

Sun Pharmaceutical Industries Limited

# ESG Overview

FY 2022 - 23



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# About the Report

Sun Pharmaceutical Industries Limited<sup>1</sup> (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE: SUNPHARMA, BSE: 524715, “Sun Pharma”, (includes its subsidiaries and/or associate companies), headquartered in Mumbai, India presents the ESG Overview FY 2022-23.<sup>2</sup> This ESG Overview provides details of our ESG performance, summarised between April 1, 2022, to March 31, 2023.

## Scope and Reporting Boundary

This Overview provides information on our ESG performance across 38 key locations, comprising 78% of our operations. These locations include our national and international manufacturing sites and R&D facilities.

For the financial year, we have also published the Business Responsibility and Sustainability Report (BRSR), as mandated by the Securities Exchange Board of India (SEBI). The reporting boundary for BRSR is inclusive of all manufacturing and R&D locations within the boundary of the standalone entity only, i.e., Sun Pharmaceutical Industries Limited (SPIL). Due to variation in the reporting boundary in the Business Responsibility and Sustainability Report and this ESG Overview, the data/information disclosed in these two reports are not comparable.

## External Assurance

An Independent third-party assurance was provided on Sun Pharma’s Sustainability Report for FY 2022-23 by DNV Business Assurance India Private Limited (DNV) for sustainability initiatives of Sun Pharma.<sup>3</sup> Certain extracts from the Sustainability Report have been produced in this document. Our assurance provided for the Sustainability Report FY 2022-23 extends to this document to the extent that sustainability report information has been produced here.

## Feedback

We welcome inputs for improvement and to address concerns and expectations of all our stakeholders. Please share your feedback, suggestions and/or queries at [Secretarial@sunpharma.com](mailto:Secretarial@sunpharma.com):<sup>4</sup>

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<sup>1</sup>GRI 2-1

<sup>2</sup>GRI 2-3

<sup>3</sup>GRI 2-5

<sup>4</sup>GRI 2-3

# About Sun Pharma

We are a leading global specialty generic pharmaceutical company with global revenues of over USD 5.4 Billion. We supply high-quality, affordable medications trusted by healthcare professionals and patients in over 100+ countries, backed by 43 manufacturing facilities and strong R&D capabilities. We manufacture and distribute a diverse and wide range of pharmaceutical formulations for both chronic and acute therapies comprising generics, branded generics, specialty, complex, or technology-intensive drugs, over the counter (OTC) medications, antiretrovirals (ARVs), Active Pharmaceutical Ingredients (APIs), and intermediates.

We are an innovation centric pharmaceutical company that is committed to making impactful efforts towards

building a sustainable world. Our approach to business operations and long-term value creation is governed by our vision - **Reaching people and touching lives globally as a leading provider of valued medicines** - and supported by our value system. At Sun Pharma, we place strong emphasis on creating the right culture to generate positive impact through four foundational components - Humility, Integrity, Passion and Innovation - constituting our 'Sunology', or way of life.

Living up to our rich legacy as a leading pharmaceutical Company, we are committed to long term business growth and development for all our stakeholders. Our growth strategy has been strongly focused on four critical components:

Sustainable growth

Enhancing business development

Cost leadership

Balancing Profitability and Investments for the Future

Since inception, we have made focused investments in four capabilities to achieve our growth strategy and sustain successful business outcomes. These are:

Research & Development and Manufacturing

Our Workforce

Our Portfolio

Our Geographical Reach

## Geographical Reach<sup>5</sup>

43,000+

employees worldwide\*

\*this includes executives on contract

43

manufacturing facilities across six continents

100+  
markets presence



Headquarters - Mumbai

## USA

- » Ranked 10th in the US generics market as per IQVIA data
- » Presence in generics, branded, and OTC segments
- » Wide basket of 616 ANDAs and 67 NDAs filed; 519 Abbreviated New Drug Applications (ANDAs) and 54 New Drug Applications (NDAs) approved across multiple therapies
- » Sales: INR 1,35,353 Mn

<sup>5</sup>GRI 2-1

## India

- » No.1 Company in the Indian pharmaceutical market, with 8.33% market share and 32 brands in the country's top 300 pharmaceutical brands as per All India Origin Chemists & Distributors (AIOCD) data.
  - » Market leader in the chronic segment and strong positioning in the acute segment.
  - » No.1 ranking by prescriptions with 12 different classes of doctors as per SMSRC data.
  - » Sales: INR 1,36,031 Mn
- 

## Emerging markets:

- » Presence in approximately 80 countries
  - » Among the largest Indian pharmaceutical companies in Emerging Markets
  - » Focus markets: Romania, Russia, South Africa, Brazil, Mexico
  - » Sales: INR 78,977 Mn
- 

## Global consumer healthcare business:

- » Among the top 5 consumer healthcare companies in India
  - » Presence in over 25 countries
  - » Strong brand equity in four countries
- 

## Rest of the world:

- » Presence across Western Europe, Canada, Israel, Japan, and Australia & New Zealand
  - » Product portfolio includes specialty, hospital and retail products
  - » Sales: INR 60,426 Mn
- 

## API:

- » Portfolio of ~380 APIs manufactured across 14 facilities
  - » 380 DMF/CEP approvals to date
  - » 489 DMF/CEP filings to date
  - » Sales: INR 19,724 Mn
- 

## Specialty Business:

- » Focus on building a global specialty business in select therapy areas like dermatology, ophthalmology and onco-dermatology
- » Portfolio of 26 products marketed globally
- » Portfolio expansion through organic and inorganic efforts
- » Specialty R&D pipeline includes 5 molecules at different stages in clinical trials
- » Sales: Specialty business contributed ~16% of sales

# ESG Highlights FY 2022-23



## Environment

### FY 2022-23 Performance

#### Energy

- » 32% Energy sourced from renewable sources
- » 7% reduction in absolute Scope 1 and Scope 2 emissions compared to baseline year 2020

#### Water

- » 38% reduction in water intensity by FY 2022-23 from baseline year of 2020
- » 7,558 KL of rainwater harvested in FY 2022-23

#### Waste

- » 48% of hazardous waste diverted from disposal, by using recycling and other recovery options
- » 98% of non-hazardous waste diverted from disposal

### UN SDG Goals Linkage



## Social

### FY 2022-23 Performance

#### Employee wellbeing

- » Great Place To Work® Certified
- » 7,619 new hires
- » 14.94% gender diversity
- » 0 fatalities

#### Corporate Social Responsibility

- » INR 852.32 million spent on CSR activities
- » Over 1 million – Lives touched in India through CSR initiatives

### UN SDG Goals Linkage



## Governance

### FY 2022-23 Performance

#### Corporate Governance

- » 96.3% Average Board meeting attendance
- » 56% Independent board directors
- » 67% of Board Members specializing in pharmaceutical industry experience

### UN SDG Goals Linkage



# Corporate Governance

At Sun Pharma, we are committed to doing business the right way. Embedded in our value system, our corporate governance approach is characterized by Quality, Reliability, Trust, Consistency and Innovation. Maintaining the highest standards of ethical business conduct is

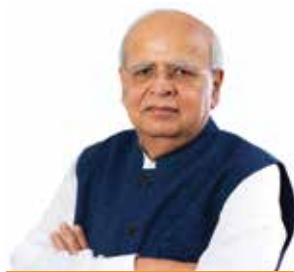
central to our efforts to create shared and long-term value for all our stakeholders. Upholding ethical business conduct entails fostering transparent and accountable communication with all stakeholders, thereby facilitating responsible and sustainable decision-making.

## Our Board of Directors

Represented through our diverse one-tier Board of Directors<sup>6</sup>, we drive a top down approach to excellence in our operations. The total strength of our Board is 9 members, of which 5 are Independent Directors and 1 Independent Director is female. All independent directors meet the criterion as set out in Companies Act 2013, and the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, as per SEBI requirements, one-third of all Board of Directors are to be independent. At Sun Pharma, 56% of our directors are independent.



**DILIP SHANGHVI**  
Managing Director



**SAILESH DESAI**  
Whole-time Director



**AALOK SHANGHVI**  
Whole-time Director



**SUDHIR VALIA**  
Non-Independent  
Non-Executive Director



**GAUTAM DOSHI**  
Independent Director



**DR. PAWAN GOENKA**  
Lead Independent Director



**RAMA BIJAPURKAR**  
Independent Director



**SANJAY ASHER**  
Independent Director



**ROLF HOFFMANN**  
Independent Director

<sup>6</sup> GRI 2-9 and 2-1

Our meetings of the Board are chaired by our Lead Independent Director.<sup>7</sup> Dr. Pawan Goenka has been appointed as the Lead Independent Director on May 30, 2022. The roles and responsibilities of the Lead Independent Director ("Lead ID") interalia include, to facilitate engagement amongst the Independent Directors and assist in coordinating the activities and decisions of other Non-Executive and/ or Independent Directors, to preside over the Board Meeting where the Chairman is not present and that the Lead ID shall be consulted for schedule, agenda etc. of the Board and the Committee meetings.

Of our total board strength, 3 independent / non-executive directors hold specific experience in the pharmaceutical industry. The average tenure of our Board of Directors is 10.22 years.

In FY 2022-23, 6 Board meetings were held with an average attendance rate of 96.3%. All directors are required to attend a minimum of 75% of meetings on a best effort basis effective from April 1, 2023. In order to enhance transparency, all Board members undertake an annual self-review of the Board's performance.<sup>8</sup> Four of our of non-executive/independent directors hold less than four mandates with other listed companies. Non-executive or Independent directors are restricted to 7 mandates as per SEBI requirements. Aligned to the requirements of the Companies Act 2013, one-third of all Non-Independent Directors retire by rotation and are re-elected every year. The independent directors are appointed for a specific period. All Board of Directors are elected individually.<sup>9</sup>

## Global Code of Conduct

Our Global Code of Conduct (GCoC)<sup>10</sup> is the central mechanism that regulates our robust corporate governance approach. As enshrined in our GCoC, we have a strict no-tolerance approach to bribery and corruption. We maintain strict vigilance across our business operations to prevent any such instances.<sup>11</sup>

Employees are provided with training on the GCoC and are expected to maintain strict adherence to the same<sup>12</sup>. For FY 2022-23, there have been no instances of bribery, corruption, and money laundering or insider trading, conflicts of interest.<sup>13</sup>

## Contributions and other spending

We contribute to trade associations or tax-exempt groups. Our total contribution has been provided below.

	Currency	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Total contributions and other spending	INR Mn	236.83	215.85	175.89	169.34

We do not make any contribution or incur any expenditure towards political campaigns, or for charitable contributions and sponsorship that acts as a means of bribery and corruption.

## Tax Strategy and Reporting

We are committed to be compliant with all statutory obligations including tax laws, as applicable, across various countries in which we operate. In line with our corporate and social responsibilities, we recognize our role as a tax payer to pay the appropriate and applicable amount of taxes in respective countries where we do business by complying with the applicable tax laws including the filing of necessary tax returns within the stipulated timelines. Further details on our approach to taxation can be found at: <https://sunpharma.com/wp-content/uploads/2023/03/SPIL-Tax-Policy-effective-30th-March-2023.pdf>

<sup>7</sup>Mr. Israel Makov was the non-executive and non-Independent chairperson who retired on August 29, 2022. Dr. Pawan Goenka has been appointed as the Lead Independent Director on May 30, 2022 and he chairs the meeting of the Board in absence of Chairperson. The Company does not have a regular chairperson as of now, and accordingly, the Lead Independent Director, as per approved roles and responsibilities, assumed the role as chairperson.

<sup>8</sup>GRI 2-18

<sup>9</sup>GRI 2-10

<sup>10</sup>GRI 2-23

<sup>11</sup>GRI 205-1

<sup>12</sup>GRI 205-2

<sup>13</sup>GRI 205-3 and 206-1



## Tax Paid for FY 2022-23

Sr No.	Particulars	Amount (INR)
1	Cash Taxes Paid	18,40,88,04,550
2	Tax Refund Received	3,31,04,04,550
3	Net Tax Paid (as reported in cash flow statement)	15,09,84,00,000

The details of tax paid for FY 2022-23 have been provided below:  
(All financial numbers in local currency in Million)

Name of the Subsidiary Company	Country/Tax Jurisdiction	Primary Activity	Number of Employees	Reporting Currency	Revenue	Profit / (Loss) before Taxation	Income Tax accrued	Income Tax Paid	% Shareholding	Capital	Relationship
Sun Pharmaceutical (Bangladesh) Limited	Bangladesh	Manufacturing & marketing of pharmaceutical products	622	BDT	2551.8	425.6	151.0	193.9	72.50%	60.0	Subsidiary
Sun Pharmaceutical Industries, Inc.	USA	Manufacturing & marketing of pharmaceutical products	961	USD	1161.8	27.5	-54.9	0.0	100.00%	0.0	Subsidiary
Sun Farmaceutica do Brasil Ltda.	Brazil	Marketing of pharmaceutical products	172	BRL	212.7	-5.0	13.6	25.4	99.99%	5.6	Subsidiary
Sun Pharma De Mexico S.A. DE C.V.	Mexico	Marketing of pharmaceutical products	139	MXN	389.6	19.6	6.2	26.9	75.00%	1.0	Subsidiary
Sun Pharmaceutical Peru S.A.C.	Peru	Marketing of pharmaceutical products	0	PEN	0.0	0.4	0.0	0.0	100.00%	0.0	Subsidiary
Sun Pharma De Venezuela, C.A.	Venezuela	Marketing of pharmaceutical products	0	VES	0.0	0.0	0.0	0.0	100.00%	0.0	Subsidiary
Chattem Chemicals Inc.	USA	Manufacturing of pharmaceutical products	90	USD	56.7	6.1	-0.2	0.1	100.00%	34.4	Subsidiary
The Taro Development Corporation	USA	Subsidiary	0	USD	0.0	-44.2	-10.7	0.0	100.00%	0.0	Subsidiary
Alkaloida Chemical Company Zrt.	Hungary	Manufacturing of pharmaceutical products	457	USD	46.3	7.8	0.4	0.2	99.99%	89.3	Subsidiary
Sun Pharmaceutical Industries (Australia) Pty Limited	Australia	Manufacturing of pharmaceutical products	148	AUD	50.2	-11.5	0.0	0.0	100.00%	134.1	Subsidiary
Aditya Acquisition Company Ltd.	Israel	Subsidiary	0	ILS	0.0	0.0	0.0	0.0	99.99%	0.0	Subsidiary

(All financial numbers in local currency in Million)

Name of the Subsidiary Company	Country/Tax Jurisdiction	Primary Activity	Number of Employees	Reporting Currency	Revenue	Profit / (Loss) before Taxation	Income Tax accrued	Income Tax Paid	% Shareholding	Capital	Relationship
Sun Pharmaceutical Industries (Europe) B.V.	Netherlands	Marketing of pharmaceutical products	51	EUR	42.9	42.9	0.2	0.2	99.99%	0.0	Subsidiary
Sun Pharmaceuticals Germany GmbH	Germany	Marketing of pharmaceutical products	4	EUR	41.5	41.5	0.1	0.1	99.99%	0.0	Subsidiary
Sun Pharmaceuticals SA (Pty) Ltd	South Africa	Marketing of pharmaceutical products	0	ZAR	0.0	0.0	0.0	0.0	100.00%	0.0	Subsidiary
Sun Laboratories FZE	UAE	Marketing of pharmaceutical products	2	USD	178.3	178.3	0.0	0.0	100.00%	12.3	Subsidiary
Sun Pharma Japan Ltd.	Japan	Manufacturing & marketing of pharmaceutical products	194	JPY	15990.2	-432.2	-9.1	0.0	100.00%	158.0	Subsidiary
Sun Pharma Japan Technical Operations Limited	Japan	Manufacturing & marketing of pharmaceutical products	39	JPY	2810.5	216.6	77.8	18.4	100.00%	50.0	Subsidiary
Sun Pharma Philippines, Inc.	Philippines	Marketing of pharmaceutical products	83	PHP	541.4	1.8	2.8	10.9	100.00%	8.7	Subsidiary
Caraco Pharmaceuticals Private Limited	India	Subsidiary	0	INR	0.0	-0.1	0.0	0.0	100.00%	0.1	Subsidiary
Sun Pharma Laboratories Limited	India	Manufacturing & marketing of pharmaceutical products	10533	INR	99686.9	-6164.0	7346.0	8014.5	100.00%	400.5	Subsidiary
Taro Pharmaceutical Industries Ltd. (Taro)	Israel	Manufacturing & marketing of pharmaceutical products	740	USD	144.1	-35.2	1.3	4.1	78.48%	0.7	Subsidiary
Taro Pharmaceuticals Inc.	Canada	Manufacturing & marketing of pharmaceutical products	547	USD	271.8	76.1	9.0	0.1	78.48%	372.6	Subsidiary
Taro Pharmaceuticals U.S.A., Inc.	USA	Marketing of pharmaceutical products	118	USD	278.6	-32.8	-6.4	0.0	78.48%	0.1	Subsidiary
Taro Pharmaceuticals North America, Inc.	USA	Subsidiary	0	USD	0.0	0.0	0.0	0.0	78.48%	0.0	Subsidiary
Taro Pharmaceuticals Europe B.V.	Netherlands	Subsidiary	0	EUR	0.0	0.0	0.0	0.0	78.48%	0.0	Subsidiary
Taro International Ltd.	USA	Marketing of pharmaceutical products	0	USD	28.8	4.6	2.0	0.0	78.48%	0.0	Subsidiary

