

ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

Disclaimer

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Project Identification:


<i>Country:</i> Kenya	<i>Project Name:</i> Africa Oil	<i>Project No.:</i> 36699
<i>Region:</i> Sub-Saharan Africa		<i>Environment Category:</i> A - Significant
<i>Dept./Div.:</i> CNGOG - Gbl Infrastructure & Natural Resources/Oil and Gas-Global Infra	<i>Company Name:</i> Africa Oil Corporation	
<i>Project Business Sector:</i> B-AA - Oil and Gas Exploration		<i>Project Status:</i> Active

Parent Project Identification:

<i>Parent ID:</i>	
<i>Parent Short Name:</i>	
<i>Parent Relationship:</i>	No Relationship

IFC's Disclosure Requirements:

Date ESRS sent to InfoShop & posted on IFC Web site:	
Date of revision (if appropriate):	
Date of clearance by client for factual accuracy *	
Local Disclosure Date *	
Local Disclosure Date of revised ESRS *	

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Project Description:

Africa Oil Corp. (“AOC” or the “Company”) is a junior exploration and development company based in Canada. Africa Oil is listed on the TSX and NASDAQ Stockholm stock exchanges and holds oil and gas interests in East Africa. The Company entered the Kenyan and Ethiopian oil and gas exploration industry in 2009 when it acquired an interest in Kenyan Blocks 10A and 9 and Ethiopian Blocks 2/6, 7/8 and Adigala. Subsequently, the Company has acquired interests in numerous additional Blocks in Kenya. During 2011, the Company completed multiple farmout transactions with Tullow Oil plc, who assumed the role of operator in multiple Blocks in Kenya and the South Omo Block in Ethiopia. Currently, Africa Oil and Tullow hold joint interests in the following Blocks, with Tullow acting as operator: 10BB, 13T, 10BA and 12A in Kenya, and the South Omo Block in Ethiopia. Tullow and Africa Oil hold equal working interests in Blocks 10BB, 13T and 10BA. Africa Oil holds a 20% interest in Block 12A in Kenya and a 30% interest in the South Omo Block (Ethiopia). Outside of Blocks held jointly with Tullow, AOC continues to operate Block 9 in Kenya and the Rift Basin Area in Ethiopia where the Company holds a 50% interest in each area.


IFC is considering an equity investment in AOC to finance the Company’s oil and gas exploration, appraisal and development activities and general working capital requirements, primarily aimed at advancing appraisal and development of the South Lokichar Basin located in Blocks 10BB and 13T in Kenya.

The near term work program is aimed at improving the understanding of the reservoir characteristics in the South Lokichar Basin, and will include multiple appraisal wells and extended well tests in the Ngamia and Amosing fields.

For purposes of environmental and social review the ESRS has been divided into “operated assets” (Rift Valley Basin in Ethiopia and Block 9 in Kenya) and “non-operated assets” (10BA, 10BB, 12A, 13T in Kenya and South Omo in Ethiopia).

Operated Assets

Ethiopia: the Rift Basin Area is located in South Ethiopia and crosses parts of the Oromia Region and Southern Nations, Nationalities and Peoples Region (SNNP). Africa Oil has conducted preliminary high resolution airborne gravity gradient surveys and is currently undertaking a 2D seismic operations. The 2D survey will cover approximately 1,500 km within the 42,519 square km of the licensed block. The activities will cover onshore and offshore seismic surveys and the techniques employed will vary accordingly. However, it has been stipulated that vehicle mounted vibrators, explosive charges (shotholes and small dynamite charges for steep terrain and shallow wetland areas) and airguns (for open lake areas) will be used for this campaign. It is anticipated that the survey will take approximately nine months to complete. As part of the activities a camp has been established with an area of approximately 200m x 200m and will comprise of a fence yard, basic offices and accommodation. It is expected that during the peak of the activities there will be about 300 employees out of which approximately 50% may be labor from the local communities. An ESIA was completed in 2013 for the 2D seismic activities and was prepared in following Performance Standards by a combination of an international (leading) and local consultant. Based on the identification of risks an Environmental Management Plan (EMP) has been prepared to mitigate the impacts.

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Kenya – Block 9 is defined as arid and semi-arid land with sparse vegetation and a number of seasonally dry riverbeds. The 2D seismic area falls within the counties of Wajir, Isolo and Marsabit. The Company conducted approximately 1,486 kms of survey and drilled three exploration wells, which did not provide the expected results. The sites have since been recovered and rehabilitated. Some of the infrastructure such as the air strip and improved roads at Bahasi was handed over to the local authorities to use for emergency use and as access by communities. The camps were also demobilized. Sala 1 well site has been rehabilitated as well and is currently in the process of been handed over to the community along with some of the improved roads. There is also a Management of Change approved by the authorities relating to the variation of the ESIA which indicates that the Company needs to demobilize any infrastructure put in place for the activities. The Sala 2 well site is also in the process of being handed over to the community, some of the tracts have been left in place at the request of the community, although authorization has also been granted by the local authorities.

Non-Operated Assets


The non-operated assets would include 10BA, 10A, 13T, 12A and 10BB in the region of Turkana and Baringo in Kenya, and the South Omo in Ethiopia. Together these assets account for approximately 100,000 square kms of total area of exploration. The operator, Tullow Oil is in the process of studying different oil production development options for the entire area and has commissioned a Strategic Environmental Assessment (SEA) to provide support in the decision making process. The SEA will consider sustainability issues in project policies, plans and programs at the earliest stages of development to inform decisions on the most appropriate site-specific locations of the facilities and infrastructure required, which then will be assessed with an Environmental and Social Impact Assessment.

For all the seismic and drilling exploration activities, the operator has prepared a site-specific ESIA with appropriate Environmental Management Plans in accordance with the 2012 IFC Performance Standards and Good International Industry Practices. In the South Lokichar Basin, there have been 22 wells drilled with 16 successes, demobilization of camps and rehabilitation of well pads have occurred in some of the project sites according to specified procedures. The first well in block 12 A will be drilled during 2015. Site acquisition and compensation has been completed and stakeholder engagement has been extensive.

The South Omo block is located in the south-west of Ethiopia within the Southern Rift Basin of East Africa Basin. The block falls within the SNNP and covers a surface area of 29,465 square kms. This block is characterized for having sensitivities with respect to biodiversity including a (i) National Park; (ii) UNESCO World Heritage Site; (iii) Murule controlled hunting area; (iv) Omo Delta Wetland; and (iv) Chelbi wildlife reserve area (Grevy’s Zebra). To date the operator has not conducted any seismic or exploration drilling activities within these areas and has specific policies regarding any work in sensitive areas. There were four wells drilled in the South Omo block and all have been completed and rehabilitated to original conditions, with the exception of some of the infrastructure such a bridge located at the Weito River. Tullow conducted the appropriate assessment and consultation, and obtained the appropriate approval by the authorities. ESIA’s were conducted for all the seismic and drilling operations with appropriate environmental management plans.

Associated Facilities

As part of construction and production activities the following will be considered as Associated Facilities

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to the project including the (i) Upstream development: well pads in different fields in the South Lockichar basin, flow lines, central processing facility(CPF) and support facilities, (ii) Midstream development: consisting of an export pipeline component from the CPF in the South Lokichar Basin to a marine export terminal, and (iii) Downstream development: comprising an onshore terminal, connecting onshore pipeline to the coastline, and an offshore pipeline section that connects to a single point mooring. Additionally, draft scoping activities to identify the risks associated with each component have been prepared and these will be reviewed in conjunction with other studies including alternative analyses to determine the appropriate site locations. It is important to note that additional upstream and midstream entities operators likely will be involved in the development of these activities.

Overview of IFC’s scope of review:


The scope of IFC’s review on the environmental and social (E&S) aspects of the project included a pre-appraisal site visit to Kenya assets in January, 2015 and a full appraisal to Kenya and Ethiopia to operated and non-operated assets in April, 2015. During this site visit the team held meetings with communities, meetings with local officials, meetings with Africa Oil and Tullow’s personnel. Additionally, the team reviewed Environmental and Social Impact Assessments (ESIAs), Africa Oil and Tullow’s Environmental and Social Policies, stakeholder management plans, and specialized studies.

