

# Sustainability Report 2019

Our highly esteemed Stakeholders,  
We are pleased to present the Sustainability Report for the year ended 31 December 2019.

## Scope

This annual Sustainability Report outlines NDEP's sustainability strategy, programs and performance for the year ended 31 December 2019. It is aimed to brief you on our commitment and approach to sustainability.

## Overview

Sustainability is a culture woven into the fabric of NDEP Plc and this is clearly reflected in our people, processes and products. We take pride in carrying out all our activities in a responsible manner factoring in present and future stakeholders interests. The Company ensured it maintained a strong focus on Sustainable Development, not only as a key component of our business decisions, but also in their execution.

To provide you with adequate information in this regard, and also in line with the requirements of the Securities & Exchange Commission Rules & Regulations 2013, the Company will report its Sustainable Development initiatives for the year ended 31 December 2019 in the following key areas:

1. Economic Viability
2. Social Impact
3. Governance
4. Environment

## 1. Economic Viability

### 1.1 Corporate Growth Aspirations

Most recently, and after exhaustive deliberations on the long term future of your company by Staff and Management, a Future Corporate Growth Aspiration was outlined, adopted and endorsed by the Board. This will serve as the instrument which must guide the long term strategic journey into the future for the company and further, as it establishes itself as the truly Nigerian Energy Company. Not just of today, but one that will sustain its growth, carefully managing its bold footprints, beyond its home grounds, but further afield into the wide energy space of the Sub Saharan Africa region of the future.

Bearing in mind the stringent requirements that will make a company remain and sustain such long term aspirations, the Board will support Management as it aims to remain at all times and going forward – as One or the other of the Top two Nigerian Independent Integrated Energy companies.

### 1.2 Growth Outlook

With a careful pursuit of each component of its approved Annual Work Programs, backed always with a stringent and funded budget, the Company will steadily hold on to its strong innovative and profit making position. Aiming always to sustain its ongoing environmentally compliant, minimal footprint integrated oil and gas developments in addition to ongoing and future refining portfolios. It will commit to remain profitable with rewards for its stakeholders. Further, it will sustainably and responsibly pursue each and all of its approved Sub Saharan growth opportunities, ensuring at all times, strict compliance to the existing regulations and laws of the country and that it will secure for its stakeholders, minimal risk and low entry costs for such integrated energy opportunities.

### 1.3 Procurement Process

NDEP Plc adheres to a centralized procurement system. The company maintains a Supplier Code of Conduct which guides it in the selection of suppliers and service providers across its value chain. The procurement processes ensure that we engage economically, environmentally and socially responsible contractors and suppliers. This Code guides our periodic contractor and supplier performance assessment. NDEP conducts its contracting and procurement activities at all times in accordance with its Business Code of Conduct, and expects its contractors and suppliers, including sub-contractors, to adhere to the same principles. Failure to abide by this code will result in sanctions by the company and may result in blacklisting where deemed appropriate.

In addition, in a bid to comply with local legislations and contribute to capacity development, we ensure that in our contracting and procurement processes we give priority to local capacity development in order to ensure sustainable indigenous participation in our entire spectrum of operations.

**1.4 Promotion of Local Content**

We support indigenous empowerment, enhancement of skills and job creation. As part of our efforts to support local content and boost local capacity, NDEP Plc operates a deliberate policy of sourcing its goods and services from our local contractors and suppliers except where the expertise is not available locally and/or where the Original Equipment Manufacturer does not have a local presence. The Company's performance in this area is tracked through our quarterly performance evaluation reports to the Nigerian Content Development & Monitoring Board (NCDMB).

**2019 Operations Support Service Engagements**

In 2019, we engaged the services of over 250 contractors and suppliers out of which only about three per cent were foreign based.

**Contractors/Suppliers by number**



**Contractors/Suppliers by volume**



**1.5 Finance Management**

NDEP Plc optimally, safely and prudently operates its assets, and this has sustained the Company's profitability and continuous dividend payments over the past fourteen years. Investments are carefully analyzed, and funds are deployed in a disciplined approach that maximizes shareholder value. These and other measures have protected the Company in tough times and are responsible for its resilience over time.

Our financial highlights (in the CEO's Statement) confirm the strong financial position of the Company and its ability to remain profitable in years to come.

