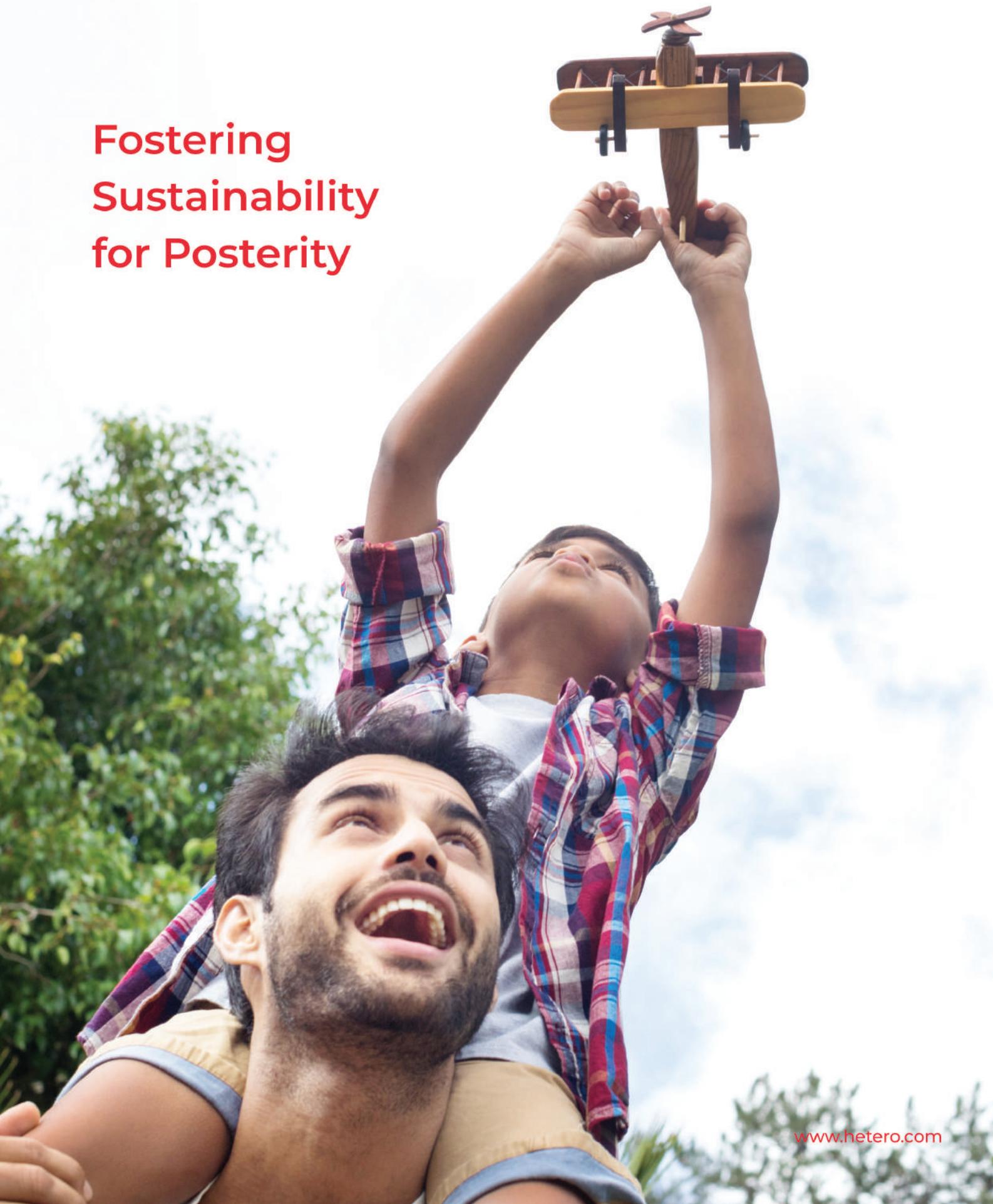


SUSTAINABILITY REPORT

2021-22



Fostering
Sustainability
for Posterity



www.hetero.com

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About the Report



This is our sixth-sustainability report. This report has been prepared 'with reference' to the Global Reporting Initiatives (GRI) standards 2021 and covers the period from the 1st of April 2021 to the 31st of March 2022 which aligns with our financial reporting period as well. Our previous sustainability report was for the period of 1st of April 2020 to 31st of March 2021. Our sustainability reports are based on key reporting principles of GRI Accuracy Balance, Clarity, Comparability, Completeness, Sustainability context, Timeliness, and Verifiability to the best of our efforts. We have become signatories to the United Nations Global Compact (UNGC) in FY20-21. This report attempts to align the reporting with UNGC principles as well.

Report Boundary

Hetero group business and activities covered in the boundary of this report consists of Hetero Labs Ltd., Hetero Drugs Ltd., Hetero Biopharma Ltd., and the Corporate office, in Hyderabad. Numeric Data of 12 manufacturing units in India and corporate office in Hyderabad is provided in this report. Sales and marketing offices are spread across the world and our products are supplied to different parts of the world. Locations of the countries of our operations is provided in 'Our Business' section of the report. This report's boundary is limited to our India operations. Nearly 90% of our workforce is in India and has significant part of our operations are as well in India, therefore, we consider India to be the most important geography and 'local' in this report means India.

All material topics covered in this report have the same boundary as mentioned above, unless specified otherwise. The boundary of sustainability reporting has not changed between last year and this year. Hetero group of companies are privately held which is promoted by Mr. Bandi Parthasaradhi Reddy, Founder and Chairman of Hetero Group.

Inclusion and Exclusion of Entities

Whenever there is a merger or acquisition, the data of those entities is included or excluded accordingly. For new entity data to be included in the reporting boundary, the entity and its operating units must complete all approvals from the regulatory bodies and be operational for a year. For FY 21-22, there have been no such incidents.

Assurance

We carry out third-party assurance of our sustainability reports. BSI has provided the external assurance of the report in accordance with the AA1000 assurance standards. The assurance statement is a part of this report.

Corrections and Re-statements

In this year's report, due to alignment to new GRI Standards 2021, some of the material topics like environmental compliance do not find an alignment with the new framework. We have further expanded the boundary of GHG emission calculation by addition of fugitive emissions i.e., refrigerants. Therefore, the calculation of Scope1 GHG emissions has been updated for FY21-22 to include the same . Other than this, there are no material restatement or corrections in this report as compared to last year's report.

This report represents Hetero's continued efforts on the priority sustainability topics. This year our sustainability priorities continue to be the same as in FY21-22. With our presence worldwide and diversity in our business segments, it is challenging to present all our non-financial efforts in this report. Any product-specific information can be provided on request.

Connect

For any queries, suggestions, or feedback about this sustainability report please write to us at sustainability@hetero.com.

Our Presence in India

- **Baddi**
 - Hetero Labs Limited,
(Formulation Facility)

- **Kazipally**
 - Hetero Labs Limited,
Unit-1
(API Facility)

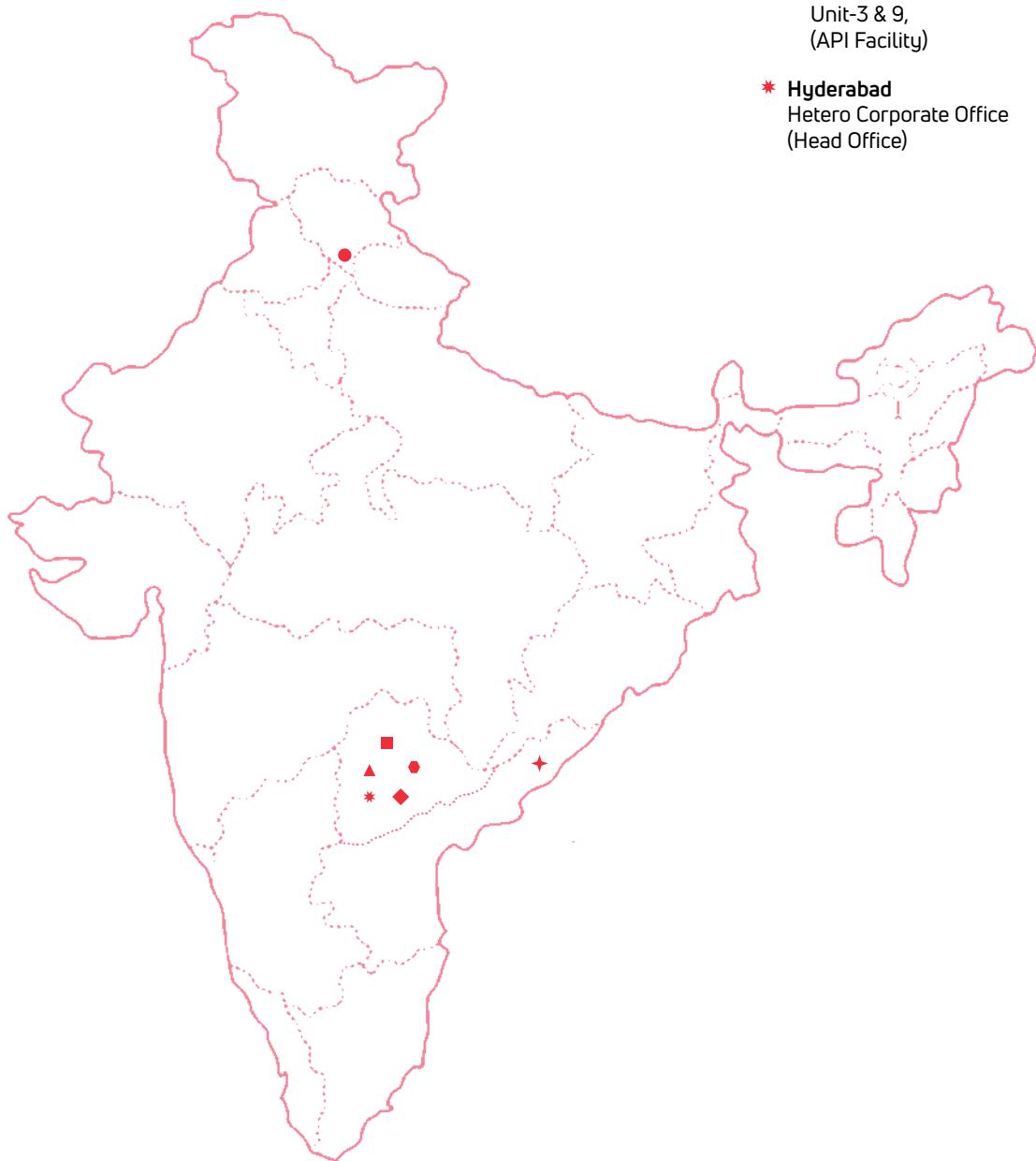
- **Jeedimetla**
 - Hetero Labs Limited, Unit-3,
(Formulation Facility)
 - Hetero Labs Limited, Unit-7,
(Formulation Facility)

- ▲ **Bonthapally**
 - Hetero Drugs Limited,
Unit-1 & 4 (API Facility)

- ◆ **Jadcherla**
 - Hetero BioParma Limited,
(Biosimilar Facility)
 - Hetero Labs Limited, Unit-5
(Formulation Facility)
 - Hetero Labs Limited, Unit-6,
(Oncology Facility)

- ◆ **Nakkapally**
 - Hetero Drugs Limited,
Unit-9,
(Formulation Facility)
 - Hetero Labs Limited,
Unit-3 & 9,
(API Facility)

- * **Hyderabad**
Hetero Corporate Office
(Head Office)





Chairman's Message



Dear Stakeholders,

With unparalleled strength in research, manufacturing and marketing, we have been well-positioned to serve people regardless of geographies. Our new identity embodies this drive to expand our reach and capabilities to respond with agility to the world's evolving health needs.

We have been relentless in our endeavour to deliver healthcare solutions in 145+ countries. Today, we stand to recommit ourselves with a renewed focus on carrying forward our legacy to make treatments accessible and affordable to the poorest of people in the world's remotest corners.

At Hetero, we strongly believe in the human right to good health. Each element of our new identity stands for the endless possibilities as we strive to reach more people and meet their ever-evolving health needs. Our Sustainability story has been shared by our employees, patients, partners, customers, investors and stakeholders, who will be valued contributors to our future endeavours.

With best regards,

Dr. B. Partha Saradhi Reddy
Chairman, Hetero Group of Companies

Leadership Team

Our leaders are committed to making a positive impact by contributing to healthy communities and building a responsible business.



Mr. A.V. Narsa Reddy
Executive Director



Dr. K. Ratnakara Reddy
Director



Dr. C. Mohana Reddy
Director



Mr. J. Sambhi Reddy
Director



Mr. B. Murali Krishna Reddy
Director – Marketing



Dr. G. Palleswara Rao
Director – Formulation Operations (Jeedimetla)



Mr. Bhaskar Reddy
Vice President & Head – Operations (Jadcherla)



Mr. Bhavesh Shah
Director – International Marketing



Mr. B. Bala Reddy
Whole-Time Director – HBL



MD's Message

At Hetero, we are deeply committed to creating a sustainable and healthier world for future generations. As a leading global pharmaceutical organization, our vision goes beyond delivering groundbreaking medical solutions; we strive to foster a positive impact on our environment and the communities we serve. Our steadfast dedication to sustainability principles shapes our policies and practices, driving us towards a greener, more responsible future.

Hetero and its people demonstrated exceptional resilience and commitment to addressing the COVID-19 pandemic's immediate and long-term effects. Being at the forefront of the fight against COVID-19, we actively contributed to the development and distribution of generic versions of life-saving medications like Paxlovid, Molnupiravir, Remdesivir and Favipiravir, which have been widely used in the treatment of COVID-19 patients. Hetero also played a significant role in the global vaccination efforts by entering into agreements to manufacture and distribute the Sputnik V vaccine in India and other countries. This partnership helped increase the availability of vaccines and accelerated the immunization process, ultimately contributing to the global objective of achieving herd immunity.

In this ever-changing global health landscape, we maintain our agility while staying true to our commitment to sustainability. Hetero's sustainability performance over the past six years demonstrates significant advancements in all areas, from mitigating climate change impacts to building resilient communities. We diligently monitor our direct and energy-based greenhouse gas (GHG) emissions and have successfully reduced our freshwater consumption by 16% in 2021-22. By minimizing our dependency on groundwater, we are taking important steps towards resource conservation.

A sustainable and resilient supply chain ranks among our top priorities, as we recognize its crucial role in our long-term success. In 2021-22, we proudly achieved a record of zero fatality and high consequence work-related injuries, reflecting our unwavering dedication to the health and safety of our employees. Our diverse, proactive, and skilled workforce benefits from ongoing learning and development programs, ensuring their growth alongside our organization.

Hetero's Sustainability Report 2021-22 offers a comprehensive overview of our achievements, insights, and goals in our journey towards realizing #HealthForAll. Each of our actions embodies our passion for building an organization that harmoniously coexists with our planet and its inhabitants, working together to create a healthier, more sustainable world.

Dr. Vamsi Krishna Bandi
Managing Director

Hetero Reimagined

Where Going Beyond is the New Normal

Our Values that Set Us Apart

Over the years of consistent working, we have developed values that separate us from the rest. Our core values are the cornerstone of our internal conduct and guide our relationships with customers, partners and stakeholders.

These values have resulted in us becoming one of India's leading generic pharmaceutical companies and the world's largest producer of anti-retroviral drugs for treating HIV/AIDS.

Knowledge

We value and respect Knowledge as the key enabler in our mission to develop affordable medicines. We greatly cherish knowledge in our team members, associates, partners and medical fraternity.



Integrity

We have deep rooted sense of Integrity towards all commitments to our stakeholders and we strive relentlessly towards delivering them.



Trust

We cherish your Trust and are committed to the highest standards in every aspect of our business.



Agility

We are agile, pro-active and passionate about each and everything we do.





About Us

With unparalleled strengths in pharmaceutical research, manufacturing and marketing, we are positioned to serve people regardless of geographies. Our new identity embodies this drive to expand our research and capabilities in order to respond with agility to the world's evolving health needs.

Our Approach

We prioritize the human perspective above all else. Hetero lives in the stories of the people we serve and the communities we have impacted.

At Hetero, we are shaping a healthier world



35

world-class
Oncology products



9

Biosimilars



400+ APIs
550+ FDFs



2000+

product registrations with
local regulatory authorities



Fully
Integrated
services across the value
chain



Asia's
Largest
API manufacturing complex
(Visakhapatnam, Andhra Pradesh, India)

Our Footprint



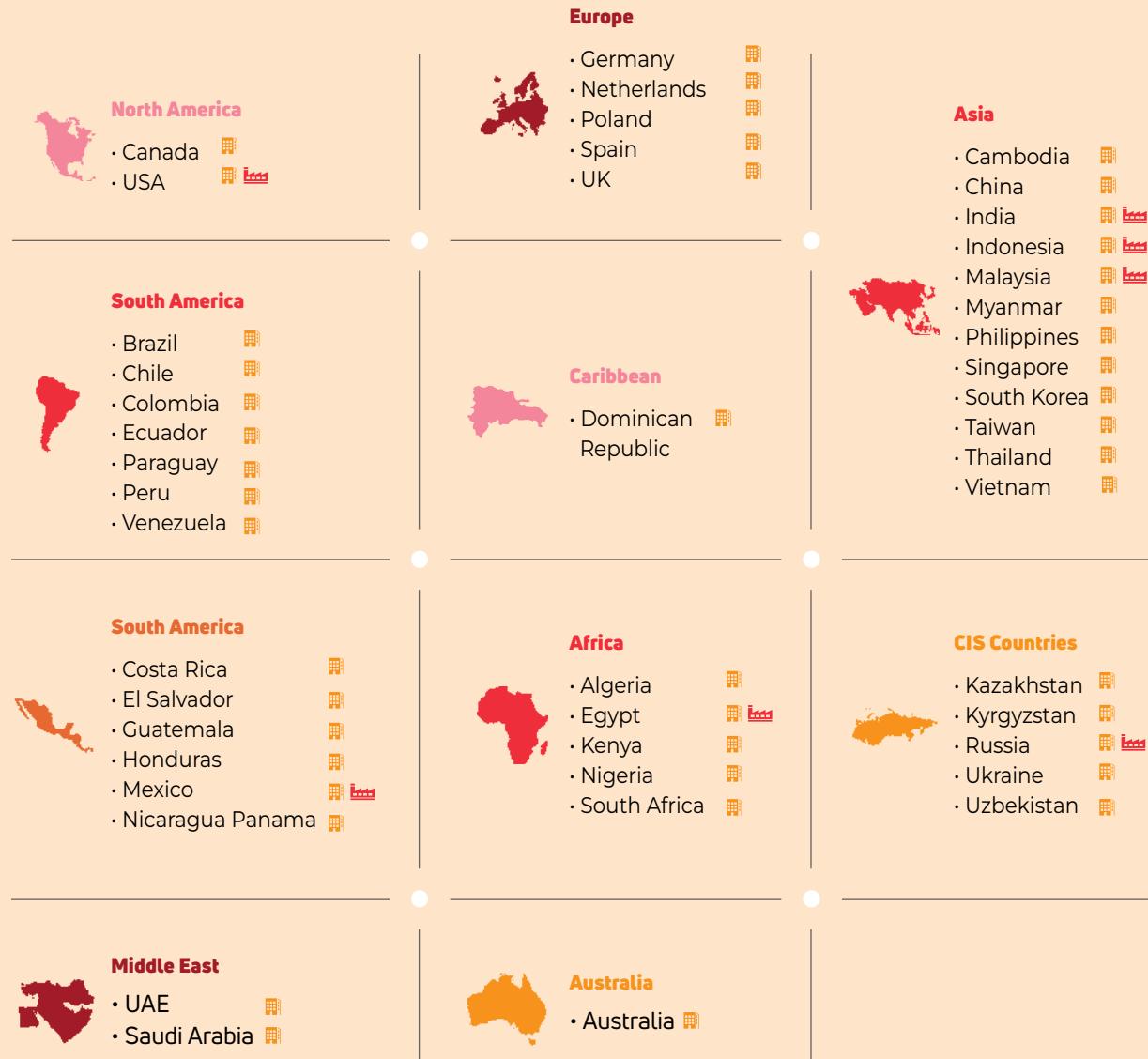
Hetero is a globally renowned vertically integrated pharmaceutical organization engaged in research and development, manufacturing, and marketing of high-quality chemical and biologic medicines across diverse therapeutic areas. Backed by 30 years of expertise in the pharmaceutical industry, Hetero's strategic business areas spread across APIs, Global Generics, Biosimilars and Custom Pharmaceutical Services. The company is among the largest producers of Active Pharmaceutical Ingredients (APIs) in the world.

