

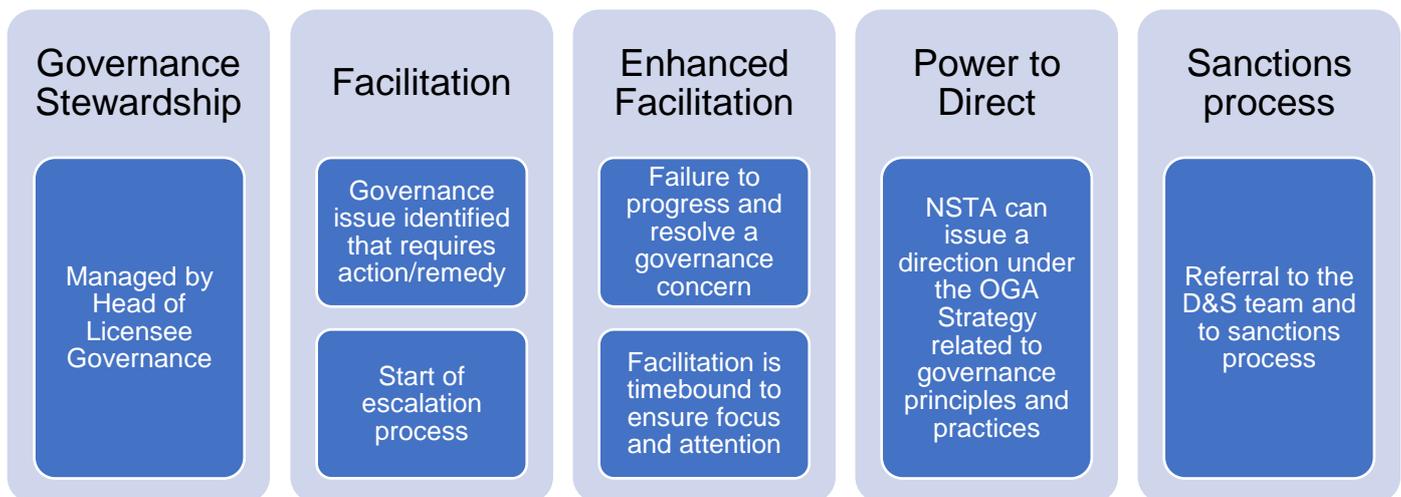
NSTA Governance Guidance Process Model

Set out below is a high-level description of the process model the NSTA will generally follow in support of its consideration of Corporate Governance matters as set out in the NSTA's Governance Guidance - [OGA Governance Guidance \(nstauthority.co.uk\)](https://www.nstauthority.co.uk/governance-guidance). This includes instances that might result in a governance review being initiated.

The content set out below is intended to be applied flexibly, and the list of possible situations that may warrant a governance review is not fixed.

Model:

The governance process follows the NSTA's widely recognised measured escalation process as outlined below:



Instances that may lead to a governance review:

This is not an exhaustive list.

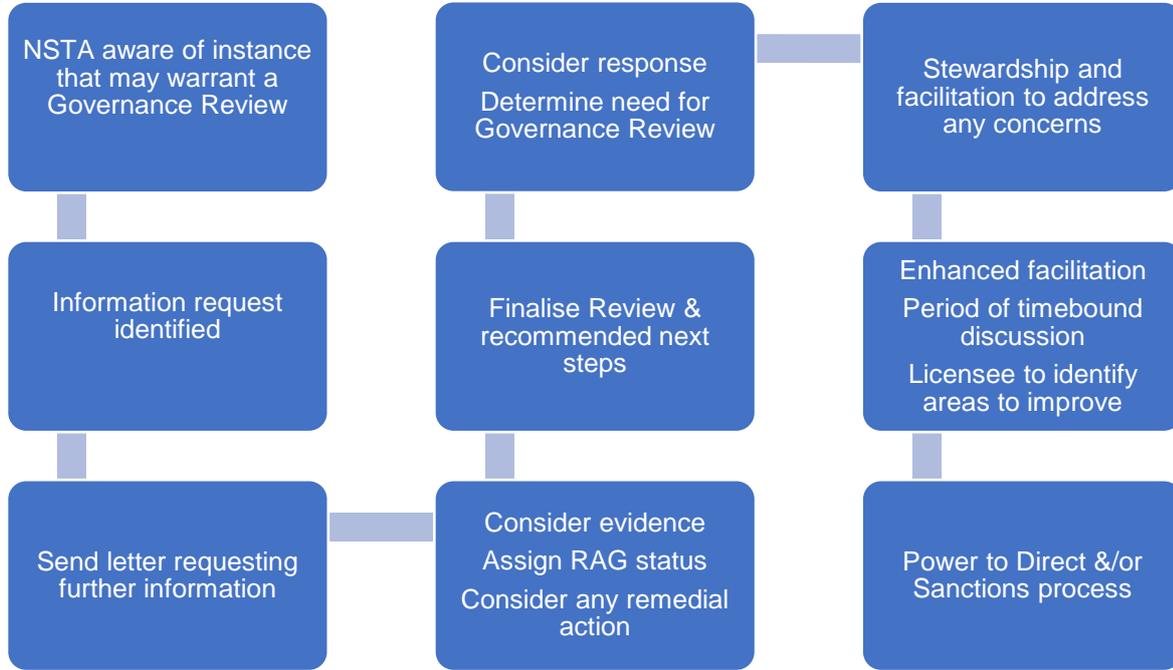
- Where the potential licensee is a newcomer to the UKCS
- Individuals involved in the company
- Material changes to make-up of licensee (size/characteristics) e.g. through Change of Control or License Assignment
- Poor commercial behaviour e.g. repeated consenting breaches, poor well stewardship activity, project delays and impact on 3rd parties, and stalling on commitments made.
- Breach of licence commitments such as breach of consents or model clauses
- Where there are concerns about funding or impact on investor confidence / support to continued Oil & Gas lending

When undertaking a governance review, the NSTA will undertake a Red Amber Green rating ("RAG"), as described below, and identify to the reviewed party its high-level considerations along with any appropriate remedies.



Governance review process

Below is a more detailed breakdown of the process the NSTA will normally follow when considering a Governance Review.



RAG review & rating

<p>L Low risk</p>	<p>Licensee has provided all information requested and governance is satisfactory No areas of concern flagged Mostly compliant</p>
<p>M Medium risk</p>	<p>Some governance areas identified as in need of improvement & potential remedial action required Some meaningful gaps identified Substantial compliance</p>
<p>H High risk</p>	<p>Governance arrangements in place demonstrate serious omissions Licensee’s information request has significant gaps or no response is received</p>