



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

### **Chairman's Introduction**

The Board of Indus Gas is fully committed to maintaining and evolving an effective corporate governance framework for the benefit of all stakeholders. This commitment represents a vital building block in creating a culture which supports the company's long term strategic goals in a sustainable fashion.

The Board recognises that it plays a key role in shaping the long term success of Indus Gas through effective and efficient decision-making. Strong corporate governance is central to this, helping to mitigate risks and adding value to our business.

As an AIM listed company, the Board of Indus Gas has decided to comply with the Quoted Companies Alliance (QCA) Corporate Governance Code consistent with the London Stock Exchange's recent directive. The following report outlines the ten broad principles which are the foundation of the code and sets out how Indus are applying these principles in practice.

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

The Company continues to execute against a clear and consistent long-term strategy designed to deliver growth in both reserves and commercial production as described in the annual report. The Board anticipates that the achievement of these strategic goals will continue to create value for shareholders over the long run and on a sustainable basis.

This clarity of strategic focus has been central to management's track record of successful execution during a period of very variable economic performance both domestically (in India) and globally.

The Indian economy continues to suffer from a significant shortage of domestically sourced energy production and Indus remains well placed to help address this deficit. The Indian government has publicly committed to increasing the share of gas from the current 6% of total energy consumption to 15% by 2030. This policy is driven primarily by environmental considerations as gas is a much cleaner alternative to oil and other fossil fuels. The strategy of Indus is fully aligned with the direction of the government's energy policy. In addition, the company will also be in a position to supply gas into the domestic economy at a significant price discount to imported LNG.

The Company's prolific exploration success has been attributable to a meticulous planning process including the collection and interpretation of in-depth 3D seismic data across the block. This has translated into detailed exploration campaigns which have driven a dramatic increase in the Company's commercial and prospective resources. The success with the drill-bit has also enabled Indus to minimize costs through economies of scale and this is reflected in our low cost production profile.

The consistency of the Company's strategy should not be confused with complacency. The Board is continually challenging and evolving the strategic focus of Indus to ensure it remains optimal for all stakeholders. The award of the 'Declaration of Commerciality' ('DoC') which, covers a 2000 square kilometre area, represented a major milestone in the execution of the Company's strategy. While the initial commercial production phase supplied (and continues to supply) gas to the Gas Authority of India ('GAIL') through a long term 'take or pay' contract for a large power plant in north-west Rajasthan, the award of the DoC has provided the platform from which to deliver a significant acceleration in production.

The company has also received approval from the Directorate General of Hydrocarbons ('DGH') and the government for the integrated Field Development Plan ('FDP') of SSG ('Pariwar') and SSF ('B&B') and for the enhancement of production from the SGL field to 90 MMSCFD. The Petroleum and Natural Gas Regulatory Board ('PNGRB') is conducting a second round of bidding for the laying of a gas pipeline from the gas processing facility for the evacuation of gas from the RJ-ON/6 block. This will enable gas from our block to be delivered to customers through the national grid. The economics of this pipeline including the transportation tariff remains a key strategic focus of the Board. This judgement will include an assessment of cost, counterparty risk and pricing mechanism for each option.

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

The Company is committed to engaging and communicating with its shareholders on a regular basis. The Board recognises the importance of articulating a clear strategy which is responsible for generating the results which are measured against our shareholder's expectations.

We recognise the importance of understanding and addressing any investor concerns through both scheduled and ad hoc interaction. This includes institutional investor roadshows, impromptu meetings and phone calls with existing and prospective shareholders. These meetings will cover a range of agenda topics from detailed trading updates with existing shareholders to investment case education with prospective investors who have a more limited knowledge base of the Company. All interaction with shareholders is summarised and discussed by the Board.

The Company has also provided regular opportunities for investors to visit the licence block in north- west Rajasthan. These site visits provide shareholders and prospective investors with a detailed operational insight and the chance to meet with senior team members across all of the main project functions. Unfortunately the global pandemic has put a temporary hold on such visits but we hope this will be an option again in the not too distant future.

