

SOCIAL & ENVIRONMENTAL OVERVIEW 2017



AFRICAN FOUNDRIES LIMITED



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“We aim for nothing less than to be the most environmentally forward -looking company in the region and a leader amongst our industrial peers.”

*The African Foundries Limited over a period of time has become the most sustainably progressive Steel Rebars producing company in Africa. We are now **the regional industrial leader** in making Steel Rebars. We continuously keep innovating despite the challenges we face.*

High-strength and versatile, steel is the material of choice for many key markets and customer sectors. Africa is the most promising and emerging market in the world today. Automotive, construction and transportation sectors all depend on steel for their growing needs.

As an industry, we have made tremendous progress with the modernization and automation in our business process and we are proud to have all latest state of the art equipment's commissioned in our company.

We continuously work with our stakeholders to inspire meaningful collaboration and build long-lasting relationships.

We look forward to our future and the innovations that are yet to come. We are very excited for all the work we are doing to improve our employee well being, environmental , sustainability performance and revenue generation.



TABLE OF CONTENT

A	COMPANY PROFILE	4
B	CORPORATE GOVERNANCE AT AFL	11
C	HUMAN RIGHTS AT AFL	14
D	EMPLOYMENT AT AFL	18
E	ENVIRONMENT	20
F	BRIEBERY AND CORRUPTION	26
G	CONSUMER INTEREST & PRODUCT QUALITY	27
H	COMMUNITY WORK	33



A. Company Profile

African Foundries Limited (AFL) was established to support the accelerating growth in Nigeria by making the country self-reliant for premium quality steel Rebars and eliminating its dependence on imported Rebars.

AFL is fully integrated steel manufacturing plant, with the production capacity of 300,000 metric tons of steel reinforcing bars and allied products. The factory is located in the Ogiyo State of Nigeria and has been in operation since 2010. This is the single location from where AFL operates. The main process at AFL is of converting scarp into steel bars.

AFL is fully committed to ensuring international quality standards and continues to meet and exceed all quality related expectations of its customers. **AFL is one of the two companies in Sub Saharan Africa to be ISO certified by** M/s RINA the Italy based certification agency.

AFL has also achieved the prestigious CARES certification for its product and processes. AFL is the second company in the whole of western Africa to have achieved this certification.

AFL decided to go through this rigorous process of obtaining the CARES certification to create confidence among its customers and to showcase that the premium Rebars can be produced in Nigeria which can efficiently replace imports.



AFL's commitment to quality is indicated by the decision to equip the company with state of the art and high-tech manufacturing facilities, mostly engineered and supplied by Western European and Far Eastern suppliers. AFL operates the **largest shredder** in sub-Saharan Africa outside South Africa, which facilitates scrap recycling as per European standards, cutting waste and supporting the environment.

The highly qualified management team at AFL is constantly revising the operating standards to meet the ever-changing requirements of this industry.

AFL has equipped itself to produce Rebars meeting both American & British standards and well within SON specifications to surpass the expectations of all the market segments of the end users.

An environmental friendly organization, AFL is continuously working on waste reduction and emission controls within IFC and World Bank guidelines.

AFL has contributed to the significant employment rise and is tirelessly working to raise the skill level of its employees to meet the elevating expectations of quality.

The Expansion Journey of AFL





Vision

At African Industries , our vision is to be a global company in the sectors in which we operate and play a pivotal role in the development of the African economy.

Our group aims to be the partner of choice through its entrepreneurial leadership, constant pursuits of excellence and high level of integrity.

