MARKET FORCES

Investor update

Woodside Energy

Misguided growth and its costly consequences

MARCH 2024

Executive Summary

- **Woodside continues to reject investor demands for a genuine climate risk management strategy.**
    - Woodside's overall **emissions are expected to rise at least 18% by 2028** from 2022 levels, as weak emissions targets and plans are dwarfed by planned production growth.
- Woodside is pursuing a **misguided oil and gas growth strategy** in the face of a **massive LNG supply glut** and ever-growing renewables deployment. To fund this strategy Woodside is spending tremendous amounts of shareholder capital, **exacerbating transition risk exposure.**
    - This **risky growth strategy is heavily incentivised through remuneration**, a practice abandoned by key global peers years ago.
- As Chair of Woodside and its nomination committee **Richard Goyder holds ultimate responsibility** for the company's inadequate response to investor concerns, and heavy incentivisation of a **risky growth strategy.**

At the upcoming Woodside Energy AGM, **shareholders are urged to vote:**

- **AGAINST** the re-election of Richard Goyder
- **AGAINST** the adoption of the company's remuneration report
- **AGAINST** the climate transition action plan and 2023 progress report

Inadequate response to investor concerns

Investor concerns

APRIL 2020
50% of shareholders voted for scope 1, 2, and 3 emissions reduction targets, and exploration and capital expenditure plans aligned with the Paris Agreement

20% of shareholders voted against remuneration report

APRIL 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

MAY 2022
49% of shareholders voted against the company's climate action plan

MAY 2023
35% of shareholders voted against the re-election of director Ian Macfarlane

21% of shareholders voted against the company's remuneration report

Woodside's response

NOVEMBER 2020
Set its first emissions targets, which ignored scope 3 emissions

DECEMBER 2020
Increased stake in Sangomar oil development

NOVEMBER 2021
FID taken on $12bn Scarborough gas field and Pluto 2 LNG facility

JUNE 2022
Completed merger with BHP Petroleum, roughly doubling its production of oil and gas

JUNE 2023
FID taken on $7.2bn Trion oil field

FEBRUARY 2024
Set deeply inadequate 2030 Scope 3 emissions reduction target

Failed to meaningfully update corporate scorecard. Remuneration still incentivises new oil and gas development and production targets

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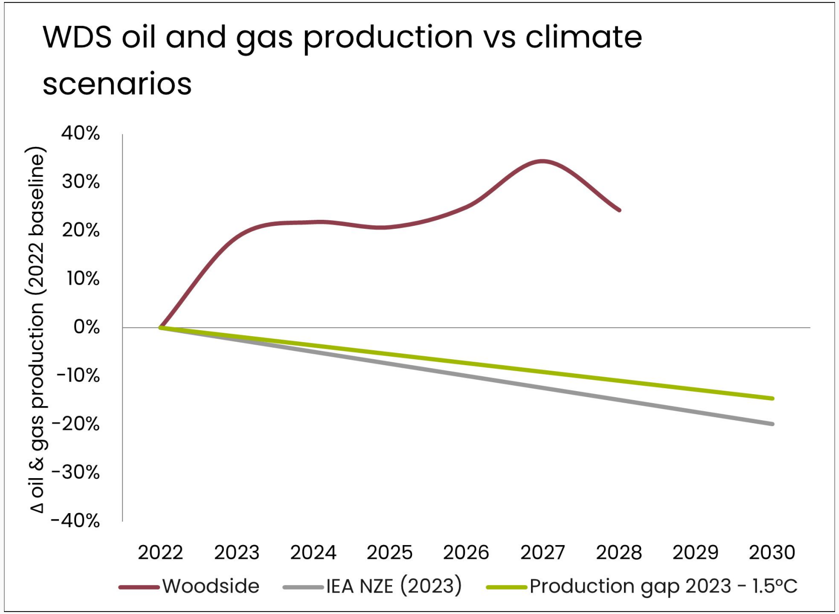
Production growth strategy



Source: IEA Net Zero Roadmap, Production Gap 2023 report, Woodside November 2023 Investor briefing.

IEA: In the "most technically feasible, cost-effective and socially acceptable" pathway to net zero emissions by 2050:

- Oil and gas **demand falls 20%** by 2030 from 2022 levels.
- "**No new long-lead time upstream oil and gas projects** are needed".

Woodside:

- Plans to **increase production 24%** by 2028 from 2022 levels with 3 new projects coming online.

- Targeting FID on a further 3 new projects.

