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Strengthening to adapt

As we adapt to the rapidly changing landscape, we at Seplat recognise that strong corporate governance and enhanced risk identification and mitigation are more important than ever.

The turmoil in the global market in 2015 presented a very tough operating environment for our industry, dragging down equities and significantly impacting financial results. As we adapt to the rapidly changing landscape, we at Seplat recognise that strong corporate governance and enhanced risk identification and mitigation are more important than ever. Our Board has demonstrated stronger awareness to these imperatives by stringently adhering to corporate governance regulations and best practices in carrying out our responsibilities. The Board works with management to ensure that the Company has the right strategies, financial strength, people, culture and structures in place to adapt adequately to market challenges, while balancing long-term sustainable growth and short-term objectives.

Corporate governance performance in 2015

During the year in view, in addition to reviewing and updating all our corporate governance policies in line with current Nigerian and UK corporate governance regulations, the Company undertook some key initiatives to further strengthen corporate governance and Board effectiveness.

They include, but are not limited to, the following:

1) External consultants, Heidrick & Struggles of London, conducted an independent appraisal to evaluate Seplat’s Board effectiveness. This consisted of questionnaires, peer reviews and one-to-one interviews, including key management staff. The ensuing recommendations for areas of improvement have been and are being implemented to ensure continuous development, as a Board and as individual Directors.

2) Board compliance on corporate governance regulations and best practices was regularly evaluated to ensure ‘tone from the top’ compliance.

3) The Company improved engagements with its regulators and contributed to general sessions on corporate governance reporting and disclosure.

4) All Board members made declarations to the Company regarding their share dealing activities, in compliance with Nigerian and UK regulations and the Company’s policy on share dealing.

5) An easy-to-read Code of Conduct handbook was developed and circulated to all staff with a statement of acknowledgment to be signed by recipients. It documents the Company’s policies and guidelines regarding ethical standards, bribery and corruption, conflicts of interest, related party transactions, share dealing, whistleblowing, etc.

6) Furthermore, a corporate governance-dedicated team was constituted by management to focus on developing and executing activities to strengthen and embed corporate governance awareness and culture amongst all employees, including contract staff, contractors and business partners.

7) Our Code of Conduct policy has zero tolerance for any form of corrupt practice by any staff or our business partners. This year, the Company’s whistleblowing procedures were further strengthened to include external reporting lines and hotlines.

I am proud to say that the Seplat Board remains among the strongest in our market, comprising reputable experts in the Nigerian and international oil and gas industry. This enables us to benchmark our organisational structure and governance policies against international standards. We will continue to make deliberate efforts to uphold the spirit of strong corporate governance, whilst pursuing our strategies to deliver long-term sustainable value to our shareholders, staff, the community and other stakeholders.

A.B.C. Orjiako
Chairman
Board of Directors
In compliance with the Nigerian Code and the UK Code, the Board comprises a majority of Non-Executive Directors, at least half of whom are independent. Each Board member brings a wealth of business leadership experience to foster the collective strength of the Board in setting the strategic goals of the Company and overseeing the effective performance of management in achieving these goals.

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

- **A.B.C. Orjiako**
  Non-Executive Chairman

- **Austin Avuru**
  Chief Executive Officer

- **Stuart Connal**
  Chief Operating Officer

- **Roger Brown**
  Chief Financial Officer

- **Michael Alexander**
  Senior Independent Non-Executive Director

- **Basil Omiyi**
  Independent Non-Executive Director

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

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

- **Damian Dodo**
  Independent Non-Executive Director

- **Charles Okeahalam**
  Independent Non-Executive Director

- **Macauley Agbada Ofurhie**
  Non-Executive Director

- **Michel Hochard**
  Non-Executive Director

Board Committees structure

- **Board of Directors**
  - **Chairman**

  - **Finance Committee** (page 66)
  - **Audit Committee** (page 69)
  - **Remuneration Committee** (page 70)
  - **Nomination and Establishment Committee** (page 72)
  - **HSSE and Risk Management Committee** (page 74)
  - **CSR Committee** (page 76)
Committed to sound corporate governance

Ambroise Bryant Chukwueloka (A.B.C.) Orjiako
Non-Executive Chairman

Biography
Dr ABC Orjiako is the Chairman of Seplat, which he co-founded in 2009. His extensive experience in the oil and gas industry has seen him establish and manage various companies in the upstream, downstream and oil services sectors in Nigeria.

Dr Orjiako is qualified as an orthopaedic and trauma surgeon. He ventured into business and has developed extensive experience in the Nigerian oil and gas sector, having established and managed various companies, including Abbeycourt Trading Company Ltd, Abbeycourt Energy Services Ltd, Zebbra Energy Ltd and Shebah Exploration and Production Company Ltd. He is also the Chairman of Neimeth Pharmaceutical International Plc which is listed on the Nigerian Stock Exchange (NSE), and a Director of Maurel & Prom International (MPI) which is listed on the NYSE Euronext Paris. By invitation of the London Stock Exchange, he became a founding member of the London Stock Exchange Group’s Africa Advisory Group (LAAG), a select group working to resolve the commercial and social issues affecting Africa.

Experience
Dr. Orjiako brings a wealth of sector experience in the Nigerian oil and gas sector having managed several companies including Abbeycourt Trading Company Ltd, Abbeycourt Energy Services Ltd, Zebbra Energy Ltd and Shebah Exploration and Production Company Ltd.

Date of appointment
• As Director on 14 December 2009
• As Executive Chairman on 1 February 2010
• As Non-Executive Chairman on 1 January 2014

Board meetings attended
• 6/6

Committee membership
• Nomination and Establishment Committee (Chairman)

Independent
• Not applicable

Ojunekwu Augustine (‘Austin’) Avuru
Chief Executive Officer; Executive Director

Biography
Mr. Avuru is a co-founder of Seplat and became CEO on 1 May 2010. He is also a Director of MPI, which is listed on NYSE Euronext Paris.

A geologist by background, Mr. Avuru spent 12 years at the Nigerian National Petroleum Corporation, where he held various positions including Well Site Geologist, Production Seismologist and Reservoir Engineer. In 1992, he joined Allied Energy Resources in Nigeria, a pioneer deepwater operator, where he served as Exploration Manager and Technical Manager. In 2002, Mr. Avuru established Platform Petroleum Ltd and held the role of Managing Director until 2010, when he left to take up the CEO position at Seplat.

Experience
Through his extensive experience of working in the Nigerian upstream oil and gas sector in increasingly senior technical and management roles, Mr. Avuru brings a highly relevant skill set and knowledge of operating oil and gas blocks in the Niger Delta. Through his background in geoscience Mr. Avuru has a detailed understanding of the hydrocarbon plays in the Niger Delta combined with a strong understanding of above the ground commercial, operational and safety aspects that are central to operating successfully.

Date of appointment
• 1 May 2010

Board meetings attended
• 6/6

Committee membership
• Not applicable

Independent
• Not applicable

Stuart Connal
Chief Operating Officer; Executive Director

Biography
Mr. Connal joined Seplat as Chief Operating Officer on 1 August 2010. He is a Chartered Engineer with over 30 years’ experience in major oil and gas companies in the United Kingdom and Nigeria. Prior to joining Seplat, he spent ten years at Centrica Energy where he held various positions including, between 2006 and 2010, the position of Managing Director of Centrica Resources Nigeria.

Experience
Over the course of his career Mr. Connal has gained a wealth of experience in project managing and safely running significant and complex oil and gas operations in a number of different onshore and offshore settings, successfully leading multi-disciplinary teams, managing service providers, key stakeholder relationships and controlling significant budgets.

Date of appointment
• 1 March 2013

Board meetings attended
• 6/6

Committee membership
• Not applicable

Independent
• Not applicable
Biography
Mr. Brown joined Seplat as Chief Financial Officer in 2013. With a background in finance, he is a qualified Chartered Accountant with the Institute of Chartered Accountants in Scotland.

Mr. Brown has over 20 years’ experience in the financial sector, primarily focused on emerging markets with extensive experience in structuring energy and infrastructure transactions on the African continent. Prior to joining the Company, he held the position of Managing Director of Oil and Gas EMEA for Standard Bank Group.

Experience
Mr. Brown brings to Seplat extensive financial, accounting, M&A, debt and equity capital markets experience in the emerging markets space, and in particular the African oil and gas sector. He has advised on some of the largest and highest profile transactions that have occurred in Nigeria in recent years.

Date of appointment
• As Chief Financial Officer and Executive Director on 22 July 2013

Board meetings attended
• 6/6

Committee membership
• Not applicable

Independent
• Not applicable

Biography
Mr. Alexander was appointed to the Board in 2013. He spent 25 years at BP Plc in various roles and was Chief Executive Officer of British Energy Group Plc between 2003 and 2005. Prior to that he was an Executive Director of Centrica Plc having held a number of senior positions within British Gas Plc, including Commercial Director of British Gas Exploration & Production.

Experience
Over the course of his wide-ranging career Mr. Alexander has acquired considerable experience in executive leadership roles specifically within the energy sector, and more recently he has held a number of non-executive directorships and associated committee roles allowing him to bring wide-reaching international board and corporate governance experience to Seplat.

Date of appointment
• 1 June 2013

Board meetings attended
• 6/6

Committee membership
• Remuneration Committee (Chairman)
• Finance Committee (Member)
• Nomination and Establishment Committee (Member)

Independent
• Yes

Biography
Mr. Omiyi’s career spans 40 years at Royal Dutch Shell, during which time he occupied a number of senior roles in Nigeria and Europe, including Managing Director of Shell Petroleum Development Company of Nigeria Limited and Country Chairman of Shell Companies, Nigeria.

Mr. Omiyi has held a number of board memberships and in 2011 was awarded the National Honour of Commander of the Order of the Niger by the President of Nigeria for pioneering Nigerian leadership in the oil and gas sector.

Experience
Mr. Omiyi has acquired an extensive insight into and experience in the global oil and gas industry and in particular brings a detailed knowledge and understanding of the Nigerian oil and gas sector together with senior management expertise gained in a large-scale multinational organisation.

Date of appointment
• 1 March 2013

Board meetings attended
• 6/6

Committee membership
• HSSE and Risk Management Committee (Chairman)
• Nomination and Establishment Committee (Member)
• Remuneration Committee (Member)

Independent
• Yes
**Biography**

Lord Malloch-Brown is a former Deputy Secretary General of the United Nations as well as a previous Administrator of United Nations Development Programme. He has also served in the British Cabinet and Foreign Office. He is active both in business and in the non-profit world. He also remains deeply involved in international affairs. Lord Malloch-Brown is a former Chair of the Royal Africa Society.

**Experience**

Lord Malloch-Brown brings a great deal of knowledge and experience on international and external affairs, and particularly the promotion of business and commerce in African economies, including Nigeria, within a global context. He also brings extensive experience on corporate responsibility and governance systems to the Board.

**Date of appointment**

• 1 February 2014

**Board meetings attended**

• 4/6

**Committee membership**

• CSR Committee (Chairman)
• Finance Committee (Member)
• Independent
• Yes

**Biography**

Dr. Okeahalam is a co-founder of AGH Capital Group, a private equity and diversified investment holding company based in Johannesburg, with assets in several African countries. Prior to co-founding AGH Capital Group in 2002, he was a Professor of Financial Economics and Banking at the University of the Witwatersrand in Johannesburg.

His other roles have included advising a number of African central banks and government ministries, the World Bank and the United Nations. He has held several board positions and is a former non-executive chairman of Heritage Bank Limited, Nigeria.

**Experience**

Dr. Okeahalam brings extensive corporate finance and capital markets expertise to the Board, and in particular detailed knowledge of African financial markets, economies and the investment industry.

**Date of appointment**

• 1 March 2013

**Board meetings attended**

• 6/6

**Committee membership**

• Finance Committee (Chairman)
• Remuneration Committee (Member)
• Audit Committee (Member)
• Independent
• Yes

**Biography**

Mrs. Omoigui-Okauru is the Managing Partner of Compliance Professionals Plc., a management consulting firm. Previously she spent 12 years at Arthur Andersen & Co. where she became National Partner of the firm’s strategy practice. Mrs. Omoigui-Okauru has also served as a part-time member of the United Nations Committee of Experts on International Cooperation in Tax Matters and has held several positions within the Nigerian Federal Inland Revenue Service. She is a founding member of the Board of Trustees of DAGOMO Foundation Nigeria, a family-based non-governmental organisation geared towards community development.

**Experience**

Mrs. Omoigui-Okauru brings extensive experience in finance, accounting and tax to the Board together with a great deal of experience in management consulting, strategy and change management.

**Date of appointment**

• 1 March 2013

**Board meetings attended**

• 6/6

**Committee membership**

• Finance Committee (Member)
• HSSE and Risk Management Committee (Member)
• CSR Committee (Member)
• Audit Committee (Member)
• Independent
• Yes
Biography
A renowned lawyer, Mr. Dodo has acted and continues to act for a wide range of major Nigerian corporations, governmental and regulatory bodies across a number of business sectors and has served on a number of panels and commissions in Nigeria, including the NNPC Commission of Inquiry and the Governing Board of the National Agency for the Prohibition of Traffic in Persons. He currently chairs the National Lottery Regulatory Commission. In 2001, Mr. Dodo was awarded Nigeria’s highest legal practice rank of Senior Advocate of Nigeria (‘S.A.N.’). In 2011, he was awarded the National Honour of Officer of the Order of the Federal Republic of Nigeria by the President of Nigeria. Mr. Dodo has also recently been awarded fellowship by the Nigerian Institute for Advanced Legal Studies. He is also an associate of the Chartered Institute of Arbitrators in London.

Experience
Mr. Dodo brings an extensive legal expertise and knowledge base to the Board together with a firm understanding of relevant regulatory regimes and corporate governance.

Date of appointment
• 30 June 2014
Board meetings attended
• 4/6
Committee membership
• Nomination and Establishment Committee (Member)
• Remuneration Committee (Member)
Independent
• Yes

Biography
Chief Ofurhie was appointed to the Board as a nominee of Shebah Petroleum Development Company Limited. A geoscientist by background, Chief Ofurhie has worked in the Nigerian upstream oil and gas industry in a career spanning 34 years. During this time he has held various executive positions in NNPC and served as Director at the Department of Petroleum Resources (‘DPR’). At NNPC, Chief Ofurhie was the Managing Director of Nigerian Petroleum Development Company (‘NPDC’) and Nigerian Gas Company (‘NGC’).

Experience
Chief Ofurhie has over the course of his career gained extensive experience in the Nigerian upstream oil and gas industry, from both public and private sector perspectives, and has a deep understanding of the below and above ground operating environments in Nigeria.

Date of appointment
• 14 December 2009
Board meetings attended
• 6/6
Committee membership
• HSSE and Risk Management Committee (Member)
• CSR Committee (Member)
Independent
• Not applicable

Biography
Mr. Hochard was appointed to the Board of Seplat as a nominee of MPI. Mr. Hochard is presently the Chief Executive Officer of MPI.

Mr. Hochard is a Chartered Accountant whose experience includes serving as Internal Auditor for the Department of Finance of ELF Aquitaine, Head of the Finance Division for Africa and the Middle East, and Director of Finance of the SNEAP, then of ELF Aquitaine production.

Experience
Mr. Hochard brings a great deal of finance, accounting and risk management expertise to the Board and more specifically in the context of the international oil and gas industry.

Date of appointment
• 14 December 2009
Board meetings attended
• 6/6
Committee membership
• Audit Committee (Member)
Independent
• Not applicable
During the year, the Board directed an extensive review of the Company’s corporate governance framework and policies to ensure continued alignment with the current Nigerian and UK corporate governance regulations.

**Board processes**

Board meetings are supported by 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 discussions held and decisions taken at meetings. In addition to supporting the Board and Committee meetings, the Company Secretariat team also advises Directors in performing their duties within the bounds of Nigerian and UK laws and regulations. Members of the Board are also given access to independent professional advisers at the Company’s expense, where necessary for them to discharge their duties.

The roles and responsibilities of the Chairman and the CEO are clearly separated and outlined under service contracts with the Company. During the year, Hedrick & Struggles evaluated the effectiveness of this role separation (as part of the Board evaluation process) and made some recommendations to strengthen the role separation. Implementation of the recommendations was monitored by the Senior Independent Non-Executive Director (S.I.D.). During the year, the Chairman and the 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 Code and the UK Code, it is the policy and practice of Seplat that 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 and in the Company’s best interest, failure to exercise his/her powers for a proper purpose or use his/her skill reasonably, failure to comply with the law, etc. The Company regularly reviews this insurance coverage to ensure adequate protection of its Directors.

On 25 March 2014, Seplat entered into a Relationship Agreement with its founding shareholders to regulate their degree of control over the Company so that the rights of minority shareholders and the independence of the Board are protected.

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;
- 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 US$10 million or being otherwise material to the interests of the Company;
- appointment of Seplat’s banks and approval of bank mandates; and
- establishment and maintenance of the Company’s system of internal control procedures and review of its effectiveness.

