

## Chairman's overview

# A culture of integrity



**In the run-up to our IPO, we made strong progress in achieving international standards in our governance.**

### Dear Shareholders,

As a listed company on both the Nigerian and London Stock Exchanges, Seplat is committed to compliance with the requirements of the Nigerian and UK corporate governance regulations, including without limitation the Companies and Allied Matters Act ("CAMA"), Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria ("the Nigerian Code") and UK Corporate Governance Code ("the UK Code"). To uphold this commitment, we have increased our Board composition with notable experts in the Nigerian and international oil and gas industry in order to leverage our organisational structure and governance policies against international standards. Our Board is better strategically positioned to ensure that we have the right people, culture and structures in place to make the right decisions for our business and for our shareholders.

### Board performance and evaluation

The core role of the Board is to set clear strategic direction, policies and practices for the Company to deliver long-term sustainable value to all its stakeholders, while the role of management is to meet the strategic goals of the Company in line with the policies and practices set by the Board. The Board works with management to ensure that the Company's business is well governed and financially strong, that identified risks are mitigated, and that an appropriate balance is maintained between promoting long-term growth and achieving short-term objectives. For optimum functionality, the Board undergoes an independent evaluation of its performance and the performance of the Chairman, Board Committees and individual Directors that is facilitated by external consultants. The Board appraisal process consists of questionnaires on Board and Committee effectiveness and peer review, one-on-one interviews with each Director and key management personnel. At the end of the appraisal process, the external consultant prepares a final appraisal report that is used to identify areas for improvement to ensure continuous development of the Board, its Committees and individual Directors.

### Corporate governance

We have formalised our focus on high ethical standards in our Code of Conduct, which is in place across the business and sets out our ethical framework for doing business. Our Code of Conduct policy has zero tolerance for any form of corrupt practice by any staff or our business partners. This commitment is documented in our corporate governance policies regarding anti-bribery and corruption, conflicts of interest, related party transactions, share dealing, whistleblowing, etc. We continue to keep our corporate governance policies and practices under review to ensure up-to-date compliance with the law and best international governance practices.

After almost a year since our IPO, we have made strong progress in achieving international standards in our governance. In our IPO Prospectus, last April, we stated that although not required to do so, we would measure ourselves against the UK Code as applicable to a company outside the FTSE 350, on a voluntary basis, with the exception of the following four areas:

- 1) The Chairman, upon appointment, did not meet the independence criteria set out in provision A.3.1 of the UK Code;
- 2) The Executive Directors or any Director appointed by any of the founder shareholders will not be subject to retirement by rotation or taken into account in determining the number of Directors to retire each year (provision B.7.1 of the UK Code);
- 3) Remuneration for certain Non-Executive Directors may include performance-related elements (provision D.1.3 of the UK Code); and
- 4) Certain Executive Directors' service contracts may include an initial fixed term of more than one year (provision D.1.5 of the UK Code).

This section of the Annual Report describes how the Company has complied with Nigerian and UK corporate governance regulations throughout the year. We have outlined key activities of the Board and its Committees during the year. The Board remains committed to upholding sound and effective corporate governance policies and practices.

I am proud of Seplat's commitment to delivering premium value to our shareholders, our staff, the community and other stakeholders, and of the efforts made by our Directors and staff during 2014 to uphold the spirit of good corporate governance.

**A.B.C. Orjiako**  
Chairman

## Chairman's overview continued

### Key points:

- Strong, experienced, diverse Board with six skilled and experienced Independent Non-Executive Directors.
- Diverse management team with extensive local and international oil and gas knowledge and experience.
- Relationship agreement with founding shareholders to regulate their degree of control over the Company, protect minority shareholders, and maintain Board independence.

### Board membership

The Board is made up of a group of individuals from diverse academic and professional backgrounds with significant experience in the oil and gas sector and key associated disciplines.

