2018 SUSTAINABILTY REPORT

BEACH ENERGY

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BEACH ENERGY LIMITED
(ABN 20 007 617 969)

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Our vision, purpose and values are clear and concise statements that define Beach as an organisation. These statements have been developed to be enduring, and to navigate us through the longer term.

We are Australia's leading mid-cap oil and gas exploration and production company.

Our portfolio is diverse, with onshore and offshore operations in five basins across Australia and New Zealand.

We are helping to meet the growing demand for energy, supplying about 15 per cent of the east coast gas market.

> "We are truly a transformed company, proud of our history and focussed on the future."

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MESSAGE FROM THE CEO

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Dear Readers,

I am pleased to present the FY2018 Sustainability Report on behalf of the Board and Beach employees.

The last financial year was an historic period for Beach Energy – a year in which we more than doubled in size and expanded our operations across five basins in Australia and New Zealand. With a revitalised portfolio as well as global oil and gas market conditions continuing to improve, Beach was able to further strengthen the financial position of our business, enabling us to give more to our shareholders and to the communities in which we operate.

Most important however, was the fact that the growth of Beach in FY18 was delivered safely.

The safety of our employees and contractors has always been Beach's highest priority and this is reflected in our health and safety results. Since FY13, we have seen a 67% reduction in time lost due to injuries across the business.

Last year, some of our employees and contractors suffered from heat-related illnesses as temperatures soared in the Cooper Basin. As summer months pose a significant health hazard for our workers, we bolstered our heat stress monitoring campaign further. We did this by introducing hydration testing in the field, ensuring ongoing education on heat stress and developing heat stress audit tools to ensure contractor compliance.

Our environmental performance in relation to spills also improved, as this year saw the lowest operational crude spillage on record.

Beach is cognisant of growing stakeholder expectations around disclosure of climate change related impacts and mitigation strategies.

So that we can continue to improve our disclosure in this area, Beach has reviewed the voluntary guidelines of the Task Force on Climate–related Financial Disclosures (TCFD) developed by the Financial Stability Board (FSB). Our response to the TCFD recommendations is addressed in the environmental section of this report and in Beach's 2018 Annual Report.

We also continued to make significant contributions to the communities in which we operate, providing financial support to a number of sporting clubs and organisations around Australia and New Zealand. Beach wants to demonstrate best practice when it comes to community engagement, and our focus is on building and maintaining relationships. Over the past year, extensive engagement activities have been undertaken in the South Australian Otway Basin, demonstrating that the gas industry can safely-coexist with agriculture and other industries and provide a positive economic contribution to local communities.

I would like to thank our Beach employees for their dedication to providing a safe work environment, operating in an environmentally sustainable way, and working closely with the communities in which we operate. As you read through this report further, I invite you to provide your thoughts and comments via sustainability@beachenergy.com.au.

Matt Kay
Chief Executive Officer



23 October 2018

ABOUT THIS REPORT

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Scope of this report

This report outlines Beach's sustainability performance and covers assets owned and operated by Beach for the period 1 July 2017 to 30 June 2018. Beach's assets include projects under exploration, development and production phases.

In January 2018, Beach completed the acquisition of Lattice Energy and as a result there have been substantial changes to Beach's business during the reporting period. This report includes Beach's performance data for the full financial year and the Lattice Energy portfolio data from the second half of the financial year, with carbon emissions data being the only exception.

People related data included in this report refers to all direct employees (including international employees), contractors, and visitors working within Beach's operations. Beach reports on Health, Safety and Environment (HSE) information from operations within its control. All monetary amounts reported are in Australian dollars, unless otherwise stated. Our non-operated activities in Australia and New Zealand are excluded from the scope of this report unless specifically stated. Beach's operated sites are:

- Production and development
  - Cooper/Eromanga Basin (oil and gas)
  - Otway Basin (onshore and offshore)
  - Bass Basin
  - Perth Basin
  - Taranaki Basin
- Exploration
  - Cooper/Eromanga Basin
  - Bonaparte Basin
  - Otway Basin
  - Browse Basin
- Corporate Offices
  - Corporate Head Office – Adelaide, South Australia
  - Corporate Office – Melbourne, Victoria
  - Corporate Office – New Plymouth, New Zealand

Our operations

Operated production occurs from the Cooper and Eromanga Basins in South Australia, Otway and Bass Basins in Victoria, the Perth Basin in Western Australia and the Taranaki Basin in New Zealand. These operations are subject to the environmental approval processes of the South Australian, Victorian and Western Australian State Governments as well as the Commonwealth governments in both Australia and New Zealand. Further information on the environmental approvals for activities in these areas can be viewed on our website under Sustainability at Beach/Environmental approvals at www.beachenergy.com.au.

The infrastructure and activities associated with Beach's exploration operations typically comprise:

- Undertaking seismic surveys;
- Development of access tracks/roads and drill pads;
- Drilling, well completion and testing; and
- Administration and accommodation facilities.

The infrastructure and activities associated with Beach's production operations typically comprise:

- Wellheads
- Offshore and onshore Gas and Liquid Processing facilities
- Subsea pipelines and umbilicals;
- Flowlines/pipelines to transport product and water separated from the hydrocarbons around sites
- Liquids storage facilities;
- Gas and Liquids Export Systems
- Wastewater treatment and handling systems, including water holding ponds and evaporation ponds;
- Administration, utilities and accommodation facilities; and
- Access tracks and roads.

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Reporting guidelines

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards' 'Core' option. It focuses on core and supplementary aspects where they present a material significance to sustainability performance and have an impact on stakeholders. A table of GRI indicators relevant to Beach's activities appears later in this report.

Ernst & Young (EY) have provided limited assurance in respect to some of the key metrics in this Sustainability Report. A copy of EY's assurance report is available on page 37.



MANAGING SUSTAINABILITY

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Governance

Our approach to sustainability is governed by our Sustainability Policy which outlines our commitment to effectively manage our material sustainability risks. Other company policies[1] assist Beach in fulfilling its sustainability commitment. Beach's Board provides oversight of the company's sustainability management. The Sustainability Steering Committee is a management committee set up to assist in the development of Beach's sustainability strategy, policy and practices. The committee membership includes representation from all business functions and reviews performance against yearly targets set in the Sustainability Report. Further information on the role of the Sustainability Committee and its members is documented in the Sustainability Steering Committee Charter. This document can be viewed on Beach's website under Sustainability at Beach/Corporate governance. Our Sustainability Policy can be viewed on our website under Sustainability at Beach.

We also participate in and track our performance against a number of external benchmarks such as the Dow Jones Sustainability Index (DJSI), and the CDP (formerly, Carbon Disclosure Project), and endeavour to improve or maintain ratings provided by other independent industry analysts.

Risk oversight and management

Risk is inherent in Beach's business, so effective risk management is crucial to the long term viability of the company. The Board and its Risk, Corporate Governance and Sustainability Committee provide oversight of sustainability risks and proactively consider and review risks relating to social, economic and environmental issues. Risks to Beach include those associated with maintaining a social licence to operate, reputation, health, safety, environment and economic. Significant risks are continually reviewed and updated in the corporate risk register. Detailed discussion of Beach's risk management framework is provided in our 2018 Corporate Governance Statement which can be viewed on our website under Sustainability www.beachenergy.com.au/irm/content/corporate-governance3.aspx?RID=181.



1. Aboriginal Engagement Policy, Health and Safety Policy, Code of Conduct, Business Practices and Anti-Bribery and Anti-Corruption Prevention Policy, Contracts and Procurement Policy, Environmental Policy, Community and Stakeholder Engagement Policy, Diversity Policy, External Communications Policy, and the Risk Management Policy.

MATERIALITY

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Material issues and our focus

During FY15, Beach conducted a materiality assessment which aimed to identify and prioritise sustainability issues that may have a significant impact on our licence to operate, on our stakeholders and the communities in which we operate. The materiality process involved:

1. Identification of topics.

2. Interviews with a range of stakeholders.

3. Material issues identification.

As a result of this exercise, ten material sustainability issues were identified and are listed below and addressed further in this report. A number of these issues are strengths and opportunities for Beach, with others being potential risks that are managed to achieve improvement.

Some of the issues presented above (strategy, operational efficiency and market volatility) represent critical industry and market trends influencing our business and may not have direct relevance to GRI reporting indicators. Some issues such as biodiversity, fracture stimulation and rehabilitation were not identified as a material issue but they are addressed in this report as they may be of particular interest to specific stakeholder groups. With the acquisition of Lattice Energy, the need to reassess our material sustainability issues has been recognised. In FY2019, Beach will conduct materiality assessment to identify priority sustainability issues to reflect changes in our business and the external environment. Therefreshed material issues will help us tailor our future reporting so that it aligns with the interests of our stakeholders as well as those of the company.

