

ESG Supplementary Book

FY 2022-2023

About this book

The ESG supplementary book contains an additional set of relevant and material ESG (Environmental, Social, and Governance) information and should be read in conjunction with the Integrated Annual Report. The reporting boundary for all the ESG data in this book, unless otherwise stated, covers our global operations. All monetary figures, unless specifically stated, are in INR.

For more information on our overall ESG performance across multiple parameters and frameworks, view our [ESG profile](#).

Table of contents

CONTENTS	PAGE
1. Governance & Economic Dimension	4
1.1 Transparency & Reporting	4
1.2 Corporate Governance	5
1.3 Materiality	16
1.4 Risk & Crisis Management	17
1.5 Business Ethics	18
1.6 Policy Influence	20
1.7 Supply Chain Management	22
1.8 Tax Strategy	25
1.9 Information Security/Cybersecurity	26
1.10 Innovation Management	27
1.11 Product Quality & Recall Management	27
2. Environmental Dimension	30
2.1 Environmental Policy & Management Systems	30
2.2 Emissions	30
2.3 Resource Efficiency and Circularity	34
2.4 Waste	35
2.5 Water	37
2.6 Climate Strategy	37
2.7 Biodiversity	39
2.8 Product Stewardship	40
3. Social Dimension	41
3.1 Labor Practice Indicators	41
3.2 Human Rights	43
3.3 Human Capital Development	43
3.4 Talent Attraction & Retention	46
3.5 Occupational Health & Safety	50
3.6 Access to Healthcare	52
3.7 Addressing Cost Burden	53
3.8 Health Outcome Contribution	55
3.9 Marketing Practices	56
4. Other important references	57
Reports and filings	57
Webpages	57
Policies	57
Other documents	57
Assurance statement	58

1. Governance & Economic Dimension

1.1 Transparency & Reporting

Sustainability Reporting Boundaries (DJSI 1.1.1)

Our sustainability disclosure covers the financial and nonfinancial performance of our global operations for the period April 1, 2022, to March 31, 2023 (unless otherwise stated). All activities under operational control and/ or majority-owned are covered. All material environmental, social, and governance-related indicators are included in the disclosure.

Until FY 2022, we produced separate annual and sustainability reports. This year, we have published our first integrated report that combines our financial and non-financial reporting. The report weaves together our purpose, values, strategy, governance, performance and future outlook, all of which materially influence our business. Through our integrated annual report, we offer stakeholders a holistic view of the company's growth and value creation over time, along with our business, strategy and performance in FY 2023.

Sustainability Reporting Assurance (DJSI 1.1.2)

We have received an assurance statement by an external assurance specialist, and this is available on page 403 of our Integrated Annual Report. Non-financial sustainability information has been independently assured by DNV Business Assurance India Private Limited ('DNV'), an independent audit and assurance firm. They performed a limited level of assurance based on their assurance methodology VeriSustain^{TM1}. The VeriSustain protocol is based on the principles of various assurance standards including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the GRI Principles for Defining Report Content and Quality, international best practices in verification, and DNV's professional experience; and is available on request from www.dnv.com.

The reporting scope and boundary encompasses economic, social and governance performance of Dr. Reddy's operations where the Company exercises operational control (product manufacturing operations and research and development facilities) located in India, the United Kingdom, Mexico and the United States of America, and is as brought out in the Integrated Annual Report in the section 'About this Report' for the activities undertaken by the Company during the financial year April 1, 2022 – March 31, 2023.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement, Greenhouse Gas Verification Statement and Management Report. DNV maintains complete impartiality toward stakeholders interviewed during the assurance process.

1.2 Corporate Governance

The Securities and Exchange Board of India ("SEBI") regulates corporate governance norms for listed companies in India through the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). We are in compliance with all the corporate governance norms of the SEBI Listing Regulations. We are also in compliance with the applicable Corporate Governance Guidelines of the New York Stock Exchange, Inc. ("NYSE") and NSE IFSC Exchange Rules.

Board Independence (DJSI 1.2.1)

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, at least one-third of the board of directors shall comprise independent directors where the Company has non-executive Chairperson and where the Chairperson of the Board is executive at least half of the board of directors shall comprise of independent directors. As on March 31, 2023, 78% of Board members of Dr. Reddy's consists of independent directors. Also, as per the listing requirements of the New York Stock Exchange (NYSE), companies must have a majority of "independent directors." We comply with this standard.

In accordance with Section 149(7) of the Act, each independent director has confirmed to the company that he or she meets the criteria of independence laid down in Section 149(6) of the Act and is in compliance with Rule 6(3) of the Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1)(b) of the Listing Regulations. Further, they have affirmed compliance to the code of conduct for independent directors as prescribed in Schedule IV of the Act. The Board has taken on record such declarations after due assessment of their veracity.

The independent directors provide an annual confirmation that they meet the criteria of independence as defined under Indian laws. Requisite disclosures have been received from the directors in this regard. After assessment of such disclosures, declarations, and confirmations, the board has opined that all the independent directors fulfill the conditions specified under Listing Regulations and are independent of the management.

Target share

The target share of the Independent Directors on the Board of the Company is not less than two-third of the total number of Directors on the Board. As on March 31, 2023, and May 10, 2023, 78% and 80%, respectively, of the Board members are independent.

Board Type (DJSI 1.2.2)

One tier system

Type of members	Number of Members
Executive directors	2
Independent directors	7
Other non-executive directors	0
Total board size	9

For more details about our Board of directors, please visit - <https://www.drreddys.com/meet-our-leadership>. Our Company has a one-tier system with 9 board members, of which 2 are executive, whole-time directors, and the rest are Independent Directors. The total size of the board is 9 members. 78% of our board is independent.

The Company has an optimum combination of Executive and Non-executive Directors which is in conformity with the Companies Act, 2013 ("Act"), the SEBI Listing Regulations and the Corporate

Governance Guidelines of the NYSE Listed Company Manual. In terms of Regulation 17 of the SEBI Listing Regulations, at least 50% of the board should comprise non-executive independent directors with at least one female director. The Board periodically evaluates the need for change in its composition and size. However, target share of the Independent Directors on the Board of the Company is not less than two-third of the total number of Directors on the Board. As on March 31, 2023, 78% of the Board members are independent. The Board consists of 9 Directors, comprising two Promoter Executive Directors, i.e., the Chairman of the Board and the Co-Chairman and Managing Director, and seven Independent Directors. The Board consists of three Women Independent Directors.

Definition of Independent Directors

As provided in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 or member of the promoter group of the listed entity.
(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 three immediately preceding financial years or during the current financial year.
- d) none of whose relatives
 - (i) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;
 - (ii) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or
 - (iv) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income: Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.
- e) who, neither himself/herself nor whose relatives –
 - (i) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company 75[or any company belonging to the promoter group of the listed entity,] in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed: Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.
 - (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 —
 - (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

- (2) any legal or a consulting firm that has or had any transaction with the listed entity, 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 listed entity; or
- (iv) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, 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 listed entity;
- (iv) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- f) who is not less than 21 years of age
- g) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director

"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 control 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 officers/ personnel of the company who are members of its core management team.

"Senior Management" is as defined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

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.

Non-Executive Chairperson/ Lead Director (DJSI 1.2.3)

Separate post of Chairman and CEO: Mr. K Satish Reddy is the Chairman of the Company, Mr. G V Prasad is the Co- Chairman and Managing Director, and Mr. Erez Israeli is the Chief Executive Officer.

Dr. Reddy's has split the role of the CEO and Chairman. Mr. Erez Israeli was appointed as Chief Executive Officer. The Board has designated an independent director as the Lead Independent Director. Mr. Prasad R Menon's term as an Independent Director (Lead Independent Director) of the Company was ended on October 29, 2022. Consequently, the Board has appointed Ms. Kalpana Morparia, Independent Director of the Company, as the Lead Independent Director, with effect from October 30, 2022. The role of the Lead Independent Director includes presiding over all meetings of Independent Directors, provide objective feedback of the independent directors as a group to the Board on various matters, liaise between the Promoters, Chairman/ Co-Chairman, CEO and Independent Directors on contentious matters for consensus building, assist in further strengthening the Board effectiveness and governance practices, including suggestions on agenda items for Board/ Committee meetings on behalf of the Independent Directors, among others.

Board Effectiveness (DJSI 1.2.6)

Board Meeting Attendance

The average board meeting attendance during the year was 98%. The minimum attendance required for all members is 75%.

Board Mandates

We follow the SEBI listing regulations governing listed companies. As per the regulatory requirement on maximum number of directorships, the directors of listed entities shall comply with the following conditions with respect to the maximum number of directorships, including any alternate directorships that can be held by them at any point of time –

- (1) A person shall not be a director in more than seven listed entities.
- (2) Notwithstanding the above, any person who is serving as a whole-time director / managing director in any listed entity shall serve as an independent director in not more than three listed entities.

In compliance with the above requirement, none of our independent directors serves as a director in more than five listed companies. None of our independent directors are whole-time directors or managing directors in any listed company.

We have seven non-executive/ independent directors with 4 or less mandates in other listed entities. These include Ms. Kalpana Morparia, Mr. Sridar Iyengar, Mr. Leo Puri, Ms. Shikha Sharma, Dr. K P Krishnan, Ms. Penny Wan, and Mr. Arun M. Kumar.

Number of other mandates for non-executive/ independent directors is restricted to seven.

As on May 10, 2023 – the number of non-executive/ independent directors with 4 or less mandates in other listed entities is eight (Dr. Claudio Albrecht was appointed as non-executive independent director w.e.f. May 10, 2023)

Board Election Process

Board members are elected individually (as opposed to elected by slate). After enactment of the Indian Companies Act, 2013, effective from April 1, 2014, an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and shall be eligible for re-appointment for 2nd term on passing of a special resolution by the shareholders of the Company for a period up to 5 years. However, the Independent Directors shall not retire by rotation.

The Company has two Whole-time Directors (The Chairman and the Co-Chairman and Managing Director). The Whole-time Directors of the Company were re-appointed for a period of 5 years. In terms of the Indian Companies Act, 2013, their reappointments are subject to retire by rotation and are eligible for reappointment by the shareholders of the Company at the Annual General Meeting. Our Whole-time Directors retire by rotation in alternate years and are reappointed by the shareholders at the Annual General Meeting.

Board Average Tenure (DJSI 1.2.7)

Name of the Director	Position and Independence Status	Attendance at Board meetings (out of total Board meetings)	Tenure (Years)	Non-executive/ independent directors with 4 or less other mandates
Mr. Satish Reddy	Chairman (Executive Director)	8/8	30 years 2 months	-
Mr. GV Prasad	Co-Chairman and Managing Director (Executive Director)	8/8	37 years	-
Ms. Shikha Sharma	Independent Director	7/8	4 years 2 months	-
Ms. Kalpana Morparia	Independent Director	8/8	15 years 10 months	Yes
Mr. Bruce LA Carter ¹	Independent Director	4/4	8 years	Yes
Mr. Sridar Iyengar	Independent Director	8/8	8 years 8 months	Yes
Mr. Prasad R Menon ²	Independent Director	4/5	5 years	Yes
Mr. Leo Puri	Independent Director	8/8	4 years 5 months	Yes
Mr. Allan Oberman ³	Independent Director	5/5	3 years 9 months	Yes
Mr. K P Krishnan	Independent Director	8/8	1 year 3 months	Yes
Ms. Penny Wan	Independent Director	8/8	1 year 2 months	Yes
Mr. Arun M Kumar ⁴	Independent Director	4/4	0.8 years	Yes

¹Term ended on July 30, 2022, as an Independent Director.

²Term ended on October 29, 2022, as an Independent Director.

³Resigned effective on January 6, 2023, as an Independent Director.

⁴Appointed as an Independent Director with effect from August 1, 2022.

As on March 31, 2023, the average tenure of board members is 11.8 years. The average tenure of Independent Directors in the board is 5.6 years.

Board Meeting Attendance

The board of directors held a total of eight meetings during the year 2022-2023. The above table mentions the number of meetings attended by each director based on their tenure. The average board meeting attendance was 98%. Directors are required to attend 75% of the meetings held during the financial year.

Board Evaluation

One of the key functions of the Board and the NGCC is to monitor and review the Board evaluation framework. The Board works with the NGCC to lay down the evaluation criteria for the performance of

the Chairman, the Board, Board Committees, and Executive/ Non-executive/ Independent Directors through peer evaluation, excluding the director being evaluated.

In compliance with the provisions of the Act and Regulation 17(10) of the SEBI Listing Regulations, to improve the effectiveness of the Board and its Committees, as well as that of each individual Director, a formal Board review is undertaken on an annual basis.

Board evaluation criteria and process

An independent external agency, EgonZehnder, a leadership advisory firm on Board matters, was engaged to conduct the Board evaluation for FY2023. The evaluation process focused on Board process, Board dynamics, Committee effectiveness, Director's skills, active participation and softer aspects, and information flow to the Board or its Committees, among other matters. The exercise entailed a detailed process in which independent senior experts from the agency evaluated the Board processes, individual Directors' participation and their engagement in the meeting. The methodology included techniques such as questionnaires and one-on-one discussions/ interviews with the Board members and Senior Management, etc. The summary findings/ recommendations were discussed with the Board and individual feedback was provided. Progress on recommendations from last year and the current year's recommendations were discussed. The aspects of succession planning and Committee composition were also considered.

The evaluation process broadly covered the following parameters:

Board – ▪ Board structure and composition, ▪ Board meetings, information flow and agenda, ▪ Board culture, relationships and dynamics, ▪ strategy, business performance and ESG, ▪ talent management and succession planning, ▪ risk management, ▪ continuous improvement, etc.

Board Committees – ▪ Overall Committees of the Board, ▪ composition and diversity, ▪ leadership of the Chair, ▪ meetings frequency and duration, ▪ succession planning of the Committee members, ▪ interaction with management, quality of discussions, ▪ stay abreast of novel scientific and technological developments and innovations, ▪ quality of agenda and supporting documents, etc.

Individual Directors – ▪ Attendance in meetings, ▪ experience and expertise, ▪ participation and contribution in Board deliberation, ▪ preparedness in subjects, ▪ understanding of governance, regulatory, financial and fiduciary requirements, ▪ stay up to date and brings insight on the industry, ▪ up to date on corporate governance trends and development, ▪ focused on improving shareholders value, ▪ understanding of organisation's strategy and risk environment, sufficiently challenges management to set and stretch goals, ▪ maintain high standards of ethics, integrity, confidentiality and adherence to the Code of Conduct, ▪ strong desire to make the Board an even better version of itself, etc.

Chairman and Co-Chairman– Evaluated on the above parameters for individual Directors. Additionally, evaluated on effective leadership, moderatorship and conduct of impartial discussions, seeking participation from Board members and availability for other Board members and constructive feedback.

Outcome and action plan of Board evaluation process from FY2023

The Board evaluation process acknowledged the following positives:

- Authenticity, integrity and sense of purpose characterizes the Dr. Reddy's Board. The Board is justifiably proud of the Company's reputation, purpose and growth aspirations.
- Dr. Reddy's Board is a functioning and engaged Board and focused on contributing to the Company.
- The Board is recognized for keeping the interest of all stakeholders in perspective.
- The Board performs its governance and fiduciary duties with great thoroughness.
- The Board members recognizes that there is room for debate at Board and Committee meetings.

- There is satisfaction with the number and frequency of Board and Committee meetings, the meeting calendar, corporate secretarial practices and flow of the Board and Committee meetings.
- The Board committees are in conformance to the regulatory guidelines.
- The Independent Directors' meetings led by Lead Independent Director, are seen as meaningful and of value.
- There was satisfaction expressed on the leadership of Chief Executive Officer, business performance and Management Council stability.

