HETERO

Inspiring Human Belief
in a Healthier World

for EVERYONE
everywhere

Reducing **FOOTPRINTS** Expanding **HORIZONS**

Sustainability Report 2023-24

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ABOUT THE REPORT

We are pleased to present Hetero Group's sustainability report for the year 2023-24, covering our ESG performance for the period April 1, 2023 to March 31, 2024. This year's report is yet another step towards transparent and comprehensive reporting of our sustainability performance so that our stakeholders get a holistic and thorough view of our ESG vision, strategy, and achievements.

Reporting Frameworks and Benchmarks

Hetero's Sustainability Report for the fiscal year (FY 23-24) has been developed with reference to the Global Reporting Initiative (GRI) 2021's Universal Standards. We have also attempted to align our report with the United Nations Global Compact (UNGC) principles and the United Nations Sustainable Development Goals (SDGs). Prioritisation of our sustainability goals in line with these standards helps us adopt a structured approach towards monitoring our progress. In addition to these, we have also tried to incorporate elements from the Sustainability Accounting Standards Board (SASB) Biotechnology and Pharmaceuticals sector guidance. This ensures that the information we report in this document is both material and directly relevant to the biotechnology and pharmaceutical sectors. Adhering to this sector standard also improves the quality and comprehensiveness of our reporting endeavour, making this report an insightful read for stakeholders seeking industry-specific information.

To ensure clarity and reliability, specific assumptions and methodologies employed in generating data within this report are meticulously documented. The ESG report, reflecting our ongoing dedication to transparency and stakeholder engagement, is readily accessible on our company website. (https://www.hetero.com/)

Scope and Reporting Boundary

The report includes data from the following subsidiaries of Hetero, including our fourteen manufacturing units and one corporate office in Hyderabad:

- Hetero Labs Ltd.
- Hetero Drugs Ltd.
- Hetero Biopharma Ltd.
- Annora Pharma Pvt. Ltd.
- Aspiro Pharma Ltd.
- Corporate office in Hyderabad

External Assurance

This year's sustainability report has been externally assured by TUV India, with reference with the ISAE 3000 (revised) assurance standards. A copy of the assurance statement has been included in this report.

Feedback

Stakeholder feedback is an indispensable element in our ESG journey. We welcome suggestions, questions, and input from all stakeholders to help us hone our ESG efforts further. All communication regarding this report can be directed to sustainability@hetero.com.

LEADERSHIP MESSAGE

Committed to a Sustainable Future

Message from
Founder and Chairman of Hetero Group

Greetings,

Welcome to yet another sustainability report by Hetero. We are excited to present this year's performance, achievements, and updates on the ESG front. As we mature as an organisation and as a sustainability leader, we learn something new with every initiative that we implement and place one more step towards achieving our intertwined business and sustainability goals.

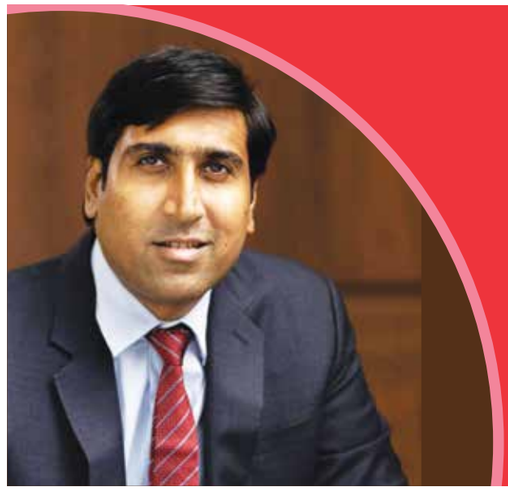
This report reflects our commitment to creating long-term value for all stakeholders while responsibly managing our environmental and social impact. Through innovation, collaboration, and continuous improvement, we strive to build a resilient, inclusive, and future-ready organisation. We invite you to explore the progress we have made and the path we are shaping for a more sustainable tomorrow.

This year, we have made significant enhancements to our sustainability reporting endeavour. For instance, we have included a value creation model this year, and have also attempted to provide contextualisation based on the external environment for each of our material topics. We have also included our vision for the long run with respect to all material topics we have identified. This exercise helped us calibrate our stand and our performance on sustainability in the larger context, with adequate cognisance provided to the surrounding environment while reporting on our efforts.

The report represents our holistic approach to sustainability reporting, offering a 360-degree perspective on our performance and commitments. It also serves as a valuable tool to strengthen internal data monitoring and holds potential for driving greater operational efficiency over time. We are optimistic about the road ahead and look forward to continuing this enriching journey.

Sincerely,

Dr. Bandi Parthasaradhi Reddy
Founder and Chairman of Hetero Group



Meaningful Steps Across ESG Dimensions

Message from
Managing Director, Hetero Group of Companies

Welcome!

We are very pleased to present our sustainability report for the year 2023-24. It has been a year of achievements and reflections on the sustainability front, and we look forward to sharing insights and details on our efforts on creating positive impact on the economy, environment, and society.

In our ongoing sustainability journey, we continue to take meaningful steps across ESG dimensions. Each year brings new opportunities to strengthen our systems, adopt responsible practices, and align closer with our long-term sustainability vision. On the environmental front, we achieved a 12.13% reduction in our Scope 1 and 2 emissions and a 28.65% reduction in emissions intensity compared to the baseline year. Apart from this, we continuously strive to reduce our grid electricity consumption and use both renewable energy and energy efficiency improvements as our tools for this purpose.

We also put in several efforts to strengthen relationships with our internal and external stakeholders. True to our efforts, all our employees returned to work from parental leave this year. The percentage of female employees in Hetero also increased this year. We maintained a strong focus on health and safety throughout the year, reinforcing our commitment to providing a safe and secure work environment for all our employees and stakeholders. On community engagement, as well, we continued our efforts across our six themes of focus including health, education, livelihoods, infrastructure, clean water & sanitation, and climate response.

Looking ahead, we seek to add razor sharp focus to our internal data monitoring efforts and review our performance with even more precision. We believe that evidence-based decision-making is effective in the long run and ensures long-term sustainability of the business. Over time, we've come to see sustainability not as a checklist, but a mindset that influences how we grow and function as a business. Therefore, we are promoting an organisation-wide culture of embracing sustainability as a way of living. With these efforts, we see ourselves as one of the leaders on sustainability in pharma in the future, setting an example for several others on responsible production and manufacturing.

Sincerely,

Dr. Vamsi Krishna Bandi
Managing Director, Hetero Group of Companies

ABOUT HETERO

Hetero is one of the world's leading producers of key Active Pharmaceutical Ingredients (APIs) and generic formulations. Our aim is to harness the combined power of science, technology, and well-being to improve health outcomes among the communities we serve. Currently, we cater to around 40% of the existing global demand for Anti-Retroviral (ARV) APIs and Finished Dosage Forms (FDFs) used in HIV / AIDS treatment. Our company was incorporated 30 years ago.

Our Presence

Our global presence spans around 145 plus countries, with 15 API facilities, 21 formulation facilities, and 3 R&D centres. We have branch offices and manufacturing facilities in Asia, Russia, the Middle East, Europe, Africa, the Caribbean, Australia, North America, Central America, and South America.

APIs and FDFs across ARV, oncology, anti-flu, anti-bacterials

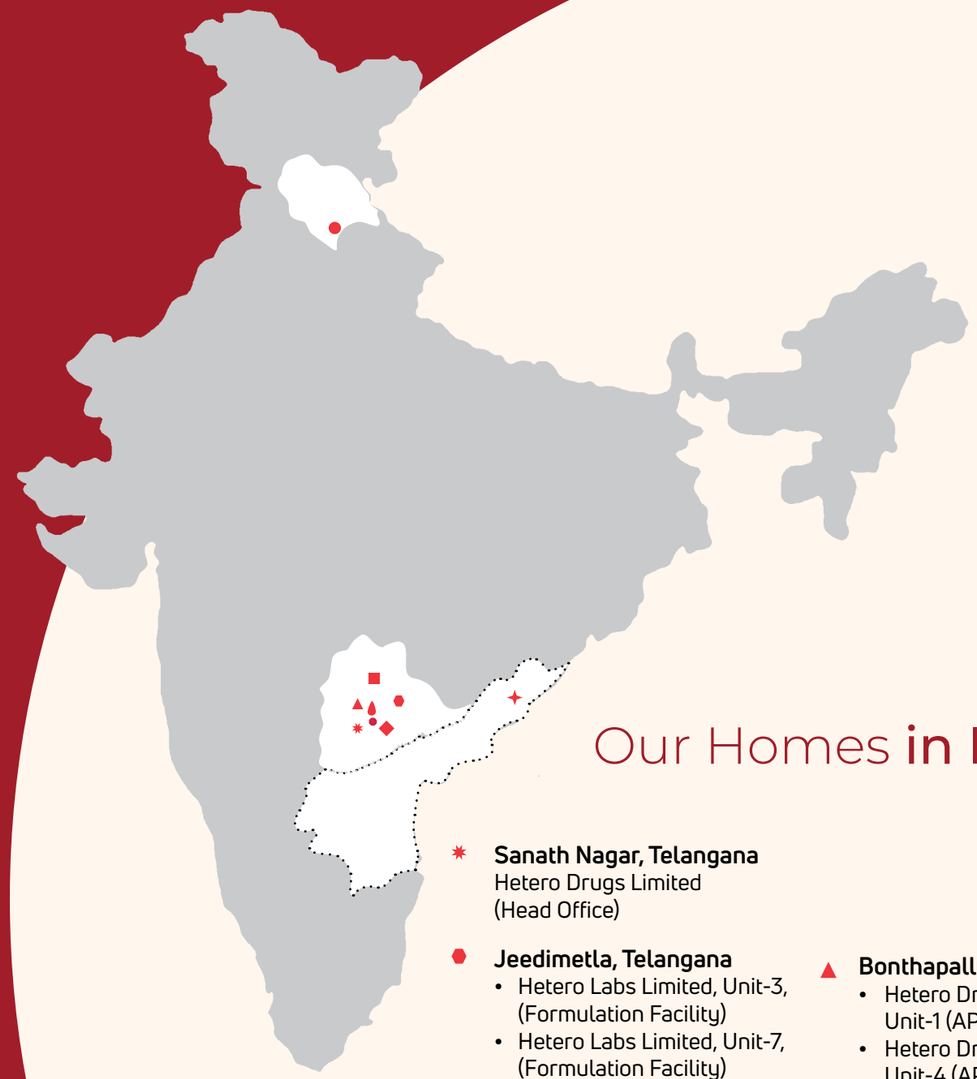
Antiretrovirals, antineoplastics, antiulcerants, cardiovascular drugs, antidepressants, antidiabetics, and other APIs and Custom Pharmaceutical Services (CPS)

75+ products across various therapeutic categories

ARV combinations for HIV / AIDS and other key therapies in cardiovascular, CNS, oncology, hepatology, gastrointestinal, and others.

South-East Asia, Middle East, CIS countries, Central America, South America, Caribbean

Therapies in oncology, cardiology, CNS, ARVs, hepatology, and others



Our Homes **in India**

Sanath Nagar, Telangana
Hetero Drugs Limited
(Head Office)

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

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

Baddi, Himachal Pradesh
- Hetero Labs Limited, Unit-2 (Formulation Facility)

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

Bonthapally, Telangana
- Hetero Drugs Limited, Unit-1 (API Facility)
- Hetero Drugs Limited, Unit-4 (API Facility)

Nakkapally, Andhra Pradesh
- Hetero Drugs Limited, Unit-9, (API Facility)
- Hetero Labs Limited, Unit-3 (API Facility)
- Hetero Labs Limited, Unit-9 (API Facility)

Annaram, Telangana
- Annora Pharma Private Limited (Formulation Facility)

Karakapatla, Telangana
- Aspiro Pharma Limited (Formulation Facility)

Apart from this, we also have a dedicated research and development centre called the Hetero Research Foundation to support our API research endeavours. The centre is home to 1000+ highly qualified scientists with proven capabilities in developing niche generics, complex APIs, Novel Drug Delivery Systems (NDDS), New Chemical Entities (NCEs), and Biosimilar products. We also have 3 world class R&D centres, which focus on the following aspects:

- Innovative, safe, environment-friendly, and cost-effective technology and processes
- Faster development of affordable APIs, formulations, and biosimilars
- Development of complex and specialty therapeutics that are first-to-market and fast-to-market

Purpose, Vision, and Values

We are continuously working towards making good health a reality for everyone. Our every action seeks to inspire human belief in the accessibility and affordability of life-saving medicines across the world. We accord very high priority to transparency and integrity and seek to be among the most sought-after employers who earn and sustain stakeholder trust over a period of time. Apart from this, we have also defined a set of core values that act as the foundational principles for internal conduct and external stakeholder relationships:

We seek to operationalize our values in everyday work through our employee tenets, which every single person at Hetero is committed to:

'We are limitless' – in pushing the boundaries of science

'We are believers' – in developing synergies of trust

'We are committed' – to pursuing excellence and responding with agility

'We are passionate' – to serve with socio-economic and environmental consciousness

Knowledge

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

We have a deep-rooted sense of **Integrity** regarding all commitments to our stakeholders, and we strive relentlessly to deliver them.

Integrity

Trust

We cherish the **Trust** that our stakeholders have in us, and are committed to the highest standards in every aspect of our business.

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

Agility

Our Products

Active Pharmaceutical Ingredients

We develop APIs across diverse therapeutic areas and are a leading supplier to generic manufacturers. We were among the first Indian companies to develop and manufacture affordable APIs for ARVs. We manufacture around 300 APIs across multiple therapeutic segments.

Global Generics

We are the largest global supplier of anti-retroviral drugs and a leader in the development and manufacturing of finished formulations across diverse therapeutic areas in different dosage forms. For this purpose, we have 21 dedicated facilities approved and audited by global regulatory authorities. We are also among the first Indian companies to deliver affordable drugs for life-threatening diseases such as HIV / AIDS, Hepatitis C, Bird Flu, and Swine Flu (and recently for COVID-19). We have 35+ world class oncology products in our portfolio and 3 dedicated facilities for producing drugs for cancer treatment (for facilitating affordable cancer care).

Biosimilars

We have been developed cost-effective biosimilars by driving continuous research & development and harnessing the power of technology. We manage to launch our niche and complex products within a short amount of time through our single use and advanced manufacturing sites (to benefit our customers).

Custom Pharmaceutical Services

This division helps customers accelerate their go-to market strategies. We aim to create a unique and niche space for ourselves through tailored manufacturing services for APIs, Finished Dosages, Cytotoxic APIs, Injectables, and Biosimilars. We extend contract R&D services for clinical supply and commercial scale-up requirements and undertake technology transfer projects on products, processes, and new developments.

Global Access

This arm is dedicated towards supplying quality medicines to renowned global procurement bodies. We have been striving towards the treatment of HIV / AIDS since 1997, and are amongst the most committed manufacturers and suppliers of affordable ARV APIs and formulations. Our portfolio of around 30 ARV combinations is used for treating around 40% of identified HIV / AIDS patients worldwide.

Key Therapy Areas

We have 200+ products across diverse therapeutic categories and are the largest suppliers of therapeutic drugs to markets in the US, Europe, Africa, CIS Countries, the Middle East, and Latin American regions.

AWARDS & **ACHIEVEMENTS**

CII SR EHS Excellence Awards 2023 (Silver – HLL Unit III)

Hetero Lab Ltd, Unit-IX has won BRONZE for the Industrial Safety Leadership Award (Category-1)-2023 from CII Andhra Pradesh held at Vijayawada.

ECOVADIS assesses business sustainability on four key parameters: environment, labour and human rights, ethics, and sustainable procurement. To enhance the score, we have initiated the implementation of all prescribed practices by EcoVadis and other sustainability strategies within Hetero Group.

Hetero Labs Ltd		Hetero Drugs Ltd
2024 – Score – 58	ecovadis Sustainability Rating	2024 – Score – 50

Membership of Associations, Partnerships

Hetero is a member of the following associations / networks:

Apart from this, we also partner with some reputed organisations for certifications and trainings on sustainability: British Standards Institutions (BSI), TUV India Pvt. Ltd., E-Lifecycle Management Pvt. Ltd., and St John's ambulance. Our partners for managing our environmental footprint responsibly include Re-Sustainable Pvt. Ltd., Pattancheru Envirotech Limited, Medicare Environmental Management Pvt. Ltd., Jeedimetla Effluent Treatment Plant, Lawn Enviro Associates, and Swetansh Bio.

