

Tide goes out for Beach

Company/ASX Code	Beach Energy / BPT
AGM time and date	10.30am (ACDT) Tuesday 14 November 2023
Location	Adelaide Convention Centre Adelaide
Registry	Computershare
Type of meeting	Physical with webcast
Monitor	James Hahn
Pre-AGM Meeting	Yes, with Chair Glenn Davis

Monitor Shareholding: The individual involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Adoption of Remuneration Report	For
2	Election of Bruce Clement as a director	For
3	Election of Ryan Stokes as a director	For
4	Re-election of Richard Richards as a director	For
5	Approval of the issue of securities to the incoming MD and CEO for LTI	For
6	Approval of the issue of securities to the incoming MD and CEO for One-Off Retention Incentive Grant	Against

2. Summary of Issues and Voting Intentions for AGM

Beach has had a 'revolving door' of directors and KMP. This is highlighted by the sudden departure of the CEO on August 9, 2023, and replacement, Mr Brett Woods, in February 2024 and the resignation of the Chairman on 14 November 2023.

Waitsia is overbudget, late and has diminished reserves.

Overall disappointing operational and comparative financial performance.

3. Matters Considered

Accounts and reports

Beach has a negative TSR of 36 cps, compared to a positive TSR of 39.1 cps in the previous year. NPAT was 25% lower and production declined from 21.8 to 19.5 MMboe. Also, concerningly, 2P reserves declined from 283 to 255 MMboe. On the development side, two Thylacine wells were connected while two wells failed to be connected. Waitsia is now overbudget and significantly over schedule. The positives are an increased dividend from 2 to 4 cps, due to good cash flows and net cash position of \$166m. Overall, a largely disappointing result.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	400.8	500.8	316.5	501	577.3
UPAT (\$m)	385	504	363	461	560
Share price (\$)	1.345	1.725	1.24	1.52	1.985
Dividend (cents)	4.0	2.0	2.0	2.0	2.0
Simple TSR (%)	negative 36	39.1	negative 17.1	negative 22.4	14.2
EPS (cents)	17.58	21.94	13.88	22	25.35
CEO total remuneration, actual (\$m)	1.334	1.319	1.203	1.410	1.782

Governance and culture

As of 30 June 2023, Beach Energy had six board members, of which two can claim to be independent. Glenn Davis has been on the board for 16 years and will retire on November 14; Bruce Clement is the interim CEO and Richard Richards and Ryan Stokes are SGH nominees. Mr Stokes will be interim Chairman until a replacement is found. Also, only one woman is a board member (post 23 July 2023), well short of 40%. Ms Layman, Mr Moore and Mr Clement do not have adequate shares in the company; however, the company is putting policy in place to rectify this issue. Beach Energy issues a Corporate Governance statement that is clear. The company does not issue a Say on Climate resolution. All of the unsatisfactory issues have been brought to attention of the Chairman, and we hope for improvement.

Key events

There were no key events outside of the normal activities of the company.

Key board or senior management changes

There have been many board changes. Non-executive directors, Mr Beckett and Mr Jager retired on 16 November 2022, followed by Mr Bainbridge on 31 March 2023. Mr Clement was appointed as a director on 8 May 2023. Mr Stokes was then re-appointed a non-executive director on 23 July 2023 and Ms Hall retired to replace him as Alternate Director on that date. Executive changes include Mr Engelbrecht's tenure as CEO ceasing on 9 August 2023 and director, Mr Clement, taking on the role of interim CEO on same date. Mr Brett Woods (with Santos for around ten years) will take up the CEO role in or around February 2024. To say the least, this a significant change of senior personnel. In a recent announcement Chairman Glenn Davis will retire at the AGM on 14 November.

Sustainability/ESG

Beach Energy publishes a comprehensive Sustainability Report.