The Board was satisfied with the evaluation process and outcome, Directors' engagement, experience, diversity and expertise. The Board Committees were also found to be effective in terms of its composition, functioning and contribution. The evaluation process acknowledged that the Board and Board committees have spent sufficient time on future business strategies and other long-term and short-term growth plans, operational matters including review of business and functional updates, financial results and other regulatory approvals, and leadership succession planning, governance matters and internal controls.

The Board evaluation process through independent external agency has inter alia identified the following focus areas:

- Transition and composition of the Board: the transition of tenured and valued Board members, diversity on the Board, enhancing presence of science/ pharma/ innovation/ technical proficiency.
- Board meetings: Deeper and altered induction program for new Directors, initiate dialogue with Board members to leverage their strengths or personal goals.
- Board processes and relationships: richer dialogue on performance data with greater external market insights/ industry, enhanced interactions and occasional engagement outside the Boardroom.
- Succession and talent: greater depth and clarity on succession planning of Senior Management, succession planning of Lead Independent Director and Committee chairs.

The Board also discussed the action taken consequent to the previous Board evaluation for FY2022 and was satisfied with the status of progress of the same.

Election of Board Members

Recommending any new member on the Board is the responsibility of the Nomination, Governance and Compensation Committee ("NGCC") of the Board, which consists entirely of Independent Directors. Given the existing composition of the Board, the years left of the existing members to serve on the Board, and the need for new domain expertise the NGCC evaluates the balance of skills, knowledge and experience on the Board as well as description of the role and capabilities required of a Director on the Board. When such a need becomes apparent, the NGCC reviews potential candidates in terms of their expertise, attributes, personal and professional backgrounds and their ability to attend meetings. It then places its recommendation of the shortlisted candidate(s) to the Board for its consideration. If the Board approves, the person is appointed as an Additional Director. Thereafter, the approval of members is sought in terms of the provisions of the Act and the SEBI Listing Regulations.

Executive directors are liable to retire by rotation and eligible for re-appointment by the members of the Company. Independent Directors are not liable to retire by rotation. Independent Directors are appointed for a period of five consecutive years. They are eligible and re-appointed for 2nd term of up to five consecutive years. Appointment of Independent Directors by the members of the Company are by way of special resolution, i.e., 75% votes in favour of the resolution of the total votes polled.

During the year ended March 31, 2023, Mr. Arun M Kumar was appointed by the members of the Company with effect from August 1, 2022, through postal ballot process. The percentage of votes polled in favour of the resolution was 99.72% of the total votes polled.

Further, Dr. Claudio Albrecht's appointment as Independent Director of the Company with effect from May 10, 2023, was approved by the members of the Company at the Annual General Meeting held on July 27, 2023. The percentage of votes polled in favour of the resolution was 99.68% of the total votes polled.

Board Industry Experience (DJSI 1.2.8)

The number of independent or non-executive directors with industry experience (e.g., excluding executives) is taken as 5.

Dr. Bruce L A Carter (Term ended on July 30, 2022, as an Independent Director)

Dr. Bruce L A Carter was the Chairman of the Board and Chief Executive Officer of ZymoGenetics Inc., USA. He has also served as the Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S. Dr. Carter held various positions of increasing responsibility at G.D. Searle & Co., Ltd. from 1982 to 1986 and was a Lecturer at Trinity College, University of Dublin, from 1975 to 1982. Dr. Carter is also on the Board of Xencor Inc., Enanta Pharmaceutical Inc., Mirati Therapeutics Inc., Accelerator Corporation and TB Alliance, all in the US and our wholly-owned subsidiary, Aurigene Discovery Technologies Ltd., in India. Dr. Carter received a B.Sc. with Honors in Botany from the University of Nottingham, England and a Ph.D. in Microbiology from Queen Elizabeth College, University of London.

Mr. Prasad R Menon (Term ended on October 29, 2022, as an Independent Director)

Prasad R Menon 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 a 20 years stint with chemical giant ICI, Mr. Menon went on to become Director, Technical, of Nagarjuna Fertilizers and Chemicals Limited, where he oversaw the construction and commissioning of the company's urea fertilizer project in Kakinada.

Mr. Allan Oberman (Resigned effective on January 6, 2023, as an Independent Director.)

Mr. Oberman served as the Chief Executive Officer of Concordia International Corp. from November 2016 until May 2018. In his career of more than 35 years he also served as CEO of Sagent Pharmaceuticals Inc., and President and CEO of Teva Americas Generics, a subsidiary of Teva Pharmaceutical Industries Ltd. Prior to that, Mr. Oberman served as President of Teva EMIA, where from 2010 to 2012 he had responsibility for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, he served as the Chief Operating Officer of the Teva International Group, and from 2000 to 2008, he served as the President and CEO of Teva Canada (formerly Novopharm Ltd.)

Ms. Penny Wan

Penny Wan was most recently Amgen's Vice President of the Japan and Asia Pacific region. With over 20 years of experience in the biopharmaceuticals industry, she led Amgen's geographic expansion efforts in the region. Since joining the Company in 2014, she has been instrumental in building Amgen's commercial presence across the region, ensuring that innovative medicines reach patients, payers and physicians in these markets. Prior to Amgen, Wan was General Manager of Roche Pharma China.

Dr. Claudio Albrecht

On May 10, 2023, the Board appointed Dr. Claudio Albrecht as an Independent Director. He has extensive Pharma industry experience. Dr. Albrecht, Co-Founder and Managing Partner of Albrecht, Prock & Partners (AP&P) was until August 31, 2018, CEO of the publicly listed STADA AG. Before this assignment Dr. Albrecht worked in and with the Generic industry for more than 30 years.

CEO Compensation - Success Metrics (DJSI 1.2.9)

We have a policy for the remuneration of directors, key managerial personnel (KMP), senior management personnel (SMP), and other employees, which lays down principles and parameters to ensure that remunerations are competitive, reasonable, and in line with corporate and individual performance. The remuneration policy is enclosed as Annexure A to the Integrated Annual report. It lays down principles and parameters to ensure that remunerations are competitive, reasonable, and in line with corporate and individual performance.

The variable remuneration is approved by the Nomination, Governance, and Compensation Committee. The Committee also takes into account corporate performance in a given year and the key performance indicators (KPIs), including sustainability roadmap implementation indicators. The remunerations Perquisites and retirement benefits are paid in accordance with the company's compensation policies, as applicable to all employees.

Our executive compensation program supports attracting, motivating, and encouraging continuity of experienced and well-qualified executive officers who advance our critical business objectives and promote the creation of shareholders' value over the long-term. The key tenets of our philosophy are designed to:

- a) Attract highly talented individuals from within and across industries drawing from a diverse pool of global talent.
- b) Provide long term and short-term incentives that advance the interests of shareholders and deliver levels of pay commensurate with performance.

The three principal components of the compensation package include, base salary, annual variable pay, and equity based long-term incentives. In making decisions with respect to each element of compensation, the competitive market for executives and compensation levels provided by comparable companies are considered.

Pay practices at companies with which Dr. Reddy's competes for talent, including those engaged in similar activities are reviewed from time to time. We believe that information regarding pay practices at other companies is useful to assess the reasonableness and competitiveness of our own. Our approach is to be market aware on pay levels and not entirely market driven.

We generally position target executive pay at the top quartile of pay packages for executives in similar positions, responsibilities and/or experience in similar companies of comparable size. We identify certain roles that are fungible across multiple industries and our comparative pool may not be limited to peer generic pharmaceutical organisations. In such cases – a wider sample is selected comprising of non-pharma marquee organisations operating in the country with whom Dr. Reddy's competes for talent.

Executive compensation is reviewed annually. In general, executive increment percentages are lesser than the average with the frontline receiving the highest increase. A higher increase may be made in the event of a role change, promotion, or in exceptional circumstances. The Company's performance, affordability and individual performance are other considerations, while deciding on compensation.

The Company's performance management follows a balanced scorecard approach comprising of current business performance, future business performance, ESG, digital, people, compliance and safety related metrics. Each parameter is devised into a metric, financial or otherwise and is measured throughout the performance year. Non-financial parameters have a cap of 100% achievement while financial parameters are scored based on a predetermined grid. Additional considerations such as windfalls, impairments and one-offs are measured separately. Financial metrics cover revenues, return

on capital employed (RoCE) and profitability.

Our performance management process is specifically adapted to different employee cohorts based on their specific needs; the overall principles remain the same across all the models.

Performance evaluation of Management Council ("MC") member's focuses on achievement of MC Scorecard. Individual MC evaluation focusses on achievement of:

- the BU (Business Unit) scorecard for the year that contributes to the delivery of the overall Company's strategy.
- demonstration of desired behaviours which measures the commitment to sustainable growth by focussing on performance on non-financial parameters centered around the Company's leadership behaviours. Also considered is the contribution of the individual to the wider enterprise agenda.

CEO Compensation - Long-Term Performance Alignment (DJSI 1.2.10)

Dr. Reddy's has the following compensation structures in place to align the CEO's performance with long-term performance:

Performance Period: Remuneration of the CEO 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 longest performance period covered by our executive compensation plan is three years.

Clawback provision: This is applicable to employee stock options (ESOPs). Unvested stocks will lapse in case of resignation. The options, whether vested or unvested, will be forfeited, in case of termination of service due to misconduct. This applies to all employees including the CEO.

Time Vesting: The Company's employees are eligible for share-based payment awards that are settled in cash. These awards entitle the employees to a cash payment, on the exercise date, subject to vesting upon satisfaction of certain service conditions which range from 1 to 4 years.

Deferral of Bonus for Short-term CEO Compensation: The stock options are granted to eligible executives including the CEO every year based on their performance. The details of options granted to the CEO are available on page 86 of Form 20F filed with SEC. The options are vested after one year and evenly over three years. Based on this, the deferred incentive is calculated as 67%.

All the employees at the managerial and staff levels are eligible to participate in a variable pay program, which consists of performance bonuses based on the performance of their function or business unit, and a profit-sharing plan through which part of our profits can be shared with our employees. Our variable pay program is aimed at rewarding the individual based on performance of such individual, their business unit/function and our company as a whole, with significantly higher rewards for superior performances.

Management Ownership (DJSI 1.2.11)

Position	Name(s)	Multiple of base salary
Chief Executive Officer	Erez Israeli	-
Average across other executive committee members owning shares	Mr. M.V. Ramana Ms. Archana Bhaskar Mr. Deepak Sapra Mr. Mukesh Rathi Mr. Marc Kikuchi Mr. M V Narasimham Sushrut Kulkarni	2 times of base salary

Mr. Erez Israeli (CEO) holds 30,785 shares underlying ADRs of the company, as on March 31, 2023. He also holds share options which will vest on future dates. Each of the options results in the issuance of one equity share or ADR, as applicable, upon its exercise.

Management Ownership Requirements (DJSI 1.1.12)

As per companies' internal policies, the company doesn't have any specific stock ownership requirements. However, we have three employee stock option schemes: the Dr. Reddy's Employees Stock Option Scheme, 2002, the Dr. Reddy's Employees ADR Stock Option Scheme, 2007 and the Dr. Reddy's Employees Stock Option Scheme, 2018. The Dr. Reddy's Employees Stock Option Scheme, 2002 ended in January 2022, however the options already granted under this scheme to eligible employees can be exercised for allotment of equity shares, until the end of the expiry period of such options. The stock option schemes are applicable to all of our employees including directors, and employees and directors of our subsidiaries.

The stock option schemes are not applicable to promoter directors, promoter employees, non-full-time directors (independent directors) and persons holding 2% or more of our outstanding share capital. The Nomination, Governance and Compensation Committee of the Board of Directors awards employee stock options pursuant to the stock option schemes based on the employee's performance appraisal. Some employees have also been granted options upon joining us.

Family Ownership (DJSI 1.2.14)

Founding individuals or family members individually own 26.69% of the voting rights of the company. The family ownership considers shares held by Mr. G V Prasad (Co-Chairman and Managing Director), Mr. K Satish Reddy (Chairman), their family members, HUFs and APS Trust, wherein Mr. G V Prasad and Mr. K Satish Reddy are the trustees. Mr. G V Prasad, Mr. K Satish Reddy and their relatives are the beneficiaries of the APS Trust.

CEO-to-Employee Pay Ratio (DJSI 1.2.15)

CEO Compensation	Total CEO Compensation	
Total annual compensation of the Chief Executive Officer in INR	195,380,000	
Employee Compensation	Median Employee Compensation	Mean Employee Compensation
Median or mean annual compensation of all employees, except the Chief Executive Officer in INR	570,943	-
The ratio between the total annual compensation of the Chief Executive Officer and the mean or median employee compensation	342.20579	-

1.3 Materiality**Materiality analysis (DJSI 1.3.1)**

We are guided by our materiality assessment to identify the key ESG topics in which we create the most impact and hold the highest potential to create value. This assessment is done in addition to the annual Enterprise Risk Management heat map that highlights the significant internal, external, and strategic risks faced by the Company.

In 2021, we worked with an independent third party to determine a list of material topics that could affect our performance and impact key business decisions. We re-engaged with over 100 key internal and external stakeholders and comprehensively reassessed our materiality to identify key issues in the process of long-term value creation. These included employees from key business functions, as well as leaders and important stakeholders and external groups such as regulatory authorities, customers, investors, suppliers, and not-for-profit organisations.

Our choice of material issues was guided by the Global Reporting Initiative (GRI) suggested material topics as per sector relevance, and Sustainability Accounting Standards Board Materiality (SASB). The materiality assessment helped us identify the most important issues that our stakeholders deemed as affecting our organisational value, helping us to prioritise our actions and strategy. Our internal and external stakeholders identified several key areas as important to them, including product availability, responsible pricing and affordability, high-quality medicines, patient safety, anti-bribery and corruption. The materiality assessment was represented via the materiality matrix shared in our sustainability and integrated annual reports. The results of the assessment were approved by our senior management and contributed to the development of our ESG goals. They continue to guide our sustainability strategy and public reporting.

1.4 Risk & Crisis Management

The Enterprise Risk Management (ERM) function focuses on identifying key business, operational, and strategic risks through quarterly assurance meetings, structured interviews, on-call discussions, and incident reviews. Risks are categorised into risk groups and aggregated at different levels of the organisation. Our ERM function operates with the objective of proactively identifying and increasing awareness about the various risks among the appropriate stakeholders, facilitating discussions on prioritising and mitigating identified risks, developing systems to alert when risk tolerance limits are exceeded, establishing a framework to assess risk tolerance and analysing remaining risks.

Emerging Risks (DJSI 1.4.3)

Increasing use of social media and mobile communication tools could give rise to liability or breaches of data security.

We and our business associates are increasingly relying on social media and mobile communication tools as a means of communications. To the extent that we seek as a company to use these tools as a means to communicate about our products or about the diseases our products are intended to treat, there are significant uncertainties as to either the rules that apply to such communications, or as to the interpretations that health authorities will apply to the rules that exist. As a result, despite our efforts to comply with applicable rules, there is a significant risk that our use of social media and mobile communication tools for such purposes may cause us to nonetheless be found in violation of them. In addition, because of the universal availability of social media and mobile communication tools, our associates or third parties may make use of them in ways that may not be sanctioned by us, and that may give rise to liability, or that could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, clinical trial patients, customers and others. Such uses of social media and mobile communication tools could have a material adverse effect on our business, financial condition, results of operations and/or cash flows.

Social media posts could also contain information purported to be disclosed by us that is false or otherwise damaging, which could have a material adverse effect on our reputation and the price of our equity shares and ADRs.