Key material issues

Health and Safety - Providing a safe and healthy work environment, and culture for its workforce and contractors, with and a focus on process safety	*page 15*
Contamination - Management and response to accidental spills including remediation activities	*page 22*
Strategy - Appropriately positioning the business in a changing economic and competitive environment	*page 27*
Contribution to local communities - Engaging and contributing economically, socially and environmentally to local communities (e.g. providing training, employment and sponsorships, community engagement)	*page 25*
Produced water - The management of produced water including the disposal, reuse and quality of produced water from Beach's operations	*page 21*
Waste management - Responsibly managing the disposal of operational waste	*page 22*
Workforce development and retention - Providing opportunities to maintain and develop workforce skills and competencies, especially during times of uncertainty, to deliver sustainable growth	*page 16*
Market volatility - Managing the expectations of stakeholders and maintaining communication during market volatility	*page 27*
Operational excellence - Maintaining operational excellence across all operations	*page 27*
Ethics and transparency - Ensuring ethical and transparent conduct across all our operations	*page 11*

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Our stakeholders

Our primary stakeholders are shareholders, employees, contractors, suppliers, regulators, joint venture participants, landholders, customers, media, the investment community, industry peers, NGOs and local and indigenous communities.

Beach is aware of its responsibilities towards its stakeholders and actively seeks to develop positive relationships for mutual benefit. Relationships are developed by engaging with our stakeholders in many ways, some of which are detailed below.

Our Stakeholders	How we engage
Employees	Employee surveys, program evaluations, performance reviews, employee presentations, 1:1 coaching, team development sessions, communication through Beach's intranet site, regular management meetings and social and family functions
Communities, aboriginal groups and landholders	Regular meetings, support/participation in community programs and events, consultation prior to activities and field trips, dedicated liaison contacts
Contractors and suppliers	Regular meetings and supplier forums
Regulators	Meetings, representations on industry associations and site visits. Constant feedback and information sharing through enquiries and other mechanisms
Shareholders and Investment community	Annual General Meeting, investor presentations, Beach website, correspondence, email alert service, engagement with our dedicated investor relations function, webcasts and roadshows
Customers	Regular meetings
Non- Governmental Organisations	Meetings, representations on industry associations and site visits
Media	Relationships maintained through a dedicated media relations function
Industry peers	Industry conferences and presentations, representation on industry associations
Joint Venture Participants	Regular meetings

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Topic boundaries

Topic boundaries refer to the location of impacts for each material issue. Impacts could occur both internally and externally and can vary for different issues. Topic boundaries for Beach's material issues have been identified below:

Key Material Issues /Topics	Impact within the organisation	Impact outside the organisation
Health and safety	Yes	Yes – contractors, visitors, regulators, JV participants
Contamination	Yes	Yes – communities, regulators, JV participants
Strategy	Yes	Yes – investors, JV participants, communities
Contribution to local communities	Yes	Yes – communities and JV participants
Produced water	Yes	Yes – communities, regulators, JV participants
Waste management	Yes	Yes – regulators, JV participants
Workforce development and retention	Yes	No
Market volatility	Yes	Yes – investors, contractors, suppliers
Operational excellence	Yes	Yes – investors, JV participants
Ethics and transparency	Yes	Yes – contractors, suppliers, JV participants, regulators, investors

ETHICAL CONDUCT AND TRANSPARENCY

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Our approach

Our Code of Conduct sets out the standards of behaviour that are expected of employees and contractors. The code is supported by policies that set out guidelines to ensure that Beach conducts its activities in an ethical and appropriate manner and in compliance with the laws and regulations of each jurisdiction in which it operates. Beach's Business Practices and Anti-Bribery and Anti-Corruption Policy is supported by standards, that cover the requirements of the law and procedural matters. This policy prohibits bribery, the giving or receiving of gifts and entertainment, third party facilitation and payments to government officials. Political contributions or activities are not permitted under this policy other than in very limited circumstances in Australia and where permitted by the law. This is further addressed in our Donations Policy.

Refer to the Performance Data Table for disclosure on political donations made during FY18. Facilitation payments for routine activities such as the issue of a permit or a customs clearance are made under Australian law if certain criteria are met.

Employees, contractors and joint venture partners, particularly those outside of Australia are made aware of our approach to bribery and corruption and Beach expects these practices are adhered to. Key employees are required to submit on a yearly basis, a signed statement containing any information of which they may be aware regarding payments or benefits made, given, promised, offered or authorised to foreign or domestic officials or other third parties.

Training

All Beach employees are required to attend policy update awareness sessions to ensure that Beach's ethical values and anti-corruption and bribery policies and procedures are understood and implemented at all levels. Additionally, advanced training is provided to employees in positions with higher potential exposure to these risks.

Our Code of Conduct and related policies require reporting of suspected misconduct or policy breaches. Our Code of Conduct can be viewed on our website under Sustainability at Beach/Corporate governance.

Reporting misconduct

A suspected breach of policy is reportable under the relevant policy or the Whistleblower Policy and should be reported to the Company Secretary, the Chief Executive Officer or the Chairman. Breaches of the Code of Conduct will be investigated and subject to disciplinary action and where appropriate, termination of employment.

Employees reporting misconduct are protected by the complaints resolution process and the Whistleblower Policy which ensures the confidentiality of the person reporting is maintained. Additionally, an employee making a complaint in good faith in accordance with the Whistleblower Policy will be protected from actual or threatened victimisation or reprisals by a director, officer, employee or contractor, as a result of making a complaint. There is also provision to make an anonymous report.

In FY18, no reports were received under the whistleblowing programme. Additionally, there were no incidents of policy violations relating to bribery or corruption during the financial year.

Policy reviews

Our Code of Conduct and related policies are reviewed regularly. Beach now has a high level policy called the Business Practices and Anti Bribery and Corruption Prevention Policy which is supported by two standards, the Business Practices Standard and the Anti-Bribery and Anti-Corruption Compliance Standard (ABAC Standard). The Business Practices Standard sets outs expected standards of behaviour for all personnel representing Beach in its business activities. The ABAC standard has been developed to assist Beach members, especially those dealing with foreign public officials in and outside Australia.

Gifts and Entertainment

Although gifts and entertainment are a normal part of life, accepting or receiving gifts or entertainment must never influence business decisions. While small gestures like buying a meal for a customer or vendor are acceptable business practices that foster goodwill and create lasting relationships, the exchange of gifts and entertainment in relation to a business transaction should never imply an intention to seek or receive a favourable or preferential treatment. Beach has a gift and entertainment register in place to help employees declare gifts and entertainment received or provided above an actual or estimated value of $100.

HUMAN RIGHTS

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Beach is respectful of and recognises the fundamental rights of all stakeholders, including the employees, contractors and in communities where we operate. Beach operates under strict regulatory requirements and is committed to meeting all applicable human rights legislation within Australia and overseas. Beach does not engage in discrimination based on race, colour, gender, sexual orientation, age, disability, religion, ethnicity or marital status in employment practices such as hiring, promotions, rewards and access to training. Additionally, a suite of corporate policies, including the Diversity Policy, Equal Opportunity Policy, Contracts and Procurement Policy, Aboriginal Engagement Policy, Community and Stakeholder Engagement Policy, and the Code of Conduct, promote high standards of ethical conduct and corporate governance. Beach also offers employees and their immediate families a free, confidential, professional counselling service through the Employee Assistance Program (EAP) to help address issues that may affect their work and/or personal life.

Beach is not aware of any human rights related incidents that occurred in relation to employees, contractors or community members during FY18.



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FY18 PERFORMANCE OVERVIEW

● Achieved ○ Ongoing ● Not Achieved

Following table shows our performance across a range of social, environmental, economics and health and safety targets set in the last year's report:

	Targets	How Beach performed	Status
Health and Safety	**Attain low gas surveillance gas production classification**	Application for low gas surveillance classification (phase 1-gas connection) was submitted to the government	○
	Fully implement process safety framework for gas	Framework completed, implementation will occur in FY19	○
	Commence a heat stress monitoring campaign with objective to achieve zero related incidents	Implementation of improved heat stress monitoring campaign and achievement of zero heat related incidents	●
	Further refine contractor assurance processes	Under review after Lattice Energy acquisition	○
	Maintain zero process safety target for both tier 1 and tier 2 process safety event	Zero process safety target maintained	●
Employee development	**Continue to develop managers on leading on high performance accountability culture :**		
	• Executives and managers from the first Leadership for High Performance (LHP) program to complete surveys of styles and climate	• Executives and managers from the first LHP program completed one survey of styles and climate	●
	• Second LHP program to ensure coverage across all managers and supervisors is delivered	• Three LHP programs have commenced with a total of 44 having participated	●
	• Deliver on-going leadership and management curriculum including a specific focus on coaching leadership style and feedback	• Workshops to support LHP and objective of coaching leadership style were delivered to 44 employees	●
	• Continue to implement performance review processes and embed a new rating scale	• Online performance review process was improved. Work underway to bring Lattice employees on the same online systems for the FY19 performance year	●
	Plan for and develop our people such that we have the right skills and experience to deliver upon strategy:		
	• Conduct six-monthly capability reviews to determine talent pool and capability bench-strength	• Talent and succession planning to determine organisational bench strength continues as part of cyclical processes	○
	• Implement technical competency models for all technical disciplines	• Engagement of a process to implement technical competency models commenced	○
	• Complete Verification of Competency (VoC) for field oil operations	• VoC 1-4 completed, VoC 5-7 remain under development for release and completion in FY19	○

