

Risk management

Protecting our business



Strong and effective risk management is central to how we run our business and enables the delivery of our strategy.

Introduction

Risk management is an integral part of all business activities of Seplat. The Company's risk management policy is focused on the early identification of risks and future risks that are central to achieving its strategy, annual business plan and objectives, their possible impact on the business and measures that can be implemented to mitigate the identified risks so that Seplat can continue to operate safely and effectively. At the same time, the Company continually maps out its response and plans should events go wrong and learnings from past incidence reviews. Seplat recognises that risk management is a continuous journey of improvement and not a destination and will continue to develop its risk management processes to ensure that the Company is fully equipped to deal with the constantly evolving operating and business environment of the upstream oil and gas industry.

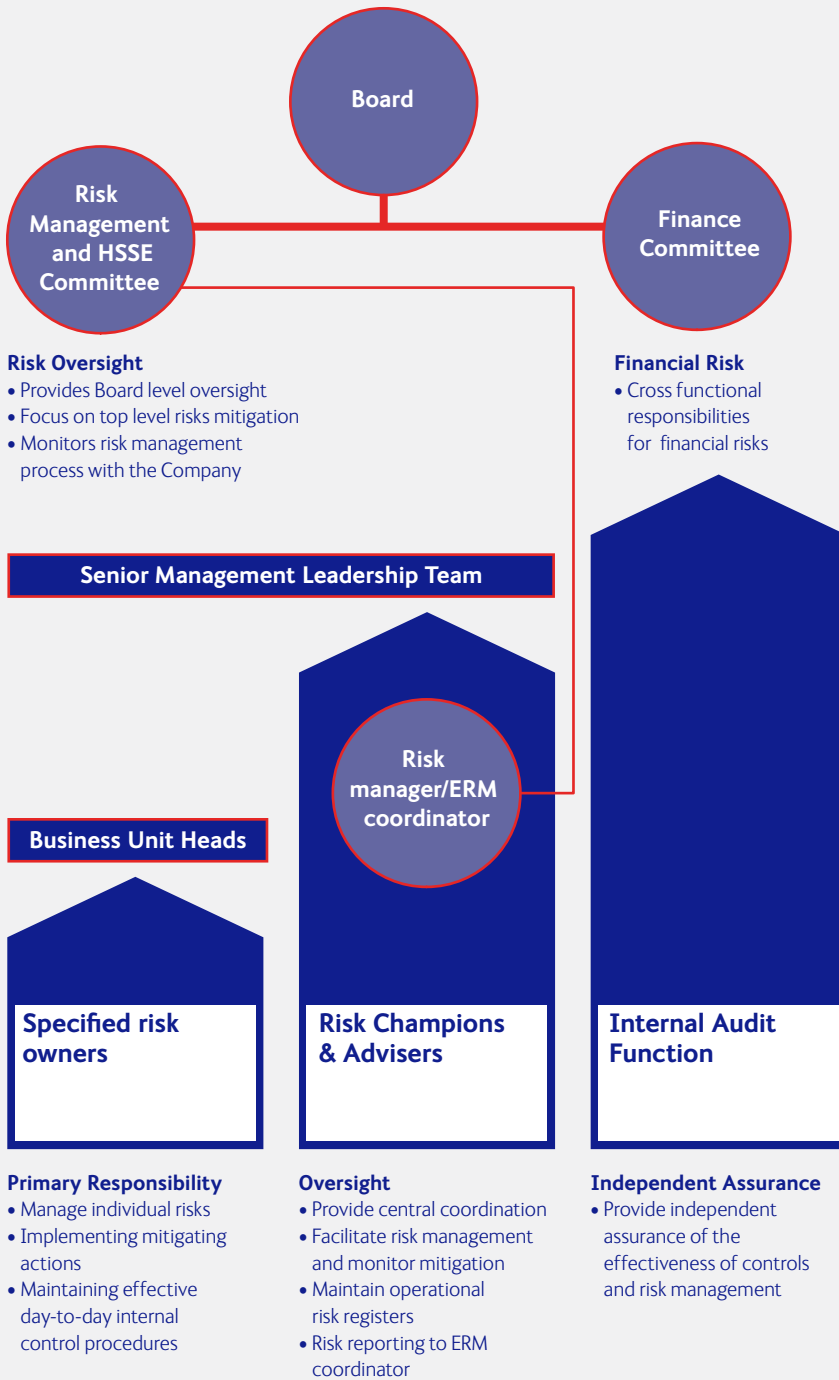
Roles and responsibilities

The Board of Directors is responsible for setting the overall risk management strategy of the Company and the determination of what level of risk is acceptable for Seplat to bear. The HSSE and Risk Committee assists the Board of Directors and has oversight of the Company's risk management framework, profile and the risk/reward strategy as determined by the Board. The Risk Management and HSSE Committee includes two Independent Non-Executive Directors and the Chairman of the Committee, with the CEO, COO and CFO in attendance. The head of the Company's internal audit unit may attend the meetings of the Committee. Specialists with appropriate technical expertise may also be invited to attend meetings of the Committee when necessary. The Committee meets at least four times each year when it analyses and evaluates Seplat's total risk exposure and ways to streamline processes throughout the business to promote a unified and standardised approach to risk management.

Reports on the Company's risk exposure and reviews of its risk management are compiled and presented to the Company's senior management and Board of Directors. The main risk factors identified in this risk review and reporting process then become the main focus of the Committee over the coming year. For internal control purposes the Company has policies and procedures in place that aim to improve internal business processes and strengthen control systems across the Company. The Company has an internal audit unit that undertakes periodic audits of the various business units including the Company's corporate governance systems and risk management processes.

Cross functional dependencies exist with the Finance Committee, which also monitors the controls and activities to mitigate identified financial risks. The Board also focuses on risk management in discharging its role over strategic matters and oversight over key business activities. These include approving the Company's annual budget and five year business plan and potential risk to the achievement of the plan and defining key operational and non-operational targets in monitoring business performance and growth.

Risk management framework



Key principles that underpin risk management within Seplat:

- Strong focus on safety throughout the organisation
- Close oversight by senior management in day to day business operations
- “Risk owners” throughout business
- Accountability of staff and/or key personnel
- Regular and timely reporting
- Independent reviews of risk management processes
- Clear system of delegation of authority

Main initiatives in 2014

Our 2014 focus centred on developing an improved risk culture based on Enterprise Risk Management. We focused on:

- Developing risk management capabilities and appointed Risk Advisers and Risk Champions across the organisation
- Risk reporting and evaluation – improvement in assessment models and risk dashboard
- HSE initiatives and field staff training
- Bribery and corruption and mitigation against fraud within the Company’s processes and procedures
- Scenario risk evaluation and responses for social/geo-political risks

Basil Omiyi

Chairman, Risk Management and HSSE Committee