15
API facilities

21
Finished dosage
facilities

3
R&D centres

We are leaving our footprints in more than 145+ countries across the globe as we enable access to affordable high-quality medicines across the world.



MANUFACTURING FACILITY



BRANCH OFFICE / SUBSIDIARY

Note

- The map showcases those countries that host our manufacturing facilities and branch offices / subsidiaries
- The countries of operations provided in the our business section of the report are same as that provided in the annual report of the company and on the website <https://www.hetero.com/presence>.

Our Focus Areas

We are the trusted partner of choice for multinational pharma giants and global procurement bodies. We are working towards blending science and technology along with vigorous research into therapies to improve people's lives. Our expertise across APIs, global generics, biosimilars and custom pharmaceutical services is secured by a strong R&D backbone.

Business Segments



Active Pharmaceutical Ingredients (APIs)

Leaders in supplying to generics manufacturers

- 300+ APIs encompassing various segments
- 15 exclusive facilities spread across the globe for large scale production
- Backward integration of product development



Global Generics

A world leader in manufacturing branded and non-branded generics

- Largest global supplier of ARV drugs
- 200+ products across various therapeutic categories
- 21 dedicated facilities to manufacture diverse dosage forms



Biosimilars

A dedicated biologics arm, Hetero Biopharma, catering to India and emerging global markets

- State-of-the-art single-use manufacturing facilities and dedicated R&D wing under one roof designed to meet USFDA and EU standards
- Capabilities across development, manufacturing, quality, clinical development, regulatory domains and commercialization of biosimilars
- Commercialized 5 biosimilars and 4 in pipeline



Custom Pharmaceutical Services (CPS)

Significant economies of scale advantages and backward integration capabilities

- Contract manufacturing of APIs, finished dosages, cytotoxic APIs and injectables
- Technology transfer projects
- Contract R&D services for clinical supply and commercial scale-up requirements

Targeting Ever-Growing Variety of Therapy Areas with Newer, Better Solutions

With a portfolio comprising 200+ products across diverse therapeutic categories, we are among the largest suppliers of therapeutic drugs to markets in Asia, US, Europe, Africa, CIS Countries, Middle-East and Latin American Regions.



HIV / AIDS



Haematology



Oncology



Ophthalmology



Cardiovascular



Malaria



Hepatitis



Allergy



Neurology



Diabetes



Biosimilars



Respiratory



COVID-19



Urology



Immunology



Gastroenterology



Autoimmune Disorders

Awards and Achievements

We are driving and championing industry-wide best practices to take Hetero to greater heights. This is reflected in the awards we have received over the years. Recent awards are listed below and other awards can be found on our website (Milestones and Awards of Hetero - Hetero).



Hetero Labs Limited - Unit V - Jadcherla wins Bronze Category Award - CII SR 2021



Hetero Labs Limited - Unit V - Jadcherla receives Suraksha Puraskar 2020 from NSCI



Hetero - Unit III - Jeedimetla wins NAMC 2021 Silver Medal and Special Award for Employee Friendly Initiatives



Hetero Labs Limited - Unit V - Jadcherla wins Gold Category Award - IGMC 2021-22

Memberships with Associations



United Nations
Global Compact



National Safety
Council



Telangana State Industrial
Infrastructure Corporation –
Industrial Area Local Authority



Confederation of
Indian Industries



Bulk Drug
Manufacturers
Association of India

Ramky Enviro Engineers
Private Limited

Our
Partners

Z-Enviro Industries
Pvt Limited

Jeedimetla Effluent
Treatment Plant

Medicare
Environmental
Management Pvt Ltd.

Our Certifiers and Trainers in Sustainability



British Standards
Institutions (BSI)



TUV India Pvt Ltd



Swetansh Bio



DNVGL Business
Assurance India Limited



St. John Ambulance



Lawn Enviro Associates



Nepra
Environmental
Solutions

Pattancheru
Enviro Tech
Limited

External Acknowledgements

We have received a silver rating from the World's most trusted Business Sustainability rating provider EcoVadis. EcoVadis covers a broad range of aspects including Environment, Labor & Human Rights, Ethics, and Sustainable Procurement Impacts.



Hetero Labs Ltd

2021 - 60 (86 Percentile)
2019 - 53 (76 Percentile)
2017 - 45 (61 Percentile)

Hetero Drugs Ltd

2021 - 57 (79 Percentile)
2019 - 44 (53 Percentile)





Business Highlights for the Year

Received CDSCO approval to manufacture Sputnik Light vaccine for sale in India

Hetero biopharma received approval from the Central Drugs Standard Control Organisation (CDSCO) to manufacture Sputnik Light for sale. The Drugs Controller General of India (DCGI) granted Hetero an emergency use permit for a Single-dose Sputnik Light COVID-19 vaccine in India.

Licensing agreement with MPP to expand access to Nirmatrelvir and Ritonir generics for COVID-19

Hetero entered into a voluntary licensing agreement with MPP to expand access of generic version of Nirmatrelvir co-packaged with Ritonavir for COVID-19 treatment in 95 LMICs. This is yet another significant milestone in the fight against COVID-19 and reinforces Hetero's consistent efforts to put ground-breaking antivirals within the reach of thousands of patients.

Positive results from Molnupiravir Phase III Studies at CROI 2022

Phase III trials of Hetero's Movfor (Molnupiravir), an investigational oral antiviral COVID-19 medicine yielded positive results. Presented as an Oral Abstract at the Conference on Retroviruses and Opportunistic Infections (CROI) held virtually February 12–16, 2022, the results demonstrated that Molnupiravir along with Standard of Care (SOC) reduced the risk of hospitalization by over 65% compared to SOC alone. Early viral clearance (negative RT-PCR) and significant clinical improvement were observed within 5 days of administering the antiviral drug. There were no fatalities reported during the study.

Hetero Purchased GSK Greenfield Unit

Hetero purchased a 50-acre green field complex in Vemgal, India, from GSK. The acquisition consists of land, plant and machinery, assets, software and equipment. With this new manufacturing unit, Hetero will create new working opportunities, improving production rate and expansion in the range of its portfolio.

Message from the Sustainability Head

This year, we have concentrated on strengthening and broadening the scope of our sustainability efforts. We increased the GHG inventory as part of this project to include emissions from the usage of refrigerants in our operations. In addition, we attempted to align our reporting with the GRI standards 2021. We plan to continue expanding our sustainable sphere.

Sripathi Siddavatam
EHS – Formulation & Sustainability Head

Our Approach

Our approach to sustainability reporting is a reflection of the business approach and is governed by our commitment to making a positive impact by contributing in building healthy communities and leading a responsible business.





Materiality Assessment

Materiality assessment and stakeholder engagement are essential processes in guiding us in our sustainability approach of acting responsibly. We undertake materiality assessment once every three years aligned with the guidelines of GRI.

Our last materiality assessment was performed in FY 20-21. Hence, we did not conduct a materiality assessment during this reporting year. However, we have carefully been observing what various stakeholders of Hetero expect from us through our day-to-day business interactions, other stakeholder interaction mediums, disclosures by peers and evolving global scenarios. Based on these observations, we conclude that topics identified by the materiality assessment exercise conducted last year continue to hold true for us. Supply chain, data security and compliance were added as three new material topics in our materiality list last year. Currently, no specific GRI indicators have been identified for data security and privacy, marketing and corruption, and employee well-being. Hetero is evaluating the most appropriate indicators for measuring the same and intend to include it in the future. Environmental compliance has been removed from the Universal GRI standards, thus we are not reporting on it.

Materiality Assessment Process

- Identification of issues: The sustainability committee identifies the top material issues based on their experience and understanding.
- Internal stakeholder feedback: Feedback is sought from the Board and employees on the relative importance of topics for the company.
- External feedback: Customers are the primary stakeholders whose feedback is available through audits and rating agencies like EcoVadis.

The topics are classified into low, medium, or high-priority topics based on the output of these steps. The high priority topics are taken as material topics to be disclosed in the sustainability report. Significance of the topics is determined by the number of stakeholders and the priority given by the stakeholders to the topic. These topics give direction to the sustainability committee to plan the short and long-term targets. During

this assessment, we engaged with the Board by having interactions, with customers through third-party survey reports like EcoVadis and with employees by having Interaction and awareness sessions. During the next materiality assessment we will undertake it as per the guidance on GRI Universal Standard.

Material Sustainability Topics for Us

Environment

- Energy and GHG-Emissions
- Water and Effluent
- Waste

Social

- Employee Well Being
- Learning & Development
- Health & Safety
- Well Being – Customer Health & Safety
- Community
- Diversity & Equal Opportunity

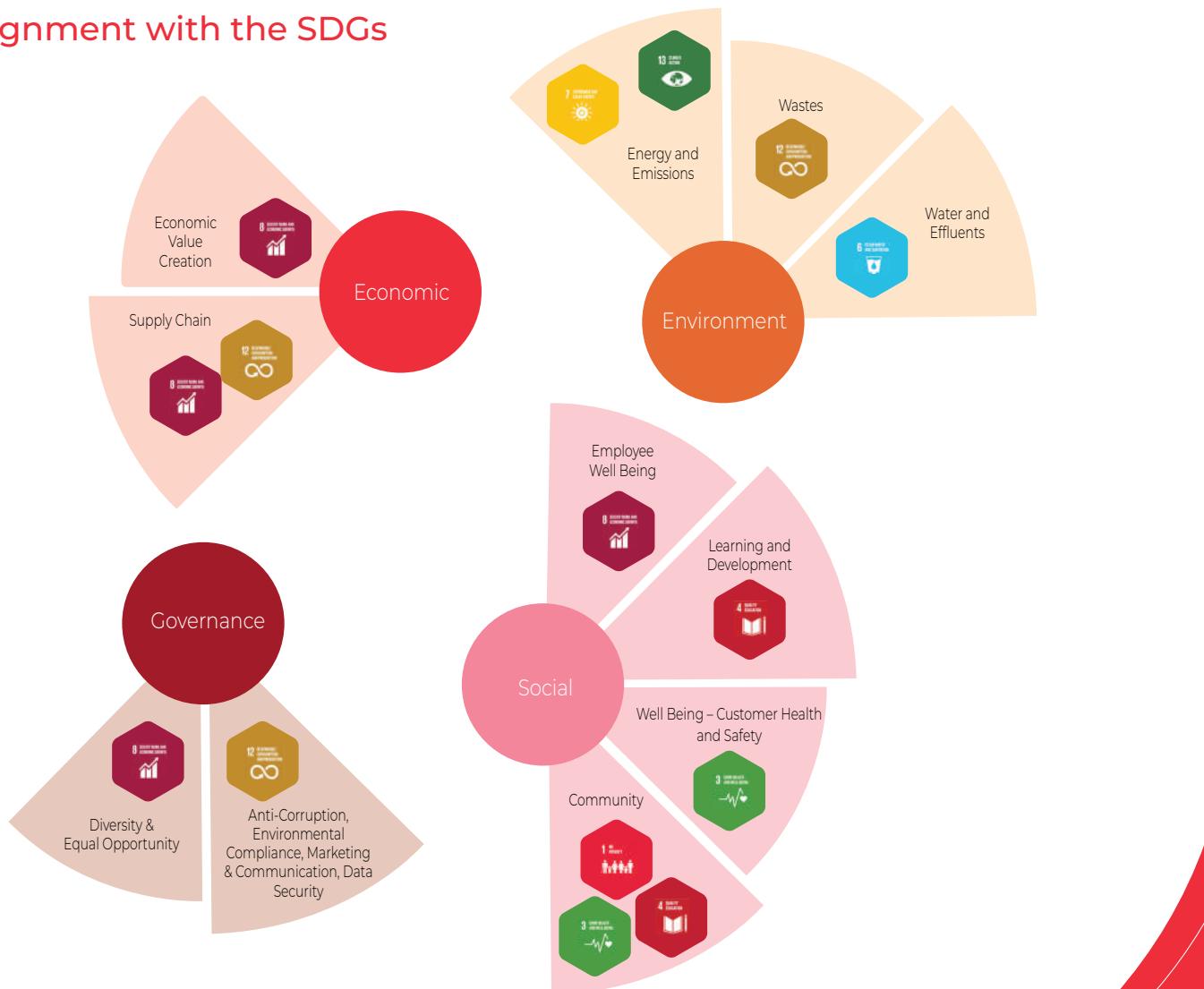
Economic

- Economic Performance
- Supply Chain

Governance

- Anti Corruption
- Environmental Compliance
- Marketing & Labelling
- Data Security & Privacy

Alignment with the SDGs



Engaging with Stakeholders

We undertake a structured engagement with stakeholders on the topic of sustainability once in three years during the process of updating our materiality assessment. However, as a regular business practice, we do accomplish several interactions and engagements with all relevant stakeholders. During these discussions, sustainability aspects that possess a potential impact on the organization and are relevant to the stakeholders are as well discussed. Feedback from stakeholders where relevant is shared with the sustainability team.

We support two-way communication with all our stakeholders through in-person discussion channels at the site, and email communication among employees and supervisors. We have a dedicated email ID for grievances that all stakeholders can utilize, and we follow the process of unstructured conversations with all identified stakeholders during the year. Respective teams incorporate their views into the operation of departments. Any specific concerns or requests are directed toward the sustainability committee of EHS and the sustainability head. For example: during the last few years, customers and prospective customers have raised concerns/interest in Hetero being committed to international commitments related to sustainability. Therefore, we prioritised becoming a member of UNGC.

Our general modes of engagement are online interactions, one-on-one in person meetings, events, social media, visit of stakeholders to our facilities for audits, and surveys. The frequency of engagement with stakeholders varies from monthly to annual as well as need based interactions.



Our Engagement with Key Stakeholders

Stakeholders	Key Stakeholder Interest and Concerns Derived from Stakeholder Engagement	Mode of Engagement	Frequency of Engagement
Government Organizations State Pollution Control Board (SPCB), Ministry of Corporate Affairs 	Government – CSR spent, effluent and waste	Site Visits, Personnel interactions, Participation in Meetings, Feedback on Sustainability Report.	Annual
Customers Business to business customers 	Customer – Health and Safety, Compliance, product quality, reliability	Customer Meets Formal and informal Feedback from Customers /Health Professionals/ Medical Practitioners Customer Audits.	Annual
Employees Full time and contract employees 	Employees – Occupational health and safety, career progression, non-discrimination, learning	Online Surveys, Feedback forms, Employee Meets, Skills Development programs, Open Floor Suggestions, Annual Performance Management system.	Regular Intervals
Society Local Communities 	Society – education, contribution to well-being and environmental performance	Village Meetings Community surveys Feedback from Community Participation in local activities.	Annual and also on need basis
Suppliers Contractors and Material Suppliers in India 	Suppliers – health and safety and ethical procurement practices	Vendor Audits, Facility Visit, Offsite Assessment Online Surveys, Agreements, Suppliers Trainings.	Annual and also on need basis with specific suppliers (with respect to supplier assessments)
Investors Board of Directors and Bankers 	Investors – Long term sustainability, transparency, compliance, economic value	Directors Meetings Annual Review Meetings Publish Annual Reports.	Once in 3 months

Governance

We are known for delivering numerous first-time generics across various therapeutic areas globally. A strong R&D backbone supports our expertise across APIs, global generics, biosimilars and custom pharmaceutical services. At Hetero, we are working to make real impact across the world, through our wide-ranging offerings aimed at delivering to unmet needs. Offering consistent performance year-on-year on technical strengths and financial performance, with sound ethics is possible through a strong governance system with an eye on long-term strategy and vision. Our Board is innovation-driven and believes in making continuous investments in the market by the policy- first-to-market and fast-to-market.

The Board of Directors is the highest governing body at Hetero. The primary responsibility of the Board is to enhance long-term goals and steer the company's strategic directions. Our Board of Directors comprises of Executive Chairman, Managing Director, Woman Director, Whole-Time Directors, and Independent Directors. Out of the nine directors in HLL, two are independent directors and one woman director i.e., 11% of the directors are women. We have five directors in HBL out of which one is woman i.e., 20% are women directors whereas, HDL has eight directors. Our chairman play's critical role in the policymaking and decision-making in the organisation. He is a member of the Board of Directors and reviews and monitors the progress of the organisation along with taking major decisions. Every five years the highest governance body's tenure period is re-visited and the appointment of new members or re-appointment is done based on this.

Policy on Appointment of Directors and Remuneration

The assessment and appointment of the members to the Board is based on the combination of criteria that includes ethics, personal and professional stature, domain and specification required for the position. For the purpose of selection of any Director, the Nomination and Remuneration Committee identifies persons of integrity who possess relevant expertise, experience and leadership qualities required for the position, and fulfils the criteria laid down by the Companies Act, 2013. The Board has, on the recommendation of the Nomination and Remuneration Committee framed a Policy on remuneration of Directors, Key Managerial Personnel and other Employees.

Board Composition

○ Dr. B. Parthasaradhi Reddy (68 yrs)
• HLL - Chairman
• HBL - Director
• HDL - Chairman

○ Mr. A.V. Narasa Reddy (59 yrs)
• HLL - Whole-Time Director
• HDL - Director

○ Dr. C. Mohana Reddy (54 yrs)
• HLL - Whole-Time Director

○ Dr. B. Balareddy (45 yrs)
• HBL - Whole-Time Director

○ Dr. B. Vamsi Krishna (39 yrs)
• HLL - Managing Director
• HBL - Director
• HDL - Director

○ Dr. K. Ratnakar Reddy (56 yrs)
• HLL - Director
• HDL - Director

○ Mr. J. Sambi Reddy (54 yrs)
• HDL - Whole-Time Director

○ Mr. M. Srinivas Reddy (49 yrs)
• HLL - Director

Other Directors

○ Mr. J. A. S. Giri (72 yrs)
• HDL - Director

○ Justice A. Gopal Reddy (Retd.) (73 yrs)
• HLL - Director (Independent)

○ Mrs. G. Bhavani (52 yrs)
• HBL - Director

○ Mrs. B. Kalavathi (62 yrs)
• HLL - Director
• HDL - Director

○ Mr. Rajasekhara Reddy (72 yrs)
• HLL - Director (Independent)

○ Mr. Narasimha Reddy (68 yrs)
• HDL - Director

○ Mr. T. Chandrasekhar (61 yrs)
• HBL - Director

Statutory committees which are constituted by the Board of Directors viz., audit committee, nomination and remuneration committee, CSR committee, and sustainability committee assist in providing implementation of strategies and drawing road maps.

These committees, except the sustainability committee, are governed by the terms of reference as provided under the requirement of the Companies Act, 2013, and meet at least once a year. The Company Secretary in consultation with the Chairman of the Board / Committees is responsive to challenges and opportunities to further enhance the performance of the organisation. The Nomination and Remuneration Committee has laid down criteria for the performance evaluation of Directors, Chairman, Committees constituted by the Board and the Board as a whole and the evaluation process for the same. The policy on the appointment of the directors is mentioned on page number 20 of our Annual Report 2021-22.