Identified Applicable Performance Standards:

While all Performance Standards are applicable to this investment, IFC’s environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labor and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS7: Indigenous Peoples
- PS8: Cultural Heritage

Please justify non-applicable PS here. For corporate investment projects with undefined assets or undefined use of proceeds, use this textbox to describe treatment of potential risks and/or impacts associated with PS 3 to 8.

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If IFC's investment proceeds, IFC will periodically review the project's ongoing compliance with The Performance Standards.

Environmental & Social Categorization and Rationale:

Note: State the social and environmental category of the project and describe the rationale for assigning the categorization.

This is a Category A project due to the likelihood that potentially significant and diverse impacts could be associated with the exploration and development activities of the project. IFC's due diligence indicates that the investment will have impacts that must be managed in a manner consistent with the Performance Standards.

In general, the assessment of the project has been performed based on the current activities which include seismic and exploration work. However, there has also been due consideration of risks inherent in the oil & gas sector and in the context of the project's geographic setting. The Company is committed to review their Environmental and Social Management system to incorporate plans and procedures meeting the intent of the IFC Performance Standards as the project progresses towards construction and production.

Environmental and Social Mitigation Measures

IFC's appraisal considered the environmental and social management planning process and documentation for the Project and gaps, if any, between these and IFC's requirements. Where necessary, corrective measures, intended to close these gaps within a reasonable period of time, are summarized in the paragraphs that follow and (if applicable) in an agreed Environmental and Social Action Plan (ESAP). Through implementation of these measures, the Project is expected to be designed and operated in accordance with Performance Standards objectives.


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PSI: Assessment and Management of Environmental and Social Risks and Impacts

Health, Safety and Environment (HSE) Policy: Africa Oil has in place a Health, Safety and Environment Management System (HSE-MS) which is aligned to the requirements of ISO 14001. The HSE-MS incorporates an HSE policy. The policy commits Africa Oil to operate responsibly; creating a working environment that causes no harm to people; minimizing impacts on the environment; meeting or surpassing statutory requirements and best practice; holding itself and its contractors accountable for compliance with applicable policies and procedures; etc. The policy sets out requirements for company responsibility, accountability and performance.

Africa Oil's JV partner, Tullow Oil, has an integrated management system which incorporates a comprehensive Environmental, Health and Safety Management System (EHSMS). Tullow Oil also has its own HSE Policy which states, amongst other commitments, that the company is committed to maintaining a high standard of environmental performance and will comply with HSE laws, regulations and requirements of the country in which it operates; create a healthy and safe working environment; and provide appropriate training for all employees.

All other contractors engaged by Africa Oil are required, through contractual agreements, to adhere to

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the company's HSE policy.


Identification of Risks and Impacts: ESIA's, in compliance with national law, have been conducted for all current seismic lines, drill sites and directly associated infrastructure (e.g. camps, access roads, disposal sites) in Kenya and Ethiopia. A Strategic Environmental Assessment (SEA) for the broader Lake Turkana development area has also been completed. ESIA's do not consider development beyond the current exploration and appraisal work. Whilst the ESIA reports were produced by different consulting companies and vary slightly in structure and approach, they do identify the key risks and impacts in compliance with the requirements stipulated in the IFC PSs. Potential risks and impacts were identified and tabulated, and for each impact, a series of mitigation and/or recommended actions have been developed to avoid, reduce and/or compensate for the impacts. The majority of the impacts for the different blocks were assessed as being minor after the application of the proposed mitigation measures described in the respective Environmental Management Plans (EMPs).

In addition to the ESIA's Africa Oil and Tullow (together with their contractors) maintain formal systems for identifying HSE risks and impacts relevant to their specific operations on a continuous basis. Such systems include technical audits (internal and external), system audits (internal and external), management reviews, HSE meetings, and ongoing meetings with local communities and stakeholders. The risks and impacts are recorded in registers which capture the risk evaluation, necessary controls to manage the causes and consequences for those risks identified as significant.

Should the exploration and appraisal be successful and any of the wells progress to production the Company will complete and submit detailed ESIA documents addressing local regulatory requirements and the IFC PSs. The Company will present these ESIA's to IFC for review and approval at least four months prior to start of any substantive construction. An ESIA is underway for the upstream area, with the draft of the scoping phase completed. The ESIA is intended to align with IFC PSs, EHS Guidelines, Good International Industry Practices (GIIP) and national legislation. An Environmental and Social Management Plan (ESMP) will be prepared, based on the findings in the ESIA. A Cumulative Impact Assessment (CIA) will also be prepared and will consider the cumulative impacts associated with the three phases of the project.

A high level scoping study (pre-ESIA report) for the proposed Hoima – Lokichar – Lamu crude oil pipeline has been produced for the Government of Kenya by independent consultants for activities associated with the Kenyan section. A number of potential impacts such as land acquisition and resettlement, on protected areas and on biodiversity and wetlands are expected to be of some significance due to disturbance by construction activities where the pipeline route passes. A draft scoping study, as part of an ongoing ESIA process has been completed, for the proposed midstream (pipeline) and downstream (port) facilities.

Management Programs: Within its HSE-MS Africa Oil implements site specific Health, Safety, Environment and Security (HSES) management plans to ensure systematic planning and implementation of all aspects related to HSES within its activities. To complement the HSES management plans Africa Oil, in conjunction with its security, civil engineering and drilling contractors has developed a bridging plan to address any gaps in standards. The HSES management plans are informed by input from ESIA deliverables. They are designed to provide the interface between national laws, Africa Oil HSES policies, relevant standards, procedures and the contractors own documentation. Where contractors do not have the necessary policies, standards or procedures available the HSES plan provides the necessary

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information for contractors to follow. The HSES contains a list of objectives and targets which are linked to leading and lagging indicators that are measurable, documented, communicated and reviewed. The HSES Plan is supported by a number of HSE procedures such as: HSES Audit and Review Plan; Oil Spill Response; Non Conformance, Corrective and Preventative Actions; Hazard and Effect Management Process; and Job Hazard Analyses Procedure. These procedures are designed to mitigate/reduce risks and impacts associated with Africa Oil's activities.

Similarly Tullow implements comprehensive EMPs to ensure impacts do not exceed those expected and identified within the ESIA and other relevant risk identification procedures. Tullow's EMPs are aligned to its own comprehensive environmental and social standards and the requirements of relevant national legislation, ISO 14001, OHSAS 18001 and IFC PSs.


In addition to the above, Africa Oil requires its contractors, who are integrated in the program organization, to establish and implement HSE management systems covering their activities in compliance with requirements stipulated in the HSES Management Plan. Africa Oil and Tullow's management programs currently being implemented are adequate for the exploration and appraisal phase of the project. The company is committed to continuously improve on its management programs as the project advances towards production.

Organizational Capacity and Competence: HSE responsibility for Africa Oil follows the reporting line from the CEO down through the organisation to each program member. There is an HSE manager who is responsible for both Kenyan and Ethiopian operations. Line manager's are obliged to ensure that activities they are responsible for are planned, organised, carried out and documented according to the contract, regulations and procedures. All line managers are responsible for contacting the HSE Manager when support in HSE matters is needed. There are community engagement teams for both Kenya and Ethiopia accountable to the respective country general managers and through a dotted line to the HSE manager and VP of external affairs.

Tullow maintains a similar organizational structure for HSE in the blocks that it operates. Although senior management carry the responsibility for ensuring the successful implementation of the Tullow Oil Environmental and Social Standards (TOES), HSE management is part of the day-to-day operational activities and is also regarded as a line function. There are HSE Superintendents and Environmental Control Officers for the Kenyan and Ethiopian operations. These specialists are accountable to the Regional Director for Sustainability. There is also a Social Performance Manager who is supported by a team of Community Liaison Officers who are spreadout in areas of operations.

