BlackRock.

Investment Stewardship

Vote Bulletin: Woodside Petroleum Ltd.

Company	**Woodside Petroleum Ltd. (ASX: WPL)**
Market and Sector	Australia, Energy
Meeting Date	19 May 2022
Key Resolutions[1]	**Management proposal(s):** • **Item 2:** Approve the BHP Petroleum Merger • **Item 9:** Approve the climate report **Shareholder proposal(s):** • **Item 10a:** Special resolution – Amendment to the Constitution • **Item 10b:** Ordinary resolution – Capital protection • **Item 10c:** Ordinary resolution – Climate-related lobbying • **Item 10d:** Ordinary resolution – Decommissioning
Key Topics	Corporate strategy, purpose, and financial resilience; Climate risk
Board Recommendation	The board recommended shareholders vote FOR Items 2 and 9 and AGAINST Items 10a-10d
BlackRock Vote	BlackRock voted FOR Items 2 and 9 and AGAINST Items 10a-10d

Overview

Woodside Petroleum Ltd. (Woodside) is an Australian oil and natural gas company headquartered in Perth, Australia. The company engages in global exploration, development, and production operations.

BlackRock Investment Stewardship (BIS) engages companies on behalf of clients to understand how they identify and manage risks and opportunities that can impact a company's ability to deliver sustained financial performance for long-term investors.

In multi-year engagements with Woodside, we have discussed the company's approach to board quality and effectiveness, with a focus on board refreshment and diversity. We have also engaged to understand the company's approach to climate risk.[2] The company has regularly updated shareholders on their plans to become carbon neutral by 2050 and demonstrated a responsiveness to shareholder feedback, including

[1] Woodside Petroleum Ltd. "Notice of Annual General Meeting 2022." 8 April 2022.

[2] To learn more about our engagements with Woodside and voting on behalf of clients at past shareholder meetings, please refer to the 2020 and 2021 Vote Bulletins.

through enhancing sustainability-related reporting in alignment with the Task Force on Climate-related Financial Disclosures (TCFD).

Rationale for BlackRock's vote

Item 2: Approve the BHP Petroleum Merger[3] (FOR)

BIS supported the resolution seeking shareholder approval for the merger. After a combination of careful analysis and engagement with management and members of the Board, BIS concluded that support for this resolution is in the best economic interests of long-term investors like our clients.

At this year's annual general meeting (AGM), Woodside's management submitted the proposed merger with BHP Petroleum for shareholder approval.

As explained in the BIS proxy voting guidelines for Australian securities, when reviewing merger and asset sale proposals, our primary concern is the long-term economic interests of our clients as shareholders. BIS engaged with the company – with both management and the Chairman of the Board – to further understand how the proposed merger is intended to create long-term value for shareholders.

The company explained that, among other initiatives, a mix of continued capital discipline and focused growth opportunities – including the exploration of alternative energy opportunities such as hydrogen, ammonia, and carbon capture, utilization and storage – will help drive long-term value creation for shareholders.[4]

In our engagements, we also sought to better understand the implications of the merger for the company's energy transition plans, as described in the company's "Climate Report 2021," which was submitted for shareholder approval at this year's AGM (see Item 9 below). The company explained that the board considered the climate strategy as a key area of focus when analyzing the merger.

As the merger won't take effect until after the AGM, BHP's emissions are not yet included in the company's reduction targets. We raised this question, and the company explained that their stated emission reduction targets will apply to the merged entity once this is approved.[5] In their investor presentation, the company informed shareholders that the merger will increase Woodside's capacity to navigate the energy transition. In addition to shared emissions reduction goals, the merged entity will assess new energy and carbon capture opportunities, among other initiatives.[6]

An independent expert report determined that the "merger is in the best interests of Woodside Shareholders."[7] BIS decided to support the resolution after a careful analysis of the merger, further informed by our engagements with company leadership. BIS will continue to engage with the company to monitor progress on their journey towards becoming net zero by 2050. In particular, we will engage to assess progress on Woodside's plan to apply their stated emissions reduction targets to the merged entity.

