

# Board's Report

Dear Members,

Your Directors have pleasure in presenting their report and audited financial statements (consolidated and standalone) for the year ended March 31, 2020.

## FINANCIAL RESULTS

Particulars	₹ in crore			
	Consolidated		Standalone	
	2019-20	2018-19	2019-20	2108-19
Total Income	35,860	22,077	10,147	9,220
Earnings before interest, tax, depreciation, amortisation, exceptional, prior period adjustments and minority interest	6,877	4,053	1,711	1,399
Depreciation/amortisation	2,012	880	891	724
Finance Cost	1,481	963	272	185
Exceptional items	623	451	10	4
Profit/(Loss) from Associates	3	14	-	-
<b>Profit before tax</b>	<b>2,764</b>	<b>1,773</b>	<b>538</b>	<b>486</b>
Provision for taxation				
Current tax	759	442	55	83
Adjustments of tax relating to earlier years	8	(4)	-	(3)
Deferred tax	(181)	(240)	22	1
Profit after tax	2,178	1,575	461	405
Minority interest	402	84	-	-
<b>Net profit for the year</b>	<b>1,776</b>	<b>1,491</b>	<b>461</b>	<b>405</b>

## DIVIDEND

Your Directors have recommended dividend of 300% i.e. ₹ 6/- per equity share of ₹ 2/- each for the financial year ended March 31, 2020, which if approved at the forthcoming Annual General Meeting ("AGM"), will be paid to all those equity shareholders of the Company whose name appear in the Register of Members and whose name appear as beneficial owners as per the beneficiary list furnished for the purpose by National Securities Depository Limited and Central Depository Services (India) Limited. The total dividend pay-out will amount to approx. ₹ 458 crore resulting in pay-out of 99.41% on standalone profit after tax of the Company and 25.79% on consolidated profit after tax of the Company.

The dividend recommended is in line with the dividend distribution policy of the Company. The policy is available on the website of the Company under Investors section at <https://www.upl-ltd.com/investors>.

## OPERATIONAL PERFORMANCE

FY2020 was a significant year for the Group as it was celebrating its 50<sup>th</sup> anniversary year and also completed integration for the landmark Arysta acquisition.

The Company reported strong financial and operating performance for FY2020. During the year, consolidated revenue from operations grew by 13% to ₹ 35,756 crore from ₹ 31,616 crore and EBITDA increased by 18% to ₹ 7,452 crore from ₹ 6,312 crore in FY2019. The EBITDA margin stood at 21% in FY2020 (20% in FY2019). For details of financial performance please refer to

Management Discussion and Analysis Report. The region-wise highlights of FY2020 were as under:

- The Company witnessed 24% growth in terms of revenue in Latin America. The Company achieved 4<sup>th</sup> position in Brazil and first position in Mexico and Columbia. The customers are awarding UPL higher shares of wallet after integration. The Company has a complete portfolio in this region in soy, corn, sugarcane and cotton which are driving sales.
- The Company witnessed 13% growth in terms of revenue in North America despite floods driving market decline. The Company shared growth in major product lines and a strong growth in Canada, thanks to synergies in combined portfolio. The China-USA tariff war was a tailwind to UPL by helping customers hedge risk.
- In Europe, dry conditions and forex impacted revenue by 7% year-on-year. The dry-hot weather conditions impacted crop yields in western and eastern Europe.
- In India, the revenue on a consolidated basis grew by 11% in FY2020 over FY2019. There was a significant growth in Herbicide volumes driven by Glufosinate. Also, ProNutiva package solution and service offering helped to create better value for farmers.
- As regards rest of the world, revenue grew by 12% with gains in South East Asia and Japan. There were synergies in Japan thanks to broader customer base and partnerships. There was strong business growth in South East Asia, thanks to return of rains and synergies. The gain was slightly offset by adverse impact from forex in Africa and drought/wild fire in Australia.

## COMPLETION OF INTEGRATION OF ARYSTA

In FY18-19, the Company through its subsidiary UPL Corporation Limited in Mauritius had acquired Arysta LifeScience for USD 4.2 billion. Integration of Arysta was achieved ahead of the target. The integration will go a long way in achieving the synergy in the form of (i) Optimising manufacturing footprint; (ii) Increasing procurement efficiency; (iii) Insourcing R&D activities to boost efficiency and expanded bandwidth to access new technology; (iv) Consolidation into one shared IT platform and reduction of IT infrastructure cost and (v) Consolidation of support functions.

In terms of revenue, the major levers were (i) Complementary portfolios (solution selling) which enabled meeting grower/channel needs through complimentary AI portfolio and access to new crops with a broader base of generic and proprietary products; and (ii) Cross sell through expanded geographic reach which held both companies to expand sales by leveraging each other's complementary geographic presence

Further detailed analysis of the performance and operations of the Company in FY19-20 and future outlook have been covered in the Management Discussion and Analysis Report and other sections of the Annual Report.

