

## Corporate Governance

Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the company') believes that timely disclosures, transparent accounting policies coupled with a strong and independent board go a long way in maintaining good corporate governance, preserving shareholders' trust and maximizing long-term corporate value. The company's corporate governance framework is based on the following main principles:

- Appropriate composition and size of the board, with each director bringing in key expertise in different areas;
- Proactive flow of accurate information to members of the board and board committees to enable effective discharge of fiduciary duties;
- Ethical business conduct by the board, management and employees;
- Well-developed systems of internal controls, risk management and financial reporting;

- Protection and facilitation of shareholders' rights; and
- Adequate, timely and accurate disclosure of all material operational and financial information to stakeholders.

In India, the Securities and Exchange Board of India (SEBI) regulates corporate governance for listed companies through SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). Dr. Reddy's is in full compliance with all the applicable provisions of SEBI's corporate governance norms. It is also in compliance with the appropriate corporate governance standards of the New York Stock Exchange Inc. (NYSE).

This chapter, together with information given in the chapters on *Management Discussion and Analysis* and *Additional*

*Shareholders' Information*, constitute Dr. Reddy's report on corporate governance for 2017-18 (or FY2018).

### BOARD OF DIRECTORS COMPOSITION

As on 31 March 2018, the board of Dr. Reddy's had 10 directors, comprising (i) two executive directors, including the chairman of the board, and (ii) eight independent directors as defined under the Companies Act, 2013, the Listing Regulations and the Corporate Governance Guidelines of the NYSE Listed Company Manual. Their detailed profiles are given in this annual report.

The directors have expertise in the fields of strategy, management, finance, operations, science, technology, human resource development and economics.

**TABLE 1** COMPOSITION OF DR. REDDY'S BOARD AND OTHER DIRECTORSHIPS HELD AS ON 31 MARCH 2018

NAME	POSITION	RELATIONSHIP WITH OTHER DIRECTORS	DATE OF JOINING	DIRECTORSHIPS UNDER SECTION 165 OF THE COMPANIES ACT, 2013		OTHER DIRECTORSHIPS <sup>(1)</sup>	COMMITTEE MEMBERSHIPS <sup>(2)</sup>	COMMITTEE CHAIRMANSHIPS <sup>(2)</sup>
				PUBLIC COMPANIES	PRIVATE COMPANIES			
Mr. K Satish Reddy	Chairman	Brother-in-law of Mr. G V Prasad	18 January 1993	10	7	20	1	-
Mr. G V Prasad	Co-Chairman, managing director and CEO	Brother-in-law of Mr. K Satish Reddy	8 April 1986	10	4	7	1	-
Dr. Omkar Goswami	Independent director	None	30 October 2000	8	2	-	7	-
Mr. Anupam Puri	Independent director	None	4 June 2002	3	-	1	1	-
Ms. Kalpana Morparia	Independent director	None	5 June 2007	2	1	1	-	1
Dr. Bruce L A Carter	Independent director	None	21 July 2008	2	-	4	1	-
Mr. Sridar Iyengar	Independent director	None	22 August 2011	5	1	4	1	3
Mr. Bharat N Doshi	Independent director	None	11 May 2016	5	-	3	2	1
Mr. Hans Peter Hasler	Independent director	None	17 June 2016	1	-	5	-	-
Mr. Prasad R Menon	Independent director	None	30 October 2017	3	1	2	-	1

<sup>(1)</sup> Other directorships are those, which are not covered under section 165 of the Companies Act, 2013.

<sup>(2)</sup> Membership/chairmanship in audit and stakeholders' relationship committees of all public limited companies, whether listed or not, including Dr. Reddy's are considered. Membership/chairmanship of foreign companies, private limited companies and those under section 8 of the Companies Act, 2013 have been excluded. Membership/chairmanship of our nomination, governance and compensation committee; science, technology and operations committee; corporate social responsibility committee; banking and authorizations committee and risk management committee are also excluded.

<sup>(3)</sup> None of the independent directors serves as an independent director in more than seven listed companies.

FY2018 represents fiscal year 2017-18 from 1 April 2017 to 31 March 2018, and analogously for FY2017 and previously such labeled years.

The board provides leadership, strategic guidance, objective and independent views to the company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

The board regularly reviews the company's governance, risk and compliance framework, business plans, and organization structure to align with the highest global standards.

Each director informs the company on an annual basis about the board and board committee positions she/he occupies in other companies, and notifies it of any changes regarding their directorships. In addition, the independent directors provide an annual confirmation that they meet the criteria of independence as defined under Indian laws.

**Table 1** gives the composition of Dr. Reddy's board, with all relevant details.

#### TERM OF BOARD MEMBERSHIP

The board, on recommendations of the nomination, governance and compensation committee, considers the appointment and reappointment of directors.

Section 149(10) of the Companies Act, 2013, provides that an independent director shall hold office up to five consecutive years on the board of a company and shall be eligible for re-appointment on passing of a special resolution by the shareholders. Moreover, independent directors cannot retire by rotation. Accordingly, all independent directors of Dr. Reddy's were appointed as such for terms ranging from one to five years at the 30th annual general meeting of the company. The term of Mr. Anupam Puri, an independent director, ends at the forthcoming 34th annual general meeting. Considering the outcome of his performance evaluation, the board has recommended the reappointment of Mr. Puri as an independent director under section 149 of the Companies Act, 2013 for another term of one year, for approval of the shareholders at the forthcoming 34th AGM scheduled on 27 July 2018.

Section 152 of the Companies Act, 2013, states that one-third of the board members other than independent

directors who are subject to retire by rotation, shall do so every year and be eligible for reappointment, if approved by the shareholders. Mr. K Satish Reddy, retires by rotation at the forthcoming annual general meeting and, being eligible, seeks re-appointment. Additionally, Mr. Prasad R Menon was appointed as an additional director of the company, categorized as Independent with effect from 30 October 2017. Thus, in the forthcoming annual general meeting, approval of shareholders is being sought for:

- i. Reappointment of Mr. K Satish Reddy, who retires by rotation and, being eligible, offers himself for the reappointment.
- ii. Reappointment of Mr. Anupam Puri as an independent director under section 149 of the Companies Act, 2013 for a term of one year.
- iii. Appointment of Mr. Prasad R Menon as an independent director under section 149 of the Companies Act, 2013 for a term of five years with effect from 30 October 2017.

#### SELECTION AND APPOINTMENT OF NEW DIRECTORS

Recommending any new member on the board is the responsibility of the nomination, governance and compensation committee of the board, which consists entirely of independent directors. Given the existing composition of the board, the tenure as well as the years left of the existing members to serve on the board, and the need for new domain expertise are reviewed by this committee. When such a need becomes apparent, the committee reviews potential candidates in terms of their expertise, attributes, personal and professional backgrounds and their ability to attend meetings in India. It then places the details of shortlisted candidates to the board for its consideration. If the board approves, the person is appointed as an additional director, subject to the approval of shareholders in the company's next general meeting.

#### FAMILIARIZATION PROCESS FOR INDEPENDENT DIRECTORS

To familiarize a new independent director with the company, an information kit containing documents about the company – such as its annual reports, sustainability reports, investor

presentations, recent press releases, research reports, code of business conduct and ethics (COBE) and the memorandum and articles of association – is provided. The new independent director individually meets with board members and senior management. Visits to plants are organized for the director to understand the company's operations.

Dr. Reddy's believes that the board should be continuously empowered with knowledge of latest developments affecting the company and the industry. Apart from regular presentations on company's business strategies and associated risks, expositions are made on various topics covering the pharmaceutical industry. Updates on relevant statutory changes and judicial pronouncements around industry-related laws are regularly circulated to the directors. They also visit the company's manufacturing and research locations. Each director has complete and unfettered access to any of the company's information and full freedom to interact with senior management.

