



**Oil Search**

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# 2019 NOTICE OF MEETING

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RIISING TO THE CHALLENGE



## 2019 NOTICE OF MEETING

Notice is hereby given that the eighty-eighth Annual Meeting (the Meeting) of Members of Oil Search Limited (Oil Search or the Company) will be held in the Ballroom at the Crown Hotel, Port Moresby, Papua New Guinea, on Friday, 10 May 2019, at 9:30 am (Port Moresby time).

### ORDINARY BUSINESS

1. To receive and consider the financial statements for the Company, together with the Directors' Report and Auditor's Report, for the year ended 31 December 2018.
2. To re-elect Dr Agu Kantsler as a director of the Company. Dr Kantsler retires in accordance with clause 15.3(b) of the Company's Constitution and, being eligible to do so, offers himself for re-election.
3. To re-elect Sir Melchior (Mel) Togolo as a director of the Company. Sir Mel retires in accordance with clause 15.3(b) of the Company's Constitution and, being eligible to do so, offers himself for re-election.
4. In accordance with Section 190 of the PNG Companies Act (1997), to appoint an auditor and in accordance with Section 191 of the PNG Companies Act (1997) to authorise the directors to fix the fees and expenses of the auditor. Deloitte Touche Tohmatsu retires in accordance with Section 190 of the PNG Companies Act (1997) and being eligible to do so, offers itself for re-appointment.

### SPECIAL BUSINESS

1. To approve the award of 286,700 Performance Rights to Managing Director, Mr Peter Botten, pursuant to the rules and terms of issue of the Long-Term Incentive Plan (LTI Plan).
2. To approve the award of 228,242 Restricted Shares to Managing Director, Mr Peter Botten, pursuant to the LTI Plan by way of a mandatory deferral of 50% of the Managing Director's short-term incentive in respect of the 2018 year.
3. To approve the increase of A\$500,000, to A\$3,000,000, in the maximum aggregate amount that may be paid to Non- Executive Directors by way of fees in any calendar year.

All items of Special Business will be treated as ordinary resolutions.

By Order of the Board

**STEPHEN GARDINER**

GROUP SECRETARY

Date: 15 March 2019



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### NOTE

A Member entitled to attend and vote at the Meeting may appoint a proxy, who need not necessarily be a Member of the Company. A proxy form is enclosed and, where a proxy is to be appointed, the proxy form should be completed and lodged at any one of the following addresses not less than 48 hours before the time at which the Meeting is to be held:

#### The registered office of the Company:

Ground Floor  
Harbourside East Building  
Stanley Esplanade  
Port Moresby, NCD

PO Box 842, Port Moresby  
PAPUA NEW GUINEA

Facsimile: (675) 322 5566

#### The office of the Company in Australia:

1 Bligh Street  
Sydney NSW 2000

GPO Box 2442  
Sydney NSW 2001  
AUSTRALIA

Facsimile: (61 2) 8207 8500

#### The office of the Company's share registry service:

Computershare Investor Services Pty Limited

GPO Box 242  
Melbourne VIC 3001  
AUSTRALIA

Facsimile: 1800 783 447 (within Australia)  
(61 3) 9473 2555 (outside Australia)

### VOTING EXCLUSION STATEMENT FOR SPECIAL BUSINESS ITEMS 1, 2 AND 3

Pursuant to ASX Listing Rules 10.14 and 10.15A.6, the Company will disregard any votes cast on Items 1 and 2 of the Special Business by or on behalf of:

- ♦ Mr Peter Botten;
- ♦ or any associate of Mr Peter Botten.

Pursuant to ASX Listing Rule 10.17, the Company will disregard any votes cast on Item 3 of the Special Business by any Director and any of their associates. However, the Company need not disregard a vote if:

- ♦ it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- ♦ it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### EXPLANATORY NOTES FOR ORDINARY BUSINESS ITEMS 1, 2, 3 AND 4

#### RESOLUTION 1 – FINANCIAL STATEMENTS, DIRECTORS' REPORT AND AUDITOR'S REPORT

The Company's financial statements, together with the Directors' Report and the Auditor's Report for the year ended 31 December 2018, will be put to the Meeting for consideration.

There is no requirement for the Meeting to approve these reports. However, the Chairman will allow reasonable opportunity for shareholders to ask questions or make comments about the reports and regarding the management of the Company.

Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and the contents of the Auditor's Report.

As Oil Search is a company incorporated in Papua New Guinea, it is not bound by the provisions of the Australian Corporations Act 2001 requiring the inclusion of a remuneration report in the Directors' Report, nor the requirement to submit the report to a non-binding advisory vote at the Annual Meeting. However, in the interest of good governance, the Company elects to include a Remuneration Report in the Directors' Report that has been prepared in conformity with the requirements of section 300A of the Australian Corporations Act 2001.

Oil Search's 2018 Annual Report has been made available to shareholders and is located on the Company's website at the following address:

[www.oilsearch.com/investors/asx-releases/annual-reports](http://www.oilsearch.com/investors/asx-releases/annual-reports)





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### RESOLUTION 2 AND 3 – RE-ELECTION OF DIRECTORS

Clause 15.3(b) of the Company's Constitution requires that at each Annual Meeting, one-third of the Directors, (other than each Alternate Director and the Managing Director), automatically retire and are eligible for re-appointment (and, if not re-appointed, that retirement takes effect at the conclusion of that Annual Meeting). There is a similar requirement in the ASX Listing Rules (Listing Rule 14.4). Directors who retire from office in this manner are eligible for re-election.

Dr Agu Kantsler and Sir Mel Togolo have served as directors since their election at the Annual Meeting in May 2017. Dr Kantsler and Sir Mel offer themselves for re-election. Details on their experience, qualifications and capabilities are set out below.

#### **Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, 68 years**

Dr Kantsler joined the Board on 19 July 2010. Dr Kantsler worked with Woodside Petroleum, where he was Executive Vice President Exploration and New Ventures from 1995 to 2009 and Executive Vice President Health, Safety and Security from 2009 to 2010. Before joining Woodside Petroleum, Dr Kantsler had extensive experience with the Shell Group of Companies working in various exploration roles in Australia and internationally. Dr Kantsler has been a director of Forte Consolidated Limited and Savcor Group Limited. He was a Director of the Australian Petroleum Production and Exploration Association for 15 years, where he chaired several committees and was Chairman from 2000 to 2002. Dr Kantsler was a member of the Australian Government's Council for Australian Arab Relations from 2003 to 2009. He is a former President of the Chamber of Commerce and Industry, WA and a former Director of the Australian Chamber of Commerce and Industry. He is Managing Director of Transform Exploration Pty Ltd.

The Board assesses Dr Kantsler to be an independent director and, with Dr Kantsler abstaining, recommends that shareholders vote in favour of Dr Kantsler's re-election.

#### **Sir MP Togolo, CBE, BEcon (Hons), MA (Econ), MA (Geography), 72 years**

Sir Mel joined the Board on 1 October 2016. He has more than twenty-five years' experience in the mining industry. He is currently the PNG Country Manager for Nautilus Minerals and prior to that was the head of corporate affairs at Placer Dome Niugini Limited. Sir Mel serves on boards both in PNG and overseas, including the Board of Panamex Singapore Holdings Limited, Heritage Park Hotel, Grand Pacific Hotel and Loloata Island Resort. He has previously served on the boards of a number of leading PNG companies, including NASFUND. He was a founding member of the Business Council of Papua New Guinea and was the President of that Council for more than six years. He was awarded Knight Bachelor in the 2018 Queen's Birthday Honours for service to economic

development, in particular in the mining and petroleum sectors, and to the community.

The Board assesses Sir Mel to be an independent director and, with Sir Mel abstaining, recommends that shareholders vote in favour of Sir Mel's re-election.

### RESOLUTION 4 – RE-APPOINTMENT OF AUDITOR

The resolution to re-appoint the Company's auditor, Deloitte Touche Tohmatsu, to hold office from the conclusion of this Meeting until the conclusion of the Company's next Annual Meeting, is formally put to shareholders, in accordance with Section 190 of the PNG Companies Act (1997).

The Board recommends that shareholders vote in favour of the re-appointment of Deloitte Touche Tohmatsu.

### EXPLANATORY NOTES FOR SPECIAL BUSINESS ITEMS 1, 2 AND 3

#### RESOLUTION 1 – ISSUE OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR, MR PETER BOTTEN, UNDER THE LONG-TERM INCENTIVE PLAN

Resolution 1 of the Special Business deals with the proposed award of 286,700 Performance Rights (PRs) to Managing Director, Mr Peter Botten, under the LTI Plan.

