



# 2017 SUSTAINABILITY **REPORT**

# Growth Impact Sustainability



**Axxela**  
[www.axxelagroup.com](http://www.axxelagroup.com)



**At Axxela, our purpose is to  
create value and improve lives  
through sustainable and  
responsible natural gas  
distribution.**

# Axxela



GNSL Services Limited

# Table of Contents

<b>2017 Key Highlights</b>	<b>03</b>	<b>Our Approach to Sustainability</b>
<b>CEO's Message</b>	<b>04</b>	Environmental Sustainability
<b>About this Report</b>	<b>06</b>	Community and Social Support
GRI Referenced Service		People Empowerment
Other Reporting Framework		Making an Impact on the Sustainable
Enquiries and Feedback		Development Goals
		Our Future Goals and Targets
<b>Our Business</b>	<b>07</b>	<b>Supply Chain Stewardship</b>
Industry Membership		Managing Procurement Processes for
Our Path to the Future		Engineering and Construction
		Assessment of Vendors Based on
<b>Our Operations and Value Chain</b>	<b>09</b>	Social and Environmental Criteria
Our Customer Categories		Change in Vendor Location
Our Subsidiaries		
Economic Contribution		
<b>Leadership and Governance</b>	<b>13</b>	<b>Employees</b>
Board Committees and Their Functions		Employee Profile
		Employee Growth and Attrition
<b>Compliance</b>	<b>15</b>	Our Approach to Training and Development
Code of Business Conduct		Diversity and Inclusion
Ethics, Integrity and Whistleblowing		Labour and Human Rights
Due Diligence		Employee Remuneration and Benefits
Conflict of Interest		
Political Contribution		
<b>Engaging Our Stakeholders</b>	<b>17</b>	<b>Our Community Footprint</b>
<b>Our Materiality Process</b>	<b>19</b>	Education
		Infrastructure Support
		People Empowerment
		<b>Environment</b>
		Emissions
		Water and Effluents
		Biodiversity
		<b>Appendix</b>

# 2017 Key Highlights

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- 01 Zero penalties from non-compliance with regulatory bodies
  - 02 Zero fatalities and LTI
  - 03 100% of employees received performance reviews
  - 04 100 scholars benefitted from Axxela's Back-to-School scholarship programme
  - 05 10% reduction of Greenhouse Gas Emissions within Axxela's operations
  - 06 Transitioned from ISO 9001:2008, 14001:2004 to ISO 9001:2015 and ISO 14001:2015
  - 07 N56 million spent on educational support and community infrastructure
  - 08 75% of suppliers sourced locally
  - 09 100% of employees trained in the course of the reporting year
  - 10 Five infrastructural facilities donated to three communities in Lagos, Nigeria



## CEO'S MESSAGE

t gives us great pleasure to share our maiden sustainability report as an affirmation of our accountability and transparency to our stakeholders. As a first attempt at publicly documenting our sustainability journey, we have taken time to articulate our performance in areas that we consider significant to our operations and our stakeholders.

At Axxela, we embody our values of professionalism, partnership, and excellence across our business enterprise, delivering meaningful benefits to our many stakeholders, as well as expanding a business that is economically and environmentally sustainable.

We also recognise that the continued success of our company depends on following through on the commitments we make to our neighbours, partners, and communities. In keeping with our resolve, this report includes disclosures on key social, economic, and environmental objectives, and reflects input from indigenous groups, landowners, employees, customers, environmental organisations, investors, and community leaders on issues they are most interested in and affected by. These include:

- Ensuring our pipelines and facilities operate safely every day
- Minimising our environmental impact, addressing climate change and managing our greenhouse gas emissions
- Fostering trust and respect through engagement and consultation with stakeholders and communities where we propose projects and operate assets.

To ensure that we adequately capture our performance within a defined structure and in alignment with worldwide best practice, we referenced the Global Reporting Initiative's (GRI) Standards reporting framework for our report. GRI is the most widely-used and most comprehensive sustainability reporting standard in the world, and

referencing it helps to enhance our transparency, our processes and production of a more meaningful report.

The world is committing to a lower carbon future with corporates and individuals alike embarking on proactive initiatives to reduce carbon emissions. We are continuously playing our part to position natural gas as a much cleaner, lower-carbon energy source than coal, diesel, or other alternative fuels. Undoubtedly, switching to gas and optimising its usage is an effective approach global economies can implement in committing to a greener and economically viable present and future.

**Bolaji Osunsanya**  
Chief Executive Officer  
Axxela Limited



**We are continuously playing our part to position natural gas as a much cleaner, lower-carbon energy source than coal, diesel, or other alternative fuels.**



## About this Report

This report provides an overview of our key achievements and updates on various sustainability efforts undertaken by our company in 2017. It is our inaugural sustainability report, and it provides insight into the framework that we have adopted for championing sustainable development. It articulates how we have identified and managed matters that we consider material to us.

Also, it gives insight into our stakeholder engagement approach and how we have responded to the needs of our stakeholders. The report further highlights our future plans and ambitions in our sustainable development journey.

The data presented in this report is from 1 January to 31 December, 2017, and contains information on activities carried out in our headquarters in Lagos State, Nigeria, and our three operational facilities; comprising two in Lagos and one in Port Harcourt.

### GRI-Referenced Service

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards, and thus adopts the "GRI-Referenced" claim. This has guided our selection of the required indices from the Global Reporting Framework to report on identified economic, social and environmental performance, and helped to ensure transparency on how we have applied the standards and have performed.

### Other Reporting Frameworks

The report has also been cross-referenced with other frameworks for sustainable development including the Sustainable Development Goals (SDGs) – a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity; and the United Nations Global Compact (UNGC) – a voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals.

### Enquiries and Feedback

We welcome stakeholder enquiries and feedback for clarification and improvement. Please direct your feedback or enquiry to:

#### **Kevin Johnson-Azuara**

Corporate Communications Lead

The Wings Office Complex  
8th Floor, East Tower  
17A Ozumba Mbadiwe Avenue  
Victoria Island, Lagos, Nigeria

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**T** - 234-1-2700-035  
**W** - <https://axxelagroup.com/sustainability/>

#### **Emmanuel Uche Okpala**

EHSQ Manager

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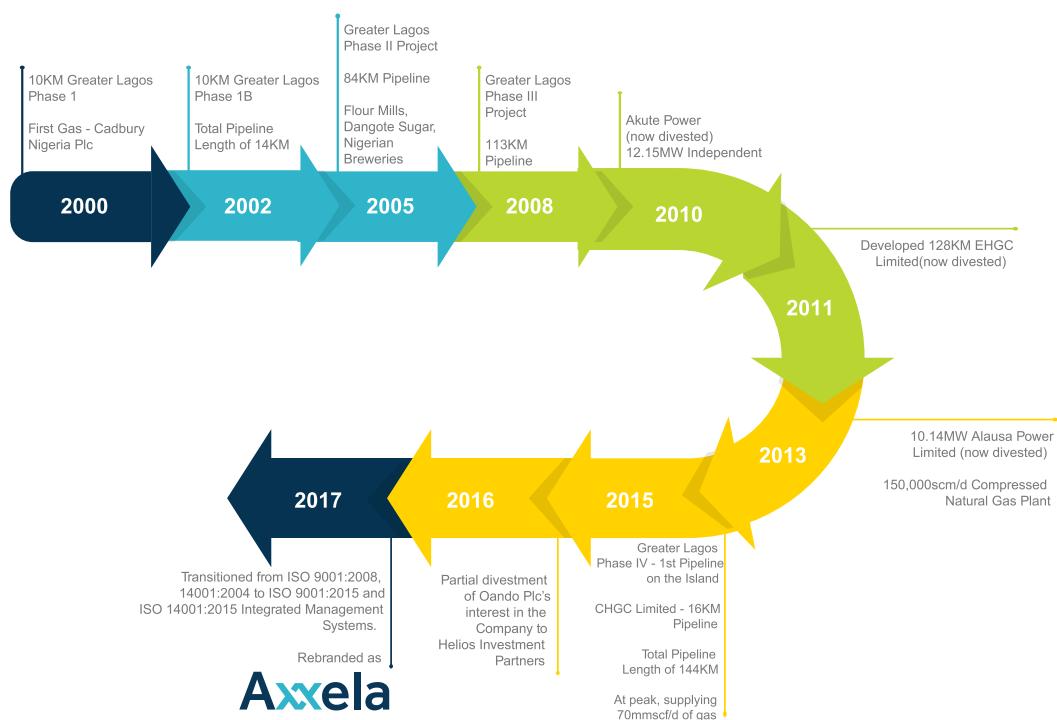
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**T** - 234-1-2700-035  
**W** - <https://axxelagroup.com/sustainability/>

## Our Business

Axxela Limited, also known as 'Axxela', is the pioneering indigenous private sector-led developer of Nigeria's foremost natural gas distribution network. Established in 2007 with our headquarters in Lagos, Nigeria, Axxela is a Helios Investment Partners portfolio company, with Helios owning a majority stake of 75%, with the remaining 25% owned by Oando PLC. With a current total of 78 employees, our major products are Compressed Natural Gas (CNG) and Pipeline Natural Gas (PNG).