Details of the familiarization programs for independent directors are available on the company's website [www.drreddys.com/media/643664/familiarization-programs-2018.pdf](http://www.drreddys.com/media/643664/familiarization-programs-2018.pdf)

#### LETTER OF APPOINTMENT

Upon their appointment, independent directors are given a formal appointment letter containing, *inter alia*, the term of appointment, roles, function, duties and responsibilities, the company's code of conduct, disclosures and confidentiality. For such terms and conditions, see: [www.drreddys.com/investor/governance/policies-and-documents/terms-condition-directors.html](http://www.drreddys.com/investor/governance/policies-and-documents/terms-condition-directors.html)

#### BOARD EVALUATION

The board carries out an annual evaluation of its performance, the working of its committees and members. On two such occasions, an independent expert was engaged to conduct the evaluation process. For the annual internal evaluation, each director completes a questionnaire that involves peer evaluation and feedback on processes of the board and its committees. The contribution and impact of individual members is evaluated on a number of parameters,

such as level of engagement, independence of judgment, conflicts resolution and contributions to enhance the board's overall effectiveness. Peer ratings on certain parameters, positive attributes and improvement areas for each director are provided to them on a confidential basis.

The committees are evaluated on certain parameters such as effective discharge of their roles, responsibilities and advice given to the board for discharging its fiduciary responsibilities, including adequate and periodical updates to the board on the committees' functioning.

### DIRECTORS' SHAREHOLDING IN THE COMPANY

Table 2 gives details of shares/ADRs held by the directors as on 31 March 2018.

**TABLE 2** SHARES/ADRS HELD BY THE DIRECTORS AS ON 31 MARCH 2018

NAME	NO. OF SHARES/ADRS HELD
Mr. K Satish Reddy <sup>(1)</sup>	1,019,332
Mr. G V Prasad <sup>(1)</sup>	1,179,140
Dr. Omkar Goswami	22,800
Mr. Anupam Puri (ADRs)	13,500
Ms. Kalpana Morparia	10,800
Dr. Bruce L A Carter (ADRs)	7,800
Mr. Sridar Iyengar	-
Mr. Bharat N Doshi	1,000
Mr. Hans Peter Hasler	-
Mr. Prasad R Menon	-

<sup>(1)</sup> APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 41,083,500 shares of Dr. Reddy's Laboratories Limited. Mr. G V Prasad, Mr. K Satish Reddy, Mrs. G Anuradha, Mrs. Deepti Reddy and their bloodline descendants are the beneficiaries of APS Trust.

**TABLE 3** DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND THE AGM, FY2018

NAME	MEETINGS HELD IN DIRECTOR'S TENURE	NUMBER OF BOARD MEETINGS ATTENDED	ATTENDANCE IN LAST AGM ON 28 JULY 2017
Mr. K Satish Reddy	5	4 <sup>(1)(2)</sup>	Present
Mr. G V Prasad	5	5	Present
Dr. Omkar Goswami	5	4 <sup>(1)</sup>	Present
Mr. Anupam Puri	5	3 <sup>(1)(3)</sup>	Present
Ms. Kalpana Morparia	5	5	Present
Dr. Bruce L A Carter	5	4 <sup>(1)(2)</sup>	Present
Dr. Ashok S Ganguly*	2	1 <sup>(1)</sup>	Absent
Mr. Sridar Iyengar	5	5	Present
Mr. Bharat N Doshi	5	5	Present
Mr. Hans Peter Hasler	5	3 <sup>(1)(2)</sup>	Present
Mr. Prasad R Menon**	3	2 <sup>(1)</sup>	Not Applicable

<sup>(1)</sup> Was given leave of absence on request.

<sup>(2)</sup> Attended one meeting through tele-conference.

<sup>(3)</sup> Attended two meetings through tele-conference.

\* Term ended on 28 July 2017 as an independent director.

\*\* Appointed with effect from 30 October 2017 as an independent director.

### MEETINGS OF THE BOARD

The company plans and prepares the schedule of the board and board committee meetings eighteen to twenty four months in advance. The schedule of meetings and their agenda are finalized in consultation with the chairman of the board and committee chairpersons. Agendas are circulated in advance with appropriate presentations, detailed notes, supporting documents and executive summaries.

Under Indian laws, the board of directors must meet at least four times a year, with a maximum gap of 120 days between two board meetings. Dr. Reddy's board met five times during the financial year under review: on 12 May 2017, 27 July 2017, 31 October 2017, 25 January 2018 and 26 March 2018. Details of directors' attendance at board meetings and the AGM are given in Table 3.

The board and its committee meetings at Dr. Reddy's typically comprise structured two-day sessions.

### INFORMATION GIVEN TO THE BOARD

Among others, the company provides the following information to the board and its committees.

- Annual operating plans and budgets, capital budgets and other updates;
- Quarterly, half-yearly and annual financial results of the company and its operating divisions or business segments;
- Detailed presentations on the progress in research and development (R&D) and new drug discoveries;
- Minutes of meetings of the audit committee and other committees of the board;
- Information on recruitment and remuneration of key executives below the board level including chief financial officer and the company secretary;
- Significant regulatory matters concerning Indian or foreign regulatory authorities;
- Issues which involves possible public or product liability claims of a substantial nature, if any;
- Risk analysis of various products, markets and businesses;
- Detailed analysis of potential acquisition targets and possible divestments;
- Details of any joint venture or collaboration agreements;
- Transactions that involve substantial payment towards, or impairment of, goodwill, brand equity or intellectual property;
- Significant sale of investments, subsidiaries, assets which are not in the normal course of business;
- Contracts/arrangements in which director(s) are interested;
- Materially important show cause, demand, prosecution and penalty notices, if any;
- Fatal or serious accidents or dangerous occurrences, if any;
- Significant effluent or pollution problems, if any;
- Material default in financial obligations to and by the company or substantial non-payment for goods sold by the company, if any;

- Significant labor problems and their proposed solutions, if any;
- Significant development in the human resources and industrial relations fronts;
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement;
- Non-compliance of any regulatory or statutory nature or listing requirements as well as shareholders' services such as non-payment of dividend and delays in share transfer, if any;
- Subsidiary companies' minutes, financial statements, significant transactions and investments; and
- Significant transactions and arrangements.

#### POST-MEETING FOLLOW-UP MECHANISM

Important decisions taken by the board and its committees are promptly communicated to the concerned departments or divisions. Action taken/status reports on decisions of the previous meeting(s) are followed-up and placed at the next meeting for information and further recommended actions, if any.

#### MEETINGS OF INDEPENDENT DIRECTORS

During FY2018, the independent directors of Dr. Reddy's met five times in executive sessions without the presence of executive directors and other members of management. The company is ready to facilitate more such sessions as and when required by the independent directors. During these meetings, the independent directors reviewed the performance of the company and its senior management, that of the chairman and the board, corporate strategy, risks, competition, succession planning for the board and senior management and the information given to the Board.

#### ANNUAL BOARD RETREAT

During FY2018, the annual board retreat was organized at Hyderabad, India on 21-23 August 2017, where the board conducted a detailed strategy review of the company's business segments and discussed various governance related matters.

#### DIRECTORS' REMUNERATION

The company has a policy for the remuneration of directors, key managerial personnel (KMPs), senior management personnel (SMPs) and other employees. The remuneration policy is enclosed as **Annexure A** to this chapter. It lays down principles and parameters to ensure

that remunerations are competitive, reasonable, and in line with corporate and individual performance.

Executive directors are appointed by shareholders' resolution for a period of five years. No severance fee is payable to them. Except the commission payable to the executive directors are fixed in line with the company's policies. Their annual remuneration, including commission based on standalone net profits of the company, is recommended by the nomination, governance and compensation committee to the board for its consideration. The committee also takes into account corporate performance in a given year and the key performance indicators (KPIs). The remuneration are within the limits approved by shareholders. Perquisites and retirement benefits are paid in accordance with the company's compensation policies, as applicable to all employees.

Independent directors are entitled to receive sitting fees, commission based on the standalone net profits of the company and reimbursement of any expenses for attending meetings of the board and its committees. Such remuneration, including commission payable, is in conformity with the

**TABLE 4 REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2018**

NAME	SALARIES	PERQUISITES <sup>(1)</sup>	COMMISSION <sup>(2)</sup>	TOTAL
Mr. K Satish Reddy	12,165	3,302	42,000	57,467
Mr. G V Prasad	18,515	8,965	50,000	77,480
Dr. Omkar Goswami	-	-	6,967	6,967
Mr. Anupam Puri	-	-	8,887	8,887
Ms. Kalpana Morparia	-	-	7,292	7,292
Dr. Bruce L A Carter	-	-	7,683	7,683
Dr. Ashok S Ganguly <sup>(3)</sup>	-	-	2,995	2,995
Mr. Sridar Iyengar	-	-	8,008	8,008
Mr. Bharat N Doshi	-	-	8,595	8,595
Mr. Hans Peter Hasler	-	-	6,934	6,934
Mr. Prasad R Menon <sup>(4)</sup>	-	-	3,321	3,321

<sup>(1)</sup> Perquisites include medical reimbursement for self and family according to the rules of the company, leave travel assistance, personal accident insurance, leave encashment, long service award, company's vehicle with driver for official use, telephone at residence and mobile phone, contribution to provident fund and superannuation scheme. All these benefits are fixed in nature.

