



**HETERO**



**SUSTAINABILITY REPORT  
2016-17**





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## MESSAGE FROM THE CHAIRMAN

**H**etero has entered into 25th year of its business existence. In fact, it is a matter of great pride for me that it has been an existence marked by unwavering commitment to quality, excellence and responsibility. Since inception, we have strongly emphasised on striking a healthy balance between business and sustainability. Because, we believe that real progress cannot be achieved without accommodating the well-being of societies and quality of environment in our business objectives.

We have been responsive to changing demands of the time and adopted latest processes, technologies and machinery which not only allow us to comply with stringent regulatory standards and produce products of highest quality but also help us to minimise environmental damage, conserve natural resources and usher healthier working conditions for our employees. In addition, we also have partnered and sponsored local communities and governments from time to time in their afforestation programs and cleanliness drives.

On the community front, we have initiated a dedicated CSR department to streamline our social outreach programmes and enhance their scope and delivery besides inspiring transparency in operations. From health to sanitation, education to drinking water, civic amenities to mass plantations and beyond, I am glad that our corporate Social Responsibility activities are realising community development on a holistic scale.

I am delighted that for an organisation like us that made sustainability an inherent part of operations, this sustainability report comes as a great opportunity to comprehensively showcase our performance on social and environmental parameters to the world. I am confident that through this report we will be able to draw important learnings and keep improving upon our sustainability performance.

Last but not the least, I take this opportunity to reiterate Hetero's commitment to sustainable development to all the stakeholders and assure them that we will continue to make a difference to the world through each and every endeavour of ours.

Warm regards,

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





## MESSAGE FROM MANAGING DIRECTOR

**H**etero since its inception has laid unrivalled emphasis on sustainability. We always kept pace with changing times where we actively adopted best of available technologies, processes and policies to meet the expanding confines of sustainability requirements.

Today, as we venture forth into our 25<sup>th</sup> year, we are geared up to vigorously pursue the cause of human health and sustainability by inspiring bold, innovative and futuristic approaches in all our activities. For Hetero, that has been a brand synonymous with immense care for environment, society and its employees, responsibility comes across as a natural ally in our pursuit of excellence.

Our novel initiatives have optimised the quality and scale of our production while minimising the resources consumption and impact on our environment. Through our dedicated CSR department, we are working towards holistic development of communities. Our initiatives have been ideally conceived to address public health, education, potable water, sanitation, infrastructure and plantation among a host of others.

I am glad that through this sustainability report we would be able to document our economic, environmental and social performance in concrete terms, which I believe would help us to gauge the year-on-year progress and enable us to bring constant improvements in systems and processes. Finally, while taking pride in Hetero's admirable track-record of sustainable development, I wish to reiterate that we will continue to take this legacy forward with renewed fervour and make this world a truly healthier place to live.

Warm regards,

Dr. Vamsi Krishna Bandi  
Managing Director  
Hetero Labs Limited



# ABOUT US

A global leader in ARV APIs & Finished Dosages, we are focussed on enhancing access to affordable medicines globally across various therapeutic segments by constantly advancing our capabilities in development, manufacturing and marketing of high-quality drugs.

## 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 our planet.







# OUR CORE VALUES

Our 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.



## 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.

## QUALITY FOCUS

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



## DYNAMISM

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

## RESPONSIBILITY

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





# BUSINESS FOCUS AREAS





## Active Pharmaceutical Ingredients (APIs)

- 6 exclusive facilities for large-scale production manufacturing facilities
- Leading suppliers to generics manufacturers in regulated and semi-regulated markets
- Recognized as a partner of choice for the launch of many first-time generics



## Formulations

- A world-leader in manufacturing branded and non-branded generics
- Largest global supplier of anti-retroviral drugs
- 300+ products across therapeutic categories such as HIV/AIDS, Oncology, Cardiovascular, Neurology, Hepatitis, Urology, Diabetes and few others
- 6 dedicated facilities

## Biosimilars

- Entered into biosimilars in 2009
- State-of-the-art manufacturing facilities and dedicated R&D wing
- Introduced 4 biosimilar products within few years of inception - Darbepoetin alfa, Rituximab, Bevacizumab and Adalimumab globally



## Custom Pharmaceutical Services

- Significant economies-of-the-scale advantages and backward integration capabilities
- Contract manufacturing of APIs, Finished Dosages, Cytotoxic APIs and Injectables
- Technology transfer projects

## Anti-Retroviral Drugs (ARV)

- Committed towards HIV/AIDS treatment since 1997
- Leading manufacturer of ARV drugs
- Portfolio of over 30 ARV combinations
- Treating 4.5 million patients globally\*
- One in every three HIV/AIDS patients in the world trusts Hetero's ARV medicines\*
- Partner of Choice for leading procurement agencies



## Oncology

- Building a global franchise of oncology products
- Portfolio of more than 35 drugs for treating various types of cancer
- Affordable anti-cancer drugs in different dosage forms

## Branded Generics

- Branded generics is intended to bring access to high-quality medicines within affordable reach of markets across the globe
- Diverse range of generics across therapies in product portfolio
- Serving the domestic market (India) since 1994
- Focussing on expanding presence in emerging markets such as Latin America, Asia, Africa, CIS and other key countries.
- Strengthening our front-end presence by establishing strong distribution networks and specialized sales force and by actively reaching out to doctors and patients.



\* Either API or FDF, Data on file



## OUR PRESENCE IN WIND POWER

After our continuous performance in the pharmaceutical sector, we realized that power was constant and consistent need across industrial sectors and would exist despite best energy efficiency practices.

Energy needs met from fossil fuel based sources are the primary cause of climate change. Similarly, climate change poses risks to these fossil fuel-based sources.

Hetero in 2010 decided to foray into the wind power business and established Hetero wind power. Our foray into renewables – wind and solar helps us contribute positively towards climate change.

We aim to build 1000 MW of wind power capacity. Currently, we have installed 126MW of wind power generating units out of which 40.5MW was installed in FY 16-17. Our wind power generating sites are spread across Andhra Pradesh, Telangana and Maharashtra.



Wind Power, Maharashtra



## RESEARCH – OUR GREATEST STRENGTH



Hetero is led and driven by its expertise in Research and Development. From as far back as 1995, our R&D division played a crucial role in developing an expansive product basket to meet diverse market requirements across the globe.

Helmed by about 1000+ top notch scientists with wealth of knowledge and experience, our R&D has been able to develop niche generics, complex APIs, Novel Drug Delivery systems (NDDS), New Chemical Entities (NCEs) and Biosimilar products. Numerous PCTs, Patents, ANDAs and FTFs accredited to us showcase our strength in R&D.

Hetero Research Foundation – an exclusive state-of-the-art facility supports all our research endeavours under one roof. It is a refuge to research teams working in the areas of diverse specialisations including APIs, formulations, custom synthesis, contract research, analytical, packaging, IP, technology transfer and quality assurance. We also have world class R&D facilities dedicated to Formulations and Biologic research at the respective manufacturing units.



Hetero is committed to the sustainable development through manufacturing of quality and affordable products with great responsibility. Our R&D efforts follow precautionary approach to safety, and work on resource optimization through best technological and innovative interventions customized to our operations.

**Dr. K. Rathnakara Reddy**  
Director



## QUALITY – ABOVE ALL



At Hetero, quality is one factor we cherish greatly and we make every effort to sustain it at every level. The approvals from stringent global regulatory authorities for our manufacturing facilities bear testimony to this claim.

And each of our manufacturing facility is state-of-the-art with integrated quality systems and processes which facilitate absolute compliance with cGMP (current Good Manufacturing Practices).

Quality control labs equipped with high-precision equipment ensure that excellence is maintained consistently throughout the production processes. Also, the highest standards are adhered to when it comes to health, safety and environmental practices.





# MILESTONES

Hetero's first API manufacturing facility at Hyderabad, swings into production

1994

Heteo Research Foundation, the state-of-the-art R&D centre is established

1995

2001

Hetero receives the first USFDA approval for its API manufacturing facility in Hyderabad

2005

Hetero becomes one of the first companies in India to produce the life-saving drug 'Oseltamivir' for Bird-flu and Swine-flu\*

2006

Hetero's finished dosage manufacturing facility at Hyderabad, gets approval from USFDA

A dedicated Biologics unit is set up at Hyderabad

2009

The blockbuster Hepatitis C drug 'Sofosbuvir' is launched\*

2014

2015

Hetero becomes first company in India to launch the fixed dose combination 'Ledipasvir + Sofosbuvir'\*

2016

The third biosimilar product 'Bevacizumab' is launched

2017

Hepatitis C fixed dose combination drug 'Velasof' (Sofosbuvir + Velpatasvir) gets approved in India\*

\* Under in-licensing deal



Honoured with the National Award for 'Best Efforts in Research and Development'

1996

Emerges as one of the leading Indian companies to offer affordable ARVs & APIs

1997

Hetero Research Foundation is recognised for developing generic processes for more than 20 APIs within 3 years of inception

1998

2007

Asia's largest SEZ complex for APIs manufacturing is established at Visakhapatnam

2007

A dedicated facility to manufacture oncology injectables is set up

Launch of first biosimilar product Darbepoetin Alfa

2015

The second biosimilar product 'Rituximab' is launched

2015

Launch of the generic drug 'Daclatasvir'\*

2015

2017

DCGI approval for the first-ever generic fixed-dose combination 'Darunavir + Ritonavir'

2017

DCGI approval for fourth biosimilar 'Adalimumab'





# GLOBAL FOOTPRINT



## Manufacturing Facilities

- USA
- China
- Russia
- Egypt
- India
- Mexico
- Indonesia

## Global Presence: Branch Offices / Subsidiaries

### North America

- USA
- Mexico

### Caribbean

- Dominican Republic

### Central America

- Costa Rica
- El Salvador
- Guatemala
- Honduras
- Nicaragua
- Panama

### South America

- Ecuador
- Brazil
- Chile
- Colombia
- Paraguay
- Peru
- Venezuela

### Africa

- Algeria
- Egypt
- Nigeria
- South Africa

### Asia

- China
- India
- Russia
- Singapore
- South Korea
- Thailand
- Philippines
- Myanmar
- Vietnam
- Indonesia

### Middle-East

- Dubai

### Europe

- Spain
- Poland
- Ukraine

### Australia









# REPORT PROFILE, SCOPE & BOUNDARY

This is the first Sustainability report being published by Hetero group. This report is an attempt by Hetero group to externally disclose its sustainability efforts to all its stakeholders through a structured report.

This report focuses on the activities undertaken by Hetero Labs Limited and Hetero Drugs Limited. Being our first report, only Indian geographies have been covered and entire India is considered as one region for this report. The report covers 12 manufacturing locations in India, and our corporate office at Hyderabad, India. This report does not report on our subsidiaries or joint ventures and operations outside India.

In our future reports, it will be our endeavour to enhance not just the scope of the geographies we report but also to go deeper into the reporting of our organizations sustainability efforts. Going forward we intend to publish our sustainability reports annually coinciding with our financial year.

This report has been prepared for the financial year 2016-17 i.e. 1<sup>st</sup> of April 2016 to 31<sup>st</sup> of March 2017. All data presented in this report pertains to this timeframe unless stated otherwise.

The report and its disclosures have been developed as a GRI G4 'accordance core 'report. BSI has independently assured the report and issued a verification statement which is available in later sections of this report.

For all queries related to the Sustainability report you may contact:

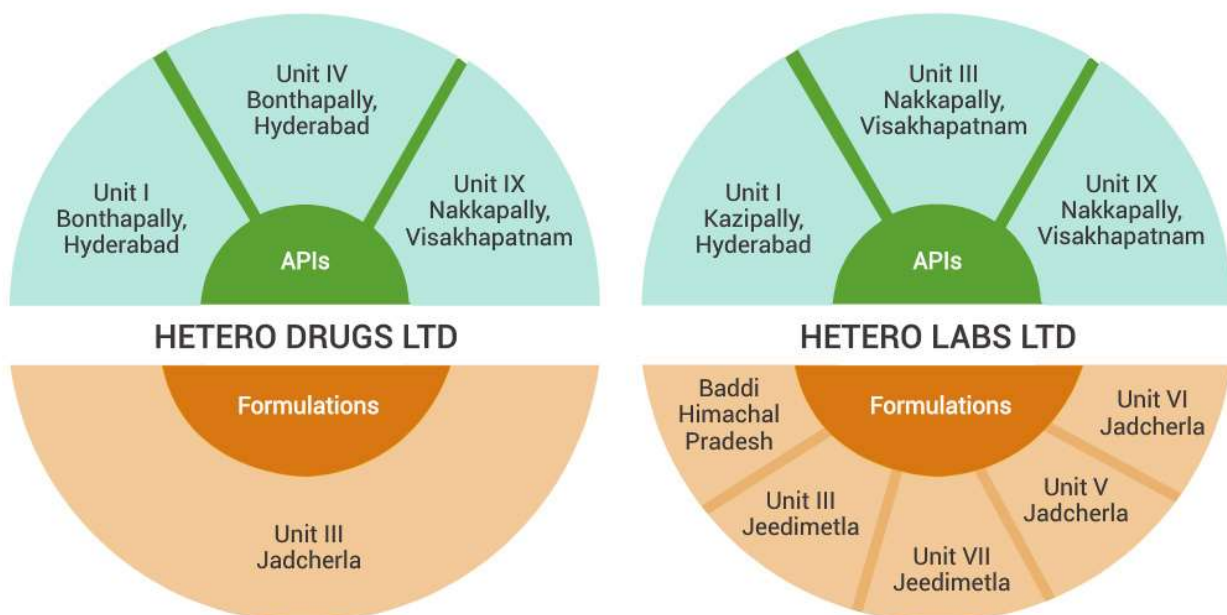
**Mr. Srinivasu Metlapalli**

Head Sustainability, Hetero Group

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Phone: + 91-40 23704923

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# OUR SUSTAINABILITY FOCUS

Hetero has always been an active proponent of inclusive growth and since inception it has been undertaking projects for overall development and welfare of the society. The Company aims to contribute to sustainable growth of the society at large. As a means to this end, Hetero will continue responding to society's expectations and demands in a holistic and decisive manner in the fields of environment, conservation of natural resources, health, education, rural development and among others.

