

ADVANCED ENERGY SYSTEMS

NON TECHNICAL SUMMARY

EGYPT

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JUNE 2014

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Doc. No. 14-413-H2_Rev0

CONTENTS

1	INTRODUCTION	1
2	OVERVIEW OF COMPANY ACTIVITIES	5
3	ESHS RISKS AND IMPACTS	5
4	ADES ENVIRONMENTAL, HEALTH, SAFETY AND SOCIAL MANAGEMENT SYSTEM	6
5	ESAP OVERVIEW	8
6	SEP OVERVIEW	9

ESSENTIAL GLOSSARY

AoI	Area of Influence
EBRD	European Bank for Reconstruction and Development
EHS	Environment, Health and Safety
EIA	Environmental Impact Assessment
ES	Environmental and Social
ESDD	Environmental and Social Due Diligence
ESAP	Environmental and Social Action Plan
ESHS	Environmental, Social, Health and Safety
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
HR	Human Resources
IMS	Integrated Management System
IFC	International Finance Corporation
NTS	Non Technical Summary
OHS	Occupational Health and Safety
PPE	Personnel Protective Equipment
PR	Performance Requirement
SEP	Stakeholder Engagement Plan

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ADES PROJECT EGYPT

1 INTRODUCTION

D'Appolonia S.p.A. (D'Appolonia) has been retained on behalf of the European Bank for Reconstruction and Development (EBRD) to conduct an Environmental and Social Due Diligence (ESDD) of Advanced Energy Systems (ADES or the company), Egypt. The EBRD is considering providing a loan to ADES for the proposed purchase of up to two offshore jack-up drilling rigs, which will be operated offshore Egypt. The loan will also support the introduction of best international ESHS standards and practices at ADES.

The main objective of the Due Diligence is to evaluate the compliance of ADES at the Corporate and asset level (ADES asset offshore Egypt), against relevant national and international standards and Good International Industry Practice (GIIP), and to provide recommendations to address any identified gaps. D'Appolonia has undertaken an analysis of the potential ESHS risks associated with the Company's activities with findings outlined in the ESDD report, as well as the development of a Stakeholder Engagement Plan (SEP), and an Environmental and Social Action Plan (ESAP).

This Non-Technical Summary (NTS) provides an overview of the main findings of the ESDD.

2 OVERVIEW OF COMPANY ACTIVITIES

ADES is the offshore business line of the ADES Group, an independent oil services company incorporated in Egypt, active in the oil and gas sector both onshore and offshore. ADES operates an offshore fleet of 1 jack-up barge and 3 jack-up rigs (Admarine II, III, IV and IV) and provides drilling and work over services around the Gulf of Suez and the Red Sea to a variety of project sponsors including a number of oil majors including BP, Shell and Eni. ADES jack-up barge and jack-up rigs are operated on a contractual basis to offer the following offshore services: drilling, workover, well servicing, platform maintenance, marine vessel operations, Remote Operated Vehicle services, hydraulic workover services, surveying. As ADES provides offshore mobile operational units for large Oil Companies, the Project location areas vary and depend mainly on the Operator Company and the conditions of the contract being executed by each of the offshore ADES assets.

3 ESHS RISKS AND IMPACTS

As per the nature of ADES operations and services being undertaken as the drilling contractor, and not the owner of the well site location, the ownership of the development and approval process of Environmental Impact Assessments (EIA), resides with the Operator. As ADES provide services as a drilling contractor to large Oil Companies and offshore Operators, the risk assessment and resulting mitigation measures are based on national legislative requirements and additional Operator ESHS requirements. A limited number of Environmental, Social and Health and Safety (ESHS) risks have been identified and their potential impacts are summarised below.

ESHS risks and impacts on human and environmental receptors associated with the nature of the services offered by ADES relate to drilling and well work over activities and include noise and air emissions, vibration, waste generation, wastewater and unplanned events including potential spills and incidents.

