

AT A GLANCE

STRATEGIC
REPORT

LEADERSHIP AND
GOVERNANCE

FINANCIAL
STATEMENTS

ADDITIONAL
INFORMATION



DOING BUSINESS RESPONSIBLY

The Sustainability Report for the year ended 31 December 2022 sets out the key aspects of our Environmental, Social and Governance (ESG) strategies, programmes, and performance.

Overview

At Aradel Holdings, we are mindful that our businesses and operations must be conducted in a manner sustainable for the environment, economy and our stakeholders. We are also aware of the significant global environmental and social challenges faced by corporations and individuals alike. As the global energy transition evolves, we are committed to being part of the solution to ensure that our businesses align with long-term strategies to protect the environment and humanity. In addition, we are taking specific steps to systematically reduce carbon emissions. Thus, our business model incorporates a holistic, principled approach to sustainability which aligns with relevant rules, regulations, and best practices relating to ESG matters.

In the face of changing times and rising global uncertainties, sustainability has become a key indicator of our success. Our people, processes and systems have remained strong. Beyond making a profit, the Group continually assesses the impact of its strategic, and operational decisions in order to protect the interests of all its present and future stakeholders. Aradel Holdings maintains a strong discipline of sustainable development as a strategic tool for the future and a culture of a safe working environment today. The Company diligently manages its impact on the environment and the communities it operates in and has established adequate and consistent standards for dealing with service providers.

We report our Sustainable Development Initiatives for the year ended 31 December 2022 along the following key areas: economic viability, social impact, governance, and environment.

1. Economic Viability

1.1. Procurement Process

Aradel Holdings through its contract and procurement processes engages economically, environmentally, and socially responsible contractors and suppliers. For the year under review, there was no breach of the Company's ethics and compliance rules, hence there was no sanction of any vendor, and no contract was terminated due to unethical practices and/or ethical activities.

The Company ensures that it always conducts its contracting and procurement activities in accordance with its Code of Business Conduct, and ensures compliance from its suppliers and contractors, including sub-contractors with penalties for non-adherence and violation.

In terms of compliance, contractors are also provided with the Company's Anti-Money Laundering Policy, Confidential Information Policy, Conflict of Interests and Anti-Bribery Laws to facilitate compliance with the Company's policies and contractually undertake to comply with these policies.

Finally, we ensure social consideration by engaging skilled and qualified host community members through our contracting and procurement processes while giving priority to local capacity development to enhance growth in our immediate and wider communities.

1.2. Promotion of Local Content

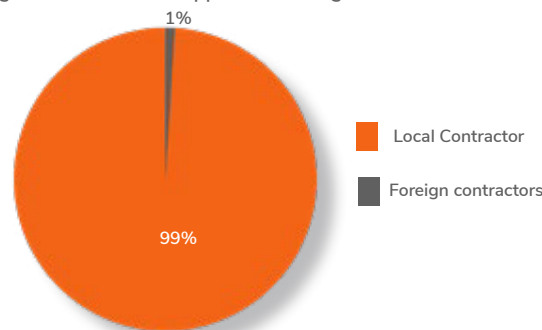
Aradel Holdings as an indigenous entity recognises that

purchasing decisions present an opportunity to have a positive social and economic impact through supporting local businesses. As part of its effort to support local content and boost local capacity, Aradel Holdings operates a policy of sourcing its goods and services from its local contractors and suppliers that meet its quality standards. This is also in line with applicable local content laws and the aspirations of the Nigerian Content and Monitoring Board.

1.3. 2022 Operations Support Service Engagements

In 2022, the Company recorded a significant increase in its drive to encourage local companies by ensuring 99% (2021: 94%) of all its contracting and supply activities for the year were carried out locally. Foreign vendors, constitute only 1% supply support on ongoing capital projects for which there are no in-country capacities and/or local representatives of original equipment manufacturers. However, all operations and maintenance activities are carried out locally, which is achieved by adequate training and knowledge transfer.