Our pipeline distribution facilities are located in Lagos and Port Harcourt, and a CNG facility at Ilasamaja, Lagos. At peak production, Axxela delivers about 80 Million Standard Cubic Feet Per Day (MMSCFD) of gas to over 160 industrial and commercial customers via our vast network of gas infrastructure. With over 280km in gas pipeline infrastructure built, Axxela provides unique energy solutions primarily through our subsidiaries: Gaslink Nigeria Limited, Gas Network Services Limited, and Central Horizon Gas Company Limited.

**Fig 1: Key Achievements and Milestones**



### Industry Membership

As part of our commitment to adhering to high standards of governance, social and environmental policy and performance, we belong to industry associations where, as members, we reflect their values and allow external stakeholders to hold us accountable. Presently, we are affiliated with the Nigerian Gas Association ("NGA"), the professional body responsible for promotion and protection of the interests of the gas industry in Nigeria. NGA focuses mainly on the following:

- Formation of legislation and policies by influencing the formulation of legislation and policies
- Regulation and provision of effective advocacy to stimulate new thinking about Nigeria's natural gas resources

- Promotion of investment into the Nigerian gas sector by providing the platform for sharing points-of-view on industry opportunities in interactive settings and by participation in gas-related trade missions, including the World Gas Conference
- Encouragement of best practices and acceptable standards towards the optimisation of the economics of the entire gas value chain, while emphasising environmental sustainability and safety
- Being the gas industry's resource center of choice as the authority for information in the industry, through knowledge exchange and constituted study groups

**Note:** NGA is a member of the International Gas Union (IGU).

### Our Path to the Future

Our commitment to building a more successful and sustainable business is reflected in our Vision, Mission, and Core Values. These articulate our path into the future and how we will conduct our business along the way.

 <h2>Vision</h2> <p>To become sub-Saharan Africa's preferred and fast-growing gas and power portfolio company.</p>	 <h2>Mission</h2> <p>To deliver high yield portfolio of investments across the gas and power value chains leveraging strategic partnerships to deliver value-adding energy solutions to our customers, whilst facilitating sustainable economic development in our chosen markets.</p>
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### Core Values

#### Professionalism

- Expressing proper conduct at all times
- Embracing legal competitive behaviour
- Providing excellent products, services and solutions

#### Partnership

- Ability and desire to work as part of a team
- Working with others towards a shared purpose
- Recognising both individual and collective contributions

#### Excellence

- Holding ourselves to the highest standards
- Consistently delivering the highest quality of service
- Being superior in our performance, product and output
- A commitment to being the best and delivering the best

## Our Brand Pillars

	<b>Sustainable:</b> We pride ourselves in meeting sub-Saharan Africa's increasing demand for energy while prioritising economic and environmental sustainability.
	<b>Growth-Oriented:</b> Using our resources, insights and capabilities, our goal is to remain sub-Saharan Africa's fast-growing gas and power portfolio company.
	<b>True Partnership:</b> Axxela is uniquely positioned as a partner of choice in creating value-adding energy solutions effectively and efficiently.
	<b>Visionary:</b> At Axxela, we are constantly delivering innovative solutions to shape the future of the gas and power industry in Africa.

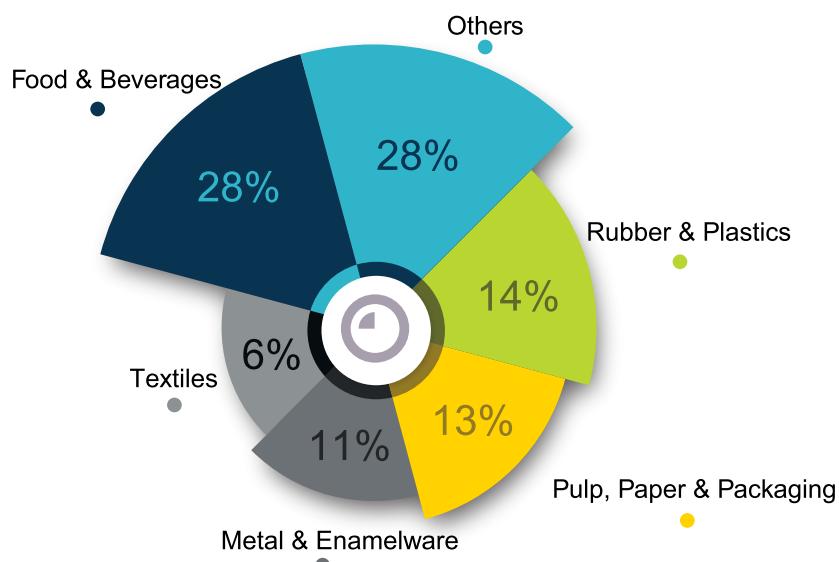
## Our Operations and Value Chain

As a forward-looking gas and power company committed to delivering quality products to our customers in different parts of the country, we have functional subsidiaries tasked with supplying pipeline natural gas and compressed natural gas to our different categories of customers in different parts of the country.

### Our Customer Categories

A key attribute of our product is its ability to serve as an alternative source of energy for heating and power generation in both large and small scale power, manufacturing and industrial plants. As such, our customers are of varying categories and include industrial and commercial customers who form a greater percentage of our customer base indicated in the diagram below:

*Fig 2: Customer Sectorial Split*



## Board of Directors



**Jubril Adewale Tinubu**  
Chairman



**Omamofe Boyo**  
Non-Executive Director



**Tope Lawani**  
Non-Executive Director



**Bolaji Osunsanya**  
Chief Executive Officer



**Jeremy B. Bending**  
Independent Director



**Kamar Bakrin**  
Non-Executive Director



**Ogbemi Ofuya**  
Non-Executive Director

## **Our Subsidiaries**

Axxela has three operating subsidiaries which are:

### **Gaslink Nigeria Limited (GNL)**

Gaslink Nigeria Limited, also known as GNL, is currently the sole supplier of pipeline natural gas in the Ikeja and Greater Lagos areas of Lagos, and serves about 170 industrial customers split across different sectors of the economy. In conjunction with the Nigerian Gas Marketing Company (NGMC), its exclusive gas distribution franchise in the Greater Lagos area is conducted via a pipeline network of over 100km with a capacity of 140 MMSCFD and peak utilisation of about 70 MMSCFD.

Accounting for over 80% of Nigeria's domestic gas distribution to industrial and commercial concerns, Gaslink's clients include blue chip organisations such as Cadbury Nigeria PLC, Flour Mills of Nigeria Plc, Dangote Sugar, and Nigerian Breweries Plc.

### **Gas Network Services Limited (GNSL)**

GNSL supplies compressed natural gas to last mile customers currently outside our pipeline network. Utilising state of the art 95 MSCF/HR (Thousand standard cubic

feet per hour) compressors supplied by FornovoGas, Italy, GNSL delivers CNG at 250 barg into specialised tube trailers for onward delivery to 'stranded' customers within a 250km radius of the mother station.

GNSL's customer portfolio includes Nigeria Breweries Plc, Chi Limited, Rite Foods Limited, Island Power Limited, Peninsular IPP, Goodwill Ceramics Limited, Crown Ceramics Limited, Apple and Pears Limited. Strategic and technical partners include OPEX Oil and Gas Limited, Transport Services Limited, FornovoGas, and Clean Energy Compression (IMW) Canada.

### **Central Horizon Gas Company (CHGC)**

CHGC is a major distribution company located in the South-South region of the country. It is currently the sole proprietor of pipeline natural gas in the Trans-Amadi Industrial Layout, as well as sections of the Greater Port Harcourt area including Moscow Road and Reclamation road. Serving about 15 industrial customers, CHGC is a 17km gas distribution network facility with throughput capacity of 50 MMSCFD and current peak utilisation of about 3 MMSCFD.