Item 9: Approve the climate report (FOR)

BIS supported the approval of the company's "Climate Report 2021" outlining the climate risk and transition strategy. The report incorporates shareholder feedback, including BlackRock's, and provides long-term investors insight into the company's actions to date and plans to become net zero by 2050 or

[3] On November 22, 2021, the BHP Group and Woodside "signed a binding share sale agreement (SSA) for the merger of BHP's oil and gas portfolio with Woodside. Under such agreement, Woodside is to acquire "the entire share capital of BHP Petroleum in exchange for new Woodside shares." The company communicated that upon completion of the agreement, new issued shares will be distributed to BHP shareholders with an expected equity ownership of approximately 52% by existing Woodside shareholders and 48% by BHP shareholders.[3] See "BHP and Woodside agree to create a global energy company." 22 November 2021.

[4] Woodside Petroleum, Ltd. "Woodside and BHP Petroleum merger investor presentation." 8 April 2022.

[5] As stated in the "Climate Report 2021," Woodside's existing emissions reduction targets consist of reducing net equity Scope 1 and Scope 2 greenhouse gas emissions by 15% in 2025 and 30% in 2030; aspiration of net zero emissions by 2050 or sooner

[6] Woodside Petroleum Ltd. "Woodside and BHP Petroleum merger investor presentation." 8 April 2022. Page 13.

[7] Ibid, page 4.

sooner, thereby allowing investors to analyze how management intends to deliver long-term financial performance through the energy transition. We encourage the company to continue engaging with shareholders, and other key stakeholders, to inform about management's progress against their stated targets, and to assess adapting the plan as needed.

At the 2022 AGM, the company introduced an advisory resolution seeking shareholder approval for the adoption of the "Climate Report 2021." The report "summarises Woodside's climate-related plans, activities, progress and climate-related data for the period 1 January 2021 to 31 December 2021."[8]

As discussed in our commentary, "Climate risk and the global energy transition," long-term investors benefit when companies articulate how they are assessing and managing the risks and dynamics arising from the global energy transition, including their strategies to navigate and realize emerging opportunities in the energy transition.

Consistent with the recommendations of the TCFD, we look for companies to demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C. Long-term investors are better able to assess progress and identify innovative leaders, when companies disclose scope 1 and 2 emissions, along with short-, medium-, and long-term science-based reduction targets, where available for their sector.

The company's climate report is TCFD-aligned and "describes the Company's strategy including progress against emissions reduction targets, financial resilience testing of Woodside's portfolio using scenarios, targets and metrics, risk management and governance."[9] In particular, the report outlines the company's plans to meet short- and medium-term targets to reduce their "net equity Scope 1 and Scope 2 greenhouse gas emissions by 15% in 2025 and 30% in 2030" in support of the company's aspiration of becoming net zero by 2050 or sooner.[10]

The report also includes scope 3 emissions reduction plans. Given that the largest source of the company's scope 3 emissions derives from customers' "use of sold product," the company plans to invest in "new energy products and lower-carbon services; supporting [our] customers and suppliers to reduce their net emissions; and promoting global measurement and reporting."[11] The investing component of the plan considers a U.S. $5 billion allocation in new energy products and lower-carbon services by 2030. In addition, the report details a capital allocation framework, intended to create a diversified and flexible portfolio, which signals a responsiveness to changes in demand and supply for the company's products.

Long-term investors greatly benefit from disclosures that help evaluate companies' assessments of emissions across their value chain, or scope 3 emissions, and reduction targets, particularly where such emissions are material to their business. These disclosures provide important insight into the full carbon component of companies' goods and services. This further allows investors to evaluate the long-term risks and resilience of companies across their value chain. That said, we fully recognize that the methodology, accounting, assurance, and regulatory landscape for scope 3 emissions is complex, varied, and very much still evolving. Accordingly, we recognize that, for now, the disclosures companies are able make in this area will necessarily be on a good faith and best-efforts basis.

