

Independent Monitoring Group

Ninth HSEC Monitoring Review

22 October 2021

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Acronyms and Abbreviations

Name	Description
API	American Petroleum Institute
AOC	Africa Oil Corporation
CDP	Carbon Disclosure Project
CDP	Community Development Plan
CPF	Central Processing Facility
EHS	Environment, Health and Safety
EHS MP	Environment, Health and Safety Management Plan
EIA	Environmental Impact Assessment
EOPS	Early Oil Pilot Scheme
ESAP	Environmental and Social Action Plan
ESRS	Environmental and Social Review Summary
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESG	Environmental and Social Governance
FEED	Front End Engineering Design
FDP	Field Development Plan
FID	Financial Investment Decision
FPIC	Free Prior Informed Consent
GHG	Green House Gases
GIIP	Good International Industry Practice
GoK	Government of Kenya
GRI	Global Reporting Initiative
GTG	Gas Turbine Generator
HR	Human Resources
HSEC	Health, Safety, Environment and Community
IAOGP	International Association of Oil and Gas Producers
IFC	International Finance Corporation
IMG	Independent Monitoring Group
IPIECA	International Petroleum Industry Environmental Conservation Association
KJV	Kenya Joint Venture
LALR	Land Acquisition and Livelihood Restoration
LARF	Land Access and Resettlement Framework
LLCOP	Lokichar to Lamu Crude Oil Pipeline
NEMA	National Environmental Management Authority
NGO	Non-Governmental Organisation
PS	Performance Standard
RAP	Resettlement Action Plan
SASB	Sustainability Standards Accounting Board
SEP	Stakeholder Engagement Plan
TCFD	Task Force on Climate Related Financial Disclosures

EXECUTIVE SUMMARY

Africa Oil Corporation (AOC) is a Canada based oil and gas exploration and development company with exploration and development assets in Kenya, exploration, development and producing assets offshore Nigeria, as well as a portfolio of exploration assets in Guyana, Namibia, South Africa and in the Senegal/Guinea Bissau Joint Development Zone. AOC holds its interests through direct ownership of concessions and through its shareholdings in investee companies (Prime Oil & Gas BV, Africa Energy Corp, Eco (Atlantic) Oil & Gas Ltd and Impact Oil and Gas Ltd).

The Equity Subscription Agreement between AOC and the International Finance Corporation (IFC) for oil and gas exploration, appraisal and development activities requires AOC, and its Joint Venture partners, to conform to the IFC Performance Standards (PS) on Environmental and Social Sustainability (2012) and fulfil the requirements of an agreed Environmental and Social Action Plan (ESAP). The investment requires the establishment of an Independent Monitoring Group (IMG) to undertake periodic reviews of progress with the ESAP requirements and conformance with the IFC PSs. The initial IMG review was conducted in December 2015 and this report is the ninth IMG review.

Most of the current ESAP actions are closed with a small number pending finalisation of the Project Oil Kenya (POK) ESIA and associated management documentation, as described below.

POK is the name given to the South Lokichar field development project in north-west Kenya, operated by AOC's Joint Venture partner, Tullow Kenya BV. POK is undergoing further desk-based field development planning, with current activities on site at a very low level and no current exploration or appraisal work being undertaken. The POK Environmental and Social Impact Assessment (ESIA) is due to be finalised by the end of 2021 and will be issued to the Kenyan National Environmental Management Authority (NEMA) for review and determination. A series of ESIA consultation meetings were undertaken in July and August 2021 to disclose the ESIA. A number of meetings were observed by the IMG and these were well attended and demonstrated a good level of engagement. Comments on the revised draft ESIA, which is considered by the IMG to be comprehensive, and observations from the consultation meetings are included in the current review.

A Supplementary Lender Information Package, to address specific IFC Performance Standard requirements is planned for 2022 with a Final Investment Decision also planned for 2022. An ESIA for the associated export pipeline development has been submitted to NEMA for determination and an ESIA for a water supply pipeline from an existing reservoir to the project site is planned for early 2022.

The AOC Corporate Environmental and Social Management System (ESMS) Framework, and associated corporate policies, procedures and standards of operation, are undergoing further review by AOC, including addressing recommendations made in the previous IMG review for fuller alignment with the IFC PSs. The policies, procedures and standards will apply to potential future operational roles as well as for oversight of AOC's current and any new interests in non-operated assets.

As part of its revised ESMS Framework, AOC is developing an Energy Transition Strategy (ETS) and issued its first annual Environmental and Social Governance (ESG) review in early 2021. Recommendations have been made on the further development of this strategy with respect to current, and predicted future, good practice approaches, and to support future ESG reporting requirements.

The focus of the next review will be dependent on the level of activity at existing assets and future investment decisions. The further development of POK, ongoing oversight of its non-operated assets, and further development of AOC's ETS are likely to be key areas of focus. The next review is currently scheduled for the fourth quarter of 2021.

1. INTRODUCTION

1.1 Background

In August 2015, *Africa Oil Corporation (AOC)* entered into an Equity Subscription Agreement with the International Finance Corporation (IFC) for financing to support its oil and gas exploration, appraisal and development activities. The agreement included a requirement for AOC to conform to the IFC Performance Standards (PS) on Environmental and Social Sustainability (the Performance Standards) and to undertake specific actions detailed in an agreed Environmental and Social Action Plan (ESAP). The ESAP was developed by the IFC based on its Environmental and Social Review Summary (ESRS) of AOC's activities produced in June 2015.

Environmental Resources Management Consulting East Africa Limited (ERM) was commissioned by AOC and the IFC to act as the Independent Monitoring Group (IMG) ⁽¹⁾. The role of the IMG is to conduct a review of Health, Safety, Environment and Community (HSEC) aspects associated with AOC's activities related to oil and gas exploration, appraisal and development with respect to IFC's environmental and social requirements.

Reviews are scheduled every six months during exploration and development phases, and annually during production phases. The first eight IMG reviews were undertaken in:

- December 2015 (including site visit to South Lokichar and Block 12A);
- July 2016 (including site visit to South Lokichar and Block 12A);
- January 2017 (including site visit to South Lokichar);
- July 2017 (desk based due to travel restrictions associated with elections in Kenya);
- May 2018 (including site visit to South Lokichar);
- December 2019 (delayed due to reduced levels of activity on site and included site visit to Early Oil Pilot Scheme and oil transport);
- February/March 2020 (including site visit to South Lokichar and desk based reviews of upstream Phase 1 development and midstream pipeline project Environmental and Social Impact Assessments (ESIA) ⁽²⁾; and
- November/December 2020 (desk based due to travel restrictions and a low level of site activity at South Lokichar due to the Covid-19 pandemic).

This report covers the findings of the ninth review undertaken in July/August 2021. It was primarily desk-based and included a review of the revised draft upstream Project Oil Kenya (POK) ESIA. A site visit was undertaken to observe community consultations on the ESIA.

1.2 Scope of the Review

Previous reviews have focussed on AOC's interests in Kenya and, to a lesser extent, Ethiopia. AOC's current interests in East Africa are the non-operated assets (Blocks 13T, 10BA and 10BB in the South Lokichar Basin, north-west Kenya) operated by a JV partner, Tullow Kenya. AOC currently have no other non-operated or operated interests in Kenya and Ethiopia as AOC and JV Partners have relinquished its interests in Block 12A (2017) and Block 9 (2018) in Kenya and the Ethiopian interests (2019), as reported in previous reviews.

From late 2018, AOC has broadened its investment portfolio and now has interests across the oil and gas exploration, development and production cycle, including non-operated assets in Nigeria, Namibia, South Africa, Senegal/Guinea Bissau Joint Development Zone and Guyana (as described in Chapter 2). The previous review included an assessment of AOC's updated Environmental and Social Governance (ESG) systems, policies, standards of operation and performance reporting requirements that apply to these and potential future non-operated assets, as well as to assets where AOC may have an operator role.

(1) As required for projects classified by the IFC as Category A (projects expected to have significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented).

(2) The Term ESIA is used here, however, it is noted that under Kenyan legislation the term EIA is used.

The current review provides an update on the previous reviews that were focussed of the POK development activities and the AOC ESG systems.

1.3 Objectives

The overall objective of the IMG review is to identify areas of non-conformance ⁽¹⁾ within the review framework and to make recommendations for corrective actions, or improvements in line with Good International Industry Practice (GIIP).

The current review covers the following areas.

- Overview of status of AOC's non-operated interests.
- Progress against the current AOC ESAP requirements.
- Progress with POK ESIA and POK operational-level HSEC management plans and procedures.
- Review of progress with AOC's Corporate ESG systems, policies and standards of operations relating to the control, oversight and reporting of environmental and social risks and issues.

1.4 Approach

The approach taken for the current review was as follows.

- Attend an inception meeting to receive a briefing on AOC current and planned activities.
- Conduct a desktop review of AOC's and JV partners new, revised or finalised HSEC and ESG policies, plans and procedures; stakeholder engagement plans; land access plans; and associated studies and reports (documents submitted for review are listed in Appendix A).
- Review of the revised Draft Project Oil Kenya ESIA and provide comments to AOC for the ESIA finalisation.
- Request clarifications or further information from AOC and report the review findings.
- A site visit was undertaken to South Lokichar to attend part of the ESIA disclosure process with communities and government bodies.

Each IMG report provides updated information on assets and project progress as well as an update on previous observations/findings and any new observations/findings. Where appropriate, information in the previous IMG reviews is referenced or summarised to avoid unnecessary repetition. The review methodology and action tracking procedure is presented in Chapter 3.