The main sources of potential impacts resulting from ADES activities include noise and air emissions from combustion sources from power generation, compressors, pumps, engines, flaring and support and supply vessels during operations. ADES undertakes external audits but do not regularly monitor air and noise

emissions from Operations, unless specifically requested by an Operator. ADES operating procedures on air and noise emission limits and monitoring compliance are mainly focused on OHS impacts onboard and are evaluated based on national legislative requirements only.

Project generated waste includes hazardous and non-hazardous waste resulting from ADES rigs operations and the transportation of waste to certified landfill facilities onshore. ADES are responsible for the management and disposal of their generated waste only, while all waste and wastewater resulting directly from Operational activities (drilling and well workover) are the responsibility of the Operator. ADES rig drilling activities incorporate waste management procedures (including identification and storage) and units/rigs are required to follow the guidelines of MARPOL 73/78 Annex V for the collection, processing, storage and disposal of garbage, and as such do not dispose of any wastes to the sea.

Potential spills and incidents in the ADES Area of Influence (AoI) during operations, with the potential to impact on the environment, are a risk which has been identified and mitigation measures developed are captured in ADES operating procedures. The ADES approach to dealing with spills incorporates spill prevention (including secondary containment of storage material and training) and spill response (including response procedures, as outlined in the Ship Oil Pollution Emergency Plans SOPEP, emergency response procedures and materials and equipment located on each of the rigs).

In undertaking well workover and drilling operations offshore, ADES has the potential to impact on biodiversity and potential receptors in their area of influence (Red Sea and Gulf of Suez). While the responsibility resides with the Operator for carrying out the EIA and biodiversity impact assessments, ADES does not assess their own relative impacts in a specific proposed work area where ADES operations may have the potential to impact biodiversity. ADES does, however, implement the necessary mitigation measures as required by the Operator and environmental permits.

Potential occupational health and safety risks associated with the services provided by ADES may include exposure of workers to unsafe working environments onboard (including hazards related to potable water, hazardous materials, chemicals, working in confined spaces, inadequate accommodation, etc), potential injury and incidents, personnel transfer offshore and emergency situations such as fire, abandonment and well blowout. OHS risks related to these hazards are outlined in ADES procedures and compliance with national legislative requirements audited on a regular basis.

Social risks and impacts resulting from ADES operations include community health and safety, stakeholder relations, labour issues and cultural heritage.

Offshore operations may have impacts on community health and safety as a result of the rigs' presence and operation that may create hazards to other marine users such as boats' crews and passengers; and in case of unplanned events (incidents) that may affect the marine users and resources and coast dwellers and users.

ADES stakeholders are groups or individuals who could be affected and/or interested in ADES operations. In order to reduce the reputational risk and risks deriving from social instability impacting the activities, it is important that the Company provide good public information, communicate effectively, and develop positive relationships within the Company and with local and regional communities, markets and clients.

Labour issues may represent a risk for ADES, if improperly managed. The main risks concern the implementation and ongoing monitoring of OHS measures, adequate working and living conditions on board, and the avoidance of discrimination and of use of child or forced labour also among the Company's contractors and main suppliers.

During installation of rigs, there is also a potential risk of impacts on cultural heritage items in the marine environment.

4 ADES ENVIRONMENTAL, HEALTH, SAFETY AND SOCIAL MANAGEMENT SYSTEM

The ADES group Integrated Management System (IMS) incorporates specific manuals dedicated to the various divisions and operations of the Company, with each manual containing a number of procedures for a range of topics and typically includes the purpose, scope, responsibilities, and procedure to be followed.

While the IMS provides the foundations to an Environmental and Social Management System (ESMS), ADES itself does not have a social management system in place. The Company does have a comprehensive Environmental, Health and Safety (EHS) framework and related procedures in place, as outlined in Manual 04 of the IMS, and have developed and implemented the foundations of an Environmental Management System as part of the Company IMS, outlining the Company commitment to the environment. The basic elements reference the ISO 14001 International Standard for the Environmental Management System (ADES Manual 01, Corporate), which were adopted during the development of the Company Corporate Management System. The EHS manuals provide sufficient procedural guidance and responsibility to ensure that operations are carried out in an organised and safe manner, in compliance with National legislative requirements, with responsibilities clearly defined and specific reference documents incorporated as necessary.

