

NLNG/MD/GRC/2017/001

February 23rd, 2017

H.E. António Guterres
Secretary-General
United Nations
New York, NY
10017 USA

Dear Mr. Secretary-General

I am pleased to confirm that Nigeria Liquefied Natural Gas Ltd ("NLNG") reaffirms its support to the ten principles of the United Nations Global Compact ("UNGC") in the areas of Human Rights, Labour, Environment and Anti-Corruption.

As a key requirement for participating in the Global Compact, we are submitting this first annual Communication on Progress to highlight key actions taken in the year 2016 to make the UNGC and its principles an integral part of the strategy, culture and day-to-day operations of our company.

With this communication, we express our intent to continue to implement projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals, within our sphere of influence. We are also committed to share this information with our stakeholders and the general public using our primary channels of communication.

Sincerely yours,
Nigeria LNG Limited

A handwritten signature in dark ink, appearing to read 'Tony Attah', is written over a horizontal line.

Tony Attah
Managing Director/CEO



NIGERIA LNG LIMITED

2016 COMMUNICATION ON PROGRESS

Submission to the UN Global Compact

This document is an abridged version of the relevant sections of the company's latest edition of the Code of Conduct and the 2016 Facts and Figures, as published on the company website; <http://www.nigerialng.com>

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INTRODUCTION

In December 2015, NLNG became a signatory to United Nations Global Compact (UNGC), the world's largest Voluntary Corporate Responsibility Initiative with business and non-business participants from 160 countries.

The UNGC supports companies to:

- Do business responsibly by aligning their strategies and operations with the UNGC's Ten Principles anchored on four global areas of human rights, labour, environment and anti-corruption.
- Take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

Our UNGC membership is a public declaration of our continued commitment to incorporating environmental, social and governance standards in our strategies, policies and procedures, as well as embedding a culture of integrity, all of which are underscored in our Statement of Business Principles and Our Code of Conduct.

This year, through our UNGC membership and the 2016 annual Communication on Progress, we will transparently inform the public on how we continue to align our practices with the universal principles of responsible behaviour through support to host communities as well as engaging customers, suppliers and service providers on the need for responsible business practices.

The content of this report can be verified in our published *Facts and Figures on NLNG 2016*, Anti-Bribery and Corruption (ABC) Policy, Statement of Business Principles and the Code of Conduct.

THE COMPANY

Nigeria LNG Limited (NLNG) was incorporated as a limited liability company on May 17, 1989 to harness Nigeria's vast natural gas resources and produce Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) for export.

It is owned by four shareholders, namely, the Federal Government of Nigeria, represented by Nigerian National Petroleum Corporation (49%), Shell (25.6%), Total LNG Nigeria Ltd (15%) and Eni (10.4%). The company has two wholly-owned subsidiaries: Bonny Gas Transport (BGT) Limited and NLNG Ship Management Limited (NSML).

OUR VISION

... a global LNG company helping to build a better Nigeria.

Nigeria LNG Limited will be a global LNG company renowned for its operational excellence, cost leadership, high HSE standards, honesty and integrity. We help to build a better Nigeria by processing, shipping and marketing efficiently and profitably, the country's gas resources and by putting out the flares, thus diversifying the economy and minimising the environmental impact of our activities and products.

We will set the standards in community relations and technology transfer, and actively promote the sustainable development of Nigerian businesses. We will provide to our shareholders a good return on their investment. We will provide an exciting and fulfilling place to work and the opportunity for staff to develop their potential.

Finally, we will execute and operate our business in Nigeria with an international outlook and mindset.

HUMAN RIGHTS PRINCIPLES

ASSESSMENT, POLICY AND GOALS

Our human rights records and practices are in full alignment with the following UNGC principles:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses

In principle 5 of the NLNG Code of Conduct, we comply with applicable laws and regulations including the United Nations Universal Declaration of Human Rights and the core conventions of the International Labour Organisation. We also regularly engage with our external stakeholders and always strive to contribute, both directly and indirectly, to the general well-being of our host communities.

We strive to conduct our activities in a manner that respects the rights and dignity of all people. This is a business imperative for NLNG.

Human rights requirements are embedded in Our Code of Conduct manuals and other policies. They include:

- **Social Performance.** All major projects must have a social performance plan and address the social impacts of our operations on local communities.
- **Contracting and Procurement.** We seek to work with contractors and suppliers who contribute to sustainable development and are economically, environmentally and socially responsible.

- **Security.** Companywide security requirements help keep staff, contractors and facilities safe in a way that respects human rights, and the security of our host communities.

Social Performance, Contracting and Procurement

Principle 5 of Our Code of Conduct document highlights the following expectation from all our stakeholders:

- You must ensure that your work complies with NLNG's commitments to human rights in Social Performance, Security, Human Resources and Contracting and Procurement.
- If you know of or suspect any potential human rights violations relating to our business, it is your duty to speak up.

With regard to promoting social performance, contracting and procurement as key ingredients of human rights, NLNG has reported the significant progress it has made in the publicly circulated *Facts and Figures on NLNG*, 2016 edition. The progress is reported in the following sections of that publication:

- i. NLNG and Nigerian Content
- ii. Nigerian and Community Vendor Development
- iii. Shipping
- iv. Ship Dry Dock and Repair Yard
- v. Training and Skills Acquisition
- vi. Finance
- vii. Services and Procurement
- viii. Vendor Development

In addition to our *NLNG Facts and Figures 2016*, details of these can also be found in the relevant sections of our website, <http://www.nigerialng.com>

Security

Our social performance commitments are further entrenched by our commitments to best practices in Principle 1 of Our Code of Conduct (HSSE and Social Performance).

Our Social Performance principles are specifically designed to ensure compliance with the law and to achieve continuous performance improvement, while promoting a culture in which all NLNG staff and contractors share this commitment. We are

expected to set targets for HSSE&SP improvement and measure, appraise and report performance levels.

The NLNG HSSE&SP Control Framework supports effective and efficient implementation of our HSSE&SP policy and expects the following level of commitment from our stakeholders:

- Adherence to these golden rules:
 - Comply with the law, standards and procedures
 - Intervene in unsafe or non-complaint situations
 - Respect our neighbours
- Compliance with the HSSE & SP policies and procedures
- Adherence to the 12 Life-Saving Rules
- Report and act on a HSSE&SP incident, potential incident or near-miss as soon as you become aware of it.

Principles on harassment

In furtherance of our support for Human Rights principles of the UNGC, NLNG has also committed to addressing issues of harassment in the workplace through Principle 4 of Our Code of Conduct policy by stating thus:

“NLNG will not tolerate harassment. We will not tolerate any action, conduct or behaviour which is humiliating, intimidating or hostile. Treat others with respect and avoid situations that may be perceived as inappropriate.

Feedback, criticism and challenge must always be delivered in an appropriate and respectful manner. In particular, be aware of cultural sensitivities -what is acceptable in one culture may not be in another. It is important to be aware of and understand these differences.”

Complaints hotline and supporting resources

Our commitment to human rights is further entrenched with the introduction of the Employee Assistance Programme (EAP) and the Ethics Line (whistleblower) platform where parties come forward with complaints of abuses, unethical business practices, injustice and suspicious behaviours capable of compromising human rights standards in the organisation.

The EAP and Ethics Line platforms are adequately manned by experienced professionals within the Human Resources and Governance/Compliance business functions of the organisation.

We also expect the following from all our stakeholders:

- You must treat others with respect
- You must not physically or verbally intimidate or humiliate others
- You must avoid situations that may be perceived as inappropriate
- You must not make inappropriate jokes or comments. If you are unsure whether something is inappropriate, assume that it is
- You must not display offensive or disrespectful material
- Challenge someone if you find their behaviour hostile, intimidating, humiliating or disrespectful.
- You may always contact your line manager, the GRC office or Human Resources

LABOUR PRINCIPLES

NLNG'S labour practices per Our Code of Conduct fully support the following UNGC principle:

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

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

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

ASSESSMENT, POLICY AND GOALS

Our labour principles and practices are predicated on Equal Opportunity and clearly stated in Principle 3 of Our Code of Conduct:

At NLNG, we offer equal opportunities to everyone. This helps us ensure we always draw on the widest possible talent pool and attract the very best people. We rely on everyone at NLNG to adhere to our principles on equal opportunity.

Reiterating our equal opportunity commitments, NLNG further states in Principle 3 of Our Code of Conduct:

Sometimes people can breach equal opportunity policies without even realizing it—for example, if they are unconsciously biased towards recruiting people like themselves. Therefore you should always strive to be objective and ensure your personal feelings, prejudices and preferences are not influencing your employment—related decisions. You also need to be aware of local legislation that may impact employment decisions.

We expect similar commitment to equal opportunity from our stakeholders, as stated in Our Code of Conduct:

- When making employment decisions, including hiring, evaluation, promotion, training, development, discipline, compensation and termination, you must base them solely on objective factors, including merit, qualifications, performance and business considerations.
- You should understand the value of diversity and must not discriminate in any way based on race, colour, religion, age, gender, disability, ethnic origin or nationality.

The Nigerian Content section of *Facts and Figures on NLNG 2016* sufficiently highlights our role in promoting indigenous labour, equal opportunity and adhering to world class labour practices thus:

- i. Training, development and employment of Nigerian human resources
- ii. Development of sustainable value-adding relationships with local companies that result in job creation and domestication of previously exported value.
- iii. Enhancement of local/indigenous production capability through deliberate targeted interventions.
- iv. Encouragement of knowledge and technology transfer achievable within its projects, contracts and procurement activities.

, *Facts and Figures on NLNG 2016* as published on our website <http://www.nigerialng.com> also reports the following equal opportunity successes that fully align with UNGC principles on Labour:

- i. NLNG Post Primary Scholarship
- ii. NLNG Undergraduate Scholarship

- iii. NLNG Overseas Post Graduate Scholarship
- iv. University Support Programme
- v. Youth Empowerment Scheme (YES)

ENVIRONMENTAL PRINCIPLES

NLNG has equally aligned itself with the following UNGC principles on the Environment through its policies and practices per Our Code of Conduct:

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

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

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

ASSESSMENT, POLICY AND GOALS

As part of the NLNG Statement of Business Principles, we commit to contribute to sustainable development. This requires balancing short and long-term interests, integrating economic, environmental and social considerations into business decision-making.

Specifically, Principle 5 of NLNG Code of Conduct on Health, Safety, Security and the Environment states that NLNG has a systematic approach to health, safety, security and environmental management in order to achieve continuous performance management. To this end, NLNG manages these matters as critical business activities, sets standards and targets for improvement, and measures, appraises and reports performance externally.

Principle 2 of NLNG Code of Conduct is also on Sustainable Development and it is fully aligned with our Principle 1 on Health, Safety, Security, Environment and Social Performance (HSSE & SP).

Under our environment programme, NLNG has a sound Health, Safety and Environment (HSE) policy anchored on the need to take proper care of its assets, the health and safety of its employees and stakeholders, and to give proper regard to the sustainable management of the environment.

In line with this, NLNG plans its work to:

- Prevent injuries and ill-health to workers and surrounding communities;

- Prevent damage to assets and minimise any negative impact on the environment;
- Avoid or eliminate future liabilities;
- Meet requirements for demonstrable due diligence.

In our environmental practices, Nigeria LNG Limited ensures continuous compliance with applicable legislations as stipulated by the various regulatory bodies (Federal Ministry of Environment (FME), Department of Petroleum Resources (DPR), Rivers State Ministry of Environment (RSME), etc.) that issue permits for her various operations by carrying out regular reviews and evaluation of all existing and proposed environmental laws and regulations that impact or have potential impact on NLNG Business.

NLNG being the first major multinational company in Nigeria to complete full EIA process for all its operating Trains 1-6 Projects before commencement of business, regularly interfaces with the Federal Ministry of Environment (FME) and other relevant stakeholders, locally, nationally and internationally on environmental issues.

An important element of the EIA process is to identify and mitigate potential adverse impacts of NLNG's operations. For NLNG's existing projects, a number of potential impacts (positive and negative) were identified and mitigation measures taken for the adverse impacts.

As a key stakeholder on issues that concern the environment, FME regularly carries out annual mitigation and compliance monitoring exercises of NLNG Projects.

In addition, NLNG submits itself to external audits from independent auditors, e.g., British Standards Institution (BSI), and is ISO14001:2004 certified as well as conducts regular monitoring of its own HSE performance, in pursuance of continuous improvement and to foster a positive HSE culture within the organisation.

In promoting the UNGC goals on Environment, NLNG has reported in its published *Facts and Figures on NLNG 2016* how it recorded significant progress in the following areas:

- i. Monetisation of gas while helping to protect the environment
- ii. Reduction of environmental hazards
- iii. Job creation and local content development
- iv. Discharges to water
- v. Sewage treatment and disposals
- vi. Other waste management practices

vii. Environmental noise measurement and performance

Details can be found in the relevant sections of our website, <http://www.nigerialng.com>.

On biodiversity and nature conservation, Nigeria LNG Limited has established a Nature Park on Bonny Island to preserve the natural environment of its host communities. The site of the Nature Park is the natural habitat of Salt Water Hippopotamus, now rare in Nigeria, and other interesting flora and fauna prevalent on Bonny Island.

