



Seplat Petroleum Development Company Plc

Conflict of Interest for Directors Policy

Adopted by the Board on 13 December 2013

Updated on 29 January 2016

1. INTRODUCTION

- 1.1 The relationship between a company and its directors is strictly regulated by law and is carefully monitored by regulators. In fact, regulators require a company to disclose (typically via the annual report) the existence and details of any conflict of interest involving a director.
- 1.2 The position of the law is that directors owe a fiduciary duty of care, utmost good faith, honesty and loyalty to the company. This means that directors should act in the best interests of the company in order to preserve the company's assets and further its business. The action taken by a director will therefore be assessed along with that of a reasonable, prudent and ordinarily skillful director who is acting in the same or similar circumstances.
- 1.3 Conflicts of interest have the potential to negatively influence a director's fiduciary duty to the company. The law therefore requires directors to avoid or carefully manage any conflict between their personal interests and the interests of the company. The criticality of complying with laws, rules and regulations governing directors' conflicts of interest has been demonstrated in reputational, financial and other damages to the non-complying companies and the erring director.
- 1.4 SEPLAT has therefore adopted this Conflict of Interest for Directors Policy ("Policy"): (i) to incorporate the legal requirements pertaining to directors' conflicts of interest in order to prevent inadvertent violation of law, (ii) to help the Board and individual Directors understand the circumstances that may lead to a Conflict of Interest, and (iii) to establish the parameters within which SEPLAT will address Conflicts of Interest.
- 1.5 Conflicts of Interest not specifically addressed in this Policy shall be dealt with according to the principles and intent of this Policy.

2. APPLICABILITY

- 2.1 This Policy applies to all Directors and the shareholder representatives who are members of the Audit Committee of SEPLAT.

3. RESPONSIBILITY

- 3.1 The Board shall have overall responsibility for ensuring that this Policy: (i) is updated as required to reflect current law, issues and best practices pertaining to Conflicts of Interest, and (ii) is strictly implemented and enforced.
- 3.2 The Review Panel shall be responsible for the investigation, review and approval of all Conflicts of Interest. However, the decision of the Review Panel shall be ratified by the Board (in the absence of a Conflicted Director).

3.3 The Chairman shall also be responsible for the day-to-day implementation of this Policy, including the conduct of training and the interpretation of the Policy.

3.4 Each Director shall be responsible for carefully reading, understanding and complying with this Policy, and for obtaining required clarification and guidance from the Chairman or the General Counsel.

4. DEFINITIONS

For purposes of this Policy, the following definitions of key terms shall apply:

4.1 “Board” means the Board of Directors of Seplat Petroleum Development Company Plc.

4.2 “Actual Conflict” means a direct conflict between a Director’s fiduciary duties to SEPLAT and his/her private interests or the interests of a Close Associate.

4.3 “Chairman” means the Chairman of the Board. In any case where the Chairman of the Board is a Conflicted Director, the Senior Independent Non-Executive Director shall exercise the responsibilities of the Chairman under this Policy for purposes of resolving the Conflict in question.

4.4 “Close Associate” means (i) any person with whom a Director has a close relationship, including without limitation: a spouse, child, sibling, parent or relative; and (ii) any corporate entity in which a Director has control or joint control, significant influence, or is a member of key management.

4.5 “Conflict of Interest” or “Conflict” means when a Director has a private interest or relationship that interferes (or could reasonably be perceived to interfere) with his/her fiduciary duty to SEPLAT.

- Private interests usually involve transactions that benefit a Director or his /her Close Associate.
- A Conflict can be Actual, Perceived or Potential.

4.6 “Conflicted Director” means a Director for whom a Conflict of Interest may exist.

4.7 “Director” means a member of the Board. For purposes of simplicity in applying this Policy only, reference to Directors in this Policy will include the shareholder representatives who are members of the Audit Committee of SEPLAT.

4.8 “General Counsel” means the General Counsel of SEPLAT.

4.9 “Perceived Conflict” means the appearance that a Director’s private interests (or the interests of a Close Associate) may improperly influence his/her fiduciary duty to SEPLAT, whether or not this is in fact the case.