#### Economic Contribution

Through our business activities, we strive to generate sustainable economic impact on individuals, industrial entities, and Nigeria, by increasing gas utilisation and positively impacting the manufacturing landscape. Axxela has invested over \$500 million in infrastructure development in the past 18 years, provided energy to over 175 industrial and commercial clients daily, and developed c.280km of gas pipeline infrastructure capable of delivering 80 MMSCFD at peak every day. This translates to the growth of our operations, which in turn results in increased job creation, increased returns to our shareholders and millions paid to government via tax revenues to sustain public services.



**A key attribute of our product is its ability to serve as an alternative source of energy for heating and power generation in both large and small scale power, manufacturing and industrial plants.**



## Leadership and Governance

We understand that high standards of governance are essential for sustaining the trust of all our stakeholders, and for the long-term management of our business. Our leadership and governance structure, as well as our policies and processes, are thus designed to serve the needs of our business, our shareholders and other identified stakeholders, and to promote a culture of accountability across our organisation.

Our highest decision-making body is our Board of Directors (BoD). Essentially, the primary purpose of the BoD is to build medium to long-term shareholder value, provide entrepreneurial leadership and ensure oversight of management. The BoD ensures that adequate systems, policies and procedures are in place to safeguard the assets of Axxela and its subsidiaries (the "Group"). The BoD consists of the Chairman, five Non-Executive Directors (two of which are Independent Directors) and one Executive Director - the Chief Executive Officer. The position of the Chief Executive/Managing Director and the Chairman are held by separate persons in accordance with the Securities and Exchange Commission (SEC) Code.

### List of Board Members

1. Jubril Adewale Tinubu – Chairman
2. Omamofe Boyo – Non-Executive Director
3. Tope Lawani – Non-Executive Director
4. Bolaji Osunsanya – Chief Executive Officer
5. Jeremy B. Bending – Independent Director
6. Kamar Bakrin – Non-Executive Director
7. Ogbemi Ofuya – Non-Executive Director

The responsibilities of the Board are as follows:

- **Strategy and Planning:** This entails the approval of the Company's strategy and financial objectives, and monitoring the implementation of these strategies and objectives
- **Executive Management and Succession Planning:** Reviewing, monitoring and evaluating the performance of the members of the executive team against agreed key performance objectives
- **Human Resources:** Reviewing and approving the appointment, remuneration and termination of employment of members of the Executive Team on the recommendation of the Governance and Remuneration Committee
- **Risk Management:** Overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage risks facing the Group including its financial, IT, legal, strategic, and reputation risks.
- **Financial:** Overseeing the Group's affairs and approving the consolidated annual financial statements and the accounting policies
- **Corporate Governance:** Approving the Code of Business Conduct and Ethics of the Group, and all policies relating to the management of the Group
- **Audit and Compliance:** Reviewing and approving the Group's processes and procedures to ensure the effectiveness of its system of internal controls to ensure financial, operational and regulatory compliance and to ensure adequacy of statutory reporting to the relevant regulatory committees.

## Board Committees and Their Functions

There are currently three board committees in Axxela. Members of these committees meet regularly to set broad policies for the company's business and operations and to put in place structures that ensure a

professional relationship is maintained with the company's auditors in order to promote transparency in financial and non-financial reporting. Below are Axxela's board committees and their functions.

**Fig 3: Axxela Board Committees**



**Table 1: Board of Directors**

S/N	Board Committees	Responsibilities
1.	Strategy and Finance Committee	<ul style="list-style-type: none"> <li>Developing a remuneration and incentive policy for the executive management team</li> <li>Reviewing the performance of the executive management team</li> <li>Reviewing the organisational structure of the company</li> <li>Monitoring the appropriateness of the company's disciplinary processes</li> </ul>
2.	Safety, Audit and Risk Committee	<ul style="list-style-type: none"> <li>Defining and developing the Company's policy on environmental, health, safety and social governance affairs</li> <li>Conducting periodic evaluations to identify hazards and associated risks, and also ensuring the application of suitable precautionary and control measures in the Company's operations</li> <li>Formulating the Company's risk strategy and monitoring its risk exposures and capability to identify and manage new risks</li> <li>Monitoring and oversight of all audit functions of the organisation and also ensuring reviews and sanctions from audit reports are implemented</li> </ul>
3.	Governance and Remuneration Committee	<ul style="list-style-type: none"> <li>Developing a remuneration and incentive policy for the executive management team</li> <li>Reviewing the performance of the executive management team</li> <li>Reviewing the organisational structure of the company</li> <li>Monitoring the appropriateness of the company's disciplinary processes</li> </ul>

## Compliance

We understand that compliance with legal, regulatory and internal regulations is essential for earning the trust of our stakeholders, protecting our reputation, and creating sustained value. As such, we adhere to the highest standards of business ethics in all our activities and we practice excellent corporate governance. We are guided by our code of business conduct and ethics which form the foundation of our internal governance and commitment to responsible business practices. Underpinned by our core values of professionalism, partnership and excellence, our conduct indicates expectations of every member of the Axxela team, such as behaving ethically and with integrity, complying with all laws and regulations, and respecting human rights and the environment.

### **Code of Business Conduct**

To maintain awareness and promote a culture of compliance within the Group, the General Counsel & Company Secretary and members of the Legal and Governance Office organise periodic town hall meetings, on-site training sessions, periodic electronic-based information platforms and in-person meetings and discussions to acquaint employees with the contents of the code of business conduct and provide clarity on different parts of the code that requires such. All directors and employees within the Group are informed of the requirement to comply with the Company's Code of Business Conduct and Ethics and the Company's various policies. Each employee is encouraged to read, understand and apply the principles and be fully aware of the meaning and significance of the code of conduct and guidelines.

Furthermore, the Company's Legal and Governance Team, (comprising of the General Counsel & Company Secretary, the Legal & Governance Manager and the Legal and Governance Officers) are fully accessible to employees and available to engage on a daily basis to provide guidance or assistance on compliance issues encountered in the course of implementing respective activities and functions.

### **Ethics, Integrity and Whistleblowing**

We are strongly committed to high ethical standards and integrity. Besides creating awareness amongst employees on the need to adhere to the principles in our code of conduct, we have a whistleblowing policy which provides employees with guidance for reporting breaches of the company's rules and regulations or any forms of illegal and unethical behaviour to key management functions under the platforms provided. Established by our Board of Directors, the whistleblowing policy utilises both the internal and external reporting mechanism.

The internal procedure entails reporting unethical behaviour directly to the General Counsel and Company Secretary while the external procedure is managed by KPMG Advisory Services. The external platform enables Axxela's internal and external stakeholders to anonymously report unethical activities.

All matters reported to the company via the whistleblowing platform are thoroughly investigated before decisive action is taken. Therefore, we adopt measures to address issues before they result in reputational damage or other forms of damages and losses for the company.

**Table 2: Whistleblowing Reporting Platforms**

WHISTLEBLOWING REPORTING PLATFORMS	<b>INTERNAL</b>	Direct report to the General Counsel and Company Secretary
	<b>EXTERNAL</b>	Toll Free Lines e.g. 0703-000-0026, 0708-060-1222 and 0705-889-0140 Email: kpmgethicslines@ng.kpmg.com

For the reporting year 2017, there were no whistleblowing cases or recorded employee infractions. We will continue to adhere to the highest principles of corporate governance and constantly ensure that incidences of bribery and corruption, human rights violation, harassments and discriminations of any kind are not found in our operations.

### Due Diligence

We conduct due diligence of our prospective partners and suppliers to ascertain that they are not involved in corrupt practices or misconduct that may portend legal, financial or reputational risks for the company, seeing as ethical business conduct is key to our operations,. As such, we are committed to entering contractual relationships with only companies that are reputable. Adopting the procedures in our 'Know Your Customer' (KYC) policy, we verify the identity and establishment of the prospective partner and ensure that they are not complicit in unethical business practices, including money laundering, corruption and the funding of terrorist activities. The KYC policy is also utilised to periodically review the business practices of existing clients to ensure that they are also above board in their business practices.

### Conflict of Interest

As sub-Saharan Africa's preferred and fast-growing gas and power portfolio company, we encounter actual and potential conflicts of interest on a regular basis. To guide against this from affecting our operations,

our Board recently approved an updated Related Parties Transactions Policy to ensure full compliance with all applicable laws and best practice relating to the reporting and disclosure of related party transactions. While we recognise that conflicts of interest may come in different forms, for Axxela, it can be broadly described as scenarios where an employee's interest in the outcome of a particular activity differs from the interests of Axxela, or where a unit within Axxela favours its interest over another unit which is inconsistent with the best interest of Axxela as an organisation. This may come in subtle forms like accepting gifts which could impair the objectivity of a job function or selection process. Thus, we have a gift policy where all gifts from third parties must be declared to the company and assessed before decisions are taken on such gifts.

