



Oando PLC



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

We welcome feedback on its contents.

The Sustainability Journey so far.

The period since our last report has proved quite interesting with a varied mix of challenges, opportunities, difficulties and learning; particularly given our peculiar operating environment. The Board of the company, in determining the corporate strategy for the year agreed that business sustainability was of paramount consideration in light of recent global and local trends. Thus, our 2012 corporate objectives focused on the following five major areas with direct links to business sustainability;

The company recognizes that our **People** are to our business sustainability and performance is improved in an environment of mutual respect for the human and labour rights of all employees. Investments were therefore targeted at developing our people to build competencies and sustain optimal performance.

The **Environment, Health, Safety, Security & Quality** are at the core of our business strategy such that consideration for the protection of the environment, maintaining the ecosystems and biodiversity in all areas of our operation, the health, safety, security of our personnel at all locations and the quality of all products and services we provide through our supply chain and business partners to our customers have remained major priorities across all our operations.

Cost Optimization has become a necessity in the wake of the recent global financial downturn. Given the aggressive growth plans of the company, and the capital required to support this growth, funds must be expended on projects/acquisitions that provide maximum value for all stakeholders in a sustainable manner.

Compliance with our regulatory obligations (the Group is listed on the Nigerian Stock Exchange – NSE, the Johannesburg Stock Exchange – the JSE, and the listing of our subsidiary on Toronto Stock Exchange – TSX), developing appropriate governance structures with relevant policies and procedure in keeping with best practices is definitely a continuous priority for the organization. However, beyond regulatory compliance, the company is also involved with local and international organizations that promote the implementation of the principles of sustainability and ethical practices undergirding our passionate belief that there is value in doing things right.

Effective Execution of projects and operations begin with proper planning and continue with adequate project management throughout the life cycle of our projects to avoid costly project overruns and late delivery of assets and returns on investment.

2012 was a challenging year, but despite all the challenges and difficulties faced, the company forged ahead and even developed unique solutions and mechanisms to manage our challenges while delivering value to all our stakeholders, proving right the choice of our strategic focus areas.

Our communication on progress comes to demonstrate the advancements we have made since the last report in 2011 and highlight some of our goals and objectives for the coming year. However notable among our achievements for the year were those that justified our stance on sustainability.

Earlier in the year, the government's attempts to fully deregulate the petroleum marketing sector with the removal of the subsidy on refined petroleum products resulted in negative reactions from the Nigerian people. This later led to the House of Representatives probe of the deterioration of the petroleum subsidy scheme. The company was however able to properly account for our lawful participation in the scheme, with valid evidence that put to rest all attempts to cast aspersions on the professional conduct of our business.

The 124km East Horizon Gas Company – EHGC – gas pipeline project was also formally launched within the period under review. This is a significant achievement for us particularly in promoting sustainable development because it was on this project that the company's Community Relations strategy **"POWERS"** (which stands for **Partnership, Ownership, Win-Win, Empowerment, Respect and Sustainable development**) was developed from the lessons learnt. POWERS has since been adopted as the stakeholder management guide for all the entities in the group.

Another noteworthy achievement for us was the listing of our Exploration and Production division – Oando Energy Resources – on the Toronto Stock Exchange. As the first wholly-owned Nigerian indigenous company to achieve this, we realize that this could not have been possible without having the right governance structure in place, adhering to an ethical code of business code of conduct, compliance with regulatory obligations and promoting transactional transparency in our processes.

These and many more reasons make it clear to us that there are business benefits to be derived from adherence to the principles of sustainability as captured in the 10 principles of the United Nations Global Compact. Most times, the benefits are in the longer term; however, our experience has shown that there are some benefits in the short term as well.

In addition, the principles provide assurances for the continuity of our business operations for future generations. We realize therefore, that having the right focus on sustainability issues and integrating them fully into our projects and operations from planning, decision-making and development, to implementation and execution at all of our locations and with all of our people will set us apart as sustainability leaders globally.

The global business economy is gradually placing increased emphasis on environmental, economic and social issues of sustainability, so much so that there is a direct implication that a good sustainability performance equals good business overall.

We therefore remain committed to the principles of business sustainability through our participation in the United Nations Global Compact and commit to continuing this journey of business sustainability until the benefits of adherence to the principles and practice of sustainability become apparent to all our stakeholders and the world at large.

J. A. Tinubu
Group Chief Executive
Oando PLC

Company Overview

Oando PLC is one of Africa's largest integrated energy solutions providers with a proud heritage. The company has operations spanning the entire energy value chain spread across West Africa. We are on a mission to be *the leading integrated energy solutions provider* and our vision is to be *the premier company driven by excellence*.

The company has a primary listing on the Nigerian Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. With shared values of Teamwork, Respect, Integrity, Passion and Professionalism (TRIPP), the Oando Group operates in the following sub-sectors of the oil and gas industry through the following subsidiaries:

Upstream – Oando Energy Services & Oando Energy Resources

Midstream – Oando Gas & Power

Downstream – Oando Marketing, Oando Supply & Trading and Oando Terminalling

For more information on the company, please visit our website www.oandopl.com

Scope of the Report

This Communication on Progress is based on the actions, events and activities occurring within the period from January 1, to December 31, 2012.

MEASURES AND ACTIONS UNDERTAKEN AND THE CORRESPONDING OUTCOMES

Section 1 - Human Rights

Principle 1: Business should support and respect the protection of internationally proclaimed Human Rights

Principle 2: Business should ensure that our own operations are not complicit in human rights abuses

Stakeholders Identified

Employees, Communities in the company's areas of operation, Customers and Business Partners

Everyone has the Right to Education

As was reported in the preceding year, Oando recognizes the "Right to education" under the 26th Article of the Universal Declaration of Human Rights (UDHR) and works through the Oando Foundation to provide this right to children in the areas of the company's operations who would typically be out of school either for lack of resources or for the lack of appropriate learning environment. The Oando Foundation is the independent social investment vehicle that channels the Group's efforts to empower local communities, support the government in realizing its developmental goals on education and fulfill its corporate obligations through the 'Adopt-a-school' programme. It has been the vehicle employed by the company to provide qualitative and quantitative education to children across the nation in our various operational locations

The goals 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 the school management process;
- Create a pool of Oando Scholars through scholarships to support academically gifted students with limited financial resources.

