

CORPORATE GOVERNANCE STATEMENT 2018

Effective corporate governance is critical to the longer term success of Santos. The Board and all levels of management are committed to maintaining and enhancing a strong corporate governance framework that underpins Santos' vision to be Australia's leading natural gas company by 2025.

Santos supports the intent and purpose of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**) and meets the specific requirements of the 3rd Edition, as outlined in this Corporate Governance Statement. In addition, Santos is already compliant with a number of the new recommendations and suggestions contained in the consultation draft of the 4th Edition of the ASX Principles.

2018 GOVERNANCE HIGHLIGHTS

- Commencement of a new Chair
- The Board participated in a site visit and a strategy day
- Reviewing the Company's risk appetite and implementing a new formal Risk Appetite framework
- Reviewing and updating Board and Committee Charters in light of recent developments in practice, having regard to the draft 4th Edition of the ASX Principles
- Completion of an external Board review and update of the Board skills matrix

Santos' corporate governance policies are available in the Corporate Governance section of the Company's website, at <https://www.santos.com/who-we-are/corporate-governance/>. The Board regularly reviews these policies and the Company's corporate governance practices against the requirements of both the *Corporations Act 2001* (Cth) (**Corporations Act**) and the Listing Rules of the Australian Securities Exchange (**ASX**), and current best practice.

Below is a list of the Company's publicly available core governance framework documents, set out against the relevant principles of the ASX Principles. These documents are located on the Company's website.

ASX Principle	Relevant Document / Information
Principle 1: Lay solid foundations for management and oversight	Santos Board Charter Nomination Committee Charter
Principle 2: Structure the Board to add value	Santos Board Charter Nomination Committee Charter
Principle 3: Act ethically and responsibly	Code of Conduct Securities Dealing Policy Diversity & Equal Opportunity Policy Climate Change Policy Taxation Policy Environment, Health & Safety Policy
Principle 4: Safeguard integrity in corporate reporting	Audit & Risk Committee Charter Reserves Policy
Principle 5: Make timely and balanced disclosure	Market Communication & Continuous Disclosure Policy
Principle 6: Respect the rights of security-holders	Constitution Market Communication & Continuous Disclosure Policy Santos' corporate governance and investor web pages

Principle 7: Recognise and manage risk	Audit & Risk Committee Charter Environment, Health, Safety & Sustainability Committee Charter Risk Management Policy Environment, Health & Safety Policy Climate Change Policy Treasury Policy
Principle 8: Remunerate fairly and responsibly	People & Remuneration Committee Charter

OVERVIEW OF SANTOS' CORPORATE GOVERNANCE FRAMEWORK

The purpose of our corporate governance framework is to assist our people to make good decisions that promote the longer term success of Santos. Our corporate governance framework and its link to the Company's values and culture is illustrated below:



Santos' values are expected to inform the behaviours and decision-making of all Santos personnel. They reflect how Santos personnel work, treat each other and interact with the people and communities around Santos. These values are:



Work as one team

- + Value diverse perspectives
- + Challenge respectfully then get behind the decision
- + Unite and share learnings



Pursue exceptional results

- + Deliver value for our stakeholders
- + Be decisive about what we can do better
- + Recognise and reward achievement
- + Strive for constant improvement
- + Enable innovation



Act with integrity

- + Act ethically and do the right thing
- + Value our customer relationships
- + Confront the facts
- + Treat people with respect



Always safe

- + Plan work to protect all from harm
- + Be skilled and competent
- + Understand the risks, controls and barriers
- + Follow the rules and respond to change
- + Speak up
- + Step back, think and be ready



Be accountable

- + Do what we say we are going to do
- + Take responsibility for our actions
- + Be disciplined about meeting requirements and standards
- + Learn from success and failure



Build a better future

- + Leave a positive legacy
- + Invest in our people
- + Have a positive impact in our communities
- + Protect the environment
- + Be health and safety champions

In addition, all personnel must comply with Santos' Code of Conduct, which contains the following core requirements:

- We work safely and look out for the safety of our colleagues
- Our workplace is free from harassment, discrimination and bullying
- We act ethically and lawfully in all business conduct
- We understand and manage the impact of our operations on the environment and engage with our stakeholders with respect
- We communicate accurately and honestly with investors, government and the community
- All trading in Santos securities occurs in compliance with the Securities Dealing Policy
- Everyone at Santos is expected to understand and comply with the standards in the Code of Conduct
- All breaches of the Code of Conduct must be reported

These values and requirements form the foundation of Santos' corporate governance framework.

PART 1: BOARD RESPONSIBILITIES

The Board is responsible to the shareholders for the performance of the Company. The Board's focus is to enhance and protect the interests of shareholders and other key stakeholders and to ensure that the Company is properly managed. The Board understands the importance of a strong and healthy working relationship with management.

1.1 Responsibilities

The Board is responsible for the overall corporate governance of the Company, including approving the strategic direction and financial objectives, oversight of the performance and operations of the Company, establishing goals for Management and monitoring the attainment of these goals.