## COVID-19 PANDEMIC RESPONSE

We as an entity do not operate in isolation, rather we are inextricably linked to the society we live in. Our success is also dependent on how well we respond to needs of society in times of crisis. The COVID-19 crisis is one of the toughest challenges the world has ever faced.

As a responsible organisation, we are doing our bit for India's COVID-19 pandemic response. The Company contributed ₹ 75 crore to PM-CARES Fund, ₹ 1 crore to Mumbai Police Foundation assisting the Government to fight against COVID-19. The Company is also continuously providing large numbers of masks, personal protection equipment (PPE) units to help with the safety of India's frontline heroes in healthcare and sanitisation who are relentlessly fighting the battle against novel corona virus. The Company has provided more than 9,000 litres of hand sanitiser free of cost to the agencies across cities involved in fight against India's COVID-19 pandemic response. The Company also provided approx. 54 lac litres of Sodium Hypochlorite (1% solution) to sanitise various municipalities, government offices, villages etc. The Company also sanitised streets, hospitals, police stations through UPL's Falcon sprayers covering various states.

Similar social initiatives were also undertaken at our international operations both directly and also in collaboration with local associations covering various regions - Brazil, Mexico, Cuba, Colombia, Europe, North America, Canada, Vietnam, Cambodia, Ivory Coast and Costa Rica. Examples of some initiatives included distribution of medical supplies, food packets, sanitisers, masks and PPE's, 24 hours helplines, conducting awareness and educational programs etc.

## FINANCE

### (a) Deposits

During FY2020, the Company did not accept any deposit within the meaning of Chapter V of the Companies Act, 2013.

### (b) Particulars of Loans, Guarantees or Investments

The details of Loans, Guarantees or Investments are given in the notes no. 5,6 and 36 to the standalone financial statement.

### (c) Changes in Paid-up Share Capital

During the year, the Company issued and allotted shares in the following manner:

- 25,46,71,335 fully paid up equity shares of ₹ 2 each were issued as Bonus shares.
- 31,451 equity shares of ₹ 2 each were issued to Employees under Employee Stock Option Plan of the Company.

The equity shares issued during the year rank *pari-passu* with the existing equity shares of the Company.

The paid-up share capital of the Company as at March 31, 2020 was 76,40,45,456 equity shares of face value ₹ 2/- each.

- The Company do not propose to transfer any amount to the reserves as provision for proposed dividend.

## EMPLOYEE STOCK OPTION PLANS

The Company has two active Employee Stock Option Plans ("Advanta ESOP Plans") as at March 31, 2020 viz. Advanta India Limited Employees Stock Option and Shares Plan – 2006 and Advanta Employee Stock Option Plan – 2013. During the year, the Company closed the UPL Limited – Employee Stock Option Plan – 2017 ("ESOP 2017") as there was no plan to make any further grants under ESOP 2017 and the option grantees communicated their intention not to participate in ESOP 2017 in future. All the plans are administered by the Nomination and Remuneration Committee of the Board.

There were no changes in the ESOP Plans during the financial year under review. The ESOP Plans are in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 [SEBI (SBEB) Regulations, 2014]. In compliance with the same, a certificate from auditor, confirming implementation of ESOP Plans in accordance with the said regulations and shareholder's resolution, will be placed at the ensuing AGM of the Company.

The requisite disclosures under the SEBI (SBEB) Regulations, 2014 as on March 31, 2020 are uploaded on the Company's website under Investors section. Details of the ESOP Plans have also been provided in the notes to the standalone financial statement.

**SAFETY AND ENVIRONMENT**

“Doing things Safer is Doing things Better” is the mantra as part of our operating philosophy and business continuity. Safety and well-being of everyone working for and on behalf of the Company continues to be of top priority for the Company. Following significant success of the “Safety First” initiative last year which was largely shop floor engagement driven, your Company has extended the same with inclusion of process safety, focusing on the design aspects of the processes, activity-based risk assessments of all manual operations, in order to enhance its overall safety performance and take it to the next level and to meet UPL vision of “Being Best in Class” by making “Safety a way of Life”.

We also believe that the dynamic natural environment presents both opportunities and challenges to our business. We have developed strategies to ensure the resilience of our operations to current and upcoming environmental risks. While effective environmental risk management is imperative, we strongly believe that the global transition to a more sustainable future provides immense opportunities to our business. Aligned to our legacy, we are constantly working to reduce our environmental footprint and find innovative product solutions that benefit the society. Given our innovation driven growth strategy we envision to deliver inventive and novel products for the global food system in a manner that is sensitive to the current global environmental landscape and the needs of the future generations.

