

## QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE CODE

# INFRASTRUCTURE INDIA PLC

## CORPORATE GOVERNANCE STATEMENT

(The information contained in this document was last reviewed on 23 April 2020)

In addition to information given in this Statement the Board of Infrastructure India plc (the "Company") are continually monitoring the position regarding the COVID-19 pandemic and will provide Company updates via the RNS service as appropriate.

### Introduction from the Chairman

The Board of Infrastructure India plc fully endorses the importance of good corporate governance and applies the QCA Corporate Governance Code, published in April 2018 by the Quoted Companies Alliance (the "QCA Code"), which the Board believes to be the most appropriate recognised governance code for a company of the Company's size with shares admitted to trading on the AIM market of the London Stock Exchange. This is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK and which provides the Company with the framework to help ensure that a strong level of governance is maintained.

As Chairman, I am responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the major shareholders and ensuring appropriate strategic focus and direction for the Company.

Notwithstanding the Board's commitment to applying the QCA Code, we will not seek to comply with the QCA Code where strict compliance in the future would be contrary to the primary objective of delivering long-term value for IIP's shareholders and stakeholders. However, we do consider that following the QCA Code, and a framework of sound corporate governance and an ethical culture, is conducive to long-term value creation for IIP shareholders.

All members of the Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to IIP's stakeholders. In the statements that follow, the Company explains its approach to governance in more detail.

### QCA Code - Governance Principles

The QCA code is constructed around 10 broad principles of corporate governance. These principles are as follows:

#### **Deliver Growth**

1. Establish a strategy and business model which promote long term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long- term success
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

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### Maintain a dynamic management framework

5. Maintain the board as a well-functioning, balanced team led by the chair
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

### Build Trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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### **Principle 1 Establish a strategy and business model which promote long-term value for shareholders**

IIP is an AIM quoted closed end investment company investing in core economic infrastructure. It is the only AIM-traded investment company with exposure to both transport and energy assets in India.

The Company's Investment Strategy is as follows:

The Company will invest at the asset level or through specific holding companies (not by investing in other funds or in the equity of non-specific parent companies) in infrastructure projects in India. Such investments are to be focused on the broader sectors of:

- Energy – including assets involved in electricity generation, transmission and distribution; infrastructure assets related to oil and gas, service provision and transmission; renewable fuel production and renewable energy assets; and
- Transport – including investment in roads, rail, ports and airport assets, and associated transport interchanges and distribution hubs.

Additionally, the Company may make investments in other economic and social infrastructure sectors within India where opportunities arise and which the Board considers offer similar risk and return characteristics to those found within the energy and transport sectors.

### **STATUS OF THE COMPANY'S PORTFOLIO**

Details of the Company's portfolio are contained on the Company's website at <https://www.iiplc.com/portfolio/current-portfolio/> and a full update of the investments including investment details, a description of investments, key developments and valuations are included in pages 4-9 of the March 2019 Report and Accounts (the "2019 Accounts").

### **Principle 2 Seek to understand and meet shareholder needs and expectations**

The Company is committed to engaging and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. All Board members have responsibility for shareholder liaison but queries are primarily delegated to the Company's Advisors in the first instance or the Company's CEO. Contact details for the Company's advisors are contained on the Company's website <https://www.iiplc.com/contact/>.

Copies of the annual and interim reports are sent to all shareholders and copies can be downloaded from the Company website <https://www.iiplc.com/investor-relations/financial-reports/> alternatively, they are available on request by writing to the Company Secretary at 55 Athol Street, Douglas, Isle of Man IM 1 1LA. Other Company information for shareholders is also available on the website.

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The Company also engages with shareholders at its AGM in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action if and when necessary. The results of the AGM are subsequently announced via RNS and published on the Company's website. Feedback from, and engagement with, substantial shareholders has historically been successful in ensuring, for example, material transactions are suitably structured with shareholder considerations in mind.

The current strategy of financing and the restructuring of existing loans was communicated to investors via a circular in April 2019 , this was also announced via RNS and subsequently uploaded to the Company's website <https://www.iiplc.com/news/regulatory-news/>.

The company secretary is also available for shareholders to contact on matters of governance and investor relations.