Figure 6: Contractor/Supplier Percentages



1.4. Finance Management

Aradel Holdings ensures optimal and responsible operation of its assets, as this drives profitability. Investments are carefully analysed, and funds are deployed in a manner that assures or protects shareholder value. These and other measures have protected the Company in tough times and have contributed to its resilience over time.

Our financial highlights and the financial review section confirm the resilience of the Company's financial position and its ability to remain profitable in years to come.

2. Social Impact

2.1. Employee Management

Aradel Holdings recognises that its success depends on the skills and efforts of its employees and therefore seeks to foster an enabling environment which encourages employees to be creative and responsible. In 2022, Management held several Town Hall meetings with staff to foster communication between staff and Management.

We continue to build a healthy workforce, by ensuring that all members of staff are covered by a comprehensive health insurance plan. The Company encourages all staff together with their nuclear families to carry out medical checks;

DOING BUSINESS RESPONSIBLY CONT'D.

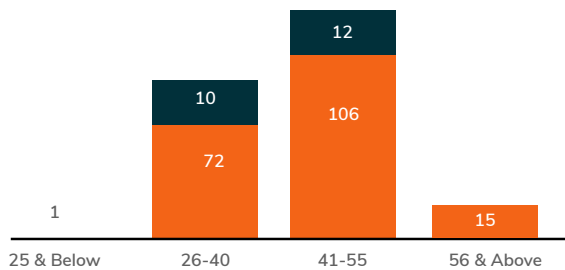
the outcome of which is strictly restricted to the employee and the Health Management Organisation to ensure data privacy. The mental health of our people is of utmost priority; hence the Company provides a robust Employee Assistance Programme. This creates an opportunity for a one-on-one session with a specialist, on mental health and psychological issues all year round.

At Aradel Holdings, we foster a safe and healthy working environment with adequate training and facilities to support employees in improving their skills and keeping their knowledge up to date.

In 2022, Aradel Holdings nurtured and promoted diversity at work by supporting and sponsoring the Aradel Holdings cultural month in October 2022 during which the Nigerian cultural diversity was exhibited and celebrated by staff. Management also sponsored the celebration of international women and men days during which staff were addressed on some essentials of successful living.

As at December 2022, Aradel Holdings' total workforce was 216. The age distribution is as shown below.

Figure 7: Workforce 2022 Age Distribution as of Dec 2022

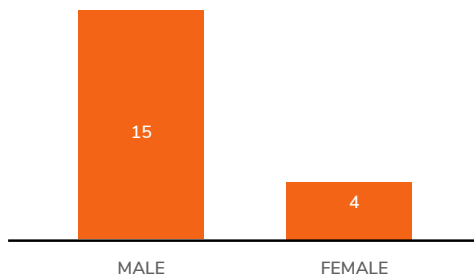


Total of 216 staff showing age distribution from 25 years and below to 56 years and above as follows:

- 25 years and below - 1 male and no female;
- 26-40 years has 72 males and 10 females;
- 41-55 years has 106 males and 12 females; and
- 56 years and above has 15 males and no females.

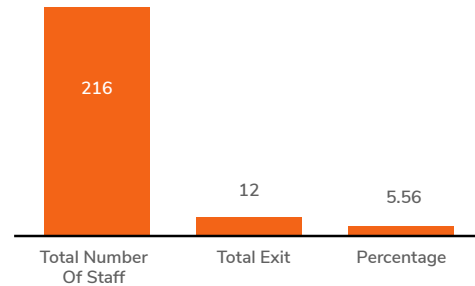
In 2022, Aradel Holdings employed 19 new staff to fill the vacancies from attrition, of which 15 were male and 4 were female.

Figure 8: New Hires as of 31 December 2022



In 2022, we recorded an attrition rate of 5.6% (2021: 7.9%). This largely reflected external factors with over 92% of the exited staff relocating to other countries or gaining admission for master's programmes outside the country.

