

BARON OIL PLC

Safety & Environmental Capability



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Abbreviations

| | |
|--------|---|
| ALARP | As Low as Reasonably Practicable |
| ANSI | American National Standards Institute |
| API | American Petroleum Institute |
| BEIS | Department for Business, Energy & Industrial Strategy |
| BSI | British Standards Institution |
| CCS | Carbon Capture and Storage |
| EMS | Environmental Management System |
| EU | European Union |
| HSE | Health, Safety and Environment |
| HSE MS | Health, Safety and Environmental Management System |
| IOSH | Institution of Occupational Safety and Health |
| IOGP | International Association of Oil and Gas Producers |
| IPIECA | International Petroleum Industry Environmental Conservation Association |
| IRF | International Regulators' Forum |
| ISO | International Organization for Standardization |
| NOJV | Non-Operated Joint Venture |
| NSTA | North Sea Transition Authority |
| NSTD | North Sea Transition Deal |
| OGA | Oil and Gas Authority |
| OSD | Offshore Safety Directive |
| OSPAR | Oslo and Paris Convention |
| PDCA | Plan - Do - Check – Act |
| UK | United Kingdom |
| UKCS | United Kingdom Continental Shelf |

1 Introduction

Baron Oil PLC (hereafter referred to as 'Baron') is taking a working interest in applications to be made under the 33rd Round of Offshore Licensing.

In accordance with the 33rd Round Appendix C – Safety and Environmental Issues Licensing and Operatorship guidance, each applicant must submit an Appendix C Application to the North Sea Transition Authority (NSTA), previously known as the Oil and Gas Authority (OGA) until March 2022, to outline their safety and environmental capability.

This document is the Appendix C Application for Baron and has been structured in accordance with the 33rd Round Appendix C – Safety and Environmental Issues Licensing and Operatorship document (NSTA, 2022).

It should be noted that Baron only intend to hold a financial interest in any Licence awarded and will not be the licence administrator. It is acknowledged, however, that all licensees are still financially liable for the prevention and remediation of any environmental damage that is, or may be, caused by the offshore oil and gas activities carried out by the licensees, or by persons acting on their behalf (refer to Section 4).

Table 1-1 License Application Requirements

| License Application Requirement | | Section |
|--|---|-------------|
| 1.2 Safety and Environmental Capability | | |
| (i) | A section summarising the prospective licensee's safety, environmental and Net-Zero policies. | Section 2.2 |
| (ii) | A section setting out the prospective licensee's understanding of the relevant statutory safety and environmental provisions, how the prospective licensee manages their safety and environmental regulatory obligations, and how the prospective licensee keeps abreast of evolving regulatory requirements. | Section 2.5 |
| (iii) | A section describing the prospective licensee's management structure pursuant to the proposed work programme, including details of functional responsibility at board level for the management of safety and environmental matters. | Section 2.4 |
| (iv) | A section confirming that the prospective licensee has relevant safety and environmental management systems, or a commitment to have such systems in place prior to appointing an operator to undertake any well operations and/or offshore petroleum operations. | Section 2.3 |
| (v) | Where a third party is to be appointed as well and/or installation operator to manage the well operations and/or offshore petroleum operations, a section setting out how the prospective licensee will select a third party that has the capacity to adequately undertake the duties relating to the appointment, and steps such as monitoring, audit and review that will be put in place by the prospective licensee to ensure that the third party meets, and continues to meet, the relevant statutory requirements. | Section 2.7 |

| License Application Requirement | | Section |
|--|--|-----------|
| 1.3 Safety and Environmental Performance | | |
| (i) | Details of any major accidents during the last five years (either in the UK or in other countries). | Section 3 |
| (ii) | Details of any failure to comply with any relevant safety or environmental legislative standards or requirements that resulted in enforcement action by the regulator during the last five years (either in the UK or in other countries). | |
| (iii) | Details of any criminal or civil action taken against the company, or pending against the company, with respect to safety or environmental issues during the last five years (either in the UK or in other countries). | |
| (iv) | Details of any conviction for breaching any safety or environmental legislation during the last five years (either in the UK or in other countries). | |
| 1.4 Liability Arrangements | | |
| Liability Arrangements | | Section 4 |

2 Safety and Environmental Competence and Capability

Baron is an independent oil and gas company headquartered in London. The company concentrates on low to medium risk exploration prospects in areas that can be quickly and relatively cheaply developed and monetized. Shares in the company are listed in the UK on the Alternative Investment Market small company growth section of the London Stock Exchange.