The park was established in recognition of the importance of the flora and fauna, the sacrifices of Bonny people, and their aspiration and commitment to keeping a permanent record of their natural heritage and culture. It is also part of NLNG's contribution to national and global conservation, in line with Rio Agenda 21, the Ramsar Convention and Convention on Biological Diversity.

In pursuing its environmental objectives, the company considers public consultation and enlightenment fundamental to fostering good relationships with its neighbours. Hence it has initiated forest protection and biodiversity conservation enlightenment campaigns in accordance with recommended EIA mitigation measures.

Further details of our role in this aspect can be found in our *Facts and Figures on NLNG 2016* under "*Biodiversity and Nature Conservation*". This is also available on NLNG website, <http://www.nigerialng.com>.

ANTI-CORRUPTION PRINCIPLES

NLNG's two major policies of Our Code of Conduct and Anti-Bribery and Corruption (ABC) are well aligned with UNGC's Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

ASSESSMENT, POLICY AND GOALS

NLNG is committed to upholding the highest standards of ethics in our relationships with employees, customers, suppliers, shareholders, regulators and our host communities. This commitment is ensured through policies which guide the business in its relationship with stakeholders. Two of the key policies are: Our Code of Conduct, and Anti-Bribery and Corruption (ABC) Policy.

Integrity is a core value in NLNG and our strong commitment to Integrity is reinforced in our Statement of Business Principles that apply to all transactions, large or small, and drive the behaviour expected of every employee and director of NLNG in the conduct of its business at all times.

Anti-Bribery and Corruption Training and Awareness

The 'tone at the top' towards Bribery and Corruption in NLNG is simple: it is one of zero tolerance. In order to drive this down the entire organization, the Anti-Bribery and Corruption effort of NLNG is multi-faceted, to assist employees and stakeholders to manage the inherent risks.

Annual Anti-Bribery and Corruption training and awareness sessions are conducted for all staff with additional focus on functions assessed as high risk. The 2015 training was centred on Ethical Procurement and Supply for all employees with at risk functions having to take extra training on Procurement Fraud.

In 2016, the focus was on Ethical Decision Making in an organisation and all staff participated in the e-learning programme while our ABC interactive sessions on Achieving Corruption Free Business Environment were held with vendors at an Integrated Vendor's Forum to reinforce our commitment to ensuring that our counterparts are aware and abide by our Business Principles, Code of Conduct and ABC policy.

All these activities are aimed at raising awareness on current developments and the required ethical considerations in the company's supply chain.

Integrity Barometer Journey

In 2013/14, NLNG undertook a baseline Integrity Barometer assessment to provide a simple exposition of the effectiveness of its policy and actions on anti-corruption governance in relation to the company's operations across all key sectors and divisions.

In 2015, a review based on the baseline study was carried out to ascertain the progress made on agreed key focus areas of the Transparency Index, for company to track and monitor its business landscape for compliance with national and international established standards on ABC.

In 2016, the gaps identified during the 2015 review were closed out with the upgrade of our Conflict of Interest process to cover directors' annual and declaration. Subsequently, company will sustain the annual self-assessment of the identified parameters alongside the stakeholder survey to continuously monitor our performance around this very important business integrity index.

Conflict of Interest (Col)

NLNG requires all staff members to declare any perceived or actual conflict situations that exist during the course of their engagement with the company. Declared conflicts are reviewed and resolved by company management.

Employees are also required to declare any gifts and hospitality given/received from the company's business partners/associates. The annual conflict of interest

declarations also provides a medium for staff members to attest to the Statement of Business Principles and Our Code of Conduct.

In 2016, key updates to the Col procedure and practices in NLNG have resulted in significant improvement in close out of declared conflicts.

Ethics Line (the “whistleblower”)

To further emphasise our commitment to fighting corruption, the NLNG Ethics Line was set up in 2012 and since then, has been providing a platform that allows for confidential, anonymous submission of information on unethical business practices, potential violation of laws, rules, regulations or any policies.

The NLNG Ethics Line is a toll free resource managed by an external party. No call tracing or recording devices are ever used, and callers may remain completely anonymous, if they so wish. Callers are given a number and call back date at the end of their calls. Should they desire to follow up on the status of their report, or want to provide additional information, they simply call back and reference this information.

In 2016, NLNG improved its ABC awareness program through several roadshows at various company locations, on the whistleblower platform and the dissemination of additional information to all stakeholders via emails, banners and desktop pop-ups.

Further details of our anti-bribery and corruption (ABC) program and the whistleblower platform can be found in our published 2016 NLNG Facts and Figures under the “Anti-Bribery and Corruption (ABC)” and “Whistleblower” sections of the NLNG website; <http://www.nigerianlg.com>