Figure 9: Attrition Rate as of 31 December 2022



2.2. Corporate Social Responsibility

2.2.1 Our Host Communities

At Aradel Holdings, we understand the importance of strong community relations and sustainable practices in the oil and gas sector. As a Company founded by Nigerians, we are deeply committed to giving back to our host communities and ensuring the well-being of both the people and the environment. With the passage of the Petroleum Industry Act 2021 (PIA), it is now mandatory for upstream oil and gas companies to establish Host Communities Development Trust(s) for their host communities. Having been at the forefront of corporate social responsibility and operated a host communities development trust since 2002, this new law reinforced Aradel Holdings' convictions on the need to give back to its host communities strategically.

The passage of the PIA, which codified the obligations of upstream oil and gas companies towards their host communities, led to the termination of the Niger Delta Petroleum Resources Ltd (NDPR) Host Communities Development Trust in August 2022, a vehicle for the implementation of sustainable development projects for our host communities, and the model upon which the PIA Host Community Trust structure was based. Aradel Holdings has incorporated a Host Communities Development Trust for its host communities known as "The Incorporated Trustees of MURALI Host Communities Development Trust". MURALI represents initial letters from the names of the communities covered by the Trust in line with the PIA.

Aradel Holdings continued to carry out its corporate social responsibilities to its host communities, ensuring there was no void capable of generating unrest within the host communities. The strategic focus for Aradel Holdings' CSR efforts in 2022 remained Human Capital Development, Economic and Social Empowerment, Health, and infrastructural Development. These key areas have allowed us to make a meaningful and ongoing impact on the lives of our host community members.

At Aradel Holdings, we firmly believe that our host communities are important stakeholders of our Company. To ensure their active participation and alignment of interests with our operations, we engage them through various initiatives, including:

- Community Advancement Activities:** We actively involve our host communities in projects and programmes that contribute to their growth and development.
- Promoting Sustainable Development:** Our commitment to sustainable practices extends to our engagement with the host communities. We strive to create opportunities that are environmentally friendly, economically viable, and socially responsible.

DOING BUSINESS RESPONSIBLY CONT'D.

c. Alignment of Interests: We have a symbiotic relationship with the host communities, where their interests align with the Company's operations. This has ensured mutual benefits and a harmonious coexistence.

2.2.2. Activities of the Trust in 2022

Education

- **₦5.0 million Bursary Payment:** In the year under review, Aradel Holdings continued to support human capital development with Bursary payments to 100 students in higher institutions from the Obumeze community at a cost of ₦50,000 per student amounting to ₦5 million. This investment benefits individual students and has broader implications for the community. Educated individuals acquire knowledge and skills that can be utilised to make meaningful contributions to their communities in the future. Furthermore, this investment in education helps build a skilled workforce, drives innovation, and nurtures future community leaders.

Health

- **Upgrade of Maternity Hospital - ₦30.0 million:** To boost health care for members of its host communities, Aradel upgraded the Maternity Centre to a Primary Health Centre at Ogbale. The importance of health infrastructure and health services cannot be overemphasised. Primary health care is the most critical stage in health care delivery and that is why Aradel Holdings rehabilitated and upgraded the Health Centre, with the benefit of serving a larger portion of the community. It is the first level of contact at the community level with a health facility. Primary healthcare enables health systems to support a person's health needs, from health promotion to disease prevention, treatment and rehabilitation. This would improve overall health outcomes and contribute to a healthier and more productive community.
- **Health Grant - ₦11.5 million:** In addition to the upgrade of the Maternity Centre to a Primary Health Care Centre, we continue to provide health grants to the elderly members of our host communities as a supplement to enable them to maintain their health. This demonstrates our commitment to community welfare. By offering financial support and access to necessary healthcare resources, Aradel Holdings empowers the elderly and contributes to their overall independence and social impact within the community.