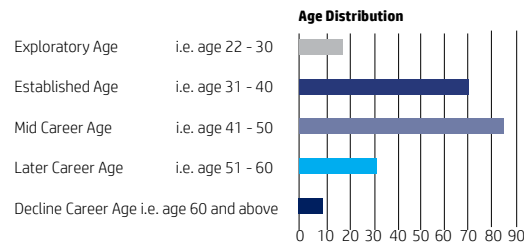
**2. Social Impact**

**2.1 Employee Management**

*i. Diversity and Inclusion:*

NDEP Plc maintains a policy of non-discrimination on the basis of socio-cultural, gender, age, ethnicity, and religious differences. Your Company is an equal opportunity employer that promotes diversity, inclusion and the ideal work environment.

The Age distribution of staff is provided below:



Amongst several initiatives taken during the year ended 31 December 2019 to enhance staff wellness were celebrations of the International Women's and Men's Days, marking the World Fitness Day by having a Half Marathon Walk, indoor and outdoor inter-departmental competitions, "Bring Your Child to Work Day" and Culture Month.

*ii. Staff Motivation and Retention*

NDEP recognises that its success depends on the skills and performance of its employees and therefore seeks to foster an open environment in which employees are actively encouraged to be creative and responsible.

We recognize that the Company has a diversified talent pool of exceptional individuals with varied fortes, and as a result our people are consciously engaged in order for them to find personal fulfillment at work. We place significant emphasis on developing, motivating and equipping our personnel with the right tools and skills to deliver excellently on the job and beyond. In addition, staff health, safety and security constantly remain a priority.

*Sustainability Report - continued*

We have built a healthy workforce, by ensuring that all members of staff subscribe to a robust health management regime, that painstakingly caters for the physical and mental health of employees and their families. This comprises annual medical check-ups, gym membership and other recreational engagements, as well as a completely confidential forum for staff to discuss any psychological issues that they may have with a certified 3<sup>rd</sup> Party Counsellor.

The Company ensures that staff are constantly trained and upskilled in line with the requirements of their jobs and to remain current in the very dynamic oil and gas industry. In this regard, the Company invested in a robust, highly rated industry E-Learning platform that enables all year round capacity and capability development for staff.

The Company's staff attrition rate for the year ended 31 December 2019 is 1.5% of our combined human resource.

*iii. Human Rights, Non-discrimination and Equity*

The Company fully respects human rights, dignity and the worth of all persons, and acts with understanding, tolerance and sensitivity. The NDEP Plc Business Code of Conduct clearly makes provision for the respect of human rights and non-discrimination in the workplace and for the year ended 31 December 2019, we recorded no infractions. Beyond fair treatment of all company's staff, we are an equal opportunity employer that maintains transparency and competitiveness in our recruitment and staff elevation processes.

### **3. Corporate Social Responsibility**

#### **3.1 Our Host Communities**

Our Host Communities (presently Otari, Obumeze, Ogebe, Rumuekpe, Omaraka, and Oshiugbokor) are most integral to our sustainability, thus NDEP is very passionate about identifying closely

with their needs and aspirations. The key vehicle for our community interventions is the NDPR Host Community Development Trust (HCDDT), a framework which continues to attract national acclaim.

Within the context of the Trust, NDEP through its fully owned subsidiary NDPR constantly engages with its Host Communities with a view to agreeing on interventions and initiatives that are most beneficial to the respective communities. In this regard, in the year ended 31 December 2019, the Company successfully re-negotiated and executed a Memorandum of Understanding (MOU) with each of its communities.

The MOUs codify the terms of engagement between your Company and its Host Communities and ensures unhindered operations while delivering on the mutually-identified sustainability initiatives in these communities.

The HCDDT, through diverse projects and activities, contributed to the enhancement of the standard of living and capacity building of the people in our Host Communities. The focal areas of engagement of the Trust are Education, Economic and Social Empowerment, Health, and Infrastructural Development.

