



# Oando PLC



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

We welcome feedback on its contents.



# Oando PLC

RC: 6474

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July 6, 2012

**H.E. Ban Ki Moon**  
Secretary General  
United Nations  
760 United Nations Plaza  
New York 10017  
United States of America

Dear Mr. Secretary General,

In recognition of the relevance of sustainability to global business trends and the role of the United Nations Global Compact ("UNGC") in promoting sustainable development, Oando PLC is once again pleased to restate our commitment to the initiative.

This Communication on Progress since our last report for 2010 provides the measures we have undertaken and the corresponding outcomes in the process of implementing the 10 principles in our business operations.

A lot more is still to be done to achieve the goal of global sustainability and we remain committed to doing our part through the continuous improvement of our internal processes and policies in line with the UNGC 10 principles and the education of all our stakeholders and on the vital importance of sustainability to our continued success as a company, nation and world.

Yours sincerely,

J A Tinubu  
Group Chief Executive

## Oando PLC's 2012 Communication on Progress to the United Nations Global Compact

### 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 6 main divisions:

- Marketing;
- Supply & Trading;
- Gas & Power;
- Energy Services;
- Exploration & Production; and
- Refinery & Terminals

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

Oando remains 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 all stakeholders' interest thus regularly updating and reviewing our structures and processes to ensure sustainable business best practices through continuous exhibition of a values-based performance. The Company recognises the invaluable contribution that best practice principles of sustainability and corporate governance add to increasing shareholder value. Therefore, we have incorporated and applied those principles set out in the New SEC Code of Corporate Governance for public Companies in Nigeria 2011 as issued by the Securities & Exchange Commission, Nigeria, Code of Corporate Practice and Conduct contained in King III Report and the Combined Code on Corporate Governance issued by Financial Reporting Council (UK) in June 2006 within our organisational framework and culture.

In our continued 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. Through the Code, our Company confirmed its desire to demonstrate business leadership and promote good ethical behaviour in dealings with all our stakeholders which include (but are not limited to), our shareholders, employees, company management and the board of directors, business partners, various levels of government and regulatory authorities, customers, local and international non-governmental organizations, the media, civil society organizations and the communities within which we operate.

We are members of the United Nations Global Compact (UNGC) working group on the 10<sup>th</sup> principle on Anti Corruption, and have consistently attended all working group meetings and have made presentations on Oando's perspective and experience in the areas of anti corruption. As a recognition of our contribution to the UNGC, we were

appointed as a pioneer member of the UNGC LEAD platform on corporate sustainability.

In furtherance of our commitment to the vision and goals of the UNGC , we seconded one of our employees to the UNGC head office in New York for 24 months to provide support for the local network team.

Numerous portions of the company's core values from the staff handbook capture the essence of the UNGC's ten principles.

### TRIPP – Our Core Values

As an organization that promotes a positive culture, the following sets of shared values are being entrenched across every aspect of our operations. This is intended to set our organization apart in the way we do business and interact within the work environment. Our employees are all expected to strictly adhere to these values:

- Teamwork
- Respect
- Integrity
- Passion
- Professionalism

Oando PLC submitted its last Communication on Progress on the 6th of July 2011.

### Progress from the last report

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

Oando recognises the 26th article of the Universal Declaration of Human Rights which provides that “Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit. (2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace. (3) Parents have a prior right to choose the kind of education that shall be given to their children.”

**Our company has begun work through the vehicle of the “Oando Foundation” to provide this right to children within our spheres of operation.**

The Oando Foundation is the independent social investment vehicle that channels the Oando Group's efforts to empower local communities, support the Nigerian government in realising its developmental goals and fulfil its corporate social obligations.

The long-term thrust of the Foundation is sustainable development, however, the current focus is the transformation of lives in the local communities within and around the areas in which we operate through education and economic empowerment by providing access to universal basic education through its signature project; the “**Adopt-A-School**” initiative.

The goals and objectives of the Adopt-A-School initiative are to:

- Improve the overall quality of basic education;
- Enhance educational infrastructure and improve the learning environment in public primary schools;
- Provide educational resources and teaching aids for effective learning in public primary schools;
- Enhance school management processes;
- Create a pool of Oando Scholars through scholarship support for academically gifted students with limited financial resources.

The following are key accomplishments in this initiative so far:

- 28 schools have been adopted across the country and 10 schools fully renovated.
- Oando plans to adopt 100 schools by 2015
- A teacher training programme and community engagement strategy have been designed.
- The Oando scholar programme has been finalized for launch in July 2012.
- Oando Foundation has developed partnerships with the Education Sector Support Programme in Nigeria, a programme designed to make institutional changes in basic education, funded by Department for International Development UK. The Oando Foundation is also in partnership with Microsoft.
- Oando Foundation emerged the winner of the Lagos State Ministry of Education Corporate Social Responsibility Gold award, in recognition of its participation and commitment to the Ministry’s “**Support-Our-Schools' Initiative**”.

## **Principle 2 – Businesses should ensure that they are not complicit in human rights abuses**

In line with Oando’s policies on discrimination, harassment and intimidation, the Company remains committed to providing a workplace that values diversity and promotes inclusiveness.

Oando PLC remains an equal opportunity employer and as such, offers of employment, training, compensation and advancement are operated on the basis of qualification, merit and business need and are irrespective of race, religion, sex, tribal origin, age and disability.

The Compliance Office in 2011 carried out an enlightenment campaign to further educate staff members and third party contract staff providers on the Company’s zero-tolerance policy against all forms of harassment and intimidation and the mechanisms available to address any concerns including the use of the whistle blowing hotlines, grievance mechanisms and our disciplinary committee procedures.