Furthermore, in accordance to the Related Parties Transaction Policy, all directors and employees of the Company have a duty to always act in the best interest of the company and to avoid situations which might affect their independence or judgment with respect to any transaction. Directors are required to disclose any real or potential conflict of interest to the Chairman of the Governance and Remuneration Committee.

Employees are required to disclose any potential related party transactions or transactions where they may have a conflict of interest to the General Counsel and Company Secretary.

## Political Contributions

We neither participate in political activities, nor do we make donations or contributions to political groups or causes. We have a Charitable Donations Policy which sets out the guidelines upon which any member of the Group may make charitable donations. Donations by the Company to political parties are expressly prohibited in line with the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria.

## Engaging our Stakeholders

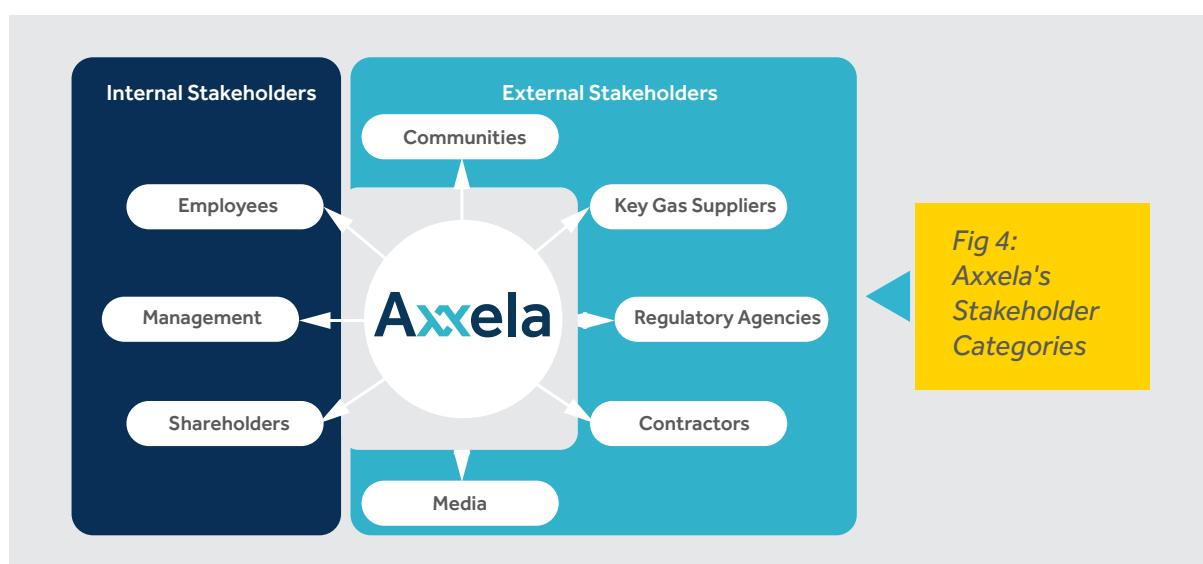
Our stakeholders are persons, entities or organisation whom we consider influential to the success or failure of our organisation, or who can be potentially impacted by our activities. Factors considered in determining stakeholders to engage with include alignment of our goals and values with the stakeholder entity, as well as the possible socio-economic and environmental outcomes of our engagement.

Axxela's stakeholder engagement is implemented at all levels – corporate, regional and site – to ensure that we deliver on our commitment to becoming sub-Saharan Africa's preferred gas and power portfolio company through honest dialogue and transparent, timely and fact-based

**While we recognise that conflicts of interest come in different forms, for Axxela, it can be broadly described as scenarios where an employee's interest in the outcome of a particular activity differs from the interest of Axxela.**

communications. We understand that these elements are critical to building trusting relationships based on mutual respect and managing risks present in our business.

Our stakeholders include our employees, customers, shareholders, host communities, key gas suppliers and regulatory agencies, amongst others. For the reporting year 2017, we engaged with these stakeholders for various reasons, and because each stakeholder has unique and specific areas of concern, the channel and frequency of engagement varied. An overview of our approach to engaging with our main stakeholders is described in Table 3 below, with additional details provided throughout this report.



**Table 3: Stakeholder Engagement Grid**

S/N	Stakeholders	Key Topics and Areas of Interest	Response	Communication Channel	Frequency
1	Employees & Management	Safe and healthy work environment, strategy and direction of organisation, workplace diversity and inclusion, wages, benefits, recognition and commitments, opportunities for career advancement and/or development, workplace agreements and responsible business practices	Engagements on organisational code of conduct, policies and standards, leadership coaching, training and development programs, ethics conversations between managers and employees, performance feedback, health/safety lectures & discussions with employees, occupational health and safety training and employee benefits	Intranet, newsletters, company website/portal, town hall meetings, training and development sessions, one on one engagements, performance review sessions, team meetings, team bonding sessions and retreats	Daily, weekly, monthly and as the need arises
2	Shareholders	Financial and operating performance, share price performance/ROI, dividend payments, balance sheet strength, and business sustainability, safety, health, environmental and social performance, reputation and ethics and corporate governance	Implement key concerns raised during meetings, review business structures for profitable yield	Periodic reports, periodic Shareholders meeting, investor releases, dialogue, direct engagement, formal correspondence	Quarterly and as the need arises
3	Customers	Stability of supply, quality and competitive pricing	Gas sales and purchase agreements	Survey feedbacks customer visits	As the need arises
4	Contractors	Safe and healthy work environment, contract terms and conditions, sustainable brand, transparent engagement process, business opportunities responsible business practices, innovation, operating efficiencies, and strong partnerships	Contract negotiations and agreements, Supplier Code of Conduct, policies and standards, participation in contractor safety programs and continuous improvement initiatives, local content and partnerships	Vendor forum appraisals and feedback, meetings and personal communications	Annually
5	Key Gas Suppliers	Supply shortage	Front end engagement of gas suppliers and source for alternative gas supply	Proactive and reactive meetings	As the need arises

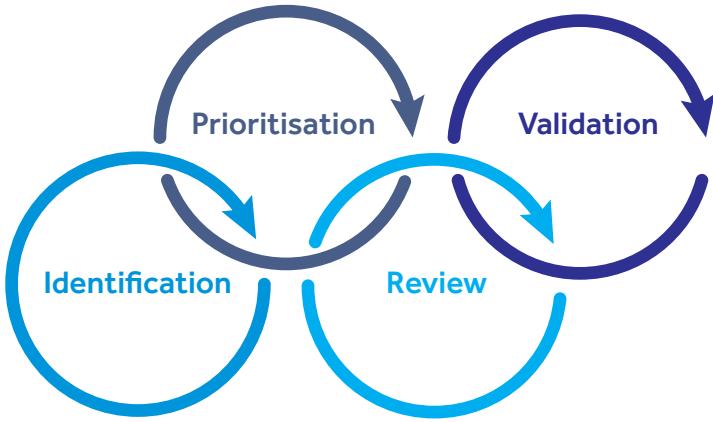
6	Host Communities	Safe and healthy operations/freedom to operate, Jobs and local business opportunities, access to education and skills development, infrastructure, Indigenous peoples' rights, Community wellbeing and Reputation and ethics	Memorandum of Understanding, socio-economic programs, complaint and grievance mechanisms, forums, conferences, site visits, surveys and community development committees	Engagement Sessions, meetings and personal communications	As the need Arises
7	Regulatory Agencies	Permits and licences, taxes and royalties and environmental stewardship	Ensure all regulatory requirements are adhered to, regulatory filings, responses to requests for information, participation in events and forums, collaboration on government/industry campaigns and programs, tours of operations and site visits	Workshops, projects, audits, meetings and personal communications	Annually and as the need arises
8	Media	Financial and operating performance, health and safety performance, community and social performance, environmental stewardship, government regulations and permits	Press releases, interviews, presentations, publications, site visits, editorial board meetings and, media parleys	Communications via phone and email, company website and social media channels	As the need arises

## Our Materiality Process

Understanding the issues that matter most to our stakeholders and our business helps us focus on key risks and opportunities, which in turn improves our reporting and performance. Due to our industry's dynamism, rapid evolution and shifting priorities over time, we conduct internal materiality reviews annually to understand the key issues to focus on.

These key issues inform our sustainability priorities which are also referred to as our material topics and in determining them, we adopt a four-step process which entails identification of topics relevant to our business and stakeholders, and the prioritisation, review and validation of these topics.