Each Director is required to ensure that they are able to devote sufficient time to discharge their duties and to prepare for Board and Committee meetings and associated activities.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All Directors have direct access to the Company Secretary and the Company Secretary has a direct reporting line to the Chair.

The Board is responsible for:

- overseeing the Company's strategic direction and management of the Company;
- approving the annual capital and operating budget;
- approving delegations of authority to Management;
- approving significant acquisitions and disposals of assets;
- approving significant expenditure decisions outside of the Board-approved corporate budget;
- approving and monitoring financial performance against strategic plans and corporate budgets;
- approving the Company's values, ethical standards and codes of conduct;
- selection, evaluation and succession planning for Directors, the CEO and Company Secretary and generally endorsing the same for the CEO's direct reports;
- setting the remuneration of Directors and the CEO and generally endorsing the same for the CEO's direct reports; and
- setting the Company's risk appetite and overseeing the integrity of material business risk management.

Delegation of Authority

The Board delegates management of the Company's operations and resources to the Company's executive management team under the leadership of the CEO. This is formally documented in the Company's Delegation of Authority which was updated in 2018.

Responsibilities delegated by the Board to Management:

- The conduct and operation of the Company's business in the ordinary course;
- Implementing corporate strategies; and
- Operating under approved budgets and written delegations of authority.

The CEO and other Senior Executives are employed under written employment agreements, which set out their rights, duties and responsibilities.

Management's discharge of its responsibilities is monitored through regular Board reporting and performance evaluations against pre-determined performance objectives.

Performance evaluations of Senior Executives are usually undertaken by the CEO. The Chair undertakes the CEO's annual review. Performance evaluations were undertaken in 2018 in accordance with this process.

The results of these reviews are used in determining succession plans, performance and development plans and remuneration in consultation with the People and Remuneration Committee.

Details of the remuneration received by the CEO and Senior Executives, including short and long-term incentives relating to Company and individual performance targets, are set out in the Remuneration Report commencing on page 31 of the *2018 Annual Report*. Details of non-executive Director remuneration are separately set out in the Remuneration Report.

PART 2: COMPOSITION OF THE BOARD

2.1 Board composition and Director independence

Under the Company's Constitution, the Board must have a minimum of five directors (not including the Managing Director) and a maximum of ten. Directors other than the Managing Director are required to seek election at the first annual general meeting after their appointment and thereafter may not retain office without re-election for more than three years or past the third annual general meeting following their last election or re-election.

At every annual general meeting of the Company, one third of directors must retire from office (after excluding the Managing Director and any new directors standing for election for the first time).

To ensure regular Board renewal, the Board Charter contains a guideline that the expected tenure of a non-executive Director will be between six and nine years. This guideline is applied flexibly and it is expected that some non-executive Directors may remain in office for longer periods where appropriate, for instance to maintain the desired mix of skills and experience on the Board.

The Board assesses the independence of each Director having regard to the definition of independence set out in the ASX Principles. Each Director's independence is assessed by the Board on an individual basis, focusing on an assessment of each Director's capacity to bring independence of judgement to Board decisions. In this context, Directors are required to make prompt disclosure to the Board of any changes in interests in material shareholdings, contracts, family ties and cross-directorships that may be relevant in considering their independence.

Directors must declare any conflict of interest that they may have at the start of all Board meetings. Where a material personal interest arises with respect to a matter that is to be considered by the Board, the Director is required to declare that interest and must not take part in any Board discussion or vote in relation to that matter, unless permitted in accordance with the Corporations Act.