Mitigation and adaptation

We guide employee behaviours on handling sensitive information, and use of mobile communication tools, and social media. Our acceptable usage policy includes guidelines on the use of the internet and social media for our employees. Multiple other information security related policies are in place to ensure the security of critical information assets against the risks of mobile computing, and Dr. Reddy's web content hosted on internal or external servers.

We have also invested heavily in the protection of data and information technology to reduce these risks. We certify our IT infrastructure and information security management system across sites and conduct third-party vulnerability analysis, including simulated hacker attacks. All our employees go through a thorough information security induction upon joining. Awareness campaigns are conducted periodically and address potential security risks and threats on several topics such as phishing and hacking, including elements of the Code of Business Ethics, and these are followed by on-the-spot training. Employees are encouraged to report incidents to a 24x7 managed mailbox, and we recognise those who contribute to enhancing our security provisions on a regular basis. As of FY2023, there were no instances of data breaches, customer privacy issues, or loss of customer data.

Stringent labor laws may adversely affect our ability to have flexible human resource policies; labor union problems could negatively affect our production capacity and overall profitability.

Labor laws may restrict our ability to have human resource policies that would allow us to react swiftly to the needs of our business. As of March 31, 2023, approximately 1.7% of our employees belonged to a number of different labor unions. If we experience problems with our labor unions, that may adversely affect our production capacity and our overall results and operations.

In 2019, the Ministry of Labour and Employment in India introduced 4 bills to consolidate 29 central laws regulating: (i) wages, (ii) industrial relations, (iii) social security, and (iv) occupational safety, health and working conditions. The Government of India replaced these bills with new ones on September 19, 2020.

India's Code on Social Security, 2020, which aims to consolidate, codify and revise certain existing social security laws, received Presidential assent in September 2020 and has been published in the Gazette of India. However, the related final rules have not yet been issued and the date on which this Code will come into effect has not been announced. We will assess the impact of this Code and the rules thereunder when they come into effect.

Mitigation and adaptation

We follow the international standards, and the applicable laws in the country of operations. To meet our responsibilities under our Code of Business Ethics, we need to abide by applicable laws and regulations of the country where we do business and comply with all the policies and guidelines of the Company.

We are committed to upholding human rights across the value chain and are guided by the Universal Declaration of Human Rights, International Labour Organization conventions, and the UN Guiding Principles on Business and Human Rights. We are committed to supporting and aligning our operations and actions to the UN Global Compact's Principles on human rights and labour. In alignment with the UN Guiding Principles, we continuously explore opportunities to identify and mitigate any human rights risks for our employees, children, migrant workers, third-party contract labour, etc.

For occupational health and safety, we have developed and integrated a Safety, Health and Environment (SHE) policy that governs our employees and applies to all our research, production operations, and business facilities. Periodic safety assessments against national and international standards are conducted to evaluate the effectiveness of current systems and appropriate measures are taken to further improve our safety posture performance continually.

1.5 Business Ethics

Our Code of Business Conduct and Ethics applies to all the Directors and employees, our subsidiaries, and affiliates. It lays down the principles that guide our Company's conduct and decision-making, promoting stakeholder trust. The Code is in compliance with the requirements of the Companies Act, 2013, the U.S. Securities and Exchange Commission, the Securities and Exchange Board of India, and the Sarbanes-Oxley Act of 2002 and its implementing regulations.

We remain committed to supporting and aligning our operations and strategies to the UN Global Compact's Ten Principles on human rights, labor, environment, and anti-corruption.

Our Code of Business Conduct & Ethics is a general statement of goals and expectations for individual employees and their business conduct. It covers the following key elements:

- Corruption and bribery
- Discrimination
- Confidentiality of information
- Conflicts of interest
- Antitrust/anti-competitive practices
- Money-laundering and/or insider trading/dealing.
- Environment, health, and safety
- Whistleblowing

For more details, please visit <https://www.drreddys.com/media/983676/cobe-booklet-v40.pdf>

The Code and an Ombudsperson Policy have been articulated in order to provide information and resources to help employees make informed business decisions and to act on them with integrity.

Corruption and Bribery (DJSI 1.5.3)

As outlined in our Code of Business Ethics and Anti-Bribery and Corruption policy, political contributions and charitable donations that act as a means of bribery and corruption are explicitly prohibited in these policies. Political contributions have been publicly disclosed in *Contributions & Other Spending (DJSI 1.6.1)*. There were no charitable contributions or sponsorships that could be linked to bribery or corruption.

Charitable contributions and sponsorship: Our charitable contributions and activities in India are strictly governed by the CSR rules prescribed by the Companies Act 2013. As per the CSR rules, the CSR projects are approved by the CSR Committee of the Board/Board. The projects are reviewed by the Committee/Board every quarter. Further, the partners are required to share the fund utilization, indicating the nature and amount spent in each financial year, accompanied by the project progress report. All CSR-related disclosures are published in the company's integrated annual report.

Details on the breaches against the Code of Business Conduct & Ethics for FY2023

Issue	Number of Concerns
Workplace-related issues	131
Marketing practices	103
Conflict of Interest	35
Sexual Harassment	19
Information Security	6
Potential Data Integrity	10
Inappropriate Expense Claims	11
Others	6
Loss of Assets	6
Insider Trading	9
Safety, Health & Environment	1
Total	328

Direct or indirect political contributions: Political contributions for FY2023 were INR 46,17,00,000. Electoral Bonds were purchased for INR 46,00,00,000 and INR 17,00,000 was paid to political campaigns.

Please details in [Contributions & Other Spending, section 1.6.1](#) below.

Reporting on breaches (DJSI 1.5.5)

Reporting areas	Number of breaches
Corruption or Bribery	0
Discrimination or Harassment	34
Customer Privacy Data	0
Conflicts of Interest	35
Money Laundering or Insider Trading	9
Total	78

The Chief Compliance Officer (CCO) is the designated authority reporting to the Chief Ombudsperson of Dr. Reddy's for the purpose of compliance with the Ombudsperson Policy. All issues are investigated by the designated investigator under guidance from CCO. Based on findings, a suitable opportunity of being heard is provided to the alleged person before concluding on the case. Any Corrective and Preventive Actions (CAPA) are identified through discussions with the business head, and all CAPA are tracked till closure.

1.6 Policy Influence

Contributions & Other Spending (DJSI 1.6.1)

Currency (INR)	FY 2020	FY 2021	FY 2022	FY 2023
Lobbying, interest representation or similar	0	0	0	0
Local, regional, or national political campaigns / organizations / candidates	0	0	35,00,000	46,17,00,000
Trade associations or tax-exempt groups (e.g., think tanks)	1,02,40,600	1,28,60,673	2,58,57,972	3,54,54,712
Other (e.g., spending related to ballot measures or referendums)	0	0	0	0
Total	1,02,40,600	1,28,60,673	2,93,57,972	48,85,06,568

Trade associations include the World Economic Forum, Pharmaceutical Supply Chain Initiative, Asia Business Council, Indian Pharmaceutical Alliance, and the International Generic and Biosimilar medicines Association.

Largest Contributions and Expenditures (DJSI 1.6.2)

Subscriptions	FY2023 (in INR)
World Economic Forum	1,72,02,654
Indian Pharmaceutical Alliance	1,31,00,000
International Generic and Biosimilar medicines Association	22,30,166
Asia Business Council	16,34,150
Pharmaceutical Supply Chain Initiative	12,87,742

Our Co-Chairman and Managing Director, G V Prasad was invited to the World Economic Forum Annual Meeting held in Davos, Switzerland both in 2022, and 2023. He has used the platform to talk about key ESG issues, learnings from the pandemic, our long-term roadmap to meet unmet needs through biosimilars and biologics, new segments and innovation in the standard of treatment, deepening our presence in key markets, and building our oncology portfolio to improve access, and the availability of therapeutics and vaccines with close collaboration between government and industry being the main driver. In 2022, we announced our ESG vision for 2030, and spoke to investors across the globe on our plans to achieve these goals including building access and affordability, carbon neutrality, gender diversity, and supply chain.

Dr. Reddy's has been working together with the IPA to encourage and institutionalize an innovation ecosystem in the Pharmaceutical Industry. At present a major component of Indian exports are low value generic drugs. Through the recently launched PRIP (Promotion of Research & Innovation in Pharmaceuticals), a well-designed and suitably targeted intervention, we will work together with IPA and the government to promote specific high value goods such as bio- pharmaceuticals, complex generic drugs, patented drugs or drugs nearing patent expiry, cell based or gene therapy drugs.

As India leads the G20 presidency, Dr. Reddy's has been actively involved in various working groups and task forces, together with the G20 nations and the invitee countries, to discuss on various global issues and also institutionalise frameworks for a resilient and responsive global ecosystem for trade in the pharmaceutical and health sectors. With India holding the Presidency of the G20 summit, healthcare is a key priority item. We are proud to have participated in the discussions centered around the healthcare industry at the three-day G20 3rd Health Working Group event in Hyderabad. Our Chairman Satish Reddy delivered a keynote address to an audience that included senior officials from the Government of India, multi-national think-tanks, and the healthcare industry. Underlining the importance of global collaboration and partnerships, Satish emphasised the role of global R&D networks to accelerate innovation and access to VTDs (Vaccine, Therapeutics, and Diagnostics). The Business 20 (B20) is the official G20 dialogue forum with the global business community. Satish is also Co-Chair, B20 India Task Force on Inclusive GVCs (Global Value Chains) for Resilient Global Trade and Investment.

We have been invited to provide inputs to the Initiative on Critical and Emerging Technology (iCET),

an initiative to improve and expand the strategic partnership between U.S. & India, between the governments, businesses, and academic institutions of our two countries. President Biden and Prime Minister Modi announced the U.S.-India initiative on Critical and Emerging Technology (iCET) in May 2022.

Lobbying and Trade Associations - Climate Alignment (DJSI 1.6.3)

We work closely with various trade and industry associations. This includes industry representations to the government and/ or regulators. We perform the function of policy advocacy in a transparent and responsible manner while engaging with all the authorities and take into account the company's as well as the larger national interest. We believe that policy advocacy must preserve and expand the public good and thus, we do not advocate any policy change to benefit ourselves or a select few. We have also actively participated in several notable industry events and forums lending our voice and perspectives to shape a holistic healthcare ecosystem.

We continue to be members of The Asia Business Council that was formed by a group of prominent businesspeople and is the first pan-Asian CEO organization. Their primary goal is to understand and work toward the continued economic growth and competitiveness of Asia as a region. Our mission is to: 1) Foster dialogue and understanding among Asian and international business leaders 2) Improve the efficacy of the private sector in promoting continued economic growth and development in the region 3) Be a collective voice to influence other corporations, governments, multilateral organizations, and members of civil society. We accomplish our goals by holding two member-only Forums in the spring and autumn of each year, facilitating subject-specific task forces, and by conducting research in areas that impact on the Council's aims. Findings and recommendations for action are made public when appropriate.

At the COP27 meeting in Sharm El-Sheikh, climate negotiators laid out a plan to implement the global goal of limiting warming to 1.5 degrees Celsius. The private sector must play a role in meeting climate targets and can build on that momentum. With this statement, Asian business leaders have committed to taking climate action and to safeguarding and managing nature sustainably. The Council also conducted a survey (see box on the left below) to understand what drives corporate climate action in Asia, and what policies could accelerate decarbonization. The survey results highlight the main drivers of Council members' climate action and the strategies they prioritize for reaching net zero carbon emissions. It also reveals the key challenges they see for decarbonization and, crucially, the government policies that would help accelerate their climate action.

1.7 Supply Chain Management

Dr. Reddy's is committed to providing quality products and services that are designed to improve the health of patients. Our [Supplier Code of Conduct \("SCOC"\)](#) defines the non-negotiable minimum standards that we ask our suppliers/vendors/service providers to respect and adhere to when conducting business with Dr. Reddy's. All our strategic suppliers have signed the supplier code of conduct, that includes clauses on environmental, labor, and human rights requirements. Our code is modelled on the PSCI Principles for Responsible Supply Chain Management (The Principles). We use PSCI's audit template as a basis for auditing our suppliers' performance, with Dun & Bradstreet as assessment partners.

Supplier ESG program (DJSI 1.7.2) and Supplier Screening (DJSI 1.7.3)

We are working to build an ESG-compliant supplier base across categories and aim to partner more extensively with our suppliers to help them deliver measurable improvements and significant impacts over the next several years.

We screen each of our suppliers on environmental, social, and governance-linked issues before onboarding. Our supplier screening methodology prioritizes suppliers with globally recognized certifications like OSHAS and ISO, which evidences their commitment to sustainability. For instance, for palm oil-based ingredients/excipients, we select suppliers who have RSPO certification, this ensures that they are compliant with the required laws/regulations on labour practices. All our palm-based products are sourced in a sustainable manner and 100% of them are RSPO-certified.

This year, we have been successfully audited & awarded compliance to the ISO 20400:2017 – Sustainable Procurement Guidance. The ISO 20400:2017 provides guidance to organizations on integrating sustainability within procurement, as described in ISO 26000. It is intended for stakeholders involved in, or impacted by, procurement decisions and processes. Purchase category heads are guided by our sustainable procurement manual and ensure that sustainable criteria are integrated into supplier selection processes. They evaluate potential suppliers based on various aspects of quality, reliability, capability that includes their sustainability performance, including environmental impact, labour practices, and adherence to ethical standards.

We are working with strategic suppliers on an ESG capability building programme, training them on different sustainability aspects including sustainable procurement processes. We are also conducting an onsite assessment as per our ESG framework. Based on the results of the evaluation, we identify potential high-risk suppliers and develop a mitigation plan based on the strategic suppliers' risk classification. We consider supplier-related risks (such as financial instability, quality or regulatory/FDA issues, or any other issues, or non-compliance), market risks (fluctuations in prices or availability of materials), geopolitical risks (political instability affecting supply chains), regulatory risks (non-compliance with environmental or labour regulations). For suppliers based out of conflict-prone regions or at risk of geopolitical instability or having a high-risk exposure, we have taken measures including building up inventory, assessing alternate channels for supply of materials etc.

We conduct multiple in-house trainings on different aspects of the supplier ESG programme for our supply chain team, and these programmes are also extended to our suppliers. We train all our strategic suppliers which includes high-risk, single-source, and critical suppliers while onboarding them, and also maintain an active engagement with them to ensure we achieve our goal of an ESG compliant strategic supplier base.

For employees, we also have on-the-job trainings, and need-based trainings. 100% of our sourcing and procurement team across all locations have received training on sustainable procurement.

Supplier Assessment and Development (DJSI 1.7.4)

While we primarily rely on desk-based and onsite assessments (carried out by a third party) to evaluate supplier-risk, we also carry out need-based on-site assessments via purchasing company employees or contracted consultant (2nd party assessment).

We monitor and identify instances where there is a deviation from the standard procurement or supplier management processes. This could include situations where a vendor fails to meet quality standards or when unexpected disruptions occur. We evaluate the impact of the deviation on

procurement operations, supplier relationships, regulatory compliance, and overall organizational objectives, and then formulate strategies to address and mitigate the impact of the deviation. This includes corrective actions to bring the process back on track, avoiding its recurrence, finding alternative suppliers, streamlining procurement strategies, emphasizing procurement & corporate policies or implementing contingency plans. We regularly monitor the effectiveness of the implemented corrective actions and track progress toward resolving the deviation.

KPIs for Supplier Screening (DJSI 1.7.5)

Supplier Screening	FY 2023
Total number of Tier-1 suppliers	2329
Total number of significant suppliers in Tier-1	90
% of total spend on significant suppliers in Tier-1	60
Total number of significant suppliers in non Tier-1	0
Total number of significant suppliers (Tier-1 and non Tier-1)	90

Note: Since we do not have ancillary units, and due to the nature of our operations - we do not directly connect with our non-Tier I suppliers.

KPIs for Supplier Assessment and Development (DJSI 1.7.6)

Coverage and progress of our supplier assessment program

Supplier Assessment	FY 2023	FY 2023 target
Total number of suppliers assessed via desk assessments/ on-site assessments	60	45
% of significant suppliers assessed	66.67	
Number of suppliers assessed with substantial actual/potential negative impacts	49	
% of suppliers with substantial actual/ potential negative impacts with agreed corrective action/improvement plan	100	
Number of suppliers with substantial actual/potential negative impacts that were terminated	0	

Coverage and progress of suppliers with corrective action plans

Corrective action plan support	FY 2023	FY 2023 target
Total number of suppliers supported in corrective action plan implementation	49	100% of significant suppliers with actual/potential negative impacts
% of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	100	

Coverage and progress of suppliers in capacity building programs

Capacity building programs	FY 2023	FY 2023 target
Total number of suppliers in capacity building programs	90	100% of significant suppliers
% of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	100	

Supplier audit: In addition to the inspections conducted by our internal team, we have collaborated with a third party (D&B) to conduct an independent assessment at the suppliers' sites to enable the categorization of suppliers as high, medium, and low risk. This categorization helps suppliers align their business activities with the principles of sustainability as the assessment lays a 40% weightage on ESG factors. If a supplier posing sustainability-linked risks is identified, we develop a risk-mitigation plan and identify a second source of the supply that meets our sustainability standards. 100% of audited/assessed suppliers have been engaged in corrective actions or capacity building.

We have a procedure and a dedicated team in place to assess our suppliers regularly on sustainability aspects. Dr. Reddy's team suggests improvements in the form of a detailed action plan to help them become a more sustainable organization. Apart from this, we are working in close collaboration with D&B for suppliers' evaluation for sustainability, where the D&B team carries our complete assessment at the suppliers' site, categorizing suppliers in high risk, medium risk, and low risk, which is eventually used to help suppliers improve on their sustainability performance. ESG constitutes 40% of the overall D&B assessment score. Suppliers need to have a minimum "Average risk" score to qualify for the supplier selection process. When we find that a supplier is not sustainable, we follow up and support them to meet our ESG requirements. However, if they still fail, we develop a second source of supply that is more committed to sustainability. We screen each of our suppliers on environmental, social, and governance-linked issues prior to their onboarding.

1.8 Tax Strategy (DJSI 1.8)

We recognize the role that taxation could play in achieving the SDGs. Integral to the economic development, as a means of financing social infrastructure, we consider fair tax payment as one of our foremost responsibilities. We uphold, endorse, advocate the concept of 'transparency' through all our business dealings, operations and functions. We constantly strive for fairness in actions, honesty in

business dealings, accountability to all stakeholders and morality in business conduct. The essence of each of these values is upheld by our tax principles.

Our tax policy is based on our 'Purpose'. Our tax policy is to pay our fair share of taxes in the jurisdictions where we operate and conduct our tax affairs transparently and with integrity. It sets out the framework and approach to tax across all Group companies. The Group adopts a tax policy which is aligned to the Group's business strategy and organizational goals. A key part of the tax policy also includes accurate, transparent and timely reporting before statutory authorities.

1.9 Information Security/Cybersecurity

The Company's Executive Risk Management Committee operates under the Company's Risk Management Policy and focuses on risks associated with the Company's business and compliance matters. This Committee periodically reviews matters pertaining to risk management and oversees the company's cyber security strategy. The Risk Management Committee also consists entirely of Independent Directors.

During FY 2023, focus areas of Risk Management Committee included review of risks and mitigations related to cyber security, data privacy, data governance, ethics and compliance risk, quality, supply chain management, geo-political risks and business continuity, foreign exchange risk, pharmacovigilance and environmental risk with focus on water risk.

This year, the board approved our Business Continuity Management policy, to ensure continuity of critical business operations during disasters. The policy sets out our commitment to effective business continuity arrangements across business and operations as part of enterprise risk management efforts. The policy is applicable to all activities of Dr Reddy's Laboratories Limited, and made available to employees, contractors, vendors and/or any other third parties as per business requirements.

IT Security/ Cybersecurity Governance (DJSI 1.9.1)

The board member that oversees our cybersecurity strategy is Ms. Shikha Sharma, Chairperson of the Risk Management Committee.

Ms. Shikha Sharma was the Managing Director & CEO of Axis Bank, India's 3rd largest private sector bank from Jun 2009 to Dec 2018. As a leader adept at managing change, she led the Bank on a transformation journey from being primarily a corporate lender to a bank with a strong retail deposit franchise and a balanced lending book. Ms. Sharma has more than 3 decades of experience in the financial sector. She was a member of the Reserve Bank of India (RBI) Technical Advisory Committee, the RBI's panel on Financial Inclusion, and the RBI's Committee on Comprehensive Financial Services for Small Businesses and Low-Income Household. She has chaired CII's National Committee on Banking 2015-2017. She has an MBA from the Indian Institute of Management, Ahmedabad, India, B.A. (Hons.) in Economics and PGD in Software Technology from National Centre for Software Technology (NCST), Mumbai, India.

For more details, see <https://drreddys.com/Board-of-directors?10#8d8e3a51-22c5-4ed9-8ac1-8f2c3a230aa5>

Executive Management Responsibility

Sanjib Dutta is the Chief Information Security Officer (CISO) at Dr. Reddy's Laboratories Limited. In this role, he has global responsibility for end-to-end Information Security Strategy and Governance, Regulatory Compliance, Cyber Risk, Cyber Defence and Privacy. Sanjib joined Dr. Reddy's Laboratories

Ltd. in January 2023 and has been leading all Cyber Maturity initiatives critical for the organization. Before joining Dr. Reddy's, he worked in different leadership roles for Coca-Cola, ABInBev and KPMG. Sanjib holds bachelor's and master's degrees in information technology.

Incidence response/data breach plan

Our incident security incident management policy establishes a framework for handling actual and suspected information security and cyber security incidents. The policy applies to incidents caused by all insiders and outsiders involving the company assets. It holds responsible all employees and contractors to report and provide relevant information relating to the incident. We ensure all incidents are identified, recorded, classified, prioritized, resolved, and closed.

1.10 Innovation Management

Process Innovations (DJSI 1.10.5)

The company embarked on a significant digitalization initiative to sustain and expand its presence in the generic pharmaceutical market. This effort involved the deployment of over forty 4th Industrial Revolution (4IR) projects, which were executed in an innovative garage mode, capitalizing on Industrial Internet of Things (IIoT). The company harnessed the power of Advanced Analytics, Artificial Intelligence (AI), and Machine Learning algorithms to enhance production yields and product stability.

Consequently, manufacturing costs were reduced by an impressive 43%, all the while proactively improving product quality and slashing energy consumption by 41%. Additionally, the company introduced digital scheduling through the use of Digital Twins, transforming plant-based Management Information Systems (MIS) into real-time digital performance management tools. To expedite the onboarding of new operators, Virtual Reality (VR)-based modules were implemented for crucial technical processes.

Moreover, NIR (Near Infra-Red) technology was adopted for inline quality testing with zero downtime. The incorporation of IIoT-enabled condition-based asset health monitoring paved the way for predictive maintenance, resulting in reduced Mean Time To Repair (MTTR) and increased Mean Time Between Failures (MTBF), as well as fostering a more autonomous workflow. The implementation of these various interventions ultimately led to the achievement of Lights-Out Operations.

1.11 Product Quality & Recall Management

At Dr. Reddy's globally, we strive to manufacture the best quality products for our customers. Patient safety is at the core of high-quality healthcare, and all our products are tested rigorously and stringently for quality. We remain committed to the highest standards of product quality by implementing a robust quality management system and building a quality-focused culture.

Our QMS and procedures are built as per the Code of Federal Regulation (USA), EudraLex (Europe) and ICH (International Council of Harmonization of Technical Requirements for Pharmaceuticals for Human use). We have received accreditations with cGMP (current Good Manufacturing Practice) certifications by various global regulatory agencies including CDSCO (India), USFDA (USA), MHRA (UK), ANVISA (Brazil), SAHPRA (South Africa), TGA (Australia), Germany, WHO-Geneva, Russia, PMDA (Japan) and Health Canada. The guidelines laid down by these regulatory agencies collectively define a stringent Quality Management System, comprising the basic quality management principles mentioned in ISO 9001:2015.

Our facilities and products are also periodically inspected by the German BfARM, the South African Medicines Control Council, Romanian National Medicines Agency, Ukrainian State Pharmacological Center, the local World Health Organization and Drug Control Authority of India, all of which have extensive enforcement powers over the activities of pharmaceutical manufacturers operating within their jurisdiction. All our manufacturing facilities are in compliance with cGMP, and our suppliers are subjected to periodic evaluation processes that prioritize quality parameters and ensure compliance with cGMP requirements.

Apart from this, all our Indian manufacturing sites are certified under ISO 14001 (environmental management), ISO 45001 (occupational health and safety), ISO 50001 (energy management) and SA8000 (social accountability) standards. These sites make up 80% of our global manufacturing presence. All our certifications are publicly available on the company website at <https://drreddys.com/investor#governance#certificates>.

Our Quality Management System (QMS) lays emphasis on the appropriate management of resources, and management of quality through the entire product lifecycle, including periodic reviews at manufacturing site level, business unit level and senior management level. The system focuses on continual improvement aimed at optimising processes and eliminating non-value-adding efforts in production to reduce variability in process and product quality characteristics. We proactively monitor key quality metrics to assess product safety, and address quality/safety concerns found through audits and inspections with corrective action plans.

Through the pharmacovigilance process, we continuously monitor the benefit-risk profile of our products to ensure continued benefit to our patients and the minimization of product-related safety risks. With a focus on the sustainability pillar of continuous improvement, we have implemented a new software system for the identification and evaluation of potential safety signals. The move to digitalization will enhance our safety surveillance and risk management activities, and facilitate proactive safety decision making.

Our Pharmacovigilance standards are in line with globally recognised safety benchmarks such as the International Conference on Harmonisation (ICH) guidelines, and we maintain compliance with region/country-specific legislative requirements. The function has undergone various health authority inspections such as those conducted by UK-MHRA, US FDA, Health Canada, and the Kazakhstan Health Authority, transforming from a regional model to a global PV centre. The staff involved in the activities have received appropriate training through in-house or external courses, enabling them to adopt the latest trends in managing drug safety and to stay updated on upcoming advancements in the field of PV. Our non-pharmacovigilance employees, particularly those in customer-facing roles, receive basic training in PV at least once a year.

We are continuously focused on improving our quality culture across the organization. We have integrated "Quality by Design" to build quality into all processes and use quality tools to minimize process risks. To ensure the best-in-class quality, we have a Control tower team to maintain the overall quality of the products. We conduct quality audits through the Corrective Action Preventive Action (CAPA) management program across all sites. The team continuously tracks the regulatory observations coming out from external companies across the industries and ensures the learnings are implemented in all the sites. It also facilitates and supports sites with any concerns raised, to ensure that the CAPA is implemented in accordance with the commitment. It also helps the timely implementation of the periodic updates, codes, standards, and Guidelines received from regulatory agencies.

We have also adopted the Observation Compliance Management System (OCMS), an online tool to track observations on a real-time basis and to ensure compliance with the quality systems on a

proactive basis. It provides a platform for quality observations to interbreed amongst the different units of the organization. This encompasses observations from regulatory and customer audits and industry-wide expectations, thus ensuring harmonization in the implementation of actions.

We also leverage information technology to digitize and enhance our quality assurance and quality control processes.

Product Recalls (Health Care) (DJSI 1.11.1)

Class I Recalls

None. We did not have any Class I recalls in the past four years.

Class II Recalls

	FY 2020	FY 2021	FY 2022	FY 2023
Number of class II recalls (or equivalent)	6	5	14	22
Total value of recalled products. (USD millions)	0.0096	0.142	0.457	0.285653

Compliance to Regulatory Standards (DJSI 1.11.2)

Regulatory Agency Inspections (US FDA)

Regulatory agency inspections	FY2020	FY2021	FY2022	FY2023
Number of inspections	5	1	2	1

Form 483 Observations

Form 483 Observations	FY 2020	FY 2021	FY 2022	FY 2023
Number of Form 483 Observations	83	34	22	2
Annual revenues generated from the affected facilities (USD millions)	1138.33	907	215.79	*0
Annual revenues impacted by production stoppages. (USD millions)	0	0	0	0

*The revenue is zero as the inspected plant is yet to be commercialized.

FDA Warning Letters

None. We did not receive any Warning Letters (or equivalent) in the last four years.

2. Environmental Dimension

We adhere to emission norms and strictly control emissions within statutory limits. We strictly adhere to all relevant environmental laws, regulations, and guidelines in the markets that we operate. We have no pending environmental non compliances in the reporting year. We comply with all applicable environmental regulations, and during the reporting year, there were no fines paid related to environmental issues.

2.1 Environmental Policy & Management Systems

EMS: Certification/ Audit/ Verification (DJSI 2.1.3)

Certification / Audit / Verification	Coverage (%)
EMS is verified through international standards (e.g., ISO 14001, JIS Q 14001, EMAS certification).	80
Third party certification /audit / verification by specialized companies.	0
Internal certification /audit / verification by company's own specialists from headquarters.	20
Total	100

This year, we have obtained Integrated management systems (IMS) certifications for all our Indian manufacturing sites. As part of IMS (a holistic approach that helps us meet the requirements of several management system standards), all our Indian manufacturing sites are now certified under ISO 14001 (environmental management), ISO 45001 (occupational health and safety), ISO 50001 (energy management) and SA8000 (social accountability) standards. These sites make up 80% of our global manufacturing presence. All our certifications are publicly available on the company website at <https://drreddys.com/investor#governance#certificates>.

2.2 Emissions

Direct Greenhouse Gas Emissions (Scope 1) (DJSI 2.2.1)

Direct GHG (Scope 1)	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Total direct GHG emissions (Scope 1) in metric tonnes CO2 equivalents	3,30,207	3,49,974	3,02,466	2,14,257	2,88,913
Data coverage as a % of operations	100	100	100	100	-

Indirect Greenhouse Gas Emissions (Scope 2) (DJSI 2.2.2)

IGHG (Scope 2)	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Location-based in metric tonnes of CO2 equivalents	1,76,277	1,77,457	1,66,247	1,37,627	1,70,120
Data coverage as % of operations	100	100	100	100	-
Market-based in metric tonnes of CO2 equivalents	1,76,277	1,77,457	1,66,247	1,37,627	1,70,120
Data coverage as % of operations	100	100	100	100	-

We are reporting a Scope 2, location-based figure. We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure (Reference: Response to question C6.2 on page 42 of our CDP Climate Change 2023 disclosure, available on <https://www.drreddys.com/cms/cms/sites/default/files/2023-08/CDP%20Climate%20Change%202023.pdf>)

Since market-based emissions data is not available, as per the 'Additional information and question guidance', we have considered market-based emissions as equal to our location-based emissions.