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Employee development	**Actively manage diversity to develop and improve the talent available to drive performance and capability outcomes**		
	• Improve gender diversity such that its equal or better than industry average	• Following the acquisition of Lattice Energy there has been a 4% decline in female representation for the combined entity. See page 17 for steps being undertaken to improve gender diversity.	●
	• Utilise Divisional Capability Review process to identify and drive specific diversity improvement opportunities and create a future talent pipeline	• Integrated Lattice and Beach energy, transforming the organisation structure, footprint, capabilities, workforce composition and talent mix	●
	• Maintain return rates on maternity leave	• 100% maternity return rate maintained	●
Communities	**Sponsor school lunch program in Port Augusta, Whyalla and surrounding areas**	Program sponsored with positive coverage in regional papers and in Foodbank publications	●
	Continue sponsorship of the Indigenous Law Student Mentoring program in SA	Funding provided through Flinders University to enable sponsorship of Indigenous students	●
	Implement the community feedback mechanism	Community feedback mechanism implemented	●
Environment	**Achieve year on year improvement in contamination (spill) events and volumes**	Record low produced hydrocarbon spill	●
	Develop rehabilitation plan for one of Beach's first production facilities	Rehabilitation plan developed and first phase of earthworks executed	●
Economics	**Continue to further develop and improve reporting processes to management**	Reporting process under development; Executive team provided regular monthly management reports	●
	Review and implement additional purchasing policies and guidelines	Review ongoing due to Lattice acquisition	○

OUR PEOPLE

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Health, wellbeing as well continuous development of Beach's employees and contractors is crucial for ensuring Beach's growth and continued success. Therefore, the focus is maintained around health and wellbeing, as well as talent retention and the capability of the workforce.

Health and safety

Our management approach

Due to the remoteness and nature of our oil and gas operations, our core area of focus is the health and safety of our employees and contractors. Failure to operate safely may cause injuries, fatalities, environmental damage and reputational harm, that could impact on our licence to operate. Our Board-approved Health and Safety Policy outlines our approach to health and safety management and is further supported by our core value, "Safety takes precedence in everything we do." The Chief Executive Officer is responsible for this policy's implementation and biennial review. To ensure a culture of safety is maintained throughout our operations, Beach regularly conducts workplace health risk assessments, provides 24/7 onsite medical support and maintains an incident reporting system which captures all incidents, including accidents and spills. Additionally, Beach's senior management is responsible for the implementation of the health and safety strategy. The executive performance is tested against the Short Term Incentive [2](STI) performance conditions on an annual basis. For FY18, safety made up 10% of company related performance conditions that make up 60% of the STI key performance indicators. All health and safety related incidents are recorded in Beach's incident reporting system, and investigated to determine root causes before being closed out. A range of industry specific indicators such as LTI (Lost Time Injury), and TRI (Total Recordable Injuries) are used to measure the effectiveness of our health and safety management.

General performance

Beach recorded one LTI and two MTI's for FY18. Beach has achieved year on year improvement in LTIFR with LTIFR down to 1.3 in FY18 from 1.6 in FY17. This is the fifth year in a row of continuous LTIFR reduction across Beach's operations. Overall safety performance remained strong with demonstrated compliance with HSE requirements across all activities. Safety performance across Lattice Energy assets continued to improve and outperformed the TRIFR target of 3.5 for the FY18 period. As at 30 June 2018, Lattice had a TRIFR rate of 2.6.

In terms of Process Safety performance, there were no recorded Tier 1 or Tier 2 incidents across Beach or Lattice assets.

A focus in FY19 will include the review of the Beach and Lattice standards of personnel safety management with a view to harmonise the systems across all operations, for example, the review of the fitness for work processes which includes the pre-work medicals, ongoing fitness for work and case management once an injury occurs.

Process safety framework

The development and implementation of the process safety framework was a key objective for FY18. Beach has completed the framework with full implementation to occur in FY19. While Beach holds a low surveillance classification for oil production and exploration activities, it is now in the position to apply for a low surveillance classification for its gas operations in the Cooper Basin region of South Australia. As such, Beach has taken a phased approach and has submitted for a low surveillance classification for gas connection activities. Once the full implementation of the process safety framework is completed Beach will submit for the second phase of its low surveillance application which will encompass all gas production operations. A low surveillance classification is assigned by the regulator if a company can demonstrate that they have effective management systems in place and maintained a good compliance record.

Heat stress monitoring campaign

Employees and contractors working in the Cooper Basin are exposed to intense heat during the summer months. Whilst Beach has a robust heat stress monitoring campaign, employees can experience heat related illness and fatigue if they don't follow the protocol or ignore early stages of heat stress. Last year, there were four recorded heat stress cases which prompted a review of the existing Heat Stress prevention program in FY18. As a result, the Heat Stress program for FY18 introduced voluntary Hydration Testing for Beach employees and contractors. The objective of these tests was to provide immediate information to individuals about their hydration levels in order to reduce occurrence of heat related illness.

2. Short Term Incentives (STI) is part of 'at-risk' remuneration offered to senior executives which is rewarded for meeting or exceeding performance conditions or KPIs that are linked to Beach's key purpose.

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Between October and March, 390 voluntary Hydration tests were conducted. Other improvements to the Heat Stress prevention program included ongoing education of all field staff and visitors, development of visual RED ALERT day warning signs for camps on days when temperature hit 40 degrees Celsius or above, development of Heat Stress audit tool to undertake periodic audits on contractors to ensure they are maintaining agreed Heat Stress management programs with their employees.

The 2017/2018 summer experienced sustained periods of very hot days but due to the improved Heat Stress program and employee/contractor uptake of voluntary hydration testing ensured zero heat stress cases during the financial year.

Road safety

Vehicle accidents are a material health and safety risk for Beach as there are a number of factors that can contribute to a road accident including long commute times, fatigue and distracted driving. In FY18, Beach's field employees drove over 2 million kilometres without any recorded vehicle incident. This is was the fourth consecutive year in which no driving related workforce injuries or fatalities occurred. During the year, Beach completed a full implementation of in-field driver competency assessments. This training is designed to provide targeted and direct feedback for all BPT drivers. It also provides some efficiencies in training as Beach staff can receive training whilst on site.

2019 Targets

- TRIFR of ≤ 3.5
- Process safety of ≤ 3 events

Workforce development and Retention

Our management approach

Beach's success and delivery of our strategic goals depend on employees having the necessary skills, experiences and capabilities to undertake their responsibilities. A number of talent management initiatives and processes are implemented to ensure we have the right people in the right positions, and with the right skills. Progress and overall outcomes of these initiatives are measured through regular surveys, assessments, performance reviews and training to improve employee competency.

Leadership for high performance

A leader's behaviour is one of the biggest factors in creating the right climate for their team and improved business performance. Recognising this, in FY17, Beach commenced implementation of a programme to create a high-performance leadership team with the aim to help align team purpose to vision, strategy and individual contribution. Participating senior leaders took part in training to develop leadership styles and received feedback from their teams regarding their impact on organisational climate. Action plans were developed for the areas that required improvement. In FY18, Beach continued its efforts to improve leadership styles and capabilities through two additional LHP programs, subsequent surveys and action plans. A total of 44 senior leaders have participated in this program to date.

People capability

In FY17, Beach introduced a six-monthly comprehensive capability review process to facilitate and enable the identification and management of talent and overall functional capability in the organisation. Beach continues to implement these reviews to determine organisational bench-strength. FY19's process of talent and succession identification and planning will include employees that have on-boarded from Lattice Energy.

Focus was also maintained on technical capability development of employees to ensure they are equipped with the right skills and expertise to be able to support the company's strategic requirements. In FY18, a process was initiated to implement technical competency models, which is aimed for completion in 2019.

Employee training information is provided in the performance data table on page 29.

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Equity and Diversity

Embracing diversity in the workplace results in increased effective and innovative business performance outcomes. Beach recognises this and is committed to a workplace culture that promotes the engagement of well qualified, diverse and motivated people across all levels of in the organisation.

The Board approved measurable objectives for achieving gender diversity and Beach's progress in achieving those objectives in 2018 follows.

