PROXY PAPER

SANTOS LIMITED

CGI | GLASS LEWIS

Australian Securities Exchange: **STO**

ISIN: **AU000000STO6**

MEETING DATE: 04 MAY 2017

RECORD DATE: 02 MAY 2017

PUBLISH DATE: 13 APRIL 2017

INDEX MEMBERSHIP: DJSI NA; S&P/ASX 50; S&P/ASX ALL ORDINARIES; DJSI AP; S&P/ASX 100; S&P/ASX 200; DJSI WORLD; S&P/ASX 300

SECTOR: ENERGY

INDUSTRY: OIL, GAS AND CONSUMABLE FUELS

COUNTRY OF TRADE: AUSTRALIA

COUNTRY OF INCORPORATION: AUSTRALIA

VOTING IMPEDIMENT: NONE

DISCLOSURES: REFER TO APPENDIX REGARDING CONFLICTS OF INTEREST AND ENGAGEMENT

COMPANY DESCRIPTION

Santos Limited explores for, develops, produces, transports, and markets hydrocarbons in Australia and internationally. The company produces natural gas, ethane, liquefied gas, crude oil, condensate, naphtha, and liquefied petroleum gas.

2017 ANNUAL MEETING

PROPOSAL	ISSUE	BOARD	GLASS LEWIS	CONCERNS
1.00	Accounts and Reports	NON-VOTING	**NON-VOTING**	
2.00	Election of Directors	FOR	**FOR**	
2.01	Re-elect Peter R. Coates	FOR	**FOR**	
2.02	Elect Guy M. Cowan	FOR	**FOR**	
2.03	Elect Peter R. Hearl	FOR	**FOR**	
3.00	Remuneration Report	FOR	**FOR**	
4.00	Equity Grant (MD/CEO Kevin Gallagher)	FOR	**FOR**	
5.00	Shareholder Proposal Regarding Facilitating Nonbinding Proposals	AGAINST	**ABSTAIN**	• **The shareholder proposal process is best facilitated through regulatory changes**
6.00	Shareholder Proposal Regarding Climate Change Reporting	AGAINST	**FOR**	• **Increased disclosure would allow shareholders to more fully assess risks presented by climate change and attendant regulations**

COMPANY PROFILE

FINANCIALS

	1 YR TSR	3 YR TSR AVG	5 YR TSR AVG
STO	*10.9%*	*-29.9%*	*-15.5%*
S&P/ASX ALL ORDINARIES INDEX	*11.6%*	*6.8%*	*11.6%*
MARKET CAPITALISATION (MM USD)		5,908	
ENTERPRISE VALUE (MM USD)		9,121	
REVENUES (MM USD)		2,594	
MATERIAL TRANSACTION(S) IN PAST 12 MONTHS		*US$1.05b impairment to GLNG and a capital raisingg of A$1.241b in December 2016 and February 2017*	

FIGURES AS OF 31-DEC-2016. ANNUALISED SHAREHOLDER RETURNS. SOURCE (EXCLUDING MATERIAL TRANSACTIONS): CAPITAL IQ

EXECUTIVE REMUNERATION

P4P 2016	*Poor*	**SAY ON PAY VOTE**	*Yes*
CGI GLASS LEWIS STRUCTURE RATING	*Good*	**CLAWBACK PROVISION**	*Yes*
CGI GLASS LEWIS DISCLOSURE RATING	*Good*	**STRIKE AT LAST YEAR'S AGM**	*No*
CGI GLASS LEWIS READABILITY RATING	*Good*	**VOTE METHOD**	*Poll*

BOARD & MANAGEMENT

ELECTION METHOD	*Majority*	**CEO START DATE**	*February 1, 2016*
STAGGERED BOARD	*Yes*	**CGI GLASS LEWIS INDEPENDENCE**	*88%*
COMBINED CHAIR/CEO	*No*	**AVERAGE NED TENURE**	*5 years*
% OF WOMEN ON BOARD	*13%*	**AVERAGE NED AGE**	*63 years*

AUDITORS

AUDITOR: ERNST & YOUNG	**TENURE:** 11 YEARS
MATERIAL WEAKNESS(ES) IDENTIFIED IN PAST 12 MONTHS	*No*
RESTATEMENT(S) IN PAST 12 MONTHS	*No*

ESG RATINGS

	2016	2015	2014
OVERALL ESG	*Outperformer*	*Industry Leader*	*Outperformer*
ENVIRONMENT	*Average Performer*	*Industry Leader*	*Outperformer*
SOCIAL	*Industry Leader*	*Industry Leader*	*Outperformer*
GOVERNANCE	*Outperformer*	*Outperformer*	*Average Performer*

RATINGS FROM "INDUSTRY LEADER", FOLLOWED BY "OUTPERFORMER", "AVERAGE PERFORMER", "UNDERPERFORMER" AND "INDUSTRY LAGGARD".
SOURCE: CGI GLASS LEWIS E&S ADVISORY PAPER, PRODUCED IN CONJUCTION WITH SUSTAINALYTICS.
DATA IS FOR THE MOST RECENT FINANCIAL YEAR AVAILABLE.

CORPORATE ENGAGEMENT

ENGAGEMENT WITH CGI GLASS LEWIS IN PAST 12 MONTHS	*In person on March 20, 2017 on matters relating primarily to corporate governance and remuneration.*

CURRENT AS OF APR 13, 2017

ENVIRONMENTAL, SOCIAL & GOVERNANCE PROFILE

OVERALL ESG SCORE

Outperformer

Comparative Industry: **Oil & Gas Producers**

Board oversight for ESG Issues: **Yes**

All data and ratings provided by:

SUSTAINALYTICS

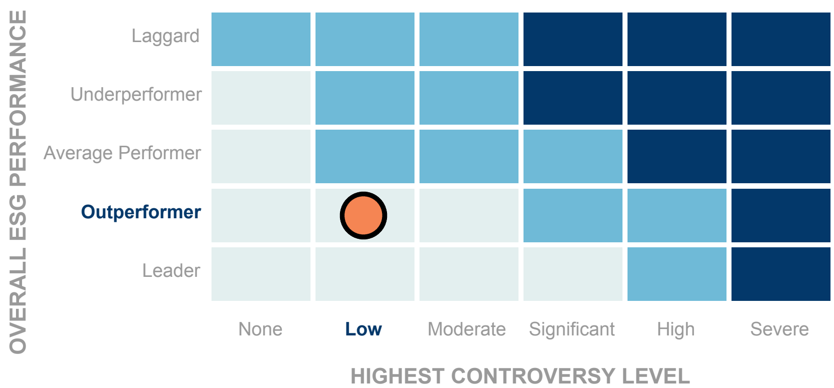
Last Update: **April 03, 2017**

ANALYST COMMENTARY

Santos Limited explores for, develops, produces, transports, and markets hydrocarbons in Australia and internationally. Companies in this subindustry face the highest risk exposure from Emissions, Effluents and Waste, Health and Safety and Community Relations. Santos's overall ESG-related disclosure is weak or not aligned with GRI reporting standards, signalling inadequate accountability to investors and the public. The company has not been implicated in any significant ESG-related controversies. Santos’s overall management of its most material ESG issues is strong, and therefore we have a positive view.

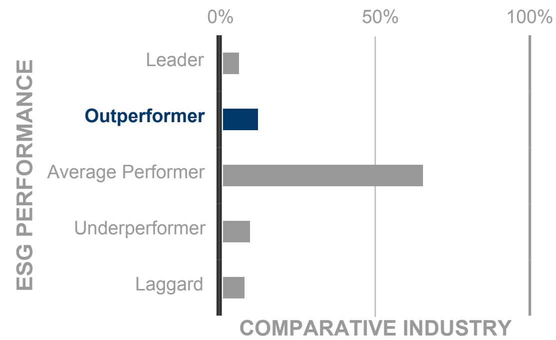
ESG RISK PROFILE

The graph below compares the Company's ESG performance to its involvement in controversies in order to provide an assessment of the Company's ESG risk profile.



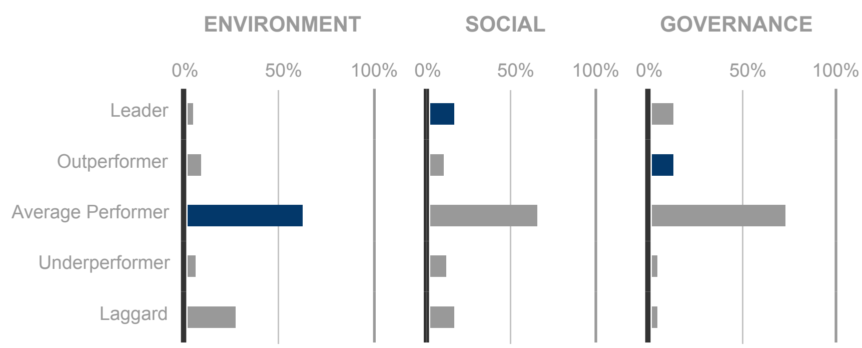
OVERALL ESG PERFORMANCE

The graph below indicates the percentage of companies in the comparative industry that fall within each ESG performance category.



ESG PILLAR PERFORMANCE

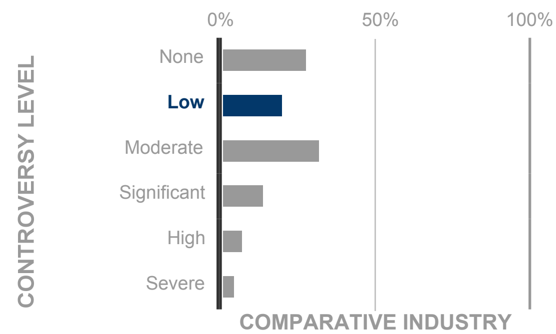
For each pillar, the graph below indicates the percentage of companies in the comparative industry that fall within each ESG performance category. The governance pillar shown below is measured by Sustainalytics based on the Company's governance of sustainability issues.



Rows and categories shown in dark blue or bold represent the Company's category for the relevant assessment.

HIGHEST CONTROVERSY LEVEL

The graph below indicates the percentage of companies in the comparative industry that fall within each controversy level.



NOTEWORTHY CONTROVERSIES

SEVERE

Severe controversies are the most serious controversy level. They have the greatest negative impact on stakeholders and generate the greatest risk to a company's financial performance. Such controversies are highly exceptional. They indicate egregious practices and generally reflect a pattern of gross negligence, with the Company refusing to address the issue and/or concealing its involvement.

