Woodside 2023 AGM shareholder resolutions and statements

Resolution 1 – Amendment to the Constitution
To amend the constitution to insert the following new clause 43A: "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 Woodside 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 Woodside, its board and shareholders.

Passage of this resolution – to amend the Woodside constitution – will simply put Woodside 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.

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 give shareholders confidence that Woodside's oil and gas assets are managed in a way that protects shareholder value, while ensuring employee transition and asset decommissioning obligations are adequately planned and resourced.

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

Investor calls for Woodside to align its business with global climate goals include:
- 2020: 50% of shareholders voting for scope 1, 2, and 3 emission targets and exploration and capital expenditure plans aligned with the climate goals of the Paris Agreement;
- Since 2021: the Climate Action 100+ investor initiative demanding Woodside "align future capital expenditures with the Paris Agreement's objective of limiting global warming to 1.5° Celsius", which remains unmet;[4]
- 2021: 19% of shareholders voting for the company to disclose plans to manage down oil and gas assets in line with the Paris climate goals, and 15% for a similar resolution in 2022; and
- 2022: 49% of shareholders voting against Woodside's climate plan in 2022.

Rather than respond to these calls, Woodside has moved in the opposite direction, drastically increasing exposure to climate-related transition risks by committing billions to new projects incompatible with the Paris Agreement and a net zero by 2050 pathway, and

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1 https://www.woodside.com/docs/default-source/about-us-documents/corporate-governance/woodside-policies-and-code-of-conduct/climate-change-policy.pdf
2 https://www.iea.org/reports/net-zero-by-2050
3 https://www.climateaction100.org/company/woodside-energy/
4 https://www.climateaction100.org/company/woodside-energy/

completing a merger that has approximately doubled its oil and gas production and expanded potential oil and gas growth capital expenditure to 55% of the company's market capitalisation.[5]

Increasing transition risk

In its landmark May 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."[6]

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".[7]

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".[8] In fact, the latest NZE projects even sharper declines in gas demand than the previous version, falling 23% globally by 2030.[9]

Demonstrating the immense financial risk posed by a net zero transition, Woodside's own 2022 analysis showed average annual free cash flow from (pre-merger) producing and sanctioned assets would be decimated under NZE, barely covering Woodside's 2017-2021 average annual dividend payout for the majority of the next two decades.[10] Woodside's $7 billion[11] debt load will impose additional financing cash outflows, further eroding any potential shareholder returns.

This financial risk is becoming increasingly likely to materialise, with markets rapidly moving to align policy with climate goals. Japan[12] and Korea,[13] key markets for Woodside, 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.[14]

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5 https://www.woodside.com.au/docs/default-source/asx-announcements/2021-asx/woodside-merger-teleconference-and-investor-presentation.pdf; https://www.marketforces.org.au/wp-content/uploads/2022/03/2022-03-STO-WPL-investor-briefing.pdf

6 https://www.iea.org/reports/net-zero-by-2050

7 https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf

8 https://www.iea.org/reports/world-energy-outlook-2022

9 https://www.iea.org/reports/world-energy-outlook-2022

10 https://www.woodside.com/docs/default-source/investor-documents/major-reports-(static-pdfs)/2021-climate-report/climate-report-2021.pdf?sfvrsn=7ae837b1_5

11 All dollar values in USD

12 https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/6th_outline.pdf

13 https://www.spglobal.com/platts/en/market-insights/latest-news/energy-transition/101921-south-korea-finalizes-2050-carbon-neutrality-roadmaps

14 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

Yet Woodside plans to increase production by more than 4% a year from 2023 to 2027.[15]

Betting capital against climate goals

Despite the IEA's clear warnings since May 2021, in December of that year, Woodside announced a final investment decision on the $12.0 billion Scarborough-Pluto 2 project.[16] Woodside will need to contribute $8.9 billion to Scarborough-Pluto, which multiple independent analyses have found is incompatible with Paris and a net zero by 2050 scenario.[17] Climate Analytics concludes the Scarborough-Pluto project:

- "Represents a bet against the world implementing the Paris Agreement", and
- "Is not 1.5°C consistent and consequently is a major stranded asset risk".[18]

Scarborough-Pluto is not the only multi-billion dollar bet Woodside is making against climate action. Woodside is also pursuing the Browse gas project, which if approved would produce up to 1.6 billion tonnes of CO_2-e over its lifetime (equivalent to more than three times Australia's annual emissions[19]) and potentially operate until the mid-2060s.[20] This flies in the face of IEA modelling showing a net zero by 2050 pathway would see gas supply falling by 72% by 2050.[21]

Despite already being laden with climate risks from its existing portfolio, Woodside's decision to take on BHP's entire petroleum portfolio has roughly doubled the company's oil and gas production.[22] BHP's portfolio included developments with capex costs of up to $17.5 billion this decade, including the greenfield deepwater Trion and Calypso projects.[23]

