



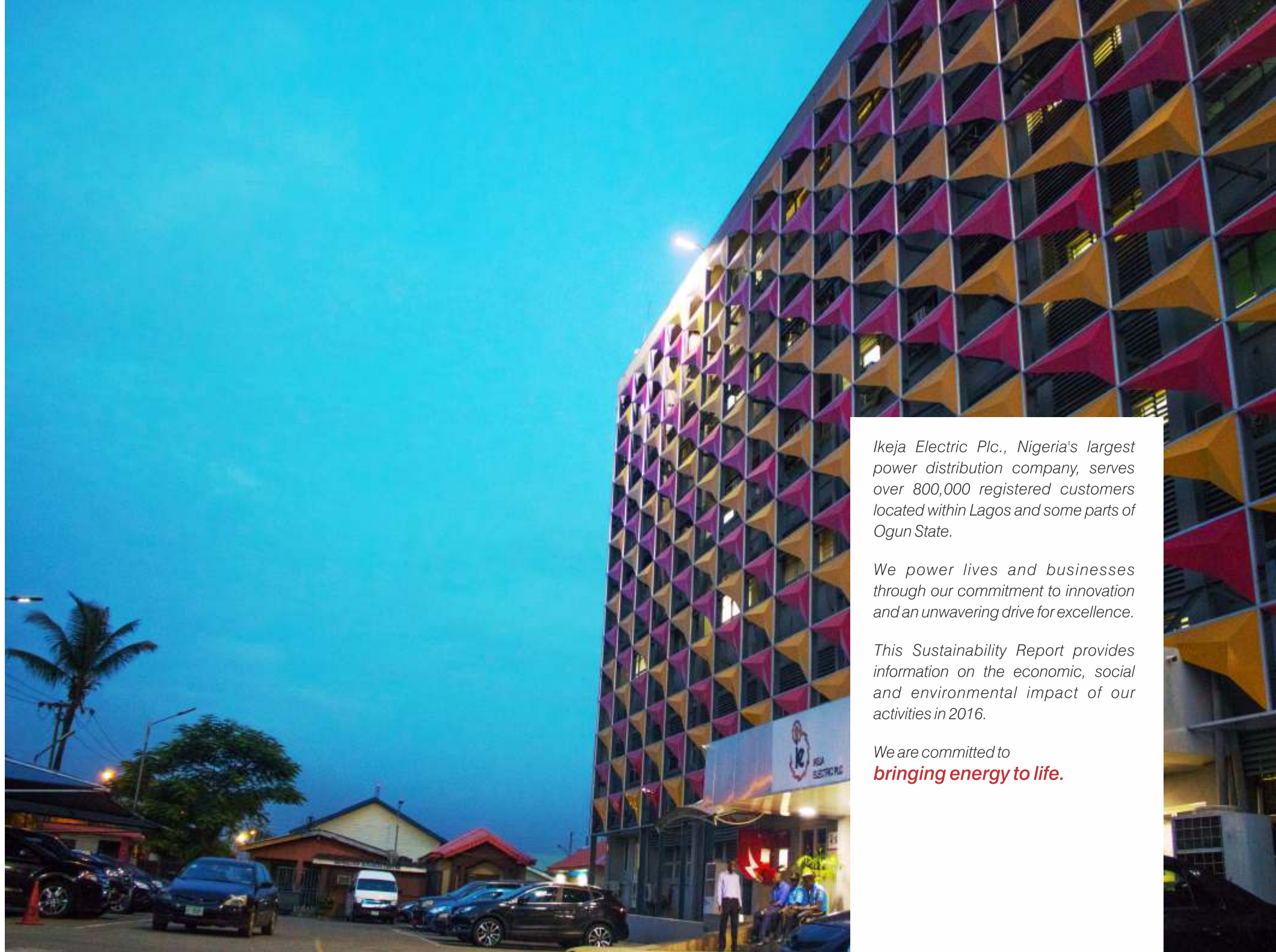
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IKEJA ELECTRIC 2016 SUSTAINABILITY REPORT TRUE TO YOU

TRUE TO YOU

2016 SUSTAINABILITY REPORT



Ikeja Electric Plc., Nigeria's largest power distribution company, serves over 800,000 registered customers located within Lagos and some parts of Ogun State.

We power lives and businesses through our commitment to innovation and an unwavering drive for excellence.

This Sustainability Report provides information on the economic, social and environmental impact of our activities in 2016.

*We are committed to
bringing energy to life.*

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Message From The Chairman

As an electricity distribution company operating in Africa's greatest and most populous city, Lagos, we recognize that our activities have an impact on millions of Nigerians who depend on us daily for electricity supply. At the core of Ikeja Electric's strategy is a drive to deliver improved standards of living to Nigerians by lighting up homes and businesses, and thus, stimulating economic growth.

We continuously remain dynamic and innovative in providing solutions to the challenges associated with operating in a megacity, focusing on generating value for our stakeholders, and invariably, the long-term success of the Company. For Ikeja Electric, we understand that success cannot be driven by financial performance only, but also, business sustainability and customer service delivery. Thus, our approach to managing our economic, social and environmental impacts is a major priority for us.

Our vision remains to be "the provider of choice wherever energy is consumed" through providing safe and reliable services to our

customers. From our vision emanates an approach to sustainable business development that is founded on a commitment to carry out our operations in an efficient, transparent and responsible manner with respect to our environment and the safety of all stakeholders.

We see our sustainability goal as ensuring that the business can pursue its needs, alongside the needs of all stakeholders; particularly our customers, presently, and in the future. One key goal in the course of 2016 was to build trust with our stakeholders. There has been a significant element of distrust between the Company and various stakeholder groups; particularly our employees, regulators, and customers. Customers challenged the tariff increase which took effect in February, 2016 and contended that distribution companies were interested in increasing tariff prices despite failing to improve supply and the quality of services provided. In addition, transparency, performance-related rewards, and punitive measures became a cause of friction between Management and our valued workforce – which, though unfortunate, was necessary for the survival and advancement of our Company. This also allowed us the

opportunity to celebrate efficiency and commitment. Our regulators and government stakeholders challenged the lower than expected collections, which affected remittances to all market participants in the sector and straddled the entire value chain. Our goal for 2017 is to increase our collections by 15-20%.

In view of the above, our priority during the period under review was to build sustainable trust at all levels. This is because we believe that customers who trust the integrity of their service provider and the integrity of their bills will be more willing to make payments. Communities who trust that our intention is value creation for all key stakeholders will be willing to support our initiatives and protect our assets located within their communities from saboteurs, vandalism, energy theft and other incidents that could disrupt our service provision. The government and regulatory stakeholders who trust that the organization is committed to sustainable operations and transparency will be more willing to work with the organization in developing relevant policies and in providing support to ensure symbiosis and improved customer service.

To further achieve our vision of being "the provider of choice wherever energy is consumed", we have realigned the Company's strategies to address both short-term and long-term challenges.

We see our sustainability goal as ensuring that the business can pursue its needs alongside the needs of all stakeholders..

Short-term Strategies

1. Introducing smart technology and business processes
2. Building customer confidence through quality service delivery
3. Increasing transparency and continuous engagement with regulatory authorities and stakeholders
4. Managing economic realities
5. Enforcing zero-tolerance to sabotages

Mid-term Strategies

1. Improving the integrity and efficiency of our network

2. Ensuring intelligent and reconciliatory systems are in place

Long-term Strategies

1. Becoming a developer and promoter of other sources of energy
2. Becoming an overall service provider of all kinds of utilities

In our 2015 Sustainability Report, we had expressed that a major objective was to reduce the organization's Aggregate Technical Commercial and Collection (ATC&C) losses, through our investment in the Geographic Information System (GIS). The result of this investment has brought about a better realignment of the network, which has helped us in metering 90% of our distribution transformers; thus, improving operational efficiency. We plan to reduce the losses by an additional 10% in 2017; astronomical, but achievable.

These investments have also provided the platform to better estimate the consumption of electricity by our customers and helped in the design and implementation of the Estimated Billing Methodology (EBM) - a continuously improving exercise, which brings about more transparency in our billing system by reducing customer apathy to pay for electricity consumed.

The present recession coupled with the fact that there are still immense outstanding debts being owed mainly by government ministries, depart-



ments and agencies (MDA) has contributed to the heightened liquidity crisis the organization is experiencing. Irrespective of these challenges, we believe that there is light at the end of the tunnel as various stakeholder forums have been able to bring about some level of agreement which we are hopeful will start to translate into repayments in subsequent years.

We must remain steadfast in our efforts to achieve our goal of not just being the biggest, but being the best utility provider in Africa.

We salute and celebrate all stakeholders for their support and understanding; but also plead for the understanding that, the time of delivery is always crucial.

We know that there is no “us” without “you”; all the challenges ahead must be overcome collectively, and all achievements to come, celebrated jointly.

Tope Shonubi
Chairman

**“To further achieve our vision of being
“the provider of choice wherever
energy is consumed” we have realigned
the Company's strategies to address
both short-term and long-term
challenges.”**

CEO's Statement

In 2016, the Nigerian economy was in a state of great uncertainty. Nigeria lunged further into a recession, precipitated by the drop in global oil prices, with inflation rising to as high as 19% and exchange rates rising from NGN160 to USD\$1 dollar pre-privatization, to as high as NGN305 to USD\$1 at official bank rates and NGN500 at parallel market rates. It was against the backdrop of these challenges that we sought to deliver our vision of distributing power in one of Africa's most populous cities relentlessly. It was undoubtedly a tough operating business environment. Within the power sector, restricted funds to execute key projects, lack of foreign exchange availability and the absence of a cost reflective tariff were key constraints that impacted our ability to meet our performance targets.

However, as an electricity distribution company, we are not just in the business of selling power. We also provide hope to the millions of Nigerians that depend on us on a daily basis to provide the power necessary for them to pursue their life goals.

At Ikeja Electric, our key priorities in 2016 remained reducing our ATC&C losses, closing the metering gap and improving our service delivery. Our strategy for achieving these objectives was to improve the integrity and accuracy of our systems and processes and to rebuild trust and integrity among our stakeholders.

In this report, we share the initiatives deployed, steps taken, and our successes and challenges in realizing these goals. In some areas, we exceeded our targets, in others, our performance was less than desirable.

As an organization, we will continue to forge ahead towards exemplary service excellence.

Improving Electricity Distribution

Improved electricity distribution and the provision of stable and reliable electricity were key priorities for the business and our stakeholders. Incidents of asset vandalism and energy theft negatively impacted our ability to deliver quality services to our



customers. Nonetheless, during the period under review, we provided an additional 30MW of 33kV distribution capacity and 80MW of 11kV distribution capacity through various infrastructure upgrade projects.

In 2017, we aim to improve the quality of power supply by the addition of new injection substations within the network and by conducting more aggressive preventive and routine maintenance exercises.

Customer Service

Our customers are at the core of our business. As such, our business is built on a commitment to service, by ensuring high levels of customer satisfaction, improved collections and maintaining the social license to operate. One key area of focus for Ikeja Electric was improving our customer complaint

management system and ensuring that the organization was truly responsive to its customers.

In 2016, we invested in the “Oshodi Model BU Project”; an ultra-modern customer care center, designed with the aim of ensuring exceptional service delivery. By harnessing technology through our Customer Relationship Management (CRM) platform, we reduced average turnaround time (TAT) of resolving customer complaints by 60 percent, in comparison to the previous year. We also introduced the Customer Notification Needed (CNN) initiative which notifies customers of faults and service downtime across the network. However, to effectively build a relationship with our customers, the first step is to know who they are and where they are. This remained a key challenge in 2016, evidenced by the dearth of a comprehensive customer database. To this end, the Company launched the Customer Enumeration, Technical Audit and Asset Mapping (CETAAM) Project, in partnership with our technical partners, Korea Electric Power Corporation KEPCO, to help with consumer indexing and enumeration across our network. For the future, we aim to improve the integrity of our customer database and to further develop the functionalities of the CRM platform, including its integration with other arms of operation within the Company, to ensure more efficient management/resolution of customer complaints.

Human Capital

Labour practices were also a key priority in 2016. Our employees define who we are, what we do and how we do it and for us to continue to be competitive, we expanded our workforce by engaging 494 employees with diverse backgrounds.

To ensure we position ourselves for the future, the Company invested in developing the capabilities of its employees by deploying learning interventions across board.

Transformation is vital in any organization. Through our performance management framework, the Company had to disengage some employees. This change made it essential for Ikeja Electric to revitalize its career framework and career development opportunities for employees. For the future, we aim to finalize and execute the Conditions of Service and Procedural Agreement, and continue to build on the positive working relationship created in 2016 with the labour unions.

Health and Safety

Our health and safety practices remained paramount in 2016. We retained our commitment to creating a safe operating culture, and entrenching a culture of safety in all our activities through our corporate HSE Vision, Harm to Zero (H₂O). The size of our network has increased substantially over the last two years and our continuous attention to HSE requirements has grown in parallel.

One of the key achievements of the organization during the reporting period was passing both the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 and ISO 9001:2008 Stage 1 Audit; a first in the Nigerian power sector and within the distribution sector respectively. This was a vital confirmation of our leadership commitment, passion for excellence, enhanced safety culture, and our belief in excellent customer satisfaction. We aim to attain both the OHSAS 18001 and ISO 14001

certification in 2017.

We also increased our health and safety awareness campaigns, particularly those organized for the public. In 2016, we held 7 community safety engagement events, and deployed various safety bulletins and tips through our various communication platforms. In addition, we introduced the Network Safety Monitor, an incident prevention initiative which helps prevent third party incidents through the identification and technical resolution of unsafe network issues.

Despite all our efforts to maintain safety across board, sadly, a total number of twelve (12) third-party fatalities were recorded in 2016. These incidents were largely due to illegal operations in the network, contact with overhead lines, poor workmanship from contractors and snapped feeders. Thorough investigations were conducted and recommendations were developed to tackle the root causes and prevent their reoccurrence. These tragic events were a reminder of the importance of complying with all safety standards in force. Managing the erection of structures which encroach on power line corridors and addressing illegal operations within IE's network are challenges which we will continue to manage and address for the foreseeable future.

ATC&C Loss Reduction

Our aggregate technical, commercial and collection loss reduction performance is a key indicator of our overall performance, this stood at 49% in 2016 - below our desired target of 35%. However, we will continue to strive assiduously to address areas of losses and leakages, and we believe that we will reap the gains of our innovations and initiatives

soon.

One area which could help address the collection loss element of our ATC&C performance is the deployment of meters. However, the fluctuations in foreign exchange rates made the cost of meter acquisition prohibitively expensive.

Nonetheless, we deployed about 32,000 meters during the period under review. Whilst this has meant that estimated billing will continue to linger in the short-term, we have mitigated its effect by

“
Our business is
built on a commitment
to service
”

metering our bulk trading points such as distribution transformers. By the end of 2016, we had metered about 90 percent of the distribution transformers within our network. We also developed and implemented a new Estimated Billing Methodology (EBM), which is a more scientific approach to estimated billing. As a result, our estimated customers will receive estimated bills which are a more accurate reflection of energy consumed.

Furthermore, we strengthened our disconnection procedures by launching the Disconnection, Monitoring and Reconnection (DMR) project in 2016, where we outsourced the activities to a third-party organization for more effective and efficient management of defaulting customers. This project will become fully operational in 2017.

In 2017, we know that the challenges may continue to be present, however, we foresee a vibrant future for the power sector in Nigeria. We foresee increased generation activities in relation to pipeline developments and more generation assets becoming operational, and thus, adding to the current generated capacity within the value chain. The obligation on the part of the Transmission Company of Nigeria (TCN) and the distribution companies is to improve their technical abilities so as to be able to take advantage of these developments.

For us at Ikeja Electric, we foresee that there will be a greater focus on ensuring that customers pay only for energy consumed. To this end, there will be improved efforts made to procure and provide meters to customers, including bulk meters where individual meters are not feasible. We also foresee greater emphasis on the introduction of renewable energy solutions, pursuant to the 2015 National Renewable Energy Action Plan. The uptake of renewable energy projects will be dependent on several enabling factors such as supporting regulation, suitability of the terrain and the availability of financing to support these projects.

In addition to implementing and delivering on our strategy and addressing the challenges before us, we believe that there are many new opportunities

ahead. As with any sector going through a transition period, change is inevitable. In view of this, Ikeja Electric's sustainable adjustments and/or transformation to these changes becomes the biggest reality. We shall remain committed to being fair, accountable, responsible and transparent in all our activities, through the collaborative efforts of our leadership team and formidable workforce.

To build the reality we all dream of, we all need to work together – this is not a feat we can achieve alone. We shall continue to work to earn your support, and I firmly believe that we will continue to have a very bright future together. We welcome your thoughts and suggestions.

Thank you for your interest in Ikeja Electric Plc's 2016 Sustainability Report.

Anthony Youdeowei
Acting CEO

“

**Our health and safety
practices remained
paramount in 2016.**

”



Who We Are



Established
November 8,
2005



We serve over
800,000
Registered
Customers



3,000 MVA
secondary
distribution
capacity



2659
Employees

Our Shareholders

60%

New Electricity
Distribution
Company Limited

32%

Bureau of
Public Enterprises

8%

Ministry of
Finance Incorporated

Our History

Pre-privatization

Ikeja Electric was one of the directorates under the defunct utility monopoly, National Electric Power Authority (NEPA) in 1986 and operated as Lagos North Distribution Directorate.

In March 2005, the Nigerian government enacted the Electric Power Sector Reform Act (EPSRA), which provided for the unbundling of NEPA into a series of successor companies, the development of a competitive electricity market and the establishment of a dedicated regulatory body, The Nigerian Electricity Regulatory Commission (NERC). The defunct NEPA was Nigeria's vertically and horizontally integrated authority which controlled all activities in electricity generation, transmission and distribution. The EPSRA created the Power Holding Company of Nigeria (PHCN) as an intermediate step in the privatization process.

Ikeja Electricity Distribution PLC, created after the enactment of the EPSRA, was among the eleven (11) successor power companies privatized and handed over to successful bidders/private investors in November, 2013. The privatized distribution companies are now responsible for the supply of electricity to consumers, billing, metering, maintenance of electricity distribution infrastructure and all other related services within their respective licensed areas.

Post-Privatization: The Takeover

Under the privatization scheme, Sahara Group, through a special purpose vehicle, New Electricity Distribution Company Limited (NEDC), with Korea Electric Power Corporation (KEPCO) as its technical partner, acquired a 60% stake in Ikeja Electricity Distribution Company PLC (IKEDC) (which was subsequently rebranded into Ikeja Electric Plc. (IE) in April 2015.

IE is a public limited company held in partnership with the Bureau of Public Enterprises and the Ministry of Finance Incorporated, who own a 32% and 8% stake respectively.

Since takeover, IE has undergone a period of transformation. Through our strategic partnership with KEPCO, we continue to deliver quality and reliable services to our customers through investments in new technology, infrastructure upgrade and human capital development.

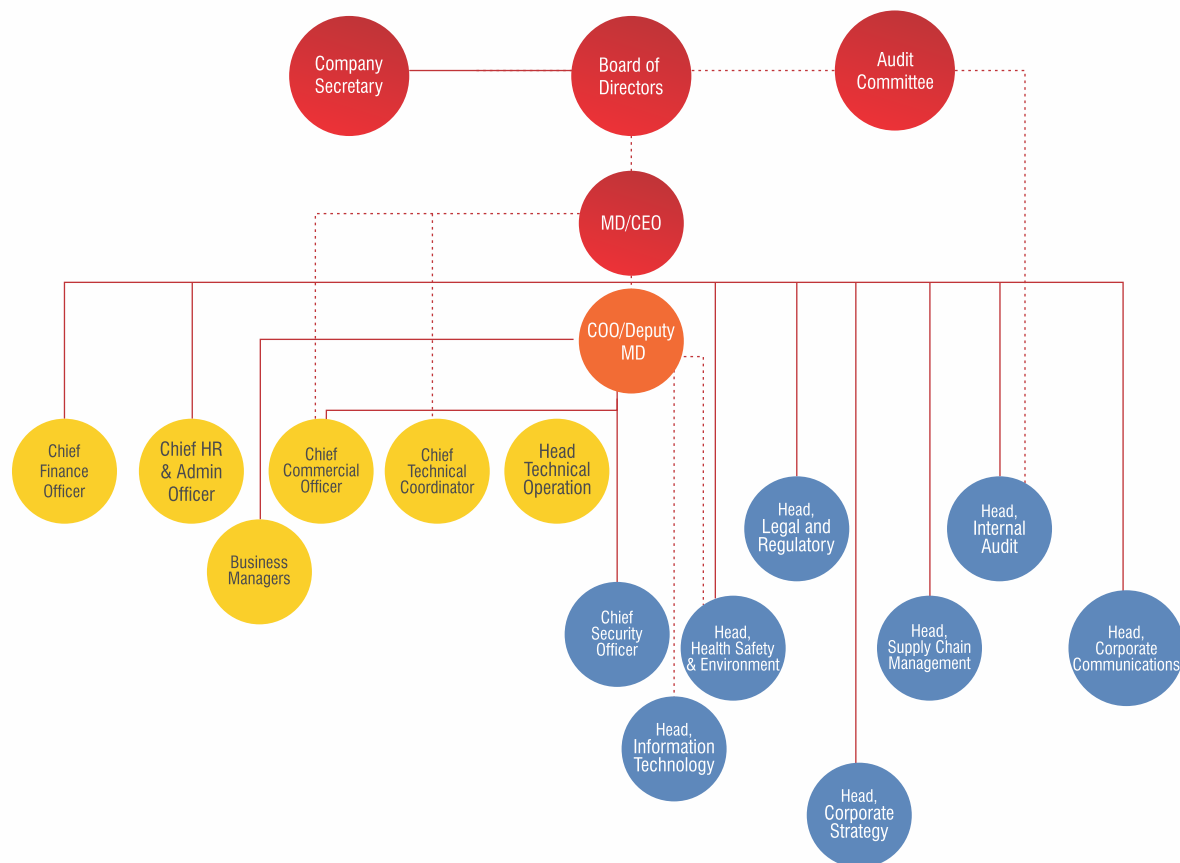


**Our mission remains,
"the provision of quality and
reliable services to our
customers and adherence
to the highest standards
of safety at all times"**

In 2016, there were a number of changes to the structure of the Finance, Technical and Commercial departments, as well as the group structure. The major changes occurred within the Technical Services department, so as to better position the Company to become more responsive to customers' needs, address challenges and to take advantage of the various opportunities that exist in fostering growth. The role of Head, Technical Services was split into two roles namely; the Chief Technical Coordinator and the Head, Technical Operations. The Chief Technical Coordinator focuses on implementing strategic technical initiatives across IE's network and creates opportunities that will develop the operations of the Company. The focus of the Head, Technical Operations, on the other hand, is on the day-to-day operations and maintenance of our existing network, to ensure efficiency, availability and reliability of our services to the customers within the network.