During the year, the Board Charter was reviewed to ensure continued alignment with the provisions of the Nigerian Code and the UK Code as well as international best practice.

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 and delegated aspects of its responsibilities to the following Board Committees, details of which are contained in the individual Committee reports later in this corporate governance section:

- Finance Committee.
- Audit Committee.
- Remuneration Committee.
- Nomination and Establishment Committee.
- HSSE and Risk Management Committee.
- 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 the matters reserved for Board approval.

**Board meetings**

During 2015, the Board held six meetings, the dates and attendance of which are summarised as follows:

Dates of 2015 Board meetings:

- 24 March 2015.
- 24 April 2015.
- 1 June 2015.
- 21 July 2015.
- 22 October 2015.
- 4 December 2015.
During 2015, highlights of the Board’s activities included:

- review and approval of the 2014 Annual Report and Accounts;
- consideration of revisions to the 2015 budget and work programme in response to the low oil price environment, and review and approval of the 2016 budget and work programme;
- review and approval of quarterly and full-year financial results announcements;
- approval of dividend payments;
- review and approval of the Company’s strategy for key asset acquisitions and managing litigation/dispute resolution pertaining to certain assets;
- review of updates on current reserves positions and production trends;
- review of corporate risk framework, high-level risks, and risk response actions;
- review of quarterly corporate performance;
- review of the Company’s business strategy in response to the year’s challenging business environment;
- review and approval of updated and new corporate governance policies, including regular evaluations of compliance with Nigerian and UK corporate governance regulations on the part of each Director;
- review and approval of process documents for the 2015 Annual General Meeting (AGM);
- nomination of Board representatives to the Audit Committee and re-election of Directors scheduled for retirement at the 2015 AGM;
- joint Board and management strategy session primarily to review the Company’s five-year Business Plan;
- review of proposals for development of the gas business;
- review and approval of strategy to recover debt owed to the Company;
- review and approval of re-financing proposals;
- review and adoption of reports received from Board Committees; and
- approval of engagement of external consultant to conduct 2015 Board appraisal, and participation in and review of results of the appraisal.

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, electronic information and communication systems, etc., 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 observance of the Model Code by the Directors. As observance of 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 observance of the Model Code or to impose sanctions in respect of any breaches. The Company nevertheless is committed to observing the Model Code in order to demonstrate its commitment to good corporate governance practices.

Appointment, development, evaluation and rotation 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, induction, training and evaluation processes as well as 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 learning opportunities for its Directors.

As part of the Company’s cost management initiatives in response to the low oil price environment, each Director undertook to pursue personal development opportunities in the place of a Company-sponsored training programme. These personal development efforts were supported by Executive Memos issued by the Company Secretariat team and other management teams, informing the Board of critical legal and business changes as well as their implications for the Company.

During the year, the Board engaged an external consultant (Heidrick & Struggles) to conduct an independent and rigorous evaluation of the ongoing effectiveness of the Board’s processes and culture, the Board’s alignment with the Company’s strategy, and some wider corporate governance review, in order to set a progressive agenda for the development of the Board. Heidrick & Struggles also evaluated the performance of the Board Committees and each individual Director.

1. Independent Non-Executive Directors
Corporate governance report continued

Under the directive of the Board, the Executive Management Team established a cross-functional Corporate Governance Embedding Team to focus on strengthening the corporate governance compliance awareness and culture of Directors, employees, contract staff and business partners.

In performing this evaluation, Heidrick & Struggles was given unhindered access to communicate with Directors and key members of management, and access to observe Board and Board Committee meetings. At the end of the evaluation, Heidrick & Struggles prepared a final report, which was discussed first with the Chairman and Senior Independent Director (‘S.I.D’), then between the Chairman and each Director, followed by a general discussion with the Board. In summary, the evaluation report confirmed that each Director continued to contribute effectively and to demonstrate commitment to their roles on the Board. The report also confirmed that the Committee chairs and members were strategically positioned to address the relevant issues that were presented to the Committees.

In addition to conducting the Board evaluation, Heidrick & Struggles was engaged by the Company to assist in the recruitment of some members of management.

Seplat stated at the time of the IPO that it would comply with the provisions of section 259 of CAMA, regarding the re-election of applicable Directors each year at the AGM, which would not follow provision B.7.1 of the UK Code. During the 2016 AGM, the following two Independent Non-Executive Directors, who have stayed longest in office will retire and stand for re-election: (1) Ifeolu Omoigui Okauru; and (2) Damian Dodo (SAN).

Disclosure of Directors’ age

In compliance with section 252 of CAMA, the Company hereby discloses to its members that the following Directors are at the age of 70 years and above: (1) Macaulay Agbada Ofurhie; and (2) Basil Omiyi. As verified by the 2015 Board and Individual Director performance appraisal, these Directors have continued to execute their directorial duties with significant oil and gas expertise and experience.

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, to be fair, balanced and understandable and to contain the information necessary for shareholders to assess the Company’s position and performance, business model and strategy, are given on page 105 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 16 to 23 and page 105 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 66 to 69. The Board has also established the HSSE and Risk Management 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 pages 74 to 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 pages 70 to 71. 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 80 to 100.

Seplat stated at the time of the IPO that remuneration for certain Non-Executive Directors may include performance-related elements and certain Executive Directors’ service contracts may include an initial fixed term of more than one year. Thus, this practice would not be in compliance with provisions D.1.3 and D.1.5, respectively, of the UK Code. In compliance with both the Nigerian Code and the UK Code, no Executive Director is a member of the Remuneration Committee and no Director is involved in any deliberation pertaining to his/her remuneration. The Company’s remuneration policy and practices are outlined on pages 90 to 100 of this Report.

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 Accounts. 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 second AGM was held on 2 June 2015 in Lagos, Nigeria, and was attended by some 402 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 Company’s AGM affords 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 2016 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.

Engagement with existing and potential shareholders regarding business strategy and performance is coordinated by the Investor Relations function. The Head of Investor Relations reports directly to the CFO. Matters 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. In 2015, the Company held over 270 meetings with institutional investors and expanded its analyst coverage.

Regular analysis of Seplat’s shareholder register and major movements, together with market feedback, trading analysis and peer performance, are communicated to the Board via the CFO and the Head of Investor Relations.

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 framework and compliance initiatives The Board recognises the importance of good corporate governance in the success of the Company and the integrity of its operations. The Board has overall responsibility for developing and embedding the corporate governance framework for the Company, and does so with “tone from the top” compliance. During the year, the Board directed an extensive review of the Company’s corporate governance framework and policies to ensure continued alignment with the current Nigerian and UK corporate governance regulations and international best practice. In line with its “tone from the top” approach, the Board subjected itself to frequent evaluations of its level of corporate governance compliance, and took remedial actions to resolve any areas of potential or perceived non-compliance.

A dedicated Corporate Governance Unit works in partnership with the Business Integrity Unit, external consultants and the Company’s regulators (when necessary) to maintain a robust corporate governance framework. Members of the Corporate Governance Unit and the Company Secretariat Unit frequently attended engagement sessions with the Nigerian regulators, including the NSE session on the Corporate Governance Rating System that was scheduled to launch in 2016.

Under the directive of the Board, the Executive Management Team established a cross-functional Corporate Governance Embedding Team (CG-ET) to focus on strengthening the corporate governance compliance awareness and culture of the Company’s Directors, employees, contract staff and business partners. The CG-ET has already developed a Board approved embedding plan for implementation in 2016.

During the year, the Company conducted another round of corporate governance training for those employees and contract staff who were unable to attend the 2014 training. In 2016, it is expected that a corporate governance re-certification programme will be implemented for all employees and contract staff. 2016 will also see strengthened corporate governance embedding activities within the Company.

As of the date of this Annual Report, the Board has adopted the following internal corporate governance policies and practices:

- Board Charter
- Code of Conduct
- Anti-Bribery and Corruption Policy
- Conflicts of Interest for Employees Policy
- Conflicts of Interest for Directors Policy
- Related Party Transactions Policy and Guidelines
- Share Dealing Policy
- Inside Information Policy
- Risk Management Policy
- Electronic Information & Communication Systems Policy
- Corporate Communications Policy
- Political and Charitable Contributions Policy
- Community Relations Policy
- Whistleblowing Policy
- Complaint Management Policy

During the year, the Board mandated an extensive review of all corporate governance policies to ensure their continued relevance and compliance with the current Nigerian and UK corporate governance regulations as well as international best practice.

1) Board Charter
The Board Charter was adopted by the Board on 22 March 2013. As earlier mentioned, the Board Charter sets out the responsibilities of the Board, the establishment of the Board Committees with clear delegated responsibilities, the matters reserved for the exclusive approval of the Board, and the conduct of Board proceedings.

2) Code of Conduct
The Code of Conduct was adopted by the Board on 13 December 2012. It outlines the ethical framework under which Seplat conducts business; that is, with the highest standards of ethics, accountability and transparency. During the year, the Code of Conduct was fashioned into an easy-to-read aesthetic handbook with memorable slogans, such as “Integrity... Do more, Go further”. This handbook was circulated Company-wide, together with a statement of acknowledgement for recipients to sign. We believe that the Code of Conduct is a social contract between the Company and its employees, contract staff and business partners to conduct business with the highest ethical standards.
3) Anti-Bribery and Corruption Policy
The Anti-Bribery and Corruption Policy was adopted by the Board on 13 December 2012. The Policy demonstrates Seplat’s zero tolerance commitment to the eradication of bribery and corruption. It 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 Policy includes reporting, documentation and whistleblowing provisions as well as provisions regarding zero tolerance disciplinary action for any breach.

Due diligence process
Seplat is committed to doing business with 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.

4) Conflicts of Interest for Employees Policy
In line with the mandate of the Board, the existing Policy that conjunctively addressed Conflicts of Interest and Related Party Transactions was revised and separated into distinct policy documents. The emergent Conflicts of Interest for Employees Policy was adopted by the Board on 24 March 2015, and applies to both employees and contract staff. The Policy outlines Seplat’s commitment to avoiding and managing conflicts of interest in order to preserve the integrity of its business decisions and operations. It also sets a clear disclosure, approval, documentation and monitoring process for conflicts of interest within the Company, beginning with a mandatory annual conflict of interest declaration to the Company, for the consideration of a dedicated conflict of interest review panel.

To ensure compliance, submission of this Declaration Form is tied to receipt of financial incentives by employees and contract staff.

5) Conflicts of Interest for Directors Policy
Following the explanation above, a stand-alone Policy addressing conflicts of interest for Directors was formally adopted by the Board in 2016, although the Board began incorporating its provisions in 2015. This Policy applies to Seplat Directors and the shareholder representatives on our Audit Committee. The Policy clearly sets out the legally imposed duties on the Board and its members, along with some ethical requirements adopted by the Company. Particular attention is given to conflicts involving Independent Directors to ensure compliance with both the letter and spirit of corporate governance regulations on such Directors. The Policy outlines a clear disclosure, review and documentation process for all conflicts of interest involving a Director, beginning with a yearly declaration to the Company, for the consideration of a dedicated conflict of interest review panel. To ensure compliance, submission of this Declaration Form is tied to receipt of financial incentives by Directors.

6) Related Party Transactions Policy and Guidelines
Aligning with the increasing attention to related party transactions, the Company developed a stand-alone document for such transactions as well as transfer pricing guidelines. The Related Party Transactions Policy and Guidelines is a live document that is revised in real-time with changes to the Nigerian and UK transfer pricing regulations. For example, the Policy was most recently revised to incorporate the requirements of the Nigerian Stock Exchange rules governing transactions with interested persons or related parties that was issued at the end of 2014. The Policy was mostly recently reaffirmed by the Board on 24 April 2015. It outlines a stringent process for disclosing, reviewing/approving and recording all related party transactions as well as business relevant guidelines for ensuring arm’s length conduct of approved transactions.

Seplat’s list of related party transactions is outlined in note 34 to the consolidated financial statements and note 66 to the company financial statements of the Annual Report. Seplat is committed to conducting all related party transactions in accordance with arm’s length principles and good corporate governance practices.

Directors’ interest in contracts
The Chairman and the Chief Executive Officer have disclosable indirect interest in contracts with which the Company was involved as at 31 December 2015 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria in 2015. These have been disclosed in note 34.

Change: Last year, we reported that Director, Lord Malloch-Brown was the Chairman of EMEA for FTI Consulting, a London based firm that provides investor and analyst services to Seplat. Lord Malloch-Brown has since stepped down from his role in FTI Consulting. Thus, the FTI Consulting transaction is no longer listed in this section of the Report.

Damian Dodo is a Partner at D.D. Dodo & Co. The firm represents Seplat in the Britannia-U litigation. The Britannia-U litigation arose after Damian Dodo was nominated for directorship. 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. This determination was made after the Board satisfied itself that Mr. Dodo’s legal representation would not interfere with his independence on the Board. Thereafter, the Board’s appointment of Mr. Dodo and D.D. Dodo & Co.’s representation of Seplat in the Britannia-U litigation was disclosed during the IPO. Mr. Dodo’s appointment was also presented to and ratified by the Company’s shareholders at its 2014 AGM.

D.D. Dodo & Co.’s representation of Seplat in the Britannia-U case was managed in accordance with arm’s length principles and good corporate governance practices. The Board has now taken the decision that after the conclusion of the Britannia-U Supreme Court hearing, D.D. Dodo & Co. would no longer act as legal counsel to Seplat for as long as Mr. Dodo remained an Independent Non-Executive Director on the Board.

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Seplat Petroleum Development Company Plc
7) 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 2015.

8) Inside Information Policy
Stemming from the Share Dealing Policy, the Inside Information Policy was adopted by the Board on 29 January 2016. The Policy clearly defines what constitutes ‘inside information’ and sets a clear process for the confidential preservation of such information. It also prohibits Seplat Directors, employees, contract staff, business partners and their connected persons from using inside information to deal in Seplat shares or securities or those of another public company.

9) Risk Management Policy
The Risk Management Policy was adopted by the Board on 29 August 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.

10) 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.

11) Corporate Communications Policy
The Corporate Communications Policy was approved on 13 August 2013 by the CEO and after some updates was adopted by the Board on 29 January 2016. The Policy sets out the process for communicating, interacting with, and disseminating information regarding the operations and management of the Company to shareholders, other stakeholders and the general public.

12) Political and Charitable Contributions Policy
The Political and Charitable Contributions Policy was adopted by the Board on 29 January 2016. The Policy prohibits Directors, employees, contract staff and business partners from making political donations or engaging in other political activities on behalf of Seplat. It also sets the standard and processes for making charitable donations to lawfully constituted charitable organisations, in line with the CSR initiatives of the Company.

13) 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.

14) Whistleblowing Policy
The Whistleblowing Policy was adopted on 22 March 2013. In addition to this Policy, whistleblowing provisions are entrenched in all Seplat corporate governance policies. Seplat has a dedicated whistleblowing hotline for employees and other stakeholders to confidentially report unlawful and unethical conduct involving the Company, its employees or Directors. The Business Integrity Unit, 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.

In 2015, following the Board’s directive, an external Whistleblowing system (managed by KPMG) was deployed to run alongside the internal system managed by the Business Integrity Unit.

15) Complaint Management Policy
The Company established a Complaint Management Policy (‘Policy’) in line with the Rules of the Nigerian Securities & Exchange Commission (‘SEC’) that was released on 16 February 2015 and the subsequent directive of the Nigerian Stock Exchange to all listed Companies in Nigeria. The Policy outlines the procedures established by Seplat to address the complaints and other communications received by its shareholders and the public in relation to specific matters. The Policy is available on the “Corporate Governance policies” page of the Company’s website.

Business integrity initiatives
Having successfully achieved the short-term objective of arresting any drift towards impunity, the Business Integrity Unit has now embarked on its long-term goal of embedding a strong corporate governance culture in Seplat, in collaboration with the Corporate Governance Unit and other business units. This will be achieved through a combination of continuous awareness campaigns, trainings and application of consequence management, with strong adherence to zero tolerance for corruption and unethical conduct.

Directors’ declarations
None of the Directors have:
• ever been convicted of an offence resulting from dishonesty, 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 receiviorships, 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.
I am pleased to make this report to Seplat shareholders on the activities of the Finance Committee, which I trust you will find to be of interest.

The Finance Committee was constituted in 2013 in compliance with the UK Code’s requirement for an audit committee, and consists wholly of Independent Non-Executive Directors as listed in this report. You will see below details of the terms of reference for the Finance Committee and a summary of the activities carried out during the year. During the year, the Committee regularly reviewed the financial strategies of the Company in response to the challenging operating environment.