(All financial numbers in local currency in Million)

Name of the Subsidiary Company	Country/Tax Jurisdiction	Primary Activity	Number of Employees	Reporting Currency	Revenue	Profit / (Loss) before Taxation	Income Tax accrued	Income Tax Paid	% Shareholding	Capital	Relationship
Dusa Pharmaceuticals, Inc.	USA	Manufacturing & marketing of pharmaceutical products	16	USD	81.4	42.9	-3.9	0.2	100.00%	0.0	Subsidiary
Faststone Mercantile Company Private Limited	India	Subsidiary	0	INR	0.0	0.1	0.0	0.0	100.00%	0.1	Subsidiary
Neetnav Real Estate Private Limited	India	Subsidiary	0	INR	1.6	-20.1	0.0	1.3	100.00%	0.1	Subsidiary
Realstone Multitrade Private Limited	India	Subsidiary	0	INR	0.0	0.0	0.0	0.0	100.00%	0.1	Subsidiary
Skisen Labs Private Limited	India	Subsidiary	0	INR	0.0	-0.1	0.0	0.0	100.00%	163.6	Subsidiary
Softdeal Pharmaceutical Private Limited	India	Subsidiary	80	INR	2208.5	568.3	144.5	106.9	100.00%	0.1	Subsidiary
Universal Enterprises Private Limited	India	Subsidiary	0	INR	0.0	-0.1	0.0	0.0	100.00%	4.5	Subsidiary
Sun Pharma Switzerland Ltd.	Switzerland	Marketing of pharmaceutical products	2	CHF	0.6	0.0	0.0	0.0	99.99%	0.1	Subsidiary
Sun Pharma Holdings	Mauritius	Holding Company	0	USD	0.0	-1273.3	0.0	0.0	100.00%	3420.8	Subsidiary
PI Real Estate Ventures, LLC	USA	Subsidiary	0	USD	3.0	1.2	0.0	0.0	100.00%	0.0	Subsidiary
Sun Pharma East Africa Limited	Kenya	Marketing of pharmaceutical products	75	KES	1007.2	-191.8	-54.7	0.1	100.00%	0.1	Subsidiary
Basics GmbH	Germany	Marketing of pharmaceutical products	39	EUR	60.4	1.3	0.1	0.3	100.00%	4.9	Subsidiary
"Ranbaxy Pharmaceuticals Ukraine" LLC	Ukraine	Marketing of pharmaceutical products	122	UAH	347.0	27.1	5.9	6.2	100.00%	40.0	Subsidiary
Sun Pharmaceuticals Morocco LLC	Morocco	Marketing of pharmaceutical products	140	MAD	242.0	-54.2	9.1	0.0	100.00%	12.2	Subsidiary
Sun Pharmaceutical Industries S.A.C.	Peru	Marketing of pharmaceutical products	75	PEN	41.5	13.5	1.8	25.4	100.00%	4.3	Subsidiary
Sun Pharma Holdings UK Limited (Formerly known as Ranbaxy Holdings (U.K.) Limited)	UK	Holding Company	0	GBP	0.0	0.0	0.0	0.0	100.00%	30.6	Subsidiary
Sun Pharma France	France	Manufacturing & marketing of pharmaceutical products	34	EUR	30.4	0.8	0.0	0.0	100.00%	24.9	Subsidiary

(All financial numbers in local currency in Million)

Name of the Subsidiary Company	Country/Tax Jurisdiction	Primary Activity	Number of Employees	Reporting Currency	Revenue	Profit / (Loss) before Taxation	Income Tax accrued	Income Tax Paid	% Shareholding	Capital	Relationship
Sun Pharma Italia srl	Italy	Marketing of pharmaceutical products	25	EUR	39.5	0.7	-0.3	0.1	100.00%	0.1	Subsidiary
Ranbaxy Pharmaceuticals (Pty) Ltd	South Africa	Manufacturing & marketing of pharmaceutical products	365	ZAR	1746.4	65.8	3.0	4.8	100.00%	700.0	Subsidiary
Ranbaxy South Africa (Pty) Ltd	South Africa	Manufacturing & marketing of pharmaceutical products	107	ZAR	125.4	0.9	0.4	0.3	100.00%	17.5	Subsidiary
Sonke Pharmaceuticals Proprietary Limited	South Africa	Joint Venture	8	ZAR	491.8	23.2	5.4	6.5		2.0	Joint Venture
Sun Pharma Egypt LLC	Egypt	Manufacturing & marketing of pharmaceutical products	129	EGP	110.8	-47.2	0.0	1.6	100.00%	234.8	Subsidiary
Rexcel Egypt LLC	Egypt	Manufacturing & marketing of pharmaceutical products	1	EGP	3.1	-1.8	0.0	0.1	100.00%	2.1	Subsidiary
Sun Pharma UK Limited (Formerly known as Ranbaxy (U.K.) Limited)	UK	Marketing of pharmaceutical products	20	GBP	43.9	0.6	0.1	0.0	100.00%	21.8	Subsidiary
Ranbaxy (Poland) SP. Z.O.O.	Poland	Manufacturing & marketing of pharmaceutical products	92	PLN	36.8	1.8	0.5	0.7	100.00%	4.3	Subsidiary
Ranbaxy Nigeria Limited	Nigeria	Manufacturing & marketing of pharmaceutical products	201	NGN	8792.9	-2710.2	299.4	299.4	86.16%	40.0	Subsidiary
Ranbaxy (Thailand) Co., Ltd.	Thailand	Marketing of pharmaceutical products	93	THB	758.1	-1.9	3.5	6.8	100.00%	115.0	Subsidiary
Ohm Laboratories, Inc.	USA	Manufacturing of pharmaceutical products	462	USD	105.6	-54.5	58.9	0.0	100.00%	0.2	Subsidiary
Ranbaxy Signature LLC	USA	Joint Venture	0	USD	0.0	-0.1	0.0	0.0	67.50%	0.0	Joint Venture
Ranbaxy Inc.	USA	Holding Company	15	USD	0.0	-115.8	0.4	0.0	100.00%	13.0	Subsidiary
AO Ranbaxy	Russia	Marketing of pharmaceutical products	492	RUB	8256.8	788.1	211.1	285.5	100.00%	163.0	Subsidiary

(All financial numbers in local currency in Million)

Name of the Subsidiary Company	Country/Tax Jurisdiction	Primary Activity	Number of Employees	Reporting Currency	Revenue	Profit / (Loss) before Taxation	Income Tax accrued	Income Tax Paid	% Shareholding	Capital	Relationship
Sun Pharma Laboratorios,S.L.U.	Spain	Manufacturing & marketing of pharmaceutical products	19	EUR	19.4	0.6	-0.1	0.0	100.00%	1.0	Subsidiary
Ranbaxy (Malaysia) SDN. BHD.	Malaysia	Manufacturing & marketing of pharmaceutical products	241	MYR	180.6	31.4	7.4	6.0	95.67%	8.3	Subsidiary
Ranbaxy Farmaceutica Ltda.	Brazil	Marketing of pharmaceutical products	17	BRL	303.8	5.9	16.3	14.3	100.00%	17.4	Subsidiary
Sun Pharma ANZ Pty Ltd	Australia	Manufacturing & marketing of pharmaceutical products	42	AUD	70.8	3.4	1.0	0.0	100.00%	17.4	Subsidiary
Sun Pharma Canada Inc.	Canada	Marketing of pharmaceutical products	42	CAD	41.4	0.4	0.0	0.0	100.00%	2.3	Subsidiary
SC Terapia SA	Romania	Manufacturing & marketing of pharmaceutical products	870	RON	1115.3	292.9	35.2	37.1	96.81%	25.0	Subsidiary
Sun Pharma (Netherlands) BV.	Netherlands	Holding Company	0	USD	-38.6	-38.0	2.4	0.0	100.00%	781.6	Subsidiary
JSC Biosintez	Russia	Manufacturing of pharmaceutical products	1066	RUB	2871.7	146.5	34.4	42.6	100.00%	0.3	Subsidiary
Sun Pharmaceuticals Holdings USA, Inc.	USA	Holding Company	-	USD	0.0	0.3	0.8	0.3	100.00%	0.0	Subsidiary
Foundation for Disease Elimination and Control of India	India	Not-for-profit company for CSR activities	-	INR	1.0	-0.8	0.0	0.0	100.00%	0.1	Subsidiary
Zenotech Laboratories Limited	India	Manufacturing of pharmaceutical products	162	INR	424.2	145.0	29.2	11.9	68.84%	610.3	Subsidiary
Sun Pharmaceutical Medicare Limited	India	Manufacturing of pharmaceutical products	791	INR	2826.2	-442.0	-0.2	30.9	100.00%	2.5	Subsidiary
Sun Pharma Distributors Limited	India	Distribution of pharmaceutical products	19	INR	138191.5	2505.5	639.2	714.9	100.00%	1.5	Subsidiary
Realstone Infra Limited	India	Subsidiary	0	INR	0.0	-84.8	0.0	0.0	100.00%	2.5	Subsidiary

(All financial numbers in local currency in Million)

Name of the Subsidiary Company	Country/Tax Jurisdiction	Primary Activity	Number of Employees	Reporting Currency	Revenue	Profit / (Loss) before Taxation	Income Tax accrued	Income Tax Paid	% Shareholding	Capital	Relationship
Sun Pharmaceuticals (EZ) Limited	Bangladesh	Manufacturing & marketing of pharmaceutical products	38	BDT	0.0	-70.6	0.0	0.0	72.49%	60.0	Subsidiary
Sun Pharma (Shanghai) Co.,Ltd	China	Marketing of pharmaceutical products	5	RMB	5.2	-0.3	0.0	0.0	100.00%	1.0	Subsidiary
Alchemee, LLC	USA	Manufacturing & marketing of OTC pharmaceutical products	92	USD	73.7	-2.4	-0.3	0.0	78.48%	0.0	Subsidiary
Proactiv YK	USA	Marketing of OTC pharmaceutical products	-	USD	20.5	1.1	0.0	0.0	78.48%	0.0	Subsidiary
The Proactiv Company KK	USA	Subsidiary	-	USD	0.0	1.4	0.5	0.0	78.48%	0.0	Subsidiary
The Proactiv Company Holdings, Inc. (Formerly known as Galderma Holdings, Inc.)	USA	Holding Company	-	USD	0.0	0.0	0.0	0.0	78.48%	0.0	Subsidiary
Alchemee Skincare Corporation (Formerly known as The Proactiv Company Corporation)	USA	Marketing of OTC pharmaceutical products	-	USD	4.5	0.9	0.0	0.0	78.48%	0.0	Subsidiary
Concert Pharmaceuticals Securities Corp.	USA	R&D	-	USD	0.0	0.3	0.0	0.0	100.00%	0.0	Subsidiary
Concert Pharma U.K. Ltd	UK	R&D	-	GBP	0.0	0.0	0.0	0.0	100.00%	0.0	Subsidiary
Concert Pharma Ireland Limited	Ireland	R&D	-	EUR	0.0	0.0	0.0	0.0	100.00%	0.0	Subsidiary
Green Eco Development Centre Limited	India	Effluent Treatment	-	INR	0.0	0.0	-0.7	3.2	100.00%	7.0	Subsidiary



# Risk Management

At Sun Pharma, Risk Management is undertaken through a cross-functional collaborative approach, across departments to facilitate cohesion in response and management of risk incidents. The Board of Directors have constituted an independent Risk Management Committee (RMC) with the overall responsibility of risk management. The RMC also assesses the adequacy of mitigation plans to address the risks identified in the Company's Risk Register. Further, our Global Internal Audit Head Mr. Tejash Shah reporting to the Audit Committee of the Board, is responsible for coordination with all business teams to identify, monitor and communicate risks as well as test the effectiveness of mitigation strategies during audit reviews. The Risk Management Committee and Global Internal Audit function are structurally independent of the business lines.



Our materiality assessment process enables us to capture stakeholder views on their perception of the pertinent topics for our business. This also allows our management to consider external views while reviewing the risk register and enables us to prepare risk responses to the material topics which have the potential to impact our ability to preserve, create or erode the value creation potential of our business. We conduct a review of our material topics annually with the senior management to assess any changes in the global macroeconomic trends, business landscape or strategy, which might necessitate the addition, relegation or re-prioritization of certain topics.

We also ensure that the responsible personnel have the necessary knowledge and skills for effective risk management. In compliance with the requirements of Regulation 25(7) of the Listing Regulations, the Company has put in place a Familiarisation Programme for the Independent Directors on various topics covering operations, functional overviews, business performance and opportunities, risk management framework, regulatory environment in which the Company operates, etc. Currently, 5 Non-Executive Directors have industry experience in Risk Management.




## Approach to Risk Management



We promptly escalate new risks and review the existing ones at least twice a year, or more if necessary. In the event an adverse incident materializes, the Company management promptly communicates with all relevant stakeholders. Depending on the event's criticality, updates may be shared with the Board level Risk Management Committee. Additionally, every six months, the Board level Risk Management Committee is briefed on newly identified emerging risks, ensuring a dynamic risk management approach and transparency in risk outlook. We also undertake prioritization of risks identified based on defined criteria of priority risk.




The table below gives details on the identified risks, description of the risks, potential impact and mitigation actions of the identified risks.




Sr. No.	Risk Area	Description	Impact	Mitigating actions
1.	<b>Corporate Governance and business Ethics</b> 	Addresses the requirements of maintaining a high standard of compliance across diverse markets, staying updated with evolving regulations, and upholding and enforcing ethical business practices.	Failure to maintain the highest corporate governance and business ethics standards may lead to regulatory repercussions and financial and reputational loss.	<ul style="list-style-type: none"> <li>» To reduce non-compliance risk, ensure regulatory compliance across our operations/markets through proactive interaction with regulatory organisations.</li> <li>» Ensure all employees strictly adhere to the company's policies through regular training on business ethics and code of conduct. We also strongly emphasise our quality control measures in operating locations to ensure cGMP compliance.</li> <li>» Maintain accurate books and records and sufficient internal controls to abide by all applicable anti-bribery laws, including the U.S. Foreign Corrupt Practices Act (FCPA) and the local laws in every country we undertake business.</li> </ul>
2.	<b>Product Quality, Safety and Recall Management</b> 	Challenges in monitoring and ensuring the safety of our products throughout their lifecycle. It includes issues such as adverse event reporting, compliance with GxP regulations, and communication of safety-related information.	Any major issues identified in product quality and safety may result in recalls, and warnings from regulatory agencies, leading to temporary disruption of operations and brand/reputation loss. It may also expose us to litigation risks, fines, and penalties.	<ul style="list-style-type: none"> <li>» Ensure strict adherence to global quality standards and procedures.</li> <li>» Employ robust and centralised pharmacovigilance processes encompassing detailed SOPs that ensure efficient surveillance and reporting of adverse events in compliance with regulations, including the Narcotic Drugs and Psychotropic Substances (NPDS) Act.</li> <li>» Make consistent investments in technological interventions, training on cGMP standards, automation and digitalisation, and employee capacity-building.</li> <li>» We are undertaking periodic quality reviews of third-party suppliers.</li> <li>» We are implementing brand protection (IP and trademark) and anti-counterfeit measures to ensure the authenticity of our products in the market.</li> </ul>



Sr. No.	Risk Area	Description	Impact	Mitigating actions
3.	<b>Cyber Security and Data Privacy</b> 	Vulnerabilities arise from legacy systems, lack of regular technology updates, and potential cyber threats from hackers and data breaches that compromise sensitive information and digital assets.	The lack of a robust data integrity and security mechanism could increase the rate of data breaches and result in the loss of valuable data that may harm the business. Customer/stakeholder data breaches may expose us to litigations, fines and penalties.	<ul style="list-style-type: none"> <li>» To avoid breaches related to the Company or stakeholders' data, the vulnerability of our technology and IT systems is evaluated regularly.</li> <li>» We have processes and guidelines that ensure compliance with data security and privacy laws such as General Data Protection Regulation (GDPR).</li> <li>» We have implemented perimeter security, IT monitoring systems, antivirus, and patch management to mitigate the risks associated with cyber security and data breaches. Cybersecurity trainings have also been conducted for our employees. We also enhance awareness of our employees via periodic internal emails related to safe practices surrounding data security, protection against potential phishing emails, and prevention of hacker attacks.</li> </ul>
4.	<b>Human Capital Development</b> 	Attention and investment in talent management initiatives, including talent acquisition, retention, development, employee well-being and satisfaction.	As our business is dependent on the well-being of our people, failure to meet/exceed employee expectations may harm the Company's employee retention rate, productivity, and business continuity, impacting the Company's growth.	<ul style="list-style-type: none"> <li>» We have multiple initiatives to attract and retain talent through development programs encompassing global talent management, competitive remuneration, inclusive work culture, and other employee benefits programs.</li> <li>» Formal succession planning program for all leadership positions.</li> <li>» Employee skill enhancement through continuous training and development.</li> </ul>
5.	<b>Access and Affordability</b> 	Addressing impediments related to product portfolio, product accessibility, and pricing.	In the long run, the company's brand value and long-term growth may be negatively impacted in case of the inaccessibility of its products and the inability to expand geographically.	<ul style="list-style-type: none"> <li>» We strongly focus on establishing a robust and diversified product portfolio by enhancing cross-functional synergies, organisational capabilities, project management, and governance focused on product identification, development, planning, and launch.</li> <li>» We are strengthening the in-licensing and out-licensing of products.</li> <li>» We prioritise developing and commercialising complex generics and specialty products, amongst other things.</li> <li>» We focus on operational excellence programs to enhance yields, ensure supply chain continuity, and maintain adequate inventories.</li> </ul>

Sr. No.	Risk Area	Description	Impact	Mitigating actions
6.	<b>Environmental Impact Management</b> 	<p>Focused efforts for efficient water usage and reduced waste generation, and proper disposal are imperative to demonstrate the company's commitment to a sustainable future and a healthy planet</p>	<p>Failure to manage environmental impacts can lead to adverse legal, regulatory and financial consequences, loss of reputation and stakeholder trust, ultimately leading to a loss of operating license.</p>	<ul style="list-style-type: none"> <li>» The company continuously identifies opportunities to manage its environmental impact. We have established targets for water conservation and waste management. We aim to reduce water consumption by 10% by 2025 and 30% of hazardous waste co-processing by 2025.</li> <li>» We are continuously monitoring our performance on water and waste parameters. We focus on efficient water consumption, reducing water withdrawal, and increasing water recovery. For waste management, we focus on increasing the share of recycling and reuse within our operations and co-processing hazardous waste.</li> <li>» The company has established a robust Environment, Health, and Safety (EHS) policy and requisite procedures that ensure compliance with Central Pollution Control Board guidelines and local regulatory mandates stipulated by the State Pollution Control Board.</li> </ul>
7.	<b>Climate change</b> 	<p>Ineffective management of greenhouse gas (GHG) emissions that may expose the company to climate-related physical and transition risks, which might lead to disruption of operations and affect business continuity.</p>	<ul style="list-style-type: none"> <li>» Potential immediate physical risks to our operations may damage our assets, leading to business interruptions and increased expenses for repairing and restoring damaged sites.</li> <li>» The transition risks associated with climate change could also result in more stringent regulations in the countries of our operations and exports, leading to higher compliance costs or investment costs in newer technologies.</li> <li>» Failure to adapt to the adverse impacts of climate can also lead to a loss of reputation and stakeholder trust.</li> </ul>	<ul style="list-style-type: none"> <li>» The company has taken a GHG reduction target to reduce 35% of GHG emissions (covering scope 1 and scope 2) by 2030.</li> <li>» We also conduct climate risk assessments across our operations to evaluate physical and transitional risks.</li> <li>» We are continuously exploring avenues to reduce our reliance on fossil fuels by increasing the share of biomass, procuring renewable energy, and implementing energy efficiency initiatives to optimise our energy consumption.</li> </ul>

Sr. No.	Risk Area	Description	Impact	Mitigating actions
8.	<b>Sustainable Supply Chain and Responsible Procurement</b> 	Includes any supply chain disruption that may impact business continuity or product quality and the risk of non-substitutable suppliers that can affect the continued availability of critical raw materials.	<ul style="list-style-type: none"> <li>» Long-term commercial partnerships with suppliers may be impacted if suppliers do not comply with various social, environmental and safety standards, leading to a loss of business value.</li> <li>» Non-substitutable and critical raw material suppliers may impact the business in case of any unforeseen disruptions.</li> </ul>	<ul style="list-style-type: none"> <li>» We continuously explore opportunities to de-risk the supply chain by evaluating alternate suppliers for critical or non-substitutable raw materials.</li> <li>» As part of the Company's Supplier Code of Conduct, the suppliers are expected to adhere to the Company's ESG standards mentioned in the code.</li> <li>» The company has a high focus on developing quality products and the safety of consumers. The quality of raw materials for our production process is ensured by conducting periodic supplier audits.</li> </ul>
9.	<b>Occupational Health and Safety (OHS)</b> 	OHS is a vital component of the company's commitment towards providing a safe and secure working environment. The ineffectiveness of the current Health and Safety management programs may lead to many health and safety incidents.	Frequent health and safety incidents will negatively influence the company's performance in terms of safety and workforce well-being. This will impact the brand image, reputation and the company's ability to attract and retain talent.	<ul style="list-style-type: none"> <li>» The company has a strong EHS management system, including regular internal and external audits of its EHS practices.</li> <li>» Our risk assessment methodology and safety practices are based on guiding principles of our Process Safety Management system which adds cohesiveness to our health and safety approach from the aspects of risk assessment and working conditions.</li> <li>» Adopting a detailed corrective action plan post-identifying hazards and assessing safety incidents helps prevent such instances.</li> </ul>
10.	<b>Ethical Clinical Trials and Animal Testing</b> 	Includes the risks and safety-related concerns associated with the ethical trials on human subjects and animal testing.	Failure to comply with guidelines and regulations of clinical trials and animal testing can undermine the efficacy and safety of the company's clinical trials. It may also have an adverse regulatory/legal impact, lead to financial damages and reputation loss, and harm participants' health and safety. Delays at any stage can also prolong the overall timeline for drug development, leading to increased costs.	<ul style="list-style-type: none"> <li>» The company complies with all relevant regulatory requirements governing clinical trials and animal testing. We have dedicated teams responsible for ensuring adherence to these regulations, which involve obtaining necessary approvals and permits and maintaining thorough documentation.</li> <li>» We also implement robust quality control and safety measures throughout the research process. This involves monitoring and auditing clinical trials, data collection, and analysis to ensure accuracy, reliability, and compliance with relevant standards.</li> <li>» Long-term safety studies are undertaken for some of our innovative specialty products, post-commercialisation, to evaluate and measure safety parameters over a longer time horizon.</li> <li>» We collaborate with academic institutions, research organisations, and regulatory agencies to share knowledge, expertise, and resources on certain projects. Such collaborations also enable collective efforts, checks and balances to enhance the quality and ethical standards of clinical trials and animal testing.</li> </ul>

Sr. No.	Risk Area	Description	Impact	Mitigating actions
11.	<b>Business interruption/ Operational inefficiencies</b> 	Potential disruptions or inefficiencies caused by natural disasters, regulatory delays, cybersecurity threats, or labour shortages may affect manufacturing and supply chains.	<ul style="list-style-type: none"> <li>» This might lead to revenue loss, increased operational expenses, and, in the worst-case scenario, damage to the company's reputation.</li> <li>» Market entry delays may affect competitiveness.</li> <li>» Incidents of data breaches could increase legal and financial liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>» 3-month planning for critical raw materials to avoid stockouts. <ul style="list-style-type: none"> <li>• Keep safety stock for approximately three months for all key products. In case of a supply delay, reduce lead time by using air shipments and ensure product availability.</li> </ul> </li> <li>» Senior management periodic overview and department-wise responsibility assigned to ensure compliance with regulatory requirements and product launch timelines</li> <li>» We maintain an inventory of critical spares at multiple sites for uninterrupted availability.</li> <li>» Install backup solutions like DG sets and tanker supplies to mitigate power and raw material shortages.</li> <li>» We proactively manage labour shortages by raising new manpower requests during budget and conducting regular site reviews.</li> </ul>
12.	<b>Intellectual Property (IP), trademark, technology and other confidential information</b> 	Potential threats to our valuable intellectual assets include unauthorised use, theft, or infringement of patents, trademarks, and confidential data.	<ul style="list-style-type: none"> <li>» Infringement of valuable assets can result in costly legal battles and damage the company's reputation.</li> <li>» Loss of stakeholder trust if confidential data is compromised, affecting partnerships and customer confidence.</li> </ul>	<ul style="list-style-type: none"> <li>» Engage with Drug Controllers to enforce compliance and cancel manufacturing licenses of counterfeiters.</li> <li>» Impart training to the field force to identify and locate potential violations in the market.</li> <li>» We have established a dedicated team at the head office to manage field inputs and execute necessary actions.</li> <li>» Regularly check new trademark filings to identify conflicts and avoid infringements.</li> <li>» Establish a framework and standard operating procedures to protect our IP for branded products in key markets.</li> </ul>
13.	<b>Price, Cost &amp; Margin pressure</b> 	Market competition, healthcare reforms, government-led price controls, and fluctuations in raw material and manufacturing expenses impact business profitability.	<ul style="list-style-type: none"> <li>» Negative impact on overall financial performance and business sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>» Strengthen the product portfolio with new and innovative offerings to differentiate from competitors and withstand pricing pressures.</li> <li>» Cost-Effective Solutions such as <ul style="list-style-type: none"> <li>• Assess the feasibility of developing alternative vendors/sites for products to optimise production costs and reduce dependencies.</li> <li>• Enhance the sea-air ratio in favor of more cost-effective sea shipments to reduce transportation expenses.</li> <li>• Explore alternative economic options such as using alternate fuels and automation to improve cost efficiency in manufacturing processes.</li> </ul> </li> </ul>

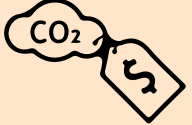


## Emerging Risks

At Sun Pharma, our risk management process accounts for likelihood and impact of risks, and the time period over which a risk could occur. In addition to current risks, we also evaluate emerging risks at least once in every three years for timely remediation and prevention of any adverse consequences. In line with our risk management framework, emerging risks are also identified based on how likely they are to occur and the potential impact on the business.

Identification and classification of risks as emerging is undertaken by the Risk Management Committee through analysis of internal and external data, industry trends, market study, regulatory requirements and expert insights. This provides for a holistic and systematic approach to correctly gauge potential risks that could evolve to have an adverse impact on the business, and allow for implementation of mitigation strategies in a timely manner.

Emerging Risk	Description	Impact	Mitigation Measures
 <p><b>Weaponization of Artificial Intelligence by Cyber Criminals</b></p>	<p>Whilst the implications and ethics of AI-enabled applications is evolving and not well-understood, given the accelerated pace at which the technology is being developed and used, malicious AI driven cybercrime is an emerging risk which can adversely impact any global pharmaceutical company including Sun Pharma. As a pharmaceutical company, intellectual property is a core element of our business model. The current mechanisms of IP protection may be rendered increasingly vulnerable and exposed to threats from weaponized AI, that may result in data breaches and theft. Given the nature of our business, we are in possession of sensitive patient data, including clinical trial related information. Breach of these sensitive data, can lead to loss of stakeholder trust and potential loss of brand value. Furthermore, our value chain, from manufacturing to distribution, could be disrupted by sophisticated AI-enabled attacks that could compromise our information technology systems.</p>	<p>The global pharmaceutical sector is equally exposed to cyber risks like any other sector and as a result, our organization is also exposed to that extent. Breach of company systems by highly sophisticated AI-enabled attacks by cyber criminals can result in compromised IT infrastructure, inability to access core IT applications and theft of data relating to intellectual property, including proprietary drug processes / recipes, research data and clinical trial data. This can lead to loss of competitive advantage, delays in production and supply of products; all leading to some potential financial repercussions. If any such incident occurs, it could result in adverse impact on patient access to quality healthcare and effective treatment.</p>	<p>We are continually exploring various methods to enhance our cyber security defenses to prevent and protect against any breaches from AI driven cybercrime. Proactive measures that have been implemented include network segmentation, mandatory training for all employees on information and cyber security as well as AI, third party vulnerability analyses and risk assessment including stimulated hacker attacks and partnerships with cyber security experts to mitigate the risks of cyber-attacks. We will continue to identify risks and opportunities associated with the use of AI and are committed to protecting our information technology infrastructure from the threat of nefarious activities undertaken by AI-enabled cyber criminals.</p>

Emerging Risk	Description	Impact	Mitigation Measures
 <p>Carbon Tax</p>	<p>We are anticipating that, in coming years, the true cost of carbon may be viewed as an essential policy tool to limit carbon emissions and regulations such as CABM (Carbon Border Adjustment Mechanism) may increase the cost of final products sold in various geographies</p>	<p>The carbon tax may increase the overall cost for the company thus resulting in higher prices for the company's products which may impact the overall demand for products. Carbon tax may also adversely impact the business profitability if the company is unable to pass on the increased cost to the end consumer.</p>	<p>In order to mitigate this emerging risk we have taken the following steps</p> <ol style="list-style-type: none"> <li>1.TCFD assessment to understand the impact of carbon tax on our operations</li> <li>2. Proactively investing in renewable and energy efficiency projects to reduce our GHG footprint.</li> </ol>



## Risk Culture

In addition to a robust risk management framework for timely identification and mitigation of risks, we recognize the importance of inculcating an appetite for risk management across the organization. We believe that providing for a holistic and strong risk culture is integral to effective risk management.

We provide focused risk training to our employees which are designed to provide employees with learning and awareness on potential risks and the importance of timely identification and reporting for proper mitigation. Focused efforts are also made to ensure that our employees are compliant with regulatory requirements.

Our employees are encouraged to report any potential risks. The Global Internal Audit team is responsible for coordination across departments for identification and reporting of risks. Such collaboration provides employees with suitable platforms to raise their concerns and highlight any potential risks. Insights gained from such sessions further enhance mitigation strategies and enable a stronger risk culture.

As a pharmaceutical company, we also recognize the importance of incorporating risk criteria within the product development and approval process. We have developed a robust Global Quality Standard with the intent of providing all users with critical information on managing risk aspects for product quality.



# Materiality Assessment FY 2022-23

Stakeholder engagement is a key imperative of our business, and it enables us to maintain a consistent and continuous dialogue with our stakeholders. Whilst dedicated functional representatives of the Company are routinely engaging with their respective stakeholders to create lasting and meaningful relationships, we also actively seek input from stakeholders on ESG topics through surveys and consultations. By involving stakeholders directly in the ESG materiality assessment process, we ensure that their voices are heard, and their perspectives are considered in the formation of ESG strategies. We also leverage digital platforms and social media to reach a broader stakeholder base. This inclusive approach enables us to capture diverse viewpoints and integrate them in our ESG strategy.

We have adopted a systematic approach for stakeholder identification and mapping. Engaging with the right stakeholders is vital for obtaining a comprehensive understanding of their diverse expectations from our Company. These stakeholder groups include both internal and external stakeholders like, our shareholders, regulators, suppliers and third-party manufacturers, non-governmental organizations (NGOs), local communities, customers and patients, employees, and the senior leadership of our company.

In FY 2022-23 we have revisited and reviewed our approach to identify the top material topics for our business by applying the principles of double materiality, with an intention to reflect upon the changing priorities of our stakeholders and align them with our strategic goals. While previously we have evaluated the material topics from a point of view of relevance, this year we have reviewed our material topics with a consideration of impact - on our business

performance and on society or environment. This comprehensive revision ensures that our materiality assessment remains robust, enabling us to address the most pertinent ESG issues while driving sustainable value for all our stakeholders.

