

# THE WORLD BANK, RED FLAGS AND THE LOOTING OF NIGERIA'S OIL REVENUES



The IFC's investment in Seven Energy:  
What would have been your call?

Written by  
**Nicholas Hildyard**

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# INTRODUCTION

**Here's a question:** if you were entrusted with \$355 million of money that didn't belong to you, would you invest it in a company whose flagship contract involved operating a scheme that was allegedly looting billions of dollars from the state's oil revenues? Would it make a difference to your decision if the allegations had been made by the country's head banker, Governor of its Central Bank?

And here's another question: If you decided to invest, would you withdraw your investment if 10% of your company's shares were later listed in an application<sup>1</sup> for a worldwide freezing order<sup>2</sup> (subsequently granted by a court)<sup>3</sup> as assets that had been obtained through the illegal diversion of oil revenues for the benefit of the country's then oil minister and her cronies?<sup>4</sup>

If your answers are "Yes" and "No", then your prospects for getting a job at the World Bank's International Finance Corporation (IFC)<sup>5</sup> or the World Bank's Multilateral Investment Guarantee Agency (MIGA)<sup>6</sup> are looking good.

In fact, more than good. Because this is a not a hypothetical example: between 2014 and 2016, both the IFC and MIGA made investment calls that chimed exactly with yours.

To be more specific:

- On 1<sup>st</sup> May 2014, the IFC committed \$75 million to an equity investment in Seven Energy International Limited (SEIL).<sup>7</sup> The company refers to itself as "Seven Energy"<sup>8</sup> and, to avoid confusing acronyms, we will do likewise, occasionally abbreviating to "Seven" for ease of reading. Registered in Mauritius,<sup>9</sup> Seven Energy operates in Nigeria through subsidiaries, one of which is "Septa Energy Nigeria Limited"



**2013 World Bank / IMF Annual Meetings**

October 12, 2013 - Washington DC., 2013 World Bank / IMF Annual Meetings. World Bank Group headquarters. Photo: Simone D. McCourtie / World Bank. Source: Flickr/World Bank. Attribution-NonCommercial-NoDerivs 2.0 Generic (CC BY-NC-ND 2.0)

or "Septa". Clock the name – it will feature prominently in what follows – and also note that the IFC was fully aware of the existence of Septa at the time of its investment; indeed, its project summary for the project specifically states that "within Nigeria, [Seven Energy] operates and trades as 'Septa Energy'."<sup>10</sup> Septa has since been renamed Seven Exploration and Production Limited<sup>11,12</sup>

- A further investment of \$30 million was made in Seven Energy at the same time through the IFC African, Latin American and Caribbean Fund,<sup>13</sup> which is managed by the IFC's Asset Management Company;<sup>14</sup> and,
- A few months later, in October 2014, the IFC provided yet more funds through an anchor investment of up to \$50 million in Seven Energy's inaugural bond issue.<sup>15</sup>

At the time, the IFC's investments constituted the "IFC's largest equity financing in the oil and gas sector in Africa".<sup>16</sup> MIGA later provided a \$200 million guarantee for an investment in Accugas Limited, a wholly-owned subsidiary of Seven Energy, in September 2015<sup>17</sup>

## The Governor's Memo

And here's the rub.

Seven months *before* the IFC made its first investment in Seven Energy, Mr Lamido Sanusi, the Governor of the Central Bank of Nigeria (that's right: Nigeria is the 31<sup>st</sup> largest economy in the world) presented a damning 6-page memo to the then President of Nigeria Goodluck Jonathan. Governor Sanusi reported that, in the 19 months between January 2012 and July 2013, 76 percent of the value of the oil lifted by the Nigerian National Petroleum Corporation (NNPC) had not been remitted to the government's central bank account, known as the Federation Account, "in gross violation of the law".<sup>18</sup>

In an exhaustive statement to the Nigerian Senate,<sup>19</sup> submitted a full three months before the IFC's first investment in Seven Energy, Sanusi detailed a number of mechanisms that he held potentially responsible for this wholesale looting of the public purse. Among them were so-called Strategic Alliance Agreements (of which more later) that the NNPC's wholly-owned subsidiary the Nigerian Petroleum Development Company (NPDC) had entered into with a number of Nigerian companies.

Sanusi initially put the lost oil revenue from Strategic Alliance Agreements and other schemes at \$49.8 billion,<sup>20</sup> which is the equivalent of more than 40 times Nigeria's annual health budget, a loss he blamed on transactions "taking place under legal cover with huge revenue leakages embedded therein".<sup>21</sup> Later, after taking account of new information, he calculated that the amount that had been "illegally and unconstitutionally withheld, diverted or spent by NNPC"<sup>22</sup> was closer to \$20 billion<sup>23</sup> – well below his original estimate but still a gob-smacking \$1.5 billion a month.

Of this grand total, Sanusi estimated that Strategic Alliance Agreements (known as SAAs) accounted for some \$7 billion of the lost revenues.<sup>24</sup> And he went on to name two companies which had benefited from SAA contracts, both founded by oil traders Kola Aluko and Jide Omokore. One company was Atlantic Energy. The other – and, at this point, those at the IFC doing due diligence on Seven Energy should have pricked

up their ears – was Seven's wholly owned<sup>25</sup> Nigerian subsidiary, Septa, which had been granted an SAA covering three oil fields, known as OMLs 4, 38 and 41, in November 2010.<sup>26 27</sup>

## The Strategic Alliance Agreements and Seven Energy

What then were these Strategic Alliance Agreements? Why was Sanusi so exercised about them? And why did Sanusi single out Seven and Atlantic by name?

Introduced in 2010 by oil Minister Diezani Alison-Madueke, SAAs were overtly a means of bringing Nigerian private sector capital into the Nigerian oil industry. Prior to 2010, the NNPC (that's the Nigerian National Petroleum Corporation for those who find the acronyms hard to remember) operated individual oil fields in joint partnership with a subsidiary of a major international oil company, with the NNPC owning 55% and the oil company 45%. Both the NNPC and the company injected funds and both took their share of the oil revenues. The NNPC's share was remitted directly to the Nigeria's Federation Account, a central bank account.

Under Alison-Madueke's SAA programme, the NNPC retained its 55% ownership of the oil licenses but assigned its financing and operating role to its subsidiary, the National Petroleum Developing Corporation (NPDC). However the NPDC lacked the in-house financial resources and technical expertise to fulfil this role. It therefore entered into SAAs with third parties who (in theory) were able to provide the requisite finance and operating experience.<sup>28</sup> In return, the SAA partners were entitled to recoup their costs by selling a portion of the oil or gas they lifted.<sup>29</sup> The remaining profits – after costs had been recouped – were then split between the SAA contractor and the NPDC. The SAAs were signed exclusively for fields in which the international oil companies (notably Shell) had divested their 45% interest to Nigerian oil companies; and the programme was justified on the basis of indigenising oil production.

What was striking about the arrangement, Sanusi argued, was the lack of any financial or operational role for the NPDC. What then was its function? Sanusi's

answer was clear: the NPDC was being used "for the purpose of acquiring assets belonging to the [Federal Republic of Nigeria] and transferring the income to private hands."<sup>30</sup> And he was explicit as to who these "private hands" were: namely, business partners of NPDC "like Seven Energy and Atlantic".<sup>31</sup>

Sanusi did not accuse Seven or Atlantic of any illegalities;<sup>32</sup> but he argued that the use of SAAs was "illegal and unconstitutional"<sup>33</sup> – and he produced three legal opinions from eminent Nigerian lawyers to support that view.<sup>34</sup> He also questioned why the NPDC had chosen Seven and Atlantic as SAA contractors, when the neither company had experience in crude oil production and both lacked the financial resources to bring any capital of their own to the table.<sup>35</sup>

Sanusi's testimony caused a furore in Nigeria. It was not the first time that SAAs had been criticised;<sup>36</sup> but Sanusi's position as the top banker, and the documentation he made public, raised the criticisms to a new level.