Materiality of information is the soul of sustainability reporting. For us at Hetero, the challenges posed by the three pillars of sustainability (viz., economic, environmental and social) are of equal importance. Specifically, we are focusing on economic performance, climate change and social responsibility. These issues are addressed through various material aspects identified by an assessment process keeping in mind a sustainable approach, stakeholders' view and importance to business. Our internal stakeholders have in their regular interaction with various external stakeholders and have gathered understanding of sustainability expectations from the company. Since this is our first year of reporting, the assessment has been done internally through interactions with management and key employees. These discussions have provided input on the items which should be high on our sustainability agenda as these together pose risk and opportunity for the company. We have tried to align the focus of this report to the results of the survey.

Most of the manufacturing operations of Hetero are in India and majority of our people operate from India. The report is of our India operations and our materiality assessment is also based on India operations.

With the publication of this report we have achieved one more milestone in this journey, we are paralleling working on targets, goals and approach that we would like to achieve in the set time frame. These sustainability performance goals and targets will be brought out in our upcoming reports.

We have under each pillar of sustainability identified the following as the material issues for Hetero.

## Economic Performance

It was unanimously identified that the economic value that we generate in the area of operation has maximum impact on our employees and our ability to contribute to local communities and hence it has been identified as the material aspect on economic performance.

## Environmental Performance

Climate change and natural resource management certainly poses risk and opportunity for Hetero. It challenges us to live by our value of quality and affordable medicines. As climate change can make water even more scarce. Whereas enabling policy changes due to climate commitments of the country have so far made it possible for us to utilize alternate natural resources to meet our energy demand. We see these as opportunities in the future.

Our compliance to environmental laws and safety of people and our premise emerged as other critical aspects. Based on this we have identified following to be the material issues for us:

- a) Energy
- b) Emissions, specifically GHG emissions
- c) Compliance
- d) Health and Safety
- e) Water Management including waste water
- f) Waste Management – another resource



## Society

Our core responsibility towards society starts from our people at Hetero, followed by the society where we operate. Materiality assessment directed us to consider – our employees well-being in financial and non-financial ways which includes learning and development.

The boundary for society engagement is limited to our manufacturing units in India reported in this report. Only our social or CSR activities extend beyond the operating unit into the state of operation.

### ECONOMIC

#### Economic Performance

- EC1 Direct Economic Value Generated And Distributed

### ENVIRONMENTAL

#### Energy

- EN3 Energy consumption within the organization
- EN5 Energy intensity

#### Water

- EN8 Total water withdrawal by source

#### Emissions

- EN15 Direct greenhouse gas (GHG) emissions (scope 1)
- EN16 Energy indirect greenhouse gas (GHG) emissions (scope 2)
- EN18 Greenhouse gas (GHG) emissions intensity

#### Effluents and Waste

- EN22 Total water discharge by quality and destination
- EN23 Total weight of waste by type and disposal method

#### Compliance

- EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

### SOCIAL

#### LABOR PRACTICES AND DECENT WORK

##### Labor Practices and Decent Work

- LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region
- LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

##### Occupational Health and Safety

- LA5 Percentage of total workforce represented in formal joint management – worker health and safety committees that help monitor and advise on occupational health and safety programs
- LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

##### Training and Education

- LA9 Average hours of training per year per employee by gender, and by employee category

#### SOCIETY

##### Local Communities

- SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs

#### PRODUCT RESPONSIBILITY

##### Customer Health and Safety

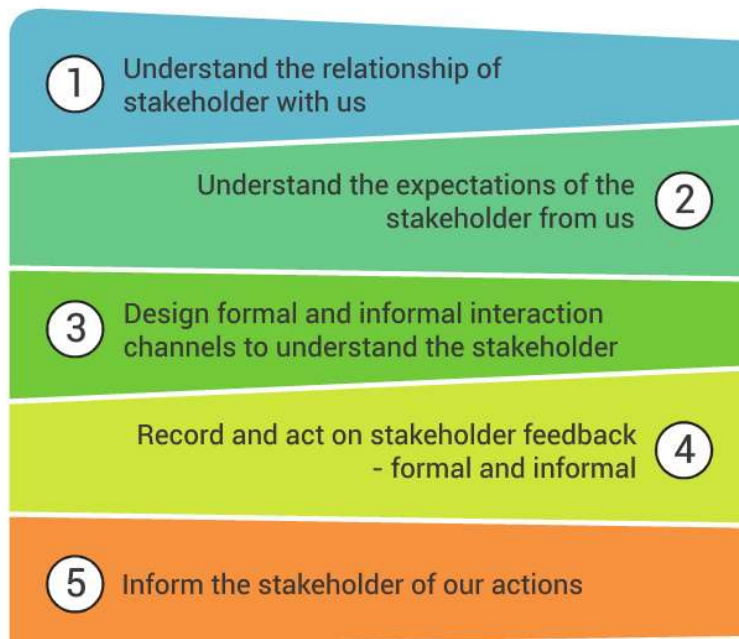
- PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

# STAKEHOLDERS' ENGAGEMENT

We take responsibility of all our stakeholders and to deliver responsibility to our key stakeholders is our core value. And to deliver on our core value it is inevitable that we engage in a dialogue with our stakeholders.

All stakeholders are different, have different expectations and require differentiated engagement methods. We understand these needs and structure our engagement with the stakeholders to meet these differentiated needs. While it is our endeavour to engage with each one of them at the highest level, it is important that we prioritize our stakeholders and our engagement with them.

## Stakeholder engagement at Hetero... guiding principles and actions



We have mapped our different stakeholders as government, local community, our people, customers and suppliers. Over the years we have realized that stakeholder's expectation on sharing information and engagement keeps changing. This changing expectation also guides us in our engagement process. This sustainability report is an example of one of the changing expectations of our stakeholders. Every year we mature on our engagement process and continuous improvement in stakeholder engagement helps us gain better insight into the stakeholder expectation and satisfaction levels.

In addition, we continue our efforts towards systems implementation in order to aid in the overall engagement process. We periodically engage our internal and external stakeholders either on pre-defined schedules and / or on an ongoing need basis. Our sustainability report preparation is done internally and all concerned function heads are engaged with for their inputs and performance details specific to their roles.



### Government

**Key Stakeholders:** State Pollution Control Board; Ministry of Corporate Affairs

**Expectation:** Compliance, CSR activities and monetary spent

### Investors

**Key Stakeholders:** Board of Directors and Bankers

**Expectation:** Profitability, transparency

### Society

**Key Stakeholders:** Local Community

**Expectation:** Managing environmental issues contributing to their upliftment

### Employees

**Key Stakeholders:** Full time and contract employees

**Expectation:** Non-discrimination, ethical work culture, transparency, safety, professional development and progression

### Customers

**Key Stakeholders:** B2B

**Expectation:** Quality, Reliability, Compliance, Best EHS practices

### Suppliers

**Key Stakeholders:** Contractors and material suppliers in India

**Expectation:** Ethical procurement practices, Health and safety



Appreciating the fact that the health of humans is inextricably linked to the health of our planet, we take an integrated approach to comprehensively cover all areas concern this domain. Beginning with the application of green chemistry principles in our production processes to effectively controlling emissions and conserving resources, we care at every step of our way.

Dr. C. Mohana Reddy  
Director



In FY 16-17, we had various types of engagements with each stakeholder to understand their expectations in details and to address them wherever possible.

## Government

Pollution control boards (PCBs) are one of the most significant regulator identified as an important stakeholder for this report. We have submitted all our environmental compliance reports to PCBs in a timely manner. Pollution control board officials visited Hetero facilities as needed to inspect and provide their feedback on our performance.

As per Companies Act, we are expected to inform on our CSR spend and activities to the regulators through annual financial report. We have shared this information with the regulators as per their expectations. Beyond this we engaged with the government at different forums in conferences, industry discussion forums etc.

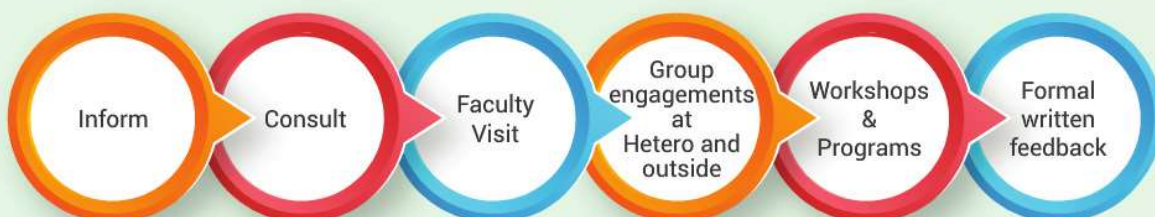
## Investors

Board of Directors met periodically to discuss on the key issues of business which include the material aspects covered in sustainability report. Minutes of meeting were recorded for further action. Our annual report is shared with concerned investors including bankers and other capital providers. Any other information sought by them is shared through individual meetings or through written communication.

## Society

We engage with the society i.e. local community through our structured community engagement plan where the CSR team, employee volunteers and others as relevant visit the local community for two way group or individual stakeholder consultations. Key stakeholder interactions are recorded through minutes of meetings. Community stakeholders are also encouraged to reach out to us directly for any concerns. Several camps and awareness sessions also provide them an opportunity to reach out to Hetero.

### Modes of Stakeholder Engagement at Hetero





## Employees

Employees are the heart of Hetero. We engage with them through formal and informal processes at Hetero. Their career progression is undertaken by a performance management process coordinated by the human resource department. Under Learning and development employees provide feedback on the training through feedback form. Grievance redressal mechanism is another form of receiving employee feedback on any topic of concern.

## Customers

Hetero is customer focused and is committed to understanding the present and changing needs of the customers and fulfilling the same for achieving total customer satisfaction. On regular basis, Customer feedbacks are undertaken through structured customer feedback form. These feedbacks, along with information gathered during market visits and customer interactions at various fora, act as an unbiased source of consumer insights. Further, the Company has adopted a robust mechanism of imbibing the consumer learnings within the system. The insights gets integrated with the Strategic Business Plan of the Company, which is reviewed on a regular basis for improving it even further. We encourage customer visits and are open to all customer audits. Various awards and accolades received by the Company is a testimony of customer-centric approach adopted by the Company.



Kreedotsav - Sports Event



Leadership Training Program



New Hire Orientation Programme



Varalakshmi Vratam Celebrations



## Suppliers

Feedback or concerns from Suppliers are recorded by the procurement / purchase department and further shares it with the concerned departments for resolving. We also engage informally with them through supplier meets.

Contractors who carry out major works and supply manpower to us are engaged in safety training and brief about other important practices of Hetero on a need basis. They are also encouraged to engage with individual units to address their concerns.

While we have been engaging with our stakeholders in several ways, we intend to further sharpen the focus of these engagements to enhance the sustainability focus.



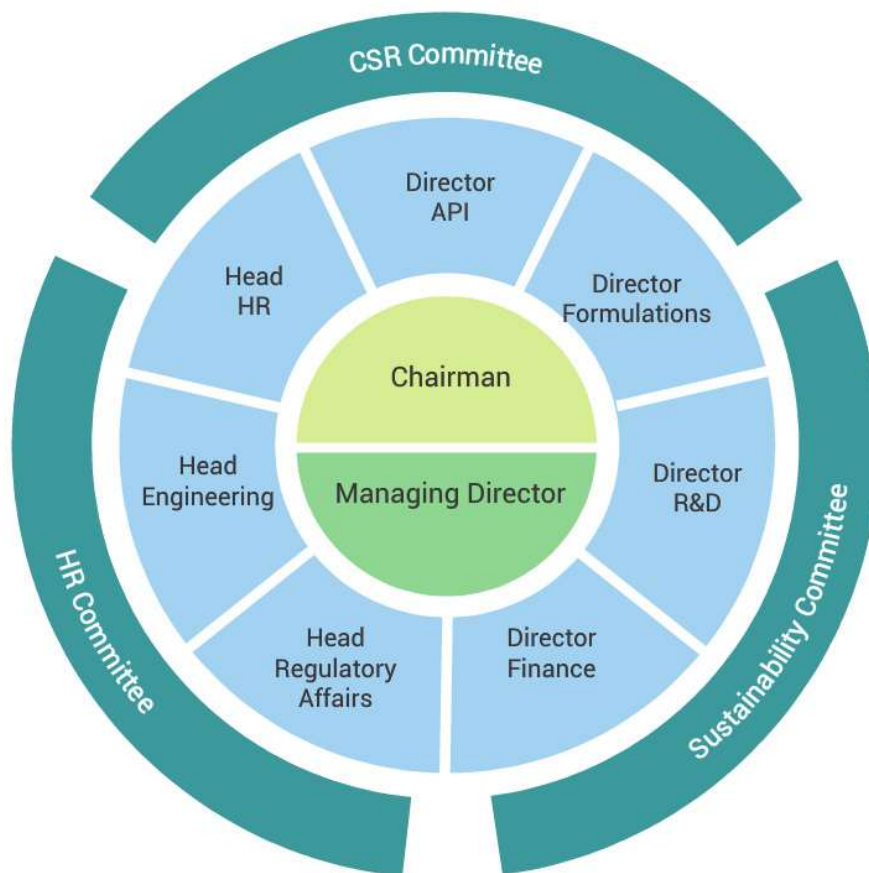




Corporate Office, Hyderabad



# GOVERNANCE AT HETERO



Practices and systems are essential to good governance. Quick and timely action at all levels is also inherent to good governance. At Hetero we act by our core values and amongst them Quality, Dynamism and Responsibility are the values which guide our governance system. Hetero Labs and Hetero drugs are both unlisted limited companies.