The key terms applying to the proposed award of PRs are summarised below.

##### **A. TYPE OF AWARD**

Awards of PRs are structured as rights to acquire ordinary shares in the Company for nil consideration, provided specified performance hurdles are met within defined time periods.

The LTI Plan rules allow participation by any executive, executive director or any other employee deemed to be eligible by the Board.

Awards under the plan are expressed as a number of PRs to acquire a defined number of ordinary shares in the Company (generally one share for each PR).

##### **B. PURCHASE PRICE**

Recipients of PRs are not required to pay any amount in respect of the PRs or upon acquisition of the shares pursuant to the PRs.

##### **C. SIZE OF AWARD**

The Board determines the dollar value of the annual PR award to be issued to each participant through an assessment of market remuneration practices and in line with Oil Search's executive remuneration strategy.

The number of PRs is then determined by dividing the dollar value of the PR award by the volume weighted average price of Oil Search shares for the five days following the announcement of the Company's 2018 full year results and then rounding to the nearest one hundred PRs.



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### D. FREQUENCY OF AWARDS

Awards under the LTI Plan are made annually, normally following the Company's Annual Meeting.

### E. VESTING OF PRs

PRs vest three years after the date of issue to the extent performance criteria have been met and are automatically exercised.

### F. PERFORMANCE CRITERIA

The performance criteria for the vesting of PRs are based on the Company's Total Shareholder Return (TSR) over the three-year performance period from 1 January 2019 to 31 December 2021.

To determine the number of awards vesting, the Company's TSR over the performance period will be ranked as follows:

- i. as regards one third of the award, against the TSR of each of the constituents of the S&P/ASX50 Index (excluding property trusts and non-standard listings) as at the commencement of the three-year performance period; and
- ii. as regards one third of the award, against the TSR of each of the constituents of the S&P Global 1200 Energy Index at the commencement of the three-year performance period. TSR outcomes for this part of the award are measured in a US dollar base for Oil Search and each constituent company; and
- iii. as regards the final third of the award, against the TSR of each of the constituents of the S&P Global 1200 Energy Index at the commencement of the three-year performance period. TSR outcomes for this part of the award are measured in the local currency of the country of primary listing for Oil Search and each constituent company.

The intention of measuring outcomes against the S&P Global 1200 Energy Index at ii. in a common currency (USD) and iii. in the local currency of the country of primary listing (which for Oil Search is Australia) is to moderate the impact of foreign currency movements on the outcome. This increases executives' perceived value of the long-term incentives by de-emphasising the importance of foreign currency movements on the outcome, as such movements are beyond the control of executives.

If, in regard to each part of the award described in F) i), ii) or iii), the Company's TSR performance is:

- ◆ below median, that is, the 50th percentile, the number of PRs comprising that part of the award that vest will be zero;
- ◆ at median, the number of PRs that vest will be 50% of the total number of PRs comprised in that part of the award;
- ◆ greater than median and less than the 75th percentile, the number of PRs that vest will increase on a straight-line basis

from 50% to 100% of the total number of PRs comprised in that part of the award; or

- ◆ equal to or greater than the 75th percentile, the number of PRs that vest will be 100% of the total number of PRs comprised in that part of the award.

The Board retains discretion to allow vesting of all PRs and to waive any restrictions in the event of a change of control or merger of the Company.

### G. LAPSING OF PRs

PRs that do not vest following assessment of the performance conditions lapse immediately.

Generally, unvested PRs will lapse on cessation of employment, unless the Board determines otherwise.

If the participant's employment ends by reason of death, illness, total or permanent disablement, redundancy or in circumstances approved by the Board, unvested PRs will not vest or lapse, but will remain on foot after cessation of employment and will vest or lapse in due course, depending on whether the performance conditions are achieved (subject to the Board's discretion to determine otherwise prior to or around the time of cessation).

The Board may also determine to cancel a participant's unvested PRs if, in the opinion of the Board, the participant has breached their obligations to the Oil Search Group.

### H. MANAGEMENT OF THE LTI PLAN AND OTHER GENERAL TERMS

The LTI Plan is administered by the Board.