The Directors of the Company as at 31 December 2018

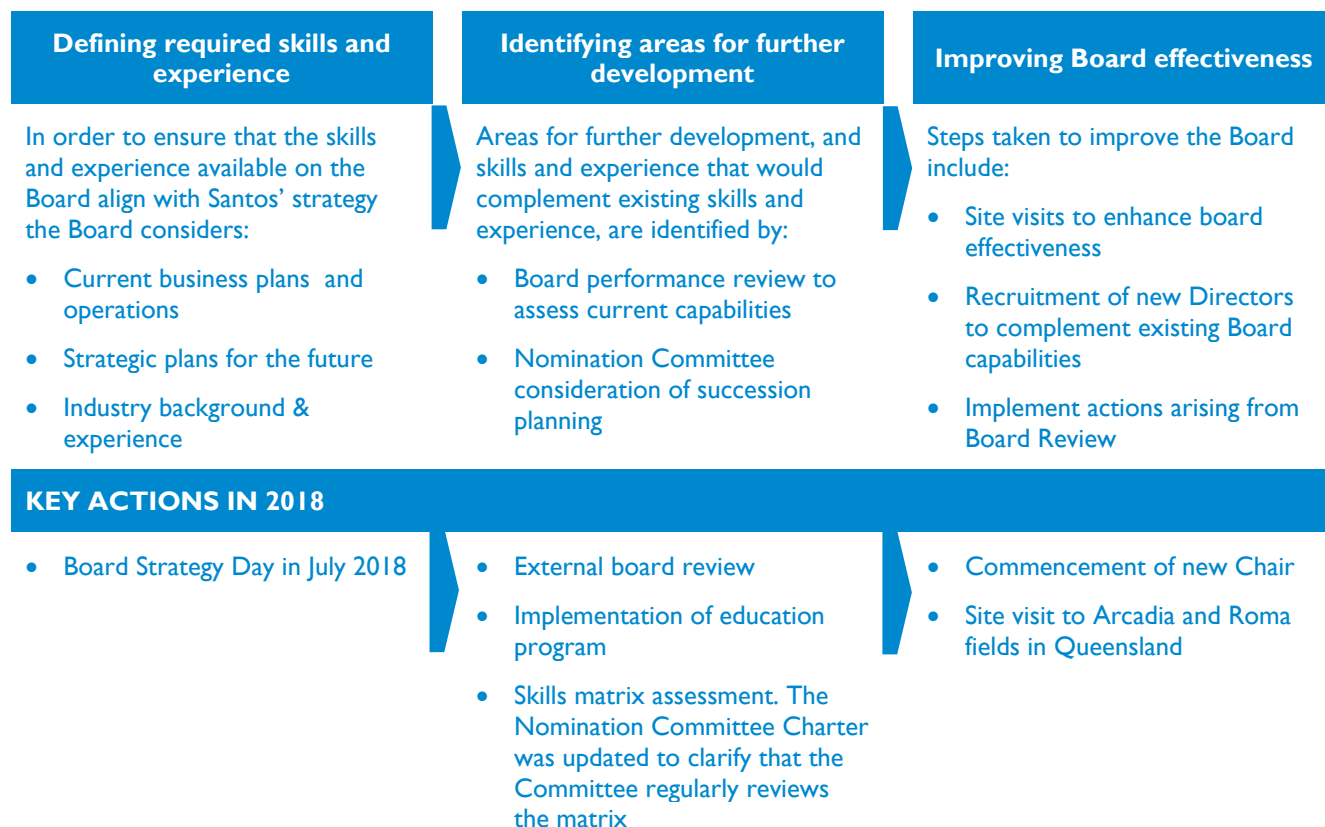
Name	Date of initial appointment	Independent Y/N	Period of office	For re-election		
				2019	2020	2021
Yasmin Allen	October 2014	Y	Full Year	No	No	Yes
Guy Cowan	May 2016	Y	Full Year	No	Yes	No
Hock Goh	October 2012	Y	Full Year	Yes	No	No
Vanessa Guthrie	July 2017	Y	Full Year	No	No	Yes
Peter Hearl	May 2016	Y	Full Year	Yes	No	No
Eugene Shi	June 2017	N	Full Year	No	No	Yes
Keith Spence (Chair)	January 2018	Y	Full Year	No	Yes	No
Kevin Gallagher (MD & CEO)	February 2016	N	Full Year	n.a. Managing Director		

2.2 Board capabilities

In determining the composition of the Board, consideration is given to the optimal mix of background, skills, experience and diversity that will best position the Board to guide the Company. As the needs of the Board are dynamic, these skills and experiences may change over time. In 2018, the Board competencies were reassessed and revised, following further development of strategy and an external independent board performance review.

Directors are appointed primarily based on their capacity to contribute to the Company's development and success. The Board Charter also recognises that the Board should include at least some members with experience in the upstream oil and gas and/or resources industries.

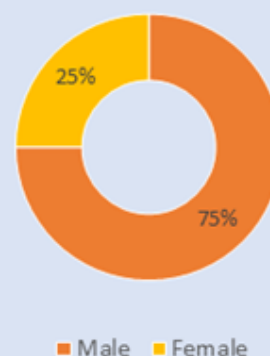
The following diagram shows how the Company's programs and systems (described in further detail in Sections 2.3 to 2.5) support Santos in building an effective Board, with the breadth and depth of background, skills, experience and diversity necessary to guide the Company's strategic growth plans.



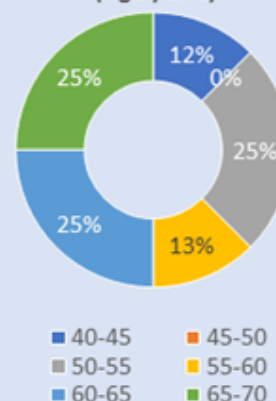
The charts below demonstrates the skills, experience and diversity of the Directors in office at the end of 2018 across several dimensions that are relevant to Santos as a leading energy Company, and include an explanation of the criteria used to assess whether a director possesses particular skills.

Skill	Description	Evaluation
Strategy	Ability to Identify and critically assess strategic opportunities and threats; and to implement successful strategies to create sustained, resilient business outcomes.	
Financial Acumen	Experience in financial accounting and reporting, corporate finance and/or restructuring corporate transactions. Ability to probe the adequacies of financial and risk controls.	
Risk Management	Experience working with risk and compliance management practices in various countries, regulatory or business environments. Ability to identify key business risks and mitigation implementation.	
Governance	Experience serving on boards in diverse industries. Awareness of global practices and trends. Ability to implement high standards of governance and assess the effectiveness of management.	
Culture & Remuneration	Experience in remuneration policy and implementation, linking remuneration to strategy and performance. Ability to develop succession plans and to develop talent, culture and diversity.	
HSE & Sustainability	Experience in workplace health and safety, environmental management and social responsibility, including climate change, and sustainability.	
Regulatory & public policy	Experience working in diverse political, cultural, regulatory and business environments. Ability in influencing public policy decisions and outcomes.	
Oil & gas experience	Experience in the oil and gas industry. Ability in exploration, capital project development, operations, reserves, markets, technology, for conventional and unconventional hydrocarbons.	
Commercial	Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations. Experience in energy markets: global oil, gas, LNG; Australian energy markets.	
International experience	Experience working in other countries, especially in the Asia Pacific region. Experience in working in different jurisdictions, with different cultures, communities and work practices.	
Capital projects	Experience with projects with large capital outlays and longer term investment horizons, in both the planning and execution phases.	
Legend	 Deep skills  Broad skills  Low skills	