Objective	Goal	Metric	Progress
Gender composition at Board and Senior levels. Aspiration to increase the representation of females .	Ensure there is appropriate diversity of membership on the Board. 30% female representation is the aspirational goal.	• In FY18 progress to at least two female Board members (22.2%) • At least one female Board member at all times	Beach currently has one female Board member, Joycelyn Morton, who was appointed to the Board on 22 February 2018. The Board is actively recruiting to appoint at least one further female Board member following the retirement of Fiona Bennett on 23 November 2017, so it will have at least two female Board members.
	Progress female representation at Executive and Senior Manager (GM) level to be at least consistent with the WGEA Oil & Gas Extraction Industry representation	• FY18 Executive female representation to be at least one female (14.3%) = WGEA =17.2%, with FY20 goal of 28%. • FY20 goal to increase Senior Manager female representation to 20% - WGEA 14.3% and FY 18 maintain at least at current 12.5%	There has been an increase in female representation in senior leadership categories, with the category of 'Key Management Personnel', moving up from 14% in 2017 to 38% in 2018 and the category of 'Senior Managers', moving up from 14% in 2017 to 17% in 2018.
	Ensure females are short-listed for each available position on the Board & senior leadership roles (Executives and GM positions), where practicable.	• % of female to males shortlisted for each available Board position to be at least 30% • % of females to males shortlisted for each available Executive and GM level role	All shortlisted candidates for the available Board positions in 2018 were female. [TBC] The percentage of females to males shortlisted for each avaialble Executive and GM level role were (F:M) 23:77.

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Objective	Goal	Metric	Progress
Talent pipeline Focus on recruitment, retention, development and leadership initiatives to ensure a diverse talent pool is available with a focus on increasing the representation of females in technical roles	Maintain a minimum composition of 25% female representation in our overall workforce. Aspire to a minimum 30% by end FY20	• % females to males across the business • % of females to males recruited	Female representation across the Beach workforce was 23%. Following the acquisition of Lattice Energy there was a 4% decline in female representation in the workforce when compared to 2017. Refer to the detailed Performance Data at the end of this report.
	Retention – ensure retention of female employees with a target that there is zero gap between female and male turnover as a minimum	• Female to male 'total' employee turnover • Female to male voluntary turnover • Female to male non-voluntary turnover	Refer to the detailed Performance Data at the end of this report.
	Performance management, Development and Capability Review (and Talent) processes implemented into the business and utilised to support Diversity improvement.	• % of females to males identified in the capability matrix as 'high talent' and 'extend' – aspirational goal is equal to or greater than overall female representation • % of females to males identified as under performers. • Divisional Capability Review process rolled out in FY18, including the Diversity action section. • Development Plan process rolled out in FY18 (Success Factors) to all employees	A baseline for the talent and succession process can be set following the full integration of the Lattice Energy acquisition, and data prepared by reference to that baseline.A Divisional Capability Review process to be rolled out in November FY19. The roll out of a Development Process (Success Factors) to all employees was completed by September 2018.

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Objective	Goal	Metric	Progress
Talent pipeline (Cont) Focus on recruitment, retention, development and leadership initiatives to ensure a diverse talent pool is available with a focus on increasing the representation of females in technical roles	• Objective of 30% female representation in shortlists and appointment to technical roles. (Goal % equivelent to WGEA O&G Professional Staff female representation)	• % of females to males shortlisted for each available technical vacancy, • % females to males appointed to technical roles • % of females hired as Graduates to be at least 50% • % of females on University vacation work or work experience to be at least 50%	The % of females to males shortlisted for each available technical vacancy were (F:M) 38:62. The % of females to males appointed to technical roles was (F:M) 30:70. All Graduates hired were female. A University vacation work or work experience program was not conducted for the reporting period. [TBC]
	• Ensure adequate female representation on company-wide leadership development programs.	• % of females to males attending leadership development programs • % of females to males that participate in the Performance Management Traing series.	The % of females attending leadership development programs was in approximately the same proportions as the % of females in 'Senior Manager' positions (M:F) 86:14
Flexibility Practices Utilisation of flexible practices to enable the attraction and retention of talent and performers, and the success in return rates from maternity leave.	• Ensure flexible working options are available including encouraging females to return to work from maternity leave.	• %/No of females returning from maternity leave • No of female and male employees on flexible arrangements	All female employees on materinity leave returned to work. 28 employees on part time arrangements as at 30 June 2018. All office based employees are encouraged to work flexibly however these arrangements are not formalised to allow for the collection of data.

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As part of its ongoing commitment to diversity, Beach provides an annual report to the Workplace Gender Equality Agency which details workplace profile in line with the Workplace Gender Equality Act 2012. This report is available to the public via the Workplace Gender Equality Agency website (www.wgea.gov.au).

Beach is aiming to improve the gender diversity statistics in its workforce through the development and implementation of a Diversity and Inclusion Strategy in FY19.

2019 Targets

- Introduce a reward and recognition program
- Conduct an organisational engagement survey
- Continued development and implementation of a Diversity and Inclusion Strategy and corresponding targets
- Embed existing leadership competency model and align to career development frameworks



OUR ENVIRONMENT

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Our management approach

As a growing oil and gas explorer and producer, we recognise our responsibility to understand and respect the environment, to minimise our impact, and remediate areas affected by past activities. Our Environmental Policy outlines our approach to operating in an environmentally responsible manner. The Chief Executive Officer is responsible for ensuring implementation of the policy and its periodic review. The environmental aspects of our operations are governed by strict regulations which are integrated into our operational procedures. Beach's Health, Safety and Environmental Management Systems (HSEMS) and relevant operations manuals provide the framework within which our environmental responsibilities are managed. In South Australia, Beach is required to submit an Environmental Impact Report (EIR) for all operations which contains sufficient information to make possible an informed assessment of the likely impact of the activities on the environment. Each EIR is accompanied by a Statement of Environmental Objectives report which outlines the specific environmental objectives that each regulated activity is required to achieve and the criteria upon which the objectives are to be assessed.

Beach assesses the environmental and potential impacts of all activities prior to the commencement of a project and regularly engages with relevant stakeholders, including landholders, native title claimants and local government agencies, to ensure these activities are open and transparent.

Similar to health and safety incidents, all environmental incidents and near misses are recorded and reported through the Beach incident reporting system. A range of industry specific key performance indicators such as number, type and volume of spills, number and value of regulatory fines, and greenhouse gas emissions numbers are used to measure the effectiveness of our environmental management systems.

Managing produced water

Beach recognises that water is an essential resource for the oil and gas industry (along with many other industries), communities and the environment, and continually works to ensure adequate management of water resources and appropriate utilisation or disposal of produced formation water.

Produced water is water that is trapped in underground formations and is brought to the surface along with oil and gas during production activities. Depending on the geographic location of the field, the physical and chemical properties of produced water can vary considerably and may contain high mineral or salt content.

Produced water undergoes a two-step separation process which begins in the separator tanks where the majority of oil is separated from water. This water then goes into a lined interceptor pond, which acts as a buffer, to ensure the remaining hydrocarbons are retained and not carried over to holding ponds, then evaporation ponds, which are designed to evaporate water naturally. Evaporation ponds are an important source of water for livestock in the Cooper Basin, which has limited water availability as a result of the area's remoteness and arid conditions. Water quality in the evaporation ponds is monitored to ensure it meets regulatory standards and is suitable for livestock and wildlife. Where possible, produced water is reused for facility construction, road maintenance, construction and drilling activities.

FY18's total produced water production for Beach Energy was 13.49 million cubic metres. Refer to the performance data beginning on page 31for additional information on produced water.

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Spills (Contamination)

Beach has multiple processes in place to minimise the occurrence of spills and to ensure appropriate management of accidental spills and leaks, in case they occur. These processes include, but are not limited to appropriate storage of chemicals, containment of all hazardous substances in appropriate vessels and bunds, training to ensure appropriate handling of hazardous substances, and testing of spill response and clean-up procedures.

All incidents, including spills are reported in Beach's incident reporting database which records spills by type, volume, duration, cause, as well as corrective actions to prevent a re-occurrence of the incident. In the event of a spill, Beach ensures the spill is contained, reported, cleaned-up and contaminated soil is remediated. Groundwater monitoring bores are installed where there is potential risk to groundwater, and are monitored on an annual basis.

FY18 marked an historical year for Beach in terms of its oil spill performance, with only 1 bbl of hydrocarbon spills occurring during the reporting year.

None of the incidents that occurred were of significant environmental impact and all sites were remediated. No environmental fines or penalties were issued in relation to loss of containment.

Refer to the performance data beginning on page 30 for additional spills data.

Waste management

Beach aims to reduce its impact on the environment by keeping waste generation to a minimum and ensuring all waste material is disposed of in an appropriate manner. Licenced contractors are used and records maintained for any hazardous waste disposal. A review of current waste practices was undertaken for the Cooper Basin operations, which involved engaging with employees, contractors and waste contractors to better understand waste streams and disposal methods. As a result of this exercise, new segregation and recycling opportunities were identified and led to clearer labelling of 240L and 140L portable bins located at camps, reduction in the number of bins across sites and colour coding of bins aligned with the SA government's SA zero waste recycle right programme. Beach's Cooper Basin operations completely recycle steel, cardboard, aluminium cans and plastic bottles, batteries, vehicle tyres and inner tubes, printer cartridges, halogen bulbs and florescent tubes, whole wooden untreated pallets and empty intermediate bulk carrier (IBC).