The board of directors is the highest governing body at Hetero. This body steers company's strategic directions. Our Board of Directors comprises of Chairman, Managing Director, Executive Director, Whole-Time Directors and Independent Directors. We have total of eight board of directors out of which one is a female director and two are independent directors. Our chairman, a visionary who is living his dream of shaping a healthy world, is our senior most executive. Under his visionary leadership and incessant quest for quality the company has attained, maintained its position and continues to prosper. Promoters and other directors are the primary shareholders of the company.

The company is exposed to several types of risks originating from the sector of its operations. These inherent risks in the business operations have to be managed by the company in order to operate in a sustainable manner. To evaluate these risks and address them objectively and in a timely manner, the company has set up a risk management process. The company has adopted new and effective tools and continues to include them and imbibe them into the risk management system. This proactive approach assists the board of directors to conduct timely review and correction wherever needed.

Several committees involving 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 directors or the board of directors:



The sustainability committee is headed by our Managing Director Dr. Vamsi Krishna Bandi. The committee comprises of heads of following departments / functions - Sustainability, Corporate Communications, CSR, HSE, Human Resources and Learning and Development. This committee has the responsibility of formulating and driving the sustainability initiatives of the company.

All committees meet as per their need. Relevant items/matters discussed by these committees are presented before the board of directors in the board meetings as and when needed.

The board of directors and the above-mentioned committees are guided by the policies formulated by Hetero. Some of these policies are:



At Hetero we believe that a healthy work atmosphere is a significant contributor towards motivated employees. To encourage our employees to report any grievance we have a structured grievance redressal mechanism.





# ECONOMIC PERFORMANCE



Science brings about innovation and applying scientific innovations builds businesses with sound foundations. We have always centered our work around applying science to supply affordable medicines globally to those in need. Hence, we generate economic value from utilizing science to meet societal needs.

To operate, manage and grow at Hetero we need people with varied skills and in various geographies across the globe. We try to have the right blend of people in all our operations. So far in our India operations we have been able to find the required skill sets primarily in the state that we operate. We firmly believe that people suitable for our business can belong to any gender. In our recruitment and people growth, we focus on their knowledge and ability to contribute to the organization and do not differentiate based on gender. Our salary structure and other economic benefits are similar for both the genders. In last two years of hiring, the percentage of women employees hired has doubled.

**DIRECT ECONOMIC VALUE  
GENERATED AND DISTRIBUTED (Million Rupees)**



Over the years we have made consistent financial progress, while growing financially we have also laid the foundation for economic growth of the society by our special efforts of incubating and training fresh graduates to the industry requirements. This is an important economic investment and we are committed to making strong foundations.

**K.V. Bhaskara Reddy**  
Director



### ORGANIZATION'S DEFINED BENEFIT PLAN OBLIGATIONS (Million Rupees)



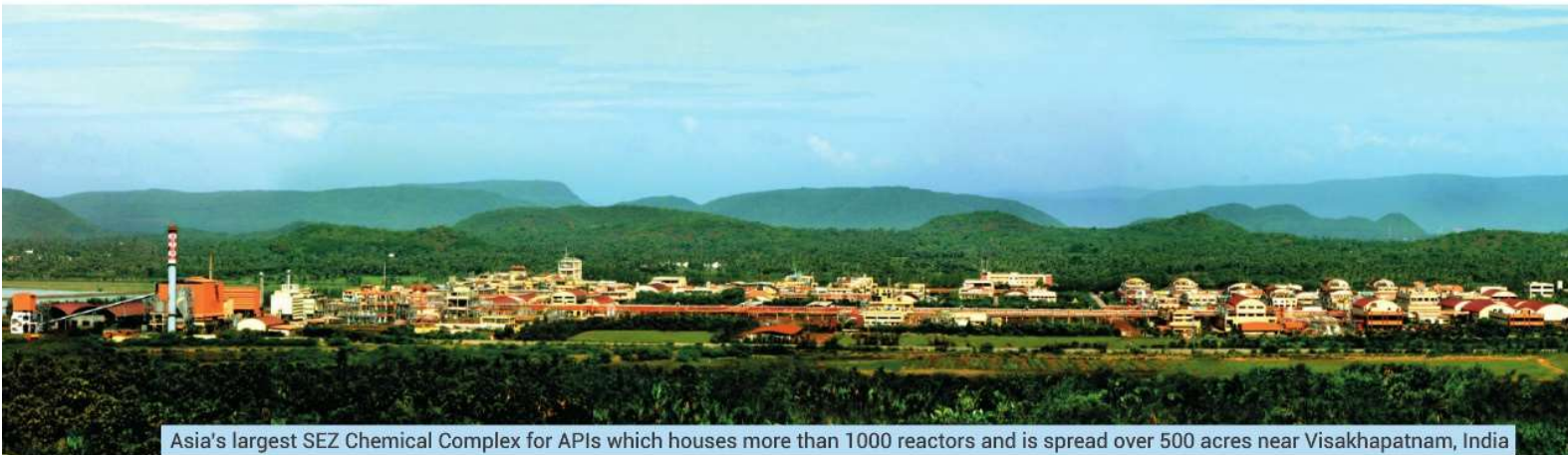
This financial year our profit was INR 7918.44 Million. Details of our annual business are reported in annual report. Our business has its footprint in 120 countries with India being the primary geography of operation.

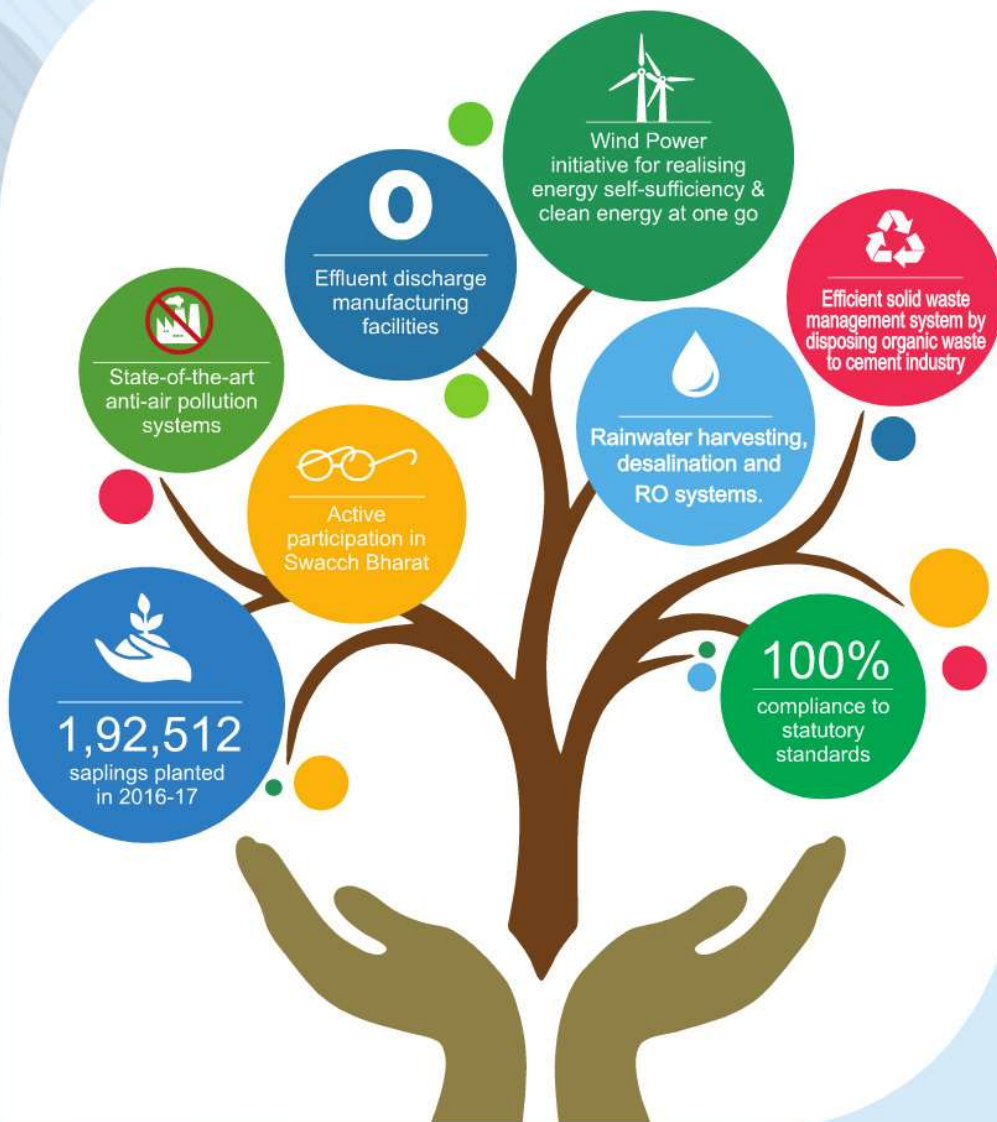
We interact with about 24938 vendors / suppliers for various operational needs. To meet the quality and standards that we set for our products, supply chain must also match the steps. Our suppliers performance is reviewed by Hetero and they are engaged, encouraged and supported in various manner to adopt better Environment, health and safety practices. In FY 16-17, 85% of our supplies came from suppliers based in India. It can be said that our business contributes positively to the local economic footprint.





## OUR MANUFACTURING FACILITIES





# ENVIRONMENTAL PERFORMANCE

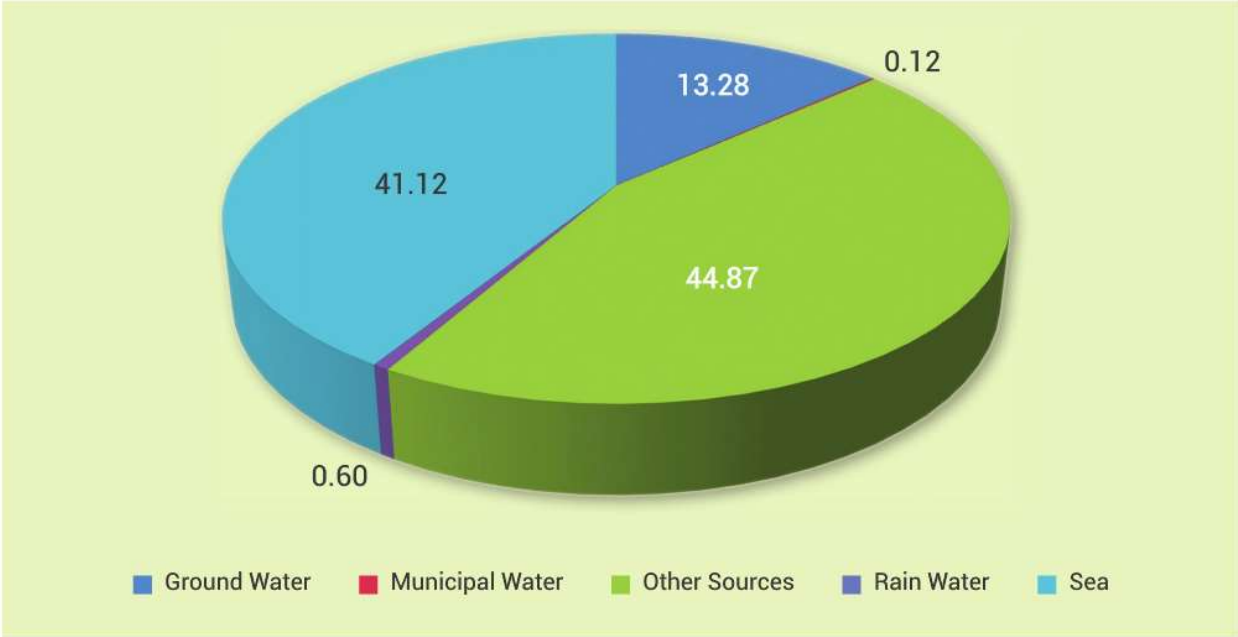


Compliance has always been a high priority area for the company. It requires continuous efforts to meet the continuously changing regulatory compliances but we take extra effort to ensure that we keep up with the environmental compliance requirements spelt out by the regulatory authorities from time to time. To maintain compliance we have to sometimes develop innovative solutions which also strengthen our operational performance. This year we were compliant with the local environmental compliance requirements and did not have to pay any monetary or non-monetary fines.

### Water Management

**Water.** We understand that water is a precious resource and may become scarce in times to come. In the year 2016-17 we have consumed about 0.804 million m<sup>3</sup> of water, out of which about 41.1% of the water was withdrawn from sea for our units located in Andhra Pradesh. We walked an extra mile and invested in a 6MLD desalination plant instead of disturbing the ground water resources at the site. We have last year embarked on the journey of rainwater collection and reuse by implementing rain water collection structures at our manufacturing facility at Kazipally and Bonthapally. Total rain water holding storage is about 14,000 KL. While it represents only 0.6% of the total water used as a group, it makes up 5% of the total water utilized in that facility at Kazipally. Our effort is to increase the water consumption from recycled water at all the units. Our facilities maintain large greenbelts amounting to over 200 acres of green spaces. To maintain this green space, we utilize recycled water and fresh water.