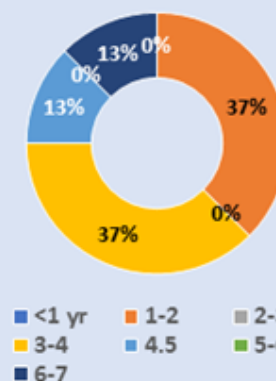
Board Gender diversity



Generational spread (Age years)



Board tenure at 1 May 2019 (years)



The names and details of the experience, qualifications, special responsibilities (including Committee memberships) and term of office of each Director of the Company can be found on pages 8 and 9 of the *2018 Annual Report*.

2.3 Director selection and succession planning

The Board renewal process is overseen by the Nomination Committee and involves regularly reviewing the composition of the Board to ensure that the Directors bring to the table an appropriate mix of background, skills, experience and diversity relevant to the management of a leading energy company.

In making recommendations relating to Board composition, the Nomination Committee takes into account both the current and future needs of the Company. The Nomination Committee specifically considers each of the Directors coming up for re-election and makes an assessment as to whether to recommend their re-appointment to shareholders. This assessment considers matters including their contribution to the Board, the results of Board and Committee reviews, and the ongoing needs of the Company. The Committee also takes into account the succession plans of the Directors more broadly.

The Nomination Committee is responsible for defining the desired attributes and skill-sets for a new Director. The services of an independent consultant are then used where appropriate to assist in the identification and assessment of a range of potential candidates based on a brief from the Nomination Committee. The Nomination Committee reviews prospective candidates and arranges for appropriate background checks to be undertaken, then makes recommendations to the Board regarding possible appointments of Directors, including recommendations for appointments to Committees. Senior Executives are also subject to rigorous background checks before they are appointed.

When director candidates are submitted to shareholders for election or re-election, the Company includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate.

2.4 Director induction and continuing education

Prior to appointment, each non-executive Director is provided with a letter of appointment which sets out the terms of their appointment and includes copies of the Company's Constitution, Board Charter, Committee Charters and relevant policies. The expectations of the Board in respect of a proposed appointee to the Board and the workings of the Board and its Committees are also conveyed in interviews with the Chair. Induction procedures include site visits, access to appropriate executives in relation to details of the business of the Company and functional overviews of the Company's strategic objectives and operations.

Directors are encouraged by the Board to continue their education by attending both internal and external training and education relevant to their role. During 2018, the Board conducted a site visit to the Roma and Arcadia fields in Queensland. Further, a Board Education program was initiated that was informed by the outcomes of the Board skills assessed against the updated Board skills matrix.

All directors have the right to access Company information and the Board Charter sets out the circumstances and procedures pursuant to which a Director may seek independent professional advice at the Company's expense.

2.5 Review of Board, Board Committees and Director performance

As specified in the Board Charter, reviews of Board, Committee and individual Director performance are conducted annually. At least once every three years, the annual review of the Board, Committees and individual Directors is carried out by an independent consultant. The scope of the external review is agreed in advance with the Board. Internal reviews are facilitated by the Chair, in consultation with the Nomination Committee, and involve questionnaires and formal interviews with each Director culminating in a written report prepared by the Chair. Where the review relates to the performance of the Chair, the two senior independent non-executive Directors conduct the review.

In 2018, a review of the performance and composition of the Board, its Committees and individual Directors was conducted by an independent external consultant. Following the receipt of the consultant's report, the Board has adopted an implementation plan to address areas for improvement identified and the Nomination Committee designated responsibility to monitor the execution of that plan until all actions have been completed.

PART 3: BOARD COMMITTEES

The Board has established a number of Committees to assist with the effective discharge of its duties. The role of each Committee is set out in Section 3.1.

All Committees are chaired by and comprise a majority of independent non-executive Directors. Non-Committee members may attend Committee meetings by invitation.

Each Committee operates under a specific charter approved by the Board. Board Committees conduct their own internal review of their performance, structure, objectives and purpose from time to time.

Board Committees have access to internal and external resources, including access to advice from independent external consultants or specialists.

The Chair of each Committee provides an oral report at the next Board meeting, and Committees refer to the Board and other Committees any matters that come to their attention that are relevant for them. Minutes of each Committee meeting are distributed to all Board members.