Roles and Responsibilities

The roles and responsibilities of the highest governance body is reviewing and monitoring the policies and strategies of Hetero. The Board regularly engages with the stakeholders through the sustainability committee and other committees. The Board is apprised of the sustainability concerns through the sustainability governance committee and advice of the Board on pertinent matters is obtained. The Board meets once a year, or as required to review the effectiveness of the organisation's processes. The Board did not receive any critical concerns for the year 21-22 from any of our stakeholders.

Sustainability Governance

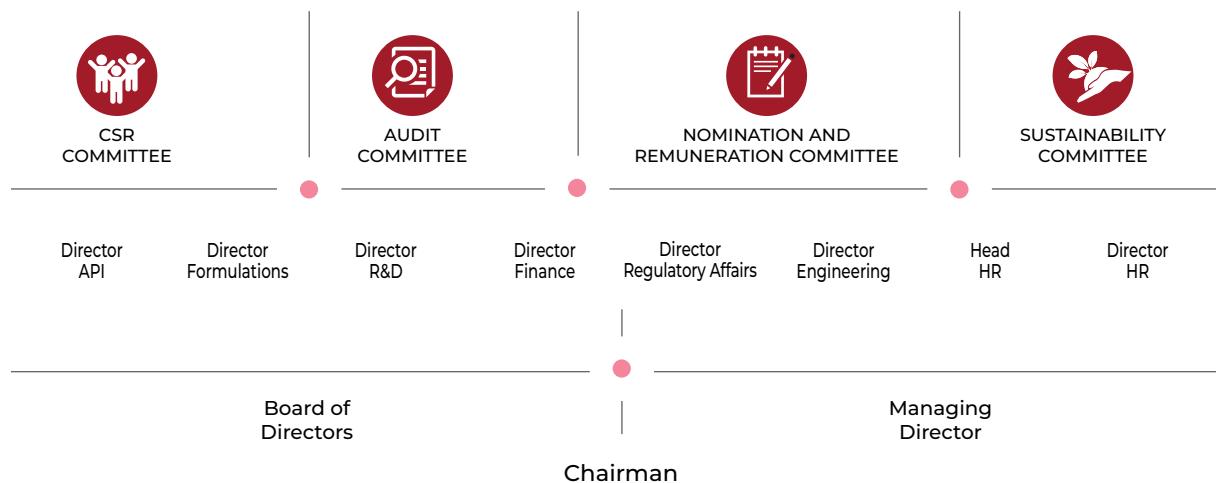
We have established a sustainability governance team responsible for enhancing the sustainability policies and initiatives at Hetero. It also oversees the sustainability topics and guides on the framework and implementation of Hetero's non-financial reporting. Sustainability committee is headed by the Managing Director. At each of our units, we have a Plant Head and a management team intended to support our sustainability journey. The sustainable committee appoints an Environment, Health, Safety and Sustainability Head to see the overall development. We also have a Plant Head for each of our units to monitor and report the progress to the Board.

While the role and responsibilities of the highest governance body is reviewing and monitoring the policies and strategies of Hetero on sustainability related matters. The Board regularly engages with the stakeholders through the sustainability committee. The outcomes of stakeholder engagement are discussed in the annual meeting and implemented after the approval of the governance body.

The highest governance body meets once a year, or as required to review the effectiveness of the organisation's processes.

The sustainability committee meets at least once a year or as required.

Sustainability Governance Structure at Group Level



Sustainability Execution Structure at Plant Level

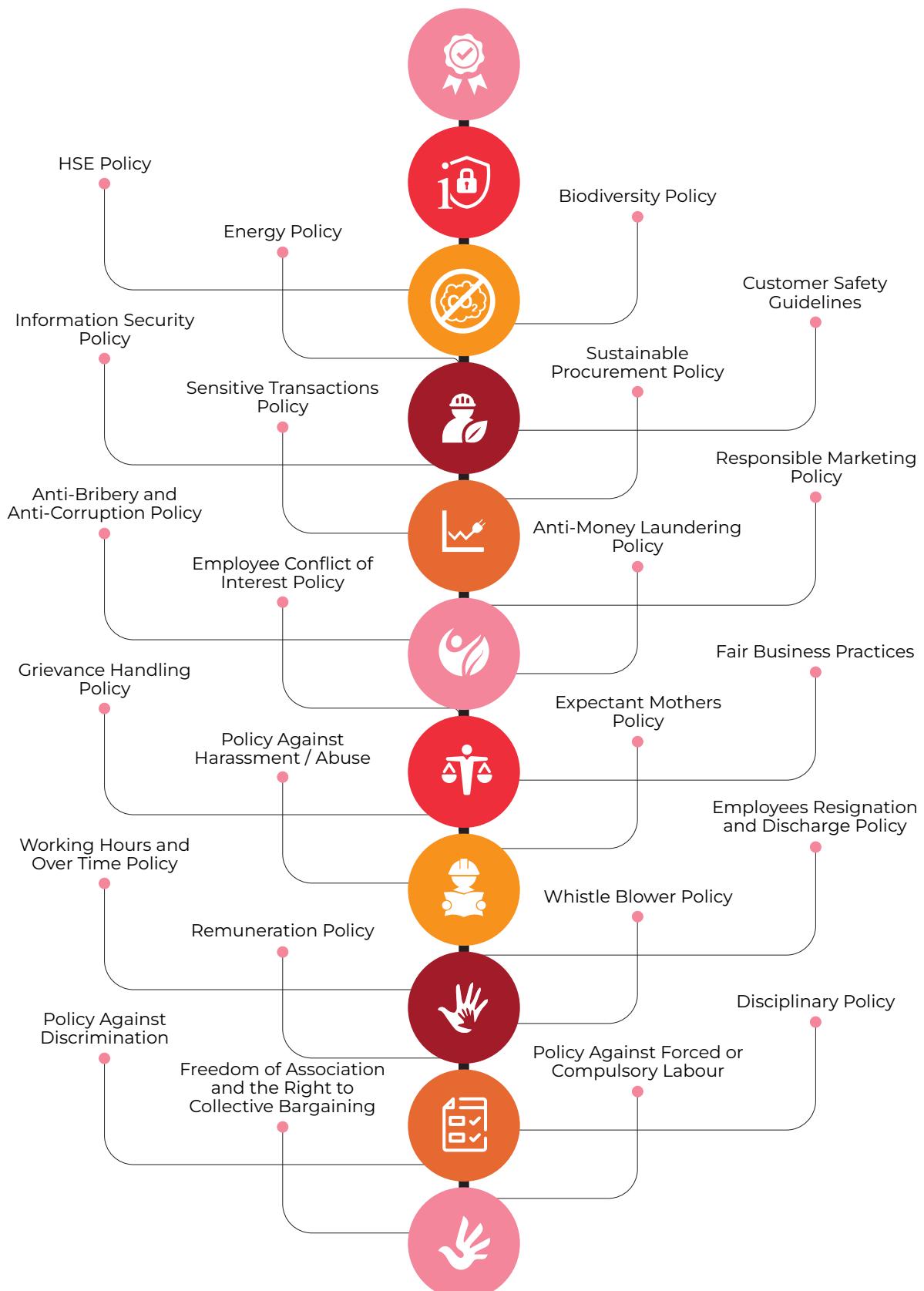


Policies, Practices and Guidelines that Support Sustainability

Our Managing Director who is the head of our sustainability committee oversees the implementation of the policy commitments. The respective department heads are responsible for implementing the commitments overseeing the process and reporting to the governing body periodically. All our employees are trained for our policies through our LMS.

More details on our policies are available on the Hetero website at
<https://www.hetero.com/sustainability-reporting>

Details on our privacy policies are available on the Hetero website at
<https://www.hetero.com/privacy-policy>



Freedom of Association

We do not restrict employees in creating associations or unions of any nature. Hetero's policy on freedom of association and collective bargain puts this forth in spirit and practice. All employees of Hetero have the freedom of association and collective bargain. Despite this, no recognized trade unions have been formed as yet.

Ethical Behaviour and Anti-Corruption

Ethical behaviour and anti-corruption practices are distinctly covered across our policies (listed above). These behaviour guidelines are shared with employees and available in the public domain. New joiners are made aware to these through the induction training process. To create awareness to all policies of Hetero including those related to ethical conduct, every employee undergoes a policy training once a year.

Policies like Code of Conduct, policy against discrimination, policy on fair business practices, anti-bribery and anti-corruption are communicated to each one at Hetero including the Board. We follow a two-part approach to monitoring and evaluating the ethical behaviour and anti-corruption practices. The first is an internal process of continuous tracking and monitoring. We have pledged support to the 10 Principles of the United Nation's Global Compact (UNGC) Initiative on human rights, labour, environment, anti-corruption etc.

We have not had any significant fines or penalties or legal action pertaining to environment, unethical practices or corrupt practices during the year FY21-22.

Remuneration Policy

The Audit committee of the Board of Directors consists majority of independent directors. Nomination and remuneration committee and CSR committee under the chairmanship of independent directors, assist in providing implementation of strategies and drawing road maps. The Hetero Remuneration Policy is designed to attract, motivate and retain talent in a competitive and international market either in the roles of Hetero or through a contract system. Hetero's remuneration policies are formed with the right of personnel to a living wage and ensure that wages paid to meet industry standards, or collective bargaining agreements, with the approval of the Board.

Grievance Redressal

Hetero has a grievance redressal committee that looks after the negative impacts of the organisation regularly. Awareness of grievance handling is promoted in all employees including contract employees during induction trainings and other forums. We monitor and measure the process against the requirement, and take action to continually improve the system. We also have a Grievance Redressal Policy which ensures handling of grievances is done as per the defined procedures and applicable legislations of the land.

A grievance redressal committee constituted at Hetero plays the role of addressing the concerns of employees. To maintain fairness in the redressal of grievance, a six-member grievance redressal committee comprising of an equal number of management members and employees. The Chairman of the committee is chosen alternatively from management and employees annually. A systematic process has been developed for the submission of a complaint and resolving the same.

Our Commitment to Human Rights

We are dedicated to creating an environment that promotes human rights and inclusive growth. We monitor and assess any impact our business will have on human rights. We respect all fundamental human rights and are guided in the conduct of our business by the provisions of The Protection of Human Rights Act, 1993 and its amendments, the United Nations Universal Declaration of Human rights (UNUDHR), the International Labor Organization's (ILO) core labor standards and other national legislations.

We do not restrict employees in creating associations or unions of any nature. Hetero's policy on freedom of association and collective bargain puts this forth in spirit and practice. All employees of Hetero have the freedom of association and collective bargain. Despite this no recognized trade unions have been formed as yet.

Risk Management

Our risk management processes remain unchanged from last year. We continue to follow the enterprise risk management framework whereby major risks identified by the business and functions are systematically addressed through mitigating actions on continuous basis, improving the effectiveness of risk management, and control processes. Hetero has done a risk assessment for sales, operations, manufacturing, and supply chain to identify risks for corruption. All units are 100 percent assessed for risk, as for FY21-22 no significant risks identified as per enterprise risk management(ERM).

Our Board of Directors provides oversight of senior leadership's management of the various risks the Company faces. The Board meets at regular intervals with executive committee (EC) members, other senior business leaders and leaders of risk management functions to discuss risk factors related to the Company. It also receives regular reports from senior representatives of the Company's independent auditor. The EC establishes over-arching strategic goals and oversees the business sectors as well as the risk functions.

Hetero business leaders are accountable for managing risks affecting their respective business segments and the overall enterprise. Risk management functions are responsible for identifying and assessing risks to business leaders and collaborating with them to find effective ways to manage identified risks.

Five Intertwined Components of Our Risk Management



Compliance

Our business interfaces with several critical environmental and social aspects of the society and is hence, highly regulated. We have, through our well established process been tracking the regulatory requirements and complying with them globally. As a result, for several years we continue to have approval of global regulators. Specifically, for environment, health and safety regulation tracking and approval process we use a software called SHEEL.

The outcome is evident in the fact, that Hetero has not received any significant fines and penalties from regulatory authorities in FY21-22. The cordial relationship with community and no unrest or negative public reports are a testimony of the same.

Global Regulatory Approvals

US FDA | EU GMP | TGA – Australia | PMDA – Japan | MHRA – UK
MCC – South Africa | ANVISA – Brazil | INVIMA – Colombia
COFEPRIS – Mexico | GCC – DR | MFDS – South Korea
MOH – Russia | PIC/S

Marketing and Labelling

Fair and responsible marketing communications, as well as access to information/ labelling about the composition of products, and their proper use and disposal, can help customers to make informed choices on the use of products. Pharmaceutical products are directly related to human health and at times critical interventions for disease management. Therefore, it is one of the priority areas in our business. Principally, we are completely aligned our marketing and product labelling practices.

Some of the activities carried out for all our products in accordance with the marketing and labelling are – Product Leaflets and Patient Information, Product Recall Process, and Material Safety Data Sheet (MSDS). This consists of information related to the safe use, disposal, and sourcing of products.

Based on our business model, most of our products are sold under the B2B arrangement to leading global pharmaceutical companies who finally are responsible for marketing of products to end consumers like doctors and patients. In some geographies like India, we do directly sell the products under Hetero's brand name but they are not manufactured by Hetero Labs or Drugs. In both business models we have in place policies and practices that support alignment with ethical practices and customer friendly disclosure of product information to the patient as well as companies buying our products.

Policy on Responsible Marketing Practices

As one of the leading API & Formulations manufacturers in India, Hetero Group is committed to the responsible marketing of our products and services. We aim to offer customers honest and accurate information through marketing and develop trust in our brand. We regularly monitor our marketing process to improve the system.

While with our various marketing partners, we not only expand quicker and be available to a diverse section of the world, but we also ensure complete adherence to our policy and ethical and transparent practices of marketing and labelling.

Our Marketing Arms



Due to this focus and integrity, we became the first company to launch the licensed generic version of Remdesivir in India, under the brand name Covifor™, helping with new medicine when critical.

Social Media – A Mode of Connection and Information Sharing with Global Community

We utilise Hetero's official social media accounts to share information about Hetero across the world and in the countries where we operate, and Hetero's Corporate Communications Team oversees them. These social accounts are mostly used to communicate about news, events, social impact, and other connected issues, as well as employee, patient, and caregiver stories. These are ways to engage in dialogue with communities. We do not utilise these social media platforms to discuss products, treatments, or ailments, or to report adverse occurrences or side effects. We also do not disclose particular information about our products or treatments on social media unless it is initiated and approved by corporate communications.

At Hetero, we have created a social media communication guideline that is not only conveyed to workers but is also available in the public domain for all stakeholders to access. This guideline is utilised during social media interaction and communication, offering a suitable mechanism for avoiding the dissemination of incorrect, inaccurate information and misrepresentation of our goods.

We have strengthened communication to public through our website as well. With more modes of Pharma products distribution and sale in the market like online pharmacies, we have clarified with a warning on our website that Hetero does not engage in any form of online distribution or retailing of medicines and the products are worldwide available, only through their exclusive distribution networks.

Information Security and Data Integrity

We ensure the effectiveness of information security practices to reduce the chances of data breaches. In the pharmaceutical sector, the security of information regarding all business operations including research and manufacturing operations of drug substances and drug products is critical. We have worked on developing policies and implementing them to contain all threats. At regular intervals we review and improve the Information Security Policy to ensure its continual suitability.

GRI Material indicators have not been identified for data security and privacy, therefore Hetero is evaluating the most appropriate indicators for measuring the same.

Continuing from FY 20-21, we implemented ISO27001 and achieved certification for the same during the year.

We respect information security and data privacy of all our stakeholders and are committed to protect the privacy and security of any personal data available with us. Generally, we avoid collection of personal data unless necessary as in the case of employee or similar other stakeholders. We have recently updated our privacy policy and made it transparently available to all stakeholders visiting the website. More details on our privacy policy can be accessed through <https://hetero.com/privacy-policy>. This complements the direction we envisioned for dissemination and use of policy mentioned in our previous years report.

Any complaints, abuse or concerns with regards to the processing of personal data provided by the stakeholder or breach of these terms can be reported to corp.comm@hetero.com. These details of grievance mechanism is available on the website.

Progress Against Targets

Environment

Targets	Unit	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Progress/Achievement
Reduce specific freshwater consumption by 5% (base year 2017)	ML/Revenue (Million INR)	0.0114	0.0108	0.0099	0.0098	0.0050	Achieved
Increase in wastewater recycling by 5% by 2022 (base year of 2017)	ML	167.961	212.267	199.956	179.06	416.106	Achieved
Reduction of waste disposed of in landfills by 10% (base year 2017)	MT	6163	5533	6120	7161	4871.9	Achieved
Reduction of GHG emissions by 2% (base year of 2017)	tCO ₂ e/Revenue (Million INR)	4.88	4.65	4.5	3.34	3.701	Achieved

Occupational Health and Safety

Targets	Unit	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Progress/Achievement
Risk Assessment Review at least 75% of facilities 2023	%	Not Compiled	36	52	60	100%	Achieved
2 Man day safety training per head per year 2023	Man Days	Not Compiled	13.9	1.16	1.08	1.14	Under Progress

Sustainable Procurement

Targets	Unit	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Progress/Achievement
100% communication of requirements on sustainable practices to vendors 2022	%	60%	90%	90%	90%	90%	Under Progress
100% vendor qualification audits for raw materials 2022	%	Process Initiated	Under Trial	Initiated	Under Progress	Under Progress	Under Progress
100% assessment of vendor sustainability practices through Monkey Survey by 2023	%	90%	90%	90%	90%	90%	Under Progress

Economic Performance

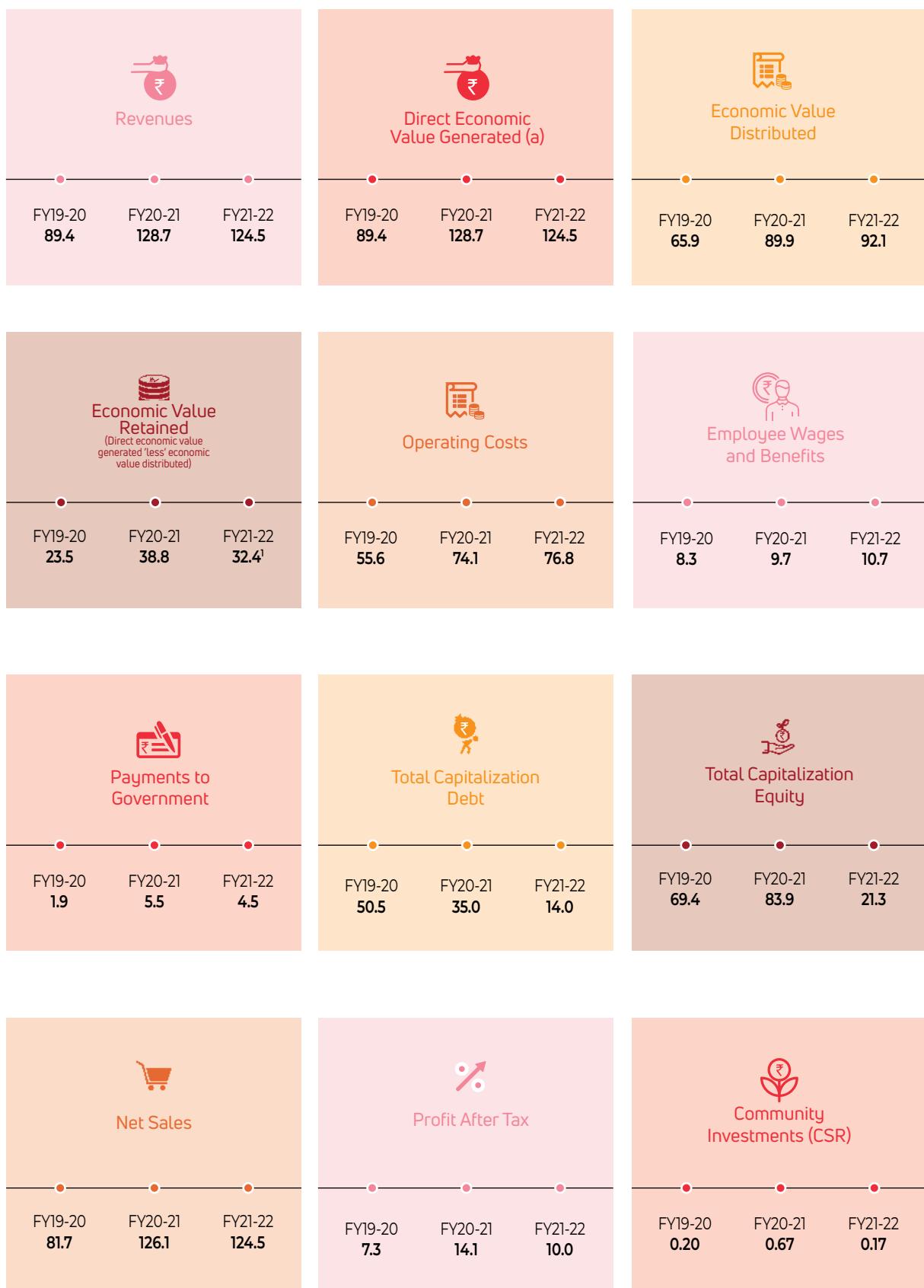
We at Hetero believe that the financial progress of the company must constantly generate economic benefits for society and our stakeholders as well. Through community development, supporting local businesses by building a robust local supplier chain and always adhering to all our legal, financial responsibilities systematically, we have consistently been developing sound business processes.

