

Voting Bulletin: Origin Energy Limited

As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to transparency in our stewardship practices. Where we believe it will help to understand our voting decisions on key votes at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	Origin Energy Limited
Market	Australia
Meeting Date	20 th October 2020
Key Resolutions ¹	<p>Item 5(a): Amendment to the Constitution</p> <p>Item 5(b): Consent and Fracking</p> <p>Item 5(c): Lobbying and COVID-19 Recovery</p>
Board Recommendation	The board recommends shareholders vote AGAINST these proposals
BlackRock Vote	BIS voted AGAINST Items 5(a) and 5(b), and voted FOR Item 5(c)

¹ Meeting information can be accessed at: <https://www.originenergy.com.au/about/investors-media/annual-general-meeting.html>

Overview

Origin Energy Limited (Origin) is an integrated energy company, which engages in exploration and production of natural gas, electricity generation, wholesale and retail sale of electricity and gas, and sale of liquefied natural gas.

BIS regularly reviews Origin's governance practices and risk profile. We have engaged with members of Origin's board and management over a range of material environmental, social and governance issues, including climate-related risks and opportunities, indigenous peoples' affairs, industry associations, board composition and strategy, amongst others.

Origin received three shareholder proposals at this year's annual general meeting (AGM) submitted by the Australian Center for Corporate Responsibility (ACCR): Item 5(a) to Amend Constitution of Origin Energy Ltd.; Item 5(b) on Consent and Fracking; and Item 5(c) on Lobbying and COVID-19 Recovery.

Item 5(a): Amend Constitution of Origin Energy Limited

As required under Australian voting rules, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent non-binding resolutions of 5(b) and 5(c) to be voted upon. 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.

Conditional on Resolution 5(a) being passed by the required majority the following resolutions can then be considered:

Item 5(b): Consent and Fracking

"Shareholders request that the Board commission an independent review of the process undertaken by its predecessor(s) to obtain free, prior and informed consent (FPIC) from Aboriginal Native Title holders and claimants on whose lands our company intends to undertake hydraulic fracturing (Fracking) in the Beetaloo Sub-Basin (FPIC Review).

Shareholders request that the FPIC Review be summarised in a report to be made available on the company website by 30 June 2021 (Report). The Report should be prepared at reasonable cost and omit confidential information."

Item 5(c): Lobbying and COVID-19 Recovery

"Shareholders request that the Board undertake, as soon as practicable, a review of advocacy activities undertaken by our company's Industry Associations relating to economic stimulus measures in response to COVID-19.

Shareholders recommend that our company suspend, for a period deemed suitable by the Board, membership of Industry Associations where the review demonstrates, on balance, a record of advocacy inconsistent with the Paris Agreement's goals. Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company."

Rationale for BlackRock's vote

Item 5(a): Amend Constitution of Origin Energy Limited (AGAINST)

BlackRock is not generally supportive of this type of constitutional amendment resolution, as the relative ease of the filing process increases the risk that these types of proposals are potentially distracting, time-consuming or are submitted by shareholders whose interests may not be necessarily aligned with those of the broader

shareholder base. This resolution is a requirement in Australia, and typically receives relatively low levels of support for these reasons.²

Item 5(b): Consent and Fracking (AGAINST)

The proposal asks the company to commission a review of the process used to obtain consent from Aboriginal owners who may be affected by the company's hydraulic fracturing (fracking) activities in the Northern Territory. This is the third consecutive year that the shareholder proponents have raised concerns at Origin's AGM regarding the affected Native Titleholders – noting that the company has done little to address these concerns over its fracking projects in the Beetaloo Sub-Basin.

BIS believes that Free, Prior and Informed Consent (FPIC)³ is critical in ensuring the rights of Aboriginal peoples and has highlighted the importance of robust community engagement by companies seeking access to traditional lands. In addition, companies should consider whether complying with legal requirements is sufficient to ensure FPIC and a good understanding of the views of the local community. In some circumstances, companies may determine that additional measures are warranted.

We believe that Origin has demonstrated adequate business practices related to its fracking operations, based on our analysis of the company's disclosures and our engagement, and has made appropriate efforts to procure consent from the Native Titleholders for its exploration projects in the Beetaloo Sub-Basin.

