

HETERO

SUSTAINABILITY REPORT

2017-18





CONTENTS

INTRODUCTION

Our Purpose and Core Values	4-5
Our Business and Sustainability Journey	6-7
Message from Chairman and Managing Director	8-9
Our Business Footprint	10-11
▶ Our Business Verticals	12-13
▶ Key Highlights of Hetero	14-15
About this Report	16-21

CORPORATE GOVERNANCE AT HETERO

Sustainability Strategy	24-25
Policies and Guidelines	25
Management Systems	26
Code of Conduct & Ethical Business Practices	26-28
Widening the Risk Perspective	28
Security Practices & Systems	29
ECONOMIC PERFORMANCE	30-31

STEWARDING A RESPONSIBLE ENVIRONMENT

Protection of Water Resources	33-34
Waste Water and Waste Management	35-38
Energy and Emission Management	38-43
Shaping a Greener Planet	43-44
Conserving Biodiversity	45

ENABLING OUR WORKFORCE

Employee Policies	47
Diversity and Inclusion at Workplace	48
Training and Development	48-52
Occupational Health and Safety at Workplace	53-58
Sustainable Supply Chain Management	58-59

PARTNERING WITH OUR COMMUNITIES TO ELEVATE HEALTH AND WELL-BEING

Our Approach and Focus Areas	61-62
Affordability, Accessibility and Availability	62
Building Healthy Communities	63-64
▶ Education, Enhancing the Drinking Water Capability	65-67
▶ Co-creating Positive Environment, Supporting Transformation of Human Capital	67-68
▶ Infrastructure, Art and Culture	69
GRI Index and HLL Opinion Statement	70-75

INTRODUCTION

Hetero is one of India's leading generic pharmaceutical companies and the world's largest producer of anti-retroviral drugs for the treatment of HIV/AIDS. Backed by over 25 years of expertise in the pharmaceutical industry, Hetero's strategic business areas spread across APIs, Generics, Biosimilars, Custom Pharmaceutical services and Branded Generics. The company is globally recognized for its strengths in Research and Development, manufacturing and commercialization of a wide range of products.

Hetero has 36 state-of-the-art manufacturing facilities strategically located worldwide including India, USA, China,

Russia, Egypt, Mexico and Indonesia. A majority of our facilities are audited and approved by stringent regulatory authorities like US FDA, EU, TGA-Australia, MCC-South Africa and others. Our portfolio includes 300 plus products encompassing major therapeutic categories such as HIV/AIDS, Oncology, Cardiovascular, Neurology, Hepatitis, Nephrology, Urology, Diabetes, Ophthalmology, Hepatology and Immunology among others.

Hetero has a strong global presence in over 126 countries and focusses on making affordable medicines accessible to patients worldwide.

Our Purpose

At Hetero, we come to work each day for one reason: To put science to work for delivering affordable medicines that will help meet the health needs of every person on the planet.

Our Core Values

The core values guide us and serve as the pillars of our internal conduct as well as that of our relationship with customers, partners and shareholders.



Quality Focus

We are committed to the highest standards of Quality in every aspect of our business, and work hard towards raising those standards through continuous improvement.

Knowledge

We value and respect Knowledge as the key enabler in our mission to develop affordable healthcare. We greatly cherish knowledge in our team members, associates, partners and the community at large.



Responsibility

We have deep-rooted sense of Responsibility towards all our stake-holders - customers, employees, and shareholders, including each and every associate who partners us. We strive relentlessly towards delivering on our responsibilities.

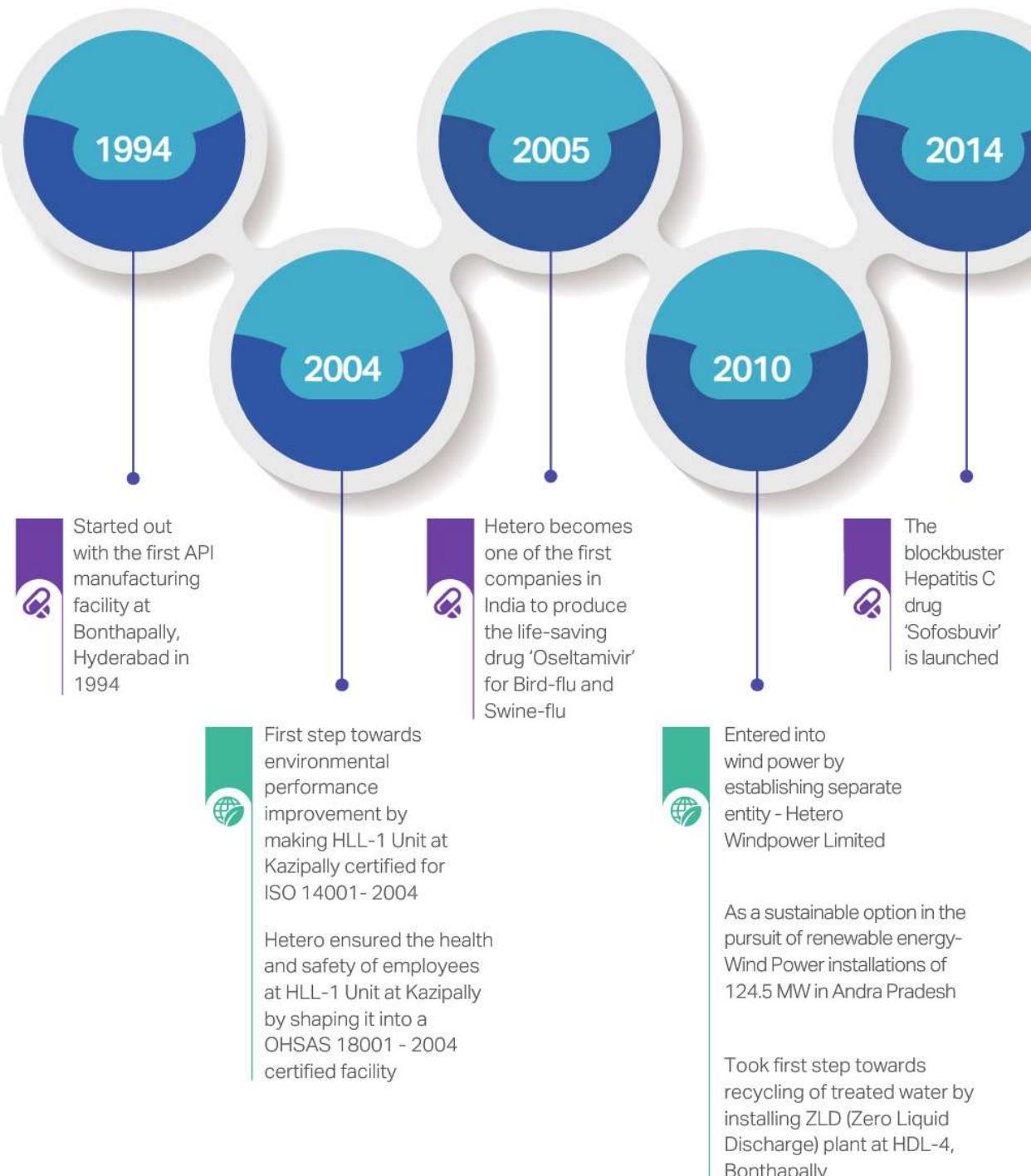


Dynamism

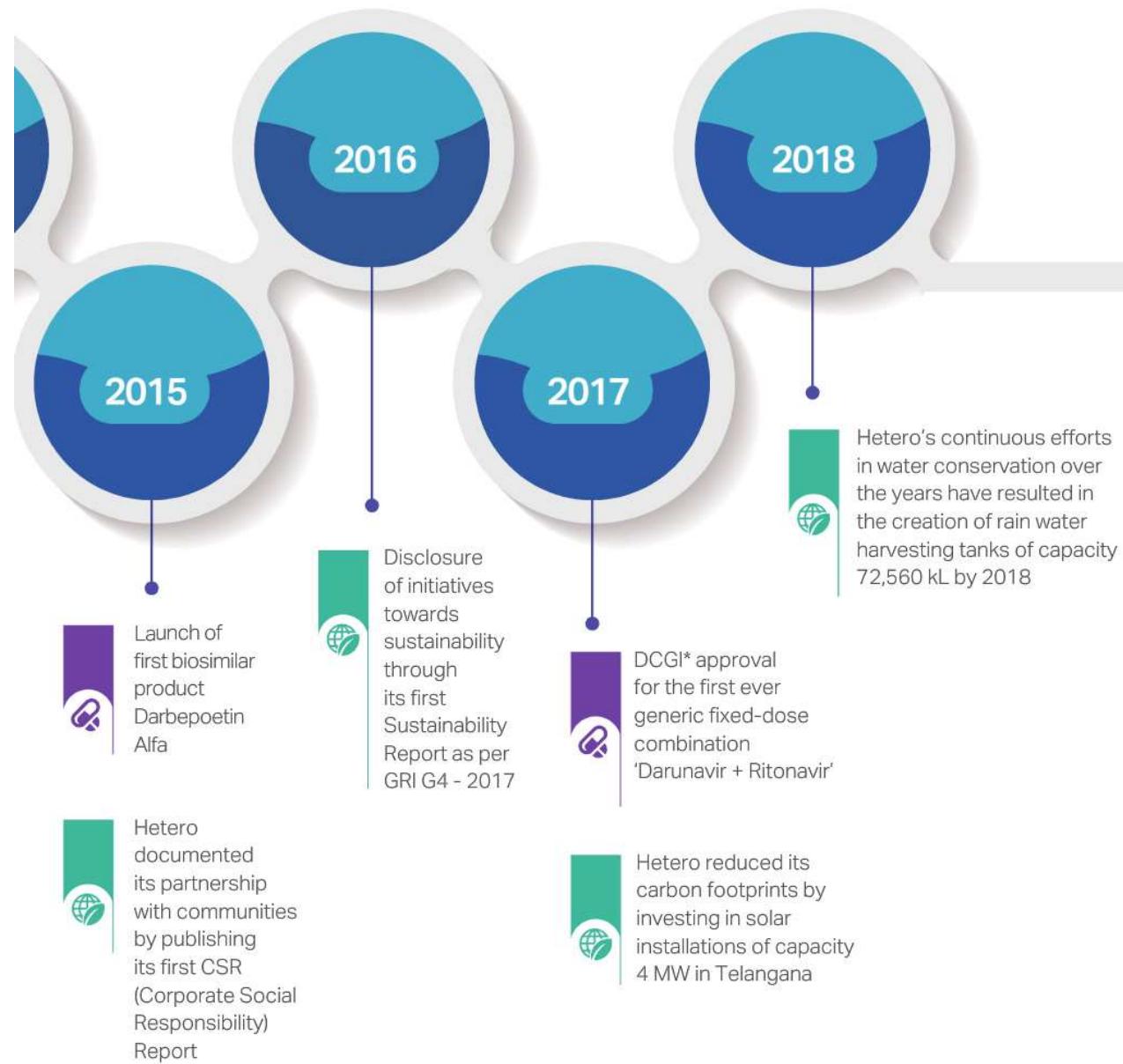
We at Hetero are agile, pro-active and passionate about each and everything that we do.



OUR BUSINESS & SUSTAINABILITY



JOURNEY SO FAR



* Drug Controller General of India



“

We believe in inclusive and sustainable innovation to help us deliver on the promises made to our stakeholders

”

CHAIRMAN'S MESSAGE

At Hetero, it is our endeavor to integrate sustainability in every aspect of our business. We have included sustainability as the corner stone of our business, bringing people, customers and communities where we operate our plants under one umbrella.

Our impressive sustainable performance is the outcome of various pioneering initiatives implemented towards achieving social, economic and environmental sustainability. Our operations are aligned with the low carbon footprint principles like energy efficiency and natural resources conservation. We at Hetero are committed to continue to raise the bar by increasing the use of renewable energy in order to reduce the GHG foot-print.

We have aligned our vision to ensure sustainability of the environment, made fragile by rampant industrialization, to contribute to a healthy and sustainable world. Our team is constantly pushing the boundaries by adopting innovative technologies in our operations to enhance productivity and ensure organization sustainability at the same time.

The greatest strength of "Heteroians" has been their ability to convert challenges into opportunities with perseverance, adoptability and diligence. Our employee's innovative and sustainable efforts have made our products more affordable in the society. Going forward, we will continue this rich legacy of Hetero and strive to offer sustainable solutions to meet the all dedicated medical needs of society and will keep serving to the interests of customers, patients, communities and the environment to make our organization more sustainable.

Warm regards,

A handwritten signature in black ink, appearing to read "B.P.S. Reddy". It is written in a cursive style with a horizontal line extending from the end of the signature.

Dr. B.P.S. Reddy
Chairman
Hetero Group of Companies

“

Our growth strategy is pivoted around our people, our community and environment

”



MANAGING DIRECTOR'S MESSAGE

As Hetero takes rapid strides in its quest for improving its sustainability performance; we will continue to put respect for our people, their safety, communities and the environment at the heart of our approach.

Notwithstanding the challenging business environment, we are confident of sailing through the winds of change owing to our sound and sustainable business practices; be it a changeover towards a cleaner energy or our ambition to at least halve the net carbon footprint resulting out of our activities in the near future.

Safety in our operations is of paramount importance to us. We will continue to ensure that our staff and contractors are alert to their own safety and care for the safety of their colleagues; besides being vigilant about potential safety risks in operations, however small.

We remain steadfast to our commitment to make our plants and projects operate safely without causing any

harm to people and the environment. For this, we are relentless in improving safety behavior in our employees and enabling them to quickly report incidents or potential incidents when they occur. Hetero will continue to focus on working together with communities to minimize the impact on our environment and climate.

Warm regards,

A handwritten signature in black ink, appearing to read "Vamsi".

Dr. Vamsi Krishna Bandi
Managing Director
Hetero Labs Limited

OUR BUSINESS FOOTPRINT

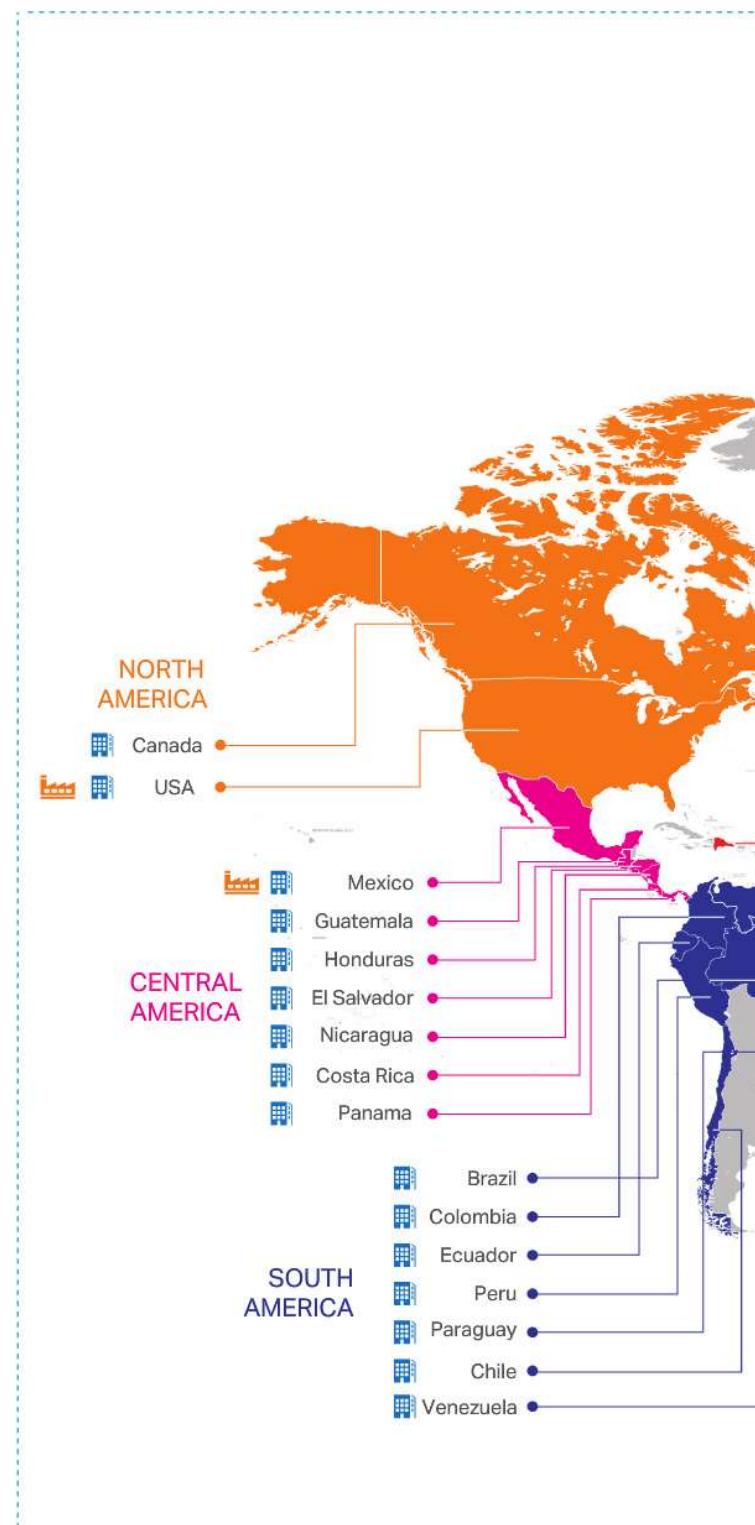
We are one of the leading vertically integrated pharmaceutical organizations engaged in the development, manufacturing and marketing of high quality chemical & biologic drugs across diverse therapeutic areas. Our portfolio includes products encompassing major therapeutic categories such as HIV/AIDS, Oncology, Cardiovascular, Neurology, Hepatitis, Nephrology, Urology, Diabetes, Ophthalmology, Hepatology and Immunology etc.

Hetero Research Foundation (HRF), an exclusive state-of-the-art facility supports all our research activities within one integrated unit. HRF is backed by a track record of developing 300+ products across diverse therapeutic areas, numerous Abbreviated New Drug Application (ANDA's), First Generic Filer (FTF's), and patents. It boasts of the most sophisticated analytical equipment's, comparable to the best in the world.

Hetero is among world's few companies to have established presence in emerging markets like Latin American countries. Hetero has hugely expanded its foot-prints in Asian, African, Commonwealth of Independent States (CIS) and other key countries to capture opportunities for growth. Hetero's specialized sales force reaches out to doctors and patients, enabling access to life-saving drugs across the various therapies of oncology, cardiology, and central nervous system (CNS), antiretroviral (ARVs) and hepatology.