Climate Change & Greenhouse gas emissions

Climate change has been recognised as one of the major global challenges of this century. It has been proven by numerous scientific studies and acknowledged by governments around the world. The Paris Agreement in 2015 saw the world's governments come together and commit to a mutual goal of preventing dangerous impacts of climate change by limiting global warming to below 2°C. As a member of the energy industry, we not only have a significant role to play in managing our carbon emissions, but also have the capability (through our gas portfolio) to accelerate society's transition to a low carbon future.

Role of natural gas in tackling climate change

Natural gas, inherently, is a low carbon fuel as the CO_2 emissions from combustion of natural gas are lower than those from other fossil fuels such as coal. Beach's expanding natural gas portfolio is strengthening the business' position and will help it transition towards a low carbon economy while delivering cleaner, cheaper fuel to the market. The acquisition of Lattice Energy this year has further increased Beach's exposure to the Australian east coast gas market. As of 30 June 2018, natural gas accounted for 64%[3] of Beach's total hydrocarbon production.

Beach recognises that some of its stakeholders are increasingly interested in the potential impacts of climate change on the business. In line with the Task Force on Climate related financial disclosures (TCFD) recommendations and acknowledging the shift in focus externally, Beach undertook a review to assess the longer term impacts of climate change on our operations, including risks and opportunities of the global goal of limiting global temperature increase to less than 2°C above pre-industrial levels. The review also included modelling difference scenarios from the International

3. This number represents combined sales gas and ethane production of Beach and Lattice Energy. This number is provided for information purposes only and should not be relied upon.

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Energy Agency's World Energy Outlook report to get a clear understanding of Beach's viability in a low carbon economy.

Following on from this phase of work, Beach plans to implement some of these recommendations over FY19.

Beach reports greenhouse gas emissions associated with hydrocarbon production under the National Greenhouse and Energy Reporting Scheme. In FY18, total (Scope 1 and 2) greenhouse gas emissions for all Beach operated facilities was 40,881 tonnes of CO_2-e , whereas, Lattice energy assets emitted 475,599 tonnes in Scope 1 and 2 emissions.

We also report pollutant emissions to air, land and water in accordance with the Australian National Pollutant Inventory compliance reporting requirements. This data is publicly available on the Australian Government, Department of the Environment and Energy website. Detailed data for FY17 reporting period is available at www.npi.gov.au and in the performance data on page 31.

Biodiversity

Beach carries out responsible exploration and development activities in ways that mitigate biodiversity risks throughout a project's lifespan, including planning, operations, decommissioning and rehabilitation. Beach has strict environmental controls in place to minimise the impact of our exploration and production activities on the environment. Rehabilitation requirements are assessed prior to the commencement of each project. Field supervisors monitor performance to ensure works undertaken comply with these requirements. We undertake both internal and independent, external audits to measure compliance against regulatory documentation such as the SEO[4] (Statement of Environmental Objectives). In addition to this, we also utilise the South Australian government's Goal Attainment Scaling (GAS) assessment methodology to assess the success of impact mitigation and rehabilitation activities associated with seismic surveys and well sites in South Australia. Prior to the start of any activity, an environmental assessment is conducted for the activity and location. This assessment includes a review of state biological databases. The EPBC[5] online database is also used to identify any native flora and fauna of national significance that may be present at the site.

In South Australia, Beach is required to undertake environmental offsets which are achieved through offsetting a designated area of environmental significance or by payment to the Nature Foundation. In FY18, we fulfilled our SEB[6] obligations through financial contributions made to Witchelina Station reserve (which is run by the Nature Foundation SA) to offset 403 hectares of land.

Rehabilitation and monitoring

Beach is committed to undertaking rehabilitation activities to comply with relevant legislation, licence conditions or standards. The satisfactory decommissioning and rehabilitation of an exploration or production area is required prior to the relinquishment of a licence area or discharge of rehabilitation bonds. In the event of a spill or leak, contaminated soil is transferred to a specialised facility to minimise the potential for soil or water contamination. Stockpiled contaminated soils are assessed and remediated using a risk-based approach, consistent with the principles of National Environmental Protection Measures [7](NEPM). All remediation activities occur within Beach's specialised Soil Remediation Area which means no contaminated soil is transported off site. Remediated soils are reused for rehabilitation activities.

Together, Beach's rehabilitation management standard and plan provide guidance to carry out rehabilitation of wells, access roads and borrow pits. Beach's rehabilitation plan is comprised of different components as shown below.

Environmental monitoring of rehabilitated activities is undertaken on an annual basis, depending upon

3. This number represents combined sales gas and ethane production of Beach and Lattice Energy. This number is provided for information purposes only and should not be relied upon.
4. SEO or Statement of Environmental Objectives for a regulated activity states the environmental objectives to be achieved in carrying out the specified activities, as well as the assessment criteria used to assess whether the objectives have been achieved by the licensee.
5. Environmental Protection and Biodiversity Conservation
6. Significant Environmental Benefits or an SEB is intended to be an area of land that is protected and managed for environmental conservation. The aim of an SEB is to compensate for (or offset) the loss of native vegetation from an approved clearance activity to ensure there is an overall environmental gain.
7. NEPMs are a special set of national objectives designed to assist in protecting or managing particular aspects of the environment.

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rehabilitation activities, climatic conditions and significant weather events. Monitoring assists in assessing the success of the rehabilitation work, whether additional remedial works are required (e.g. erosion control, weed management, re-seeding) or if a site meets agreed standards for relinquishment. Environmental audits of Beach's operational licence areas are generally undertaken on an annual basis and are depended upon the type of activities being undertaken in a licence area. The audits are undertaken to assess compliance with the relevant operating licence.

In FY18, Beach commenced a two year decommissioning and rehabilitation project at one of its first facilities in the Western Flank. As part of the rehabilitation planning process, Beach conducted a detailed investigation involving extensive soil sampling at key sites around the facility and treated a small quantity of contaminated soil. The second phase involves decommissioning the well in accordance with SEO prior to conducting final rehabilitation earthworks.



Hydraulic fracture stimulation

Certain petroleum reservoirs that are difficult to access require the use of a process known as fracture stimulation. Fracture stimulation increases the flow of oil or natural gas from a well by pumping hydraulic fracturing fluid (typically 99% water and sand) down a completed well at high pressure. The pressure creates cracks and sand keeps them open, increasing the flow of oil and gas through the reservoir into the well. Once the fracture stimulation is completed, the fracture stimulation fluid flows back out of the well into temporary lined ponds. It is treated to meet stringent environmental standards and either disposed of or evaporated. The process is highly regulated and Beach continues to apply best practice.

To further learn about this process, refer to the Fracture Stimulation document available on our website under Our Business/Information Centre.

2019 Targets

- Implement recommendations consistent with FSB's TCFD principles
- Develop a broad rehabilitation strategy for Cooper Basin operations

OUR COMMUNITIES

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Beach's commitment to people extends to the communities in which it operates and lives. As such, Beach looks for opportunities that help empower local communities while recognising that each community is different and has unique needs. Beach contributes to the society by hiring locally and procuring local goods and services where possible, by paying royalties and taxes, and by investing locally in the form of sponsorships, local infrastructure improvements, and student work opportunities etc. Beach's recently expanded portfolio has introduced the company to new areas of operations, including Western Australia, Victoria and New Zealand.

Taranaki Community Rugby Trust Partnership and Award

The Taranaki Community Ruby Trust (TCRT) leases farmland which Beach Energy owns as it surrounds the Kupe Production Station in New Zealand. The TCRT runs a dairy farming operation thanks to the use of this land and all profits from the farm are attributed directly to primary and secondary schools and local youth clubs. Grants from the programme provide equal opportunity for Taranaki youth to team play sports. Research data evidences benefit of playing team sports, including improved physical, mental and social well-being, health and fitness of the Taranaki youth. The partnership with the TCRT is highly valued in the community. This year, Beach's unique relationship with the Taranaki Community Rugby Trust was recognised and rewarded with the coveted PEPANZ Excellence in Community and Partnership and Engagement Award.

Improving community health and wellbeing

Timboon and Districts Health Service (TDHS) is a multipurpose health service that's delivers acute hospital care, primary healthcare, including physiotherapy, nutrition, podiatry, audiology, mental health and rehabilitation. Due to recent health cuts, this program, which aims to provide proactive health education and community engagement, was under the risk of being abandoned. Beach's financial support will ensure that the continuation of this service. The grant will be used to run four community health events using high-profile speakers covering a range of topics like midlife issues, healthy relationships and lifestyle, and mental health.

The Timboon pool is used widely by the local community and extensively by the local P12 school to deliver school swimming lessons to ensure that students can swim independently by the end of year 6. Heating is required even during the summer months to ensure the temperature is between 25 and 26 degree C. Beach contributed $50,000 towards the installation of a solar heating system which will allow community members to utilise the facility all year round.