Furthermore, to enhance governance within the organization, the Legal & Regulatory and Internal Audit departments were given greater authority, in view of the significant functions they perform with respect to advising the Board and Management.

Executive Organizational Structure

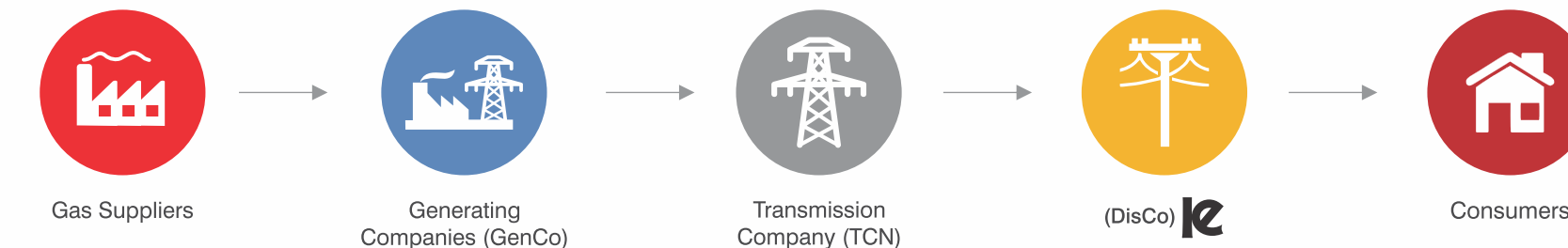


What We Do

At IE, we supply electricity to over 800,000 residential, commercial and industrial customers, within our distribution license area.

As one of the eleven licensed distribution companies in Nigeria, the public rely on us to provide the electricity required to pursue their life goals. As such, we have made it our mission to deliver quality and reliable services, for the benefit of our customers, and in turn, for the benefit of our stakeholders.

Energy Value Chain

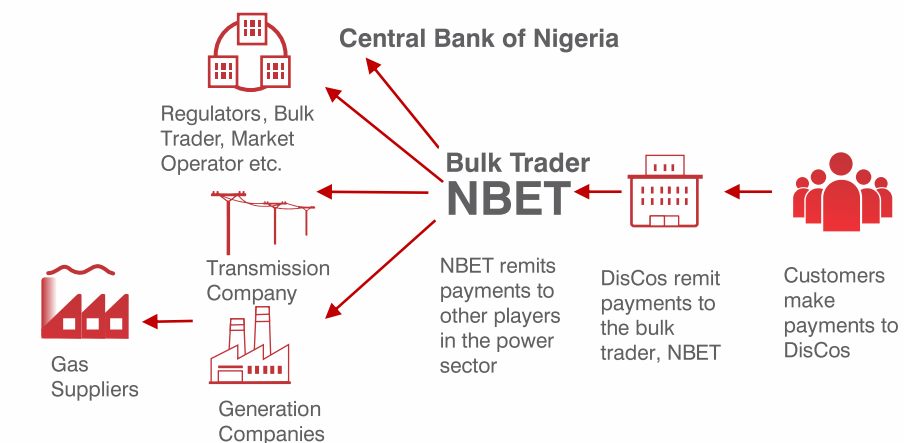


For us, this means, investing in our network and in our people. It also means, engaging in dialogue with our communities and stakeholders, and partnering with them to ensure a safe and efficient network. These partnerships help us to develop a better understanding of our customers' needs and inform us on how we can serve them better.

Our business is built on a new spirit, new energy and new drive.

We are Ikeja Electric!

Within the Nigerian power sector, we also serve as the revenue collection agents for the entire power sector, as such, our activities have an impact on the entire power value chain. The flow of payments in the power sector is illustrated in the diagram below:



Where We Are

Our operations cut across eight (8) Local Government Areas of Lagos State, namely; Alimosho, Ikorodu, Ikeja, Epe, Oshodi, Agege, Shomolu and Kosofe. We also cover parts of Yaba and Mushin Local Government Areas.

At takeover, on November 1, 2013, the Company operated through the Corporate Headquarters at Obafemi Awolowo Way, in Ikeja, Lagos, and eleven (11) Business Units, namely; Abule-Egba, Akowonjo, Ikeja, Ikorodu, Ikotun, Ipaja, Oshodi, Ojodu, Odogunyan, Ogba and Shomolu.

By 2015, these Business Units were restructured and consolidated for more effective management and utilization of available resources.

We now serve our customers from our Corporate Headquarters at Obafemi Awolowo Way, Alausa, Ikeja, Lagos, six (6) Business Units and fifty-four (54) Undertakings which cut across our distribution license area.

Undertakings within our Business Units



What We Stand For

At IE, we are committed to being the preferred electricity provider due to our ability to provide excellent services to our customers.

Our vision is to be provider of choice wherever energy is consumed. This means evaluating our performance and looking for innovative ways to remain top of mind amongst our customers for our commitment to excellence.

Core Values

Our core values are captured through the acronym, **SPICES**. Sustainability lies at its heart and drives our operations, customer service delivery and maintenance programs.

Vision

To be the provider of choice where energy is consumed.

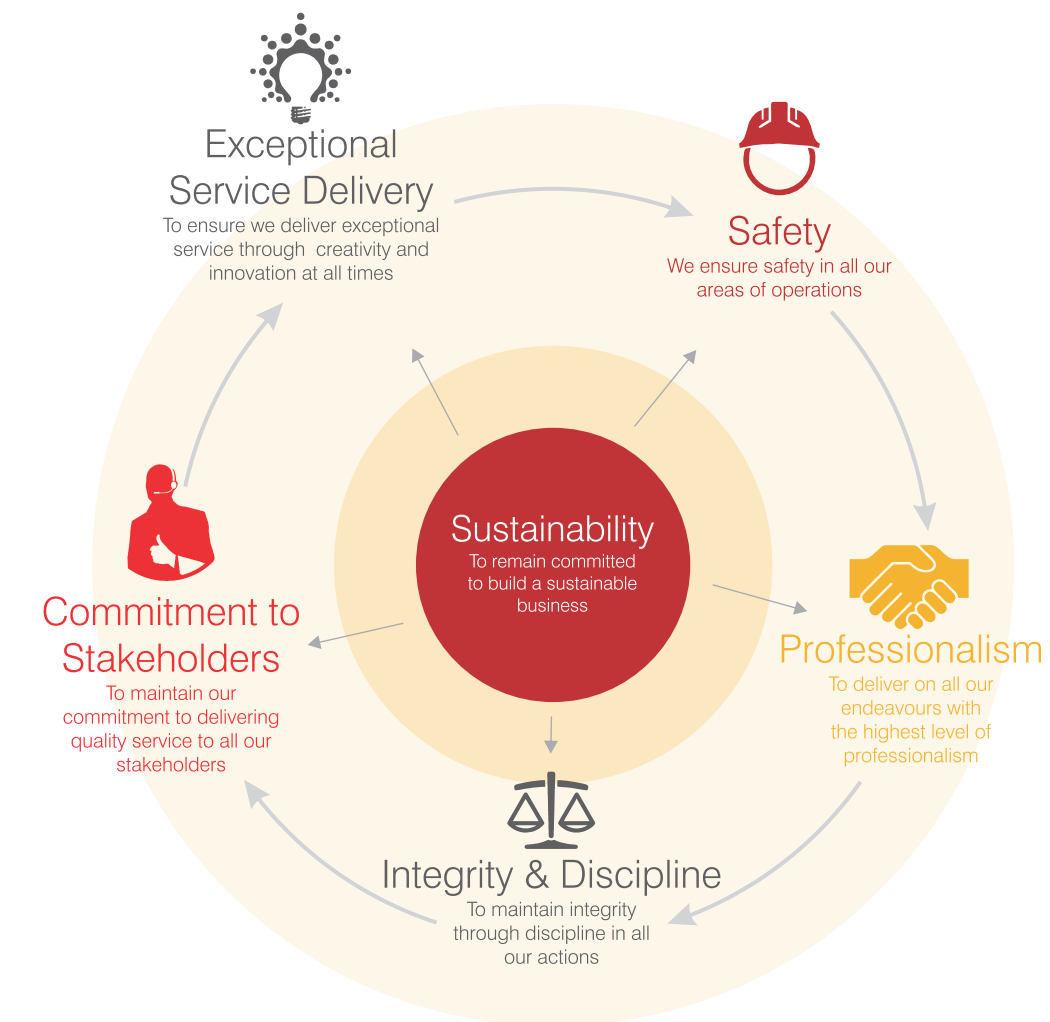
Mission

The provision of quality and reliable services to our customers and adherence to the highest standards of safety at all times.

Brand Definition

New Spirit! New Drive! New Energy!

Core Values



Our Brand

As part of the transformation process, it was critical for the Company to embark on a rebranding exercise to bring to life the new spirit, energy and direction of the Company.

Our brand reflects our commitment to our customers - a bold statement underpinning our passion in delivering exceptional services and enabling the aspirations and quality of life of our customers.

The 'ie' abbreviation

This portrays a youthful, modern and vibrant organization.



The bulb and surrounding spark

The bulb is a source of light, and the surrounding spark encircling it depicts the energy and life that light brings.

The spiral lightning bolt

This speaks to the dynamism and innovation of our Company as the source of energy and inspiration for our customers.

Our name - Ikeja Electric

This is the stamped voice of authority in matters of electricity distribution in Nigeria.

Our logo

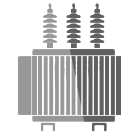
This represents energy - a composite of our values and passion for life, growth and innovation.



2016's Facts and Figures



800,000+
Total Number of
Registered Customers



6,500+
Distribution Transformers
Metered



2659
Total Number of
Employees in Ikeja Electric



11,085
Aggregated circuit length
including 33kV, 11 kv and
0.415kv overhead and
underground lines



32,132
Total Number of
Meters Deployed to
Customers



80%
Maximum Demand
Customers Metered



21.5%
Reduction in customer complaints
related to Estimated Billing



494
Total Number of
New Employees



3
Number of Awards Received
for HSE Practices



49%
Average Aggregate
Technical, Commercial and
Collection Losses for 2016



2,446,861,688 Kwh
Volume of Electricity Sold

Our Sustainability Commitment

Sustainability at IE means providing quality and reliable services to our customers in a manner that promotes economic growth, a safe environment and vibrant communities, now and in the future.

As a public utility service provider, we understand that we are operating a business that has a real impact on the lives of our customers.

We recognize the importance of conducting our activities in a way that meets our business needs without compromising the ability of future generations to meet theirs. We also recognize Principle 15 of the Rio Declaration on Environment and Development, which states: In order to protect the environment, the

precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.'

To this end, we intend to prosper as a Company by meeting the energy needs of present and future generations by continuously striving to create value and improve the living standards of all our stakeholders. Ultimately, we would like to be known as the best electricity distribution company to work for, to have as a provider of energy, to have as a supplier, to have as a neighbor, to invest in or to partner with.

This outlook is at the heart of our sustainability commitment and is enshrined in our Corporate Governance Business Principles, which is the foundation for all our activities.

“We intend to prosper as a Company by meeting the energy needs of present and future generations”



People

- › We provide a healthy, safe and secure work environment.
- › We treat people with fairness, respect and decency.
- › We help employees develop their potential.



Society

- › We work to ensure that neighboring communities benefit from our presence on an enduring basis.
- › We support human rights within our areas of influence.



Conduct

- › We act with integrity, accountability and transparency.
- › We comply with legal, regulatory and licence requirements.



Environment

- › We make positive contributions to the protection of the environment.
- › We go beyond compliance with local environmental regulations to meet internationally acceptable best practice.

Contributing To Global Sustainable Development

In September 2015, the United Nations and its member states adopted the Sustainable Development Goals (SDGs), which builds on the progress made on the Millennium Development Goals. The 17 Sustainable Development Goals seek to mobilize action amongst various stakeholders on social, economic and environmental issues in areas that are critical for humanity and the planet. The success of the SDGs depends on actions both from governmental organizations, non governmental organizations and the private sector.







For Ikeja Electric, **Goal 7** is the SDG which is closely related to our activities. Goal 7 aims to ensure access to affordable, reliable and sustainable modern energy. Actions to contribute to achieving this goal would involve:

- › Increasing the share of renewable energy in our energy mix
- › Improving our energy efficiency
- › Investing in our energy infrastructure
- › Improving access to electricity

Making a significant contribution in terms of Goal 7 Targets requires the collaboration of both the government, investors, international organizations and the distribution companies.



In 2016, as an organization in full support of the SDGs, we made an impact in the following areas:

SDG	Activity	Sustainability Impact
	<ul style="list-style-type: none">› Visited 5 hospitals and donated food and other gifts items on Children's Day.› Deployed a campaign on oral hygiene in Coker Primary School in partnership with Unilever Nigeria Plc. and Hygeia HMO.› Visited and gave donations of items such as clothes, shoes, school bags, toys, books, non-perishable food items etc. from staff to different orphanages homes within our network area including Pearl Orphanage and St. Monica's Orphanage.	Building relationships with our host communities, which is essential for us to perform our daily responsibilities.
	<ul style="list-style-type: none">› Donated books to 5 primary schools within our network on World Book Day.	Building educational capacity and creating a pool of talent that we can tap into in the future.
	<ul style="list-style-type: none">› Ran awareness sessions for over 1,000 students in six public schools within the Company's distribution area, in partnership with the Dr. Ameyo Stella Adadevoh (DRASA) Health Trust and Kleanmate to teach students about the importance of clean hands	Building relationships with our host communities and improving general community health by reducing the risk of diseases and infections as a result of poor hygiene.
	<ul style="list-style-type: none">› Employed 494 new employees and promoted 53 employees	Building local capacity to ensure the availability of a skilled workforce equipped to help achieve exceptional service delivery.
	<ul style="list-style-type: none">› Executed various 33kV and 11kV feeder reinforcement projects across our network.	Reducing our technical losses and indirectly reducing collection losses, which in turn improves profitability, as customers are more willing to pay where supply has improved.
	<ul style="list-style-type: none">› Deployed widespread awareness of the IE Code of Ethics and Professional Conduct and the Whistleblowing Program to improve ethics and compliance.› Implemented a new Supply Chain Management Policy which promotes fiscal discipline by entrenching planned procurement processes and cycles.	Demonstrating ethical leadership in our approach to zero-tolerance to unethical practices, and promoting fairness and transparency when dealing with suppliers.

Materiality

Our approach to sustainability reporting is driven by identifying what matters most to our stakeholders and what is critical to the success of Ikeja Electric.

We achieve this by constantly engaging in dialogue and communicating with our stakeholders, both internal and external, through various channels. From listening to their expectations and interests, to learning from their perspectives, we are committed to continue creating real value for all our stakeholders.

Process for Determining Report Content

To identify the key areas of interest of our internal and external stakeholders, we conducted a materiality assessment exercise using surveys. This helped us evaluate the importance of information to be reported on and its influence on stakeholder decision-making vis-à-vis the social, economic and environmental impacts of the Company during the period under review. We also considered the feedback we received in the course of regular stakeholder engagement activities as detailed in the Stakeholder Engagement section of this Report.

In developing the report content, we adopted the process set out by the Global Reporting Initiative (GRI) Standards, which is set out below:

Step 1: Identification

This first stage involved the determination of material issues, taking into account the nature of our business, our operations and their impacts within and outside the organization. We identified 14 potentially material issues based on feedback received from stakeholders during the

reporting period, sustainability related topics contained in the GRI Standards and the G4 Electric Utilities Sector Supplement, as well as issues raised at monthly sectorial meetings with the Honorable Minister of Power.

Step 2: Prioritization

To select the material issues, which would be further elaborated on in the Sustainability Report., we applied the principles of materiality and stakeholder inclusiveness.

We considered the views of our stakeholders, expressed both before and during the reporting period. Specifically for the purpose of the report, we conducted interviews with heads of departments and units with direct responsibility for executing the Company's strategy. We also conducted an online survey amongst a sample of the various stakeholder groups such as key suppliers, the media and our employees, to understand what their most important material issues were in 2016. The survey results are shown in the Materiality Matrix diagram below, which illustrates the findings of the assessment and of the assessment made by stakeholders.

For our customers, we extrapolated their key concerns from regular interactions through various touch points during the reporting period, and from survey results from the 2015 sustainability report.

The results of our assessment are as follows:

High

- › Improving electricity distribution
- › Customer Relations
- › Health and Safety
- › Labour and Employment
- › Governance and Business

Medium

- › Relating with our Stakeholders
- › Environmental Protection
- › Regulatory Compliance
- › Community engagement
- › Economic Performance
- › Human Rights

Low

- › Risk Management
- › Responsible Procurement Practices
- › Climate Change

From the matrix in the previous page, we identified five material topics, to which special attention was accorded in order to determine the nature of information expected by our stakeholders in their review of this Report:

- › Improving electricity distribution
- › Customer Relations
- › Health and Safety
- › Labor and Employment
- › Governance and Business Ethics

Step 3: Validation

Using the principles of completeness, accuracy and balance, we reviewed the information collated, to ensure that the report is a sufficiently detailed and balanced reflection of our sustainability performance, including our positive and negative impacts.

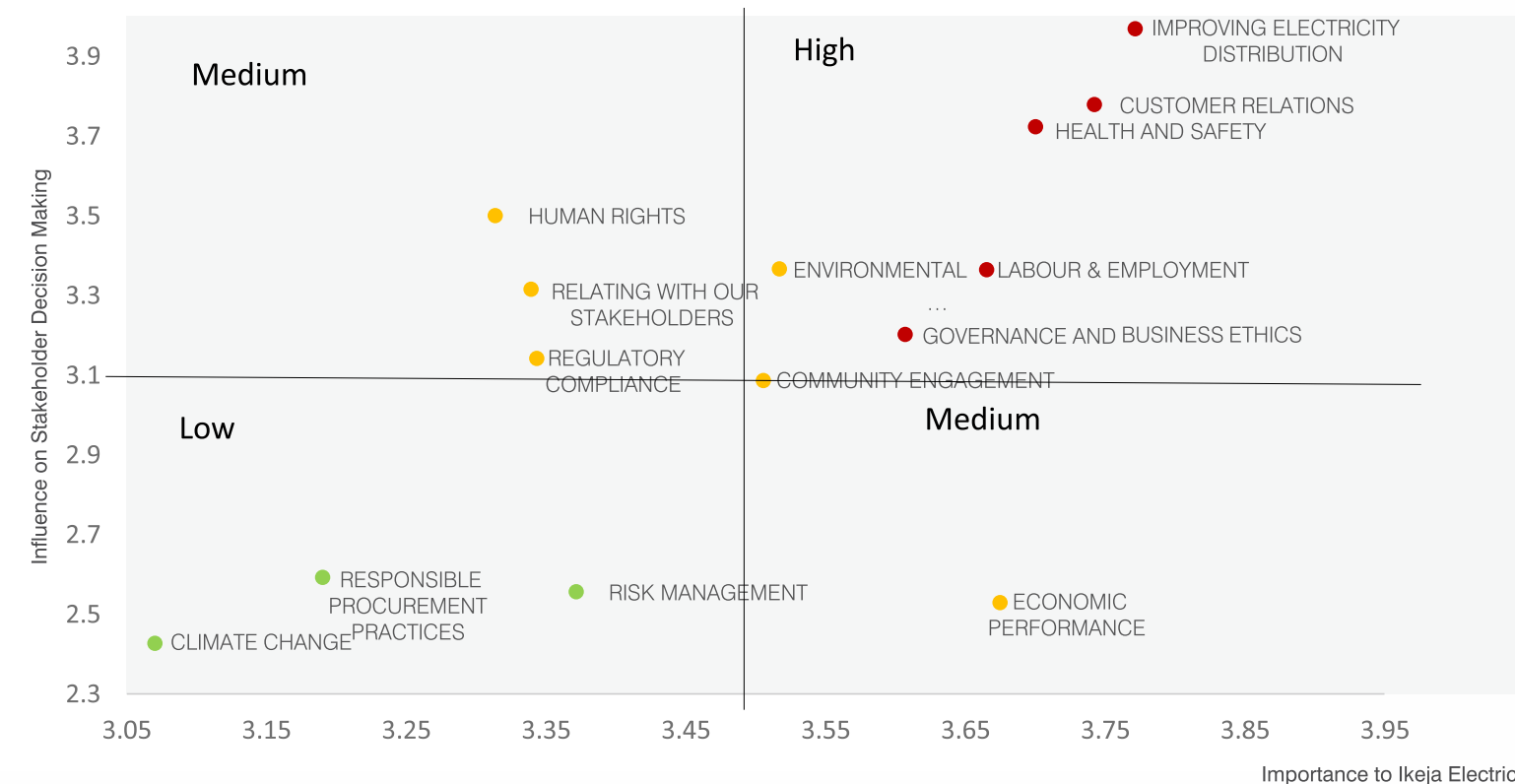
Step 4: Review

We reviewed our performance on the material topics identified last year, in relation to the material topics. Based on feedback from our stakeholders in 2016, we modified the topic of “energy availability and reliability” to “improving electricity distribution”. This topic became a top priority for our stakeholders in 2016.