*i. Education: ₦28.1 Million*

In addition to being the right of every citizen guaranteed by the constitution of the Federal Republic of Nigeria, education today is a prerequisite for sustainable development and also an effective means of both improved governance and taking knowledge-based decisions. Education therefore improves the strength and capacity of members of our Host Communities to be self-sustaining. The target area of the Trust is the acquisition of higher education, thus, in the year under review, some communities received bursaries and scholarship grants as follows:

- Bursary payment to students in higher institutions at a cost of ₦50,000 per student. See table below for breakdown:

Community	No. of Beneficiaries	Amount (N '000)
Obumeze	46	2,300
Rumuekpe	80	4,000

- West Africa Examination Council Registration fee payment for 100 students from Otari community at a cost of ₦3 Million.
- Scholarship grant to a student from Otari Community for overseas study at a cost of ₦4.4 Million.
- Provision of furniture to a Secondary School in Rumuekpe at a cost of ₦14.4 Million.

ii. *Health: ₦20.9 Million*

Access to healthcare plays a critical role in development. As such we have undertaken the following initiatives:

- Investment in the maintenance of the health of the elderly people in our Host Communities.
- Ongoing expansion of the Maternity Hospital at Ogebele community. This aims at accommodating pregnant women from all our Host Communities and providing accommodation for doctors and nurses.

iii. *Social and Economic Empowerment: ₦59.4 Million*

The social and economic empowerment of our Host Communities is aggressively pursued, as the Trust recognizes the need for the progressive eradication of poverty in the areas where we operate. It therefore implements social and economic programs aimed at eradicating poverty mainly by making members of the communities self-reliant in food production, and to engage in commercial activities that will generate revenue for individuals and the communities. In the year under review:

- An 18-seater Toyota Hiace bus was purchased for Omaraka community at a cost of ₦26.5 Million.
- 600 bags of fertilizer were procured for women in Obumeze community to enhance agriculture and food production at a cost of ₦7.5 Million.
- Obumeze and Omaraka communities Town Halls were furnished at costs of ₦13.4 Million and ₦7.3 Million respectively.

- Relief materials were donated to Otari community to support flood victims at a cost of ₦4.7 Million.



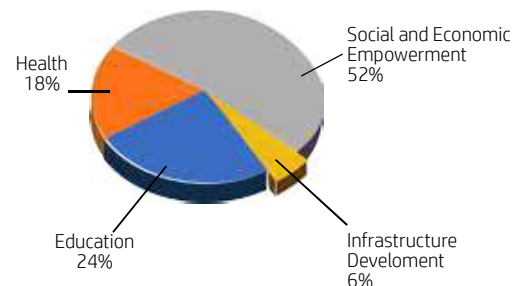
**Obumeze Civic Centre furnished by NDPR Community Development Trust**

iv. *Infrastructure Development: ₦6.4 Million*

No community makes reasonable progress without adequate infrastructure such as electricity, good roads, town halls, bridges etc. Your Company, through the Trust ensures that its Host Communities enjoy these amenities and will continue to invest in the sustainable development of the said infrastructure. In the year under review, the following were put in place:

- Replacement of Electrical poles for Ogebele Community at a cost of ₦1.3 Million
- Road maintenance in Oshigbokor community at a cost of ₦3.5 Million
- Construction of 2 units of Water Boreholes at a cost of ₦1.6 Million

**2019 Host Communities Expenditure at a glance**



These notable achievements have endeared your Company to our Host Communities and obtained for itself, the 'freedom to operate' which is invaluable.

### 3.2 Charitable Donations: ₦15M

Under the Corporate Social Responsibility activities, the Company supported multiple initiatives in charitable donations and sponsorships. Some of these are:

- Sponsorship of NAPE pre-conference workshop at a cost of ₦5 Million.
- Donation of ₦1 Million to Vida Ninos, a charity that works with under privileged children.
- Donation of ₦2.5 Million to the Annual Lagos Book & Art Fair.
- Sponsorship towards the Annual Aret Adams Memorial Lecture at a cost of ₦500,000.
- Sponsorship of 10 Obafemi Awolowo University Students to attend the 2019 NAPE Conference at a cost of ₦300,000.
- Sponsorship of “Making of Champions”, a scholarship for student Athletes at a cost of ₦3 Million.
- Co-sponsorship of the 2019 Chartered Institute of Personnel Management (CIPM) Annual Conference at a cost of ₦1.5 Million.
- Sponsorship of an Aspen Round Table event at a cost of ₦1 Million.
- Sponsorship of the 2019 Centre for Petroleum Information (CPI) Petroleum Policy Roundtable at a cost of ₦250,000.