I am happy to report the success of the Company in realising profit in spite of the low oil price environment. I shall be available at the AGM of the Company to be held on 1 June 2016 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Dr. Charles Okeahalam
Chairman of the Finance Committee

The Finance Committee assists the Board in:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to its financial performance, reviewing any significant financial reporting judgements contained in them;
- reviewing the Company’s internal financial controls and financial risk management systems;
- overseeing financial strategy, policy and treasury matters;
- reviewing and approving major capital expenditures;
- making recommendations to the Board for presentation to the shareholders for approval at the AGM in relation to the appointment, re-appointment and removal of the external auditor; and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- monitoring and reviewing the effectiveness of the Company’s internal audit function and its activities;
- providing advice on whether the Annual Report 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; and
- overseeing and evaluating the Company’s corporate governance policies, conflicts of interest and related-party transactions and compliance, including whistleblowing policy arrangements and the independent investigation of such matters and follow-up action.

### 2015 Members Attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
</tr>
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<tbody>
<tr>
<td>Charles Okeahalam, Chairman</td>
<td>5/5</td>
</tr>
<tr>
<td>Michael Alexander, Member</td>
<td>5/5</td>
</tr>
<tr>
<td>Lord Mark Malloch-Brown, Member</td>
<td>5/5</td>
</tr>
<tr>
<td>Ifueko Omoigui-Okauru, Member</td>
<td>4/5</td>
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</tbody>
</table>

1. Independent Non-Executive Director.

Charles Okeahalam and Ifueko Omoigui-Okauru have recent and relevant financial experience, as highlighted in the profile of Directors on pages 58 and 59 respectively.

In the financial year ended 31 December 2015, the Finance Committee held five meetings on the following dates:

- 17 March 2015
- 21 April 2015
- 20 July 2015
- 20 October 2015
- 20 November 2015

The meeting attendance record of the Committee members can be seen in the table above.
The Committee’s activities during 2015

The Committee met five times during 2015. In compliance with the Committee’s terms of reference, it considered the following:

- financial statements: the Committee reviewed the report from the external auditors and management on the interim and annual financial statements and public releases. In doing so, it reviewed:
  - the oil and gas reserve estimates;
  - revenue recognition;
  - areas that require significant estimation, judgement or uncertainty;
  - compliance with financial reporting and governance standards;
  - the basis for the going concern assessment;
  - related party transactions and fraud and management override.

- debt recovery: the Committee reviewed various strategies to recover debts owed to the Company to buttress the Company’s financial performance;

- cost management: the Committee reviewed revisions to the budget and continuous efforts by management to efficiently manage costs in response to the low oil price environment;

- oil hedging: the Committee reviewed and recommended the implementation of an appropriate oil hedging strategy to protect against volatile oil prices, after ensuring that appropriate levels of revenue protection were considered at the same time as ensuring that the risk and costs of hedging were manageable;

- internal and external audit: a review and approval of the internal and external audit plan and the work done by internal and external audit and how the results of the findings were remediated by management in terms of extent and timing of tightening of controls;

- review of business risks: the Committee reviewed the business risks including the management and mitigation of financial risks and the timeline for remediation;

- corporate governance compliance: the Committee reviewed the corporate governance framework including the implementation and effectiveness of the Company’s anti-bribery and corruption policies and procedures. In particular, the Committee directed the deployment of an external whistleblowing system to be managed by KPMG. The Committee also reviewed the activities of the Business Integrity Unit and constantly monitored the findings of the whistleblowing procedure;

- funding strategy: the Committee considered the major transactions impacting the liquidity of the Company, and recommended strategic ways to increase funds flow from those transactions; and

- budgets: the Committee reviewed the annual budget in detail to ensure the assumptions were consistent with the business environment and appropriate growth targets. Oil price sensitivities, cost reductions and impact of new acquisitions were considered as a part of the process.

The significant issues considered by the Committee in relation to the financial statements were:

- payment of dividends in foreign currency:
  - the Committee considered the implication of the Central Bank of Nigeria foreign exchange directive on the ability of the Company to pay dividends and contracts in foreign exchange;

- related party transactions: the Committee undertook a thorough review as to the number and extent of related party transactions. It was decided that the Committee would continue to monitor these closely with a goal of reducing the number and value of related party transactions through introduction of other service providers; and

- impairment: the Committee reviewed the impairment tests performed by management which was also an area of focus for the external auditor. In assessing the impact of impairment, oil price assumptions were compared with a number of external reference points and compared to ensure that the management estimates were appropriate.
External audit

The objectiveness and independence of the external auditor are taken seriously by the Company and this is reviewed each year prior to commencement of the audit process. The Committee has a policy of ensuring that the external auditor’s independence is maintained by minimising the provision of non-audit services. This is monitored closely throughout the year and the non-audit services are generally limited to services related to the audit such as review of the quarterly financial statements which the Company is required to publish. During 2015, the main non-audit services were related to work done in connection with the review of quarterly financial statements.

An analysis of the fees earned by the external auditors for the audit and non-audit services can be found in note 6 to the financial statements.

Prior to commencement of the audit, the Finance Committee meets with the external auditor to review the audit plan and reports. This is to ensure that the Committee has a thorough understanding of the higher risk areas designed to ensure that there are no material misstatements in the financial statements.

The Committee has reviewed the external auditor's performance and independence taking into account input from management as well as interaction with the external auditor without management present. In making its assessment, the Committee focused on the robustness of the audit, the extent of investigation into the business and the quality and objectiveness of the audit team. Based on this information, the Committee concluded that the audit process is operating effectively and has thus recommended to the Board that the current auditors, Ernst & Young (“E&Y”), be reappointed as external auditors. E&Y was first appointed on 20 December 2010. The Company complies with the Nigerian corporate governance regulations, while observing those in the UK by strategically adopting the most stringent conditions under both sets of regulations. This results in the audit partner being rotated every five years and the audit being put out to tender at least every ten years.

Internal audit

During 2015, the Finance Committee on behalf of the Board reviewed the audit plan and received quarterly reports on the internal audit activities. The internal audit department was formed in 2014. Prior to 2014, the internal audit activities were outsourced to PwC. PwC continues to assist the internal audit team in delivering the internal audit plan under a co-sourcing arrangement with a gradual phasing out strategy to a full internal unit.

The Head of Internal Audit reports directly to the Board through the Chairman of the Finance Committee with an administrative reporting line to the CFO. The internal audit function therefore has direct access and responsibility to the Finance Committee and its main responsibilities include:

- evaluating the adequacy, reliability and effectiveness of governance, risk management and internal controls systems;
- setting the internal audit strategy and plan and delivering assurance and compliance monitoring;
- evaluating the integrity of information and the means to identify and report on such information;
- evaluating the means of safeguarding assets and verifying existence of such assets, as appropriate;
- performing consulting and advisory services on new initiatives as appropriate for the organisation; and
- assisting business integrity in monitoring and evaluating areas of the business susceptible to fraud.

In 2015, internal audit focused on risk areas in performing both process audits and detailed testing of transactions related to contracting and procurement procedures, financial accounting processes, legal and regulatory compliance and embedding of corporate governance. The results of the internal audit findings were considered by the Committee at the majority of the meetings and the remedial plan was discussed with management. Control findings led to further testing on contract performance and corporate services to address specific control gaps and assertions. Internal audit also conducted checkpoint remediation reviews to ensure that management was effectively closing out identified control gaps.
In compliance with Section 359(6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 (‘CAMA’), we the members of the Audit Committee have reviewed the financial statements of the Company for the year ended 31 December 2015 and report thereon, and confirm as follows:

- the accounting and reporting policies of the Company are in compliance with legal requirements and agreed ethical practices;
- the scope and planning of audit requirements were, in our opinion, compliant with legal requirements and best practice;
- we have reviewed the findings on management matters, in conjunction with the external auditor, and we are satisfied with the response of management in dealing with such matters;
- the Company’s systems of accounting and internal controls are in compliance with legal requirements and best practice; and
- we have, in response to these matters, made the required recommendations to the auditors of the Company.

In addition to the foregoing, we the members of the Audit Committee conducted the following business during the year:

- review of the implementation of the Company’s corporate governance framework;
- review of the proposal for engaging the external auditor, including an assessment of the auditor’s independence, 2015 audit plan and proposed fees; and
- review of the proposed 2016 budget and work programme.

In the financial year ended 31 December 2015, the Audit Committee held five meetings on the following dates:

- 20 March 2015
- 21 April 2015
- 20 July 2015
- 21 October 2015
- 3 December 2015

The meeting attendance record of the Committee members can be seen in the table above.

Chief Anthony Idigbe, S.A.N.
Chairman of the Audit Committee
The Remuneration Committee is a standing committee of the Board, and is comprised wholly of Independent Non-Executive Directors under the chairmanship of the Senior Independent Director, in compliance with the Nigerian Code and the UK Code. You will see below details of the terms of reference for the Remuneration Committee and a summary of the activities carried out during the year.

The Remuneration Committee is established to ensure that remuneration arrangements for Seplat’s Chairman, Executive Directors, Non-Executive Directors, and senior management support the strategic aims of the business and enable the recruitment, motivation and retention of relevant skilled personnel while satisfying the expectations of shareholders. Details of the Company’s remuneration policy are outlined on pages 80 to 100 of this Annual Report. In the interest of transparency, no Director by reason of being a member of the Committee is involved in any decisions relating to his/her own remuneration.

When proposing remuneration to the Board, the Committee ensures that:

- the remuneration for Executive Directors is appropriately balanced between fixed and variable pay elements, which may include annual bonus and equity-based awards;
- Executive Directors do not receive any sitting allowances or fees that may be payable to Non-Executive Directors;
- the remuneration of Non-Executive Directors is determined by the Chairman and the Executive Directors; and
- no Director or manager is involved in any decisions as to his/her own remuneration.

All members of the Remuneration Committee are Independent Non-Executive Directors in order to preserve the transparency and integrity of remuneration processes. The Remuneration Committee meets at least twice a year, and when required, the meetings are attended by appropriate senior management of the Company (such as the Chief Executive Officer and General Manager of Human Resources), and external advisers upon invitation.

When proposing remuneration to the Board, the Committee ensures that:

- the remuneration for Executive Directors is appropriately balanced between fixed and variable pay elements, which may include annual bonus and equity-based awards;
- Executive Directors do not receive any sitting allowances or fees that may be payable to Non-Executive Directors;
- the remuneration of Non-Executive Directors is determined by the Chairman and the Executive Directors; and
- no Director or manager is involved in any decisions as to his/her own remuneration.

In the financial year ended 31 December 2015, the Remuneration Committee held four meetings on the following dates:
- 3 March 2015
- 21 April 2015
- 20 July 2015
- 20 October 2015

The meeting attendance record of the Committee members can be seen in the table above.

Michael Alexander (‘S.I.D.’)1, Chairman 4/4
Charles Okeahalam, Member 4/4
Basil Onsyi, Member 3/4
Damian Dodo, Member 4/4

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the Remuneration Committee held four meetings on the following dates:

- 3 March 2015
- 21 April 2015
- 20 July 2015
- 20 October 2015

The meeting attendance record of the Committee members can be seen in the table above.

The Committee will continue to be mindful of the concerns of shareholders and other stakeholders, and welcomes shareholder feedback on any issue related to executive remuneration. In the first instance, please contact our General Manager, Human Resources.

Michael Alexander (‘S.I.D.’)
Chairman of the Remuneration Committee

1. Independent Non-Executive Director.
The Remuneration Committee assists the Board in:

- determining the framework for the remuneration of the Chairman, Chief Executive Officer, Executive Directors, Non-Executive Directors, and members of senior management, including without limitation the schemes of performance-based incentives (including share incentive plans), awards, and pension arrangements and benefits for the Executive Directors and senior management;
- ensuring that contractual terms and payments in respect of dismissal, loss of office or termination (whether for misconduct or otherwise) are fair and not excessive to the individual;
- providing appropriate input on Directors’ remuneration for the Company’s Annual Report;
- preparing necessary remuneration procedures and policies in compliance with the Nigerian Code, UK Code and other applicable laws, and in consideration of remuneration trends in the oil and gas industry in the area where Seplat operates;
- reviewing up-to-date information about remuneration in other companies in the oil and gas sector with the aid of qualified consultants;
- overseeing any major changes in employee benefits structures throughout Seplat;
- designing the policy for authorising claims for expenses from Executive and Non-Executive Directors; and
- regularly reviewing the ongoing appropriateness and relevance of the Company’s remuneration policy.

Highlights of business carried out by the Remuneration Committee during the year include:

- monitoring the implementation of the Company’s remuneration policy and practice;
- ensuring the appropriate cascade of the remuneration policy to the senior management grades;
- initiating a comprehensive review to understand payments made to Directors in 2014 and 2015;
- considering the use of an all-employee share plan;
- reviewing the appointment contracts for Non-Executive Directors;
- granting awards under the Company’s LTIP as well as monitoring performance progress of outstanding awards;
- determining the level of bonus payments in respect of the current financial year;
- determining the vesting outcome for the remaining 50% of the one-off admission awards; and
- drafting the Company’s Directors’ Remuneration Report and improving the level of disclosure in light of the aforementioned payment review.
The Nomination and Establishment Committee was active during the year. Following the review of a new organisational structure for the Company, strategic steps were taken to leverage this new structure against the Company's business priorities. For example, a succession plan and talent review and re-structuring was conducted for the senior management team with a view to formulate specific development plans that would close any gaps that were identified at that level. In addition, a competency development training plan was developed and implemented to help senior management to build and sustain long-term leadership skills.

Under the recommendation and supervision of the Committee, an external consultancy firm, Heidrick and Struggles ('H&S') was engaged to conduct a Board evaluation exercise on the Board as a whole, the six Board Committees, individual Directors and the Board's relationship with senior management. During this exercise, the Committee ensured that Heidrick & Struggles was given unhindered access to the Directors and members of senior management.

The 2015 activities of the Committee are outlined below. For further clarification, I shall be available at the AGM of the Company to be held on 1 June 2016 in Lagos, Nigeria to speak with shareholders. If you are not able to meet me at this year's AGM, I can be contacted via the Company Secretary.

A.B.C. Orjiako
Chairman of the Nomination and Establishment Committee

All four members of the Nomination and Establishment Committee are Non-Executive Directors, three of whom are Independent. The Nomination and Establishment Committee meets at least three times a year. When required, the meetings of the Committee are attended by appropriate senior management of the Company (such as the Chief Executive Officer, Chief Finance Officer, General Manager of Human Resources and Company Secretary) and external advisers upon invitation.

The Nomination and Establishment Committee assists the Board in:

- reviewing and making recommendations on the size, composition and balance of the Board and its Committees;
- evaluating the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and ascertaining that nominees are fit and proper to carry out the duties of a Director;
- evaluating the performance of Directors and making recommendations on the addition or replacement of Executive and Non-Executive Directors and the Chairman of the Board;
- overseeing management's implementation of the Company's human capital development policies and procedures;
- recruiting, promoting, developing, succession planning or disciplinary measures affecting Executive Directors and senior management; and
- overseeing the implementation of Seplat's Code of Conduct as it relates to the functions undertaken or overseen by the Committee and reporting any lapses and recommending remedial action to the Board.
Highlights of the business carried out by the Nomination and Establishment Committee during the year include:

• review of the new organisational structure of the Company;
• strategic recruitment of senior management roles;
• consideration of placement of new hires;
• consideration of senior management succession plan;
• consideration of Board evaluation exercise;
• review of changes to the job description of the Executive Directors in line with their performance appraisals;
• assessment and ranking of the top 20 performers in the Company;
• implementation of cross-functional movements of functional heads to improve job performance and effectiveness as well as the overall deliverables; and
• consideration and implementation of a company-wide leadership development programme.

The Board appointment process

The Nomination and Establishment Committee leads the process for identifying and recommending the appointment of new directors. Heidrick & Struggles, an external search company, conducts an external search for prospective candidates with appropriate skills and qualifications for specified directorship. Heidrick & Struggles is an independent consultancy firm that also conducts the Company’s Board appraisal exercise.

Following an external search, the Nomination and Establishment Committee interviews short-listed candidates and recommends the selected candidate to the Board for appointment after it has determined that the selected candidate has the balance of skills, knowledge and experience that meet the leadership needs of the Company and that the selected candidate is able to fulfil his/her duties and obligations as a director.

Where the candidate is to be appointed as an Independent Non-Executive Director, the Board will determine whether the candidate is independent in character and judgement, and whether there are circumstances which are likely to affect, or appear to affect, the candidate’s judgement as a director.

Diversity at Seplat

The Board recognises that people are Seplat’s stakeholders and one of the Company’s greatest assets. Diversity among the Company’s Directors and employees adds immeasurable value to the Company. The Board further recognises that having a wide range of identities and perspectives represented at Board meetings and at all levels of the business is critical to effective corporate governance and the continued success of the Company. Full consideration is therefore given to diversity matters such as socio-economic background, culture and creed, nationality, age, gender etc.

The current Board consists of nationals from a variety of cultures within Nigeria and internationally, who have diverse expertise in the local and international oil and gas industry and different business sectors. The Nomination and Establishment Committee’s consideration of candidates for directorship includes a review of diversity matters. Diversity among Directors provides a strong mix of views and experiences to leverage the Board’s decision-making processes and leadership activities. There is currently one female Director on the Board, being Ifueko Omoigui-Okauru.