Within the reporting year, the Oando Foundation

- Engaged in Community Based Renovation (CBR) of 3 of the adopted schools instead of employing the previous direct contractor engagement model. The CBR involves working directly with the local community through the School Based Management Committees (SBMCs) to identify contractors to undertake

the renovations. This resulted in 35% savings from the cost of renovations of the 3 pilot schools in the revised renovation strategy. This model not only gets the schools renovated, it also ensures that the host communities take ownership of the project and enhances its sustainability;

- Awarded scholarships to 225 (two hundred and twenty five) pupils from Oando's adopted schools. The scholarships will see the awardees sponsored throughout their secondary education based on their performance;
- Established partnerships with 5 (five) non-governmental organizations to effectively implement and administer the Oando Scholars Programme across 8 (eight) states of the Federation;
- Launched the Employees Volunteer Programme (EVP) on World Volunteer Day. This skill-based volunteer programme provides a structured platform for employees to give time and talent to create positive change and uplift the local communities they live and work in;
- Appointed the Chairman and Board of Trustees for Oando Foundation Nigeria;
- Appointed a Board of Trustees for the Oando Foundation registered in the UK.

The Oando Foundation received the Lagos State Ministry of Education “**Corporate Social Responsibility Award**” in January 2012 for its efforts at supporting the development of education in the state.

Employee Rights

The Human Rights Performance Assessment intended to be conducted in 2012 was not completed. The assessment will be performed and data on the assessment will be reported at a later date. However, the company maintains its stance on employee rights as outlined in the staff handbook in Section 2 No. 11 (Pages 34 – 35);

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.

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.

Acts of Harassment shall be treated on a case-by-case basis and will attract the required disciplinary measures if proven.

All acts of harassment shall be reported to the HR Business Partner through an officially documented complaint by the employee that has experienced harassment.

The HR Business Partner will institute an independent investigation into such an allegation after which appropriate decisions shall be taken and disciplinary measures instituted as appropriate.

Harassment may warrant a summary dismissal.

Allegations of harassment are very serious, and any employee found to make an untrue claim of having been harassed shall himself/herself be subject to serious disciplinary action up to summary dismissal

Any violation of an employee's human rights is a matter of great importance and whenever the company becomes aware of it, it is investigated thoroughly and acted upon. In April 2012, the case of the violation of an employee's employment rights was reported to the Chief Compliance Officer. Investigations were carried out and it was concluded that the employee had been wrongfully terminated from the company by his superior. The employee was reinstated to his position and the appropriate sanction for his original offence was applied instead. This case further highlighted the need to educate managers regarding the appropriate sanctions for breaches of company procedures and policies leading to a subsequent review and publication of a revised Offences and Sanctions memo.

Stakeholder Engagement as a Human Rights Tool

The company engaged its various stakeholders in various forms over the past year to provide them a voice in decision-making through an expression of their concerns, complaints, comments or views. A number of these engagements provided the company with valuable insight which it utilized in handling the specific situations under consideration. Some of the engagements mechanisms are listed below:

Employee Engagement

The company engaged its employees through such means as surveys, questionnaires, town halls and focus groups. A total of 18 (eighteen) employee surveys were conducted to seek the views of members of staff on certain services, facilities and procedures in the company. Other means of engagement include emails, newsletters,

bulletins, group meetings, desktop wallpapers, group/unit meetings and the intranet. Employees were able to voice their opinions which resulted in changes of some practices within the company. This improves the perception of ownership of the company by employees and directly improves their contributions to the growth of the company.

Community Engagements

In the wake of the disturbances of by host communities of the Exploration and Production operations, the importance of community engagement cannot be overstated. In a number of cases, it has been proven communities become hostile and attack oil and pipeline installations where they are ignored or not involved in the activities of the company that affect their communities and lives. Oando has community relations departments within its various operating subsidiaries and their function is to engage the communities in their various locations where projects are ongoing. We are committed to engaging with community stakeholders to ensure that we are listening to, learning from and taking into account their views as we conduct our business.

Most entities hold quarterly meetings with their community stakeholders, however, where there are disputes to be resolved, or at the start of new projects, the meeting frequency is usually increased to adequately and proactively manage the community's concerns. These meeting are generally in-person meetings and are useful for:

- i. Stakeholder Consultations and Social Impact Reports
- ii. Dispute Resolution
- iii. Information dissemination

An interesting result of the community engagement strategy of Oando PLC is the development POWERS (Partnership, Ownership, Win-Win, Empowerment, Respect & Sustainable development). It was developed during the East Horizon Gas Pipeline construction phase and has become the internal guide for managing community related engagements on all company projects.