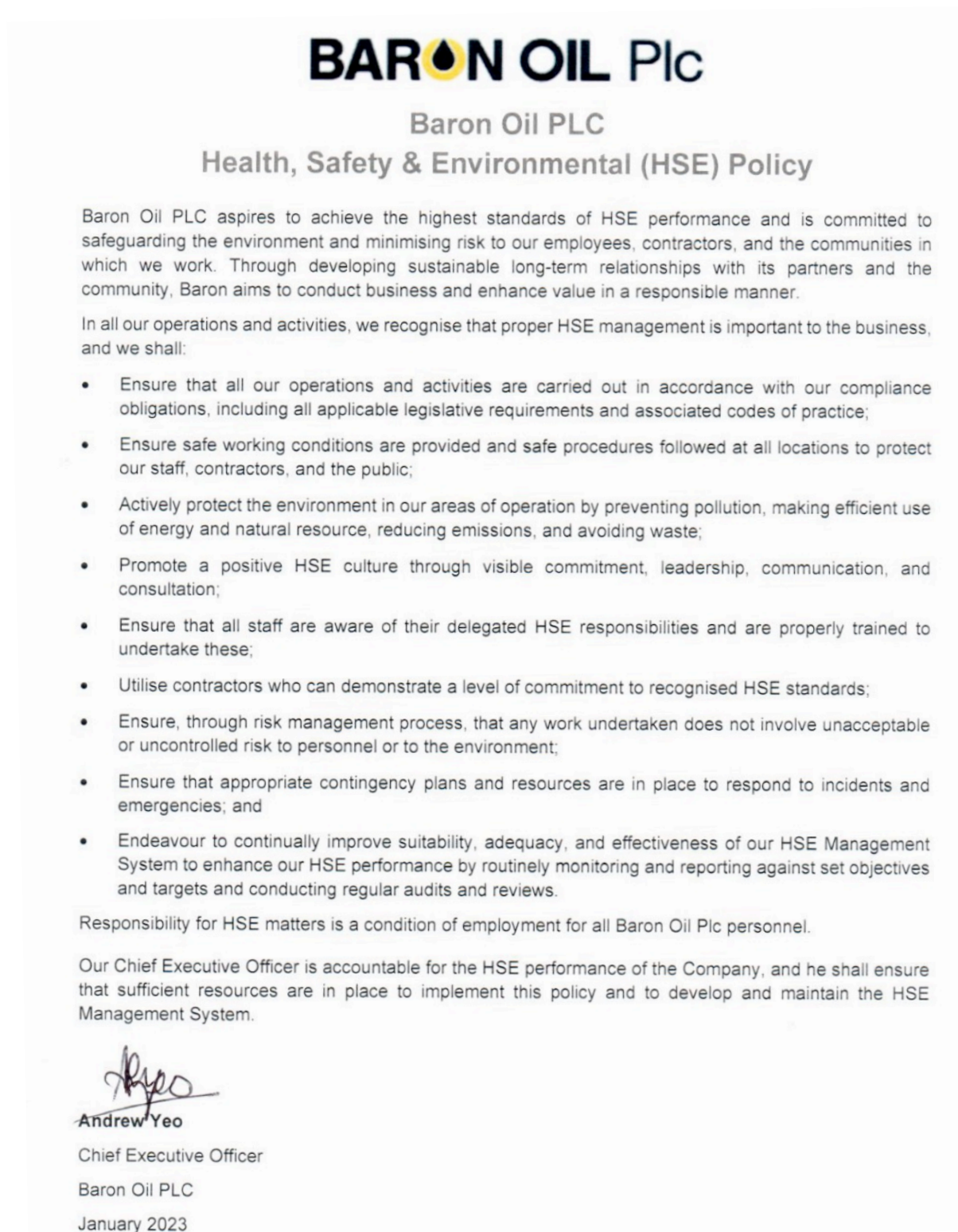
2.1 Health, Safety and Environmental Policy Statement

Baron's HSE Policy defines and documents the Company's commitment to health and safety of individuals and protection of the environment (refer to Figure 2.1).