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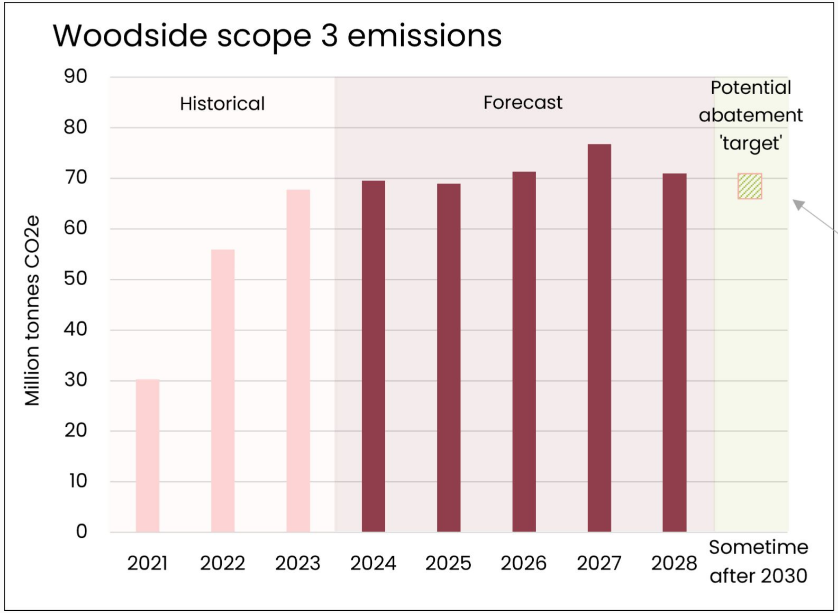
Increasing emissions

- Increasing production will increase emissions.
- Even assuming all emissions targets are implemented, we estimate **scope 1-3 emissions would increase 18% by 2028 from 2022 levels.**
- Scope 1 & 2 targets would abate just 2.4% of Woodside's total emissions.
- The new scope 3 emissions reduction target of taking FID on 5 mtpa of abatement by 2030 is paltry, representing just **7.4%** of 2023 scope 3 emissions.
- Furthermore, this target is littered with contingencies regarding customer demand and "commercial feasibility". **Woodside has not taken FID on a major 'new energy' project to date.**



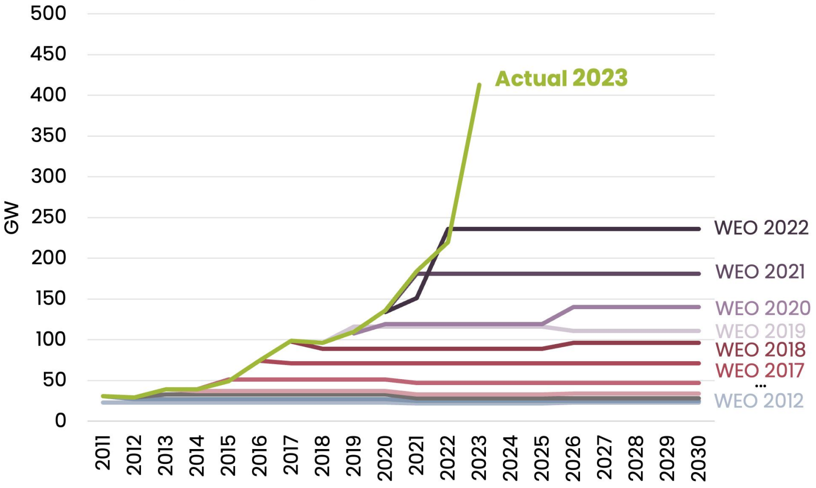
"Includes binding and non-binding opportunities in the portfolio, subject to commercial arrangements, commercial feasibility, regulatory and Joint Venture approvals, and third party activities (which may or may not proceed). Individual investment decisions are subject to Woodside's investment targets. Not guidance."

Source: Woodside annual reporting. Emissions are assumed to scale with Woodside's production forecast in November 2023 Investor briefing. Potential abatement target footnotes.

Renewables investment strains growth strategy

- Woodside continues to progress new oil and gas export projects despite renewables investment jumping to US$1.8 trillion in 2023.
- Every year the IEA has predicted solar growth to flatline - and every year it blows the forecast out of the water.
- Expectations of major gas demand growth alongside this renewables boom is unreasonable and extremely risky.
- According to the IEA's latest World Energy Outlook, **peak gas demand this decade is already locked in purely from current policy settings and market dynamics.**

IEA STEPS annual solar PV additions, forecast by WEO report vs actual



Source: IEA, BNEF (2023 estimate)
Refers to the NPS scenario in 2011-2018. Credit to Auke Hoekstra for original graphic concept.