Whilst both Africa Oil and Tullow devolve HSE management responsibility to their respective contractors they do maintain oversight on alignment with corporate policies through bridging procedures and contractual agreements.

Africa Oil's management team values a relationship with IFC in carrying out its exploration and appraisal activities in line with industry good practice for oil and gas sector. The team has extensive experience in the sector, ranging through project acquisition, exploration and resource definition, production and financing. Whilst the current organizational arrangements are adequate for the current operations Africa Oil will enhance its HSE capacity through IFC PS focussed training for its senior management team and operational teams, and by hiring an Environmental, Social and Governance Manager..

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Emergency Preparedness and Response: Africa Oil has established emergency preparedness and response plans and procedures, including oil spill contingency plans, for its operations in Kenya and in Ethiopia. The plan, which takes into consideration medical, operational and environmental emergencies, etc. is integrated with individual site plans and external agencies as appropriate. Equally for Tullow Oil, an effective emergency response and incident management capability is established in Kenya and Ethiopia with detailed emergency response and incident management plans implemented to mitigate, control and recover from credible emergency scenarios. In both cases emergency drills are scheduled regularly and conducted to ensure the effective implementation of and interaction between the contractors and Africa Oil (or Tullow Oil for its operated blocks) emergency response plan to identify potential areas for improvement. The drills are also undertaken to ensure that all site personnel as well as relevant government organizations are conversant with the emergency preparedness and response procedures. Records of these drills are kept. All employees and contractors are responsible for reporting any emergency incident to their supervisor or the responsible person of the area.

Africa Oil is committed to continuously improve its emergency preparedness and response plan including updating the plan for the construction and operational phases should the project advance to production.

Monitoring and Review: Africa Oil applies a number of mechanisms to monitor the effectiveness of its HSE management system and these include: performance audits, e.g. National Environmental Management Authority (NEMA) sanctioned annual audits for Kenya operations; internal audits; regular management review meetings; review of the aspects and impacts register; legal compliance audits and updating of the legal register; incident and accident reporting; and addressing external complaints. All these mechanisms have clearly defined procedures. The audit reports, incorporating corrective actions, are submitted to relevant senior HSE and operations management teams who are responsible for the implementation of all corrective actions. Time based corrective action plans are developed and implemented subsequent to these audits. All non-conformances are managed according to the company's non-conformance, corrective and preventive actions procedure. This procedure defines accountability and authority for handling and investigating non-conformance, taking action to mitigate any impacts caused, and for initiating and completing corrective and preventative action. The company keeps a register of all health, safety and environment related incidents and accidents.


Tullow Oil follows a similar process to monitor the effectiveness of its TOES for the its operations in Kenya and Ethiopia.

Stakeholder Engagement

In Kenya, stakeholder engagement is managed as follows:

- In blocks that are operated by Tullow Kenya BV: stakeholder engagement is managed by Tullow under the general responsibility of the social performance manager based in Nairobi;
- In block 9 operated by AOC (not currently active): stakeholder engagement was managed (and would be managed if operations were to resume in the future) by the Africa Oil vice president in charge of operations, based in Nairobi.

In Kenya, various information and engagement activities are carried out by Tullow with a range of stakeholders, including local government at all levels from the county downwards, MPs for areas where

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blocks are located, community chiefs and elders. These activities are tracked in a dedicated information management system. A stakeholder register has been compiled and is being updated on an on-going basis. Direct interaction between the IFC and a range of stakeholders in Kenya (during the site visit) provided comfort that engagement was comprehensive and continuous, and that stakeholders' views were duly taken into consideration.

A similar arrangement applies in Ethiopia:

- In the South Omo block operated by Tullow Ethiopia BV: stakeholder engagement is managed by Tullow under the responsibility of the managing director based in Addis Ababa;
- In the Rift Basin block operated by AOC: stakeholder engagement is managed by the general manager of Africa Oil Ethiopia BV, based in Addis Ababa, under the general supervision of the Africa Oil vice president in charge of Operations, based in Nairobi.

In Ethiopia, AOC are similarly engaging local government at Kebele (community), Woreda (district) and Zone (region) levels. Woreda and Kebele staff are associated to the identification of affected properties and the calculation of compensation.

In general the project stakeholders have had limited prior exposure to the Oil and Gas industry, in either Kenya or Ethiopia, and has led to certain challenges in the stakeholder engagement strategy.

At this point in time, although procedures are in place for stakeholder registration, information materials are available, and staff have been dedicated to community liaison and engagement, neither company has prepared a comprehensive stakeholder engagement plan or framework. Africa Oil will develop two stakeholder engagement plans (one for each country) for submission to the IFC and further public disclosure and to update them on a regular basis to reflect potential changes in institutional arrangements in either country and new stakeholders.


Stakeholder engagement plans will address the following topics:

- Legal framework (including both local legislation and IFC requirements, and review of potential gaps);
- Stakeholder identification and categorization;
- Past consultation and key outcomes thereof, including how feedback has been integrated in the project design and key mitigations;
- Engagement methods that can potentially be used with each category of stakeholders;
- Engagement plan at the different phases of the project;
- Disclosure plan (identification of documents disclosed and venues where they are available);
- Grievance management;
- Resources, monitoring and reporting.

Africa Oil will maintain records on stakeholder engagement including an account of main engagement events, key issues raised by stakeholders, grievance statistics, and resources allocated to stakeholder engagement and grievance management.

Grievance Management

A grievance management system is in place in Kenya in blocks operated by Tullow, with community liaison officers maintaining a log of grievances at all locations where the project is present, and a dedicated telephone hot line number. Grievance records indicate that the system is operational. Most grievances in Kenya were found to be related to recruitment, employment and local procurement issues,

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particularly in relation to employment or procurement coming to an end when a given activity in a given area is complete.

Similarly, a grievance management system is in place in Ethiopia, with logs available. In Ethiopia, in contrast with Kenya, local people would typically use the avenue provided by local authorities at Kebele and Woredal levels if they have to lodge a grievance. Per current Ethiopian legislation, all Woredas have their own grievance mechanism whereby any aggrieved citizen can lodge a grievance to a dedicated Woreda grievance officer.

In both countries, the Company is committed to start the review of a grievance after a maximum of 7 days, and to provide a response after a maximum of 30 days.

While the relevant procedures are in place in both countries, the grievance management system will have to be reflected in the Stakeholder Engagement Plans to be prepared by the Company (see previous section) and disseminated to the affected communities.

PS2: Labor and Working Conditions

Unemployment is high in Turkana and subsequently employment expectations are high in communities where Africa Oil and Tullow operate. Employment is specifically sensitive in the Turkana county of Kenya as there is an expectation from certain stakeholders that employment opportunities will be shared between sub-counties and locations. The current process for job opportunities within the counties has generated some concerns as individual trained in one sub-county cannot necessarily work in a neighboring sub-county, because of the way the opportunity sharing agreements are structured. This has created discontinuity and inhibits effective on-the-job training.

Africa Oil employs 12 direct employees and seven contractors in Kenya, and 14 direct employees and five contractors in Ethiopia. Additionally, the seismic contractor in Ethiopia has 183 employees (including subcontractors).


Tullow Oil currently employs in Kenya (direct Tullow and contractors/subcontractors employment): 174 expatriate staff, 791 national non local staff, and 1,776 local staff (March 2015).

Human Resources Policies & Procedures

While the Company does not have an overarching formalized human resource (HR) policy in regards of its operations in Kenya and Ethiopia, various thematic procedures have been developed by the Company and its partner Tullow Oil. These address subjects such as equal opportunities, local recruitment, terms of employment, overtime, and retrenchment.

In Turkana County, Tullow has recognized the sensitivity of the employment issue and has entered into specific labor Memoranda of Understanding (MoU) with stakeholders including the National Government Ministry of Labor, Social Security & Services, and Ministry of Energy & Petroleum, Members of Parliament, Senate and the County Government & Assembly as well as Employee Representatives. These MoU cover a number of issues associated to human resources and industrial relations.

