

EXPLANATORY NOTES ON RESOLUTION TO APPROVE N374 MILLION AS SEVERANCE PAYMENT TO MESSRS LARRY ETTAH AND JOSEPH DADA, RETIRED COMPANY EXECUTIVES

The following explanatory Notes are provided to assist your kind consideration and approval of the following RESOLUTION:

“THAT N374million be and is hereby approved as severance payment for Mr Larry Ettah and Mr Joseph Dada, retired Group Managing Director/CEO and Executive Director, Corporate Services of the Company respectively”

The resolution is made pursuant to section 271 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004 which provides as follows:

“It shall not lawful for a Company to make to any Director of the Company, any payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office, unless particulars with respect to the proposed payment and the amount have been disclosed to members of the Company and the proposal is approved by the Company”

SERVICE PERIOD OF BENEFICIARIES

Mr Larry Ettah served the Company as Executive Director, Human Resources from 2004 to 2006; and as Group Managing Director/CEO from January 1st 2007 to 31st December, 2017, and proceeded on 6-month pre-retirement leave on January 1st, 2018 after serving the Company in various management and leadership positions for a period of 30 years.

Mr Joseph Dada, on the other hand, served the Company as Executive Director, Corporate Services from January 1, 2010 to 31st December, 2017, and proceeded on 6-month pre-retirement leave on January 1, 2018, also after serving the Company in various management and leadership positions for 35 years.

SEVERANCE POLICY FOR UACN EXECUTIVES

Following a review of local and global best practice on the subject that was commissioned by the Board and carried out by KPMG Professional Services, the Board approved a Severance Policy for UACN Executives on 6th December,

2017. It is on the basis of this Severance Policy that the payments now proposed are to be made.

RATIONALE FOR SEVERANCE PAYMENT TO UAC EXECUTIVES

UAC of Nigeria Plc (“UAC”) recognises that the overall performance of the Company is a function of the quality and performance of its Executives in driving and providing strategic direction for the businesses across the Group. The Company is, therefore committed to continually reviewing its Executive Remuneration Strategy to ensure that it is competitive and aligned with leading-edge market practice.

Consequently, UAC has put in place a Severance Policy (“the Policy”) to guide the determination of an exit package for retiring/exiting Executives. The Policy considers industry and best practices, and promotes both transparency and consistency with regard to the determination of severance benefits for all Executives.

The objectives of the Policy are as follows:

1. To provide a fair, equitable and transparent framework for setting and managing the remuneration of the Company’s Executives.
2. To provide an overall level of remuneration that is capable of attracting, retaining and rewarding well qualified Executives.
3. To provide Executives with a benefit, payable at the time of their retirement from the Company, that is of such a quantum as will encourage appropriate behaviours by Executives and incentivise such Executives to complete their contractual terms.
4. To avoid any litigation that could arise from the termination of Executives’ contracts, by clearly stipulating the circumstances surrounding exit and what the Executive’s entitlement, if any, will be in each case.

BASIS OF CALCULATION OF THE SEVERANCE PAYMENT

The severance payment takes into consideration the length of the employee’s service to the Company, in an Executive position, and the pay of the Executive.

The entitlement of both retired Executives of the Company, if approved, is N374m consisting of N285m that will be payable to Mr Larry Ettah and N89m that will be payable Mr Joseph Dada.

WHY IS THE AGGREGATE PAYMENT SO LARGE?

Payments of this sort are, typically, accrued over the life of an Executive's employment but this was not done in this case. It is for this reason that, in 2017, the Board commissioned a survey by KPMG Professional Services, which formed the basis of the policy that is now being implemented. The financial impact is, however, quite considerable because both of the retiring Executives served the Board for relatively long periods of time. Going forward, however, the accrual of the severance benefits payable to all Executives of the Company will commence as soon as they are appointed.