We increased the expenditure towards employees salary and benefits by 10%. Rising energy prices in the global market, contributed towards the increase in our operational expenses and a marginal dip in revenues.



Economic Performance

(All figures are in INR billions)



¹ Our CSR expenditure is not only to satisfy the CSR spend defined by the Government but based on the requirements identified for the year. In the previous year, we had identified significant requirements for community expenditure therefore the expense was high. However, during the year the CSR activities required lesser expenditure therefore the overall expense was much lower.

Sustainable Supply Chain

Our supply chain is extensive, extends beyond India to the entire globe by the virtue of our global presence. Key starting materials, solvents, and other chemicals are the main raw materials for our operations. Our critical supply chain includes KSM suppliers, and solvent and specialty chemical suppliers. Other suppliers and vendors provide fuel, packaging material, logistic support and other supplies. Our downstream suppliers comprise of logistic and freight vendors who support us in transportation of material to our customers within and outside India. Additionally, we also utilize vendors for services like consultancy, IT support. Annually we take material and services from more than 5000 suppliers. Due to the vastness, size, variety of activities, and geographies that our supply chain operates in it becomes relevant for us to understand their adherence to good EHS practices, compliance to laws, basic human rights practices and contribution to GHG emissions. We have put in place few initial steps to support the same like a strengthened supplier code of conduct and sustainable procurement policy. The supplier code of conduct has been rolled out to all suppliers and they need to adhere to it. Last year, we rolled out a sustainable procurement policy that is under implementation. We are striving to strengthen sustainable supply chain actions.

Sustainable Procurement Policy

- Encouraging the purchase and use of materials, products, and services that best align with Hetero's environmental, climate change, biodiversity, social, economic, and performance goals.
- Reducing the spectrum of environmental impacts from Hetero's use of products, including reduction of greenhouse gas emissions, reduction of landfill waste, health and safety risks, and resource consumption.
- Incorporating sustainability standards into procurement decisions, Purchasing from suppliers that follow sustainable labor practices.
- Purchasing from suppliers complying with all applicable compliance obligations but not limited to environmental, social, and health and safety legislations.
- Empowering Hetero's purchasing staff and user departments to be innovative and demonstrate leadership by incorporating progressive and best-practice sustainability specifications, strategies and practices in procurement decisions.
- Encouraging vendors to promote products and services that they offer which are most suited to the Hetero sustainability principles.
- Promote awareness among all employees and interested parties.
- Establish the process necessary to deliver the results in accordance with the requirements and implement the process to ensure sustainable procurement practices.
- Monitor and measure the process against the requirement and take actions to continually improve the system.

In last three years, our active supplier base has increased by 10%. Despite this increase we have been conscious to maintain the local suppliers' share to more than 90%. More than 75% of our procurement budget continues to be spent on local suppliers.

Supply Chain	2019-20	2020-21	2021-22
Local Suppliers	4982	5430	5448
Global Suppliers	570	552	533
Total Suppliers	5552	5982	5981
Local vendors (%)	90	91	91
Global Vendors (%)	10	9	9
Monetary value of spent on local suppliers (%)	76	75	76
Monetary value of spent on global suppliers (%)	24	25	24

Environment

We live and operate in a shared world with shared responsibility of utilizing resources judiciously. Our goal at Hetero is to create a cleaner, greener and healthier future for all. Being responsible and acting responsibly is a core value at Hetero. We extend this core value to management of environmental impacts of our business operations. Our actions are constantly focused towards minimizing natural resource use through alternate sources and improve process efficiency, increase our commitment, work towards set goals and targets and become more transparent each day.

We have taken several measures over the years like international certifications for our environmental practices, becoming a signatory to UNGC, development of EHS policy, deployment of standard operating process for each environmental function, strengthening our safety practices, as well as undertaking transparent reporting practices through EcoVadis, government, and sustainability report.



The outcome of our efforts is reflected in a well-structured team of more than 200 EHS professionals, a digital platform to track performance on environmental aspects, 100% employee awareness and involvement in environment initiatives, certification as per ISO 50001 and ISO 45001 for all units. Dedicated budget for environmental management has played an instrumental role in achieving the same.

Energy and Emissions

Climate change due to man-made emissions have created significant challenges in the form of droughts, storms, heat waves, rising sea levels, and melting glaciers. The sixth assessment report from Intergovernmental Panel on Climate Change (IPCC) has warned that the world is close to reaching tipping points on climate change and the damage made cannot be repaired beyond that. It urged that all sectors should have deep emission reduction to limit global warming to 1.5 °C to minimize the destructive impact. Businesses do not operate in isolation and cannot stay unaffected. We at Hetero are well aware and understand the possible repercussions of climate change on business continuity.

As the usage of energy for our business operations is one of the major sources of emissions and the mission of achieving low carbon growth has made us promote sound energy management practices by reducing energy usage, improving the percentage of renewables in our energy mix, and creating a culture among our employees. Our continual improvement in energy performance through various energy management and conservative measures is achieved through the leadership and commitment from the top management through policies in energy management.



All our manufacturing locations are ISO 50001 certified

Our intertwined approach of bringing energy and climate change together has shown significant improvement in achieving energy and climate goals such as:

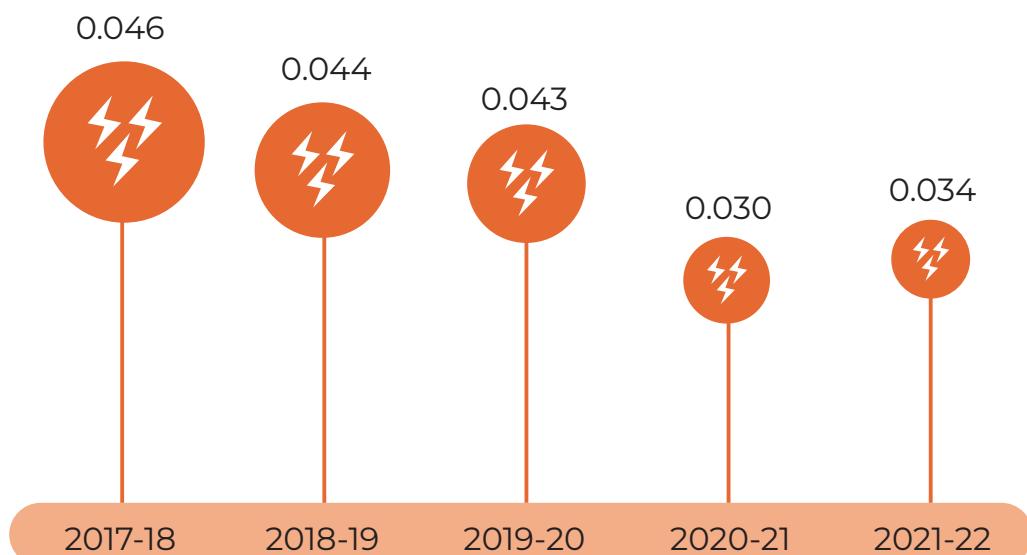
- Becoming one of the most energy-efficient pharmaceutical companies in the sector.
- Engineering solutions for saving energy rather than relying solely on manual intervention.
- Benchmark energy use of all facilities within the sector in a specific period of time.
- Purchase energy at the most effective cost and reduce energy usage wherever possible.
- Ensure that staff, customers, and suppliers are aware of energy management policy and encourage and motivate them to conserve energy.
- Comply with all applicable statutory and other requirements related to the organization's energy use, consumption, and efficiency.

The support from our chairman and the oversight from our Board members in the progress towards sustainable development has encouraged and accelerated the

efforts of our team in optimizing the existing process or introducing new measures for reducing energy usage. We conduct periodical external audits for finding improvement opportunities in energy management across our manufacturing facilities.

Energy Intensity (Per Million Rupees Revenue)

The energy from fuels used, electricity purchased from the grid, and wind energy are included in calculating the intensity. As Hetero doesn't have any energy consumption outside the organization, energy usage inside the organization is included in the calculation of energy intensity. The energy intensity has increased due to decrease in revenue.



(All figures are in TJ/Million INR revenue)

Energy Consumption

We consume High-speed Diesel (HSD), Coal and Biogas for producing steam and to operate diesel generators which are effective during power failures for uninterrupted operations. We source electricity from the grid and do not generate electricity at our units. We have installed wind turbines and the electricity generated from these is wheeled to our operations. We are working towards improving the percentage of renewables in our energy mix.

An increase in the productivity of our existing wind power plants has shown improvement in renewable energy usage. About 6% of our energy requirement is satisfied through our wind energy plants. Our grid electricity consumption also decreased marginally during the year. Achieving elimination of furnace oil from our portfolio has been a meaningful milestone for us. We have been able to utilize more biomass in our boilers during the year.

Source	2017-18	2018-19	2019-20	2020-21	2021-22
Energy from Fuels	2565.46	2817.60	2784.53	2747.25	3092.77
Wind Energy	273.75	269.27	279.70	258.72	259.89
Grid Energy	610.65	682.22	742.50	880.17	857.89

(All figures are in TJ)



Total steam generated and consumed by Hetero in FY21-22 is 3080.05TJ.

Fuel Type	2017-18	2018-19	2019-20	2020-21	2021-22
Coal	2298.77	2492.28	2458.33	2454.70	2738.49
Biomass	179.51	263.98	275.19	232.54	313.49
Furnace Oil	46.21	12.71	2.95	0.08	0
HSD	40.97	48.61	48.05	59.90	40.78

(All figures are in TJ)

Fuel Consumption from Renewable Sources (TJ)	
Biomass	313.49
Total fuel consumed from Renewable Sources	313.49
Fuel Consumption from Non-Renewable sources	
HSD	40.78
Coal	2738.49
Total fuel consumed from Non-Renewable Sources	2779.28

We are continuously improving energy efficiency in all our locations by introducing many innovative solutions in our production. In FY 21-22 we identified and implemented many energy efficiency measures with an estimated saving of more than 3.1 million kWh/year and monetary savings of INR 90 million. All our energy reduction measures include electricity saving measures in our production process. The energy savings due to the energy efficiency measures taken is calculated based on the comparison between the energy usage before and after implementing energy conservation measures.

Some of Our Energy Efficiency Measures

Energy Efficiency Measures	Energy Savings (KWH/Year)	Monetary Savings (INR/year)
Installed LED Light in place of Conventional Light in Baddi Unit	34000	221000
Installation of VFD s in AHUs in Baddi Unit	90000	585000
2500 TR cooling water flow rate very higher than the chiller designed. Optimized the flow rate by stopping the 75 KW/Hr Pump in Nakapally unit	479520	3428568
Reciprocating air compressor running for nitrogen plant. Due to higher specific Energy consumption, Recip Comp stopped and Screw Comp started in the Nakapally unit.	109500	782925

GHG Emissions

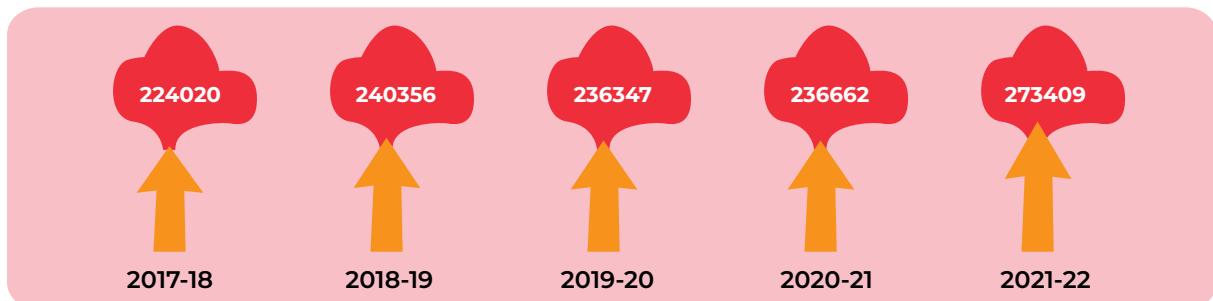
The GHG emissions from our operations are estimated as per The GHG protocol. Our direct emissions from our operations reported here include the fuel and refrigerant used. Direct emissions due to any fuel used in vehicles has been excluded. We have

also reported on emissions from purchase of electricity. We are working on including the indirect emissions from upstream and downstream activities, employee commute, business travel, and other related emissions in Scope 3, in the future.

The increase in usage of coal use in our operations, addition of refrigerants in our inventory has shown an increase in our Scope 1 emissions and the increase in the percentage of wind power in our energy mix has decreased our scope 2 emissions. The GHG gases including CO₂, CH₄, N₂O, HFCs are included in our GHG estimation.

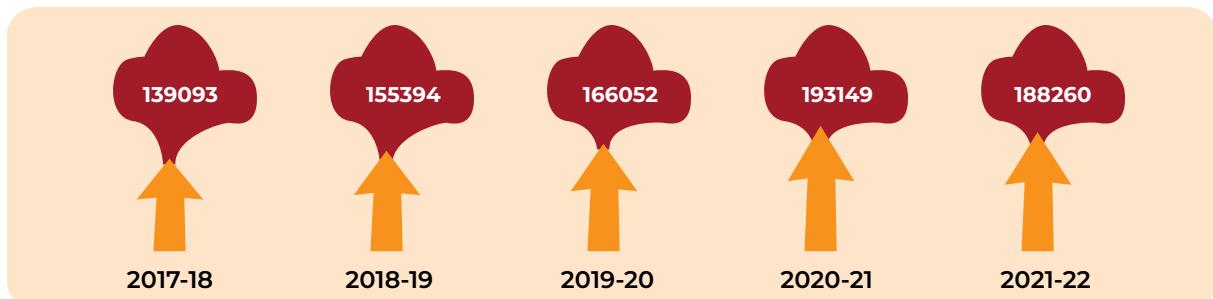
In FY21-22, we expanded the scope one inventory to include refrigerants, also our coal consumption increased due to increase in production, therefore the GHG intensity has increased from 3.4 to 3.7 tCO₂e/million INR revenue.

Scope 1 Emissions (tCO₂e)

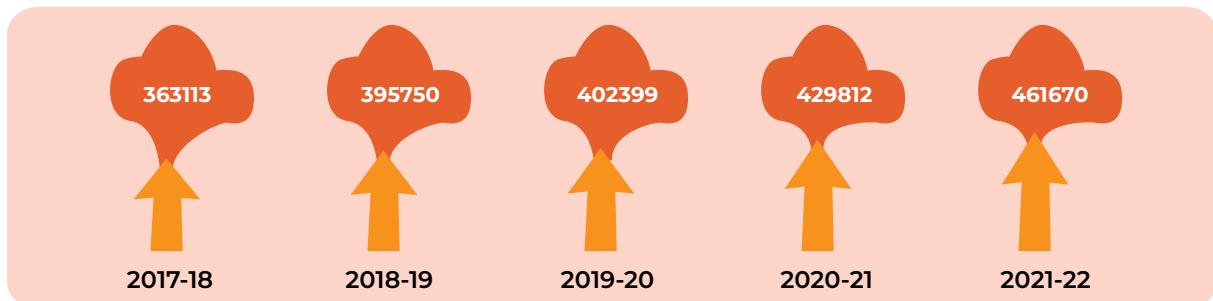


Emissions due to fuel consumed in vehicles owned/operated by the company is not included

Scope 2 Emissions (tCO₂e)



Total GHG Emissions (tCO₂e) (Scope 1+2 Emissions)



Total GHG Intensity (tCO₂e/Mn Rs Revenue) (Scope 1+2 Emissions*)



*Scope 1 emissions and Scope 2 Electricity Consumed are included in calculating the GHG intensity.

Water and Effluent

Being an industry that demands large quantities of clean water in our operations, we recognize water stress as an impending risk for the environment and our business. We consider this risk as an opportunity to increase our efficiency in utilizing the fresh water supply and reducing the effluent quantity generated from our operations.

Our Approach



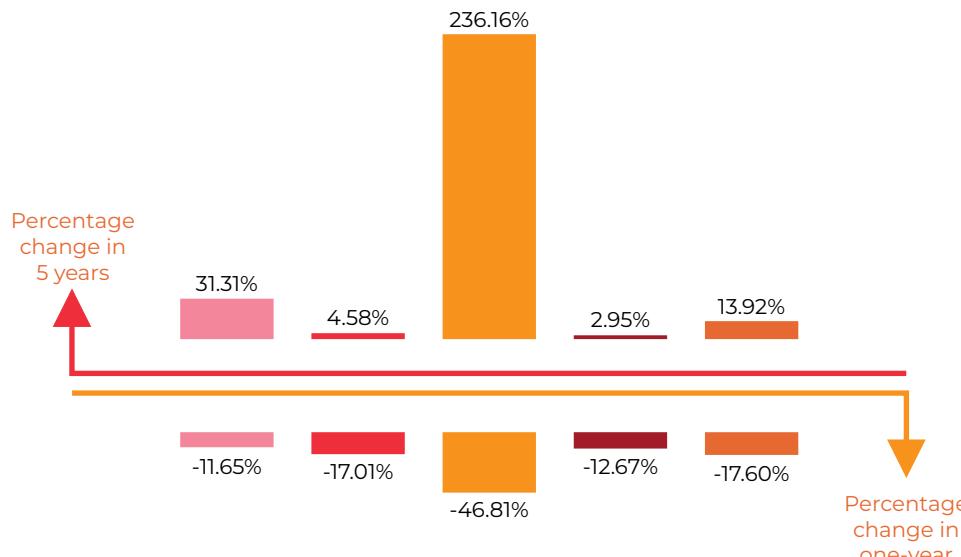
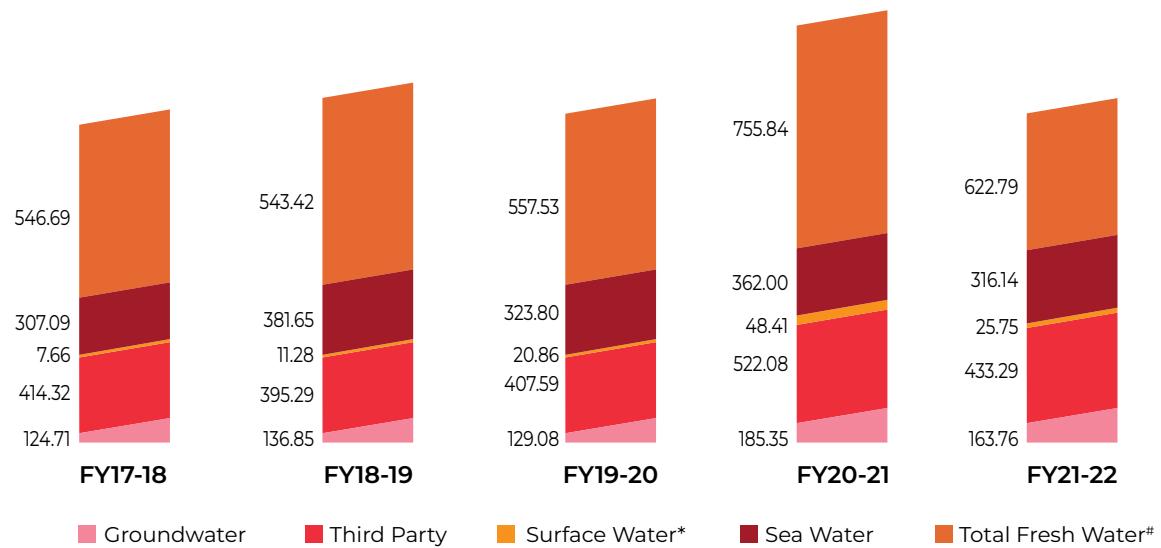
Based on the Aquaduct water atlas and water stress assessment conducted in two of our plants we found that all our manufacturing locations are in water-stressed areas. The change in regulations and increase in environmental risk in our operations has intensified our focus on water conservation and sourcing.