Fresh Water Consumption by Source by %



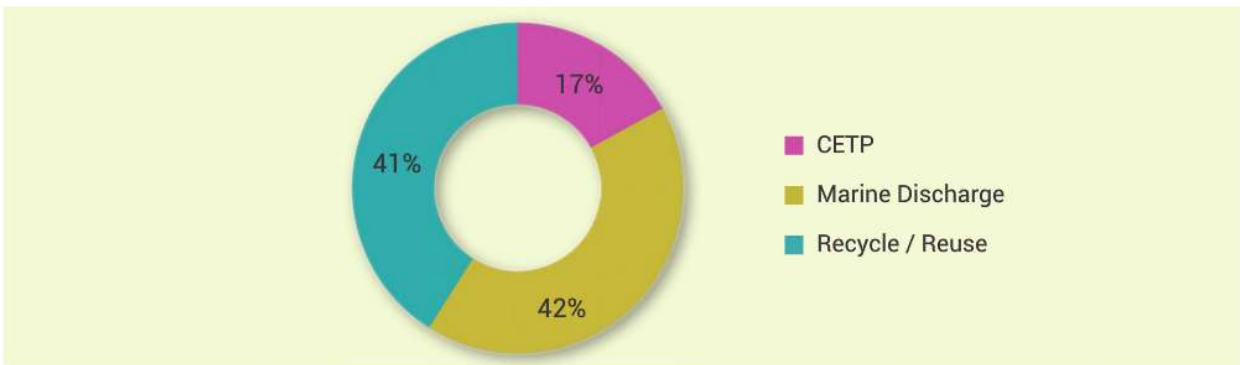


### Waste water

It is our endeavour to minimize the waste from our facilities and also improve the quality of treated effluent to not only comply with the regulations but also have a positive impact on the ecology. In FY 16-17 we achieved recycling and reuse for about 41% of the waste water generated. This year 0.146 Mm<sup>3</sup> of water was treated and sent back from our facilities into the sea. As quality is of utmost importance to the organization, we make sure that the waste water quality satisfies all the regulatory standards set by the governing bodies. We have set up state-of-the-art treatment facilities at several of our units. Manufacturing units requiring zero liquid discharge as per the compliance have been equipped with the required technology and processes to ensure that waste water is managed within our premise. Treated waste water quality is tested and checked both at in-house laboratories and confirmed periodically by authorized agencies.

Out of total water used 13% is recycled water.

Waste Water Disposal Pattern by %



It is our constant endeavour to minimize resource utilization. As water is a crucial resource we are always looking for opportunities of reducing fresh water intake. As a result, in FY 16-17, 13% of the total water consumed came from recycled water generated from our operations. In all our facilities which follow zero liquid discharge concept, we utilize treated waste water in non-process operations like utilities.

Water Consumption Pattern



## Waste Management

Our treatment to waste management lies in the HSE policy of the company which says “optimize the use of resources through reduction, reuse, recycling, continuous research and use of efficient technology”. Process rejects / residues, distillation residue, spent carbon, evaporation salts, ETP sludge and bio-medical waste are the major hazardous waste generated this year.

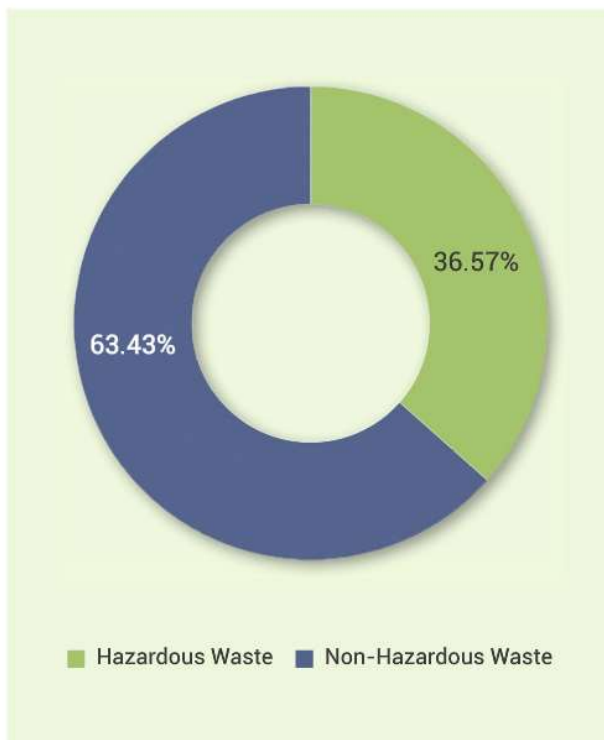
Our hazardous waste reaches the landfill only after we have explored the feasible uses for our waste. Last year we generated about 7468 MT of hazardous waste. With constant efforts we were able to send 69.7 % of hazardous waste for co-processing of the total hazardous generated in the last year. We have been working with authorized agencies to increase the percentage of Co processing.

69.7% of our Hazardous waste is co-processed.

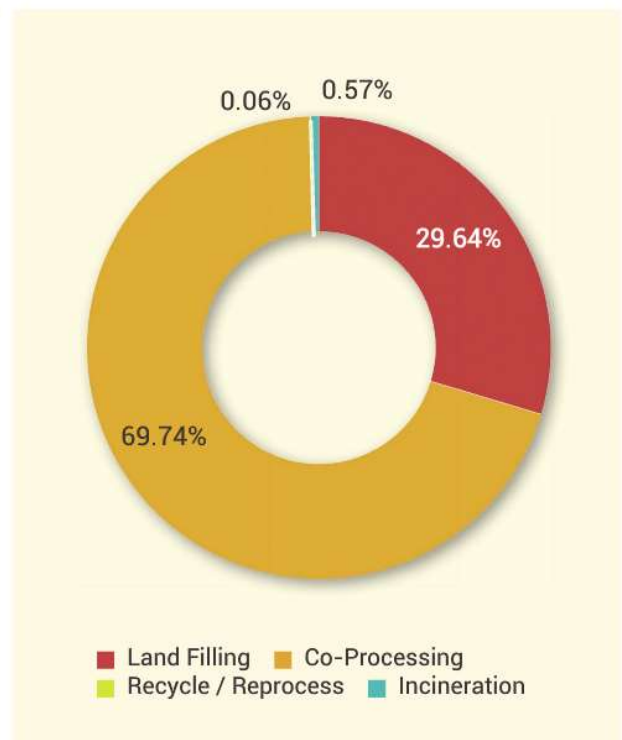
In FY 16-17 our total non-hazardous waste generated was 12951 MT. Our non-hazardous waste primarily includes metal scrap, plastic-including packaging material, and paper – including packaging material, rubber and glass.

We are conscious about the challenges of landfill being faced across the globe, hence we always take extra effort to send all non-hazardous waste for recycling purposes through our recyclers.

Waste Generation by Type



Waste Disposal Profile







## ENVIRONMENTAL PERFORMANCE

### Energy Management

Energy is the heart of industrial growth. We always strive to achieve energy efficiency in all our processes through well researched and well-designed energy solutions. In this year, company took a series of energy conservation measures (known as Encon measures) at its manufacturing facilities. The measures and results of those measures at Vishakapatnam and Kazipally have resulted in CII National award on energy management for the company. As optimizing energy consumption has direct positive impact on climate change, it is the essence of company's energy policy. The other important agenda for the company is to increase the usage of cleaner and renewable sources of energy.

At production units diesel, furnace oil, coal and biomass based briquettes are used as energy source apart from the energy purchased from grid. At some of the manufacturing units we are switching to biomass based briquettes. Manufacturing unit at Jeedimetla has taken a huge leap by completely shifting to biomass based fuel despite all the challenges and odds faced in the process. This has resulted in nearly eliminating the use of coal and furnace oil for steam generation at manufacturing facility located at Jeedimetla. Overall, we consume 1541.76 TJ of energy in our production process for process steam and hot water.

Our facilities at Kazipally and at Nakkapally, Vishakapatnam took the lead and were awarded by CII for excellence in energy management during 2016-17.

Power for all our units is primarily supplied through the electricity grid. Diesel generators are essentially used as power backup sources during failure of grid based power supply. To further our commitment towards clean energy and climate change, we have set up captive renewable energy units in Andhra Pradesh, Telangana and Maharashtra. This year company utilized 271TJ of wind energy.

During the reporting period total power consumed was 2328.18 TJ and the energy intensity of our business operations has been 0.033 TJ/ million rupees of revenue generated.



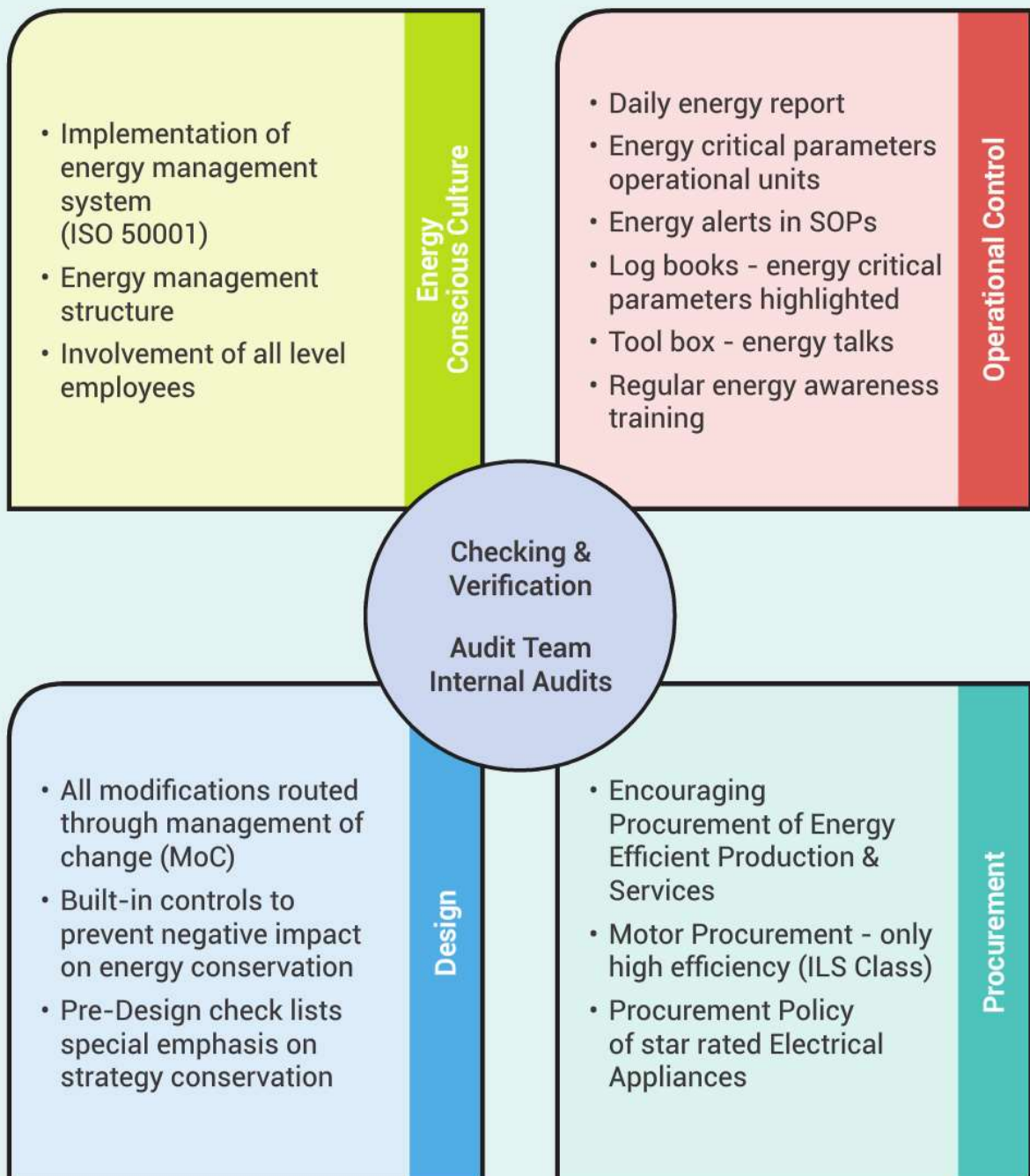
Responsible corporate behaviour starts with our people. We view volunteering by our employees to participate in our community initiatives as an endorsement of our efforts and adds strength to it. It also brings deep satisfaction to see leaders from within our organization joining hands and pushing us to make big strides.