The Board also promotes diversity throughout the business. Seplat’s senior management team consists of men and women from different cultures in Nigeria and internationally, who have varying skills and experience in the different sub-sectors of the oil and gas industry. The Board is proud of the increasing number of women within the senior management team. Overall, the Company’s full-time workforce comprises 27% women and three different nationalities.

The Board is committed to continuous investment in diversity among its Directors and employees.
The role of the HSSE and Risk Management Committee is to assist the Board in overseeing the Company’s risk management processes, key business risks including the risk appetite and risk strategies for the Company. It also reviews the adequacy and effectiveness of risk management and controls, has the oversight of the Company’s process for identification of significant risks across its business operations and the adequacy of prevention, detection and reporting mechanisms. The Committee also carries out a periodic review of changes in the economic and business environment, including trends and other factors relevant to the Company’s risk profile.

There is a regular review of the business risks associated with the operations, the health, safety, security and environmental matters in the Company and proposals made on risk mitigation and value protecting strategies to the Board. The HSSE and Risk Management Committee reviews the Corporate Risk Register and risk dashboard and receives reports from operational and support management as well as internal and external auditors.

The activities of the HSSE and Risk Management Committee are summarised below with highlights on certain key activities carried out in 2015.

I shall be available at the AGM of the Company to be held on 1 June 2016 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Basil Omiyi
Chairman of the Risk Management and HSSE Committee

1. Independent Non-Executive Director.

2015 Members Attendance
Basil Omiyi1, Chairman 3/3
Macaulay Agbada Ofurhie, Member 3/3
Ifueko Omoigui-Okauru1, Member 3/3

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the HSSE and Risk Management Committee held three meetings on the following dates:
• 9 March 2015
• 15 July 2015
• 19 October 2015

The meeting attendance record of the Committee members can be seen in the table above.
The HSSE and Risk Management Committee consists of three members – two Independent Non-Executive Directors (one of whom is the Committee’s Chairman), and one Non-Executive Director. The HSSE and Risk Management Committee meets at least three times a year, and when required, the meetings are attended by appropriate senior management of the Company, such as the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Company Secretary, General Manager of HSSE and Community Relations, Head of Internal Audit and Head of Internal Controls. External auditors and specialists with appropriate technical expertise are invited to attend and present to meetings of the Committee.

The HSSE and Risk Management Committee assists the Board to:

- set risk management strategies taking into account credit, market, operational and certain other risks, including without limitation: health, safety, security and environmental risks, capital risk framework and risk-reward strategy;
- at least annually, conduct a review of the effectiveness of the Company’s risk management and internal control systems (including financial, operational and compliance), which is then used to update the risk management framework of the Company;
- ensure compliance with all applicable health, safety, security and environmental laws in providing a safe and healthy workplace.

The Committee also reviews management’s processes in getting contractors and sub-contractors to comply with the Company’s safety requirements and standards;
- conduct periodic audits and assessments of safety risks and establishment of appropriate controls to minimise risks and monitor Seplat’s environmental performance, in partnership with government agencies, contractors and communities;
- ensure appropriate response to security incidents that could affect Seplat’s personnel or assets giving consideration to inputs from local law enforcement authorities and security advisers;
- oversee the mechanism for monitoring and reporting risk factors or risk related issues for and to the Board;
- receive and evaluate information from the CFO, COO, Business Risk and Controls Unit, Company Secretary, other members of senior management, and Seplat’s independent auditors, regulators and outside experts as appropriate regarding matters related to risk management;
- evaluate the effectiveness of Seplat’s policies and systems for identifying and managing environmental, health and safety risks within its operations; and
- review the results of any independent audits of Seplat’s performance in regard to environmental, health, safety and community relations matters, reviewing any strategies; and action plans developed by management in response to issues raised and, where appropriate, making recommendations to the Board concerning the same.

In the financial year ended 31 December 2015, the HSSE and Risk Management Committee held three meetings, the dates of which are listed above in this report.

Highlights of business carried out by the Committee during the year include:

- review of the high risks in the risk matrix chart and associated risk responses;
- review of the risk dash reports;
- highlights of high-level technical, operational and financial business activities;
- review of report on HSSE Performance activities and Community Relations operations;
- review of report on risk framework and policy deployment in the Company; and
- physical inspection of field assets.
Seplat is committed to contributing to economic development while improving the quality of life of our workforce, their families and the community at large. The Company recognises the community as one of its key stakeholders and conducts its business with future generations in mind so as to create and sustain an environment that enables a better standard of living.

The CSR Committee has oversight of Seplat’s Community Relations Policy and practices and procedures, its corporate social responsibility initiatives and review of key issues which impact community relations. It also advises the Board on broader societal related matters in addition to key issues which may impact Seplat’s reputation, brand management and successful business operations.

Although the Company’s CSR activities began when the Company commenced operations in 2010, the CSR Committee was constituted in 2014 to strengthen the Company’s CSR commitment and initiatives. You will see below details of the activities carried out during the year. Further details of the Company’s CSR activities during 2015 are also contained on pages 48 to 51.

I shall be available at the AGM of the Company to be held on 1 June 2016 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Lord Mark Malloch-Brown
Chairman of the CSR Committee

The CSR Committee comprises three Non-Executive Directors, two of whom are Independent. The Committee meets at least four times a year, and when required, the meetings are attended regularly by the Seplat Chairman as well as appropriate senior management of the Company (such as the Chief Executive Officer, General Manager of HSE and Community Relations, and General Manager of External Affairs & Communication), and external advisers upon invitation. The Committee is strongly supported by the consultancy services provided by Madame Nathalie Delapalme.

The CSR Committee assists the Board to:

• oversee the implementation of Seplat’s Community Relations Policy and CSR programmes while ensuring that Seplat maintains a cooperative relationship with relevant environmental and health and safety agencies as well as with community representatives, having considered the information and recommendations of the CSR Committee;
• develop a comprehensive Environmental Sustainability policy/strategy and monitor its total compliance by all parties with respect to protecting the sanctity of the environment;
• assess the performance of Seplat with regard to the impact of CSR decisions and actions upon employees, communities, other third parties and the reputation of the Group, based on the information and recommendations of the CSR Committee;
• evaluate the quality and integrity of any reporting to shareholders and external stakeholders concerning community relations issues and ratify the annual CSR report for publication;
• review the results of any independent audits of Seplat’s performance in regard to community relations matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same;

2015 Members Attendance
Lord Mark Malloch-Brown, Chairman 4/4
Macaulay Agbada Ofurhie, Member 4/4
Ifueko Omoigui-Okauru, Member 3/4

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the CSR Committee held four meetings on the following dates:

• 13 March 2015
• 21 April 2015
• 20 July 2015
• 19 October 2015

The meeting attendance record of the Committee members can be seen in the table above.
• oversee and monitor the implementation of the newly executed Global Memorandum of Understanding (GMoU) between Seplat and its host communities, and to ensure due regard in allocation of CSR initiatives is given to other communities impacted by Seplat’s operations not necessarily designated as “host communities”; and

• lay down policy guidelines for charitable donations and corporate social responsibility of Seplat, in line with Seplat’s corporate social strategy and as allowed by the Memorandum of Incorporation and Articles of Association, having considered the recommendations of the CSR Committee.

Highlights of business carried out by the CSR Committee during the year include:

• adoption of the CSR terms of reference;
• review and evaluation of Seplat’s CSR projects;
• activated a Company-wide Seplat Incident Response Plan for foreseeable emergencies;
• commissioned and activated a new Company website for upload of more insightful information on CSR activities;
• executed revision of the GMoU with the host communities;
• adoption of international standards for CSR activities; and
• engagement of external consultants to conduct a review of the Company’s CSR activities and benchmark against industry peers.
Dear shareholder,

As the Chairman of the Remuneration Committee, I am pleased to present the report of the Board covering our remuneration policy and its implementation for the year ended 31 December 2015.

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 UK remuneration reporting regulations. At the 2015 AGM we received 86% shareholder support for our remuneration policy and practice through the acceptance of our 2014 Annual Report and Accounts and it is worth noting that our approach to executive compensation has not changed since that vote.

The remuneration policy as set out in this report became effective from the 2015 AGM and applies for a period of three years from that date.

Company highlights for the 2015 financial year

Despite very challenging external market conditions throughout the year and the continued decline in oil prices, Seplat has continued to perform well. This combination is reflected in the 2015 remuneration outcomes. The Board Directors’ salary and fees have been frozen for 2016 and the executive annual bonuses constrained despite excellent cost control and asset management.

Remuneration outcomes for the 2015 financial year

The Remuneration Committee has ensured that 2015 remuneration outcomes reflect our corporate performance and the wider operating environment. The main outcomes are given below:

- Base salaries and fees frozen for 2016 for the Executive and Non-Executive Directors.
- Annual bonuses were constrained despite excellent cost control and asset management – 46% of maximum for the CEO, 46% for the COO and 45% for the CFO.
- Given Seplat’s strong relative TSR and reserves growth performance, the remaining 50% of the one-off Admission awards vested in full.

Payment review in the 2015 financial year

Following approval of the remuneration policy by shareholders at the 2015 AGM and in line with best practice procedure, the Committee undertook a comprehensive review of all payments made to Directors in 2015 in order to ensure consistency of approach across both Nigerian and UK remuneration practice and to ensure alignment with the approved policy. This review highlighted some historic practice and commitments, the majority of which had been embedded prior to IPO, which needed to be aligned and disclosed where necessary. Following this review, the Committee expects that our remuneration disclosure will be fully representative of the approved policy.

In light of the Committee’s desire to maintain an open and transparent approach with regards to remuneration disclosure, details in relation to the outcome of this review have been set out on page 92.
Key activities of the Committee
The Committee’s key activities during the 2015 financial year were:

- Monitoring the implementation of the Company’s remuneration policy and practice (as set out above);
- Ensuring the appropriate cascade of the remuneration policy to the Senior Management grades;
- Initiating a comprehensive review to understand payments made to Directors in 2014 and 2015;
- Considering the use of an all-employee share plan;
- Review of the appointment contracts for Non-Executive Directors;
- Making awards under the Company’s LTIP as well as monitoring performance progress of outstanding awards;
- Determining the level of bonus payments in respect of the current financial year;
- Determining the vesting outcome for the remaining 50% of the one-off Admission awards;
- Drafting the Company’s Directors’ Remuneration Report and improving the level of disclosure in light of the aforementioned payment review.

In 2016, 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 of the Remuneration Committee
At a glance

Introduction
In this section, we summarise the purpose of our remuneration policy, its linkage to our corporate strategic objectives and we highlight the performance and remuneration outcomes for the 2015 financial year. More detail can be found in the Annual Report on Remuneration.

Our principles of remuneration
The remuneration policy aims to align the interests of the Executive Directors, senior managers and employees to the long-term interests of shareholders and aims to support a high performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

By creating a strong link between pay and performance, failure to meet robust targets will ensure Executive Director pay in any given year is significantly impacted.

The guiding principles behind the setting and implementation of our remuneration policy are as follows:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced</td>
<td>There should be an appropriate balance between fixed and performance-related elements of the remuneration package.</td>
</tr>
<tr>
<td>Competitive</td>
<td>Remuneration packages should be competitive taking into account the level of remuneration paid in respect of comparable positions in similar companies within the industry.</td>
</tr>
<tr>
<td>Equitable</td>
<td>There should be an appropriate level of gearing in the package to ensure that Executive Directors receive an appropriate proportion of the value created for shareholders whilst taking into account pay and conditions throughout the remainder of the Group, where the Company operates and where it is listed.</td>
</tr>
<tr>
<td>Risk-weighted</td>
<td>Remuneration should not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the overall remuneration policy should not encourage inappropriate operational risk.</td>
</tr>
<tr>
<td>Aligned</td>
<td>There should be suitable provision of equity awards over the longer term, focusing the Executive Directors on delivering the business strategy, allowing them to build a meaningful holding in the Company to further align their interests with those of shareholders.</td>
</tr>
</tbody>
</table>

How our remuneration principles support the business strategy
In line with our remuneration principles, the Remuneration Committee will manage incentive plans for the Executive Directors such that they are closely linked to the business success, as outlined below:

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Objective</th>
<th>Link to remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Bonus</td>
<td>Guidance to deliver the strategy over the short term</td>
<td>To ensure we act as a team, the Remuneration Committee, on behalf of the Board, sets management a challenging annual bonus performance scorecard. Whilst many scorecard elements are financial and operational at the Executive Director level, they do contain a number of quality targets (for example, around health and safety and corporate governance) designed to ensure we deliver the longer-term goals as a responsible and sustainable company. This scorecard is devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress. The content of this annual scorecard will change to mitigate short-term pressures and exploit short-term opportunities – all aligned to deliver the longer-term strategic objectives.</td>
</tr>
<tr>
<td>LTIP</td>
<td>Rewarding sustained shareholder value creation</td>
<td>Our overall strategic goal is to be a high performing oil &amp; gas company – a shareholder stock of choice, within our sector and region. To achieve this, we align Executive Director share awards with the fortunes of the shareholder through a relative TSR measure – based on performance against comparable oil &amp; gas companies – seeking to attain regular upper quartile results. If we achieve median positioning or above over a three-year cycle, management are well rewarded in that year; if we fall below the median position, management share the financial disappointment. Success will deliver growing management share-ownership with extended retention periods, clawback in case of mis-statement, and sizable personal retained shareholdings. This is all working towards aligning the Company’s executive leadership with the interests of shareholders. This strategic three to five-year reward structure is further underpinned by the need to grow the key E&amp;P long-term core assets – recoverable reserves – at an acceptable rate.</td>
</tr>
</tbody>
</table>
Remuneration policy in practice

In order to deliver upper quartile performance against our oil and gas contemporaries, making Seplat the investor’s sector choice, we need to attract and retain quality individuals. This applies not just at the executive level, but also within the management line. This is a recruitment and selection function led by the Nomination and Establishment Committee at the highest level, through the CEO, and into management levels. To attract and retain the top talent within the industry, we will be paying median to upper quartile packages. We accept that this requires strong performance delivery and hence expect to set challenging performance targets and personnel quality controls.

The key elements of our Executive Director remuneration policy are outlined below. The full remuneration policy is disclosed on pages 83 to 91.

<table>
<thead>
<tr>
<th>Element</th>
<th>Operation of element</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>The Company provides competitive levels in line with a group of international listed Exploration &amp; Production companies which reflect the size and scale of Seplat and the international sector in which we operate.</td>
</tr>
<tr>
<td>Pension</td>
<td>Provided in line with local market practice in the country or territory in which the individual is employed, reflecting the significant differential between benefit and cash allowance provision in the UK and Nigeria.</td>
</tr>
<tr>
<td>Benefits</td>
<td>Maximum annual bonus opportunity is 200% of salary payable over three years. 75% of any bonus earned will be paid in cash at the end of year 1. The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year 3. Annual bonus will be subject to clawback and malus.</td>
</tr>
<tr>
<td>Annual Bonus</td>
<td>Maximum annual award is 250% of salary. The Committee will take into consideration corporate performance, as well as shareholder outcomes, in determining the level of award. Awards will vest at the end of three years subject to the achievement of performance measures where the Company’s TSR is compared to a group of listed oil and gas companies. 50% of awards are also subject to a Reserves growth underpin. Subject to satisfaction of the performance measures, 60% of awards will be exercisable by the Executive Directors on vesting after three years. 20% will be exercisable after four years, with the final 20% being exercisable after five years. Awards will be subject to clawback and malus.</td>
</tr>
</tbody>
</table>

Pay outcomes for 2015

As set out above, the Remuneration Committee determined both the annual bonus outcome and the vesting level of the remaining 50% of the one-off Admission awards in respect of 2015 (which was subject to approval by the Nigerian Stock Exchange, received on 4 November 2015). To provide context for these pay decisions, we set out below a summary of the 2015 corporate metrics scorecard used for calculation of the annual bonus payments, together with details of how the one-off Admission awards vesting was calculated. Further details are set out in the Annual Report on Remuneration.