The Company will develop an overarching human resource policy, which will make reference to PS2

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and ILO core conventions and will update and complement associated country-specific implementation procedures to address the following topics: maximum working hours; overtime arrangements; holidays and leave; and other employment terms and working condition provisions in detail. These procedures will also provide specifics on: ensuring workers' rights to freedom of association and collective bargaining where applicable; company commitment to equal opportunity and non-discrimination; measures to minimize occupational health and safety accidents and to protect the workforce (including observation of minimum work age); and third party workers. The Company will ensure due communications of these documents with workers so that the content is clearly conveyed.

Working Conditions and Terms of Employment

It is noted that in Ethiopia, common labor legislation offers little protection to workers (no minimum wage), however, the Company has in place procedures and process for employee working conditions and terms of employment that appear to be consistent with PS2 requirements and industry practice. Work contracts are provided to all employees, and specify working hours, remuneration and overtime pay. Emergency medical care and other medical services, holidays, and other aspects of terms of employment are provided, and are compliant with national labor law and PS2.

Worker accommodation in both countries is consistent with good industry practice and IFC guidance. Camps and catering services are usually managed by specialized remote services companies.

Workers Organizations and Collective Agreements

Kenya has a well-developed tripartite industrial relations structure with an active trade union system in place. The apex body for workers is the Central Organization of trade Unions (COTU) which is an active player in championing workers' rights.


The Kenya Petroleum Workers Union is one of the oldest unions in the country and is affiliated to COTU. Its focus over the years has primarily been in the downstream sector as until recently there has been minimal activity in the Upstream sector. This may change though as the developing E&A landscape in Kenya is expected to draw their interest. It is however also entirely possible that other/ new trade unions may lay claim to this new territory and seek to differentiate upstream sector from downstream one.

The Company has indicated that it was following developments and is willing to engage in collective bargaining whichever union that is recognized by authorities as the valid representative of upstream oil workers. At the moment however, MoU's agreed with a wide range of stakeholders suffice.

Non-Discrimination and Equal Opportunity

Africa Oil is an equal opportunity employer, does not discriminate in hiring, and is applying local employment policies and procedures in both countries. First opportunity to apply for employment is provided to local then national candidates. Although the oil industry is a male dominated environment, opportunities are provided to female candidates at all levels of employment from unskilled to professional positions.

Redundancies

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Due to the cyclical nature of the current exploration activity, each area where the Company is active experiences periods with significant activity and other periods with less or no activity.

Employment decreases upon completion of seismic surveys, then resumes when drilling is carried out. This results in cycles of recruitment followed by retrenchment after a few months of activity. While employment expectations were very high, neighboring communities in both countries have been informed of the nature of the activity, which results in these cycles. Retrenchment generates grievances, but these are normally managed by the Company and its partner Tullow.

In case of collective dismissal of project employee or non-employee workers, the company or the relevant contractor or sub-contractor, will develop and implement a retrenchment plan, in consultation with workers, and in alignment with relevant national law, agreements in place with stakeholders and PS2 requirements.

Grievance Mechanism

A grievance mechanism for employees is in place with informal and formal avenues to log their grievances. It was observed that most of the grievances were associated with recruitment and retrenchment. Africa Oil will strengthen this mechanism to ensure that all employees understand associated procedures and do have easy access to an anonymous workforce grievance process consistent with the requirements of Performance Standard 2.

Occupational Health & Safety (OHS)


Significant attention has been dedicated to OHS and results are currently good, with no fatality or LTI in either 2013 or 2014. Focus is put on the following topics:

- Driving: has been recognized as a significant hazard, thus vehicles are equipped with GPS tracking and governors that limit speed, use of safety belts is compulsory, no use of mobile phones while driving is allowed, drivers are trained on defensive driving and night driving is not allowed;
- Personal Protective Equipment (PPE), which is consistently used where required, including by non-employee workers;
- Safety inductions and regular toolbox meetings;
- Job hazard analysis.

Contractors

A significant fraction of the labor force at all sites are contractors - local, national and international. The Company will undertake six-monthly labor and Occupational Health and Safety audits of key contractors and sub-contractors and document the results of such audits and develop action plans where necessary. The Company will incorporate labor and OHS related clauses into contractor and sub-contractor agreements, requiring compliance with national legislation and PS2.

PS3: Resource Efficiency and Pollution Prevention

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Resource Efficiency

Description of current activities

Kenya: All current drill sites and camps are self-sufficient for energy and water. Electricity is provided via diesel-fired generators. Diesel fuel also supports a fleet of vehicles (e.g. light vehicles, trucks, excavators, dozers) and water pumps. This fuel is stored in temporary storage facilities at camps and drill sites, with supply contracted to oil and fuel companies. Bottled water is currently used for potable purposes although a plan is being implemented to replace bottled water with drinking water produced on the spot with a reverse-osmosis plant. Water for drilling and ablution purposes is from groundwater borehole sources, subject to relevant government authority approval. A commitment has been made to not source water from Lake Turkana during the current exploration phase. With the general slowdown in field operations, water consumption is currently falling and can comfortably be supplied from existing boreholes, even with the water demands of current phase of extended well testing. All groundwater boreholes are metered to support water consumption monitoring, the monitoring indicates that no impacts are caused to other users. Water is also provided to communities either from Tullow-operated boreholes or from independent sources.

Ethiopia: The water and energy use scenario is similar to that in Kenya, albeit at a lower level of demand due to the smaller scale of current project activity. Two exceptions are (i) bulk diesel fuel is consumed by the seismic survey thumper trucks; and (ii) water is also sourced from local springs at Arba Minch.

Future developments

Kenya: Upstream: In the event of production, energy and water demand is expected to increase substantially. The company and its operator (Tullow) have commissioned a hydrological study as part of the production phase ESIA. This will assess feasibility of various water sources, including Lake Turkana, Turkwell Dam or additional groundwater sources (via a borehole network). The hydrological study will complement existing information on surface and groundwater location and flows. It will also assist the company in preparing a water balance to define sustainable surface and groundwater resources that will ensure sufficient year-round provision of process water for the project without impacting the local community or other users that may be identified. A power plant will be commissioned to provide electricity to the entire operation via an above ground network. Diesel generators will provide back-up power. All fuel requirements for project operations, including refueling facilities, will be stored and managed from an Integrated Support Base. All fuel required on-site will be stored in a designated banded area of hard standing and all refueling will take place within this banded area.


Midstream and downstream: Construction and operation of proposed midstream (pipeline) and downstream (port) facilities would be expected to increase water and energy demands. Any increased water requirements will be supplied according to approved abstraction permit(s).

Ethiopia: Further development of any of the Ethiopian blocks would require hydrological study which may trigger additional requirements.

Pollution Prevention:

Description of current activities

Kenya: All waste currently produced during the exploration and appraisal phase of the project is adequately managed in accordance with good international industry practice. Waste is regulated by

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Kenyan legislation and enforced by NEMA. For drill sites in Kenya, waste is broadly classified into: (i) non-hazardous (e.g. general waste such as packaging, rags, paper, cardboards, plastics, food waste, non-contaminated wood, water based mud drill cuttings, grey water); ii) hazardous waste (e.g. used oil, used batteries and spent printer cartridges, synthetic based mud, drill cuttings, medical waste, flammable and volatile waste); and (iii) recyclable waste (e.g. used oil and chemical drums, bulk scrap metal, plastic waste bottles and glass).

As standard practice and irrespective of site, waste is separated at source, stored in specific storage areas, and disposed according to type. This is done through government approved contractors. Putrescible waste is generally composited on site whilst non-toxic industrial waste (e.g. used tires, scrap metal, pipes) and waste paper is recycled through approved contractors. Wastewater and sewage is adequately treated using appropriate sewage treatment facilities installed at the different sites. Hazardous waste (e.g. medical waste) are collected and transported to an approved facility in Nairobi.


