Australian Shareholders' Association

Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Getting energy right for customers, communities, and the Planet

Company/ASX Code	Origin Energy Ltd/ORG
AGM date	Wednesday 16 October 2019
Time and location	City Recital Hall, Angel Place Sydney
Registry	Boardroom Pty Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Geoff Orrock assisted by Lewis Gomes
Pre AGM Meeting?	Yes with Chair Gordon Cairns and Remuneration Chair Scott Perkins

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

Summary of ASA Position

Origin Energy continued to make good progress on improving business performance in the 2019 financial year (FY19).

Statutory net profit after tax (NPAT) was $1,211m (FY 2018 $218m) reflecting higher effective Australian dollar (A$) oil price in APLNG, lower financing and impairment charges and favourable movements in fair value and foreign exchange expense. Statutory earnings per share (EPS) was 68.8 cps. Underlying net profit for the year, which excluded fair value and forex movements of $139m and impairments of $44m was $1,028m (FY18 $838m). Underlying EPS was 58.4 cps, an increase of 10.7cps.

Net cash from operating activities in FY 2019 was $1.33 billion, up $340m on FY18. APLNG also contributed $943m, up from $363m on the back of higher gas prices. Capital expenditure costs were $341m. Interest paid was $373m.

Across Energy Markets, the profitability of the electricity portfolio was impacted by price relief measures provided to customers, the continued impact of retail competition and lower average customer numbers and usage. Underlying earnings before interest tax depreciation and amortisation (EBITDA) in Energy Markets was $1,574m, a decline of $77m from FY18. The Integrated Gas business increased Underlying EBITDA by $641m or 51 per cent to $1,892m. Australia Pacific LNG continued its strong operational and financial performance in FY19. Higher effective commodity prices and stable production despite planned upstream maintenance resulted in net cash flow to Origin of $943m.

Underlying return on capital employed (ROCE) was 9.1%, up from 7.7% in FY18.

The balance sheet was further strengthened with net debt reduced by $1.1 billion to $5.4 billion. Leverage is 2.6 times (X) which is within the target range of 2.5-3.0 X EBITDA. The sale of the Ironbark asset to Australia Pacific LNG for $231 million, settled on 5 August 2019, will contribute to further reducing the debt balance in FY20.

There was a welcome return to dividends with 25cps fully franked paid during the year. The 1-year total shareholder return (TSR) was -26% due to a sharp fall in the share price. However, the 3-year TSR was 12%.

The company is on track to meet its target for more than 25 per cent of its owned and contracted generation capacity to come from renewables and storage solutions by 2020.

Origin expects the political and regulatory environment will continue to be fluid. On that basis, the outlook for the Energy Markets Underlying EBITDA is expected to be in the range of $1.35 billion to $1.45 billion with gross profit of the natural gas portfolio expected to be relatively stable, while a reduction in electricity gross profit will reflect the impacts of government default market offers, lower green scheme prices flowing through to business customer tariffs and lower customer usage. Integrated Gas expects to achieve a distribution breakeven of US$33 to US$36/BOE (barrel of oil equivalent). Australia Pacific LNG's FY2020 production is expected to be 680 to 700 petajoules.

The current composition of the Origin board of non-executive directors also does not satisfy the ASA's guidelines for having a board that is comprised of at least 30% women and 30% men. The current composition is more 77%/23%, but the company has a target of 40% to be achieved by 2020.

Summary

(As at FYE)	**2019**	**2018**	**2017**	**2016**
NPAT ($m)	1,211	218	(2,226)	(589)
UPAT ($m)	1,028	838	400	286
Share price ($)	7.31	10.03	6.86	5.75
Dividend (cents)	25	0	0	10
TSR (%)	(26.1)	46.2	19.3	(42)
Statutory EPS (cents)	68.8	12.4	(126.9)	(39.8)
CEO total remuneration, actual ($m)	3.16	2.96	2.66	2.6

For FY 2019 the CEO's total actual remuneration was **36 times** the Australian Full time Adult Average Weekly Total Earnings of $88,150 (based on May 2019 data from the ABS)

Item 2	**Election of Mr Greg Lalicker**
ASA Vote	**For**

Summary of ASA Position.

