



Oando PLC



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.



30th June 2011

H.E. Ban Ki Moon
Secretary General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

Oando PLC is pleased to re-state our support for the ten principles of the United Nations Global Compact.

We have endeavoured to implement these principles in our company culture and day-to-day operations over the past 24 months and hereby present our Communication on the Progress we have made with the implementation.

We recommit ourselves to continuous improvements as we further our implementation of the principles.

Yours faithfully

J. A. Tinubu
Group Chief Executive

Introduction and Brief Description

Oando PLC is an integrated energy solutions provider with operations spread across West Africa, and spanning the energy value chain. Our vision is to be the premier company driven by excellence and our mission is to be the leading integrated energy solutions provider.

The Oando Group comprises of several subsidiaries grouped under divisions:

Marketing Division:

- Oando Marketing PLC
- Oando Ghana Limited
- Oando Togo S.A.

Supply & Trading Division

- Oando Supply & Trading
- Oando Trading Limited (Bermuda)

Gas & Power Division

- Gaslink Nigeria Limited
- Oando Gas and Power Limited
- East Horizon Gas Company
- Akute Power Limited

Energy Services Division

- Oando Energy Services
- OES Teamwork Limited BVI
- OES Respect Limited BVI
- OES Integrity Limited BVI
- OES Passion Limited
- OES Professionalism Limited

Exploration & Production Division

- Oando Exploration and Production Limited
- Oando Production and Development Company
- Oando Akepo Limited
- Oando OML 125 & 134 (BVI) Limited
- Oando OML 125 & 134 Limited
- Equator Exploration Limited

Terminals & Refining Division

- Oando Terminals and Logistics Limited
- Apapa SPM Limited
- Oando Port Harcourt Refinery
- Oando Lekki Refinery

(Detailed information on the company history and subsidiaries is available on our website: www.oandopl.com)

Before Joining

Oando is committed to the principles and implementation of best practices as exhibited in the company's corporate governance policy. We are dedicated to the protection and promotion of stakeholders' interest thus regularly updating and reviewing our structures and processes to ensure business best practice and an exhibition of a value based performance always. The company recognises the valuable contribution of best practice principles to long term business prosperity, sustainability and accountability to its shareholders and is in the process of implementing the principles set out in the Code of Corporate Governance issued by the Securities & Exchange Commission, Code of Corporate Practice and Conduct contained in the 2002 King Report and the Combined Code on Corporate Governance issued by Financial Reporting Council (Uk) in June 2006.

In our effort towards ensuring good corporate governance at all levels in the organization, the Board Of Directors in 2007 approved the Oando Group (Oando PLC and its subsidiaries) Code of business Conduct & Ethics. The Code is applicable to all Employees, Managers, Directors and Business Partners. By adopting the Code, the company confirmed its desire to demonstrate business leadership and promote good ethical behaviour.

An excerpt of the company's core values from the staff handbook¹ captures the essence of the UNGC's ten principles.

58.0 TRIPP – Our Core Values

To create and maintain an organisation that has a positive culture, a set of shared values have been entrenched across every aspect of the company. This is intended to set the organization apart in the way it does business and interpersonal relationships in the work environment. All employees are expected to strictly adhere to these values.

The Shared Values are:

- **Teamwork:** *All employees must work together towards the organisation's common purpose.*
- **Respect:** *All employees must be seen to show consideration to colleagues or subordinates, appreciating the worth of others and valuing their contributions.*
- **Integrity:** *There must be honesty, reliability and trustworthiness in all business dealings*
- **Passion:** *It is required that all employees demonstrate enthusiasm in their tasks and a zeal to perform at an 'above-average' on the job. However, passion is not rage at work or expression of anger or outbursts at colleagues.*
- **Professionalism:** *Expressing proper conduct at all times is critical requirement for all employees*

Oando PLC became a participant to the United Nations Global Compact on the 7th of July 2009.

¹ The staff handbook is the collection of all the company's policies, practices, rules and regulations set out for definition of expectations of staff and the company. All the information referred to from the staff handbook is italicized herein and also available on our Company Intranet and some are quoted in our annual report

After Joining

The Global Compact requires that companies embrace, support and enact, within their spheres of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

In our bid to ensure good corporate citizenship, we have embraced and begun incorporation of the ten principles in our business processes as laid out by the Global Compact to ensure the sustainability of our business for the benefit of all our stakeholders.

The Company also aligns itself to the OECD convention on Combating Bribery of Foreign Public Officials in International Transactions and embraces and practices its principles. The 17 principles is an appendix to our staff handbook* and forms part of the regulations that the Company and its employees are expected to adhere to.