<sup>(2)</sup> Payment of commission is variable, and based on the percentage of net profit calculated according to section 198 of the Companies Act, 2013. The board of directors recommended for a fixed commission of ₹ 4,036,820 (US\$ 62,000) per Independent director; a specific amount of ₹ 1,302,200 (US\$ 20,000) to the chairman of the audit committee; ₹ 976,650 (US\$ 15,000) to the chair of science, technology and operations committee; the nomination, governance and compensation committee; the risk management committee; the corporate social responsibility committee; and the stakeholders' relationship committee; ₹ 651,100 (US\$ 10,000) to the other members of the committees; ₹ 1,302,200 (US\$ 20,000) to the lead independent director; ₹ 325,550 (US\$ 5,000) variable fee per meeting based on the attendance at the board meeting to every independent director. Other than the above, a specific amount of ₹ 97,665 (US\$ 1,500) per meeting was paid towards foreign travel of the directors.

<sup>(3)</sup> Remuneration for part of the year, term ended on 27 July 2017 as an independent director.

<sup>(4)</sup> Remuneration for part of the year, appointed with effect from 30 October 2017 as an independent director.

<sup>(5)</sup> Apart from receiving the above remuneration, the non-executive directors do not have any pecuniary relationship or transaction with the company.

provisions of the Companies Act, 2013, and has been considered and approved by the board and the shareholders. The company, in compliance with section 197 of the Companies Act, 2013, and the Listing Regulations, has not granted any stock options to independent directors since FY2013. Remuneration paid or payable to the directors for FY2018 is given in **Table 4**.

#### INDEPENDENT DIRECTORS

Independent directors of Dr. Reddy's head the following governance and/or board committee functions:

- Mr. Anupam Puri: Governance, corporate strategy, lead independent director and nomination, governance and compensation committee;
- Dr. Bruce LA Carter: The science, technology and operations committee;
- Dr. Ashok S Ganguly (term ended on 28 July 2017): The nomination, governance and compensation committee;
- Mr. Sridar Iyengar: The audit committee, and all financial and audit matters that fall under the remit of the committee plus being the ombudsperson for the company's whistle-blower policy;
- Ms. Kalpana Morparia: The stakeholders' relationship committee;
- Dr. Omkar Goswami: The risk management committee, financial risk management, subsidiary finances and compliance with section 404 of the US Sarbanes-Oxley Act, 2002; and
- Mr. Bharat N Doshi: The corporate social responsibility committee.

#### COMMITTEES OF THE BOARD

Dr. Reddy's has seven board-level committees, whose details are given below.

#### AUDIT COMMITTEE

The management is responsible for the company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audits of the company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits. The board of directors has entrusted the audit committee with the responsibility to supervise these processes and ensure

accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The primary functions of the audit committee are to:

- Supervise the financial reporting process;
- Review the quarterly and annual financial statements/results before placing them to the board along with audit/limited review report, related disclosures and filing requirements;
- Review the adequacy of internal controls in the company, including the plan, scope and performance of the internal audit function;
- Discuss with management the company's major policies with respect to risk assessment and risk management;
- Hold discussions with statutory auditors on the nature, scope and process of audits and any views that they have about the financial control and reporting processes;
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements;
- Recommend the appointment and removal of external auditors and their remuneration;
- Recommend the appointment of cost auditors;
- Review the independence of auditors;
- Ensure that adequate safeguards have been taken for legal compliance for the company and its subsidiaries;
- Review the financial statements, in particular, investments made by all the subsidiary companies;
- Review and approval of related party transactions;
- Review the functioning of whistle-blower mechanism;
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002;
- Scrutinize inter-corporate loans and investments;
- Examine the valuation of undertakings or assets of the company, wherever necessary;
- Evaluate internal financial controls; and
- Review suspected fraud, if any, committed against the company.

The audit committee entirely comprises of independent directors. All members are financially literate and bring in expertise in the fields of finance, economics, human resource development, strategy and management. The committee comprises Mr. Sridar Iyengar (chairman), Dr. Omkar Goswami and Mr. Bharat N Doshi.

The audit committee met six times during the year: on 3 April 2017, 11 May 2017, 27 July 2017, 30 October 2017, 24 January 2018 and 26 March 2018. It also met the key members of finance team and internal audit team along with the chairman and the CFO to discuss matters relating to audit, assurance and accounting. During the year, the committee also met statutory auditors without the presence of the management. In addition, the chairman of the committee and other members met to review other processes, particularly the internal control mechanisms to prepare for certification under section 404 of the Sarbanes-Oxley Act, 2002, and subsidiary governance oversight.

The company is in compliance with the provisions of the regulation 18 of the Listing Regulations, as amended, on the time gap between any two successive audit committee meetings. **Table 5** gives the composition and attendance record of the audit committee.

The chairman, CFO and the chief internal auditor are permanent invitees to all the audit committee meetings. The company's statutory auditors are also present. The company secretary officiates as the secretary of the committee.

Audit committee meetings are generally preceded by pre-audit committee conference calls with the members, the CFO, the internal audit and compliance teams, external auditors and other key finance personnel of the company. During these calls, major audit related matters are discussed and items that need further face-to-face discussion at the audit committee meetings are identified.

The internal and statutory auditors of the company discuss their findings and updates, and submit their views directly to the committee. Separate discussions are held with the internal auditors to focus on compliance issues and to conduct detailed reviews of the

processes and internal controls in the company. Permissible non-audit related services undertaken by the statutory and independent auditors are also pre-approved by the committee.

The audit committee also reviews the performance and remuneration of the chief internal auditor (CIA) and chief compliance officer (CCO).

The report of the audit committee is enclosed as **Exhibit 1** to this chapter.

### NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

The nomination, governance and compensation committee also entirely consists of independent directors. Its primary functions are to:

- Examine the structure, composition and functioning of the board, and recommend changes, as necessary, to improve the board's effectiveness;
- Formulate policies on the remuneration of directors, KMPs and other senior employees and on board-level diversity;
- Formulate criteria for evaluation of independent directors and the board;
- Assess the company's policies and processes in key areas of corporate

governance, other than those explicitly assigned to other board committees, with a view to ensure that Dr. Reddy's is at the forefront of good governance practices; and

- Regularly examine ways to strengthen organizational health, by improving hiring, retention, motivation, development, deployment and behavior of management and other employees. In this context, the committee also reviews the framework and processes for motivating and rewarding performance at all levels of the organization, the resulting compensation awards, and makes appropriate proposals for board approval. In particular, it recommends all forms of compensation to be granted to the executive directors, KMPs and senior management of the company.

The head of human resources (HR) makes periodic presentations to the committee on organization structure, talent management, leadership, succession, diversity, performance appraisals, increments, performance bonus recommendations and other HR matters.

The committee met four times during the year: on 11 May 2017, 28 July 2017, 30 October 2017 and 24 January 2018. The co-chairman, managing director and CEO is a permanent invitee to all such committee meetings. The head of HR officiates as the secretary of the committee. **Table 6** gives the composition and attendance record of the committee, and the report of the committee is enclosed as **Exhibit 2** to this chapter.

### SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

The science, technology and operations committee of the board also entirely comprises independent directors. Its primary functions are to:

- Advise the board and management on scientific, medical and technical matters and operations involving the company's development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other external research organizations;
- Assist the board and management to stay abreast of novel scientific and technologies developments and innovations; anticipate emerging concepts and trends in therapeutic research and development; and be assured that the company is making well-informed choices in committing its resources;
- Assist the board and management in creation of valuable intellectual property (IP);
- Review the status of non-infringement patent challenges; and
- Assist the board and the management in building and nurturing science in the organization in line with the company's business strategy.