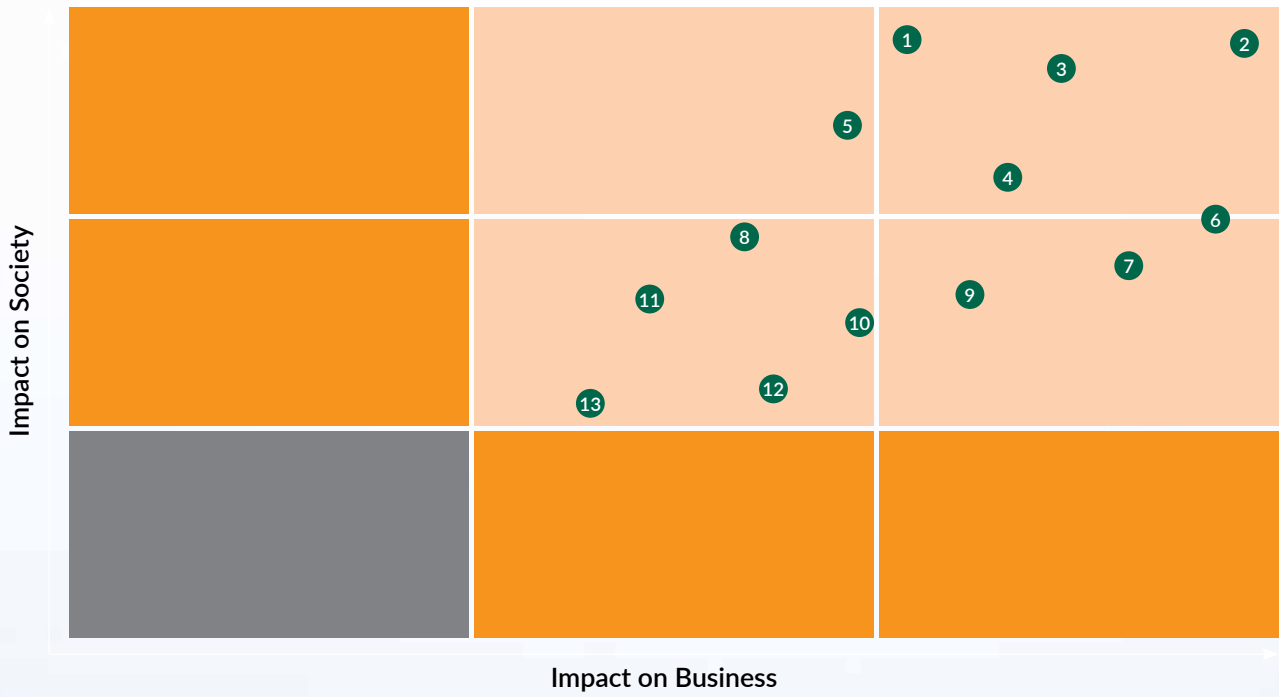
Our revised materiality assessment and the key material issues have been reviewed and discussed with our Senior Management. In order to stay aligned to the ever-changing external factors such as the competitive landscape, shifts in macroeconomic trends, evolving consumer preferences, and demands from regulators and investors, we have institutionalized a process to review our prioritization and assessment of material topics annually.<sup>14</sup>

## Our Top Materiality Issues FY 2022-23

We have prioritized the relative importance of the relevant material topics for our business and visualized it in the form of a materiality matrix. The material topics in this matrix are an outcome of our stakeholder engagement and materiality assessment. The evaluation of each of these topics have been conducted using the lens of double materiality. We have considered the perceived impact of the material topic on Sun Pharma's business and ability to create, preserve, or erode value for shareholders and other stakeholders. We have also attempted to evaluate the impact of these topics on society and environment through Sun Pharma's business activities.

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<sup>14</sup>GRI 3-1, 3-2 and 3-3



- |   |   |
|---|---|
| 1 Innovation Management                         | 8 Human Capital Development                           |
| 2 Climate Change                                | 9 Occupational Health and Safety                      |
| 3 Environmental Impact Management               | 10 Diversity, Equity and Inclusivity                  |
| 4 Corporate Governance and Business Ethics      | 11 Sustainable Supply Chain & Responsible Procurement |
| 5 Access to and Affordability of Medicines      | 12 Social Impact through Community Engagement         |
| 6 Cyber Security and Data Privacy               | 13 Ethical Clinical Trials and Animal Testing         |
| 7 Product Quality, Safety and Recall Management |   |









While we remain committed to closely monitor and track our performance and progress on all identified material topics, we have offered a detailed explanation of our approach to manage our top five material topics which have the highest relative importance for both business continuity and societal value creation.









Our detailed Materiality Assessment and management approach may be found on page 82 at the link: <https://sunpharma.com/wp-content/uploads/2023/07/SPIL-AR2022-23-Complete-Annual-Report.pdf>





Indicator	Material Issue 1
<b>Material Issue</b> 	Innovation Management
<b>Business Case</b> 	<ul style="list-style-type: none"> <li>» Focused investments are made in R&amp;D to develop new generic products, pursue complex generics and development of specialty products. Expanding the product pipeline through Research &amp; Development (R&amp;D) efforts helps to diversify offerings, leading to revenue growth and maintaining a competitive edge.</li> <li>» R&amp;D plays an important role in developing non-infringing processes to develop and commercialize generic products. R&amp;D provides scientific evidence and data to demonstrate non-infringement and/or invalidation over existing patents held by the original drug manufacturer. This capability enhances our ability to launch new generic products ahead of patent expiry which in turn leads to higher revenues.</li> <li>» R&amp;D teams work on optimizing the manufacturing processes for generic drugs to enhance efficiency, reduce costs, and maintain quality. This can involve developing novel formulations, improving production techniques, and implementing cost-effective manufacturing practices.</li> <li>» Before a generic drug can be approved, it must demonstrate bioequivalence to the branded reference product. Our R&amp;D team conducts studies to establish the equivalence in terms of safety, efficacy, and pharmacokinetic properties. This ensures that the generic drug can be substituted for the original innovator product. R&amp;D investments are necessary to perform these studies.</li> </ul>
<b>Business Impact</b> 	Revenue
<b>Business Strategy</b> 	<p>Our R&amp;D has the ability to develop complex, innovative products across dosage forms supported by strong chemistry/biological/clinical trials capabilities, a skilled R&amp;D team of over 2,800 people and a strong intellectual property team which coordinates with R&amp;D to develop non-infringing processes.</p> <p>These efforts are funded through our annual R&amp;D budget. Since inception, we have spent INR 230 billion on our R&amp;D initiatives till date. All these resources help us in driving innovation in our business.</p>
<b>Target</b> 	Invest 7-8% of revenues on R&D annually
<b>Target Year</b> 	2030
<b>Progress</b> 	5.5% of revenues invested in R&D for the reporting year
<b>Executive Compensation Linked</b> 	Our Senior Management including the R&D team has performance linked incentive as one of the components of their overall compensation

Indicator	Material Issue 2
Material Issue 	Climate Change
Business Case 	<ul style="list-style-type: none"> <li>» Ineffective management of greenhouse gas (GHG) emissions may expose the Company to climate related physical and transition risks which might lead to disruption of operations and affect business continuity.</li> <li>» Potential immediate physical risks to our operations may damage our assets, which in turn, could lead to business interruptions and increased expenses for repairs and restoration of damaged sites.</li> <li>» The transition risks associated with climate change could also result in more stringent regulations in the countries of our operations and exports, leading to higher compliance costs or investment costs in newer technologies.</li> <li>» Failure to adapt to adverse impacts of climate can also lead to loss of reputation and stakeholder trust.</li> <li>» Failure to limit GHG emissions may lead to financial costs associated with Carbon markets, and in the form of Carbon taxes / price</li> <li>» Failure to manage product level GHG footprint may potentially restrict the Company from accessing customers and markets with Net Zero goals</li> </ul>
Business Impact 	Risk
Business Strategy 	We have conducted climate risk assessment across our operations to evaluate physical and transition risks. We are continuously exploring avenues to reduce our reliance on fossil fuels in our operations by increasing the share of biomass, procurement of renewable energy and implementing energy efficiency initiatives to optimize our energy consumption. We have invested in multiple renewable energy power projects.
Target 	Reduction of GHG emissions by 35% (Scope 1 and Scope 2) by 2030 compared to baseline year of 2020.
Target Year 	2030
Progress 	7% reduction achieved by the reporting year compared to the baseline year 2020
Executive Compensation Linked 	Our Senior Management including the environment team has performance linked incentive as one of the components of their overall compensation

Indicator	Material Issue 3
Material Issue 	Environmental Impact Management
Business Case 	<ul style="list-style-type: none"> <li>» Management of water is critical for the company to create a positive environmental footprint. Focused efforts for efficient water usage are imperative to demonstrate the company's commitment to a sustainable future and a healthy planet.</li> <li>» Lack of proactive water management may lead to risk of water shortages, water price volatility, and potential disruptions to operations.</li> </ul>
Business Impact 	Risk
Business Strategy 	<p>The Company continuously identifies opportunities to manage its water consumption. We are continuously monitoring our performance on water and are focusing on efficient water consumption, reducing water withdrawal and increasing water recovery.</p> <p>By implementing such projects, we are able to reduce water-related operational risks. This demonstrates a commitment to environmental stewardship, which is increasingly important to customers, investors, and regulatory authorities.</p>
Target 	Reduce water consumption by 10% by 2025 compared to baseline year of 2020
Target Year 	2025
Progress 	Reduction of 20.55% by the reporting year compared to baseline year of 2020
Executive Compensation Linked 	Our Senior Management including the environment team has performance linked incentive as one of the components of their overall compensation



## Double Materiality and Impact on Society

The following two topics have an ability to impact society and other stakeholders. We are continuously monitoring our performance on these topics and their relevant parameters through rigorous monitoring of pertinent KPIs, an evaluation of the potential impact on society and the means to measure such impact. It is our continuous endeavor to minimize negative impacts and maximize positive value creation for all stakeholders.

Indicator	Material Issue
Material Issue	Environmental Impact Management
Cause of the Impact	Operations and Supply Chain
External stakeholder(s)/ impact area(s) evaluated	Operations, Environment, Society and External Employees
Topic relevance on external stakeholders	<p>GHG emissions from the use of fossil fuels in our direct operations contribute to global warming. Failure to reduce GHG emissions may lead to increased mean surface temperatures, leading to wider systemic social impacts such as sea level rise, extreme weather-related events, coral bleaching, climate related migration, social inequality and hinder food security. Consequently, these impacts can disrupt our operations and supply chain. In light of recent attention to corporate action on climate change mitigation, inability to effectively manage the GHG emissions may expose the business to regulatory scrutiny, loss of brand reputation and misalignment with customer expectations.</p> <p>We implement proactive measures to reduce GHG emissions by fuel switching, use of renewable energy, energy efficiency measures and other technological solutions. We have a decarbonization target, supported by a carbon reduction strategy and roadmap, demonstrating our commitment towards global climate action.</p>
Type of impact	Positive and Negative
Output Metric	Avoided CO2 Emissions
Impact Valuation	Improved air quality from avoiding combustion of fossil fuels
Impact Metric	Social Cost of Carbon

Indicator	Material Issue
Material Issue	Innovation Management
Cause of the Impact	Operations and Products/Services
External stakeholder(s)/ impact area(s) evaluated	Operations, Environment, Society and External Employees
Topic relevance on external stakeholders	<p>Our investments in spurring innovation in our specialty business leads to the development of new and more effective medications through advancements in medical research. This also leads to an overall improvement in public health, extends life expectancy, and improves the quality of life of patients by addressing previously unmet medical needs. Investments in innovation in our generics pipeline also increases access to quality affordable generic medications for the wider population, thereby reducing the burden of disease and improving public health outcomes in developed and developing nations, where high costs can be a barrier to availing basic health treatments. Specific investments in process innovation also leads to more efficient manufacturing processes, thereby lowering production costs, reduced material usage and improved resource efficiency, minimum waste generation and improved resource recovery, faster production times, and better quality control.</p>
Type of impact	Positive
Output Metric	Development of generic, complex and specialty pharmaceutical products
Impact Valuation	Improved health and quality of life of patients
Impact Metric	Number of pharmaceutical product filings



# Product Quality and Accessibility

The realization of the goal of universal health coverage relies on access to safe and efficacious medicines at affordable prices. As a prominent global generic pharmaceutical company, we are committed to delivering high quality and affordable medications to patients and healthcare professionals in over 100 countries across the world. Aligned with our overarching vision of “Reaching People, Touching Lives,” we strive to enhance the presence and reach of our products in diverse international markets, urban centres, towns, and even rural areas. Our strong distribution network, comprising carrying and forwarding agents (CNFs), stockists, distributors, and wholesalers, empowers us to effectively deliver our pharmaceutical products to patients worldwide, ensuring widespread accessibility and availability to those in need of medical products.

Our aim to provide high quality generic and branded medicines is supported by our global workforce of over 43,000 (including executives on contract) people across 43 manufacturing locations. Our commitment to develop specialty medications to address unmet medical needs as well as development of generic medications is supported by our strong Research and Development (R&D) capabilities, comprising 2,840 people, and focused investments in R&D representing 5.5% of our sales in FY 2022-23. Ensuring good health for all is unattainable without access to essential pharmaceutical products and our key focus is on improving access to healthcare by delivering safe and effective products which are responsibly priced.

## Patient Safety and Product Quality

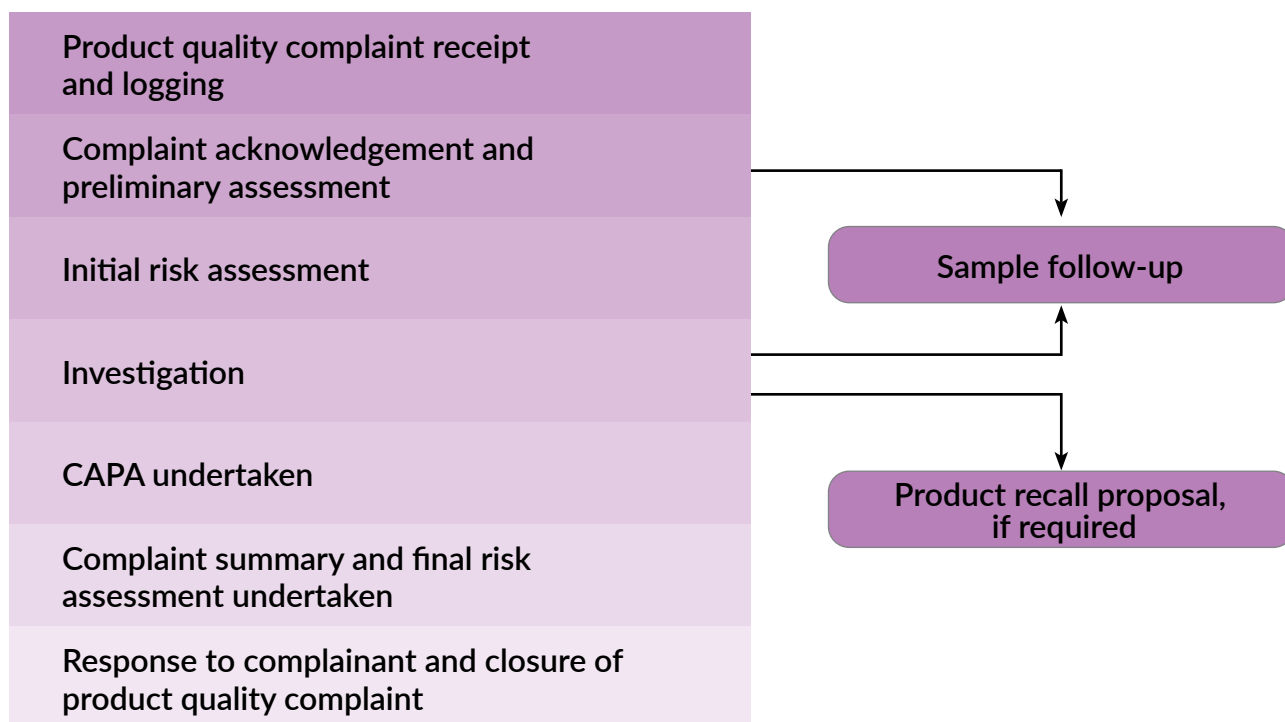
We deploy stringent mechanisms of review and quality checks to ensure regulatory compliance and maintain the product quality at the highest levels. Timely identification and mitigation of risks associated with the health and safety impacts of our products is critical to enhance product quality, patient safety and retain stakeholder trust<sup>15</sup>. Failure to maintain the highest standards of product quality may lead to penalties and warnings from regulatory authorities and ultimately leads to an erosion of brand value and perception for our stakeholders. We are committed to comply with all quality and regulatory compliance standards and monitor product safety strictly to ensure that the risk-benefit profile of our products is continuously assessed.<sup>16</sup>

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<sup>15</sup>GRI 3-3

<sup>16</sup>GRI 416-1

We have summarized a robust seven step process for receipt and redressal of any complaints related with respect to product quality:



For FY 2022-23, we undertook 1 Class - I Recall and 33 Class - II Recalls. In the reporting year there were 11 regulatory inspections for our manufacturing facilities.



## Enhancing Access to Healthcare

As a leading pharmaceutical company, improving access to healthcare globally is one of our key focus areas. Below are some of the initiatives that we have undertaken in this direction:

1. As part of our CSR initiative, we provide access to medicines to beneficiaries who inhabit villages in the vicinity of our operating locations. The medicine and medical health care services are free of cost and accessible through our mobile healthcare units.
2. As part of its efforts to enhance access to medicines for low and middle-income countries (LMICs), Sun Pharma has signed a non-exclusive voluntary licensing agreement with MSD to manufacture and supply a generic version of molnupiravir in over 100 low and middle-income countries (LMICs) including India.
3. Sun Pharma's dedicated R&D team endeavours to offer patients with innovative and affordable medicines and treatments to alleviate their ailments. The Company has been continuously investing in building a strong portfolio of generics, branded generics, and specialty products for the global market.
4. The company also offers patient assistance programs, reimbursement support and cost saving programs for some of its products in order to make the products affordable.
5. Sun Pharma conducts research to develop new medicines for neglected diseases like Zika, Chikungunya and Dengue.



# Information Technology and Digitization

Through our strategic investments in state-of-the-art technologies, we diligently pursue our goal of enhancing the accessibility and affordability of medicines worldwide. In the process, we prioritize the strict adherence to global safety standards, while continuously improving the overall quality of our diverse product portfolio.<sup>17</sup>

Our commitment to technological advancement is evident through a series of projects that have yielded significant benefits. These include characteristics such as increased safety, improved operational efficiency, technical advancements, and cost efficiency. To facilitate the adoption of pioneering technologies and foster long-term business growth, we have established a specialized Center of Excellence (CoE). This CoE supports various functions such as R&D, quality, finance, manufacturing, HR, and supply chain. Our Corporate Technology Team has also devised a comprehensive IT innovation and technology plan, which directs the adoption of necessary IT policies throughout the organization.