This year your Company has released its third Sustainability Report as per GRI standards. Some of major achievement in this year are summarised below:

- 61% **Dow Jones Sustainability Index (DJSI)** score improved in FY2020 compared to FY2019.
- Scored higher **international sustainability rating (DJSI & FTSE)** in all three dimension (environment, social & governance) from industry average.
- Achieved **Zero Liquid Discharge** in 60% of our operating plants globally.
- Harvested and recycled approximately 440 tankers **rain water** in our operating plants Unit 0, 1, 2 & 4.
- Obtained **environmental clearances (ECs)** from MoEF&CC to enhance production capacity 4 times for our operating plants Unit 0, 1, 2 & 10.
- Implemented **FO Technology** as first among chemical companies in the world to treat high TDS & high COD wastewater in Unit 1, Ankleshwar.
- Implemented **Stream Identification & Segregation** for better wastewater management & treatment.
- Reduced 7.64% specific water consumption, reduced 7.32% specific carbon emissions and reduced 2.7% specific wastewater generation as compared to last year.
- 17% energy comes from renewable sources in our largest two manufacturing plants.

At UPL, Sustainability is driven by smarter innovation and profitable growth. We believe that a business

can be profitable by adopting sustainable practices ensuring harmony with the society and environment. Our major future sustainability initiatives by 2025 are summarised below:

1. Reduce 30% environmental footprint from baseline 2019-20.
2. Source 80% raw material from sustainable sources.
3. Zero dependency on tanker & ground water.
4. Enhancing world food security.

**RESEARCH AND DEVELOPMENT**

The Company has multiple Research and Development Centres which are in almost all the continents. These centres play a very crucial role in accomplishing the Company’s mission of manufacturing and supplying crop protection and specialty chemicals to the end users worldwide.

Qualified and talented scientific personnel and state-of-the-art facilities at the Research and Development Centres are the biggest assets for the Company. The centres are dedicated to the development of products and processes that are cost-effective and environmentally friendly keeping in mind the affordability and safety of the end user.

The products and processes developed by the Research and Development Centres are based on the principles of Green Chemistry and Atom Economy amongst others. The products and the processes are rigorously evaluated for hazard and safety at all the stages of development.

To combat the pest in the world, and for effective pest management, Research and Development Centres develop innovative combination products. The developed products are tested for chemical properties, toxicity, impurity profile, bio-efficacy, residue and packaging and so on. The required data is generated at Research and Development Centres and then get the products tested at GLP laboratory to generate the data for submission to the regulatory authority of the country.

Specialty Chemicals and Industrial Chemicals are areas in which the Company has planned to come up in a big way. For this, Research and Development Centres are developing the processes which are industrially viable and safe at the large-scale production.

The Company is committed to creation of Intellectual Property (IP) for the innovative products and processes developed by the Research and Development Centres. Patents are obtained in the countries of interest and appropriate measures are taken to safeguard the IP. At the same time, IP of others is respected.

**CORPORATE SOCIAL RESPONSIBILITY**

At UPL, we believe in all-inclusive and sustainable growth of society. This philosophy has always been the guiding force in all our community interventions. Not only all our CSR initiatives are determined with the trust that

humankind is one community, where each member is responsible for the wellbeing of the other, but also our core businesses are all about connecting with people, in a human way, showing respect, demonstrating trust, celebrating diversity, favoring warmth over cool. We see the value in human connectivity and how it creates new opportunities for everyone.

At present, two core UPL values “Always Human” and “Open Hearts” are guiding force of our CSR initiatives. Hence our interventions are not restricted to the development of our neighboring communities only, as we work on initiatives that cater to the wider national interest.

Our commitment and interventions cater all the segment of the society and have been classified in 4 focus areas viz. (a) Institution of excellence; (b) Sustainable Livelihood; (c) Nature Conservation and (d) Local and National Need.

UPL’s CSR initiatives are being undertaken in 11 countries (including India) and implementing and supporting more than 80 development interventions benefiting more than 70 communities across continents.

- UPL Brazil works on a complimentary education program empowering the local youth to lead meaningful lives.
- UPL Colombia is responding to surrounding communities “whole life cycle” need by promoting the social and economic development through education, entrepreneurship and the conservation of the environment.
- UPL Colombia continued to give its important contribution in the program “Education for Competitiveness”, in alliance with the National Federation of Coffee Growers, acting through the Committee of Coffee Growers of the Department of Caldas in Colombia.
- UPL Argentina has established Social Security office at plant for every neighbor community (in the past they need to travel 46 km to have access to social security office).
- UPL Mexico has been collecting and distributing winter clothing to the poorest of the poor since 2015.
- UPL Kenya is working with Mr. Patric Kilonzo – Mwalua Wildlife Trust for Conservation of wildlife at Tsavo West National Park by minimising man-animal conflict through promotion of Sunflower Farming in a sustainable, ecologically responsible way
- UPL Belgium works with charities in the Liège region. Also works with neighborhood children’s association for the St Nicolas party.
- UPL UK had the Sandbach anniversary at the local cricket club, they had the inflatable assault course and zorbs on site.
- UPL Côte d’Ivoire started project on improving cardiovascular health outcomes in rural Côte d’Ivoire” (Ivory coast) with Dr. David Lulu/The Heart Fund and Kenya.

