



## **Statement of Compliance with the QCA Corporate Governance Code**

### **Chairman's Introduction**

In order for a company to deliver growth and long-term value for shareholders, it is important that it has in place efficient and effective Corporate Governance Frameworks, accompanied by good communication with stakeholders that promotes confidence and trust in the business.

Good governance and risk management are core to our business and to the achievement of our objectives. As Chairman, I ensure that MPL's business model adheres to a high standard of corporate governance which underpin our core values as a Group; to approach business with integrity and innovation, deliver exceptional service for customers, and sustainable value creation for all of our stakeholders. The implementation of good governance practices adds value to our performance and improves our strategic thinking, allowing us to run our business more effectively and better monitor the risks that we face. The Board's corporate governance policy is structured around its Corporate Governance Framework in compliance with the QCA Corporate Governance Code, as further detailed below.

**MPL's Corporate Governance Framework** is made up of the following:

**1. The Board of Directors** who are supported by the following committees:

#### **a) Remuneration Committee**

Assists the Board in determining the framework and broad policy for the remuneration of the Executive Directors and other members of senior management. The committee comprises Mr. John Fitzgerald, Mr. Jeremy Warner Allen and Lord Flight and is chaired by Mr. John Fitzgerald. The remuneration committee's responsibilities include reviewing the bonuses, determining at what point the Company should adopt any form of share option plan and the application of the performance standards which may apply.

#### **b) Nomination Committee**

Assists the Board in discharging its responsibilities relating to the size and composition of the Board, reviewing the Board's structure and identifying candidate Directors when the need arises. The committee comprises Mr. John Fitzgerald, Mr. Jeremy Warner Allen and Lord Flight and is chaired by Mr. John Fitzgerald. As the Company moves towards becoming operational and revenue generating the Board compositions is being reviewed to ensure it is best represented for future growth.

#### **c) Audit Committee**

Assists the Board in discharging its responsibilities with regards to financial reporting, external and internal audits, internal controls and risk management. Also, assists the Board in fulfilling its oversight responsibilities in relation to the Principal Risks faced by the Group. The Committee comprises Mr. John Fitzgerald, Mr. Andrew Henderson & Lord Flight, is chaired by Lord Flight and meet at least twice each year.

**2. The Group Chairman & Managing Director** who are responsible to the Board and responsible for communicating with the following:

#### **a) Executive Committee**

Primarily responsible for the day-to-day management of MPL's operations and strategic policy implementation, such policies being established and approved by the Board.



## **b) Separately the Owners & Shareholders**

Who provide oversight by electing the Board of Directors to oversee the management of the Company.

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### **Effective Implication of the QCA Code**

The Board considers that its Corporate Governance Framework promotes the effective and sound management of the Company in the long-term interest of itself and its shareholders. As from 28 September 2018, MPL was required under AIM Rule 26 to comply with a recognised Corporate Governance Code. The Board has agreed to comply with the provisions of the QCA Corporate Governance Code (the "QCA Code"). The QCA code is constructed around ten broad principles (accompanied by an explanation of what these principles entail, under "application") and a set of disclosures.

The Board is at the centre of MPL's Corporate Governance Framework. It is supported by a number of committees to which certain Board responsibilities are delegated. These committees formally report to the Board following each meeting to ensure that the Board remains fully updated on their activities. The principal committees include the Remuneration and Audit committees, which both have formally delegated duties and responsibilities and written Terms of Reference. From time to time, the Board may set up additional committees to consider specific issues when the need arises. The full biographies of the Board members and information on the roles and responsibilities of the Board and Board Committees can be found in the "Director" section of the website.

Reports on the activities of the principal Board Committees and their Terms of Reference are all available on MPL's website in the Corporate Governance Section. The Group Company Secretary provides support as the secretary for the principal Board Committees.

Our report sets out in broad terms how MPL comply at this point in time. The Company will provide annual updates on its compliance with the code.