The co-chairman, managing director and CEO is a permanent invitee to all committee meetings. Officials heading IPDO, proprietary products and biologics are secretaries to the committee with regard to their respective business.

The committee met four times during the year: on 11 May 2017, 27 July 2017, 30 October 2017 and

**TABLE 5** AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2018

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Mr. Sridar Iyengar	Chairman	6	6
Dr. Omkar Goswami	Member	6	4 <sup>(1)</sup>
Ms. Kalpana Morparia*	Member	3	3
Mr. Bharat N Doshi	Member	6	6

\* Ceased to be a member of the committee with effect from 30 October 2017.

<sup>(1)</sup> Was given leave of absence on request.

**TABLE 6** NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2018

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Mr. Anupam Puri*	Chairman	4	3 <sup>(1)(2)</sup>
Dr. Ashok S Ganguly**	Member	2	1 <sup>(1)</sup>
Ms. Kalpana Morparia***	Member	2	2
Mr. Bharat N Doshi	Member	4	4
Mr. Prasad R Menon****	Member	2	1 <sup>(1)</sup>

\* Appointed as chairman, with effect from 28 July 2017.

\*\* Term ended on 28 July 2017 as an independent director.

\*\*\* Ceased to be a member of the committee with effect from 30 October 2017.

\*\*\*\* Appointed as a member of the committee with effect from 30 October 2017.

<sup>(1)</sup> Was given leave of absence on request.

<sup>(2)</sup> Attended one meeting through tele-conference.

24 January 2018. **Table 7** gives the composition and attendance record of the committee, and report of the committee is enclosed as **Exhibit 3** to this chapter.

**RISK MANAGEMENT COMMITTEE**

The risk management committee also consists entirely of independent directors. Its key functions are to:

- Discuss with senior management Dr. Reddy's enterprise risk; management (ERM) and provide such oversight as may be needed;
- Ensure that it is apprised of the most significant risks along with mitigating actions; and
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The company has in place an enterprise-wide risk management system. The risk management committee of the board oversees and reviews the risk management framework as well as the assessment of risks, their management and mitigation procedures. The 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 this annual report.

The chairman, COO, CIA and the CCO are permanent invitees to all risk management committee meetings. The CFO officiates as the secretary of the committee. The committee met thrice during the year: on 11 May 2017, 30 October 2017, and 24 January 2018. **Table 8** gives the composition and attendance record of the committee, and the committee's report is enclosed as **Exhibit 4** to this chapter.

**STAKEHOLDERS' RELATIONSHIP COMMITTEE**

The stakeholders' relationship committee is empowered to perform the functions of the board relating to the handling of queries and grievances of security holders. It primarily focuses on:

- Investor complaints and their redressal;
- Review of queries received from investors;
- Review of work done by the share transfer agent including their service standards; and
- Review of corporate actions related to security holders.

The committee also periodically review the company's plans on stakeholders engagement.

The committee consists of four directors, including the two executive directors. The chairperson is an independent director. The committee met four times during the year: on 12 May 2017, 27 July 2017, 30 October 2017 and 24 January 2018. **Table 9** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 5** to this chapter.

The company secretary officiates as the secretary of the committee and is also designated as the compliance officer in terms of Listing Regulations. An analysis of investor queries and complaints received and responded/addressed during the year is given in the chapter on *Additional Shareholders' Information*.

**CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE**

The committee consists of three directors, including the two executive directors. The chairman is an independent director. The CSR committee's primary functions are to:

- Formulate, review and recommend to the board, a CSR policy indicating the activities to be undertaken by the company as specified in schedule VII of the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy;
- Provide guidance on various CSR initiatives undertaken by the company and monitor their progress; and
- Monitor implementation and adherence to the CSR policy of the company from time to time.

The CSR committee met four times during the year: on 12 May 2017, 27 July 2017, 30 October 2017 and 24 January 2018. The head of CSR officiates as the secretary of the committee. **Table 10** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 6** to this chapter.

**BANKING AND AUTHORIZATIONS COMMITTEE**

The banking and authorizations committee allows executive directors and selected officers of the company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government/non-government authorities. It consists of two executive directors; and it met five times during

**TABLE 7 SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE FOR FY2018**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Dr. Bruce L A Carter	Chairman	4	4
Mr. Anupam Puri	Member	4	3 <sup>(1)(2)</sup>
Dr. Ashok S Ganguly*	Member	2	1 <sup>(1)</sup>
Ms. Kalpana Morparia**	Member	2	2
Mr. Hans Peter Hasler	Member	4	3 <sup>(1)</sup>
Mr. Prasad R Menon**	Member	2	1 <sup>(1)</sup>

\* Term ended on 28 July 2017 as an independent director.

\*\* Appointed as a member of the committee with effect from 30 October 2017.

<sup>(1)</sup> Was given leave of absence on request.

<sup>(2)</sup> Attended one meeting through tele-conference.

**TABLE 8 RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2018**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Dr. Omkar Goswami	Chairman	3	3
Dr. Bruce L A Carter	Member	3	3
Mr. Sridar Iyengar	Member	3	3
Mr. Hans Peter Hasler	Member	3	2 <sup>(1)</sup>

<sup>(1)</sup> Was given leave of absence on request.

the year: on 12 May 2017, 27 July 2017, 31 October 2017, 25 January 2018 and 7 March 2018. The company secretary officiates as the secretary of the committee.

### OTHER BOARD MATTERS CAPITAL EXPENDITURES (CAPEX)

The board approves the annual capex budget in line with the company's long-term strategy. An internal management committee approves all capex investments within the annual capex budget approved by the board. An update on key capex approvals (and their relevant details) granted by the internal management committee is generally provided to the board periodically.

### COMPLIANCE REVIEWS

Dr. Reddy's has a full-fledged team and an identified chief compliance officer to oversee compliance activities. The company's compliance status is periodically updated to the senior management team including the CEO, COO and CFO, and presentations are given in the quarterly audit committee and risk management committee meetings. When pertinent, these are also shared with all board members.

### COBE AND VIGIL MECHANISM

Dr. Reddy's has adopted a code of business conduct and ethics (the 'code'), which applies to all directors and employees, subsidiaries and affiliates. It is the responsibility of all

directors and employees to familiarize themselves with this code and comply with its standards. The board and the senior management across the globe annually affirm compliance with the code. A declaration of the co-chairman, managing director and CEO of the company to this effect is enclosed as **Exhibit 7** to this chapter.

The company has an ombudsperson policy (whistle-blower or vigil mechanism) to report concerns on actual or suspected violations of the code. The audit committee chairperson is the chief ombudsperson. Complaints and reports submitted to the company and their resolution are reported through the chief ombudsperson to the audit committee and, where applicable, to the board. During FY2018, no personnel has been denied access to the audit committee on ombudsperson issues. The code of business conduct and ethics and ombudsperson policy (whistle-blower policy) are available on the company's website. See: [www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe](http://www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe) and [www.drreddys.com/investors/governance/ombudsperson-policy](http://www.drreddys.com/investors/governance/ombudsperson-policy)

### RELATED PARTY TRANSACTIONS

The company has adequate procedures to identify and monitor related party transactions. All transactions entered into with related parties during the financial year were in the ordinary course of business and on arm's length pricing basis. All related party transactions are placed before the audit

committee and the board for review and approval, as appropriate. The details of related party transactions are discussed in detail in note 2.21 to the standalone financial statements. The company's policy on materiality of the related party transactions is available on the company's website: [www.drreddys.com/investor/governance/policies-and-documents/policy-materiality-related-party-transactions.html](http://www.drreddys.com/investor/governance/policies-and-documents/policy-materiality-related-party-transactions.html)

The interested directors are not present for discussion and voting on such related party transactions. Furthermore, the transactions with directors/their relatives/entities outside Dr. Reddy's group in which they are interested, are reviewed by an independent chartered accountant.

### SUBSIDIARY COMPANIES

The audit committee reviews the financial statements of Dr. Reddy's subsidiaries. It also reviews the investments made by such subsidiaries, the statement of all significant transactions and arrangements entered into by subsidiaries, and the compliances of each materially significant subsidiary on a periodic basis. The minutes of board meetings of the subsidiary companies are placed before the board of Dr. Reddy's for review. The company's policy for determining material subsidiaries is available on the company's website: [www.drreddys.com/investor/governance/policies-and-documents/policy-determining-material-subsidiaries.html](http://www.drreddys.com/investor/governance/policies-and-documents/policy-determining-material-subsidiaries.html)

### DISCLOSURE ON ACCOUNTING TREATMENT

In the preparation of financial statements for FY2018, there is no treatment of any transaction which is different from that prescribed in the Indian Accounting Standards (Ind AS) notified by the Government of India under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, the guidelines issued by SEBI and other accounting principles generally accepted in India.

**TABLE 9** STAKEHOLDERS' RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2018

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Ms. Kalpana Morparia	Chairperson	4	4
Mr. Bharat N Doshi	Member	4	4
Mr. G V Prasad	Member	4	4
Mr. K Satish Reddy	Member	4	4

**TABLE 10** CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2018

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Mr. Bharat N Doshi	Chairman	4	4
Mr. K Satish Reddy	Member	4	4
Mr. G V Prasad	Member	4	4

## MANAGEMENT

The management of Dr. Reddy's develops and implements policies, procedures and practices that attempt to translate the company's core purpose and mission into reality. It also identifies, measures, monitors and minimizes risks in the business and ensures safe, sound and efficient operation. These are internally supervised and monitored through the company's management council (MC).

## MANAGEMENT COUNCIL (MC)

Dr. Reddy's MC consists of senior management from the business and corporate functions. Page nos. 20-21 of this annual report gives details of the members of the MC. Apart from monthly meetings, the MC meets once a quarter for two-days sessions. Background notes for the monthly and quarterly meetings are circulated in advance. Listed below are some of the key issues that were considered by the MC during the year under review:

- The company's long-term strategy, growth initiatives and priorities;
- Overall company performance, including those of various business units;
- Decision on major corporate policies;
- Discussion and sign-off on annual plans, budgets, investments and other major initiatives; and
- Discussion on business alliances proposals and organizational design.

## MANAGEMENT DISCUSSION AND ANALYSIS

The chapter on *Management Discussion and Analysis* forms a part of this annual report.

## MANAGEMENT DISCLOSURES

Senior management of the company (at the level of senior director and above, as well as certain identified key employees) make annual disclosures to the board on all material financial and commercial transactions in which they may have personal interest, if any, and which may have a potential conflict with the interest of the company. Transactions with key managerial personnel are listed in the financial section of this annual report under related party transactions.

## PROHIBITION OF INSIDER TRADING

The company has a policy prohibiting insider trading in conformity with applicable regulations of the SEBI in India and the Securities and Exchange Commission (SEC) of the USA. Necessary procedures have been laid down for directors, officers and employees for trading in the securities of the company. These are periodically communicated to such employees who are considered as insiders of the company. Apart from this, regular insider trading awareness sessions are conducted for the benefit of employees. Trading window closure/blackouts/quiet periods, when the directors and employees are not permitted to trade in the securities of the company, are intimated in advance to all concerned. Violations of the policy, if any, are appropriately acted on and reported to SEBI.

## INTERNAL CONTROL SYSTEMS AND STATUTORY AUDITS

Dr. Reddy's has both external and internal audit systems in place. Auditors have access to all records and information of the company. The board recognizes the work of the auditors as an independent check on the information received from the management on the operations and performance of the company. The board periodically reviews the findings and recommendations of the statutory and internal auditors and suggests corrective actions whenever necessary.

## INTERNAL CONTROLS

Dr. Reddy's maintains a system of internal controls designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Adequacy of safeguards for assets;
- Reliability of financial and non-financial reporting; and
- Compliance with applicable laws and regulations.

The integrity and reliability of the internal control systems are achieved through clear policies and procedures, process automation, careful selection, training and development of employees and an organization structure that segregates responsibilities. Internal audit at Dr. Reddy's is an independent, objective

assurance and advisory function, responsible for evaluating and improving the effectiveness of risk management, control and governance processes. The internal audit team helps to enhance and protect organizational value by providing risk-based objective assurance, advice, and insight. The internal audit team prepares annual audit plans based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls. Areas requiring specialized knowledge are reviewed in partnership with external experts. Suggested improvement in processes are identified during reviews and communicated to the management on an on-going basis.

The audit committee of the board monitors the performance of internal audit team on a periodic basis through review of audit plans, audit findings and speed of issue resolution through follow-ups. Each year, there are at least four meetings in which the audit committee reviews internal audit findings. During the year, the audit committee chairman also met the chief internal auditor without the presence of management.

## CEO AND CFO CERTIFICATION

A certificate of the co-chairman, managing director and CEO as well as the CFO of the company on financial statements and applicable internal controls as stipulated under regulation 17(8) of the Listing Regulations is enclosed as **Exhibit 8** to this chapter.

## STATUTORY AND IFRS AUDITS

For FY2018, M/s. S R Batliboi & Associates LLP, chartered accountants, audited the financial statements prepared under the Ind AS. The company had appointed KPMG as independent auditors for issuing an opinion on the financial statements prepared under IFRS for FY2018.

The independent statutory and IFRS auditors render an opinion regarding the fair presentation in the financial statements of the company's financial condition and operating results. Their audits are conducted in accordance with generally accepted auditing standards and include a review of the internal controls, to the extent necessary, to determine the audit procedures required to support their opinion.

While auditing the operations of the company, the external auditors recorded their observations and findings with the management. These were then discussed by the management and the auditors at the audit committee meetings – both face-to-face and via conference calls. Remedial measures suggested by the auditors and the audit committee have been either implemented or taken up for implementation by management.

#### AUDITORS' FEES

During FY2018, the company paid ₹ 12 million to M/s. S R Batliboi & Associates LLP, chartered accountants, the statutory auditors as audit fees. It also paid ₹ 1 million as fees for non-audit services performed by them.

#### AGREEMENTS WITH MEDIA

The company has not entered into any agreement with any media company and/or its associates.

#### SHAREHOLDERS

##### MEANS OF COMMUNICATION

###### 1. Quarterly and annual results:

Quarterly and annual results of the company are published in widely circulated national newspapers such as the *Business Standard* and the local vernacular daily, *Andhra Prabha*. These are also disseminated internationally through *Business Wire* and made available on company's website: [www.drreddys.com](http://www.drreddys.com). The financial results were sent, if asked for, to the registered e-mail addresses of shareholders.

###### 2. News releases, presentations, etc.:

The company has established systems and procedures to disseminate relevant information to its stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large. It also conducts earning calls with analysts and investors. An analysis of the various means of dissemination of

information during the year under review is produced in **Table 11**.

3. **Website:** The primary source of information regarding the company's operations is the corporate website: [www.drreddys.com](http://www.drreddys.com). All official news releases and presentations made to institutional investors and analysts are posted here. It contains a separate dedicated investors section where the information for shareholders is available. The webcast of the proceedings of the annual general meeting is generally also made available on the company's website.
4. **Annual report:** The company's annual report containing, *inter alia*, the boards' report, the corporate governance report, the business responsibility report, management's discussion and analysis (MD&A), audited standalone and consolidated financial statements, auditors' report and other important information is circulated to shareholders and others so entitled. The annual report is also available on the company's website in a user-friendly and downloadable form.
5. **Chairman's speech:** The speech given at the AGM is made available on the company's website: [www.drreddys.com](http://www.drreddys.com)
6. **Reminder to investors:** Reminders to collect unclaimed dividend on shares or debenture redemption/interest are sent to the relevant shareholders and debenture holders.
7. **Compliances with stock exchanges:** National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE) maintain separate online portals for electronic submission of information by listed companies. Various communications such as notices, press releases and the regular quarterly, half-yearly and annual compliances and disclosures

are filed electronically on these portals. In addition, such disclosures and communications are also sent to the NYSE and filed with SEC.

8. **Designated exclusive e-mail ID:** Dr. Reddy's has designated an e-mail ID exclusively for investor services: [shares@drreddys.com](mailto:shares@drreddys.com).
9. **Register to receive electronic communications:** Dr. Reddy's has provided an option to the shareholders to register their e-mail ID online through the company's website to receive electronic communications. Shareholders who wish to receive electronic communications may register at [www.drreddys.com/investors/investor-services/shareholder-information.aspx](http://www.drreddys.com/investors/investor-services/shareholder-information.aspx)
10. **Disclosures:** The company has a policy on the determination of materiality for disclosure of certain events.