In acquiring the permits for the Beetaloo project, Origin has engaged and obtained consent from the Northern Land Council (NLC)⁴ – which requires spending considerable time and resources to ensure adequate knowledge of the fracking process amongst the community.⁵ Under its Exploration Agreements for exploration and appraisal work, Origin provides work program plans to the NLC and Native Titleholders a year in advance, holding regular meetings as part of wider process of consultation, engagement and information sharing about activity and locations for planned work.

Crucially, the major opponents of the project do not have rights over the land operated by Origin. Rather, the host traditional owners whose land Origin operates on have publicly stated their support for the project. An elder from the Beetaloo community and a host traditional owner requested to speak at the 2019 Origin AGM⁶ on behalf of all host traditional owners, in support of the project and the positive changes it will bring to the community.

Given these factors, we voted against the proposal. Furthermore, we note that the proposal is overly prescriptive, given the short timeframe within which it requests Origin to publish a report (by June 30, 2021).

² BlackRock would prefer that constitutional changes such as these be made through the regulatory process, rather than through private ordering, to establish a consistent standard across the market.

³ The right of indigenous peoples to give or withhold free, prior, and informed consent for the use of their lands, resources, traditional knowledge, or intellectual property (FPIC) is one of these special protections for indigenous peoples. In 2007, the U.N. General Assembly voted in favor of the U.N. Declaration on the Rights of Indigenous Peoples (UNDRIP).⁷ The UNDRIP states that governments shall obtain the FPIC of indigenous peoples for development projects. For more information, please see: https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2Fhuman_rights%2FHuman_Rights_Working_Group%2FFPIC_Indigenous_Peoples_GPN.pdf

⁴ According to the *Aboriginal Land Rights Act*, the NLC has statutory obligations to ascertain and express the wishes of Aboriginal peoples about the management of their land and legislation about their land, as well as to negotiate on behalf of traditional owners with peoples interested in using Aboriginal land or land under claim, amongst other obligations.

⁵ See https://www.originenergy.com.au/content/dam/origin/about/investors-media/documents/2020_notice_of_meeting.pdf

⁶ See <https://originbeetaloo.com.au/engaging-with-traditional-owners/>

Item 5(c): Approve Lobbying and COVID-19 Recovery (FOR)

This proposal requests that the company review advocacy activities undertaken by its industry associations related to economic stimulus measures in response to COVID-19 restrictions, and to suspend membership in associations whose activities and lobbying are not in line with the company's commitment to the Paris Agreement.

We believe that the company has demonstrated leadership among its peers regarding the transparent management of its industry associations. In 2020, Origin released a publicly available, comprehensive industry review to further enhance its approach to industry associations.⁷ It also reviews annually the key policy positions of the industry associations, to ensure some alignment in formal positions on climate change policy and other issues.⁸

Origin has actively reviewed and provided input to various industry associations such as APPEA (Australian Petroleum Production & Exploration Association) and BCA (Business Council of Australia) on their climate change policies. It has also demonstrated a willingness to suspend its membership from organizations that do not show adequate progress on climate action. Recently, the company suspended its membership of the Queensland Resources Council.⁹ These actions demonstrate Origin's willingness to act when it identifies material dissonance between its position and those of its industry associations. BIS believes these actions demonstrate that Origin recognizes the business risk of policy position misalignment.

Nonetheless, on balance, BIS supported this proposal to signal the importance of the opportunity for Origin to continue to use its leadership position to constructively encourage its trade associations to further advance the global energy transition. The company argues that it can influence the position for its industry associations by remaining a member. Given the reputational risk to the company of misalignment in public positions on key strategic policy issues, we believe it would help investors' understanding of this argument if the company continues to improve its disclosures regarding where and how it has been able to shift the policy stance of the more contentious associations of which it is a member. As our support for this resolution is not a signal of dissatisfaction, BIS has not voted against any members of Origin's Board of Directors, which would typically be our approach to flag significant concerns about a company's management of material ESG issues.

⁷ See https://www.originenergy.com.au/content/dam/origin/about/investors-media/documents/origin_industry_associations_review_fy20_public.pdf

⁸ See previous footnote.

⁹ See <https://www.afr.com/companies/mining/resources-giants-review-qrc-memberships-over-greens-attacks-20201007-p562r0>