In response, Seven Energy has consistently denied the criticisms, arguing they are without foundation.<sup>37</sup> <sup>38</sup> In a press release, the company insisted that its subsidiary Septa, contrary to suggestions otherwise, had funded all of its cash call obligations under its SAA for OMLs 4, 38 and 41.<sup>39</sup> The company also strenuously defended the legality of the deals, stating: "We have undertaken legal reviews of the Strategic Alliance Agreement and we are confident of its legal status and robustness."<sup>40</sup> In a later statement, it also noted that the 2014 Senate Finance Committee had found certain of Mr. Sanusi's allegations to "'misleading' and 'incorrect'"<sup>41</sup> and that both the Attorney General of Nigeria, Mohamed Adoke,<sup>42</sup> and Mr Andrew Yakubu, the General Manager of the NNPC,<sup>43</sup> had defended the legality of the SAA arrangements.

## Arresting developments

Shortly after Sanusi's Senate appearance, President Jonathan dismissed the Governor from his post for alleged "financial recklessness and misconduct."<sup>44</sup>

But the issues that Sanusi raised have not gone away.

Fast forward (spoiler alert here!) to October 2018. The IFC and MIGA are still invested in Seven Energy and not a word has been posted on the World Bank website that might remotely suggest any controversy over the company's past. Nada. Zip. Zilch.

Meanwhile, Nigeria has a new government under President Mohamed Buhari, who assumed office in May 2015, having been elected on a ticket that was firmly committed to combatting corruption. Since Buhari's election, the Nigerian anti-graft agency, the Economic and Financial Crimes Commission, has been working with authorities in the US, Switzerland and UK to investigate the oil revenue theft allegations made by Sanusi. And the net has widened to include former oil Minister, Diezani Alison-Madueke, who is said by the US Department of Justice to have been a major beneficiary of the alleged corruption.<sup>45</sup>

Although no charges have been brought against Seven Energy, other companies and individuals involved in the controversy over the SAAs and the missing oil revenues (many of whom were named by Sanusi as having an association with Seven) are now feeling judicial heat:

- In October 2015, Diezani Alison-Madueke was arrested in London on suspicion of bribery and corruption, although she has yet to be charged.<sup>46</sup> The National Crime Agency reportedly confiscated her passport and £27,000 in cash found in her apartment.<sup>47</sup> She has since been indicted, *in absentia*, in Nigeria for money laundering.<sup>48</sup> Alison-Madueke denies any wrong doing.<sup>49</sup>
- Kola Aluko, Seven's Deputy CEO at the time that Seven's SAA was negotiated and signed,<sup>50</sup> though as yet facing no criminal charges, is also reportedly under investigation in the UK for bribery.<sup>51</sup> Mr Aluko denies any impropriety.<sup>52</sup>
- In June 2016, the Federal Republic of Nigeria sought<sup>53</sup> (and obtained) <sup>54</sup> a worldwide freezing order,<sup>55</sup> directing 19 Nigerian banks, eight foreign banks and eight local and international firms to freeze the funds and assets they hold on behalf of the Mr. Omokore, Mr. Aluko and two Atlantic Energy group companies. Among

the assets listed in the Federal Republic's application are 10% of the shares in Seven Energy, said to have been obtained by the defendants with the illegally diverted proceeds of crude oil lifted under Atlantic's SAAs and invested in Aluko's name.<sup>56</sup>

- On 2nd June 2016, Jide Omokore was charged in Nigeria with money laundering in relation to Atlantic's SAA contracts.<sup>57</sup> Three former NNPC executives, including the former Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), Mr Andrew Yakubu (yes, the same Mr Yakubu that exonerated the SAA deals), were also charged with abetting Omokore.<sup>58 59</sup> The defendants deny the charges.
- In September 2016, the UK's National Crime Agency obtained a court order freezing two London properties belonging to Diezani Alison-Madueke under the Proceeds of Crime Act.<sup>60 61</sup>
- In January 2017, a Lagos Federal Court ordered the forfeiture of N34 billion (about \$107 million) of assets linked to Alison-Madueke.<sup>62</sup>
- In February 2017, the NPDC (the subsidiary of the Nigerian National Petroleum Corporation that entered into the SAA agreements) notified Seven Energy that it intended to terminate the company's SAA, alleging that Seven Energy owes money under the agreements.<sup>63</sup> Seven disputes that there are grounds under which the SAA can be terminated and has announced that it "will take necessary steps, including legal actions, to defend and enforce its position and to preserve its contractual rights under and in respect of the SAA".<sup>64</sup> In 2015, the SAA provided Seven Energy with 10% of its income;<sup>65</sup> its permanent termination would thus pose a major financial risk to the IFC's investment.
- In March 2017, Andrew Yakubu (yes, Mr Yakubu again), was charged with six counts of money laundering and false declaration of assets,<sup>66</sup> after some \$10 million in cash was found in a safe in a house belonging to him.<sup>67</sup> The charges reportedly arose as a result of an investigation into the suspicious movement of funds from

the Nigerian account of Atlantic Energy Drilling Concept to its sister company in Switzerland called Atlantic Energy Holdings.<sup>68</sup> Yakubu was Group managing Director of NNPC at the time that its subsidiary, the Nigerian Petroleum Development Company, entered into a Strategic Alliance Agreement with Atlantic.<sup>69</sup> Yakubu denies the charges. Although he admits to being the owner of the monies found in his safe, he has reportedly claimed it was "gifts given to him by friends and well-wishers and also savings accumulated over a period of years".<sup>70</sup>

- In July 2017, the US Department of Justice (DoJ) sought to seize \$144 million in assets (including Aluko's yacht, the Galactica Star, and several of his houses) said to have been bought with monies due to the Federal Government of Nigeria but diverted for the benefit of Aluko, Omokore and Alison-Madueke.<sup>71</sup> Arrest warrants against various properties were subsequently obtained.<sup>72</sup> According to DoJ, "from 2011 to 2015, Nigerian businessmen Kolawole Akanni Aluko and Olajide Omokore conspired with others to pay bribes to Nigeria's former Minister for Petroleum Resources, Diezani Alison-Madueke, who oversaw Nigeria's state-owned oil company. In return for these improper benefits, Alison-Madueke used her influence to steer lucrative oil contracts to companies owned by Aluko and Omokore".<sup>73</sup> The court papers include transcripts of a wire-tapped conversation between Alison-Madueke and Aluko, in which she is reported to have said: "we stuck our necks out regarding the SAA and we supported it".<sup>74</sup> Alison-Madueke then berates Aluko for his acquisitive spending, which had "ruined it" by drawing the attention of the authorities. Later in the conversation, Alison-Madueke is also recorded as acknowledging the receipt of furniture worth \$4 million from Aluko<sup>75</sup> and stating that she was "happy to escort all of you to jail along with myself" if he attempted to blackmail her.<sup>76</sup>
- In May 2017, Seven defaulted on its IFC-underwritten bond issued in 2014.<sup>77</sup> In October 2017, it announced that it was undergoing "capital restructuring" and that, again, it would

not be making the interest payment due on the IFC-underwritten bond.<sup>78</sup> In April 2018, there was a further default.<sup>79</sup> According to Savannah Petroleum plc,<sup>80</sup> a UK company that is now seeking to acquire some of Seven's assets, Seven's total unserviced debt as of December 2017 amounted to "approximately US\$900m in aggregate".<sup>81</sup>

- In November 2017, Savannah Petroleum entered into a Lock-Up Agreement with a number of Seven's companies and unnamed creditors of the Seven Group to acquire two of Seven's Nigerian assets, the Uquo and Stubb Creek oil and gas fields, together with a 20% interest in Accugas, described as "the Seven Group's midstream business".<sup>82</sup>

The Lock-up Agreement envisaged the holders of the IFC-backed Seven bonds exchanging them in return for US\$87.5 million in cash and US\$52.5 million in newly-issued Savannah shares.<sup>83</sup> Given that the aggregate total principal of the bond issue was \$318,228,000,<sup>84</sup> that would seem quite a "hair-cut" for the bond investors.