- UPL has signed a MOU with Oxford India Centre for Sustainable Development (OICSD) at Somerville College, University of Oxford to UPL Sustainability Fund

For separate report on Corporate Social Responsibility, please refer to the section ‘Social Initiatives’ in the annual report.

**VIGIL MECHANISM/WHISTLE-BLOWER POLICY**

The Company has always strived to conduct its business fairly, ethically and with integrity. In line with this belief, the Company has in place a robust whistle-blower policy to deal with any fraud, irregularity, or mismanagement in the Company. This Policy is in addition to the Company’s Global Code of Conduct which also empowers its stakeholders to make protected disclosures through the reporting channels consisting of designated e-mail address, hotline and customised web-portal, details of which are prescribed under the Policy and the Code.

The Chairman of the Audit Committee oversees the whistle-blower policy. The Audit Committee on a quarterly basis is presented an update on the whistle-blower policy. As per the policy, any employee or director can directly communicate with the Chairman of the Audit Committee to report any actual/suspected fraud or non-compliance at the designated e-mail address - whistleblower@upl-ltd.com.

On a regular basis, the Company undertakes all efforts to create awareness among the employees about the Policy including the new joiners during the year. The Policy ensures complete protection to the whistle-blower and follows a zero tolerance approach to retaliation or unfair treatment against the whistle-blower and all others who report any concern under this Policy. Total confidentiality of the proceedings of the policy is also maintained.

The policy is available on the website of the Company under Investors section at <https://www.upl-ltd.com/investors>. The Policy was revamped during the year and made more robust to include the best practices around the globe.

**PREVENTION OF SEXUAL HARASSMENT (POSH) OF WOMEN AT THE WORKPLACE**

The Company is committed in creating and maintaining a secure and safe work environment that enables its employees, agents, vendors and partners to work free from unwelcome, offensive and discriminatory sexual behavior and without fear of prejudice, gender bias and sexual harassment. In order to deal with sexual harassment at workplace, the Company has implemented a gender-neutral policy – Prevention and Redress of Sexual Harassment Policy (“Policy”).

The Policy applies to all those employed and associated with UPL and its subsidiaries irrespective of whether they are regular, temporary, ad hoc or daily wage basis employees. The Policy also covers all contract workers, consultants, retainers, probationers, trainees, and apprentices or called by any other such name engaged by us whether the terms of their employment are expressed or implied.



A knowledgeable and experienced Internal Compliant Committee comprising mainly of women and an unbiased third party is currently functional to attend and redress complaints that arise under this Policy. Further, there are sub committees at unit locations to ensure strict adherence of this policy and make a workplace free from biases and prejudices. The Committee has not received any formal complaint during FY2020.

All employees are mandated to attend a classroom training and confirm their adherence to the rules. During FY2020, a total of 532 employees were trained on POSH workshop conducted by Company's external partners and 4547 employees acknowledged to comply with the POSH policy.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate system of internal controls. The Company has adopted policies and procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance over:

- Accuracy and completeness of the accounting records
- Compliance with applicable laws and regulations
- Effectiveness and efficiency of operations
- Prevention and detection of frauds and errors
- Safeguarding of assets from unauthorised use or losses

The Company has an in-house Internal Audit department with a team of qualified professionals. The internal audit department prepares an annual audit plan based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls. Improvements in processes are identified during reviews and communicated to the management on an ongoing basis. The Audit Committee of the Board monitors the performance of the internal audit team on a periodic basis through review of audit plans, audit findings and issue resolution through follow-ups. Each year, there are at least four meetings in which the Audit Committee reviews internal audit findings.

Internal Audit function plays a key role in providing to both the management and to the Audit Committee, an objective view and re-assurance of the overall internal control systems and effectiveness of the risk management processes and the status of compliances with operating systems, internal policies and regulatory requirements across the Company including its subsidiaries.

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria. Essential components of internal controls are followed as stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

The Company has developed and implemented a Risk & Control Framework to ensure internal controls over financial reporting. This framework includes testing and monitoring over entity level controls, process level controls and IT general controls. The entity level controls include testing and monitoring of compliance to business policies. The process level controls include a risk control matrix for monitoring key business processes. The IT general controls include monitoring of the overall IT environment, computer operations and access to programs and data.

On a periodic basis testing of entity level controls, process level controls and IT general controls is carried out and status of testing of controls is presented to the Audit Committee. During the year, controls were tested and no reportable material weaknesses in design and effectiveness were observed.

### RISK MANAGEMENT FRAMEWORK

The Company has instituted strong risk management processes as part of its risk management framework. This involves a detailed exercise in terms of identifying the critical risks, assessing them on the basis of probability of occurrence and severity of impact. This is followed by formulating appropriate plans to mitigate these risks. This also enables the management to identify if any such risks can be translated into business opportunities.