Hetero has established its business with 36 State-of-the-Art manufacturing facilities with Corporate office located in Hyderabad, Telangana state, India. Asia's largest SEZ complex for APIs manufacturing facility located at Visakhapatnam, Andhra Pradesh. Further Hetero has a wide distribution network comprising of the dealers and retailers to reach out to our large customer base.

Owing to the diverse product portfolio, the category-wise quantification of each product is challenging and has not been captured in this report, however our Annual Report provides a snapshot on overall sales of products and services and also Total Capitalization values and can be shared on request. Hetero's Global Landscape capturing the details of our manufacturing facilities and branch offices/subsidiaries is presented hereby.



GRI Index

GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Page Number (or Link)	External Assurance
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	Indicate if the Standard Disclosure has been externally assured.
Organizational Profile		
102-1	Introduction chapter (First Chapter)	Yes
102-2	As above	Yes
102-3	As above	Yes
102-4	As above	Yes
102-5	As above	Yes
102-6	As above	Yes
102-7	As above	Yes
102-8	As above	Yes
102-9	As above	Yes
102-10	As above	Yes
102-11	As above	Yes
102-12	As above	Yes
102-13	As above	Yes
Strategy and Analysis		
102-14	5	Yes
Governance		
102-18	18-19	Yes
Stakeholder Engagement		
102-40	14-15	Yes
102-41	14-15	Yes
102-42	14-15	Yes
102-43	14-15	Yes
102-44	14-15	Yes
Reporting Practice		
102-45	12-14	Yes
102-46	12-14	Yes
102-47	12-14	Yes
102-48	12-14	Yes
102-49	12-14	Yes
102-50	12-14	Yes
102-51	12-14	Yes
102-52	12-14	Yes
102-53	12-14	Yes
102-54,55	About the report, Index	Yes
102-56	External Assurance	Yes
Management Approach		
103-1,2,3	Explained in each chapter and sustainability strategy section	Yes
Economic Performance		
201-1	26	Yes
Energy		
302-1	38-43	Yes
302-3	38-43	Yes
302-4	38-43	No



Building an eco-friendly environment

- ▶ Plantation of saplings to build an eco-friendly environment
- ▶ Maintaining and sustenance of natural resources.



Women Empowerment



- ▶ Capacity building of women.
- ▶ Therapeutic nutrition counselling.
- ▶ Early detection of disability in the children.
- ▶ Skill-oriented trainings.

AFFORDABILITY, ACCESSIBILITY & AVAILABILITY

Our CSR mission is to provide good health and prosperity for all. We continue to strengthen our CSR performance by partnering with healthcare establishments in India and working with local communities across India to provide diagnostic and health services based on the community requirements. During this financial year we have spent Rs.167.99 Mn on CSR activities.

To Implement CSR effectively and efficiently, adequate funds, infrastructure and man power is required. At Hetero, we remain committed and integral to our CSR responsibility through outreach programs at various levels. We have drafted a CSR process blueprint for

successful execution of CSR activities. The process ensures that funds so earmarked for CSR activities reach the needy people. We assist the underprivileged section of society and support them with basic amenities, education and infrastructure as needed. Along with it, we also promote public health to empower individuals as well as society at large.

As a part of healthcare initiatives, Hetero has provided free consultations and distribution of free medicines to the poor at free eye care camps; regularly organized at every village, free cataract surgeries, medicines, food, accommodation and spectacles for patients. Hetero has also been providing free transportation (from doorstep and back) for patients including for post-operative consultations for patients undergoing cataract surgeries.



Hetero honored with 'Best Education Improvement Award' at the National CSR Leadership Congress & Awards 2017.



Hetero honored with 'Excellence in Corporate Social Responsibility Award' at UBM India Pharma Awards 2018.

Health and Safety Performance Highlights

Total First Aid Cases



No. of Lost Time Accidents



Given Hetero's continued emphasis and sustained efforts towards improving health and safety performance across their various units, noticeable results were visible on the ground as below:

For FY 2017-18, the number of first aid cases reduced from 339 to 252, a positive indicator of improved employee safety. Number of lost time incidents has increased in this reporting year, however this is also due to the fact that the total employee headcount has increased from 9589 in previous year to 12224 in current year.

Though, many locations of Hetero have seen drastic reduction in accidents rates, an unfortunate fatality was reported at Bonthapally in the month of November 2017. The cause of fatality was due to the fall of a contractual worker on from height while working on the construction area. Thorough investigation of the accident was conducted by Hetero team to avoid the reoccurrence of

such incident. Also, to minimize the exposure of occupational hazards following necessary hierarchy control measures were implemented.

- ▶ Initiation of detailed Risk Assessments (like 360 degree Risk Assessment) before giving clearance of Non - Routine Work. It involves the identification, evaluation and control of risk in all the aspects to eliminate the risk completely. Non - Routine Work. It involves the identification, evaluation and control of risk in all the aspects to eliminate the danger completely.
- ▶ Improvement in the engineering control measures like PEP talks /Tools Box talk to contract employees.
- ▶ Enhancement Contract Employee Engagement Process in all aspects.
- ▶ Also the use of safety nets in addition to other control measures.

360° Health & Safety Risk Assessment Initiative-

Hetero wanted to proactively invest cost and efforts in implementing the risk management and assessment program instead of building retrospective systems to respond post occurrence of incidents. Our objective is to achieve "zero incidents", boost employee morale and awareness on risk assessment process. This would also help our objectives of safe delivery of affordable medicines, minimize regulatory non-compliances and augment customer trust.

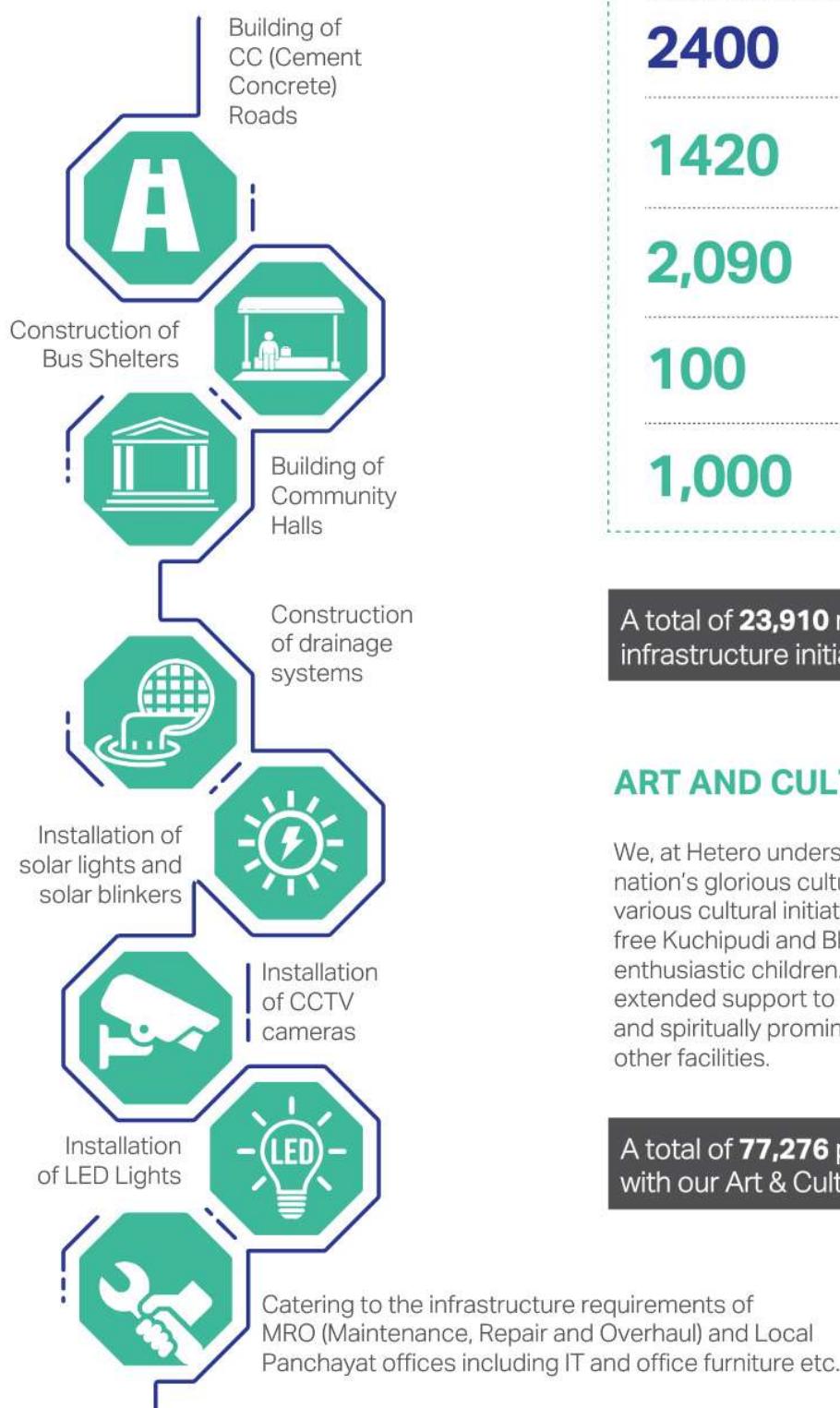
Risk Assessment Process

- ▶ **Formation of Team**
- ▶ **Identification of all Process Flow and Associated chemicals**
- ▶ **Hazard identification (Safety Test Report)**
- ▶ **Consequences**
- ▶ **Risk Evaluation**
- ▶ **Review of Risk and existing controls**
- ▶ **Proposed Controls and prioritize**
- ▶ **Review of the Controls & Defining frequency for Review**

INFRASTRUCTURE

Well-developed infrastructure is at the crux of enhancing both economic growth and quality of life. Taking a holistic approach, we are catering to both civil as well as social infrastructural aspects in equal measure. A total of 23910 members benefitted with our infrastructure initiatives.

The range of our interventions include:



BENEFICIARIES IN NUMBERS

Number of Families / Members

200	CC Roads
17,500	CC Cameras
2400	Bus Shelter Construction
1420	Drainage & underground drainage
2,090	Village Infrastructure & LED Lights
100	Solar Lanterns
1,000	Solar Blinkers

A total of **23,910** members benefitted with our infrastructure initiatives in the financial year.

ART AND CULTURE

We, at Hetero understand the need for preserving nation's glorious cultural heritage and hence supports various cultural initiatives. For starters, we have initiated free Kuchipudi and Bharatanatyam classes to about 150 enthusiastic children. Apart from this, we have also extended support to repair and restore archaeologically and spiritually prominent temples dotting Nakkapalli and other facilities.

A total of **77,276** people benefitted with our Art & Culture initiatives.



Safety Exhibition
conducted at HLL, Unit 7,
Jeedimetla



National Safety
Week celebration



First aid training organized
by HSE Department at
HLL Unit 7, Jeedimetla

BENEFICIARIES

Number of Families

2,340

RO Plants

180

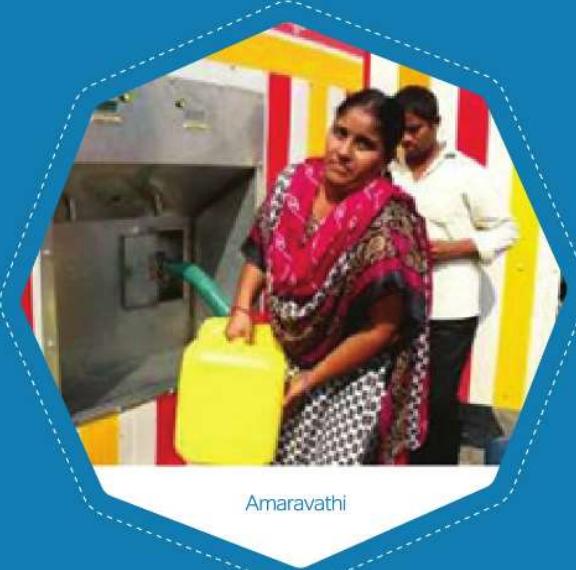
Hand Bore

16,776

NTR Trust

1,000

Water Pipeline



CO-CREATING POSITIVE ENVIRONMENT

Swachh Bharat "Realizing a Clean & Healthy India"

Hetero, responding to the clarion call for 'Swachh Bharat' given by the Government of India, has deployed a host of initiatives to realize clean and hygienic environs in villages bordering its facilities.

Wide range of activities have been undertaken including construction of school toilets, construction of drainage systems, creating provision for water storage and supply including taps, maintenance of toilets and cleaning of drainage, garbage cleaning, cleaning of streets etc.



Primary Health Centre,
Jinnaram, Bonthapally Unit-IV



ZHPS, Bonthapally,
Unit-1

2. The AA1000 Assurance Standard, AA1000AS (2008) Type 1 engagement evaluates the nature and extent of Hetero Group's adherence to all three AA1000 AccountAbility Principles: Inclusivity, Materiality and Responsiveness. 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 assurors in accordance with the AA1000 Assurance standard, AA1000AS (2008) and GRI Standards. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Hetero Group's description of their self-declaration of compliance with the GRI Standards were fairly stated.

We conclude that the Hetero Group's Sustainability Report 2017-18 Review provides a fair view of the Hetero Group's CSR programmes and performances during FY 2017-18. We believe that the 2017-18 economic, social and environment performance disclosures are fairly represented. The sustainability performance disclosures disclosed in the report demonstrate Hetero Group'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 Group's policies to provide a check on the appropriateness of statements made in the report
- Discussion with senior executives on Hetero Group's approach to stakeholder engagement. We had no direct contact with external stakeholders
- Interview with staff 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 (2008)

Conclusions

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

Inclusivity

This report has reflected a fact that Hetero Group is seeking the engagement of its stakeholders through various channels. Being the second year of reporting, Hetero Group has expanded its stakeholder engagement to include customers, suppliers, vendors and the local community, apart from considering the feedbacks received from its external stakeholders over the last few years. To this extent, Hetero Group has come up with a formal process engagement process. A comprehensive survey though has

...making excellence a habit.TM

Key features of ESE

- ▶ ESEs are regularly inspected continuously monitored and maintained in good condition to support any emergencies.
- ▶ Pop Up's have been created to alert if any ESE inspection is not being carried out as per the scheduled time.
- ▶ All the equipment are covered under the online monitoring system and provides details on ESE location, ID and Type and can be easily accessed online.

Key benefits of ESE

- ▶ Improved fire safety/emergency safety systems monitoring across the plant
- ▶ Health and safety of employees is been taken care with utmost priority and thereby the employees feel secured at workplace.
- ▶ Capacity to tackle any emergency with proper safety practices to prevent accidents.
- ▶ Reduced number of incidents.
- ▶ Environmental protection by controlling fire emergencies at inception stage.

Employee engagement on health and safety:

We ensure active participation of the workers in all the initiatives and H & S programs conducted by Hetero at various levels. To encourage everyone to participate in safety any exemplary or special initiative or effort taken up by an employee pertaining to safety is rewarded through safety enforcement team allowance.

To communicate and create awareness among the employees on the significance of safety, various initiatives were introduced as follows -

Safety exhibitions: These are excellent educational opportunities for our employees to learn the various aspects of occupational health and safety.

First aid trainings and workshops: First aid training is one of the most essential and crucial element, with help of first aid knowledge and simple techniques we can prevent unnecessary adverse consequences.

Specific health and safety theme based awareness initiatives:

This year we celebrated the "electrical safety" week in May 2017 which included trainings and workshops by the Health Safety Environment (HSE) team to exchange knowledge and create awareness on the hazards and risks associated with electrical equipment handling and corresponding electrical safety measures. We also celebrated Road Safety week across our operations.

National safety week celebrations: We celebrate this on annual basis with great enthusiasm to make aware the people about how to get prevented from the industrial accidents by exhibiting widespread safety awareness programs. During whole week campaign celebration, varieties of specific activities are displayed to the people as per the safety requirements.

Firefighting and other external trainings: We ensure that right behaviors and procedures are adopted for firefighting through extensive internal and external trainings for our employees. Further also on need and competency mapping, we provide specialized external trainings to our key resources on health and safety management.



Risk assessment approach of Hetero involves five categories



Key Benefits



HSE leader's training program

Hetero's HSE department introduced the above initiative in Oct-Dec 2017 with the objective to ensure sustainability in health, safety and environment. Around 18 employees were identified from various blocks and were trained by internal HSE experts on various HSE requirements and global HSE developments. It included aspects such as importance of HSE checklists, audits,

LOTO (Lockout-tagout), safety work permit system, process safety management, hazard identification, CAPA, etc. One of the key focus area of the training also included contractor safety.

Online Inspection of Emergency Safety Equipment (ESE) by using Notepad

EDUCATION

As a part of CSR activity, Hetero lays its emphasis on school education following the 'Catch them Young' mantra. To make our efforts sustainable, we follow a four dimensional approach which incidentally also helps us cater to on the ground concerns on a comprehensive note. The direct outcome of this effort was the increase in student enrolment, decrease in child labor, lower dropout rates and considerable pupils' strength getting promoted to higher classes. Also, best-in-class education is made accessible for children through 'Vidya Volunteers'.

In this financial year, we have facilitated the initiation of pre-schools and Kindergartens in 4 villages as a part of our ongoing mission to make our education outreach programs cover all stages of formal education - from KG to PG.

Also, realising the need for complementing modern education with values and soft skills to shape achievers out of students, we have partnered with Lead India Foundation in Khammam and Kothagudem to train the students on these specific aspects. Many students from various schools and colleges of the region have benefitted from these tailor made courses.

BENEFICIARIES IN NUMBERS

2,903	Vidya Volunteers
32	Education Support
1319	Infrastructure
13,008	Nutrition
3,246	SSC Reading Material
13,179	Uniforms, Books & Bags
56	Merit Awards



Anganwadi, Kurkumbh, Pune



Anganwadi, Kurkumbh, Pune

The learning outcomes have been organized to achieve the desired change in the overall psyche along with the vision of converting L&D from a cost centre to an investment centre. Hetero's priority was also to signify that the department is identified as an important strategic partner to both organization and employees.

In line with the above, an innovative approach called STEM (Successful Teams with Entrepreneurial Management) was initiated. This new age initiative focused on developing the HODs and team members as an independent business entity in defining their core and focus areas, decisions, planning and forecasting and more importantly on ascertaining their budgets too.

