reason for Recall  |
|----------------|----------------------------------|--|
| Class 2        | Pravastatin sodium tablets 10 mg | Related substance (Impurity C) test failure at 3M stability              |
|                | Ramipril tablets                 | Batches released in Germany market without completing process validation |
|                | Docetaxel injection USP 20mg/ml  | Repeated market complaints of sealed top comes off                       |

## Fighting Counterfeit

Counterfeit drugs are a serious threat to our patients' health, our reputation and our patients' trust on the brand. The onus is on us to fight counterfeit drugs for our patients and our Company. Listed below are the key initiatives we have undertaken during the year to fight counterfeits in Europe market:

1. Use a unique serial number on the pack
2. Unique identifier code in human readable form and in an encrypted 2-D matrix on all secondary packages
3. Anti-tampering device included as a safety feature in the secondary packages

## Approach towards Antimicrobial Resistance (AMR)

Dr. Reddy's is a prominent producer of antibiotics globally by sales volume. We have an environmental risk-management strategy that is based on a Zero-Liquid Discharge (ZLD) process at all our manufacturing sites, including sites producing antibiotics that address the issue of Anti-microbial Resistance (AMR). We are ensuring that all hazardous waste generated at our sites is being sent for co-processing, thereby making sure that we are not contributing to any downstream pollution. At the physician level, we promote our products to physicians only in the approved therapeutic indications and also emphasize on the usage of these products in the right dosage, for the right duration.

# Patient Centricity – Caring Beyond the Pill

The different initiatives undertaken as part of the Purple Health, our patient centric programme include:

### Sparsh

**18,000**

Patients have received access to Reditux till date since its launch

**45,000**

Patients assisted through Sparsh till date since its launch

### CHEER

**823**

Patients assisted through the CHEER program during FY2018

**4,940**

Total active patients as on 31 March 2018

**1,000**

Projection for new patients in FY2019

### Liv Positive

**1,453**

Patients on Entaliv who have enrolled for this program during FY2018

**4,878**

Total active patients as on 31 March 2018

**1,500**

Projection for new patients in FY2019

# Building a Robust Supply Chain

As a global pharmaceutical company, it is critical for us to be trusted by all our stakeholders in the long run. We recognize the importance of a robust supply chain management to stay committed to our value creation model for our stakeholders.

## Snapshot of Our Performance in FY2018

Over the years, we have developed a strong supply chain with 900+ suppliers to provide us the requisite raw materials. Our initiatives on supplier groups vary across almost 30+ countries. The nature of initiatives vary as per the nature of business and the relevant geographies.

**250**

Supplier sites audited as per the quality audit plan

**38**

Audits conducted with suppliers for sustainability assessment

**60%**

Of total procurement spent on local suppliers (India)

**57%**

Reduction in the number of high-risk suppliers with respect to quality issues

|                          |  |
|--------------------------|--|
| <b>Capitals Impacted</b> | Social and Relationship Capital, Manufactured Capital, Natural Capital |
| <b>Material Issues</b>   | Reduction in Packaging Material Footprint and Sustainable Sourcing     |
| <b>GRI Indicators</b>    | GRI 204-1, GRI 205-1, GRI 308-1 and GRI 414-1, 414-2                   |

**30+ countries**

Supplier locations

## Supplier Diversity



# Empowering Teams to Create Value

At Dr. Reddy's, we have created a diverse team that works toward achieving the same set of combined objectives. Unified in purpose and catalysts to our value creation process, our team is at the heart of our organization. We have a global workforce of more than 22,000 individuals in 25 countries, who come together to ensure our products reach the places where they are needed.

|                          |  |
|--------------------------|--|
| <b>Capitals Impacted</b> | Human Capital and Financial Capital  |
| <b>Material Issues</b>   | Being an employer of choice<br><b>OHS:</b> Occupational Health and Safety  |
| <b>GRI Indicators</b>    | GRI 401-1, GRI 401-2, GRI 401-3, GRI 403-2, GRI 404-1, 404-2 and GRI 405-1 |