Until recently, synthetic based mud (SBM) drill cuttings have been collected from drill sites by an approved contractor, transported by road and deposited at an approved hazardous waste handling facility in Nairobi. Tullow has since procured a mobile Thermal Desorption Unit (TDU) which will provide an environmentally friendly treatment process for oil contaminated drill cuttings, as well as any soil contaminated with hydrocarbons. The residual oil on cuttings will be reduced to a target concentration of zero percent and the resulting base soil will be stored and reused as appropriate. The liquids (e.g. oil, light oil and water) will be extracted, recovered and reused as appropriate. Noncombustible gases (e.g. CO₂, CO) will be recycled back into the TDU thereby reducing air emissions.

Diesel fuel at all sites is stored in above ground storage tanks equipped with adequate bunding to provide secondary containment in the event of spillage. Lined sumps are installed and used to avoid spillage of used drilling media and lubricants into the surrounding environs as a standard operating procedure at all drilling sites. Additional controls to reduce the likelihood and consequence of spills include rig inspections and matting under rigs. The company, operator (Tullow) and contractors have established spill response procedures which are fully implemented at all operating sites. As part of the spill response procedures all operating sites are supplied with adequate spill response kits.

Flaring is expected during extended well tests. This will be done in accordance with good practice taking into account technically and financially feasible and cost effective measures to reduce gas flaring. In addition, the company's current operations (operated or non-operated) produce emissions mainly from diesel-fired electricity generators and support vehicles. All these are regularly maintained. However, as part of IFC's investment the company will quantify and report its greenhouse gas emissions.

Dust from any drilling operations (especially when using compressed air) is carefully managed. The drilling environment can be noisy. The ambient noise generated by drilling operations includes that from, drilling engines, air compressors, generators, vehicles, sirens, and warning signals. However, drilling and seismic contractors employ a number of noise reduction practices such as use of noise suppression devices and techniques (e.g. enclosures, screens, and silencers), and regular maintenance of equipment.

Material from drilling sumps and pad stripping is stockpiled for use in the pad rehabilitation and restoration process. Prior to the acquisition of the TDU, all hydrocarbon spills and contaminated soil together with the SBM drill cuttings were collected by the approved contractor and transported by road

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to an approved hazardous waste facility in Nairobi for final disposal. Going forward this waste will be treated in the TDU. Rehabilitation of drilled areas is undertaken in accordance with comprehensive site restoration procedures and legal requirements, which include backfilling the sumps. In all applicable cases local communities are consulted as part of site restoration and rehabilitation and in a number of cases the local communities have requested that borrow pits be left in place to be used as water reservoirs. Completion of restoration and rehabilitation is signed off by government authorities (NEMA).

The company is committed to continuously apply specific resource efficiency, pollution prevention and control measures plus waste management practices that are supported by robust procedures and consistent with good practice throughout all phases of its project. The effectiveness of these practices and procedures will be subject to continuous monitoring and review, in response to changing circumstances as well as internal practices.

Ethiopia: The current pollution prevention scenario is similar to that described in Kenya. Key differences are: (i) relatively smaller amounts of waste; ii) SBM drill cuttings are treated via a landfarming process which was approved by the government; iii) additional emissions from thumper trucks and boats. All hydrocarbon spills and contaminated soil is treated via landfarming mentioned above. Tests to assess the effectiveness of the landfarming are conducted in a laboratory in the UK and have been positive. Sign off for completed restoration and rehabilitation is sought from Ethiopian Wildlife Conservation Authority (EWCA).

Future developments


Kenya: A number of waste management options are being considered as part of the design and construction of an Integrated Waste Management Facility (IWMF) at the CPF, which will include a materials recovery facility for recyclables. It is proposed that IWMF will handle all waste generated at the CPF and adjacent construction and operational activities, including effluents but excluding produced water. Ancillary waste management centers may be required for more remote areas. Construction of all three components is expected to result in various types of pollution. Current management systems are considered adequate for managing these but further details and requirements will be confirmed once ESIA's are completed.

PS4: Community Health, Safety and Security

Community Health and Safety

Risks to community safety from current operations include:

- Operational traffic on open roads, as well as off-road in close proximity to communities and herds;
- Drilling;
- Risks to fishermen caused by off-shore seismic surveys (collision of vessels, entanglement of fishing nets in project lines);
- Hazardous materials generated by operations;
- Explosives;
- Fire;
- Increased prevalence of communicable diseases caused by worker influx.

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These main risks are all adequately addressed by the Company procedures, as follows:

- Driving is recognized as a significant hazard to both Company workers and third parties. There is limited awareness in either country of good driving practice, thereby exacerbating the risks. Driving safety is given considerable attention in Company procedures and associated enforcement, vehicles are equipped with GPS tracking and governors that limit speed, and drivers are trained for defensive driving. Severe violations of the procedures can result in termination.
- Drilling pads, camps, and waste treatment facilities are fenced and guarded on a 24/7 basis. No third parties are allowed unless authorized, and safety inductions are mandatory.
- Risks to fishermen are addressed through awareness and information to fishing communities, as well as through marking the area with buoys. There has been no serious incident to-date.
- Hazardous waste generated by the operations is stored in fenced and guarded facilities, and either treated on site or transported to certified treatment facilities (e.g. medical waste) verified by the Company.
- Explosives, which are necessary in modest quantities for seismic surveys, are stored in designated explosive magazines well away from communities (e.g. quarries), the location and design of which are agreed by relevant authorities.
- Fire safety is addressed through worker awareness and training, the presence of extinguishers and alarms, and drills. Airstrips have a designated, trained and equipped fire crew.
- Communication and education programs are designed to raise awareness on transmission and prevention methods to abate the propagation of infectious diseases including sexually transmitted diseases.

Emergency Preparedness & Response

Africa Oil has developed an oil spill response plan to prevent and control any spills that might occur. The plan categorizes spills, describes measures to be taken in the event of a spill, and assigns roles and responsibilities.


Similarly, other emergency procedures are available within the Company’s “Safe Operations Manual”, including those applicable to fire, emergency aviation occurrences, medical emergencies, and evacuation.

Contractors

Contractors are bound by similar community safety procedures as those applicable to Africa Oil, particularly as regards traffic safety.

Security

Contextually Kenya’s north-western region includes the country’s least developed areas, such as Turkana and Marsabit counties. Issues such as water, land, employment and influx can exacerbate the vulnerability of the communities and increase security concerns. Conflict among some of the communities is a long standing feature including cattle raiding which is a source of conflict and a manifestation of conflict. The development of the oil and gas project in the area would bring development to the Turkana area, but may also increase the conflict as perception may be that the sharing of resources once the production of the project commences will not be equally distributed, water

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and land can become even more scarce, and influx of others to the area would increase and would be taking jobs from the locals. These risks have been analyzed by the Company as part of site specific risk assessment and is also known that some of the potential conflict are external to the activities of the Project but could in the long term impact the Project. In Ethiopia, South Omo and Rift Basin the Company will be facing similar risks as in northern Kenya.

In 2013, the Nairobi Process was launched as a pact for responsible business as an initiative of the Institute for Human Rights and Business in collaboration with the Kenyan National Commission on Human Rights, with the objective to incorporate human rights due diligence into the emerging oil and gas industry in Kenya. The Nairobi Process brings together oil companies, government of Kenya and civil society to engage and discuss the security concerns as a priority human right. The initial dialogue of the Nairobi Process has focused on the Voluntary Principles on Security and Human Rights. Africa Oil is an active member of the Nairobi Process and works actively with local and international stakeholders to monitor relevant political, social and security risks.