No severe controversies

HIGH

High-impact controversies are those that have major negative sustainability impacts and typically generate significant business risk to the Company. Such controversies are generally exceptions within an industry. They typically involve a pattern of negative events or impacts and indicate a lack of company preparedness to properly manage key sustainability issues.

No high controversies

SIGNIFICANT

Significant controversies have notable negative sustainability impacts and may generate business risk to the Company. Such controversies may be isolated or they may suggest a pattern, but they are generally not exceptional within an industry. However, they raise questions about whether a company's management systems are being implemented effectively and are able to address the issue in a satisfactory manner.

No significant controversies

NO PRODUCT INVOLVEMENT

DISCLAIMER

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Please refer to the FAQ for further details about this page.

All data and ratings provided by:

SUSTAINALYTICS

REMUNERATION DETAILS

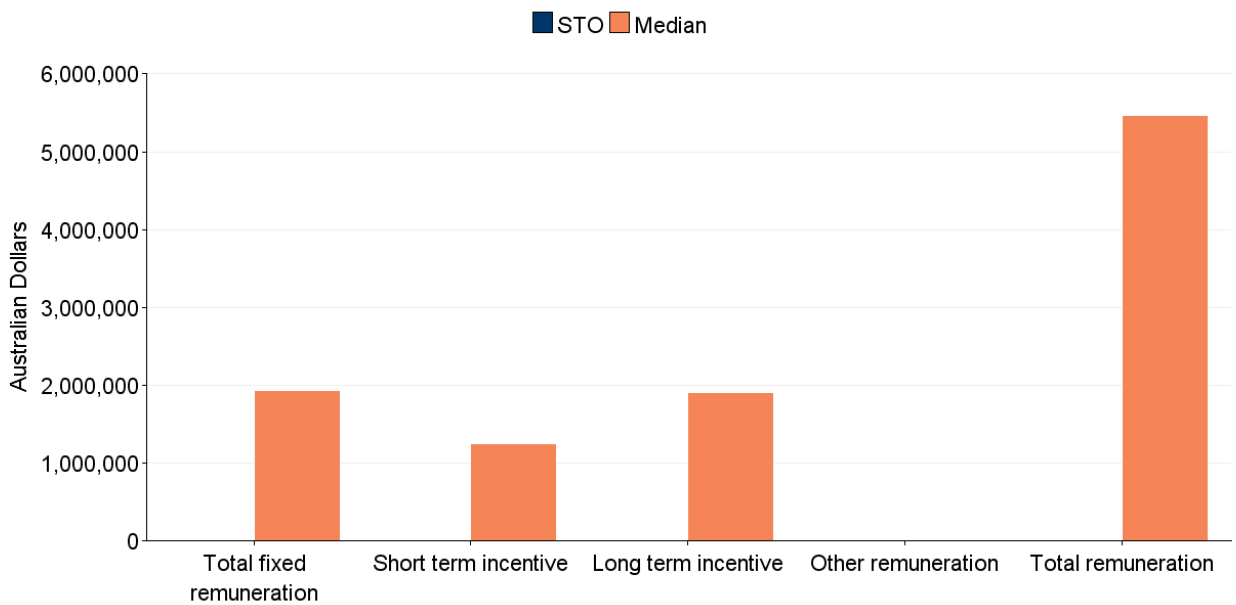
For Financial Year to December 31, 2016

NON-EXECUTIVE DIRECTORS

NEDs' fees + superannuation	Santos Limited	Median for ASX 20-50
Chair	A$525,229	A$533,000
Median remuneration for NEDs serving full year	A$221,326	A$234,550
Aggregate remuneration for all NEDs	A$2,061,549	
Total remuneration cap approved by shareholders	A$2,600,000	
Notes: Executive chairman until January 31, 2016, non-executive chairman thereafter. The total fees exclude A$41,096 paid to the chairman for his executive role. Fees are reported in US$ and have been converted to A$ at the exchange rate of A$1 = US$0.7451		

CEO REMUNERATION

	Santos Limited	Median for ASX 20-50
CEO - date of appointment	February 1, 2016	
Total fixed remuneration	N/A	A$1,933,093
Short-term incentives (cash)	N/A	A$1,258,644
Long-term incentives (amortised)	N/A	A$1,907,394
Other remuneration	N/A	A$24,479
Total remuneration	N/A	A$5,469,387
Notes: MD/CEO not in position for full financial year		



PAY-FOR-PERFORMANCE

Santos Limited's executive remuneration practice received a **POOR** grade in our proprietary pay-for-performance model. The Company paid: about the same remuneration to its CEO as the median CEO remuneration for 37 similarly sized companies with an average enterprise value of A$17.5 billion and more than a sector group of 11 energy companies. Overall, the Company paid moderately more than its peers, but performed worse than its peers.

FY 2016 REMUNERATION COMMITTEE GRADE

GOOD	FAIR	POOR

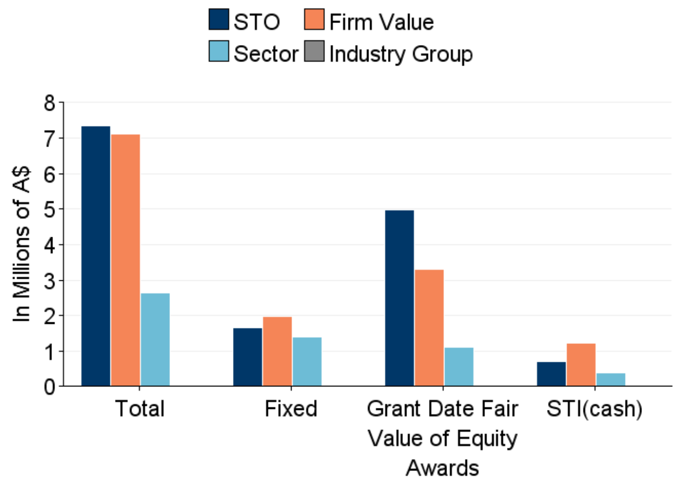
HISTORICAL REMUNERATION GRADE

2016	POOR
2015	POOR
2014	POOR

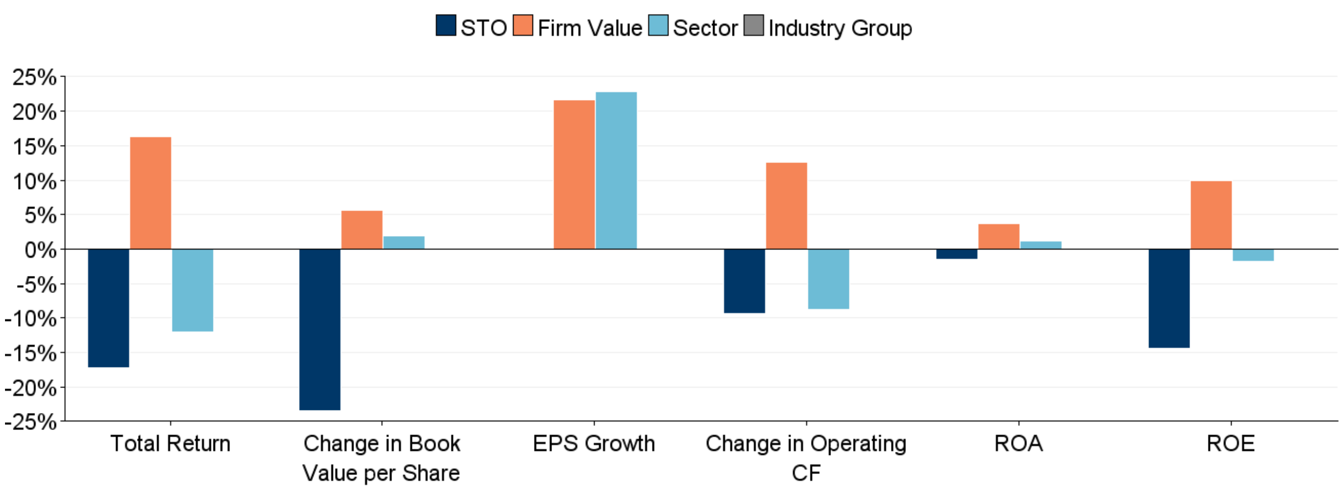
CEO REMUNERATION

Total fixed remuneration	A$1,659,804
Short-term incentive (cash)	A$712,600
Grant date fair value of equity awards	A$4,974,952
Other remuneration	A$ 0
Total remuneration	A$7,347,356
Notes:	

CEO COMPARED TO MEDIAN



SHAREHOLDER WEALTH AND BUSINESS PERFORMANCE



Note: Remuneration analysis for period ending 12/31/2016. Performance measures based on weighted average of annualized 1, 2 and 3 year data.

VOTING RESULTS FROM LAST ANNUAL MEETING (MAY 4, 2016)

AS PERCENTAGE OF SHARES OUTSTANDING

NO.	PROPOSAL	FOR	AGAINST	ABSTAIN	DISCRETIONARY	TOTAL	CGI GLC RECOMMENDATION
2.01	Re-elect Gregory J.W. Martin	38.44%	2.88%	0.09%	0.74%	42.15%	For
2.02	Re-elect Hock Goh	37.89%	3.42%	0.09%	0.74%	42.14%	For
3.00	Remuneration Report	36.63%	4.63%	0.16%	0.72%	42.14%	For
4.00	Equity Grant (MD/CEO Kevin Gallagher)	38.82%	2.24%	0.37%	0.72%	42.15%	For

AS PERCENTAGE OF VOTES LODGED

NO.	PROPOSAL	FOR	AGAINST	ABSTAIN	DISCRETIONARY	CGI GLC RECOMMENDATION
2.01	Re-elect Gregory J.W. Martin	91.21%	6.83%	0.21%	1.76%	For
2.02	Re-elect Hock Goh	89.92%	8.12%	0.20%	1.76%	For
3.00	Remuneration Report	86.91%	10.99%	0.38%	1.72%	For
4.00	Equity Grant (MD/CEO Kevin Gallagher)	92.12%	5.31%	0.87%	1.70%	For

1.00: ACCOUNTS AND REPORTS

NON-VOTING

PROPOSAL REQUEST:	Receipt of financial statements and reports for the year ended December 31, 2016	**RECOMMENDATIONS & CONCERNS:**
PRIOR YEAR VOTE RESULT (FOR):	N/A	**NON-VOTING-** No material concerns
BINDING/ADVISORY:	Non-voting	
REQUIRED TO APPROVE:	N/A	

PROPOSAL SUMMARY

Shareholders will receive and consider the Company's financial statements and directors' and auditor's reports for the financial year ended December 31, 2016.

