

Business Responsibility Report

Section – A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company	L24230TG1981PLC003201
2. Name of the Company	NATCO Pharma Limited
3. Registered Address	NATCO House Road # 2, Banjara Hills, Hyderabad - 500034, Telangana, India
4. Website	www.natcopharma.co.in
5. E-mail id	investors@natcopharma.co.in
Financial Year Reported	1 st April, 2019 to 31 st March, 2020
6. Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 210 Description: Pharmaceuticals Description: Pharmaceuticals
7. List three key products/services that the Company manufactures/provides (as in balance sheet)	Description: Pharmaceuticals Imatinib, Oseltamivir, Liposomal doxorubicin
8. Total number of locations, where business activity is undertaken by the Company	Our business activity spreads over 40 countries through either sales or alliances. Our major products include Finished Dosage Formulations (FDF) and Active Pharmaceutical Ingredients (API). Number of locations in India (National) - eight manufacturing units, two R&D centres in addition to several distribution/ warehouse locations across India. International locations - The Company has 6 subsidiaries and one Step-down subsidiary
9. Markets served by the Company – Local/ State/ National/ International	The Company sells its products in India, USA, Europe and several other emerging countries, totalling over 40 countries.

Section – B: Financial Details of the Company

1. Paid-up Capital (INR)	₹ million (As on 31 st March, 2020).
2. Total Turnover (INR)	Gross turnover of ₹ 20,224 million on a consolidated basis (As on 31 st March 2020).
3. Total profit after Taxes (INR)	₹ 4,581 million on a consolidated basis (As on 31 st March 2020).
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total percentage on CSR as a percentage of Profit after Tax of FY 2018-2019 is 1.74% on standalone basis. The Company spent over 2% of its average Profit before Tax of preceding 3 financial years. Additionally, the Company also made donations for CSR activities.
5. List of activities in which the above expenditure has been incurred	The Company has undertaken several CSR Projects / Programmes during FY 2019-20: majority of the focus being in Education and Healthcare sectors. The detailed list of activities where the CSR expenditure was incurred is included in the Board's Report which forms a part of this Annual Report.

Section – C: Other Details

1. Does the Company have any Subsidiary Company/ Companies?
Yes, the Company has six subsidiaries and one step-down subsidiary, all are located overseas.
2. Does the Subsidiary Company/ Companies participate in the Business Responsibility (BR) initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s):
The parent company undertakes majority of the BR initiatives.
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30%-60%, More than 60%]:
Entities like suppliers, distributors did not participate in the Company's BR initiatives in the reporting period.

Section – C: Other Details

1. Details of Director/Directors responsible for BR

(a) Details of the Director responsible for the implementation of BR policy/policies

- DIN Number: 00183872
- Name: Mr. Rajeev Nannapaneni
- Designation: Vice-Chairman and Chief Executive Officer

(b) Details of the BR Head

Sr. No.	Particulars	Details	
1	DIN Number (if applicable)	07011140	-
2	Name	Mr. P. S. R. K. Prasad	Mr. Rajesh Chebiyam
3	Designation Director	Director and Executive VP, Corporate Engineering Services	VP-Acquisitions, Institutional Investor Management and Corporate Communications
4	Telephone number	+91 8542 226611	+91 40 23547532
5	E-mail ID	psrk@natcopharma.co.in	rajesh.chebiyam@natcopharma.co.in

2. Disclosures on the nine principles as charted by the Ministry of Corporate Affairs in the "National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business".

<p>01 Principle</p> <p>Ethics, Transparency & Accountability Businesses should conduct and govern themselves with Ethics, Transparency and Accountability</p>	<p>02 Principle</p> <p>Product Life Cycle Sustainability Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle</p>	<p>03 Principle</p> <p>Employee Well-Being Businesses should promote the well-being of all employees</p>
<p>04 Principle</p> <p>Stakeholder Management Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised</p>	<p>05 Principle</p> <p>Human Rights Businesses should respect and promote human rights</p>	<p>06 Principle</p> <p>Environment Businesses should respect, protect and make efforts to restore the environment</p>
<p>07 Principle</p> <p>Policy Advocacy Businesses, when engaged in influencing public regulatory policy, should do so in a responsible manner</p>	<p>08 Principle</p> <p>Equitable Development Businesses should support inclusive growth and equitable development</p>	<p>09 Principle</p> <p>Customer Value Businesses should engage with and provide value to their customers and consumers in a responsible manner</p>

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Table: Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for...	Y	Y	Y	Y	Y	Y	NA	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	The Company is abiding by the various laws while framing the policies, the best practices are taken into account. (P7 Not applicable)								
4.	Has the policy being approved by the Board? If yes, has it being signed by the MD/Owner/CEO/ appropriate Board Director?	The policies have been approved by the CEO (P7 not applicable) Y								
5.	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	NA	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	Policies are available on the website of the Company www. natcopharma.co.in and the policies which are internal to the Company are available on the Intranet of the Company. (P7 not applicable)								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	NA	Y	Y

2(a) If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

NA

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committees of the Board or CEO to assess the BR performance of the Company.