Values

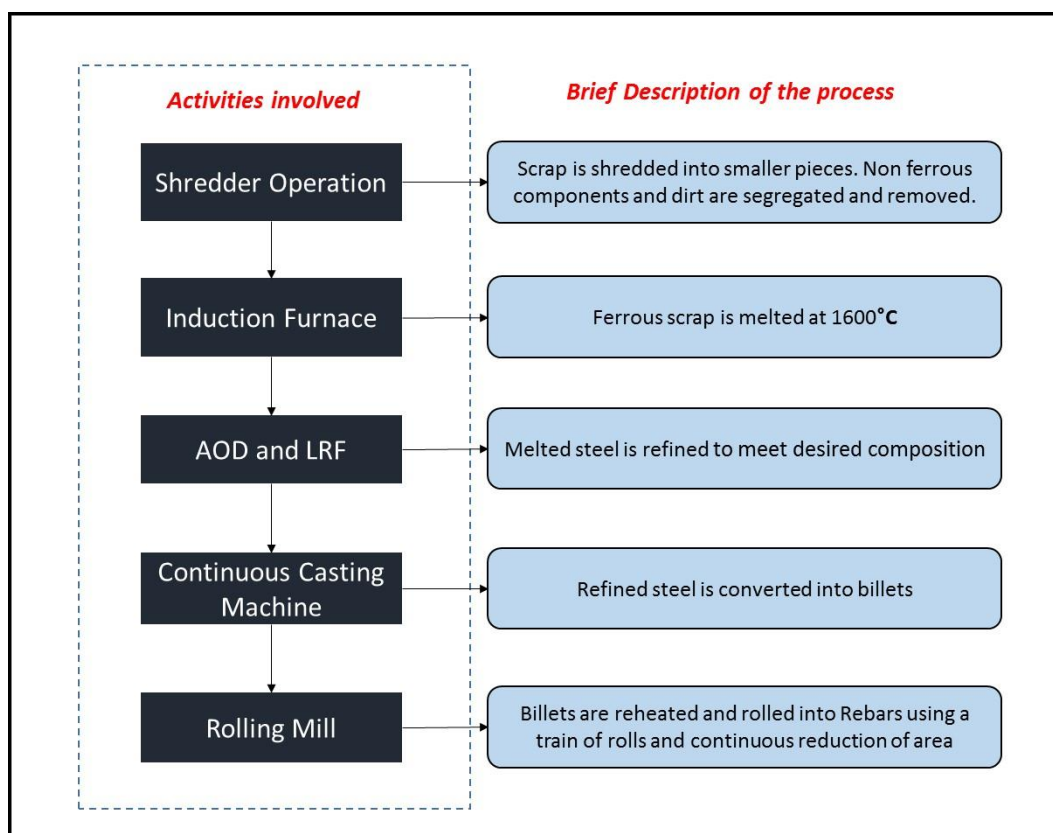
At AFL, we have adopted the values which support our vision, shape the culture and reflect what the company values. They are the essence of the AFL's identity – the principles, beliefs or philosophy of values.





Company Products

African Foundries limited (AFL) is a fully integrated steel plant with a capacity to produce 300,000 metric tons of Reinforcement Steel Bars. These Reinforcement Steel Bars are converted from ferrous scrap. The company handles more than **1000 tons** of scrap every day.



Apart from these, there are many auxiliary activities involved in making Steel Rebars. For example use of overhead cranes to transfer the material within the plant shed; use of heavy earth moving machinery to transport scrap from within the plant. Furthermore to support the production there are other supplementary systems like water, gas, air and lubrication system are running smoothly.

The 2 main products of AFL are-

1. AFL BS 4449:2005 Grade B500B

Features of AFL BS 4449:2005 Grade B500B:

- High strength Rebars yield strength over 500 MPa
- A Substitute to Imported Rebars
- Manufactured in a computerized controlled, highly automated, high speed continuous mill
- Adheres to all aspects of British Standards (BS 4449:2005 Grade B500B):
 - a.) Fatigue resistance
 - b.) RRA (Relative rib area)
 - c.) Rib geometry
 - d.) Mechanical properties
- AFL Rebars are supplied with Mill Test Certificates
- Delivered in pilfer-proof 2 ton bundles
- AFL rebar bundles are supplied with two tags per bundle
- Strictly adhering to UK CARES norms on Rebar attributes and manufacturing processes

AFL is a Thermo-Mechanically-Treated (TMT) rebar. This is the Premium Brand of Steel Rebars in Nigeria. The AFL Brand is a symbol of our commitment to international quality standards. These Rebars are made from Premium Billets, AFL BS 4449:2005 Grade B500B Rebar is the most trusted brand in Nigeria for its consistency in Quality and Technical conformity.



2. Tiger TMT

Tiger TMT aligned with American standards and is available in all sizes (8 mm to 32 mm). Tiger TMT, because of its proven strength has become a trusted brand in the Nigerian market. We are committed to providing the best quality iron rods while conforming to international standards.

Features Tiger TMT - Africa's Premier Iron Rods

- **SOLID BONDING**

Computerized rib pattern of Tiger TMT guarantees perfect bonding with concrete ensuring peace of mind for you and your family

- **HIGHER TEMPERATURE RESISTANCE**

The chemical and physical properties of Tiger TMT ensure that the rods withstand higher temperatures in case of fire

- **SUPERIOR STRENGTH AND DUCTILITY**

Tiger TMT rods are produced with yield strength higher than American standards

- **HIGHER RESISTANCE TO EARTHQUAKES**

Tiger TMT's chemical properties allow better absorption of extreme stress when there are intense vibrations

- **MORE SAVINGS**

Using Tiger TMT allows you to save more than 10% of the amount of steel needed compared to other brands





Our customer base in the Africa Region



- Cameroon
- Chad
- Niger
- Benin
- Togo
- Male
- B Faso
- Ivory Coast
- Morocco

The Brand AFL is a very popular brand amongst the other African countries and is exported outside of Nigeria. It is the highest quality of Steel Rebars with very less carbon content.

The Brand Tiger however is more popular within the country and is the mainly bought in Nigeria



B. Corporate Governance at AFL

AFL is a privately held, limited liability company operating under the Laws of Nigeria. The company is wholly owned by the shareholders. Currently the Board of directors have

- 6 Directors (2 Executive and 4 Non-Executive Directors).
- The board is structured in such a way to consider the challenges of the business and the region.
- The Board has 2 Nigerians and 4 Indian Nationals to meet the needs of the diverse business set up.