2015 Corporate metrics scorecard outcomes

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Specific</th>
<th>Performance achieved</th>
<th>Resulting level of award for element ( % of maximum opportunity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production, sustainability and efficiency</td>
<td>Oil production volume</td>
<td>✓</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>Gas sales</td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Reserves replacement</td>
<td>✓</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>OPEX per boe</td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td>Financial efficiency</td>
<td>FY15 EBIT</td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Outstanding JV cash call at y/e</td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td>Health, safety and environmental performance</td>
<td>LTIF rate</td>
<td>✓</td>
<td>100%</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>Internal control and ethics procedures</td>
<td>✓</td>
<td>90%</td>
</tr>
</tbody>
</table>
One-off Admission awards

The remaining 50% of the one-off Admission awards effectively vested on 4 November 2015 following approval by the Nigerian Stock Exchange (and is subject to a lock-in period ending on 9 April 2016 during which the Directors cannot sell their shares) after satisfaction of the relative TSR and reserves growth performance conditions as set out below:

<table>
<thead>
<tr>
<th>Comparator group Median TSR performance</th>
<th>Seplat TSR performance</th>
<th>For year end 31 Dec 2014</th>
<th>Required to fully satisfy underpin</th>
<th>Final Vesting (for each component and in total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSZ performance vs comparator group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median performance required for full vesting</td>
<td>-52%</td>
<td>Above median -37% 24%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Required to fully satisfy underpin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These outcomes resulted in the following remuneration receivable for the Executive Directors in 2015 (with comparatives for 2014 given below):

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Period</th>
<th>Salary US$'000</th>
<th>Taxable benefits US$'000</th>
<th>Bonus US$'000</th>
<th>LTIP</th>
<th>Pension US$'000</th>
<th>Other</th>
<th>Total US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin Avuru (CEO)</td>
<td>2014</td>
<td>1,097</td>
<td>510</td>
<td>755</td>
<td>0</td>
<td>187</td>
<td>455</td>
<td>3,004</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>749</td>
<td>229</td>
<td>346</td>
<td>0</td>
<td>165</td>
<td>381</td>
<td>1,870</td>
</tr>
<tr>
<td>Stuart Connal (COO)</td>
<td>2014</td>
<td>783</td>
<td>303</td>
<td>509</td>
<td>0</td>
<td>172</td>
<td>381</td>
<td>2,148</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>749</td>
<td>75</td>
<td>339</td>
<td>0</td>
<td>112</td>
<td>612</td>
<td>1,887</td>
</tr>
<tr>
<td>Roger Brown (CFO)</td>
<td>2014</td>
<td>783</td>
<td>82</td>
<td>859</td>
<td>0</td>
<td>117</td>
<td>700</td>
<td>2,541</td>
</tr>
</tbody>
</table>

Notes:
1. Some of the 2014 comparative figures have been restated for the Executive Directors (with the main difference being the 2014 ‘Other’ column being updated for the actual date of approval of Admission awards by the Nigerian Stock Exchange). The total single figure of remuneration stated in the 2014 Directors’ Remuneration Report for the CEO was US$3,523,000 (a difference of US$657,000), US$2,728,000 for the COO (a difference of US$580,000) and US$3,166,000 for the CFO (a difference of US$625,000).
2. For the CFO and COO’s 2014 remuneration (salary, benefits, bonus and pension), the average 2014 USD:GBP exchange rate of 1.65 has been used. The average 2015 USD:GBP exchange rate of 1.53 (rounded to two decimal places) has been used to calculate salary, benefits, pension and bonus figures for 2015 for the CFO and COO. For the CEO, the July 2014 exchange rate has been used to calculate 2014 and 2015 salary, benefits, pension and 2015 bonus (see clarification of remuneration disclosures section on page 92). The 2014 bonus was calculated by reference to the prevailing exchange rate at the time of payment. Although salaries were increased for 2015 by 3%, salaries expressed in USD have actually decreased from 2014 for the CFO and COO, reflecting the 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014.

Further detail regarding the disclosure in the table above is presented in the Annual Report on Remuneration on page 93.

Composition and terms of reference of the Remuneration Committee

The members of Seplat’s Remuneration Committee are as follows:

- Michael Alexander (Chairman)
- Basil Omiyi
- Charles Okeahalam
- Damian Dodo

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for the Executive Directors, the Chairman, Non-Executive Directors and other members of the Executive Team. The terms of reference for the Committee are available on the Company’s website, www.seplatpetroleum.com, and from the Company Secretary at the registered office.

The Committee receives assistance from the GM Human Resources, who attends meetings by invitation. The Executive Directors attend by invitation on occasions, except when issues relating to their own remuneration are being discussed. The Committee met four times during the financial year.

Advisers to the Remuneration Committee

The Committee continues to engage the services of PricewaterhouseCoopers LLP (PwC) as independent remuneration adviser. Other services received by the Company from PwC during the financial year included those in relation to payroll, personal/corporate tax advice and internal audit.

During the financial year, PwC advised the Committee on all aspects of remuneration policy for Executive Directors, Non-Executive Directors and members of the Executive Team. The Committee is satisfied that advice received from PwC during the year was objective and independent.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.
Directors’ remuneration policy

Introduction
The Directors’ Remuneration Policy (the ‘Policy’) as set out below became formally effective at the Annual General Meeting on 2 June 2015 and will apply for the period of three years from the date of approval.

Policy summary
The Company’s aim is to attract, retain and motivate the best talent to help execute the business strategy successfully and ensure long-term value creation for shareholders in the current challenging environment of the oil and gas industry.

The remuneration policy aims to align the interests of the Executive Directors, senior managers and employees to the long-term interests of shareholders and aims to support a high performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

Overall remuneration levels have been set at a level that is considered by the Committee to be appropriate for the size, nature and aspirations of the business, having taken specialist, independent advice where necessary, in order to ensure that the policies and remuneration structure are appropriate for the listed company environment.

The Policy is designed around the following key principles:

- There should be an appropriate balance between fixed and performance-related elements of the remuneration package.
- Remuneration packages should be competitive taking into account the level of remuneration paid in respect of comparable positions in similar companies within the industry.
- There should be an appropriate level of gearing in the package to ensure that Executive Directors receive an appropriate proportion of the value created for shareholders whilst taking into account pay and conditions throughout the remainder of the Group, where the Company operates and where it is listed.
- Remuneration should not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the overall remuneration policy should not encourage inappropriate operational risk.
- There should be suitable provision of equity awards over the longer term, focusing the Executive Directors on delivering the business strategy, allowing them to build a meaningful holding in the Company to further align their interests with those of shareholders.

The Committee is satisfied that its approach to the Executive Directors’ remuneration is designed to promote the long-term success of the Company.

The Committee will review annually the remuneration arrangements for the Executive Directors and key senior managers, drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- Business strategy over the period;
- Overall corporate performance;
- Market conditions affecting the Company;
- The recruitment market;
- Changing practice in the market where the Company competes for talent; and
- Changing views of institutional shareholders and their representative bodies.
UK Corporate Governance Code

The Committee is comfortable that the Policy is in line with the UK Corporate Governance Code. The following table sets out the key elements of the revised Code and how the Company’s remuneration policy for Executive Directors is in line with the Code:

<table>
<thead>
<tr>
<th>Code Provision</th>
<th>Company Remuneration Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors’ remuneration should be designed to promote the long-term success of the company.</td>
<td>The Company operates an LTIP with a three-year performance period, with a four or five-year total holding period applying to 40% of awards. The policy incorporates bonus arrangements where part of the annual bonus is deferred in shares payable over three years with the facility for the Committee to add holding periods post vesting. It is the Committee’s view that these arrangements provide a holistic approach to ensuring Executive Directors are focused on the long-term success of the Company.</td>
</tr>
<tr>
<td>Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.</td>
<td>The LTIP rules include malus and clawback provisions. Although there are no specific plan rules for the annual bonus, the Committee has decided to adopt best practice malus/clawback provisions. The deferred bonus shares are awarded under the LTIP and so will be subject to the malus/clawback provisions contained within the LTIP rules.</td>
</tr>
<tr>
<td>For share-based remuneration, the Remuneration Committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the company, subject to the need to finance any costs of acquisition and associated tax liabilities.</td>
<td>40% of the annual awards under the LTIP incorporate post-vesting holding periods, with final release of awards only occurring five years after award. In addition, 25% of the bonus earned will be deferred into shares paying over three years. Further to the Company’s resolution last year to consider adopting shareholding guidelines, the following shareholding requirements have been introduced for the Executive Directors: • CEO: 150% of annual base salary • COO/CFO: 100% of annual base salary Executive Directors will be given five years from the date of the policy implementation to satisfy their individual shareholding requirements. The Committee believes that the introduction of these guidelines will promote strong long-term alignment between the interests of management and shareholders.</td>
</tr>
</tbody>
</table>

Discretion

The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of the Annual Bonus and LTIP (the LTIP being operated in general terms according to the rules). These include, but are not limited to, the following:

- the participants;
- the timing of an award;
- the size of an award;
- the determination of vesting and/or payout;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting for the Annual Bonus and LTIP.

These discretions, which in certain circumstances can be operated in both an upward and downward manner, are consistent with market practice and are necessary for the proper and fair operation of the plans so that they achieve their original purpose. However, it is the Committee’s policy that there should be no element of reward for failure and any upward discretion will only be applied in exceptional circumstances.

It is the Committee’s intention that commitments made in line with its policies prior to Admission will be honoured if in line with the approved remuneration policy. Those areas that differ are being addressed to bring them into line with the approved policy, where appropriate. Details around these areas are disclosed later in this report.

Differences in policy from the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Executive Directors’ annual scorecard is devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress.

The Committee has approved the cascade of the Company’s LTIP in 2016 to management grades below its purview, ensuring a consistent reward framework. The Group also operates variable pay plans on a discretionary basis, with pension provisions provided for all Executives and employees.
Remuneration Policy

The policy described in this part applies for three years starting from 2 June 2015.

<table>
<thead>
<tr>
<th>Element of remuneration</th>
<th>How it supports the Company’s short and long-term strategic objectives</th>
<th>Operation</th>
<th>Opportunity</th>
<th>Performance metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group’s strategy.</td>
<td>An Executive Director’s base salary is set on appointment and is aimed to provide a competitive base salary relative to an appropriate benchmark. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Group; • the general performance of the Group; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and • the economic environment. It is reviewed annually or when there is a change in position or responsibility. Any subsequent salary increases will take into account factors such as: • the performance of the individual; • pay and conditions throughout the Company; • inflation/cost of living in jurisdictions where Executive Directors reside; and • the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity in the UK and North American E&amp;P sector.</td>
<td>Over the policy period, base salaries for current Executive Directors will be set at a highly competitive level within the comparator group and will increase in line with the increase for the general workforce in the Company other than in exceptional circumstances or when there is a change in role or responsibility. Base salary increases will be capped at 10% p.a. New promotes or recruits to the Board may on occasion have their salaries set below the targeted policy level while they become established in their role. In such cases salary increases may be higher than the increase for the general workforce of the Company until the target market positioning is achieved. The Company will set out in the section headed statement of implementation of remuneration policy in the following financial year the salaries for that year for each of the Executive Directors (see page 99).</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Benefits

Benefits provided to the Executive Directors are dependent on their working location – the CEO and COO are based in Nigeria, whereas the CFO is based in the UK. Benefits can be provided either in the form of a cash allowance or as the actual benefit itself. The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel.

The maximum opportunity for other benefits is defined by the nature of the benefit itself and the cost of providing it. As the cost of providing such benefits is dependent on market rates and other factors, there is no formal maximum monetary value.

Pensions

Employer retirement funding is determined as a percentage of gross basic salary, up to a maximum limit of 22%. This may be provided either as a contribution into a personal pension fund or as a cash supplement.

A maximum pension contribution of 22% of salary. The Company will set out in the section headed implementation of remuneration policy in the following financial year the pension contributions for that year for each of the Executive Directors (see page 99).

N/A


2. All Executive Directors receive medical insurance, club membership and car allowance (the CFO also receives life assurance and critical illness cover). The CEO and COO also receive allowances in line with local Nigerian market practice – these allowances include home security; rest and recreation; company accommodation; furniture and fittings; generator and diesel, utilities, petrol/diesel; and education support. 13th month allowance and, for the COO only, an in-country allowance. Please see page 92 in the Annual Report on Remuneration for more details regarding the 13th month and in-country allowances. These allowances have been part of the remuneration policy pre and post IPO, but were omitted from the 2014 Directors’ Remuneration Report due to an administrative error – hence 2014 remuneration figures have been restated.
Annual Bonus

Provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company’s strategy (by including performance conditions around both financial and quality targets) and the creation of value for shareholders.

In particular, it supports the Company’s objectives allowing the setting of annual targets based on the Company’s strategic objectives at that time, meaning that performance conditions will change to mitigate short-term pressures and exploit short-term opportunities – all aligned to deliver the longer-term objective.

The Committee will determine the maximum annual participation in the annual bonus for each year, which will not exceed 200% of salary.

75% of any bonus earned will be paid in cash at the end of year 1.

The remaining 25% of any bonus earned will be deferred into shares (under the rules of the LTIP) and paid at the end of year 3.

The Company operates an annual bonus scorecard of performance metrics, incorporating the Company’s KPIs as well as individual performance targets.

Details of the performance conditions and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.

Maximum bonus opportunity of 200% of salary.

Percentage of bonus maximum earned for levels of performance:
- Threshold – 30%
- Target – 60%
- Maximum – 100%

Performance metrics

The Company operates an annual bonus scorecard of performance metrics, incorporating the Company’s KPIs around financial, strategic and operational conditions as well as individual performance targets.

The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. The performance measures, achievement against targets and the value of awards made will be published at the end of the performance periods so shareholders can assess the basis for any pay-outs under the annual bonus.

Although there are no specific plan rules for the annual bonus, the Committee has decided to adopt malus/clawback provisions. The deferred bonus shares are awarded under the LTIP and so will be subject to the malus/clawback provisions contained within the LTIP rules.

Long-Term Incentive Plan

Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company’s objectives and to share in the resulting increase in total shareholder value. If targets are reached, Executive Directors are well rewarded in that year – however if we fail, management share the financial disappointment.

The use of relative TSR measures the success of the implementation of the Company’s strategy in delivering an above market level of return.

The use of reserves growth ensures that vesting is further underpinned by the need to grow the key E&P long-term core assets (recoverable reserves) at an acceptable rate on a sustainable basis.

Awards are made annually to Executive Directors. These will vest at the end of a three-year period subject to:
- the Executive Director’s continued employment at the date of vesting; and
- satisfaction of the performance conditions.

The Committee may award dividend equivalents on awards to the extent that these vest.

To the extent that awards vest:
- 60% of the awards will be exercisable on vesting, three years after award;
- 20% of the awards will be exercisable four years after award; and
- 20% of the awards will be exercisable five years after award.

Maximum value of 250% of salary p.a. based on the market value at the date of award set in accordance with the rules of the Plan.

There is no requirement to make this level of award every year.

100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of E&P companies. Further details of the 2015 comparator group are provided in the Annual Report on Remuneration on page 97.

25% of the award will vest for median performance.

100% of the award will vest for upper quartile performance.

There will be straight line vesting between these points.

50% of the award will also be subject to a reserves growth underpin, which will operate as follows:
- 100% of the award subject to the underpin will lapse if reserves fall by 10% or more over the performance period;
- None of the award will lapse if reserves grow by 10% or more over the performance period; and
- There will be a straight line reduction in vesting between these points.

The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. Details of the performance conditions for awards made in the year will be set out in the Annual Report on Remuneration and for future awards in the statement of implementation of remuneration policy in the future financial year.

The LTIP contains clawback and malus provisions.
Non-Executive Director Fees

How it supports the Company’s short and long-term strategic objectives

Operation
The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors.
Non-Executive Directors are paid a base fee and additional fees for chairmanship/membership of committees/senior independent directorship.
Fees are reviewed annually based on equivalent roles in UK listed companies taking account of the Company’s location and sector.
Non-Executive Directors do not participate in any variable remuneration arrangements.

Opportunity
In general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the workforce.
The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.

Performance metrics
N/A

Recruitment policy

The Company’s principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the remuneration policy table above. The Committee’s approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The Company’s detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Recruitment policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Salary will be set in line with the policy for existing Executive Directors.</td>
</tr>
<tr>
<td>Benefits</td>
<td>The standard benefits package (depending on the local market) will apply.</td>
</tr>
<tr>
<td>Pension</td>
<td>The maximum employer contribution will be set in line with the Company’s policy for existing Executive Directors.</td>
</tr>
<tr>
<td>Annual Bonus</td>
<td>Maximum annual participation will be set in line with the Company’s policy for existing Executive Directors and will not exceed 200% of salary.</td>
</tr>
<tr>
<td>LTIP</td>
<td>Maximum annual participation will be set in line with the Company’s policy for existing Executive Directors and will not exceed 250% of salary.</td>
</tr>
<tr>
<td>Maximum variable pay (incentive opportunity)</td>
<td>In the year of recruitment the maximum variable pay will be 450% of salary. For the avoidance of doubt this excludes the value of any “Buy Out” of incentives forfeited on cessation of previous employment.</td>
</tr>
<tr>
<td>Sign-on compensation</td>
<td>The Committee’s policy is not to provide sign-on compensation.</td>
</tr>
</tbody>
</table>
| “Buy Out” of incentives forfeited on cessation of employment | The Committee’s policy is not to provide buy outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a Buy Out, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director’s previous employment will be calculated taking into account the following:
  • the proportion of the performance period completed on the date of the Executive Director’s cessation of employment;
  • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and
  • any other terms and conditions having a material effect on their value (‘lapsed value’).
The Committee may then award up to the same value as the lapsed value, where possible, under the Company’s incentive plans. To the extent that it was not possible or practical to provide the Buy Out within the terms of the Company’s existing incentive plans, a bespoke arrangement would be used. |
Relocation
In instances where the new Executive Director is relocated from one work-base to another, the Company will provide ongoing compensation to reflect the cost of relocation for the executive in cases where they are expected to spend significant time away from their country of domicile.
The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences and/or any other benefits/allowances which are standard market practice in the host location.
Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the remuneration report for the relevant financial year.