On March 1, 2023, we disclosed one information security incident that impacted some of the Company's IT assets. Remedial measures were immediately

implemented to contain and manage the impact of the information security incident, including employing appropriate containment protocols to mitigate the threat, and enhancing security measures and utilising global cyber security experts to ensure the integrity of the Company's IT systems' infrastructure and data. As part of the containment measures, we also proactively isolated our network and initiated recovery procedures. As a result of these measures, certain business operations were also impacted. No client and employee data were impacted by this breach<sup>18</sup>. One breach was reported in respect to customer privacy data.

To prevent the risk of any future incidents, we have strengthened our cybersecurity infrastructure and are in the process of implementing further improvements to our cyber and data security systems. We are also implementing certain long-term measures to augment security controls systems across the organisation. In coordination with legal counsel across relevant jurisdictions, all applicable regulatory and data protection authorities, where considered required, were informed of the breach and remedial measures implemented.

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<sup>17</sup>GRI 3-3

<sup>18</sup>GRI 418-1

# Environmental Stewardship: A Pledge to Protect Our Planet

Safeguarding the environment lies at the core of our endeavours, signifying an essential strategic priority and an integral pillar of our dedication to sustainable development. Mindful of our duty to mitigate any detrimental effects, we steadfastly embrace the implementation of environmentally conscious operations.

We are committed to reducing our carbon footprint and to accomplish this goal, we have implemented several carbon and energy related initiatives to manage our GHG emissions. All these initiatives are geared towards realizing our ambitious target of achieving 35% reduction in our GHG emissions for scope 1 and scope 2 by 2030 compared to 2020 baseline.

Our ESG Focus Areas	FY 2022-23 Targets	Long-term targets
Energy efficiency and carbon emissions	Scope 1 emissions – 83,389 tCO <sub>2</sub> e Scope 2 emissions – 3,13,199 tCO <sub>2</sub> e Non-renewable energy consumption – 7,97,138 MWh	Reduce absolute carbon emissions (Scope 1 and Scope 2) by 35% by 2030 (baseline year of 2020)
Water Management	Total Net Fresh Water Consumption – 3.97 Million cubic meters	Reduce water consumption by 10% by 2025 (baseline year of 2020)
Managing waste	Total non-hazardous waste disposed – 811 MT Total hazardous waste disposed – 13,322 MT	Co-processing of 30% hazardous waste by 2025



## Environmental Governance Mechanism

The mechanisms which enable us to attain these targets are reinforced through rigorous governance mechanisms, including a comprehensive Environment, Health, and Safety (EHS) policy, as well as our well-defined EHS Management System and Energy Management System. These robust frameworks provide the necessary support and structure to drive progress and ensure the successful realization of our environmentally conscious objectives to manage our greenhouse gas emissions, water consumption and waste generation.

Our EHS Management System is aligned to ISO 14001:2015. In the current reporting period, 19 sites (50%) have been ISO 14001: 2015 certified. In addition, 4 sites (11%) have undergone a third party certification and all our sites have been internally certified for their EHS management systems.

We continuously strive to maintain strict adherence with all relevant local, state and national regulatory requirements and make focused efforts to identify and minimize any potential or actual risks arising from non-compliances. In FY 2022-23, our facility in Toansa paid a fine of INR 5 million due to accidental stagnation of water. Immediate corrective actions have been implemented and remedial measures have been incorporated to prevent any future risks. The regulatory authorities have been notified of our mitigation measures and all fines were duly paid within stipulated timelines.



	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Number of violations of legal obligations/ regulations related to environment	0	0	0	1
Amount of fines/penalties related to the above (in INR)	0	0	0	50,00,000
Environmental liability accrued at year end (in INR)	0	0	0	0

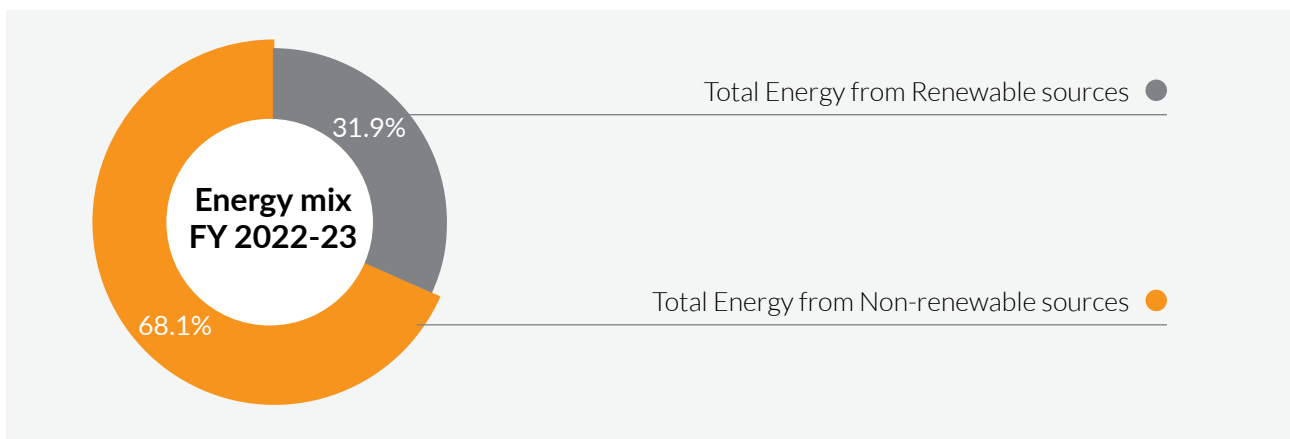


## Energy Efficiency

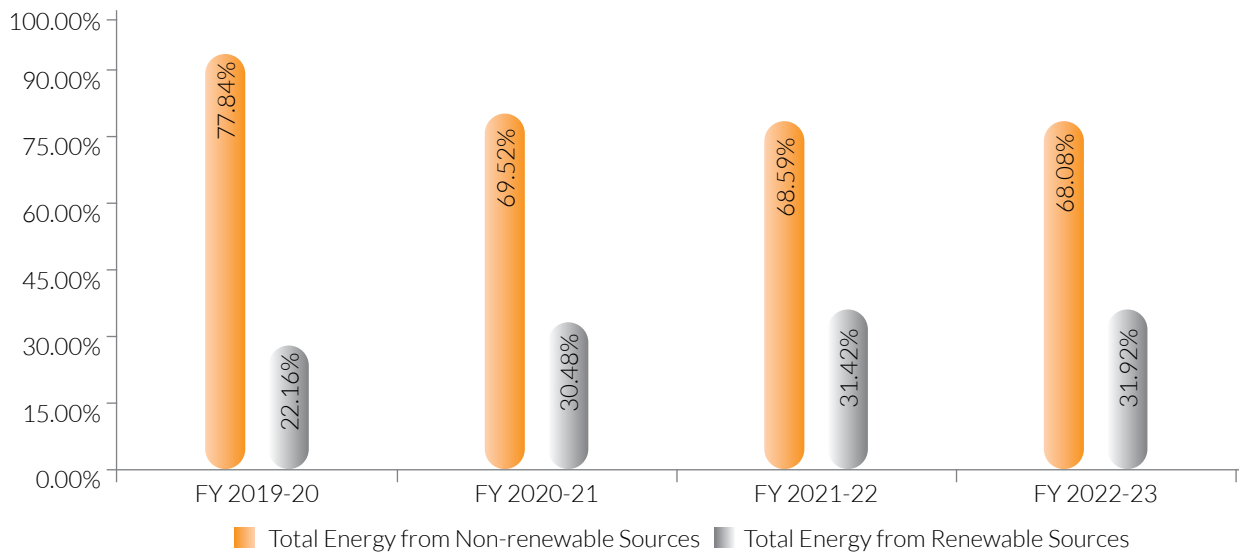
Our energy demand and the consumption of fossil fuel-based energy in our operations is inextricably linked to greenhouse gas emissions and influences the achievement of our decarbonisation targets. In order to reduce our overall energy demand and leverage clean energy for our operations, we have adopted a three-pronged approach - 'monitor, decarbonise, and minimise'.

### Our annual energy consumption trends

Energy Consumption (in MWh) <sup>19</sup>	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Total energy from non-renewable sources	9,02,660.08	8,29,108.76	8,39,092.28	8,15,699.29
Total Energy from Renewable Sources	2,57,048.28	3,63,546.52	3,84,192.90	3,82,411.66
Total energy consumption	11,59,708.36	11,92,655.29	12,23,285.18	11,98,110.94



<sup>19</sup>GRI 302-1



## Emissions Management

### Scope 1 GHG Emissions<sup>20</sup>

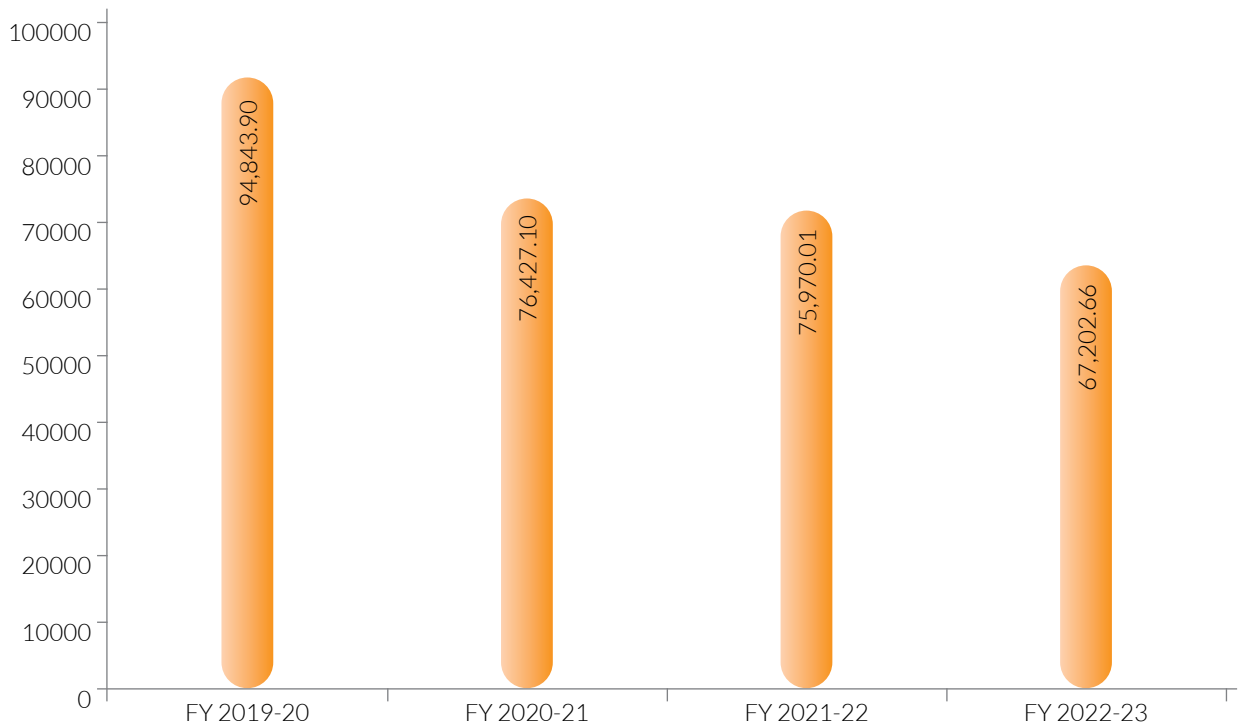
We periodically monitor and report on the emissions pertaining to direct fuels consumed (HSD, furnace oil, petrol, CNG, LPG, LDO and coal) in our operations. Our Scope 1 emissions demonstrate a declining trend over the past four years.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Scope 1 emissions (tCO <sub>2</sub> )	94,843.90	76,427.10	75,970.01	67,202.66



<sup>20</sup>GRI 305-1 and 305-4

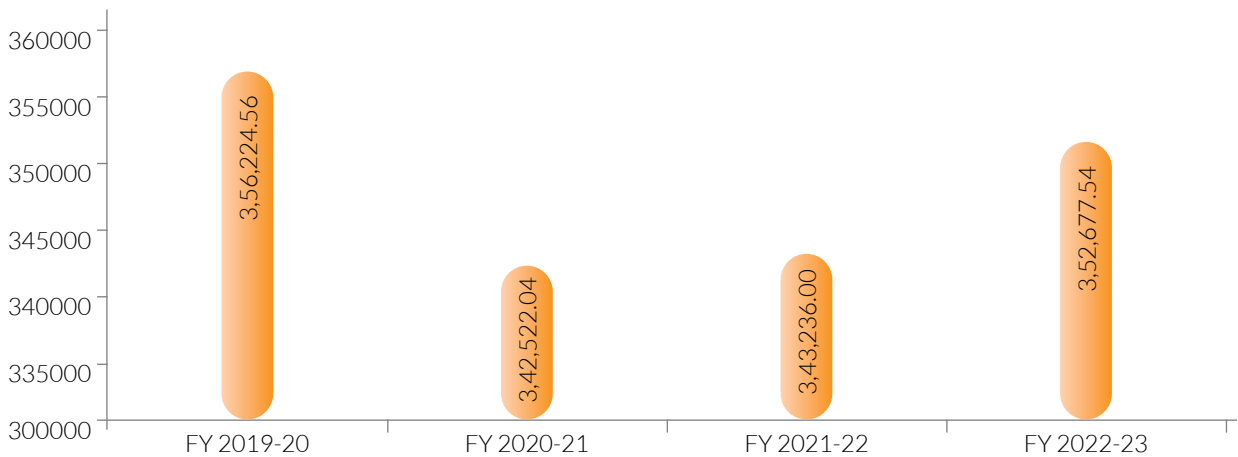
### Scope 1 GHG Emissions (tCO2e)



### Scope 2 GHG Emissions<sup>21</sup> (tCO2e)

We monitor and report our emissions pertaining to the purchased electricity from the grid.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Scope 2 emissions (tCO2)	3,56,224.56	3,42,522.04	3,43,236.00	3,52,677.54



### Scope 3 GHG Emissions<sup>22</sup>

We report on the indirect emissions within our business value chain pertaining to seven categories of Scope 3 emissions, as specified by the GHG protocol. The categories of emissions most material to our operations and with the highest impact within the value chain are from purchased goods and services, fuel- and energy-related activities, business travel, employee commute, upstream transportation and distribution, downstream transportation and distribution, and waste generated during operations.

<sup>21</sup>GRI 305-2 and 305-4

<sup>22</sup>GRI 305-3 and 305-4

## Scope 3 GHG Emissions (tCO2e)

Source	FY 2021-22 (tCO2)	FY 2022-23 (tCO2)
Purchased goods and services	1,69,412.77	1,82,979.69
Fuel- and energy-related activities (not included in Scope 1 or Scope 2) <sup>23</sup>	-	99,160.91
Employee commute	16,105.74	20,114.45
Business travel	512.82	3,794.42
Upstream	6,137.89	7,629.84
Downstream	30,030.36	38,311.26
Waste generated in operations	4,690.50	5,275.10
Total	2,26,890.08	3,57,265.66



### Waste Management

Our waste management strategy involves monitoring waste at its source, optimizing resource utilization, and minimizing the generation of waste. We prioritize waste diversion from landfills through recycling and other recovery methods, including co-processing. Our waste management practices are aligned with our commitment to co-process 30% of hazardous waste by 2025, compared to the baseline year of 2020.

### Waste Generated

Type of waste <sup>24</sup>	Generated (MT)			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Hazardous	23,448.83	30,580.94	29,786.86	32,033.46
Non-hazardous	11,734.22	17,027.73	21,471.00	21,431.22

### Waste Diverted from Disposal<sup>25</sup>

Categories	FY 2019-20 (MT)	FY 2020-21 (MT)	FY 2021-22 (MT)	FY 2022-23 (MT)
<b>Hazardous waste</b>				
Reuse	0	0	0	0
Recycling	10,201.43	13,543.25	15,451.10	15,448.30
Total	10,201.43	13,543.25	15,451.10	15,448.30
<b>Non-hazardous waste</b>				
Reuse	5.84	1.90	1.92	3.08
Recycling	9,930.63	13,495.62	20,156.81	20,036.02
Other recovery options	599.33	640.01	811.18	629.26
Total	10,535.8	14,137.53	20,969.91	20,668.36

<sup>23</sup>In the reporting year we have added new category of Scope 3 emissions which was not calculated in the previous years

<sup>24</sup>GRI 306-3

<sup>25</sup>GRI 306-4

## Waste directed to Disposal<sup>26</sup>

Categories	FY 2019-20 (MT)	FY 2020-21 (MT)	FY 2021-22 (MT)	FY 2022-23 (MT)
<b>Hazardous waste</b>				
Incineration	3,044.67	2,755.57	2,188.50	1,717.86
Landfilling	8,220.46	9,543.03	9,027.90	10,536.27
Co-processing	1,452.18	2,540.12	2,377.53	2,759.88
Total	12,717.31	14,838.72	13,593.93	15,014.01
<b>Non-Hazardous waste</b>				
Incineration	43.48	42.66	49.34	41.49
Landfilling	511.04	791.31	804.52	552.38
Total	554.52	833.97	853.86	593.87



## Water Stewardship

Our approach to water management is based on the principles of the 4Rs: reduce, reuse, recycle, and recharge. We are committed to reducing our reliance on groundwater sources, particularly from water-stressed areas. In FY 2022-23, only 12% of our water withdrawal originated from water-stressed areas, demonstrating a positive change compared to 13% in FY 2021-22.