Half yearly

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

The Company's Annual Report includes a Business Responsibility Report which is available on the website. This year we have come out with our first sustainability report. The copy of the same will be available on the website of the Company at www.natcopharma.co.in

Principle 1 Ethics, Transparency and Accountability

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**
Yes. The Company firmly believes and adheres to transparent, fair and ethical governance practices to foster professionalism, honesty, integrity and ethical behavior. The company extends the policy with respect to ethics, bribery and corruption to the Subsidiaries, Associates.
2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**
The company encourages all its stakeholders to freely share their concerns and grievances. The Company has received 10 complaints from various stakeholders during the FY 2019-20, which were 100% promptly resolved.

Principle 2 Products Life Cycle Sustainability

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**
 1. Doxorubicin Liposomal Injection
 2. Lanthanum Carbonate Tablets
 3. Letrozole Tablets

For all the above mentioned products, NATCO has done continuous improvement programs which has resulted in yield improvement without compromising on compliance requirements.

For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product (optional):

- (i) Reduction during sourcing/production/distribution achieved since the previous throughout the value chain?
- (ii) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The company strives to improve its energy and water footprints by reducing the power and fuel consumption

1. At formulation units, increased the batch size of Lanthanum carbonate tablets and Letrozole tablets in existing equipment for enhancing productivity, reducing analysis and frequency of change over. Thereby utilities consumption per unit reduced.
 2. Automised filter cleaning machine installed, which reduced water consumption for filter cleaning.
 3. Improved the yield and reduced consumption of primary packaging materials of Doxorubicin liposomal injection, which reduced the consumption of utilities per unit.
 4. New water cooled chiller, air compressor and APFC panel installed at one of the formulation unit and resulting in reduction in power consumption.
2. **Does the Company have procedures in place for sustainable sourcing (including transportation)?**
Sustainable sourcing, production and distribution practices are followed ensuring quality and safety of raw materials and packaging materials procured from suppliers as well as of products manufactured, stored and distributed throughout the value chain. The Company has in place a robust vendor selection and vendor evaluation mechanism and promotes local suppliers, where adequate. The Company lays emphasis on safe transportation, optimisation of logistics, lowering of transportation costs, and reduction of vehicular air emission.

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3. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company consciously endeavours to source its procurement of goods and services from medium and small vendors from local areas where feasible and if it meets the quality standards of the Company. For example, Local vendors were developed and vendor qualification activities are initiated for development of suitable cost effective materials of primary, secondary and tertiary packing material.

4. Does the Company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycling the products and waste (separately as 10%). Also, provide details thereof, in about 50 words or so.

The company is committed to recycle wastes - both process and non-process. The initiatives around recycling are:

1. At API units, the waste water is treated in an elaborate treatment system, including the Reverse Osmosis (RO) system and the permeate is reused. This resulted in less requirement of fresh water consumption
2. Made arrangements for recycling of dry waste such as shippers, cartons, bottles with M/s ITC Limited and sent 18585 kgs and return got bundles of A4 paper used for photocopying, resulting in reduced consumption of fresh paper at NRC Unit
3. Installed solar dish heating system to Boiler Feed water, resulting reduced fuel consumption at Sagar Unit

In the pharmaceutical business, it is not recommended to recycle products and therefore, we responsibly destroy products that do not meet quality requirements.

Principle 3 Employee Well-Being

1. Please indicate the total number of employees.

The total number of employees is 5069 as on 31st March, 2020.

2. Please indicate the total number of employees hired on temporary/contractual/casual basis.

The total number of employees hired on temporary/ contractual/casual basis is 429 as on 31st March, 2020.

3. Please indicate the number of permanent women employees.

The total number of permanent women employees is 551 as on 31st March, 2020.

4. Please indicate the number of permanent employees with disabilities.

The total number of permanent employees with disabilities is 5 as on 31st March, 2020.

5. Do you have an employee association that is recognised by management?

Yes. The Company does have employee associations at certain manufacturing locations, which encourage the employees to participate freely in constructive dialogue with the management. Moreover, workers' wages are decided through Collective Bargaining System.

6. What percentage of your permanent employees are members of this recognised employee association?

33% of permanent employees at our manufacturing locations are members of employee associations.

7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.

The Company does not employ any child labor. No case of sexual harassment at work place was reported during the year 2019-20 and we have an Internal Complaints Committee at all our locations under SHWW Act, 2013.

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

We continue to devote resources and efforts to continuously upgrade the skills of employees and they are given regular safety training. All Employees including casuals working in manufacturing facilities are given regular safety training, conflict management and Learning Development programs.