**Fig 5: Materiality Process Flow**



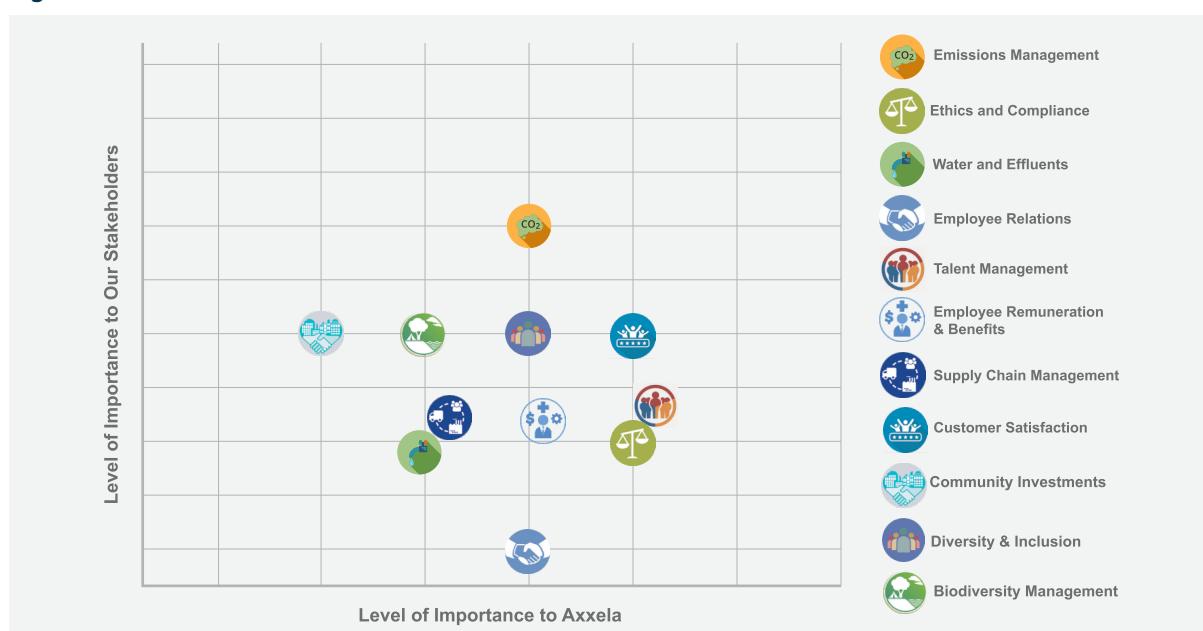
For the 2017 reporting year, we based our materiality assessment on applicable sources including our policies and standards and code of conduct, insights from stakeholder engagement, the Global Reporting Initiative's sector disclosure guidelines, our overarching goals, local operating context, global and relevant industry standards and codes, amongst others. We then conducted an internal review to determine which topics were material and validated these topics with our relevant stakeholders. Our priorities reflect our salient issues and cover a broad range of topics which are:

- Water and Effluents
- Employee Relations
- Talent Management
- Diversity and Inclusion
- Customer Satisfaction
- Ethics and Compliance
- Emissions Management
- Community Investments
- Biodiversity Management
- Supply Chain Management
- Employee Remuneration and Benefits

#### Our Materiality Matrix

Our materiality matrix presents the degree of relevance of each topic to our business and our stakeholders as indicated in the graph below:

**Fig 6: Material Matters at Axxela**



## Our Approach to Sustainability

Sustainability is at the heart of Axxela's strategy. Our approach to sustainability is to harness innovative economic, social and environmental business practices to deliver long term value to our shareholders, customers, partners, and host communities. Ours is a long-term business, and we believe that our company's continued success is spurred by operating safely and fulfilling a positive role in our society. Our sustainability strategy is driven via three focus areas: environmental sustainability, community and social support, and people empowerment.

### Environmental Sustainability

We recognise that our activities have a direct impact on the environment, and this means that we take our environmental impact very seriously. Our efforts are channelled towards reducing carbon emissions by substituting diesel and other energy-generating substances with natural gas to deliver value in the power and energy industry without compromising the needs of the environment. This has led to significant emission savings. We have also channelled our focus to water and effluents management as well as biodiversity conservation in order to advance our environmental sustainability goals.

### Community and Social Support

Our primary aim in this regard is to advance education at the basic level. We focus on awarding scholarships to young children in primary schools in our different host communities. Also, we provide infrastructural support to our host communities, ranging from provision of potable water to health

facilities. We are aware that this not only avails us a distinct social license to operate amongst our host communities, but also has a far-reaching positive impact on the overall well-being of host community members.

### People Empowerment

We understand that our vision to become sub-Saharan Africa's preferred and growing gas and power portfolio company cannot be achieved without equipping our people with the knowledge and skills required to actualise this feat. As such, we focus on empowering our people by providing numerous opportunities for capacity-building. Besides our employees, we also focus on empowering our host community members by sponsoring them on learning and development programs.

### Making an Impact on the Sustainable Development Goals

The Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice.

Axxela is committed to the advancement of the Sustainable Development Goals. We are driven by the responsibility to create shared value and help build an economy in which resource extraction and distribution is complemented with effective resource management and optimisation to achieve social and environmental benefits. Several of our activities are in direct alignment with advancing the SDGs as indicated in Table 4.

**Table 4: Our Sustainability Approach**

S/N	Our Sustainability Approach	Alignment with the SDGs
1	<b>Economic Impact of Our Business</b> <p>Our business generates both direct and indirect employment, which goes a long way in helping individuals tackle poverty, hunger and seek medical intervention where needed. It also empowers individuals to subscribe to quality education for themselves and their wards. Our economic footprint thus contributes to actualising goals 1, 2,3,4 and 8</p>	Goal 1: No Poverty Goal 2: Zero Hunger Goal 3: Good Health and Well-Being for People Goal 4: Quality Education Goal 8: Decent Work and Economic Growth
2	<b>Environmental Sustainability</b> <p>Our environmental sustainability initiatives are channelled towards energy efficiency and reduction of greenhouse gas emissions, water and effluents management as well as biodiversity management. Our activities in this regard contribute to actualising goals 7,9,11,12 and 15</p>	Goal 7: Affordable and Clean Energy Goal 9: Industry, innovation and infrastructure Goal 11: Sustainable cities and communities Goal 12: Climate Action Goal 15: Life on land
3	<b>Community and Social Investment</b> <p>Our community support and social investment initiatives are targeted at providing educational support to elementary school children through our 'Back to School' Initiative and provision of infrastructure, including; water facilities, health and sanitation facilities and welfare support through yearly distribution of food items. Thus, aligning with goals 1,2,3,4 and 10</p>	Goal 1: No Poverty Goal 2: Zero Hunger Goal 3: Good Health and Wellbeing Goal 4: Quality Education Goal 10: Reducing Inequality
4	<b>People Empowerment</b> <p>Our people empowerment drive is aimed at building capacity for our employees through sponsoring and providing several training opportunities for them. Our host community members are also target beneficiaries of our capacity-building initiatives and scholarship grants. These align with goals: 1, 2, 3, 4, 5, 8 and 10</p>	Goal 1: No Poverty Goal 2: Zero Hunger Goal 3: Good Health and Well-being Goal 4: Quality Education Goal 5: Gender Equality Goal 8: Decent work and economic growth Goal 10: Reducing equality

## Our Future Goals and Targets

Our outlook portends our ambitious goals and targets which are driven by our holistic vision. These goals and targets indicate our commitment to monitoring and measuring our performance in our sustainable development journey, and we consider them integral to our long-term success.