CGI GLASS LEWIS ANALYSIS

We believe that all of the necessary financial statements and reports are present in the Company's annual report. We note that, in the opinion of Ernst & Young, the Company's independent auditor, the financial statements and reports have been properly prepared in accordance with the generally accepted accounting principles in Australia.

This is a non-voting proposal.

2.00: ELECTION OF DIRECTORS

FOR

PROPOSAL REQUEST:	Election of three directors	**RECOMMENDATIONS & CONCERNS:**	
ELECTION METHOD:	Majority	**FOR-**	**Coates P.** **Cowan G.** **Hearl P.**
		NOT UP-	**Allen Y.** **Franklin R.** **Gallagher K.** **Goh H.** **Martin G.**

BOARD OF DIRECTORS

UP	NAME	AGE	GENDER	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWNERSHIP**	COMMITTEES AUDIT	REM	NOM	RISK	TERM START	YEARS ON BOARD
	Kevin T. Gallagher* ·*CEO*	51	M	Insider [1]	Not Independent	Yes					2016	1
	Yasmin A. Allen	53	F	Independent	Independent	Yes		✔			2014	3
✔	Peter R. Coates ·*Chair*	71	M	Independent [2]	Independent	Yes			C		2008	9
✔	Guy M. Cowan	66	M	Independent	Independent	Yes	C			C	2016	1
	Roy A. Franklin	63	M	Independent	Independent	Yes		✔	✔		2006	11
	Hock Goh	62	M	Independent [3]	Independent	Yes	✔			✔	2012	5
✔	Peter R. Hearl	66	M	Independent	Independent	Yes	✔			✔	2016	1
	Gregory J.W. Martin	57	M	Independent	Independent	Yes	✔	C	✔	✔	2009	8

C = Chair, * = Public Company Executive, = Withhold or Against Recommendation

1. MD/CEO (from February 1, 2016).
2. Non-executive chairman (from January 31, 2016). Former executive chairman (from August 24, 2015 until January 31, 2016).
3. Serves on a total of five public company boards, including one as chairman.

***Percentages displayed for ownership above 5%, when available*

NAME	ATTENDED AT LEAST 75% OF MEETINGS	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Kevin T. Gallagher	Yes	Yes	None
Yasmin A. Allen	Yes	No	(2) Cochlear Limited; ASX Limited
Peter R. Coates	Yes	No	(2) Glencore plc; Event Hospitality & Entertainment Limited
Guy M. Cowan	Yes	No	None
Roy A. Franklin	Yes	No	(2) Amec Foster Wheeler plc; Statoil ASA
Hock Goh	Yes	No	(4) MEC Resources Limited; Stora Enso Oyj; SKF AB; Vesuvius plc
Peter R. Hearl	Yes	No	(2) Telstra Corporation Limited; Treasury Wine Estates Limited
Gregory J.W. Martin	Yes	No	(2) Iluka Resources Limited; Spark Infrastructure Group

INDEPENDENCE AND COMPOSITION	STO*	REQUIREMENT	BEST PRACTICE
Independent Chair	Yes	Yes[1]	Yes[7]
Board Independence	88%	Majority[2]	Majority[8]
Audit Committee Independence	100% ; Independent Chair	Majority[3]	100%[9]
Remuneration Committee Independence	100% ; Independent Chair	Majority[4]	Majority[10]
Nominating Committee Independence	100% ; Independent Chair	Majority[5]	Majority[11]
Percentage of women on board	13%	N/A[6]	N/A[12]
Directors' biographies	Details can be found on pages 6 - 7 of the Company's 2016 Annual Report.		

** Based on Glass Lewis Classification*

1. *ASXCGC Principles and Recommendations 2.2*
2. *ASXCGC Principles and Recommendations 2.1*
3. *ASXCGC Principles and Recommendations 4.2*
4. *ASXCGC Principles and Recommendations 8.1*
5. *ASXCGC Principles and Recommendations 2.4*
6. *ASXCGC Principle 3 requires a company to disclose a diversity policy (or otherwise explain why not)*
7. *ACSI Guideline 4.1; APRA Standard 17; FSC Guideline 11.6*
8. *ACSI Guideline 10; APRA Standard 16; FSC Guideline 11.4*
9. *ACSI Guideline 23.3(b); FSC Guideline 11.8.2*
10. *ACSI Guideline 10.2; APRA Standard 48; FSC Guideline 11.8.3*
11. *ACSI Guideline 10.2; FSC Guideline 11.8.1*
12. *N/A*

BOARD CHANGES

NAME	ROLE	APPOINTED	RETIRED/RESIGNED*
Scott D. Sheffield	Independent NED	February 24, 2014	May 4, 2017

Note:* There we no changes to the board since the 2016 AGM. Scott Sheffield has indicated that he will not stand for re-election at the 2017 AGM.

CGI GLASS LEWIS ANALYSIS

IMPAIRMENT

Following a review of production assets, the Company announced non-cash impairment charges of approximately $1.050 billion after tax on August 15, 2016. The impairment related to the Company's Gladstone LNG ("GLNG") asset and was caused in part by a *"slower ramp-up of GLNG equity gas production and an increase in the price of third-party gas"* which lead to changes in the assumptions for upstream gas supply and third-party gas pricing.

Commenting on the impairment, chairman Peter Coates noted:

> *"The expected impairment charge for GLNG is clearly disappointing but it is a consequence of the challenging environment which we now face. We have decided to adjust our long-term operating assumptions for GLNG to reflect the reality of the current oil price environment ... However, we firmly believe in the strong long-term growth of LNG consumption and demand globally. GLNG will continue to be an important part of our LNG portfolio and a key supplier of LNG to the Asian market."*

Coupled with lower revenue from depressed global oil prices, the GLNG impairment brought the Company's 2016 half year net loss to approximately $1.104 billion.

BUSINESS STRATEGY ANNOUNCEMENT

On December 8, 2016, the Company unveiled a new growth strategy - Transform, Build, Grow. The new strategy is designed to drive shareholder value by:

- Simplifying the business to focus on the Cooper Basin, GLNG, Papua New Guinea, Northern Australia, and Western Australia Gas assets (Transform);
- Progressing growth opportunities across the Company's five core long-life assets (Build), and
- Developing focused exploration strategy and capability, and identifying additional gas supply to drive long-term value from the five core, long-life natural gas assets (Grow).

The new strategy will be *"underpinned by disciplined capital management,"* and the Company hopes to reduce its debt level to below $3 billion by 2019 *"through increased operating cash flow and releasing capital through non-core asset and infrastructure sales."* The Company's MD/CEO also noted that the Company has already reduced the free cash flow breakeven oil price to US$39 per barrel, down from US$47 per barrel at the start of 2016.

In addition to the introduction of the Transform, Build, Grow plan, the Company appointed Bruce Clement as Vice President to run the newly created standalone low cost business which is comprised of the Company's non-core assets.

CAPITAL RAISING

On December 14, 2016 the Company announced a fully underwritten A$1.5 billion institutional placement ("Placement") as well as a A$500 million Share Purchase Plan ("SPP"). The Placement was completed on December 15, 2016 and saw the Company issue 256 million shares at a price of A$4.06 per share, while the SPP was completed on February 6, 2016 with approximately 51 million new shares issued at a price of A$3.94 per share.

The Company stated that *"[t]he proceeds from the Institutional Placement and SPP will strengthen the Santos balance sheet and provide Santos with financial flexibility to take advantage of growth opportunities that are aligned to its core business and recently announced new strategic plan. Following the Institutional Placement, Santos will have a gearing ratio of approximately 32% and is expected to be below 30% following the SPP. The additional capital removes potential uncertainty around the ability of Santos to build and grow a sustainable business in a low oil price environment."*

Funds raised via the Placement and the SPP totalled approximately A$1.241 billion.

DIVERSITY

% OF WOMEN	FY2014	FY2015	FY2016
Board*	22%	11%	13%
Executive KMP	0%	0%	0%
Total employees	26%	26%	24.5%

*Note**. Following the AGM after respective years.

Member of the 30% Club?	**No**	N/A
Initiatives to increase the number of female executives?	**Yes**	• The Company operates programs to drive inclusiveness and diversity awareness as well as leadership training sessions with a goal to have equal representation of women and men receiving these opportunities. The female participation in leadership training sessions (36%) increased 7% from the prior year period. • The Company continues to promote workforce flexibility policies and the rate of return for employees on parental leave remained fixed at 89% in 2016. • Gender balance and diversity continues to be managed across recruitment and restructuring processes to ensure there's a strong pipeline of diverse leaders.

BOARD SKILLS

From July 1, 2015, ASXCGC Principles include a recommendation for the boards of listed entities to have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company provides disclosure of its board skills matrix on page 3 of the 2016 Corporate Governance Statement ("CGS"). The Company also provided a diagram showing how the Company's programs and systems support building an effective board, with the breadth and depth of background, skills and experience necessary to guide the Company's strategic growth plans on page 2 of the CGS. The framework for the nomination committee's ongoing consideration of board composition is that *"[d]irectors should be appointed primarily based on their capacity to contribute to the Company's development, and the Board should include at least some members with experience in the upstream oil and gas and/or resources industries."*

The skills experience and diversity of the directors in office at the end of FY2016 that the Company considers relevant include management, leadership and governance; international experience; strategy (including M&A and capital projects); education and business qualifications (CA, CPA, engineering or science); health, safety and environment; and resources experience.

We have reviewed the current mix of skills and experience represented by the NEDs currently on the board, as follows:

NAME	M&A AND/OR CAPITAL MARKETS	AUDIT AND/OR CORPORATE FINANCE	TECHNICAL/ENGINEERING	ENERGY	PUBLIC POLICY	SOCIAL/HEALTH & SAFETY	ENVIRONMENTAL	INTERNATIONAL
Yasmin A. Allen	√	√				√		
Peter R. Coates			√	√	√			√
Guy M. Cowan		√	√	√		√		√
Roy A. Franklin				√	√			√
Hock Goh			√	√				√
Peter R. Hearl				√				√
Gregory J.W. Martin				√	√			

We believe that most of the skills and expertise relevant to the Company and its business strategy are currently represented on the board. While the Company identified eight out of nine directors as having experience managing health, safety and environment issues in a large organisation, we were unable to allocate the environmental expertise to any of the NEDs currently serving on the board. As such, we encourage the Company to provide more details regarding this skill and expertise of the NEDs going forward, particularly in light of increasing importance of environmental risks and opportunities to shareholders and the Company, issues related to carbon asset risks and the ongoing environmental matters related to the Company.

We note that the average age of the NEDs on the board is 63 years, with a range of 18 years from 53 to 71 years.

ELECTION OF DIRECTORS

Overcommitment

Hock Goh is an independent NED of this Company. He also serves as chairman of a micro-cap ASX-listed company, MEC Resources Limited, and is a NED of three additional global publicly-listed companies, Stora Enso Oyj, SKF AB and Vesuvius plc.

There is a risk that the time and other commitments of those other roles could preclude Mr. Goh from devoting the required attention, priority and time to this Company's needs. Also, a NED of an ASX-listed company should retain some spare capacity in case a crisis or other event occurs that escalates the demand on the NED role. We recognise, however, that Mr. Goh has a perfect attendance record at meetings of the board and committees of which he is a member. We also take note of the capacity and performance that Mr. Goh has demonstrated in other listed companies of which he is a NED and of the skill set, experience and other qualities he brings to this board. As such, we will monitor Mr. Goh's level of commitment going forward.

RECOMMENDATIONS

Subject to the foregoing, we do not believe there are substantial issues for shareholder concern as to any of the nominees.

We recommend that shareholders vote **FOR** all nominees.

3.00: REMUNERATION REPORT

FOR

PROPOSAL REQUEST:	Approval to adopt the remuneration report for the financial year ended December 31, 2016	**RECOMMENDATION:**	FOR
PRIOR YEAR VOTE RESULT (FOR):	86.9%		
PRIOR AGM STRIKE:	No		
BINDING/ADVISORY:	Advisory		
STRUCTURE:	Good	**P4P GRADES:**	**FY 2016** Poor
DISCLOSURE:	Good		**FY 2015** Poor
READABILITY:	Good		**FY 2014** Poor

REMUNERATION FEATURES [1]

POSITIVE

- LTI performance period longer than 3 years
- STI & LTI clawback policy
- STI deferral
- Alignment with strategy discussed
- Risk management discussed
- Change of control provisions - Discretion
- Face value equity awards

NEGATIVE

- Poor pay-for-performance score
- Adjustments to measures - Permitted

1 Both positive and negative compensation features are ranked according to CGI Glass Lewis' view of their importance or severity

SUMMARY REMUNERATION TABLE

KEY MANAGEMENT PERSONNEL	FIXED	SHORT-TERM INCENTIVES (CASH)	EQUITY-BASED INCENTIVES (AMORTISED)	OTHER	TOTAL
Kevin Gallagher *MD/CEO*	US$1,236,720	US$530,958	US$1,218,620	-	US$2,986,298
John Anderson *Executive VP, Commercial & Business Development*	US$562,927	US$205,424	US$515,793	US$-27,377	US$1,281,407
Vince Santostefano *COO*	US$500,707	US$181,134	US$169,894	-	US$851,735
Andrew John Seaton *Former CFO*	US$574,288	US$422,248	US$340,153	US$444,235	US$1,780,924
Brett Woods *VP, Development*	US$491,766	US$150,957	US$316,224	US$3,601	US$962,548
Trevor John Brown *Former VP, Queensland*	US$119,062	US$94,553	US$70,725	US$420,090	US$704,430

CEO to Avg KMP Pay: 2.68: 1

Note: Remuneration is shown in US$. Kevin Gallagher commenced his KMP role on February 1, 2016. Mr. Santostefano commenced his KMP role on March 21, 2016. Mr Seaton ceased to be a KMP on January 1, 2017. Mr. Brown ceased to be a KMP on March 21, 2016. 'Other' includes long service leave entitlements for Messrs Anderson, Seaton, Woods, and Brown. and termination payments of $430,715 and $405,100 for Mr. Seaton and Mr. Brown, respectively.

SIGNIFICANT RECENT/UPCOMING CHANGES

- In light of the operating environment in FY2016, the board determined that 20% of the 2016 STI awards will be awarded in ordinary shares as opposed to cash, bringing the total equity component of the 2016 STI to 50%.
- The Company has adjusted the weighting of STI scorecard to favor financial performance metrics (from 45% to 60%) and set more challenging scorecard performance levels.
- In FY2016 the Company introduced new performance metrics for LTI awards. Specifically, awards will vest against four equally weighted metrics comprised of free cash-flow breakeven point ("FCFBP"), return on average capital employed ("ROACE"), and two relative total shareholder return ("TSR") metrics.
- Due to Company's recent performance, 2014 LTI awards did not vest, marking the sixth year in a row in which relative TSR tested LTI awards have failed to vest.

FIXED

Kevin Gallagher commenced in his role on February 1, 2016. The new MD/CEO is eligible to receive annual fixed remuneration of US$1,341,180 (A$1,800,000). Mr. Gallagher's predecessor, David Knox, stood down from his position on November 12, 2015 and ceased employment with the Company on December 31, 2015. Mr. Knox received fixed remuneration of A$$2,098,882 for the period served in FY2016.

SHORT-TERM INCENTIVES

	SHORT-TERM INCENTIVE PLAN ("STIP")
PARTICIPANTS	MD/CEO and senior executives
AWARDS TYPE(S)	Cash, deferred shares and share acquisition rights ("SARs")
LIMITS	MD/CEO - 100% of fixed remuneration Other executives - between 70% and 85% of fixed remuneration

MEASURE		OUTCOME
Free cash-flow ("FCF")	Gateway measure - if the Company does not reach its FCF gateway of achieving positive FCF in excess of the total net STI cash cost, the CEO and senior executives' STI would be awarded as two-year deferred equity and not cash.	Not achieved - A further 20% of the 2016 STI award to the MD/CEO and senior executives was awarded in ordinary shares, rather than in cash.
Risk & Operational integrity	20%	17.3%
Personnel safety	Rolling average number of lost-time injuries (LTIs) per million hours worked over a three year period (2014 to 2016)	Target exceeded - LTIs frequency rate: 0.40 (2015: 0.5)
Process safety	Number of Tier 1 loss of containment of hydrocarbon incidents, and the level of Safety Critical Compliance performed on plant and equipment in enclosed and open areas.	Safety Critical Maintenance - slightly below target Tier 1 loss of containment of hydrocarbon incidents - better than target
Environmental incidents	Number of environmental incidents of moderate or greater consequence.	Nil
Enterprise risk reviews	Measured by the number of reviews conducted by the Executive Committee of the Company’s Risk Management Framework.	On target
Financial & Operational	60%	55%
Production		The highest annual production ever, at the upper end of the guidance range - 61.6 mmboe (2015: 57.7mmboe)
Operating cash flow	Net cash flow from operating activities as reported in the Company’s Consolidated Statement of Cash Flows.	Target exceeded - US$857 million (focus on maximising production, cost reductions and operational efficiencies. This improved the FCFBP to US $36.50 per barrel.)
Capital expenditure		Better than target - US$625 million (including the average Cooper Basin gas well costs down 12% to US$4.2 million per well)

Total cash operating costs and selling, general and administration costs		On target - US$924 million. Efficiencies delivered through restructuring incurred a one-off cost of US$40 million.
Value creation	10%	5.6%
Reserves replacement	The volume of proven and probable (2P) reserves added by the Company organically compared to the volume of reserves used in the current year’s production.	Target not achieved as the 2016 focus was conversion of undeveloped reserves and resources to developed (2016: 10; 2015: 0).
2P undeveloped to developed reserves conversion cost ($/boe)	The cost of developing existing 2P reserves into developed reserves ready for production.	Slightly below target
Net debt		On target - US$4.23 billion (excluding the proceeds of the Institutional Placement at the end of 2016)
Leadership	10%	8.6%
Leadership	To drive leadership behaviours and a 'one team' culture.	Strong leadership performance in 2016. The organisation restructured and a new operating model was established. A low cost high performing culture was driven through the business as demonstrated through the significant improvements in free cash flow and net debt reduction
TOTAL		**86.5%**

PAYMENT OUTCOMES

	FY2016	FY2015	FY2014
Current MD/CEO	86.5% of maximum = US$1,061,842 (pro-rated for 11 months)	N/A	N/A
Former MD/CEO	N/A	67% of maximum = reduced to A$0	58% of maximum (following a reduction from 78%) = A$1,404,600
Other executives	86.5% of maximum	67% reduced to between 22% and 24% of maximum	Between 55% - 65% of maximum

DEFERRAL

Yes - If the FCF gateway is met, the Company’s policy is to deliver 30% of any STI award for the CEO and senior executives into deferred shares or SARs. If the gateway is not met, 100% of any STI award will be delivered as shares or SARs that vest at the end of a two-year deferral period. However, having regard to the year of continued volatile oil prices and modest returns for shareholders, and the focus on maximising free cash flow, the board and management have agreed that in addition to the 30% of any STI award that is deferred into equity for two years, a further 20% of the 2016 STI award to the MD/CEO and senior executives will be awarded in ordinary shares, rather than in cash.

CLAWBACK

Yes - the Company has discretion to lapse or forfeit deferred STI awards, as well as claw back any vested shares or cash paid in certain circumstances. These include dishonest or fraudulent conduct, breach of material obligations, miscalculation or error, a material misstatement or omission in the accounts of a group company or events which require re-statement of the Company's financial accounts in circumstances where a deferred STI award would not otherwise have been granted or would not have vested. This is in addition to any rights the Company has under the plan rules and general legal principles to seek to recover payments made in error.

NOTES

The Company increased the weighting of the Financial & Operational component of the STI award to 60% (previously, 45%).

LONG-TERM INCENTIVES

EMPLOYEE EQUITY INCENTIVE PLAN ("EEIP")

PARTICIPANTS	MD/CEO and senior executives
AWARDS TYPE(S)	SARs
LIMITS	MD/CEO - 150% of fixed remuneration on face value basis Other executives - 80% of fixed remuneration on face value basis (2015: between 50% and 60% of fixed remuneration on fair value basis)
ALLOCATION METHODOLOGY	Face value

PERFORMANCE METRICS

FY2017	FY2016	FY2015	FY2014
Relative total shareholder return ("RTSR") - 25% (PG1)	RTSR - 25% (PG 1)	RTSR - 25% (PG 1)	RTSR - 25% (PG 1)
RTSR - 25% (PG 2)	RTSR - 25% (PG 2)	RTSR - 75% (PG 2)	RTSR - 75% (PG 2)
FCFBP - 25%	FCFBP - 25%		
ROACE - 25%	ROACE - 25%		

PERFORMANCE PERIOD	4 years (2017 grant: January 1, 2017 to December 31, 2020; 2016 grant: January 1, 2016 to December 31, 2019)
VESTING PERIOD	4 years
RE-TESTING	Not permitted

VESTING SCHEDULES

RTSR component: No portion of an award will vest for performance below the 51st percentile of the comparator group. For performance at the 51st percentile, 50% of an award will vest. For each additional percentile above the 51st, awards will vest on a pro-rata basis. For performance at or above the 76th percentile, 100% will vest.