Oando Community Relations Strategy - POWERS

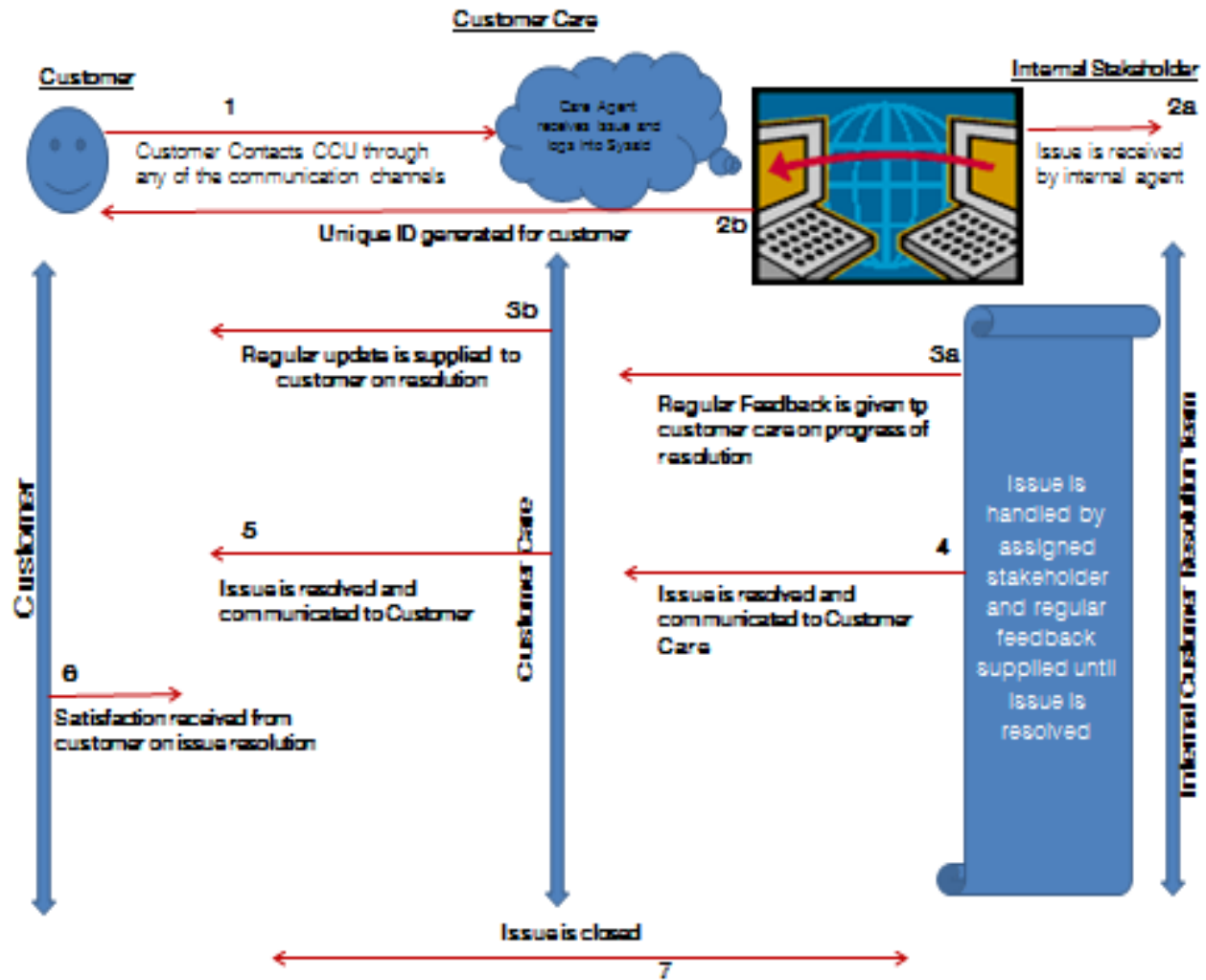


Oando

| | | |
|---------------------------------------|---|--|
| P ARTNERSHIP | Have strategic partnership relationship with our stakeholders to build a long lasting mutual relationship. |  |
| O WNERSHIP | Make our stakeholders see themselves as part of the owners of our project. This way they will cherish and protect the facilities within their locality. |  |
| W IN - WIN | Proactive in use of dialogue to handle and resolve concerns and disagreements with our stakeholders. |  |
| E MPOWERMENT | Provide our stakeholders with various empowerment programs which will go a long way in building trust and mitigating the prevailing restiveness and unemployment particularly among the youth |  |
| R ESPECT | Respect the culture of host communities and relate it to the company's core values. |  |
| S USTAINABLE DEVELOPMENT | Collaborate with our stakeholders to initiate and implement Sustainable Community Development (SCD) programs/projects. |  |

Customer Engagements

At Oando, established systems by which customer engagements are managed including media publications, seminars and customer forums. There are also confidential mechanisms provided to customers for reporting any type of complaint including unethical conduct, product/service issue or an infringement of their rights. A typical customer engagement sequence by the Marketing business is shown in the diagram below:



Section 2 - Labour

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

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

Principle 5: Businesses should uphold the effective abolition of child labour; and

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Stakeholders Identified

Employees, Government, Business Partners and Supply Chain – Customers, Suppliers,

Freedom of Association and Collective Bargaining

At Oando the right of employees to form and join a trade union of their choice without fear of intimidation or reprisal, in accordance with national law has been the practice. The opportunity to dialogue with the elected employee representatives oftentimes proves to be a useful mechanism for decision-making and conflict resolution which benefits the enterprise and society at large.

During the period, the company negotiated new Collective Bargaining Agreements with the Petroleum & Natural Gas Senior Staff Association – PENGASSAN – to which the majority of senior staff (over 65% belong).

The agreements reached for the 2013/2014 is a 22% increase for all union employees of the company plus other benefits. It was signed recently (2013) and will be reported fully in the 2013 COP.

The agreements reached between management and the company employees would ensure a peaceful working environment for all and greater productivity as the company sees it fit to increase workers' pay in consideration of inflationary rise in the country and to reward employees for their vital part in the company's success.

Elimination of Forced & Compulsory Labour

Labour is considered as 'forced' when an employee has been coerced or mandated to work under the threat of a penalty for not doing what is requested by the employers. It could also be compelling the individual to work against their will; without their voluntary intention to do so.

The company is mindful of the fact that if employees are forced or coerced to work, their productivity would be affected and business sustainability jeopardized because as soon as an 'escape route' is found, the business would be sure to lose those

employees and if they are 'key' to the company's operations, business sustainability will be disrupted.

Oando has therefore taken great care to promote the maintenance of a work-life balance for our employees. We do this by:

- i. Providing time off work for staff in accordance with the company's policies by way of annual leave, maternity leave, study leave, compassionate leave etc.
- ii. Providing incentives for staff to take the bulk of their leave on time – leave allowance is only paid when employees take a minimum of 10 days off work.
- iii. Create and implement flexible working arrangements with staff to enable them balance work and family commitments
- iv. Running a free staff bus scheme around core working hours 8.00am – 5.00pm to encourage staff to leave work early.