The LTI Plan rules provide flexibility to allow the use of newly awarded or existing shares (for example through purchase on-market) to satisfy awards under the LTI Plan.

PRs do not attract dividends or voting rights.

The Board may engage third party share managers to assist with the administration of the LTI Plan.

### I. MAXIMUM NUMBER OF SHARES TO BE ISSUED

The aggregate number of shares and shares subject to outstanding rights (that is, rights that have not yet been exercised and that have not lapsed) that have been awarded under all of Oil Search's equity incentive plans will not exceed 5% of Oil Search's issued share capital.

ASX Listing Rule 10.14 requires shareholder approval before the following persons can acquire securities in the Company under an employee incentive plan:

- ◆ a director of the entity;
- ◆ an associate of a director of the entity; and
- ◆ a person whose relationship with the entity is, in ASX's opinion, such that approval should be obtained.



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Accordingly, shareholder approval is sought in respect of the award of 286,700 PRs to Managing Director, Mr Peter Botten, in accordance with the LTI Plan.

For the purposes of ASX Listing Rule 10.15A, and as noted under the terms of the LTI Plan, it is proposed to award PRs in respect of the 2019 financial year as follows:

NAME AND TITLE OF PARTICIPANT	NO. OF PERFORMANCE RIGHTS TO BE AWARDED	ACQUISITION PRICE
Mr Peter Botten Managing Director	286,700	Nil

- Mr Peter Botten may acquire one ordinary share in the capital of the Company for each PR awarded to him. However, the ability of Mr Peter Botten to exercise the PRs is subject to the performance conditions described in the summary of the LTI Plan set out in the Explanatory Notes, being met;
- Mr Peter Botten is the only director eligible to participate in the LTI Plan;
- the acquisition price is nil and no loans are, or will be, granted to Mr Peter Botten in relation to the acquisition of the PRs;
- details of any PRs awarded under the LTI Plan will be published in each annual report of the Company relating to a period in which PRs have been awarded, and the report will state that approval for the award of those PRs was obtained under ASX Listing Rule 10.14;
- no additional person for whom shareholder approval is required under ASX Listing Rule 10.14 may participate in the LTI Plan until approval is obtained in accordance with ASX Listing Rule 10.14;
- PRs for the 2019 performance year will be awarded to Mr Peter Botten as soon as practicable following the close of the Meeting and, in any event, no later than three years after the date of the Meeting; and
- For the purposes of ASX Listing Rule 10.14, following approval at the 2018 Annual Meeting, Mr Peter Botten received 302,200 PRs under the LTI Plan. The acquisition price of the PRs was nil.

### RESOLUTION 2 – ISSUE OF RESTRICTED SHARES TO MANAGING DIRECTOR, MR PETER BOTTEN, UNDER THE LONG-TERM INCENTIVE PLAN

Resolution 2 of the Special Business deals with the proposed award of 228,242 Restricted Shares to Managing Director, Mr Peter Botten, under the LTI Plan.

The key terms applying to the proposed award of Restricted Shares are summarised below.

#### A. TYPE OF AWARD

Participants are required to defer 50% of their STI award for a financial year into Restricted Shares. Deferral of the prescribed portion of the STI award is mandatory for all employees, including senior executives, selected to participate in the arrangement.

#### B. SIZE OF AWARDS

The number of Restricted Shares awarded is determined by dividing 50% of the participant's STI award by the volume weighted average price of Oil Search shares for the five days following the announcement of the Company's 2018 full year results and then rounding to the nearest whole Restricted Share.

#### C. FREQUENCY OF AWARDS

It is envisaged that annual awards will be made to the extent that STI awards are determined for eligible senior management employees.

#### D. VESTING OF AWARDS

Shares awarded in the second quarter of 2019 (in respect of the 2018 financial year) will automatically vest on 1 January 2021.

#### E. PERFORMANCE CRITERIA

Performance criteria determine the quantum of the STI award based on achievement of safety, operating, financial, exploration success and business growth targets set by the Board for the relevant financial year. No additional performance conditions apply to the Restricted Shares received by way of the mandatory deferral of a portion of a participant's STI award other than continued employment until the vesting date.

#### F. DIVIDENDS

Participants who receive Restricted Shares as part of STI awards will be entitled to receive dividends on those Restricted Shares.