The Annual General Meeting ('AGM') provides the forum for our retail shareholders to meet with the Board and ask questions. The AGM Notice is sent to shareholders at least 21 days before the meeting date. For each resolution, the number of proxy votes received for, against and withheld is announced at the meeting. The results of our AGM are subsequently published on the Company's corporate website ([www.indusgas.com](http://www.indusgas.com)).

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

The Company recognises that it does not exist in isolation. Building good relations with a wide range of different stakeholders is critical to achieving long-term success. These include:

- Our employees
- Our investor base

- Our lenders
- Focus Oil (the operator)
- Oil and Natural Gas Corporation (the licensee)
- Gas Authority of India (key customer)
- Petroleum and Natural Gas Regulatory Board (regulator)
- Government of India (policy maker)
- Suppliers

Engagement with all of these stakeholder groups is a vital to building a successful business which can be sustained over the long-term. The Board recognises that the implementation of an effective decision making process to drive our strategy would not be possible without the support of our key stakeholders. It is therefore essential to understand the different views and motivations of these stakeholders to ensure our strategy is as aligned as possible to deliver results which satisfy all of these different parties. This can only be achieved by regular and open communication with our stakeholders. Fairness, reliability and quality are the key principles we strive to achieve when dealing with all stakeholders of Indus Gas.

**Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organization**

The Board is responsible for ensuring there is an effective risk management framework with strong internal controls in place across the organisation. Understanding and where possible, mitigating the relevant risks to the business, is an essential part of executing and delivering our strategy.

The effectiveness of our risk management process is continually reviewed and challenged by our Executive Chairman, senior management and the Board to ensure all material risks facing the Company are identified and addressed.

The Board is accountable for the review and approval of overall Company strategy including the determination of capital budgets and plans and the evaluation of the optimal financial structure for the group. Detailed financial forecasting enables the Board to quickly identify any material variances from budget.

The Senior Management assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of appropriate financial controls. The Board is responsible for challenging the nature and scope of the work conducted by our independent auditors.

The Executive Chairman and senior management team monitors the day-to-day activities of the Company and is responsible for reporting to the Board any material variances from pre-agreed budgets. There is a clear organizational structure in place with defined levels of responsibility across all business functions. The authorization of capital expenditure and oversight of banking facilities is controlled centrally.

The Board is confident that there is an adequate system of internal controls in place to identify, assess and manage the key risks facing the Company. These risks include:

- Operational continuity including the fulfilment of contract obligations with our key customer (Gas Authority of India)
- Assumptions underlying major capital expenditures including the outlook for both gas demand and pricing levels within our end markets
- Changes to the regulatory and political environment within which we operate
- Retention of our key personnel
- Integrity of our supply chain

- Material variances from budgets and the resulting financial impact

The Board recognises that not all risks can be fully mitigated. However, our risk management framework is continually evolving to identify, assess and manage to the best of our ability all of the major risks facing the Company.

#### **Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board comprises of the Executive Chairman and three Non-Executive Directors. Jonathan Keeling (Executive Chairman) is responsible for the running of the Board and Company. Atiq Anjarwalla, Elizabeth Anne Powell and Nicholas David Saul (Non-Executive Directors) provides guidance, exercises independent judgement and brings a variety of experience to the Board. The Board considers the non-executive directors to be independent.

Board members are collectively responsible and committed to promoting the interests of the company and meeting high standards of corporate governance. The Board members provide an absolute balance between executive and non-executive directors and are supported by other professional bodies, including a qualified Company Secretary, etc.

The Board, led by the Chair has the necessary skills and knowledge to discharge their duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met particularly in relation to remuneration, accountability and audit.

All Non-Executive Directors must commit to an expected time commitment, that represents a sufficient time allocation to their duties effectively. The Executive Chairman and the Non- Executive Directors together provide a blend of broad commercial, management consulting, financial.

The business operating model is simple, with reduced complexity. Consequently, the Board has simplified the operational and management complexity of the business and deems it appropriate for the significantly de-risked operating model. With the recent appointment of a Non-Executive Director, the sub-committees, such as an Audit, Nomination and Remuneration Committee have been implemented.

The Board annually reviews the Company's strategic objectives and sets tasks ensuring they are followed within a framework which entails formal internal controls and effective risk management.