This approach yielded best results as the independence to think and take decisions were abundant. Transparency coupled with sturdy cohesiveness was the fringe benefit, while the icing on the cake was judicious spending habits of finances and resources.

The STEM received a thunderous response in inter department competition and also acted as a successful catalyst in launching further programs. Going up the ladder, this has also helped in ascertaining Hetero's L&D initiatives for every employee across the group.

Employee training and performance is the important aspect of our human resources management and we continue to

invest in training and skill enhancement programmes. Through our performance management system (PMS) we have defined elaborate processes for performance review and these records are maintained on the online portal. All our employees irrespective of levels are covered for annual performance reviews. Further on the training initiatives, in this reporting year, the total training hours and the average training duration has increased from the previous year.

KEY HIGHLIGHTS

250+ employees covered for leadership program

900+ middle managers trained, which accumulates to 43,200 hours of training

8000+ employees trained which translates into 128,000 training hours

Platinum Jubilee for our NHO (New Hire Orientation) program for Formulation Associates covering 3000+ employees till date



DIVERSITY AND INCLUSION AT WORKPLACE

Organizations that actively promote diversity and equality at work can generate significant benefits for both the organization and workers. Through this initiative, Hetero gains access to a larger and more diverse set of potential workers. These benefits also flow through to society in general, as greater equality promotes social stability and supports further economic development.

Gender Diversity

The learning and development team at Hetero organized a program- "Sheroes- beyond heroes" at its corporate office. The International Women's Day is celebrated with great enthusiasm by the Hetero Group. Also the women employees in leadership roles have shown extremely high levels of commitment in the immensely technical and challenging pharmaceutical industry.

In 2017-18, there was a marginal increase in the number of women employees as compared to male employees. The number of women employees at Hetero rose from 1111 to 1259.

Non-discrimination

Hetero prohibits any kind of discriminatory action in its operations: discriminated by race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age, or any other condition that could give rise to discrimination in recruiting, work handling, compensating, training, promoting and resigning.

We have a policy on non-discrimination which read as "We do not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age, or any other condition that could give rise to discrimination".

TRAINING AND DEVELOPMENT

"Learn to Lead" is the innovative learning & development (L&D) approach at Hetero. The learning segment focuses on the skills and knowledge an employee is expected to mature with.



Hetero honoured with
Telengana's 'Best Employer Brand'
Award for the year 2017 by
World HRD Congress.



Hetero honoured with
'Best HR Practices-2018'
by Ftapcci.

The various learning and development (L&D) initiatives at Hetero include:

Employee Level	Training programs
Programs for the Leaders	<ul style="list-style-type: none"> ▶ Personnel Effectiveness ▶ Influential Leadership
Programs for the Middle Managers	<ul style="list-style-type: none"> ▶ Effective Managerial Skills (EMS) ▶ Interpersonal Skills (IPS) ▶ Result Oriented Communication (ROC)
Programs for the Executives	<ul style="list-style-type: none"> ▶ Personality development ▶ Organizational Citizenship Behavioral Program (OCBP)
Functional trainings	<ul style="list-style-type: none"> ▶ Selling to Marketing ▶ Coaching and Mentoring ▶ Manthan Academy of Skill Building ▶ NHO – New Hire Orientation
Other trainings	<ul style="list-style-type: none"> ▶ Training on effective communication skills and time management ▶ Spoken English training ▶ Program on "positive workplace relations" ▶ Program on emotional excellence ▶ Session on workplace behaviour ▶ Session on integrative medicines ▶ First aid training at HLL Unit III &VII, Jeedimetla

Training and Awareness Initiatives

Various programs were conducted at Hetero in order to support our employees to upgrade their skills in competitive environment. The company also has a policy on career development allowance which is applicable to all the senior level employees. The career development expenses include subscriptions of newspapers, periodicals, magazines, journals, professional membership fees and fees for higher studies. Also, all the employees receive the performance and career development reviews annually.

▶ The Learning and Development department of Hetero has launched an engagingly new learning initiative TED-H at Corporate Office of Hetero. This initiative provides an opportunity for the employees to hone their soft skills like presentation skills and also serves as platform for employees to showcase their innate talent including music, skits etc. Also, a program on "Positive Workplace Relations" was organized at Hetero Corporate office by L & D team as a part of TED-H July Chapter. Also, training programs on effective communication skills and time management were conducted for the employees at corporate office.

- ▶ Spoken English Training program was conducted at Unit 3, Jeedimetla which offers two- month long training to employees for improving their verbal communication skills thus enabling them to face different regulatory audits.
- ▶ Quality Sprint: This two day workshop covered various topics such as learning's from USFDA 483 and warning letters. Other topics included, brief on quality metrics, importance of quality of investigations, quality and compliance culture.
- ▶ A safety exhibition was conducted by the HSE department of one of the units, to raise employee awareness and also to familiarize them with critical safety equipment available within the manufacturing facility. The objective of the initiative was to reduce the rate of industrial accidents.
- ▶ Electrical safety week celebrations (1-7 May 2017) included training and workshops by the HSE team to create awareness among employees about electrical safety measures.

OUR APPROACH AND FOCUS AREAS

Hetero strongly believes that community is one of the key stakeholder for Hetero and is committed to provide support for their needs. Hetero's mission is to focus on the 7 areas that have been identified as a part of its corporate social responsibility initiatives:



1 Drinking Water and Sanitation

- ▶ Establishment of RO plants, bore wells, hand bores.
- ▶ Construction of water tanks and laying out pipelines for domestic consumption
- ▶ Supply of drinking water and ensure sanitary facilities at schools.
- ▶ Construction of drainage facilities and community toilets



2 Education

- ▶ Scholarships and merit awards to the students.
- ▶ Supply of uniforms and stationeries to school children.
- ▶ Providing benches, chairs, computers to schools.
- ▶ Infrastructure development like building classrooms, compound walls, toilets, etc.
- ▶ Human resource support such as "Vidya Volunteers", support staff etc.



3 Public Health

- ▶ Establishment of vision centres, mobile medical vans.
- ▶ Facilitating with health check-up and eye check-up camps.
- ▶ Supply of medicines, spectacles.



4 Sports and Games

- ▶ Supply of sports material for both indoor and outdoor games at schools & colleges.
- ▶ Supporting students to participate in sports and games at national and international level.
- ▶ Construction of playgrounds.

been done within the pharma business included in the report which has brought in a wide range of material aspects to be included for reporting.

This report focuses on the activities undertaken by Hetero Labs Limited and Hetero Drugs Limited of the Hetero Group, 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; however, the future report should be further enhanced by detailing more information on the major and prioritized stakeholders.

Materiality

Hetero Group publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers Hetero Group's material issues by using Hetero Group's materiality matrix and boundary mapping. Our view of an area for improvement for the report was adopted by Hetero Group before issue of this opinion statement.

Responsiveness

Hetero Group has implemented the practice to respond to the expectations and perceptions of its stakeholders. It includes client survey and different feedback mechanisms to external stakeholders and internal stakeholders. In our professional opinion the report covers Hetero Group's responsiveness issues, however, the future report should be further enhanced by the following areas:

- Provide further information regarding responsiveness mechanism to different stakeholders.
- Process could also include a formal mechanism for recording, collating and addressing the feedback received from the stakeholders

GRI-reporting

Hetero Group provided us with their self-declaration of compliance GRI Standards and the classification to align with "In accordance" - Core.

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 "In accordance" with the GRI Standards – Core option.

In our professional opinion the self-declaration covers HETERO GROUP's social responsibility and sustainability issues, however, the future report could be improved through the involvement and consultation of a larger group of the identified stakeholders than the current levels.

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

...making excellence a habit.TM

ENHANCING THE DRINKING WATER AVAILABILITY

Water is one of the key constituents of our CSR endeavors. Besides achieving highest degree of water conservation at operational front with zero-discharge plants, we also have been in the forefront of making water available to the deprived communities bordering our facilities.



Smart card technology for smart water use

Introduced water vending machines (RO plants fitted with vending technology) and smart card technology for regulating the quantity of drinking water supplied to households in prominent villages of Amaravathi (Guntur Dist.) and Choutuppal (Yadadri Bhuvanagiri Dist.). By adopting these Water Vending Machines (also popularly known as ATWs), we ensure equitable distribution besides promoting responsible water consumption among stakeholders.



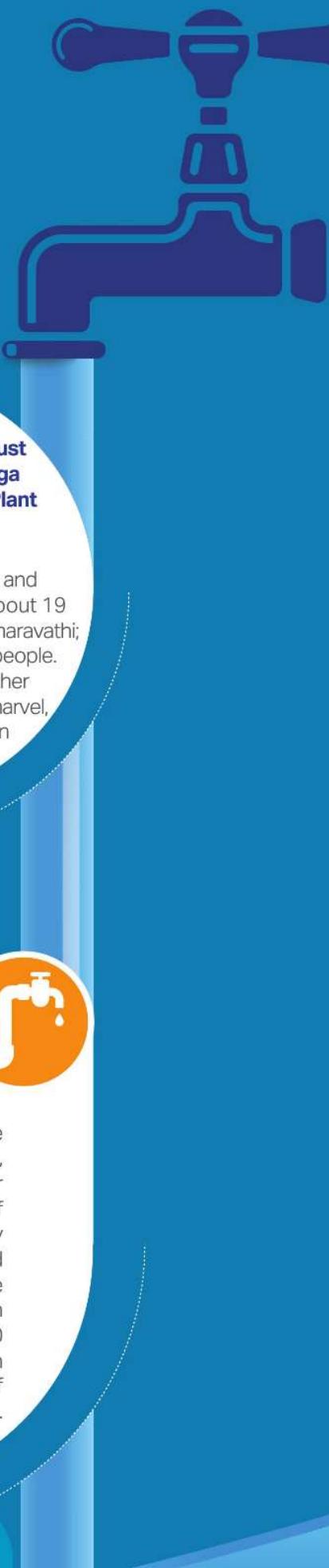
Partnering with NTR Trust in commissioning a Mega RO (reverse osmosis) Plant at Amaravathi

This ambitious project is envisaged to supply safe and clean drinking water to about 19 villages, neighboring Amaravathi; benefitting over 16,776 people. This state-of-the-art mother plant is a technological marvel, having a water purification rate of 10 kL/hour.



Water at Doorstep

In our continuing mission to provide drinking water at doorstep, this year, we have completed laying of water pipelines in the Rajayyapeta village of Nakkapally Mandal covering every household. About 5000 families and 25,000 people will now have the access to clean drinking water. In addition, we also have executed 1000 water pipeline projects in North Narsapuram and Boyapadu villages of Nakkapally Mandals.



BUILDING HEALTHY COMMUNITIES

Besides being integral to human well-being and happiness, good health is central to a nation's economic progress and prosperity. Our outreach programs are carefully tailored to meet specific requirements of communities. Hetero has initiated a wide assortment of health programs as a part of its mission to achieve a healthy India. These include:

Health Awareness



We are implementing a range of initiatives to promote health awareness and affect behavioral change in communities towards health.

Preventive Healthcare



A range of basic yet important preventive health check-ups like electrocardiogram (ECG) and blood profiling, etc., are carried out, followed by free medical consultation, and delivery of free medicine.

Through this initiative this year, we were able to reach out to 5975 people living in villages around Nakkapally. In addition, we partnered with a government hospital in Pune where over 1000 people availed the services.

Health at Doorstep



Health on wheels (Mobile Medical Van) is reaching out to populations with limited physical access to primary health care facilities. A total of 16,427 people belonging to 30 villages benefitted with this initiative.

Infrastructure support



With government hospitals being the First refuge for the underprivileged communities to seek treatment, we are supporting many government hospitals by sponsoring hi-end medical equipment. During the year, we have equipped a few government hospitals with state-of-the-art medical devices like phototherapy units, oxygen concentrators etc.

Palliative care and more



Palliative care plays a significant role in improving the quality of life for the families as well as the patients suffering from terminal illnesses. Hetero's active support to "Grace and Rainbow foundation" is catering to the needs of about 100 terminally ill cancer patients.

Eye care



Appreciating the importance of vision, Hetero has made eye care one of its distinct CSR outreach initiatives. We have collaborated with Sri Kiran Eye Institute that is providing us with the through-the-line technical support (i.e. from consultation to surgeries) in treating patients with vision problems. Through this partnership, we are covering all of the villages which fall under Paikaraopet constituency.

Blood Donation Drive



About 700 employees of Nakkapally SEZ have donated blood in a blood donation drive organized by NTR Trust.

BENEFICIARIES IN NUMBERS

320

Operations

4,660

Spectacles
Distributed

6,325

Eye screening
through vision centre

700

Blood Donation
camps

320

Equipment Support

16,121

Health camps

5,975

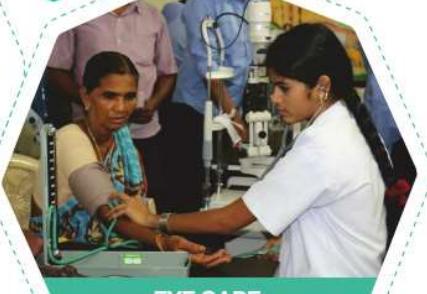
Health Check-ups

General Standard Disclosures	Page Number (or Link)	External Assurance Indicate if the Standard Disclosure has been externally assured.
Water		
303-1	30-33	Yes
303-3	30-33	Yes
Emissions		
305-1	44-46	Yes
305-2	44-46	Yes
305-4	44-46	Yes
Effluents and Waste		
306-1	33-37	Yes
306-2	33-37	Yes
Environmental Compliance		
307-1	29	Yes
Employment		
401-1	47	Yes
Occupational Health and Safety		
403-1	58-63	Yes
403-2	58-63	Yes
Training and Education		
404-1	53-57	Yes
404-2	53-57	Yes
404-3	53-57	Yes
Local Communities		
413-1	66-72	Yes
413-2	66-72	Yes
Customer Health and Safety		
416-1	63	Yes
416-2	63	Yes

CSR AT A GLANCE



EYE CARE
Vision Centre, Nakkapally



EYE CARE
Vision Centre, Nakkapally



INFRASTRUCTURE
Domadugu, Bonthapally, Unit-I



ART & CULTURE
ZPHS, Chetlapotharam, Kazipally



MANTHAN TRAININGS



HETERO

7-2-A2, Hetero Corporate, Industrial Estates, Sanath Nagar Hyderabad – 500 018. Telangana, India.
Phone: +91 40 23704923 / 24 / 25 | FAX: +91 40 23714250 / 2370 4926.

E-mail: sustainability@heterodrugs.com



PARTNERING WITH
OUR COMMUNITIES TO
ELEVATE HEALTH AND
WELL-BEING



INDEPENDENT ASSURANCE OPINION STATEMENT

Statement No: **SRA-IND-708063-1**

Hetero Group Sustainability Report 2017-18

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

This independent assurance opinion statement has been prepared for Hetero Group 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 Group.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Hetero Group. 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 Group only.

Scope

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

1. The assurance covers the Hetero Sustainability Report 2017-18 of the Hetero group prepared "In accordance" with GRI Standards – Core option, and focuses on systems and activities of Hetero Group covering the twelve manufacturing locations in India and the corporate office at Hyderabad, India during the period from 1st April 2017 to 31st March 2018.

...making excellence a habit.TM

Development programs at Hetero





Handholding new talent

The human resource department at Hetero has taken initiatives for new employees which include the programs like "New Hire Orientation" (NHO) program. Through NHO, new employees are enlightened on various facets of the organization; including its structure, operations, culture and business model.

On 1st July 2017, Hetero learning centre 1, located at Erragada, completed a milestone by successfully completing the 75th NHO program for formulation associates. The journey began on 16th April 2014 with the first batch of NHO and till date more than 3000 employees from various formulation units have attended the program organized by learning and development team.



Customer health and safety

Consumers have no means for verifying the authenticity or potency of drugs and need to be assured at all times that medicines made available to them are of good quality and safe to use. Customer health and safety is part of Hetero's "sustainability guiding principles". Hetero has the policy and procedures in place to take all reasonable steps to ensure the health and safety of customers and are applied to all products manufactured and supplied by Hetero. Also, there are processes 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.

To ensure the highest standards of quality, it is not only important to have the right set of policy guidelines and processes in place, and hence we also ensure that these processes are adhered to as efficiently as possible. Our manufacturing facilities adopt stringent safety standards, good manufacturing practices (GMP), and robust quality assurance systems, which are supported by HSE management systems that in turn comply with International Standards like ISO 14001 and OHSAS 18001/ISO 45001 and other third-party certifications.

At Hetero, safety risk management process begins early in the development of new products.

For new molecules, 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.

Safety data are closely scrutinized; both internally and by regulators, when assessing whether the benefit of a drug are expected to outweigh the potential risks, an essential pre-requisite for gaining market approval.

We also develop detailed risk management plans along with the dossier for regulatory review and authorization.

Post-marketing pharmacovigilance activities play an important role in Hetero's ability to gain a deeper understanding of the safety profile of a specific product. We have developed detailed pharmacovigilance, medical review, and audit and deviation management procedures to address this aspect.

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Sustainable Procurement

- Leading Indicators:
- ▶ 100 % Communication of requirements on sustainable practices.
- ▶ 100% Vendor Qualification audits for raw Materials.
- ▶ 100 % Assessment of Vendor Sustainability Practices through Monkey Survey by 2022.

Sustainable procurement is the meeting of business needs for materials, goods, utilities and services in an environmentally-friendly, responsible and ethical way. Supply chain sustainability is integral to Hetero's business and sustainability strategy our sustainable procurement practices include the following:

- ▶ Encouraging the purchase and use of materials, products and services that best align with the 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 & safety risks and resource consumption.
- ▶ Incorporating sustainability standards into procurement decisions.
- ▶ Purchasing from suppliers that follow sustainable labour practices, HSE, safety and all applicable compliances
- ▶ Preferring local purchase of products, materials & service
- ▶ 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.

OCCUPATIONAL HEALTH AND SAFETY AT WORKPLACE

Health And Safety



- Leading Indicators:
- Risk Assessment Review at least 75%
- 2 Man Day safety training per head per year

Healthy and safe work conditions are recognized as a human right and addressed in authoritative intergovernmental instruments, including those of the International Labour Organization (ILO), the Organisation for Economic Co-operation and Development (OECD), and the World Health Organization (WHO). It is also a target of the Sustainable Development Goals, adopted by the United Nations (UN) as part of the 2030 Agenda for Sustainable Development.