The Company's business is managed under the direction of the Board. The Board delegates the authority and responsibility for managing the Company's business to the Chief Executive Officer, and the senior management. The Board's role is to oversee the management and governance of the Company and to monitor senior management's performance.

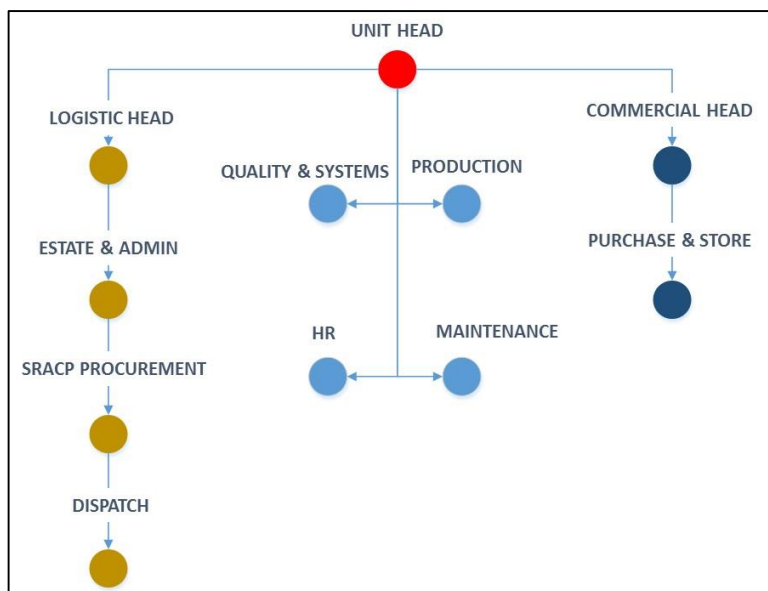
The Board's core responsibilities are to:

- Review and monitor implementation of management's strategic plans and goals.
- Review and approve the Company's annual operating plans and budgets.
- Monitor corporate performance and evaluate results compared to the strategic plans and other long-term goals.
- Review the Company's financial controls and reporting systems.
- Review and approve the Company's financial statements and financial reporting.



- Review the Company's ethical standards and legal compliance programs and procedures.
- Oversee the Company's management of enterprise risk.
- Monitor relations with shareholders, employees, and the communities in which the Company operates.

AFL's Organization Structure



- AFL has dedicated a special unit called **IMF (Integrated Management Framework)** to review and monitor implementation of all the management frameworks the company subscribes to.
- Quality management System, Environmental Management System, OHSAS, Quality Assurance Standards, Health and Safety and customer relations all activities are under the IMF.
- The IMF department reports to the Unit Head to ensure immediate actions and quick decision making.

Share Ownership Structure

The largest shareholder of the company is African Steel Holdings Limited, holding 99.99% shares and Mr. Alok Gupta limited holds 0.01% shares.

Internal Audit, Risk Management and Legal Compliance System

- The Board of Directors ensures appropriate internal control systems are implemented and maintained to ensure that the company's interest and assets are safeguarded and managed.
- There are controls in place in order to minimize potential losses arising from possible fraud and other illegal acts. There is a structured framework for implementing internal control. The framework is approved and implemented through accounting procedures and adequate segregation of duties.
- Internal auditors monitor the operation of the internal controls and systems and report their findings and recommendations to the Board.
- Corrective action is taken to address control deficiencies and improve systems where opportunities are identified. The Board, operating through its Audit Committee, provides oversight of the financial reporting process and internal control systems.

In the year 2016- 2017; no incidents have come to the attention of the Board that would indicate any disruption or gaps in internal controls during the year under review.



C. Human Rights

AFL supports and respects the protection of internally proclaimed human rights and we constantly makes sure that our business operations do not complicit in any kind of human rights abuse. AFL subscribes to the local law and also subscribes to standards recommended by IFC (Performance Standards 1-4).

- **Performance Standard 1:** Assessment and Management of Environmental and Social Risks and Impacts
- **Performance Standard 2:** Labor and Working Conditions
- **Performance Standard 3:** Resource Efficiency and Pollution Prevention
- **Performance Standard 4:** Community Health, Safety, and Security

The board of directors ensure that all employees are being treated with respect. There is no discrimination based on race, religion or gender.





The company also relies on its robust and effective communication channels to ensure that if at all there are any human rights violations they are flagged off and dealt with.