The Board holds at least 4 scheduled meetings a year as well as additional meetings as required to consider matters of importance which cannot wait until the next scheduled meeting. The quorum necessary for the transaction of business at a board meeting shall be two directors.

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

The Board is satisfied that the Directors have an effective balance of skills and experience. The Executive Chairman leads this assessment and provides feedback to the Board. This is particularly salient when addressing Board succession and at times when the Board composition is changing.

In the event of the Board's performance being assessed as sub-optimal, there are formal procedures in place for the removal and appointment of Directors from and to the Board respectively. Principle 7 outlines the Key Performance Indicators which influence this assessment.

**Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board, led by the Executive Chairman, is responsible for reviewing and assessing the effectiveness of its performance. Key Performance Indicators (KPIs) are set at the start of each financial year providing a benchmark for measuring Board performance. KPIs cover the following critical functions of the business:

- Operational performance
- Financial performance
- Employee retention
- Health and safety
- Regulatory compliance
- Director attendance at meetings

The Board is committed to establishing clear and relevant objectives which have measurable outcomes. This is critical to identifying areas where the Board can improve their performance. We will be providing more detailed disclosure on our KPIs in the context of assessing Board performance moving forward.

**Principle 8: Promote a culture that is based on ethical values and behaviours**

The Board aims to lead by example through establishing a culture of doing what is best for the Company and its stakeholders. There has been much media coverage in recent years on the subject of excessive and unjustified levels of Board remuneration. Director remuneration totalled £121,283 for financial year ended 31st March 2023.

While the Company's operating and financial performance has been strong over the past three financial years and broadly in line with budget, the global oil and gas industry has faced very challenging and volatile market conditions. This has not affected the operating performance of the Company as a result of our fixed price 'take or pay' contract structure. However, it has affected the share price performance of the listed global oil and gas sector, including Indus Gas and as such Board compensation should reflect this.

The global pandemic has presented an unprecedented challenge for governments, businesses and individuals alike. Central to the Company's response to the coronavirus was the safety and well-being of our employees and all workers on site at the block RJ-ON/6. This has and continues to be our number one priority. As highlighted in the Company's recent full year results release, operations have inevitably been impacted by the pandemic and the Board's 'safety first' approach. The Board continues to closely monitor the situation and anticipates that operational performance will quickly return to previous levels once it is safe to resume

unrestricted access to the site.

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

The Board believes it maintains governance structures and processes which are consistent with our corporate culture and are fully appropriate for the size and complexity of the Company. These governance structures have evolved over time and will continue to evolve as the business grows and our strategy is executed.

The Board convenes through a combination of meetings and teleconferences through the year and all Directors receive regular and timely information on the Company's operating and financial performance. All relevant information in support of the meeting agenda is circulated to the Directors in advance of meetings. The minutes of all meetings are circulated to the Directors in a timely manner.

The Company's principal risks, as discussed in Principle 4 above, are the subject of on-going review at Board level. This enables the Board to form an assessment on the effectiveness of the internal controls which are in place to manage these risks. The execution of a clear strategy combined with up-to-date management information is critical to identifying new risks and indeed recognising that previously identified risks are receding. During the course of reviews, the Board has not identified or been informed of any significant internal control weaknesses. This is a key building block in achieving a fully informed and effective Board decision-making process.

The Board reviews on an annual basis the Company's relationship with our external auditors, Grant Thornton Limited. This review covers the scope of the audit work, the audit process, the audit fees and the independence of the audit. The Board concluded that they are satisfied with both the independence and effectiveness of the external audit.

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

The Company communicates with shareholders in the following ways:

- Annual Report and Accounts
- Interim and Final results
- Annual General Meeting
- Executive meetings with shareholders and prospective shareholders
- Non-executive meetings with shareholders and prospective shareholders
- Site visits for investors to our block in Rajasthan
- Indus Gas website

The Board views investor feedback as extremely valuable in helping to evolve and challenge the strategic direction of the Company.

Regular dialogue with our other key stakeholders is also a vital part of ensuring the optimal performance of the Company. Principle 3 provides more detailed context to the importance of these relationships.

Last updated on 14<sup>th</sup> March 2024