## Human Rights Performance Assessment

We have begun the process of reviewing our Human Rights performance based on an initial self-assessment and learning tool that enables us to understand and address our performance in this area. The findings from this assessment will assist us in determining what the human rights risks of our organisation are, what measures should be undertaken to address them and the required policy changes that we would need to employ in this regard. The assessment results and measures taken will be reported in the next progress report.

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

Oando maintains a collective agreement with the Petroleum and Natural Gas Senior Staff Association – PENGASSAN – which also forms the platform for collective bargaining. The following excerpts from the 2011/2012 collective agreement confirm our adherence to the third principle:

#### *“Rights of the Association*

*The Company and the Association recognise the principle of Freedom of Association as entrenched in Section.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.”*

#### *“Pay Increase*

*The parties hereto have agreed that for the 2011/12 Collective Agreement negotiation and future negotiations, the consolidated approach for negotiating pay increases will be used. Under this approach, any increase or decrease on pay will be negotiated for all payroll items together (i.e. gross salary) as one item rather than as individual items.*

*For the purposes of Collective Agreements, payroll items consist of the following elements:*

- *Rent*
- *Transport*
- *Annual Basic*
- *Electricity*
- *Furniture*
- *Education*
- *Leave Allowance*
- *13th month Pay*
- *Lunch*

- *Water*
- *Telephone*

*The parties hereto have agreed a pay increase of 30% covering the period of this agreement i.e. January 2011 – December 2012.”*

#### **Principle 4 - The elimination of all forms of forced and compulsory labour**

Oando maintains working hours in accordance with relevant statutory regulations, operational needs and the maintenance of effective and efficient standards of work. The following excerpts from the Staff Handbook confirm our adherence to the fourth principle:

*“Employees are required to work a minimum of forty (40) hours each week, from 8.00am to 5.00pm daily, excluding lunch breaks, Saturdays, Sundays and Public Holidays which are not compulsory work days.*

*All permanent employees are entitled to paid annual vacation within each calendar year in service.*

*To promote a positive work-life balance, employees must take a minimum of 10 working days annual leave as a prerequisite to being paid their leave allowance.*

*Each employee shall be entitled to a leave allowance of 10% of annual basic salary, which is computed tax free as per existing Nigerian tax laws. The amount is part of the annual gross salary.*

*Heads of Department and supervisors are required to ensure effective utilisation and deployment of their staff to ensure leave can be enjoyed as planned”.*

Other available forms of leave that confirm adherence with this principle include:

- *Casual & Compassionate Leave;*
- *Examination Leave;*
- *Maternity Leave;*
- *Sick Leave;*
- *Study Leave.*

#### **Principle 5 - The effective abolition of child labour**

As good corporate citizens of Nigeria, Oando PLC adheres strictly with all relevant regulatory requirements regarding labour. Therefore, the Company, its subsidiaries and Business Partners working for or on behalf of the Company are prohibited from employing any minor under the age of 16 in line with the Laws of the Federation of Nigeria.,



We continue to comply with all labour laws, and in particular, Section 27 of Nigerian Labour Act – Recruiting: Miscellaneous provisions (4), which state that:

*“No recruiter shall recruit any young person:*

*Provided that the Minister may in writing authorise the recruitment of young persons whose apparent age exceeds sixteen years with the consent of the parents or guardian for employment in an occupation appearing to the Minister not to be injurious to their moral or physical development, subject to such safeguards relating to their welfare as may be stated in the authorization.”*

The Oando Foundation also has a target to keep more children in schools rather than having them out in the communities engaging in different forms of child labour. This is achieved through the combined approach of infrastructural development, human resources development and financial support to indigent pupils in the adopted schools. The indigent children who receive such scholarships would ordinarily have been engaged in various forms of work to boost their family income if they were to have a chance of being educated. Currently, through its special projects to date, 172 indigent children have received scholarships to remain in school..

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

As good corporate citizens of Nigeria, Oando adheres strictly with all relevant regulatory requirements regarding labour principles. The Company remains 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, tribal origin, age, and disability as long as the individual is able to perform job duties safely and efficiently.

Oando remains committed to providing a workplace that values diversity and one that promotes inclusiveness:

- The Company's Exploration and Production division which is traditionally a male dominated environment, has maintained a ratio of 61:39 for Male / Female staff respectively over the last couple of years.
- In the same vein, the division has a 50:50 ratio of Male / Female operations engineers.
- In a bid to further promote gender equality, there has been a 20% increase in the percentage of women on the Oando PLC Board from 10% to 30% within the reporting period under review.



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

### **Operating Licenses and Certification**

All our facilities operate under licenses from relevant government regulatory agencies. In all cases, the company guarantees full compliance with the obligations provided by those government regulatory bodies.

Between 2009 and the time of compiling this report, the company was granted Environmental and Radiation permits to drill and operate one of our oil blocks, OPL 236 and some other key assets in our upstream and downstream operations.

In 2011, we successfully implemented the environmental management system (EMS) for our downstream and midstream operations. Their ISO 14001 certification projects are at an advanced stage. One of the objectives of our EMS is to manage the risk in our operations to as low as reasonably practicable (ALARP). This is being enforced across all our facilities.

### **Controlling Impact**

In line with best practice and in compliance with relevant regulation, we conducted Environmental Evaluation Report (EER) studies for our Apapa Terminal, Onne Terminal, Kaduna Lube Plants, Ikeja and Abuja Aviation Depots in 2011. All the EERs have Environmental Management Plans (EMPs) that provide a delivery mechanism which addresses adverse impacts and in turn, enhances facility benefits. The EMPs list the requirements to ensure effective mitigation of potential adverse impacts on the environment identified in the EERs with a clear program of actions for the maintenance of high levels of environmental protection throughout the life span of the facilities.

