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.”

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 an appropriate course of action for shareholders is to formally and publicly alert the board that 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. This is contrary to the long-term interests of Santos, its board and shareholders.

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

We encourage shareholders to vote in favour of this resolution.

Resolution 2 – Capital Protection

Shareholders note the company’s support for the climate goals of the Paris Agreement,[1] along with the publication of the International Energy Agency’s Net Zero Emissions by 2050 Scenario,[2] and the Climate Action 100+ company assessment.[3] Shareholders therefore request the company disclose, in subsequent annual reporting, information that demonstrates how the company’s capital allocation to oil and gas assets will align with a scenario in which global energy emissions reach net zero by 2050, facilitating the efficient managing down of these assets.

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[1] https://www.santos.com/wp-content/uploads/2021/12/Climate-Change-Policy.pdf
[2] https://www.iea.org/reports/net-zero-by-2050
[3] https://www.climateaction100.org/company/santos-limited/

This information should include:

- Production guidance for the lifetime of the company's oil and gas assets;
- Plans and capital expenditure expectations for decommissioning and rehabilitating oil and gas asset sites;
- Plans and provisions for supporting staff to transition to future employment following oil and gas asset closures; and
- Details of how remaining value in the company's oil and gas assets will be redeployed or returned to investors.

Supporting Statement 2

This resolution seeks to assure shareholders that Santos' oil and gas assets will be managed in a way that protects value, while ensuring employee transition and asset decommissioning obligations are adequately planned and resourced.

Failure to adopt these requests would see Santos continuing to exacerbate climate-related financial risks by undermining its own climate claims and defying investors' clear expectations.

Investor calls for Santos to align its business with global climate goals include:

- 2020: 43% of shareholders voted for scope 1, 2, and 3 emissions targets, and exploration and capital expenditure plans aligned with the Paris Agreement,
- Since 2021: the Climate Action 100+ demand to "align future capital expenditures with the Paris Agreement's objective of limiting global warming to 1.5° Celsius" has remained unmet,[4]
- 2022: 15% of shareholders voted for the company to manage down oil and gas production in line with a net zero by 2050 scenario, following 13% for a similar resolution in 2021, and
- 2022: 37% of shareholders voted against the company's climate plan.

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

<u>Increasing transition risk</u>
In its landmark 2021 Net Zero Emissions by 2050 Scenario (NZE), the International Energy Agency (IEA) found that to have a 50% chance of limiting global warming to 1.5°C: "The rapid drop in oil and natural gas demand in the NZE means… no new oil and natural gas fields are required beyond those that have already been approved for development."[5]

This position is consistent with a "large consensus" of Paris-aligned climate scenarios, which have found "developing any new oil and gas fields is incompatible with limiting warming to 1.5°C".[6]

[4] https://www.climateaction100.org/company/santos-limited/
[5] https://www.iea.org/reports/net-zero-by-2050
[6] https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf

The IEA's 2022 World Energy Outlook (WEO) reiterated this conclusion: "No one should imagine that Russia's invasion can justify a wave of new oil and gas infrastructure in a world that wants to reach net zero emissions by 2050".[7] In fact, the latest NZE projects even sharper declines in gas demand than the previous version, falling 23% globally by 2030.[8]

Demonstrating the immense financial risk posed by a net zero transition, Santos' own analysis shows the value of its oil and gas portfolio would drop by half under the NZE.[9]

This risk is becoming increasingly likely to materialise, with markets rapidly moving to align policy with climate goals. Japan[10] and Korea,[11] key markets for Santos, have both announced plans to reduce gas in their energy mixes by 2030. IEEFA found in late 2021 that over 60% of proposed LNG import and gas power infrastructure in emerging Asia is unlikely to be built, a situation only exacerbated by high gas prices since.[12]

Yet Santos plans to increase production by at least 17% over the decade to 2030[13] (excluding the potential start up of the P'nyang LNG project, which could bring 2030 production to 58% above the 2020 baseline[14]). These plans would likely see Santos' total annual emissions sit more than 25% above a (combined Santos and Oil Search) 2020 baseline through 2026-2029, even without P'nyang.

<u>Betting against climate action</u>
Despite the IEA's clear warnings since 2021, Santos sanctioned the US$2.6 billion (US$1.3 billion Santos share) Pikka oil project in Alaska in August 2022. Pikka is expected to produce almost 400 million barrels of oil, causing estimated emissions of 224 million tonnes of carbon dioxide equivalent (including Scope 3).[15]

Other new projects being pursued by Santos include:[16]

- Barossa LNG (Santos share of capex ~US$1.8 billion)

