



Eco-park with a difference :

A novel initiative at our API Mekaguda facility, set up in 2018 spread over one acre of land, is aesthetically landscaped with scrap and construction material from the factory.



Our first sustainability report traces our journey of creating value for customers, employees, investors, partners, shareholders, patients and communities. We present progress in areas that are material to our business along with performance data and our key experiences. In addition to information of the year 2018-19, we also present data for the previous years, to help our stakeholders get an overview of our contribution towards sustainability matters.



For more info write to
sustainability.report@natcopharma.co.in



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Welcome to our inaugural sustainability report.

The theme of the report is “Making Complex Simple. Responsibly.”

Our mission of ‘Making specialty medicines accessible to all’ draws its power from our choice to make complex simple.

We live in a complex world. The number of choices can be tempting and overwhelming. Making it simple means choosing the path we would like to go and then taking conscious action to stay on course. Our “north star” is to meet unmet patient needs associated with complex generics. The year 2003 is etched in our memory. Beating the odds, we launched our first oncology complex generic product in India. Since then, we have climbed a steep learning curve, making several odds turn in our favor and in favor of patients who await affordable medicines.

The connection to responsibility is significant as what we make, matters.

Responsibility is in steering away from non-essentials, doing what we do best with undivided focus. Leveraging our strengths, yet, knowing that we cannot do it all alone, we responsibly engage with

our key stakeholders. We forge collaborative front-end and back-end partnerships and proactively engage with our employees to harness their energy and enthusiasm.

To us, responsibility also means invoking the power of co-existence.

We exercise our passion for the natural environment, by taking prompt steps to make good environmental choices as critical drivers of our business and operational decisions. We involve with communities around our area of operations and take responsible actions to benefit the society.



About this Report

Reporting period for this Sustainability Report

April 1st, 2018 – March 31st, 2019

Reporting cycle

Annual

In accordance

This report has been prepared with the GRI Standards: **Core Option**

Scope & Boundary

Businesses

NATCO Pharma Limited, India

Geographies

India

Scope of Reporting

Financial performance indicators

All geographies

Environmental performance indicators

8 manufacturing facilities - **2** Active Pharmaceutical Ingredients & **6** Finished Dosage Formulations

Employee metrics

India

Community performance indicators

India

About Us

NATCO Pharma Limited, a vertically integrated and R&D focused pharmaceutical company engaged in developing, manufacturing and marketing of Finished Dosage Formulations (“FDF”) and Active Pharmaceutical Ingredients (“APIs”). Founded in 1981, NATCO’s focus is primarily on niche therapeutic areas and complex generic products. We market and distribute our products in over 40 countries. We sell our FDF products in the United States, India, Europe and Rest of the World (“RoW”) markets. We also operate in certain key geographies through our subsidiaries. NATCO is a member of CII, FICCI and PHARMEXCIL amongst other industry bodies.

Key Business Segments

Active Pharmaceutical Ingredients (API)

- Our APIs are used for both - captive consumption and third party customers
- Portfolio of 45 USDMFs with niche products under development
- Export made predominantly to Europe and South America

Finished Dosage Formulations Domestic

- Strong brand position in the domestic oncology and Hepatitis-C segments
- Have ten brands in excess of ₹ 100 million revenue in the domestic oncology and pharma specialty segment
- 350+ specialist sales force and 400+ distributors

Finished Dosage Formulations International

- Portfolio of niche and complex products for the US market
- Front-end partnerships with leading global generic pharma companies

Finished Dosage Formulations Subsidiaries

- Operations in Brazil, Canada, Singapore, Philippines, and Australia
- Demonstrated growth in Canada



NATCO PHARMA LIMITED
నాటో ఫార్మా లిమిటెడ్
"NATCO HOUSE", Road No. 2, Banjara Hills, Hyderabad-500 033.
"నాటో హౌస్" రోడ్ నెం. 2, బంజారా హిల్స్, హైదరాబాద్ - 500 033.

Key Highlights

Our Revenue

₹ **22,247** million

Our Geographies

40+

Growing business in Pharmerging markets driven by select products in Canada and Brazil

Renewable Energy

24 %

As a percentage of total mix

Domestic Market

Strong position in Oncology and Hepatitis-C domains

10

brands in excess of ₹ 100 million revenue in the Oncology & Pharma Specialty business

Product Filings

51

ANDAs till date

45

US DMFs till date

Our People

4,957

Assets

8

World-class manufacturing facilities & 2 Global Research & Development centres (NRC & Kothur)

35

+ Years of rich experience in the pharmaceutical industry

R&D Team

400 + People

R&D Spend

₹ **1,976** million

CSR & Donations

₹ **170** million

Number of people benefited

100,000

Profit After Tax (PAT)*

₹ **6,424** million

*Before OCI (Other Comprehensive income) and NCI (NonControlling interest)

Our Global Footprint



Asia Pacific (including Australia)

- Presence in Singapore and Australia
- Started a new subsidiary in Philippines

Brazil

- Received 2 key product approvals- Letrozole tablets and Everolimus tablets
- Filed multiple oncology products
- Several other dossiers in pipeline

India

- Our Domestic Formulations business is spread across three segments: Oncology, Speciality Pharma and Cardiology and Diabetology which contributed a revenue of ₹ 7,347 million in 2018-19

Canada

- 16 approvals in place
- Successful listings in major provinces and retail chains

Europe

- Distribution arrangements with our business partner to sell our products in Europe

US

- Our export sales amounted to ₹ 8246 million in 2018-19
- Continue to focus on niche molecules

Headquartered in Hyderabad, India, NATCO has six formulation locations across India - Kothur (Ranga Reddy district, Telangana), two units in Dehradun (Uttarakhand), Nagarjuna Sagar (Nalgonda District, Telangana), Guwahati (Assam) and Vishakhapatnam (Andhra Pradesh); and two API manufacturing locations - one in Mekaguda (Mahaboobnagar, Telangana), and another in Manali (Chennai). NATCO Research Centre (NRC), Hyderabad(Telangana) and Formulations R&D within Kothur unit, are the R&D facilities. The manufacturing facilities are spread across India and inspected by global regulatory authorities.

Our facilities

Focus market: International

Finished Dosage Formulations

Kothur Facility



Capability	Oral and solid dosages including cytotoxic orals, cytotoxic injectables and pre-filled syringes
Key Regulatory Approvals	USFDA, GMP, (DCA), German, Health Authority, Australia TGA, ANVISA (Brazil)
Other Highlights	USFDA inspection closed with Establishment Inspection Report (EIR) received in August 2019

Visakhapatnam Facility⁽¹⁾



Capability	Solid oral tablet and capsule manufacturing
Key Regulatory Approvals	<ul style="list-style-type: none"> Operationally ready Validation batches in progress
Other Highlights	<ul style="list-style-type: none"> Targeted towards US & other International regulated markets Located in a Special Economic Zone (SEZ) Facility license received.

⁽¹⁾The facility is expected to commence commercial operations during 2019-20

Focus market: Domestic

Finished Dosage Formulations



	Nagarjuna Sagar Facility	Dehradun Unit 6 Facility	Dehradun Unit 7 Facility	Guwahati Facility
Capability	Oncology, Antibiotics and Antiviral	Tablets, Capsules, Injectables	Tablets, Capsules	Tablets, Capsules
Key Regulatory Approvals	WHO GMP and Kenya MOH	GMP	GMP, Public Health Service of the Netherlands (EU GMP)	WHO GMP

Active Pharmaceutical Ingredients



	Mekaguda Facility	Chennai Facility
Capability	Non cytotoxic APIs and Peptides	<ul style="list-style-type: none"> Cytotoxic APIs and Biotechnology based products Synthetic chemistry
Key Regulatory Approvals	USFDA, PMDA (Japan), COFEPRIS (Mexico), EDQM (Europe), Korean FDA, WHO, EU GMP (Germany)	WHO GMP (CDSCO), USFDA
Last US FDA Audit	USFDA audit with Establishment Inspection Report (EIR) received in February 2018	US FDA audit with Establishment Inspection Report (EIR) received in July 2019

New Businesses

Chemical unit: Nellore, Andhra Pradesh



Capability	Agrichemical technical manufacturing
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Formulation unit: Nellore, Andhra Pradesh



Capability	Agrichemical formulations
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Our Strategic Roadmap

Focus on developing niche products for US market	Strengthen Domestic Formulations segment	Expand presence in Pharmerging markets	Evaluate multiple opportunities for existing and upcoming products	Build a presence in Crop Health Sciences space
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Message from Chairman & Managing Director & Vice Chairman & CEO



“As a philosophy, we have focused on complex molecules that need affordable generic alternatives. Our strengths in chemistry and product development gives us the capability to take bold steps in this direction. In addition to making complex generics available, we price our products in a way that more and more people have access to them.”

V.C Nannapaneni

Chairman & Managing Director



Rajeev Nannapaneni

Vice Chairman & CEO

“Sustainability is essential for the growth of the company. We have always conducted our business with this realization. As we aspire to grow and advance our impact on patient lives, we are fully committed to conduct our business in an environmentally and socially responsible manner. Operating across 40 countries and with a strong presence in the domestic market, we are focused on creating shared opportunities for our stakeholders.”



Dear Stakeholders,

We are pleased to share with you the inaugural issue of NATCO's Sustainability report.

Our responsibility towards being sustainable is intrinsic to the business, since its inception. Doing what's right is a guiding philosophy that has been instrumental in the progress we have made so far. From the time we started in 1981, we have had our share of achievements and setbacks. Through this journey, we have relentlessly focused on building and sustaining a strong research base. In 2003, we were among the first few companies to launch a complex oncology product, introducing a much-needed affordable alternative of Imatinib mesylate. Subsequently, many of the generic products launched by us are firsts, that address complex chemistry or drug delivery systems or manufacturing or legal or regulatory challenges, all of which are significant barriers in meeting patient unmet needs.

We see sustainability in many ways.

Addressing sustainability is a multidimensional pursuit. We create value for the society through our business. In doing so, we remain committed to responding to unmet patient needs, which is why we are in business. Although developing and launching complex generics is complicated and challenging,

we choose to belong to this landscape as we want to make a difference in the lives of patients.

Our interpretation of sustainability also encompasses respecting the environment, focusing on resource conservation, engaging with our employees to build a culture of openness, integrity and empowerment, and contributing to the communities in our neighborhood.

Our sustainability framework embodies our commitment and responsibility towards our stakeholders, our business, and our operations. It holds the promise of alignment with the business strategy and the way we engage with our key stakeholders. Through the reporting process, we are making integration of sustainability transparent in every facet of our business.

We are committed to report across the four themes that belong to our sustainability framework.

Responsible Business

In India, we are market leaders in oncology products with an expanding portfolio. Our pharma specialties business is no different. With launches of generic complex molecules for Hepatitis C, Multiple Sclerosis and recent introductions in therapeutic segments of Cardiology and Diabetology, our "complex products-simple strategy" is paying off for

patients and us. The focus is to select complex molecules whereby creating affordability delivers value to patients and at the same time is profitable for the business. We strive for success, willing to face challenges by forging industry-level partnerships that bring together complementary strengths.

Responsible Operations

We know the value of resources and use it judiciously in our various pursuits. Our efforts are directed towards aligning strategic and operational priorities and delivering them with discipline. Being responsible about resources becomes possible by effective deployment of science and technology based solutions and consistent pursuit of continual improvement.

The successful launch of Liposomal Doxorubicin with nanotechnology-based drug delivery system and the launch of Glatiramer Acetate with intricate organic chemistry by addressing challenges during development and manufacturing are testimonies to our technical strength. One of the areas that we are passionate about is the use of renewable energy. It adds value to the environment and the bottom-line as well. We are fully committed to increase energy consumption from renewable energy sources in our manufacturing facilities. Our intent to reduce greenhouse gases is responsible for the choices we have made. We are glad to inform that we are meeting 24% of our total energy needs from renewable energy sources, and we have achieved this in a span of two-and-a-half years.

Responsible Employee Engagement

We started off modestly with the Formulation facility at Kothur in 1981, with 20 employees and have grown to a workforce base close to 5000 employees. Creating meaningful employee engagement has been close to us since we started off. Employee benefits can be a powerful tool for engagement, and we leverage it by offering options that provide for the whole family and not just the employee.

The commitment and competence of our employees ensure that the business grows despite challenges and complexities. In manufacturing, when it concerns cGMP, safety and operational procedures, we educate and train our employees to enable them to adopt these with proactiveness and implement with rigor. Our leaders assume an important role in engaging with the employees to help them learn, grow and perform with high productivity without compromising on cGMP and safety, as foundational pillars of operations. Our specialized field force engages with the medical community with a focus on knowledge exchange and efficient service thereby sustaining our leadership position.

Responsible Societal Actions

We are conscious about enriching the lives of communities in our neighborhood. Through the actions of NATCO Trust, our approach is to provide systemic and holistic solutions which build on the Sustainable Development Goals (SDG). Our support towards providing quality education for children from the neighbourhood communities is a matter of satisfaction and happiness. The children, many first-generation learners, study in NATCO school where they have access to the best resources. Their

participation combined with our support is unlocking the potential of communities. While education initiatives reach out to over 14,000 children annually, our contribution to hospitals is helping them build state-of-the-art facilities for patients.

The support towards health and well-being ranges from upgrading infrastructure in government hospitals, provision of healthcare support staff, and mobile health clinics which together benefits 50,000 patients annually. The provision of safe drinking water and nutritional support for pregnant women are programs that bring focus on families and women respectively.

Another domain where we are beginning to deliver impactfully is in Livelihoods. We run several livelihood-based training programs, primarily for women. More recently, we have embarked on creating awareness about organic cultivation by building pilot models with interested farmers while also providing for buy back of the produce. In the context of sustainable farming, we are hoping our efforts in this direction will pay rich dividends to all the stakeholders.

We seek to continue our journey with further positive impact in the complex generics landscape with strategy and sustainability intertwined. We are all in this together - engaging with our key stakeholders on sustainability is a our priority. We look forward to an enriching exchange to continue collective efforts for sustainable development.



Governance

We consider stakeholders as our partners in success and we remain committed to maximizing value for them. This approach to value creation emanates from our belief that sound governance system is integral to create enduring value for all. Our approach to governance comprises of transparency in the form of disclosures, presence of strong Board with adequate composition of independent Directors and being accountable. It is our path to consistent, competitive, profitable and responsible growth that creates long term value for our stakeholders.