Learning experience for science and vocational students

Beach's Bass Gas and Otway Gas Plants provide high school students with opportunities to gain practical work related experience and help reinforce in-class learnings. In FY18, BassGas provided a real-world lesson for year 12 chemistry students from the Leognatha Secondary College. The tour, led by the Victorian community development manager, started with HSE induction, followed by a discussion on the important role of gas as lower emissions, dispatchable fuel source. The process engineer further explained the hydrocarbon mix and different processes used at BassGas to separate the raw hydrocarbon stream into saleable products.

Community investment

Beach recognises the importance of investing in the communities where it operates. As such, we continued to show our support towards our communities through sponsorships with funds allocated towards the following priority areas. Beach's level of community investment increased significantly with increased business activity around Australia and in New Zealand. In FY18, Beach contributed $380,000 to communities across South Australia, Victoria, Western Australia and New Zealand.

Indigenous engagement in New Zealand

As a new entrant to the South Taranaki region, Beach has established a relationship with the local iwi and continued to keep the local iwi informed of all relevant activities within their tribal area. Beach's relationship with Ngaruahine and Ngati Ruanui continues to evolve with a genuine desire to participate from the business and iwi. This encompasses regular engagement, allows adequate information to be provided to all parties, and iwi are given a reasonable opportunity to provide feedback.

Beach Energy recognises the importance of ensuring that discussions are undertaken with mutual respect, fairness and integrity and that our engagement with iwi is not treated as a mere formality, but a two way meaningful consultation. Our iwi engagement has encompassed regular interaction via telephone conversations, face to face meetings and visits to the marae (communal meeting grounds).

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CASE STUDY

Victorian Bushfire

In March this year, the communities in south-west Victoria experienced devastating bushfires that forced hundreds of people to evacuate and caused significant damage to property, livestock, dairies, and infrastructure. While no lives were lost, the fires burnt out 15,000 hectares of land, destroyed 24 homes, 63 sheds, hundreds of livestock, pasture and silage and thousands of kilometres of farm fencing. Many of Beach's employees, who work at the Otway Gas Plant and live in the region exhibited great selflessness, courage and resilience by working tirelessly to ensure safety of fellow employees, their families and people in the local community. They helped coordinate evacuations and support at the relief centre, cleared out trees, fought bushfires and volunteered with the ambulance service. Beach also provided a substantial financial grant to BlazeAid[8] for equipment and materials to support bushfire recovery for farmers in the impacted region. The donation includes a new post-hole digger and fencing materials which will assist farming communities to rebuild their fences which were damaged extensively.

2019 Targets

- Achieve an overall community spend of more than $500,000
- Deliver key community investments as part of our Otway Basin project
- Implement a new community investment application system

8. A volunteer-based organisation that works with families and individuals in rural Australia after natural disaster such as fires and floods.

ECONOMICS

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Our management approach

Beach's focus is on delivering long-term, sustainable growth to shareholders by exploring, developing and acquiring lucrative oil and gas resources. Economic value created from our operations is distributed to our many stakeholders, including shareholders, suppliers, employees and local communities.

Our vision is to be Australia's premier multi-basin upstream oil and gas company. Our strategy is to:

- Optimise our core in the Cooper Basin;
- Growing the east coast gas business;
- Expanding beyond the Cooper Basin; and
- Maintaining financial strength.

Market volatility and Operational Excellence

The last few years have been particularly challenging for oil and gas companies worldwide. Many organisations struggled to manage these volatile times and Beach wasn't immune to these changes either. However, Beach was able to prepare for and minimise the impact on business by improving efficiency and reducing operational costs while continuing to deliver on the corporate strategy. In spite of operating in a subdued oil price environment, Beach has been able to grow its business significantly over the past three years, first with the acquisition of Sydney-based Drill Search Energy in 2016 and more recently, with the acquisition of Lattice Energy. This is in addition to organic growth from existing acreage.

Beach's financial performance in FY18 was nothing short of transformational. An increase in global oil price, coupled with Lattice acquisition and continued focus on cost management and efficiency improvement resulted in 86% increase in underlying net profit after tax, and a 108% increase in operating cash flow; 2P reserves increased by 320% and total production was up by 80%.

Additional information on Beach's full year FY18 results can be found in the annual report or on Beach's website.

CASE STUDY

Low-rate bean pumped oil wells

For low-rate beam pumped oil wells, it can be more energy efficient to pump the well for a few hours per day, instead of running the pump and engine continuously at low pumping demand. As a result, Beach is working to introduce automated stop-start cycling on to several beam pumps on the Western Flank. This improves the ability for beam pumps to 'self-optimise' the pumping regime to improve efficiency and reduce pumping costs without sacrificing production.

Key benefits of this approach include:

- Reduced fuel consumption and associated emissions (up to 90% reduction in fuel burn per well),
- Reduced wear on equipment, leading to extended maintenance and service intervals and reduced workover frequency,
- Reduced driving time and HSE risk in operator call-outs to re-start pumps manually

2019 Targets

- Targeting net gearing below 20% by the end of FY19, before any divestments
- Targeting $60 million of synergy and operating efficiencies by the end of FY19



PERFORMANCE DATA

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Following table shows our performance across a range of social, environmental, economics and health and safety indicators

Our People

		FY18		FY17	FY16	FY15
Health and Safety	**Beach**	**Lattice[9]**	**Consolidated**			
LTI - employees	1	1	2	0	1	1
LTI - contractors	0	0	0	1	0	1
LTIFR - employees	3.2	3.9	3.5	0	2.9	3
LTIFR - contractors	0	0	0	3	0	1.6
LTIFR total	1.3	2.6	1.8	1.6	1.9	2.1
Work hours- employees	312,791	254,269	567,060	301,600	333,417	335,348
Work hours- contractors	437,333	135,314	572,647	327,442	187,034	626,502
Fatalities	0	0	0	0	0	0
TRI - employees	1	1	2	1	1	2
TRI - contractors	2	0	2	4	1	13
TRIFR - employees	3.2	3.9	3.5	3.3	2.9	5.9
TRIFR - contractors	4.6	0	3.5	12.2	5.3	20.7
Tier 1 Process Safety Events	0	0	0	0	0	0
Tier 2 Process Safety Events	0	0	0	0	0	0
Employee Data	**Beach**	**Lattice[10]**	**Consolidated**			
Total number of employees[11]	238	227	465	191	214	235
% Gender split (M:F)	73 : 27	82 : 18	77 : 23	73 : 27	71 : 29	69 : 31
% Full time: Part time : Casual	93 : 7 : 0	95 : 5: 0	94 : 6 : 0	90 : 9 : 1	89 : 11 : 0	89 : 10 : 1
% Total Employee turnover	13	19	*[12]	19.9	14.02	3.15
% Total non-voluntary turnover[13]	25	86	*	72.2	5.14	NR
% Employee turnover (M:F)	43 : 57	79 : 21	*	67 : 33	7.01 : 7.01	1.80 : 1.35
% Employee hire (M:F)	71 : 29	82 : 18	*	87 : 13	1.87 : 1.40	NR
% Employees in permanent full-time roles (M:F)	78 : 22	86 : 14	81 : 19	78 : 22	77 : 23	75 : 25
% Employees in permanent part time roles (M:F)	21 : 79	20 : 80	22 : 78	17 : 83	18 : 82	26 : 74
% Employees in fixed term contracts (M:F)	65 : 35	56 : 44	62 : 38	100 : 0	50 : 50	33 : 67
% Employees as casuals (M:F)	100 : 0	0 : 0	100 : 0	100 : 0	0 : 0	33 : 67
Employees by WGEA[14] category						
% Board (M:F)	87.5 : 12.5	0 : 0	87.5 : 12.5	86 : 14	86 : 14	67 : 33
% CEO (M:F)	100 : 0	N/A	100 : 0	100 : 0	100 : 0	17 : 0
% KMP[15] (M:F)	62 : 38	N/A	62 : 38	86 : 14	67 : 33	71 : 29