4. Rationale for Voting Intentions

Resolution 1 - Remuneration Report (for)

The remuneration report is within ASA guidelines other than the retention incentive grant which has no hurdles beyond remaining in the role. The board was awarded a three percent increase from last year. Mr Engelbrecht received \$1,041,257 fixed remuneration, \$27,500 superannuation

and \$67,821 STI cash bonus. The company uses VWAP market value to determine performance grant valuation.

The remuneration is basically the same the previous year. Good points are that the report is easy to read and aligns shareholder interests. The bad point is that the company purchases the performance shares on market and does not issue them through a resolution.

Take home pay is disclosed separately, as well as the statutory disclosure. The CEO has some skin in the game with 594,544 shares as of 30 June 2022. It should be noted that Mr Englebrecht's tenure ceased on 9 August 2023 (post reporting date).

The STI for 2021 splits the performance criteria 75/25 to company and individual performance for KPIs. The company performance hurdles are well written, relevant, and easy to understand. The amount of STI available to executives is a maximum of 65% 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.

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%. It also has claw-back provisions. We believe this to be good practice. The 2023 outcome was a negative total return but a return on capital of 11%. Mr Englebrecht was awarded 11% of his STI.

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 VWAP, up to and including the date the performance rights are granted, generally November 1.

Due to a significant number of resignations the board decided to grant retention rights in FY23 to several of the company's KMP. The KMPs must perform satisfactorily and remain with the company until 30 June 2025. ASA guidelines requires hurdles for any incentives.

The report is easy to understand and offers good detail for the hurdle requirements. We believe that 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.

Resolution 2 - Election of Bruce Clement as a director. (for)

Mr Clement has over 40 years of experience in the energy industry. He was appointed a non-executive director on 8 May 2023 and is currently Interim Chief Executive Officer. He has held senior management and board positions with many Australian and Foreign companies and is currently a non-executive director of Horizon Oil.

Resolution 3 - Election of Ryan Stokes as a director. (for)

Mr Stokes is a nominee of Seven Group Holdings, which has a 30% shareholding in Beach Energy, and as such we acknowledge their right to present him for election. We express some concern with his appointment as Interim Chairman of Beach Energy but understand, through dialog with the current Chairman Glenn Davis, that a future Chairman has been identified to replace him in the near future.

Resolution 4 - Re-election of Richard Richards as a director. (for)

Mr Richards is a nominee of Seven Group Holdings, which has a 30% shareholding in Beach Energy and, as with Mr Stokes, we acknowledge their right to present him for re-election.

Resolution 5 - Approval of securities to the incoming Managing Director and CEO, Brett Woods under the Beach 2023 Long Term Incentive Offer. (for)

The terms of the Long-Term Incentive securities have been discussed in the Remuneration Report Resolution and ASA has no objections to the issues of the securities.

Resolution 6 - Approval of the issue of securities to the incoming Managing Director and CEO, Brett Woods as a One-Off Retention Incentive Grant. (against)

In discussions with the present Chairman Glenn Davis, it was revealed that Mr Woods and several other Key Personnel have been offered One-Off Retention Incentive Grants. It was stated that Beach Energy has a development cycle in the next two years that has been given high priority to complete as soon as possible. When these projects are completed a major expansion phase will be completed. In the present employment environment, attracting senior staff is extremely difficult. A permanent increase in remuneration for new or existing staff was deemed to be structurally unnecessary due to shorter time frame for the phase of the developments, therefore a One-Off Retention Incentive Grant was seen as the most appropriate method of staff management.

ASA is against retention security grants as “incentives” without meaningful hurdles attached. However, it is our understanding from dialog and experience with both Santos and Beach, that the industry currently suffers from many additional statutory, operational and development difficulties beyond their control. We would prefer hurdles were attached.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.239	50%	1.239	34%
STI - Cash	0.3098	12.5%	0.601	16.5%
STI - Equity	0.3098	12.5%	0.601	16.5%
LTI	0.6195	25%	1.203	33%
Total	2.478	100.0%	3.671	100%

The amounts in the table above are the 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. Some remuneration framework set a maximum opportunity amount, but not all.