## Snapshot of Our Performance in FY2018

**88%**

Overall employee engagement in FY2018

**125**

Average training hours per employee

**18%**

Global gender diversity ratio

**90,818**

Hours of safety training

**13,51,306**

Total training hours

**3.3%**

Of unionized workforce

**₹160 mn**

Spent on external and skill development training programs

**0.89**

Total recordable injury frequency rate (employees + contract employees)

**95.5%**

Employee retention rate for high-potential employees

### Global Women Headcount

**9%**

FY2016\*

**17%**

FY2017

**18%**

FY2018

\*FY2016 implies the diversity % for only India operations

**61** Number of permanent employees with disabilities



# Safety, Health and Wellbeing

We are aware of the inherent safety and health risks in the pharmaceutical manufacturing operations and understand the importance of providing a safe work atmosphere to our colleagues. We are implementing several safety procedures, in compliance with global norms, that ensure our colleagues remain safe and healthy, while in their line of duty. We also adopted a risk-based approach for identifying top safety risks and initiated controls to eliminate them.

During the last financial year, we had two fatal incidents - one at Chemical Technological Operations (CTO Unit 3) in Hyderabad and another one in the finished dosage facility (FTO Unit 7), Vishakhapatnam. Thorough investigation of the incidents were carried out to identify the systemic

deficiencies. Corrective and preventive actions were implemented in the areas of i) Process Safety Management ii) Handling of Flammable Chemicals iii) Personal Protective Equipment iv) Fire Safety v) Risk Assessment & Engineering Controls vi) Training and vii) Safe Operating Practices. The other unfortunate incident occurred due to a pre-medical condition of one of the contract employees. As a corrective and preventive action, we have enforced minimum physical medical examination for all contract workers across the locations for entry into the sites.

We also strive to improve the health and well-being of our people through activities such as stress management training, yoga and meditation activities and others.

# Caring for Community

**Everything we do at Dr. Reddy's is to drive affordable and innovative medication for all because we believe "Good Health Can't Wait". With this belief, we are serving a larger community purpose of building a better society through empowerment.**

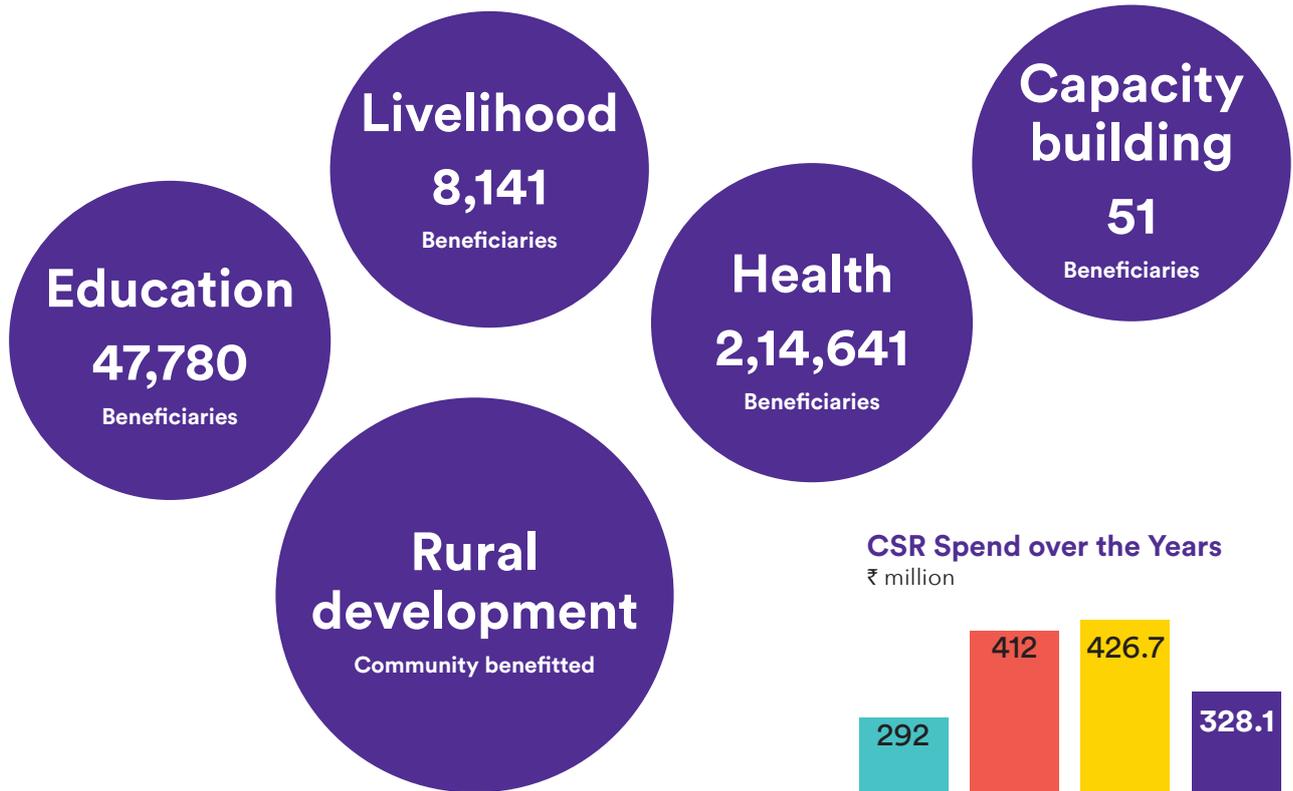
**We are helping shape healthier communities by focusing on education, livelihood generation, healthcare, enabling change makers and promoting a scientific temperament.**

