

Performing well under pressure

Company/ASX Code	Santos / STO
AGM time and date	10:00 am Adelaide time, Thursday, 11 April 2024
Location	William Magarey room, Adelaide Oval
Registry	Computershare
Type of meeting	Physical - a recording will be added to website after the meeting
Monitor	Bob Ritchie and James Hahn
Pre-AGM Meeting	Not yet but will occur before AGM

Monitor Shareholding: An individual (or associates) involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2a	Re-election of Mr Keith Spence	For
2b	Re-election of Dr Vanessa Guthrie AO	For
2c	Election of Mr John Lydon	For
2d	Election of Ms Vicki McFadden	For
3	Adoption of remuneration report	For
4	Grant of Share Acquisition Rights to Mr Kevin Gallagher	For
5	Renewal of the proportional takeover provisions for another three years	For

2. Summary of Issues and Voting Intentions for AGM

Results are mixed. At our pre-AGM meeting, we intend to discuss reserves, particularly Barossa and Narrabri.

Re-election of Chairman Keith Spence has been opposed by ACCR with an accompanying section 249P statement. ASA supports the candidate.

One aspect of grants of share acquisition rights for MD Kevin Gallagher has previously been questioned by some shareholders: a once only long-term retention grant approved at the 2022 AGM with a 75.26% vote in favour. The performance measures for Growth Projects Incentive Rights will be tested at end of 2025. ASA supports both remuneration resolutions.

3. Matters Considered

Accounts and reports

While Keith Spence and Kevin Gallagher were up-beat in their letter to shareholders, we perceive results as mixed. Production was down, albeit from a record high. Production essentially eroded the 2P reserves. Explanation includes the ending of production at Bayu-Udan and unavoidable delay in development of Barossa.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (US\$m)	1,416	2,112	658	-357	647
UPAT (US\$m)	1,423	2,461	946	287	719
Share price (A\$)	7.60	7.14	6.31	6.27	8.18
Dividend (cents) US/A	26.2/39.2	22.7/30.3	14/19	7.71/9.2	11/12.2
Simple TSR (%)	11.9%	18.0%	7.0%	-22.0%	56.0%
EPS (cents) US/A	43/64	63/99	30.8/40	-17.1/-22.2	32/35
CEO total remuneration, actual (A\$m)	6.4	7.1	7.2	8.1	11.3

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year. The company reported a TSR of 2.4% for 2023. CEOs total actual remuneration compared to annualised Australian Full time Adult Average Weekly Total Earnings is 63x (based on data from the Australian Bureau of Statistics to November 2023 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>).

Key events

A favourable decision on appeal has cleared Barossa for development.

Directors, Peter Hearl and Eileen Doyle, are not seeking re-election.

4. Rationale for Voting Intentions

Resolution 2a Re-election of Mr Keith Spence (for)

In each of the years Keith Spence has been chair of Santos board, our conversations with him have confirmed his deep understanding of the industry and the company, his independence of thought and his capacity to lead and represent the board.

Resolution 2b Re-election of Dr Vanessa Guthrie AO (for)

We have had extensive conversations with Vanessa Guthrie in her role as lead independent director for Adbri and are convinced of her capacity as a non-executive director.

Resolution 2c Election of Mr John Lydon (for)

John Lydon has been nominated by the board without prior appointment. Credentials presented indicate he is a good fit for the Santos board. Additionally, to his commonly encountered credentials, he has strong connection with climate concerned leaders.

Resolution 2d Election of Ms Vicki McFadden (for)

Vicki McFadden has been nominated by the board without prior appointment. Credentials presented indicate she is a good fit for the Santos board.

Resolution 3 Adoption of remuneration report (for)

The remuneration report is comprehensive and clear.

One aspect of the report that has previously concerned some shareholders is a once-only long-term right to acquire shares at the end of 2025, for the purpose of retaining Kevin Gallagher's service for the purpose of completing key strategies.

This was introduced when there were rumours that Woodside was head-hunting Kevin Gallagher. We discussed the situation with Keith Spence at that time, a year before the once-only LTI special grant was announced and put to shareholders for resolution.

We had previously discussed with Keith Spence our concern that the board some years previously (composed of completely different directors) had based a \$4 million grant to the then MD for completing Gladstone LNG project on time and on budget; our criticism being that achievement should have been based on achieving a commercially successful commissioning. Gladstone LNG asset value was subsequently impaired twice; halving its book value.

When we discussed Kevin Gallagher's special LTI with Keith Spence, he assured us he had studied the notes pertaining to the Gladstone LNG grant and endeavoured to ensure the proposed grant to Kevin Gallagher was safe from our previous criticism. In the event of proposing the resolution to shareholders, the grant was presented as retention for strategic purpose but specific hurdles were not incorporated. This was explained to be on account of commercial confidentiality and undertaking was given to report annually on progress with those strategies, although the final decision would rest on achievement at the end of 2025. This undertaking has been honoured, as illustrated on pages 58 & 59 of the annual report. We continue to support adoption of the remuneration report while noting our preference for hurdles to have been specified for the special LTI grant.

Remuneration framework detail

CEO rem. Framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.05	31%	2.05	22%
STI - Cash	1.2	18%	1.7	19%
STI - Equity	1.2	18%	1.7	19%
LTI	2.2	33%	3.7	40%
Total	6.65	100.0%	9.15	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.

Resolution 4 Grant of Share Acquisition Rights to Mr Kevin Gallagher (for)

The notice of meeting description is comprehensive and clear. It is essentially the same as previously; the numbers changing only for face value of shares and quantum of FAR, for which 180% is the maximum achievable upon achievement of all 4-year hurdles; ie at end of 2027.

There are four equal tranches (unchanged).

- TSR relative to S&P ASX100
- TSR relative to S&P Global energy Index
 - for both: 50% at 51st percentile and 100% at 76th percentile; pro rata between
- Free cash flow break even point
 - when we meet with Keith Spence before the AGM our agenda will include this item as production was not matched by increase in 2P reserve
- Return on average capital employed
 - 50% if ROACE > 110% WACC, 100% at 140% WACC, pro rata between

Resolution 5 Renewal of proportional take over provision (for)

The notice of meeting explanation is comprehensive and clear; particularly the pros and cons for retail shareholders.

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