Indirect Greenhouse Gas Emissions (Scope 3) (DJSI 2.2.3)

IGHG (Scope 3)	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Total indirect GHG emissions (Scope 3) in metric tonnes of CO₂ equivalents	3,24,723	4,71,580	*9,20,609	*9,21,055	-

**This year, we expanded our GHG accounting boundary to include global operations and included four new categories. This has resulted in a significant increase in Scope 3 emissions for FY2023. We also recalculated our Scope 3 emissions for FY2022 to reflect our carbon footprint more accurately and provide a fair comparison of emissions. In FY2023, our total Scope 3 emissions amounted to 9,21,055 MTCO₂e. Using the same basis, our recalculated Scope 3 emissions for FY2022 amounted to 9,20,609 MTCO₂e.*

Scope 3 Category	Emissions in the reporting year (Metric tons CO ₂ e)	Emissions calculation methodology and exclusions
1. Purchased Goods and Services	3,76,607.4	• Dr. Reddy's implemented robust internal business data management system (SAP). Activity data for purchased goods and services were obtained from the SAP for the reporting year. • A Spend Based methodology for consolidation of emissions has been chosen due to the unavailability of specific Emission Factors for all RMs, APIs, PMs & 3P products. • Following Sources were used to calculate emissions. -US EEIO 2022: US Environmentally-Extended Input-Output • Emission Factor for Spend-based Method: 3.18 TCO₂e/million INR considered.
2. Capital Goods	38,610	• Dr. Reddy's implemented robust internal business data management system (SAP). Activity data for capital goods were obtained from the SAP for the reporting year. • Spend Based Method for consolidation of emissions has been chosen due to the unavailability of specific Emission Factors. • Following Sources were used to calculate emissions. -US EEIO 2022: US Environmentally-Extended Input-Output • Emission Factor for Spend-based Method: 3.51 TCO₂e/million INR considered.

3. Fuel-and-energy-related-activities (not included in Scope 1 or 2)	82,432.425	• Dr. Reddy's implemented robust internal business data management system (SAP). Activity data for fuel and energy-related data (not included in scope 1 and 2) was obtained from the SAP for the reporting year. • Distance based method has been used. • Source: DEFRA's Well-to-tank (WTT) 2021 fuels conversion factors were used to account for the fuel and energy consumption for scope 3 emissions
4. Upstream transportation and distribution	1,04,555.77	• Dr. Reddy's implemented robust internal business data management system (SAP). Activity data: vendor location, destination location, and quantity of material was obtained from the internal business data management system. • Distance between vendor location and destination location was obtained. • Emission factor used: DEFRA 21 was used to calculate the emissions.
5. Waste generated in operations	7,013.311	Emissions calculation methodology: Waste-type-specific method • Dr. Reddy's implemented robust internal business data management system. Activity data for waste generation (quantity, waste type & disposal method) from operations were obtained from all business units. • Following mode of disposal considered for each type of waste: a. Combustion b. recycling c. Composting d. Landfill • Emission Factor Source: DEFRA waste disposal 2021
6. Business travel	20,241.333	Source used to calculate emissions: -US EEIO 2022: US Environmentally-Extended Input-Output • Emission Factor for Spend-based Method: 8.00 TCO₂e/million INR considered.
7. Employee commuting	24,933.766	From the Vehicle pass and company transportation details, the number of vehicle and type of vehicle data were obtained. • Employee surveys were conducted to understand the type of vehicle and approximate distance employees traveled from home to office. • For Emission factors following sources were used: World Resources Institute (2015). GHG Protocol tool for mobile combustion. Version 2.6.
8. *Upstream leased assets	2,883.766	Methodology used: Fuel based method. Emission factor source:

		DEFRA 21: Department for Environment, Food & Rural Affairs, UK
9. Downstream transportation and distribution	72,512	Methodology used: Spend based method. Emission factor source: US EEIO 2022 Emission factor: 10.30 MT CO ₂ /Million INR
10. Processing of sold products	1,90,699.2	Methodology used: Spend based method. Emission factor source: DEFRA 21 Emission factor: 6.56
11. *Use of sold products	NA	Dr. Reddy's sells Drugs & medicines that are consumed and do not lead to use-phase emissions. Hence, this category is not relevant and not calculated.
12. End of life treatment of sold products	566.3	Methodology used: Mass/Fuel Method Emission factor source: IPCC
13. *Downstream leased assets	0	The emissions for this category are included in category 8 (Upstream leased assets).
14. *Franchises	NA	Dr. Reddy's does not have any franchise; therefore, this category is not relevant and not calculated.
15. *Investments	NA	As Dr. Reddy's is not a financial institution, this category is not relevant and not calculated.

**Category 13: Downstream leased assets emissions, has been included in Category 8: Upstream leased assets emissions. Categories 11, 14, and 15 are not applicable.*

2.3 Resource Efficiency and Circularity

Energy Consumption (DJSI 2.3.1)

Total energy consumption (in *Gigajoules)	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Total non-renewable energy consumption	11,24,257	11,83,220.55	11,00,250.73	8,02,981.64	11,35,026.8963
Total renewable energy consumption	1,12,151.66	1,08,418.05	1,48,460.89	3,17,197.6	-
Data coverage as % of operations	100	100	100	100	-

**Kindly note that the energy data in our CDP Climate Change response is in MWh, whereas the data in our Integrated Annual Report is in gigajoules (as per regulatory reporting requirements).*

Material Management

Raw material consumption (top 10 API & Excipients) in kg	FY 2023	FY 2022
API	620,262	527,063
Excipients	7,428,053	5,778,725

2.4 Waste

Waste Disposal (DJSI 2.4.1)

	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Total waste recycled/reused in metric tonnes	17,983.765	19,598.17	14,358.69	18,695.8	-
Total waste disposed in metric tonnes	0	0	0	0	0
- Waste landfilled	0	0	0	0	-
- Waste incinerated with energy recovery	0	0	0	0	
- Waste incinerated without energy recovery	0	0	0	0	
- Waste otherwise disposed	0	0	0	0	
- Waste with unknown disposal method	0	0	0	0	
Data coverage as % of operations	100	100	100	100	

We do not dispose any non-hazardous waste through landfill or incineration. Our non-hazardous waste is either recycled, reused, or recovered through other means. Non-hazardous waste such as glass, MS scrap, wood waste, boiler ash etc. is sent to recyclers, cement industries for co-processing or to brick manufacturers.

Hazardous Waste (DJSI 2.4.2)

	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Total hazardous waste recycled/ reused in metric tonnes	24,722	23,909.6	32,506.18	33,472.8	-
Total hazardous waste disposed in metric tonnes	319	307.9	220.6	179.2	209.57
- Hazardous waste landfilled	133	53.3	32.76	55.5	-
- Hazardous waste incinerated with energy recovery	186	254.6	187.84	123.7	
- Hazardous waste incinerated without energy recovery	0	0	0	0	
- Hazardous waste otherwise disposed	0	0	0	0	
- Hazardous waste with unknown disposal method	0	0	0	0	
Data coverage as % of operations	100	100	100	100	

Product end of life**Packaging**

Plastic waste is either recycled or co-processed, depending on the type. E-waste is sold to authorised vendors, while hazardous waste is sent to cement industries and recyclers for co-processing and recycling, with only 1% being sent to landfill.

We have engaged a third-party service provider to collect the plastic waste that comprises non-recyclable multi-layered plastic (MLP) across different states of India, in compliance with the Plastic Waste Management Rules 2016 and the requirements of **Extended Producer Responsibility (EPR)** in India. During FY 2023, we collected and processed 1506 tonnes of plastic waste, which represents 100% of our post-consumer plastic waste that entered the Indian market.

Expired products

Of the products and packaging reclaimed at the end of the life of products, we safely disposed 809 tons of expired products in FY 2023. We also monitor the waste management further in our value chain where all our expired products are incinerated at an authorized destruction vendor.

2.5 Water

Water Consumption (DJSI 2.5.1)

We do not discharge any water to the surface, ground, or sea, and therefore do not emit any substance or pollutants to any form of water.

Water Consumption (in Million kilolitres)	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
A. Withdrawal: Total municipal water supplies (or from other water utilities)	0.844015	0.841576	0.744572	0.766356	
B. Withdrawal: Fresh surface water (lakes, rivers, etc.)	0.050879	0.042135	0.053293	0.048931	
C. Withdrawal: Fresh groundwater	0.917407	0.97908	1.040154	1.069076	
D. Discharge: Water returned to the source of extraction at similar or higher quality as raw water extracted (only applies to B and C)	0	0	0	0	
Total net freshwater consumption	1.812301	1.862791	1.838019	1.884363	2.025078
Data coverage as % of operations	100	100	100	100	

Note:

1. The figures reported in Category A include third party water and municipal water. These numbers are reported in a split format in our integrated annual report and have been combined in the questionnaire.
2. The figures reported in Category B are for rainwater, and not surface water.

2.6 Climate Strategy

Climate Governance (DJSI 2.6.1)

Climate-related issues are governed mainly by the Sustainability and Corporate Social Responsibility committee of the Board of Directors. The Committee also updates the Board regarding deliberation and reviews on these matters. The Company has also constituted an internal Sustainability Council which drives the implementation and program on the ESG goals and targets.

Our Co-Chairman & Managing Director drives the sustainability and ESG agenda in the company and has the ultimate responsibility to approve Dr. Reddy's ESG strategy and goals. He reports to the Board and leads the review of climate risk and opportunity as a part of the business performance review. He is also on the Sustainability and CSR (SCSR) Committee of the Board, the nodal committee for the ESG and sustainability goals of the company, that guides the implementation and progress of our ESG goals.

The CEO has overall responsibility for the performance of the company scorecard, which includes performance against ESG goals. The CEO reports to the Co-Chairman and Managing Director, and plays a pivotal role in clarifying and motivating the top management to adopt ESG as a strategic concept. The CEO monitors and evaluates current environmental targets and approves a roadmap to achieve new climate targets. The CEO also participates in an annual review of the ESG strategy and helps set the strategic direction for the upcoming year on ESG actions and plans.

TCFD Disclosure (DJSI 2.6.2)

In FY 2020, we conducted a climate risk assessment that is aligned to the TCFD recommendations. The assessment covers all major operational locations. As outlined by the TCFD, the risks are categorized as physical and transitional risks linked to climate change. As part of TCFD, we have also evaluated the risk associated with our strategic supply chain.

These results and their defined mitigation/adaptation measures are forward integrated into our Enterprise Risk Management (ERM) framework. Dr. Reddy's ERM Framework provides for qualitative/quantitative thresholds for risk appetite and tolerance. The risks are categorized into financial, reputational and legal, compliance and regulatory, and sustainability. The ERM team regularly monitors the identified key risk indicators and mitigation plans for them. The climate-related risks within the ERM framework are discussed and finalized by the Finance Management and Risk Management Council (FIRM). Any risk that has the potential to exceed the threshold is swiftly brought to the attention of the Risk Management Committee and, where relevant, escalated to the Board.

We have used the RCP 4.5 scenario to develop our TCFD analysis. This is in line with the international drive for a robust and standardized risk management methodology. The TCFD analysis provided us with the possible operational, financial, transitional, and legal risks for the horizon of 2039. This scenario analysis was conducted using the geographical and legal implications of climate change across all our locations and strategic suppliers.

For more details on our TCFD disclosure, please refer to our CDP Climate Change Response at <https://www.drreddys.com/cms/cms/sites/default/files/2023-08/CDP%20Climate%20Change%202023.pdf>.

Emissions Reduction Targets (DJSI 2.6.9)

Our Scope 1, Scope 2, and Scope 3 targets are validated by the Science-based Targets Initiative. We have committed to reduce scope 1 and 2 GHG emissions 50.2% per million USD revenue by FY 2031 from a FY 2021 base year, which is equivalent to a 25% absolute reduction. We have committed to reduce absolute scope 3 GHG emissions by 12.3% within the same timeframe. We are a Business Ambition for 1.5°C campaign member: <https://sciencebasedtargets.org/companies-taking-action#dashboard>

We have publicly committed to seek SBTi validation for our revised Scope 3 emissions reduction target of 12.5%.

Net-Zero Commitment (DJSI 2.6.10)

In June 2022, we strengthened our commitment on climate change and stepped up our emissions reduction goal to carbon neutrality (Scope 1 & 2) by 2030 as an important step towards the pathway to net zero. Our strategy aims to achieve carbon neutral operations by 2030 through resource efficiency and an increase in the use of renewable energy. Our decarbonization strategy focuses on

energy mix, conservation, performance, transition, and eventually carbon offsets. This includes reducing our energy consumption with energy efficient technologies and processes, adopting low or no carbon fuels, substituting fossil fuels in boilers with alternate biomass fuel sources such as rice husk and sawdust briquettes, purchasing energy from renewable sources, and realigning our business operations to lower emissions. We have installed on-site solar rooftops and remain committed to long term renewable energy purchases through power purchase agreements and renewable energy attributes such as RECs (Renewable Energy Certificates).

We have also considered and assessed carbon pricing mechanisms when developing our energy procurement strategy. The strategy has placed a clear focus on renewable energy supply. Using project-specific capital cost, project lifetime, operations & management cost, cost of energy saving, and emissions reductions as input, we have devised an internal carbon price (our ICP is set at ₹ 937 / tCO₂e (i.e., \$ 12.54 / tCO₂e). Pricing carbon helps us manage climate-related business risks and identify opportunities in our operations and supply chain, supporting decarbonization.

We will continue investing in solar, hydel, and wind projects and accelerate our green transition by substantially increasing the share of renewable energy at all our facilities. One of our key levers of decarbonization is energy efficiency, and we plan to further our investment into environmental technologies for improved energy savings, resource efficiency, productivity, and yield while cutting down costs and waste. We are working more closely with our suppliers on sustainable procurement processes and will be identifying emissions reduction opportunities in our upstream and downstream value chain.

2.7 Biodiversity

Biodiversity Risk Assessment (DJSI 2.7.1)

We do not have operations or offices in or around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required. We also do not operate in biodiversity-rich habitat areas with International Union for Conservation of Nature (IUCN) red list species or national conservation species, and we remain mindful of projects that have a positive impact on biodiversity.

In 2022, we conducted detailed biodiversity assessments for two key regions of operations (including 11 manufacturing facilities), and Dr. Reddy's greenfield site to identify risk areas for the businesses related to regulatory requirements, managing stakeholder relations and meeting customer requirements by developing nature friendly products. We publicly report on the process steps of our biodiversity risk assessment, make use of location-specific approach and also provide references to methodologies or frameworks used for assessment. The objective of the studies was to baseline our own operations. Our biodiversity assessment and carbon sequestration assessment reports recommending short- and long-term action plans have been published on our website.

Since 2020, we have been supporting the ecosystem through multiple rainwater harvesting projects and creating increased biodiversity that supports water resources. During the year, we planted 32,003 saplings within and outside the fence with a carbon sequestration potential of ~800 tonnes per annum. We also planted 5,000 saplings at the Ramalayam Dulapally Reserve Forest in collaboration with the Forest Department of Telangana. We engaged with CII-ITC Centre Of Excellence For Sustainable Development to evaluate the biodiversity as well as natural carbon sequestration in our campuses at Bachupally, Pydibheemavaram, and Budhera.

In September 2023, at the World Economic Forum (WEF) - Sustainable Development Impact Meetings (SDIM) 2023, we announced a company pledge to conserve, restore and grow forests, contributing to **1t.org's** restoration efforts. The integrated plantation initiative covering 2900 hectares, encompassing mangrove, agroforestry, and bund plantations, offers a comprehensive approach that benefits both nature and the climate. By merging these diverse ecosystems, the project aligns with multiple ecological goals while also addressing economic needs and promoting community well-being. More details are available here: <https://www.1t.org/pledges/rooting-resilience>

2.8 Product Stewardship

Life Cycle Assessment (DJSI 2.8.2)

Our Life Cycle Assessment (LCA) programme helps us capture and analyse the environmental impact of our products and identify hotspots and improvement opportunities.