The highlights of the alignment of our business processes with the ten principles and the measured outcomes are detailed below:

Principle 1 – Business should support and respect the protection of internationally proclaimed human rights

Principle 2 – Business should ensure that they are not complicit in human rights abuses

Action – Company Policies on Discrimination, Harassment, Intimidation, Work Place Relationship and Violence

Our commitment to the two principles above are documented in the Oando staff handbook (pp 21 – 29) and our Code of Business Conduct & Ethics (pp 13 - 14 Teamwork section 1.3 Workplace Relationships, Respect section 2.4 Harassment & Discrimination and 2.7 Work Place Violence)

10.0 Discrimination, Harassment and Intimidation in the Workplace

- *“All Human Beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood. No one shall be subjected to arbitrary interference with his/her privacy, family, home or correspondence, or to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.” Articles 1 and 12 Universal Declaration of Human Rights 1948.*
- *Oando PLC is firmly committed to the principle of equality of opportunity in employment and human relationships as highlighted in the United Nations Universal Declaration of Human Rights 1948 Articles 1 and 12. Each employee is expected to treat fellow employees with respect and dignity.*
- *Oando PLC is committed to providing a workplace that values diversity and one that promotes inclusiveness.*
- *Harassment is defined as recurrent, reprehensible or distinctly negative actions which are directed against individual employees in an offensive manner and can result in those employees being placed outside the workplace community. Acts of harassment by or against any employee of the company are viewed as serious offences and will not be tolerated.*

- *Management is committed to keeping the work environment free of harassment and intimidation and is supportive of productivity, the personal dignity and self-esteem of all employees.*
- *Oando PLC is an equal opportunity employer and as such offers employment, training, compensation and advancement on the basis of qualification, merit and business needs, regardless of race, religion, sex, national origin, age, veteran status and sexual orientation, and disability as long as the individual is able to perform job duties safely and efficiently.*
- *Business relationships with competitors, suppliers, and customers of Oando must always be conducted free of all forms of discrimination.*
- *Employees shall not engage in any sexual harassment of co-workers, competitors, suppliers or customers of the company. It is the policy of the Company to provide a work environment which is free of harassment.*

1.2 Work Place Relationship

Employees and Managers must make extra effort to ensure that they create and engender a convenient and professional work place environment. The company shall not be used as a conduit to carry out any grievances or ill feelings against other employees or get involved in debilitating work place politics or hidden agendas. Employees and Managers must promote inter-departmental and inter-personal cooperation and proactively share successful means of enhancing efficiency and service quality with management and all stakeholders. There shall be mutual cooperation and assistance to fellow employees whenever occasion calls for it and without being prompted.

2.4 Harassment and Discrimination

Oando is committed to keeping the work environment free of harassment, bullying or intimidation. Harassment is defined as recurrent, reprehensible or distinctly negative actions which are directed against individual employees in an offensive manner and can result in those employees being placed outside the workplace community. Bullying or intimidation is defined as persistent unwelcome behaviour, mostly using unwarranted or invalid criticism, nit-picking, fault-finding, isolation, being singled out and treated differently, being shouted at, humiliated, issuance of unwarranted verbal and written warnings etc. in the workplace, bullying may often focus on distorted or fabricated allegations of underperformance. These shall not be tolerated in Oando.

Acts of harassment by or against any employee of the Company are viewed as serious offences and will not be tolerated. Acts of harassment shall be treated on a case-by-case basis and will attract the required disciplinary measures if proven. Harassment may warrant a summary dismissal. Allegations of harassment are very serious, and any staff found to make an untrue claim of having been harassed shall himself/herself be subject to serious disciplinary actions up to summary dismissal. Employees and Managers shall promptly report to the Compliance department if they are experiencing any form of harassment, bullying, intimidation or any form of discrimination.

2.7 Work Place Violence

The Company prohibits actual or threatened violence against co-workers, visitors, Business Partners or any other persons who are either on Company premises or have contact with Employees in the course of their duties. Every threat of violence is serious and must be treated as such.

Measurement of Outcomes

- There have been no substantiated cases of harassment and discrimination in the past 2 years in spite of the advanced anonymous reporting and whistle blowing facility provided to staff.
- Oando staff have communicated in various surveys that they feel safe at work, furthermore, there have been no reported threats by fellow employees.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Action – Process of Collective Agreement with Staff Unions

The company recognizes the organized staff Unions as provided by the laws of the Federal Republic of Nigeria. It also allows for negotiations with the various staff unions and maintains collective agreements with the relevant unions/associations e.g. the collective agreement with the Petroleum and Natural Gas Senior Staff Association – PENGASSAN. An excerpt from the 2009/2010 collective agreement with PENGASSAN confirms our implementation of the third principle:

3. Rights of the Association

- 3.1. The Company and the Association recognise the principle of freedom of Association as entrenched in S.40 of the Constitution of the Federal Republic of Nigeria. Furthermore, the Company agrees to cooperate with the Association in carrying out its legitimate function of protecting and enhancing the interest of her members.