The membership requirements of each Committee are outlined in each Committee's Charter. The Board reviews Committee membership on at least an annual basis. Each Committee's membership currently satisfies, and satisfied during the year, the membership requirements in the Charters and the composition requirements in the ASX Principles and ASX Listing Rules.

Details of the number of times the Board and each Committee met during the year, including the Committee memberships of each Director and their attendance at Board and Committee meetings, appear in the Directors' Report on page 17 of the *2018 Annual Report*.

Members of Management attend relevant parts of Board and Committee meetings, at which they report to Directors within their respective areas of responsibility. Where appropriate, advisers to the Company attend meetings of the Board and of its Committees. Board meetings regularly include a session at which the independent non-executive Directors meet without the CEO or other members of Management present.

The Board may, from time to time and where circumstances require, form ad hoc committees to consider specific matters as requested by the Board. For example, in 2018 the Board formed a committee to consider the approach from Harbour Energy and to make recommendations to the Santos Board.

3.1 Role and Activities of Committees

Audit and Risk Committee

Composition	Membership in 2018	Purpose and responsibilities
Comprises at least three members, all of whom are Non-Executive Directors and the majority of whom are independent. Chaired by an independent Non-Executive Director who is not the Board Chair.	Guy Cowan (Chair) Yasmin Allen Hock Goh Eugene Shi	The purpose of the Committee is to oversee risk management and internal controls across Santos. Specifically, the Committee is responsible for: - financial reporting: to ensure the balance, transparency and integrity of published financial information - internal controls: to confirm the effectiveness of Santos' internal controls - internal audit: to be satisfied with the effectiveness of the internal audit function and to approve the

Between them, members must have sufficient accounting and financial expertise and understanding of the oil & gas industry, to be able to discharge the Committee's responsibilities. The Committee must include at least one member who is also a member of the EHSS Committee.		appointment and assess the performance of the internal auditor; - external audit: to ensure an independent audit process, recommend the appointment of the external auditor to the Board and assess the performance of the external auditor; and - compliance with laws, regulations and internal policies and industry standards with detailed oversight of risk.
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Environment, Health, Safety and Sustainability Committee

Composition	Membership in 2018	Purpose and responsibilities
Comprises at least three Non-Executive Directors and the Managing Director. Currently chaired by an independent Non-Executive Director who is not the Board Chair. The Committee must include one member who is also a member of the Audit and Risk Committee, and one member who is also a member of the People and Remuneration Committee.	Peter Hearl (Chair) Kevin Gallagher Hock Goh Vanessa Guthrie	The purpose of the Committee is to oversee the governance and review of Santos' activities in the areas of Environment, Health and Safety, Climate Change, Anti-Slavery, Land Access, Indigenous Engagement and Cultural Heritage and Community Engagement across Santos. Specifically, the Committee is responsible for: - monitoring and reviewing the Company's EHSS and Climate Change Policies and related systems; - monitoring and reviewing all aspects of environment and health and safety and climate change risks which are relevant to the Company's operations; - receiving and considering reports on any significant environmental or health and safety failure, accident or other incident; - reviewing internal and external environmental, health and safety and climate change audits; and - monitoring and reviewing the appropriateness and implementation of the Company's EHSS governance arrangements.

Nomination Committee

Composition	Membership in 2018	Purpose and responsibilities
Comprises at least three independent Non-Executive Directors including the Chair of the Board. Chaired by the Board Chair.	Keith Spence (Chair) Yasmin Allen Hock Goh Peter Hearl	The purpose of the Committee is to propose candidates for consideration by the Board to fill casual vacancies or additions to the Board and for devising criteria for Board membership and for reviewing membership of the Board. Specifically, the Committee is responsible for: - assessing the necessary and desirable competencies of Board members and regularly reviewing the Board skills matrix in light of that assessment; - reviewing Board succession plans to maintain an appropriate balance of skills, experience, diversity and expertise on the Board; - as requested by the Board, evaluating the Board's performance and, as appropriate, developing and implementing a plan for identifying, assessing and enhancing Director competencies;

		• recommending the appointment and replacement of Directors; and • reporting and making recommendations to the Board on any matters which the Board has referred to the Committee
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People and Remuneration Committee

Composition	Membership in 2018	Purpose and responsibilities
Comprises at least three members, all of whom are Non-Executive Directors and the majority of whom are independent. Chaired by an independent Non-Executive Director.	Yasmin Allen (Chair) Vanessa Guthrie (appointed March 2018) Peter Hearl Eugene Shi	The People and Remuneration Committee is responsible for reviewing the remuneration policies and practices of the Company. Specifically, the Committee is responsible for: • the remuneration arrangements for the Managing Director and Chief Executive Officer and Executive Committee; • development and succession plans in relation to the MD and CEO and Excom; • the remuneration policies and practices for the Company generally and reviewing whether they are aligned to the Company's values, strategic direction and risk appetite; • the annual remuneration review applying generally across the Company; • Company superannuation arrangements; • Board remuneration; • the Company's organisation design, values, development of key capabilities and culture necessary to ensure alignment with strategic objectives; and • measurable objectives for achieving gender diversity and an annual assessment of those objectives and progress in achieving them, and remuneration by gender.