1.5 Review Period

This review covers the activities in progress between the eighth review in November/December 2020 and the current review in July/August 2021. Where reference is made in this report to the 'next review period', this would cover the approximately six-month period from August 2020 to the next review currently scheduled for the fourth (Q4) of 2021. Due to the low level of on-site activities and the ongoing travel restrictions related to the Covid-19 pandemic, it not currently known if field visits will be possible for the next review.

1.6 IMG Review Team

The ERM IMG review team comprised consultants covering the following skills specified in the IMG Scope of Work.

- Mark Irvine: Team Leader and Environmental Specialist.
- Kelly Horton: Social Specialist
- Gideon Owanga: Consultation Specialist

(1) The term 'compliance' relates to specific legal and regulatory measures or contract requirements, whereas the term 'conformance' relates to a standard that is outcome-based.

- Peter Wright: Biodiversity Specialist.
- Yves Verlinden: Air Quality Specialist.
- Andrew Marsh-Patrick: Climate Change Specialist.

1.7 Limitations

The findings in this report are based on the Scope of the Review described above. ERM performed these services in a manner consistent with the normal level of care and expertise exercised by members of the environmental and social consulting profession. The work is based primarily upon documents produced and studies performed by third parties, and follow-up interviews and discussions.

ERM has used information provided by AOC, JV Partners and their representatives in good faith and with verification limited to requests for clarifications and additional documentary evidence. The assessment and recommendations made are based on professional judgement drawing on the available information and within the limits of the budget and schedule. The information provided in this report should be considered as technical input and not as legal advice.

1.8 Report Structure

The remainder of this review report is structured as follows.

- Chapter 2 summarises the key AOC and JV assets and status of activities.
- Chapter 3 outlines the assessment framework and applicable standards.
- Chapter 4 presents an assessment of the progress against the AOC ESAP requirements.
- Chapter 5 presents an update of the findings of the review of POK with respect to the IFC Performance Standards, along with the actions required for conformance and recommendations to meet GIIP.
- Chapter 6 presents an update on AOC's ESG system, policies and standards of operation and reporting, including AOC's Energy Transition and Offsetting Strategy.
- Chapter 7 presents the conclusions and recommendations for the next review.

The review is supported by the following appendix.

- *Appendix A: Additional Documents Provided by AOC for the Current Review.*

2. AOC AND JV ASSETS AND CURRENT ACTIVITIES

2.1 Overview of Non-Operated Interests

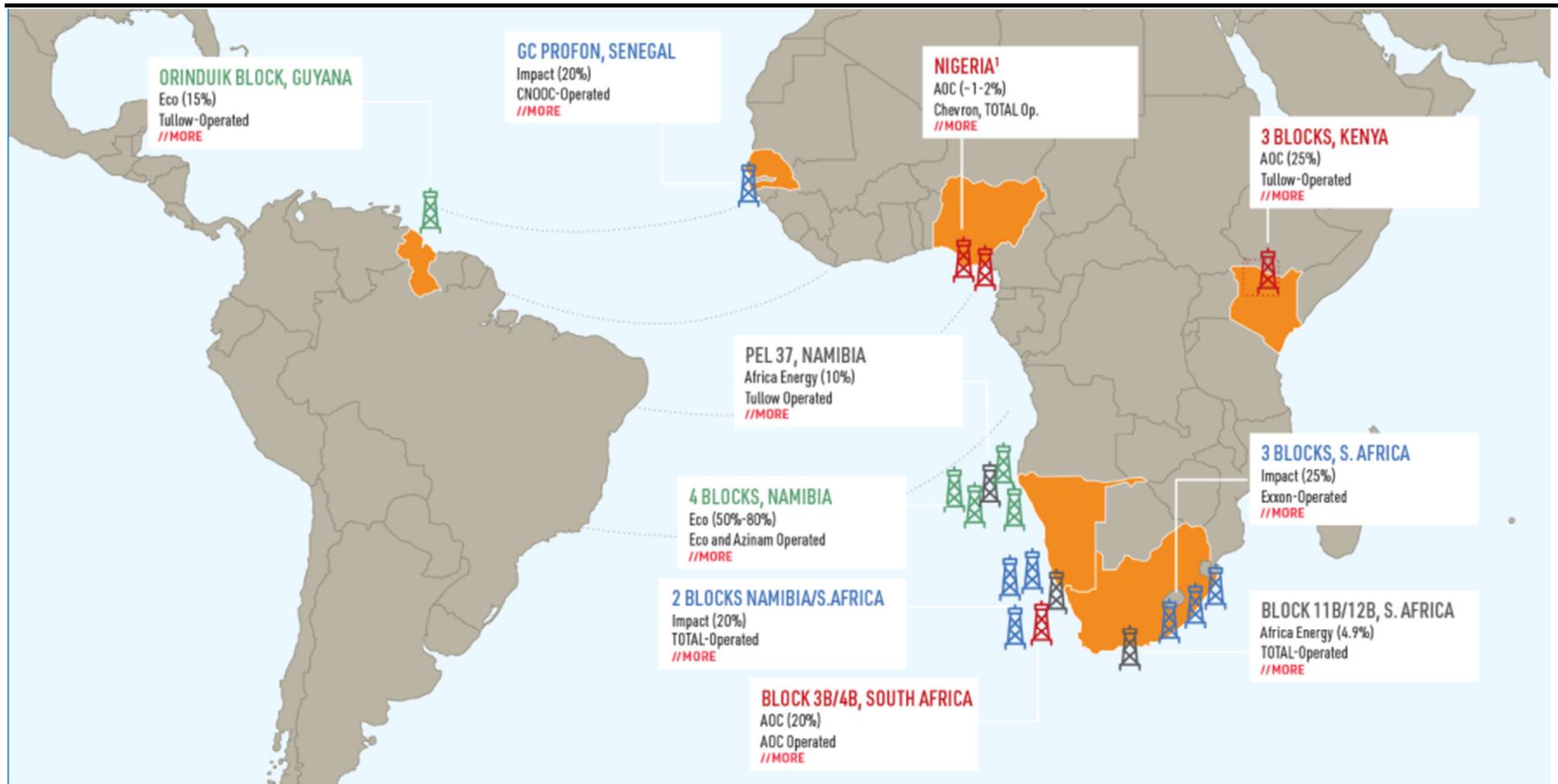
A summary of AOC's and its JV Partners interests is provided in Table 2.1 and illustrated in Figure 2.1. Further details are provided in the following sections. Note that Africa Oil SA and Africa Energy have operator interests in two blocks in South Africa, based on exploration rights.

Table 2.1 AOC Non-Operated Interests

Company and AOC Relationship	AOC Shareholding and date of entry	AOC Influence	Country	Block/Fields	Company Shareholding	Operator
Africa Oil Kenya	100%	Wholly owned	Kenya	10BA, 10BB, 13T	25%	Tullow Kenya
Africa Oil SA Corp	100%	Wholly owned	South Africa	3B/4B (Exploration Rights)	20%	AOI
Prime Oil and Gas	50% Jan 2020	AOC has Director on Board	Nigeria	OML 127 (Agbami producing field)	8%	Chevron
				OML 130 (Akpo and Egina producing fields)	16%	Total
Africa Energy Corp	19.9% Jun 2021	Independent Director	South Africa	11B/12B (Exploration Rights)	10%	Total
				2B (Exploration Rights)	90%	Azinum Ltd
			Namibia	PEL 37	10%	Tullow
Impact Oil and Gas	30.9% May 2018	AOC has Non-Executive Director on Board	Namibia/ South Africa	2 blocks	20%	Total
			South Africa	3 blocks	25%	ExxonMobil
			Senegal/ Guinea Bissau	GC Profond	20%	CNOOC
Eco (Atlantic) Oil and Gas Ltd	19.9% Jun 2021	Independent Director	Guyana	Orinduik Block	15%	Tullow
				Canje Block	1.75%	ExxonMobil
			Namibia	Four blocks	50-80%	Eco and Azinam

Sources: AOC website, August 2021, AOC Report to Shareholders June 2021

Figure 2.1 Current AOC JV Assets



Source: AOC website November 2020. The Canje Block interests, offshore Guyana, are not marked on this figure

2.2 Africa Oil Kenya

Africa Oil Kenya is wholly owned by AOC. Non-operated assets in Kenya include Blocks 10BA, 13T and 10BB in Turkana County, in north-west Kenya. The assets are operated by Tullow Kenya (50%) in a JV with AOC (25%) and Total (25%), named the KJV later in this report. Activities in blocks 13T and 10 BB described in Section 2.2.1 below.

The extended exploration licence for Block 10BA runs to the end of 2022. As stated in Section 1.2 above and reported in previous reviews, AOC no longer have an interest in Blocks 9 and 12A in Kenya.

2.2.1 South Lokichar Basin Exploration, Appraisal & Development

For the purposes of this report, the South Lokichar Basin comprises Blocks 13T and 10BB. A description of the activities associated with the development of the South Lokichar Basin, along with the environmental and social context, was provided in the previous IMG reviews so is not repeated here other than an update of the current activities for the upstream project and the associated midstream component.

The permitted phase of exploration and appraisal activities within Blocks 10BB and 13T in South Lokichar commenced on 19th of September 2015 and expired on 18th September 2020. A Force Majeure was declared by the operator, Tullow Kenya, on 15 May 2020, mainly in response to the restrictions resulting from the Covid-19 pandemic and project economics. The Force Majeure was lifted on 20 August 2020 and a licence extension has been granted to 31 December 2021. The upstream team has largely been demobilised (with a care and maintenance team in place) pending approval of the revised field development plan (see below).

As reported in the previous review, the Early Oil Pilot Scheme transporting crude oil from an extended well test at South Lokichar by truck to Mombasa, which commenced in June 2019 and ceased in November 2019, has been decommissioned.