In terms of EHS management, elements of the required ESMS, such as the Health and Safety Management Plan, have been fully developed while others, such as a comprehensive procedure for identifying and consulting affected and interested stakeholders (the Stakeholder Engagement Plan or SEP) and an external grievance mechanism, need to be implemented. ADES EHS procedures outline environmental and OHS monitoring limits with reference to National legislative requirements, however these are at the OHS level and environmental emission limits (water, noise, air) do not consider international guidelines and standards (EBRD, IFC, EU). ADES will need to ensure that EHS measures and limits onboard the rigs are in compliance with such international requirements.

As ADES provides offshore services as a contractor to larger oil and gas clients, Company specific EHS procedures implemented on each of the rigs are subject to modification at the beginning of a contract with additional procedures developed as needed for specific projects and/or bridging procedures to meet Operator requirements. ADES rigs are contracted out for a determined amount of time, and perform a series of drilling and well work over operations at varying locations and duration throughout the contract.

Once the Operator agrees on a contract with an ADES rig, a pre mobilisation acceptance audit and assessment is undertaken by the Operator in collaboration with ADES. These acceptance audits are undertaken at the beginning of the contractual project and then on an on-going basis, usually undertaken annually. Audits onboard the rigs are also undertaken by the national Egyptian authorities. As a result of the pre mobilisation audit, specific HSE management procedures, equipment and modifications required to bring the rig in line with Operator requirements are determined and any necessary modifications made. In the event that Operator management plans are more stringent than existing ADES plans, bridging documents to amend specific Rig EHS plans are developed to meet Operator requirements, otherwise the existing ADES procedures are maintained.

In order to prevent or minimise the potential for community exposure to health and safety risks, ADES is expected to operate and maintain the structural elements or components of its equipment in accordance with good international industry practice. ADES ensures that the equipment in use has been designed and constructed/refurbished by qualified and experienced professionals, and certified/ approved by competent authorities or professionals. ADES has an Emergency Plan in place which is adequate, however there is no External Emergency Plan, which establishes the procedure to communicate the provisions in case of emergencies. This will be developed. The rigs' security is provided by Government forces and the Company has no private security services. No incident involving ADES rigs' security has been reported. No specific security risk assessment has been conducted nor is management policy or system in place.

ADES has no policy or procedures in place for dealing or communicating with stakeholders. However the Company already started some engagement activities with local stakeholders on the coast, which have been undertaken through informal local community liaison carried out by shore base managers, and mainly consisted in implementing local procurement for small local contracts. General information on the Company is released through ADES Group website and social internet sites. A limited number of stakeholders are identified by the Company (Company employees; contractors, suppliers and customers; national regulatory and certification authorities; investors; and neighbourhood). No interactions or complaints from stakeholders have been reported to date.

ADES has a well structured working relationship management system and documentation detailing, among others, the organizational structure, job description, hiring and termination procedures, performance

management, training, disciplinary actions, and feedback mechanism. A structured workers' grievance mechanism is in place. The induction program includes an information package that presents Company policy and procedures to the worker. ADES commits to employment conditions (wages and benefits) in line with equivalent employers in the country. Reportedly, no union is present among workers, only professional associations.

An adequate number of procedures are included in ADES EHS management system in order to safely manage operations and potential occupational hazards, in line with national legislative requirements. Specific offshore Health and Safety operational manuals and procedures are outlined in the ADES manual 10 of the IMS – Operations. This manual includes a comprehensive description of procedures to be carried out during rig operations and the various responsibilities, but do not take into consideration EBRD and relevant international requirements (such as the IFC EHS general and offshore guidelines). A check of typical documentation onboard and a review of documentation provided in the HSE offices has also been undertaken with some minor gaps regarding implementation of procedures on board evident.

ADES has no procedure in place in case of chance find of cultural objects during its operation.