*Table 5: Goals and Targets*

S/N	Sustainability Pillars	Key Focus Areas	Approaches	2017 Fiscal Year Achievements	2020 Fiscal Year Targets
1	Environmental Sustainability	Greenhouse gas emissions (GHG)  Biodiversity management  Water management	Reduce GHG emissions  Reduce the impact of our operations on the environment  Periodic examination of water to determine suitability for employee consumption. Installation of water treatment plants in core operation areas	Reduced GHG emissions by 10%  No water-borne illness recorded amongst employees in core operation areas for the reporting year	Adopt environmentally friendly technology and new techniques for reduction of GHG emissions  Adopt a yearly tree planting initiative  Adopt and renovate a community garden/park
2	Community Investment	Education and empowerment  Provision of social amenities and infrastructure  Welfare Support	Support the communities in which we operate after formal engagements to ascertain their needs	Provided Back to School scholarships for 100 scholars  Gave scholarship grant to Oromeruezimgbu Community in Rivers State, as well as Marine training to a member of the aforementioned community  Renovation of Olisa primary school in Mushin and renovation of lavatory at Dele Ajomale School, Isolo, Lagos  Provision of two administrative blocks to the Nigerian Army  Provided welfare support in the form of distribution of food items	Provide scholarships to about 300 pupils in identified local communities  Provide infrastructure and refurbishment in select host communities as may be required  Provide seasonal welfare support for about 500 identified members of host communities

3	Product Quality and Innovation	Adoption of relevant technology to promote efficiency in production  Quality, safety and regulatory compliance	Adoption of relevant technology and expertise to design and provide products and services that satisfy our customers and benefit the society  Ensure all products and operations are compliant with international quality and safety standards	Increased total gas production and sales to about 789 Million Standard Cubic Feet (MMSCFD) this year  Zero penalties as a result of non-compliance with regulatory bodies  Zero fatalities and Lost Time Injury (LTI)	Increase gas sales to about 1,128 MMSCFD per year as a result; increase customer base  Zero penalties as a result of non-compliance with regulatory bodies  Maintain zero fatalities and LTI
4	Employee Engagement and Relations	Training and employee development  Communication and employee relations  Health and safety  Labour and human rights	Enhance healthy employee relations through various communication channels and employee activities  Foster a continuous learning environment and encourage employees to develop and advance their careers in Axxela  Provide a supportive, pleasant and healthy workplace for our employees, and foster a caring community in our working environment	100% of all full-time and contract employees received regular performance reviews. Also, 100% employees received post training assessment to ascertain effectiveness and relevance of training  100% compliance rate to all labour and human rights laws, hence there was no record of child labour or forced labour in our operations  Health benefits (HMO) for all employees  Periodic health and safety drills conducted for all employees	Ensure employees have at least 20 hours relevant training for career advancement  Promote well-being in the workplace by providing ergonomic friendly chairs and desks for all employees  Organise yearly out of office health, safety and environment day for all employees  Conduct periodic HMO sensitisation for all employees



5	Sustainable operating practice	Procurement/supply chain management Business continuity Climate change	Supply chain management to ensure alignment with our code of conduct and other social and environmental requirements  Risk management to mitigate potential operational risks  Ensure our business strategies not only take into account long term trajectory of climate change but also sufficiently flexible to respond to inevitable changes in the business environment	80% vendors, suppliers and business partners satisfied with our engagement prerequisites and criteria  Risk management framework developed and fully adhered to for the reporting year  Update our risk register periodically to take into account new factors that could impact our operations  Expand our operation beyond Nigeria to West Africa  Create alternative means of gas supply to adequately satisfy our ever-expanding customer network  Measure our GHG emissions, electricity and water consumption annually, and strive to reduce it referencing local and international codes and standards

## Supply Chain Stewardship

Due to the nature of our business, our supply chain cuts across both local and international entities and includes suppliers and contractors from the construction, engineering, hospitality and financial services industries, amongst others. We currently have over one hundred vendors (suppliers) in our system. While there are some vendors that only provide one off goods/services, others are engaged from time to time.

Integrity is at the heart of everything we do. This includes how we effectively manage our supply chain. As such, we have an underlying commitment to procure in a manner which is sustainable for our business, communities, and the environment through adoption of best practice in our procurement processes.

We have core policies that ensure our procurement processes are sustainable. We engage contractors for the expansion of our gas distribution network and other services by adhering to prequalification criteria that speaks to our core values (Professionalism, Partnership and Excellence), to ensure our products and services meet acceptable requirements. One of these policies is the Procurement Policy Manual which provides the guidelines for the purchase of goods and services by the company.

Due diligence is carried out by the compliance unit prior to the registration of a vendor.

### Managing Procurement Processes for Engineering and Construction

Vendors from construction and engineering supply chains pass through certain steps before qualification. Using laid down criteria and techniques, engineering vendors are tested for their technical ability. Both engineering and technical vendors are prequalified by the required department and supported by Environmental Health Safety and Quality (EHSQ) before they are fully registered on the system. Our EHSQ team



visits our construction vendors' sites to examine how their processes are structured, the quality of their equipment, and their safety requirements and practice. We also check for leadership diligence. For vendors with projects that entail huge financial transactions and disbursements, they are reviewed by our financial team to ascertain their financial capability for handling the contract in question. Having satisfied all of these, the vendors are then registered.

### Assessment of Vendors Based on Social and Environmental Criteria

All our vendors are assessed using social and environmental criteria. For the social assessment, prospective vendors are required to provide information about their practices through the aid of a structured questionnaire with sections focused on human capital management including immigration and national asylum act, anti-bribery and corruption, freedom of information, and employment tribunal issues.

For the environmental aspect, we have the environmental management system ISO 14001:2015 certification, which is used to manage our environmental aspects, fulfil compliance obligations including vendor management and address risks and opportunities related to the environment. We are also OHSAS 18001:2007 - occupational health and safety management system (OHSMS) - certified which specifies requirements to enable us and our contractors control risks and improve organisational health and safety performance.

## Procure to Pay

The Procure to Pay Cycle is the sequence which guides the procurement process used in Axxela.

*Fig 7: Procure to Pay Cycle*



### Change in Vendor Location

In the case of a change of location or address, the supplier or vendor in question notifies us of the change via a written letter or e-mail. This is documented and the relevant changes are made on the vendor's details on our system. For the reporting year, there were no changes in the location of any of our vendors or suppliers.

We remain committed to upholding sound ethical practices in our vendor selection and management processes.

## Employees

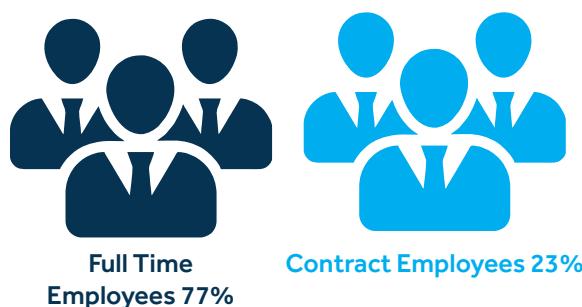
We believe that our employees are our most important asset as they are tasked with bringing our goals and vision to fruition. Therefore, we constantly ensure that we have an environment that favours idea generation and innovation so that our people may constantly express themselves and share their ideas.

We want our employees to be passionate about our strategy, connected to our values and motivated to achieve their potential. We support our employees through clear policies, training and development opportunities, health and well-being initiatives and competitive reward programmes.

### Employee Profile

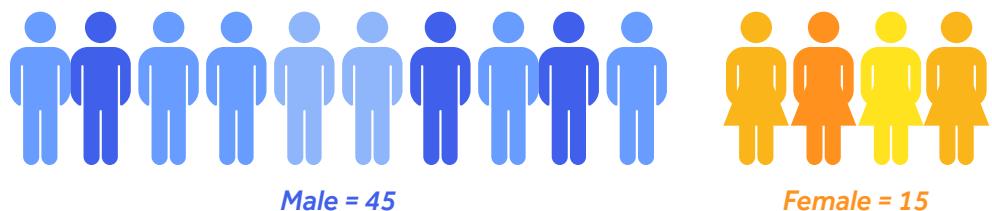
For the reporting year, we had a total of 78 employees, comprising 60 full time employees and 18 contract employees. Out of the total of 60 full time employees, 45 were male, while 15 were female. Also, out of a total of 18 contract employees, 14 were male, while four were female. The charts below represent this information.

*Fig 8: Employee Profile*

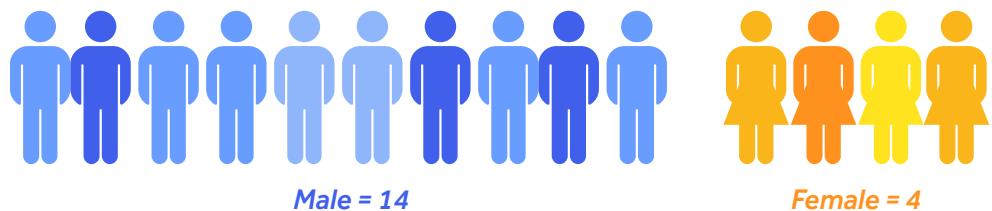


**We want our employees to be passionate about our strategy, connected to our values and motivated to achieve their potential.**

*Fig 9: Full Time Employees Categorisation by Gender*



*Fig 10: Contract Employees Categorisation by Gender*



## **Employee Growth and Attrition**

For the reporting year 2017, we hired a total of thirteen permanent employees. The thirteen new employees comprised of nine males and four females. Also, of the 13 new joiners, nine were under the age of 30, three were under 40 and one was under 50 years of age. Five employees exited the organisation in the course of the reporting year.