- Savannah has emphasised that it will not be acquiring Seven Exploration & Production Limited (previously Septa) as part of the agreed transaction.<sup>85</sup> Moreover, Seven Exploration's SAA was not included in the deal.<sup>86</sup> In an email clarifying its potential interest in the SAA, Savannah has said: "Savannah will take advantage of future commercial opportunities, which may include the SAA depending upon the outcome of the ongoing settlement discussions. In such circumstances, the assumption or acquisition of the SAA would be the subject of a separate transaction independent from the Transaction". The company emphasises that: "If there were subsequently to be any separate transaction relating to the SAA or the underlying assets then this would also be subject to the satisfaction of detailed legal due diligence, including a compliance and anti-bribery review."<sup>87</sup>
- On 7 February 2018, Savannah Petroleum announced that it had reached agreement

with bond holders to exchange 96% of the IFC-backed bond issue for shares in Savannah.<sup>88</sup> As of July 2018, according to Savannah, the company was still "in the process of acquiring the Seven Assets"<sup>89</sup> but expected the transaction to be completed "in the third quarter of 2018".<sup>90</sup> At the time of going to press, in mid-September 2018, the transaction had not been completed.

## Due Diligence?

Quite a series of developments.

The IFC insists that "prior to investing in Seven Energy, IFC conducted comprehensive due diligence as is standard for our investments" (see Box: Right of Reply Responses). However, it did not respond to specific questions about its *post*-investment due diligence.

So, if you were working at the IFC and tasked with undertaking due diligence on the IFC's investment in Seven, how would you have assessed the risks? You might take the view that natural justice precludes you from taking any of the listed prosecutions and criminal investigations into account: after all, no-one has yet been convicted of anything and Seven itself has not been charged with any offense. But this would be to misunderstand the purpose of due diligence. No-one is asking you to act as judge and jury: it is for the courts to decide whether or not any criminality has occurred. But due diligence *does* require an assessment of the risks that related prosecutions and investigations pose to an investment and to the institutions that make the investment.

And, in this case, one hopes that IFC and MIGA were following the developments closely. Because, as things currently stand, the IFC is a major shareholder in (and MIGA a guarantor of) a company that has defaulted on its debts and is claimed by the Federal Republic of Nigeria in court pleadings to be partly owned by two suspected criminals who are alleged to have used Seven Energy as a vehicle for laundering stolen oil funds.<sup>91</sup>

Quite where that latter development places the World

Bank is one for the lawyers. But, from a lay perspective, it is surely not unreasonable to conclude that, should the allegations against Aluko, Omokore and their associates be proven, both the IFC and MIGA might find themselves accused having profited from money laundering and, thus, of unlawful enrichment.

To repeat, it is for the courts to decide whether or not those who have been charged are wrong'uns; and it is important to reiterate that all those charged deny wrong-doing or malpractice. So we stress that we ourselves make no allegations against Seven Energy and we readily record that the company has consistently denied wrong doing.<sup>92</sup>

Our concern is solely with the World Bank group's decision to invest in Seven Energy – and the adequacy of the IFC's and MIGA's due diligence procedures. Our focus is therefore on the IFC's handling of the investment.

We do not know how the IFC assessed the financial and reputational risks of its investment in Seven Energy. Despite its professed commitment to transparency, which it describes as "fundamental to fulfilling its development mandate and strengthening public trust",<sup>93</sup> the IFC does not release its due diligence reports.

But we do know that the IFC's rules require it to assess "integrity risk issues" (related to "the institutions and persons" involved in a given investment) and that these risks are supposed to be monitored "throughout the life of the project or engagement".<sup>94</sup>

We also know what information was available to anyone with a computer and access to the internet at the time that the IFC made its investment in Seven Energy and MIGA issued its guarantee (see Annexe 1: Timeline). So we are in a good position to make our own assessment of the reputational and financial risks and to judge, on the basis of common sense, whether or not the Bank's investments were reasonable and justifiable.

And because the IFC's rules require it to take account of money laundering risks,<sup>95</sup> we are also in a position to take a view on whether or not the Bank has adequate anti-money laundering controls and procedures in place. A benchmark (albeit a low-bar benchmark)

might be that set by UK law: namely, the requirement to have controls and procedures that are sufficiently robust to *prevent* money-laundering.<sup>96</sup> To ensure prevention, the trigger for action on the part of a bank or other financial institution is not proof of criminality but "reasonable grounds for knowing or suspecting" that a person is engaged in money laundering.<sup>97</sup> This would seem to be an appropriate test for whether or not the IFC should have blocked or withdrawn from the investment.

So let us run through some of the risks (or red flags to use the jargon of due diligence) that the IFC should reasonably have been expected to assess at the time of their decisions to invest; and, given the requirement for ongoing assessment, how those risks might be viewed today.

# RED FLAGS

**Hindsight**, as the poet William Blake observed, is a wonderful thing. Foresight, he went on to comment, is better, "especially when it comes to saving life or some pain". And that, of course, is the point of conducting due diligence.

In the IFC's case, the pain that it seeks to avoid, as expressly set out in its annual financial statements, is the pain of "adverse reputational and/or financial impact on IFC".<sup>98</sup>

The IFC was therefore duty bound (under its own rules) to assess the financial underpinnings of the investment it proposed to make. And that, at the very least, required an assessment of the robustness, integrity and legality of the SAA contracts that Seven Energy had entered into with the NPDC. Indeed, by the company's own account,<sup>99</sup> the SAA agreements were fundamental to the financial health of the company. In its Memorandum for offering its IFC-backed bonds to investors in 2014, Seven stated that the revenue generated by the three oil fields that it operated under the SAAs "represented all of our revenue" in 2013 and "the significant majority of our revenue" for the six months up to June 30, 2014.<sup>100</sup> Seven Energy also stated that the SAAs would continue "to have a significant impact on our results of operations, even as our other assets are scheduled to come online . . ."<sup>101</sup> And, critically, it confirmed that the "primary credit support" for the bond issued was "derived from our rights in these assets".<sup>102</sup> In effect, if the SAAs were unsound – or subsequently ruled illegal – then the IFC's investment would – pardon the technical term – be up shit creek without a paddle.

The allegations made by Sanusi therefore raised not just one red flag but several, each bigger than anything (cry your eyes out, Jo Stalin) that has ever flown over the Kremlin. The question is: how did the IFC deal with them? And how would you have done so?

Let's look at the red flags in detail.

## RED FLAG 1: ALUKO'S ROLE IN NEGOTIATING THE SAAs

Seven Energy dates the start of the "negative media coverage" about its Strategic Alliance Agreement to 2011,<sup>103</sup> thus well before the IFC invested. Seven Energy summarises the coverage as consisting of allegations that "the Nigerian Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, secretly and illegally transferred production rights of three oil blocks to Septa Energy",<sup>104</sup> and that "illicit payments were made to Nigerian government officials or associates of such officials in order to secure the entry into of the Strategic Alliance Agreement".<sup>105</sup>

By 2013, press reports on the controversy over the SAAs were widely available online,<sup>106</sup> prompting Seven to issue its first public response in May of that year.<sup>107</sup> The reports would therefore have been available to IFC at the time that it made its investment. The press reports are important because they go beyond what was alleged by Sanusi, although he did reproduce some of them in the annexes to his February 2014 Memorandum to the Senate.<sup>108</sup>

For example, a 2013 article in *Sahara Reporters*, headlined "Petroleum Minister, Diezani Allison-Madueke, Accused Of Blowing N2 Billion On Private Jets", reported specific allegations linking Allison-Madueke with Kola Aluko and Seven Energy.<sup>109</sup> We reproduce the quotes below solely for the purpose of recording what allegations were in the public domain at the time of the IFC's investment – allegations that it should have assessed under its due diligence rules on integrity risks. We also record that Seven Energy has dismissed the allegations made in the press as "inaccurate and misleading".