Pursuant to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Risk Management Committee is constituted consisting of three directors of the Company. The Committee reviews findings of the risk management exercise and effectiveness of mitigation plans put in place. It also seeks feedback from senior executives across different functions and business regions which aids it in identifying, monitoring and managing the critical risks. There is continuous monitoring by the Committee to ensure that mitigation plans are effective in addressing such risks as and when they arise.

Some of the key risks identified in the past are adverse weather, competition, currency fluctuation, liquidity, supply chain, business continuity, cybersecurity, R&D, HR and Regulatory.

For more details on the risks and their mitigation plan, please refer to Management Discussion and Analysis report in this annual report.

The policy is available on the website of the Company under Investors section at <https://www.upl-ltd.com/investors>.

### SUBSIDIARY COMPANIES/ASSOCIATE COMPANIES

The Company has a number of subsidiary companies and associates, spread across the globe. Crop protection product companies need local registrations to enable them to sell their products in different countries in the world. These registrations are granted by local government body of each country to a local entity established in that country.

As on March 31, 2020, the Company had 225 subsidiaries across the globe. Most of these overseas subsidiaries and associate companies are marketing arms and their main activity is confined to marketing by servicing their local market with greater efficiency and ensuring timely availability of different products of the Company. Some other entities are holding companies which hold investments in other group entities.

The details of essential parameters of each subsidiary/ associate company like share capital, assets, liabilities, turnover, profits before and after tax are given separately under the Statement of AOC-1 Form forming part of the Annual Report.

The companies which were newly added or ceased to be subsidiaries/joint ventures/associates during the year are as follows:

Addition during the year	
Industrias Bioquim Centroamericana, Sociedad Anónima	Costa Rica
Procultivos, Sociedad Anónim	Costa Rica
Inversiones Lapislazuli Marino, Sociedad Anónima	Costa Rica
Bioquim, Sociedad Anónima	Costa Rica
Bioquim Panama, Sociedad Anónima	Panama
Bionic Nicaragua, Sociedad Anónima	Nicaragua
Biochemisch Dominicana, Sociedad De Responsabilidad Limitada	Dominican Republic
Nutriquim De Guatemala, Sociedad Anónima	Guatemala
UPL Agro Ltd	Hong Kong
UPL Portugal Unipessoal, Ltda.	Portugal
UPL Services LLC	USA
United Phosphorus Holdings UK Ltd	U.K.
AFS Agtech Pvt. Limited	India
Natural Plant Protection Limited	India
Cessations during the year	
UPL Deutschland GmbH(Formerly Known as United Phosphorus GMBH - Germany)	Germany
Arysta LifeScience France SAS	France
Arysta Lifescience Italia Srl	Italy
Arysta LifeScience do Brasil Indústria Química e Agropecuária SA	Brazil
Arysta LifeScience Europe Sarl	France
Goëmar Développement SAS	France
Netherlands Agricultural Technologies CV	Netherlands
Dutch Agricultural Formations CV	Netherlands
Agriphar de Costa Rica SA	Costa Rica
Agriphar de Colombia SAS	Colombia
Kempton Chemicals (Pty) Ltd	South Africa
Arysta LifeScience Ecuador S.A.	Ecuador
Volcano Agrociencia Industria e Comercio de Defensivos Agrícolas Ltda	Brazil

### MATERIAL SUBSIDIARY

As on March 31, 2020, the Company has 7 (seven) unlisted material subsidiaries as per the parameters laid down under SEBI Listing Regulations, which include Anesa S.A., Arysta Lifescience U.K. Brl Limited, Arysta Lifescience Global Limited, UPL Corporation Limited, UPL Limited, Gibraltar, UPL Do Brasil - Industria E Comércio De Insumos Agropecuários S.A. and UPL NA Inc. None of these subsidiaries have sold, disposed off or leased assets of more than 20% of its assets during the current year.

### DEALING WITH SECURITIES WHICH HAVE REMAINED UNCLAIMED

As per Regulation 39(4) read with Schedule VI of the SEBI Regulations, the Company is in the process of sending reminders to those Members whose share certificates have remained unclaimed, to contact the Company immediately in the matter. The Registrar and Transfer Agent M/s Link Intime India Pvt. Ltd. is in the process of compiling the data for unclaimed shares. The Company, after following the prescribed procedure will dematerialise unclaimed shares which are retained with the Company. These shares

would be held by the Company on behalf of the holders of such shares in an "Unclaimed Suspense Account" to be opened with a depository. All the shares with respect to which dividend remains unclaimed for seven consecutive years, such shares and dividend thereon on those shares shall be transferred to the IEPF Authority as prescribed by the Ministry of Corporate Affairs.

### RELATED PARTY TRANSACTIONS

All related party transactions entered into during the year were on arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Accordingly, the disclosure of related party transactions in Form AOC-2 is not applicable.

Prior omnibus approval of the Audit Committee is obtained for related party transactions which are repetitive in nature and in case such transactions exceed

the limits approved through the omnibus approval, the transactions are subsequently ratified. The transactions entered into pursuant to the omnibus approval so granted are reviewed on a quarterly basis by the Audit Committee.