Health and safety at work involves both the prevention of harm, and the promotion of health and well-being. The health and safety of workers can be affected by both the work they perform and the workplace where it is performed. At Hetero, occupational health and safety is of utmost importance and is also one of our core pillars. Hetero has a policy to avoid and control all foreseeable risks to the health and safety of all people involved in the operations. The health & safety committee constituted for this purpose is trained and retrained periodically in order to continually improve the health and safety conditions in the workplace. Every site specific EHS team has a safety officer who guides site specific safety activities. 50% of our employees are covered by the joint employee management committee on safety. However, all employees participate in safety drills and safety meetings and sessions that are conducted at

site on a monthly basis. Our occupational health and safety initiatives are driven through our comprehensive OHSAS 18000 based certified systems.

The employee health and safety is considered as an objective to anticipate, recognise, evaluate, control and prevent the hazards from work that may result in injury, illness or affect the well-being of workers. Hetero is on a continuous mission to improve health and safety standards at the facilities. To achieve this, regular and comprehensive training and capacity building programmes, internal audits, management review and CAPA tracking are conducted, along with adopting best available processes and technologies from time to time. We are also audited by our customers (Merck, Sanofi, Bayer, Pfizer, Novartis) which further helps us to improvise our occupational health and safety systems.

The major hazards at Hetero include occupational exposure to hazardous chemicals, fire, explosion and static electricity. Hetero has made available emergency control facilities at work place like fire hydrant system, fire suppression system, fire alarm systems, VOC (volatile organic compounds) meters, emergency control centre, fire tender and occupational health centre. Full time personnel have been employed by Hetero for implementation of the safety programs and the key H&S resources are also sent for external trainings on occupational health and safety management to further strengthen their knowledge on health & safety best practice implementation methods. Hetero has taken many pioneering strides in the domain of safety. Being the first among pharma organizations to have an own fire tender on site is the highlight of them all.

Various initiatives have been taken up by Hetero to ensure and promote the safety and health of the workforce.



Hetero honoured with 'Excellence in EHS Award' by CII-Southern Region.



Unit V at Jadcherla SEZ received the prestigious 'Suraksha Puraskar' (Occupational Health and Safety Award) for the year 2018 from National Safety Council (NSC) of India in recognition of our consistent and meritorious OSH performance.



GRI-G4 and GRI Standard, AA1000, ISO10002, ISO 14001, OHSAS 18001, 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 (2008) in our review as defined by the scope and methodology described in this statement.

Responsibility

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

For and on behalf of BSI:

Kumaraswamy Chandrashekara
Head - Sustainability, BSI Group India

Mr Wilfred Chan
Head of Operations, BSI Asia Pacific
29 May 2019

New Delhi, India



AA1000
Licensed Assurance Provider
000-184

...making excellence a habit.TM

SUPPORTING TRANSFORMATION OF HUMAN CAPITAL

What started off as a mission to support school education grew in magnitude over the years to fulfil the aspirations of Graduate and Post-Graduate education as well. To make our efforts sustainable we follow a four dimensional approach; namely



Stakeholder sensitization:

Undertaking parent & student sensitization programs to drive home the importance of child education.



Creating an enabling environment

Facilitating a congenial environment for learning and equipping children with all the requisite learning aids

1

KEY HIGHLIGHTS

2903 Vidya Volunteers

795 members benefitted through our skill development initiatives in this reporting year



2

Making quality teaching resources accessible:

Imparting training to qualified local resources (Vidya Volunteers) and extending financial support for overcoming the lack of quality teachers



Encouraging Merit:

Motivating students to aspire for more achievements.

3

The direct outcome of this effort was the increase in student enrolment, decrease in child labor, lower dropout rates and considerable pupils' strength getting promoted to higher classes. Also, best-in-class education is made accessible for children through 2903 'Vidya Volunteers'.

Manthan trainings- "Assuring a promising future":

This is a dynamic program for the fresh college graduates designed to provide hand-on experience of working in a pharma set up. The 52 working days learning program enables students to gain the knowledge in domains of QA (Quality Assurance), QC (Quality Control), RA (Research Analysis), AR&D,

Engineering, Production and HR (Human Resource) departments in the pharmaceutical sector. During the training, the candidates are paid a decent monthly honorarium. Further, the successful trainees are placed with Hetero or get absorbed in other Pharma companies spread across Andhra Pradesh and Telangana.

Total **795** members were benefitted with our skill development initiatives in FY 2017-18

The above is ensured by the following:

- ▶ Supplier code of conduct developed and communicated to all vendors.
- ▶ Requirements are shared through purchase order /service order
- ▶ Evaluation of vendors is done on vendor sustainability practices on ethics & social responsibility, labor/ employee welfare and health, safety and environment aspects.
- ▶ Conducting vendor audits.

Hetero has developed a "suppliers' sustainability checklist" for evaluation of suppliers on various health, safety & environment (HSE) issues. The suppliers are assessed on the following important counts among others:

- ▶ Ethics & social responsibility - This includes the assessment of suppliers for the aspect of child and forced labor, existence of systems to prevent corruption and bribery.
- ▶ Labor/employee welfare - The suppliers are assessed for the compensation aspects, timely wages, etc.
- ▶ HSE management systems- The suppliers are assessed for the different ISO certifications, valid pollution control board certificates and their policies and procedures related to HSE ratified by senior management. The suppliers are also evaluated on the basis of the employee training on various environmental aspects, emergency preparedness plan, inventory of hazardous chemicals stored on-site and the waste management program that they adopt.
- ▶ Energy Management System (EnMS) - The suppliers are assessed on the basis of the energy conservation practices for sustainable development.
- ▶ Hetero prefers vendors /suppliers /contractors that follow sustainable practices related to labor health and safety, environment, fair labor practices and human rights, business ethics and sustainable procurement.

IMPORTANT STATISTICS

1209

Total Active Vendors for the reporting year

87.38 %

% of Local (Indian) Vendors

12.62 %

% Vendors of other nationality

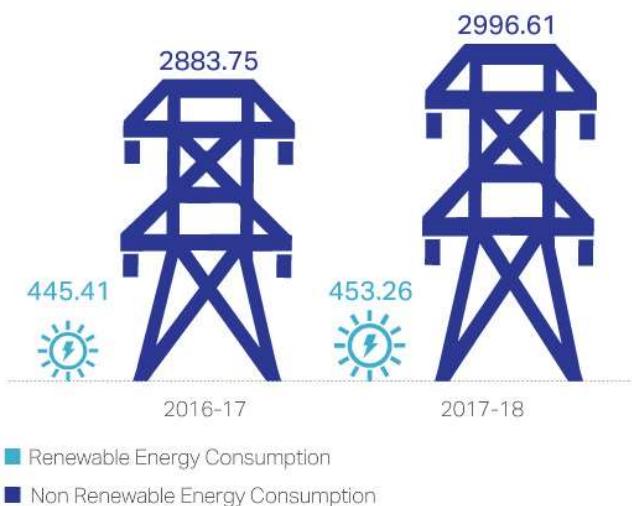
9.5%

% Vendors covered for onsite sustainability during the reporting year

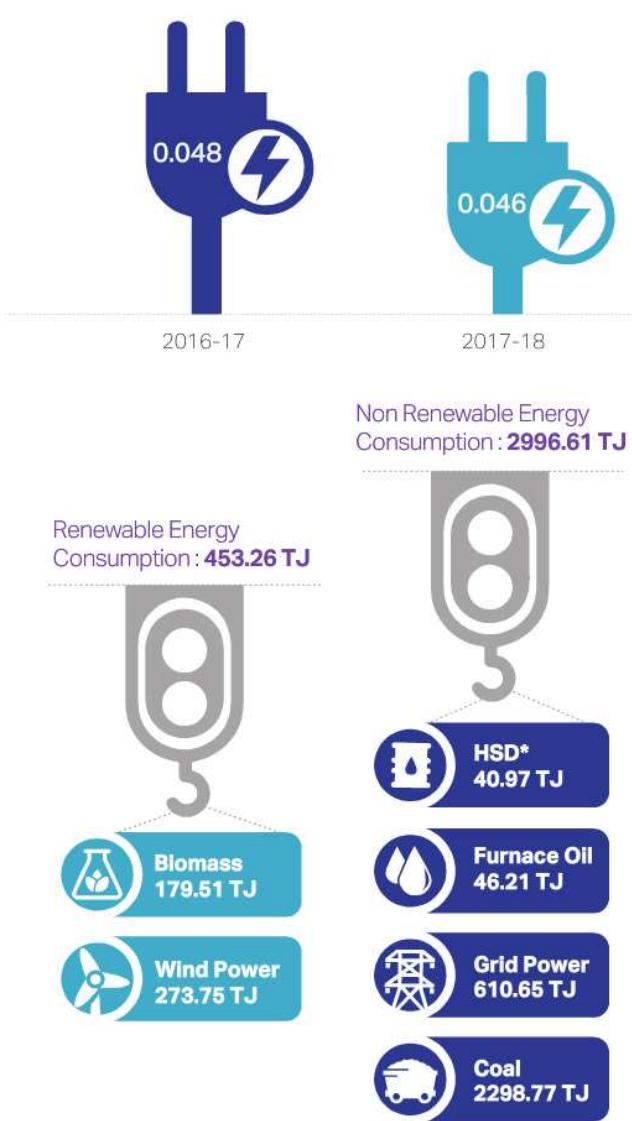
90.0%

% Vendors covered for assessment of sustainability practices through Monkey Survey (online questionnaire)

Energy Consumption (TJ)



Specific Energy Consumption (TJ/million rupees revenue)



During the reporting year the total energy consumed was 3449.87 TJ and the energy intensity⁴ of our business operations has been 0.046 TJ/ million³ rupees revenue generated. It represents all the three entities covered in this report. In the current reporting year, our production volumes increased however the products manufactured were of low value. Hence revenues have not increased exponentially as per production volume increase, thus impacting our overall energy intensity. The energy intensity ratio is inclusive of the energy from fuel consumption, electricity, heating, cooling and steam.

Energy Management System (EnMS)

Hetero has also implemented the ISO 50001 energy management system to develop energy conscious culture. The energy management systems have enabled to enhance the awareness and commitment on energy management (i.e. consumption, use, efficiency, renewable sources) within the organization.

There is a defined energy management structure with all levels of employee's engagement. These systems have reduced our vulnerability with respect to energy price fluctuation and availability of energy. These systems have laid greater emphasis on the identification and management of significant energy consumers, energy efficient design, process optimization and procurement of energy efficient equipment. The requirements of the standard are integrated in the work instructions and standard operational procedures. We conduct regular energy awareness trainings for our employees and vendors.

Key highlights of our energy management system include

- ▶ **Operational control-** Daily Energy Report, Energy Critical Parameters and Operating Limits defined, Energy Alerts in SOPs.
- ▶ **Design-** All Modifications are routed through Management of Change (MoC), built in controls to prevent negative impact on energy conservation and pre-design checklist with special emphasis on energy conservation.
- ▶ **Procurement-** Encouraging procurement of energy efficient products & services, motor procurement – only high efficiency (IE3 Class), procurement policy of star rated electrical appliances.

³ Revenue from sales considered as 74439 Million Rupees for all the three entities.

⁴ This report provides the revised values for specific energy consumption, Scope 1 and Scope 2 emissions for FY 2016-17. One emission source was missed out earlier in the emission computations. The same is included in this years emission representation.

SUSTAINABILITY PRIORITY FOR COMING YEARS

As a means to reduce its environmental foot-prints, Hetero is continuing efforts to reduce its carbon foot-print by engaging in more efficient use of energy, increased use of renewables, water conservation, following the 3R's of reduce, reuse and recycle, increased sourcing from local suppliers, and transport goods more efficiently. As part of its water stewardship initiatives, a very large rainwater harvesting pond has been constructed by Hetero.

Hetero's sustainability priorities for the coming years include:



POLICIES



GUIDELINES



CONSERVING BIODIVERSITY

Protecting biological diversity is important for ensuring the survival of plant and animal species, genetic diversity, and natural ecosystems. In addition, natural ecosystems provide clean water and air, and contribute to food security and human health. Biodiversity also contributes directly to local livelihoods, making it essential for achieving poverty reduction, and thus sustainable development.

Hetero promotes sustainable procurement policy by encouraging the purchase and use of materials, products and services that best align with Hetero's biodiversity goals.

The key elements of Hetero's biodiversity policy include:

- ▶ Ensuring legal compliances related to environment, forest, wildlife, coastal zone and green cover during planning and execution of projects.

- ▶ Mapping of biodiversity with core business operations.
- ▶ Enhancing awareness of biodiversity within the organization.
- ▶ Assessing biodiversity risks and opportunities.
- ▶ Encouraging relevant stakeholders to support better biodiversity management.

Biodiversity is also part of Hetero's supplier code of conduct. Hetero has also worked on building and restoration of green belt, organic farming, building birds and animal sanctuaries etc. to name a few. With all these efforts and awareness it is evident that Hetero is working towards offsetting its carbon footprint and conserving the biodiversity.



Hetero's direct workforce includes total of 12224 employees, all of them with Indian nationality, out of which approximately 10.30 % (1259) are women employees. In the year 2017-18, our new hires stands at 2250 employees.

All units at Hetero have incorporated the biometric attendance system for the employees. The data is centrally collected by the corporate office in Hyderabad and compiled through the software named "My Desk". Whereas, separate registers/records are maintained for the workers on the contract basis. This data is collected from the individual units. No significant portion of the organization's activities are performed by the workers who are not employees.

EMPLOYEE POLICIES

Hetero is committed to maintaining a workplace that is free from violence, harassment, intimidation and other unsafe or disruptive conditions due to internal and external threats. Security safeguards for employees are provided, as needed, and are maintained for employee privacy and dignity.

All employees/suppliers or contractors working in Hetero sites are trained on prevention of sexual harassment (POSH) requirements every year and this policy is displayed at the security/front office of the plants/Head office.

Hetero has a policy on freedom of association & collective bargaining which reads as "We at Hetero provide opportunities for workmen of Hetero to form themselves into Trade Unions or Associations of their choice with a view to safeguard or protect their interests in service by means of collective bargaining and by having the right and facilities for access to their fellow workers within the legal frame work". However, no recognized trade unions prevail in any of our plants. The Hetero Group does not seek to promote, nor prevent, the lawful formation of workers' organizations, in particular trade unions. Hence Hetero does not sign any agreements on collective bargaining. However, if any unions are formed, representatives are elected by the workmen and officially communicated to the organization and their representation is accepted and invited for all negotiations.



12,224	Total no. of Employees
18.41	New Hires %
21.94	Attrition %
89.70	Male %
10.30	Female %
53.62	Age Group <30 %
45.29	Age Group 30-50 %
1.09	Age Group >50 %

Emission Distribution (Tonnes CO_{2e})



The GHG Intensity for FY 17-18 is 4.88 Tonnes of CO_{2e} / million rupees revenue. This GHG Intensity is inclusive of both Scope 1 and Scope 2 emissions. The base year considered for the GHG emissions calculations in FY 2016-17. The Gross Calorific Value has been considered for the GHG emission calculations. The GHG emissions in this report include the CO2 emissions only, due to unavailability of data for other emissions.

SHAPING A GREENER PLANET

Towards the protection of green cover, we at Hetero undertake extensive plantation activities within and outside of our facilities. Also, in order to make our activities sustainable, we endeavor to spread awareness among local communities.

Leveraging our strong relationship with local communities, state-run educational institutions and local government authorities we were able to procure and distribute 30,000 saplings to various stakeholders free of cost.

We have supported the initiative of developing 50 hectares of land into a complete green space in addition to sponsoring good quality tree guards to support Governments' avenue plantation projects in Telangana and Andhra Pradesh.



Total of
4,62,724
trees were planted
across the 3 States of
Telangana, Andhra Pradesh
and Maharashtra.





ENABLING OUR WORKFORCE



ABOUT THIS REPORT

This is our second sustainability report, and it documents our business and sustainability performance against our established framework. Additionally, it highlights our motivations for the future, which reinforces our enduring commitment towards sustainability.

This sustainability update, describes our progress and challenges in managing the key focus areas and targets identified through our materiality assessment. It contains information about our key initiatives on the business and sustainability front that took place during 01 April 2017 through 31 March 2018. We are publishing this report annually and our last year report covering the duration from 1st April 2016 to 31st March 2017 is also available in public domain.

All our disclosures are supported by robust data collection, monitoring, measurement, and assurance systems. Data disclosed by Hetero in this sustainability report is based on the following formal documentation and reporting systems:

- ▶ Annual report
- ▶ Data compiled on various aspects of Quality (ISO 9001: 2015) and Environmental management systems (ISO 14001:2015), OHSAS systems, including actual performance monitoring records
- ▶ Corporate Social Responsibility (CSR) Report
- ▶ Company's code of conduct
- ▶ Policy documents, audit reports and other supporting records

REPORTING APPROACH

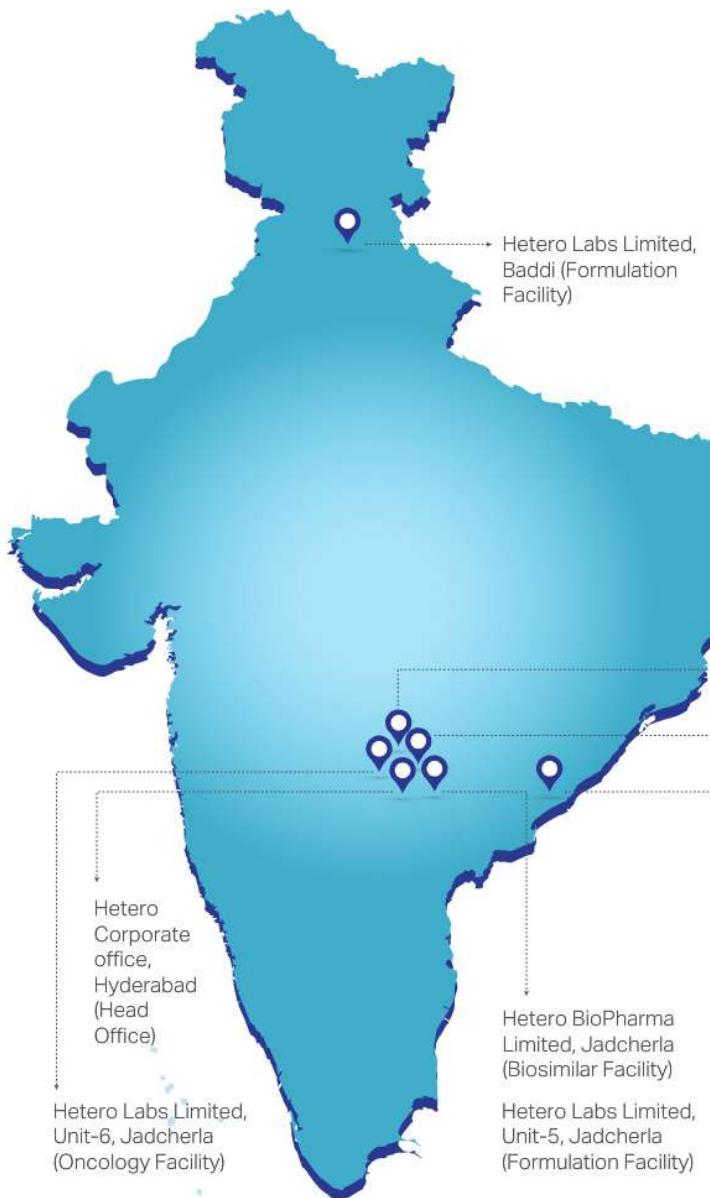
Hetero aims to provide a transparent account of its sustainability initiatives through evidence-based and engaging reporting. We have transitioned from GRI-G4 which was the previous year's reporting framework to apply the GRI Standard (Core Option) as the key reference framework for developing this year's report. The new format will help us to transparently communicate our economic, environmental and social performance to our key stakeholders.

