



Beach surfs a wave of success

Company/ASX Code	Beach Energy/BPT
AGM date	Tuesday 26 November 2019
Time and location	10.30 am, Adelaide Convention Centre, Adelaide
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

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

Basic earnings per share (eps) were up 177% to 25.35 cents per share (cps) from Financial Year 2018's (FY18) 9.16 cps. This was backed up by underlying eps increasing by 77%, from 13.9 cps to 24.6 cps in FY19. The Company's operating cash flows were also up 57% to \$1,038 million (m) from \$662.9m. Dividends remained unchanged from the previous year at 2 cps. This confirms the company's policy to pay back debt before paying more dividends. The debt pay-down is 18 months ahead of schedule as Beach looks to expand.

Importantly, in a resource company, reserves are also up for the year. Proved reserve estimate or 1P reserve is up 6% and proved and probable reserve estimate or 2P reserve is up 4% giving the company a reserve life of 12 years.

Production, sales and capital expenditure are all up by 55% and net assets are up by 29% from the previous financial year. All of this points to a very solid performance in the last year.

Key events

O.G. Energy was brought in for a 40% joint venture partner in an Otway Basin development for a consideration of \$344 million.

Key Board or senior management changes

Board now full compliment of nine due to Ms Sally-Anne Layman's appointment as non-executive director (NED) and the appointment of CEO Matt Kay as Managing Director.

ASA focus issue

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 which increases board diversity to 22% female representation. ASA prefers a sustainable and diverse board that has at least 30% representation by women and men.

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. There is an actual remuneration table in the Annual Report.

Skin in the game: Compliant - all directors have appropriate number of shares except for M. Stokes who, through Seven Group Holdings, has an associated interest of 29% of Beach Shares.

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

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	577.3	198.8	387.5	-588.8	-14.1
UPAT (\$m)	560	301.5	161.7	35.7	90.7
Share price (\$)	1.985	1.755	0.575	0.60	1.05
Dividend (cents)	2.0	2.0	1.5	0.50	3.00
TSR (%)	14.2	209	-1.7	- 42.4	-35.7
EPS (cents)	25.35	9.16	20.38	-39.56	-39.64
CEO total remuneration, actual (\$m)	1.781	1.267	1.244	0.277	0.473

For 2019, the CEO's total actual remuneration was **20 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO remuneration framework

	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.25	33%
STI - Cash	0.625	16.5%
STI - Equity	0.625	16.5%
LTI	1.25	33%
Total	3.75	100.0%

There were fixed salary increases this year, with the CEO's base salary going from \$903,000 to \$1,201,357. Board fees remained similar with the Chair receiving \$275,000 and a board member \$110,000. The quantum of the CEO salary, at \$1,781,804, is satisfactory compared to metrics such as S&P/ASX100-200 companies and multiples of average salaries.

The 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 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 7%. This can 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 LTI is the same as in 2018. 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 prorated 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 the market price on December 1.

Beach has indicated that it has raised the CEO fixed remuneration to \$1.266 million, starting 1 July 2019, from \$1.201million in 2017/18. Board members will increases have also been approved.

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 Volume Weighted Average Price (VWAP) for calculation of performance rights and effective alignment of management with shareholders.

Item 3	Re-election of Phillip Bainbridge as a Director
ASA Vote	For

Summary of ASA Position

Mr Bainbridge was appointed to the board on 1 March 2016. Through his 23 years' experience in the oil industry as an engineer we believe his qualifications are a good match for the position. He is currently chair of the Risk, Corporate Governance and Sustainability committee. His 118,090 shares give him adequate skin in the game.

Item 4	Re-election of Colin Beckett as a Director
ASA Vote	For

Summary of ASA Position

Mr Beckett was appointed to the board on 2 April 2015. As an engineer of over 40 years' experience in engineering design, project management, commercial and gas marketing he has excellent skills to be on the board. He chairs the Remuneration and Nomination Committee and is a member of the Risk, Corporate Governance and Sustainability Committee. His 77,694 shares give him adequate skin in the game.

Item 5	Re-election of Peter Moore as a Director
ASA Vote	For

Summary of ASA Position

Dr Moore was appointed to the board on 1 July 2017. He has over 35 years' experience in geological management and as such his qualifications are ideal for his position. He is currently a member of the Risk, Corporate Governance and Sustainability Committee and Remuneration and Nomination Committee. His 44,200 shares give him adequate skin in the game.

Item 6	Election of Matthew Kay as Managing Director
ASA Vote	For

Summary of ASA Position

Mr Kay was appointed managing director of Beach Energy Limited on 25 February 2019. He has 25 years' experience in energy industry leadership roles before joining Beach. At present he is also CEO and therefore is well qualified for the role. His 3,187,585 share gives him significant skin in the game.

Item 7	Election of Sally-Anne Layman as a Director
ASA Vote	For

Summary of ASA Position

Ms Layman was appointed to the board on 25 February 2019. She has 25 years' experience in the resources sector and financial markets including 14 years with Macquarie Group. She is Chairman of the Audit Committee. At present she does not have any shares in the company, but it is her first year on the board.

Item 8	Approval of STI grant to CEO/Managing Director Matt Kay
ASA Vote	For

Summary of ASA Position

Mr Kay will be awarded 297,818 performance rights under the 2018 STI offer. The rights were determined by dividing 50% of his STI entitlement by the market value of the shares (which is \$1.949 being the average price for the 5 consecutive trading days up to and including June 30, 2019). The vesting dates are 1 July 2020 and 1 July 2021 in equal tranches. Mr Kay will be awarded 97% of his STI stretch this year due to production levels being at high end of guidance, reserve replacement levels exceeding stretch levels and NPAT exceeding stretch levels.

Item 9	Approval of LTI grant to CEO/Managing Director Matt Kay
ASA Vote	For

Summary of ASA Position

Mr Kay will be awarded the performance rights shares in December 2019. 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 \$1,266,000/share price on day in December 2019. 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 10	Adoption of new or amended constitution
ASA Vote	For

Summary of ASA Position

There does not appear to be any clauses that would disadvantage retail shareholders in this proposal. The resolution is in line with good corporate governance.

The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

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