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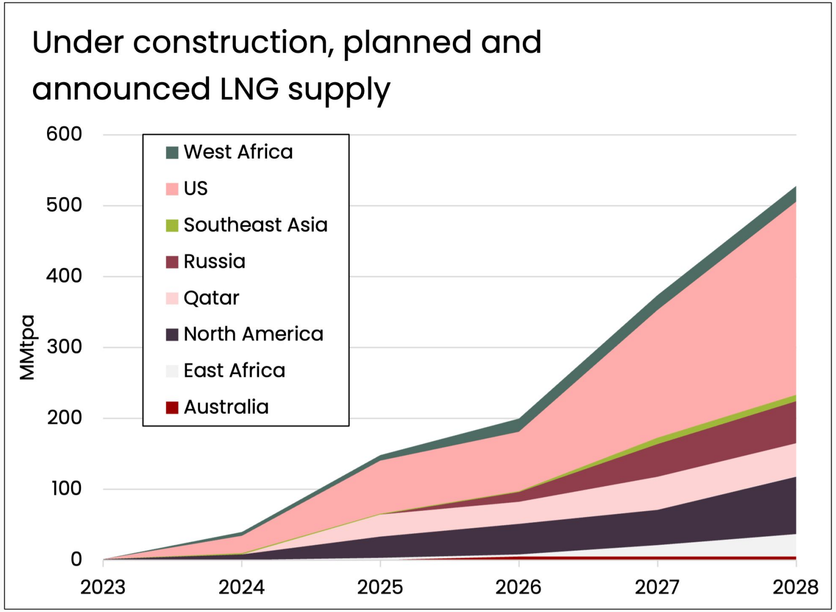
LNG supply glut squeezes growth strategy

- This shift in the global energy mix has contributed to numerous forecasts of an LNG supply glut forming in the late 2020s.
- Bloomberg states "the market is expected to shift to a glut in 2025 with the start of new projects from the US to Qatar"
- Woodside will be competing against far cheaper supply. Qatar plans an 85% expansion in LNG output from its North Field, with an estimated supply cost of just $0.3/MMBtu.
- IEEFA highlights that accordingly to Shell's latest LNG outlook, LNG demand peaked in Japan and South Korea - Woodside's key markets - last decade.



Source: Bloomberg Intelligence

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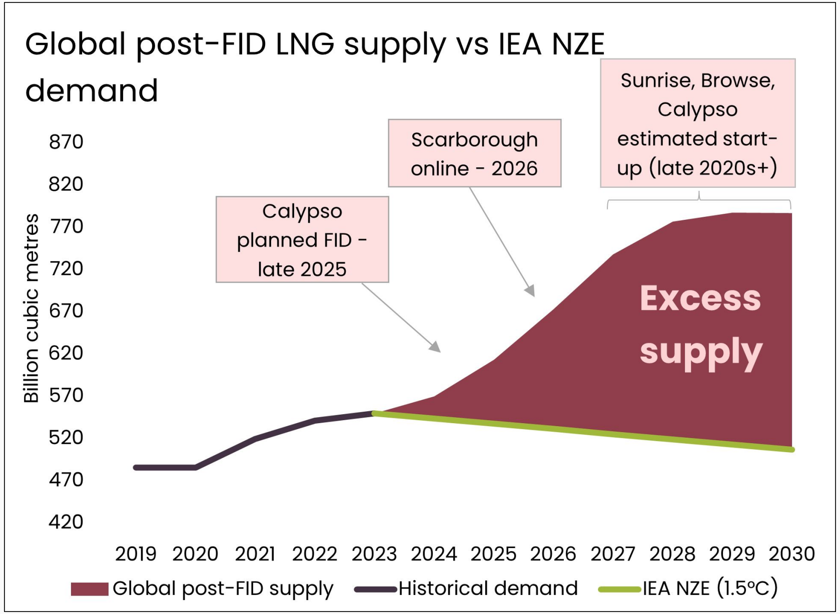
Growth projects face dire market



Source: Refinitiv historical and forecast LNG supply/demand. IEA Net Zero 2023 intraregional LNG demand forecast interpolated. Estimated start-up of Sunrise, Browse, Calypso according to KPMG and GaffneyCline.