The *Sahara Reporter* article quotes a source at the Nigerian National Petroleum Corporation as saying:

"[Kola] Aluko and Mrs. Diezani Allison-Madueke are neck deep in the oil business . . . She helped him [Mr. Aluko] to land a choice allocation of

pricey oil blocks through a company called Seven Energy.”<sup>110</sup>

It continues:

“Our NNPC source disclosed that some of the financial details of Ms. Alison-Madueke’s usage of private jets may be hidden. According to him, the minister ‘often uses several companies, Septa Energy, Atlantic, Seven Energy International, to absorb the cost of her rentals.’ The source added that she has significant, if not ownership, stakes in the three oil companies as well as firms engaged in oil-related activities”.<sup>111</sup>

These are significant allegations, which, on the face of it, should have triggered enhanced due diligence by the IFC. We asked IFC: “*Did the IFC’s due diligence on the Seven investment include an assessment of Aluko’s role as co-CEO of Septa Energy in negotiating the SAAs?*”<sup>112</sup> We received no specific response (see Box: Right of Reply Responses).

We do however have access to Seven Energy’s response to the allegations raised over Aluko’s role in the SAAs. Although no public statement was made until after the IFC had invested, the company’s public offering for its inaugural bond issue on November 2014 includes an extensive passage on the controversy over the SAAs and Aluko’s role in Seven Energy.

Seven Energy states that Mr. Aluko served “as our deputy chief executive officer and as a director on our board of directors from 2007 to 2011, during which time his primary role with us was business development;”<sup>113</sup> that “he was involved in discussions related to our entry into the Strategic Alliance Agreement”;<sup>114</sup> and that, post 2011, “he remained in a transitional consulting role until November 2012”.<sup>115</sup>

Later, in October 2015, after Allison-Madueke had been arrested in London<sup>116</sup> and an international arrest warrant had reportedly been issued for Kola Aluko,<sup>117</sup> Seven Energy issued a press statement, further distancing itself from both Aluko and Jide Omokore. The press statement repeated that Aluko “has had no involvement in the running of, management of, or Board of the Company since 30th November 2011”.<sup>118</sup>

But, if the IFC relied upon the company’s statements

in assessing the integrity risks of investing in Seven Energy, there are grounds for concern.

One reason is that Mr Aluko’s role in the SAAs would appear to have been more significant than merely being a party to Seven Energy’s discussions on the SAAs. At the time, he was co-CEO of Septa Energy, the company that was actually contracted under the SAA. And it was in this latter role that Aluko (yes Aluko, not his co-chair) signed the SAA document itself.<sup>119</sup>

It may therefore be unrealistic to assume that Aluko did not play a significant role in Septa Energy’s negotiation of the SAA. And, if, as alleged by Sanusi and others, the intention was to divert funds for the personal gain of public officials, that would have posed a major integrity risk to IFC. The fact that Aluko had left Seven by the time of the investment should be discounted: the integrity risk potentially arises from Aluko’s historic involvement.

We put five questions for the IFC:

- *When did the IFC first learn of the allegations made by Governor Sanusi relating to Seven/ Septa?*
- *What assessment was made by IFC of the Sanusi allegations prior to its investment in Seven?*
- *Did the IFC’s due diligence on the Seven investment include an assessment of Aluko’s role as co-CEO of Septa Energy in negotiating the SAAs?*
- *What conclusions were reached?*
- *And on what grounds?*

The IFC replied: “Prior to investing in Seven Energy, IFC conducted comprehensive due diligence as is standard for our investments. We do however take note of your interest in the matters raised and will ensure in our continued engagement with the company that they consider the questions you are raising”. No specific response was given to the specific questions (see Box: Right of Reply Responses).

We also put the questions to Seven Energy and gave three opportunities to respond over a period of two

months. Although the company twice undertook to send a reply, no response had been received by our final press deadline.

Savannah Petroleum was also sent a Right of Reply. It responded:

"We are not acquiring all of Seven Energy's assets. For example, neither the shares in Seven Exploration & Production Limited (Formerly Septa Energy Nigeria Limited) ('SEPL') nor any interest in the Strategic Alliance Agreement (the 'SAA') is included within the scope of Savannah's acquisition. We are therefore not in a position to respond to any of the questions raised by you in relation to the SAA or SEPL. In preparation for this transaction, we undertook appropriate 'know your customer' (or in this case 'know your counter-party') due diligence on SEIL in order to understand the ownership structure of SEIL in compliance with the UK Bribery Act and money laundering regulations and conducted due diligence on the business and assets to be acquired. However, as is normal in an acquisition of this type, the information we obtained from SEIL [Seven Energy International Limited] as part of our due diligence is subject to a confidentiality undertaking which remains in force. As a result, we are unable to respond to you on the [points raised in the Right of Reply Letter] . . . We would welcome a chance to engage with you and others in the future concerning our involvement in Nigeria, but regret that we are unable to do so with respect to the period before our arrival."

Savannah Petroleum also stressed that "Savannah had no involvement with SEIL [Seven Energy International Limited], its subsidiaries or activities" prior to Savannah's current negotiations to acquire Seven's Uquo and Stubb Creek oil and gas fields and its 20% interest in the Accugas midstream business. (See Box: Right of Reply Responses for Savannah Petroleum's full response).

## **RED FLAG 2:** **ALUKO'S CONSULTANCY PAYMENTS**

Seven Energy's statements on Aluko's involvement also raise other concerns. Their careful wording is to be applauded; but it is wording that could leave the impression that Aluko had no business relationship (other than as a consultant) with Seven Energy post 2011. If, so, that could be misleading.

Seven Energy's accounts for 2012 record a \$1.1 million payment to Tracon Investments Limited, a British Virgin Islands based company "in which Kola Aluko... has an interest".<sup>120</sup> The payments were described as "consultancy fees... in connection with business development and acquisition opportunities". In 2011, during which time Aluko was only a consultant for one month (he left Seven Energy at the end of November 2011), the fee paid was \$97,000.<sup>121</sup> Seven Energy's consultancy agreement with Tracon was not renewed beyond November 2012<sup>122</sup> and no fees were paid in 2013.<sup>123</sup>

An investigation by *Africa Confidential* has found Bills of lading showing that "in 2013 Tracon Investments later exported the 12-metre speedboat, Star Chaser, which is the partner to Aluko's 60-metre Galactica Star, from northern Italy to Florida".<sup>124</sup>

*Africa Confidential* comments:

"It is not known whether the 'business development' cited by Seven Energy successfully generated any business for Seven, or whether Aluko was the sole shareholder in Tracon Investments. When contacted, Seven said it had not been charged by either Nigerian or British law enforcement."<sup>125</sup>

Seven's reply is noted but it should not have been given much weight by the IFC: recall that the anti-money laundering due diligence test is not whether charges have been brought against a person or a company, it is whether there are reasonable grounds for suspecting money-laundering activities, in this case by Aluko.

Still less reassuring in that regard are the recent developments in the USA. Charges laid before the

US courts by the US government, as part of its 2017 asset freezing application against properties said to be owned by Kola Aluko, record that, beginning in August 2011 and continuing through January 2014,

"Aluko and a company beneficially owned by him, Tracon Investment Ltd, made a total of at least £537,922 in rental payments for two central London residence both located at 22 St Edmunds Terrace, London NW8 7QQ."<sup>126</sup>

The court documents allege that the payments were "made corruptly by, on behalf of, or at the direction of Aluko for the purpose of benefiting Alison-Madueke and her mother".<sup>127</sup>

The court documents assert that the payments for St Edmunds Terrace were "in return for Alison-Madueke having improperly influenced the award of the Forcados SAAs to [Atlantic] and in anticipation of or in return for her improperly influencing the award of the Brass SAA [also to Atlantic]"<sup>128</sup>

Mr. Aluko is reported to have admitted paying rent for St. Edmund's Terrace, describing it as "simply gifts to a friend."<sup>129</sup>

The IFC could not have known this at the time it made its investment in Seven Energy; but it now does. And the question that arises is: were consultancy payments made by Seven Energy to Aluko used to pay Alison-Madueke's rent? In which case, why? Were the consultancy payments legitimate? Or were they part of a scheme through which Alison-Madueke benefited from the unlawful diversion of oil revenues through the SAA scheme? If so, this would surely pose a major reputational risk for the IFC.

