

Santos Limited

Shareholder resolutions and supporting statements

Resolution 1 – Amendment to the Constitution

To amend the constitution to insert the following new Clause 32A: “The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to a material risk as identified by the company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company.”

Resolution 2 – Capital Protection

Shareholders request the company disclose, in subsequent annual reporting, information that demonstrates how the company’s capital expenditure and operations will be managed in a manner consistent with the climate goals of the Paris Agreement.

This information should include:

- Details of how the company’s capital expenditure will facilitate the efficient managing down of oil and gas operations and assets in a timeframe consistent with the Paris goals;
- Production guidance for the lifetime of oil and gas assets that is consistent with the Paris goals;
- Plans and capital expenditure requirements for decommissioning and rehabilitating asset sites at the end of their Paris-aligned lifetimes;
- Plans for how employees of the company will be informed of asset closures, and employee transition plans, including any compensation for job losses, training and support in seeking future employment; and
- Details of how remaining capital in the company will be returned to investors.

Supporting Statement 1

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders do not enjoy the same rights as their UK, US, New Zealand or Canadian counterparts in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In some situations the appropriate course of action for shareholders dissatisfied with the conduct or performance of the board is to seek to remove directors individually. However in many situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of Santos is not conducive to the right of shareholders to place advisory resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of Santos, the Santos board and all Santos shareholders.

Passage of this resolution – to amend the Santos constitution – will simply put Santos in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

Supporting statement 2

At the 2020 AGM, 43% of shareholders voted in favour of a proposal that the company disclose scope 1, 2, and 3 emission targets, and exploration and capital expenditure plans aligned with the climate goals of the Paris Agreement.¹

This resolution recognises that Paris-aligned targets to reduce scope 1, 2 and 3 emissions would necessitate a plan to manage down oil and gas production over time, and requests disclosure of integral details of such a plan. The resolution is in the best interests of shareholders and the company, due to the clearly recognised risk that further capital expenditure on oil and gas development and production projects would be stranded by market and policy shifts to meet the Paris climate goals, resulting in severe financial impacts on our company.

We therefore request disclosure of information that demonstrates how capital expenditure will be limited to only support production that is demonstrably viable in a Paris-aligned scenario, and how remaining capital will be preserved and maximally returned to shareholders as assets are managed down, while ensuring employee wage entitlements and transition plans, as well as asset site rehabilitation obligations are appropriately resourced.

¹ The Paris Agreement aims to hold global warming to well below 2°C above pre-industrial levels and pursue a 1.5°C limit and has been ratified by 185 countries. Governments and markets are accelerating climate action to achieve these goals. See https://unfccc.int/sites/default/files/english_paris_agreement.pdf, Articles 2(1)(a) and 4(1).

