

Corporate governance report

The Board meets at least once every quarter to perform its oversight function and to monitor the performance of management. Special Board meetings are scheduled whenever business exigencies arise which require the urgent attention of the Board.

Board processes

Board meetings are supported by the General Counsel and the Company Secretariat team based in Lagos, Nigeria, who in turn are supported by key members of the Management Team when required. All Board and Board Committee papers are distributed to each Director in advance of meetings using the BoardPad software that is designed for that purpose. This enables Directors to contribute effectively to Board meetings and make informed decisions. Formal minutes are taken of all Board and Board Committee meetings and are approved at the following meeting of each. Each Board Committee presents a formal written report of its proceedings to the next meeting of the Board, which is reviewed and discussed by the Board. The minutes of the Board and Committee meetings aim to present a balanced report of the discussion held and decisions taken at meetings. In addition to supporting Board and Committee meetings, the General Counsel and Company Secretariat team also advise Directors in carrying out their duties.

During the year, the Chairman and the Senior Independent Non-Executive Director ("S.I.D.") each met with the Non-Executive Directors in the absence of Executive Directors to discuss matters pertaining to the Remuneration Committee and the Nomination and Establishment Committee. In compliance with the Nigerian and UK Codes, no Director is involved in any deliberation pertaining to his/her remuneration.

The Company has arranged appropriate insurance cover for legal action against its Directors. This insurance covers losses and actions arising from matters such as a Director's failure to act in good faith in the Company's best interest, failure to exercise his powers for a proper purpose or use his skill reasonably, failure to comply with law, etc. The Company regularly reviews this insurance coverage to ensure adequate protection of its Directors.

The Board has adopted a Board Charter which sets out the matters exclusively reserved for approval by the Board. Under the Board Charter, the Board has exclusive responsibility for:

- the overall strategy, objectives and management of the Company;
- the corporate structure;
- capital structure;
- corporate governance;
- risk management and HSSE policy framework;
- financial reporting and controls;
- material contracts, related party transactions and conflicts of interest;
- communication to shareholders and investors;
- Board membership and other appointments;
- remuneration;
- corporate social responsibility;
- approval of overall levels of insurance for the Company;
- major changes to the rules of any Seplat pension or other benefit scheme;
- changes to the Board Charter;
- prosecution, defence or settlement of litigation involving above \$10 million or being otherwise material to the interests of the Company;
- appointment of Seplat's banks and approval of bank mandates; and
- establishing and maintaining the Company's system of internal control procedures and reviewing its effectiveness.

These procedures, which include amongst other things, financial, operational, risk management and compliance matters, are reviewed on an ongoing basis.

The Company has also established guidelines requiring Board approvals for material acquisitions or disposals.

In order to carry out its responsibilities, the Board has established the following Board Committees, details of which are contained in the individual Committee reports later in this corporate governance section:

- 1) Finance Committee
- 2) Audit Committee
- 3) Remuneration Committee
- 4) Nomination and Establishment Committee
- 5) Risk Management and HSSE Committee
- 6) Corporate Social Responsibility ("CSR") Committee

All the Committees have terms of reference that guide Committee members in the execution of their duties. The terms of reference of all the Committees are available for review by the public. The Committees report to the Board and provide recommendations to the Board on matters reserved for Board approval.

Board meetings

During 2014, the Board held five meetings, the dates and attendance at which are summarised as follows:

Dates of 2014 Board meetings:

- 30 January 2014
- 12 March 2014
- 22 May 2014
- 24 July 2014
- 29 October 2014

Director	Meetings attended
A.B.C. Orjiako	5/5
Austin Avuru	5/5
Michael Alexander	5/5
Stuart Connal	4/5
Roger Brown	5/5
Lord Mark Malloch-Brown	5/5
Michel Hochard	5/5
Macaulay Ofurhie	5/5
Charles Okeahalam	4/5
Basil Omiyi	5/5
Ifueko Omoigui Okauru	5/5
Damian Dodo*	3/3

* Damian Dodo was eligible to attend only three Board meetings in 2014 in view of his appointment after the 12 March 2014 Board meeting.

During 2014, highlights of the Board's activities included:

- The establishment of corporate governance and other internal policies and procedures;
- Preparations for the IPO in Lagos and London in April 2014;
- The Company's strategy and proposals for key asset acquisitions;
- The development of the gas business;
- Consideration and approval of strategy in major law suits;
- Re-financing proposals;
- Review of reports received from Board Committees;
- Approval of prospective candidate, Damian Dodo, as Independent Non-Executive Director;
- Approval of financial results announcements;
- Approval of training programmes for Directors;
- Approval of engagement of external consultant to conduct 2015 Board appraisal;
- Approval of dividend payments; and
- Approval of budgets, business plans, etc.