Measurement of Outcomes

- Oando staff remuneration is reviewed bi-annually in keeping with the industry practises and with the negotiation of the staff unions. There have been no industrial actions as a result of staff pay dissatisfaction
- The biennial negotiations with the respective unions are all peaceful.

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;

Action – The Company's compliance with Labour laws of the Federal Republic of Nigeria, the Child Rights Act and the internal implementation of new rules of electronic leave applications.

S. 73(1) and (2) of the Labour Act, CAP L1 Laws of the Federation of Nigeria 2004 Prohibits Forced Labour and reads:

“(1) Any person who requires any other person, or permits any other person to be required, to perform forced labour contrary to section 34 (1) (c) of the Constitution of the Federal Republic of Nigeria 1999, shall be guilty of an offence and on conviction shall be liable to a fine not exceeding ₦1,000 or to imprisonment for a term not exceeding two years, or to both.

(2) Any person who, being a public officer, puts any constraint upon the population under his charge or upon any members thereof to work for any private individual, association or company shall be guilty of an offence and on conviction shall be liable to a fine not exceeding N200 or to imprisonment for a term not exceeding six months, or to both”

CHILD LABOUR

Oando PLC complies with all relevant regulatory requirements regarding child labour; thus the Company does not employ individuals under the age of 18.

This demonstrates that as good corporate citizens of Nigeria, we abide by the Child Rights Act No. 6 2003, S. 28(1) - (4):

“28.-(1) Subject to this Act, no child shall be-

- (a) subjected to any forced or exploitative labour; or
- (b) employed to work in any capacity except where he is employed by a member of his family on light work of an agricultural, horticultural or domestic character; or
- (c) required, in any case, to lift, carry or move anything so heavy as to be likely to adversely affect his physical, mental, spiritual, moral or social development; or
- (d) employed as a domestic help outside his own home or family environment.

(2) No child shall be employed or work in an industrial undertaking and nothing in this subsection shall apply to work done by children in technical schools or similar approved institutions if the work is supervised by the appropriate authority.

(3) Any person who contravenes any provision of subsection (1) or (2) of this section commits an offence and is liable on conviction to a fine not exceeding fifty thousand Naira or imprisonment for a term of five years or to both such fine and imprisonment.

(4) Where an offence under this section is committed by a body corporate, any person who at the time of the commission of the offence was a proprietor, director, general manager or other similar officer, servant or agent of the body corporate shall be deemed to have jointly and severally committed the offence and may be liable on conviction to a fine of two hundred and fifty thousand Naira.”

Implementation of new rules of electronic leave requests

Beginning January 2010, the company implemented an electronic leave request system/process requiring all employees to plan and monitor leave utilization. In addition, employees were given an incentive to take time off, through the introduction of leave allowance precondition on the individual taking minimum 10 days leave at a stretch. Vacation carry over was also capped at 5 days into the next year.

Measurement of Outcomes

- All employees and contractors working for or on behalf of Oando are required to meet the minimum age requirement..
- Due to the implementation of electronic leave request process with new rules, requesting and approvals for annual leave and vacation are done through the ERP oracle system – there has been a 30% increase in staff vacations compared to previous years to promote work-life balance

Principle 6: Business should support the elimination of discrimination in respect of employment and occupation.

Action – Company Policies on Employment

An excerpt from the staff handbook in respect of employment and recruitment:

15.0 Equal Opportunity Employer

- *Oando PLC pursues an equal employment opportunity policy.*
- *The Company does not condone discrimination on the basis of race/ethnic background, colour, gender, national origin, sexual orientations, religion, age, family status or disability.*

- *Oando PLC has pledged to take affirmative action to ensure that suitable applicants are employed and that existing employees are treated fairly during employment without regard to their race, colour, gender, national origin, sexual orientations, religion, age, familial status or disability. Existing and potential employees are given fair consideration based on respective aptitudes, abilities and potential.*
- *This commitment ensures that the Company conducts all its employment practices in a non-discriminatory manner.*
- *In the event that any existing employee of the Company becomes disabled, all effort is made to ensure their employment with the Company continues and that they are given the appropriate training and support.*

Measurement of Outcomes

- The company maintains a policy of diversity and inclusion as such, all employment decisions – hiring, promotion, compensation, etc., are based on merit. This is mirrored by the increasing number of successful female candidates of the Graduate Trainee programme which had 33% of the employed trainees being female in 2009, 40% in 2010 and 54% in 2011.