### **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.

We also continued to implement the Environmental Health Safety (EHS) Cases for six of our key assets: Kaduna Lube Plant, Ikeja Aviation depot, AGI installation (Gas and Power), Apapa Terminal, Onne Terminal and Abuja Aviation Depot. EHS Case is a facility-specific demonstration of EMS active in each facility attesting 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.

We also, have the following operational control mechanisms in place:

- **Training and Contractor Management.**
  - We ensure all those occupying Environmental Health Safety Security and Quality (EHSSQ) critical positions are competent.
  - We increase awareness on environmental impact of our operation
  - We entrench a safety conscious culture and reduce incidents

- **Improve upon our EHSSQ data collection analysis and system documentation.**
  - We undertake regular reporting of our EHSSQ performance to relevant regulatory authorities and stakeholders
- **Monitoring and controlling impact**
  - We regularly monitor effluent discharge to water and air emissions
  - We conduct environmental due diligence for drilling and construction activities
  - We develop and implement robust Environmental Management Plans (EMPs) for our projects and facilities.
  - We set target for reduction of spills
- **Restoration & Remediation**
  - We actively clean-up on all spills and restore all impacted areas.
- **Waste management**
  - We reduce the amount of waste we generate from our operations to as low as reasonably practicable
  - We re-use all waste that could find application in other areas of the business
  - We recycle recyclable waste
  - We replace waste; choose more environmentally friendly alternatives.
- **Ensure compliance with the relevant statutory legislation,**
  - We obtain environmental consent/ permits and licenses where applicable and comply with all permit/licenses obligations.

## **Occupational Health and Safety Performance Indices**

One of the ways in which we **keep** track of our occupational health and safety performance is by our Action Tracking System (ATS). The Action Tracking System is an electronic template that allows the EHSSQ team to monitor all EHSSQ activities and EHSSQ performance in all Oando entities. The template contains information on Hazard Identification Reports (HIRs), Fatalities, Lost Time Injuries (LTIs), accidents (including road transport accidents, oil spillage, marine accidents, etc.), near misses, unsafe acts and unsafe conditions, man hours worked, medical work cases, First Aid cases, waste management, etc. For example, in 2011, a total of 15,934 hazards were identified and reported. This allowed us to prevent accidents before they happened and create a safer work environment for our staff.

Entity	Total No. of Employees and contractors	Total lost work day cases	Injury Rate	Occupational Diseases Rate	Lost Day Rate	Absentee Rate	Fatalities
OMP	694	1	0.03	0	0.001	0	0
OGP	88	1	0.06	0	0.011	0	0
OES	398	0	0.02	0	0	0	0
OEPL	47	0	0.00	0	0	0	0
S&T	47	0	0.00	0	0	0	0
GROUP	239	0	0.00	0	0	0	0
Total	1513	2	0.11	0	0.013	0	0

*Rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities by region ((Number of injuries x 200,000)/Total number of man hours ).*

Some of the trainings/activities that the EHSSQ unit put together for staff in 2011 are contained in the tables below:

Training/Activity	No. of participants
World AIDS Day program	493
Stress Management training	141
Cervical cancer awareness	69
Shock awareness	131
General Wellness/Fitness Talk	66
First Aid Training	47
Medical check-up for drivers	868
Mandatory yearly medical check-up for staff	209
EHSSQ Week	713
Swimming Training	78

We also conducted additional training for our workers on the rigs who may not always be in a position to attend the office trainings

## Trainings on Oando Energy Services (OES) Rigs (Teamwork, Integrity & Passion)

Training/Activity	No. Of Participants
Hand And Finger Injury Prevention	94
Chicken Pox Infection	38
Hypertension	51
Hearing Conservation	98
Keeping Fit	39
Blood Pathogens	98
Stress Management	54
Fall Protection	21
Elementary First Aid	7
Erectile Dysfunction	104
Epileptic Seizures – First Aid	65
Malaria Awareness & Control	58
Work – Life - Balance	67

Education, training, counseling, prevention, and risk-control programmes have also been put in place to assist workforce members, their families, or community members regarding serious diseases.

## Security

- The success of our business in Nigeria is hinged on a safe and secure working environment. This applies to our employees, contractors and other stakeholders, such as local communities and partner organizations. In this respect, Oando aims to minimize the risk to its business, physical assets, employees and other stakeholders. The majority of our security personnel are third party staff. Part of the critical element of the technical evaluation process in the selection of security service providers include the availability of a training school, library and training instructors, frequency of retraining of security personnel, the quality of training programmes and the ongoing assessment criteria that third party personnel undergo, availability of patrol vehicles, control room and security apparatus.

We have also put in place the following additional measures:

- A corporate security policy and plan for enhanced security management system was launched.
- 40% of security personnel contracted to us have received formal training on the organization's policies/specific procedures for human rights issues and their application to security. Most of the security personnel trained are those present in the Head Office and Apapa terminal. Due to the complexity of our operations vis-a-vis our widespread presence in Nigeria, centralized training of all security personnel is sometimes not achievable especially for those in remote areas. the Security unit is currently working out logistics arrangements on how to integrate the other security personnel who work in remote areas in subsequent training plans.
- 187 third party security staff were trained in 2011.