ASX Listing Rule 10.14 requires shareholder approval before the following persons can acquire securities in the Company under an employee incentive plan:

- a director of the entity;
- an associate of a director of the entity; and
- a person whose relationship with the entity is, in ASX's opinion, such that approval should be obtained.

Accordingly, shareholder approval is sought in respect of the award of 228,242 Restricted Shares to Managing Director, Mr Peter Botten, in accordance with the LTI Plan.

For the purposes of ASX Listing Rule 10.15A, participants who will be awarded Restricted Shares pursuant to the LTI Plan by way of mandatory deferral of 50% of their STI award for 2018, following approval at the 2019 Annual Meeting are:



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NAME AND TITLE OF PARTICIPANT	NO. OF RESTRICTED SHARES TO BE AWARDED	ACQUISITION PRICE
Mr Peter Botten Managing Director	228,242	Nil

- ◆ Mr Peter Botten is the only director eligible to participate in the LT Plan;
- ◆ the acquisition price is nil and no loans are, or will be, granted to Mr Peter Botten in relation to the acquisition of the Restricted Shares;
- ◆ no additional person for whom shareholder approval is required under ASX Listing Rule 10.14 may participate in the LTI Plan until approval is obtained in accordance with Listing Rule 10.14;
- ◆ details of any Restricted Shares awarded under the LTI Plan will be published in each Annual Report of the Company relating to a period in which Restricted
- ◆ Shares have been awarded and the report will state that approval under ASX Listing Rule 10.14 was obtained;
- ◆ Mr Peter Botten will be required to defer 50% of his short-term incentive awards for the 2018 financial year into Restricted Shares issued during the second quarter 2019 and, in any event no later than two years after the date of the Meeting. Awards will vest no later than two years after the date of the Meeting; and
- ◆ For the purposes of ASX Listing Rule 10.14, following approval at the 2018 Annual Meeting, Mr Peter Botten received 252,694 Restricted Shares by way of mandatory deferral of 50% of his STI award for 2017. The acquisition price of the Restricted Shares was nil.

### RESOLUTION 3 – INCREASE THE MAXIMUM AGGREGATE AMOUNT THAT MAY BE PAID TO NON-EXECUTIVE DIRECTORS BY WAY OF FEES IN ANY CALENDAR YEAR

Resolution 3 of the Special Business covers an increase of A\$500,000, to A\$3,000,000, in the maximum aggregate amount that may be paid to Non-Executive Directors by way of fees in any calendar year.

An increase to the aggregate payment limit for non-executive directors' fees was last approved by shareholders at the 2013 Annual Meeting, when the amount was increased by A\$550,000 to the current limit of A\$2,500,000.

Board fees are paid to Non-Executive Directors only. Non-Executive Directors are not granted equity, nor are they eligible to participate in the Company's Short-Term Incentive Plan. No shares have been issued to any Non-Executive Directors of the Company under Listing Rules 10.11 or 10.14 at any time in the last three years.

Mr Gereia Aopi, who was an Executive Director, retired from the Oil Search Board effective from 16 March 2018. As an Executive Director, Mr Aopi did not receive Directors' fees. A Non- Executive Director, who does receive fees, was appointed to fill the vacancy following Mr Aopi's retirement. This utilised a substantial portion of the available fee pool 'headroom'.

The proposed aggregate payment limit is broadly in line with those adopted by peer group companies.

The proposed increase will provide the Board with the flexibility to continue to recruit and retain non-executive directors with the requisite skills and experience to support the Company as it progresses delivery of its strategic objectives.

Non-Executive Directors' fees were last reviewed and increased in January 2016. As disclosed in the 2018 Remuneration Report, following an external benchmarking review of Non- Executive Directors fees, effective from 1 January 2019 the Chair and main Board fees were increased to better align with their respective market median benchmarks. In addition, the Chair fees for the Health, Safety and Sustainability Committee and the People & Nominations Committee were increased to the same amount as the Audit & Financial Risk Committee in recognition of the comparable workload and responsibilities of those Chair positions. These increases were accommodated within the current aggregate payment limit of A\$2,500,000.

The increase in the payment limit will provide headroom to make future increases over a period of years to ensure fees for the Company's Non-Executive Directors remain competitive as necessary.

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