Topics such as health and safety, labor and employment, customer relations continued to rank high on the list of material topics. In relation to health and safety, our activities in sensitizing the public on health and safety risks, such as, constructing buildings close to power lines, were intensified. Our approach to managing labor and employment issues, was of increased importance as we moved towards becoming a more performance-driven organization, and managed the exit of some of our employees. Governance and Business Ethics also increased in significance for the organization in 2016, and emerged as a material topic.

We considered the views of our stakeholders, expressed both before and during the reporting period.

Material Topics in 2016



Report Assurance

This Report's accuracy is of utmost importance to us and our stakeholders. Senior Management and a diverse team of internal subject-matter experts reviewed all information in this Report and believe it is an accurate representation of our performance and activities in the period under review.

Most of the information presented in this Report were subjected to a variety of internal assurance activities, including Board review and approval. As we are still at the beginning of our sustainability reporting journey, we did not seek formal third-party assurance this year, but will evaluate the value of third-party assurance for subsequent reports.

Stakeholder Engagements










As Nigeria's largest electricity distribution company operating within a highly regulated industry with a public interest element, we continually seek to understand the expectations, priorities and concerns of stakeholders who may be affected by our Company's activities and who in turn, may affect us. We aim to interact and openly communicate with stakeholders to identify opportunities that will improve our operations and strengthen our license to operate.

Our stakeholders include our customers, employees, local communities, suppliers, regulators, the media and labor groups. We identify our stakeholders as people, groups, or organizations that can affect or be affected by the organization's actions, objectives, and policies.

We appreciate the importance of engaging with and understanding the opinions of the various stakeholder groups and getting their input activities. We recognize that their needs are more complex and diverse than improved financial performance alone. To this end, we have created various communication channels to ensure that we have regular engagements with our stakeholders.

In the period under review, we engaged with the stakeholders listed below to foster transparency and create a trusting platform for issues and concerns to be addressed.



Stakeholder	Interest	Communication Method	Frequency
 Customers	<ul style="list-style-type: none"> Improved power supply Fair billing practices Metering 	<ul style="list-style-type: none"> Customer Service Units Call Centre Traditional media – newspapers, handbills, radio interviews and radio jingles New media – social media, online news publications and the IE website 	Continuous
 Shareholders and Investors	<ul style="list-style-type: none"> Good governance Profitability/shareholder value creation Performance review Corporate strategy 	<ul style="list-style-type: none"> Board Meetings Code of Ethics and Professional Conduct Periodic meetings 	Quarterly Continuous
 Local Communities	<ul style="list-style-type: none"> Improved power supply Fair billing practices Metering Community development programmes 	<ul style="list-style-type: none"> Facilitating Community Development Committee (CDC) and Community Development Association meetings Meetings with Traditional Rulers, trade and professional associations Awareness campaigns focused on public health and safety and educational matters. 	Quarterly -CDC Weekly – CDA Ad hoc – e.g. Children's Day
 Government	<ul style="list-style-type: none"> Improved service delivery Meeting performance targets Metering Company profitability/liquidity 	<ul style="list-style-type: none"> Sectorial meetings facilitated by the Ministry of Power with all industry participants in attendance. Performance reports Peer reviews Senate Committee hearings Forums with NERC and/or BPE 	Monthly Monthly and upon request Annually Upon request Upon request
 Executives and Employees	<ul style="list-style-type: none"> Decent labour practices Job security 	<ul style="list-style-type: none"> CEO communications Town hall meetings My IE monthly newsletter Awareness sessions Internal communications via posters, emails, surveys and SMS 	Continuous
 Media	<ul style="list-style-type: none"> Monitoring and creating transparency on corporate performance, particularly customer service delivery. 	<ul style="list-style-type: none"> Regular media engagements Roundtable meetings with energy correspondents Press releases 	Continuous
 Suppliers	<ul style="list-style-type: none"> Strategic partnerships Economic performance Safety 	Contractor safety engagement meetings	Continuous
 Labor Union	<ul style="list-style-type: none"> Employee Welfare 	Consultative labor-management committee meetings with National Union of Electricity Employees (NUEE), Senior Staff Association of Electricity and Allied Companies (SSAEAC)	Quarterly
 NGOs	<ul style="list-style-type: none"> Customer Complaints – Improved Power Supply and Fair Billing Practices 	One-on-one meetings	Ad Hoc

Governance

At IE, we are committed to maintaining the highest standards of governance and ethical practices. We recognize the importance of shareholder value creation and understand that this transcends beyond financial performance. To this end, we have placed accountability and transparency as the foundational pillars of our governance structure.

The corporate governance structure was developed in line with the requirements of the Code of Corporate Governance for Public Companies in Nigeria, taking into consideration international best practices in corporate governance and board management. The activities of the Board of Directors ("the Board") are regulated by laws such as the Companies and Allied Matters Act, as well as its constitutional documents which include the Memorandum and Articles of Association, Shareholders' Agreement, Board Charter and the IE Corporate Governance Framework.

The Board of Directors

The Board being the highest decision-making body in the organization, is led by the Chairman of the Board who is a non-executive director. By virtue of the Board Charter, which is reviewed biannually, the Board is charged with responsibilities which include policy formulation, risk management, succession planning, and oversight on remuneration, strategic planning and ensuring that the Company complies with all its legal and regulatory obligations.

The Board composition at IE is designed in consideration of its size, relative to the scale and complexity of the Company's operations and consists of seven (7) directors. However, at the end of the year, Mr. Yeom Goo-Chull resigned as a director, effective from January 1, 2017.

The Board is supported in the execution of its function by three Board committees, namely, the Audit,

Risk and Governance (ARG) Committee, the Finance, Investment & General-Purpose Committee, and the Technical & Operations Committee.

The Board is required to meet at least once a quarter and each director is expected to attend at least two-thirds of the board meetings and meetings of the committees on which they serve. Executive sessions may also be held twice a year to allow directors discuss matters which do not require formal board action. Board Committees hold meetings when they receive specific instructions or tasks from the Board.

Sustainability Governance

The Audit, Risk & Governance (ARG) Committee drives sustainability at Board level and consists of four non-executive directors, namely, Tonye Cole (Chairman), Ade Odunsi, Yeom Goo Chull and Ibrahim Baba Gana. The ARG Committee is responsible for the review of the annual sustainability report to ensure that all material aspects are addressed and reported. The ARG Committee also plays a key role in ensuring the whistleblowing framework is effectively managed to ensure that unethical reports and concerns from various stakeholders are escalated for effective action to be taken.

Committee Performance



Audit, Risk & Governance Committee

Provides oversight on internal & external audit matters, financial reporting, sustainability, risk management, board nominations, remuneration of directors, board evaluation and succession planning.



Finance, Investment & General-Purpose Committee

Provides oversight on budgeting, capital planning & investment and financial processes.



Technical & Operations Committee

Provides oversight for technical matters relating to power distribution, facility management, engineering and health, safety & environment.

Ethics in IE

Our Company's long-term vision for the future is based on the core values of sustainability, professionalism, integrity & discipline, commitment to stakeholders, exceptional service delivery and safety. We operationalize these values through our Code of Ethics and Professional Conduct, which sets the standards, rules and principles to guide the way we do business and help us develop trusted relationships with our stakeholders.

The ten Codes of Ethics and Professional Conduct are set out below:



Combatting Corruption

Operating in a country that is repeatedly used as a reference point on the subject matter of corruption, the Board and Management of IE have not relented in their efforts towards the advocacy of zero-tolerance to corruption. We believe that corruption reduces public trust and encourages inefficiencies that will impede the survival of the Company in the long-term.

Our commitment to the core value of integrity and discipline is evident in all the measures we put in place to prevent all forms of corruption within the Company, particularly, our Anti-Bribery and Anti-Corruption Policy, and corruption risk management framework embedded in our internal risk management processes. Corruption-related risks are identified on an ongoing basis as part of audit assessments. The risk assessments are conducted using our risk-based audit methodology to provide an internal, independent, objective assurance that the necessary controls are in place to manage these risks. High risk operating entities are subjected to two full audits twice a year, whilst all other entities are assessed at least, once a year.

In 2016, thirty-five (35) locations/functions including Business Units and Corporate Headquarters departments and units were risk assessed by the Internal Audit team who report to the Audit, Risk & Governance Committee. This represents 92% of all operating entities within the Company.

In 2016, twenty (20) established corruption-related cases were recorded, compared to twenty-nine (29) cases recorded in the preceding year. The recorded cases include customer extortion (6), fraud and other irregularities (6), asset theft (4), forgery of academic certificates (2), and dishonesty (2). The reduction in the number of corruption cases can be attributed to the improved preventive measures that were implemented such as, processes and controls automation, increased supervisory accountability, improved awareness of staff and customers, accelerated training of staff, and the enforcement of the Consequence Management Procedures.

All corruption-related cases are subject to thorough investigation processes by the Internal Audit team with the primary aim of identifying the root causes of the unethical conduct, as well as, identifying the

primary and secondary perpetrators. The Company's Consequence Management Procedures provides a grid for the recommended sanctions that may be applied after the erring employee must have gone through the rigorous disciplinary process, which ensures fair hearing to all parties. In the period under review, thirteen (13) employees were dismissed from the Company, while four (4) employees received warning letters on account of the twenty (20) established cases of corruption.

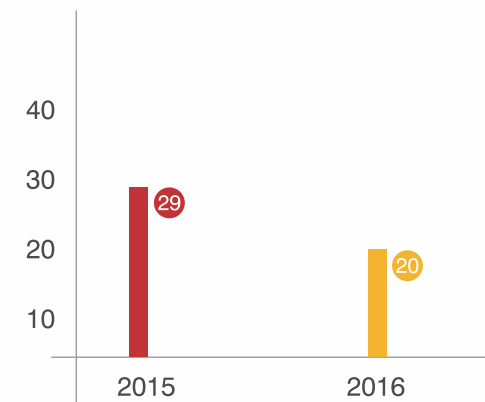
During the year, one case of corruption was recorded in which a business partner was involved. As a result of this, the Company terminated its relationship with the business partner.

Whistleblowing

To ensure the effectiveness and enforcement of the Code of Conduct and to support the Company's campaign against corruption, awareness campaigns were run across all business units in 2016 to encourage employees to utilize the "Express Yourself" platform, an email-based whistleblowing platform.

At the end of the year, following the review of the effectiveness of the platform, we began developing a new Whistleblowing Policy, which would enhance the anonymity and security of reporting, by ensuring that whistleblowing would be handled by a body, completely external from the organization, and more accessible for customers and employees to make reports. We expect that this policy will be approved in 2017, and that as aspects of the Policy are implemented, whistleblowing will be a more robust activity,

No. of Corruption Cases



which will help Ikeja Electric and its employees act with integrity.

Security Practices

We are committed to conducting our operations in a manner that respects the rights and dignity of our employees, and of various people that we engage with in the course of our activities. We recognize the importance of various human rights charters and principles such as the Universal Declaration of Human Rights.

Our security practices are material to our various stakeholders. For our employees, they rely on us to provide safe and secure working conditions, free from harassment and physical assault. For stakeholders such as community groups, customers and labor unions, their ability to exercise their rights to freedom of expression through peaceful and lawful protests, is also impacted by our security practices, particularly with respect to the use of force.

How we manage our security practices is also material to us and our customers, as damage or obstructions to our assets due to security risks can lead to extended periods of interrupted power supply to our customers, and to loss of revenue for us. This was particularly significant in 2016, where changes in tariffs and operational changes which led to the exit of some employees, resulted in an extended period of industrial action during the year.

Although most of our security activities are carried out by third-party organizations who provide the



Company with well-trained security personnel, we continue to reinforce the importance of respecting the rights of the people we engage with. This is done at all morning parades and briefings. These regular trainings are also reinforced with quarterly classroom interventions, to ensure that our security personnel fully understand how to execute their duties to the Company, whilst respecting the rights of our key stakeholders.

We also engage with governmental security agencies such as the Nigerian Police Force and Nigeria Security and Civil Defense Corps and ensure these agencies are continuously sensitized on their engagement with our stakeholders and the public – particularly with respect to the use of force. We achieve this through guiding documents which include Orders for Armed Guards, Agency Rules of Engagement and Guidelines for Use of Firearms. In

2016, these sensitization exercises were held on an ad hoc basis. It is our goal to hold such trainings on a quarterly basis in 2017.

“We are committed to conducting our operations in a manner that respects the rights and dignity of our employees.”

Building a Financially Sustainable Business

Access to stable and reliable electricity is the foundation for economic development. Electricity plays a significant role in reduction of poverty, through driving advancements in industrialization, education and healthcare.

Our stakeholders have a significant interest in our ability to continue to operate as a going concern in the long term. On a daily basis, our activities affect millions of Nigerians, as they rely on us to power their homes and businesses.

As a significant employer of labor, our employees are also concerned about our financial performance, and how we distribute value created through payments of compensation and benefits, and our investments in human capital.

Our financial performance is also of great concern to other stakeholders in the electricity generation and supply value chain such as the generation and transmission companies. As we are uniquely positioned at the end of the value chain, our ability to collect payments from our customers for electricity consumed has a significant impact on the financial viability of the industry.

As a private company, we exist to resolve challenges, create value and receive commensurate returns on the value added and delivered. As a company, we have made considerable progress in our bid to accelerate efficient power supply and increased access to electricity for our customers. However, we continually face varying challenges in the operating environment. Some of the key challenges affecting our ability to deliver on our goals for 2016 include, but are not limited to, foreign exchange volatility and inaccessibility, lack of cost-reflective tariffs, impractical regulatory provisions leading to persistent funding deficits, instability of policies, uncertain regulatory environment and customer apathy in relation to payments.

In 2016, the economic environment was challenging considering that the country experienced an economic recession. There was the devaluation of the local currency, Naira, due to changes in the prices of oil in the global market, decrease in the demand for Nigeria's crude oil which led to reduced oil revenue from international markets, economic instability in terms of changing policies and not very clear policy direction, overdependence on importation which led to the increase in demand for the US Dollar that could not be met by supply, a fall in the prices of other export commodities globally, and so on.



These factors led to a 54.9% devaluation in the exchange rates (Naira to Dollar) in the autonomous foreign exchange market, with inflation reaching as high as 18% in 2016. These changes created a liquidity crisis in the power industry, particularly for the distribution companies. To continue to meet our obligations, we were forced to source for foreign exchange in the parallel markets (with a 128% devaluation rate in comparison to the Central Bank of Nigeria's official exchange rate at the beginning of the reporting period), often at uncompetitive prices. This significantly impaired our ability to meet some of our goals in 2016 as major assets had to be sourced from international markets, at a higher than planned cost, without a commensurate increase in end-user tariffs.

As was the case in 2015, we also struggled with the lack of a cost-reflective end-user tariff. The new Multi-Year Tariff Order (MYTO) regime, MYTO 2015, came into effect in February, 2016. Whilst the increase in tariffs for various consumer classes was a welcome development to cover associated costs, through update in the input factors such as inflation and exchange rate, significant macroeconomic changes limited its impact.

From the middle of the year, the input factors such as exchange rate and inflation began to change. The tariff was based upon an exchange rate of US\$1 to N198, it however rose to US\$1 to N305 by the end of the year – the official CBN exchange rate. In the parallel market, US\$1 to the Naira went as high as N480 - N500. For the inflation rate, it was set at 8.8% in accordance with the MYTO model – but by the end of 2016, it rose to a peak of + 18%.

Based on the industry agreements, significant changes to the input factors should have triggered a minor review of the end-user tariffs. Despite our anticipation for a review, the minor review is yet to occur.

“In 2016, significant efforts were made towards debt recovery from all customers including government ministries, departments and agencies (MDA).”

In the interim, whilst other players in the sector are able to pass these costs down the value chain to the distribution companies, the failure to review the tariff in accordance with set mechanisms and industry agreements, means that distribution companies such as Ikeja Electric are unable to pass these costs to their consumers and will continue to sell electricity to consumers at a significant loss.

Nonetheless, we have continued to campaign for a minor review through continuous engagements with our regulator, the Nigeria Electricity Regulatory Commission, directly and through our membership of the Association of Nigerian Electricity Distributors (ANED).

Customer apathy towards payment of bills was another challenge that we continued to address in 2016. Prior to privatization, electricity supply was considered a social right, sometimes with the assumption that it should be made available irrespective of the consumer's ability and willingness to pay for it. This unwillingness to pay for energy consumed continued to be a real challenge for the sector.

In 2016, significant efforts were made towards debt recovery from all customers including government ministries, departments and agencies (MDA). This class of customers have accounted for a significant portion of our trade receivables from electricity sales, post privatization.



Revenue

During the reporting period, the company received a revenue of NGN64.4 billion. This was an increase in value by 3% from the previous year. However, despite the marginal increase in revenue, the Company has continued to record huge losses. The losses were largely due to the financial challenges detailed above, but particularly as a result of the lack of a cost-reflective tariff, electricity theft, unwillingness of certain customers to pay for electricity consumed and significant changes in foreign exchange rate. This limited our ability to offset our operating and administrative expenses.



Direct Economic Benefits

As a significant employer of labor with over 2,600 employees, we remain committed to creating jobs with competitive remuneration and benefits. In 2016, we expended over NGN7 billion in employee wages and benefits. This was a 7% increase from 2015.



Community Investments

In 2016, we also spent over N48 million on environmental sanitation measures including waste disposal and waste management.



Corporate Social Responsibility

Through our PCSR activities, we invested over N19 million in the communities in which we operate.

Financial Highlights for The Year Ended 31 December, 2016

Results	31 Dec 2016 N'000	31 Dec 2015 N'000	% Change	Remarks
Revenue	64,497,695	62,636,720	▲ 3%	% age growth in revenue
Total Costs	(121,285,929)	(91,091,763)	▼ 33%	%age growth in costs
Trade receivables (Energy Customers only)	62,824,025	40,801,343	▲ 54%	%age increase in receivables
Provision for doubtful debt	(53,713,750)	(31,308,435)		
Net trade receivables	9,110,275	9,492,908	▼ 4%	%age decrease in receivables
Investment in PPE	11,536,965	690,761	▲ 1570%	%age increase in investments during 2016
Procurement expenditure	11,482,358	662,116		
Meter	10,647,239	85,774	▲ 12313%	
Other technical material	439,384	406,482	▲ 8%	
Revenue (Energy sold)	64,497,695	62,636,720	▲ 3%	%age growth in revenue %
Collections	45,721,896	44,959,419	▲ 2%	age growth in collections
Employee Costs	7,056,113	6,609,656	▲ 7%	% increase from 2015
Environmental sanitation measures.	48,154			
PCSR activities	19,733			



Responsible Supply Chain Practices



Ikeja Electric's supply chain consists of various suppliers, manufacturers and contractors. In 2016, we engaged over 150 organizations within Lagos State and its environs and spent more than N1.8 billion on local suppliers.

For us, an effective supply chain management facilitates seamless operations, mitigates revenue loss due to operational downtime, and ensures that the Company receives value for moneyspent.

For our customers, our procurement practices are important, as any delay in the provision of necessary materials can lead to extended downtime in fault clearing, which in turn disrupts their lives and businesses. Our ability to secure high quality materials and equipment also has an impact on customer safety and the stability of electricity supply.

Our procurement practices also have a significant impact on our employees, as poor sourcing practices could lead to an increase in their workload, and could also expose or employees to safety hazards where substandard materials are procured.

In 2016, we began implementing a new Supply Chain Management Policy which promotes fiscal discipline by entrenching planned procurement processes and cycles. It also encourages competition and reduces reliance on single-sourced suppliers. Thus far, the Policy has helped promote fairness and transparency in dealing with suppliers.

One of the goals set in 2015, was for Ikeja Electric to be in a position to conduct a greater level of review and analysis of the status of contractors/ suppliers that we engage with. As part of the implementation process of the new Policy, we conducted a pre-qualification exercise on all the vendors we work with. This exercise entailed screening vendors on their governance practices, labor practices, regulatory compliance, experience on the job and service delivery. We screened 347 vendors, of which 261 were successful.

The Company also recognizes the value of working with locally-based suppliers and is in full support of the Regulations on National Content Development for the Power Sector, 2014, which promotes the deliberate utilization of Nigerian human and material resources,





goods, works and services in the industry as well as building capabilities in Nigeria to support increased investment in the industry.

During the reporting period, most of our procurement expenditure was on goods and services provided by local suppliers to the tune of NGN1,805,363,140.905, US\$104,961.60 and GBP£9,690.

However, a significant challenge impeding our full support of local content policies was that a large portion of the materials used in our day to day activities, though locally supplied, were not manufactured in Nigeria. This was particularly true in relation to metering. Under the NERC regulations, the importation of meters are only be permitted if local manufacturers cannot meet demand or provide fit-for-purpose meters. For instance, 92.7% of our procurement expenditure is procurement of meters and other technical materials which were largely unavailable in Nigeria.

We recognize that this creates a financial risk, as fluctuations in foreign exchange prices exposed the organization to the risk of a significant increase in the costs of acquiring necessary materials, as well as impeded our ability to meet our local content goals. To mitigate this, we struggled to source for locally produced materials at competitive prices. but continued to purchase materials produced externally. One of the ways we aimed to combat this was through sourcing of materials in bulk. We hope that as local manufacturing capacity improves, we can increase our patronage of locally sourced and manufactured materials. We look forward to operating in an industry where necessary materials can be produced and procured locally.

“

92.7% of our procurement expenditure is attributable to the procurement of meters.

”



Bringing Power To You

Improving Electricity Distribution

From a global sustainability perspective, access to affordable, reliable and sustainable energy for all is important in achieving goals such as poverty reduction, improved health and economic advancement. For our customers, this has a significant impact on their quality of life and their ability to carry on their businesses and daily activities.