Board of Directors

The Board of NATCO is a combination of ten (10) eminent personnel from varied fields having immense knowledge in the subjects of their interest. The Composition of the Board of Directors of NATCO is as follows:

5

Independent Directors

4

Executive Directors

1

Non-Independent and Non-Executive Director



V. C. Nannapaneni
Chairman & Managing Director



G. S. Murthy
Independent Director



T. V. Rao
Independent Director



Rajeev Nannapaneni
Vice Chairman & CEO



D. G. Prasad
Independent Director



Dr. Leela Digumarti
Independent Director



P. S. R. K. Prasad
 Director and
 Executive Vice
 President Corp
 Engineering Services



Dr. M. U. R. Naidu
 Independent Director

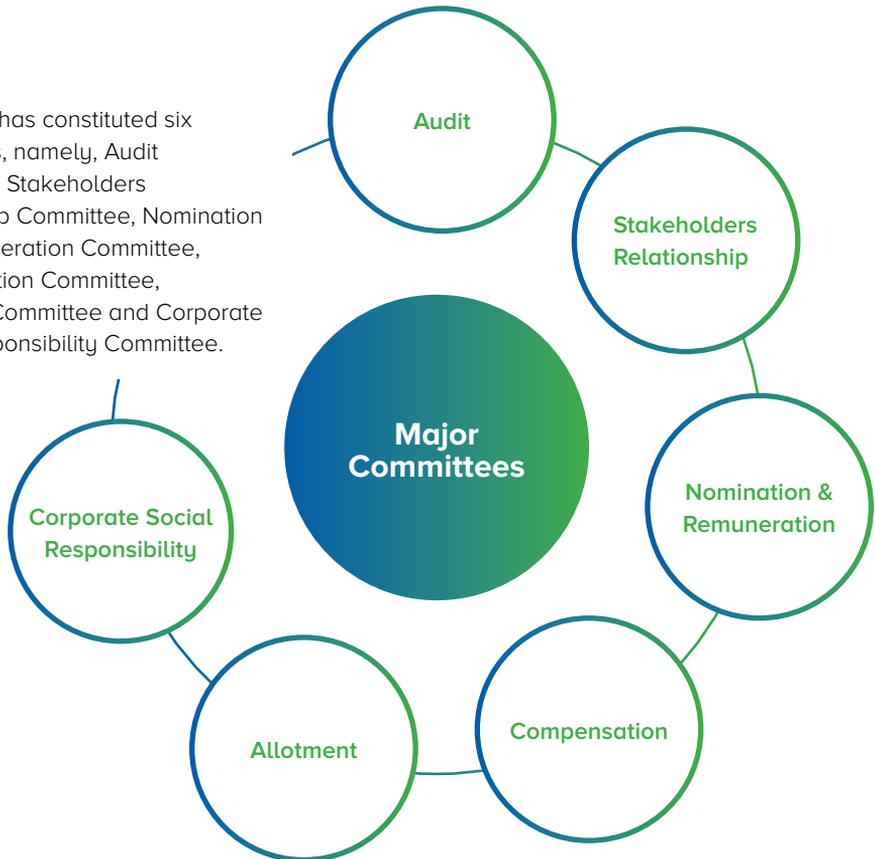


**Dr. Linga Rao
 Donthineni**
 Director and
 President - Technical
 Affairs



**Sridhar
 Sankararaman**
 Non - Executive and
 Non - Independent
 Director

The Board has constituted six committees, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee and Corporate Social Responsibility Committee.



Sustainability Governance

We employ a variety of governance systems and processes to manage the different aspects of sustainability across our business. To enhance our corporate governance structure and directly address priority topics related to sustainability, the company has three committees - Business Responsibility Committee, CSR Committee, and Business Responsibility Evaluation Committee. While the CSR Committee is constituted by the Board, the other two committees are constituted by the Management team.

CSR Committee

This Committee consists of one Independent Director, Chairman & Managing Director and Vice Chairman & CEO as members. The Committee is chaired by one of the members of the Committee. We intend to actively contribute to the social and economic development of the communities in which we operate by building a better and sustainable way of life for them. We have also articulated this in our CSR Policy which offers us the guiding framework to add value sustainably.



**Sustainability Governance
Committees**

Business Responsibility Committee

To oversee the implementation of Business Responsibility Policies, the Business Responsibility Committee is constituted and comprises of heads of all key functions in order to ensure holistic review and evaluation.

We have policies for each of the nine principles identified under the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business. As mandated by the Securities and Exchange Board of India (SEBI), the Business Responsibility Report (BRR) forms part of the Annual Report. The BRR contains a report on business responsibilities vis-a-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Ministry of Corporate Affairs.

The Committee meets half-yearly, and reviews the evaluation report on the working of Business Responsibility Policies that have been carried out by an internal or external agency and submits its observations to the Vice Chairman and Chief Executive Officer.

Business Responsibility Evaluation Committee

This committee comprises of employees of the company from key functions who have influence and impact on material areas that are related to sustainability. The committee draws upon the expertise of employees who are also subject matter experts in developing systems and methods to monitor key projects and emerging key topics. The Chairman of the Business Responsibility Evaluation Committee submits an evaluation report to the Business Responsibility Committee on the working of Business Responsibility Policies on a half-yearly basis.



Materiality: Defining What Matters

Bringing a Materiality Focus

To integrate sustainability, we focus on what should and needs to be done in areas we determine to be material. To us at NATCO, materiality means identifying and prioritizing issues that matter most to our stakeholders and our business. The Management team brainstormed and captured material topics which were grouped as themes and further utilized to define the sustainability framework for the organization.

Identifying material topics

The materiality analysis was guided through conversations related to sustainability that enabled the Management team to capture and list out material topics

Few of the key areas of inquiry to arrive at material topics:

- What future is being carved out for NATCO?
- What is the view about the company from the perspective of stakeholders?

- In what ways would integrating sustainability enhance the way the business operates?
- What can stop the company from integrating sustainability and would need to be let go?
- To move from license to operate to license to succeed, what are the engagements that the company needs to look out for?

Stakeholders

An important dimension of materiality is the perceptions of stakeholders, more particularly the key stakeholders. Through regular engagements with key stakeholders we gather inputs on key topics that matter to them and us. This information is utilized during materiality analysis.

Stakeholder can be an individual or a group of individuals who are a part of a value chain. At NATCO, we engage, listen and respond to our stakeholders. Our engagements are backed with openness that has helped us shape our business, tread on the path of continual improvement, and renew our business priorities.

We consider stakeholder engagement to serve as a valuable tool for understanding the reasonable expectations and interests of our stakeholders, as well as their needs. We seek to engage with stakeholders who influence our business growth and success and contribute to our understanding of the sustainability context, based on what is material to them. Our active engagement with stakeholders forms an inherent part of our regular activities.

We have identified the following key stakeholders for the organization.



Following are the current approaches of engaging with key stakeholders:

Stakeholder

How we engage



Investors & Shareholders

- Annual reports and quarterly results
- Annual general meeting
- Media releases
- Investor/Analyst meets
- Company website



Regulators

- One on one meetings
- Mandatory submissions
- Periodic audits



Government agencies

- Participation in policy advocacy discussions at various authorities.
- Representation of various issues through industry associations and other relevant authorities.



Employees

- Quarterly reviews to address employee queries at Corporate and manufacturing locations
- New Year and other festive events, Sports
- Health camps & talks, Blood donation camp,
- Activities for Employees' children
- Out Bound Training Programs
- Women centric events & talks
- Intranet platform - NATCONNECT



Vendors

- Engage with vendors on a continual basis through scheduled meetings, weekly email briefings and fortnightly calls.



Illustrations



Key Topics

- | | |
|---|--|
| <ul style="list-style-type: none"> • Update on the website with the conference call transcripts • Annual reports and other reports uploaded to exchanges and website | <ul style="list-style-type: none"> • Financial performance • Environment Social Governance (ESG) requirements • Business sustainability • Corporate governance |
| <ul style="list-style-type: none"> • Submission of returns, data, documents, reports are being adhered as per the mandatory requirements | <ul style="list-style-type: none"> • Product related ANDAs and DMFs • Regulator compliance |
| <ul style="list-style-type: none"> • Active participation by providing comments/inputs based on practical issues before any rules, regulations come into force. | <ul style="list-style-type: none"> • Permits and mandatory submissions |
| <ul style="list-style-type: none"> • Summer Camp for employees' children at one of our manufacturing facilities. • Celebration of International Women's day • New year celebrations, Sports and quiz competitions • NRC (NATCO Research Center) employees outbound training for developing leadership skills. • Annual Environment day and Safety day celebrations | <ul style="list-style-type: none"> • Policies • Employee benefits • Values • Awareness sessions (includes GMP and EHS) • Celebrations and Recognition • Training |
| <ul style="list-style-type: none"> • Regular participation in CPhI, as well as visiting the facilities of key suppliers on a regular basis. | <ul style="list-style-type: none"> • Contracts • Raw material specifications • Quality audits |

Stakeholder

How we engage



Partners and Customers

- Connect with Partners/Customers to monitor the needs of each other through review meetings and calls.



Local communities

- Direct engagement with communities around our plants
- Periodic interactions through NATCO Trust team
- Engagement on CSR initiatives and healthcare projects.



Doctors

- One on one meetings
- Share scientific updates and practices regarding newer therapies.



Patients

- Provide patient education leaflets and videos which are disease specific
- Patient assistance programs like NATREACH



Trade Unions

- Need based interactions to update on new policies, benefits or to address grievances,
- Annual safety day programs
- Wage agreements



Financial Institutions

- Periodic meetings with financial institutions to cater to funding requirements
- Understand Industry perspective and global trends for raising funds.

Illustrations

Key Topics

- Visiting CPhI twice a year to understand the needs of the partners and keeping abreast of the latest innovations in the pharma industry.

- Product updates, technical exchanges and calls.

- Stakeholder connects at regular intervals with the local communities to understand the current issues and the needs that require to be addressed.

- Well being
- Education
- Water
- Infrastructure
- Healthcare
- Women Empowerment

- Roundtable meetings, departmental updates, new molecule launch programs and CME (Continuous Medical Education) programs.

- New product launches
- New segments
- Continuing medical education

- Providing medicines to patients at subsidized cost through NATREACH.

- Provide patient education leaflets and videos which are disease specific, patient assistance programs

- Safety day promotional activities.

- Benefits
- Compensation
- Employability
- Safety

- Continuous funding of financial requirement from banks.
- Meet with senior leadership of bank and investment bankers

- Economic Scenario,
- Market Outlook,
- Economy,
- Global markets

Identifying and Mapping Material Topics

The outcome of materiality analysis enabled us to identify material topics that formed the basis of our sustainability framework. The materiality matrix was developed, considering the influence to business success and importance to stakeholders. Key topics were prioritized as significant and more significant on the materiality matrix by the members of the Management team and it was correlated with stakeholder inputs gathered from regular engagements.



Drawing from the materiality matrix, we defined the key themes that we are committing to focus upon. The material topics were grouped into the themes:

Responsible Business

- 1 Product Pipeline
- 2 Geographical Presence
- 3 Front End Partnerships
- 4 Vendor Engagement
- 5 Cost Optimization
- 6 New Businesses

Responsible Societal Actions

- 1 Proactive Engagement with Community
- 2 Planning & Measurement of Social Impact Assessment

Responsible Operations

- 1 Product Responsibility
- 2 Renewable Energy
- 3 Technology Focus
- 4 Continual Improvement
- 5 Conservation - Water, Energy, Waste Upcycling
- 6 Setting Environmental Standards across all Operations
- 7 Product Lifecycle Management

Responsible Employee Engagement

- 1 Zero Accidents
- 2 Empowering Culture
- 3 Learning & Development
- 4 Leadership Actions
- 5 Talent
- 6 Employee Benefits
- 7 Occupational Safety

These four themes form the basis of NATCO's sustainability framework. The framework is supported by governance and compliance. The material themes were discussed with heads of functions to gather further views and inputs. In the reporting period, we present our journey so far and progress, on material topics.

Responsible Business

We address the way in which we support access to medicines by strengthening pipeline of complex & speciality generics, enabled through partnerships and geographic expansion

Responsible Operations

We demonstrate environmental conservation, proactive technology focus, sourcing, product responsibility in line with quality standards and improvement in management systems



Responsible Employee Engagement

Our process to engage and empower our employees through leadership actions and a culture of safety, learning & development and values based work culture

Responsible Societal Actions

Our actions towards systemic support and scalability for consistent positive impact and continuing proactive engagement with the society

We have mapped here the boundary of each material topic in our context.

Material Topic	Internal Boundary	External Boundary
 <p>Responsible Business</p> <ul style="list-style-type: none"> • Product pipeline • Geographic presence • Frontend partnership • Vendor engagement • Cost optimization • New business 	<p>Product selection, R&D Manufacturing, Business, Development, Marketing</p>	<p>Sourcing, Key markets, Partners</p>
 <p>Responsible Operations</p> <ul style="list-style-type: none"> • Product responsibility • Continual improvement • Conservation - water, energy and waste recycling • Occupational safety 	<p>R&D, Manufacturing</p>	<p>Environment, Neighboring community engagement</p>
 <p>Responsible Employee Engagement</p> <ul style="list-style-type: none"> • Zero accidents • Empowering culture • Leadership actions • Talent • Learning and Development • Employee benefits 	<p>Manufacturing, Offices, Sales & Marketing, Occupational safety, People development</p>	<p>Neighboring community engagement, Contracting</p>
 <p>Responsible Societal Actions</p> <ul style="list-style-type: none"> • Proactive engagement with community • Planning and measurement of social impact 	<p>Manufacturing</p>	<p>Neighboring community engagement Field staff engagement with communities. (eg., Vidya volunteers, patient counselors, sports coordinators etc)</p>

Our Sustainability Commitment - Looking Ahead



Product, Geographical Presence, Technology

- Maintain leadership in Oncology and Gastro-Hepatology segment
- Intensify focus on Cardiology and Diabetology pipeline for niche launches
- Launch 6-8 products across all the three segments a year
- Intensify regulatory filings rate in RoW markets with a global portfolio approach to product pipeline
- Focus on a select few high-potential filings, predominantly differentiated products through either drug delivery systems or niche chemistry



Environment, Continual Improvement, Resource Conservation, Employee safety

- We aim for 50% of all energy consumption to come from renewable resources by 2025. Currently we are using 24% of energy requirements from renewable sources.
- Undertake systematic water and energy audits by 2019-20 to roll out action plans at the manufacturing locations including our offices
- Zero accidents and injury free workplaces
- Embed positive reinforcement as an approach to improve safe practices at the shop floor
- Implement ISO 14001-2015 and ISO 45001-2018 (OHSAS 18001) in all our manufacturing locations by 2022-23
- Initiate a dialogue with our suppliers and vendors to set expectations on EHS requirements
- Reduce and reuse approaches for water, energy and waste



Empowering Culture

- Structured Leadership Development for supervisors
- Continue effective cGMP and EHS capacity building and training



Societal Actions

- Measure the impact of societal actions through a formal assessment process
- Initiate employee volunteering to associate with the communities in our neighborhood



Responsible Business

Responsible business growth is based on three key pillars which we deliver in a financially, socially and environmentally responsible way.