Board policies

In addition to the Board Charter, earlier discussed, the Board has adopted a Code of Conduct and other corporate governance policies covering anti-bribery and corruption, related party transactions, conflicts of interest, share dealing, whistleblowing, community relations, risk management, and electronic information and communication systems, details of which are discussed later in this corporate governance section.

The Board has also decided to adopt the Model Code for Directors' dealings contained in the UKLA Listing Rules (the "Model Code"). The Board is responsible for taking appropriate steps to ensure compliance with the Model Code by the Directors. As compliance with the Model Code is being undertaken on a voluntary basis, the UK Financial Conduct Authority does not have the authority to monitor the Company's compliance with the Model Code or to impose sanctions in respect of any breaches. The Company nevertheless is committed to compliance with the Model Code to demonstrate its commitment to good corporate governance practices.

Appointment, development and evaluation of Directors

The Board has adopted a Board Appointment Process to guide the appointment of its Directors in accordance with corporate laws, corporate governance regulations and international best practices. The Nomination and Establishment Committee, chaired by A.B.C. Orjiako, has overall responsibility for the appointment process and changes to the Company Secretary subject to approval by the Board. The fundamental principles of the appointment process include: evaluation of the balance of skills, knowledge and experience on the Board, leadership needs of the Company and ability of the candidate to fulfil his/her duties and obligations as a Director.

Seplat has a mandatory induction programme for new Directors on the Company's business and other information that will assist them in discharging their duties effectively. The Company believes in and provides continuous training and professional education to its Directors. The Remuneration Committee, chaired by Michael Alexander (S.I.D.), has been involved in the development of the Chairman's and CEO's role specifications and their contracts.

Each Director has reviewed their training requirements with the Chairman. The training programme during the year included:

- High Performing Boards at the IMD, Lausanne, Switzerland;
- Finance Programme for Senior Executives at the Said Business School, Oxford University, England; and
- Overview of the International Upstream Oil and Gas Company at the Energy Institute, London, England.

Having established the Board membership, and meeting the individual training and development needs, the next step during 2015 will be to carry out another evaluation of the performance of the Board, its Committees and individual Directors. This is a key area for focus in the development of the Company's governance and compliance with the Nigerian Code and UK Code provisions in this area. Already, the Company has engaged an external consultant to conduct an independent evaluation of the ongoing effectiveness of the Board's processes, culture and alignment with the Company's strategy and some wider corporate governance review in order to set a progressive agenda for development of the Board. The Board evaluation includes a

Corporate governance report continued

performance review of the Board, Chairman, individual Directors and Board Committees, and involves participation of key members of management, who give management's perspective on performance of the Board. At the end of the evaluation, the external consultant will prepare a final report, which will be discussed first with the Chairman and S.I.D. then between the Chairman and each Director, followed by a general discussion with the Board. The Company will provide training and development to strengthen areas for improvement identified by the external consultant.

As mentioned above, Seplat has stated that it would not be in compliance with provision B.7.1 of the UK Code, although being in compliance with the provisions of CAMA, regarding the re-election of all Directors each year at the Annual General Meeting ("AGM"). However, during the 2015 AGM, the two Independent Non-Executive Directors who have stayed longest in office will retire and stand for re-election. The Notice of the 2015 AGM, which is being sent to shareholders together with this Annual Report, lists the Independent Non-Executive Directors who will be presented for re-election at the AGM.

Accountability

Details of the Directors' responsibility for preparing the Company's financial statements and accounts, and a statement that they consider the financial statements and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, are given on page 104 of this report. Seplat's business model and strategy for delivering the objectives of the Company, and the assumptions underlying the Directors' assessment of the business as a going concern are given on pages 14 to 15 and pages 20 to 21 of this Report respectively.

The Board has assessed the Company's risk management and material internal controls, including financial, operational and compliance controls, and has carried out a review of their effectiveness, details of which are given on pages 42 to 47 of this Report.

In compliance with CAMA, the Board has established an Audit Committee comprising not more than six members with an equal number of shareholder representatives and Independent Non-Executive Directors,

and in compliance with the UK Code's requirement for an Audit Committee the Board has also established a Finance Committee comprising four Independent Non-Executive Directors. Details of the Finance and Audit Committees' membership and activities are given in their respective reports, on pages 68 and 71. The Board has also established the Risk Management and HSSE Committee, which is responsible for reviewing on behalf of the Board operational risk, health and safety and environment matters. Details of the Committee's membership and activities are given in its report on page 75.