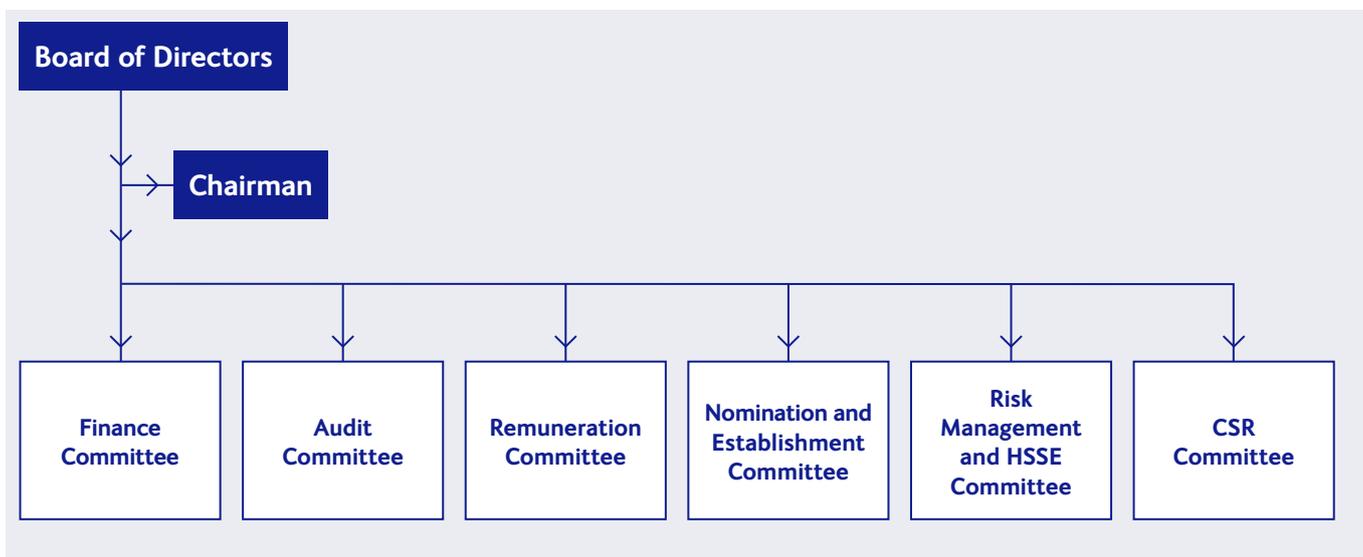
The positions of the Chairman and CEO are vested in different individuals in accordance with best governance practice. A.B.C. Orjiako (Chairman) and Austin Avuru (CEO) were the founders of the Company in 2009, and have extensive experience of the oil and gas business in Nigeria. Their respective roles are detailed in their letters of appointment as approved by the Remuneration Committee. The Chairman was not independent on appointment as defined by the UK Code (having previously been Executive Chairman), this being one of the exceptions to our compliance with the UK Code (provision A.3.1) which was disclosed at the time of the IPO. The Board determined that A.B.C. Orjiako's contribution to, expertise and recognition in the oil and gas industry are of major value to the Company, and therefore decided that keeping A.B.C. Orjiako as Chairman following the IPO would be in the best interests of the Company, albeit A.B.C. Orjiako now plays a non-executive role as Chairman in compliance with the Nigerian and UK Codes. Austin Avuru is now the CEO, having previously been Managing Director.

In addition to the above changes, Seplat has entered into a relationship agreement with its founding shareholders to regulate their degree of control over the Company, protect the rights of minority shareholders, and maintain the independence of the Board.

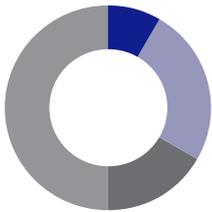
### Changes to the Board

In 2014, the composition of the Board was strengthened with the addition of Damian Dodo, S.A.N. (Independent Non-Executive Director) with expertise in the legal field in Nigeria.

Damian Dodo is a partner in one of the leading law firms in Nigeria, which presently represents Seplat in the Britannia-U litigation at the Supreme Court of Nigeria. The Britannia-U case arose after Mr. Dodo's nomination to the Board and, following due consideration and due diligence by the Nomination and Establishment Committee along with external advisors, the Board decided that engaging the expertise of D. D. Dodo & Co. to represent Seplat in the Britannia-U case was in the Company's best interests. As a leading S.A.N. in Nigeria, the Board determined that Mr. Dodo's independence would not be compromised by his role as an Independent Non-Executive Director. In accordance with good corporate governance practices, all dealings with D. D. Dodo & Co. are conducted in compliance with the Company's related party transactions policy and arm's length principles.



**Board composition**



● Chairman	1
● Executive Directors	3
● Non-Executive Directors	2
● Independent Non-Executive Directors	6

Apart from the Chairman and CEO, earlier discussed, the remainder of the Board comprises the Executive Directors (CFO Roger Brown and COO Stuart Connal), two Non-Executive Directors (Michel Hochard and Macaulay Ofurhie) who represent certain major shareholders and are thus not regarded as being independent, and five other Independent Non-Executive Directors (Michael Alexander (Senior Independent Director (“S.I.D.”)), Basil Omiyi, Charles Okeahalam, Ifueko Omoigui Okauru, and Lord Mark Malloch-Brown). It was decided and disclosed at the time of the IPO that the two Non-Executive Directors should not, as required by provision B.7.1 of the UK Code, be included in the consideration of Directors to retire by rotation at the relevant Annual General Meeting (“AGM”). However, the exclusion of these two Non-Executive Directors from retirement by rotation is permitted under the Company’s Articles of Association as required by Section 259(1) of CAMA. As of the date of this Annual Report, all the other Non-Executive Directors are appointed for a fixed term of two years, with renewal at the AGM held in the corresponding year of retirement.

In compliance with the Nigerian Code and UK Code, the Board therefore comprises a majority of Non-Executive Directors, most of whom are independent.

**Board composition**

As at the date of this Annual Report, Seplat has a Board of 12 Directors:

**A.B.C. Orjiako**  
Chairman

**Austin Avuru**  
Chief Executive Officer

**Stuart Connal**  
Chief Operating Officer

**Roger Brown**  
Chief Financial Officer

**Michel Hochard**  
Non-Executive Director

**Macaulay Agbada Ofurhie**  
Non-Executive Director

**Michael Alexander**  
Senior Independent Director

**Lord Mark Malloch-Brown**  
Independent Non-Executive Director

**Charles Okeahalam**  
Independent Non-Executive Director

**Basil Omiyi**  
Independent Non-Executive Director

**Ifueko Omoigui Okauru**  
Independent Non-Executive Director

**Damian Dodo**  
Independent Non-Executive Director