- Due to this supply glut the Scarborough project will face a highly challenging operating environment.
- Supply figures in this chart are post-FID, meaning this is supply above the NZE demand profile that is already committed.
- Refinitiv estimates another 54.3 Mtpa of non-US supply is planned for FID in 2024, with another 115.5 Mtpa (21% of 2023 supply) of US projects held up by the Biden administration's permitting pause. This potential further supply will result in an even more dire operating environment for Sunrise, Browse and Calypso, all of which Woodside is still actively pushing forward.

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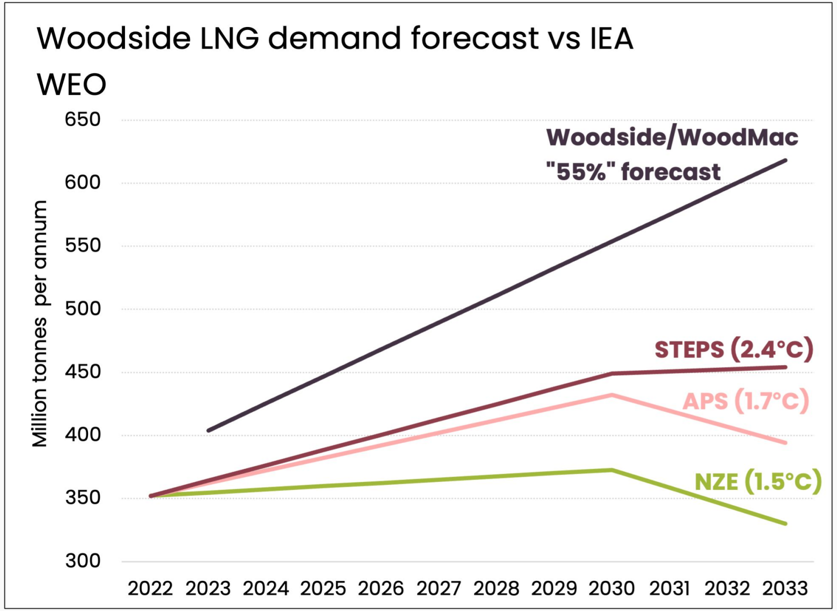
Misguided LNG demand forecast



Sources: Sources: IEA WEO 2023. Woodside demand forecast: Wood Mackenzie Global Gas Investment Horizon Outlook, October 2023, 53% demand increase forecast using 2023 LNG trade figure from Shell as baseline

- Despite this predicted supply glut Woodside still claims that LNG demand will grow 53% by 2033.
- **Woodside's demand projection implies the abject failure of existing climate policies.** The IEA forecasts markedly lower LNG demand under all 3 WEO scenarios, not just NZE. This includes STEPS, which only models currently existing government policies and is associated with a catastrophic 2.4°C of warming.
- Under the **NZE scenario LNG demand would be 47% lower than Woodside's forecast** with the APS and STEPS also significantly lower, 36% and 27% respectively.

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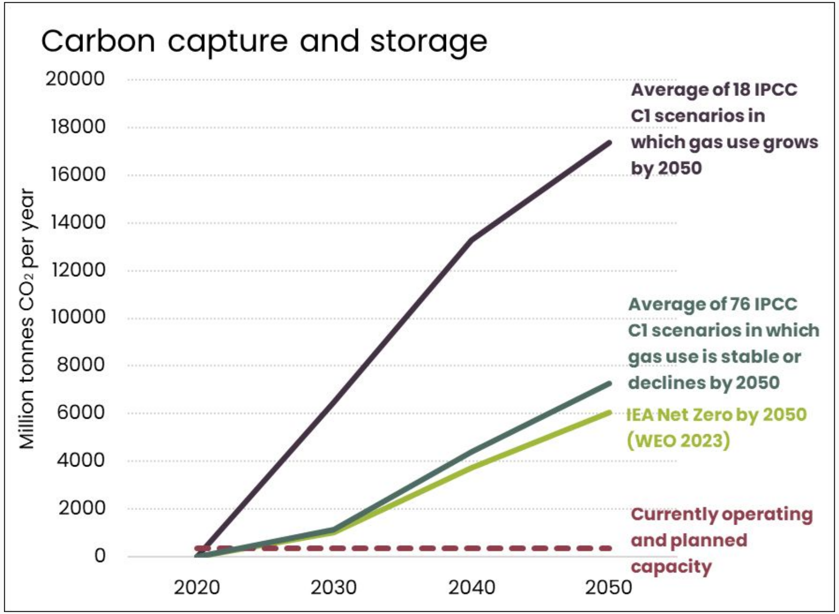
Woodside's scenario analysis is a red herring

- Woodside's climate report also presents gas demand under different IPCC scenarios to argue that the role of gas in a low-carbon world is "uncertain".
- These 97 so-called C1 scenarios cover an enormous range of plausibility.
- Gas use grows by 2050 in 18 of these scenarios. In these 18, we find that **carbon capture and storage capacity would need to increase 48 times** currently operating *and planned* levels.
- This is equivalent to building **three Gorgon-sized facilities every week** between now and 2050.
- Meanwhile, the **median decline in gas use by 2050 across all 97 C1 scenarios is 44%.** Woodside must stop peddling the fantasy that increasing gas use is Paris-aligned.