### **Environment, Health and Safety EHS Day**

In order to create time and a forum for face-to-face safety dialogue between the company's top executives and all staff, including frontline workers, on environmental and safety challenges, the company instituted an annual safety day. The 2011 edition of the EHS day was centered on "Occupational health: Imperative for business excellence". This was aimed at driving positive safety culture across the organization and creating awareness on occupational health sustainability for present and future operations.

EHS activities within the company in 2011 were largely driven by 2 (two) core objectives for the year:

- Enhanced EHSSQ awareness, with emphasis on employees health ---fitness and wellness (work life balance) including compulsory medical fitness test for all staff;
- World Class Quality Standards (Deliver ISO-9001 Certification across the Oando Group)

### **Environment, Health and Safety EHS Performance**

In 2011, Oando achieved zero fatality in all its facilities and the EHSSQ department made significant progress in boosting awareness campaigns and trainings for staff. In particular, health awareness was increased as evident in activities carried out during our EHSSQ Week and World Aids Day programs. EHS management system audits were conducted in line with our EHSSQ business plan for the year.

All the certified ISO 9001:2008 entities retained their certification while a gap analysis was conducted for Oando Energy Services. With these ISO certifications, Oando has demonstrated its ability to remain customer focused as well as its commitment to meeting the quality needs of its customers. With the Quality Management Systems in place in the various entities, accidents, errors and re-works were greatly reduced, while

operational efficiency and effectiveness - with a customer-focus orientation - were enhanced.

**Principle 8: Undertake initiatives to promote greater environmental responsibility.**

In 2011, Oando continued its implementation of initiatives to further improve its Environment, Health, Safety, Security and Quality (EHSSQ) Management System and sustain gains made in previous years.

Our 2011 key achievements included the following:

- Organized and managed a successful EHS Week, which extended to Togo and Ghana facilities.
- Organized and managed a successful World Aids Day Commemoration, which extended to a wider audience & increased number of locations.
- Facilitated the deployment of specialized EHS Management System Monitoring Tools across entities (e.g. Project Contractor Management tracker at Oando Marketing PLC (OMP), Action Dashboard Tracker at Oando Gas and Power).
- Commenced Annual Medical Screening for all Staff and conducted free Health Screening for OMP Drivers/Transporters.
- Conducted EHS management system audits, Management Facility Inspection and follow up audits.
- Established the Oando Security Control Room to manage security information and send security alerts to staff. .
- Carried out Environmental Evaluation Reports (EERs) for most of our service stations.
- Secured a Memorandum of Understanding with Oil Block OML 90 host community – Ogulagha kingdom.
- Facilitated the public hearing for Akepo Oil Block OML 90 Pipeline Right of Way at Asaba.
- Retained the ISO 9001:2008 certificates for Oando entities
- Commencement of process for ISO 14001 and OHSAS 18001 certification

**Principle 9: Encourage the development and diffusion of environmentally friendly technologies.**

**Environmental and Technological Development**

In 2011 Oando PLC received an award for Overall Safety Achievement from the Central Emergency Medical Clearing House (CEMCH) in conjunction with the National Emergency Management Agency (NEMA) and Institute of Disaster, Safety and Security Management in Nigeria. The award was in recognition of the Company's achievement and contribution to safety management in Nigeria.

**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. We work closely

with both federal and state agencies to develop effective and workable policy frameworks aimed at reducing negative environmental impacts.

Oando PLC supported the Global Fund's World Bank Malaria Global Strategy and Booster Program, which is a 5-year plan with a 3-year intensive phase to support Malaria Control activities in countries suffering a heavy burden of the disease by donating ₦2,000,000.00 (Two million naira) worth of Oando Insecticide to the Nigeria Malaria Programme to commemorate the 4<sup>th</sup> World Malaria Day (WMD), which was held in Abuja, on 3<sup>rd</sup> May, 2011.

### **.Process Improvement**

The company has over the years identified effective project risk 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 on in the project life-cycle. In 2009, the company standardized and overhauled its Permit-To-Work (PTW) system across the group. We consolidated and sustained the gains of this exercise as evident in our 2011 safety performance.

Hazard and Effect Management Process (HEMP) was equally standardized across the group to establish a firm grip on hazard control and mitigation mechanism. With this, hazards and threats to environment and people are proactively identified, controlled and safety of lives and property ensured. 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

### **Climate Change**

From 2006, concerns about man-induced climate change reached new heights in many countries – even though Africa's contribution to Green-House-Gases (GHG) is negligible. An appealing report on "The economics of climate change and development" by Sir Nicholas Stern, Head of Government and Economic Services and Adviser to UK government on climate change, highlighted the financial risk to the global economy by failing to address the climate change threat. Calling climate change "the greatest market failure the world has ever seen" it appealed to strong, international and coordinated government policies to encourage GHG reductions. Following closely in 2007, the scientists of the United Nations intergovernmental panel on climate change reconfirmed the scientific consensus – now with more than 90% certainty – that more serious impact man-made climate change is imminent.

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

We continue to engage the Government on this issue. Oando is a member of the National Oil Spill Detection Response Agency subcommittee (NOSDRA) set up to work out the modality of combating oil spill and pipeline vandalism in Nigeria. We are also working with the Directorate of Petroleum Resources in Nigeria to review key policy documents in relation to environmental management. For four years running -



precisely since 2007 (till date) - the company has been co-sponsoring the Lagos State AKO-EKO Environmental Summit.

At the recently concluded Rio+20 Corporate Sustainability Forum, our company subsidiary – Oando Marketing Plc – participated in several sessions and made presentations on our LPG sustainability initiative with potential benefits in the economic, social and environmental arenas.