This is based on our understanding that an employee that is not 'stressed out' would generally be healthier, require less sick time off and consequently be more productive.

The Oando Meetings Protocol

Recently, the company published its "Meetings Protocol" focused on highlighting the rights of an employee with regard to business meetings to ensure that the adequate respect is accorded to the time invested in meetings attended by the employee and employees are not required to attend meetings outside of core working hours. It educates employees of their rights and what actions they can take when invited to improperly organized, time-wasting meetings that have no clear focus or objective particularly when such meetings are scheduled to run after core working hours. The meetings protocol promotes preparation, punctuality, participation at meetings, positive input from participants, productive discussions, politeness, proactivity and professionalism.

This has improved the overall organization of meetings within the organization and there is greater value for time spent at meetings.

Additionally, employees are able to maintain a work-life balance by leaving the office premises at the official closing time with fewer meetings – only those that are exigent to the business – being held after the official working hours.

The Effective Abolition of Child Labour

As was reported in our 2011 COP, we are good corporate citizens and adhere to all the laws of the Federation of Nigeria including the Labour laws that prohibit the employment of minors under the age of 16. The hiring process ensures that adequate

checks are done to confirm the particulars submitted by the applicants before their engagement as employees of the company.

Furthermore, we have, through the Oando Foundation, worked to keep more children in school. This is based on the observation that child labour is typically engaged in by children from indigent backgrounds either seeking to fund their education (which they cannot properly attend to if they also have to work and often times completely abandon), to support their families or both in most cases.

The Foundation therefore provides the necessary scholarships to keep some children in schools across the country; particularly those children living in (but not limited to) areas of the company's operations.

In 2012, an additional 225 pupils from Oando's adopted schools were awarded scholarships to continue their education (172 were awarded in 2011). Essentially, Oando has kept these children off the streets by providing them with resources to continue their education.

Elimination of Discrimination in Respect of Employment and Occupation

Oando is an equal opportunities employer that seeks to recruit and retain the best employees on a system based on merit as outlined in section 4.5 of the "Code of Business Conduct & Ethics of the Oando Group" (the Code):

4.5 Equal Employment Opportunity

Oando is committed to providing equal employment opportunities. Employees and Managers shall strive to ensure that merit, qualifications and other job related criteria are the sole bases for all employment related decisions, without regard to race, colour, religion, national origin, sex, disability, or other characteristic protected by law. Selection of candidates will be based on merit, qualification and other job related criteria.

The process for application for employment in Oando has been automated, such that prospective employees are selected based on their meeting certain set criteria in their education and experience, rather than on the basis of their sex, race, religion, national origin, disability, etc. A brief description of the process is below:

Brief procedure for hiring

All vacancies in Oando are posted online on our Careers website. Our goal is to recruit applicants who are best-suited to the positions we seek to fill without regard to gender, race, religion, nationality or age, as we encourage equal opportunities in access to jobs, pay and promotions. Recruitment is a six step process that comprises of

1. Online application
2. Screen and shortlist to meet application requirements
3. First level interview for shortlisted candidates
4. Second level interviews for successful candidates from stage 4
5. Negotiations and pre- medicals
6. Offer

This has further increased the transparency of the process and ensured that those engaged as employees are adequately qualified for the positions.

The ratio of male to females in the company was 72:28 is shown in the table below:

Employee Spread by gender across the various operating entities

| GNL | Male | Female |
|------------|------|--------|
| Senior | 34 | 8 |
| Management | 12 | 4 |
| OMP | Male | Female |
| Senior | 191 | 55 |
| Management | 39 | 9 |
| Group/SS | Male | Female |
| Senior | 52 | 48 |
| Management | 32 | 20 |
| OER | Male | Female |
| Senior | 11 | 11 |
| Management | 16 | 4 |
| OES | Male | Female |
| Senior | 30 | 5 |
| Management | 12 | 2 |
| OST | Male | Female |
| Senior | 12 | 5 |
| Management | 6 | 4 |

The numbers of the new staff employed in 2012 by entity is as follows:

| Entity | OES | OMP | OGP | OER | OSHS/ Group | OST | Total |
|---------|-----|-----|-----|-----|----------------|-----|-------|
| Numbers | 7 | 47 | 11 | 12 | 40 | 2 | 119 |

Of the number newly employed, 37 were female and 82 male. Which brought the male to female ratio for new intakes to 69:31 (An approximate 3% increase in the number of women that came into the company).

This is clearly significant because the oil and gas sector is typically male dominated due to the technical nature of some of our operations particularly those in the areas of exploration and production and rig services upstream. However, Oando places more of an emphasis on the individual's capabilities rather than their gender and other factors.

Section 3 – The Environment

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

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

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

Stakeholders Identified

Employees, Government, Communities, Business Partners, Supply Chain – Customers and Suppliers, Investors, the Environment

The Oando EHS Policy

Based on our understanding of the intricate relationship and interdependence between our businesses and the environment, we re-crafted and publicized the Oando Environmental Health and Safety Policy in 2012. The major update was on the Risk Assessment Matrix and classification of environmental incidents with respect to their level of impacts.

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

The objectives of the EHS policy are:

1. That management will demonstrate a continued commitment towards providing and maintaining for all employees, a safe, pollution free, adequate and suitable health and welfare facility at all work locations – the tone from the top;
2. To identify hazards and associated risks and also the application of suitable precautionary and control measures appropriate to the nature, scale and environmental impacts of its activities, products or services;
3. To comply with all relevant statutory legislations, approved codes of practice, standards and regulations, etc. and to apply established safe working procedures in the company's activities;
4. To set targets, monitor, close out & apply best practices and strive continually to improve our environmental health and safety standards;
5. To ensure that work activities carried out by the company do not have adverse effects on its operating environment, assets, and people.