Detailed disclosure on related party transactions as per Ind AS-24 containing name of the related party and details of the transactions entered with such related party have been provided under Notes to financial statements. Disclosure on related party transactions on half year basis is also submitted to the stock exchanges.

The policy on related party transactions as approved by the Board is available on the website of the Company under Investors section at <https://www.upl-ltd.com/investors>.

### INSURANCE

All the properties and operations of the Company, to its best judgement have been adequately insured.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There is no significant and material order passed by the Regulators or Courts which impacts the Company's ability to continue as a going concern.

### AUDITORS

#### a) Statutory Auditor

At the 33<sup>rd</sup> Annual General Meeting of the Company held on July 8, 2017, the Members of the Company appointed B S R & Co. LLP, Chartered Accountants (ICAI Firm Registration Number 101248W/W-100022) as the Statutory Auditor of the Company pursuant to section 139 of the Companies Act, 2013 for a term of 5 (five) years from the Company's financial year 2017-18. They will hold office till the conclusion of 38<sup>th</sup> Annual General Meeting ("AGM") of the Company. The statutory auditor has confirmed that they are not disqualified from continuing as auditor of the Company.

There are no instances of any fraud reported by the statutory auditor to the Audit Committee or the Board pursuant to section 143(12) of the Act. The Auditor's Report on standalone and consolidated financial statements forms part of the Annual Report and contains an Unmodified Opinion without any qualification, reservation or adverse remark.

#### b) Cost Auditor

Pursuant to section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost account records maintained by the Company are required to be audited. The Board on the recommendation of the Audit Committee, has appointed M/s. RA & Co., Cost Accountants to audit the cost accounts of the Company for the financial year 2020-21 on a remuneration of ₹ 8.5 lakh. The Company has received a certificate of eligibility from the cost auditor for the appointment. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for ratification.

Accordingly, a resolution seeking Member's ratification for the remuneration payable to M/s. RA & Co., Cost Auditor is included in the Notice convening the AGM.

The Cost Audit Report for the financial year 2018-19 was filed with the Ministry of Corporate Affairs on August 27, 2019. The Cost Audit Report for the financial year 2019-20 will be filed before the due date.

#### c) Secretarial Auditor

Pursuant to section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board had appointed M/s. N. L. Bhatia & Associates, a firm of Company Secretaries in Practice to conduct secretarial audit for the financial year 2019-20. The Report of the Secretarial Auditor is annexed to this report. The report of the Secretarial Auditor for the financial year 2019-20 is unmodified and does not contain any qualification, reservation or adverse remark.

The Board has re-appointed M/s. N. L. Bhatia & Associates to conduct the secretarial audit for the financial year 2020-21. They have confirmed their eligibility for the appointment.

### DIRECTORS AND KEY MANAGERIAL PERSONNEL

In accordance with the provisions of section 152 of the Companies Act, 2013 ("the Act") and Articles of Association of the Company, Mrs. Sandra Shroff (DIN: 00189012) Director of the Company, retires by rotation at the forthcoming AGM of the Company and being eligible has offered herself for re-appointment. In terms of provisions of Regulation 17(1)(A) of SEBI Listing Regulations, special resolution has been proposed for approval of members.

During the year, the Board of Directors appointed Ms. Usha Rao Monari (DIN: 0008652684) as an Additional Director (Non-Executive & Independent) on the recommendation of the Nomination and Remuneration Committee effective December 27, 2019 to hold office till the conclusion of the ensuing 36<sup>th</sup> AGM and as an Independent Director for a term of 5 (five) consecutive years effective December 27, 2019, subject to approval of the members at the ensuing AGM.

The first term of 5 (five) years of Mr. Hardeep Singh (DIN: 00088096) as an Independent Director of the Company concluded on February 1, 2020. The Board of Directors, on the recommendation of the Nomination and Remuneration Committee and based on the performance evaluation, appointed Mr. Hardeep Singh as an Additional Director (Non-Executive & Independent) effective February 2, 2020 for the second term of 5 (five) consecutive years effective February 2, 2020, subject to approval of the members in the ensuing AGM.

Further, the Board of Directors also seeks re-appointment of Dr. Vasant Gandhi (DIN: 00008370), whose first term of 5 (five) years as Independent Director expires on November 22, 2020. Based on the recommendation

of the Nomination and Remuneration Committee and the performance evaluation, the Board proposes re-appointment for further period of 5 (five) consecutive years, effective November 23, 2020, subject to approval of the members at the ensuing AGM.

The information of Directors seeking appointment/re-appointment as required pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the Secretarial Standard on General Meetings issued by The Institute of Company Secretaries of India, is provided in the notice convening the 36<sup>th</sup> AGM of the Company.