Over the course of the year and since takeover, improved electricity distribution emerged as the top priority for our stakeholders. As the interface between the consumers and the end-product, being power, we are perpetually asked, “When will our power supply improve?” There is no simple answer or solution to this challenge, as the lack of adequate supply is due to constraints at all levels of the Nigerian power supply value chain, including gas constraints on the generation side, capacity constraints on the transmission side and high aggregate technical and commercial losses on the distribution side. We also recognize that for our customers, this translated to the continued reliance on privately-owned generators, at a greater cost than grid-generated electricity and to the detriment of the environment in the form of air and noise pollution.

Our performance in relation to improving the quality of supply to our customers can be assessed in terms of the extent of our investment in maintaining and upgrading our infrastructure, our technical loss performance, the quality of supply provided to our customers and the proportion of our population with

access to electricity.

For Ikeja Electric, our priority remained the provision of stable, safe and reliable supply of available power and the reduction of our aggregate ATC&C losses. Despite the numerous challenges faced, we deployed a number of initiatives to address the needs of our customers.

We introduced a load management model to ensure optimal distribution of available power supply, which includes forecasting load demand and ensuring balanced distribution of supply across the network. This has helped reduce energy loss and leakages, and has improved our understanding of the load demand of our various customer classes, and our ability to plan and forecast accordingly.

We also executed various 33kV and 11kV feeder reinforcement projects across our network to ensure stable and reliable power supply and continued our monthly and quarterly maintenance programs. Another key initiative, was in relation to strengthening our relationship with the Transmission Company of Nigeria (TCN), to increase synergy and cooperation between us through regular interface meetings. We also introduced 24 hour shift operations in Oshodi Business Unit to reduce downtime due to technical faults that occurred outside the usual working hours.

For the future, we aim to make significant contributions to the SDG Goal 7 in terms of ensuring access to affordable, reliable and sustainable modern

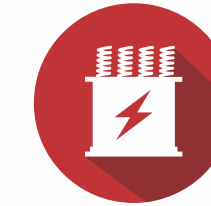


energy, and increasing the share of renewable energy in our energy mix

Our outlook for 2017 is to reduce our technical losses by 7% and to improve the quality of power supply to our customers by replacing or retrofitting obsolete power distribution equipment at three (3) injection substations, integrating five (5) new injection substations into our distribution network and conducting more aggressive, preventive and routine maintenance of our network, among other initiatives. Through this, we will be able to deliver on our mission to provide quality and reliable services to our customers, and to bring energy to life.

Engr. Sunday Oyewole
Chief Technical Coordinator

Over the course of the year and since takeover, improved electricity distribution emerged as the top priority for our stakeholders.



Key Achievements faced in 2016

- Provided additional 30MW of 33kV distribution capacity
- Provided additional 80MW of 11kV distribution capacity



Key Challenges faced in 2016

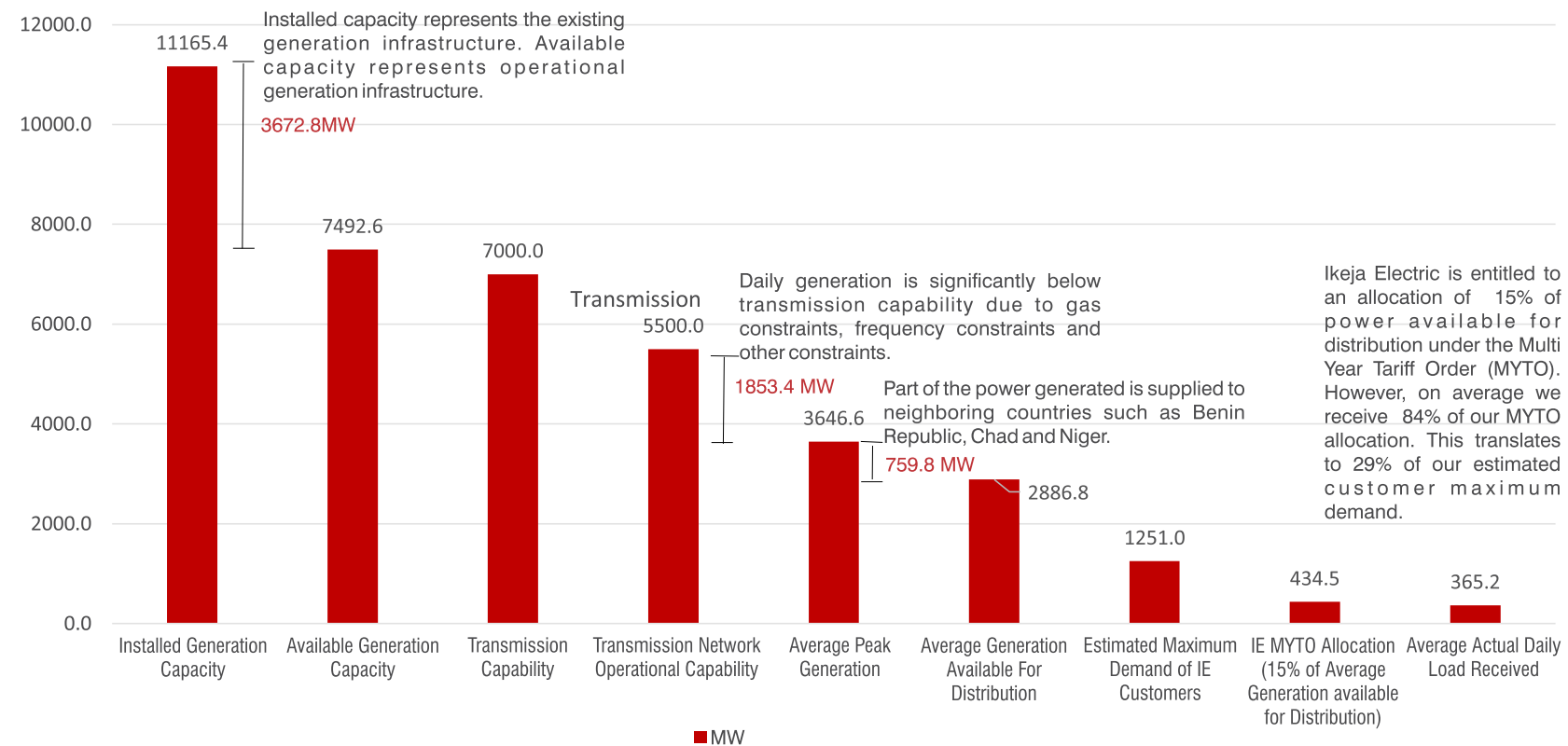
- Lack of adequate funds to execute projects
- Energy theft
- Distribution asset vandalism
- Right-of-way and corridor disputes



Goals for the Future (2017)

- Reduce technical losses by 7%
- Replace or retrofit obsolete power distribution equipment at three (3) injection substations
- Integrate five (5) new injection substations into the distribution network
- Standardize and deploy fifty (50) third-party funded distribution substation projects
- Complete turnaround maintenance of twenty-two (22) power transformers at various injection substations

The Nigerian Power Sector Energy Flow in 2016



Data for installed generation capacity, available generation capacity, transmission capability and transmission network capability were obtained from the Nigerian Electricity System Operator Daily Operational Report.

Our Network Profile

As at December 31, 2016, our network spanned over 11,085.10km Route Length with over 14,000 distribution transformers, representing a secondary distribution capacity of over 3,000 MVA, and 58 injection substations, representing a primary distribution capacity of 1,587.5 MVA.

1	Voltage Category	33kV			
	Underground/Overhead	Underground			
	Route Length (km)	2015	37.55	2016	17.04

2	Voltage Category	11kV			
	Underground/Overhead	Underground			
	Route Length (km)	2015	310.66	2016	80.55

3	Voltage Category	0.415kV			
	Underground/Overhead	Underground			
	Route Length (km)	2015	104.91	2016	N/A

4	Voltage Category	33kV			
	Underground/Overhead	Overhead			
	Route Length (km)	2015	861.42	2016	764.22

5	Voltage Category	11kV			
	Underground/Overhead	Overhead			
	Route Length (km)	2015	2,809.57	2016	2,990.07

6	Voltage Category	33kV			
	Underground/Overhead	Overhead			
	Route Length (km)	2015	12,266.69	2016	7,233.23

TOTAL
2015
16,390.8km

TOTAL
2016
11,085.10km

The size of our network as stated in the 2015 Sustainability Report was based on the baseline network data generated during the privatization exercise. However, in 2016, in line with the NERC Guidelines and Procedures for Distribution Licensees Customer Enumeration, Ikeja Electric launched the Customer Enumeration, Technical Audit and Asset Mapping (CETAAM) Project, in partnership with our technical partners, KEPCO, which has captured and presented a more accurate representation of the size and distribution of our network assets.

This CETAAM project involves the implementation of technical audit, asset mapping, consumer indexing and enumeration using Geographical Information System (GIS) Technology to collect, store, analyze, share and display data acquired from Ikeja Electricity's distribution network.

The three main components of the project are briefly discussed below.

Customer Indexing And Enumeration

This arm of the project involves customer indexing and enumeration into a database so customer information can be uniquely identified and accounted for. Having a database which shows how our customers are distributed across the network is expected to help us make key business decisions

that are customer-centric. A Customer Index Number (CIN) was generated for each customer, which serves as an electrical address and connects each customer to the various network assets in the distribution network. With the CIN, the specific assets serving each customer can be precisely identified and located.

Technical Audit

During the technical audit, GIS experts from our technical partners, inspected and evaluated the network using thermal imaging devices and ultrasonic equipment to highlight areas requiring improvements and upgrade. The results from the technical audit were incorporated into several preventive maintenance programmes aimed at improving the reliability of the network, improve performance, manage load flow and reduce technical losses and downtime of equipment.

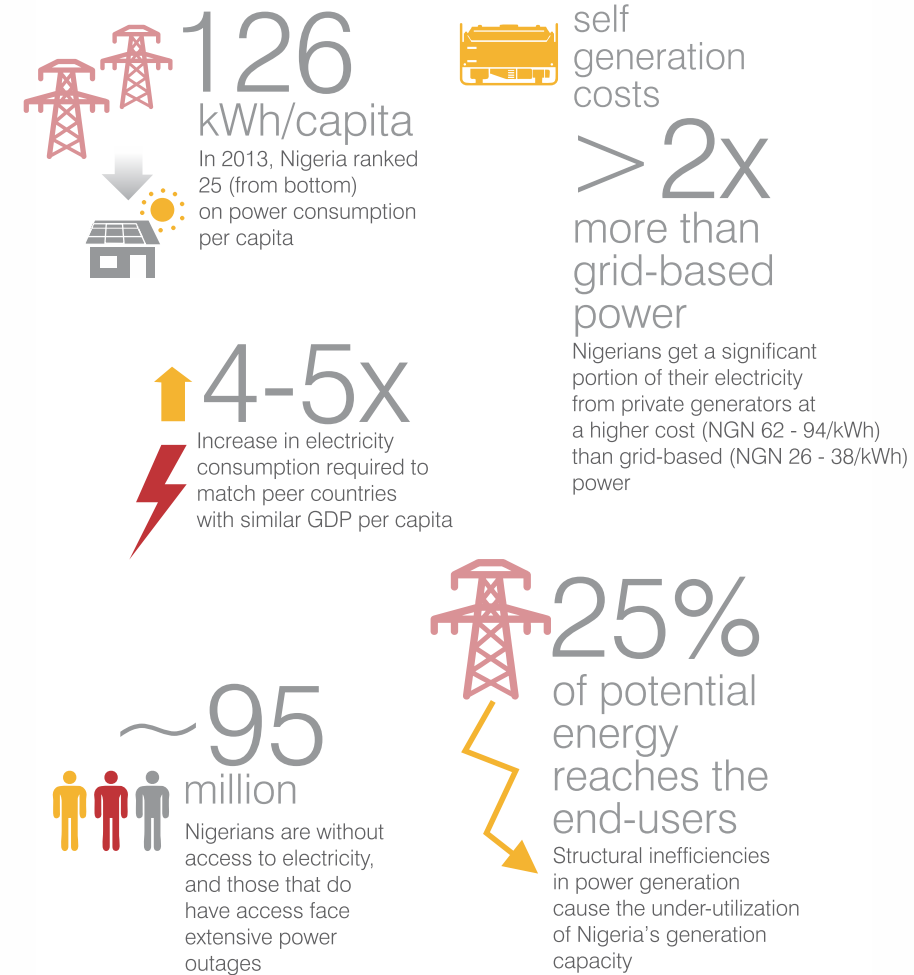
Asset Mapping

The Geographical Information System (GIS) mapped the location and attributes of each electrical network entity from 132kV/33kV system down to the 0.415kV system (overhead and underground circuits of high voltage lines). The GIS platform is useful for short-term network planning and rehabilitation projects such as, network expansion, improvements, and long term planning ranging from planning major upgrade of assets feeding customer clusters, to distribution of our

payment centers based on customer demographics. Due to the dynamic nature of our distribution network, the information stored on the GIS platform must be updated frequently, and as such, experienced GIS Officers have been given the responsibility to manage the daily operations of the platform in 2016.

“The CETAAM project involves the implementation of technical audit, asset mapping, consumer indexing and enumeration using Geographical Information System (GIS) technology.”

Nigeria's Power Sector Snapshot



Source: Nigeria Baseline Power Report, Advisory Power Team, Office of the Vice President, Federal Government of Nigeria, August 2015

Meeting Present Customer Demand

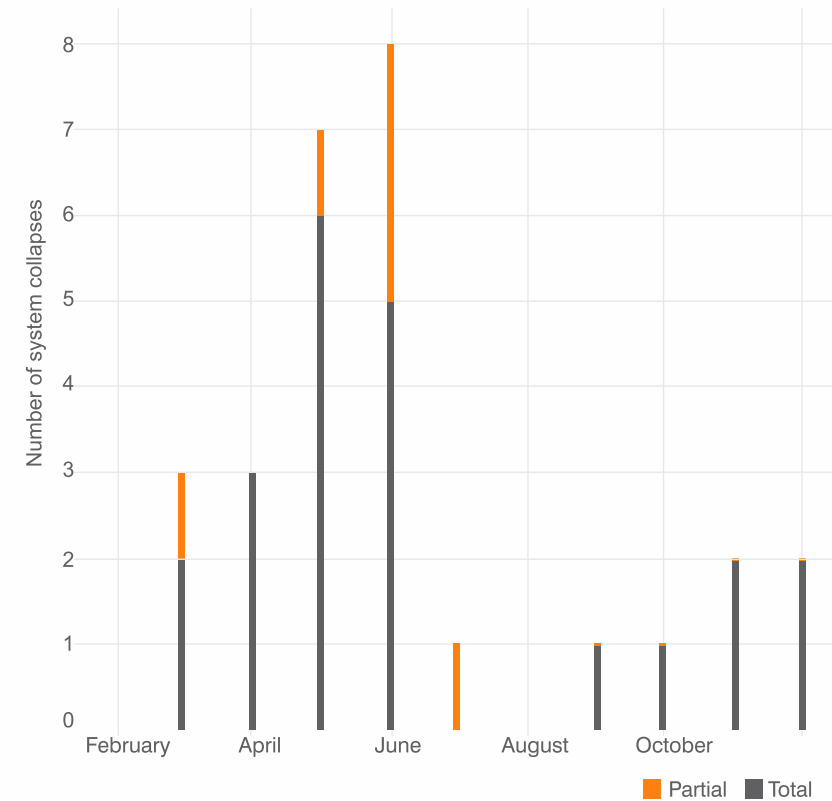
In terms of the extent of electrification, most areas within our distribution franchise area are connected to the grid, as we operate within a highly urbanized environment. The exceptions are new developments such as residential estates in areas like Ikorodu, Igbogbo, Igando and Lagos-Ibadan Expressway in Lagos State.

During the reporting period, customer demand far exceeded available supply due to a number of ongoing challenges and constraints.

One key challenge for Ikeja Electric was in relation to limitations attributable to the government-owned Transmission Company of Nigeria's (TCN) transmission infrastructure. Nigeria's transmission system has the capacity to transmit ~5,500MW but currently, the transmission capacity is only just below operational generation capacity. The existing transmission facilities close to some of our load centers had limited capacity to wheel power to the areas where our customers are situated. As such, our ability to distribute power to specific load centers was constrained. In addition, supply was disrupted by frequent system collapses and forced outages which were caused by ineffective maintenance and poor system management culminating in partial or total system collapses.

“Nigeria's transmission system has the capacity to transmit ~5,500MW but currently, transmission capacity is only just below operational generation capacity.”

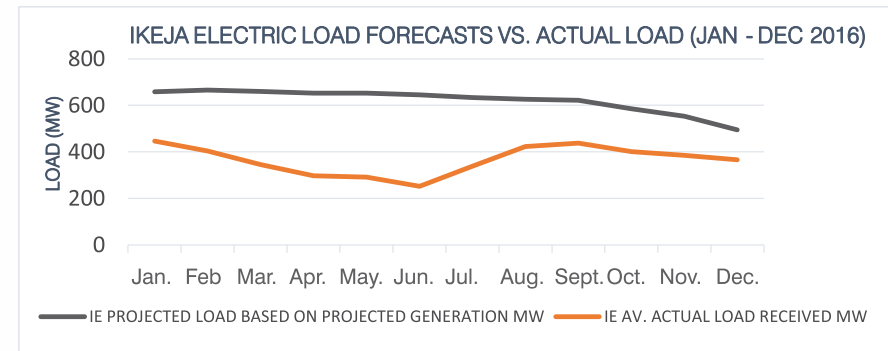
System Collapses Recorded by the Transmission Company of Nigeria | Monthly Total in 2016



Source: NESISTATS
<http://www.nesistats.org/generation.html>

While we recognize the efforts of the TCN in making improvements to the transmission infrastructure, significant investment in the transmission network is still required to enable us increase supply, and provide stable, reliable power to our customers.

Average monthly load forecast vs. actual load received.



The variance between these values was caused by a variety of factors such as transmission limitation and distribution feeders out on fault

On the distribution side, we also faced significant challenges caused by aged, weak and largely obsolete distribution infrastructure inherited from the defunct PHCN. A significant amount of financial investment is required for the purposes of upgrading our distribution infrastructure to effectively serve our customers. Accessing finance to execute these capital projects was difficult in view of the liquidity and foreign exchange crisis in the industry and indeed, the nation.

Another significant challenge was the vandalism of assets within the network. In 2016, over 90 cases of substation vandalization were reported, which meant our customers were forced to remain without electricity supply for extended periods of time. Funds were also expended by the Company to replace lost and damaged power distribution assets. To address and curb the cases of vandalism, we worked with the Community Development Associations (CDAs) to help discourage such activities through increased vigilance and reporting. In addition, vandals that were apprehended were handed over to law enforcement agents for prosecution. We have also had extensive engagements with the Lagos State Government, through meetings with the Lagos State Electricity Board, to proffer solutions to this menace.

We are hopeful that in the very near future, this threat will be eradicated by the executive arm of government establishing special laws that will criminalize these acts of vandalism.

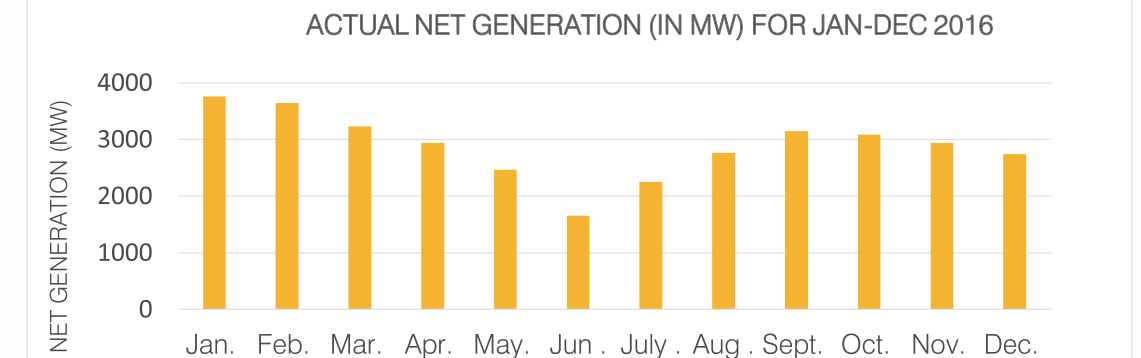
In 2016, corridor issues limited our ability to expand our network as planned. These issues emanated from poor urban planning in some areas, which led

to the construction of homes and businesses along our right-of-way. In some cases, we have been forced to halt projects in areas where our intervention would have led to a significant improvement in the quality of supply to our customers. This includes projects in places like Igando, Egbe and Ijegan. However we have continued to work with the communities, the government and law enforcement agencies to ensure that these matters are resolved in accordance with the law.

On the generation side, Nigeria's power plants sent out an average net generation of 2,889 MWh of electricity daily from 25 grid-connected power plants with installed capacity of 11,165.40 MW. These plants are run by generation companies including those formerly under PHCN, National Integrated Power Project (NIPP), and Independent Power Producers (IPPs).

The constraints experienced by the generation companies was also a contributing factor to the limited availability of supply to our customers. Intermittent availability of natural gas, which accounts for 85% of the primary fuel for power generation significantly limited generation output, which means that the slightest leakage or damage to any of the gas pipelines will lead to a shutdown of power plants.

Despite Nigeria's position as the country with the 9th largest gas reserves in the world, gas supply was one of the most significant challenges which remains unaddressed in the power sector. This issue has been exacerbated by the incessant gas pipeline vandalism, by youths in the Niger Delta region. As a snapshot of the extent of this constraint, on the last day of 2016, Nigeria lost over N3.3 billion in revenue to generation constraints alone.



Net Power Generation in Nigeria (January - December, 2016)

Despite the challenges detailed above, we executed a number of projects to improve our service delivery to customers.

