

Statement pursuant to Section 249P of the Corporations Act in relation to Item 3.

A group of shareholders holding less than 0.007% of the Company's ordinary shares has requested, pursuant to section 249P of the Corporations Act, that the statement set out in Attachment 1 to this document be provided to shareholders.

Santos is legally required to circulate the statement to shareholders. However, the Board and Company do not endorse, and are not responsible for, the contents of the statement or for any inaccurate or misleading statements contained in it.

Unless otherwise indicated, capitalised terms have the meaning set out in the glossary at Appendix 1 to the Notice of Meeting.

The Board's response

The following information has been provided to address the statements made in Attachment 1 in regard to the adoption of Santos' 2022 Remuneration Report. The group of shareholders urge that shareholders vote against the Remuneration Report on the basis of their claim that Santos' remuneration structure is inconsistent with Santos' climate goals.

The Board considers that Santos' remuneration structure supports the achievement of Santos' purpose and vision and is aligned to its Climate Transition Action Plan. **The Board recommends that shareholders vote for the Remuneration Report.**

1. Remuneration structure and alignment with climate change goals

Santos' remuneration structure is designed to incentivise the delivery of our purpose and vision to provide cleaner energy that is both affordable and sustainable to help create a better world for everyone. The remuneration structure is aligned to our Climate Transition Action Plan to become a net-zero Scope 1 and 2 emissions energy and fuels business by 2040.

Santos supports the objective of the Paris Agreement to limit global temperature rise to less than two degrees Celsius and pursue efforts to limit the temperature rise to 1.5 degree Celsius. Aligned with international reporting standards, Santos' remuneration structure is designed to promote the successful management of the risks of climate change, continue to drive sustainable shareholder returns from long-life, low-cost natural gas assets and seize the opportunities associated with the global transition to provide cleaner energy and clean fuels over coming decades.

Since 2019, the Board has included measures in executives' short-term incentives for emissions reduction as well as the advancement of carbon capture and storage projects. This inclusion strengthened the link between pay and performance and the effective implementation of our Climate Change Policy. In 2021, a low-carbon growth projects key performance indicator (KPI) was added to the balanced scorecard for 7.5 per cent.

In 2022, the Board further strengthened the link between executive remuneration and climate by allocating an additional weighting of 2.5 per cent of the short-term incentive in the low-carbon growth projects KPI. In addition, a KPI focused on reducing emissions across Santos' base business operating assets has a weighting of 5 per cent with oil and gas production KPI weighting reduced from 25 per cent to 20 per cent. A total of 15 per cent of an executive's STI is weighted directly to climate measures.

These KPIs relate to the achievement of Santos' target of net-zero emissions by 2040.

2. Santos' remuneration structure and its alignment to corporate strategy

Santos has operations across Australia, Papua New Guinea, Timor-Leste and the United States.

At Santos, we aim to be a global leader in the transition to cleaner energy and clean fuels, by helping the world decarbonise to reach Net Zero in an affordable and sustainable way. Santos is also seeking to provide the critical fuels the world demands and needs, in an affordable and sustainable way.

Santos' strategy is designed to be robust and resilient to external volatility and aims to deliver shareholder value across three horizons: backfill and sustain, decarbonisation and clean fuels.

Our first horizon is to backfill and sustain our Upstream Gas and Liquids business to deliver sustainable upstream production estimated to be in the range of 100 to 140 million barrels of oil equivalent per annum into the 2040s. This goal is designed to provide stable cash flows across the next two decades to provide sustainable shareholder returns and fund the energy transition activities to achieve net zero by 2040. It is also to meet ongoing customer demand for these products.

It is vitally important that supply investment happens in a planned and managed way. Companies like Santos, which are publicly listed, subject to ESG scrutiny by their investors and which report transparently on carbon emissions and their climate transition plans, are best placed to supply critical fuels more sustainably, striving for lower emissions intensity and better environmental outcomes. Divesting assets and driving investment in supply to less transparent producers will not reduce global emissions or advance the transition to Net Zero.

In 2022, when gas supplies were constrained in Europe, coal use rose across the globe¹. Coal-fired power generation capacity of the European Union added or extended was equivalent to more than 30 per cent of Australia's entire coal-fired power generation capacity². The additional coal-fired power generation emissions in the EU in 2022 was the equivalent of more than 20 per cent of Australia's total annual greenhouse gas emissions from the electricity sector³.