All the independent directors of the Company as on March 31, 2020 have given requisite declaration stating that they meet the criteria of independence laid down under section 149(6) of the Companies Act, 2013 and Regulation 16(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In the opinion of the Board, there has been no change in the circumstances which may affect their status as independent directors of the Company and the Board is satisfied of the integrity, expertise, and experience (including proficiency in terms of Section 150(1) of the Act and applicable rules thereunder) of all Independent Directors on the Board. In terms of Section 150 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, Independent Directors of the Company have undertaken requisite steps towards the inclusion of their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs.

During the year, Mr. Mukul B. Trivedi, superannuated from his position of Company Secretary & Compliance Officer with effect from November 7, 2019. Mr. Sandeep Deshmukh was appointed as Company Secretary & Compliance Officer of the Company with effect from November 8, 2019.

As on March 31, 2020, the Company had the following Key Managerial Personnel as per section 2(51) of the Act:

1. Mr. Rajnikant Shroff – Chairman and Managing Director
2. Mr. Arun Ashar – Whole-time Director
3. Mr. Anand Vora – Global Chief Financial Officer
4. Mr. Sandeep Deshmukh – Company Secretary and Compliance Officer

### Evaluation of Board's Performance

Pursuant to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations, the evaluation process for performance of the Board, its various committees, individual directors and the Chairman of the Board and respective Committees was carried out during the year. Each director was provided a questionnaire to be filled up providing feedback on the overall functioning of the Board, its Committees and contribution of individual directors. The questionnaire covered various parameters such as structure of the Board/Committees,

board meeting practices, overall board effectiveness, attendance/participation of directors in the meetings, etc. The directors were also asked to provide their suggestions for areas of improvement to ensure higher degree of engagement with the management.

The Independent Directors during the year, completed evaluation of Non-independent/Non-promoter Directors and the entire Board including the Chairman. The Independent Directors expressed complete satisfaction of the professionally managed overall functioning of the Board, various committees as well as all the directors of the Company. They appreciated the knowledge and expertise of the Chairman and his exemplary leadership qualities which demonstrate positive attributes in following the highest standards of corporate values and culture of the Company.

The respective Committees and the Board also discussed the report of performance evaluation and agreed to take requisite steps to implement the suggestions.

### Committees of Board, Number of Meetings of the Board and Board Committees

The Board currently has six committees, namely, Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Risk Management Committee and the Finance and Operations Committee. All the recommendations made by the Committees of Board including the Audit Committee were accepted by the Board.

The Board met four times during the year under review. The maximum gap between two Board meetings did not exceed 120 days. A detailed update on the Board, its Committees, its composition, terms of reference of various Board Committees, number of board and committee meetings held and attendance of the directors at each meeting is provided in the Report on Corporate Governance.

### Nomination and Remuneration Policy

The Board has on the recommendation of the Nomination and Remuneration Committee framed and adopted the Nomination and Remuneration Policy for selection, appointment and removal of directors, senior management, key managerial personnel (KMP) including their remuneration. The Board recognises that various Committees of the Board have very important role to play to ensure highest standards of corporate governance. The Chairman of the Board and other Directors form broad policies and ensure their implementation in the best interests of the Company.

The criteria for selection of directors, senior management and KMP are mainly qualifications, experience, expertise, integrity, independence of the directors, etc.

The remuneration to non-executive directors consists of sitting fees for attending Board/Committee meetings, commission and other reimbursements. As per the approval given by the members, the said commission shall not exceed 1% of the net profits of the Company. All the non-executive, non-promoter directors are paid

commission on uniform basis. The Independent directors are not entitled to any stock options under the Stock Option Plans of the Company.

The remuneration to the Managing Director and other Executive Directors consist of monthly salary, allowances, perquisites, commission and other retirement benefits. The remuneration payable to them is subject to the approval of the members of the Company. The overall managerial remuneration payable to them shall not exceed 10% of the net profits of the Company.

In respect of senior management, the remuneration is based on their performance, Company's performance, individual targets achieved, industry benchmark and compensation trends in the industry. Their remuneration consists of monthly salary, bonus, perquisites, KPI and other retirement benefits.

The Nomination and Remuneration Policy is available on the website of the Company under Investors section at <https://www.upl-ltd.com/investors>.

**Familiarisation Programme for Independent Directors**  
Pursuant to the SEBI Listing Regulations, the Company has devised a familiarisation programme for the Independent Directors, with a view to familiarise them with their role, rights and responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc.

Through the familiarisation programme, the Company apprise the independent directors about the business model, corporate strategy, business plans and operations of the Company. These directors are also informed about the financial performance, annual budgets, internal control system, statutory compliances etc. They are also familiarised with Company's vision, core values, ethics and corporate governance practices.

At the time of appointment of independent director, a formal letter of appointment is given to them, which explains their role, responsibility and rights in the Company.

Subsequently they are apprised of the Company's policies on CSR, nomination and remuneration, plant safety, HR, succession policy for directors and senior management. They are updated with global business scenario, marketing strategies, legislative changes etc. Factory visits are arranged to apprise them of various operational and safety aspects of the plants to get complete understanding of the activities of the Company.