During FY2018, we made significant impact in all our major focus areas.

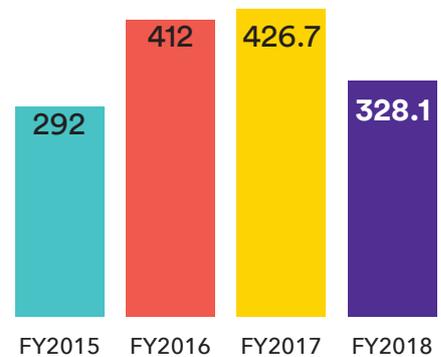
|                          |  |
|--------------------------|--|
| <b>Capitals Impacted</b> | Social and Relationship Capital and Financial Capital  |
| <b>Material Issues</b>   | Caring for communities<br><br><b>Cle:</b> Community involvement, engagement and satisfaction |
| <b>GRI Indicators</b>    | GRI 203-2, GRI 413-1   |



# Snapshot of Our Performance in FY2018



CSR Spend over the Years  
₹ million



## Education

**Education is a key facilitator that opens new doors of opportunities for individuals. It is a major enabler in nation building, as it nurtures young minds into responsible citizens.**

At Dr. Reddy's, we believe every child has the right to education and with this philosophy, we have adopted several programs that support education. We have a holistic approach toward education and collaborate with schools, communities and other stakeholders to deliver our interventions in the domain of education.

## Health

**Health is a crucial factor in helping a nation grow. Despite the government's best efforts to develop India's healthcare infrastructure, there is still a long way to go before every Indian in every corner of the country receives quality healthcare.**

At Dr. Reddy's, we are providing primary and preventive healthcare in rural India.

## Livelihood

Our livelihood programs are focused on improving the employability of youth and enhancing their earning potential. We have programs that seek to bring differently-abled individuals into the mainstream economy. We are empowering the socially marginalized sections of society, especially the agri-community.

## Capacity Building of Change Makers

Social transformations can only be accomplished by collective efforts of people with diverse skillsets who come together to nurture, guide and bring the change. We identify and encourage these change makers to help create wide-ranging, inclusive and sustainable social reforms.