In Kenya, Tullow Oil has completed site specific security risk assessment and site security plans for the Turkana and South Omo operations. These assessments consider many aspects surrounding the political, economic, social development and patterns that could cause instability in the region. Currently, security assessments and provision of security personnel are proportional to the level of risk and will be reviewed and updated in light of future developments during construction and production. Tullow Oil is signatory to the Voluntary Principles on Security and Human Rights and also implements the recommendations of Performance Standard 4. An agreement between the Government of Kenya on the use of security forces is currently being discussed. The agreement defines the rules of engagement, code of conduct, protocols for requesting assistance from the national police, vetting procedures, complaints investigation and appropriate action in-kind support and monetary compensation. At present Tullow has an extensive consultation and stakeholder engagement that addresses aspects related to the use of security personnel and conducts perception analysis with respect to security forces, also a grievance mechanism is in place which is updated on the basis of the feedback. The security personnel at the project sites consist of national police (approximately 100 through a rotation period of three months) and private security. The Company has trained about 862 national police and private security forces between Q3/Q4 2014 and Q1 2015 on the following areas (i) introduction to the oil and gas industry; (ii) environmental health and safety and Tullow policies, (iii) international humanitarian law, (iv) the Voluntary Principles on Security and Human Rights; (v) UN Basic Principles on Use of Force and Human Rights, (vi) UN Code of conduct for Law Enforcement Officials, (vii) Tullow Crisis and Management Plans and (viii) First Aid principles. The national police are nominated by their commanders and they will rotate every three months, this process is managed by the Company's private security company and they are overseen by the Asset Protection Manager.

In Ethiopia, Africa Oil maintains a security philosophy which focuses on treating stakeholders with dignity and respect for human rights, ensures no intimidation of stakeholders, encourages mutual cooperation and sharing in the areas where it operates, and maintains transparency on all activities through constant stakeholder engagement.

For purposes of security management the Rift Valley area has been divided into western and eastern areas. According to current legislation, security for the western side of the Rift Valley will be managed by the local police and for the western side of the block by the federal police, as this crosses two regions including the SNNP and Oromia. Currently, 19 local police provide security support to the Company. The Company provides the local police with in-kind compensation in the form of accommodation, transportation (AO personnel transport the security officers to specific locations) and meals. The

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Company does not provide any equipment to the local police. For the use of private security AO has contractual agreements that indicates the type of security that will be provided, no-arms allowed, vetting and training requirements, and clauses related to ending contracts if violations occur and are not corrected. As part of their procedures all employees receive training on the policies and procedures of the company. To date no significant security events have occurred. Africa Oil will prepare a security risk assessment in proportionality to their current risks and develop management plans that will take into account the expected and future risk. The security management plans will be prepared in accordance to the requirements of PS4. These will be reviewed and updated as the project evolves and the security risk increases, additionally, the grievance mechanism currently in place will be enhanced to incorporate grievances in relation complaints regarding security forces.

PS5: Land Acquisition and Involuntary Resettlement

Project Impacts

The project’s potential impacts are limited to temporary economic displacement as a result of on-shore and off-shore seismic surveys.

The only exception is the relocation of 5 to 10 temporary structures used by pastoralists in Kenya as a result of exploration drilling.

While it is too early to predict potential land impacts of further oil field development, modern directional drilling techniques allow to position well pads away from human settlements even where the reservoir needs to be reached below a settlement. The same applies to in-field flow and electric lines, access roads, and even the Central Processing Facility. Accordingly, significant physical displacement is not anticipated to result from the development of the oil field.


The Company has already adopted an impact minimization approach, involving “designing out” most undesirable impacts on land and settlements, particularly physical displacement, which will be carried over in the development and operations phases.

Land Tenure in Affected Areas

For the exploration blocks in Kenya, the Company primarily deals with two types of land tenure patterns – private ownership and collectively held land (although public land also exists in the Blocks). For the project areas under consideration, the following land tenure arrangements exist:

- In Elgeyo Marakwet and Baringo counties, land is generally held privately in ownership and titled following a process of adjudication led by the local branches of the National Lands Commission working with the county local governments;
- In Turkana county, land is held collectively by Turkana groups under complex traditional arrangements and there are no formal titles.

In Ethiopia, while all land is vested in the federal state, private usufruct rights are recognized and usually formalized which is the case in the project’s areas of influence in the SNNP. The related cadastral

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information is available at Woreda level (i.e. district level), and private land users can be identified through cadastral records in cooperation with the Woreda officers in charge of land tenure and management.

Temporary Economic Displacement

Seismic Surveys: The potential impacts of the project related to land and livelihoods are limited mainly to temporary economic displacement (i.e. temporary loss of land and related livelihoods without loss of shelter) as a result of on-shore and offshore seismic surveys. On-shore seismic surveys typically last for about two to four weeks in a given community, while off-shore surveys may last for three to six months in total.

Key impacts associated with off-shore surveys are expected to be restrictions of movement of other vessels on the lake, in particular the traditional canoes used by small-scale fishermen. This impact is generally addressed through adequate and prior information to fishermen and marking by buoys to avoid fishing nets becoming entangled in survey cables.

Exploration and appraisal drilling typically involves the creation of a well pad of about 4-5 hectares and an access road of varying length, both secured on temporary leases. In one case in Kenya, temporary structures used by pastoralists had to be relocated but such impacts generally can be avoided. Upon completion of the testing, the well pad is reclaimed to its original condition and land can be handed back to original owners or users.


Compensation Strategy and Process – Kenya

In Kenya, where land is privately owned, landowners are identified using cadastral records available from the County government’s Land Registry. The Company has collected additional data to take into account changes in ownership (for example successions) or where there are disputes over, or lack of clarity in plot boundaries.

A grievance mechanism is in place for landowners to lodge a grievance should this be necessary (see “Stakeholder Engagement” section). Compensation is effected based upon direct negotiation with the land owners. Rates are negotiated based on a valuation by an independent licensed valuer and covers crops, temporary occupation of land and structures.

Where land is not held privately (and assumed to be held collectively by Turkana groups), there is no cash compensation (except for crops if applicable) but in-kind compensation at community level in the form of community projects such as construction of, or improvements to community infrastructure, like classrooms or water supply systems.

The land tenure system in Turkana County is complex and involves pastoralist and semi-nomadic groups considered as marginalized. A Free Prior Informed Consent (FPIC) process (see PS7 and Stakeholder Engagement) will therefore be implemented by the Company wherever land is taken temporarily or permanently from a community who meet the criteria in PS7 and where the circumstances under PS7 para. 13-17 occur. Elements of FPIC are already in place within the compensation and consultation procedures implemented by the Company. Additional information on the FPIC process will be prepared and disclosed by the Company at the time of preparing a Stakeholder Engagement Plan.

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Compensation Strategy and Process – Ethiopia

In Ethiopia, land is titled in the name of legally recognized individual land users and cadastral information is available from the Woreda offices. The Company has developed a process in line with the Proclamation 455/2005 on land expropriation, whereby the following steps are taken:

- Affected properties are identified based on cadastral records available at the woreda, with a field verification led by Woreda officials together with Kebele officials, Company representatives and the affected land user;
- Inventories of affected assets, including land, crops and any structures are established and signed-off by Woreda and Kebele officials together with the land user;
- Compensation sheets are prepared by Woreda officers and the Company using recently updated rates for crops, trees, and land occupation;
- These compensation sheets are signed-off by the affected land user and payment is made.


During IFC's due diligence, it was observed that payment was made after the related plot of land had actually been vacated by the land user, such that any supplemental damages occurring during the work itself could be inventoried and included in the payment. The Company has agreed to rectify this such that compensation be paid prior to vacating the land, and has committed to do so. Damages, if any, will still be paid after survey work.

A similar FPIC process to the one mentioned for the Turkana County of Kenya would apply in the South Omo block in Ethiopia, where several groups with close anthropological features and livelihood systems to those of the Turkana of Kenya are encountered.