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

#### **Our vision**

Our vision is to be a key link in the global logistics chain by creating world class, state-of-the-art maritime and logistics infrastructure to support India's and other emerging countries burgeoning trade demands, and to create value for all our stakeholders. To achieve these aims we have to identify sustainable growth opportunities and drive innovation in our sector.

We aim to achieve this by building three key principal values:

1. Being known as a trusted brand that can be relied upon by our customers and shareholders.
2. Help in the growth of India by providing a much-needed infrastructure service – current Indian government's Sagarmala initiative supports port led development as a key driver of Indian economic development and MPL is proud to be an important contributor to the delivery of the Indian Prime Minister's flagship policy
3. Drive productivity, efficiency and safety improvements in the infrastructure sector through continuous innovation.

#### **Our mission**



Our mission is to have a world class approach to business, where integrity and innovation are at the heart of our business philosophy, which aims to deliver exceptional customer service and sustainable value creation for all our stakeholders.

### **Our Dual Strategy**

As we work on completing our first facility at Karanja, we have a dual focus. The first part is to concentrate on the completion of Karanja port and ensure it becomes self-funded. This further includes:

- Establish efficient port operating practices.
- Keep abreast of all policy developments relating to trade, environment, labour laws etc. that may have any impact on the business potential of the ports and allied sectors.
- Maintain strong relationships with key government departments including inter alia, shipping, ports and finance environment.
- Maintain a strong in-house project management team to ensure timely completion of projects within budget.
- Engage in intense & continuous marketing of the facilities to optimise capacity utilisation and maximise revenues and profits.

The second part is to explore opportunities for future infrastructure projects in India, to build on the experience and knowledge the Board and Management have accrued over the past 10 years on our maiden project.

Our longer-term strategy is focused on:

- Engaging in intense & continuous marketing of the facilities to optimise capacity utilisation and maximise revenues and profits.
- Building out the team in India and at the Executive & Board level to ensure the Company fulfils its potential.

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

#### **Relations with Shareholders**

The Company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a programme of investor relations activities. The Company's full and half-year results are reported to investors through a combination of presentations and conference calls. The full and half-year reporting is then followed by an investor roadshow. Attendance at industry and investor conferences provides opportunities to meet with existing and prospective shareholders in order to update them on performance or to introduce them to the Company. In addition, the Company hosts investor and analyst visits to the port offering analysts and shareholders a better understanding of the day-to-day business and giving them an opportunity to meet the Indian management team.

The Board receives regular updates on shareholders' views through briefings from the Group Chairman, Managing Director and advisors to the Board, as well as reports from the Company's corporate brokers and investor relations teams. The Company maintains a joint corporate broking relationship with Cenkos Securities plc & Zeus Capital Limited, through which it engages with and receives feedback from investors.

The Chairman, the Senior Non-Executive Independent Director and the Managing Director are available to meet major investors on request.



On our dedicated Investors page of this website we provide the following:

Outcome of all votes at Annual General Meetings of the Group, Historic annual reports and all other governance material, including all general meetings over the last five years, as required under MAR.

Contact our Investor Relations team: Newgate Communications Investor Relations Email:  
[mpl@newgatecomms.com](mailto:mpl@newgatecomms.com)

Visit our dedicated Investors page on our corporate website <http://www.mercpl.com/article/investor-relations>

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

#### Engagement of wider stakeholders and social responsibility

By building on our partnerships with stakeholders, we continue to pursue our vision of being a key link in the global logistics chain.

Our team of more than 50 employees make it happen, bringing their experience and expertise to position our business to become world class, culminating in sustainable value creation for all our stakeholders.

To meet the needs of dynamic global supply chains, MPL has developed and operates a trade-enabling, strategically located and state of the art port and logistics facility.

Engagement with our employees and stakeholders to build better processes enables increased efficiencies, productivity, and quality. The executive team work closely with the employees in India to build a sense of responsibility and ownership, based on the size we are collaborative and encourage employees to work with us in finding solutions to problems the company face.

Working closely with our Group Auditors we have built on the control environment and used both UK and local teams who better understand local and international requirements, to ensure the reporting requirements in India and the UK are aligned.