2.2.2 South Lokichar Field Development Project

The Field Development Plan for the South Lokichar Field Development, known as Project Oil Kenya (POK) has been redefined and now includes the discoveries at Twiga, Amosing and Ngamia in block 10BB and 13T, as well as additional wells from Ekales/Agete and Etom. This will comprise a series of well pads, interconnecting flowlines, a Central Processing Facility (CPF), and support facilities and infrastructure (e.g. roads, logistics base/storage areas, waste storage sites, and power and water supply). The revised Field Development Plan is scheduled for submission to the Government of Kenya for approval by 31 December 2021. Figure 2.1 illustrates the redefined Project schematically.

The procurement process has commenced with tender packages issued to potential contractors. Once the project Final Investment Decision (FID) is taken, expected in 2022, then bid evaluation and contractor selection for the Project Management Company (PMC), Engineering, Procurement and Construction (EPC), Drilling, and Operations and Maintenance Services contractors will be finalised.

The development of these six fields in the South Lokichar Basin is planned over two phases, with first oil from each expected from between 3 and 7 years following FID. These phases include:

- Phase 1: Amosing and Ngamia at year 3 and Twiga at year 4.
- Phase 2: Ekales and Agete at year 5 and Etom at year 7.

Figure 2.2 South Lokichar FFD Project and Pipeline Route: Updated Schematic



Source: AOC Corporate Presentation August 2021.

The draft upstream ESIA, to meet Kenyan regulatory requirements, for POK was disclosed on the Operator’s website in June 2020 and is currently being updated to take into consideration the additional wells, well pads, land requirements and other material issues related to the Project. Disclosure to stakeholders was undertaken in July/August 2021 and submission to NEMA is scheduled for the fourth quarter of 2021. A supplementary lender’s report focussing on IFC Performance Standards requirements is planned for 2022.

The draft upstream ESIA was reviewed by the IMG in the seventh review and comments provided in Appendices to that report. The revised draft ESIA main report was provided to the IMG as part of the current review and comments on the document have been provided to AOC. The supporting annexes (supporting information, baseline studies and stakeholder consultations) were not available for the current review.

2.2.2.1 Water Supply

The Turkwel reservoir was selected as the project water source for well pressure control (water injection) following an evaluation of options (reported in previous IMG reviews). The proposed pipeline from the reservoir to the project site and community offtake infrastructure will be the subject of a separate ESIA and permitting process so has not been addressed in the Upstream ESIA.

2.2.3 Lokichar to Lamu Crude Oil Pipeline

The Lokichar to Lamu Crude Oil Pipeline (LLCOP) is planned from the CPF at South Lokichar to a marine export terminal to be built at the Port of Lamu. Under the 2017 Joint Development Agreement, oversight and governance is provided by a Pipeline Steering Board comprising representatives of the Kenya JV and the Government of Kenya that provide personnel and other resources to the Pipeline Project Management Team. AOC, as part of the steering board and project management team is therefore able to provide advice and has some influence over how activities are planned and undertaken.

An ESIA for the mid-stream component of the project was submitted to the National Environmental Management Authority (NEMA) in November 2019, with subsequent addendum issued in March 2020 to address design and pipeline route changes. Public hearings have been concluded and a determination from NEMA is awaited. The submitted midstream ESIA to meet Kenyan regulatory requirements was reviewed by the IMG in the seventh review and comments provided in Appendices to that report. The LLCOP is an associated facility to the upstream development project and, as such, a supplementary assessment is planned in 2022 to address gaps with respect to the IFC Performance Standards. The comments made by the IMG on the submitted midstream ESIA will be considered when the supplementary assessment is being undertaken.

The GoK LAPSSET Corridor Development Authority, via the National Lands Commission (NLC), is leading the land access and stakeholder engagement for the pipeline, as well as the upstream land requirements. Work by the NLC to survey and gazette the required land along the pipeline route up to the Turkana County border has been completed. Completion of the work in Turkana has been delayed due to Covid-19 access restrictions in 2020 and 2021.

2.2.4 Summary of Activities in South Lokichar

A summary of the status and main activities underway or planned in south Lokichar described above are presented in *Table 2.2*.

Table 2.2 Status and Current Activity in South Lokichar Basin

Licence Block	Status	Current Activity
Blocks 13T and 10BB (South Lokichar Basin), Kenya	Exploration and appraisal licence extended to end of 2021 for blocks 13T and 10BB.	No exploration and appraisal work is currently being undertaken planned for 2021.
	The EOPS Interim Trucking Project to transport stored oil from previous well testing to Mombasa commenced was suspended in 2019.	The Interim Trucking Project has ceased and the project infrastructure decommissioned.
	The South Lokichar Project Field Development Plan has been re-defined and a revised plan is due submission to GoK by the end of 2021. FID is targeted for 2022 and construction is scheduled to take place over a 36-month period from FID.	No current work on site other than care and maintenance. Final Upstream ESIA due for submission by end of 2021. Contracting the PMC, EPC and other key contractors is planned for 2022, pending FID.
	Joint Development Agreement with GoK to progress export pipeline from South Lokichar to Port of Lamu.	Land access process currently suspended due to Covid-19. ESIA review by NEMA is underway and feedback has not yet been provided. Supplementary Assessment to meet IFC standards is due for completion by the end of 2022.

2.3 Africa Oil SA Corp (South Africa)

Africa Oil SA Corp, owned by AOC, has a 20% participating interest in the Exploration Rights for Block 3B/4B, offshore South Africa became the Operator for the block in February 2020, however, this role is currently limited to the desk-based review and evaluation of previously acquired seismic survey data is being evaluated.

2.4 Prime Oil and Gas BV (Nigeria)

AOC holds a 50% non-operated interest in Prime Oil and Gas that has a non-operator working interests in three FPSO based deep-water producing assets offshore Nigeria. These are listed below and shown in Figure 2.3.

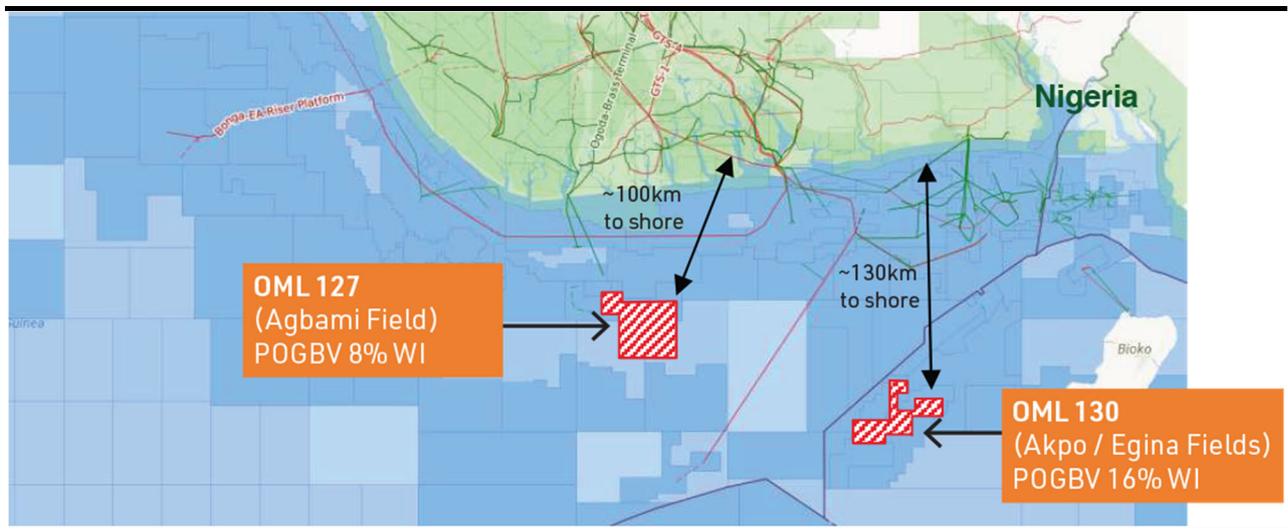
- Block OML 127: Agbami field operated by Chevron (AOC has approximately a 4% interest as part of Prime's approximately 8% interest).
- Block OML 130: Egina and Akpo fields operated by Total (AOC has approximately an 8% interest as part of Prime's approximately 16% interest).

2.5 Africa Energy Corp (South Africa & Namibia)

AOC has an approximate 31% interest in Africa Energy Corp. Africa Energy has a 4.9% interest in the Exploration Rights for Block 11B/12B, offshore South Africa, where Total is the operator. Following

discoveries in 2019 (Brulpadda) and 2020 (Luiperd) the exploration licence has been extended to September 2022. Africa Energy currently has a 90% participating interest in the offshore Exploration Right for Block 2B, offshore South Africa. An exploration well in the Gazania prospect is planned for Q4 2021. Africa Energy also has a 10% interest in PEL 37 offshore Namibia where Tullow is the operator.