This year, we completed LCA studies of three API products by an independent external agency using professional software for LCA modelling. A cradle-to-gate assessment was done for Doxycycline Lactic Acid, Levetiracetam, and Atorvastatin. The assessment included the entire product lifecycle and emissions were included from raw material production (cradle) to the gate (until the stage at which the product is ready for use before it is transported). These studies were carried out based on ISO 14044:2006 guidelines. Product lifecycle stages included raw material production, raw material transportation, raw material processing, product handling and product transportation.

Our life cycle assessment includes the following impacts:

Resource Use: Abiotic depletion (fossil fuels, minerals)

Ecological Consequences: Acidification, Ecotoxicity, Eutrophication, Global warming, Ozone depletion, Photochemical ozone formation

Human Health: Human toxicity

Description of the Life Cycle Assessment approach	% of Total Products
Full LCAs	1.5
*Other externally recognized tools (e.g., material flow accounting, ecological foot printing, MIPS)	98.5
Total	100

**Material flow accounting (mass balance) is done for all our products.*

Exposure to Hazardous Substances (DJSI 2.8.3)

Risk Assessment coverage and approach

100% percent of our products undergo a risk assessment for their potential impact on human health and the environment.

Whenever a new chemical is introduced to the site, a change request is initiated by the quality team. The quality team assigns the safety team to evaluate the safety of the chemical. A Management of Change (MOC) is raised for the chemical introduced, and the entire lifecycle of the chemical is evaluated. The effect of any eventualities is accessed on the Hazard Identification and Risk Assessment (HIRA) document to identify, the cause, consequence and safeguard to ensure that it does not result

into fire, exposure or any environmental damage. If any risk is identified as Medium and High (as per our risk matrix), a recommendation following the Hierarchy of Controls is followed:

1. Elimination
2. Substitution
3. Engineering Control
4. Administrative Control
5. Personal Protective Equipment (PPE)

These recommendations are tracked through an internal automated system called Action Tracking System which clearly defines the responsibility and the target date for closure.

Every year, these hazardous chemicals are evaluated to check whether the existing controls are in working condition. We also conduct qualitative exposure assessment for all the hazardous chemicals determining the H-Phrases (standardised phrases and alpha-numerical codes used to describe particular hazards) and Occupational Exposure Limit (OEL) data. If in the qualitative assessment, the risk appears as Medium, High, or Very High – a quantitative exposure assessment is conducted to understand the exposure level and defined controls are implemented as per the Hierarchy of Controls.

3. Social Dimension

3.1 Labor Practice Indicators

Workforce Breakdown: Gender (DJSI 3.1.2)

We have set targets for women in the total workforce as well as for women in leadership/top management positions. These are provided in the table below. The coverage of the data reported on as a % of FTEs is 100%.

Diversity Indicator	Percentage	Target (%)	Target year (%)
Share of women in the total workforce	18	50	2035
Share of women in all management positions	16.8	-	-
Share of women in junior management positions	16.93	-	-
Share of women in top management positions	16	35	2030
Share of women in management positions in revenue-generating functions	13.39	-	-
Share of women in STEM-related positions	21.58	-	-

Workforce Breakdown: Race/ Ethnicity & Nationality (DJSI 3.1.3)

Less than 20% of our workforce is based in the US. We are not able or allowed to report on ethnic and racial minorities, and therefore provide a breakdown based on nationality. The nationalities which make up the highest percentage of our workforce are provided in the table below. The coverage of the data reported on as a % of FTEs is 100%.

Nationality	Share in total workforce (%)	Share in all management positions, including junior, middle, and senior management (%)
India	88.41%	86.98%
Russia	3.55%	3.50%
Mexico	1.33%	0.38%
Rest of the world	6.71%	9.14%

Gender Pay Indicators (DJSI 3.1.4)

We monitor and disclose the results of our equal pay assessment. These are provided in the table below. The coverage of the data reported on as a % of FTEs is 100%.

Employee Level	Average Women Salary (in INR)	Average Men Salary (in INR)
Executive level (base salary only)	3,47,56,000	3,52,35,768
Executive level (base salary + other cash incentives)	5,21,34,000	5,43,52,151
Management level (base salary only)	35,33,367	27,26,466
Management level (base salary + other cash incentives)	39,47,796	30,98,474
Non-management level (base salary only)	8,99,555	6,08,567

We have a robust policy structure to identify pay gaps and ensure pay equity. Salaries of employees are based on the job function regardless of gender, caste, race or religion. In FY 2023, The Nomination, Governance and Compensation Committee (NGCC) of the Board reviewed the company's system for hiring, developing and retaining talent, reviewing gender pay parity, and retirement policy along with other matters. Our equal pay assessment is currently under third party verification.

Our Diversity Council is led by our Co-chairman and Managing Director G V Prasad, Chief Human Resources Officer Archana Bhaskar, and Chief Diversity Officer Srividya Ramakrishnan. These are our leaders paving the way towards a more sustainable, diverse, equitable and inclusive Dr. Reddy's. They are supported in driving equity, diversity and inclusion by representatives from various businesses across the organisation.

Freedom of Association (DJSI 3.1.5)

1.7% of our total number of employees are represented by an independent trade union or covered by collective bargaining agreements.

3.2 Human Rights

Human Rights Commitment (DJSI 3.2.1)

Our Human rights policy protects and respects human rights as set out in the Universal Declaration of Human Rights and the International Labour Organization core conventions. Our human rights approach is informed by the UN Guiding Principles on Business and Human Rights and applies to all our employees, contractors, and suppliers. We embed this into our existing policies, systems, and practices. Our organization is committed to adhering to the principles of International Labour Organisation (ILO) conventions, ILO code of practice, Universal Declaration of Human Rights, The International Covenant of Economic, Social, Cultural, Civil and Political Rights, UN Guiding Principles on Business and Human Rights.

We ensure to provide safe working conditions for all including employees, customers, business partners, and visitors. We encourage them to report any unsafe or hazardous conditions noticed in the workplace to the management.

We have developed a comprehensive SAMP (Social Accountability Management Procedure) in our facilities in line with the requirement of the SA 8000 standard to ensure compliance with the standard. We are committed to complying with the Local, National, and all other applicable laws of the land, prevailing industry standards.

All our manufacturing facilities are certified SA 8000 facilities. These facilities undergo robust due diligence processes as a requirement of SA8000. We assess our facilities' related human rights risks through the use of the SA8000 standard and other internal protocols. We ensure to adhere to eight clauses (Child Employee, Forced or Compulsory Employee, Health & Safety, Freedom of Association & Right to Collective Bargaining, Discrimination, Disciplinary Practices, Working Hours and Remuneration of the SA8000 standard. To access the Human Rights elements for our vendors and suppliers, we conduct external assessments from a third party which covers indicators like ethics, labor welfare (child/ forced labor, working hours, remuneration, compensation, etc.), health and safety, and management systems.

3.3 Human Capital Development

Our employees are our biggest assets and key stakeholder for ensuring our success as a responsible business. We understand the importance of training and upskilling of our employees and invest in creating appropriate opportunities for their personal and professional development. The data below covers 100% of our employees globally.

Training & Development Inputs (DJSI 3.3.1)

	FY 2023
Average hours per FTE of training and development	51.22
Average amount spent per FTE on training and development in INR	8774.45

Hours of training and development by age

Category	%
Less than 30	35.37
Between 30 to 60	64.55
Greater than 60	0.08

Hours of training and development by gender

Category	%
Others	1.74
Female	17.31
Male	82.65

Hours of training and development by management level

Category	%
Top Management	0.23
Middle Management	4.03
Lower Management	93.91
Other Employees	1.82

Hours of training and development by country

Category	%
India	92.93
Russia	5.34
Rest of the World	1.73

Employee Development Programs (DJSI 3.3.2)

Digital, Data and Design

Digital Ninja, launched in 2020, is our flagship learning initiative at Dr. Reddy's, designed for all employees. This program is a cornerstone of our commitment to fostering a robust learning culture and bolstering digital capabilities across the organization. Through Digital Ninja, our aim is to cultivate expertise in Digital, Data, and Design realms via online courses hosted on LinkedIn Learning. By becoming a Digital Ninja, employees align themselves with the rapid technological evolution reshaping our world and enables employees to contribute to the ongoing digital transformation journey that our organization is embarking on.

Harnessing the potential of digital technologies and data-driven insights is pivotal in boosting operational efficiency, curtailing costs, and identifying new avenues of revenue generation. Digital Ninja has been crafted to equip our employees across business units, levels, and geographies with skills in new-age digital technologies, data analytics tools, and digital mindset. This, in turn, amplifies their engagement and contributions toward spearheading digital transformation initiatives. Annually, we refresh the course offerings to align with the latest trends shaping the digital landscape, such as generative AI, Metaverse, AR-VR, data science concepts, design thinking, innovation, and systems thinking. We certified 1,380 Digital Ninjas in FY 2022 and 2,850 in FY 2023. 28.5% of full-time employees (FTEs) participated in the programme in FY 2023.

Digital Ninjas actively contribute to projects that leverage digital technologies, process streamlining, and autonomous work, ultimately boosting productivity. At our Bachupally facility in Hyderabad, a prominent manufacturing site, the implementation of Industry 4.0 technologies and capability initiatives like Digital Ninja, DnA champ and Business translator culminated in a membership with the World Economic Forum's Global Lighthouse Network. This journey showcased substantial achievements, including a 43% reduction in manufacturing costs, a 30% decrease in production lead time, a 41% cut in energy consumption, and a significant decline in quality deviations over a two-year span.

Building the leaders of tomorrow

Launched in 2012, the New Horizons Leadership Program (NHLP) aims to boost capabilities by focusing on personal transformation within the organization, driving significant business results. It is a top-tier senior management development initiative that equips participants with vital skills for effective leadership. In the fiscal year 2023, NHLP involved 26 employees as part of its cohort, this includes 10% of the employees that are eligible for the programme.

The objectives of NHLP are 4-fold:

- Partner with leaders on a personal transformation journey that would help them operate from their full leadership potential,
- Integrate capacities of empathy, collaboration, ownership and accountability – values critical to the growth of leaders and the larger organization,
- Create significant business impact through higher self-awareness, better people leadership and greater sensitivity to the business environment,
- Create a pipeline of effective leaders for the business.

NHLP is committed to combining personal transformation with tangible business outcomes. During the program, participating leaders undertake an Individual Development Plan (IDP) and a high-impact Break Through Project (BTP). These projects aim to deliver business breakthroughs and foster participants' growth in their chosen developmental areas.

Some of the quantifiable business impacts include an improvement in the utilization of manufacturing facility capacity – with the elimination of 195 man working hours per year, an increased profitability of an API manufacturing plant amounting to INR 4,00,00,000, the establishment of in-house capabilities to boost plant/business unit efficiency, and the implementation of systems that enhance tracking and results. Along with NHLP, our flagship Young Leaders Programme (YLP) takes participants through a 15-month journey to becoming future leaders and has been running for three years. Our New Horizons Well-being Programme (NHWP) focuses on holistic well-being and is helping our colleagues take charge of their wellbeing before a crisis arises.

We have two leadership academies at two of our facilities where we conduct extensive internal training programmes for personal and professional development for all employees across multiple topics. We also partner with other external organizations on these training programmes.

Support for degree professional programs and certifications

While we continually invest in capability building of all our employees, we also encourage them to continue their learning by taking up memberships of reputed professional associations. We offer higher education support from reputed institutes to our employees on areas related to their work, and offer reimbursement of admission, tuition, and examination fees and course material on completion of the course.

Human Capital Return on Investment (DJSI 3.3.3)

Values (in INR)	FY 2020	FY 2021	FY 2022	FY 2023
Total revenue	174600000000	189722000000	214391000000	245879000000
Total Operating Expenses	78016000000	78797000000	84364000000	82199000000
Total employee-related expenses (salaries + benefits)	33802000000	36299000000	38858000000	46466000000
Resulting HC ROI	3.85735	4.05587	4.34621	4.52258
Total Employees	21650	22739	23577	24832

3.4 Talent Attraction & Retention

Hiring (DJSI 3.4.1)

	FY 2020	FY 2021	FY 2022	FY 2023
Total number of new employee hires	3,981	3,786	6,936	6,536
Percentage of open positions filled by internal candidates (internal hires)	32.49	41	54.32	28.37
*Average hiring cost/FTE in INR	12,000	12,000	18,000	22,844

*Average hiring cost/FTE - The cost has been calculated by total cost on hiring/ total number of FTEs

New employee hires by age group, gender, management level, and nationality

	<30 years			30-50 years			>50 years			Total
	Others	F	M	Others	F	M	Others	F	M	
Executive	0	0	0	0	0	2	0	0	1	3
Junior Management	0	28	52	0	127	654	0	5	6	872
Middle Management	0	0	1	0	48	199	0	2	7	257
Non-management	2	680	2536	5	422	1683	0	27	22	5377
Senior Management	0	0	0	0	2	20	0	1	4	27
Total	2	708	2589	5	599	2558	0	35	40	6536

F = Female, M = Male

Nationality	Number of new hires
Indian	5803
Russian	191
Mexican	119
Rest of the World	423
Total	6536

Type of Performance Appraisal (DJSI 3.4.2)

Our Performance Enablement System (PES) platform helps align our mission, goals and objectives with those of our employees, and achieve our shared goals. The manager and employee are encouraged to meet periodically to review performance, learnings and progress against set goals. All employees are provided with equal opportunities for development, advancement, and promotion on merit and without prejudice. The parameter for performance management is both backward and forward-looking as it helps managers see who has had a positive trajectory and take intelligent decisions accordingly.

Employees have pre-defined and measurable goals that are set with their managers in a collaborative manner at the start of the year. A quarterly check in conversation with the manager is recommended for all employees. These conversations are focused around progress or alignment on work, resetting priorities or employee seeking support as needed.

Performance against set goals is formally reviewed twice a year. A formal half yearly review helps manager and employee to take a stock of the progress made and to make course corrections. The focus during the review is primarily on overcoming constraints and planning for the rest of the performance cycle. The manager collects feedback from the customers, suppliers, project managers and peers and collates this feedback. The manager is expected to provide feedback on achievement of goals and behavioural aspects for the period under review. Employees are also provided with an opportunity to give their feedback and seek clarifications from the manager.

These are team-based performance management appraisals where employees are assessed as part of a team rather than only as individuals. 360 Behavioural Feedback shared is on each of the dimensions of our ASPIRE framework, based on the frequency of leadership behaviours demonstrated. The performance report includes both quantitative scores and qualitative comments on each of the ASPIRE tenets from different feedback groups – self, manager, peers and other stakeholders.

Employee Support Programs (DJSI 3.4.4)

Support and care

Dr. Reddy's offers the following benefits that help women employees manage work life balance better and support their specific needs:

Leave

In case of medical emergencies in the family, childcare related issues or health problems that require attention, employees can avail "Family Care" leave. The employee can take leave for a period ranging between 3 to 12 months if they have been with the company for at least a year.

All women employees of our company, including trainees, can avail fully paid maternity leave of up to 26 weeks, of which a maximum of 8 weeks can be taken pre-delivery. There is no limit on the number of children for which the maternity benefits apply. Mothers are eligible for equal maternity benefits in cases of birth by surrogacy. In addition to the 26 weeks, mothers are also given an option of "Additional Maternity Leave" – a month-long, fully paid leave to manage any health complications arising out of delivery, pregnancy or premature delivery.

In the event of a miscarriage, employees can take up to 6 weeks of leave immediately from the date of the incident.

Equal coverage is provided for both C-section and normal delivery to prioritize health, employee choice and to prevent anti-selection for financial reasons. Coverage is provided for fertility treatment in addition to maternity cover. Coverage under medical insurance is provided for same-sex partners. Gender reassignment surgeries are covered in medical insurance.