The Company’s policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

### Service agreements and letters of appointment

#### Executive Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of service contract</th>
<th>Nature of contract</th>
<th>Notice period from Company</th>
<th>Notice period from Director</th>
<th>Compensation provisions for early termination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin Avuru</td>
<td>27 March 2014</td>
<td>Rolling</td>
<td>12 months</td>
<td>12 months</td>
<td>Payment in lieu of notice equal to 12 months’ salary and benefits, including any payments accrued at the date of termination.</td>
</tr>
<tr>
<td>Stuart Connal</td>
<td>11 September 2014</td>
<td>Rolling</td>
<td>12 months</td>
<td>12 months</td>
<td></td>
</tr>
<tr>
<td>Roger Brown</td>
<td>20 May 2013</td>
<td>Rolling</td>
<td>12 months</td>
<td>12 months</td>
<td></td>
</tr>
</tbody>
</table>

#### Non-Executive Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of appointment/re-appointment</th>
<th>Nature of contract</th>
<th>Notice period from Company</th>
<th>Notice period from Director</th>
<th>Compensation provisions for early termination</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.B.C. Orijako</td>
<td>1 January 2014</td>
<td>Fixed term to 2017 AGM</td>
<td>12 months</td>
<td>12 months</td>
<td>None.</td>
</tr>
<tr>
<td>Michael Alexander</td>
<td>30 June 2014</td>
<td>Fixed term to 2018 AGM</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months’ fees if not re-elected or retired.</td>
</tr>
<tr>
<td>Michel Hochard</td>
<td>14 December 2009</td>
<td>Rolling</td>
<td>6 months</td>
<td>6 months</td>
<td>None.</td>
</tr>
<tr>
<td>Macaulay Agbada Ofurhie</td>
<td>14 December 2009</td>
<td>Rolling</td>
<td>6 months</td>
<td>6 months</td>
<td>None.</td>
</tr>
<tr>
<td>Basil Omiyi</td>
<td>30 June 2014</td>
<td>Fixed term to 2017 AGM</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months’ fees if not re-elected or retired.</td>
</tr>
<tr>
<td>Ifueko Omoigui-Okauru</td>
<td>30 June 2014</td>
<td>Fixed term to 2016 AGM</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months’ fees if not re-elected or retired.</td>
</tr>
<tr>
<td>Charles Okeahalam</td>
<td>30 June 2014</td>
<td>Fixed term to 2017 AGM</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months’ fees if not re-elected or retired.</td>
</tr>
<tr>
<td>Lord Mark Malloch-Brown</td>
<td>2 June 2015</td>
<td>Fixed term to 2018 AGM</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months’ fees if not re-elected or retired.</td>
</tr>
<tr>
<td>Damian Dodo</td>
<td>30 June 2014</td>
<td>Fixed term to 2016 AGM</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months’ fees if not re-elected or retired.</td>
</tr>
</tbody>
</table>

The Committee’s policy for setting notice periods is that a 12 month period will apply for Executive Directors unless the Committee determines otherwise.

The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment, which are kept at Seplat’s registered office along with Executive Director service contracts.

As required by Nigerian law, the Company follows the provisions set out in its Memorandum and Articles of Association and annually places one-third of its Non-Executive Directors for re-election.
Illustrations of the application of the remuneration policy

The charts opposite illustrate the remuneration that would be paid to each of the Executive Directors, based on salaries at the start of financial year 2016, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Variable; and (iii) Multiple Reporting Periods.

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
<th>Minimum</th>
<th>On-target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>Salary, benefits and pension</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Annual Variable</td>
<td>Annual bonus (including deferred shares)</td>
<td>No annual variable</td>
<td>60% of maximum bonus</td>
<td>100% of maximum bonus</td>
</tr>
<tr>
<td>Multiple Reporting Periods</td>
<td>Award under the Long-Term Incentive Plan</td>
<td>No multiple year variable</td>
<td>62.5% of the maximum award</td>
<td>100% of the maximum award</td>
</tr>
</tbody>
</table>

1. On-target % pay-out is calculated as the mid-point between threshold vesting of 25% (for median performance) and the maximum vesting of 100% (for upper quartile performance).

The following table sets out the key aspects of policy used to populate the charts opposite.

<table>
<thead>
<tr>
<th>Role</th>
<th>2016 salary (US$’000)</th>
<th>Annual Bonus (% salary)</th>
<th>LTIP (% salary)</th>
<th>Pension (% salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>1,097</td>
<td>150%</td>
<td>250%</td>
<td>17%</td>
</tr>
<tr>
<td>COO</td>
<td>749</td>
<td>100%</td>
<td>200%</td>
<td>22%</td>
</tr>
<tr>
<td>CFO</td>
<td>749</td>
<td>100%</td>
<td>200%</td>
<td>15%</td>
</tr>
</tbody>
</table>

In accordance with the regulations, share price growth has not been included. In addition, dividend equivalents have not been added to deferred share bonus and LTIP share awards.
## Payment for loss of office

When determining any loss of office payment for a departing individual the Committee will always seek to minimise the cost to the Company whilst seeking to reflect the circumstances in place at the time. The Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Under Nigerian law, any payment for loss of office to Directors must be approved by shareholders at the AGM. The table below sets out, for each element of total remuneration, the Company’s policy on payment for loss of office in respect of the Executive Directors and any discretion available to the Committee. In any year where a Director has received payment for loss of office the Company will ask shareholders to vote on that payment on a retrospective basis.

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Treatment on cessation of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Salary will be paid over the notice period. The Company has discretion to make a lump sum payment on termination of the salary payable during the notice period. In all cases the Company will seek to mitigate any payments due.</td>
</tr>
<tr>
<td>Benefits</td>
<td>Benefits will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period. In all cases the Company will seek to mitigate any payments due.</td>
</tr>
<tr>
<td>Pension</td>
<td>Company pension contributions will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the Company pension contributions during the notice period. In all cases the Company will seek to mitigate any payments due.</td>
</tr>
<tr>
<td>Annual Bonus (cash)</td>
<td>Good leaver reason - Pro-rated to time and performance for year of cessation. Other reason - No bonus payable for year of cessation.</td>
</tr>
<tr>
<td>Annual Bonus (deferred shares)</td>
<td>Good leaver reason - All subsisting deferred share awards will vest in full on cessation of employment. Other reason - Lapse of any unvested deferred share awards. Discretion - The Committee has the following elements of discretion: • to determine that an executive is a good leaver; • whether to pro-rate the maximum number of shares to the time from the date of award to the date of cessation. The Committee’s policy is generally to not pro-rate to time. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director’s departure; • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee’s policy is to deliver awards at the normal vesting date.</td>
</tr>
<tr>
<td>LTIP</td>
<td>Good leaver reason - Pro-rated to time and performance in respect of each subsisting LTIP award. Other reason - Lapse of any unvested LTIP awards. Discretion - The Committee has the following elements of discretion: • to determine that an executive is a good leaver; • to measure performance (or any other condition) over the original performance period or at the date of cessation; • whether to pro-rate the maximum number of shares to the time from the date of award to the date of cessation. The Committee’s policy is generally to pro-rate to time; • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee’s policy is to deliver awards at the normal vesting date.</td>
</tr>
<tr>
<td>Other contractual obligations</td>
<td>Roger Brown’s fixed cash payment relating to the value of share awards foregone from his previous employer will be forfeited if he resigns, is dismissed or is terminated for cause in specific circumstances.</td>
</tr>
</tbody>
</table>

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- redundancy;
- injury or disability;
- retirement;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than for ‘good leaver’ reasons is classified as cessation for ‘other reasons’ as set out in the table above.
Change of control
The Committee’s policy on the vesting of incentives on a change of control is summarised below:

<table>
<thead>
<tr>
<th>Name of incentive plan</th>
<th>Change of control</th>
<th>Discretion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Bonus (cash)</td>
<td>Pro-rated to time and performance to the date of the change of control.</td>
<td>The Committee retains discretion to continue the operation to the end of the bonus year. The Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.</td>
</tr>
<tr>
<td>Annual Bonus (deferred shares)</td>
<td>Subsisting deferred share awards will vest on a change of control.</td>
<td>The Committee retains the discretion to pro-rate to time.</td>
</tr>
<tr>
<td>LTIP</td>
<td>The number of shares subject to subsisting LTIP awards on a change of control will be pro-rated to time and performance.</td>
<td>There is a presumption that the Committee will pro-rate to time. The Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.</td>
</tr>
</tbody>
</table>

Statement of conditions elsewhere in the Company
The Committee, along with setting the remuneration packages of the Executive Directors, also has purview over the reward arrangements of the Senior Management Team, which consists of around 25 additional employees.

When considering the salary movements on a year-on-year basis for the Senior Management Team, the Committee will take account of salary increases across the general employee base. Executive Director annual bonus targets are also devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress. In addition, the Committee has approved the cascade of the Company’s LTIP in 2016 to management grades below its purview, ensuring a consistent reward framework.

Consideration of shareholder views
The Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

At the 2015 AGM we received 86% shareholder support for our remuneration policy and practice through the acceptance of our 2014 Annual Report and Accounts. Given the diverse nature of the international shareholder base and their differing views around executive remuneration, the Committee was extremely happy with this voting outcome.
Clarification of remuneration disclosures
Following approval of the remuneration policy by shareholders at the 2015 AGM and in line with best practice procedure, the Committee undertook a comprehensive review of all payments made to Directors in 2015 in order to ensure consistency of approach across both Nigerian and UK remuneration practice and to ensure alignment with the approved policy. This review highlighted some historic practice and commitments, the majority of which had been embedded prior to IPO, which needed to be aligned and/or disclosed. Following this review, the Committee expects that our remuneration disclosure will be fully representative of the approved policy.

In light of the Committee's desire to maintain an open and transparent approach with regards to remuneration disclosure, the following table sets out further detail:

<table>
<thead>
<tr>
<th>Item</th>
<th>Commentary</th>
</tr>
</thead>
</table>
| **Allowances and benefits** | As set out in the footnote to the policy table, there are two allowances that have been part of the remuneration policy and practice both pre and post IPO, being:  
- 13th month allowance  
- In-country allowance  
However, these payments were omitted from both the list of allowances provided (under the policy table) and the 2014 taxable benefits figure for the CEO and COO in the prior year’s Directors’ Remuneration Report (the CFO, being based in the UK, is not entitled to these benefits).  
These payments are contractual in nature for the CEO and COO and so will continue to be paid while their current contracts remain in force. However, when these contracts are renewed for any new Executive Director based in Nigeria, the 13th month allowance will not be disclosed as a separate benefit, but will be included in their gross salary figure as stated in the Directors’ Remuneration Report. |
| **Benefits**               | It was further noted that the value of some benefits disclosed in the 2014 Directors’ Remuneration Report for the CEO and COO did not fully reflect their provision cost e.g. not all of the CEO’s housing allowance was included in the reported benefits figure.  
The 2014 benefits figure in the single figure table below has been updated for the above.   |
| **Exchange rate translation** | The Chairman and CEO are paid in USD. This practice was in place pre float and has continued since Admission. At the time of the Company’s float, the Committee determined to set their salaries at a competitive level in GBP given Seplat’s listing in the UK. To ensure consistency of payments in USD pre and post float, the Committee made the decision to fix the USD:GBP exchange rate that is used to translate the GBP payments into USD at the July 2014 exchange rate of USD:GBP 1.7043. This exchange rate was built into the contractual basis for the USD payment.  
To increase transparency, the 2014 salary/fee disclosure below for these has been restated. |
| **Non-Executive Directors’ (NED) fees** | Certain NEDs were appointed to wholly owned subsidiary boards of Seplat before IPO and continued in these remunerated roles until the end of 2015. The Company has now agreed that in line with UK Corporate Governance Guidelines, main Board NEDs will not participate in subsidiary boards on a remunerated basis. The 2014 remuneration figures for these NEDs have been restated to include these past subsidiary board fees. |
| **Tax credits**            | It was stated in the 2014 Directors’ Remuneration Report that income tax credits of 20% were applied to the salaries of the Nigerian based executives, being the CEO and COO (as a carry-over of historical practice).  
It was also brought to the Committee’s attention that tax credits are also applied to the CEO and COO’s bonus and certain taxable benefits. This has now been made clear in the footnotes to the single figure table – in line with treatment last year, the monetary amounts of these tax credits have not been included in the single figure table.  
This historical practice of providing tax credits is in the process of being phased out by 2019 and will not be paid on behalf of any new Executive Director in Nigeria.  
For the avoidance of doubt, the Company has settled, on behalf of each Non-Executive Director, the local Nigerian withholding tax on Directors’ fees. |
### Single total figure of remuneration

#### Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2015 financial year, on a receivable basis in accordance with the policy as approved by shareholders. Comparative figures for the 2014 financial year have also been provided (restated in some cases, as explained above).

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Period</th>
<th>Salary</th>
<th>Taxable benefits</th>
<th>Bonus</th>
<th>LTIP</th>
<th>Pension</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US$’000</td>
<td>US$’000</td>
<td>US$’000</td>
<td></td>
<td>US$’000</td>
<td></td>
<td>US$’000</td>
</tr>
<tr>
<td>Austin Avuru (CEO)</td>
<td>2015</td>
<td>1,097</td>
<td>510</td>
<td>755</td>
<td>0</td>
<td>187</td>
<td>455</td>
<td>3,004</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>1,065</td>
<td>441</td>
<td>745</td>
<td>0</td>
<td>160</td>
<td>455</td>
<td>2,866</td>
</tr>
<tr>
<td>Stuart Connal (COO)</td>
<td>2015</td>
<td>749</td>
<td>229</td>
<td>346</td>
<td>0</td>
<td>165</td>
<td>381</td>
<td>1,870</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>783</td>
<td>303</td>
<td>509</td>
<td>0</td>
<td>172</td>
<td>381</td>
<td>2,148</td>
</tr>
<tr>
<td>Roger Brown (CFO)</td>
<td>2015</td>
<td>749</td>
<td>75</td>
<td>339</td>
<td>0</td>
<td>112</td>
<td>612</td>
<td>1,887</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>783</td>
<td>82</td>
<td>859</td>
<td>0</td>
<td>117</td>
<td>700</td>
<td>2,541</td>
</tr>
</tbody>
</table>

**Notes:**

1. As noted above, some of the 2014 comparative figures have been restated for the Executive Directors (with the main difference being the 2014 ‘Other’ column being updated for the actual date of approval of Admission awards by the Nigerian Stock Exchange). The total single figure of remuneration stated in the 2014 Directors’ Remuneration Report for the CEO was US$3,523,000 (a difference of US$657,000), US$2,728,000 for the COO (a difference of US$580,000) and US$3,166,000 for the CFO (a difference of US$625,000).
2. Salaries for Executive Directors are set in GBP – 2015 salaries were £643,750 for the CEO and £489,250 for the CFO/COO.
3. The taxable benefits for each Executive Director comprise those which are quantifiable. Following a payment review, it was found that the 2014 figures disclosed for the CEO and COO did not include all contractual benefits. These figures have now been updated for the correct amounts.
4. Pension contributions are provided as a cash supplement/contribution into a personal pension fund and equal 17% of salary for the CEO, 15% for the CFO and 22% for the COO. Given recent changes to the Nigerian Pensions Act that require a minimum pension contribution of 18% of salary (which can be a mix of employer and employee contributions), Seplat approved a 17% employer contribution for the CEO (increased from 15% in 2014), with the CEO contributing 3% personally i.e. 20% in total.
5. For 2015, this column includes the remaining 50% of Global Offer Bonus Awards which effectively vested on 4 November 2015 following approval by the Nigerian Stock Exchange. Roger Brown’s 2014 and 2015 figures also include a fixed cash payment relating to the value of share awards foregone from his previous employer (US$383,082 for 2014, US$294,766 for 2015), which is being paid in increments until 2016. The value of the total payment to be made is US$1,072,084.
6. For the CFO and COO’s 2014 remuneration (salary, benefits, bonus and pension), the average 2014 USD:GBP exchange rate of 1.65 has been used. The average 2015 USD:GBP exchange rate of 1.53 (rounded to two decimal places) has been used to calculate salary, benefits, pension and bonus figures for 2015 for the CFO and COO. For the CEO, the July 2014 exchange rate has been used to calculate 2014 and 2015 salary, benefits, pension and 2014 bonus (see above for rationale). The 2014 bonus was calculated by reference to the prevailing exchange rate at the time of payment. Although salaries were increased for 2015 by 3%, salaries expressed in USD have actually decreased from 2014 for the CFO and COO, reflecting the 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014. The awards on Admission (50%) for 2014 and 2015 have been calculated based on the share price and exchange rate on the date of approval by the Nigerian Stock Exchange (4 November 2015).
7. For the CEO and COO (who are located in Nigeria), 2015 income tax credits of 20% have been paid by the Company as a carry-over of historical practice. This is not included in the salary, taxable benefits, bonus or pension figures above. This practice is in the process of being phased out by 2019.
Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director for 2015, on a receivable basis in accordance with the policy as approved by shareholders.