### **Principle 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success.**

The Board is aware that engaging with IIP's stakeholders strengthens relationships, assists the Board in making better business decisions and ultimately promotes the long-term success of IIP. The group's stakeholders include shareholders, members of staff of investee companies and of Advisors and other service providers, suppliers, auditors, lenders, regulators, industry Bodies and the surrounding communities of where its investments are located.

The Board as a whole are responsible for reviewing and monitoring the parties contracted to the Company, including their service terms and conditions. The audit committee supports Board decisions by considering and monitoring the risks to the Company.

The Company's portfolio consists of Distribution Logistics Infrastructure Private Limited (DLI), Shree Maheshwar Hydel Power Corporation Limited, India Energy Limited and India Hydropower Development Company LLC (together the Portfolio).

The Board is regularly updated on wider stakeholder views and issues concerning the Portfolio both formally at Board meetings and informally through ad hoc updates. Representatives involved with the investment portfolio are invited to join Board meetings and provide a report to the Board. Engagement in this manner enables the Board to receive feedback and equips them to make decisions affecting the business.

The Board recognises the importance of its social responsibilities concerning its investment decisions. The Company has made investments in infrastructure projects that seek to make a contribution to the development of communities in which they are located.

As detailed in the Company's Admission document, a full analysis of the Company's social responsibility and ways to address issues was undertaken. The Admission Document (dated 11 February 2011) is available on the Company's website: <https://www.iiplc.com/investor-relations/downloads/>

The Board adheres to the Company's Corporate Social Responsibility policy, an extract of which is summarised as follows:

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*The Enlarged Group will ordinarily make investments in infrastructure projects that seek to make a contribution to the development of communities in which they are located. In planning its activities the Board will give consideration to evaluating the social impact of proposed developments with a view to promoting where possible local employment and the delivery of other local benefits, and mitigating negative impacts to the extent possible. The Company intends to establish a community projects trust (the "Trust") and will contribute to the Trust up to 2 per cent. of the net realised gains derived from the re-financing of operational projects and of the net profit derived from any disposal of equity interests in operational projects. It is intended that the Trust will support community based education, training and employment initiatives designed to foster social inclusion in communities where the Group is active.*

The Company is committed to continuing engagement with all stakeholders.

### **Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation.**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk.

Risk is monitored and assessed by the Audit Committee who aim to meet at least twice annually and are responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

Risk management is carried out by the Board of Directors. The Board identifies and evaluates financial risks in close co-operation with the Asset Manager and the key risk factors for the Company are contained in pages 29-32 of the Company's 2019 Annual Report and Accounts ("2019 Accounts")

### **Principle 5 Maintain the board as a well-functioning, balanced team led by the chair.**

The Board has five members, three of which are non-executive. Tim Walker resigned from the Board with effect from 31 March 2020 and was replaced by Graham Smith on 20 April 2020. Tom Tribone is the Company's Chairman, Sonny Lulla is the Company's Chief Executive and Rob Venerus, Graham Smith and M.S. Ramachandran are the Company's three Non-Executive Directors. M.S. Ramachandran is considered an independent director. Graham Smith is also considered to be an independent director, notwithstanding the fact that FIM Capital Limited, of which he is Chief Executive Officer, provides administration and accounting services to the Company.

The Board is supported by an audit committee which is made up of two non-executive directors. Following the resignation of Tim Walker, one of the seats on the committee is vacant, the other member being M.S. Ramachandran. Whilst Graham Smith can support the Audit Committee, he is not eligible to fulfil the role of a committee member because of his

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position in FIM Capital Limited. The Company intends to appoint an additional Independent Non-Executive Director to the Board in due course, who will also serve on the Audit Committee.

The Board receives detailed reports from FIM Capital Limited, the administrator and Company Secretary to the Company covering updates to relevant legalisation and rules to ensure they remain fully informed and able to make informed decisions.

All the Directors biographies are published on the Company's website and outlined below:  
<https://www.iiplc.com/team/board-of-directors/>

The Directors devote sufficient time to ensure the Company's affairs are managed as efficiently as possible. The Board aims to hold at least 4 meetings each year with further ad hoc meetings held as required. The Audit Committee meets at least 2 times annually.