**P. Bhaskar Reddy**  
Vice President





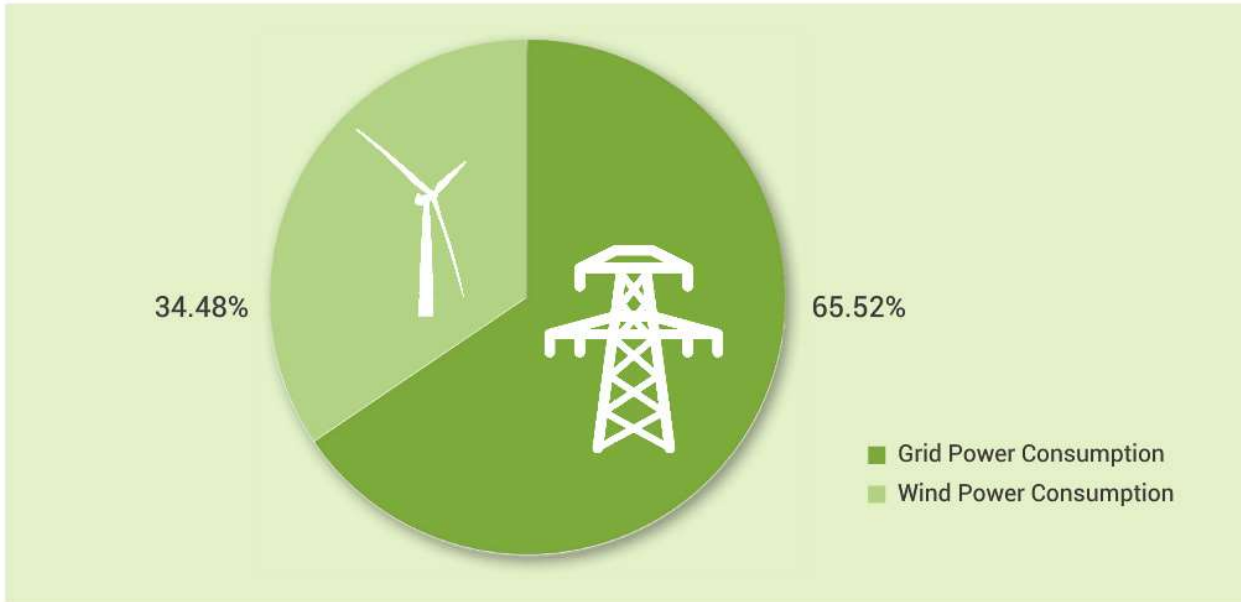
## Energy Management System



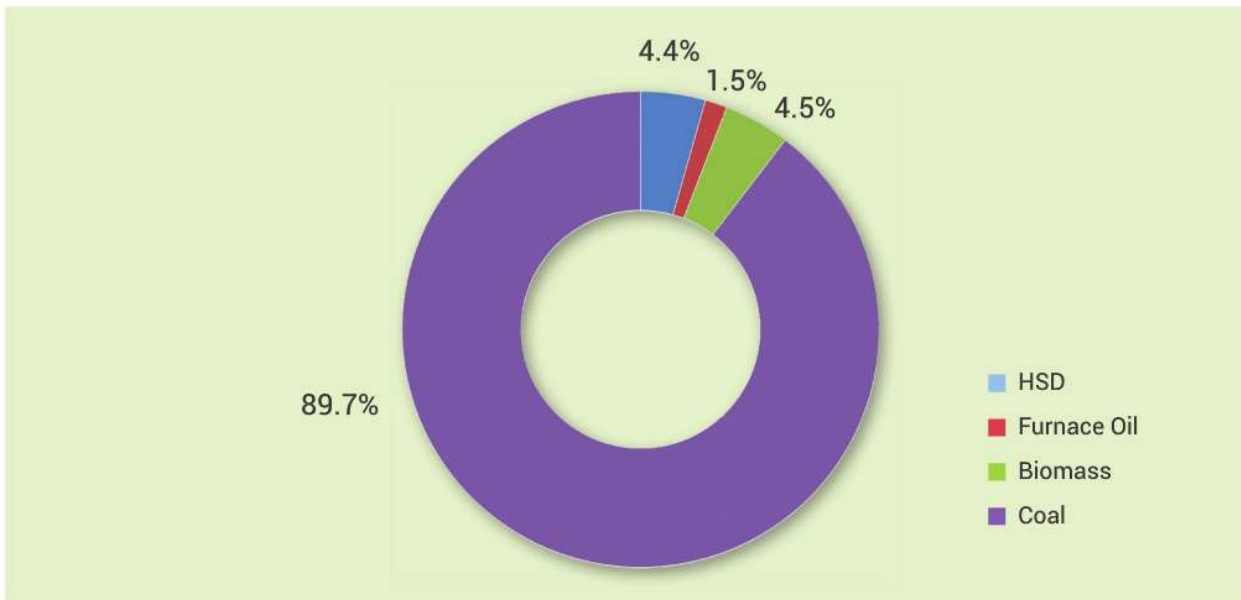


## ENVIRONMENTAL PERFORMANCE

### Energy Consumption Pattern



### Fuel Consumption Pattern



Energy from Grid Power (in TJ)	Energy from Wind Power (in TJ)	Energy from Fuel (in TJ)	Total Energy Consumption (in TJ)
515.2	271.2	1541.76	2328.2





## Climate Change

Impacts of climate change will be felt by one and all and addressing it is essential for sustainable business continuum. It is a reality today and we acknowledge it. Companies energy policy acknowledges the need to reduce carbon emission in our energy portfolio, as it is one of the largest contributors to our carbon footprint. Beyond this we operate in country and regions where fresh water is available but is rising to become a constraint. Hence, we have initiated rainwater collection and reuse process. Climate change is relatively new in the set of environmental responsibilities shouldered by the company and will evolve in the years to come.

This year for the first time we have estimated GHG emission from our operations and those from purchased energy. Our scope 1 and scope 2 GHG emissions were found to be 137564 tCO<sub>2</sub>e and 117362 tCO<sub>2</sub>e. The intensity of our GHG Emissions is 3.68tCO<sub>2</sub>e/million rupees revenue.

In FY 16-17 company planted 1,92,512 number of tree saplings many of which were planted under Harita Haram Program.

Trees are natural sink of GHGs. We have developed an average tree and landscape based green cover of about 33% in our operations, which far exceeds the minimum green cover requirement stipulated in all our environmental clearances. Beyond its premises, the company has also participated in the Government of Telangana climate change initiatives like Harita Haram. In FY 16-17 company planted 192512 number of tree saplings many of which were planted under Harita Haram Program.

We have been increasing the contribution of renewable energy in our portfolio both in the form of power and fuel used. This year nearly 34% of our entire power utilized was received through wind power.



Our people are greatest assets to the company. Their knowledge, hard work and dedication in the journey of Hetero is respected and cherished. We keep working together to maintain their satisfaction and sustainable growth trajectory.

**Dr. G. Palleswara Rao**  
Director

### Our Carbon Profile Estimation

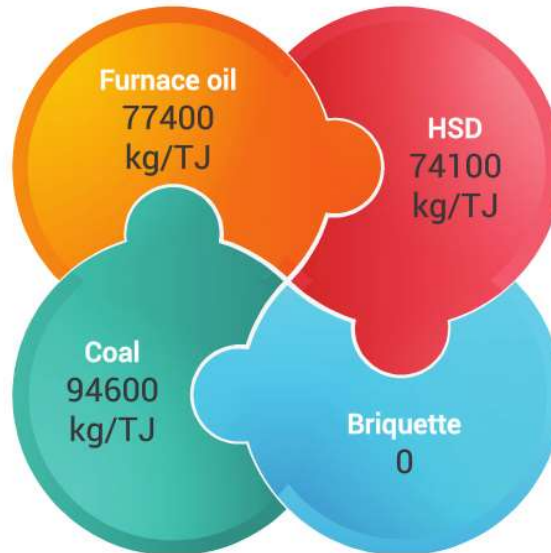
Most of our GHG emissions within the premises occur due to fuel consumption for steam and power generation. The contribution of other GHG emissions sources like refrigerants, STP sludge is limited. This year our GHG emissions under scope 1 have been reported for fuel consumption only. Our manufacturing sites also provide large GHG sink, comprising of trees which are a part of our green belt. The total green belt area of all our sites is 244 acres. Currently, the GHG emissions in this report includes CO<sub>2</sub> emissions only. However, in future, we intend to carry out a comprehensive carbon footprint assessment of our manufacturing units.

About 34% of our entire power utilized was received through wind power.

Being our first year of GHG emission estimation we undertake this as our base year. The scope for GHG calculation is India operations and the company has operational control in these operations. Global warming potential for CO<sub>2</sub> is 1.

Scope 1 GHG emissions are calculated as the energy of each fuel type multiplied by the emission factor. GHG emission factor for all the fuels have been derived from Intergovernmental Panel on Climate Change (IPCC)<sup>1</sup>.

GHG Emission factor



Scope 2 GHG emissions are emissions occurring due to power purchased from the grid. The scope 2 emission is calculated as Grid Power consumed multiplied by the grid emission factor. The GHG emission factor for electricity grid in India is 0.82 tCO<sub>2</sub>/kWh<sup>2</sup>.

<sup>1</sup> [http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_2\\_Ch2\\_Stationary\\_Combustion.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf)  
<sup>2</sup> [http://www.cea.nic.in/reports/others/thermal/tpece/cdm\\_co2/user\\_guide\\_ver11.pdf](http://www.cea.nic.in/reports/others/thermal/tpece/cdm_co2/user_guide_ver11.pdf)



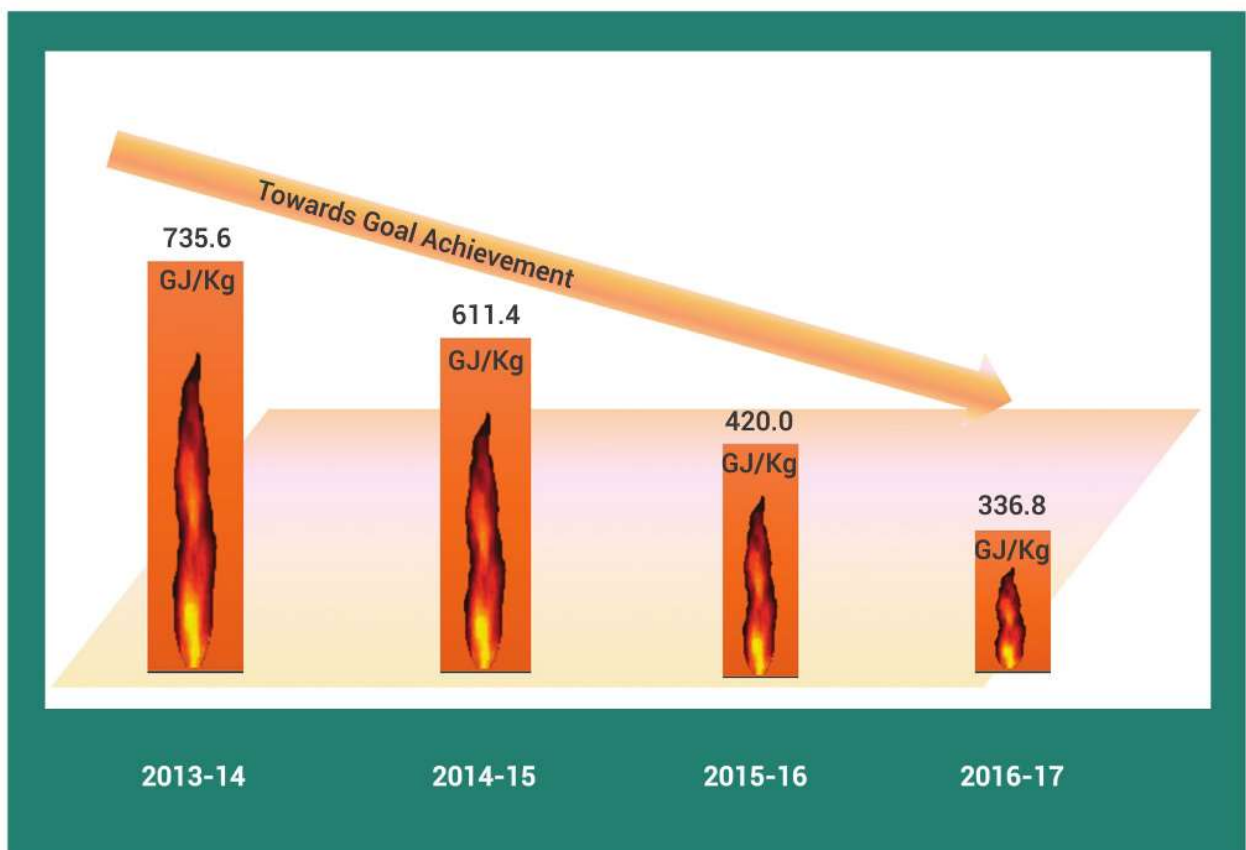
### Bringing climate change into forefront through energy-water nexus – A case study:

At Hetero we believe in comprehensive approach when addressing environmental initiatives. We undertake implementation of a set of environmental improvements at select units. After testing and successful implementation, we gradually replicate them at other units and also enhance and customize them to that unit.

Our focus for the FY 16-17 was on water-energy nexus as they are not only two critical parameters of process but also significant contributors to effective response on climate change mitigation and preparedness.

Our facilities at Kazipally (Unit I) and at Nakkapally, Vishakapatnam took the lead and were awarded by CII for Excellence in Energy Management during FY 16-17.

Systematic approach and people participation make the recipe for success of such initiatives. To identify focused areas of energy conservation, Vishakapatnam unit underwent task specific audit for cooling tower, condensate recovery and pumping system, in addition to the regular energy audit.