### 3.3 Health, Safety and Environment (HSE)

HSE considerations play a critical role in every facet of the Company as the HSE policy guides every aspect of our operations. In 2019, we continued to enhance HSE capacity across the organization by reinforcing the culture and taking proactive steps in this regard. On schedule, we reviewed operations and inspected facilities as part of our assurance process.

Our fire-fighting capacity has been reviewed and enhanced. It is noteworthy that the Company logged 10 million-man hours with no Lost Time

Injury. Indeed, the year was marked by a significant increase in our activity levels, with drilling at Ogbele and the Refinery Expansion Projects. In addition to operations at our facilities, we properly managed operational risks and hazards, and therefore achieved zero fatality. We recorded a Total Recordable Case Frequency (TRCF) of 0.09 in 2019 as compared to 0.4 in 2018, despite significant increase in activity level. The HSE team are determined to maintain this average declining trend in the TRCF. See our TRCF profile below:



The Company will strive for continuous improvement on this level of performance as we adopt best operating practices in line with Oil and Gas Industry standards.

## 4. Governance

### 4.1 Sustainability Governance

NDEP Plc adheres to a strict corporate governance policy that is founded on the Nigerian Code of Corporate Governance 2018 and enriched by global best practice corporate governance standards. We have designed and implemented an effective system of checks, balances and controls that timeously identifies and responds to emerging risks.

The overall responsibility for sustaining proper corporate governance within the Company is vested in the Board of Directors, acting through the Board Governance, Remuneration & Nomination Committee.

#### i. Policies

The Company maintains policies to guide the actual practice of the various aspects of proper corporate governance such as the Business Code of Conduct; Environmental and Social Management System

Manual; NDPR Health, Safety and Environment (HSE) Policy; NDPR Resources Conservation Procedure, the Group Whistle Blowing, and the Conflict of Interest Policies. These codes, policies and procedures have been designed to serve as a guide to all staff, contractors/suppliers, visitors, host communities and other stakeholders. Other policies that will further enhance your Company's Governance performance are in the process of being implemented.

*ii. Zero tolerance to fraud and corruption*

Fraud and corruption are major threats to our sustainable existence. We thus maintain a very high standard of professional and personal ethics in the workplace. We adhere to a strict Code of Conduct that sets out what is expected of our people and promotes transparency and accountability in the work environment. We have zero tolerance for bribery and corruption, monitor compliance to the Code and maintain an independent whistle blowing channel devoid of retaliatory victimization. For the year ended 31 December 2019, we recorded no case of violations in this regard.

## **1. Environmental Sustainability**

### **5.1 Energy Efficiency**

We created different initiatives to promote energy efficiency in all NDEP Plc facilities. We assiduously work to ensure wastage is reduced to a barest minimum. During the year, fuel consumption increased by only 21% despite the significant increase in the Company's operations. Active energy conservation awareness, monitoring our electricity use, routine maintenance to improve machine efficiency and energy saving electronic devices made this feat possible.

### **5.2 Water Management**

The Company initiated a water conservation policy during the year 2019. This was aimed at sensitizing staff to see water as a diminishing natural resource. Water consumption measuring meters were installed in strategic locations in the field to monitor water usage. This ensured that water usage was only optimal and necessary despite the significant increase in operations during the year.

### **5.3 Compliance with Environmental Laws and Regulations**

This is not just a tick box exercise for your Company but an internal commitment to leave the environment better than we met it, for the benefit of future generations. With this in mind, we had emplaced as a Key Performance Indicator for our people, compliance with all applicable laws and regulations for the sustenance of the environment.

### **5.4 Waste Management**

The Company ensures that there are no forms of spillages or other discharges into the environment. Necessary operational discharges are treated and reinjected into an approved well without polluting surrounding flora and fauna. Waste treatment and a zero-spill assist the Company in reduction of its carbon footprints in the environment.

### **Conclusion**

As a committed forward-looking company, we strive to become an ever more sustainable company by maximizing our positive impact on all our stakeholder groups, while minimizing our negative impact throughout the value chain. We will continue to deepen our culture of Sustainable Development by adopting best practices and adhering to all applicable laws and regulations, in a manner that minimizes harm to all stakeholders and the environment, whilst remaining profitable.