Child Care Benefit (Crèche Facility)

All our establishments have a crèche and breast-feeding facility to support women returning to work so they may take care of infants, babies, and lactation needs.

Reduced working hours

New mothers can take "off hours", for up to 2 hours every day for a year from the date of giving birth, basis their need. Single parents can avail this benefit till the baby is one year of age.

Flexible work options

Flexible work options are offered to women depending on their need.

Survivor support

Support is provided to employees' families, irrespective of gender, if the employee has passed away in service. This also covers higher education for two surviving children basis the internal policy adherence.

Ease of work

Care kits and higher outstation allowance are offered to women working in sales roles, with the aim of easing work in the field for them.

Health and workplace stress

We are committed to the health and well-being of our employees. We take multiple initiatives ranging from employee-friendly policies to proactive support during crises like COVID-19. This year we were able to touch 8,200 lives through our employee health and wellness initiative, My Health Index. We conducted over 10,000 consultations on diet, fitness, and happiness, receiving over 25,000 positive individual reviews. We held multiple health webinars, and campaigns, including blood donation drives and fitness sessions. We saw over 340 instances of reduced health risks, with a significant reduction in biometric risk markers. We also saw a marked improvement in Body Mass Index, blood sugar, blood pressure and cholesterol levels, and 66% of employees reported reduced stress levels.

We continued to expand our flagship programme across other business units bringing in additional employees under the health assessment tracking, measurement, and improvement.

Our New Horizons Well-being Programme (NHWP) focuses on holistic well-being and is helping our colleagues take charge of their wellbeing before a crisis arises.

Employee Turnover Rate (DJSI 3.4.5)

	FY 2020	FY 2021	FY 2022	FY 2023
Total employee turnover rate	17.74	16.82	19.27	20.87
Voluntary employee turnover rate	12.8	11	13.93	14.71
Data coverage (as % of all FTEs globally)	100	100	100	100

Total employee turnover rate based on age group, gender, management level, and nationality

	<30 years			30-50 years			>50 years		Total
	Others	F	M	Others	F	M	F	M	
Executive	0	0	0	0	0	1	0	1	2
Junior Management	0	11	32	0	107	623	9	22	804
Middle Management	0	0	0	0	34	196	7	37	274
Non-management	1	342	1461	2	356	1758	29	127	4076
Senior Management	0	0	0	0	0	16	0	19	35
Total	1	353	1493	2	497	2594	45	206	5191

F = Female, M = Male

Nationality	Number of Exits
Indian	4549
Russian	160
Mexican	90
Rest of the World	392
Total	5191

Trend of Employee Wellbeing (3.4.6)

Core Focus	FY 2020	FY 2021	FY 2022	FY 2023	FY2023 target
Employee Engagement (% of employees with top level of engagement, satisfaction)	88	83	83	80	80
Data coverage (% of employees who responded to the survey)	82.5	77	77	*35	-

**The results reported are for 'Heartbeat'—our in-house real-time internal engagement platform that measures engagement levels on an everyday basis across different dimensions. In FY 2023, participation was low as we were phasing out our survey platform to a more comprehensive employee experience platform. We have transitioned to the new platform in FY 2024 and are already seeing positive and high participation levels compared to the past several years.*

3.5 Occupational Health & Safety

At Dr. Reddy's, employees' Health and Safety encompasses a wide range of areas including occupational health and safety, COVID-19 specific safety initiatives, road safety and women's safety. Occupational Health & Safety remains one of the key material issues from our stakeholders and business point of view.

OHS Policy (DJSI 3.5.1)

Dr. Reddy's Safety, Health, and Environment (SHE) policy applies to all employees and extends to all business facilities, subsidiaries, joint ventures, licensees, and other associates.

A Safety Committee consisting of equal number of representatives of workers and management to promote co-operation between the workers and the management in maintaining proper safety and health at work is set up. A quarterly meeting is also set up to periodically review the safety measures taken up.

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

We have developed a guidance document that provides the details on how to identify, evaluate SH&E risks, and reduce them to an acceptable level by strengthening existing controls and/or incorporating additional controls for all the activities within the premises of the organization. The standard clearly outlines the role and responsibilities of individual roles directly involved in identifying and mitigating SH&E risks. Safety trainings are provided to our employees along with detailed training on various technical skills and procedures to perform a potentially hazardous task. We expect our suppliers to follow the same practices as we do.

We work to achieve 'Goal Zero' in terms of incidents, injuries to people, and damage to the environment. All our employees, including permanent workers and contractors, are trained on occupational health and safety, specific work-related hazards, hazardous activities and situations.

OHS Programs (DJSI 3.5.2)

We have implemented occupational health and safety management systems, and these have been independently externally verified. All 16 of our Indian manufacturing facilities have been certified under ISO 45001.

All our manufacturing facilities have an onsite emergency plan that includes emergency preparedness, with the long-term goal of keeping our business up and running. The plan is revised annually, and all credible scenarios are part of the plan, including frequent mock drills and full-site evacuation drills for concerns like fire and chemical spills. A copy of the updated plan is submitted to the factory inspector as a legal requirement. A well-equipped Emergency Response Team (ERT), our incident management team trained in firefighting and rescue operations, is present at each location in each shift. They are the first line of defense, followed by fire safety teams at clusters as the second line of defense, and mutual aid partners including neighboring industries, our cluster fire station, or the local government fire station as the third line of defense. All the locations are also equipped with the first aid kits over and above the legal requirements.

Safety performance

	FY 2020	FY 2021	FY 2022	FY 2023
Fatalities for employees	0	0	0	1
Fatalities for contractors			0	0
Lost Time Injury Frequency Rate (LTIFR) for employees	*0.18	*0.18	0.14	0.28
Lost Time Injury Frequency Rate (LTIFR) for workers			0.22	0.21
Occupational Illness Frequency Rate (OIFR) - Employee	0	0	0	0

**Until FY 2021, fatalities and LTIFR data were monitored on a consolidated basis for employees and contractors.*

Lost Time Injury Severity Rate for FY 2023 is 141.

3.6 Access to Healthcare

Access to Healthcare Programs (Products & Drugs) (DJSI 3.6.1)

Targets associated with access to healthcare products and drugs

In 2022, we announced our ESG goals for 2030 and set specific goals on access to healthcare, making them central to our purpose and integral to our strategy. We aim to significantly increase our existing reach to touch the lives of over 1.5 billion patients by 2030. This year, we reached over 689 million patients through our products and services. We reached approximately 180 million patients in 31 LMICs (low and middle-income countries) in Emerging Markets and India.

Initiatives on improving access to medicine for vulnerable populations or LDCs (Least Developed Countries)

With a commitment to increase accessibility to drugs in LDCs, we have collaborated with the Bill & Melinda Gates Foundation to manufacture and supply the women contraceptive: DMPA – SC (Depot Medroxyprogesterone Acetate) in LDCs. DMPA – SC is an all-in-one contraceptive that puts women in charge of their reproductive health. This project has the potential to create a significant impact both from social and economic perspectives; as women participate in the workforce it also helps the overall economy which is especially important in the case of LDCs. Read more here:

https://www.gatesfoundation.org/about/committed-grants?q=reddy%27s#committed_grants

We continue to establish partnerships with multilateral agencies and pharmaceutical organisations. Dr. Reddy's and Aurigene Pharmaceutical Services Limited (APSL) partnered with the Global Antibiotic Research and Development Partnership (GARDP) to explore opportunities to make Zoliflodacin accessible to LMICs, including South Africa, Thailand, and India. Along with APSL, Dr. Reddy's has also signed a Memorandum of Understanding (MoU) with the Drugs for Neglected Diseases Initiative (DNDi), a not-for-profit research and development organisation that develops new therapeutic solutions for neglected diseases. The intention of the partnership is to collaborate on research for new treatments for disease areas which include Leishmaniasis and Dengue.

Vistara, our rural access programme reached 1,25,000 healthcare professionals and impacted over 50 million patients across 10,000 towns in India. We began working on Vistara 3 years ago with a goal to increase the reach of medicines most consumed and needed by patients in remote geographies of India. We also began reaching oncology patients in several LDCs and LMICs for the first time, including Panama, Guatemala, Dominican Republic, Costa Rica while exploring expanding our reach to Honduras, Nicaragua and El Salvador. We have made filings for key generics in oncology and anti-infectives such as Azacitidine, Carmustine, Imatinib, Abiraterone, Lenalidomide.

Doha Declaration on the TRIPS agreement and public health

We are in support of the World Trade Organization's 2001 Doha Declaration on the Agreement on Trade-related aspects of Intellectual Property Rights (TRIPS) and Public Health.

We took an open innovation approach to handle the COVID-19 crisis and were successful in developing a comprehensive response. Through collaborations with top global innovator institutes, we were able to bring some of the most effective COVID-19 therapeutics to India. These included partnerships on Remdesivir (Redyx®) with Gilead Sciences, Favipiravir (Avignan®) with FUJIFILM Toyama Chemical Co., 2-Deoxy-d-Glucose (2-DG) with Defence Research and Development Organisation (INMAS), Molnupiravir with Merck Sharpe & Dohme, Sputnik vaccine with the Russian Direct Investment Fund, and Baricitinib with Eli Lilly.

Our role covered clinical programmes and technology transfer to our manufacturing sites involved in working on these products including the conduct of clinical trials and regulatory pathways for

approval with local regulatory bodies. These products were subsequently commercialised in several countries apart from India. This led to significant societal impact in the form of product access during one of the worst crises that humanity has ever faced, paving the path for us to work closely with innovator companies, governments and other companies to bring solutions for large-scale healthcare crises, with rapid development and efficient roll out. We touched more than 5 million lives across Asia through our COVID-19 therapeutics portfolio.

Patient assistance programmes to access and reimbursement support

Through Sparsh, our financial assistance programme for underprivileged cancer patients, we provided access to oncology therapy for 6,110 patients in FY 2023. Sparsh is our patient assistance programme where we help needy patients, and this is determined basis the doctor's recommendation. In the US, we provide patient assistance programmes for 5 of our products including sapropterin tablets, sapropterin sachets, dimethyl fumarate, pyrimethamine, and vigabatrin. Co-pay assistance with a co-pay card for eligible patients is available for all 5 products. The support programme for sapropterin dihydrochloride also includes a 4-week free medication trial based on eligibility, a quick enrollment programme for new patients, reimbursement and dietary product support, and a bridge programme to prevent therapy interruption due to a change in insurance.

Health systems strengthening and sector-wide approaches (HSS/SWApS)

Through Dr. Reddy's Foundation for Health Education (DRFHE), we have been working to strengthen the healthcare delivery system in India. DRFHE touches various healthcare stakeholders through its initiatives focusing on physical wellness, upskilling of healthcare professionals and nutritional consulting. Our preventive healthcare programme Awareness for Life (AFL) has been running for more than a decade and has supported over 5,50,000 people over the years including corporates, educational institutes and Rural Workforce Agencies (RWAs). Through over 1,700 programmes. in FY2023, we trained more than 46,000 stakeholders including nurses, paramedical staff, senior doctors, pharmacists, and postgraduate doctor students to deliver better patient outcomes. Our Dietlogues programme provides clinical dietary consultation to patients through a team of expert nutritionists and has helped over 30,000 patients so far. We reached over 13,000 additional patients suffering from cancer, diabetes and Chronic Kidney Disease (CKD) while offering over 38,000 diet consultations during the year. Through our UDAY (Unite against diabetes & hypertension by raising awareness in community) programme, we promoted awareness among 15,000 doctors and supported the screening of over 40,000 patients for diabetes and hypertension in India.

3.7 Addressing Cost Burden

Our products significantly bring down treatment costs in a therapeutic class while maintaining the same quality, safety, and efficacy as with the reference product, resulting in savings and/or increased patient access to treatment.

Besides this, year on year, there was an average reduction of 8% in prices of our medicines in FY 2023. Global Generics make up 87% of our overall revenue. A significant part of the cost reduction is attributable to our North America, Europe, and parts of Emerging Markets countries. This is over 60% of our total revenue.

We also measure and manage our net/list price inflation across our U.S. product portfolio to contribute positively to balancing healthcare budgets.

Key product launches

Drug	Disease category	Markets launched	Benefits and unmet needs
Cidmus	Heart failure/ cardiovascular drug	India	We launched this in-house-manufactured product on Day 1 post patent expiry on 16/01/2023. Our formulation is a trusted novel co-crystal form in 1:1 molar ratio. Our API is a USDMF-grade API, manufactured in a USFDA approved state-of-the-art facility. It is India's first scored tablet of sacubitril and valsartan 50mg, which can facilitate dose titration.
Primcyv	Breast cancer	India	We launched our in-house manufactured palbociclib capsules on Day 1 post patent expiry on 10/01/2023 for metastatic breast cancer. Dr. Reddy's palbociclib is bioequivalent and therapeutically equivalent to the global innovator product. Both the API and capsules are manufactured at an USFDA-approved site that also manufactures oncology medicines for export to global markets. This in-house product will be sold in India at an 85% price reduction from the current MRP of PRIMCYV®, making this critical care drug much more affordable, and making a huge difference to financially disadvantaged patients.
Lenalidomide	Multiple myeloma	US	Dr. Reddy's launched the generic version of REVLIMID® (lenalidomide) Capsules in the United States market, earning first-to-market status and 180 days of generic drug exclusivity for capsules in 2.5 mg and 20 mg strengths. The launch of a more affordable generic version creates greater patient access for this important drug that is used in cancer treatments, and represents our commitment to providing affordable medicines to Multiple Myeloma and Myelodysplastic Syndrome (MDS) patients.
Sorafenib	Hepatocellular carcinoma, renal cell carcinoma, thyroid carcinoma	US	Sorafenib is a kinase inhibitor used to treat unresectable hepatocellular carcinoma and locally recurrent or metastatic, progressive, differentiated thyroid carcinoma (DTC) refractory to radioactive iodine treatment.
Pemetrexed	Non-small cell lung cancer and malignant pleural mesothelioma	US	We launched this generic chemotherapy medication for adults with non-squamous non-small cell lung cancer and malignant pleural mesothelioma in 100/500 mg single-dose vials, making cancer treatment more accessible and affordable.
Fexofenadine + Pseudoephedrine Allegra-D® 24	Combination of an antihistamine and a decongestant	US	Dr. Reddy's Fexofenadine HCl 180 mg and Pseudoephedrine HCl 240 mg Extended Release Tablets, USP are important additions to our upper respiratory portfolio of OTC products. This was the first private label version of OTC Allegra-D® 24, and

			a part of our continued efforts to bring high quality, affordable store-brand alternatives.
Vigabatrin sachet	Epilepsy	China	This anti-epileptic drug was identified as an urgent clinical need by China's Center for Drug Evaluation. We were the first to file this product and get an approval in 11 months.
Carfilzomib	Oncology	Colombia	This is used in the treatment of relapsed refractory multiple myeloma. We are the first generic to launch the product in the country.
Carmustine	Oncology	Brazil	An important chemotherapy treatment option for glioblastoma, and a gold standard conditioning regimen in Hodgkins and non-Hodgkins lymphoma. There is a significant unmet need in the market due to unavailability of the innovator's product, and we are the only generic making this treatment more accessible to patients.
Sugammadex	Anesthesia	Brazil	An important product in our critical care portfolio, it is used in the reversal of neuromuscular blockade induced by rocuronium and vecuronium in general anaesthesia.

From being a leading manufacturer and supplier of high-quality affordable APIs to leading generic formulations manufacturers across the world, we enable our partners to accelerate access to affordable medicines for patients worldwide. As an API partner, we enabled first-to-market for Abiraterone Acetate, Dapagliflozin, Sugammadex Sodium, and Sitagliptin, being one of the earliest generic API manufacturers.