## **Our Approach to Training and Development**

We are committed to ensuring that our people succeed by availing them opportunities for training and development to maximise their potential and deliver optimally in their respective functions and mandates. We currently have a three-year view to our training. Based on competency

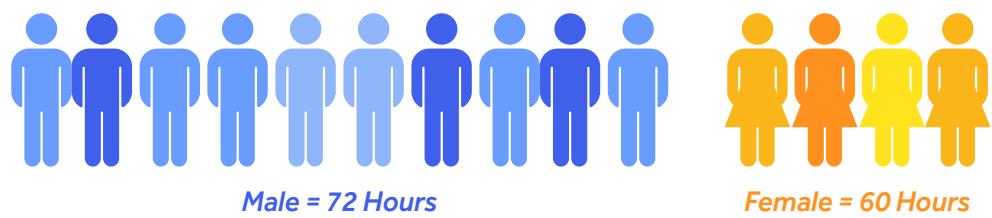
assessments and gaps identified, we deemed that our training intervention would be conducted within the three-year duration to effectively close the identified gaps. At the beginning of each year, we identify the training needs of each employee per department and include this in the organisation-wide training plan. All trainings are linked to a budget which is provided by management and our training targets determine our budget. Employees are notified of their prospective training and after each employee returns from training, they are required to fill an evaluation form to assess new skills that have been acquired and how it would aid improvement. For the reporting year, all employees benefitted from the training plan of the organisation. Also, all employees received performance reviews in the course of the reporting year.

**The charts below indicate our average training hours per employee category and by gender.**

*Fig 11: Average Training Hours per Employee Category*



*Fig 12: Average Training Hours by Gender*

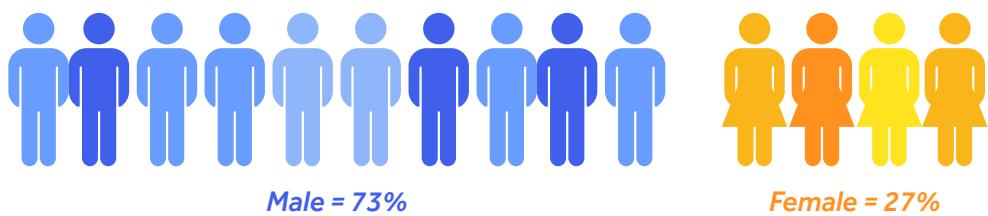


Yearly scheduled employee trainings are done based on identified competency gaps and employee career paths to assist employee skills acquisition.

## Diversity and Inclusion

We are committed to being an equal opportunity employer and as such offer employment, training, compensation and advancement on the basis of qualification, merit and business needs, regardless of race, religion, sex, nationality or state of origin, age, veteran status and sexual orientation, and disability, as long as the individual is able to perform job duties safely and efficiently. Members of our management and employees are male and female of varying ages from different ethnicities. The charts below indicate the gender diversity and age range of our management and employees.

*Fig 13: Employee Categorisation by Gender*

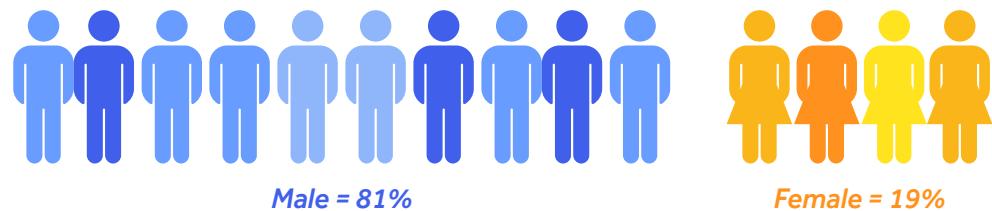


*Fig 14: Employee Categorisation by Age*





*Fig 15: Management Categorisation by Gender*



*Fig 16: Management Categorisation by Age*



### **Labour and Human Rights**

Axxela is compliant to all labour laws and the principles of the United Nations Global Compact. We do not condone child, forced or compulsory labour in our operations. We also mandate our business partners and suppliers not to condone same. We respect indigenous people's rights and accord them their respect as required. Furthermore, our organisation maintains a work culture where human rights and dignity are respected. For the reporting year, there were no cases of human rights violation either through child labour, forced labour or disrespect of indigenous people's rights.

### **Employee Remuneration and Benefits**

We employ best practice regarding matters of remuneration, compensation and benefits. We have an existing HR policy which consists of a remuneration and pay structure applicable to employees of varying grades. The following are benefits applicable to employees of various categories:

*Table 6: Employee Benefits*

<b>Benefit</b>	<b>Employee category</b>
Life insurance	All permanent employees
Health care	All employees
Parental leave	All female employees
Retirement provision	All permanent employees
Professional and social club subscriptions	All permanent employees
Robust long term and management incentive plans	All permanent employees



Axxela is compliant to  
all labour laws and the  
principles of the United  
Nations Global  
Compact



## Our Footprint in the Community

Axxela is committed to creating initiatives that provide social and economic benefits for our stakeholders in both host and access communities. We implement community interventions after due engagement with key members of our host communities to ensure that our interventions are relevant and create the needed impact.

We understand that the relationships we maintain in these communities are critical to achieving our licence to operate. We have taken a step further by firming up this relationship through memoranda of understanding that details our commitment to our host communities as well as their commitment to us.

In line with this obligation, we embarked on several charitable initiatives which align with our sustainability approach and objectives in the area of education, infrastructural support and people empowerment. Through our subsidiaries, we provided several interventions for our host communities in the course of the reporting year.

### Education

Our focus in this regard is to give children a solid educational foundation. As such, we channel our educational support towards primary education. We give out yearly scholarships to primary school students. The process is managed by a consultant whom we have engaged for the purpose. Through our subsidiary CHGC, we gave scholarship grant to pupils of Oromeruezimgbu Community in Rivers State. Also, we awarded scholarships to 100 primary school pupils through our 'Back to School Project'. In addition, another of our subsidiaries, GNL, renovated Olisa Primary School, Mushin, Lagos.

### Infrastructure Support

Our pledge to improve the lives of denizens of our host communities has seen us support them by providing infrastructure that will measurably impact and improve their living conditions. In the course of the reporting year, our GNL subsidiary provided two administrative blocks to The Nigerian Army, 81 Division, Bonny Camp, Lagos, one of our host communities.



Before reconstruction



After reconstruction

### People Empowerment

Our people empowerment initiative is mostly targeted at sponsoring select host community members for marine training. This is done based on a host community's request and need, after due engagement where they affirm that it is a prerequisite for gaining employment in oil companies especially working offshore. For the reporting year, one person was sponsored by us on marine training. We will continue to enlarge our capacity in this regard, to ensure more individuals are better-rounded and employed within the oil and gas industry. Due to the nature of our business, we

## Environment

recognise that we have a direct impact on our environment. As a result, we maintain a strong stance towards minimising negative environmental impact and ensuring a positive environmental footprint in our host communities. We are committed to managing potential impacts on water, land, climate, air quality and biodiversity, protecting diverse environments, and engaging stakeholders on effective solutions to the unique challenges of each jurisdiction.

### Emissions

To manage emission gas quality, Axxela ensures that the quality of fuel used for our facilities are properly analysed before purchase. Also, we use grid power supply, gas generators, and diesel in order of priority at our operational bases (GNL, GNSL and CHGC) which emit exhaust gas.

Axxela implements a robust maintenance plan that ensures optimal functionality of power plants to minimise carbon emission to

the environment. Periodic audits are carried out by federal and state environmental agencies and their reports form the basis for performance reviews. Environmental Monitoring Plans are outputs of the Environmental Impact Assessments.

For the reporting year 2017, there were no documented regulatory infraction. Our emissions were reduced following:

- Fuel switching
- Process redesign
- Changes in behavior
- Conversion and retrofitting of equipment

The scope of our emissions disclosure only covers energy consumption within the organisation's operations; offices and facilities. The International System of Units (SI) - Conversion Factors for General Use (manual) was used. Our energy emissions for 2017 is indicated in the table below.

**Table 7: GHG Emissions Within the Organisation Based on Co<sub>2</sub> Emission**

Type	Co <sub>2</sub>
Natural Gas	301.7
Diesel	583.4
Electricity Consumption	76.9
Others	84.2
<b>Total</b>	<b>1050.2</b>
<b>Target</b>	<b>906.6</b>

\* Data covers only H2 2017

## Water and Effluents

We use water for plant (generator) operations as a cooling agent. It is also consumed by employees and used for cleaning and hygiene purposes. Water consumed by employees is properly examined periodically to ensure it is safe for consumption and will have no negative impact on employees' health. Water treatment plants are installed in the plants requiring water for core operations. No water-borne illnesses were recorded in 2017.