Action	Objective
Introduced a Load Management Model to ensure optimal distribution of available power supply.	More efficient distribution of available energy
<p>Provided additional 30MW of 33kV distribution capacity by completing and commissioning the following distribution feeder projects:</p> <ul style="list-style-type: none"> › Extension of Ipaja 33kv feeder › Extension of Amikanle 33kv to relieve Amje 33kv › Link-Up of Adiyen 33kv feeder › Construction of Gowon 33kv line › Conversion of Airport/Isolo 33kv from underground to overhead line › Extension of Akute/OPIC 33KV to Lagos- Ibadan Expressway › A total of sixteen 11kV feeders (six by IE and ten by National Integrated Power Projects (NIPP) provided additional distribution capacity of 80MW. Feeders commissioned by IE include: Abimbola 11kV, Ademulegun 11kV, Arigbanla 11kV, Ilaje 11kV, Akoka 11kV and Mushin 1&2 11kV 	Improved network stability due to reduced outage frequency.
Executed monthly and quarterly maintenance programmes including trimming of trees, which foul our lines.	Reduction in forced outages.
Participated in various engagements with TCN through quarterly interface meetings and fostered improved dialogue with TCN on transmission reinforcement projects.	Improved working relationship with TCN which has led to greater cooperation between both organisations.
Enlightenment of CDAs and neighborhoods on the ills of vandalism – at Undertaking and BU level	Increased vigilance on installations within their communities.
Engagement of Lagos State agencies to resolve corridor issues	Greater collaboration between Ikeja Electric and Lagos state on how we can better serve our customers.
Introduced 24 hour fault-clearing operations at the Oshodi Business unit	Reduced downtime due to the increased availability of technical personnel equipped to manage fault clearing cases.

Meeting Future Customer Demand

We operate within Africa's largest mega city in terms of population size, with an estimated population of 21 million people, expected to double by 2030.

We expect this to lead to an increase in demand within our franchise area by 15 - 25% in the next 5 years. As such, we are positioning ourselves to meet future customer demand, by executing projects that will increase our ability to deliver safe and reliable power supply to homes and businesses.

The following projects are ongoing and are at various stages of completion:

- › The addition of 45MVA injection substation capacity by commissioning NDPHC's projects in our network; Amikanle 1x15MVA, Abule Taylor 1x15MVA and Olowora 1x15MVA injection substations. These projects are expected to be commissioned in Q1, 2017.
- › The addition of 30MVA injection substation capacity by commissioning NDPHC's projects in our network- Aswani 1x15MVA Ex-Isolo TS and Mushin 1x15MVA Ex-Ilupeju TS. These projects are expected to be commissioned in Q2, 2017.
- › Servicing of customers using 500 Completely Self Protected (CSP) distribution transformers.
- › The reconstruction of the collapsed towers supporting Agege and Adiyen 33kV feeders which is scheduled for completion in Q2 of 2017.
- › Relief of the Abeokuta 33kV feeder ex Ogba TS using Abule Taylor and Aminkanle 33kV feeders Ex Ayobo TS.
- › The construction of Igando and Ijegun 33kV double circuit line ex. Ayobo Transmission Station to relieve Egbe 33KV Ex- Ejigbo TS.

Future investments will aim to improve the reliability and flexibility of the distribution network through the construction of additional injection substations and deployment of equipment such as auto-reclosers to reduce customer downtime.

For the long term, our plans to meet future customer demand include:

- › Relieving all overloaded 33kV feeders in our network, by increasing primary distribution capacity by 23% (from 1,660 MVA to 2,042MVA).
- › Relieving all overloaded injection substations by increasing injection substation capacity by 26% (from 1,587.5 MVA as at December 31, 2016 to 2,001MVA).
- › Relieving fifty-seven (57) 11kV feeders that are overloaded by increasing 11kV distribution capacity by 21% (from 1,340MVA to 1,621MVA).
- › Relieving all overloaded distribution transformers by increasing distribution substation capacity by 12% (from 3,032MVA to 3,382MVA).
- › Major rehabilitation of troublesome and fragile 33kV & 11kV feeders to achieve feeder stability and reliability.
- › Standardization/amendment/correction/repairs and rectifying of all defective parts of the network.
- › Creation of network flexibilities and ring configured networks of MD feeders for better supply availability, stability and reliability.
- › Introduction of auto-reclosers for the reduction of downtime on transient faults, load control, reduction of fault clearing time and limit the number of customers affected by outages through the isolation of the faulty area only.

- Reconductoring of all undersized lines in the network (33kV feeders, 11kV feeders, and 0.415kVLVO/H LINES).
- Standardization of all distribution substations including the use of MCCB (Moulded Case Circuit Breaker) feeder pillars especially for locations that are highly susceptible to transformer overloading and load imbalance.
- Standardization of all injection substations, including the replacement of all obsolete and outdated, ineffective breaker panels.
- General network standardization and modernization with the introduction of network switching and monitoring devices for automatic network control towards modern Distribution-network Management System (DMS).
- Creating an accurate and reliable database for network technical data which seamlessly integrates with other technical platforms such as, the Advanced Meter Infrastructure (AMI) and the Customer Information System (CIS) platforms used by the Company to drive operational efficiency.

The successful execution of these network expansion initiatives are dependent on a number of crucial enablers, such as the implementation of cost reflective tariffs to support the financial viability of the Company and invariably, attract the investment required to execute the above mentioned network improvement and expansion projects. Stronger government regulation will also be required to enable the prosecution of energy thieves and vandals who sabotage our efforts towards improved service delivery to customers. Further support will be needed from the Lagos State Government, in resolving corridor issues which presently hinder our ability to execute relief projects. This support will

include protecting and enforcing existing rights of way.

Renewable Energy

The Nigerian Electricity Regulatory Commission (NERC) introduced a regulation on renewable energy feed-in-tariffs (REFIT) as a tariff regulatory



mechanism to accelerate investment in renewable energy sources. The REFIT framework guarantees a stable price for electricity generated from renewables for a fixed duration, thereby securing adequate returns on investment. This regulation seeks to promote investments in renewable energy sources and the generation of at least 2000 MW of electricity by 2020. The regulations anticipate that electricity distribution companies will obtain 50% of the projected electricity generated from renewables, whilst the Bulk Trader, NBET, will procure the remainder.

At Ikeja Electric, we recognize the need to contribute all that we can towards reducing the global carbon footprint by diversifying our energy mix. Towing this viable path, which other visionary

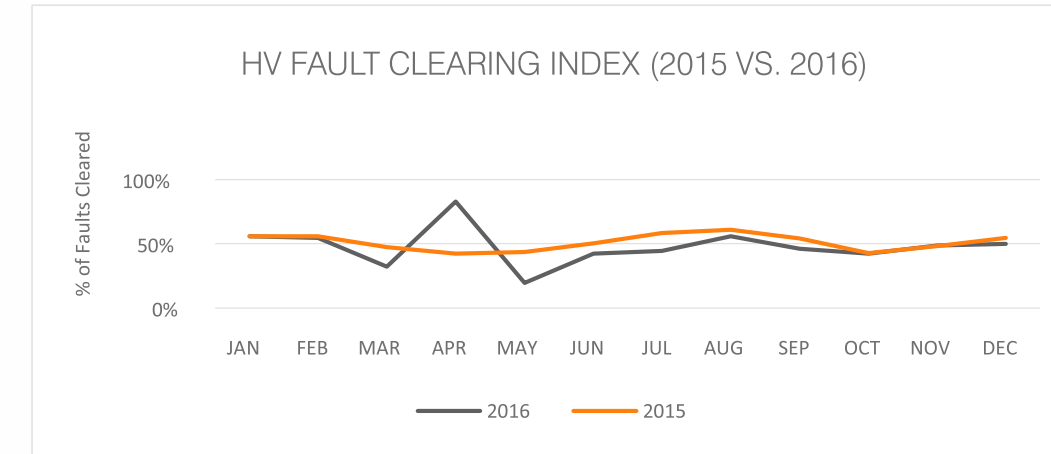
distribution companies globally are towing to save their countries from impending energy cataclysm is certainly a long-term goal.

Despite the fact that renewable energy sources have low operational and maintenance costs, the embrace of renewable energy solutions has been particularly slow across the nation. This is largely because the start-up fees of renewable energy

projects are very capital intensive, and the high-level sophistication of the infrastructure requires a dependence on foreign technical know-how. In addition, in view of the resultant inflated price of renewable energy per kWh, consumers are not particularly keen to adopt a model where the power supplied to their homes and businesses is from renewable energy.

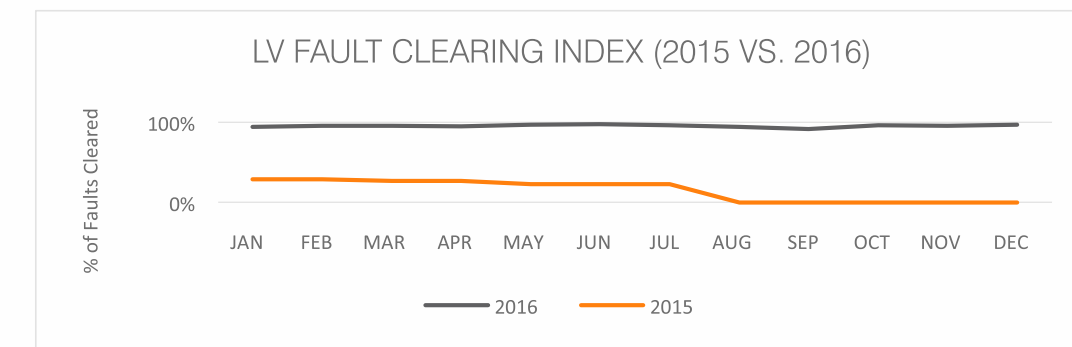
Ikeja Electric remains open to partnering with organizations who are able to demonstrate their prowess in providing renewable energy solutions that align with IE's technical and commercial goals both now and in the very near future, and thus, diversify our energy mix.

Our Technical Performance in Figures



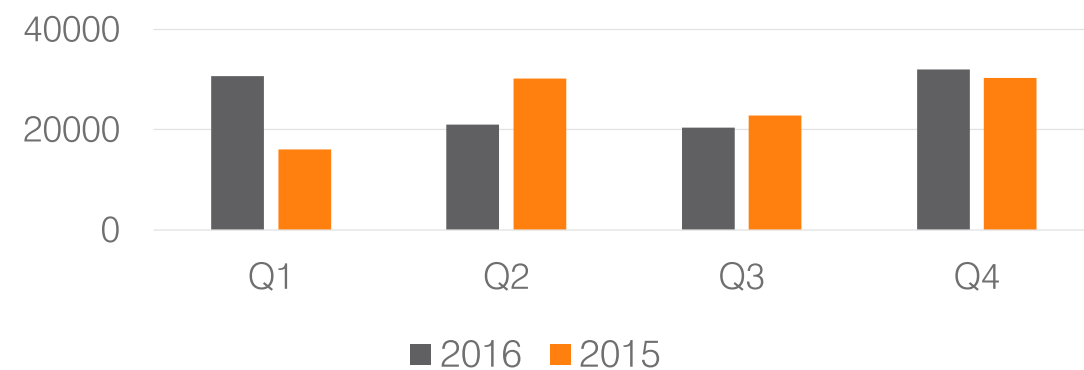
HV Fault clearing index for 2016 vs. 2015

In 2016, we set maximum downtime targets for fault clearing teams and continuously tracked the status of faults and performance of technical teams.



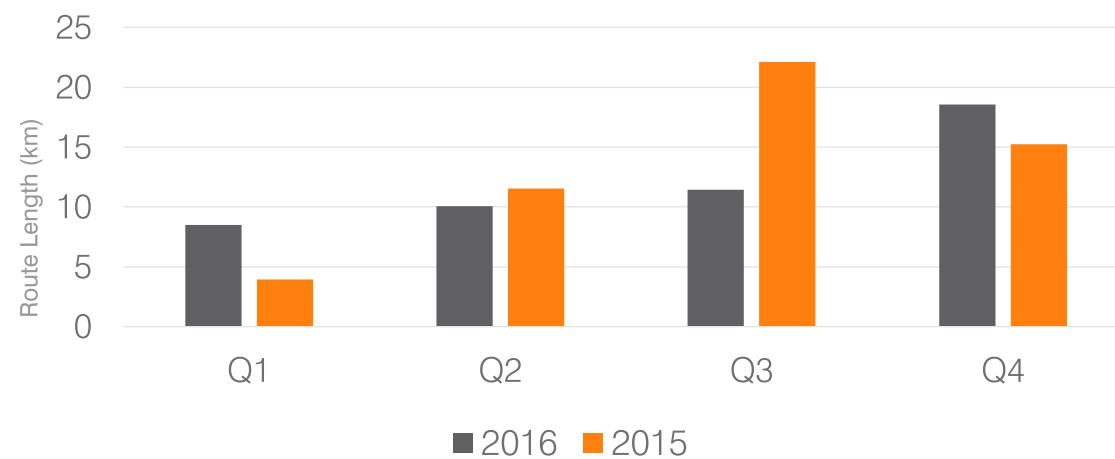
LV Fault clearing index (*Data unavailable for August - December 2015)

DISTRIBUTION CAPACITY ADDED (kVA)



In 2016, we increased distribution capacity, by 4.8% compared to the previous year, by upgrading existing injection substations, commissioning NIPP injection substation projects and deploying more distribution transformers to relieve overloaded substations and provide better service to customers.

ROUTE LENGTH ADDED (km RL)



In 2016, we increased the length of distribution lines by radiating new feeders and extending existing feeders. However, the route length added in 2016 was 8.72% less than the lengths added in 2015.

Fair To You

Sustainability Through Fairer Practices



The existence of trust between an organization and its key stakeholders is the foundation for success. For Ikeja Electric, building trust between our personnel, customers and industry stakeholders is a fundamental obligation that we are determined to deliver and uphold at all times.

Prior to the privatization of the power sector in November 2013, Nigerians did not trust the existing government controlled power entities. These were the fallouts of years of excessive billing, sharp practices, epileptic power supply and poor service delivery. Upon takeover of the Company by the new core investors of Ikeja Electric, we identified the need to rebuild trust and confidence as one of the major pillars of our vision for a customer-centric power distribution company.

In 2016, we focused on rebuilding this trust to achieve our goal of transforming the organization and delivering results for our stakeholders. Between 2015 and 2016, our commercial operations moved from focusing on implementing and executing strategies and reducing ATC & C losses, to actually ensuring these strategies were fair and transparent.

One key area of focus was improving the accountability of energy received from the grid and energy delivered to our customers. To realize this objective, we were required to get a better

understanding of our network - how power is delivered to our end-users and how the power is consumed. To this end, we deployed the Customer Enumeration, Technical Audit and Asset Mapping Exercise, which created a digital map of our customers and key assets. We also focused on metering our trading points, and achieved a 60% metering density within our network, which enabled us track the energy consumed by our customers more accurately, and thus, yielding improved integrity of our billing practices.

We also made progress in closing the metering gap by deploying 32,132 meters to our customers in 2016. This was below our goal of metering 125,000 customers, as contained in our 5 Years Metering plan. Our inability to meet this goal was by virtue of funding constraints due to forex volatility and poor market liquidity. Nonetheless, for our customers who received pre-paid meters, these customers can now better account for energy consumed and manage their energy consumption efficiently.

For our unmetered customers, which make up 57% of our customer base, we have improved the integrity of our billing database, and have developed an Estimated Billing Methodology which provides a more scientific and accurate approach to estimated billing for our postpaid customers. It was developed in response to complaints and feedback received from

customers concerning overestimated bills. Whilst we continue to fine-tune the EBM, since its inception, complaints in relation to estimated billing have dropped by 21.5%, as customers have greater confidence in our billing practices.

In 2016, making payments was also made easier for customers. We introduced a new billing format, which had a simpler layout and was easier to understand. Our customers were encouraged to take advantage of the multiple payment options such as mobile money and online payments to enable customers track their payments and discourage the practice of making cash payments, which contributes to cases of corruption.

We also focused on improving our disconnection, reconnection and monitoring activities by engaging third party agents to carry out some of these functions. The aim of the project was to minimize the cost passed on to unmetered customers, due to energy theft, and to improve collection rates.

Despite our efforts, a sizeable percentage of our customers still perceived our practices to be arbitrary and unfair, particularly in relation to overestimated bills – as reflected in customers response to payments as well as in the percentage of collection received compared to what was billed.

Notwithstanding our disappointment, we remained determined to continue to implement initiatives and policies that will lead to our core goal of improved service delivery, better customer experience and regular power supply. We hope that as we continue to implement these initiatives, our customers and key stakeholders will begin to view us as trusted partners providing the enabling environment for the execution of their goals.

Folake Soetan
Chief Commercial Officer



Key Achievements

- › Deployed Customer Notification Needed (CNN) initiative to notify customers of faults and service downtime across the network.
- › Reduced average turnaround time (TAT) of resolving customer complaint by 60%.
- › Commissioned Oshodi Model BU, an ultra-modern customer care center.



Key Challenges

- › Delayed feedback from key stakeholders in resolving customer complaints.
- › Incomplete customer database.



Goals for the Future

- › Cleaning up and improving the integrity of our customer database.
- › Developing and improving on the features of the CRM to incorporate more functionalities.
- › Integrate other departments to the CRM, especially all departments involved directly or indirectly in customer complaint resolution.



Improving Energy Accountability

Improving energy accountability was a critical pillar in introducing fairer and more transparent practices for our customers. This is because better energy accountability would ensure that our customers are billed for energy consumed only and that energy lost due to technical and distribution losses are not passed on to consumers in the form of inflated bills.

To this end, we began with the end to end metering of all our trading points, which include our 33kV and 11kV feeders. This was closed out in 2015. In line with our plans, we ratcheted up the metering of our distribution transformers, achieving nearly 60% metering density. This was a significant achievement in our journey towards achieving energy accountability and assurance within our network. In 2016, over 6,500 transformers were metered across our network and as a result of this, unmetered customers are only billed for energy consumed on their transformers - a more accurate reflection of energy consumed.

It was necessary to improve the integrity of our billing database, to ensure that the right customers were captured and that their tariff classes were an accurate reflection of their consumption.

Projects deployed to achieve this objective are as follows:

1. A customer enumeration exercise, where 809,607 customer details were verified.
2. A customer mapping exercise which entailed



mapping each customer to the transformer that supplies the energy they consume and mapping the transformers that supply energy to the feeder that sends energy to the transformers. It also involved aligning each of our Electricity Sales Representatives to transformers. This exercise is in fulfillment of the Distribution Transformer (DT) centric strategy for energy accountability and billing.

Customer Metering

Our customer metering rollout plan which started in 2015 has been one of the key issues raised both by our customers, regulators and stakeholders. In 2016, we continued the rollout plan by paying attention to meters installed before takeover. Meter recertification exercises were conducted to confirm the integrity of the meters and that the readings are a fair and accurate depiction of our customers' consumption. Over 1,900 meters were inspected and 904 meters were recertified as part of the exercise. However, we were unable to achieve our target of metering about 20,000 customers a month, due to the depreciation of the Naira and lack of access to foreign exchange, which affected our ability to procure meters; a majority of which were manufactured outside Nigeria.

Nonetheless, by the end of 2016, we had metered 80% of our Maximum Demand customers, and 43.07% of our Non Maximum Demand customers; with over 32,132 additional meters deployed and installed. We plan to complete metering of all Maximum Demand customers by 2017 and all other customers in accordance to our metering plan. We are committed to taking steps to close out the metering gap, in a manner that is economically viable for the business while guaranteeing customer satisfaction. However, pending the deployment of these meters, the steps the Company has taken to improve our estimated billing practices to ensure that bills are a fair reflection of customer consumption, should mitigate the absence of prepaid meters.

Improving Estimated Billing

Overestimation of bills often termed “crazy billing” is perhaps one of the major contributors of distrust between Ikeja Electric and its customers. This phenomenon of “crazy billing” has been the bane of the power sector for years and has led to excessive levels of low customer response rates, incomplete payment of current bills and frequent protest of bills.

Ikeja Electric decided to address estimated billing head on and adopted the NERC approved Estimated Billing Methodology. In line with the need to build trust and introduce fairness to everything that we do, we went further and improved on NERC's methodology by relying on our DT centric strategy to ensure customers are only billed the energy consumed on their transformers. This means, the total energy consumed on a transformer is apportioned based on a cluster average of unmetered customers after deducting energy from metered customers.

Following the implementation of the NERC EBM in May 2016, there has been a 21.5% reduction of complaints related to high estimated bills. To support this, we also strengthened our pre-billing activities through structured reviews of transformer and feeder energy.

Non-Maximum Demand Meters		Year	2013	2014	2015	2016
Prepaid Metering Ratio	Number of New Prepaid Meters Installed in the year	No.	10,550	4,236	26,776	31,374
	Total Number of Prepaid Meters Required	No.	417,947	427,228	434,398	468,319
Percentage of Customers metered	Percentage of Customers metered	%	40.30%	35.02%	47.93%	43.07%
Customer Metering Ratio	No. of Customers with Functional Meters	No.	259,908	233,188	367,375	364,432
Total Number of Customers		No.	644,854	665,841	755,330	846,179

Maximum Demand Metering		Year	2013	2014	2015	2016
Percentage of Customers metered	Percentage of Customers metered	%	75	77	75	80
Customer Metering Ratio	No. of Customers with Functional Meters	No.	2,893	3,147	3,698	4,179
Total Number of Customers		No.	3,876	4,107	4,902	5,202

Empowering Customers

A Payment Channel Awareness Programme was launched to educate internal and external stakeholders on available payment options to help increase customer response rate to bills. In addition, remote access to customer Statement of Accounts was created to enable field staff spool out customer details on the go.

Our payment channels strategy focused on providing innovative and convenient payment solutions for our customers. The platforms were established to provide convenience and comfort to our customers; allowing customers make payments on the go and also keep track of such payments; potentially increasing transparency of transactions. The initiatives deployed include:

1. Online payment platforms such as the IE website, internet banking and IE payment options on mobile applications across most banks.
2. Partnership with 3rd party agents to offer offline payment channels and services such as Baxibox, Pawakad, IE cards and POS machines which are easily accessible to our customers in semi-urban and semi-rural areas.
3. Self-service options such as Do-It-Yourself POS terminals deployed to all Undertakings.