## **NEW INITIATIVES**

In our bid to promote a sustainable environment, we introduced the O-Gas project, a 3kg gas cooking stove; a convenient cooking tool, in 2011. Through this initiative, we aim to make Liquefied Petroleum Gas LPG available to the mass populace both in the urban and rural areas to discourage the use of firewood.

Our Gas and Power division also commissioned a 120km gas pipeline in South-Eastern Nigerian. The pipeline will supply natural gas, a cleaner energy source to industrial customers. This is part of our contribution to the government's initiative of reducing the country's carbon footprint through the provision of a cleaner energy source and reduction of gas flaring.

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.

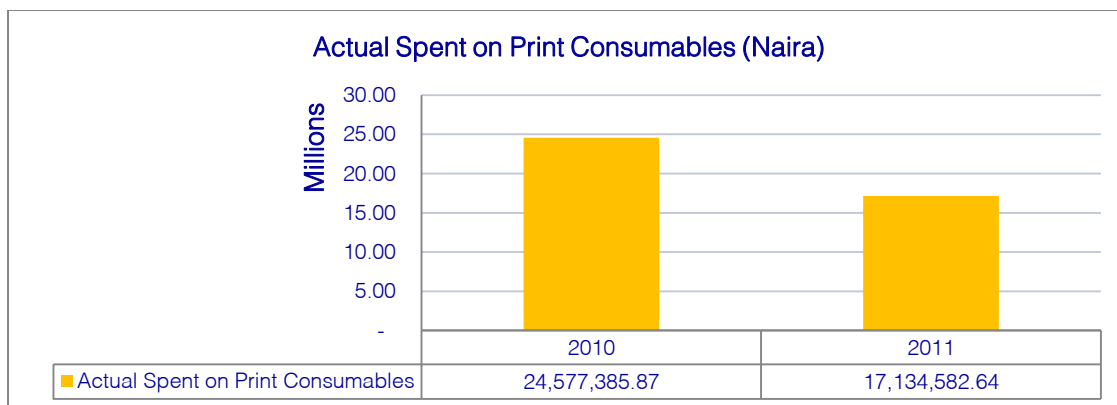
## **Consumption of Energy, Materials and Natural Resources**

### **Paperless Office Policy**

Oando continues to operate a paperless office policy with significant improvement and success recorded in its implementation across the group that saw drastic reduction in the amount of prints viz-a-viz waste papers. All working documents and archives are kept on our enterprise systems portal called SharePoint. This initiative, apart from boosting our document management system, has a broader effect in it's attempt to reduce paper usage/wastage which in turn has a positive effect on ecological preservation.

### **How are we doing?**

The graph below shows a decrease in print consumables spending in 2011 compared to 2010. Oando spent ₦7.4M (30%) more on print consumables in 2010 compared to 2011. These savings indicate that fewer materials (paper, toners etc.) were bought reducing the amount of resulting waste in an effort to save the environment. A new printing system “Print Smart” is being introduced in 2012 in an effort to further control printing and minimize print consumables spending.



## Emission to Air and Discharge into Water

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

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 bi-weekly 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 2011, over 97% of all the parameters monitored were within the Department of Petroleum Resources' (DPR) specified limit. Where the parameters exceed recommended limits, measures are put in place to comply with the specifications immediately or to introduce changes to operations.

## Spills

The company maintained its level of excellence during the year with regards to spills. Compared to 2010, there was a 24.3% drop in the volume spilled in 2011. Total volume spilled in 2010 was 119,002 litres while that of 2011 was 90,077 litres.

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

## Commitment

"Africa is evolving. Democracy is spreading amongst the continent. Good Governance is increasing. Corruption is certainly on a major downturn. It's just not fashionable any longer"

Wale Tinubu , Group Chief Executive, Oando PLC ( CNN – African Voices Nov. 2010)

Oando continues to strive towards fostering a zero-tolerance culture for corruption in all its business activities, among employees and with third parties. This target is encapsulated in the staff handbook as excerpted below:

## “Bribery & Corruption

Oando, its employees, officers and directors shall comply with local and international laws relating to bribery and corruption in all dealings; in particular, Oando, its employees, officers and directors shall comply with the provisions of the Advance Fee Fraud, and other Fraud Related offences Act Cap A6 LFN 2004, Corrupt Practices and Other Related Offences Act Cap C31 LFN 2004; and the Money Laundering Act Cap M18 LFN 2004 and the UK Bribery Act 2010 which came into force on the 1st of July 2011.”

Furthermore, Oando has actively encouraged integrity through the formulation and administration of various policies and initiatives.

Below are some of the practical actions taken by the Company:

- Enforcing the following guiding policies for employees and other stakeholders:
  - **Oando Business Conduct and Ethics Code** – Employees, Directors and business partners have been trained to understand and implement the Code as the guiding principles for all transactions relating to the Company.
  - **Oando’s Gifts and Benefits Policy** – The practice of gift declarations is fast becoming a culture as employees immediately declare gifts received from business partners. It was observed however, that there was a 30% decrease in the declarations for 2011 (419) from those of 2010 (597). This could be an indication that the business partners are also imbibing the culture of not giving gifts to Company employees towards the full implementation of our target “no, thank you” gifts culture shared during trainings.
  - **Policies on related party transactions** – There was a 76% increase in the number of related party transactions in 2011 following enlightenment campaigns through training sessions.
  - **Whistle blowing policy** – The use of the whistle-blowing hotline (the highly confidential hotline externally managed by an independent third party organization) witnessed a 50% increase from 2010 to 2011.
- Introducing further guiding policies for employees and other stakeholders:
  - **Oando Anti – Corruption Policy** – Oando introduced the Anti – Corruption Policy in line with the global campaign and as an expression of the Company’s position in the fight against corruption; to counter the risk to the business of Oando; to create and ensure a level playing field with fair competitiveness in the Company’s business dealings and to continue to enhance public trust and confidence in the Company.
  - The Policy is applicable to all of the Company’s activities and operations (Commercial or otherwise) and must be adhered to by all directors, managers, employees and Business Partners of Oando. All of whom are required to report any violation of the Policy.
- Organizing mandatory trainings on;