## ENVIRONMENTAL PERFORMANCE

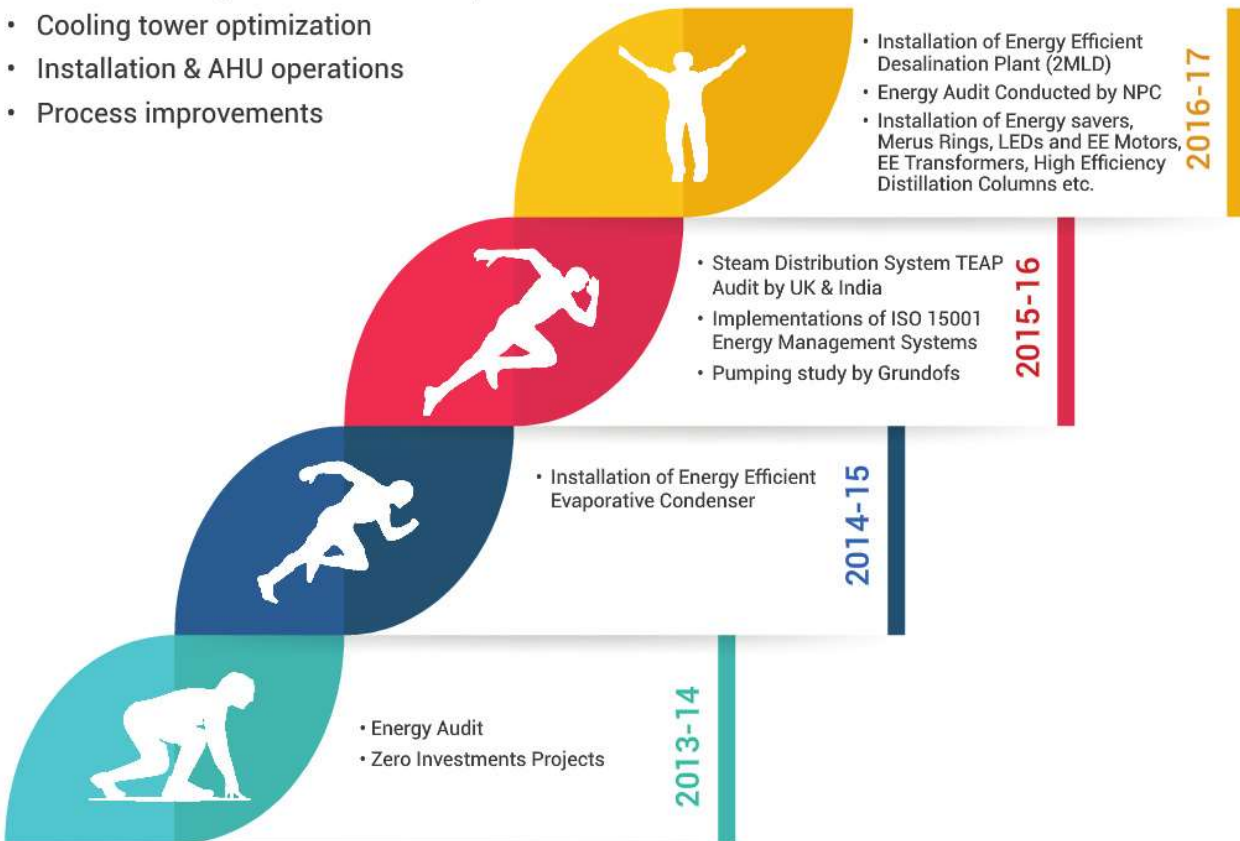
### Key Achievements for Energy Performance Improvement

#### ... at Vishakapatnam

- Installation of I-save desalination plant was one of the biggest achievements
- Utilisation of captive wind power
- Chilling plant optimization
- Boiler efficiency and steam recovery
- Cooling tower optimization
- Installation & AHU operations
- Process improvements

#### ... at Kazipally

- Stripper
- Multiple Effect Evaporator
- Capacity enhancement and adoption of new technologies



We at Hetero are committed to sustainability through ensuring compliance to all regulatory requirements. Compliance to regulations is an integral part of operational practices. Adopting of innovative approaches towards influencing environmental footprint, social and economic aspects.

A. Sudhakar Reddy  
Associate Vice President





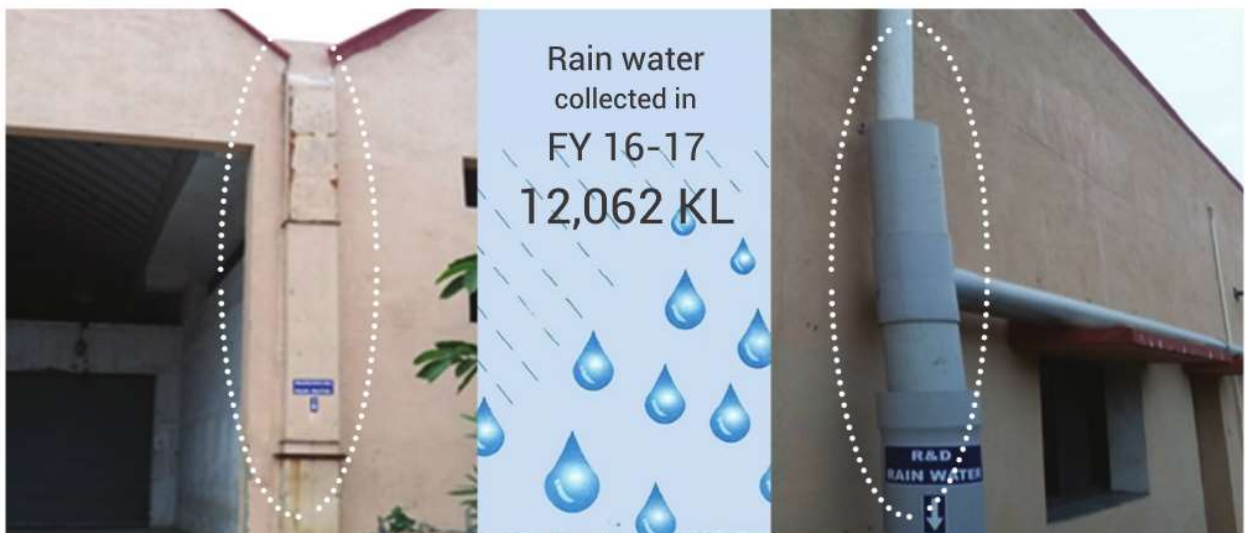
Biological Effluent Treatment Plant, Jadcherla, Hyderabad



Multiple Effect Evaporator Plant, Bonthapally, Hyderabad

The audits results were implemented as 12 Encon measures which resulted in energy saving of 3.6 million kWh and Thermal saving of 5200 million kcal with an investment of 10.9 million INR. Employees were motivated with the spot recognition award scheme for effective implementation of energy saving ideas.

In addition, the site also took up rain water harvesting to reduce the freshwater usage by 5%. Rainwater is collected from the roof top through special collection structures and utilized at site for treating the feed to Boiler, Fire Hydrant Sump, Cooling Towers and Domestic purpose.



**HARVESTING RAINWATER**



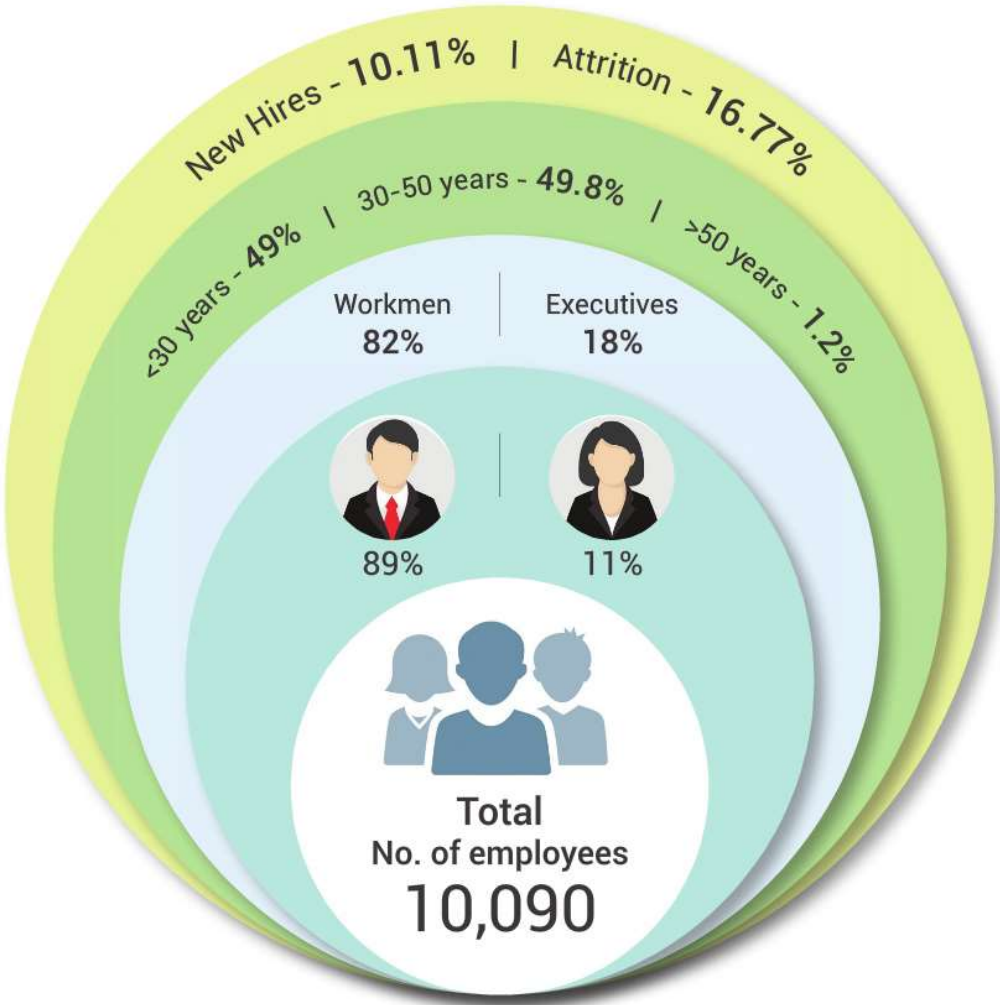


# SOCIAL PERFORMANCE

One of our value 'Responsibility' encircles around people that means stakeholders. It signifies the importance that we place people from all parts of the society that connect with our business. Our employees and local community in the vicinity of our operations are the immediate stakeholders. They make us who we are and so it is our responsibility to make a positive impact on them and their lives.

### Our People

At Hetero we take responsibility of our people. In FY 16-17, we employed 10090 people at our premises. To ensure that every employee receives his rights, feels valued and finds freedom to express himself, the company has developed policies which guide one and all in the organization on their conduct towards others and sets guidelines on rightful expectation of employees from the company as well. Some of the key policies in this aspect are the social policy, remuneration policy, and employee grievance policy.





## Non-discrimination and right to association

We at Hetero do not discriminate amongst people based on race, religion, caste, gender, nationality, color, marital status etc. right from hiring process to promotions to remunerations to retirement. We believe in the merit of the work delivered by the person. It strongly conveys no tolerance policy on behaviour of discrimination displayed by any employee not only at Hetero premises but also at residence and other locations provided on lease by Hetero. At Hetero all employees have the right to form and join organizations or associate with them to collectively bargain with the company. However, in FY 16-17, none of the employees have engaged themselves in any collective bargaining arrangements like unions or associations.

## Employment with Hetero

Hetero strictly follows the policy of no child labour either as permanent, contingent or allied labour. All employees at Hetero choose to be a part of Hetero as per their will and are free to discontinue their services with the company after serving appropriate notice period. Hetero's social policy clearly identifies that the company does not engage in any form of forced or compulsory labour nor does it require employees to pay any deposits.

All other aspects of people employment and progression are ensured by the human resource department. Remuneration of each employee is governed by the remuneration policy. The minimum wages at Hetero do not vary based on gender. The minimum wage provided by Hetero is in compliance with the labour law in India.

Full-time employees are provided with all the benefits stipulated in the local law like superannuation, employee provident fund, maternity leave, higher bonus rates etc. This year we also engaged 3296 contract employees. Similarly to our full time employees, Hetero also emphasises and ensures that contract employees receive benefits mandated by the law. We extend several benefits to our full-time employees which are beyond the minimum statutory requirement. 11% of our workforce is represented by females. We provide these female employees a special maternity allowance on the birth of their first two children. Many of the benefits that we provide our employees are bonuses and allowance which are appreciation and acknowledgement of their adherence to good practices, hard work and commitment demonstrated by them while conducting their duties.

Some of the other benefits and appreciation allowances extended to our full time employees

- |                         |   |                                |
|-------------------------|---|--------------------------------|
| • Production Allowance  | • GET (GMP Enforcement Team) Allowance    | • Maternity Amount             |
| • Attendance Bonus      | • SET (Safety Enforcement Team) Allowance | • Merit Rating Reward          |
| • Night Shift Allowance |   | • Children Education Allowance |

## Engaging People in Knowledge Development

Knowledge is one of the core values at Hetero. We perceive it as the key enabler in our success. Knowledge is to be gained and updated regularly. We encourage our employees on the hands-on-learning, self-learning and structured specialized training and awareness sessions conducted at Hetero. Our dedicated learning and development team works continuously towards understanding the training needs of our people, and building well designed training programmes around those themes. We have a learning and development policy to guide our people's training program. Our Company Policy expects that each employee must receive a minimum of 3 days of training in a year. Though actual requirements may vary year on year. This year we achieved 5.78 days of training per person (i.e. 46.24 hrs/person).



**Prabhakar Muthyala**  
Head HR - API

We at Hetero, give utmost priority to people development and ensure that all the employees are satisfied by utilizing their skills and knowledge to the fullest extent.

We also believe that young talent development is critical for future sustainability and accordingly planning several development programs coupled with people friendly policies.



**KV Raghava Reddy**  
Head HR - Formulations



## SOCIAL PERFORMANCE

### Developing the Skills of Youth



We have always provided training to our employees, but now it is time to look at the youth graduating from college where the right potential / talent was lying hidden in the youth. L&D drew a structural plan on hiring college pass outs and trained them on various departmental functions and required knowledge and skill. In two years this youth has been able to completely synchronize with the operations of the company. So far, Manthan platform has inducted about 1500 college pass outs already and another 500 in the training labs as on date.

### Our Other Differentiating L&D Programs



Mental and Physical health enhancement activities like yoga, sports meet, meditation events



**KREEDOTSAV**



## Occupational Health and Safety

Our purpose is to provide affordable medicines which will meet the health needs of every person. When our purpose is to meet the health needs of every person in the globe, it is unimaginable for us to not turn and look at the needs of our immediate community. We have implemented the best occupational, health and safety system i.e. OHSAS 18001 in all our manufacturing facilities. 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. 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.

## People Health at Work

We take responsibility of good health of our employees. Timely detection of any health issues is the best way to manage it. We undertake regular health check-up for all our employees and contract employees as well.

Safety at work is paramount but challenging to monitor in numbers. We have established systems for monitoring the workplace safety data, however we do see scope for further improvement. We are committed towards improving the reporting system. In FY 16-17, a total of 339 first aid cases were reported, whereas the frequency rate was 0.182 and severity rate was 8.9<sup>1</sup>. We did not experience any fatality this year. None of the females working in our premises were hurt during the process.