Principle 7: Business should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT SYSTEM

Oando PLC has an environmental management system in place. The Management System is designed around the Planning, Performance, Measurement and Improvement cycle. As part of management system in 2010, the company in ensuring effective impact mitigation, developed an Environmental Aspect Register to address any significant change to the organizations activities, products and services, which is being reviewed periodically, depending on any new risk, regulatory requirements, policy and management review outcomes.

Oando Plc regards as paramount the protection of the environment and promotion of health and safety measures at all levels of its operations.

Oando Plc is committed to improving the quality of life and the establishment, maintenance of a mutually-beneficial relationship with the communities in areas of its operations. Oando recognizes that our long-term success depends on creating value with our host communities and for our stakeholders.

It is Oando's policy to:

- Hold regular consultative stakeholders meeting in order to keep the communities informed at all stages of every operation.
- Be proactive in handling community relations matters in our areas of operation.
- Create sustainable long-term economic and social opportunities for our host communities.

- Empower our stakeholders and partner with them in our Sustainable Community Development programmes (SCD) to promote effective and cooperative participation by all stakeholders.
- Engage the NGO and other relevant Government agency in improving the standard of living of our host communities.
- Be transparent and explore the best practices in all dealings with our host communities and stakeholders.
- The company identifies the principal socio-economic impacts on social impacts on local communities around the areas of operation route such as Housing, Social Organization and Migration, Income and Employment, Infrastructural Development, Health and Safety, Physical Environment, Archaeological and Cultural Heritage etc.
- Ensure that our activities comply with applicable laws and regulations.

In 2010, Oando began implementation of another round of initiatives to further improve its Environment, Health and Safety (EHS) Management System.

These include:

- the launch of several EHS second and third tiers policies,
- Standardization of various process safety management systems and EHS key performance indicator reporting.
- Strengthening our incident investigation and learning program across the group by adding focus on high learning events.
- the adoption of the work-life-balance concept which involves several programs to improve the physical, emotional and social aspects of workers' life, in addition to assessing and preventing occupational health and environmental hazards.
- the inculcation of EHS culture of accountability and compliance.

This saw a steady environmental, health and safety performance that produced competitive results.

HIV POLICY

Amongst our recently published policies, the HIV Policy is worthy of note. The policy is in line with our EHS objectives to provide employees with suitable and safe facilities. It clarifies our perspective on reducing the spread and minimizing the impact of the disease.

It also further re-affirms our commitment to the principle of equal opportunity in employment and human relationships as highlighted in the Universal Declaration of Human Rights 1948 Articles 1 and 12, as well as the provisions on discrimination and harassment contained in both the company's Staff Handbook and Code of Business Conduct and Ethics.

It guarantees non-discrimination in the workplace, confidentiality if a staff informs the Company of his/her status and advisory and health care services. The Policy offers medical assistance to employees, and as preventive measures, the company runs awareness campaigns among staff. Oando also marked the world AIDS day with road-

shows and lectures in 2010. To further strengthen our commitment to the fight against HIV/AIDS, we supported and participated in activities and program of Nigerian Business Coalition against AIDS (NIBUCCA).

Work Life Balance – Stress Management Training

Furthermore, in order to reduce the attendant effects of work related stress on our workforce and to promote health and wellness, the company carried out stress awareness trainings across selected locations. One hundred and thirty five members of staff in various cadres were trained.

EHS Strategic Objectives

To drive continuous improvement, Oando in 2009 clearly defined EHS objectives for the group as part of the ongoing internal enhancement on performance, objectives and targets. This is in accordance with our principle of collective responsibility in EHS management. Among the enhancement initiatives introduced in 2010 are:

- **Training of Staff and Contractors.**
To ensure all those occupying EHS critical positions are competent.
To increase awareness on environmental impact of our operation
To entrench a safety conscious culture and reduce incidents
- **Improve upon our EHS data collection analysis and system documentation.**
Reporting of EHS performance to relevant regulatory authorities and to stakeholders
- **Monitoring and controlling impact**
Regular effluent discharge to water and air emissions monitoring
Environmental due diligence for drilling and construction activities
Development and implementation of Environmental Management Plan (EMPs) for projects and facilities.
Reduction of spills.
- **Restoration & Remediation**
Clean up of all spills.
Restore all impacted areas
- **Waste management**
Reduce the amount of waste we generate from our operations to as low as reasonably practicable
Reuse all waste that could find application in other areas of the business
Recycle all recyclable waste
Replace waste; choose more environmentally friendly alternatives.
- **Ensure compliance with the relevant statutory legislation,**
Obtain environmental consent/permits and licenses where applicable.
Comply with all permit/licenses obligations.