Value Creation Model

Stakeholder Contribution (Stakeholder Influence)	Stakeholders	Our Efforts	Our Performance	Value created (Our Impact on Stakeholders)
• Financial capital for our business • Inputs and Feedback on ESG Integration and Performance	Senior Management	• Meticulous and exhaustive financial management in line with leading industry practices • Rigorous monitoring of ESG data at all levels of operations **Metrics** • Water Intensity – 0.007 MT/INR Million • Waste Intensity – 0.18 MT/INR Million • Energy Intensity – 0.009 TJ/INR Million • Emissions Intensity – 2.64 tCO_2e/INR Million	• Increased / Decreased profits after tax • Regular disclosure of ESG Performance on the public domain **Metrics** • 263541 KL of water recycled • 18.68% of wastewater recycled	• Exceptional year-on-year performance on ESG parameters **Metrics** • ECOVADIS rating - 58
• Provision of valuable feedback on our products • Trust in our brand	Customers	• Prioritisation of a customer-driven approach as one of our core values • Commitment to exceptional product quality • Customer service excellence integrated into efforts to strengthen our core • Spontaneity to evolving customer demands • Assessment through external customer audits	• Customer loyalty stemming from our 30-year commitment to highest standards of product quality and customer safety • Strengthened market presence and expanded customer share **Metrics** • Zero customer complaints concerning data breach in 2024	• Fortification of our leadership position as one of the key producers of high-quality pharmaceutical products • Improved customer health and wellbeing outcomes
• Providers of raw material • Partners in meeting the highest standards of material quality and efficiency	Suppliers / Business Partners	• Manufacturing excellence with outstanding track record on quality • Leveraging economies of scale to achieve cost efficiency • Promotion of supply security and supply chain resilience through vertical integration of pharmaceutical manufacturing platform	• Customers, supply capacity, countries served • Preferred supplier of superior quality pharma products to leading brands across the globe • Improved supplier capacity on ESG adherence and integration	• Cleaner and greener environment for those affected by our supply chain • Focus on improving product affordability and accessibility resulting from supply chain efficiency outcomes

Stakeholder Contribution (Stakeholder Influence)	Stakeholders	Our Efforts	Our Performance	Value created (Our Impact on Stakeholders)
		• Curation of a dedicated supply chain decarbonisation plan to transform our supply chain • Dedicated guidelines on green procurement and launch of specialised supplier sustainability programme to drive sustainability integration **Metrics** 91% of local suppliers out of total number of suppliers	• Cost efficiency due to more efficient supply chain management	• World-class standards on ESG adopted by local suppliers that we work with
• Employees as everyday partners in our commitment towards continuous innovation and dynamism • Thoughts, ideas, and effort of employees in the everyday pursuit of excellence	Employees	• Employee tenets • Coupling continuous learning with personal growth to equip employees with tools for climbing the career ladder • Investment in the holistic development of employees • High priority accorded to fostering a diverse and inclusive workplace (e.g. women-led production plant) • Mandatory trainings on code of conduct and POSH guidelines • ISO 45001 certified occupational health & safety management system **Metrics** • 19% trainings on L&D	• Enabling employees in the pursuit of individual growth while achieving organisational goals • A healthy, congenial, thriving work culture • Inclusive and safe workplace where all employees feel comfortable • Talented pool of employees who function with enthusiasm and productivity **Metrics** • 11% of female employees and 19% female contract workers • 734810 hours of training completed	• High employee retention • Significant advancements in the quality and standards of living of employees and their families **Metrics** • 9.89% Attrition rate YoY
• Human effort to augment our manufacturing capacity promises	Workers	• Ample remuneration for workers based on market benchmarks, well above minimum wages	• Healthy and strong workforce	• Better health and quality of lives of workers and their families

Stakeholder Contribution (Stakeholder Influence)	Stakeholders	Our Efforts	Our Performance	Value created (Our Impact on Stakeholders)
• Indispensable skills to perform grassroot level tasks		• Well-structured training programmes for workers on various topics including safety, quality, etc. • Strong data tracking mechanism for identifying and executing training programmes for workers • Well-equipped occupational health centres at our sites • ISO 45001 certified occupational health & safety management system • Health benefits for workers under the Employee State Insurance Scheme **Metrics** • 5942 contractual workers • 39% on Safety, 42% on GMP	• Spontaneity in handling health issues with efficiency and expertise **Metrics** • 0.034 recordable work-related injuries rate	• Value addition to goodwill and reputation as a safe place to work
• Coexistence along with our plants and units as equal participants in fostering a pollution-free environment • Creation of opportunities to create a visible change in societal standards of living	Communities and NGOs	• Building harmonious relationships and partnerships on trust as a guiding principle • A dedicated CSR policy and committee that provides a comprehensive framework for monitoring and review • CSR programmes tailored to local community needs, offering a combination of in-kind and financial support with handholding **Metrics** • INR 300 Million CSR spend in 2024	• Sustained goodwill and trust on among the community • Consistency in investing in long-term CSR projects due to relevance of projects to the local community	• Significant strides in lifting up the standards of living of local communities through better health and wellbeing, more access to education, and creation of a green and clean environment

KEY HIGHLIGHTS

Environment

- Scope 1& 2 emissions reduced by **12.13%** (compared to base year 2022)
- Scope 1& 2 emissions intensity reduced by **28.65%** (compared to base year 2022)
- Groundwater use reduced by **9.34%**
- **28.93%** reduction in hazardous waste
- **24.3%** energy from renewable sources

Social

- All manufacturing facilities are ISO 45001 certified
- **42.05** avg. training hours/employee
- **100%** return-to-work post parental leave
- CSR spend: **INR 300 million**
- **Zero** cases of harassment, discrimination, or indigenous rights violations

Governance

- **No** child/forced labour or discrimination reported
- **Zero** cases of corruption or data breaches
- **81%** procurement from local suppliers (**2.5%** increase YoY)

THE ESG COMPASS

Our Approach and Pillars

Hetero's ESG strategy is based on the fundamental understanding that ESG is not just an additional area of focus but a tool to improve the very way we conduct ourselves as a business. We believe that ESG integration is a gradual and comprehensive process that recognises sustainability as a value system. However, we have also assigned classification to material topics on sustainability under a few dedicated pillars. This helps us assign roles, performance indicators, and goals under these pillars, helping us measure our progress on a routine basis and pursue our journey of continuous improvement with conviction. While all our material topics influence and impact each other, we have also formulated unique strategies to address every one of them.

In a nutshell, Hetero's sustainability approach drives granular focus on every material topic we have identified as priorities, while also acknowledging their intersections and interdependence. Reporting and disclosure are methods through which we track our progress routinely. This year, we have referred to the following guidelines for developing the sustainability report:

- Global Reporting Initiative (GRI)
- Sustainable Accounting Standards (SASB)
- United Nations Global Compact (UNGC) Principles

Stakeholder Engagement

Hetero prioritises a multidimensional approach in addressing sustainability related matters. This approach is fuelled by the company's efforts to integrate various stakeholders' perspectives into its ESG strategy. Understanding our stakeholders' concerns and feedback and tailoring our sustainability approach to addressing these as far as possible is a key area of focus at Hetero. Our stakeholder engagement strategy is as follows:

- **Stakeholder Identification and Engagement:** Our teams across locations identify key stakeholders and seek to engage with them continuously through one-on-one meetings, stakeholder audits of our facilities, informal conversations, and online interactions
- **Incorporation of Feedback:** Stakeholder feedback is monitored continuously and integrated into our operations wherever required. Specific concerns on sustainability are directed towards the EHS Sustainability Committee and Sustainability Head.

Ongoing Dialogue: Hetero also seeks to maintain an ongoing dialogue with stakeholders to prioritise and manage their expectations.

Stakeholder Engagement and creating meaningful relations(2-29)

Stakeholders	Key Priorities & Concerns	Engagement Process
Government Bodies & Regulatory Authorities (State Pollution Control Boards, Ministry of Corporate Affairs)	**Strengthening Environmental Responsibility**: Compliance, CSR, Waste & Effluent Management	Annual site visits, direct consultations, participation in policy discussions, and feedback on sustainability initiatives
Customers (B2B Clients, Health Professionals, Medical Practitioners)	**Enhancing Trust & Compliance**: Health, Safety, Quality, and Regulatory Adherence	Annual customer meetings, structured feedback mechanisms, medical practitioner interactions, and customer audits
Employees	**Workplace Excellence**: Health, Safety, Career Growth, Diversity & Inclusion	Regular employee surveys, feedback sessions, training programs, skill development workshops, open-floor discussions, and annual performance reviews
Local Communities & Society	**Strengthening Community Development**: Education, Health, and Environmental Sustainability	Annual community meetings, surveys, need-based interactions, CSR initiatives, and participatory local activities
Suppliers & Contractors (Material Suppliers, Service Providers)	**Ethical & Sustainable Sourcing**: Safety, Compliance, and Responsible Procurement	Annual vendor audits, facility visits, supplier assessments, digital surveys, contract agreements, and training programs
Financial Stakeholders (Board of Directors, Bankers)	**Sustainable Growth & Transparency**: Governance, Risk Management, and Economic Performance	Board meetings, annual financial and sustainability reports

Strategically Important Material Topics

Procurement Practices

In the pharmaceutical sector, Hetero prioritises precision in quality and standards in material sourcing since these greatly impact the end product consumed by our customers.

Energy and Emissions

The pharmaceutical manufacturing process is highly energy intensive and also generates a high amount of emissions. Therefore, we hold ourselves accountable for tracking, reporting, and reducing both energy consumption and harmful emissions.

Wastes

The pharmaceutical sector generates a large amount of hazardous and non-hazardous waste as a result of its operations. Given this situation, we consider it our duty to manage our waste responsibly.

Water and Effluents

A lot of water is used up in production and manufacturing of pharma products. As a leading company in the sector, it is our duty to conserve as much water as possible and recycle it wherever we can.

Marketing and Labelling

Communicating accurate information through our marketing endeavours and labelling is a critical element for us, since we want customers to make informed choices on what they consume.

Customer Privacy

We handle a lot of sensitive and confidential customer data by virtue of being in this industry; and hence are extremely committed to ensuring the highest levels of cyber security and privacy with respect to customer data.

Customer Privacy

We handle a lot of sensitive and confidential customer data by virtue of being in this industry; and hence are extremely committed to ensuring the highest levels of cyber security and privacy with respect to customer data.

Employment

Our people are our greatest assets and the ones who translate our goals into reality. They are the creative minds behind all our innovations and efforts to integrate sustainability, and their wellbeing is therefore accorded very high priority at Hetero.

Training and Education

Continuous training is almost an indispensable requirement for our employees, since we always seek to keep up with latest trends and updates to incorporate them in our products. Therefore, training and education is also a topic of strategic priority at Hetero.

Occupational Health and Safety

Our workers who spend their time in the plant are exposed to hazardous fumes and chemicals, and we are very serious in our approach towards their safety and health.

Well-being: Customer Health and Safety (including drug safety product quality and safety)

As a manufacturer of medicines which customers turn to for addressing minor and major illnesses, we drive a razor sharp focus on ensuring quality and safety in all our products.

Diversity and Equal Opportunity

A safe and secure workplace with equal opportunities for all is essential so that employees feel heard and satisfied. Therefore, fostering a diverse workplace has always been a part of Hetero's chief priorities.

Anti-Corruption

Dealing in a product that is directly consumed by our end users, we assign great value to maintaining a strict stand against corruption or bribery in any form since even small breaches could affect product quality and safety significantly.

Economic Value Creation

Fundamental survival of the business is a prerequisite for creating positive socio-economic impact and for us to achieve the goal of providing affordable and accessible medicines.

Human Rights

Hetero ensures that every individual associated with us is well aware of the rights they are entitled to, and that they are treated with utmost respect. Treating every individual with courtesy and civility is a culture at Hetero.

Labour Relations

Not only do we seek to foster job satisfaction among our permanent employees; we also hold the concerns of our contractual employees very close to our heart. Their contribution to the achievement of organisational goals is invaluable; therefore, this topic is very important to us.

Indirect Economic Impact

Apart from functioning as a business and sustaining ourselves through profit-making, we also seek to be conscious about the socio-economic impacts we create in the areas we operate. We greatly prioritise the tracking and reporting of positive impacts we create in this regard.

Access to Affordable Medicines

Making quality healthcare affordable to all is our company's core mission. Therefore, this material topic is among the top priorities under focus at Hetero.

Goals and Milestones

Based on the identified material topics, we engaged in a comprehensive assessment of our current state on achieving our envisaged ESG strategy.

Our ESG Goals

Aspiring for Net Zero by 2045

- Reduce carbon emissions (Scope 1 & 2) – 25% by 2030 (base year 2022)
- Establish Scope 3 inventory by 2030
- Increase renewable energy sources by 30% by 2030

Adopt Responsible Water Management

- Undertake water stress and risk assessment by FY 2030
- Increase wastewater re-cycling by 5% annually

Reduce Waste Generation

- Become Zero Waste to Landfill Company by 2030

Build a Diversified Team

- Improve the percentage of women employees to 10% by 2026
- Maintain and continue to balance representation of women in contract workers

Ensure Compliance with Ethics

- Ensure regulatory compliance through stringent implementation
- Set up ISO31000 Risk Management Processes by 2028

Implement Sustainable Supply Chain Practices

- Assess 80% critical suppliers for ESG compliance by 2028

Ensure High Occupational Health & Safety Standards

- Continue to achieve zero fatality in manufacturing operations

Pursue Product Quality and Safety

- Maintain 100% compliance with all regulatory and audit observations within defined timelines

GOVERNANCE

As a pharmaceutical manufacturer, we hold a position of significant responsibility in the larger healthcare ecosystem. In several ways, our commitment to strong governance can have a chain reaction that impacts the final health outcomes of individuals who use our products. Therefore, at the core of Hetero's intent to create value over the longer term is our commitment to transparency and integrity along the way. We treat ethical conduct as an uncompromising element in interactions with all stakeholders. Transparent disclosure of our overall and sustainability performance is one of the key strategies we adopt in this regard since this eventually fosters a culture of open communication. High priority to compliance with all regulatory requirements is a natural result of such a culture, which we seek to sustain at Hetero in the years to come.

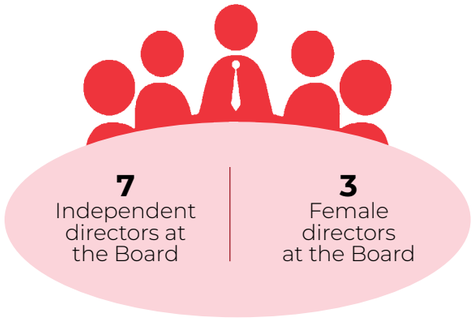
Moreover, beyond just ticking off all boxes on legal compliance, we always seek to go many strides ahead on ensuring end-to-end adherence to a common set of values reflecting good governance. We believe that a systematic and comprehensive approach prioritising integrity from source to end-use drives long-term stakeholder trust, which is the ultimate foundation for a business.

Our commitment to compliance begins with the presence of a structured top management. Our Board of Directors, the highest governing body at Hetero, executes the following broad roles and responsibilities::

- Ensuring that the ethical code of conduct is upheld at all times
- Driving investments in innovation, drug development, and healthcare
- Developing strategies for the company's success in financial and non-financial performance
- Ensuring materialization of the company's vision in real life
- Driving implementation and improvement of sustainability performance

Composition of the Board of Directors

Our Board comprises a well-qualified roster of individuals with diverse experience. In the best interest of the company, the board composition is reviewed every five years and changed if needed. This year, five Board meetings were held..



The HDL Board has 9 directors, and Aspiro has a 7-member Board that includes 2 independent directors. The company's chairman is responsible for strategic decisions regarding achieving organizational targets and for monitoring and reviewing progress on achieving these targets (including those on sustainability).

The Terms of Reference of the Companies Act, 2013 govern all committees except the sustainability committee. The Company Secretary oversees risks and opportunities in consultation with the Board.