Furthermore, following consultation with the lead contractor and the Company's engineers, the Company announced a reconfiguration to the Port. MPL has worked together to create an additional 200 meters of quay length on the East flank of the facility. This quay is used exclusively for break bulk.

#### Progress through partnerships

We believe in the significant medium to long-term growth potential of the ports and terminals sector, as well as complementary businesses, many of which we worked to nurture through partnerships. To capitalise on this growth potential, we built on strategic bonds during the year, through our agreement with the Maharashtra Maritime Board ("MMB") that MPL's lease over the land has been increased from 30 to 50 years, at nil cost. In addition, the MMB has also granted the Company approval to develop an additional 200 acres of land on the site and build a further 1 kilometre of berthing capacity and logistics sector in India, which can deploy. The Company considers the lease extension to beyond 2060 to be a significant endorsement from the key government organisation responsible for the maritime economy and illustrates the confidence that the MMB has in MPL.

Corporate Social Responsibility is mandatory for companies in India and Karanja Terminal Port and Logistics Limited ("KTPL") incur expenses to provide a sanitation facility, drinking water, sponsorship and donations to NGO. The Company further propose to engage in several Corporate Social Responsibility ("CSR") Initiatives over the tenure of the lease agreement with MMB. Funds will be allocated once total budgets have been passed by the Board, the Company intend to start the process when operational and returning a profit.



Action plans are in place to review and then report on the Company's Environmental Policy, Anti-Bribery and Corruption and Modern Slavery Policy.

It is planned that by next year we will have reviewed our Modern Slavery Statement to ensure we are not inadvertently supporting any type of modern slavery.

With the support of John Fitzgerald, the Chair of the Remuneration Committee, we will then review the current Code of Conduct for all our employees and suppliers to ensure everyone is acting in the best interests of the Company.

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

##### Risk Management Framework

Risk Management is the responsibility of the Board and is integral to the achievement of our strategic objectives. The Board is responsible for establishing the system of risk management, setting the risk appetite of the Group and maintaining a sound internal control system. Certain elements of this responsibility are overseen on behalf of the Board by the Audit Committee.

The Group's risk management and internal control processes, which have been in place throughout the period under review, identify, manage and monitor the key risks facing the Group. The risks which are considered to be material are reviewed by the Audit Committee and then, together with their associated controls, are presented to the Board for review.

##### Internal Controls

The Board is responsible for establishing and maintaining an effective system of internal control and has established a control framework within which the Group operates. This system of internal control is embedded in all key operations and is designed to provide reasonable assurance that the Group's business objectives will be achieved.

The risk management process and the system of internal control are subject to continuous improvement.

The Company has outlined the main risks in the 2019 Annual Reports and Accounts in the Strategic Report Section under Risk Management, Note 3 significant Accounting Judgement, estimates and assumptions and Note 13 Risk Management and financial instruments which can be found at <http://www.mercpl.com/article/investor-relations/financial-reports>

##### Guidelines Regarding Insider Trading

The Group takes all reasonable steps to avoid the risk of insider trading. It has adopted processes to keep all members of staff informed about their duties with respect to the handling of inside information, as well as dealings in the Company's shares. The Group has adopted an internal share dealing code which sets out the restrictions and "close" periods applicable to trading in securities and is drafted in compliance with the market abuse regulation. This dealing code, as well as memoranda and guidelines regarding dealings in shares (either selling or buying) have been circulated within the Group.

MPL will continue to review its policies, processes and procedures and seeks to become a member of the QCA to ensure it is up to date with best practice in this area.

##### **Audit Committee**

##### Members



Under the terms of reference there is a requirement for a minimum of two committee members, and to the extent it is practicable, it stipulates that one of these members must have recent, relevant and adequate financial knowledge and experience. During the year the Committee was composed of three members, the two Independent Non-Executives and Andrew Henderson, the CFO, who provided adequate financial knowledge and experience. It is proposed that the Company will look at appointing an Independent Non- Executive Director to replace Andrew Henderson who will stand down from his position to ensure adherence to the QCA Code and terms of reference.