Occupational Health and Safety Performance indices

KPI (Proactive)	YEAR 2008	YEAR 2009	YEAR 2010
Hazard Identification Report (HIR)	1783	3840	13979
Facility Integrity inspection	100	240	2200
EHS-MS Audits	7	19	22
Training	34	57	126
Drills	43	71	200
Management Facility Inspection	8	3	11
Reactive indicators (Fatality)			
Staff	0	0	0
Contractors	0	1	0
LTI	9	4	3

In 2010, the management of our EHS, as shown by our key performance indicators (proactive); increase in hazard identification reporting improved greatly due to increased awareness created by the awareness campaigns embarked on by the company and an increase in facilities integrity inspections, to mention but a few. Through our strengthened detailed incident investigation, Oando identified opportunities to improve certain controls and systems, particularly electrical safety and access control. The improvements identified have since been effected across our downstream businesses.

Environment, Health and Safety Performance

The year 2010, also showed how important good environmental performance is to business success. It produced the fruit of our conscious efforts at reducing our operational impact on the environment.

Good performance generally begins with personal and process safety and there was tremendous improvement in processes through implementation of new technologies and standardization of systems and processes. Key among these was the further standardization of our approach to managing environmental impact, for example, we standardized environmental management approach and reporting systems to include guidelines for Environmental Impact Assessment (EIA) process and reporting mechanisms and parameters, increased our focus on sustainable development through proactive management approach. We worked to improve project processes through emphasis on initial studies and integration of Environmental, Health, Safety, Security & Quality (EHSSQ) at the conceptual stage of projects to consistently identify and address environmental and safety issues earlier than had been done previously.

In 2010, Oando invested over 200 million naira in the environmental aspect of our operating process. The bulk of this money was spent on sustainable development initiatives, environmental management reviews/audits, environmental monitoring and impact evaluation.

Environmental and Technological Development

As a member of Nigerian Conservation Foundation, a leading environmental group in Nigeria, with focus on conservation education, biodiversity survey/species identification, and fight against environmental pollution. This was, in line with its objectives for attaining excellence in Environment, Health and Safety (EHS) in its operations and areas of influence. We have continued to invest in technology and

knowledge development to meet the increasing challenges posed by the environment: We increased our investment in the provision of natural gas – a cleaner source of energy. Managing the impact from the production and use of fossil fuels remains our top priority. Our LPG cylinder retail project in 2010 is a clear testimony of our quest for sustainable environment initiatives.

In this vein, the Board of Directors Committee on Risk, Environment, Health and Safety which was inaugurated in 2008 and reconstituted in 2009, had 2 meetings in 2010 to review EHS compliance and the adoption of an enterprise risk frame work. The committee is responsible for reviewing the policies and processes established by management designed to implement the Risk, Environment, Health and Safety Quality Policy of the Company and ensuring the company's compliance with international standards of Risk, Environment, Health and Safety Quality management.

Advocacy

Oando has been in the vanguard of actions that minimize pollution and waste, utilization of renewable resources, assisting government and pertinent agencies to introduce the right policies needed to manage environmental impact. Oando also closely works with both federal and state agencies to develop effective and workable policy frameworks aimed at reducing negative environmental impacts. In 2010, the company participated in key environmental management conferences/summits organized by federal and state ministries and agencies responsible for environmental management. Our staff, in most of these conferences and summits delivered key papers/presentations on climate change, Fire disaster and waste management.

Process Improvement

The company has over the years, identified effective project management as one of the key operational controls. This has led to great improvement in project processes, so environmental issues are consistently identified and addressed early. In 2009, the company standardized and overhauled its Permit-To-Work (PTW) system across the group. The PTW system is one of the key operational control tools that helps to further improve our control system and enhance our commitment to “No harm to people and the environment”. In 2010, a process audit was carried out to ascertain the effectiveness and implementation of this Permit-To-Work system administration.

Hazard and Effect Management Process (HEMP) was equally standardized across the group to establish a firm grip on hazard control and mitigation mechanism. The Hazards register was documented in 2010; with this, hazards and threats to environment and people are proactively identified, controlled and of course, safety of lives and property ensured during every activity. The concept of sustainable development/precaution is adopted in the environmental impact assessment for all new projects and upgrades. All new projects at conceptual stages include risk analysis – for adequate controls, environmental impact assessments/studies are undertaken and also adequate environmental management plan (EMP) put in place. Construction, commissioning and operational stages include implementation of EMPs and survey of impact:

Climate Change

Oando is one of the first energy companies in Nigeria to acknowledge the threat of climate change; to call for action by the government, our industry and energy users; and to take action.