For the future, we aim to deploy the USSD payment option, to enable customers make payments wherever they are from their mobile phones.

Managing Energy Theft

Energy theft and associated losses accounted for over N13 billion in losses for Ikeja Electric in 2015. Effective management of energy theft within our network was necessary to provide fairer and more accurate bills to our estimated customers.

Going into 2016, we adopted a performance-based strategy towards tackling energy theft. We achieved this by setting revenue targets to be recovered from free-riders (i.e. uncaptured consumers stealing energy) and customers with compromised meters. In 2016, a monitoring activity and revenue recovery target of 47,269 cases and N243 Million respectively were set. In addition, the PPM database was categorized into active and inactive accounts to reduce monitoring of inactive assets/customers. As a result, we treated 34,975 unique cases, compared to 24,229 cases in 2015, being 74% of our target. We also achieved 41% of our target for revenue collections from penalties and loss of revenue charges. We recovered N100 million as a result of our monitoring activities, being a 60% increase from funds recovered, in comparison to N60 million in 2015.

Accountability in the Field

The effectiveness of process improvements is dependent on our people at the frontlines who implement them. In 2016, we hosted numerous training sessions for our field staff, to educate our employees regarding new processes which would amount to increased accountability to our customers.

One risk area for corruption in field operations is in the disconnection and reconnection process, as defaulting customers and free riders sometimes pay bribes to avoid disconnection; to the detriment of other stakeholders in the power sector.

We launched the Disconnection, Monitoring and Reconnection project in 2016, in Akowonjo Business Unit, where we outsourced the activities to a third party organization, for more effective management of defaulting customers. This helped minimize the risk of collusion between our employees and our customers. We intend to implement the project throughout our network by the end of 2017. To support these initiatives, we plan to deploy a meter reading mobile application, which would improve accountability and the convenience of meter reading activities by our employees.

“
Energy theft and associated losses accounted for over N13 billion in losses for Ikeja Electric in 2015.
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Delivering Results

Our ATC&C loss performance is the key metric for measuring the success of our initiatives for the year. Our performance for 2016 is set out below, as against our set targets for each quarter:

Target ATC&C per Quarter	Achieved Target
Q1 2016 41.0%	47%
Q2 2016 33.0%	52%
Q3 2016 30.5%	45%
Q4 2016 28.8%	53%
2016 Performance	
34%	49%



The 14% gap between the projected and actual targets at the end of the year was majorly attributed to the commercial and collection losses which occur at the point of supply to customers and during billing and collection activities. Some of these losses are caused by energy theft, technical losses, lack of payments by delinquent customers and other external forces such as the court injunctions obtained by the Manufacturers Association of Nigeria against Ikeja Electric. Our result was also negatively impacted by labour unrest in the first quarter of 2016, contributing to over N4billion in losses during the period.

Despite our improvements through the implementation of EBM, expansion of payment channels and training of field staff, amongst others, we were far from our target. Through internal audits and reviews, we realized that at the point of implementing the

EBM, we started to bill lower and we focused on collection more aggressively. We learnt that the benefits from billing lower and more accurately does not immediately lead to increased collection, as customer's preferred solution remained, the provision of meters.

The road map for 2017 has been developed to further address inefficiencies by tapping into IT solutions to automate the Estimated Billing Methodology and customer/asset mapping, as well as setting clear KPIs for field commercial staff to ensure all activities are tied to the profitability of field assets (i.e. Distribution Transformers). Through these improvements, we believe that customers will appreciate our efforts in billing them fairly and accurately and anticipate that this will positively impact our ATC&C losses.



Closer To You

Delivering Exceptional Customer Service

At Ikeja Electric, our customers are at the core of our business, which is why our business is built on a commitment to service. By working collaboratively to achieve high levels of customer satisfaction and improve collections, we provide the Company with the social license to operate. As such, the question at the center of our operations remains, "What do our customers want?"

From several engagements with our customers, their key concerns were largely in relation to IE improving power supply, implementing fair billing practices and improving customer service's responsiveness. This section of the Report focuses on the steps we took to address these concerns and to provide exceptional customer service to our customers.

In the reporting year, we focused on three customer care quality objectives, namely:

- To improve customer satisfaction by achieving at least 90% Customer Complaint Resolution Index monthly.
- To improve revenue generation by processing at

- least 100% of newly captured customers monthly
- To build a strong and healthy customer database
- by capturing 100% customer information on the IE database.

As a result of the above, in 2016, we were closer to our customers and more transparent in our activities by reducing turnaround time in resolving customer complaint, communicating better with our customers on information relating to initiatives and faults within our network.

For the future, we are looking to incorporate other units to the CRM tool for effective feedback and improved resolution time frames.

We shall continue to work at ensuring that we have a stronger and healthier customer database.

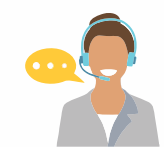
Managing Customer Complaints

The effective management of customer complaints is material to our customers, as it may have a significant impact on their ability to access electricity supply. This is particularly true in relation to complaints regarding faults, overestimated bills and

payments.

In 2014, we introduced a Customer Relationship Management (CRM) Tool which has helped improve the complaints management system and customer communication. The CRM has ensured improved business processes and customer database management by enabling inputs from cross functional teams involved in issue resolution.

Having successfully deployed the CRM tool and explored its versatility in managing end-to-end customer complaints over the first two years of deployment, our primary focus in 2016 was to utilize this tool in delivering better service provision to our customers. We identified three major drivers for this engagement process, namely: Business Challenges, Proposed Alternatives and Business Benefits.



Business Challenges

- Reducing turnaround time of complaints.
- Managing customer complaint submissions across various platforms, including multiple submissions on a single request or complaint.
- Poor feedback mechanism leading to delayed provision of feedback to customers.



Proposed Alternatives

- Develop and implement business processes.
- Develop and communicate complaint resolution SLA across the organization.
- Integrate all sister departments to the CRM platform.



Business Benefits

- Increased complaints resolution rate
- Improved customer perception
- Improved quality of feedback to customers

As part of our strategy to have a fully integrated CRM platform, the Vigilance, Strategy and Loss Reduction unit who are responsible for the management of non-maximum demand customer (NMD) metering, NMD support, and vigilance and smartcard management, now has full access to the platform as they play a significant role in complaints resolution. The objective of this initiative was to ensure complaints are targeted to process owners across the Business Units and the Corporate Headquarters, while providing visibility for oversight monitoring, tracking and feedback to drive effectiveness and improve resolution timeframes.

	Year	(April – Dec 2014)	2015	2016
Response to Customer Complaints Index	Total time taken to respond to Customer Complaints (Hrs)	2,321,102.17	1,098,233.56	1,800,565
	Total Number of Complaints received	20,270	87,592	66,953
	Total No. of Customers Complaints resolved	19,530	80,181	55,544

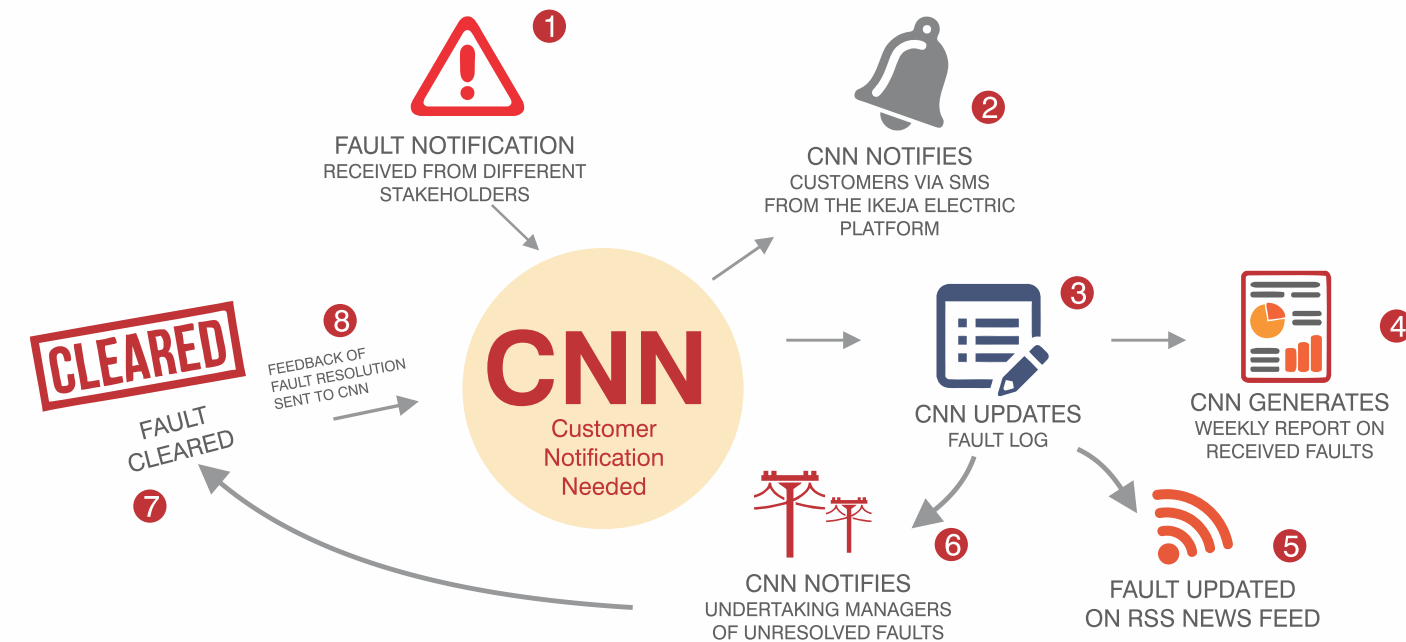
New Service Automation

The New Service team, a cross-functional division in Customer Care, plays an array of roles in the customer lifecycle management process including; capturing new customers, managing change requests, basic account maintenance and so much more. There is a New Service team present in each Business Unit. In 2016, they were incorporated to the CRM, which empowered the team to handle basic maintenances and customer change requests electronically, resulting in a reduced timeframe for service delivery. Customer change requests such as change of name, are now resolved within 24 hours.

The CRM also enables the New Service Team electronically archive supporting documents for future reference and as a result, improved turnaround time and customer perception. We plan to replicate this success across the organization, by incorporating more departments onto the CRM platform.

Customer Engagement

In September 2016, we launched a Unified Communication System, which placed priority on customer engagement. The system proactively notifies customers of technical faults, maintenance and downtime across the network. This initiative popularly known as, Customer Notification Needed (CNN), has been widely accepted by customers across the network, and has significantly improved customer engagement.



Since its introduction, the CNN platform has served as a multi-faceted system in the following ways:

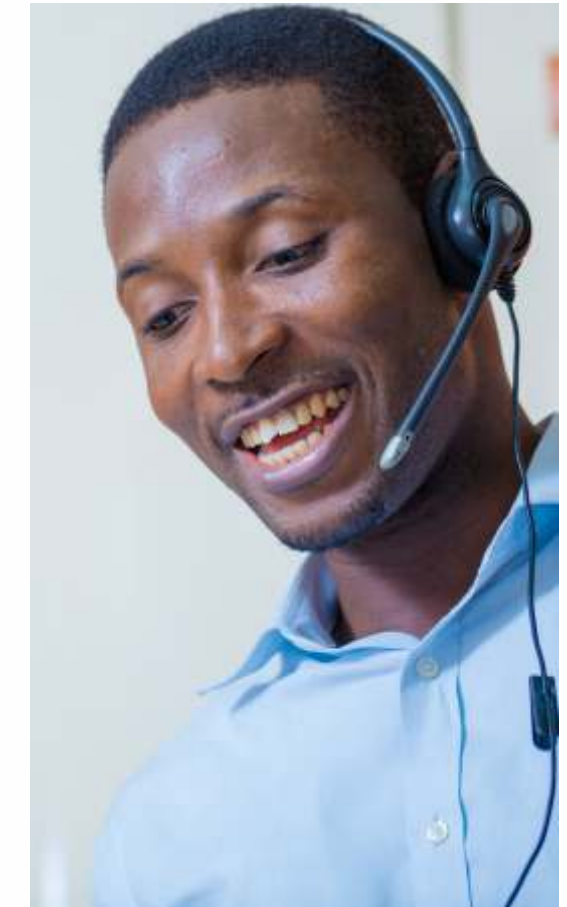
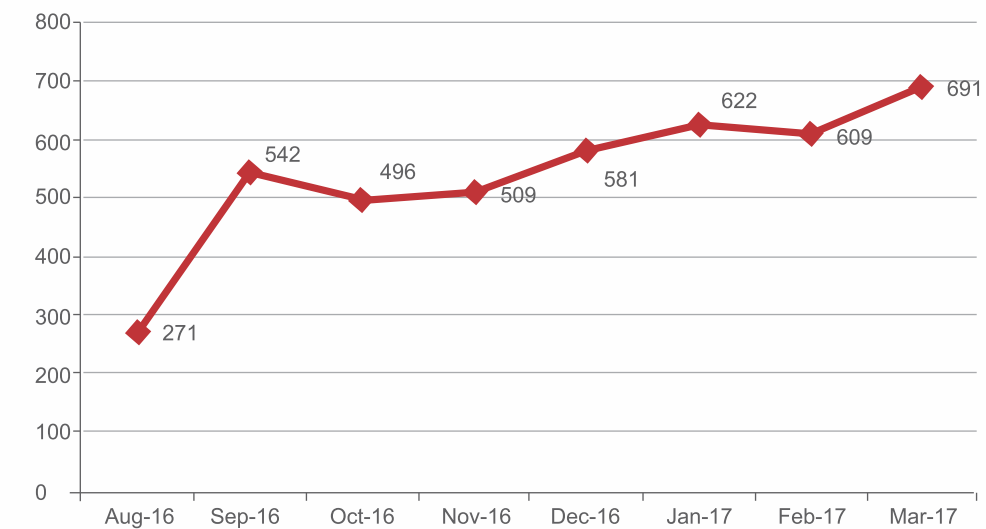
- ▶ Serving as a customer information gathering platform by using the phone numbers of affected customers provided by stakeholders across the Business Units and Undertakings in updating existing customer information on the database.
- ▶ Sending out fault notifications to customers, which helps manage expectations of customers pending the resolution of technical downtimes and prolonged outages.
- ▶ Providing fault visibility to all stakeholders (internal & external) across the network via <https://iecn.wordpress.com>. This is further

enunciated by the deployment of news feeds which are visible on screens at fully automated customer touch points available at the Oshodi Business Unit and the Corporate Head Office. The news feeds are also visible on customer care staff systems' without automated system networks.

- ▶ Driving commercial activities by sending reminders to customers who have debts on their account and advising them to pay on or before a certain date to avoid service disruption.

Another initiative applied to manage customer engagement was the introduction of the Live Chat

Monthly Rate of Interaction on Live Chat platform



In the reporting year, we commissioned an ultra-modern customer care service center with modern work tools provided to manage customer traffic and improve customer's experience at the Oshodi Business Unit.

At the Oshodi Model Business Unit, customer care experience starts at the entrance with trained customer care personnel stationed as the first point of contact in a tastefully finished service hub called, the Pre-Customer Care Lounge Meet and Greet. Here, customer traffic is managed and customers are guided to various units and/or departments. Priority is given to physically challenged and elderly customers are guided to various units and/or departments. Priority is given to physically challenged and elderly customers and the customer care personnel are trained to handle all queries, requests and complaints lodged here.



The Customer Care Centre is an ultramodern service Centre with state of the art/tailor built solutions designed to serve all customer types. The Centre is fully automated with innovative solutions geared at managing customer traffic, scheduling customers and engaging them all through their stay. An example of such solutions is the Queue Management System fitted with digital ticket dispensers that enables customers select services from myriad service options available; ranging from complaints, requests, to payments. Customers are automatically added to the queue based on their ticket numbers and attended to periodically as announced by the system. This system ensures transparency as the customers can monitor their approximate Wait time on screens strategically positioned in the Centre for visibility.





THE RIGHT PEOPLE FOR YOU

Building and Empowering Talent



Our people are our greatest assets. We know that our strength is not determined solely by any state-of-the-art technology deployed, our prominent brand or prime locations. Our success and competitive edge is determined by our people. The IE team are at the core of our operations and are a fundamental pillar of our Corporate Governance Framework and Business Principles.

To achieve our vision of being the provider of choice where-ver energy is consumed, and to fulfil our commitment to the SDG Goal 8, we depend on a high performing team who are focused on satisfying our customers and achieving exceptional results. We recognize that our employees encounter significant challenges daily, from when they step into the workplace, until they go out on the field – all with the unified objective of bringing our vision to life. Our assurance to our employees is to provide a healthy, safe and secure work environment, to treat people with fairness, respect and decency and to help employees develop their potential.

Our activities were centered on the last leg of this assurance in 2016, through our human capital strategy, “Focus on our People – Building and Empowering for a Talent Formidable Ikeja Electric”.

In spite of the power sector's challenging operating environment, we continued to implement robust human capital optimization policies geared towards promoting efficiency and service excellence in 2016. To ensure sustainability of our

“
Our assurance to our employees is to provide a healthy, safe and secure work environment.”

human capital and to create a platform for grooming future leaders in the power sector, we promoted 54 employees and hired 494 employees from varied backgrounds, to continue to drive our transformation vision. Following the annual appraisal exercise conducted in 2015, we disengaged 223 employees, to ensure that we maintain the right staff in the right roles, who are equipped to perform optimally. This led to frictions with the labor unions.

We have since worked closely with the labor unions and increased transparency and dialogue regarding our operations. In 2016, we were pleased to host national representatives of the two labor unions; the first visit of its kind since takeover.

On our part, we remain committed to building a work culture that not only motivates, empowers, retains and builds our employees, but also positions Ikeja Electric as the employer of choice in the power sector.

Ibiene Okeleke
Chief Human Resources and Administration Officer

Our People

Ikeja Electric has a workforce of 2659 employees, of which 87 percent are involved in core operations, while 13 percent provide support functions. Due to the critical nature of our business, a substantial portion of our Company's operations are carried out mainly by full-time employees.

2016 was a significant period of change for our workforce. Although 223 employees exited the company, we brought on board 494 new employees, and promoted 54 employees to continue to reinvigorate and reenergize the organization.

Key Achievements



- Launched a career management framework which provides more career development opportunities for employees.
- Better engagement with the labour unions.
- Added 494 employees to our workforce and promoted 54 employees.

Key Challenges



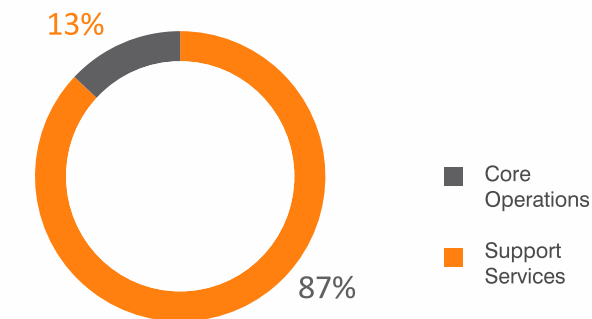
- Harnessing knowledge capital within Ikeja Electric.
- Managing the demands and expectations of some pre-privatization practices.

Goals For 2017

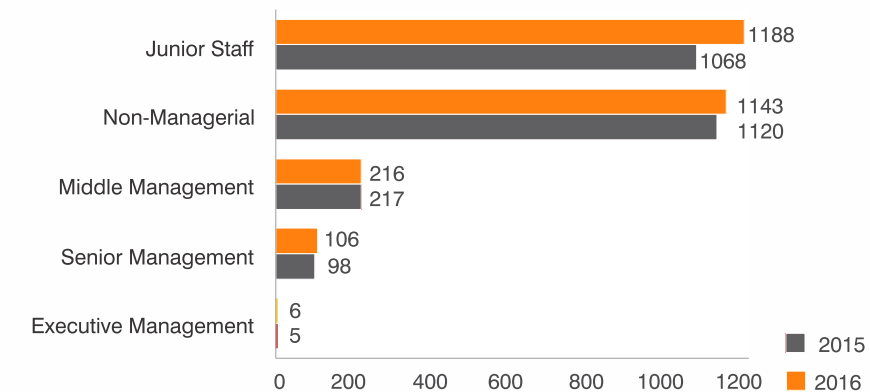


- Finalize and deploy the Conditions of Service and Procedural Agreement.
- Achieve a staff training completion rate of 90%.

Total Workforce By Nature of Work



Our Employees by Employment Category



Diversity

The various backgrounds, opinions and experiences of a diverse workforce make us a stronger business, and helps to foster a positive, collaborative workplace.

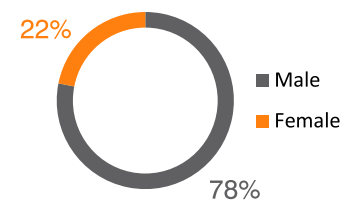
We embrace fair employment practices and do not condone discrimination on the basis of race, nationality, religion, gender, age, sexual orientation, disability, ethnic origin, political opinion, or any other bias.

As an equal opportunity employer, all qualified applicants receive consideration for employment based on merit. To ensure improved gender balance and diversity, our hiring ratio for male to female has improved from 5:1 to 4:1 between 2015 and 2016.

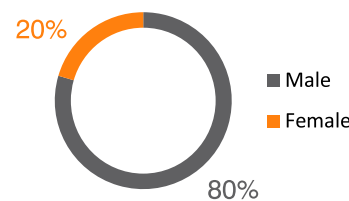
Diversity is a key enabler to our long-term success. By building teams of people with different backgrounds, education, skills and experience, we create sustainable value across our business. In 2016, we brought on board two visually-impaired employees who work as customer care agents in our Call Centre, and have added value to our operations with the assistance of a Jobs Access with Speech (JAWS) software.