5 ESAP OVERVIEW

An Environmental and Social Action Plan or ESAP has been developed to support ADES in addressing aspects of ongoing activities and future investments that require additional action in order to bring the Company in line with EBRD Environmental and Social requirements. The ESAP developed by D'Appolonia contains recommendations to the Company and measures to improve Environmental and Social performance. It furthermore includes actions to address the Social and Environmental issues/gaps identified by D'Appolonia in the existing ADES operations and to ensure the future investments will be in compliance with applicable requirements. While the ESAP has been developed by D'Appolonia, the implementation of the ESAP and ongoing tracking of action items is the responsibility of ADES.

In general, ADES has a well developed Integrated Management System (IMS) combining overarching company EHS policies with specific procedures and plans across all aspects of the business (from corporate level to offshore operations). The IMS is currently based on achieving compliance with national requirements and as such numerous actions have been identified by D'Appolonia to bring the Company and the IMS in line with EBRD and international requirements. These actions relate to the development of broad management plans/policies in order to satisfy specific PRs (in areas of Biodiversity, Cultural Heritage and Social aspects), and the development of more specific action items to close an identified gap. The key action items are outlined below.

- ADES provides services as a contractor to larger Operators, and as such, undertake environmental monitoring requirements as required by national legislation and as stipulated in each individual contract, agreed with the Operator prior to contract commencement. As such, no monitoring procedure has been developed by ADES for emission monitoring, and unless specifically required by the Operator, no monitoring program is implemented across the fleet. The Company will to commence regular monitoring of both air and noise emissions across the fleet and commence a Greenhouse Gas inventory to track ADES emissions.
- Various OHS action items have been identified regarding the potential exposure of offshore workers to noise and vibration impacts, and provision of sufficient PPE. These action items have been developed based on observations made on a specific ADES rig. However, the issue may potentially exist across other offshore facilities and as such should be assessed and remedied where necessary.
- Currently, potential adverse biodiversity impacts and mitigations as a result of ADES services are not considered by the Company. Biodiversity assessments are the responsibility of the Operator in accordance with national legislation and Operator ESHS requirements. ADES, while not responsible for the assessment, will develop a company policy (outlining the Company approach towards minimisation of biodiversity impacts), and develop a checklist (to be checked off with the

Operator) to determine any mitigation or avoidance measures that should be considered in a specific work area where ADES operations may have the potential to impact biodiversity.

- While the Company has Human Resources (HR) procedures in place, they do not have a developed HR Policy. ADES should develop, implement and communicate to workers and contractors a HR Policy that includes commitments to abide to PR2, including commitments to non discrimination and equal opportunities and avoidance of child and forced labour.
- ADES does not have a developed external Emergency Response Plan. The Company should develop and disclose an External Emergency Plan, which establishes the procedure to communicate the provisions in case of emergencies (emergency response plan, points of contact, responsibilities, etc.) to external parties (local authorities; other local stakeholders) and provide for the restoration and clean-up of the environment following a major accident. ADES should ensure that potential affected parties are informed on risks and potential impacts of its operations on community health and safety, of the control measures put in place by the Company and of the feedback mechanism established to collect concerns and grievances.
- Regarding stakeholder identification and engagement, the Company have not identified all the stakeholders potentially affected by or interested in its operations and do not have a specific plan developed for stakeholder engagement. Action items have been developed regarding the implementation of a stakeholder engagement plan; the establishment of an external grievance mechanism; and the hiring or training of a dedicated staff to manage stakeholder identification and communication.
- Considering that the working areas of the new rigs within the Red Sea are yet unknown, the Company is recommended to prepare, communicate to its staff and implement a Chance Find Procedure in case of chance find of cultural heritage objects during installation of rigs, in order to reduce risks of impacts on cultural heritage items in the marine environment

6 SEP OVERVIEW

The Stakeholder Engagement Plan or SEP describes the Company strategy and procedures for interactions with public and private stakeholders at local and national level, with particular focus on affected parties, as part of the social policies ADES is developing. The SEP also outlines a grievance mechanism to allow stakeholders to bring concerns to the Company's attention.

