



Oando PLC

RC: 6474

Head Office: 9th, 10th, 11th and 12th Floors

The Wings Office Complex, 17a Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria.

Tel: 234-1-2702400 **Email:** info@oandopl.com **Website:** www.oandopl.com

1st June 2019

The Acting Director-General

Securities Exchange Commission ("SEC")

SEC Towers

Plot 272, Samuel Adesujo Ademulegun Street

Central Business District

P.M.B: 315

Garki, Abuja

Attention: Mary Uduk

Dear Madam,

RE: INVESTIGATION OF OANDO PLC

We refer to your letter dated 31st May 2019 ("your Letter") wherein you communicated the findings relating to certain infractions on securities laws by members of the Board of Directors of Oando PLC ("the Company").

You will recall that following SEC's receipt of two (2) petitions from Ansbury Incorporated and Alhaji Dahiru Mangal, SEC wrote to the Company requesting responses to the petitions. The Company responded to the allegations in its letter dated 21st July 2017. However, SEC only responded by communicating its interim findings in its letter dated 17th October 2017 wherein it stated that its findings are "weighty and therefore need to be further investigated to ascertain their veracity...". The SEC thereafter suspended the Company's scheduled Annual General Meeting (AGM) and ordered the appointment of a forensic auditor into the affairs of the Company. In October 2017, the Company filed a suit before the Federal High Court to challenge the SEC's directives which later went on appeal to the Court of Appeal.



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The Company later withdrew the appeal from the Court of Appeal on the strength of the assurance given by the SEC that the forensic investigation will be impartial and independent. Please note that we are aware that a copy of the forensic report was submitted by the forensic auditors to the SEC in December 2018. The Company has never at any time been furnished with the forensic report neither has it been afforded the opportunity to defend or make any representations on the final findings therefrom.

Having stated our general position on your Letter and without waiving our rights to receive the full report pursuant to which your Letter was issued, we respond to the specific points raised in your Letter below as follows.

1. Corporate Governance Lapses:

The Company firmly states that the SEC has not substantiated its findings on alleged 'several corporate governance lapses stemming from poor Board oversight'. Oando prides itself as a pioneer Nigerian company in the adoption of best corporate governance practices. Oando was the first NSE-listed company to achieve a cross-border dual listing of its 100% shares on the Johannesburg Stock Exchange in 2005 and a further listing of 100% shares in its upstream subsidiary on the Toronto Stock Exchange in 2012. These successful listings required the Company to institute and maintain the highest international standards of corporate governance in its management and business operations.

1.1 Irregular Approval of Director's Remuneration

The Company denies that there was any irregular approval of director's remuneration at any period under review. All payments to directors were in accordance with the Board Remuneration Policy, were approved by the Board of the Company and disclosed in the audited financial statements.

1.2 Unjustified Disbursements to Directors and Management

The SEC has failed to furnish instances of such 'unjustified disbursements'. All remuneration (including expenses) to directors and management are approved and paid in accordance with the approved Delegation of Authority document of the Company.



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1.3 Failure of the Audit Committee to hold meetings with Management, Internal Auditors and External Auditors

This is completely false and raises quality assurance concerns on the SEC's findings. The records of the Audit Committee meetings of the Company clearly shows that the Committee holds regular meetings with the Management of the Company and its internal and external auditors. In addition, the Audit Committee meets separately with the internal auditor and the Management is absent at such meetings. The rationale behind this is to reinforce the independence of the internal auditor in compliance with the requirements of the Audit Committee.

1.4 Directors' participation in conflicted matters

The SEC has again failed to provide details of this allegation, which is denied. It is the practice and tradition of the Board of the Company to have as the first item on the agenda in all Board Meetings, the disclosure of any interest they may have in the business of the day. Any director(s) of the Company who disclose an interest in a matter before the Board always recuse themselves from exercising their right to vote on that matter.

2. Failure of Internal Controls

The Company denies the allegation in your Letter that it does not have an effective internal control process in place as required by S61 of the Investments and Securities Act 2007 ("ISA"). In the absence of any specific instances or examples, the Company is of the position that there is no basis for this finding. The SEC is therefore put to further proof of this allegation.