## Water Withdrawal from Sources<sup>27</sup>

Source	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Third party (KL)	14,06,394	15,98,604	15,56,383	14,54,548
Surface water (KL)	6,60,804	7,08,714	6,49,986	6,96,295
Groundwater (KL)	21,51,053	17,96,012	17,62,243	15,69,983
Total (KL)	42,18,251	41,03,330	39,68,613	37,20,826

## Water Discharge<sup>28</sup>

Source	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Third party (KL)	1,325,132	1,285,097	1,287,972	1,422,385

## Water Consumption<sup>29</sup>

Source	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Water consumption (KL)	2,893,119	2,818,233	2,680,641	2,298,441

<sup>26</sup> GRI 306-5

<sup>27</sup> GRI 303-3

<sup>28</sup> GRI 303-5

<sup>29</sup> GRI 303-4



## Climate Governance

Our risk management is undertaken through a cross-functional approach that facilitates cohesion in response and management of risk incidents. This mechanism operates through a multi-layered governance structure which is illustrated below:



### Roles and Responsibilities:

- » **Board Oversight:** The Board of Directors have constituted a Risk Management Committee (RMC) with the overall responsibility of risk management. The Board level RMC has the highest level of oversight over Sun Pharma's risk profile and opportunity landscape, including identifying, managing and monitoring of key climate related risks. The committee, chaired by the Managing Director (MD) ensures strategic review and implementation of risk management policies as well as year-on-year performance against overall business goals and targets using enterprise risk framework (ERM). Our MD has multiple decades of corporate experience and provides guidance towards our ESG strategy. Our MD periodically oversees climate-related issues and reviews / approves major climate related projects and capital expenditure. The environment team regularly updates the Managing Director on all the climate related aspects.
- » **Management roles and responsibilities-**
  - o **Environment team-** The team is responsible for overseeing the implementation, progress, and performance of our climate change related initiatives. It regularly updates the MD on all the climate related aspects.

### Climate Risk Management Approach

The climate risks which are included in our Enterprise Risk Management (ERM) are subjected to the below risk management approach:



## Climate Risk Management

We have reported in alignment with the TCFD Framework and conducted a detailed physical and transition climate risk assessment, including scenario analyses, in FY 2022-23. The risk assessment included physical climate risks and transition related risks to the business. Our initiatives align with leading frameworks and guidelines, such as the Task Force on Climate-Related Financial Disclosure (TCFD) and the Carbon Disclosure Project (CDP). Sun Pharma's TCFD methodology is grounded in rigorous climate risk studies, GHG inventorization, and analysis of existing institutional arrangements. We are using both qualitative and quantitative climate-related scenario analysis.

We have covered short-term, medium-term and long-term time horizons in our climate risk assessment.



#### **Short Term (0-5 years)**

This defines the period for achieving short-term goals that we have set for 2025 (considering 2020 as the baseline year) in alignment with our climate action strategy.



#### **Medium Term (5-10 years)**

This defines the period for achieving the medium-term goal that we have set for 2030 (considering 2020 as the baseline year) in alignment with our climate action strategy. We have set a target of 35% reduction in Scope 1 and Scope 2 emissions by 2030, considering the baseline year of 2020.



#### **Long Term (10-30 years)**

While the long-term horizon presents inherent uncertainties, we proactively address this challenge by integrating our climate action plans into our business growth strategy. By doing so, we ensure that sustainability and climate resilience are ingrained in our operations, allowing us to adapt effectively to emerging situations, including unforeseen events like climate related supply chain disruptions or the recent pandemic.

## Physical Risks and Scenario Analysis

Physical risk was calculated for Sun Pharma's 100 locations/sites situated in India and abroad. This assessment encompassed our manufacturing locations, offices and upstream strategic supplier's manufacturing sites, and critical downstream warehouses. Our assessment process utilized globally recognized models to assess acute and chronic physical risks associated with extreme temperatures, droughts, flooding, thunderstorms, precipitation, wildfires and wind velocity.

- » **Acute Physical Risks-** We have identified potential acute physical risks that may pose challenges to our operations and value chain. Subsequently, we will develop location specific mitigation plans to address these risks effectively. The primary objective of our physical climate risk assessment was to understand exposure to acute physical risks and minimize the impact of extreme weather events and other climate-related hazards on our operations and supply chain. By proactively addressing these risks, we focus on ensuring the continuity of our operations and mitigate potential damages arising from acute physical impacts.
- » **Chronic Physical Risks-** The primary objective of our physical climate risk assessment was to understand exposure to chronic physical risks such as precipitation patterns, extreme temperature, water availability and minimize its impact on our direct operations and supply chain. Additionally, we used WWF's Water Risk Filter Tool to evaluate water stress and availability risks at our manufacturing and research sites.

We studied the historical trends and future projections of above mentioned various climate hazards impacting our business locations.



### Climate-related scenario analysis

We studied the historical trends and future projections of above-mentioned various climate hazards with potential impact on our business locations. For future hazard trends, our climate risk assessment used the Shared Socioeconomic Pathways (SSPs) assessment using SSP 1, 2, and 5 scenarios until the year 2100. These scenarios have been used to help produce the IPCC Sixth Assessment Report on climate change, published in 2022. The data allows for physical climate risk to be assessed every 5 years from the present to 2100.

The SSPs are based on five narratives describing broad socioeconomic trends that could shape future society. For Sun Pharma's physical risk assessment, the following three climate scenarios have been considered for all the locations.

SSP 1: Sustainability – Taking the Green Road	SSP 2: Middle of the Road	SSP 5: Fossil-fueled Development – Taking the Highway
<p>Low challenges to mitigation and adaptation</p> <p>Shift to sustainable practices resulting in rapid technological development, relative global equality of income and environmental sustainability.</p> <p>Emissions continue to increase through the end of the century with resulting warming of more than 1 degree Celsius by 2100</p>	<p>Medium challenges to mitigation and adaptation</p> <p>Strong mitigation actions to reduce emissions to half of current levels by 2080</p> <p>Emissions continue to increase through the end of the century with resulting warming of more than 2 degrees Celsius by 2100</p>	<p>High challenges to mitigation, low challenges to adaptation</p> <p>Continuation of business as usual with emissions at current rates.</p> <p>High-growth energy-intensive emissions result in warming of more than 4 degrees Celsius by 2100</p>

The scenario analysis gave us insights on various long term climate risks across our value chain. Our assessment process utilized globally recognized models to assess acute and chronic physical risks associated with extreme temperatures, droughts, flooding, thunderstorms, precipitation, wildfires and wind velocity.

## Transition Risks and Scenario Analysis

We have conducted a scenario analysis until 2050 to assess the risks to the business posed by upcoming/ anticipated changes in the policies, regulations, markets, technologies as a result of climate change impacts. We have used Network for Greening the Financial System (NGFS) Scenarios developed in partnership with an academic consortium from the Potsdam Institute for Climate Impact Research (PIK), International Institute for Applied Systems Analysis (IIASA), University of Maryland (UMD), Climate Analytics (CA) and Eidgenössische Technische Hochschule Zürich (ETH) for this assessment. The transition pathways for the NGFS Scenarios are differentiated by several key design choices relating to long-term temperature targets, net-zero targets, short-term policy, overall policy coordination and technology availability. The different scenarios used are as follows:

- » **Nationally determined contributions (NDCs) Scenario:** This scenario foresees India's NDC is implemented fully and aligns the business' emissions as per the NDC trajectory
- » **Below 2°C scenario:** Scenario gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
- » **"Net Zero 2050" scenario:** Scenario limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero by 2050
- » **Delayed Transition scenario:** This assumes a disorderly transition where emissions until 2030 will follow business as usual (BAU) scenario and then it will suddenly start declining with an aim to restrict global warming below 2°C
- » **Divergent Net Zero scenario:** The world reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors that leads to a quicker phase out of oil use.



Risk	Impact	Risk Level
Political and Legal	Currently there is no carbon price/tax implemented in India. Thus, for Sun Pharma, regulatory implications from a point of view of policy is low. But on the other hand, our units based outside India might have some regulatory implications on their operations due to different carbon prices/tax policies. We are proactively implementing initiatives for reducing direct and indirect GHG emissions for multiple sites worldwide, aligning with our target for reducing GHG emissions (Scope 1 and Scope 2) by 35% by 2030.	Low- Medium
Market	With an increase in cost for the essentials (power/electricity rates at local sites and cost of raw materials), Sun Pharma needs to transition to renewable sources of energy. It is important to note as the Indian Government currently has no plans to phase out coal, the scenarios consider the price to remain the same and not expected to increase. This is similar to the NDC scenario. However, the other three low-carbon transition scenarios mentioned above may see a steep increase in prices especially post 2030. These three scenarios indicate that there is dissuasion to use coal as a source of energy. Globally, Sun Pharma units would be affected as policies would impact the market to an extent. Pharmaceutical manufacturers, may be subject to carbon tax obligations, depending on their emissions profile.	Low- Medium
Technology	Currently the total energy consumption from renewable sources of energy is low compared to non-renewables. However, the percentage share of projected renewable sources of energy would grow in the next few years posing lower transition risk. Renewable energy constitutes around 32% of our total energy usage. Assuming it remains at the current rate of growth (between 2019 to 2023), we project that by 2030 we would be utilizing more than 50% of our energy consumption through renewable sources of energy.	Low
Reputational	In line with our commitment on GHG reduction and focus on renewable energy, our reputational risks are low. Further we have adopted a policy of "Zero Liquid Discharge (ZLD)". To alleviate any negative environmental impact through wastewater generated, the company has been implementing ZLD systems at many of their manufacturing facilities. Currently, 16 manufacturing locations have ZLD status. Sun Pharma also aims to co-process 30% of hazardous waste by 2025.	Low



## Climate-Related Management Incentives

We provide incentives for the management of climate related issues to our senior management, environment team, Global Head of Projects & Engineering and plant/ site heads. They are responsible for implementing various climate related initiatives and are required to contribute towards achieving GHG Emissions/Energy efficiency targets. They have performance linked incentives as one of the components of their overall compensation.

## Physical Climate Risk Adaptation

- » **Energy Efficiency :** We aim to reduce carbon emissions by 35% by 2030 considering the baseline of 2020 (Scope 1&2). For achieving these targets, we have introduced many energy saving initiatives like installation of energy efficient zero purge refrigerant type air dryer, installation of energy efficient cooling tower, using smart and efficient Heating Ventilation and Air conditioning (HVAC) equipment, replacement of CHW & HW pump with energy efficient pump and with IE3 motor etc. that have helped us reduce fuel consumption, water and carbon for many sites across the world.
- » **Water Management:** Since droughts and water scarcity are expected to be exacerbated as a result of the physical impacts of climate change on our operating sites, we are exposed to water risks at some of our sites which have the potential to temporarily disrupt operations and affect our revenues. To comprehensively assess water risk, we have utilized both the WWF Water Risk Filter and Central Ground Water Board (CGWB) analysis for all our global locations. For our sites in India, we relied on the CGWB analysis to identify water-stress areas. In contrast, for locations outside of India, we employed the WWF Water Risk Filter to identify water stress sites.

### Metrics and Targets

We are committed to reducing our carbon footprint and to accomplish this goal, we have implemented several carbon and energy related initiatives to manage our GHG emissions. All these initiatives are geared towards realizing our ambitious target of achieving 35% reduction in our absolute GHG emissions for scope 1 and scope 2 by 2030 compared to 2020 baseline.

We have a company-wide absolute emissions target that covers Scope-1 and Scope 2 combined.

Scope covered by the target	Target Timeframe	Baseline year emissions covered and as a % of total base year emissions	% reduction target from base year
Scope 1 + Scope 2 combined	Base Year- 2020 Target Year- 2035	Base year emissions- 4,51,068 MT CO <sub>2</sub> e Percentage of total base year emissions- 100%	35%

### Biodiversity

We strongly recognize the interconnectedness of biodiversity management and corporate sustainability and the need to integrate the same within our business strategies. It highlights the value of responsible resource use and ecosystem preservation while acknowledging the connection between human activities and the natural environment. Further, preserving biodiversity has positive implications on business continuity and can aid in providing for long-term viability.

Our commitment to protection of Biodiversity is enshrined in our Biodiversity Policy.

# Biodiversity Risk Assessment

## Scope and Methodology

In the reporting year, we have conducted biodiversity risk assessment through a third-party agency at five of our manufacturing locations based on their contribution to overall business and adjacent areas to our operations. The biodiversity risk assessment has documented various biodiversity components, ecosystems and ecosystem services within and around these five locations. The Taskforce on Nature-related Financial Disclosures Framework (TNFD) V0.4 has been used for biodiversity risk identification.

This assessment was conducted through site surveys to document the various forms of biodiversity in and around the five sampled sites. Key findings of these surveys support in identification of site specific risks and timely development of mitigation plans. The stages of the assessment included:

1. Documentation of Floral (Trees, Shrubs, Herbs and Medicinal Plants), Faunal diversity (Mammals, Birds – Aquatic and Terrestrial, Herpetofauna, Butterflies)
2. Qualitative and Quantitative analysis for Floral and Faunal diversity
3. Identification of flora and fauna along with rare and endangered species; nationally, regionally or locally significant species and communities present in the study area as per Wildlife Act, 1972
4. Assessment of the carbon sequestration potential of the existing green belt within the study area.
5. Development of an action plan for conservation and enrichment of biodiversity.
6. Identifying non-native or invasive species.

## Biodiversity Risks and Opportunities

Some of the biodiversity risks and opportunities identified from the assessment are as below:

- » Risk due to sourcing of surface water/ground water for process requirements
- » Risk arising due to growth of invasive species in greenbelt areas
- » Risk from Species with High Conservation Importance reported within site and nearby area
- » Carbon sequestration from Greenbelt to address the residual emission as an opportunity through biodiversity conservation





# Workforce Resilience and Wellbeing

We are building our vision of 'Reaching People And Touching Lives Globally As A Leading Provider Of Valued Medicines' by championing the potential of our diverse and dynamic workforce. Furthermore, Sun Pharma is Great Place To Work® Certified which is a testament to our unwavering dedication to creating an exceptional workplace environment.<sup>30</sup>

The table below provides details on our workforce by gender, age and region for FY 2022-23.<sup>31</sup>

Category	<30 years	30-50 years	>50 years	Male	Female
<b>India</b>					
<b>Employees</b>					
Top management	0	38	80	108	10
Senior management	0	374	198	525	47
Middle management	38	1,642	265	1,697	248
Junior management	141	2,760	320	2,857	364
Non-Management <sup>32</sup>	9,576	8,493	370	17,544	895
Executives on contract	1,205	27	0	907	325
Total Employees	10,960	13,334	1,233	23,638	1,889
<b>Workers</b>					
Permanent Associates	1,607	3,506	906	5,825	194
Contractual Labour	5,762	434	0	4,624	1,572
Total Workers	7,369	3,940	906	10,449	1,766
<b>Global (Excluding India)</b>					
<b>Employees</b>					
Top management	0	18	27	35	10
Senior management	0	77	99	123	53
Middle management	20	386	233	338	301
Junior management	110	611	294	479	536
Non-Management <sup>33</sup>	298	1,225	655	1,500	1,443
Executives on contract	108	195	19	110	212
Trainees	6	3	0	1	8
Total Employees	608	3,110	1,431	2,586	2,563
<b>Workers</b>					
Permanent Associates	14	70	16	54	46
Casual Labour	89	26	15	71	59
Contractual Labour	103	157	13	111	162
Total Workers	206	253	44	236	267

