



Financial results affected by steep fall in prices

Company/ASX Code	Santos/STO
AGM date	Thursday 15 April 2021
Time and location	10 am Adelaide time. Hybrid or only virtual meeting not yet decided.
Registry	Boardroom
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Bob Ritchie assisted by Malcolm Holden & James Hahn
Pre AGM Meeting?	Yes with chair Keith Spence by video

Please note any potential conflict as follows: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

Summary of issues for meeting

Key issues for this meeting are:

1. Financial results, which are not as bad as first appears, although they do require detailed study to understand why this is so;
2. Proved and probable reserves, reported as a 25% fall from thirteen years future supply to ten; again not as bad as this appears, as it is temporary;
3. Planned increase in production;
4. Possible future business strategy in carbon sequestration and production of non-hydrocarbon fuel;
5. All non-executive directors are now independent, following ENN reducing its holding by 101.7 million shares, to a holding of 9.97%, and Mr Eugene Shi subsequently resigning in March 2021.
6. Santos received Job Keeper funding but soon paid it all back, well before the matter became a media issue. This action is regarded by us as a socially responsible way of protecting the company's 'social licence'.

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

Summary of ASA Position

1. Steep fall in market for hydrocarbons turned statutory profit into loss year-on-year by affecting both gross margin and GLNG impairment.
2. Reported decline in future life of reserves will be improved, say to about 15 years, when Bayu-Undan and Barossa acquisitions are fully accounted for in the 2021 report.
3. We discussed plans to double production of 2018 by 2026 and were satisfied they are realistic.
4. Depending on federal legislation, an opportunity to enter the business of carbon sequestration and extend that through to production of non-hydrocarbon fuels portends an exciting future.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (US\$m)	- 357	674	630	- 360	-1,047
UPAT (US\$m)	287	719	727	336	63
Share price (A\$)	6.27	8.18	5.48	5.45	4.02
Dividend (cents US/AU)	7.1/9.2	11 / 12.2	9.7 / 13	zero	5
TSR (%)	- 22%	56%	3%	36%	10%
EPS (cents US/AU)	- 17.1/22.2	32 / 35	30 / 40	-17.3	-58
CEO total remuneration, actual (A\$m)	8.11	11.26	4.5	3.63	0.45

For 2020, the CEO's total actual remuneration was **88 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

Item 2a	Re-election of Keith Spence as a Director
ASA Vote	For

Summary of ASA Position

Keith Spence is well known to us and is well regarded.

As a board member and chairman since early 2018, he has met with us four times in pre-AGM meetings. His education features a first class honours degree in geophysics and his working life has been relevant and extensive, for which we note his recently acquired high level knowledge of carbon sequestration and production on non-hydrocarbon fuels. He has our confidence and we will vote our undirected proxies in favour of his re-election.

Item 2b	Re-election of Vanessa Guthrie as a Director
ASA Vote	For

Summary of ASA Position

Vanessa Guthrie is well known to us and is well regarded.

As a Santos board member since mid 2017 and an Adbri board member since early 2018, now deputy chair and lead independent director and chair of two Adbri board committees, Vanessa Guthrie is well known to us, having conversed with her in two Adbri pre-AGM meetings. We believe we have an appreciation of her calibre and capability. Her education features a doctoral award and an honours degree. Her working life has been relevant and extensive. She has our confidence and we will vote our undirected proxies in favour of her re-election.

Item 3	Adoption of the Remuneration Report
ASA Vote	For

Summary of ASA Position

For FY20, the year reported, the CEO's actual remuneration received, including equity awards vesting achieved for performance set in earlier years, was \$8.11 million. Average for this and the previous three years is \$6.875 million.

The CEO's remuneration framework for FY21 is set out in the following table.

CEO rem. Framework for FY21	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.010	32%	2.010	22%
STI - Cash	0.991	16%	1.707	19%
STI - Equity	0.991	16%	1.707	19%
LTI	2.167	35%	3.594	40%
Total	6.191	100.0%	8.985	100%

Positive initiatives were:

1. Reduction of the FCFBEP measure to \$25;
2. Introduction of a 5% cap of free cash flow for the STI pool, resulting in a 28.5% reduction in the CEO's STI cash component awarded in 2020, in alignment with the shareholder experience.

We have a continuing issue with two of the four LTI tranches insofar as we recommend a gate or filter of positive TSR before a relative TSR performance award can be granted. Although we have noted the chairman's observation that an aggregate negative absolute TSR over four years would occur rarely, our recommendation remains to cover such an occasion. Having made this recommendation over a number of years, if such an occasion were to occur, we would vote against adoption of a remuneration report.

Item 4	Grant of Share Acquisition Rights to Kevin Gallagher, CEO & MD
ASA Vote	For

Summary of ASA Position

SARS maximum opportunity granted is in two components: LTI vesting at end of 2024 of \$3.5 million and STI equity component vesting at end of 2021 of \$1.7 million; totalling 5.2 million, represented by shares at about \$6.27 market price, approximately 845 thousand SARS which could become a maximum of 845 thousand shares.

As noted above, we have a continuing issue with two of the four LTI tranches insofar as we recommend a gate or filter of positive TSR before a relative TSR performance award can be granted.

Item 5	Renewal of proportional takeover provisions
ASA Vote	For

Summary of ASA Position

We support the resolution which requires a vote of shareholders before a predator bidder can bid for only a portion of a shareholder's interest.

Item 6a	Amendment to the constitution
ASA Vote	Against

Summary of ASA Position

A proposal to amend the constitution requires a 75% favourable vote to pass.

Santos has previously allowed consideration of a non-binding resolution to occur at an AGM but has not done so for the last few years, following abuse of the privilege granted to proponents.

For the last few years, the proponents have proposed change to the constitution to allow admission of non-binding advisory resolutions to be placed on the agenda. The legal position is that advisory votes are not allowed under common law; the advisory vote for adoption of a remuneration report being an exception introduced by legislation which overrides common law.

Next year, the board will place on the agenda an advisory vote for adoption of the sustainability report. Subsequently, the proponents for agenda change withdrew one of their advisory motions.

We hope this may redirect consideration of climate change issues to a focus more appropriate to the business of the company. The Climate Change Report is informative and seems to be sound.

We will vote against resolution 6a.

Item 6b	Capital protection
ASA Vote	Against

Summary of ASA Position

See above.

Item 6c	Amendment to the constitution
ASA Vote	Withdrawn

Summary of ASA Position

See above.

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