Source: IIASA AR6 Database, IEA, Global CCS Institute

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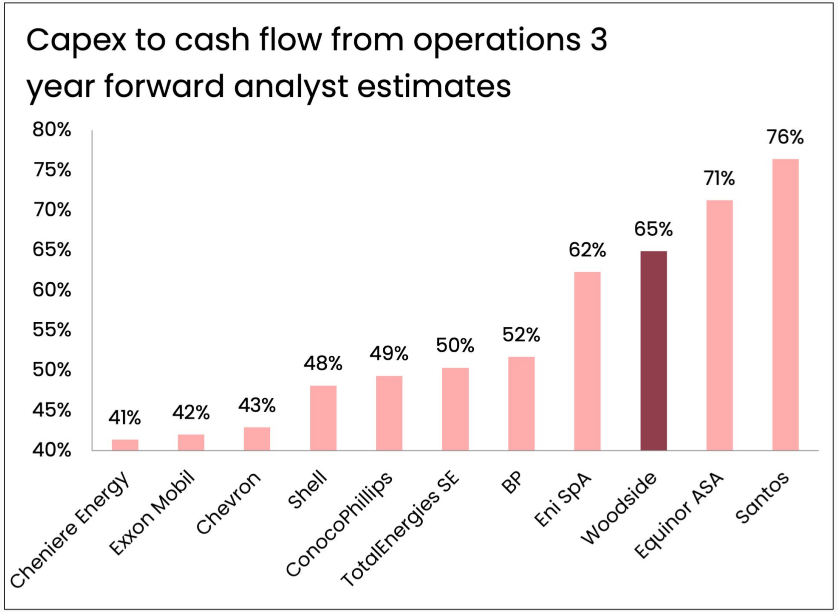
Expensive growth plans increase financial risk



Source: Refinitiv

- Woodside's misguided demand forecasts will be used as the basis for expensive capex investment decisions.
- Analysts estimate that **Woodside will spend 65% of its cash flow** from operations on capex over the coming 3 years. This is compared to a global peer average of only 54%.
- Due to the "high upfront development costs and lengthy payback periods" of oil and gas projects these costly capex investments pose significant financial risk to shareholders, particularly if the underlying demand assumptions are incorrect.
- Instead of returning it to shareholders, Woodside is gambling shareholder capital on growth projects that are incompatible with global climate goals and won't create long-term value.

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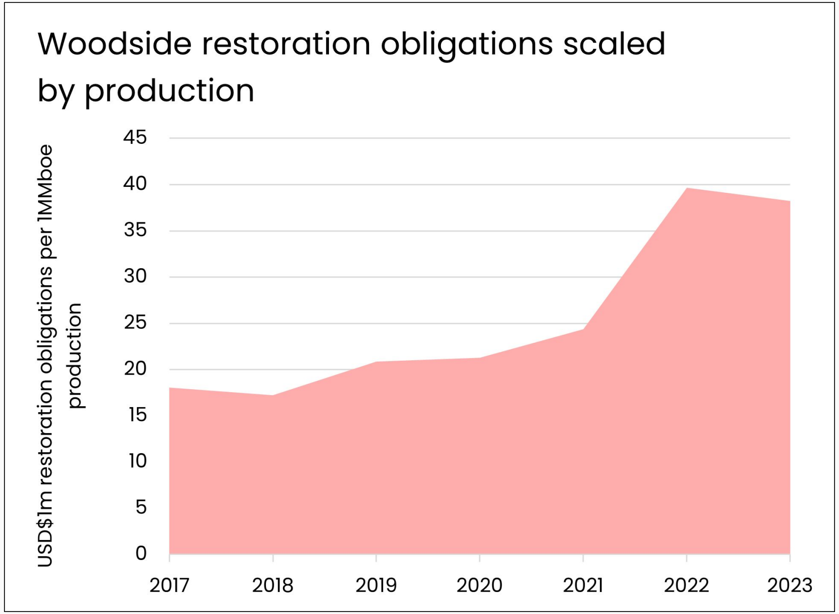
Further financial costs facing Woodside



Source: Bloomberg, Woodside 2017-2023 Annual reports

- Woodside's capex-heavy strategy will reduce funds available to distribute to shareholders.
- Even when factoring in the BHP merger (by scaling with production) restoration provisions continue to grow markedly: increasing by $901m to US$7.1bn in 2023 alone. Over the long-term these costs will diminish free cash flow available to shareholders. Currently provisions represent nearly **13 years of 2023's free cash flow** and **19% of the company's current market capitalisation**.
- Similarly, net debt jumped to $4.7bn in 2023, likely adding further strain to the company's cash flows over the long-term if oil and gas prices decline.