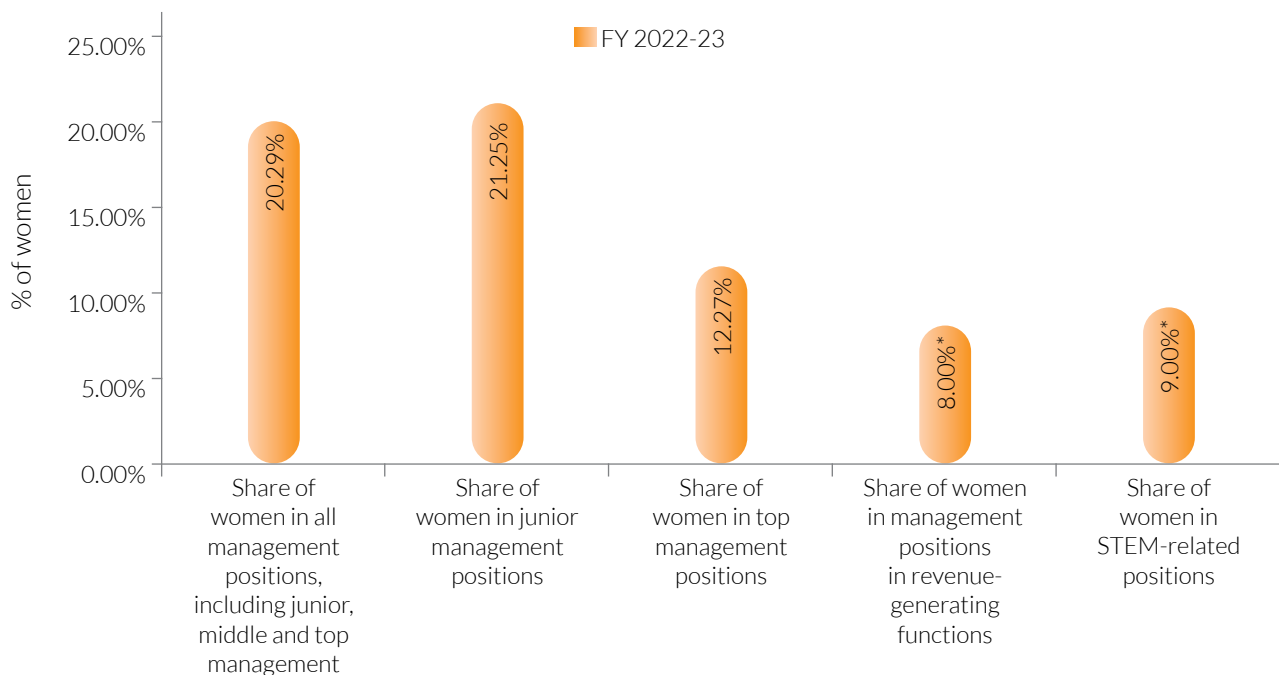
<sup>30</sup> GRI 3-3

<sup>31</sup> GRI 2-7 and 2-8

<sup>32</sup> This includes all employees in non-management roles and field employees

<sup>33</sup> This includes all employees in non-management roles and field employees

At the heart of our success lies a diverse and inclusive work culture. For the reporting year, women comprised 14.94% of our workforce. We also make focused efforts to provide for adequate representation of women in management positions and other technical roles and revenue-generating functions.<sup>34</sup>



\*Data for India operations which accounts for more than 80% of our workforce

## Talent Acquisition and Retention

In FY 2022-23, our global employee (including India) base grew by 7,619 employees<sup>35</sup>. The table below provides details on our new hires by region, age, and gender:

Region	<30 years	30-50 years	>50 years	Male	Female
India	5,528	1,076	23	5,820	807
Global (excluding India)	340	566	86	514	478
Total hires	7,619				
Internal hiring rate	7%* (Data for India operations which accounts for more than 80% of our total workforce)				

## Total employee turnover (including retiring, resigning, terminated employees and the deceased during the year)<sup>36</sup>

Region	<30 years	30-50 years	>50 years	Male	Female
India	2,505	1,342	105	3,623	329
Global (excluding India)	179	486	139	393	411

16.27% Employee turnover rate | 12% Voluntary Employee turnover rate\*

\*For Indian Operations only, comprising of more than 80% of our workforce

<sup>34</sup>GRI 405-1

<sup>35</sup>GRI 401-1

<sup>36</sup>GRI 401-1



## Developing our Talent

We are focused on building a spirit of continuous learning and development to help our employees embrace the skills they will need in their roles and the future.

**Assessments for performance management:** The ongoing process includes goal planning, development needs assessments, mid-year reviews, and year-end reviews, ensuring a robust performance management strategy. We also undertake agile and informal open two-way discussions between employees and managers and team-based performance appraisal for greater transparency and holistic feedback. In FY 2022-23, 100% of our employees were covered by the annual appraisal cycle, following a systematic approach of management by objectives.<sup>37</sup>

**Holistic Training and Development Programs:** We continued to deliver comprehensive learning opportunities which align with the objectives of our organization and the aspirations of our employees.<sup>38</sup>

### Leadership Development Program

In the reporting year we organized several training initiatives to nurture the potential of our leaders. Through programs like the Leaders Development Program (LDP), Manager as a Coach, Seven Habits of Highly Effective People, and People Development Program, we equipped functional leaders with general management skills, enabling them to tackle organizational challenges from a strategic business perspective. Such programs play an important role in enabling our functional leaders to adapt to volatile markets, navigate cross-cultural challenges, and rapidly changing risk landscapes, whilst driving strategic initiatives to strengthen Sun Pharma's global competitiveness.

**Participation: 30%**

### Training program for Salesforce

We organized a tailored program on the basics of Salesforce to enhance the skills and capabilities of our field force. Through valuable insights, the program aims to improve market readiness among participants. They learned to optimize their time, employ innovative selling techniques, and communicate effectively and authentically with customers. It also cultivated a sense of ownership and accountability within the workforce, empowering them to become passionate brand advocates who drive meaningful results for the company. The program's emphasis on trust development further strengthened their ability to influence positive outcomes.

**Participation: 35%**

For FY 2022-23, each employee underwent an average of 78 hours of training. The following table provides details on average training hours for FY 2022-23 by gender and employee category.<sup>39</sup>

Employee Category	Male	Female
Top management	53	19
Senior management	12	2
Middle management	34	12
Junior management	102	67
Non-management	99	3
Executives on Contract	145	78
Average amount spent per FTE on training and development: INR 1,684		

<sup>37</sup>GRI 404-3

<sup>38</sup>GRI 404-2

<sup>39</sup>GRI 404-1



## Talent Engagement

Fair Compensation: Through diligent benchmarking with industry peers and guidance from our independent compensation advisors, and a global approach to rewards, we ensure that remuneration across our workforce is competitive. We comply with all applicable laws and regulations for minimum wages at the hiring stage across our operations.

### Gender Pay Assessment<sup>40</sup>

We have also undertaken a gender pay gap assessment across our operations:

Employee Level	Average Women Salary in INR	Average Men Salary in INR
Executive level (base salary only)	2,04,73,128	2,73,26,085
Executive level (base salary + other cash incentives)	2,84,42,046	3,95,51,486
Management level (base salary only)	91,88,739	93,33,847
Management level (base salary + other cash incentives)	1,21,43,185	1,26,58,385
Non-management level (base salary only)	44,90,587	45,62,269



## Employee Benefits

We continuously benchmark our employee benefits and opportunities against market trends to ensure that we meet the evolving needs of our diverse global teams and their families. Our employees are also supported with retirement benefits such as contributions to a pension fund and mandatory retirement provisions as per applicable laws and regulations. We offer a range of leaves designed to support the improved work-life balance and flexibility needs of our employees. Through our company portal, our employees across global operations can enjoy the flexibility of choosing their in-time within a specified time window. We provide paid maternity (26 weeks) and paternity leave (1 week).<sup>41</sup> To further support employees transitioning back to work after parental leave, we offer various resources such as on-site lactation facilities, creche facility, and partnerships with nearby creches.<sup>42</sup>

### Employee Engagement Survey

In FY 2022-23, we underwent the Great Place to Work Survey and achieved an employee engagement score of 84%. Metrics covered by the survey included:

1. Job satisfaction
2. Purpose
3. Stress levels
4. Happiness

### Our Commitment to Human Rights and Non-discrimination

We are committed to upholding human rights and preventing discrimination across our global operations

through our Human Rights Policy. We expect our value chain partners to align with these values and offer grievance mechanisms for prompt resolution. For FY 2022-23, we received 11 complaints of discrimination, all of which were resolved within the prescribed timeline<sup>43</sup>. We also have a management-recognized employee union (wherever applicable across our global manufacturing operations) that represents 4.54% of our workforce as of March 31, 2023.<sup>44</sup>

All our locations are have mitigation plans in place for Human Rights related risks.

**Human Rights Protection and Due Diligence Efforts:**  
We strive to identify the adverse human rights impact

<sup>40</sup>GRI 405-2

<sup>43</sup>GRI 406-1

<sup>41</sup>GRI 401-3

<sup>44</sup>GRI 2-30

<sup>42</sup>GRI 401-2

of our business on all the relevant stakeholders, and correspondingly account for addressing these impacts through corrective actions. Our efforts cover various areas such as labor standards, health and safety, environmental practices, corporate ethics, and specific topics like freedom of association, safe working conditions, fair wages, child labor, and discrimination. Furthermore, groups considered at risk and included in the process covers our own employees, third-party employees, children, and our suppliers and business partners.

**Employee Awareness on Human Rights Policies and Procedures:** To promote understanding and support our commitment to human rights, we provide training to our employees, through a focused training program available on our Learning Management System. Through these training programs, we aim to raise awareness and knowledge, fostering a culture that values respect, fairness, and equality.

### **Ensuring Employee Well-being, Health, and Safety**

Through a range of focused programs and initiatives, we have created a supportive work environment that goes beyond traditional benefits and addresses the holistic health and well-being of the workforce.

**Addressing Workplace Stress and Mental Wellness:** We conduct regular sessions on mental health, equipping employees with valuable tools to tackle stress and other challenges. Additionally, 'Manntalks' is a free and confidential counselling helpline available to all employees. As part of our commitment to employee welfare, we celebrate International Yoga Day across our global locations. Sun Pharma has also integrated sports and health programs into its employee welfare initiatives, recognizing the link between physical fitness

and overall well-being. In every location, we organize sports activities, encouraging employees to actively participate. During the much-awaited Family Day event, we extend these opportunities to include sports competitions for employees' family members.

**Employee health<sup>45</sup> :** We have a comprehensive health management system that includes well-defined processes, standard operating procedures (SOPs), and other administrative controls to mitigate the risks associated with our manufacturing processes. We also encourage our people to participate in awareness programs and webinars on nutrition, mental health, meditation, and lifestyle-related diseases, among others.

**Our Proactive Approach to Occupational Health & Safety:** This is articulated in the Board-approved Employee Health & Safety (EHS) Policy. Our EHS management system<sup>46</sup> is driven by our commitment to achieving 'zero harm' and aims to stay ahead of regulations and legislation. By benchmarking our EHS standards against international best practices such as ISO 45001:2018, we ensure a proactive approach to safety.

Regular audits and robust governance mechanisms are instituted to monitor and review EHS implementation across manufacturing sites. From Area Managers to the Operations Head, our EHS leadership oversees and upholds safety standards at all our units. The fundamental principles of safety are established in our EHS guidelines and standards. They ensure that best practices, in line with standards like ISO 45001: 2018 and local regulatory requirements are implemented to enhance our EHS performance. Through continuous training and awareness programs, we endeavor to create a culture of safety and shared commitment to promote it in our workplaces.

<sup>45</sup>GRI 403-3 and 403-6

<sup>46</sup>GRI 403-1





## Global EHS Focus Areas:

Our multi-pronged approach to EHS is shaped by the four core areas of our Global EHS management system.



### AUDIT

17 sites globally are ISO 45001:2018 certified  
 Self-audit level 1  
 Corporate audit level 2  
 Third-party audit level 3



### GOVERNANCE

The EHS Policy, EHS management system, and Global EHS standards contribute to our strong EHS governance  
 EHS KPIs  
 EHS CAPA tracker  
 EHS culture meter



### EHS STANDARD IMPLEMENTATION

The ISO Standards framework serves as the foundation for our global EHS standards.  
 EHS management  
 Process safety  
 Occupational safety  
 Environment  
 Occupational health and hygiene



### CULTURE BUILDING

We drive our EHS culture development by a top-to-bottom EHS engagement mechanism that works through numerous channels.  
 Visible felt leadership  
 Engagement of employees  
 Line accountability in EHS  
 Competence and capability

**Hazard Identification, Risk Assessment and Incident Investigation<sup>47</sup>** : Our risk assessment methodology and safety practices are guided by the principles of our Process Safety Management, which comprises 14 elements. Our employees can report and investigate incidents through a customized IT Global EHS portal, which also enables knowledge sharing on preventive measures to avoid future recurrences.

## 14 Elements of Process Safety Management

Health and Safety Management	Control of Work	Advanced Risk Assessment
Management of change	Hot work permit	Process safety information
Incident investigation	Emergency preparedness and response	
Contractors	Mechanical integrity	Process hazard analysis
Compliance audits	Pre-startup safety review	
Employee involvement	Training management	Operating procedures and safety practices
Trade secrets		

<sup>47</sup>GRI 403-2 and 403-7

## Key Focus Areas of Process Safety Management



### RISK ANALYSIS

**Purpose:** This process helps to examine the root causes and develop appropriate mitigation action plans.

**Tools implemented:**

- EHS checklists
- Hazard and Operability Study (HAZOP)
- Hazard Identification and Risk Assessment (HIRA)
- Qualitative Risk Analysis (QRA)
- Job Safety Analysis (JSA)



### RISK EVALUATION FOR MATERIALS USED ACROSS MANUFACTURING OPERATIONS

**Purpose:** This is conducted to assess the EHS information related to the materials used in manufacturing operations. This evaluation aims to prevent any potential hazards resulting from the unintended mixing of different materials.



### CHANGE MANAGEMENT SYSTEM

**Purpose:** This is used to examine and address the change in process and facility



### WORK-RELATED HAZARD IDENTIFICATION

**Purpose:** To identify the unsafe conditions at work and monitor work-related hazards by the site-specific EHS governing team.



### ON-SITE EMERGENCY PREPAREDNESS

**Purpose:** To implement a robust fire safety and emergency management system

Regular fire safety drills and training sessions are conducted to ensure preparedness and we maintain a ready supply of fire protection equipment, that has been tested for functionality, across our manufacturing locations.



### DISASTER MANAGEMENT

**Purpose:** To identify emergencies and establish a chain of procedures. We strive to ensure uninterrupted operations and healthcare solutions. Through our formal on-site emergency plan (OSEP), we identify potential emergencies and outline procedures, including designated evacuation routes. Furthermore, we evaluate risks associated with potential disasters that could impact our entire supply chain as part of our business continuity plan.

## The 5 pillars of our Safety Management System:<sup>48</sup>

- » Forums & meetings - informal and formal Safety Committee meetings
- » Leadership engagement through EHS meeting forums
- » In-house and external training in line with ISO 45001:2018 requirements
- » Incident reporting and knowledge sharing through IT-based Global EHS portal
- » Audits for compliance with ISO 45001:2018

<sup>48</sup>GRI 403-7

## Instilling a safety mindset

To incorporate safety culture deeply into our operations and practices, we utilize a multi-pronged approach. Through practical safety training, we equip our workforce with the knowledge and skills to improve their understanding of safety practices.<sup>49</sup> Through formal and informal channels of communication, we promote safety practices, engaging our workforce through quizzes, interactive EHS competitions, safety drills, and the observance of national safety week and fire service week. Additionally, our rewards program recognizes individuals who demonstrate a commitment to safety. Scheduled EHS rounds, conducted by the Site Leadership Team (SLT), Shift in-charge and Block In-charges reinforce the importance of safety and bring a sense of responsibility and accountability among all employees<sup>50</sup>.

To enable us to assess the effectiveness of our safety training programs and EHS initiatives, we introduced an evaluation tool called 'EHS Culture Meter'. This analysis enables the EHS governance team to identify areas of strength and areas that may need further attention.

### Safety Performance in FY 2022-23<sup>51</sup>:

Description	Employees	Workers
Fatalities	0	0
Lost-time injury frequency rate*	0.164	0.111

\*Rates have been calculated as per 200,000 man-hours worked.

<sup>49</sup>GRI 403-5

<sup>50</sup>GRI 403-4

<sup>51</sup>GRI 403-9





# Responsible Supply Chain

## Sustainable Supply Chain

As a leading pharmaceutical company, product accessibility forms an integral factor for sustainable value creation for all stakeholders. Our supply chain management system, encompassing logistics, procurement, planning, and inventory management is aimed at ensuring that we manufacture and supply products in line with market demand.<sup>52</sup>

To ensure the efficiency and effectiveness of our supply chain management, we conduct regular reviews led by our senior management. These periodic assessments continuously evaluate and enhance our processes, keeping them aligned with industry best practices and our strategic goals. By prioritizing a strong and cross-functional supply chain management system, we optimize resource utilization, minimize waste, and streamline operations. This approach enables us to deliver products and services to our customers in a timely and sustainable manner, supporting our commitment to long-term success and value creation. Further, our progress is measurable through appropriate KPIs which enable continuous performance improvement, as outlined below:

1. **Procurement:** Our procurement team guarantees an uninterrupted supply of raw materials, primary and secondary packaging materials, as well as finished formulations. This facilitates the development and manufacturing of APIs and formulations, and ensures their availability in the designated markets.
2. **Planning and inventory management:** Our integrated management system incorporates Distribution Requirement Planning (DRP), Market Requirement Planning (MRP), and other planning insights to assess inventory needs and efficiently monitor supply chain activities.
3. **Distribution and logistics:** Through effective coordination with the supply chain team, our

distribution and logistics team ensure the timely delivery of finished goods and services, and meet customer requirements. In case of any disruptions in the supply chain, the logistics team collaborates with the supply chain team to overcome challenges and fulfill delivery of consignments.