In FY 22 our fresh water usage was reduced by 16% compared to FY 21, but still, 46% of our water requirement is satisfied through groundwater supplied by third-party vendors. We are in the continuous process of reducing our dependence on groundwater sources. Our Specific water consumption (ML/per million rupees in revenue) is 0.005, which is 41% less when compared to the previous year. Utilization of rainwater from our 200 KL rainwater harvesting pond in our manufacturing unit has reduced the usage of 22063 KL of ground water in our operations.

Water Source

- 66% from freshwater sources
- 34% from Sea water

The nature of products manufactured determines the water loss in the process and the quantity of effluents generated. The hazardous nature of pharmaceutical effluents can cause serious damage to the environment. The locations of water withdrawn for the operations of Hetero and water discharged after usage in the operations are categorized under water-stressed areas. Currently, we are not interacting with our stakeholders on water related issues. But we are in a process of conducting an impact assessment on our water usage which will include our suppliers who have significant water impacts. Our targets related to water which were set during the previous reporting period were achieved and we formulating our targets by assessing foreseeable water related risks. We are working towards incorporating Zero Liquid Discharge in our manufacturing units. We have a set a goal of reducing our fresh water usage by 5% by 2022. But we achieved the target earlier. We are now treating / disposing our effluents through the ZLD process established in our units, common effluent treatment plants, and marine discharge. We follow the guidelines provided by Central Pollution Control Board (CPCB) and the local pollution control board authorities. All our units adhers to the standards of local authorities and the reports on quality of effluents discharged to the interested parties. We do not dispose our effluents through any land-based applications. The quality of effluents is measured and monitored as per the regulatory requirements before disposal. The sewage generated is treated before disposing it to the municipal sewers.

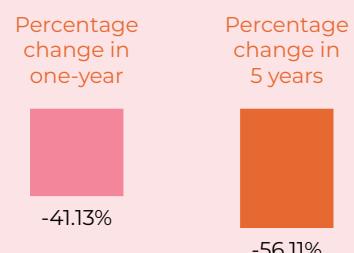
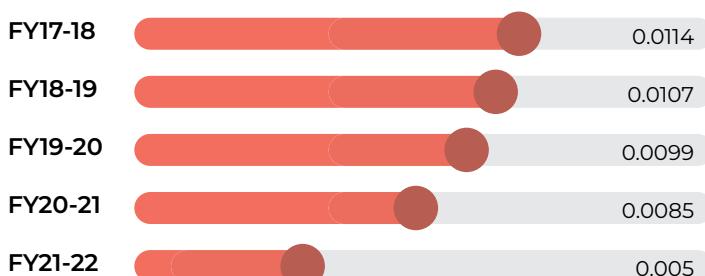


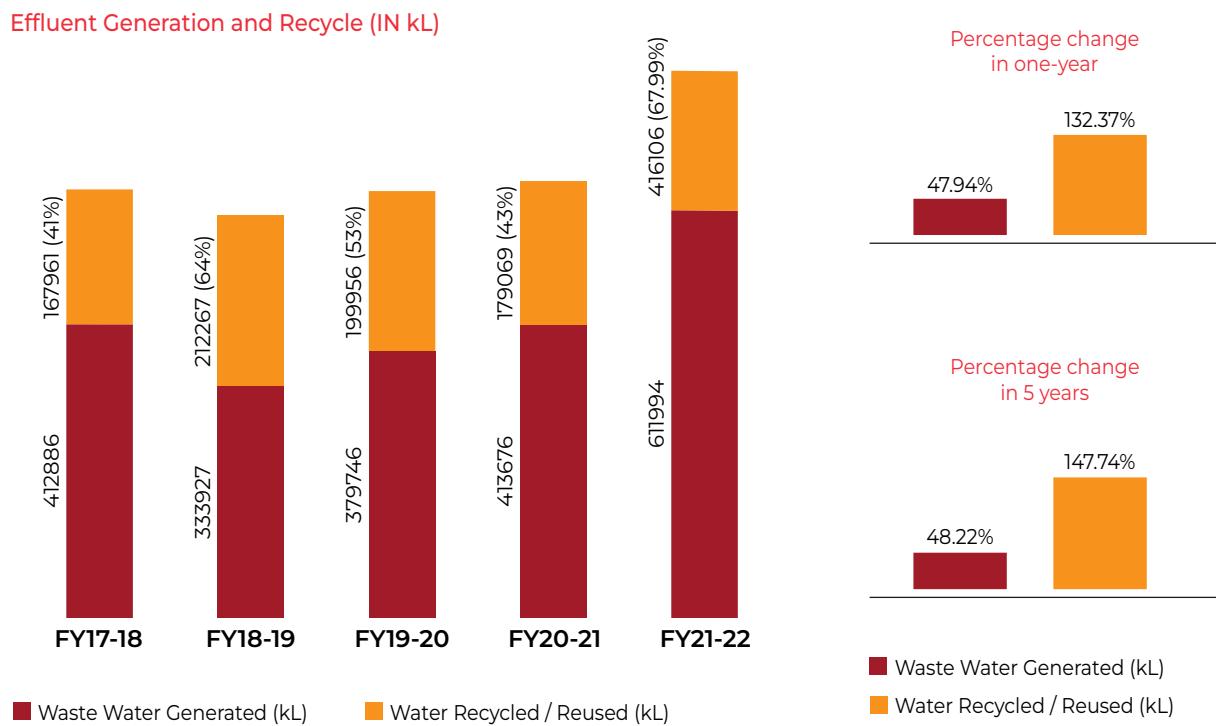
(all units are in ML)

* Surface water refers to the rain water sourced from our rainwater harvesting pond.

Our total fresh water consumption includes the ground water and water supplied through our third party vendors

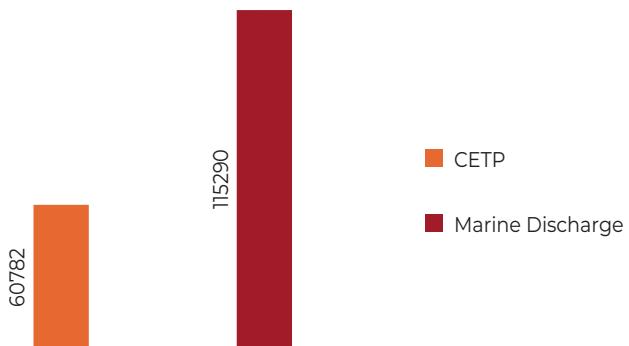
Specific Fresh Water Consumption (ML/million rupees revenue)





All the areas where we dispose our waste water are identified as water stressed. 125439 kL of water is treated through ZLD.

Effluent Disposal (kL)



Waste Management

Minimising the waste generation (Reduce), utilizing the waste for other purposes (Reuse) and ensuring no waste reaches landfill by recycling the waste (Recycle) are the three main approach in dealing with our waste. The process of waste management is guided by our policies and procedures.

The hazardous waste generated in our operations are processed rejects / residues, distillation residue, spent carbon, evaporation salts, ETP sludge, and bio-medical waste. Non-hazardous waste constitutes mainly HDPE drums / carboys, MS drums, packaging material, metal scrap, plastic, paper, rubber, and glass. A small quantity of biomedical waste is also generated. The biomedical, ETP sludge and other hazardous water, if disposed to landfills the chemical compounds will have a toxic effect. To address this, we send waste for incineration and recycling under TSDF for safe disposal. We are in process of accessing the impacts due to our waste disposed through various processes.

Through better accounting of waste generated, we have a clear picture of the waste generation trends of our operations. We make co-processing (with energy recovery)

arrangements for the hazardous waste generated based on the trends of hazardous waste generated and reduce the quantity of waste being sent to landfill.

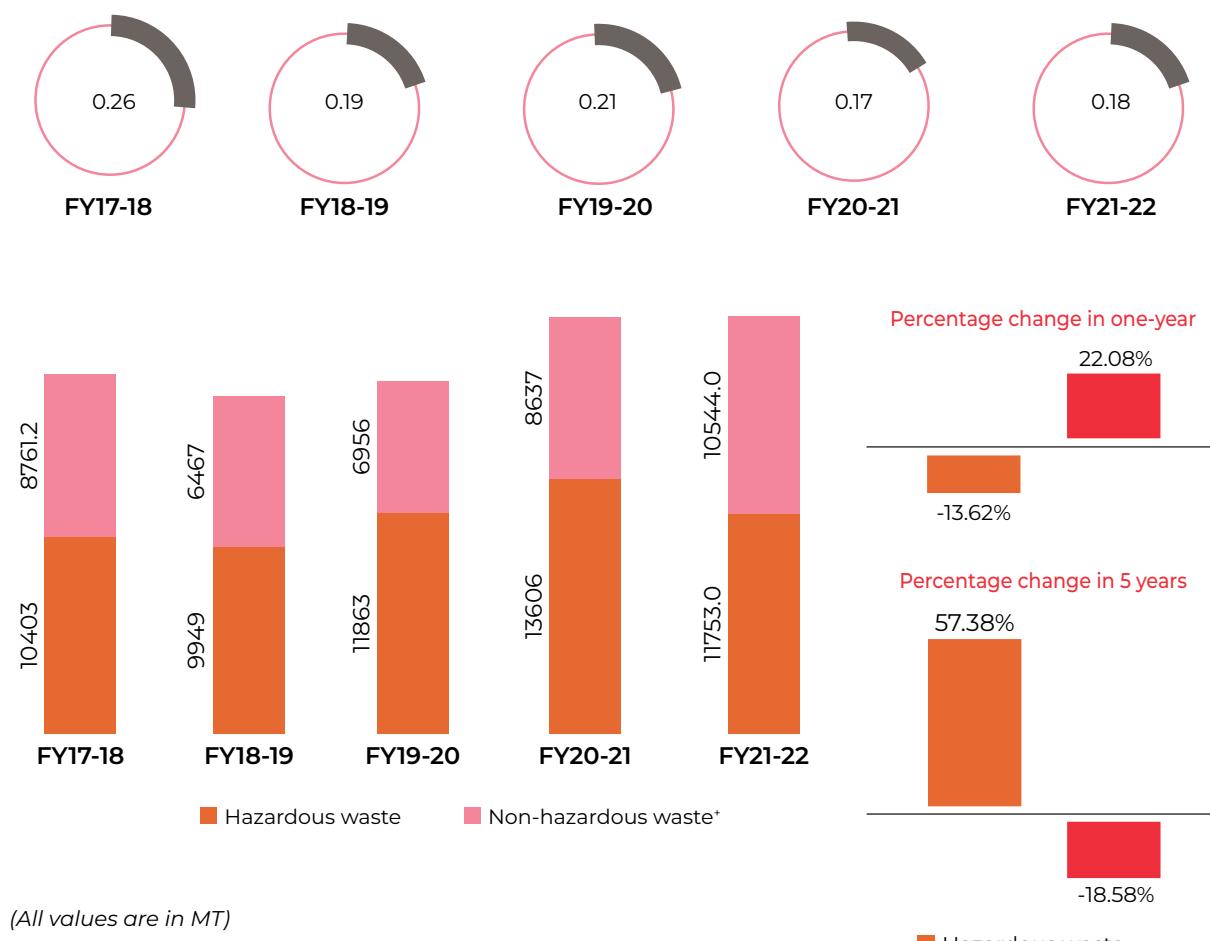
None of our non-hazardous wastes are sent to Incineration process. All the non-hazardous waste are sent for recycling.

For non-hazardous waste, we have introduced many process into our system to reduce the waste generation. These include introduction of Organic Waste Converters (OWC) which converts our kitchen waste into compost which is used as a manure to maintain greenery at our units. We recycle and dispose our non-hazardous waste through various authorized recyclers. The third party recyclers recycle and dispose the waste as per the guidelines specified by the state and central Pollution Control Board authorities. 100% of non-hazardous waste are recycled and diverted from disposal.

About 41.45% of our total hazardous waste is disposed through TSDFs and 58% is sent to co-processing units for energy recovery process.

The overall waste generation has increased by 0.24%. The quantity of hazardous waste stood at 53% of the total waste generated, which is 13% less than the hazardous waste quantity generated in FY 21. The quantity of waste recycled has increased by 43% and the hazardous waste sent to incineration has increased by 26.42%. All non-hazardous waste is disposed through authorized recyclers, mainly as scrap material. All our hazardous and non-hazardous waste recycling and disposal take place outside the operational premise i.e., off-site.

MT of waste generated per million rupees revenue

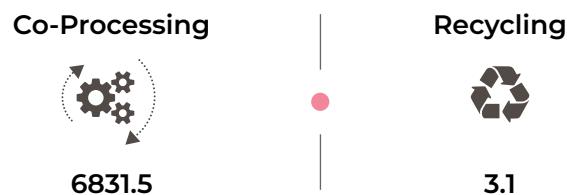


(All values are in MT)

* Non-hazardous waste data does not included information for Unit 1 & 4 (except fly ash for unit 4)

*Above data is excluding the waste data of the corporate office

Hazardous Waste Diverted from Disposal (MT)



Non-Hazardous Waste Diverted from Disposal (MT)



Hazardous Waste Directed to Disposal (MT)

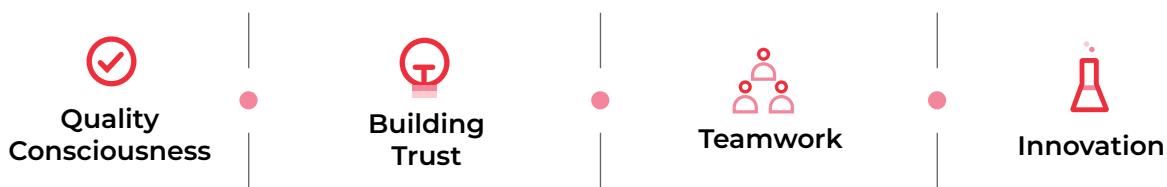


Our People, Our Most Valued Resource

People are crucial business enablers and brand advocates. We aspire to instill values in which employees and the company collaborate to deliver the best possible business performance. The talent and dedication of our 22,000+ workers, who have long been making significant contributions to our company over the years, is what makes Hetero strong. Further, to increase overall productivity, we adopt and practice our leadership competencies in our daily work lives.



Our Principles



Our Employee Tenets

Aligned to our values, these qualities reflect who we are as a team and what we strive to achieve every day.



We aim to provide a positive work environment where employees feel valued and appreciated. We at Hetero, are continually stepping up our efforts on skill development programs and diversifying our teams to create a workforce that is prepared for the future.

In order to attract and keep top talent, we have built a thorough human resource management system and enhanced our recruitment procedures based on our years of expertise. For FY 2021-22 our total employees increased by 11.67% from the previous year. We assess the skillsets of talented individuals and recruit them according to our location and business strategies.

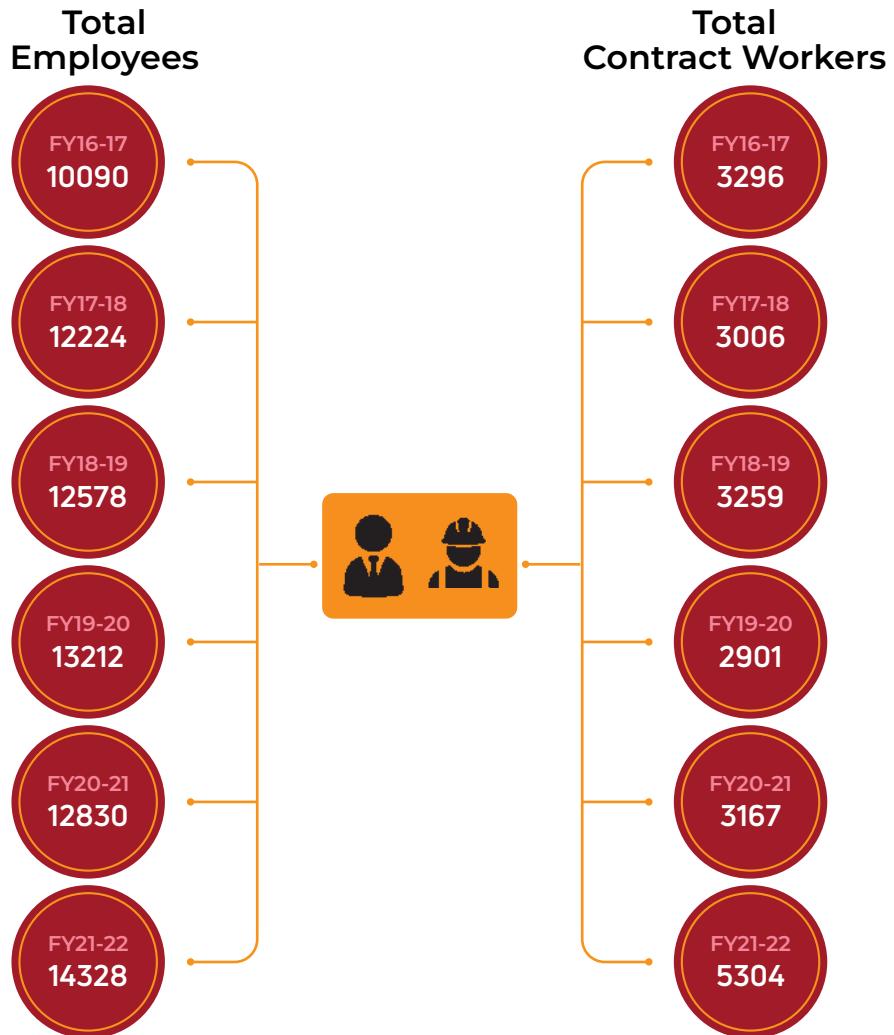
At our workplaces, we comply with and implement policies that prevent child labour, forced labour, sexual harassment, and discrimination.

For systematic working, our employee structure is divided based on expertise and knowledge.