One, our choice to be focused on complex products. These are molecules that, by nature of the complex formulation processes, delivery methods, or active ingredients are harder to genericize. While these molecules are ground breaking in the treatment of cancer, multiple sclerosis and other chronic conditions, the cost of treating a patient can be exorbitantly expensive than conventional drugs. Therefore, generic alternatives are much awaited. We are also looking at resources which are targeting new molecules as part of our pipeline.

Two, partnerships that enable us to bring our strengths in complex drug development

to market. While genericization is welcome, product development comes with challenging scientific and regulatory considerations which we overcome through partnership with global pharmaceutical companies.

Three, expanding geographical presence with a global product portfolio. Now, with breakthroughs in the understanding of disease and clinical pathways, these medicines are used to treat chronic conditions affecting tens of millions of patients, growing the need to reach patients across the globe.

This is the sweet spot of sustainability—our business interest overlaps with benefits for patients who rely on complex and specialty medicines for treatment and are hopeful to get access to lower-cost generics.

Key Highlights

Front end Collaborations

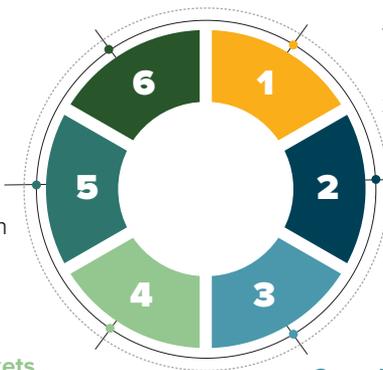
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New Business

Initiating Crop Health Sciences Division

RoW Markets

Started a subsidiary in Phillipines



US

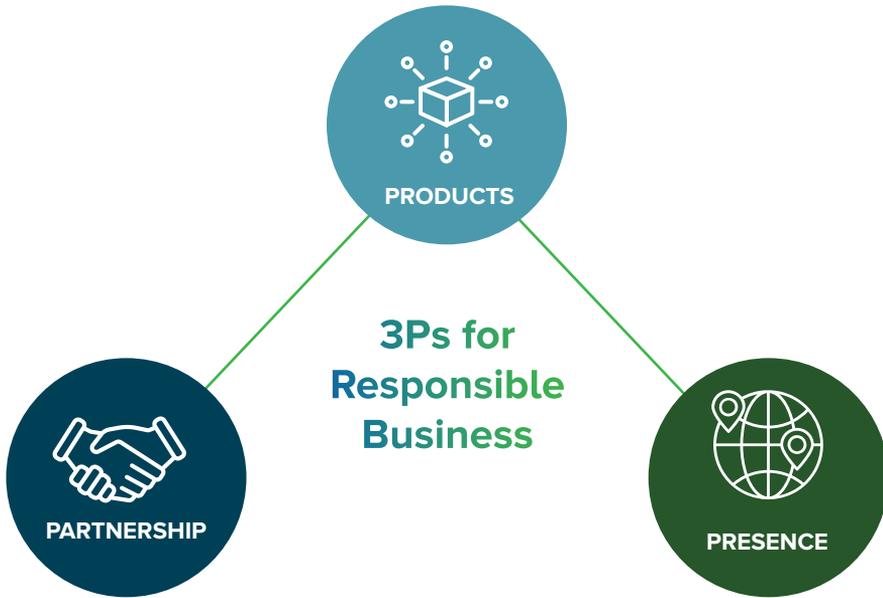
51 cumulative ANDAs filed till date
 45 cumulative US DMFs filed till date
 5 ANDAs filed in FY 2018-19
 3 US DMFs filed in FY 2018-19

Domestic Business

29 Oncology active brands
 6 product launches in FY 2018-19 across 3 segments of Oncology, Pharma Speciality and CnD

Canada & Brazil

Filed 20+ ANDs in Canada till date
 2 Oncology product launches in Brazil in FY 2018-19



Products:

NATCO plays an important role in the complex generics space by addressing the huge burden of prices on patients who have chronic conditions like cancer, Hepatitis-C and multiple sclerosis. We focus on therapeutic segments of Oncology, Gastro-Hepatology, CNS-Multiple Sclerosis, Cardiology and Diabetology. While we do have significant product portfolio in these therapy segments, we are open to select products outside these segments if there is potential to create availability and affordability to meet unmet patient needs through our strengths in complex manufacturing process and by addressing legal and regulatory challenges. We also evaluate product opportunities in other therapy segments as a way of building a

sustainable product pipeline. For example, we successfully launched Osetamivir phosphate in 2016 in partnership with Alvogen in the US.



Presence:

We are focused on geographical expansion leveraging product development outcomes for domestic, US and emerging markets. Our products reach more than 40 countries globally. Key geographies include India, North America, Latin America, Asia Pacific, South East Asia and Middle East. The Key markets driving our growth are India, Canada and Brazil. We are furthering our presence in Australia, China, Singapore and South East

Asian countries. In 2019, we have formed a fully owned subsidiary in the Philippines, NATCO Lifesciences Philippines Inc.



Partnership and Associations:

To launch complex generics, we need diverse strengths, ranging from market presence to regulatory expertise, which we access through partnerships. Our simple strategy gives us backward integration for critical supplies and front-end sustainability to accelerate 'genericization' of complex molecules.

In this report, we present our progress and contribution towards creating access to safe and effective complex generics in therapeutic segments of Oncology, Gastro-Hepatology, CNS-Multiple Sclerosis, and Cardiology as they are key priorities and they are in line with patient needs and our business strategy.



Products & Presence

Our Contribution to Oncology

Responsible Business

Product Pipeline



Why is this a priority topic?

We play a crucial role by developing affordable alternatives of specialty medicines that address the huge burden of prices on patients who have chronic conditions like cancer, gastro and multiple sclerosis. These specialty medicines are ground breaking in terms of treatment but are not accessible to patients because of pricing considerations.

The World Health Organisation (WHO) estimates that the number of people dying from cancer globally will increase by 45%, to 11.5 million, by 2030. Currently, around 65% of cancer deaths occur in developing countries, where cancer rates are also rising. Our presence in oncology segment commenced in the year 2003. NATCO got its first breakthrough with Imatinib mesylate, a complex generic targeted therapy for cancer. This drug offers tremendous survival promise for cancer patients

Responsible Business

Geographical Presence

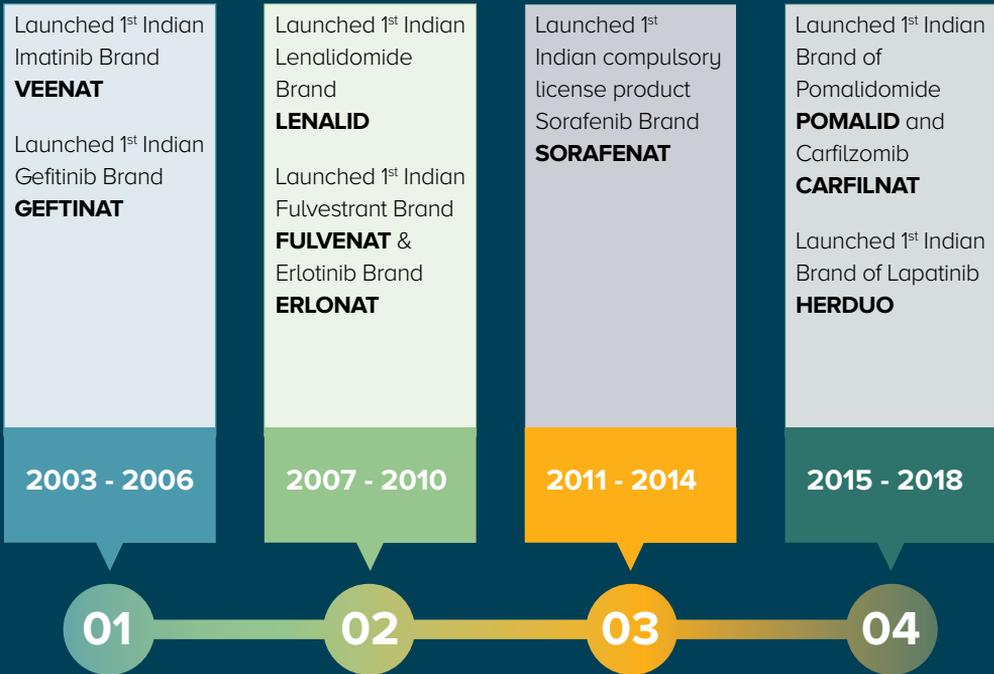


Why is this a priority topic?

With breakthroughs in the understanding of disease and clinical pathways, specialty medicines are used to treat chronic conditions affecting tens of millions of patients. Expanding our market presence to reach generic alternatives of specialty medicines to patients across the globe is imperative to meet unmet patient needs.

Strengthening our presence in oncology therapeutic segment, we have increased our product portfolio, starting from six products in 2004 to twenty nine products as of March 31, 2019. Currently, we are one of the major pharmaceutical companies in oncology therapeutic area in India. Our oncology portfolio in India has several key products of which some of them are Veenat, Lenalid, Erlonat, Gefitinat, Sorafenat and Bortenat addressing various types of cancer including leukemia, breast, brain, bone, lung and ovarian.

Key Oncology Brands in India



Right medicine at the right time and right way



Gefitinat Pack (Gefitinib) is one of its kind as it brings unique features that support patient compliance.

- Patient Safety first: Precautions and side-effects information is immediately visible after opening the pack.
- Kezzler's Code: Every pack of Gefitinat comes with a unique alpha-numeric code

which enables two-way dialogue with patients and their families, building trust about the authenticity of their medicines.

- Child Lock
- Compliance: Arrangement of Tablets as per weekdays along with the reminder for last dose and refill



In March 2012, a compulsory license was granted to NATCO, to market a generic version of Bayer's Nexavar® (Sorafenib), used to treat advanced kidney cancer, advanced liver cancer, and radioactive iodine-resistant advanced thyroid cancer. This brought down the price of sorafenib substantially in India.

Oncology: Our impact

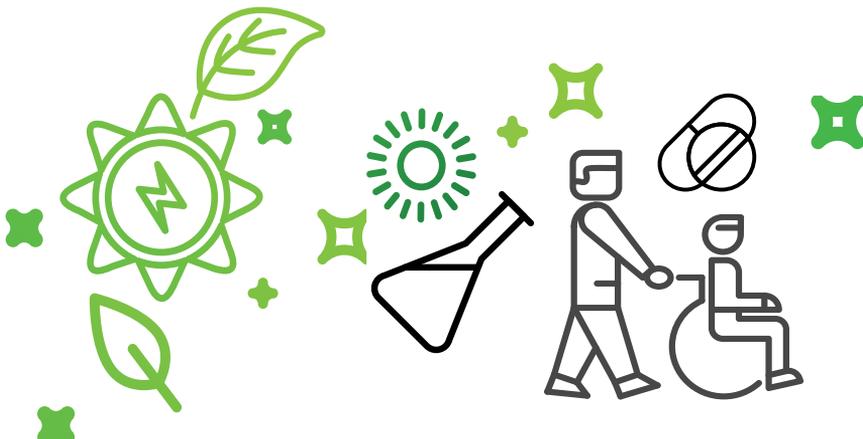
Key Products**	Impact	Presence
Imatinib	First to launch	India
Sorafenib	First to get compulsory license	India
Liposomal Doxorubicin	Efficient way of delivering targeted therapy through liposomal formulation	US
Everolimus	First generic tablet	Brazil
Geftinib	First to launch	India
Erlotinib	First to launch	India

** - Refers to the generic alternative of innovator product

In The Pipeline

Key Products**	Impact	Presence
Ibrutinib	Possibly sole First to file-para IV	US
Lenalidomide	Agreement with Celgene for fixed volume launch from 2022	US

** - Refers to the generic alternative of innovator product



Gastro-Hepatology

Our pharma specialties division deals with products related to hepatology, gastroenterology and critical care. In hepatology, our generic Sofosbuvir and its combinations for the treatment of Hepatitis C in India under the brands Hepcinat, Hepcinat LP, Velpanat and Natdac continue to create value for patients. NATCO is among the first companies to launch the generic versions of Sofosbuvir (SOF) and its combinations in India. SOF is a well-tolerated effective antiviral agent that is heralding a new era of all oral therapy for HCV (Hepatitis C virus) and its combinations have improved the effectiveness of treatment as these medicines offer cure to most of the patients.

HCV infection is the leading cause of advanced liver disease worldwide. Initially, Interferon and Ribavirin therapy was the standard treatment solution, but it offered limited control of HCV disease often resulting in excessive side effects. With affordable pricing offered by NATCO, SOF therapy benefits are accessible to people across all economic strata and even the semi-rural and rural areas of India.

Similarly, we are also targeting effective and affordable treatment for Hepatitis B. Worldwide, some 240 million people have chronic hepatitis B virus with the highest rates of infection in Africa and Asia. Although effective medicines exist, most people are unable to access them. NATCO is one of the first companies to create access to medicines for treatment in Hepatitis B in India.



Rapid test and awareness program regarding Hepatitis C (HCV): Eradication of HCV in India is a matter of time and is possible through concerted efforts and scaling up stringent preventive measures, screening, diagnosis & treatment.