Board of Directors	HLL	HBL	HDL	Aspiro	Annora
Dr B. Partha Saradhi Reddy	Chairman	Director	Chairman		
Dr B. Vamsi Krishna	Managing Director	Director	Director	Director	
Smt. B. Kalavathi	Director		Director		
Mr A.V. Narasa Reddy	Whole-time Director		Director		
Dr C. Mohana Reddy	Whole-time Director				
Mr M. Srinivas Reddy	Director				
Dr K. Rathnakar Reddy	Director		Director		
Mr Rajasekhara Reddy	Director (Independent)				
Justice A. Gopal Reddy (Retd.)	Director (Independent)		Director (Independent)		
Mr T. Chandra Sekhar		Director		Director	Director
Dr B. Bala Reddy		Whole-time Director			
Mr J. Sambi Reddy			Whole-time Director		
Mr JAS Giri			Director (Independent)		
Mrs G. Bhavani	Director (Independent)	Director			Director
Mr A. Sudhakar Reddy				Director	
Dr H. R. K. Mahesh				Director	Director
Mr P. R. Sivaprasad				Director (Independent)	
Mr P. R. Bhaskar Reddy					Director
Mr G. P. Palleshwara Rao					Director
Mr Narsimha Reddy			Director (Independent)	Director (Independent)	
Mr Sujesh Vasudevan	Director (Independent)				
Mr Bhavesh Pujara		Additional Director			
Mrs Krishnaveni Kura				Director	

Appointment of Directors and Remuneration

Members of our Board of Directors are appointed as per the requirements of the Companies Act, 2013. Apart from the presence of technical experience and expertise, we greatly prioritise the qualities of ethics, goodwill, and strong leadership in our senior management. The Policy on Remuneration of Directors, Key Managerial Personnel, and Other Employees (drafted based on the recommendations of the Statutory Committee) outlines remuneration mechanisms for our Board of Directors and all other employees. The Audit Committee mostly comprises independent directors, while the CSR Committee and the Nomination & Remuneration Committee works under the chairmanship of independent directors.

Policy Commitments

To ensure that our commitments are followed through in action, we have an extensive docket of policies across the governance, social, and environmental pillars:

Governance: Anti-Bribery and Anti-Corruption Policy, Committee and Teams Policy, Disciplinary Action Policy, Internal Audit Policy, Sensitive Transactions Policy, Communications Policy, Whistleblower Policy, Remuneration Policy, Anti-Money Laundering Policy.

Social: Child Labour and Young Workers Policy, CSR Policy, Customer Safety Policy, Discrimination Policy, Employee Resignation & Discharge Policy, Employees' Conflict of Interest Policy, Forced & Compulsory Labour Policy, Harassment or Abuse Policy, Human Rights Policy, Information Security Policy, Training Policy, Grievance Redressal Policy, Expectant Mothers Policy.

Environment: Health, Safety, and Environment Policy, Biodiversity Policy, Energy Management Policy, Sustainable Procurement Practices Policy.

Grievance Redressal

Grievance redressal is an indispensable part of a strong governance framework in our opinion. We believe that our approach towards responding to employee concerns has a direct impact on our reputation in the long run. We have a dedicated Grievance Redressal Committee, comprising six members from the senior management and employees to ensure fairness, ensures prompt redressal of grievances brought forth by employees. The Chairman of this committee is changed every year, and is usually someone who represents the concerns of both the senior management and employees. We also have a Grievance Redressal Policy whereby we address employee concerns while maintaining confidentiality.

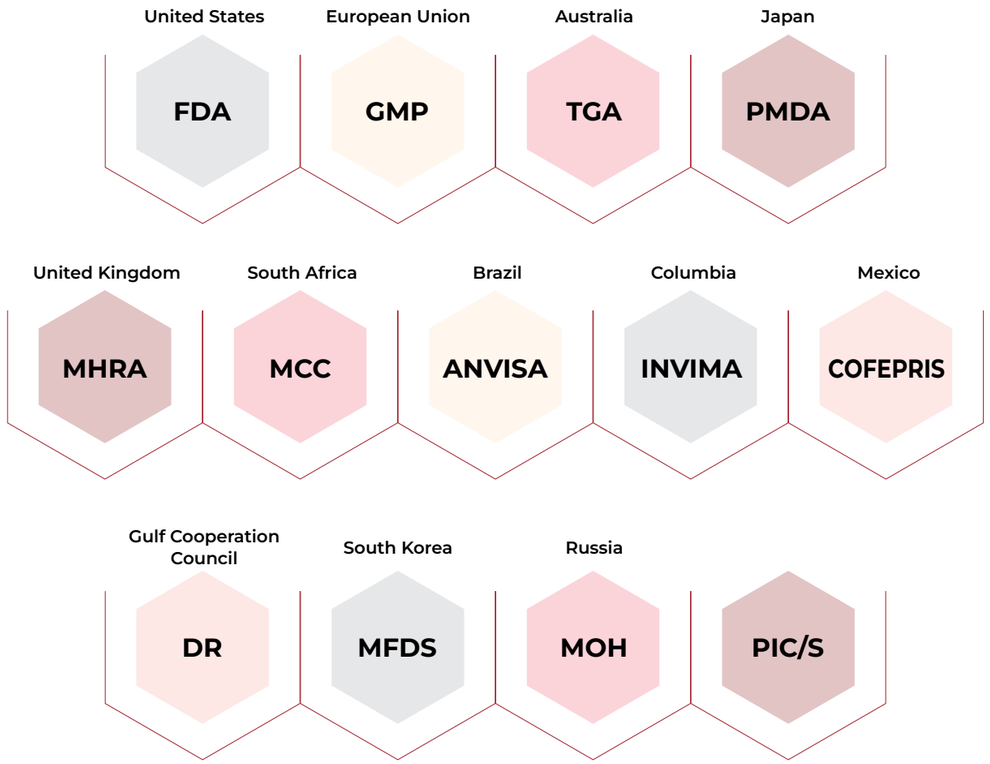
Conflicts of Interest

We have structured procedures for reporting of conflicts of interest, and also document disclosures in this regard. We encourage the resolution of conflicts directly with the supervisor, with the human resources, legal, and compliance departments getting involved if necessary.

Regulatory Compliance

We accord very high priority to compliance with regional, national, and global regulatory requirements. We have watertight procedures in place to prevent breaches to our stand on compliance, and to foster proactiveness in meeting legal requirements. We are required to comply with a number of global regulations, which naturally helps us drive a high level of meticulousness in our approach towards being transparent and compliant. During the year, there were no instances of significant fines and penalties from regulatory authorities. By "significant", we refer to amounts of fines that are disproportionately high or incidents which could cause significant reputational damage. We use three main tools to ensure that a culture of strict compliance and continuous improvement.

The list of regulatory requirements we comply with include:



Sustainability Governance

There are three key stakeholders within the company who oversee and manage sustainability-related matters:

- **Environment, Health, Safety, and Sustainability Head**: Monitors and leads the progress of the company on sustainability indicators, on which plant heads disclose data regularly. Department heads are responsible for on-ground implementation of sustainability initiatives and overseeing progress on an everyday basis. Plant level teams comprise the following teams: HR & administration, engineering, warehouse, manufacturing, learning & development, quality assurance and quality control, and environment, health, and safety.
- **Sustainability Committee**: Under the Board's oversight, the committee leads Hetero's sustainability policies and initiatives and holds accountability for supervising sustainability matters and also for sustainability disclosures. The Managing Director heads this committee and identifies and mitigates sustainability-related risks at a group and plant level.
- **Board of Directors**: Review and monitoring of the sustainability committee's responsibilities.

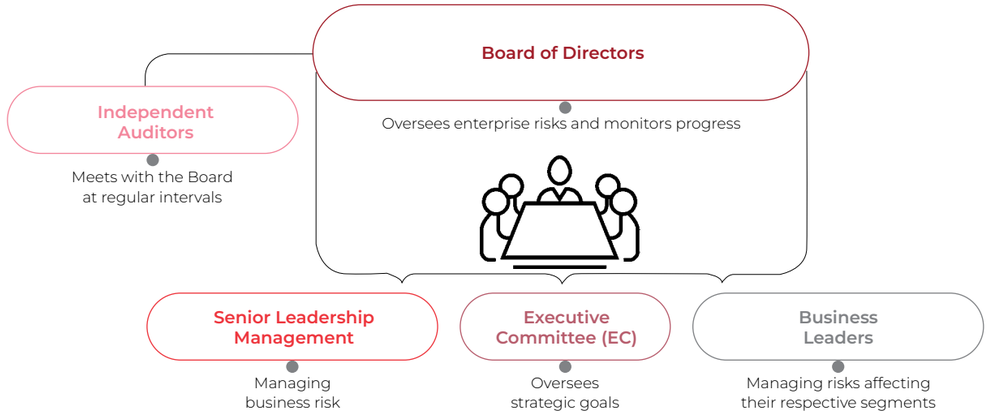
Risk Management

The pharmaceutical manufacturing supply chain is fraught with risks, mainly associated with sustaining product quality over its lifecycle. Without optimal

attention to systematic risk management, productivity and compliance-related losses could increase over a period of time. At Hetero, we adhere to a number of quality standards across the globe (as described in the "regulatory compliance" section). This warrants us to naturally be alert and proactive with respect to identifying and mitigating risks. Therefore, we have a comprehensive risk management framework that allows us to be spontaneous in our response to the occurrence of risks, though we try to prevent them as far as possible. Apart from identifying the regulatory, reputational, financial, and operational risks that could affect our business, we also prioritize the recognition and addressing of ESG risks. We believe that disruptions to our entire supply chain are possible as a result of ESG risks and that their prioritization is instrumental in ensuring long-term business survival.

At Hetero, we have a dedicated Enterprise Risk Management function that continuously identifies and assesses material risks through a cross-functional risk assessment approach that integrates the sales, operations, manufacturing, and supply chain functions.

Risk Governance Structure



While assessing risks, the ERM function considers the impact that risks may have on both internal and external stakeholders. Our multi-stage risk management framework includes the following elements:

- Identifying, assessing, mitigating, and monitoring risks
- Develop criteria for risk rating
- Evaluate likelihood of risks
- Involvement of functional heads in mapping and prioritising internal and external risks

Anti-Corruption

The presence of corruption could lead to several repercussions for the economy, environment, and society, including poor public trust in the government, loss of public resources, injustice to vulnerable sections of the population, inefficient supply chains, and reputational damage for businesses. As of 2019, the world spent more than $7 trillion on health services, and 10%-25% of this spending was lost on corruption. According to Transparency International, almost one-fifth of the healthcare budget in OECD countries is spent on medicines. This indicates the urgent and important need for pharmaceutical companies to be highly vigilant and proactive with respect to identifying and mitigating corruption risks.

As a responsible API leader, Hetero considers its anti-corruption stand as fundamental to its survival. We seek to imbibe a culture of integrity and anti-corruption across every operation so that they become a part of every employee's behavior and are not just followed for the sake of mandatory requirements. We have a comprehensive docket of policies underlining our commitment to anti-corruption, which are reviewed and updated regularly. The Audit Committee of the Board and the Compliance function hold joint responsibility for identifying and mitigating instances of corruption by working with individual functions.

Whistleblower Policy

All our stakeholders are encouraged to report any potential or actual violation and maintain our promise to employees on protected disclosure under our Whistleblower Policy. Every employee can approach the Board of Directors or the Chairman of the Audit Committee with their reports, which are audited immediately and addressed.

To ensure our employees align with organizational values on anti-corruption, we conduct annual training sessions to improve awareness and reiterate our commitment to ethical behaviour and zero tolerance to corruption. We also have robust compliance frameworks in place to assess and oversee ethical behaviour and anti-corruption. We are also signatories to the 10 principles of the United Nations Global Compact.

Moreover, we prioritise our commitment to anti-corruption right at the beginning of the supply chain, by requiring our suppliers to adhere with our supplier code of conduct that includes clauses on anti-corruption. We work only with suppliers and other partners with a like-minded approach and commitment towards anti-corruption, ethics, and integrity. We believe that prioritizing zero tolerance to anti-corruption at the sourcing stage creates a positive impact of a higher magnitude across the supply chain.

There were no instances of corruption at Hetero Group during the year 2023-24.

Data Privacy

Data privacy is important not just from a compliance angle but also because it impacts reputation and bottom-line performance. In the pharmaceutical industry, a lot of sensitive information is handled, including patient data, clinical trials data, intellectual property, and operational data. Naturally, a strong governance system on managing data privacy in this industry can significantly improve patient trust, company goodwill, and adherence to regulatory requirements.

At Hetero, we address data and customer privacy with utmost care and seriousness. Data security is prioritised at all stages of operations through adherence to data privacy regulations under ISO 27001 (for which we got our certification in 2022). Apart from ensuring transparency in data collection and storage, we also ensure that our customers can access or change information by themselves by providing data handling autonomy to them. We also have open communication channels that foster

continuous feedback and response. Our information technology team is responsible for handling all matters in relation to cyber security and data privacy.

Our system is designed to prevent data security breaches or unauthorised access as far as possible. We have rigorous training systems in place to establish and update employees' knowledge of data security practices. We also seek to improve stakeholder awareness (including customers') of good practices in data protection. As a result of our efforts, there were no instances of data security breaches during the year.

Human Rights

The right to health is a fundamental human right that every individual is entitled to. In the pharmaceutical sector, ensuring that every customer served has access to this right is the shared responsibility of all stakeholders throughout the supply chain. In fact, conducting ethical clinical trials, ensuring medicines' affordability and accessibility, and the environmental and social impact of pharmaceutical manufacturing impact fundamental human rights of several stakeholders including employees and workers, customers, and suppliers. It is, therefore, the duty of pharmaceutical companies to ensure the upholding of human rights in all operations and interactions.

At Hetero, we assign high importance to respect and dignity for all individuals we are associated with. For this purpose, we constantly monitor, evaluate, and analyse the impact of our business on human rights.

We also have an organisation-wide human rights policy that provides guidance on respect for human rights and outlines our objectives in this area.

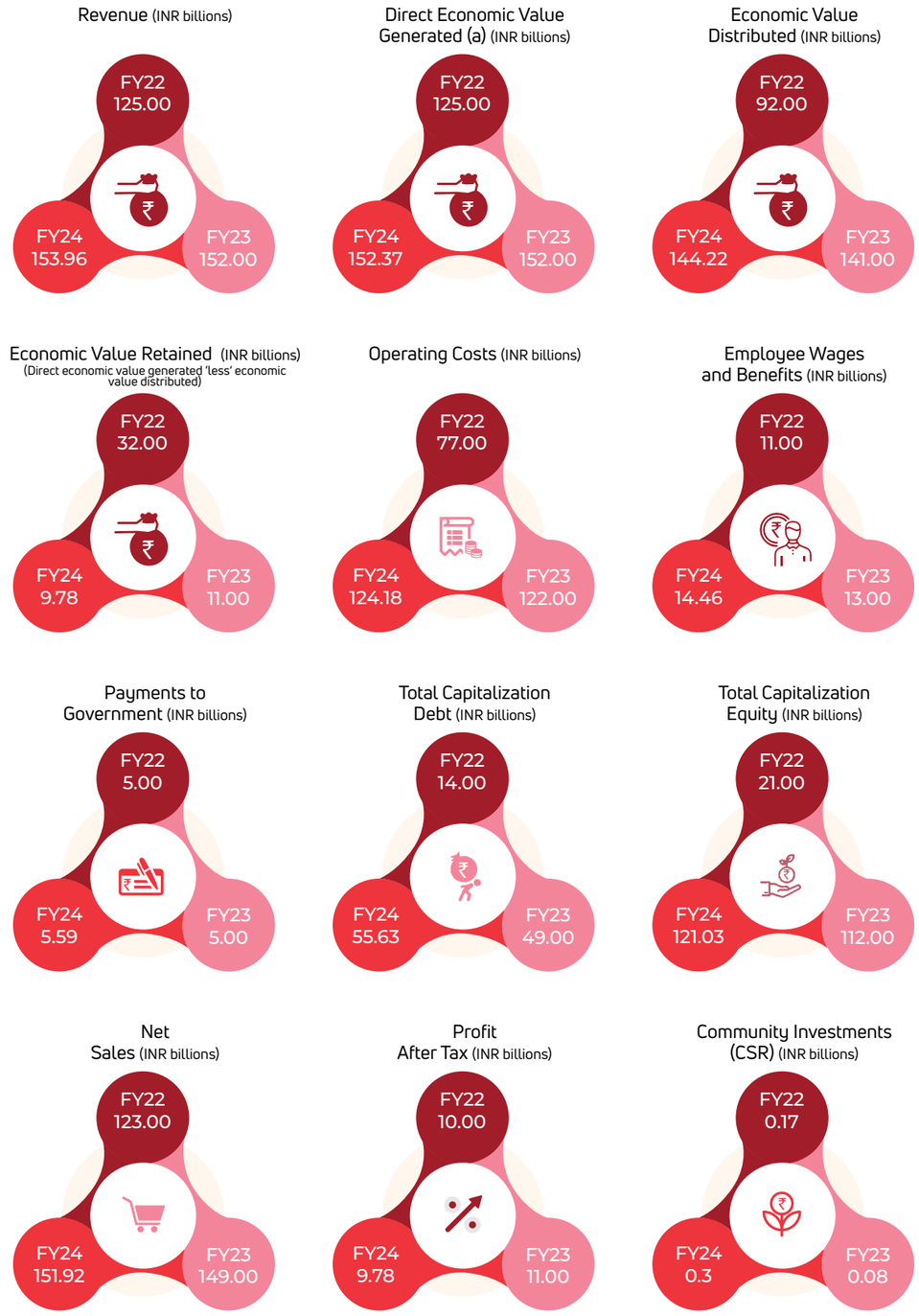
Apart from ensuring that respect, inclusiveness, equal work opportunities, fair pay, and non-discrimination are a part of the work culture at Hetero, we also ensure that human rights practices are upheld across our supply chain. Human rights clauses are included in our Supplier Code of Conduct. We also have zero tolerance for child labour or forced / compulsory labour. We have an age verification process at the time of hiring to prevent child labour.