So, here are some further questions we put to the IFC:

- *Has the IFC's ongoing due diligence on its Seven investments included a probe of the consultancy payments made to Tracon?*
- *Is the IFC satisfied that the payments were for Aluko's consultancy work?*
- *Is the IFC satisfied that the fee was commensurate with the work undertaken?*



**Diezani K. Alison-Madueke**

ADDIS ABABA/ETHIOPIA, 09-11 MAY 2012 - Diezani K. Alison-Madueke, Minister of Petroleum Resources of Nigeria, captured during the Ending Energy Poverty Session at the World Economic Forum on Africa held in Addis Ababa, Ethiopia, 9-11 May, 2012. Photo By World Economic Forum CC BY-SA 2.0, via Wikimedia Commons

- *What evidence did the IFC find that the payments had resulted in business for Seven?*
- *How has the IFC satisfied itself that the payments were not used to cover Allison-Madueke's rent for the two properties at 22 St Edmunds Terrace, London?*
- *Did the IFC probe the shareholdings of Tracon?*
- *Was Aluko the sole shareholder?*
- *If not, who else held shares?*

Again the IFC did not given specific answers to the specific questions. And again, we received no response from Seven. Savannah, as previously noted, stated that it was unable to comment. (For further details, See Box: Right of Reply Responses).

### RED FLAG 3: BENEFICIAL OWNERSHIP AT TIME OF INVESTMENT

Sanusi raised questions about the beneficial ownership of Seven Energy: and, as previously noted, an NNPC insider has alleged that Allison-Madueke had "significant, if not ownership, stakes" in Seven Energy and Septa Energy.<sup>130</sup> The insider was not specific as to what such "stakes" might consist of, but, for the purposes of the IFC's due diligence, it would have been important (in our view) to rule out beneficial consultancy agreements (for example with Seven Energy or Septa directors that were then used to pay Allison-Madueke's rents) or warrants, share options and convertible bond options that might have been held on her behalf.

Seven Energy has not made any public statements (to our knowledge) refuting the allegations of Allison-Madueke's beneficial interests in the company or its subsidiaries. This silence should have been probed by the IFC.

However, Seven Energy has sought to clarify Aluko's interests. In November 2014, *thus* after the IFC investment, it stated "according to our share register and to the best of our knowledge, Mr. Aluko is a direct and beneficial owner of approximately one percent of our equity interests on a fully diluted basis".<sup>131</sup> The company also stated that he owed Seven \$2.2 million for a loan taken out in 2007 to purchase shares.<sup>132</sup> Aluko's 1% holding is said to derive "primarily from his management equity stake in Exoro Energy".<sup>133</sup> Aluko was CEO of Exoro Energy International Limited (EEIL) until 2007, when it merged with a division of Wetherfords International to become Seven Energy.<sup>134</sup>

Aluko's holdings *post* the IFC investment are of course of interest (although we should note that Seven Energy's account would appear to be at odds with that made in the 2017 asset recovery claim by the Federal Republic of Nigeria – of which more later). But, from the point of view of the IFC's due diligence obligation, the critical time period was *prior* to its investment. To satisfy itself that the financial and reputational risks arising from its investment in Seven Energy were acceptable, the question that the IFC needed to answer was whether or not Aluko (and Alison-

Madueke) had beneficial interests *at the time that the SAAs were negotiated and signed*. The reason is clear: any taint of corruption might result in the SAAs – on Seven Energy's own admission,<sup>135</sup> the cash cow that would repay the IFC-backed 2014 bond issue – being voided.

Seven Energy's own financial accounts put Aluko's holding at December 2013 at 4.5%.<sup>136</sup> This stake would appear to exclude interests held through warrants, share options and convertible bond options.

We know (from Seven Energy's 2014 bond prospectus) that Aluko's holdings came through primarily from his equity stake in Exoro Energy.<sup>137</sup> But who else held Exoro Energy shares at the time of the IFC's investment in Seven Energy? And what became of them post IFC's investment?

As of December 2013, Exoro Energy Holdings Limited, the Mauritius-based holding company for EEIL, held 49.8% of Seven Energy's issued share capital, in effect controlling the company.<sup>138</sup> Because Mauritius is a secrecy jurisdiction, the names of the shareholders in EEIL are not in the public domain. Was the IFC able to obtain the shareholder information on EEIL from Seven Energy? If not, that in itself should have been a further Red Flag – arguably egregious enough to close down further consideration of any potential investment.

In any event, following the issue of additional equity to the IFC and other new investors in 2014, Exoro Energy Holdings Limited shareholding ceases to feature in the list of Seven Energy's shareholders.<sup>139</sup>

There are a number of possible explanations for this. One is that its shareholding had been diluted by the new share issue to below 3% of the new total (approximately 3,176,841 shares).<sup>140</sup> But this does not square with the published figures, since Exoro's shareholding in 2013 (251,966 shares)<sup>141</sup> would represent 7% of the diluted 2014 share capital. It would therefore have been declarable.

A second possibility is that Exoro's shares were bought by one of the new investors in Seven Energy. If so, the IFC should have satisfied itself that the shares that were sold did not belong to Alison-Madueke or any other public official or anyone holding those shares on their behalf.

For the avoidance of doubt, we are not making an allegation that this was the case. We are simply asserting that the IFC's integrity risk due diligence should have satisfied itself that it wasn't.

So another batch of questions for the IFC:

- *Did the IFC seek and obtain credible assurances that no Nigerian public official had a beneficial interests in Seven Energy through Exoro Energy Holdings Limited?*
- *Were Exoro Energy Holdings Limited's shares in Seven Energy, as recorded in the 2013 accounts, sold to an investor, either in whole or in part?*

Again the IFC did not given specific answers to the specific questions. And again, we received no response from Seven. Savannah, as previously noted, stated that it was unable to comment. (For further details, See Box: Right of Reply Responses).

## **RED FLAG 4: ALUKO'S CURRENT HOLDINGS IN SEVEN ENERGY**

The claims made by the Federal Republic of Nigeria (FRN) in its 2016 application to the High Court in Lagos for a worldwide freezing order on Aluko's assets raise further questions about Seven's current beneficial ownership.

As previously noted, Seven Energy claims that Aluko now holds 1% of the company's share capital on a fully diluted basis.<sup>142</sup> But the FRN asserts that Aluko currently holds 10% on behalf of his co-defendants.<sup>143</sup> And, to recall, it is the FRN's case that these shares were obtained by Aluko with the illegally diverted proceeds of crude oil lifted under Atlantic's SAAs.<sup>144</sup>

The FRN's assertion that Seven Energy was, in effect, being used as a money laundering vehicle for funds illegally obtained by Aluko (and his co-defendants) should have triggered an immediate reassessment by the IFC of its investment. Having been alerted to the allegations, it would need to satisfy itself that it was not a party to assisting money laundering or profiting from it.

We put the following questions to the IFC:

- *When did IFC become aware of the FRN's claim that Aluko currently owns 10% of Seven Energy?*
- *What steps did it take – and when – to satisfy itself that Aluko had not used Seven Energy as a money laundering vehicle for illegally-obtained funds?*
- *How does the IFC reconcile the discrepancy between Seven's assertion that Aluko owns 1% of Seven Energy and the FRN's assertion that he owns 10%.*

Again the IFC did not given specific answers to the specific questions. And again, we received no response from Seven. Savannah, as previously noted, stated that it was unable to comment. (For further details, see Box: Right of Reply Responses).