The implementation of the HSE Policy is achieved through application of Baron's HSE Management System. Achieving the policy goals depends on the commitment of everybody who works for Baron, including contractors, suppliers, and consultants. It is therefore the responsibility of everyone to ensure that the system is understood and followed.

Baron's HSE Policy is regularly reviewed and, if necessary, modified and revisited following any material changes in the company. It is made available to the public and those working for and on behalf of Baron as necessary.

Figure 2-1 HSE Policy Statement



2.2 Net Zero

In 2020, the OGA (now NSTA) developed a strategy (OGA, 2020) that reflects the ongoing global energy transition, featuring a range of new net zero obligations for the UK oil and gas industry.

The Strategy 'requires industry to operate in a way consistent with net zero ambitions, lowering production emissions and making serious progress on the solutions that can contribute to the UK achieving net zero'. In addition to the net zero obligation, the Strategy also requires industry to work in such a way that encourages collaboration with the supply chain and actively support carbon capture and storage projects.

Baron is committed to meeting the greenhouse gas emissions reduction targets in line with the North Sea Transition Deal (NSTD) and the UK's Net Zero Targets

If the license application is successful, Baron will work with the License Administrator to ensure that practical steps to limit atmospheric emissions will be adopted during the exploration and development programme including advanced planning to ensure efficient operations, well maintained and operated power generation equipment, and regular monitoring of fuel consumption. The following opportunities will also be considered:

- Full or partial electrification with electricity from shore or local renewables;
- Localised offshore carbon capture and storage (CCS) on or near -site; and
- Creation of offshore integrated energy hubs.

2.3 HSE Management System

2.3.1 Structure

Baron maximises value by utilising a small core team to manage its assets and utilises contractors to provide support for specific operational activities.

Baron's HSE Management System has therefore been designed to fit the Company's business model. It provides an overview of the Baron HSE expectations within which all operations will be managed. In most cases, detailed procedures and work instructions will be provided by contractors. This is illustrated in Figure 2-2 and shows:

1. The top tier of the HSE Management System which outlines the basic Management System and provides Baron's basic expectations and requirements; and
2. Each contractor is responsible for managing activities within their HSE Management System. When appropriate, contractors' HSE systems and procedures are linked to Baron's HSE Management System through interface documents. These define the division of responsibilities between Baron and its primary contractors.

2.3.2 Process

Baron's HSE Management System forms an integral part of its overall management system and is illustrated in Figure 2-3. It is structured around the PDCA (Plan - Do - Check - Act) cycle, typical of internationally accepted management systems, with a feedback loop to facilitate continual improvement in performance.

The energy to drive and maintain the system is provided by the organisation which sets the Company's HSE policy and goals and, determines the overall performance standards. The process of applying these standards to each activity within the business starts with an assessment to identify possible hazards, assess the risks and agree sensible controls that will minimise any adverse consequences and reduce risks to levels that are as low as reasonably practicable (ALARP). These measures are then incorporated into work plans and the

plans are resourced. Finally, the plans are implemented and the whole process monitored and reviewed to determine overall performance and identify areas where improvements would be worthwhile.

The HSE Management System is dynamic. Although the illustration above shows a defined sequence of events, the system elements operate across the business and at various levels within the organisation and therefore may not strictly follow the sequence shown.