Peer group 1: S&P Global Energy Index
Peer group 2: S&P / ASX 100 Index

***Free cash flow breakeven point component*:** No portion of an award will vest for performance above US$40 per barrels of oil equivalent ("boe"). For performance equal to US$40/boe, 50% of an award will vest. For performance equal to or below US$35/boe, 100% of the award will vest. For performance between US$40/boe and US$35/boe, awards will vest on a pro-rata basis.

***Return on average capital employed component*:** The Company's ROACE will be measured at the end of the performance period and compared to the Company's weighted average cost of capital ("WACC"). No portion of an ward will vest for performance below 100% of WACC. For performance equal to 100% of WACC, 50% of an award will vest. For performance equal to or above 120% of WACC, 100% of the award will vest. Awards will vest on a pro-rata basis for performance between these points.

TREATMENT OF DIVIDENDS ON UNVESTED AWARDS	Awards do not carry any dividend rights until they vest and are exercised
CLAWBACK	Yes - the Company has discretion to lapse or forfeit unvested LTI awards, as well as claw back any vested shares or cash paid in certain circumstances. These include dishonest or fraudulent conduct, breach of material obligations, miscalculation or error, a material misstatement or omission in the accounts of a group company or events which require re-statement of the Company's financial accounts in circumstances where an LTI award would not otherwise have been granted or would not have vested. This is in addition to any rights the Company has under the plan rules and general legal principles to seek to recover payments made in error.
ADJUSTMENTS	Permitted - the board has discretion to adjust the FCFBP and ROACE measures for individually material items including asset acquisitions and disposals that may otherwise distort the measurement.

VESTING IN FY2016

YEAR	OUTCOME	VESTED IN FY2016
FY2014 (three-year tranche)	Below 51st percentile of PG1 and PG2	Nil

NOTES

The MD/CEO was also awarded a sign-on bonus of 333,822 SARs upon is appointment worth US$745,100 (face value) in recognition of previous incentives foregone from his previous employer. 50% of these awards vested on January 31, 2017 with the other half due to vest on January 31, 2018, subject to continuous employment.

The Company may elect to pay an LTI award in cash as an alternative to providing shares.

TERMINATION ARRANGEMENTS

<table>
<tr><td>LEGAL REQUIREMENTS</td><td colspan="2">The Corporations Act stipulates that director and executive termination benefits be limited to 12 months' fixed pay, unless shareholders approve a higher amount.</td></tr>
<tr><td rowspan="7">CONTRACT TERMS</td><td>MD/CEO:</td><td>KEVIN GALLAGHER</td></tr>
<tr><td>Appointed:</td><td>February 1, 2016</td></tr>
<tr><td>Contract type:</td><td>Ongoing</td></tr>
<tr><td>Notice periods (Executive/Company):</td><td>12 months/12 months</td></tr>
<tr><td>Treatment of STI:</td><td>Not disclosed</td></tr>
<tr><td>Treatment of LTI:</td><td>Some or all of the SARs granted may vest or lapse on cessation of employment, subject to board discretion.</td></tr>
<tr><td>Other:</td><td>The Company may make a payment in lieu of notice. If the termination is by mutual agreement, the MD/CEO shall receive a payment of $1,117,650.

A 12 month restraint provision applies to the new MD/CEO upon termination.

If a change of control occurs in the first two years following Mr. Gallagher's commencement date, he will receive full vesting of the rights he received in compensation for his foregone incentives, STI in cash at maximum for the year in which the change of control occurs and pro-rata vesting of any unvested LTI awards.</td></tr>
<tr><td>REFERENCE</td><td colspan="2">Please see page 36 - 37 of the 2016 Annual Report for further details of the MD/CEO's contract, as well as the agreements between the Company and other senior executives.</td></tr>
</table>

CGI GLASS LEWIS ANALYSIS

CGI Glass Lewis believes ASX-listed entities should fully disclose and explain all aspects of their executives' remuneration in such a way that shareholders can comprehend and analyse the company's policies and procedures. In completing our assessment, we consider, among other factors, the appropriateness of performance targets and metrics, how such goals and metrics are used to improve company performance and whether incentive schemes encourage prudent risk management and the board's adherence to market best practices. In addition to overall structure and disclosure, we encourage companies to improve the readability of the report to facilitate investor comprehension. We also emphasise and evaluate the extent to which the company links executive pay with performance and remuneration structures with strategy.

STRUCTURE: GOOD

Relative TSR and comparator group (ASX 100)

As noted above, half of the EEIP awards are subject to relative TSR measure. We are of the view that a relative TSR measure may allow for vesting of awards when shareholder value was lost, provided that the Company outperformed its peers. While we acknowledge that the board has an overriding discretion to adjust LTIP vesting outcomes, we would prefer more explicit disclosure around its use and/or use of positive absolute TSR or another similar mechanism as a gateway measure to prevent excessive awards for executives in years of poor shareholder experience.

In addition, the ASX100 TSR comparator group is an all-inclusive category that includes companies outside this Company's industry. While we acknowledge the Company's rationale for the use of this peer group, i.e., *"[t]he ASX 100 represents the companies in which most of the Company's shareholders would invest as an alternative to Santos and if Santos performs well relative to these companies, it means that Santos shareholders' investments have performed well relative to alternative investments,"* we still question whether that will provide an appropriate measure of this Company's performance.

Nevertheless, our concerns with the appropriateness of this comparator group are somewhat mitigated by the fact that the ASX100 TSR component only accounts for 25% of the overall LTI award. We will monitor this issue going forward.

Adjustments to hurdles

As noted above, the board has discretion to adjust the FCFBP and ROACE measures for individually material items including asset acquisitions and disposals that may otherwise distort the measurement. As such, these adjustments may be directly related to management decisions and, hence, should be included in the performance measure.

We will closely monitor the Company's use of this discretion and the impact on the vesting of awards it may have. We expect a detailed disclosure of any adjustments, including the rationale for these adjustments in the Company's future remuneration reports.

DISCLOSURE: GOOD

Upon review of the Company's complete executive remuneration structure, we find that the Company has provided comprehensive disclosure with regard to both its short-term and long-term incentive arrangements.

READABILITY: GOOD

Readability describes the ease in which the remuneration report can be read and understood. In our view, the remuneration report successfully facilitates investor comprehension of the Company's remuneration practices by disclosing key information in a logical and plain English manner, with clearly distinguished and concise sections that are straightforward to follow. We also note that the Company has disclosed the actual levels of remuneration received by individuals named in the remuneration report on page 30.

2016 PAY FOR PERFORMANCE: POOR

As indicated by CGI Glass Lewis' pay-for-performance model, the Company received a 'Poor' grade in financial year 2016, reflecting the Company's lacklustre performance in the past three years. We reiterate that this model only examines peer companies in the Australian market, which contrasts with the Company's international operations.

In our view, the Company continues to display efforts in comprehensively addressing concerns regarding the alignment of executive and long-term shareholder interests. Specifically, the Company measures its long-term performance with three different financial measures and continues to provide thorough disclosure of both its short- and long-term incentive schemes. We also note that TSR-tested LTI awards have failed to vest for the past six years.

CONCLUSION

We do not believe the above issue is of enough significance to warrant a vote against the Company's remuneration report at this time.

It should be noted that approximately 11% of proxy votes cast by shareholders were against the Company's remuneration report at last year's annual general meeting and a further 0.38% abstained. This demonstrates a significant level of shareholder protest at the Company's remuneration policy. As discussed in our previous Proxy Paper, we have noted our concerns with the fact that LTI awards were previously tested exclusively against TSR hurdles, as well as our concerns with termination provisions for the former MD/CEO and sign-on bonus for the new MD/CEO.

As noted above, we believe that the Company has addressed the issue of a single LTI metric during FY2016 through the introduction of two additional metrics, FCFBP and ROACE. We view this as a positive development for the Company and are encouraged by the Company's detailed discussion of the rationale behind this decision in the 2016 remuneration report.

We note that under the leadership of the new MD/CEO, the Company appears to have commenced a turnaround in its business strategy and performance, evidenced by a record production, record sales, positive free cash flow and sustainable cost out and productivity measures in FY2016. At the end of FY2016, the Company had also reached a free cash-flow breakeven oil price of US$36.50 per barrel, compared to US$47 at the beginning of the year.

Notwithstanding the improved annual performance, we believe that the Company continues to display efforts in adjusting the remuneration framework with focus on long-term performance and value creation. As noted above, in addition to the 30% of the regular STI deferral, the Company decided that a further 20% of the 2016 STI award will be awarded in ordinary shares, rather than in cash, in light of the free-cash flow gateway target. Further, given the recent volatility in the oil & gas market, we view the Company's decision to re-balance the 2016 STI scorecard in favour of financial performance metrics relating to the Company's operations as a positive step and commend the Company for adjusting its short-term remuneration framework to the rapidly shifting operating environment.

In addition, notwithstanding our previous concerns with the MD/CEO's sign-on bonus, we note that his fixed remuneration has been set well below that of his predecessor, and 71.4% of Mr. Gallagher's total remuneration is currently 'at risk'.

As such, in light of the Company's improved performance, and remuneration policies focused on alignment between the interests of the Company's executives and those of its shareholders, we consider the remuneration report to be supportable by shareholders.

We recommend that shareholders vote **FOR** this proposal.