- The Code of Business Conduct & Ethics; and,
  - Other compliance issues for employees, directors and other stakeholders. In line with international best practices the Company conducted a 2day Induction Programme on 24th-25th February 2011 for the newly appointed directors of Oando Marketing PLC. The new directors were educated on the group wide activities of the Company and its subsidiaries, as well as their responsibility under the Code of Business Conduct & Ethics, company policies and relevant laws/regulations in Nigeria and South Africa. The Office also co-facilitated a 1 day intensive training with MIS Training Institute (A division of Euromoney Training Limited) on **Enterprise Risk Management** on 21st February 2011 for all directors group wide.
- Periodic reviews and relevant amendments of the company's policies to ensure compliance and continued effectiveness in the face of new realities.
- Introduction of strict boiler plate anti-bribery and corruption provisions to be included in all contracts generated by the company;
  - Inclusion of the principles of UNGC (Ten principles) and the OECD (Convention on combating bribery of foreign public officials in International business transactions) as appendices in the reviewed Oando Staff Policy Manual (staff handbook\*)
- Constant communication on compliance and ethics related issues to employees, business partners and other stakeholders, through various media, to foster awareness of the essence and importance of compliance and ethics to every aspect of Oando's operations and stakeholder involvement. e.g.
- Publishing of a monthly bulletin on ethical issues (Ethics Watch); and
  - Conducting an annual online recertification exercise of all employees and business partners on the Code of Business Conduct & Ethics to guarantee continued awareness of the collective responsibility of all stakeholders to the actualization of the company's aim.
  - During our training sessions with business partners, we inform them that we are participants of the United Nations Global Compact and that this informs some of our sustainability best practices.

There are 26 Compliance Champions (torch bearers) in different operational locations, who report to the compliance office at headquarters on a monthly basis. The main responsibility of the torch bearers is to be the face of compliance in their different locations. They spot and report unethical issues in their areas of influence.

They also communicate and assist in educating members of staff on the Company's policies.

- The Governance Office coordinated the first Compliance Week on 5th to 9th December, 2011 with the theme "Compliance....a way of life!"
- The Compliance Week culminated in the commemoration of the 10th International Anti-Corruption Day on December 9, 2011. The event was marked with the inaugural Compliance Forum attended by all stakeholders of the Company at which presentations were delivered by both local and international speakers.

The Group Chief Executive in his address to staff at the forum reiterated the need for Oando as a corporate entity and its employees to enshrine good corporate governance and compliance in our everyday operations.

The Head, Anti-Corruption and Transparency from the Global Compact Office New York – Mrs. Olajobi Makinwa – facilitated an interesting session on the recent global developments in the fight against corruption during the forum. Stakeholders had the opportunity to ask questions and receive answers on the various issues relating to anti-corruption during this session.

- Restructuring the Corporate Secretariat and Compliance office (the Governance Office) to ensure good governance in all the areas of the company's operations. Increased its staff strength and expanded the team to enable effective administration and monitoring of all requirements to achieve the company's objective. The introduction of the Ethics Relationship Officer role where individual staff of the Governance Office are responsible for a business entity has also boosted the confidence of employees in the office and developed a trusting relationship that facilitates proactive approach to ethical dilemmas.
- Introducing the Oando Due Diligence Process for engaging Business Partners. The process enables to diligently investigate and confirm the authenticity or otherwise of a prospective Business Partner's existence and assertions prior to contract execution. This has gradually been entrenched into the operations. Business Development personnel and the procurement team now understand and communicate this requirement to potential business partners.
- Improvements on the Company's Oracle software in line with Enterprise Resource Planning to put tighter controls in place (with relation to procurement processes). The Board of Directors approves the annual risk-based audit plan with identified controls. The Risk and Controls department is responsible for reviewing these controls in phases on a quarterly basis and the results are appraised by management with recommendations put before the Board for policy improvements (where applicable) A number of policies aimed at fraud prevention have been born out of this process control improvement cycle, for example, employees are no longer able to raise requisitions for retrospective

transactions. Furthermore, the Company cannot be bound in a transaction without a Purchase Order. We have a documented tender process and before the selection of vendors, the tender board which includes a representative of the Governance Office meet to evaluate both the commercial and technical submissions of the vendors. The main role of the Governance Officer on the tender board is to ensure that vendors are selected strictly on the basis of the ability to deliver/perform the goods or service.

Furthermore, the Risk & Control department continuously reviews the internal processes of all entities including expensing and invoicing guidelines. In 2011 a review of the key internal processes was done across board. The procurement procedure is constantly reviewed to ensure that the checks and balances are still adequate in the light of changing business realities. The last review was carried out in June 2012.