During the year, there were no instances of child labour, forced labour, or discrimination on the basis of caste, creed, language, or any other such criterion.

Going forward, we seek to continue reviewing and monitoring our governance practices for further improvement. We aim to maintain our performance on strong governance in the years to come. We also seek to conduct human rights assessments and due diligence to improve our monitoring on this front. We also want to align our risk identification and management framework with the Task Force on Climate Related Disclosures if possible, to add a climate lends to our risk management initiatives. Moreover, we aim to leverage the power of technology and AI to improve our vigilance mechanisms across the board. We believe that our culture of continuous improvement will significantly strengthen our governance mechanisms and cement our position as one of the most trusted pharmaceutical manufacturers in India and across the world.

Economic Value Creation

For a company committed to a high level social and environmental responsibility like Hetero, balancing affordability and accessibility of medicines (beyond compliance requirements) while also seeking to achieve upliftment



of the ecosystem we belong to is an uncompromising imperative. Combined with ensuring responsible consumption and production, therefore prioritise intelligence, discipline, and spontaneity in financial decision-making to sustain our market presence.

While pursuing expansion, pharmaceutical companies are often faced with the tradeoff between achieving sustained

profits and continuing to invest in research and development for innovation. The challenges also mount when this situation is exacerbated by global trends in inflation and geopolitical changes, coupled with the need to limit drug price increases. This typically directly impacts the revenue of pharmaceutical companies. In such a situation, companies in this sector need to adopt a systematic, structured, and comprehensive approach to financial planning.

Our financial reporting is carried out in accordance with the Companies Act, 2013, as per the Indian Accounting Standards. We prepare and present our financial statements and also appoint auditors according to the clauses specified in the Act. Our finance function holds chief accountability for tracking, reporting on, and managing our financial information and performance. The finance function works closely with the various departments in the company to set financial targets and review progress every quarter. Financial results are reported to the audit committee, which works closely with the Board of Directors to review and provide feedback on this during quarterly meetings. We report our financial performance in our yearly annual reports.

Indirect Economic Contributions

The pharmaceutical industry facilitated the creation of 74.9 million jobs and contributed USD 2295 million to global gross domestic product. With diseases increasing due to climate change, an aging population, and the widespread occurrence of chronic diseases, investments in healthcare can significantly improve the overall health and well-being of society and the state of the economy. As part of such an industry, we have an important responsibility to uphold and ensure that we do our bit in this regard, as well.

We have long since recognised that resilience is the foundation to financial performance, and also that focused ESG adoption is one of the sure-shot ways to achieve this. Therefore, we believe that economic prosperity happens in tandem with job creation, community upliftment, local livelihood development, and ethical sourcing. We are working towards gradually integrating environmental and social responsibility across our entire value chain, so that we achieve economic success while building trust and creating value for everyone around us.

Beyond creating economic value, we also prioritise investments in local infrastructure, skill development, and sustainability to empower communities and drive inclusive growth. Moreover, the importance that we assign to responsible waste management, environmental stewardship, and minimising our carbon footprint also helps us provide opportunities to green enterprises. Whilst engaging with suppliers, we also engage in fair trade practices so that economic benefits are equitably distributed across the value chain.

Responsible Supply Chain Practices

For the pharma sector, supply chain performance significantly influences competitive advantage. The supply chain in the Indian pharmaceutical industry still faces challenges in terms of manufacturing capacity, need to expand cold chain and packaging availability, need for manpower, gaps in R&D investments, and the need for more training / skills. Therefore, ensuring that supply chains are resilient and environmentally friendly.

Our supplier roster comprises more than 5,000 suppliers from across the world. We have a diversified supply chain that helps us procure raw materials from a range of options. Our suppliers adhere to environmental, social, and governance (ESG) requirements reflected in the supplier code of conduct. Our procurement policy outlines environmental, social, legal, ethical, and safety parameters for suppliers to follow.

Upstream	Downstream
• Suppliers of starting material (KSM) suppliers, solvents, and specialty chemicals • Suppliers of fuel, packaging material, and other suppliers	• Logistics and freight operators for transporting materials to customers

Our suppliers have signed up on the supplier code of conduct and are evaluated on the aforesaid parameters. Supplier assessments are conducted onsite and offsite, and covers EHS aspects. We engage with our suppliers and logistics partners regularly to apprise them on these matters. We have recently started integrating digital assessments as well, to ensure more accuracy and efficiency in the process. We also have a zero-tolerance policy towards child labour, discrimination, discrimination, and unethical business practices throughout the value chain.

Moreover, we also prioritise local procurement and strive to maintain the share of local suppliers at 90% or above, since it ensures lesser carbon footprint, promotes cost efficiency, and creates livelihoods locally. During the reporting year, 81% was the monetary value spent on local suppliers. This is a 2.5% share increase compared to the previous year.

Supply Chain	2021-22	2022-23	2023-24
Local Suppliers (Only Active)	5448	5747	5137
Global Supplier	533	563	519
Total Suppliers	*5981*	*6310*	*5656*
% Local vendors	91%	91%	91%
% Global Vendors	9%	9%	9%
Monetary value of spent on local suppliers	76%	79%	81%
Monetary value of spent on global suppliers	24%	21%	19%

Going ahead, Hetero's main motive is to sustain and improve our financial performance over a period of time. We also seek to track our indirect economic contributions even more closely, so that we can report quantitative information on this front in the years to come. We also look forward to introducing a responsible investment strategy wherein we channelize our funds into environmentally friendly projects and companies. Furthermore, integrating our financial and non-financial reporting endeavours is also on the cards. Eventually, we seek to create a seamless connect between financial and non-financial performance, wherein sustainability is integrated as a way of thinking into our financial decision-making process.

ENVIRONMENT

The life cycle of pharmaceutical manufacturing leads to significant environmental impact, due to energy & water consumption and hazardous waste generation. In fact, the greenhouse gas emissions of the pharmaceutical industry is 55% higher per dollar of revenue than the emissions of the automotive sector. In numbers, this translates to 48.55 tonnes of CO_2 equivalent per million dollars. India's pharma industry contributes 2% to the country's gross domestic product, and its corresponding environmental footprint is also high as a result. In this situation, it is important for pharmaceutical companies to be conscious and aware of their environmental performance and implement initiatives to mitigate their footprint to the best extent possible.

To ensure consistent efforts towards minimisation of environmental footprint, all our units are ISO 14001 certified. We also report on our performance with reference to international standards including the Global Reporting Initiative (GRI) and United Nations Global Compact (UNGC). Our Health, Safety, and Environmental (HSE) Policy provides principles and guidelines for managing our environmental performance and is available for public viewing.

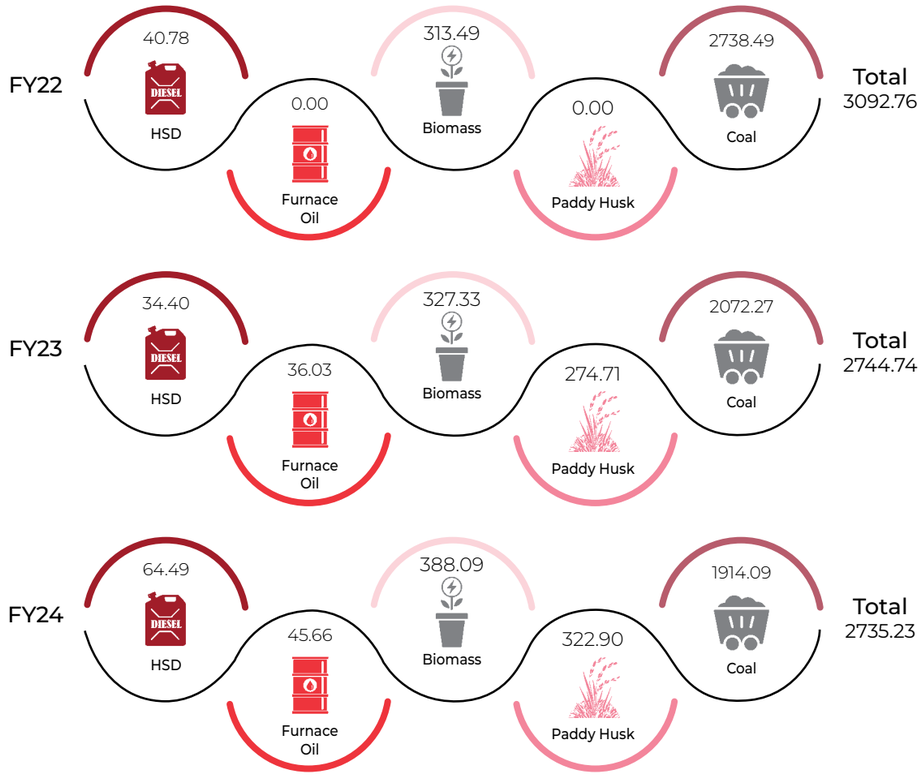
Energy Efficiency

The key factor responsible for carbon emissions from the pharmaceutical industry is the energy source used for production. In India, there is high reliance on coal for energy. Moreover, in India, cleanroom environments are quite energy intensive, due to their requirement for air filtration systems that remove air pollutants. Therefore, paying close attention to energy efficiency initiatives especially in situations where temperature and humidity control area involved.

At Hetero, we have undertaken to align our goals with the Government of India's climate commitments and also reduce our reliance on furnace oil and other non-renewable fuels. We also continuously monitor our energy usage and drive a culture of constant improvement. In 2024, we used high speed diesel, furnace oil, biomass, paddy husk, and coal. Biomass and paddy husk have been a part of our fuel mix since the last two years.

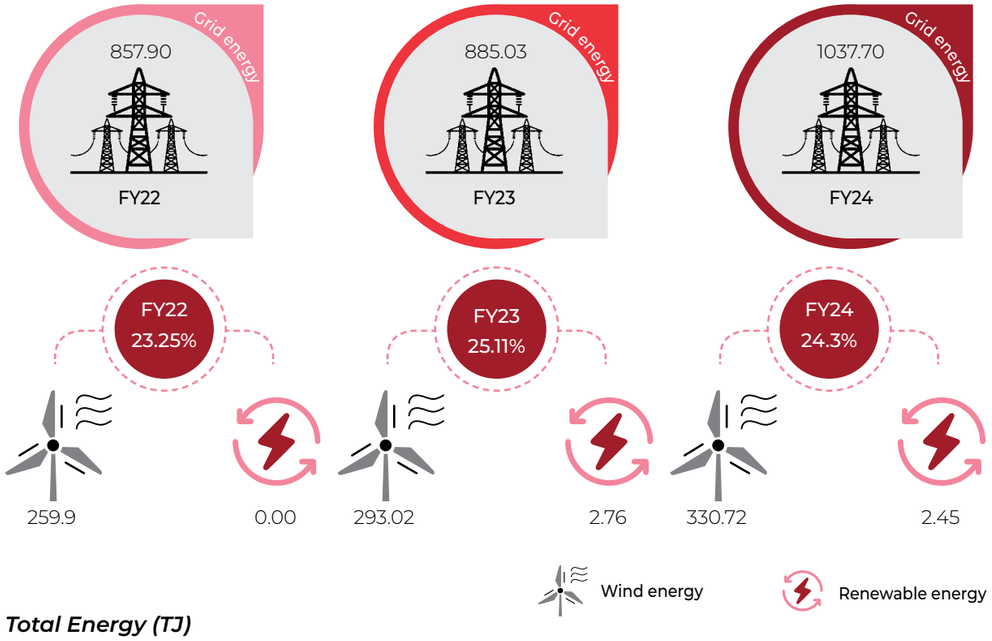
25% of our fuel consumption is from renewable sources (biomass and paddy husk). Our total fuel energy consumption was lesser by 9.51 TJ this year, reflecting our commitment towards responsible energy use.

Energy consumption from fuels (in TJ)



Energy Consumption by Source (TJ)

Our wind energy use increased by 12.86% during the reporting year.



Total Energy (TJ)

All our sites have the ISO 50001 certification on energy management, which underlines our dedication to responsible energy management.

Energy Conservation Initiatives

Removing Obsolete Wires / Pipes

- Removal of unused / old electrical panels and cables amounting to 8750 metres in length
- Dismantling of unwanted / idle piping across the plant (8000 metres dismantled at utility bridge and block-wise so far)
- Dismantling of idle HDPE piping (3500 metres removed so far)

Use of alternative material

- Replacement of coal with rice husk across most of our manufacturing sites

Reuse of energy

- 100% flash steam recovery through installation of flash jet pump and arresting live steam loss
- Heat recovery from air compressor to heat water and feed it into the boiler
- Collection and utilisation of rainwater for boilers and evaporative condensers at service blocks
- Cleaning of all evaporative condensers with high pressure jet pump by an external party for efficient heat exchange

Energy efficient equipment

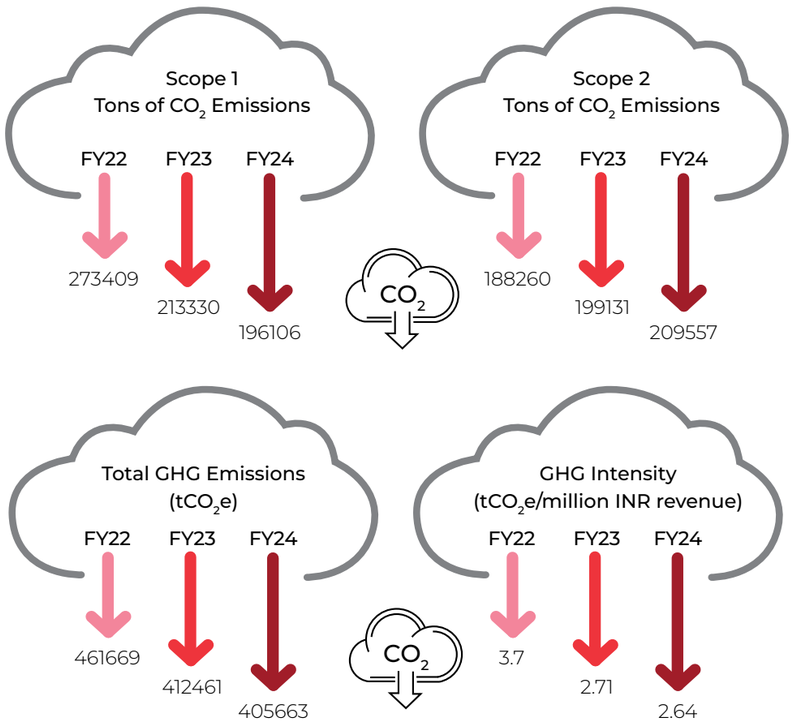
- Temperature controllers installed for cooling tower fans
- VFD installed for micronizer for energy saving
- Installation of high efficiency energy savings e-glass epoxy FRP fan for cooling tower
- Installation of SOPT at Hot Water System (to avoid steam trap bypass)
- Installation of automatic level controller at steam condensate tank
- Provision of BLDC fans for HR new hall and canteen

Emissions Management

The emissions intensity of the pharmaceutical industry is very high, especially due to the manufacturing process, raw material extraction & processing, conversion of active ingredients into medical products through formulation processes, use of single-use plastics in packaging, and distribution and retail. In short, the entire supply chain is emissions intensive and requires focused strategisation to reduce the carbon footprint of the industry. As a result, pharmaceutical companies across the world are setting climate action targets and are thereafter tracking carbon emissions to measure progress.