#### Committee Meetings

The Audit Committee meets formally at least three times a year and otherwise as required.

Attendance at the Audit Committee meetings are to be disclosed in the Corporate Governance section of the Annual Report & Accounts.

#### Role of the Committee

The primary role of the Audit Committee is to ensure the integrity of the financial reporting and audit process and to oversee the maintenance of sound internal control and risk management systems. This includes the responsibility to:

#### Financial Reporting

- Ensuring the annual and interim reports are providing the shareholders with sufficient useful information in a useable format and there are no significant admissions.
- Make recommendations to the Board on the appointment and remuneration of the external auditors, review and monitor the external auditors' performance, expertise, independence and objectivity along with the effectiveness of the audit process and its scope;
- Review and monitor the integrity of the Group's financial statements and the significant reporting judgements contained in them;
- Monitor the appropriateness of the accounting policies and practices.

External auditors are invited to attend the Audit Committee meetings, along with any other Director or member of staff considered necessary by the Committee to complete its work. The Committee meets with external auditors without Executive Directors or members of staff present at least once a year, and additionally as it considers appropriate.

#### Internal Controls and Risk Management

- Review the adequacy and effectiveness of financial reporting and internal control policies and procedures and risk management systems;

#### **Whistleblowing**

- Review the effectiveness of the Group's whistle blowing policies.
- Review the company's procedures for detecting fraud; and
- Review the company's systems and controls for the prevention of bribery and receive and report on non-compliance.
- Monitor risks and compliance procedures across the Group.

#### Internal Audit



The committee will review the need from time to time (at least annually) for an internal audit function in the context of the Company's overall risk management system and make recommendations to the board.

#### Financial Reporting

The Committee reviewed the annual update to the Group's accounting policies. The significant accounting judgements and policies adopted in respect of the Group's financial statements were agreed and considered appropriate.

#### Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board, in light of an ongoing assessment of significant risks facing the Company.

The Board is responsible for reviewing and approving overall Company strategy, approving capital budgets and plans, and for determining the financial structure of the Company including treasury, tax and dividend policy. Quarterly results and variances from plans and forecasts are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period.

These cover cash flows, capital expenditure and balance sheets. Quarterly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.

#### Internal Controls

The Group's internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material misstatement or loss. Such systems are necessary to safeguard shareholders' investment and the Company's assets and depend on regular evaluation of the extent of the risks to which the Company is exposed. During the year the controls have been developed to build on the control environment. Examples include:

- Building out the finance team in India to be better placed to allow for separation of duties
- Updating access controls - reviewing who has responsibilities for processing and approving transactions.
- Increasing frequency of group reporting - from quarterly to monthly reconciliations, with the view of moving to weekly as we become operational, and then daily.
- Increased frequency of budgets reviews.

The Committee is of the view that the Company has made significant improvements during the year as demonstrated by the examples above. The Chairperson (Lord Flight) of the Audit Committee reports any matters arising from the Committee's review to the Board following each meeting. This update covers the way in which the risk management and internal control processes are applied and on any



breakdowns in, or exceptions to, these processes. There were no significant failings or weaknesses identified.

#### External Audit

Throughout the year, the Committee monitors the cost and nature of non-audit work undertaken by the auditors and was in a position to take action if it believed that there was a threat to the auditors' independence through the award of this work.

Grant Thornton LLP are the Company's external auditors. The whole Committee meets with Grant Thornton in private at least once a year.

The Committee has undertaken an annual review of the independence and objectivity of the auditors and an assessment of the effectiveness of the audit process. It also received assurances from the Auditors regarding their independence. On the basis of this review, the Committee suggested to the Board that it recommends to the shareholders that they support the reappointment of the Auditors at the AGM.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors.
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board.
- Detailed consolidated quarterly reporting of performance against budget.
- Central control over key areas such as capital expenditure authorisation and banking facilities.

#### Approval process

All material contracts are required to be reviewed and signed by the Board.

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

#### Directors' Independence

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Board comprises the Non-Executive Chairman, three Executive Directors and three Non-Executive Directors. The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. The Board is satisfied that it has a suitable balance between independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.