Principle 4 Stakeholder Management

1. **Has the Company mapped its internal and external stakeholders? Yes/No.**
Yes, we recognise stakeholders relevant to the Company's operations.
2. **Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?**
Yes.
3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**
Various initiatives have been taken by the Company to engage with marginalised stakeholders at locations in and around its operations in the areas of: Community Health Care, Sanitation and Hygiene, Education and Knowledge Enhancement. For details of projects undertaken during the FY 2019-20, please refer the 'Annual Report on CSR Activities' titled "Strengthening our community connect"

Principle 5 Human Rights

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**
The Company's policy is extended only to the Group.
2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**
No complaints were received during the year in this regard.

Principle 6 Environment

1. **Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.**
NATCO's EHS policy is applicable to all subsidiaries and manufacturing locations within the group. For suppliers and contractors, we include EHS requirements as part of the contract and service agreement. We also ensure that contractor staff deployed on our premises are part of safety training and safety pep talks. While sourcing critical raw materials, we select suppliers keeping in perspective their environmental compliance.
2. **Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**
The company is proactive in addressing greenhouse gas emissions. We have installed solar energy facility in 3 of our manufacturing facilities with a total capacity of 5.20MW and have also invested in a 4.2 MW wind energy facility in Tamilanadu & Andhra Pradesh
3. **Does the Company identify and assess potential environmental risks? Y/N**
We continually identify and assess potential environmental risks in our manufacturing process. We ensure that the risks are addressed through environment management programs and continual improvement initiatives. In two of our API facilities, we have instituted the Environment Management Systems which periodically have a mechanism to identify and address environmental risks
4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**
Yes. We have invested in renewable energy capacities in the past few years. Currently two of the API facilities and three of the Formulation facilities have renewable energy plants (solar/ wind). A solar roof top facility was commissioned at a formulations facility in the current year. However, we have not applied these project as per CDM.

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5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The following are efforts taken towards renewable energy:

1. 3.25MW solar power plant at our API ~~Mekaguda facility~~
2. 1.15 MW solar power plant at our ~~Formulation Nagarjuna Sagar facility~~
3. 0.80MW roof top solar power facility at our formulation's facility at Kothur
4. 2.1MW wind power plant at Tamil Nadu
5. 2.1 MW wind power plant at Anantapur, Andhra Pradesh

In addition, we have initiatives driving the message on energy conservation through all our facilities:

1. At Dehrudun facility, installed new water cooled chiller, air compressor and APFC panel towards energy saving initiatives.
 2. At Sagar facility the 11 KV line was upgraded to 33 KV, resulting in the reduction of line losses
 3. LED based lighting instead of CFL based lighting.
6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?
Yes, All the emissions or waste generated by the company are within the permissible limits given by CPCB/SPCB and we have made all the mandatory submissions in this regard.
7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.
During the FY ~~2018-2019~~, the Company has not received any show cause/ legal notices from CPCB / SPCB.

Principle 7 Policy Advocacy

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:
Yes. The Company is a member of various trade/industry associations like Federation of Indian Chambers of Commerce & Industry (FICCI), Federation of Telangana Chambers of Commerce and Industry (FTCCI), Bulk Drug Manufacturers Association (India) (BDMA), Indian Pharmaceutical Alliance (IPA), Indian Drug Manufacturing Association (IDMA), Confederation of Indian Industry (CII), Pharmaceuticals Export Promotion Council of India (PHARMEXCIL), Hyderabad Management Association (HMA), etc.
2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?
Yes, we have advocated for reforms through these associations for the advancement of public good.

Principle 8 Equitable Development

1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.
Yes, the Company has identified specified programmes / projects in the pursuit of the policy related to Principle 8. For details of projects undertaken during the FY 2018-19, please refer the 'Annual Report on CSR Activities' under "Strengthening our community connect".

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organisation?

NATCO Pharma Ltd., is implementing the CSR programmes through NATCO Trust, a non-profit entity registered under Trust Act. NATCO Trust is based in Hyderabad and employs coordinators, executives, doctors, nurses, pharmacists & volunteers to implement & supervise day to day activities. The team at corporate office is involved in design & development of programmes, monitoring progress & supporting the field teams for progressive implementation of the activities

3. Have you done any impact assessment of your initiative?

Yes, the Company undertakes timely impact assessments of projects under implementation for ensuring their desired impact and continued sustenance. The impact assessment is also presented to the CSR committee.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

During the year under review the Company had contributed ₹ 116 million to various community development programmes / projects as part of its CSR initiatives. The details of projects undertaken are mentioned in the Annexure IV of the Board's Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so,

All the community development initiatives are planned based on need assessment studies done with target communities to make sure projects are successfully adopted by the community. We involve stakeholders right from identifying a project until implementation and monitoring.

Principle 9 Customer Value

1. What percentage of customer complaints / consumer cases are pending as on the end of financial year?

No significant complaints are pending as on the end of the financial year.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information).

The Company displays all the product information on the product label, which is mandatory. Besides, the Company also displays general information for patients in order to guide them with respect to usage of the certain products.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

No.

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

The marketing and sales team of the Company regularly interacts with doctors and other Healthcare professionals, usually on a quarterly basis and takes their feedback on the Company's products.