We stepped up our appeal to government in 2010, to lead on this issue and introduce effective policies to combat climate change. Four years running - precisely since 2007 (till date) - the company has been co-sponsoring the Lagos State AKO EKO Environmental Summit.

As part of several activities marking World Environment Day 2010, the company held presentations and discussion on the topic “**Many Species. One planet- One Future**”. Some Government agencies and State Ministries of Environment participated and presented goodwill messages.

In a similar vein, the company led other companies to participate in the “green initiative Plant-a-Tree campaign of the AKO EKO environmental summit and won the 2010 2nd Green Environmental Award of the Lagos State Ministry of Environment.

At the Federal level, our efforts in ensuring the safety of employees and stakeholders caught the recommendation of the National Emergency Management Agency, as Oando was amongst the few companies to be recognized with the Overall Safety Award for 2010 in Nigeria.

In 2010, we took a proactive step and made a conscious effort towards reducing Green House Gas (GHG) emission in our operations through awareness campaigns. We have since then increased our investments in the provision of natural gas – (the lower carbon content fossil fuel) to industrial customers and we have also implemented other initiatives to reduce our carbon foot print, as contained in our Low Cost LPG project called LPG cylinder Retail Project.

Controlling, Mapping, Monitoring and Reducing Impacts - Operating Licenses and Certification

All our facilities operate under licenses from relevant government/environmental agencies. In all cases, the company guarantees full compliance with the obligations provided therein.

In 2010, our terminals and Rigs were granted Environmental and Radiation permits to drill and operate one of our oil blocks, OPL 236 and some other key assets in our upstream operation.

In 2010, we put into operation the implementation of the road maps for the realization of the Environmental Management System (EMS) framework for ISO 14001 certification. In view of these commitments, an Aspect Table covering all our activities, products and services was documented in 2010. Full certification is planned for Q4 2011. Moreover, our EHS-MS, responsible for managing the risk in our operations, to as Low As Reasonably Practicable (ALARP) is alive across all our facilities.

Controlling Impact

In line with best practice and in compliance with relevant regulation, we conducted Post-Environmental Impact Monitoring Assessments (PEIMA) for our Akute Power project, Approved EIA for LPG storage facility upgrades in Apapa. All the EIAs have Environmental Management Plans(EMP) that provide a delivery mechanism which addresses adverse impacts - and in turn enhances project benefits - and is an introduction of standards of good practices to be adopted for all project activities. This covers all stages of project development; from initial establishment of logistics facilities, through site preparation, construction, operation to decommissioning and

abandonment. We also carried out EHS case documentation for our operating Rigs, demonstrating our capability to manage all High risks and ensuring that low and medium risks are managed with Standard Operating procedures (SOPS). EHS Case is a facility-specific demonstration of EHS-MS alive in each facility; that all hazards that pose significant risk to the environment, people and assets, have been identified and reduced to ALARP and that adequate controls are in place to manage inherent and residual risks in the event of escalation).

At each stage of a project, the EMPs list the requirements to ensure effective mitigation of potential adverse impacts on the environment identified in the EIAs with a clear program of actions for the maintenance of high environmental performance throughout the life span of the projects.

Monitoring and Reducing Impacts

In addition to the foregoing, we continued the monitoring of impacts on the environment from our existing assets. We conducted Environmental Evaluation Report/Audits on our critical assets in the downstream sector which helped to map environmental impact, thus providing for mitigation where applicable.

Consumption of Energy, Materials and Natural Resources - Reduction in Energy Consumption

Oando's energy consumption dropped over the past one year with the introduction of an in-house energy conservation program, including a massive awareness campaign on conservation of energy. With this conscious effort, all specification/designs for new projects take energy conservation into cognizance. Currently our Above Ground Installation facility is being powered by Gas turbine instead of Automated Gas Oil (AGO).

Emission to Air and Discharge into Water.

The emission of substances that destroy the ozone layer and other regulated pollutants from company processes and operations are negligible as evident in periodic air quality monitoring. Apart from in-house monitoring done by our specialists, air emission and effluent monitoring is carried out periodically by independent consultants in compliance with regulation and also to get an independent opinion.

In 2010, all our key assets have effluent treatment mechanisms adequately maintained for effective operation. Since 2009, qualitative and quantitative information on effluent disposal in Oando have been kept in a traceable database. Oando has a standardized procedure for air quality and discharge-to-water monitoring. We conduct regular biweekly and monthly air quality and effluent monitoring for all key assets. Reports of last year's monitoring exercise reflect the company's conscious effort to further reduce our emissions and discharge-to-water. In 2010, over 97% of all the parameters monitored were within the Department of Petroleum Resources (DPR) the regulating agency's specified-limit. Where the parameters exceed recommended limits, measures are put in place to comply with the specifications immediately or to introduce changes to the operations.