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% Other Executive and General Managers[16] (M:F)	80 : 20	100 : 0	83 : 17	-	-	-
% Senior Managers (M:F)	90 : 10	67 : 33	83 : 17	86 : 14	75 : 25	75 : 25
% Other Managers (M:F)	85 : 15	92 : 8	88 : 12	70 : 30	70 : 30	68 : 32
% Professionals (M:F)	70 : 30	70 : 30	70 : 30	73 : 27	72 : 28	71 : 29
% Technicians and Trade (M:F)	98 : 2	94 : 6	95 : 5	91 : 9	89 : 11	90 : 10
% Labourers (M:F)	0 : 0	0 : 0	0 : 0	100 : 0	100 : 0	100 : 0
% Clerical and Administration (M:F)	13 : 87	30 : 70	21 :79	11 : 89	10 : 90	10 : 90
% Employees aged under 29 (M:F)	65 : 35	75 : 25	68 : 32	79 : 21	74 : 26	59 : 41
% Employees aged between 30-49 (M:F)	72 : 28	82 : 18	77 : 23	82 : 38	66 : 34	66 : 34
% Employees aged above 50 (M:F)	79 : 21	82 : 18	80 : 20	42 : 10	80 : 20	79 : 22
Total workforce by location (M:F)- SA	174 : 61	0 : 0	174 : 61	72 : 21	143 : 62	149 : 73
Total workforce by location (M:F)- Qld	0 : 0	3 : 1	3 : 1	100 : 1	9 : 0	12 : 1
Total workforce by location (M:F)- Vic[17]	0 : 3	122 : 24	122 : 27	-	-	-
Total workforce by location (M:F)- WA[18]	0 : 0	7 : 1	7 : 1	-	-	-
Total workforce by location (M:F)- NZ[19]	0 : 0	54 : 15	54 : 15	-	-	-
Number of employees entitled to maternity leave	46	38	84	50	60	60
Number of employees who took maternity leave	3	1	4	4	5	4
Number of employees whose maternity leave ended	1	1	2	3	3	1
Number of employees who returned after maternity leave	1	1	2	3	3	1
% Employees by tenure length of < 5 years (M:F)	72 : 28	80 : 20	75 : 25	71 : 29	68 : 32	66 : 34
% Employees by tenure length of 5-9 years (M:F)	77 : 23	81 : 19	80 : 20	74 : 26	77 : 23	75 : 25
% Employees by tenure length of 10-19 years (M:F)	71 : 29	88 : 12	81 : 19	74 : 26	72 : 28	71 : 29
% Employees by tenure length of 20+ years (M:F)	100 : 0	0 : 0	100 : 0	100 : 0	100 : 0	100 : 0
Training Data						
Total training hours	4181.5	2852	*	4713.3	4360.5	9443.45
Average number of training hours per employee	15.71	10	*	26.21	20.76	40.88
Number of training attendances[20]	315	244	*	179.86	723	1087

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Average hours per person of training during reporting period by gender and employee category						
Gender (M:F)	13.01 : 14.85	20.9 : 20.5	*	6.43 : 4.31	6.09 : 5.92	NR
Senior Management[21]	19.9	NR[22]	*	4.62	2.56	4.77
Middle Management	8.58	NR	*	3.53	5.72	7.68
Other employees	16.03	NR	*	6.49	6.2	9.45

Our Communities

Community Investment					
Beach Energy	0.18		0.25	0.25	1.4
Lattice Energy					
Australia	0.16		-	-	-
New Zealand	0.05		-	-	-
Total expenditure ($ million)	0.38		0.25	0.25	1.4
Political Donations[23]					
$'000	0.12		0.25	0.25	1.4

Our Environment

		FY18		FY17	FY16	FY15
Spills	**Beach**	**Lattice**	**Consolidated**			
Total number of uncontained[24] spills	24	1	25	12	3	NR
Volume of hydrocarbon spills (bbl)	0.69	0.06	0.75	2	61	368
Volume of non-hydrocarbon spills (bbl)	5.75	0	5.75	46	115	26197
Total volume of spills (bbl)	6.44	0.06	6.5	47	176	26565
Number of significant spills[25]	0	0	0	0	0	0
Fines						
Number of fines for non-compliance with environmental regulations	0	0	0	0	0	0
Value of fines ($)	0	0	0	0	0	0
Greenhouse Gas Emissions						
Scope 1 emissions (tCO_2^e)	43,770	451,970	495,740	18,297	40,917 (41,195)[26]	51,835
Scope 2 emissions (tCO_2^e)	367	23,650	24,017	501	578	354
Total GHG emissions (tCO_2^e)	44,137	475,620	516,025	18,798	41,495	52,189
Net Energy consumption (GJ)	679,391	4,766,685	5,446,076	241,718	330,486 (334,565)[27]	354,152
Gross Energy Consumption (GJ)	679,391	79,173,253	79,852,644	241,718	335,788	354,152

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Volume of flared hydrocarbons (sm^3)	4,522,139	182	4,522,321	16,032	718,699	3,550,233
Volume of vented hydrocarbons (sm^3)	30,510	453,517	30,150	27,787	458	197,918
Scope 1 & 2 emissions intensity (kg CO_2^e /GJ Production)	4.57[28]			0.56	1.13	1.38
National Pollutant Inventory (kg)[29]						
Carbon monoxide	NR			43,800	110600	128600
Fluoride compounds	NR			25,000	35100	32700
Hexane	NR			93,782	117599	82426
Oxides of Nitrogen (NOx)	NR			208,000	499000	574000
Particulate matter <2.5um	NR			11,640	34500	39700
Particulate matter <10.0 um	NR			11,950	36000	41200
Polycyclic aromatic hydrocarbons	NR			0.012	9.78	140
Sulphur dioxide (SOx)	NR			45	119	136
Total Volatile Organic Compounds	NR			1,272,090	1635300	1183880
Air Emissions	NR			1,655,177	2447750	2058951
Land Emissions	NR			78,261	77748	87407
Water Emissions	NR			0	0	0
Produced Water Production (million cubic metres)						
Beach Energy	13.42			9.82	8.88	7.81
Lattice Energy	0.0696			-	-	-
Total	13.49			10.4	10.71	9.58

Economic Performance

Realised oil price ($)	93/bbl		68/bbl	60/bbl	90/bbl
Product sales revenue ($ million)	1,251		649	558	727.7
NPAT ($ million)	199		388	588.8	514.1
Total assets ($ million)	4,077		1,893	1,626	1,836
Net cash ($ million)	639		198	49	20
Total equity (shareholder funds) ($ million)	1,838		1,402	1,075	1,355
Market cap ($ million)	3,995		1,077	1,135	1,356
Reserves (2P) (MMboe)	313		75	70	74.4
Production (MMboe)	19		10.6	9.7	9.15
Exploration wells drilled	25		18	14	21
Exploration expenditure ($ million)	77		52	35	131
Royalties and taxes ($ million)	114		56	49.6	60.8

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(Footnotes)

[9] HSE data from 1 January 2018 – 30 June 2018

[10] Employee data from 31 January 2018 – 30 June 2018

[11] As at 30 June 2018 includes International employees and excludes directors

[12] Calculating full year metrics on these items is not possible as a result of the data pre 31 Jan/pre Lattice acquisition data not being available

[13] Those subject to employer initiated termination, redundancy or contracts not being renewed

[14] WGEA : Workplace Gender Equality Agency

[15] KMP : Key Management Personnel

[16] New metric for FY18 not previously reported upon outside of the WGEA submission

[17] New metric for FY18 to accommodate BEL's expanded Australian operations in light of the LES acquisition

[18] New metric for FY18 to accommodate BEL's expanded Australian operations in light of the LES acquisition

[19] New metric for FY18 to accommodate BEL's expanded Australian operations in light of the LES acquisition

[20] An attendance refers to a Training Course. Employees may attend multiple training courses over the financial year

[21] Senior management includes all Executives and General Managers

[22] Data available does not support accurate representation of this item which reflects full FY performance as a result of the Lattice acquisition this year

[23] This information is publicly available via the Electoral Commissions SA website

[24] Occurred outside the bunded or containment area

[25] Significant spills are defined as spills that are included in the organisation's financial statements, for example, due to resulting liabilities.

[26] Correction: revised volume in brackets

[27] Correction: Revised volume in brackets

[28] Emissions intensity for the combined entity

[29] NPI data included for Beach operated facilities only. Lattice energy data is not included in FY17 numbers. Data is available for viewing at http://npi.gov.au/npi-data/search-npi-data.NPI data for FY18 for both Beach and Lattice facilities will be reported in the FY19 Sustainability Report.

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GRI CONTENT INDEX - GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Disclosure Title	Page Number (or link)
Strategy And Analysis		
GRI 102-14	CEO Letter	Message from CEO, p.1
Organisational Profile		
GRI 102-1	Name of Organisation	About this report, p.5
GRI 102-2	Activities, brands, products and services	About this report, p.5
GRI 102-3	Headquarters location	About this report, p.5
GRI 102-4	Location of operations	About this report, p.5
GRI 102-5	Ownership and legal form	Company Website > Introduction to Beach - http://www.beachenergy.com.au/irm/content/introduction-to-beach.aspx?RID=252
GRI 102-6	Markets served	Company Website > Introduction to Beach - http://www.beachenergy.com.au/irm/content/introduction-to-beach.aspx?RID=252
GRI 102-7	Scale of organisation	Sustainability Report – Performance data, p. 5,32
GRI 102-8	Information on employees and other workers	Sustainability Report – Performance data, p.32
GRI 102-10	Organisational changes during FY18	Sustainability Report – Message from CEO, p.1
GRI 102-11	Precautionary principle	Issues relating to the precautionary approach or principle are considered through our Risk Management Framework which guides managers and decision makers within the business to assess current and future risks and opportunities.
GRI 102-12	External initiatives	Beach is not currently endorsing any externally developed economic, social, and environmental charters or principles.
GRI 102-13	Memberships of associations	Beach is a member of the South Australian Chamber of Mines and Energy (SACOME) as well as Australian Petroleum and Exploration Association (APPEA).
Reporting Practice		
GRI 102-45	Entities included in consolidated financial statements	Annual Report, p. x
GRI 102-46	Defining report content and topic boundaries	Sustainability Report, Materiality and our focus, p. 8-10
GRI 102-43	Approach to stakeholder engagement	Sustainability Report – How we engage with our stakeholders, p.10
GRI 102-44	Key topics and concerns raised	Sustainability Report – Material Issues and our Focus, p.8.9