PART 4: RISK MANAGEMENT

4.1 Risk management roles and responsibilities

The Board is responsible, with the assistance of the Audit and Risk Committee, for overseeing the implementation of, and ensuring there are adequate policies in relation to, the Company's risk management and internal compliance and control systems. These systems require Management to be responsible for identifying and managing the risks which may have a material impact on the Company's objectives, and to review the systems if any irregularity or inadequacy becomes apparent.

The Audit and Risk Committee assists the Board in performing its role in relation to risk management by reviewing, at least annually, the effectiveness of Santos' enterprise risk management framework and reporting to satisfy itself that it continues to be sound. The Committee makes recommendations to the Board following its review. An independent review of the framework is also performed periodically to assure effectiveness and continuous improvement.

In 2018, the Board reviewed the Company's risk management framework and risk management Policy and practices. This included reviews of the enterprise-wide headline risks by the Committee and the Board. The reviews concluded that the Company's risk management framework was sound and effective in identifying and managing risks. In addition, the Board completed a review and clarification of its tolerance for exposure to material risks to the Company's strategic objectives, expressed in a structured Risk Appetite. The Risk Appetite is designed to support and inform Board and Management decision-making and will be reviewed annually to ensure ongoing alignment with strategic objectives. The Audit & Risk Committee will also annually assess that management is operating with due regard to the Risk Appetite. During 2018, the Board also introduced to its agenda regular deep-dives into the Company's enterprise material risks.

The Audit & Risk Committee also receives reports from Management on new and emerging sources of risk and the risk control and mitigation measures that Management has put in place to deal with those risks.

4.2 Internal Audit

Independent and objective assurance with respect to the Company's system of risk management, internal control and governance are provided by the Group Risk and Audit function. The function reports to the Audit and Risk Committee, maintains and improves the risk management framework and undertakes audits and other advisory services to assure risk management across the Company. Group Risk and Audit is independent of the external auditor and the Head of Risk and Audit is appointed by, and reports to, the Audit and Risk Committee, with functional oversight by the Executive Vice President, EHS and Governance.

Group Risk and Audit adopts a risk-based approach in developing annual internal audit plans to align audit activities to the key risks and control frameworks across the Company. In 2018 the Company focused on the audit of the operating and management systems underpinning its key control framework which were implemented in 2017. The internal audit function supported the business through this process, to ensure that key risks and controls were effectively addressed throughout this transition. The internal audit focus in 2018 was approved by the Audit and Risk Committee and subsequently reviewed.

In addition to internal audit activities conducted by Group Risk and Audit, audit, review, oversight and monitoring activities are undertaken across the business to provide a breadth of assurance in the management of operational, technical and environment, health and safety risks. The findings from these assurance activities are reported through operational governance structures and to the relevant Board Committee.

4.3 CEO and CFO Assurance

The Board receives written certifications from the CEO and the CFO in relation to the Company's financial reporting processes for the full and half year reporting periods. Before the Board approved the financial statements for the half year ending on 30 June 2018 and full year ended 31 December 2018, the CEO and CFO declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that this opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.4 Business and sustainability risks

The Operating and Financial Review on pages 18-28 of the *2018 Annual Report* contains detailed information about the Company's material business risks, including the Company's exposure to economic, environmental and social sustainability risks and how that exposure is managed.

4.5 Independence of auditors and non-audit services

The Audit and Risk Committee makes recommendations to the Board about the selection, appointment and independence of the Company's external auditor.

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor. The policy can be found in Attachment A to the Audit and Risk Committee Charter. The policy requires that services which are considered to be in conflict with the role of statutory auditor are not performed by the Company's external auditor and prescribes the approval process for non-audit services where the Company's external auditor is used.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 138 of the 2018 Annual Report.

PART 5: DIVERSITY, ETHICS AND CONDUCT

5.1 Diversity

The Company's Diversity and Equal Opportunity Policy is approved by the Board and monitored by the Board's People and Remuneration Committee. Santos is committed to providing an inclusive workplace and organisational culture that embraces diversity.

In 2018, the Board approved a new Inclusion and Diversity Strategy which will focus the organisation for the next two years. The strategy favours a development-based approach to achieve sustainable outcomes, and is founded on the belief that in order to be high performing, Santos must access and retain the best people with diverse skills, backgrounds and perspectives. The following three strategic priorities underpin the strategy for Santos to become a more inclusive and diverse workplace:

- 1. Building Awareness & Understanding:** This is important in terms of re-setting the future approach to inclusion and diversity at Santos and will be achieved through a range of different initiatives including leadership programs, bias awareness programs and other leader led discussions.
- 2. Ensuring Fair Work Practices:** Santos will continue to conduct annual pay equity audits and review all people policies and procedures to identify and minimise any unconscious bias.
- 3. Improving Representation:** The Company will continue its focus on increasing female and Aboriginal employee representation. Ongoing initiatives to develop the supply of Science, Technology, Engineering and Maths (STEM) qualified people, including a focus on females and Aboriginal employees from school and university, and graduate, vacation and apprenticeship programs will be enhanced to create diverse technical and leadership pipelines.