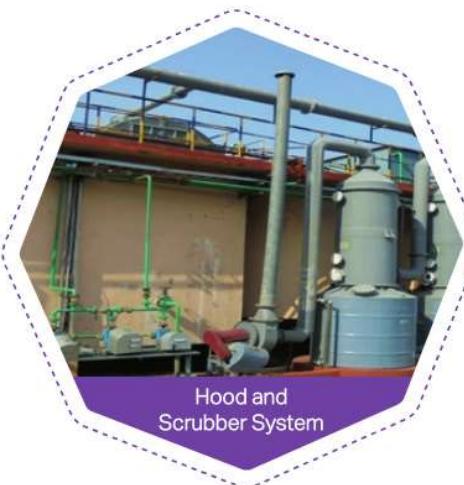
Key reporting principles applied for defining the report content include: Stakeholder Inclusiveness, Materiality, and Completeness. This report covers the details of our initiatives implemented around our key focus areas i.e. material topics determined by our key stakeholders.

REPORT BOUNDARIES

The focus of this report is solely on our India operations namely formulation, biosimilar, oncology and API facilities of Hetero Labs Ltd., Hetero Drugs Ltd. and Hetero Biopharma Ltd and also the corporate head office of Hetero at Sanath Nagar, Hyderabad. Our international operations are not covered in this report. There has been no significant change in our operations and supply chain in FY 2017-2018 in terms of location, closure or expansion and hence no change in reporting topics and boundaries.

Location of Hetero's manufacturing facilities:





In near future, we aim to incorporate Bag filter system at Jeedimetla unit-3 and Dust Collector System at Jeedimetla unit-7.

Hetero also understands and recognizes the concern with respect to the GHG emission management and the need to target for low-carbon growth. Our GHG emissions within our premises occur due to fuel consumption for steam and power generation activities. In this reporting year our GHG emissions under Scope 1 have been reported for fuel consumption only. These emissions are calculated by multiplying energy consumption for each fuel type by the respective emission factor. The GHG emission factors for all the fuels have been sourced from Intergovernmental Panel on Climate Change (IPCC)⁵.

Scope 2 GHG emissions are the emissions occurring due to power purchased from the grid. These emissions are calculated by multiplying the total grid power consumption for the year by the grid emission factor. The grid emission factor for the state electricity grid is 0.82 tCO₂/kWh⁶. CO₂ is the only GHG gas considered for the Scope 1 and Scope 2 calculations. The energy and emission data of the activities occurring outside the organization's operational boundary is unavailable.

Total Fuel Consumption⁷

Non-renewable Sources (TJ)

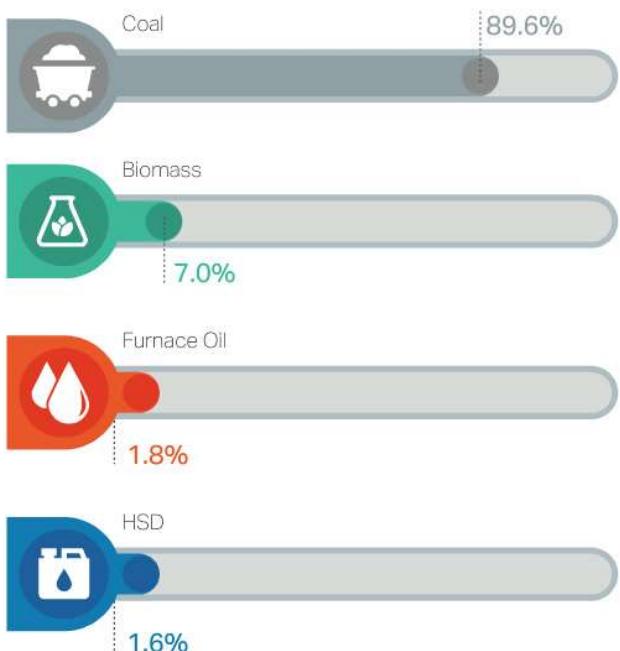
HSD	40.97
Furnace Oil	46.21
Coal	2298.70
Total	2385.88

Renewable Sources (TJ)

Biomass	179.51
---------	--------

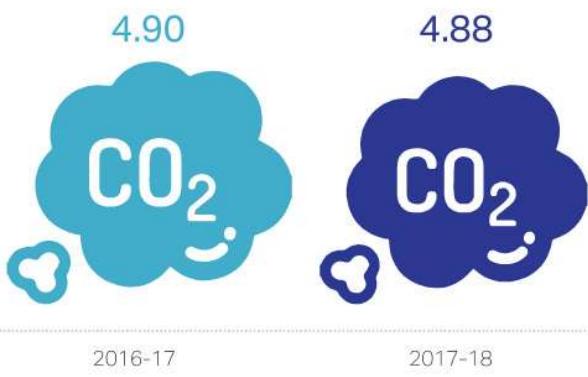
Emissions	Tonnes (CO _{2e})
Scope 1	79591
Scope 2	283522

Fuel Consumption pattern for 2017-18



Among the consumed fuels, High Speed Diesel (HSD), Furnace oil and coal contribute to the GHG emissions.⁷

GHG Intensity (Tonnes of CO_{2e} / million rupees revenue)



⁵ http://www.ipcc-nccc.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf

⁶ http://www.cea.nic.in/reports/others/thermal/tpece/cdm_co2/user_guide_ver11.pdf

⁷ Sources of emission factors for HSD, furnace oil, C grade coal and other coal are Bureau of Energy Efficiency (BEE), Bharat Petroleum (BP), Coal Ministry and PO Standards respectively.

required to ensure that their personal conduct in public is dignified and is reflective of the Hetero culture. Employees must be honest in marketing, in giving offer proposals based on properly estimated cost and pricing data and in truthfully negotiating contracts. Excellence in performance must be based on our compliance with contract specifications. Only authorized official spokespersons shall represent Hetero to the media – both electronic and print.

Integrity in conduct of company business: Every employee to abide by anti-trust laws. No employee shall receive any gift, consideration or favor in cash or kind for self (or any family members or relatives) from business partners or anyone with whom he/she has dealings on behalf of the company. Hetero prohibits entering into agreement with competitors to fix or control prices, to allocate customers or territories or any anticompetitive behavior.

Conflict of Interest: Each employee shall ensure that if there is a perceived conflict of interest in a transaction, e.g. the vendor is 'personally known' to individual, the employee shall inform the interest to the concerned Manager / Head - HR and refrain from being part of the decision making process. No employee shall indulge in insider trading, personal investment in business partners/ competitors, moonlighting, etc.

Anti-corruption



Anti-corruption constitutes an important element in Hetero's code of conduct and the philosophy is that prevention is better than cure and prevention of corruption is better than the post-damage hunt for the guilty. Every employee is duty bound to report unethical, unlawful, corrupt and improper practices. Employees are encouraged to pinpoint and suggest improvement wherever they find confusing and ambiguous procedures, which may lead to corruption.

Policies are communicated to all employees during induction and periodic trainings and to suppliers /contractors during selection, induction & reviewed during supplier performance monitoring. Hetero also aims to provide additional inputs on communication and training about anti-corruption policies and procedures.

Responsible marketing



In response to a changing business environment, the pharmaceutical industry has made significant efforts toward ensuring compliant and ethical business practices in its marketing and promotion. These efforts have been directed at both to the industry's own operations and its interactions with other stakeholders in the health system, such as healthcare professionals, patients and patient organizations.

Trust and ethics are key to the pharmaceutical industry and the broader healthcare sector. Having comprehensive code of compliance and business ethics frameworks for marketing and promotion, and being able to demonstrate these, are important to the pharmaceutical industry's reputation and its ability to provide patients with the care they need.

Hetero Group is committed to the responsible marketing of their products and services. It is ensured that all associated communications and marketing activities are legal, fair, honest, transparent and sensitive to the views and needs of customers and prospects in the following manner.

- ▶ Prevent inappropriate marketing of products, services and initiatives, which might be misleading, false or untrue
- ▶ Offer customers honest and accurate information and in doing so inspire trust in our brand.
- ▶ Information shared with consumers is scientifically sound, balanced; easy to understand
- ▶ Sell on own strengths; not on others' weaknesses.

Guidelines followed by Hetero's marketing communication is based on Guiding Principles on Ethical Conduct and Promotion.

Human rights (Labor practices and human rights)



Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death. They apply regardless of where you are from, what you believe or how you choose to live your life. They can never be taken away, although they can sometimes be restricted – for example if a person breaks the law, or in the interests of national security. The cornerstone of a sound and mutually beneficial relationship between employees and the company, and the motive force for sustainable growth, is to have in place sound labour practices in which all employees can engage in safe and fulfilling work.

These basic rights are based on shared values like dignity, fairness, equality, respect and independence.

Hetero has a policy on human rights. Hetero respects all fundamental human rights and is guided in the conduct of its business by the provisions of The Protection of Human Rights Act, 1993 and amendments, United Nations Universal Declaration of Human rights (UNUDHR), the International Labour Organisation's (ILO) core labour standards and other national legislations. We are committed to respecting fundamental human rights in our operations, our value chain, and in the communities where we operate. We are also committed to identifying and preventing any

Minor changes from the previous report are enlisted below

- ▶ The list of vendors mentioned in the previous year covered all our registered vendors whereas for this reporting year only active vendors are reported.
- ▶ For Indicator 303-1 Water Withdrawal) withdrawal source has changed to "Third Party water" from "other sources" in the previous year report.

Similar to the prior report, this report covers an introductory chapter elaborating our purpose, core values, business footprint and corporate governance while the remaining chapters address the broader aspects of the three categories on Economic, Environmental and Social aspects. The boundaries for the material topics were identified based on the key stakeholder engagement process. The primary audience of this report is the stakeholders of Hetero and their concerns and interests are depicted through the materiality table.

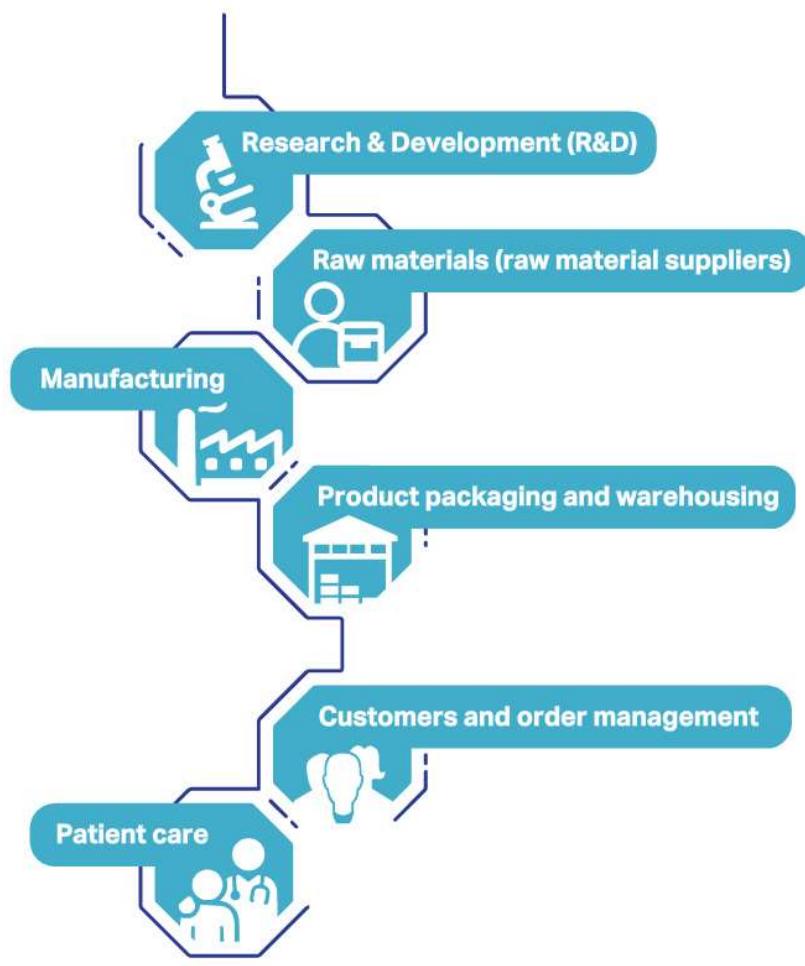
Though sustainability communication and reporting is still voluntary in India, Hetero's top management has

incorporated external assurance in the process with an intent to ensure that the reported information is credible, transparent and reliable. The external assurance of the report is provided by BSI (British Standards Institution) in accordance with AA1000 Assurance Standard, AA1000AS (2008), and their Assurance Statement is a part of this report. The assurance is conducted in a structured manner involving the interaction with different functional executives. The company has no other relationship with the assurance provider.

Any queries about this report or about the company's sustainability may be sent by an email to sustainability@heterodrugs.com

VALUE CHAIN

Hetero is deeply conscious of the impact of its operations pervading its entire value chain; including the environmental and social impacts. By understanding our value chain, we continue to track and improve our sustainability performance and the outcomes we deliver.



- Hetero Labs Limited, Unit-1, Kazipally (API Facility)
- Hetero Drugs Limited, Unit-1, Bonthapally (API Facility)
- Hetero Drugs Limited, Unit-4, Bonthapally (API Facility)
- Hetero Labs Limited, Unit-3, Jeedimetla (Formulation Facility)
- Hetero labs Limited, Unit-7, Jeedimetla (Formulation Facility)
- Hetero Drugs Limited, Unit-9, Nakkapally (API Facility)
- Hetero Labs Limited, Unit-9, Nakkapally (API Facility)
- Hetero Labs Limited, Unit-3, Nakkapally (API Facility)

Utilization of waste as fuel

Hetero has been utilizing the waste in the form of organics residues and spent carbon. The utilization of spent carbon has been considerably increasing since FY 2015-16 till date.

Generation of compost from organic waste (Kazipally, Hyderabad)

The food waste from canteen and garden waste in the plant is utilized to form the compost using organic waste converter (OWC). This compost proves to be a good quality fertilizer for trees and plants and for developing the green belt in the plant area. In FY 2017-18, around 21 tons of such waste generated was converted to compost.

ENERGY

Energy

Uninterrupted availability of power is one of the most essential elements contributing to the success of any industry. But in today's times, there is a huge gap between demand and supply of electricity in India and hence there is a need for industries to include alternative energy sources in their scheme of things.

Using energy more efficiently and opting for renewable energy sources is essential for combating climate change and for lowering our overall environmental footprint. Use of renewable wind and solar energy sources helps us contribute positively towards climate change. Realizing this, Hetero took bold steps to reduce the dependency on fossil fuels by investing in renewable energy sources. They are briefly described as below:

Wind power:



In 2010, we forayed into the wind power business and established Hetero Wind Power. The states of Andhra Pradesh, Telangana and Maharashtra house our wind power generators. The aim is to release 1000 mega Watt (MW) of wind power capacity by 2022. The company aims to establish 500 MW capacity wind farms in next 2 years. Currently we have installed total 124.5 MW of wind power generating units out of which 40.5 MW was installed in FY2017-18.

Solar power:



Blessed with abundant sunlight for most parts of the year, Andhra Pradesh & Telangana hold tremendous

promise to tap solar energy. To reduce its carbon foot-prints, Hetero has also ventured into solar power to meet part of its energy needs. A 4MW "solar farm" has been established by Hetero Labs Ltd., in Dacharam (M), Yadadri (Dist.). Solar energy generation in FY 2017-18 was 20.86 TJ.

Biomass:



An important agenda for our company is to increase the usage of cleaner and renewable sources of energy. Therefore, biomass based briquettes are used as energy sources in some of our manufacturing units . In this reporting year, we have increased usage of biomass by 1% in comparison to previous year. Total biofuels usage is 11% higher than previous year.

This year we have incorporated solar installations with the capacity of 20.86 TJ. Our total renewable energy consumption is 445.41 TJ constituting of biomass, wind power and solar energy and this constitutes 12.9% of our total energy consumption. In future, we plan to increase the solar installations and boost the renewable energy consumption. We have not yet started monitoring and collecting data on energy consumption outside of our operational boundary and the same is not being reported.



Hetero Wind Power Ltd., -
Tirumalayapalli, Kondapuram



4MW Solar power plant at
Dacharam (M), Yadadri (Dist.)