Spills

The company maintained its level of excellence during the year with regards to spillage.

In 2010, we had one major spill from our bitumen plant. This was cleaned and site remediated. Despite this singular incident, our score card on spill in 2010 was achieved, the amount of oil and by-product spilled from our operations dropped significantly by over 100%.

Measurement of Outcomes

- During our half-year 2010 survey, the staff perception was that 73% of top management are committed to the entrenchment of a positive EHS culture in the organisation, visibly demonstrated in the Management Facility Inspection (MFI).
- Energy Consumption - There has been increased awareness created amongst staff on decreasing the energy consumption of the company
- Our energy consumption in 2010 was also further decreased as a result of the efficient preventive maintenance across the organisation.
- The introduction of Gas turbine in our Above Ground Installation eliminated the use of Automotive Gas Oil to power the facility, thereby cutting our CO2 emissions by more than 40%
- In ensuring a zero fatality rate in our operations, the company embarked on more rigorous safety campaigns across our locations and facilities with emphasis on safe working processes, safe working conditions, safe equipment and best practices.
- On staff training, we continued with stress management training, where over 100 staff were trained. 150 staff were trained on EHS Culture and Accountability and given the mandate of ensuring wellness and work life balance, especially with respect to observance of holidays and avoiding extended working hours.
- Oando was recognized (along with a few other companies), by the National Emergency Management Agency with an Overall Safety Award in 2010.

Climate change indices

The need to encourage a fuel switch to cleaner fuels such as LPG in Nigeria is driven by structural considerations that have significant impact on the social and environment well being of the individual and the society in which they live. Increased LPG use among low income households will drive, our Low cost LPG (LCLPG) project initiatives in 2010, when fully implemented will deliver the following Climate change objectives:

- **Social impact:** By offering a clean, convenient and available fuel alternative, LCLPG frees productive time and reduces Indoor Air Pollution (IAP), which is caused chiefly by the burning and subsequent inhalation of solid fuels. IAP is estimated to be the fourth highest health risk factor in Africa. In 2004 it was estimated that IAP caused the death of 551,430 Africans, most of which (90.6%) were below the age of 4.
- **Environmental impact:** By replacing solid fuel stoves the project reduces black carbon, which is the second most important contributor to global warming, adding 10-20% to the rise in temperatures². As a result, the initiative also reduces deforestation, an environmental threat that is particularly worrisome in Nigeria, which lost 55.7% of its primary forests between 2000 and 2005.

² [An Analysis of Black Carbon Mitigation as a Response to Climate Change](#) (Copenhagen Consensus Centre, 2009)

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Action – Adherence to principles of organizations promoting anti-corruption, the company policy on bribery and corruption and other initiatives.

As part of our effort to ensure the Company's continuous adherence to the principles of Corporate Governance and conducting business in an ethical manner, we have signed on to the following international and local Corporate bodies, to which we are committed and active members.

- **Partnering Against Corruption Initiative (PACI) of the World Economic Forum:**
The company joined PACI, a forum aimed at developing principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct, in 2008.
- **United Nations Global Compact:** we signed on to the UNGC on the 7th of July 2009. Since joining, we have shown our commitment by:
 - Becoming one of the pioneer members of the Global Compact LEAD; and
 - Redeploying one of our staff to the UNGC Office in New York to assist with strengthening the local networks.
- **Convention on Business Integrity (CBI):** Oando signed on to the CBI, a forum with a vision is to create a society of Zero tolerance for corruption, on the 16th of November 2009. The Chief Company Secretary & Compliance Officer was the Chairperson of the Core Group of signatories to the convention from July 2010 – June 2011.
- **Fraud Awareness Working Group (FAWG)**
A forum aimed at uniting multinational organizations operating in Africa (who are potentially exposed to risks of fraud being perpetrated against them), to fight against fraud in their organizations collectively.

Corporate Policy on Bribery and Corruption

The draft policy on anti-bribery and corruption being currently reviewed for adoption captures the essence of the company's stance on bribery and corruption as it encapsulates all relevant laws, conventions and principles on the fight against corruption in all its forms. An excerpt is below:

"6.0 Compliance and Commitment to Instruments

The Company's, employees, directors and Business Partners are to comply with and uphold relevant laws for countering corruption and economic crime in all jurisdictions where it operates; and are to be committed to the principles prohibiting corruption as prescribed by organizations with which the Company has subscribed. This Policy is based on the following national and international laws and conventions:

- A. Advanced Fee Fraud and Other Related Offences Act, Cap A6 LFN 2004
- B. Code of Conduct Bureau and Tribunal Act, Cap C15 LFN 2004
- C. Corrupt Practices and Other Related Offences Act, Cap C31 LFN 2004
- D. Economic and Financial Crimes Commission Act, Cap E1 LFN 2004

- E. Money Laundering Act, Cap M18 LFN 2004
- F. OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997; 2009)
- G. OECD Guidelines for Multinational Enterprises _ VI. Combating Bribery
- H. U.S. Foreign Corrupt Practices Act
- I. UN Global Compact _ Principle 10 – Anti – corruption
- J. Extractive Industry Transparency Initiative
- K. UK Bribery Act”

The company has also previously implemented the following policies

- The Code of Business Conduct & Ethics
- The Gift and Benefits Policy
- The Whistle-blowing Policy

Code of Business Conduct & Ethics

In 2007 the Board adopted the Code of Business Conduct & Ethics confirming its desire to demonstrably lead and promote good ethical behaviour. The Code sets out standards of acceptable conducts, obligations and responsibilities of employees, directors and Business Partners using the Company’s core values as a fulcrum. The core values are Teamwork, Respect, Integrity, Passion & Professionalism (TRIPP).

Gifts and Benefits Policy

This Policy is designed to inform employees on the Company’s position regarding the giving and acceptance of gifts and benefits from persons or entities that deal directly or indirectly with the Company. All staff are expected to declare all gifts given or received from Business Partners using a standard gift declaration form available all employees.

Whistle Blowing Policy

This Policy is designed to enable staff, Business Partners and all Stakeholders make confidential reports about any unethical business conduct involving the Company or any of its staff or directors.

To facilitate this process, the Company engaged the services of an independent consultant, KPMG Forensic Services, to provide and operate an Ethics Hotline to enable staff and other stakeholders make confidential and anonymous reports of unethical conduct involving the company or any of its staff or directors.

Directors, staff and Business Partners have been trained on the importance and the use of the ethics hotline facility.

In order to create awareness and ensure adherence/compliance with Company policies, directors, and employees are educated and certified annually. This recertification exercise was initially implemented in 2007, and is conducted annually to refresh on subsisting policies and educate stakeholders on new policies.

On the Supply Chain Management side, the Company has undertaken the following exercises to create awareness on the Company’s stance with relation to anti-corruption:

- Vendor verification process and Know-Your-Customer Policy
- Business Partner trainings
- Transporters and Dealer’s forum

Vendor verification process and Know-Your-Customer Policy

In line with international corporate standards and to ensure compliance with different legislations in the countries where the company operates and where we are desirous of operating, and to conform with the requirements of the stock exchanges on which the company's shares are listed, it has become necessary for the company to conduct due diligence to establish the legal status of business partners engaged by it. In addition it is necessary to also consider any potential risk to the conducting of the Company's business in an ethical, risk free and profitable manner, including ascertaining the possibility that potential business partner may be involved in corrupt practices that portend legal, financial and reputational risks for the Company. It is in that light that the "Know Your Customer" Policy was formulated.

Business Partners' Trainings

The Company through its Compliance Office, conducts trainings on the Code of Business Conduct & Ethics, Whistle Blowing and Gifts and Benefits Policies for Business Partners to ensure that they imbibe the Company's core values and the importance of implementing the core values and company policies in their businesses with Oando and other companies. The Business Partners are also educated on the company's stance on unethical business practices such as fraud.

Transporters and Dealer's forum

Similarly, the Company ensures that Transporters and Dealers fora are coordinated quarterly to educate them on the Company Code of Business Ethics and relevant Policies, and to receive feedback from Transporters and Dealers, as these Business Partners form an integral part of the Company's Marketing Division.

These fora usually involve sessions to clarify the company's stance on unethical business practice such as fraud, corruption and the resources available to the Business Partners to respond on related issues.

Furthermore, the company observed the World Anti-Corruption day in December 2009 and 2010 to create awareness on the effects of corruption on all the stakeholders and how it truncates business sustainability.

Finally, various surveys have been carried out to determine (amongst others) staff perception of management's commitment to fight corruption at all levels.

Measurement of outcomes

- Survey results have shown that there is a heightened awareness amongst staff of corruption and its effects on business and the economy as a whole.
- The Company's stance on giving and acceptance of gifts and benefits has totally evolved; majority of staff now declare gifts given and received without being prompted.
- Improved staff perception of management's commitment to the fight against corruption in all its forms
- A total of 625 staff were re-certified in 2009, while 977 have already been re-certified on the company's policies for 2010.
- A little over 400 business partners, dealers etc have been trained to date on the company's policies.

- It is becoming increasingly common for business units to request that their vendors be verified through the Know-Your-Customer process before transacting business with them.