Mr Greg Lalicker, an independent non-executive director (NED), joined the Board in March 2019. Mr Lalicker is the CEO of Hilcorp Energy Company, the largest privately held independent oil and gas exploration and production company in the USA. He joined the Hilcorp leadership team in 2006 as Executive Vice President where he was responsible for all exploration and production activities. He was appointed CEO in 2018 and is based in Houston in the USA. Prior to working for Hilcorp, he was with BHP Petroleum based in USA, London and Melbourne, and McKinsey & Company where he worked in its Houston, Abu Dhabi and London offices.

Mr Lalicker graduated as a petroleum engineer from the University of Tulsa. He also has a Master of Business Administration and a law degree.

The Board considers that his extensive industry and strategy experience, together with his global knowledge, will strengthen the Origin Board and complement the skills of the existing Directors.

Mr Lalicker holds 100,000 Origin shares.

Item 3	**Re-election of Mr Gordon Cairns**
ASA Vote	**For**

Summary of ASA Position.

Mr Gordon Cairns, an independent NED joined the Board on 1 June 2007 and became Chair in October 2013. He is Chair of the Nomination Committee and a member of the Audit, Health, Safety and Environment, Remuneration and People and Risk committees.

Mr Cairns has extensive Australian and international experience as a senior executive and as CEO of Lion Nathan Ltd. He has held senior management positions in marketing, operations and finance with PepsiCo, Cadbury Ltd and Nestlé. He is Chair of Woolworths Group Limited (since September 2015), a Director of Macquarie Group Limited and Macquarie Bank, and non-executive director of World Education Australia since November 2007. He was also a senior advisor to McKinsey & Company.

As per ASA guidelines, Mr Cairns is no longer considered an independent director as he has served on the board of Origin for over 10 years. In this regard, his role as Chair raises questions relating to compliance with ASA guidelines. AS he has only held this role since October 2013, on balance we will vote on favour of his re-election.

Mr Cairns holds a Master of Arts (Honours) from the University of Edinburgh. The Board considered his expertise, skill and experience, as well as his performance and contribution to the work of the Board over his term of office and consider that he has been a high performing Director and continues to make valuable contributions to the Board.

Mr Cairns holds 163,660 Origin shares.

Item 4	Re-election of Mr Bruce Morgan
ASA Vote	**For**

Summary of ASA Position.

Mr Morgan, an independent NED, joined the Board in November 2012. He is Chair of the Audit Committee and a member of the Health, Safety and Environment, Nomination and Risk committees.

Mr Morgan is Chair of Sydney Water Corporation, a Director of Caltex Australia Ltd, a Director of Redkite, the University of NSW Foundation and the European Australian Business Council. An audit partner of PwC for over 25 years, he was focused on the financial services and energy and mining sectors leading some of the firm's most significant clients in Australia and internationally.

Mr Morgan has a Bachelor of Commerce (Accounting and Finance) from the University of NSW and is an Adjunct Professor of the University. He is a Fellow of the Chartered Accountants Australia and New Zealand and of the Australian Institute of Company Directors. The Board considers that he has been a high performing director and continues to make valuable contributions to the Board.

Mr Morgan holds 47,143 Origin shares.

Item 5	Adoption of Remuneration Report
ASA Vote	**For**

Summary of ASA Position

Shareholders look to remuneration policy for alignment of executive rewards with shareholder return. ASA guidelines seek to ensure that incentive payments also strongly relate to performance which in turn is reflected in returns to shareholders. According to ASA guidelines, companies should pay a reasonable fixed salary and expect "normal" performance. Properly structured short-term and long-term incentive schemes, i.e., pay at risk, should be used to promote outstanding performance over the long term. In practice, most companies, including Origin Energy, incentivise executives to achieve the target business plan.

In FY19 the company's remuneration report again sets a high standard for transparency in awarding variable pay. The report includes:

• A 5-year table of performance, earnings and cash flows, STI scorecards and outcomes, shareholder returns and LTI outcomes.

• An easy read table which shows in detail each of the MD's scorecard key performance indicators (KPIs) and the value of threshold, target and stretch values, the values achieved and the calculation of the outcome.

• A table of variable pay (STI and LTI) referenced to fixed remuneration (FR) awarded for the period and

• A table of actual remuneration.