Gastro Hepatology: Our impact

Key Products**	Impact	Presence
Sofosbuvir 400 mg and Daclatasvir 60 mg, Velpatasvir + Sofosbuvir	First to launch, non-exclusive licensing with Gilead	India, Nepal
Tenofovir Alafenamide	First to launch with exclusive licensing with MSF and Gilead	India

** - Refers to the generic alternative of innovator product

CNS-Multiple Sclerosis

In 2015, about 2.3 million people were affected with multiple sclerosis (MS) globally with rates varying widely in different regions and among different populations. The National Multiple Sclerosis society, United States explains on its website. "MS medications have transformed the outlook for relapsing MS over the last 20 years. Yet, many people living with MS cannot access the medications they need."

Offering generic alternatives

In line with our commitment to launch generic alternatives of complex drugs, we were the first to launch Denopsy (active ingredient: teriflunomide), an oral therapy in the management of Relapsing Remitting Multiple Sclerosis (RRMS). Our price is 90% less when compared with the price of the innovator. The cost of therapy is crucial to manage as Multiple Sclerosis (MS) patients take the medicine lifelong.

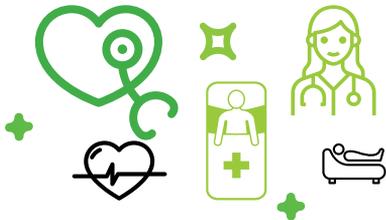
CNS: Our Impact

Key Products**	Impact	Presence
Glatiramer Acetate	First to launch 40 mg injectable	US
Teriflunomide	First oral tablet to launch	India

** - Refers to the generic alternative of innovator product

Cardiology

In Cardiology segment we serve unmet needs of patients with chronic conditions of the heart. We are the first to launch Argatroban injection and Dabigatran in India for treatment of patients with thrombosis syndrome.



New Business

We are extending our responsibility into crop health sciences by our foray into niche agrichemical products. We are committed to developing niche molecules and supporting affordability like we do in our pharmaceutical business. Our green-field manufacturing facility for producing agrichemical technical and formulation products are coming up in Nellore District of Andhra Pradesh.



Partnership and Associations

Responsible Business

Partnership and association



Why is this a priority topic?

Our contribution to genericizing specialty medicines is possible because of our strength in product development. This is complemented by collaborative partnerships in the back end in the form of active ingredients procurement to front-end for timely market launches with capabilities to address marketing and regulatory challenges.

NATCO takes responsibility for the business through collaborative partnerships. While we have strengths in development, we look for complementary skills in regulatory, legal and marketing domains in our partners. As we focus on products, partnerships offer us the probability of a successful launch along with the opportunity of living up to our commitments to create value for patients. Our partnerships stretch from the backend in the form of active ingredients procurement to front-end for timely market launches.

Partnering with multiple players based on the complexity of product and need for specific front end capability is our approach for sustainable business growth. For example, we partner with global generic pharma companies like Dr Reddy's and Alvogen that enables us to launch generic alternatives of products that are significant in the complex generics space. We have launched products in partnership with Teva, Mylan and Breckenridge as well.



Meeting unmet patient needs in Multiple Sclerosis treatment with sustainable partnership



Mylan Inc., NATCO Pharma Ltd. To Collaborate on Worldwide Marketing and Distribution of Generic Copaxone®

PRNewswire-FirstCall
PITTSBURGH

Mylan Inc. (NYSE: MYL) announced today that it has signed a license and supply agreement with NATCO Pharma Ltd. (NATCO) for NATCO's glatiramer acetate pre-filled syringes, a generic version of Teva's Copaxone®, which is used to treat multiple sclerosis. The agreement grants Mylan exclusive distribution rights in the United States and all major markets in Europe, Australia, New Zealand, Japan and Canada and includes an option to expand into additional territories.

NATCO has commercialized successfully its glatiramer acetate product in India and the Ukraine. Teva has reported that worldwide sales of Copaxone were more than \$1.7 billion in 2007.

"We are extremely pleased to be collaborating with NATCO to market and distribute this critically important product virtually worldwide," said Robert J. Coury, Mylan vice chairman and CEO. "We've worked closely with NATCO over the past several months, and we're excited to have completed this agreement. During that time, we have been impressed with the company's long-term vision and outstanding technical capabilities, which are clearly reflected in NATCO's ability to develop a complex product such as generic Copaxone. We plan to work closely with all relevant regulatory agencies in the United States and internationally -- and leverage Mylan's considerable global expertise in regulatory applications -- to bring the therapeutic and economic benefits of this product to the widest possible patient-base."

"We had spoken with several potential partners since we launched glatiramer as a generic in India last year," said NATCO Chairman and Managing Director Chowadary V. Nannapaneni. "After an extensive review, we believe that no company is better positioned than Mylan to help us unlock the extraordinary value of this product in the United States and around the world. We are truly excited about our collaboration."

Mylan Inc., with a presence in more than 90 countries, ranks among the leading diversified generic and specialty pharmaceutical companies in the world. The company maintains one of the industry's broadest -- and highest quality -- product portfolios, supported by a robust product pipeline; owns a controlling interest in the world's second largest active pharmaceutical ingredient manufacturer; and operates a specialty business focused on respiratory and allergy therapies.

NATCO Pharma Limited, based in Hyderabad, India, is ranked among the fastest growing pharmaceutical companies in the country. It manufactures branded and generic dosage forms, bulk actives and intermediates for Indian and international markets. During its 24-year history, NATCO has gained a reputation for innovative product development, high-quality manufacturing capabilities and strong financial growth.

Copaxone® is a registered trademark of Teva Pharmaceutical Industries Ltd.

We realize that first to market is significant for both, us and the patients. To do so we put in our best efforts to ensure captive supply of active ingredients. At the same time, we are inclusive in our approach of engaging with pharmaceutical companies who are our peers or are leading global companies in the pharmaceutical sector, to advance our presence in global markets. We also bet on backward integration with our own active ingredient's operations. Our partnership approach prioritizes quality, speed and transparent communication. We audit our key suppliers to ensure that they have the right quality systems, ability to face stringent regulatory audits in addition to price and sustainability of supply.

Vendor Partnership



NATCO has entered into an API supply agreement with Laurus Labs Limited, as part of which we purchase key Hepatitis C APIs comprising Sofosbuvir, Ledipasvir, Daclatasvir and Velpatasvir from Laurus. The partnership revolves around critical factors of complementing each other's strengths in product development, manufacturing and quality. Together we have focused on cost optimization and transparent communication to execute upon first to market opportunities in India.

Continuing our emphasis on partnerships, in therapeutic segments such as Multiple Sclerosis, we create awareness for early diagnosis and treatment by engaging with medical professionals and other stakeholders such as NGOs.

Awareness creation

We support engagement and awareness creation in the area of multiple sclerosis as the medical condition is yet to be fully understood. Top neurologists have delivered the talk on MS via radio to reach out to public. We also associate with MSSSI (Multiple sclerosis society of India) where we have participated in World Multiple Sclerosis Day campaigns across India. To name a few,

- Walkathon in Chennai
- CME in AIIMS Delhi
- Mass screening camp on various parameters in Indore





Responsible Operations

We believe that sustainability matters in the way we carry out our operations. Product lifecycle management is an important element of Responsible Operations. We do our operations with a focus on being first-to-market and fulfilling our commitment to product sustainability. Beginning from product selection till delivery, there are critical milestones that define our success in introducing the product in the market and retaining its presence to serve patients.

Our Approach to Product Lifecycle Management

NATCO is focused on accelerating product development while lowering operational cost as part of product lifecycle management. Some of the critical challenges that we strive to address each time we introduce a new product, include completing the chemistry evaluation, patent navigation to ensure a risk-free launch, choice of suitable technology for finished dosage and manufacturability of the finished dosage.

As we overcome the challenges through product development, we carefully select strategic partners, both back-end and front-end especially for critical products. We extend the same level of focus as we scale up to manufacture efficiently and build enough capacity. Our sourcing practices involve selecting and screening strategic partners for our projects, including dual sourcing for critical products. As we prepare for sales in the market, we leverage expertise through our marketing partners. Nurturing our ongoing collaborations has always worked in favor of our business continuity and we continue to uphold these partnerships.

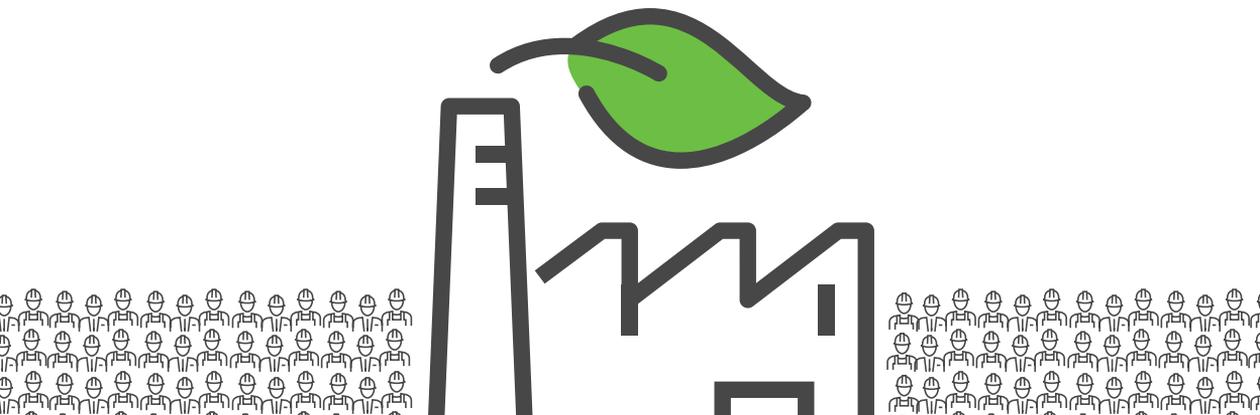
The other key elements to our Responsible Operations which we commit to be responsive are:

Technology
Focus

Resource
Conservation

Continual
Improvement

Product
Responsibility



Key Highlights

Installed Capacity for Renewable Energy

4.65 MW Total solar power capacity

4.2 MW Total wind power capacity

R&D Expense in FY 2018-19

₹ **1,976 million**

API manufactured in-house

> **30**

Capex for FY 2018-19

₹ **4,413 million**

includes investment for Renewable energy ₹ 433.1 million

Raw material sourcing partners

> **20**

New Formulations Facility Started at Vishakhapatnam shall focus on oral solid dosages



Technology Focus

Responsible Operations

Technology Focus



Why is this a priority topic?

Driving operations with a technology focus has given us an edge. We look to technology to provide us solutions that has consistent quality and give us the desired outcomes thereby making our operations sustainable. Technology focus has been the core, be it the way we research and manufacture our products, address quality parameters, lead environmental improvements, or fulfill safety requirements at our facilities.

We have relied on technology solutions for our R&D activities as well as manufacturing processes for problem solving and creating new opportunities.

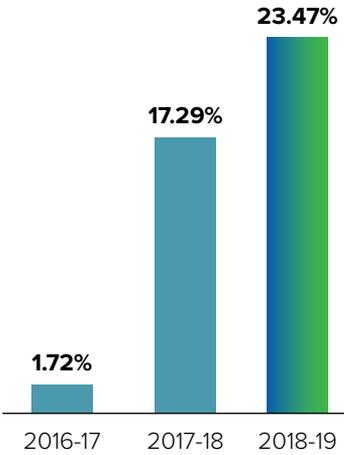
Taking forward our focus on technology, in fulfilling our commitments in our EHS (Environment, Health, Safety) Policy, we have applied it as a lever to address environmental impacts, including climate change

Climate change is an environmental aspect which makes us closely look at energy efficiency. As a result, we are pursuing opportunities in renewable energy and reducing energy consumption in our operations. The renewable energy initiatives of setting up solar and wind power plants, form an important aspect of our sustainability driven pursuits, have increased access to clean energy sources for our manufacturing facilities. All the solar power plants installed in our manufacturing facilities use photovoltaic panels made in-house.



Details of Renewable Energy across the Manufacturing Facilities

Percentage of renewable energy



1.15 MW

1.15 MW onsite solar power plant

Finished dosage formulation facility- Nagarjuna Sagar

The solar power plant at our Finished Dosage Formulations facility at Nagarjuna Sagar meets 16% of its energy requirement.



2.1 MW

Wind power plant at Tuticorin district, Tamil Nadu state commissioned

API facility-Chennai

The wind power plant at our API facility at Chennai meets 95% of its energy requirement.



2.1 MW

Wind power plant installed and commissioned in the year 2018 at Ananthapur, Andhra Pradesh

Finished dosage formulation facility- Vishakapatnam



3 MW

Onsite solar power plant enhanced from 2 MW to 3 MW

Made solar power purchase agreements with solar power generating companies

API facility-Mekaguda

The solar power plant at our API facility at Mekaguda meets 34% of its energy requirement.



500 KW

Rooftop solar power facility initiated and shall be operational by October 2019

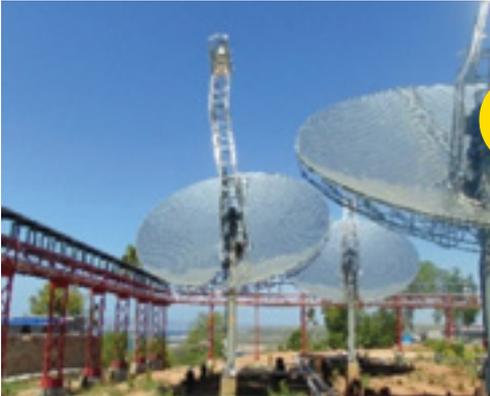
Finished dosage formulation facility- Kothur



Currently **23.47%** of total energy requirement of all our manufacturing facilities is met by renewable energy. As a result, we have reduced carbon dioxide emissions by

12,130 tons per annum.

Boiler Feed water Heating using Solar Dish Concentrator at Nagarjuna Sagar Manufacturing Facility



The paraboloid solar dish concentrator initiative that utilizes solar energy to pre-heat boiler feed water, at our facility is another step towards renewable energy use. The salient features of this initiative are maximum solar energy yield, high temperature delivery and reduction in the carbon footprint.