The Directors devote sufficient time to ensure the Company's affairs are managed as efficiently as possible. During the last financial year the Board met twice formally, and held fifteen *Ad hoc* Board meetings requiring the attendance of the Independent Directors only. The *Ad hoc* meetings held were to consider and approve the periodic loan increases, which being related party transactions were restricted in attendance to the independent directors. The Audit Committee met once. The Audit Committee and Board meeting also held a meeting in December 2019 to consider the approval of the Interim results for the six months ended 30 September 2019.

### Board Meetings Attendance

Board Meetings	Date	R Venerus	T Tribone	S Lulla	MS Ramachandran	T Walker
1	06-Apr-18				x	x
2	23-Apr-18				x	x
3	24-Apr-18				x	x
4	22-May-18				x	x
5	25-May-18				x	x
6	15-Jun-18				x	x
7	28-Jun-18				x	x
8	02-Jul-18	x	x	x	x	x
9	20-Aug-18				x	x
10	07-Sep-18			x		x
11	14-Sep-18		x	x	x	x
12	14-Sep-18				x	x
13	25-Sep-18				x	x
14	17-Oct-18				x	x
15	22-Oct-18				x	x
16	24-Oct-18				x	x
17	16-Nov-18				x	x
18	12-Dec-18	x	x	x	x	x
19	12-Dec-18				x	x
20	20-Dec-18				x	x

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21	07-Jan-19				x	x
22	21-Jan-19				x	x
23	04-Feb-19				x	x
24	15-Feb-19				x	x
25	21-Feb-19				x	x
26	22-Mar-19			x	x	x

Going forward, the Company confirms that it will report annually on the number of Board and Audit Committee meetings held during the year and the attendance record of individual Directors in its annual report.

#### **Principle 6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.**

The Directors have extensive experience in infrastructure fund management and a strong track record of value creation.

The Board believes it has the correct balance of skills, reflecting a broad range of commercial and professional skills across geographies and industries that is necessary to ensure the Company is equipped to deliver its investment objective. Additionally, each Director has experience in public markets.

The Directors and their roles and key personnel are displayed on the Company's website <https://www.iiplc.com/team/board-of-directors/> and a statement of the Directors responsibilities is also included on page 11 of the 2019 Accounts.

The Directors receive an ad hoc guidance on certain matters concerning, for example, the AIM Rules for Companies from the Company's Nominated Adviser and Broker as well as receiving updates on the regulatory environment from FIM, who provide specialist fund administration services to a variety of closed ended funds and collective investment schemes.

The role and responsibilities of the Audit Committee are set out in pages 14-15 of the 2019 Report and the Terms of Reference of the Audit Committee are summarised at the foot of this document.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

#### **Principle 7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.**

Board evaluations take place periodically, not annually, whereby Board members are asked to complete and return questionnaires across a variety of criteria, then return these to the Company Secretary, who, where necessary, would seek clarification on any responses given. Responses are then recorded anonymously to enable the Board to have open follow-up discussions on the aggregated evaluation data.

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All Board appointments have been made after consultation with advisers and with major shareholders in some cases. Detailed due diligence is carried out on all new potential board candidates. The Board will consider using external advisers to review and evaluate the effectiveness of the Board and Directors in future to supplement its own internal evaluation processes. Additionally, the Board will consider the need to undertake formal and periodic succession planning.

The Independent Directors have remained independent throughout their office, and due to the close-knit working environment and size of the Board, performance evaluations will continue on an ongoing and ad-hoc basis to ensure that they are committed to the progress and success of the Company and that their contribution is effective.

When the Board wishes to complete a periodic evaluation process, the relevant materials and guidance in respect of this process, following current best practice at the time of the evaluation, is available from and provided by FIM.

### **Principle 8 Promote a corporate culture that is based on ethical values and behaviours.**

The Corporate Governance Statement is detailed on pages 12 to 15 of the 2019 Accounts. The Board is mindful that the tone and culture set by the Board will impact many aspects of the Company and the way that stakeholders behave and form views.