4.00: EQUITY GRANT (MD/CEO KEVIN GALLAGHER)

FOR

PROPOSAL REQUEST:	Approval of the grant of 671,641 share appreciation rights to the Company's MD/CEO	**RECOMMENDATIONS & CONCERNS:**
PRIOR YEAR VOTE RESULT (FOR):	92.1%	**FOR-** No material concerns
BINDING/ADVISORY:	Binding	
REQUIRED TO APPROVE:	Majority	
POTENTIAL DILUTION:	0.03%	

PROPOSAL SUMMARY

Proposed grant	
Name	**Kevin Gallagher**
Position	MD/CEO
Number and type of awards to be granted	671,641 share acquisition rights
Potential dilution*	0.03%
Incentive plan	Employee Equity Incentive Plan ("EEIP")
Value of awards to be granted	150% of fixed remuneration (face value)
Legal Requirement	Chapter 10 of the Listing Rules of the Australian Securities Exchange ("ASX") requires that the Company seek shareholder approval of any issue of securities to the Company's directors.

*Note**. Calculated on a fully diluted basis.

FY2016 MD/CEO remuneration			
	Statutory	**Realised**	**P4P model***
Fixed	A$1,659,804	A$1,650,000	A$1,659,804
STI	A$712,600	A$712,600	A$712,600
LTI	A$1,635,512	A$285,000 **	A$4,974,952
Other	A$0	A$9,804	A$0
Total	**A$4,007,916**	**A$2,657,404**	**A$7,347,356**

*Note**. The equity value value is determined in reference to the market value of the Company's shares on the date equity grants were made to the CEO. Realised and P4P values have been converted into US$ at a rate of A$1 = US$0.7451

*Note***. Reflects the ordinary shares the MD/CEO will receive as part of the 2016 STI award. The amount reflected is based on the closing share price of A$4.02 on December 31, 2016.

CGI GLASS LEWIS ANALYSIS

In general, CGI Glass Lewis believes that equity-based remuneration is an effective way to attract, retain and motivate key employees. When used appropriately, it can provide a vehicle for linking executive pay to a company's performance, thereby aligning the interests of executives with those of shareholders. Tying a portion of an executive's remuneration to the performance of the Company provides an incentive to maximise share value by those in the best position to realise that value.

As discussed in Proposal 3, we have some concerns regarding the structure of the EEIP. The features of this plan with which we have concerns include:

Relative TSR and comparator group (ASX 100)

As noted above, half of the EEIP awards are subject to relative TSR measure. We are of the view that a relative TSR measure may allow for vesting of awards when shareholder value was lost, provided that the Company outperformed its peers. While we acknowledge that the board has an overriding discretion to adjust LTIP vesting outcomes, we would prefer more explicit disclosure around its use and/or use of positive absolute TSR or another similar mechanism as a gateway measure to prevent excessive awards for executives in years of poor shareholder experience.

In addition, the ASX100 TSR comparator group is an all-inclusive category that includes companies outside this Company's industry. While we acknowledge the Company's rationale for the use of this peer group, i.e., *"[t]he ASX 100 represents the companies in which most of the Company's shareholders would invest as an alternative to Santos and if Santos performs well relative to these companies, it means that Santos shareholders' investments have performed well relative to alternative investments,"* we still question whether that will provide an appropriate measure of this Company's performance.

Nevertheless, our concerns with the appropriateness of this comparator group are somewhat mitigated by the fact that the ASX100 TSR component only accounts for 25% of the overall LTI award. We will monitor this issue going forward.

Adjustments to hurdles

As noted above, the board has discretion to adjust the FCFBP and ROACE measures for individually material items including asset acquisitions and disposals that may otherwise distort the measurement. As such, these adjustments may be directly related to management decisions and, hence, should be included in the performance measure.

We will closely monitor the Company's use of this discretion and the impact on the vesting of awards it may have. We expect a detailed disclosure of any adjustments, including the rationale for these adjustments in the Company's future remuneration reports.

CONCLUSION

Notwithstanding the above concerns, we believe that the Company's remuneration policy is thoroughly disclosed and that the structures of its incentive plans are, on balance, supportable.

As such, we are prepared to support the proposed grant.

We recommend that shareholders vote **FOR** this proposal.

5.00: SHAREHOLDER PROPOSAL REGARDING FACILITATING NONBINDING PROPOSALS

ABSTAIN

PROPOSAL REQUEST:	That the Company allow the submission of nonbinding resolutions	**SHAREHOLDER PROPONENT:**	Market Forces
BINDING/ADVISORY:	Binding		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	75%

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

ABSTAIN -
- The shareholder proposal process is best facilitated through regulatory changes

GLASS LEWIS REASONING

- We believe that shareholders should be afforded the right to submit and vote on nonbinding shareholder resolutions, but believe that this is an issue that is not best handled through private ordering;
- We believe that the shareholder proposal process is best facilitated through regulatory changes that could establish some protections for companies, which could be subject to distracting and time-consuming proposals submitted by shareholders whose interests are not necessarily aligned with that of the broader shareholder base;
- Because shareholders would benefit from the disclosure requested in Proposal 6 (which is dependent on the approval of this proposal), we believe that shareholders should abstain on this proposal.

PROPOSAL SUMMARY

Text of Resolution- *"To amend the constitution to insert at the end of clause 25 'Notice of general meetings' the following new sub-clause 25(e) "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However such a resolution must relate to an issue of material relevance to the company or the company's business and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."*

Proponent's Perspective

- Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia;
- In the UK, shareholders can consider resolutions seeking to explicitly direct the conduct of the board;
- In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act;
- As a general matter of practice, unless the board permits it, Australian shareholders can not consider shareholder resolutions seeking to advise or direct conduct of the board as many other countries do;
- A board is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity;
- In rare situations, the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them, but in many situations, such a personality-focused approach is unproductive and unwarranted;
- A better course of action (than seeking to remove a director for unsatisfactory conduct) is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that they seek more information or favour a particular approach to corporate policy;
- The Constitution of the Company is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting;
- Whilst not allowing shareholders to place resolutions on the agenda of shareholder meetings may be to the short-term 'scrutiny avoidance' benefit of the Company's board members, it is contrary to the long-term interests of the Company, its board and all its shareholders; and
- Passage of this resolution, to amend the Company constitution, will put the Company in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New

Board's Perspective

- The power to manage the business of the Company is conferred upon the board by the Constitution;
- It is important that the board is able to make decisions as it sees fit about the business of the Company in the interests of shareholders as a whole, and be solely accountable for doing so, subject to the existing legal and governance framework;
- Shareholders exercising the power to "express an opinion" about how or what decisions should be made will lead to confusion and impede the ability of directors to manage the business of the Company in the interests of shareholders as a whole;
- The power to "express an opinion" would be capable of abuse, as it would allow disparate groups of shareholders, minority or otherwise, to express opinions or request information related to their philosophical or ideological positions which may have nothing to do with advancing the interests of the Company;
- The Company already has a comprehensive investor relations engagement program which encourages and facilitates communication with and feedback from institutional and retail shareholders;
- The views expressed by shareholders through the Company's preexisting channels are treated seriously and taken into account by the board and management;
- The Company has shown in the past that it is prepared to put a serious issue to the AGM for discussion and shareholders' views;
- Though not obliged to do so, the Company put the Narrabri resolution to the AGM in 2014 as an "advisory resolution" because the issue was one of concern to shareholders and the community;
- Shareholders already have the right to ask questions and make comments in relation to all aspects of the business of the Company under item 1 of the agenda for the meeting;
- The resolution has not been proposed with an objective of

Zealand.

promoting the best interests of shareholders, rather it is promoted by the proponent as part of its anti-fossil fuels activist campaign; and

- The proponents' website clearly states that it is an affiliate project of Friends of the Earth Australia, and that it "exists to work with others to shift finance and investment out of" companies like the Company.

MECHANICS OF THE PROPOSAL

This shareholder proposal would amend the Company's constitution to allow shareholders to submit non-binding proposals at Company shareholder meetings. This language in the amendment would eliminate a potential obstacle to the submission of such shareholder proposals, i.e. whether the subject matter of the proposal is properly a matter for shareholder determination or infringes on the prerogative of the board in respect of the management and operation of the company, with which shareholders are not entitled to interfere.

CGI GLASS LEWIS ANALYSIS

BACKGROUND

In Australia, regulations permit shareholders owning either 5% of voting shares or the support of 100 shareholders who are entitled to vote the ability to give a company notice of a resolution that they propose to move at a general meeting. Although shareholders may submit ordinary resolutions, companies are only required to put forward binding (or special) resolutions and are allowed to exclude precatory (non-binding, or ordinary) resolutions if it is determined that they request the board act in a certain manner.

According to the Australian Securities and Investment Commission ("ASIC"), some of the matters with respect to which an ordinary resolution, which requires majority shareholder support to be approved, may be used are: election/re-election of directors; appointment of an auditor; acceptance of reports at the annual general meeting; strategic, commercial decisions; increase or reduction in the number of directors; and passing a board limit resolution. Special resolutions, which require 75% shareholder approval, are reserved for specific items, which include, but are not limited to: a modification of a company's constitution; company change of name; conversion of ordinary shares into preference shares; and company dissolution.

This matter has recently gained significant attention due to a court case, Australasian Centre for Corporate Responsibility v. Commonwealth Bank of Australia. The case stemmed from the submission of three proposals from the Australasian Centre for Corporate Responsibility ("ACCR") to the Commonwealth Bank of Australia ("CBA"). The first two of these proposals were ordinary resolutions, while the third was a special resolution. CBA determined to only place the third resolution on the ballot for its 2014 annual meeting, and determined it was within its purview to exclude the ordinary resolutions. The ACCR challenged the CBA's legal basis for excluding its proposed ordinary resolutions, arguing that a nonbinding proposal that expresses an opinion does not usurp the powers of the board, as the expression of an opinion by members of a company "(1) is not an exercise of the company's powers; or (2) is an exercise of power that impliedly is not conferred by the constitution of the board and does not purport to compel the board to exercise its express powers in any particular way; or (3) does not constitute the 'business of the company.'"

However, CBA contended that shareholders do not have any power vested in them by the company's constitution or securities laws to move advisory resolutions concerning the way in which directors should exercise their management powers and that both of ACCR's nonbinding resolutions were concerned with the business of CBA and that shareholders in general meeting cannot interfere with the exercise of the powers of management entitled to the board by its constitution. Ultimately, the judge ruled in favor of CBA, finding that companies are only required to put forth shareholder resolutions that amend a company's constitution and that shareholders can ask to change a company's constitution, but they cannot direct a board to act in a certain way. Although the ACCR has stated that it will appeal this decision, as it currently stands, companies may continue to exclude shareholder-submitted ordinary resolutions.