# Protecting Our Natural Ecosystem

**We recognize that a healthy environment is a necessity for better health and stronger communities. Our objective is to safeguard a healthy environment for everyone by using innovative science to find new ways to conserve our natural resources.**

**We are committed to reduce environmental impacts on human health and the natural world. Our approach spans the entire product life cycle and our science-based focus drives continuous improvement across our value chain, while improving efficiency, reducing costs and preserving our ability to conduct business in future.**

|                          |   |
|--------------------------|---|
| <b>Capitals Impacted</b> | Natural Capital, Financial Capital and Manufactured Capital   |
| <b>Material Issues</b>   | Environmental management and climate change<br><b>EC:</b> Environmental compliance<br><b>RC:</b> Resource consumption<br><b>RP:</b> Reduction in packaging material footprint |
| <b>GRI Indicators</b>    | GRI 301-1, GRI 302-1, GRI 302-3, GRI 302-4, GRI 303-1, GRI 303-3, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 305-7, GRI 306-1 and GRI 306-2                   |

# Environmental Stewardship

At Dr. Reddy's, we have established an "Environmental Commitment Statement" that communicates measurable objectives for each key environmental performance indicator, including energy, emissions, water and waste.

Our management and governance systems reflect these four priorities and incorporate them within our daily business processes. We focus on employee

participation, methodology for monitoring, reporting and implementation to realize our environmental care purposes.

We extend environment stewardship beyond our premises and actively educate and encourage our suppliers and partners to adopt environment, friendly practices.

| 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 2020   |        | As on FY2018, we have reduced our specific energy consumption by 16% 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 10 years, such the renewable energy share reaches 25% by 2020 |        | 8% of our total energy requirement is met through renewable energy sources, though 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 10 years so as to achieve a 40% reduction by 2020  |        | As on FY2018, 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 2020 by replenishing the water table with an amount of water equal to what we consume, using means such as water harvesting                              |        | 46% of our total water consumption is harvested through rain water harvesting and reuse, though we have plans in place to achieve our 2020 target. |
| Attempt to reduce our specific generation of hazardous waste   |        | As on FY2018, we have reduced specific generation of hazardous waste by 47% compared to the base year 2010.  |
| Reduce the quantum of hazardous waste sent by us to landfill/incineration by about 5% every year over the next 10 years so as to achieve a 40% reduction by 2020                           |        | As on FY2018, 91% of total hazardous waste is co-processed/recycled.   |

Note: In FY2018, the absolute energy consumption in the company went up due to a substantive increase in coal consumption at our Co-Gen plant, which was operationalized in the 1st quarter of FY2018. This resulted in an increase in specific energy consumption & a drop in renewable energy share, as compared to previous years. A course-correction plan has been put in place to achieve our stated 2020 target on these commitments.

## Status

- 2020 targets already achieved
- Plans are in place to achieve the target

## Performance Highlights in FY2018

# 193

Energy conservation projects

Implemented, thereby saving ₹314 million savings

45,497 TCO<sub>2</sub> eq. GHG emission avoided\*

# 8%

Share of renewable energy in overall energy mix

# 46%

Of our total freshwater consumption harvested through rain water harvesting and reuse

# 91%

Hazardous waste co-processed and recycled

# 7,480 tons

of by products (salt) upcycled

\* For more details on the emission factors please refer page no. 65

## Water Saving

# Responsible Use of Water

Recent reports suggest that by 2050, ~¼<sup>th</sup> of the world's population will be affected by chronic freshwater shortages. At Dr. Reddy's, we comprehend the need for water conservation and its responsible usage. We are working to minimize the use of water across our operations and manufacturing unit. We further ensure to treat the utilized water before its discharge.

### Rainwater harvesting facility

Aspiring to achieve water neutrality by adopting a watershed development approach

During the year, we initiated a pioneering initiative for achieving water neutrality to some extent by adopting a watershed development and management approach. This initiative is being implemented at Budhera, Medak district, Telangana.