Product Development and Manufacturing

Technology focus is a stepping stone to address challenges in implementing drug delivery mechanisms and in overcoming barriers in difficult and complex manufacturing, both of which are inherent while working with complex products. Furthermore, technology has given us solutions for improved plant design, to introduce adequate safety controls, and offer reliable mechanisms for product quality and environmental requirements.

Technology enabled initiatives

1. In the development of Liposomal Doxorubicin, which we launched in the US in 2017-18 in partnership with Dr. Reddy's, we faced technical challenges owing to the inherent characteristics of liposome and the size of the particle involved. Through significant number of experiments, we could ensure consistent particle size distribution. We also developed reliable analytical methods to test the quality of drug inside the nano particle, thereby using technology as a pivot in the development process.
2. We have extended to our crop health science business, the learning experiences of organic chemistry in the Pharma business, wherein, during R&D, we are implementing technical solutions to improve the process for better efficiency.
3. Everolimus is another example, which has multiple layers of difficulty in its development and manufacturing, yet we could successfully launch the product.
4. In API product development, in line with the precautionary principle, we identify and address hazards early on. We have an established in-house process safety laboratory for understanding reaction kinetics and to evaluate hazards in order to design safe process for API manufacture.

The process safety approach at NATCO Research Center (NRC) focuses on preliminary screening and process hazard evaluation as per need.

Process safety approach

Preliminary Screening

Literature Survey

- CHETAH
- Bretherick's Handbook
- Molecular structure / high energetic functional group consideration
- Chemical Incompatibility
- Previous accident history

Non-adiabatic screening test - DSC

- Decomposition onset temperature
- Heat flow
- Thermal stability

Process Hazard Evaluation

- Heat of Reaction (ΔH_r) - RC1e
- Adiabatic temperature rise - RC1e
- Maximum temperature in synthesis reaction (MTSR)- RC1e
- Specific heat of reaction (C_p)
- Gas volume for normal reactions - RC1e
- Physical reaction mass observations like mixing and forthing etc.
- Adiabatic screen testing - ARC
- Runaway reaction data- RC1e & ARC
- TMR - Time to maximum rate - ARC
- Vent Size data- ARC

Powder safety

- Dust explosion
- MIE
- MIT
- UT
- Surface resistivity
- Charge decay analysis
- Impact sensitivity test
- Friction sensitivity test

5. As a part of "energy efficiency by design" for refrigeration systems, we have replaced reciprocating compressors with screw compressors and installed Variable Frequency Drive (VFD) to screw compressors learning from our continual improvement projects.

Technology in plant design - Cytotoxic facility at our API Chennai facility



At our API Chennai facility, we have installed a containment (Isolator) facility to handle the cytotoxic drugs. Isolators are the key control measure in preventing employee exposure to cytotoxic drugs, many of which are classified as hazardous to health. The facility also protects the product from microbiological contamination during production. Negative pressure isolators are designed to give optimal protection to the operator.

Resource Conservation

Responsible Operations

Resource Conservation



Why is this a priority topic?

Responsible use of resources that includes water conservation efforts, improving energy efficiency, reducing GHG emissions, efficient waste disposal approaches, designing innovative solutions to reduce, reuse and recycle, supports our actions towards sustainable growth.

We have made continued efforts towards resource conservation at our facilities. Our focus has yielded appreciable results across water usage, energy consumption and waste management.

Water Conservation

Responsibly managing water as a resource is critical in a manufacturing facility. We embarked on several initiatives to rationalize its use, reuse, recycle, and measure its consumption across points, as well as include our employees in this journey through awareness drives. Some of the initiatives for water conservation are:

- Use of high-pressure water jet cleaning guns for equipment cleaning
- Installation of orifices in pipelines to minimize the flow rate
- Installation of automatic level indicating controllers/float valves in storage tanks

Comprehensive Approach for Resource Conservation

Zero Liquid Discharge plant (ZLD)

- From a conventional effluent treatment plant at the time of inception, the Mekaguda facility transitioned to a treatment philosophy of zero liquid discharge in the year 2003.
- Upgrading design with Electro Chemical oxidation process to handle shock loads on biological treatment.
- Installing second stage high pressure Reverse Osmosis (RO) plant to increase the recovery rate there by reducing load on Multiple Effect Evaporators (MEEs)
- Polishing RO (Reverse Osmosis) plant to achieve consistent quality of recycled water for utilization in cooling tower.
- Meeting about 50% of the water requirement from wastewater recycling.



Waste water discharges are treated and disposed safely as per compliance requirements.

Rainwater is harvested, reused and recharged to ground – API Mekaguda facility

- The Rainwater Harvesting (RWH) system is supported adequately with run off collection, storage and reuse system, run off collection & recharge structures, harvesting pits, Check dams, and bore wells. The two recharge tanks (2,500 KL capacity) and infiltration wells

constructed, take care of recharging runoff water. Lined storage ponds of 8,000 KL are constructed for storing runoff water and in turn reused for maintaining the lush green belt.

- Runoff from the campus is routed to rainwater harvesting structures.



▼ Rainwater Harvesting Pits

RWH system at API Chennai facility

was also undertaken after a detailed feasibility study. The entire runoff rain water is connected to the rain water collection cum recharge tank of 2000 KL capacity and infiltration wells to recharge the ground water. The facility also has added a rain water recharging pit that collects rainwater from rooftops.

Lined rainwater storage pond ▲



Waste Management

Waste is a resource for us. Our initiatives of waste to energy, producing value added product from waste are few examples of how NATCO is gearing to make waste a matter of opportunity.

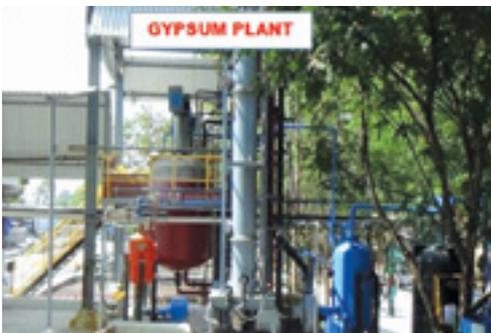


Converting spent sulphuric acid to gypsum

- Spent sulphuric acid is generated from four of our product streams
- Segregated spent sulphuric acid streams are converted into gypsum by using lime in a dedicated facility
- The gypsum manufactured is sent to cement plant for use as raw material as per hazardous waste authorization.
- This initiative has reduced the sulphates in the effluent stream thereby reducing the scaling potential in RO & MEE systems.

Waste to Energy

- We are in the process of commissioning a waste to energy plant, a novel solution for treating mix pharma waste.
- 3TPD of waste is fed through a pyrolysis gasification process that generates syngas which in turn is used to generate steam.
- We followed the approach of installation qualification (IQ) and operational qualification (OQ) as per Quality Management System to ensure that all risks are adequately addressed.



Reduce ETP sludge volumes

- Installed a paddle mixer dryer to dry the wet sludge cake from sludge decanter to bring down the moisture content to acceptable limits for direct landfill.
- Minimized the volume of waste sent to landfill volumes.
- Exploring the options for utilization of dried ETP sludge in cement kilns thereby eliminating the load on the secured landfill.

Non-process waste conversion to compostable material

- Organic waste comprising of non-process waste, generated in our facilities at our Mekaguda, Nagarjuna Sagar, Kothur and Dehradun are managed efficiently to generate compostable material.



Spill Management

Managing spills effectively is one of the ways of prioritizing environmental management in our operations. We have ensured at all manufacturing facilities, that there are dike walls around storage tanks and chemical containing drums are placed within containment, thereby protecting the soil from any contamination. In addition we have spill containment kits which we use in case of a spill and also track spills as part of our environmental management system. We recognise and understand that reporting on even minor spills, is key to our spill management approach. The mechanism of reporting on minor spills is being harmonized across the facilities. We did not have any major spills and loss of containment in the year 2018-19. However, there were 6 minor spills which were addressed through spill containment provision and the material was disposed as part of hazardous waste responsibly. We are also taking precautions through design and material handling procedures to ensure that spills reduce and we conserve our resources.

Energy Conservation

While we are accelerating our access to clean energy sources, we are equally motivated to reduce energy consumption. We continue to explore opportunities to bring down energy consumption across our manufacturing facilities.

As a part of the energy efficiency drive across our facilities, these are a few key projects

- Installation of VFDs (Variable Frequency Drive) for all motors rating 15HP and above
- Installation of VFDs for all continuously running motors rating 5HP and above
- VFDs for all HVAC units in all facilities
- Plug type blowers in place of belt drive blowers for AHU units
- LED based lighting instead of CFL based lighting

Energy Efficiency Improvement projects at API, Mekaguda facility

Chilled brine & chilled water is used for process cooling requirement

Replaced 5Nos of power reciprocating compressors for refrigeration units with higher power consumption per unit TR with energy efficient semi-hermetic screw compressors



Installation of VFD modulators for 22 screw compressors to reduce energy consumption during non-peak loads on refrigeration units

Installation of VFD modulators for 9 chiller water refrigeration systems



Continual Improvement

Responsible Operations

Continual Improvement



Why is this a priority topic?

The philosophy of continual improvement is a necessity to drive quality across in product development and manufacturing facilities.



In our pursuit of sustainability, once is not enough, continual improvement is a major ingredient. While improvements could be incremental in some cases and breakthrough sometimes, we are keen on achieving involvement of people in identifying and implementing continual improvement projects. We look at the potential of continual improvement in addressing infrastructural upgradations, upgrading equipment design and in addressing mindsets in meaningful ways. The outcomes of these projects result in benefits towards safety, environment management, energy efficiency, cost reduction and process improvement.

1. Process R&D

In the case of Trabectedin we have improved the yield in many stages. In the improved process, yield has increased nearly 5 times more than the existing process in manufacturing. This yield improvement helped in reducing the cost as well as effluent load.

process parameters, utility parameters, scrubbers)

- Automatic solvent dispensing system
- Nitrogen blanketing system with breather valve for all solvent storage tanks
- Safe solvent unloading through the earth interlocking system provided to the tankers
- Automatic Nitrogen blanketing system for centrifuges
- Aerosol based fire suppression system
- Low pressure alarm system for nitrogen lines for all production areas
- Safety interlocks for process equipment and process automation for critical reactions

2. Safety Infrastructure improvement

- Setting up of central safety control room
- Continuous monitoring of site safety protection system and critical process parameters
- Integration of all the emergency alarm systems (fire protection, smoke detection, fire alarm, gas detection systems & critical

3. Management systems for Continual Improvement

- Our Mekaguda facility is accredited with ISO 14001: 2015 and ISO 45001-2018(OHSAS 18001) system standards. These management systems have been accredited since 2002 and 2012 respectively. The API facility at

Chennai has been accredited with ISO 14001: 2015 and ISO 45001-2018(OHSAS 18001) system standards in the year 2017.

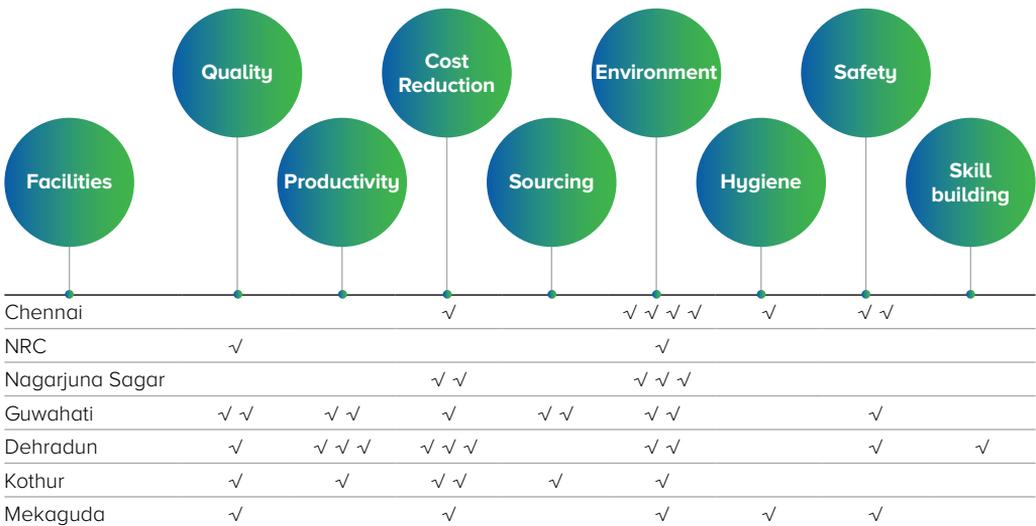
- Incorporated pre-start safety review as a regular practice to ensure presence of required safety controls and to make employees aware of the hazards and the controls to be applied.