Remuneration

In compliance with the Nigerian Code and UK Code, the Board has established a Remuneration Committee solely comprising Independent Non-Executive Directors, under the chairmanship of Michael Alexander (S.I.D.). Details of the Committee's membership and activities are given in its report on page 72. Details of how Seplat's remuneration policy links remuneration to the achievement of the Company's strategy and the level of remuneration paid to each of the Directors during the year are outlined on pages 77 to 99.

It was stated at the time of the IPO that Seplat would not be in compliance with two of the UK Code's provisions relating to remuneration as follows:

- Remuneration for certain Non-Executive Directors may include performance-related elements (Provision D.1.3 of UK Code); and
- Certain Executive Directors' service contracts may include an initial fixed term of more than one year (Provision D.1.5 of UK Code).

In compliance with both the Nigerian and UK Codes, no Executive Director is a member of the Remuneration Committee and no Director is involved in any deliberation pertaining to his/her remuneration.

Communication with shareholders

Seplat values effective communication with its shareholders. The Company reports formally to shareholders four times a year, with the announcement of quarterly and full year results. Shareholders are issued with the full year Annual Report and financial statements. These reports are posted on the Company's website. Results presentations are also made available on the Company's website together with replays of webcasts.

Seplat's first AGM was held on 30 June 2014 in Lagos, Nigeria, and was attended by some 364 shareholders. The business transacted at the meeting was based on CAMA requirements and as such diverged in some respects from that common to UK companies. The AGM afforded attending shareholders the opportunity to discuss matters regarding the business with the Chairman, Committee Chairmen and individual Directors and also for shareholder representatives to be elected to sit on the Audit Committee, as required by CAMA.

The notice of the 2015 AGM is being sent to shareholders with this Annual Report and it is intended that the best practice for AGMs as detailed in the Nigerian and UK Codes will be followed.

The Board maintains a dialogue with investors outside the AGM with the intention of ensuring a mutual understanding of objectives to gain a balanced view of key issues and concerns of shareholders. The primary contact is through the Executive Directors. The Non-Executive Directors, and in particular the Chairman and S.I.D., are available to attend meetings if requested specifically by shareholders.

Communications with existing and potential shareholders regarding business strategy and performance are coordinated by the Investor Relations function. The Head of Investor Relations reports directly to the CFO. Communications regarding the general administration of shareholdings are coordinated by the Company Secretary.

The Company conducts an active investor relations programme with institutional investors and analysts. This includes participation at conferences, both in Nigeria and internationally, where a number of one-on-one meetings and group presentations are made, and the undertaking of investor roadshows in key financial centres.

Regular analysis of its shareholder register and major movements, together with market feedback and trading analysis, are communicated to the Board via the CFO.

The Board welcomes enquiries from shareholders and encourages attendance at the Company's AGM and participation in its results presentations and webcasts. The Board further encourages shareholders to subscribe to receive news alerts via the subscription service on the Company's website.

Disclosure of information

Seplat aims to comply with the highest standards of disclosure. The Company releases announcements concurrently through the relevant regulatory channels in both Nigeria and the UK, and ensures that all announcements are available on the Company's website together with copies of its latest results presentations, financial reports and other relevant information. The Company has controls and processes in place for the management of inside information. The Executive Directors are ultimately responsible for the approval of Company announcements and ensuring that such documents comply with relevant legal and regulatory requirements.

Corporate governance policies adopted by the Board

In order to provide guidance on corporate governance issues, the Board approved and implemented the following internal policies and practices which are reviewed periodically to ensure continued compliance with law and good governance practices:

- 1) Code of Conduct
- 2) Anti-Bribery and Corruption Policy and Anti-Fraud Policy
- 3) Conflicts of Interest and Related Party Transactions Policy
- 4) Share Dealing Policy
- 5) Risk Management Policy
- 6) Electronic Information & Communication Systems Policy
- 7) Community Relations Policy
- 8) Whistleblowing Policy

During 2014, the Company conducted training for employees on compliance with its corporate governance policies. In 2015, following the creation of a dedicated Governance and Integrity unit, advanced face-to-face and e-learning training and other training, monitoring and compliance initiatives will be conducted for employees and business partners to increase awareness and compliance. In 2015, the Board will also conduct an extensive review of all corporate governance policies to ensure their continued relevance and compliance with current governance regulations and practices.

1) Code of Conduct

The Company's Code of Conduct was adopted by the Board on 13 December 2012. The Code of Conduct applies to all Directors, senior management, employees and business partners of Seplat and its subsidiaries. The Code of Conduct sets out the ethical framework under which Seplat conducts business; that is, with the highest standards of ethics, accountability and transparency.