4.10 “Potential Conflict” means a Director’s private interests (or the interests of a Close Associate) could lead to a conflict with his/her fiduciary duty to SEPLAT.

4.11 “Review Panel” means the Conflict of Interest Review Panel for Directors, which shall be responsible for considering and resolving all Conflicts of Interest. The Review Panel shall, at a minimum, consist of the following representatives (or their nominees):

- (a) The Chairman;
- (b) The Chief Executive Officer; and
- (c) General Counsel

Where a member of the Review Panel is a Conflicted Director seeking approval under this Policy, then the Chairman (or the Senior Independent Non-Executive Director, as appropriate) shall nominate a suitable replacement for purposes of resolving the Conflict in question.

5. RELATED POLICIES

- 5.1 This Policy should be read together with SEPLAT's Anti-Bribery and Corruption Policy, Gifts and Hospitality Guidelines, Share Dealing Policy, Insider Trading Policy, Related Party Transactions Policy and Related Party Transactions Guidelines.

6. FORMS TO BE COMPLETED AND SUBMITTED IN RESPECT OF THIS POLICY

- 6.1 *Conflict of Interest Declaration Form*, attached as Appendix 2, should be completed and submitted by every Director upon appointment, or no later than the 31st of January in each year, or such other time requested by the Chairman.
- 6.2 *Conflict of Interest Disclosure Form*, attached as Appendix 3, should be promptly completed and submitted by a Director at any time during the year when an Actual, Perceived, or Potential Conflict arises.
- 6.3 Every Director shall be bound by his/her signature on the Conflict of Interest Declaration and Disclosure Forms for the duration of the applicable year.
- 6.4 *Affirmation of Compliance Form*, attached as Appendix 4, should be completed and submitted by a Conflicted Director as soon as he/she becomes aware that the transaction/activity involving the Conflict has concluded. This form will enable the Company to maintain an auditable record of the Conflicted Director's compliance with this Policy and relevant laws and regulations.
- 6.4 All forms required by this Policy should be submitted to the General Counsel for consideration by the Review Panel, in accordance with the timelines set out in this Policy or as directed by the Chairman.

7. POLICY STATEMENTS

- 7.1 The requirements under Section 7.3 have been developed in accordance with applicable laws, rules and regulations with a view to avoid the perception of impropriety, to protect the actions taken by Directors, and to demonstrate SEPLAT's compliance with the law.
- 7.2 The first course of action should be to avoid Conflicts of Interest. However, any Conflict that cannot be avoided will be carefully managed in accordance with Section 8.

7.3 The requirements pertaining to Conflicts of Interest are as follows:

	Subject Matter	Requirement
(a)	Director's Objective	Act at all times in what you reasonably believe is in the best interest of SEPLAT as a whole in order to preserve the Company's assets, further its business, and promote the purposes for which SEPLAT was formed.
(b)	Outside business	Avoid conducting direct or indirect business with SEPLAT's contractors, suppliers or competitors, except within the scope of their position in SEPLAT
(c)	Working with competitors	Avoid conducting business (outside your ordinary responsibilities) with a company that is in competition with SEPLAT.
(d)	Inside information	Do not use any information pertaining to SEPLAT for your personal gain or advantage. For example, buying or selling securities in a business that SEPLAT intends to acquire, sell, form or terminate business relations with. Please see SEPLAT's <i>Share Dealing Policy</i> and other relevant policies for more details.
(e)	Exploitation	Do not directly or indirectly use your position in SEPLAT or the assets of SEPLAT in a way that may promote your personal interests. For example, using your position to obtain a secret profit for yourself.
(f)	Financial interests	Avoid any direct or indirect financial interest in (or any financial relationship with) any competitor, supplier or contractor of SEPLAT (except for insignificant stock interests in publicly listed companies).
(g)	Investments	Avoid investing in or holding interests in an outside business opportunity in which SEPLAT has expressed an interest, except for having an insignificant stock interest in publicly listed companies.
(h)	Personal gain	Do not accept personal discounts or other benefits from competitors, suppliers or contractors of SEPLAT.
(i)	Honoraria	Do not accept personal honoraria for services performed that are closely related to your work for SEPLAT. All remuneration for directorial services are paid in accordance with SEPLAT's Remuneration Policy, as approved by its shareholders.
(j)	Determination of remuneration	Do not participate in the determination of your remuneration.
(k)	Contractual interests	Disclose the existence and details of any interests that you have in contracts or proposed contracts that involve SEPLAT.
(l)	Exercise of directorial powers	Exercise your powers for the purpose for which they were created, and not for a collateral or improper purpose.
(m)	Multiple directorships	<p>Avoid concurrent service on too many boards of directors that may interfere with your commitments and responsibilities to SEPLAT. For example, multiple directorships that affect your ability to regularly attend SEPLAT Board and Board Committee meetings.</p> <p>Directorships on two or more companies that is a Potential Conflict is prohibited by the SEC Code of Corporate Governance for Public Companies.</p> <p>Disclose any prospective appointment on other boards of directors.</p>