3. Incidental Issues arising from the sale of a Subsidiary

3.1 The accounting treatment accorded to the sale of Oando Exploration and Production Limited (OEPL) was in accordance with the International Financial Reporting Standards (IFRS) and the rules of the Financial Reporting Council.

3.2 The Company rejects the assertion by the SEC that the sale of OEPL in 2013 was fictitious or orchestrated to enable the company to record a profit and pay dividends. 3.3 The 2013 audited accounts and subsequent quarterly reports of the Company were the proper account to be used in the 2014 Rights Circular and



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at the time of inclusion, did not contain any untrue statement or mis-statement. There was no intention on the part of the Company to mislead the public as alleged by the SEC.

4. **Suspected Market Abuse and Insider Dealings:**

The Company has always maintained that its policy and procedure on Insider dealings and sale of shares during closed periods are in accordance with best corporate governance standards. Oando is however not in a position to provide a response regarding alleged actions of shareholders as these are independent and separate legal entities.

5. **Related Party Transactions**

The SEC has again not specified the details of the related party transactions that were undisclosed in 2012 and 2014. As a result, we are unable to respond in detail to this allegation and again put the SEC to further proof of same.

6. **Payment of Interim Dividends despite liquidity constraints**

The Commission claims that the Company paid interim dividends in 2014 when it was facing liquidity constraints. There is no legal basis for the SEC's findings. As the SEC should be aware, Section 379 (2) of the Companies and Allied Matters Act permits the payment of dividends from distributable reserves. The interim dividend declared in September 2014 was paid by the Company in November 2014 from the H1 2014 profits of the Company. At that point in time, the Company had sufficient distributable reserves and it is acceptable under the law to pay out dividends if reserves exist at the point of declaration.

7. **False Disclosures**

The SEC's claim that Oando failed to comply fully with the SEC Code of Corporate Governance for public companies is false, unsubstantiated and for the records, unhelpful.

8. **Non-disclosure of Beneficial Ownership:**

The SEC would observe that by the Company's letters dated 21st July 2017, 23rd August 2017, 24th August 2017, 28th August 2017 and 21st September 2017, Oando repeatedly brought to the attention of the SEC the fact that to the best of the



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Company's knowledge, Alhaji Dahiru Mangal held less than 5% of the shares in the Company and requested that the SEC compel Alhaji Mangal to disclose his full beneficial ownership in Oando PLC in accordance with Section 95(1-5) of the Companies and Allied Matters Act to enable the Company comply with Rule 17.13 of the NSE Rule book.

The SEC did not send Oando a response to its request and Alhaji Mangal did not contact the Company until 29th September 2017 and 11th October 2017. We thereafter promptly notified the SEC that his shareholding had exceeded 5% based on his notification.

9. Tax-Related Issues

The Company denies that it deducted and/or remitted any amount in excess of the statutory 10% Withholding Tax deductions from the dividend paid to shareholders in 2014 as required by the Companies Income Tax Act (CITA). We put the SEC to further proof of this allegation. We also note that the SEC has clearly exceeded the remit of its powers by alleging non-compliance with '*several tax laws such as Companies Income Tax Act, Value Added Tax Act etc*'. We respectfully request that the Commission restricts its regulatory oversight to the matters permitted by the applicable law.

10. Directives including resignation of Directors from the Board

Oando hereby states that the SEC did not follow due process in the conduct of this investigation and reserves its rights to challenge the legality of the directives in your Letter. We therefore maintain that such directives from the SEC are invalid, illegal, ultra vires and should be rescinded.

We reiterate that the SEC's actions on this matter would have a huge negative impact on the Company's reputation as a leading indigenous oil and gas company and its shareholders, investors and stakeholders, whose interests the SEC has a duty to protect. We condemn the disturbing pattern in which the SEC has repeatedly taken harsh punitive actions towards the Company without according it the fundamental principle of fair hearing.



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Yours faithfully,
For: Oando PLC

HRH. Oba Micheal Adedotun Gbadebo CFR
Chairman
Chairman