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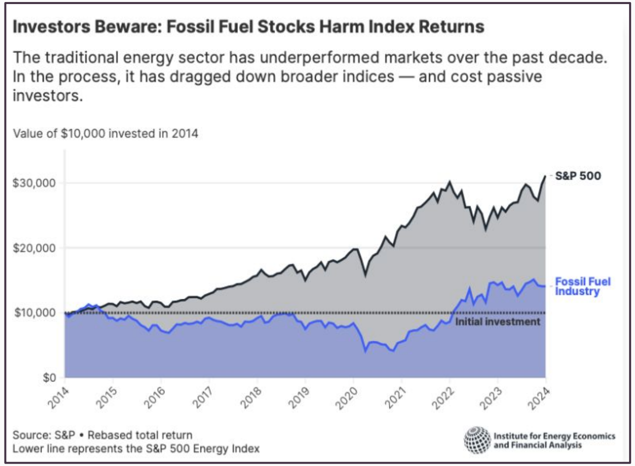
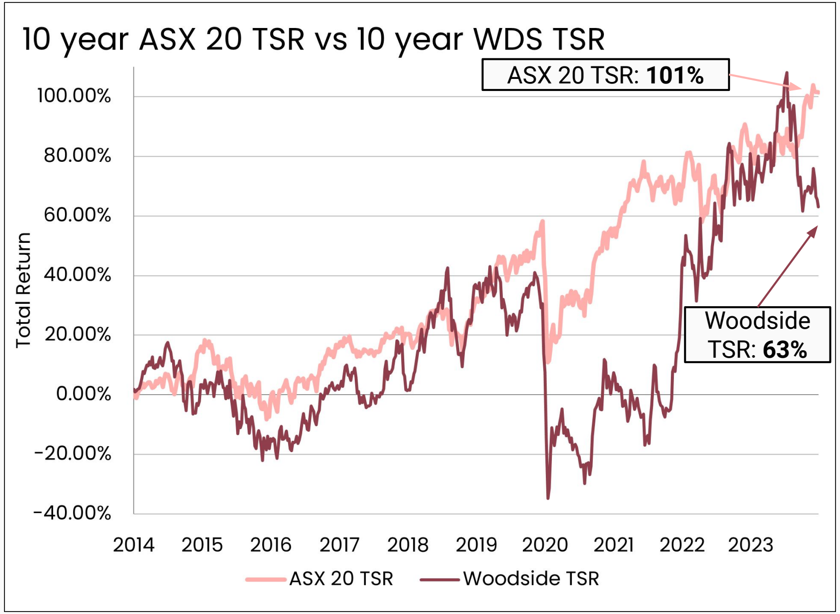
Oil and gas sector underperformance



Source: IEEFA, Passive investing in a warming world

Far from justifying further costly growth plans, "a few high-profit quarters have been unable to reverse a decade of [fossil fuel industry] underperformance"- IEEFA.



Source: Refinitiv Workspace

Similar underperformance emerges when comparing Woodside's 10 year TSR to the ASX 20 index.

Decreasing access to finance

- Many of the world's major banks now have exclusions on financing new oil and gas projects.
- 24 of the world's top 100 banks, representing over USD$26 trillion in assets now exclude project finance for new oil and/or gas fields.
- Many of these exclusions have been adopted in just the last two years. This trend is likely to increase as commercial banks seek to add legitimacy to their net-zero commitments.
- Alongside project finance exclusions, many banks are now requiring credible transition plans from oil and gas companies in order to continue providing any finance, which Woodside has not produced.
- Decreasing access to traditional bank finance in the coal sector has already led to significantly higher costs of capital.