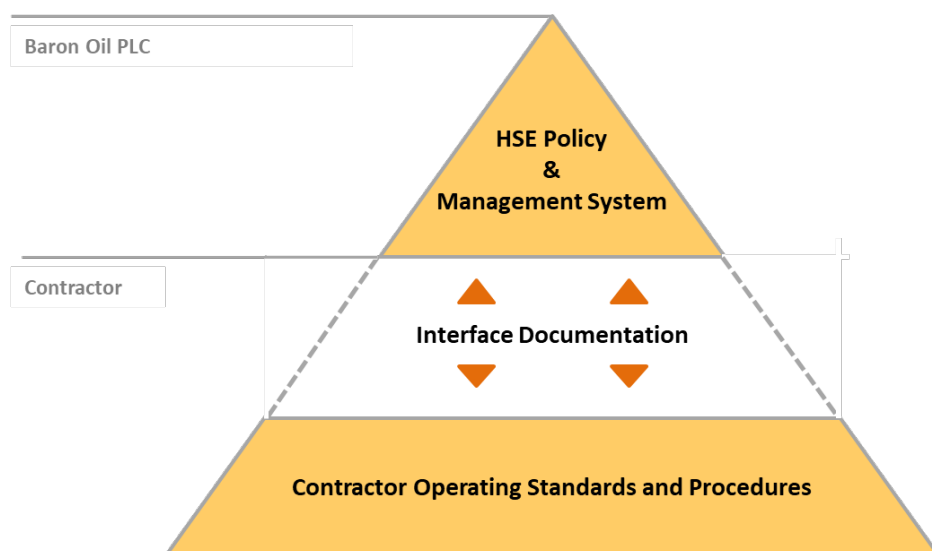


Figure 2-2 Hierarchical Structure of HSE System and Relationship with Contractors

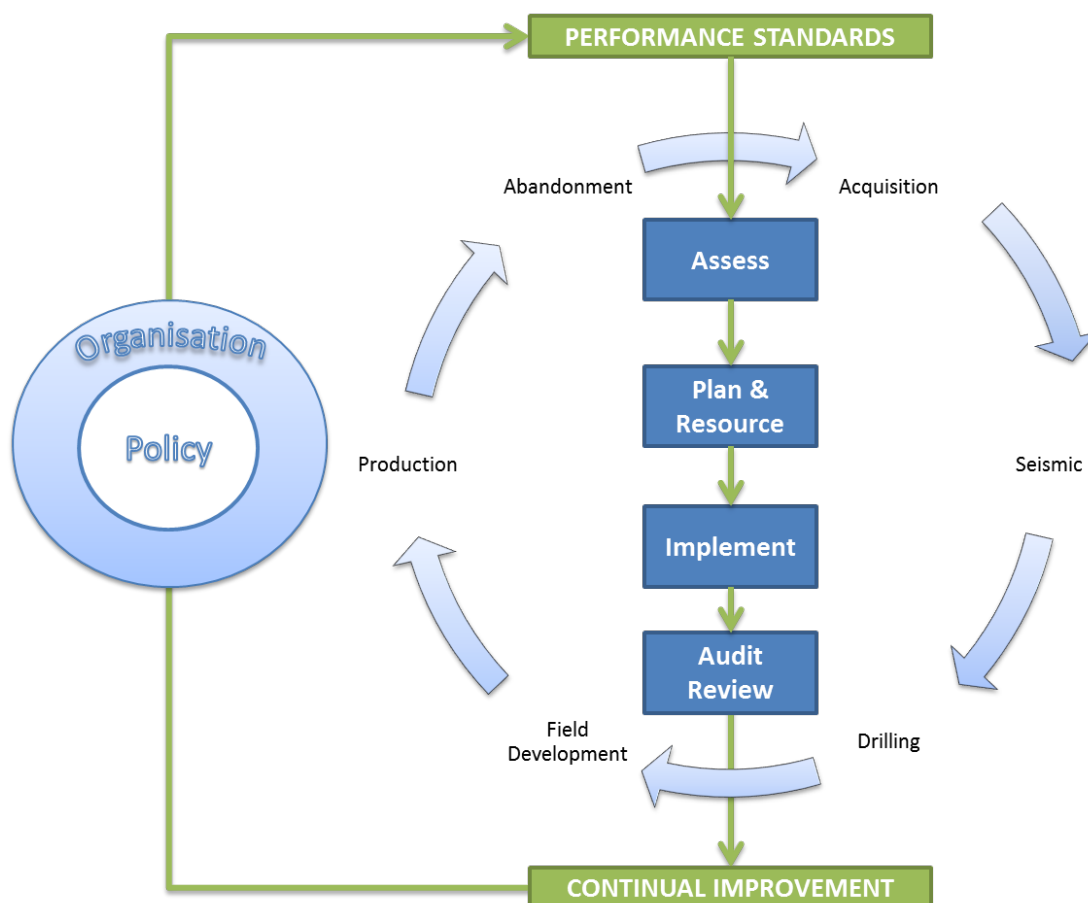


Figure 2-3 HSE Management System Process

2.3.3 OSPAR Recommendation 2003/5

Baron does not anticipate being the OSD “operator” of licences in the UKCS. However, in the event that Baron decides to undertake operated exploration or production activities in the UKCS in the future, Baron is fully committed to obtaining independent verification to confirm the status of its environmental management system in accordance with OSPAR Recommendation 2003/5 to Promote the Use and Implementation of Environmental Management Systems by the Offshore Industry. Verification would be obtained in advance of commencing any offshore oil and gas activities.