Figure 2.3 Offshore Nigeria Assets



Source AOC website Nov 2020

2.6 Impact Oil and Gas (Namibia)

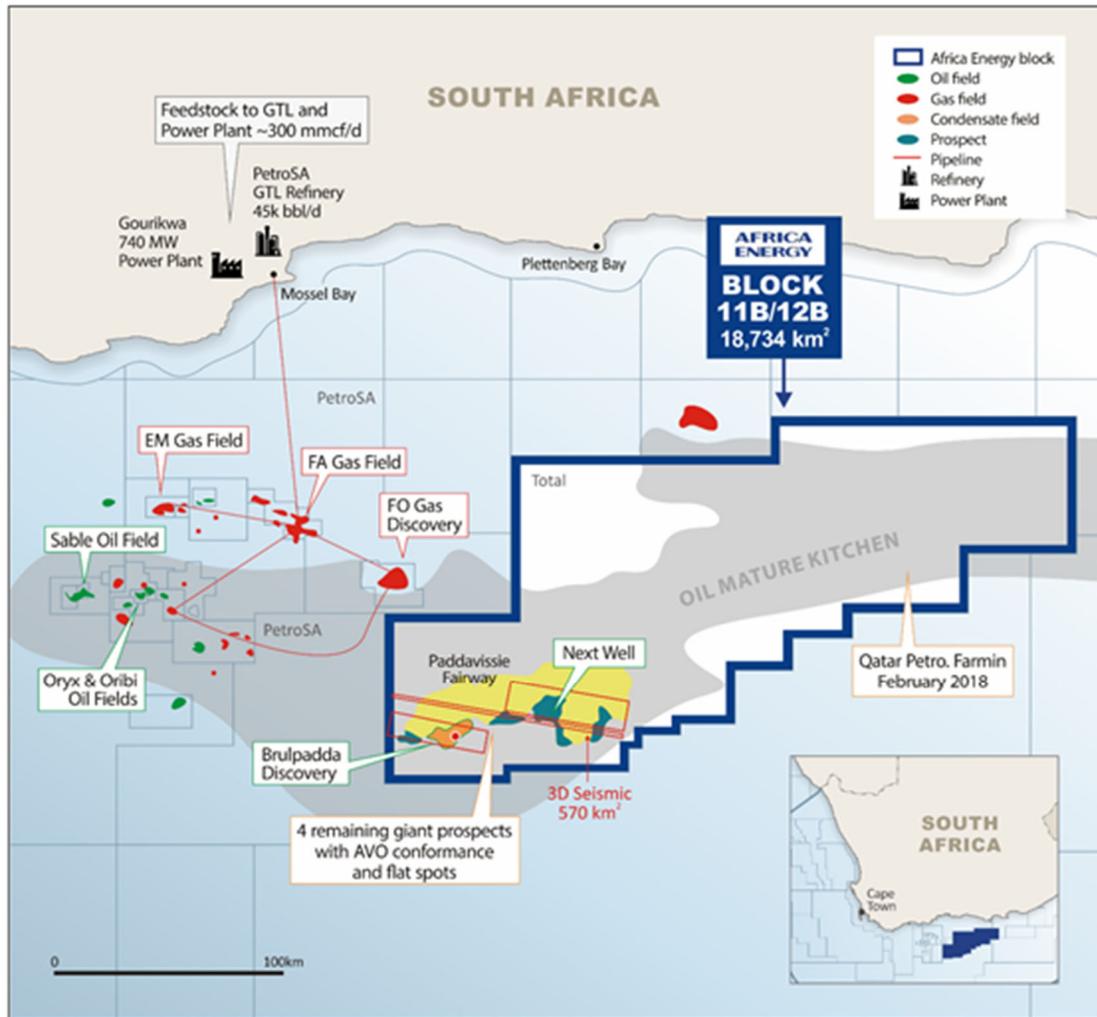
AOC has an approximately 31% interest in Impact Oil and Gas which has a 20% interest in block 2912/2913B offshore Namibia. Total is the operator and the Venus well is planned for Q4 2021. Impact Oil and Gas also has interests in the CNOOC Operated AGC Profond Block in the Senegal/Guinea Bissau Joint Development Zone.

2.7 Eco (Atlantic) Oil and Gas Ltd (Guyana and Namibia)

AOC has an approximate 18.4% interest in Eco (Atlantic) Oil and Gas Ltd, which has a 15% interest in the Orinduik block, offshore Guyana. The operator is Tullow. Two discoveries were made in 2019 (Jethro-1 and Joe-1 wells) and the potential for further exploration and appraisal wells under current permits. Eco-Atlantic also has exploration interests in the Canje Block through a 10% holding in JHI Associates, which has a 17.5% interest in the block. The Sapote-1 exploration well was spudded on 30 August 2021 and ExxonMobil is the operator. Eco-Atlantic also has four blocks offshore Namibia.

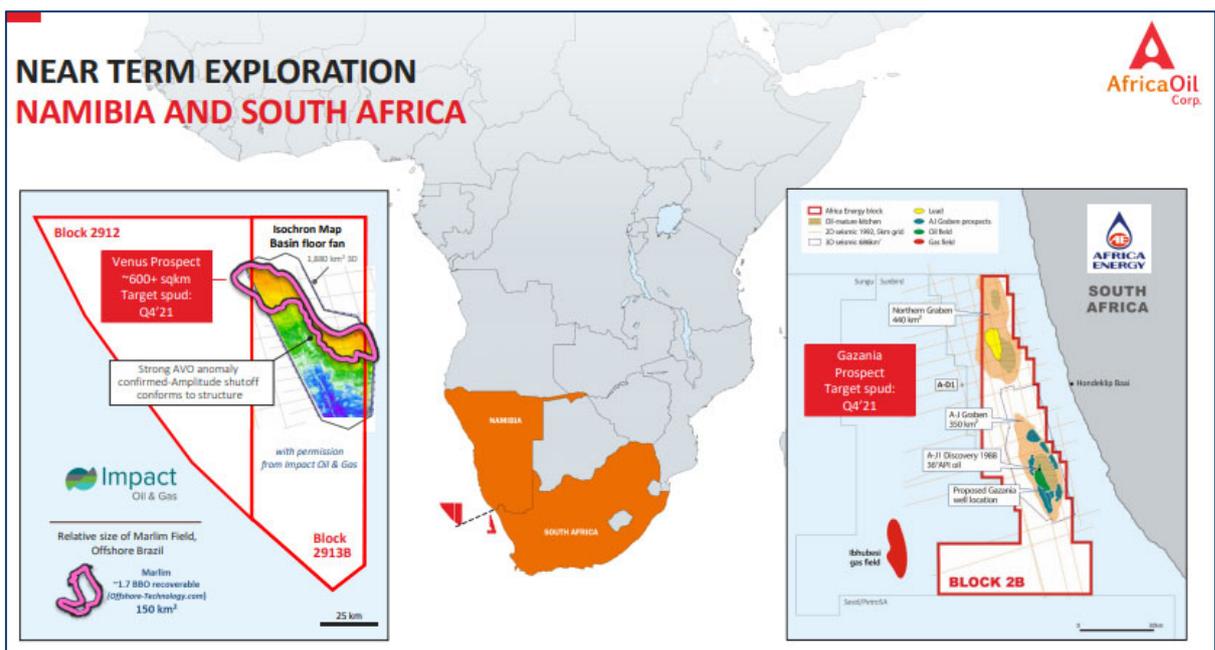
Figure 2.4 and Figure 2.5 provide with details of the South Africa and Namibia assets, respectively. Note figures for other assets were not available. The information and figures are from AOC's Corporate Presentation <https://www.africaoilcorp.com/investors/corporate-presentations/>.

Figure 2.4 Offshore Southern South Africa Assets



Source: AOC Corporate Presentation May 2020. Note the oil field labelled 'next well' is now the Luiperd discovery, leaving 3 remaining prospects, and 2,900 km of 3D seismic lines have now been completed.

Figure 2.5 Offshore Western South Africa and Namibia Assets



Source: AOC Q2 2021 Corporate Presentation August 2021

3. ASSESSMENT FRAMEWORK AND METHODOLOGY

3.1 Assessment Framework

The IMG review of AOC's and its JV partners' plans and activities was undertaken through a combination of document review, corporate presentations, email exchanges and telephone conversations.

The assessment was undertaken against the following environmental and social standards.

- Relevant environmental and social laws and regulations of the host country in force at the time of the assessment.
- AOC's agreed ESAP requirements (disclosed by the IFC on 31 August 2015).
- IFC Performance Standards on Environmental and Social Sustainability (2012) and related policies and guidance, including:
 - Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
 - Performance Standard 2: Labour and Working Conditions;
 - Performance Standard 3: Resource Efficiency and Pollution Prevention;
 - Performance Standard 4: Community Health, Safety and Security;
 - Performance Standard 5: Land Acquisition and Involuntary Resettlement;
 - Performance Standard 6: Biodiversity Conservation and Sustainable; Management of Living Natural Resources;
 - Performance Standard 7: Indigenous Peoples; and
 - Performance Standard 8: Cultural Heritage.

The review considered the sector-specific guidelines of the World Bank Group as referenced in the Performance Standards including:

- General Environmental, Health and Safety General Guidelines (April 2007); and
- Environmental, Health, and Safety Guidelines for Onshore Oil and Gas Development (April 2007).
- Environmental, Health, and Safety Guidelines for Offshore Oil and Gas Development (June 2015).
- The proposed pipeline along the LAPSSET corridor from South Lokichar to Lamu is considered as an associated facility as it is required for the upstream project to be viable and would not be developed without the upstream project. With respect to such third party development, PS1 (paragraph 9) states:

In the event of risks and impacts in the project's area of influence resulting from a third party's actions, the client will address those risks and impacts in a manner commensurate with the client's control and influence over the third parties, and with due regard to conflict of interest.

The revised draft ESIA was reviewed against the Kenya Environmental Management and Coordination (Impact Assessment and Audit) Regulations (EIAAR) (2003) (as amended in 2016 and 2019) and associated guidance.

Regarding AOC's non-operated interests in a broader portfolio of projects, it is recognised that the application of its revised ESG systems, policies and standards of operations to these assets and projects is limited by what the Operator is willing and able to implement. The Sustainability Reporting Guidance for the Oil and Gas Industry (IPIECA, API and IAOGP 2020) refers to joint venture reporting, citing reporting agreements that can be entered into. Reference is made in this report to the previous IAOGP and IPEICA (2002) Guidelines on Minimum Standards for HSE Governance in Joint Ventures. This document refers to the need for joint HSE Policies, management teams and reviews. In the absence of such agreements then the influence of the non-operator parties may be quite limited.