3.8 Health Outcome Contribution

Measure Contribution to Health Outcome (DJSI 3.8.1)

Through DRFHE programs, and the Alivius and Svaas platforms, we contribute to the improvement of the patient full cycle of care in 90% of disease areas relevant to our company. This includes over 60 disease areas/indications such as GI Disorders, Managing diabetes, Hypertension, Heart diseases, Breast cancer, Anaemia, Obesity and its risk factors, Benign prostatic hyperplasia, Hepatitis, Diabetes and nutrition, Respiratory diseases, Child health and immunity, Lifestyle management, Osteoporosis, Thyroid related disorders, Women's health, and Oncology (Ovarian cancer, Lung cancer, General cancer awareness). 5 of these programmes are implemented on a global scale.

Accessibility & Transparency of Outcome Data (DJSI 3.8.2)

In January 2023, we successfully completed the full set of clinical studies of our proposed rituximab biosimilar candidate, DRL_RI, for filing in highly regulated markets such as the United States, Europe and other regions. DRL_RI is being developed as a biosimilar of rituximab, a cluster of differentiation 20 (CD20) directed cytolytic antibody for approval in the United States, European Union and other regions for various indications including treatment of adult patients with rheumatoid arthritis, non-

Hodgkin's lymphoma, chronic lymphocytic leukaemia, pemphigus vulgaris, granulomatosis with polyangiitis and microscopic polyangiitis.

Our press release for the full set of clinical studies of proposed rituximab biosimilar candidate DRL_RI is available on our website at: <https://www.drreddys.com/cms/cms/sites/default/files/2023-01/Dr.%20Reddy's%20press%20release%20-%20rituximab.pdf>

3.9 Marketing Practices

Ethical Marketing Commitment (DJSI 3.9.1)

Our Code of Business Conduct and Ethics (COBE) lays down the principles and standards that govern the actions of the company and its employees, and this also includes marketing practices, laying out employee responsibilities, interactions with healthcare professionals and government officials while marketing products. COBE applies to all directors and employees of our company, its subsidiaries, and affiliates. It has been designed to comply with the requirements of Companies Act, 2013, and the Sarbanes Oxley Act of 2002 and its implementing regulations. All employees are mandatorily required to renew their COBE affirmation every year and stay updated on the overall business ethics of the company. We conduct training on including important topics including anti-bribery and corruption, responsible marketing and promotion, insider trading, product quality and safety, information and asset protection, and workplace behaviour, as part of COBE.

Our Global Marketing Code and Code of Practice for Promotion and Interaction for India set out standards and procedures for the ethical interaction and promotion of the company's products amongst HCPs (healthcare professionals) and HCIs (healthcare institutions) in compliance with the applicable laws and the code.

This code reflects the principles based on the Uniform Code of Pharmaceutical Marketing Practices (UCPMP) and Medical Council of India (MCI), the Foreign Corrupt Practices Act, and applicable anti-bribery regulations. This applies to all employees of the company who have direct interaction with healthcare practitioners and health care institutions or have an influence over such interactions. The scope covers all marketing activities including advertising, promotion, use of email/other communications, audio/visual materials, press releases, gifts and hospitality, and many other crucial aspects of marketing practices. The guidelines cover the Ethical Marketing Practices to be adopted while interacting with health care professionals, promoting the products, handing over samples & gifts, Sponsoring conferences & organizing the Medical Camps, and others. Globally our marketing guidelines have been based on a set of common internationally accepted marketing principles across all countries however our marketing guidelines are customized for each market/country to incorporate the country-specific requirements. These are available with the country compliance officers and the marketing teams.

Benchmarking of our business ethics policies

Under Project Ethos, independent external experts are assessing the comprehensiveness, implementation, and execution of our compliance programme, helping align it with the latest US Department Of Justice (DOJ's) guidelines and benchmarking it to industry best practices.

We engaged KPMG in 2021 to conduct a detailed test of our compliance programme and evaluate if our existing process/controls were comprehensive in assessing and determining the robustness of our current monitoring mechanism.

4. Other important references

Reports and filings

[Integrated Annual Report FY 2023](#)

[Form 20-F 2023](#)

[Sustainability Report FY 2022](#)

Webpages

[ESG profile](#)

[Investors](#)

[Press Releases](#), [Media Notes](#), [Press Presentations](#)

[Public pledge](#)

Policies

[Anti-Bribery and Anti-Corruption Policy](#)

[Biodiversity Policy](#)

[Code of Business Conduct & Ethics](#)

[Corporate Social Responsibility Policy](#)

[Energy Policy](#)

[Global Marketing Code](#)

[Human Rights Policy](#)

[Ombudsperson Policy](#)

[Safety, Health and Environment Policy](#)

[Supplier Code of Conduct](#)

[Tax Transparency Report \(including Tax Policy\)](#)

Other documents

Biodiversity reports: [Bachupally](#), [Vizag](#), [Budhera](#)

[CDP Climate Change 2023](#)

[CDP Water Security 2023](#)

[GHG Quantification Methodology](#)

[Sustainability Ambassador Program Progress Report](#)

[LCA Report](#)

Assurance statement

GHG Verification Statement FY 2023



INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV represented by DNV Business Assurance India Private Limited ('DNV'), has been commissioned by the Management of Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the Company', Corporate Identity Number (CIN) L85195TG1984PLC004507) to undertake an independent assurance of the Company's Integrated Report 2022-23 in its online and printed format ('the Report'). The disclosures in this Report have been prepared by the Company based on the Guiding Principles and Content Elements of the International <IR> Framework ('<IR> Framework') of the International Integrated Reporting Council ('IIRC') and using selected topic-specific Standards from the Global Reporting Initiative's (GRI's) Sustainability Reporting Standards 2021 ('GRI Standards') to bring out the Company's sustainability performance during the reporting period 1st April 2022 to 31st March 2023. The disclosures in this Report have been mapped based on the requirements of SEBI Circular no. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021, prescribing format of the BRSR and the guidance notes and the nine principles of the National Guidelines on Responsible Business Conduct, 2019 ('NGRBC') of the Ministry of Corporate Affairs, Government of India. The intended user of this assurance statement is the Management of Dr. Reddy's ('the Management'). Our assurance engagement was planned and carried out during March 2023 – June 2023.

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

The Management of the Company has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report as well as the processes for collecting, analyzing and reporting the information presented in the printed Report. Dr. Reddy's is also responsible for ensuring the maintenance and integrity of its website and referenced disclosures on sustainability performance. In performing this assurance work, DNV's responsibility is to the Management of the Company; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of Dr. Reddy's.

We provide a range of other services to the Company, none of which in our opinion, constitute a conflict of interest with this assurance work. Our assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith and are free from misstatements.

Scope, Boundary and Limitations

The reporting scope and boundary encompasses economic, social and governance performance of Dr. Reddy's operations where the Company exercises operational control (product manufacturing operations and research and development facilities) located in India, the United Kingdom, Mexico, the Netherlands, and the United States of America, and is as brought out in the Report in the section 'About this Report' for the activities undertaken by the Company during the financial year April 1, 2022 – March 31, 2023. The boundary excludes the performance of subsidiaries and joint ventures, which are primarily related to marketing activities.

We performed a limited level of assurance based on our assurance methodology VeriSustain™¹. The assurance engagement considers an uncertainty of ±5% based on materiality threshold for estimation/measurement errors and omissions. We did not engage with any external stakeholders as part of this assurance engagement.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) activities, and other financial data are based on audited financial statements issued by the Company's statutory auditors which is subject to a separate audit process. We were not involved in the review of financial information within the Report.

¹ The VeriSustain protocol is based on the principles of various assurance standards including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the GRI Principles for Defining Report Content and Quality, international best practices in verification and our professional experience; and is available on request from www.dnv.com

Basis of our Opinion

As part of the assurance process, a multi-disciplinary team of sustainability specialists performed assurance work for selected sample sites of Dr. Reddy's. We adopted a risk-based approach, that is, we concentrated our assurance efforts on the issues of high material relevance to the Company's business and its key stakeholders. We undertook onsite & remote audits with sampled operations and the Company's Corporate Office in Hyderabad, India in line with DNV's assessment methodology. We carried out the following activities:

- Reviewed the Company's approach to addressing the reporting requirements of <IR> Framework including stakeholder engagement and its materiality determination process;
- Reviewed disclosures related to value creation as per the <IR> Framework and claims made in the Report, and assessed the robustness of related management systems, data accuracy, information flow and controls for the reported disclosures;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support topics disclosed in the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives.
- Onsite verification at sample Chemical Technical Operations (CTOs), Formulations Technical Operations (FTOs), Integrated Product Development Organisations (IPDOs) and Research and Development (R&D) Centres, that is, CTO-6 and FTO PU2 in Pydibhimavaram, CTO-5 in Miryalaguda, CTO-2 at Bollaram, APSL R&D Center in Bangalore in India. We have conducted remote assessment for the FTO operations at Middleburg, to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting our assessments on the basis of their materiality.
- Reviewed the process of reporting on Organizational Profile, Strategy, Ethics and Integrity, Governance, Stakeholder Engagement and Reporting Practices based on GRI Standard 2: General Disclosures 2021.
- Reviewed the performance disclosure of identified material topics and related GRI Standards; that is, carried out an assessment of the processes for gathering and consolidating performance data related to identified material topics and, for a sample, checked the processes of data consolidation to assess the Reliability and Accuracy of performance disclosures reported based on GRI's Topic-specific Standards.
- Verification of the data consolidation of reported performance disclosures in context to the Principle of Completeness as per VeriSustain for a limited level of verification.
- Reviewed policies related to identified sustainability issues of the organisation and their effectiveness.
- Reviewed the process of reporting on BRSR requirements including Section A: General Disclosures, Section B: Management and Process Disclosures, and Section C: Principle-wise Performance Disclosures.

Opinion and Observations

On the basis of the verification undertaken, nothing has come to our attention that causes us to believe that the Report does not properly describe Dr. Reddy's adherence to the Guiding Principles and Content Elements of the <IR> Framework including representation of the material topics, business model, disclosures on value creation related strategies and management approach, and GRI topic-specific Standards chosen related to the material topics identified by Dr. Reddy's to bring out its performance against its identified material topics.

Without affecting our assurance opinion, we provide the following observations against the principles of VeriSustain:

Materiality

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

The Report presents the materiality assessment process carried out by the Company and review of material topics for this year. It includes engagement of key stakeholders and assessment of its key issues towards long-term value creation during the reporting period, as well as determination of strategic focus areas for its business. The process has considered the GRI Standards, Sustainability Accounting Standards Board Materiality (SASB) standards and topics identified by peers, as well as the key expectations of internal and external stakeholders.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Stakeholder Inclusiveness

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

The Report explains the processes for identification, as well as modes and frequencies of engagement with key internal and external stakeholders, that is, employees, suppliers, shareholders and investors, communities and non-governmental organizations (NGOs), senior leadership, regulators and B2B customers in the section 'Stakeholder Engagement & Materiality' of the Report. The stakeholder engagement process includes identification of key concerns for significant stakeholder groups through formal and informal mechanisms.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out the process through which internal and external stakeholders are engaged to understand their key expectations, and to gain their inputs towards prioritizing and defining the Company's action plans, procedures and strategies related to identified material issues, and guiding ESG reviews with the Board. The Company has established a sustainability management system including processes for monitoring and reviewing key performance indicators and metrics to measure, monitor and evaluate impacts related to identified material issues using selected GRI Standards.

Nothing has come to our attention to believe that the Report does not meet the requirements related to the Principle of Responsiveness.

Reliability

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

The Company has developed bespoke systems to capture and report its performance related to identified material topics across its reporting boundary. The majority of data and information verified through our remote assessments with Dr. Reddy's management teams and data owners at the Corporate Office and sampled sites were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors. These data inaccuracies have been communicated for correction and the related disclosures were reviewed for correctness.

Nothing has come to our attention to believe that the Report does not meet the principle of Reliability and Accuracy.

Completeness

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

The Report brings out the Company's performance related to the economic, environment, social and governance topics it has identified as material for the reporting period 2022-23, and covering its boundary of operations across India, the UK, the USA, Mexico and the Netherlands over which it has operational control, while considering the Principle of Completeness as defined in GRI 1: Foundation 2021.

Nothing has come to our attention to suggest that the Report does not meet the Principle of Completeness with respect to scope, boundary and time.

DNV

Neutrality

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

The Report brings out disclosures related to Dr. Reddy's performance including key concerns and challenges faced during the reporting period in a neutral tone in terms of content and presentation, while considering the overall macroeconomic environment.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV Code of Conduct² during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement, Greenhouse Gas Verification Statement and Management Report. DNV maintains complete impartiality toward stakeholders interviewed during the assurance process.

For DNV Business Assurance India Private Limited

Bhargav Lankalapalli

Lead Verifier

DNV Business Assurance India Private Limited,
India.

Venkata Raman Kakaraparthi

Technical Reviewer

DNV Business Assurance India Private Limited,
India.

June 20, 2023, Mumbai, India.

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

² The DNV Code of Conduct is available on request from www.dnv.com

Annexure I: Verified Sustainability Performance Data

NGRBC Principle	Indicator	Parameter	UoM	Verified Value (April 22 to March 23)
PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment	Essential Indicator - Details of total energy consumption and energy intensity	Total electricity consumption (A)	GJ	13,47,746
		Total fuel consumption (B)	GJ	26,92,267
		Energy consumption through other sources (C)	GJ	0
		Total energy consumption (A+B+C)	GJ	40,40,013
		Energy intensity per Crore of turnover	GJ/Crore	164
	Essential Indicator - Disclosures related to water	Total volume of water withdrawal	KL	18,84,363
		Total volume of water consumption	KL	15,85,558
	Essential Indicator - Details of air emissions (other than GHG emissions)	Water intensity per Crore of turnover	KL/Crore	74.6
		NO _x	MT	111.1
		SO _x	MT	263
		Particulate matter (PM)	MT	103.9
	Essential Indicator - Details of GHG emissions (Scope 1 and Scope 2 emissions) & its intensity	Total Scope 1 emissions	MTCO ₂ e	2,14,257
		Total Scope 2 emissions	MTCO ₂ e	1,37,627
		Total Scope 1 and Scope 2 emissions	MTCO ₂ e	3,51,884
		intensity per Crore of turnover	MTCO ₂ e/Crore	14.3
	Essential Indicator - Details related to waste management by the entity	Total Waste generated	MT	52,347.8
		Total waste recovered through recycling, re-using or other recovery operations (all waste except HZ)	MT	18,695.8
		Total waste disposed by nature of disposal method (HZ only)	MT	33,652.0
	Leadership Indicator -Break-up of the total energy consumed from renewable sources	Total electricity consumption (A)	GJ	6,18,954
		Total fuel consumption (B)	GJ	5,30,555
		Energy consumption through other sources (C)	GJ	0
		Total energy consumed from renewable sources (A+B+C)	GJ	11,49,510
	Leadership Indicator -Break-up of the total energy consumed from non-renewable sources	Total electricity consumption (D)	GJ	7,28,792
		Total fuel consumption (E)	GJ	2,161,711
		Energy consumption through other sources (F)	GJ	0
		Total energy consumed from non-renewable sources (D+E+F)	GJ	28,90,503
	Leadership Indicator - Details related to water discharged	Water discharge by destination and level of treatment - Sent to CETP after primary treatment	KL	1,49,433
		Total water discharged	KL	1,49,433
	Leadership Indicator - details of total Scope 3 emissions & its intensity	Total Scope 3 emissions	MTCO ₂ e	9,21,055
		Total Scope 3 emissions intensity per Crore of turnover	MTCO ₂ e/Crore	37.5