		While holding multiple directorships, do not use the property, opportunity or information obtained from the board of directors of one company to benefit the company.
(o)	Directorships in competing companies	Avoid membership on the board of directors of companies in the same industry as SEPLAT.
(p)	Related directors	Not more than 2 members of the same family should sit on the Board at the same time.
(q)	Doing business with SEPLAT	Comply with the requirements of SEPLAT's <i>Related Party Transactions Policy and Guidelines</i> in all dealings with the Company.
(r)	Bribes, gifts, hospitality or commission	Do not accept any bribe, gift, hospitality, commission or other commercial/financial advantage from third parties dealing with SEPLAT. Please see SEPLAT's <i>Anti-Bribery and Corruption Policy, Gifts and Hospitality Guidelines</i> , and other relevant policies.
(s)	Disclosure and compliance	Disclose and obtain approval in relation to any form Conflict of Interest in accordance with Section 8 below.
(t)	Awareness of a Conflicted Director	If aware of an Actual, Perceived or Potential Conflict on the part of a fellow Director, promptly raise the issue for clarification with either the Conflicted Director or with the Chairman.

7.4 **Special Requirements on Independent Directors.** Independent Directors are held to a higher standard of conduct than Executive and Non-Executive Directors. Consequently, Independent Directors should comply with Section 7.3 above and the requirements below.

	Subject Matter	Requirement
(a)	Role on the Board	Role should be a non-executive director.
(b)	SEPLAT shareholding	Do not directly or indirectly hold shares in SEPLAT that exceed 0.1% of the Company's paid-up capital.
(c)	Controlling shareholder	Should not be a representative of a shareholder that has the ability to control or significantly influence management.
(d)	Former employee/executive	Should not have been employed by, or served as an executive of, SEPLAT or the SEPLAT Group for the preceding 3 financial years.
(e)	Familial relations	Should not be an immediate family member of any person who is (or was) employed as an executive of SEPLAT or of the SEPLAT Group in the past 3 financial years.
(f)	Professional advisor	Should not be a professional advisor to SEPLAT or the SEPLAT Group, except in the capacity of a director.
(g)	Significant supplier	Should not be a significant supplier or contractor of SEPLAT or the SEPLAT Group.
(h)	Business with SEPLAT	Should not have a significant contractual relationship with SEPLAT or the SEPLAT Group.

		Should be free from any business or other relationship that could materially interfere with his/her capacity to act in an independent manner.
(i)	Consultant	Should not be a partner or executive of SEPLAT's statutory audit firm, internal audit firm, legal or other consulting firm that has material association with SEPLAT. Should not have been a partner or executive of the above firms in the 3 financial years preceding his/her appointment.
(j)	Relationship with SEPLAT or its management	Should be free from any relationship with SEPLAT or its management that may prejudice (or appear to prejudice) his/her ability to make independent judgments.

