



Recovery Accelerates

Company/ASX Code	Beach Energy/BPT
AGM date	Friday 23 November 2018
Time and location	10.30 am Adelaide Convention Centre
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	James Hahn, assisted by John Worthley
Pre AGM-Meeting?	Yes, with Chair Glenn Davis

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

Financial performance

Beach Energy reported statutory net profit after tax of \$198.8 million, down 49% from the previous year and paid 2.0 cents per share dividends. However underlying profits were up 86% to \$301.5 million. Total shareholder returns were 209% for the year.

This year has included part year revenues from the Lattice takeover therefore is not directly comparable with the previous year. However, highlights include record annual production of 19 million barrels of oil equivalent (MMboe), up 80% on last year and participation in 96 wells at success rate of 82% compared to 58 wells at 79% in the prior year. Proved and probable (2P) oil and gas reserves were at 313 MMboe, up 320% from the prior year.

Key events

During the year Beach acquired the Lattice Energy Group, Benaris' interest in the Otway Gas Project and Toyota Tsusho Corporation's interest in the Otway Gas Project and BassGas project for \$1,532 million. To fund the acquisitions, Beach raised approximately \$301 million through a 3 for 14 pro-rata non-renounceable entitlement offer and increased bank credit facilities to access an additional \$1,475 million.

Key Board or senior management changes

The only notable change during the year was the retirement of Ms Fiona Bennett at the Annual General Meeting held on 23 November 2017. Mr Jim McKerlie will retire as a director on the AGM date.

ASA focus issues

Remuneration disclosure: Compliant – short-term incentive (STI) performance information is comprehensive and well set out. Actual remuneration outcome is presented, and market value is used to determine long-term incentive (LTI) grants.

Skin in the game: Compliant - as all directors own sufficient number of shares except for Mr Ryan Stokes who, through Seven Group Holdings, has an associated interest of 25.58% of Beach Shares.

Board composition: Non-Compliant – The company has only one female director out of a board of 8 directors (12.5%). The majority of directors are independent, outnumbering the two directors nominated by Beach's largest shareholder, Seven Group Holdings.

Shareholder participation: Non-Compliant - Beach Energy announced a 3 for 14 non-renounceable share-raising for the purchase of Lattice Energy. The issue price was at a 7.5% discount to the volume weighted average price (VWAP) before the announcement. An uncommon practice of the major shareholder (Seven Group Holdings 22.73%) underwriting the unsubscribed shares, up to the legal creep limit to 25.73%, was included in the raising. This was not acceptable to the ASA as we prefer the pro-rata renounceable entitlement offer (PAITREO).

Material Event after Reporting Date

On the 5 October 2018 Beach announced that it had agreed to sell 40% of its Victorian Otway interests to Eyal Ofer's O.G. Energy for \$344 million.

CEO Mr Kay stated that the proceeds will be used to reduce debt and fund a portion of its future capital expenditure program.

Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	198.8	387.5	-588.8	-14.1
UPAT (\$m)	301.5	161.7	35.7	90.7
Share price (\$)	1.755	0.575	0.60	1.05
Dividend (cents)	2.0	1.5	0.50	3.00
TSR (%)	209	-1.7	-42.4	-35.7
EPS (cents)	9.16	20.38	-39.56	-39.64
CEO total remuneration, actual (\$m)	1.268	1.244	0.277*	0.474^

*Became CEO from 2 May 2016, remuneration includes \$127,159 for relocation. Part year position.

^Became CEO from 10 March 2015, remuneration includes \$92,256 for relocation. Part year position.

For 2018, the CEO's total actual remuneration was **14.8 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2018 data from the Australian Bureau of Statistics).

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

There were no fixed remuneration salary increases across the board this year. However, the company has increased annual board fees from \$250,000 for the Chair to \$275,000, \$121,000 for the Deputy Chair from \$100,000 and for members, \$110,000 from \$100,000. Board fees have not increased since 2012. The quantum of the CEO salary, at \$1,267,662, is satisfactory compared to metrics such as ASX 100-200 companies and multiples of average salaries.

The short-term incentive (STI) is basically the same as the last financial year. The STI for 2018 splits the performance criteria 60/40 to company and individual performance. 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 performance rights 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 5%. This can now only be exercised if any one measure is in a red band or two are in a yellow band. It also has claw-back provisions. We believe this to be good practice.

Again, the long-term incentive (LTI) is the same as in 2017. It 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 pro-rated number between these points. Below 50% has a 0% vesting. The ASA prefers another financial hurdle to be included in the LTI, but the board will 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 a five-day VWAP.

Beach Energy has indicated that has raised the CEO fixed remuneration to \$1.2 million, starting 1 July 2018, from \$903,000 in 2017/18. Also, it has raised the gateway return on capital from 5% to 7%. In discussions with the Chair it was accepted that a higher remuneration, for what is now a much larger and diverse company is acceptable. It is also pleasing to see the gateway closer to the company weighted average cost of capital of 8.5%.

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. Considering the balance of issues, we will vote for the resolution.

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

Summary of ASA Position

Mr Davis joined the board of Beach Energy in 2007 and has been Chair since November 2012. He is a solicitor and partner of DMAW Lawyers. Mr Davis is also a director of Monax Mining Limited. He is presently a member of the Remuneration and Nomination committee.

Mr Davis has served at Beach Energy for just over 10 years and therefore will not, by ASA standards, maintain his independent classification at his next re-election. He has the required number of shareholdings in the company.

We believe that considering the number of new directors on the board, the changes in the business and his successful realignment of the company that he makes and excellent Chair. We therefore will vote for his re-election.

Item 4	Re-election of Ryan Stokes as a Director
ASA Vote	For

Summary of ASA Position

Mr Stokes was appointed to the board on 20 July 2016. He is the Managing Director and Chief Executive Officer of Seven Group Holdings Ltd (SGH). Together with related companies, SGH have a relevant interest in 25.6% of Beach Energy. He is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health, a committee member of the innovationXchange and is Chair of the National Art Gallery of Australia.

Mr Stokes holds no shares directly but represents a group which holds 25.6% of Beach Energy shares. Beach Energy has entered an agreement with SGH and associated corporations to agree to protocols and other arrangements which are appropriate for the appointment of a director representing a large shareholding.

Mr Stokes has experience in many fields relevant to Beach Energy's operations and represents SGH's interests. ASA has no objections to large shareholders nominating a suitably qualified board member and therefore we support his re-election to the board

Item 5	Election of Joycelyn Morton as a Director
ASA Vote	For

Summary of ASA Position

Ms Morton was appointed by the board after the 2017 AGM. She has more than 38 years' experience in finance and taxation, followed by management roles with Woolworths Limited and the Shell group of companies. She was also President of CPA Australia and Professions Australia.

Her current ASX listed board positions are Argo Investments Limited and Argo Global Listed Infrastructure Limited. She is also a non-executive director of ASC Pty Ltd and Snowy Hydro Limited. Her additional responsibilities at Beach Energy include Chair of the Audit Committee.

She has the required number of Beach Energy shares for this time. We believe she is an appropriate candidate for the board and support her nomination.

Item 6	Appointment of Auditor
ASA Vote	For

Summary of ASA Position

On 22 January 2018 announced the resignation of KPMG as Beach Energy's auditor after a tender process. The directors recommend the appointment of Ernst & Young as auditors of Beach Energy.

The ASA guidelines are in favour of regular changes in auditors and therefore we support the motion.

Item 7	Approval of Beach Energy Ltd. Employee Share Purchase Plan
ASA Vote	For

Summary of ASA Position

Beach Energy proposes to offer eligible employees matched shares purchased up to the value of \$5,000. At this stage Beach Energy is proposing to purchase the shares on-market but wishes the flexibility to issue new shares that over a three-year period would not exceed 3% of issued share capital. The company is seeking shareholder approval to purchase or issue the shares without diminishing Beach Energy's 15% annual placement capacity.

Although ASA has reservations of the use of the 15% annual placement capacity, this scheme increases 'skin in the game' for many more employees and we therefore view it as positive. We therefore support the resolution.

Item 8	Reinstatement of the Partial Takeover Provisions in the Constitution
ASA Vote	For

Summary of ASA Position

This is a technical issue that requires the company to present the provision to the meeting for a vote every three years. It enables the board to call a shareholder meeting to approve a partial takeover offer. We support the resolution.

No individual (or an associate) involved in the preparation of this voting intention has a shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.