#### ADDITIONAL INFORMATION ON DIRECTORS SEEKING REAPPOINTMENT AND APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

##### MR. K SATISH REDDY

Mr. K Satish Reddy (aged 51 years) (DIN: 00129701) graduated in Chemical Engineering from Osmania University, India, in 1988 and went on to receive an M.S. in Medical Chemistry from Purdue University, USA, in 1990. He joined Dr. Reddy's in 1993 as an executive director responsible for manufacturing and new product development. In 1997, he was appointed as managing director. In the mid-1990s, as the company prepared for its global foray, he anchored the establishment of key systems and initiatives that positioned Dr. Reddy's for rapid expansion and helped to build its brand and corporate identity.

Mr. Reddy played an instrumental role in the company's transition from a bulk drugs manufacturer to a global player in the branded space by spearheading Dr. Reddy's entry into international Emerging Markets, especially Russia.

Mr. Reddy was reappointed as whole-time director designated as managing

**TABLE 11** DETAILS OF COMMUNICATION MADE DURING FY2018

MEANS OF COMMUNICATION	FREQUENCY
Press releases/statements	52
Earnings calls	4
Publication of results	4

director and chief operating officer for a period of five years commencing on 1 October 2012. After the demise of the company's founder, Dr. K Anji Reddy, he was re-designated as vice-chairman and managing director with effect from 30 March 2013 and has been subsequently re-designated as the chairman of the company with effect from 13 May 2014.

The board of directors and shareholders of Dr. Reddy's, at their meetings on 12 May 2017 and 28 July 2017 respectively, approved the reappointment of Mr. K Satish Reddy as a whole-time director designated as chairman of the company for a further period of five years, commencing from 1 October 2017 to 30 September 2022. He retires by rotation at the 34th AGM of the company and, being eligible, offers himself for the reappointment.

Mr. Reddy is also a director on the boards of: Greenpark Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Araku Originals Private Limited, Cipro Estates Private Limited, KAR Therapeutics & Estates Private Limited, Quin Estates Private Limited, Satish Reddy Estates Private Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Research Foundation, Dr. Reddy's Institute of Life Sciences, Ruthenika Technologies Limited and company's wholly-owned subsidiaries, Aurigene Discovery Technologies Limited, Dr. Reddy's Bio-Sciences Limited and Idea2Enterprises (India) Private Limited.

Apart from the committee chairmanship or membership of Dr. Reddy's, he is not a committee chairman or a member of any other public limited company.

He holds 1,019,332 equity shares in the company.

Except Mr. G V Prasad and Mr. K Satish Reddy and their relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Reddy's reappointment (retiring by rotation) at the ensuing annual general meeting.

#### MR. ANUPAM PURI

Mr. Anupam Puri (aged 73 years) (DIN: 00209113) was appointed as a director on the board of the company in June 2002. In terms of section 149 and other applicable provisions of the Companies Act, 2013, Mr. Puri was appointed as an independent director for a term of four years at the 30th annual general meeting of the company held on 31 July 2014.

From 1970 to 2000, Mr. Puri was associated with McKinsey & Company, a leading management consultancy firm. He worked globally with corporate clients across several industries on strategy and organizational issues, and also served several government and multilateral institutions on public policy.

Mr. Puri spearheaded the development of McKinsey's India practice, oversaw the Asian and Latin American offices, and was an elected member of the board. He is currently a management consultant.

Mr. Puri holds a M.Phil. in Economics from Nuffield College, Oxford University, UK, an M.A. in Economics from Balliol College, Oxford University, and a B.A. in Economics from Delhi University, India.

Mr. Puri is also a director on the boards of: Mahindra & Mahindra Limited, Tech Mahindra Limited and company's wholly-owned subsidiary Dr. Reddy's Laboratories, Inc., USA.

Apart from the committee memberships in Dr. Reddy's, he is also a member of the audit committee and compensation committee of Tech Mahindra Limited and the strategic investment committee of Mahindra & Mahindra Limited.

Mr. Puri holds 13,500 ADRs having 13,500 underlying equity shares in the company as on 31 March 2018.

Except Mr. Puri and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Puri's reappointment at the ensuing annual general meeting.

#### MR. PRASAD R MENON

Mr. Prasad R Menon (aged 72 years) (DIN: 00005078) is a chemical engineer from the Indian Institute of Technology (IIT), Kharagpur. Mr. Menon has over 40 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry.

After 20 years with chemical giant ICI India Limited (now Akzo Nobel India Limited), he went on to become director (technical) of Nagarjuna Fertilisers and Chemicals Limited. In 2000, he took over as managing director of Tata Chemicals Limited, and in 2006, he stepped outside the chemicals field to become managing director of Tata Power Company Limited, from where he eventually retired in January 2011.

He is also a director on the boards of Axis Bank Limited, SKF India Limited and the Tata Foundation.

Apart from the committee memberships in Dr. Reddy's, Mr. Menon is also a member of the nomination and remuneration committee, committee of directors, IT strategy committee and the acquisitions and mergers committee of Axis Bank Limited, and the audit committee and nomination and remuneration committee of SKF India Limited.

He doesn't hold any equity shares in the company.

Except Mr. Menon and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Menon's appointment at the ensuing annual general meeting.

#### COMPLIANCE REPORT ON THE NYSE CORPORATE GOVERNANCE GUIDELINES

Pursuant to section 303A.11 of the NYSE Listed Company Manual, Dr. Reddy's, which is a foreign private issuer as defined by the SEC, must make its US investors aware of significant ways in which its corporate governance practices differ from those required of domestic companies under NYSE listing standards. A detailed analysis of this is available on the company's website: [www.drreddys.com](http://www.drreddys.com)

## COMPLIANCE REPORT ON DISCRETIONARY REQUIREMENTS UNDER REGULATION 27(1) OF THE LISTING REGULATIONS

1. **The board:** The chairman of Dr. Reddy's is an executive director and maintains the chairman's office at the company's expenses for the performance of his duties.
2. **Shareholders' rights:** The company did not send half-yearly results to the household of each shareholder(s) in FY2018. However, in addition to displaying its quarterly and half-yearly results on its website: www.drreddys.com and publishing in widely circulated newspapers, the quarterly financial results were sent, if asked for, to the registered e-mail addresses of shareholders.
3. **Audit qualifications:** The auditors have not qualified the financial statements of the company.
4. **Separate post of chairman and CEO:** Dr. Reddy's has separate posts of chairman and the CEO. Mr. K Satish Reddy is the chairman of the company; and Mr. G V Prasad is the co-chairman, managing director and CEO.
5. **Reporting of internal audit:** The chief internal auditor regularly updates the audit committee on internal audit findings at the committee's meetings and conference calls.

## ADDITIONAL SHAREHOLDERS' INFORMATION

The chapter on *Additional Shareholders' Information* forms a part of this annual report.

## ANNEXURE A REMUNERATION POLICY

### I. CONTEXT

The purpose of this policy is to set over principles, parameters and governance framework of the remuneration for directors, KMPs, senior management personnel and employees. This policy will assist the board to fulfil its responsibility towards attracting, retaining and motivating the directors, KMPs, senior management personnel and employees

through competitive and reasonable remuneration in line with the corporate and individual performance. This document outlines following policies/ guidelines:

- A. Performance evaluation of directors
- B. Remuneration principles
- C. Board diversity

### II. DEFINITIONS

**"Board"** means board of directors of the company.

**"Committee"** means nomination, governance and compensation committee of the company as constituted or reconstituted by the board, from time to time.

**"Company"** means Dr. Reddy's Laboratories Limited.

**"Director"** means directors of the company.

**"Employee"** means any person, including officers who are in the permanent employment of the company.

**"Independent Director"** As provided under clause 49 of the Listing Agreement and/or under the Companies Act, 2013, 'independent director' shall mean a non-executive director, other than a nominee director of the company:

- a) who, in the opinion of the board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c) apart from receiving director's remuneration, has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives –
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent or more of the total voting power of the company; or
  - (iv) is a chief executive or director, by whatever name called, of any non-profit organization that receives twenty five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; and
  - (v) is a material supplier, service provider or customer or a lessor or lessee of the company.
- f) who is not less than 21 years of age.

**"Key Managerial Personnel"** is as defined under the Companies Act, 2013 and means-

- a) the chief executive officer or the managing director or the manager (having ultimate controls over affairs of the company);
- b) the company secretary;
- c) the whole-time director;
- d) the chief financial officer; and
- e) such other officer as may be prescribed under the applicable statutory provisions/regulations from time to time.