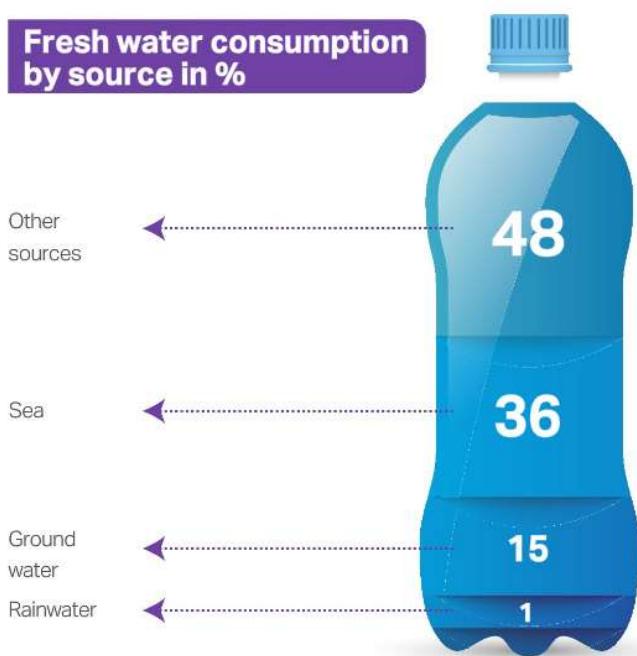


Our Human Capital

- ▶ 21,000 employees globally and growing



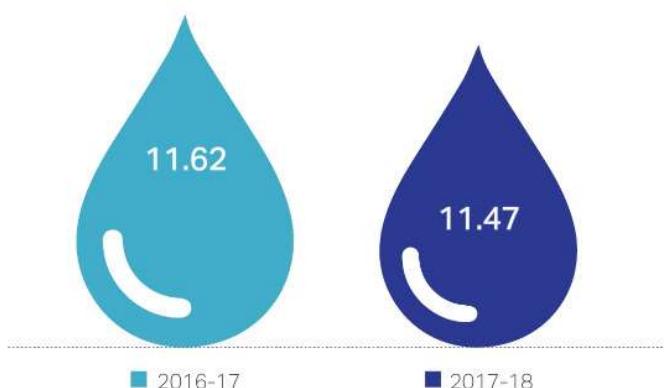
Fresh water consumption by source in %



In the FY2017-18, no municipal water consumed by Hetero Labs Limited, Unit-3, Jeedimetla (which in the previous year was 985 kL).

Hetero Drugs Limited, Unit-1, Bonthapally utilized 5138 kL of rainwater which in the previous year was nil.

Specific Fresh Water Consumption (kL/ million rupees revenue)



Water Consumption

Total Fresh Water Consumption (kL)



Water Recycled/ Reused (kL)



Water conservation measures

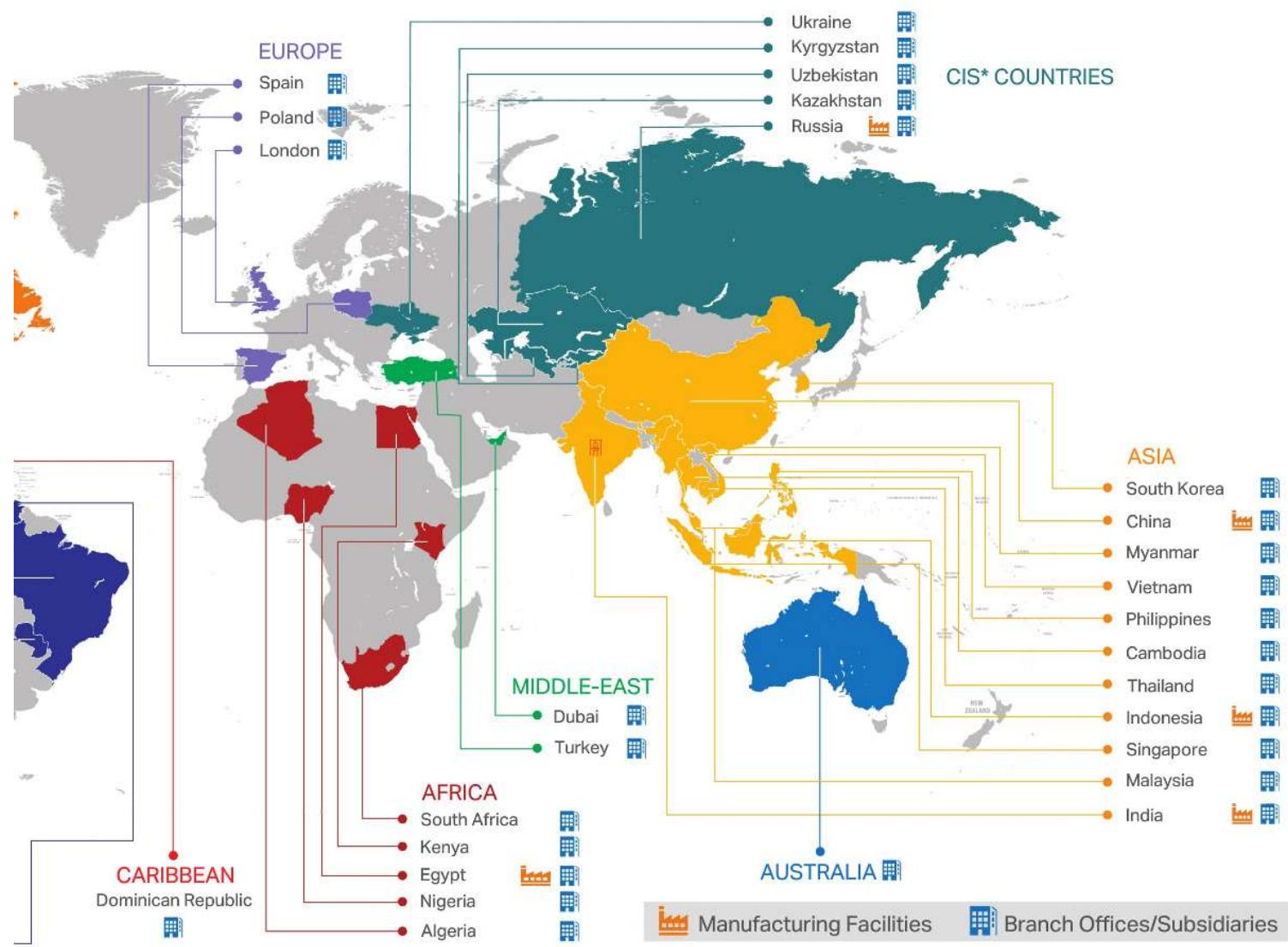
Rainwater harvesting has been one of the key initiative taken by Hetero to conserve the water. The harvested rain water is used for cooling towers, fire hydrant systems, washroom flushing and for gardening activities.

Impressive water conservation measures have been undertaken by Hetero which includes:

► **Construction of the biggest impervious rain water harvesting pond** - This constructive effort of Hetero aims towards implementation of effective resourcing, storage and reuse mechanism for the rain water. The initial step towards the goal involved a structured assessment of the rainfall through the rainfall meter and evaluation of built up area aiding water harvest. The storage pond was designed for an estimated capacity of around 45,000 kL of rain water. The base of this structure is layered with geo-textile and HDPE (high density poly ethylene) layer. These water permeable membranes promote the seepage of water to the soil ensuring the improvement in groundwater table. The entire structure is maintained at a cost of about INR 2 lakh per year. The total project is worth INR 1.5 Crores with an estimated return of investment (ROI) of 3 years.

- Construction of dome shaped roof tops to capture the rain water used to recharge the ground water table. Further construction of three (3) 2000 kL capacity storage tanks & and one (1) 160 kL tank for rain water collection.
- Installation of RO system at our Jadcherla campus.

OUR PRESENCE WORLDWIDE



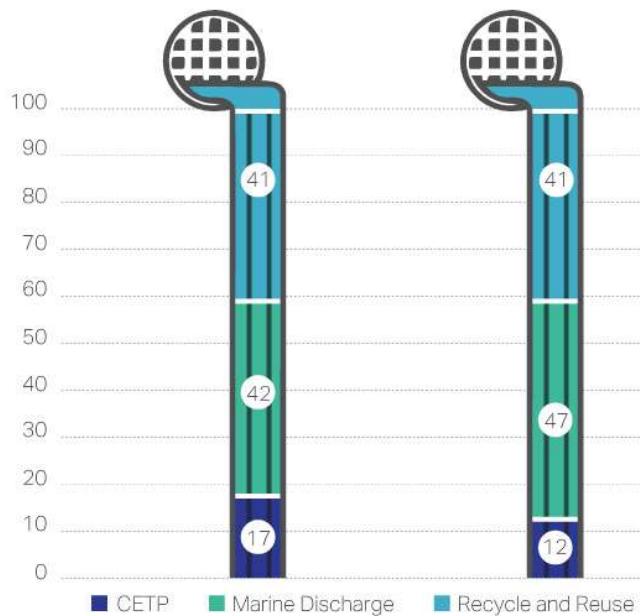
*Commonwealth of Independent States

from the manufacturing units is managed within the premises. In the ZLD facility at Hetero, the effluent generated from the manufacturing units passes through the primary treatment of oil and gas separation and clarification followed by the diffused aeration system and then to the final clarifier. This treated water is then an inflow to the reverse osmosis feed tank thus ensuring the zero liquid discharge.

Some of our units discharge their effluent to the Common Effluent Treatment Plant (CETP), in such case the units abide by the standards and conditions specified in the agreement with respective CETPs and effluent discharge parameters specified by the state pollution control boards. The typical parameters required to be monitored for the effluent quality include – pH, C.O.D, TDS, SS and NH₃. We have set up a reverse osmosis (RO) plant at one of the unit of Hetero with adequate capacity for waste water reuse. The total cost of the project was INR 2.5 crores with an operational cost of 3 lakhs per month. The installation of RO plant resulted in recycling of 90% of the waste water generated, with only 10% being sent to the common effluent treatment plant (CETP). Also a surplus storage facility and permeate water reuse network has been created within the project.

In near future, Hetero aims at incorporating the Zero Liquid Discharge facility at all of its manufacturing units.

Waste Water Disposal Pattern (%)



Waste Management

As part of our environmental management systems, we continuously address the waste management aspect at our facilities. We have developed comprehensive standard operating procedures for hazardous and non-hazardous waste management to focus on responsible collection, storage and disposal. We engage with authorized recyclers/re-processors for waste disposal. Our major hazardous waste generated included the process rejects / residues, distillation residue, spent carbon, evaporation salts, ETP sludge and bio-medical waste. In FY 17-18 we generated about 10403 MT of hazardous waste. Based on technical feasibility, we aim at reducing the waste generation at source. With constant efforts, we were able to send 39.54 % of our hazardous waste for co-processing. We have been working with the authorized agencies to further increase the percentage of co-processing. None of the hazardous waste generated at our units gets exported

or shipped internationally, the same is disposed of with following disposal methods mentioned in the table below:

In FY 17-18 our total non-hazardous waste generated was 8761.2 MT. Our non-hazardous waste primarily includes HDPE Drums/Carboys, MS Drums /Carboys, Packing material, metal scrap, plastic and paper (including packaging material), rubber and glass. We are conscious about the challenges of landfill being faced across the globe, hence we always take extra efforts to send all non-hazardous waste for recycling purposes through our authorized recyclers.

Recycling (MT)

66.809 MT



Disposal Method

Weight (MT)

TSDF* / Landfill	6163.9
Co-processing	4112.94
Recycling	66.809
Incineration	59.086

*Treatment Storage and Disposal facility

There are several committees involving the highest governance to assist in providing implementation strategies and drawing road maps. To discharge the duties several committees have been formed which directly report to one of the board of directors. Some of those committees include -



The Sustainability Committee comprises of the heads of the following departments/ functions- Sustainability, Corporate Communications, CSR, HSE, Human Resource and Learning and Development. This committee has responsibility of formulating and driving sustainability initiatives of the company and is headed by our top management.

All the committees meet as required and the relevant matters discussed by these committees are presented before the board of directors in the board meetings.

SUSTAINABILITY STRATEGY

We at Hetero, want to be persistent and maintain and expand our positive impact even at a times of great political and economic uncertainty by consistently focusing on matters that are of strategic importance to our stakeholders. At the same time, we aim to deliver sustainable growth and value for our stakeholders, be they employees, investors, society or patients. We strive to create sustainable value through our products and services by saving and significantly enhancing people's lives by helping to detect, correctly diagnose and appropriately treat diseases.

Our sustainability strategy is defined based on the results of our materiality assessment. Our strategy development process includes the following-

- ▶ Engaging the key stakeholder groups (employees, regulators, communities, patients, customers and investors) for understanding their expectations.
- ▶ Identifying and reassessing the material issues and focus areas at regular intervals so as to capture the emerging challenges and concerns affecting our sector.
- ▶ Defining strategic objectives, goals and targets.
- ▶ Identifying and establishing KPIs against the strategic goals and targets.
- ▶ Identifying and allocating the responsibilities for managing the strategic sustainability initiatives. Individual facilities and teams are encouraged to identify the sustainable improvement opportunities within their immediate work areas. We also encourage to develop cross functional teams for identifying and implementing sustainability ideas. This allows us to build a sustainability culture across our company.
- ▶ Leveraging existing management systems to further improve the sustainability performance through continual improvement projects.
- ▶ Proactive tracking of progress by our senior management.

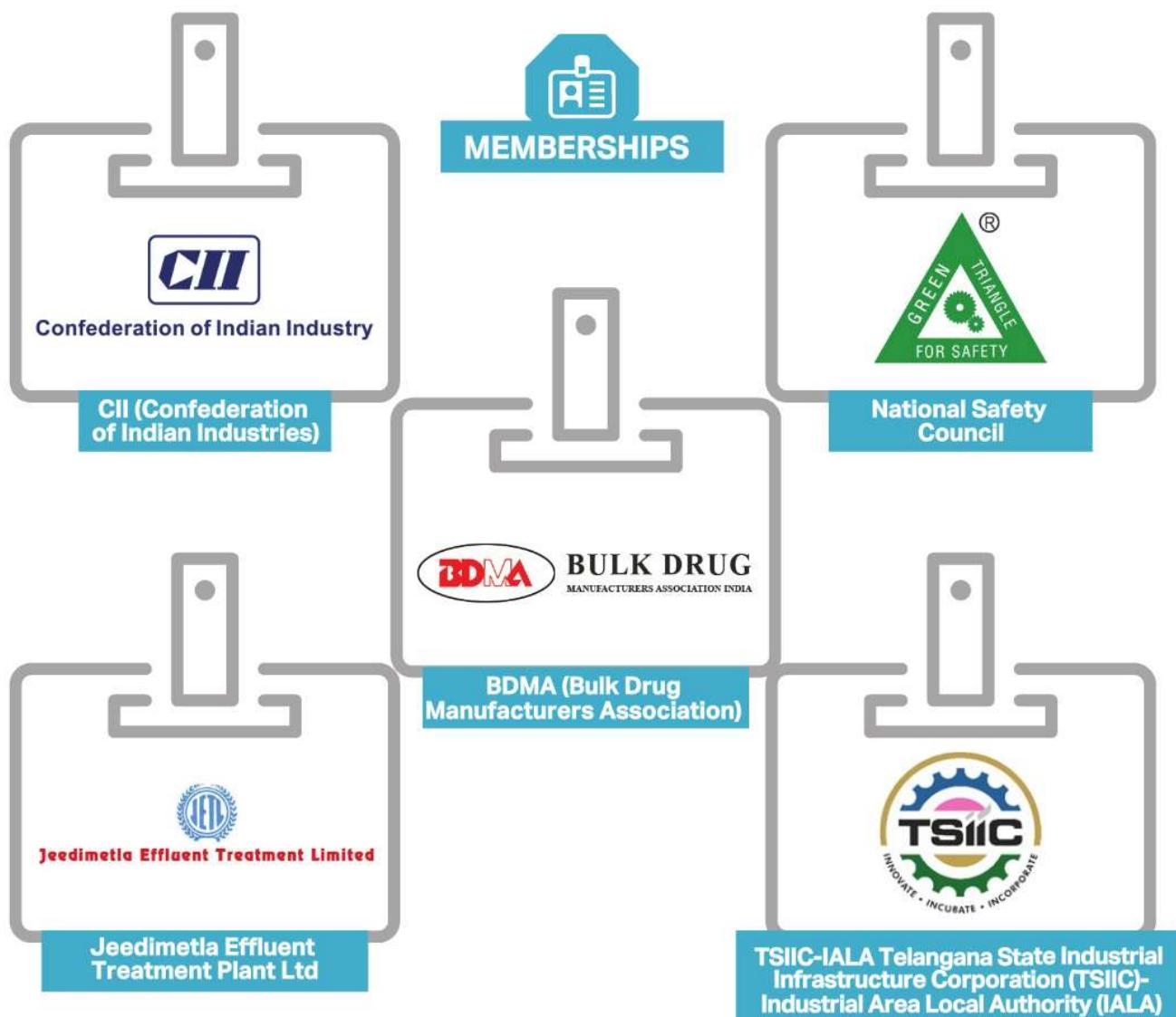


Charters and Memberships of associations

Hetero strives to align its CSR objectives to meet the UN Sustainability Development Goals which aim to end poverty, protect planet and achieve a progressive path in sustainable development, mapping of Hetero's material topics and its alignment with UN SDGs is presented in above section. Hetero is also assessed by Ecovadis, one of the well-recognized Supplier Assessment Platform. The process captures and analyzes information and distills it into a scorecard with a Rating on a scale of 0 to 100. We have improved our Ecovadis Scores and we currently stand at 53/100 scale. This is a clear reflection of our dedicated efforts and continual improvement programmes in areas of social, environment, fair business practices and sustainability.

Also, the company follows the PSCI (Pharmaceutical Supply Chain Initiative) principles and is audited by leading pharmaceutical companies like Sanofi, Bayer, GSK, Novartis amongst others.

To achieve the sustainable development goals, Hetero is also guided by certain charters and principles to which it is a signatory or member. These include the memberships of Bulk Drugs Manufacturers Association India (BDMA), Confederation of Indian Industry (CII), National Safety Council India and Telangana State Industrial Infrastructure Corporation Ltd (TSIIC). The company benefits from these memberships in numerous ways through the opportunities for networking and partnerships, gaining insights of government policies and their impacts on businesses and better understanding of global and national sustainability trends.



Nakkapalli Energy Conservation Initiatives - Key Highlights



Hetero carried out a total of 10 ENCON projects during the FY 2017-18 with an investment of INR 44 lakhs, a simple payback period of 2 months and ROI of 521%. The implementation of these projects resulted in energy saving (kWh units) of 273.58 lakhs for this unit (base year being 2016-17). The projects included installation of new equipment (energy efficient pumps and air compressors, advanced drying equipment) ensuring high energy efficiencies, replacement of old motors with premium energy efficient motors and modification of existing processes with new emerging technologies, installation of ATFDs, VFDs, and equipment design changes amongst others.