Social and Economic Empowerment - ₦2.5 million

Aradel Holdings continues to support activities within its host communities that foster peace and unity of the host communities. we supported the organisation of football and wrestling competitions in the Otari Community during the Yuletide season of 2022. As we invest in social activities, this strengthens community bonds, empowers individuals, and builds a sense of belonging and pride, ultimately maintaining a resilient and thriving community.

Infrastructure Development - ₦178.6 million

Aradel Holdings believes that reliable infrastructure attracts investments, stimulates economic activities, and creates employment opportunities within communities. Access to basic amenities supports the growth of small businesses, facilitates entrepreneurship, and contributes to local economic development improving the quality of life in the communities. Our belief, the year under review saw the completion of some legacy projects and the initiation of new projects:

- Completion of Rumuekpe Town Hall
- Provision of Solar Powered Street Lights in Otari Community
- Extension of Electricity in Ogbale Community

- Provision of Potable Water in the Obumeze Community
- Provision of Transformer to Omaraka Community
- Completion of Oshiugbokor Town Hall
- Construction of a Centre for Women in Obumeze Community.

Projects such as solar-powered streetlights, access to electricity, potable water provision, and the construction of community centres have transformative implications for communities: The solar-powered streetlights enhance the safety of members of the host communities particularly during the night-time thus promoting a secure environment.

These projects contribute to sustainable development, community resilience, and the overall well-being of the region where Aradel Holdings operates.

Palliatives Support to Flood Victims - ₦57.4 million

With the significant negative impact of the 2022 flood affecting communities within Aradel Holdings' operational vicinity, we supported flood victims through the provision of food and materials to and beyond our host communities as well as Local Governments in Rivers State. By addressing the immediate needs of the impacted communities, the Company alleviated the hardship faced by the victims and contributed to their recovery process. These efforts not only demonstrated our dedication to the well-being of the communities we serve but also highlighted our proactive approach in times of crisis.

Charitable Donations and Sponsorship in 2022 - ₦28.3 million

Through strategic partnerships and sponsorships, Aradel Holdings actively supported a range of causes and events that aligned with the Company's mission. These sponsorships provided essential resources and opportunities, empowering individuals, and fostering progress in areas such as education, healthcare, environmental conservation, and community development.

In the year under review, the following charitable donations and sponsorship were made:

- Sponsorship of the 24th Lagos Book and Art Festival (LABAF) - LABAF is an annual event, organised by the Committee for Relevant Art designed to promote literacy and human capacity development through interactive reading workshops, arts and crafts and creative workshops for children, students, and youths as well as publishers and artists.
- Sponsorship of the Energy Sustainability Conference (ESC) Exhibition - The Energy Institute Nigeria hosted the ESC conference to bring together energy players in Nigeria and the African Energy space, to promote a path towards a sustainable energy future.
- Sponsorship of the Chartered Institute of Personnel Management (CIPM), International Conference fostering intellectual discourse amongst diverse human resource professionals.
- Sponsorship of the Aret Adams Foundation towards the hosting of their 19th annual memorial lecture series, aimed at educating the public on issues and developments affecting Nigeria's Oil and Gas sector.
- Joint sponsorship with ND Western Ltd of the African Oil and Gas Week, 2022 Conference supporting initiatives within the global upstream industry.
- Sponsorship of the 21st NOG (Nigerian Oil & Gas) Energy Week Conference & Exhibition driving continued collective consciousness among industry stakeholders.
- Sponsorship of the Society of Petroleum Engineers (SPE) - 45th Nigeria Annual International Conference and Exhibition (NAICE) and also supported the SPE Lagos Walk/Run 2022 event to provide solar power for the Ken-Ade Private School, an NGO set up to promote education for vulnerable children in Makoko.

DOING BUSINESS RESPONSIBLY CONT'D.