## RED FLAG 5: LEGALITY OF SAAs

A major allegation made by Governor Sanusi was that the SAA agreements entered into by the National Petroleum Development Company (NNPC) were unlawful.

The three legal opinions obtained by Sanusi from eminent Nigerian lawyers argued, inter alia, that:

- The Nigerian Constitution requires all oil revenues to be remitted to the Federation Account. It was therefore unconstitutional for the Nigerian National Petroleum Corporation (NNPC) to have transferred its interests in the oil field assets to the National Petroleum Development Company (NPDC) if this resulted (as it did) in the non-remittance of revenues to the Federation Account.<sup>145</sup>
- The transfer of NNPC's oil field assets to NPDC was without consideration and thus "of questionable legal validity".<sup>146</sup>
- The Strategic Alliance Agreement was characterised as a financing agreement between NPDC and its strategic alliance partner. But in reality it was not. Instead it was "a device for transferring NNPC interests indirectly to the strategic alliance partner".<sup>147</sup>

In response, Seven Energy has stated:

"We have undertaken legal reviews of the Strategic Alliance Agreement and we are confident of its legality. As a result of the constraints of NPDC to fund cash calls, service contracts and modified carry arrangements have been in place in Nigeria for many years with many of the IOCs. The Strategic Alliance Agreement's structure and terms are based on long established precedents in Nigeria and other countries."<sup>148</sup>

Seven Energy has not made public the legal opinions that it received and it is not therefore possible to set out their arguments.

Seven Energy has also cited a submission made by Mohamed Adoke, the Attorney General at the time of

the SAA deals,<sup>149</sup> to the Senate's Finance Committee in which he gave his seal of approval to the SAAs as Nigeria's chief law officer. The supportive views of the Group Manager of NNPC, Mr Andrew Yakuba, have also been cited by Seven.<sup>150</sup>

In the intervening years, however, Yakuba has been charged with money-laundering (see above) and Adoke with money laundering<sup>151</sup> and official corruption.<sup>152</sup> Both Adoke<sup>153</sup> and Yakuba<sup>154</sup> deny the charges, which in Adoke's case are unrelated to Strategic Alliance Agreements.

These charges ought to have been treated as red flags by the IFC, despite Adoke's and Yakuba's denials of wrongdoing. One question that arises is the extent to which the assurances that both men had previously given as to the legality of the SAAs can still be relied upon. It may be considered that the charges that have been brought against them are irrelevant to the reliability of these assurances; but, equally, it is arguable that less weight can now be given to those assurances. But, either way, it is an issue that the IFC should have considered.

We put the following questions to the IFC:

- *Did the IFC review the legal opinions commissioned by Mr. Sanusi?*
- *Did the IFC have access to the legal opinions commissioned by Seven?*
- *Did the IFC assess these legal opinions?*
- *Did the IFC commission its own legal review of the SAA's constitutionality?*
- *If so, what assurances were given to the IFC?*
- *What weight did the IFC give at the time of its investment in Seven to the assurances of Mr Yakuba?*
- *What weight does it now give to those assurances? And to those of Mr Adoke?*

Again the IFC did not give specific answers to the specific questions. And again, we received no response from Seven. Savannah, as previously noted, stated that it was unable to comment. (For further details, see Box: Right of Reply Responses).

## RED FLAG 6: OVERESTIMATION OF COSTS

Under the SAAs, Seven Energy is entitled to recover the costs of operating its three allocated oil fields (OMLs 4, 3 and 41) and to receive a share of the production in return for providing technical services to the Nigerian Petroleum Development Company (NPDC) and for funding NPDC's 55% share of operating and capital expenditure in respect of the three OMLs.<sup>155</sup>

In 2014, after the Sanusi allegation became public, Seven Energy stated:

"Both NPDC and Seven Energy maintain records of each cash call and each lift, and perform regular full reconciliations that are documented and available for inspection by our respective auditors".<sup>156</sup>

This reassurance, if relied upon by the IFC, should now be placed alongside Seven Energy's acknowledgement in its 2015 financial accounts that

"A review of prior years' claimed costs has resulted in a net reduction of incurred costs . . . [resulting] in a significant net reduction in our entitlement to oil for cost recovery in the current year."<sup>157</sup>

In effect, Seven Energy had overestimated the costs of lifting oil from the SAAs. As a result, the amount of oil it was entitled to claim under the SAA deal had been inflated.

The higher costs would potentially have inflated the company's profits. Under the SAAs, Seven Energy receives 60% of any profit attributable to incremental production until its costs have been recovered at which point the share is reduced to 35%.<sup>158</sup> The higher the claimed costs, the longer it would likely take to achieve cost recovery.

The company's accounts describe the cost overestimate as "significant",<sup>159</sup> amounting in 2014 and 2015 to an estimated \$140 million.<sup>160</sup>

No criminality is implied here. But the fact that an overestimate of costs running into millions of dollars

should have gone unrecorded for a number of years does cast doubt on the robustness of the reconciliation procedures put in place by Seven Energy and NPDC.

So two more questions for IFC:

- *Did the IFC assess the cost reconciliation procedures for the SAAs prior to investing in Seven Energy?*
- *Has the overestimate of costs posed a risk to Seven Energy's repayment of the IFC-backed bond issue?*

Again the IFC did not give specific answers to the specific questions. And again, we received no response from Seven. Savannah, as previously noted, stated that it was unable to comment. (For further details, see Box: Right of Reply Responses).

# DEAL OR NO DEAL?

So six major red flags about Seven Energy.

Now you have had an opportunity to consider them, how would you answer the question we posed at the outset: would you have invested in Seven Energy given the knowledge that you would have had at the time of the IFC's investment in the company?

Would you have given greater weight to the legal opinions commissioned by Seven Energy than to those commissioned by the Governor of the Central Bank of Nigeria? Or would you have asked for an independent opinion?

Would you have delved into the shareholding structure of Seven Energy at the time of the SAA deal? Or would you have been satisfied with assurances that Aluko did not have a significant stake in the company at the time of the investment?

What would you have done when you learned of the asset freezing order obtained by the Federal Republic

of Nigeria? Would you have initiated a thorough review of the past due diligence?

Would you recommend remaining an investor? Or divesting? What would be your assessment of the current reputational and financial risks?

If the answer is that you would have invested, then print out your CV and send it post haste to: The IFC, 2121 Pennsylvania Avenue, NW, Washington, DC 20433 USA.

And send one to MIGA too while you are at it: World Bank Group, 1818 H Street, NW, Washington, DC 20433 USA

But if you would have declined the investment or now hold niggling doubts about its financial and reputational risks, join us in pressing for the IFC's own due diligence to be reviewed – and for a thorough, independent investigation of the decision to invest. Write to your country's representative. Send her (or him) the same questions that we put to the IFC. And make a fuss. Nigeria deserves nothing less.

**The International Finance Corporation headquarters**, designed by Architects Michael Graves, and Vlastimil Koubek, in collaboration with Structural Engineer, Emanuel E. Necula, PE/PC, located at 2121 Pennsylvania Avenue, NW in the Foggy Bottom neighborhood of Washington, D.C. 28 July 2009  
Photo By AgnosticPreachersKid, CC BY-SA 3.0 from Wikimedia Commons



## **BOX:** Right of Reply Responses

Right of Reply letters were sent to the IFC, Seven Energy and Savannah Petroleum.

In addition to posing the questions we have posed in this report, the letter to the IFC also requested confirmation that the IFC is subject to anti-money laundering regulations in the USA; and confirmation that the IFC African, Latin American and Caribbean Fund is registered in the USA and UK and subject to anti-money laundering regulations in the USA and UK.

