Australian Shareholders' Association

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Company	Santos Limited
Code	STO
Meeting	AGM
Date	15 April 2021
Venue	Online
Monitor	Bob Ritchie assisted by Malcolm Holden & James Hahn

Number attendees at meeting	305
Number of holdings represented by ASA	250
Value of proxies	$17m
Number of shares represented by ASA	2.5m (equivalent to 18th largest holder in Top 20 list)
Market capitalisation	$14b
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with chairman Keith Spence

Financial results affected by steep fall in prices

Santos Ltd. (formerly South Australia Northern Territory Oil Search) is an Australian energy company, the country's second-largest independent oil and gas producer. In the 2020 Forbes Global 2000, Santos was ranked as the 1,583rd-largest public company in the world. (Source: Wikipedia). Santos is the largest SA-resident listed company by market capitalisation, almost double the value of 'runner up' companies such as Oz Minerals, Argo or Codan.

In their reports, chairman Kevin Spence and MD Kevin Gallagher gave more attention than usual to future prospects; particularly to the possibility of venturing into carbon capture and sequestration in the event that federal parliament passes anticipated legislation which could make carbon capture and sequestration commercially feasible. If this were to occur, they seemed to think it could be a significant development in carbon neutrality and profitability for Santos, including the possibility of hydrogen production for fuel.

The chairman announced that some questions received ahead of the meeting asked about impairments and capital expenditure. He said some had been addressed in reports and others would be answered after dealing with other matters on the agenda.

The re-election of Kevin Spence and Vanessa Guthrie were the next agenda items. Each spoke to their own candidacy, Vanessa Guthrie giving some emphasis to her interest in the company's possibility of venturing into carbon capture and sequestration. It was declared there were no questions addressing re-elections, although a question about Vanessa Guthrie's workload was latter addressed after other business items. Chairman Spence spoke to her capability and commitment and said she had recently terminated one of the other board commitments.

Adoption of remuneration report and SARS award (share acquisition rights) for the MD were the next agenda items. Again it was declared there was no question for either item, although one question addressed later considered the relative benefit to the MD's incentive payment compared with the more modest benefit shareholders had received in terms of TSR (total shareholder return) over the LTI period.

Renewal of takeover provisions similarly had no question.

A non-board proposal under section 249 of the Corporations Act was introduced as the next item, for voting with questions to be addressed along with others.

ASA's comment and question were first addressed among those asked prior to the meeting. Noting the decline from 14 through 13 to 10-years as a measure of reserves in terms of life at production rates, we asked of the effect of the acquisition of Barossa which had occurred after close of books: four additional years.

Questions were generally well prepared and ranged over many issues; some technical particularly dealing with climate change maters, also political and land rights and ground water matters from NT to Narrabri. Among these questions was a second asked by ASA during the meeting, noting an incentive payment to a previous MD for delivering GLNG on time and on budget, which we regarded as the then board taking a 'project manager' perspective rather than a business perspective like delivering a commissioned plant making a suitable return on investment. The chair acknowledged our concern, assuring that would not be repeated and saying the specific terms including performance standards had not yet been settled.

The meeting was completed after an hour and forty minutes.

An article in the Financial Review appeared the next morning, consistent with our comment two paragraphs above.

Santos announced on 19 April that Fitch was the second rating company to record investment grade status to Santos, saying, 'Fitch noted Santos' financial profile benefits from the company's long-term, fixed-price domestic gas contracts which provide portfolio diversification to oil-linked revenues. Fitch also noted that as operator of its unsanctioned growth projects, Santos has some flexibility over timing and expenditure, and has levers to manage leverage including equity sell-downs. HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS