



Beach weathers global storm

Company/ASX Code	Beach Energy/BPT
AGM date	Wednesday 25 November
Time and location	10.30am Virtual Meeting
Registry	Computershare
Webcast	Yes, Virtual Meeting
Poll or show of hands	Poll on all items
Monitor	James Hahn, assisted by Malcolm Holden
Pre-AGM Meeting?	Yes, with Chair Glenn Davis

Please note any potential conflict as follows: The individual (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

Governance is generally good with the Chair and board representing all shareholders despite Network Investment Holdings having nearly 29% shareholding and two nominated board members at 1 August 2019. Six of the nine directors, including the Chair, are independent

Financial performance

Earnings per share were down to 22 cents, from 25.53 in the previous year. Underlying earnings per share decline by 18% to 20.2 cents. Dividends remain stable at 2 cents per share. Considering the collapse in oil prices we believe this is an acceptable result and is a result of stable east coast gas contracts, of which 99% have fixed price contracts or downside protection. A 15% reduction in per dollar boe in field operating cost has been achieved since the merger with Lattice.

It is pleasing to note that 2P reserves are up from 326 MMboe to 352 MMboe, which is a replacement of +200%.

The company has announced a 30% deferral of planned FY21 capital investment and significant cost reductions to mitigate some of the effects of the current oil price cycle, which saw oil prices decline from \$65/bbl to \$20/bbl.

Key events No key events occurred during the year. The company continues to digest the recent acquisitions and farm outs.

Key Board or senior management changes

There were no major changes to the board or management.

ASA focus issues

A crisis team was activated in February and quickly moved to tighten security and safety protocols across all of the sites. No cases of COVID-19 have been recorded and the facilities achieved 98% average reliability target.

Board composition/director skills: Compliant – The board has a high level of relevant expertise. The skills of the directors are reasonably explained at the meeting, resolution and webpage. The company has an independent chairman and a majority of independent directors. It has recently appointed two women to the board.

Remuneration disclosure: Compliant – STI performance information is comprehensive and well set out. Actual remuneration outcome is presented, and market value is used to determine LTI grants. There is an actual remuneration table in the Annual Report.

Risk Management – Compliant – Beach has an extensive risk management culture, which was demonstrated by its prompt response to COVID-19 and its safety and financial performance.

Shareholder participation: Compliant – Beach has voting intentions at the AGM and adequate communication with its shareholders.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	500.8	577.3	198.8	387.5	negative 588.8
UPAT (\$m)	461	560	301.5	161.7	35.7
Share price (\$)	1.52	1.985	1.755	0.575	0.60
Dividend (cents)	2.0	2.0	2.0	1.5	0.50
TSR (%)	negative 22.4	14.2	209	negative 1.7	negative 42.4
EPS (cents)	21.97	25.35	9.16	20.38	negative 39.56
CEO total remuneration, actual (\$m)	1.409	1.781	1.267	1.244	0.277

For 2020 the CEO's total actual remuneration was **15.3 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.266	50%	1.266	33.3%
STI - Cash	0.3165	12.5%	0.633	16.7%
STI - Equity	0.3165	12.5%	0.633	16.7%
LTI	0.633	25%	1.266	33.3%
Total	2.532	100.0%	3.798	100%

The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

There were fixed salary increases this year, with the CEO going from \$1,201,357 to \$1,266,000. Board fees were increased after a peer group review. The Chairman received an additional \$30,000 and directors increased by \$12,500.

The quantum of the CEO salary, at \$1,409,808, is satisfactory compared to metrics such as ASX 100-200 companies and multiples of average salaries.

The STI for 2018 splits the performance criteria 60/40 to company and individual performance for KPIs and 75/25 for the CEO. The company performance hurdles are well written, relevant and easy to understand. The amount of STI available to executives is a maximum of 45% of fixed remuneration and 100% of fixed remuneration to the CEO. If vesting occurs, half is paid in cash and the other half is used to purchase shares that vest over a one- and two-year period. We have expressed our opinion that the ASA position is for no STIs for the CEO.

Beach has a gateway that gives the board discretion not to award the incentive payments if the company performs below the ASX Energy Total Return or has a return on capital of below 10% which is above last year's 7%. It also has claw-back provisions. We believe this to be good practice.

The LTI is a single performance criterion that vests 50% when Beach Energy equals the index return of ASX 200 Energy Total Return Index and vests 100% when this is outperformed by 5.5%, with a prorated number between these points. The ASA prefers another financial hurdle to be included in the LTI, but the board has set a minimum return benchmark and the Total Shareholder Return must be positive to vest. The LTI is only vested over 3 years rather than ASA preferred 4 years. This scheme is set at a maximum of 50% of fixed remuneration to senior executives and

100% of fixed remuneration for the CEO. The shares are granted using market value and calculated by using the market price on December 1.