We have constructed simple mud and stone structures across the natural drainage lines of the landscape, which help in conserving soil and moisture. With the interventions

across the site, we could capture 4,83,755 KL. of water during the FY2018. Additionally, we planted 14,480 trees (out of which 40 are native species and 10 are exotic species). The trees will help in restoring the ecosystem of the site over a period of time and have benefited around 100 households from the nearby locality who worked at the facility in generating their livelihoods. Communities outside the site also reported a rise in ground water levels in the wells and borewells.

**The project work will be completed in the next four years starting from FY2018**

## Hazardous Wastes

# Matured Approach to Hazardous Wastes

In Dr. Reddy's, responsible waste management includes the implementation of the 'principle of 3Rs' – reduce, recycle and reuse. It incorporates minimization of waste generation, reutilization and appropriate end-of-life disposals. We categorize wastes as either hazardous or non-hazardous and dispose them according to government guidelines. We are also exploring avenues of circular economy and reduce waste generation itself. Our initiatives on waste management are prevalent across manufacturing units globally. And our endeavor is to not only comply with local regulatory norms but to go beyond them.

We are proactively addressing the problem of plastic packaging litter.

Plastic packaging plays a critical role in preserving products, informing consumers and thereby ensuring the safety and efficacy of a vast range of products. We are committed to towards contributing to sustainable

packaging - to work with other businesses, civil society organisations and governments towards achieving this goal. We believe that the right solution to this problem is not banning plastics but ensuring that these get collected and disposed off in an environmentally, socially and financially responsible manner.

Our research revealed that cement kilns provide the most viable way of processing flexible packaging waste. The packaging waste burns cleanly and efficiently in cement kilns given the very high temperature and excess of oxygen. Cement kilns are present across large parts of India and the capital assets required are already in place. This makes the route the cheapest way of dealing with the problem.

We have facilitated processing of 20 tons (four truckloads) of flexible packaging in Hyderabad by diverting it to cement kilns. Having proven that the concept works, we now want to extend this model to the entirety of our flexible waste footprint in India, over one thousand tons per year. We aspire to become India's first 'flexibles-neutral' company. We will leverage our position in the Industry to get other companies to adopt this model. We will engage the government and Industry associations in supporting this cause.



## Enhancing Energy Efficiency

At Dr. Reddy's, energy efficiency is a key concern as it constitutes a substantial portion of our operational expenses. Our focus is on minimizing our energy consumption, through a clear understanding of our energy usage across the value chain and life cycle of our products.

We foresee enormous potential and value in developing our energy efficiency projects for our manufacturing units. We believe we can improve our business as well as environmental performance by concentrating on our sustainable energy practices. We are looking towards a resource-efficient and low carbon future.

### Approach towards energy efficiency

We have further set energy metrics and benchmarking to enhance energy efficiency. At Dr. Reddy's, we identify, develop budget and implement energy conservation projects across the organization. These projects have helped us facilitate fuel conservation, emission reductions, cost efficiency, improved processes and productivity gains, among others.

Despite of our energy conservation efforts, we have observed a steep increase in our absolute energy consumption during the year. To support our manufacturing expansion plans, we have commissioned one coal-based Cogen plant in April-2017, which has resulted in increase in overall coal consumption at our facilities. This has also resulted in steep increase in absolute energy consumption and contributed to 21% increase in our overall GHG emission. Our specific energy consumption also increased by 40% during the financial year as compared to FY2017, though we have plans in place to achieve our 2020 target.

As a combination of our efforts in the energy conservation and increased renewable energy share, we target to achieve 40% reduction in carbon intensity by 2020 from the year 2010. The combined scope 1, 2 and 3 emission intensity during the year stands at 5.9 tCO<sub>2</sub>/ ₹ million sales. We have extended our geography of reporting for scope 3 emission this year and included most of our international operations excluding site Mirfield and Beverley in the calculation.

### Renewable energy at Dr. Reddy's

We target to achieve 25% renewable energy share in our total energy mix by 2020. The share of renewable energy in our total energy consumption stands at 8% this year as compared to 12% in FY2017. This drop is realized because of the increase in absolute energy consumption, which is contributed by the Cogen plant. However, the solar installation contributed reduction in GHG emissions.