Hetero saved INR 113 Lakhs by successfully implementing 3 ENCON projects at HLL-Nakapalli with zero/low cost investment in 2017-18



EMISSIONS

Air emissions are typically associated with processes such as combustion, storage and transfer of materials or other processes specific to the pharma sector like centrifugation, filtration, drying, distillation etc. The sources of these emissions can be point sources, fugitive or mobile sources. The engineering control measures taken by Hetero to minimize and mitigate diffused/fugitive emissions and odor generated from operations include:

- ▶ Allowing the emissions to generate through one common duct by connecting the vents of process equipment's to common headers and scrubbers, connecting the vent condensers in series to reactors, distillation columns, driers, centrifuges, etc.
- ▶ Effective segregation of highly odorous compounds such as Azides from the main stream and treating them separately.
- ▶ Minimizing the emissions to air by conducting all the operations like filtration, centrifugation, drying etc. in closed conditions, closed transfer of raw materials/ solvents, providing the mechanical seals to transfer pumps and providing hoods and scrubbers to all the effluent collection tanks.

▶ Replacement of conventional centrifuges by agitated Neustche filter and drier (ANFD) ensuring the odorless, contamination free and non-polluting working conditions maintaining product purity and hygiene.

▶ Ensuring the improved process safety, better product quality, and longer equipment life by equipping the storage tanks with nitrogen blanketing, breather valves and reflux condensers.

▶ Green belts have been created for absorbing and forming sinks for odorous gases.

Measures to avoid dust/particulate emissions includes:

- ▶ **Bag filters**
- ▶ **Wet Scrubbers**
- ▶ **Electrostatic precipitators**
- ▶ **Cyclone separators**
- ▶ **Air ventilation**

Energy conservation projects

Energy conservation measures, especially by industries have assumed great importance in today's times than ever before. Conservation of electrical energy can help to lessen pollution and reduce greenhouse gas emissions; besides saving money.

Hetero has a dedicated team continuously focusing on latest energy efficient technologies as a part of the continual improvement. Once the technology is identified, it is implemented at pilot scale and after successful demonstration, it is integrated into the mainstream system.

Major energy conservation projects aim towards improving the process efficiencies, early recovery of investments, energy savings by maximizing usage of daylight and retrofitting, significant economic benefits and better and safer production.

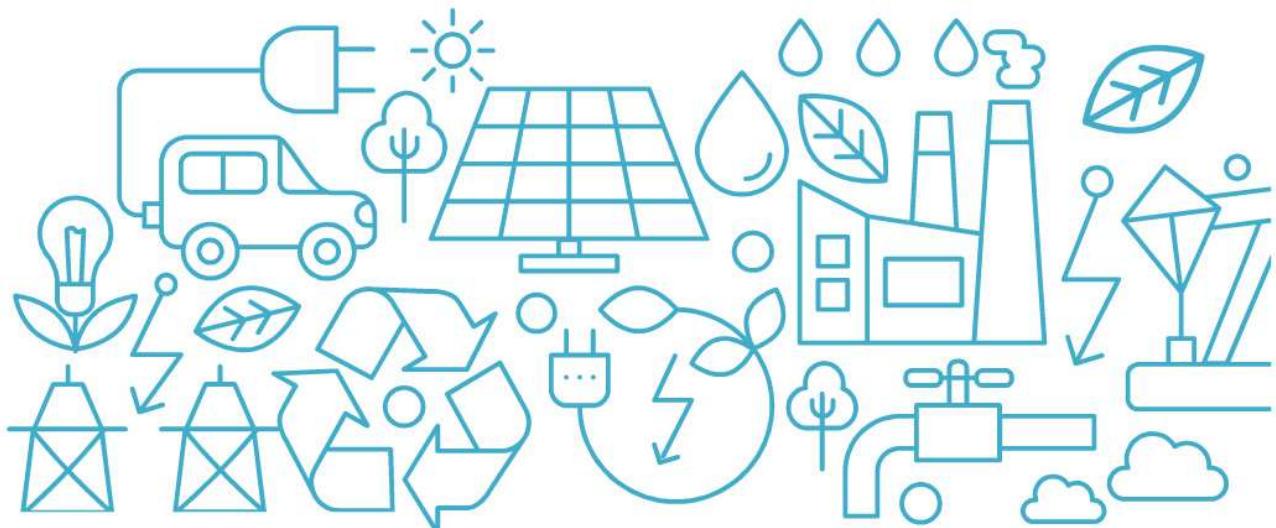
During the year 2017-18, we have implemented numerous conservation activities across our business units for reducing the energy consumption and ensuring sustainable growth. The initiative of ENCON projects and successful implementation of Energy Management System (EnMS) has achieved considerable energy savings for many of our facilities.

Kazipally Energy Conservation Initiatives - Key Highlights



Hetero carried out a total of 11 ENCON projects during the FY 2017-18 with an investment of INR 50.68 Million. The implementation of these projects resulted in energy saving (million kWh units) of 3.642. The unit has taken efforts to increase the energy efficiency by undertaking different projects like installation 70 FLP-LED bulbs in place of CFL bulbs, installation of solar street lights, installation of energy efficient motors, compact pressured powered pumps. The replacement of Aluminum Blade with FRP (Fibre-reinforced Plastics) blades for all cooling towers ensures resistance to corrosion, durability and it also contributes to energy saving due to its light weight structure. Further the projects included modification of cooling towers, monitoring of utility lines for better efficiency, installation of HCL gas generation plant amongst others.

Overall 9.9% reduction in energy consumption was achieved compared to previous year (FY 2016-17). Further the units has also carried out focused energy audits by external agencies on flash steam recovery, steam traps, chemical dosage for evaporative condensers, amongst others.



Aligning priorities with business and stakeholders

To ensure that our approach is grounded in the social and environmental issues that are of greatest interest to both our business and our stakeholders, we developed our materiality matrix. It maps the most critical issues for Hetero and our stakeholders and is presented below as Material Topics.

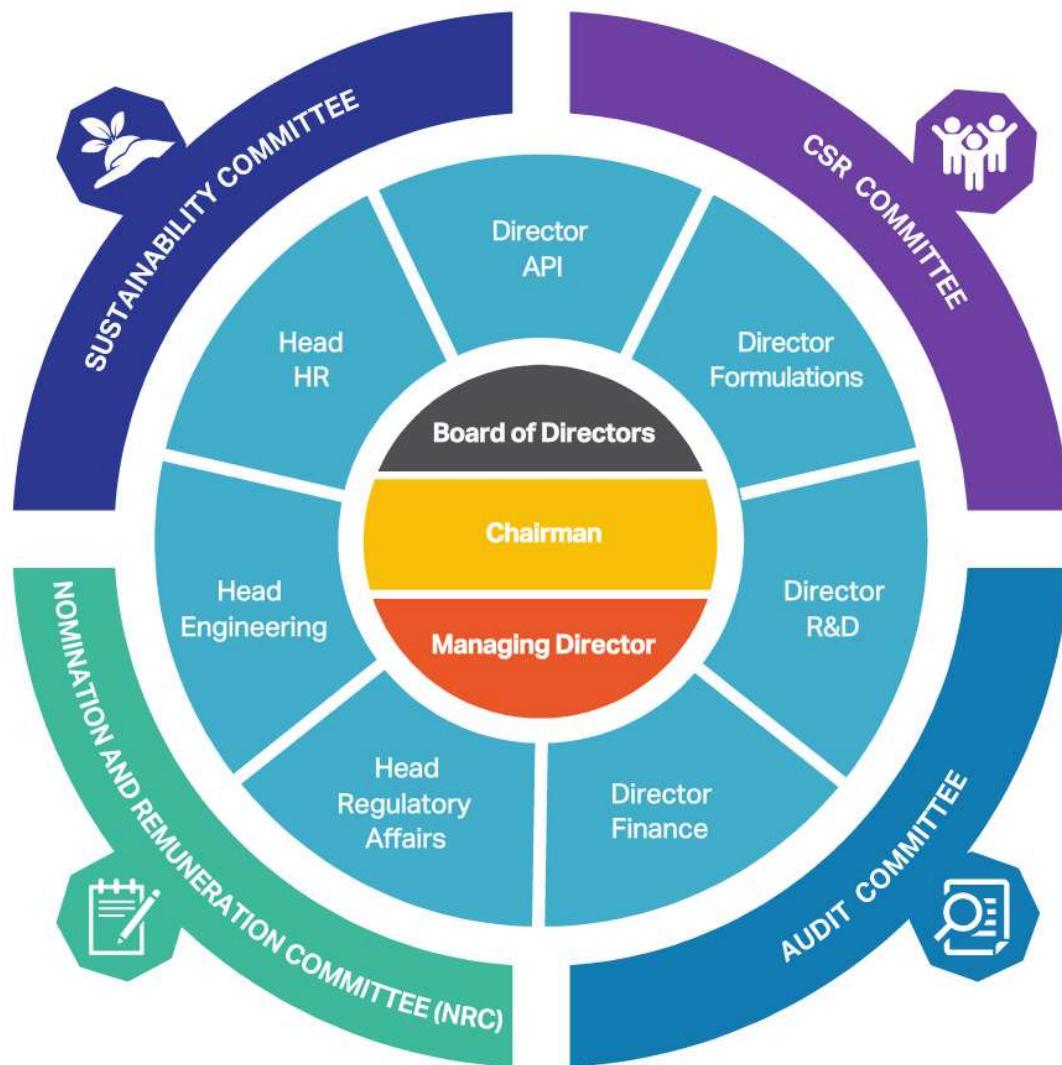
Material Topics	Topic Boundary	Aligned UN SDGs
Environmental		
Energy & Emissions	Operations	Hetero's investment in clean and renewable energy and other energy conservation efforts undertaken at manufacturing facilities supports SDG 7 and SDG 13.  
Water	Operations	Hetero's efforts towards water conservation and also enhancing water availability for local communities through various initiatives supports SDG 6. 
Effluents and Wastes	Operations	Hetero's efforts towards water conservation, investment in zero liquid discharge technologies, efforts to increase co-processing of wastes and biodiversity management through various initiatives supports SDG 12, SDG 14 and SDG 15.   
Social		
Occupational Health and Safety	Operations	Hetero's work in health and safety initiatives, capacity building supports SDG 3. 
Training and Education	Value Chain	Hetero's efforts in transformative education, support to educational infrastructure for local communities supports SDG 4. 
Customer Health and Safety	Value Chain	Hetero's work in innovative research, patient support, capacity building supports SDG 3. 
Local Communities	Impact Areas Identified	Hetero's corporate social responsibility efforts in the area of education, infrastructure support, enhancing water availability and other similar initiatives supports SDG 6, 4 and 3.   
Economic		
Direct Economic Value Generated and Distributed	Overall value chain	Employment opportunities created at the plant, and other components of value chain supports SDG 8. 

Hetero Labs Limited, Hetero Drugs Limited and Hetero Bio-Pharma Limited are unlisted, limited companies. A good governance of a company comes with transparency and accountability embedded in the Company's business practices to ensure fair and responsible leadership at management level. At Hetero, the Board of Directors is the highest governing body entrusted to demonstrate the highest standards of corporate governance. This body steers company's strategic direction. Our Board of Directors comprises of Chairman, Managing Director, Executive Director, Whole-Time Directors and Independent Directors. We have total eight (8) Board of Directors out of which one (1) is female director and two (2) are independent directors. The promoters and other directors are the primary shareholders of the company. The board oversees our corporate responsibility efforts, including how these efforts are incorporated into our business strategy. The board provides leadership, strategic guidance, objective and independent views to the company's management. They regularly review the company's governance, risk and compliance framework, business plans, and organization structure to align with the highest global standards.

Committees of the board

The sustainability governance helps a company implement sustainability strategy across the business, manage goal-setting and reporting processes, manage externalities, strengthen relations with external stakeholders, and ensure overall accountability.

The sustainability governance structure at Hetero comprises of several committees involving highest governance to assist in implementation strategies and drawing road maps. The sustainability committee is headed by our Top management who provides the leadership and clear strategic direction to all our initiatives. Our sustainability committee has the responsibility of formulating and driving the sustainability initiatives of the company.



Environment



Leading Indicators:

- ▶ Reduction of Specific Fresh Water Consumption by 5 % by 2022 (base year 2017)
- ▶ Reduction of Green House Gases (GHG) Emissions by 2% by 2022 (base year 2017)
- ▶ Increase in waste water recycling by 5% by 2022 (base year 2017)
- ▶ Reduction of landfill waste disposal by 10% by 2022 (base year 2017)

There is a strong commitment at Hetero to minimize the environmental foot-print. This is achieved by:

- ▶ Optimizing the use of natural resources through reduction, reuse, recycling, continuous research and using efficient technologies.
- ▶ Harvesting renewable energy resources like solar, wind power and bio-fuels in a major way to lessen our carbon foot-print.
- ▶ Continuously evaluating and improving the process technologies to minimize hazards and environmental impacts arising out of the manufacturing operations.
- ▶ Compliance with all the local environmental laws and regulations for ensuring pollution prevention and control. We support investment in robust solutions that are based on technology and maintain good compliance standards. In this financial year, we were compliant with all the local environmental compliance requirements and did not have to pay any monetary or non-monetary fines. Also there were no major spills reported in any of our facilities.
- ▶ We continuously work on bringing wide range of solutions for achieving better operational efficiency, optimal designs, minimal energy consumption, reduction in losses and lower operation costs. Following are some of the examples -
 - ▶ Built a solvent recovery mechanism for achieving higher efficiency. This approach requires no heating or cooling thereby achieving energy conservation. The solution also lowers the maintenance cost with ease of operation and reduction in manpower needs.
 - ▶ Installed an in-house dry HCL gas generation system and removed the dependence on transporter and

supply vendor. This resulted in elimination of operations such as cylinder handling, maintenance, and record keeping. In-house generation also ensured an increased gas purity and lower production cost.

- ▶ Replacement of conventional filtration process by membrane filter press ensured very low operating cost. It resulted in 80% reduction in filtration time with increased production capacity by 50-60%. Membrane filter press being a closed system process, it involved zero leakage with no human exposure to solvent fumes.
- ▶ Installed online efficiency monitoring and control automation system for maximizing the efficiency of major power consuming equipment.

We have dedicated budgets for environmental management programmes, this year's environmental expenditures included various projects ranging from upgrades of our effluent treatment plants, installation of dust collection and weather monitoring stations, and enhancement of our hazardous waste management facility at few of the locations.

PROTECTION OF WATER RESOURCES

Access to fresh water is essential for human life and wellbeing, and is recognized by the United Nations as a human right. Withdrawals from a water system can affect the environment by lowering the water table, reducing the volume of water available for use, or otherwise altering the ability of an ecosystem to perform its functions. Such changes have wider impacts on the quality of life in the area, including economic and social consequences; and consequences for the local communities or indigenous peoples for whom the water source is important.

We understand that water is a critical natural resource and the same being one of the key resource for our processes, sustainable water management and protection of water resources is our focus area. Hetero's water resources include:

OUR BUSINESS VERTICALS

1

Active Pharmaceutical Ingredients (APIs):

- ▶ Started out with the first API manufacturing facility at Bonthapally, Hyderabad in 1994
- ▶ Grew from strength-to-strength to establish 15 exclusive API facilities across the world
- ▶ Among the first few Indian companies to offer the most affordable ARV APIs



Formulations:

Hetero's formulation capacity includes:

45.0025 billion units of tablets

6.7025 billion units of capsules

360 tons pellets

22.5 million units of liquid formulations

181 million units (includes lyophilised, liquid & powder) of injectables

2

MANAGEMENT SYSTEMS

The overall sustainability performance of an organization mainly focuses on its economic, social and environmental aspects. At Hetero, we give great importance to management efficiency and transparency to strengthen our efforts in enhancing our sustainability performance. Achievement of KPI's is one of the pivotal areas of the management review process within Hetero, underlining its quest for continual improvement in the sustainability journey.

11 units of Hetero at different locations are certified for ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety) ensuring the continual improvement in its environmental performance and enabling a safer workplace for the employees respectively. We have also successfully implemented ISO 50001 (Energy Management System) at 10 units to improve our energy performance, conserve resources and also tackle climate change. We consistently strive to provide quality products and services and our internal quality systems certified to ISO 9001 (Quality Management System) ensure that the delivered products and services meet customer and regulatory requirements. By implementing these management systems that target towards continual and proactive environmental, health and safety improvement, Hetero abides with the precautionary principle approach.

We also have vigorous internal audit mechanisms and dedicated pool of internal auditors and subject matter experts who assess our management systems of quality, health safety, and environment at regular frequency to identify any gaps, any changes (technology/implementation practice/operating procedure) that may be required, and also to identify any improvement opportunities and changes to management of material aspects. This is in addition to external third party agency certification audits carried out at regular frequency.

CODE OF CONDUCT & ETHICAL BUSINESS PRACTICES

The perception of being well governed, fair and ethical has become a definite differentiator in increasing public confidence and trust in a company. This includes conducting business fairly and sincerely, adhering to ethical principles and refraining from unfair trade practices and any form of bribery or corruption, to contribute to sound social and economic development through fair competition in the market.

Hetero's code of business conduct supports acceptance of legal requirements and our standard of business conduct. All employees including trainees are expected to read and understand this code of conduct, uphold

the standards, comply with all applicable policies and procedures and ensure that our Contractors/ subcontractors/ suppliers/ vendors and other stakeholders are aware of, understand and follow these standards.

Hetero Group's belief in upholding the quality of work life and customer satisfaction are the keystone for all actions and decisions at the Group. Our belief sets the standards for the organization and guides employees' conduct. This Code clearly lists the identifiable and non-negotiable set of actions/ behaviors applicable to all employees across the Group.

Every employee of the company should be an able partner in the growth and well-being of the Company with his/her high standards of dedication, commitment, competence, integrity and act in a free, fair, dispassionate and fearless manner. Each employee is expected to uphold the Code of Conduct and also report violation, if any, for overall wellbeing. We adapt this code to guide our business transactions with our colleagues, contractors, sub-contractors, vendors/suppliers, regulators and other communities. The senior management at Hetero is committed to conduct all of its business activities with honesty, integrity and the highest possible ethical standards and vigorously enforce this business practice, wherever it operates, throughout the world. The compliance, disciplinary committee and HR team is responsible for ensuring safe business practices across all operations of Hetero by conducting inquiries and issuing show cause notice, if unfair practices are brought to their notice.

The code of conduct outlines our expectations for our employees and business partners.



Our code of conduct stipulates following requirements:

Personal conduct & behavior: Employees are expected to treat one another, customers, suppliers, vendors, contractors, sub-contractors and business partners with respect and dignity.

Conduct at work: All employees shall secure the physical, financial and intellectual property / assets, interests of the organization by observing the discipline of internal controls, checks & balances. All employees are expected to avoid conflict of interest situations, maintain financial integrity & protect the company's confidential business information.