RECOMMENDATION

We believe that the shareholder proposal process can be an effective part of shareholder engagement by, if dialogue is unsuccessful, affording shareholders the ability to raise important matters directly with other shareholders, subject to appropriate safeguards. To that end, Australian law limits the submission of such resolutions to shareholders either owning 5% of a company's voting power or to a group of 100 shareholders. Other countries, including the United States and Canada, provide for far lower ownership thresholds (though without a group allowance); not surprisingly, given the low threshold, a sizable number of shareholder proposals are routinely submitted at companies in each country every year. For the most part, even with the low ownership thresholds ($2,000 for one year in both Canadian and U.S.

companies) for investors to submit a shareholder proposal, the process is generally not abused to the detriment of companies and their shareholders. However, the SEC in the US provides an important rulemaking and oversight role non-existent in Australia, limiting to some extent the applicability of the U.S. shareholder proposal experience. Further, unmeritorious shareholder proposals in the U.S. and Canada receive little shareholder support, obviating any distraction from the proposal or need for even a marginal Company response. However, well-targeted, reasonable proposals often enjoy high, in some cases majority, support from shareholders, providing an effective means for shareholders to effect change at companies.

As demonstrated by the submission of this proposal, shareholders already do exercise the ability to submit proposals to the Company. We recognise that, under current standards, these are generally special resolutions which both require a higher threshold for approval and must deal with a matter directly related to the purview of shareholders, i.e., the Company's constitution. However, adoption of this proposal would allow shareholders to submit proposals that lie outside of the constitution. These proposals could facilitate requests for disclosure or reporting on issues that do not warrant a constitutional amendment and that may be inappropriate if included as a constitutional amendment. However, when presented outside of the context of a constitutional amendment, some of these proposals could benefit shareholders, as is the case with Proposal 6.

We recognise, however, that allowing nonbinding shareholder resolutions as contemplated by this proposal could raise concerns about the propriety of the content of proposals, as Australia does not have regulatory mechanisms in place to review and allow the exclusion of certain proposals.

In addition, as noted above, the proponents suggest that "...*a resolution must relate to an issue of material relevance to the company or the company's business,...."* In our view, there is some subjectivity as to the content of the shareholder-submitted proposals under the terms of this proposal, given that the materiality and/or its thresholds are not defined. We believe that this could potentially allow a broad range of topics to come to a shareholder vote.

Ultimately, we believe that shareholders should be afforded the right to submit and vote on nonbinding shareholder resolutions. However, we recognise that this is an issue that is not best handled through private ordering. Rather, we believe that this process is best facilitated through regulatory changes that could establish some protections for companies, which could be subject to distracting and time-consuming proposals submitted by shareholders whose interests are not necessarily aligned with that of the broader shareholder base.

In many instances, these shareholder proposals could allow shareholders to weigh in on important issues that affect companies and could promote disclosure that would allow them to better understand the risks faced by companies in which they are invested. As we are of the view that the request of Proposal 6 qualifies as such beneficial disclosure, and we do not believe that supporting this proposal would necessarily be in the best interest of shareholders, we have no other option but to recommend that shareholders abstain from voting on this proposal.

We understand that some shareholders are unable to cast an abstain vote. Given the link between this proposal and Proposal 6, we believe those shareholders should vote on this proposal based on the way they intend to vote on Proposal 6.

We recommend that shareholders **ABSTAIN** from voting on this proposal.

6.00: SHAREHOLDER PROPOSAL REGARDING CLIMATE CHANGE REPORTING

FOR

PROPOSAL REQUEST:	That the Company produce an annually-updated report on its climate change risk	**SHAREHOLDER PROPONENT:**	Market Forces
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Dependent on approval of Proposal 5; Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Increased disclosure would allow shareholders to more fully assess risks presented by climate change and attendant regulations

GLASS LEWIS REASONING

- We believe that the Company and its shareholders would benefit from a more thorough discussion concerning how the Company's business plans align with a potential low-carbon scenario and how the Company plans to ensure continuity of operations should emissions regulations become more stringent or market forces lower demand for the Company's products.

PROPOSAL SUMMARY

Text of Resolution:

"That in order to address our interest in the longer term success of the company, given the recognised risks and opportunities associated with climate change, we as shareholders of the company request that routine annual reporting includes further information describing:

(a) Governance: the roles of the board and management in the oversight, assessment and management of climate-related risks;

(b) Strategy: the climate-related risks and opportunities and asset portfolio resilience of the company's businesses, operational strategy and financial planning to various climate scenarios, including both 1.5°C and 2°C pathways;

(c) Risk Management: how climate-related risks are incorporated into the company's risk management framework;

(d) Metrics and Targets: the targets used by the company to manage climate-related risks and performance against those targets;

(e) Public Policy: the company's public policy positions related to climate change, including those of industry bodies of which it is a member."

Proponent's Perspective

- The proponents move this resolution with the intention to increase the Company's resilience to regulatory and market changes that can be foreseen as international action is taken to limit global warming in accordance with the climate goals established by the Paris Agreement;
- In November 2016, the Paris Agreement entered into force, thereby committing 195 countries to holding the increase in the global average temperature to well below 2°C above pre-industrial levels, with an ambition to pursue efforts to limit warming to 1.5°C;
- This resolution seeks to incorporate the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD");
- In describing the transition risks posed by the Paris Agreement, the TCFD stated, "rapidly declining costs and increased deployment of clean and energy-efficient technologies could have significant, near-term financial implications for organisations dependent on extracting, producing, and using coal, oil and natural gas;"
- Shareholders are concerned whether or not the Company is adequately managing the risks posed to its long-term viability by the ongoing transition in the energy sector;
- Capital allocation decisions made today will determine the

Board's Perspective

- The Company is well placed to take advantage of the opportunities presented by the transition to a lower carbon world;
- The Company already factors in climate change related risks and opportunities into its strategic and planning processes, and reports comprehensively on relevant climate change metrics;
- Much of the information sought in the resolution is already available to shareholders through the Company's website, Annual Report, Corporate Governance Statement and ASX lodged investor materials and communications;
- The Company supports transparent, clear, concise, factual and balanced disclosure of all material information to shareholders and regularly reviews its reporting practices to ensure that this is achieved;
- The board and senior management oversee all material risks via a robust Risk Management Framework;
- The Risk Management Framework integrates risk management into its strategic assessment and planning processes and material risk identification considers all relevant risks, including climate-related risks;
- The Company considers a range of climate change scenarios in its strategic assessment and planning processes and factors in a carbon price in all its economic modeling;
- The Company already reports annually and comprehensively on

Company's long-term strategic position;
- New capital expenditure should take into account the complete spectrum of climate-related risks;
- Though Company has acknowledged the validity of climate change science and that it must reduce its GHG emissions to limit the temperature rise to no more than two degrees, it ignores that emissions from the use of natural gas will also need to decline in the 2°C world;
- This shareholder resolution is modeled on the recommendations of the TCFD, which have already been adopted in some way by several large institutional investors, including Aviva Investors and Swiss Re;
- Institutional investors will soon demand further disclosure from the companies in which they are invested, and in the case of Aviva Investors, will vote against resolutions at companies where disclosure is not forthcoming;
- The impetus for greater disclosure will only develop further should financial regulators make the TCFD recommendations mandatory;
- This resolution incorporates the four key issues of the TCFD recommendations, in addition to further disclosure around public policy;
- The Company should report on the board's oversight of climate-related risks and opportunities;
- Governance responsibility for climate change issues currently rests with the Environment, Health, Safety and Sustainability Committee ("EHSS") yet its charter does not mention climate change;
- By demoting climate-related risks to simply an environmental issue, the Company ignores the systemic threat that regulatory and technology risks pose to the energy sector;
- The Company should report on management's role in assessing and managing climate-related risks and opportunities;
- The Company should consider whether executives are appropriately incentivised to manage climate-related risks;
- Senior executives are currently remunerated for "reserve replacement and resource add;"
- Shareholders must be assured that remuneration structures are tenable under various climate and policy pathways;
- The Company should report on the climate-related risks and opportunities the organization has identified over the short, medium and long term;
- The risks and opportunities identified by the Company in its submission to the CDP do not sufficiently address long-term changes in policy and technology.;
- The Company should report on the impact of climate-related risks and opportunities on its businesses, operational strategy and financial planning;
- The Company discloses limited analysis of international climate policies, despite the export of much of its production to Asia;
- The Company should report on the impacts of regulatory and technology change globally;
- The Company should report on the potential impact of different scenarios, including both 1.5°C and 2°C scenarios, on its businesses, strategy, and financial planning;
- The Company refers to the IEA's World Energy Mix Scenario 2040, which will "put the world on a path consistent with a global temperature increase of over 4°C;"
- The Company should conduct multiple scenario analyses, including those based on the most aggressive policy frameworks, in addition to business as usual;
- The Company should report on its processes for identifying, assessing, and managing climate-related risks and how they are integrated into its overall risk management;
- Further information should be provided on how the Company's risk management processes influence capital investment decisions, and such disclosures should be included in mainstream financial reporting, as per TCFD guidance;
- The Company should report on the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management processes, the Company currently discloses no information in this regard;
- The Company should disclose their Scope 1, Scope 2 and Scope 3 greenhouse gas ("GHG") emissions and the related risks;
- All emissions data should be incorporated into mainstream financial reporting;
- All GHG emissions should be reported on both aggregate and ownership basis;
- As the oil and gas sector has been identified as the single largest source of methane it should be explicitly addressed;
- The Company should report on the targets used to manage relevant climate-related metrics;
- The Company's sustainability reporting can be found on its website;
- The Company is already playing a critical role in reducing greenhouse gas emissions through its LNG business;
- Australia's LNG exports are forecast to reach 85 million tonnes per year by 2020;
- If forecasted LNG were used to replace coal-fired power generation, it could reduce global greenhouse gas emissions by 300 million tonnes annually, which is more than three times the total emissions reduction required to meet Australia's commitments under the Paris Climate Change Agreement;
- The carbon emission reductions from Australian LNG exports will be equivalent to 20 times those achieved through Australia's current solar and wind projects;
- The Company invests primarily in gas, which has a critical role to play in the future global energy mix as the Company seeks to lower carbon emissions;
- The International Energy Agency ("IEA") released its World Energy Outlook ("WEO") 2016 in November;
- The goals set out in the Paris Climate Change Agreement are significantly influenced the projections in the 2016 WEO;
- According to the WEO (New Policies Scenario) global gas demand is forecast to grow by 50%;
- Even under the IEA 450 Scenario global gas demand grows 14% by 2040 compared to 2014;
- The WEO 2016 (New Policies Scenario) forecasts that 60% of all new power generation to 2040 will come from renewables, predominately from wind and solar, resulting in 37% of global power generation from renewables, up from 23% today;
- The increase in intermittent renewable generation will require adequate availability of power plants able to dispatch electricity at short notice;
- The IEA notes that natural gas "is especially advantageous to the transition if it can help smooth the integration of renewables into power systems along the way;"
- In 2015 the Company entered a Coalition promoted by the Climate Institute with other major Australian businesses supporting the Australian government's commitment to limit global warming to less than 2°C above pre-industrial levels;
- The Company is actively looking at innovative technological and business initiatives to reduce the Company's greenhouse gas emissions and increase the availability of gas in the market; and
- The Company has entered into a partnership with Zen Energy with a view to rolling out large scale solar and battery powered plants, including at gas processing sites.

climate-related risks and opportunities, and performance against those targets;
- Other than its flaring intensity target, the Company currently discloses no information on targets used to manage climate-related risk;
- The Company should report on its approach to climate-related public policies, including those of industry bodies, of which it is a member; and
- Investors are interested in the Company's public policy program, including positions on key climate-related policy measures, especially for the next five years.