### **Planned Activities for 2012.**

Some of the training plans for 2012 are:

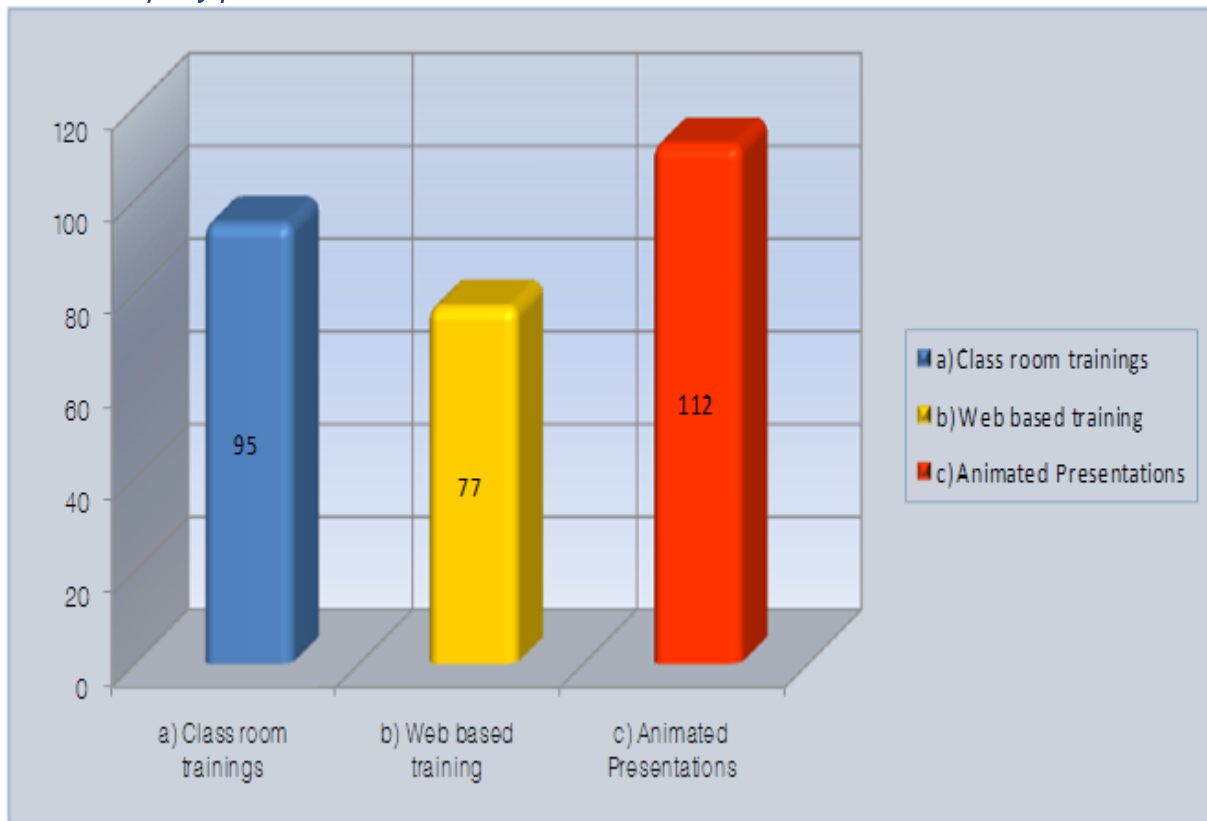
- Company-wide training on the Company's Code of Conduct and Business Ethics (the Code). All staff and directors of across Africa were trained, certified and re-certified using a web based training
- Training of newly appointed Directors on the Code, the anti – corruption policy, the whistle blowing policy and the Company's gift policy.
- Recertification of existing Directors on the Code (to reinforce the commitment of complying with the provisions of the Code)
- Planned training for Business Partners on the Code and other policies (to enlighten and train them on the importance of adhering to the Company's policies and standards.)
- Planned training for staff in positions / functions that are sensitive and more vulnerable to corruption (On how to combat fraud, bribery and other corrupt practices).
- Plans to publish reports on investigations and outcomes of incidents reported to the Compliance Office.
- Developing a robust compliance and ethics reporting matrix to enable proper tracking of compliance related issues.

### **Performance**

The Compliance Office conducted a survey in the year 2011 to gauge the level of effectiveness and employees' satisfaction with its policies. The survey included questions on the level of ease of understanding of the policies, whether the policies were in tune with business realities, level of awareness of the Company's compliance policies and the effectiveness of the Code.

The two sample response charts below generally reflect the extent of employee understanding of the Company Policies as well as employee suggestions on effective ways to educate on company policies.

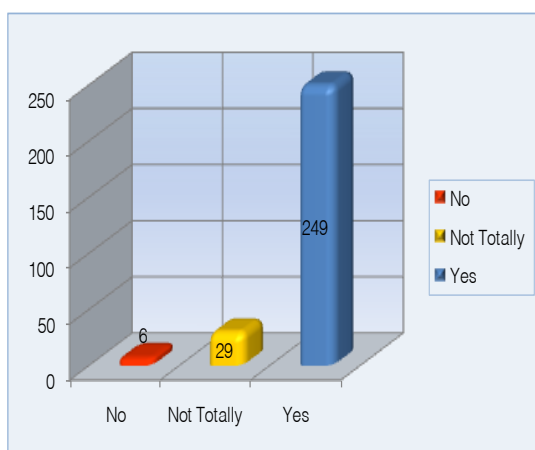
*"The Compliance Office has an obligation to sensitize and educate all employees on the provisions of the Code and all company policies. Which mode would you prefer to be educated on the company policies?"*



Other suggested modes include:

- Charts, Posters & flyers
- Computer Based Training (CBT)
- Email manuals
- Compliance Officers making rounds within the organisation
- Periodic seminars, retreats & Coaching of Compliance champions
- Publication of newsletters & emails
- Sending regular emails
- Utilizing a "Did you know" link via the intranet.