- Financial donation to the Nigerian Academy of Engineering in support of their work to advance and pursue excellence in the fields of Science, Engineering and Technology.
- Sponsorship of the Value Chain Magazine Annual Lecture and Awards 2022. The Value Chain magazine highlights industry issues while also championing the cause of sickle cell disease in Nigeria.
- Sponsorship of the 2022 Nigerian Association of Petroleum Explorationists International Conference & Exhibition.
- Sponsorship of the ISACA 2022 Annual Conference. ISACA is the worldwide association of IS governance professionals. The association focuses on assurance, security, and governance and provides globally recognised certifications in assurance.

Aradel Holdings has made significant impact in line with the United Nations Sustainable Development Goals (UN SDGs) in the following areas:

Table 6: Aradel Holdings CSR Activities and Alignment with UN SDGs

UN SDGs	
 <p>1 NO POVERTY</p> <p>No Poverty</p>	<p>Targets End poverty in all its forms everywhere</p> <p>Activities Prioritising the stimulation of economic growth through job creation, and poverty reduction through palliative provision to flood victims in our host communities as well as Local Governments in Rivers State</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Good Health and Well-being</p>	<p>Targets End poverty in all its forms everywhere</p> <p>Activities Prioritising the stimulation of economic growth through job creation, and poverty reduction through palliative provision to flood victims in our host communities as well as Local Governments in Rivers State</p>
 <p>4 QUALITY EDUCATION</p> <p>Quality Education</p>	<p>Targets Encourage quality education and lifelong learning</p> <p>Activities Bursary provision to students from our host communities, educational event sponsorships, and donations toward the pursuit of excellence in the fields of Science, Engineering and Technology</p>
 <p>6 CLEAN WATER AND SANITATION</p> <p>Clean Water and Sanitation</p>	<p>Targets Ensure availability and sustainable management of water and sanitation</p> <p>Activities Potable water provision to Obumeze Community</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Affordable and Clean Energy</p>	<p>Targets Ensure access to reliable, sustainable, and modern energy</p> <p>Activities Execution of diverse projects such as an electricity extension project at our host community (Ogbele), solar streetlight installation, electricity transformer installation, the sponsorship of diverse clean energy-driving initiatives</p>

DOING BUSINESS RESPONSIBLY CONT'D.

UN SDGs	
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Targets Promote sustained, inclusive, and sustainable growth</p> <p>Activities CIPM, International Conference sponsorship</p>
Decent Work and Economic Growth	
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Targets Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p>Activities Town hall development and completion for host communities</p>
Industry, Innovation and Infrastructure	
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Targets Make communities safe, resilient, and sustainable</p> <p>Activities Provision of Solar Powered Street Lights in Otari</p>
Sustainable Cities and Communities	
 <p>14 LIFE BELOW WATER</p>	<p>Targets Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p> <p>Activities Continued investment in and improvement of our internal water conservation management systems</p>
Life below Water	
 <p>15 LIFE ON LAND</p>	<p>Targets Protect, restore and promote sustainable use of terrestrial ecosystem</p> <p>Activities Conversion of decommissioned sites to trailer parks</p>
Life on land	

DOING BUSINESS RESPONSIBLY CONT'D.

2.3. Health, Safety and Environment (HSE)

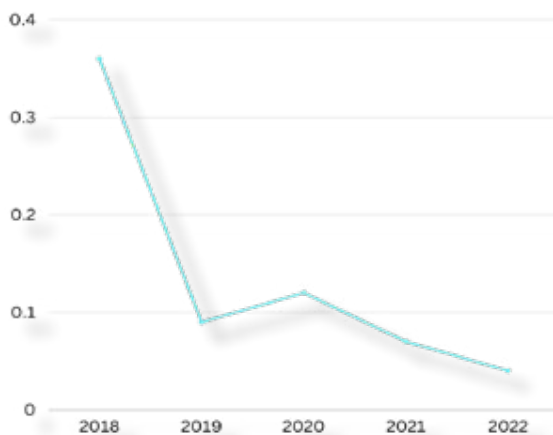
At Aradel, we are committed to creating a healthy, safe, and sustainable environment through our policies which are embedded in our value system as set out in the Aradel HSE Policy. Our staff are our most important asset. As part of our commitment to promote a healthy lifestyle, we engaged the service of accredited health consultants to conduct periodic health awareness talks for all staff.