Where a third-party entity is appointed to manage offshore oil and gas activities, Baron shall ensure that the entity appointed is capable of satisfactorily carrying out the functions and discharging the duties of an operator as defined in The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015. The capability assessment will include checking that the entity has the technical and managerial ability to do the job, as well as being adequately resourced, both financially and in having sufficient numbers of competent staff. Baron shall also ensure that the entity complies with OSPAR Recommendation 2003/5. Once appointed, Baron would monitor and evaluate the performance of the third-party operator, particularly with respect to safety and environment performance.

2.4 Management Structure and HSE Responsibilities

Baron's organisation is tailored to meet the planned activities of the company. The structure of the organisation is dynamic; it is periodically reviewed to ensure that it is appropriate for the level of current and planned activity. As operations expand, the organisation will be developed to ensure maximum effectiveness.

Baron's current organisation is illustrated in Figure 2.4; the Operations Manager is a contract position brought in for specific operations, the reporting line is to the Technical Director. During periods of low-risk activity, this function will be the responsibility of one of the Board of Directors. The HSE Representative reports to the Operations Manager, however, they have the freedom to report directly to the Chief Executive Officer / Board of Directors in the event that any HSE related issues are not being appropriately addressed.

The Directors of Baron Oil have considerable experience in delivering shareholder value through generating substantial increases in net asset value. This is done by discovering commercial quantities of hydrocarbons while mitigating both risks and costs.

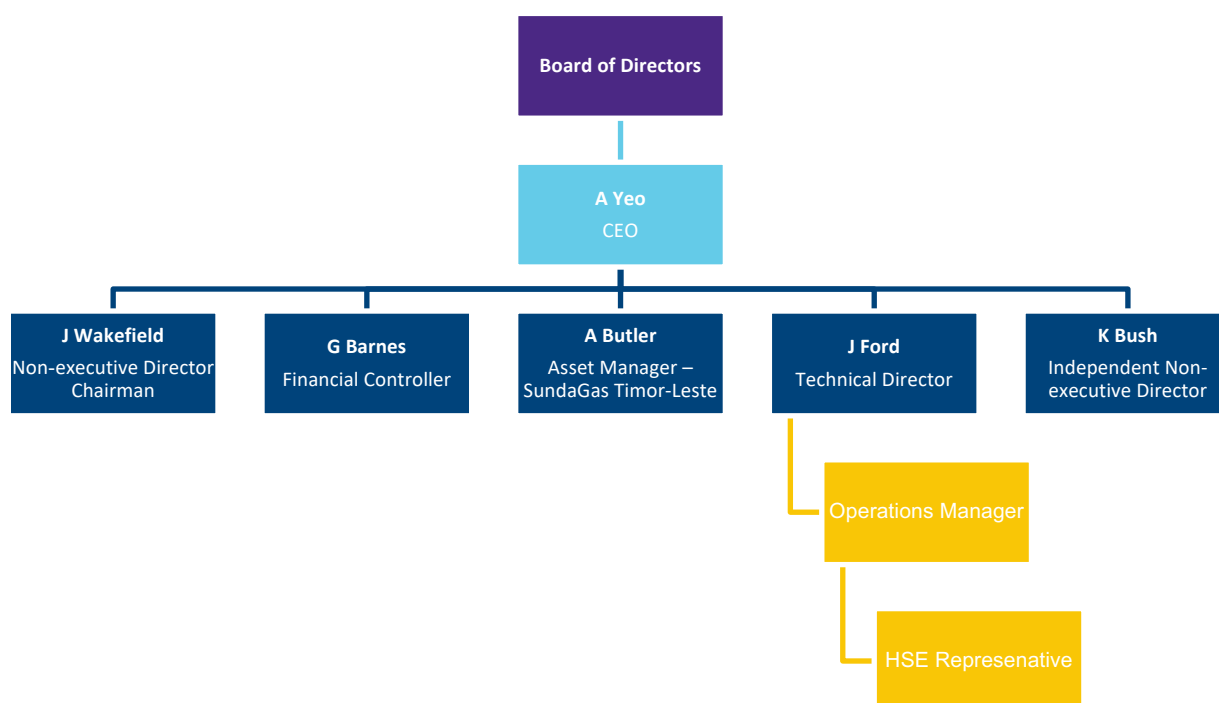


Figure 2.4 Company Organisation

Responsibilities and accountabilities for each position (both during normal operations and where necessary during emergencies) within Baron are defined, so that there is no confusion over responsibilities and accountabilities. In addition, specific HSE goals and targets may be established by the Operations Manager to meet particular project needs.