In FY19 Origin remuneration policy included fixed remuneration (FR), short-term incentives (STI), and long-term incentives (LTI). The MD's maximum STI payment is 167% FR (up from 130% last year) and for other key management personnel (KMP) 125% FR. One half of STI is paid in cash and one half deferred as Restricted Shares (RS) for 2 years. LTI is granted as zero priced Performance Share Rights (PSRs) with a performance period of 3 years and a holding lock of a further one year. The number of PSRs granted to the MD is 180% FR calculated at share price face value and is submitted to shareholders for approval at the AGM. Dividends are not paid on PSRs.

CEO remuneration framework	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.80	34.6%	1.80	22.5%
STI - Cash	0.90	17.3%	1.50	18.8%
STI - Deferred cash/equity	0.90	17.3%	1.50	18.8%
LTI	1.6	30.8%	3.2	40.0%
Total	5.2	100%	8.0	100%

The MD's FR in FY19 was $1.8m.

His STI scorecard showed that the financial elements achieved 153.8% of target (stretch is 167% of target). Customer experience and people KPIs were at or around target which resulted in a scorecard outcome equating to an STI payment of 113.9% of FR or $2.050m.

For a sixth consecutive year the LTI hurdles relative TSR and return on capital employed were not reached and all PSRs (and legacy options from prior year schemes) tested were forfeited.

The MD's total actual remuneration was $3.16m. Other KMP's received between $1.1m and $1.3m. ASA notes that the maximum remuneration the MD could receive including maximum LTI and STI is 347% of FR, which with minor changes proposed in FY2019, is $8.046m.

Board chair's fee is $677,000 plus superannuation, the NED base fee is $196,000. NED actual fees including committee work and superannuation ranged from $240,000 to $295,000. Total Board fees for FY 2018 were $2.263m. These fees were set in 2013.

The minimum shareholding requirement for NEDs set by the Board is shares equivalent to 1 times NED base fee and for the Board Chair 2 times NED base fee.

There was reasonable alignment between mid-term shareholder return and KMP reward and the ASA will support the remuneration resolution this year.

Item 6	Approval of equity grants to MD Mr Frank Calabria
ASA Vote	For

Summary of ASA Position

Under Listing Rule 10.14 shareholder approval is required for the issue of securities to any Director under an employee incentive scheme.

Shareholders are asked to approve the grant of equity incentives to the MD with respect to his STI and LTI for the FY 2019 allocation which includes

• 143,242 RS vesting in 2 years (half of STI above ie $1.025m, the number calculated at face value of $7.16)

• 452,742 PSRs vesting in 4 years subject to dual hurdles of ROCE and weighted average cost of capital (LTI of $3.24m, the number calculated at face value of $7.16)

The approval also includes the allotment of shares on vesting and where relevant the exercise of the RS and PSR in future years.

Although there are some concerns regarding the magnitude of the grant relative to FR, in other respects it aligns with ASA policy with respect to hurdles, performance periods and calculation of numbers using a market price and this year ASA intends to support this resolution.

Item 7	Approval of Proportional Takeover Provisions
ASA Vote	For

Summary of ASA Position

These proposals are normally non-controversial where a company renews its constitutional provisions which don't allow a predator to only bid for a proportion of a shareholders' interest. We prefer full takeovers so that shareholders are not left with a controlling shareholder and would usually support these resolutions.

ASA supports this resolution.

Item 8	Change of Auditor
ASA Vote	For

Summary of ASA Position

After a competitive tender process Shareholder approval is sought to appoint Ernst and Young as the new Auditor of the company following the retirement of KPMG at the close of the 2019 AGM.

ASA will support this resolution.

Items 9a-9f	Amendment to Constitution and Contingent Resolutions
ASA Vote	Against

Summary of ASA Position

These resolutions have been requested by two advocacy groups and are not endorsed by the Board. Whilst, on the face of it, a resolution to increase shareholder power may appear beneficial to shareholders, under the existing framework, shareholders who wish to raise an issue must propose a constitutional amendment in order to provide for such a power. ASA is reluctant to vote in favour of changing company constitutions – our preference is for a public policy consultation on whether there should be a right to more non-binding shareholder resolutions.

Origin Energy has committed in its notice of meeting to devoting a reasonable opportunity for shareholders to ask questions on the subject matter of these items. ASA notes that this has been our experience at Origin AGMs.

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