Energy consumed in our operations constitutes one of the major reasons for emissions from Hetero. One of the main steps we are taking to address this is the use of biomass in our boilers. Furthermore, the energy savings initiatives that we implemented through the year also contributed to carbon footprint reduction.

To ensure that our employees are fully on board with respect to our climate goals, our key personnel including those in the EHS and sustainability teams participated in the climate ambition accelerator programme. This was a six-month intensive programme for companies engaged with the UNGC. Our carbon accounting approach adheres to the guidelines specified in the GHG Protocol.



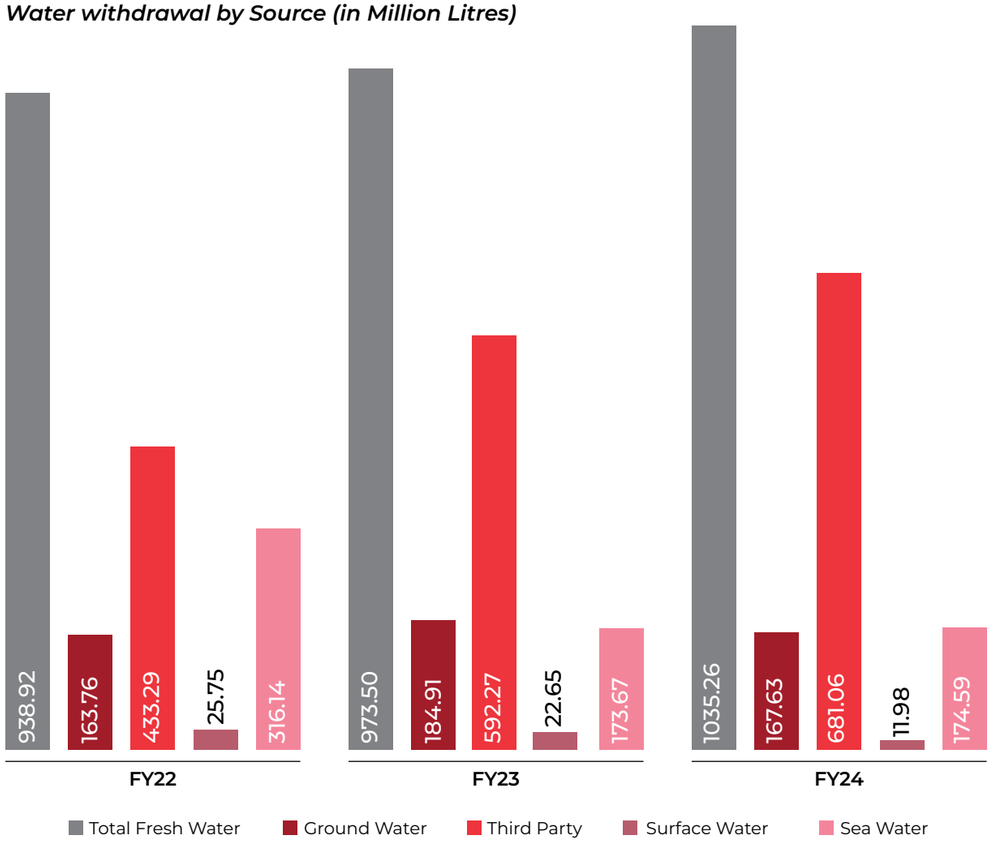
The graph above represents our scope 1 and 2 emissions over the past three years. Scope 1 emissions comprise fuel and refrigerant consumption, while scope 2 emissions are from electricity purchased. Our direct GHG emissions have reduced steadily over the past three years, whereas our indirect GHG emissions from electricity have been increasing due to our endeavour to expand operations. Our GHG intensity, however, has reduced to 2.64 tCO_2e/million of INR revenue, as compared to 2.71 and 3.7 in the previous two years respectively. This year our biogenic emissions are 79630.88 tCO_2e.

Water Consumption

Water is used for various applications across the pharmaceutical production process. Most processes including drug formulation, cleaning, sterilisation, and utilities are very water intensive. Adoption of sustainable water management processes is capital intensive; moreover, recycling water is also challenging given regulatory restrictions on this front. Focused, pragmatic policies and practices are required to manage and use water judiciously.

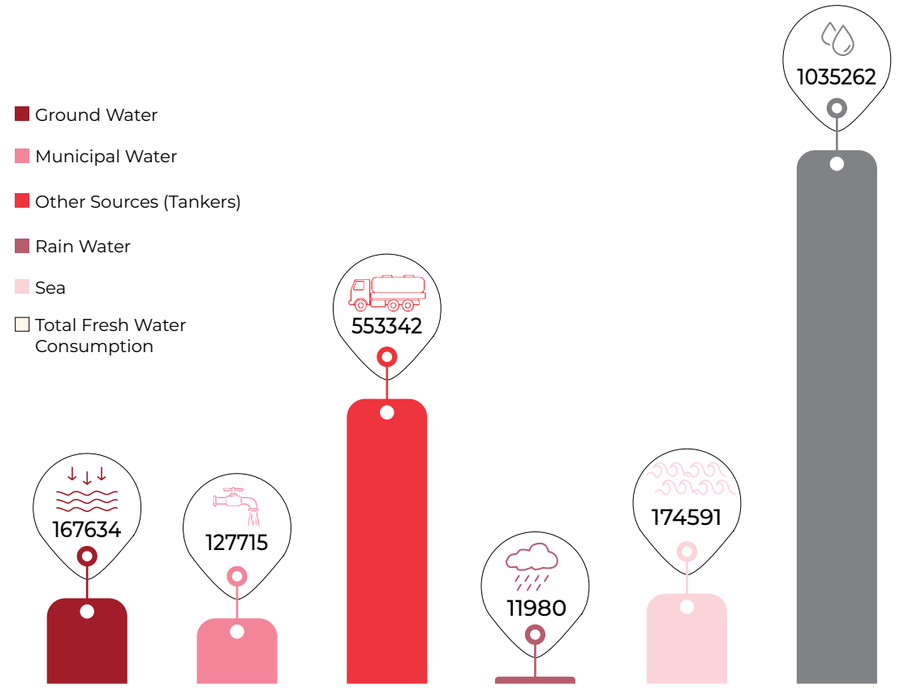
Hetero not only seeks to reduce its water consumption and manage wastewater responsibly but also to understand our overall impact and interactions with water resources. This helped us revisit our water management strategy and understand how water scarcity could be prevented.

Water withdrawal by Source (in Million Litres)



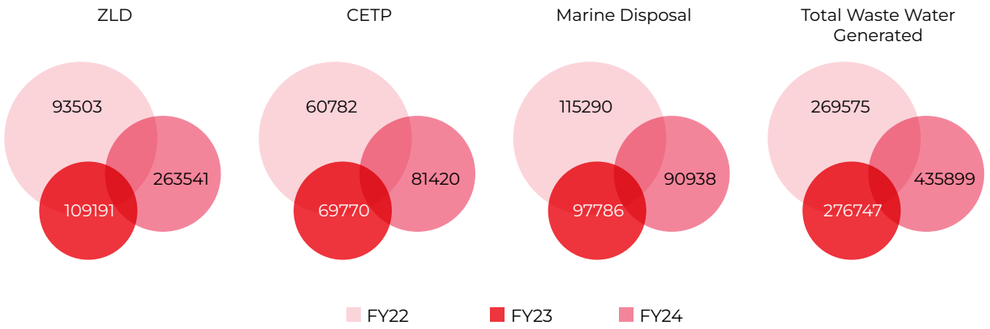
The graph above reflects our total water withdrawal during the last three years. While our total freshwater consumption has increased (mainly due to the expanded operations from last year), groundwater and surface water withdrawal dipped slightly as compared to last year. Third party water withdrawal increased in the reporting year.

Water Consumption by Source (in KL) by Hetero Group



We consume the highest from tankers, followed by seawater, groundwater, and municipal water.

Waste Water Generation and Disposal (in KL)



During the reporting period, 60.46% of our treated wastewater was managed through Zero Liquid Discharge (ZLD) systems, reflecting our commitment to water conservation. Additionally, 18.68% was routed to CETPs, while the remaining 20.86% was directed to marine disposal, following all applicable regulatory standards.

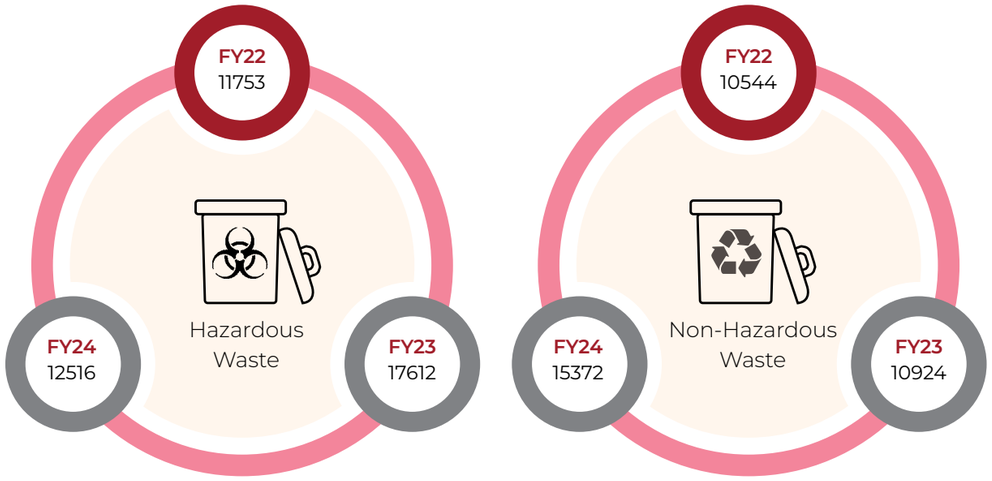
Waste Management

Pharmaceutical waste possesses hazardous properties including ignitability, corrosivity, reactivity, and toxicity. Moreover, active pharmaceutical ingredients could cause significant damage to the environment, and adversely impact biodiversity and public health. Incineration of medical waste (including expired medicines) causes high levels of air pollution; and unsafe storage, treatment, and disposal of pharmaceutical waste could cause antimicrobial resistance. Due to this, human beings are also exposed to pharmaceutical residues that may contaminate drinking water and food. India has around 3000 pharmaceutical companies with 10500 manufacturing units, and exports medicines to around 200 countries. This makes the country vulnerable to high volumes of pharmaceutical waste. Companies in the pharma sector therefore have a significant responsibility towards managing their waste consciously.

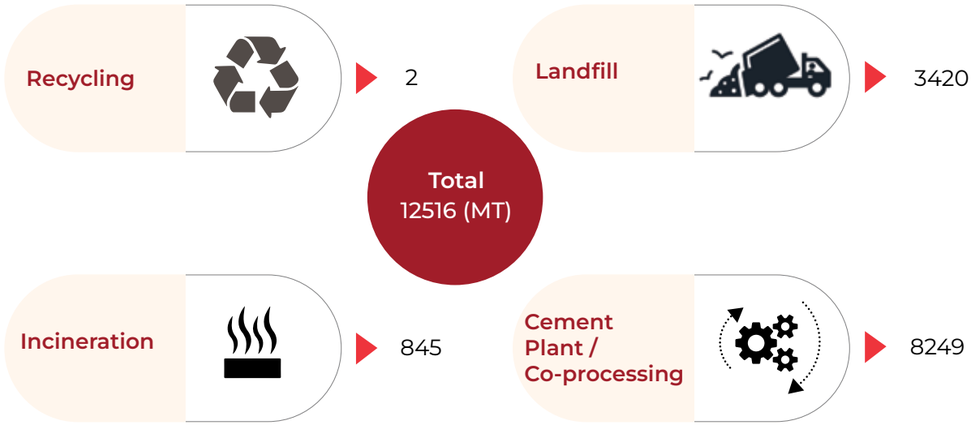
At Hetero, we prioritise the 3R concept in our endeavour to manage our waste responsibly – "reduce, reuse, recycle". We continuously monitor our waste generation, handling, and disposal practices to disclose our performance on waste management transparently. Due to our continual efforts, we were able to add another category of waste to our disclosures – electronic waste. The composition of our waste generated is as follows:

Hazardous Waste	Non-Hazardous Waste
Process waste, organic salts, ETP sludge, Multi-Effect Evaporation Salts, Agitated Thin Film Dryer Salts, spent mixed solvents, used oil, evaporation salts, process inorganic, solvent residue, process organic residue, and spent carbon, used PPE, and insulating wool.	HDPE Drums, MS Drums, Glassware, Packing Material

Waste Generated by Category (MT)



Hazardous Waste Disposal Methods (in MT)



In the reporting year, hazardous waste generation saw a significant reduction of 28.93%, reflecting our continued efforts toward safer waste handling and minimization. However, non-hazardous waste increased by 42.87%, primarily due to expanded operations. We generated 55.99 metric tonnes of biomedical waste and 5.33 metric tonnes of e-waste. Despite the variations across waste categories, the total waste generated reduced by 2.98% compared the year 2022-23. 100% of the non-hazardous waste is recycled.

Going recording our waste data periodically and consistently. We also aim to extend our reporting across more categories in Scope 3 emissions. Improving our renewable energy share is also on the cards, as is increasing the share of clean energy in fuels used in operations. Moreover, we also want to continue increasing the share of water recycled in our operations. Overall, we aim to drive razor-sharp focus on monitoring and reporting on our organisational footprint and also introduce many more initiatives to reduce our impacts on the environment.

SOCIAL

Health equity is a topic of global concern, and access to medicines is a critical social theme that impacts the health and wellbeing of many. Building trust over the longer term is a complex, multi-layered process for pharma companies since there are several stakeholders involved between the company and the end consumer – e.g. doctors, brands, and others. Being cognisant of, and measuring the health outcomes could directly impact the society's quality of life has become an essential part of healthcare entities' host of responsibilities. Furthermore, the pharma sector in India employs around 2.7 million people, directly and indirectly. This shows the amount of impact that good people practices could have on multiple populations. As a leading manufacturer of pharmaceutical products, Hetero is therefore committed to measuring, monitoring, and extending our social impact to as many beneficiaries as possible in the years to come.

Hetero has unique approaches to sustaining relationships with all stakeholders, characterised by three common elements:

Further topics in this section will elaborate how individual topics are managed and tracked at Hetero. We have categorised the material topics into three broad stakeholder groups: employees, customers, and communities. Our updates on social impact for this year will be presented under these three broad headings.

Employees

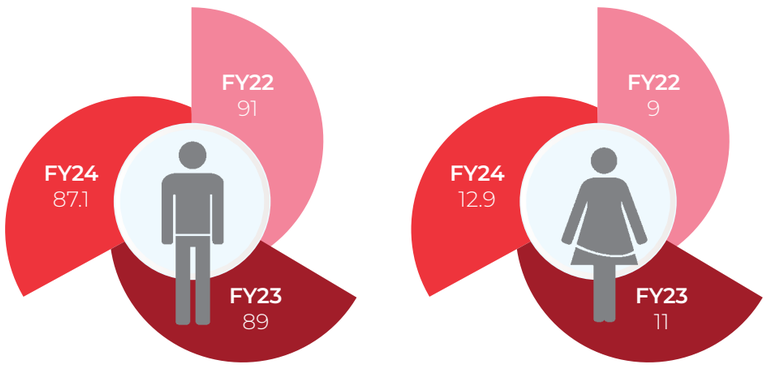
Employee Performance and Well-being

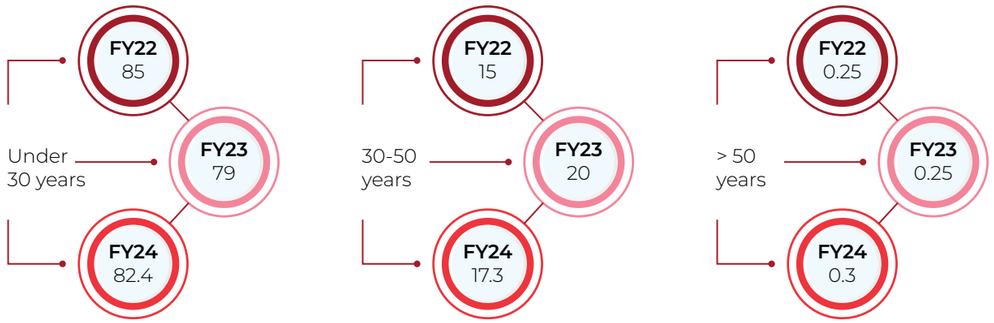
Human resource management plays a significant role in ensuring continuous innovation, compliance, and productivity of employees in the pharmaceutical industry. Our care for people practices begins at the recruitment stage, where we seek to hire ethical and well-qualified employees whose thoughts align with the core values of the company. Beyond this, in the pharmaceutical sector, ability, motivation, and opportunity are three fundamental pillars on which employee satisfaction rests. Therefore, Hetero seeks to adopt a holistic, 360-degree approach to driving employee retention and loyalty in the long run.