The effectiveness of the policy depends on the cooperation and active support of all employees. Therefore provision is made for employees to be consulted on matters

which may affect their health and safety at work, the environment and in connection with any responsibility or duty which may be assigned to them for the purpose of implementing the policy. The policy, as a living document, will be reviewed when necessary and amended to take into account new legislations, standards, codes of practice, objectives and targets. The amendments or changes may only be authorised by the Group Chief Executive.

The policy is applicable to all operations and premises controlled or occupied by Oando Plc.

The company has 14 other policies on Environmental Health Safety, Security & Quality all addressing specific areas of our operations from oil spills, to waste disposal. This is born out of the need to clearly define our business practices as far as the environment is concerned.

Our Key Performance Indices (KPIs) include targets such as zero spills, zero gas leaks, zero fire incidents etc. This commitment is further emphasized in our quest to obtain the ISO 14001:2004 EMS certification.

The company is also a Member of Nigerian Conservation Foundation and we work actively to preserve biodiversity through the “Plant-a-tree Programme”.

Company Initiatives to Promote Greater Environmental Responsibility

Internal Awareness-Raising Programmes on Environmental Matters

The Company engaged in creating internal awareness amongst the company’s employees on the potential impact of our business activities on our immediate environment through the convening of an EHSSQ week etc. through town hall meetings, trainings and o

This has directly caused an improvement on incident reporting, improved disposal of lubes waste /used oil, reduction in spill resulting from accidents (truck tanks) etc. amongst others.

Tracking and Measuring our EHSSQ Performance based on Standardized Metrics

Monthly performance reviews to determine such indices as waste management trends, spills, effluent monitoring and environmental improvement plan reviews are carried out, logged and compared against our performance in previous years as can be seen from the KPI Annual Comparison Table below;

| Description | Unit | Target | 2011 | 2012 |
|-------------------------------------|-------|---------------------------------------|-----------|-----------|
| <u>Reactive Indicators.</u> | | | | |
| <u>Fatalities</u> | No. | 0 | 14 | 2 |
| <u>LTI- Free mh</u> | mmhr | 83,333 | 1,516,711 | 2,044,658 |
| <u>LTI</u> | | 0 | 1 | 2 |
| <u>LTIF(S/C) rolling avg</u> | No. | <0.3 | 0 | 0 |
| <u>RWC</u> | No. | 0 | 0 | 0 |
| <u>MTC</u> | No. | 0 | 2 | 2 |
| <u>LWC</u> | No. | 0 | 0 | 0 |
| <u>TRC</u> | No. | 0 | 17 | 6 |
| <u>TRCF</u> | No. | <1.05 | 11.2 | 2.9 |
| <u>Marine incidents</u> | No. | 0 | 0 | 0 |
| <u>Injury (RWC+LWC+MTC+FAC+PTD)</u> | | 0 | 15 | 10 |
| <u>Fire Incidents</u> | No. | 0 | 9 | 8 |
| <u>Motor Vehicle Accident</u> | No. | 0 | 22 | 8 |
| <u>First Aid Cases (FAC)</u> | No. | 0 | 13 | 8 |
| <u>Security Incidents (Robbery)</u> | | 0 | 20 | 4 |
| <u>Gas Leak</u> | mmscf | 1000/10 | 4 | 2 |
| <u>Nearmiss</u> | No. | 144 | 84 | 40 |
| <u>HIR's (UA/UC)</u> | No. | 13979 | 1123 | 1372 |
| Legend: LTI = lost time injury | | MTC = Medical Treatment Case | | |
| LTIF = Lost time injury frequency | | LWC = Workday Case | | |
| RWC = Restricted Workday Case | | TRCF= Total Reportable Case Frequency | | |

A review of Environmental Management Improvement Plan (EMIP) results is done during Executive council meetings, management retreats and also with the entire employees during the EHSSQ week. Such reviews necessitated the subjection of our current Environment Management system to the ISO 14001 standards and obtain external certification

Specification of Minimum EHSSQ Standards

During the year, the company included in our contractual agreement with vendors carrying out calibration operations, engineering upgrade projects etc., a requirement for an adherence to the minimum acceptable environmental standards. This was monitored throughout our project contracts with them and integrated into KPI reports.

Monitoring the EHSSQ Performance of our Supply Chain

The company routinely undertakes audits or other steps to monitor and improve the performance of companies in our supply chain such as Lubes packaging manufacturer's audits, Vendor Management Inventories (VMIs) and Warehouse audits, Retail outlets audits etc. All of these audits/inspections have significantly improved our operational control and compliance to environmental standards.

Government Engagement

Oando Plc liaised with the government via relevant regulatory bodies such as DPR (Department of Petroleum Resources), NOSDRA (National Oil Spill Detection and Response Agency), SEPA (State Environmental Protection Agencies) etc. during the year. These agents of government convey and set standards to guide our operations. Modes of communication were usually in form of emails, meetings, conferences, seminars amongst others.

A recent example of an extensive engagement occurred at a DPR conference in December 2012, which Oando Plc attended. The theme of the conference was “Strategic Environmental Planning for Sustainable Development in the Nigerian Oil & Gas Industry”. Forty eight (48) papers were presented on various subjects which engendered exhaustive discussions on the growth and sustainable development of the industry.

Community Stakeholder Engagements

Regular consultations are held in the form of town hall meetings with host communities. It is imperative for us to maintain good working relationships with the host communities in the South-South region. The outcomes have been positive and mutually beneficial as evident in the continuation of our operations within the region.

Environmental Risk and Impact Assessments

Studies were carried out for all company operational locations and were observed to meet legal and other applicable requirements to which we are subject. This is with respect to the impact of our activities, products and services on the environment. The assessment provides the organization with opportunities for continuous improvement. There is no significant deviation from the results of the Environmental Evaluation assessments carried out in the previous years and the company's environmental footprints are well within the allowable regulatory requirements

Personnel Health and Safety Management

Typically, we educate employees on the potential health risks they are exposed to depending on the particular work environment within which they function such as: Musculoskeletal disorders, slips/trips and falls, optical injuries, fire burns, abrasion from contact with chemical substances, back injuries from poor lifting, respiratory infections, skin infections etc.