Continual improvement in Housekeeping

An essential part of a manufacturing facility is good housekeeping. Not just learning about good housekeeping, implementing it with discipline demonstrates that learning is getting transferred into the workplace. In our API unit in Chennai, under the banner

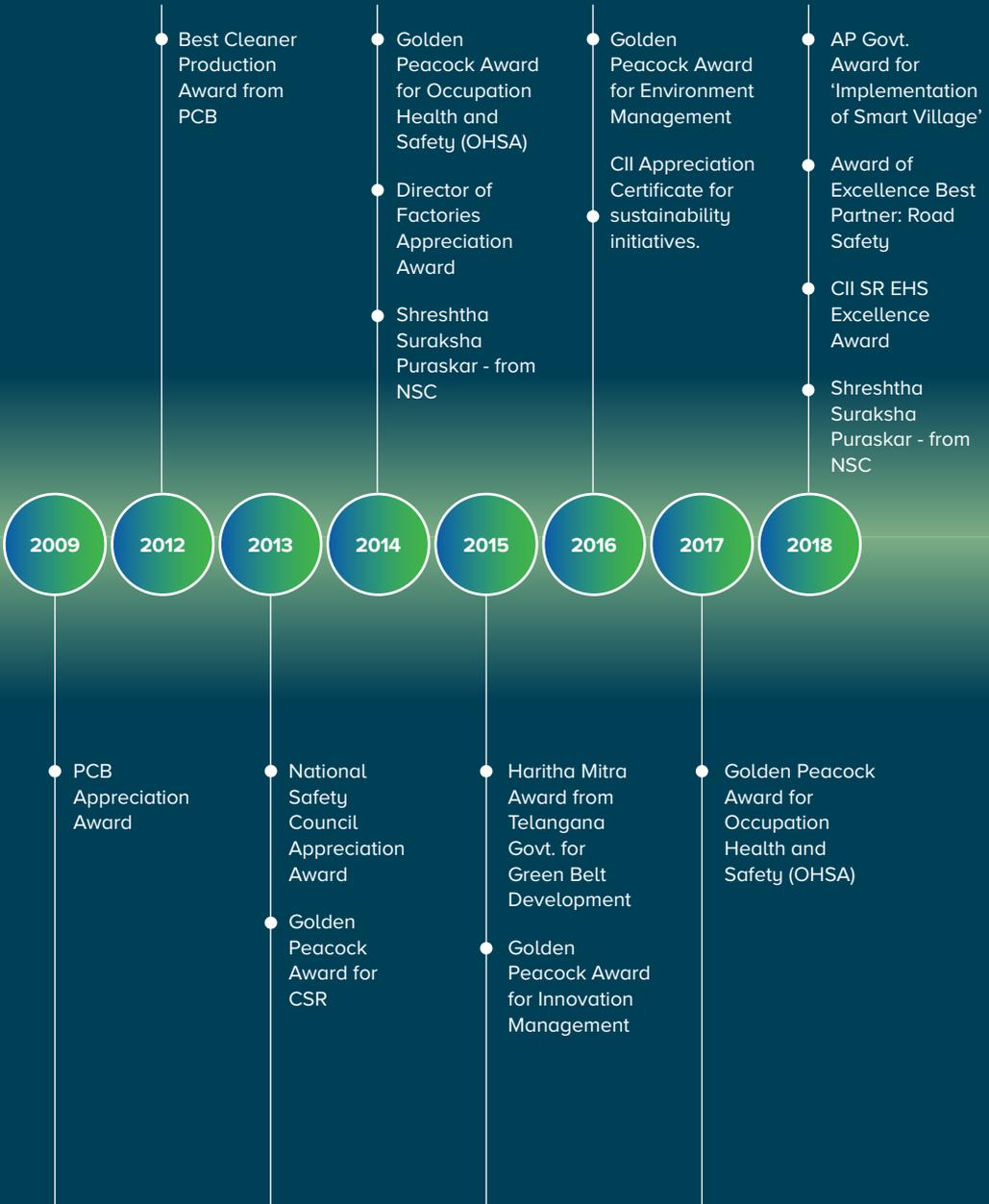
of CLEAN-NATCO, employees voluntarily participate once every fortnight to ensure that their respective areas are cleaned and kept in a good condition. The program has been running since February 2017.

Continual Improvement Projects undertaken at our Manufacturing Facilities



✓ - No. of continual improvement projects undertaken

Snapshot of Awards and Recognition



Product Responsibility

Responsible Operations

Product Responsibility



Why is this a priority topic?

Our responsibility to our customers, partners and patients is addressed in the life cycle of a product. To responsibly deliver on product quality and safety requirements, we invest in operational capabilities and systems in product development, sourcing, manufacturing and quality assurance.

Product responsibility is integral to pharmaceutical business. As a pharmaceutical company, we must ensure that the products developed, manufactured and marketed by us are assured to be safe and that they meet the quality requirements. Activities related to product responsibility is cross-functional, having significance in product development and commercial manufacturing.

Quality Driven Manufacturing

cGMP and product quality are key ingredients of our responsible operations model. We strive to ingrain quality in every function involved in manufacturing. Disciplined approach towards creating awareness, training, identifying gaps and meticulously addressing the gaps is part of our quality management system. We carry out internal audits and management reviews of our own operations and we periodically review our standard operating procedures to ensure good manufacturing practice. In addition to our own audits, our customers and

partners also audit us for compliance with the regulations. The regulatory authorities like the US FDA, MHRA, WHO etc., audit us to approve our quality management system. One of the key areas to grow the integrity of the quality management system is in achieving accurate error reporting. It is pivotal to the way we build credibility as a reliable manufacturer. We encourage error reporting so that we can learn and be fully aware of the potential for correction and prevention



Snapshot of regulatory approvals of our facilities

FDI

Locations	Regulatory approvals
Kothur, Telangana	USFDA, GMP (DCA), German Health Authority, Australia TGA, ANVISA Brazil
Nagarjunasagar, Telangana	WHO GMP and Kenya MOH
Pharma City, Dehradun, Uttarakhand	WHO GMP
Industrial Area, Dehradun, Uttarakhand	WHO GMP and EU GMP
Guwahati, Assam	WHO GMP

API

Locations	Regulatory Approvals
Mekaguda, Telangana	USFDA, PMDA (Japan), COFEPRIS (Mexico), EDQM (Europe) Korean FDA, WHO, EU GMP (Germany)
Manali, Chennai, Tamil Nadu	WHO GMP (CDSCO), USFDA

All customer complaints concerning our products are assessed and the root causes investigated. This procedure facilitates the assessment and follow-up of corrective and preventive actions.

Quality Driven Sourcing

We purchase our materials from suppliers whom we qualify through a screening process. Audits of their manufacturing sites are important steps in the process of selecting and monitoring our suppliers as well as in ensuring the continued availability and consistent quality of the raw materials.

Key criteria for selecting strategic partners for supply



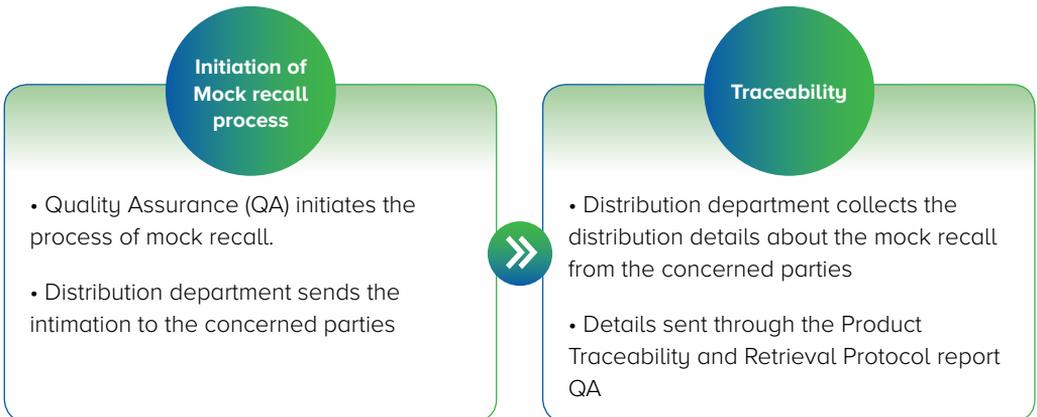
As a process of supporting our manufacturing teams reliably and ensuring continuity of supply of raw materials, we identify local vendors. For few of our APIs, where we were sourcing advanced intermediate from China, in view of supply lead time and environmental issues, we have now identified local vendors who meet our criteria for sourcing.

Pharmacovigilance

We maintain a pharmacovigilance system required by legislation and regulatory requirements to monitor the safety of our medicines and to implement timely and effective risk mitigation actions. Appropriately qualified personnel are responsible for these activities.

We have internal processes to support the prompt and proper initiation of recalls when required. We also test the efficiency of our recall procedure regularly. Our practice of periodic mock recall, tests the efficiency and effectiveness of these process.

Process for Mock Recall



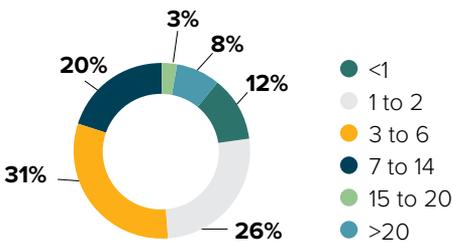
Responsible Employee Engagement

The strength of our organization rests upon close to 5000 diverse, talented and committed employees. We foster responsible employee engagement by focusing on living our core values, consistent leadership actions and nurturing an empowering work culture.

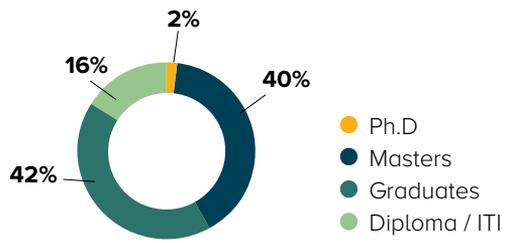
We develop our people's competence, enable them to take right decisions in the course of work and seek to build an incident and injury free workplace where our employees take personal responsibility for prevention and continual improvement. Put together with carefully designed employee benefits, we seek to build cordial relationships and enduring engagement for sustainable growth.

NATCO Employee Distribution

Tenure

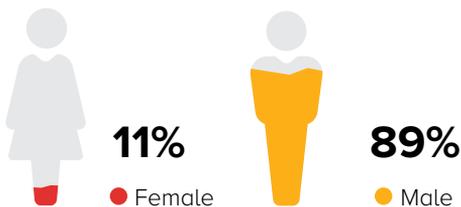


Education

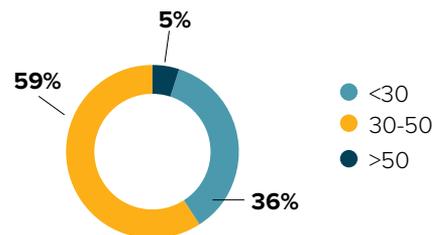


* Data excludes workmen

Gender



Age



Living Our Core Values

Our everyday work and approach to business is guided by our core values - **Integrity, Respect, Openness, Collaborative, Quality and Creative.**

We illustrate here key instances of living our values through voices of people across teams at NATCO.



Integrity

- **Strive to do what is right and do what we say**
- **Comply with legal and regulatory requirements**

Right from induction, employees are given to understand the importance of the work culture and the pivotal role of integrity towards this. Our SOPs (Standard Operating Procedures) and our practices in line with it are a reflection of our integrity. This has created immense trust among the customers and industry at large.

James Rajakumar

General Manager – Marketing & Sales



Respect

- **Value human dignity**
- **Operate with a spirit of cooperation and care**

NATREACH, is a patient assistance initiative started by NATCO to help patients from underprivileged and economically difficult backgrounds. About 2,000 patients are benefitting every year through NATREACH for the last 7 years. While our medicines are affordably priced, we aid patients who would still not be able to access them, keeping in mind our core value of respect and our commitment to operate with care and concern.

Srivatsava K.

Vice President - Marketing & Sales



Openness

- **Be transparent, express openly with candor**
- **Show interest to learn and listen**

We have always been open in our statements and outlook to stakeholders, keeping in mind the significance of building a long-term relationship. Specially, with our investors and financial analysts we always articulated both the company's strategy and weaknesses in our business to provide a holistic overview.

Rajesh Chebiam

Vice President - Acquisitions, Investor Management and Corporate Communication



Creative

- **Apply creativity to work better, faster and safely**
- **Engage with science and technology creatively to solve problems and explore new possibilities**

To take a project to plant, we explore all possible ways of process design and come up with best process to achieve the targeted yield and quality of product. While designing API process, we develop better, faster and safer technology with our creative ideas. Complex products like glatiramer, lanthanum carbonate, lenalidomide, and trabectedin were developed by this approach.

Dr. M. Pulla Reddy,

Executive Vice President-R&D



Collaborative

- **Share goals and offer mutual support**
- **Build trust in relationships**

NATCO has successfully developed and launched complex drug delivery product – Liposomal Doxorubicin Injection in the US market, in collaboration with Dr. Reddy's Laboratories. Teams from both the companies, worked on the product development and approval process for more than 5 years. The product will be launched in other markets across the world in the next 2 years. This successful collaboration for a product targeted for global reach, is a testimony of our ability to work on shared goals and build long lasting relationships based on trust.

Subba Rao Mente

Vice President – Global Generics



Quality

- **Be responsible and excel through quality**
- **Demonstrate consistency in delivering quality in all that we do**

Every time NATCO launches a new product, we ensure that a quality product reaches the end customer. Consistency has been the hallmark of the way our business runs and every unit of product that the company manufactures, meets stringent quality standards.

Dr B R Reddy,

Director – FDF

Nurturing an Empowering Culture in the Workplace



National Safety Day celebration



Independence Day celebrations at Nagarjuna Sagar Plant



New Year celebrations at Corporate Office



New Year celebrations at Corporate Office

Responsible Employee Engagement

Empowering Culture



Why is this a priority topic?

Empowerment unleashes discretionary energy of our employees towards the mission of the organization. It makes us confident of effective stakeholder communication, timely decisions and ongoing commitment to make a difference.

Leaders play a vital role in shaping the culture in the organization. In our practice, leadership comprises of critical behaviors which enable employees to focus, learn, perform and grow effectively.

Many of our senior leaders have been with the company for over 15 years now. We fill key leadership positions with home grown leaders who have been mentored and given higher responsibilities as a way of growing our leadership strength which is

deep rooted in NATCO's values and culture. Thus, our leaders have deep knowledge of the culture and leverage it for organizational improvements and in shaping mindsets and talent. They show consistency in their vision and support for quality, environment and safety, all of which are critical success factors for sustainable growth.

We strive to create the right conditions for our people so that they can deliver their best

always and be motivated to contribute to organizational success. We nurture a culture of empowerment by leveraging goal setting, performance conversation and learning & development. In 2018-19, we had all of our employees, middle management and above, go through the performance review process, of which 42% went through the annual goal setting process as well. By 2019-20 we plan to introduce goal setting process to include employees at supervisory level.

Learning & Development

We believe training is one of the key factors in equipping our people to contribute sustainably. We follow a process of training needs analysis based on which the annual training calendar is prepared. The three domains across which we consistently deliver training for all employee groups are:



● Quality & Compliance



● Safety



● Behavioral

In addition, our leaders engage in shop floor conversations, enabling employees to take accountability, learn problem solving and open-up transparently about matters that contribute to performance.

Average hours of training *

37

Workmen

34

Supervisors

34

Middle management (Executive to Deputy Managers)

30

Managers & above

* Specific to manufacturing locations and R&D Centers



Topics covered under each Domain

Domain	Topics
 Quality & Compliance	Current Good manufacturing process, Good Laboratory practices, Good Documentation practices
 Safety	Behavior Based Safety training, EHS Competency development program for line managers, Fire safety, First Aid, Working in Confined spaces, Working at heights, Safe handling of LPG, Electrical safety, Emergency Response, Static Electricity, Safe handling of powders, Laboratory safety
 Behavioral	Business Communication, Technical Writing & Conflict Management, Leadership development



Field Force Training

The vision of learning in our sales and marketing division is “Make learning as an essential part of Field force culture that will help to drive our success”. With this mantra, we are rigorously pursuing interventions that go beyond just classroom training. Our field force training has a combination of classroom training, field coaching, self-study learning journeys and refresher training. The field force training comprises selling skills, brand and product training. In 2018-19, the field force underwent 350hrs, 180hrs and 208hrs of brand and skills training in Oncology, Cardiology & Diabetology, and Pharma Specialties respectively.

The frontline managers are important players in transferring training into the workplace. As people managers, they themselves go through a leadership development program to learn to transfer their subject matter expertise with a coaching approach for the field force to continuously sharpen their selling skills. The leadership development program comprises of training in leadership styles, transition to leadership, planning and prioritizing. Each people manager gets coached for 10 hours every year to enable them to influence the field force in positive ways. They also train as coaches and follow a structured process to develop the field force through monthly touch point of Field Coaching Feedback (FCF).



Maintaining Effective Working Relationships

NATConnect is our in-house intranet started in 2016 and functions as a platform for internal communication for employees. One of the primary aspects of this platform is that it creates a channel for efficient internal communication to establish working relationships wherein employees are well-informed about key activities of the organization across departments and geographical locations.

The purpose of this platform is multi-fold – from industry related news and updates, picture and video galleries, articles published on the company by media, a fun poll to engage employees to messages by the Chairman and the CEO on special occasions. What accentuates its usage further is the availability of user friendly employee applications and policies, making it a singular stop for all company information. It also engages employees actively by listing out birthdays and work anniversaries apart from capturing all the news about NATCO, both internally and externally.

At Natco, in some of the key manufacturing facilities our employees are affiliated with trade unions. As of March 31st, 2019, around 33% of Natco's employees are linked with unions, including association of almost 30 years in a certain facility.

The relationship between the management and the trade union is based on constructive engagement wherein open discussions are encouraged to address terms and conditions of their employment. We take pride in the way we have maintained a conducive relationship with the trade unions and seek to continue with the same emphasis in future.

The screenshot displays the NATCO Connect intranet interface. At the top, the logo 'NATCOconnect' is visible on the left, and a row of icons for 'Employee Applications', 'Magazine', 'Classifieds Module', 'Photo Gallery', 'Video Gallery', 'Press Clippings', 'Contact Directory', and 'New' is on the right. Below the navigation bar, there are tabs for 'Home', 'Departments', 'Admin', 'IT Declaration', and 'Compliance Monitor'. A search bar is positioned on the right side of the navigation bar. The main content area is divided into three columns. The left column features a large image of three men in a meeting, with a caption that reads 'NATCO Connect: It's a... NATCO Pharma Ltd. Chairman, Dr. Sangeeta, Dr. Prasad, President, Board of Directors'. The middle column, titled 'Industry News & Events', contains two article snippets: 'Encourage Healthy...' with a 'WELFARE 21' tag and 'Active Pharmaceutical...' with a 'SARAJUK 17' tag. The right column, titled 'Leadership Speak', features a quote from Dr. Sangeeta, President - Technical Affairs, about wishing all employees a very happy and prosperous life.

Occupational Health & Safety

Occupational health & safety is of prime importance to us. Our leaders, managers and supervisors regard safety as a shared responsibility and not just the responsibility of the safety team. It is our belief that all employees are responsible for creating a safe workplace and healthy environment to ensure everyone at NATCO returns home safely.

We seek to nurture a work culture that encourages our employees to identify, report and address potential hazards at the workplace. Awareness programs and initiatives that propagate preventive and precautionary attitude among the employees is emphasized. For example: Leadership safety rounds, near miss reporting program, and contractor safety committee meetings contribute to prevention of incidents along with encouraging proactive involvement of people from different groups.

API Facility, Mekaguda OHMS Management Programs

As part of OHSAS 18001 in Mekaguda unit, we are focused on implementing hazard controls defined by cross functional approach. Between 2016-18, we have completed five management programs and four are ongoing. Following the hierarchy of hazard control, our management programs rely on engineering controls which offer higher reliability in creating a safe workplace. The examples of management programs using engineering controls indicate our focus areas of interlocking, prevention of exposure and alarm systems to name a few.

Management Program: Description of the control measure	Status of Implementation
PLC based auto dispensing system for solvent & acid	<i>Installation completed. And commissioning in progress</i>
Alarm system for low pressure of nitrogen in reactor, centrifuge and charge tank	<i>Completed</i>
Arrangement of interlocks to all material lifting hoists	<i>Ongoing</i>
Provision of blanketing in centrifuge	<i>Completed</i>

Zero Accidents

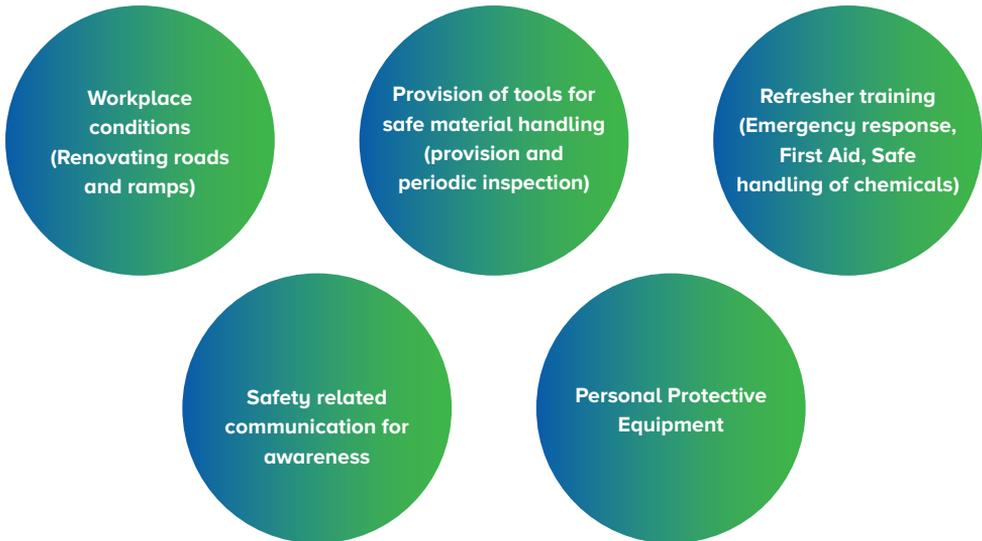
Aiming for zero accidents promotes a culture of prevention - a culture where people work towards eliminating or addressing root causes of accidents. In line with this aim, our manufacturing facilities are supported with adequate budget towards EHS initiatives which help in addressing root causes.

Structured Leadership safety rounds are key to our operations and regular safety interactions happen with teams thereby translating our commitment to safety in our workplaces. Shop floor employees participate in safety through safety walkthrough, observation and feedback process. We are increasingly encouraging the involvement of

line functions in safety through implementation of Behavior Based Safety. The program introduces practice of safe behaviors at all levels- contract workers, operators, supervisors and managers. It has improved reporting of unsafe conditions and near miss which we promptly take forward through the investigation and corrective and preventive actions process. We have completed implementation of 85% of corrective and preventive actions derived from near miss and incident investigation process.

The participation of workers and supervisors in the safety committee has yielded positive results in terms of safety improvements. The safety committee in the manufacturing location has 50% representation from employee group and 50% representation from workers associated with the trade union. The members have a tenure of two years in the committee and meet once in a quarter. They play an active role in carrying out safety inspection and offering new ideas for safety improvements.

Key Themes based on Safety Committee Recommendations taken up for Implementation



Labour and Management Relations, Nondiscrimination

In line with our core value of respect, we engage with our employees with empathy and provide a simple, decent place to work. We operate in compliance with the requirements of labour laws and regulations. We have a policy against using child labor and forced labour in our operations. We respect the right to collective bargaining and freedom of association. Our Management team implements active and open communication with trade union representatives. We also have a policy to provide equal opportunities at the time of recruitment as well as during employment.

Employee Benefits

We have always felt responsible towards providing basic amenities to our employees. While many provisions could be statutory, we do not do it as a check-box activity. We are committed to build trust and sustainable engagement. The key focus areas are:



Occupational health centre



Access to healthy and hygienic food in the canteen



Safe drinking water



Medical insurance



Transport facilities



Staff quarters available for employees in major manufacturing locations



NATCO school



Support for healthcare through referrals

We consider employee benefits to motivate and to engage our people in securing their future. There are many elements to our employee benefits program. The company offers medical insurance to all employees along with the option to access financial assistance for treatment of critical illness and treatment expenses beyond insurance coverage which is at the discretion of the Management. The company also offers life insurance with the Group Life Term Policy. In the case of death of a workman during his service in the company, all workmen of the respective unit contribute one day's salary and the company contributes double the amount collected as matching grant. During retirement, we offer transition assistance in addition to regular benefits which enables the employee to be financially stable.

To promote ownership, NATCO has taken the initiative to allot shares to all employees

based on an internal criterion which has an inclusive approach. From January 2019, we have commenced Long service recognition process for our employees with a certificate and reward for completing 10 years, 20 years and 30 years of engagement with the company.

Additionally, we offer educational support to employees' children through different programs ranging from financial assistance for primary and secondary education to subsidized education in NATCO high school. The financial assistance is in part or full based on need and is also customized as required. In addition, we assist employees' children for higher secondary education, undergraduate degree and professional courses. We also offer predefined financial assistance for each level of graduation and are flexible in extending support keeping in mind the student's merit.



Responsible Societal Actions

NATCO Trust established in 1995, undertakes systemic and scalable steps to work with communities in the neighbourhood of our manufacturing facilities and to support social causes that matter. The Trust has been touching lives of 100,000 people, of which 14,000 are children, 5000+ are women and 50,000 patients across many states in India.

Bala Vikasa Kendram for children from indigenous community

NATCO Bala Vikasa Kendram caters to children from local indigenous community. This is a step towards enrolling and supporting children to continue with primary schooling. The school utilizes the multi-grade, multi-level teaching methodology and encourages early learners by making learning interesting.

Our Mission

Our mission at NATCO Trust is “To provide such support and service to the society which would have long standing impact on improving the lives of the individuals benefitting thereof.” With this background, we set about creating engagements with the community with the spirit of co-existence and mutuality where we are a responsible member of the larger system. Our efforts are based on engaging directly with the community extensively. It is important for us to incorporate feedback from the stakeholders and redefine and prioritize systemic solutions that are relevant and impactful.

Our work with communities began by supporting the local indigenous community around one of our manufacturing locations with focus on education, health; hygiene, water and sanitation, nutrition and livelihoods. The access to the initiatives to the community commenced by establishing a school. It started with 77 students and 10 staff members, and now has grown to 1,462 students and 106 staff members with year on year 100% pass results in grade X.

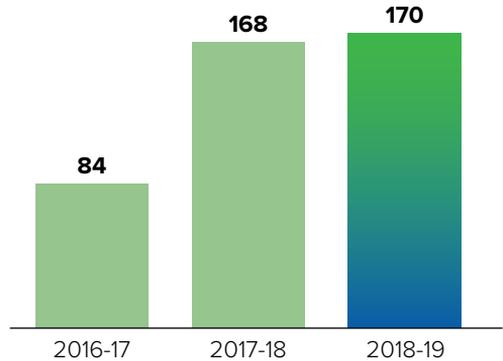
In this report, we highlight specific actions that are creating systemic change and hold the potential for scaling-up.



Our Focus Areas

NATCO Trust operates three initiatives: Education, Health & Livelihoods. Under Education, the Trust supports two layers of intervention – NATCO nurtured institutions and the support provided to Government schools. Our healthcare projects cover a wide range of areas such as building safe water centers, patient counselling, mobile health centers, nutrition centers, patient waiting halls and hospital wards. As part of our continued work in the livelihood area we help people from the local community gain valuable skills, which in turn enables them to find employment or be self-employed.

CSR & Donations (₹ million)



Systemic approaches embedded in our engagement with the community

Responsible Societal Actions

Proactive engagement with the community



Why is this a priority topic?

It is important to play an active role in communities as we share common resources. When we show mutual respect and concern, our support to communities for their development also benefits the company’s own operations.

We have a simple strategy of finding a systemic solution, handholding and being consistent in our support.

Education

Our educational initiatives are child centric with programs designed for specific age groups. The overall goal is to ensure the child comes to school, continues schooling and completes his/her education and does not drop out.



Sports for Development

MAKING LEARNING INTERESTING



Vidya Volunteers

ACADEMIC SUPPORT DURING SCHOOL HOURS



After School Tutorials

ACADEMIC SUPPORT AFTER SCHOOL HOURS

What makes our work sustainable?

The systemic approaches that we are promoting are focused on making learning interesting along with the provision of relevant support for the children to meet academic performance requirements. This in turn ensures children continue in school.

- **Sports for Development:** The planned intervention is to bring about a positive change among children and parents in terms of attitude and behavior related to education, health and gender. Using sports to motivate children to pursue schooling is an important systemic action.
- Our support enables appointment of vidya volunteers and after school teaching mentors. As government schools are short-staffed and the parents of these children cannot teach them after school, our effort is to retain the children in school and offer additional teaching support during school and after school hours.
- **Number of children benefited from this program:** Over 14,000 across 14 schools.

NATCO Government High School in Borabanda slum in Hyderabad

Considered as a “model school” by the District Collector, Hyderabad, NATCO Government high school is a holistic project for us. We are engaged in improving infrastructure, supporting health, enhancing education support through various means such as provision of Vidya Volunteers, running children’s club, coaching support for higher studies and training children in art, craft and reading activities.



Health

We promote good health and well-being by providing nutritional support, safe & clean drinking water and timely access to medical support.



What makes our work sustainable?

The systemic approaches that we are promoting are focused on prevention, early diagnosis, access to treatment & medicines.