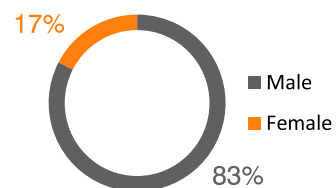
Male to Female Employee Ratio 2015



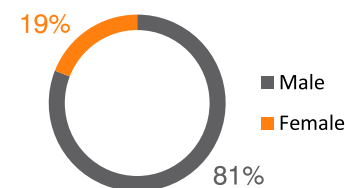
Male to Female Employee Ratio 2016



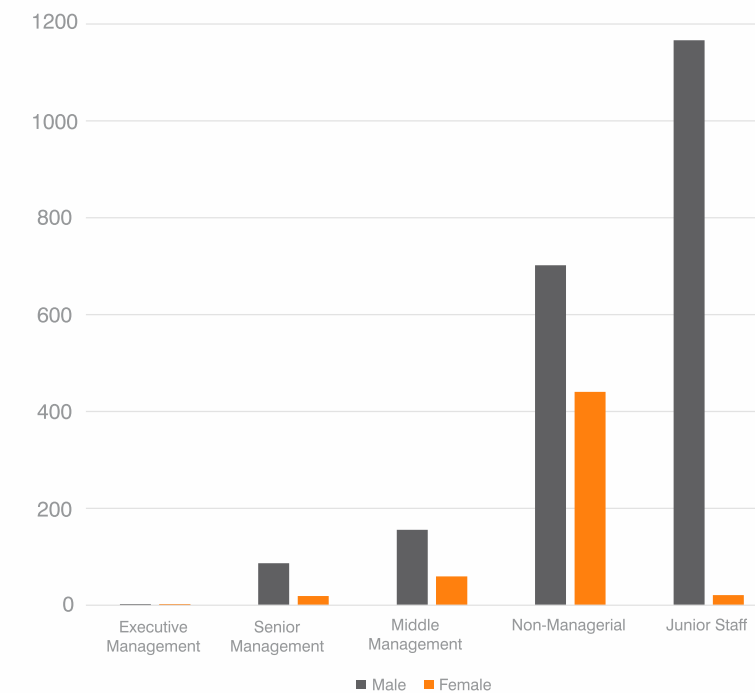
Male to Female New Hire Ratio 2015



Male to Female New Hire Ratio 2016



Percentage of Male and Females per Cadre



New Employee Hired by Age and Gender						
	2015			2016		
Age	Male	Female	Total	Male	Female	Total
Under 30 years old	149	42	191	154	40	194
30-50 years old	179	27	206	245	54	299
Over 50 years old	0	0	0	1	0	1
Total	328	69	397	400	94	494

100%

Percentage of employees receive regular performance and career development reviews.

Performance Management

The aim of IE's performance management framework is to achieve the Company's goals and promote the development of the competencies necessary for activities to be executed. The implementation of an effective performance management process has helped in the evaluation of the Company's performance, through the alignment between the employee's activities and the objectives and targets set out by the Company. It has also helped promote collaborative dialogue and planning of employees' careers. In January, our performance management cycle begins with employees setting their annual performance targets under the guidance of their Line Managers. By July, a mid-year performance evaluation is conducted, while in December, an annual performance evaluation takes place. As was the case in 2015, we also achieved our goal of 100% of the workforce receiving regular performance reviews in 2016.

By virtue of the performance management framework, 223 employees exited the Company in February, following an annual appraisal exercise that was concluded at the end of 2015. The exercise was conducted to ensure that Ikeja Electric maintains the right staff in the right roles, who are equipped to perform optimally. The exercise was thorough, transparent and conducted in line with agreed performance parameters and extensive stakeholder engagement; all in

furtherance of our objective to ensure sustainability of our human capital and to create a platform for grooming future leaders of the power sector.

Freedom of Association

We recognize labor unions as legitimate representatives of employees, and as such, we respect employees' union affiliation choices by recognizing our employees' right to freedom of association, regardless of their location, department or role within the organization.

Employees of the organization engage with, and are members of two registered labor unions; the Senior Staff Association of Electricity and Allied Companies (SSAEAC) and the National Union of Electricity Employees (NUEE). Fifty-eight percent (58%) of the workforce are members of both labor unions.

The human resources operations team and the Management of IE maintain regular contact with both Unions, using different mediums to achieve negotiated solutions in an ethical and amicable fashion. In 2016, we had extensive engagements with the Unions as a result of the staff disengagement exercise that occurred in February, 2016. The disengagement exercise led to picketing by the Unions, who demanded for the immediate recall of the disengaged employees. This exercise resulted in some friction between the Unions and Ikeja Electric, and a deterioration of trust between both parties, which culminated in litigation between both parties. Managing and maintaining the cordial relationship between Ikeja Electric and the Unions became imperative.

To this end, the Company leveraged the following best practice initiatives towards fostering harmonious relationships with the Unions in 2016:

- The commencement of joint consultative meetings with the Unions;
- Supporting Union-Member engagements including granting approvals to the leaders of the NUEE Lagos State Council, to engage members across the business and permitting time off work for Union members to attend Union functions;
- Collaborating with the Union through tripartite sessions for the development of a Procedural Agreement and Conditions of Service;
- Providing proactive notifications to the Union when taking decisions that could impact on their members (e.g. disciplinary cases);
- Seeking union members' involvement and input during policy development sessions;
- Hosting the national representatives of the two unions during courtesy visits with the Management of Ikeja Electric - the first since takeover;
- Providing financial support to the Union National Delegate Conference and;
- The assignment of a dedicated unit, HR Operations, to prioritize attention to union matters.

As a result of these interventions, the Company and Unions now appreciate the importance of engagement and industrial harmony. In 2016, we were pleased to host national representatives of the two Unions - this was the first meeting of its kind since takeover. We shall continue to engage with the Unions, where possible, on matters of mutual

interest.

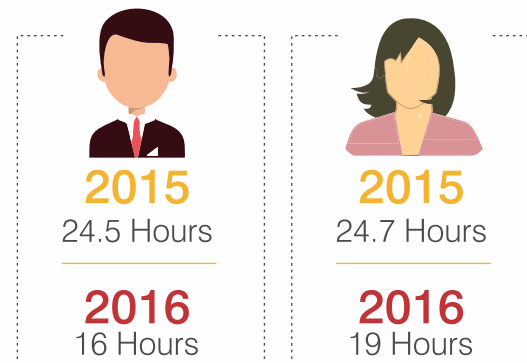
Going forward, we are committed to reinstating the quarterly meetings to address pressing issues and aim to close out on the Procedural Agreement and Conditions of Service by the end of 2017. Currently, none of our employees are covered by a collective bargaining agreement. We anticipate that we would provide an update on this in the next reporting cycle.

Learning and Development

We are happy to declare again, that our people are our greatest assets, and investing in them, is an investment in the future of Ikeja Electric.

In 2016, we worked towards ensuring Ikeja Electric had an agile workforce with the capabilities and competencies to deliver on the Company's targets and objectives. Learning interventions were deployed within the organization to build organizational capability for sustainable business performance and to bridge skill gaps.

Average Training Per Employee By Gender



A training evaluation analysis is conducted at the start of each year to identify training requirements for all staff through engagements with Heads of Departments & Units and data from performance results obtained from the previous year. This exercise drives the implementation of training programmes through the course of the year; providing employees with new skills or an upgrade on existing skills for improved performance in their core duties. Adopting these techniques provides the Learning and Development team with insight into the core challenges employees face in their roles and the skill gaps that cut across different job groups.

As a result of the limited training activities that occurred pre-takeover, in 2014 and 2015, there was a need to aggressively bridge the huge skill gaps that existed. Today, most of the foundational skill gaps previously identified have been addressed. The focus in 2016 was on delivering very specialized formal classroom trainings to deepen core functional skills and capabilities across departments and units as against the organization-wide upskilling conducted in 2015, with over 8,800 hours spent by employees in learning interventions in 2016. This approach has helped improve core functional competencies in the business, but also resulted in a reduction of average hours of training per employee.

Some learning interventions deployed in 2016, include; the Business Leadership Series Programme, Substation Maintenance and Data Collection

Programme, Understanding MYTO and the Tariff Setting Process and the Impact of ATC&C Losses to Ikeja Electric staff.

Career Management

In 2016, we launched a new career management framework which guarantees both lateral and vertical advancement of employees within the organization. The new framework clusters job roles into job groups/families, to help us better manage the learning and development of our workforce, as well as provide multiple career path options and opportunities to all employees.



Job Groups



Energy Management & Business Planning



Operations & Services



Financial & Risk Management



People Management & General Services



Communication & Stakeholder Management



Health, Safety and Security Management



Technology & Infrastructure Support Services

Employee Benefits and Pensions

Ikeja Electric is committed to providing employee benefits designed to supplement or enhance the welfare and living standards of our employees. Our comprehensive benefits packages such as health care services and insurance cover are fundamental to the retention of talented people.

We operate a contributory pension scheme backed by the Pensions Act, 2014. Employees contribute 8 percent of their basic salary, housing & transport allowance, while the employer contributes 10 percent to the employee's chosen pension fund. Employees are also allowed to make additional voluntary pension contribution in line with the Pensions Act.

Life after Ikeja Electric

Ikeja Electric recognizes that the transition to retirement can be unexpectedly challenging - as challenging as other significant life changes - first job, marriage, having children, or relocating. We encourage advance planning for retirement to ensure a positive retirement experience. To this end, we organized one (1) training session on the various retirement and social insurance plans for all employees in 2016.

Succession Planning

Succession planning is a vital and an essential part of doing business. This is particularly important for Ikeja Electric where the average age of our employees is 39, with about 2.63 percent of employees due to retire in 5 years, and an estimate of 8.23 percent of our current employees are expected to retire in 10 year, it is important that we plan for the future. As such, we strive to ensure leadership continuity in key positions. This means having the right talent in the right place, at the right time. The organization achieves this by nurturing and developing talent from within and grooming talent who are perceived to possess the skills, knowledge, qualities, experience and the drive to fill specific key positions.

The Company has a well-defined Skills Development Plan that helps employees connect to the organiza-

tion's strategic imperatives. The Plan covers the technical and support functions in Ikeja Electric. All employees across the business are required to attend at least one (1) training programme in a year, which will help in building capacity and productivity across functions and job levels. The organization has also established an education support fund that encourages employees who do not have the required educational qualifications to acquire higher educational qualifications. We have also built a relationship with technical schools that refer their graduating students to us to take up technical roles. In the business today, our linesmen mates undergo a 15 – 18 months apprenticeship programme to prepare them to become seasoned linesmen. The business learning function also partners with the National Power Training Institute of Nigeria (NAPTIN) and AETI Power Systems and Controls Limited in developing the technical capabilities of our workforce.

Category	2015			2016		
	<5 Years	6 -10 years	Total	<5 Years	6 -10 years	Total
Technical Services	2.19%	5.88%	8.07%	2.10%	5.64%	7.74%
Commercial Services	0.20%	2.00%	2.19%	0.19%	1.73%	1.92%
Support Services	0.35%	0.94%	1.29%	0.34%	0.86%	1.20%
Total	2.74%	8.82%	11.56%	2.63%	8.23%	10.86%

Percentage of Total Employees Eligible to Retire over the next 5 & 10 years period



From Trainee Engineers to Engineering Professionals

In 2014, forty-one (41) engineers were deployed to Ikeja Electric in line with the Company's Graduate Engineering Program (GEP), as part of a program aimed at developing young engineering graduates, who would be deployed to key areas in the company, to inject freshness and agility.

These fresh graduates were equipped with the skills necessary to succeed through a 9 months intensive training with the National Power Training Institute of Nigeria (NAPTIN) and a 1 year job rotation programme where they were put through the various technical functions within the company.

In August 2016, these engineers were posted to the various functions within the Technical Department at the Head Office and Business Units, to fill existing competency gaps. This has helped us increase the number of professional engineers we have, improve service delivery and sustain a healthy pipeline of successors within Ikeja Electric.

“Our fresh graduates are equipped with the skills necessary to succeed through a 9 months intensive training with the National Power Training Institute of Nigeria (NAPTIN)”



Safer For You

Ensuring Safety in Our Operations



As an organization, safety is our top priority, and as such, we constantly strive to create and maintain a safe operating culture, and put safety at the forefront of everything we do. This is because we are acutely aware of the risks inherent and peculiar to our industry. Consequently, delivering our services in a safe and healthy manner is one of our core values and paramount objectives.

All employees, technical partners, contractors and customers have an important role to play in ensuring that we continue to improve all aspects of our operational activities, in order to achieve the corporate HSE Vision, Harm to Zero (H₂O). This vision reinforces the high value Ikeja Electric places on the safety, health and wellbeing of its employees, contractors and the communities in which we operate.

The size of our network has increased substantially over the last two years and our continuous attention to HSE requirements

has grown in parallel. This is because we do not compromise on our commitment to safety. When it comes to safety, going the extra mile is not optional, it is expected.

For 2017, in our commitment to strengthen the corporate vision, Harm to Zero (H₂O), we aim to obtain a certification in Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 Management Systems; a first in the Nigerian power industry. We will also seek to improve our environmental performance through environmental awareness campaigns and site compliance monitoring. Another area of focus will be the reduction of third-party incidents by intensifying our public safety sensitization programmes centered on the dangers of encroaching on power line corridors, interference with electrical infrastructure and prompt resolution of identified unsafe network conditions.

Jamiu Badmos

Head, Health, Safety and Environment



The Journey So Far

To strengthen our zero tolerance to accidents, our focus in 2016 was on achieving “Destination Zero”; in line with our Corporate HSE goal, Harm to Zero (H₂O). In pursuing this goal, we deployed a number of initiatives, to make our operations safer for our employees, our customers and the environment. We focused on a number of key themes, such as, accident hazards, contractor management, and safety leadership and culture.

Despite the proactive and innovative safety measures deployed, we deeply regret the loss of two employees in the first half of the year.

In the aftermath of the two fatalities recorded, we reinvigorated our campaign against safety breaches and introduced “Mandate 4”; a Last Minute Risk Assessment (LMRA) tool for incident prevention on the field.

In addition, we introduced Network Safety Monitor, an incident prevention initiative which helps prevent third-party incidents through the identification and technical resolution of unsafe network issues. Unfortunately, a total number of twelve third-party fatalities were recorded in 2016. These incidents were largely due to illegal operations in the network, contact with overhead lines, poor workmanship from contractors and snapped feeders. We ensured thorough investigations were conducted into these incidents and reviewed recommendations developed to address the root causes. Any incident of this nature is deeply regrettable and



every effort is made to ensure that the lessons are effectively communicated to all stakeholders. These incidents highlighted the importance of ensuring that procedures are clearly explained, well understood and put into practice.

Based on our commitment to demonstrate industry leadership in HSE performance, we subjected our Occupational Health & Safety management practice to third-party certification through one of the world's leading certification bodies, SGS, and successfully completed the Stage 1 Audit carried out in December, 2016.

In recognition of our initiatives in 2016, Ikeja Electric received an award for the Best Initiatives in Health & Safety Award at the Nigerian Risk Awards, the Nigerian Safety /Hall of Fame award and an award from the Nigerian Institution of Safety Engineers (NISE) for being a company with unwavering commitment to HSE excellence in Nigeria.



Key Achievements

- › HSE Policy Statement revised to OHS Policy Statement
- › 7 Community Safety Engagement events
- › 1 Corporate HSE Leadership Forum
- › Passed OHSAS 18001:2007 Stage 1 Audit
- › Passed ISO 9001:2008 Stage 1 Audit
- › 2500+ employees and contractors trained in Safety Competence Intervention Programmes



Key Challenges

- › Buildings encroaching power line corridors
- › Illegal operations within IE's network leading to third party incidents



Goals for the Future

- › To achieve OHSAS 18001 certification
- › To achieve ISO 14001 certification
- › To improve our environmental performance

Innovative Incident Prevention Tools in 2016

In 2016, we introduced a number of innovative incident prevention tools to reduce our operational risks as low as reasonably practicable and to enhance accident-free operations.

Some of the initiatives deployed are detailed below:

Monthly Safety Huddle

Safety Huddle, a brief safety learning session which highlights Learning from Incidents (LFI) and relevant safety topics, was introduced to replace Technical Toolbox/Field Safety Talks which was implemented in 2015 for Technical staff only.

These sessions were held at all Undertakings and Business Unit offices on a monthly basis, with the participation of both Technical staff and Non-Technical staff, to engender a more robust safety engagement framework.

Mandate4

Mandate4 consists of four (4) safety actions which serve as a Last Minute Risk Assessment (LMRA) for all Technical staff. It is combined with the IE Safety Code, which is worn as a tag, by all Technical staff and must be displayed along with the Company's identity card at all times.

Network Safety Monitoring

Network Safety Monitoring is an initiative developed to regularly identify and report unsafe network conditions for prompt resolution. Employees, customers and other stakeholders were able to identify and report hazardous network conditions within our network by sending reports to

a designated email address HSE@ikejaelectric.com. From June to December, 2016, we received seventy-four (74) network safety issues and ensured they were promptly resolved.

The identified network issues are sent to all the concerned parties for prompt resolution while the Network Safety Monitor and a Resolution Action Tracker are issued to serve as a follow up on the close-out of recommended actions.

HSE Performance Score Card

In 2016, we made a significant impact in terms of our HSE Performance, as this was a priority area for all our stakeholders. Over N90 million was allocated to the safety initiatives and trainings. Our HSE performance score card is set out below, and is broken down into proactive and reactive performance highlights.

Proactive Performance Highlights

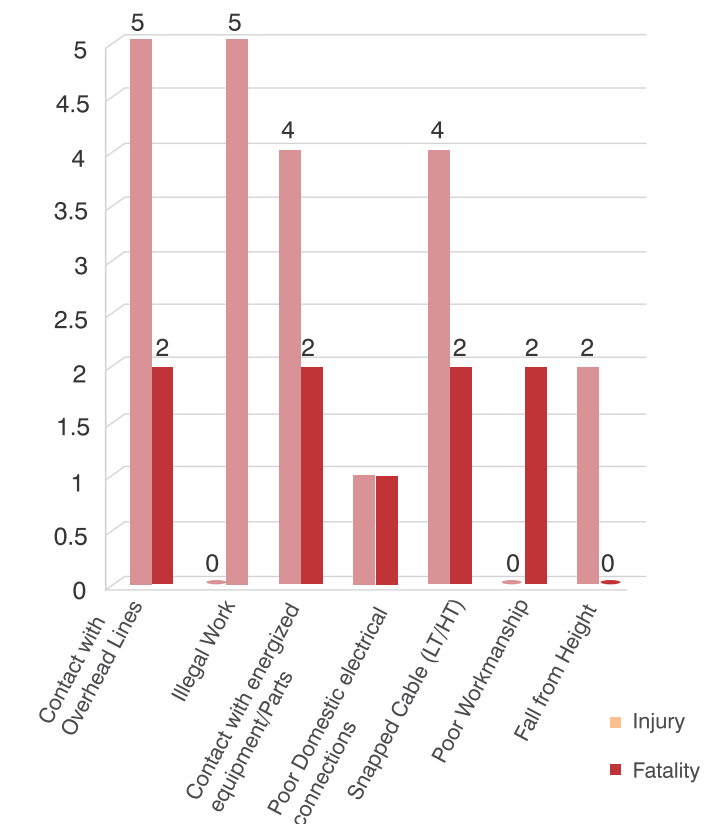
- HSE Policy Statement revised to OHS Policy Statement
- 576 safety huddles
- 75 HSE meetings
- 45 emergency drills
- 74 unsafe network issues resolved
- 7 community safety engagements
- 14 Stop Work Orders issued
- 29 Management facility walkthroughs
- 1 Corporate HSE leadership forum
- Passed the OHSAS 18001:2007 Stage 1 Audit
- Passed the ISO 9001:2008 Stage 1 Audit
- 2500+ employees and contractors trained in Safety
- Competence Intervention Programmes
- 1052 Technical Staff
- 577 Energy Sales Representatives
- 54 Customers Service Representative
- 549 Linesmen
- 224 Drivers

- 212 Distribution Substation Operators
- 174 New Employees
- 100 Cable Jointers and Filters
- 66 Operations and Maintenance staff
- 24 Cleaners/Janitors
- 19 Admin/Facility staff
- 41 members of the Vigilance Team
- 13 staff of MDM Unit
- 14 industrial training students
- 926 contractors' personnel



An analysis of the root causes of the fatal incidents show that carrying out illegal activities within our network constituted the highest causative factors (36%), while contact with overhead lines was a major cause of incidents that led to injuries (31%). This was followed by contact with energized equipment/parts (25%) and snapped LT/HT cables (25%).

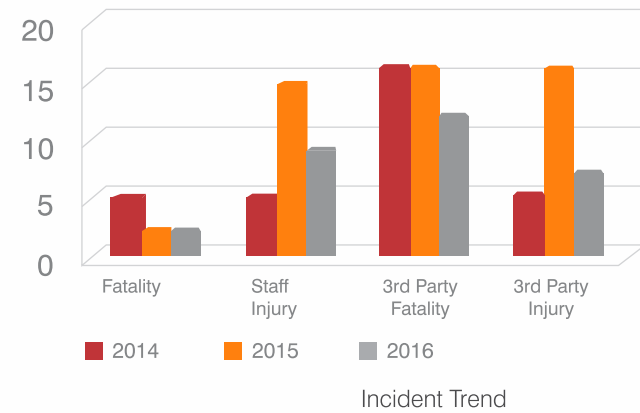
Incident Trend and Performance Analysis



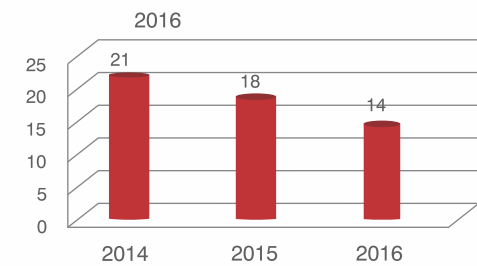
Reactive Performance Statistics

An analysis of the results in 2016 shows that staff injury has reduced by 40%, third-party injury (non-staff) by 56.25% and third-party fatality by 25% when compared with 2015, while regrettably, the staff fatality is the same in both 2015 and 2016, but was reduced by 60% when compared to 2014.