During the year, our solar energy consumption was ~51.7 million kWh, thus saving 49,611 tons of CO<sub>2</sub>e. We have also generated 183.63 TJ of energy using biomass/rice husk briquettes, thus avoiding GHG emission by 18,769 tons of CO<sub>2</sub>e.



# Independent Assurance Statement

## Scope and Approach

DNV GL Business Assurance India Private Limited has been commissioned by the management of Dr. Reddy's Laboratories Limited (Corporate Identity Number L85195TG1984PLC004507, hereafter referred as 'the Company') to carry out an independent assurance of the qualitative and quantitative information related to sustainability performance in its Sustainability Report 2017-18 ('the Report') and references in its Annual Report 2017-18, for the financial year ending 31st March 2018.

The sustainability performance disclosures presented in the Report has been prepared by the Company based on the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards') and its Core option of reporting, and considering key guiding principles and elements of the International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> framework ('the <IR> framework'). The scope and boundaries of disclosures are described in the Sections 'About the Report' and 'Material Matters' of the Report, and includes performance related to operations in India, Mexico, the Netherlands, the United Kingdom (UK) and the United States of America (USA) where the Company exercises operational control. The boundary excludes the performance of subsidiaries and joint ventures, which are primarily related to marketing activities.

We performed a limited level of assurance based on our assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practices including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised\* and GRI Guidelines. Our assurance engagement was planned and carried out during June 2018 - September 2018.

The intended user of this Assurance Statement is the Management of the Company ('the Management'). We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement.

## Responsibilities of the Management and of the Assurance Providers

The Management has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing this assurance work, our responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

We provide a range of other services to the Company none of which in our opinion, constitute a conflict of interest with this assurance work. Our assurance engagement is based on the assumption that the Company has provided us data and information during our review in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. We expressly disclaim any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

## Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion, and as part of the assurance, a multi-disciplinary

team of sustainability and assurance specialists performed work at the Company's Corporate Office in Hyderabad and sample facilities in Visakhapatnam and Hyderabad, in India. We undertook the following activities:

- Review of the approach to materiality determination and stakeholder engagement, and the outcome as stated in this Report. We did not have any direct engagement with external stakeholders;
- Review of supporting evidence for key claims and data in the Report;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support topics disclosed in the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to sample facilities ie. Chemical Technical Operations (CTOs) and Formulations Technical Operations (FTOs) in India ie. FTO-SEZ, FTO-SEZ-2 and CTO-6 in Vishakhapatnam, and FTO-2, CTO-2 and Custom Pharmaceutical Services (CPS) at Hyderabad, in India, to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting assessments on the basis of their materiality;
- Remote audits via teleconference for operations at the Company's manufacturing unit at Cuernavaca, Mexico, and Bristol, Tennessee in the USA to review the systems for data management of environmental and safety parameters at these sites;
- Review of the processes for gathering and consolidating the

<sup>1</sup> The VeriSustain protocol is available on [www.dnvgl.com](http://www.dnvgl.com)

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

- performance data related to the chosen GRI Standards;
- Verification of the data consolidation of reported performance disclosures in context to the Principle of Completeness as per VeriSustain for a limited level of verification; and,
- An independent assessment of the Report 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. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) and other financial data are based on audited financial statements issued by the Company's statutory auditors, and presented in its Annual Report 2017-18, which is subject to a separate audit process. We were not involved in the review of financial data from the Annual Report.