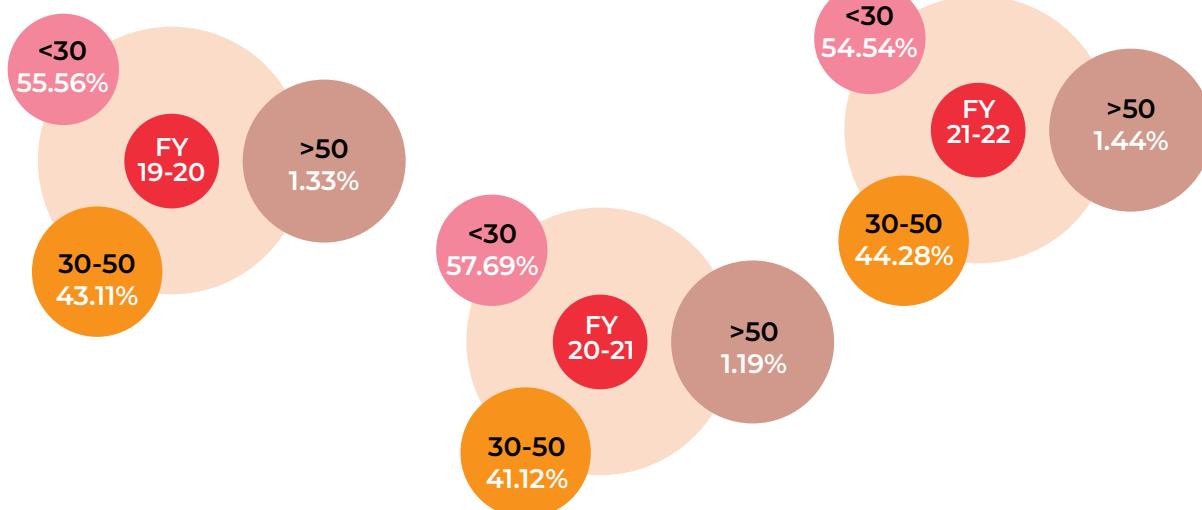
Alongside our permanent employees, an additional of 37% people are working on contract basis. Currently, we do not have temporary workers, non-guaranteed hours and part-time employees. During the year, our employee strength grew 11.67%, whereas contract workers' strength grew by 67%. The steep rise in contract workers strength is attributable to increase in operations at Jedcharla. Our contract workers are involved in packaging and housekeeping works in our manufacturing units. All our contract workers are employed through man power suppliers. Hetero has a contract with the man power suppliers which specifies the duties of the contract employees.

Employee distribution across age groups and levels did not change significantly between the previous year and this year. The total number of employees and contract workers in the current reporting year is derived by taking the average number of employees across the reporting period.

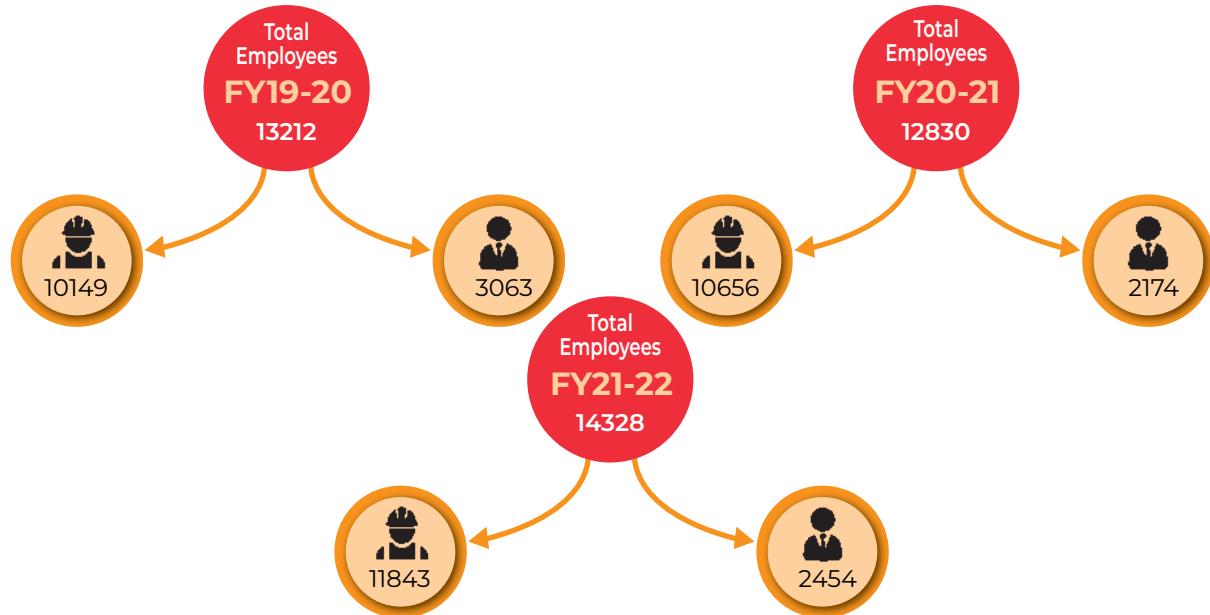
People Distribution by Employee and Contract Workers



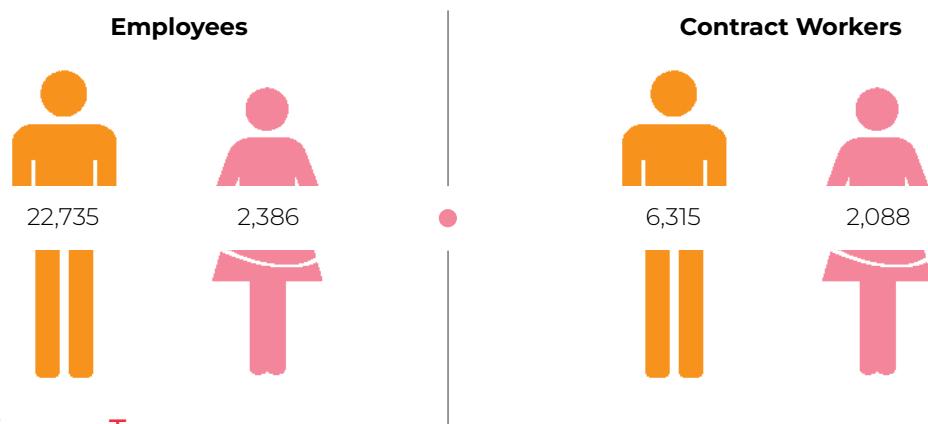
Age Group Wise Employee Distribution (%)



Distribution by Employee Level



Employees and Contract Workers Breakup by Gender



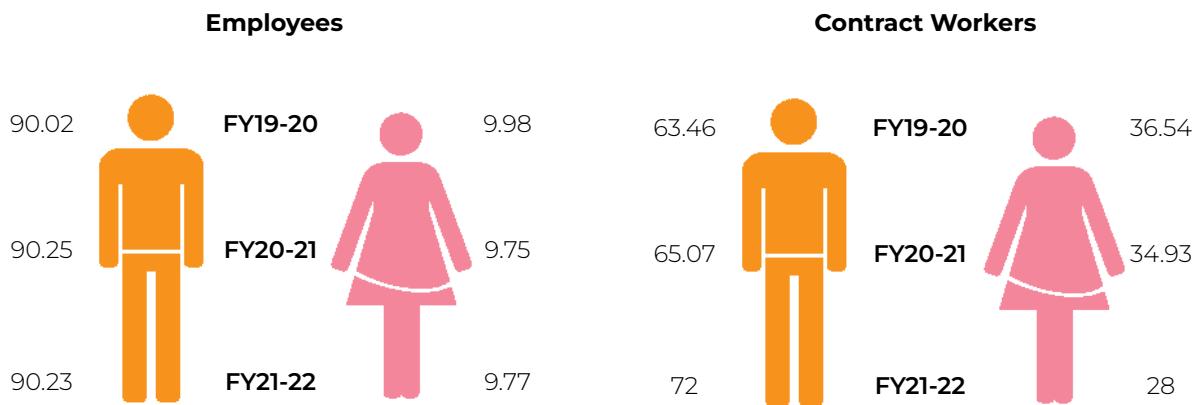
Diversifying our Team

Our focus has been on creating employment opportunities for talented individuals regardless of their socioeconomic or cultural background. We have policies in place to support our team members in providing a safe and pleasant working environment. We have implemented POSH committee at each manufacturing unit to address incidents, concerns or complaints. Further, we also make certain that a female member of senior management chairs the committee to facilitate communication. This forms 11.1% of the total members of the Board i.e., governance body.

Hetero is committed to ensuring the safety and health of new and expectant mothers by adhering to the recently implemented expectant mother policy. Further, we align our awareness program to create awareness on avoiding any kind of bias and development of behaviour which shall provide sense of safety and comfort among both genders.

Our aim is to increase the number of female workers at our organisation. As of today, we have not seen a decrease in the number of female employees or contract workers since the pandemic. Currently, female contract workers account for nearly 28% of our total contract workers while female employees account for nearly 10% of total employees.

Gender Diversity (%)



Employee Turnover

The pharmaceutical industry is continuously growing at a rate of 10 to 15%. The growth rate of the industry, compounded by the need for a skilled workforce constantly leaves a gap in the availability of a talented and skilled workforce. This scenario across the sector causes larger hiring and attrition rate. Another factor is post-pandemic, individuals have started migrating to their native place.

Our number of new hires have escalated by nearly 5% more people i.e., 5512 in FY 2021-22. The attrition rate of new hires was 18.65%. Our new hire attrition rate has reduced by nearly 17% as compared to last year. We have revamped, and enhanced implementation of our policies to attract, motivate and retain talent. Our hiring policies have strict gender neutrality. To reduce attrition, at specific levels, we have implemented an annual retention bonus. Further, we have strengthened our regular employee feedback process and take necessary actions to accommodate the needs of the employees.

We have incorporated some new elements to facilitate the smooth settlement of new employees into the work and company culture. Providing accommodation to employees has been a great facilitator in the process. Further we have strengthened our induction program, leadership connect with trainees, feedback process, modified acknowledgement, and appreciation styles for new joiners, and provided incentives like retention bonus on completion of one year of service.

Hiring and Overall Attrition

	FY 20		FY 21		FY 22	
	New Hires	Attrition	New Hires	Attrition	New Hires	Attrition
Total No.	4202	3660	5217	4591	5512	4484
Percentage of male employees	92.48%	90.26%	91.11%	89.44%	90.69%	90.83%
Percentage of female employees	7.52%	9.74%	8.90%	10.56%	9.31%	9.17%
Age Group <30	85.91%	67.84%	83.99%	64.99%	85.16%	69.78%
Age Group 30-50	13.80%	31.39%	14.18%	33.95%	14.59%	29.10%
Age Group >50	0.28%	0.77%	1.83%	1.06%	0.25%	1.12%
Work Men (Upto Sr. Executive)	94.00%	88.69%	92.48%	85.99%	98.33%	91.97%
Executives (Above Sr. Executive)	6.00%	11.31%	7.52%	14.01%	1.67%	8.03%

Training and Upskilling

We invest in our employees and instil entrepreneurship and ownership in them. The learning and development programs, are designed to provide individualised skill development journeys and differentiated careers, that help them advance within the organisation.

We have three types of training and skill development programs i.e., technical mandatory training, soft skill training, and safety training. Skill and training programs are delivered based on the need and type of professional activities of the employee. For instance, it is critical to provide GMP training to employees in the pharmaceutical industry to ensure consistent quality and safety of products. At Hetero, we have provided our employees with GMP training in all units, emphasising employees operating in Oncology related activities.

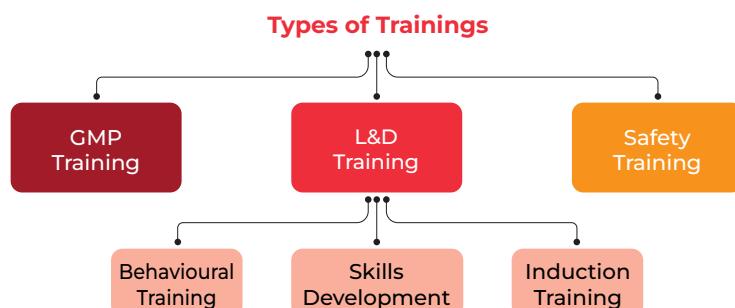
Induction and orientation programs for new hires are designed to acquaint the employees with the culture, working operations and procedures, governance, core values, and principles of Hetero and to align them with the area of work.

Career building with appropriate skills is promoted at Hetero. We have invested in transforming our induction and skill development programs. Various skill and career development programs fulfil the requirements of different groups of employees. Manthan programs, a skill development program at our units and learning centres are for freshers from pharmacy. For senior leadership, webinars and other web-based learning programs have been developed.

All employees and contract workers at Hetero undergo safety training every year conducted by internal and external trainers. Some of the safety training topics include Bio-safety, Emergency Management (Fire detection, alarm and fighting systems and emergency evacuation etc.), Safe Waste Handling and Management, General Safety (HSE Policy, Near Miss, Incident and USAC Reporting, Selection and Usage of PPE), Chemicals Handling Safety, First Aid Training, Fire and Safety Training Program (by third party), Training on handling of solvent, labelling, chemical categorization, machine guards and interlocking safety and handling working on electrical equipment. During induction, the new joiners are provided training on general safety. A safety training completion certificate from Hetero is necessary for the contract workers to start work.

During the pandemic two years ago, the company introduced special self paced, self learning and awareness program to assist leadership gain knowledge on varied topics including sustainability related areas.

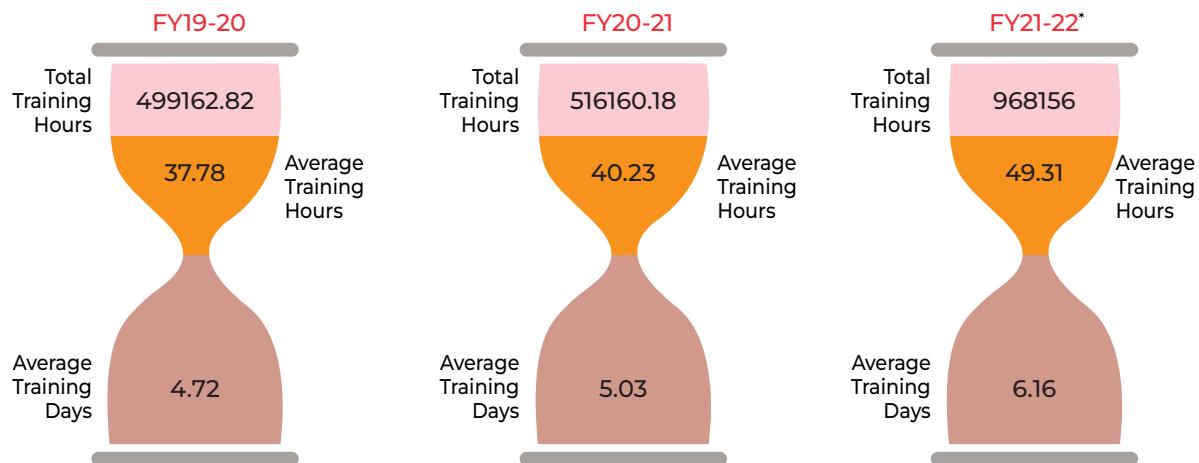
Our Training Program Categories



Evaluation of training effectiveness is carried out through different mediums – one of them is the requirement for an 80% score by trainee in training. Unless the score is achieved in the learning module, the employee will have to undergo training multiple times or be employed in a suitable position for training. Feedback on training programs is another method employed for receiving feedback.

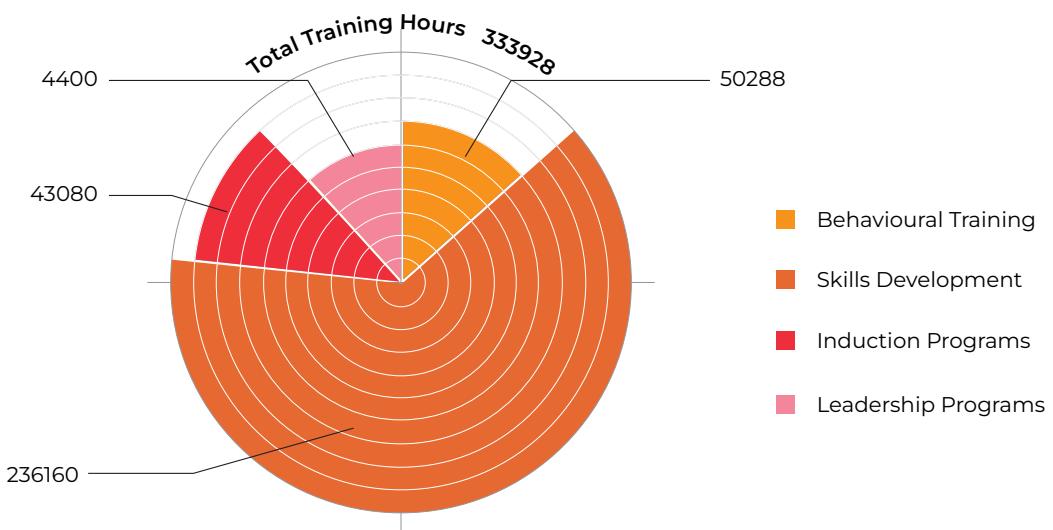
100% of our employees receive performance and career development reviews.

We have, in the last few years, expanded online training formats to provide ease of learning. Post-pandemic Hetero has paced in the development and strengthening of career building and focus on the learning curve. The results of the effort are reflected in a major lead of achieving 6.16 man-days of training per employee as compared to 5 man-days of training per employee in the previous year.



* Training hours include training hours of contract employees as well. We are unable to provide the breakup for current year

Trainings for Learning and Development



Health and Safety

As a responsible organization we are committed to ensuring a safe workspace for all our employees. The commitment from our top management and our employees has ensured consistent improvement in our safety management system for reducing both acute and chronic risks in the workplace.

We ensure that all our units comply with laws and regulations and other requirements applicable to our business. All our operational sites are covered by ISO 45001 Occupational Health and Safety management system. We ensure that all the standards of our management system are incorporated up to the roots of the organization through internal and external audits. Further, all recommendations from the internal / external audits are tracked through the Universal CAPA tracker which is a part of our HSE management system.

We have deployed a 360° health and safety risk assessment process to ensure that all areas that could pose a foreseeable risk to the health and safety of employees are covered through a continuous and structured process of evaluation, getting suggestions for improvement from those who use the workspace, and ensuring corrective measures are implemented. We also carry out Process Safety Risk Assessment (PHC), Industrial Hygiene Risk Assessment (IH), activity-based Risk Assessment (HIRA) and Machinery Safety Risk.

Safety Training

Safety awareness and training are provided to each and every person who performs any work at our site. Issuance of a training completion certificate is mandatory before contract worker can start their work.

For all contract workers, the Employee State Insurance (ESI) Scheme is allocated as per ESI Act by Contractor agencies, and the process of ESI scheme implementation is ensured by the organization during the joining of the contract workers. We are conducting annual medical checkups for all our contract workers, along with this we also conduct Health talks by Doctors and experts for both work-related and non-work-related topics. We also conduct awareness sessions for both employees and contract workers. We also have committees like the Safety Committee, Departmental Safety Committee, and Canteen Committee for communication ease, which meets as and when required.

Plant Level Health and Safety Responsibility Structure

Plant Head



Process Safety

Process safety has been at the forefront of our safety program in the recent times. We have enhanced our in-house hazard screening and engineering capabilities by assessing processes to understand reaction kinetics and evaluating hazards to design safe processes. This has been enabled through state-of-the-art process safety testing equipment and adoption of Process Safety Management practices for APIs and finished dosages. We drive a culture of process safety through management programs to foster process safety awareness among employees. Our programs are designed to provide role capacity building to achieve the goal of 'Zero Incidents'.