## Customer Health and Safety

As a core part of its business, Hetero has put processes in place for the continuous and systematic review of the benefit-risk profile of all products in its portfolio, including those that are on the market as well as those that are still in development. These processes are designed to ensure the best possible safety and therapeutic benefit for patients. We follow health and safety testing procedures for all our products.

The Hetero safety risk management process begins early in the development of new products. For new molecules pharmacovigilance team develop safety monitoring and risk management plans. The routine, continuous monitoring of the benefit-risk profile of each compound in the Hetero portfolio based on all the safety data collected is the primary responsibility of cross-functional safety management teams under the leadership of a dedicated safety physician. Confirmed changes in the safety profile of any marketed product are then incorporated in the product label.

Safety data are closely scrutinized both internally and by regulators when assessing whether the benefits of a drug are expected to outweigh the potential risks, which is a pre-requisite for gaining marketing approval. Post-marketing pharmacovigilance activities play an important role in our ability to gain a deeper understanding of the safety profile of a specific product.

<sup>1</sup> This includes our employees and contract employees. Frequency rate is reported as number of lost time injuries per million man hours worked and severity rate is reported as man days lost per million man hours worked.





### Our Community / Society

From nascent stage of the company the purpose and core values of our company have guided us in our engagement with the community. Later, we formulated it into structured CSR policy.

#### CSR Vision

The corporate social responsibility vision of Hetero is to achieve excellence in all its CSR initiatives and thereby provide a sustainable environment and a better quality of life to the society at large.

#### CSR Mission

Hetero strongly believes that community is one of the key stakeholders of Hetero and is committed to provide support with their needs.

7 areas identified for community initiatives:

- Drinking Water and Sanitation
- Education
- Public Health
- Sports and Games
- Adoption of Villages
- Building an eco-friendly environment
- Women Empowerment

All the CSR activities of Hetero have been mapped with the specified activities under Schedule VII of the Companies Act, 2013.



## Identification and implementation of community initiatives

Our CSR teams continuously interact with the community on the challenges in their daily lives through formal and informal modes of engagement. We do not implement our CSR activities as merely a philanthropic activity. Instead we have structured the process of implementing the CSR initiatives in such a way that every rupee spent results in meaningful returns for the society. This helps us to achieve a balanced approach.

### CSR Team

With the guidance of CSR Committee, the CSR team will prepare and propose the CSR plan with the execution modalities and implementation schedules to the Board.

### CSR Committee

It periodically updates the Board on the status of the CSR plan.

### Board of Directors

Institute a transparent monitoring mechanism for implementation of the CSR projects, programmes or activities undertaken by the company.

**At Hetero we have devised three implementation models for implementing the CSR activities:**

1. Incubation Model (Tier-I): To adopt villages and develop them into model villages.
2. Capacity Building Model (Tier-II): To build the capacities' in order to empower both men and women including children with the support of collaborators, government and like-minded institutions.
3. Advocacy Model (Tier-III): To facilitate a change to address the underlying root causes for the poverty.

We have a well-defined governance structure to implement and monitor the CSR activities.



Empowerment of the communities is the ultimate objective of our CSR activities. We are continuously making efforts to engage with communities such that they learn to become self-reliant in times to come.

M Prasad Reddy  
Associate Vice President



EDUCATION

# EMPOWERING THE FUTURE WITH EDUCATION



## Achievements in Numbers

	Education Support <b>Beneficiaries: 461</b>
	Infrastructure <b>Beneficiaries: 3,536</b>
	Vidya Volunteers <b>Beneficiaries: 5,055</b>
	Uniforms, Books & Bags <b>Beneficiaries: 15,119</b>
	Nutrition <b>Beneficiaries: 7,700</b>

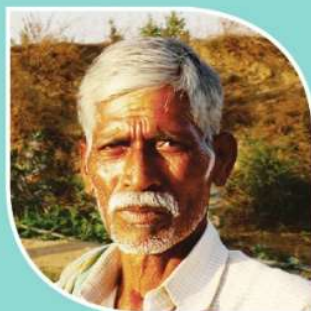
Hetero recognises education as the key driver of societal progress. And education occupies a distinctive place among the wide assortment of CSR programs we undertake. Over the years, we have made pioneering strides to streamline our outreach processes for improving access to quality education for students. For starters, our wide-ranging endeavours support primary, secondary and higher secondary education in villages adjoining our manufacturing facilities.

From appraising the needs at the grassroots level to working for their fulfilment, from evolving with novel means to enhance accessibility to ensuring sustainability of initiatives, we are helping such that the light of education shine brighter wherever we are present.

The endeavours of Hetero in this direction encompass:

- Infrastructure / Asset Building
- Services
- Making initiatives sustainable: Helping generations to be successful
- Capacity Building of Communities
- Training the Trainers
- Rewarding Merit
- Promoting Technology

## Community voice



Our Village, Kattekanigudem is home to over 600 families. We were severely affected by scarcity of water for many years. We had to travel long to other villages and fetch water to meet our day-to-day requirements. Bathing was a luxury and sometimes we used to go without bath for a week. We brought our plight to the notice of many people and Government agencies. But none helped. We finally approached Hetero to resolve our issue.



## DRINKING WATER

# SUSTAINING LIFE. SUSTAINING HEALTH.



### Achievements in Numbers

	Hand Pumps <b>Beneficiaries: 800</b>
	Overhead Tanks <b>Beneficiaries: 4,000</b>
	Water Pipeline <b>Beneficiaries: 9,500</b>
	RO Plants <b>Beneficiaries: 7,700</b>

Water is called the elixir of life. It's a vital ingredient that sustains literally every living form on this planet. When it comes to humans, it's not just the availability of water but its potability that becomes important for leading a healthy life. And we believe that none must suffer for the want of a basic need like water.

Also, with a majority of diseases known to be waterborne, we at Hetero consistently endeavour to make clean and safe drinking water available for communities living close to our operational areas.

A participatory approach involving respective communities for need assessment is followed by an extensive hydrological and water quality assessment studies before we go about implementing our initiatives.

The range of measures we undertake to further our drinking water initiative include:

- RO Plants
- Overhead Tanks
- Bore Wells
- Pipelines
- Water Tankers

The Management of Hetero responded swiftly and, constructed one lakh litres (1,00,000) capacity Overhead \ Tank in our village. Three bore well were also dug-up for pumping water to the tank. They have finished the construction and dedicated it to our village this year.

We are delighted that our village now has 24 hour water supply. And our village will forever be indebted to Hetero for their generosity.

**Mr. Bhumaiah**  
Age-65 years  
R/o Kattakanigudem Village, Bonthapally





# SHAPING A HEALTHIER FUTURE



We are in the business of ushering good health. And we truly understand that having access to quality healthcare delivery systems in place is as imperative as manufacturing high quality and affordable medicines to make overall health of our society possible.

For villages bordering our manufacturing facilities, often handicapped for access to quality healthcare, we at Hetero have employed a wide-range of initiatives that are carrying the hope of health directly to their doorstep.

- Mobile Medical Van
- Healthcare Camps
- Cancer Care
- Support Initiatives
- Health Education

## Achievements in Numbers



Health Support  
Beneficiaries: 155



Health Camps  
Beneficiaries: 11,114



Mobile Medical Van  
Beneficiaries: 15,383





## HELPING THE WORLD SEE THE BRIGHTER SIDE OF LIFE



Vision is, by and large, the most significant sensory function in all life forms, especially in humans. From enabling the primitive flight-or-fight responses to helping one to marvel at the beauty of his environs, vision just brings about myriad shades of nature to life.

With the above in perspective, we have given eye care a distinct place in our CSR interventions for helping the world see the brighter side of life.

We are facilitating access to quality eye care for populations living within the vicinity of our facilities in two ways:

- By conducting regular eye camps in villages
- Through our vision centre at Nakkapalli
  - Eye Care camps
  - Vision Centre @ Nakkapalli

The extent of support we extend includes:

- Free eye check-ups
- Free eye glasses
- Supply of free medicines
- Transportation to hospital and back from doorstep to patients undergoing surgeries
- Food and accommodation facilities during patients' stay at hospital
- Transportation for post-operative care consultations etc

### Achievements in Numbers



Operations  
**Beneficiaries: 211**



School Eye Screening  
**Beneficiaries: 3,429**



Spectacles Distributed  
**Beneficiaries: 3,665**



Community Eye Screening  
**Beneficiaries: 3,932**



Vision Centre  
**Beneficiaries: 4,179**






## INFRASTRUCTURE

# BUILDING A BETTER WORLD

### Achievements in Numbers

	Canal <b>Beneficiaries: 2000</b>
	Drainage <b>Beneficiaries: 4,000</b>
	Community Hall <b>Beneficiaries: 7,450</b>
	Bus Shelters <b>Beneficiaries: 7,640</b>
	Govt Support <b>Beneficiaries: 10,200</b>
	Road & Repairs <b>Beneficiaries: 11,100</b>
	LED Street Lights <b>Beneficiaries: 35,009</b>



Hetero, since the beginning, has greatly invested in the creation of essential social infrastructure assets. All our community infrastructure initiatives are motivated by the objective of enhancing the quality of life. Be it improving connectivity or facilitating hygiene, all our endeavours on this front are conceived to contribute to our core mission of ushering sustainable development.

The diverse initiatives encompassing various sectors undertaken by us include:

- Transportation – Road infrastructure
- Civic Amenities
  - a) Community Libraries
  - b) Solar Street Lighting / LED Lights
- Institutional Support
- Public Health / Sanitation
- Others



## Community voice



The lack of proper drainage facility in our village has been a pestering problem, Our 'cads were overflowing with dram water for most of the year, The nauseating sight and smell of which made living simply unbearable. In addition, they also became a breeding ground for poisonous snakes, mosquitoes and other dangerous insects that jeopardized the personal health and safety.







LIVELIHOOD

## TOWARDS AN EMPOWERED NATION

Our nation enjoys an unrivalled youth demographic with 65% of population constituting youth below 35 years of age and almost half the population below 25 years. With our nation positioned to become the fastest growing economy in the world, a windfall of employment opportunities will be there for the taking except for the essential factor of employability, which has to be addressed for youth to seize the opportunities. Also, with unemployment linked to a range of social ills ranging from poverty to crime, we have made Capacity Development an important component of our CSR efforts.

Our Capacity Building initiatives are primarily directed at youth and offer a range of skill development programmes to foster employability and entrepreneurial abilities.

- Manthan Trainings
- Soft Skills Training
- Training for Competitive Exams



### Achievements in Numbers



Livelihoods for Individuals  
**Beneficiaries: 387**



Soft Skills  
**Beneficiaries: 995**



Skill Development  
**Beneficiaries: 1,000**

Our repeated requests to our Gram Panchayat to construct underground drainage didn't help due to the lack of Government funds. Its when our villagers approached the management of Hetero for support, Hetero without any delay swung into action. They immediately conducted a survey in the village and constructed 800 meters of underground drainage lines worth Rs. 20 lakhs as the first phase of the project that is benefiting over 150 families.

We are very thankful to Hetero for what they have done to our village. It is because of them we are now able to live safer and healthier lives.

Mrs. Anuradha Age-50 yrs, House wife, Bonthapally





## PRESERVING OUR GLORIOUS HERITAGE



Art and culture are considered to be strong social fabrics that give a nation its unique identity. They often weave together a culturally rich and a socially cohesive communities. And our nation, one of the most culturally diverse countries of the world, is a home to myriad art forms and traditions which mirror the richness of our timeless heritage.

Driven by the profound belief that promoting art and culture would preserve our national identity and integrity, we emphasised on extensively promoting native and classical arts like Bharatanatyam, Kuchipudi and Kollatam besides extending support to numerous traditional and spiritual celebrations.

### Achievements in Numbers



Cultural Programs  
**Beneficiaries: 180**



Festivals  
**Beneficiaries: 37,642**





# CREATING A GREENER & HEALTHIER ENVIRONMENT



Hetero's commitment to environmental sustainability is immutable. In addition to being an intrinsic part of our corporate governance endeavours, environmental sustainability happens to be a shining feature of our CSR activities.

With the simple measure of growing trees offering the single most effective solution to ground water, de-siltation, air pollution and global warming issues, we have given utmost priority to plantation and conservation of trees as a part of our environmental sustainability measures.

## Biodiversity

This year Hetero has furthered its cause for a healthy environment by adopting a royal Bengal white tiger by the name "Laxmi" sheltered in Indira Gandhi Zoological Park, Vizag. This would be Hetero's first yet prominent step to preserve the biodiversity that's crucial to maintain the ecological balance of our planet which ultimately contributes to human well-being.

## Achievements in Numbers



In the current year about 1,92,512 saplings have been planted on the whole across Hetero locations in India.







## PARTNERING THE CAUSE OF A CLEAN INDIA



Swachh Bharat Abhiyan is our country's largest ever cleanliness drive initiated by the Government of India under the aegis of our Prime Minister Sri Narendra Modi. Unique in conception, this initiative has been highly successful in drawing the conscience of the whole nation to the much needed cleanliness on our streets.

And Hetero is proud to play its part in such historic mission that calls for maintaining the hygiene of our community spaces.

As a part of which, we have been regularly organising Swachh Bharat drives within the vicinity of our manufacturing facilities and offices. These campaigns continue to witness active participation of our employees who are ensuring the spic and span of our neighbourhoods.