CGI GLASS LEWIS ANALYSIS

CGI Glass Lewis recommends that shareholders take a close look at proposals such as this one to determine whether the actions requested of the Company will clearly lead to the protection or enhancement of long-term shareholder value. We believe it is prudent for management to assess its potential exposure to all risks, including environmental and social concerns and regulations pertaining thereto and incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might threaten shareholder value, CGI Glass Lewis believes that management of environmental and social issues associated with business operations are generally best left to management and directors, who can be held accountable for failure to address relevant risks on these issues when they face re-election.

RISKS ASSOCIATED WITH CLIMATE CHANGE

The Company explores for, develops, produces, transports, and markets hydrocarbons in Australia and internationally. The Company produces natural gas, ethane, liquefied gas, crude oil, condensate, naphtha, and liquefied petroleum gas. As of December 31, 2015, the Company had total proved plus probable reserves of 945 million barrels of oil equivalent. Given the nature and scope of the Company's operations, it could be subject to significant risks both with respect to climate change and the regulatory implications or investor pressures that come as a result of climate change. For more information concerning climate change conventions and regulations, please see Glass Lewis' *In Depth: Climate Change*.

The Company discusses specific Climate Change risks in its 2016 Climate Change CDP response. For example, the Company states that as *"an emitter of greenhouse gasses, increased public focus on climate change presents a risk to Santos' reputation,"* which has the potential to influence approvals and its social license to operate. The Company also describes the direct risks faced on account of climate change, including risks associated with a change in average precipitation, sea level rise and hurricanes and typhoons. With respect to regulation, the Company identifies international agreements, cap and trade schemes and emissions reporting obligations as issues that could present competitive, operational, financial and reputational risks.

AUSTRALIAN CLIMATE POLICY

In 2017, the Australian Government's Department of the Environment and Energy published a fact sheet detailing the government's actions with respect to climate change. As stipulated in the Paris Agreement, Australia has committed to reduce emissions by 26-28% below 2005 levels by 2030. It has also established an Emissions Reductions Fund, which credits, purchases, and safeguards emissions reductions. This fund provides a framework for the creation of carbon credits for a variety of emission reductions projects, including improving energy efficiency, fuel switching, capturing methane from landfills and storing carbon in forests and soils.

Additionally, Australia has established a Renewable Energy Target scheme, designed to ensure that about a quarter of the country's energy is supplied by renewable sources by 2020. Hydrofluorocarbon ("HFCs") reductions are also prioritised in Australia, as it co-chaired negotiations to ensure developed nations reduce HFC emissions by 85% compared to current levels by 2036. Australia also points to its funding of the Climate and Clean Air Coalition as one of the ways that it is addressing methane emissions. The country is currently ongoing a review of its climate policies, and is expected to complete the review by the end of 2017. The government states that this could result in a longer-term goal, potentially stretching to 2030 and beyond.

REGULATIONS CONCERNING GREENHOUSE GAS EMISSIONS

Former prime minister Tony Abbot abolished Australia's Climate Commission and repealed the country's carbon tax in 2014. However, in recent years, and as a result of the 2015 Paris Agreement, a number of countries have taken significant steps toward reducing their carbon emissions. In fact, in 2000, there were fewer than 50 climate change-related laws; however, in 2013, there were more than 500. By 2013, in half of the 66 countries that account for 88% of carbon emissions, parliaments have passed climate change or energy efficiency acts, with only Japan and Australia repealing such regulations (" Law on Mother Earth" *The Economist*. March 1, 2014). Further, the Paris Agreement currently has been signed by 194 countries, including Australia. As previously stated, the Australian government has incorporated greenhouse emission targets as stipulated by the agreement and committed to reducing emissions by 26-28% below 2005 levels by 2030.

While many recent laws are aimed at directly curbing emissions, a number have also mandated reporting of greenhouse gas emissions. In Australia, the National Greenhouse and Energy Reporting ("NGER") Scheme was established in 2007 *"to provide data and accounting in relation to greenhouse gas emissions and energy consumption and production."* Under this scheme, corporations and facilities meeting certain thresholds must report emissions to the government. In 2008, the NGER (Measurement) Determination was established to provide criteria for calculating greenhouse gas emissions and energy data under the NGER Act and has since been update to reflect improvements in estimation methods and in response from industry feedback. The range of emissions sources required to be reported include: (i) the combustion of fuels for energy; (ii) fugitive emissions from the extraction of coal; (iii) oil and gas; (iv) industrial processes, such as producing cement and steel; and (v) waste management.

The reporting of GHG emissions, including that required by the NGER scheme, is typically broken down into Scope 1, 2 and 3 reporting. Scope 1 activities include all direct GHG emissions from sources that are owned or controlled by the reporting entity. Scope 2 emissions are those from the generation of electricity purchased by the reporter. Scope 3 emissions are considered to be a bit more nebulous; they are defined as other indirect emissions, or emissions that are a consequence of the activities of the reporting entity, but that occur at sources owned or controlled by another entity. Currently, the NGER scheme does not require the reporting of Scope 3 emissions.

COMPANY DISCLOSURE

The Company provides some disclosure on how it is addressing climate change on its website. Here, the Company states that its *"climate change vision is to lower the carbon intensity of [its] products."* The Company also states that its environment, health, safety and sustainability committee receives quarterly reports on the Company's climate change performance. Further, the Company's environment, health, and safety policy states that the Company will *"include environmental, health and safety considerations in business planning and decision-making processes."* However, the policy does not directly reference climate change as a component of such a process.

The Company also provides disclosure in its most recent GRI- and IPIECA-indicated Sustainability Report. The Company states that its sustainability priorities are consistent with climate change goals included in The United Nations Sustainable Development Goals, and that it undertakes an annual materiality assessment to determine and prioritise sustainability issues most relevant to its stakeholders and business (p.16,6). Performance data regarding greenhouse gas emissions and energy consumption is provided (p.40), and the report also includes an indicator reference table tracking the Company's various climate change reporting sources (p.48).

Regarding a low carbon future, the Company details its preparedness, including (p.21):

- Recognising the two-degree target;
- Understanding national greenhouse gas targets;
- Contributing to climate change policy;
- Delivering lowest cost abatement;
- Reporting audited emissions data;
- Aligning business strategy with the Paris Agreement (by way of its natural gas portfolio);
- Integrating a carbon price;
- Identifying regulatory and physical climate change risks;
- Reducing emissions; and
- Setting annual emissions intensity targets.

The Company also states in its most recent response to the CDP that it has established an emissions intensity target. The Company had set a target of 70 kt CO_2e/mmboe for its 2014/2015 Scope 1 emissions, which it met with an intensity of 63 kt CO_2e/mmboe (CC3.1b). The Company annually updates this target to ensure that it "remains challenging and relevant to operations" (CC3.1e).

Responsiveness to Carbon Disclosure Project

The Company responded to the Carbon Disclosure Project's Climate Change questionnaire in 2016, where it received a 'B' grade. The CDP advocates improved disclosure of climate change data through responses to comprehensive annual questionnaires. The CDP issues reports and collects data on carbon emissions, water management, public procurement, and supply chain information, among others. While not all companies are invited to disclose data through the CDP, CGI

Glass Lewis generally views a company’s response as indicative of its commitment to disclosure of its environmental impact and responses to that impact.

RECOMMENDATION

We recognise that adoption of this proposal is contingent upon approval of Proposal 6, a proposal with terms that we find problematic. However, we believe that adoption of this proposal would benefit the Company and its shareholders. Recent developments, including the Paris Agreement, have highlighted the risks presented to companies who have not adequately planned for foreseeable regulatory and policy shifts associated with climate change. Given these risks, we believe that shareholders should be provided with information concerning how companies view and are planning for potential business disruptions that may arise as a result of policy developments. In this case, the Company has provided some information concerning how it is mitigating the environmental impacts of its operations and the risks presented by climate change. In addition, the Company already provides some of the disclosure requested by this proposal. For example, the Company already provides some information concerning its public policy positions related to climate change, including those of the industry bodies of which it is a member through its most recent CDP response. However, we believe that the Company could reasonably expand its disclosure to provide the information requested by this proposal.

We believe that the dialogue surrounding issues related to carbon asset risk has significantly intensified in recent years. Much of this dialogue has been a direct result of the Paris Agreement and that, as a result of the Agreement, companies will soon be subject to significantly more restrictive emissions regulations. In addition, there is an increasing concern among some investors that companies have not fully considered and accounted for shifts that they may be forced to make should regulations become more stringent. In response to these concerns, a number of companies have taken a leadership role with respect to this issue. Since 2015, Rio Tinto, Suncorp, Anglo American, BHP Billiton, Glencore, Statoil and Royal Dutch Shell have all committed, through management-supported shareholder proposals, to produce disclosure substantially similar to that requested by this proposal. Given these commitments, we believe that the Company and its shareholders would benefit from a more thorough discussion concerning how the Company's business plans align with a potential low-carbon scenario and how the Company plans to ensure continuity of operations should emissions regulations become more stringent or market forces lower demand for the Company's products.

We recommend that shareholders vote **FOR** this proposal.

APPENDIX

Questions or comments about this report, GL policies, methodologies or data? Contact your client service representative or go to www.glasslewis.com/issuer/ for information and contact directions.

NOTE

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