These are managed by providing adequate information, instruction, training and adequate supervision to employees. Other methods employed include; Pep talks,

Toolbox, town hall meetings, EHS procedures, EHS Levels 1 - 3 trainings, EHS Life-Saving rules, provision of Personnel Protective Equipment, safe systems of work, use of Material Safety Data Sheets – MSDS, Safe Handling of Chemicals – SHOC, equipment maintenance, etc.

Grievance Mechanism on Environmental Matters

Where grievance or concerns regarding the environment arise, we have an incident reporting procedure which guides our communication with the appropriate agencies. Such procedures enable us to act quickly and appropriately to all environmental threats. Such opportunities for engagement are also used to seek their guidance on applicable legislation and the impact of our activities on the environment.

Waste Management Systems

The proper management of waste from treatment to disposal of waste was a priority for the company within the year. The table below shows the categorization and treatment of the various waste products emanating from our operations in the year.

| NON-HAZARDOUS WASTE | | | | | | | | HAZARDOUS WASTE | | | | |
|---------------------|-----------|------------------------|---------------|----------------------|------------|----------------------------|-----------|-----------------|-------------|--------------|------------|------------|
| MONTH | | | | | | | | | | | | TOTAL (KG) |
| | FOOD (KG) | GLASSES/ CERAMICS (KG) | PLASTICS (KG) | PAPERS DOMESTIC (KG) | OTHER (KG) | METALS/ WOOD PACKAGIN (KG) | G (KG) | OILY (KG) | SLUDGE (KG) | MEDICAL (KG) | E-WASTE | |
| JAN | 1871 | 51 | 711.5 | 624 | 966.5 | 62 | 153.5 | 0 | 29.2 | 0 | 4,468.70 | 1871 |
| FEB | 1268.5 | 45.5 | 255 | 183.5 | 3,200.00 | 60 | 161.8 | 2,300.00 | 32 | 0 | 7,506.30 | 1268.5 |
| MAR | 1735 | 44 | 675 | 588 | 619.5 | 68.5 | 159.1 | 0 | 31 | 0 | 3,920.10 | 1735 |
| APR | 1891 | 39.5 | 657 | 627 | 618.5 | 14 | 107.7 | 0 | 46.7 | 0 | 4,001.40 | 1891 |
| MAY | 1393 | 46.5 | 152.5 | 78.5 | 95 | 12 | 106 | 0 | 31.3 | 0 | 1,914.80 | 1393 |
| JUN | 1440.5 | 82 | 131 | 87.5 | 109 | 13 | 136 | 0 | 40.4 | 0 | 2,039.40 | 1440.5 |
| JUL | 1484 | 44 | 143 | 69.5 | 92 | 38.5 | 10,121.00 | 10,000.00 | 27.7 | 0 | 22,019.70 | 1484 |
| AUG | 1629.5 | 77 | 174 | 123.5 | 252 | 16.5 | 10,097.00 | 10,016.00 | 311.5 | 0 | 22,697.00 | 1629.5 |
| SEP | 1719.5 | 45 | 349.5 | 240.5 | 257 | 26.5 | 30,089.00 | 30,000.00 | 42 | 0 | 62,769.00 | 1719.5 |
| OCT | 1797 | 68 | 181.5 | 122.5 | 144.5 | 12 | 2,222.00 | 6,000.00 | 71.5 | 0 | 10,619.00 | 1797 |
| NOV | | | | | | | | | | | 0.00 | |
| DEC | | | | | | | | | | | 0.00 | |
| TOTAL | 16,229.00 | 542.50 | 3,430.00 | 2,744.50 | 6,354.00 | 323.00 | 53,353.10 | 58,316.00 | 663.30 | 0.00 | 141,955.40 | 16,229.00 |

Security

Security is a major priority for our business particularly at our core operational facilities in the Niger Delta region. This region had become relatively troubled in the recent past with host communities agitating against perceived oppression and exploitation by the Government in collaboration with International Oil Companies.

Various militant groups took up arms to right this wrong by attacking personnel and oil installations across the Delta region. However, the Federal Government intervened with an amnesty programme for ex-militants, which was intended to, among other things; assist in disarmament, demobilisation, rehabilitation and integration of remorseful militants.

Under the programme, thousands of youths were expected to undergo vocational training in various centres within and outside the country for acquisition of skills in various disciplines and vocations. Some were also be enrolled in formal schools. However, it is saddening that not many of these youths have benefitted from the programme while those that have graduated are yet to be gainfully employed.

A handful of the ex-militants are now aggrieved and are alleging exclusion from the amnesty programme. This has led to the return of various forms of criminality in Niger Delta such as pipeline vandalism and illegal bunkering. The government is in constant consultation with the aggrieved groups in providing various respites. Additionally, the government efforts have brought relative peace to the region with improved oil production activities

Oando continues to enjoy relative peace at our installations in the region as a National Oil Company (NOC), we continue to engage in rigorous community relations engagements and provided the necessary security backup required. In addition, research is ongoing to develop the most suitable sustainable solution to deal with pipeline vandalism and illegal bunkering which is the new threat in the region.

The company currently has 481 security personnel employed either directly or indirectly and working at all our installations and business locations. Specialized trainings were conducted for about 8% of those security operatives working at sensitive locations with greater likelihood of potential security risks occurring.

Encouraging the Development and Diffusion of Environmentally Friendly Technologies

The company is constantly seeking to develop, acquire and disseminate technological solutions that would directly benefit the environment. A number of these solutions implemented in 2012 include the Apapa Separator pit upgrade, the introduction of Smart print software across all administrative offices of the company, the deployment and use of the Oando Paperless portal, the O-Gas campaign for the switch from the use of firewood and kerosene to LPG in households with the intention to reduce the consumption of fossil fuel, and the O-ACCESS project – a collaboration with strategic partners to reduce the barriers of accessibility of LPG for low income earners and rural dwellers. These initiatives are geared towards reducing the consumption of energy and other energy resources and reducing the generation of wastes which are expected to ultimately have a positive impact on the environment.