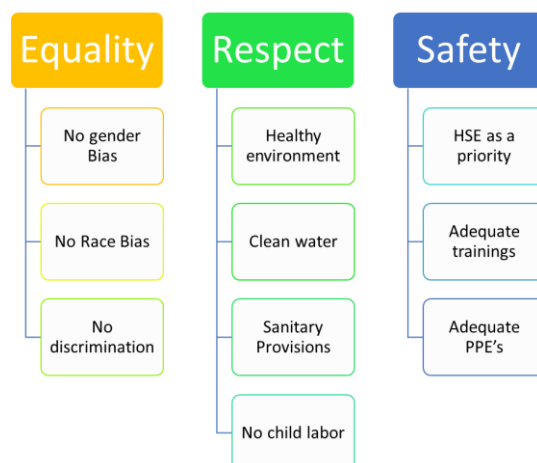
The company provides for safe and clean drinking water for all people (employee and visitor) in the premises. Earlier the employees had a makeshift temporary canteen which is now converted into a proper canteen near the main admin building. Two food vendors have been selected. The food prepared in this premise is safe and fresh and in accordance to all the HSE requirement.

There are adequate sanitary provisions for male and female employees. There are proper changing rooms for employees to use at work. Earlier the arrangement was such that employees used a container as the changing room but now the new changing room is next to the canteens. Employees are also provided with lockers to keep their belongings safe.

All employees are provided with PPE's in accordance to the job they are doing. The line managers always encourages the employees to use them. All AFL employees get free medical aid at the clinic on site and at the retainer hospital.

In terms of remuneration the company boasts that all shop floor employees are paid much higher than the minimum wages prescribed by the Nigerian labour law. Employees who do overtime or work on public holidays get special wages additionally.

Although there are no specific trainings conducted in terms of Human Rights the culture in the company is such that these values are imbibed into day to day interactions of the employees themselves and also with other stakeholders.



The Board of Directors are constantly striving to provide for all the basic facilities to the employees of AFL.

On site clinic with an Ambulance 24/7



Green and Clean Factory Site



Systematic entry inside the factory





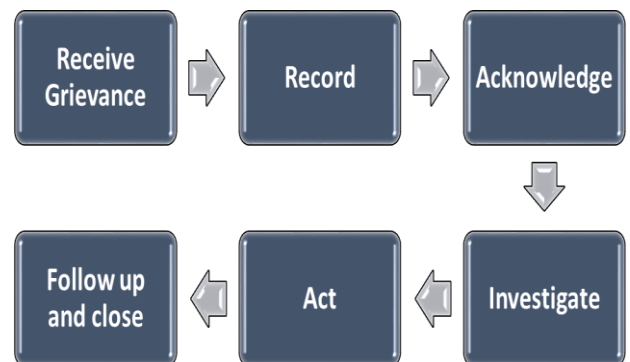
Grievance Mechanism

The Board of Directors of AFL recognize that grievance mechanisms are necessary for businesses to responsibly address human rights issues. AFL has established a grievance mechanism framework to effectively deal with the issues escalated and to manage the risks and adverse effect to the business. The framework facilitates the early identification of grievances and a prompt remedy for people who believe they have been harmed in any way.

GRIEVANCE REPORTING CHANNELS

Various channels for employees to vocalize their grievances formally include:

- **Telephone** -Employee can call head office and request to speak to the concerned officer.
- **Dropbox**- Employees are encouraged to put their Grievances in a drop box for sensitive issues where confidentiality needs to be maintained.
- **Email** - Grievances can be sent to the concerned officer via email.
- **Face to face**- Employees can voice their grievance to any senior employee who will then escalate using the correct process.



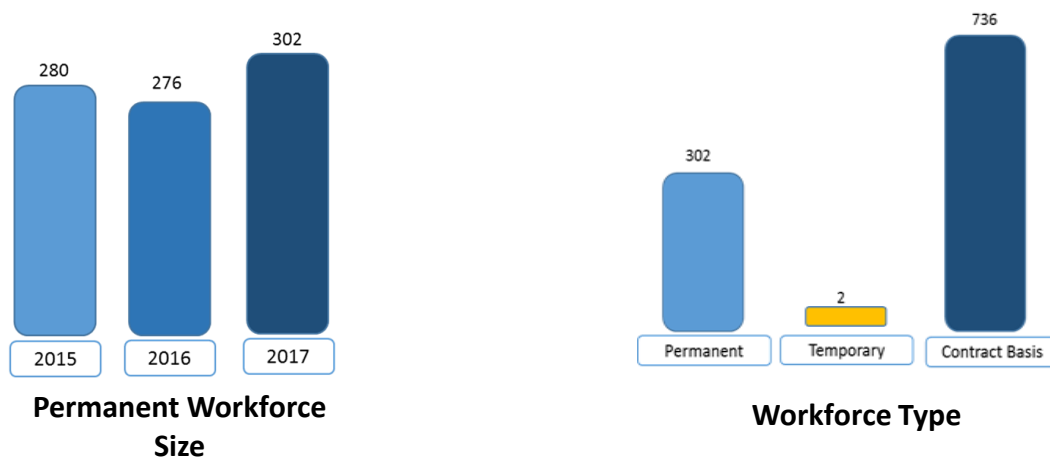
At AFL all Grievances are treated with utmost seriousness. Usually it takes 24 hours to acknowledge a grievance but that might vary from case to case. Wherever required- secrecy and confidentiality is also maintained.