A Roadmap to achieve these outcomes has been developed along with key performance indicators. Its implementation will be overseen by the CEO and Excom who will drive the new Strategy forward and review progress on a quarterly basis. This strategy will be the basis for future reporting. The plan for 2019 is outlined in the table below.

Strategic Priority	2019 Objectives
Build Awareness	Launch Inclusion and Diversity Strategy, Roadmap and Dashboard, and ensure all senior leaders are equipped to understand and communicate this to their people.
Build Awareness	Ensure all leadership programs include reference to values, inclusive behaviours and de-biasing decision making.
Build Awareness	Re-launch flexible work practices guidelines, tools and messaging.
Fair Work Practices	Audit all recruitment and development frameworks and practices to identify and establish a Roadmap to remove any unintended biases.
Fair Work Practices	Ensure diversity is promoted through words, imagery, and in employer branding and corporate communications.
Representation	Increase the number of Aboriginals employed at Santos including via workforce pathways programs.

Representation	Implement a career development and coaching program to support a focus on growing leaders from within. Ensure a minimum of 50% of participants are females.
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Prior to the development of the new Inclusion and Diversity Strategy, a suite of Board approved objectives was agreed for 2018. The progress against these objectives is outlined below.

Increase representation of females and Aboriginal employees at Santos

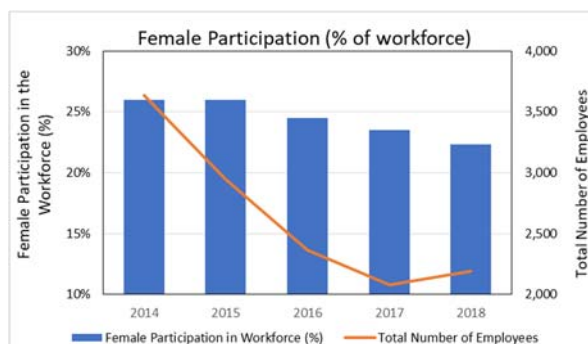
A number of years of significant restructuring and significantly reduced external recruitment as the Company underwent its transformation has seen the total workforce decline from 3,636 in 2014 to 2,190 in 2018, a reduction of some 40% of employees. This is shown in Graph 1. During the transformation period, overall female participation steadily declined from 26% in 2014 to 22.3% in 2018. Notwithstanding a decline in the number of females in senior roles to 15.3% (down from 17.7% in 2017), females in roles reporting directly to the CEO have increased to 25% (up from 20% in 2017).

Despite an overall decline, there are some good achievements that bode well for sustainable diversity outcomes.

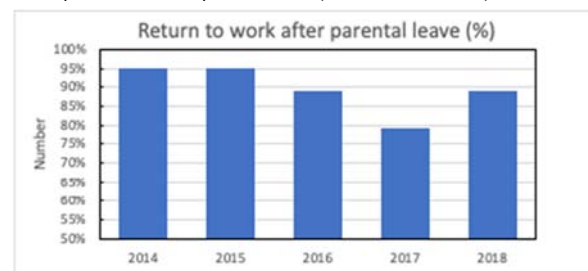
During the transformation, the return to work rate after parental leave declined steadily from 95% to a low of 79% in 2017. Pleasingly, in 2018, the return rate improved, increasing to 89%. Refer Graph 2.

Throughout the transformation phase, the Company maintained its objective of 50% of female graduate program intake. Females represent 47% of the pool of graduates currently in rotation (for a three year period). As a result of this and other initiatives, representation of females in technical roles (Engineering and Geoscience) has increased year-on-year from 20.3% in 2014 to 24.9% in 2018. Refer Graph 3.

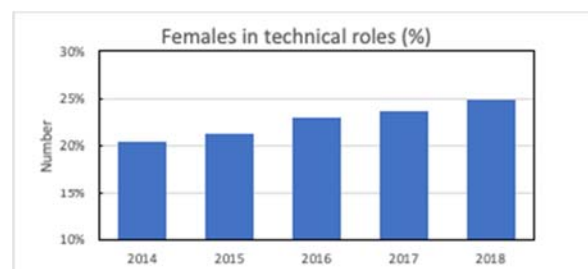
The ratio of Aboriginal people employed at Santos has increased to 2.2% (from 1.5% in 2017) as a result of an increased focus on Santos' trainee and cadetship programs.



Graph 1: Female Representation (includes Quadrant)



Graph 2: Parental Leave retention rates (excludes Quadrant)



Graph 3: Female Representation in Technical Roles – excludes Quadrant

Leadership and culture development – deliver development solutions to remove gender bias and create an inclusive culture

A leader led 'values in action' workshop was attended by the large majority of Santos staff in field and office locations and forms part of the longer term culture re-set including building and valuing diversity. 'Santos Pulse' was introduced as a mechanism for teams to share information and build inclusion. Each month, an average of 75% of people respond to this Pulse and results are reported and discussed at senior leadership level.

Personal and career development – equal representation of women and men to receive opportunities for in-house development programs

Leadership development programs remain a focus to build leadership capability and organisational culture. Programs were conducted throughout the year with female representation averaging 28% which is better than female representation in the Company's workforce. These programs included 'Frontline Leadership', 'Presenting with Influence' and 'Coaching for Performance'. Learning and development planning workshops were conducted in all key locations and all employees were given the opportunity to attend a learning and development workshop in 2018.