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[7] https://www.iea.org/reports/world-energy-outlook-2022
[8] https://www.iea.org/reports/world-energy-outlook-2022
[9] https://www.santos.com/wp-content/uploads/2022/03/220330-Release-of-2022-Climate-Change-Report.pdf
[10] https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/6th_outline.pdf
[11] https://www.spglobal.com/platts/en/market-insights/latest-news/energy-transition/101921-south-korea-finalizes-2050-carbon-neutrality-roadmaps
[12] http://ieefa.org/wp-content/uploads/2021/12/Examining-Cracks-in-Emerging-Asias-LNG-to-Power-Value-Chain_December-2021.pdf
https://ieefa.org/resources/unaffordable-fuel-prices-stall-asias-lng-expansion
[13] Conservative production scenario produced by Grant Samuel for the Santos and Oil Search merger Scheme Booklet: https://www.santos.com/wp-content/uploads/2021/11/211111-Oil-Search-and-Santos-merger-update-Court-approves-distribution-of-Scheme-Booklet-and-convening-of-Scheme-Meeting.pdf
[14] https://www.santos.com/wp-content/uploads/2021/11/211111-Oil-Search-and-Santos-merger-update-Court-approves-distribution-of-Scheme-Booklet-and-convening-of-Scheme-Meeting.pdf
[15] https://www.santos.com/news/santos-announces-pikka-fid/;
http://oci.carnegieendowment.org/#oil/u.s.--alaska-north-slope
[16] https://www.santos.com/wp-content/uploads/2021/05/210505_2021-Macquarie-Australia-Conference.pdf note Santos' Barossa stake has since reduced to 50% and Narrabri stake increased to 100%; https://www.afr.com/companies/energy/us10b-papua-lng-to-use-smaller-elng-trains-20221208-p5c4s7

- Narrabri coal-seam gas (~US$650 million)
- Dorado oil (~US$1.6 billion)
- Papua LNG (~US$2.3 billion).

Independent analyses – including by Carbon Tracker,[17] former Australian Chief Scientist Penny Sackett,[18] and IEEFA[19] – have found Santos' planned new oil and gas projects incompatible with global climate goals.

Investment in these projects therefore equates to Santos betting shareholder capital against the achievement of climate goals the company claims to support.

Legal and regulatory risks

Santos' pursuit of new fossil fuel projects has also exposed the company to legal and regulatory risks. Ongoing challenges suggest Santos may be downplaying its transition risk problem, while opposition from First Nations communities threatens to derail projects.

A current Australian Federal Court case alleges Santos engaged in misleading and deceptive conduct by claiming to have a "clear and credible pathway to achieve net zero emissions by 2040", but failing to "disclose that it has firm plans to increase its greenhouse gas emissions by developing new or existing oil and gas projects".[20] ASIC has also been asked to investigate Santos' potentially misleading claims that its new oil and gas plans were consistent with the NZE.[21]

Australia's Federal Court has ruled a key environmental approval for Santos' Barossa project invalid due to the company's failure to properly consult with Tiwi Islands Traditional Owners.[22] The contradiction between Santos' claim that it did not "anticipate any material cost or schedule impact" due to the court's decision and the company's previous statement that pausing the drilling would cause "a daily loss in the order of hundreds of thousands of dollars" forms the basis of complaints lodged with ASIC and the ASX.[23]

In January, Gomeroi Traditional Owners filed an appeal to the Native Title Tribunal's decision to permit Santos' Narrabri gas project without their consent.[24]

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[17] https://carbontracker.org/reports/australian-oil-and-gas-mergers-exposing-the-weakness-of-company-transition-planning/
[18] https://www.smh.com.au/environment/climate-change/narrabri-gas-project-should-be-blocked-says-ex-chief-scientist-20200809-p55k20.html
[19] https://ieefa.org/wp-content/uploads/2021/03/Should-Santos-Proposed-Barossa-Gas-Backfill-for-the-Darwin-LNG-Facility-Proceed-to-Development_March-2021.pdf
[20] https://www.edo.org.au/2021/08/26/world-first-federal-court-case-over-santos-clean-energy-net-zero-claims/
[21] https://www.afr.com/companies/energy/asic-complaint-lodged-about-santos-possible-greenwashing-20220812-p5b9bc
[22] https://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/full/2022/2022fcafc0193
[23] https://www.edo.org.au/2022/12/15/asic-and-asx-asked-to-investigate-whether-santos-misled-investors-over-barossa-gas-project/
[24] https://www.abc.net.au/news/2023-01-18/native-title-appeal-complicates-santos-narrabri-gas-project/101863842

Support required

Shareholder support for this resolution is required to ensure returns from Paris-aligned production are maximised, while preventing capital being wasted on projects and plans that pose unacceptable financial risks.

Statement about resolution to adopt Remuneration Report

Shareholders are urged to vote against Santos' remuneration structure as it is inconsistent with the company's stated support for the climate goals of the Paris Agreement.

Despite the clear science confirming that meeting the Paris climate goals requires rapid declines in oil and gas use and no new oil and gas fields to be developed, Santos' remuneration structure substantially incentivises increasing oil and gas production and progressing oil and gas growth projects.[25] This practice is inconsistent with many peers, particularly those in Europe.