Our human resources manual contains a roster of policies that support open communication, work-life balance, and assign high value to sharing of ideas and thoughts. These policies have been listed in the "Governance" section. In addition to these, we also have a policy against over time and strict specifications for work to be handled within working hours. We have a compensation system for employees who work on government holidays or weekly holidays. To ensure employees are aware of these, knowledge on these policies is provided to permanent and contract employees during induction trainings. We also continuously refine our recruitment process and promote transparency in the process.

There were 8384 new hires during the year (compared to 5217 new hires last year). Of this, 2768 were in the permanent employees category and 5616 in the temporary employees category. The age and gender composition of new hires has remained relatively similar over the past three years, though there has been a slight increase in female hires and hires under 30 years this year.

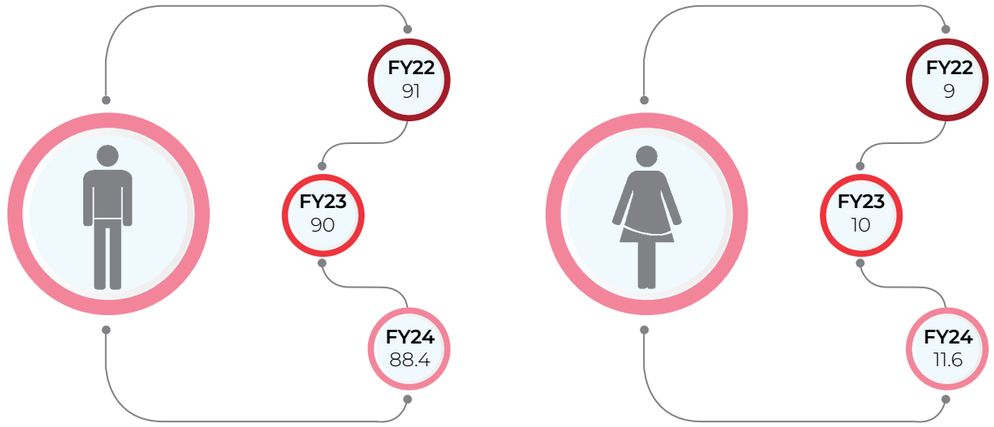
New Hires: Percentage of Employees by Gender and Age

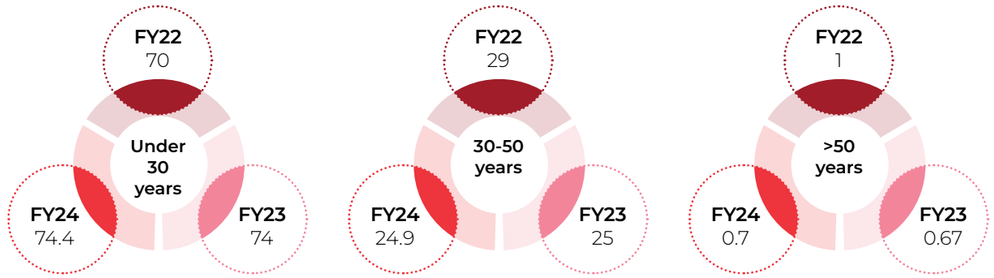




Employee turnover was also higher among female employees and employees under 30 this year. However, employee turnover among males decreased by almost 6 percentage points. A total of 6222 employees left the company this year, of which 1732 were permanent employees and 4490 were temporary employees.

Employee Turnover: Percentage of Employees by Gender and Age





The Indian pharma sector is characterised by high attrition rates (30 to 35%) as compared to 10-12% across the globe. We strive to contribute to reductions in these numbers by providing competitive benefits to our employees:

Number of employees receiving benefits

Life Insurance

Full-time Employee	Temporary Employee
Male 8736	**Male** 7490
Female 948	**Female** 1167

Health Care

Full-time Employee	Temporary Employee
Male 8412	**Male** 6882
Female 864	**Female** 1092

Disability and Invalidity Coverage

Full-time Employee	Temporary Employee
Male 8397	**Male** 7464
Female 946	**Female** 1100

We ensure that all our male and female employees are entitled to parental leave policies and can take advantage of them whenever they need. 100% of our employees are eligible for parental leave. In the reporting period, 273 men and 246 women took leave.

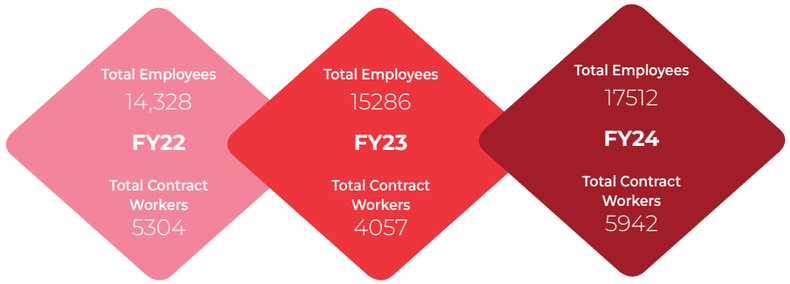
Diversity, Equity, and Inclusion

The year 2020 saw a shift in social attitudes towards diversity and inclusion at the workplace, putting it at the centre of the map in most companies' ESG strategies. In general, the healthcare sector is benefitted by better relationships between healthcare providers and patients with the presence of people from the same culture. Traditional gender ratios in the pharma sector are highly skewed towards males, with low female participation. Addressing fundamental behaviour and attitudes among households in India about women in STEM is essential. We believe that our efforts to hire and retain more women in our workforce will open up more opportunities for women in our regions to be a part of Hetero's work. At Hetero, we not only ascribe to global narratives on DEI, but also want to take into account local, regional, and cultural factors influencing diversity at the workplace.

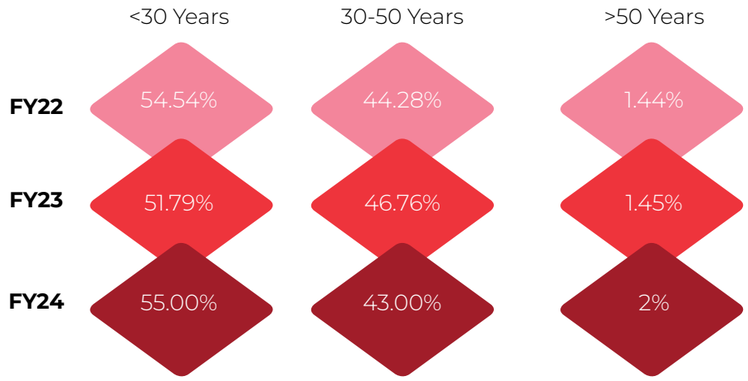
With the belief that diversity drives creativity and innovation at the workplace, we strive to maintain a multicultural workforce with employees from various ethnicities, languages, and backgrounds. At the first level, we ensure that every employee is treated with dignity, fairness, and respect and have a strict stand against discrimination in any form. Our HR team ensures that every employee is trained and continuously updated on our stand on DEI and ant-discrimination, so that fairness is imbibed in behaviour and not just on paper. Our Prevention of Sexual Harassment (POSH) committee works hard to eliminate conscious or subconscious biases against women, and is always available to address incidents, complaints, and grievances with respect to sexual harassment.

The percentage of female employees increased during this year as compared to last year, while the percentage of female contract workers fell by a notable percentage. Most of our workers fall in the <30 years or 30-50 years age bracket, reflecting our commitment to hire and retain a young workforce with promising talent.

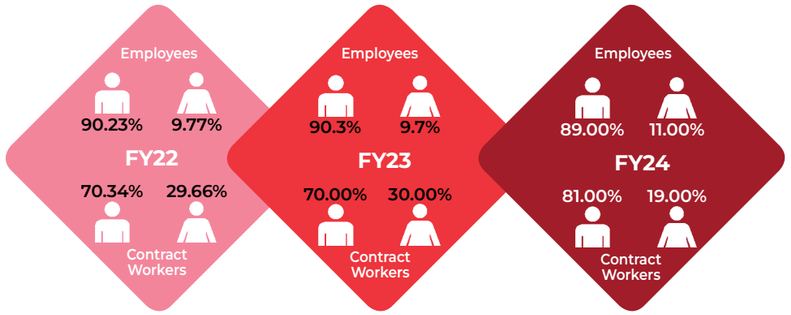
Number of Employees by Employment Type



Percentage of Employees Categorised by Age



Percentage of Employees Categorised by Gender



There were no instances of sexual harassment or discrimination, or incidents violating the rights of indigenous peoples during the year.

We celebrate festivals and special occasions associated with the religions / culture of all our employees. Furthermore, we also prioritise the celebration of International Women's Day with fervour every year. Apart from this, we promote a culture of respect for women on all days, and not just on a specific day of the year.

Motto
'Empowering Safety, Fostering Health: Hetero's Commitment to a Safe and Healthy Workplace'

Employee Health and Safety

The longevity and wellbeing of workers in the pharmaceutical industry are greatly influenced by the priority accorded to health and safety at the workplace. Laboratory safety is especially critical, since workers work in sensitive environments with hazardous chemicals. Key hazards that workers are exposed to include heat hazards, chemical hazards including fire and explosions, pathogenic and biological hazards, radiological hazards, noise, and other process safety related issues. It is therefore essential to be attentive and alert on the employee health and safety front to ensure minimal / zero safety related incidents at the workplace. All our manufacturing units, apart from adhering to national laws and regulations on occupational health and safety, are also ISO 45001 certified. We also believe that effective communication across teams facilitates better safety response and proactiveness; therefore, we have plant level committees on safety that address unique challenges at each location. In 2023, we also established an Emergency Preparedness System to respond to crises in an efficient manner. We have clearly defined roles, responsibilities, and guidelines at a plant level for responding to emergencies, including the evacuation team, an incident control team, a first aid team, a process safety team, and a control team. Regular training is provided to these teams (especially those controlling leaks and spills) to drive spontaneous emergency response. We also have continuous monitoring and review processes in place to ensure constant improvement.

	FY 22	FY 23	FY 24
Man hours worked (in million hours)*	45	52	58
First Aid cases	276	443	354
Number of lost time incidents	5	0	2
Number of man-days lost	12	0	6047
Rate of Fatalities as a result of work-related injury	0	0	0.017
Rate of high-consequence work-related injuries (Excluding Fatalities)	0	0	0.017
Rate of recordable Work-related injuries	0.11	0	0.034

During the year, we greatly prioritised the minimisation and reduction of incidents through the various methods outlined in the "actions" sub-section.

We prioritise an inclusive approach to health and safety, by gathering feedback from employees, incorporating suggestions for improvement, and implementing corrective measures. We conduct regular audits, whose recommendations are tracked meticulously through a Corrective and Preventive Actions (CAPA) tracker. We also have a 360 degree risk assessment process that identify and address potential health and safety concerns, including: Process Safety Risk Assessment, Industrial Hygiene Risk Assessment, Hazard Identification and Risk Assessment, and Machinery Safety Risk Evaluation.

We provide annual health checkups to all our employees in all the plants. We also have an Occupational Health Centre in units. To assess for the ill health we conduct health checkups for hearing, vision and posture regularly and in case any concerns are there, the shift of the worker changes and proper care is provided to them. In the reporting year there were no cases of ill health. We assess the need of the safety training and GMP training and provide to the workers, We also conduct toolbox training before every shift change.

We have built internal hazard screening and engineering capabilities, and thereby undertook a meticulous assessment of processes to grasp reaction kinetics and scrutinize potential hazards to formulate secure procedures. We have cutting-edge process safety labs with high-end equipment to ensure safety by design. Our Nakkapally manufacturing plant has an inhouse Satellite Process Safety Laboratory, which screens preliminary chemical reactive hazards to provide timely and targeted support. We also have a central process safety laboratory at the Kazipally manufacturing plant to ensure the highest standards of safety across plants. During construction of new facilities, we proactively identify risks (the safety department makes recommendations). We also engage in continuous upgradation of equipment, fire protection, and detection systems..

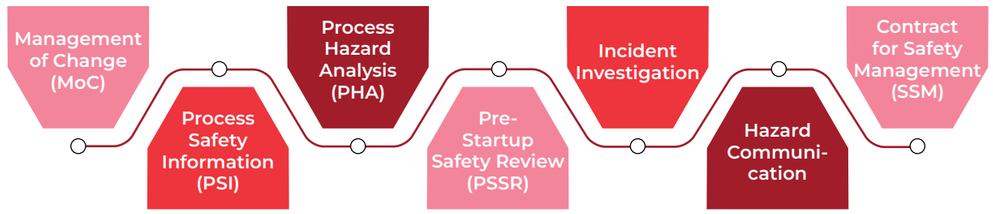
Process Safety at Hetero

Given the nature of our operations, our group seeks to ensure the highest standards of process safety across our operations. This section attempts to encapsulate the initiatives we have in place to maintain these standards.

Our motto on process safety is "Building a safer, greener, and more resilient pharma industry through proactive process safety integration." Our process safety management framework adheres to the internationally recognised OHSA's process safety management system's model.

Hetero uses the PSI tool to streamline

Process Safety Risk Management in Sustainable Manufacturing



our process safety endeavours, to ensure timely access to critical information on process safety and power safety. This system provides multiple advantages:

- Enhances reaction hazard knowledge and process optimisation
- Enables real-time decision-making
- Serves as a training hub for engineers and safety professionals
- Reduces dependency on external labs, promoting internal capability building

In addition to this, we implement the following activities:

- We conduct reaction calorimetry studies, thermal screening studies, powder safety studies (ignition sensitivity, impact sensitivity, electrostatic properties, fire and analysis) using 14 advanced instruments. These tests help assess process hazards and introduce engineering controls in APIs' and intermediates' manufacturing processes, address thermal onsets & prevent runaway reactions, and avoid dust explosions.
- Comprehensive documentation of chemicals, technology, and equipment to support safe design and operations, ensuring informed decision-making at every stage.
- Clear and consistent communication of chemical hazards is maintained through labelling, SDS documentation, and workforce training, aligned with GHS standards.
- Specialized protocols are followed for hydrogenation processes, including interlocks, inerting procedures, pressure relief system checks, and ignition source control.
- Robust methods like HAZOP, What-If, and ABRA are used to systematically identify, assess, and mitigate process risks, especially for high-hazard operations before execution of Batches.
- Every incident and near miss is thoroughly investigated using tools like the 5 Whys, Fishbone Diagrams, and the M1 Method, driving continuous learning and systemic improvements.
- Before commissioning any new or modified system, a detailed safety checklist and functional evaluation are performed to ensure safe start-up conditions.

These actions ensure that supply chain resilience is built through safer handling of hazardous materials, process safety audits, and vendor safety evaluations that prevent regulatory shutdowns, contaminatory incidents, and promote supplier reliability. Promoting a culture of continuous attention to process safety also minimises financial losses due to equipment damage and production delays, and integrating sustainability into process safety measures reduces environmental risks.