3.2 Methodology

3.2.1 Overview

The IMG review comprised the following main activities.

- A review of relevant environmental and social documentation and information. Presentations were made by AOC on 16 June 2021 with a video-conference link to AOC's offices in London and Nairobi. Copies of presentations and related documents were provided (see below).
- The revised draft Upstream ESIA chapters were provided for IMG review between 2 and 30 July 2021 with comments provided back within one week of receipt to allow chapters to be updated.
- Activities were evaluated against the assessment framework to determine compliance with national laws and regulations, corporate requirements, and conformance with lender requirements.

3.2.2 Document Review and Presentations

HSEC documents covering AOC's corporate management plans and the KJV operational policies, procedures and plans were provided prior to and during the previous IMG reviews with updated and additional plans, procedures and associated documents provided for the current IMG review. Details of the documents provided for the current review are presented in Appendix A. The documents submitted for the previous IMG reviews are listed in the previous reports.

An operational update was presented to the IMG by AOC outlining operational and HSEC issues, and management plans.

These covered the following main areas.

- Overview of AOC's current and planned operations and investments.
- ESAP progress update.
- POK update, including revised draft ESIA.
- LLCOP update, ESIA status.
- AOC Corporate ESG strategy and policy update, ESG Reporting and Energy Transition Strategy.

The status of the findings from the ESAP review and the HSEC performance, based on previous findings that remain open, are rated and evaluated according to the categories presented in *Table 3.1* and *Table 3.2*.

For the review of new and updated AOC ESG systems, policies and standards of operation procedures, these have not been assigned a rating, however, comments and recommendations have been made with respect to conformance with the IFC Performance Standards, related guidance and GIIP (see Chapter 6).

Table 3.1 Performance Status Ratings

Performance Status Rating	Criteria	Action
When Required	Work to meet the requirements has not commenced, as the relevant phase of the project has not started.	Workplan to be agreed prior to relevant phase commencing.
Open	Work to meet the requirements has not commenced. This may be because a new action has been identified.	Workplan to be agreed with an agreed period.
In Progress	Work to meet requirements is in progress. Some parts of the requirements may be closed and others are planned within a defined period.	Workplan to be completed with an agreed period. Some items stated to have been completed may require verification before being closed.
Closed	Requirements have been fully met.	No further action required, but will require ongoing monitoring to ensure future conformance. Closed items are shown on the ESAP items to demonstrate progress. Closed items are removed from the PS Conformance Actions

Table 3.2 Performance Status Ratings

Assessment Rating	Criteria	Action
Requirement not met – Level I	Issue or situation not consistent with Applicable Standards or commitments but without an immediate risk or impact to resource or receptors.	Level I Non Conformances will be recorded, along with a recommendation for corrective action to the Company
Requirement not met – Level II	Issue or situation not consistent with Applicable Standards or Company commitments that has not yet resulted in clearly identified damage or irreversible HSEC impacts, but which requires immediate corrective action to prevent risk of impact to resources or receptors. Recurring issue or situation not consistent with Applicable Standards or Company commitments but without an immediate risk of impact to resource or receptors generally requiring systems-level corrective action.	Level II Non Conformances will generate a corrective action request, and will be recorded. Level II Non Conformances may result in a recommendation to 'Stop Work', in those situations where work activity presents on-going HSEC risks.
Requirement not met – Level III	Issue or situation not consistent with Applicable Standards or Company commitments that has resulted in significant observed impact to resources or receptors, or which has a reasonable expectation of imminent damage or irreversible HSEC impacts, and which requires immediate corrective action. Action that indicates intentional disregard for Applicable Standards or Company commitments that has not necessarily resulted in a significant impact, generally requiring systems-level corrective action.	Level III Non Conformances will result in a recommendation to the Company to 'Stop Work', which will be reported to IFC. The Company will agree a time-bound Action Plan to address the non-conformance to the satisfaction of the Independent Monitoring Group.

4. ENVIRONMENTAL AND SOCIAL ACTION PLAN

4.1 Conformance with Current ESAP Requirements

The current ESAP was developed in 2015 and focused on planned and potential operations in Ethiopia and Kenya. As discussed in Chapter 2, AOC has relinquished its Ethiopian interests, has no current operated assets in Kenya and has recently invested as minority shareholder and non-operator in other geographies. The current review assesses progress with the remaining open ESAP requirements, including providing updated planned completion dates for the draft ESIA's and associated plans.

Table 4.1 presents the IFC ESAP requirements, the tasks identified to be completed and status of actions. For the purposes of the current ESAP, the requirements relating to Ethiopia have been assigned as 'closed'. The ESAP requirements relevant to the current and planned POK operations in South Lokichar are mainly closed, with some assigned as 'in progress', pending finalisation of documents or completion and approval of ESIA's.

The 2015 ESAP was developed following the ESRS undertaken by the IFC. This report also had additional actions for AOC to undertake. Progress against these have been addressed in previous IMG reviews and the majority of these are now closed or will be addressed through planned document updates.

The ESAP may be updated in the future to reflect the changes in AOC's asset portfolio.

Table 4.1 Evaluation of ESAP Requirements

Index	Task Title & Description	Anticipated Completion Date	Status	Discussion
ESAP 1.1	The Company will enhance HSE capacity through: i) an IFC Performance Standard focused training for senior management and operational teams		Closed	Training process established and training undertaken
ESAP 1.2	(ii) hiring an Environmental, Social and Governance Manager.		Closed	ESG Manager appointed 9 November 2015.
ESAP 2.1	The Company will develop Stakeholder Engagement Plans (SEP), for its Kenya and Ethiopia activities per the requirements of Performance Standard 1.		Closed	A SEP Framework document was produced by AOC and approved by IFC. The Ethiopia block have now been relinquished.
			Pre-FID phase SEP	For the South Lokichar Basin FFD Project, Tullow Kenya prepared a Stakeholder Engagement Framework and Pre-Development Stakeholder Engagement Plan. These were finalised following review by the IFC. POK updated this to an Upstream Stakeholder Engagement Plan in June 2021.
		Q4 2021/Q1 2022	In Progress	The POK SEP will be updated prior to FID in 2022 in line with the revised POK plans.
ESAP 2.2	Company to prepare and submit ESIA's to IFC for review and approval – undertaken per project.		Closed	An ESIA for potential drilling on the west coast of Lake Abaya in Ethiopia was completed in Q2 2018. The Ethiopian Blocks were relinquished For the South Lokichar Basin development, Tullow Kenya undertook an ESIA for EOPS in Q4 2018
		Q4 2021	In Progress	The KJV is finalising the revised ESIA for the FFD Project to incorporate changes in project design. Project disclosure and ESIA consultations were undertaken in July to mid-August 2021 and submission to NEMA is planned for Q3 2021, with a Supplementary Assessment against IFC PSs in 2022. The LLCOP ESIA was submitted to NEMA in Q4 2019 and an Addendum and Supplementary Assessment against IFC PSs in Q2 2020. The NEMA public hearings were completed in June 2021.

Index	Task Title & Description	Anticipated Completion Date	Status	Discussion
ESAP 3	The Company will complete the additional requirements for Free Prior Informed Consent (FPIC), per the circumstances listed in Performance Standard 7, and complete a mutually acceptable process between Company and affected community and provide evidence of an agreement between the two parties on the outcome of the negotiation		Closed	For the exploration phase of the South Lokichar Basin development, Tullow Kenya has prepared a <i>Stakeholder Engagement Framework, Pre-Development Stakeholder Engagement Plan and Land Acquisition and Resettlement Framework</i> that outlined the approach required to achieve and document FPIC based on the definition of the project footprint and specific impacts. These were finalised following approved by the IFC. For future phases of the project, the FPIC process will be further developed and agreed with the IFC.
ESAP 4a	The Company will develop an overarching human resource policy (HR) for Kenya and Ethiopia, which will make reference to Performance Standard 2 and ILO conventions, and will include associated country specific implementation procedures		Closed	Tullow Kenya has an Employee's Handbook that includes a Human Resources Policy. This has been reviewed by the IFC and confirmed as acceptable.
	(ii) The Company will develop a Retrenchment Framework Plan that aligns with the requirements of Performance Standard 2 and that should be utilised in cases of collective dismissal by the Company and/or contractor/subcontractor		Closed	Tullow Kenya follows national law and conformance with IFC requirements regarding retrenchment as evidenced in relevant HR procedures that provided during previous IMG reviews.
	(iii) The Company will develop and implement a formal internal grievance mechanism applicable to all employees and workers employed at Company's sites by contractors and sub-contractors.		Closed	Framework document has been produced and approved by IFC.
		Closed.	Tullow Kenya has an Employee's Handbook that includes a Human Resources Policy. This has been reviewed by the IFC and confirmed as acceptable.	
ESAP 4b	The Company will prepare a security risk assessment and develop Security Management Plans that are aligned with Performance Standard 4. These will be reviewed and updated as the project evolves.		Closed	Framework document has been produced and approved by IFC.
			Closed	Tullow Kenya has prepared Security Management Plans for ongoing activities, and submitted these and supporting studies to IFC for review and they have been confirmed as acceptable.