Independent sensitivity analysis by KPMG has revealed even just a 10% drop from its base case long-term oil price assumptions would decrease the net present value of:

- Scarborough by 80% to just $383 million;
- Sangomar by 24%;
- Trion by 63%; and
- Browse by 141% (becoming a $158 million liability).[24]

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15 https://www.woodside.com/docs/default-source/asx-announcements/2022/investor-briefing-day-2022.pdf?sfvrsn=bb5fa28d_9

16 https://www.woodside.com/docs/default-source/asx-announcements/2021-asx/036-scarborough-project-update-and-line-item-guidance.pdf?sfvrsn=c754cdd7_4

17 https://climateanalytics.org/media/climateanalytics_scarboroughpluto_dec2021.pdf; https://carbontracker.org/reports/fault-lines-stranded-asset/

18 https://climateanalytics.org/media/climateanalytics_scarboroughpluto_dec2021.pdf

19 https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2022.pdf

20 https://www.woodside.com/docs/default-source/current-consultation-activities/australian-activties/propsed-browse-to-north-west-shelf-project---draft-eis-erd.pdf

21 https://www.iea.org/reports/world-energy-outlook-2022

22 https://www.woodside.com.au/docs/default-source/asx-announcements/2021-asx/woodside-merger-teleconference-and-investor-presentation.pdf

23 Ibid

24 https://www.woodside.com.au/docs/default-source/asx-announcements/2022/independent-expert-report.pdf?sfvrsn=b6dd9bf4_3

These potential impairments pale in comparison to those that would be recorded under NZE, which models an oil price 50% below KPMG's base case by 2030.[25]

Woodside's decisions to sanction Scarborough and continue pursuing Trion, Browse and other expansion projects, the value of which rely on the world failing to move towards Paris alignment, represents an abject failure of corporate governance and risk management that investors must act to address.

Shareholder support for this resolution is required to ensure returns from Paris-aligned production are maximised, while preventing capital being wasted on projects that are incompatible with climate goals Woodside claims to support.

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[25] https://www.iea.org/reports/world-energy-outlook-2022

Statement about resolution to adopt Remuneration Report

Shareholders are urged to vote against Woodside's adoption of the remuneration report because the remuneration structure is inconsistent with the company's stated support for the climate goals of the **Paris** Agreement.[26]

Despite clear evidence that meeting the Paris climate goals requires rapid declines in oil and gas use and no new oil and gas fields to be developed, Woodside's remuneration structure incentivises key management personnel to increase oil and gas production and progress oil and gas growth projects.[27] This practice is inconsistent with many peers, particularly those in Europe.

<u>Inconsistent with investor expectations</u>

Woodside states its remuneration is aligned with the company's values and strategic direction. However, when it comes to climate change, the company's strategic direction is not supported by a significant number of shareholders. This is evidenced by recent votes against the board's recommendations:

- 2020: 50% of shareholders voted for scope 1, 2, and 3 emission targets and exploration and capital expenditure plans aligned with the climate goals of the Paris Agreement;
- 2021: 19% of shareholders voted for the company to disclose plans to manage down oil and gas production in line with the Paris climate goals, and 15% for a similar resolution in 2022; and
- 2022: 49% of shareholders voted against Woodside's climate plan.

Rather than respond to these votes, Woodside 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.

<u>Inconsistent with climate pathways</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".[28]

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".[29]

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".[30] In fact, the latest NZE projects even

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26 https://www.woodside.com/docs/default-source/about-us-documents/corporate-governance/woodside-policies-and-code-of-conduct/climate-change-policy.pdf

27 Remuneration references from Woodside Annual Report 2022 unless otherwise stated

28 https://www.iea.org/reports/net-zero-by-2050

29 https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf.

30 https://www.iea.org/reports/world-energy-outlook-2022

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.[31]

Over 20% of Woodside's 2022 "Corporate Scorecard" used to determine variable remuneration is based on increasing oil and gas production. A further 20% is based on delivery of strategic business priorities, which are heavily focused on progressing new oil and gas projects. Woodside's emphasis on fossil fuel growth is a consistent feature of its bonus scheme, with the weight of production targets having been largely unchanged over the last decade.

Inconsistent with peers

Woodside's remuneration approach is inconsistent with oil and gas industry peers. For example, neither Shell nor TotalEnergies use any direct quantitative fossil fuel production targets in their remuneration schemes, having removed such incentives worth up to 25% and 8% respectively of their CEO's annual bonuses in 2021. BP attaches a very low weight to LNG production targets.[32] This means the total proportion of BP, Shell and TotalEnergies' remuneration driven by fossil fuel production is miniscule compared to Woodside's.

In order to meet investors' growing expectations to closely align corporate strategy with global climate goals and accepted pathways, Woodside must stop providing remuneration incentives relating to new oil and gas project development and increased production. Investors are therefore urged to vote against the remuneration report.

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[31] Ibid

[32] 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