4. **Finished goods delivery:** Our dedicated distribution team ensures the delivery of finished goods according to agreed timelines and customer specifications, while also selecting the optimal mode of transport for swift delivery of consignments

## Effective Supply Chain Monitoring

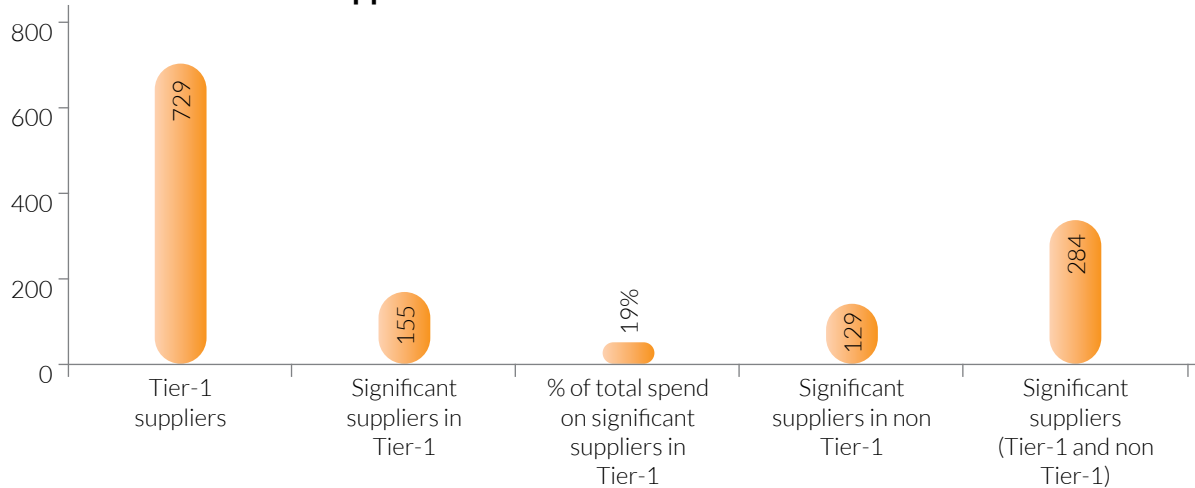
We have implemented a robust monitoring mechanism within our supply chain processes to ensure the identification, assessment, and mitigation of risks. Our approach involves the use of principles and checklists to systematically evaluate potential risks and develop strategies to address them. As part of our monitoring process, we conduct periodic assessments of our vendors, ensuring 100% coverage of all critical suppliers through Critical Quality Attributes (CQA) audits within a three-year cycle. In FY 2021-22, we enhanced our CQA audit checklist by incorporating ESG parameters. Based on the findings of these assessments, we also support our suppliers to develop and implement corrective action plans. In FY 2022-23, we conducted scheduled onsite/desk assessments for some of our key vendors, ensuring compliance with the requirements of the CQA checklist. This proactive approach allows us to continuously monitor and improve our supply chain practices.

To further strengthen our commitment to ESG practices within our business value chain, we have established a Supplier Code of Conduct. We expect all third-party vendors, suppliers, and business partners to adhere to the principles outlined in the Supplier Code of Conduct.

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<sup>52</sup>GRI 2-6

## Suppliers Screened in FY 2022-23



### Key Supply Chain Initiatives

1. Periodic review of suppliers and inventory in accordance with established guidelines. In the reporting year, we assessed a total of 129 suppliers for adherence to our Supplier Code of Conduct through desk assessments / on site assessments.
2. Vendor performance evaluation through a scorecard mechanism and evaluating adherence to the Company's Supplier Code of Conduct.
3. Empanelment and sourcing of critical items from multiple suppliers.
4. Monitoring of effective compliance management and contract performance.
5. Assessment of new vendors through periodic supplier audits aligned with the CQA policy, Supplier Code of Conduct, internal quality parameters, ESG parameters, and relevant regulatory requirements.
6. Identification and prioritization of key risks, followed by the implementation of mitigation measures by the Strategic Procurement Committee.
7. Training and capacity building sessions for internal stakeholders on ESG and supply chain management.

### Local Sourcing

We strive to prioritize local sourcing wherever feasible to help develop the local business ecosystem around our areas of operation. In FY 2022-23, 81% of indirect procurement and 66% of direct procurement was sourced from local suppliers<sup>53</sup>. The emphasis on local sourcing brings multiple benefits to our operations. Firstly, it helps to mitigate our exposure to currency risks by reducing our reliance on imports. Additionally, it strengthens our supply chain by fostering closer collaboration and flexibility with local partners. Furthermore, local sourcing contributes to the development of national skill sets, supporting the growth of local industries and economies. By engaging with local suppliers, we actively participate in the enhancement of local capabilities and the creation of employment opportunities. Another significant advantage of local sourcing is the reduction of our environmental footprint. By minimizing transportation distances, we decrease carbon emissions associated with long-distance logistics, thereby reducing our overall impact on the environment. Through our focus on local sourcing, we aim to embed resilience in our operations, support indigenous economic development, and promote sustainability within our value chain and the local communities we operate in.

<sup>53</sup>GRI 204-1

# Product Stewardship

## Choice of Raw Materials or Components that have a Lower Environmental Footprint

At Sun Pharma, there is a continuous effort to integrate environmental criteria into the development of new products as well as into the process optimization for existing products. This includes steps like, using green chemistry to reduce water, energy and material usage. We also focus on use of renewable resources, efficient processes, and safer solvents to create more sustainable pharmaceutical products. Wherever possible, dry mixing is employed in blending processes without the use of additional equipment like RMG/ Compactor/dryer and without adding any solvents leading to overall reduced processing time, reduced energy consumption, reduced waste and safer processing.

## Sustainable Packaging

Our initiatives for sustainable packaging focus on reducing carbon footprint and plastic use, recycling, impurity control and enhancing shelf life. Initiatives are – PVC free packaging, use of QR code to reduce paper consumption, use of integrated Sustainable CR Caps leading to lower bottle size/weight, use of environment friendly aqueous varnish, adopting new printing

technology to save on paper labels, use of advanced polymer packaging technology to enhance product protection for longer shelf-life and switching from non-recyclable carton to recyclable plastic-free carton packs. To minimise the disposal of single use plastics, we have collaborated with an authorised third-party waste handler to collect and manage end-use plastic, ensuring compliance with Pollution Control Board guidelines and extended producer responsibility (EPR) regulations.

## Distribution, Storage and Transportation – Environmental Footprint

For one of our key products, we have initiated the use of an environment friendly multi-layered cold storage packaging which can be re-used after refurbishment/ re-qualification post every use cycle. This results in reduction of CO2 emission as well as improves the overall efficiency.

## Environmental Impacts in Life Cycle Management of Products

We undertake life cycle management of relevant products with the twin objective of making the product eco-friendly as well as reducing overall costs. This involves an internal assessment of the various steps in manufacture of the products, evaluating which steps can be re-modeled for reducing the environmental impact, switching to environment friendly inputs and taking steps to reduce overall energy consumption in the process.



## INDEPENDENT ASSURANCE STATEMENT

### Scope and Approach

DNV Business Assurance India Private Limited has been commissioned by the Management of Sun Pharmaceutical Industries Limited (Corporate Identity Number L24230GJ1993PLC019050, hereafter referred as 'the Company') to carry out an independent assurance of the qualitative and quantitative disclosures related to sustainability performance in the digital formats of its Sustainability Report 2022-23 ('the Report') as well as referenced information in its Annual Report, the Company's website and other publicly available documents. The Sustainability Report is prepared by the Company in reference to Global Reporting Initiative (GRI) Sustainability Reporting Standards 2021 and its revisions ('GRI Standards'), for the financial year ending 31<sup>st</sup> March 2023

We performed a limited level of assurance based on our assurance methodology DNV's VeriSustain<sup>TM1</sup>, which is based on our professional experience, international assurance best practices including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised\* and the GRI Principles for Defining Report Content and Quality. In doing so, we evaluated the quantitative and qualitative sustainability performance disclosures presented in the Report for the activities undertaken by the Company during the reporting period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023. Our assurance engagement was planned and carried out during April 2023 – August 2023.

### Responsibilities of the Management of Company and the Assurance Provider

The Management has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report as well as the processes for collecting, analysing and reporting the information presented within the Report and references in the Company's website. The Company is also responsible for the maintenance and integrity of its website containing the sustainability-related disclosures referenced within the Report. In performing this assurance work, our responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcomes of our assurance to the stakeholders of the Company.

We have not provided any other services in 2022-23 to the Company which in our opinion, would have constituted a conflict of interest with this assurance work. Our assurance engagement is based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith and free from material misstatements.

### Scope, Boundary and Limitations

The reporting scope and boundary encompasses environmental, social and governance performance of Sun Pharma are as described in the Report in the sections 'About the Report', 'Annexure of Reporting Boundary' and 'Materiality', and includes economic, environmental and social performance related to operations of Active Pharmaceutical Ingredients (API)(13), Formulation: Sun Global Operation (SGOs)(20), and Research and Development (R&D) Centres (5).

The assurance engagement considers an uncertainty of  $\pm 5\%$  based on materiality threshold for estimation/measurement errors and omissions. We did not engage with any external stakeholders as part of this assurance engagement.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) activities, and other financial data are based on audited financial statements issued by Sun Pharma's statutory auditors which is subject to a separate audit process. We were not involved in the review of financial information within the Report.

### Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our opinion for a limited level of assurance based on DNV's VeriSustain. We adopted a risk-based approach, that is, we concentrated our efforts on the issues of high material relevance to Sun Pharma. As part of the process, a multi-disciplinary team of sustainability and assurance specialists reviewed sustainability disclosures related to the

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<sup>1</sup>The VeriSustain protocol is based on the principles of various assurance standards including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the GRI Principles for Defining Report Content and Quality, international best practices in verification and our professional experience; and is available on request from [www.dnv.com](http://www.dnv.com)

Company's operations with the management teams and data owners at the Company's Corporate Office in Mumbai and sample facilities in India. We undertook the following activities:

- Review of the approach to materiality determination and stakeholder engagement, and the outcomes as stated in the Report. We did not have any direct engagement with external stakeholders.
- Reviews of the draft and final versions of the sustainability report.
- Verification of the information and claims made in the Report, and assessment of the robustness of the data management system, data accuracy, information flow and controls for the reported disclosures. We examined and reviewed supporting evidence such as documents, data and other information made available by the Company related to the disclosures made in the Report, along with the Company's protocols for how the data was measured, monitored, recorded and reported.
- Review of the management approach disclosures related to identified material topics through interviews with selected senior managers responsible for devising and implementing sustainability strategies. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives.
- Onsite verification at sample Active Pharmaceutical Ingredients (API), Formulation: Sun Global Operation ( SGOs), and Research and Development (R&D) Centers, that is, Halol and Dahej in Gujarat; Ahmednagar, Maharashtra, Sikkim, Gurgaon in Haryana and conducted remote assessment for South Africa; including review of the processes and systems for preparing and consolidating site-level sustainability data in line with the principles of reliability, accuracy and completeness. We were free to choose sites for conducting assessments on the basis our risk-based approach; and,
- An independent assessment of the Report against the requirements of the GRI 2021 standards.

### Opinion and Observations

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe the Report's adherence to the GRI Standards 2021 including the GRI 2: General Disclosures, GRI 3: Management Approach and disclosures related to the following GRI Topic-specific Standards which have been identified by the Company to bring out its performance against its prioritised material topics.

- GRI 201: Economic Performance 2016- 201-1
- GRI 204: Procurement practices 2016- 204-1;
- GRI 302: Energy 2016 – 302-1, 302-2, 302-3, 302-4, 302-5,
- GRI 303: Water and Effluents 2018 – 303-1, 303-2, 303-3, 303-4, 303-5;
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-3, 305-4; 305-5, 305-6, 305-7;
- GRI 306: Effluents and Waste 2020- 306-3;306-4; 306-5
- GRI 307: Environmental Compliance 2016- 307-1;
- GRI 401: Employment 2016- 401-1, 401-2, 401-3
- GRI 403: Occupational Health and Safety 2018- 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10;
- GRI 404: Training and Education 2016 – 404-1, 404-2, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1, 405-2;
- GRI 406: Non-discrimination 2016- 406-1;
- GRI 407: Freedom of Association and Collective Bargaining 2016- 407-1;
- GRI 408: Child Labor 2016- 408-1;
- GRI 409: Forced or Compulsory Labor 2016- 409-1 ;
- GRI 412: Human Rights Assessment 2016- 412-1, 412-2;
- GRI 413: Local Communities 2016- 413-1, 413-2;
- GRI 416: Customer Health and Safety 2016- 416-1, 416-2;
- GRI 417: Marketing and Labelling 2016- 417-1, 417-2;
- GRI 419: Socioeconomic Compliance 2016- 419-1.

*Note: Scope 3 emissions reported as part of GRI 305-3 include emissions due to purchased goods and services, employee commute, business travel, Upstream transportation and distribution, Downstream transportation and distribution, Fuel and Energy related activities, Waste generated in operations.*

Without affecting our assurance opinion, we provide the following observations against the principles of VeriSustain:



**Materiality**

*The process of determining the issues that is most relevant to an organization and its stakeholders.*

The Report brings out the materiality determination and review exercise carried out by Sun Pharma to identify key topics which impact the Company and its stakeholders; the exercise included identification of topics based on industry trends, internal targets and risks. Further, Sun Pharma has prioritized material topics for disclosure in the Report based on inputs and requirements from cross-functional internal and external stakeholders while considering the Company's value drivers.

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.**

**Stakeholder Inclusiveness**

*The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.*

The Report brings out the processes for identification, as well as modes and frequencies of engagement with key internal and external stakeholders, that is, employees, suppliers, shareholders and investors, communities and non-governmental organisations (NGOs), senior leadership, regulators and B2B customers. The stakeholder engagement process includes identification of key concerns for significant stakeholder groups through formal and informal mechanisms.

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.**

**Responsiveness**

*The extent to which an organization responds to stakeholder issues.*

The Report articulates the Company's responses to the stakeholder engagement processes carried out by the Company, as well as the approaches and performance related to identified material topics through GRI topic-specific Standards. The Company has further linked its material topics to its overall strategies, management approach and goal setting processes, as well as future challenges of the healthcare business.

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.**

**Reliability**

*The system for maintaining the quality of underlying sustainability disclosures and performance management systems including the accuracy and comparability of information presented in the Report*

The Report brings out the processes that company has established towards capturing and reporting its performance related to its identified material topics considering the requirements related to the principles of Reliability and Accuracy. The majority of data and information verified through our onsite assessments with Sun Pharma management teams and data owners at the sites sampled by us as part of our assurance engagement within the boundary of the Report were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors. These data inaccuracies have been communicated for correction and the related disclosures were reviewed for correctness.

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.**

**Completeness**

*How much of all the information that has been identified as material to the organisation and its stakeholders is reported.*

The Report brings out the Company's sustainability performance related to its prioritized material topics and reporting boundaries for the reporting period through appropriate GRI Topic-specific Standards. The Company is in the process of strengthening its existing systems and processes towards completely bringing out disclosures where information was not available, and this has been explained within the Report as exclusions.

**Nothing has come to our attention to suggest that the Report does not meet the Principle of Completeness with respect to scope, boundary and time.**

**Neutrality**

*The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.*

The Report articulates disclosures related to the Company's sustainability performance for prioritized material topics including key risks, opportunities and challenges faced during the reporting period in a neutral tone in terms of the content and presentation, while applying consideration to not unduly influence stakeholders' assessments made based on the reported disclosures.

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.**

**Statement of Competence and Independence**

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV Code of Conduct<sup>2</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assurance process.

For DNV Business Assurance India Private Limited

<p><b>Lankalapalli, Bhargav</b></p> <p>Digitally signed by Lankalapalli, Bhargav Date: 2023.08.17 14:48:22 +05'30'</p> <p>Bhargav Lankalapalli Lead Verifier DNV Business Assurance India Private Limited, India</p>	<p><b>Kakaraparathi, Venkata Raman</b></p> <p>Digitally signed by Kakaraparathi, Venkata Raman Date: 2023.08.17 15:02:42 +05'30'</p> <p>Venkata Raman Kakaraparathi Technical Reviewer DNV Business Assurance India Private Limited, India.</p>
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17<sup>th</sup> August 2023, Mumbai, India.

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*DNV Business Assurance India (Private) Limited is part of DNV – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. [www.dnv.com](http://www.dnv.com)*

<sup>2</sup> The DNV Code of Conduct is available on request from [www.dnv.com](http://www.dnv.com)