D. Employment at AFL

Over the past year AFL has looked at ways to enhance the way its employees perform; how AFL can compensate them; how to provide new opportunities for their learning and development; and putting their wellbeing and safety as AFL’s highest priority. AFL is widely **recognized in the region** for offering **employees the best benefits**, and these are enriched further continuously.

In the drive to be the best employer of choice, AFL strives to hire the best talent, provide training and development opportunities, and a healthy work environment combined with the best benefits and compensation structures.



The board of Directors of AFL have always believed in investing in employees because its not only about building careers, but **the vision is to drive progress**. The Board believes that when one person grows, we all grow—and together.

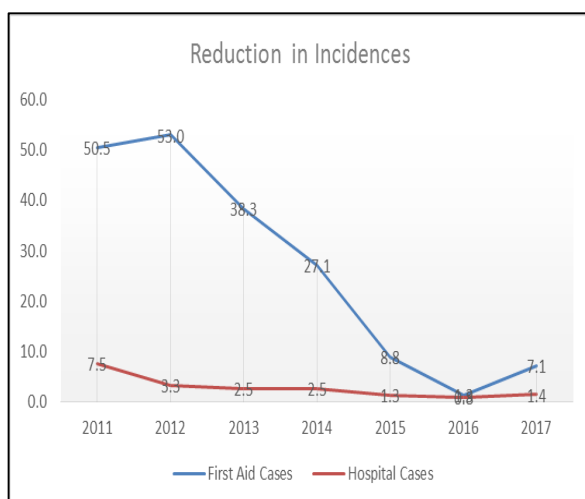
As a result of this commitment, AFL has investing and increasing the employee remuneration since the beginning.

The remuneration packages at AFL include salary , bonuses and incentives. The Board of Directors of AFL not only adheres to the labour law but ensures that the employees are paid higher to what is the current industry trend. And this is the reason why employee turnover rate is very less at AFL.

Since the conception of AFL all the data related to employee wellbeing is being carefully maintained. All AFL’s interventions for the betterment of employees are based on the types of injuries and areas related to the sickness. AFL maintains a near miss and unsafe acts risk log.

So all education and awareness program can focus on them. It is because of these interventions that there is steady decline in the incidences over a period of time.

Year	First Aid Case (Nos/ Month)	Hospital Case (Nos/ Month)		Reduction Hospital Case (%)	
		Actual	Target	Actual	Target
2011	50.5	7.5			Base Line
2012	53.0	3.3	3.8	56	50%
2013	38.3	2.5	1.7	24	50%
2014	27.1	2.5	1.8	0	30%
2015	8.8	1.3	1.8	48	30%
2016	1.3	0.8	0.9	38	30%
2017	7.1	1.4	0.72		10%





E. Environment

AFL has adopted an **Health Safety & Environment** initiative because the Board of Directors feel very strongly about HSE issues and also as it was a directive from its lenders (Development Financial Institutions) as a part of post condition.

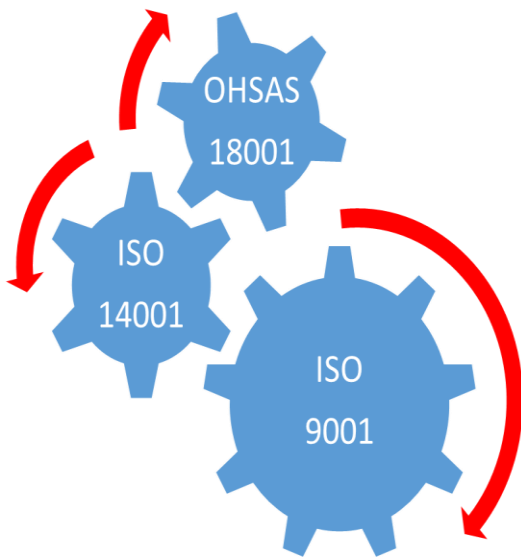
As a part of this commitment AFL has established **An Environmental and Social Action Plan (ESAP)**. The ESAP is a real commitment from AFL. The plan is reviewed every quarterly. The ESAP covers various elements of health, safety, environment, labor and community.

Apart from ESAP, International Finance Corporation (IFC) – General EHS Guidelines, EHS Guidelines - Foundries, IFC Performance Standards (1 to 4) are the other governing standards for AFL's HSE evolution and implementation.

The HSE initiative took off in October'2010 when production at AFL had not begun. ERM and RINA conducted gap analysis on the site. The results for this gap analysis was the beginning point to kick start the HSE initiative in AFL. Billet production started only in December '2010.

So far AFL attained the certification for its **Integrated Management System (IMS)** framework which included ISO 9001 (Quality Management System), ISO 14001 (Environment Management System) and OHSAS 18001 (Health & Safety Management System) in August'2011 for the scope of 'Billet Production & Sales'.

Apart from creating its own organization for implementation, AFL took the handholding from ERM and RINA, two reputable organizations in the field.



The implementation of IMS served many benefits to the company through **increased efficiency, effectiveness and cost reductions**. It also shows AFL's commitment to increased performance, employee and customer satisfaction, and continuous improvement.

With an integrated management system, the company worked together, with each function aligned behind a single goal: improving the performance of the entire company.

An integrated system achieves excellence and provides AFL a clear, uniform image of the company and how they tackle the associated risks. Implementation of this framework also made it easier to adopt new systems in future.

AFL was the first company in the country and its domain to achieve this. AFL was, also successful in two subsequent Re-certifications. Meantime the scope of the framework certification was enhanced to 'Rebar Production & Sales' in February'2013.

The early adoption of management system on health & safety and environment in AFL premises was instrumental in creating a culture of prevention in its operations. AFL has ZERO fatality so far from erection & commissioning to seven years operation – it is very rare mark in local Nigerian industrial context.





The Board of Directors of AFL are completely aware of the main risks/threats its business operations possess to the environment and what are the impacts it has on the environment. The Board of Directors through their vision and involvement in the Environmental initiative at AFL have continuously tried to mitigate these risks/threats.

Business process	Risk	Impact
Running of the mill	Fume, heat, oil & waste water	Air pollution, soil and ground water contamination
Use of oil	Air and land pollution	Land contamination and air pollution
Water circulation	Water resources depletion	Water resource depletion and ground water contamination

Having understood the risk to the environment AFL is striving to reduce this as much possible and here are some of the measures taken by the company to manage the risks-

Measures for Reduction in consumption of energy

- AFL has a natural gas based power generation plant. This has reduced the carbon footprint tremendously
- AFL also has a Gas based reheating furnace

Water Conservation Measures

- All water used in AFL plant is in closed circuit. The waste water is disposed off efficiently

Reduction in consumption of other material

- All the waste generated is reused.
- Re-use of dust generated from FES as reducing agent for steel melting and re-use of Slag for making interlocking Tiles

Measures to protect and conserve natural environment

- AFL always invests in state of the art equipment's which are a sustainable technology selection.
- Induction Furnace for melting, Non Ferrous plant for secondary waste removal, Fume Extraction System for induction furnace, Natural Gas based Re-Heating furnace are a few examples to mention



At AFL various pollution causing parameters are regularly checked. The Table below shows at what interval the parameters are checked.

Type of testing	Annually	Bi annually	Quarterly	Monthly
Air Monitoring		•		
Air Emission Monitoring		•		
Water Quality Monitoring		•		
Noise Monitoring			•	•
Soil Monitoring	•			
Effluent Monitoring	There is no effluent in the adopted technology – all water usage is closed cycle			
Strom Water Monitoring	•			

The Board of Directors at AFL have continuously prioritizing the wellbeing of employees. Implementation of OHSAS 18001 has helped in streamlining these efforts. Various Initiatives have been successfully implemented in this regards.

Major HSE Initiatives at the Company site

- Fully functional Canteen
- Well designed changing rooms
- Centralized sanitation facility
- New state of the art admin building
- Coverage of open ground
- Cordoned Plant Entry System
- Housekeep- “Team up Clean Up “ initiative
- Radiation Detection Device

The Board of Directors at AFL have continuously emphasized on the Health and Safety trainings for employees and also visitors.

The progress of HSE implementation in AFL has been very successful and satisfying from the implementation perspective because of following reasons –

- Active involvement of top management,
- Progress linked appreciation from the lenders,
- Early start of the initiative,

AFL's Board of Directors soon realized the advantages of adopting the framework in the operations and local plant management was continuously on the job to meet performance expectations.

A pep talk being held at the factory premise. The employees are made aware of the importance of PPE. Pep talks happen everyday at the company site and are a very important part of the AFL safety culture.



A first aid training is being conducted in the picture below. All employees are regularly trained on first aid and similar trainings. Safety trainings are also a part of the induction training given to newly joined employees.



Safety drills are a very important feature of AFL Safety Culture. Drills are conducted regularly and taken very seriously at the camp site. Owing to the nature of operations Fire Safety is given utmost importance.