## Opinion

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe the Report's adherence to the GRI Standards: Core option of reporting including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and disclosures related to the following GRI Standards which have been chosen by the Company to bring out its performance against its identified material topics:

- GRI 201: Economic Performance 2016 - 201-1;
- GRI 203: Indirect Economic Impacts 2016 - 203-2;
- GRI 204: Procurement Practices 2016 - 204-1;
- GRI 205: Anti-Corruption 2016 - 205-1, 205-2\*;
- GRI 301: Materials 2016 - 301-1\*;
- GRI 302: Energy 2016 - 302-1, 302-3, 302-4;
- GRI 303: Water 2016 - 303-1, 303-3;

- GRI 305: Emissions 2016 - 305-1, 305-2, 305-3, 305-4, 305-5, 305-7;
- GRI 306: Effluents and Waste 2016 - 306-1, 306-2;
- GRI 308: Supplier Environmental Assessment 2016 - 308-1;
- GRI 401: Employment 2016 - 401-1, 401-2, 401-3;
- GRI 403: Occupational Health and Safety 2016 - 403-2\*;
- GRI 404: Training and Education 2016 - 404-1, 404-2;
- GRI 405: Diversity and Equal Opportunity 2016 - 405-1;
- GRI 407: Freedom of Association and Collective Bargaining - 407-1;
- GRI 408: Child Labor 2016 - 408-1;
- GRI 413: Local Communities 2016 - 413-1;
- GRI 414: Supplier Social Assessment 2016 - 414-1;
- GRI 416: Customer Health and Safety 2016- 416-2;
- GRI 417: Marketing and Labelling 2016 - 417-2.

**\*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 provide the following observations against the principles of VeriSustain:

### Materiality

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

The Company has identified material topics which impacts the Company's value-creation process, matters most to its stakeholders, and are aligned to its sustainability pillars. Key issues which have been identified from interactions and engagement with internal and external stakeholders have been prioritized through consultation with the Company's senior management personnel. The prioritised list of material topics were further validated through consultations with management

personnel across various levels of the Company. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

### Stakeholder Inclusiveness

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

The Report indicates employees, business partners, investors, communities and non-governmental organisations (NGOs), and patients, customers and healthcare professionals as being the Company's most significant stakeholders. The Report brings out the Company's processes for identifying and responding to stakeholder concerns and processes through which Dr. Reddy's has created value for each stakeholder group. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

### Responsiveness

The extent to which an organization responds to stakeholder issues.

The outcomes from stakeholder engagement and the Company's processes of creating value for each stakeholder group are adequately brought out in the Report, through its policies, strategies, management systems and governance mechanisms. The management systems include processes for monitoring and reviewing targets, key performance indicators and metrics to address identified material issues. The Company may further define short, medium and long term targets for material topics across its value chain as required by the GRI Standards and the <IR> framework. Nothing has come to our attention to suggest that the responses related to identified material topics are not adequately represented in the Report, and that the Report does not meet the requirements related to the Principle of Responsiveness.

**Reliability**

The system for maintaining the quality of underlying sustainability disclosures and performance management systems including the accuracy and comparability of information presented in the Report

The majority of data and information verified at the Corporate Office and at sample FTO and CTO locations visited by us were found to be fairly accurate. 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 corrected. The Company may implement formal processes and tools for sustainability data management including processes for periodic reviews and

validation to further strengthen the reliability of its sustainability performance data. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

**Completeness**

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

The Report fairly brings out Dr. Reddy's Economic, Environmental and Social performance for its identified reporting boundaries and material topics through appropriate GRI Standards and through descriptions of value creation strategies across identified capitals. Nothing has come

to our attention to suggest that the Report does not meet the Principle of Completeness with respect to scope, boundary and time.

**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 performance and issues are presented in a neutral tone, in terms of content and presentation, along with key challenges faced during the period. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

For DNV GL Business Assurance India Private Limited

|  |   |
|--|---|
| <br><b>Kiran Radhakrishnan</b><br>Lead Verifier<br>Senior Assessor<br>DNV GL Business Assurance India Private Limited, India. | <br><b>Vadakepatth Nandkumar</b><br>Assurance Reviewer<br>Head - Regional Sustainability Operations -<br>Region India and Middle East<br>DNV GL Business Assurance India Private Limited, India. |
|--|---|

25th September 2018, Bengaluru, India.

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](http://www.dnvgl.com)





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

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