We received the following response from the Vice President, Partnerships, Communication & Outreach:

"Thank you for your letter and for your interest in IFC's investment in the Seven Energy project. I apologize for the delay in responding to your inquiry.

You can find information about our engagement with this project and its development impact through [IFC's disclosure site](#).<sup>161</sup> Seven Energy's website likewise includes public statements that address the questions you raise – including two press releases in [January](#)<sup>162</sup> and [February](#)<sup>163</sup> of this year and one from [October 2015](#)<sup>164</sup> regarding the company's relationship with Kola Aluko. Prior to investing in Seven Energy, IFC conducted comprehensive due diligence as is standard for our investments. We do however take note of your interest in the matters raised and will ensure in our continued engagement with the company that they consider the questions you are raising. We also encourage you to contact Seven Energy directly to seek current information on these topics."

In response to the questions about whether the IFC and the IFC African, Latin American and Caribbean Fund are subject to anti-money laundering regulations, the IFC stated: "IFC is an international organization established by Articles of Agreements among its member countries".

Seven was offered three opportunities, spanning a period of over two months, to respond to our Right of Reply letter. Although a response was promised by

Seven's Chief Financial Officer, none had been received by our press deadline. To ensure that Seven's views are fairly represented, we have included references to Seven's previous public statements through this report. They are available at:

- <http://www.sevenenergy.com/media/news-and-announcements/2013/10-05-2013>
- <http://www.sevenenergy.com/media/news-and-announcements/2015/11-02-2014>
- <http://www.sevenenergy.com/media/news-and-announcements/2015/08-10-2015>
- [http://www.ise.ie/debt\\_documents/ListingParticulars\\_74a0c7f9-bd7d-4651-8af9-8d9593423ca8.PDF](http://www.ise.ie/debt_documents/ListingParticulars_74a0c7f9-bd7d-4651-8af9-8d9593423ca8.PDF)

Savannah Petroleum was sent a Right of Reply letter on 2 August 2018. The company responded on 12 September as follows:

"Right of Reply: IFC Investment in Seven Energy

We refer to you letter of 2 August 2018 on the above subject matter and apologies for the delay in responding.

As you correctly note in your letter, Savannah Petroleum plc ('Savannah' or 'the Company') is in the process of acquiring from Seven Energy International Limited ('SEIL') Seven Energy's interests in the Uquo and Stubb Creek oil and gas fields and a 20% interest in the Accugas mid-stream business.

However, we are not acquiring all of Seven Energy's assets. For example, neither the shares in Seven Exploration & Production Limited (formerly Septa Energy Nigeria Limited) ('SEPL') nor any interest in the Strategic Alliance Agreement (the 'SAA') is included within the scope of Savannah's acquisition. We are therefore not in a position to respond to any of the questions raised by you in relation to the SAA or SEPL.

In preparation for this transaction, we undertook appropriate 'know you customer' (or in this case 'know your counter-party') due diligence on SEIL

in order to understand the ownership structure of SEIL in compliance with the UK Bribery Act and money laundering regulations and conducted due diligence on the business and assets to be acquired. However, as is normal in an acquisition of this type, the information we obtained from SEIL as part of our due diligence is subject to a confidentiality undertaking which remains in force. As a result, we are unable to respond to you on the other points set out in your letter.

I hope you will also understand that Savannah had no involvement with SEIL, its subsidiaries or activities prior to this transaction - however we have made it clear to our stakeholders in the Federal Republic of Nigeria, including NNPC and NPDC, as well as to our own stakeholders, that we wish the operations we acquire be held accountable to the highest standards of transparency and ethical compliance going forward. We would welcome a chance to engage with you and others in the future concerning our involvement in Nigeria, but regret that we are unable to do so with respect to the period before our arrival."

We note that Savannah Petroleum has also previously stated in respect of Seven:

"Seven has in the past, and the Enlarged Group may in the future, attract spurious claims and media coverage and is therefore subject to reputation risk. Prominent businesses operating in Nigeria can attract significant attention from the Nigerian media, which can be of an adverse nature. Such media coverage can often be spurious and or politically motivated, put forward allegations which are unfounded due to the limited nature of the country's libel laws."<sup>165</sup>

## ANNEX 1: TIMELINE

Date	Event	Comment
2011	Nigerian press alleges corruption in Strategic Alliance Agreements.	As reported by Seven Energy, a Nigerian newspaper article alleged, inter alia, that: (i) due process was not followed; (ii) illicit payments were made to Nigerian government officials or their associates to secure the entry into of the SAAs. <sup>166</sup>
10 May 2013	Septa Energy/Seven Energy issues statement denying corrupt association with Nigeria's oil minister, Diezani Alison-Madueke	Seven stated: "Septa Energy is aware of several news reports which allege that the Nigerian Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, secretly and illegally transferred production rights of three oil blocks to Septa Energy. We wish to state categorically that the reports are inaccurate and misleading." <sup>167</sup>
23 September 2013	Governor Sanusi of the Central Bank of Nigeria writes to President Jonathan.	Sanusi warns that \$50 billion of oil revenues is "missing" from the Federation Account. <sup>168</sup>
3 February 2014	Governor Sanusi submits detailed Memorandum on missing billions to the Nigeria Senate.	Sanusi details concerns over the use of Strategic Alliance Agreements as vehicles for looting oil revenues. Names Septa Energy, Seven's Nigerian subsidiary. <sup>169</sup>
April 2014 <sup>170</sup>	\$30 million equity investment by IFC Asset Management Company's African, Latin American and Caribbean Fund <sup>171</sup> into Seven Energy...	IFC invests despite Sanusi allegations
1 May 2014 <sup>172</sup>	IFC equity investment of \$75 million in Seven Energy International <sup>173</sup>	IFC specifically mentions the key role of SAAs in Seven's business model but does not mention the controversy surrounding them, or analyse their legality. <sup>174</sup>
28 May 2014	Nigerian Senate Finance Committee issues report on Sanusi allegations.	As summarised by Seven Energy, the Finance Committee rejected certain of Mr. Sanusi's allegations as "misleading" and "incorrect". However, the Finance Committee did find that NNPC had failed to properly reconcile \$20.0 billion owed to the Federation Account; the vast majority of this amount was unrelated to either the strategic alliance agreements or Seven Energy. The Finance Committee found that these agreements are lawful, as submitted by Mr. Mohammed Bello Adoke, the Attorney General and Minister of Justice of Nigeria. <sup>175</sup>

<b>10 October 2014</b> <sup>176</sup>	IFC provides an anchor investment of up to \$50 million in the company's inaugural bond issue. <sup>177</sup>	
<b>6 November 2014</b>	Seven Energy Finance Limited issues "Offering Memorandum" on Irish Stock Exchange for \$100,000,000 10½ Senior Secured Notes due 2021 <sup>178</sup>	Offering Memorandum addresses allegations about Aluko and Omokore. It asserts that: <ul style="list-style-type: none"> <li>- Seven Energy is "not affiliated with Atlantic Energy"</li> <li>- Kola Aluko ceased to be an employee of Seven Energy in November 2011</li> <li>- Kola Aluko is a direct and beneficial owner of approximately one percent of our equity interests on a fully diluted basis</li> <li>- Seven Energy had a business relationship with Omokore's company SPOG Petrochemicals Limited, a company owned by Nigerian businessman Jide Omokore, which was terminated in 2010.<sup>179</sup></li> </ul>
<b>29 January 2015</b>	Seven issues press release clarifying relationship with NPDC. <sup>180</sup>	Seven Energy states that Septa Energy, had funded all of NPDC's cash call obligations under the SAAs, and that Seven Energy was confident of the SAA's "legal status and robustness." <sup>181</sup>
<b>30 September 2015</b> <sup>182</sup>	The World Bank's Multilateral Investment Guarantee Agency (MIGA) provides Seven Energy International with a guarantee of \$200 million. <sup>183</sup>	The MIGA guarantee covered an investment by Exoro Holdings BV of the Netherlands (a wholly-owned subsidiary of Seven Energy International Limited of Mauritius) in Accugas Ltd. in Nigeria. <sup>184</sup> The publicly available due diligence documents make not a single mention of concerns raised about Seven's links with Kola Aluko, Jide Omokore or Atlantic Energy, or about its heavy financial reliance on the controversial (and possibly illegal) SAAs.
<b>3 October 2015</b>	Diezani Alison-Madueke, Nigeria's oil minister under President Jonathan, is arrested in the UK.	The arrest was on suspicion of bribery and corruption offences. <sup>185</sup> \$94,000 worth of British pounds, naira and US dollars were also seized. As of August 2018, Alison-Madueke had not been charged. <sup>186</sup> She denies any wrong-doing.
<b>4 October 2015</b>	Arrest warrant issued for Kola Aluko. <sup>187</sup>	
<b>8 October 2015</b>	Seven issues press release responding to recent inaccurate media reports <sup>188</sup>	Seven Energy repeats that Kola Aluko was no longer an employee of the company and that his shareholding interest was less than 1%. Seven Energy also states that Jide Omokore had never been a director or employee of Seven Energy and or held any ownership interest in the Company.