Land Acquisition and Resettlement Documentation

The Company will develop a Land Acquisition and Livelihood Restoration Plan for each of the two countries. These plans will address the following topics:

- Legal background (description of the land tenure and land acquisition legislation, review of gaps against IFC's PS5);
- Project impacts, based on the project description, including a description of processes, procedures and outcomes of land and livelihood impact minimization;
- Compensation strategy, including a description and justification of compensation packages for each category of impact and land tenure situations with a summary in the form of an entitlement matrix, a review of the adequacy of compensation rates against the replacement value requirement, and the description of payment arrangements or execution arrangements for in-kind compensation;
- Assistance to vulnerable people, including identification process and assistance measures;
- Grievance management;
- Monitoring and reporting;
- Implementation arrangements and resources allocated to land access;
- Consultation and disclosure, including a description of the FPIC process where applicable

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PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Description of current activities


Kenya: Turkana blocks (10BA, 10BB, 12a and 13T) overlap with two natural World Heritage sites (Lake Turkana National Park and the Kenya Lake System in the Great Rift Valley) and a number of nationally designated protected areas (including IUCN Category II and IV sites) and key biodiversity areas (KBAs). The broader landscape ranges from desert to grasslands, savanna and shrub lands surrounding Lake Turkana. The Turkana blocks form a discrete management unit (DMU) that triggers critical habitat based on its overlap with sites for globally important congregations and IUCN Category II protected areas. A critical habitat assessment by external experts has been commissioned. Outside the protected areas, high levels of grazing, farming and hunting pressure have resulted in natural habitats lacking the majority of original wildlife species, and which in some areas may be considered modified. A definitive map of natural vs modified habitat will be required as part of the ongoing ESIA and to inform efforts to deliver no net loss of natural habitats. Wildlife corridors, outside the protected areas, have been identified for some species (e.g. elephant).

An SEA (Strategic Environmental Assessment) for the entire landscape and a series of site-specific ESIA's for current exploration drill sites have been completed to assess biodiversity values and potential impacts. The operator (Tullow) has made a voluntary commitment to avoid all activity within World Heritage sites and has also avoided activity within known protected areas and key biodiversity areas, including Lake Turkana, during the current phase. This commitment is supported by an internal operator procedure. Outside of these avoidance zones, activity is limited to vegetation clearing for camp, well pad and seismic exploration activities with restoration planned where no further use is expected. Fine-scale avoidance of sensitive features (e.g. large trees, animal burrows, termite mounds) is being implemented and no significant residual impacts are expected from current activities. A biodiversity strategy will be required, due to high external stakeholder interest and overlap with critical habitat, to describe plans to deliver no net loss/net gain. The company has proactively engaged a number of conservation experts, government agencies and non-governmental organizations in the region as advisors and partners.

Priority ecosystem services have been identified and are being managed via compliance with PS 4, 5, 7 and 8 requirements.

Ethiopia: Ethiopian blocks (South Omo and Rift Basin Area) overlap with a cultural World Heritage site, a number of protected areas (including IUCN Category II, IV and VI) and KBAs, including one Alliance for Zero Extinction (AZE) site. The broader landscape is similar to that in the Turkana blocks, with the exception that degradation is occurring within protected areas. A definitive map of natural vs modified habitat will be required to inform efforts to deliver no net loss of natural habitats. The Ethiopian blocks contain one or more DMUs which are critical habitat based on overlap with sites for threatened species, restricted range species, globally important congregations, unique habitats (e.g. groundwater forest) and IUCN Category II protected areas.

ESIA's for current exploration drill sites have been completed to assess biodiversity values and potential impacts. The company has avoided activity within World Heritage sites and AZE sites. Project activities (for example jetty rehabilitation, exploration drilling, 2D seismic surveys) have occurred within some protected areas and KBAs but boundaries of Nechisar National Park (IUCN Category II) have been actively avoided. No significant residual impacts are however expected from current project activities.

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The company has established an MoU with the Ethiopian Wildlife Conservation Authority (EWCA) and also engaged with various regional and local conservation agencies to ensure legal compliance, alignment with management objectives (where these exist) and integrate protected area experts into project activities (for example, park scouts monitoring hippos during aquatic seismic surveys). In the case of Chelbi Wildlife Reserve (IUCN Category IV), desktop review, government experts and community interviews indicate the priority species, Grevy's Zebra (IUCN Endangered), occur outside of areas affected by project activities. The regional culture and tourism bureau, which oversees this reserve, confirmed there are existing plans, unrelated to the project, to revise the reserve boundaries. Due to expected high external interest and overlap with critical habitat, a biodiversity strategy is recommended to summarize biodiversity-related information and describe efforts to achieve no net loss/net gain, including special focus on Grevy's Zebra and protected areas where project activities are taking place.

Priority ecosystem services have been identified and are being managed via PS 4, 5, 7 and 8. Existing fisheries and crocodile harvesting on Lake Chamo may be causing impacts which could be erroneously attributed to the company.

Future developments

Kenya: Upstream: Impacts related to new and expanded land conversion for infrastructure (for example 30-60 well pads, central processing facility, accommodation) and induced access (for example improved or new road and rail links) would be expected, requiring full mitigation as per PS6 requirements. Proposed above ground electricity distribution networks/power lines may result in migratory bird impacts. The direct footprint of the proposed upstream area avoids known protected areas or key biodiversity areas but the broader DMU and area of influence will overlap some of these, including potential transboundary impacts if Lake Turkana is chosen as a water source. Significant residual impacts are possible. An ESIA, including assessment of ecosystem services, and critical habitat assessment are underway in anticipation of further development of the Turkana blocks upstream area. An external biodiversity advisory panel is recommended to advise the company along all three components of the project as it proceeds.

Midstream and downstream: The proposed midstream (pipeline) and downstream (port) facilities have potential to overlap known protected areas, key biodiversity areas and wildlife corridors but this requires confirmation once final alignment and siting is known. The company has commissioned scoping studies, as part of ongoing ESIA's for these components. Initial assessment of midstream routes has prioritized avoidance of protected areas and key biodiversity areas but the majority of the preferred route will pass via natural habitats, primarily in arid and semiarid zones. The preferred routing includes a number of potential DMUs likely to be critical habitat based on potential occurrence of triggers for all criteria, as well as a World Heritage site, IUCN Category II protected area and two AZE sites that occur within the broader area of influence but outside of the 2 km buffer of the preferred route. The current preferred route has potential to directly overlap one key biodiversity area and a number of community conservancies. The route overlaps with biodiversity hotspots (Eastern Afromontane, Coastal forests of Eastern Africa) and Global 200 Ecoregions (Masai Xeric Grasslands and Shrublands, Northern Acacia-Commiphora Bushlands and Thickets, East African Montane Forests, and Northern Zanzibar-Inhambane Coastal Forest Mosaic). While some scope remains for fine-scale avoidance and minimization, additional requirements may be triggered as route details are confirmed. Impacts related to conversion or degradation of habitats (particularly along the 35m right of way), induced access, various forms of pollution, and water abstraction are likely and significant residual impacts are possible.

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The downstream facility has yet to be proposed but the Lamu region is considered a priority for marine biodiversity (for example corals, mangroves, fisheries, turtles and dugong). Ongoing assessment will clarify impacts and mitigation in alignment with PS6.

Ethiopia: Further development of any of the Ethiopian blocks would require a full ESIA and a Critical Habitat Assessment by external experts. These may trigger additional requirements in order to deliver no net loss for natural habitats and net gain for critical habitat values. Priority ecosystem services should be managed via PS 4, 5, 7 and 8.

PS7: Indigenous Peoples

Background


Kenya

The Project affects the Turkana County, which is predominantly inhabited by representatives of the Turkana people. The Turkana people are the second largest of the pastoral people of Kenya with a population of about 1 million. This nomadic community is part of the Nilotic group and moved to Kenya from Karamojong in eastern Uganda around 1700.

Turkana people keep herds of cattle, goats and camel. Livestock is a very important part of the Turkana culture and livelihoods as their animals are their main source of income and food. The size of one’s herd is the foremost indicator of wealth. Turkana also engage in non-pastoral activities, including wholesale and retail trade (e.g. selling livestock, milk, hides and skins, honey), waged employment (including working as hired herders, farm workers or daily laborers), farming, and the gathering and selling of wild products (e.g. gum arabic, firewood, or medicinal plants). Due to changes in the climatic conditions most Turkana have started changing from the traditional method of herding cattle to agro-pastoralism. Fishing in Lake Turkana is another source of livelihood. Fishermen along Lake Turkana migrate to follow the patterns of fish movement.