The purpose of the ADES SEP is to establish and maintain a constructive relationship with affected people and other interested parties over the life of ADES operations in order to obtain and maintain the "social license to operate" and broad public support.

The SEP is an overarching document applying to ADES offshore operations. The SEP is a 'living document' which shall be updated periodically, following the changes in organisational set-up; level of impact and risk; area of influence; and stakeholders' interest. The following provides an overview of the SEP and its implementation by ADES.

Area of Influence (AoI):

As offshore locations are determined on a contractual basis, for the scope of the SEP the AoI has been determined as covering the existing ADES onshore assets (head office located in Cairo and a shore base located within an existing port on the Red Sea), facilities utilised by ADES during execution drilling contracts (including the Operators' ports located on the Red Sea), and locations where the offshore rigs are usually contracted, the Red Sea and Gulf of Suez. As Operators determine the contractual areas of ADES rigs, the SEP will need to be updated in case of a change in the AoI.

Stakeholders:

The SEP incorporates definitions and an outline of potentially affected parties and other influential/interested parties that need to be considered by the Company in the implementation of the SEP.

Among affected parties, the SEP identifies coastal villages and people exploiting the natural resources affected by ADES activities, such as local fishermen, local businesses, boats' crews and passengers, ADES workers and employees, vulnerable groups and more in general coastal and marine users.

Public and private stakeholders who may have interest in the Company and/or affect public perceptions and the Company's reputation include suppliers and contractors, customers, national regulatory and certification authorities, investors, local civil society groups, trade unions, NGOs, political parties, other oil companies and competitors, and the press and social media.

Engagement:

A stakeholder engagement and disclosure plan detailing methods and content of engagement and disclosure for each type of stakeholders is presented in SEP. ADES ongoing engagement with stakeholders will be done mainly through:

- information disclosure on the website;
- ongoing engagement during routine operations, directly and in coordination with the Operator;
- external feedback and grievance mechanism;
- development and disclosure of an External Emergency Plan, to properly manage stakeholder engagement in the unlikely case of unplanned events (incidents).

The Company will identify the most culturally adapted communication channels to target messages effectively so as to be fully transparent and informative. Possible methods to reach the target audience include, but are not limited to, the following:

- meetings (individual or group, opened to all or focused to specific stakeholders);
- brochures, posters and informative leaflets;
- special events;
- the media (newspaper, radio, TV);
- website and social media: in particular to keep ongoing communication with NGOs and other interested stakeholders.

All interactions with stakeholders will be documented and logged, and follow up activities recorded.

Disclosure:

The Company will create a specific website for ADES offshore operations or specific pages within the ADES group website. The website of ADES will be always kept updated with the main projects' information and events of interest for the various stakeholders.

ADES is not responsible for the preparation of an EIA/ESIA or for the conduct of the required EIA consultations, however, the Company will endeavour to disclose the Public Consultation Plan (PCP) and EIA/ESIA Executive Summary developed by the Operator for each operation on its website and will take part in the EIA consultations organized by the Operator, as far as possible.

Grievance and feedback mechanism:

The purpose of the grievance and feedback mechanism is to ensure that all requests and complaints from individuals, groups and local communities are dealt with systematically in a timely manner with appropriate corrective actions being implemented and the complainant being informed of the outcome.

ADES will establish several channels for the submission of grievances and information to enable the public to register their concerns about Company's operations. The grievance mechanisms will be presented and discussed with the public during consultations.

The SEP includes ADES contacts (mail and web addresses and telephone numbers) and a grievance form.

Ongoing monitoring and reporting:

Consultation and grievance registers recording relevant information in a tabular form shall be updated on an on-going basis.

Progress reports describing consultations held in the period, stakeholders consulted, issues identified, action taken and recommended should also be included in the Annual Sustainability Report, which ADES will develop. The report will also include an update on the grievance process, with the number of grievances received and addressed/closed, the most frequent types of grievances, and any recommendation or action taken to decrease the number of grievances.