Do you understand the policies?





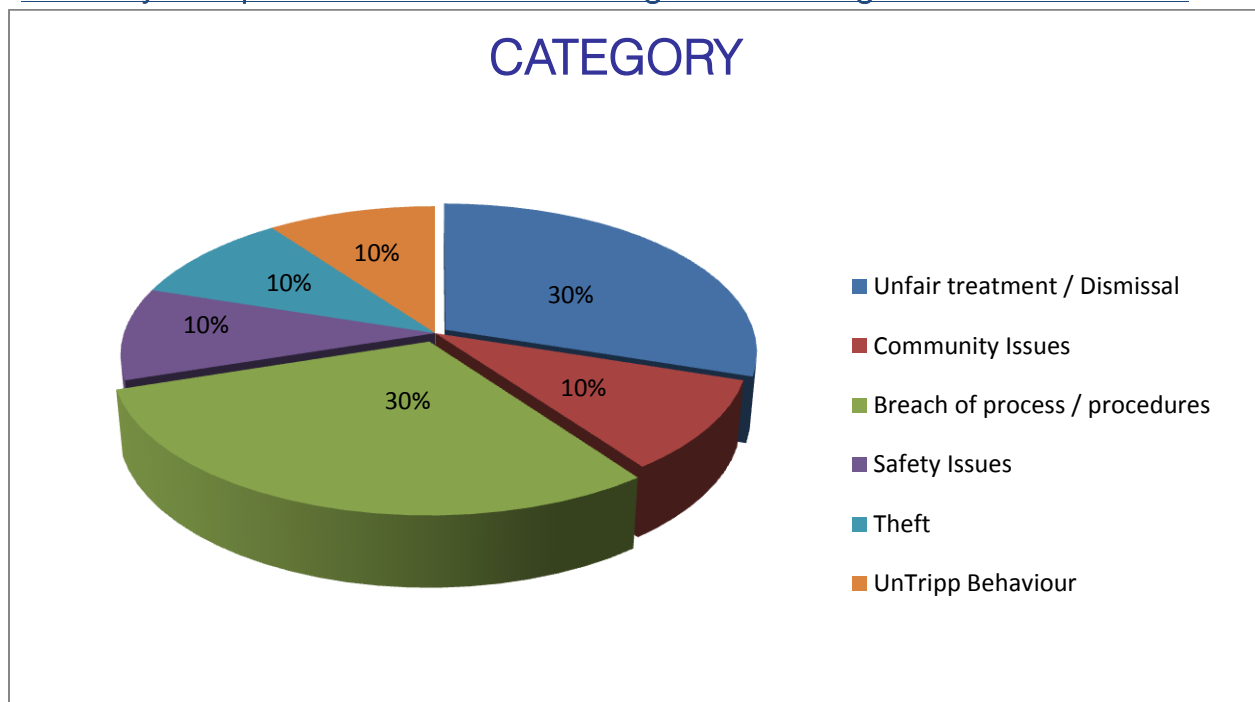
Subsequent to the survey, the Compliance Office involved employees in the review of one of its policies, and incorporated some of the provisions in the revised policy. This has helped to create some level of ownership in employees and a gradual change in the perception from compliance as a clog in the wheel of progress to compliance as a factor for sustainable growth.

The Company has set up various avenues for employees to report grievances and escalate issues affecting them and the Company.

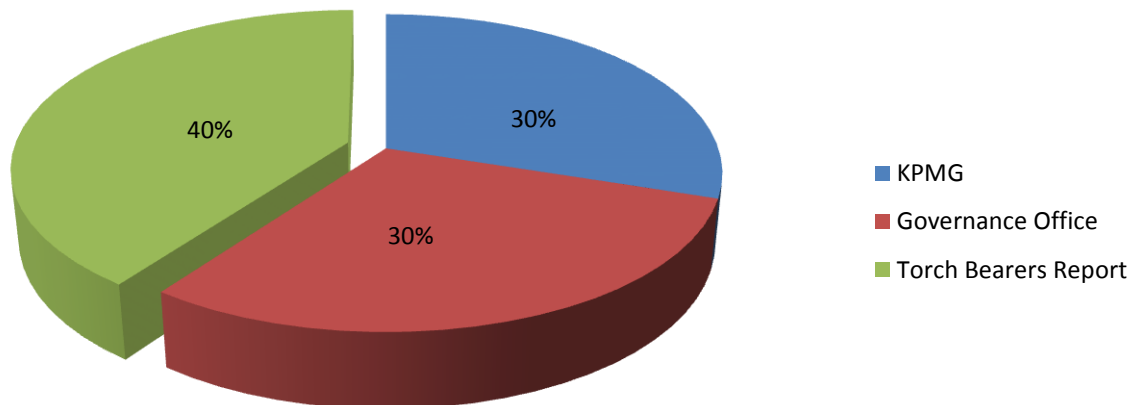
Some of the available media are:

- Visits, calls or emails to members of the Governance Office;
- Logging of issues through the independently administered Ethics hotline; and
- Escalation of issues through the appointed Torch Bearers (Compliance Champions).

#### Summary of Reports in 2011 received through the various grievance mechanisms



## MEDIUM EMPLOYED



Our Business partners have in various forums continued to commend the Company on its good corporate governance drive, and the various initiatives being put in place by the Company to ensure good ethical relationship in all its business dealings.

### Conclusion

In our drive towards ensuring good corporate governance and sustainable best practice in our spheres of operation, we at Oando will continuously improve and entrench the 10 principles of the UNGC in our business operations and organizational culture.

Stakeholders will be able to access this report on the company's website.