Land is held collectively by Turkana groups under complex arrangements and there are no formal titles. While Turkana people are members of ancestral lines (clans), this does not confer ownership of land. People live in family units (awi) or congregate into gatherings of family units (adakar and arumrum) but these do not confer ownership of land either. Community land in Turkana is assumed to be owned by all people of Turkana and from a legal point of view, ownership of community land only exists at the level of the whole Turkana community, unregistered community land being supposed to be held by Turkana County Government in trust of the people of Turkana. Some groups may have ancestral affiliations to areas of land, geographic authority and preferential access to natural resources, but this does not confer ownership of land or natural resources.

Cattle raiding is a long standing feature of the northern Rift Valley in Kenya, Uganda, South Sudan and Ethiopia. The Turkana and the neighboring Pokot have organized cattle raids against each other for long time. Livestock is reported to have increased in magnitude in the last few years in Turkana County and it is assumed that more commercial interests are now involved.

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The Turkana are identified by the Constitution of Kenya (2010) as a “marginalized group”.

Ethiopia

No indigenous, vulnerable or marginalized groups are identified in the Rift Valley block. In the South Omo block, the Dassanech that inhabit the western part of the block share a number of broad anthropological features (semi-nomadic pastoralists, with a strong attachment to a peculiar culture) with the Turkana of Kenya, and should be categorized similarly as marginalized, although they are not officially recognized as such in Ethiopia, in contrast with Kenya.

In the western part of the block (Chew Bahir), other groups (Arbore, Tsemay and Hamar) also have anthropological, cultural and livelihood features that have led the authors of the ESIA prepared for exploration by Tullow to tentatively categorize them as Indigenous and to recommend that the FPIC and Indigenous Peoples Development Plan provisions of PS7 should apply to them.

These groups demonstrate the characteristics of the criteria in PS7:

- Self-identification as a distinct cultural group and recognition of this identity by others ;
- Collective attachment to distinct territories and to associated land and natural resources ;
- Customary cultural and social institutions and a distinct language


As a result, the Project will treat them in accordance with the requirements of PS7.

Free Prior and Informed Consent

The Company will develop a screening and assessment tool to determine whether affected groups meet the PS7 applicability criteria and where relevant, a vulnerability assessment will be completed. In the Turkana County (Kenya) and South Omo Block (Ethiopia) the Company will apply the principle of Free Prior Informed Consent (FPIC) to proposed exploration, appraisal and development activities if they result in adverse impacts on lands and natural resources that are traditionally owned and/or under customary use by people who meet the criteria in PS7 and where the circumstances under PS7 paras. 13-17 occur.

Informed Consultation & Participation (ICP) principles are already part of the consultation procedures implemented during current exploration and appraisal phase

For the development phase of the Project, the Company will apply the principle of Free Prior Informed Consent (FPIC) in Turkana County (Kenya) and South Omo Block (Ethiopia) if its proposed activities result in any adverse impacts on lands and natural resources that are traditionally owned and/or under customary use by people who meet the *criteria* in PS7 and where the circumstances under PS7 Paras. 13-17 occur. However, for future activities FPIC will also apply should the Company determine that any of its activities will have: (i) any adverse impacts on lands and natural resources that are traditionally owned and/or under customary use by these groups, ii) result in the relocation of these groups from lands that are traditionally owned and/or under customary use, and/or (iii) result in significant impacts to cultural heritage essential to the identity and/or cultural, ceremonial or spiritual aspects of the groups in

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question.

FPIC will be established prior to the start of construction in any given locality through coercion-free and informed negotiations between the Company and affected communities. The FPIC process (which will result in a documented agreement reflecting the outcome of the negotiation), will be carried out concurrently with the development of a formalized Community Development Plan and/or other mitigation or compensation package, the relevant components of which will constitute a conditionality of success for the specific impacted communities.

To demonstrate FPIC the Company Stakeholder Engagement Plans (see “Stakeholder Engagement” section) will include specific details of the FPIC process that will be followed in both countries and circumstances for applicability. The SEP will also include the requisite process for informed consultation and participation (ICP) with affected communities for circumstances that do not trigger FPIC. As part of the FPIC process the Company will document: (i) the negotiation process between the Company and affected communities, and (ii) the evidence of agreement between the parties as the outcome of the negotiation process. FPIC does not necessarily require unanimity and may be achieved even if some individuals or groups within the community disagree.

Community Development

The FPIC process will be carried out concurrently with the development of a formalized Community Development Plan and/or other mitigation or compensation package for each of the affected communities where FPIC is sought..

PS8: Cultural Heritage


Background

The Company’s sites in both Kenya and Ethiopia are located in areas with potentially sensitive archaeological and paleontological sites:

- In Kenya, significant hominid fossils have been unearthed in the area of Lake Turkana, the most important of which being the “Turkana Boy”, discovered in 1984 at Nariokotome, about 120 km north of the county capital Lodwar, which is the most complete early human skeleton ever found and is dated between 1.5 and 1.6 million years.
- In Ethiopia, the South Omo Block overlaps with a UNESCO designated World Heritage site (“South Omo”), particularly with the Shungura formation, which is a geological layer prone to containing numerous fossils of Australopithecus, an early hominid.

Also, intangible heritage is important in both countries, with numerous peculiar cultural (particularly in relation to coming of age and wedding ceremonies), musical, theatrical, adornment, and dance traditions that are unique to the Turkana in Kenya and to each of the different groups located in the South Omo blocks in Ethiopia.

Consultation and Management of Archaeological and Paleontological Heritage

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In Kenya key stakeholders for archaeological and paleontological are NEMA, whose mandate encompasses cultural heritage, the National Museums of Kenya for archaeological and paleontological heritage, the National Cohesion and Integration Commission (for issues pertaining to intangible cultural heritage), and the Turkana Basin Institute, a private scientific research organization.

Tullow Oil in Kenya has developed in consultation with the above stakeholders a cultural heritage management procedure, which provides for the following measures:

- Presence of an archaeologist when ground breaking / earth moving works are performed;
- Marking of known cultural heritage sites located close to project sites;
- Chance finds process, including notifications and emergency marking of any discovery during works.

In Ethiopia, the Authority for Research and Conversation of the Cultural Heritage (ARCCH) oversees all cultural heritage sites of national significance in the country, particularly the South Omo World Heritage site. This institution worked closely with the Company during the activities in the South Omo block. In addition, Woreda-level bureaus of culture and tourism identify and manage sites of lesser significance. All registered sites in both blocks have been identified through consultation with relevant authorities at both the federal level and Woreda level relevant authorities. All survey lines that might potentially intersect the Shungura formation were subject to a prior scouting survey by an archaeologist from ARCCH. Artifacts uncovered in these surveys were identified, recorded and curated by ARCCH.

Intangible Cultural Heritage


At this point in time, intangible cultural heritage is mainly addressed through codes of conduct that identify a number of cultural values and taboos for each ethnic group that is potentially affected by the Project and are disseminated to Project workers.

The Company will carry out further work on intangible cultural heritage in the framework of the ESIA's for future oil field development, midstream and downstream projects, and may consider specific initiatives to support preservation of the local intangible cultural heritage.

Stakeholder Engagement:

Broad Community Support: BCS - Not Applicable

- BCS - Not Applicable
- BCS - Assessed
- BCS - In Progress

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Environmental and Social Action Plan:

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Local access of project documentation

For more information, enquiries and comment please refer to the Company's website:
<http://www.africaoilcorp.com/s/home.asp>

Or contact:
Alex Budden, VP External Relations, Africa Oil Corporation
Alex.Budden@africaoilcorp.com

Local disclosure of project documentation will be in the following publicly accessible places and will be published in the Africa Oil Corporation website mentioned above.


Kenya:

Africa Oil Kenya B.V.
1st Floor, Equatorial Fidelity Centre, Waridi Lane.
Off, Waiyaki way, opposite Safaricom House.
P.O. Box 1194-00606
Nairobi, Kenya
Wireless: +254 20 3504609/11

Ethiopia:


Africa Oil BV
4th Floor Mrs. Mamitu Alamrew Bldg.
Bole Kifle ketemea, Kebele 03/05
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Additional venues where documentation will be made available to the public will be communicated in the Stakeholder Engagement Plan.

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