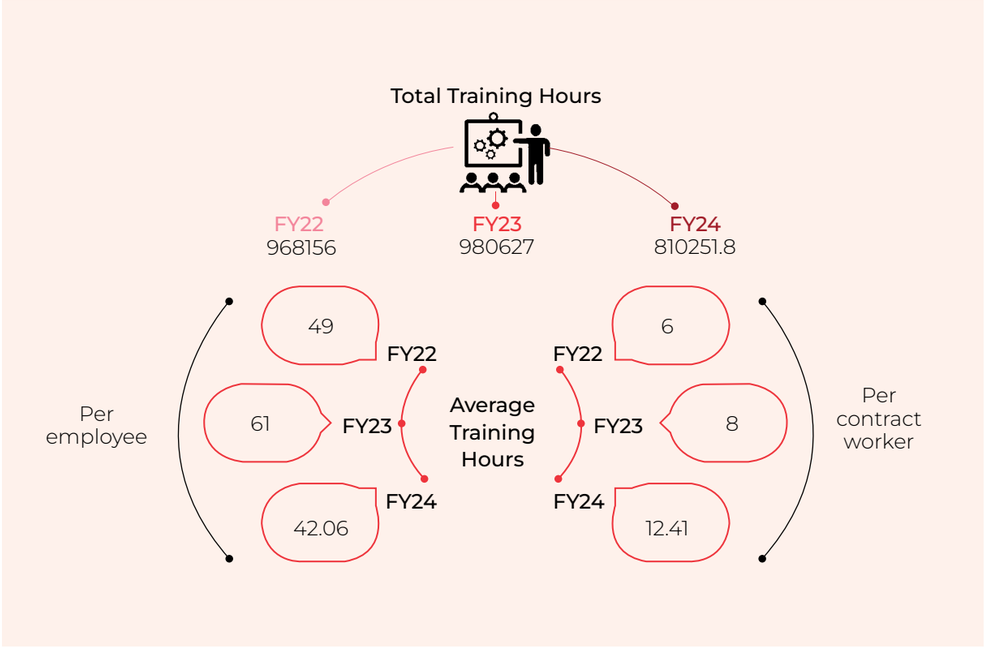
Training and Development

Considering the range of employees involved in pharmaceutical manufacturing and the expertise they need (technical and non-technical), training requirements need to constantly evolve and be tailored to such needs. A dynamic training strategy also keeps employees engaged, productive, and satisfied with their role and speaks volumes about a healthy workplace culture. Moreover, the capital investment involved in launching a new product in the pharmaceutical industry is quite significant. A strong training and development plan and strategy, therefore, plays a crucial role even from a financial angle.

"Developing Others" is the core principle by which Hetero Pharma continuously enhances skills, knowledge, and abilities of its employees. Our talent development strategy not only focuses on preparing our employees for their roles at Hetero, but also to make them valuable contributors to the pharma industry as a whole. We have a central training policy that prioritises the principles of continual improvement, consistent learning, competence-based learning, fostering shared responsibility of training in employees and supervisors, anti-discriminatory training practices, and monitoring & review.

Our training programmes cover a range of topics including behavioural skills, leadership training, language proficiency, quality enhancement & awareness, safety, and audit preparedness. For employees who stay at Hetero for more than two years, we provide a comprehensive plan for employees to pursue doctoral programmes in partnership with the academia.

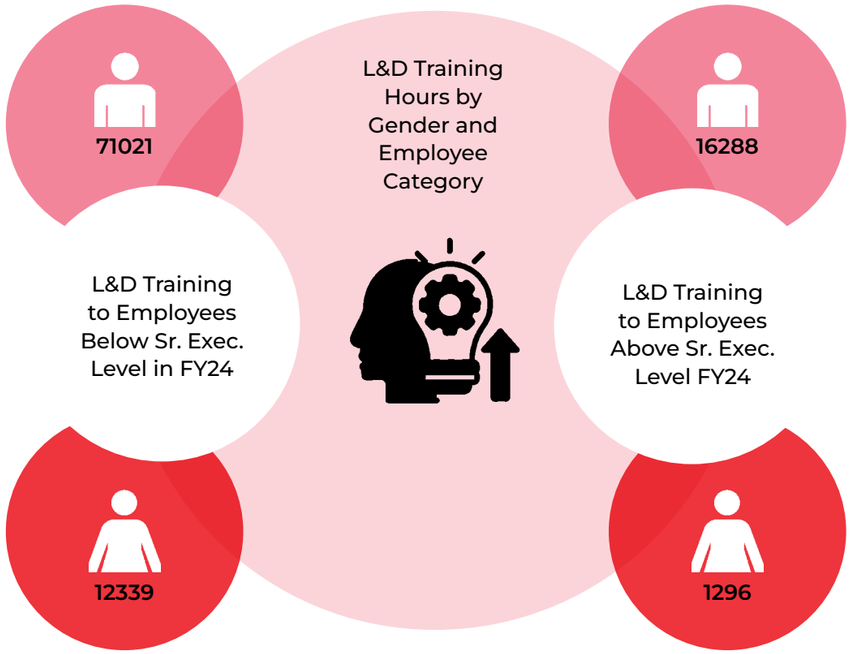
Total training hours for employees and workers increased by 25% in 2023 as compared to 2022, but dipped by 37.7% in 2024. Average training hours per worker increased by around 55%



Of the total number of hours, training on good manufacturing practices and safety comprised the highest number of hours followed by L&D trainings which comprised around 20% (during the reporting year).

Data on total training hours for employees is available disaggregated by gender and seniority level for all plants only for the L&D training. For other trainings (GMP and safety), disaggregated data by gender and seniority level is not available for all plants but only some. We plan to collect and disclose this data in the forthcoming sustainability reports.

Training hours are higher among male employees due to their higher share in the workforce. 100% of employees received performance development reviews during the year.



To contribute to the ever-growing nature of the Indian pharmaceutical industry, which always requires a continuous inflow of talent, Hetero Pharma set up the Darpan Skill Development Centre. The centre trains fresh talent and provides them with a holistic perspective of activities in the pharma sector. Through this initiative, we have effectively established a link between academia and industry and ensure consistent availability of fresh talent in the industry. 100% of our employees received a regular performance and career development review during the reporting period.

We also have an exclusive training strategy for our senior leadership, which regularly participates in custom webinars and online training programmes that help them imbibe leadership qualities. We introduced a self-paced learning programme for them during the year, to cover topics on sustainability.

Labour Relations

The Indian labour force (especially in the pharma sector) faces several issues including low minimum wages, poor working conditions, and gaps in safety infrastructure. This, coupled with replacement of the human touch with the advent of artificial intelligence and automation, creates multiple challenges for pharma workers. In this situation, it is essential to view labour relations as a topic of critical importance. Hetero Pharma, therefore, takes its commitment to labor relations very seriously to ensure fair working conditions and wages for all its workers.

Our commitment to open communication and fairness and respect for all applies not only to our employees, but also to our workers. We prioritise the maintenance of a safe and healthy working environment for all our workers, and also offer competitive wages and training opportunities to our labourers. Our operations are diverse, and change management is therefore tailored to accommodate for this. Post R&D and regulatory approvals, changes are gradually initiated – which reflects in our sustainability report. At Hetero, our change management process is tailored to accommodate the diverse needs of various operations.

Hetero does not restrict labourers from forming associations or unions. Our collective bargaining policy outlines the rights that all our workers are entitled to in this regard.

Currently, Hetero's employees have not yet formed any recognised associations or trade unions.

Customers

Product Safety and Quality

The safety and efficacy of pharmaceutical products dramatically depends on rigorous quality assurance practices. In fact, minor errors in upholding these protocols could lead to adverse consequences for the health and wellbeing of end consumers. In fact, given the criticality of this issue, the Indian government has recently revised and released the "Good Manufacturing Practices and Requirements of Premises, Plant, and Equipment of Pharmaceutical Products" in place of the "Good Manufacturing Practices (GMP)". In accordance with this, pharmaceutical manufacturers are responsible for meeting the highest quality standards, being fit for use, and ensuring that patients are not put at risk. Hetero Pharma is now working illustriously towards ensuring high compliance to these guidelines to ensure an uncompromising stand on quality.

We adhere to global standards in line with our customer expectations, and adopt Good Manufacturing Practices (GMP) in our processes. We also have in place stringent inspections and quality control labs with high-precision equipment to drive excellence in our manufacturing process.

In addition to the above, we operate with robust risk management systems, quality assurance procedures, and comprehensive clinical trials. We ensure transparent disclosure, reporting, and correction of any issues, and we report these events publicly on our website.

Customer (and Patient) Health & Safety

Beyond adopting a responsive approach to adverse reactions among patients, safety of the end consumer depends greatly on evidence-based response (from data), and communication and transparency. Adverse reactions could occur even after rigorous clinical trials; therefore, pharmacovigilance across the supply chain is extremely crucial. Ensuring accuracy and completeness of information about the medicine / ingredient is also an essential part of this endeavour, so that our customers and other stakeholders are aware of the contents.

Hetero is on a continuous journey to keep improving its quality benchmarks every year, and have strict quality control measures to aid us in this regard. Our QC processes extend from raw material sourcing to final delivery to ensure the purity and efficacy of our products. Apart from this, we also collaborate with academic institutions to drive a culture of continuous innovation to adapt to evolving patient needs. Employee training is also a critical ingredient that we include in our strategy toward ensuring the health and well-being of our customers.

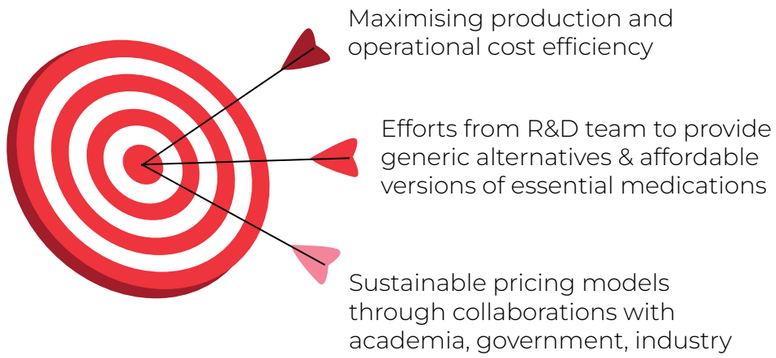
With respect to labelling, we ensure complete alignment of information that we share across our marketing channels and the labels. Our product leaflet provides detailed information on product name, composition, safe use, potential side effects, and safe disposal.

We use material safety data sheets to provide complete information on our product to healthcare professionals. Communication of this information by us is crucial since many of our products are sent for further processing or finished dosages. At the slightest instance of any adverse reactions, we immediately recall our products from the market. During the year, there were no instances of fines and penalties on the way we put across our labelling or marketing related information. No incidents of non-compliance with regulations and / or voluntary codes concerning the health and safety impacts of products and services within the reporting period.

Access & Affordability

Access to affordable and quality healthcare is a fundamental human right. Beyond ensuring just the availability of medicines, it is essential to go the last mile to ensure that it reaches those who are in need. Across the world, top pharmaceutical companies are now prioritising a higher number of disclosures on equitable pricing and access to medicines in lower and middle income countries and for vulnerable populations in high-income countries. Furthermore, it also makes financial sense for investors to direct their investments towards pharmaceutical companies that prioritise access to underserved populations, since they comprise a large share of the world's population. Considering these factors, it is essential to ensure long-term affordability and accessibility to medicines for sustaining as a successful and trusted player in the market.

We adopt a multi-pronged strategy to ensure the affordability and accessibility of our products:



We have been working consistently and continuously towards medicine affordability and accessibility. As a recognition to our efforts, we obtained approval from the World Health Organisation Pre-Qualification of Medicines Programme (WHO PQ) for our COVID-19 oral antiviral treatment, Nirmatlevir (marketed under the name NIRMACOM). This is a generic version of Pfizer's PAXLOVID antiviral drug for COVID, and is co-packaged with Ritonavir tablets.

Community

Community Engagement

Businesses gain multiple benefits from giving back to society - albeit abstract. Both the company and employees obtain a sense of fulfilment from engaging with society in a meaningful manner. In several cases, a company's employees are from the local community; therefore, contributing to society goes a long way in strengthening ties amid employees, the company, and the society over time. Moreover, corporate social responsibility by pharmaceutical companies plays a significant role in determining overall public health. This is because pharma companies have the technical expertise, thought leadership, manpower, and resources to create positive impact on the society. Hetero seeks to harness this potential to contribute tangibly to local communities to improve their quality of lives.

We have a dedicated CSR policy, whose clauses are overseen and implemented by a Board Level CSR Committee. Based on our core expertise, the leadership's vision, and needs perceived in local communities, we focus on the following broad themes for our CSR initiatives. We also align our CSR focus areas with the specified activities under Section 135 of the Companies Act 2013. To track our performance on this front, we have also developed a theory of change framework to identify the outcomes and long-term impact of our efforts.

Our Pillars for Community Engagement

Community Health (SDG 3 – Good Health and Wellbeing)

Our community health programmes align with our motto of inspiring human belief in a healthier world. During the year 2023-24, we implemented the following initiatives:

- We conducted 304 medical camps benefitting 10,157 patients through a mobile health unit
- We provided consultations to 6089 patients through our vision centre; 257 people were supported with cataract operations and we provided spectacles to 1892 patients
- We have adopted the 50-bedded Nakkapally Hospital to provide medical equipment, infrastructure and WASH (Water, Sanitation and Hygiene) support.
- Nutrition kits for TB patients were distributed in two districts: Khammam and Bhadradri Kothagudem

Eye Care Initiative

Hetero has established a Vision Center in Nakkapally village to deliver accessible and affordable primary eye care services to residents of 31 surrounding villages. The center offers consultations, medicines, and spectacles, and conducts free cataract surgeries in collaboration with the Sri Kiran Eye Institute, Kakinada. In addition, dedicated staff provide preventive eye care counseling to raise awareness and promote early detection of vision-related issues. This initiative has significantly improved access to eye care for underserved communities.

Mobile Medical Van

To strengthen primary healthcare access in remote areas, Hetero has deployed a mobile medical van serving villages across the Nakkapally Mandal. Operating on a fixed schedule, the van conducts regular health camps, offering consultations by a qualified MBBS doctor, nursing support, medicines, and referrals. So far, over 10,157 consultations have been provided, benefiting daily-wage earners and underserved populations.

Nutrition Kits for TB Patients

Recognizing the importance of proper nutrition in the recovery of tuberculosis patients, Hetero distributed nutrition kits in Khammam and Bhadradri Kothagudem districts. This initiative was carried out in partnership with the Telangana State TB Control Department under the Government of India's flagship program 'Pradhan Mantri TB Mukt Abhiyan'. The kits aim to support patients during their treatment by enhancing nutritional intake and aiding faster recovery.

Education (SDG 4 – Quality Education)

We believe that education empowers individuals for life. We therefore implement initiatives in line with the National Education Policy 2020, that enables students to achieve success.

- We are closely working with 110 government schools and 110 Anganwadi centers.
- School uniforms, books, and stationery were distributed to 11,672 government school students.
- 64 Vidya Volunteers were appointed to support teaching in government schools.
- Learning and play materials were supplied to 10 Anganwadi centers.
- A Government Junior College was constructed to enhance access to higher secondary education.
- Merit awards were presented to 30 students in recognition of academic excellence.
- Study materials were provided to 1,200 Class 10 students to aid exam preparation.

Water, Sanitation, and Hygiene (SDG 6 – Clean Water and Sanitation)

We support communities in gaining access to safe drinking water, sanitation, and hygiene in their com-

munities, public institutions, schools, Anganwadi centres, and health and wellness centres. Since access to safe drinking water reduces morbidity and improves overall health, this is one of our key focus areas through which we also seek to contribute to the Swachch Bharat Mission. During 2023-24, we provided 1.5 km of underground drainage in 2 villages.

- 2 schools were supported with toilet facilities
- 1 school was provided with hand washing facility
- 2 schools were provided with RO water plants.
- 1 School was provided support with Clean & Green.

Livelihood and Income Generation (SDG 8 – Decent Work and Economic Growth)

Hetero attains significant contentment in making communities alongside us grow along with us. We do this by providing employment and entrepreneurship opportunities and improving access to skills, resources, and technology. During the year, we deployed 64 Vidhya Volunteers to support education in government schools. We also provided financial support to 3 sports players for participation in national and international events.

Climate Change Response (Spandana) *(SDG 13 – Climate Action)*

We provide assistance to communities for climate resilience, adaptation, and mitigation during times of floods and disasters. We aim to become water positive ourselves, and also increase green cover.

Community Infrastructure (Susthira) *(SDG 1 – No Poverty, SDG 11 – Sustainable Cities & Communities)*

We provide infrastructure support to communities based on their needs. We aim to bridge existing gaps in infrastructure provisions by the government to support communities in need of basic facilities. In 2023-24, we constructed 2 Panchayat buildings, and laid 6 km of cement-concrete (CC) and bituminous-tarmac (BT) roads in 7 villages.

Hetero is committed to strengthening rural infrastructure by addressing essential community needs. Through targeted initiatives, the company is enhancing connectivity, public amenities, and local governance structures, while also improving safety and sanitation in villages.