ESAP 5.1	The Company will develop Land Acquisition and Livelihood Restoration (LALR) Plans for each of the two countries (Kenya, Ethiopia).		Closed	Framework document has been produced and approved by IFC.
		Q4 2022	In Progress	A POK Upstream Land Access Strategy was drafted in March 2020 and the IFC provided comments on the draft in September 2020. This document refers to requirements to develop an Upstream Resettlement and Livelihood Restoration Framework and Resettlement (draft produced in February 2021) and Livelihood Restoration Plan prior to FID (planned for 2022). As part of this process detailed project specific plans, including procedures for any supplementary benefits and entitlements, will be developed.
ESAP 5.2	The Company will redesign its compensation plan in Ethiopia to incorporate procedures to compensate prior to commencing work, vacating land and any potential damage that could occurred after seismic survey.		Closed	Compensation Plan redesigned and the Management of Change provided to IFC as evidence. Ethiopian blocks have been relinquished.
ESAP 6.1	i. The Company will develop a biodiversity strategy for Kenya as described in the ESRS.		Closed	AOC have issued a Biodiversity Management Strategy (KE/ESG/FRM/BD/2017/8) that has been aligned with the Operator's Biodiversity Management Framework that has been accepted by the IFC.
			Closed	For blocks where Tullow Kenya is the Operator, a Kenya Biodiversity Management Framework has been produced and accepted by the IFC. In the event that critical habit is identified in later stages of the project or in new areas, then the strategy will require to be updated to address the relevant PS requirements.
			Closed	A biodiversity panel has been set up and a Terms of Reference agreed by the IFC. There have been three panel meetings and the panel continues to offer advice as required
	ii. The Company will develop a similar plan prior to any substantive work related to development of successful wells in Ethiopia		Closed	Ethiopia blocks have been relinquished.
ESAP 7	The Company will prepare and submit ESIA's to IFC addressing local regulatory requirements and IFC Performance Standards in any case where wells progress to production. These will be presented to IFC for review and approval at least four months prior to start of any substantive construction.		Closed	AOC commissioned an ESIA for the potential exploratory drilling well at Lake Abaya. The ESIA was completed in Q2 2018. Ethiopia blocks have been relinquished.
		Q4 2021	In progress	Foundation Phase ESIA is being developed to incorporate changes in the project design and project disclosure and ESIA consultation were undertaken in July-August 2021 with submission to NEMA planned for Q3 2021. The midstream ESIA was submitted in 2019 and an addendum undertaken in 2020. Public hearings have been completed.

Notes: Grey shaded items are closed.

5. PROJECT OIL KENYA (POK) ASSESSMENT AGAINST IFC PERFORMANCE STANDARDS

5.1 Introduction

This chapter provides an update on previous findings and recommendations made with respect to activities in South Lokichar. Regarding AOC's other non-operator investments, progress with ESG issues for these assets are discussed separately in Chapter 6, as these investments are mainly at early exploration/data review stages

In previous IMG reviews, there were a number of findings related to the ongoing South Lokichar Project (now named POK). The findings were mainly related to the need to finalise and operationalise various environment and social management plans and procedures to conform to the IFC Performance Standard requirements.

As most of the KJV team members have now been demobilised, pending the redefinition of the project and the submission of the POK Field Development Plan and FID, limited progress has been made on many of these findings. Where previous findings are relevant to future activities associated with the upstream project, the relevant findings remain open. The narrative provided in the previous IMG review is not repeated here, however, the summary of the open findings are presented in Table 5.1. Findings have been assigned as Level 1, as there are no immediate environmental and social risks, given the current level of onsite activity. These will be re-assessed in future reviews, depending on the changes to the Project design, the activities being undertaken or planned at that time, and the status of the required plans and procedures.

5.2 Project Oil Kenya Management Systems and Plans

Many of the previous draft and final Operator's plans, procedures and guidance documents assessed in the previous reviews will be superseded by the POK ESMS and associated Operator and Contractor ESMPs to be developed post FID. These POK systems, plans and procedures will all need to conform to the requirements of the IFC PSs and associated IFC EHS guidelines, and will therefore require IMG and IFC review during development and implementation.

In addition to the updated upstream EISA, a number of draft strategies and plans have been developed by POK. Key strategies and plans developed are discussed below.

5.2.1 Associated Gas Management

An update of the front end engineering design (FEED) was undertaken to address the revised field development plans incorporating additional fields and wells and a higher oil production plateau (from 72 Mbopd to 120 Mbopd, annualised). This included a reassessment of associated gas management to reduce the requirement for flaring of excess gas. Produced gas will mainly be used for power generation from three Gas Turbine Generators (GTGs), supplemented by imported power from the grid in due course. The excess gas produced in the first 10 years will be re-injected into the Ngamia reservoir. When the gas flow reduces to zero after the first ten years then power for the project will be supplied from the grid. Under the updated FEED, there will be no routine flaring with flaring limited to emergency conditions and during periods of maintenance of the injector systems. The overall GHG emissions from the updated project design have increased due to the power requirements for the higher production rates, however, with injection of excess gas, the updated FEED study has estimated that the emissions per barrel of oil produced at the CPF will decrease from approximately 30 to 18 kg CO_{2-e} per barrel. AOC's strategy for managing its contribution to GHS emissions is discussed in Chapter 6.

5.2.2 Water Supply Strategy

A strategy for community water supply has been developed by POK (dated 26 March 2021) that outlines the proposed long term water supply to Turkana South communities, including handing over responsibility to the Turkana County Government Ministry of Water and phasing out the current water supply to communities using bowsers and replacing this with a piped system. Permitting of the water supply pipeline from Turkwel Reservoir to the project area will be progressed through a separate EIA

process. FEED for the pipeline is scheduled for completion in Q4 2021 and the ESIA is planned for submission to NEMA in Q1 2022.

5.2.3 Drilling Cuttings and Waste Storage Disposal Plan

POK produced up a Drill Cuttings Waste Storage and Disposal Plan (December 2020) following an audit of existing waste sites in November/December 2020. The aim of the plan was to consolidate, on a temporary basis, the stored solid and liquid drilling wastes from the previous exploration and appraisal drilling activities across the 10 well sites that contained wastes to one NEMA licenced waste storage area located at the Twiga well site within Block 13T.

The solid wastes comprise drill cuttings, where synthetic oil-based drilling fluid has been used and containing residual hydrocarbons. Liquid wastes comprise oily water, silicate water and oil sludge.

The existing storage facilities (lined storage pits) at Twiga require to be upgraded with an additional lined storage pit to accommodate the additional approximately 3,500 m³ of drill cuttings and 12,000 m³ sludge and liquid wastes from the other 13 sites.

The plan is to operate the Twiga site, pending the construction and commissioning of the proposed Integrated Waste Management Centre (IWMC) at the CPF. Once the wastes from the Twiga site have been moved to the IWMC, the site would be decommissioned and rehabilitated.

In February 2021, nine of the existing well sites were inspected by representatives of GoK (including NEMA), TCG, the State Department of Petroleum, EPRA, local community representatives and the KJV. Recommendations were made to proceed with the consolidation exercise to reduce the risk of exposure to people and animals from having these wastes stored in multiple locations. The Twiga storage site, once established, would then be inspected and monitored quarterly to ensure that security of the site and containment of wastes in specially lined pits is maintained in compliance with the NEMA Waste Licence NEMA/WM/LDS/1280 (renewed in December 2020) requirements.

The planned completion of the works by the end of March 2021 has been delayed due to restrictions related to Covid-19 and seasonal rainfall; however, work has now recommenced with the aim to complete the work by Q4 2021.

5.2.4 Stakeholder Engagement and FPIC

The existing upstream SEP covers activities to the end of 2021, including the upstream ESIA disclosure and consultation process. The SEP is scheduled to be updated towards the end of 2021 in preparation for future activities. It is expected that this will focus on local disclosure on community benefits, community health and safety issues, land access issues and the grievance mechanism. A copy of the consolidated Grievance Register covering registered grievances from 2015 to 2021 (dated June 2021) was provided as part of the current review. Recent grievances are at a low level, related to the low level of project activity, and are related to community requests for more engagement on project plans, issues around contractor payments and related contract conditions, and loss/injury to livestock from damaged compound fencing. The type of grievances received do highlight the ongoing need for good housekeeping and community engagement, even when there are low levels of activities at the project site.

The requirement for Free Prior Informed Consent (FPIC) (under IFC PS-7) does not apply directly to the communities in Turkana, as they are not defined as indigenous under Kenyan legislation. They are, however recognised by the KJV as vulnerable and marginalised, therefore the principles enshrined in informed consultation and participation (ICP) and FPIC have been applied to these communities. In addition to the stakeholder consultation processes undertaken by the KJV for the ESIA and for land access by the GOK, the KJV have drafted a Community Development Plan (CDP), which includes affected community inputs through engagement processes. The CDP is planned to cover a range of project benefits including livelihood restoration, local content, training and social investments. It is intended that the agreed CDP will demonstrate effective community engagement and broad community support for POK in line with ICP and FPIC requirements.