<table>
<thead>
<tr>
<th>Name</th>
<th>2015 Fees (US$'000)</th>
<th>2014 Fees (US$'000)</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.B.C. Orjiako</td>
<td>1,011</td>
<td>987</td>
<td>Non-Executive Chairman and Nomination and Establishment Committee Chairman</td>
</tr>
<tr>
<td>Michael Alexander</td>
<td>494</td>
<td>527</td>
<td>Senior Independent Director, Remuneration Committee Chairman, Finance, and Nomination and Establishment Committee member</td>
</tr>
<tr>
<td>Michel Hochard</td>
<td>190</td>
<td>222</td>
<td>Audit Committee member</td>
</tr>
<tr>
<td>Macaulay Agbada Ofurhie</td>
<td>219</td>
<td>231</td>
<td>HSSE and Risk Management, and CSR Committee member</td>
</tr>
<tr>
<td>Basil Omiyi</td>
<td>308</td>
<td>340</td>
<td>HSSE and Risk Management Committee Chairman, Remuneration, Nomination and Establishment Committee member</td>
</tr>
<tr>
<td>Ifueko Omoigui-Okauru</td>
<td>257</td>
<td>266</td>
<td>Finance, Audit, CSR, and HSSE and Risk Management Committee member</td>
</tr>
<tr>
<td>Charles Okeahalam</td>
<td>249</td>
<td>251</td>
<td>Finance Committee Chairman, Remuneration, and Audit Committee member</td>
</tr>
<tr>
<td>Lord Mark Malloch-Brown</td>
<td>234</td>
<td>227</td>
<td>CSR Committee Chairman and Finance Committee member</td>
</tr>
<tr>
<td>Damian Dodo</td>
<td>219</td>
<td>186</td>
<td>Remuneration, and Nomination and Establishment Committee member</td>
</tr>
</tbody>
</table>

Notes:
1. Comparative figures for the 2014 financial year have been restated on a receivable basis, given that the figures presented in the 2014 Directors’ Remuneration Report included under/overpayments in respect of periods prior to Admission.
2. Fees shown are those receivable in GBP, converted at the average exchange rate for the relevant year. This is with the exception of the Chairman, whose fees are converted at the July 2014 USD:GBP exchange rate (see beginning of Annual Report on Remuneration section for further information). Although the NED base fee was increased for 2015 by 3%, many of the NED fees expressed in USD have decreased from 2014, reflecting the 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014.
3. For the Chairman (who is located in Nigeria), 2015 income tax credits of 20% have been paid by the Company as a carry-over of historical practice. This is not included in the figures above. This practice is in the process of being phased out by 2019.
4. 2014 and 2015 figures include fees paid for duties performed for 100% wholly owned subsidiaries of the Company. The Committee has determined that in line with UK corporate governance guidelines, such fees will not be paid from 2016 onwards.
5. The Company has settled, on behalf of each Non-Executive Director, the local Nigerian withholding tax on Directors’ fees.

Annual Fees

<table>
<thead>
<tr>
<th>Position</th>
<th>2015 Annual Fee (US$'000)</th>
<th>2014 Annual Fee (US$'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>965</td>
<td>937</td>
</tr>
<tr>
<td>Board</td>
<td>158</td>
<td>165</td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td>230</td>
<td>247</td>
</tr>
<tr>
<td>Committee Chairmanship (excluding Finance)</td>
<td>46</td>
<td>49</td>
</tr>
<tr>
<td>Finance Committee Chairmanship\</td>
<td>61</td>
<td>54</td>
</tr>
<tr>
<td>Committee Membership (excluding Finance)</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Finance Committee Membership\</td>
<td>38</td>
<td>35</td>
</tr>
</tbody>
</table>

Notes:
1. Non-Executive Director fees are set in GBP – the Chairman and Board fee (only) were increased by 3% in 2015 (in line with treatment for Executive Director salaries). The 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014 has resulted in a reduction in all fees expressed in USD, except the Chairman’s fee which is fixed to the July 2014 USD:GBP exchange rate.
2. Only applicable to those Directors who have additional responsibilities. Finance Committee membership/ chairmanship fees were increased to US$41,250 and US$66,000 respectively (from US$33,000 and US$49,000) for such Directors on 1 October 2014 with immediate effect. The 2014 fees are shown above on a pro-rata basis for these Finance Committee roles.

Additional information regarding single figure table

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the cyclical nature of the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.
Annual Bonus

In respect of the 2015 financial year, the bonus awards payable to Executive Directors were agreed by the Committee having reviewed the Company’s results. Details of the achievement of the measures used to determine bonuses in respect of the 2015 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Achievement of corporate performance conditions

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Specific</th>
<th>Performance achieved</th>
<th>Resulting level of award for element (% of maximum opportunity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production, sustainability and efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil production volume</td>
<td></td>
<td>✓</td>
<td>45%</td>
</tr>
<tr>
<td>Gas sales</td>
<td></td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td>Reserves replacement</td>
<td></td>
<td>✓</td>
<td>80%</td>
</tr>
<tr>
<td>OPEX per boe</td>
<td></td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td>Financial efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15 EBIT</td>
<td></td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td>Outstanding JV cash call at year end</td>
<td></td>
<td>✓</td>
<td>0%</td>
</tr>
<tr>
<td>Health, safety and environmental performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTIF rate</td>
<td></td>
<td>✓</td>
<td>100%</td>
</tr>
<tr>
<td>Corporate governance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal control and ethics procedures</td>
<td></td>
<td>✓</td>
<td>90%</td>
</tr>
</tbody>
</table>

Annual Bonus pay-out

As set out in the Remuneration Policy table in this report, the Company operates an annual bonus scorecard of performance metrics, incorporating the Company’s KPIs around financial, strategic and operational conditions as well as individual performance targets.

The CEO’s bonus scorecard is weighted in favour of corporate measures, with 70% of his maximum opportunity depending on the KPIs set out above. The remaining 30% of his bonus opportunity is measured against individual objectives. An example individual objective for 2015 was ensuring the development and cascade of corporate strategy through the Company.

The CFO and COO 2015 bonus scorecards were weighted 60% in relation to corporate performance and 40% against individual performance.

The table below sets out the annual bonus earned for the year:

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>Achieved (% of max)</th>
<th>Bonus earned (US$’000)</th>
<th>Achieved (% of max)</th>
<th>Bonus earned (US$’000)</th>
<th>Achieved (% of max)</th>
<th>Bonus earned (US$’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate measures</td>
<td>24.3% out of 70%</td>
<td>400</td>
<td>21.6% out of 60%</td>
<td>162</td>
<td>17.3% out of 60%</td>
<td>130</td>
</tr>
<tr>
<td>Individual performance</td>
<td>21.6% out of 30%</td>
<td>355</td>
<td>24.6% out of 40%</td>
<td>184</td>
<td>28.0% out of 40%</td>
<td>209</td>
</tr>
<tr>
<td>Total</td>
<td>45.9%</td>
<td>755</td>
<td>46.2%</td>
<td>346</td>
<td>45.3%</td>
<td>339</td>
</tr>
</tbody>
</table>

Individual performance goals are set annually for each Executive Director based on the Company’s strategic priorities for the respective year. It is the Committee’s view that the specific individual performance conditions are commercially sensitive and therefore details cannot be fully disclosed. 25% of each Executive Director’s bonus has been deferred into shares and will be released in three years subject to continued employment.
Awards made on Admission
Share awards were made to the Chairman, CEO, COO and CFO on the day of Admission to the London Stock Exchange on 9 April 2014 (conditional on approval by the Nigerian Stock Exchange, which was subsequently received on 4 November 2015) to recognise their contribution to the business in the lead up to Admission. The awards were formally approved at the 2013 AGM and operated as follows:

- 50% of the award vested on Admission on 9 April 2014 and was formally approved by the Nigerian Stock Exchange on 4 November 2015. This was included in the single figure table in the Company's prior year remuneration report and has been updated in this year's remuneration report to take account of the share price and exchange rate at the date of approval by the Nigerian Stock Exchange.
- 50% of the award vested on 9 April 2015 (and was formally approved by the Nigerian Stock Exchange on 4 November 2015) after satisfaction of the conditions as set out below. This proportion of the award is subject to a one-year lock-in period ending on 9 April 2016 during which the Directors cannot sell their shares. This is included in the 2015 single figure table as included on page 93.

The second 50% of the award was subject to the following conditions:

- the Company must outperform the median TSR performance level within the 2014 LTIP E&P comparator group, over the one-year period from Admission (i.e. to 9 April 2015).
- These awards were also subject to a reserves growth underpin (as per the 2014 LTIP).

Performance against these conditions was as follows:

<p>| TSR performance vs 2014 LTIP comparator group | 2P Reserves growth | Final Vesting (for each component and in total) |</p>
<table>
<thead>
<tr>
<th>Comparator group Median TSR performance</th>
<th>Seplat TSR performance</th>
<th>For year end 31 Dec 2014</th>
<th>Required to fully satisfy underpin</th>
</tr>
</thead>
<tbody>
<tr>
<td>-52% (above median)</td>
<td>-37%</td>
<td>24%</td>
<td>10%</td>
</tr>
</tbody>
</table>

The 2015 figure included in the single figure table is calculated by reference to the share price on approval by the Nigerian Stock Exchange (on 4 November 2015) of £0.77.

As set out in the 2014 Directors' Remuneration Report, Non-Executive Directors were allotted shares in the Company which vested on Admission (conditional on approval by the Nigerian Stock Exchange). There was a restriction on the sale of these shares so that 50% of the shares could not be sold until 9 April 2015 (although this was delayed pending approval by the Nigerian Stock Exchange) and the remaining 50% cannot be sold until 9 April 2016.

Long-term incentives awarded in 2015
The table below sets out the details of the long-term incentive awards made in the 2015 financial year where vesting will be determined (conditional on approval by the Nigerian Stock Exchange) according to the achievement of performance conditions that will be tested in future reporting periods.

<table>
<thead>
<tr>
<th>Name</th>
<th>Basis on which award made</th>
<th>Face value of award (US$'000)</th>
<th>Percentage of award vesting at threshold performance</th>
<th>Maximum percentage of face value that could vest</th>
<th>Performance conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin Avuru</td>
<td>Annual</td>
<td>2,403</td>
<td>25%</td>
<td>100%</td>
<td>100% Relative TSR and reserves growth underpin – see policy table on page 86 for further details</td>
</tr>
<tr>
<td>Stuart Connal</td>
<td>Annual</td>
<td>1,461</td>
<td>25%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Roger Brown</td>
<td>Annual</td>
<td>1,461</td>
<td>25%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Note:
The share price used to calculate the face value of awards was that at the date of award, being 21 April 2015 (conditional on approval by the Nigerian Stock Exchange).
The comparator group used for assessing relative TSR consists of the following companies:

- Africa Oil
- Amerisur Resources
- Cairn Energy
- Cobalt Int. Energy
- Enquest
- Enr Energy (formerly Camac Energy)
- Exillon Energy
- Genel Energy
- Gulf Keystone Petroleum
- Kosmos Energy
- Nostrum Oil & Gas
- Oando Energy Resources
- Ophir Energy
- Oryx Energy
- Petroceltic
- Premier Oil
- Rockhopper Exploration
- Soco International
- Tullow Oil

Payments to past Directors/payments for loss of office
There were no payments in the financial year.

Fees retained for external non-executive directorships
Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

Statement of Directors’ shareholdings
The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 23 March 2016 are set out in the table below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares held directly</th>
<th>Deferred shares not subject to performance conditions</th>
<th>Other shares held</th>
<th>LTIP interests not subject to performance conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total interests held as at 23 March 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austin Ayuru</td>
<td>73,680,917</td>
<td>98,187</td>
<td>1,715,738</td>
<td>381,906</td>
</tr>
<tr>
<td>Stuart Connal</td>
<td>335,861</td>
<td>61,012</td>
<td>1,020,549</td>
<td>321,428</td>
</tr>
<tr>
<td>Roger Brown</td>
<td>267,858</td>
<td>51,502</td>
<td>1,020,549</td>
<td>267,858</td>
</tr>
</tbody>
</table>

Details of the Non-Executive Directors’ interests in shares are set out below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares held as at 23 March 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.B.C. Orjiako</td>
<td>84,736,913</td>
</tr>
<tr>
<td>Michael Alexander</td>
<td>95,238</td>
</tr>
<tr>
<td>Michel Hochard</td>
<td>95,238</td>
</tr>
<tr>
<td>Macaulay Agbada Ofurhie</td>
<td>4,901,611</td>
</tr>
<tr>
<td>Basil Omiyi</td>
<td>495,238</td>
</tr>
<tr>
<td>Ifeuko Omoigui-Okauru</td>
<td>95,238</td>
</tr>
<tr>
<td>Charles Okeahalam</td>
<td>597,238</td>
</tr>
<tr>
<td>Lord Mark Malloch-Brown</td>
<td>31,746</td>
</tr>
<tr>
<td>Damian Dodo</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Beneficial interests include shares held directly or indirectly by connected persons and include shares held by Stanbic IBTC Trustee Limited/Seplat LTIP in relation to vested awards made on Admission.
Comparison of overall performance and pay

The graph below shows the value of US$100 invested in the Company’s shares since listing compared to the FTSE 350 Exploration & Production Index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment over the same period of dividend income.

The Committee considers that the FTSE 350 Exploration & Production is an appropriate index as this contains companies in the same sector as Seplat. This graph has been calculated in accordance with the Regulations. It should be noted that the Company began trading conditionally on the London Stock Exchange on 9 April 2014 and therefore only has a listed share price for the period of 9 April 2014 to 31 December 2015.

CEO historical remuneration

The table below sets out the total remuneration delivered to the CEO in 2014 and 2015 valued using the methodology applied to the single total figure of remuneration. The Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only from 2014:

<table>
<thead>
<tr>
<th>CEO (Austin Avuru)</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Single Figure (US$’000s)³</td>
<td>3,004</td>
<td>2,866</td>
</tr>
<tr>
<td>Annual bonus payment level achieved (% of maximum opportunity)</td>
<td>46%</td>
<td>53%</td>
</tr>
<tr>
<td>LTIP vesting level achieved (% of maximum opportunity)</td>
<td>N/A²</td>
<td>N/A²</td>
</tr>
</tbody>
</table>

1. Includes vesting in relation to the one-off Global Offer Bonus award.
2. No LTIP awards have vested to date – vesting of the first LTIP awards (awarded in 2014) will occur in April 2017. There were no equity based arrangements operating prior to listing.

Change in the CEO’s remuneration compared with employees

Year-on-year change

<table>
<thead>
<tr>
<th>Chief Executive Officer (US$)¹</th>
<th>Average employee pay in comparator group (Naira)²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary 3%</td>
<td>11%</td>
</tr>
<tr>
<td>Taxable benefits -13%</td>
<td>-24%</td>
</tr>
<tr>
<td>Annual bonus -16%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

1. CEO year-on-year change has been expressed in USD to reflect the currency in which he is paid (for his base salary and taxable benefits). The annual bonus change for the CEO reflects the change in maximum bonus opportunity achieved.
2. Average employee pay year-on-year change is expressed in Naira as a significant majority of employees are paid in Naira.
Relative importance of the spend on pay

The table below sets out the overall spend on pay for all employees compared with the dividends distributed to shareholders:

<table>
<thead>
<tr>
<th>Significant contributions</th>
<th>2015 ($m)</th>
<th>2014 ($m)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall spend on pay¹</td>
<td>63.2</td>
<td>64.3</td>
<td>-1.7</td>
</tr>
<tr>
<td>Distributions to shareholders (dividends)</td>
<td>44.4</td>
<td>82.8</td>
<td>-46.4</td>
</tr>
</tbody>
</table>

1. Calculated by converting 2014 and 2015 figures (from Naira) at the relevant year’s average NGN:USD exchange rate.

Implementation of remuneration policy in financial year 2016

The Committee proposes to implement the policy for the 2016 financial year as set out below. For the CFO/COO, 2016 USD figures have been calculated using the average USD:GBP exchange rate for 2015.

Salary

There will be no salary increase for Executive Directors in the financial year ending 31 December 2016.

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary 2016 (US$'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin Avuru</td>
<td>1,097</td>
</tr>
<tr>
<td>Stuart Connal</td>
<td>749</td>
</tr>
<tr>
<td>Roger Brown</td>
<td>749</td>
</tr>
</tbody>
</table>

Benefits and Pension

There are no proposed changes for the financial year ending 31 December 2016.