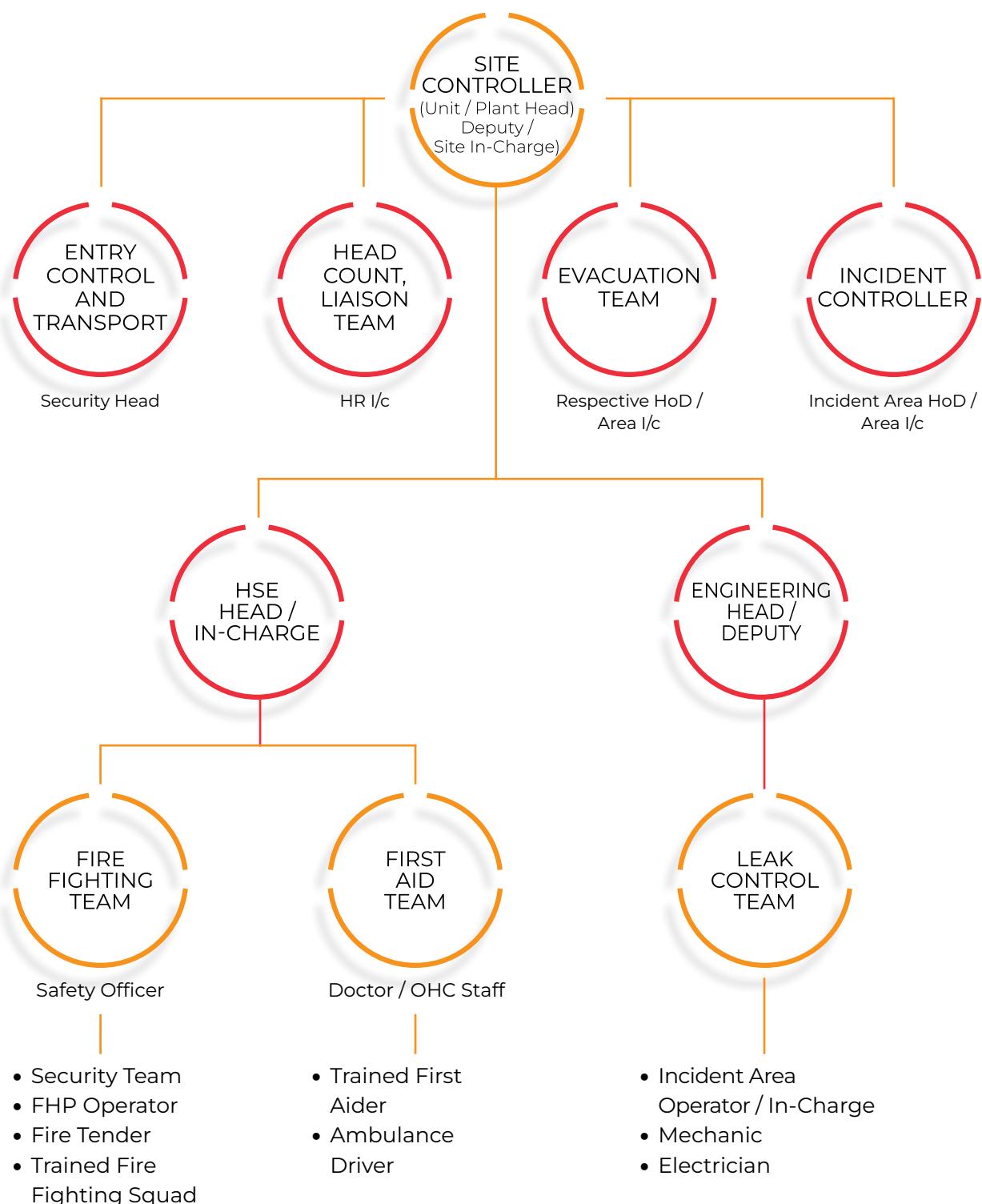
Process Safety Sustainable Mobility



Nakapally is known to be Asia's largest API manufacturing facility. An in-house Satellite Process Safety laboratory has been set up at this unit to screen the preliminary chemical reactive hazards which helps in providing the most needed support right where it counts.

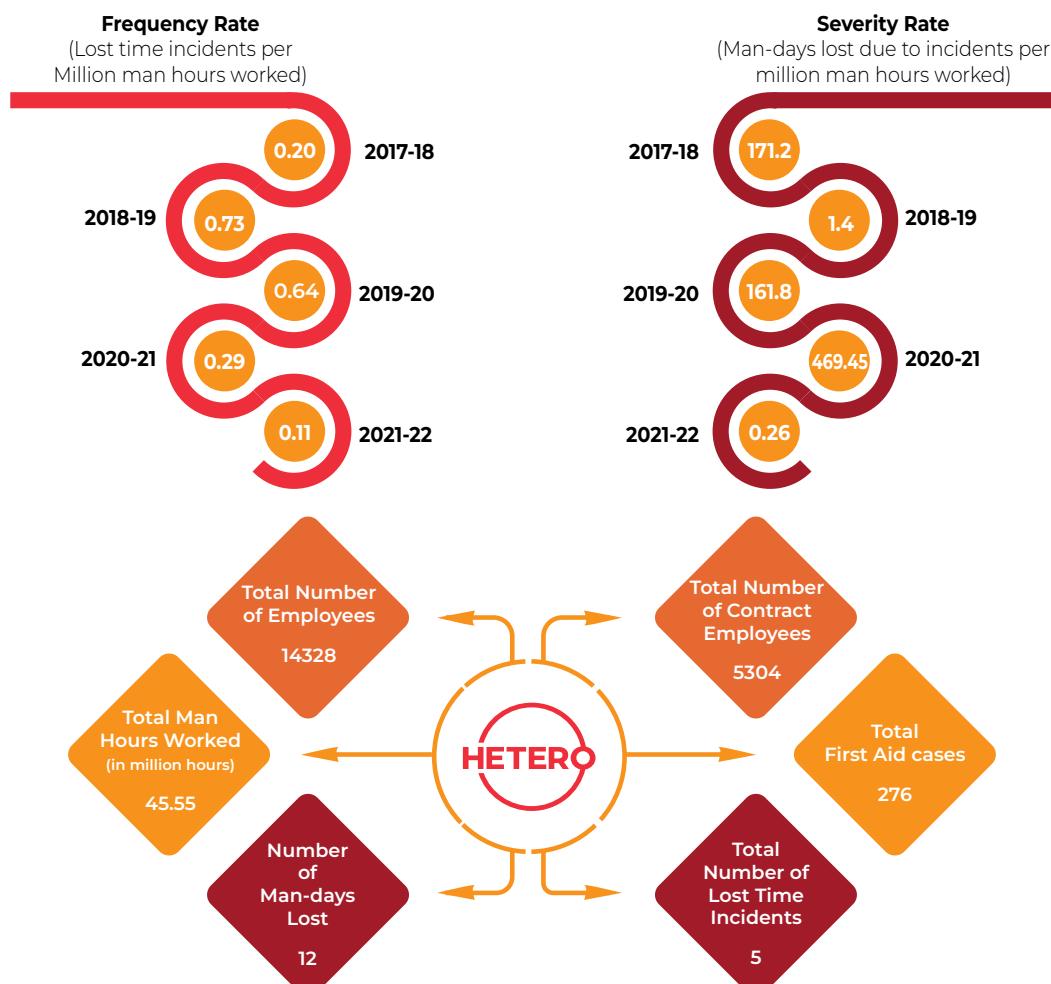
We are also developing a central process safety laboratory at our unit at Kazipally. This laboratory shall support all our manufacturing units in and around Hyderabad, the heart of our manufacturing activities.

Emergency Preparedness and Response Organogram



Safety Performance

Unwavering commitment to providing a safe and healthy working environment to all employees and workers has resulted in one of the safest years. There were no fatalities or high consequence work-related injuries as well. We experienced a marginal increase in first aid cases during the year. But the frequency rate of lost time incidents decreased from 0.29 / million Man-hours worked to 0.11 / million Man hours worked. We have drastically decreased severity rate from 469.45 Man days lost due to incidents / million man-hours worked to 0.26 Man days lost due to incidents / million man-hours worked during the year. Some of the new initiatives and actions that support this change apart from aggressive awareness and ownership generation among employees are Sodium light for light sensitive products, flame proof lighting, fixed oxygen detectors, additional fire extinguishers and eye wash areas.



* Calculated figure based the number of employees multiplied by 8 hours of work day

Safety Performance Statistics

	Employees	Contract Employees	Total
Rate of Fatalities as a result of work-related injury [(No. of Fatalities / No. of hours worked)*10^6]	0	0	0
Rate of high-consequence work-related injuries (Excluding Fatalities) [(No. of Reportable injuries / No. of hours worked)*10^6]	0	0	0
Rate of recordable Work-related injuries [(No. of Medical treatment cases / No. of hours worked)*10^6]	0.06	0.2437978	0.11

Customer Health and Safety

As a core part of its business, Hetero has put processes in place for the continuous and systematic review of the benefit-risk profile of all products in its portfolio, including those that are on the market as well as those that are still in development. These processes are designed to ensure the best possible safety and therapeutic benefit for patients. We follow health and safety testing procedures for all our products. The Hetero safety risk management process begins early in the development of new products. For new molecules, the Pharmacovigilance Team develops safety monitoring and risk management plans. The routine, continuous monitoring of the benefit-risk profile of each compound in the Hetero portfolio based on all the safety data collected is the primary responsibility of cross-functional safety management teams under the leadership of a dedicated safety physician. Confirmed changes in the safety profile of any marketed product are then incorporated in the product label. Safety data are closely scrutinized both internally and by regulators when assessing whether the benefits of a drug are expected to outweigh the potential risks, which is a pre-requisite for gaining marketing approval. Post-marketing pharmacovigilance activities play an important role in our ability to gain a deeper understanding of the safety profile of a specific product. Consumer health and safety is paramount in the pharmaceutical products. Hetero has a well-structured process in place which starts at Research and Development and extends till post-marketing pharmacovigilance activities. Product safety data is collected at each stage, reviewed and scrutinized and actions are taken to minimize risks in all forms. In FY 21, there were no incidents concerning health and safety aspect of the product.

Community Service for Inclusive Growth

We contribute to the society for the benefit of underprivileged areas and people. We value health and prosperity for all and desire to improve quality of life beyond our business. We are constantly working to fulfill our corporate responsibility to improve society. Our CSR initiatives have consistently contributed to society by adhering to the Sustainable Development Goals (SDGs), therefore, making a significant difference in Education, Infrastructure, Water demands, and Healthcare.

While we work to make medicines more affordable and accessible to the general public, we are also constantly looking for ways to help the community through our corporate social responsibility initiatives. We extended our CSR services for disaster relief for COVID-19 in FY 2021-22, in addition to repairing, maintaining, and improving our initial core areas.



We pride ourselves on being a responsible organisation that is committed to helping people and improving the communities in which we operate. At Hetero, through our CSR initiatives, we focus on building a better and sustainable way of life for the underprivileged communities through a range of outreach initiatives.

Hetero's Focus areas

- Education
- Fulfilling Water Demand
- Healthcare
- Infrastructure
- Disaster Relief – COVID-19





Distribution of school uniform and books

Imparting Education

As a key CSR initiative for Hetero, we have aimed to make higher-quality education available to children in rural areas. The unprecedented situations due to COVID-19 have caused the greatest disruption to the education system, affecting children from vulnerable communities who are continuing their education. Since the beginning of CSR activities, we have been focused on providing education and achieving it through SDGs.

We have continued our work with the Vidya volunteers and recruited additional volunteers to assist with the teacher-student ratio and to impart proper knowledge, which is now benefitting 1500 students. We have improved infrastructure and provided basic necessities to schools throughout the states of Andhra Pradesh and Telangana.

Our community services are spread across
134 government schools

Our Initiatives for the Welfare of Students

Water Facility



Pulivendula, Vempally, Vemula, Chakrayampet, Thondur and Lingala

134 Government schools

NAADU NEDU initiative



Nine, eight seater dining tables

Telangana State Residential School



Girls toilets

ZPHS Domadugu



Appointed 37 Vidya Volunteers, 12 caretakers / Aayas and

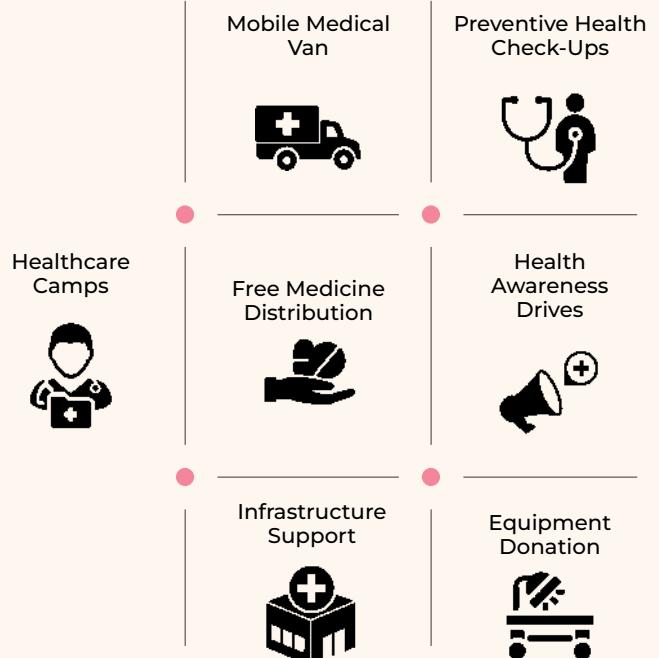
1 security guard cum gardener

1500 students

Strengthening Healthcare

One of the most critical components of the Sustainable Development Goals (SDGs) is access to affordable healthcare for all. As a responsible Healthcare organization, our CSR interventions are designed to provide healthcare facilities for the villages having little or no access to these services. We intend to improve the existing medical services and healthcare infrastructure, provide mobile services, and connect with cancer-affected patients.

Initiatives We Support



The addressed villages lacked primary health care services, and with our contribution of mobile medical vans, ambulances, and medical equipment, we were able to make a positive impact while also raising awareness for better health and hygiene in many underdeveloped sections of the society.



Sponsored two ambulances with advanced medical equipment



Mobile medical van

Vision Care

Eye disabilities have been shown to be causing problems in the day-to-day work of individuals, and treatment for vision is often dismissed due to lack of financial support. To address this, vision care is one area in which we have focussed and implemented value-driven results.

We have now advanced and increased the number of free consultations, spectacles, and surgeries for low-income people.

Initiatives at Vision Centres (FY21-22)



Screened 6,201
community
people



Provided
spectacles for
2,299 people



Supported 233
people for surgery



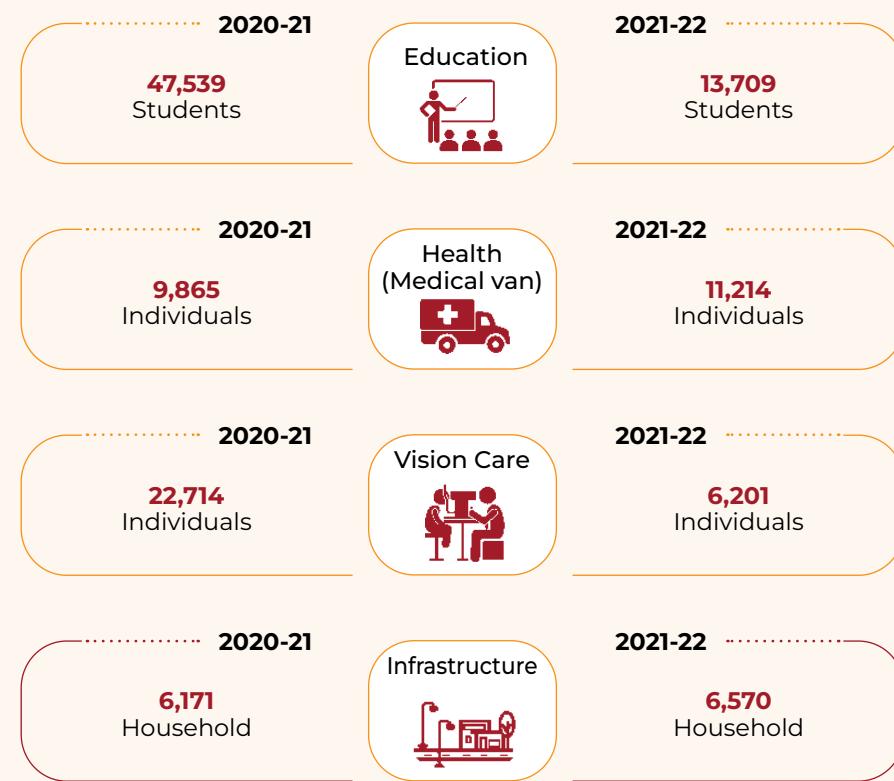


Sparsh hospice

Sparsh Hospice

The project was implemented in Kajaguda, which is run by the Rotary Club of Banjara Hills Charitable Trust and is the first palliative care centre in Telangana state. The project entails establishing Sparsh Hospice to take care of 'end of life' cancer patients at low cost. With this initiative, Sparsh Hospice has ensured support to around 3500 cancer patients.

Beneficiary Profile of the Impact Created in Different Focused Areas



Disaster Relief - Supporting COVID Crisis

Our focus areas in recent years has been education, healthcare and infrastructure services, but this year we have realigned our priority to recover from the covid crisis. As part of our commitment, we have incorporated safe, hygienic, and pandemic-prevention measures into all of our community services.

During the peak of the second wave, due to the unavailability of oxygen cylinders and ICU beds many patients' health deteriorated. We assisted in the distribution of oxygen cylinders and ICU beds, which were critical interventions for moderate and severe COVID-19 patients. We contributed to this project by installing a 100 Nm³/h oxygen plant to Gandhi Medical Hospital and setting up 10 fully equipped ICU beds at Supported Cantonment General Hospital, Bollaram.

The two most important preventive measures for the spread of the COVID-19 virus are early testing and vaccination. Understanding the importance of this initiative we have facilitated rapid test kits and covishield doses to address the issue on priority basis.

Rapid Test Kits

30,000

Covishield Doses

780



Infrastructure Activities

We have worked on various infrastructure development ranging from road construction to panchayat offices. We not only installed new LED lights and cameras, but also worked on maintaining and repairing the existing drainage system in order to keep the residents' living conditions clean and safe.



CC Camera installation for security

No of
Benefited
Households
6,570



Rajayyapeta road work



Peddateenarla CC roadwork before and after



Construction of open drain



Barricades to avoid road accidents on National Highway

Fulfilling Water Demand

During an outbreak of an infectious disease, providing safe and sufficient drinking water is critical to protecting human health. Challenges in providing these provisions for the community surrounding our manufacturing plants have made this one of the primary priorities.

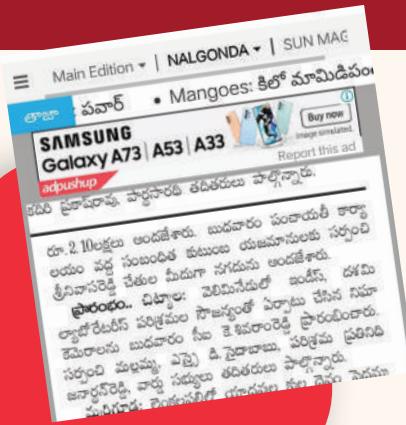
With a vision of ensuring safe and sufficient drinking water for the community, we have implemented a wide range of initiatives such as community borewells, RO plants, overhead tanks, laying of pipelines, along with repairing the earlier committed projects.