BIS is encouraged by the company's progress in disclosing the actions taken to date, and their overall strategy to respond to climate change and the energy transition. As a result, BIS supported the advisory resolution seeking shareholder approval for the company's climate report. We will continue to engage to assess progress against the plan. We will also engage with the company on the integration of BHP Petroleum and its impact on

[8] Woodside Petroleum Ltd. "Notice of Annual General Meeting 2022." 8 April 2022. Page 18.
[9] Ibid, page 19.
[10] Woodside Petroleum Ltd. "Climate Report 2021."
[11] Ibid, page 20.

the energy transition strategy. As mentioned above, we will monitor progress on the company's plan to apply their existing scope 1 and 2 emissions reduction targets to the merged entity.

Item 10a: Special resolution – Amendment to the Constitution (AGAINST)

BIS is generally not supportive of constitutional amendment resolutions and voted AGAINST the special resolution to amend Woodside's constitution. The full resolution reads as follows:[12]

> *To consider and, if thought fit, pass the following resolution as a special resolution:*
>
> *"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."*

As required under the Australia Corporations Act 2001, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent ordinary resolution(s), in this case items 10b-10d. A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution. BIS is generally not supportive of constitutional amendment resolutions. Our concern is that the relative ease of filing introduces the risk of potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.

Item 10b: Ordinary resolution – Capital protection (AGAINST)

BIS did not support the resolution as it is overly prescriptive and risks unduly restricting management's ability to make business decisions. The full resolution reads as follows:[13]

> *Subject to and conditional on Item 10(a) being passed by the required majority, to consider and, if thought fit, pass the following resolution as an ordinary resolution:*
>
> *"Shareholders note the company's support for the climate goals of the Paris Agreement, along with the publication of the International Energy Agency's Net-Zero Emissions by 2050 Scenario, and the Climate Action 100+ company assessment. 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."*

BIS takes a case-by-case approach to shareholder proposals. We generally do not support those that we believe risk over-reaching into the basic business decisions of the company, as is the case with this resolution.

BIS maintains that a company's executive leadership and the board are best positioned to determine the course of action that is in the best economic interests of long-term investors. This includes how the company manages

---

[12] Woodside Petroleum Ltd. "Notice of Annual General Meeting 2022." 8 April 2022. Page 5.
[13] Woodside Petroleum Ltd. "Notice of Annual General Meeting 2022." 8 April 2022. Page 6.

climate risk in capital allocation decisions, such as investments in sustainable solutions, opportunities, business lines, renewable energy, and/or low-carbon products – and how such investments are aligned with the financial interests of long-term shareholders like our clients.

The company's capital expenditure is, on our assessment, aligned with their goal of reaching net zero by 2050. For example, the company's 2020 capital expenditure disclosures explain how they have considered the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) in the values they use to calculate levels of resilience and prioritize investments.[14]

In addition, the "Climate Report 2021" submitted to shareholder approval at this year's AGM details a capital allocation framework, intended to create a diversified and flexible portfolio, which signals a response to changes in demand and supply for the company's products. The company also acknowledges that "the Scope 1 and 2 greenhouse gas emissions from projects in all capital allocation categories need to be managed to meet [our] net equity emissions reduction target of 30% and net zero aspiration by 2050 or sooner."[15]

In consideration of the above, BIS conclude the company's disclosures provide investors with necessary information to assess its approach to the energy transition. We will continue to engage as the company's approach to climate risks and opportunities and the energy transition evolves.

Item 10c: Ordinary resolution – Climate-related lobbying (AGAINST)

BIS did not support the resolution as it appears to be overly prescriptive in that it seeks to dictate the company's climate-related lobbying activities. The full resolution reads as follows:[16]

> *Subject to and conditional on Item 10(a) being passed by the required majority, to consider and, if thought fit, pass the following resolution as an ordinary resolution:*
>
> *"Shareholders request that our company cease all private and public advocacy, both direct and indirect, that contradicts the conclusions of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) on 1.5°C alignment, including advocacy relating to the development of new oil and gas fields. Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company."*