Overall responsibility and accountability for HSE performance within Baron lies with the Chief Executive Officer; Andrew Yeo. Andrew has significant expertise in the oil and gas sector, having had a variety of roles including private equity and operational and financial experience in exploration and production activities as Chief Financial Officer of Wessex Exploration PLC. In addition, he brings 20 years' experience in multi-discipline corporate advisory services, having worked for UBS and ABN AMRO Hoare Govett before becoming a founder member of Evolution Securities, where he was a board member and executive director. He holds a BA (Hons) in Economics from the University of Essex.

Table 2-1 below summarises specific responsibilities for HSE management for the current organisation.

Table 2-1 HSE Responsibilities

| HSE RESPONSIBILITIES | | | |
|---|---------------------------|---------------------------|----------------------------|
| | Board of Directors | Operations Manager | HSE Representative* |
| 1. Develop HSE goals and targets, as necessary for the business | | ● | |
| 2. Approve and endorse HSE goals and targets | ● | | |
| 3. Translate business HSE goals and targets into project goals and targets and assign responsibilities | | ● | |
| 4. Ensure resources are available to implement the HSE Management System | ● | | |
| 5. Implement the HSE Management System within their area of control | | ● | |
| 6. Organise and define HSE responsibilities | ● | ● | |
| 7. Ensure an appropriate competence assurance system is in place | ● | | |
| 8. Ensure all legislative (compliance) requirements have been identified, ideally within a legislation register for each activity | ● | | |
| 9. Identify the level of risk associated with all activities in order to establish the level of risk assessment required | ● | | |
| 10. Ensure measures to control risks are in place | | ● | |
| 11. Ensure contractors are selected with consideration of HSE management and performance | | ● | |
| 12. Establish emergency response procedures and test | ● | ● | |
| 13. Ensure appropriate monitoring systems in place and regularly review progress and performance | ● | ● | |
| 14. Ensure contractors are implementing appropriate HSE communication during operations (e.g. site safety meetings, task related meetings, toolbox talks) | | ● | |
| 15. Monitor and review staff and contractor performance | ● | | |
| 16. Implement system of incident reporting and review regularly | ● | ● | |
| 17. Initiate independent investigations of incidents and near misses where appropriate | ● | ● | ● |
| 18. Develop and implement annual audit plan and ensure corrective actions on audit findings are implemented | | ● | |
| 19. Approve audit plans | ● | | |
| 20. Participate in annual management review | ● | ● | ● |
| 21. Advise and provide support on Management System | | | ● |

2.5 HSE Compliance

The Board of Directors ensures that all legislative requirements and applicable standards are identified for each activity and documented within a project specific legislation register, with plans developed for compliance and review. This includes ensuring that any approvals or permit requirements are incorporated into activity work plans. Assistance and support for this activity is provided by the HSE Representative or contractors for specific operations.

The HSE standards adopted by Baron are those specified in the relevant legislation, codes of practice and guidance notes, together with those contained in recognised industry standards and practices (e.g. IRF, API,

IOGP, BSI, ANSI and ISO). Applicable standards are generally defined within Contractor Operating Procedures.

Key environmental and safety regulations applicable to offshore oil and gas activities include, but are not limited to:

- Environment Act 2021;
- Energy Act 2008 (as amended);
- Marine and Coastal Access Act 2009;
- Marine (Scotland) Act 2010;
- Climate Change Act 2008;
- Petroleum Act 1998;
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013;
- The Conservation of Offshore Marine Habitats and Species Regulations 2017;
- The Health and Safety at Work etc Act 1974;
- The Merchant Shipping (Oil Pollution Preparedness, Response and Cooperation) Regulations 1998 (as amended);
- The Offshore Chemicals Regulations 2002 (as amended);
- The Offshore Installations (Emergency Pollution Control) Regulations 2002;
- The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015;
- The Offshore Installations (Prevention of Fire and Explosion, and Emergency Response) Regulations 1995;
- The Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001 (as amended);
- The Offshore Petroleum Production and Pipelines (Assessment of Environmental Effects) Regulations 1999 (as amended);
- The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015; and
- The Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005 (as amended).