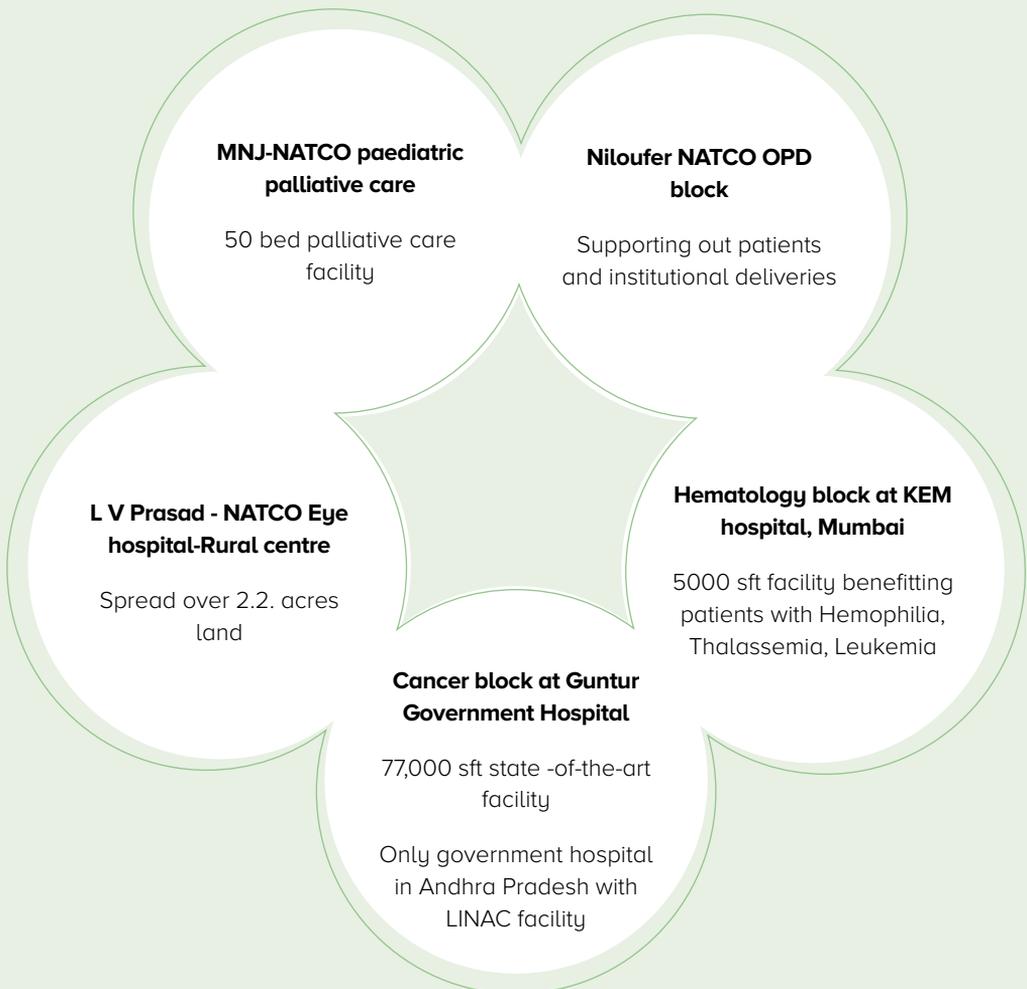
- Implementing nutritional support program for pregnant and lactating women in nutritional centres. The program ensures that pregnant and lactating women get supplementary nutrition along with health awareness and immunization support for their children. We reached out to 500+ mothers in the nutritional centres and 300+ families through the kitchen gardens program.
- Providing Reverse Osmosis based water treatment facilities. 10+ reverse osmosis treatment plants currently supply safe and clean water every day to over 30,000 people, including 2000+ children.
- Anganwadi is a rural childcare centre to address the issue of child hunger and malnutrition. We are managing

and operating 30 anganwadis in a child friendly manner. We support government anganwadis for children in the age group of 0-6 years, laying the foundation for physical and social development of the child.

One of the anganwadis is constructed by using bricks made from a technology developed by National Institute of Rural Development. These bricks offer better temperature regulation in the anganwadi premises, making the physical space compatible for children. Likewise, we are creating kitchen gardens for ready access to nutritious and safe vegetables. We are learning from this pilot effort with the aim of extending it to future anganwadis that we would be supporting.

- We have placed patient counselors in 7 Hospitals in Hyderabad who guide and counsel rural patients and help them avail healthcare services. The counsellors reach out to patients daily and their services has helped people gain support for early diagnosis and timely medical treatment.
- Two mobile clinics offer door-step access to primary healthcare facilities. We have reached out to over 28,000 people in 2018-19, to support them in adopting good health practices.
- One digital primary health centre (stand-alone satellite clinic) was launched in 2017 with all basic investigation facilities benefitting people in 70+ villages. In 2018-19, the centre extended services to 20,000+ people from 70+ surrounding villages as well.

Supporting hospitals create much needed infrastructure to cater to patients



Livelihoods

Our recent foray into vocational training has emphasis on women empowerment and employability. In livelihood initiative, we are also supporting farmers by introducing approaches which conserve the soil and at the same time help them produce sustainably.



What makes our work sustainable?

The systemic approaches of empowerment of women and environmental conservation create long-term value for families and for the environment.

Vocational Training

EMPOWERMENT

Agricultural support

CONSERVATION

- We are creating model projects to demonstrate organic cultivation. Over 69 Acres land is dedicated to demonstrating organic cultivation. The pilot project supports 69 farmers with buy back facility of the produce.
- Established 100 nutrition gardens by transforming open spaces in the villages.
- Supporting propagation and development of six indigenous paddy varieties.
- Over 5000 unemployed, especially women, have been trained under various trades. Vocational training is provided in the areas of pre-primary teacher training, cell phone repair, garment stitching, beauty parlour management, driving, and computer education.

Sustainability Performance

Disclosures as per GRI	UNIT	2016-17	2017-18	2018-19
ECONOMIC PERFORMANCE ¹				
Revenue	₹ Million	20789	22424	22247
Operating cost	₹ Million	11844	9974	10078
Employee compensation	₹ Million	2432	3256	3559
Payments to provider of capital (Interest)	₹ Million	185	154	193
Payments to Govt. (Tax)	₹ Million	1395	1920	1823
Community investments	₹ Million	84	168	170
Economic Value retained (PAT)	₹ Million	4849	6952	6424
Payments to provider of capital (Dividend)	₹ Million	1176	1509	919
Payments to Govt. (Dividend Tax)	₹ Million	240	308	189
Financial assistance received from Govt.	₹ Million	449	308	314
ENVIRONMENTAL PERFORMANCE ** ²				
Materials				
Raw materials used in API ³	Tonnes	1581	1098	1358
Raw materials used in FDF ⁴	Tonnes	237	200	208
Energy				
Total fuel consumption from non-renewable sources	GJ	249703	273135	299002
Total fuel consumption from renewable sources	GJ	2899	35564	53225
GHG emissions ⁵				
Direct (Scope 1) emissions	CO ₂	6516	7865	9857
Water				
Total water withdrawal	KL	111976	110393	163390
Wastewater				
Total volume of planned discharges	KL	65150	64526	66935

1 Economic performance data covers all geographies and contains consolidated figures

2 Environment data - comprises 8 manufacturing facilities; 2 Active Pharmaceutical Ingredient facilities and 6 Finished dosage formulations facilities

3 All raw materials consumed for API manufacturing are being considered

4 All the APIs and excipients consumed for formulations are being considered

5 Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 were used to calculate GHG emissions from stationary combustion sources. Emission factors for purchased electricity are calculated as per Central Electricity Authority's CO₂ Baseline Database for the Indian Power Sector, User Guide

Disclosures as per GRI	UNIT	2016-17	2017-18	2018-19
Waste				
Hazardous waste				
Recovery ⁶	Tonnes	107	39	91
Landfill	Tonnes	1717	1956	1438
Incineration	Tonnes	186	706	50
Recycle ⁷	Tonnes	293	645	583
Non-Hazardous waste				
Composting ⁸	Tonnes	0	0	72
Transport of Hazardous waste	Tonnes	2303	2426	2162
EMPLOYEE DATA** 9				
Total workforce-gender wise				
Male	%	88	88	89
Female	%	12	12	11
Total workforce - age wise				
< 30	%	43	40	36
30-50	%	52	55	59
>50	%	5	5	5
Total workforce - employee type				
Managerial	%	21	24	25
Supervisory	%	39	38	37
Workmen	%	18	19	19
Contractual members-Casuals	%	22	19	19
New employee hire - gender wise				
Male	%	25	15	12
Female	%	2	2	1

6 Gypsum and Spent catalyst - The recovered gypsum is upcycled and sent to cement industry for consumption. Spent catalyst sent back to manufacturer for recovery.

7 Organic residues/spent mixed solvents/ Spent Carbon/Waste oil/e-waste, etc - Liquid and solid organic wastes sent to cement plants for co-processing. E-wastes sent to authorized collection centres for recycling. Waste oils sent to authorized re-processors/ recyclers

8 The non-process organic waste is converted into compostable material and used onsite for gardening. The organic waste converter was installed and operational in 2018-2019. The data is applicable to our API Mekaguda facility and Finished dosage formulations facilities at Kothur and Nagarjuna Sagar

9 Employee data covers India operations

Disclosures as per GRI	UNIT	2016-17	2017-18	2018-19
New employee hire - age wise				
< 30	%	17	10	8
30-50	%	10	6	5
>50		1	1	1
Employee turnover rate %	%	7	7	11
Individuals within the organization's governance bodies				
Gender				
Male		11	9	9
Female		1	1	1
Individuals within the organization's governance bodies				
< 30				
30-50		2	2	2
>50		10	8	8
SAFETY PERFORMANCE **				
For all employees & contractors¹⁰				
Number of fatalities		0	0	0
Rate of fatalities		0	0	0
Rate of recordable work related injuries		0	0	0
Reportable Incidents -Employees & Contractors (Fatalities/LTI ¹¹ /Dangerous occurrences)		0	0	0
RWC ¹² /LWC ¹³		0	0	0
MTC ¹⁴		9	4	7
First Aid Cases		187	133	74

10 The safety performance data is reported combined for the employees and contractors as individual data is not available and shall be reported as per GRI 403 individually henceforth

11 LTI-Lost Time Incident- Any incident which results in the death of any person, or results in such bodily injury to any person as likely to cause his death, or bodily injury and the person does not resume duty for a period of 48 hrs or more immediately following the incident, or any dangerous occurrence.

12 RWC - Restricted Work Day Case - Post incident, the injured person(s) unable to perform the full range of normally assigned duties and reassigned to other duties.

13 LWC - Lost Work day Case-Post incident, the injuries are sufficiently severe to require the injured person to miss at least one full day of work, not including the day of injury occurred. The injured person returns to normal work within 48hrs of date of incident.

14 MTC - Medical Treatment Case - Post incident the person(s) injury is sufficiently severe requiring medical care beyond first aid. Requiring treatment and/ or prescription medication by medical professional but does not prevent the injured person from performing his or her normal function.

All data as of 31st March for the respective financial year

** All data (excluding audited Economic performance data) are as per Company management

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Glossary

AHU	Air Handling Unit
AIIMS	All India Institute of Medical Sciences
ANDAs	Abbreviated New Drug Applications
ANDs	Abbreviated New Drug Submissions
ANVISA	Agência Nacional de Vigilância Sanitária
API	Active Pharmaceutical Ingredient
AP	Andhra Pradesh
ARC	Accelerating Rate Calorimeter (Adiabatic Calorimeter)
BRR	Business Responsibility Report
CnD	Cardiology and Diabetology
CDSCO	Central Drugs Standard Control Organization
CDA	Charge Decay Time Analyzer
CEO	Chief Executive Officer
CFL	Compact Fluorescent Lamp
COFEPRIS	Comisión Federal para la Protección contra Riesgos Sanitarios
cGMP	current Good Manufacturing Practices
CME	Continuous Medical Education
CNS	Central Nervous System
CII	Confederation of Indian Industry
CII SR	Confederation of Indian Industry Southern Region
CSR	Corporate Social Responsibility
CHETAH	Chemical Thermodynamic and Energy Release Evaluation
DCA	Drugs Control Administration
DSC	Differential Scanning Calorimeter
EDQM	European Directorate for the Quality of Medicines
EHS	Environment Health Safety
EIR	Established Inspection Reports
ESG	Environmental, Social and Governance
ETP	Effluent Treatment Plant
EU	European Union
FICCI	Federation of Indian Chambers of Commerce and Industry
FST	Friction Sensitivity Test (BAM Friction test apparatus)
GMP	Good Manufacturing Practices

HCV	Hepatitis C Virus
HVAC	Heating Ventilation and Air-conditioning unit
IST	Impact Sensitivity test (BAM Fall hammer apparatus)
IQ	Installation Qualification
LED	Light Emitting Diode
LIT	Layer Ignition Temperature
LPG	Liquefied Petroleum Gas
MHRA	Medicines and Healthcare products Regulatory Agency
MEE	Multiple Effect Evaporator
MIE	Minimum Ignition Energy
MIT	Minimum Ignition Temperature
MOH	Ministry of Health
MS	Multiple Sclerosis
MSSI	Multiple Sclerosis Society of India
MW	Mega Watt
NGOs	Non Governmental Organizations
NRC	NATCO Research Centre
NSC	National Safety Council
OSHA	Occupational Health Safety Administration
OHSAS	Occupational Health & Safety Assessment Series
OQ	Operational Qualification
PMDA	Pharmaceuticals and Medical Devices Agency
PCB	Pollution Control Board
PHARMEXCIL	Pharmaceutical Export Promotion Council
PHITEC II	Adiabatic Calorimeter for vent sizing and accurate thermal runaway testing
QA	Quality Assurance
R&D	Research & Development
RC1e	Reaction Calorimeter
RO	Reverse Osmosis
ROW	Rest Of World
RRMS	Relapsing-Remitting Multiple Sclerosis
RSD	Rapid Screening Device
SOF	Sofosbuvir
SDG	Sustainable Development Goals
SEBI	Securities Exchange Board of India

SEZ	Special Economic Zone
SOPs	Standard Operating Procedures
TPD	Tons Per day
UK	United Kingdom
US	United States
USDMFs	United State Drug Master Files
USFDA	United States Food and Drug Administration
VFD	Variable frequency Drive
WHO	World Health Organization
MSF	Médecins Sans Frontières



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