Further, in 2022 the company awarded threshold performance bonuses to senior executives for 'Landholder, Community and Traditional Owner Relationships', despite a Federal Court ruling that Santos had failed to properly consult with Tiwi Islands Traditional Owners,[26] and an ongoing Gomeroi Traditional Owner opposition to the Narrabri project, which is currently subject to a High Court challenge.[27] Santos is still considering awarding bonuses for target 'Environment and Process Safety' performance even amid alarming whistleblower reports of the company covering up a 25,000 litre oil spill that killed dolphins and other sealife,[28] with payment being withheld pending an investigation rather than withdrawn.

<u>Defying investor demands</u>
Santos states that the fundamental purpose of its remuneration policy and framework is to support and reinforce the execution of its strategy. When it comes to climate change, that strategy is clearly not supported by a significant proportion of shareholders. This is evidenced by recent investor revolts, including the following votes against the board's recommendations:

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

Rather than respond to these calls, Santos has moved in the opposite direction by pursuing increased oil and gas production and new projects that are incompatible with the Paris climate goals and a net zero by 2050 scenario. Perversely, this activity is incentivised by the company's remuneration framework.

<u>Undermining climate commitments</u>
In its landmark 2021 Net Zero Emissions by 2050 Scenario (NZE), the International Energy Agency (IEA) found that to have a 50% chance of limiting global warming to 1.5°C: "The rapid

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[25] Remuneration references from Santos Annual Report 2022 unless otherwise stated
[26] https://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/full/2022/2022fcafc0193
[27] https://www.abc.net.au/news/2023-01-18/native-title-appeal-complicates-santos-narrabri-gas-project/101863842
[28] https://www.abc.net.au/news/2023-02-16/varanus-island-oil-spill-animal-deaths-santos/101986576

drop in oil and natural gas demand in the NZE means… no new oil and natural gas fields are required beyond those that have already been approved for development”.[29]

This position is consistent with a “large consensus” of Paris-aligned climate scenarios, which have found “developing any new oil and gas fields is incompatible with limiting warming to 1.5°C”.[30]

The IEA’s 2022 World Energy Outlook (WEO) reiterated this conclusion: “No one should imagine that Russia’s invasion can justify a wave of new oil and gas infrastructure in a world that wants to reach net zero emissions by 2050”.[31] In fact, the latest NZE projects even sharper declines in gas demand than the previous version, falling 23% globally between 2021 and 2030 while oil demand falls by 22% over the same period.[32]

Yet 27.5% of Santos’ ‘corporate scorecard’ used to determine the award of short-term incentives in 2022 was based on increasing oil and gas production and developing new oil and gas projects: 20% for higher production,[33] and 7.5% for delivery of oil and gas growth projects. Santos’ incentivisation of fossil fuel growth is a consistent feature of its annual bonus scheme, with fossil fuel growth incentives having ranged from ~42.5% to ~50% in 2018-2021.[34]

On top of this, in 2021, the CEO also received a one-off “Growth Projects Incentive”, delivered in the form of 847,458 share acquisition rights (SARs). The SARs become available in 2025 depending on performance over the five-year period. 60% of this award is based on the successful delivery of oil and gas growth projects: Barossa, Dorado and “backfill resources to maximise ongoing utilisation and future expansion of existing facilities”. In 2022, the board retroactively added Pikka, a former Oil Search asset, as a targeted project in the scheme. Independent analyses have found that Barossa, Dorado and Pikka are not aligned with net zero by 2050 and 1.5°C.[35]

If all Growth Projects Incentive SARs are fully granted, the fair value (measured at the beginning of the scheme) would be $6 million, meaning Mr Gallagher stands to receive $3.6 million at the end of 2025 for delivering on oil and gas projects that are incompatible with the global climate goals Santos and the vast majority of its investors claim to support.

Lagging peers

Santos’ approach is inconsistent with many oil and gas industry peers. For example, none of Shell and TotalEnergies use any direct quantitative fossil fuel production targets in their remuneration schemes, having removed such incentives worth up to 25% and 8% respectively

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[29] https://www.iea.org/reports/net-zero-by-2050
[30] https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf
[31] https://www.iea.org/reports/world-energy-outlook-2022
[32] Ibid
[33] Excluding late-life assets
[34] Santos Annual Reports 2018-2021. Where individual metric weights were not disclosed, we assume an even split of the metric category weight.
[35] https://carbontracker.org/reports/australian-oil-and-gas-mergers-exposing-the-weakness-of-company-transition-planning/; https://ieefa.org/wp-content/uploads/2021/03/Should-Santos-Proposed-Barossa-Gas-Backfill-for-the-Darwin-LNG-Facility-Proceed-to-Development_March-2021.pdf

of their CEO's annual bonuses in 2021, while BP attaches a very low weight to LNG production targets.[36] This means the total proportion of BP, Shell and TotalEnergies' remuneration driven by fossil fuel production is miniscule compared to Santos.

In order to meet investors' repeated demands to align corporate strategy with global climate goals, Santos must stop incentivising new oil and gas project development and increasing production. Investors are therefore urged to vote against the remuneration report.

[36] https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2021.pdf
https://reports.shell.com/annual-report/2021/
https://totalenergies.com/system/files/documents/2022-03/DEU_21_VA.pdf