Baron identifies changes in legislation through:

- Updates to databases such as the Oil & Gas UK Environmental Legislation Website (<https://oilandgasukenvironmentallegislation.co.uk/>);
- Information issued by consultation with industry and regulatory bodies, such as the Department for Business, Energy and Industrial Strategy (BEIS), the Health & Safety Executive, Institution of Occupational Safety and Health (IOSH), International Association of Oil and Gas Producers (IOGP) and the International Petroleum Industry Environmental Conservation Association (IPIECA).
- Brexit Updates: The UK left the EU on the 31 January 2020, under the European Union (Withdrawal) Act 2018 (Exit Day) as amended. Since the end of the transition period (31 December 2020), EU legislation does not apply and legislation has mostly been transposed into domestic law.

Although Baron does not anticipate being the OSD “operator” of licences in the UKCS, the Board of Directors have experience of such operational activity in the UK and internationally.

For non-operated joint ventures (NOJV), Baron will ensure that the standards and expectations outlined in their own HSE Management System are appropriately reflected in the operator's Management System and work. The policy of Baron, as a NOJV partner, is to satisfy itself that the operator is competent and to influence the operator and other partners toward adopting high standards for the management of HSE risks.

2.6 Leadership and Commitment

Baron recognises that the foundation of a successful HSE management system is leadership and commitment. This is demonstrated by the following:

- Endorsement and promotion of the HSE Policy by management;
- Allocation of the necessary resources to implement the HSE Policy;
- Personal involvement of managers in encouraging HSE awareness; and
- Periodic review of the HSE Management System.

2.7 Contractor Management

Baron's philosophy is to maintain a small number of employees to carry out the core business activities and to contract-in additional expertise for operational activities.

As such, projects are largely resourced through the engagement and effective management of, or alliance with, competent contractors. Baron's HSE Management System expects main contractors to operate a management system that is compatible with the principles of the Baron HSE Management System.

In addition, Baron assures contractor safety and environmental performance through:

- Selecting contractors on the basis that they are competent to perform the tasks for which they have been contracted. HSE considerations during selection include:
 - The use of HSE performance as part of the assessment to qualify contractors prior to undertaking medium to high risk work;
 - Communication of job-specific HSE expectations and performance criteria to the contractor prior to starting work.
- Ensuring contracts contain appropriate HSE provisions to provide assurance that the contractor will meet Baron's HSE expectations.
- Ensuring contractors are actively managed during the planning and execution of the work, by:
 - Monitoring and analysis of contractor HSE performance;
 - Ensuring contractors report/investigate incidents;
 - Ensuring contractors close-out agreed recommendations for remedial action, in a timely manner;
 - Providing feedback to contractors and, where appropriate, identifying areas for improvement.

3 Safety and Environmental Performance

Baron confirms the following:

- Baron has had no major accidents¹ during the last five years (either in the UK or in other countries);
- Baron has not failed to comply with any relevant safety or environmental legislative standards or requirements that resulted in enforcement action by the regulator during the last five years (either in the UK or in other countries);
- No criminal or civil action has been taken against Baron, or pending against Baron, with respect to safety or environmental issues during the last five years (either in the UK or in other countries); and
- Baron has not been subject to any convictions for breaching any safety or environmental legislation during the last five years (either in the UK or in other countries).

4 Liability Arrangements

As previously noted, Baron does not anticipate being the “Operator” of licences in the UKCS. However, Baron recognise that licensees are financially liable for prevention and remediation of environmental damage which is or may be caused by offshore petroleum operations by the licensee or an operator appointed by the licensee, irrespective of whether the licensee is an ‘Operator’ of the licence or not.

Baron will hold a non-operated equity share in any Licence awarded. As such, in advance of any offshore activities commencing, Baron will agree the liability arrangements with the other licensees and provide information to NSTA accordingly.

¹ ‘Major accident’ has the meaning given in regulation 2(1) Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015

5 References

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