



**Setting up for the future.**

<b>Company/ASX Code</b>	Beach Energy/BPT
<b>AGM date</b>	Wednesday, 16 November 2022
<b>Time and location</b>	10.30am Crown Plaza Hotel Adelaide
<b>Registry</b>	Computershare
<b>Type of meeting</b>	In person/Webcast
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	James Hahn
<b>Pre AGM-Meeting?</b>	Yes, with Chair Glenn Davis

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

**Summary of issues for meeting**

Beach is performing as expected, and we find no immediate issues to raise, except for lower production in 2022. It was explained by COVID restrictions, followed by excess rain in the Cooper Basin keeping field decline mitigation from being conducted.

The general theme from discussions with the Chairman is that production will be subdued for another year and then the Otway Basin and Waitsia production will take Beach Energy up to 28m bbl. on good contract terms for pricing.

One recent issue, post report date, is the uncertainty of the timely completion of the Waitsia project due to financial and supply issues with the project contractor, Clough Group.

**Proposed Voting Summary**

No.	Resolution description	
1	Adoption of Remuneration Report	For
2	Re-election of Phillip Bainbridge as a Director	For
3	Re-election of Peter Moore as a Director	For
4	Re-election of Sally-Anne Layman as a Director	For
5	Renewal of proportional takeover provisions	For

## **Summary of ASA Position**

### **Governance and culture**

Governance is generally satisfactory, with the majority of the board independent, despite Seven Group Investment Holdings having 30% shareholding and two nominated board members as of 30 June 2020. Six of the nine directors are independent, but the Chairman was elected to the board in 2009 and therefor ASA no longer deems him to be independent.

### **Financial performance**

Net profit after tax was \$501 million in 2022 compared to \$316.5 million in 2021. Dividends were stable at 2 cents per share and total shareholder return was 30%. Earnings per share was up to 21.94 cents compared to previous year of 13.88 cents. This was achieved because of higher prices and occurred despite production being down by 15%.

Beach is also participating (33%) in the Santos lead Moomba CCS project which has the capacity to inject up to 1.7 Mtpa of carbon emissions, targeted for 2024.

Present events, such as COVID, excessive rain and field decline have reduced production in 2022 and 2023. 2P Reserves have also been lowered to 283 MMboe from 339MMboe due to field decline and the decision to fast track the Thylacine offshore wells.

The present declines in production to 21.8 MMboe are expected to be raised to 28 MMboe in 2024 due to completion of development in the Otway and Waitsia basin. The contract terms are projected to be favourable and are expected to add significantly to free cash flow.

### **Key events**

No major key events occurred in 2022.

### **Key Board or senior management changes**

In November 2021, Mr Morne Engelbrecht was appointed as Chief Executive Officer, taking over the role from Mr Matt Kay. He was previously Beach Energy Chief Financial Officer. Ms Helen Hall was appointed to the board for a brief time during the year to replace Mr Ryan Stokes, who is presently back on the board. Mr Matthew Kay resigned, and Ms Joycelyn Morton retired from the board in November 2021. Mr Colin Beckett and Mr Robert Jager have advised that they will be retiring from the board at the AGM.

### **ASA focus issues**

Beach Energy satisfies most of the requirements of the ASA focus issues. This year there were no capital raising. Most directors have adequate shareholding, the exception being Dr Peter Moore and Ms Sally-Anne Layman only having 44,200 and 45,000 shares respectively. The company releases an annual sustainability report which is well presented and detailed. They are also actively addressing carbon abatement and open in discussing it with shareholders. The remuneration report is well presented.

## **Summary**

(As at FYE)	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
NPAT (\$m)	500.8	316.5	501	577.3	198.8
UPAT (\$m)	504	363	461	560	301.5
Share price (\$)	1.725	1.24	1.52	1.985	1.755
Dividend (cents)	2.0	2.0	2.0	2.0	2.0
Simple TSR (%)	39.1	negative 17.1	negative 22.4	14.2	209
EPS (cents)	21.94	13.88	22	25.35	9.16
CEO total remuneration, actual (\$m)	1.3 <sup>^</sup>	1.2	1.4	1.8	1.3

<sup>^</sup> M. Engelbrecht was appointed CEO on 19 May 2021 and was previously CFO therefore this is not a true reflection of an annual remuneration.

### **Election or re-election of directors**

Beach has eight directors, including the Chairman who has served more than 10 years and is deemed as non-independent. It also has two nominated board members, Mr Richard Richards and Mr Ryan Stokes who represent Seven Group Holdings' 30.2% shareholding. Ms Margaret Hall acts as alternate director to Mr Stokes. One director and one alternate director are women. The company has flagged Messrs Becket and Jager will step down after the AGM and two new directors will be sought. This board composition is not the preferred ASA model. A skills matrix is available in the Corporate Governance Statement.

#### **Philip Bainbridge**

Mr Bainbridge was appointed to the board in 2016. He is a Mechanical Engineer with extensive experience in the oil and gas industry. He is currently on several other related boards, and we believe he has the time to devote to Beach Energy. His position as chairman of the Global Institute of Carbon Capture and Storage is valuable to the company.

#### **Peter Moore**

Dr Moore was appointed to the board in 2015. He has 41 years' experience in the oil and gas industry, which includes being involved in the Geological Survey of Western Australia. He currently has a non-executive directorship role at Carnarvon Petroleum Ltd. and has adequate time to discharge his board duties at Beach.

#### **Sally-Anne Layman**

Ms Layman was appointed to the board in 2019. She is an Engineer with a range of experience in the resources and finance sectors. She is a non-executive director of several mining companies and has adequate time to devote to her duties at Beach.

## **Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO**

The remuneration report is satisfactory. The board was awarded a five percent increase from last year. Mr Engelbrecht received \$1,041,257 fixed remuneration and \$276,937 STI cash bonus. The company uses VWAP market value to determine performance grant valuation.

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.

Full details are in the attached appendix.

### **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.*

## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.266 <sup>^</sup>	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%

<sup>^</sup>The above table is an estimate only. The CEO was employed in two different roles in this financial year and an accurate annualised rate of remuneration is not available.

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.

Take home pay is disclosed separately, as well as the statutory disclosure. The MD has some skin in the game with 579,000 shares as of 30 June 2022.

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 64% 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 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.

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.