Systems and processes – Review practices to identify inequities, specifically review gender pay equity and take necessary steps

The annual pay equity audit revealed there were no systemic problems and resulted in minor adjustments being made for a small number of employees. There was a small increase in the number of people working in formal part-time arrangements (5.7% up from 5% in 2017).

Government and industry participation – supporting initiatives designed to improve gender equity

Sponsorship of key initiatives in targeted areas will deliver an improved pipeline of future female and Aboriginal talent.

Specifically in 2018 this included sponsorship of the Aboriginal Power Cup in partnership with AFL Club, Port Adelaide which delivers significantly improved school retention rates for Aboriginal children; in partnership with the University of Adelaide, sponsorship for the Santos KarnKanthi Indigenous Engineering School designed to encourage Aboriginal or Torres Strait Islander students to attend university to study engineering; and participation in the Women in STEM lounge initiative by the University of Adelaide to empower young female students to pursue studies and careers in STEM related areas.

5.2 Ethical standards and Code of Conduct

Santos' Directors, employees and contractors are expected to demonstrate high standards of business conduct and to comply with legal requirements wherever the Company operates.

The Company's Code of Conduct, which sets out Santos' values, policies and guidelines with respect to safety, business conduct, environmental and other requirements, was reviewed in 2017 as part of the roll out of the new Santos Management System (SMS). The SMS is a framework of policies, standards and procedures that set out mandatory performance requirements.

The Code of Conduct is a key element of the Santos Management System, and outlines the main requirements and behaviours expected of anyone who works for Santos.

All employees are required to undertake a periodic refresher on the Code of Conduct by completing an online training module at least every two years. This training module is also a compulsory component of new employee inductions. Santos treats breaches of its policies seriously, and has an independent, externally managed Reporting Misconduct Hotline enabling employees and third parties to report misconduct confidentially, without fear of victimisation.

5.3 Securities Dealing Policy

Santos' Securities Dealing Policy, established as part of the new Santos Management System, was released to the ASX in December 2016 and took effect from 1 January 2017. The Securities Dealing Policy prohibits Directors, executives and employees (as well as connected persons over whom they may be expected to have control or influence) from acquiring, selling or otherwise trading in the Company's securities where they are in possession of material price-sensitive information which is not in the public domain. It also limits "Designated Persons" to dealing in Santos securities during "Trading Windows", and prohibits them from dealing in the Company's securities on a short term basis. They are also not permitted to hedge their securities (including options and share acquisition rights) unless those securities have fully vested and are no longer subject to restrictions.

Breaches of the Securities Dealing Policy will be subject to appropriate sanctions, which could include disciplinary action or termination of employment.

5.4 Market communication and continuous disclosure

The Company is committed to giving all shareholders timely and equal access to information concerning the Company.

The Company has developed policies and procedures to ensure that Directors and Management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. A copy of the Market Communication and Continuous Disclosure Policy, which was updated in October 2016 as part of the new Santos Management System, is published on the Santos website at <https://www.santos.com/who-we-are/corporate-governance/>. In accordance with the Policy, information must not be selectively disclosed prior to being announced to the ASX.

When the Company makes an announcement to the market, that announcement is released to the ASX. The Board receives copies of all announcements under Listing Rule 3.1 after they have been made. A copy of new investor or analyst presentations is released to the ASX Market Announcements Platform ahead of the presentation. The Company Secretary and Head of Investor Relations are responsible for communications with the exchanges. All material information disclosed to the ASX is posted on the Company's website at www.santos.com. This includes ASX announcements, annual reports, notices of meetings, media releases, and materials presented at investor, media and analyst briefings. An email alert facility is also offered to shareholders. Webcasting of material presentations, including annual and half-yearly results presentations, is provided for the benefit of shareholders, regardless of their location. The Annual General Meeting is also webcast live and made available for later viewing.

The Board is conscious of its obligations to shareholders and will seek their approval as required by the Company's Constitution, the Corporations Act and the ASX Listing Rules, or where otherwise considered appropriate by the Directors.

Additionally, the Company's external auditor attends Annual General Meetings to be available to answer shareholder questions relevant to the conduct of the audit. The Annual General Meeting also provides an opportunity for any shareholder or their proxy to attend and ask questions of the Board, and exercise their vote. Santos' practice is to conduct all voting at the AGM on a poll, ensuring that voting outcomes reflect the proportionate holdings of all shareholders who vote (whether in person or by proxy or other representative).

The Company also has in place an investor relations program of scheduled and ad hoc briefings with shareholders, analysts and financial media. The program is aimed at facilitating effective two-way communications with investors, and provides an opportunity for the Company's investors to interact with senior Management and to gain a greater understanding of the Company's business, financial performance, prospects and corporate governance. The Company's dedicated investor relations team and share registry receive and send electronic communications directly to shareholders, and can be contacted via links on the Santos website.

This Corporate Governance Statement is current as at 20 February 2019 and has been approved by the Board of Santos Limited.