“Senior Management” means personnel of the company who are members of its core management team excluding board of directors comprising all members of management one level below the executive directors, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

### III. APPLICABILITY

This policy is applicable to the following:

- Directors (executive and non-executive);
- Key managerial personnel (KMPs);
- Senior management personnel; and
- Other employees.

### IV. EVALUATION OF DIRECTORS

For the purpose of determining remuneration (based on profitability of the company), the evaluation criteria of the executive and non-executive directors are as outlined below:

- 1) **Executive directors:**
  - a) Financial metrics covering growth in return on capital employed (RoCE) and profitability;
  - b) Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the company.
- 2) **Non-executive directors:**
  - a) Level of engagement, independence of judgment, etc., and their contribution in enhancing the board’s overall effectiveness;

- b) The non-executive directors remuneration shall be globally benchmarked with similar organizations;
- c) Participation in the committees (either as chairperson or member) and the board meetings.

### V. REMUNERATION OF DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

The committee shall recommend to the board for their approval, any remuneration to be paid to the executive directors. The committee will separately review and approve the remuneration to be paid to KMPs and senior management personnel.

The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient required to attract, retain and motivate directors, KMPs and senior management in order to run the company successfully. There shall be a clear linkage of remuneration to performance and health targets. The remuneration shall be a mix of fixed and variable pay/long-term pay reflecting short and long-term performance objectives appropriate to the working of the company and its strategic goals.

The key principles for each of the positions are outlined below:

- 1) **Executive directors** - The executive directors shall be paid remuneration by way of monthly compensation and profit based commission. The total remuneration to be paid to the executive directors shall be within the limits prescribed under the provisions of the Companies Act, 2013 and rules made thereunder;
- 2) **Non-executive directors** - The non-executive directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of board or committee thereof. In addition, the non-executive and independent directors shall also be eligible to receive profit related commission, as may be approved by the shareholders of the company. They shall not be entitled to any stock options;

The chairman of the company shall propose remuneration to be paid to non-executive directors.

- 3) **KMPs and senior management personnel** - Dr. Reddy’s recognizes that those chosen to lead the organization are vital to its ongoing success and growth. Thus, these executives should be offered competitive and reasonable compensation so that Dr. Reddy’s can attract, retain and encourage critical talent to meet important organizational goals and strategies. The compensation will be the mix of fixed pay, variable pay, performance based incentive plans or stock options. The executive total compensation program will be flexible to differentiate pay to recognize an individual incumbents’ critical skills, contributions, and future potential to impact the organization’s success; and
- 4) **Other employees** - The compensation program for employees is designed to help drive performance culture and align employees for the creation of sustainable value through behaviors like execution excellence, innovation and leadership. In line with the organization principles of managing the long-term and meritocracy, there are four principles of pay which have been enumerated - ability to pay, position-linked pay, person-specific pay and performance-linked pay. The company may periodically review the compensation and benefits at all levels to ensure that the company remains competitive and is able to attract and retain desirable talent. The committee may review the overall compensation approach for employees and on any changes done for the entire organization.

### VI. BOARD DIVERSITY

Building a diverse and inclusive workplace is an integral part of Dr. Reddy’s culture. These principles are also applied to the composition of our board.

The board of directors shall have the optimum combination of directors from different areas/fields of expertise and experience like operations, management, quality assurance, finance, sales and marketing, supply chain, research and

development, human resources etc., or as may be considered appropriate. The board shall have at least one member who has accounting or related financial management expertise and at least three members who are financially literate.

At least one member of the board should be a woman.

## VII. CONFIDENTIALITY

The members of the committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions. They shall also ensure that any employees appointed to support them likewise comply with this rule.

## VIII. REVIEW

This policy will be reviewed at appropriate time, as decided by the committee. The utility and interpretation of this policy will be at the sole discretion of the committee.

## EXHIBIT 1 REPORT OF THE AUDIT COMMITTEE

*To the shareholders of Dr. Reddy's Laboratories Limited*

The audit committee of the board of directors consists of three directors. Each member is an independent director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

Dr. Reddy's management has primary responsibility for the financial statements and reporting process, including the systems of internal controls. During FY2018, the audit committee met six times. It discussed with the company's internal auditors, statutory auditors and independent auditors the scope and plans for their respective audits. It also discussed the results of their examination, their evaluation of the company's internal controls, and overall quality of the company's financial reporting. The audit committee provides

at each of its meetings an opportunity for internal and external auditors to meet privately with the members of the committee, without the presence of management.

In fulfilling its oversight responsibilities, the committee reviewed and discussed the company's quarterly unaudited and annual audited financial statements with the management. M/s. S R Batliboi & Associates LLP, chartered accountants, the company's statutory auditors for Indian GAAP, and KPMG, the company's independent auditors for IFRS financial statements, are responsible for expressing their opinion on the conformity of the company's audited financial statements with generally accepted accounting principles (GAAP), as applicable.

Relying on the review and discussions with the management and the auditors, the audit committee believes that the company's financial statements are fairly presented in conformity with Indian accounting standards (Ind AS) and the IFRS as issued by the International Accounting Standards Board in all material aspects.

To ensure that the accounts of the company are properly maintained and that accounting transactions are in accordance with the prevailing laws and regulations, the committee reviewed the internal controls put in place by the company. In conducting such reviews, the committee found no material discrepancy or weakness in the company's internal control systems.

During the year, the committee also reviewed the following:

- a) Non-audit services being provided by the statutory and independent auditors and concluded that such services were not in conflict with their independence;
- b) Structure of the internal audit function and chief internal auditor's remuneration; and
- c) Related party transactions, as applicable.

The committee ensures that the company's code of business conduct and ethics has a mechanism such that no personnel intending to make a complaint relating to securities and

financial reporting shall be denied access to the audit committee.

The audit committee has recommended to the board of directors:

1. That the audited standalone and consolidated financial statements of Dr. Reddy's Laboratories Limited for the year ended 31 March 2018 prepared as per Ind AS be accepted by the board as a true and fair statement of the financial status of the company; and
2. That the financial statements prepared as per IFRS as issued by International Accounting Standards Board for the year ended 31 March 2018 be accepted by the board and be included in the company's annual report on Form 20-F, to be filed with the US Securities and Exchange Commission.

In addition, the committee has also recommended the following to the board:

- Continuation of M/s. S R Batliboi & Associates LLP, chartered accountants as statutory auditors under Ind AS, in line with the approval of the shareholders in the 32nd AGM; and
- Appointment of the secretarial auditor and cost auditor.

## Sridar Iyengar

Chairman, Audit Committee

Place : Hyderabad

Date : 21 May 2018

## EXHIBIT 2 REPORT OF THE NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

*To the shareholders of Dr. Reddy's Laboratories Limited*

The nomination, governance and compensation committee of the board of directors consists of three independent directors as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee's primary responsibilities are to:

- Assess the company's policies and processes in key areas of corporate governance and the impact of related significant regulatory and statutory changes, if any, with a view that the company is at the forefront of good corporate governance;
- Periodically examine the structure, composition and functioning of the board, and recommend changes, as necessary, to improve the board's effectiveness and evaluation, including formulation of criteria for such evaluation;
- Examine major aspects of the company's organizational design, and recommend changes as necessary;
- Formulate policies on the remuneration of directors, KMPs and other employees and on board diversity;
- Review and recommend compensation and variable pay for executive directors to the board;
- Establish, in consultation with the management, the compensation program for the company, and recommend it to the board for approval, and in that context:
  - Establish annual key result areas (KRAs) for the executive directors and oversee the status of their achievement;
  - Review, discuss and provide guidance to the management, on the KRAs for members of the MC, KMPs and their remuneration;
  - Review the company's ESOP schemes and oversee its administration.

As on 31 March 2018, the company had 427,852 outstanding stock options, which amounts to 0.26% of total equity capital. These options are held by 549 employees of the company and its subsidiaries under 'Dr. Reddy's Employees Stock Options Scheme, 2002' and 'Dr. Reddy's Employees ADR Stock Options Scheme, 2007'. The stock options are exercisable at par value i.e. ₹ 5/-.