O-ACCESS

In 2012, Oando Marketing joined forces with industry stakeholders and environmental protection interest groups, under the aegis of **ACCESS AFRICA (Agriculture, Climate Change and Entrepreneurship Support Services)** to combat deforestation through promoting the massive switch from the use of unwholesome solid fuels, such as firewood, charcoal, saw dust etc., to the cleaner, safer, efficient-burning and cheap Liquefied Petroleum Gas (LPG) also referred to as cooking gas.











The ACCESS AFRICA initiative is an action-based project that seeks to employ strategic partnerships, business outsourcing processes, and empowerment schemes to achieve its objectives of providing access to clean energy and empowering Nigerians.


A summit co-sponsored by Oando titled: **“LPG as a climate control tool in Africa: The Sustainability Agenda”** which sought to mobilise high level national, state and local commitments towards the goal of universal adoption of LPG as the preferred cooking fuel in Nigeria was part of the strategy employed to achieve the set objectives in the country’s capital. The key focus of the programme was to promote a drastic reduction in Nigeria’s carbon footprint, wealth creation and rural empowerment, and address gender inequality issues. In addition, the summit provided a forum to develop the LPG framework that would further result in the creation of 15,000 jobs by end of 2013.

This programme was necessitated by the fact that over 112 million Nigerians still cook with unwholesome solid cooking fuels which are estimated by the World Health Organisation (WHO) to cause about 95,300 deaths annually from diseases and complications that arise from smoke inhalation occurring from the use of dirty cooking fuels. In addition, Nigeria currently has the world's highest deforestation rate of primary forest. Between the years 2000 to 2005 alone, the country lost 55.7 per cent of its primary forest. Oando aims to reverse this trend...

And Prevent Situations Like This ...

 **Oando**

| | | |
|---|--|---|
| Death and Diseases * 2m deaths globally * 1,048 in 100,000 cases of tuberculosis * 8,701 in 100,000 of complete/partial blindness |  Annual Deaths * Indoor pollution * 5.8% increase over 2010** |  |
|  |  |  |
|  | Deforestation * Annual rate of 3.6% * Nigeria lost 55.7% of its primary forests |  |
| | | Drudgery and Stress * Backaches and body pains from chopping and hauling firewood |

 **Oando PLC** 6

Ironically, Nigeria is the 6th largest producer of LPG in the world but also accounts for the lowest utilisation of LPG in sub-Saharan Africa. The national utilisation of LPG is at 150,000 metric tons, representing less than 10 per cent of the households in the country where a potential of 1.5 million metric tons exists. This is at the heart of our O-ACCESS & O-GAS initiatives.



Oando Marketing introduced a new LPG offering targeted at the low income households using its O-GAS 3kg cooking stove (an integrated plug and play bundle that comes with cylinder, burner platform and cooking gas). The company plans to inject 5 million cooking stoves into Nigerian homes within the next 5 years. Priced for the target consumers (low income earners), the company has gone a step further to provide loans through the 'Lift Above Poverty Organisation', a pro-poor financial empowerment institution. This partnership with LAPO is one of many to boost our effort to switch the majority of Nigerians from the use of biomass fuel to deepen LPG utilisation.

The programme also includes a scheme through which budding entrepreneurs are empowered to be distributors of the 3kg cooking stove as secondary distribution points in addition to its vast retail network.

Introducing The O-ACCESS Initiative which



Meets Identified social needs

Is Sustainable

Is Implementable & Scale-able

Drives multiple economic returns



Section 4 – Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Stakeholders Identified

Employees, Government Agencies & Regulatory Authorities, Communities, Business Partners, Supply Chain – Customers and Suppliers, Investors, the International Community

Working Against Corruption in All its Forms

At Oando, we believe that corruption destroys development and by implication business sustainability, so we have instituted a culture of zero-tolerance for corruption by taking definite steps to demonstrate and communicate our stance internally; to all employees of the company and externally to the larger community.

We observe the highest standards of transparency, accountability and good corporate governance in our operations by complying with the requirements of the Nigerian and International corporate governance regulations particularly, the Securities and Exchange Commission's SEC Code of Corporate Governance for Public Companies in Nigeria.

The company's operations span across several jurisdictions, which make it imperative for us to fully comply with legislation such as the United Kingdom Bribery Act (the UKBA) the Foreign Corrupt Practices Act (FCPA), the OECD Convention on Combatting Bribery of Foreign Officials

The Oando Plc. Governance Office is charged with the responsibility for setting and implementing corporate governance policies for the company and its subsidiaries and consistently train and educate all the company's employees on the inherent risks and repercussions of engaging in all form of corruption.

The Oando staff handbook and Code of Business Conduct and Ethics "the Code" also address the issues of business ethics and compliance within the company.

Overview of Internal Ethics & Compliance Policies

To ensure that adequate guidance is provided on Corporate Governance issues, the company approved and implements the following policies and practices which are reviewed regularly to ensure their continued relevance to the organization:

- The Code of Business Conduct & Ethics

- The Gifts and Benefits policy – guides on acceptable gifts and the gifts declaration process
- Insider Trading Policy
- Dividend Policy
- Related Party Transaction Policy – addresses conflict of interest situations
- Board Appointment Process
- Know Your Customer Policy
- Remuneration Policy
- Anti-Corruption Policy
- Blacklisting Policy
- Records Management & Retention Policy
- Information Disclosure Policy
- The Oando Staff Handbook
- Environmental, Health, Safety & Security Policy

Update on Action Items from the 2011 Communication on Progress

- Company-wide training on Code of Business Conduct and Ethics

The Oando Code of Business Conduct & Ethics defines the Company's mission within a Corporate Governance framework. For Oando's directors, managers, and employees, it means the adherence to the highest business and personal ethics in dealings involving the Company or its reputation. Therefore, the policies summarized in the Code go beyond the strict requirements of the law. All directors and employees across Africa were trained certified and re-certified in respect of the Company's Code of Business and Ethics for the year 2012.