Details of familiarisation programme of Independent Directors are available on the website of the Company under Investors section at <https://www.upl-ltd.com/investors>.

**HUMAN RESOURCES**

The Company continuously strives to be the best globally in all the domains of its operations. The Company believes that the core foundation of this vision is its employees. The HR strategy is committed to creating an engaging workforce and an inspirational leadership that continuously powers this vision. With Arysta acquisition,

there was a bigger task to merge the culture and drive standard vision across. With OpenAg as the new vision, HR made sure that the communication of our new vision reaches with an impact to the last level.

As on March 31, 2020, the Company (including subsidiaries) had 5,922 employees in India and 11,524 employees globally.

**Key initiative on HR front:**

**Launching "my UPL"**

The Company has been investing in world class HRIS tool – Success Factors. The tool was implemented to bring the entire integrated organisation on one HR Platform. The manpower for 68 countries was brought on the single platform to provide a standard employee experience. This will help in robust process workflows implementation.

With the implementation of myUPL platform it helped in focusing on the goals and target achievements. Launching of mid-year appraisals and completing the mid-year feedback to achieve the goals has been helpful in creating a performance-based culture. This resulted in completing the entire annual appraisals cycle in myUPL followed by the compensation module implementation to achieve performance calibration and budgets online.

**Role Based Organisation**

The integrated organisation has made newer and bolder commitments to all stakeholders. To fulfill the same, UPL launched Global Job Levels across to build a role-based organisation. Every employee being mapped based on role being handled keeping in view the size, geography and targets.

**Learning**

Learning has always been the focus for the organisation to improve performance of the employees including behavior and new product trainings. HR has been organising both regional and global trainings to make sure that the employees' competence are up to the required levels.

**Way Forward**

**a) Role based competencies**

Institutionalising role-based system by creating role based competencies and training interventions which will help employees in role migrations and providing opportunities for growth.

**b) Talent Management**

Utilisation of the force and energy of the millennials, launching of Young Leaders Program and building talent by providing interventions to succeed in a well defined framework. This would pave way for the young talent to learn, implement and grow on an accelerated basis. Succession Planning process will be further streamlined this year.

**c) HR Process Outsourcing**

To outsource the non-core areas and concentration on the core diligently will be the key focus area for the year. This will bring in more standardisation of process and quick turn around time with cost efficiencies.

**d) Culture**

Culture continues to be the focus area for the year as the vision of the organisation requires a regular imbibement across different regions, geography and people. A good culture can deliver the required results.

**e) New work systems**

With Covid 19 pandemic spread, the way the business is run has changed. With a big focus on the safety of the employees, different methods to keep the employees engaged, connected and perform becomes the key to the success of the organisation. Creation and execution of the framework involves developing new work systems in the new reality.

**PARTICULARS OF EMPLOYEES**

Details of remuneration as required under section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Report.

Particulars of employee remuneration as required under section 197(12) of the Act read with rule 5(2) and rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of the provisions of section 136 of the Act, the Annual Report is being sent to members excluding the aforementioned information. Any member interested in obtaining such information may write to the Company Secretary of the Company.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are provided in Annexure to this Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, the directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a) That in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- b) That such accounting policies as mentioned in the Notes to the financial statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March, 31, 2020 and of the profit of the Company for the year ended on that date.

c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) That the annual financial statements have been prepared on a going concern basis.

e) That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.

f) That systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

**CORPORATE GOVERNANCE, MD&A AND BRR**

Your Company and its Board has been complying with Corporate Governance practices as set out in a separate report, in pursuance of requirement of para C of Schedule V of SEBI Listing Regulations. A certificate from B S R & Co. LLP, Chartered Accountants confirming compliance of conditions of Corporate Governance as stipulated under the SEBI Listing Regulations is part of this Annual Report.

The Management Discussions and Analysis Report and Business Responsibility Report forms part of the Annual Report as required under the SEBI Listing Regulations.

**COMPLIANCE WITH SECRETARIAL STANDARDS**

The Board of Directors affirms that the Company has complied with the applicable Secretarial Standards issued by the Institute of Companies Secretaries of India relating to the meetings of the Board and General Meetings.

**CONSOLIDATED FINANCIAL STATEMENT**

Consolidated financial statement are prepared for the year 2019-20 in compliance with the provisions of the Companies Act, applicable accounting standards and as prescribed under the SEBI Listing Regulations. The consolidated statement are prepared on the basis of audited financial statements of the Company, its subsidiaries, associates and joint ventures. These consolidated financial statements along with the Auditor's Report thereon form part of the Company's Annual Report.

**ANNUAL RETURN**

Pursuant to section 92(3) of the Companies Act, 2013, a copy of Annual Return has been placed on the website of the Company and the web link of such Annual Return is <https://www.upl-ltd.com/investors>.

**EVENTS AFTER BALANCE SHEET DATE**

There have been no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of this Report.

**ACKNOWLEDGEMENT**

The Board of Directors wish to place on record its deep sense of appreciation for the committed services by all the