Table 5.1 Project Oil Kenya: Progress with Previous Findings

Review Date/ Reference	Category	Summary of Findings	Actions	Responsibility and Timing/Revised Timings	Current Status/Comment on Progress	Current IMG Rating
Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts						
Dec 2015 Rev1-PS1-1	<i>Environmental and Social Assessment Management Systems, Policy, Identification of Risks and Impacts, and Management Programmes</i>	Previous IMG reviews identified that the various project and Company documents were a combination of controlled documents and uncontrolled documents and draft reports without issue dates and revision/status.	ESMP and associated mitigation measures, commitments and monitoring requirements that are required by the Operator and the Operator's contractors will need to form part of the tender process and contractual documentation to ensure that commitments are carried forward to detailed project plans and procedures.	Operator HSE and SP Teams with respect to their relevant operations. Prior to commencement of construction activities, expected in 2022.	In Progress This revised draft ESIA includes an E&S Management Framework that presents the key mitigation measures and project commitments that will require to be adopted by the Operator and its contractors.	Level I Action required to address this issue to avoid future risks
Jun 2016 Rev2-PS1-1						
Feb 2018 Rev7-PS1-1						
Jan 2017 Rev3-PS1-2	<i>Organisational Competency, Capacity and Training</i>	The Operator reported that an annual review of planned activities, resource requirements and training needs is undertaken and that the requirements are reviewed when there are significant changes to planned activities. The operator is developing a Human Resources Procedure including competency frameworks. It was reported that some of these have been completed and others are under development.	It is expected that the Human Resources Procedure will be finalised and operationalised to ensure and demonstrate that a robust process is in place prior to increased work activities, and to fulfil the requirements of PS1.	Operator HR Department Prior to commencement of construction activities expected in 2022.	In Progress A Human Resources Procedure will be developed once the Project recommences following the current suspension of the main Project activities.	Level I Action required to address this issue to avoid future risks

Performance Standard 2 Labour and Working Conditions						
Dec 2015 Rev1-PS2-1	<i>Contractor Management and Monitoring</i>	Previous reviews of contractor management and performance monitoring was identified as a residual project risk.	The <i>Contractor Non-Technical Risk Management Procedure</i> (which covers the expectations of contractors and their key obligations for delivering a Non-Technical Risk Management Plan for their specific activities) requires to be finalised for the FFD construction phase.	Operator EHS Team It is expected that these procedures will be finalised and made operational prior to commencement of construction and other on-site activities involving contractors.	In Progress <i>Contractor Non-Technical Risk Management Procedure</i> is undergoing a review and update and was not available for the current IMG review.	Level I Action required to address this issue to avoid future risks
Performance Standard 3 Resource Efficiency and Pollution Prevention						
Mar 2018 Rev5-PS3-1	<i>Greenhouse Gas Emissions</i>	The Operator collates companywide CO ₂ emissions through Procedure (T-KE-ESP-PRO-0004) and (T-ESP-PRO-0001). The FFD ESIA reported the project specific emissions, assuming a worst case of flaring excess associated gas. Further design work is ongoing to evaluate alternatives.	A procedure for the annual collation and reporting of greenhouse gas emissions at project level should be prepared. Where emissions are estimated to be more than 25,000 tonnes per annum then options to improve efficiency and preventative maintenance plans will be required.	Operator EHS Team Following finalisation of the FEED update and the final field development plan by the end of 2021.	In Progress The FEED update has no routine flaring with excess gas being injected. Flaring will be restricted to emergency situation and maintenance periods where injection is no possible.	Level I Action required to address this issue to avoid future risks
Performance Standard 5 Land Acquisition and Involuntary Resettlement						
Mar 2018 Rev5-PS5-1 Feb 2020 Rev7-PS5-1,2,3	<i>Land Access and Resettlement Framework</i>	A revised <i>Land Access and Resettlement Framework (Dec. 2019)</i> and associated strategy was reviewed and is generally aligned with PS 5. This document defines a revised land acquisition process, decoupling the GoK led statutory land acquisition process from KJV's commitments for PS 5	Finalise the Land Access and Resettlement Framework, confirming the actions required to bridge the gap between GoK and IFC PS 5, including the provision of supplementary payments to achieve full replacement cost. Develop Resettlement Action Plan (RAP) and LRP to settle affected households and restore livelihoods. These plans must also specify an appropriate stakeholder	Operator Social Performance Team Final Upstream Land Access Strategy, Upstream Resettlement and Livelihood Restoration Framework plans and procedures to be finalised once land	In Progress The IFC commented on the POK draft Upstream Land Access Strategy. The strategy needs to be updated and finalised (along with the draft Upstream Resettlement and	Level I Action required to address this issue to avoid future risks

		alignment, including supplementary compensation.	engagement process and grievance mechanism for affected individuals and households, including affected indigenous peoples as per PS7 requirements.	acquisition by NLC has been completed and made operational prior to commencement of construction and other on-site activities.	Livelihood Restoration Framework and Resettlement and Livelihood Procedures for supplementary benefits and entitlements) prior to FID. POK is also developing a Community Development Plan that addresses additional livelihood restoration measures, social investments, local content plans, training and project benefits.	
Performance Standard 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources						
Dec 2015 (Rev1-PS6-1, 6-2, 6-3, 6-5, 6-6, 6-7, 6-8, Jun 2016 Rev2-PS6-9) Feb 2020 Rev7-PS6-1	<i>Baseline Biodiversity and Habitat Assessment; Ecosystem Services Screening; Conservation Significance Mitigation; Supply Chain Sustainability Assessment; and Monitoring and Evaluation Criteria</i>	The revised draft ESIA for the FFD Project now includes habitat mapping, an Ecosystem Services assessment. Critical Habitat has been identified within the Project area. The detailed mitigation strategies and monitoring requirements for a number of key issues have been deferred to the development of detailed management plans. These	The ESMP developed from the ESIA and the BAP should address monitoring and evaluation criteria for biodiversity impacts.	Operator HSE Team The ESMP, BMP and BAP will be required prior to commencement of FFD construction activities, expected in 2022.	In Progress Outputs from the habitat mapping study along with mitigation measures within the ESMS to be used to develop the BMP and BAP. Specific comments on biodiversity assessments have been provided in the	Level I Action required to address this issue to avoid future risks

		include the Biodiversity Management Plan (and Biodiversity Action Plan for critical habitats) and Invasive Species Management Plan, amongst others.			IMG comments on the revised ESIA provided to AOC.	
June 2016 Rev2-PS6-10 Feb 2020 Rev7-PS6-2	<i>Restoration activities</i>	<i>Line Clearance and Restoration Guidelines (T-KE-EHS-GUD-0003 Rev 02)</i> outlines the general approach to managing restoration of disturbed sites. A number of sites that are no longer required have been or are planned to be restored and a site-specific approach requires to be developed.	The restoration guidelines to be updated, drawing on lessons learnt from restoration activities undertaken to date and incorporating the outcomes of the discussions with the TCG. The guidance should include monitoring and maintenance schedules, where required, for future site restoration practices.	Operator HSE Team It is expected that the procedures will be finalised and made operational prior to construction activities commencing on site, expected in 2022.	In Progress Pending outcome of discussions with TCG on requirements and standards for restoration and hand-back of sites.	Level I Action required to address this issue to avoid future risks.
Dec 2015 Rev1-PS6-5 Jun 2016 Rev2-PS6-11	<i>Invasive Species Management</i>	It is a requirement of IFC PS6 that the risk of introducing invasive species be assessed and managed, where appropriate, to reduce risks of further transmission and proliferation due to project related activities. The existing invasive species management list is contained in the broader Kenyan Biodiversity Management Plan.	An <i>Invasive Species Management Procedure</i> should be produced to relate to site-specific requirements and incorporated into site specific EHS MPs.	Operator HSE Team It is expected that the procedures will be finalised and made operational prior to construction activities commencing on site, expected in 2022.	In Progress This requirement should be aligned with the site restoration guideline update described above.	Level I Action required to address this issue to avoid future risks.

6. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM REVIEW

6.1 Development of ESMS Framework

AOC's revised (August 2020) Environmental and Social Management System (ESMS) Framework and associated policies and standards of operation were reviewed as part of the previous IMG review and recommendations were made then for improvements to a number of the documents, in particular considering AOC's role as a non-operator and investor.

The ESMS Framework is subject to annual review and the associated Policies and Standards of Operations are to be reviewed every two years. Under the ESMS Framework, there are now four policies (updated in May 2021) covering the following areas:

- Environmental;
- Human Rights;
- Occupational Health and Safety; and
- Stakeholder Engagement and Community Relations.

Existing Corporate Standards of Operation that would apply to AOC operated assets include the following.

- Community Health, Safety and Security;
- Emergency Preparedness and Response;
- Performance Monitoring and Reporting;
- Reporting of Accidents and Incidents;
- Stakeholder Engagement and Community Relations; and
- Worker Health and Safety.

These Standards of Operations are currently being reviewed by AOC with new standards being developed to address recommendations made in the previous IMG review to align with IFC PS requirements (covering Environment, Labour/Working Conditions; Land & Resettlement; Biodiversity; Cultural Heritage).

In addition, a Risk Register is being developed that will be managed by the AOC VP of Production for current assets. A risk-based approach will also be incorporated into the revised Due Diligence Procedure.

Revised Standards of Operation will be posted on the AOC website once the reviews have been completed, and updated documents will be reviewed during the next IMG review.

6.2 Monitoring and Reporting

Under AOC's ESG strategy, systems and procedures to monitor H&S, environmental and social performance of AOC's JV partners and other invested interests have been established. These were reviewed in the previous IMG review, and recommendations were made on the type and granularity of information that should be presented in the Performance Monitoring Standard and Reporting of Incidents Standard. AOC is currently reviewing these standards, so that they meet the AOC ESG reporting requirements, including developing minimum requirements to share with operators of assets that AOC are invested in, so that information that is more detailed can be provided across a range of performance indicators for material issues, such as emissions (including flaring), discharges, accidents, permit breaches and grievances.

As part of external reporting commitments related to these standards, AOC issued its first annual ESG Review to year ended 31 December 2021 (posted on the AOC website). The report described AOCs

sustainability goals, ESG highlights and AOC's commitments to Global initiatives (based on the UN 17 Sustainability Development Goals (SDGs)). The focus of the ESG reporting, including reporting of GHG emissions, are based on a materiality assessment of the issues that are considered by AOC to be most important to AOC and its stakeholders, drawing from industry reporting standards developed by GRI, SASB, IPEICA and TCFD. The report summarises AOC's approach to stakeholder engagement, governance and risk, and refers to how it seeks to influence its partners and operators to manage risks, including minimising or eliminating gas flaring. AOC obtains data to establish performance metrics, including GHG on an equity basis, from routine (monthly and quarterly) reports from operators. AOC states its aim is to continue to improve communication with operators and other partners, to ensure that ESG and reporting expectations are aligned.