- Related Party Transactions Declaration

The related party declaration process was automated and operated through the company's Enterprise Resource Planning platform – Oracle. All employees and directors were required to complete declarations on their relationships with the company's business partners and vendors. In addition, provisions were made for updates to their related party status were such relationships developed during the course of the year or as and when they became aware of such relationships.

- Training newly appointed directors on the Code of Business Conduct and Ethics

The induction for the newly appointed directors on the Company's Code of Business Ethics was conducted on the 1st of March 2012. Thereafter, they were also certified on the Code.

- Re-certification of Existing Directors on the Company's Code of Business Conduct and Ethics.

The existing directors underwent the training on the Code and were re-certified for the year 2012.

- Business Partner Training on the Code and Other Policies

The company's business partners were trained at various locations on the Code and other policies to enlighten and train them on the importance of adhering to the company's policies and standards.

- Special Training for Identified Employees

Employees of the company that function in sensitive positions and/or are vulnerable to corruption (e.g. being offered bribes to facilitate their carrying out their duties or to select one vendor over another, or provide 'inside' information to a vendor or business partner) were trained on how to identify and combat fraud, bribery and other corrupt practices. The Legal, Finance, Sales & Marketing and Human resources department staff were specially trained on how to handle the possible ethical dilemmas they could be faced with in the line of duty.

- Publication of Investigation Reports & Outcomes

The plan to publish the reports on investigations and outcomes of incidents reported to the compliance office was not fully implemented but such reports were rather shared with managers and supervisors at the management retreats.

- Development of a Robust compliance and Ethics Reporting Matrix.

The strategy for implementing the planned compliance and ethics reporting matrix was reviewed. Governance Officers were rather embedded within the entities to facilitate the identification, monitoring, resolution and reporting of compliance and ethics related issues. (This was achieved in 2013 and will be reported in full in the 2013 COP)

- Due Diligence Process

- The due diligence process for engaging business partners which was introduced in 2011 was further scaled up. Software to facilitate the automated continuous due diligence on current and potential business partners was procured however; this was a 2013 activity and will be reported in full in the next COP. The purpose of an adequate due diligence process is to:

- To know the individuals and organizations with whom we do business as the Company is committed to doing business with only reputable, honest, qualified Business Partners and third parties
- Ensure transparency on risk of third party relationships throughout the lifetime of the partnership
- Protect the company against reputational damage and enhance shareholders confidence

- Publication of the Monthly “Ethics Watch” Bulletin.

The monthly ‘Ethics Watch” bulletin is published and circulated to all employees to educate them on different ethical and compliance issues. Interesting scenarios are usually incorporated into the write-ups to highlight examples or possible actions or responses in similar situations and give a clearer understanding of what is required from an ethical standpoint.

- World Anti-Corruption Day

The World Anti-Corruption day 2012 was celebrated on the 10th of December 2012 at Oando with the theme **“Compliance...Reporting Contraventions”**. It focused on highlighting the responsibility of all employees to speak up when they observed or became aware of any unethical situations.

To commemorate the day, the Governance Office hosted town hall meetings at which the representatives of KPMG (the independent administrators of the company’s Ethics and Whistle-blowing Hotline) made presentations and fielded questions from employees regarding the reporting of ethical issues and the use of the hotline.

Our Commitment to Anti-Corruption in the Larger Community

Apart from our internal actions to stamp out corruption, we realize that we function as an integral part of the larger society; hence, we continue the fight with the larger community by lending our participation and support for the following initiatives globally and locally:

The United Nations Global Compact

The company has been a signatory to the UNGC since July 2009 and has been an active participant in the Local Network of the Global Compact in Nigeria.

The UN Global Compact is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the

areas of human rights, labour, environment and anti-corruption and reporting back on the progress made on implementing these principles publicly.

In 2012, in demonstration of its commitment amongst other actions, the company provided staff support to the Local Networks Team of the Global Compact Office in New York from January till July 2012. This afforded the company the opportunity to contribute to the development of global sustainability agenda whilst building our capacity for demonstrating best practices in environmental, social and governance issues locally.

The World Economic Forum – Partnering Against Corruption Initiative – PACI

Oando became a signatory to PACI in 2008 and has been actively involved in programmes of PACI in various capacities as task force members

The initiative brings together companies from various industries and regions to fight bribery and corruption through the implementation of a zero tolerance policy towards bribery and the establishment of an effective internal anti-corruption programme. The organization offers a risk mitigation platform to help companies design and implement effective policies and systems to prevent, detect and address corruption issues.

Convention on Business Integrity (CBI)

CBI is an organisation established for the maintenance of ethical conduct, competence, transparency and accountability by private sector operators. CBI was established to empower business transactions within Nigeria against corruption and corrupt practices.

Oando became the 21st member to sign unto the Convention on November 16, 2009. Following the recent business integrity failure and regulatory lapses in Nigeria, the CBI began to focus on the promotion of a collaborative approach in promoting public-private sector partnership by hosting roundtable discussions with select groups of political leaders, key government regulatory bodies and members of the business community to identify and implement sustainable models for corporate control against corrupt practices in Nigeria.

Fraud Awareness Working Group (FAWG)

Oando is a member of the FAWG which has the objective of creating an open discussion forum to enhance a fraud-free business environment for member corporations

Conclusion

It is evident that the journey to business sustainability is akin to building a fortified tower; one brick at a time. A good number of building blocks have to be incorporated at the right positions with precision and held together to ensure that the final edifice is strong enough to fulfill the purpose for which it was constructed.

In the same vein, Oando is building an organization on the foundation of ethical best practices and adherence to the UNGC principles, ensuring that the right structures are in place for governance and administration. It is our belief that the company that we build today on the right governance principles will be here for generations to come to reap the benefits.

The 2012 Communication on Progress will be made available on the company's website: www.oandopl.com