BIS regularly engages with companies to understand how their corporate political activities contribute to policy matters material to their long-term strategy and shareholder value. Over the course of our engagements with the company, we have discussed this issue at length, providing feedback on ways the company could enhance their corporate political activities disclosures to benefit long-term investors. The company has been responsive and followed through on commitments to enhance disclosures and report any misalignments in position when identified. As described in our 2020 Vote Bulletin, the company committed to undertake a comprehensive review of its industry association advocacy. The next year, the company published findings of that review including twelve associations that are active in energy advocacy. In the cases where material misalignment between the associations' position and the company's own climate position and business priorities was identified, the company discontinued their membership.[17]

Based on the company's publicly available disclosures, and our multi-year engagement, the company has demonstrated progress in ensuring their corporate political activities and industry association memberships align with the company's publicly stated policy positions. In addition, the resolution as written exceeds

[14] See our 2020 Vote Bulletin.
[15] Woodside Petroleum Ltd. "Climate Report 2021."
[16] Woodside Petroleum Ltd. "Notice of Annual General Meeting 2022." 8 April 2022. Page 6.
[17] The Canadian Association of Petroleum Producers, the Canadian LNG Alliance, THE International Gas Union, and the World Energy Council. See "Industry Association Review – Alignment on Climate" to learn more.

requesting greater disclosures and risks preventing the company from participating in certain climate-related industry associations and activities directly relevant to their business.

Item 10d: Ordinary resolution – Decommissioning (AGAINST)

BIS did not support the resolution as it appears to be overly prescriptive and risks unduly limiting management's ability to make business decisions. The full resolution reads as follows:[18]

> *Subject to and conditional on Item 10(a) being passed by the required majority, to consider and, if thought fit, pass the following resolution as an ordinary resolution:*
>
> *"Shareholders request that the Board disclose annually from 2023:*
>
> 1. *A list of all onshore and offshore oil and gas infrastructure which may be decommissioned over the medium-term*
> 2. *Audited asset-level provisions for the decommissioning of this infrastructure and restoration of sites, along with the major assumptions underpinning these provisions, and*
> 3. *Analysis of the useful life of all assets using different oil and gas demand scenarios, including the IEA Net Zero by 2050 scenario.*
>
> *Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company."*

Following a careful analysis of the resolution's language, it appears to be overly-prescriptive in nature and risks over-reaching into the basic business decisions of the company as, on our assessment, it indicates a particular course of action by management. As explained in our commentary on Climate Risk and the Global Energy Transition, we look to companies to help their investors understand how climate risks and opportunities are integrated into their governance, strategy, and risk management, to provide scope 1 and 2 greenhouse gas (GHG) emissions disclosures, and meaningful short-, medium-, and long-term science-based reductions targets, where available for their sector.

That said, investors increasingly recognize that net zero pathways will not be linear or streamlined; energy markets and the macroeconomic environment are complex and volatile, and a great deal of regulatory and geopolitical uncertainty remains. In this context, long-term investors therefore depend on the board and management, who are best positioned to determine what approach will equip the company to navigate climate risks and pursue emerging opportunities. Thorough company disclosures allow long-term investors to track progress — whether positive or negative — and to understand what strategic changes may be undertaken to manage key risks, such as emissions reduction efforts.

As outlined above, the company has demonstrated a responsiveness to shareholder feedback and has followed through on their commitments to develop a plan to navigate "the energy transition as a low-cost, lower carbon energy provider"[19] as disclosed in their enhanced disclosures and capital allocation framework, allowing long-term investors to better understand how management intends to deliver long-term financial performance for long-term shareholders like our clients.

---

[18] Woodside Petroleum Ltd. "Notice of Annual General Meeting 2022." 8 April 2022. Page 6.
[19] Woodside Petroleum Ltd. "Climate Report 2021." Page 4.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public voting guidelines and informed by our analysis of company disclosures and, where relevant, our engagements.[20]

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our website. For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

contactstewardship@blackrock.com

This Vote Bulletin is provided for information and educational purposes only and does not constitute legal advice, a recommendation or an offer or solicitation to buy or sell the securities of any company. The information here is as of May 27, 2022. BlackRock has no obligation to provide any updates. Investing involves risk, including the loss of principal.

Prepared by BlackRock, Inc.

[20] As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.