The Board welcomes the views of all stakeholders who can contact the Directors and / or the Company Secretary by email / telephone and ensures that the Company has the means to determine that ethical values and behaviours are met through the adoption of appropriate company wide policies.

As stated earlier the Company has extensively considered its wider social responsibilities and the steps taken to actively address these. Details are contained in the Company's Admission Document, <https://www.iiplc.com/wp-content/themes/iiplc/downloads/11.02.2011%20Admission%20Document%20and%20EGM%20Notice.pdf>

In order to comply with legislation or regulations aimed at the prevention of money laundering the Fund has adopted anti-money laundering and anti-bribery procedures.

### **Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.**

A description of each board member and their experience, the role of the Audit Committee and that neither a Nomination or Remuneration Committee exists are displayed on the website at <https://www.iiplc.com/team/board-of-directors/>.

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### Responsibilities of the Board

The Board of Directors is responsible for the determination of the investment policy of the Company and for its overall supervision via the investment policy and objectives that it has set out. The Board is also responsible for the Company's day-to-day operations; however, since the Board members are all non-executive, in order to fulfil these obligations, the Board has delegated operations through arrangements with the Investment Adviser and Administrator.

All but one of the Directors are non-executive Directors and therefore there is no nomination committee. The Company has not established a remuneration committee as it is satisfied that any issues can be considered by the Board or the Audit Committee.

The Board intends to meet formally at least four times each year. At each Board meeting the financial performance of the Company and all other significant matters are reviewed so as to ensure the Directors maintain overall control and supervision of the Company's affairs. The Board receives investment reports from the Asset Manager and Valuation and Portfolio Services Adviser and management accounts from the Administrator. The Board maintains regular contact with all its service providers and are kept fully informed of investment and financial controls and any other matters that should be brought to the attention of the Directors. The Directors also have access where necessary to independent professional advice at the expense of the Company.

The Chairman, is responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the major shareholders and ensuring appropriate strategic focus and direction.

The Chief Executive Officer has overall responsibility for managing the day to day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy.

In addition to these, the Directors review and approve the following matters:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

### **Principle 10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

The 2019 Accounts sets out details of the work of the Audit Committee. Going forward the Board will include an Audit Committee report in the Annual Report and Accounts.

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The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting and investors can email the Directors and Company Secretary with any queries they may have.

The website includes information in relation to the outcome of shareholder voting under the regulatory news section pursuant to the AIM rules.

If a significant proportion of independent votes were to be cast against a resolution at any general meeting, the Board's policy would be to engage with the shareholders concerned in order to understand the reasons behind the voting results. Following this process the Board would make an appropriate public statement via this website regarding any different action it has taken, or will take, as a result of the vote.

Historical information is available on the website:

The Company's financial reports for the last five years can be found here  
<https://www.iiplc.com/investor-relations/financial-reports/>

Notices of General Meetings of the Company for the last five years can be found here  
<https://www.iiplc.com/investor-relations/downloads/>

### **Committees**

#### **Audit Committee**

The Audit Committee is a sub-committee of the Board and it meets formally at least twice each year. It makes recommendations to the Board which retains the right of final decision. The Audit Committee has primary responsibility for reviewing the financial statements and the accounting policies, principles and practices underlying them, liaising with the external auditors and reviewing the effectiveness of internal controls.

The terms of reference of the Audit Committee covers the following:

- The composition of the Committee, quorum and who else attends meetings.
- Appointment and duties of the Chairman.
- Duties in relation to external reporting, including reviews of financial statements, shareholder communications and other announcements.
- Duties in relation to the external auditors, including appointment/dismissal, approval of fee and discussion of the audit.

In addition, FIM has a number of internal control functions including a dedicated Compliance Officer who monitors compliance with all statutory and regulatory requirements and presents a report to the Board at each meeting.

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### **Remuneration Committee and Nomination Committee**

As stated in principle 9, there is no Remuneration Committee or Nomination Company in existence.

The Company has not established a remuneration committee as it is satisfied that any issues can be considered by the Board or the Audit Committee.

Details of the directors' remuneration can be found on pages 36-37 of the 2019 Accounts and the production of a remuneration committee report will be considered in the future.