Santos is seeking to decarbonise the fuels it produces. Our new Santos Energy Solutions business aims to provide decarbonisation services to deliver our Net Zero scope 1 and 2 emissions target by 2040. Santos Energy Solutions' strategy includes re-purposing our existing infrastructure and depleted natural gas reservoirs to deliver low-cost, large-scale decarbonisation solutions.

Santos Energy Solutions aims to leverage our existing infrastructure to produce clean fuels such as clean hydrogen and synthetic methane as market and customer demand evolves. Santos is progressing trials of direct air capture and has agreements with customers to study and progress synthetic methane and green hydrogen projects.

¹ IEA, How to Avoid Gas Shortages in the European Union in 2023 A practical set of actions to close a potential supply-demand gap (pp.3): <https://iea.blob.core.windows.net/assets/96ce64c5-1061-4e0c-998d-fd679990653b/HowtoAvoidGasShortagesintheEuropeanUnionin2023.pdf>

² IEA, How to Avoid Gas Shortages in the European Union in 2023, A practical set of actions to close a potential supply-demand gap (pp.11): <https://iea.blob.core.windows.net/assets/96ce64c5-1061-4e0c-998d-fd679990653b/HowtoAvoidGasShortagesintheEuropeanUnionin2023.pdf>

³ Based on the Greenhouse and energy information by designated generation facility 2020-21 as published by the Clean Energy Regulator: <https://www.cleanenergyregulator.gov.au/DocumentAssets/Pages/Greenhouse-and-energy-information-by-designated-generation-facility-2020-21.aspx>

It is a simple but clear strategy that aims to position Santos to thrive in the energy transition and meet the energy needs of customers.

Santos' balanced scorecard incentivises key management personnel to execute this strategy, by including elements that focus on sustainability, production, financials and growth. The balanced scorecard is made up of four elements all of which are weighted to 25 per cent:

- Sustainability, which has a number of elements covering our people, the environment, our external stakeholders and emissions, all of which are critical to the sustainable performance of the company.
- Production, which is the primary driver of revenue.
- Financial, which includes cost, efficiency, capital expenditure and gearing.
- Growth, which includes decarbonisation and clean fuels projects as well as oil and gas projects.

The CEO's growth incentive further aims to enhance the delivery of our strategy in the following ways:

- 60 per cent is weighted towards our first horizon to deliver sustainable upstream production and stable cash flows across the next two decades to provide sustainable shareholder returns and fund the energy transition activities to achieve net zero by 2040; and
- 40 per cent is weighted towards our second and third horizons related to decarbonisation and clean fuels.

3. Santos performance bonuses

In *Santos NA Barossa Pty Ltd v Tipakalippa* [2022] FCAFC 193, the Full Federal Court provided the first judicial interpretation of the relevant offshore legislation relating to consultation. That interpretation was not consistent with industry, and Santos' practice at the time. Following the Full Federal Court Decision, Santos has reviewed our consultation approach under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act) with the objective of meeting the consultation requirements and the recently issued draft guidance notes from the offshore regulator.

In respect of the Narrabri Gas Project, Santos has been consulting and working with the Gomeroi since 2012, and in formal negotiations under the Native Title Act since 2015. This engagement has included 35 meetings and site visits with Gomeroi representatives and their legal representatives.

After extensive consultation and discussion, Santos was unable to reach an agreement with the Native Title Applicant Group. Santos made a Future Act Determination Application (FADA) with the National Native Title Tribunal in accordance with the lawful process in the event of the parties not being able to reach an agreement. In December 2022, the Tribunal determined that Santos had negotiated with the Gomeroi Native Title Applicant Group in good faith and that the Future Act, being the grant of Petroleum Production Licences, can be carried out. On 13 January 2023, the new Gomeroi Native Title Applicant Group, which was appointed on 9 September 2022, served an appeal notice challenging the findings of the National Native Title Tribunal. This matter is being heard before the Federal Court.

Strong Landholder, Community and Traditional Owner Relationships are key as we aspire to partner with Indigenous people and the local communities in which we operate.

Santos is proud of its track record of working with Indigenous communities. In 2021, across its Australian operations, Santos conducted 421 cultural heritage assessments, engaged 88 Indigenous Cultural Heritage Officers to complete assessments and had 30 per cent Indigenous representation in the Australian apprentice and trainee program. In Australia, we work constructively and cooperatively with 23 Traditional Owner Groups and six Land Councils, and we work with clan groups and landholders in Papua New Guinea and First Nation groups in Alaska.

When considering the outcome for this metric, the Board deemed that the Company had achieved the requirement of the stretch outcome. However, in light of the Full Federal Court judgement relating to Barossa the Board moderated the outcome to threshold performance.

4. Bonuses for target 'Environment and Process Safety' performance

The targets for Environment and Process Safety represent our goal of reducing the number of process safety-related incidents with potential for high-impact consequences and the occurrence of significant environmental incidents.

The 2022 target required there be no environmental incidents with a consequence of moderate harm or greater and a reduction in tier 1 and 2 loss of containment incidents compared to 2021.

The incident at Varanus Island related to a tier 1 loss of containment incident which was reported immediately to the regulator, as required. Immediately following the incident, we undertook an investigation to determine the root cause of the incident. The loss of containment consequence was assessed on Santos' risk matrix as part of the investigation process. Accordingly the loss of containment metric on the 2022 scorecard was achieved at target.

Notwithstanding the outcome for this metric, the Board takes environmental incidents seriously and, in acknowledgment of the ongoing incident review actions requiring close-out, the Board has withheld the portion of the Company Scorecard outcome applicable to the Environment KPI from Executive KMP and Senior Leadership until the results of these investigations are known.

The members' statement in Attachment 1 incorrectly suggests that NOPSEMA was the responsible regulator for the Varanus Island incident. NOPSEMA does not have jurisdiction over the Varanus Island incident as the asset is in state waters. The Western Australian Department of Biodiversity, Conservation and Attractions (DBCA), the responsible state Department with jurisdiction over the incident, said in a tabled response to the Western Australian Parliament: "DBCA does not have any current evidence to support that the dolphin deaths were caused by the oil spill, and there has been no further compliance action in relation to this matter."⁴

Santos takes environmental matters seriously and is undertaking a further independent investigation in relation to its response to the incident on Varanus Island.

Santos has a confidential whistle-blower process in place for all staff and contractors and issues reported through the whistle-blower process are reported at every meeting of the Board's Audit

⁴Western Australia. *Parliamentary Debates*. Legislative Council. 21 February 2023. P449.
[https://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/FC0CF86CABB552724825896000192CD3/\\$File/C41%20S1%2020230221%20All.pdf](https://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/FC0CF86CABB552724825896000192CD3/$File/C41%20S1%2020230221%20All.pdf)

and Risk Committee. In 2022, a total of 24 whistle-blower reports were received and investigated, with the majority of the reports relating to harassment or policy/code violations. Half of the reports were substantiated resulting in disciplinary action being taken. Three employees were terminated, and five contractors were removed. During the disciplinary process, four employees resigned from the Company.

ATTACHMENT 1

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Statement pursuant to Section 249P of the Corporations Act in relation to Item 3 (the adoption of the Remuneration Report).

Shareholders are urged to vote against Santos' adoption of the remuneration report because the remuneration structure is broadly inconsistent with the company's stated alignment with the climate goals of the Paris Agreement.⁵

Despite the clear modelling confirming that meeting the Paris climate goals requires rapid declines in oil and gas use and no new oil and gas fields to be developed, Santos' remuneration structure incentivises key management personnel to execute a corporate strategy that includes increasing oil and gas production and progressing oil and gas growth projects.⁶ This practice is inconsistent with many peers, particularly those in Europe.

Further, in 2022 Santos awarded threshold performance bonuses for 'Landholder, Community and Traditional Owner Relationships', despite two Federal Court rulings rejecting the approval of Santos' Barossa project referring to the adequacy of Santos' consultation with Tiwi Islands Traditional Owners,⁷ and ongoing Gomerioi Traditional Owner opposition to the Narrabri project, which is currently the subject of a High Court challenge.⁸ The serious nature of these issues suggests that no incentives should be awarded.

Under the remuneration report Santos is considering awarding bonuses for target 'Environment and Process Safety' performance amid whistle-blower reports the company covering up the impacts of a 25,000 litre oil spill that allegedly killed dolphins and other sea life,⁹ with payment being withheld pending an investigation. Nevertheless, the remuneration report states that in 2022 there were no incidents with moderate or higher environmental harm and Target Performance was met. Conversely, NOPSEMA appeared to disagree with Santos' assessment that the 2022 oil spill caused negligible harm.¹⁰

⁵ <https://www.asx.com.au/asxpdf/20220331/pdf/457j5d3xvlqd47.pdf>

⁶ Remuneration references from Santos Annual Report 2022 unless otherwise stated

⁷ <https://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/full/2022/2022fcafc0193>

⁸ <https://www.abc.net.au/news/2023-01-18/native-title-appeal-complicates-santos-narrabri-gas-project/101863842>

⁹ <https://www.abc.net.au/news/2023-02-16/varanus-island-oil-spill-animal-deaths-santos/101986576>

¹⁰ Senate Estimates, 16 February 2023

Inconsistent with investor expectations

Santos states that the fundamental purpose of its remuneration policy and framework is to support and reinforce the execution of its strategy. When it comes to climate change, that strategy is not supported by many shareholders. This is evidenced by recent votes against the board's recommendations:

- 2020: 43% of shareholders voted for scope 1, 2, and 3 emissions targets, and exploration and capital expenditure plans aligned with the Paris Agreement;
- 2022: 15% of shareholders voted for the company to disclose plans to manage down oil and gas production in line with a net zero emissions by 2050 scenario, following 13% for a similar resolution in 2021; and
- 2022: 37% of shareholders voted against the company's climate plan.

Rather than respond to these calls, Santos has moved in the opposite direction by pursuing increased oil and gas production and new projects that are incompatible with the Paris climate goals and a net zero by 2050 scenario.

Inconsistent with climate pathways

In its landmark 2021 Net Zero Emissions by 2050 Scenario (NZE), the International Energy Agency (IEA) found that to have a 50% chance of limiting global warming to 1.5°C: "The rapid drop in oil and natural gas demand in the NZE means... no new oil and natural gas fields are required beyond those that have already been approved for development".¹¹

This position is consistent with a "large consensus" of Paris-aligned climate scenarios, which have found "developing any new oil and gas fields is incompatible with limiting warming to 1.5°C".¹²

The IEA's 2022 World Energy Outlook (WEO) reiterated this conclusion: "No one should imagine that Russia's invasion can justify a wave of new oil and gas infrastructure in a world that wants to reach net zero emissions by 2050".¹³ In fact, the latest NZE projects even sharper declines in gas demand than the previous version, falling 23% globally between 2021 and 2030 while oil demand falls by 22% over the same period.¹⁴

Yet 27.5% of Santos' "corporate scorecard" used to determine the award of short-term incentives in 2022 was based on increasing oil and gas production and developing new oil and gas projects: 20% for higher production,¹⁵ and 7.5% for delivery of oil and gas growth projects. Santos' incentivisation of fossil fuel growth is a consistent feature of its annual bonus scheme, with fossil fuel growth incentives having ranged from ~42.5% to ~50% in 2018-2021.¹⁶

¹¹ <https://www.iea.org/reports/net-zero-by-2050>

¹² <https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf>.

¹³ <https://www.iea.org/reports/world-energy-outlook-2022>

¹⁴ Ibid

¹⁵ Excluding late-life assets

¹⁶ Santos Annual Reports 2018-2021. Where individual metric weights were not disclosed, we assume an even split of the metric category weight

On top of this, in 2021, the CEO also received a one-off “Growth Projects Incentive”, delivered in the form of 847,458 share acquisition rights (SARs). The SARs become available in 2025 depending on performance over the five-year period. 60% of this award is based on the successful delivery of oil and gas growth projects: Barossa, Dorado and “backfill resources to maximise ongoing utilisation and future expansion of existing facilities”. In 2022, the board added Pikka, a former Oil Search asset, as a targeted project in the scheme. Independent analyses have found that Barossa, Dorado and Pikka are not aligned with net zero by 2050 and 1.5°C.¹⁷ If all Growth Projects Incentive SARs are fully granted, the fair value (measured at the beginning of the scheme) would be \$6 million.

Inconsistent with peers

Santos’ remuneration approach is inconsistent with oil and gas industry peers. For example, none of Shell and TotalEnergies use any direct quantitative fossil fuel production targets in their remuneration schemes, having removed such incentives worth up to 25% and 8% respectively of their CEO’s annual bonuses in 2021. BP attaches a very low weight to LNG production targets.¹⁸ This means the total proportion of BP, Shell and TotalEnergies’ remuneration driven by fossil fuel production is miniscule compared to Santos.

In order to meet investors’ growing expectations to closely align corporate strategy with global climate goals and accepted pathways, Santos must stop providing remuneration incentives relating to new oil and gas project development and increased production. Investors are therefore urged to vote against the remuneration report.

¹⁷ <https://carbontracker.org/reports/australian-oil-and-gas-mergers-exposing-the-weakness-of-company-transition-planning/>; https://ieefa.org/wp-content/uploads/2021/03/Should-Santos-Proposed-Barossa-Gas-Backfill-for-the-Darwin-LNG-Facility-Proceed-to-Development_March-2021.pdf

¹⁸ <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2021.pdf>;

<https://reports.shell.com/annual-report/2021/>;

https://totalenergies.com/system/files/documents/2022-03/DEU_21_VA.pdf.