Beach has indicated that it offers no increases in remuneration to senior executives in FY2021 and has reduced FY2020 STI Award calculations from 100% to 60%. Both senior executives and non-executive directors have agreed to a 10% reduction in base remuneration for a period of 6 months from 1 July 2020. We believe this to be good practice.

The disadvantages of issuing STI for the CEO, a three-year LTI vesting period and only one metric for LTI are balanced by use of a gateway, good reporting, reasonable quantum, use of VWAP for calculation of performance rights and effective alignment of management with shareholders

Item 3	Re-election of Glenn Davis as a Director
ASA Vote	For

Summary of ASA Position

Mr Glenn Davis is presently Chair of the board and has membership of the Remuneration and Nomination Committee. He has worked in the oil and gas industry for over 25 years.

Mr Davis was elected to the board in 2007 and therefore cannot technically be considered an independent director by ASA standards. However, as Chair, he has shown independence on numerous occasions and has displayed very capable leadership, therefore we support his re-election.

Item 4	Re-election of Richard Richards as a Director
ASA Vote	For

Summary of ASA Position

Mr Richards was appointed to the board in February 2017 as a nominee of shareholders, Seven Group Holdings Limited (SGH), Network Investment Holdings Pty. Ltd. And Westrac Holdings Pty. Ltd. Related corporations collectively have a relevant in 29% of shares of Beach, as at June 30, 2020.

He is Chief Financial Officer of SGH. Also, he is a member of the Board of Directors of Boral Limited, WesTrac, SGH Energy and is a director and chair of the Audit and Risk Committee of Coates Hire, a Director and chair of the Audit and Risk Committee of KU Children Services (NFP) and a member of the Marcia Burgess Foundation Committee.

Beach entered into an agreement with SGH and associated corporations to agree protocols and other arrangements appropriate to of a director representing a large shareholder. Mr Richards responsibilities include membership of the Audit committee.

The ASA has guidelines (part A 8) that limits the workload of non-executive directors to an equivalent of 5 directorships. Mr Richards workload exceeds this requirement. However, we have

taken into account the following points. Firstly, the positions that Mr Richards holds are with associated entities and therefore could be considered part of one overall consolidated group. The Chair has enthusiastically endorsed his abilities. His position on the board is a SGH nomination, he is not an independent director and his qualifications are suitable for the position.

Therefore, considering all of the above, we have no major objection to Mr Richards being elected to the board of directors.

Item 5	Approval of STI grant to CEO/Managing Director Matthew Kay
ASA Vote	For

Summary of ASA Position

Mr Kay will be awarded 95,111 performance rights under the 2019 STI offer. The rights were determined by dividing 50% of his STI entitlement by the market value of the shares (which is \$1.51 being the average price for the 5 consecutive trading days up to and including June 30, 2020). The vesting dates are July 1, 2021 and July 1, 2022 in equal tranches. Mr Kay will be awarded 23% of his STI stretch this year.

The board has decided to calculate to a 60% achievement rather than 100% due to the industry turndown.

Item 6	Approval of STI grant to CEO/Managing Director Matthew Kay
ASA Vote	For

Summary of ASA Position

Mr Kay will be awarded the performance rights shares in December 2020. The number of shares will be determined by the formula of 'Base Package * Max LTI% / Rights Value. The value will be the market price of Beach Energy shares on the date of issue. The maximum number of shares issued will be \$1,304,820/share price on day in December 2020. This would be 100% of fixed remuneration. The stretch performance hurdle is to outperform the ASX 200 Energy Total Return Index by a compounding 5.5% CAGR over a three-year period.

Item 7 (a)	Amendment to the constitution
ASA Vote	Against

Summary of ASA Position

Before our pre-AGM meeting with the Chair, we judged the resolution to be flawed and intended to vote against it. That has not changed but the Chair introduced a broader perspective which we acknowledge as making good sense and paraphrase below.

Beach Energy communicates with Shareholders throughout the year and provides opportunities for Shareholders to attend and ask questions at the Annual General Meeting. There is opportunity for Shareholders to ask questions and receive responses from Beach Energy on the Companies activities, current operations, reporting, Corporate Strategy and performance without amending the Constitution.

Item 7 (b)	Capital protection
ASA Vote	Against

Summary of ASA Position

The company's Annual Sustainability Report is adequate. Passing this resolution would create a unwarranted distraction (and on-going diversion) from current and future operations and is not in the best interests of Shareholders, in our opinion.

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