8. PROCEDURE FOR DISCLOSURE, REVIEW AND APPROVAL OF CONFLICTS

- 8.1 Directors should comply with this Section 8 before beginning or continuing to participate in any transaction/activity involving an Actual, Perceived or Potential Conflict.
- 8.2 Each Director should complete the *Conflict of Interest Declaration form* at the times prescribed in Section 6.1, and submit to the General Counsel.
- 8.3 Directors should complete the *Conflict of Interest Disclosure form* if a Conflict arises at any time during the applicable year.
- 8.4 Upon receipt of a *Conflict of Interest Declaration (or Disclosure) form*, the General Counsel shall request a meeting of the Review Panel in respect of the disclosed Conflict. The Review Panel shall also have the power to initiate an investigation into any Conflict of Interest situation.
- 8.5 The Review Panel may invite a Conflicted Director for discussions on how best to avoid or manage the Conflict in the best interest of SEPLAT and in accordance with applicable laws and regulations.
- 8.6 The Review Panel shall, by a simple majority, determine whether approving the involvement of the Conflicted Director in the transaction/activity is in the best interest of SEPLAT. The Review Panel shall also consider whether the Conflict is more appropriately addressed under SEPLAT's *Related Party Transactions Policy and Guidelines*.
- 8.7 Where the Review Panel approves the participation of a Conflicted Director in the conflicting transaction/activity, the Review Panel shall impose suitable cautionary measures and checks and balances to mitigate the Conflict.
- 8.8 All decisions of the Review Panel shall be reported to and are subject to ratification by the Board at its next meeting.
- 8.9 The General Counsel shall inform the Conflicted Director of the final decision pertaining to the Conflict.
- 8.10 The decision of the Review Panel and ratification (if any) by the Board shall be recorded in the appropriate section of the *Conflict of Interest Declaration (or Disclosure) form*.

8.11 The minutes of the Review Panel and the Board meetings pertaining to the Conflict of Interest should briefly outline the:

- (a) name of the Conflicted Director;
- (b) nature and relevant details of the Conflict; and
- (c) decision reached and cautionary measures imposed.

9. AFFIRMATION OF COMPLIANCE BY THE CONFLICTED DIRECTOR

9.1 The Conflicted Director should complete and submit the *Affirmation of Compliance form* to the General Counsel as soon as he/she becomes aware that the transaction/activity involving a Conflict has concluded.

10. ENSURING COMPLIANCE

10.1 SEPLAT is committed to “tone from the top” compliance with the law, and will therefore operate a zero-tolerance policy for any violation of this Policy, including and up to termination of directorship.

10.2 Directors are encouraged to promote this culture of compliance by observing this Policy and reporting any noncompliance to:

- ✚ the Chairman,
- ✚ the Senior Independent Non-Executive Director, or
- ✚ the General Counsel.

Upon request, reports will be treated as anonymous and with the highest confidence.

11. SUPREMACY OF LAW AND CLARIFICATIONS

11.1 THE FOREGOING HAS BEEN PREPARED WITH A VIEW TO MAKING YOU AWARE OF, BUT DOES NOT PRECISELY REPRODUCE, THE REQUIREMENTS OF THE LAWS, RULES AND REGULATIONS OF THE FEDERAL REPUBLIC OF NIGERIA, THE UNITED KINGDOM OR ANY OTHER RELEVANT JURISDICTION.

11.2 NOTHING IN THIS POLICY IS INTENDED TO SUPERSEDE THE LAWS AND REGULATIONS ON CONFLICTS OF INTEREST PERTAINING TO DIRECTORS.

11.3 WHILE NO SINGLE RULE COULD POSSIBLY COVER ALL SITUATIONS, A GOOD RULE TO FOLLOW AT ALL TIMES IS TO:

CAREFULLY AVOID ANY SITUATION WHICH MAY BE PERCEIVED AS (OR MAY LEAD TO) A CONFLICT OF INTEREST. WHEN IN DOUBT, PLEASE SEEK ADVICE FROM THE CHAIRMAN OR THE GENERAL COUNSEL.

12. EXCEPTIONS AND AMENDMENTS

12.1 Any exceptions to this Policy must be approved in advance by the Board, and this Policy may be amended from time to time by the Board.