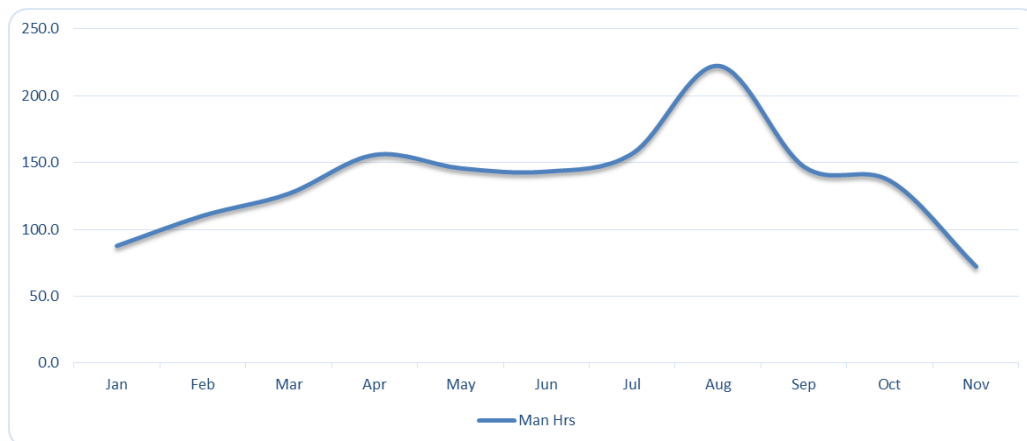


At AFL different HSE topics are considered for training all employees. These trainings are related to the nature of business and its impact. An Environmental Impact training going on.





Health and Safety Trainings have always been a priority at AFL. In the year 2016 AFL employees spent about 1506 man-hours being trained on various Health and safety topics relevant to their work . The data below depicts the efforts taken by the board for HSE trainings.



Each and every employee at AFL has to take part in Health and Safety trainings. Employees who work on the shop floor or at the furnace or those who work on heights are constantly aided to attend more HSE trainings that happen at the factory site.





F. Bribery and Corruption

AFL through the years of its business is committed to manage and to conduct the entire business in honest and ethical manner. The fundamental standards of integrity under which AFL operates strictly prohibits bribery or other improper payments in any of its business operations.

Although AFL doesn't not have an Anti-bribery & Anti-corruption policy even then through the business practices it reflects that the Company has been putting a lot of efforts to implement and to enforce an effective system to counter bribery and corruption activities.

The company's efforts are designed to reduce the risk of bribery and corruption activities occurring and their reputational impact on AFL and its stakeholders.

- Each Employee has a personal and professional responsibility and obligation to conduct AFL's business activities ethically.
- Failure to do so results in disciplinary action, up to including dismissal, and criminal liability.

AFL does not tolerate practices of bribery and corruption in any form or wherever paid.

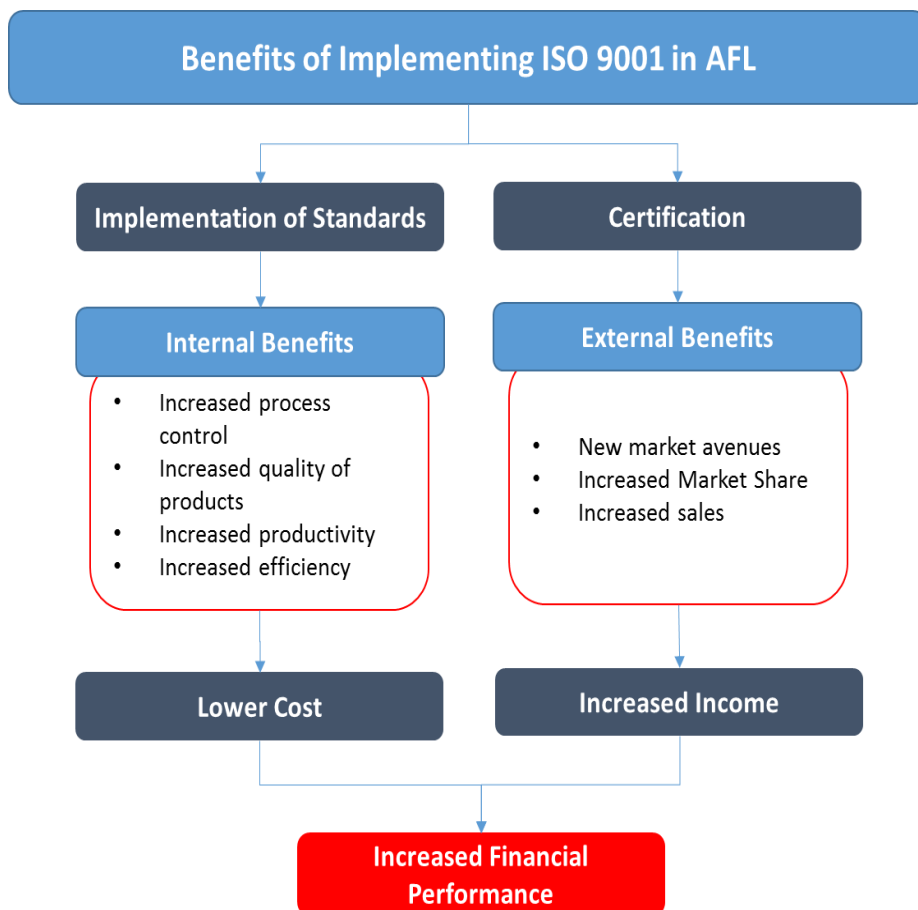
It is the responsibility of all employees who are involved at any time in engaging the services of external bodies (consultants, suppliers or advisers, etc.) to ensure that such individuals are made aware of the AFL's view on Bribery at the outset of the relationship and on a regular basis thereafter.