## Biodiversity

Axxela's business activities have certain unavoidable impacts on habitats and ecosystem; from projects to operations. Biodiversity risk assessment and management are normally incorporated into the Environmental Impact Assessments ("EIA") usually carried out on all Axxela's projects in compliance with the requirements of the:

- Federal Ministry of the Environment
- Lagos State Environmental Protection Agency
- Lagos State Parks and Gardens Agency
- Nigeria Inland Waterways
- Other state agencies in areas where we operate.

Reports from environmental audits carried out by federal and state agencies are used as reference documents for assessing the performance of our management approach. Axxela partners with government agencies towards the restoration and reinstatement of all excavated right-of-way (ROW), as well as any parks or gardens affected. The states in which we operate make it mandatory for all reinstatement and restoration to be carried out by the State Infrastructure Maintenance and Regulatory Agency. There were no infractions recorded in 2017, and no significant adjustment, as management continues to ensure total compliance to existing approach.



## Our Community Outreach



## Appendix

### GRI Standards Index (Referenced)

<b>GRI Standard</b>	<b>GRI Standard Title</b>	<b>Disclosure Number</b>	<b>Disclosure Title</b> Individual disclosure items	<b>Section Topic</b>	<b>Section/Page</b>
GRI 102	General Disclosures	102-14	Statement from Senior Decision-Maker	CEO's Message	4
GRI 102	General Disclosures	102-1	Name of the Organisation	Our Business	7
GRI 102	General Disclosures	102-2	Activities, Brands, Products, and Services	Our Business	7
GRI 102	General Disclosures	102-3	Location of Headquarters	Our Business	7
GRI 102	General Disclosures	102-4	Location of Operations	Our Business	7
GRI 102	General Disclosures	102-5	Ownership and Legal Form	Our Business	7
GRI 102	General Disclosures	102-6	Markets Served	Our Operations and Value Chain	9
GRI 102	General Disclosures	102-7	Scale of the Organisation	Our Business	7
GRI 102	General Disclosures	102-8	Information on Employees and Other Workers	Our Business Employee Profile	7 28
GRI 102	General Disclosures	102-12	External Initiatives	Our Footprints in the Community	34
GRI 102	General Disclosures	102-13	Membership of Associations	Industry Membership	7
GRI 102	General Disclosures	102-16	Values, Principles, Standards, and Norms of Behaviour	Compliance Code of Business Conduct	15 15
GRI 102	General Disclosures	102-17	Mechanisms for Advice and Concerns About Ethics	Ethics, Integrity and Whistleblowing	15
GRI 102	General Disclosures	102-46	Defining Report Content and Topic Boundaries	About this Report	6
GRI 102	General Disclosures	102-47	List of Material Topics	Our Materiality Process	19
GRI 102	General Disclosures	102-40	List of Stakeholder Groups	Axxela's Stakeholder Categories	17

GRI 102	General Disclosures	102-42	Identifying and Selecting Stakeholders	Axxela's Stakeholder Categories	17
GRI 102	General Disclosures	102-44	Key topics and Concerns Raised	Stakeholder Engagement Grid	18
GRI 102	General Disclosures	102-50	Reporting Period	About this Report	6
GRI 102	General Disclosures	102-52	Reporting Cycle	About this Report	6
GRI 102	General Disclosures	102-53	Contact Point for Questions Regarding the Report	Enquiries and Feedback	6
GRI 102	General Disclosures	102-54	Claims of Reporting in Accordance with the GRI Standards Reference	About this Report Referenced Service	6
GRI 102	General Disclosures	102-55	GRI Content Index	Appendix 1	38
GRI 102	General Disclosures	102-56	External Assurance	N/A	
GRI 102	General Disclosures	102-18	Governance Structure	Leadership and Governance	13
GRI 102	General Disclosures	102-16	Values, Principles, Standards, and Norms of Behaviour	Our Path to the Future	8
GRI 103	Management Approach	103-1	Explanation of the Material Topic and its Boundary	Our Materiality Process	19
GRI 201	Economic Performance	201-3	Defined Benefit Plan Obligations and Other Retirement Plans	Compensation and Benefits	32
GRI 203	Indirect Economic Impacts	203-1	Infrastructure Investments and Services Supported	Our Footprint in the Community	34
GRI 302	Energy	302-1	Energy Consumption Within the Organisation	Emissions	35
GRI 302	Energy	302-3	Energy Intensity	Emissions	35
GRI 302	Energy	302-4	Reduction of Energy Consumption	Emissions	35
GRI 303	Water	303-1	Water Withdrawal by Source	Water and Effluents	36

GRI 304	Biodiversity	304-1	Operational Sites Owned, Leased, Managed in, or Adjacent to, Protected Areas and Areas of High Biodiversity Value Outside Protected Areas	Biodiversity	36
		304-2	Significant Impacts of Activities, Products, and Services on Biodiversity		
		304-3	Habitats Protected or Restored		
		304-4	IUCN Red List Species and National Conservation List Species with Habitats in Areas Affected by Operations		
GRI 306	Effluents and Waste	306-1	Water Discharge by Quality and Destination	Water and Effluents	36
GRI 401	Employment	401-1	New Employee Hires and Employee Turnover	Employee Growth and Attrition	28
GRI 401	Employment	401-2	Benefits Provided to Full-Time Employees that are Not Provided to Temporary or Part-Time Employees	Compensation and Benefits	32
GRI 401	Employment	401-3	Parental Leave	Compensation and Benefits	32
GRI 404	Training and Education	404-1	Average Hours of Training Per Year Per Employee	Our Approach to Training and Development	29
GRI 404	Training and Education	404-2	Programs for Upgrading Employee Skills and Transition Assistance Programs	Our Approach to Training and Development	29
GRI 404	Training and Education	404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	Our Approach to Training and Development	29
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of Governance Bodies and Employees	Diversity and Inclusion	30
GRI 413	Local Communities	413-1	Operations with Local Community Engagement, Impact Assessments, and Development Programs	Our Footprint in the Community	34

## List of Abbreviations

BoD	- Board of Directors
CBC	- Code of Business Conduct
CEO	- Chief Executive Officer
CHGC	- Central Horizon Gas Company Limited
CNP	- Compressed Natural Gas
ED	- Executive Director
EHSQ	- Environment, Health, Safety and Quality
EIA	- Environmental Impact Assessment
FMN	- Flourmills of Nigeria Plc
FTE	- Full Time Employee
GHG	- Green House Gas
GNL	- Gaslink Nigeria Limited
GNSL	- Gas Network Services Limited
HIP	- Helios Investment Partners
HMO	- Health Maintenance Organisation
HR	- Human Resources
IGU	- International Gas Union
IT	- Information Technology
KM	- Kilometre
KYC	- Know Your Customer
LTI	- Lost Time Injury
MD	- Managing Director
MMSCFD	- Million Metric Standard Cubic Metre Per Day
MoU	- Memorandum of Understanding
MSCF	- Million Metric Standard Cubic Metre Per Hour
NB	- Nigerian Breweries
NGA	- Nigerian Gas Association
NGMC	- Nigeria Gas Marketing Company
OHS	- Occupational Health and Safety
PH	- Port Harcourt
PNG	- Pipeline Natural Gas
RM	- Risk Management
ROI	- Return on Investment
ROW	- Right of Way
SCFD	- Standard Cubic Feet Per Day
SDGs	- Sustainable Development Goals
SEC	- Securities and Exchange Commission
WGC	- World Gas Conference

## List of Tables

- Table 1: Board of Directors
- Table 2: Whistleblowing Platform
- Table 3: Stakeholder Engagement Grid
- Table 4: Making an Impact on the SDGs
- Table 5: Our Future Goals and Targets
- Table 6: Employee Benefits
- Table 7: GHG Emissions within the organisation based on CO<sub>2</sub> Emission

## List of Figures

- Fig 1: Key Milestones and Achievements
- Fig 2: Customer Sectoral Split
- Fig 3: Axxela Board Committees
- Fig 4: Axxela's Stakeholder Categories
- Fig 5: Materiality Process Flow
- Fig 6: Materiality Matrix
- Fig 7: Procure to Pay Cycle
- Fig 8: Employee Profile
- Fig 9: Full Time Employee Profile
- Fig 10: Contract Employee Profile
- Fig 11: Average Training Hours Per Employee
- Fig 12: Average Training Hours by Gender
- Fig 13: Employee Categorisation by Gender
- Fig 14: Employee Categorisation by Age
- Fig 15: Management Categorisation by Gender
- Fig 16: Management Categorisation by Age





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