BANK POLICIES: OIL & GAS EXCLUSION

ASSETS (USD)	BANK	NEW GAS FIELDS	GAS EXPANSION	NEW OIL FIELDS	OIL EXPANSION
$2,864.59 BN	HSBC	EXCLUDED		EXCLUDED	
$2,849.61 BN	BNP PARIBAS			EXCLUDED	
$2,542.61 BN	CRÉDIT AGRICOLE	EXCLUDED		EXCLUDED	
$1,853.86 BN	BANCO SANTANDER	EXCLUDED		EXCLUDED	EXCLUDED
$1,823.84 BN	BARCLAYS	EXCLUDED		EXCLUDED	
$1,636.35 BN	BPCE/NATIXIS			EXCLUDED	
$1,588.99 BN	SOCIÉTÉ GÉNÉRALE	EXCLUDED			
$1,180.22 BN	CRÉDIT MUTUEL	EXCLUDED		EXCLUDED	
$1,057.69 BN	LLOYDS BANKING GROUP	EXCLUDED		EXCLUDED	
$1,034.32 BN	ING	EXCLUDED		EXCLUDED	
$916.72 BN	UNICREDIT			EXCLUDED	
$837.21 BN	COMMONWEALTH BANK	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$796.88 BN	LA BANQUE POSTALE	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$762.15 BN	BBVA	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$679.76 BN	NAB	EXCLUDED		EXCLUDED	
$671.70 BN	RABOBANK			EXCLUDED	
$653.39 BN	WESTPAC	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$540.66 BN	DANKSE BANK	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$510.25 BN	COMMERZBANK	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$417.61 BN	OCBC	EXCLUDED		EXCLUDED	
$380.33 BN	KBC GROUP	EXCLUDED		EXCLUDED	
$376.07 BN	UOB	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$346.45 BN	LLBW	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED
$331.32 BN	HANDELSBANKEN	EXCLUDED	EXCLUDED	EXCLUDED	EXCLUDED

Remuneration incentivises misguided strategy

- Woodside's remuneration structure still incentivises key management personnel to pursue its risky oil and gas growth strategy. Woodside's 2024 corporate scorecard makes mostly cosmetic changes.
- It continues to incentivise oil and gas production under its "Base business" category and new oil and gas project growth under its "Growth" category. These metrics still account for 40% of the weighting of the corporate scorecard.
- This structure remains inconsistent with the company's [own climate policy] which recognises the climate goals of the Paris Agreement.
- Woodside remains unresponsive to investor expectations regarding remuneration structures. Shareholders have consistently voted against Woodside's remuneration report with [21% voting against in 2023.]

2023 Corporate Scorecard

Financial	Base business	Sustainability	Strategy and growth
EBITDA is a key contributor to annual profitability, and controlling Operating Expenditure brings a focus on efficient operations, cost competitiveness and shareholder returns.	Revenue is maximised and value generated from our assets when they are fully utilised in production.	Material sustainability issues include personal and process safety, environment, emissions reductions, and our social licence to operate.	Business priorities focus on progress and milestones of capital projects, business developments, and balance sheet management.
25%	25%	25%	25%

2024 Corporate Scorecard

Financial	Base business	Growth	Safety	Climate
EBITDA is a key contributor to annual profitability and controlling Operating Expenditure brings a focus on efficient operations, cost competitiveness and shareholder returns.	Revenue is maximised and value generated from our assets when they are fully utilised in production.	Growth focuses on achievement of capital project milestones and business developments aligned to our strategic plan.	Protecting the health and safety of our people, our contractors and our host communities is a top priority.	Ensures appropriate emphasis on meeting Scope 1 and 2 emissions targets and progress of new energy projects.
30%	20%	20%	15%	15%

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Remuneration remains inconsistent with peers

Woodside has shown little improvement over several years of remuneration policies. This contrasts starkly with international peers:

- Shell's long term incentive scheme and TotalEnergies' performance share scheme offer no oil and gas production or growth incentives.
- Both Shell and TotalEnergies removed direct quantitative fossil fuel production targets from their remuneration schemes back in 2021. These targets were previously worth up to 25% and 8% respectively of their CEO's annual bonuses.
- BP has completely eliminated fossil fuel production metrics from its annual bonus scheme and has progressively reduced their weight in its long-term incentive scheme. The company's most recent long-term scheme saw a major cut in production metric weights, and instead included a 15% weighting for Scope 1 and 2 emissions cuts.

Source: Woodside

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Board-endorsed risky strategy and climate failure

- **Woodside's inadequate response to shareholder concerns, increased financial risk and misguided growth strategy** have been presided over by Chair Richard Goyder and a board appearing to mismanage the existential risks posed by the energy transition that is rapidly gathering pace.