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Ethics And Integrity

GRI 102-16	Values, principles, standards and norms of behaviour	Sustainability Report- Ethical conduct and transparency, p.12

GRI CONTENT INDEX - SPECIFIC STANDARD DISCLOSURES

Specific Standard Disclosures	Disclosure Title	Page Number (or link)
Category : Ethical Conduct & Transparency		
GRI 103-1	Generic Disclosure on Management Approach	Sustainability Report- Topic Boundaries, p.10
GRI 103-2		Ethical conduct and transparency ,p.12
GRI 103-3		Governance, p.7
Category : People		
GRI 103-1	Generic Disclosure on Management Approach	Sustainability Report- Topic Boundaries, p.10
GRI 103-2		Our People, Health and Safety ,p.17
GRI 103-3		Governance, p.5
GRI 403-2 / IPIECA HS1, HS2, HS3, HS5	Injury rates	Sustainability Report- Health and Safety, p. and Performance Data, p.11,16,34
GRI 103-1	Generic Disclosure on Management Approach	Sustainability Report- Topic Boundaries, p.9
GRI 103-2		Our People, Workplace Development and Retention, p.18
GRI 103-3		Governance, p.5
GRI 404-1 / IPIECA SE17	Average training hours per employee	Sustainability Report-Performance Data, p.35
GRI 404-2	Programs for skill management	Sustainability Report- Workplace Development and Retention, p.18
GRI 405-1 / IPIECA SE15	Composition of governance bodies and employees	Sustainability Report- Performance Data, p.34,35
Category : Social/Communities		
GRI 103-1	Generic Disclosure on Management Approach	Sustainability Report- Topic Boundaries, p.9
GRI 103-2		Our Communities, Contribution to local communities, p.22
GRI 103-3		Governance, p.5
GRI 403-1/ IPIECA SE1, SE2, SE4	Operations with implemented local community engagement, impact assessments and development programs	Sustainability Report- Our Communities, p.23
		Specific information requested is currently not reported by the company

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GRI 411-1	Incidents of violations involving rights of indigenous peoples	Sustainability Report- Our Communities, p.12
GRI 205-2 / IPIECA SE11, SE12, SE13	Communicating and training on anti-corruption policies and procedures	Sustainability Report- Ethical conduct and transparency, p.11,12
GRI 205-3	Confirmed incidents of corruption and actions taken	Sustainability Report- Ethical conduct and transparency, p.11

Category : Environment

GRI 103-1	Generic Disclosure on Management Approach	Sustainability Report- Topic Boundaries, p.9
GRI 103-2		Our Environment, p.25
GRI 103-3		Governance, p.5
GRI 306-1/ IPIECA E7	Total water discharge by quality and destination	Sustainability Report- Our Environment, Produced water, p. 26 and Performance Data, p.36
GRI- OG5	Volume and disposal of produced water	Sustainability Report- Our Environment, Produced water, p. 26,36
GRI- OG6/ IPIECA E4	Volume of flared and vented hydrocarbons	Sustainability Report-Performance Data, p.36
GRI 306-3/ IPIECA E9	Number and volume of spills	Sustainability Report- Our Environment, Contamination, p. 26,27 and Performance Data, p.35
GRI 305-1 / IPIECA E1	Direct greenhouse gas emissions (Scope 1)	Sustainability Report- Our Environment, Climate Change, p. 28 and Performance Data, p.36
GRI 305-2	Indirect greenhouse gas emissions (Scope 2)	Sustainability Report- Our Environment, Climate Change, p.28 and Performance Data, p.36
GRI 305-7	NOx, SOx and other significant air emissions	Sustainability Report- Performance Data, p.36
GRI 302-1/ IPIECA E2, E8	Energy consumption within the organisation	Sustainability Report- Performance Data, p.36
GRI 304-2/ IPIECA E5	Description of impacts of activities on biodiversity	Sustainability Report-Our Environment, Biodiversity, p.29
GRI 304-3	Habitats protected or restored	Sustainability Report-Our Environment, Biodiversity, p.30

Category : Economics

GRI 103-1	Generic Disclosure on Management Approach	Sustainability Report- Topic Boundaries, p.10
GRI 103-2		Economics, p.32
GRI 103-3		Governance, p.5
GRI 201-1	Direct economic value generated and distributed	Sustainability Report- Performance Data, p.35,36

GLOSSARY

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Aboriginal	Refers to Aboriginal People of mainland Australia
bbl	Barrel of oil
Cultural Heritage	Aboriginal and non-Aboriginal physical and non-physical sites, which are evidence of the way past generations lived. Examples of cultural heritage include stone artefacts, campsites, historic homesteads and pastoral ruins such as stock yards
Fatalities	Death resulting from work related injuries or occupational illness
Flared hydrocarbon	Hydrocarbon directed to operational flare systems, wherein the hydrocarbons are consumed through combustion
GRI	The Global Reporting Initiative is a network based organisation that sets out guidelines and indicators that organisations can use to measure and report their economic, social, and environmental performance
IPIECA	The global oil and gas industry association for environmental and social issues.
LTI	Lost Time Injury meaning Occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.
LTIFR	Lost Time Injury Frequency Rate calculated as (LTI/workhours) * 1,000,000
MMboe	Million barrels of oil equivalent
Process Safety Events	Unplanned or uncontrolled loss of primary containment (LOPC) of any material including non-toxic and non-flammable materials from a process, or an undesired event or condition. Process safety events are classified as Tier 1- LOPC of greatest consequences or Tier 2- LOPC of lesser consequence as defined by American Petroleum Institute (API) Recommended Practice 754.
Significant Spills	Spills that are included in the organisation's financial statements, for example, due to resulting liabilities.
Vented hydrocarbon	Intentional controlled release of uncombusted gas
Turnover rate	Rate at which employees leave the Company in a given fiscal year
TRIFR	Total Recordable Injury Frequency rate is the sum of Lost Time Injury Frequency Rate and Medical Treatment Injury Frequency Rate
TDS	Total dissolved solids is a measure of inorganic salts and organic compounds dissolved in water
WAC	Work Area Clearance

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Independent Limited Assurance Statement to the Management and Directors of Beach Energy Limited

Our Conclusion

Ernst & Young ('EY', 'we') were engaged by Beach Energy Limited to undertake 'limited assurance' as defined by Australian Auditing Standards, here after referred to as a 'review', over selected sustainability performance data included in Beach Energy Limited's Sustainability Report for the year ended 30 June 2018. Based on our review, nothing came to our attention that caused us to believe that the selected sustainability performance data has not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

We reviewed a selection of Beach Energy Limited's selected sustainability performance data for the year ended 30 June 2018, as shown in the table below.

Selected sustainability performance data	Sustainability Report page
Safety (total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR))	28
Contamination (number and volume (L) of spills)	30
Diversity (women in leadership, % representation of women by level)	28 and 29

Criteria applied by Beach Energy Limited

The following criteria have been applied:

- Definitions as per the Global Reporting Initiative's (GRI) Sustainability Reporting Standards
- IPIECA's Oil and gas industry guidance on voluntary sustainability reporting
- Beach's own publicly disclosed criteria as disclosed in the 2018 Sustainability Report.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on the disclosures of selected sustainability performance data..

We were also responsible for maintaining our independence and confirm that we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants and have the required competencies and experience to conduct this assurance engagement.

Beach Energy Limited's responsibility

Beach Energy Limited's management was responsible for selecting the Criteria, and preparing and fairly presenting the selected sustainability performance data in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the review

We conducted this review in accordance with the International Federation of Accountants' *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000') and the terms of reference for this engagement as agreed with Beach Energy Limited on 14 August 2018.

Summary of review procedures performed

Our procedures included, but were not limited to:

- Gaining an understanding of the processes supporting the development of data for Beach Energy Limited's selected sustainability performance data, including the integration of data from Lattice Energy
- Conducting interviews with key personnel to understand Beach Energy Limited's process for collecting, collating and reporting the selected sustainability performance data during the reporting period
- Checking that the Criteria has been correctly applied in the calculation of the selected sustainability performance data
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting calculations
- Testing the calculations performed by Beach Energy Limited
- Testing, on a sample basis, underlying source information to check the accuracy of the data
- Reviewing the appropriateness of the presentation of information.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Ernst & Young
Melbourne, Australia

22 October 2018

Terence Jeyaretnam
Partner FIEAust

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Beach Energy Limited, or for any purpose other than that for which it was prepared.

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