Interface with the external world: All employees are

3

Biosimilars:

Hetero's capacities include:

- ▶ State-of-the-art single use manufacturing facilities and dedicated R&D wing; designed to meet US FDA and European Union (EU) standards
- ▶ Launched Darbopoetin alfa, Rituximab, Bevacizumab and Adalimumab globally
- ▶ 2 biosimilars under clinical trials and 4 in the pipeline

5

Custom pharmaceutical services (CPS)

Hetero's CPS division is value-driven and emphasizes on accelerating our partners' go-to-market strategies. The division's competency is attributed to:

- ▶ Large-scale manufacturing facilities which are approved by stringent global regulatory agencies.
- ▶ Capability to offer tailored solutions for APIs, finished dosages, cytotoxic APIs, injectables and biosimilars etc.
- ▶ Significant economies of-the-scale advantages and backward integration capabilities
- ▶ Proven track record of handling technology transfer projects



Branded generics:

- ▶ Envisaged to make high quality medicines accessible worldwide
- ▶ Established presence in India
- ▶ Fast expanding across the world specifically in emerging markets

INDIA

- ▶ Strong presence since 1994
- ▶ 6 specialized marketing divisions
- ▶ Market leader in ARV, Oncology and Anti-bacterials
- ▶ 2000+ field force
- ▶ Catering to medical practitioners in over 400 territories

4

EMERGING MARKETS

- ▶ Among world's few companies to have established presence in Latin American countries
- ▶ Fast expanding footprint in Asian, African, CIS and other key countries
- ▶ Specialized sales force reaching out to doctors and patients
- ▶ Enabling access to life-saving drugs across Oncology, Cardiology, CNS (Central Nervous System), ARVs and Hepatology etc.

SECURITY PRACTICES & SYSTEMS

Information security

Hetero places top priority on Information Security to ensure security of information assets held by Hetero, its business partners and employees. Quality Assurance (QA) & IT Department are responsible for the formulation of information security policy, implementation and its review; besides the assignment of security roles to the personnel in the organizations.

Management has approved the information security policy and has provided guidelines for the implementation of efficient information security. Hetero's senior management is committed for the implementation of information security systems across the business units and its improvement from time to time.

Security in third party agreements

Hetero has agreements with third parties considering the involvement of accessing, processing, communicating or managing organization's information or information processing facilities. In such agreements, the information security belief of the organizations in

terms of the information security policy is highlighted along with agreement on reporting, notification and investigation of information security incidents and security breaches and the right to monitor, and revoke any activity related to the organization's assets besides the right to audit the third party activities and their premises. Hetero has defined stringent requirements on information management and any breaches on security aspects may result in revocation of the service contract.

IMPLEMENTATION OF VDI (VIRTUAL DESKTOP INFRASTRUCTURE) TECHNOLOGY-



Implementation of VDI Technology- This was among the 50 case studies presented in India's largest technology event "VMware vForum" in Mumbai. Spearheaded by Hetero's corporate IT team, implementation of VDI technology ensured better compliance, data integrity and security through migration of organization data to a centralized environment through desktop virtualization. This facilitated easier maintenance, decrease in infrastructure and license costs, optimization of resources and on-demand provisioning of infrastructure.



KEY HIGHLIGHTS OF HETERO

Product Range

- ▶ Among the largest manufacturers of ARV, APIs & Fixed Dose Formulations (FDF's)
- ▶ 300+ products in portfolio
- ▶ 35+ world class products for various types of cancers
- ▶ Delivering to different dosage forms including injectables

► Leadership in Antiretroviral products

- ▶ Strong portfolio of over 30 ARV combinations
- ▶ Strong distribution network in 120 countries and 2000 product registrations with local regulatory authorities
- ▶ Leading supplier of ARV APIs to renowned ARV finished dosages manufacturers
- ▶ Catering to 40% of existing global HIV/AIDS treatment¹
- ▶ Partner of choice for renowned global procurement agencies

Global presence

- ▶ Strong global presence in 126+ countries (including manufacturing facilities, branch offices/subsidiaries)
- ▶ Among world's few companies having established presence in Latin American Countries
- ▶ Fast expanding footprints in Africa, Asia, CIS and other countries

Manufacturing sites

- ▶ State-of-the-art manufacturing facilities
- ▶ Dedicated state-of-the-art finished dosage facilities in India and China for oncology and anti-cancer products
- ▶ Hetero's set up includes the Asia's largest special economic zone (SEZ) complex for API manufacturing at Vishakapatnam, Andhra Pradesh, India.



¹(Ref: 1.UNAIDS Data 2017; 2. Global AIDS Update 2017; 3. UNAIDS.org; 4. Either API or FDF. Data on file)

ESTABLISHING THE SUSTAINABILITY CONTEXT- STAKEHOLDER ENGAGEMENT & MATERIALITY

To develop a deeper understanding of the challenges and expectations of customers, healthcare professionals, policy makers, NGOs, suppliers, communities and many others, Hetero seeks to maintain close relations with all its stakeholders. The highest degree of involvement consists of partnering with stakeholders to pursue common objectives, which creates the greatest value for businesses.

We conduct the stakeholder engagement periodically to map the changing expectations and interests well in time. This enables us to incorporate the insights in Hetero's annual business and sustainability planning exercise.

Our key stakeholders are mentioned in the following table. These key stakeholders have been identified by Hetero during the FY 16-17, based on the key interfaces i.e. those who are affected by the Hetero's outcome, negatively or positively, or those who can affect the outcomes of a proposed intervention or has the power to influence. The key topics of concern for each of the stakeholder group are presented below.

Stakeholders	Key topics of engagement	Mode of Engagement	Frequency of engagement
Government organizations: State Pollution Control Board (SPCB), Ministry of Corporate Affairs	 Compliance CSR activities and monetary spent.	Site Visits, Personnel interactions, Participation in Meetings, Feedback on Sustainability Report.	Annual
Customers: Business to business customers	 Quality, Reliability, Compliance, Customer health and safety, Environment, Health and Safety best practices.	Customer Meets Formal and informal Feedback from Customers /Health Professionals/ Medical Practitioners Customer Audits.	Annual
Employees: Full time and contract employees	 Non-discrimination, Ethical work culture, Labor practices, Transparency, Occupational health and safety, Trainings, education and development.	Online Surveys, Feedback forms, Employee Meets, Skills Development programs, Open Floor Suggestions, Annual Performance Management system.	Regular Intervals
Society: Local Communities	 Managing environmental aspects. CSR activities and monetary spent.	Village Meetings Community surveys Feedback from Community Participation in local activities.	Annual and also on need basis
Suppliers: Contractors and Material Suppliers in India	 Ethical procurement practices. Health and safety.	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	 Profitability, Transparency, Long term Sustainability Performance	Directors Meetings Annual Review Meetings Publish Annual Reports.	Once in 3 months





View of plantations
at Nakapally



View of green belt area
at Kazipally facility



View of green belt area
at Kazipally facility



Our largest finished dosage facility, Hyderabad



CORPORATE GOVERNANCE AT HETERO



ECONOMIC PERFORMANCE

Pharmaceutical and healthcare sector is continuously evolving and brings in new challenges, new opportunities and growth potential in the coming years for Hetero. We at Hetero, have continued to deliver growth, expand market presence and strengthen our product portfolio.

People, products, infrastructure and improved relationship with leading pharma Companies across the globe have been the key drivers for growth of the Company. We are working to improve our manufacturing processes, optimize costs and operational expenditure.

We will continue to invest in advanced state-of art facilities, technology upgrades, digitalization, automation, research and development and operational excellence activities.

Our focus for next year is on continuing the growth trajectory in all key markets and investments in portfolio for sustainable growth. Further we will leverage on the existing management systems, processes and continual improvement programmes to help us operate in a cost-effective and sustainable manner.



Revenues:
INR 74439 Million



Operating costs:
INR 69637 Million



Employee wages and benefits:
INR 6304 Million



Payments to governments:
INR 1309 Million



Community investment through CSR:
INR 82 Million



Profit after Tax:
INR 3662 Million

Further details are covered in our annual report.

Hetero honoured with Outstanding Export Performance Award - Gold Star by Pharmexcil.



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



Engagement with stakeholders:

This report is a formal response to the feedback received from all of our stakeholders. The inputs from our stakeholders helped us in conducting the materiality assessment.



Sustainability context and value chain:

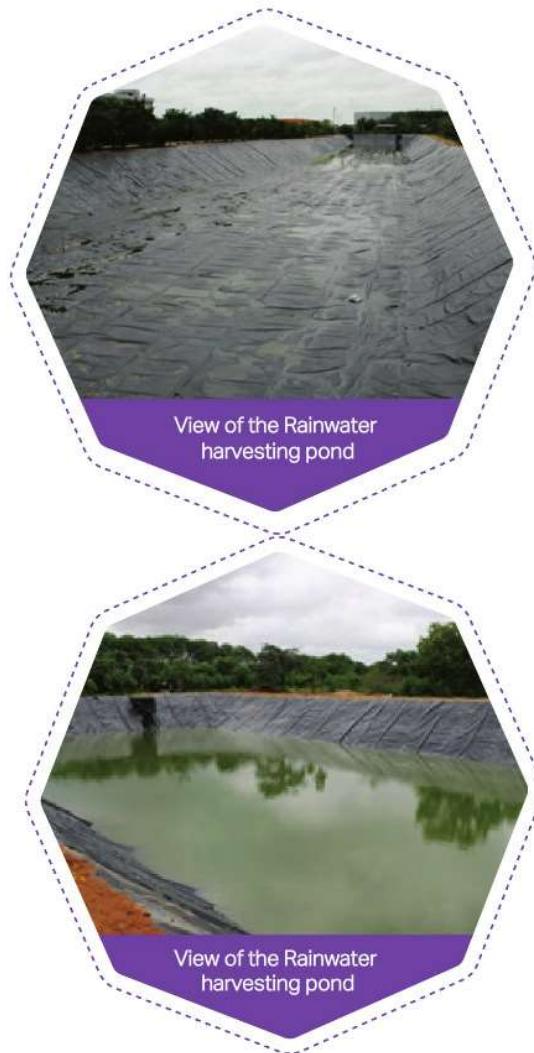
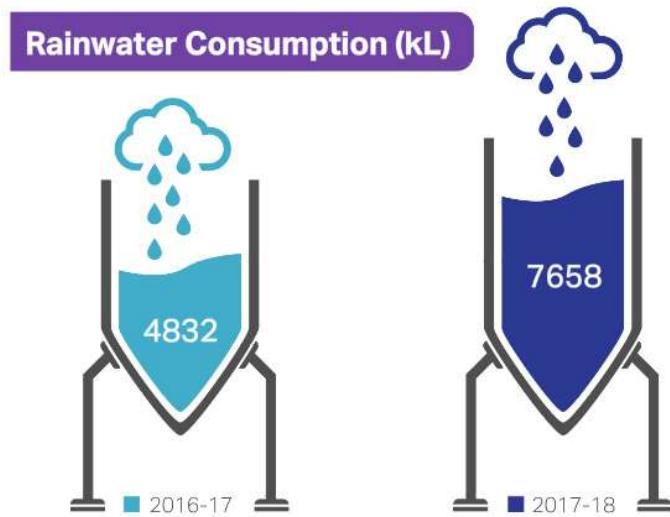
We explain how we see the role of Hetero on wider sustainability issues, the impact we have through our operations, and the role that we have to play in developing products where affordable alternatives do not exist. We appreciate the fact that cohesive approach, which includes working with the key stakeholders, is essential to augment our business strategy towards accessible and affordable medicines.



Materiality:

The senior management at Hetero identifies the material topics that are significant to our stakeholders and the business. These inputs are further used to set the company performance target and key performance indicators (KPIs) for the reporting year. Additionally, they also help in setting the targets for forthcoming years.

- ▶ Installed saving components (water atomizer) for reducing water consumption at Jeedimetla (100 No's) and Jadcherla Units. This has resulted in 10 % Reduction of Fresh water consumption for domestic purpose.
- ▶ Also to accurately monitor and control - the water consumption and waste water generation, we have installed water flow meters at Jadcherla unit.
- ▶ Over the years, we have been successful in our continuous efforts towards rainwater harvesting. In the FY 2017-18 the total rainwater consumption of Hetero has increased considerably to 7658 kL from 4832 kL in FY 2016-17.



WASTE WATER & WASTE MANAGEMENT

Waste Water Management

The waste water generated from pharmaceutical industry varies enormously in composition, depending on various factors such as the production rate, constituents of the product etc. Considering the different factors, the extent of the pollution caused by the final effluent can be very diverse and variable over time. Hetero recognizes the requirement to avoid any adverse on environment due to effluent discharges and hence undertakes the necessary steps towards the treatment and environmentally safe disposal of the same. Hetero not only endeavors to meet the regulatory standards specified for the effluent treatment but also takes efforts to create a positive impact on the ecology and environment.

Water being the crucial and scarce resource, we look for opportunities to reduce the fresh water intake. To reduce the generation of effluents, we take constant effort to

minimize the water consumption across the processes.

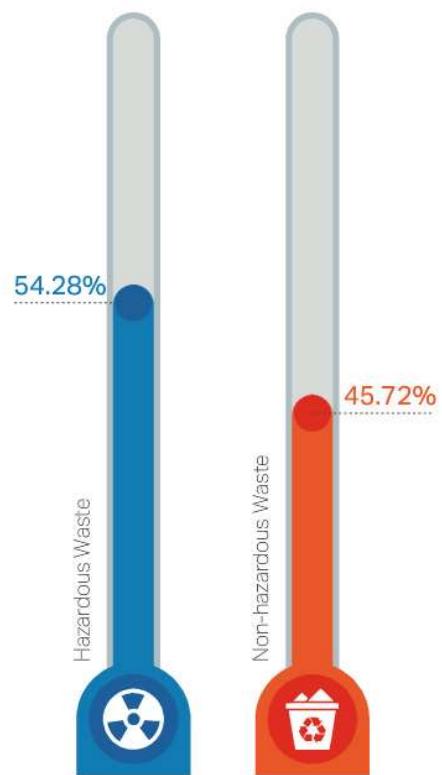
In FY 17-18 we achieved recycling and reuse of about 41%² of the total waste water generated. The total volume of water discharge in FY 2017-18 was 412886 kL. Various disposal methods used for this discharge are mentioned below:

Disposal Method	Volume (kL)
CETP	47921
ZLD	159499.3
Marine Discharge	194273
STP (Sewage Treatment Plant)	11192
Total	412886

The quality of the treated effluent being of prime importance to us, various advanced treatment methods have been incorporated at our operating units. Seven (7) of our manufacturing units are equipped with Zero Liquid Discharge (ZLD) facility. A ZLD treatment facility utilizes advanced technological water treatment processes to limit liquid waste and ensures that all the waste water generated

²Due to increase in production and man power in the reporting year, the overall fresh water consumption has increased in the FY 2017-18. However the volume of water recycled/reused has increased in the reporting year from 107483 kL in previous year to 167961 kL.

Waste Generation by type



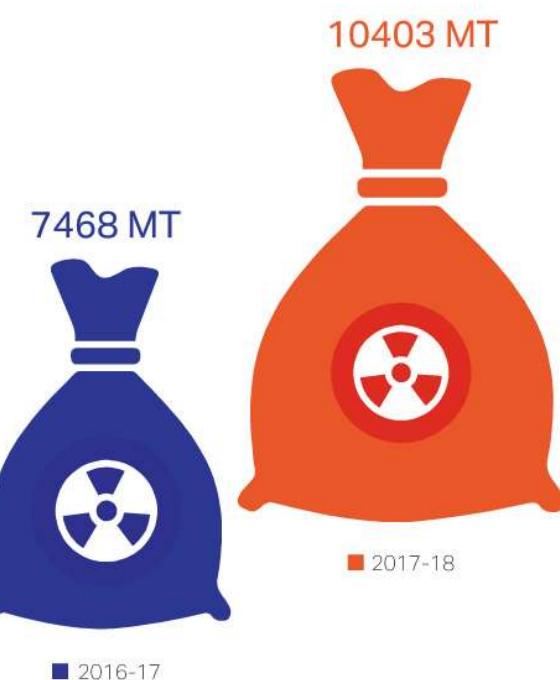
Waste Disposal Profile



Co - Processing (MT)



Total Hazardous Waste Quantity (MT)





STEWARDING A RESPONSIBLE ENVIRONMENT



adverse human rights impacts in relation to our business activities through human rights due diligence and preventive compliance processes.

Hetero's approach to human rights is ensured by compliance to all social and human rights requirements as per the local and national laws and other compliance obligations. Every Unit HR department is responsible for implementation of Hetero's policy & procedure pertaining to labour practices and human rights. The site leadership team is responsible to monitor the implementation by conducting periodic internal audits.

From small programs to robust management systems, Hetero deploys targeted actions to avoid causing adverse human rights impacts on employees, customers, contractors, local communities or the general public, and to protect their interests at best in the limit of its leverage and resources. Human rights are integrated in the design, implementation, monitoring and evaluation of the policies, procedures and actions deployed for each of our CSR priorities.

WIDENING THE RISK PERSPECTIVE

Risks and uncertainties facing our sector include, but are not limited to, general industry conditions and

competition; economic factors, such as interest rate and currency exchange rate fluctuations; technological advances and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; domestic and foreign health care reforms and governmental laws and regulations; and increased scrutiny of the healthcare industry by government agencies.

Risk scenarios are continuously changing and to respond to these various types of risks, Hetero has designed a robust risk management framework which have the following key components.

RISK TOPICS COVERED

Health & Safety, Environmental, Social, Cyber Security, Overall security.



Risk Identification

- Collect information about the various types/categories of risks impacting our organization (Financial, Legal/Regulatory, Emerging, Social, Environmental among others)
- Media research to track sectoral and global mega trends and challenges
- Research on the market trends and risks specific to each country where Hetero is expanding its presence
- Periodic dialogues with regulatory authorities to understand the upcoming regulatory/legal risks



Risk Analysis, Evaluation and Review

- Integrating sustainability risks in the broader risk management
- Collating site and location specific risk information and highlighting the emerging risks to leadership teams
- Consolidating the aggregate view of risk exposure across the organization
- Prioritizing the risks into high, medium and low categories for action planning



Risk Mitigation & Planning

- Systems hardening – Layering the overall management systems with additional safeguards to handle the identified risks at various levels.
- Instilling the risk culture across the organization
- Allocation of resources – funding, external expertise, and other support for risk treatment