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

A balanced Board with the necessary skills, knowledge and industry experience to lead our Group is key to achieving our strategic objectives and long-term goals. Details of the role of the Board, the Directors' responsibilities, the Board composition and activities during the year are given in the "Corporate Governance" section of the website. <http://www.mercpl.com/team/directors>

The Board remains committed to effectively leading the Company, ensuring that our business is managed prudently and soundly to drive sustained long-term value for our shareholders. The balance of skills and expertise on our Board will allow us to continue creating value as we expand our horizons and lead the future of world trade.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of port construction, finance, innovation, international trading and marketing. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

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

The board as a whole regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. John Fitzgerald as Chairman of the Remuneration Committee, he has been assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective.
- That they are committed.
- Where relevant, they have maintained their independence.

**Remuneration Committee Members**

Under the Terms of references there is a minimum requirement for three committee members. The Committee is composed of Mr. John Fitzgerald, Mr. Jeremy Warner Allen and Lord Flight.

Committee Meetings

The Remuneration Committee meets formally at least once a year and otherwise as required. Attendance at the Committee meetings are to be disclosures in the Annual Report & Accounts from 2018 onwards.

Role of the Committee

The Remuneration Committee determines and agrees with the Board the framework and broad policy for the remuneration of the Group Managing Director, Group Chief Financial Officer and other members of senior management.

The Committee's policy is to review remuneration based on independent assessment and market practice. The remuneration of Independent Non-Executive Directors is a matter for the Chairman and executive members of the Board. No executive is involved in any decisions as to their own remuneration.

The Remuneration Committee's responsibilities include:

- Reviewing and providing the Board with a recommendation for a suitable remuneration framework for the Company;



- Monitoring the level and structure of remuneration for senior management and recommending adjustments where appropriate;
- Keeping under review its own performance, constitution and terms of reference; and
- Considering other matters as referred to it by the Board. Executive Reward Policy

The reward policy for Executive Directors and senior management (Executive Committee and other experienced managers) is currently being reviewed by the Committee. This had been on hold until the Port has become fully operational.

#### Base salary

- Fixed cash compensation based on level of responsibility as determined by applying a formal job evaluation methodology;
- Reviewed annually at the AGM to take into account market pay movements, individual performance, relativity to the market on an individual basis and MPL ability to pay.

#### Allowances and Benefits

None currently in place

#### Incentive Plans

The Committee is looking at adopting a short-term performance delivery plan and a long-term incentive plan for its Executive Directors and senior team.

#### Nomination Committee

The Nominations Committee is responsible for evaluating the balance of skills, knowledge, experience and diversity of the Board and, in particular:

- Recommending individuals to be considered for election at the next Annual General Meeting of the Company or to fill vacancies; and
- Preparing a description of the role and capabilities required for a particular appointment. The Nominations Committee is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors.

The Nominations Committee is composed of three of the Independent Non-Executive Directors Mr. John Fitzgerald, Mr. Jeremy Warner Allen and Lord Flight.

The Nominations Committee meets formally at least once a year and otherwise as required.

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

As stated in the chair's corporate governance statement our culture is consistent with the Company's objectives, strategy and business model in the strategic report and with the description of the principal risks and uncertainties. By following the adoption of QCA Code and adhering to the principal, the Company is ensuring strong ethical behaviour.

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

The Company maintains a governance structure and process in line with its corporate culture and appropriate to its size and complexity; capacity, appetite and tolerance of risk. As the Company



becomes operational this will evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

#### Board programme

The Board meets at least six times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

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

Information is available on our website and published in the 2018 & 2019 Annual report and accounts.

The Company further communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting ("AGM") and one-to-one meetings with large existing or potential new shareholders. The Company provides regular updates to its shareholders through its Regulatory News Service ("RNS") as required under the AIM Rules. A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's corporate website [www.mercpl.com](http://www.mercpl.com)

The Board receives regular updates on the views of shareholders through briefings and reports from Investor Relations, the Managing Director, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

#### **September 2020**