### Achievements in Numbers



Swachh Bharat  
**Beneficiaries: 3,000**





# POLICIES



## HEALTH, SAFETY AND ENVIRONMENT POLICY

We at Hetero develop, manufacture & market pharmaceutical products globally. We are committed to safeguard the Health & Safety of all the people connected with our operations and minimise impact on the Environment. To meet this commitment, we follow the below guiding principles:

- ▶ Ensure that all our activities are carried out to avoid & control all foreseeable risks to the health and safety of all people involved in the operations.
- ▶ Protect the natural environment by prevention of pollution.
- ▶ Optimize the use of resources through reduction, reuse, recycling, continuous research and using efficient technologies.
- ▶ Comply with all applicable Health, Safety & Environment laws, regulations and other requirements applicable to our business.
- ▶ Continually evaluate and improve the processes by setting the objectives in the direction to minimize hazards & environmental impacts arising out of our operations.
- ▶ Provide safe working environment to everyone on our premises with necessary infrastructure.
- ▶ Inculcate Health, Safety & Environment awareness across the organization through recognition, training & development.
- ▶ Seek involvement of our employees and all stake holders in improving the operations to ensure clean environment, safe & healthy work place for all.

We are dedicated to the continual improvement of the Health, Safety and Environment performance across our operations. We are of the firm belief that all our employees identify and share this commitment, which would go a long way in earning the confidence of our customers, stakeholders and the society.

Sd/-  
**Dr.B.P.S. Reddy**  
CMD, Hetero Group of Companies

May 1<sup>st</sup>, 2014



## QUALITY POLICY

We at Hetero develop, manufacture & market pharmaceutical products globally. The management and staff of Hetero Labs Limited are committed towards Safety, Identity, Strength, Purity and Quality of all manufactured products. To meet this commitment, we follow the below guiding principles:

- ▶ Manufacture and marketing of pharmaceutical products, following an integrated quality system.
- ▶ Meeting the customer and regulatory requirements to ensure safety and efficacy of the products.
- ▶ Striving for excellence through continuous upgrading of the resources and facilities to meet the ever- changing demands with respect to the technologies and systems, aiming at continuous quality improvement and customer satisfaction, giving due consideration for the protection of the environment.
- ▶ Providing training, safe working environment and opportunities for all its employees to grow along with the organization and striving for the better cause of the society.

Sd/-  
**Dr.B.P.S. Reddy**  
CMD, Hetero Group of Companies

Jan 25<sup>th</sup>, 2016



## ENERGY MANAGEMENT POLICY

Hetero Group of Companies is committed to the continuous improvement of its performance and reduction of energy costs. We strive to improve energy efficiency in all our operations and work towards sustainable development while providing a safe and comfortable work environment.

It is the mission of Hetero to promote sound energy management practices while ensuring outstanding pharma manufacturing efficiency. We commit to track our energy use, to achieve reduction in energy use and costs and to create a culture of energy awareness and conservation.

The goals of Hetero are:

- ▶ Become one of the most energy- efficient pharmaceutical companies in the sector.
- ▶ Reduce energy consumption in all operations to support our overall business goals, including improving production, quality and environmental stewardship and safety practices, and thus reduces carbon emissions.
- ▶ Engineering solutions for saving energy rather than rely solely on manual intervention.
- ▶ Benchmark energy use of all facilities within the sector by specific period of time.
- ▶ Purchase energy at the most effective cost and reduce energy usage wherever possible, consistent with our business goals.
- ▶ Ensure that staff, customers and suppliers are made aware of our energy management policy and encourage and motivate them conserve energy.
- ▶ Comply with all applicable statutory and other requirements related to organization's energy use, consumption and efficiency.

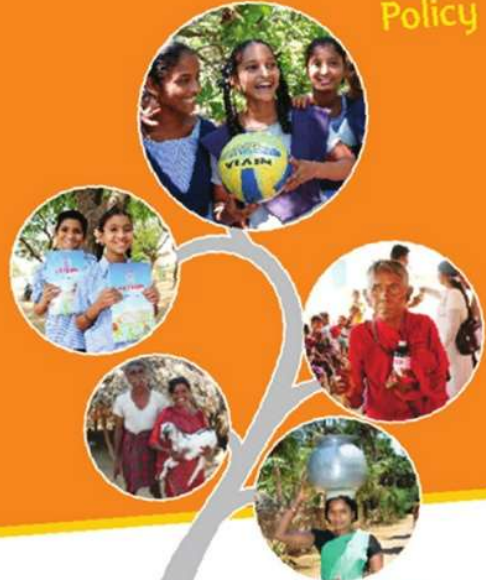
This energy management policy will be reviewed as and when required and up-dated to take into account changing business circumstances and ensure that it provides opportunities for improvement.

The effective date of implementation of the said Energy Management System Policy is from 1<sup>st</sup> December, 2015.

Sd/-  
**Dr.B.P.S. Reddy**  
CMD, Hetero Group of Companies

December 1<sup>st</sup>, 2015.

## CSR Policy





# AWARDS & ACCOLADES



Best Management Award from Government of Telangana 01 May 2017



Energy Efficient Award from CII to API Manufacturing facilities – Kazipally and Nakkapalli



CMO Leadership Award 2016 for Hetero Custom Pharmaceutical Services (CPS)



Global HR Excellence Award - February 2017





Global Sustainability Leadership award for Sustainable Resource Impact



Hetero received the Indian Red Cross Society award from His Excellency Sri E.S.L.Narasimhan, Governor, Telangana on the occasion of World Blood Donor Day on 14<sup>th</sup> June, 2016



Asia Training and Development Excellence Award from World HRD Congress – August 2016



Best International API Patents Award 2015-16 from Indian Drug Manufacturers' Association (IDMA) & Corporate Citizen Award by IDMA - 21<sup>st</sup> January, 2017



Excellence in Export Promotion Award from UBM India Pharma Awards 18<sup>th</sup> November, 2016





# MEMBERSHIPS





# APPROVALS

We make continuous investments in upgradation of manufacturing facilities with special emphasis on deploying advanced machinery and adopting latest technologies to comply with 21 CFR. Besides enabling us consistently produce high quality medicines at an affordable cost, it also helps us in passing through regulatory audits with relative ease. It is these advantages that make us the partner of choice for major global pharmaceutical companies.

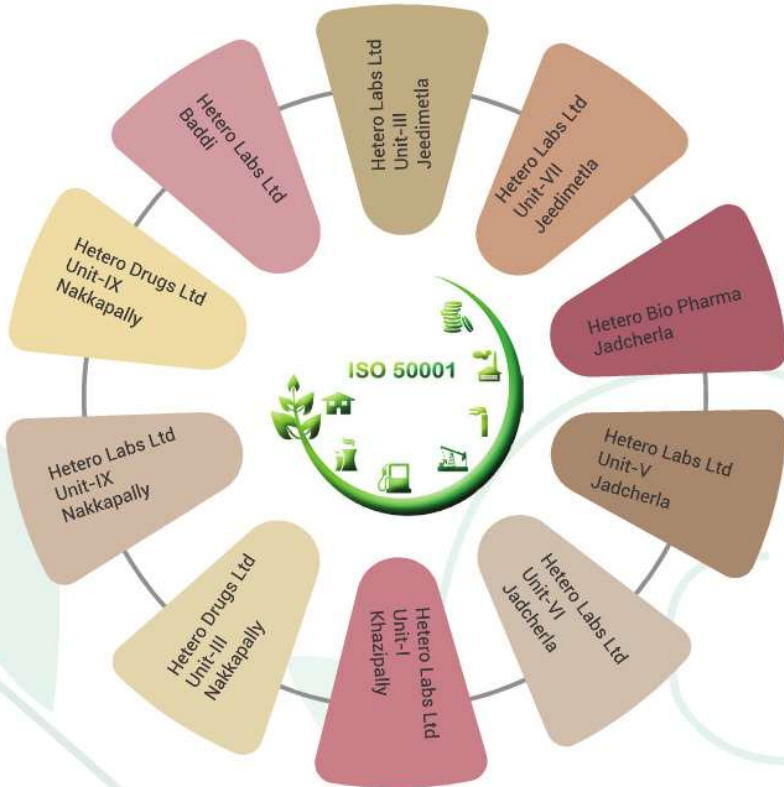
**The approvals from various global ministries of health and regulatory authorities include:**

US FDA | EU GMP | TGA AUSTRALIA | PMDA JAPAN  
MHRA UK | MCC SOUTH AFRICA ANVISA BRAZIL  
IDA | PIC/S | INVIMA COLOMBIA  
COFEPRIS MEXICO | GCC DR



# CERTIFICATIONS









# GRI G4 CONTENT INDEX

Name of the Content	Page Number	Externally Assured
<b>General Disclosure</b>		
G4-1	2, 3	Yes
<b>Organizational Profile</b>		
G4-3	17	Yes
G4-4	7, 8	
G4-6	14, 15	
G4-7	26	
G4-8	14, 15	
G4-9	17, 29, 30, 45	
G4-10	45, 46	
G4-11	46, 47	
G4-12	30	
G4-13	First report hence NA	
G4-14	Not applied	Yes
G4- 15	62, 63	
G4-16	64	
G4-17	17	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-18	18	Yes
G4-19	19	
G4-20	19	
G4-21	19	
G4-22	Not applicable as this is our first report	
G4-23		
<b>STAKEHOLDER ENGAGEMENT</b>		
G4-24	20-25	Yes
G4-25	20-25	
G4-26	20-25	
G4-27	20-25	
<b>REPORT PROFILE</b>		
G4-28	17	Yes
G4-29	NA	
G4-30	17	Yes



Name of the Content	Page Number	Externally Assured
G4-31	17	Yes
G4-32	The index itself	Yes
G4-33	68, 71-74	Yes
<b>Governance</b>		
G4-34	26, 27	Yes
<b>Ethics and Integrity</b>		
G4-56	5	Yes
<b>Specific Standard Disclosures</b>		
<b>Aspect: Economic Performance</b>		
G4 – EC1	29, 30	Yes
<b>Aspect: Energy</b>		
G4-EN3	36, 37, 38	Yes
G4-EN5	36	Yes
<b>Aspect: Water</b>		
G4-EN8	33, 34	Yes
<b>Aspect: Emissions</b>		
G4-EN15	39, 40	Yes
G4-EN16	39, 40	Yes
G4-EN18	39	Yes
<b>Aspect: Effluents and Waste</b>		
G4-EN22	34	Yes
G4-EN23	35	Yes
<b>Aspect: Compliance</b>		
G4-EN29	22	Yes
<b>Aspect: Employment</b>		
G4-LA1	45	Yes
G4-LA2	46	Yes
<b>Aspect: Occupational Health and Safety</b>		
G4-LA5	49	Yes
G4-LA6	36	Yes
<b>Aspect: Training and Education</b>		
G4-LA9	47	Yes
<b>Aspect: Local Communities</b>		
G4-SO1	50-59	Yes
<b>Aspect: Customer Health and Safety</b>		
G4-PR1	49	Yes





# ASSURANCE STATEMENT





## INDEPENDENT ASSURANCE OPINION STATEMENT

Statement No: SRA-IND-661967-1

### Hetero Group Sustainability Report 2016-17

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 2016-17 of Hetero Group prepared "In accordance" with GRI-G4 Guideline – 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 2016 to 31st March 2017.
2. The AA1000 Assurance Standard, AA1000AS (2008) Type 1 engagement evaluates the nature and extent of Hetero Group's adherence to all three AA1000 Account Ability Principles: Inclusivity, Materiality and Responsiveness. The specified sustainability performance information/data disclosed in the report has been evaluated.

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# ASSURANCE STATEMENT



## Opinion Statement

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000 Assurance standard, AA1000AS (2008) and GRI-G4 Guidelines. 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-G4 Guidelines were fairly stated.

We conclude that the Hetero Group's Sustainability Report 2016-17 Review provides a fair view of the Hetero Group's CSR programmes and performances during FY 2016-17. We believe that the 2016-17 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-G4 Guideline 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 first year of reporting, Hetero

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**bsi.**

Group has limited its engagement primarily to its internal stakeholders while also considering the feedbacks received from its external stakeholders over the last few years. The company has plans to include its external stakeholders in the engagement process more formally in the next year of reporting. A comprehensive survey though has 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

### **GRI-reporting**

Hetero Group provided us with their self-declaration of compliance GRI-G4 Guideline 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 G4 Guideline – Core option.

In our professional opinion the self-declaration covers HETERO GROUP's social responsibility and sustainability issues, however, the future report could be

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improved the 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 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  
21 December 2017

New Delhi, India



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Licensed Assurance Provider  
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## OUR MANUFACTURING FACILITIES



Formulations Facility, Jadcherla



Biologics Facility, Hyderabad



Formulations Facility, Jeedimetla, Hyderabad



R&D facility, Hyderabad





# ABBREVIATIONS

<b>FDFs</b>	Finished Dosage Formulations
<b>API</b>	Active Pharmaceutical Ingredients
<b>ARV</b>	Antiretro Virals
<b>HIV</b>	Human Immunodeficiency Virus Infection
<b>AIDs</b>	Acquired Immune Deficiency Syndrome
<b>SEZ</b>	Special Economic Zone
<b>MABs</b>	Monoclonal Antibodies
<b>GHG</b>	Greenhouse Gas Emissions
<b>CSR</b>	Corporate Social Responsibility
<b>HSE</b>	Health, Safety and Environment
<b>CETP</b>	Common Effluent Treatment Plants
<b>STP</b>	Sewerage Treatment Plant
<b>ETP</b>	Effluent Treatment Plants
<b>ISO</b>	International Standards Organization
<b>kWh</b>	Kilo Watt Hour
<b>INR</b>	Indian National Rupee
<b>MEE</b>	Membrane Effective Evaporator
<b>COD</b>	Chemical Oxygen Demand
<b>L&amp;D</b>	Learning and Development
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>LED</b>	Light Emitting Diode
<b>IDMA</b>	Indian Drug Manufacturers Association
<b>CPS</b>	Custom Pharmaceutical Services









**HETERO**

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