

Directors' remuneration report

Remuneration Committee Chairman's Annual Statement



Despite significant external challenge, the Company again performed strongly overall – increasing production (total and rate) and reserves, as well as materially advancing the strategic gas operation to enhance domestic supply. The 2014 bonuses reflect these achievements, but are reduced due to the scorecard impact of the below target financial performance.

Dear Shareholder,

As the Chairman of the Remuneration Committee, I am pleased to present the report of the Board covering the remuneration policy and practice for the first time as a listed company. In the prospectus we set out some of our core principles for implementation of the different remuneration components of our Executive Directors' packages. These have been further developed and are set out in detail in the Policy Report.

As a dual listed Company, we have applied compliance with the levels of pay disclosure and corporate governance required in both Nigeria and the UK. We aspire to best practice levels of corporate governance and take pride in maintaining the transparency of our remuneration arrangements for shareholders. As a result, we have adopted the regulations together with the attached voting requirements, which builds on the 92% shareholder support we received for our remuneration policy at the 2014 AGM. It is worth noting that our approach to executive compensation has not changed since that vote.

The Chairman's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM on 2 June 2015. The Remuneration Policy will be subject to a binding vote and will become formally effective at the AGM, applying for a period of three years from the date of approval.

Company highlights for the 2014 financial year

In April 2014, Seplat became the first indigenous Nigerian company to obtain a dual listing on both the London and Nigerian Stock Exchanges. Throughout the listing process and for the remainder of the year, the Company maintained its focus on the KPIs set out on pages 28 and 29 of this report. This continued focus led to a robust set of results against the backdrop of an extremely challenging environment for the oil and gas industry. The highlights of FY14 performance included:

- Gross production from operated and non-operated assets increased 4% to 19.73 MMbbls, with a new record set when oil output at OMLs 4, 38 and 41 exceeded 76,000 bopd in December.
- Working interest 2P reserves at 31 December 2014 were up 24% year-on-year at 281 MMboe.
- We achieved a reserves replacement ratio of 4x produced liquid volumes and 8x produced gas volumes.
- We completed the acquisition of interests in OML 53 and OML 55.
- We continued to diversify our revenue streams through advancing the strategic gas operation.
- Operating profit for the year was \$289m.

Remuneration highlights for the 2014 financial year

The Remuneration Committee has ensured that 2014 remuneration outcomes reflect our corporate performance. The main highlights are given below:

- Salary increases of 3% awarded to the Executive Directors for 2015, in line with general increases in the UK E&P industry and the wider employee population.
- Annual bonuses of 53% of maximum for the CEO, 65% for the COO and 57% for the CFO.

Directors' remuneration report continued

- The launch of the new Seplat Petroleum Development Company Plc 2014 Long-Term Incentive Plan (the "LTIP"), with grants of 200% of salary to the CEO and 150% to both the CFO and COO.
 - Awards will vest on their third anniversary subject to the achievement of a Relative Total Shareholder Return ("TSR") measure with a Reserves growth underpin.
 - Two thirds of awards will be exercisable by the Executive Directors on vesting after three years, one sixth will be exercisable after four years, with the final one sixth being exercisable after five years.
- In light of the dual listing, one-off awards have also been granted to our Directors in order to reward their contributions in bringing the Company to the market:
 - Awards on Admission of 300% of salary for the Chairman, 300% for the CEO and COO and 250% for the CFO.
 - 50% of the awards vested on Admission. The remaining 50% will vest on the first anniversary of Admission, subject to relative TSR performance and 2014 reserves growth, and will be released on the second anniversary of Admission.

Key activities of the Committee

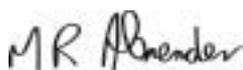
The Committee's key activities during the 2014 financial year were:

- Agreement of the Committee's terms of reference;
- Formulation of the Company Remuneration Policy as a listed company;
- Implementing and making awards under the Company's new LTIP;
- Determining the level of bonus payments in respect of this financial year;
- Drafting the Company's first Directors' Remuneration Report as a listed company.

In 2015, the Remuneration Committee will continue to monitor the Company's pay programmes to ensure they remain fit for purpose within the challenging environment in which the oil and gas industry currently operates.

I hope that you find the information in this report helpful and I look forward to your support at the Company's AGM.

I am always happy to hear from the Company's shareholders and you can contact me via the GM Human Resources, Alero Onosode, if you have any questions on this report or more generally in relation to the Company's remuneration.



Michael Alexander
Chairman, Remuneration Committee

Notes

This report has been prepared taking into account the principles of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Corporate Governance Code and the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014) (the "Code") and the Listing Rules.

As Seplat is a Nigerian registered company, this report has also been prepared taking into account the disclosure requirements under Nigerian law, and specifically the Companies and Allied Matters Act (CAMA). These rules, consistent with the UK regulations, require the remuneration of all Directors, other than the Chief Executive, to be approved by shareholders at the AGM. For completeness, the Company will ask shareholders at the AGM to approve the Annual Report on Remuneration for all Directors for 2014.

The report consists of three sections:

- The Annual Statement by the Remuneration Committee Chairman;
- The Remuneration Policy report which sets out the Company's remuneration policy for Directors and the key factors that were taken into account in setting the policy. This policy will apply for three years from its date of approval; and
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2014 financial year.