Installing community borewells and ROs



CSR News



Best COVID-19 Solutions
for Community Care
award was awarded to
Hetero group during
the World CSR Day-2021,
for our work during the
pandemic.



INDEPENDENT ASSURANCE

OPINION STATEMENT

Statement No: **SRA-IND-722144-2**

Hetero Group Sustainability Report 2021-22

The British Standards Institution is independent to Hetero Group and has no financial interest in the operation of Hetero Group (Hetero) other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for Hetero only for the purposes of assuring its statements relating to its Sustainability report, more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read. This statement is intended to be used by stakeholders & management of Hetero. The stage 1 assurance was completed using hybrid model of onsite visits and remote assessment using immersive techniques. Half the sites sampled were visited onsite to verify the claims. The remaining half of sampled sites were assured remotely, which was conducted over Microsoft Teams video-conferencing tool, where the assessor and the assessee client connected through the computer systems and internet.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Hetero. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Hetero only.

Scope

The scope of engagement agreed upon with Hetero includes the following:

1. The assurance covers the Sustainability Report 2021-22 of the Hetero, prepared "with reference to" GRI Standards 2021, and focuses on systems and activities of

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Hetero covering the twelve manufacturing units in India and their corporate office located at Hyderabad, India during the period from 1st April 2021 to 31st March 2022.

2. The AA1000 Assurance Standard, AA1000AS v3, Type 1 moderate level engagement evaluates the nature and extent of Hetero's adherence to all four AA1000 AccountAbility Principles: Inclusivity, Materiality, Responsiveness and Impact. The specified sustainability performance information/data disclosed in the report has been evaluated.

Opinion Statement

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000 Assurance standard, AA1000AS v3 and GRI Standards 2021. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Hetero's description of their self-declaration of compliance with the GRI Standards were fairly stated.

We conclude that the Hetero's Sustainability Report 2021-22 Review provides a fair view of the Hetero's CSR programmes and performances during FY 2021-22. We believe that the 2021-22 economic, social and environment performance disclosures are fairly represented. The sustainability performance disclosures disclosed in the report demonstrate Hetero's efforts recognized by its stakeholders.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top-level review of issues raised by external parties that could be relevant to Hetero's policies to provide a check on the appropriateness of statements made in the report,
- Discussion with senior executives and their external consultant on Hetero's approach and methodology of collection and evaluation of stakeholder engagement. We had no direct contact with external stakeholders.
- Interview with staff and authorities involved in sustainability management, report preparation and provision of report information were carried out,
- Review of key organizational developments,
- Review of supporting evidence for claims made in the reports,
- An assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality and Responsiveness as described in the AA1000 AccountAbility Principles Standard v3.
- A sample-based assessment of the reliability and quality of information as company's performance provided in the Sustainability report

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Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality Responsiveness and Impact and the GRI Standards is set out below:

Inclusivity

This report has reflected a fact that Hetero is seeking the engagement of its stakeholders through numerous channels such as meetings with regulators, business partners, suppliers, investors and employees along with feedback processes from customers, and submission of various reports to the relevant stakeholders. The process of stakeholder engagement clearly addresses the various types of stakeholders involved, their modes of engagement together with their frequencies of interaction. Stakeholder interaction exercise has been conducted across own operations covering all management levels to identify and understand their concerns among the identified universe of material topics.

This report focuses on the activities undertaken by Hetero Drugs Ltd., Hetero Labs Ltd., Hetero Biopharma Limited covering the twelve manufacturing locations in India and the corporate office at Hyderabad, India. This report covers the fair reporting and disclosures for economic, social and environmental information. In our professional opinion, the report covers the Hetero Group's inclusivity issues that demonstrates participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality

Hetero publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance.

The material topics identified are: Energy and Emissions, Water and Effluent, Waste, Employee Well-being, Health & Safety, Learning and Development, Customer Health and Safety, Community, Economic Value creation, Supply chain, Diversity - equal opportunity, Anti-corruption, Environmental compliance, Marketing and Labelling, Data Security and privacy. The adequacy of the previous year's identified material topics were assessed internally and same were adopted for the current reporting year.

In our professional opinion the report covers the Hetero's material issues by using Hetero materiality matrix, internal and external stakeholder consultation and boundary mapping, however, the future report should be further enhanced by including suitable performance indicators for the newly identified material

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aspects for which GRI indicators are not available. An impact-based analysis of material issues is also recommended.

Responsiveness

Hetero has implemented the practice to respond to the expectations and perceptions of its stakeholders. Feedback from all the internal stakeholder representatives were collected along with few selected external stakeholders.

In our professional opinion nothing has come to our attention to suggest that the responses related to identified material topics are not adequately represented in the Report.

Impact

Hetero has also demonstrated that adequate systems are in place to monitor, measure and be accountable for their actions that affect the economy, the environment, society, stakeholders and the organization itself.

GRI-reporting

Hetero Group provided us with their self-declaration of compliance "with reference to" the GRI Standard 2021.

Based on our verification review, we are able to confirm that social responsibility and sustainable development disclosures in all 3 categories (Environmental, Social and Economic) are reported with reference to the GRI Standard 2021. It is the responsibility of Hetero Group corporate to notify GRI post publishing the report.

In our professional opinion the self-declaration covers Hetero Corporate's social responsibility and sustainability issues. On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe the following sustainability disclosures as stipulated in the GRI Standards.

- GRI 201: Economic performance, 2016 – 201-1;
- GRI 204: Spending on local suppliers 2016 - 204-1;
- GRI 205: Anticorruption 2016 - 205-1, 205-2, 205-3;
- GRI 302: Energy 2016 - 302-1, 302-2, 302-3;
- GRI 303: Water & Effluent 2018 - 303-3, 303-4, 303-5;
- GRI 305: Emissions 2016 - 305-1, 305-2, 305-4;
- GRI 306: Waste 2021 – 306-3, 306-4, 306-5;
- GRI 401: Employment 2016 – 401-1;
- GRI 403: Occupational Health and Safety 2018– 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9;

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- GRI 404: Training & Education 2016 – 404-2, 404-3;
- GRI 405: Diversity and equal opportunity 2016 - 405-1;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 416: Customer Health and Safety 2016 - 416-1;
- GRI 417: Marketing and Labeling 2016 - 417-1, 417-2, 417-3;

Competency and Independence

The assurance team was composed of Lead auditors experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including GRI Standard, AA1000, ISO10002, ISO 14001, ISO 45001, ISO 14064, ISO 50001 and ISO 9001, etc. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

Assurance Level

The type 1 moderate level of assurance provided is in accordance with AA1000 Assurance standard, AA1000AS, v3 in our review as defined by the scope and methodology described in this statement.

Responsibility

It is the responsibility of Hetero's senior management to ensure the information presented in the Sustainability Report is accurate. They also decide on the publishing of the report and sending notification to GRI. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Reliability

The assurance statement on the performance was issued based on the evidence collected from ground level provided by the employees of Hetero. The sample selection was on random basis and selection is done by BSI auditor. The sampled sites covered 4 manufacturing units out of 12 units included in the reporting boundary as well as the corporate functions. The assurance team was convinced that the performance information presented in the report are reliable and representative.

Quality

The quality of information was checked through cross verification of data. Field level measurement and records were verified with the procurement and supply chain invoices/bills. Interview with the responsible persons detailed the activities, maintenance, and process performance. The fitness of the measuring devices, frequency of measurement and recording, competency of the person concerned, and review & approval of information were checked and found in conformance.

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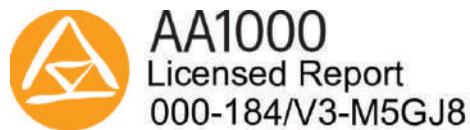
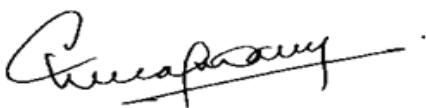
Performance Information

Hetero Sustainability report has addressed their Economic, Environmental, Social and Governance performance through GRI Standard disclosures. The assurance team has evaluated the requirements of the GRI disclosures for general disclosures and those relevant to the material topics only.

For the specific data presented in the report, minimal technical/compilation errors were identified during the sampling process which were corrected for the final report.

Based on the processes and procedures conducted with a moderate assurance, there is no evidence that the Economy, Environment, Governance and Social data and information are not materially correct and are not a fair representation of their Environmental and Social performance.

For and on behalf of BSI:



Kumaraswamy Chandrashekara
Head – System Certification Operations. BSI Group India
New Delhi, India

06 March February 2023

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GRI INDEX

Statement of use	Hetero group has reported the information cited in this GRI content index for the period 1 st of April 2021 to the 31 st of March 2022 'with reference' to the GRI Standards
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI: General Disclosures 2021							
GRI 1: The organization and its reporting practices	2-1 Organizational details	Our Business	5				
	2-2 Entities included in the organization's sustainability reporting	Report boundary	6, 14				Minority interest is currently not taken into consideration. Current report does not cover subsidiaries or joint ventures and covers only Indian entities.
	2-3 Reporting period, frequency and contact point	About the report	5				
	2-4 Restatements of information	About the report	5				
	2-5 External assurance	External assurance	75-80				
GRI 2: Activities and Workers	2-6 Activities, value chain and other business relationships	Our Business, Sustainable Supply chain	16, 41				There has been no significant change in our supply chain or its reporting during the year.
	2-7 Employees	Our People, our most valued resource	55				
	2-8 Workers who are not employees	Our People, our most valued resource	55				
GRI 3: Governance	2-9 Governance structure & composition	Governance	29				No under-represented social groups in the governance body
	2-11 Chair of the highest governance body	Governance	30				
	2-14 Role of the highest governance body in sustainability reporting	Governance	30				
	2-15 Conflicts of interest	Governance	2	2-15-b	Confidentiality constraints		

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 3: Governance	2-16 Communication of critical concerns	Governance	30, 31				No critical concerns were identified during communication done through Board meetings.
	2-17 Collective knowledge of the highest governance body	Training and upskilling	58				
	2-18 Evaluation of the performance of the highest governance body	Governance	30				
	2-19 Remuneration policies	Governance	33				
	2-20 Process to determine remuneration	Governance	33				
	2-21 Annual total compensation ratio			Annual total compensation ratio	Confidentiality constraints	As Hetero is privately held, the organisation does not plan to disclose this information	
GRI 4: Strategy, policies and practices	2-22 Statement on sustainable development strategy communicating critical concerns	Management Message	7, 10				
	2-23 Policy commitments	Governance	31				A limited number of policies which are not sensitive and relevant to stakeholders outside of Hetero have been provided in the website.
	2-24 Embedding policy commitments	Governance	29				
	2-25 Processes to remediate negative impacts	Governance	22				
	2-26 Mechanisms for seeking advice and raising concerns		33	Mechanisms for seeking advice and raising concerns	Data unavailable / incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate internally with respective stakeholders during the year and understand whether it can be reported and by what time frame in the future	
	2-27 Compliance with laws and regulations	Governance-Compliance	35				
	2-28 Membership associations	Memberships with Associations	20, 21				

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 5: Stakeholder Engagement	2-29 Approach to stakeholder engagement	Materiality Assessment	26				
	2-30 Collective bargaining agreements	Governance	34				
GRI 3: Material Topics 2021							
2-Disclosures on material topics	3-1 Process to determine material topics	Materiality Assessment	24				As materiality assessment is done in every 3 years , the process is the same. This year Hetero did not conduct materiality assessment and so the process is not addressed in this report.
	3-2 List of material topics		25				No changes in the material list
GRI 3: Material Topics 2021	3-3 Management of material topics	Economic Performance	39				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Performance	40	Payment to providers of capital	Confidentiality constraints	Already added in the economic performance table, it is not presented as a separate entry as Hetero being a privately held company does not disclose such information in public domain.	
	201-2 Financial implications and other risks and opportunities due to climate change				Information unavailable/incomplete	We have not made an estimate of the same.	
	201-3 Defined benefit plan obligations and other retirement plans				Confidentiality constraints	We are a privately held company and are not prepared to disclose the data currently. We will consider it in future.	
	201-4 Financial assistance received from government				Confidentiality constraints	We are a privately held company and are not prepared to disclose the data currently. We will consider it in future.	
GRI 3: Material Topics 2021	3-3 Management of material topics		41				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Sustainable Supply chain	42				Local suppliers are the suppliers based in India
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Governance-Risk Management	33				

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Governance-Ethical Behaviour and anti-corruption	33	205-2c	Data unavailable/incomplete	We have communicated to suppliers, unable to track at the moment, will report in future	100% of our employees and contract workers have received training on anti-corruption policies
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption	33				There are no confirmed cases of corruption against the company or its employees leading to any action. Similarly, no contracts with any of the vendors has been terminated or action taken on account of corruption
GRI 3: Material Topics 2021	3-3 Management of material topics		43				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy and Emissions	44				
	302-2 Energy consumption outside of the organization		45		Data not available/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future.	
	302-3 Energy intensity	Energy and Emissions	45		Data not available/incomplete	We are in process of calculating the carbon emissions from our value chain	
	302-4 Reduction of energy consumption				Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
	302-5 Reductions in energy requirements of products and services				Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
GRI 3: Material Topics 2021	3-3 Management of material topics		48				
	303-1 Interactions with water as a shared resource				Data unavailable/incomplete		
	303-2 Management of water discharge-related impacts				Data unavailable/incomplete		

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	Water and Effluent	48				
	303-4 Water discharge	Water and Effluent	48, 49				
	303-5 Water consumption	Water and Effluent	48				
GRI 3: Material Topics 2021	3-3 Management of material topics		46				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GHG Emissions	46, 47				
	305-2 Energy indirect (Scope 2) GHG emissions	GHG Emissions	46, 47				
	305-3 Other indirect (Scope 3) GHG emissions				Data unavailable/incomplete		
	305-4 GHG emissions intensity	GHG Emissions	47				Base year: 2017-18, No significant changes which led to significant changes in the emissions. CO2, CH4, N2O, HFCs are included in the emission calculation
	305-5 Reduction of GHG emissions				Data Not available		
	305-6 Emissions of ozone-depleting substances (ODS)				Data unavailable/incomplete		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions				Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
GRI 3: Material Topics 2021	3-3 Management of material topics						
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts				Data unavailable/incomplete		
	306-2 Management of significant waste-related impacts				Data unavailable/incomplete		
	306-3 Waste generated	Waste Management	50, 51				
	306-4 Waste diverted from disposal	Waste Management	51				
	306-5 Waste directed to disposal	Waste Management	51, 52				
GRI 3: Material Topics 2021	3-3 Management of material topics		53-57				

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee Retention	57				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees				Data unavailable/incomplete		
	401-3 Parental leave				Data unavailable/incomplete		
GRI 3: Material Topics 2021	3-3 Management of material topics		60				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and Safety	60, 61				
	403-2 Hazard identification, risk assessment, and incident investigation	Health and Safety	60	Point b,c cannot be addressed	Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
	403-3 Occupational health services	Health and Safety	61, 62				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and Safety	60				
	403-5 Worker training on occupational health and safety	Health and Safety	60				
	403-6 Promoter of worker health	Health and Safety	60, 61				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety	62, 63				
	403-8 Workers covered by an occupational health and safety management system				Data unavailable/incomplete		
	403-9 Work-related injuries	Health and Safety	63				
	403-10 Work-related ill health			Point aiii, biii ,c not addressed	Data unavailable / incomplete	Currently, this data is not captured by the organization as expected by GRI.	There were no work-related ill health fatalities recorded

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 3: Material Topics 2021	3-3 Management of material topics		58, 59				
GRI 404: Training & Education 2016	404-1 Average hours of training per year per employee			Average hours of training per year per employee	Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
	404-2 Programs for upgrading employee skills and transition assistance programs	Training & Upskilling	58, 59				
	404-3 Percentage of employees receiving regular performance and career development reviews	Training & Upskilling	58				
GRI 3: Material Topics 2021	3-3 Management of material topics		56-57				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversifying our Team	56				
	405-2 Ratio of basic salary and remuneration of women to men				Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
GRI 3: Material Topics 2021	3-3 Management of material topics		65				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community Service for Inclusive Growth	66-74				
	413-2 Operations with significant actual and potential negative impacts on local communities				Data unavailable/incomplete	Currently, this data is not captured by the organization as expected by GRI. We intend to evaluate in the future	
GRI 3: Material Topics 2021	3-3 Management of material topics		35				
GRI 417: Marketing and Labelling	417-1 Requirements for product and service information and labeling	Marketing and Labelling	35, 36				

GRI Standard	Disclosure	Location		Omission			Comments
		Section	Page No.	Requirement(s) Omitted	Reason	Explanation	
GRI 417: Marketing and Labelling	417-2 Incidents of non-compliance concerning product and service information and labeling	Marketing and Labelling	35, 36				No fines or penalties have been received or paid to regulators or voluntary organizations Concerning information shared by Hetero with its customers or for labelling of its product
	417-3 Incidents of non-compliance concerning marketing communications	Marketing and Labelling	36				No fines or penalties have been received or paid to regulators or voluntary organizations applicable or associated with our business.
GRI 3: Material Topics 2021	3-3 Management of material topics	Customer Health and Safety, Marketing & Labelling	64, 35				
GRI 416: Customer Health and Safety 2016	Disclosure 416-1 Assessment of the health and safety impacts of product and service categories	Marketing & labelling	35				

Annexure I

Annexure: Energy and GHG Emission Quantification

GHG calculation and inventorization is based on The Greenhouse Gas Protocol developed by the World Resource Institute (WRI) and World Business Council and Standards Board (WBCSD). The GHG Protocol for Corporate Accounting and Reporting Standard has been applied at Hetero.

Global warming potential has been taken as provided by Inter-governmental Panel on Climate Change (IPCC). Only two types of emissions have been considered:

1. Due to consumption of fuel at site for stationary consumption
2. Due to purchase of electricity from the grid

Emission due to Stationary Consumption

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 have been used to calculate GHG emissions from stationary combustion source. (Source: https://www.ipccnggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf). Quantity of various fuel consumed has been multiplied by density and calorific value. The calorific value of coal is based on the GCV provided by the supplier of coal, whereas the calorific value of other fuels is determined based on the data published by Bureau of energy efficiency (BEE) on its website or by the respective fuel provider on their website. Data from BEE is the preferred source. All energy figures are converted into TJ before multiplying with the emission factor.

Fugitive Emissions (Scope 1 Direct emission)

The emission factors provided for each gases in the DEFRA Conversion factor guidelines is used for calculating the emissions due to refrigerants used. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083855/ghg-conversion-factors-2022-full-set.xls

The quantity of refrigerants refilled (in kg) in each of our unit is multiplied by the emission factor associated with each of the gases used is used for calculating the emissions.

In some of our locations the breakup for the quantity of refrigerant used is not available. To be on the conservative side, the refrigerant with the highest emission factor in the list of refrigerants used is taken into consideration for calculating emissions.

Annexure I

Emission due to Purchase of Electricity (Scope 2 or indirect emission)

The grid emission factor is multiplied with the electricity consumed to arrive at the emission due to purchased electricity. The grid emission factor is provided by Central Electricity Authority of India. For this years calculation, emission factors specified in the 'CO₂ Baseline Database for the Indian Power Sector User Guide, Version 16.0, MARCH 2021' has been applied (Source: https://cea.nic.in/wp-content/uploads/baseline/2021/06/User_Guide_ver_16_2021-1.pdf)

Global Warming Potential

The Global Warming Potential of gases are as per the Second assessment report of IPCC https://www.ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

Limitations

Other sources of direct i.e., Scope 1 emissions, are not considered in our emission inventory currently. LPG gas is other probable sources of minor emissions. However, an estimation of the emissions due to these sources has not been undertaken so far. Indirect emissions other than energy purchase i.e., Scope 3 emission, have as well not been considered in our GHG inventory and reporting.

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