2) Anti-Bribery and Corruption Policy and Anti-Fraud Policy

The Anti-Bribery and Corruption Policy and Anti-Fraud Policy (the "ABC Policy") were adopted by the Board on 13 December 2012 and 29 August 2013, respectively.

The ABC Policy demonstrates Seplat's zero tolerance commitment to the eradication of bribery and corruption. The Policy prohibits facilitation payments, misappropriation, 'kickbacks' and blackmail/extortion, and sets the parameters under which Directors and employees may give or receive gifts and hospitality, deal with public officials, and make political and charitable donations. The ABC Policy includes reporting, documentation and whistleblowing provisions as well as provisions regarding zero tolerance disciplinary action for any breach of the Policy.

Due diligence process

Seplat is committed to doing business with only reputable, honest and qualified business partners. In line with our commitment in our Code of Conduct to *Do More and Go Further* in business ethics, our employees are encouraged to conduct due diligence exercises and take reasonable precautionary measures before entering into major transactions. These exercises and measures are geared towards evaluating each business partner's tendency toward corruption and other violations of law. The Company's due diligence exercises are sometimes performed by external specialist firms engaged to identify potential risks to the Company associated with doing business with new or existing business partners and counter parties.

3) Conflicts of Interest and Related Party Transactions Policy

The Conflicts of Interest and Related Party Transactions Policy was adopted by the Board on 13 December 2012. The Policy conjunctively demonstrates Seplat's commitment to avoiding and managing conflicts of interest and related party transactions in accordance with the law and good governance practices. The Policy applies to Directors and employees in their dealings on behalf of the Company and in the exercise of their roles within the Company. In compliance with Section 280 of CAMA, the Policy emphasises the special duty of Directors to refrain from activities that conflict with their responsibilities to the Company and to avoid making secret profits or receiving unnecessary gifts.

All ongoing and new conflicts of interest and related party transactions are required to be reported to the specified reporting unit for approval and documentation. In 2015, the Company intends to initiate processes aimed at reducing its related party transactions.

In order to fully embed an ethical culture in Seplat, all Directors and employees are required to complete and submit a Conflicts of Interest and Related Party Transactions Declaration Form, whether or not they are involved in a conflict or related party transaction, for review and approval by the General Counsel. To ensure compliance, submission of this Declaration Form is tied to receipt of financial incentives by Directors and employees.

Corporate governance report continued

Disclosure of Directors' interests in transactions

Directors with interests in transactions that were effected by Seplat during 2014 are summarised as follows:

S/n	Name of company	Notes
1.	FTI Consulting	<p>Lord Mark Malloch-Brown is a special adviser (and formerly Chairman of EMEA) for FTI Consulting. FTI Consulting is a London based financial communications specialist firm that advises Seplat on matters relating to communication with investors and analysts in the UK.</p> <p>During consideration of his appointment and after conducting its due diligence through external advisors, the Board found that Lord Mark Malloch-Brown has not personally provided any consultancy services to Seplat or its subsidiaries, and was not involved in the supervision or provision of services to Seplat or its subsidiaries in his capacity as then Chairman of EMEA for FTI Consulting. The Board also found that whilst the relationship between FTI Consulting and Seplat is meaningful, it cannot be reasonably considered a material relationship in the context of either company's operations and consequently the relationship was not likely to compromise the judgement of Lord Mark Malloch-Brown as an Independent Non-Executive Director of Seplat.</p>
2.	D. D. Dodo & Co.	<p>Damian Dodo is a Partner at this law firm. The firm currently represents Seplat in the ongoing Britannia-U litigation at the Supreme Court of Nigeria.</p> <p>The Britannia-U litigation arose after Damian Dodo was nominated to the Board of Directors. In view of Mr. Dodo's renowned legal expertise in Nigeria, the Board determined that it was in the Company's best interest to engage D.D. Dodo & Co. to represent Seplat in the matter. After conducting its due diligence to ensure Mr. Dodo's capabilities and ability to maintain independent judgement as a director, the Board approved the nomination by the Nomination and Establishment Committee of Damian Dodo as Independent Non-Executive Director. Mr. Dodo's appointment was also presented to and ratified by the Company's shareholders at its 2014 AGM.</p> <p>D.D. Dodo & Co.'s representation of Seplat in the Britannia-U case continues to be managed in accordance with arm's length principles and good corporate governance practices.</p>

Disclosure of related party transactions:

During 2014, Seplat entered into related party transactions, which are summarised as follows:

S/n	Name of company	Notes
1.	Abbeycourt Petroleum Company Limited	The Chairman of Seplat is a director and shareholder. The company provides consultancy services to Seplat in relation to business development opportunities and new acquisitions.
2.	Abbeycourt Trading Company Limited	The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations.
3.	Keco Nigeria Enterprises	The CEO's sister is a director and shareholder. The company provides diesel supplies to Seplat in respect of its rig operations.
4.	Ndosumili Ventures Limited	A subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.
5.	Oriental Catering Services Limited	The CEO's wife is a director and shareholder. The company provides catering services to Seplat at the staff canteen.
6.	ResourcePro Inter Solutions Limited	The CEO's sister in-law is its UK representative. The company supplies furniture to Seplat.
7.	Berwick Nigeria Limited	The Chairman of Seplat is a shareholder and director. The company provides construction services to Seplat in relation to a field base station in Sapele.
8.	Montego Upstream Services Limited	The Chairman's nephew is a shareholder and director. The company provides drilling and engineering services to Seplat.
9.	Neimeth International Pharmaceutical Plc	The Chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

10.	Helko Nigeria Limited	The Chairman of Seplat is a shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.
11.	Nerine Support Services Limited	Nerine Support Services Limited is a company under common control. The company provides agency and contract workers to Seplat.
12.	Nabila Resources Investment Limited	The Chairman's in-law is a shareholder and director. The company provides lubricants to Seplat.
13.	Platform Petroleum Limited	The CEO of Seplat is a director and shareholder. Platform seconds certain personnel to Seplat.
14.	Cardinal Drilling Services Limited	Cardinal Drilling Services Limited is a company under common control. The company provides drilling rigs and drilling services to Seplat.

Seplat is committed to conducting all related party transactions in accordance with arm's length principles and good corporate governance practices.

4) Share Dealing Policy

The Share Dealing Policy was adopted by the Board on 22 March 2013. The Policy demonstrates Seplat's commitment to trading securities in compliance with the requirements of the Nigerian Stock Exchange ("NSE") Amended Listing Rules ("ALR"), the Nigerian Code and the UK Listing Authority. The Share Dealing Policy acknowledges the Company's dual participation in the Nigerian and UK Stock Exchanges, and its conjunctive obligations under both Nigerian and UK listing regulations. The Policy therefore sets the parameters under which Directors and employees of Seplat and its subsidiaries, and their connected persons, must deal with the Company's shares, securities and inside information.

Declaration of Compliance

In compliance with Section 14.4(b) of the NSE ALR, following specific enquiry, all Directors acted in compliance with the NSE ALR and Seplat's Share Dealing Policy in respect of their securities transactions during the financial year ending 31 December 2014.

5) Risk Management Policy

The Risk Management Policy was adopted by the Board on 29 August 2013. The Policy demonstrates Seplat's commitment to the enterprise risk management and reporting system that ensures efficient identification of operational, health, safety and environmental risks, and risk eradication and management.

6) Electronic Information & Communications Systems Policy

The Electronic Information & Communications Systems Policy was adopted by the Board on 22 March 2013. The Policy demonstrates Seplat's commitment to responsible, secure and efficient use of communication systems, such as the internet, electronic mail, social media, intellectual property, etc.

7) Community Relations Policy

The Community Relations Policy was adopted by the Board on 13 December 2012. The Policy demonstrates Seplat's value for the communities in which it operates, and the Company's commitment to developing the communities through capacity building, business opportunities, recruitment for employment, academic scholarships, charitable donations, awareness creation, etc. Details on Seplat's CSR activities are contained in the CSR section of this report.

8) Whistleblowing Policy

The Whistleblowing Policy was adopted on 22 March 2013. A dedicated whistleblowing hotline was subsequently set up as an avenue for employees and other stakeholders to confidentially report unlawful and unethical conduct involving the Company, employees or Directors.

The Business Integrity function, reporting directly to the Chief Executive Officer, currently manages the whistleblowing hotline and ensures that all reports are kept confidential and appropriately investigated and resolved. However, in 2015 the Company is making efforts to outsource the investigation of reported cases to an external party, who will escalate reports to the Chairman of the Board's Finance Committee.

Directors' declarations

None of the Directors have:

- ever been convicted of an offence resulting from dishonest, fraud or embezzlement;
- ever been declared bankrupt or sequestrated in any jurisdiction;
- at any time been a party to a scheme of arrangement or made any other form of compromise with their creditors;
- ever been found guilty in disciplinary proceedings by an employer or regulatory body, due to dishonest activities;
- ever been involved in any receiverships, compulsory liquidations or creditors' voluntary liquidations;
- ever been barred from entry into a profession or occupation; or
- ever been convicted in any jurisdiction of any criminal offence or an offence under any Nigerian or UK legislation.