- As Chair of the nominations committee, Richard Goyder has additional oversight and responsibility to ensure the election of new directors that add requisite skills.

- Key guidance on skills matrices highlight the need for board competencies to manage key business issues, including those emerging under different scenarios.

ASX	Board skills should cover "emerging business and governance issues"
Australian Institute of Company Directors	Address "the key issues facing the organisation" and ensure "the board's composition takes account of different scenarios"
Climate Action 100+	"The company has assessed its board competencies with respect to managing climate risks and discloses the results of the assessment."

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Failing to meet IGCC director expectations

Investor Group on Climate Change		Woodside
“The company has a **coherent climate change strategy** which is integrated into the company’s strategy **including capital expenditure.**”	❌	**Failed** Climate strategy (including capex) is misaligned with the Paris climate goals as the company is pursuing oil and gas growth.
“The company undertakes **robust climate change scenario analysis** and **disclose capital investments, or assumptions**, consistent with the Paris Agreement objective of aiming to limit global warming to 1.5°C.”	❌	**Failed** Latest scenario analysis lacks granularity. Capital investments remain wildly inconsistent with 1.5°C.
“**Carbon offsets** are used as a **last resort** in the company’s medium- to long-term strategy to manage climate change.”	❌	**Failed** Offsets remain core to Woodside’s emission reduction strategy. **Offset use is expected to more than double** over the 2024-2030 period compared to 2023.

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Failing to meet IGCC director expectations

Investor Group on Climate Change		Woodside
"The **climate change transition strategy** for oil and gas companies **is the company strategy.**"	❌	**Failed** Woodside's company strategy prioritises new oil and gas growth whilst the climate strategy and policy recognises the Paris goals, which require no new oil and gas fields.
"The **CEO and Chair** to show company leadership by **ensuring action on climate change and minimising misalignment or inconsistencies in the approach** to climate change across the company."	❌	**Failed** Despite Woodside's climate policy recognising the Paris goals, policy lobbying has been broadly negative towards climate policy.
"**Remuneration structures should not include incentives inconsistent or conflicting** with improving a company's **climate change resilience and reducing emissions.**"	❌	**Failed** Remuneration structure still promotes oil and gas growth, inconsistent with reducing emissions and climate change resilience.

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No disclosed skills matrix assessment

- Woodside's latest governance reports still fails to disclose how its board is assessed against the requirements of its skills matrix.
- Woodside's lack of disclosure regarding climate change skills is even more concerning when only one director biography contains any mention of climate change experience: newly appointed Ashok Belani is said to have gained this experience at SLB. However, 100% of SLB's revenues are still generated from oilfield services. In FY23 SLB's Scope 1-3 emissions grew to 36.9 Mt, following a massive increase of 26% from FY21 to FY22.
- Aside from fleeting mentions of Swee Chen Goh's 'Carbon Solutions' directorships, no other director biography contains any reference to climate change or new energy experience.

Leadership and culture		
	• Business leadership • Values and behaviours	• Public listed company experience
Finance		
	• Accounting and audit • Financial acumen	• Insurance • Taxation
Business strategy		
	• Corporate financing and treasury • Business strategy	• Capital projects
Commercial		
	• Gas/LNG marketing • Mergers and acquisitions • Business development	• Legal and regulatory compliance • US regulatory compliance • Risk management
Sustainability and stakeholder management		
	• Health and safety • Community relations • Corporate governance	• Environment • Public and regulatory policy
Climate change		
	• Policy and legal risks • Market	• Technology • Reputation
People and capability		
	• People and culture • Industrial relations	• Remuneration
Industry		
	• Oil and gas experience • New energy and renewables • Technology and innovation	• Major projects • Digital • Cybersecurity
International		
	• International oil and gas exploration, development and production	• International experience

Source: Woodside corporate governance statement

Human rights and legal issues during Goyder's tenure

The Guardian

Greenpeace legal action alleges Woodside lied about climate performance

Environmental group files claim accusing Australia's largest energy company of misleading or deceiving public about its emissions

The Guardian

'Our ancestors are in the rocks': Australian gas project threatens ancient carvings - and emissions blowout

Custodians of petroglyphs in remote north-west say Woodside's $12bn 'carbon bomb' spells disaster for culture and climate

The Canberra Times

Activist shareholders target Woodside over new projects

Production growth is not the best option for delivering value to Woodside Energy shareholders, according to financial modelling

The Sydney Morning Herald

Woodside contradicts CSIRO report debunking key climate claims

FINANCIAL REVIEW

Woodside heads for fresh clash on climate as profits slide

Investor action required

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