6.3 GHG Emission Management Policy

In the previous IMG review, reference was made to the AOC Greenhouse Gas Emission Management Policy and a Climate Action and Disclosure Study undertaken for AOC in 2020 that presented a roadmap with short, medium and long-term actions for AOC, including positioning AOC to align with Climate Related Financial Disclosures (TCFD) requirements. The report recommended using shadow carbon pricing as part of AOC's risk management processes and AOC has since developed (July 2020) a method statement for the use of this mechanism in its ESG due diligence for potential new investments.

AOC is also developing an Energy Transition Strategy that aims to build in the consideration of climate change risks into AOC's policies, plans, projects and investment decision-making. The strategy is scheduled for completion in Q3 2021.

The overall aim of this strategy is to achieve net zero GHG emissions by 2025 through adoption of the emissions reduction hierarchy, being:

- Avoid through design;
- Minimise through efficiency;
- Displace with renewables; and
- Offset residual emissions.

Where AOC are operator or have a high degree of influence (e.g. the KJV) then the aim is to reduce emissions through design, energy efficiency and renewable sources of energy, with offsetting applied to the residual emissions. The aim is to reduce and then eliminate routine gas flaring in conformance with the World Bank Zero Routine Flaring by 2030 initiative. Where AOC is an investor and has only a limited degree of influence on emission reduction strategies, then offsetting approaches are likely to be adopted.

Based on estimated emissions from current production levels from the Nigeria assets (140,000 tonnes of CO₂-e in 2021), the plan is to offset 33% of Scope 1 CO₂-e emissions a year from 2021 to 2023, to achieve offsetting of 100% of Scope 1 CO₂-e emissions by 2023. From 2025, when POK comes on stream and AOC may have other producing assets, the amount of offsetting would be increased accordingly.

AOC is seeking to fund an initial small portfolio of primarily nature-based carbon removal projects in Africa. Potential offset projects were reviewed by a third party (Carbon Direct) with four providers selected for further discussion on a range of 32 projects offered. Most projects offered were based in Africa and included reforestation, soil carbon capture and land use improvement projects, as well as projects to reduce emissions from deforestation and forest degradation (so called REDD⁺) and cook stove projects to reduce emissions from wood and charcoal burning stoves. The offsetting period (i.e. the maturity dates of the projects) ranged from 3 years to over 29 years. The potential offsetting projects are currently being evaluated by AOC.

Offsetting costs are in the range of \$7.8 to \$15 per tonne CO₂, although AOC recognise that these costs are likely to increase in the near future.

GHG management will be reported in the AOC annual ESG review from 2021. It is AOC's intention to obtain more detailed information on emissions (e.g. on methane emissions and sources such as fugitive emissions) through further engagement with partners and operators. The aim is to achieve alignment with TCFD reporting requirements, with more information included in the 2021 ESG review (e.g. scenario analysis) and full alignment planned for the 2022 ESG review.

AOC plans to undertake an annual Climate Risk and Resilience Review. Recommendations were made in the previous IMG review on some key review considerations such as the implications of Nationally Determined Contributions (NDCs) for the countries that AOC has interests in and the quantification of all sources of emissions from these assets.

6.4 Recommendations

The IMG has not reviewed the final Energy Transition Strategy, however recommendations on some issues to be considered in the development of the strategy and associated AOC procedures are made below, based on the information provided to date.

For the AOC Due Diligence procedure, a shadow carbon pricing scenario range of \$40/ tCO_{2-e} (most likely) to \$100/ tCO_{2-e} (reasonable worst case) was adopted in 2020. It is noted that the recent IEA Net Zero report suggests prices as high as \$130/tCO_{2-e} could be considered by 2030 and \$200/ tCO_{2-e} by 2040. Given these predicted increases, the shadow price should be included in the bi-annual procedure reviews. The cost of different carbon reduction projects, from a marginal abatement cost curve (see below) can be compared to this shadow price.

Setting science based targets following the Science Based Targets initiative (SBTi) or Race to Zero approaches would allow independent verification of the targets. These should be undertaken for all Scope 1 and Scope 2 emissions, with Scope 3 emissions kept under review for any operated assets.

The use of Marginal Abatement Cost Curves as part of the Energy Transition Strategy would be useful to help inform asset level carbon reduction options and investment decisions as part of the Due Diligence procedure.

Benchmarking of emissions intensity, methane leakage and flaring against sector best practice would be a useful exercise for AOC to understand areas for improvement and to help achieve its stated aim of leading its peers in addressing GHG emissions. Sector guidance is available for flaring reduction policy and methane leakage estimations (e.g. UKOGA, IOGP, United Nations Economic Commission for Europe and IPEICA).

7. CONCLUSIONS

7.1 ESAP Requirements

This review presents an assessment of AOC's progress with the ESAP requirements, identifying those actions that have been completed, are in progress or pending commencement of activities. The ESAP requirements relevant to the current and planned POK operations in South Lokichar are mainly closed, with some pending revisions to draft documents or completion of current ESAs and associated management plans still required. The ESAP is pending an IFC review and update to take into account AOC's broader portfolio of interests developed since the original ESAP was agreed.

7.2 Project Oil Kenya

The revised upstream ESIA has been reviewed by the IMG and comments provided to AOC with respect to Kenya national EIA requirements and GIIP. The ESIA is due for submission to NEMA in Q3 2021. A supplementary lenders information package to address specific IFC PS requirements is planned for 2022.

For the review of the FFD project documentation, most open actions are pending further project development as it moves towards FID and preparation for the construction and operational phases, once the main contractors have been appointed. The outstanding actions have been assigned as a Level 1 finding where there is no immediate environmental and social risk, given the current low level of onsite activity. These will be re-assessed in future reviews, depending on the activities being undertaken or planned at that time and the status of the required plans and procedures.

7.3 Management System Review

The AOC Corporate ESMS Framework and associated corporate policies, procedures and standards of operation are undergoing further review by AOC, including addressing recommendations made in the previous IMG review for fuller alignment with the IFC PS. The policies, procedures and standards will apply to potential future operational roles as well as for oversight of AOC's current and any new interests in non-operated assets.

As part of AOC's revised ESMS Framework, AOC is developing an Energy Transition Strategy and issued its first annual ESG review in early 2021. Recommendations have been made on the further development of this strategy with respect to current, and predicted future, good practice approaches.

7.4 Recommendations for Next Review

The focus of the next review will be dependent on the level of activity at existing assets, future investment decisions, the review of the ESMS Framework and associated documents, as well as the outcome of any update of the ESAP. The further development of POK as well as ongoing oversight of its non-operated assets are likely to be key areas of focus. The next review is currently scheduled for the fourth quarter of 2021.

APPENDIX A ADDITIONAL DOCUMENTS PROVIDED BY AOC FOR CURRENT REVIEW

SOURCE/TOPIC	DOCUMENT TITLE
AOC Updates	<p>Environmental and Social Governance Review December 31 2020 (2020-aoi-esg-review)</p> <p>Report to Shareholders March 31 2021 (Africa_oil_q1_2021_report_to_shareholders_21_q1)</p> <p>First Quarter 2021 Update (2021-05-14-aoi)</p> <p>Annual Information Form (2020-aoi-aif)</p> <p>Extractive Sector Transparency Measures Act- Annual Report (estma_reporting_31_Dec_2020-final)</p>
Energy Transition	<p>Africa Oil board presentation - RFP response</p> <p>AOI Emissions Offset Programme RFP 260321</p> <p>AOI Energy Transition & Offsets Kenya</p> <p>AOI Management Update 110621</p> <p>AOI - BOD Offset Briefing RFP Update May 2021 FINAL</p> <p>AOC GHG outside Kenya 190121</p>
POK -FEED	<p>Upstream FEED Update Technical Review (L-200545-S00-PRES-011-R02)</p> <p>South Lokichar Technical Update GoK Meeting - 8 June 2021</p> <p>GHG workshop (L-200545-S00-PRES-006-R01)</p> <p>Emissions Report (L-200545-S00-P-REPT-007_A01)</p> <p>1433956_PD_OG_1082_Field_Layout no water pipeline 210621</p> <p>Regional_Basemap no water pipeline 180621</p> <p>L-200545-S00-Y-BODS-001_A01</p> <p>Kenya Technical Presentation May 26 CL</p>
POK - Waste	<p>POK - Interim Cuttings Management Plan FINAL 181220 v1</p> <p>Final 2 Twiga 1 consolidation joint inspection exercise held on 9th February 2021</p>
POK - water	<p>POK 2021 Water Strategy 2021-03-26 REV 1</p>
POK - Stakeholder	<p>Consolidated Grievance Register -June 2021</p> <p>KJV FPIC ICP Strategy March 2019_rev5</p> <p>POK Community Development Plan 260421</p> <p>POK Incident Management Procedure FINAL 170421</p>

SOURCE/TOPIC	DOCUMENT TITLE
	POK SEP June 2021 230621 PPMT-FRM-STKHO-001 Upstream Engagement CDP FPIC - HIGH LEVEL CONCEPT - DRAFT V1 - SO 241120
POK - Upstream ESIA	Non-Technical Summary 1.0 Introduction 2.0 Policy, Legal and Administrative Framework 3.0 Impact Assessment Methodology 4.0 Stakeholder Engagement 5.0 Project Description and Analysis of Alternatives 6.0 Baseline Reports 7.0 Potential Impacts and Mitigation 8.0 Cumulative Impacts 9.0 Environmental and Social Management Plans 10.0 Conclusions Landscape and visual assessment photographs Cultural heritage drawings Biodiversity drawings

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