During the year, there was no form of discharge to the environment (zero sabotage and operational spill). This was achieved through a thorough and rigorous monitoring process put in place by the Company. We equally conducted the external environmental audit to reassure our stakeholders and interested parties of our continued compliance with regulatory requirements.

The Company recorded impeccable HSE performance for the year ended 31st December 2022 with zero fatalities, a total of 16.4 million manhours without incidents and zero Lost Time Injury (LTI).

The Company reduced its Total Recordable Case Frequency (TRCF) to zero. For the year ended 31st December 2022, the TRCF factor was approximately 0.04 (2021: 0.07) - a fairly constant year-on-year trend. The Company will continue its adoption of international best operating practices by the HSE team. See our TRCF profile below:

Figure 10: TRCF Trend



3. Governance

3.1. Sustainability Governance: Aradel Holdings centrally manages an effective governance structure, along with performance standards. The Company has designed and implemented effective controls to identify and respond to emerging risks. The overall responsibility for sustainability within the Company is with the Chief Executive Officer/Managing Director under the supervision of the Board of Directors.

The Company maintains frameworks and policies such as the Aradel Holdings Plc Business Code of Conduct; Environmental and Social Policy; Health, Safety and Environment Policy; and Resource Conservation Procedure. These frameworks and policies have been designed to serve as a guide to all staff, contractors/suppliers, visitors, host communities and other stakeholders.

3.2. Zero Tolerance to Fraud and Corruption: Fraud and corruption are major threats to our sustainability; consequently, we maintain a very high standard of professional conduct. We have a Code of Conduct and Conflict of Interest Policies that set out what is expected of our people and promote the right work environment. In addition, the Company has zero tolerance for bribery and corruption and maintains an independent whistleblowing channel. For the year ended 31st December 2022, Aradel Holdings recorded no cases of fraud and corruption.

4. Environmental Sustainability

4.1. Energy Efficiency: We created various initiatives to promote energy efficiency in all Aradel Holdings facilities. We assiduously ensure wastage is reduced to the barest minimum. During the year, there was a significant decrease in fuel consumption due to post-pandemic initiatives such as hybrid work systems across diverse organisations domestically. We shall continue to imbibe practices such as active energy conservation awareness, monitoring our electricity use, routine maintenance to improve machine efficiency, and using energy-saving electronic devices.

4.2. Water Management: The Company continued the improvement of the water conservation management system initiated in 2019 which aimed at the sensitisation of staff to see water as a natural resource that can be diminished. A water consumption measuring meter was installed in the field to monitor water usage.

4.3. Compliance with Environmental Laws and Regulations: This is an internal commitment to leave the environment better than we met it in consideration for future generations and not just a tick-box exercise for the Company. With this in mind, we ensure that compliance is cascaded into the KPIs of our staff.

To further build on this, the Company started the ISO 14001 certification process earlier in 2021 and is now successfully ISO 14001:2015 (EMS 760652) certified. This reiterates our continued employment of proper frameworks and systems to ensure that our output quality and the effects of our operations on the environment are in line with international standards and practices.

4.4. Waste Management: The Company ensures there is no discharge to the environment. Operational discharge is treated and re injected into an approved well. Waste treatment and zero spills assist the Company in the reduction of its carbon footprint on the environment.

Conclusion

As a fast-growing, committed, and responsible indigenous oil & gas company that prides itself in the excellent delivery of its mandate, the Company will continue to deepen its culture of sustainable development as it fits into the current global business realities as well as its operating environment. We will continue to protect the interests of our people, communities, environment, government, and all other relevant stakeholders without compromising global best practices and the regulations guiding our industry and operations.

DOING BUSINESS RESPONSIBLY CONT'D.