In addition to the normal fulfilment of its responsibilities as described above, this year the committee has given special emphasis to board renewal, including inducting new directors, identifying candidates for the board, and modifying committee composition. It has also

worked with management to review the organization design, plan for upgrading and retaining talent at all levels, review succession plans for key positions, and support revision of training programs and the performance enablement systems.

It also reviewed the company's system for hiring, developing and retaining talent. In addition to setting the board evaluation parameters, the committee also recommended to the board the induction of new directors, changes in committee structure and membership and other steps that would improve the board's effectiveness in overseeing the company.

**Anupam Puri**

Chairman, Nomination, Governance and Compensation Committee

Place : Hyderabad  
Date : 21 May 2018

**EXHIBIT 3  
REPORT OF THE SCIENCE,  
TECHNOLOGY AND OPERATIONS  
COMMITTEE**

*To the shareholders of Dr. Reddy's Laboratories Limited*

The science, technology and operations committee of the board of directors consists of five independent directors as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee's primary responsibilities are to:

- Advise the board and management on scientific, medical and technical matters and operations involving the company's development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other outside research organizations;
- Assist the board and management to stay abreast of novel scientific and technology developments and innovations and anticipate emerging concepts and trends in therapeutic

research and development, to help the company to make well-informed choices in committing its resources;

- Assist the board and the management in the creation of valuable intellectual property (IP);
- Review the status of non-infringement patent challenges; and
- Assist the board and the management in building and nurturing science in the organization in tune with its business strategy.

The committee met four times during the financial year and apprised the board on key discussions and recommendations made at such meetings.

**Dr. Bruce LA Carter**

Chairman, Science, Technology and Operations Committee

Place : Hyderabad  
Date : 21 May 2018

**EXHIBIT 4  
REPORT OF THE RISK MANAGEMENT  
COMMITTEE**

*To the shareholders of Dr. Reddy's Laboratories Limited*

The risk management committee of the board of directors consists of four directors. Each member is an independent director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee's primary responsibilities are to:

- Discuss with senior management 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 actions that the management is taking and how it is ensuring effective enterprise risk management (ERM); and
- Review risk disclosure statements in any public documents or disclosures.

The committee met thrice during the financial year to review the status of

mitigation of key business and financial risks, risk management initiatives, evaluate residual risk thereof and recommend interventions from time to time. It also apprised the board on key discussions and recommendations made at such meetings and shared information on enterprise-wide risks.

**Dr. Omkar Goswami**  
Chairman, Risk Management Committee

Place : Hyderabad  
Date : 21 May 2018

#### **EXHIBIT 5 REPORT OF THE STAKEHOLDERS' RELATIONSHIP COMMITTEE**

*To the shareholders of Dr. Reddy's Laboratories Limited*

The stakeholders' relationship committee of the board of directors consists of four directors. Out of them two members are independent directors as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee believes that its primary responsibilities are to:

- Review investor complaints and their redressal;
- Review of queries received from investors;
- Review of work done by the share transfer agent including their service standards; and
- Review corporate actions related to security holders.

The committee met four times during the financial year. It also reviewed the functioning of the company's secretarial and investor relations functions. It apprised the board on key discussions and recommendations made at such committee meetings.

**Kalpna Morparia**  
Chairperson, Stakeholders' Relationship Committee

Place : Hyderabad  
Date : 21 May 2018

#### **EXHIBIT 6 REPORT OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

*To the shareholders of Dr. Reddy's Laboratories Limited*

The corporate social responsibility (CSR) committee of the board of directors consists of three directors, including two executive directors. The chairman is an independent director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee believes that its primary responsibilities are to:

- Formulate, review and recommend to the board a CSR policy indicating the activities to be undertaken by the company as specified in schedule VII of the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy;
- Provide guidance on various CSR initiatives undertaken by the company and to monitor their progress including their impact; and
- Monitor implementation and adherence to the CSR policy of the company from time to time.

During the financial year, the committee met four times. It also reviewed and apprised the board on the CSR budget, key discussions and recommendations made at such meetings and shared information on the overall CSR initiatives undertaken by the company.

**Bharat N Doshi**  
Chairman, Corporate Social Responsibility Committee

Place : Hyderabad  
Date : 21 May 2018

#### **EXHIBIT 7 THE CEO'S DECLARATION ON COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS**

Dr. Reddy's Laboratories Limited has adopted a code of business conduct and ethics ('the code') which applies to all employees and directors of the company, its subsidiaries and affiliates. Under the code, it is the responsibility of all employees and directors to familiarize themselves with the code and comply with its standards.

I hereby certify that the board members and senior management personnel of Dr. Reddy's have affirmed compliance with the code of the company for the financial year 2017-18.

**G V Prasad**  
Co-Chairman, Managing Director and CEO

Place : Hyderabad  
Date : 21 May 2018

#### **EXHIBIT 8 CEO AND CFO CERTIFICATE TO THE BOARD PURSUANT TO REGULATION 17(8) OF THE LISTING REGULATIONS**

We, G V Prasad, co-chairman, managing director and chief executive officer, and Saumen Chakraborty, president and chief financial officer, to the best of our knowledge and belief, hereby certify that:

- A. We have reviewed the financial statements including the cash flow statement (standalone and consolidated) for the financial year ended 31 March 2018 and that these statements:
  - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - ii. together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are no transactions entered into by the company during the year, which are fraudulent, illegal or violate the company's code of business conduct and ethics.

- C. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- D. We have disclosed, wherever applicable, to the auditors and the audit committee:
- i. That there were no deficiencies in the design or operations of internal controls that could adversely affect the company's ability to record, process, summarize and report financial data including any corrective actions;
  - ii. that there are no material weaknesses in the internal controls over financial reporting;
  - iii. that there are no significant changes in internal control over financial reporting during the year;
  - iv. all significant changes in the accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - v. that there are no instances of significant fraud of which we have become aware of and involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

**G V Prasad**

Co-Chairman, Managing Director & CEO

**Saumen Chakraborty**

President and Chief Financial Officer

Place : Hyderabad

Date : 21 May 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE AS PER PROVISIONS OF CHAPTER IV OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

The members of

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

1. The corporate governance report prepared by Dr. Reddy's Laboratories Limited (hereinafter the "company"), contains details as required by the provisions of chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to corporate governance for the year ended 31 March 2018. This report is required by the company for annual submission to the stock exchange and to be sent to the shareholders of the company.

**MANAGEMENT'S RESPONSIBILITY**

2. The preparation of the corporate governance report is the responsibility of the management of the company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the corporate governance report.
3. The management along with the board of directors are also responsible for ensuring that the company complies with the conditions of corporate governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

**AUDITOR'S RESPONSIBILITY**

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance

in the form of an opinion whether the company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.

5. We conducted our examination of the corporate governance report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the corporate governance report with the applicable criteria. Summary of key procedures performed include:
  - i. Reading and understanding of the information prepared by the company and included in its corporate governance report;
  - ii. Obtained and verified that the composition of the board of directors with respect to executive and non-executive directors has been met throughout the reporting period;
  - iii. Obtained and verified that the composition of committees of the board of directors has been met throughout the reporting period;
  - iv. Obtained and read the directors register as on 31 March 2018 and verified that atleast one women director was on the board during the year;
  - v. Obtained and read the minutes of the following committee

meetings held from 1 April 2017 to 31 March 2018:

- (a) Board of directors meeting;
  - (b) Audit committee;
  - (c) Annual general meeting;
  - (d) Nomination, governance and compensation committee;
  - (e) Science, technology and operations committee;
  - (f) Stakeholders' relationship committee;
  - (g) Corporate social responsibility committee;
  - (h) Independent directors meeting; and
  - (i) Risk management committee.
- vi. Obtained necessary representations and declarations from directors of the company including the independent directors; and
- vii. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the corporate governance report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the company taken as a whole.

#### OPINION

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the company has complied with the conditions of corporate governance as stipulated in the Listing Regulations, as applicable for the year ended 31 March 2018, referred to in paragraph 2 above.

#### OTHER MATTERS AND RESTRICTION ON USE

9. This report is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.
10. This report is addressed to and provided to the members of the company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of corporate governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

for **S R Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm Registration Number:  
101049W/E300004

per **Kaustav Ghose**  
Partner  
Membership Number: 57828

Place : Hyderabad  
Date : 21 May 2018