The value of pension contribution/salary supplement for the financial year is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Pension/Salary supplement 2016 (US$'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin Avuru</td>
<td>187</td>
</tr>
<tr>
<td>Stuart Connal</td>
<td>165</td>
</tr>
<tr>
<td>Roger Brown</td>
<td>112</td>
</tr>
</tbody>
</table>

Annual Bonus

<table>
<thead>
<tr>
<th>Operation and potential value</th>
<th>Performance metrics used, weightings and time period applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum bonus opportunity as a percentage of salary:</td>
<td>The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in the best interests of shareholders. The performance measures, achievement against targets and the values of awards made will be published at the end of the performance periods, so shareholders can assess the basis for any pay-outs under the annual bonus.</td>
</tr>
<tr>
<td>• CEO – 150%</td>
<td></td>
</tr>
<tr>
<td>• CFO – 100%</td>
<td></td>
</tr>
<tr>
<td>• COO – 100%</td>
<td></td>
</tr>
<tr>
<td>75% of any bonus earned will be paid in cash at the end of year 1.</td>
<td></td>
</tr>
<tr>
<td>The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year 3.</td>
<td></td>
</tr>
<tr>
<td>Annual bonus will be subject to clawback and malus.</td>
<td></td>
</tr>
</tbody>
</table>
Long-Term Incentive Plan

Potential value
Maximum value of 250% of salary p.a. based on the market value at the date of award set in accordance with the rules of the LTIP.

The intended awards for the Executive Directors as a percentage of salary are:

- CEO – 250%
- CFO – 200%
- COO – 200%

The LTIP vests after three years, subject to performance conditions, but holding periods will be applied such that awards can only be exercised as follows:

- 60% after year 3
- 20% after year 4
- 20% after year 5

Performance metrics used, weightings and time period applicable

The performance metrics will be the same as those employed for the previous award.

- 100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of listed E&P companies.
- 25% of the award will vest for median performance.
- 100% of the award will vest for upper quartile performance.

There will be straight line vesting between these points.

- 50% of the award will also be subject to a reserves growth underpin, which will operate as follows:
  - 50% of the award will lapse if FY18 reserves fall by 10% or more from FY15 reserves;
  - None of the award will lapse if FY18 reserves grow by 10% or more from FY15 reserves; and
  - There will be a straight line reduction in vesting between these points.

Non-Executive Director fees

All NED fees have remained unchanged in comparison to the year 2015. The table below shows the total fees to be paid for NED roles in respect of the financial year 2016 (based on the USD:GBP 2015 average exchange rate):

<table>
<thead>
<tr>
<th>Position</th>
<th>Fees (US$'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>965</td>
</tr>
<tr>
<td>Board</td>
<td>158</td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td>230</td>
</tr>
<tr>
<td>Committee Chairmanship (excluding Finance)</td>
<td>46</td>
</tr>
<tr>
<td>Finance Committee Chairmanship¹</td>
<td>61</td>
</tr>
<tr>
<td>Committee Membership (excluding Finance)</td>
<td>31</td>
</tr>
<tr>
<td>Finance Committee Membership¹</td>
<td>38</td>
</tr>
</tbody>
</table>

¹ Only applicable to those Directors who have additional responsibilities.

Shareholder voting at general meeting

At the previous AGM held on 2 June 2015, the Company received a vote of 86% in favour of its remuneration report and policy through the vote on its 2014 Annual Report and Accounts.

Michael Alexander
Chairman of the Remuneration Committee
The Directors are pleased to present to the shareholders of the Company their report with the audited financial statements for the year ended 31 December 2015.

**Principal activity**
The Company is principally engaged in oil and gas exploration and production. The Company’s registered office address is 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

**Corporate structure and business**
Seplat Petroleum Development Company Plc (‘Seplat’ or the ‘Company’), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Company and Allied Matters Act 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets: OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was US$340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US$33 million payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US$80 per barrel.

US$358.6 million was allocated to the producing assets including US$18.6 million as the fair value of the contingent consideration as calculated on acquisition date. These milestones were not reached and as such the contingent consideration has now been reversed and the contingent payment of US$10m will not be paid.

Seplat Petroleum Development Company Plc was successfully listed on the Nigerian Stock Exchange and main market of the London Stock Exchange on 14 April 2014.

On 1 June 2013, Newton Energy Limited (‘Newton Energy’), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited (‘Pillar Oil’) a 40% participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the ‘Umoseti/Igbuku Fields’). The total purchase price for these assets was US$50 million paid at the completion of the acquisition in June 2013 and a contingent payment of US$10 million payable upon reaching certain production milestones.

US$7.7 million was allocated to the producing assets including US$7.7 million as the fair value of the contingent consideration as calculated on acquisition date.

The Company together with its subsidiary, Newton Energy, and four wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited (‘Seplat UK’), which was incorporated on 21 August 2013, Seplat East Onshore Limited (‘Seplat East’), which was incorporated on 12 December 2013, Seplat East Swamp Company Limited (‘Seplat Swamp’), which was incorporated on 12 December 2013, and Seplat Gas Company Limited (‘Seplat GAS’), which was incorporated on 12 December 2013, is referred to as the Group.

**Dividend**
During the year, the Directors recommended to members an interim dividend of US$0.04 per 50kobo share amounting to US$22 million (2014: US$33 million).

The Directors are recommending to members the payment of a final dividend of US$0.04 per 50kobo share amounting to US$22.4 million (2014: US$49.8 million at US$0.09 per share, ₦9.8 billion).

**Changes in property, plant and equipment**
Movements in Property, plant and equipment and significant additions thereto are shown in note 11 to the financial statements.

**Board of Directors**
The names and profiles of the Directors are shown on pages 56 to 59. In accordance with the provisions of Section 259 of the Companies & Allied Matters Act, CAP C20, Laws of the Federation of Nigeria (‘LFN’) 2004, one third of the Directors of the Company shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election. Apart from the Executive Directors and Founding Directors, all other Directors are appointed for a fixed term. At expiration of the terms, they may be eligible for re-appointment.

## Results

<table>
<thead>
<tr>
<th></th>
<th>US$ ’000</th>
<th>Nigerian ₦ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>87,079</td>
<td>252,253</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(21,472)</td>
<td>(4,252)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>65,607</td>
<td>252,253</td>
</tr>
<tr>
<td>Retained profit for the year</td>
<td>65,607</td>
<td>252,253</td>
</tr>
</tbody>
</table>

**2015** | 17,245 | 40,481 |

**2014** | (4,252) | – |

**2015** | 12,993 | 40,481 |

**2014** | – | – |
The Board has the following Committees:

**1. Audit Committee**
Chief Anthony Idigbe, S.A.N.  Committee Chairman
Ifueko Omoigui-Okauru  Member
Charles Okeahalam  Member
Michel Hochard  Member
Dr. Faruk Umar  Member
Sir Sunny Nwosu  Member

**2. Finance Committee**
Charles Okeahalam  Committee Chairman
Michael Alexander  Member
Ifueko Omoigui-Okauru  Member
Lord Mark Malloch-Brown  Member

**3. Nomination and Establishment Committee**
A.B.C. Orjiako  Committee Chairman
Basil Omiyi  Member
Michael Alexander  Member
Damian Dodo  Member

**4. Remuneration Committee**
Michael Alexander  Committee Chairman
Basil Omiyi  Member
Charles Okeahalam  Member
Damian Dodo  Member

**5. HSSE and Risk Management Committee**
Basil Omiyi  Committee Chairman
Macaulay Agbada Ofurhie  Member
Ifueko Omoigui-Okauru  Member

**6. Corporate Social Responsibility Committee**
Lord Mark Malloch-Brown  Committee Chairman
Macaulay Agbada Ofurhie  Member
Ifueko Omoigui-Okauru  Member

**Record of attendance of Board and Committee meetings:**
In accordance with Section 258 Subsection 2 of the Companies and Allied Matters Act, CAP C20, LFN, 2004, the record of attendance of Directors at Board meetings and that of its Committees in the year under review is published herewith:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name</th>
<th>Number of meetings in the year</th>
<th>Number of times in attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>A.B.C. Orjiako (Chairman)</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>Austin Avuru</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>3.</td>
<td>Stuart Connal</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>Roger Brown</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>Michel Hochard</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>6.</td>
<td>Macaulay Agbada Ofurhie</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>7.</td>
<td>Michael Alexander</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>8.</td>
<td>Charles Okeahalam</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>9.</td>
<td>Basil Omiyi</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>10.</td>
<td>Ifueko Omoigui-Okauru</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>11.</td>
<td>Lord Mark Malloch-Brown</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>12.</td>
<td>Damian Dodo</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td><strong>Finance Committee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Charles Okeahalam (Chairman)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Michael Alexander</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Ifueko Omoigui-Okauru</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>Lord Mark Malloch-Brown</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Nomination and Establishment Committee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>A.B.C. Orjiako (Chairman)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2.</td>
<td>Basil Omiyi</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>3.</td>
<td>Michael Alexander</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Damian Dodo</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Remuneration Committee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Michael Alexander (Chairman)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Basil Omiyi</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>3.</td>
<td>Charles Okeahalam</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>Damian Dodo</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>HSSE and Risk Management Committee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Basil Omiyi (Chairman)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Macaulay Agbada Ofurhie</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>Ifueko Omoigui-Okauru</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Corporate Social Responsibility Committee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Lord Mark Malloch-Brown (Chairman)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Macaulay Agbada Ofurhie</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>Ifueko Omoigui-Okauru</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Audit Committee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Chief Anthony Idigbe, S.A.N. (Chairman)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Ifueko Omoigui-Okauru</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Charles Okeahalam</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Michel Hochard</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>5.</td>
<td>Dr. Faruk Umar</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Sir Sunny Nwosu</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>
Directors’ interest in shares

The interests of the Directors (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) as at 31 December 2015, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of ordinary shares</th>
<th>As a percentage of ordinary shares in issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.B.C. Orjiako¹</td>
<td>84,736,913</td>
<td>15.04</td>
</tr>
<tr>
<td>Austin Avuru²</td>
<td>73,297,011</td>
<td>13.00</td>
</tr>
<tr>
<td>Stuart Connal</td>
<td>14,433</td>
<td>—</td>
</tr>
<tr>
<td>Roger Brown</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Michel Hochard</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Macaulay Agbada Ofurhie</td>
<td>4,806,373</td>
<td>0.85</td>
</tr>
<tr>
<td>Michael Alexander</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Charles Okeahalam</td>
<td>502,000</td>
<td>0.09</td>
</tr>
<tr>
<td>Basil Omiyi</td>
<td>400,000</td>
<td>0.07</td>
</tr>
<tr>
<td>Ifueko Omoigui-Okaforu</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Lord Mark Malloch-Brown</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Damian Dodo</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Notes:
1. 72,136,912 ordinary shares are held by Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family and 12,600,000 ordinary shares are held directly by A.B.C. Orjiako’s siblings and 1 ordinary share held by A.B.C. Orjiako.
2. 27,217,010 ordinary shares are held by Professional Support Limited and 1,920,000 ordinary shares are held by Abtrust Integrated Services Limited, each of which is an entity controlled by Austin Avuru. 44,160,000 ordinary shares, are held by Platform Petroleum Limited, which is an entity in which Austin Avuru has a 23% equity interest and 1 ordinary share held by Austin Avuru.

Directors’ interest in contracts

The Chairman and the Chief Executive Officer have disclosable indirect interest in contracts with which the Company was involved as at 31 December 2015 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria in 2015. These have been disclosed in note 34.

Substantial interest in shares

The issued and fully paid share capital of the Company as at 31 December 2015 is beneficially owned as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPI S.A.</td>
<td>120,400,000</td>
<td>21.48</td>
</tr>
<tr>
<td>Shebah Petroleum Development Company Limited</td>
<td>84,736,913</td>
<td>15.12</td>
</tr>
<tr>
<td>Austin Avuru and Platform Petroleum Limited</td>
<td>73,297,011</td>
<td>13.08</td>
</tr>
<tr>
<td>2P/3SBTC RSA FUND - MAIN A/C</td>
<td>21,475,235</td>
<td>3.83</td>
</tr>
<tr>
<td>STANBIC IBTC TRUSTEE LIMITED/SEPLAT LTIP</td>
<td>10,134,248</td>
<td>1.81</td>
</tr>
<tr>
<td>Stanbic Nominees Nigeria Ltd/CR002 – Main</td>
<td>6,839,354</td>
<td>1.22</td>
</tr>
<tr>
<td>Vazon Investments Limited</td>
<td>7,366,800</td>
<td>1.31</td>
</tr>
<tr>
<td>CIS PLC - TRADING</td>
<td>167,880,657</td>
<td>29.95</td>
</tr>
<tr>
<td>Others</td>
<td>71,314,343</td>
<td>12.21</td>
</tr>
<tr>
<td></td>
<td>560,576,101</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes:
1. 72,136,912 ordinary shares are held by Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family and 12,600,000 ordinary shares are held directly by A.B.C. Orjiako’s siblings and 1 ordinary share held by A.B.C. Orjiako.
2. 27,217,010 ordinary shares are held by Professional Support Limited and 1,920,000 ordinary shares are held by Abtrust Integrated Services Limited, each of which is an entity controlled by Austin Avuru. 44,160,000 ordinary shares, are held by Platform Petroleum Limited, which is an entity in which Austin Avuru has a 23% equity interest and 1 ordinary share held by Austin Avuru.

Free float

The Company’s free float at 31 December 2015 was 45.34%.
Acquisition of own shares
The Company did not acquire any of its shares during the year.

Corporate governance
The Board of Directors of the Company is aware of the Code of Corporate Governance issued by the Securities and Exchange Commission in the administration of the Company and is ensuring that the Company complies with it.

The Board is responsible for keeping proper accounting records with reasonable accuracy. It is also responsible for safeguarding the assets of the Company through prevention and detection of fraud and other irregularities.

The Board has established six committees with clearly delegated responsibilities under their Terms of Reference. Details of these committees are set on pages 66 to 77.

Employment and employees
a. Employees’ involvement and training:

The Company continues to observe industrial relations practices such as joint Consultative Committee and briefing employees on the developments in the Company during the year under review.

Various incentive schemes for staff were maintained during the year while regular training courses were carried out for the employees.

Educational assistance is provided to members of staff. Different cadres of staff were also assisted with payment of subscriptions to various professional bodies during the year.

The Company will provide appropriate HSSE training to all staff, and Personal Protective Equipment (PPE) to the appropriate staff.

b. Health, safety and welfare of employees:

The Company continues to enforce strict health and safety rules and practices at the work environment which are reviewed and tested regularly. The Company provides free medical care for its employees and their families through designated hospitals and clinics. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company’s premises. The Company operates Group life insurance cover for the benefit of its employees. It also complies with the requirements of the Pension Reform Act, 2004 regarding its employees.

c. Employment of disabled or physically challenged persons:

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company’s policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

Auditor
The Auditor, Ernst and Young, have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, 1990. A resolution will be proposed authorising the Directors to fix their remuneration.

By Order of the Board

Dr. Mirian Kene Kachikwu
FRC/2015/NBA/00000010739
Company Secretary
Seplat Petroleum Development Company Plc
25a Lugard Avenue
Ikoyi
Lagos
Nigeria
24 March 2016

Donation
The following donations were made by the Company during the year (2014: US$158,825).

<table>
<thead>
<tr>
<th>Name of beneficiary</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>National undergraduate Scholarship Scheme</td>
<td>28,835</td>
</tr>
<tr>
<td>Inter Crisis Group for Peace</td>
<td>25,000</td>
</tr>
<tr>
<td>Nigeria association of Petroleum Explorationists</td>
<td>24,357</td>
</tr>
<tr>
<td>Global Pacific &amp; Partners International Ltd</td>
<td>21,697</td>
</tr>
<tr>
<td>Mandisa Ent</td>
<td>15,541</td>
</tr>
<tr>
<td>Energy Institute</td>
<td>10,537</td>
</tr>
<tr>
<td>Nigeria Mining and Geosciences Society</td>
<td>9,098</td>
</tr>
<tr>
<td>Petroleum technology association of Nigeria</td>
<td>9,000</td>
</tr>
<tr>
<td>Image Consultants</td>
<td>7,144</td>
</tr>
<tr>
<td>Easy Channel</td>
<td>5,974</td>
</tr>
<tr>
<td>Radi B</td>
<td>3,225</td>
</tr>
<tr>
<td>Others</td>
<td>9,085</td>
</tr>
<tr>
<td>Total</td>
<td>169,495</td>
</tr>
</tbody>
</table>
Statement of Directors’ responsibilities
For the year ended 31 December 2015

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

a. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;

b. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (‘IFRS’), the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No 6, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its financial performance for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

Signed on behalf of the Directors by

A.B.C. Orjiako
Chairman
FRC/2013/IODN/00000003161
24 March 2016

Austin Avuru
Chief Executive Officer
FRC/2013/IODN/00000003100
24 March 2016