G. Consumer interest and product quality

AFL has been subscribing to ISO 9001 – Quality Management Standards Since the beginning of its Production.

Implementation of ISO 9001 has helped AFL in ensuring that the needs of customers and other stakeholders are met while meeting statutory and regulatory requirements related to a product are also taken care of.



AFL is equipped with **a self-sufficient state of the art lab**. The lab is equipped with all necessary equipment required for testing rebar. It has the facility to make mechanical property testing in conjunction with the production process and certifies product quality online. All AFL products are accompanied with full test certificates on the mechanical and chemical properties of the rebar.

The lab is manned by qualified and skilled personnel that are constantly being trained on changing requirements of quality testing.



For making the rebars, high quality billets are heated in a PLC controlled fully automatic reheating furnace. These heated billets are then passed through a continuous, centrally controlled, fully automatic state of the art rolling mill. This mill adopts high speed continuous rolling with very gradual sectional reduction and accurate temperature control of rolled stock, thus ensuring consistent product quality.

- Mechanical
- Chemical and
- Geometrical

High emphasis on the training to adopt standard test methods(ISO15630) internationally acceptable.



AFL has a full- fledged **operational R&D Lab**. It is equipped with some modern devices e.g. Gas Analyzer, Rib Measuring supporting device, spectrometer, XRF and UTM apart from other supporting devices. To ensure quality all the equipment are duly calibrated by authorized agencies having ISO/IEC 17025:2005 or have a valid calibrated masters/Certified reference material.

AFL has also installed a Radiation Detection Device at the weigh bridge. Each scrap trailer entering the plant is subjected to radiation test. The software brings the report on the monitor inside the control room.

AFL has robust stackers' installed. The finished rebars are kept in the wooden donnage making it easy for identification of lot and dispatches.

AFL is the first company in Nigeria to have their own power plant. They have 5 gas based generators which generates 45 megawatt of power every day.





Each and every product produced by AFL has a tag. The products details , composition – size wise, brand wise number wise are available on the tags. All the products have a certificate attached for quality assurance which is handed over to the customer.



AFL has achieved prestigious CARES certification for its product – only third company in African continent and first in western Africa. This is the testimony of AFL’s management vision – AFL brand is a premium category brand and has substituted imports in the category and also is exported.

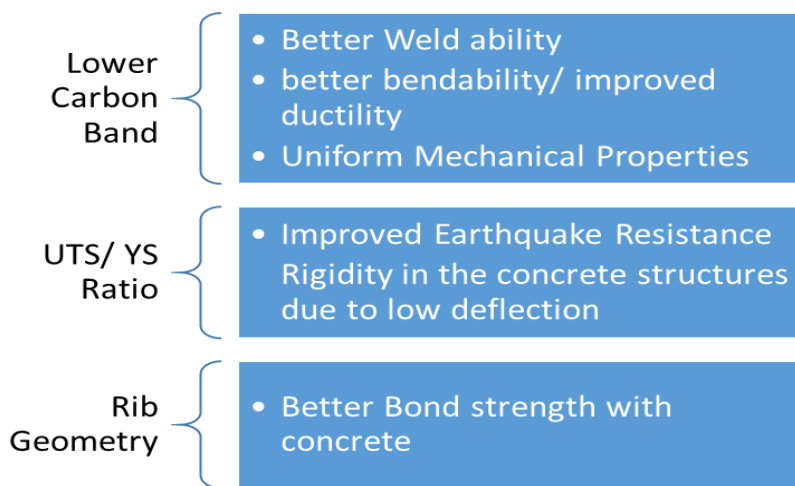


AFL is the only steel company in NIGERIA with CARES, ISO 9001, ISO 14001 and OHSAS 18001 accreditation.

THE BRAND AFL

AFL brand Rebar is produced against the standard BS 4449:2005 -a widely accepted standard in the construction industry.

Special Features





H. Community Work @ AFL

Corporate Social Responsibility is an integral component of the business strategy and AFL has continuously been working towards improving the quality of life for the underprivileged sections of our society in our areas of operation.



AFL promotes and encourages economic, social, health and educational development within our communities while giving active support to local initiatives.

The economic implications of our operations and investment on the overall economy of Nigeria and the local community are significant.

AFL recognizes the importance of the health and safety of the communities and environment. We are committed to operating our plants and assets in a manner that is safe for employees, business partners, communities and the environment. In accordance to UNICEF standards, child labor is strictly prohibited.



Initiatives taken by AFL:

- Currently operate a clinic in Nigeria to take care of medical needs of our employees
- Community health center is being built right now; under construction
- Hired medical personals to visit each industrial site for regular health check-ups and have direct connections with hospitals and clinics in Nigeria
- Provided bore well facilities and overhead water tanks to the local community
- For all semi-skilled and unskilled labor requirements at our company sites, the group makes every effort to engage and provide employment to the local community
- Actively promotes the employment of women in the community as a part of our social empowerment efforts
- Active support in building roads from the site to the local community