Incident Trend

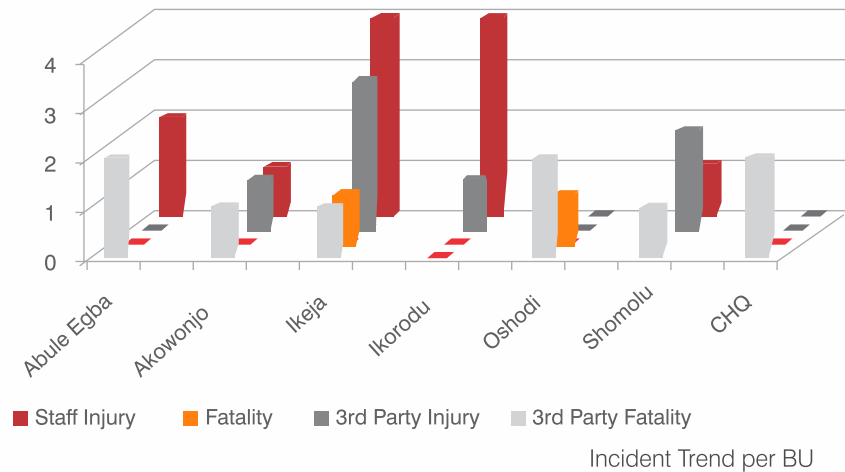


The fatality rate (staff and non-staff) in 2016 is the least when compared with the previous years (2014 and 2015) as shown in the graph below:



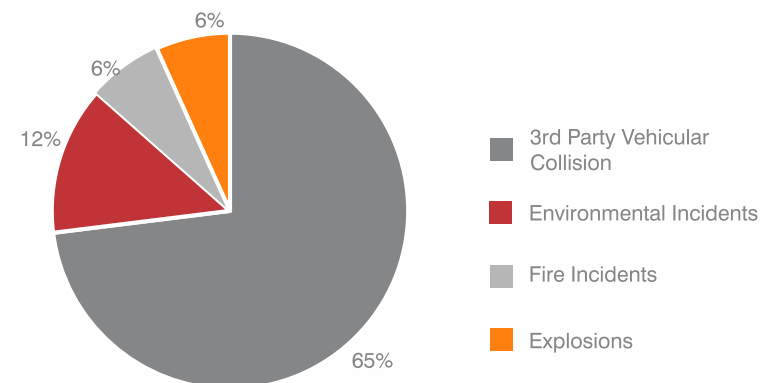
In addition, the incident analysis for each of the Business Units shows that the two fatalities recorded are from our Ikeja and Oshodi Business Units while Shomolu and Oshodi Business Units recorded one major injury each.

In summary, Ikeja Business Unit has the highest contribution to the reactive safety scores followed by Ikorodu Business Unit.



Non-Injury Statistics

We recorded a total of eighty-three (83) non-injury incidents with third party vehicular collision constituting 65% of the incidents, followed by environmental incidents (12%), fire incidents (6%) and explosions (6%) as shown in the graph below:



Public Safety

In a bid to eliminate third-party related incidents, we embarked on a vigorous public safety enlightenment campaign across all Business Units. Key messages communicated were the dangers of trading and/or building under power lines, the use of illegal and unqualified technicians, and poor earthing of buildings. These campaigns were disseminated through the following mediums:

- Incorporating a Safety Talk segment at all Community Development Association meetings
- Sharing safety tips through IE's social media platforms and the Network Safety Monitor
- Affixing safety notices/warnings on buildings constructed under power lines

Incident Investigation and Corrective Actions

In 2016, we investigated 106 incidents. These incidents resulted in 30 injury/fatality Incidents and 83 non-injury incidents. As a result of these investigations, 279 corrective actions were recommended and implementation was monitored using IE's Incident Investigation Recommendation Tracker to ensure a proper closeout of each case. The summary of corrective actions and implementation status are set out below:

Incident Investigation Action Status from January – December, 2016		
Description	Status	Remarks
Closed Actions	106	Recommended actions addressed and reoccurrence prevented.
Open Actions	74	The recommendations have not been closed out; no meaningful action taken to prevent reoccurrence.
In-progress	99	Commenced corrective action or action is currently being taken to prevent reoccurrence

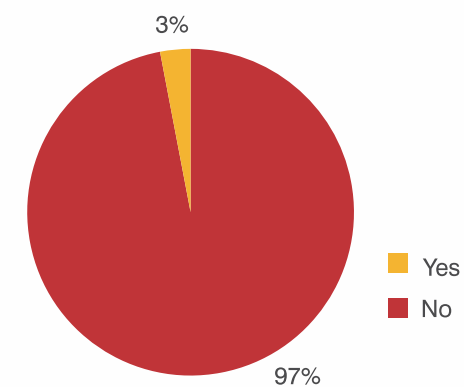


2016 Safety Survey Results

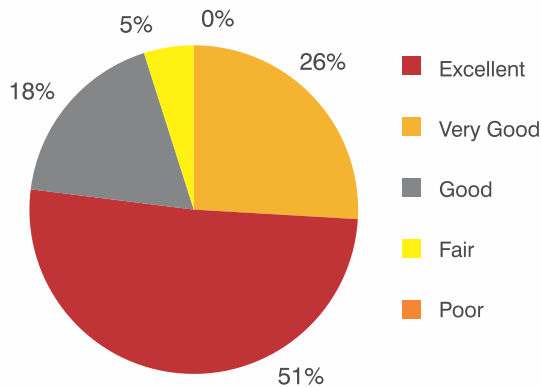
In line with OHSAS 18001 and global best practices in safety management, continual improvement plays a very critical role in ensuring the effectiveness of the organization's safety programme.

In the period under review, we conducted a safety survey to obtain feedback from our staff on our safety performance and to identify areas for improvement. The survey results revealed that 97% of survey participants believed that the safety culture in Ikeja Electric had improved from the previous year. 51% of participants ranked the level of safety awareness and culture in Ikeja Electric as very good, whilst 26% of participants ranked our performance as excellent. Over 80% of participants agreed that Senior Management and the Board of Directors are committed to establishing a positive safety culture, to reduce the occurrence of accidents.

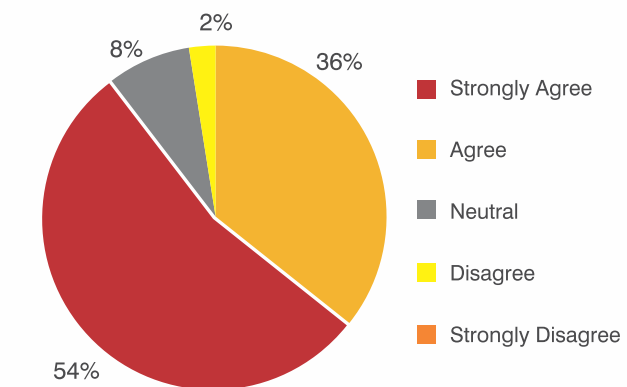
Did the safety culture in Ikeja Electric improve in 2016 compared with 2015?



How would you describe the present level of safety awareness and culture in Ikeja Electric?



IE's Management is committed to the establishment of a positive safety culture so as to reduce accidents



HSE Awards for Excellence

Our innovative incident prevention strategies, passion for safety excellence and the commitment of Ikeja Electric Management to health, safety and environment received external recognition and commendation.

Below are some awards Ikeja Electric received for outstanding performance in the areas of Health, Safety & Environment in 2016.

Nigerian Risk Awards

Ikeja Electric received an award for the Best Health & Safety Initiatives at the Nigerian Risk Award – 2016 adjudged by both local and international judges from the UK, USA and Denmark on the 7th of April, 2016.

Nigeria Safety Awards for Excellence

Ikeja Electric received an award for corporate organizations committed to Safety Excellence at the 9jaSAFE Awards (Hall of Fame) in 2016. At the maiden edition of the award in 2015, the Company received the Best Health & Safety Practicing Organization in the Power Industry.

The Nigerian Institution of Safety Engineers (NISE)

The Nigerian Institution of Safety Engineers, a division of Nigerian Society of Engineers, awarded Ikeja Electric for its commitment to safety excellence at its maiden awards ceremony held in Abuja.

“Our innovative incident prevention strategies, passion for safety excellence and the commitment of the Ikeja Electric Management to health, safety and environment has received external recognition.”



Beyond Zero

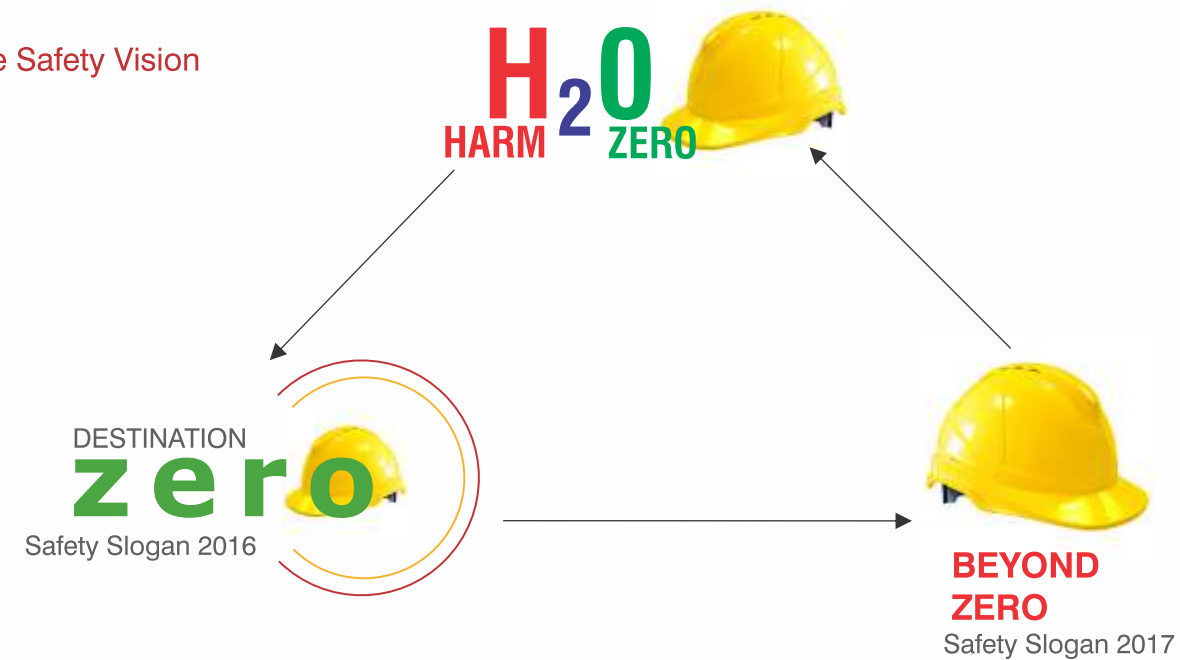
Our achievements in 2016 would not have been possible without competent, innovative, exceptionally motivated and, most importantly, healthy colleagues.

We are committed to learning from our past incidents and taking appropriate steps to prevent the occurrence of accidents.

We plan to strengthen and strictly enforce some of the strategic solutions like, network safety monitoring, field safety compliance monitoring and consequence management (including reward systems and punitive measures), to drive the cultural and attitudinal change and accountability amongst our employees in relation to HSE matters.

In light of the above, we expect every employee and contractor to be a safety leader, in furtherance of our 2017 objective, **Beyond Zero – Take Ownership**.

Corporate Safety Vision



SHARING WITH YOU

Engaging with Local Communities





At Ikeja Electric, we realize that a fundamental contributor to success is the quality of relationships developed with the communities in which we operate. Society is one of the four pillars of our Corporate Governance Framework. As such, we work to ensure that our neighboring communities benefit from our presence on a collaborative basis.

The relationship with our communities is crucial to us because our employees visit these communities each day, to perform their duties. This level of exposure requires that IE maintains a positive and mutually beneficial relationship with the communities in our network.

The effective engagement of stakeholders in the communities has significantly reduced the possibility of crises and fostered good relationships. We currently operate in a low trust environment, where stakeholders are largely dissatisfied with the state of the power sector. This led to protests at our offices, physical and verbal attacks on our employees, vandalism of our assets and facilities, and an overall negative perception of IE.

Despite these challenges, we recognize that developing these relationships and gaining the trust of our stakeholders, in particular our communities, is imperative for IE to succeed in its operations. We proactively embarked on sustainable community development progra-

mmes to build these relationships. We achieved this through our vehicle for engagement, the Personal Corporate and Social Responsibility (PCSR) Programme.

We are confident that effective communication remains the most powerful tool in managing issues in our host communities. Therefore, to ensure continuous improvement and peaceful co-existence with our host communities, the following strategies were put in place:

- Improving our knowledge of host communities and key stakeholders.
- Developing a Community Development Plan that is based on the needs of communities and their expectations vis-a-vis the organization's needs and resources.
- Constantly reviewing the PCSR policies, practices and procedures in line with changing trends and internationally acceptable standards.
- Where applicable, using local merchants, contractors and other professionals for goods and services as a means of empowering community members and in line with our drive to promote local content.
- Evaluating the community relations effort to determine the extent to which objectives have been achieved.
- Ensuring continuous contribution towards societal well-being and social reconstruction through sustainable partnerships with key stakeholders in the community.

“A fundamental contributor to success is the quality of relationships developed with the communities in which we operate.”

In 2016, we built on the community engagement activities developed in the previous year. We held over 568 sessions with various community groups. From our interactions, the primary concerns were in relation to issues such as power supply, metering of customers and estimated billing practices. We also educated and enlightened various community groups on issues such as the risks associated with the construction of structures under power lines, transformer vandalism and energy theft. These engagements, including meeting with local monarchs, helped spread messages about our activities to their communities. Critical information such as notices of planned outages were also disseminated through various channels such as television, radio interviews, SMS, press releases and social media.

In addition to improving communications with our communities, we also believe in giving back through

our PCSR projects. We partnered with the Dr. Ameyo Stella Adadevoh (DRASA) Health Trust and Kleanmate, on Global Hand Washing Day, where over 1,000 students in six public schools were taught the benefits of washing their hands. We also donated hundreds of books to various schools, as part of activities to mark World Book Day and deployed campaigns on oral hygiene in partnership with Unilever Nigeria Plc. Our partnership with Unilever afforded staff who volunteered, the opportunity to enlighten staff about oral hygiene.

We hope to continue to build on our stakeholder engagement activities by increasing the avenues and opportunities for dialogue. To this end, in the second half of 2016, we doubled the frequency of our engagement with Community Development Associations. In relation to our PCSR activities, we also aim to develop more sustainable interventions, such as empowerment programmes for youths in the communities where we operate. In the long term, we aim to become a trusted and responsible partner by the communities where we operate. One that is transparent about our activities, and that leaves a lasting positive impact in our host communities

Felix Ofulue
Head, Corporate Communications



Key Achievements in 2016

- Attended over 568 community engagement sessions.
- Held meetings with 36 traditional rulers within our network.
- Educated over 1,000 public school students on personal hygiene through partnerships with DRASA Trust and Kleanmate on Global Hand washing Day.



Key Challenges

- Resistance and distrust from various stakeholders.
- High levels of dissatisfaction due to the slow pace of visible transformation in the power sector.
- Violence from youth groups against staff and attack on facilities.



Goals for the Future (2017)

- Expanding our PCSR focus to cover education, health-based initiatives and deploy capacity-building programmes for youths within our host communities.

Personal and Corporate Social Responsibility

Personal Corporate Social Responsibility (PCSR) at Ikeja Electric is a socially inclusive strategy that presents every employee with an opportunity to partake in our corporate social responsibility activities. Although the scheme is voluntary, employees often commit and contribute in no small measure to IE's community development and capacity building programs.

Through our PCSR activities, we made contributions to the following sustainable development goals:



1. Books Donation

The United Nations set aside the 3rd of March as International World Book Day. With Education being one of our PCSR pillars, we took the opportunity to donate books to selected primary schools within our network. We saw this as a platform to encourage young children to begin developing a reading habit from an early stage.

The following schools benefited from the book outreach:

- Olokun Primary School II, Ilasa, Isolo
- Odunlade Primary School, Efon-Alaye, Shomolu
- Lagos State Government Primary School, Ikeja.
- C & S Primary School, Ogolonto, Ikorodu
- African Church primary School, Ipaja.



3 GOOD HEALTH AND WELL-BEING



2. Children's Day Donation to Hospitals

Ikeja Electric also visited selected hospitals located within our network on Children's Day to celebrate with the children. We visited the General Hospital, Ikorodu, General Hospital, Isolo, General Hospital, Gbagada, and the General Hospital, Orile-Agege as well as LASUTH, Ikeja.

Our visit brought smiles to the faces of visibly elated children, where we distributed several gift bags which contained storybooks and toys, among other items. We also donated essential items like cleaning agents, food items and toiletries to the children's wards within these hospitals.





3. Oral Hygiene Campaign in Primary Schools

In partnership with Unilever Nigeria Plc. and Hygeia HMO, the Company deployed campaigns on dental hygiene to pupils of Coker Primary School, Ifako Ijaiye under its Ikeja Business Unit coverage area. As tooth decay is the most common disease in the world, it was important to teach children from a very young age, the right way to care for their teeth. The children received toothpastes, toothbrushes, educational items and training on how to care for their teeth.

4. Global Hand Washing Day

We celebrated Global Hand Washing Day by partnering with the Dr. Ameyo Stella Adadevoh (DRASA) Health Trust and Kleanmate to visit six public schools where over 1000 children were taught the right way to wash their hands and enlightened on the health benefits of proper hand washing. The schools visited include; United Junior High School in Ikorodu, Amuwo Odofin Junior/Secondary School in Amuwo Odofin, Gbagada Junior Comprehensive in Shomolu, Oke-Ira Junior Grammar School in Ikeja, Community Junior Grammar School in Akowonjo and Iju Obawale Junior Grammar School in Abule Egba. We taught the students the 6-step routine which acts as a “self-vaccine” protecting the children from diseases like diarrhea and cholera.



5. Visit and donation to Orphanages

Our outreach to the less privileged saw us provide clothes, shoes, school bags, toys, books, non-perishable food items, and so on, donated by staff to different orphanages. We visited Precious Pearl Orphanage, St. Monica's Orphanage and a few others within our network coverage area. This made the festive season a happier one for all the children visited. Every item that was donated went a long way in putting a smile on the faces of the recipients.



Letter of appreciation from one of the orphanage's visited



Stakeholder Relationship Management

IE's stakeholder relationship management model is focused on educating, engaging and enlightening the local communities in which we operate. IE does this through frequent meetings with Community Development Associations (CDAs) and Community Development Committees (CDCs) where leaders and community heads of various local communities come together to deliberate on key issues affecting their communities as far as electricity supply is concerned.

These meetings offer IE the opportunity to engage in constant dialogue with the communities and provides avenues for identifying their needs and priorities towards guiding us in the development of strategies which effectively mitigate their challenges.

These frequent engagements create the much needed platforms and opportunity to educate the communities about the major concerns of the Company, such as;

- The impact of energy theft on the value chain.
- The contributing factors which have led to poor power supply.
- The benefits of using energy-efficient technology such as energy-saving light bulbs.
- Changes within the network that affects them, such as planned power outages.

By partnering with these communities, IE is able to gain the trust and respect of community members. The leaders of these communities become ambassadors of our initiatives and help relay vital information to their community members while providing almost real-time feedback to us. The information cycle therefore helps speed up the service delivery

evolution cycle.

In 2016, IE attended over 100 CDC meetings, 432 local CDA and neighborhood engagement meetings with 36 traditional rulers. Our engagement with monarchs and traditional rulers were particularly important as our employees were subject to harassment and assault as they engage in their activities on the field. We sought the support of these leaders to encourage our customers within their communities to pay their bills and cooperate with our employees in the execution of their duties.

These engagements have led to a significant reduction in the number of protests we had, and has encouraged communities to utilize approved dispute resolution channels to resolve community grievances effectively.

ABOUT THIS REPORT



Abule Egba:
72 Agbado Station Road, Ijaiye, Ojokoro, Lagos

Akowonjo:
41 Idimu Road, Egbeda, Lagos.

Ikeja:
1 Kudirat Abiola way, Oregun, Alausa, Lagos

Ikorodu:
2 Dosumu Ayodeji Street, Ikorodu

Oshodi:
142/144 Okota Road, Okota Isolo, Lagos.

Shomolu:
264 Obanikoro Bus Stop, Ikorodu Road, Lagos

Ikeja Electric's 2016 Sustainability Report reflects our economic, social and environmental activities from January 1 to December 31, 2016.

This is our second sustainability report, following the publication of our maiden report in 2016. We aim to publish these reports on an annual basis. The intended audience for this report are our key stakeholders such as our shareholders, customers, employees, suppliers, government and regulatory organizations. These stakeholders directly impact and also directly impacted by the activities of the organization.

GRI Content

The 2016 Sustainability Report has been organized and presented in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). The Guidelines seek to achieve consistency amongst corporations reporting on their sustainability activities.

The GRI Standards includes two options for reporting in accordance: "Core" and "Comprehensive." This Report has been prepared in accordance with the GRI Standards: Core option. We also present additional information not specified by GRI,

such as statements contributed by outside stakeholders and graphics that illustrate various aspects of our business.

Contact Us

This report was prepared by the Corporate Governance Unit of Ikeja Electric Plc. in accordance with the GRI-G4 Sustainability Reporting Standards and Principles.

Please send comments or questions about this Report to corp-gov@ikejaelectric.com or in writing to:

Corporate Governance & Compliance Office
Ikeja Electric Plc.
Obafemi Awolowo Way,
Alausa-Ikeja,
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0700-022-5543

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Our Customer.

Our Friend.



Customer Care Lines

01-4483900

01-7000250

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