Key infrastructure contributions include:

Road Development

- 5.1 kilometers of Concrete Cement (CC) roads laid across 5 villages
- 0.9 kilometers of Bituminous (BT) roads developed in 2 villages

Other activities

As part of our commitment to preserving national heritage, art, and culture, Hetero supported the Prampara Foundation in Hyderabad to promote the classical dance form of Bharatanatyam. The foundation. organized performances across different areas of Hyderabad to educate and inspire the youth about this ancient dance tradition and the rich cultural history of our country.

GRI Content Index

Statement of use	Hetero has reported the information cited in this GRI content index for the period 2023-2024 with reference to the GRI Standards.
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	59-61
	404-2 Programs for upgrading employee skills and transition assistance programs	59-61
	404-3 Percentage of employees receiving regular performance and career development reviews	59-61
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	54-56
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	55
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	21
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	64-67
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	62-63
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	62-63
	417-2 Incidents of non-compliance concerning product and service information and labeling	62-63
	417-3 Incidents of non-compliance concerning marketing communications	62-63
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	35-36

United Nations Global Compact (UNGC) Index

Area	Principle	Statement	Page No
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	36
	Principle 2	Businesses should make sure that they are not complicit in Human Rights abuses	36
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	61
	Principle 4	The elimination of all forms of forced and compulsory labour	36
	Principle 5	The effective abolition of child labour	36
	Principle 6	The elimination of discrimination in respect of employment and occupation.	36
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;	42-49
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	42-49
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	42-49
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	34-45

Annexure

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

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

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

Due to consumption of fuel at site for stationary Combustion

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 have been used to calculate GHG emissions from stationary combustion source. (Source: https://www.ipccnggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_ Stationary_Combustion.pdf). Quantity of various fuel consumed has been multiplied by density and calorific value. The calorific value of coal is based on the GCV provided by the supplier of coal, whereas the calorific value of other fuels is determined based on the data published by Bureau of energy efficiency (BEE) on its website or by the respective fuel provider on their website. Data from BEE is the preferred source. All energy figures are converted into TJ before multiplying with the emission factor.

Fugitive Emissions (Scope 1 Direct emission)

The emission factors provided for each gases in the DEFRA Conversion factor guidelines is used for calculating the emissions due to refrigerants used. https://assets.publishing.service.gov.uk/media/6722566a3758e4604742aa1e/ghg-conversion-factors-2024-condensed_set__for_most_users__v1_1.xlsx The quantity of refrigerants refilled (in kg) in each of our unit is multiplied by the emission factor associated with each of the gases used is used for calculating the emissions. In some of our locations the breakup for the quantity of refrigerant used is not available. To be on the conservative side, the refrigerant with the highest emission factor in the list of refrigerants used is taken into consideration for calculating emissions.

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

The grid emission factor is multiplied with the electricity consumed to arrive at the emission due to purchased electricity. The grid emission factor is provided by Central Electricity Authority of India. For this years calculation, emission factors specified in the 'CO_2 Baseline Database for the Indian Power Sector User Guide, Version 20.0, has been applied (Source: https://cea.nic.in/wp-content/uploads/2021/03/CO2_Database_Version_20.0_2023_24.xlsx)

Global Warming Potential

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

Limitations

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

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Independent Assurance Statement

To,
The Directors and Management,
Hetero Group
Hetero Corporate, 7-2-A2, Industrial Estates,
Sanath Nagar, Hyderabad-500018,
Telangana, India

Hetero Group ("hereafter Hetero which includes Hetero Labs Limited, Hetero Drugs Limited, Hetero Biopharma and Subsidiaries (Annora Pharma Private Limited & Aspiro Pharma Private Limited") engaged TÜV India Private Limited ("TUVI") to conduct an independent external assurance of selected non-financial information disclosed in Hetero's Environmental, Social, and Governance (ESG) Key Performance Indicators ("the ESG data"). The assurance was conducted in accordance with the principles of the Global Reporting Initiative (GRI) Standards.

The scope of this assurance engagement covered the reporting period from April 1, 2023, to March 31, 2024. TUVI performed a **limited assurance** in line with the **International Standard on Assurance Engagements (ISAE) 3000 (Revised)**, which is specifically applied to the assurance of non-financial and sustainability reporting.

Responsibility for ESG Data and Reporting

Hetero Group ("Hetero") is responsible for monitoring its ESG data and identifying material sustainability issues relevant to its operations. This includes the identification, establishment, and reporting of performance management systems, data governance, and quality control measures.

The management of Hetero is accountable for the accuracy and completeness of the ESG data, as well as the processes involved in collecting, analysing, and reporting the information disclosed through both web-based and printed formats. This responsibility extends to the maintenance and integrity of the company's website where such information may be presented.

Hetero's management is also responsible for preparing the ESG Report with reference to the applied criteria of the Global Reporting Initiative (GRI) Standards. It is incumbent upon Hetero to ensure that the Report is free from any material misstatements, whether intentional or unintentional, thereby maintaining the trust and confidence of stakeholders in the disclosed information.

Furthermore, Hetero is responsible for ensuring the archiving and reproducibility of the disclosed ESG data, making it available to stakeholders upon request.

Scope and Boundary

The assurance engagement conducted by TÜV India Private Limited covered the following key activities:

1. **Verification of Report Content and Material Topics**
   Assessed the application of the Report's content in accordance with material topics identified through a double materiality approach, and evaluated the quality of information disclosed, as guided by the principles outlined in the Global Reporting Initiative (GRI) Standards, over the defined reporting period.
2. **Review of Governance Policies and Practices**
   Examined key governance-related policies and practices referenced in the Report, including the **Code of Conduct**, **Corporate Social Responsibility (CSR)** policy, **Prevention of Sexual Harassment (POSH)** policy, and the **Whistle Blower** mechanism, along with related initiatives and performance disclosures.
3. **Review Against GRI Standards Requirements**
   Reviewed the non-financial disclosures presented in the Report for alignment with the applicable requirements of the GRI Standards.
4. **Verification of Environmental and Social Data**
   Verified the reliability of selected disclosures related to environmental and social topics, by sampling and testing supporting data and documentation.
5. **Assessment of Specified Information for Stakeholder Relevance**
   Evaluated the specified ESG information selected for assurance to ensure it reflects material concerns and is meaningful and relevant to the Report's intended stakeholders.

TUVI has verified the below-mentioned disclosures as per GRI Standard 2021.

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Topic	Indicator	GRI Disclosure
Procurement Practices	Proportion Of Spending on local suppliers	204-1
Energy	Energy consumption within the organization	302-1
	Energy intensity	302-3
Water	Water withdrawal	303-3
	Water discharge	303-4
	Water consumption	303-5
Emissions	Direct (Scope 1) GHG emissions	305-1
	Energy indirect (Scope 2) GHG emissions	305-2
	GHG emission intensity ratio	305-4
	Reduction of GHG emissions	305-5
Effluent & waste	Waste generated	306-3
	Waste diverted from disposal	306-4
	Waste directed to disposal	306-5
Employment	New employee hires and employee turnover	401-1
	Benefits provided to full-time employees that are not provided to temporary or part-time employees	401-2
	Parental leave	401-3
Occupational Health and Safety	Minimum Notice periods regarding operational changes	402-1
	Occupational health and safety management system	403-1
	types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	403-2
	Workers with high incidence or high risk of diseases related to their occupation	403-3
	Worker participation, consultation and communication on occupational health and safety	403-4
	Worker training on occupational health and safety	403-5
	Promotion of worker health	403-6
	Work-related injuries	403-9
	Work-related ill health	403-10
	Average hours of training per year per employee	404-1
	Programs for upgrading employee skills and transition assistance programs	404-2
	Percentage of employees receiving regular performance and career development reviews	404-3
Diversity and equal opportunity	Diversity of governance bodies and employees	405-1
Non-discrimination	Incidents of discrimination and corrective actions taken	406-1
Child Labor	Operations and suppliers at significant risk for incidents of child labor	408-1
Marketing and Labeling	Requirements for product and service information and labeling	417-1
	Incidents of non-compliance concerning product and service information and labeling	417-2
	Incidents of non-compliance concerning marketing communications	417-3
Customer Privacy	Substantiated complaints concerning broaches of customer privacy and losses of customer data	418-1

On-site Verification:

1. Hetero Labs Limited, Unit-5 (Formulation Facility) – Jadcherla, Telangana – 24/04/2025 to 25/04/2025.

The assurance activities were carried out together with desk review as per reporting boundary.

Limitations

TÜV India Private Limited (TUVI) did not perform assurance procedures on any **forward-looking statements** disclosed in the ESG data, including but not limited to **targets, forecasts, expectations, or ambitions**. As such, TUVI provides **no conclusions or opinions** regarding this prospective information.

Throughout the assurance process, TUVI encountered **no limitations** to the agreed scope of the engagement. TUVI was engaged by Hetero Group ("Hetero") and is accountable solely to Hetero's management in the context of this assurance engagement.

Data verification was conducted on a **sample basis**, and the **responsibility for the authenticity and completeness of the data rests entirely with Hetero**. TUVI expressly disclaims any liability or co-responsibility for errors or omissions in the reported data, or for any decisions made by third parties based on this assurance statement.

This assurance statement **does not constitute an endorsement** of any environmental or social claims related to Hetero's **products, services, manufacturing processes, packaging, or product disposal**. TUVI **does not authorize the use of this assurance statement for the purpose of greenwashing or to support any misleading claims.**

Our Responsibility

The responsibility of TÜV India Private Limited (TUVI) under this assurance engagement is to perform **independent limited assurance** and to express a conclusion based on the procedures conducted. The engagement was carried out with reference to the **agreed scope of work**, specifically focused on selected non-financial Environmental, Social, and Governance (ESG) indicators.

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This engagement did **not include** an evaluation of the **adequacy or effectiveness** of Hetero's overall sustainability strategy, governance, or management systems, nor an assessment of the **sufficiency of the Report** against the overarching principles of the GRI Standards or the ISAE 3000 (Revised) standard, beyond the elements explicitly covered within the defined scope.

The ESG data was **verified on a sample basis**, and the **responsibility for the accuracy, completeness, and authenticity of the information remains solely with Hetero**. The reporting organization is also accountable for the **archiving and retention** of all related data for a reasonable period to support transparency and traceability.

TUVI **does not assume liability or co-responsibility** for:

1. Any inaccuracies or **erroneous data** reported by Hetero;
2. Any **decisions made by individuals or entities** based on this assurance statement.

This assurance is provided on the **assumption that all data and information made available to TUVI by Hetero were complete, accurate, and true to the best of Hetero's knowledge.**

Verification Methodology

During the assurance engagement, TÜV India Private Limited (TUVI) applied a **risk-based approach**, concentrating verification efforts on the Key Performance Indicators (KPIs) disclosed within the ESG Report. The primary objective was to evaluate the **reliability of the reported information** and the **effectiveness of the underlying data management systems, information flows, and internal controls.**

As part of the engagement, TUVI conducted the following activities:

1. **Review of Stakeholder Engagement and Materiality Process**
   Assessed Hetero's approach to stakeholder engagement and the process for identifying and prioritizing material ESG topics, ensuring alignment with established reporting frameworks and principles.
2. **Verification of Disclosures and Internal Controls**
   Verified selected disclosures and assertions made in the ESG Report, and evaluated the robustness and adequacy of the related data management systems, information flows, and internal control procedures.
3. **Document Review and Data Assessment**
   Examined pertinent documentation, datasets, and other supporting evidence provided by Hetero for all reported KPIs. This review was performed on a **sample basis**, focusing on non-financial information disclosures.
4. **Stakeholder Interviews**
   Engaged with key personnel, including data owners and decision-makers across relevant functions of Hetero, during the **onsite verification** phase to gather insights and corroborate information.
5. **Assessment of ESG Policy Implementation**
   Conducted sample-based evaluations of the implementation of ESG-related policies as described in the Report to verify adherence and effectiveness.
6. **Verification of Data Generation and Management Processes**
   Reviewed, on a sample basis, the procedures for generating, collecting, managing, and reporting both quantitative data and qualitative information included in the ESG disclosures for the reporting period.

Action Area Planned

The following improvement opportunities were communicated to Hetero Group. While these suggestions are generally aligned with the company's existing objectives and sustainability initiatives, their implementation could further strengthen Hetero's ESG performance:

1. Hetero may conduct internal audits for all environmental KPIs to identify gaps and enhance data management practices.
2. Hetero may develop a comprehensive online platform to monitor ESG KPIs across all operational units.
3. The supplier assessment system can be aligned with contemporary best practices, such as those outlined in ISO 20400.
4. Hetero can benchmark its waste management procedures by pursuing third-party certifications, such as Zero Waste to Landfill.
5. Hetero may conduct life cycle assessments (LCA) of its products to quantify environmental impacts and design mitigation strategies accordingly.
6. Hetero can further promote the use of renewable energy sources to reduce its overall carbon footprint.

Our Conclusion

In our opinion, and based on the scope of this assurance engagement, the ESG disclosures and related reference information provided by **Hetero Group (Hetero)** offer a **fair representation of the material topics** and are aligned with the **general content and quality requirements** of the applicable Global Reporting Initiative (GRI) Standards.

Hetero has appropriately disclosed Key Performance Indicators (KPIs) and actions aimed at **creating value over the short, medium, and long term**. The selected KPIs disclosed by Hetero are **fairly represented**, and the underlying data management processes reflect a commitment to transparency and integrity.

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TUVI did **not perform assurance procedures on forward-looking statements**, such as targets, forecasts, expectations, or ambitions presented in the Report. Consequently, **no conclusions are drawn on such prospective information.**

This assurance statement has been prepared in accordance with the **terms of our engagement** and is limited to the scope and boundaries defined therein.

Disclosures Evaluation

TUVI is of the opinion that Hetero's ESG disclosures **generally meet the requirements of the GRI Standards**. The following reporting elements have been appropriately addressed:

- **Universal Standards**:
  1) **GRI 1: Foundation 2021** – Requirements and principles for using the GRI Standards;
  2) **GRI 2: General Disclosures 2021** – Information on Hetero's organizational profile, strategy, ethics and integrity, governance, stakeholder engagement, and reporting practices;
  3) **GRI 3: Material Topics 2021** – Information on Hetero's identification and management of material topics.
- **Topic-Specific Standards**:
  1) **GRI 300 Series (Environmental topics)** and
  2) **GRI 400 Series (Social topics)** – These were applied to report the company's impacts on relevant environmental and social issues. TUVI finds that the **material topics and associated Topic-specific Standards** are **appropriately identified and addressed** in Hetero's ESG disclosures.

Conclusion of Assurance Procedures: Based on the procedures performed and evidence obtained, **nothing has come to our attention** that causes us to believe that the information subject to this **limited assurance engagement** was not prepared, in all material respects, in accordance with the stated criteria.

Principles Observed in the Assurance Process

- **Independence**: TUVI conducted this engagement in compliance with the **International Ethics Standards Board for Accountants (IESBA) Code**, which adopts a threats and safeguards approach to independence. The assurance team was selected to avoid risks of **self-interest, self-review, advocacy, familiarity**, or **intimidation**, ensuring objectivity throughout the engagement.
- **Quality Control**: TUVI maintains a comprehensive **system of quality control**, in line with the **International Standard on Quality Control (ISQC)**. The assurance team adhered to the IESBA Code's principles of **integrity, objectivity, professional competence and due care, confidentiality**, and **professional behaviour**. All procedures were conducted in accordance with **applicable ethical and professional standards.**

Statement of Independence and Impartiality

TÜV India Private Limited (TUVI) is an **independent and neutral third-party organization** providing sustainability assurance services through a team of qualified environmental and social specialists. TUVI affirms its **independence and impartiality** in relation to this assurance engagement and confirms that **no conflict of interest exists**. During the reporting year, TUVI did **not undertake any other engagements with Hetero Group** that could compromise the objectivity, independence, or impartiality of our findings, conclusions, or recommendations. TUVI was **not involved in the preparation** of any content or data presented in Hetero's ESG Report, with the sole exception of this **independent assurance statement**. Furthermore, TUVI maintains **complete neutrality and impartiality** with respect to all individuals interviewed during the course of the assurance process.

For and on behalf of TUV India Private Limited

Manojkumar Borekar
Product Head – Sustainability Assurance Service
TUV India Private Limited

TUV INDIA PRIVATE LIMITED TÜVINDIA

Date: 18-06-2025
Place: Mumbai, India
Project Reference No: 8123809868
Revision:00

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