<b>Undated 2105</b>	Seven Energy Annual Report <sup>189</sup>	Seven Energy acknowledges had overestimated the costs of lifting oil from the SAAs. As a result, the amount of oil it was entitled to claim under the SAA deal had been inflated. The company's accounts describe the overestimate as "significant". <sup>190</sup>
<b>24 May 2016</b>	The Federal Republic of Nigeria, together with the Nigerian Petroleum Development Company Limited (NPDC) and Nigerian National Petroleum Corporation (NNPC) apply to the High Court in Abuja to seek worldwide freezing order on assets held on behalf of the Mr. Omokore, Mr. Aluko and two Atlantic Energy group companies. <sup>191</sup>	Among the listed assets are 10% of the shares in Seven Energy, said to have been obtained by Aluko with the illegally diverted proceeds of crude oil lifted under Atlantic's SAAs and invested in Aluko's name. <sup>192</sup>
<b>25 May 2016</b>	High Court in Abuja grants the Federal Republic of Nigeria the Freezing Order it sought on 24 <sup>th</sup> May 2016. <sup>193</sup>	
<b>2 June 2016</b>	Jide Omokore is charged in Nigeria with money laundering in relation to Atlantic's SAA contracts. <sup>194</sup> Three former NNPC executives, including the former Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), Mr Andrew Yakubu (yes, the same Mr Yakubu that exonerated the SAA deals), were also charged with abetting Omokore. <sup>195</sup>	The charge against Yakubu is of significance because he had testified in support of the legality of the SAAs. Any weight given by the IFC to that testimony may therefore need to be reassessed.
<b>20 June 2016</b>	The Economic and Financial Crimes Commission (EFCC) reportedly arrests Jide Omokore, alongside with a former Group Managing Director of the Nigerian National Petroleum Corporation, NNPC, Andrew Yakubu. <sup>196</sup>	
<b>4 July 2016</b>	The Economic and Financial Crimes Commission reports that it has "arraigned Jide Omokore; Victor Briggs, former managing director of Nigerian Petroleum Development Company Limited; Abiye Membere, former Group Executive Director, Exploration and Production of the Nigerian National Petroleum Corporation; David Mbanefo, manager Planning and Commercial of the NNPC; Atlantic Energy Brass Development Limited and Atlantic Energy Drilling Concepts Limited before Justice Binta Nyako of the Federal High Court, Abuja on a 9-count bordering on money laundering and procurement fraud." <sup>197</sup>	
<b>January 2017</b>	A Lagos Federal Court orders the forfeiture of N34 billion (about \$107 million) of assets linked to Alison-Madueke. <sup>198</sup>	

<p><b>7 February 2017</b></p>	<p>Seven Energy discloses that the NPDC, a subsidiary of the Nigerian National Petroleum Corporation, has sent a notice of intent to terminate the company's SAAs, alleging that Seven has failed to meet its cash calls. Seven states that it is taking legal steps to protect its rights.<sup>199</sup></p>	<p>The SAAs are central to the financial health of Seven Energy. Moves to terminate them would therefore pose a major financial risk.</p>
<p><b>13 March 2017</b></p>	<p>Alison-Madueke is charged <i>in absentia</i>, alongside two other defendants, with money-laundering of some N450 million (approximately \$1.4 billion). All the defendants plead not guilty.<sup>200</sup></p>	<p>:</p>
<p><b>22 June 2017</b></p>	<p>A Federal High Court in Abuja rejects an application to dismiss the fraud charges instituted against Jide Omokore and others. The court grants the EFCC permission to file additional evidence.<sup>201</sup></p>	<p>:</p>
<p><b>14 July 2017</b></p>	<p>US Department of Justice files a civil forfeiture claim seeking seizure of \$144 million in assets (including a yacht and houses) said to have been bought with monies due to the Federal Government of Nigeria but diverted for the benefit of Aluko, Omokore and former oil minister Alison-Madueke.<sup>202</sup></p>	<p>The court papers allege Aluko and Omokore conspired to bribe the former minister in order to obtain oil contracts, purchasing property worth millions of dollars in London and the US for her and her family.<sup>203</sup></p>



# ENDNOTES

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153 In response to the money-laundering charges, Adoke has said "I hope to at the appropriate time make myself available to defend the charge for what whatever its worth." He has emphasised that he did not benefit from the deal, which he said saved the government from a breach of contract suit in which Shell was claiming \$2 billion. He called the charges "orchestrated plans to bring me to public disrepute in order to satisfy the whims and caprices of some powerful interests on revenge mission."

In response to the corruption charges, Adoke's solicitors Gromyko Amedu Solicitors, London, has said: "Our client vigorously denies that he received a bribe of \$2.2 million or any other sum on account of the OPL 245 Settlement Agreement and states that he has had cause to call attention of the public to the reckless and reprehensible attempt by the Economic and Financial Crimes Commission (EFCC) to link his Mortgage repayment to the Unity Bank of Nigeria to the alleged bribe of \$2.2 Million, when the loan documentation in respect of the mortgage is available for any objective person to apprise himself of the transaction and arrive at an informed conclusion".

Full statements from Mohammed Adoke or his solicitors are available at:

Malabu: I will come to defend myself – Adoke, 21 December 2016, The Nation, <http://thenationonlineng.net/malabu-will-come-defend-adoke/>

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INTERVIEW: Abacha family using EFCC to humiliate me over Malabu, says Adoke, The Cable, 19 April 2017, <https://ikonallah.com/2017/04/19/interview-abacha-family-using-efcc-to-humiliate-me-over-malabu-says-adokethe-cableng/>

In April 2018, Adoke sought a determination from the Federal High Court in Abuja that his involvement in the OPL 245 transactions was lawful if in furtherance of the execution of lawful directives/approvals of President Goodluck Jonathan. The court said that it had no evidence from the current Attorney General to the contrary and determined in Adoke's favour. The court rejected Adoke's application that the Economic and Financial Crimes Commission's prosecution of him be declared null and void.

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# THE WORLD BANK, RED FLAGS AND THE LOOTING OF NIGERIA'S OIL REVENUES

The World Bank has invested almost a quarter of a billion dollars in Seven Energy, an oil and gas company operating in Nigeria. Months before the first investment was made, the then Governor of Nigeria's Central Bank alleged that the company's flagship contract involved operating a scheme that was looting billions of dollars in state revenues. A number of the people associated with the contract are now either on the run or charged with money laundering. The World Bank insists that it conducted "comprehensive due diligence" prior to investing. But, given what was known at the time and what has emerged since, would you have invested if you had been working at the World Bank and tasked with undertaking the due diligence? What does the investment tell us about the Bank's due diligence procedures?



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